

JOHN N. HUGHES  
ATTORNEY AT LAW  
PROFESSIONAL SERVICE CORPORATION  
124 WEST TODD STREET  
FRANKFORT, KENTUCKY 40601

Telephone: (502) 227-7270

[jnhughes@johnnhughespsc.com](mailto:jnhughes@johnnhughespsc.com)

January 31, 2018

Gwen Pinson  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Atmos Energy Corporation:  
Case No. 2017-00349

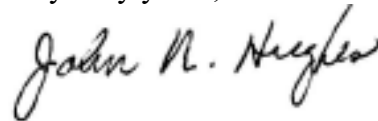
Dear Ms. Pinson:

Atmos Energy Corporation submits its requests for information to the Attorney General.

I certify that the electronic filing is a complete and accurate copy of the original documents to be filed in this matter, which will be filed within two days of this submission and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

If you have any questions about this matter, please contact me.

Very truly yours,



John N. Hughes

And

Mark R. Hutchinson  
Wilson, Hutchinson and Littlepage  
611 Frederica St.  
Owensboro, KY 42301  
270 926 5011  
[randy@whplawfirm.com](mailto:randy@whplawfirm.com)

Attorneys for Atmos Energy  
Corporation

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

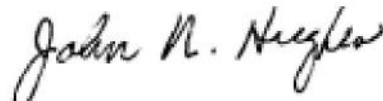
Application of Atmos Energy Corporation )  
for an Adjustment of Rates ) Case No. 2017-00349  
and Tariff Modifications )

**REQUESTS FOR INFORMATION TO THE ATTORNEY GENERAL**

Atmos Energy Corporation (Atmos Energy), by counsel, submits its requests for information to the Attorney General pursuant to the Commission's order of October 17, 2017.

Submitted by:

Mark R. Hutchinson  
Wilson, Hutchinson & Littlepage  
611 Frederica St.  
Owensboro, KY 42303  
270 926 5011  
Fax: 270-926-9394  
[Randy@whplawfirm.com](mailto:Randy@whplawfirm.com)



John N. Hughes  
124 West Todd Street  
Frankfort, KY 40601  
502 227 7270  
Fax: none  
[jnhughes@johnnhughespsc.com](mailto:jnhughes@johnnhughespsc.com)

Attorneys for Atmos Energy Corporation

Certification:

I certify that is a true and accurate copy of the documents to be filed in paper medium; that the electronic filing was transmitted to the Commission on January 31, 2018; that an original and one copy of the filing will be delivered to the Commission within two days; and that no party has been excused from participation by electronic means.

*John N. Negele*

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

<b>APPLICATION OF ATMOS ENERGY</b>	)	
	)	
<b>CORPORATION FOR AN ADJUSTMENT</b>	)	<b>Case No. 2017-00349</b>
	)	
<b>OF RATES AND TARIFF MODIFICATIONS</b>	)	

**REQUESTS FOR INFORMATION TO THE ATTORNEY GENERAL**

Atmos Energy Corporation (Atmos Energy), by counsel, submits its requests for information to the Attorney General pursuant to the Commission’s order of October 17, 2017.

1. Refer to the Kollen testimony at page 7. Provide the source for “projected inflation of approximately 2-3%”.
2. Provide each example in the last 5 years in cases in which Mr. Kollen was a witness where the growth in capital needs of the distribution system (gas, water, and electric) were approximately equal to the inflation as calculated in the citation in the response to item 1 of this request. Cite evidence in each case that the capex growth was correlated to inflation as calculated in the citation in the response to item 1 of this request.
3. Refer to the Kollen testimony at page 8 lines 3-6. Confirm that, if the Company’s ARM is approved as proposed, capex would be trued-up to actual expenses annually. If you deny, please explain your denial fully and with specificity.
4. Refer to the file “Atmos\_Rev\_Req\_-\_AG\_Recommendation.xlsx” provided with the Office of the Attorney General’s testimony. Refer further to the tab labeled “NOL ADIT”. Confirm that there is an error on this tab in that the amount in cell K18 relating to “FD-NOL Credit Carryforward – Other” is in fact not included in the Company’s revenue requirement despite the label and calculations that illustrate that Mr. Kollen believes it is included. If you deny the error, please provide a reconciliation that illustrates its inclusion. If you admit the error, please update the AG’s revenue requirement recommendation with the error corrected, including all workpapers in excel format with formulas intact.
5. Refer to the Kollen testimony at page 23 line 7 to page 24 line 2. Since financing costs are recoverable expenses, explain why avoided financing costs would not benefit the Company’s customers.

