

JOHN N. HUGHES
Attorney at Law
Professional Service Corporation
124 West Todd Street
Frankfort, Kentucky 40601

Telephone: (502) 227-7270

Email: jnhughes@fewpb.net

December 12, 2014

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation
Case No. 2103-00148

Dear Mr. Derouen:

The Attorney General's email of yesterday related to the Private Letter Ruling (PLR) request of Atmos Energy contains nothing substantive to support its beliefs that the letter is improperly or inadequately drafted. Citing no legal authority or other basis for its contentions, the Attorney General seeks to become a participant in the drafting of the PLR. The Internal Revenue Service (IRS) revenue procedures cited in the November 7, 2014 letter to the Commission from Atmos Energy provide the only procedures for the submission of the PLR. This letter is not a joint or collaborative venture. The request for a ruling, its tone, tenor and substance is exclusively the province of the taxpayer. The opportunity for the AG to comment is specified in the IRS revenue procedures – a letter submitted to the IRS after the PLR has been submitted. The AG has no allowable participation in the drafting, review or submission of the PLR. The role of the Commission is also specified: an acknowledgement that the letter is adequate and complete. That role does not provide an opportunity for the Commission to be a co-author of the letter or to specify the terms of the letter. Even if there is disagreement about the content of the letter, Atmos as the taxpayer has the ultimate responsibility for its content. Given the explicit procedural requirements of the PLR process, the Attorney General's beliefs and opinions on the method of drafting the letter, submission of comments to the Commission and content of the letter are unsupported and unsupportable.

The PLR comports with the Commission's directive in the final order – it seeks a definitive ruling on whether not including net operating loss carryforward (NOLC) would be a normalization violation. Atmos Energy has included a request for determination of the appropriate allocation methodology as well. The PLR mentions all allocation methods and

discusses the merits of them beginning on page 24. It also addresses pitfalls with the ratable allocation approach specifically. (See pages 25-26). The PLR asks for the IRS's conclusion that the "with and without" methodology is the preferable and permissible methodology. Contrary to the AG's assertion, Atmos Energy has not neglected a proper discussion of other methodologies of the appropriate allocation.

Finally, the AG seems to suggest that the request be reworked to allow the IRS to opine that many options are available. Atmos Energy believes that a request crafted as such would not be received favorably by the IRS. Taxpayer ruling requests by definition are to be narrowly crafted and request a specific ruling, not a menu of options. Ruling requests that are broad, offer choices or do not reach a conclusion take longer to complete and can be at risk for getting an inconclusive or ambiguous outcome.

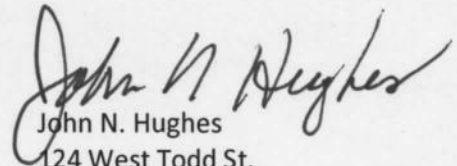
A meeting to discuss these issues is unnecessary and inappropriate. It would only impede the orderly process mandated by the IRS revenue procedures. The AG has no legal basis or authority to deviate from or to modify the Commission's role in the PLR process. Atmos is not opposed to comments by the AG, but those comments should be submitted in accord with the IRS procedures. Even if the AG were to provide the Commission with comments, those comments would not be incorporated into the PLR request. While those comments may inform the Commission of the AG's stance on the letter, they will have no direct impact on the substance of the letter itself. The drafting of the PLR is not a negotiated, mutually agreed to process.

If the Commission determines that it is unable to acknowledge the completeness of the letter as a result of the AG's comments, Atmos would still be obligated to submit the PLR to the IRS pursuant to the final order in this case. The effect of that action likely would result in a conference with the IRS to verify that Atmos has meet the procedural requirements related to the Commission's participation in the process. For these reasons, Atmos Energy submits that the Commission should acknowledge the PLR for adequacy and completeness. Upon submission of the letter to the IRS, the Attorney General will have the ability to submit comments commensurate with the terms of the IRS revenue procedures.

Submitted By:

Mark R. Hutchinson
Wilson, Hutchinson and Poteat
611 Frederica St.
Owensboro, KY 42301
270 926 5011
270-926-9394 fax
randy@whplawfirm.com

And

A handwritten signature in black ink, reading "John N. Hughes". The signature is written in a cursive style with a large initial "J".

John N. Hughes

124 West Todd St.

Frankfort, KY 40601

Phone: 502 227 7270

jnhughes@fewpb.net

Attorneys for Atmos Energy
Corporation