

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of Atmos)
Energy for an Order to Permit the Company) Docket No. 03-ATMG-539-TAR
Establish Rates for a Weather Normalization)
Adjustment.)

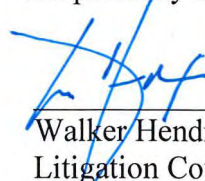
NOTICE OF FILING STAFF REPORT AND RECOMMENDATION

COMES NOW the Staff of the State Corporation Commission of the State of Kansas, and
for its Notice of Filing Staff Report and Recommendation states as follows:

Staff hereby files the attached Report and Recommendation dated September 19, 2018,
providing Staff's analysis and recommendation regarding Atmos Energy's Weather Normalization
Adjustment (WNA) Factor calculation for 2018-2019. The Report and Recommendation confirms
the WNA factor submitted by Atmos Energy complies with the methodology approved by the
Commission in Docket No. 16-ATMG-079-RTS as a result of the Unanimous Settlement
Agreement and first approved in Docket No. 03-ATMG-539-TAR. No additional Commission
action is required at this time. The new Atmos Energy WNA is a credit of \$0.00686 per Ccf.

WHEREFORE, Staff presents its Report and Recommendation for the record and the
Commission's information.

Respectfully Submitted,



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REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Dwight D. Keen, Commissioner

FROM: Darren Prince, Senior Research Economist
Lana Ellis, Deputy Chief of Economics and Rates
Robert Glass, Chief of Economics and Rates
Jeff McClanahan, Director of Utilities

DATE: September 19, 2018

SUBJECT: Docket No. 03-ATMG-539-TAR: *In the Matter of the Application of Atmos Energy for an Order to Permit the Company Establish Rates for a Weather Normalization Adjustment.*

EXECUTIVE SUMMARY:

On July 12, 2018, Atmos Energy (Atmos) filed its proposed 2018-2019 Weather Normalization Adjustment (WNA) Factor with the Commission. Staff has reviewed the data and calculations used by Atmos to compute the WNA factor for the next year and found them to comply with the methodology approved in the Commission Order issued in Docket No. 16-ATMG-079-RTS (Docket 16-079) approving the Unanimous Settlement Agreement. The new WNA factor began with the first billing cycle in August 2018. No Commission action is required at this time.

BACKGROUND:

Atmos' WNA program was first approved by the Commission in Docket No. 03-ATMG-539-TAR (Docket 03-539).¹ Since Docket 03-539, new heat sensitivity factors (HSF) have been developed to calculate Atmos' annual WNA² except in Docket 16-079.

¹ On May 27, 2003, the Commission issued its Order Granting Joint Motion and Approving Stipulation and Agreement in this Docket, approving a WNA mechanism and WNA rider for Atmos. Atmos' WNA Rider requires that Atmos file a report with the Commission by July 15 of each year, detailing the calculations deriving the WNA Factor.

² Docket No. 03-ATMG-1036-RTS, Docket No. 08-ATMG-280-RTS, Docket No. 10-ATMG-495-RTS, Docket No. 12-ATMG-564-RTS, and Docket No. 14-ATMG-320-RTS.

In Docket 16-079, new WNA factors were not developed³, but the Unanimous Settlement Agreement approved by the Commission allowed Atmos to continue using the WNA factors from Docket No. 14-ATMG-320-RTS to calculate the WNA factor.⁴

Pursuant to Atmos' WNA Tariff Rider, Atmos filed its proposed 2018 WNA factor with the Commission on July 12, 2018, in Docket 03-539.

ANALYSIS:

Weather normalization adjusts actual energy usage by eliminating, or at least minimizing, the variability in energy usage due to abnormal weather. The WNA factor is an annual adjustment to Atmos' billing that eliminates the effects of abnormal weather conditions on Atmos' revenue collections from the previous year. Thus, Atmos' WNA factor is used to adjust monthly revenue figures to eliminate the over or under collection of revenue due to weather. The weather adjustment is necessary because Atmos collects a large portion of its fixed costs in its volumetric charge. A cold winter, without an adjustment for weather, would result in Atmos over-collecting its fixed costs, while a warm winter would have the opposite effect.

A monthly volumetric adjustment is calculated for each rate class per weather station identified in the tariff. The volumetric adjustment is calculated using 30-year normal heating degree days (HDD), actual HDDs, and HSFs.⁵ To determine the deviation from normal volumetric usage, the actual HDDs are subtracted from the 30-year normal HDDs and multiplied by the HSFs for each rate class by weather station. Finally this deviation is multiplied by the delivery charge and summed over the twelve calendar months for each rate class by weather station to calculate the total over or under-collection of revenue. The over or under-revenue collection is then divided by the current year's usage to determine the WNA factor.

Atmos' 2018-2019 calculations resulted in a revenue excess of \$30,546 in addition to \$923,957 in excess from reconciliation to billing.⁶ Adding these together results in a revenue excess of \$954,503.⁷ Dividing \$954,503 by the current year's usage, 139,090,437⁸ Ccf, determines Atmos' new WNA Factor, which is a credit of \$0.00686⁹ per Ccf.

RECOMMENDATION:

The Atmos' WNA filing has been reviewed by Staff and found to comply with methodology established in Docket 16-079. The new WNA Factor surcharge of \$(0.00686) per Ccf began the first billing cycle in August 2018. No Commission action is required at this time.

³ Docket 16-079, Direct Testimony of Tyler Page, December 21, 2016.

⁴ Order Approving in Part; Denying in Part Unanimous Settlement Agreement, Docket No. 16-ATMG-079-RTS, March 17, 2017.

⁵ The Heat Sensitivity Factors are the estimated effect of temperature on natural gas usage.

⁶ Atmos Energy Corporation, Kansas Weather Normalization Adjustment Program, Final Reporting: Weather Normalization Revenues Reconciliation, Revenue Collection Period June 2017 thru July 2018 (estimated for July 2017), filed with "Atmos Energy's Report Showing the Calculation of the WNA Factor in its Weather Normalization Adjustment Program," on July 18 2017.

⁷ Id

⁸ Id

⁹ Id

CERTIFICATE OF SERVICE

03-ATMG-539-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing Staff Report and Recommendation was served by electronic service on this 16th day of October, 2018, to the following:

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