COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS ENERGY CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2021-00214

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ["OAG"], hereby submits the following Initial Data Requests to Atmos Energy Corporation ["Atmos" or "the Company"], to be answered by the date specified in the Commission's Orders 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 OAG 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 OAG.

(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 OAG 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,

DANIEL CAMERON
ATTORNEY GENERAL

____
LAWRENCE W. COOK
J. MICHAEL WEST
ANGELA M. GOAD
JOHN G. HORNE II
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DR., STE. 200
FRANKFORT, KY 40601
(502) 696-5453
FAX: (502) 564-2698
Larry.Cook@ky.gov
Michael.West@ky.gov
Angela.Goad@ky.gov
John.Horne@ky.gov

Certificate of Service

Pursuant to the Commission's Order dated July 22, 2021 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record.

This 9th day of August, 2021

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Assistant Attorney General

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1. Did the Company receive funds under the Paycheck Protection Program? If it did:
    a. Provide the total amount received under the program.
    b. Discuss whether that amount must be repaid.
    c. Discuss how those funds were applied.
    d. Discuss whether those funds offset increases to the revenue required by the Company.

2. Identify all association dues included in the revenue requirement. For each organization whose dues were included for recovery from ratepayers:[1]
    a. Provide the name of the association to which those are paid;
    b. Provide the amount;
    c. Provide a description of the services the association provides to the Company;
    d. Discuss whether the association engages, directly or indirectly, in: (i) lobbying; (ii) political activities; (iii) regulatory advocacy; and/or (iv) public relations;
    e. Provide copies of the studies or other information DEK relied upon in making its decision on whether to include a test-year amount of dues for each such organization;
    f. Provide copies of all actual regulatory advocacy in which each such organization engaged before the Commission; and
    g. Discuss whether any portion of the dues paid to that association have been removed from the revenue requirement.

3. Provide a discussion regarding the type(s) of residential meters the Company uses, including whether AMI meters are being deployed, and/or whether modifications to existing meters are being made such as adding communication modules (for purposes of this question only, the term "advanced meters" applies to both such metering technologies). If so:

[1] Including, but not limited to the American Gas Association.

a. Explain whether the deployment of advanced meters is on a system-wide basis, or whether the deployment is being made one meter at a time (i.e., when one existing meter needs to be replaced);

b. Explain when the deployment of advanced meters began;

c. Explain whether disconnects of gas service at residences with one or more types of advanced meters can be accomplished remotely, or whether they require on-site human intervention;

d. Provide details regarding the make and model of advanced meters being deployed, including the estimated lifespan, and the duration of any applicable warranties;

e. If the advanced meters require a communications module, explain whether a separate battery is required to enable the module to function, and if so, provide the estimated lifespan of the battery and any warranties applicable to the battery;

f. Provide a discussion of the type of communications network the Company deployed to transmit the advanced meters' data, and explain whether it is fully compatible with the Company's existing customer service infrastructure;

g. Provide a discussion of the type(s) of computer back-haul equipment and software the Company had to install in its offices to collect and analyze the data coming from the advanced meters;

h. Explain whether Atmos monetizes its customers' data derived from the Company's metering infrastructure, even if on a de-identified, aggregate basis.

4. Regarding mandated inline pipeline inspections ("ILI"), explain whether Atmos maintains contracts with external vendors for the necessary services and supplies to conduct and evaluate the required inspections, or whether the Company has the necessary in-house staffing and materials to perform these tasks.

    a. If Atmos does not perform these services in-house, explain whether the Company's other LDC divisions, and/or the service company, have evaluated the costs and benefits of performing these tasks and services on a joint basis in order to obtain economies of scale. If so, provide copies of any relevant studies in this regard. If not, explain fully why not.

    b. Discuss the types of inspections that Atmos will be required to make, and the types of data it will collect for each such inspection. Explain also if inspection tools will be able to conduct multiple types of inspections in one run of the inspection tools, or if multiple runs will be required.

c. Explain whether Atmos could achieve any cost savings by utilizing a multi-diameter smart pig inspection tool, either on a division-only basis or through sharing the multi-diameter tool(s) and their associated costs with the Company's other LDC divisions.

d. Provide a discussion regarding whether the Company will seek to coordinate its ILI activities with the affected cities in its service territory, in order to minimize traffic disruptions and costs associated with the inspections. Include in your discussion whether the Company is required to pay the costs for any potential re-paving of streets which may have to be excavated in order to conduct the inspections, and if so, whether such costs would be included in the PRP Rider.

