

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS CORPORATION FOR) CASE NO.
FOR A GENERAL RATE ADJUSTMENT) 2015-00343

ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Supplemental Requests for Information Atmos, to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Atmos with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or 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.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and

depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all

other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

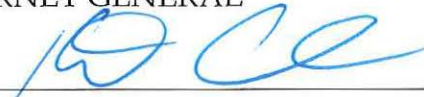
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional supplemental data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,
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1. Refer to the following

- Company's response to AG 1-22(d) wherein Mr. McDonald states:

"Unlike PLR 201418024, the provision for deferred taxes in KPSC 2013-00148 was impacted by both the entire difference between accelerated tax and regulatory depreciation AND the recording of an NOLC DTA. If the Company's NOLs had been excluded from the deferred tax provision, the Company's provision for income taxes would have been higher than a tax provision included in the filing."

- Company's response to AG 1-23(e) wherein Mr. McDonald states:

"In Case No. 2013-00148, Mr. McDonald believes the Commission correctly included the credit related to the NOL in the deferred income tax provision and included the DTA for NOLC in the balance of deferred taxes applied to rate base."

- Company's response to AG 1-24(b) wherein Mr. McDonald states:

"The filing in this proceeding does not impose on customers a deferred tax charge on the entire difference between book and tax depreciation whether or not the deduction created an NOLC. The deferred charge imposed in this proceeding includes a credit related to the NOL."

- a. Please confirm that the terms "deferred tax provision," "deferred income tax provision," and "deferred tax charge" are interchangeable and refer to income tax *expense* included in the revenue requirement. If this is not the case, then please differentiate the terms as used in the referenced responses.
- b. Refer to Schedule E in Case No. 2013-00148 wherein the income tax *expense* for the base year and test period were calculated. In that calculation, the Company started with operating income *before* income tax and interest and then subtracted synchronized interest to calculate taxable income. The income tax *expense* was then calculated by multiplying the statutory combined federal and state income tax rate times taxable income. Please confirm that this correctly describes the calculation of income tax *expense* in that proceeding. If this does not correctly describe the calculation of income tax *expense* in that proceeding, please provide in detail the process that was taken to calculate income tax *expense* for that base year.
- c. Refer to Schedule E in Case No. 2013-00148. Please confirm that the Company did NOT credit (reduce) income tax *expense* in either the base year or the test period to reflect an NOL in either period. If this is not correct, then provide the credit to income tax *expense* in the base year and in the test period for the NOL and provide a narrative description for each period of how the credit was applied, along with a copy of all workpapers and supporting documentation, including electronic workpapers with formulas intact.
- d. In Case No. 2013-00148, if the Company reflected a reduction in income tax *expense* on any schedule other than Schedule E to reflect an NOL in either the base year or the test

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period, then please identify the schedule and/or any supporting workpapers and provide the specific reduction in income tax *expense* due to the NOL in each period.

- e. Refer to Schedule E in this proceeding wherein the income tax *expense* for the base year and test period were calculated. In that calculation, the Company started with operating income before income tax and interest and then subtracted synchronized interest to calculate taxable income. The income tax *expense* was then calculated by multiplying the statutory combined federal and state income tax rate times taxable income. Please confirm that this correctly describes the calculation of income tax *expense* in this proceeding. If this does not correctly describe the calculation of income tax *expense* in that proceeding, please provide in detail the process that was taken to calculate income tax *expense* for that.
 - f. Refer to Schedule E in this proceeding. Please confirm that the Company did NOT credit (reduce) income tax *expense* in either the base year or the test period to reflect an NOL in either period. If this is not correct, then provide the credit to income tax *expense* in the base year and in the test period for the NOL in each period and a narrative description of how the credit was applied, along with a copy of all workpapers and supporting documentation, including electronic workpapers with formulas intact.
 - g. In this proceeding, if the Company reflected a reduction in income tax *expense* on any schedule other than Schedule E to reflect an NOL in either the base year or the test period, then please identify the schedule and/or any supporting workpapers and provide the specific reduction in income tax *expense* due to the NOL in each period.
2. Refer to the Company's response to AG 1-27(a).

Please confirm that the "substantial investments" listed in the response constitute a comprehensive and complete response. If not, then provide a comprehensive and complete list and also provide the information requested in AG 1-27(b) and AG 1-27(c) for each of the additional "substantial investments" identified in response to this question.

