

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS)	CASE NO.
ENERGY CORPORATION FOR AN)	2018-00281
ADJUSTMENT OF RATES)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation (Atmos), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before January 11, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Atmos shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when

made, is now incorrect in any material respect. For any request to which Atmos fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to respond completely and precisely.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Atmos shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application, Exhibit LKG-1. Provide a detailed description of Blueflame Insurance Services, LTD, based in Bermuda. Ensure to include whether this insurance company provides any services to Atmos and whether any costs are allocated to Atmos.

2. Refer to Atmos's response to Commission Staff's First Request for Information, Item 64, Attachment 1 – Atmos Energy Corporation, Staff_1-64_Att1 – Christian WP – Hypothetical Refinance 03-2019.xlsx, page 2 of 2.

- a. Explain whether the estimated fees of \$1.5 million are recurring or one-time fees.

- b. Refer also to page 1 of 2. State whether Atmos uses treasury locks for any other long-term debt.

3. Refer to Atmos's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 3. Provide a legible copy of Attachment 1 to this response.

4. Refer to Atmos's response to Staff's Second Request, Item 5. Confirm that Delta Natural Gas Company, Inc., utilizes a historical test year for Pipeline Replacement Program (PRP) filings.

5. Refer to Atmos's response to Staff's Second Request, Item 6. Provide a breakdown of all increased costs that will be associated with Atmos's decision to file a yearly rate case instead of a yearly PRP case.

6. Refer to Atmos's response to Staff's Second Request, Item 9.

a. Confirm that if the gas cost component of the average annual bill is removed, the average annual bill has increased approximately \$152, or 46 percent from Fiscal Year 2007 to Fiscal Year 2018.

b. Provide the average annual percent increase of the annual average bill removing the Gas Cost Component.

7. Refer to Atmos's response to Staff's Second Request, Item 13.d. Atmos's response lists the 13-month average of total utility plant included in the net investment rate base at \$538,332,985 for the forecasted test period ending March 31, 2019, as compared to the \$493,095,000 contained in the application in Case No. 2017-00349.¹ Explain the large discrepancy in the amount projected in the application with the actual (with the exception of the projected months) total utility plant included in net investment rate base for that period.

¹Case No. 2017-00349, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications*, (Ky. PSC May 3, 2018).

8. Refer to Atmos's response to Staff's Second Request, Item 21. For the forecasted test year ending March 31, 2020, provide the following information:

a. Provide the amount of jurisdictional medical insurance premiums Atmos paid on behalf of employees with single medical insurance coverage, the amount paid by employees, and the total amount paid for medical insurance premiums.

b. For jurisdictional employee single coverage medical insurance, provide the monthly premium paid by an individual employee, Atmos's contribution, and the total premium.

c. Provide the amount of jurisdictional medical insurance Atmos paid on behalf of employees with other than single medical insurance coverage, the amount paid by employees, and the total amount paid for medical insurance.

d. For jurisdictional employees other than single coverage medical insurance, provide the monthly premiums paid by offered category, i.e., employee and spouse, family, single parent and dependents, etc, Atmos's contribution for each of the respective categories monthly premium, and the total for each premium category.

e. Provide the amount of jurisdictional dental insurance premiums paid by Atmos on behalf of employees, the amount paid by employees, and the total insurance premium.

f. For jurisdictional employee dental insurance, provide the monthly premiums paid by offered category, i.e., individual, employee and spouse, family, etc, Atmos's contribution for each of the respective categories monthly premium and the total for each premium category.

g. Confirm whether Atmos has employees participating in both a defined-benefit plan and a 401(k) retirement savings account. For those employees that participate in a defined-benefit plan, provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any 401(k) retirement savings account.

h. Provide the amounts requested in the above Items a. through d. that are passed through to Kentucky by the Division's General Services, Shared Services, and other affiliated companies.

9. Refer Atmos's response to Staff's Second Request, Item 27. Explain if Atmos believes the billing analysis needs to be updated to reflect the loss of the T4 customer. If so, provide an updated billing analysis in Excel format with all formulas unprotected and all rows and columns fully accessible.

