COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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APPLICATION OF

ATMOS ENERGY CORPORATION **CASE NO. PUE-2015-00119**

For an expedited increase in rates

HEARING EXAMINER'S RULING

September 2, 2016

On February 17, 2016, Atmos Energy Corporation ("Atmos" or "Company") filed an application and supporting documentation ("Application") with the State Corporation Commission ("Commission") for approval of an expedited base rate increase.

On March 22, 2016, the Commission issued an Order for Notice and Hearing that, among other things, authorized Atmos to place its proposed rates into effect on an interim basis, subject to refund with interest, for service rendered on and after April 1, 2016; directed the Company to provide notice of the Application; established a schedule for the filing of notices of participation, prefiled testimony and written comments; scheduled a public hearing on the Application for September 21, 2016; and assigned a Hearing Examiner to conduct all further proceedings in this case on behalf of the Commission.

On September 2, 2016, the Company filed a Motion to Extend Procedural Schedule ("Continuance Motion") wherein Atmos maintained that it will require additional time to respond to the testimony of the Staff of the Commission ("Staff") which was prefiled on August 24, 2016. The Company requested three additional weeks to respond to Staff's testimony – that is, until September 28, 2016.[1] Atmos also requested that: (1) the hearing on September 21, 2016, be convened for the receipt of testimony from public witnesses; (2) the primary evidentiary hearing be continued to November 2, 2016; and (3) the deadline for the filing of written comments be extended from September 14, 2016, to October 26, 2016.[2] Finally, the Company represented that Staff does not oppose the relief requested in the Continuance Motion.[3]

Upon consideration of this matter, I find that the Continuance Motion should be granted. Accordingly,

IT IS DIRECTED THAT:

1. The hearing on September 21, 2016, shall be retained on the Commission's docket for the receipt of testimony from public witnesses;

2. The Company's deadline for prefiling rebuttal testimony is hereby extended from September 7, 2016, to September 28, 2016;

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[1] Continuance Motion at 1.
[2] *Id.* at 1, 2.
[3] *Id.* at 2.

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3. The deadline for the filing of written comments is hereby extended from September 14, 2016, to October 26, 2016; and

4. The primary evidentiary hearing on the Company's Application shall be convened on November 2, 2016, at 10:00 a.m. in the Commission's Courtroom.

A. Ann Berkebile
Hearing Examiner

The Commission's Document Control Center is requested to mail or deliver a copy of the above Ruling to: Timothy E. Biller, Esquire, and Lonnie D. Nunley, III, Esquire, Hunton & Williams, LLP, Riverfront Plaza, East Tower, 951 E. Byrd St., Richmond, VA 23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 N. Ninth St., Richmond, VA 23219.

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 22, 2016

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APPLICATION OF

ATMOS ENERGY CORPORATION

For an expedited increase in rates

CASE NO. PUE-2015-00119

ORDER FOR NOTICE AND HEARING

On February 17, 2016, Atmos Energy Corporation ("Atmos" or "Company") filed an application with the State Corporation Commission ("Commission") for an expedited increase in rates together with direct testimony, exhibits, and schedules ("Application") as prescribed by the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings, 20 VAC 5-201-10 *et seq.* ("Rate Case Rules"). In its Application, the Company seeks to increase its annual base rate revenues by approximately $1.181 million, which includes $0.532 million currently being recovered by the Company outside of base rates in a surcharge associated with its Steps to Advance Virginia's Energy (SAVE) Plan ("SAVE Plan").[1] Atmos states that the requested net increase in revenues of $0.649 million represents an overall revenue increase of 2.46%.[2] In its Application, the Company proposes that this increase in rates be placed into effect for service rendered on and after April 1, 2016.[3]

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[1] Application at 1. Specifically, Atmos currently is recovering $0.532 million through the Infrastructure Replacement Current Rate component of its SAVE Plan. *Id. See Application of Atmos Energy Corporation, For approval to implement a 2015-2016 SAVE Plan and Rider adjustment*, Case No. PUE-2015-00064, Doc. Con. No. 150840195, Order Approving SAVE Rider Adjustment (Aug. 25, 2015).

