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 SUPPLEMNTAL 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 Supplemental 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,

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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 December 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 December, 2018.

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Assistant Attorney General

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1. Refer to the response to AG 1-05. Provide the definitions and criteria for each category of plant costs, i.e., system improvement and system integrity. Provide all written procedures and/or guidelines used to classify projects and related costs to each category.

2. Refer to the response to AG 1-06. Provide the answer to the question posed regarding replacement of plastic pipe.

3. Refer to the response to AG 1-08 and AG 1-13(c) and (d).

    a. In response to AG 1-08, the Company states that it forecasts PRP investment at $28.8 million in 2019 and $28.8 million in 2020 and non-PRP investment at $57.9 million in 2019 and $67.9 million in 2020. Provide all support for these amounts.

    b. Regarding the response to AG 1-08 and the forecast PRP investment at $28.8 million in 2019 and 2020, indicate whether the Company simply took its total forecast investment in those two years and arbitrarily determined that the PRP investment in each year would be $28.8 million to approximately match the $28 million annual spend limit set by the Commission in its Order in Case No. 2017-00359.

    c. Regarding the response to AG 1-08 and the forecast total direct investment (PRP plus non-PRP), provide a listing of all investment by FERC plant account included in the PRP category and in the non-PRP category.

    d. Regarding the response to AG 1-08, confirm that the non-PRP investment in fiscal year 2018 was $33.9 million and that the Company forecasts non-PRP investment of $57.9 million in 2019, an increase of $24.0 million or 71% over 2018, and $67.9 million in 2020, an increase of $10.0 million or 17% over 2019.

    e. Regarding the responses to AG 1-13(c) and (d), the Company failed to provide the amount of the PRP revenue requirement by component included in the test year revenue requirement. Please respond to AG 1-13(c) and (d) based on the forecast PRP investment in 2019 and 2020 provided in response to AG 1-08.

4. Refer to the response to Staff 1-23(c), which provides budget PRP investment and non-PRP investment for October 2018.

    a. Provide the definition of PRP costs used for the budget PRP investment in October. Identify the categories of plant costs and FERC plant accounts defined as PRP investment.

b. Provide the budget PRP investment and non-PRP investment for each month November 2018 through March 2020 using the same definition of PRP investment as reflected in the budget amount for October 2018.

5. Describe how the Company calculates AFUDC on CWIP, if at all. Provide a copy of the Company's accounting procedures or guidelines for AFUDC for each division.

6. Provide the actual AFUDC recorded by the Company for each CWIP project over $100,000 each month January 2017 through the most recent month for which actual information is available for each division.

7. Provide the forecast AFUDC recorded by the Company for each CWIP project over $100,000 each month during the forecast portion of the base year and each month thereafter through the end of the test year for each division.

8. Provide a schedule that shows which Atmos Energy Corporation ratemaking divisions are allowed CWIP in rate base and which record AFUDC. If there is a combination of these two methodologies, then describe which methodology is applied to specific forms of CWIP and the form of ratemaking and type of costs, e.g., rider recovery of PRP costs includes CWIP in rate base, but base rates recovery of all non-PRP costs exclude all CWIP from rate base because AFUDC is accrued.

9. Confirm that AFUDC requires the Company to defer financing costs incurred during construction as an increase to the project CWIP and then allows compensatory recovery of the plant costs, including AFUDC, over the service life of the asset. Explain your response and provide a copy of all authorities relied on for your response.

10. Refer to the response to AG 1-15 and the Refinance WP tab in the Excel Attachment 1 to the response to Staff 1-74.

    a. Provide all calculations, workpapers, assumptions, and data used in the calculation of the $63 million "out of the money" credit swaps.

    b. Describe the credit swaps, why Atmos uses these hedge instruments, the specifics of these credit swaps, and when the swaps for this forecast debt issue were entered into. Also explain why the loss on this credit swap is such a large dollar amount and is so far out of the money.

    c. Confirm that the calculations on this tab reflect a payment by Atmos of $63 million. If this is not correct, provide a correct description.

