BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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

PREFILED TESTIMONY OF SHERI W. ROWE

I. INTRODUCTION

Q. STATE YOUR NAME, EMPLOYER, JOB TITLE AND BUSINESS ADDRESS.

A. My name is Sheri W. Rowe. I am Manager, Gas Supply and Services, for Atmos Energy Corporation ("Atmos Energy" or "Company"). My business address is 790 Liberty Road, Flowood, Mississippi 39232.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE?

A. I received a Bachelor of Science degree in Accounting from Mississippi State University in 1977. I was engaged in public accounting with Arthur Andersen and Company from 1977 to 1983. From 1983 to 2001, I worked for Mississippi Valley Gas Company ("MVG") in a variety of accounting, finance and operational positions. In 2001, Atmos Energy acquired MVG, where I assumed my current role as Manager of Gas Supply and Services.

Q. WHAT ARE YOUR DUTIES AS MANAGER OF GAS SUPPLY AND SERVICES FOR ATMOS?

A. As Manager of Gas Supply and Services, my principal duties relate to the gas supply management for Atmos Energy's Kansas, Colorado, Mississippi and Louisiana operations. I am responsible for all gas supply and system transportation arrangements involving the interstate and intrastate pipelines that deliver gas to the Atmos system in those states. This includes pipeline capacity arrangements, gas supply acquisition planning and day to day administration. I directly supervise four professional employees, who assist in assuring that Atmos has reliable and economical gas supply and upstream service portfolios.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony is in support of the Company's application for approval of its amendment of the Demand Charge Savings Provision in the Company's Purchased Gas Adjustment ("PGA") Tariff. Specifically, I explain how the action taken by the Kansas Corporation Commission ("Commission") and its Staff in Docket No. 14-ATMG-230-TAR ("230 Docket") in approving Atmos Energy's Demand Charge Savings Provision in the Company's PGA assisted Atmos Energy in successfully negotiating a significant discounted rate for production area capacity under Atmos Energy's five-year transportation agreement with Southern Star Central Pipeline ("2015 Southern Star Agreement"). I document the nearly $5 million in savings that Atmos Energy's customers have received to date under the Demand Charge Savings Provision approved in the 230 Docket. I also explain how amending the Demand Charge Savings Provision to apply to all future interstate and intrastate pipeline capacity agreements negotiated by Atmos Energy for its Kansas customers, including any new agreements with Southern Star Central Pipeline, will provide future savings to Atmos Energy's customers. Finally, I sponsor the changes to the Demand Charge Savings Provision in the PGA Tariff that are being proposed by Atmos Energy that would allow the provision to apply to all future pipeline capacity agreements.

II. 230 DOCKET

Q. CAN YOU PROVIDE A SUMMARY OF THE STIPULATED SETTLEMENT AGREEMENT THAT ATMOS ENERGY, STAFF AND THE CITIZENS' UTILITY RATEPAYER BOARD ("CURB") ENTERED INTO IN THE 230 DOCKET?

A. On April 7, 2014, the Commission issued an Order in the 230 Docket approving a Stipulated Settlement Agreement between Atmos Energy, the Staff and CURB. The Stipulated Settlement Agreement authorized Atmos Energy to amend its PGA Tariff to include a Demand Charge Savings Provision relating to what was then its new five-year transportation agreement with Southern Star Central Pipeline, which I have previously referred to as the 2015 Southern Star Agreement. Under the Demand Charge Savings Provision, the Commission established a sharing mechanism whereby Atmos Energy would share with its customers the savings associated with the significant discount and reduction in the demand charges Atmos Energy was successful in obtaining under the 2015 Southern Star Agreement.

