ATMOS energy

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PUBLIC SERVICE
COMMISSION

August 27, 2015

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Case No. 2015-00298

RE: Performance Based Rate (PBR) Report

Dear Mr. DeRouen,

Atmos Energy Corporation (Company) herewith submits an original non-redacted and ten redacted copies of the evaluation report required per the above referenced case. In Case No. 2010-00353, the Company agreed to file the evaluation report within 90 days of the end of the fourth year of the five year extension. The attached evaluation report contains four parts:

1. Submission of Annual and Four Year Reports and Motion to Modify and Extend Performance Based Ratemaking Mechanism
2. Report. The Report consists of three sections which outlines an overview and description of the Company's approach to gas supply purchasing under the PBR, the Company's forward-looking proposals under the PBR and discusses the Company's proposed five-year extension of the PBR and proposed future reporting.
3. Exhibit A. Exhibit A outlines the four year program results from June 2011 through May 2015 as well as the annual program results from June 2014 through May 2015 and will be marked **CONFIDENTIAL**.
4. Exhibit B. Exhibit B contains updated tariff sheets to reflect changes in contractual supply points.

As established by the enclosed Report, the PBR continues to be beneficial to both the Company and its customers. Extending the PBR mechanism will continue to provide significant benefits to the Company's customers, as well as its shareholders. Therefore,

Atmos Energy Corporation
3275 Highland Pointe Drive, Owensboro, KY 42303-7835
P 270-685-8000 F 270-689-2076 atmosenergy.com

the Commission is respectfully requested to approve the extension of the PBR mechanism as proposed herein.

Also enclosed is a Petition for Confidentiality pertaining to the discounts afforded the Company through its contracts with Atmos Energy Marking, LLC. This information is extremely confidential and has previously been afforded confidential protection by the Commission. This information is both disclosed in and determinable from data appearing throughout the quantitative results contained in Exhibit "A". Accordingly, Exhibit "A" has been redacted in its entirety.

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

Sincerely,

Mark A. Martin

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Larry Cook

Atmos Energy Corporation
Performance Based Ratemaking Filing

Table of Contents

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

REQUEST OF ATMOS ENERGY CORPORATION	)	
FOR MODIFICATION AND EXTENSION OF IT'S	)	
GAS COST ADJUSTMENT PERFORMANCE BASED	)	**CASE NO. 2015-**00298
RATEMAKING MECHANISM	)	

SUBMISSION OF ANNUAL AND FOUR YEAR REPORTS AND MOTION TO MODIFY AND EXTEND PERFORMANCE BASED RATEMAKING MECHANISM

On December 7, 2010, the Commission entered an Order approving an extension, as modified, of Atmos' Performance Based Ratemaking Mechanism ("PBR") for a period of five (5) years ending on May 31, 2016. The Commission's Order required Atmos to file annual reports on the results of the PBR program by August 31 of each year commencing in 2011. The Commission's Order further directed Atmos to file, within ninety (90) days of the end of the fourth year of the five year extension, an evaluation report on the results of the PBR for the first four years of the extension period "...for the Commission's review for purposes of determining whether the PBR should be continued, modified or terminated". The attached reports contain: (1) the quantitive results of Atmos' PBR program for the period April 2014 through May 2015; and, (2) the cumulative quantitative results of Atmos' PBR program for the four year period from April, 2011 through May, 2015.

The attached Reports establish that the PBR has proven to be very beneficial to both the Company's ratepayers and its shareholders. Total measureable gas purchase savings attributable to the PBR for the period from June, 2011 through May, 2015 was approximately $23,503,375. Atmos believes it to be in the best interest of the company and its ratepayers to extend the PBR for a five (5) year period commencing June 1, 2016.

WHEREFORE, Company prays: (1) that its annual report and the four year evaluation of the results of the current PBR mechanism be accepted; (2) for entry of an order approving various technical modifications to the tariff related primarily to contractual supply points as described in Section II B of the Report, and extending its applicability, as modified, for a period of five (5) years, commencing June 1, 2016; and, (3) for an entry of an order approving the proposed modified tariff attached as **EXHIBIT** "B".

Respectfully submitted this 27th day of August, 2015.

Mark R. Hutchinson
WILSON, HUTCHINSON &
LITTLEPAGE
611 Frederica Street
Owensboro, Kentucky 42301
(270) 926-5011
randy@whplawfirm.com
Attorney for Atmos Energy

CERTIFICATE OF SERVICE

I hereby certify that on the ___ day of August, 2015, the original of this document, together with eleven (11) copies, were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and a true copy thereof mailed by first class mail to the following named persons:

Lawrence W. Cook
Assistant Attorney General
Office of Rate Intervention
1024 Capitol Center Drive
Suite 200
Frankfort, Kentucky 40601

Mark R. Hutchinson

ATMOS\PBR\CASE NO. 2005-00321\
SUBMISSION OF REPORT

ATMOS ENERGY CORPORATION

REPORT ON PERFORMANCE-BASED RATEMAKING
REPORT PERIOD: JUNE 2011 – MAY 2015
KPSC CASE NO. 2010-00353

August 27, 2015

Introduction

This report is designed to fulfill the requirements of the Commission's Order dated December 7, 2010 in this case whereby Atmos Energy Corporation (Atmos) was required to report on the results of the first four (4) years of the five (5) year extension period. This report consists of three sections. Section I of this narrative provides an overview and description of Atmos' approach to gas supply purchasing under the PBR. Section II outlines Atmos' forward-looking proposals under the PBR. Section III discusses Atmos' proposed five-year extension of the PBR and proposed future reporting.

