

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

PROCEEDING NO. 13AL-0496G

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IN THE MATTER OF ADVICE LETTER NO. 497, FILED BY ATMOS ENERGY CORPORATION TO PLACE INTO EFFECT TARIFF SHEET CHANGES TO BE EFFECTIVE ON JUNE 10, 2013

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**STIPULATION AND SETTLEMENT AGREEMENT BETWEEN ATMOS ENERGY CORPORATION, TRIAL STAFF OF THE COLORADO PUBLIC UTILITIES COMMISSION, AND ENERGY OUTREACH COLORADO**

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This Stipulation and Settlement Agreement (“Stipulation”) is entered into by and between Atmos Energy Corporation (“Atmos Energy” or the “Company”), Trial Staff of the Colorado Public Utilities Commission (“Staff”), and Energy Outreach Colorado (“EOC”), each of which is a “Settling Party” and collectively are the “Settling Parties”. The Settling Parties submit this Stipulation in resolution of all issues which were or could have been raised between the Settling Parties in this Proceeding and respectfully request that the Colorado Public Utilities Commission (“Commission”) approve this Stipulation for the purpose of resolving the issues in this Docket between the Settling Parties.

**Procedural Background**

1. On May 8, 2013, Atmos Energy filed Advice Letter No. 497 to implement an increase to its base rates to become effective on June 10, 2013. Atmos Energy proposed a multi-year rate plan based on Forecasted Test Years for 2013 through 2015 seeking a rate increase of approximately \$10.5 million over three years. Amended Advice Letter No. 497 was filed on May 9, 2013 to correct clerical errors.

2. On May 24, 2013, the Commission found good cause to suspended the effective date by 120 days and to set the matter for hearing pursuant to § 40-6-111(1), C.R.S. By Decision No. C13-0620, the Commission suspended Advice Letter No. 497 until October 9, 2013, and referred the matter to an Administrative Law Judge (“ALJ”) for a Recommended Decision.

3. Interventions in this docket were filed by Staff, EOC, the Office of Consumer Counsel (“OCC”), and Public Service Company of Colorado (“PSCo”). Decision No. R13-1022-I, issued on August 19, 2013, granted the interventions, further suspended the effective date of Advice Letter No. 497 until January 1, 2014, established a procedural schedule, and approved an across-the-board General Rate Schedule Adjustment (“GRSA”) of 12.85 percent to be placed in effect on January 1, 2014 subject to a refund condition.

4. Decision No. R13-1301-I, issued on October 17, 2013, modified the procedural schedule by providing additional time in the schedule for the intervenors to file Answer Testimony. On November 12, 2013, Staff, EOC, and OCC filed answer testimony. On December 2, 2013, PSCo withdrew its intervention from this Docket.

5. Through a series of negotiations, the Settling Parties arrived at this Stipulation which resolves all of the issues that were or could have been raised by the Settling Parties in this Docket.

### **Settlement Terms and Conditions**

6. The Settling Parties agree that Atmos Energy should be authorized a single rate increase in annual base revenues of \$1,644,000 (“Settlement Rate Increase”).

7. To calculate the Settlement Rate Increase, the Settling Parties utilized a historic test period of the twelve months ending December 31, 2012 (the “Settlement Test Period”) and calculated the Settlement Test Period Rate Base using the 13-month average methodology.

8. The Settlement Rate Increase utilizes a rate of return on equity of 9.72 percent and a weighted average cost of capital of 8.07 percent. The rate of return calculations are set forth in greater detail on Attachment 1 (Schedule 2 Return on Rate Base). The Settling Parties agree that Atmos Energy’s authorized rate of return on equity going forward shall be any rate of return on equity within the range of 9.5 percent to 10 percent.

9. The Settling Parties agree that the Settlement Rate Increase includes the revenue impact of including all of Atmos Energy’s per book investments in Advanced Metering Infrastructure (“AMI”) as of December 31, 2012 in base rates rather than reflecting these costs in a separate rate rider. In conjunction with implementation of interim rates on January 1, 2014, Atmos Energy will set the AMI surcharge at \$0.00. As part of the compliance filing following approval of the Stipulation, Atmos Energy will discontinue the existing AMI surcharge. Within 60 days following the final approval of the Stipulation, Atmos Energy will file a final reconciliation of the AMIS through the end of 2013 as well as a proposed mechanism, if necessary, to account for any over or under collected amounts that may exist.