11. Refer to the Attachment 1 response to AG 1-32(f) which shows cost data allocated to the KY Division for the 2017 and 2018 fiscal years. Provide the actual costs data in the same format for the 2015 and 2016 fiscal years.

12. Refer to the Attachment 2 response to AG 1-36(b) which shows costs and variance explanations for Division 91. Refer further to the variance explanation provided for Outside Services. Provide details, analyses and copies of notifications, in regards to the increase in "bill payment services (subaccount 06113) to vendors: FISERV Inc., US Payments LLC, and Western Union Financial Services Inc" to explain forecast test year cost increases over 2018 actual costs. As part of the details, be sure to provide the annual cost increases expected for these bill payment services.

13. Refer to the Attachment 3 response to AG 1-37(g) which shows monthly ad valorem taxes expensed and capitalized for the Kentucky Division. Provide the actual amounts in the same format for the months October 2018 and November 2018.

14. Provide the monthly ad valorem taxes expensed separately for Division 002, Division 012, and Division 091 for the months October 2018 and November 2018.

15. Refer to the response to AG 1-44(c), which states:

> "The March 2018 decrease in the FD-NOL Credit Carryforward - Utility occurred because when estimating taxable income for the fiscal year in March, the company projected that the utility would generate taxable income for fiscal year 2018 and would therefore utilize prior year net operating loss carryforwards."

Refer also to the response to AG 1-44 (e), which states:

> "As a result of the TCJA and the utility exception for 100% capital expensing, the Company does anticipate beginning to utilize its NOLC within the next few years. It is important to note that due to the provisions of the TCJA and the Company being a fiscal year-end filer, the Company was eligible for 100% expensing for its fiscal year ended September 30, 2018."

a. Provide citations to the provisions of the TCJA that the Company believes made it eligible for 100% expensing for its fiscal year ended September 30, 2018 and explain how each such provision supports the Company's position. In addition, provide copies of all other authorities relied on by the Company that is eligible for 100% expensing for its fiscal year ended September 30, 2018.

b. Identify and provide all citations to the provision of the TCJA that establish a "utility exception for 100% capital expensing."

c. Confirm that the Company is not eligible for the "utility exception for 100% capital expensing" after fiscal year 2018. If this is not correct, then provide a correct statement and all authoritative support for the Company's response.

d. Provide a forecast of accelerated tax depreciation, straight line tax depreciation, book depreciation, and ADIT by month from October 2018 through December 2020 in live Excel spreadsheet format with all formulas intact, including the tax depreciation, straight line, and book depreciation tax rates used for this purpose.

e. Confirm that the accelerated tax depreciation and resulting ADIT for fiscal year 2018 reflected in the Company's filing reflects 100% capital expensing of all capital additions for tax purposes. Provide all support for your response.

f. Refer to the ADIT workpaper "ADIT_KY_projection_-_2018-2020" supplied with the filing. If the Company did not revise liability ADIT to reflect 100% capital expensing for 2018, provide a corrected calculation of ADIT reflecting such.

g. Describe the process used for GAAP accounting to calculate the monthly accelerated tax depreciation, straight line tax depreciation, and deferred income tax expense. If this calculation is based on an annual estimate, then describe how the Company develops the annual estimate and then allocates the annual estimate to each month in the fiscal year.

h. Refer to the response to AG 1-44(e) wherein the Company claims that it has no forecasts of taxable income or the NOL ADIT by month through the end of the fiscal year 2020.

    i. Confirm that the Company does have such forecasts for fiscal year 2019 for federal estimated tax payments and for budget purposes. If confirmed then provide the information requested in AG 1-44(e) for that period, including all supporting calculations, assumptions, data, and live Excel spreadsheets with all formulas intact. If denied, then provide a detailed explanation why it does not have such forecasts for federal estimated tax payments and budget purposes.

    ii. Confirm that the Company has the burden under federal tax law to demonstrate that it has complied with the so-called "consistency rule" based on the filing and outcome of this proceeding. Explain your response and cite all authorities relied on.

    iii. Without a forecast of the NOL ADIT, explain how the Company plans to demonstrate its compliance with the "consistency rule."

