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August 8, 2022

Linda C. Bridwell
PSC Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation
Case No. 2021-00214

Dear Ms. Bridwell:

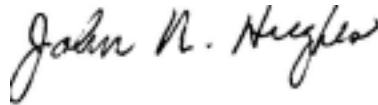
Atmos Energy Corporation submits its rehearing brief. I certify that the electronic documents are true and correct copies of the original documents.

If you have any questions about this filing, please contact me.

Submitted By:

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used for Columbia Gas of Kentucky, Inc. in Case No. 2020-00327, when its Safety Modification and Replacement Program rider rates, which also use a forecasted period, were suspended.

The Commission issued the final Order in Case No. 2021-00214 on May 19, 2022, in which it incorporated the revenue requirement for the Company's PRP program. The Commission's final Order in Case No. 2021-00304 was then entered on May 20, 2022 and the Company's PRP application was deemed moot, and the Commission noted that:

“On May 19, 2022, the Commission issued the final Order in the Rate Case that, among other things, incorporated Atmos's PRP into base rates through September 30, 2022, approved the inclusion of Aldyl-A replacement projects through the same period through base rates only, and established an ROE for the PRP. Atmos's application to revise its PRP rates is now moot because the PRP has been incorporated into base rates for the relevant period.”

However, the Commission's final Order in Case No. 2021-00304 did not give consideration to the delay in implementation of PRP rates between October 1, 2021 and May 19, 2022. The Company requested clarification in Case No. 2021-00214 on how to address this unrecovered revenue and has suggested that, due to the length of time the PRP rates were suspended and mindful of the bill impacts of trying to recover a full year's revenue requirement in a shortened period time, the Company collect the PRP revenues as part of the true-up in its FY 2024 PRP filing. .

II. REQUESTED RELIEF

The Company submits that it is both just and reasonable for the Commission to: (1) allow Atmos Energy to recover the revenue difference between the approved PRP revenue requirement

and the date the rates went into effect in Case No. 2021-00214³; and (2) to seek that recovery in its August 1, 2023 PRP filing, to be implemented October 1, 2024, of the revenue difference through the approved “true-up” provision within its PRP filings and tariff. The Office of the Attorney General, in its response to rehearing, also supported the Company’s proposal to delay the recovery start date to the October 1, 2024 effective date for the August 1, 2023 PRP filing, contingent upon the Commission’s review of the Company’s calculations. Through the operation of the true-up process, the appropriate revenue requirement will be collected from customers, and it will be spread out over a full 12-month period, which will reduce the per-bill impact of the 2022 PRP true-up revenue requirement.

III. RATIONALE

The Company's Tariff addresses the filing requirements of the PRP in “Section 3. Pipe Replacement Program Factors” where it states in part, "The PRP Rider may be filed annually on or around August 1st of each year. The filing will reflect the anticipated impact on the Company’s revenue requirements of net plant additions related to bare-steel pipe replacement as offset by operations and maintenance expense reductions during the upcoming fiscal year ending each September as well as a balancing adjustment to reconcile collections with actual investment for the program year from two years prior. *Such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of October.*" [emphasis added]

Moreover, KRS 278.509 Recovery of costs for investment in natural gas pipeline replacement programs states, “Notwithstanding any other provision of law to the contrary, upon

³ Please see Company response to Staff Rehearing Request 1-02, Attachment 1 for the methodology based that will be utilized in calculation of the true-up, based on actual investment and revenue for the period ended September 30, 2022.

application by a regulated utility, the commission may allow recovery of costs for investment in natural gas pipeline replacement programs which are not recovered in the existing rates of a regulated utility. No recovery shall be allowed unless the costs shall have been deemed by the commission to be fair, just, and reasonable.”

The Commission, by its order dated August 20, 2021, indicated that it could not rule on the Company's PRP filing by the date authorized in the Company's approved Tariff and suspended the effective date, pursuant to KRS 278.190(2), for six months, up to and including April 1, 2022. As mentioned previously, on May 20, 2022 the Commission issued a final Order in the PRP.

While the Commission found the Company's investment fair, just and reasonable, it did not issue its final Order in the general rate case until May 19, 2022 for rates effective May 20, 2022, therefore no recovery was made on the PRP investments from October 1, 2021 - May 19, 2022. In order to fully comply with KRS 278.509 and the Company's Tariff, the recovery for PRP investment, which was found to be fair, just and reasonable in the rate case, should be recovered from the customer.

In discovery, the Commission Staff asked the Company to differentiate the facts in this Case compared to Case Nos. 2021-00185, 2019-00253, and 2017-00413. In those cited cases the companies did not have a PRP filed following a rate case filing with a full abeyance of the PRP by the Commission. Therefore, these cases are distinguishable from this rate case (Case No. 2021-00214) and this PRP case (Case No. 2021-00304).

Further distinctions can be drawn as well. In Case No. 2021-00185 Delta's PRP was being adjusted to a forecasted basis and was implementing a true-up mechanism for the first

time. Thus, at the time it had initially filed its 2021 PRP, Delta was not entitled to a true-up mechanism. Delta was trying to retroactively apply a true-up mechanism to its 2021 PRP after it had been filed. Atmos Energy already had a true-up mechanism in its PRP. In Case No. 2019-00253 and 2017-00413, the applicants' rates were approved timely, and thus there was no issue of rates being approved after the date upon which they were to become effective.

IV. PROPOSAL

In its response to Staff Rehearing Request 1-02, the Company submitted Attachment 1 for an illustration of how the true-up amount will be calculated as part of the FY 2024 PRP filing. This same model will be updated with actual investment for fiscal year 2022 and the calculated revenue requirement (\$7,234,861 on Staff Rehearing Request 1-02, Attachment 1, Exhibit B applied to weather normalized volumes collected for the period October 1, 2021 through May 19, 2022) would be compared to actual PRP collections for that same period.

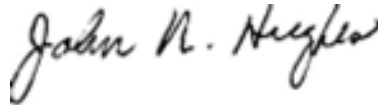
The Company proposes to calculate the true-up amount in accordance with the tariff calculations submitted in the PRP, however due to the Commission's abeyance, no PRP rate change occurred on October 1, 2021 so the revenues, when compared to the investment, are anticipated to be lower than as filed thus creating a true-up for the average PRP investment for Fiscal 2022.

The Company does note that the investment will only include non-Aldyl-A projects since the final order in the general rate case was very specific in not approving these projects for inclusion in the FY 2022 PRP filing, but rather, "the inclusion of future Aldyl-A pipelines will be determined on a case by cases [sic] basis and any PRP applications including Aldyl-A projects should at minimum include safety justifications for such projects."

V. CONCLUSION

Atmos Energy requests that the Commission approve its proposal to allow Atmos Energy to recover the revenue difference between the approved PRP revenue requirement based on the proposed model and set the approved annual rate to seek that recovery in its August 1, 2023 PRP filing based on revenue for that period, to be implemented October 1, 2024.

Submitted this 8th day of August, 2022.

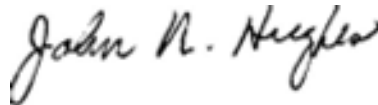


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CERTIFICATE

In accordance with the requirements of 807 KAR 5:001, I certify that this electronic filing is a true and accurate copy of the documents; that the electronic filing has been transmitted to the Commission on August 8, 2022; and that no party has been excused from participation by electronic means.



John N. Hughes

