

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 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” or “the Company”] 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
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 November 21, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 21st day of November, 2018.

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. Confirm that in the instant case Atmos is seeking recovery for pipeline replacement projects through its base rates, based on forecasted budget estimates.
2. Confirm that in its Final Order dated May 3, 2018, pp. 41-42, the Commission found:
 - a. the original 15-year PRP time period should be extended and that annual ratepayer-funded PRP investment should be limited to \$28 million;
 - b. “. . . we therefore, find that Atmos’ recovery of PRP investment should be based on actual spending subject to the \$28 million cap in a historic 12-month period, and that budget estimates for funding a future PRP period will no longer be accepted as the basis for calculating the PRP Rider.”
3. Confirm that Atmos’ application does not comply with the Commission’s Final Order in Case No. 2017-00349 as in the current case, it is seeking recovery of costs for pipes based on a forecasted budget estimate.
 - a. Fully explain why Atmos is seeking recovery of pipeline replacement costs through base rates and based on a forecasted budget estimate instead of using a historical period based on actual spend as prescribed by the Commission.
4. Provide the most recent customer count.
5. Reference FR 16(7), Attachment 2, “September 18 Monthly Capex and OM.” Provide a breakdown of the \$5.33 million in new capital projects for Division 009 in the “Budget 2018 Total Year” column, compared with the “Budget 2017 Total Year” column.
6. Atmos’ application states that the Company will prepare an annual informational report depicting capital spending for replacement of bare steel pipes. State when Atmos will file this report.
 - a. Fully explain whether Atmos will prepare a similar report for any plastic pipe it replaces

Plant Additions

7. Refer to Schedule B.2 B of the “2018 KY Rev Req Model” Excel file provided with the Company’s filing. Provide the actual plant balance data in the same level of detail for each month from October 2014 through the most recent month available in live spreadsheet format.
8. Refer to the table at the top of page 7 of Mr. Waller’s Direct Testimony in Case No. 2017-00349 detailing actual and projected investment amounts. Provide a similar table updated for this proceeding showing investment amounts for each actual fiscal year

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starting in 2013 and going through 2018, projected 2019, and projected 2020 broken down in the same way between PRP and Non-PRP investment.

9. Provide the amount of Non-PRP investment for each actual fiscal year starting in 2013 and going through 2018, projected 2019, and projected 2020, distinguished between Kentucky division-only investment and investment allocated from each of the other divisions.
10. Provide a copy of the Company's two most recent five-year plans for direct investment in Kentucky.

PRP

11. Provide the Pipe Replacement Program ("PRP") actual gross plant in service by plant account and by month from January 2017 through October 2018 and the projected amounts by plant account and by month from July 2018 through March 2020. Use the same accounts/subaccounts that the Company presently uses for PRP in the test year even though the Company has not designated its capital expenditures and plant additions in that manner in the filing.
12. Refer to FR_16(7)(h)8.
 - a. Explain why there is no reduction in lost and unaccounted for volume as a percentage of sales volume as the Company replaces additional miles of bare steel pipeline and reduces leaks.
 - b. Provide a schedule showing the Company's sales volume, the lost and unaccounted for volumes, and the lost and unaccounted for volumes as a percentage of sales volumes for each fiscal year from 2009 through 2018.
13. Refer to the Company's proposal to roll-in to base rates the effects of the current PRP established in Case No. 2009-00354.
 - a. Describe how the current PRP surcharge is accounted for in base period and forecast test 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.

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- 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.

Proforma Adjustments

- 14. Refer to Schedules D.1, D.2.1, D.2.2, and D.2.3 of the "2018 KY Rev Req Model" Excel file 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.

