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December 18, 2020

Ms. Linda Bridwell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602-0615

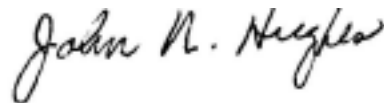
RE: Atmos Energy: Case 2020-00289

Dear Ms. Bridwell:

Atmos Energy Corporation submits its responses to the Commission's Second Request for Information in the above captioned proceeding. If there are any questions about this matter, please contact me.

I certify that the electronic filing is a complete and accurate copy of the original documents to be filed in this matter, which will be filed within the time designated by the Commission's COVID-19 orders and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

Sincerely,



John N. Hughes  
Attorney for Atmos  
Energy Corporation

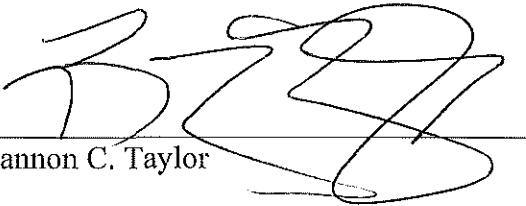
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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

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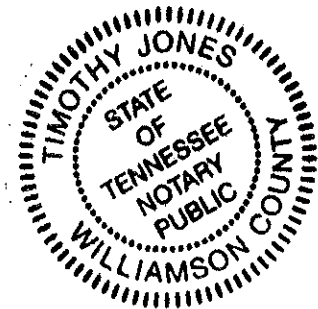
The Affiant, Brannon C. Taylor, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.


  
 \_\_\_\_\_  
 Brannon C. Taylor

STATE OF Tennessee

COUNTY OF Williamson

SUBSCRIBED AND SWORN to before me by Brannon C. Taylor on this the 17 th day of December, 2020.



  
 \_\_\_\_\_  
 Notary Public  
 My Commission Expires: 9-18-2022

**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-01**  
**Page 1 of 1**

**REQUEST:**

Refer to Atmos's response to Commission Staff's First Request for Information (Staff's First Request), Item 1. Provide the responses to subparts 1.b. and 1.c. electronically in Excel spreadsheet format with all formulas intact and all cells accessible and unprotected.

**RESPONSE:**

Please see Confidential Attachment 1.

**ATTACHMENT:**

ATTACHMENT 1 - Staff\_2-01\_Att1 - PBR Summary 2006-2016 CONFIDENTIAL.xlsx, 19 Pages.

Respondent: Brannon C. Taylor

**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-02**  
**Page 1 of 1**

**REQUEST:**

Refer to Atmos's response to Staff's First Request, Item 1.b.

- a. Confirm that the total monthly savings range from 8.23 percent to 11.21 percent of gas costs in each of the four program years shown. If confirmed, state whether a threshold of 2 percent of gas costs would provide a meaningful incentive, and explain each basis for your response.
- b. Refer also to Case No. 2019-00437,<sup>1</sup> wherein the Commission found it reasonable for Louisville Gas and Electric Company's Performance-Based Rate (PBR) mechanism "to increase the range for initial sharing so that the upper end of the band reflects historical achieved savings." Confirm that Atmos achieved average savings of 9.1 percent of gas costs for the period June 2016 through May 2020. If this cannot be confirmed, provide Atmos's calculation of the average savings percentage for the same period.

**RESPONSE:**

- a. Confirm. The current mechanism strikes the right balance to incentivize the Company to take on price risk and generate greater savings. The basis of the 2% tier is the Commission Order approving the PBR mechanism. For the same reasons a 2% tier was "meaningful" at the time of its approval that level remains valid today. The PBR mechanism's historical performance demonstrates that it effectively incentivizes the Company to continuously seek savings and reduce costs.
- b. Confirm.

Respondent: Brannon C. Taylor

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<sup>1</sup> Case No. 2019-00437, Electronic Application of Louisville Gas and Electric Company for Renewal and Proposed Modification of Its Performance-Based Ratemaking Mechanism (Ky. PSC Oct. 26, 2020), Final Order at 7.

**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-03**  
**Page 1 of 2**

**REQUEST:**

Refer to Atmos's response to Staff's First Request, Item 2.a.