6. Refer to the Kollen testimony at Section II. C. Please provide all examples of which Mr. Kollen is aware where a utility has not reduced its rate base to reflect its net accumulated deferred income tax liabilities.
7. Refer to the Kollen testimony in sections III.A and III.B (pages 39-44). Confirm that Mr. Kollen recommends disallowance of several cost categories (“cost elements”) that increased using his analysis. Confirm that Mr. Kollen recommends no change to any of the cost elements that the Company forecasted to decrease from the base period to forecasted test period. If you deny one or both statements, please explain your denial fully and with specificity.
8. Confirm that the basis for Mr. Kollen’s O&M comparisons, and resulting adjustments, is the Company’s actual results from 2016. If you deny, please explain your denial fully and with specificity.
9. Confirm that Kentucky Filing Requirement 807 KAR 5:001(16)(6)(a) states:  
16(6) All applications requesting a general adjustment in rates supported by a fully forecasted test period shall comply with the requirements established in this subsection.  
(a) The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.  
  
If you deny, please explain your denial fully and with specificity.
10. Confirm that KRS 278.192 states, in part, (2) (a) “Any application utilizing a forward-looking test period shall include a base period to be filed with the application, which begins not more than nine (9) months prior to the date of filing, consisting of not less than six (6) months of actual historical data and not more than six (6) months of estimated data at the time of filing.” If you deny one or both statements, please explain your denial fully and with specificity.
11. Confirm that the base period in this case is calendar 2017. If you deny, please explain your denial fully and with specificity.
12. Confirm that the Company forecasts a reduction in allocated outside services in its Shared Service unit of \$683,506 as shown on Exhibit GKW-2. If you deny, please explain your denial fully and with specificity.
13. Confirm that on Exhibit GKW-2, prior to ratemaking adjustments, the Company forecasts a 2.23% increase in overall O&M ( $\$602,342 / \$26,961,891 = 2.23\%$ ). If you deny, please explain your denial fully and with specificity.

14. Confirm that on Exhibit GWK-2, after ratemaking adjustments, the Company forecasts a 2.96% reduction in overall O&M ( $\$(797,862) / \$26,961,891 = -2.96\%$ ). If you deny, please explain your denial fully and with specificity.
15. Confirm that the comparisons in items 13 and 14 of this request (the preceding 2 items) compare O&M in the base period to O&M in the forecasted test period as required by Kentucky regulations and statute 807 KAR 5:001(16)(6)(a) and KRS 278.192. If you deny, please explain your denial fully and with specificity.
16. Refer to the Kollen testimony at page 44 lines 2-9. Confirm that, if the Company's ARM is approved as proposed, O&M would be trued-up to actual results annually. If you deny, please explain your denial fully and with specificity.
17. Does Mr. Kollen believe that it is inappropriate for the Company to pay the members of its Board of Directors ("Directors") for their service and recover their compensation expense as part of its cost of service?
18. Provide all examples in the last 5 years from regulatory rate cases in which Mr. Kollen was a witness where an investor owned publically traded and regulated utility's Directors were not compensated for their service. Please provide the jurisdiction, utility involved and docket number.
19. Provide all examples in the last 5 years from cases in which Mr. Kollen was a witness where an investor owned publically traded and regulated utility's Directors' compensation for their service was disallowed as part of the company's cost of service. Please provide jurisdiction, utility involved and docket number.
20. Confirm that Mr. Kollen's amount used in his proposed removal of Director's Expense is the entire budget category of Division 002 budget category Directors & Shareholders & PR, as noted by the Company in its response to AG 2-4.
21. Confirm or deny each of the following. If you deny, please explain your denial fully and with specificity for each item individually.
  - a. Mr. Kollen reviewed the Company's workpaper "OM for KY-2017 case.xlsx"
  - b. The Company's workpaper "OM for KY-2017 case.xlsx", on tab "Div 2 forecast" on excel line 170 shows a gross amount of \$708,830 for "Director's Fees 9302-04111"
  - c. The Company's allocation factor to Kentucky for Division 002 for the forward looking test period is 5.20%
  - d.  $\$708,830 \times 5.20\% = \$36,859$
  - e. There are 16 other line items in addition to "Director's Fees 9302-04111" that sum to the amount that is the basis for Mr. Kollen's recommended disallowance

