

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY	)	
CORPORATION FOR AN ADJUSTMENT OF	)	CASE NO.
RATES AND TARIFF MODIFICATIONS	)	2015-00343

COMMISSION STAFF'S REQUEST FOR INFORMATION  
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), pursuant to 807 KAR 5:001, is to file with the Commission the original and three copies in paper medium and an electronic version of the following information. The information requested herein is due on or before May 13, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. 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.

The AG 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

the AG 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 completely and precisely respond.

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 filing a document containing personal information, the AG shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. The Direct Testimony and Exhibits of Lane Kollen (“Kollen Testimony”), page 4, contain a table summarizing the AG’s revenue requirement recommendations. In a format similar to that of Schedule B.1F in Atmos Energy Corporation’s Kentucky Division (“Atmos-Ky”) rate application, provide the net investment rate base which supports the AG’s “Rate Base Recommendations” portion of this table. The response should use the “Forecasted Test Period 13 Month Average” column on Schedule B.1F as the starting point and identify all the adjustments made to arrive at an AG-adjusted 13-month average test period.<sup>1</sup>

2. Refer to the Kollen Testimony, pages 15–28, wherein the tax treatment of Atmos-Ky’s Net Operating Loss Carryforward and Private Letter Ruling (“PLR”) request to the Internal Revenue Service (“IRS”) are discussed. In Atmos-Ky’s prior rate case,<sup>2</sup>

---

<sup>1</sup> In addition to Commission Staff’s need for a complete rate base, the Commission’s final Order in this case will need to state the amount of the rate base recommended by the AG.

<sup>2</sup> Case No. 2013-00148, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC Apr. 22, 2014).

the AG recommended that Atmos-Ky seek a PLR and later offered comments on the draft PLR to the Commission and Atmos-Ky.

a. Explain whether, after the PLR request was filed with the IRS, the AG submitted comments to the IRS. If the AG submitted no comments, explain why.

b. Identify the utility that received the IRS ruling in PLR 2014-18024 and the regulatory agency that required the utility to seek a PLR.

3. Refer to the Kollen Testimony, pages 28–31, wherein Mr. Kollen states that the “one-eighth of O&M expense methodology is outdated and inaccurate” and that, due to the lack of a lead/lag study to support Atmos-Ky’s cash working capital needs, the Commission should set Atmos-Ky’s “[c]ash working capital at \$0. . . though there is no doubt that it should be negative.”

a. Identify any prior cases wherein Mr. Kollen filed testimony with the Kentucky Commission in which he opposed, or took exception to, use of the one-eighth of operation and maintenance expense approach to derive cash working capital.

b. With Mr. Kollen’s having “no doubt” that Atmos-Ky’s cash working capital “[s]hould be negative,” explain why Mr. Kollen did not present a lead/lag study in order to include a cash working capital amount less than \$0 in Atmos-Ky’s rate base.

4. Refer to the Direct Testimony of Richard A. Baudino (“Baudino Testimony”), pages 13–14. Describe the specific risks of Atmos Energy with regard to the three major categories of business risk identified, and indicate how Atmos-Ky contributes specifically to, or tends to alleviate, those risks.

5. Refer to the Baudino Testimony, page 17. Explain why a period shorter than six months is not used in order to calculate a more current dividend yield.

6. Refer to the Baudino Testimony, page 20, and Exhibits RAB-4 and RAB-6.
  - a. Explain why the current dividend yield is multiplied by one plus one-half the expected growth rate (“g”) instead of multiplying by one plus g.
  - b. Explain why median values are included in evaluating investor expected growth rates.
  - c. Explain whether the internal growth rates as shown in column (3) at the tops of Exhibits RAB-4 and RAB-6 are used in calculating the expected dividend yields in those exhibits.
7. Provide Exhibits RAB-3 through RAB-8 to the Baudino Testimony in Excel spreadsheet format, with all cells unprotected and with individual formulae or equations accessible in all cells so the calculations can be followed.
8. Refer to the Baudino Testimony, page 29, lines 5–7. Describe the circumstances under which Mr. Baudino envisions the Commission changing the rate base or modifying the amount of short-term debt. Explain whether he is referring to a situation involving something other than a general rate case.
9. Refer to the Baudino Testimony, pages 29–33, wherein Mr. Baudino recommends that Atmos-Ky’s test-period common equity ratio be reduced from 55.32 percent, which he characterizes as unreasonable, to 52.99 percent.
  - a. While he makes no mention of it in his testimony, explain whether Mr. Baudino is aware, as stated in the Direct Testimony of Gregory K. Waller at page 36, that the June 30, 2015 capital structure of Atmos Energy Corporation included common equity of 54.5 percent.

b. While he makes no mention of it in his testimony, explain whether Mr. Baudino is aware that the 55.32 percent common equity ratio Atmos-Ky proposes would represent the median value among the common equity ratios of the gas utility group shown on page 32 in Table 4 of his testimony.

c. Confirm that Table 4 shows that Atmos Energy's 2015 common equity ratio is 56.5 percent.



Aaron D. Greenwell  
Acting Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED APR 29 2016

cc: Parties of Record

\*Jennifer Black Hans  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Stefanie J Kingsley  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Honorable John N Hughes  
Attorney at Law  
124 West Todd Street  
Frankfort, KENTUCKY 40601

\*Kent Chandler  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Atmos Energy Corporation  
3275 Highland Pointe Drive  
Owensboro, KY 42303

\*Mark A Martin  
Atmos Energy Corporation  
3275 Highland Pointe Drive  
Owensboro, KY 42303

\*Mark R Hutchinson  
Wilson, Hutchinson & Littlepage  
611 Frederica Street  
Owensboro, KENTUCKY 42301

\*Eric Wilen  
Project Manager-Rates & Regulatory Affairs  
Atmos Energy Corporation  
5420 LBJ Freeway, Suite 1629  
Dallas, TEXAS 75420