Docket No. 17-00091
Atmos Energy Corporation, Tennessee Division
CPAD DR Set No. 4
Question No. 4-37

REQUEST:

CPAD Discovery Request 1-I5(a) requests the average cost per new Service Line by year for the periods 2011 through 2016. The Company's Response appears to be related to the installed service line costs associated with 'growth'. Provide the composite costs for:

(a) all service line installations

(b) all non-growth related service line installations.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CPAD_4-37_Att1 - CPAD_4-37_Att1 - Service Line Costs.xlsx.xls, 1 Page.

	Calendar Year 2011	2012	2013	2014	2015	2016	Grand Total
Growth Service Line Costs	$1,498,355.60	$1,932,622.23	$1,963,642.34	$2,469,015.87	$2,530,371.73	$3,002,135.47	**$13,396,143.24**
Non-Growth Service Line Costs	$907,181.81	$1,174,132.60	$1,771,403.64	$1,015,813.22	$1,178,373.87	$1,287,473.75	**$7,334,378.89**
Total Service Line Costs	**$2,405,537.41**	**$3,106,754.83**	**$3,735,045.98**	**$3,484,829.09**	**$3,708,745.60**	**$4,289,609.22**	**$20,730,522.13**
# of Growth Service Lines	867	1,214	1,638	1,866	1,943	2,523	**10,051**
# of Non-Growth Services Lines	195	211	154	243	249	344	**1,396**
Total # of Service Lines	**1,062**	**1,425**	**1,792**	**2,109**	**2,192**	**2,867**	**11,447**
Avg. Cost Per Growth Service	$ 1,728	$ 1,592	$ 1,199	$ 1,323	$ 1,302	$ 1,190	
Avg. Cost Per Non-Growth Service	$ 4,652	$ 5,565	$ 11,503	$ 4,180	$ 4,732	$ 3,743	
Avg. Cost Per Service	$ 2,265	$ 2,180	$ 2,084	$ 1,652	$ 1,692	$ 1,496	

REQUEST:

Does Atmos monitor its installed service line costs on a monthly/quarterly or annual basis? If so, provide any existing budget variance reports including any portion of the 2011 - 2016 periods which discuss the variance between actual and budgeted service line installation costs. Also include in your response a thorough explanation for the variance in the service line installation costs for the period 2011-2016, documenting costs which range from a low of $1,190 per service line (2016) to a high of $1,728 (2011). Included within this explanation should be the identification of any changes in accounting procedures or costing methodologies that impact the variance.

RESPONSE:

The Company's budgets projects in two broad categories - Blanket Functionals and Specific Projects. The Blanket Functionals include total capital authorizations of a similar type such as new services, leak repair, short main replacements, small integrity/reliability projects, etc. Specific projects are uniquely identified such as a specific highway relocation project, replacement of work equipment, or some larger significant integrity/reliability project. In the case of Blanket Functionals, we budget for a Growth Functional, Non-Growth Functional, and a Leak Functional. The Growth Functional budget would include estimated costs for new service lines, meters, meter loops, and regulators. The same process is done for the Non-Growth Functional as well as Leak Functional. The primary difference being both Non-Growth and Leak Functional include short main replacements (<= 250 feet.) as well as Cathodic Protection and Anode replacements. However, there is no breakdown of costs in the final budget between these individual components which makes a comparison of actuals to budget for service lines only unavailable. The Company does monitor its installed service line costs as part of the overall actual investment versus each fiscal year's total capital budget. We strive to manage within that fiscal year's total capital budget with safety and system reliability being the primary concern. For the time period of FY 2011 through FY 2016, the Company has experienced only a 1.61% variance on approximately $149.2 million of capital investment in Tennessee. As it relates to the service line costs for the period 2011 - 2016 in the Middle Tennessee region, the primary driver of the decrease from $1,728 in 2011 to $1,190 in 2016 is reflective of the total overhead percentage decrease from approximately 54 percent in FY 2011 to approximately 36 percent in FY 2016. The decrease in overhead percentage is generally driven by the Company's increase in capital investment that is focused on investing in safety and system reliability. As total capital investment increases, the application of overheads to projects decreases. There are no changes in accounting procedures or costing methodologies that impact the variance.