I. Overview & Approach to Gas Supply Purchasing Under the PBR

A. <u>Overview</u>

On December 19, 1997, Atmos Energy Corporation ("Atmos" or "Company"), then Western Kentucky Gas Company, filed with the Kentucky Public Service Commission ("Commission"), a proposal to implement a Performance-Based Ratemaking ("PBR") mechanism for three years. The PBR was designed to create a system of rewards and penalties that would encourage Atmos to acquire low cost supplies of natural gas. Actual 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. The PBR also serves to eliminate the reasonableness review of gas procurement costs. The Commission had approved a similar plan for Louisville Gas & Electric Company on April 1, 1997. On June 1, 1998, the Commission approved Atmos' proposal with slight modifications. 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. The original three-year pilot was then to run through June 30, 2001. On April 2, 2001, Atmos filed with the Commission a proposal to extend the three-year pilot through March 31, 2002. On June 15, 2001, the Commission approved an extension of Atmos' PBR pilot through March 31, 2002. On September 28, 2001, Atmos filed with the Commission to extend the PBR program for an additional term of five (5) years, commencing as of April 1, 2002. On March 25, 2002, the Commission approved the PBR program, as modified, for a period of four (4) years, commencing as of April 1, 2002. On July 29, 2005, Atmos filed with the Commission 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 and to implement a revised PBR program for a period of five (5) years effective June 1, 2006. On February 8, 2006, the Commission approved Atmos' proposal with slight modifications for a five (5) year term through May 31, 2011. On August 31, 2010, Atmos filed with the Commission to extend the PBR program for an additional term of five (5) years, commencing on June 1, 2011. On December 7, 2010, the Commission approved Atmos' proposal with slight modifications for a five (5) year term through May 31, 2016.

B. Atmos' Innovative Approach to Gas Commodity Purchases

Atmos' response to the rewards and penalties inherent in the PBR mechanism was to develop a prudent and beneficial gas supply contract that would assure Atmos' continued long-term success in purchasing gas commodity. In designing such a contract Atmos assumed that several key provisions were necessary in order to maximize savings:

- The contract must be competitively bid in order to minimize price,
- 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 discounts,
- A comprehensive gas supply contract would encourage bids without supply reservation fees,
- Maximizing the term of the contract and the "opportunities" available to potential bidders under the contract would further maximize bids, and

- 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 and as well as savings.

Further, Atmos believed that retaining key operational controls and establishing strict performance requirements for the supplier would ensure the reliability of its supply, particularly during periods of peak demand.

Ultimately, Atmos developed a Request for Proposal (RFP) and solicited bids from a large number of reputable suppliers who might be interested and capable of providing highly competitive bids under the sophisticated terms proscribed in the RFP.

The key features of the RFP reflected the assumptions noted above. Among those key features were:

- A five-year contract for supply and asset management services off of Texas Gas Transmission/Trunkline/ANR (coinciding with the term of the underlying pipeline capacity),
- A two-year contract for supply and asset management services off of Tennessee Gas Pipeline (coinciding with the term of the underlying pipeline capacity),
- A single source provider for Atmos' firm system supply sourced on the Texas Gas/Trunkline/ANR systems (approximated at 16.4 Bcf, including 10 Bcf of pipeline and on-system storage), and a single source provider for Atmos' firm system supply sourced on the Tennessee Gas Pipeline system (approximated at 2.4 Bcf, including 1.3 Bcf of pipeline storage),
- Market based contract prices per delivered unit of commodity gas for the "full-requirements" of the contract, to be bid as a discount or premium to the simple arithmetic average of the "basket" of indices for base load purchases (NYMEX Henry Hub and Inside FERC) and Platt's Gas Daily for incremental purchases, as established in the PBR. Bidders may also offer a guaranteed monthly fixed capacity utilization credit not directly tied to per unit natural gas purchases,

- Assignment of the management of all of Atmos' firm transportation and storage contracts to the sole supplier as a "value-added" contract feature, and
- Assumed storage injection and withdrawal in accordance with seasonal plans.

