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January 6, 2022

Linda C. Bridwell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation
Case No. 2021-00214

Dear Ms. Bridwell:

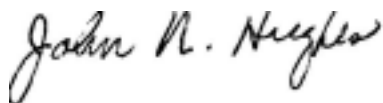
Atmos Energy Corporation submits its responses to the Commission's Sixth Data Request and a petition for confidentiality. I certify that the electronic documents are true and correct copies of the original documents and that no party has been excused from electronic service.

If you have any questions about this filing, please contact me.

Submitted By:

Mark R. Hutchinson
Wilson, Hutchinson and Littlepage
611 Frederica St.
Owensboro, KY 42301
270 926 5011
randy@whplawfirm.com

And



John N. Hughes
124 West Todd St.
Frankfort, KY 40601
502 227 7270
jnhughes@johnnhughespsc.com

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. 2021-00214
and Tariff Modifications)	

**PETITION FOR CONFIDENTIALITY
FOR RESPONSE TO ITEMS 6-13 and 6-15
OF THE COMMISSION'S
SIXTH INFORMATION REQUEST**

Atmos Energy Corporation (Atmos Energy), by counsel, petitions for an order granting confidential protection of certain responses to the initial data request dated December 17, 2021, pursuant to 807 KAR 5:001, Section 13 and KRS 61.878.

Item 6-13 requests a copy of the most recent available RRA Regulatory Focus - Major Rate Case Decisions published by S&P Global Market Intelligence. This publication is proprietary information subject to copyright laws protecting it from disclosure, which requires Atmos Energy to take reasonable steps to prevent public, unauthorized disclosure. The information was acquired by Atmos Ennergy on a proprietary basis and to the best of its knowledge is not publicly disclosed or available. The same information was determined to be confidential in Duke Energy's Application for Rate Adjustment, Case No. 2017-00321, Order of May 3, 2018 and Application of Big Rivers, Order of January 22, 2020, Case No. 2019-00365.

Item 1-15 request requires Atmos Energy to provide updated versions of Attachment 1 and Attachment 2 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible for each of tax year ending in 2008 through 2021 to Commission Staff's Third Request for Information, Item 25 in Case No. 2018-00281,³ including confidential Attachments 1 and 2 provided in response to that request. 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." This tax information was determined to be confidential in Atmos Energy's prior rate application - Case No 2018-00281.

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.

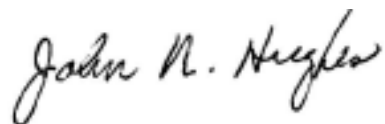
The information sought in the data requests is commercial information that if disclosed could cause substantial competitive harm to Atmos Energy. These portions of Atmos Energy's Response contain proprietary information that would aid competitors of Atmos Energy and such proprietary information is

subject to protection from disclosure pursuant to Kentucky law. This information is not publicly available. It would be difficult or impossible for someone to discover this information from other sources. 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 copy righted information and tax filings 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 of 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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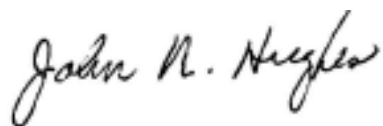
And

Mark R. Hutchinson
Wilson, Hutchinson & Littlepage
611 Frederica St.
Owensboro, KY 42303
270 926 5011
Fax: 270-926-9394
randy@whplawfirm.com

Attorneys for Atmos Energy Corporation

Certification:

I certify that is a true and accurate copy of the original documents; that the electronic filing was transmitted to the Commission on January 6, 2022; and that no party has been excused from participation by electronic means.



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2021-00214
ATMOS ENERGY CORPORATION)

CERTIFICATE AND AFFIDAVIT

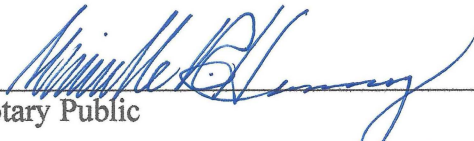
The Affiant, Joe T. Christian, being duly sworn, deposes and states that the attached responses to Commission Staff's sixth request for information are true and correct to the best of his knowledge and belief.



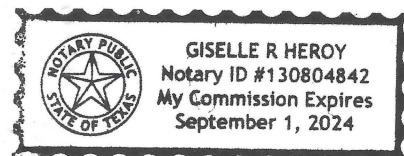
Joe T. Christian

STATE OF TEXAS
COUNTY OF DALLAS

SUBSCRIBED AND SWORN to before me by Joe T. Christian on this the 6th day of January, 2022.



Notary Public
My Commission Expires: 9/01/2024



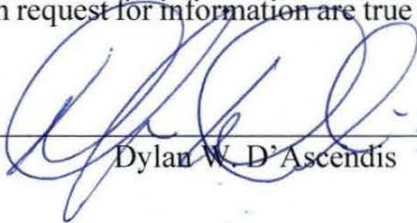
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2021-00214
ATMOS ENERGY CORPORATION)

CERTIFICATE AND AFFIDAVIT

The Affiant, Dylan W. D'Ascendis, being duly sworn, deposes and states that the attached responses to Commission Staff's sixth request for information are true and correct to the best of his knowledge and belief.




Dylan W. D'Ascendis

STATE OF NEW JERSEY
COUNTY OF BURLINGTON

SUBSCRIBED AND SWORN to before me by Dylan W. D'Ascendis on this the 5th day of January, 2022.





