JOHN N. HUGHES

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October 14, 2022

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

Re: Atmos Energy Corporation
Case No. 2022-00222

Dear Ms. Bridwell:

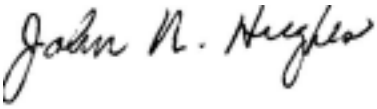
Atmos Energy Corporation submits its response to the Staff's Second Data Request and a petition for confidentilaity. I certify that the electronic documents are true and correct copies of the original documents.

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

Submitted By:

Mark R. Hutchinson
Wilson, Hutchinson & Littlepage
611 Frederica Street
Owensboro, KY 42301
(270) 926-5011
randy@whplawfirm.com

And



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Attorneys for Atmos Energy Corporation

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERTVICE COMMISSION

In the Matter of:

Application of Atmos Energy Corporation	**)**	
To Establish PRP Rider Rates for the	**)**	**Case No. 2022-00222**
Twelve Month Period Beginning	**)**	
October 1, 2022	**)**	

PETITION FOR CONFIDENTIALITY

Atmos Energy Corporation ("Atmos Energy' or "Company"), by counsel, petitions the Kentucky Public Service Commission ("Commission"), pursuant to 807 KAR 5:001, Section 13, and all other applicable law, for confidential treatment of the information contained in the Company's Response 2-15. In support of this petition, Atmos Energy states as follows:

1. DR 2-15 requests an update showing the calculation of Atmos's share of any savings or expense for any historical month since the PBR report was filed. Response 2-15 includes disclosure of the volumes purchased, discounts on gas purchases and transportation. This response provides a competitor with information detailing Atmos Energy's gas purchasing and pricing as well as the discounts associated with the PBR. This information has been redacted in its entirety.

2. This type of information is entitled to confidential protection.

3. The information for which confidentiality is sought is entitled to protection under KRS 61.878 (1)(c) 1. which provides that "...records confidentially disclosed to an agency or required by any agency to be disclosed to it, generally recognized as confidential or

proprietary, which is openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records..."shall remain confidential unless otherwise ordered by a court of competent jurisdiction.

The natural gas industry is very competitive. Atmos Energy has active competitors, who could use this information to their advantage and to the direct disadvantage of Atmos. All of the information sought to be protected as confidential if publicly disclosed would have serious adverse consequences to Atmos and its customers. Public disclosure of this information would impose an unfair commercial disadvantage on Atmos. Atmos has successfully negotiated extremely advantageous gas supply contracts that are very beneficial to Atmos and its ratepayers. Detailed information concerning the discounts associated with those contracts, if made available to Atmos' competitors, (including specifically non-regulated gas marketers), would clearly put Atmos to an unfair commercial disadvantage. Those competitors for gas supply would be able to gain information that is otherwise confidential about Atmos' gas purchases and marketing strategies.

4. Atmos would not as a matter of company policy disclose any of the information for which confidential protection is sought to any person or entity, except as required by law or pursuant to a court order or subpoena. Atmos' internal practices and policies are directed towards non-disclosure of this information. In fact, the information contained in the attached report is not disclosed to any personnel of Atmos except those who need to know in order to discharge their responsibility. Atmos has never disclosed such information publicly. This information is not customarily disclosed to the public and is generally recognized as confidential and proprietary in the industry.

5. There is no significant interest in public disclosure of the attached information. Any public interest in favor of disclosure of the information is outweighed by the competitive interest in keeping the information confidential.

6. The attached information is also entitled to confidential treatment because it constitutes a trade secret under the two prong test of KRS 365.880: (a) the economic value of the information as derived by not being readily ascertainable by other persons who might obtain economic value by its disclosure; and, (b) the information is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The economic value of the information is derived by Atmos maintaining the confidentiality of the information since competitors and entities with whom Atmos transacts business could obtain economic value by its disclosure.

7. Pursuant to 807 KAR 5:001 (13) confidentiality of the attached information should be maintained 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 information remain secure.

For these reasons, Atmos Energy requests that the items identified in this petition be treated as confidential. 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.

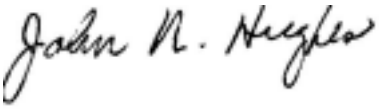
WHEREFORE, Atmos petitions the Commission to treat as confidential all of the material and information which is included in the Company's Response 2-

Submitted this 14th day of October, 2022

Submitted By:

Mark R. Hutchinson
Wilson, Hutchinson & Littlepage
611 Frederica Street
Owensboro, KY 42301
(270) 926-5011
randy@whplawfirm.com

And



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Attorneys for Atmos Energy Corporation

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY CORPORATION TO ESTABLISH PRP RIDER RATES FOR THE TWELVE MONTH PERIOD BEGINNING OCTOBER 1, 2022	))))	CASE NO. 2022-00222

CERTIFICATE AND AFFIDAVIT

The Affiant, Timothy (Ryan) Austin, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

Timothy R. Austin

STATE OF KENTUCKY

COUNTY OF DAVIESS

SUBSCRIBED AND SWORN to before me by Timothy R. Austin on this the 13th day of October, 2022.

ROBERT MURPHY
STATE OF TENNESSEE
NOTARY PUBLIC
OBION COUNTY

Notary Public

My Commission Expires: 3-22-23

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY CORPORATION TO ESTABLISH PRP RIDER RATES FOR THE TWELVE MONTH PERIOD BEGINNING OCTOBER 1, 2022	))))	CASE NO. 2022-00222

CERTIFICATE AND AFFIDAVIT

The Affiant, Dylan W. D'Ascendis, being duly sworn, deposes and states that the attached responses to Commission Staff's second 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 18th day of October, 2022.

MEGAN HALE
Notary Public - State of New Jersey
My Commission Expires Apr 3, 2026

Notary Public

My Commission Expires: Apr. 03, 2026

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY CORPORATION TO ESTABLISH PRP RIDER RATES FOR THE TWELVE MONTH PERIOD BEGINNING OCTOBER 1, 2022	))))	CASE NO. 2022-00222

CERTIFICATE AND AFFIDAVIT

The Affiant, Brannon C. Taylor, being duly sworn, deposes and states that the attached responses to Commission Staff's second 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 3rd day of October, 2022.

Pamela Pleasant

Notary Public

My Commission Expires: March 6, 2024

PAMELA PLEASANT
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

REQUEST:

Refer to the Application, Pipeline Replacement Program (PRP) Filing, Exhibit F. Confirm that the actual projected change in ADIT, excluding any forecasted change in net operating loss carryforwards (NOLC), arising from the PRP projects from October 1, 2022 through December 31, 2022 is ($966,971). If this cannot be confirmed, explain each basis why it cannot be confirmed.

RESPONSE:

Confirm.

Respondent: Brannon Taylor

REQUEST:

Refer to the Direct Testimony of Dylan W. D'Ascendis (D'Ascendis Testimony), page 18, lines 1-11 and Exhibit DWD-2, page 1. Provide an updated Exhibit DWD-2 by including dividend per share growth rates along with the earnings per share growth rates in the return on equity calculation.

RESPONSE:

As noted in Mr. D'Ascendis' Direct Testimony, page 18, lines 1-11, dividends per share are not appropriate for cost of capital purposes. However, please see Attachment 1 for the requested analysis. Mr. D'Ascendis used data as of May 31, 2022 to be consistent with his analysis presented with his Direct Testimony.

ATTACHMENT:

Staff_2-02_Att1 - Exhibit DWD-2 Dividend Analysis.pdf

Respondent: Dylan D'Ascendis

Atmos Energy Corporation
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for the
Proxy Group of Six Natural Gas Distribution Companies

Proxy Group of Six Natural Gas Distribution Companies	[1] Average Dividend Yield (1)	[2] Value Line Projected Five Year Growth in EPS (2)	[3] Value Line Projected Five Year Growth in DPS (2)	[4] Zack's Five Year Projected Growth Rate in EPS	[5] Yahoo! Finance Projected Five Year Growth in EPS	[6] Average Projected Five Year Growth(3)	[7] Adjusted Dividend Yield (4)	[8] Indicated Common Equity Cost Rate (5)
Atmos Energy Corporation	2.34 %	7.50 %	7.00 %	7.30 %	8.61 %	7.60 %	2.43 %	10.03 %
New Jersey Resources Corporation	3.22	5.00	5.00	6.00	6.00	5.50	3.31	8.81
NiSource Inc.	3.06	9.50	4.50	7.20	7.18	7.10	3.17	10.27
Northwest Natural Holding Company	3.72	6.50	0.50	4.70	5.90	4.40	3.80	8.20
ONE Gas, Inc.	2.85	6.50	6.50	5.00	5.00	5.75	2.93	8.68
Spire Inc.	3.74	9.00	5.00	5.00	4.30	5.83	3.85	9.68
							Average	9.28 %
							Median	9.24 %
							Average of Mean and Median	9.26 %

NA= Not Available
NMF= Not Meaningful Figure

Notes:

(1) Indicated dividend at 05/31/2022 divided by the average closing price of the last 60 trading days ending 05/31/2022 for each company.
(2) From pages 2 through 7 of this Attachment.
(3) Average of columns 2 through 5 excluding negative growth rates.
(4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for Atmos Energy Corporation, 2.34% x (1+(1/2 x 7.60%)) = 2.43%.
(5) Column 6 + column 7.

Source of Information:
Value Line Investment Survey
www.zacks.com Downloaded on 05/31/2022
www.yahoo.com Downloaded on 05/31/2022

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 113.16 | P/E RATIO 20.0 (Trailing: 21.0 Median: 20.0) | RELATIVE P/E RATIO 1.23 | DIV'D YLD 2.5% | VALUE LINE

TIMELINESS 3 Raised 2/18/22
SAFETY 1 Raised 6/6/14
TECHNICAL 1 Raised 5/20/22
BETA .80 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$83-$128	$106 (-5%)

2025-27 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	160	(+40%)	*11%*
Low	130	(+15%)	*6%*

Institutional Decisions

	1Q2021	2Q2021	3Q2021
to Buy	256	247	262
to Sell	258	223	217
Hld's(000)	107920	109549	114371

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
High:	35.6	37.3	47.4	58.2	64.8	82.0	93.6	100.8	115.2	121.1	105.3	123.0						
Low:	28.5	30.4	34.9	44.2	50.8	60.0	72.5	76.5	89.2	77.9	84.6	99.8						

LEGENDS
0.50 x Dividends p sh divided by Interest Rate
Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range 2025 2026 2027

Percent shares traded: 24, 16, 8

% TOT. RETURN 4/22

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.1	-7.2
3 yr.	20.2	37.2
5 yr.	58.6	58.7

																			© VALUE LINE PUB. LLC	25-27
75.27	66.03	79.52	53.69	53.12	48.15	38.10	42.88	49.22	40.82	32.23	26.01	28.00	24.32	22.41	25.73	*27.45*	*28.75*	Revenues per sh [A]	*35.50*
4.26	4.14	4.19	4.29	4.64	4.72	4.76	5.14	5.42	5.81	6.19	6.62	7.24	7.57	8.03	8.64	*9.05*	*9.75*	"Cash Flow" per sh	*11.95*
2.00	1.94	2.00	1.97	2.16	2.26	2.10	2.50	2.96	3.09	3.38	3.60	4.00	4.35	4.72	5.12	*5.50*	*5.90*	Earnings per sh [AB]	*7.30*
1.26	1.28	1.30	1.32	1.34	1.36	1.38	1.40	1.48	1.56	1.68	1.80	1.94	2.10	2.30	2.50	*2.72*	*2.92*	Div'ds Decl'd per sh [C] ■	*3.50*
5.20	4.39	5.20	5.51	6.02	6.90	8.12	9.32	8.32	9.61	10.46	10.72	13.19	14.19	15.38	14.87	*17.25*	*17.10*	Cap'l Spending per sh	*18.00*
20.16	22.01	22.60	23.52	24.16	24.98	26.14	28.47	30.74	31.48	33.32	36.74	42.87	48.18	53.95	59.71	*64.25*	*68.20*	Book Value per sh	*82.85*
81.74	89.33	90.81	92.55	90.16	90.30	90.24	90.64	100.39	101.48	103.93	106.10	111.27	119.34	125.88	132.42	*142.00*	*146.00*	Common Shs Outst'g [D]	*155.00*
13.5	15.9	13.6	12.5	13.2	14.4	15.9	15.9	16.1	17.5	20.8	22.0	21.7	23.2	22.3	18.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*20.0*
.73	.84	.82	.83	.84	.90	1.01	.89	.85	.88	1.09	1.11	1.17	1.24	1.15	1.00			Relative P/E Ratio	*1.10*
4.7%	4.2%	4.8%	5.3%	4.7%	4.2%	4.1%	3.5%	3.1%	2.9%	2.4%	2.3%	2.2%	2.1%	2.2%	2.6%			Avg Ann'l Div'd Yield	*2.4%*
3438.5	3886.3	4940.9	4142.1	3349.9	2759.7	3115.5	2901.8	2821.1	3407.5	*3900*	*4200*	Revenues ($mill) [A]	*6000*
192.2	230.7	289.8	315.1	350.1	382.7	444.3	511.4	580.5	665.6	*760*	*860*	Net Profit ($mill)	*1130*
33.8%	38.2%	39.2%	38.3%	36.4%	36.6%	27.0%	21.4%	19.5%	18.8%	*8.5%*	*17.5%*	Income Tax Rate	*25.0%*
5.6%	5.9%	5.9%	7.6%	10.5%	13.9%	14.3%	17.6%	20.6%	19.5%	*19.5%*	*20.5%*	Net Profit Margin	*18.8%*
45.3%	48.8%	44.3%	43.5%	38.7%	44.0%	34.3%	38.0%	40.0%	38.4%	*40.0%*	*40.0%*	Long-Term Debt Ratio	*40.0%*
54.7%	51.2%	55.7%	56.5%	61.3%	56.0%	65.7%	62.0%	60.0%	61.6%	*60.0%*	*60.0%*	Common Equity Ratio	*60.0%*
4315.5	5036.1	5542.2	5650.2	5651.8	6965.7	7263.6	9279.7	11323	12837	*15200*	*16600*	Total Capital ($mill)	*21400*
5475.6	6030.7	6725.9	7430.6	8280.5	9259.2	10371	11788	13355	15064	*16500*	*18000*	Net Plant ($mill)	*23000*
6.1%	5.9%	6.4%	6.6%	7.2%	6.4%	6.9%	6.1%	5.5%	5.5%	*6.0%*	*6.5%*	Return on Total Cap'l	*6.5%*
8.1%	8.9%	9.4%	9.9%	10.1%	9.8%	9.3%	8.9%	8.5%	8.4%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.0%*
8.1%	8.9%	9.4%	9.9%	10.1%	9.8%	9.3%	8.9%	8.5%	8.4%	*8.5%*	*8.5%*	Return on Com Equity	*9.0%*
2.8%	4.0%	4.7%	4.9%	5.1%	4.9%	4.8%	4.6%	4.4%	4.3%	*4.0%*	*4.5%*	Retained to Com Eq	*4.5%*
65%	56%	50%	51%	50%	50%	48%	48%	49%	49%	*51%*	*50%*	All Div'ds to Net Prof	*48%*

CAPITAL STRUCTURE as of 3/31/22
Total Debt $7959.0 mill. **Due in 5 Yrs** $2410.0 mill.
LT Debt $5757.6 mill. **LT Interest** $85.0 mill.
(LT interest earned: 10.8x; total interest coverage: 10.8x)
Leases, Uncapitalized Annual rentals $41.8 mill.