The objective of Atmos' "full-requirements" contract was to extract the lowest cost bid possible from potential bidders through the enticement offered by the largest and most comprehensive contract possible. The RFP combined Atmos' full firm gas commodity requirements with all of Atmos' transportation and storage contracts. Hence, potential suppliers were assured of the opportunity to supply Atmos' large, firm market for five years plus the additional opportunity to leverage Atmos' substantial transportation capacity and storage assets beyond the actual supply requirements of that market. In particular, 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. Despite the breadth and supplier flexibility inherent in a "full-requirements" contract, Atmos also retained full operational control through mandatory compliance with a prescribed seasonal storage and operational plan, and non-performance penalties and remedies.

Ultimately, the value inherent in Atmos' innovative RFP was exhibited through the receipt of significantly discounted bids for commodity gas. The discounted cost of gas combined with guaranteed up-front discounts obtained through this bidding process ultimately accounted for a majority of the savings generated under the PBR during program's seventeen (17) years of existence.

C. <u>Atmos' Innovative Approach to Transportation Purchases</u>

Primarily, Atmos' approach to the Transportation Cost Component of the PBR was to seek out and negotiate the steepest possible discounts from FERC-approved transportation rates with its existing pipeline suppliers. To a lesser degree, the Transportation Cost Component also encouraged Atmos to generate capacity release revenues.

1. Pipeline Discounts

It is difficult for local distribution companies (LDCs) to obtain pipeline discounts from their respective pipeline supply source. Nevertheless, as existing pipeline contracts have come up for extension or re-negotiation, Atmos has aggressively used alternative pipeline suppliers and potential service from those alternative suppliers as a bargaining tool to negotiate meaningful discounts. As a result, Atmos has been able to renegotiate transportation capacity arrangements producing more than $9,760,000 in savings during the last four years of the program and approximately $15,350,000 since the program's inception. Atmos always seeks to obtain the lowest cost transportation services for its customers; however, the PBR provides an even greater inducement to seek out and maximize those discounts.

2. Capacity Release

Capacity Release savings were $172,590 for the period June 2011 through May 2015. Total Capacity Release savings are approximately $3,650,000 for the period July 1998 through May 2015.

Ultimately, the improved efficiencies obtained from Atmos' transportation contracts and the savings derived from our supplier's capacity release program resulted in significant savings achieved under Transportation Cost components of the PBR.

II. Forward-Looking Proposals

A. Continuation of Existing Mechanisms

With only minor technical tariff modifications, Atmos proposes to retain all of the existing features of its PBR mechanism. Specifically, Atmos proposes to retain the Gas Commodity Cost component mechanism, the Transportation Cost component mechanism, the Off-system Sales component mechanism and the Balance Adjustment. Although the Off-system Sales component mechanism has not been directly utilized during the program, Atmos proposes to retain this mechanism should future circumstances support direct utilization of this mechanism.

In support of its proposal, Atmos reiterates the following successes of its PBR program:

- By adhering to the benchmark standards of performance in the PBR, Atmos has produced prudent gas purchases with measurable savings totaling $23,611,248 over the four-year period of June 2011 through May 2015, with the majority of those savings going to customers. Those savings would not have been realized in absence of the PBR mechanism.
- A key feature of the PBR is the establishment of a known, pre-determined, and directly observable benchmark, the assurance that Atmos' gas procurement performance will be measured against that benchmark, and that rewards or penalties will be earned based on that benchmark. Foreknowledge of that benchmark gives the Company confidence as to how its behavior will be judged. The assurance of the standard of prudence and the opportunity to share rewards has led Atmos to undertake certain calculated risks to create savings under the PBR. In the absence of an incentive plan, such as the PBR, Atmos lacks the appropriate incentives to incur the additional risks without the potential to earn rewards for that behavior.
- Specifically, the PBR induced a beneficial change in Atmos' behavior by encouraging it to test new and different ways to purchase gas supplies and to negotiate pipeline transportation contracts in order to generate shared savings that it otherwise lacked the incentive to pursue.
- The PBR encouraged Atmos to develop an innovative Request for Proposal (RFP) for its new gas supply contract that directly incorporated the PBR benchmarks and mechanisms.
- The PBR mechanism has encouraged Atmos to save approximately $65,000,000 from July 1998 through May 2015, with the majority of those savings going to customers.
- We are confident that by pursuing some of the same innovative approaches to gas supply contracting, within the same context of incentives and penalties, the PBR will produce significant shared savings for Atmos and its customers in subsequent years.

B. Modifications to Existing Mechanisms

Atmos proposes no changes to its existing PBR mechanisms. However, the Company is proposing several changes to its tariff. Changes in the North American natural gas industry and the liquidity of purchases at certain markets necessitates changes in the contractual supply points. Similarly, these changes must be reflected in Atmos' PBR tariff for it to remain relevant. Additionally, the Company has contracted and procured supply on ANR pipeline and the tariff has been updated to reflect this pipeline. The Company is proposing an effective date of October 1st for the tariff changes since the changes are purely technical in nature. The Company would be amenable to a later effective date if the Commission prefers such.