- a. Explain how the discount rate Atmos in Mississippi has received previously for released capacity from unaffiliated entities compares to half the base contract rate that has been paid by Atmos Kentucky for the released capacity described in this response.
- b. Explain whether Atmos in Mississippi is contracting for more capacity than it needs in order to make capacity available to Atmos Kentucky in response to this opportunity identified by Atmos.
- c. Explain whether the relatively recent form of capacity utilization described in this response is a result of the pipeline capacity contracting performed by Atmos's asset manager.
- d. Explain when the described segmentation began, and what percentage of annual Transportation Cost savings has been represented each year by segmentation.

**RESPONSE:**

- a. Prior to Mississippi having a PBR, Atmos Mississippi relied solely on its own capacity contracts with pipelines. Atmos Mississippi did not utilize capacity release to optimize capacity nor to meet its capacity requirements.
- b. No. Mississippi is not contracting for more capacity than it needs for design day requirements. Through the use of pipeline segmentation, a means is provided by which the Mississippi firm capacity can be geographically segmented such that a portion can be utilized for Kentucky as well, providing firm capacity and cost savings for both. Without segmentation, Mississippi and Kentucky would each separately contract for firm capacity to meet design day requirements, and each would pay the full contract cost on the separate capacities, rather than splitting the cost of segmented capacity.
- c. No. The Kentucky asset management agreements forbid the asset manager from performing capacity contracting and capacity changes without Atmos Energy's explicit permission, and Atmos Energy has not granted any such permission. Atmos Energy negotiates and contracts directly with the pipeline and storage providers. Asset Managers have discussed possible contract modifications with Atmos Energy over the years, but have not directly executed any changes.

**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-03**  
**Page 2 of 2**

d. Kentucky has received discounted firm transportation capacity from the following Atmos Mississippi segmented releases:

- Texas Gas Transmission contract #35381, effective Dec 2012 — current, Qty: 6,328 Dth/day
- Tennessee Gas Pipeline contract #300264, effective Apr 2014 — current, Qty: 2,500 Dth/day
- ANR Pipeline contract #122803, effective Mar 2014 — Mar 2019, Qty: 6,000 Dth/day and effective Apr 2019 — current, Qty: 8,000 Dth/day

The annual segmented discount savings as a percent of annual Transportation Cost Savings is:

- 2012/2013 — 6%
- 2013/2014 — 18%
- 2014/2015 — 28%
- 2015/2016 — 28%
- 2016/2017 — 30%
- 2017/2018 — 29%
- 2018/2019 — 30%
- 2019/2020 — 34%

The annual periods are the Kentucky PBR year, June to May. Please also see Attachment 1.

**ATTACHMENT:**

ATTACHMENT 1 - Staff\_2-03\_Att1 - Segmented Release Savings.xlsx, 9 Pages.

Respondent: Brannon Taylor

Atmos Energy Corporation - Kentucky  
 WP Response to Staff Set 2 - 3d - KY Discounted Segmented Capacity Savings Analysis

