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 SUPPLEMENTAL DATA REQUESTS

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ["OAG"], hereby submits the following Supplemental 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,

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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 2nd day of September, 2021

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Assistant Attorney General

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1. Refer to the Direct Testimony of Joe Christian at pages 34-35 and to the payroll analysis provided as part of the filing as FR_16(7)(h)9 Attachment 1.

    a. Provide a breakdown of the Total Labor Dollars (excluding Shared Services and KY/Mid-States General Office) in the same format between O&M expense, capital, and other.
    b. Refer to Mr. Christian's Direct Testimony at page 34, lines 14-17. Indicate whether the test period level of payroll expenses includes a reduction for the normal level of vacancies. If not, why not? If so, describe the adjustment to budgeted fully staffed levels.
    c. Provide a copy of the workpaper(s) used to calculate base period and test period direct labor expense and which shows the $200,085 increase between the two periods.
    d. Explain all reasons why the increase in total labor dollars reflected on FR_16(7)(h)9 Attachment 1 is 3.67% ($12,882,759/$12,426,376) from the base year to the test year as opposed to only 3.0%.
    e. Indicate the fully staffed level of KY Operations employees and the number of estimated vacancies for each month during the base year and for the test year.

2. Refer to Schedule B-5 from both the Company's original filing as well as the August 23, 2021 Supplemental Filing attached to the Supplemental response to Staff 1-55. Refer further to the calculation of the increase in ADIT of $11,871,206 in the original filing and only $2,986,306 in the Supplemental calculation both labeled as "Forecasted Change in NOLC."

    a. Provide a detailed description as to why this adjustment is made, and why the amounts changed in the two referenced filings.
    b. If this amount relates to the utilization of NOL Carryforward ADIT for the test year compared to the base year balance, indicate whether this adjustment amount relates only to the KY division projected utilization or the Company-wide utilization.

3. Refer to WP B-5 from the Company's August 23, 2021 Supplemental Filing attached to the Supplemental response to Staff 1-55. Refer further to line 10 which shows the FERC account 190 ADIT balances each month during the base year for the Shared Services Division 002. The balances depicted for February 2021 and March 2021 were $620,420,700 and $563,722,594, respectively.

    a. Explain why the balance in this account for Division 002 decreased by nearly $57 million from February 2021 to March 2021.
    b. If the difference in the amounts relates to the utilization of NOL carryforwards due to positive taxable income, explain why a similar adjustment was not made during the test year on WP B-5 F.
    c. Indicate whether the Company expects to have positive taxable income at the consolidated Atmos Energy level during fiscal year 2021 and/or fiscal year 2022 since bonus depreciation is no longer available.

d. If the Company does expect to have positive taxable income at the consolidated Atmos Energy level during fiscal year 2021 and/or fiscal year 2022, provide the Company's latest projections of those amounts.
e. If the Company does expect to have positive taxable income at the consolidated Atmos Energy level during fiscal year 2021 and/or fiscal year 2022, explain why there were no adjustments to the FERC account 190 ADIT for Division 2 after March 2021.

4. Refer to the Direct Testimony of Joe Christian at 37 wherein he describes the Company's proposal to defer bad debt expense in excess of that baseline allowed in the base revenue requirement as a regulatory asset or the bad debt expense reduction compared to the baseline as a regulatory liability.

a. Indicate whether the Company presently uses bad debt reserve accounting whereby it credits the allowed bad debt expense accrual to the reserve and debits the actual chargeoffs, net of recoveries to the reserve. If it does not, then explain why it does not. If it does, then explain how the Company's proposal differs from the use of reserve accounting.
b. Provide a schedule showing the beginning bad debt reserve balance, bad debt expense accrual, chargeoff, net recoveries, and ending bad debt reserve balance for each month January 2018 through the most recent month for which actual information is available.

5. Refer to the Direct Testimony of Joe Christian at 47 wherein he describes the Company's calculation of ad valorem tax in the test year.

a. Indicate if the Company is subject to ad valorem tax on CWIP.
b. Indicate if the Company allocates ad valorem tax cost between expense and capital (CWIP). If so, describe how it calculated the allocations between expense and capital. If not, explain why it does not do so.

6. Refer to the Direct Testimony of Joe Christian at 51 wherein he addresses Revenue Procedure 2020-39, which he quotes in part. The quote refers to "unprotected plant or non-plant items." Mr. Christian then states: "After reviewing Rev Proc 2020-39 the Company has determined that it can treat all non-property EDITL as unprotected."

a. Describe the Company's review of all "unprotected plant" items for amortization over five or fewer years, similar to the Company's proposal on "non-plant" items.
b. Confirm that the Company can differentiate between the protected plant items and unprotected plant items. If denied, then explain why the Company cannot differentiate between the protected and unprotected plant items.
c. Provide the Company's EDITL regulatory liabilities separately for the protected and unprotected plant items by temporary difference.

