

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
AGREEMENT WITH BROWN-FORMAN
CORPORATION, d/b/a JACK DANIEL
DISTILLERY**

Docket No. 19-00072

PRE-FILED TESTIMONY OF DANIEL P. BERTOTTI

Q. Please state your name and business address

A. My name is Daniel P. Bertotti. I am Vice President of Marketing for the Kentucky/Mid-States Division of Atmos Energy Corporation. My business address is 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067.

Q. Have you ever testified before the Tennessee Public Utilities Commission?

A. Yes, I have previously testified before the Tennessee Public Utilities Commission in Docket Nos. 05-00258 and 07-00020.

Q. Please provide a brief summary of your education qualifications and experience.

A. I graduated in 1994 from the University of Tennessee with a bachelor's degree in mechanical engineering. That same year, I began working with United Cities Gas Company as an industrial sales representative. Since that time, I have been promoted through positions of increasing responsibility and I assumed my current role as Vice President of Marketing in December 2018.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to support the Company's request for approval of the Agreement for Extension of Distribution Main and Interruptible Service ("Agreement") with Brown-Forman Corporation, d/b/a Jack Daniel Distillery, Lem Motlow, Prop. ("Jack Daniel").

Q. Please summarize your understanding of Jack Daniel's plans that led it to enter into the Agreement.

A. Jack Daniel plans to increase its use of natural gas in connection with ongoing operations. Atmos Energy will install approximately 4 miles of high-pressure steel main to increase capacity to Jack Daniel to allow Jack Daniel to convert from burning wood/sawdust to burning 100% natural gas. This will enhance Jack Daniel's ongoing operations and allow it to increase future production.

Q. How does this Agreement benefit ratepayers?

A. In multiple ways. The Agreement is good for the environment, as natural gas is a cleaner energy source than burning wood and the Agreement will allow Jack Daniel to replace all current wood burning. The Agreement also provides a way for Jack Daniel to increase its production by meeting its future energy needs, which is good for the local economy. Finally, by allowing Jack Daniel to increase its usage, the Agreement helps ratepayers by contributing to covering the Company's cost of service.

Q. Does this Agreement provide a special discounted rate to Jack Daniel?

A. No. Rather, the Agreement provides a way for Jack Daniel to compensate Atmos Energy if its estimated future usage does not cover the minimum margin requirement necessary to justify the expense that Atmos Energy will incur in installing the high-pressure steel main to Jack Daniel.

Q. Does this agreement vary from any requirements from the Atmos Energy approved tariff?

A. Yes, potentially, in one way only. Atmos Energy's tariff states a maximum rate for the service that Jack Daniel will be using. In the event that Jack Daniel fails to use sufficient amounts of natural gas during the primary term of the Agreement, Jack Daniel will pay Atmos Energy the difference between its actual usage and the required annual gross margin shortfall for each year during the primary term, as further described within Section 5 of the Agreement. That would result in payments that could be characterized as greater than the maximum allowable rate and would constitute a deviation from our tariff.

Q. Does this agreement harm any of the existing or future Tennessee rate payers of Atmos Energy?

A. No, to the contrary, this Agreement protects Atmos Energy and its ratepayers by ensuring that Jack Daniel provides sufficient margin to cover the costs of the extension to its facilities. The margin loss recovery provisions of the Agreement do not harm anyone.

Q. Does this project meet Atmos Energy's allowed rate of return?

A. Yes, since Jack Daniel will either use enough gas to cover the margin required for the extension of facilities supporting the Agreement or it will make a payment for any shortfall in usage.

Q. Who is funding the infrastructure investment required to support the Agreement?

A. Both Atmos Energy and Jack Daniel are investing in the project.

Q. What is the extent of the parties' capital investment to serve Jack Daniel under the Agreement?

A. Based upon an overall estimate of \$ [REDACTED], Atmos Energy's investment is \$ [REDACTED]. Jack Daniel's investment is \$ [REDACTED], as shown in the Agreement. Atmos Energy's portion of the investment in the project is covered by Jack Daniel's estimated usage.

Q. Is Atmos Energy asking the Tennessee Public Utilities Commission to approve the Project and the rate of return?

A. Not exactly. The rate of return has already been approved by the Commission for Atmos Energy, and the Project itself does not require Commission approval.

Q. Then why is Atmos Energy asking Tennessee Public Utilities Commission to approve the Agreement?

A. The Agreement requires Jack Daniel to meet a minimum threshold in gas consumption and related margin each year for a 15-year period. In any year Jack Daniel does not use enough natural gas to meet the minimum threshold to meet the annual margin requirement, Jack Daniel has agreed to pay to Atmos Energy, as margin, the difference between the actual margin paid that year and the margin required for that period.

Q. Why would Tennessee Public Utilities Commission be required to approve the Agreement?

A. If Jack Daniel were to have to make a margin recovery payment to Atmos Energy, then the charges for actual volumes used plus the margin payment, when divided by the actual volume used, would result in a price per Ccf that is higher than that listed in Atmos Energy's tariff. Absent the Commission's approval of the Agreement as a special contract, it could potentially violate the Company's tariff.

Q. How does this agreement line up with Atmos Energy's main extension policy in its tariff?

A. Section 7.1 of the General Rules and Regulations allows the Company to install all mains necessary to serve customers free of charge, provided the revenue expected to be realized from those customers produces a rate of return on the investment that is equal to or greater than the minimum allowed rate of return on equity approved in the Company's most recent rate case. In this way it can be ensured that the Company's other ratepayers are not subsidizing main extensions.

This rate of return analysis is based on a feasibility study performed by the Company which considers all costs needed to provide service. These costs are compared to the revenue that is either contracted for or can be reasonably expected to be generated by the customers served by the extension. To the extent that the analysis results in a rate of return less than the minimum allowed rate of return approved in the Company's most recent rate case, then the customer may be required to remit to the company Aid in Construction to make up the difference in the actual and allowable rate of return.

The Agreement requires Jack Daniel to guarantee the revenue used in the feasibility study through the revenue shortfall provisions in Section 5 and requires Jack Daniel to pay Aid in Construction to cover the difference between the total cost of the project and the amount Atmos Energy can invest based on the feasibility study.

Q. Does this Agreement provide substantial benefit to the citizens of Tennessee and Atmos Energy ratepayers?

A. As I testified above, yes. The Agreement helps the environment, helps the economy, and helps ratepayers.

Q. Should the Tennessee Public Utilities Commission approve the negotiated Gas Transportation Agreement with Jack Daniel?

A. Yes.

Q. Does this conclude your testimony?

A. Yes.

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VERIFICATION

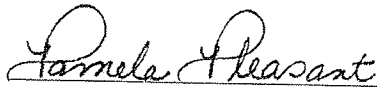
STATE OF TENNESSEE)

COUNTY OF WILLIAMSON)

I, Daniel P. Bertotti, being first duly sworn, state that I am Vice President of Marketing for the Kentucky Mid-States Division of Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above-referenced docket, that the foregoing testimony in support of Atmos Energy Corporation's filing is true and correct to the best of my knowledge, information and belief.


Daniel P. Bertotti

SWORN to and subscribed before me
this 14th day of August, 2019.


Notary Public

My Commission Expires: MARCH 3, 2020