[2] Application at 1.

[3] *Id.* at 2.

The Commission last granted the Company an expedited increase in rates of $986,119 on October 6, 2014.[4] Atmos indicates that its proposed increase in rates is based on a return on equity ("ROE") of 10.0%, in accordance with the Commission's Final Order in Case No. PUE-2013-00124.[5] Atmos states that the requested increase will allow the Company the opportunity to earn a 10.0% ROE.[6] In its Application, the Company proposes to allocate the requested increase in proportion to each customer class's current margin contributions.[7] Atmos also proposes the following for monthly customer charges: (i) increase residential charge from $10.98 to $12; (ii) increase small commercial/small industrial charge from $22 to $24; (iii) maintain large commercial and industrial services customer charge at $200; (iv) maintain optional gas service charge at $350; (v) increase large commercial and industrial services commodity charge from $0.1151 per hundred cubic feet ("Ccf") to $0.1292 per Ccf; (vi) increase optional gas service commodity charge from $0.0535 per Ccf to $0.0597 per Ccf; (vii) increase Cogeneration Schedule 692 charge from $22 to $24; and (viii) increase gas air conditioning service charge from $22 to $24.[8] According to the Company, the remainder of the increase will be distributed proportionately on a volumetric basis.[9]

On March 7, 2016, the Commission Staff ("Staff") filed a report on its preliminary review of the Company's Application ("Interim Report"). The Staff noted that this is the first time

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[4] *Application of Atmos Energy Corporation, For an expedited increase in rates*, Case No. PUE-2013-00124, 2014 S.C.C. Ann. Rept. 339, Final Order (Oct. 6, 2014).

[5] Application at 1.

[6] *Id.* at 1-2.

[7] Direct Testimony of Patricia J. Childers at 3.

[8] *Id.*

[9] *Id.*

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Atmos has proposed to roll into base rates the cost of plant that is currently being recovered through the SAVE surcharge. The Staff concluded that the proposed adjustments in the Company's Application are similar to adjustments previously approved by the Commission for the Company.[10] The Staff further stated its position that the Company be allowed to implement its proposed rates on an interim basis, subject to refund, for service rendered on and after April 1, 2016.[11]

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Company should provide notice of its Application; interested persons should have the opportunity to participate in this proceeding; the Staff should investigate the Application; a hearing should be scheduled on the Company's Application; and a Hearing Examiner should be assigned to conduct all further proceedings on behalf of the Commission, concluding with the filing of a final report containing the Hearing Examiner's findings and recommendations.

As noted, Atmos requests that its rates take effect, subject to refund, on April 1, 2016. In support of its request for expedited rate relief, the Company advises the Commission that it has not experienced a substantial change in circumstances. Atmos proposes to use a 10.0% ROE in accordance with the stipulation approved by the Commission in the Company's last rate proceeding. Further, in its Interim Report, the Staff made a preliminary determination that the proposed adjustments in this proceeding are similar to adjustments previously approved by the Commission for Atmos.[12] Therefore, the Commission finds that Atmos has satisfied the specific requirements of Rate Case Rule 20 VAC 5-201-20 D for placing its proposed rates into effect on

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[10] Interim Report at 1-2.

[11] *Id.*

[12] *Id.*

April 1, 2016, subject to refund, as provided by Rate Case Rule 20 VAC 5-201-20 E. Pursuant to § 56-238 of the Code of Virginia ("Code), the Commission will direct the Company to provide a bond to insure prompt refund of any excess rates or charges.

Accordingly, IT IS ORDERED THAT:

(1) As provided by § 12.1-31 of the Code and 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.* ("Rules of Practice"), a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report containing the Hearing Examiner's findings and recommendations.

(2) Atmos may place its proposed rates into effect on an interim basis, subject to refund with interest, for service rendered on and after April 1, 2016.

(3) On or before May 25, 2016, Atmos shall file a bond with the Commission in the amount of $1,181,000 payable to the Commission and conditioned to insure the prompt refund by the Company to those entitled thereto of all amounts that the Company shall collect in excess of such rates and charges as the Commission may finally fix and determine.