Long Term Debt Rate

- 15. Refer to Schedule J-3 for the Forecast Period in the instant proceeding. Refer also to Schedule J-3 for the Forecast Period filed in Case No. 2017-00349. Finally, refer to the Direct Testimony of Mr. Christian at page 7 lines 13-18.
 - a. Refer further to the balance outstanding reflected as \$513 million for the planned March 2019 refinance on Schedule J-3 for the Forecast Period in the instant proceeding. Confirm that the difference between the \$513 million and the \$450 million being refinanced represents the additional long-term hedge instruments being utilized to lock in the rate.
 - b. Refer further to the balance outstanding reflected as \$513 million for the planned March 2019 refinance on Schedule J-3 for the Forecast Period in the instant proceeding. Provide the estimated terms of the debt to be issued, including any additional long-term hedge instruments that may be utilized to lock in the rate.
 - c. The interest rate applicable to the \$513 million planned March 2019 refinance is reflected as 5.07% on Schedule J-3 for the Forecast Period in the instant proceeding. Provide copies of all analyses and workpapers showing the derivation of the estimated debt rate of 5.07%.
 - d. Refer further to line 9 in Schedule J-3 for the Forecast Period in the instant proceeding, which portrays the interest rate for the \$200 million 3 YR Sr. Credit

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Facility of 3.06%. Also refer to line 10 in Schedule J-3 for the Forecast Period filed in Case No. 2017-00349, which portrays the interest rate for the \$200 million 3 YR Sr. Credit Facility of 1.82%. Explain all reasons why the amount of the interest rate has increased so much between the two periods. If the interest rate is variable, provide the basis for the determination of the rate.

- e. Refer further to line 12 in Schedule J-3 for the Forecast Period in the instant proceeding, which portrays the annual cost of amortization of debt expense and debt discount of \$6,580,966. Also refer to line 13 in Schedule J-3 for the Forecast Period filed in Case No. 2017-00349, which portrays the annual cost of amortization of debt expense and debt discount of \$4,955,311. Explain all reasons why the amount of the annual net amortization is projected to increase by \$1,625,655, or nearly 33%, between the two portrayed periods, especially when the balances for the unamortized debt expense and debt discounts do not have large corresponding net increases. As part of the answer, provide a reconciliation of the annual amortization and unamortized amounts by debt issue between the two periods.

Cost of Capital

16. 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 2017 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 starting in 2017 and in the filing compared to the average balances portrayed in the data response for all years since 2012.
17. 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 2017. Refer also to Schedule J-1 which shows the Total Company capitalization projections for the base year and the test year and that projects the common equity percentage as 58.24%. Finally refer to the Company's Schedule J-1 from Case No. 2017-00349 and the Commission's Order at page 30 from Case No. 2017-00349, both of which reflected common equity percentages of 52.57%.
 - a. Identify and describe all reasons for the increased percentage of common equity starting primarily in 2017 as compared to all prior years. For instance, is the actual and projected increase in common equity the primary result of projected decreases in the level of dividends or increases in the level of earnings or paid in capital?
 - b. Provide the current authorized ROEs and capital structures for all other regulated Atmos divisions and cite all authorities.

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18. 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 2017.
 - a. The dates depicted on lines 1-13 in cell column b are depicted as 2015 and 2016 dates and appear to need updating. Confirm and provide a corrected schedule in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
 - b. Provide a schedule in the same format for each of the actual months during 2018 to date. Provide in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
19. Refer to the comparative proxy group of natural gas utilities analyzed by Dr. Vander Weide in his Direct Testimony. Provide the current authorized ROEs and capital structures for each of the regulated companies in that proxy group and in all other regulated Atmos divisions and cite all authorities.
20. 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.
21. Provide all supporting documentation used and relied upon by Dr. Vander Weide in the preparation of his Direct Testimony and exhibits, including electronic spreadsheets in live format with all formulas intact, all rows and columns accessible, and all cells unprotected.
22. Provide all bond rating agency reports (Standard and Poor's, Moody's, Fitch) on Atmos Energy from 2016 through the most recent month in 2018.
23. Provide copies of all articles, publications, Commission Orders, and other material cited by Dr. Vander Weide in his Direct Testimony.
24. 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, Moody's or Fitch 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, all rows and columns accessible, and all cells unprotected.
25. Confirm that although Atmos has six separate operating divisions, Mr. Christian states in his testimony at p. 6 that the appropriate capital structure for each operating division (including the Kentucky/Mid-States Division) ". . . is equivalent to the consolidated capital structure for Atmos Energy as a whole."
26. Confirm that Atmos Energy "as a whole" is currently earning an ROE of 10.77%.