Base Contract "Releaser"	Atmos - MS
"Receiver"	Atmos - KY

Month	Monthly Segmented Savings	Annual KY Segmented Savings	Annual Transport Savings	Seg Savings as % of Transp Savings
2012 December	\$ 28,130			
2013 January	\$ 28,130			
February	\$ 25,408			
March	\$ 28,130			
April	\$ 27,223			
May	\$ 28,130			
		\$ 165,153	\$ 2,663,170	6%
2013 June	\$ 27,223			
July	\$ 28,130			
August	\$ 28,130			
September	\$ 27,223			
October	\$ 28,130			
November	\$ 27,223			
December	\$ 28,130			
2014 January	\$ 28,130			
February	\$ 25,408			
March	\$ 55,610			
April	\$ 71,863			
May	\$ 67,326			
		\$ 442,529	\$ 2,395,495	18%
2014 June	\$ 66,418			
July	\$ 67,326			
August	\$ 67,326			
September	\$ 66,418			
October	\$ 67,326			
November	\$ 71,893			
December	\$ 72,801			
2015 January	\$ 72,801			
February	\$ 70,078			
March	\$ 72,801			
April	\$ 71,893			
May	\$ 72,801			
		\$ 839,882	\$ 3,039,228	28%
2015 June	\$ 71,893			
July	\$ 72,801			
August	\$ 72,801			
September	\$ 71,893			
October	\$ 72,801			
November	\$ 71,120			
December	\$ 72,027			
2016 January	\$ 72,027			
February	\$ 69,305			
March	\$ 72,027			
April	\$ 72,560			
May	\$ 73,587			
		\$ 864,844	\$ 3,046,410	28%
2016 June	\$ 72,680			
July	\$ 73,587			
August	\$ 86,139			
September	\$ 85,232			
October	\$ 86,139			
November	\$ 85,235			
December	\$ 86,142			
2017 January	\$ 85,162			
February	\$ 83,410			
March	\$ 85,162			
April	\$ 84,286			
May	\$ 85,162			
		\$ 998,337	\$ 3,377,820	30%
2017 June	\$ 84,286			
July	\$ 85,162			
August	\$ 85,162			
September	\$ 84,286			
October	\$ 85,162			
November	\$ 84,287			
December	\$ 85,163			
2018 January	\$ 86,144			
February	\$ 83,422			
March	\$ 86,144			
April	\$ 84,287			
May	\$ 85,163			
		\$ 1,018,667	\$ 3,549,844	29%
2018 June	\$ 84,287			
July	\$ 85,163			
August	\$ 85,163			
September	\$ 84,287			
October	\$ 85,163			
November	\$ 83,727			
December	\$ 84,603			
2019 January	\$ 84,603			
February	\$ 81,975			
March	\$ 84,603			
April	\$ 96,384			
May	\$ 97,260			
		\$ 1,037,218	\$ 3,425,534	30%
2019 June	\$ 96,384			

Atmos Energy Corporation - Kentucky  
 WP Response to Staff Set 2 - 3d - KY Discounted Segmented Capacity Savings Analysis

Base Contract "Releaser" "Receiver"		Atmos - MS Atmos - KY			
<u>Month</u>	<u>Monthly Segmented Savings</u>	<u>Annual KY Segmented Savings</u>	<u>Annual Transport Savings</u>	<u>Seg Savings as % of Transp Savings</u>	
July	\$ 97,260				
August	\$ 97,260				
September	\$ 96,384				
October	\$ 97,260				
November	\$ 94,173				
December	\$ 95,048				
2020 January	\$ 95,048				
February	\$ 92,421				
March	\$ 95,048				
April	\$ 94,173				
May	\$ 95,048				
		\$ 1,145,507	\$ 3,398,650	34%	
		<u>\$ 6,512,138</u>	<u>\$ 24,896,152</u>	26%	
2020 June	\$ 94,173				
July	\$ 95,048				
August	\$ 95,048				
September	\$ 94,173				
October	\$ 95,048				





Atmos Energy Corporation - Kentucky  
 WP Segmented capacity on Texas Gas Transmission from MS to KY.

Base Contract "Releaser"	Atmos - MS	k#35381
"Receiver"	Atmos - KY	

TEXAS GAS										
<u>Month</u>	<u># of days</u>	<u>Release Qty</u>	<u>Daily Max Rate</u>	<u>Monthly Max Rate</u>	<u>Daily Discounted Rate</u>	<u>Monthly Discounted Rate</u>	<u>Monthly Max Demand</u>	<u>Monthly Invoiced Demand</u>	<u>Total Savings</u>	
September	30	6,328	\$0.2334	\$7.0020	\$0.0950	\$2.8500	\$44,308.66	\$18,034.80	\$ 26,273.86	
October	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	
November	30	6,328	\$0.2334	\$7.0020	\$0.0950	\$2.8500	\$44,308.66	\$18,034.80	\$ 26,273.86	
December	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	
2020 January	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	
February	28	6,328	\$0.2334	\$6.5352	\$0.0950	\$2.6600	\$41,354.75	\$16,832.48	\$ 24,522.27	
March	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	
April	30	6,328	\$0.2334	\$7.0020	\$0.0950	\$2.8500	\$44,308.66	\$18,034.80	\$ 26,273.86	
May	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	
2020 June	30	6,328	\$0.2334	\$7.0020	\$0.0950	\$2.8500	\$44,308.66	\$18,034.80	\$ 26,273.86	
July	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	
August	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	
September	30	6,328	\$0.2334	\$7.0020	\$0.0950	\$2.8500	\$44,308.66	\$18,034.80	\$ 26,273.86	
October	31	6,328	\$0.2334	\$7.2354	\$0.0950	\$2.9450	\$45,785.61	\$18,635.96	\$ 27,149.65	