5. Explain whether any portions of Atmos' service territory are designated as either Moderate Consequence Areas or High Consequence Areas for purposes of PHMSA. Explain the differences between the two statuses, and potential cost ramifications, if any.

6. Provide the Company's most recent capital spending projections for the next two years, and identify all capital projects.

7. Does the Company use credit cards that include rebates? If the response is in the affirmative, provide the following items:

    a. Amount of rebate reflected in the cost of service for the base year and the forecasted period. If the amount is allocated, provide the allocations.

    b. Actual credit card rebates by year for 2019, 2020, and 2021 YTD. For each year, state the expense accounts where these credit card rebates are reflected and provide a detailed breakdown of those expense accounts.

8. Refer to the removal of Supplemental Executive Retirement Plan ("SERP") costs performed on Schedule F.9 related to employees at Divisions 02 and 91. Confirm that there were no SERP costs included in the test year O&M expenses related to employees at the Kentucky Division (09) or the Shared Services Division (12). If not confirmed, provide the amounts by division and the amounts directly incurred or allocated to the Kentucky Division.

9. Confirm that Atmos, both in the instant filing and its pending Pipeline Replacement Program ("PRP") filing, Case No. 2021-00304, is proposing to include Aldyl-A pipe replacement within its PRP mechanism.

10. Confirm that in the instant case, Atmos is proposing to make its Performance Based Ratemaking ("PBR") tariff permanent.

11. Reference Atmos' proposed new tariff sheet no. 42, the "Tax Act Adjustment Factor." Explain for how long of a period of time Atmos is proposing this tariff to remain in place.

12. Provide Atmos' current monthly customer charge for Rate G-1, residential service. Reference also Atmos' public notice found at FR 17(4)(a)-(j), Attachment 1, which indicates the current residential customer charge is $20.68.

    a. Confirm that the Commission's final order in Case No. 2018-00281, dated May 7, 2019, at p. 51 set the residential customer charge at $19.30.

    b. Confirm further that Atmos' current tariff on file with the Commission provides that the residential monthly customer charge is $19.30.

13. Refer to FR_16(7)(h)12, Attachment 1. Confirm that for the period 2021 to 2025, Atmos is forecasting an approximate 41.5% growth in rate base.

    a. Refer also to FR_16(7)(h)14, ATTACHMENT 1. Confirm that for the period 2023-2025, Atmos forecasts its customer count will grow customer count is forecasted to grow from 181,565 to 182,915, or approximately 0.74%.

    b. Refer finally to FR_16(7)(h)15, ATTACHMENT 1. Confirm that for the period 2023-2025, Atmos states that its Mcf sales forecast for the period 2021-2025 increases from 47.793 million Mcf to 47.909 million Mcf, an increase of approximately 0.24%.

Accumulated Deferred Income Taxes

14. Identify each of the affiliates/subsidiaries of Atmos Energy Corporation, Inc. ("AEC") that comprise the affiliate group included in the AEC consolidated federal tax return.

15. Provide a schedule showing the history of the taxable income and losses for AEC in total and separated into utility, nonregulated, and other for each month, each quarter, each fiscal year, and each calendar year since January 2015 through the end of the test year in this proceeding. Indicate whether AEC maintains sufficiently detailed records to record the taxable income and losses by: i) utility, nonregulated, and other, and/or ii) rate division, or if these determinations must be determined after the fact.

16. Indicate what efforts are taken by AEC to track temporary differences, and thus, taxable losses and the related asset NOL ADIT, due to identifiable events, such as

specific storms, that affect specific rate divisions and for which it tracks and assigns the related liability deferred tax for the same identifiable event. Provide a copy of all documentation of this process, if any. If none, then so state.

17. If there is a temporary difference due to an identifiable event, such as a specific storm, confirm that the Company agrees that the taxable losses and the related effects on the AEC liability ADIT and the offsetting asset NOL carryforward ADIT should be assigned to the same rate division, not assigned or allocated to rate divisions in a disparate manner. If denied, then explain why the Company disagrees with this premise. Provide all authoritative support for your response.

