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VIA E-MAIL AND HAND DELIVERY

RE: Atmos Energy Corporation Petition to Revise PBR Mechanism Tariff Rider
TRA Docket No. 16-00028

Dear Ms. Dillon:

Enclosed are the original and four copies of the non-confidential portion of Response of Atmos Energy Corporation to First Discovery Request of Consumer Advocate.

Also enclosed under seal is a CD containing the confidential portion of these responses, which are not to be placed on the Authority's website.

Best regards.

Sincerely,



A. Scott Ross

ASR:prd

Enclosures

cc: Wayne M. Irvin, Esq. (via e-mail and hand delivery)

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

IN RE:)	
)	
PETITION OF ATMOS ENERGY)	
CORPORATION TO REVISE)	
PERFORMANCE BASED)	TRA Docket No. 16-00028
RATEMAKING MECHANISM TARIFF)	
RIDER)	

**RESPONSE OF ATMOS ENERGY CORPORATION TO
FIRST DISCOVERY REQUEST OF CONSUMER ADVOCATE**

1. Provide a comparison of the annual cost savings to Atmos Energy and its customers under the Performance-Based Ratemaking Mechanism (“PBRM”) tariff rider with and without the deadband under the Gas Procurement Incentive Mechanism (“GPIM”) for the annual PBR review periods April 2002 through March 2014. Include in your response the deadband; the benchmark commodity costs; Atmos Energy’s actual commodity cost; the total commodity cost savings for Tennessee broken down between Atmos Energy and its customers; the total commodity cost savings outside of the deadband broken down between Atmos Energy and its customers; any capacity release savings; any asset management agreement (“AMA”) savings; and any savings forfeited by Atmos Energy. Provide all workpapers and documents prepared, used, or relied upon in evaluating or responding to this Request.

RESPONSE:

The Company notes that its proposed changes and Exeter’s recommendations are to be taken as a complete package. The piecemeal application of changes will yield results that are not reflective of the intent of the proposal as a whole. Also, the application of proposed changes to historic periods will not yield results that reflect or predict potential future savings.

With regard to actual results under the current PBRM April 2002 through March 2014, please see the attached Confidential summary Excel file, named “*DRI Atmos Summary - Plan Year Results Apr02-Mar14 Confidential.xlsx*,” that provides on two tabs the lower limit of the deadband (the upper limit has remained at 102% since inception), the benchmark commodity costs, Atmos Energy’s actual commodity cost, the total commodity cost savings for Tennessee broken down between Atmos Energy and its customers, the total commodity cost savings outside of the deadband broken down

between Atmos Energy and its customers, any capacity release savings, any asset management agreement (“AMA”) savings, total Atmos savings, total customer savings, and any savings forfeited by Atmos Energy.

For detailed supporting data, please refer to the confidential Excel files provided in Atmos’ responses to CAPD’s First Discovery Request DR #6 through #17 in this Docket.

Regarding the hypothetical results of a historical PBRM without the deadband, Atmos has not prepared such calculations back to 2002, but the working Excel spreadsheets provided in response to DR #6 through DR #17 provide the ability to make such calculations. Atmos makes reference to these documents in response to this interrogatory pursuant to Tenn. R. Civ. P. 33.03. Please read the following for additional information in this regard:

Deadband

The Excel files included in each response provide the deadband calculation which can be manipulated by changing the High band and the Low band; by setting each to 100%, this will effectively eliminate the deadband from the working file and results may then be observed on the monthly tabs as well as on the summary tab. For example within the Excel file provided in response to DR #6, on the Summary tab, the Low band is found in Excel cell D15 97.4%, and the High band is found in cell F15 102%. Changing both of these cells to a value of 100% effectively removes the deadband throughout the entire file. This method can be used to remove the deadband from each PBR report for the periods from April 2002 through March 2014, by utilizing the Excel files provide in the Company’s response to DR #6 through #17.

Benchmark Commodity Costs and Actual Commodity Costs

The Excel files included in each response provide the benchmark commodity costs and Atmos’ actual commodity costs. For example, within the Excel file provided in response to DR #6, on the Summary tab, the benchmark commodity costs are summarized in Excel column B and Atmos’ actual commodity costs are found in Excel column E. By scrutinizing the cell references within columns B and E, one will see that the supporting details are found on the monthly tabs in the same Excel file. This method can be used to review the benchmark commodity costs and actual commodity costs from each PBR report for the periods from April 2002 through March 2014, by utilizing the Excel files provided in the Company’s response to DR #6 through #17. The Summary tab may be named “annual results” in the earlier years requested.