III. Extension Period & Future Reporting

A. Extension Period

Atmos' original PBR mechanism was for an experimental period of three years, and then was extended for an additional fourteen years. This report shows that during the seventeen (17) years the PBR mechanism has been in existence, the program has resulted in significant savings for customers. Therefore, Atmos proposes to extend its PBR mechanism as modified for an additional term of five years, that is, through May 31, 2021. The Commission has previously extended the Company's PBR program in five year increments starting in 2006. The PBR continues to be beneficial to both the Company and its customers. Extending the PBR mechanism will continue to provide significant benefits to the Company's customers, as well as its shareholders.

Atmos proposes a term for its modified PBR mechanism of five years. However, if an external event occurs, such as an Order or rulemaking of the Federal Energy Regulatory Commission ("FERC"), which clearly and uncontrollably affects the benchmarks or some other aspect of the PBR mechanism, Atmos and the Commission should reserve the right to modify or terminate the program.

B. Future Reports

Within ninety (90) days of the end of the fourth year of the five-year extension, Atmos will file an evaluation report on the results of the PBR for the first four (4) years of the extension period. Atmos will make any recommended modifications to the PBR mechanism, and the Commission will be able to review and act upon any proposed changes to the mechanism at that time. Such procedure will add certainty to the nature of the mechanism by establishing a review and approval process with a known timeline.

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ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

PBR

Performance Based Rate Mechanism (T)

Applicable

To all gas sold.

Rate Mechanism

The amount computed under each of the rate schedules to which this Performance Based Rate Mechanism is applicable shall be increased or decreased by the Performance Based Rate Recovery Factor (PBRRF) at a rate per 1,000 cubic feet (Mcf) of monthly gas consumption. Demand costs and commodity costs shall be accumulated separately and included in the pipeline suppliers Demand Component and the Gas Supply Cost Component of the Gas Cost Adjustment (GCA), respectively. The PBRRF shall be determined for each 12-month period ended October 31 during the effective term of these experimental performance based ratemaking mechanisms, which 12-month period shall be defined as the PBR period.

The PBRRF shall be computed in accordance with the following formula:

PBRRF = (CSPBR + BA) / ES

Where:

ES = Expected Mcf sales, as reflected in the Company's GCA filing for the upcoming 12-month period beginning February 1.

CSBPR = Company Share of Performance Based Ratemaking Mechanism savings or expenses. The CSPBR shall be calculated as follows:

CSPBR = TPBRR x ACSP

Where:

ACSP = Applicable Company Sharing Percentage

TPBRR = Total Performance Based Ratemaking Results. The TPBRR shall be savings or expenses created during the PBR period. TPBRR shall be calculated as follows:

TPBRR = (GAIF + TIF + OSSIF)

DATE OF ISSUE August 27, 2015
Month/Date/Year

DATE EFFECTIVE October 1, 2015
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No.

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

PBR

Performance Based Rate Mechanism (Continued) (T)

GAIF

GAIF = Gas Acquisition Index Factor. The GAIF shall be computed as follows.

GAIF = GAIFBL + GAIFSL + GAIFAM

Where:

GAIFBL represents the Gas Acquisition Index Factor for Base Load system supply natural gas purchases.

GAIFSL represents the Gas Acquisition Index Factor for Swing Load system supply natural gas purchases

GAIFAM represents the Gas Acquisition Index Factor for Asset Management, representing the portion of fixed discounts provided by the supplier for asset management rights, if any, not directly tied to per unit natural gas purchases

GAIFBL

The GAIFBL shall be calculated by comparing the Total Annual Benchmark Gas Commodity Costs for Base Load (TABGCCBL) system supply natural gas purchases for the PBR period to the Total Annual Actual Gas Commodity Costs for Base Load (TAAGCCBL) system supply natural gas purchases during the same period to determine if any shared expenses or shared savings exist.

TABGCCBL represents the Total Annual Benchmark Gas Commodity Costs for Base Load gas purchases and equals the annual sum of the monthly Benchmark Gas Commodity Costs of gas purchased for Base Load (BGCCBL) system supply.

BGCCBL represents Benchmark Gas Commodity Costs for Base Load gas purchases and shall be calculated on a monthly basis and accumulated for the PBR period. BGCCBL shall be calculated as follows:

BGCCBL = Sum [(APVBLi – PEFDCQBL) x SAIBLi] + (PEFDCQBL x DAIBL)

Where:

APVBL is the Actual Purchased Volumes of natural gas for Base Load system supply for the month. The APVBL shall include purchases necessary to cover retention volumes required by the pipeline as fuel.

DATE OF ISSUE August 27, 2015
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Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

PBR

Performance Based Rate Mechanism (Continued) (T)

"i" represents each supply area.