10. Refer to Atmos's response to Staff's Second Request, Item 33.b. Provide the 13-month average capitalization for the forecasted test period.

11. Refer to Atmos's response to Staff's Second Request, Item 34.a.

a. Provide the calculation of the estimated \$63 million to be paid when settled.

b. Explain whether the \$63 million will be incurred in connection to the settlement of the original note or the establishment of the refinanced note.

12. Refer to Atmos's response to Staff's Second Request, Item 34.b(1), Attachment 1, page 4 of 8.

a. Confirm that the refinance of the 8.50 percent Sr. Note due March 15, 2019, is still included in the base period. If confirmed, provide a corrected schedule.

b. Refer also to Atmos's response to Staff's Second Request, Item 64, Attachment 1, page 114 of 121. Confirm that the refinance of the 8.50 percent Sr. Note due March 15, 2019, is still included in the base period. If confirmed, provide a corrected Attachment 1.

13. Refer to Atmos's response to Staff's Second Request, Item 45. Explain if the variability of the purchased gas costs is lowered by calculating the gas cost adjustment based on the expected or forward-looking gas costs.

14. Refer to Atmos's response to Staff's Second Request, Item 48.

a. Provide an explanation of why NiSource, Inc., and Northwest Natural Gas, whose Value Line expected earnings growth in Sep18 of 18.0 and 30.5, are abnormally high.

b. Explain if these earning projections would typically be used in an analyst's discounted cash flow analysis or if they would be removed.

15. Refer to Atmos's response to Staff's Second Request, Item 52. Explain why Dr. Vander Weide believes "the natural gas utilities today face risks that are somewhere in between the average risk of the S&P Utilities and S&P 500 over the years 1937 to 2018."

16. Refer to Atmos's response to Staff's Second Request, Item 55.b. The answer provided is nonresponsive. As originally requested, provide the most current awarded return on equity for each gas utility or its subsidiary and the date of the award.

17. Refer to Atmos's response to Staff's Second Request, Item 66.b. and Schedules WP B-5 B and WP B-5 F. Confirm that total forecasted Accumulated Deferred Income Taxes (ADIT), before allocation, decreases \$1,200,533 from the last month of the

base period to the first month of the forecast test period. If confirmed, explain how the change in ADIT is solely based on the change in the 13-month average ADIT.

18. Refer to Atmos's response to Staff's Second Request, Item 67.a. and 67.c. Explain how the ADIT amounts in Schedule WP B-5 B vary monthly if changes in deferred items are not calculated or recorded at non-quarter end months.

19. Refer to Atmos's response to Staff's Second Request, Item 68.

a. Provide all bases for Atmos's assumptions that Account 283 for all divisions and Account 190 for divisions 002, 012, and 091 will remain unchanged from June 2018 through March 2019, and explain why Atmos contends those assumptions are reasonable.

b. Provide all basis for Atmos's assumptions that Account 283 for all divisions and Account 190 for divisions 002, 012, and 091 will remain unchanged from March 2019 through March 2020, and explain why Atmos contends those assumptions are reasonable.

20. Refer to Atmos's response to Staff's Second Request, Item 75 in which Atmos states that if any public utility property were removed from service that it would remove ADIT attributable to the removed property from rate base, but that it does not have any public utility property in Kentucky that was removed from service for ratemaking purposes.

a. As previously requested in Staff's Second Request, Item 75, state specifically whether Atmos would similarly remove the net operating loss (NOL) carryforward deferred tax assets attributable to the removed property from rate base.

b. State whether NOL carryforward deferred tax assets, if any, attributable to divisions that were sold or closed since 2007, including Atmos's operations in Missouri, Iowa, Illinois, and Georgia were removed from Account 190 in Division 02 and rate base, and if not, explain why those amounts were not removed from that account.

21. Refer to Atmos's response to Attorney General's Initial Request for Information (Attorney General's Initial Request), Item 2. Explain whether Atmos would also include a schedule showing the former-PRP expenditures for a historic 12-month period in its proposed August 1st filing.