The following are Capacity Release Credits from KY releasing capacity to MS, as opposed to KY receiving discounted segmented capacity from MS.

Base Contract "Pitcher" "Catcher"	Atmos - KY Atmos - MS	k#35772
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TEXAS GAS										Total Capacity Release Savings
Month	# of days	Release Qty	Daily Max Rate	Monthly Max Rate	Daily Release Rate	Monthly Release Rate	Monthly Max Demand	Monthly Invoiced Demand		
2016 December	31	5,000	\$0.3282	\$10.1742	\$0.2626	\$8.1394	\$50,871.00	\$40,696.80		\$10,174.20
2017 January	31	5,000	\$0.3282	\$10.1742	\$0.2626	\$8.1394	\$50,871.00	\$40,696.80		\$10,174.20
2017 February	28	5,000	\$0.3282	\$9.1896	\$0.2626	\$7.3517	\$45,948.00	\$36,758.40		\$9,189.60
2017 March	31	5,000	\$0.3282	\$10.1742	\$0.2626	\$8.1394	\$50,871.00	\$40,696.80		\$10,174.20

Base Contract "Pitcher" "Catcher"	Atmos - KY Atmos - MS	k#36788
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TEXAS GAS										Total Capacity Release Savings
Month	# of days	Release Qty	Daily Max Rate	Monthly Max Rate	Daily Release Rate	Monthly Release Rate	Monthly Max Demand	Monthly Invoiced Demand		
2017 December	31	1,000	\$0.3731	\$11.5661	\$0.1866	\$5.7831	\$11,566.10	\$5,783.05		\$5,783.05
2018 January	31	1,000	\$0.3731	\$11.5661	\$0.1866	\$5.7831	\$11,566.10	\$5,783.05		\$5,783.05
2018 February	28	1,000	\$0.3731	\$10.4468	\$0.1866	\$5.2234	\$10,446.80	\$5,223.40		\$5,223.40

Atmos Energy Corporation - Kentucky  
 WP Segmented capacity on Tennessee Gas Pipeline from MS to KY.

Base Contract "Releaser"	Atmos - MS	k#300264
"Receiver"	Atmos - KY	

TGP		Monthly	Monthly	Monthly Max	Monthly Invoiced	Total
Month	Release Qty	Max Rate	Discounted Rate	Demand	Demand	Savings
2012 December						
2013 January						
February						
March						
April						
May						
2013 June						
July						
August						
September						
October						
November						
December						
2014 January						
February						
March						
2014 April	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
May	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
2014 June	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
July	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
August	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
September	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
October	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
November	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
December	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
2015 January	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
February	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
March	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
April	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
May	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
2015 June	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
July	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
August	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
September	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
October	2,500	\$ 10.9704	\$4.1063	\$27,426.00	\$10,265.75	\$ 17,160.25
November	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
December	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
2016 January	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
February	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
March	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
April	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
May	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
2016 June	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
July	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
August	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
September	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
October	2,500	\$ 10.6611	\$4.1063	\$26,652.75	\$10,265.75	\$ 16,387.00
November	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
December	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
2017 January	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
February	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
March	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
April	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
May	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
2017 June	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
July	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
August	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
September	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
October	2,500	\$ 10.6623	\$4.1063	\$26,655.75	\$10,265.75	\$ 16,390.00
November	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
December	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
2018 January	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
February	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
March	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
April	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
May	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
2018 June	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
July	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
August	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
September	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
October	2,500	\$ 10.6629	\$4.1063	\$26,657.25	\$10,265.75	\$ 16,391.50
November	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
December	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
2019 January	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
February	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
March	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
April	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
May	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
2019 June	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
July	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00

Atmos Energy Corporation - Kentucky  
 WP Segmented capacity on Tennessee Gas Pipeline from MS to KY.