22. Refer to the Kollen testimony at page 45 lines 3-7. Cite the source that supports Mr. Kollen's conclusion that the Company's Directors' compensation is "incentive compensation". Also cite the source that contains the formula for the amount of each Director's compensation as a function of a financial performance metric.
23. Refer to the Kollen testimony at pages 45-46. Provide all information used by Mr. Kollen to determine the market competitiveness of Atmos Energy retirement plans in the utility sector. Provide all studies and analyses, including workpapers created by Mr. Kollen to evaluate the market competitiveness of Atmos Energy's retirement plans.
24. Considering Mr. Kollen relies upon the Commission's rulings for Kentucky Utilities (KU) and Cumberland Valley Electric Inc. (CVE), as the basis for his recommendation on page 46, provide all analysis that compares the value of the KU and CVE retirement benefits to Atmos Energy retirement benefits.
25. Refer to the Kollen testimony at page 49 regarding amortization of excess ADITs. Does Witness Kollen agree that in accordance with the Federal Tax legislation referenced in his testimony, that the excess accumulated deferred income tax (ADIT) balances related to property (i.e. protected ADITs) must be amortized over the life of the remaining assets in accordance with average rate assumption method (ARAM) normalization principles?
  - (a) If Mr. Kollen does not agree that the Jobs and Tax Cuts Act requires ARAM normalization for property-related excess ADITS, please provide a detailed description of Mr. Kollen's understanding of the normalization rules related to the treatment of deferred taxes, explain the basis of this belief and provide citations to sections of the Jobs and Tax Cut Act that support such a position.
  - (b) Please confirm that Mr. Kollen's proposed adjustment for excess ADITs does not distinguish between property and non-property related excess ADITs and does not take into account the ARAM normalization required for Atmos Energy's property-related ADITs.
    - i. If the response is in the negative, please provide the amortization schedule used by Mr. Kollen to calculate the normalization of each property-related excess ADIT in electronic form with active cells intact.
    - ii. Mr. Kollen has recommended that the Company's excess ADITs be amortized over 20 years and refunded to customers. Does Mr. Kollen agree that the normalization rules would preclude amortization of excess ADITs related to property over 20 years of the remaining life of the underlying asset is longer (or shorter) than 20 years?