3. Refer to the Company's response to AG 1-27(b), which asked for a copy of the capital expenditure authorizations/justifications, including *all economic analyses* developed and reviewed by management for each of the substantial investments identified in response to part (a) of this question, by project if it is available.

The Company did not provide this information or indicate that it was unavailable. Please provide the information requested.

4. Refer to the Company's response to AG 1-27(c), which asked the following:

"Identify all rate base and operating expense impacts for the base period and forecasted test period, along with all other assumptions, which reflect the impact of reductions in employees, expenses and costs related to improvements in efficiency and productivity, including, but not limited to, those investments identified and described in response to part (a) of this question. Provide the historical costs (by account number and description) before the related

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efficiency/productivity and compare this to the reduced costs (by account number and description), and identify the difference related to cost savings from efficiency/productivity.”

The Company did not provide any of the information requested or indicate that it was unavailable. Please provide the information requested.

5. Refer to the Company's response to AG 1-04 Attachments 1 and 2 related to the development of allocation factors.
 - a. Please provide the O&M expense for the Virginia division by month for the year ended September 30, 2015 by FERC account and by cost element.
 - b. Please explain in detail how the O&M expense for the Virginia division for the year ended September 30, 2015, excluding amounts booked to account 922, was a negative \$332,937.
6. Please provide a schedule showing the total costs incurred by the Shared Services Division (Division 002) by cost allocation pool and the amounts charged to each affiliate, sub affiliate, or division by FERC O&M and A&G expense account for the fiscal year ended September 30, 2014. Please separate out the costs allocated via each of the different allocation factors including, but not limited to, the Composite Allocation Factor. Provide the information in electronic format with all formulas intact.
7. Please provide a schedule showing the total costs incurred by the Shared Services Division (Division 002) by cost allocation pool and the amounts charged to each affiliate, sub affiliate, or division by FERC O&M and A&G expense account for the fiscal year ended September 30, 2015. Please separate out the costs allocated via each of the different allocation factors including, but not limited to, the Composite Allocation Factor. Provide the information in electronic format with all formulas intact.
8. Please provide a list and sum total of Shared Services Division (Division 002) allocation amounts using the Composite Allocation Factor charged to the Kentucky/Mid-States Division by FERC O&M and A&G expense account for the fiscal year ended September 30, 2014. Please include the FERC account description as well as the account number. Provide the information in electronic format with all formulas intact.
9. Please provide a list and sum total of Shared Services Division (Division 002) allocation amounts using the Composite Allocation Factor charged to the Kentucky/Mid-States Division by FERC O&M and A&G expense account for the fiscal year ended September 30, 2015. Please include the FERC account description as well as the account number. Provide the information in electronic format with all formulas intact.
10. Refer to Attachment 2 of the Company's response to AG 1-05 that provides a variance analysis for the SSU business units comparing base year and test year costs.

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The variance explanation for Div 002 costs allocated to KY discusses why Miscellaneous costs increased by \$298,216 from the base year to the test year. The explanation reads "Higher capitalization rate in base period."

- a. Please provide the 12-month monthly average capitalization rate utilized for Div 002 during the base year.
- b. Please provide the 12-month monthly average capitalization rate utilized for Div 002 during the test year.
- c. Please provide the amount of capitalized O&M and A&G costs reflected as incurred and projected to be incurred for the base year and the projected capitalized O&M and A&G costs expected to be incurred during the 12-month test year for Div 002 and the applicable amount allocated to the KY jurisdiction for ratemaking purposes.
- d. Please provide the amount of capitalized O&M and A&G costs for the twelve months ended September 30, 2014 and for the twelve months ended September 30, 2015 for Div 002 and the applicable amount allocated to the KY jurisdiction for ratemaking purposes.
- e. Please explain all reasons why the level of capitalization allocated to the KY jurisdiction for ratemaking purposes is expected to decrease for Div 002 from the base year to the test year.
- f. Please provide the amount of capital expenditures assumed for the base year and the test year for Division 002 and the applicable amount allocated to the KY jurisdiction for ratemaking purposes. If there is not a reduction from the base to the test year, please explain why the level of capitalization would be decreasing.

11. Refer to Attachment 5 provided in response to AG 1-04(e).

In the same format, please provide for each month October 2013 through September 2015 the total direct operating expenses, excluding income taxes, separately for each utility division within the Kentucky/Mid States division including, but not limited to, the Kentucky Division (09), the Tennessee Division (93), and the Virginia Division (96).