22. Refer to Atmos's response to the Attorney General's Initial Request, Item 8.

a. Confirm that it is Atmos's intent to limit former-PRP expenditures to \$28 million per year. If confirmed, explain why "PRP Investment" amounts of \$28.8 million are listed for fiscal years 2019 and 2020.

b. Explain in detail and include a listing of major projects, the 70 percent increase in "Non PRP Investment" between fiscal years 2018 and 2019.

23. Refer to Atmos's response to the Attorney General's Initial Request, Item 44.e.

a. Explain in detail what Atmos is referring to when it states that it is eligible for 100 percent expensing for its fiscal year ended September 30, 2018, and include what is eligible for 100 percent expensing.

b. Identify the specific provisions of the Tax Cuts and Jobs Act and any interpretations or explanations thereof by a federal agency or court that support Atmos's contention that it is eligible for 100 percent expensing for its fiscal year ended September 30, 2018.

c. State whether Atmos contends that it will remain eligible for 100 percent expensing in tax years ending after September 30, 2018.

d. State whether Atmos utilized 100 percent expensing for its fiscal year ended September 30, 2018.

e. If the response to part d. is in the affirmative, identify and describe any impact on rate base in the base and forecasted test period.

24. Refer to Atmos's response to the Attorney General's Initial Request, Item 44.e, in which Atmos indicated that it could not project the FD-NOL Credit Carryforward-Utility or the Kentucky allocation of the FD-NOL Credit Carryforward-Utility through the end of the fiscal year 2020, because Atmos "no longer projects taxable income for the consolidated group . . . for external financial statement audit purposes."

a. State whether Atmos projects taxable income for any purpose such that it could project the FD-NOL Credit Carryforward-Utility as requested, regardless of whether those projections are for external financial statement audit purposes or some other purpose, and explain the basis of the response.

b. If the response to part a. is no, state whether Atmos is able to project taxable income such that it could project the FD-NOL Credit Carryforward-Utility, and explain the basis of the response.

25. Refer to Attachment 1 to Atmos's response to the Attorney General's Initial Request, Item 48.

a. Confirm that any NOL carryforwards generated prior to the tax year ending September 30, 2008, were used in or before the tax year ending September 30, 2007, and if this cannot be confirmed, explain the basis for the response.

b. For each of the tax years ending in 2008 through 2018, provide the amount of any deferred tax liabilities generated by timing differences in book and tax depreciation of plant in service in total and by division for all divisions represented in the utility category (as distinguished from the non-utility category) of Attachment 1, including non-jurisdictional utility divisions.

26. Describe Atmos's process for determining whether to file an application for a Certificate of Public Convenience and Necessity (CPCN) for a capital project.

27. Identify any capital project included in the forecasted test period for which Atmos has already or will file an application for a CPCN.

28. The Commission's March 19, 2018 Order in Case No. 2018-00039² approved a unanimous settlement agreement, reduced Atmos's base rates by \$4.6 million annually effective March 19, 2018, to reflect the lower income tax impacts of the Tax Cuts and Jobs Act (TCJA), and deferred for future resolution the impacts of the TCJA on excess ADIT.

a. Based on the methodology utilized by the Commission to calculate the impacts of the TCJA in Atmos's last base rate case, Case No. 2017-00349,³ provide a calculation of the impacts of the TCJA on Atmos's federal income taxes (FIT) expense from January 1, 2018, through the May 3, 2018, the date that new base rates became effective.

b. Provide a calculation of the refunds, if any, due customers for the difference between the impacts of the TCJA on FIT expense as calculated in part a. and

² Case No. 2018-00039, *Electronic Investigation of the Impact of the Tax Cuts and Job Act on the Rates of Atmos Energy Corporation* (Ky. PSC Mar. 19, 2018).

³ Case No. 2017-00349, *Atmos* (Ky. PSC May 3, 2018).

the amount of rate reduction for the TCJA reflected in rates between March 19, 2018, and May 3, 2018.

c. Based on the methodology utilized by the Commission to calculate the impacts of the TCJA in Atmos's last base rate case, Case No. 2017-00349, provide a calculation of the impacts of the TCJA on Atmos's excess ADIT between January 1, 2018, and May 3, 2018.



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cc: Parties of Record

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