(4) A public hearing on the Application shall be held at 10 a.m. on September 21, 2016, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive into the record the testimony of public witnesses and the evidence of Atmos, any respondents, and the Staff. Public witnesses desiring to testify at the hearing concerning this Application need only appear in the Commission's courtroom at the address set forth above fifteen (15) minutes prior to the starting time on the day of the hearing and contact the Commission's Bailiff.

(5) Atmos shall promptly make a copy of the Application available to the public, who may obtain a copy of the Application at no charge by requesting a copy of the same in writing from the Company's counsel, Lonnie D. Nunley III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219. The Application and related documents also shall be available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: http://www.scc.virginia.gov/case.

(6) On or before May 4, 2016, the Company shall publish the following notice once as display advertising (not classified) in newspapers of general circulation throughout its Virginia service territory:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
ATMOS ENERGY CORPORATION
FOR AN EXPEDITED INCREASE IN RATES
CASE NO. PUE-2015-00119

On February 17, 2016, Atmos Energy Corporation ("Atmos" or "Company") filed an application with the State Corporation Commission ("Commission") for an expedited increase in rates together with direct testimony, exhibits, and schedules ("Application") as prescribed by the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings, 20 VAC 5-201-10 *et seq.* ("Rate Case Rules"). In its Application, the Company seeks to increase its annual base rate revenues by approximately $1.181 million, which includes $0.532 million currently being recovered by the Company outside of base rates in a surcharge associated with its Steps to Advance Virginia's Energy (SAVE) Plan ("SAVE Plan"). Atmos states that the requested net increase in revenues of $0.649 million represents an overall revenue increase of 2.46%. In its Application, the Company proposes that this increase in rates be placed into effect for service rendered on and after April 1, 2016.

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The Commission last granted the Company an expedited increase in rates of $986,119 on October 6, 2014. Atmos indicates that its proposed increase in rates is based on a return on equity ("ROE") of 10.0%, in accordance with the Commission's Final Order in Case No. PUE-2013-00124. Atmos states that the requested increase will allow the Company the opportunity to earn a 10.0% ROE. In its Application, the Company proposes to allocate the requested increase in proportion to each customer class's current margin contributions. Atmos also proposes the following for monthly customer charges: (i) increase residential charge from $10.98 to $12; (ii) increase small commercial/small industrial charge from $22 to $24; (iii) maintain large commercial and industrial services customer charge at $200; (iv) maintain optional gas service charge at $350; (v) increase large commercial and industrial services commodity charge from $0.1151 per hundred cubic feet ("Ccf") to $0.1292 per Ccf; (vi) increase optional gas service commodity charge from $0.0535 per Ccf to $0.0597 per Ccf; (vii) increase Cogeneration Schedule 692 charge from $22 to $24; and (viii) increase gas air conditioning service charge from $22 to $24. According to the Company, the remainder of the increase will be distributed proportionately on a volumetric basis.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals. While the total revenue that may be approved by the Commission is limited to the amount produced by the Company's proposed rates, TAKE NOTICE that the Commission may approve revenues and adopt rates, fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The Commission has entered an Order for Notice and Hearing that, among other things, schedules a hearing on the Company's Application, assigns a Hearing Examiner to this proceeding, and permits Atmos to place its proposed rates into effect on an interim basis, subject to refund with interest, for service rendered on and after April 1, 2016.

A public hearing on the Company's Application shall be held at 10 a.m. on September 21, 2016, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive into the record

the testimony of public witnesses and the evidence of Atmos, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness should appear at the hearing location fifteen (15) minutes before the starting time on the day of the hearing and contact the Commission's Bailiff.

Interested persons may review the Application, the Order for Notice and Hearing, and related documents in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., on regular business days, or download unofficial copies from the Commission's website at: http://www.scc.virginia.gov/case. A copy of the Application and the Order for Notice and Hearing may be obtained at no cost through written request to counsel for Atmos, Lonnie D. Nunley III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219.