16. Refer to Attachment 2 to the response to AG 1-44.

    a. Provide these schedules in live Excel spreadsheet format with all formulas intact.

    b. Refer to the line item FD-NOL Credit Carryforward-Utility for Div 2. Provide all calculations and workpapers for the monthly amounts in live Excel spreadsheet format with all formulas intact.

17. Refer to the response to AG 1-08 related to PRP and Non-PRP investments by year. Provide the amount of annual PRP investment from 2013 through 2018 broken down between Steel Mains, Plastic Mains, and all other.

18. Refer to the Attachment 1 Excel spreadsheet file included with the response to Staff 2-15. Refer further to worksheet tabs "CWIP Ending Balances" and "Monthly Additions to CWIP." Refer further to the Company's breakdown of "CWIP Without AFUDC" and "CWIP AFUDC" provided on the spreadsheet KY_Plant_Data–2018-case.

    a. Provide a sum of the monthly AFUDC amounts added to plant for each month during 2017 as found in column h of the "Monthly Additions to CWIP" worksheet tab.

    b. Provide the fiscal year end balances of KY Division CWIP included in the worksheet tab "CWIP Ending Balances" for each year 2014 through 2018.

    c. Confirm that the amounts included for KY Division CWIP Without AFUDC and CWIP AFUDC provided on the spreadsheet KY_Plant_Data–2018-case as of December 31, 2017 were $32,043,565 and $255,946, respectively, and the amounts projected throughout the test year were $38,154,809 and $581,994, respectively.

    d. Refer to the "Monthly Additions to CWIP" worksheet tab. For the month of December 2017, provide the plant balances per project number, the AFUDC rate (annual and monthly), and the computed AFUDC by project that sums to the $68,465.90 in AFUDC amounts added to CWIP found in column h cell rows 56270-56341 for the month of December 2017. If the plant balances accruing AFUDC provided in response to subpart (b) is much higher than the amount of $255,946 cited for December 2017, explain why.

    e. Confirm that there is no addition to operating income applicable to AFUDC in the Company's filing. If not confirmed, explain. If confirmed, explain why there is not such an addition.

f. Provide the Company's rationale used to record AFUDC each month to include a description of which types of projects accrue AFUDC and the basis for the rate applied.

g. For the following project numbers listed in the "Monthly Additions to CWIP" worksheet tab applicable to December 2017, provide a project name and description and explain why each had AFUDC accrued:

Project Number	AFUDC Added in Dec 2017
050.44080	$13,557.35
050.44133	$22,054.37
050.44145	$11,396.84
050.45376	$3,270.31
050.46079	$2,679.68
050-46537	$3,060.55

19. Refer to the Commission's December 12, 2018 Order in Case No. 2018-00064 in regards to the effects of the Tax Cuts and Jobs Act (TCJA) on the rates of WKG Storage, Inc. (WKG).

a. Explain how the changes incorporated in that order will impact Gas Cost Adjustment ("GCA") rates paid by Atmos to WKG.

b. Explain how the changes incorporated in that order will impact base rates related to non-GCA costs paid by Atmos to WKG. In other words, quantify expected cost of service savings that could impact the revenue requirement in the instant case.

c. Provide a quantification of the impact on the revenue requirement in this proceeding, if any, including all workpapers, assumptions, and data. Provide this information in live Excel spreadsheet format with all formulas intact and annotate all amounts to the appropriate schedules in the filing.

20. Refer to the Company's 2018 10-K at page 58 which included the following notation concerning a new debt issue and the Direct Testimony of Mr. Christian at pages 5-8.

