

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC REQUEST OF ATMOS ENERGY )  
CORPORATION FOR MODIFICATION AND ) Case No. 2020-00289  
EXTENSION OF ITS GAS COST ADJUSTMENT )  
PERFORMANCE BASED RATEMAKING )  
MECHANISM )

---

**ATTORNEY GENERAL’S FIRST REQUEST FOR INFORMATION  
TO ATMOS ENERGY CORPORATION**

---

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“Attorney General”), and submits his First Request for Information to Atmos Energy Corporation (hereinafter “Atmos” or the “Company”) to be answered by November 13, 2020, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that

the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout, which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda

of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the

control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

DANIEL J. CAMERON  
ATTORNEY GENERAL



---

JOHN G. HORNE II  
J. MICHAEL WEST  
LAWRENCE W. COOK  
ANGELA M. GOAD  
ASSISTANT ATTORNEYS GENERAL  
1024 CAPITAL CENTER DRIVE, SUITE 200  
FRANKFORT, KY 40601-8204  
PHONE: (502) 696-5421  
FAX: (502) 573-1005  
[John.Horne@ky.gov](mailto:John.Horne@ky.gov)  
[Michael.West@ky.gov](mailto:Michael.West@ky.gov)  
[Larry.Cook@ky.gov](mailto:Larry.Cook@ky.gov)  
[Angela.Goad@ky.gov](mailto:Angela.Goad@ky.gov)

*Certificate of Service and Filing*

Pursuant to the Commission's Orders dated March 16, 2020 and March 24, 2020, in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served by e-mail to the following. Further, the Attorney General will submit the paper originals of the foregoing to the Commission within 30 days after the Governor lifts the current state of emergency.

Mark R. Hutchinson  
Wilson, Hutchinson & Littlepage  
[randy@whplawfirm.com](mailto:randy@whplawfirm.com)

John N. Hughes  
[jnhughes@johnnhughespsc.com](mailto:jnhughes@johnnhughespsc.com)

This 29<sup>th</sup> day of October, 2020.



---

Assistant Attorney General

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

1. Refer to Atmos' Submission of Annual and Four Year Reports and Motion to Modify and Extend Performance Based Ratemaking Mechanism ("Submission"), unnumbered page 1. Atmos asserts that in Case No. 2015-00298, which was the prior Performance Based Ratemaking ("PBR") mechanism case, the Commission's Order stated that the Commission would continue to review the PBR mechanism to determine whether it should be continued, modified, or terminated.
  - a. Explain in detail why the PBR mechanism should be continued.
  - b. Explain in detail why the PBR mechanism should not be modified.
  - c. Explain in detail why the PBR mechanism should not be terminated.
2. Refer to Atmos' Report on Performance-Based Ratemaking, Report Period: June 2016-May 2020 ("Report"), page 1. Atmos asserts that "[t]he PBR was designed to create a system of rewards and penalties that would encourage Atmos to acquire low cost supplies of natural gas."
  - a. Explain in detail what system of rewards the PBR creates for Atmos.
  - b. Explain in detail what rewards Atmos has obtained from the PBR.
  - c. Explain in detail what penalties are associated with the PBR.
  - d. Explain in detail how Atmos has been penalized from the PBR.
3. Refer to the Submission and Report generally. Confirm or deny that the only gas companies in Kentucky that have PBR mechanisms besides Atmos is Columbia Gas of Kentucky, Inc. ("Columbia Kentucky") and Louisville Gas and Electric Company ("LG&E").

