

**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION TO REVISE
PERFORMANCE BASED
RATEMAKING MECHANISM TARIFF
RIDER**

TRA Docket No. 16-

16-00028

**PETITION TO REVISE
PERFORMANCE BASED RATEMAKING MECHANISM
TARIFF RIDER**

Atmos Energy Corporation respectfully submits for approval a package of revisions to the Company's Performance-Based Ratemaking Mechanism tariff (the "PBRM"). These changes were recommended by the independent consultant following its review of the Company's PBRM plan.

As required by the final orders in Docket Nos. 07-00225 and 13-00111, independent consultant Exeter Associates, Inc. ("Exeter") has completed its review of the Atmos PBRM plan. The Exeter Report, filed in docket 07-00225, includes a package of inter-related recommended changes to the Company's PBRM tariff. Rather than isolating only the recommended changes that would be favorable to the Company, this Petition seeks to implement Exeter's full package of recommended changes. The proposed changes are described more fully below and in the written direct testimony of Rebecca M. Buchanan, filed herewith.

In support of this Petition, Atmos respectfully submits the following information:

1. Full name and address of the principal place of business of the company are:

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

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

Patricia D. Childers
Vice President, Rates & Regulatory Affairs
Mid-States Division
Atmos Energy Corporation
810 Crescent Centre Drive, Suite 600
Franklin, TN 37067-6226
(615) 771-8301 – Facsimile

A. Scott Ross, Esq.
Neal & Harwell, PLC
2000 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219-2498
(615) 726-0573 – Facsimile

Douglas C. Walther, Esq.
Associate General Counsel
Atmos Energy Corporation
P. O. Box 650205
Dallas, TX 75265-0205
(972) 855-3080 – Facsimile

3. Atmos Energy Corporation (“Atmos”) is incorporated under the laws of the state of Texas and is engaged in the business of transporting, distributing, and selling natural gas. Atmos is a public utility pursuant to the laws of the state of Tennessee and its public utility operations are subject to the jurisdiction of this Authority.

4. Atmos seeks to amend its PBRM tariff rider to adopt the package of recommended changes identified by independent consultant Exeter, following its review of the

Company's PBRM plan. The purpose of the PBRM tariff is to provide financial incentive for the Company to optimize and lower its gas commodity and interstate pipeline capacity costs, and to maximize its asset management revenue. The PBRM operates by providing that the Company will share cost savings and asset management revenue with customers. The Company's current PBRM tariff was adopted in the mid-1990s and has been subject only to minor amendment, in docket 13-00111, the final order in that docket requiring that further review of the PBRM be included in the recently-completed review process conducted by Exeter.

5. Following its recently-completed review, Exeter recommended adoption of a package of changes to the Company's PBRM tariff, specifically:

- a) NYMEX futures prices should be excluded from the benchmark calculations under the PBRM;
- b) The 90 percent sales customer and 10 percent Company sharing provisions under the Capacity Management Incentive Mechanism component of the PBRM should continue to apply for AMA fees;
- c) A 75 percent sales customer and 25 percent Company sharing should apply under the Capacity Management Incentive Mechanism for capacity release revenues and off-system sales margins;
- d) A 75 percent sales customer and 25 percent Company sharing provision should be adopted under the Gas Procurement Incentive Mechanism component of the PBRM;
- e) Avoided demand charges should be shared under the Gas Procurement Incentive Mechanism component of the PBRM at the 75/25 percentages for no more than three years. After three years of sharing at the 75/25

percentages under a particular arrangement, a 90/10 percent sharing of avoided demand charges would be more reasonable. The 90/10 percent sharing should continue to apply when renewing an expiring contract and replacing that contract with a similar avoided cost arrangement;

- f) Savings associated with the replacement of existing year-round transportation arrangements with less expensive arrangements or winter seasonal arrangements, and the replacement of the Company's relatively more expensive storage arrangements with lower-cost alternatives should be considered for inclusion under the PBRM as avoided demand charges; and
- g) The \$1.25 million PBRM cap and deadband should be eliminated if Exeter's other PBRM sharing provision recommendations are adopted.

7. The proposed amended Tariff, implementing Exeter's recommendations, is attached as Exhibit RMB-3 to the testimony of Rebecca M. Buchanan. In support of the proposed Tariff amendments, Atmos respectfully submits the following testimony and exhibits:

1. Testimony of **Rebecca M Buchanan**, and exhibits:

- a. **Exhibit RMB-1:** Triennial Review Scope;
- b. **Exhibit RMB-2:** Exeter Associates, Inc. Report: Atmos Energy Corporation Review of Performance Based Ratemaking Mechanism Rider (Confidential);
- c. **Exhibit RMB-3:** Proposed Amended PBRM Tariff;

2. Testimony of **Matthew B. Davidson**.

WHEREFORE, Atmos respectfully requests that the Tennessee Regulatory Authority approve the amended Tariff, attached as Exhibit RMB-3 to the testimony of Rebecca Buchanan.

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

A. Scott Ross, #15634

Blind Akrawi, #23213

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