PEFDCQBL are the Base Load Purchases in Excess of Firm Daily Contract Quantities delivered to WKG's city gate. Firm Daily Contract Quantities are the maximum daily contract quantities which Company can deliver to its city gate under its various firm transportation agreements and arrangements.

SAIBL is the Supply Area Index factor for Base Load to be established for each supply area in which Company has firm transportation entitlements used to transport its natural gas purchases and for which price postings are available. The five supply areas are TGT-1 (Texas Gas Transmission- (T)
Zone 1), TGPL-500 (Tennessee Gas Pipeline-Louisiana 500), TGC-LA (Trunkline Gas Company- (T)
Louisiana), ANR-LA (ANR Louisiana), and ANR-HH (ANR-South Louisiana, Henry Hub). (T)

The monthly SAIBL for TGT-1, TGPL-500, TGC-LA, ANR-LA, and ANR-HH shall be calculated (T) using the following formula:

$$SAIBL = [I(1) + I(2)] / 2$$

Where:

"I" represents each index reflective of both supply area prices and price changes throughout the month in these various supply areas.

The indices for each supply zone are as follows:

SAIBL (ANR-LA) (T)

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for ANR-Louisiana. (T)
I (2) is the New York Mercantile Exchange Settled Closing Price.

DATE OF ISSUE August 27, 2015
Month/Date/Year

DATE EFFECTIVE October 1, 2015
Month/Date/Year

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ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

First Revised SHEET No. 21

Cancelling

Original SHEET No. 21

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

PBR

Performance Based Rate Mechanism (Continued) (T)

SAIBL (TGT-1)

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Texas Gas Zone 1.
I (2) is the New York Mercantile Exchange Settled Closing Price.

SAIBL (TGPL-500) (T)

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Tennessee Louisiana, 500 Leg. (T)
I (2) is the New York Mercantile Exchange Settled Closing Price.

SAIBL (ANR-HH) (T)

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for South Louisiana-Henry Hub. (T)
I (2) is the New York Mercantile Exchange Settled Closing Price.

SAIBL (TGC-LA) (T)

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Trunkline Louisiana.
I (2) is the New York Mercantile Exchange Settled Closing Price.

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ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

PBR

Performance Based Rate Mechanism (Continued) (T)

DAIBL is the Delivery Area Index factor for Base Load to be established for purchases made by Company when Company has fully utilized its pipeline quantity entitlements on a daily basis and which are for delivery to Company's city gate from Texas Gas Transmission's Zone 2, 3 or 4, Tennessee Gas Pipeline's Zone 2, Trunkline Gas Company's Zone 1B, or ANR ML-2 or ML-3. (T)

The monthly DAIBL for TGT-2, 3, 4, TGPL-2, TGC-1B, and ANR-LA shall be calculated using the following: (T)

DAIBL = [I (1) + I (2)] / 2

DAIBL (TGT-2, 3, & 4), (TGPL-2), (TGC-1B), and (ANR-LA) (T)

I (1) is the average New York Mercantile Exchange Settled Closing Price. (T)
I (2) is the Inside FERC – Gas Market Report first-of-the month posting for the index associated with the delivered supply. (T) (T)

TAAGCCBL represents Company's Total Annual Actual Gas Commodity Costs for Base Load deliveries of natural gas purchased for system supply and is equal to the total monthly actual gas commodity costs.

To the extent that TAAGCCBL exceeds TABGCCBL for the PBR period, then the GAIFBL Shared Expenses shall be computed as follows:

GAIFBL Shared Expenses = TAAGCCBL - TABGCCBL

To the extent that TAAGCCBL is less than TABGCCBL for the PBR period, then the GAIFBL Shared Savings shall be computed as follows:

GAIFBL Shared Savings = TABGCCBL - TAAGCCBL

PBR

Performance Based Rate Mechanism (Continued) (T)

GAIFSL

The GAIFSL shall be calculated by comparing the Total Annual Benchmark Gas Commodity Costs for Swing Load (TABGCCSL) system supply natural gas purchases for swing load for the PBR period to the Total Annual Actual Gas Commodity Costs for Swing Load (TAAGCCSL) system supply natural gas purchases for during the same period to determine if any shared expenses or shared savings exist.

TABGCCSL represents the Total Annual Benchmark Gas Commodity Costs for Swing Load gas purchases and equals the monthly Benchmark Gas Commodity Costs of gas purchased for Swing Load system supply (BGCCSL).

BGCCSL represents Benchmark Gas Commodity Costs for Swing Load gas purchases and shall be calculated on a monthly basis and accumulated for the PBR period. BGCCSL shall be calculated as follows:

$$BGCCSL = Sum\ [(APVSLi - PEFDCQSL) \times SAISLi] + (PEFDCQSL \times DAISL)$$

Where:

APVSL is the Actual Purchased Volumes of natural gas for Swing Load system supply for the month. The APVSL shall include purchases necessary to cover retention volumes required by the pipeline as fuel.

"i" represents each supply area.