Pfd Stock None

Pension Assets-9/21 $596.8 mill.
Oblig. $596.0 mill.
Common Stock 139,015,012 shs.
as of 4/29/22

MARKET CAP: $15.7 billion (Large Cap)

CURRENT POSITION ($MILL.)	2020	2021	3/31/22
Cash Assets	20.8	116.7	582.5
Other	450.5	2722.0	2946.5
Current Assets	471.3	2838.7	3529.0
Accts Payable	235.8	423.2	354.0
Debt Due	.2	2400.5	2201.4
Other	546.4	686.7	653.0
Current Liab.	782.4	3510.4	3208.4
Fix. Chg. Cov.	1306%	1457%	1445%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '25-'27
Revenues	-7.5%	-10.0%	*6.5%*
"Cash Flow"	6.0%	7.0%	*7.0%*
Earnings	8.5%	8.5%	*7.5%*
Dividends	5.5%	8.0%	*7.0%*
Book Value	8.5%	11.0%	*7.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) [A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2019	877.8	1094.6	485.7	443.7	2901.8
2020	875.6	977.6	493.0	474.9	2821.1
2021	914.5	1319.1	605.6	568.3	3407.5
2022	1012.8	1649.8	*640*	*597.4*	*3900*
2023	*1060*	*1720*	*730*	*690*	*4200*

Fiscal Year Ends	EARNINGS PER SHARE [A B E] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2019	1.38	1.82	.68	.49	4.35
2020	1.47	1.95	.79	.53	4.72
2021	1.71	2.30	.78	.37	5.12
2022	1.86	2.37	*.82*	*.45*	*5.50*
2023	*2.02*	*2.43*	*.91*	*.54*	*5.90*

Cal-endar	QUARTERLY DIVIDENDS PAID [C] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	.485	.485	.485	.525	1.98
2019	.525	.525	.525	.575	2.15
2020	.575	.575	.575	.625	2.35
2021	.625	.625	.625	.68	2.56
2022	.68	.68			

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three million customers through six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Gas sales breakdown for fiscal 2021: 67.9%, residential; 26.8%, commercial; 3.6%, industrial; and 1.7% other. The company sold Atmos Energy Marketing, 1/17. Officers and directors own approximately .9% of common stock (12/21 Proxy). President and Chief Executive Officer: Kevin Akers. Incorporated: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy had a decent showing through the first half of fiscal 2022 (which ended last March 31st). Share net rose 5.5%, to $4.23, compared to $4.01 for the same period in fiscal 2021. That was brought about partly by the distribution unit, helped by favorable rate case outcomes and an expanded customer base. A substantially diminished effective income tax rate also benefited the company. But the performance of the pipeline and storage division was held back a bit by heightened operating expenses. Nevertheless, assuming that the second half goes fairly well for Atmos, full-year earnings stand to increase around 7%, to $5.50 a share, relative to fiscal 2021's $5.12 total. Regarding next year, share net might grow at a similar percentage rate, to $5.90, as operating margins widen further.

The Financial Strength rating is A+. When the second quarter concluded, cash and equivalents resided at $582.5 million. Also, long-term debt was manageable (roughly 40% of total capital) and short-term commitments did not appear to be a major obstacle. Furthermore, $2.2 billion in common stock and/or debt securities remained available for issuance (out of $5 billion) under a shelf registration statement expiring in June, 2024. Lastly, Atmos can access four revolving credit facilities aggregating $2.5 billion plus a $1.5 billion commercial paper program. So, there seems to be ample liquidity to satisfy working capital needs, capital expenditures, and other obligations for some time.

Prospects out to 2025-2027 appear encouraging. The company ranks as one of the nation's largest natural gas-only distributors, with more than three million customers across several states, including Texas, Louisiana, and Mississippi. Moreover, we think the pipeline and storage segment has promising overall growth opportunities, given that it operates in one of the most-active drilling regions in the world. The healthy balance sheet is another positive.

That said, these top-quality shares hold unimpressive long-term total return potential. Capital appreciation possibilities aren't exciting. Also, the dividend yield is below the average of *Value Line's* Natural Gas Utility group.

Frederick L. Harris, III *May 27, 2022*

(A) Fiscal year ends Sept. 30th. **(B)** Diluted shrs. Excl. nonrec. gains (loss): '10, 5¢; '11, (1¢); '18, $1.43; '20, 17¢. Excludes discontinued operations: '11, 10¢; '12, 27¢; '13, 14¢; '17, 13¢. Next egs. rpt. due early Aug. **(C)** Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. **(D)** In millions. **(E)** Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	100

NEW JERSEY RES. NYSE-NJR

RECENT PRICE **44.63** | P/E RATIO **19.1** (Trailing: 22.7 Median: 17.0) | RELATIVE P/E RATIO **1.18** | DIV'D YLD **3.2%** | **VALUE LINE**

TIMELINESS 4 Lowered 5/20/22
SAFETY 2 Lowered 4/17/20
TECHNICAL 3 Lowered 5/27/22
BETA .95 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$29-$55	$42 (-5%)

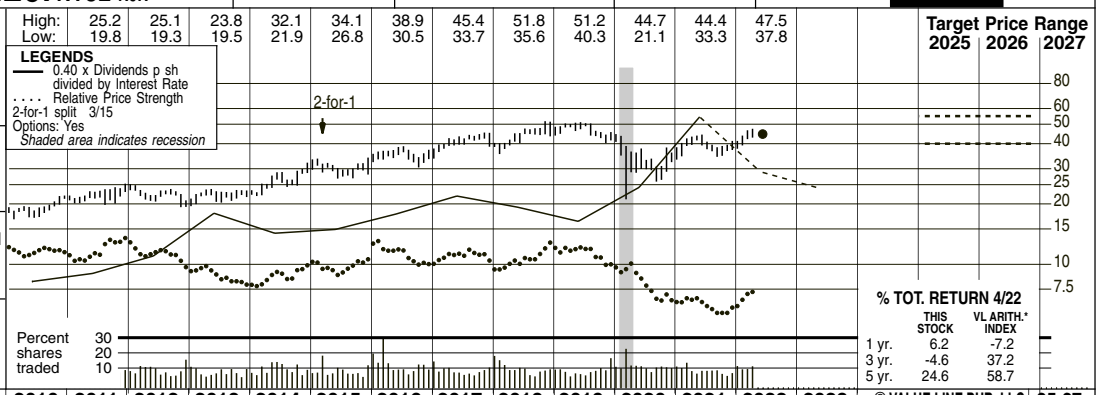
2025-27 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+25%)	*8%*
Low	40	(-10%)	*1%*

Institutional Decisions

	1Q2021	2Q2021	3Q2021
to Buy	105	102	109
to Sell	139	130	121
Hld's(000)	68468	68609	66131

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
	39.81	36.31	45.37	31.17	32.05	36.30	27.08	38.38	44.40	32.09	21.90	26.28	33.24	29.01	20.39	22.71	*25.50*	*25.95*	Revenues per sh [A]	*28.10*
	1.37	1.22	1.81	1.58	1.63	1.70	1.86	1.93	2.73	2.52	2.46	2.68	3.72	2.99	3.30	3.36	*3.65*	*3.75*	"Cash Flow" per sh	*4.25*
	.93	.78	1.35	1.20	1.23	1.29	1.36	1.37	2.08	1.78	1.61	1.73	2.72	1.96	2.07	2.16	*2.30*	*2.40*	Earnings per sh [B]	*2.80*
	.48	.51	.56	.62	.68	.72	.77	.81	.86	.93	.98	1.04	1.11	1.19	1.27	1.36	*1.45*	*1.49*	Div'ds Decl'd per sh [C] ■	*1.70*
	.64	.73	.86	.90	1.05	1.13	1.26	1.33	1.52	3.76	4.15	3.80	4.39	5.83	4.65	5.42	*5.35*	*5.30*	Cap'l Spending per sh	*5.50*
	7.50	7.75	8.64	8.29	8.81	9.36	9.80	10.65	11.48	12.99	13.58	14.33	16.18	17.37	19.26	17.18	*18.70*	*19.85*	Book Value per sh [D]	*23.15*
	82.88	83.22	84.12	83.17	82.35	82.89	83.05	83.32	84.20	85.19	85.88	86.32	87.69	89.34	95.80	94.95	*98.00*	*99.00*	Common Shs Outst'g [E]	*100.00*
	16.1	21.6	12.3	14.9	15.0	16.8	16.8	16.0	11.7	16.6	21.3	22.4	15.6	24.3	17.7	17.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*17.0*
	.87	1.15	.74	.99	.95	1.05	1.07	.90	.62	.84	1.12	1.13	.84	1.29	.91	.94			Relative P/E Ratio	*.95*
	3.2%	3.0%	3.3%	3.5%	3.7%	3.3%	3.4%	3.7%	3.5%	3.1%	2.9%	2.7%	2.6%	2.5%	3.5%	3.6%			Avg Ann'l Div'd Yield	*4.0%*
							2248.9	3198.1	3738.1	2734.0	1880.9	2268.6	2915.1	2592.0	1953.7	2156.6	*2500*	*2570*	Revenues ($mill) [A]	*2810*
							112.4	113.7	176.9	153.7	138.1	149.4	240.5	175.0	196.2	207.7	*225*	*240*	Net Profit ($mill)	*280*
							7.1%	25.4%	30.2%	26.3%	15.5%	17.2%	- -	- -	NMF	10.3%	*10.5%*	*10.5%*	Income Tax Rate	*10.5%*
							5.0%	3.6%	4.7%	5.6%	7.3%	6.6%	8.2%	6.7%	10.0%	9.6%	*9.1%*	*10.0%*	Net Profit Margin	*10.0%*
							39.2%	36.6%	38.2%	43.2%	47.7%	44.6%	45.4%	49.8%	55.1%	57.0%	*57.5%*	*57.0%*	Long-Term Debt Ratio	*56.5%*
							60.8%	63.4%	61.8%	56.8%	52.3%	55.4%	54.6%	50.2%	44.9%	43.0%	*42.5%*	*43.0%*	Common Equity Ratio	*43.5%*
							1339.0	1400.3	1564.4	1950.6	2230.1	2233.7	2599.6	3088.9	4104.2	3793.0	*4335*	*4565*	Total Capital ($mill)	*5310*
							1484.9	1643.1	1884.1	2128.3	2407.7	2609.7	2651.0	3041.2	3983.0	4213.5	*4145*	*4225*	Net Plant ($mill)	*4485*
							9.2%	9.0%	12.1%	8.6%	6.9%	7.7%	10.1%	6.4%	5.6%	6.5%	*6.5%*	*6.5%*	Return on Total Cap'l	*6.5%*
							13.8%	12.8%	18.3%	13.9%	11.8%	12.1%	16.9%	11.3%	10.6%	12.7%	*12.5%*	*12.0%*	Return on Shr. Equity	*12.0%*
							13.8%	12.8%	18.3%	13.9%	11.8%	12.1%	16.9%	11.3%	10.6%	12.7%	*12.5%*	*12.0%*	Return on Com Equity	*12.0%*
							6.2%	5.2%	11.0%	7.0%	4.8%	5.0%	10.2%	4.6%	4.3%	5.6%	*4.5%*	*4.5%*	Retained to Com Eq	*4.5%*
							55%	59%	40%	50%	60%	59%	40%	59%	60%	56%	*63%*	*62%*	All Div'ds to Net Prof	*61%*



CAPITAL STRUCTURE as of 3/31/22
Total Debt $2646.1 mill. **Due in 5 Yrs** $442.8 mill.
LT Debt $2319.4 mill. **LT Interest** $78.6 mill.
Incl. $6.0 mill. capitalized leases.
(LT interest earned: 5.0x; total interest coverage: 5.0x)
Pension Assets-9/21 $469.5 mill.
Oblig. $640.2 mill.
Pfd Stock None

Common Stock 96,152,712 shs.
as of 5/2/22
MARKET CAP: $4.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	**2020**	**2021**	**3/31/22**
Cash Assets	117.0	4.7	13.9
Other	505.3	629.6	542.1
Current Assets	622.3	634.3	556.0
Accts Payable	270.1	429.6	301.6
Debt Due	152.6	450.1	326.7
Other	111.0	171.7	253.8
Current Liab.	533.7	1051.4	882.1
Fix. Chg. Cov.	545%	545%	550%

ANNUAL RATES of change (per sh)	**Past 10 Yrs.**	**Past 5 Yrs.**	**Est'd '19-'21 to '25-'27**
Revenues	-3.0%	-6.0%	*2.5%*
"Cash Flow"	7.0%	4.5%	*5.0%*
Earnings	5.0%	2.5%	*5.0%*
Dividends	6.5%	6.5%	*5.0%*
Book Value	7.5%	7.0%	*4.5%*

Fiscal Year Ends	**QUARTERLY REVENUES ($ mill.) [A] Dec.31**	**Mar.31**	**Jun.30**	**Sep.30**	**Full Fiscal Year**
2019	811.8	866.2	434.9	479.1	2592.0
2020	615.0	639.6	299.0	400.1	1953.7
2021	454.3	802.2	367.6	532.5	2156.6
2022	675.8	912.3	*430*	*481.9*	*2500*
2023	*695*	*930*	*450*	*495*	*2570*

Fiscal Year Ends	**EARNINGS PER SHARE [A B] Dec.31**	**Mar.31**	**Jun.30**	**Sep.30**	**Full Fiscal Year**
2019	.61	1.27	d.20	.29	1.96
2020	.44	1.12	d.06	.57	2.07
2021	.46	1.77	d.15	.07	2.16
2022	.69	1.36	*d.10*	*.35*	*2.30*
2023	*.73*	*1.38*	*d.08*	*.37*	*2.40*

Cal-endar	**QUARTERLY DIVIDENDS PAID [C] ■ Mar.31**	**Jun.30**	**Sep.30**	**Dec.31**	**Full Year**
2018	.273	.273	.273	.2925	1.11
2019	.2925	.2925	.2925	.3125	1.19
2020	.3125	.3125	.3125	.3325	1.27
2021	.3325	.3325	.3325	.3625	1.36
2022	.3625	.3625			

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in NJ, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had 564,000 cust. at 9/30/21. Fiscal 2021 volume: 112 bill. cu. ft. (20% interruptible, 61% residential, commercial & firm transportation, 19% other). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2021 dep. rate: 2.4%. Has 1,251 empls. Off./dir. own less than 1% of common; BlackRock, 15.3%; Vanguard, 10.6% (12/21 Proxy). CEO, President & Director: Steven D. Westhoven. Incorporated: New Jersey. Address: 1415 Wyckoff Road, Wall, NJ 07719. Telephone: 732-938-1480. Web: www.njresources.com.

Since our February review, shares of New Jersey Resources have continued to trend higher. In fact, the stock's price advanced another 9.5%. In comparison, the S&P 500 Index registered a downturn of nearly 10% for this same period.

Meanwhile, the retail and wholesale energy provider posted mixed March-quarter results. To that point, revenues advanced 13.7%, to $912.3 million, besting our call for $855 million. This reflected an impressive 49% spike in utility volumes, partially offset by a 9% downturn in non-utility volumes. On the margin front, total expenses increased 990 basis points, as a percentage of the top line. That margin compression completely offset the top-line growth, and after factoring in the dilutive effects of stock issuances, NJR's fiscal second-quarter (ended March 31, 2022) earnings declined 23%, to $1.36 a share. This fell short of our outlook of $1.70.