Base Contract "Releaser"	Atmos - MS	k#300264
"Receiver"	Atmos - KY	

TGP						
<u>Month</u>	<u>Release Qty</u>	<u>Monthly Max Rate</u>	<u>Monthly Discounted Rate</u>	<u>Monthly Max Demand</u>	<u>Monthly Invoiced Demand</u>	<u>Total Savings</u>
August	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
September	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
October	2,500	\$ 10.4387	\$4.1063	\$26,096.75	\$10,265.75	\$ 15,831.00
November	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
December	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
2020 January	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
February	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
March	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
April	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
May	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
2020 June	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
July	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
August	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
September	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50
October	2,500	\$ 9.5541	\$4.1063	\$23,885.25	\$10,265.75	\$ 13,619.50

Atmos Energy Corporation - Kentucky  
 WP Segmented capacity on ANR Pipeline from MS to KY.

Base Contract "Releaser"	Atmos - MS	k#122803
"Receiver"	Atmos - KY	

ANR	Month	Release Qty	Monthly Max Rate	Monthly Discounted Rate	Monthly Max Demand	Monthly Invoiced Demand	Total Savings
	2012 December						
	2013 January						
	February						
	March						
	April						
	May						
	2013 June						
	July						
	August						
	September						
	October						
	November						
	December						
	2014 January						
	February						
	2014 March	6,000	\$6.4100	\$1.8300	\$38,460.00	\$10,980.00	\$27,480.00
	April	6,000	\$6.4100	\$1.8300	\$38,460.00	\$10,980.00	\$27,480.00
	May	6,000	\$6.4100	\$2.7375	\$38,460.00	\$16,425.00	\$22,035.00
	2014 June	6,000	\$6.4100	\$2.7375	\$38,460.00	\$16,425.00	\$22,035.00
	July	6,000	\$6.4100	\$2.7375	\$38,460.00	\$16,425.00	\$22,035.00
	August	6,000	\$6.4100	\$2.7375	\$38,460.00	\$16,425.00	\$22,035.00
	September	6,000	\$6.4100	\$2.7375	\$38,460.00	\$16,425.00	\$22,035.00
	October	6,000	\$6.4100	\$2.7375	\$38,460.00	\$16,425.00	\$22,035.00
	November	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	December	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	2015 January	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	February	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	March	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	April	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	May	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	2015 June	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	July	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	August	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	September	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	October	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	November	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	December	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	2016 January	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	February	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	March	6,000	\$6.4100	\$1.8250	\$38,460.00	\$10,950.00	\$27,510.00
	April	6,000	\$6.6500	\$1.8250	\$39,900.00	\$10,950.00	\$28,950.00
	May	6,000	\$6.6700	\$1.8250	\$40,020.00	\$10,950.00	\$29,070.00
	2016 June	6,000	\$6.6700	\$1.8250	\$40,020.00	\$10,950.00	\$29,070.00
	July	6,000	\$6.6700	\$1.8250	\$40,020.00	\$10,950.00	\$29,070.00
	August	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	September	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	October	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	November	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	December	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	2017 January	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	February	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	March	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	April	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	May	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	2017 June	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	July	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	August	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	September	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	October	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	November	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	December	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	2018 January	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	February	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	March	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	April	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	May	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	2018 June	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	July	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	August	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	September	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	October	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	November	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	December	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	2019 January	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	February	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	March	6,000	\$8.7620	\$1.8250	\$52,572.00	\$10,950.00	\$41,622.00
	April	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
	May	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
	2019 June	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
	July	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20

Atmos Energy Corporation - Kentucky  
 WP Segmented capacity on ANR Pipeline from MS to KY.

