

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 4, 2024

STATEMENTS OFFICE
CORPORATE FINANCIAL CENTER

APPLICATION OF

ATMOS ENERGY CORPORATION

For approval of a 2024 SAVE Rider
Projected Factor and True-Up Factor

2024 SEP -4 A 9:37

CASE NO. PUR-2024-00094

240919042

ORDER APPROVING SAVE RIDER

On June 7, 2024, Atmos Energy Corporation ("Atmos" or "Company") completed the filing of an application ("Application") pursuant to § 56-603 *et seq.* of the Code of Virginia ("Code"), known as the Steps to Advance Virginia's Energy Plan (SAVE) Act, for approval of its annual update of its SAVE Rider, consisting of a revised Infrastructure Replacement Current Rate ("Projected Factor") and an Infrastructure Replacement Reconciliation Rate ("True-Up Factor"), under the Company's approved SAVE Plan.¹ Pursuant to Code § 56-604 E, the Commission must approve or deny the Application within 90 days of filing.

In support of its Application, Atmos stated that, pursuant to the Commission's prior orders regarding its SAVE Plan,² the Company filed this Application for approval to implement

¹ Application at 1 and 5-6.

² *Id.* at 3 (citing *Application of Atmos Energy Corporation, For approval of a SAVE Plan and Rider as provided by Chapter 26 of Title 56 of the Code of Virginia*, Case No. PUR-2019-00054, 2019 S.C.C. Ann. Rept. 411, Order Approving SAVE Plan and Rider (Sept. 24, 2019) ("2019 Final Order"); *Application of Atmos Energy Corporation, For approval of a 2020 SAVE Rider Projected Factor*, Case No. PUR-2020-00107, 2020 S.C.C. Ann. Rept. 538, Order Approving SAVE Rider (Aug. 21, 2020); *Application of Atmos Energy Corporation, For approval of a 2021 SAVE Rider Projected Factor*, Case No. PUR-2021-00121, 2021 S.C.C. Ann. Rept. 497, Order Approving SAVE Rider (Aug. 23, 2021); *Application of Atmos Energy Corporation, For approval of a 2022 SAVE Rider Projected Factor and True-Up Factor*, Case No. PUR-2022-00085, 2022 S.C.C. Ann. Rept. 573, Order Approving SAVE Rider (Aug. 12, 2022); and *Application of Atmos Energy Corporation, For approval of a 2023 SAVE Rider Projected Factor and True-Up Factor and to amend the SAVE Plan*, Case No. PUR-2023-00091, Doc. Con. Cen. No. 230910191, Order Approving SAVE Plan Amendment and Rider (Sept. 11, 2023)).

updated SAVE Rider rates, effective with the first billing cycle in October 2024.³ Atmos requested a Projected Factor revenue requirement of \$2,428,914 for the upcoming SAVE Plan year, as well as a True-Up Factor revenue requirement of \$84,298 related to the Company's fourth year of investment under its SAVE Plan,⁴ for a combined 2024 SAVE Rider revenue requirement of \$2,513,212.⁵ As proposed, the 2024 SAVE Rider rate for residential customers will be \$2.99 per month, an increase of \$0.90 over the current rate of \$2.09 per month for such customers.⁶

On June 17, 2024, the Commission entered an Order for Notice and Comment in this proceeding that, among other things, required the Company to publish notice of its Application; provided interested persons an opportunity to file comments, participate as a respondent, or request a hearing; required the Staff of the Commission ("Staff") to investigate the Application and file a report ("Staff Report") containing its findings and recommendations; and permitted the Company to file a response to the Staff Report ("Response").

The Commission received no comments, notices of participation, or requests for hearing in this proceeding.

On August 1, 2024, the Staff Report was filed, in which Staff made the following conclusions and recommendations:⁷

³ Application at 4-5.

⁴ *Id.* at 4-5, and Schedule 46(a).

⁵ Application at Schedule 46(a).

⁶ Supplemental Schedule 46(MISC) at 4.

⁷ Staff Report at 11-12.

- (1) Staff recommends a SAVE revenue requirement for the rate year beginning October 1, 2024, of \$2,513,212, comprising a Projected Factor of \$2,428,914 and a True-Up Factor of \$84,298.⁸
- (2) Staff supports the Company's proposal to use a 7.427% cost of capital (based on a 9.2% cost of equity) to set the SAVE Rider rates. For purposes of the Projected Factor, Staff supports the Company's proposal to use a 7.567% overall cost of capital (based on a 9.90% cost of equity).
- (3) Staff supports the use of the Company's proposed allocation methodology to calculate the 2024 SAVE Rider.⁹
- (4) The proposed increase to the fixed charge represents a \$0.90 increase to the monthly bills for residential customers.¹⁰
- (5) Staff recommends that the SAVE Rider charges be adjusted proportionately, in accordance with the revenue apportionment and rate design methodology proposed by the Company, should the Commission adjust the Company's proposed revenue requirement.¹¹

Additionally, Staff noted that the Company is, to date, in compliance with the historic annual and cumulative spending caps established by the Commission.¹²

⁸ *Id.* at 2-4 (consistent with the Company's proposal).

⁹ According to the Staff Report, the Company allocated the proposed 2024 SAVE Rider revenue requirement to current rate schedules using the same methodology that was approved by the Commission in Company's last SAVE Rider proceeding, Case No. PUR-2023-00091. *Id.* at 8. Specifically, the 2024 SAVE Rider revenue requirement is allocated to the rate classes using the "seaboard" allocation factor, which is the same method used by the Company to allocate the cost of distribution plant items such as plastic mains, gate stations, and regulator stations to its customer classes in its most recent general rate proceeding, Case No. PUR-2018-00014. *Id.* According to Staff, by utilizing this methodology, the recovery of SAVE Plan costs from each rate class is consistent with base rate recovery for comparable costs. *Id.*

¹⁰ The Staff Report notes that the 2019 Final Order approved the SAVE Rider to be charged to customers' bills as a fixed monthly charge. Specifically, the proposed 2024 SAVE Rider is a fixed monthly charge assessed to each applicable rate schedule and is calculated based on the allocated SAVE Rider revenue requirement for each rate class and projected class billing units for the 2024-Rate Year. *Id.* at 9.

¹¹ *Id.* at 11-12.

¹² *Id.* at 5.

On August 8, 2024, Atmos filed its Response, wherein the Company stated that it supported Staff's recommendations and conclusions.¹³

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that a total 2024 SAVE Rider revenue requirement of \$2,513,212 should be approved. The Commission further approves Atmos' proposed cost allocation and rate design for the SAVE Rider.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to Code § 56-603 *et seq.*, the Company's Application is approved. Rates consistent with this Order shall become effective with the first billing cycle in October 2024 and remain in effect until September 30, 2025.

(2) The Company's 2024 SAVE Rider is hereby approved, with a total SAVE revenue requirement of \$2,513,212, comprising a Projected Factor of \$2,428,914 and a True-Up Factor of \$84,298.

(3) Atmos forthwith shall file with the Clerk of the Commission and shall submit to the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance revised tariffs for the 2024 SAVE Rider, with workpapers supporting the total revenue requirement and rates, all of which shall reflect the findings and requirements set forth in this Order. The Clerk of the Commission shall retain such filing for public inspection both in person and on the Commission's website: scc.virginia.gov/pages/Case-Information.

(4) This matter is dismissed.

¹³ Response at 1.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.

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