We have left our fiscal 2022 (ends September 30th) bottom-line estimate unchanged at this time. Despite the lower-than-expected second-quarter earnings, management recently raised its guidance range from $2.20-$2.30, to $2.30-$2.40 per share. Our call of $2.30 represents a year-over-year advance of about 6.5%. Share net should be driven by an estimated uptick in the top line of approximately 16%. This ought to be supported by the addition of more than 3,575 new customer accounts over the first half of the year. At the same time, steady contributions from the Storage & Transportation arm will likely be nicely complementary this year. Alternatively, the Energy Services segment has been hurt by the increased volatility in energy prices over the past year. This will likely present some headwinds for the company as the year progresses.

At the recent quotation, these untimely shares have already realized the bulk of the earnings growth potential that we envision for the pull to 2025-2027. Due to this, the stock offers below-average capital appreciation potential over that time frame. That said, conservative investors will likely find the Above-Average Safety rank and high Price Stability mark attractive features, given the recent market volatility. The attractive dividend yield is also a plus.

Bryan J. Fong *May 27, 2022*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly. revenues and egs. may not sum to total due to rounding and change in shares outstanding. Next earnings report due early Aug.
(C) Dividends historically paid in early Jan., April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2021: $522.1 million, $5.49/share.
(E) In millions, adjusted for splits.

Company's Financial Strength	A+
Stock's Price Stability	85
Price Growth Persistence	50
Earnings Predictability	55

NISOURCE INC. NYSE-NI

RECENT PRICE **30.43** | P/E RATIO **21.0** (Trailing: 22.1 Median: 21.0) | RELATIVE P/E RATIO **1.30** | DIV'D YLD **3.1%** | **VALUE LINE**

TIMELINESS 4 Raised 3/11/22
SAFETY 3 Lowered 3/19/21
TECHNICAL 2 Raised 5/13/22
BETA .85 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$28-$39	$34 (10%)

2025-27 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+65%)	*16%*
Low	35	(+15%)	*7%*

Institutional Decisions

	1Q2021	2Q2021	3Q2021
to Buy	252	256	230
to Sell	188	197	208
Hld's(000)	361696	367884	376481

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
High:	24.0	26.2	33.5	44.9	49.2	26.9	27.8	28.1	30.7	30.5	27.8	32.6						
Low:	17.7	22.3	24.8	32.1	16.0	19.0	21.7	22.4	24.7	19.6	21.1	26.4						

LEGENDS
0.50 x Dividends p sh divided by Interest Rate
Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range 2025 | 2026 | 2027

% TOT. RETURN 4/22

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.2	-7.2
3 yr.	15.3	37.2
5 yr.	40.2	58.7

27.37	28.96	32.36	24.02	22.99	21.33	16.31	18.04	20.47	14.58	13.90	14.46	13.74	13.63	11.95	12.09	***13.85***	***14.70***
3.18	3.20	3.32	2.96	3.19	2.98	3.13	3.41	3.60	2.27	2.71	2.07	2.86	3.17	3.15	3.26	***3.20***	***3.50***
1.14	1.14	1.34	.84	1.06	1.05	1.37	1.57	1.67	.63	1.00	.39	1.30	1.31	1.32	1.37	***1.45***	***1.60***
.92	.92	.92	.92	.92	.92	.94	.98	1.02	.83	.64	.70	.78	.80	.84	.88	***.94***	***.98***
2.33	2.88	3.54	2.81	2.88	3.99	4.83	5.99	6.42	4.26	4.57	5.03	4.88	4.72	4.49	4.53	***4.45***	***4.45***
18.32	18.52	17.24	17.54	17.63	17.71	17.90	18.77	19.54	12.04	12.60	12.82	13.08	13.36	12.66	13.33	***13.80***	***14.35***
273.65	274.18	274.26	276.79	279.30	282.18	310.28	313.68	316.04	319.11	323.16	337.02	372.36	382.14	391.76	404.30	***405.00***	***405.00***
19.2	18.8	12.1	14.3	15.3	19.4	17.9	18.9	22.7	37.3	23.2	64.4	19.3	21.3	18.7	18.0		
1.04	1.00	.73	.95	.97	1.22	1.14	1.06	1.19	1.88	1.22	3.24	1.04	1.13	.96	.99		
4.2%	4.3%	5.7%	7.6%	5.7%	4.5%	3.8%	3.3%	2.7%	3.5%	2.8%	2.8%	3.1%	2.9%	3.4%	3.6%		
						5061.2	5657.3	6470.6	4651.8	4492.5	4874.6	5114.5	5208.9	4681.7	4899.6	***5600***	***5950***
						410.6	490.9	530.7	198.6	328.1	128.6	478.3	549.8	562.6	626.3	***605***	***670***
						34.4%	34.8%	36.9%	41.6%	35.7%	71.0%	19.7%	17.0%	18.3%	15.7%	***19.0%***	***19.0%***
						--	--	--	--	--	--	--	--	2.9%	2.0%	***2.0%***	***2.0%***
						55.1%	56.3%	56.9%	60.7%	59.8%	63.5%	55.3%	56.8%	61.2%	56.9%	***56.5%***	***56.0%***
						44.9%	43.7%	43.1%	39.3%	40.2%	36.5%	37.9%	36.9%	32.9%	33.5%	***34.0%***	***35.0%***
						12373	13480	14331	9792.0	10129	11832	12856	13843	15058	16131	***16435***	***16700***
						12916	14365	16017	12112	13068	14360	15543	16912	16620	17882	***18000***	***19000***
						5.0%	5.2%	5.3%	4.0%	5.0%	2.6%	5.1%	5.3%	5.0%	4.9%	***3.5%***	***4.0%***
						7.4%	8.3%	8.6%	5.2%	8.1%	3.0%	8.3%	9.2%	9.6%	9.0%	***8.5%***	***9.0%***
						7.4%	8.3%	8.6%	5.2%	8.1%	3.0%	9.6%	9.7%	10.2%	10.6%	***8.5%***	***9.0%***
						2.5%	3.1%	3.4%	NMF	3.0%	NMF	4.0%	3.8%	3.7%	4.2%	***2.5%***	***3.0%***
						67%	62%	61%	NMF	63%	NMF	60%	64%	67%	64%	***72%***	***68%***

Bold figures are Value Line estimates

© VALUE LINE PUB. LLC	25-27
Revenues per sh	*17.55*
"Cash Flow" per sh	*4.35*
Earnings per sh [A]	*2.30*
Div'd Decl'd per sh [B] ■	*1.08*
Cap'l Spending per sh	*4.35*
Book Value per sh [C]	*17.40*
Common Shs Outst'g [D]	*415.00*
Avg Ann'l P/E Ratio	*19.0*
Relative P/E Ratio	*1.05*
Avg Ann'l Div'd Yield	*2.5%*
Revenues ($mill)	*7290*
Net Profit ($mill)	*990*
Income Tax Rate	*19.0%*
AFUDC % to Net Profit	*2.0%*
Long-Term Debt Ratio	*52.0%*
Common Equity Ratio	*39.5%*
Total Capital ($mill)	*18225*
Net Plant ($mill)	*22000*
Return on Total Cap'l	*5.5%*
Return on Shr. Equity	*11.5%*
Return on Com Equity	*11.5%*
Retained to Com Eq	*5.5%*
All Div'ds to Net Prof	*51%*

CAPITAL STRUCTURE as of 3/31/22
Total Debt $9757.7 mill. **Due in 5 Yrs** $1318 mill.
LT Debt $9179.8 mill. **LT Interest** $341 mill.
(Interest cov. earned: 2.2x) (58% of Cap'l)

Leases, Uncapitalized Annual rentals $32.7 mill.
Pension Assets-12/21 $1.9 bill. **Oblig.** $2.0 bill.

Pfd Stock $1547 mill. **Pfd Div'd** $55.1 mill.

Common Stock 407,798,111 shs.
as of 4/26/22
MARKET CAP: $12.4 billion (Large Cap)

CURRENT POSITION ($MILL.)	2020	2021	3/31/22
Cash Assets	116.5	85.2	114.5
Other	1542.9	1835.6	1757.4
Current Assets	1659.4	1920.8	1871.9
Accts Payable	589.0	697.8	628.5
Debt Due	526.3	618.1	577.9
Other	1164.1	1430.3	1388.2
Current Liab.	2279.4	2746.2	2594.6
Fix. Chg. Cov.	250%	250%	255%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '25-'27
Revenues	-6.0%	-5.0%	*5.5%*
"Cash Flow"	.5%	2.0%	*5.5%*
Earnings	3.0%	4.0%	*9.5%*
Dividends	-1.0%	--	*4.5%*
Book Value	-3.0%	-2.5%	*5.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	1869.8	1010.4	931.5	1397.2	5208.9
2020	1605.5	962.7	902.5	1211.0	4681.7
2021	1545.6	986.0	959.4	1408.6	4899.6
2022	1873.3	***1085***	***1035***	***1606.7***	***5600***
2023	***1960***	***1170***	***1120***	***1700***	***5950***

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.82	.05	--	.45	1.31
2020	.76	.13	.09	.34	1.32
2021	.77	.13	.11	.39	1.37
2022	.75	***.17***	***.15***	***.38***	***1.45***
2023	***.80***	***.20***	***.20***	***.40***	***1.60***

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	.195	.195	.195	.195	.78
2019	.200	.200	.200	.200	.80
2020	.21	.21	.21	.21	.84
2021	.22	.22	.22	.22	.88
2022	.235	.235			

BUSINESS: NiSource Inc. is a holding company for Northern Indiana Public Service Company (NIPSCO), which supplies electricity and gas to the northern third of Indiana. Customers: 479,185 electric in Indiana, 3,200,000 million gas in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland, through its Columbia subsidiaries. Revenue breakdown, 2021: electrical, 31%; gas, 69%; other, less than 1%. Generating sources, coal, 69.4%; purchased & other, 30.6%. 2021 reported depreciation rates: 2.9% electric, 2.2% gas. Has 7,304 employees. Chairman: Richard L. Thompson. President & Chief Executive Officer: Lloyd Yates. Incorporated: Indiana. Address: 801 East 86th Avenue, Merrillville, Indiana 46410. Telephone: 877-647-5990. Internet: www.nisource.com.

Since our February review, shares of NiSource have continued on their upward trajectory. In fact, over that time frame, the stock's price advanced another roughly 7%. In comparison, the S&P 500 Index underwent a correction of approximately 10% over that same period.

Meantime, the supplier of electricity and gas to northern Indiana is off to a mixed start this year. To that point, revenues advanced 21.2%, to $1.873 billion, thanks to a solid, double-digit increase in customer revenues, partially offset by a modest decline in other volumes. This handily bested our call for $1.645 billion. On the profitability front, total expenses declined 402 basis points, as a percentage of the top line. After accounting for the dilutive effects of a 13.3 million spike in the number of shares outstanding, NI's first-quarter share net fell 2.6%, to $0.75. This was modestly below our call for $0.80. **As a result, we have sliced a nickel off our 2022 and 2023 earnings estimates, bringing those figures to $1.45 and $1.60, respectively.** In the current year, our revised call would still represent a roughly 6% annual increase. This figure also coincides with management's recently reiterated guidance range of $1.42 to $1.48. This ought to reflect an estimated revenue advance of more than 14%, to $5.6 billion. NiSource has roughly $10 billion in capital growth projects on deck and planned to come into service through 2024. It is also transitioning away from coal-fired generation and toward greener alternatives. Finally, the company has filed for roughly $475 million in proposed rate-case increases across its various service territories. Those efforts ought to help the company recoup some of its already invested capital and offset growth costs.

This stock offers an above-average dividend yield when viewed against the Value Line median, which may appeal to income-oriented investors. That said, the stock's upside potential for the pull to 2025-2027 is below the *Value Line* median. What's more, momentum accounts would probably be better served elsewhere. Our Timeliness Ranking System has NiSource pegged to lag the broader market averages in the coming six to 12 months (Timeliness: 4).

Bryan J. Fong *May 27, 2022*

(A) Dil. EPS. Excl. gains (losses) on disc. ops.: '06, (11¢); '07, 3¢; '08, ($1.14); '15, (30¢); '18, ($1.48). Next egs. report due late July. Qtl'y egs. may not sum to total due to rounding.
(B) Div'ds historically paid in mid-Feb., May, Aug., Nov. ■ Div'd reinv. avail.
(C) Incl. intang in '21: $1485.9 million, $3.68/sh.
(D) In mill.
(E) Spun off Columbia Pipeline Group (7/15)

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	20
Earnings Predictability	50

N.W. NATURAL NYSE-NWN

RECENT PRICE **50.78** | P/E RATIO **19.9** (Trailing: 21.0 / Median: 24.0) | RELATIVE P/E RATIO **1.23** | DIV'D YLD **3.8%** | **VALUE LINE**

TIMELINESS 4 Raised 4/29/22
SAFETY 3 Lowered 3/19/21
TECHNICAL 4 Lowered 5/27/21
BETA .80 (1.00 = Market)

18-Month Target Price Range

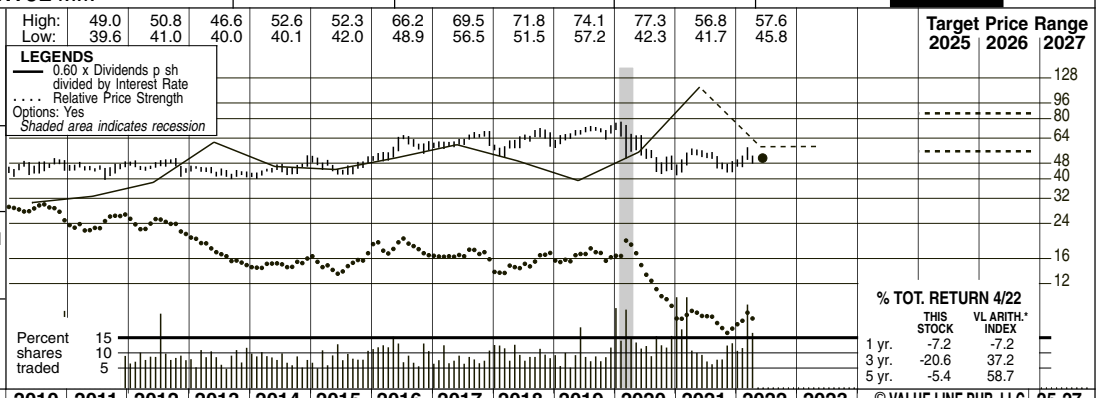
Low-High	Midpoint (% to Mid)
$41-$67	$54 (5%)

2025-27 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+65%)	*16%*
Low	55	(+10%)	*6%*

Institutional Decisions

	1Q2021	2Q2021	3Q2021
to Buy	103	114	95
to Sell	89	81	95
Hld's(000)	21451	21444	21597