Notary Public

My Commission Expires:

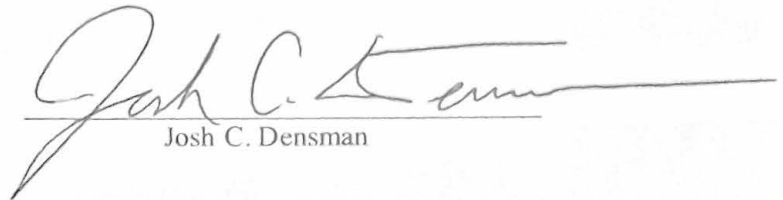
HEATHER N. FULMER
NOTARY PUBLIC OF NEW JERSEY
Commission # 50116526
My Commission Expires 10/25/2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2021-00214
ATMOS ENERGY CORPORATION)

CERTIFICATE AND AFFIDAVIT

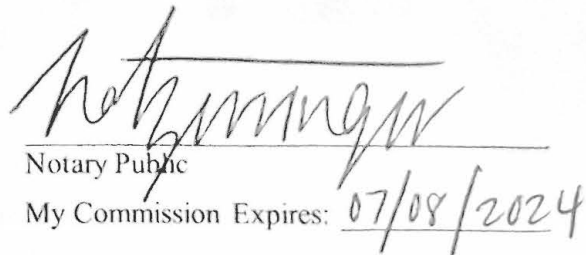
The Affiant, Josh C. Densman, being duly sworn, deposes and states that the attached responses to Commission Staff's sixth request for information are true and correct to the best of his knowledge and belief.


Josh C. Densman

STATE OF TEXAS
COUNTY OF ~~DALLAS~~ COLLIN

SUBSCRIBED AND SWORN to before me by Josh C. Densman on this the 6th day of January, 2022.




Notary Public
My Commission Expires: 07/08/2024

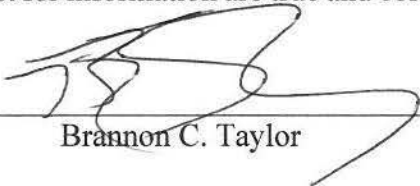
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
RATE APPLICATION OF) Case No. 2021-00214
ATMOS ENERGY CORPORATION)

CERTIFICATE AND AFFIDAVIT

The Affiant, Brannon C. Taylor, being duly sworn, deposes and states that the attached responses to Commission Staff's sixth request for information are true and correct to the best of his knowledge and belief.




Brannon C. Taylor

STATE OF TENNESSEE
COUNTY OF WILLIAMSON

SUBSCRIBED AND SWORN to before me by Brannon C. Taylor on this the 04 day of January, 2022.





Notary Public
My Commission Expires: _____

My Commission Expires
August 10, 2025

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 6
Question No. 6-01
Page 1 of 1

REQUEST:

Refer to Atmos's response to Commission Staff's Second Request for Information, Items 26 and 54, regarding forecasted late payment fees and nonrecurring charges. Since Atmos used an average of fiscal years 2017-2019 to determine forecasted late payment fees, explain why Atmos would not have used an average of fiscal years 2017-2019 to forecast other nonrecurring charge revenue given the events of 2020.

RESPONSE:

As noted in the Company's response in Staff DR No. 2-54 subpart (b), the Company has reviewed both revenue and O&M impacts due to COVID-19. Generally the reduction in revenue has been off-set by a reduction in O&M. Due to the uncertainty of how soon reconnect delinquent service, seasonal charge, and meter testing charges will return to a more normalized level as well as O&M savings generated by reduced travel and other O&M returning to a more normal level, we have chosen to make no changes to these items, which implicitly means the reduced revenue and reduced O&M will continue to roughly offset one another when rates go into effect.

Respondents: Josh Densman and Joe Christian

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 6
Question No. 6-02
Page 1 of 1

REQUEST:

Refer to Atmos's response to Commission Staff's Fifth Request for Information, Item 4, regarding the returned check charge.

- a. Confirm that while Amarillo National Bank does not charge Atmos for returned checks, Atmos would charge a customer whose payment was deposited into Amarillo National Bank a returned check charge if the payment came back as insufficient funds.
- b. Provide the number of returned payments by month for calendar years 2016 to 2020 and 2021 to date as well as the dollar amount of fees banks have charged Atmos by month for returned payments for those same periods.

RESPONSE:

- a. Confirmed. Amarillo National Bank does not charge a return fee to Atmos Energy for bank draft returns.
- b. Please see Attachment 1. Please note that from 2016 to 2019 there were return fees charged for \$20.00. This was due to the return fee being charged manually and the wrong fee amount being chosen. This was corrected in 2020. Also, no return fees were charged by the receiving bank, Amarillo National Bank. Atmos Energy charged the return fee directly to the customer's contract account the payment was received on.

ATTACHMENT:

ATTACHMENT 1 - Staff_6-02_Att1 - Returned Payments.xls, 6 Pages.

