

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 19A-0223G

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY CORPORATION FOR AN ORDER APPROVING AN EXTENSION TO THE COMPANY'S GAS HEDGING PROGRAM THROUGH JUNE 30, 2023.

DECISION GRANTING APPLICATION

Mailed Date: July 2, 2019
Adopted Date: June 19, 2019

I. BY THE COMMISSION

A. Statement

1. This Decision approves an application filed by Atmos Energy Corporation (Atmos Energy or Company) on May 1, 2019 for approval of an extension to its gas hedging program for an additional three heating seasons through the 2023 to 2024 winter period (Application).

B. Procedural History

2. Atmos Energy filed the Application on May 1, 2019, consistent with the procedures and requirements for Atmos Energy's financial instrument hedging programs adopted by the Commission.¹

3. On May 2, 2019, the Commission issued a public notice allowing for a 30-day intervention period for parties to raise concerns related to the Application. No interventions were filed.

¹ Procedures and requirements for the financial instrument hedging program were adopted in Decision No. C11-0340 in Proceeding No. 11L-208G on March 30, 2011.

4. On June 6, 2019, Atmos Energy filed a Notice of Change in the Designation of Information as Confidential.

C. Discussion of the Application

5. In Proceeding No. 11L-208G, Atmos Energy first sought approval of a financially based hedging program which was approved for one year by Commission Decision No. C11-0340. The Commission has subsequently approved three-year hedging plan extensions in three separate applications:

Decision	Proceeding	Period	Years Covered
C12-0338	12L-213G	3 years	2012 – 2015
C14-0349	14L-0254G	3 years	2015 – 2018
C17-0180	17A-0065G	3 years	2018 – 2021

6. Atmos Energy requests approval to extend its hedging program for the 2021 to 2022, 2022 to 2023, and 2023 to 2024 winter periods. Atmos Energy proposes to continue to hedge for a maximum of two winter periods into the future. Under its proposal for Commission approval, Atmos Energy requests approval to hedge between 20 percent to 60 percent of normal winter requirements, by rate division, using planned storage withdrawals and/or call options subject to budget constraints. Atmos Energy represents that the allocated financial positions may vary among Atmos Energy's rate divisions due to differences in the storage portfolios. Based on current market conditions for at-the-money call options for the 2021 to 2022 winter period, Atmos Energy calculated the cost to hedge the maximum financial volume to be approximately \$1.5 million. If approved, the Company represents that its budget of \$1.5 million for each winter period would remain in effect for the 2021 to 2022, 2022 to 2023, and 2023 to 2024 winter periods.

7. The Company states that the call option budget represents the maximum Atmos Energy would spend to implement the financial portion of its hedging program; if the call option budget is forecasted to be insufficient to hedge the recommended percentage using at-the-money call options, Atmos states it will engage the Company's consultant to evaluate the utilization of out of the money call options.

8. The Application is unopposed and will be determined without a hearing under Rule 1403 of the Commission's Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1.

9. The expected impact of the hedging program on purchased gas costs is detailed each year in the Company's annual Gas Purchase Plan as required by Rule 4 CCR 723-4-4606(c) of the Commission's Rules Regulating Gas Utilities and Pipeline Operators, and the results of the plan are reviewed in the annual Gas Purchase Report filed with the Commission pursuant to Rule 4 CCR 723-4-4608(c). Hedge program costs will be recovered through the next quarterly Gas Cost Adjustment filing after payments are made.

10. The costs and benefits of the most recent five hedging seasons are detailed in the Application. This historical plan performance is summarized in the table below:

Winter Season	Total Budget (\$Millions)	Volume (Million MMBtu)	Cost/(Benefit) (\$Millions)	Cost/(Benefit) (\$/MMBtu)
2014-2015	\$1.45M	2.93	\$1.22M	\$0.42
2015-2016	\$1.60M	2.49	\$0.98M	\$0.39
2016-2017	\$1.60M	1.67	\$0.26M	\$0.16
2017-2018	\$1.60M	1.71	\$0.59M	\$0.35
2018-2019	\$1.60M	2.13	(\$0.46M)	(\$0.22)
5 Year Average	\$7.85M	10.93	\$2.59M	\$0.24

11. We find that the proposed hedging plan complies with the Commission's previously articulated application requirements in regard to such plans. Further, our review of the hedging plan leads us to conclude that the Application is reasonable, and will likely serve to mitigate gas price volatility. Therefore, we grant the Application of Atmos Energy for approval of its gas hedging plan through the 2023 to 2024 winter period.

II. ORDER

A. The Commission Orders That:

1. The Application filed by Atmos Energy Corporation on May 1, 2019 for extension of its gas hedging plan for an additional three-year period through the 2023 to 2024 winter period, is granted.

2. The 20-day period provided by § 40-6-114, C.R.S., to file an application for rehearing, reargument, or reconsideration shall begin on the first day after the effective date of this Decision.

3. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
June 19, 2019.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JEFFREY P. ACKERMANN

FRANCES A. KONCILJA

JOHN GAVAN

Commissioners