

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY	)	CASE NO.
CORPORATION FOR AN ADJUSTMENT OF	)	2013-00148
RATES AND TARIFF MODIFICATIONS	)	

COMMISSION STAFF'S FIRST 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 its electronic responses, a paper original and two copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 6, 2013. Paper responses to requests for information 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.

1. Refer to pages 8-9 and Exhibit BCO-1 of the Direct Testimony of Bion C. Ostrander ("Ostrander Testimony"). The cases cited in the testimony as recent cases in which a rate of return ("ROR") was considered a placeholder are not among the cases shown in the exhibit as major cases in Mr. Ostrander's experience of the past ten years.

a. Describe Mr. Ostrander's involvement, if any, in these two cases or, in the alternative, his general understanding of the cases and why an ROR was used as a placeholder in each case.

b. Given that the ROR in one of the cases was 7.63 percent, while in the other case the ROR was 7.29 percent, explain how Mr. Ostrander chose 7.63 percent as his ROR placeholder in this case.

2. Refer to page 23, lines 12-15, and Exhibit BCO-2, Schedule A-5, of the Ostrander Testimony. The testimony states that "a review of the underlying SSU, DGO, and Kentucky Direct expenses for the actual periods 2010, 2011, 2012, and the base period revealed significant and unusual increases in expenses which Atmos did not address." The exhibit shows the expenses in these three categories from 2008 through 2012, plus the base and forecasted periods.

a. Explain why the discussion of expense increases in the testimony does not include the years 2008 and 2009.

b. Provide Mr. Ostrander's definitions of "significant" and "unusual."

c. The exhibit reflects that Kentucky Direct expenses in both the base period and forecasted period are less than they were in 2009. Explain whether Mr. Ostrander considers it significant or unusual for these expenses to decline over a period of almost five years.

d. The exhibit reflects that the "SSU" and "DGO" expenses in the base period are 6.1 percent greater than they were in 2008. Explain whether Mr. Ostrander considers it significant or unusual for these expenses to increase at a rate only slightly greater than 1.0 percent annually over a period of more than four and one-half years.

3. Refer to page 34, lines 10-13, and Table BCO-4 on page 35 of the Ostrander Testimony. Confirm that the amounts of \$8,500,877 and \$6,519,624 shown in the table as "OAG Payroll" and "Atmos Payroll," respectively, are not increases, as the sentence on page 34 indicates, but represent total expensed amounts.

4. Refer to Table BCO-5 on page 36 of the Ostrander Testimony. Identify the documents in the record of this case and the specific pages of those documents upon which Mr. Ostrander relied to determine the amount of the expense increases shown in the "Atmos" column of the table.

5. Refer to Exhibit BCO-2, Schedule A-7 to the Ostrander Testimony, which shows Atmos Payroll of \$8,500,877 at line 3 and Atmos Benefits of \$3,161,528 at line 7, both for the forecasted test period. Refer also to Atmos's response to Item 117 of the AG's First Request for Information and Schedule G-2 of Atmos's application. Atmos's

response indicates that the \$8,500,877 is the expense portion of its labor and benefits for the forecasted test period. For the test period, Schedule G-2, line 17, shows "O&M Labor Dollars" of \$5,339,350, while line 23 shows "Employee Benefits Expensed" of \$3,161,528, the sum of which, adjusted for rounding, totals \$8,500,877. As \$8,500,877 is the total of Atmos's payroll/labor expense and its benefits expense in the test year, explain why Mr. Ostrander's Exhibit BCO-2, Schedule A-7, shows this amount as only payroll expense while it shows a separate amount of \$3,161,528 for benefits expense.

6. Refer to page 43 of the Ostrander Testimony regarding Mr. Ostrander's discussion of the Washington Gas Light Company case in which he recommended disallowing 50 percent of the cost of long-term incentive programs, a recommendation adopted by the Maryland Commission. Provide references to any other cases in which Mr. Ostrander has made this recommendation, in any jurisdiction, and a summary of the commission's decision regarding his recommendation.

7. Refer to Exhibit BCO-2, Schedule A-8 to the Ostrander Testimony. Confirm that the amounts on lines 1 and 2 of the schedule, as taken from Attachment 3 of the response to Item 61 of AG's Second Request for Information, are from Atmos's Fiscal Year 2012 and are not from its forecasted test period, as the heading on the exhibit indicates.

8. Refer to pages 46-47 of the Ostrander Testimony. With the test year in this case being the 12 months ending November 30, 2014, explain why Mr. Ostrander used the estimated savings for 2015 rather than 2014 to calculate the first part of his proposed adjustment for Customer Service System savings.

9. Refer to page 47, lines 2-5 of the Ostrander Testimony and Exhibit BCO-2, Schedule A-9, line 27. Identify the document(s) in the record of this case and the specific page(s) of the document(s) from which Mr. Ostrander obtained the original estimated capital spend amount of \$47 million in the testimony and on the exhibit.

10. Refer to page 49, lines 11-19 of the Ostrander Testimony. Mr. Ostrander states that he has no concerns regarding the typical tax impact of depreciation timing differences that are recorded as a credit and used as an offset to rate base. He then states that a Net Operating Loss Carry-forward “is the opposite” and “is included as a debit” and is “an offset to the typical credit balance in the accumulated deferred income tax account and it causes an increase in rate base.” Explain whether there is a reason, other than that it causes an increase in rate base, why Mr. Ostrander proposes an adjustment to remove Atmos’s Net Operating Loss Carry-forward from rate base.

11. Refer to page 11 of the Direct Testimony and Schedules of Glenn A. Watkins (“Watkins Testimony”). Starting at line 16, Mr. Watkins states that “[t]he Peak and Average approach is the most fair and equitable method to assign natural gas distribution mains costs to the various customer classes.” Provide all analysis and documents relied upon in making this statement.

12. Refer to the Watkins Testimony, page 45. Provide the rates for all customer classes that would result from the allocations proposed in Table 9, assuming that the entire amount of Atmos’s proposed increase were approved by the Commission.

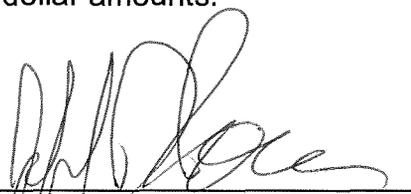
13. Refer to the Watkins Testimony, page 46, lines 12-21, wherein Mr. Watkins states that his customer cost analysis supports a residential customer charge

of between \$5.23 and \$9.26 and wherein he recommends there be no increase to the residential customer charge. Refer also to page 2 of 86 of Atmos's revised cost of service study ("COSS") filed in response to Item 19 of Commission Staff's Third Request for Information which supports a residential customer charge of \$20.46. Provide the same type of information that appears on this page using Mr. Watkins's peak and average COSS.

14. Atmos's proposed Margin Loss Rider is discussed on pages 48-49 of the Watkins Testimony, but there is no discussion of the other automatic recovery rider proposed by Atmos, the System Development Rider ("SDR"). Describe the position of the AG with regard to the proposed SDR.

15. Provide Mr. Watkins's peak and average COSS in Excel spreadsheet format with the formulas intact and unprotected and all rows and columns accessible. The spreadsheets should show all steps of the COSS separately (functionalization, classification, and allocation).

16. Refer to Schedule GAW-3 which was filed under seal. State why the amounts in column 5, Annual MCF, are shown as dollar amounts.



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cc: Parties of Record

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