

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

ELECTRONIC APPLICATION OF ATMOS)
ENERGY CORPORATION FOR AN ADJUSTMENT) CASE No.
OF RATES AND TARIFF MODIFICATIONS) 2017-00349

ATTORNEY GENERAL’S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Data Requests to Atmos Energy Corp. [hereinafter “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) Identify the witness who will be prepared to answer questions concerning each request.
- (3) 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, 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, 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, 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 regardless of the media or format in which they are stored, 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, 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) 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) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR
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Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium with the Commission within two business days; that the electronic filing has been transmitted to the Commission on November 8, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 8th day of November, 2017.

A handwritten signature in blue ink, appearing to be the initials 'ME', is placed on a light blue rectangular background.

Assistant Attorney General

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1. Refer to Atmos' response to PSC Staff DR 2-01 (a)-(c), in case number 2017-00308, wherein the Company states that it proposed the PRP program because the "bare steel pipe had been in the ground approximately 50-75 years" and that "the ultimate goal of the Company's PRP program is the accelerated replacement of aging infrastructure that has outlived its useful life."
 - a. Is Atmos in control of capital expenditures, such as when it replaces infrastructure? If not, who controls the capital expenditures of Atmos? The PSC?
 - b. If the answer to (a), above, is that Atmos is the entity that controls its capital expenditures, then why should customers pay more for accelerated replacement of pipe, when it was Atmos that allowed so much infrastructure to "outlive[] its useful life?"
 - c. If the answer to (a), above, is that any other entity or body controls Atmos' capital expenditures, why should the Commission allow such control?
 - d. Confirm that the Company believes the singular purpose of the PRP is the accelerated replacement of aging infrastructure that has outlived its useful life and/or poses a possible safety and/or reliability concern.
 - e. Where does Atmos find support for "reliability concern" being a determining factor for inclusion through the Company's PRP?
 - f. Does the Company believe it must be incentivized to replace aging or unsafe infrastructure with mechanism such as the PRP? If not, then explain the statement, "the accelerated replacement of aging infrastructure allows the Company to modernize its distribution system."
 - g. What preempts Atmos' ability to adequately replace aging or unsafe infrastructure without the use of the PRP.
 - h. Confirm that the purpose of the PRP is to expedite the recovery of costs.
2. Provide the annual capital investment amounts for each year to date for the PRP and the estimated capital investments amounts for each year from now until expected completion of the PRP. This response should include any available estimates for expected annual PRP expenditures for the years 2023 through 2025.
 - a. For the amounts provided for each year, above, provide the expected PRP rates through 2025 assuming no rate case activity during this time period.

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3. Confirm that the recovery of costs associated with new lines or pipelines is not requested through the PRP. If the Company cannot confirm this, explain why and provide the instances where recovery was requested of and approved by the Commission for a new line or pipeline.
4. Confirm that if a pipeline is built solely for the purpose of servicing a small amount of industrial customers (1-10) it is Atmos' position that those costs should be recovered via special contract rather than through base rates or the PRP.
5. Refer to the Direct Testimony of Mark Martin, p. 6. Provide all support the Company relied on in making the statement that Atmos has "the lowest distribution charges for residential customers of the major natural gas providers in Kentucky."
6. Refer to the Direct Testimony of Mark Martin, p. 8, wherein he explains the average residential bill. Confirm that the average residential bill amount of \$55 in 2017 includes the cost of gas.
 - a. Do the average residential bills in 2007, 2008, and 2009 referenced in the testimony reflect the cost of gas?
 - b. Provide the average cost of gas for Atmos in 2007, 2008, 2009 and 2017, used to determine the average bills referenced in the testimony. Furthermore, provide the average non-gas bill for residential customers in 2007, 2008, 2009 and 2017.
7. Refer to the Direct Testimony of Mark Martin, p.11, wherein he states that the forecasting process employed in Case No. 2015-00343 "was found by the Commission to be reasonable."
 - a. Confirm that Case No. 2015-00343 was settled between all the parties and that settlement was approved by the Commission.
 - b. Provide a citation to the Order in Case No. 2015-00343 where the Commission explicitly found the forecasting method utilized by Atmos to be reasonable.
8. Reference the petition, volume 1, numerical paragraph 8 on pp. 3-4. With regard to the amount of the proposed increase, state whether Atmos is measuring the increase from the date that new rates went into effect in Case. No. 2015-00343, or from the date of the application in the instant rate case.