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27. Provide Atmos' ROE applicable solely to its Kentucky operations for the past three (3) calendar years, and for the first eight (8) months of 2018.
28. Provide the capital structure applicable solely to Atmos' Kentucky-based operations.
29. Identify all states in which Atmos conducts operations for which it provides a state-specific break-out of ROE when the company files base rate cases in that state.

Depreciation

30. Refer to the April 13, 2018 Order in Case Nos. 2017-00321 at pages 26-27 wherein the Commission required the use of the Average Life Group ("ALG") procedure and rejected the Equal Life Group ("ELG") procedure for computing depreciation rates for Duke Energy Kentucky, Inc. (Electric).
 - a. Confirm that the Company's proposed depreciation rates were developed using the ELG procedure.
 - b. Recalculate the depreciation rates using the ALG procedure. Provide the calculations in Excel format, with all formulas intact and cells unprotected and with all columns and rows accessible.

O&M Expense from Mid-States and Shared Services Units

31. Refer to the Direct Testimony of Mr. Waller at page 28 where he refers to the "Division" O&M expense allocated to Kentucky in the base period of \$4,835,070 and in the test year of \$5,442,099, with an increase of \$607,029. Provide each reason and the related quantification that result in this increase, including all supporting documentation relied on to develop the budget for the test year. Identify and provide a detailed description of each new program or activity or expansion of an existing program or activity.
 - a. Refer to the allocation percentages shown on Exhibit GKW-1 for the 2018 fiscal year based on cost data for the twelve months ended September 30, 2017.
 - i. Provide an updated version of Exhibit GKW-1 using actual data for the twelve months ended September 30, 2018 in the same format. Provide in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
 - ii. Provide the number of employees for each division/nonregulated affiliate shown on Exhibit GKW-1 for each month from October 2014 through the most recent month for which actual information is available and all budget/forecast months thereafter through the end of the test year. This request includes

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information related to each of the divisions that make up the Mid States Division. Provide in electronic format with all formulas intact.

- iii. Provide total operating expenses, excluding income taxes, for each division/nonregulated affiliate shown on Exhibit GKW-1 for each month from January 2014 through the most recent month for which actual information is available and all budget/forecast months thereafter through the end of the test year. This request includes information related to each of the divisions that make up the Mid States Division. Provide in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
32. 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.
- a. 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.
 - b. Explain all reasons why Outside Services is expected to increase \$521,774, or 8.6%, from the base year to the test year. (The Division General Office allocation to KY increase alone is \$771,612.)
 - c. Explain all reasons why Travel and Entertainment is expected to increase \$141,369, or 14.7%, from the base year to the test year.
 - d. Explain all reasons why Information Technologies Expense is expected to increase \$202,184, or 16.9%, from the base year to the test year.
 - e. Explain all reasons why Telecom Expense is expected to increase \$68,143, or 9.9%, from the base year to the test year. (The Division General Office allocation to KY increase alone is \$64,603.)
 - f. In the same format, provide the actual amounts for fiscal years 2017 and 2018.
33. Refer to the electronic workpaper "OM_for_KY-2018" 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 2014 through the most recent month available in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.

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- 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 fiscal year 2018. 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 fiscal year 2018.
 - 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. Provide the actual capitalization percentage rate for labor and related costs for each month for division 2 from October 2014 through the most recent month available in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
 - e. Refer to cell row 36, which reflects actual labor expense of \$22.781 million for the first six months of actual data during 2018 and \$24.750 million for the projected last six months of actual data during 2018. Explain all reasons why the labor costs summed on cell row 36 increased by over 8.6% during the projected last six months of 2018 compared to the actual first six months. If related to full employment without consideration of employee vacancies, please so state and provide the number of vacancies at the end of June 2018.
 - f. Refer to cell row 149, which reflects information technologies expense of \$7.926 million for the first six months of actual data during 2018 and \$11.222 million for the projected last six months of actual data during 2018. Explain all reasons why the information technologies expense summed on cell row 149 increased by over 41.5% during the projected last six months of 2018 compared to the actual first six months.
34. Refer to the electronic workpaper "OM_for_KY-2018" 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 2014 through the most recent month available in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
 - 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 fiscal year 2018.

