



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

December 15, 2014

Associate Chief Counsel
Passthroughs & Special Industries
Courier's Desk
Internal Revenue Service
Attn: CC:PA:LPD:DRU, Room 5336
1111 Constitution Avenue, NW
Washington, DC 20224

Pace McDonald
Atmos Energy Corporation
Three Lincoln Centre, Suite 1800
5430 LBJ Freeway
Dallas, TX 75240



Re: Ruling Request for Atmos Energy Corporation (EIN# [REDACTED])

Dear Sir or Madam:

By letter dated November 7, 2014, Atmos Energy Corporation ("Atmos Energy") furnished to the Kentucky Public Service Commission ("KPSC") a copy of a request for a private letter ruling from the National Office of the Internal Revenue Service which seeks guidance regarding the application of the depreciation normalization rules of §168(i)(9) of the Internal Revenue Code of 1986, as amended, and Treas. Reg. §1.167(1)-1 (together, Normalization Rules") to the regulatory treatment of net operating loss carryovers.

We have reviewed the ruling request and believe that the Statement of Facts and Rulings Requested sections of the letter are adequate and complete. We are unable to agree or disagree with Atmos Energy's Statement Of the Law section. Further, Atmos

MSC 8/18/2014

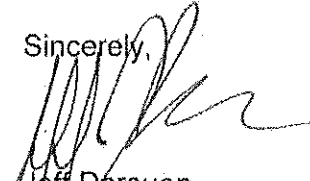
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December 15, 2014
Page 2 of 2

Energy has indicated that it will permit the KPSC to participate in any associate office conference concerning the ruling request. The KPSC does wish to be notified of such a conference.

If additional information is desired, please feel free to contact the undersigned.