9. Provide an itemization in real dollars of all benefits the R&D charge has brought to Atmos (KY) ratepayers.
 - a. Has Atmos considered remitting funds raised under the rider to a different organization that has the ability to bring real dollar benefits to ratepayers? If not why not? Explain fully.
10. Reference the Waller testimony. Provide complete justification for the statement that Atmos' proposed ARM mechanism would not provide a guaranteed rate of return.
11. Explain why Atmos believes its proposed ARM mechanism would comply with existing utility regulatory law in Kentucky.
12. Reference the Christian testimony, p. 6, wherein he describes the June 2017 refinancing of \$250 million. Provide the impact that this refinancing had on the company's capital structure.
 - a. State whether Atmos has revised the ROE applicable to its PRP program to reflect the reduced cost of its debt. If not, why not?

Plant Additions

13. Refer to Schedule B.2 B of the Rev Req Model provided with the Company's filing. Provide the actual plant balance data in the same level of detail for each month from October 2013 through the most recent month available in live spreadsheet format.
14. Refer to the table at the top of page 7 of Mr. Waller's Direct Testimony detailing actual and projected investment amounts.
 - a. Describe all known reasons why the average PRP investment in column 2 is estimated at much higher levels in 2017 and 2018 than was the case for the years 2012 through 2016. (Average actual PRP investment over that 5 year period amounted to \$24.8 million while the projected amounts for 2017 and 2018 both exceed \$40 million.) In the answer, distinguish between Kentucky division-only investment and investment allocated from each of the other divisions.
 - b. Describe all known reasons why the average Non PRP investment in column 3 is estimated at higher levels in 2017 and 2018 than was the case for the years 2012 through 2015. (Average actual PRP investment over the 5 year period including 2016 amounted to \$23.6 million while the projected amounts for 2017 and 2018 both exceed \$32 million.) In the

answer, distinguish between Kentucky only investment and investment allocated from each of the other divisions.

15. Refer to page 14 of Mr. Waller's Direct Testimony in regards to the Company's five-year plan for direct investment in Kentucky. Provide a copy of the Company's two most recent five-year plans for direct investment in Kentucky.
16. Refer to page 7, lines 21-26 of Mr. Martin's Direct Testimony wherein he states that since the last rate case in 2015, "Atmos Energy has undertaken substantial investments in technology and process improvements to ensure that it provides the best and most efficient customer service possible" and how this will enable the Company "to be more productive."
 - a. Identify, describe and quantify each of the substantial investments in technology and process improvements that have occurred since the last rate case in 2015 and those that are projected and included in the test year. Provide this information for all such investments, not only those related specifically to customer service. Provide this information by project if it is available.
 - b. Provide 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.
 - c. 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 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.

Proforma Adjustments

17. Refer to Schedules D.2.1, D.2.2, and D.2.3 of the Rev Req Model showing adjustments to revenues and expenses.
 - a. Provide the electronic workpapers supporting these schedules.
 - b. Disaggregate each of the revenue amounts shown on these schedules into base, PGA, PRP, and other revenue components.

Exhibits GKW-1 and GKW-2

18. Refer to the allocation percentages shown on Exhibit GKW-1 for the 2017 fiscal year based on cost data for the twelve months ended September 30, 2016.
 - a. Provide an updated version of Exhibit GKW-1 using actual data for the twelve months ended September 30, 2017 in the same format. Provide in electronic format with all formulas intact.
 - b. Provide the number of employees for each division/nonregulated affiliate shown on Exhibit GKW-1 for each month from October 2013 through the most recent month for which actual information is available and all budget/forecast months thereafter through the end of the test year. Provide in electronic format with all formulas intact.
 - c. Provide total operating expenses, excluding income taxes, for each division/nonregulated affiliate shown on Exhibit GKW-1 for each month from January 2013 through the most recent month for which actual information is available and all budget/forecast months thereafter through the end of the test year. Provide in electronic format with all formulas intact.
19. Refer to Exhibit GKW-2, which shows base year and test year allocated amounts by division and cost element and the difference in the test year compared to the base year. Confirm that the Company removed *all* incentive compensation expense from the test year revenue requirement, including any type of short-term cash incentive awards and any type of stock awards, such as restricted stock units. If not, identify and quantify the amount of any other incentive compensation remaining in the test year.
20. Refer to the electronic workpaper “OM_for_KY-2017” provided in response to the Staff’s First Set of Data Requests and the tab entitled “Div 2 forecast.”
 - a. Provide the actual data in the same level of detail and in the same format for each month from October 2013 through the most recent month available in live spreadsheet format.
 - b. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the change projected in the test year compared to the actual expense for calendar year 2016. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to 2016.

