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Docket No. 14-00146

November 25, 2014

Sharla Dillon, Dockets Manager
Tennessee Regulatory Authority
Andrew Jackson State Office Building
Fourth Floor
500 Deaderick Street
Nashville, TN 37242

VIA E-MAIL AND HAND DELIVERY

sharla.Dillon@tn.gov

RE: Atmos Energy General Rate Case and Petition to Adopt Annual Review
Mechanism and ARM Tariff

Dear Ms. Dillon:

Enclosed for filing is a Petition and supporting documents in the above-captioned new matter for Atmos Energy. The following documents are being filed:

1. Petition;
2. Proposed Protective Order;
3. Testimony of Patricia J. Childers and Exhibit PJC-1 (Schedule 11 of Revenue Requirement Model);
4. Testimony of Gregory K. Waller and Exhibits GKW-1 (Schedules 1-10 of Revenue Requirement Model), and GKW-2 (ARM Tariff);
5. Testimony of Jason L. Schneider and Exhibit JLS-1 (Cost Allocation Manual);
6. Testimony of Joe T. Christian and Exhibit JTC-1 (Lead/Lag Study);
7. Testimony of Dr. James H. Vander Weide and Exhibit JVW-1 (Return on Equity Study).

Sharla Dillon, Dockets Manager

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We have provided PDF copies of each of the filings for posting to the Authority's docket website. There are no confidential materials in the PDF documents to be filed. Four hard copies of the filed documents also are enclosed.

We also have provided a DVD for Authority Staff containing working Excel versions of the Exhibits and additional work papers. Some of the electronic work papers on the DVD do contain confidential materials, and these files have been marked as such for appropriate confidential treatment in accordance with usual Authority practice.

Atmos Energy's responses to the Authority's suggested "Filing Guidelines for Rate Cases," commonly referred to as the MFRs, will be filed separately. Atmos expects these to be completed and filed by mid-December.

As always, if you have any questions concerning this filing, please do not hesitate to contact me.

Best regards.

Sincerely,



A. Scott Ross

ASR:prd

Enclosures

cc: Jean A. Stone, Esq. (by email) (without enclosures)
Wayne M. Irvin, Esq. (by hand delivery) (with enclosures)

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

ATMOS ENERGY CORPORATION)	
GENERAL RATE)	
CASE AND PETITION TO ADOPT)	Docket No. 14- _____
ANNUAL REVIEW MECHANISM AND)	
ARM TARIFF)	

PETITION

Atmos Energy Corporation ("Atmos Energy" or "Company") respectfully petitions the Tennessee Regulatory Authority as follows:

INTRODUCTION

1. In Authority Docket No. 14-00081, Atmos Energy petitioned for approval of an annual rate review mechanism as authorized under Tennessee Code Annotated § 65-5-103(d)(6), relying on the Company's most recent general rate case, Docket No. 12-00064. The Authority ultimately held in Docket No. 14-00081 that the resolution of Docket No. 12-00064 did not establish a methodology so as to allow implementation of the statutory annual rate review mechanism authorized under Section 65-5-103(d)(6). This Petition is being filed to solve that problem.

2. Accordingly, this Petition has two parts. First, it is a traditional general rate case petition. Atmos Energy seeks approval to adjust its rates pursuant to Tennessee Code Annotated § 65-5-103(a). As per the usual course in a general rate case, Atmos Energy respectfully requests that the TRA approve the Company's new rates and charges and tariffs incorporating the revised rates.

3. Second, pursuant to Tennessee Code Annotated § 65-5-103(d)(6), Atmos Energy seeks to opt into the statutorily authorized annual rate review mechanism. As authorized under subsection (d)(6), Atmos Energy seeks to have its rates reviewed annually based upon the methodology adopted in the general rate case portion of this case, with the Company's rates to be adjusted annually so as to enable Atmos Energy to earn the authorized return on equity that is established in the general rate case portion of this case. Atmos Energy requests approval to make its first annual review filing in September 2015, followed by an adjustment of rates pursuant to the annual review mechanism effective January 1, 2016, and each January 1 thereafter. To provide for an orderly annual review pursuant to the statute, the Company has filed a proposed Annual Review Mechanism Tariff to implement procedures for the statutory annual review, and Atmos Energy respectfully files this tariff and seeks its approval.