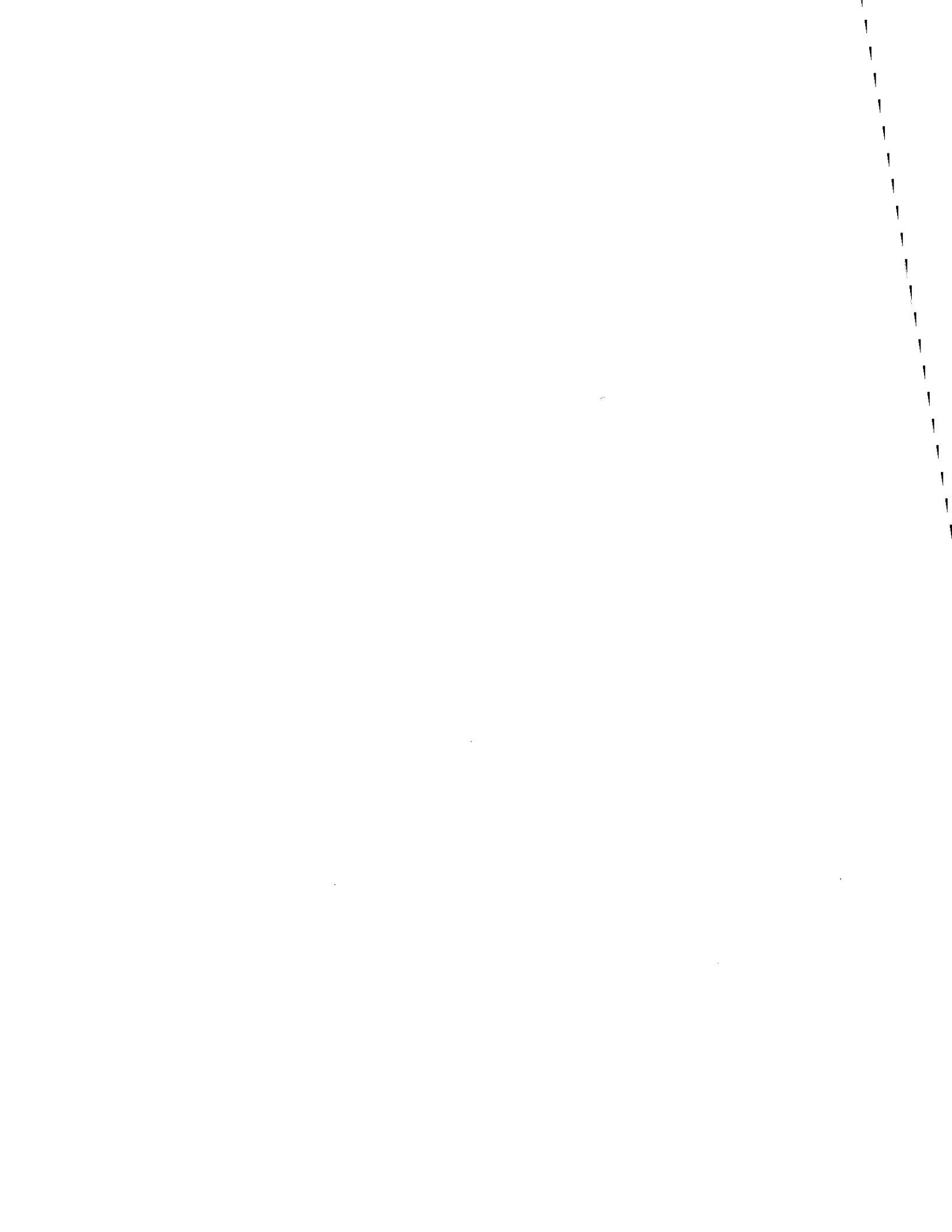
Sincerely,



Jeff Derouen
Executive Director

cc: Jennifer Hans, Kentucky Attorney General's Office

VG



RECEIVED

DEC 15 2014

PUBLIC SERVICE
COMMISSION

KY PSC Electronic Case Filing Receipt

Documents received for Case Number: 2013-00148

Jennifer Black Hans

On behalf of: KY Office of the Attorney General

at 12/12/2014 2:55:08 PM

Description: AG Reply to Atmos and Recommendation on Draft PLR Request

Received Items:

ATMOS_PLR_on_NOLC_letter_final.pdf

AG Reply to ATmos Recommendation on Draft PLR Request





COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

JACK CONWAY
ATTORNEY GENERAL

1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT, KENTUCKY 40601

December 12, 2014

Via electronic mail

Hon. Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

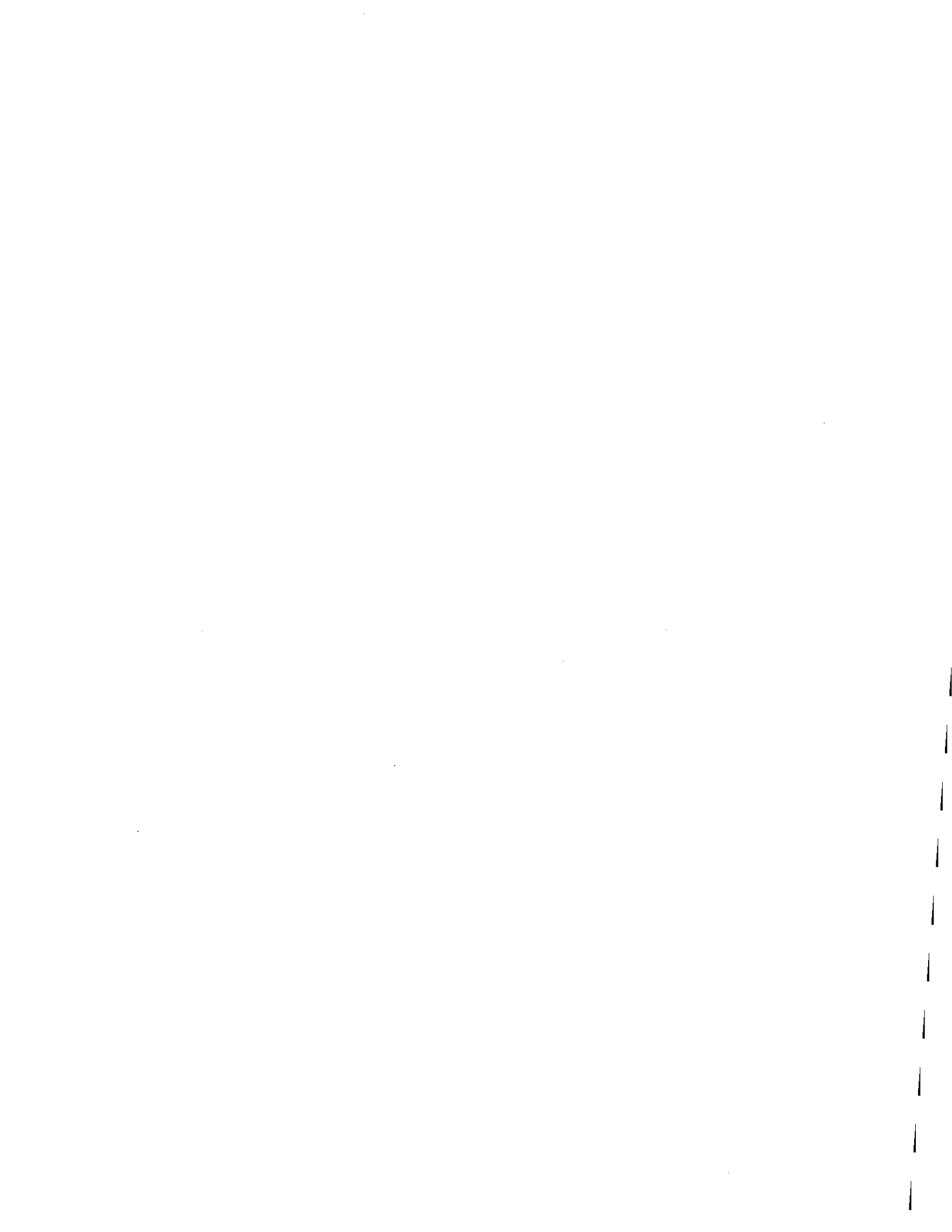
RE: Atmos Energy Corporation, Case No. 2013-00148