Under the Stipulated Settlement Agreement approved by the Commission, the demand charge savings were to be calculated using the difference between Southern Star's Federal Energy Regulatory Commission ("FERC") approved tariff rate and the discount rate included in the 2015 Southern Star Agreement multiplied by the amount of production capacity obtained by Atmos Energy from Southern Star under the 2015 Southern Star Agreement. The savings were to be shared between Atmos Energy's customers and Atmos Energy's shareholders. The customers were to receive 78% of the savings. Atmos Energy's shareholders were to receive 22% of the savings. The savings were to be distributed using the same procedure used to distribute revenues generated under Atmos Energy's capacity release mechanism. The customers' share of the savings would be provided to them by flowing the savings through Atmos Energy's PGA on a monthly basis. The shareholders' share of the monthly savings would be considered below the line revenue. The Demand Charge Savings Provision approved in the 230 Docket only applied to the demand charge savings achieved under the 2015 Southern Star Agreement. Pursuant to paragraph 13 of the Stipulated Settlement Agreement, Atmos Energy was required to file another application with the Commission to extend the Demand Charge Savings Provision to cover future pipeline capacity agreements.

Q. DID THE FACT THAT THE COMMISSION WAS CONSIDERING PUTTING IN PLACE THE DEMAND CHARGE SAVINGS PROVISION AND THE STAFF'S AND CURB'S SUPPORT FOR THAT PROVISION IN THE 230 DOCKET ASSIST ATMOS ENERGY IN OBTAINING THE DISCOUNTED RATE FROM SOUTHERN STAR UNDER THE 2015 SOUTHERN STAR AGREEMENT?

A. It was clear during our negotiations that Southern Star was following the proceedings in the 230 Docket. At the time the Commission issued its Order on Reconsideration in the 230 Docket in November 2014 indicating that it was willing to consider a regulatory incentive to encourage Atmos Energy to reduce its capacity costs paid for transportation, Atmos Energy was meeting with Southern Star to negotiate its then new five-year transportation agreement. The Commission's Order on Reconsideration and the Staff and CURB support for the adoption of a regulatory incentive assisted Atmos Energy in negotiating the discounted rate from Southern Star under the 2015 Southern Star Agreement. Southern Star was aware that this mechanism created a stronger regulatory incentive for Atmos Energy to reduce its capacity costs by negotiating with an alternative pipeline to transport gas supplies at a rate below that charged by Southern Star. In my opinion, as a direct result of the Commission's actions combined with Atmos Energy's ability to demonstrate a viable bypass option, for the first time Southern Star was willing to provide Atmos Energy a discount to its maximum FERC tariff to avoid the risk of losing a portion of Atmos Energy's business and the capacity throughput associated with that business. But for that possibility, I don't believe that Atmos Energy would have been able to negotiate the discount included in the 2015 Southern Star Agreement.

III. CUSTOMER SAVINGS UNDER THE DEMAND CHARGE SAVINGS PROVISION

Q. CAN YOU IDENTIFY EXHIBIT SWR-1?

A. Yes. Exhibit SWR-1 sets forth the demand cost savings Atmos Energy has been able to achieve under the 2015 Southern Star Agreement. To date, the customers' portion of the savings (78% of total savings) has been nearly $5 million. Atmos Energy estimates that customers will receive approximately $2 million in additional savings through the end of the 2015 Southern Star Agreement which expires on November 30, 2020.

IV. PROPOSED AMENDMENT TO THE DEMAND CHARGE SAVINGS PROVISION

Q. CAN YOU IDENTIFY EXHIBIT SWR-2?

A. Yes. Exhibit SWR-2 shows red-lined changes to the existing Demand Charge Savings Provision in Atmos Energy's PGA Tariff. Atmos Energy proposes to amend the provisions so it will apply to all future interstate and intrastate pipeline capacity agreements negotiated by Atmos Energy for its Kansas customers. This would include any new agreement with Southern Star Central Pipeline that would replace the expiring 2015 Southern Star Agreement. The other portions of the Demand Charge Savings Provision, including the shared savings percentages, would remain unchanged. Atmos Energy has met with Staff and CURB to discuss the proposed amendment and based upon that meeting agreed the shared savings percentages would remain unchanged.

Q. WILL CUSTOMERS BENEFIT FROM THE AMENDMENT TO THE DEMAND CHARGE SAVINGS PROVISION PROPOSED BY ATMOS ENERGY IN THIS DOCKET?

