

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

December 4, 2018

IN RE:)	
)	
PETITION OF ATMOS ENERGY)	
CORPORATION FOR APPROVAL)	DOCKET NO.
OF EXTENSION OF FRANCHISE)	18-00088
AGREEMENT WITH THE CITY OF)	
FRANKLIN, TENNESSEE)	

ORDER APPROVING FRANCHISE AGREEMENT

This matter came before Chair Robin L. Morrison, Vice Chair Kenneth C. Hill and Commissioner John Hie of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, at the regularly scheduled Commission Conference held on October 15, 2018, for hearing and consideration of the *Petition for Approval of Extension of Franchise Agreement with the City of Franklin, Tennessee* (“*Petition*”) filed on August 22, 2018, by Atmos Energy Corporation (“Atmos” or the “Company”).

THE PETITION

Atmos is incorporated under the laws of the state of Texas with its principal place of business in Dallas, Texas. Atmos provides natural gas service to approximately 132,000 residential, commercial and industrial customers in Tennessee. Among the areas served is the City of Franklin, Williamson County, Tennessee.¹

On August 22, 2018, Atmos filed a *Petition* requesting approval of an extension of a negotiated franchise agreement between Atmos and the City of Franklin, Tennessee (“City” or “Franklin”). Along with its *Petition*, Atmos submitted a copy of Ordinance 2018-08, an

¹ *Petition*, p. 2 (August 22, 2018).

ordinance to amend Ordinance 2013-50 and the pre-filed testimony of Matthew Davis, Vice President of Operations for the Tennessee and Virginia area of operations and 36 year employee of Atmos Energy.

Atmos currently provides natural gas service to the City of Franklin pursuant to a franchise agreement incorporated into an ordinance dated October 9, 2013, approved by this Commission in Docket No. 13-00129. Said franchise agreement will expire on November 13, 2018.² Approximately 23,000 customers within the city limits consisting of 90% residential customers and 10% customers of other classes such as commercial and industrial, are served within the city limits of Franklin, by the natural gas distribution system owned and operated by Atmos.³ Atmos and Franklin commenced negotiations to amend and extend the franchise authority in the spring of 2017. The resulting new franchise agreement passed second and final reading on July 10, 2018 and incorporated as Ordinance 2018-08.⁴

The new franchise agreement was submitted to the Board of Mayor and Aldermen, passing first reading on June 26, 2018 and second and final reading on July 10, 2018.⁵ The negotiated franchise agreement extends the term of the existing agreement for ten years.⁶ The franchise fee in the new agreement remains the same as under the existing agreement and is equal to \$0.06 per CCF (100 cubic feet) gross receipts derived from the sale and distribution by Atmos of natural gas within the city limits of Franklin and \$0.0075 per CCF of natural gas transported by Atmos Energy within the city limits of Franklin.⁷

² The current franchise agreement between Atmos Energy and the City of Franklin is incorporated into City of Franklin Ordinance 2013-05. *Petition*, p. 2 (August 22, 2018).

³ Matthew Davis, Pre-filed Direct Testimony, p. 2 (August 22, 2018).

⁴ *Petition*, p. 2 (August 22, 2018); *see also* Exhibit 1.

⁵ *Id.*

⁶ *Id.* *see also* Exhibit 2.

⁷ Matthew Davis, Pre-filed Direct Testimony, p. 4 (August 22, 2018).

Atmos states that it will bill the franchise fee pro rata to customers, insofar as practicable, pursuant to Tenn. Code Ann. § 65-4-105(e). On September 21, 2018, Atmos filed a copy of the notice that it published in the Franklin-Williamson Herald newspaper in compliance with TPUC Rule 1220-4-1-.05.⁸

On October 2, 2018, Atmos submitted the pre-filed direct testimony of Kenneth Hay, Operations Supervisors for the Franklin area of operations and 33 year employee of Atmos. Kenneth Hay adopted the pre-filed testimony of Matthew Davis as his own testimony.⁹ In the pre-filed testimony of Matthew Davis adopted by Kenneth Hay, Mr. Davis states that the franchise agreement is necessary and proper for the public convenience and properly conserves the public interest for the following reasons:

First, the new franchise terms reflected in the new agreement will establish a long-term arrangement through which the current and future residents, business enterprises and governmental facilities located within the City of Franklin will be able to receive, under the supervisory jurisdiction of the Commission, the benefits of continuing natural gas service provided by Atmos Energy for an extended period. This arrangement will help ensure the continuing availability of high-quality natural gas service to the City of Franklin for the foreseeable future.