Most of the remaining items requested are also provided directly within the Summary tab of the Excel files provided in Atmos’ response to DR #6 through #17. Also, Staff’s Audit Report of each year’s PBRM contains summary information which will be responsive to most of the remaining items in this request. For convenience, Staff’s report (as an exhibit to the TRA Order) is being provided in the Company’s response to DR #6 through #17.

2. Provide a comparison of the annual cost savings to Atmos Energy and its customers under the Performance-Based Ratemaking Mechanism (PBRM) tariff rider with and without both the deadband and the \$1.25 million cap under the PBRM for the annual PBRM for the annual PBRM review periods from April 2002 through March 2014. Include in your response the deadband; the benchmark commodity costs; Atmos Energy's actual commodity cost; the total commodity cost savings for Tennessee broken down between Atmos Energy and its customers; the total commodity cost savings outside of the deadband broken down between Atmos Energy and its customers; any capacity release savings; any AMA savings; and any savings forfeited by Atmos Energy. Provide all workpapers and documents prepared, used, or relied upon in evaluating or responding to this Request.

RESPONSE:

Please refer to the Company's response to DR#1 above and refer to the same confidential Excel files provided in response to DR #1 and DR # 6 through #17 in this Docket. Regarding the hypothetical results of a historical PBRM without the deadband and without the \$1.25 million cap, Atmos has not prepared such calculations back to 2002, but the working Excel spreadsheets provided in response to DR #6 through DR #17 provide the ability to make such calculations. Please read the following for additional information in this regard:

Deadband and Cap

Following the instructions provided in response to DR 1, the Excel files included in each response may be manipulated to eliminate the deadband, and observe the impact to the customer and the Company savings. Similarly the \$1.25 million cap can be removed from the file and the results observed. For example, within the Excel file provided in response to DR #6, on the Summary tab, the cap is found in Excel cell F56. Immediately above line 56, in cells E55 and F55, will be found the savings to the customer and the Company prior to application of the cap. This method can be used to remove the deadband and observe the savings without the cap in each PBR report for the periods from April 2002 through March 2014, by utilizing the Excel files provide in the Company's response to DR #6 through #17. Please note that in certain historic periods, shared savings were not sufficient to reach the cap and therefore line 56 will not show the cap; nevertheless, the Summary tab will show savings to the customers and the Company without the cap in approximately this same location, on or about line 58 of the spreadsheet, as a "cumulative total". The Summary tab may be named "annual results" in the earlier years requested.

3. Provide a comparison of the annual cost savings to Atmos Energy and its customers under the Performance-Based Ratemaking Mechanism (PBRM) tariff rider with and without all of the PBRM changes sought by Atmos Energy, including the elimination of the deadband and the \$1.25 million cap as well as all sharing changes, for the annual

PBRM review periods from April 2002 through March 2014. Include in your response the deadband; the benchmark commodity costs; Atmos Energy's actual commodity cost; the total commodity cost savings for Tennessee broken down between Atmos Energy and its customers; the total commodity cost savings outside of the deadband broken down between Atmos Energy and its customers; any capacity release savings; any AMA savings; and any savings forfeited by Atmos Energy. Provide all workpapers and documents prepared, used, or relied upon in evaluating or responding to this Request.

RESPONSE:

Atmos has prepared an analysis of the PBRM changes that were recommended by Exeter and that were sought in this proceeding. The analysis was based on the historical PBRM review period April 2014 through March 2015 as initially audited by TRA Staff. The Confidential Excel file is attached, named "*DR 3 Atmos Analysis Exeter 1st yr Recommendations,14-15 ANNUAL PBR Rpt, Confidential.xlsx*". All workpapers are included as tabs within the working Excel file. This hypothetical analysis itself has not been audited. On the Summary tab, on or about Excel cell B3, there is a hyperlink that when clicked provides the steps taken to prepare the hypothetical analysis, and a summary of the results. These results may be compared to the actual results of the PBRM period April 2014 through March 2015 by reviewing the Confidential Excel file provided in the Company's response to DR 5 in this same Docket.