A. Yes. The current provision only applied to the 2015 Southern Star Agreement. By the time that agreement expires on November 30, 2020, Atmos Energy estimates that its customers' share of the demand charge savings will total approximately $7 million over the life of that contract. The savings generated under the 2015 Southern Star Agreement demonstrates the benefits the customers have achieved and supports the amendment requested in this application. By amending the Demand Charge Savings Provision to apply to all future pipeline capacity agreements, customers will continue to receive savings based on Atmos Energy's ability to negotiate with pipelines for discounted rates from the pipeline's maximum tariff rate.

IV. CONCLUSION

Q. WHY IS ATMOS ENERGY REQUESTING TO AMEND THE DEMAND CHARGE SAVINGS PROVISION AT THE PRESENT TIME?

A. As I previously indicated, customer savings generated under the provision proves that it is beneficial to the customers and should be applied going forward. The 2015 Southern Star Agreement expires on November 30, 2020. Under the provisions of that agreement, Atmos Energy is required to notify Southern Star if it intends on entering into a new agreement with the pipeline before November 30, 2019. Given the important role the Commission's actions played in assisting Atmos Energy to obtain the discounted rate in the 2015 Southern Star Agreement, amending the Demand Charge Savings Provision to apply to all future pipeline agreements will send the same signal and assist Atmos Energy in its negotiations with Southern Star for a new pipeline capacity agreement.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

<u>VERIFICATION OF SHERI W. ROWE</u>

STATE OF Mississippi)
)ss:
COUNTY OF Rankin)

I, Sheri W. Rowe, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing Direct Testimony of Sheri W. Rowe; that I have read the testimony and am familiar with its contents; and that the facts set forth therein are true and correct.

Sheri W Rowe
Sheri W. Rowe

SUBSCRIBED AND SWORN to before me this 23rd day of May, 2019.

Lynn Hilton
Notary Public

Appointment/Commission Expires:

STATE OF MISSISSIPPI
NOTARY PUBLIC
ID # 26428
LYNN HILTON
Commission Expires
Aug. 10, 2021
RANKIN COUNTY

Atmos Energy Corporation
Kansas Division
Demand Cost Savings

Production Month	Number of Days	Contract Capacity	Max Tariff Rate	Demand Cost at Max Tariff Rate	Atmos Discounted Rate	Demand Cost at Discounted Rate	Monthly Savings	Customer Savings at 78%	Atmos Savings at 22%	Total Savings
Dec-15	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Jan-16	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Feb-16	29	63,221	$ 0.2228	$ 408,483.53	$ 0.1456	$ 266,944.35	$ 141,539.18	$ 110,400.56	$ 31,138.62	$ 141,539.18
Mar-16	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Apr-16	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
May-16	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Jun-16	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
Jul-16	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Aug-16	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Sep-16	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
FY 2016				**$ 4,296,119.81**		**$ 2,807,518.20**	**$ 1,488,601.61**	**$ 1,161,109.26**	**$ 327,492.35**	**$ 1,488,601.61**
Oct-16	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Nov-16	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
Dec-16	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Jan-17	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Feb-17	28	63,221	$ 0.2228	$ 394,397.89	$ 0.1456	$ 257,739.37	$ 136,658.52	$ 106,593.65	$ 30,064.87	$ 136,658.52
Mar-17	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Apr-17	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
May-17	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Jun-17	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
Jul-17	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Aug-17	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Sep-17	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
FY 2017				**$ 5,141,258.13**		**$ 3,359,816.86**	**$ 1,781,441.27**	**$ 1,389,524.19**	**$ 391,917.08**	**$ 1,781,441.27**
Oct-17	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Nov-17	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
Dec-17	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Jan-18	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Feb-18	28	63,221	$ 0.2228	$ 394,397.89	$ 0.1456	$ 257,739.37	$ 136,658.52	$ 106,593.65	$ 30,064.87	$ 136,658.52
Mar-18	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Apr-18	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
May-18	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Jun-18	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
Jul-18	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Aug-18	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Sep-18	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
FY 2018				**$ 5,141,258.13**		**$ 3,359,816.86**	**$ 1,781,441.27**	**$ 1,389,524.19**	**$ 391,917.08**	**$ 1,781,441.27**
Oct-18	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Nov-18	30	63,221	$ 0.2228	$ 422,569.16	$ 0.1456	$ 276,149.33	$ 146,419.83	$ 114,207.47	$ 32,212.36	$ 146,419.83
Dec-18	31	63,221	$ 0.2228	$ 436,654.80	$ 0.1456	$ 285,354.31	$ 151,300.49	$ 118,014.38	$ 33,286.11	$ 151,300.49
Jan-19	31	63,221	$ 0.2054	$ 402,553.40	$ 0.1456	$ 285,354.31	$ 117,199.09	$ 91,415.29	$ 25,783.80	$ 117,199.09
Feb-19	28	63,221	$ 0.2054	$ 363,596.62	$ 0.1456	$ 257,739.37	$ 105,857.25	$ 82,568.66	$ 23,288.60	$ 105,857.26
Mar-19	31	63,221	$ 0.2054	$ 402,553.40	$ 0.1456	$ 285,354.31	$ 117,199.09	$ 91,415.29	$ 25,783.80	$ 117,199.09
Apr-19	30	63,221	$ 0.2054	$ 389,567.80	$ 0.1456	$ 276,149.33	$ 113,418.47	$ 88,466.41	$ 24,952.06	$ 113,418.47
May-19	31	63,221	$ 0.2054	$ 402,553.40	$ 0.1456	$ 285,354.31	$ 117,199.09	$ 91,415.29	$ 25,783.80	$ 117,199.09
FY to date 2019				**$ 3,256,703.38**		**$ 2,236,809.58**	**$ 1,019,893.80**	**$ 795,517.17**	**$ 224,376.64**	**$ 1,019,893.81**
							Cumulative total	**$ 4,735,674.81**	**$ 1,335,703.15**	**$ 6,071,377.96**