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
37.20	39.13	39.16	38.17	30.56	31.72	27.14	28.02	27.64	26.39	23.61	26.52	24.45	24.49	25.29	27.64	***28.50***	***29.45***	Revenues per sh	***33.55***
4.76	5.41	5.31	5.20	5.18	5.00	4.94	5.04	5.05	4.91	4.93	1.04	5.28	5.15	5.69	6.17	***6.20***	***6.65***	"Cash Flow" per sh	***7.65***
2.35	2.76	2.57	2.83	2.73	2.39	2.22	2.24	2.16	1.96	2.12	d1.94	2.33	2.19	2.30	2.56	***2.55***	***2.85***	Earnings per sh [A]	***3.45***
1.39	1.44	1.52	1.60	1.68	1.75	1.79	1.83	1.85	1.86	1.87	1.88	1.89	1.90	1.91	1.92	***1.93***	***1.94***	Div'ds Decl'd per sh [B]■	***1.96***
3.56	4.48	3.92	5.09	9.35	3.76	4.91	5.13	4.40	4.37	4.87	7.43	7.43	7.95	9.18	9.49	***8.65***	***8.90***	Cap'l Spending per sh	***9.40***
22.01	22.52	23.71	24.88	26.08	26.70	27.23	27.77	28.12	28.47	29.71	25.85	26.41	28.42	29.05	30.04	***29.25***	***30.25***	Book Value per sh [D]	***37.20***
27.24	26.41	26.50	26.53	26.58	26.76	26.92	27.08	27.28	27.43	28.63	28.74	28.88	30.47	30.59	31.13	***31.25***	***31.50***	Common Shs Outst'g [C]	***32.00***
15.9	16.7	18.1	15.2	17.0	19.0	21.1	19.4	20.7	23.7	26.9	- -	26.6	30.9	25.0	19.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***20.0***
.86	.89	1.09	1.01	1.08	1.19	1.34	1.09	1.09	1.19	1.41	- -	1.44	1.65	1.28	1.06			Relative P/E Ratio	***1.10***
3.7%	3.1%	3.3%	3.7%	3.6%	3.9%	3.8%	4.2%	4.1%	4.0%	3.3%	3.0%	3.0%	2.8%	3.3%	3.8%			Avg Ann'l Div'd Yield	***2.6%***
						730.6	758.5	754.0	723.8	676.0	762.2	706.1	746.4	773.7	860.4	***890***	***925***	Revenues ($mill)	***1075***
						59.9	60.5	58.7	53.7	58.9	d55.6	67.3	65.3	70.3	78.7	***80.0***	***90.0***	Net Profit ($mill)	***135***
						42.4%	40.8%	41.5%	40.0%	40.9%	- -	26.4%	16.2%	23.1%	25.8%	***21.0%***	***21.0%***	Income Tax Rate	***21.0%***
						8.2%	8.0%	7.8%	7.4%	8.7%	NMF	9.5%	8.8%	9.1%	9.1%	***8.9%***	***9.7%***	Net Profit Margin	***10.3%***
						48.5%	47.6%	44.8%	42.5%	44.4%	47.9%	48.1%	48.2%	49.2%	52.8%	***52.0%***	***51.0%***	Long-Term Debt Ratio	***48.0%***
						51.5%	52.4%	55.2%	57.5%	55.6%	52.1%	51.9%	51.8%	50.8%	47.2%	***48.0%***	***49.5%***	Common Equity Ratio	***52.0%***
						1424.7	1433.6	1389.0	1357.7	1529.8	1426.0	1468.9	1672.0	1748.8	1979.7	***1915***	***1955***	Total Capital ($mill)	***2290***
						1973.6	2062.9	2121.6	2182.7	2260.9	2255.0	2421.4	2438.9	2654.8	2871.4	***3105***	***3360***	Net Plant ($mill)	***4250***
						5.7%	5.8%	5.8%	5.5%	5.1%	NMF	5.8%	5.2%	5.2%	5.1%	***4.0%***	***4.5%***	Return on Total Cap'l	***5.0%***
						8.2%	8.1%	7.6%	6.9%	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	***8.5%***	***9.5%***	Return on Shr. Equity	***9.5%***
						8.2%	8.1%	7.6%	6.9%	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	***8.5%***	***9.5%***	Return on Com Equity	***9.5%***
						1.6%	1.5%	1.1%	.6%	.9%	NMF	2.1%	1.4%	1.7%	2.4%	***2.0%***	***3.0%***	Retained to Com Eq	***4.0%***
						80%	81%	85%	92%	87%	NMF	76%	82%	79%	71%	***76%***	***68%***	All Div'ds to Net Prof	***57%***

CAPITAL STRUCTURE as of 3/31/22
Total Debt $1434.4 mill. **Due in 5 Yrs** $175.3 mill.
LT Debt $1044.6 mill. **LT Interest** $44.5 mill.

(Total interest coverage: 3.1x)

Pension Assets-12/21 $399.2 mill.
Oblig. $569.8 mill.

Pfd Stock None

Common Stock 30,730,274 shares
as of 10/27/21

MARKET CAP $1.6 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2020	2021	3/31/22
Cash Assets	30.2	18.6	24.3
Other	293.0	418.7	367.1
Current Assets	323.2	437.3	391.4
Accts Payable	97.9	133.5	130.6
Debt Due	399.9	389.8	332.8
Other	129.3	201.5	194.9
Current Liab.	627.1	724.8	658.3
Fix. Chg. Cov.	335%	335%	312%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '25-'27
Revenues	-2.5%	- -	*4.5%*
"Cash Flow"	1.0%	2.5%	*5.0%*
Earnings	-1.0%	2.5%	*6.5%*
Dividends	1.5%	.5%	*.5%*
Book Value	1.0%	.5%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	285.4	123.4	90.3	247.3	746.4
2020	285.2	135.0	93.3	260.2	773.7
2021	315.9	148.9	101.5	294.1	860.4
2022	350.3	***150***	***110***	***279.7***	***890***
2023	***355***	***160***	***120***	***290***	***925***

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	1.50	.07	d.61	1.26	2.19
2020	1.58	d.17	d.61	1.50	2.30
2021	1.94	d.02	d.67	1.31	2.56
2022	1.80	***.01***	***d.56***	***1.30***	***2.55***
2023	***2.00***	***.05***	***d.55***	***1.35***	***2.85***

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	.4725	.4725	.4725	.475	1.89
2019	.475	.475	.475	.4775	1.90
2020	.4775	.4775	.4775	.48	1.91
2021	.48	.48	.48	.483	1.92
2022	.483	.483			

BUSINESS: Northwest Natural Holding Co. distributes natural gas to 1,000 communities, 775,000 customers, in Oregon (89% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 3.7 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 37%; commercial, 22%; industrial, gas transportation, 41%. Employs 1,167. BlackRock Inc. owns 17.2% of shares; Vanguard, 11.8%; Off./Dir., .92% (4/22 proxy). CEO: David H. Anderson. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Since our February review, shares of Northwest Natural Holding Co. have ticked modestly higher. In fact, the stock's price advanced nearly 7%. In comparison, the S&P 500 Index logged a correction of nearly 10% for that same period.

Meantime, the distributor of natural gas posted mixed financial results for the March quarter. On the upside, revenues increased 10.9%, to $350.3 million, thanks to incremental volumes associated with the 10,800 natural gas meters added over the past 12 months. Additional benefits stemmed from a rate increase in Washington state. On the profitability front, total costs rose 498 basis points, as a percentage of the top line. After accounting for a drop in other expenses and an increase in common stock outstanding, NWN's share net declined about 7%, to $1.80, versus the prior year. This was well below our call for $1.96 per share.

Consequently, we have sliced $0.15 off our bottom-line outlook for this year, to $2.55 a share. Our revised figure would represent a less-than-1% year-over-year earnings decline. This ought to reflect an estimated revenue advance of about 3.5%, to $890 million, as Northwest Natural continues to focus its efforts on growing its renewal operations, and moving its existing rate cases forward. In mid-December, it filed for a more-than-$365 million hike with the Oregon Public Utility Commission, which is anticipated to go into effect around November 1st. The purpose of the higher rate is to support long-term investments in safety, reliability, and technology upgrades. That said, we look for costs to remain elevated as the year progresses. This will likely offset the top-line gains and keep a lid on bottom-line growth until next year.

These shares have improved one notch in Timeliness since our last report. Still, they are ranked a 4, suggesting NWN will lag the broader market averages in the year ahead. Meanwhile, the stock offers worthwhile capital appreciation potential for the pull to 2025-2027, even after reducing our 3- to 5-year P/E multiple to 20 from 24. Additionally, NWN offers a dividend yield that is well above the *Value Line* median, which may appeal to yield-seeking investors.

Bryan J. Fong *May 27, 2022*

(A) Diluted earnings per share. Excludes nonrecurring items: '06, ($0.06); '08, ($0.03); '09, $0.06; May not sum due to rounding. Next earnings report due in early Aug.
(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.
(D) Includes intangibles. In 2021: $70.6 million, $2.27/share.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	35
Earnings Predictability	10

ONE GAS, INC. NYSE-OGS

RECENT PRICE **85.96** | P/E RATIO **21.2** (Trailing: 22.1 Median: NMF) | RELATIVE P/E RATIO **1.31** | DIV'D YLD **3.0%** | **VALUE LINE**

TIMELINESS 3 Raised 5/13/22
SAFETY 2 New 6/2/17
TECHNICAL 1 Raised 5/20/22
BETA .80 (1.00 = Market)

18-Month Target Price Range

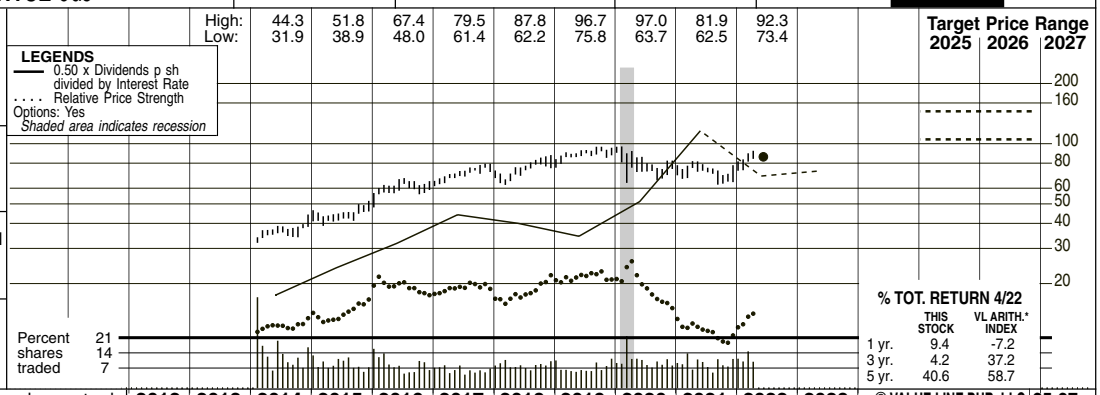
Low-High	Midpoint (% to Mid)
$69-$110	$90 (5%)

2025-27 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	145	(+70%)	*16%*
Low	105	(+20%)	*8%*

Institutional Decisions

	1Q2021	2Q2021	3Q2021
to Buy	127	111	135
to Sell	144	140	122
Hld's(000)	42395	43179	42681



The shares of ONE Gas, Inc. began trading "regular-way" on the New York Stock Exchange on February 3, 2014. That happened as a result of the separation of ONEOK's natural gas distribution operation. Regarding the details of the spinoff, on January 31, 2014, ONEOK distributed one share of OGS common stock for every four shares of ONEOK common stock held by ONEOK shareholders of record as of the close of business on January 21. It should be mentioned that ONEOK did not retain any ownership interest in the new company.

CAPITAL STRUCTURE as of 3/31/22
Total Debt $4188.8 mill. **Due in 5 Yrs** $2900.0 mill.
LT Debt $2283.6 mill. **LT Interest** $140.0 mill.
(LT interest earned: 5.1x; total interest coverage: 5.1x)
Leases, Uncapitalized Annual rentals $7.5 mill.
Pfd Stock None
Pension Assets-12/21 $1245.2 mill.
Oblig. $1272.8 mill.
Common Stock 54,089,905 shs.
as of 4/25/22
MARKET CAP: $4.6 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2020	2021	3/31/22
Cash Assets	8.0	8.9	12.4
Other	531.9	2215.7	2262.1
Current Assets	539.9	2224.6	2274.5
Accts Payable	152.3	258.6	209.8
Debt Due	418.2	494.0	1905.2
Other	226.6	227.9	253.8
Current Liab.	797.1	980.5	2368.8
Fix. Chg. Cov.	587%	625%	632%

ANNUAL RATES (of change (per sh))	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '25-'27
Revenues	--	.5%	*10.5%*
"Cash Flow"	--	8.5%	*6.5%*
Earnings	--	9.5%	*6.5%*
Dividends	--	13.5%	*6.5%*
Book Value	--	3.5%	*9.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	661.0	290.6	248.6	452.5	1652.7
2020	528.2	273.3	244.6	484.2	1530.3
2021	625.3	315.6	273.9	593.8	1808.6
2022	971.5	*400*	*323.5*	*615*	*2310*
2023	*1009*	*450*	*346*	*645*	*2450*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	1.76	.46	.33	.96	3.51
2020	1.72	.48	.39	1.09	3.68
2021	1.79	.56	.38	1.12	3.85
2022	1.83	*.62*	*.45*	*1.15*	*4.05*
2023	*1.90*	*.67*	*.50*	*1.18*	*4.25*

Calendar	QUARTERLY DIVIDENDS PAID [B] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	.46	.46	.46	.46	1.84
2019	.50	.50	.50	.50	2.00
2020	.54	.54	.54	.54	2.16
2021	.58	.58	.58	.58	2.32
2022	.62	.62			

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
Revenues per sh	--	--	34.92	29.62	27.30	29.43	31.08	31.32	28.78	33.72	*42.80*	*45.35*		*57.45*
"Cash Flow" per sh	--	--	4.52	4.82	5.43	5.96	6.32	6.96	7.36	7.71	*8.25*	*8.70*		*10.55*
Earnings per sh [A]	--	--	2.07	2.24	2.65	3.02	3.25	3.51	3.68	3.85	*4.05*	*4.25*		*5.30*
Div'ds Decl'd per sh [B■]	--	--	.84	1.20	1.40	1.68	1.84	2.00	2.16	2.32	*2.48*	*2.64*		*3.12*
Cap'l Spending per sh	--	--	5.70	5.63	5.91	6.81	7.50	7.91	8.87	9.23	*9.40*	*9.55*		*9.85*
Book Value per sh	--	--	34.45	35.24	36.12	37.47	38.86	40.35	42.01	43.81	*59.70*	*60.65*		*71.60*
Common Shs Outst'g [C]	--	--	52.08	52.26	52.28	52.31	52.57	52.77	53.17	53.63	*54.00*	*54.00*		*57.00*
Avg Ann'l P/E Ratio	--	--	17.8	19.8	22.7	23.5	23.1	25.3	21.7	18.9	*Bold figures are Value Line estimates*			*23.5*
Relative P/E Ratio	--	--	.94	1.00	1.19	1.18	1.25	1.35	1.11	1.03				*1.30*
Avg Ann'l Div'd Yield	--	--	2.3%	2.7%	2.3%	2.4%	2.5%	2.3%	2.7%	3.2%				*2.5%*
Revenues ($mill)	--	--	1818.9	1547.7	1427.2	1539.6	1633.7	1652.7	1530.3	1808.6	*2310*	*2450*		*3275*
Net Profit ($mill)	--	--	109.8	119.0	140.1	159.9	172.2	186.7	196.4	206.4	*218*	*230*		*300*
Income Tax Rate	--	--	38.4%	38.0%	37.8%	36.4%	23.7%	18.7%	17.5%	16.3%	*18.0%*	*18.5%*		*22.0%*
Net Profit Margin	--	--	6.0%	7.7%	9.8%	10.4%	10.5%	11.3%	12.8%	11.4%	*9.4%*	*9.4%*		*9.2%*
Long-Term Debt Ratio	--	--	40.1%	39.5%	38.7%	37.8%	38.6%	37.7%	41.5%	61.0%	*48.0%*	*49.0%*		*52.0%*
Common Equity Ratio	--	--	59.9%	60.5%	61.3%	62.2%	61.4%	62.3%	58.5%	39.0%	*52.0%*	*51.0%*		*48.0%*
Total Capital ($mill)	--	--	2995.3	3042.9	3080.7	3153.5	3328.1	3415.5	3815.7	6032.9	*6200*	*6420*		*8500*
Net Plant ($mill)	--	--	3293.7	3511.9	3731.6	4007.6	4283.7	4565.2	4867.1	5190.8	*5500*	*5800*		*6750*
Return on Total Cap'l	--	--	4.4%	4.7%	5.2%	5.8%	5.9%	6.4%	6.0%	3.9%	*5.0%*	*5.0%*		*5.0%*
Return on Shr. Equity	--	--	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	8.8%	*7.0%*	*7.0%*		*7.5%*
Return on Com Equity	--	--	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	8.8%	*7.0%*	*7.0%*		*7.5%*
Retained to Com Eq	--	--	3.7%	3.1%	3.5%	3.7%	3.7%	3.8%	3.7%	3.5%	*2.5%*	*2.5%*		*3.0%*
All Div'ds to Net Prof	--	--	40%	53%	52%	55%	56%	56%	58%	60%	*61%*	*62%*		*59%*

BUSINESS: ONE Gas, Inc. provides natural gas distribution services to more than two million customers. There are three divisions: Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service. The company purchased 164 Bcf of natural gas supply in 2021, compared to 153 Bcf in 2020. Total volumes delivered by customer (fiscal 2021): transportation, 59.3%; residential, 30.4%; commercial & industrial, 9.7%; other, .6%. ONE Gas has around 3,600 employees. BlackRock owns 12.2% of common stock; The Vanguard Group, 10.9%; American Century Investment, 8.0%; officers and directors, 1.5% (4/22 Proxy). CEO: Robert S. McAnnally. Incorporated: Oklahoma. Address: 15 East Fifth Street, Tulsa, Oklahoma 74103. Tel.: 918-947-7000. Internet: www.onegas.com.