Respondent: Brannon Taylor

Month	Returned Payment Count	Return Fee Charged Count	Return Fees Sum
Jan-16	320	245	\$ 6,100.00
Feb-16	302	227	\$ 5,640.00
Mar-16	333	235	\$ 5,855.00
Apr-16	274	190	\$ 4,735.00
May-16	355	216	\$ 5,385.00
Jun-16	276	208	\$ 5,200.00
Jul-16	239	178	\$ 4,435.00
Aug-16	282	203	\$ 5,060.00
Sep-16	253	193	\$ 4,820.00
Oct-16	273	181	\$ 4,505.00
Nov-16	283	193	\$ 4,805.00
Dec-16	330	241	\$ 5,980.00
Grand Total	3,520	2,510	\$ 62,520.00

Return Fee Amount	Count
Return Fee \$20.00	46
Return Fee \$25.00	2464

Month	Returned Payment Count	Return Fee Charged Count	Return Fees Sum
Jan-17	357	279	\$ 6,930.00
Feb-17	305	252	\$ 6,290.00
Mar-17	456	358	\$ 8,925.00
Apr-17	372	233	\$ 5,790.00
May-17	461	268	\$ 6,660.00
Jun-17	379	249	\$ 6,215.00
Jul-17	315	238	\$ 5,940.00
Aug-17	370	264	\$ 6,585.00
Sep-17	419	182	\$ 4,545.00
Oct-17	304	243	\$ 6,055.00
Nov-17	290	226	\$ 5,635.00
Dec-17	347	248	\$ 6,190.00
Grand Total	4,375	3,040	\$ 75,760.00

Return Fee Amount	Count
Return Fee \$20.00	48
Return Fee \$25.00	2992

Month	Returned Payment Count	Return Fee Charged Count	Return Fees Sum
Jan-18	435	346	\$ 8,635.00
Feb-18	438	276	\$ 6,895.00
Mar-18	508	382	\$ 9,500.00
Apr-18	381	294	\$ 7,305.00
May-18	367	295	\$ 7,335.00
Jun-18	315	255	\$ 6,365.00
Jul-18	280	217	\$ 5,410.00
Aug-18	324	284	\$ 7,080.00
Sep-18	271	204	\$ 5,080.00
Oct-18	393	279	\$ 6,960.00
Nov-18	320	277	\$ 6,910.00
Dec-18	443	259	\$ 6,440.00
Grand Total	4,475	3,368	\$ 83,915.00

Return Fee Amount	Count
Return Fee \$20.00	57
Return Fee \$25.00	3311

Month	Returned Payment Count	Return Fee Charged Count	Return Fees Sum
Jan-19	402	325	\$ 8,105.00
Feb-19	337	278	\$ 6,940.00
Mar-19	341	282	\$ 7,000.00
Apr-19	339	292	\$ 7,275.00
May-19	433	298	\$ 7,430.00
Jun-19	285	242	\$ 6,045.00
Jul-19	267	235	\$ 5,845.00
Aug-19	281	238	\$ 5,940.00
Sep-19	247	210	\$ 5,205.00
Oct-19	335	260	\$ 6,485.00
Nov-19	287	237	\$ 5,900.00
Dec-19	314	257	\$ 6,410.00
Grand Total	3,868	3,154	\$ 78,580.00

Return Fee Amount	Count
Return Fee \$20.00	54
Return Fee \$25.00	3100

Month	Returned Payment Count	Return Fee Charged Count	Return Fees Sum
Jan-20	427	361	\$ 9,025.00
Feb-20	356	305	\$ 7,625.00
Mar-20	331	268	\$ 6,700.00
Apr-20	421	228	\$ 5,700.00
May-20	191	158	\$ 3,950.00
Jun-20	174	152	\$ 3,800.00
Jul-20	196	155	\$ 3,875.00
Aug-20	221	160	\$ 4,000.00
Sep-20	230	187	\$ 4,675.00
Oct-20	211	178	\$ 4,450.00
Nov-20	191	147	\$ 3,675.00
Dec-20	259	220	\$ 5,500.00
Grand Total	3,208	2,519	\$ 62,975.00

Return Fee \$25.00

Month	Returned Payment Count	Return Fee Charged Count	Return Fees Sum
Jan-21	204	191	\$ 4,775.00
Feb-21	199	185	\$ 4,625.00
Mar-21	183	167	\$ 4,175.00
Apr-21	191	181	\$ 4,525.00
May-21	165	149	\$ 3,725.00
Jun-21	156	145	\$ 3,625.00
Jul-21	174	162	\$ 4,050.00
Aug-21	200	186	\$ 4,650.00
Sep-21	212	201	\$ 5,025.00
Oct-21	236	222	\$ 5,550.00
Nov-21	236	223	\$ 5,575.00
Dec-21	187	162	\$ 4,050.00
Grand Total	2,343	2,174	\$ 54,350.00

Return Fee \$25.00

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 6
Question No. 6-03
Page 1 of 1

REQUEST:

Refer to Atmos's response to Commission Staff's Fifth Request for Information, Item 6. Indicate whether Atmos would consider changing its policy to waive previously assessed late fees when a pledge or notice of low income assistance is received for the bill the late fees applied to since not doing so drains the amount of funds available to low income assistance agencies.

RESPONSE:

The Company would consider changing its policy. The Company would suggest to do so outside the context of this rate case filing to work in conjunction with the Commission and how it would be best applied with the low income assistance options available and reflect any changes in the Company's next case.

Alternatively to a piecemeal approach of scenarios when late payment fees are applicable, the Company would consider changing its policy to eliminate late fees from its tariff altogether, and to recover the revenue through base rates. Please see the Company's response to Staff DR No. 3-11 subpart (b) for the revenue adjustment. The Company would also suggest this same approach for miscellaneous service charges as well. For this alternative approach, the Company would recommend the policy be applied within this rate case in order to reallocate revenues to base rates.