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- c. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the change projected in the test year compared to the base year. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to the base year.
- d. Refer further to cell row 287 of this tab showing the monthly capitalization percentages. Identify and describe all reasons for the change in the average capitalization percentage projected for the test year compared to the base year. Provide a copy of all documents relied on to determine or calculate the capitalization percentages and to determine or calculate the change.
- e. Provide the actual capitalization percentage rate for labor and related costs for each month for division 2 from October 2013 through the most recent month available in live spreadsheet format.
- f. Refer to cell row 91 of this tab showing injuries and damages insurance reserve. Describe the entries summing to -\$3,000,000 in March and June of the base year and explain whether or not these amounts are recurring. If they are not recurring, then explain why they are not.
- g. Provide a schedule showing the activity and balances in the injuries and damages reserve for each month from October 2013 through the most recent month available in live spreadsheet format, starting with the beginning balance, accruals to the reserve, charges to the reserve, and ending balance each month. For the accruals to the reserve, provide all supporting documentation as well as the account/subaccount used to record the accruals. For the charges to the reserve, provide a description of each such charge or related group of charges.
- h. Refer to cell row 140 of this tab showing an increase in the A&G-Office Supplies & Expense-Software Maintenance 9210-04201 from \$15,050,418 in the base year to \$17,522,787 in the test year. Describe all reasons for the projected increase and confirm whether or not the projected amount should be reduced and why.
- i. Refer to cell row 157 of this tab showing an increase in the level of telecom expenses starting in the first projected month of July 2017 from a run rate during the first six months actual in 2017 of approximately \$95,000 per month to over \$220,000 per month thereafter. Describe all reasons for the projected increase and confirm whether or not the projected amount should be reduced and why.

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- j. Refer to cell row 265 of this tab showing a large amount in A&G-Outside services employed - Contract Labor 9230-06111 of \$10,704,333 projected in September 2017. Explain the origination of this very large projected expense that causes base year expense to be much higher than test year expense.
21. Refer to the electronic workpaper “OM_for_KY-2017” provided in response to the Staff’s First Set of Data Requests and the tab entitled “Div 12 forecast.”
- a. Provide the actual data in the same level of detail and in the same format for each month from October 2013 through the most recent month available in live spreadsheet format.
 - b. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the change projected in the test year compared to the actual expense for calendar year 2016. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to the actual expense for calendar year 2016.
 - c. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the change projected in the test year compared to the base year. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to the base year.
22. Refer to the electronic workpaper “OM_for_KY-2017” provided in response to the Staff’s First Set of Data Requests and the tab entitled “Div 9 forecast.”
- a. Provide the actual data in the same level of detail and in the same format for each month from October 2013 through the most recent month available in live spreadsheet format.
 - b. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the change projected in the test year compared to the actual expense for calendar year 2016. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to the actual expense for calendar year 2016.
 - c. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the

change projected in the test year compared to the base year. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to the base year.

23. Refer to the electronic workpaper "OM_for_KY-2017" provided in response to the Staff's First Set of Data Requests and the tab entitled "Div 91 forecast."
- a. Provide the actual data in the same level of detail and in the same format for each month from October 2013 through the most recent month available in live spreadsheet format.
 - b. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the change projected in the test year compared to the actual expense for calendar year 2016. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to the actual expense for calendar year 2016.
 - c. Provide a variance analysis for each category of expense (labor, benefits, employee welfare, etc.) that identifies and describes all reasons for the change projected in the test year compared to the base year. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the change projected in the test year compared to the base year.
 - d. Refer to cell rows 254 and 255 of this tab for the following two accounts: Customer accounts-Customer rec - Collection Fees 9030-06112 and Customer accounts-Customer rec - Bill Print Fees 9030-06116. Large net increases for these two accounts begin to occur in the first projected month of July 2017 from a run rate during the first six months actual in 2017 of approximately \$38,000 per month to over \$170,000 per month thereafter. Describe all reasons for the projected increase and confirm whether or not the projected amount should be reduced and why.
 - e. Refer to cell row 252 of this tab for the following account: Customer accounts-Customer rec - Payment Services 9030-06113. Explain all reasons why this appears to be a new expense of over \$60,000 per month starting in June 2017 and continuing through the end of the projected test year. Describe the source of the expense and define the source and reasons for the expense. If not a new expense and just a reclassification, so state.

