

WILSON, HUTCHINSON & LITTLEPAGE

611 Frederica Street
Owensboro, Kentucky 42301
Telephone (270) 926-5011
Facsimile (270) 926-9394

William L. Wilson, Jr.
Mark R. Hutchinson
T. Tommy Littlepage
Sean S. Land

bill@whplawfirm.com
randy@whplawfirm.com
ttommy@whplawfirm.com
sean@whplawfirm.com

August 1, 2019

Ms. Gwen Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

**Re: WKG Storage, Inc.
Case No. 2018-00064**

Dear Ms. Pinson:

In the Commission's order of December 12, 2018 in Case No. 2018-00064, the Commission ordered WKG Storage, Inc. ("WKG") to update its rates once it was able to finalize its calculations of excess ADIT:

No later than 30 days after WKG files its fiscal year 2018 federal income tax return, WKG shall file with the Commission revisions to the estimated impacts of the [Tax Cuts and Jobs Act] on excess [accumulated deferred income taxes] and a proposal to reflect the revisions in rates.

Atmos Energy Corporation ("Atmos Energy") filed its consolidated tax return on July 5, 2019. Although a final excess accumulated deferred income taxes ("ADIT") for Atmos Energy as a whole has not yet been calculated, WKG, as a separate legal entity, has been able to finalize its excess ADIT. The correct annual EDIT amortization has been determined to be \$36,284. The impact to WKG's rates is very minimal, with the monthly storage reservation charge increasing by \$0.0001 from \$0.0716 to \$0.0717. Injection and withdrawal rates were not affected.

Given the relatively minor increase to rates that the revisions to excess ADIT produced, WKG respectfully asks the Commission to permit it to maintain its currently effective tariff sheets. In the alternative, should the Commission require WKG to increase its monthly storage reservation charge, WKG believes it would be appropriate to file such a change to be effective January 1, 2020, as the currently effective 2019 rates are still truing up Tax Cuts and Jobs Act impacts from prior periods.

Included with this filing are three attachments:

1. Attachment 1 - A spreadsheet calculating the revised excess ADIT and its impact on the Cost of Service, based upon the last Cost of Service worksheet from WKG's last rate case.
2. Attachment 2 - Revised Tariff Sheets, to be effective January 1, 2020 to reflect the revised excess ADIT.
3. Attachment 3 - A revised Exhibit A to the contract with Atmos Energy Corporation, to be effective January 1, 2020, reflecting revised rates and charges.

Very truly yours,



T. Tommy Littlepage
Attorney for WKG Storage, Inc.

cc: WKG Storage, Inc.

Atmos Energy Corporation

WKG Storage Regulatory Liability and P&L Analysis

	Blended Deferred Rate				
	Blended Deferred Rate Before Tax Reform	After Tax Reform, Excluding FY18 Activity	Blended Deferred Rate After Tax Reform, FY18 Activity	Blended Deferred Rate After Tax Reform, FY18 & Going Forward	
	Federal Tax Rate	35.0000%	21.0000%	24.5000%	21.0000%
	State Deferred Rate	7.6900%	7.6900%	0.7400%	0.7400%
Federal Benefit of State Deferred Rate	-2.6915%	-1.6149%	-0.1813%	-0.1554%	
Total Deferred Tax Rate	39.9985%	27.0751%	25.0587%	21.5846%	

Code	Type of ADIT	Reg Liability		WKG Storage ADIT	WKG Storage ADIT	Total WKG Storage	WKG Storage ADIT	WKG Storage ADIT	Total WKG Storage	Total WKG Storage	
		Category	Name	9/30/2017 Valued at 40%**	9/30/2017 True Ups Valued at 40%**	ADIT 9/30/2017 Including True Ups Valued at 40%**	9/30/2017 Including True Ups Revalued at 21.58%**	9/30/2018 Activity Valued at 25.06%**	9/30/2018 Activity Revalued at 21.58%**	ADIT Subject to Revaluation	ADIT Revalued at 21.58%
FXA01	Fed & State	Plant	Fixed Asset Cost Adjustment	(1,292,478)	(6,601)	(1,299,079)	(701,029)	0	0	(1,299,079)	(701,029)
FXA02	Fed & State	Plant	Depreciation Adjustment	(560,694)	(4,282)	(564,976)	(304,881)	32,951	28,383	(532,025)	(276,498)
FXA26	Fed & State	Plant	CWIP	288	(255)	33	18	0	0	33	18
Total				(1,852,884)	(11,138)	(1,864,022)	(1,005,892)	32,951	28,383	(1,831,071)	(977,509)