Second, the new franchise facilitates the provision of such natural gas service to the City of Franklin and this Commission and possessing the requisite expertise, facilities, systems and gas supply and transportation assets necessary to provide such service.

Third, the new franchise arrangement establishes adequate and proper mechanisms for access by the Company to public rights-of-way, new and existing customers, and its distribution facilities. These mechanisms help to ensure that Atmos Energy is able to provide both adequate and efficient service and to comply with the requirements of this Commission to ensure the safety and protection of residents and property within the City of Franklin.

Fourth, the various other protective provisions set forth in the new franchise arrangement provide useful and improvement tools for the City of Franklin to ensure that its citizens are benefited and not economically harmed by the activities of Atmos Energy within the City of Franklin.

⁸ *Notice of Compliance with TPUC Rule 1220-4-1-.05* (September 21, 2018).

⁹ Kenneth Hay, Pre-filed Direct Testimony, p. 1 (October 2, 2018).

Fifth, the new franchise arrangement provides an incentive for Atmos Energy to invest in infrastructure needed to provide improved and expanded service within the City of Franklin by ensuring that Atmos Energy will have the right to provide service within these areas for a sufficient period in order to permit Atmos Energy the opportunity to recover the capital investment in such facilities under the rates approved by the Commission.¹⁰

REQUIREMENT OF AND STANDARDS FOR COMMISSION APPROVAL

Tenn. Code Ann. § 65-4-107 provides that no grant of a privilege or franchise from the State or a political subdivision of the State to a public utility shall be valid until approved by the Commission. Approval pursuant to Tenn. Code Ann. § 65-4-107 requires a determination by the Commission, after hearing, that “such privilege or franchise is necessary and proper for the public convenience and properly conserves the public interest.” Tenn. Code Ann. § 65-4-107 further provides that in considering such privilege or franchise, the Commission “shall have the power, if it so approves, to impose conditions as to construction, equipment, maintenance, service or operation as the public convenience and interest may reasonably require.”

FINDINGS AND CONCLUSIONS

The Commission issued a *Notice of Hearing* on October 5, 2018. On October 15, 2018, a Hearing was held before the voting panel during a regularly scheduled Commission Conference. Appearing for Atmos were Mr. Scott Ross, Esq. and Kenneth Hay, Atmos Operations Supervisor for the Franklin area, including Williamson County. During the Hearing, Mr. Hay adopted and ratified the pre-filed testimony of Matthew Davis and was subject to questioning before the panel. Mrs. Shauna Billingsley, representative for the City of Franklin, attended the Hearing. No person commented or sought intervention during the Hearing.

Thereafter, based upon the testimony and the administrative record as a whole, the panel found that Atmos’ new franchise agreement with Franklin was necessary and proper for the

¹⁰ Matthew Davis, Pre-filed Direct Testimony, pp. 4-6 (August 22, 2018).

public convenience and properly conserves the public interest and that the terms of the franchise are fair and reasonable. Therefore, the panel voted unanimously to approve Atmos' *Petition* for approval of its franchise agreement with Franklin.

IT IS THEREFORE ORDERED THAT:

1. The *Petition for Approval of Extension of Franchise Agreement with the City of Franklin, Tennessee* is approved.
2. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order.
3. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

Chair Robin L. Morrison, Vice Chair Kenneth C. Hill and Commissioner John Hie concur.

ATTEST:



Earl R. Taylor, Executive Director