

Pursuant to the Commission's June 21, 2001 Order issued in Docket No. 106,850-U/75-GIMC-009-GIG, Staff hereby files the attached Memorandum dated April 24, 2017, jointly prepared by John Turner, Research Economist; Lana Ellis, Deputy Chief of Economics and Rates; Robert Glass, Chief of Economics and Rates; and Jeff McClanahan, Director of Utilities, informing the Commission of the March 13, 2017 annual meeting, which included Atmos Energy, Staff, and Citizens' Utility Ratepayer Board, scheduled for the purpose of discussing Atmos Energy's Gas Purchase Plan for the 2017-2018 heating season. Inasmuch as Staff's Memorandum contains confidential commercial information pertaining to Atmos Energy, Staff, in accordance with K.S.A. 2015 Supp. 66-1220a, has filed both confidential and public versions of the Memorandum.

WHEREFORE, Staff submits its Memorandum for the Commission's information and consideration.

Respectfully submitted,



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For the Commission Staff

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing *Memorandum* was placed in the United States Mail, postage prepaid, on this 26th day of April, 2017, properly addressed to:

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**MEMORANDUM
UTILITIES DIVISION
PUBLIC**

TO: Chairman Pat Apple
Commissioner Shari Feist Albrecht
Commissioner Jay Scott Emler

FROM: John Turner, Research Economist
Lana Ellis, Deputy Chief of Economics and Rates
Robert Glass, Chief of Economics and Rates
Jeff McClanahan, Director of Utilities

DATE: April 24, 2017

SUBJECT: Docket No. 02-GRLG-364-GPR: *In the Matter of the Filing of Written Documents and Gas Purchase Reports by Greeley Gas Company, a Division of Atmos Energy Corporation, as Prescribed by Commission Order Dated June 21, 2001 in Docket No. 106,850-U/75-GIMC-009-GIG*

EXECUTIVE SUMMARY:

On March 13, 2017, Staff met with the Citizen's Utility Board (CURB) and Atmos Energy (Atmos) at the Kansas Corporation Commission Office to discuss Atmos' 2017-2018 Gas Purchase Plan. Based on Atmos' Gas Purchase Plan and the information provided at the meeting, Staff believes that the Company's gas purchasing practices are reasonable and that Atmos is able to supply sufficient gas for the 2017-2018 heating season. Staff will continue to monitor Atmos' gas purchasing practices and will inform the Commission of any significant changes.

BACKGROUND:

On March 13, 2017, Staff and CURB met with members of Atmos at the Kansas Corporation Commission Office. The purpose of the meeting was to discuss Atmos' 2017-2018 Gas Purchase Plan. This meeting is an annual requirement pursuant to the Commission's June 21, 2001, Order issued in Docket No. 106,850-U/75-GIMC-009-GIG. Atmos must also file an annual Gas Purchase Plan each year outlining its natural gas supply, transportation contracts, and purchasing practices. The Company filed this report on March 2, 2017. Atmos also discussed changes made to its methods for calculating Design Day usage with Staff, these changes resulted in temperatures used by Atmos to calculate Design Days warming by an average of 1.5 degrees.¹

¹ Natural gas utilities are expected to be able to provide firm service on estimated extremely cold days.

ANALYSIS:

Gas Purchase Year 2016-2017

The 2016-2017 winter was 15% warmer than normal, which was comparable to the 2015-2016 winter that was 17% warmer than normal.² Atmos' total winter throughput of 9.2 Bcf consisted of Base load of 3.8 Bcf, Gas Daily of 1.4 Bcf, and Storage of 4.0 Bcf. Atmos' normal winter throughput is 10.5 Bcf. On December 18, 2016, the average heating degree days (HDDs)³ across Atmos' territory was 62; this was the peak day for the winter season. Historically, the average daily number of heating degree days for December is 33. Total usage of 166,300 MMBtu on December 18 was below the anticipated design day usage of 227,800 MMBtu.⁴

Atmos released capacity during the 2016-2017 Gas Purchase Year on KPC Pipeline, Panhandle Eastern Pipeline, and Southern Star Central Gas Pipeline. The capacity release program was approved by Commission Order in Docket No. 14-ATMG-230-TAR and is included as a credit as part of Atmos' Purchased Gas Adjustment (PGA). For the time period from April 2016 through March 2017, the credits from released capacity totaled [REDACTED] * and flowed through the PGA as a reduction of gas costs in the month the credit occurred.⁵

Forecast Gas Purchase Year 2017-2018

In 2016, Atmos reviewed options adding a new variable to its statistical model for calculating Design Day volumetric requirements. As a result of the review, the Company added a new variable that improved modeling under extremely cold conditions and made a change to the Design Day weather criteria.⁶ These changes resulted in the temperatures used by Atmos to calculate Design Days in Kansas warming by an average of 1.5 degrees.⁷

Atmos creates its winter supply portfolio such that it is capable of efficiently handling ten percent colder or ten percent warmer weather than normal. Atmos' analysis shows that, on average, the existing contracted capacity and storage are sufficient to accommodate temperatures that are either colder or warmer than normal. On average, the Company

² Atmos uses five weather stations to calculate its HDD statistics approved by Commission Order in Docket No. 03-ATMG-539-TAR. The five weather stations include: Chanute, Kansas; Kansas City, Kansas; Manhattan, Kansas; Hays, Kansas; and Lamar, Colorado.

³ Heating Degree Days are a measure how far below 65 degrees Fahrenheit, the typical temperature threshold used by Staff, the average daily temperature was. For example, if the average temperature for a day is 35, that day would count as 30 HDD (65-35=30). The daily totals are summed across the month to measure how cold the month was.

⁴ Atmos Energy Gas Purchase Plan presentation. March 13, 2017.

⁵ Atmos Energy Corporation. *Kansas Gas Purchase Plan For the Period of April 2017 through March 2018*, p. 56.

⁶ Instead of using the coldest day since 1970, the Company decided to begin using a Design Day event with a probability of occurrence of once in 30 years. Marquette University's GasDay Lab provided Atmos with an event for each weather station used in Atmos territories.

⁷ Atmos Energy Gas Purchase Plan presentation. March 13, 2017.

continues to maintain an adequate gas transportation and supply portfolio to meet firm customer requirements due to abnormal weather conditions.⁸

The estimated peak Design Day for 2017-2018 is 228,000 MMBtu per day. Atmos' contracted capacity for the 2017-2018 winter is 218,680 MMBtu per day.⁹ In order to address this deficiency of approximately 9,320 MMBtu per day, Atmos is reviewing options [REDACTED]

RECOMMENDATION:

Staff believes that Atmos is able to supply sufficient gas for the 2017-2018 heating season based on its Gas Purchase Plan and the information provided at the meeting held on March 13, 2017. Staff will continue to monitor Atmos' gas purchasing practices and will inform the Commission of any significant changes.

⁸ Ibid., pp. 15-16.

⁹ Atmos Energy Gas Purchase Plan presentation.