

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE IMPACT )  
OF THE TAX CUTS AND JOB ACT ON THE ) CASE NO. 2018-00039  
RATES OF ATMOS ENERGY CORPORATION )

ORDER

On December 27, 2017, the Commission opened an investigation of the impacts of the recently enacted Tax Cuts and Jobs Act on the rates of Atmos Energy Corporation ("Atmos") and four other investor-owned utilities. Each of the utilities was required to record deferred liabilities on their respective books to reflect the reduction in the federal corporate tax rate from 35 percent to 21 percent, and each was required to file prepared testimony of the impacts of the tax rate reduction on their respective financial operations. That investigation was docketed as Case No. 2017-00481.<sup>1</sup> The Commission subsequently determined that separate utility-specific cases should be established for each of those investor-owned utilities. By Orders entered on January 30, 2018, Case No. 2017-00481 was closed, and the instant case was opened to continue the investigation of the impacts of the tax rate reduction on Atmos. In opening this case, the Commission noted that a substantial portion of the impacts of the tax reduction is likely to be addressed in Atmos's pending general rate case, Case No. 2017-00349.<sup>2</sup>

---

<sup>1</sup> 1 Case No. 2017-00481, *Electronic Investigation of the Impact of the Tax Cuts and Job Act on the Rates of Atmos Energy Corporation, Delta Natural Gas Company, Inc., Columbia Gas of Kentucky, Inc., Kentucky-American Water Company, and Water Service Corporation of Kentucky* (Ky. PSC Dec. 27, 2017).

<sup>2</sup> Case No. 2017-00349, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (filed Oct. 5, 2017).

The Attorney General's Office of Rate Intervention ("Attorney General") requested and was granted intervention. An informal conference was held at the Commission's offices on February 9, 2018. Atmos and the Attorney General then filed a Settlement Agreement on February 27, 2018, along with the prepared testimony of Atmos and proposed tariffs containing rate reductions.

The Settlement Agreement proposes interim reductions in Atmos's gas rates of \$5.6 million annually to reflect an estimate of the impact of the tax rate reduction on revenues collected through base rates and the Pipeline Replacement Program ("PRP"). The Settlement Agreement states that the parties have not agreed on what is the correct methodology to be used to calculate the impacts of the tax rate reduction, and that issue will be deferred for Commission review in the pending Atmos rate case. However, they have agreed that some level of rate reductions should be adopted as soon as possible on an interim basis to partially reflect the lower corporate tax rate. Atmos states that because it is in a net-loss position for federal income tax purposes and its rate base includes a net operating loss carryforward deferred tax asset, it cannot simply apply a lower tax rate to its revenue requirements. Thus, to estimate the impact of the tax rate reduction, Atmos utilized a revenue requirements model that started with the settlement position accepted in its last general rate case and then made adjustments to reflect an estimated level of tax expense in its cost-of-service. This resulted in estimated annual reductions of almost \$4.6 million in base rates and \$1 million in the PRP, excluding any impact of the tax rate reduction on excess accumulated deferred taxes. Atmos proposed to reduce current rates to reflect the revenue reductions, rather than including credits as line items on customers' bills.

For financial reporting purposes, Atmos is on a fiscal year ended September 30. Since Atmos will be unable to make a final determination of its excess deferred tax liabilities arising from the tax rate reduction until late October, the parties request that this case remain open to allow further adjustment of rates to reflect: 1) the full impact of excess deferred tax liabilities; 2) a calculation of the tax refunds between January 1, 2018, and the date the interim rates are implemented; and 3) the impact, if any, of the correct methodology for calculating interim rates as determined by the Commission in the pending Atmos general rate case.

Based on a review of the Settlement Agreement and being otherwise sufficiently advised, the Commission finds that the Settlement Agreement will allow current gas rates to be reduced on an interim basis until the correct methodology to calculate the impacts of the tax rate reduction is determined in Atmos's pending general rate case. Thus, accepting the Settlement Agreement and allowing the proposed interim rates to become effective immediately will not set any precedent as to any claim, theory, or methodology utilized to calculate the interim rates. Further, accepting the Settlement Agreement will allow the Commission to fully review and determine in the future both 1) the appropriate level of rates to be charged due to the tax rate reduction between January 1, 2018, and the date new rates are approved in Atmos's pending general rate case, and 2) the adjustments, if any, that will need to be made to reflect the differences between the interim rates and the level of rates subsequently determined to be appropriate. For these reasons, the Commission finds that the provisions of the Settlement Agreement are in the public interest and should be approved. The Settlement Agreement results in a reduction in base rates of approximately 5.6 percent, and a reduction in the PRP of approximately

9.7 percent. An Atmos residential customer using an average of 5.3 Mcf per month will see a monthly savings of approximately \$1.75, consisting of the base charge declining from \$17.50 to \$16.52, the gas delivery charge declining from \$1.5340 to \$1.4483 per Mcf, and the PBR declining from \$3.29 to \$2.97.