7. Refer to the Direct Testimony of Joe Christian at 54 wherein he addresses the Company's future financing requirements.

   a. Provide a monthly history of actual and forecast capitalization balances, including common equity, long-term debt, and short-term debt, with short-term debt further detailed by type (revolving credit facilities, money pool, commercial paper, current maturities, etc.) by month starting October 2016 and ending December 2022 in live Excel spreadsheet format. For each month, provide the issuances, redemptions, earnings retained, dividends declared and each other reconciliation between the capitalization balances at the end of the prior month compared to the end of the current month.
   b. Provide the average daily balance of short-term debt by type and the average interest rate during the month starting October 2016 and ending December 2022.

8. Refer to the Direct Testimony of Joe Christian at 62-67 wherein he discusses the cash working capital study that he performed.

   a. Confirm that Mr. Christian performed this study or that it was performed in house under his direct supervision.
   b. Confirm that the Company incurred no incremental cost to perform this study. If this is not correct, then provide the amount incurred by payee and describe the work performed by each payee.

9. Refer to Schedule D-1 related to adjustments for Acct 489 *Revenue From Transporting Gas to Others* and Acct 495 *Other Gas Service Revenues.* Refer also to the monthly depiction of these amounts for the base year and test year on Schedule C.2.2 B 09 and C.2.2-F 09, respectively.

   a. Provide the actual monthly amounts recorded to each of these accounts starting October 2017 through the last month with actual information available. Provide in electronic format with all formulas intact.
   b. Explain why there are no actual amounts recorded in Acct 495 through March 2021, but there are budgeted/forecasted amounts reflected for each of the months thereafter. Be sure to explain the relationship of amounts projected for Acct 495 and how they are actually recorded each month.
   c. Explain the types of revenues that are recorded/projected for each of these accounts.
   d. Provide copies of all supporting documentation relied upon to develop the monthly projections of revenues for each account for the months projected in 2021 and 2022.

10. Refer to the Company's response to AG 1-39 related to the monthly amounts of payroll tax expense recorded and projected for Division 009. Refer also to Schedule C-2.3 B and C-2.3 F related to the monthly payroll taxes projected for months in the base year and the test year, respectively.

a. Indicate the amounts of payroll taxes related to incentive compensation for Division 009 for each of the actual and projected months during the base year and the test year.

b. Payroll taxes recorded and projected during November of each year appear to include additional amounts related to incentive compensation payments. Indicate whether the amounts for those months include all the incentive compensation payroll taxes for Division 009 or whether such amounts are spread throughout the year. If spread, indicate why the months of November in each year reflect such high payroll taxes compared to other months.

c. For each of the following months, explain and reconcile the differences between the actual expense amounts recorded and the amounts that were projected on Schedule C-2.3 B for Division 009. If any differences are related to capitalized amounts, explain.

	Actual Expense Recorded	Projected Expense
April 2021	$22,423	$62,551
May 2021	$22,622	$40,043
June 2021	$20,101	$52,327
July 2021	$47,829	$35,497
Sum Total	$90,353	$190,418

11. Refer to the following: (i) the Company's response to AG 1-37 Attachment 1; (ii) the O&M expenses by cost element for the costs allocated to the Kentucky Division from the KY/Mid States Division; and (iii) the Outside Services line for each of the following fiscal years:

Fiscal 2018	$687,159
Fiscal 2019	$1,011,128
Fiscal 2020	$1,186,558
First 10 Months of Fiscal 2021	$905,697

Additionally, refer to Exhibit JTC-2, which shows the base year and test year Outside Services costs allocated to the Kentucky division of $1,489,349.

a. Describe all reasons why the base year and test year Outside Services costs allocated to the Kentucky Division from the KY/Midstates Division are projected to increase by $302,791, or 25.5%, over the costs allocated to it in Fiscal Year 2020 ($1,489,349-$1,186,558).

b. Refer to the response to subpart (a). The annualized effect of the Outside Services costs allocated in the first 10 months of Fiscal Year 2021 through July 2021 is $1,086,836 ($905,697/10 x 12). Describe all reasons why the base year and test year Outside Services costs allocated to the Kentucky Division from the KY/Midstates Division are projected to increase by $402,513, or 37.0%, over the annualized effect of costs allocated to it in Fiscal Year 2021 ($1,489,349-$1,086,836).

12. Refer to WP B.4.1 B. Provide the volume in storage and the average cost per mcf in storage for each month for which actual dollar amounts are shown for gas stored underground (September 2020 through March 2021). Also provide the average daily volume in storage, average cost per mcf in storage, and average daily dollar amounts for each month September 2020 through the most recent month for which actual information now is available.

