

Decision No. C23-0865

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23A-0539G

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY CORPORATION FOR
APPROVAL OF ITS GAS PRICE RISK MANAGEMENT PLAN.

**COMMISSION DECISION DEEMING APPLICATION
COMPLETE AND GRANTING APPLICATION**

Mailed Date: December 27, 2023
Adopted Date: December 13, 2023

I. BY THE COMMISSION

A. Statement

1. This Decision grants the Application for Approval of a Gas Price Risk Management (GPRM) Plan (Application) filed by Atmos Energy Corporation (Atmos or the Company) on November 1, 2023.

B. Discussion

2. Senate Bill (SB) 23-291, which was introduced in this most recent legislative session, requires Atmos to file a GPRM Plan by November 1, 2023, pursuant to § 40-3-120(1)(a), C.R.S. The GPRM Plan must include a maximum per-month fuel cost that accounts for price fluctuations based on seasonality and can be automatically recovered through the Company's Gas Cost Adjustment (GCA). The plan may include other elements such as physical hedging, financial hedging, fuel storage, or long-term contracting. In addition, the Commission must allow any prudently incurred costs above the maximum to be recorded in a

deferred balance that is recoverable and amortized over an appropriate timeline of no more than five years with financing costs, as determined by the Commission.

3. As explained in the Application, the GPRM Plan incorporates two central features. The first is a maximum cap on the GCA equal to 180 percent of the five-year historical average of the Company's GCAs calculated for each of Atmos' three separate GCA areas. Based on this data, the current maximum cap is \$10.00 per Mcf for the Company's North GCA division¹, \$8.50 per Mcf for the Southwest GCA division, and \$8.20 per Mcf for the Southwest GCA division.

4. The second main feature of the GPRM Plan is a minimum threshold of the GCA equal to 80 percent of the five-year historical average of Company GCAs. Based on this data, the current "soft" minimum threshold is \$4.60 per Mcf for the North GCA division, \$3.80 per Mcf for the Southeast GCA division and \$3.60 per Mcf for the Southwest GCA division.

5. Under the GPRM Plan, Atmos would maintain the existing GCA deferred account for under- and over-recoveries when prices are not constrained by these high and low limits. A new GCA deferred account would be established to defer gas costs when GCA prices are above the maximum or below the minimum.

6. Within these parameters, the Company would establish a reserve fund for each GCA division to be used to offset future increases in gas prices. The amount of these reserve funds would be determined by the actual maximum deferred balance in the last five years. Based on the most recent five-year period, the reserve fund would be \$21 million for the North GCA division, \$4 million for the Southeast GCA division, and \$8 million for the Southwest GCA division.

¹The calculated max GCA for the North GCA division is \$10.30 per Mcf. However, Company agreed to reduce the maximum cap from \$10.30 to \$10.00 per Mcf for the North GCA division based on discussions with Staff of the Colorado Public Utilities Commission.

7. Atmos states in the Application that SB 23-291 requires that the deferred balances for fuel costs that are not automatically recovered through the GCA to be recoverable and amortized over an appropriate timeline that is no more than five years, with financing costs as determined by the Commission. The GPRM Plan establishes tiers of recovery periods and financing costs for any deferred balances for each of the three GCA divisions.

8. In testimony filed with its Application, Atmos demonstrates the modifications to GCA tariff sheets in its Colorado P.U.C. No. 7 Gas Tariff necessary to implement the GPRM Plan.²

9. Atmos states in the Application that the Company participated in a collaborative process to develop the GPRM Plan with representatives from the Staff of the Colorado Public Utilities Commission, the Colorado Office of the Utility Consumer Advocate, Black Hills Colorado Natural Gas, Inc., and Public Service Company of Colorado.

10. The Commission established a standard 30-day intervention period for the Application ending December 4, 2023.

11. No interventions were filed on or before December 4, 2023.

C. Findings and Conclusions

12. No intervention pleading was timely filed, and this proceeding is therefore uncontested. Pursuant to § 40-6-109(5), C.R.S., this matter may be determined without a hearing.

13. We find good cause to grant Atmos' Application. The proposed GPRM Plan satisfies the statutory requirements in SB 23-291 in that the plan (1) sets a maximum per-month GCA that accounts for fluctuations in gas commodity prices, including seasonal fluctuations and (2) includes the required cost recovery features for uncollected amounts. As required by

² Hearing Exhibit 101, Direct Testimony of Kathleen R. Ocanas, attachments KRO-1 and KRO-2.

SB 23-291, unrecovered GCA costs above the maximum value will be recorded in a deferred balance that is recoverable and amortized over an appropriate timeline of no more than five years. We further find that the statute does not preclude the adoption of the “soft” minimum for the purpose of establishing a reserve for leveling or reducing the volatility of fuel costs that are recovered pursuant to the Company’s GCA. We conclude that the Application filing sufficiently supports a Commission determination that the proposed GPRM Plan is in the best interests of Atmos’ ratepayers and is in the public interest.

14. We further authorize Atmos to implement the changes to its GCA tariff as set forth in the Direct Testimony of Kathleen Ocanas to implement the proposed GPRM Plan.

15. In accordance with SB 23-291 and its response to last winter’s high gas commodity prices, the Company’s GPRM Plan is intended to reduce end-use customer hardship through a “smoothing” those prices. Yet it is important to note that the Commission has no reach into the gas commodity markets that set the prices the utilities must pay and ultimately charge their end-use customers. There will continue to be volatility in gas commodity prices due to extreme weather events, certain local and seasonal impacts, and global factors affecting the markets. Nevertheless, the GPRM Plan offers some predictability in consumers’ gas bills.

II. ORDER

A. The Commission Orders That:

1. The Application for Approval of a Gas Price Risk Management Plan (Application), filed on November 1, 2023 by Atmos Energy Corporation (Atmos), is granted consistent with the discussion above.

2. Atmos is authorized to implement the revisions to its Colorado P.U.C. No. 7 Gas Tariff as set forth in the attachments to the Direct Testimony of Kathleen R. Ocanas submitted with

the Application, consistent with the discussion above. Atmos shall file compliance tariff sheets in a separate proceeding and on not less than two business days' notice. The advice letter and tariff sheets shall be filed as a new advice letter proceeding and shall comply with all applicable rules. In calculating the proposed effective date, the date the filing is received at the Commission is not included in the notice period and the entire notice period must expire prior to the effective date. The advice letter and tariff must comply in all substantive respects to this Decision in order to be filed as a compliance tariff filing on shorted notice.

3. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration, begins on the first day following the effective date of this Decision.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
December 13, 2023.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ERIC BLANK

MEGAN M. GILMAN

TOM PLANT

Commissioners