26. Refer to the Kollen testimony at page 52 regarding the recommendation to reject the Company's forecast for ad valorem taxes. Confirm that, if the Company's ARM is approved as proposed, ad valorem taxes would be trued-up to actual results annually. If you deny, please explain your denial fully and with specificity.
27. Refer to the Kollen testimony at page 66 lines 10-12. Provide all citations from the Company's ARM proposal, testimony and/or discovery responses in this proceeding that supports Mr. Kollen's assertions.
28. Refer to the Kollen testimony at page 69 lines 2-13. Provide all citations from the Company's ARM proposal, testimony and/or discovery responses in this proceeding that supports Mr. Kollen's assertions.
29. Refer to the Kollen testimony at page 70 lines 6-7. Confirm that Mr. Kollen is suggesting that "capital expenditures for efficiency gains are [should be] prioritized" over capital expenditures that enhance safety and reliability. If you deny, please explain your denial fully and with specificity.
30. Over the last five years, what percentage of Mr. Kollen's billable hours have been generated from states that utilize traditional general rate cases as the primary form of rate regulation? What percentage of Mr. Kollen's billable hours have been generated from states that utilize comprehensive annual mechanisms as the primary form of rate regulation? As part of your response, indicate how you have categorized each state in which you have had billable hours.
31. Over the last five years, what percentage of Mr. Baudino's billable hours have been generated from states that utilize traditional general rate cases as the primary form of rate regulation? What percentage of Mr. Baudino's billable hours have been generated from states that utilize comprehensive annual mechanisms as the primary form of rate regulation? As part of your response, indicate how you have categorized each state in which you have had billable hours.
32. Provide Mr. Baudino's return on equity recommendation and the return on equity authorized for each investor-owned electric/gas regulated utility case in which he has testified in the last five years along with a copy of such testimonies. Please also provide the prevailing yield on long-term Treasury bonds at the time of preparing these testimonies.
33. Does Mr. Kollen have any certifications as a depreciation expert? If so, please provide the certification(s).
34. Please describe Mr. Kollen's formal training in depreciation including the year(s), class name(s) and institution(s) offering the training.



35. Please provide all depreciation studies performed by Mr. Kollen along with supporting data and workpapers filed within the past 3 years.
36. Other than Mr. Kollen, has the AG office retained or used someone to assist in the development of its depreciation net salvage recommendations in this proceeding? If yes, please provide their credentials.
37. Please provide Mr. Kollen's testimony on depreciation from the most recent five years, along with final disposition on the issue.
38. Please list all jurisdictions that Mr. Kollen is aware of that that has adopted his "second approach" to net salvage as described on Page 56 of his testimony.
39. Please list all jurisdictions (including year and Company) that Mr. Kollen has recommended his "second approach" to net salvage as described on Page 56 of his testimony and the whether that approach was accepted or rejected by the commission.
40. Please list all jurisdictions that Mr. Kollen is aware of that that have adopted his "third approach" to net salvage as described on Page 56 of his testimony.
41. Please list all jurisdictions (including year and Company) that Mr. Kollen has recommended his "third approach" to net salvage as described on Page 56 of his testimony and whether that approach was accepted or rejected by the commission.
42. Please identify all authoritative texts, including page and chapter citations, that Mr. Kollen is aware of that discuss or support Mr. Kollen's "second approach" or "third approach" to net salvage as described on Page 56 of his testimony.
43. Mr. Kollen, admit or deny that FERC requires utilities to keep their books on an accrual basis.
44. Does Mr. Kollen agree or disagree that ensuring that the period for cost recovery of an investment should correspond to the time it is actually in use (intergenerational equity) is a fundamental regulatory principle?
45. To the extent not already provided, please provide all workpapers and exhibits in excel (native) format with formulas and links intact and sources identified related to Mr. Kollen's and Mr. Baudino's testimonies.

46. To the extent not provided under one or more of the Company's other data requests to the Attorney General, please provide copies of all testimony and responses to discovery requests provided by Mr. Kollen and Mr. Baudino in any utility regulatory proceeding in any jurisdiction over the last five years, as well as copies of the final orders related thereto, involving or related to the following: (1) Rate of Return; (2) depreciation, including specifically net salvage valuations; (3) income taxes, including ADIT and NOLC; and, (4) cash working capital/lead lag studies.
  
47. Provide copies of any public comments submitted by Mr. Kollen to the Internal Revenue Service or the U.S. Treasury Department related to NOLC, ADIT or tax normalization rules.