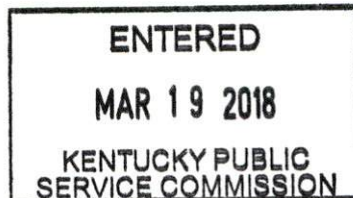
IT IS THEREFORE ORDERED that:

1. The provisions of the Settlement Agreement, as set forth in Appendix A to this Order, are approved.

2. The rates and charges for Atmos, as set forth in Appendix B to this Order, are approved on an interim basis, subject to retroactive adjustment, for service rendered on and after the date of this Order and until the date new rates are approved in Case No. 2017-00349.

3. Within 20 days of the date of the entry of this Order, Atmos shall, using the Commission's electronic Tariff Filing System, file its revised tariffs setting out the interim rates authorized herein and reflecting that they were approved on an interim basis, subject to retroactive adjustment, pursuant to this Order.

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00039 DATED **MAR 19 2018**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC INVESTIGATION OF THE IMPACT )**  
**OF THE TAX CUTS AND JOB ACT ON THE )** **CASE NO. 2018-00039**  
**RATES OF ATMOS ENERGY CORPORATION )**

**SETTLEMENT**

This Settlement is entered into this 27<sup>th</sup> day of February, 2018 by and between Atmos Energy Corporation and Andy Beshear, Attorney General, through his Office of Rate Intervention (“OAG”) (collectively, “the Parties”). There are no other intervenors.

**WITNESSETH:**

**WHEREAS**, on December 22, 2017, federal legislation known as the Tax Cuts and Jobs Act (“TCJA”) was signed into law and took effect;

**WHEREAS**, on January 30, 2018, the Public Service Commission (“Commission”) issued an order initiating an investigation into the impact of the TCJA on Atmos Energy’s rates;

**WHEREAS**, Atmos Energy’s customers rates reflect estimated revenues for income tax expense of approximately \$5.6 million above what is required as a result of TCJA (base rates and pipeline replacement program (“PRP”) rates), excluding the effects of amortizing excess accumulated deferred income taxes (“ADIT”);

**WHEREAS**, the Commission has granted full intervention in this case to the OAG;

**WHEREAS**, an informal conference discussing the issues in this case and the possibility of settlement, attended by representatives of the Parties and the Commission Staff, took place on February

9, at the offices of the Commission, during which several procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in this case;

**WHEREAS**, the Parties seek to implement as quickly as possible an interim reduction in Atmos Energy's rates due to partial implementation of the impacts of the TCJA;

**WHEREAS**, certain issues as to the calculation of, and the methodology to be used to calculate, the amount of rate adjustment due to the TCJA remain unresolved, and the Parties have agreed that those issues will be deferred to, and determined by the Commission in Atmos Energy's pending general rate case, Case No. 2017-00349. Nothing agreed to in this Settlement limits either party's ability to raise any issue or any ratemaking principle or methodology in that case;

**WHEREAS**, because Atmos Energy will not complete its fiscal year until September 30, 2018, and the final determination of the excess deferred tax liabilities resulting from the TCJA cannot be fully determined until end-of-fiscal year accounting is completed in late October, this case shall remain open for the purpose of final resolution of 1) incorporating the full impact of excess deferred tax liabilities; 2) the calculation of the refunds to the period of January 1, 2018 – February 28, 2018 (based on a March 1, 2018 interim rate implementation for services rendered); and 3) the impact, if any, of Commission's finding of the correct methodology for calculation of the interim rates in the pending Atmos Energy rate case, Case No. 2017-00349;

**WHEREAS**, it is understood by the Parties that this Settlement is subject to the approval of the Commission, and does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any adjustments to Atmos Energy's rates, terms, or conditions;

**WHEREAS**, the Parties agree that this Settlement, is a fair, just, and reasonable resolution of all the issues in the case; and

**WHEREAS**, sufficient evidence in the record support this Settlement, and provided an adequate record for the Commission to approve it;



**NOW, THEREFORE**, for and in consideration of the terms and condition of the Settlement, the Parties agree:

Beginning March 1, or a date determined by the Commission, Atmos Energy will lower its base rates and PRP rates to reflect the benefits of the TCJA using the agreed upon estimation of revenues for the excess income tax expense resulting from the TCJA. The rates agreed upon are included in the direct testimony of Mr. Joe Christian as Exhibit JTC-1 and Exhibit JTC-2. Proposed tariff updates are included as Exhibit JTC-S-1 in Mr. Christian's testimony supporting this Settlement.