10. The Settling Parties agree that the Settlement Rate Increase reflects the inclusion of average gas storage inventory costs during the Settlement Test Period in base rates as proposed by Atmos Energy rather than reflecting these costs in Atmos Energy’s Gas Cost

Adjustment (“GCA”) mechanism. However, Staff and the EOC specifically reserve the right to argue in a future proceeding that a different treatment of gas storage costs is appropriate.

11. The Settlement Rate Increase reflects adjustments to the Company’s filed Operations and Maintenance Expense. Specifically:

a. The Settling Parties agree that authorized rate case expenses should be reduced by \$100,000 (from \$450,000 to \$350,000) and amortized over three years. This adjustment does not specifically accept or reject any particular adjustment or regulatory principle proposed by any of the parties to this proceeding.

b. The Settling Parties accept Atmos Energy’s proposal to include \$333,333 in the revenue requirement in this case as a known and measurable adjustment to the Settlement Test Period expenses associated with Atmos Energy’s data integration project which will convert Atmos Energy’s historic records of its pipeline system into a geo-coded digital format. Without agreeing to the prudence of specific future expenditures for this project, the Settling Parties agree that the data integration project is reasonable and should proceed forward.

c. The Settling Parties agree to a negative adjustment of \$600,000 to the revenue requirement in this case to reflect imputed cost savings associated with Atmos Energy’s AMI program. Atmos Energy’s filing included \$310,741 in AMI savings in the historic test period. In the Settlement Rate Increase calculation, those imputed savings are increased by \$289,259 to a total of \$600,000 in the Settlement Test Period. This adjustment does not specifically accept or reject any particular adjustment or regulatory principle proposed by any of the parties to this proceeding.

d. The Settling Parties further agree to a negative adjustment of \$107,330 to the revenue requirement in this case. This adjustment does not specifically accept or reject any particular adjustment or regulatory principle proposed by any of the parties to this proceeding.

e. The Settlement Test Period Operation and Maintenance Expense adjustments are set forth in greater detail on Attachment 1 (Schedule 3 Adjustments to Operation and Maintenance Expense).

12. The Settlement Rate Increase reflects the Settling Parties agreement with respect to the Settlement Test Period Rate Base. Specifically:

a. The Settling Parties agree that Atmos Energy's investments in the statewide AMI deployment are reasonable and prudent. Therefore, the Settlement Rate Increase reflects the inclusion of the per book AMI investments as of December 31, 2012 in the Settlement Test Period Rate Base.

b. The Settlement Rate Increase also reflects the inclusion of Atmos Energy's gas storage costs in Rate Base as discussed in Paragraph 10 above.

c. The Settling Parties agree to remove from Rate Base the post-test period changes in net plant in service that were proposed by Atmos Energy.

d. The Rate Base agreement and adjustments are set forth in greater detail on Attachment 1 (Schedule 4 Adjustments to Rate Base).

13. The Settlement Rate Increase is proposed to be implemented in customer rates as follows:

a. The Settling Parties agree to a Residential monthly Facilities Charge of \$10.75. With respect to the other customer classes, the Settling Parties agree to the monthly Facilities Charges reflected in Attachment 1 (Proof of Rates).

b. The Settling Parties agree to utilize Atmos Energy's filed Class Cost of Service Study to calculate each customer class' revenue requirement and the Distribution System Rates for each customer class.

c. The Settling Parties agree to maintain Atmos Energy's four separate GCA rate areas.

d. The specific rate changes that would result from the Stipulation are set forth in greater detail on Attachment 1 (Proof of Rates).

e. Consistent with the level of the Settlement Rate Increase, the Settling Parties agree that Atmos Energy shall make an Advice Letter filing to reflect a 5.14 percent GRSA to replace the 12.85 percent GRSA proposed to become effective on January 1, 2014. The GRSA shall continue to be subject to the refund conditions set forth in Advice Letter Nos. 497 and 505. The Settling Parties' intent is to reflect the Settlement Rate Increase in interim rates so that if the Settlement Rate Increase is approved without modification, the refund conditions will not be applicable.

14. The Settling Parties agree with the proposed modifications to Atmos Energy tariff sheets R18 (regarding Interruptible customers), R25 (regarding construction allowances), sheet 23 (deleting an unnecessary footnote), and sheets 27 and 28 (regarding the elimination of the AMIS).

15. The Settling Parties agree that Atmos Energy shall utilize the depreciation rates set forth in the 2010 SSU Depreciation Rate Study attached to the Direct Testimony and Exhibits of Mr. John C. Johnson.

