

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE IMPACT)	CASE NO.
OF THE TAX CUTS AND JOB ACT ON THE)	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 (TCJA) on the rates of Atmos 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 on the impacts of the tax rate reduction on their respective financial operations. That investigation was docketed as Case No. 2017-00481.¹ 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.

On March 19, 2018, the Commission entered an Order approving a Settlement Agreement entered into between Atmos and the Attorney General's Office of Rate Intervention (Attorney General) that provided for reduced gas rates to be charged on an

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).

interim basis to partially reflect the impacts of the TCJA. That Order stated that this case should remain open to allow further adjustment of Atmos's rates to reflect the following:

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 were implemented; and
 3. The impact, if any, of the correct methodology for calculating interim rates by the Commission in the then-pending Atmos general rate case, Case No. 2017-00349.²
- The Commission then utilized estimates of Atmos's excess accumulated deferred income tax (ADIT) to adjust its gas rates in Case No. 2017-00349 as well as in its subsequent rate case, Case No. 2018-00281.³

On January 13, 2020, the Commission ordered Atmos to file a status report setting forth a detailed explanation of its ability to now determine the correct amount of its excess ADIT and the proper amortization period. Atmos was also ordered to include in the status report a detailed discussion of the three items that required further rate adjustment, as listed above from the March 19, 2018 Order, and to propose rates to reflect the impact of the tax rate reduction for the following periods:

1. January 1, 2018, through March 19, 2018, when new rates became effective;
2. March 19, 2018, through May 3, 2018, when new rates became effective in Case No. 2017-00439;

² See Case No. 2017-00349, *Electronic Application of Atmos Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC May 3, 2018).

³ See Case No. 2018-00281, *Electronic Application of Atmos Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC May 7, 2019).

3. May 3, 2018, through May 7, 2019, when new rates became effective in Case No. 2018-00281; and

4. May 7, 2019, through the present.

On February 28, 2020, Atmos filed its status report in response to the January 13, 2020 Order. Atmos states that the primary reason it was initially unable to determine its final regulatory liability balance and amortization period was because it is not a calendar year tax-filing entity; however, since its fiscal year 2018 taxes have been filed, the determination of the correct amount of excess ADIT and proper amortization period can now be determined. Atmos determined that the final regulatory liability balance for the excess ADIT for its Kentucky operations is \$35,780,760.⁴ Based upon an amortization period of 22 years utilizing the Reverse South Georgia Method and the rates set in Case Nos. 2017-00349 and 2018-00281, Atmos under-refunded excess ADIT to customers by \$257,646 through December 31, 2019.⁵ To account for this shortfall, Atmos intends to increase the amount of excess ADIT returned to customers in its next base rate case.

Additionally, Atmos provided the difference in the tax refunds due to the change in tax rate for the period between the enactment of the TCJA and the March 19, 2018 effective date of the interim rates (Stub Period) to be \$1,424,111.⁶ Atmos proposed that the Stub Period amount be credited to ratepayers using the same formula methodology used for the Pipe Replacement Program (PRP), which is made over either a single month or three months. Atmos noted that while it does not have a preference, a three-month

⁴ Atmos's TCJA Status Report (filed Feb. 3, 2020).

⁵ *Id.* The calculation of this over-collection can be found on page 2 of this response.

⁶ *Id.* and Atmos's response to Commission Staff's First Request for Information (Staff's First Request), Item 1.

rate decrease would result in a smoother return.⁷ The Commission agrees with Atmos and believes that the most efficient manner to return the Stub Period credit would be using the same formula methodology used for the PRP and that the return should be made over the three months from May 1, 2020, through July 31, 2020.

IT IS THEREFORE ORDERED that:

1. The over collection of the excess ADIT in the amount of \$257,646 shall be returned to customers in Atmos's next base rate case.
2. The rates and charges in the Appendix to this order are fair, just, and reasonable for service rendered between May 1, 2020, and July 31, 2020.
3. Within 20 days of the date of entry of this order, Atmos shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting forth the rates approved herein and reflecting that they were approved pursuant to this order.
4. This case is closed and removed from the Commission's docket.

⁷ Atmos's response to Staff's First Request, Item 3.

By the Commission



ATTEST:


Acting General Counsel

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00039 DATED APR 22 2020

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 the authority of this Commission prior to the effective date of this Order.

TCJA Surcredit

Effective May 1, 2020–July 31, 2020

	<u>Monthly Customer Charge</u>	<u>Distribution Charge per Mcf</u>
Rate G-1 (Residential)	(\$1.75)	\$0.00
Rate G-1 (Residential)	(\$6.04)	\$0.00
Rate G-2	(\$32.31)	
1 – 15,000		(\$0.1239)
Over 15,000		(\$0.0921)
Rate T-2	(\$26.03)	
1 – 15,000		(\$0.0619)
Over 15,000		(\$0.0460)
Rate T-4	(\$24.95)	
1 – 300		(\$0.1141)
301 – 1500		(\$0.0635)
Over 1500		(\$0.0510)

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