PEFDCQSL are the Purchases in Excess of Firm Daily Contract Quantities delivered to WKG's city gate. Firm Daily Contract Quantities are the maximum daily contract quantities which Company can deliver to its city gate under its various firm transportation agreements and arrangements.

SAISL is the Supply Area Index factor for Swing Load to be established for each supply area in which Company has firm transportation entitlements used to transport its natural gas purchases and for which price postings are available. The five supply areas are TGT-1 (Texas Gas Transmission- (T)
Zone 1), TGPL-500 (Tennessee Gas Pipeline-Zone 500 Leg), TGC-1A (Trunkline Gas Company- (T)
Zone 1A), ANR-LA (Louisiana–Onshore South, ANR, LA), and ANR-HH (Louisiana-Onshore (T)
South, Henry Hub). (T)

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

PBR

Performance Based Rate Mechanism (Continued) (T)

The monthly SAISL for TGT-1, TGPL-500, TGC-1A, ANR-LA, and ANR-HH shall be calculated using the following formula: (T)

SAISLi = I(i)

Where:

"I" represents each index reflective of both supply area prices and price changes throughout the month in these various supply areas.

"i" represents each supply area.

The index for each supply zone is as follows:

SAISL (ANR-LA) (T)

I (1) is the midpoint Gas Daily postings for Louisiana-Onshore South, ANR, LA. (T)

SAISL (TGT-1)

I (2) is the midpoint Gas Daily postings for East Texas – North Louisiana Area - Texas Gas Zone 1. (T) (T)

SAISL (TGPL-500)

I (3) is the midpoint Gas Daily postings for Louisiana-Onshore South – Tennessee 500 Leg. (T)

SAISL (ANR-HH)

I (4) is the midpoint Gas Daily postings for Louisiana-Onshore South – Henry Hub. (T)

PBR

Performance Based Rate Mechanism (Continued) (T)

SAISL (TGC-1A) (T)

I (5) is the midpoint Gas Daily postings for Trunkline – Zone 1A. (T)

DAISL is the Delivery Area Index factor for Swing Load to be established for purchases made by Company when Company has fully utilized its pipeline quantity entitlements on a daily basis and which are for delivery to Company's city gate from Texas Gas Transmission's Zone 2, 3 or 4, Tennessee Gas Pipeline's Zone 2, Trunkline Gas Company's Zone 1B, or ANR's Zone ML-2 or ML-3. (T) (T)

The monthly DAISL for TGT-2, 3, 4, TGPL-2, TGC-1B, ANR-2, and ANR-3 shall be calculated using the following:

DAISL = I(1)

DAISL (TGT-2, 3, & 4), (TGPL-2), (TGC-1B), and (ANR-2 & 3) (T)

I (1) is the midpoint Gas Daily postings the Daily Price Survey for the index associated with the delivered service. (T) (T)

TAAGCCSL represents Company's Total Annual Actual Gas Commodity Costs for Swing Load deliveries to Company's city gate and is equal to the total monthly actual gas commodity costs.

To the extent that TAAGCCSL exceeds TABGCCSL for the PBR period, then the GAIFSL Shared Expenses shall be computed as follows:

GAIFSL Shared Expenses = TAAGCCSL - TABGCCSL

To the extent that TAAGCCSL is less than TABGCCSL for the PBR period, then the GAIFSL Shared Savings shall be computed as follows:

GAIFSL Shared Savings = TABGCCSL - TAAGCCS

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

PBR

Performance Based Rate Mechanism (Continued) (T)

TIF

TIF = Transportation Index Factor. The Transportation Index Factor shall be calculated by comparing the Total Annual Benchmark Transportation Costs (TABTC) of natural gas transportation services during the PBR period to the Total Annual Actual Transportation Costs (TAATC) applicable to the same period to determine if any shared expenses or shared savings exist.

The Total Annual Benchmark Transportation Costs (TABTC) are calculated as follows:

TABTC = Annual Sum of Monthly BTC

Where:

BTC is the Benchmark Transportation Costs which include both pipeline demand and volumetric costs associated with natural gas pipeline transportation services. The BTC shall be accumulated for the PBR period and shall be calculated as follows:

BTC = Sum [BM (TGT) + BM (TGPL) + BM (TGC) + BM (ANR) + BM (PPL)] (T)

Where:

BM (TGT) is the benchmark associated with Texas Gas Transmission Corporation.

BM (TGPL) is the benchmark associated with Tennessee Gas Pipeline Company.

BM (TGC) is the benchmark associated with Trunkline Gas Company.

BM (ANR) is the benchmark associated with ANR Pipeline Company. (T)

BM (PPL) is the benchmark associated with a proxy pipeline. This benchmark, which will be determined at the time of purchase, will be used to benchmark purchases of transportation capacity from non-traditional sources.

