ATMOS energy

October 1, 2014

Jeff DeRouen
Executive Director
Kentucky Public Service Commission
Post Office Box 615
Frankfort, KY 40602-0615

RE: Case No. 2012-00428

Dear Mr. DeRouen:

Atmos Energy Corporation (Company) herewith submits its responses to the Commission Staff's Second Request for Information in the above referenced case. The Company is providing responses to questions 6-19, and 23.

Please feel free to contact me at mark.martin@atmosenergy.com or at 270.685.8024 if you have any questions and/or need any additional information.

Sincerely,

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

pc: Randy Hutchinson
Service List

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

CONSIDERATION OF THE IMPLEMENTATION OF SMART GRID AND SMART METER TECHNOLOGIES	)))	Case No. 2012-00428

AFFIDAVIT

The Affiant, Mark A. Martin, 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.

Mark A. Martin

STATE OF Kentucky

COUNTY OF Daviess

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 1st day of October, 2014.

Pearl Ann Simon

Notary Public – State of KY at Large

My Commission Expires: Sept. 26, 2017

PEARL ANN SIMON
NOTARY PUBLIC
KENTUCKY, STATE AT LARGE
MY COMMISSION EXPIRES 09-26-17
NOTARY ID 496385

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6. In the Report, the Joint Utilities state that no opt-outs should be permitted from AMR deployments. Explain why the Joint Utilities believe that there should be no opt-outs for AMR meters (that only provide for one-way communication.

RESPONSE:

Atmos Energy has adopted automated meter reading as its standard for meter reading. The system will continue to be expanded within its service territories in the coming years. Automated Meter Reading (AMR) allows Atmos Energy to reduce manual meter reading processes, increasing the accuracy of the meter reading since the human error factor is removed. This increased accuracy reduces the number of calls received by customers inquiring about a reading, thus resulting in fewer re-read requests by customers and fewer account billing adjustments. Atmos is now able to more accurately explain to customers the days in which their consumption was higher, possibly due to weather or other customer usage changes. The result of these customer interactions is more positive than ever before since the system allows for daily usages to be visible and explainable by both the utility and the customer.

The automated meter reading process also allows Atmos to minimize the exposure of its employees to potential injury situations. The meter reading position experiences the highest number of workers compensation injuries of any position. The position requires covering large amounts of distance, often by walking. This activity has resulted in foot, leg and knee injuries, as well as dog and insect bites. Limiting this exposure reduces the Company's lost time injuries and worker's compensation expenses. Over time, as vacancies in other positions occur, the meter readers are trained to perform those duties, effectively reducing the total number of employees needed in an operation.

Another benefit of Automated Meter Reading is that the customer will no longer experience a gas meter reader coming on to their property to read the meter manually. This increases the privacy of the customer and the household.

The Company believes that opt-outs will increase costs and decrease efficiencies. As stated above as well as in DR #96 from Staff's initial interrogatories, the efficiencies that may be gleaned from a full AMR deployment appear to be superior to allowing isolated opt-outs.

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7. The Report includes the following statements: "This section does not address opt-outs from AMR metering. The Joint Utilities believe no opt-outs should be permitted from AMR deployments, and a number of utilities have already deployed AMR system-wide" and "…[t]he Joint Utilities oppose any across-the-board, one-size-fits-all opt-out requirement for smart-meter deployments, but support each utility's ability to propose opt-outs appropriate for their customers and systems." Do you agree that opt-outs should not be permitted for AMR meters (that only provide for one-way communication)? If not, explain why.

RESPONSE:

Yes. However, each utility is structured differently and Atmos cannot speak for what another utility may deem appropriate.

8. Do you believe that opt-outs should be allowed for AMI or smart meters? Has your response changed from your original position which may have been set forth in your testimony or in response to earlier data requests? If so, explain.

RESPONSE:

No. However, each utility is structured differently and Atmos cannot speak for what another utility may deem appropriate.

9. If opt-outs are granted, should the customer electing to opt out be required to bear the cost of the opt-out? Explain your response.

RESPONSE:

Yes. Under the scenario outlined above, the Company believes that the cost causer should bear the cost.

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10. Describe and estimate the costs that would be incurred to provide customer opt-out.

RESPONSE:

As stated in response to #114diii of Staff's initial interrogatories, Atmos Energy has no opt-out programs offered or required in any of the states where AMI is implemented, therefore no data exists upon which to base a response.

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11. Are there any circumstances under which utilities should have the right to refuse to honor a customer's request to opt-out of AMI meters? Explain your response.

RESPONSE:

Please refer to the Company's response to #10.

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12. Refer to page 21 of the Report, paragraph 10. Describe how smart meters identify their malfunctioning early.

RESPONSE:

Natural gas meters are not considered smart meters. The traditional gas meter that is installed at the customer's premises remains in place and continues to measure the natural gas consumed by the customer. The AMI device is added between the mechanical meter index and the gas meter. The AMI device translates the meter rotations into an electronic number, duplicating the mechanical index on the meter. The mechanical index on the meter continues to register consumption and can be manually read at all times. In the event that the electronic device were to stop functioning the mechanical index can still be read for billing or investigation purposes.