Ad Valorem Expense

24. Refer to Schedules C-2.3 B and C-2.3 F at line 5 related to ad valorem costs for the Kentucky Division. Refer also to page 35, lines 3-4 of Mr. Waller's Direct Testimony.
- a. Provide all computations and workpaper documentation to compute the budgeted amounts depicted for the Kentucky Division in these schedules and to justify the 57.7% increase in monthly costs from September 2017 to October 2017, \$248,199 to \$391,500, and another increase to \$423,000 per month starting in April 2018. This request goes beyond provision of the Atmos monthly budget amounts, for all Atmos divisions provided in response to the Staff's First Set of requests.
 - b. Provide the actual ad valorem taxes paid for the Kentucky Division during each of the last three fiscal years 2015, 2016, and 2017 by taxing jurisdiction. This request includes all PRP and non-PRP amounts.
 - c. Provide separately the actual ad valorem taxes expensed and capitalized for the Kentucky Division during each of the last three fiscal years 2015, 2016, and 2017. This request includes all PRP and non-PRP amounts.
 - d. Provide the gross plant and the net book value for the Kentucky Division at December 31, 2014, December 31, 2015, December 31, 2016 and September 30, 2017. This request includes all PRP and non-PRP amounts.
 - e. Provide copies of the latest tax assessment and billing amount for each of the taxing jurisdictions in Kentucky.

Shared Services Divisions Cost Allocations

25. 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, 2016. Be sure to 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.
26. 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, 2017. Be sure to 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.

27. 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, 2016. Include the FERC account description as well as the account number. Provide the information in electronic format with all formulas intact.
28. 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, 2017. Include the FERC account description as well as the account number. Provide the information in electronic format with all formulas intact.

Gas Stored Underground

29. Refer to WP B.4.1F.
 - a. Refer to lines 4 and 5, and lines 9 and 10 for materials and supplies and undistributed stores expense for the KY Direct and KY/Mid-States divisions, respectively. Provide all workpaper support, including electronic spreadsheets in live format and with all formulas intact. Provide a copy of all sources, including documents, used for projections of quantities and projected gas prices. In addition, explain the increase shown in line 10 for March 2019 in KY/Mid-States undistributed stores expense.
 - b. Refer to line 25 for gas stored underground. Provide all workpaper support, including electronic spreadsheets in live format and with all formulas intact. Provide a copy of all sources, including documents, used for projections of quantities and projected gas prices. In addition, generally explain how the gas stored underground can have a negative balance in certain months.
 - c. Indicate in which account the Company records its base or cushion gas. Provide a schedule showing the balance of base or cushion gas at month end from January 2014 through the end of the test year. Indicate the first month in 2017 that is budget/forecast.

Cash Working Capital – Lead Lag

30. Provide a copy of the summary pages for all Cash Working Capital lead/lag studies submitted in other rate proceedings in other jurisdictions over the last five years and identify the states and case citations for each.
31. Provide the expense by FERC account that was incurred to develop the Cash Working Capital lead/lag study in this proceeding. Identify and quantify each component of this expense. For each component, indicate if this expense was an incremental cost that otherwise would not have been incurred. Provide all support for your response.