Base Contract "Releaser"	Atmos - MS	k#122803
"Receiver"	Atmos - KY	

ANR						
<u>Month</u>	<u>Release Qty</u>	<u>Monthly Max Rate</u>	<u>Monthly Discounted Rate</u>	<u>Monthly Max Demand</u>	<u>Monthly Invoiced Demand</u>	<u>Total Savings</u>
August	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
September	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
October	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
November	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
December	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
2020 January	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
February	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
March	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
April	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
May	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
2020 June	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
July	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
August	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
September	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20
October	8,000	\$8.7620	\$1.9771	\$70,096.00	\$15,816.80	\$54,279.20

**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-04**  
**Page 1 of 1**

**REQUEST:**

Refer to Atmos's response to Staff's First Request, Item 3.

- a. Explain the following statement in detail: "However, with the use of a segmented contract, the Company must rely on nontraditional receipt points with less liquidity and potentially more price risk."
- b. Confirm Atmos's statement that its experience with the PBR mechanism enables it to better manage supply risk.

**RESPONSE:**

- a. When Kentucky purchases discounted segmented capacity, the receipts on the Kentucky segment may be at non-traditional points (traditional receipts are Gulf Cost, Louisiana and Texas for example). Non-traditional receipt points (such as TGP Portland pool or Texas Gas Zone 2 Dyersburg for example) may not be as liquid as traditional receipt points, and thus the market-based prices at these points may be higher. There is a trade-off between lower transportation cost and potentially higher commodity supply prices, however, the mechanics of the Kentucky PBR mechanism place this supply price risk on Atmos Energy, a risk that the Company would not otherwise incur (referring to the Company's obligation within the PBR to share in costs greater than benchmark). In the absence of a PBR mechanism, the Kentucky customers would bear the full price risk of prudently incurred gas costs.
- b. Confirm. Through our lengthy experience with the PBR and the long-term relationships with our Asset Managers, Atmos Energy can better manage supply risk than it could before the implementation of PBR.

Respondent: Brannon Taylor



**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-05**  
**Page 1 of 3**

**REQUEST:**

Refer to Atmos's response to Staff's First Request, Item 11.

- a. Confirm that the PBR mechanism of Atmos in Kansas involves only transportation service demand charges and that customers retain 78 percent of savings, with no sharing bands.
- b. Confirm that the PBR mechanism of Atmos in Mississippi involves only transportation service demand charges and capacity release, and that customers retain 50 percent of savings, with no sharing bands.
- c. Explain the Mississippi Public Service Commission's 2012 Order requirement on page 4 that "Atmos will present subsequent projects to the Commission for approval."
- d. Confirm that the PBR mechanism of Atmos in Tennessee involves sharing of gas commodity cost savings with customers on a 75/25 basis in favor of customers; sharing of capacity release revenues on the same 75/25 basis, as well as sharing asset management fees 90/10 in favor of customers; sharing of transportation cost savings on an 85/15 basis in favor of the customer; and off system sales sharing on a 75/25 basis in favor of the customers.
- e. Explain how the treatment of asset management fees is different in Tennessee from that of Atmos in Kentucky.
- f. Provide a detailed explanation of the Atmos Tennessee Avoided Cost Incentive Mechanism, along with a comparison to the treatment of transportation cost savings in Atmos Kentucky's PBR mechanism.
- g. Explain whether Atmos Kentucky would have continued to calculate demand cost savings attributable to segmentation of \$95,000 per month in Kentucky if its PBR mechanism included an Avoided Cost Incentive Mechanism similar to that of Atmos in Tennessee. If not, explain how it would have been calculated using the Avoided Cost Incentive Mechanism as described in Atmos's tariff in Tennessee.
- h. Provide a detailed description of Atmos's current PBR mechanism in Louisiana.
- i. Provide a summary table showing a comparison of all Atmos divisions' PBR mechanisms in all states with that of the PBR mechanism of Atmos Kentucky.