Atmos Energy Corporation
 WKG Storage Regulatory Liability and P&L Analysis

Federal Tax Rate
 State Deferred Rate
 Federal Benefit of State Deferred Rate
Total Deferred Tax Rate

Components of Re-Measured WKG Storage ADIT Balance

Components of Deferred Re-Measurement Change

Code	Difference Deferred Re- Measurement	WKG Storage	WKG Storage	Total WKG Storage Deferreds	WKG Storage Deferred Re-Measurement Change Items Not Included in Rate Base = P&L Impact	WKG Storage	Total Gross Up Recorded on WKG Storage	Total Regulatory Liability Recorded on WKG Storage
		Deferreds Not Included in Rate Base Re-Measured at 21.58% **	Deferreds Included in Rate Base Re-Measured at 21.58% **			Deferred Re- Measurement Change Items Included in Rate Base = Excess Deferreds		
FXA01	(598,050)	0	(701,029)	(701,029)	0	(598,050)	(164,619)	(762,669)
FXA02	(255,527)	0	(276,498)	(276,498)	0	(255,527)	(70,336)	(325,863)
FXA26	15	0	18	18	0	15	4	19
Total	(853,562)	0	(977,509)	(977,509)	0	(853,562)	(234,951)	(1,088,513)

Amortization Period 30

Annual Amortization (36,284)

As Originally Calculated/Provided

(598,661) (222,267) (820,928)

Amortization Period 32

Annual Amortization (25,654)

Change in Annual Amortization (10,630)

WKG STORAGE, INC.
RATE DESIGN
TEST YEAR ENDING DECEMBER 31, 2015, as adjusted for TCJA

Line No.	Description	Reference	Storage Transportation (TS-1) (C)	Storage Service (S-1) (D)	Total Cost of Service (E)				
1	Allocated Storage Costs 1/	Schedule A	\$ 501,024	\$ 1,503,073	\$ 2,004,097				
2	Monthly Billing Determinants	Contracted Capacity	1,750,000	1,750,000				479850	\$ (21,174)
	Proposed Rates:								
3	Transportation Injection		\$0.1431						
4	Transportation Withdrawal		\$0.1431						
5	Storage Reservation			\$0.0717		\$0.0686	\$0.0031	1,354,185	58,590
	Current Rates:								\$0.00279
6	Transportation Injection		\$0.1371						
7	Transportation Withdrawal		\$0.1371						
8	Storage Reservation			\$0.069					
			250425						
			250425						
				1504650					
				2005500					

0.25	Yes	< 25 / 75 - tariff split
------	-----	--------------------------

Existing Tariff Revenue Requirement- two cases back \$ 525,000 \$ 1,050,000 < leave for calculation of rates above

WKG STORAGE, INC.
COST OF SERVICE
TEST YEAR ENDING DECEMBER 31, 2015, as adjusted for TCJA

Line No.	Description	Reference	Per Book	Adjustments	Adjusted Cost of Service
	(a)	(b)	(c)	(d)	(e)
1	Summary - Cost of Service:				
2	Revenues	Schedule J	\$ 1,470,000	\$ 465,381	\$ 1,935,381
3	Revenues - adjustment to reflect full tariff rates	Schedule J		105,000	
4					
5					
6	Rate Base	Schedule B	10,078,765	(1,062,658)	9,016,107
7	Requested Rate of Return	Schedule I	7.70%		7.70%
8	Required Return on Rate Base		776,065	(81,825)	694,240
9					
10	Operation and Maintenance Expenses	Schedule E	813,769		813,769
11					
12	Taxes Other than Income Taxes	Schedule G	68,801		68,801
13					
14	Depreciation and Amortization Expense	Schedule F	342,589		342,589
15					
16	Income Taxes	Schedule H	(1,498)	122,479	120,981
17	EDIT Amortization				(36,284)
18	Cost of Service		\$ 1,999,726	\$ 40,654	\$ 2,004,097