Respondent: Brannon Taylor

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 6
Question No. 6-04
Page 1 of 2

REQUEST:

Refer to Atmos's response to Commission Fifth Request for Information, Item 8, regarding the amount of revenue from each non-recurring charge by month for April 1, 2021, to present.

- a. Confirm that Atmos did not assessed the following fees from April 1, 2021 to present: turn-ons, seasonal reconnects, delinquent service reconnects, and late payment charges.
- b. If confirmed, explain why none of these fees were charged from April 1, 2021 to present?
- c. Explain whether Atmos has any turn-ons or seasonal reconnects during the period April 1, 2021 to present.
- d. If so, explain why Atmos has not charged for this service.
- e. Explain whether Atmos has resumed disconnecting customers for non-payment.
- f. If so, explain why Atmos has not charged for this service.
- g. If not, explain when Atmos plans to resume disconnecting customers for non-payment.
- h. Explain whether Atmos has resumed assessing late payment charges.
- i. If not, explain when Atmos plans to resume assessing late payment charges.

RESPONSE:

- a. Confirmed. Please see Attachment 1. December 2021 figures are preliminary.
- b. Waiver of these fees is pursuant to and/or consistent with Atmos Energy's COVID-19 safety protocols and community support efforts, as well as the public policy of the Commonwealth of Kentucky responsive to the pandemic. Specifically, it supports guidelines for social distancing, minimizing in-person contacts for non-emergencies, and financial support for those experiencing financial hardships during the pandemic.
- c. The Company has experienced both turn-ons or seasonal reconnects during the period April 1, 2021 to present.

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 6
Question No. 6-04
Page 2 of 2

- d. Please see Company's response to subpart (b).
- e. The Company resumed its dunning activities on June 2, 2021.
- f. Please see Company's response to subpart (b).
- g. The Company resumed its dunning activities June 2, 2021.
- h. The Company has not resumed assessing late payment charges as of December 2021.
- i. The Company currently has no timetable proposed for a return to assessing late payment charges.

ATTACHMENT:

ATTACHMENT 1 - Staff_6-04_Att1 - Misc. Revenue Charges April 2021 - December 2021 (Prelim).xls, 1 Page.

Respondent: Joe Christian and Brannon Taylor



Business Area 0009
 Company Code 0050
 Fiscal Year Variant A3
 Fiscal year/period Period 07 2021; Period 08 2021; Period 09 2021; Period 10 2021; Period 11 2021; Period 12 2021; Period 01 2022; Period 02 2022; Period 03 2022
 G/L Account Forfeited discounts; Miscellaneous servic
 InfoProvider 2HFMBHK3E28A9UQR9WHVQBE10A0; ZBI_ED01; ZFICA_C79; ZFICA_S07; ZFICA_SG0; ZFICA_SG1; ZFICA_SG2; ZFICA_SG3; ZFIGL_A02; ZFIGL_A03; ZSS_S02; ZSS_S03; ZSS_S04; ZSS_S05; ZSS_S06
 Origin of Documer IR4; IR9

						Calendar Year/Month	04/2021	05/2021	06/2021	07/2021	08/2021	09/2021	10/2021	11/2021	12/2021	Overall Result
							Other Revenue	Other Revenue	Other Revenue	Other Revenue	Other Revenue	Other Revenue	Other Revenue	Other Revenue	Other Revenue	Other Revenue
Company Code	Business Area	G/L Account	Sub-Transaction			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
0050	Kentucky / Mid States	0009	Kentucky	Forfeited discounts	ATMS/487031201	Late Payment Charge	-2,258.26	-4,257.52	-1,368.27	-916.79	-37.01	-157.31	-52.71	-40.32	-27.65	-9,115.84
						Result	-2,258.26	-4,257.52	-1,368.27	-916.79	-37.01	-157.31	-52.71	-40.32	-27.65	-9,115.84
				Miscellaneous servic	ATMS/488031301	Meter Read Fee - No tax	3,924.00	3,456.00	4,584.00	4,416.00	4,044.00	4,068.00	4,872.00	3,036.00		36,780.00
						Meter Set Fee - No tax	1,224.00	1,360.00	986.00	1,190.00	1,598.00	2,720.00	5,678.00	4,794.00	3,026.00	22,576.00
						Return Charge Receivable	4,775.00	4,000.00	3,975.00	4,275.00	4,950.00	5,300.00	6,025.00	5,875.00	4,050.00	43,225.00
						Turn on Service Fee-No tax	-23.00	-23.00								-46.00
						Result	9,900.00	8,793.00	9,545.00	9,881.00	10,592.00	12,088.00	16,083.00	15,541.00	10,112.00	102,535.00

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 6
Question No. 6-05
Page 1 of 1

REQUEST:

Refer to the Rebuttal Testimony of Joe T. Christian (Christian Rebuttal Testimony), pages 28 and 29 and Atmos's response to the Attorney General's First Request for Information, Item 2. Confirm that the amounts Atmos removed from American Gas Association and Chamber of Commerce dues are the amount estimated by these associations for lobbying expenses which are not tax deductible for federal income tax purposes. If confirmed, explain whether these amounts exclude all lobbying, regulatory advocacy and public relations expenses. If this cannot be confirmed, explain the basis for these adjustments.