COMPANY INFORMATION

4. Full name and address of the principal place of business of the Company:

Atmos Energy Corporation
5430 LBJ Freeway, Suite 1800
Dallas, TX 75240

5. All correspondence and communications with respect to this Petition should be sent to the following:

Patricia Childers
Vice President
Rates & Regulatory Affairs
Kentucky/Mid-States Division
Atmos Energy Corporation
810 Crescent Centre Drive, Ste. 600
Franklin, TN 37067-6226

A. Scott Ross, Esq.
Neal & Harwell, PLC
2000 One Nashville Place
150 Fourth Avenue North
Nashville, TN 37219-2498

Ellen T. Weaver, Esq.
Senior Attorney
Atmos Energy Corporation
P.O. Box 650205
Dallas, TX 75265-0205

6. Atmos Energy's Kentucky/Mid-States Division serves customers in Tennessee, Kentucky and Virginia. Atmos Energy serves approximately 132,000 residential, commercial, and industrial customers in Tennessee. The Company has a Tennessee-based work force of slightly less than 160 employees including 32 employees in the Kentucky/Mid-States division office in Cool Springs. The Atmos Energy utility plant in Tennessee includes approximately 3,400 miles of transmission and distribution lines.

GENERAL RATE CASE

7. The Company's current rates were established by the TRA in Docket No. 12-00064. That case was filed on June 22, 2012. The TRA ultimately approved a settlement in the case, and new rates became effective for bills rendered on or after December 1, 2012.

8. The Company's existing rates are not adequate to permit it an opportunity to recover its reasonable operating costs and to earn a fair and reasonable rate of return on its investment. The Company has a revenue deficiency of \$5,888,612 at current rates. In order for Atmos Energy to maintain its facilities and provide services in accordance with the reasonable requirements of its customers and the requirements of the TRA, attract capital on terms which

are reasonable, attract and maintain investors, and to produce a reasonable rate of return for its stockholders, the Company must be granted a general increase in its rates.

9. Although Atmos Energy operates very efficiently, it is not achieving a fair return on its investments with the rates currently in effect. The Company's indicated return on equity, as of June 30, 2014, was 9.02%. Such a return is not fair and reasonable. The Company has been operating under a deficiency for some time, a deficiency the Company had hoped to correct in Docket No. 14-00081. In view of the time lost in that docket, the Company respectfully requests expedited handling of the rate case portion of this Petition.

10. Atmos Energy seeks approval of an increase in revenues of approximately \$5.89 million. The increase to the bill of an average residential customer would be approximately \$2.09 per month.

11. The requested rate increase would provide a projected rate of return of 8.58% on a projected total rate base of \$254,734,497, and a rate of return on projected common equity of 10.7%.

12. The Company's proposal retains the current proportionate margin distribution among the various customer classes. The Company proposes to increase the fixed customer charge for certain rate schedules. Virtually all of a natural gas local distribution company's cost of service (other than the cost of gas, which are recovered through the purchased gas adjustment and not in base distribution rates) is fixed, as opposed to variable. Under the Company's existing rate structure, the majority of distribution rate revenues are recovered through volumetric rate components. To better recover fixed costs, the Company proposes to adjust the fixed monthly customer charge component for certain rate classes. The proposed monthly customer charges

compare favorably with the charges approved by the TRA in recent filings by the other regulated natural gas utilities.

ANNUAL REVIEW MECHANISM

13. Tennessee Code Annotated Section 65-5-103(d)(6) allows utilities to opt for annual review of their rates. Subsection (d)(6)(A) provides that a “public utility may opt to file for an annual review of its rates based upon the methodology adopted in its most recent rate case . . .” This statutory annual review mechanism is intended to allow for more frequent, and as a result smaller, incremental changes to a utility’s rates (up or down), and to reduce the cost associated with traditional rate case litigation.

14. Part one of this Petition initiates a general rate case, and Atmos Energy specifically requests that in the course of the general rate case that the Authority approve a methodology sufficient to enable implementation of the annual review mechanism established by section 65-5-103(d)(6).

