

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

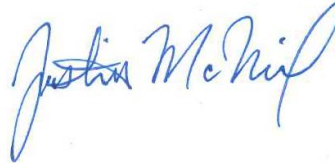
ELECTRONIC APPLICATION OF ATMOS)
ENERGY CORPORATION FOR AN) Case No.
ADJUSTMENT OF RATES) 2018-00281

**ATTORNEY GENERAL'S RESPONSES TO POST-HEARING DATA
REQUESTS OF THE KENTUCKY PUBLIC SERVICE COMMISSION STAFF**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits the following responses to data requests of the Kentucky Public Service Commission ("Commission") in the above-styled matter.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL

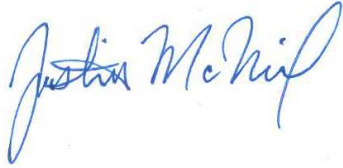


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Certificate of Service and Filing

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 April 12, 2019; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding. Counsel further certifies that the responses set forth herein are true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry.

This 12th day of April, 2019.

A handwritten signature in blue ink that reads "Justin McNiff". The signature is written in a cursive style with a large initial "J" and "M".

Assistant Attorney General

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WITNESS/RESPONDENT RESPONSIBLE:

Lane Kollen

QUESTION No. 1

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Explain whether Mr. Lane Kollen believes that Atmos has experienced any changes since Atmos's last rate case filing that has significantly impacted rating agencies' or investor's perceived financial, business, or regulatory risk associated with the Atmos operating company in Kentucky.

RESPONSE:

There have been no significant changes other than the TCJA. Although the TCJA does have an effect on certain credit metrics, it does not justify a common equity ratio of 58% or greater when compared to the common equity ratio of 52.6% approved in the last base rate proceeding or the more recent common equity ratio of 50.2% for the proxy group used by Dr. Vander Weide to develop the return on equity.

WITNESS/RESPONDENT RESPONSIBLE:

Lane Kollen

QUESTION No. 2

Page 1 of 1

Explain Mr. Kollen's opinion on using forecasted risk-free interest rates in equity models in lieu of current interest rates.

RESPONSE:

The best measure of future interest rates are present interest rates because they can be objectively determined. Forecasts of future interest rates can be used to inform the analyst's judgment on trends upward or downward, but should be viewed with some degree of skepticism due to the history of failed forecasts over the last several years, which have been biased toward the high side.

Electronic Application Of Atmos Energy Corp. for an Adjustment
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WITNESS/RESPONDENT RESPONSIBLE:

Lane Kollen

QUESTION No. 3

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Explain whether Mr. Kollen believes that a reasonable investor might consider both historical as well as forecasted rates.

RESPONSE:

Yes. Investors consider a variety of inputs.

WITNESS/RESPONDENT RESPONSIBLE:

Lane Kollen

QUESTION No. 4

Page 1 of 1

Explain whether Mr. Kollen still considers a 9.7 percent return on equity for Atmos as fair and reasonable.

RESPONSE:

Mr. Kollen believes that 9.7% is at the high end of a reasonable range, especially if the Commission considers a common equity ratio of 58% or greater rather than a lower common equity ratio between 50.2% and 54.3%. In Case No. 2017-00349, the Commission authorized a common equity ratio of 52.57% and a return on equity of 9.7%. Mr. Kollen believes that this combination remains reasonable for purposes of this proceeding.

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WITNESS/RESPONDENT RESPONSIBLE:

Lane Kollen

QUESTION No. 5

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Provide all Regulatory Research Associates updates since Mr. Kellen's testimony was filed in the pending case.

RESPONSE:

Mr. Kollen does not have any more recent RRA reports.

WITNESS/RESPONDENT RESPONSIBLE:

Lane Kollen

QUESTION No. 6

Page 1 of 1

Refer to the Direct Testimony of Lane Kollen, the workpapers with revenue requirements, rate base tab.

- a. The worksheet lists the rate base per Atmos in the amount of \$430,095,330. Confirm that this amount is incorrect.
- b. Confirm that the amount listed is the rate base from Atmos's previous case, Case No. 2017-00349.
- c. Identify and explain any adjustments to Mr. Kellen's revenue requirement since the filing of his Direct Testimony in this proceeding.
- d. Provide an updated revenue requirement and corrections to all affected schedules based upon any corrections since the filing of Mr. Kellen's Direct Testimony.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Mr. Kollen has corrected the rate base to reflect the Company's filing in this proceeding. This has the effect of increasing the adjustments for all cost of capital issues addressed in his testimony. See attached revised Excel workbook, which provides a revised Summary table and the revised detailed calculations.
- d. Refer to the response to part (c) of this item.