Dear Mr. DeRouen:

At the request of staff for the Commission and in response to Atmos Energy Corporation's ("Atmos") request for approval of its draft request to the Internal Revenue Service ("IRS") for a Private Letter Ruling ("PLR") on the issue of net operating loss carry-forward ("NOLC"), the Attorney General files the following comments to the draft. Moreover, the Attorney General files this in reply to Atmos' letter of counsel dated December 12, 2014.

As quoted in Atmos' November 7, 2014 cover letter to the Commission, the Final Order in Case No. 2013-00148 requested "a more definitive assessment of [the] issue" regarding NOLC, which was addressed by the Attorney General's expert witness, Bion Ostrander, during the case proceedings. While the Commission did not adopt Mr. Ostrander's proposal, it did order Atmos to request a PLR that would eliminate the ambiguity in the regulations. The draft proposed does not eliminate the ambiguity, but rather requests that the IRS answer two (2) unnecessarily specific questions, which may be summarized as confirmation that there is enough ambiguity in the law to permit Atmos to treat NOLC the way it chose to treat it. As such, the letter as currently drafted does not comport with the Commission's Order.

Rather, the question that should be presented is whether other options for treating the NOLC are reasonable and may be required by the Commission. In other words, the question presented should ask the broader question of whether the IRS requires a specific method to be used. At pages 23 to 29 of the draft letter, Atmos discusses the three (3) options or methodologies: (1) the "last dollars deducted method" (also known as the "with or without" method), (2) the "first dollars deducted" method, and (3) a ratable allocation. However, the rulings requested at page 9 of the draft only ask whether a computation on a "last dollars deducted" method is allowable. The Attorney General posits that the IRS has not cited a specific method, therefore the ratable allocation, for example, is an option that Atmos could utilize were the Commission to direct it to do so. At a minimum, the rulings requested on page 9



of the letter draft should more broadly address all approaches available to the IRS, including but not limited to “the ratable allocation method (and other allocation approaches available to the Service).”

The Attorney General requests that the Commission direct Atmos to consult its tax counsel and draft the letter and the PLR request in a manner that definitively addresses whether Atmos may legally adopt any of the methods referenced and still comply with the requirements of the Internal Revenue Code and Treasury Regulations.

Tendered by:



Jennifer Black Hans
Executive Director

And

Gregory T. Dutton
Assistant Attorney General

Cc: Hon. John N. Hughes
Mark Martin
Richard Raff
Virginia Gregg