The benchmark associated with each pipeline shall be calculated as follows:

BM (TGT) = (TPDR x DQ) + (TPCR x AV) + S&DB
BM (TGPL) = (TPDR x DQ) + (TPCR x AV) + S&DB
BM (TGC) = (TPDR x DQ) + (TPCR x AV) + S&DB
BM (ANR) = (TPDR x DQ) + (TPCR x AV) + S&DB (T)
BM (PPL) = (TPDR x DQ) + (TPCR x AV) + S&DB

Where: TPDR is the applicable Tariffed Pipeline Demand Rate.

DATE OF ISSUE August 27, 2015
Month/Date/Year

DATE EFFECTIVE October 1, 2015
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ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

PBR

Performance Based Rate Mechanism (Continued) (T)

DQ is the Demand Quantities contracted for by the Company from the applicable transportation provider.

TPCR is the applicable Tariffed Pipeline Commodity Rate.

AV is the Actual Volumes delivered at Company's city gate by the applicable transportation provider for the month.

S&DB represents Surcharges, Direct Bills and other applicable amounts approved by the Federal Energy Regulatory Commission (FERC). Such amounts are limited to FERC approved charges such as surcharges, direct bills, cashouts, take-or-pay amounts, Gas Supply Realignment and other Order 636 transition costs.

The Total Annual Actual Transportation Costs (TAATC) paid by Company for the PBR period shall include both pipeline demand and volumetric costs associated with natural gas pipeline transportation services as well as all applicable FERC approved surcharges, direct bills included in S&DB, less actual capacity release credits. Such costs shall exclude labor related or other expenses typically classified as operating and maintenance expenses.

To the extent that TAATC exceeds TABTC for the PBR period, then the TIF Shared Expenses shall be computed as follows:

TIF Shared Expenses = TAATC - TABTC

To the extent that the TAATC is less than TABTC for the PBR period, then the TIF Shared Savings shall be computed as follows:

TIF Shared Savings = TABTC - TAATC

Should one of the Company's pipeline transporters file a rate change effective during any PBR period and bill such proposed rates subject to refund, the period over which the benchmark comparison is made for the relevant transportation costs will be extended for one or more 12 month periods, until the FERC has approved final settled rates, which will be used as the appropriate benchmark. Company will not share in any of the savings or expenses related to the affected pipeline until final settled rates are approved.

OSSIF

OSSIF = Off-System Sales Index Factor. The Off-System Sales Index Factor shall be equal to the Net Revenue from Off-System Sales (NR).

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PBR

Performance Based Rate Mechanism (Continued) (T)

Net Revenue is calculated as follows:

NR = OSREV - OOPC

Where:

OSREV is the total revenue associated with off-system sales and storage service transactions.

OOPC is the out-of-pocket costs associated with off-system sales and storage service transactions and shall be determined as follows:

OOPC = OOPC(GC) + OOPC(TC) + OOPC(SC) + OOPC(UGSC) + Other Costs

Where:

OOPC (GC) is the Out-of-Pocket Gas Costs associated with off-system sales transactions. For off-system sales utilizing Company's firm supply contracts, the OOPC (GC) shall be the incremental costs to purchase the gas available under Company's firm supply contracts. For off-system sales not using Company's firm supply contracts, the OOPC (GC) shall be the incremental costs to purchase the gas from other entities.

OOPC (TC) is the Out-of-Pocket Transportation Costs associated with off-system sales transactions. For off-system sales utilizing Company's firm transportation agreements, the OOPC (TC) shall be the incremental cost to use the transportation available under Company's firm supply contracts. For off-system sales not using Company's firm transportation agreements, the OOPC (TC) shall be the incremental costs to purchase the transportation form other entities.

OOPC (SC) is the Out-of-Pocket Storage Costs associated with off-system sales of storage. If this is gas in Company's own storage or gas stored with Tennessee Gas Pipeline it shall be priced at the average price of the gas in Company's storage during the month of sale. If this is gas from the storage component of Texas Gas's No-Notice Service, this gas shall be priced at the replacement costs.

OOPC (UGSC) is the Out-of-Pocket Underground Storage Costs associated with off-system sales of storage services. For the off-systems sales of storage services utilizing Company's on-system storage, the OOPC (UGSC) shall include incremental storage losses, odorization, and other fuel-related costs such as purification, dehydration, and compression. Such costs shall exclude labor-related expenses.

Other Costs represent all other incremental costs and include, but are not limited to, costs such as applicable sales taxes and excise fees. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses.

PBR

Performance Based Rate Mechanism (Continued) (T)

ACSP

ACSP = Applicable Company Sharing Percentage. The ACSP shall be determined based on the PTAGSC.

