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March 22, 2019

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

Re: Atmos Energy Corporation:
Case No. 2018-00281

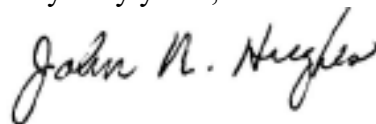
Dear Ms. Pinson:

Atmos Energy Corporation submits the corrected response to PSC DR-5-2, (c), (d) and (e) and a corrected petition for confidentiality. The original public filing included confidential materials.

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

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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. 2018-00281
and Tariff Modifications)

CORRECTED PETITION FOR CONFIDENTIALITY
FOR RESPONSE TO ITEMS 5-2(c) and(d); 5-07 and 5-08
OF THE COMMISSION'S FIFTH INFORMATION REQUEST

Atmos Energy Corporation (Atmos Energy), by counsel, petitions for an order granting confidential protection of certain responses to the data request dated March 12, 2019, pursuant to 807 KAR 5:001, Section 13 and KRS 61.878. The Commission's data request (DR) 5-02 sub-sections (c) and (d) request information about engineering firms and contractors who were awarded contracts on various capital projects referenced in PSC DR 3-27, attachment 1. The responses provided by the Company in 5-02 (c) and (d) contain sensitive commercial information in the form of vendor names that can be associated with specific project costs. The disclosure of this information could allow competitors of Atmos Energy to determine contract limits and other factors associated with the project cost. Confidential protection of the information is necessary because disclosure would disrupt the contract award process and reveal Atmos' internal analysis of potential contractors to the detriment of the Company and its customers. It would affect the Company's ability to obtain the most reasonable prices for such services in the competitive marketplace and the Company's ability to negotiate

rates for services in the future. Furthermore, public disclosure would prejudice the winning contractor by allowing its competitors to know how it offers and prices its services. A current vendor that likely is the lowest cost, could reasonably be expected not to participate in future Atmos Energy projects because it will know that pricing information will be made public. Such decisions from current vendors will lead to higher pricing for similar services in the future.

Moreover, prospective vendors likely will be able to use the confidential information to determine the pricing provided by current vendors. Prospective vendors will be able to use the confidential information to their advantage in future contract proposals. For example, if a prospective vendor learns through review of the confidential information that the Company was willing to pay a certain price for a service, that prospective vendor could resist lowering its price for the same service below that price and would be inclined to adjust its proposal. The prospective vendor will gain an unfair bargaining advantage — an advantage that would work to the detriment of Atmos and its ratepayers. Public disclosure of the information would unnecessarily provide interested parties and Atmos Energy's competitors with access to exclusive information regarding contract decisions, which would unfairly harm the Company's competitive position in the marketplace. Failure of the Company to maintain the confidentiality of this information would create a chilling effect on potential contractors to enter negotiations for future projects and set benchmarks for future projects. As a result, the Company's costs could be higher than they otherwise would be.

Commission DR 5-07 requests:

Refer to Atmos's response to Staff's Fourth Request, Item 6.

- a. Provide the percentage of tax repairs to capital used by Atmos to estimate the "Repairs Deduction" for tax years ending in 2019 and 2020 as shown in confidential Attachment 1 of Atmos's response to Staff's Fourth Request, Item 6.
- b. Provide work papers in Excel spreadsheet format with formulas intact and unprotected, showing how Atmos calculated the percentage of tax repairs to capital used by Atmos to estimate the "Repairs Deduction" for tax years ending in 2019 and 2020 as shown in confidential Attachment 1 of Atmos's response to Staff's Fourth Request, Item 6.
- c. Provide the amount of Atmos's "Repairs Deduction" taken in each tax year ending in 2014 through 2018 and the percentage of tax repairs to capital for each such year.
- d. State how Atmos defines "Repairs Deduction," the allocation basis, and identify which expenditures were deducted as a repair for tax purposes.
- e.

Commission DR 5-08 requests:

Provide the consolidated taxable income of all Atmos's utility operations (as distinguished from non-utility operations) for each tax year ending in 2014 through 2018 before any deductions for bonus depreciation and net operating losses carried forward or back from previous or subsequent tax years.

KRS 61.878(1)(k) exempts from public disclosure "all public records or information the disclosure of which is prohibited by federal law or regulation." Federal law codified in 26 U.S.C.A. 5 6103(a), prohibits state officials from publicly disclosing any federal income tax return or its contents, making the requested federal income tax return exempt.