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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 fiscal year 2018.

- 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. Provide the actual capitalization percentage rate for labor and related costs for each month for division 12 from October 2014 through the most recent month available in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
 - e. Refer to cell row 22, which reflects actual labor expense of \$13.401 million for the first six months of actual data during 2018 and \$15.518 million for the projected last six months of actual data during 2018. Explain all reasons why the labor costs summed on cell row 36 increased by 15.8% during the projected last six months of 2018 compared to the actual first six months. If related to full employment without consideration of employee vacancies, please so state and provide the number of vacancies at the end of June 2018.
35. Refer to the electronic workpaper "OM_for_KY-2018" 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 2014 through the most recent month available in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
 - 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 fiscal year 2018. 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 fiscal year 2018.
 - 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.

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36. Refer to the electronic workpaper "OM_for_KY-2018" 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 2014 through the most recent month available in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
 - 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 fiscal year 2018. 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 fiscal year 2018.
 - 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.

Ad Valorem Expense

37. Refer to Schedules C-2.3 B and C-2.3 F related to ad valorem costs for and allocated to the Kentucky Division. Refer also to page 34, lines 17-23 of Mr. Waller's Direct Testimony.
- a. Provide all computations and workpaper documentation to compute the projected amounts depicted for the test year for the Kentucky Division (009) in Schedules C-2.3 F.
 - b. Refer to lines 21 for the months of May and June on Schedules C-2.3 B and C-2.3 F. The base period reflects large negative adjustments for these months summing to \$1,111,447 reducing Division 002 expense before allocation. Explain the cause(s) of the large negative adjustment and why similar adjustments are not projected for the test year.
 - c. Refer to lines 48 for the months of February on Schedules C-2.3 B and C-2.3 F. The base period reflects a large negative expense in February 2018 of \$396,474 reducing Division 091 expense before allocation. Explain the cause(s) of the large negative expense that month and why similar amounts (adjustments) are not projected for the test year.

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- d. Refer to lines 19 on Schedules C-2.3 B and C-2.3 F showing the Division 002 expense for ad valorem expense before allocation. The base period average actual expense for the first six months of 2018 is \$69,700 per month while the projected amount starting in July 2018 increases to \$89,170 and to \$93,139 for each month in the test year. Explain the cause(s) of the large increase in monthly expense of nearly 34% projected for the test year and provide all computations and workpaper documentation to compute the projected amounts depicted for the test year for the Shared Services Division (002) in Schedules C-2.3 F.
- e. Update Schedules C-2.3 B to show actual data for all other taxes amounts for all months for which 2018 actual data is available.
- f. Provide the actual ad valorem taxes accrued and paid for the Kentucky Division during each of the last three fiscal years 2016, 2017, and 2018 by month and by taxing jurisdiction. This request includes all PRP and non-PRP amounts.
- g. Provide separately the actual ad valorem taxes expensed and capitalized for the Kentucky Division during each of the last three fiscal years 2016, 2017, and 2018 by month. This request includes all PRP and non-PRP amounts.
- h. Provide the gross plant and the net book value for the Kentucky Division at December 31, 2015, December 31, 2016, December 31, 2017 and September 30, 2018 by month. This request includes all PRP and non-PRP amounts.
- i. Provide copies of the latest tax assessment and billing amount for each of the taxing jurisdictions in Kentucky.

Payroll and Payroll Tax Expense

- 38. Refer to FR_16(7)(h)9. Explain why there are no reductions in projected employee headcounts as the Company replaces additional miles of pipeline and services, thus reducing maintenance and testing requirements.
- 39. Refer to Schedules C-2.3 B and C-2.3 F related to payroll tax expense for and allocated to the Kentucky Division.
 - a. Actual payroll taxes depicted on line 18 of Schedule C-2.3 for the Shared Services Division (002) averaged \$264,760 per month for the first six months of 2018, while the amount forecasted during the test year averages \$359,101 per month. Explain the cause(s) of the large increase in monthly expense of nearly 36% projected for the test year and provide all computations and workpaper

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documentation to compute the projected amounts depicted for the test year for the Shared Services Division (002) in Schedules C-2.3 F.