2,097,707 Cost of Service Per Order
(\$57,435) Change in FIT (See Schedule H)
108.61 Rounding in taxes & ROR calculations between model/final order
2,040,381 TCJA Revenue Requirement

FOR ENTIRE SERVICE AREA

**PSC KY. No. 1
Fourth Revised Sheet No. 1
Cancelling PSC KY No. 1
Third Revised Sheet No. 1**

WKG STORAGE, INC.
(NAME OF UTILITY)

CLASSIFICATION OF SERVICE

Storage Transportation Service Rate TS-1

1. Applicable: Entire service area, i.e. Natural Gas Storage Facility located in Sections 9, 10, 11, 12-J-25 (Carter Coordinates), Hopkins County, Kentucky. Pipeline connector extending from storage field westward approximately 15 miles to intersection with ANR Transmission Line one-half mile south of Rabbit Ridge, Kentucky (Hopkins County).

2. Availability of Service: Available to customers who have contracted for storage space in East Diamond Storage Reservoir.

3. Rate- Net:	Transportation -	Injection- \$0.1431 cents per 1000 cubic feet	(T) (I)
		Withdrawal - \$0.1431 cents per 1000 cubic feet	(T) (I)
			(T)
			(T)

4. Terms and Conditions:

A. Specific details relating to volumes, delivery and other matters shall be covered by separate contract with the individual customers.

B. The Company shall have the right at any time, without liability to the customer, to curtail or to discontinue storage and delivery of gas entirely for any period of time when such curtailment or discontinuance is in the Company's sole discretion necessary to protect and assure operation of the Company's underground storage reservoir; to comply with any restriction or curtailment as maybe imposed by any governmental agency having jurisdiction over the Company; or for any causes due to force majeure; so that the Company may maintain the operating efficiency of its system in a safe and orderly manner.

DATE OF ISSUE August 1, 2019
Month/Date/Year

DATE EFFECTIVE January 1, 2020
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2018-00064 dated December 12, 2018

ISSUED BY /s/ David Park
Signature of Officer

TITLE President

WKG STORAGE, INC.
(NAME OF UTILITY)

CLASSIFICATION OF SERVICE

Storage Transportation Service Rate S-1

1. Terms:

The Applicability, Availability of Service and Terms and Conditions are identical to paragraphs 1, 2, and 4 as set out on Storage Transportation Service Rate TS-1.

2. Terms and Conditions:

A. Storage:

Reservation charge- \$0. 0717 per MCF times the contract volume of working gas, payable monthly

(T) (I)
(T)

(T)
(T)

B. Cushion Gas:

Cushion gas is exempt from storage or gathering

C. Fuel and Shrinkage:

A Fuel and Shrinkage of 1% shall be applied to all gas withdrawn from storage.

DATE OF ISSUE August 1, 2019
Month/Date/Year

DATE EFFECTIVE January 1, 2020
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case
No. 2018-00064 dated December 12, 2018

ISSUED BY /s/ David Park
Signature of Officer

TITLE President

EXHIBIT "A"

This Exhibit A is incorporated by reference and is made a part of that certain Underground Natural Gas Storage Agreement made and entered into as of January 1, 2019, between WKG Storage, Inc. and Atmos Energy Corporation.

MONTHLY DEMAND CHARGE CALCULATION EFFECTIVE JANUARY 1, 2020

2.16 BCF WORKING STORAGE CAPACITY AT 100% ANNUAL UTILIZATION

TS-1 Rate Schedule

Injection: 1.75 BCF @ 0.1431 per Dth	=	\$250,425.00
Withdrawal: 1.75 BCF @ 0.1431 per Dth	=	<u>\$250,425.00</u>
TOTAL:		\$500,850.00

S-1 Rate Schedule

Storage Reservation Charge:

1.75 BCF X \$0.0717/Dth X 90% X 12 Months	=	<u>\$1,355,130.00</u>
TOTAL:		\$1,355,130.00
ANNUAL CHARGES:		\$1,855,980.00

MONTHLY DEMAND CHARGES: \$ 154,665.00