Where:

PTAGSC = Percentage of Total Actual Gas Supply Costs. The PTAGSC shall be the TPBRR stated as a Percentage of Total Actual Gas Supply Costs and shall be calculated as follows:

PTAGSC = TPBRR / TAGSC

Where:

TAGSC = Total Actual Gas Supply Costs. The TAGSC shall be calculated as follows:

TAGSC = TAAGCCBL + TAAGCCSL + TAATC

If the absolute value of the PTAGSC is less than or equal to 2.0%, then the ACSP of 30% shall be applied to TPBRR to determine CSPBR. If the absolute value of the PTAGSC is greater than 2.0%, then the ACSP of 30% shall be applied to the amount of TPBRR that is equal to 2.0% of TAGSC to determine a portion of CSPBR, and the ACSP of 50% shall be applied to the amount of TPBRR that is in excess of 2.0% of TAGSC to determine a portion of CSPBR. These two portions are added together to produce the total CSPBR.

BA

BA = Balance Adjustment. The BA is used to reconcile the difference between the amount of revenues billed or credited through the CSPBR and previous application of the BA and revenues which should have been billed or credited, as follows:

1. For the CSPBR, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the CSPBR and the actual amount used to establish the CSPBR for the period.
2. For the BA, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the BA and the actual amount used to establish the BA for the period.

Annual Reports

Atmos Energy shall file annual reports to the Kentucky Public Service Commission, describing activities and financial results under the PBR program. These reports shall be filed by August 31 of each calendar year, commencing in 2007.

Review

Within 90 days of the end of the fourth year of the five year extension, the Company will file an evaluation report on the results of the PBR mechanism for the first four years of the extension period. In that report and assessment, the Company will make any recommended modifications to the PBR mechanism.

RECEIVED

AUG 31 2015

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

REQUEST OF ATMOS ENERGY CORPORATION	**)**
FOR MODIFICATION AND EXTENSION OF IT'S	**)**
GAS COST ADJUSTMENT PERFORMANCE BASED	**) CASE NO.**
RATEMAKING MECHANISM	**) 2015-00298**

PETITION FOR CONFIDENTIALITY OF CERTAIN INFORMATION BEING FILED WITH THE KENTUCKY PUBLIC SERVICE COMMISSION WITH THE ANNUAL AND FOUR YEAR REPORTS ON ATMOS ENERGY CORPORATION'S PERFORMANCE BASED RATEMAKING MECHANISM

Atmos Energy Corporation ("Atmos Energy" or "Company"), respectfully petitions the Kentucky Public Service Commission ("Commission"), pursuant to 807 KAR 5:001, Section 13, and all other applicable law, for confidential treatment of the information contained in the attached document. In support of this petition, Atmos Energy states as follows:

1. On December 7, 2010, the Commission entered an Order in Case No. 2010-00353 approving an extension, as modified, of Atmos' Experimental Performance Based Ratemaking Mechanism ("PBR") for a period of five (5) years. The Commission's Order required Atmos to file annual reports of its activities under the PBR program by August 31 of each year. The Commission's Order further required Atmos to file an evaluation on the results of the PBR program for the first four (4) years of the five (5) year extension. Atmos is filing herewith both the current annual report and the required

four year evaluation report containing, inter alia, quantitive results of Atmos' PBR program for the period of April 2011 through May, 2015.

2. The Company's current gas supply contract is with a single source supplier, Atmos Energy Marketing, Inc. ("AEM"). It contains significant pricing discounts. In order to fully report to the Commission the results of the Company's current PBR program, disclosure of the discounts on gas purchases provided in the current supply contract is required. In order to protect the confidentiality of that information, not only must the discount themselves be redacted in the non-confidential version, but all information from which the discount could be calculated, must likewise be redacted. Since this information is both disclosed in, and determinable from, data appearing throughout the quantitative results contained in **Exhibit "A"**, the entire **Exhibit "A"** has been redacted.

3. This type of information has been determined by the Commission in Atmos' prior PBR proceedings to be entitled to confidential protection. Nothing has occurred since the Commission granted confidential protection to this type of information that would now disqualify it from protection. The Company accordingly petitions the Commission to again treat this information as confidential.

4. The confidential material should be treated as confidential indefinitely.

WHEREFORE, Company petitions the Commission to treat as confidential the information contained in the attached.

Respectfully submitted this 27th day of August, 2015.

Mark R. Hutchinson
WILSON, HUTCHINSON, POTEAT &
LITTLEPAGE
611 Frederica Street
Owensboro, Kentucky 42301
(270) 926-5011
randy@whplawfirm.com

Attorney for Atmos Energy

VERIFICATION

I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs Kentucky Midstates Division for Atmos Energy Corporation, and that the statements contained in the foregoing Petition are true as I verily believe.

Mark A Martin

Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 27TH day of August, 2015, the original of this Petition, with the Confidential Information for which confidential treatment is sought, together with ten (10) copies of the Petition without the confidential information, were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and a true copy thereof mailed by first class mail to the following named persons:

Lawrence W. Cook
Assistant Attorney General
Office of Rate Intervention
1024 Capitol Center Drive
Suite 200
Frankfort, Kentucky 40601
www.ag.ky.gov

Mark R. Hutchinson