The statements and positions of the Parties shall not be deemed to constitute admissions by either of the Parties that any computation, formula, allegation, assertion, or contention made by any other party is acceptable to or binding on either in any other proceeding.

The Parties agree that the settlement represents a fair, just, and reasonable interim resolution of the issues and request the Commission to approve the Settlement. If the Commission issues an order adopting this Settlement in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court.

If the Commission does not accept and approve this settlement in its entirety, either Party may withdraw from it within five (5) business days after the issuance of the final order. Upon that occurrence, this settlement shall become void without any further action by either party and neither of the Parties will be bound by it.

The Settlement constitutes the complete agreement and understanding among the Parties, and any oral statements, representations, or agreements made prior to or contemporaneously with shall be null and void and shall be deemed to have been merged into the settlement.

The Parties agree that the terms of the Settlement are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues and are the product of compromise and negotiation.

IN WITNESS WHEREOF, the Parties have affixed their signature.

Atmos Energy Corporation

By: \_\_\_\_\_

Date: \_\_\_\_\_

*John R. Kuyper*  
*2/27/18*

Attorney General for the Commonwealth of Kentucky,  
by and through the Office of Rate Intervention

By: \_\_\_\_\_

Date: \_\_\_\_\_

*[Signature]*  
*2-27-2018*

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00039 DATED **MAR 19 2018**

The following rates and charges are prescribed for the customers in the area served by Atmos Energy Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

#### RATE G-1 GENERAL FIRM SALES SERVICE

##### Base Charge

\$16.52	per meter per month for residential service
\$42.01	per meter per month for non-residential service

##### Distribution Charge

First	300 Mcf	\$ 1.4483 per Mcf
Next	14,700 Mcf	\$ .8969 per Mcf
Over	15,000 Mcf	\$ .6987 per Mcf

#### RATE G-2 INTERRUPTIBLE SALES SERVICE

##### Base Charge

\$354.06	per delivery point per month
----------	------------------------------

##### Distribution Charge

First	15,000 Mcf	\$ .8025 per Mcf
Over	15,000 Mcf	\$ .6405 per Mcf

RATE T-3

INTERRUPTIBLE TRANSPORTATION SERVICE

Base Charge

\$354.06 per delivery point per month

Distribution Charge for Interruptible Service

First	15,000 Mcf	\$ .8025 per Mcf
Over	15,000 Mcf	\$ .6405 per Mcf

RATE T-4

FIRM TRANSPORTATION SERVICE

Base Charge

\$354.06 per delivery point per month

Distribution Charge for Firm Service

First	300 Mcf	\$ 1.4483 per Mcf
Next	14,700 Mcf	\$ .8969 per Mcf
Over	15,000 Mcf	\$ .6987 per Mcf

PIPE REPLACEMENT RIDER

	Monthly Customer Charge		Distribution Charge per Mcf
Rate G-1 (Residential)	\$ 2.97		\$0.00
Rate G-1 (Non-Residential)	\$ 9.97		\$0.00
Rate G-2	\$ 42.43	1-15,000 Mcf	\$0.0746
		Over 15,000 Mcf	\$0.0562
Rate T-3	\$41.31	1-15,000 Mcf	\$0.0978
		Over 15,000 Mcf	\$0.0737
Rate T-4	\$42.37	1-300 Mcf	\$0.1848
		301-15,000 Mcf	\$0.1144
		Over 15,000 Mcf	\$0.0891

\*Honorable John N Hughes  
Attorney at Law  
124 West Todd Street  
Frankfort, KENTUCKY 40601

\*Rebecca W Goodman  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Justin M. McNeil  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Regulatory Support  
Atmos Energy Corporation  
3275 Highland Pointe Drive  
Owensboro, KY 42303

\*Kent Chandler  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Larry Cook  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Mark A Martin  
Atmos Energy Corporation  
3275 Highland Pointe Drive  
Owensboro, KY 42303

\*Atmos Energy Corporation  
3275 Highland Pointe Drive  
Owensboro, KY 42303

\*Randy Hutchinson  
Wilson, Hutchinson & Littlepage  
611 Frederica Street  
Owensboro, KENTUCKY 42301