- b. Actual payroll taxes depicted on line 33 of Schedule C-2.3 for the Shared Services Division (012) averaged \$186,325 per month for the first six months of 2018, while the amount forecasted during the test year averages \$225,704 per month. Explain the cause(s) of the large increase in monthly expense of just over 21% projected for the test year and provide all computations and workpaper documentation to compute the projected amounts depicted for the test year for the Shared Services Division (012) in Schedules C-2.3 F.

Shared Services Divisions Cost Allocations

40. 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 native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
41. 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, 2018. 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 native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
42. 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 native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.
43. 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, 2018. Include the FERC account description as well as the account number. Provide the information in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.

Accumulated Deferred Income Taxes

44. Refer to electronic workpaper “ADIT_for_KY_-_6-30-18” provided in response to the Staff’s First Set of Data Requests. Refer further to cell rows 106, 107 and 108 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, nonregulated, and other.
 - b. Provide copies of all supporting documentation used to quantify the actual NOL carryforward amounts in fiscal years 2017, 2018, the base year, and the test year.
 - c. The ADIT balance for “FD-NOL Credit Carryforward – Utility” dropped significantly in March 2018 from approximately \$480 million to approximately \$425 million. Explain the reason for the large reduction that month.
 - d. Provide the actual balances for each of the account 190 ADIT amounts for each of the months starting July 2018 through the most recent month with actual data. This is a continuing request through the pendency of this proceeding.
 - e. Provide a projection by month of the Atmos Energy and the Kentucky allocation of the FD-NOL Credit Carryforward-Utility through the end of fiscal year 2020. Provide all assumptions and calculations, including electronic spreadsheets in native Excel format with all formulas intact, all rows and columns accessible, and all cells unprotected.

Income Taxes

45. Provide a copy of the 2017 Atmos Energy Corporation federal and state income tax returns, including all supporting schedules. If the 2017 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.
46. Indicate whether Atmos Energy Corporation, Inc. filed a consolidated federal tax return for 2017.
47. 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.

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48. Provide a schedule showing the history of the taxable income and losses for Atmos Energy Corporation in total and separated into utility, nonregulated, and other for each fiscal year since 2014. In addition, provide the history of bonus depreciation taken each year over that same time period.

Customers and Sales Volumes

49. 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 (2008-2017), each month in 2018 for which actual information is available, and the budget assumptions for each remaining month in 2018 and 2019.
50. Refer to FR 16(7)(h)14, which provides the Company's projection of sales volumes by class. Provide a schedule in the same format for the most recent 10 calendar years (2008-2017), each month in 2018 for which actual information is available, and the budget assumptions for each remaining month in 2018 and 2019.

Miscellaneous

51. Reference Atmos' response to PSC 1-9, attachment 5, the email from Josh Densman dated June 4, 2018.
- a. Confirm that the email was sent in regard to the Kentucky/Mid-States Division.
 - b. Explain the reference to "3 KY PRP activity codes" under the heading "Forecaster" on p. 1 of this email.
 - (i) Are these codes applicable to the PRP tracker? If so, explain why they are still being used when Atmos in the instant filing has chosen to withdraw the PRP.
 - (ii) Explain the purpose of all three (3) of the codes, their purpose, function, the types of "activities" and expenses that are placed in each code, etc.
 - (iii) Explain what the "WMR activity code" is. Is this a fourth code?
 - (iv) Are the 3 to 4 codes applicable solely to Kentucky, or to other states / divisions, as well?
 - (v) Do any one or more of the codes have any applicability to the instant rate case where pipes the Company hopes to replace are included in base rates?
 - c. Reference p. 2 of the same email, under numbered paragraph 3.
 - (i) Explain why "all KY PRP projects should be budgeted under the System Integrity category."
 - (ii) Have any Atmos PRP projects ever been budgeted under any category other than "System Integrity"?
 - (iii) Explain Atmos' definition of "system integrity."