18. Describe how AEC calculates and records changes in the NOL carryforward and related ADIT each month and each quarter throughout its fiscal year. Provide a copy of all documentation of this process. If it relies on an estimate of fiscal year taxable income or loss at the beginning of the year, then describe how it makes this estimate and how it records the effects and/or changes and/or true-ups of this estimate throughout the fiscal year. Provide a copy of all documentation of this process.

19. Refer to the electronic workpaper "ADIT_for_KY_04-30-21" provided in response to the Staff's First Set of Data Requests. Refer further to cell rows 58, 59 and 60 on worksheet tab "ADIT 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 2019, 2020, the base year, and the test year, including a copy of all Excel spreadsheets in live format and with all formulas intact.

    c. Provide the actual balances for each of the account 190 ADIT amounts by temporary difference for each of the months starting January 2019 through the most recent month with actual data. This is a continuing request through the pendency of this proceeding.

    d. Provide a projection by month of the Atmos Energy and the Kentucky allocation of the FD-NOL Credit Carryforward-Utility from the end of fiscal year 2020 through the end of fiscal year 2023. Show the actual balances from the end of fiscal year 2020 through the most current month with available data and projected balances thereafter. Provide all assumptions and calculations, including electronic spreadsheets in live format with all formulas intact.

e. Provide a breakdown of the NOL Carryforward utilization and resulting effects on the account 190 ADIT balance for the year ended September 30, 2020 amongst the listed accounts.

20. Refer to electronic workpapers "WP B.5 B" and "WP B.5 F" submitted with the Company's filing that depicts monthly ADIT balances by FERC account for all applicable Atmos divisions during the base year and the test year. Line 10 of "WP B.5 B" shows the balance of FERC account 190 ADIT for Division 02 of $620.421 million as of February 2021 and a balance of $1,003.365 million as of March 2021, an increase of $382.944 million, and that balance continuing unchanged through the end of the test year. Refer also to the Company's March 31, 2021 10-Q at page 18 provided as FR 16(7)(p) Attachment 3 with the Company's filing that discusses the Company's recordation of various regulatory asset and income tax entries as of March 31, 2021 related to Winter Storm Uri that impacted customers in Kansas and Texas and the efforts to potentially securitize those costs.

a. Describe how the Company's use of the March 31, 2021 asset NOL ADIT for each month during the test year complies with the "consistency" rule under the IRS regulations. Cite all authorities relied on for your response.

b. Confirm that the March 31, 2021 asset NOL ADIT is specific to that date and the circumstances that gave rise to that ADIT through that date and that it does not reflect any subsequent changes in temporary differences or taxable income or losses through the end of the test year or after the end of the test year.

c. Confirm that the AEC asset NOL ADIT is not specific to individual rate divisions and that the actual balance fluctuates each month based on the taxable income from each and, in the aggregate, all of the AEC divisions.

d. Confirm that the AEC maintains separate accounting records for each temporary difference and the related asset and liability ADIT amounts for each rate division, except for the asset NOL ADIT. If denied, then identify all other temporary differences, other than those incurred by or through the SSU divisions.

e. Indicate whether the increase in NOL Carryforward ADIT shown on WP B.5 B as of March 2021 was related solely or in part to the accounting entries involving the impacts from Winter Storm Uri that impacted customers in Kansas and Texas. As part of the response, describe and identify the portion of the FERC account 190 balance change that is related to Winter Storm Uri and the part that is not.

f. Provide the amount of the NOL Carryforward ADIT in FERC account 190 related to Winter Storm Uri that was allocated to Atmos – Kentucky Division in the filing. Provide the calculations in an Excel spreadsheet in live format with all formulas intact.

g. Identify the division(s) by name and number for which the ADIT in FERC accounts 282 and 283 was impacted by the costs and accounting entries due to Winter Storm Uri that affected customers in Kansas and Texas. As part of your response, detail the changes to balances in those accounts.

h. Describe the current status and near term potential status of the securitization legislation and any other securitization efforts in Kansas and Texas regarding recovery for these extraordinary costs. Mr. Christian states at page 54 of his Direct Testimony that securitization of Winter Storm Uri gas costs is expected in the spring of 2022. In your response, address the fact that Texas HB 1520 is now law and the Railroad Commission of Texas has issued a Notice to Operators pursuant to the requirements of HB 1520.

i. Describe in detail what accounting entries would be required for each of the ADIT balances in each FERC account for each division should the contemplated securitization occur. If any accounting entries have already been made related to securitization of these costs, detail those entries by month and by division.