16. Atmos Energy agrees to apply for a Certificate of Public Convenience and Necessity (“CPCN”) for the Greeley Building Project, the Canon City Building Project, and the Salida and Gunnison Building Project prior to commencing construction.

17. Notwithstanding Atmos Energy’s agreement in this case not to move forward with a multiyear plan, Atmos Energy reserves the right to seek deferred accounting treatment, new rate riders, or other alternative regulatory mechanisms to recover the costs associated with the building projects and Atmos Energy’s System Safety and Integrity Project. Neither Staff nor EOC are agreeing to any position regarding any such future filing.

18. The Settling Parties agree that Atmos Energy shall use the specific regulatory principles reflected in this Stipulation for purposes of Atmos Energy’s Annual Reports, Appendix A, and GCA calculations.

### **General Terms and Conditions**

19. The Settling Parties agree that this Stipulation is in the public interest and will be supported by the Settling Parties’ testimony and/or statements of counsel in this proceeding. The Settling Parties agree to support this Stipulation as being in the public interest in proceedings before the Commission and to advocate in good faith that the Commission approve this Stipulation in its entirety.

20. The Settling Parties agree that this Stipulation represents a compromise in the positions of all Settling Parties and has been negotiated as a packaged settlement. As such, the Settling Parties acknowledge that their support and advocacy of the Stipulation is based upon the Stipulation as a whole and not based upon its individual components viewed in isolation. Additionally, evidence of conduct or statements made in the negotiation and discussion phases of this Stipulation will not be admissible as evidence in any proceeding before the Commission or any court.

21. The Settling Parties agree that all negotiations relating to this Stipulation are privileged and confidential, and that no party will be bound by any position asserted in the negotiations, except to the extent expressly stated in this Stipulation.

22. The Settling Parties agree that except as otherwise expressly noted in this Stipulation: (a) the execution of this Stipulation will not be deemed to constitute an acknowledgment of any Settling Party of the validity or invalidity of any particular method, theory or principle of ratemaking or regulation, and no Settling Party will be deemed to have agreed that any principle, method or theory of regulation employed in arriving at this Stipulation is appropriate for resolving any issue in any other proceeding; (b) the execution of the Stipulation will not constitute the basis of estoppel or waiver in future proceedings by any Settling Party; and (c) no Settling Party will be deemed to be bound by any position asserted by any other Settling Party, and no finding of fact or conclusion of law other than those expressly stated will be deemed to be implicit in this Stipulation. Any specific reservation of future litigation rights contained in the Stipulation should not be deemed to waive the applicability of this general reservation of litigation rights in future proceedings as to all matters contained in the Stipulation.



23. The Settling Parties acknowledge that their support and advocacy of the Stipulation may be compromised by material alterations thereto. In the event the Commission rejects or materially alters the Stipulation, the Settling Parties agree that within seven days of such Commission Decision any Settling Party may provide notice to the other Settling Parties of its objection to the Stipulation as modified. Upon such objection, the Settling Parties will no longer be bound by its terms and will not be deemed to have waived any of their respective procedural or due process rights under Colorado law. If a Settling Party objects to the Stipulation as modified, it may withdraw from the Stipulation and proceed with its case by filing a notice of withdrawal with the Commission and in accordance with procedures established by the Commission at such time.

24. If the Commission chooses to adopt and approve the Stipulation, this Stipulation resolves all disputed matters relative to this proceeding between the Settling Parties. Any disputed matters will be deemed resolved to the extent that the Stipulation is not compromised by material alterations.

25. Except as otherwise expressly provided in this Stipulation, the issuance of an Order approving this Stipulation will not be deemed to work as an estoppel upon the Settling Parties or the Commission, or otherwise establish, or create any limitation on or precedent of the Commission, in future proceedings.

26. This Stipulation will not become effective and will be given no force and effect until the issuance of a final written Commission decision that accepts and approves this Stipulation.

27. This Stipulation may be executed in one or more counterparts and each counterpart will have the same force and effect as an original document and as if all the Settling Parties had signed the same document. Any signature page of this Stipulation may be detached from any counterpart of this Stipulation without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of the Stipulation identical in form hereto but having attached to it one or more signature page(s). The Settling Parties agree that “pdf” signature pages exchanged by e-mail will satisfy the requirements for execution.

BASED ON THE FOREGOING, the Settling Parties respectfully request that the Commission issue an Order approving this Stipulation and adopting the terms and conditions of this Stipulation.

DATED this 20th day of December, 2013.

RESPECTFULLY SUBMITTED,

ATMOS ENERGY CORPORATION

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