Accumulated Deferred Income Taxes

32. Refer to electronic workpaper “ADIT_for_KY_-_2017” provided in response to the Staff’s First Set of Data Requests. Refer further to cell rows 105, 106 and 107 on worksheet tab “Division 002” that provide the account 190 ADIT amounts for “FD-NOL Credit Carryforward – Non Reg”, “FD-NOL Credit Carryforward – Utility”, and “FD-NOL Credit Carryforward – Other”, respectively.
 - a. Provide a detailed description of the methodology used to disaggregate or separately determine the actual and projected NOL carryforward amounts for utility, non-regulated, and other.
 - b. Provide copies of all supporting documentation used to quantify the actual NOL carryforward amounts in fiscal years 2015, 2016, 2017, the base year, and the test year.
 - c. Balances in these lines changed on a quarterly basis until the last month of actual data provided in June 2017. Explain how those quarterly changes in the NOL carryforward amounts are determined separately for the utility and non-regulated.
 - d. Provide the actual balances for utility and nonregulated NOL carryforward amounts as of September 30, 2017 and provide copies of all supporting documentation used to quantify the balances.
33. Refer to electronic workpaper “ADIT_for_KY_-_2017” provided in response to the Staff’s First Set of Data Requests. Refer further to the worksheet tab for Division 002 - Shared Services. For the following account 190 ADIT descriptions and amounts as of March 31, 2019, (1) describe in detail the temporary difference that produced the ADIT; (2) define how the Company included or excluded the costs associated with the temporary differences in the revenue requirement; and, (3) provide the Company’s justification for inclusion in the revenue requirement given the Company’s revenue requirement treatment of the costs that produced the ADIT.
 - a. MIP/VPP Accrual - \$1,498,907

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- b. Self Insurance – Adjustment - \$2,915,283
 - c. SEBP Adjustment - \$26,316,340
 - d. Restricted Stock Grant Plan - \$4,631,448
 - e. Rabbi Trust - \$1,442,452
 - f. Restricted Stock - MIP - \$12,632,356
 - g. Director’s Stock Awards - \$5,939,395
 - h. Charitable Contribution Carryover - \$11,032,917
 - i. VA Charitable Contributions - \$(9,275,764)
34. Refer to electronic workpaper “ADIT_for_KY_-_2017” provided in response to the Staff’s First Set of Data Requests. Refer further to the worksheet tab for Division 091 – KY/Mid States. For the following account 190 ADIT descriptions and amounts as of March 31, 2019, (1) describe in detail the temporary difference that produced the ADIT; (2) define how the Company included or excluded the costs associated with the temporary differences in the revenue requirement; and, (3) provide the Company’s justification for inclusion in the revenue requirement given the Company’s revenue requirement treatment of the costs that produced the ADIT.
- a. MIP/VPP Accrual - (\$17,997)
 - b. SEBP Adjustment - \$1,389,076
 - c. Reg Asset Benefit Accrual - \$157,983
35. Refer to electronic workpaper “ADIT_for_KY_-_2017” provided in response to the Staff’s First Set of Data Requests. Refer further to the worksheet tabs for Division 009 – Kentucky and Division 012 - Shared Services. For the following account 190 ADIT descriptions and amounts as of March 31, 2019, (1) describe in detail the temporary difference that produced the ADIT; (2) define how the Company included the costs associated with the temporary differences in the revenue requirement; and, (3) provide the Company’s justification for inclusion in the revenue requirement given the Company’s revenue requirement treatment of the costs that produced the ADIT.
- a. MIP/VPP Accrual (Division 009) - (\$18,182)
 - b. MIP/VPP Accrual (Division 012) - (\$574,777)

Short Term Debt

36. Refer to the Company's response to Staff 1-03, Schedule 3a, which provides the components of the capital structure for Atmos Energy Corporation for the prior calendar years from 2003 to 2016 using ending balances and daily average balances of short term debt. Identify and describe all reasons why the Company decreased the level of short term debt in the filing compared to the average balances portrayed in the data response for all years since 2012.
37. Refer to the Company's response to Staff 1-03, Schedule 3b, which provides the components of the capital structure for each of the 12 months during 2016. Provide a schedule in the same format for each of the actual months during 2017 to date. Provide in electronic format with all formulas intact.
38. Refer to Schedule J-1 which shows the Total Company capitalization projections for the base year and the test year. Describe the Company's projection to decrease the level of Atmos's capitalization from \$7.210 billion in the base year to \$6.977 billion for the projected year, all in common equity. For instance, is the projected decrease in common equity the primary result of projected increases in the level of dividends? If so, how was the level of increased dividends selected for this filing?
39. Provide the Company's stated goals for its capital structure in terms of the percentage levels of short term debt, long term debt, and equity.