Returns and return information shall be confidential, and except as authorized by this title ... no officer or employee of any State ... shall disclose any return or return information obtained by him in any manner in

connection with his service as such an officer or an employee or otherwise or under the provisions of this section....

The term "return information" means a taxpayer's identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments, whether the taxpayer's return was, is being, or will be examined or subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by the Secretary with respect to a return or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under this title for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense.

The effect of these two statutes is to preclude disclosure of the federal tax return.

Additionally, KRS 131.190(1) requires that all income tax information filed with the Kentucky Revenue Cabinet be treated in a confidential manner:

131.190 Information acquired in tax administration not to be divulged -- Exceptions.

(1) (a) No present or former commissioner or employee of the Department of Revenue, present or former member of a county board of assessment appeals, present or former property valuation administrator or employee, present or former secretary or employee of the Finance and Administration Cabinet, former

secretary or employee of the Revenue Cabinet, or any other person, shall intentionally and without authorization inspect or divulge any information acquired by him of the affairs of any person, or information regarding the tax schedules, returns, or reports required to be filed with the department or other proper officer, or any information produced by a hearing or investigation, insofar as the information may have to do with the affairs of the person's business.

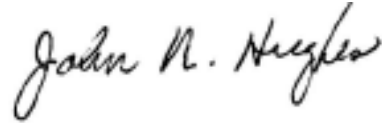
Thus, the requested state income tax return is also confidential and protected from disclosure by KRS 61.878(1)(1), which exempts from the Kentucky Open Records Act "...public records or information the disclosure of which is prohibited or restricted or otherwise made confidential by enactment of the General Assembly. The Kentucky Open Records Act exempts from disclosure certain confidential or proprietary information. KRS 61.878(1)(c). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the information would permit an unfair commercial advantage to competitors of the party seeking confidentiality.

The information sought in the data requests is commercial information that if disclosed could cause substantial competitive harm to Atmos Energy and its customers. These portions of Atmos Energy's Response contain proprietary information that would aid competitors of Atmos Energy and such proprietary information is subject to protection from disclosure pursuant to Kentucky law. This information is not publicly available. If this information were available to competitors in this form, they could use it to the competitive detriment of Atmos Energy. This information is not generally disclosed to non-management employees of Atmos Energy and is protected internally by the

Company as proprietary information. The disclosure of this proprietary information would result in significant or irreparable competitive harm to Atmos Energy by providing its competitors with non-reciprocal competitive advantage. No public purpose is served by the disclosure of such information. Atmos Energy requests that the information be held confidentially indefinitely. The statutes cited above do not allow for disclosure at any time. Given the competitive nature of the natural gas business and the efforts of non-regulated competitors to encroach upon traditional markets, it is imperative that regulated information remain protected and that the integrity of the responses provided by the Company in 5-02 (c) and (d); 5-07 and 5-08 remain secure.

For these reasons, Atmos Energy requests that the items identified in this petition be treated as confidential in their entirety. Should the Commission determine that some or all the material is not to be given confidential protection, Atmos Energy requests a hearing prior to any public release of the information to preserve its rights to notice of the grounds for the denial and to preserve its right of appeal of the decision.

Submitted by:



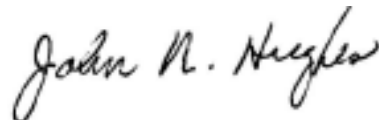
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Certification: I certify that is a true and accurate copy of the documents to be filed in paper medium; that the electronic filing was transmitted to the Commission on March 21, 2019; that an original and one copy of the filing will be delivered to the Commission within two days; and that no party has been excused from participation by electronic means.



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Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 5
Question No. 5-02
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REQUEST:

Refer to Atmos's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 27, Attachment 1, and the Kollen Testimony, beginning at page 21.