The Company has not performed such an analysis on any PBRM periods prior to April 1, 2014. Atmos does not have reasonably available to it all data required to provide a comparison of the annual cost savings to Atmos Energy and its customers under the PBRM tariff rider with and without all of the PBRM changes sought in this proceeding for the annual PBRM review periods from April 2002 through March 2014. Atmos Energy did not keep track of differences, when applicable, between its contract rates and the maximum contract rates charged by the various pipelines that Atmos Energy has used to transport and store gas for its Tennessee customers. Many, if not all, of those pipelines have had multiple rate changes since 2002. Obtaining the required information would involve increasing difficulty the further back one tried to reach into the past. Attempting to reconstruct the data needed for all of the years requested is impracticable. Also, the application of Exeter's recommended changes to historic periods will not yield results that reflect or predict potential future savings.

4. Provide a spreadsheet containing the calculation of the market price benchmark used in the GPIM for April 2002 through March 2014. Include the monthly values of each index used to compute the benchmark and sufficient detail to show the method of calculating the benchmark from the individual indexes. Provide all workpapers and documents prepared, used or relied upon in evaluating or responding to this Request.

RESPONSE:

Please refer to the confidential Excel files provided in Atmos' responses to CAPD's First Discovery Request DR #6 through #17 in this Docket. These files are the actual annual PBR reports prepared by Atmos and audited by TRA Staff. These files provide all the data requested; please refer to the monthly tabs for the detail calculations, the indices used, etc.

5. through 19. For simplicity, Atmos Energy responds to these requests as a group.

Each of these requests provided as follows:

Refer to the annual report of shared savings as filed in TRA Docket _____ on _____, _____. Please provide the full un-redacted annual report of shared savings, along with the supporting calculations, for the twelve-month period ending March 31, _____.

5. Docket 15-00060 on May 28, 2015, for the period ending March 31, 2015.
6. Docket 14-00054 on May 15, 2014, for the period ending March 31, 2014.
7. Docket 13-00084 on May 28, 2013, for the period ending March 31, 2013.
8. Docket 12-00044 on May 24, 2012, for the period ending March 31, 2012.
9. Docket 11-00137 (12-00053) on August 23, 2011, for the period ending March 31, 2011.
10. Docket 11-00137 (12-00053) on August 23, 2011, for the period ending March 31, 2010.
11. Docket 11-00137 (12-00053) on August 23, 2011, for the period ending March 31, 2009.
12. Docket 11-00137 (12-00053) on August 23, 2011, for the period ending March 31, 2008.
13. Docket 11-00137 (11-00195) on August 23, 2011, for the period ending March 31, 2007.
14. Docket 11-00137 (11-00195) on August 23, 2011, for the period ending March 31, 2006.
15. Docket 11-00137 (11-00195) on August 23, 2011, for the period ending March 31, 2005.
16. Docket 11-00137 (11-00158) on August 23, 2011, for the period ending March 31, 2004.
17. Docket 11-00137 (11-00158) on August 23, 2011, for the period ending March 31, 2003.
18. Docket 11-00137 (11-00158) on August 23, 2011, for the period ending March 31, 2002.
19. Docket ~~11-00137 on August 23, 2011,~~ 01-00704 on August 7, 2001 for the period ending March 31, 2001.

RESPONSE:

Attached please find electronic storage media containing Confidential Excel files which are the TRA Staff audited annual reports of savings, un-redacted for the fifteen review periods from April 1, 2000 through March 31, 2015. Supporting calculations are found within the files in the monthly tabs. Also provided are Staff's reports and the TRA Orders related to each annual report.

20. Provide a full and un-redacted annual report of shared savings, along with the supporting calculations for each twelve month period ending March 31st prior to April 1, 2000.

RESPONSE:

The first year of the permanent PBRM was the twelve months ended March 31, 2000. Attached please find electronic storage media containing the Confidential PDF file of the TRA Staff audited annual report of savings, un-redacted for that period. Supporting data are found within that file, on the monthly sheets. Also provided are Staff's report and the TRA Order related to the annual report, Docket 00-00459.

21. Identify, for each response, all persons assisting in the answering of each of these requests. Please state the requests(s) on which each such person(s) assisted.

RESPONSE:

Rebecca Buchanan provided information responsive to all requests. She was assisted by Matt Davidson on the response to DR 3.

Respectfully submitted,

NEAL & HARWELL, PLC

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Counsel for Atmos Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 26th day of September, 2016.

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