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

4. Explain in full detail how all of the other gas companies in Kentucky provide low cost gas to its customers without utilizing a PBR mechanism.
5. Refer to the Submission and Report generally.
  - a. Provide a detailed explanation of how Atmos' PBR mechanism operates. Ensure to include all of the cost components of the PBR with the applicable benchmark amounts, and how the benchmarks were calculated. Also, include all bands with the sharing ratios between the shareholders and customers.
  - b. Compare and contrast Atmos' current PBR mechanism to the most updated PBR mechanisms of Columbia Kentucky and LG&E.
  - c. Compare and contrast Atmos' proposed PBR mechanism to the most updated PBR mechanisms of Columbia Kentucky and LG&E.
6. Refer to the Submission and Report generally. Provide a detailed list of all other states that have approved natural gas PBR mechanisms. Further, explain how Atmos' PBR mechanism compares to PBR mechanisms in the other states.
7. Refer to the Report, page 1. Atmos states that the “[a]ctual costs are compared to an established benchmark of costs, generally based on market prices for gas, and any excess costs or savings are shared between shareholders and customers.”
  - a. Identify the case in which the Commission ordered each benchmark of costs.
  - b. Explain in detail how Atmos' benchmarks are calculated.
  - c. Provide a detailed explanation of how any excess costs are allocated between the shareholders and customers.

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

- d. Explain whether Atmos and/or its shareholders have ever absorbed costs under the PBR mechanism.
  - e. Explain whether Atmos' customers have absorbed costs under the PBR mechanism.
8. Refer to the Report, page 1. Atmos contends that the "PBR also serves to eliminate the reasonableness review of gas procurement costs."
- a. Specify whether the Commission stated the above quoted language in an Order, and if so, provide the applicable case reference.
  - b. Explain in detail why the PBR should eliminate the reasonableness review of gas procurement costs.
9. Refer to the Report, page 1. Atmos states that on June 1, 1998, the Commission approved Atmos' proposal with slight modifications. Explain what modifications the Commission made to the proposal.
10. Refer to the Report, page 1. Atmos asserts that on December 14, 1998, the Commission approved a request by Atmos to change the commencement date of the PBR to July 1, 1998, to synchronize the start of the PBR with the effective date of the new gas supply contract Atmos entered into as a result of the Commission's PBR approval order. Explain why Atmos entered into a new gas supply contract based upon the result of the Commission's PBR Order.
11. Refer to the Report, page 2. Atmos states that on June 15, 2001, the Commission approved an extension of Atmos' PBR pilot through March 31, 2002. Explain why the extension of the PBR approved by the Commission was for less than one year.

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

12. Refer to the Report, page 2. Atmos asserts that on March 25, 2002, the Commission approved the PBR program, as modified, for a period of four years, commencing on April 1, 2002. Provide the modifications that Atmos is alluding to in the above-referenced statement.
13. Refer to the Report, page 2. Atmos states that it filed a proposal to extend its existing PBR program for two months in order to synchronize the term of the RFP with its current asset management contract.
  - a. With regard to the PBR mechanism, provide the names of all companies that Atmos has contracted with for asset management between 2010-2020, and the corresponding year(s) each company acted as the asset manager.
  - b. Explain in detail the asset manager's duties as it relates to the PBR mechanism.
  - c. Explain whether any of the current or past asset managers are affiliated with Atmos.
14. Refer to the Report, page 2. Atmos states that on February 8, 2006, the Commission approved Atmos' proposal with slight modifications for a five-year term through May 31, 2011. Explain in detail what modifications the Commission made to the proposal.
15. Refer to the Report, page 2. Atmos asserts that on December 7, 2010, the Commission approved Atmos' proposal with slight modifications for a five-year term through May 31, 2016. Explain in detail what modifications the Commission made to the proposal.
16. Refer to the Report, page 2. Atmos states that on March 31, 2016, the Commission approved Atmos' proposal for extension and tariff modifications for a five-year term through May 31, 2021. Explain in detail what modifications the Commission made to the proposed extension of the PBR and to the tariff.

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

17. Refer to the Report, pages 2-3.

- a. Atmos states that when designing a contract model for the PBR mechanism, it assumed that the contract must be competitively bid in order to minimize price.

Explain Atmos' process to competitively bid the contracts for the PBR mechanism.

- b. Provide the names of all companies that have won Atmos' PBR contracts between 2010-2020.

- c. Atmos states that when designing a contract model for the PBR mechanism, it assumed that a single source supply contract for Atmos' distribution systems served by Texas Gas/Trunkline/ANR and a single source supply contract for Atmos' distribution systems served by Tennessee Gas Pipelines would generate greater overall discounts. Explain in detail why this would generate greater overall discounts.