ONE Gas' first-quarter 2022 results showed some improvement. Share net of $1.83 was several pennies higher than last year's $1.79 figure. That stemmed partially from benefits from new rates. Also, there was a rise in residential sales due to net customer growth. Bad-debt expense decreased, too. So, assuming that the business climate continues to be generally favorable over the course of the year, we believe that 2022 share net will increase around 5%, to $4.05, compared to the 2021 tally of $3.85. Regarding next year, the company's bottom line might advance at a similar percentage rate, to $4.25 a share, as operating margins expand further.

Prospects over the 2025-2027 period appear promising. ONE Gas remains the top natural gas distributor (as measured by customer count) in both Oklahoma and Kansas, and holds the number-three position in Texas. Moreover, we think these markets have decent growth possibilities and are located in one of the most active drilling regions in the United States. Too, thanks to healthy finances, the company should continue to satisfy its working capital requirements, capital expenditures, and other commitments with little difficulty.

There are risks to bear in mind, though. ONE Gas' lack of geographic diversification leaves it somewhat more vulnerable to regional economic downturns and regulations. Also, there's competition from other energy suppliers, which include electric companies and propane dealers. Lastly, pipeline ruptures, leaks, and other unfortunate occurrences can take a big bite out of corporate profits if not adequately covered by insurance.

The good-quality stock has climbed roughly 15% in value since our last full-page report in February. It seems that can be traced, to some extent, to expectations of decent earnings for the energy provider in 2022. But the price action has dampened 3- to 5-year capital appreciation potential. Too, the dividend yield does not stand out from the average yield in *Value Line's* Natural Gas Utility group. Lastly, these shares are ranked to just approximate the market over the coming six to 12 months.

Frederick L. Harris, III *May 27, 2022*

(A) Diluted EPS. Excludes nonrecurring gain: 2017, $0.06. Next earnings report due early Aug.
(B) Dividends historically paid in early March, June, Sept., and Dec. ■ Dividend reinvestment plan. Direct stock purchase plan.
(C) In millions.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	100

SPIRE INC. NYSE-SR

RECENT PRICE **75.39** | P/E RATIO **17.6** (Trailing: 18.6 Median: 19.0) | RELATIVE P/E RATIO **1.09** | DIV'D YLD **3.7%** | **VALUE LINE**

TIMELINESS 4 Lowered 8/20/21
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Raised 5/20/22
BETA .80 (1.00 = Market)

18-Month Target Price Range

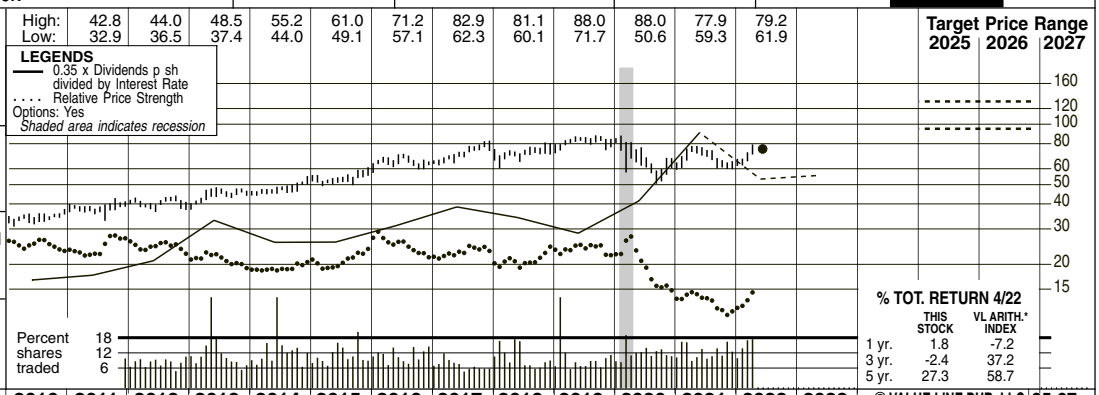
Low-High	Midpoint (% to Mid)
$51-$84	$68 (-10%)

2025-27 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	130	(+70%)	*17%*
Low	95	(+25%)	*10%*

Institutional Decisions

	1Q2021	2Q2021	3Q2021
to Buy	124	112	125
to Sell	139	126	113
Hld's(000)	42475	42992	42729



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
93.51	93.40	100.44	85.49	77.83	71.48	49.90	31.10	37.68	45.59	33.68	36.07	38.78	38.30	35.96	43.24	*38.95*	*40.75*	Revenues per sh [A]	*63.65*
3.81	3.87	4.22	4.56	4.11	4.62	4.58	3.12	3.87	6.15	6.16	6.54	7.55	7.12	5.25	9.09	*8.40*	*9.10*	"Cash Flow" per sh	*10.90*
2.37	2.31	2.64	2.92	2.43	2.86	2.79	2.02	2.35	3.16	3.24	3.43	4.33	3.52	1.44	4.96	*3.90*	*4.35*	Earnings per sh [A B]	*5.50*
1.40	1.45	1.49	1.53	1.57	1.61	1.66	1.70	1.76	1.84	1.96	2.10	2.25	2.37	2.49	2.60	*2.74*	*2.86*	Div'ds Decl'd per sh [C ■]	*3.30*
2.97	2.72	2.57	2.36	2.56	3.02	4.83	4.00	3.96	6.68	6.42	9.08	9.86	16.15	12.37	12.09	*10.40*	*11.10*	Cap'l Spending per sh	*11.50*
18.85	19.79	22.12	23.32	24.02	25.56	26.67	32.00	34.93	36.30	38.73	41.26	44.51	45.14	44.19	46.74	*51.90*	*56.55*	Book Value per sh [D]	*67.10*
21.36	21.65	21.99	22.17	22.29	22.43	22.55	32.70	43.18	43.36	45.65	48.26	50.67	50.97	51.60	51.70	*52.00*	*52.50*	Common Shs Outst'g [E]	*55.00*
13.6	14.2	14.3	13.4	13.7	13.0	14.5	21.3	19.8	16.5	19.6	19.8	16.7	22.8	NMF	13.6	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*20.5*
.73	.75	.86	.89	.87	.82	.92	1.20	1.04	.83	1.03	1.00	.90	1.21	NMF	.73			Relative P/E Ratio	*1.15*
4.3%	4.4%	3.9%	3.9%	4.7%	4.3%	4.1%	4.0%	3.8%	3.5%	3.1%	3.1%	3.1%	3.0%	3.4%	3.8%			Avg Ann'l Div'd Yield	*3.0%*
1125.5	1017.0	1627.2	1976.4	1537.3	1740.7	1965.0	1952.4	1855.4	2235.5	*2025*	*2140*	Revenues ($mill) [A]	*3500*
62.6	52.8	84.6	136.9	144.2	161.6	214.2	184.6	88.6	271.7	*205*	*230*	Net Profit ($mill)	*300*
29.6%	25.0%	27.6%	31.2%	32.5%	32.4%	NMF	15.7%	12.3%	20.1%	*21.0%*	*22.0%*	Income Tax Rate	*25.0%*
5.6%	5.2%	5.2%	6.9%	9.4%	9.3%	10.9%	9.5%	4.8%	12.2%	*10.1%*	*10.7%*	Net Profit Margin	*8.6%*
36.1%	46.6%	55.1%	53.0%	50.9%	50.0%	45.7%	45.0%	49.0%	52.5%	*53.0%*	*52.0%*	Long-Term Debt Ratio	*51.0%*
63.9%	53.4%	44.9%	47.0%	49.1%	50.0%	54.3%	49.7%	46.1%	43.2%	*43.0%*	*44.0%*	Common Equity Ratio	*45.0%*
941.0	1959.0	3359.4	3345.1	3601.9	3986.3	4155.5	4625.6	4946.0	5597.3	*6275*	*6750*	Total Capital ($mill)	*8200*
1019.3	1776.6	2759.7	2941.2	3300.9	3665.2	3970.5	4352.0	4680.1	5055.7	*5400*	*5715*	Net Plant ($mill)	*7100*
7.9%	3.3%	3.1%	5.1%	4.9%	5.0%	6.3%	5.1%	2.9%	5.8%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.0%*
10.4%	5.0%	5.6%	8.7%	8.2%	8.1%	9.5%	7.3%	3.5%	10.2%	*7.5%*	*7.5%*	Return on Shr. Equity	*8.0%*
10.4%	5.0%	5.6%	8.7%	8.2%	8.1%	9.5%	7.9%	3.2%	10.6%	*7.5%*	*7.5%*	Return on Com Equity	*8.0%*
4.3%	1.0%	1.5%	3.7%	3.3%	3.3%	4.7%	2.7%	NMF	5.1%	*2.0%*	*2.0%*	Retained to Com Eq	*3.0%*
59%	81%	73%	58%	59%	60%	51%	66%	NMF	54%	*77%*	*72%*	All Div'ds to Net Prof	*65%*

CAPITAL STRUCTURE as of 3/31/22
Total Debt $3845.6 mill. **Due in 5 Yrs** $1520.0 mill.
LT Debt $3207.3 mill. **LT Interest** $145.0 mill.
(Total interest coverage: 4.2x)

Leases, Uncapitalized Annual rentals $8.8 mill.
Pension Assets-9/21 $945.7 mill.
Oblig. $1318.0 mill.
Pfd Stock $242.0 mill. **Pfd Div'd** $14.8 mill.
Common Stock 52,121,977 shs.
as of 5/1/22

MARKET CAP: $3.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2020	2021	3/31/22
Cash Assets	4.1	4.3	8.3
Other	586.5	1312.2	1081.0
Current Assets	590.6	1316.5	1089.3
Accts Payable	243.3	409.9	367.5
Debt Due	708.4	727.8	638.3
Other	497.5	470.6	390.0
Current Liab.	1449.2	1608.3	1395.8
Fix. Chg. Cov.	373%	448%	435%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '25-'27
Revenues	-6.5%	- -	*8.5%*
"Cash Flow"	5.0%	6.0%	*7.5%*
Earnings	2.0%	2.5%	*9.0%*
Dividends	4.5%	6.0%	*5.0%*
Book Value	6.5%	4.5%	*7.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)[A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2019	602.0	803.5	321.3	225.6	1952.4
2020	566.9	715.5	321.1	251.9	1855.4
2021	512.6	1104.9	327.8	290.2	2235.5
2022	555.4	880.9	*330*	*258.7*	*2025*
2023	*580*	*950*	*340*	*270*	*2140*

Fiscal Year Ends	EARNINGS PER SHARE [A B F] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2019	1.32	3.04	d.09	d.74	3.52
2020	1.24	2.54	d1.87	d.45	1.44
2021	1.65	3.55	.03	d.26	4.96
2022	1.01	3.27	*.06*	*d.44*	*3.90*
2023	*1.40*	*3.36*	*.07*	*d.48*	*4.35*

Calendar	QUARTERLY DIVIDENDS PAID [C ■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	.5625	.5625	.5625	.5625	2.25
2019	.5925	.5925	.5925	.5925	2.37
2020	.6225	.6225	.6225	.6225	2.49
2021	.65	.65	.65	.65	2.60
2022	.685	.685			

BUSINESS: Spire Inc., formerly known as the Laclede Group, Inc., is a holding company for natural gas utilities, which distributes natural gas across Missouri, including the cities of St. Louis and Kansas City, Alabama, and Mississippi. Has roughly 1.7 million customers. Acquired Missouri Gas 9/13, Alabama Gas Co 9/14. Utility therms sold and transported in fiscal 2021: 3.3 bill. Revenue mix for regulated operations: residential, 58%; commercial and industrial, 28%; transportation, 6%; other, 8%. Has about 3,710 employees. Officers and directors own 3.0% of common shares; BlackRock, 11.5% (1/22 proxy). Chairman: Edward Glotzbach; CEO: Suzanne Sitherwood. Inc.: Missouri. Address: 700 Market Street, St. Louis, Missouri 63101. Tel.: 314-342-0500. Internet: www.spireenergy.com.

It's been a difficult year, thus far, for Spire Inc. (Fiscal 2022 ends on September 30th.) In fact, first-half share net of $4.28 plummeted about 18%, compared to the prior-year tally of $5.20. This stemmed partially from substantially lower profits from the Gas Marketing unit, as fiscal 2021's results enjoyed very favorable market conditions created by extreme weather associated with Winter Storm Uri. Moreover, the Gas Utility division was held back, to a certain extent, by higher operating expenses. So, right now, it seems that full-year share net will plunge more than 20%, to $3.90, relative to fiscal 2021's $4.96 figure. Please be aware that our fiscal 2023 estimate of $4.35 a share is a bit tentative, in part, because of a pending rate case in Missouri. Too, the company is authorized by the Federal Energy Regulatory Commission to operate the key Spire STL Pipeline, temporarily, while it reviews whether permanent approval should be granted. (Leadership expects the process to continue into calendar 2023.)

The Financial Strength rating is B++. When the March period concluded, cash and equivalents resided at $8.3 million. Furthermore, there was $975 million available through a revolving credit facility maturing in October, 2023. Elsewhere, long-term debt was a manageable 53% of total capital, and short-term borrowings were not a major stumbling block. So, Spire ought to be able to meet its various obligations for a while.