15. Pursuant to Tennessee Code Annotated section 65-5-103(d)(6), Atmos Energy respectfully petitions to file its first annual rate review in September 2015, with the first annual adjustment to rates to be effective January 1, 2016, and with rates to be adjusted so as to enable Atmos Energy to earn the return on equity that is established in the general rate case portion of this Petition. Pursuant to the annual mechanism established in section 65-5-103(d)(6), Atmos Energy further petitions that its tariff rates be adjusted annually effective each January 1 thereafter to a level sufficient to allow the Company to earn its authorized return on equity, with

all tariff rates to be adjusted in proportion to the relative base revenue share of each, as approved in the Company's most recent general rate case.

16. To allow for an orderly implementation of the annual review mechanism established by Section 65-5-103(d)(6), Atmos Energy has proposed an Annual Review Mechanism ("ARM") tariff setting forth a timetable for the Company's annual filings, and specifying the documentation that Atmos Energy will file annually. The proposed tariff is attached as an exhibit to the testimony of witness Gregory K. Waller. The ARM tariff calls for the company to make its annual ARM filing no later than September 1 of each year. The tariff specifies that the Company's annual filing will use a historic base period defined as the twelve month period ending June 30 of each calendar year, and a forward looking test year defined as the twelve months beginning January 1 of each calendar year following the September 1 filing. The tariff provides that the annual ARM filing will include 11 specified schedules that cover Cost of Service, Summary of Revenues at Present Rates, Cost of Gas, Operation and Maintenance Expense, Taxes Other Than Income, Depreciation and Amortization Expenses, Rate Base and Return, Computation of State Excise and Income Taxes, Overall Cost of Capital, Rate of Return, and Proof of Revenues and Calculation of Rates. Atmos Energy respectfully files and petitions for approval of its proposed Annual Review Mechanism tariff, attached as Exhibit GKW-2 to the testimony of Gregory K. Waller.

SUPPORTING TESTIMONY AND EXHIBITS

17. In support of this Petition, Atmos Energy has submitted the following testimony and exhibits:

<i>Witness</i>	<i>Exhibits</i>	<i>Description</i>
Patricia J. Childers	PJC-1	Schedule 11 of Revenue Requirement Model

Gregory K. Waller	GKW-1	Schedules 1-10 of Revenue Requirement Model
	GKW-2	ARM Tariff
Jason L. Schneider	JLS-1	Cost Allocation Manual
Joe T. Christian	JTC-1	Lead/Lag Study
Dr. James H. Vander Weide	JVW-1	ROE Study

WHEREFORE, Atmos Energy respectfully prays:

1. That Notice be issued and a hearing be set regarding the Petition;
2. That the Authority expedite resolution of the rate case portion of this Petition;
3. That the Authority find that the Company's existing rates are inadequate and that the rates proposed by the Company are fair, just and reasonable and in the public interest;
4. That the Authority approve Atmos Energy's revised tariff implementing its proposed new rates, filed as Exhibit PJC-1 to the testimony of Patricia J. Childers.
5. That the Company be permitted to opt-into the annual rate review mechanism provided by Tenn. Code Ann. § 65-5-103(d)(6), with the first revision to rates under the annual review mechanism to be effective January 1, 2016.
6. That the Authority approve the Company's Annual Review Mechanism tariff, attached as Exhibit GKW-2 to the testimony of Gregory K. Waller.
7. That Atmos Energy be granted such other and/or further relief as may be warranted, including any relief that may be afforded pursuant to Tenn. Code Ann. § 65-5-103(d)(7).

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

A. Scott Ross, #15634
2000 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219-2498
(615) 244-1713 – Telephone
(615) 726-0573 – Facsimile

Counsel for Atmos Energy Corporation

VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Patricia J. Childers, being duly sworn state that I am the Vice President - Rates & Regulatory Affairs for the Kentucky/Mid-States Division of Atmos Energy Corporation, the Petitioner in the subject proceeding; that I am authorized to make this verification of behalf of Atmos Energy Corporation; that I have read the foregoing Petition and Exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.

Patricia J. Childers

SWORN to and subscribed before me
this 21st day of November, 2014.

Pamela Pleasant
Notary Public

My Commission Expires:

MAY 3, 2016