<u>Plant Additions and PRP</u>

21. Provide the amount of PRP and Non-PRP investment for each actual fiscal year starting in 2016 and going through 2020, projected 2021, and projected 2022, distinguished between Kentucky division-only investment and investment allocated from each of the other divisions. Separate amounts related to pipe replacement investment between bare steel and other, such as the requested reflection of Aldyl-A pipe in the PRP.

22. Refer to the Direct Testimony of Mr. Christian at page 13. Provide the PRP investment projected for each quarter during calendar year 2022 separated between bare steel and Aldyl-A pipe replacement. In addition, identify the 2022 amounts

included in the test year in the instant proceeding and the amounts to be included in the PRP filing.

23. Refer to the Direct Testimony of Mr. Austin at pages 27 and 28 regarding the potential timeline for the Aldyl-A pipe replacement. Provide the Company's most recent estimates of the replacement miles and investment required to replace the Aldyl-A pipe by year.

24. Refer to the Direct Testimony of Mr. Austin at pages 27 and 28 regarding the potential timeline for the Aldyl-A pipe replacement. What is the average annual investment currently estimated in order to replace the known Aldyl-A pipe problems.

25. Provide the Pipe Replacement Program ("PRP") actual gross plant in service by plant account and by month from January 2019 through the last month with available data and the projected amounts by plant account and by month for the remaining projected months through the end of the test year. 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.

Regulatory Assets and Liabilities and Amortization Expense

26. Refer to the Direct Testimony of Mr. Christian at 45. Describe the Company's accounting for the depreciation expense regulatory liability and provide all related journal entries for one month to illustrate the accounting.

27. Refer to the Direct Testimony of Mr. Christian at 45 and to Schedule A lines 12 and 13 in regard to the proposal to return to ratepayers the $9,862,441 million of depreciation expense regulatory liability over twelve months. Confirm that it is the Company's proposal to increase base rates by $16,389,804 million in the first year, then temporarily reduce base rates by $9,862,441 million to refund the regulatory liability, so that the full rate increase of $16,389,804 will be in effect in the second year and thereafter? If this is not correct, then provide a corrected statement and explanation.

28. Provide a schedule of the amortization expense and remaining balance associated with each regulatory asset and each regulatory liability for each month for the years 2018 through 2020, for each actual month during 2021, and for each month projected for the remainder of 2021 and continuing through the end of the test year. In addition, provide the amortization period and the Case No. in which the Commission approved the recovery and the amortization period, if any. If there was no regulatory asset

and/or no regulatory liability amortization in the years prior to the test year and the amortization expense in the test year relates only to new deferrals for which recovery is requested in this case, so state.

29. Refer to the Direct Testimony of Mr. Christian at 39-40 and to the ratemaking adjustment made on Schedule C-2 to increase rate case amortization expense by $161,141. Refer also to the computation of base period rate case amortization expense of $112,330 and the forecast test period rate case amortization expense of $161,141 on page 4 of Schedule F.6. Explain why the adjustment amount reflected is the full forecast test year amount as opposed to the net increase in expense of $48,811 from the base year to the forecast test year, similar to the adjustment amounts calculated on other Schedule F adjustments.

<u>Revenues</u>

30. Refer to Schedules D.1, D.2.1, D.2.2, and D.2.3 of the Rev Req Model 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.

31. Refer to the Direct Testimony of Josh Densman.

    a. Explain why Mr. Densman did not address the effects of Covid-19 on the revenues reflected in the base period or the test year.

    b. Describe the effects of Covid-19 on the actual revenues in fiscal years 2020 (October 1, 2019 through September 30, 2020) and 2021 (October 1, 2020 through September 30, 2021).

    c. Describe all attempts made by the Company to quantify the effects of Covid-19 on actual revenues. Provide a copy of all such analyses, including all documents, such as studies, reports, correspondence, etc., and all calculations, including, but not limited to, Excel spreadsheets in live format with all formulas intact.

d. Describe how the Company addressed the effects of Covid-19 on the revenues in fiscal years 2020, 2021, 2022, and 2023 in the development of its budget revenues for fiscal years 2021, 2022, and/or the forecast months included in the base period and test year in this proceeding. Specifically describe how the Company normalized or excluded data from the historic periods in its trend analysis and how it reflected a return to "normal" in the forecast periods.

e. Provide a copy of all correspondence, including, but not limited to, emails, notes, studies, analyses, and other writings that address how the Company reflected the effects of Covid-19 in its budget revenues for fiscal years 2021, 2022, and/or the forecast months included in the base period and test year in this proceeding.

f. Provide all electronic workpapers in Excel live format and with all formulas intact that have not yet been provided in the Company's filing or in response to Staff discovery.