Any interested person may participate as a respondent in this proceeding by filing a notice of participation on or before May 25, 2016. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. A copy of the notice of participation as a respondent also shall be sent to counsel for the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order for Notice and Hearing. All filings shall refer to Case No. PUE-2015-00119.

On or before August 3, 2016, each respondent may file with the Clerk of the Commission and serve on the Commission's Staff, the Company, and all other respondents any testimony and exhibits by which the respondent expects to establish its case. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth above. Respondents also shall comply with the Commission's Rules of Practice and Procedure, including: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150,

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Copies and format; and 5 VAC 5-20-240, *Prepared testimony and exhibits.*

On or before September 14, 2016, any interested person may file written comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Interested persons desiring to submit comments electronically may do so on or before September 14, 2016, by following the instructions found on the Commission's website at: http://www.scc.virginia.gov/case. All comments shall refer to Case No. PUE-2015-00119.

The Commission's Rules of Practice and Procedure may be viewed at http://www.scc.virginia.gov/case. A printed copy of the Commission's Rules of Practice and Procedure and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

ATMOS ENERGY CORPORATION

(7) On or before May 4, 2016, Atmos shall serve a copy of this Order for Notice and Hearing on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or equivalent official) of every city and town in which the Company provides service in the Commonwealth of Virginia. Service shall be made by first class mail to the customary place of business or residence of the person served.

(8) On or before June 15, 2016, Atmos shall file proof of publication of the notice prescribed in Ordering Paragraph (6) and proof of service of copies of this Order for Notice and Hearing as prescribed by Ordering Paragraph (7), including the name, title, and address of each official served.

(9) On or before September 14, 2016, any interested person may file written comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any interested person desiring

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to submit comments electronically may do so on or before September 14, 2016, by following the instructions found on the Commission's website at: http://www.scc.virginia.gov/case. Interested persons shall refer in their comments to Case No. PUE-2015-00119.

(10) Any interested person may participate as a respondent in this proceeding by filing a notice of participation on or before May 25, 2016. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9). A copy of the notice of participation shall be served on counsel to the Company, Lonnie D. Nunley III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219. Pursuant to 5 VAC 5-20-80 B, *Participation as a respondent*, of the Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent shall be represented by counsel as required by Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUE-2015-00119.

(11) Within five (5) business days of receipt of a notice of participation as a respondent as required by Ordering Paragraph (10), the Company shall serve upon the respondent a copy of this Order for Notice and Hearing, a copy of the Application, and all materials filed with the Commission unless these materials have already been provided to the respondent.

(12) On or before August 3, 2016, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (9) an original and fifteen (15) copies of the testimony and exhibits by which it expects to establish its case, and each witness's

testimony shall include a summary not to exceed one page. Respondents shall serve a copy of such testimony and exhibits on all other parties. In the alternative, testimony and exhibits may be filed electronically as provided by Rule of Practice 5 VAC 5-20-140.

(13) On or before August 24, 2016, the Staff shall investigate the Company's Application and file with the Clerk of the Commission an original and fifteen (15) copies of its testimony and exhibits, and each Staff witness's testimony shall include a summary page not to exceed one page. The Staff shall serve a copy of its testimony and exhibits on the Company and all respondents.

(14) On or before September 7, 2016, the Company shall file with the Clerk of the Commission: (a) any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page; and (b) a summary not to exceed one page of each direct witness's testimony if not previously included therewith. The Company shall serve a copy on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9).

(15) The Commission's Rule of Practice, 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, shall be modified for this proceeding as follows: answers to interrogatories and requests for production of documents shall be served within seven (7) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-160, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff

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attorney[13] if the interrogatory or request for production is directed to the Staff. Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(16) This matter is continued generally pending further order of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Lonnie D. Nunley III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219-4074; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Utility Accounting and Finance, and Energy Regulation.

[13] The assigned Staff attorney is identified on the Commission website http://www.scc.virginia.gov/case by clicking "Docket Search," then "Search Cases" and entering the case number, PUE-2015-00119, in the appropriate box.