- a. If the Commission were to limit non-PRP capital expenditures as proposed in the Kollen Testimony, identify which projects would be delayed as a result.
- b. Refer to Attachment 1 of Atmos's response to Staff's Third Request, Item 27, line 177, PRP.2637.Mississippi-Georgia. Confirm this is a Kentucky-based project.
- c. Describe the nature, purpose, and need for each capital project over \$500,000 as identified in response to Staff's Third Request, Item 27, Attachment 1; identify the states in which construction for each such project will occur (and the county if the project is in Kentucky); and identify any engineering firm, if any, responsible for designing the project, and any contractor, if any, responsible for constructing the project.
- d. Identify all projects or groups of projects identified in Attachment 1 of Atmos's response to Staff's Third Request, Item 27, that were designed, in whole or in part, pursuant to the same contract with any engineering firm or constructed, in whole or in part, pursuant to the same contract with any construction contractor.
- e. For each project identified in Attachment 1 of Atmos's response to Staff's Third Request, Item 27, state whether the expenditures for the project are or will be direct capital spending for Kentucky for the forecasted test period, capital spending by the Kentucky/Mid-States Division's division allocated to Kentucky, or capital spending by the SSU allocated to Kentucky.

RESPONSE:

- a. The Company does not believe that it is prudent to limit non-PRP (non-bare steel) capital expenditures as proposed in the Kollen testimony. While the Company's projects were future projects at the time of this filing, the majority of those projects are now in progress. The Company believes that each of the proposed capital expenditures is prudent and reasonable. Delaying any prudent and reasonable capital expenditure may have unintended consequences. Further, delaying or stopping a prudently undertaken project, once in progress, could result in inefficiency and waste.

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Please reference the table in subpart (a) of the Company's response to Staff DR No. 3-22. As shown in the table, the Company's Board of Directors approved capital investment budget for fiscal 2019 is made up of \$28.0 million of PRP and \$58.7 million of non-bare steel investment for a total of \$86.7 million. Mr. Kollen's proposal would limit the Company to \$52.8 million of non-bare steel investment for the entire 18-month period from October 2018 - March 2020. To be clear, his proposal for 18 months of non-PRP investment is \$5.9 million below the amount the Company's Board has approved for the 12-month period comprising fiscal 2019, the first half of which will have transpired by the date of the hearing in this case.

Mr. Kollen's proposal is arbitrary and capricious. There are specific reasons why the Company has proposed these capital expenditures for the upcoming year and not for another future period. The overwhelming majority of the Company's capital expenditures are directly tied to system safety and reliability.

The Company has expanded the schedule provided in response to Staff DR No. 3-27 to provide additional information related to each project. As noted on the attachment, most projects are already in progress. Even for projects not in-progress, the Company still must undertake the farm tap projects in accordance with the time frame explained more fully in the Response to Staff 5-04. Refining the project list in Attachment 1 in the Company's response to Staff DR No. 3-27 to exclude projects in progress and the required farm tap projects leaves the following projects.

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Project Name:	Location	Amount
2736.East 19th St	Hopkinsville	\$695,745
2738.Saloma HPD Line Exposures	Campbellsville	\$490,613
2736. HWEA Inspection.FY19	Hopkinsville	\$266,096
2734.Three Springs Rd TBS	Bowling Green	\$233,619
2738.Greensburg Town Borders	Campbellsville	\$189,236
2609.Wescor 6" Exposure	Owensboro	\$184,718
2634.Town Border 2 Replacement	Madisonville	\$165,520
2637.Estes Lane Reinforcement	Paducah	\$128,709
2736.Nortonville 1st Cut Station	Hopkinsville	\$106,151
2735.Oakland Town Border	Glasgow	\$76,276
2634.Poole Purchase Replacement	Madisonville	\$66,529
2634.Poole TB Replacement	Madisonville	\$57,222
2636.Boothfield Rd. Tie Back	Owensboro	\$53,451
2636.Bentree Tie Back	Owensboro	\$53,254
2636.Settles Rd.Tie Back	Owensboro	\$26,417
2637.Paducah Isolation Valves	Paducah	\$9,995
		\$2,803,552

- b. Confirmed. PRP.2637.Mississippi-Georgia is a bare steel replacement project occurring between Mississippi St. and Georgia St. in Paducah, KY. Estimated completion of project is April 15, 2019.
- c. Please see confidential Attachment 1 with supplemental data requested from Staff DR No. 3-27, Attachment 1.
- d. Please see the confidential response to subpart (c).
- e. All projects listed in Attachment 1 of the Company's response to Staff DR No. 3-27 are direct capital spend in the state of Kentucky with the exception of "2612.Test Equipment" for \$59,333 which is budgeted in the KMD General Office and allocated to Kentucky.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_5-02_Att1 - FY19 Capital Budget (CONFIDENTIAL).xlsx, 22 Pages.

Respondents: Greg Smith and Mark Martin