

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

Before Commissioners: Dwight D. Keen, Chair
 Shari Feist Albrecht
 Susan K. Duffy

In the Matter of the Application of Atmos Energy)
to Amend its Demand Charge Savings Provision) Docket No. 19-ATMG-486-TAR
in its Purchased Gas Adjustment (PGA) Tariff)

**ORDER ADOPTING STAFF’S REPORT AND RECOMMENDATION
AND GRANTING APPLICATION**

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

BACKGROUND

1. On May 24, 2019, Atmos Energy Corporation (“Atmos”) filed an Application requesting approval to amend the Demand Charge Savings Provision in its Purchased Gas Agreement (“PGA”) Tariff, which was established when the Commission approved the Stipulated Settlement Agreement in Docket No. 14-ATMG-230-TAR (“230 Docket”).¹ In its Application, Atmos seeks to amend the Demand Charge Savings Provision to apply to all future interstate and intrastate pipeline capacity agreements with any natural gas pipeline and remove the requirement that Atmos file separate applications before the Commission for future pipeline capacity agreements.² Moreover, Atmos seeks to maintain the current sharing percentages contained in the 230 Docket settlement agreement for future pipeline capacity agreements, with customers receiving 78% of the savings and shareholders retaining 22% of the savings.

¹ Application of Atmos Energy (May 24, 2019).

² *See id.*

2. On May 28, 2019, the Citizens' Utility Ratepayer Board ("CURB") filed its Petition to Intervene and Motion for Protective Order and Discovery Order.³

3. On June 11, 2019, the Commission issued an Order granting CURB's intervention; Suspension Order; Protective Order; and Discovery Order.⁴

ANALYSIS

4. Pursuant to K.S.A. 66-117(a):

"Unless the state corporation commission otherwise orders, no common carrier or public utility over which the commission has control shall make effective any changed rate, joint rate, toll, charge or classification or schedule of charges, or any rule or regulation or practice pertaining to the service or rates of such public utility or common carrier except by filing the same with the commission at least 30 days prior to the proposed effective date."⁵

5. On September 30, 2019, Commission Staff ("Staff") filed its Report and Recommendation ("R&R") in this docket.⁶ In its R&R, which is herein incorporated by reference, Staff detailed the extensive procedural history that gave rise to the Demand Charge Savings Provision in the 14-230 Docket. As Staff notes, Atmos initially filed an application seeking to include the Demand Savings Provision and Pipeline Savings Component; Atmos contended the provision would directly incentivize Atmos to consider non-traditional supply practices to reduce pipeline demand charges and allow Atmos to capture savings on behalf of its ratepayers and shareholders from the restructuring of its natural gas supply contracts.⁷ After several rounds of negotiations between Atmos and Staff, a settlement agreement was reached that included the current provisions found within Atmos' Demand Charge Savings Provision.

³ CURB Petition to Intervene and Motion for Protective Order and Discovery Order (May 28, 2019).

⁴ Order Granting CURB Intervention; Suspension Order; Protective Order; and Discovery Order (Jun. 11, 2019).

⁵ K.S.A.66-117

⁶ Commission Staff's Report and Recommendation (Sep. 30, 2019).

⁷ See id. pg. 2.

6. During its assessment of Atmos' application, Staff analyzed the Performance Based Ratemaking ("PBR") mechanism currently utilized by Atmos. PBR mechanisms can be used as a supplement to traditional ratemaking methodology. In certain circumstances, PBR mechanisms can be employed to incentivize a utility to control costs as a useful substitute for regulatory lag.⁸ In Staff's opinion, an extension of the current PBR mechanism utilized by Atmos, i.e. the Demand Charge Savings Provision, to all future interstate and intrastate negotiated rate agreements will provide Atmos the flexibility to deal with changing market dynamics in the natural gas transport industry and further incentivize Atmos to explore alternative fuel procurement strategies with other natural gas pipelines in order to maximize demand charge savings for Kansas customers.⁹ The amendment will reduce the administrative burden and additional costs of filing subsequent Applications before the Commission for future pipeline capacity agreements, which maximizes the benefit of Atmos's Demand Charge Savings Provision for customers.¹⁰

7. Upon reviewing the entirety of Atmos' application, Staff supported Atmos' request to extend the Demand Charge Savings Provision to all future interstate and intrastate negotiated rate capacity contracts and remove the requirement that Atmos file separate Applications for approval of future pipeline capacity agreements. Additionally, Staff supported Atmos' request to retain the current sharing ratio, allocating 78% of the savings to Atmos' ratepayers and 22% of the savings to Atmos' shareholders.

⁸ See id. pg. 4.

⁹ See id.

¹⁰ See id. pg.7.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission adopts Staff's analysis and recommendation of September 30, 2019, as stated in its Report and Recommendation, and finds that Atmos Energy Corporation's Application should be granted and Atmos be permitted to amend its current Demand Charge Savings Provision to apply to all future interstate and intrastate pipeline capacity agreements. Additionally, the Commission finds the requirement that Atmos file separate applications before the Commission for approval of future pipeline capacity agreements be removed. Finally, the Commission finds the currently approved sharing ratio of 78% of savings to Atmos customers and 22% to Atmos shareholders shall be maintained.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).¹¹

C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair, Albrecht, Commissioner, Duffy, Commissioner

Dated: 10/15/2019



Lynn M. Retz
Executive Director

PZA

¹¹ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

CERTIFICATE OF SERVICE

19-ATMG-486-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 10/15/2019.

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/S/ DeeAnn Shupe

DeeAnn Shupe