<u>O&M Expense</u>

32. In regards to PHMSA inspection expenses, respond to the following questions:

a. Provide the PHMSA inspection expense incurred in each year 2018 through 2020, budgeted for 2021, the base year, and the test year by FERC O&M expense account/subaccount separated into one-time (baseline) inspection expenses and ongoing inspection expenses and in total for each category for each year. Provide a ten-year forecast of one-time (baseline) and ongoing inspection expenses by year from 2022 through 2031 by FERC O&M expense account/subaccount and in total for each category by year.

b. Confirm that the Company agrees certain of the PHMSA inspection expenses were and are being incurred to establish a baseline for inspection, correction, and reporting purposes. Identify and describe each category of these expenses.

c. Confirm that the Company agrees that certain of the PHMSA inspection expenses are ongoing, but periodic. Identify and describe each category of these expenses. To the extent possible, describe the frequency required for each major type of PHMSA inspections.

d. Provide the integrity management expenses, including the PHMSA inspection expenses, incurred in each year 2018 through 2020, budgeted for 2021, the base year, and the test year by FERC O&M expense account/subaccount separated into one-time (baseline) integrity management expenses and ongoing integrity management expenses and in total for each category for each year. Provide a ten-year forecast of one-time (baseline) and ongoing integrity management expenses by year from 2022 through 2031 by FERC O&M expense account/subaccount and in total for each category by year.

e. Confirm that the Company agrees certain of the integrity management expenses were and are being incurred to establish a baseline for inspection, correction, and reporting purposes. Identify and describe each category of these expenses.

f. Confirm that the Company agrees that certain of the integrity management expenses are ongoing, but periodic. Identify and describe each category of these expenses. To the extent possible, describe the frequency required for each major type of PHMSA inspections.

Shared Services and Mid-States Divisions Cost Allocations

33. Provide a schedule showing the total costs incurred by the Shared Services Divisions (Divisions 002 and 012) 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, 2020. 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 electronic format with all formulas intact.

34. Provide a list and sum total of Shared Services Divisions (Divisions 002 and 012) 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, 2020. Include the FERC account description as well as the account number. Provide the information in electronic format with all formulas intact.

35. Refer to the allocation percentages shown on Exhibit JTC-1 for the 2020 fiscal year based on cost data for the twelve months ended September 30, 2020.

a. Provide the number of employees for each division/nonregulated affiliate shown on Exhibit JTC-1 for each month from October 2017 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 electronic format with all formulas intact.

b. Provide total operating expenses, excluding income taxes, for each division/nonregulated affiliate shown on Exhibit JTC-1 for each month from January 2017 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 electronic format with all formulas intact.

36. Refer to Exhibit JTC-2, which shows base year and test year allocated O&M amounts by division and cost element and the difference in the test year compared to the base year. Confirm that the Company removed all incentive compensation expense tied to financial performance 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.

37. Refer to Exhibit JTC-2, which shows base year and test year allocated O&M amounts by division and cost element. Provide a similar schedule which reflects the actual O&M costs by cost element for the fiscal years ended September 30, 2018, September 30, 2019, September 30, 2020, and for all actual months during the fiscal year ended September 30, 2021 with available information.

38. Refer to Exhibit JTC-2, which shows base year and test year allocated O&M amounts by division and cost element. Provide the actual capitalization percentage rate for labor and related costs for each month for each of the depicted divisions from October 2017 through the most recent month available in live spreadsheet format.

<u>Payroll Tax Expense</u>

39. Refer to Schedules C-2.3 B and C-2.3 F at line 3 related to payroll tax expense for the Kentucky Division (Division 009).

a. Actual payroll taxes depicted on line 3 of Schedule C-2.3 for the Kentucky Division averaged $29,086 per month for the first six months of the base period, while the amount forecasted during the remainder of the base year averages $44,455 per month. In addition, the average monthly amount forecasted for the test year is $46,728. Explain the cause(s) of the large increase in monthly expense of approximately 53% projected for the remainder of the base year over base year actual amounts.

b. Provide the actual payroll taxes for all months in 2018, 2019, 2020 and 2021 to date separated between expense, capitalized, and other. In addition, provide a similar breakout for all months in the base year and in the test year.