RESPONSE:

The Company can confirm that the amounts removed are identified by the AGA and the Chamber of Commerce as the portion of dues that should be considered lobbying expenses for tax purposes and regulatory purposes.

Atmos Energy asserts that any regulatory advocacy and public relations expenses that provide primary benefit to the members of these organizations (rather than primary benefits to the customers of the members and the communities they serve) are captured in those lobbying expenses.

The AGA is an organization whose engagement in the issues that affect our industry has a direct benefit to the customers we serve. These primary points of advocacy can be found at the following website: www.aga.org/about/advocacy/advocacy-priorities/. Each of these priorities provides value to the customers we serve through safe, reliable, affordable, and responsible service that is consistent with the public interest.

These costs facilitate the safe operation of our system and are appropriate for inclusion in rates.

The Chamber of Commerce does not engage in regulatory advocacy to our knowledge and does not report on expenses that may be associated with "public relations." However, our membership in the Chamber of Commerce supports the communities we serves and therefore provides benefit to our customers.

Respondent: Joe Christian

Case No. 2021-00214
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 6
Question No. 6-06
Page 1 of 1

REQUEST:

Refer to the Direct Testimony of Joe T. Christian (Christian Direct Testimony), pages 36–37, the Christian Rebuttal Testimony, pages 29–31, and the Commission’s September 21, 2020 in Case No. 2020-00085.²

- a. Confirm that the Commission established a moratorium for disconnections for non-payment and late payment fees, not collections.
- b. Confirm that all Commission moratoriums were lifted by December 31, 2020, at the latest. If confirmed, explain why moratoriums that expired in 2020 affect Atmos’s forecasted test period.

RESPONSE:

- a. Confirm. The Commission, in Case No. 2020-00085 issued an order on March 30, 2020 to cease disconnections for non-payment and ordered utilities to waive late payment charges.
- b. The Company can confirm that the Commission followed up on its March 16, 2020 order in regards to disconnections but did note in its order, "Based on the foregoing, the Commission lifts its moratorium on utility disconnects for on payment beginning October 20, 2020, with the following caveats and conditions. Although utilities under the Commission’s jurisdiction may choose to disconnect for nonpayment of service, subject to the conditions herein, nothing in this Order should be construed as requiring utilities to do so." (Page 6). The Company used its best judgment in regards to the reinstatement of dunning activities in each of its jurisdictions, balancing the needs of customers impacted by job loss and the needs of leniency during these unusual circumstances with the need to be enforce reasonable terms of service, including timely bill payment. To that end, the Company did not reinstitute dunning procedures in Kentucky until June 2, 2021 and began by prioritizing higher outstanding amounts due. For reasons explained in Mr. Christian's Direct and Rebuttal testimony in the sections cited, the ability to forecast a reasonable amount of bad debt expense is hindered and thus a tracker mechanism is proposed to balance the needs of the customer and the Company.

Respondent: Joe Christian

² Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020).

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REQUEST:

Refer to the Christian Direct Testimony, pages 36–37, the Christian Rebuttal Testimony, pages 29–31, and Atmos’s response to Commission Staff’s Second Request for Information in Case No. 2020-00085 (filed Jan. 14, 2021).

- a. Confirm that Atmos’s on time payments did not vary significantly from 2017-2020. If this cannot be confirmed, explain what Atmos considers to be a significant deviation.
- b. Provide the percentage of on time payments for all available months of 2021.

RESPONSE:

- a. Confirmed.
- b. Please see Attachment 1 for the months of January to November 2021. Final December 2021 information will not be available until books are closed in mid-January 2022.

ATTACHMENT:

ATTACHMENT 1 - Staff_6-07_Att1 - On Time Payments Jan 2021 - Nov 2021

Respondent: Joe Christian

Atmos Energy Corporation, Kentucky
 Percentage of Customers Payment on Time
 Jan 2021 - Nov 2021

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Commercial Sales	97.62%	97.72%	97.61%	97.31%	97.35%	97.52%	97.83%	98.16%	98.11%	98.06%	98.19%	
Industrial Sales	96.94%	99.14%	98.20%	98.21%	97.36%	96.07%	97.17%	98.22%	97.74%	98.18%	97.73%	
Public Authority Sales	99.22%	99.54%	99.36%	99.61%	99.67%	99.61%	99.28%	99.74%	98.76%	98.75%	98.95%	
Residential Sales	87.22%	87.40%	87.85%	87.57%	89.32%	90.19%	89.88%	90.58%	90.51%	91.07%	91.65%	
Transportation	93.46%	93.43%	95.77%	94.39%	87.20%	90.52%	95.75%	95.28%	94.79%	95.75%	76.89%	
All Classes	88.40%	88.57%	88.97%	88.69%	90.22%	91.01%	90.76%	91.42%	91.34%	91.84%	92.35%	

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REQUEST:

Refer to the Direct Testimony of Dylan W. D'Ascendis (D'Ascendis Testimony), page 7, lines 13–18, and pages 9–12, generally; to Atmos's responses to Staff's First Request for Information (Staff's First Request), Item 35; and to Atmos's responses to Staff's Second Request for Information (Staff's Second Request), Item 5. Explain whether any of Atmos' business or financial risks have changed since Atmos's last rate case filing, or the beginning of this proceeding, which would impact investor's perceived required rate of return.

