

U-35535



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LA Public Service Commission

July 2, 2020

Louisiana Public Service Commission
Records Division
602 North Fifth Street, 12th Floor
Baton Rouge, Louisiana 70821-9154

RE: Application for Review of Rate Stabilization Clause of the consolidated division
pursuant to Order No. U-35122.

Dear Ms. Bordelon:

The enclosed documents are associated with Atmos Energy's electronic filing of the 2020 Rate Stabilization Clause review, Docket Number U-35122.

Should you have any questions regarding this filing, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Rushing", with a stylized flourish at the end.

Paul Rushing
Senior Rate Analyst
Louisiana Division

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

ATMOS ENERGY CORPORATION
ex parte

DOCKET NO. _____

In Re: Application for Review of the Rate Stabilization Clause ("RSC") Tariff of the consolidated division of Atmos Energy Corporation

APPLICATION

COMES NOW, Atmos Energy Corporation ("Atmos Energy" or the "Company"), by and through its undersigned counsel, and hereby files this Application for Review of its Rate Stabilization Clause ("RSC"). In support of its request, Atmos Energy submits the following along with the attached pre-filed direct testimony of Don A. Erickson, Joe T. Christian, and Dylan D'Ascendis:

I. INTRODUCTION

1. Atmos Energy is the State of Louisiana's and the country's largest fully regulated, natural-gas-only distributor. We strive to be the safest provider of natural gas with an exceptional level of customer service at affordable prices that also allow access to the capital the Company needs to achieve these goals. In order to provide reliable, affordable service to its customers, Atmos Energy must meet the needs and serve the interests of its various stakeholders, including its customers, its shareholders, and its bondholders. Atmos Energy's management team is executing its strategy to achieve these goals keeping our primary focus on customer service and safety, and strengthening and maintaining our balance sheet through actions such as issuances of equity and refinancing of long-term debt in a balanced fashion to make these goals a reality. In this time of increasing capital investment demands, required to meet safety regulation

standards and to provide reliable, safe service, the interests of our stakeholder groups are aligned in maintaining a healthy balance sheet, positive credit ratings, and a supportive regulatory environment so that the Company has access to the capital necessary to make these investments.

2. Most importantly, this strategy has enhanced the safety of our customers. In the past ten years, the landscape of the natural gas distribution industry has changed substantially, with new technologies, changing customer needs, and challenges from increasingly stringent safety regulations. The goal of the regulation of pipeline safety in the natural gas industry is to set operational standards that advance the safe transportation and delivery of natural gas to each utility's customers. New rules have been enacted on federal and state levels to guide natural gas distribution companies accelerating the replacement and modernization of their distribution systems. Atmos Energy in conjunction with the Commission has taken the steps necessary to adjust to this new landscape, increasing its capital spending through its risk-based System Integrity Investment Program and continuously enhancing its customer safety and service while maintaining affordable rates.

II. PURPOSE OF FILING

3. The purpose of this docket is to give the Louisiana Public Service Commission ("LPSC") and the LPSC Staff the opportunity to review Atmos Energy's proposed consolidated RSC tariff and recommend modifications to the RSC tariff. For regulatory purposes only, Atmos Energy historically had two rate divisions in Louisiana, LGS and Trans La. Last year, after receiving LPSC approval in Order No. U-35122, issued on December 18, 2019, the Company consolidated its two rate divisions so that now Atmos Energy serves all customers pursuant to a single tariff book.

4. Recognizing issues raised by the LPSC Staff in docket U-35122, the LPSC Staff and the Company agreed that Atmos Energy would, by March 31, 2020, file this Application for Review of the Rate Stabilization Clause of the consolidated division, supporting the provisions Atmos Energy believes are just and reasonable for future RSC annual RSC filings¹. The LPSC Staff indicated it would review all provisions set forth in the RSC tariff, including but not limited to the proposed ROE, any proposed dead band or sharing mechanism, and proposed capital structure used to calculate the cost of capital. The LPSC Staff and the Company agreed that the terms of the Commission-approved RSC tariff from this docket will become effective with Atmos Energy's 2020 test year RSC filing.

5. As stated in the Pre-filed Testimony of Joe Christian, Atmos Energy believes that no justification exists to modify the RSC tariff at this time. Through its continuous use of the RSC tariff, the Commission and Company have established that the formula rate plan benefits customers by providing a means for the customer's rates to be efficiently and effectively updated on an annual basis to reflect increases and decreases in the cost of providing utility service. Furthermore, Atmos Energy is in a period of accelerated significant infrastructure investment to improve the safety and reliability of its service for customers and has increased the equity component of its overall capitalization to support the Company's credit rating agency financial metrics and allow the Company to access the debt markets at the lowest reasonable cost. Use of a hypothetical capital structure for ratemaking purposes with increased long-term debt would negatively affect the Company's financial integrity and put the Company at risk of a credit rating downgrade and increases to the

¹ Proclamation Number 41-JBE-2020 from the Governor's office extended legal deadlines in the state of Louisiana. Therefore, this Application is filed after the original March 31, 2020 deadline.

cost of debt financing, both of which adversely affect all of Atmos Energy's stakeholder groups, including its customers, its shareholders, and its bondholders.

III. REQUESTED RELIEF

6. In consideration of the above and the attached testimony, Atmos Energy is requesting that Commission reapprove the current provisions of its RSC tariff, including the use of Atmos Energy's actual capital structure in the determination of cost of capital, but with the addition of a provision scheduling a review of the tariff's provisions by the Staff and Commission every three years. *See* Exhibit DAE-1 to the Pre-filed Testimony of Don Erickson.

IV. FILING REQUIREMENTS

7. Atmos Energy is a corporation organized and existing under the laws of the State of Texas and the Commonwealth of Virginia with its principal place of business located at Three Lincoln Center, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240.

8. Atmos Energy, through its Louisiana Division, is a local gas distribution company ("LDC") and public utility, authorized by the Commission to provide natural gas utility service in the State of Louisiana. Currently, Atmos Energy provides natural gas service to approximately 340,000 customers in 49 parishes in Louisiana.

9. The name and address of Atmos Energy's attorney to whom all pleadings, orders or correspondence related to this action should be mailed is:

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WHEREFORE, Atmos Energy Corporation prays that this Application be deemed sufficient and that after due proceedings, the Louisiana Public Service Commission issue an order approving Atmos Energy's RSC tariff as filed in Exhibit DAE-1, further reasons stated above and further detailed in the supporting testimony of Don A. Erickson, Joe T. Christian, and Dylan D'Ascendis attached to this Application.

Respectfully submitted,

ATMOS ENERGY CORPORATION

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By: Shelly M. Bass (MS Bar No. 103587)