Ad Valorem Expense

40. Refer to Schedule C-2.3 F at line 5 related to ad valorem costs for the Kentucky Division. Provide all computations and workpaper documentation to compute the projected amounts depicted for all months in the test year for the Kentucky Division (009). Be sure to separate expensed vs capitalized amounts and amounts recovered via special riders.

41. Provide the actual ad valorem taxes expensed and capitalized for the Kentucky Division during each of the last three fiscal years 2018, 2019, and 2020 by month. This request includes all PRP and non-PRP amounts.

42. Provide the gross plant and the net book value for the Kentucky Division at December 31, 2018, December 31, 2019, September 30, 2020, and December 31, 2020. This request includes all PRP and non-PRP amounts.

Depreciation Expense

43. Refer to the Direct Testimony of Mr. Christian at pages 45-46 in regards to the Depreciation Regulatory Liability amount of $9,804,757 that would accumulate through December 2021 based on the monthly additions of $306,399 through that date. Refer also to the Amended Procedural Order issued by the Commission on July 30, 2021. Based on the procedural dates listed for this proceeding, provide an estimated date, or range of dates, in which the Company could expect to implement changes in rates that may be authorized by the Commission.

44. Provide a description and all documentation of the Company's accounting for plant additions and retirements, including cost of removal, including, but not limited to, allocation of expenditures between plant additions and cost of removal when replacing sections of mains or accounting for such costs as maintenance expense. If the Company relies on studies to allocate such costs, then provide a copy of all such studies used for this purpose and provide an illustration as to how such allocations are actually used and applied in the accounting process. Address any differences between terminal and interim retirements and terminal and interim net salvage.

45. Provide a detailed description of the Company's accounting when it retires assets and replaces them with new assets, including the methodology it uses to allocate or

otherwise determine the payroll and related costs allocated to the additions versus the retirements for cost of removal.

46. Provide a detailed description of the Company's guidelines and practices for the physical removal of assets by type of plant (pipeline, regulator, service, etc.) or whether they are left in place. For example, most utilities do not remove old pipeline when it is retired, at least longer sections, instead cutting and bypassing the old pipeline when a section is replaced.

47. Refer to the Direct Testimony of Dane Watson at 11 wherein he states: "Atmos has performed and implemented a Time and Motion Study for net salvage, which was reflected in the last study and remains in effect now."

    a. Provide a copy of this study.

    b. Describe specifically how the results of this study are reflected in the Atmos accounting for net salvage.

    c. Describe specifically how the results of this study were considered and reflected in the depreciation study.

48. Confirm that actual net salvage is recorded directly to accumulated depreciation. If denied, then provide a corrected statement and an explanation as to why a correction was necessary. In addition, provide all authoritative support for the corrected statement. If confirmed, then provide the accounts used to record positive net salvage and the accounts used to record negative net salvage. Provide an example of each to illustrate the accounting.

49. Confirm that in the Company's depreciation study, the actual net salvage incurred through the date of the depreciation study is reflected in the accumulated depreciation reserves and the amount to be recovered is gross plant in service less accumulated depreciation reserves less net salvage, the result of which is divided by the average remaining service life for each account to calculate the required depreciation expense. If denied, then provide a corrected statement and an explanation as to why a correction was necessary.

50. Confirm that the Company separately records the accumulated net salvage as a regulatory liability for financial reporting purposes. If confirmed, then provide a detailed explanation how the Company records this component of the accumulated depreciation reserve, how it is increased through the depreciation expense, and how it is reduced or increased by the actual net salvage recorded. Provide the accounts used

for this purpose in the Company's accounting records and provide an example that illustrates the Company's accounting for this purpose.

51. Confirm that the depreciation study does not true-up the Company's actual net salvage to its forecast net salvage, except indirectly through the accumulated depreciation reserve used to calculate the required depreciation expense.

