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August 30, 2021

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

Re: Atmos Energy Corporation
Case No. 2021-00304

Dear Ms. Bridwell:

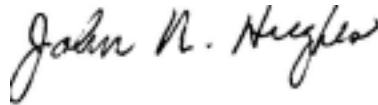
Atmos Energy Corporation submits its petition for rehearing. I certify that the electronic documents are true and correct copies of the original documents.

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

Submitted By:

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION)
TO ESTABLISH PRP RIDER RATES FOR THE)
TWELVE MONTH PERIOD BEGINNING)
OCTOBER 1, 2021) CASE NO. 2021-00304

PETITION FOR REHEARING

Atmos Energy Corporation (Atmos Energy or Company), by counsel, petitions the Commission for rehearing, pursuant to KRS 278.400, to address certain issues relating to the suspension of the effective date of the Company's proposed PRP rates arising from the Order issued on August 20, 2021 ("Order"). The Order suspended the effective date of the proposed PRP rates for six months up to April 1, 2022. The Company's existing PRP tariff allows the Company to file its proposed PRP rates by August 1st of each year to "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." The tariff also provides that "such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of October." The Commission approved this timing and methodology for annual filings as part of the PRP tariff. The general rate case process and statutory procedural schedule does not allow for the same recovery of or timing of recovery of the

PRP tariff expenses. Therefore, it is in the public interest to use the PRP methodology to achieve the policy objectives of the tariff.

In this PRP filing, there are two changes from the Company's prior PRP annual filings. The first relates to the overall rate of return on the Company's PRP investment. In prior filings, the ROE established in the Company's most recent general rate case was, by default, used to establish the allowed rate of return in the PRP filing. By its Order of September 30, 2020, in Case No. 2020-00229, the Commission ordered the Company to amend its PRP tariff to reflect that the overall rate of return will be established in the annual PRP filings. The second change relates to the Company's request that Aldyl-A pipe be added as an additional type of pipe qualifying for replacement under the Company's PRP.

The Company's pending general rate adjustment case was filed on July 30, 2021, (Case No. 2021-00214). Both the ROE and the addition of Aldyl-A pipe are issues in that proceeding. The Commission accordingly entered its Order suspending the effective date of the Company's proposed PRP rates for six months – up to and including April 1, 2022, to allow the Commission time to rule on those issues in the rate case. Without some modification to the Order, however, the Company will significantly under-recover its PRP investment due to timing – an outcome the Company does not believe the Commission intended.

The Commission presumably approved the timing and methodology for the Company's annual PRP filings to reflect the sound public policy of encouraging safety-related investment through alternative rate making mechanisms such as the Company's PRP. This public policy purpose will be thwarted if the Company is not allowed to fully recover its safety related investments due to avoidable regulatory lag.

Delay of recovery of the proposed PRP rates beyond October 1 to April 1, 2022 imposes an unnecessary regulatory lag and potential loss of PRP revenue. Forward-looking treatment, as generally described in the context of rate of return regulation, entails forecasting cost of service components and implementing rates such that the timing of the Company's revenues collected from customers aligns with the timing of its cost of service. In allowing such treatment, regulators ensure that the rates customers are paying more closely align with the utility's cost of service and the value of investment provided during the same time period. Any material delay could result in significant under-recovery of the Company's PRP investments

To avoid the regulatory lag and the resulting under recovery of the PRP investment, Atmos Energy requests that the order be revised to allow implementation of the proposed PRP rates as of October 1, 2021, subject to refund as required by the issuance of a final order in either Case 2021-00214 or this case. This process assures that the necessary PRP replacements continue on schedule and that Atmos Energy is permitted to fully recover the allowable funding of the PRP program.

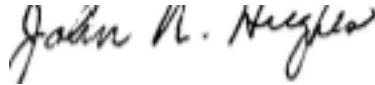
In the alternative, should the Commission deny the request to implement the proposed PRP rates on October 1, 2021, subject to refund, Atmos Energy proposes that it recover the total allowable PRP rate within the period from the issuance of the final order until October 1, 2022. This assures full recovery of the approved rates that should have covered the twelve-month period October 1, 2021, to October, 2022. At the time of the issuance of the final order, Atmos Energy will file a revised schedule of billing determinants to calculate the adjusted rate. This is similar to the process approved for Columbia Gas of Kentucky in Case No. 2020-00327.

For these reasons, Atmos Energy requests a that the order be revised as proposed based on the record as submitted without a hearing.

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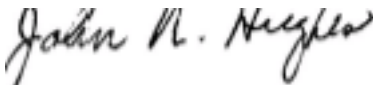


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CERTIFICATE

In accordance with the requirements of 807 KAR 5:001, I certify that this electronic filing is a true and accurate copy of the original documents; that the electronic filing has been transmitted to the Commission on August 30, 2021; and that no party has been excused from participation by electronic means.



John N. Hughes