13. Refer to WP B.4.1 B and WP B.4.1 F. Provide the average daily volume in storage, average cost per mcf in storage, and dollar amounts for gas stored underground for each forecast month April 2021 through September 2021 in the base period, each forecast month October 2021 through December 2021 for the interim period between the base period and the test year, and each forecast month in the test year. Provide all assumptions and calculations, including, but not limited to, all support for forecast volumes in storage, average cost of gas in storage, including forecasts of index prices and adders, and the calculations of the dollar amounts in storage in an Excel spreadsheet in live format with all formulas intact.

14. Provide the average daily volume in storage, average cost per mcf in storage, and average daily dollar amounts for each month September 2018 through August 2020 for gas stored underground.

15. Describe where the Company's underground storage is located, who operates the storage facility, how the Company acquires the storage gas, how the gas is priced (pricing terms, including relevant indexes and any premiums or adders) when acquired, whether the cost to inject the gas is included in the cost of the storage gas included in the balance sheet account, and if so, the cost per mcf to inject.

16. Refer to Attachment 1 to the response to AG 1-15 regarding the monthly taxable income or losses for nonregulated and utility.

    a. For each month starting with fiscal/tax year 2008, provide the tax depreciation deduction considered to be on the margin, meaning the last deduction in the calculation of taxable income for nonregulated and utility and each utility rate division, including, but not limited to, 009, 091, 002, and 012. Provide this information in an Excel spreadsheet in live format and with all formulas intact.
    b. Describe each identifiable income or deduction that contributed to an unusually high utility net operating loss in each fiscal/tax year after 2008 (meaning in excess of $170 million net operating loss in the year), including, but not limited to, such deductions as an initial repair allowance deduction, other tax accounting changes, significant storm losses, and abandonment losses, among others.

17. Refer to Attachment 2 to the response to AG 1-15 regarding the monthly NOL carryforward amounts.

a. Confirm that the amounts shown in this attachment are federal NOL ADIT amounts. If this is not correct, then provide a correct statement and provide a schedule showing the federal and individual state NOL ADIT amounts separately.

b. If the response to part (a) of this question is that the amounts on Attachment 2 are NOL ADIT amounts, not taxable income and losses, then provide a revised Attachment 2 that is responsive to AG 1-15, which sought income and loss information, and that corrects the Company's response, which asserts that the attachment provides the income and loss information.

c. Provide an entity chart showing each AEC entity. Identify each AEC entity on this chart that is included in the AEC consolidated federal income tax return.

d. Refer to the response to part (c) of this question. Identify each of the nonregulated entities and each of the utility entities. For each nonregulated entity, describe the entity's business activities and provide the criteria and a narrative description of AEC's determination that the entity is nonregulated. For each utility entity, describe the entity's business activities and provide the criteria and a narrative description of AEC's determination that the entity is a utility.

e. Confirm that the AEC determination that an entity is nonregulated is not guided or mandated by the federal tax code, but rather is the result of AEC applying its own criteria to make this determination. If this is not correct, then provide a correct statement, cite to relevant sections of the federal tax code, and provide a copy of each authority, including the specific sections of the federal tax code, Treasury Regulations, and all other authorities relied on by AEC to determine whether an entity is nonregulated or a utility.

f. Confirm that the AEC utility rate divisions are not taxable entities and that AEC does not file a separate federal income tax return for each rate division. If this is not correct, then provide a correct statement and provide a copy of the separate tax returns for rate divisions 009, 091, 002 and 012 for each of the most recent ten fiscal years.

g. Confirm that it is the Company's position that the NOL ADIT must be included in the rate base in order to avoid a so-called "normalization violation" and that the amount of the NOL ADIT that could or would cause a normalization violation is based on the presumption that the tax depreciation deduction is considered to be on the margin, meaning the last deduction in the calculation of taxable income.

h. Provide a copy of all AEC intercompany tax allocation agreements that have been in effect since 2017, including all revisions and/or supplements.

i. Provide a copy of all internal memos, analyses, reports, and all other writings that address the allocation of the NOL ADIT between nonregulated and utility entities.

j. Provide a copy of all internal memos, analyses, reports, and all other writings that address the claimed necessity to separate the NOL ADIT into nonregulated and utility to avoid a so-called normalization violation.

18. Confirm that AEC has a forecast of its nonregulated and utility fiscal/tax year 2021 taxable income. If confirmed, then provide a copy of the most recent forecast including income

and deduction line items. If denied, then explain why AEC does not have such a forecast and explain how AEC calculates its estimated federal income tax.