Long Term Debt

40. Refer to Schedule J-3 F
 - a. Provide a copy of the loan contract for the \$450 million in notes due 3/15/2019 with an interest rate of 8.50% shown on line 6.
 - b. Refer to part (a) of this Item. Explain why the Company made no proforma adjustment for this high interest rate issue given the redemption is set to occur prior to the end of the test year.
 - c. Refer to part (a) of this Item. Describe the Company's plans in regards to this issue. In other words, describe any plans or considerations to retire this issue early including a discussion of any make whole or early redemption payments that would be considered as part of the decision. Also include in the description whether the Company envisions refinancing with unsecured Senior Notes when this issue becomes due or redeemed early and the possible terms to be considered. Provide a copy of all analyses undertaken with regard to refinancing this debt.

- d. Provide a copy of the loan contract for the 3% Senior Notes due 6/15/2027 shown on line 9.
- e. Identify each issue on this schedule that was assumed by Atmos Energy Corporation due to an acquisition of another utility, if any. For each such issue, identify the name of the acquired utility and the date of the acquisition.

Cost of Capital

- 41. Provide all supporting documentation used and relied upon by Dr. Vander Weide in the preparation of his Direct Testimony and exhibits.
- 42. Provide all bond rating agency reports (Standard and Poor's, Moody's, Fitch) on Atmos Energy from 2015 through the most recent month in 2017.
- 43. Provide copies of all articles, publications, Commission Orders, and other material cited by Dr. Vander Weide in his Direct Testimony.
- 44. Provide any analyses performed by Dr. Vander Weide or other persons at Atmos Energy that quantify the credit metrics used by Standard and Poor's and/or Moody's using Dr. Vander Weide's recommended ROE. If no such analyses were performed, so state. If such analyses were performed, provide all supporting documentation and analyses including spreadsheets with cell formulas intact.

GTI

- 45. Refer to Mr. Martin's Direct Testimony starting at page 20, wherein he discusses the proposed increase in the R&D rider surcharge and payments remitted to the Gas Technology Institute ("GTI").
 - a. Provide the quantification of the proposed increase showing the increases attributable to each year until the 2004 level as described in the testimony.
 - b. At page 21, lines 7-8, Mr. Martin states that "While investigating what the Company annually contributes to GTI on a Company-wide base, it appeared the portion related to Kentucky was quite low." Provide a copy of the investigation results and provide the annual amount contributed to GTI by the Company segregated by area or division and in total. If portions related to any areas or divisions are zero, so designate.
 - c. Identify and quantify all additional revenue or cost reductions reflected in the Company's test year revenue requirement due solely to the application of GTI's research and development efforts. Provide all workpapers and a copy of all supporting documentation relied on for your response.

- d. Provide a copy of the order approving the Company's R&D Rider in Case No. 99-070.
 - e. Provide copies of any reports, testimony, or other documentation obtained or developed by the Company in the last five years that describe the benefits to ratepayers originating from support to GTI for research and development.
46. Refer to page 21 lines 18 through 20 of Mr. Martin's Direct Testimony wherein he asks himself the question: "Does the proposed R&D unit charge increase create additional revenues for the Company?" and then answers that question with "No."
- a. Confirm that the proposed increase in the R&D unit charge will result in increased revenues even though the Company plans to remit the increase in revenues to GTI.
 - b. Confirm that the Company's funding to GTI or a similar research organization is discretionary, i.e., there is no contractual or other obligation to increase funding to GTI compared to the amount presently recovered through the R&D rider.

Rate Recovery Mechanisms in Other Jurisdictions

47. Refer to the Direct Testimony of Mr. Waller at page 8 for the discussion about annual rate mechanisms in other jurisdictions including Mississippi, Louisiana, Texas, and Tennessee that may be similar in certain respects to the proposed ARM in the instant proceeding.
- a. Indicate for each such rate mechanism whether the test year is a projected or forward looking test year, a historical test year, or a blend of the two.
 - b. Provide a copy of each authorized individual tariff in other states applicable to these rate mechanisms as well as a copy or link to the regulatory order authorizing the current tariff.
 - c. Provide a copy of each of the most recent annual filings for each of the jurisdictions that have annual base rate mechanisms.

PRP

48. Refer to page 14 lines 18-27 of Mr. Waller's Direct Testimony in regards to the completion status of the Company's Pipe Replacement Program ("PRP") and the

statement that 184 miles of pipe replacement is complete. Refer also to the PRP estimates provided in Case No. 2009-00354 in the Direct Testimony of Mr. Earnest B. Napier at page 20 of approximately \$124 million, adjusted annually for inflation, to replace 250 miles of bare steel main as well as the bare steel services over 15 years.