RESPONSE:

It is Mr. D'Ascendis' understanding that the Atmos Energy's specific risks have not changed significantly since the Commission issued its order in the Company's prior rate case in May 2019. However, as discussed in the Company's response to Staff DR No. 6-10, the effects of the COVID-19 pandemic have increased uncertainty and therefore, risk.

Respondent: Dylan D'Ascendis

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REQUEST:

Refer to the D'Ascendis Testimony, pages 3–4, lines 13-18 and 1–2, respectively; and to Atmos's responses to Staff's First Request, Items 36a, 36b, and 37.

- a. Explain the specific additional risks faced by pure-play gas distribution utilities that differ from combination (electric and gas) utilities and water utilities.
- b. Provide an analysis into the overall risk of Atmos as compared to Louisville Gas and Electric Company - a combination gas and electric utility that similarly operates in Kentucky.

RESPONSE:

- a. As a preliminary matter, the purpose in selecting a proxy group of companies is to develop a group of companies that are highly representative of the risks and prospects faced by Atmos Energy. Although combination gas and electric utilities may share characteristics in common with natural gas utility companies, they face significantly different operational risks.

The price of alternative energy sources indicates that natural gas utilities face competitive pressures from other energy sources and suppliers. Water utilities do not face similar risks, because there is no substitute for water. Further, because water is generally directly consumed by customers it must be treated before it is delivered. Also, water consumption is generally highest during warmer months, the opposite of natural gas usage.

- b. Louisville Gas & Electric ("LG&E") has credit ratings of A- and A3 from S&P and Moody's, respectively. Atmos Energy's credit ratings are A- from S&P and A1 from Moody's. From that perspective, LG&E has the same S&P credit rating and a somewhat lower credit rating from Moody's.

As shown in Exhibit DWD-2, Schedule DWD-1.35, Atmos Energy's proposed rate base is approximately \$596 million. LG&E's current authorized rate base is approximately \$4,531 million.⁴ Atmos Energy's smaller size relative to LG&E indicates greater relative business risk for the Company because, all else being equal, size has a material bearing on risk.⁵

⁴ Based on the combined rate base for LG&E's electric and gas operations from Case No. 2020-00350.

⁵ Specifically, as discussed on pages 43-47 of Mr. D'Ascendis' Direct Testimony and pages 36-39 of his Rebuttal Testimony, there is a link between size and risk for utility companies.

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As to the capital structures for the companies, as noted in Mr. D'Ascendis' Rebuttal Testimony, page 58, LG&E had an equity ratio of 56.28% in 2020 and as shown in Mr. D'Ascendis' Rebuttal Testimony, Schedule DWD-11.3, Atmos Energy's equity ratio in 2020 was 58.75%. From that perspective, LG&E has somewhat more debt in its capital structure.

Based on those metrics, it appears that LG&E's and Atmos Energy's credit ratings and equity ratios are similar, and Atmos Energy is significantly smaller than LG&E. In Mr. D'Ascendis' opinion, Atmos Energy would have increased risk compared to LG&E based on these measures.

Respondent: Dylan D'Ascendis

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REQUEST:

Refer to the D'Ascendis Testimony, generally.

- a. Explain whether and how COVID-19 continues to affect investor decisions and the market.
- b. Explain whether investors and ratings agencies read Commission Orders and are generally familiar with the regulatory climate in Kentucky.
- c. Explain whether any ratings agency has downgraded, or marked a utility in a negative fashion as the result of a Commission approving a settlement ROE that is lower than what the utility originally requested. If so, provide the ratings report.

RESPONSE:

- a. As discussed on page 4 of Mr. D'Ascendis' Direct Testimony, the ROE models used to estimate the Company's ROE are based on market data. Given that, the ROE models reflect the current and expected capital market conditions, including the effects of the COVID-19 pandemic. As further stated on pages 4 and 5 of Mr. D'Ascendis' Direct Testimony, the wide range of results provided by the cost of common equity models may reflect the increased uncertainty associated with the COVID-19 pandemic. As shown on page 3 of Mr. D'Ascendis' Rebuttal Testimony, the ROE model results continue to fall over a wide range. However, those results have generally trended upward relative to the ROE model results presented in Mr. D'Ascendis' Direct Testimony, which suggests that the ROE has increased throughout the course of this rate case.

As a direct result of the effects of the COVID-19 pandemic, there has been a significant increase in inflation due to numerous factors, including, but not limited to, increasing money supply through government stimulus, supply chain disruptions, and pent-up demand.