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- (iv) Explain why KY PRP projects are required to follow the naming convention identified in this email. Do PRP projects in other states, and/or in other divisions have their own naming convention?
- (v) Explain the roles Mr. Robert Arnold, Jim Capps and Josh Densman have in developing the PRP budget.
- (vi) Page 2 of this email apparently had at least two images attached to it. Provide a copy of these images.

52. Reference FR 16(7)(h)(9), Payroll Analysis by Employee Classifications, Payroll Distribution, Total Company.

- a. Confirm that from the base period to 2022, total labor dollars increase from \$12.385 million to \$13.774 million, an increase of 11.21%.
- b. Confirm that based on the Company's response to PSC 1-33, headcount remains relatively unchanged. State how many additional employees the Company plans to hire through the end of the forecasted period.
- c. Provide a narrative explanation of the reason why the headcount decreased from 213 in October of FY 2017 to 198 in September of FY 2018, and then pursuant to FR 16(8)(g) Sch. G-2, increases to 202 for the forecasted period. Was the employment level planned? If so, explain.
- d. Confirm that based on the Company's response to PSC 1-36, Atmos intends to give both exempt and non-exempt staff pay increases of at least 3% for each of the years 2017-2019.
- e. Confirm that per FR 16(7)(h)(14), estimated residential customer growth from 2020 through 2022 will be fewer than 650.

53. Supplemental Executive Retirement Program (SERP).

- a. Provide the level of SERP expense, if any, by account, included in the Company's cost of service for the test year.
- b. Provide the level of SERP expense, if any, by account, included in the Company's cost of service for the rate effective period.
- c. Provide the comparable SERP expense for each calendar year, 2015, 2016, 2017, and 2018.
- d. Provide the most recent three actuarial reports for SERP.
- e. Provide all actuarial studies, reports and estimates used for SERP for the rate effective period.
- f. If different SERP costs were charged or allocated to the Kentucky/Mid-States Division from other divisions, provide those amounts separately.

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54. Reference Atmos' most-recent SEC Form 10-K, at page 11.¹ Provide a break-out of the \$7.504 million decrease in the Kentucky/Mid-States, Kentucky annual operating income as of May 3, 2018, including all reasons for the stated decrease.
55. Have any transportation customers located in Kentucky increased their consumption? If so, state by how much as compared with their usage during the last calendar or fiscal year.
56. Provide copies of the Annual Reports of the American Gas Association ("AGA") and of every other organization that require the Company to pay dues [hereinafter collectively referred to as the "Dues Requiring Organizations"] for calendar year 2017. If not available, provide the most recent annual report that is available.
57. For each Dues Requiring Organization, provide the amount of dues the Company is asking to be recovered from customers, and the amount it is seeking from the Company's shareholders.
58. Reference FR 16 (8)(f), Attachment 1, Sch. F-1. Confirm that for the test period, the Company will pay the AGA \$44,365 in annual dues.
- a. Confirm that Atmos states in this same document that 100% of the AGA dues it will pay are jurisdictional to Kentucky.
 - b. Provide the amount of AGA dues Atmos pays in both the other jurisdictions comprising the Kentucky/Mid-States Division, and every other Atmos division, together with the percentage which Atmos believes is appropriately jurisdictional.
 - c. If any other jurisdiction, either in the Kentucky/Mid-States or any other division, has denied recovery of any portion of the dues Atmos pays to AGA, provide full details.
59. Confirm that AGA engages in, *inter alia*: (i) legislative advocacy; (ii) regulatory advocacy; and (iii) public relations [hereinafter jointly referred to as "Covered Activities"].
60. State whether the AGA continues to break out dues that its members pay by operating expense category, as was provided in Case No. 2003-00433, in Louisville Gas & Electric Company's responses to post-hearing data requests, item no. 11, in Case No. 2003-00433, accessible at the link below.² Provide the most recent such break-out.