**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-05**  
**Page 2 of 3**

**RESPONSE:**

- a. Confirm
- b. Confirm that the PBR mechanism of Atmos Energy in Mississippi involves only transportation service demand charges and capacity releases prior to 2017; thereafter, the Mississippi PBR savings are part of a bundled ratemaking mechanism. Please refer to Attachment 5 to the Company's Response to Staff DR No. 1-11.
- c. The 2012 Mississippi PSC Order pertains to any expenditure of capital dollars related to pipeline bypass. Under this PBR component as pipeline bypass opportunities are identified, there are capital costs that would be incurred to interconnect with the lower-cost pipeline. Before those capital dollars can be spent and added to rate base, approval of the capital expenditure must be received from the Mississippi PSC.
- d. Confirm.
- e. In the Tennessee PBR, fixed asset management fees (i.e. fixed capacity utilization credits) are part of the Capacity Management Incentive Mechanism (CMIM), in which a sharing of 90/10 is applied to every dollar of fixed savings generated for the plan year. In Kentucky, the asset management fixed discount reduces the actual gas acquisition costs which are compared to undiscounted benchmark gas costs in the Gas Acquisition Index Factor (GAIF). The GAIF savings along with the Transportation Index Factor (TIF) savings make up the Total PBR Results; on an annual basis the total results are shared 70/30 up to 2% of total gas costs, and 50/50 for greater than 2% of gas cost.
- f. In both the Tennessee PBR and the Kentucky PBR the actual demand and volumetric transportation costs are compared to the FERC-approved maximum transportation rate most closely associated with the capacity in question, and the difference is calculated as savings or added cost. In the Tennessee PBR, this is called the Avoided Cost Incentive Mechanism (ACIM), and in the Kentucky PBR this is in the Transportation Index Factor (TIF) mechanism. In the Tennessee PBR, Capacity Release Credits are not in the ACIM, but rather in the Capacity Management Incentive Mechanism (CMIM) where they are shared 75/25. In the Kentucky PBR, the TIF includes the Capacity Release Credits that reduce total Annual Actual Transportation Cost (TAATC). In the Kentucky PBR, the TIF transportation savings or added cost are

**Case No. 2020-00289**  
**Atmos Energy Corporation, Kentucky Division**  
**Staff DR Set No. 2**  
**Question No. 2-05**  
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combined with the the Gas Acquisition Index Factor (GAIF) savings to become the total PBR results, which are shared on an annual basis 70/30 up to 2% of total gas costs, and 50/50 for PBR cost or savings greater than 2% of gas cost. In summary, the most notable differences between the Tennessee PBR ACIM and the Kentucky PBR TIF is that the Tennessee ACIM does not include the Capacity Release savings, whereas the Kentucky TIF does include these savings, as well as the different sharing percentages as noted above. The Tennessee PBR captures the Capacity Release savings in a separate category CMIM, whereas the Kentucky PBR includes the Capacity release savings within the TIF.

- g. Yes.
- h. Please see Attachment 4 to the Company's Response to Staff DR No. 1-11.
- i. Please see Attachment 1.

**ATTACHMENT:**

ATTACHMENT 1 - Staff\_2-05\_Att1 - PBR By State Chart.xlsx, 1 Page.

Respondent: Brannon Taylor

Atmos Energy Corporation  
PBR by State

Atmos PBR	KY	LA	MS	KS	TN
Approved Date	6/1/1998	11/19/2013	5/8/2012	5/1/1995 (Capacity Rel.) 12/1/2015 (Demand)	5/12/1995
Current End Date	5/31/2021	3/31/2024	N/A	N/A	N/A
Allocation of Savings	70/30 ( $\leq$ 2% Tot Cost) 50/50 ( $>$ 2% Tot Cost)	50/50	100/0	50/50 - 78/22	75/25 (Gas Purch.) 75/25 (Capacity Rel.) 85/15 (Transport) 90/10 (Asset Mgt Fee)
Annual Savings Cap	no	no	no	no	\$2 million
Demand Charge - Discounts	yes	yes	yes	yes	yes
Demand Charge - Segmentation	yes	yes	yes	no	yes
Demand Charge - Delivered	yes	yes	yes	no	yes
Variable Transport Savings	yes	yes	yes	no	yes
Pipeline Bypass	no	yes	yes	no	yes
Capacity Release	yes	yes	yes	yes	yes
Gas Purchase Commodity	yes	yes	yes	no	yes