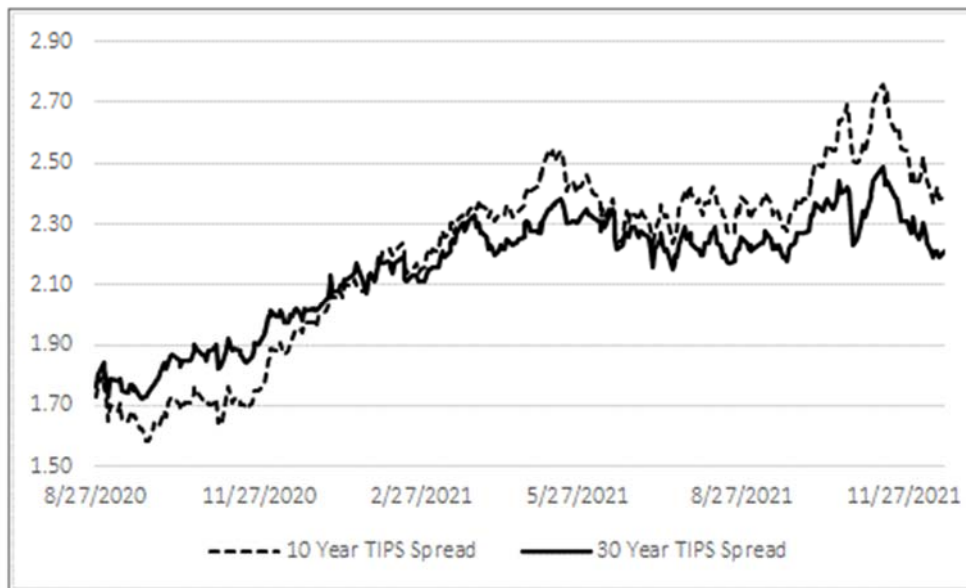
Contributing to the higher rate of inflation, on August 27, 2020, Federal Reserve Chair Jerome H. Powell released a statement noting that the Federal Open Market Committee will adopt an approach towards inflation that "could be viewed as a flexible form of average inflation targeting", meaning that following periods in which inflation has run below 2.00%, "appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time."⁶

⁶ New Economic Challenges and the Fed's Monetary Policy Review, Remarks by Jerome H. Powell, Chair Board of Governors of the Federal Reserve System, August 27, 2020.

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Since Mr. Powell's remarks, the breakeven inflation rate, represented as the ten-year and 30-year Treasury Inflation-Protected Securities spreads, has increased from 1.73% and 1.76%, respectively, to 2.39% and 2.21% respectively, as of December 20, 2021. Over that period, the spreads reached as high as 2.76% and 2.49% for the 10- and 30-year Treasury, respectively. Further, as shown in Chart 1 below, breakeven inflation has trended upward since the Federal Reserve's policy change at a relatively consistent pace.

Chart 1: Breakeven Inflation Since August 27, 2020⁷



Further, looking to other measures of inflation such as the Personal Consumption Expenditures Index, both with and without food and energy costs, the quarterly increase from Q2 2021 to Q3 2021 were the highest it has been since approximately 1980.⁸

Inflation plays several roles on the market and on volatility. As noted in the Federal Open Market Committee's Minutes of the Meeting of November 2-3, 2021:

⁷ Source: Federal Reserve (<https://www.federalreserve.gov/datadownload/>)

⁸ Bureau of Economic Analysis.

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Market participants' views on the expected path for the federal funds rate over the next few years—implied by a straight read of overnight index swap quotes—rose substantially since the September FOMC meeting, apparently in response to perceived risks of higher inflation. Those risks also contributed to increases in Treasury yields, with 2-, 5-, and 10-year yields rising notably on net.⁹

Broad equity indexes increased, on net, over the intermeeting period. Perceptions of increased risks related to inflation were more than offset by a short-term resolution of the debt ceiling, a decrease in perceived risks related to the effect of the pandemic on the pace of the economic recovery, and stronger-than-expected third-quarter earnings. The VIX declined notably to near pre-pandemic levels. Spreads on corporate bonds were little changed, on net, over the intermeeting period and remained at low levels. Spreads of municipal bonds narrowed slightly.

As noted above, it is clear the impact of inflation is be felt both on interest rate expectations and on investor's perception of risk. First, as costs for goods rise, investors will require increased returns in order to forgo spending, or otherwise risk failing to earn returns suitable enough to keep up with those rising costs. Second, the risk of increased costs, and how those impacts will ultimately impact earnings, spending, savings, etc., is still largely unknown. That uncertainty produces increased volatility.

Generally, when inflation is increasing, central banks will attempt to raise interest rates by reducing bond buying programs or increasing their interbank offered rates in an attempt to keep inflation at target levels (a long-term average of 2.00%, as noted above). Over the period 1947-2020, the relationship between inflation, as measured by the year-over-year change in the CPI and interest rates had a 0.63 correlation coefficient, showing a strong positive relationship, which is statistically significant.

Looking at the yearly growth in the CPI and the corresponding authorized ROEs for natural gas utilities, resulted in a correlation of 0.64, which is also statistically significant.

⁹ Minutes of the Federal Open Market Committee, November 2-3, 2021, at page 5.

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- b. Commission orders are publicly available, and it is highly likely that investors and credit rating agencies are at least generally aware of them. The regulatory environment is one of the most important issues considered by both debt and equity investors in assessing the risks and prospects of utility companies. Moody's finds the regulatory environment to be so important that 50.00% of the factors that weigh in the Company's ratings determination are determined by the nature of regulation.¹⁰ Similarly, S&P has noted that:

The assessment of regulatory risk is perhaps the most important factor in Standard & Poor's Ratings Services' analysis of a U.S. regulated, investor-owned utility's business risk. Each of the other four factors we examine--markets, operations, competitiveness, and management--can affect the quality of the regulation a utility experiences, but we believe the fundamental regulatory environment in the jurisdictions in which a utility operates often influences credit quality the most.¹¹

Because of this, it is highly likely that investors and credit rating agencies are at least generally familiar with the regulatory climate in Kentucky.