- d. Atmos asserts that a comprehensive gas supply contract would encourage bids without supply reservation fees. Explain this assertion more fully.

- e. Atmos states that maximizing the term of the contract and the opportunities available to potential bidders under the contract would further maximize bids. Explain this assertion more fully.

- f. Atmos asserts that the contract must be expressed in price terms that mirror the pre-established benchmarks under the PBR in order to assure measurability against those benchmarks as well as savings. Explain this assertion more fully.

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

18. Refer to the Report, page 3. Atmos contends that retaining key operational controls and establishing strict performance requirements for the supplier would enhance the reliability of its supply, particularly during periods of peak demand.
- a. Explain what operational controls Atmos retained with regard to the PBR mechanism.
  - b. Explain the strict performance requirements that Atmos establishes for the supplier.
  - c. Explain why this would enhance the reliability of its supply, especially during periods of peak demand.
19. Refer to the Report, page 4. Atmos asserts that the arithmetic average of the basket of indices for base load purchases within the PBR mechanism utilizes New York Mercantile Exchange (“NYMEX”), Henry Hub, and Inside FERC. Atmos further states that Platt’s Gas Daily is used for incremental purchases. Explain the similarities and differences between how Atmos, LG&E, and Columbia Kentucky calculate the base load purchases within the individual PBR mechanisms.
20. Refer to the Report, page 4. Atmos states that the assignment of the management of Atmos’ transportation and storage assets to the potential supplier was viewed as a “value-added” feature that would encourage an additional level of discounting by bidders. Explain why this was seen as a “value-added” feature.
21. Refer to the Report, page 4. Atmos avers that it retained full operational control through mandatory compliance with a prescribed seasonal storage and operational plan, and non-performance penalties and remedies.

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

- a. Further expound upon Atmos' mandatory compliance with a prescribed seasonal storage and operational plan.
  - b. Explain in detail whether Atmos has ever assessed non-performance penalties, and if so, what remedy was provided by the supplier.
22. Refer to the Report, page 5.
- a. Provide the names of all the pipeline companies that Atmos has used for transportation of natural gas between 2010-2020. Ensure to include whether any of the companies are affiliates of Atmos.
  - b. Explain whether receiving segmented capacity from Atmos Mississippi violates any affiliate transaction law(s).
  - c. Explain in full detail what the Asset Manager's responsibilities are with respect to Atmos' PBR mechanism.
23. Refer to the Report, page 6.
- a. Explain in detail why Atmos stopped performing capacity releases in 2011.
  - b. Explain why Atmos is requesting to continue including the capacity release component within the Transportation Cost component mechanism if it has not been used since 2011.
  - c. Explain in detail why the Off-System Sales mechanism has not been directly utilized under the PBR mechanism.
  - d. Explain why Atmos is requesting to continue including the Off-System Sales mechanism in the PBR mechanism if it has not been directly utilized.

Electronic Request of Atmos Energy Corporation for Modification and Extension of its Gas Cost Adjustment Performance Based Ratemaking Mechanism, Case No. 2020-00289

24. Explain in full detail whether Atmos believes a PBR mechanism is still necessary in the current low-cost natural gas environment.
25. State whether any Atmos affiliated local distribution company (“LDC”) operates, or operated in the past, under a gas procurement PBR mechanism. If so, provide the details of the mechanism.
26. Provide the total amount of PBR savings from April 1, 2016 through the present day.
27. Provide the total amount of PBR savings from April 1, 2016 through the present day, broken down by cost component.
28. Provide the total amount of PBR savings from April 1, 2016 through the present day, broken down by the monetary amounts attributed to the shareholders versus the customers.
29. Provide all costs that Atmos incurs on a yearly basis that is associated with the PBR mechanism, and identify whether the shareholder or customer pays for the costs.
30. Refer to the Motion to Modify and Extend Performance Based Ratemaking Mechanism, and refer to the Report, page 7, wherein Atmos states it proposes no changes to its existing PBR mechanism. Provide clarification as to whether Atmos is requesting a modification to its PBR mechanism, and if so, identify all modifications regarding the same.