

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS CORPORATION FOR) CASE NO.
FOR A GENERAL RATE ADJUSTMENT) 2015-00343

ATTORNEY GENERAL'S RESPONSES TO DISCOVERY REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and files the following responses to data requests in the above-styled matter.

Respectfully submitted,
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An Investigation of an Increase in R & D Rider
Proposed by Atmos Energy Case
No. 2016-00070

Attorney General's Responses to Data Requests of the Kentucky Public Service Commission

WITNESS/RESPONDENT RESPONSIBLE

Lane Kollen

REQUEST No.1

Page 1 of 1

Refer to the Direct Testimony and Exhibits of Lane Kollen ("Kollen Testimony"), page 3, lines 10-14. Confirm that, despite the magnitude of the proposed increase in the R&D Rider charge being five times the current charge, the impact on the average monthly residential bill is 7.6 cents.

RESPONSE:

Confirm.

WITNESS/RESPONDENT RESPONSIBLE

Lane Kollen

REQUEST No.2

Page 1 of 2

Refer to the Kollen Testimony, page 4, wherein it states that the cost is not necessary for the provision of utility service and that no quantifiable benefits are identified from the present R&D charge, and which references the history of the charge as explained in the Direct Testimony of Mark A. Martin. State whether the AG is aware that the pre-1999 interstate pipeline charges related to research and development were charges that had been through the regulatory process at the federal level and were approved by the Federal Energy Regulatory Commission as reasonable charges.

RESPONSE:

Yes, Mr. Kollen is aware that the FERC allowed interstate pipelines to recover R&D expenses through a surcharge, which Atmos recovered as a cost of gas in its retail GCA. The FERC no longer allows recovery of this cost, although the Commission authorized recovery of through the R&D rider in Case No. 99-070 in conjunction with a settlement in that proceeding. The AG does not seek to overturn that Commission decision in Case No. 99-070 and does not seek a reduction in the present R&D Rider charge. However, the AG opposes an increase in the present charge. The Company has provided no substantive support for an increase and identified no tangible or quantified benefits for Kentucky customers. The sole basis for the Company's request is that the present recovery is less than what the FERC previously allowed. That fact is irrelevant. If it were relevant, then the R&D charge should be set to \$0, the same as the FERC presently allows. When the FERC authorized recovery, the Commission and other Atmos state regulators had no discretion regarding retail recovery of the interstate pipeline charges approved by the FERC due to federal preemption. Now there is no R&D surcharge in the interstate pipeline charges. There no longer is federal preemption and state regulators now have discretion regarding whether they fund R&D and whether the funds collected are remitted for commercial research and development.

GTI has multiple funding sources and provides research and development activities to commercial customers. As evidenced by GTI's website, GTI markets to customers who will benefit from research and development activities and who are willing to pay for specific projects. Their website also indicates that "For 75 years, we have been providing economic value to the natural gas industry and energy markets by developing technology-based solutions for industry, government, and consumers." The website also states that "GTI R&D teams provide contract and collaborative R&D services to industry, government, and consortia seeking competitive advantages through innovations in technology." In addition, the website states that "By encouraging involvement and input from manufacturing partners early in the process, as well as through field trials and prototype evaluation, we can help you meet market needs for price and performance."

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REQUEST No.2

Page 2 of 2

Thus, GTI obtains funding from a variety of sources, some of whom seeking profit from commercializing the research.

WITNESS/RESPONDENT RESPONSIBLE

Lane Kollen

REQUEST No.3

Page 1 of 1

Refer to the Kollen Testimony, pages 5-6. Explain more specifically what private industry is benefited by Atmos Energy Corporation's investment in Gas Technology Institute projects, and why its customers do not benefit in a practical way by advances in natural gas distribution and operational technology, for example those that target decreases in pipeline damage and leaks.

RESPONSE:

See the response to Question 2. Refer also to the Direct Testimony of Mr. Martin at page 4, lines 8-15 wherein he states, "While the Company does not directly benefit financially from the R&D Rider, the Company does benefit by new technology and more efficient appliances that result from research funded by the R&D Rider." Yet the Company's customers benefit from research by new technology and more efficient appliances that are developed in the commercial marketplace regardless of whether the research is performed by GTI on behalf of commercial customers and paid by those customers or if is paid for by customers through rate surcharges. As Mr. Kollen noted in his testimony, Mr. Martin was not able to point to specific instances in which he R&D Rider reduced costs for the Company, despite the AG's request for it to provide this information. Mr. Martin mentioned generally only "new technology and more efficient appliances." Mr. Kollen believes that private industry manufacturers and service providers sell those new appliances and other products of the "new technology," so they should fund the research that goes into their products and services. They get their investment back when customers for their equipment and services choose to purchase the "new technology." The ratepayers may benefit from advances in natural gas distribution and operational technology, but they already provide the Company recovery of these costs in rates. Rates include the capital investment required to obtain the equipment that can provide those advances.

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WITNESS/RESPONDENT RESPONSIBLE

Lane Kollen

REQUEST No.4

Page 1 of 1

State whether the AG is aware that Columbia Gas of Kentucky collects \$300,000 annually through a \$.0139 per Mcf charge set out in its Rider for Natural Gas Research & Development tariff.

RESPONSE:

Yes. Those are the parameters of Columbia Gas of Kentucky, Inc.'s Gas Tariff No. 5 Thirteenth Revised Sheet No. 51c, effective as of March 1, 2016. Mr. Kollen understands that the GTI surcharge implementation resulted from a settlement in Case No. 2002-00145 and that the \$300,000 threshold, the rate per mcf for which is trued-up annually based on usage, has not been adjusted since. Mr. Kollen does not believe that the Commission should set rates for Atmos based on the rates set for Columbia Gas.