- c. Settlement agreements are a result of good faith negotiations and represent the resolution of several issues between parties. The results of a settlement agreement are likely to be different than the outcome of a litigated rate case. Mr. D'Ascendis is unaware of a specific instance in which a regulatory commission approved a settlement ROE and a credit rating agency subsequently downgraded the subject company.

Respondent: Dylan D'Ascendis

¹⁰ See, Moody's Investors Service, *Rating Methodology; Regulated Gas and Electric Utilities*, June 23, 2017, at 4.

¹¹ Standard & Poor's, *Utilities: Assessing U.S. Utility Regulatory Environments*, November 15, 2011.

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REQUEST:

Refer to the D'Ascendis Testimony, pages 20–21, lines 3–21 and 1–11, respectively; and to Atmos's responses to Staff's Second Request, Item 38. Provide a list of states where the PRPM has been specifically addressed and a copy of the relevant Commission Order.

RESPONSE:

Please see the Company's response to AG DR No. 1-66 subpart (b) and the attachments referenced therein.

Respondent: Dylan D'Ascendis

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REQUEST:

Refer to the D'Ascendis Testimony, pages 43–50. Explain whether Atmos is aware of any rating agencies or other similar industry observer singling out this Commission for awarding abnormally low or punitive ROEs.

RESPONSE:

Mr. D'Ascendis is unaware of a rating agency or other industry observer that has made statements regarding the Commission issuing abnormally low ROEs. However, Regulatory Research Associates (“RRA”) recently noted:

In RRA's view, the Kentucky regulatory climate bears continued watching, since there has been turnover in recent months at the Kentucky Public Service Commission, and several rate cases filed in mid-2021 have yet to be resolved. In addition, American Electric Power Co. Inc. recently announced it has agreed to sell its Kentucky Power Co. subsidiary to Algonquin Power & Utilities Corp. PSC approval is required for the transaction to be completed.¹²

Respondent: Dylan D'Ascendis

¹² Federico, Lillian, *Looking ahead to 2022, certain regulatory jurisdictions bear watching*, RRA Regulatory Focus, December 20, 2021.

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REQUEST:

File a copy of the most recent available RRA Regulatory Focus - Major Rate Case Decisions published by S&P Global Market Intelligence.

RESPONSE:

Please see Confidential Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Staff_6-13_Att1 - Major Energy Rate Case Decisions -Jan thru Sept 2021 (CONFIDENTIAL).pdf, 8 Pages.

Respondent: Joe Christian

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REQUEST:

Refer to the Direct Testimony of Brannon C. Taylor, generally; and to Atmos's responses to Staff's Second Request, Item 56. Explain whether Atmos has ever conducted a study in Kentucky to quantify the likelihood of by-pass. If so, provide a copy of the study.

RESPONSE:

Yes. Atmos Energy filed a bypass analysis study for its special contract customers in Case No. 2016-00052, as required by the Commission in the Final Order in Case No. 2013-00148. These studies are available in Case No. 2016-00052.

Respondent: Brannon Taylor

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REQUEST:

Refer to Atmos's response to Commission Staff's Third Request for Information, Item 25 in Case No. 2018-00281,³ including confidential Attachments 1 and 2 provided in response to that request.

- a. Provide updated versions of Attachment 1 and Attachment 2 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible for each of tax year ending in 2008 through 2021.
- b. Assuming that all of the timing differences reflected in Attachment 1 and Attachment 2 for each year resulted in a net operating loss (NOL) carryforward (i.e. no portion of the timing differences were used to reduce federal tax expense), provide the total NOL carryforward that Atmos contends could have been generated in each year from the timing differences attributable to Atmos's Kentucky operations, and explain each basis for Atmos's contention.

RESPONSE:

- a. Please see Confidential Attachment 1 FXA02 Summary by Year and Confidential Attachment 2 Bonus Summary by Year.
- b. Please refer to Company Response to AG 2-16, Attachment 1 and Attachment 2 as well as the response to subpart (b) for the explanation as to regarding why the proper amount of NOL generated is attributable to regulated operations. Attachment 1 to AG 2-16 indicates that the Company has had positive book income in each fiscal year after 2008, and the book/tax depreciation adjustments resulted the Company to a cumulatively net operating loss position. Without the book/tax depreciation adjustment contributed to utility net operating loss in each tax year after 2008, the Company would have had a cumulative taxable income as indicated on line 15. As noted in AG 2-16 subpart (b), the schedule is prepared based on the principle of the second ruling provided as Attachment 2 (page 3) of AG 2-16 that "*the use of any method other than the "last dollars deducted" method would be inconsistent with the Normalization Rules*".

Since Atmos Energy files a consolidated tax return which includes both utility and non-regulated operations. The utility NOL represents losses resulting from utility operations, which has been allocated to Kentucky operations based on the agreed upon composite rate of shared costs from Shared Services each year.

³ Case No. 2018-00281, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (filed Jan. 11, 2019), Atmos's Responses to Commission Staff's Third Request for Information.

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ATTACHMENTS:

ATTACHMENT 1 - Staff_6-15_Att1 - FXA02 Summary by Year (CONFIDENTIAL).xlsx, 5 Pages.

ATTACHMENT 2 - Staff_6-15_Att2 - Bonus Summary by Year (CONFIDENTIAL).xlsx, 2 Pages.

Respondent: Joel Multer