"On October 4, 2018, we completed a public offering of $600 million of 4.30% senior notes due 2048. We received net proceeds from the offering, after the underwriting discount and estimated offering expenses, of approximately $591 million, that were used to repay working capital borrowings pursuant to our commercial paper program. The effective interest rate of these notes is 4.37% after giving effect to the offering costs."

a. Was Mr. Christian aware of the referenced senior note public offering at the time the instant case including his testimony was filed? If the answer is yes, explain all reasons why this new debt issue was not discussed by Mr. Christian or reflected in the Company's filing.

b. Provide updated cost of capital Schedules J-1, J-2, and J-3 to reflect the effects of this new issue on the capital structure, cost of long-term debt, and cost of capital.

21. Refer to the Company's response, along with the recalculation of the revenue requirement model, to Staff 2-64 which included, among other adjustments, the reduction of the state income tax rate from 6% to 5%. Indicate whether or not the Company included in the recalculation an additional regulatory liability related to the balance of state excess deferred income taxes or amortization thereof. If included, detail what changes were made with references to filing schedules cited. If not included, detail what changes would be necessary to properly reflect the new balances for the regulatory liability related to state excess deferred income taxes and the amortization thereof. As part of the answer, confirm that, unlike under federal tax law, there are no distinctions between protected and unprotected under state law. Provide all support for your response, including a copy of all authorities relied on for your response.

22. Refer to Exhibit DAW-2 at pages 38-40 related to the description of assumptions utilized in the depreciation study for accounts 376.01 and 376.02 (Mains – Steel and Plastic) to determine a new depreciation rate of 2.52%. Refer also to Appendix A of Exhibit DAW-2 at page 74. Finally refer to Appendix B for the September 30, 2014 depreciation study as part of Exhibit DAW-2 filed in Case No. 2015-00343, which set the current depreciation rates of 2.09% for 376.01 and 376.02. The description in the study at pages 38-40 of Exhibit DAW-2 discusses the fact that plant investment for these two accounts nearly doubled, in large part to the PRP instituted in 2010, since the last study to approximately $247.1 million by September 30, 2017 and that the current average age of the surviving investment is nearly 10 years old. The same description also discusses the increase in life assumptions from a 55 year life to a 70 year life. The remaining year life assumed in the depreciation study in Exhibit DAW-2 filed in Case No. 2015-00343 for accounts 376.01 and 376.02 was 37.78 years. The remaining year life assumed in the instant case depreciation study for accounts 376.01 and 376.02 is only 34.60 years.

a. Explain how the remaining life for the assets in accounts 376.01 and 376.02 could have decreased by just over 3 years from 37.78 years to 34.60 years (the same number of years since the last depreciation study) when the assumed lives for such assets is asserted to be increasing from 55 to 70 years. As part of the response, explain why there should not be an increase in the remaining lives of at least 12 years from the last study (increase of 15 years in assumed lifespan less the time elapsed from the last study). Provide copies of supporting workpapers in electronic format with all formulas intact for any analyses completed to support the answer.

b. Explain how the assumed remaining lives for the assets in accounts 376.01 and 376.02 could have decreased by just over 3 years since the last depreciation study when the accounts nearly doubled with new capital additions due to the PRP instituted in 2010 and the new current average age of the surviving investment is only around 10 years old.

c. Explain how the assumed remaining life in the instant case depreciation study for accounts 376.01 and 376.02 of 34.60 years can be appropriate when the current average age of the surviving investment is only approximately 10 years old and the new assumed lives for these accounts is 70 years. As part of the response, explain why the remaining lives should not be stated as close to 60 years. Provide copies of supporting workpapers in electronic format with all formulas intact for any analyses completed to support the answer.

d. If the Company believes that the remaining lives assumption utilized in the instant case for accounts 376.01 and 376.02 of 34.60 years was understated, please update the depreciation study to reflect the appropriate lives and provide a schedule of the electronic version with all formulas intact.