Cost of Capital

52. Refer to Schedule J-3F line 16 in this proceeding, which reflects an amortization of debt expense and discount of $10,293,599. Also refer to line 12 in Schedule J-3F filed in Case No. 2018-00281, which reflects an amortization of debt expense and discount of $6,580,966. Explain all reasons why the amortization is projected to increase by $3,712,633, or more than 56%, between the two forecast periods. As part of the answer, provide a reconciliation of the annual amortization and unamortized amounts of debt discount and debt expenses by debt issue between the two periods.

53. Refer to Schedule J-3F line 14 in this proceeding which reflects a 13 month average outstanding debt of $5.160 billion. Also refer to line 10 in Schedule J-3F filed in Case No. 2018-00281, which reflects a 13 month average outstanding debt of $3.148 billion. Finally, refer to the Direct Testimony of Mr. Christian at 54 that discusses the $2.2 billion of financing issued in March of 2021 ("March 21 Financing") to finance the natural gas expense related to Winter Storm Uri and the Company's adjustment to remove this financing from the outstanding debt reflected in this proceeding.

    a. Confirm that the increase in debt between the periods of $2.012 billion is not related to the March 21 Financing of the excessive natural gas expense related to Winter Storm Uri. If not confirmed, explain.

    b. Confirm that there was no unamortized debt expense and debt discount and amortization of such included in the instant case projected debt costs related to the March 21 Financing. If not confirmed, explain.

    c. Provide the issuance dates for all issues portrayed on Schedule J-3F in this proceeding.

54. Refer to FR1698)(k) which provides among other things the components of the capital structure for Atmos Energy Corporation for the prior calendar years from 2011 to 2020, the base year, and the test year. Identify and describe all reasons why the

Company significantly reduced the level of short term debt starting in 2020 and for the base and test years compared to all years from 2011 through 2019.

55. Provide a description of the major terms for each of the short-term debt instruments available to the Company, especially the one that requires the commitment fee reflected on Schedule J-2.

56. To the extent not previously provided, provide all work papers and supporting documentation used and relied upon by Mr. D'Ascendis in the preparation of his Direct Testimony and exhibits. Provide all spreadsheets in Excel format with cell formulas intact.

57. Provide copies of all articles and publications cited by Mr. D'Ascendis in his Direct Testimony.

58. If not provided previously, provide all supporting documentation and spreadsheet analyses for Mr. D'Ascendis' size adjustment, the description of which begins on page 43 of his Direct Testimony.

59. Provide the most recent update to the Blue Chip Financial Forecasts.

60. If not provided previously, provide all supporting work papers and documentation for the risk premium calculations included in Exhibit DWD-1, Schedules DWD-3.1 through DWD-3.13. Include all source data used in the calculations. Provide all spreadsheets in Excel format with cell formulas intact.

61. If not provided previously, provide the source documents used in the equity risk premium study results in Schedule DWD-3.13. Provide updated allowed returns on equity from fully litigated natural gas utility rate cases through the most recent month of 2021.

62. Provide all bond rating agency reports (Standard and Poor's, Moody's, Fitch) on Atmos Energy from 2019 through the most recent month in 2021.

63. Provide the following:

    a. The current authorized ROE for Atmos Energy in each of the regulatory jurisdictions in which it operates. Provide the date that each ROE was authorized.

b. Provide the Commission Order authorizing each ROE listed in part a.

c. State whether each ROE was authorized pursuant to a fully litigated rate case or if it was based on a settlement.

64. Provide the amount, coupon, and maturity of each long-term debt instrument issued by Atmos Energy over the last 10 years.

65. Provide the actual capital structure for Atmos Energy for the last five calendar years. Include the average amount of short-term debt in the capital structure for each year. Provide the amounts, percentages, and cost of long-term and short-term debt in the calculation. Provide all supporting work papers and documentation.

66. Refer to Mr. D'Ascendis' discussion of the Predictive Risk Premium Model ("PRPM") beginning on page 20 of his Direct Testimony:

a. Aside from Mr. D'Ascendis, provide the names of all other colleagues or rate of return witnesses who have presented the PRPM in proceedings to estimate the risk premium rate of return for regulated utilities. Include in the response the case number, regulatory jurisdiction, and year.

b. Provide the proceedings of which Mr. D'Ascendis is aware in which regulatory commissions have accepted or rejected the PRPM. Include in the response the case number, year and a copy of the Commission's Order.

c. Provide evidence that the PRPM method is widely used and accepted by investors to estimate their required return on equity for regulated utilities.