Exhibit SWR-1

I. REPORTING REQUIREMENTS

The Company shall submit to the Commission purchased gas cost filings at least 15 days before the filing is to be effective. The exception to this requirement is the Hedge Settlement Filing for November to March, which is required to be filed at least 1 day before the effective date. Purchased gas cost filings and cost adjustment reports shall use the format prescribed by the Commission.

J. LINE LOSS LIMITATIONS

The Company shall compute one actual line loss for the entire State of Kansas. In the event that the actual line loss (unaccounted for gas) statistic for the computation period exceeds the line loss limit of 4%, the Company will compute the purchased gas adjustment using the limit value rather than the actual operating statistic value.

K. DEMAND CHARGE SAVINGS ~~UNDER 2015 SOUTHERN STAR AGREEMENT~~

The Company shall identify the demand charge savings expected to be received (applicable to its Kansas jurisdiction) under ~~the 2015 Southern Star Agreement approved in Docket No. 14-ATMG-230-TAR~~ **any interstate or intrastate pipeline agreement entered into after the amendment to this provision has been approved by the Commission in Docket No. 19-ATMG-_____-TAR, where the Company has been able to negotiate a discount of the pipeline's maximum tariff rates**. The demand charge savings shall be calculated by taking the difference between the pipeline's maximum tariff rates and the discounted rate multiplied by the amount of capacity contracted for under the agreement.

1. The Demand Charge Savings will be shared between the Customers and the Company. The Customer shall receive seventy-eight percent (78%) of the savings and the Company shall receive twenty-two percent (22%) of the savings.
2. The Customers' share of the savings would be provided to them by applying the savings to the utility PGA on a monthly basis. As monthly savings are realized, the savings will be reflected in the monthly gas costs.
3. The 22% of Demand Charge Savings not passed through to the Customer through the PGA shall be retained by the Company ~~as provided for in the Commission's Order dated April 7, 2015, in Docket No. 14-ATMG-230-TAR~~.

SECTION 2 - PURCHASED GAS COST REFUND ADJUSTMENT PROCEDURE

A. SUPPLIER REFUND PROVISION

Supplier Refunds of Company's payments in excess of those ultimately authorized by the governing regulatory body, including interest received, shall be credited to the refund reserve accounts and refunded to the customers through the Supplier Refund Factor. The Company should make a best effort to refund the type of customer that was overcharged.

1. The Supplier Refund Factor shall be determined by dividing the appropriate refund amount by the estimated Ccf sales as shown on Sheet 1 line 6 of the PGA filing

Exhibit SWR-2