19. Confirm that AEC has a forecast of its nonregulated and utility fiscal/tax year 2022 taxable income. If confirmed, then provide a copy of the most recent forecast including income and deduction line items by month. If denied, then explain why it does not have such a forecast.

20. Confirm that AEC has a forecast of its nonregulated and utility fiscal/tax year 2023 taxable income. If confirmed, then provide a copy of the most recent forecast including income and deduction line items by month. If denied, then explain why it does not have such a forecast.

21. Refer to Attachment 1 to the response to AG 1-31. Confirm that the Company calculates the effects of temperature deviations from normal (weather normalization) on its base revenues as a normal and ongoing activity for each of its utility rate divisions regardless of whether the division has a WNA rider mechanism. If this is not correct, then provide a corrected statement and provide a copy of all relevant support for your response.

22. Refer to the response to AG 1-54.

    a. Provide a copy of all quantitative and qualitative support developed and/or relied on by AEC for the cited equity to capitalization target range of 50% to 60%.
    b. Provide a copy of all quantitative and qualitative support developed and/or relied on by the Company for its proposed 57.05% common equity ratio in the test year.
    c. Provide a copy of all quantitative and qualitative support developed and/or relied on by the Company to determine an "optimal" capital structure, meaning one that balances the Company's need to access capital at a reasonable cost against the need to minimize the costs to customers to the extent practicable.
    d. Provide a copy of all internal communications and/or other analyses, studies, reports, and other documentation that resulted in managing to a common equity ratio of 58.71% in the base period and the forecast of 57.05% in the test year.

23. Refer to Schedule J-3 B and Schedule J-3 F.

    a. Provide the workpapers supporting the 13-month average capitalization amounts in the base period, the monthly amounts after the base period but before the test year, and the test year. Provide the short-term debt by type.
    b. Provide the monthly sources and uses of funds used to develop the fiscal year 2020 capitalization, base period capitalization, the intermediate period between the base period and the test year, and the test year, showing the detail of each new debt issue, each existing debt issue redemption, net monthly change in short-term debt by type, net monthly change in short-term investments by type, and all changes to common equity, including, but not limited to earnings, dividends declared, and new parent company investment.

c. Reconcile the $184.615 million shown as the outstanding amount of the $200 million 3-year term loan on Schedule J-3 B with the $200.000 million shown as outstanding on Schedule J-3 F.

d. Reconcile the $276.923 million shown as the outstanding amount of the 1.5% Senior Notes due in 2031 on Schedule J-3 B with the $600.000 million shown as outstanding on Schedule J-3 F.

24. Refer to Schedule J-2 B and Schedule J-2 F.

a. Provide the daily average of short-term debt and the daily average interest rate by type of short-term debt by month from October 2016 through the most recent month for which actual information is available and forecast through the end of the test year.

b. If the monthly forecast amounts provided in response to part (a) of this question are different than the monthly forecast amounts provided in response to part (a) and part (b) of the immediately preceding question, then provide a reconciliation and explanation for all differences.

c. Refer to Schedule J-2 B. Indicate whether the March 31, 2020 date in the title of the schedule is correct. If not, then please provide a schedule with a corrected title. If so, then explain why the Commission should use a short-term debt amount at March 31, 2020 for the base period.

d. Refer to Schedule J-2 F, which reflects the same average short-term debt in the test year as the Company calculated for the base period. Explain why the Commission should use the short-term debt from the base period for the test year.

25. Refer to Attachment 1 of the Company's response to AG 1-21 wherein it provided the capital expenditures by category, including growth, system integrity, system improvements, and others.

a. Provide further detail for the growth, system integrity, and system improvement categories, separating each category into plant account and by material for pipeline plant accounts, both as to the material that was or will be replaced and the material that replaces it. For example, the system integrity category includes replacement of bare steel and Aldyl-A pipeline with other materials.

b. Provide a description as to the process whereby the Company "sizes" the capital budget each year, not only from the bottom up in the budget process, but in the top down, in order to achieve earnings and other objectives.

26. Reference the response to AG DR 1-3 (a). Explain the meaning of the acronym "WMR," and provide a discussion regarding the capabilities of this type of technology.

27. Reference the response to AG DR 1-3 (f). Explain the meaning of the acronym "RNI," and provide a discussion regarding the capabilities of this type of technology.

28. Reference the response to AG DR 1-3 (f), which asked, among other things, to provide a discussion regarding the type of communications network, and, ". . . whether it is fully compatible with the Company's existing customer service infrastructure." No response was provided regarding that part of AG DR 1-3 (f), copied and pasted in immediately above. Please provide the response.

29. Reference the response to AG DR 1-5. Provide the meaning of all acronyms used in the response.