We are optimistic about the company's performance out to 2025-2027. The gas utilities boast 1.7 million customers in Mississippi, Alabama, and Missouri, providing a measure of regional diversity. Also, the other businesses, especially pipelines, hold promise. Additional expansionary projects and technological enhancements in customer service and elsewhere should aid Spire, as well. Finally, acquisitions are plausible, supported by the decent balance sheet.

These good-quality shares offer a solid dividend yield. Steady hikes in the payout appear to be in store during the 3- to 5-year period, too. But recent price strength has diminished long-term capital appreciation potential. Meanwhile, the stock is untimely.

Frederick L. Harris, III *May 27, 2022*

(A) Fiscal year ends Sept. 30th. **(B)** Based on diluted shares outstanding. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late July. **(C)** Dividends paid in early January, April, July, and October. ■ Dividend reinvestment plan available. **(D)** Incl. deferred charges. In '21: $1,171.6 mill., $22.66/sh. **(E)** In millions. **(F)** Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	45
Earnings Predictability	45

REQUEST:

Refer to the D'Ascendis Testimony, Exhibit DWD-3, page 8, Exhibit DWD-4, page 1. Refer also to Atmos's response to Staff's First Request for Information (Staff's First Request), Item 8. Using adjusted Yahoo! Finance beta values according to the formula provided in Item 8, provide an update to analyses in Exhibits DWD-3 and DWD-4 including Yahoo! Finance beta values.

RESPONSE:

As noted in the Company's response to Staff 1-08, using Yahoo! Finance betas, specifically, the use of betas calculated using monthly returns, is inappropriate for cost of capital purposes. However, please see Attachment 1 and Attachment 2 for the requested analysis.

Mr. D'Ascendis did not have access to Yahoo! Finance beta values as of May 31, 2022, so he used the beta calculation tool from Bloomberg Professional Services to calculate the unadjusted beta values consistent with Yahoo! Finance's approach (i.e., monthly covariance of returns between the company and the S&P 500 for a five-year period). Mr. D'Ascendis used data as of May 31, 2022 to be consistent with his analysis presented with his Direct Testimony.

ATTACHMENTS:

Staff_2-03_Att1 - Exhibit DWD-3 Update.pdf
Staff_2-03_Att2 - Exhibit DWD-4 Update.pdf

Respondent: Dylan D'Ascendis

Atmos Energy Corporation
Summary of Risk Premium Models for the
Proxy Group of Six Natural Gas Distribution Companies

	Proxy Group of Six Natural Gas Distribution Companies	Proxy Group of Six Natural Gas Distribution Companies (excl. PRPM)
Predictive Risk Premium Model (PRPM) (1)	11.16 %	NA
Risk Premium Using an Adjusted Total Market Approach (2)	10.67 %	10.59 %
Average	10.92 %	10.59 %

Notes:
(1) From page 2 of this Attachment.
(2) From page 3 of this Attachment.

Atmos Energy Corporation
Indicated ROE
Derived by the Predictive Risk Premium Model (1)

Proxy Group of Six Natural Gas Distribution Companies	[1] LT Average Predicted Variance	[2] Spot Predicted Variance	[3] Recommended Variance (2)	[4] GARCH Coefficient	[5] Predicted Risk Premium (3)	[6] Risk-Free Rate (4)	[7] Indicated ROE (5)
Atmos Energy Corporation	0.34%	0.44%	0.39%	2.3358	11.39%	3.51%	14.90%
New Jersey Resources Corporation	0.38%	0.40%	0.39%	2.0838	10.22%	3.51%	13.73%
NiSource Inc.	0.49%	0.64%	0.56%	0.8406	5.81%	3.51%	9.32%
Northwest Natural Holding Company	0.33%	0.41%	0.37%	1.5619	7.11%	3.51%	10.62%
ONE Gas, Inc.	0.33%	0.46%	0.40%	4.0752	NMF	3.51%	NMF
Spire Inc.	0.71%	0.36%	0.53%	0.9628	6.35%	3.51%	9.86%
						Average	11.69%
						Median	10.62%
					Average of Mean and Median		11.16%

Notes:

(1) The Predictive Risk Premium Model uses historical data to generate a predicted variance and a GARCH coefficient. The historical data used are the equity risk premiums for the first available trading month as reported by Bloomberg Professional Service.

(2) Average of the long-term average and spot predicted variance.

(3) $(1+(\text{Column [3]} * \text{Column [4]})^{\wedge 12}) - 1$.

(4) From note 3 on page 2 of Attachment Staff 2-3b

(5) Column [5] + Column [6].

Atmos Energy Corporation
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Six Natural Gas Distribution Companies	Proxy Group of Six Natural Gas Distribution Companies (excl. PRPM)
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	4.73 %	4.73 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A2 Rated Public Utility Bonds	0.57 (2)	0.57 (2)
3.	Adjusted Prospective Yield on A2 Rated Public Utility Bonds	5.30 %	5.30 %
4.	Equity Risk Premium (3)	5.37	5.29
5.	Risk Premium Derived Common Equity Cost Rate	10.67 %	10.59 %

Notes:
(1) Consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 10 and 11 of this Attachment).
(2) The average yield spread of A2 rated public utility bonds over Aaa rated corporate bonds of 0.57% from page 4 of this Attachment.
(3) From page 7 of this Attachment.

Atmos Energy Corporation
Interest Rates and Bond Spreads for
Moody's Corporate and Public Utility Bonds

Selected Bond Yields - Moody's

	[1] Aaa Rated Corporate Bond	[2] Aa Rated Public Utility Bond	[3] A2 Rated Public Utility Bond	[4] Baa2 Rated Public Utility Bond
May-2022	4.13 %	4.55 %	4.75 %	5.07 %
Apr-2022	3.75	4.09	4.30	4.60
Mar-2022	3.43	3.81	3.98	4.28
Average	3.77 %	4.15 %	4.34 %	4.65 %

Selected Bond Spreads

A2 Rated Public Utility Bonds Over Aaa Rated Corporate Bonds: 0.57 % (1)

Baa2 Rated Public Utility Bonds Over A2 Rated Public Utility Bonds: 0.31 % (2)

A2 Rated Public Utility Bonds Over Aa2 Rated Public Utility Bonds: 0.19 % (3)

Notes:
(1) Column [3] - Column [1].
(2) Column [4] - Column [3].
(3) Column [3] - Column [2].

Source of Information:
Bloomberg Professional Service

Atmos Energy Corporation
Comparison of Long-Term Issuer Ratings for
Proxy Group of Six Natural Gas Distribution Companies

	Moody's		Standard & Poor's	
	Long-Term Issuer Rating		Long-Term Issuer Rating	
	May 2022		May 2022	
Proxy Group of Six Natural Gas Distribution Companies	Long-Term Issuer Rating (1)	Numerical Weighting (2)	Long-Term Issuer Rating (1)	Numerical Weighting (2)
Atmos Energy Corporation	A1	5.0	A-	7.0
New Jersey Resources Corporation	A1	5.0	NR	- -
NiSource Inc.	Baa1	8.0	BBB+	8.0
Northwest Natural Holding Company	Baa1	8.0	A+	5.0
ONE Gas, Inc.	A3	7.0	BBB+	8.0
Spire Inc.	A1/A2	5.5	A-	7.0
Average	A2	6.4	A-	7.0

Notes:

(1) Ratings are that of the average of each company's utility operating subsidiaries.
(2) From page 6 of this Attachment.

Source Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-
B1	14	B+
B2	15	B
B3	16	B-

Atmos Energy Corporation
Judgment of Equity Risk Premium for
Proxy Group of Six Natural Gas Distribution Companies

Line No.		Proxy Group of Six Natural Gas Distribution Companies	Proxy Group of Six Natural Gas Distribution Companies (excl. PRPM)
1.	Calculated equity risk premium based on the total market using the beta approach (1)	6.05 %	6.01 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	5.05	4.85
3.	Predicted Equity Risk Premium Based on Regression Analysis of 810 Fully-Litigated Natural Gas Utility Rate Cases (3)	5.00	5.00
4.	Average equity risk premium	5.37 %	5.29 %

Notes: (1) From page 8 of this Attachment.
(2) From page 12 of this Attachment.
(3) From page 13 of this Attachment.

Atmos Energy Corporation
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for the
Proxy Group of Six Natural Gas Distribution Companies

Line No.	Equity Risk Premium Measure	Proxy Group of Six Natural Gas Distribution Companies	Proxy Group of Six Natural Gas Distribution Companies (excl. PRPM)
1.	Ibbotson Equity Risk Premium (1)	6.13 %	6.13 %
2.	Regression on Ibbotson Risk Premium Data (2)	7.67	7.67
3.	Ibbotson Equity Risk Premium based on PRPM (3)	8.79	NA
4.	Equity Risk Premium Based on Value Line Summary and Index (4)	9.37	9.37
5.	Equity Risk Premium Based on Value Line S&P 500 Companies (5)	11.56	11.56
6.	Equity Risk Premium Based on Bloomberg S&P 500 Companies (6)	7.62	7.62
7.	Conclusion of Equity Risk Premium	8.52 %	8.47 %
8.	Adjusted Beta (7)	0.71	0.71
9.	Forecasted Equity Risk Premium	6.05 %	6.01 %

Notes provided on page 9 of this Attachment.

Atmos Energy Corporation
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for the
Proxy Group of Six Natural Gas Distribution Companies

Notes:

(1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® SBBI® 2022 Market Report minus the arithmetic mean monthly yield of Moody's average Aaa and Aa corporate bonds from 1928-2021.

(2) This equity risk premium is based on a regression of the monthly equity risk premiums of large company common stocks relative to Moody's average Aaa and Aa2 rated corporate bond yields from 1928-2021 referenced in Note 1 above. Using the equation generated from the regression, an expected equity risk premium is calculated using the average consensus forecast of Aaa corporate bonds of 4.73% (from page 3 of this

(3) The Predictive Risk Premium Model (PRPM) is discussed in the accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM is derived by applying the PRPM to the monthly risk premiums between Ibbotson large company common stock monthly returns and average Aaa and Aa corporate monthly bond yields, from January 1928 through May 2022.

(4) The equity risk premium based on the Value Line Summary and Index is derived by subtracting the average consensus forecast of Aaa corporate bonds of 4.73% (from page 3 of this Attachment) from the projected 3-5 year total annual market return of 14.10% (described fully in note 2 on page 2 of Attachment Staff 2-3b).

(5) Using data from Value Line for the S&P 500, an expected total return of 16.29% was derived based upon expected dividend yields and long-term earnings growth estimates as a proxy for capital appreciation. Subtracting the average consensus forecast of Aaa corporate bonds of 4.73% results in an expected equity risk premium of 11.56%.

(6) Using data from the Bloomberg Professional Service for the S&P 500, an expected total return of 12.35% was derived based upon expected dividend yields and long-term earnings growth estimates as a proxy for capital appreciation. Subtracting the average consensus forecast of Aaa corporate bonds of 4.73% results in an expected equity risk premium of 7.62%.

(7) Average of mean and median beta from Attachment Staff 2-3b.

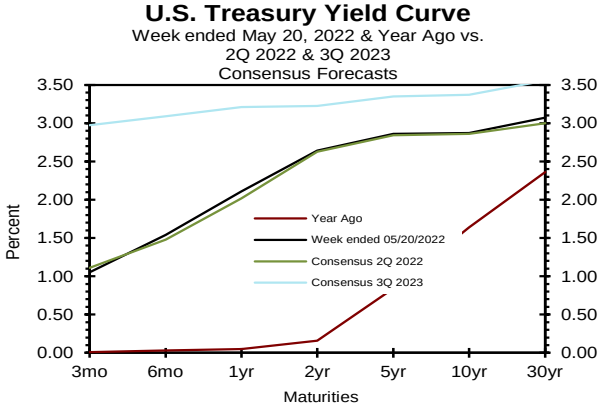
Sources of Information:

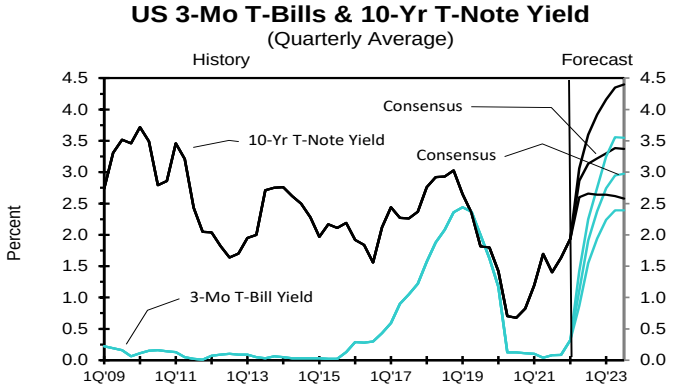
Stocks, Bonds, Bills, and Inflation - 2022 SBBI Yearbook, John Wiley & Sons, Inc.
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2022
Bloomberg Professional Service

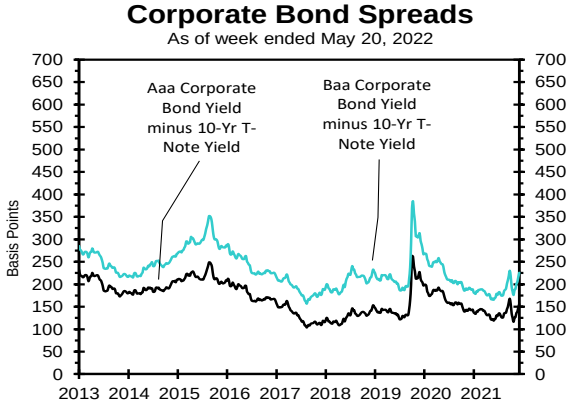
Consensus Forecasts of U.S. Interest Rates and Key Assumptions