23. Reference Atmos' response to AG 1-27, in which the company stated that, ". . . only . . . in the context of preparing general rate cases . . . and annual mechanisms" can it make the calculations necessary to determine the Company's ROE applicable solely to its Kentucky operations.

   a. Confirm that the instant proceeding is in fact a general rate case.
   b. Explain why, as supported in Attachment 1 to the response, Atmos was able to provide this information in the context of general rate cases in 2013, 2015 and 2017, but it is somehow unable to do so for the current case.
   c. Provide Atmos' ROE specific to its Kentucky operations.
   d. Reference the response to AG 1-29, in which the Company states that a state-specific breakout of ROE is available in the cost of service model filed in rate proceedings. Identify precisely where in the record of the instant case that break out can be found.
   e. How is the company able to provide ROR but not ROE?
   f. Reference the supplemental response to PSC 1-46, Attachment 1, p. 4 of 19. Provide the Company's capitalization at the time it calculated its ROR.

24. Reference the responses to AG 1-30 and PSC 2-39. Now that Atmos has provided a new depreciation study in the instant filing, does the Company agree that recalculating the rates based on the ALG methodology should be a relatively easy procedure? If not, why not?

a. Reference Atmos' response to AG 2-23 in Case No. 2017-00349. Confirm that in that case, Atmos refused to provide revised rates based on the ALG methodology.

25. Reference the response to AG 1-38. Provide citations to the "regulatory changes since the initiation of the PRP" that require Atmos to perform additional maintenance and testing.

26. Reference the response to AG 1-51. Answer the questions posed in subpart b, (iv) and (v), and in subpart c (iv), the second sentence.

27. Reference the response to AG 1-64, attachment. With regard to the following dues requiring organizations whose annual dues total at least $1,000, provide a breakout of the percentage which those organizations apply toward "covered activities," as set forth in AG 1-59:

    a. Kentucky Gas Association (KGA);
    b. Glasgow-Barren County Chamber of Commerce;
    c. Kentucky Chamber of Commerce (KCC);
    d. Anderson County Chamber of Commerce;
    e. Kentucky Association of Master Contractors;
    f. Shelby County Chamber of Commerce;
    g. South Western Kentucky Economic Development Council;
    h. Christian County Chamber of Commerce;
    i. Bowling Green Area Chamber of Commerce;
    j. Franklin-Simpson Chamber of Commerce.

28. Confirm that the KGA's website[1] states that the organization engages in covered activities.

29. Confirm that the KCC's website[2] indicates the organization's activities include a political action committee, and a legislative agenda.

30. Reference the response to AG 1-64, attachment, the invoice from the Oklahoma Accountancy Board. Explain why this expense should be chargeable to Kentucky ratepayers.

[1] https://www.kygas.org/

[2] https://www.kychamber.com/

31. Reference the response to PSC 2-3. Utilizing data from Atmos' GCA filing in Case No. 2018-00398, provide an update of Atmos' pass-through gas costs as compared with the other investor-owned natural gas utilities in Kentucky.

32. Reference the response to PSC 2-10. Based on the most recent updates in the instant case and the Company's GCA filing in Case No. 2018-00398, provide both a current total bill for the average residential customer, and what the total bill will be for the average residential customer if Atmos' rates as proposed in the instant case are approved.

33. Reference the response to PSC 2-5 (b).

    a. If Atmos had chosen to not withdraw the PRP Rider, does the Company agree that costs submitted under the rider would be recovered in less than one year?
    b. If Atmos chooses to recover its pipeline replacement costs in base rate proceedings, confirm that the costs falling within the test year would be recovered in less than one year.

34. Reference the response to PSC 2-6. Confirm that while the use of annual rate cases to recover capital investments that used to be recovered through the PRP may be "more efficient" for the Company than the modified PRP process resulting from Case No. 2017-00349, it is not necessarily more cost effective for Atmos' ratepayers.