- a. Provide the replacement mileage and costs on an annual basis for all PRP investment from 2011 to the most recent month available. In addition, sum the totals for all years.
 - b. Provide a detailed description of the completion status for the PRP program in terms of dollar investments to be made and years needed to complete the program and compare that, along with mileage completed and costs to date, to the original expectations for the PRP program.
 - c. Describe in detail all known reasons for overages of mileage or costs compared to those estimated when the PRP program was authorized in Case No. 2009-00354.
 - d. Provide all citations for authorities to increase the estimated mileage and/or costs for the PRP program and/or accelerate the time period for the PRP program pipe replacement.
49. Refer to the Direct Testimony of Mr. Waller related to the Pipe Replacement Program (“PRP”) established in Case No. 2009-00354.
- a. Describe how the current PRP surcharge is accounted for in base period revenues and provide citations for the schedules in which the PRP surcharge is included as part of the filing. If the PRP surcharge revenues are not distinguished in some way in the filing, explain why.
 - b. Provide all components (all rate base components, operating expense components, and revenue components) related to the PRP surcharge revenue requirement that are included in the base year. Source each such amount to the appropriate schedule in the filing.
 - c. Provide all components (all rate base components, operating expense components, and revenue components) related to the PRP surcharge revenue requirement that are included in the test year base revenue requirement. Source each such amount to the appropriate schedule in the filing.
 - d. Provide an accounting of the PRP costs that are included with all other costs in the forecast test year.

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50. Provide a copy of the 2015 and 2016 Atmos Energy Corporation federal and state income tax returns, including all supporting schedules. If the 2016 returns have not yet been filed with the federal and/or state governments, then provide the estimated date(s) for the filing(s) and supplement this response when they are filed.
51. Indicate whether Atmos Energy Corporation, Inc. filed a consolidated federal tax return for all years 2007 through 2016.
52. Identify each of the affiliates/subsidiaries of Atmos Energy Corporation, Inc. that comprise the affiliate group included in the Company's consolidated federal tax return.
53. Provide a schedule showing the history of the taxable income and losses for AEC in total and separated into utility, nonregulated, and other for each fiscal year since 2007. Show the taxable income or loss in each fiscal year; the loss carrybacks, if any, to the year carried back; the carryforward balance at the beginning of the fiscal year, if any; and the related carryforward ADIT at the end of the fiscal year, if any. In addition, further separate the utility amounts into the Kentucky/Mid-States division, the Kentucky division/jurisdiction, and all other utility divisions. Provide all calculations, assumptions, data, and electronic spreadsheets with formulas intact. In addition, provide all documents, including studies and/or other analyses developed by the Company to support the calculations each year.
54. Refer to Schedule E, Computation of State & Federal Income Tax.
 - a. Confirm that by using Operating Income before Income Tax & Interest, the Company's methodology assumes full normalization for income tax expense. If the Company cannot confirm this, then provide a detailed explanation as to why this is not correct.
 - b. Disaggregate the income tax expense included in the base year and in the test year as shown on Schedule E into current income tax expense and deferred income tax expense. Provide all supporting data, assumptions, and calculations, including all electronic workpapers with formulas intact.
55. Refer to Schedule A.1 lines 6 - 8.
 - a. Confirm that the gross-up of the operating income deficiency by the gross revenue conversion factor reflects full normalization for income tax expense. If the Company cannot confirm this, then provide a detailed explanation as to why this is not correct.
 - b. Confirm that the difference between lines 8 and 6 is the income tax expense in addition to that shown on Schedule E resulting from and included in the Company's requested rate increase.

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- c. Confirm that the difference between lines 8 and 6 reflects the increase in *current* income tax expense and that there is no effect on *deferred* tax expense. If that is not correct, then disaggregate this difference into current income tax expense and deferred income tax expense. Provide all supporting data, assumptions, and calculations, including all electronic workpapers with formulas intact.

Customers

56. Refer to FR 16(7)(h)14, which provides the Company's projection of customers by class. Provide a schedule in the same format for the most recent 10 calendar years (2007-2016), each month in 2017 for which actual information is available, and the budget assumptions for each remaining month in 2017.