12. Refer to the Company's 2015 10-K at page 40, which discusses plans regarding new financing to replace the \$250 million in Senior Notes set to mature on June 15, 2017 as follows:

"Additionally, we plan to issue new unsecured senior notes to replace \$250 million and \$450 million of unsecured senior notes that will mature in fiscal 2017 and fiscal 2019. During fiscal 2014 and 2015, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the anticipated fiscal 2019 issuances at 3.782%. In fiscal 2012, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the anticipated fiscal 2017 issuances at 3.367%."

Please provide the projected increment in the effective interest rate over the Treasury yield component for the new unsecured senior notes that will be issued in fiscal 2017. Provide all

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support relied on to quantify this increment. In addition, please compare the 3.367% rate to the benchmark for determination of whether there is a gain or loss on the hedge as of the most recent date available. Provide a copy of all source data and calculations relied on for your response.

13. Please refer to the electronic version of the detailed ADIT Workpapers provided by the Company in response to Staff 1-59 and the updated version provided in response to Staff 2-21. Refer further to the worksheet tab for Division 002 - Shared Services.

For each of the following account 190 ADIT descriptions and amounts as of May 31, 2017: (1) describe in detail the temporary difference that caused the ADIT, (2) describe how and where the Company included or excluded the cost giving rise to the temporary differences in the rate base and revenue requirement, and (3) provide the Company's justification for including the ADIT in the rate base and revenue requirement, particularly if the underlying temporary difference is not included in the rate base and revenue requirement.

- a. MIP/VPP Accrual - \$1,253,998
- b. Self Insurance – Adjustment - \$4,576,432
- c. SEBP Adjustment - \$24,316,653
- d. Restricted Stock Grant Plan - \$7,385,565
- e. Rabbi Trust - \$1,534,495
- f. Restricted Stock - MIP - \$9,513,920
- g. Director's Stock Awards - \$4,119,248
- h. Charitable Contribution Carryover - \$10,525,877
- i. VA Charitable Contributions - \$(6,968,861)

14. Please refer to the electronic version of the detailed ADIT Workpapers provided by the Company in response to Staff 1-59 and the updated version provided in response to Staff 2-21. Refer further to the worksheet tab for Division 091 – KY/Mid States.

For each of the following account 190 ADIT descriptions and amounts as of May 31, 2017: (1) describe in detail the temporary difference that caused the ADIT, (2) describe how and where the Company included or excluded the cost giving rise to the temporary differences in the rate base and revenue requirement, and (3) provide the Company's justification for including the ADIT in the rate base and revenue requirement, particularly if the underlying temporary difference is not included in the rate base and revenue requirement.

- a. MIP/VPP Accrual - \$141,947
- b. SEBP Adjustment - \$1,364,197
- c. Charitable Contribution Carryover - \$163,960

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- d. Reg Asset Benefit Accrual - \$380,148
15. Please refer to Schedule J-3 F. Referring to the 8.50% Senior Note due 3/15/2019:
 - a. Please provide all of the terms and conditions of this debt issue.
 - b. Please explain why Atmos has not refinanced this note in order to obtain a lower interest rate. Please provide all documentation supporting your response.
 16. Please refer to Schedule J-3 F. Referring to the 6.35% Senior Note due 6/15/2017:
 - a. Please provide all of the terms and conditions of this debt issue.
 - b. Please explain why Atmos has not refinanced this note in order to obtain a lower interest rate. Please provide all documentation supporting your response.
 17. Please refer to Schedule J-3 F. Referring to the 6.75% Unsecured Debentures:
 - a. Please provide all of the terms and conditions of this debt issue.
 - b. Please explain why Atmos has not refinanced this note in order to obtain a lower interest rate. Please provide all documentation supporting your response.
 18. Please refer to Schedule J-3 F. Referring to the 6.67% MTN A1:
 - a. Please provide all of the terms and conditions of this debt issue.
 - b. Please explain why Atmos has not refinanced this note in order to obtain a lower interest rate. Please provide all documentation supporting your response.
 19. Please provide all studies performed by or on behalf of Atmos within the last five years that address the economics of refinancing high cost debt in order to reduce interest expense and achieve a lower cost of capital.
 20. Please refer to Atmos' response to AG-1-46(e). Please explain and reconcile the T-3 rates and total revenues shown in AG-1-46 Attachment 2, with the amount referenced in AG-1-46(e) (charges for transported volumes to special contract customer).
 21. For each of the last three years, please provide the total footage and total installed cost (or cost per foot) of distribution mains, by size and type of pipe, installed in Kentucky.