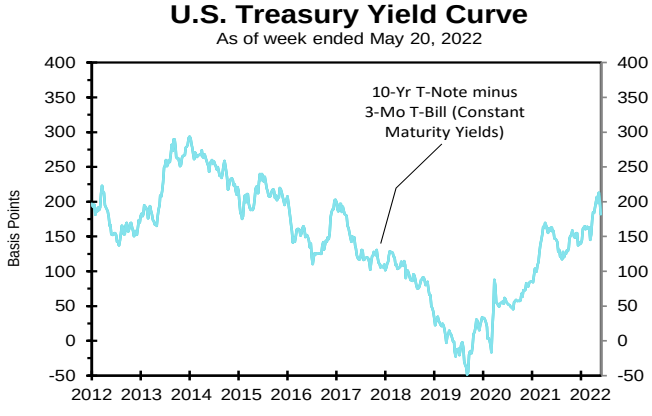
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			*Latest Qtr*	2Q	3Q	4Q	1Q	2Q	3Q
Interest Rates	May 20	May 13	May 6	Apr 29	Apr	Mar	Feb	1Q 2022	2022	2022	2022	2023	2023	2023
Federal Funds Rate	0.83	0.83	0.33	0.33	0.33	0.20	0.08	0.12	**1.0**	**1.9**	**2.4**	**2.8**	**3.0**	**3.1**
Prime Rate	4.00	4.00	3.50	3.50	3.50	3.37	3.25	3.29	**4.0**	**5.0**	**5.5**	**5.9**	**6.1**	**6.2**
SOFR	0.79	0.78	0.49	0.28	0.29	0.16	0.05	0.09	**0.9**	**1.8**	**2.3**	**2.7**	**2.9**	**3.0**
Commercial Paper, 1-mo.	0.83	0.82	0.71	0.55	0.44	0.32	0.16	0.18	**0.9**	**1.8**	**2.4**	**2.8**	**3.0**	**3.0**
Treasury bill, 3-mo.	1.05	0.94	0.88	0.85	0.76	0.45	0.31	0.30	**1.1**	**1.9**	**2.4**	**2.7**	**2.9**	**3.0**
Treasury bill, 6-mo.	1.54	1.44	1.43	1.40	1.26	0.86	0.64	0.61	**1.5**	**2.2**	**2.6**	**2.9**	**3.1**	**3.1**
Treasury bill, 1 yr.	2.11	2.00	2.10	2.03	1.89	1.34	1.00	0.96	**2.0**	**2.6**	**2.9**	**3.1**	**3.2**	**3.2**
Treasury note, 2 yr.	2.64	2.61	2.72	2.62	2.54	1.91	1.44	1.44	**2.6**	**2.9**	**3.1**	**3.2**	**3.3**	**3.2**
Treasury note, 5 yr.	2.86	2.89	3.00	2.84	2.78	2.11	1.81	1.82	**2.8**	**3.1**	**3.2**	**3.3**	**3.4**	**3.4**
Treasury note, 10 yr.	2.87	2.94	3.01	2.83	2.75	2.13	1.93	1.94	**2.9**	**3.1**	**3.2**	**3.3**	**3.4**	**3.4**
Treasury note, 30 yr.	3.07	3.09	3.10	2.91	2.81	2.41	2.25	2.25	**3.0**	**3.3**	**3.4**	**3.5**	**3.6**	**3.6**
Corporate Aaa bond	4.43	4.42	4.40	4.19	4.01	3.63	3.36	3.35	**4.1**	**4.5**	**4.7**	**4.8**	**4.9**	**4.9**
Corporate Baa bond	5.13	5.10	5.06	4.84	4.63	4.23	3.92	3.90	**5.0**	**5.4**	**5.6**	**5.7**	**5.8**	**5.8**
State & Local bonds	4.09	4.03	3.93	3.84	3.70	3.30	3.01	3.02	**3.5**	**3.8**	**4.0**	**4.1**	**4.2**	**4.2**
Home mortgage rate	5.25	5.30	5.27	5.10	4.98	4.17	3.76	3.79	**5.1**	**5.3**	**5.5**	**5.6**	**5.6**	**5.5**
	History								Consensus Forecasts-Quarterly					
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Key Assumptions	2020	2020	2020	2021	2021	2021	2021	2022	2022	2022	2022	2023	2023	2023
Fed's AFE $ Index	112.4	107.2	105.1	103.4	102.9	105.0	107.0	108.4	**112.7**	**113.9**	**114.1**	**114.0**	**113.6**	**112.9**
Real GDP	-31.2	33.8	4.5	6.3	6.7	2.3	6.9	-1.5	**2.9**	**2.5**	**2.2**	**1.8**	**1.6**	**1.6**
GDP Price Index	-1.5	3.6	2.2	4.3	6.1	6.0	7.1	8.1	**5.9**	**4.6**	**3.5**	**3.1**	**2.8**	**2.7**
Consumer Price Index	-3.4	4.8	2.2	4.1	8.2	6.7	7.9	9.2	**7.6**	**4.8**	**3.4**	**3.0**	**2.6**	**2.6**
PCE Price Index	-1.6	3.7	1.5	3.8	6.5	5.3	6.4	7.0	**5.8**	**4.3**	**3.2**	**2.8**	**2.6**	**2.5**

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index, PCE Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data: Treasury rates from the Federal Reserve Board's H.15; AAA-AA and A-BBB corporate bond yields from Bank of America-Merrill Lynch and are 15+ years, yield to maturity; State and local bond yields from Bank of America-Merrill Lynch, A-rated, yield to maturity; Mortgage rates from Freddie Mac, 30-year, fixed; LIBOR quotes from Intercontinental Exchange. All interest rate data are sourced from Haver Analytics. Historical data for Fed's Major Currency Index are from FRSR H.10. Historical data for Real GDP, GDP Price Index and PCE Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index history is from the Department of Labor's Bureau of Labor Statistics (BLS).









Long-Range Survey:

The table below contains the results of our twice-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are consensus estimates for the years 2023 through 2028 and averages for the five-year periods 2024-2028 and 2029-2033. Apply these projections cautiously. Few if any economic, demographic and political forces can be evaluated accurately over such long time spans.

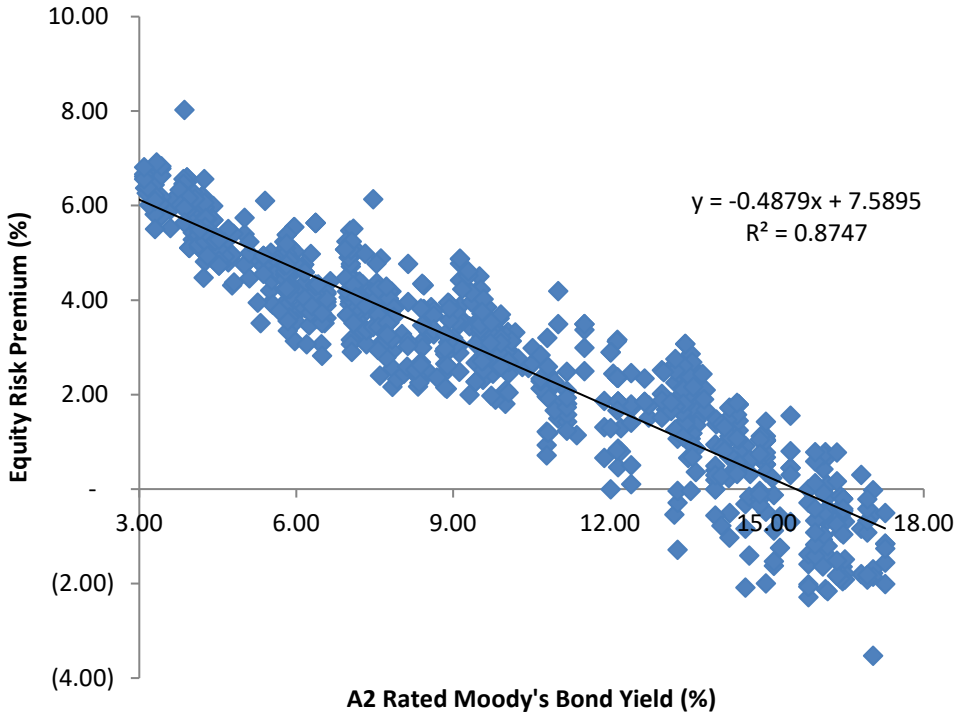
		Average For The Year						Five-Year Averages	
		2023	2024	2025	2026	2027	2028	2024-2028	2029-2033
1. Federal Funds Rate	**CONSENSUS**	**3.0**	**2.7**	**2.5**	**2.5**	**2.5**	**2.5**	**2.6**	**2.5**
	Top 10 Average	3.5	3.3	3.0	2.8	2.8	2.8	3.0	2.8
	Bottom 10 Average	2.6	2.1	2.0	2.2	2.2	2.2	2.2	2.1
2. Prime Rate	**CONSENSUS**	**6.1**	**5.9**	**5.7**	**5.6**	**5.6**	**5.6**	**5.7**	**5.6**
	Top 10 Average	6.6	6.4	6.1	6.0	6.0	6.0	6.1	5.9
	Bottom 10 Average	5.6	5.3	5.2	5.3	5.3	5.3	5.3	5.2
3. SOFR	**CONSENSUS**	**3.0**	**2.8**	**2.5**	**2.5**	**2.5**	**2.5**	**2.6**	**2.5**
	Top 10 Average	3.4	3.3	3.0	2.9	2.8	2.8	3.0	2.8
	Bottom 10 Average	2.7	2.2	2.0	2.2	2.2	2.2	2.2	2.1
4. Commercial Paper, 1-Mo	**CONSENSUS**	**3.2**	**2.9**	**2.6**	**2.6**	**2.6**	**2.6**	**2.7**	**2.6**
	Top 10 Average	3.5	3.4	3.1	2.9	2.9	2.9	3.0	2.9
	Bottom 10 Average	2.8	2.5	2.3	2.4	2.4	2.3	2.3	2.3
5. Treasury Bill Yield, 3-Mo	**CONSENSUS**	**3.0**	**2.8**	**2.6**	**2.6**	**2.6**	**2.5**	**2.6**	**2.5**
	Top 10 Average	3.6	3.4	3.1	3.1	3.0	2.9	3.1	2.9
	Bottom 10 Average	2.5	2.2	2.0	2.1	2.2	2.2	2.1	2.2
6. Treasury Bill Yield, 6-Mo	**CONSENSUS**	**3.2**	**2.9**	**2.7**	**2.7**	**2.7**	**2.6**	**2.7**	**2.6**
	Top 10 Average	3.8	3.6	3.2	3.2	3.1	3.0	3.2	3.0
	Bottom 10 Average	2.6	2.2	2.1	2.2	2.3	2.3	2.2	2.3
7. Treasury Bill Yield, 1-Yr	**CONSENSUS**	**3.2**	**3.0**	**2.9**	**2.9**	**2.8**	**2.8**	**2.9**	**2.8**
	Top 10 Average	3.9	3.8	3.5	3.4	3.3	3.2	3.4	3.2
	Bottom 10 Average	2.6	2.4	2.2	2.4	2.4	2.4	2.3	2.4
8. Treasury Note Yield, 2-Yr	**CONSENSUS**	**3.4**	**3.2**	**3.1**	**3.1**	**3.0**	**3.0**	**3.1**	**3.0**
	Top 10 Average	4.3	4.1	3.8	3.6	3.5	3.5	3.7	3.5
	Bottom 10 Average	2.7	2.4	2.3	2.5	2.6	2.5	2.4	2.5
9. Treasury Note Yield, 5-Yr	**CONSENSUS**	**3.5**	**3.4**	**3.3**	**3.3**	**3.3**	**3.2**	**3.3**	**3.3**
	Top 10 Average	4.3	4.2	4.1	3.9	3.8	3.8	3.9	3.8
	Bottom 10 Average	2.8	2.6	2.5	2.7	2.7	2.7	2.6	2.8
10. Treasury Note Yield, 10-Yr	**CONSENSUS**	**3.5**	**3.5**	**3.4**	**3.5**	**3.5**	**3.4**	**3.5**	**3.5**
	Top 10 Average	4.4	4.4	4.2	4.2	4.1	4.1	4.2	4.1
	Bottom 10 Average	2.8	2.5	2.6	2.9	2.9	2.8	2.7	2.8
11. Treasury Bond Yield, 30-Yr	**CONSENSUS**	**3.8**	**3.8**	**3.8**	**3.9**	**3.8**	**3.8**	**3.8**	**3.9**
	Top 10 Average	4.6	4.7	4.5	4.5	4.4	4.5	4.5	4.5
	Bottom 10 Average	3.0	2.9	3.0	3.3	3.2	3.2	3.1	3.2
12. Corporate Aaa Bond Yield	**CONSENSUS**	**5.0**	**5.0**	**4.9**	**5.0**	**5.0**	**4.9**	**4.9**	**5.0**
	Top 10 Average	5.7	5.7	5.6	5.5	5.5	5.5	5.5	5.6
	Bottom 10 Average	4.4	4.2	4.3	4.4	4.4	4.4	4.3	4.4
13. Corporate Baa Bond Yield	**CONSENSUS**	**6.0**	**5.9**	**5.8**	**5.9**	**5.9**	**5.9**	**5.9**	**5.9**
	Top 10 Average	6.6	6.6	6.4	6.3	6.3	6.3	6.4	6.4
	Bottom 10 Average	5.4	5.3	5.2	5.4	5.4	5.4	5.3	5.4
14. State & Local Bonds Yield	**CONSENSUS**	**4.3**	**4.3**	**4.2**	**4.3**	**4.3**	**4.3**	**4.3**	**4.3**
	Top 10 Average	5.0	5.0	4.8	4.8	4.7	4.7	4.8	4.8
	Bottom 10 Average	3.7	3.7	3.7	3.9	3.9	3.9	3.8	3.9
15. Home Mortgage Rate	**CONSENSUS**	**5.7**	**5.5**	**5.4**	**5.4**	**5.4**	**5.4**	**5.4**	**5.4**
	Top 10 Average	6.4	6.4	6.1	6.0	6.0	6.0	6.1	6.0
	Bottom 10 Average	4.9	4.7	4.6	4.8	4.8	4.8	4.7	4.8
A. Fed's AFE Nominal $ Index	**CONSENSUS**	**113.8**	**112.8**	**111.9**	**111.0**	**110.6**	**110.4**	**111.3**	**109.8**
	Top 10 Average	115.6	114.7	114.0	113.4	113.1	112.8	113.6	112.7
	Bottom 10 Average	112.2	111.0	109.9	108.8	108.2	107.9	109.2	107.4
		Year-Over-Year, % Change						Five-Year Averages	
		2023	2024	2025	2026	2027	2028	2024-2028	2029-2033
B. Real GDP	**CONSENSUS**	**2.0**	**2.0**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.0**
	Top 10 Average	2.6	2.4	2.4	2.4	2.4	2.4	2.4	2.3
	Bottom 10 Average	1.5	1.5	1.8	1.8	1.8	1.8	1.7	1.8
C. GDP Chained Price Index	**CONSENSUS**	**3.0**	**2.4**	**2.3**	**2.3**	**2.2**	**2.2**	**2.3**	**2.2**
	Top 10 Average	3.7	2.8	2.7	2.6	2.6	2.6	2.7	2.6
	Bottom 10 Average	2.3	2.0	1.9	1.9	1.9	1.9	1.9	1.9
D. Consumer Price Index	**CONSENSUS**	**3.2**	**2.4**	**2.4**	**2.4**	**2.3**	**2.3**	**2.4**	**2.3**
	Top 10 Average	4.1	3.0	2.9	2.8	2.7	2.7	2.8	2.7
	Bottom 10 Average	2.3	1.8	2.0	2.0	1.9	1.9	1.9	1.9
E. PCE Price Index	**CONSENSUS**	**3.0**	**2.3**	**2.3**	**2.3**	**2.3**	**2.2**	**2.3**	**2.3**
	Top 10 Average	3.8	2.8	2.8	2.7	2.7	2.6	2.7	2.7
	Bottom 10 Average	2.2	1.8	1.9	1.9	1.9	1.8	1.9	1.9

Atmos Energy Corporation
Derivation of Mean Equity Risk Premium Based Studies
Using Holding Period Returns and
Projected Market Appreciation of the S&P Utility Index

Line No.	Equity Risk Premium Measure	Implied Equity Risk Premium	Implied Equity Risk Premium ex PRPM
1.	Historical Equity Risk Premium (1)	4.28 %	4.28 %
2.	Regression of Historical Equity Risk Premium (2)	5.28	5.28
3.	Forecasted Equity Risk Premium Based on PRPM (3)	5.85	NA
4.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Value Line Data) (4)	5.28	5.28
5.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Bloomberg Data) (5)	4.58	4.58
6.	Average Equity Risk Premium (6)	5.05 %	4.85 %

Notes:
(1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2021. Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.
(2) This equity risk premium is based on a regression of the monthly equity risk premiums of the S&P Utility Index relative to Moody's A2 rated public utility bond yields from 1928 - 2021 referenced in note 1 above. Using the equation generated from the regression, an expected equity risk premium is calculated using the prospective A2 rated public utility bond yield of 5.30% (from line 3, page 3 of this Attachment).
(3) The Predictive Risk Premium Model (PRPM) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A2 rated public utility bonds from January 1928 - May 2022.
(4) Using data from Value Line for the S&P Utilities Index, an expected return of 10.58% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A2 rated public utility bond yield of 5.30%, calculated on line 3 of page 3 of this Attachment results in an equity risk premium of 5.28%. (10.58% - 5.30% = 5.28%)
(5) Using data from Bloomberg Professional Service for the S&P Utilities Index, an expected return of 9.88% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A2 rated public utility bond yield of 5.30%, calculated on line 3 of page 3 of this Attachment results in an equity risk premium of 4.58%. (9.88% - 5.30% = 4.58%)
(6) Average of lines 1 through 5.