¹ Accessible at the following link:

<https://www.sec.gov/Archives/edgar/data/731802/000073180218000039/ato201893010-k.htm>

² Accessible at: https://psc.ky.gov/PSCSCF/2003%20cases/2003-00434/KU_Response_051704.pdf

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61. State whether any portion of Atmos' dues paid to the American Gas Association ("AGA") are used by the AGA for any of the following:
 - a. public affairs and/or lobbying;
 - b. media communications and national advertising;
 - c. institutional advertising to enhance the image of the gas industry;
 - d. general promotional advertising to promote the use of natural gas over other resources;
 - e. gas-fired equipment promotions, including residential equipment such as furnaces, ranges, water heaters, and commercial and industrial gas equipment;
 - f. promotions of power generation gas equipment.

62. With regard to all other Dues Requiring Organizations, state whether they engage in one or more of the Covered Activities.
 - a. If so, provide a break-out of the percentage of the dues Atmos pays to each such organization that is applied toward the Covered Activities.

63. Provide a copy of the formula(s) used to compute, and the actual calculation of the dues the Company paid to each Dues Requiring Organization since the end of calendar year 2017.
 - a. Provide the same information for the forecasted test period.

64. Provide a complete copy of invoices received from each Dues Requiring Organization for calendar year 2017.

65. Provide any documents in the Company's possession that depict how each Dues Requiring Organization spends the dues it collects, including the percentage that goes to the following categories previously provided by NARUC: legislative advocacy; legislative policy research; regulatory advocacy; regulatory policy research; advertising; marketing; utility operations and engineering; finance; legal; planning and customer service; and public relations and/or public affairs.

66. Provide a detailed description of the services each Dues Requiring Organization provided to the Company since the end of 2017, and a description of the services that will be provided during the forecasted test year. Of these services or benefits, identify what benefits accrue to ratepayers, and how.

67. Provide a list of all presentations, webinar recordings, briefing books, policy memos, and white papers that each Dues Requiring Organization provided to the Company since 2016.

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68. Has Atmos included in operating expenses any amount for media communications attributed to: (i) the AGA, or (ii) any similar division of any other Dues Requiring Organization?
- If so, state the amount, indicate in which account this has been recorded, and provide a citation to any and all Commission Orders or other authority upon which Atmos relies for the inclusion of such expense in the test period.
 - If not, provide an estimate of how much of the Company's dues are being spent on media or public relations work.
69. State whether Atmos is aware whether any portion of the dues it pays to any Dues Requiring Organization are utilized to pay for any efforts to influence federal or Kentucky state legislation.
70. Do the Company's dues paid to any Dues Requiring Organization contribute to the salary, benefits and expenses of any Dues Requiring Organization officer or employee working in the areas of Public Policy and/or External Affairs? If so, provide a breakdown of how much of Atmos' dues contributed to these salaries, benefits and expenses.
71. List all travel and entertainment expenses included in the test period by Company employees in relation to Dues Requiring Organization activities. Show accounts, amounts, descriptions, person, job title and reason for the expense. Provide a copy of applicable employee time and expense reports and invoices documenting such expenses.
72. Is Atmos relying upon any reports or other studies for the exclusion from or inclusion in rates of a portion of its dues payable to AGA, or to any other Dues Requiring Organization? If so, provide a copy of such report and indicate how the report's recommendations have been included in Atmos' filing.
73. Do any of the Company's personnel actively participate on Committees and/or do any other work for any Dues Requiring Organization or any other industry organization to which the Company belongs, including but not limited to AGA?
- If so, state specifically which employees participate, how they are compensated for their time (amount and source of compensation), and the purpose and accomplishments of any such association-related work.
 - List any and all reimbursements received from industry associations, for work performed for such organizations by Company employees.
74. State whether any portion of the Company's dues paid to the AGA or to any other Dues Paying Organization are used by that organization for any of the following:

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- a. public affairs and/or lobbying;
- b. media communications and national advertising;
- c. institutional advertising to enhance the image of the gas industry;
- d. general promotional advertising to promote the use of natural gas over other resources;
- e. gas-fired equipment promotions, including residential equipment such as furnaces, ranges, water heaters, and commercial and industrial gas equipment;
- f. promotions of power generation gas equipment.