The meter readings from the AMI system are collected into a central database. The billing system extracts the reading from the database for billing. Those readings are scrubbed for exceptions such as high consumption, low consumption and zero consumption just as all manually read meter readings are scrubbed. Also a series of reports provide information about any devices that have not communicated in a period of time. Then service technicians are dispatched to investigate. This allows for proactive review of the performance.

Should a traditional gas meter itself begin to fail (which is a very small percentage) the exception processes described above will identify those meters.

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13. Refer to page 24 of the Report which gives the example of a customer's finding that daily meter reading is a privacy problem. State whether daily meter reading is the default or the normal occurrence.

RESPONSE:

Our AMI system is set to collect a reading hourly and transmit those reading every four hours. The hourly readings not used in a substantial way.

We do not believe that possession of an hourly reading from a gas meter is an infringement on anyone's privacy. The unit of measure for natural gas is in CCF or approximately 100,000 BTU. It often takes several hours to accumulate one CCF of natural gas consumption on a furnace or a water heater. Therefore, it would not be possible to determine significant usage patterns on an hourly basis. Collection of hourly data simply increases the probability that we will have a reading per day, so that we can efficiently bill a customer on the scheduled date.

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14. Refer to page 26, paragraph 5. Confirm whether smart meters measure demand for residential customers.

RESPONSE:

The Company uses demand and consumption interchangeably and believes the same can be applied to paragraph 5 on page 26.

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15. Refer to CAC's comments on page 28 of the Report regarding the instantaneous remote disconnects. Do you believe that the ability to instantaneously and remotely disconnect a customer for non-payment is an advantage only to the utility, or does it also benefit other customers? Explain your response.

RESPONSE:

While remote disconnects appears to be an electric-only issue, the Company believes that the process may be beneficial to both the utility and the customer. From a utility perspective, there is a cost savings in not rolling a truck and all of the ancillary costs associated with such. From a customer perspective, there may be some benefits as well. If a customer is moving, they may view the remote disconnect as a convenience. Also, the process outlined above may help prevent customers from developing a large balance owed that they cannot afford.

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16. If the Commission does not require the adoption of the EISA 2007 Smart Grid Investment Standard or a derivative thereof, do you anticipate submitting an application for a CPCN for any smart grid or smart meter deployment? Explain your answer.

RESPONSE:

No. Atmos has already commenced use of WMR technology. It is being phased in and will be expanded throughout Atmos' service territory over the coming years. This gradual phase in of WMR is not, in Atmos' opinion, the type of construction or extensions requiring a CPCN.

17. Are there any smart-grid deployments for which the Commission should require the submission of a request for a CPCN?

RESPONSE:

None that Atmos is aware of.

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18. Refer to Appendix B of the Report. For each utility that currently does not offer residential dynamic pricing tariffs, or for those whose only dynamic tariff offerings are Electric Thermal Storage marketing rates, states whether such tariffs are being considered for future implementation subject to Commission approval. If so, state what type(s) of dynamic pricing tariffs are being considered. If not, state what factors caused the utility to decide against proposing to implement such tariffs or cause it to be otherwise unable to implement such tariffs.

RESPONSE:

The Company does not currently plan to propose such rates. The Company views dynamic pricing as an electric-only issue.

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19. In the Distribution Smart-Grid Components chapter of the Report, Owen Electric Cooperative mentions the Green Button initiative. In its direct testimony, Kentucky Power Company ("Kentucky Power") notes its commitment to the Green Button initiative. Indicate whether you participate in the Green Button initiative. If you participate in similar but different information efforts, identify those efforts.

RESPONSE:

The Company is not a participant in the Green Button initiative.

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23. Refer to page 71 of the Report. Provide details of the Atmos Energy program in which 112,000 AMI meters were installed for residential and commercial customers. The explanation should include the benefits realized by customers and the utility due to the implementation of AMI meters versus other types of meters traditionally used for customers of natural gas local distribution companies.

RESPONSE:

Before AMI was implemented, a combination of manual meter reading, which was very labor intensive, and automated meter reading ("AMR") were employed in the Atmos Colorado service territory. While AMI and AMR both offer a method for gathering customer usage without having to have a meter reader go directly to the meter location, AMR required a specially equipped van to drive close enough to the AMR transmitter, once a month, to allow the data to be downloaded automatically. In very remote areas that cover a large number of miles, a specially equipped airplane was used.

AMI does not require the use of the specially equipped van or airplane because it has the capability to transmit readings to geographically proximate communications towers. It provides more accurate information because it relays that information in 6-hour intervals throughout each day of the customers billing cycle. One tower can provide coverage for an area between 75 and 300 square miles in size.

Some of the benefits of AMI include:

- "Real time" meter reading
- Elimination of human error
- Elimination of "read and run" and re-read orders
- Reduced operating and maintenance (O&M) expense
- Enhancement of customer and employee safety
- Early detection of meter measurement problems
- Elimination to most customer premise accessibility issues
- Reduction in potential for damage claims and lost-time incidents
- Reduction in theft of service

The Company began installing AMI in 2008 and completed installation in 2013. Per Mr. Joe Christian's direct testimony filed in Atmos' Colorado Rate Case Proceeding No. 14AL-0300G, as of 2013, the Company was experiencing reduced O&M of approximately $.9 million per year in Colorado related to meter reading and reduced service order work.