Atmos Energy Corporation
Prediction of Equity Risk Premiums Relative to
Moody's A2 Rated Utility Bond Yields



Constant	Slope	Prospective A2 Rated Utility Bond (1)	Prospective Equity Risk Premium
7.5895 %	-0.4879	5.30 %	5.00 %

Notes:
(1) From line 3 of page 3 of this Attachment.

Source of Information: Regulatory Research Associates

Atmos Energy Corporation
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Proxy Group of Six Natural Gas Distribution Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Yahoo Adjusted Beta (1)	Average Beta	Market Risk Premium (2)	Risk-Free Rate (3)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (4)
Atmos Energy Corporation	0.80	0.67	0.64	0.71	9.76 %	3.51 %	10.44 %	11.15 %	10.79 %
New Jersey Resources Corporation	0.95	0.73	0.70	0.80	9.76	3.51	11.32	11.80	11.56
NiSource Inc.	0.85	0.64	0.56	0.69	9.76	3.51	10.24	11.00	10.62
Northwest Natural Holding Company	0.80	0.63	0.64	0.69	9.76	3.51	10.24	11.00	10.62
ONE Gas, Inc.	0.80	0.69	0.67	0.72	9.76	3.51	10.54	11.22	10.88
Spire Inc.	0.80	0.70	0.53	0.67	9.76	3.51	10.05	10.85	10.45
Mean				0.71			10.47 %	11.17 %	10.82 %
Median				0.70			10.34 %	11.07 %	10.71 %
Average of Mean and Median				0.71			10.41 %	11.12 %	10.77 %

Results Excluding the PRPM MRP

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Proxy Group of Six Natural Gas Distribution Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Yahoo Adjusted Beta (1)	Average Beta	Market Risk Premium (2)	Risk-Free Rate (3)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (4)
Atmos Energy Corporation	0.80	0.67	0.64	0.71	9.74	3.51	10.43 %	11.13 %	10.78 %
New Jersey Resources Corporation	0.95	0.73	0.70	0.80	9.74	3.51	11.30	11.79	11.55
NiSource Inc.	0.85	0.64	0.56	0.69	9.74	3.51	10.23	10.99	10.61
Northwest Natural Holding Company	0.80	0.63	0.64	0.69	9.74	3.51	10.23	10.99	10.61
ONE Gas, Inc.	0.80	0.69	0.67	0.72	9.74	3.51	10.52	11.21	10.87
Spire Inc.	0.80	0.70	0.53	0.67	9.74	3.51	10.04	10.84	10.44
				0.71			10.46 %	11.16 %	10.81 %
				0.70			10.33 %	11.06 %	10.70 %
				0.71			10.40 %	11.11 %	10.76 %

Notes on page 2 of this Attachment.

Atmos Energy Corporation
Notes to Accompany the Application of the CAPM and ECAPM

Notes:

(1) Due to data availability issues, raw Beta calculated using Bloomberg Beta Workbook Tool.

(2) The market risk premium (MRP) is derived by using six different measures from three sources: Ibbotson, Value Line, and Bloomberg as illustrated below:

Historical Data MRP Estimates:

Measure 1: Ibbotson Arithmetic Mean MRP (1926-2021)

Arithmetic Mean Monthly Returns for Large Stocks 1926-2021:	12.37 %
Arithmetic Mean Income Returns on Long-Term Government Bonds:	5.02
MRP based on Ibbotson Historical Data:	7.35 %

Measure 2: Application of a Regression Analysis to Ibbotson Historical Data
(1926-2021) 9.15 %

Measure 3: Application of the PRPM to Ibbotson Historical Data:
(January 1926 - May 2022) 9.84 %

Value Line MRP Estimates:

Measure 4: Value Line Projected MRP (Thirteen weeks ending June 03, 2022)

Total projected return on the market 3-5 years hence*:	14.10 %
Projected Risk-Free Rate (see note 2):	3.51
MRP based on Value Line Summary & Index:	10.59 %

*Forcasted 3-5 year capital appreciation plus expected dividend yield

Measure 5: Value Line Projected Return on the Market based on the S&P 500

Total return on the Market based on the S&P 500:	16.29 %
Projected Risk-Free Rate (see note 2):	3.51
MRP based on Value Line data	12.78 %

Measure 6: Bloomberg Projected MRP

Total return on the Market based on the S&P 500:	12.35 %
Projected Risk-Free Rate (see note 3):	3.51
MRP based on Bloomberg data	8.84 %

Average of Value Line, Ibbotson, and Bloomberg MRP: 9.76 %

Average MRP Excluding the PRPM MRP: 9.74 %

(3) For reasons explained in the direct testimony, the appropriate risk-free rate for cost of capital purposes is the average forecast of 30 year Treasury Bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts. (See pages 10 and 11 of Attachment Staff 2-3a.) The projection of the risk-free rate is illustrated below:

Second Quarter 2022	3.00 %
Third Quarter 2022	3.30
Fourth Quarter 2022	3.40
First Quarter 2023	3.50
Second Quarter 2023	3.60
Third Quarter 2023	3.60
2024-2028	3.80
2029-2033	3.90
	3.51 %

(4) Average of Column 7 and Column 8.

Sources of Information:
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2022
Stocks, Bonds, Bills, and Inflation - 2022 SBBI Yearbook, John Wiley & Sons, Inc.
Bloomberg Professional Services

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 8.

a. For Charts 1 and 2, explain the maximum and minimum values.
b. For Charts 1 and 2, explain whether the weekly and monthly values are based on average values over the respective time periods and, if so, explain how the averages are calculated.
c. Presumably, investors are aware of the beta adjustment process. Explain whether Chart 1 is calculated using adjusted or raw Yahoo! Finance beta values. If Chart 1 is based on raw beta values, apply the adjustment equation and compare the updated results to Chart 1.
d. On page 5 of Item 8, Atmos states that betas calculated using weekly returns incorporate more observable market data than betas that use monthly returns. Using this rationale, explain why Value Line beta values which are calculated using five years of market data and contain many more observations should not be considered over Bloomberg beta values which are calculated using two years of market data only.

RESPONSE:

a. The maximum and minimum values represent the highest and lowest calculated Betas, respectively, for the Utility Proxy Group based on monthly (Chart 1) and weekly (Chart 2) timeframes.

b. The weekly and monthly values are based on the closing prices at the end of the respective weeks and months.

c. Please see Chart 1 (from Staff 1-08) and Chart 2, (Chart 1 updated for adjusted betas), below.

Chart 1: Calculated Monthly Betas for the Proxy Group[1]

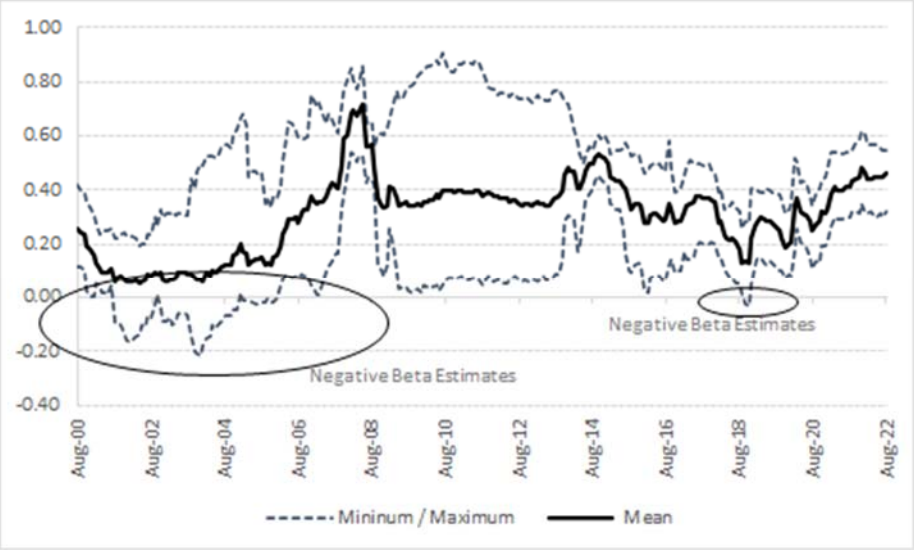
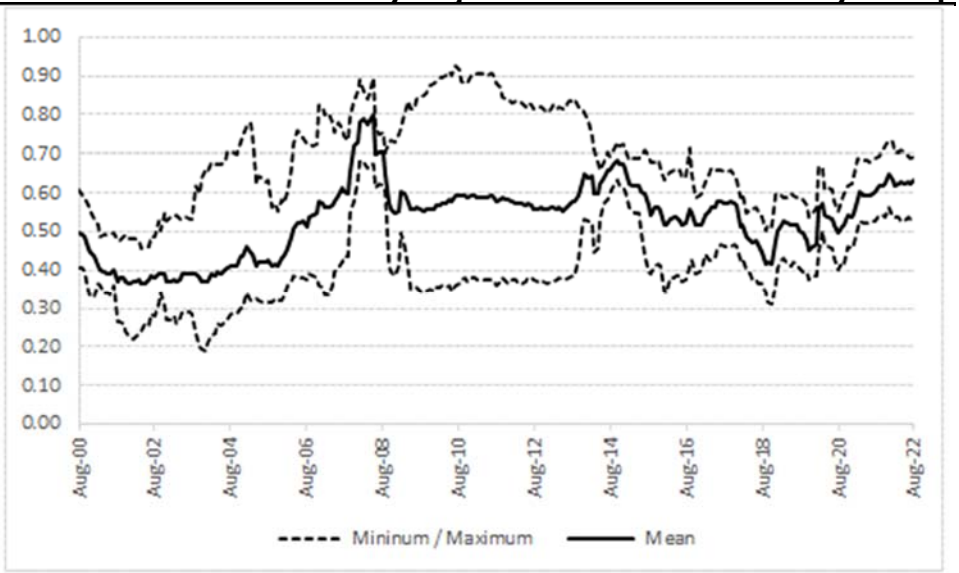


Chart 2: Calculated Monthly Adjusted Betas for the Proxy Group[2]



[1] Source S&P Global Market Intelligence
[2] Source S&P Global Market Intelligence

d. It is not so much the total number of observations, but the frequency of observations over a certain period, that is important. As Item 8 notes, monthly data gives less weight to significant market movements, causing those movements to be overlooked in assessing risk moving forward. For example, assume a significant event occurs over a two-week period. Weekly Betas will reflect the possibility that the subject company could experience similar movements moving forward, while monthly Betas will largely miss the extent of that movement. This understates the risks an investor faces at any one point in time.

Respondent: Dylan D'Ascendis

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 10. Given the much higher leak rate per mile for bare steel as compared to Aldyl-A, explain why Atmos is moving to replace Aldyl-A before it has replaced all bare steel pipes.

RESPONSE:

As mentioned in the direct testimony of T. Ryan Austin, Atmos Energy's Kentucky gas distribution system still contains approximately 201 miles of Aldyl-A pipe. While this pipe is not generally as old as the bare steel pipe in Atmos Energy's Kentucky distribution system, it is nonetheless made of materials that are considered obsolete and no longer used in the natural gas industry. Following bare steel pipe, the Company considers Aldyl-A the vintage material that presents the next most significant risks on its system and has been studying the change in leakage rates of Aldyl-A systems as bare steel pipe replacement within PRP has progressed.

The Company's replacement of bare steel pipe is not complete. However, it has progressed pursuant to the schedule set by the Commission's Order in Case No. 2017-00349. As the Commission stated, "the original 15-year PRP time period should be extended and that annual ratepayer-funded PRP investment should be limited to $28 million, barring the identification of a PRP eligible pipeline-related hazard that could not have been reasonably foreseen. $28 million in annual investment should cause the remaining PRP for bare steel replacement to be complete in 6 - 7 years with estimated completion in 2027, adding two years to the originally approved 15-year timeframe."[1]

As also noted in Company witness T. Ryan Austin's direct and rebuttal testimony in Case No. 2021-00214, there are other types of pipeline materials that the industry has identified that warrant accelerated replacement. While the industry recognizes bare steel as one of the leading risk types, utilities need to have appropriate replacement cycles for <u>all</u> of their pipeline infrastructure. While Aldyl-A pipe is not generally as old as the bare steel pipe in Atmos Energy's Kentucky distribution system, it is nonetheless made of materials that are considered obsolete and no longer used in the natural gas industry. Following bare steel pipe, the Company considers Aldyl-A the next most significant risks on its system and has been studying the change in leakage rates of Aldyl-A systems as PRP has progressed. The three projects in this PRP filing for Aldyl-A replacement are all pre-1973 Aldyl-A pipe, and the Company has listed the reasons for each individual projects the direct testimony of T. Ryan Austin for the need for replacement. In addition to leaks, Aldyl-A pipe has a higher risk than bare steel in regards to third-party damages due to the difficulty in locating the pipe. In targeting these Aldyl-A projects, the Company is trying to strategically approach the replacement of Aldyl-A in its Kentucky Distribution System on a long-term basis while being cognizant of the financial impact to its customers.

[1] Case No. 2018-00281, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC May 7, 2019), final Order at 15-16.

Replacing bare steel lines is a high priority and the Company will still be replacing bare steel at the ordered spending rate as affirmed by the Commission in Case No. 2018-00281.[2]

In particular, in addition to the direct testimony submitted in this Case, the direct and rebuttal testimony of T. Ryan Austin in Case No. 2021-00214 addresses the various reasons why the Company is strategically targeting the long-term replacement of Aldyl-A in its system as it continues its commitment to bare steel replacement. Some of these reasons include:

- The various vintages and nature of cracking of certain types of Aldyl-A pipe as discussed on pp. 23-26 of T. Ryan Austin's direct testimony in Case No. 2021-00214.
- Operational issues associated with Aldyl-A pipe such as difficulty locating due to tracer wire deterioration and associated increased line locating expenses, as well as Aldyl-A more prone to cracking on tie-in locations for extensions and screw-on caps as discussed on pp. 26-27 on T. Ryan Austin's direct testimony in Case No. 2021-00214
- The overall benefits of strategic, targeted long-term replacement of Aldyl-A over time to replace material with known and documented risks as discussed on pp. 26-27 on T. Ryan Austin's direct testimony in Case No. 2021-00214 and 11-13 of T. Ryan Austin's rebuttal testimony in Case No. 2021-00214
- Best practices associated with Distribution Integrity Management Program ("DIMP") plan and DOT/PHMSA Rules as discussed on pp. 6-11 on T. Ryan Austin's direct testimony in Case No. 2021-00214.
- The specific Aldyl-A projects themselves and the unique characteristics of the areas (e.g. Aldyl-A located in Cadiz, KY where the system has had a history of leaks caused by the rocky bedding conditions impinging on the Aldyl-A pipe which has proven to lead to increased cracking. This area also has tracer wire on the pipe that has deteriorated with time which make it difficult to locate).

Respondent: Ryan Austin

[2] *In the Matter of Electronic Application of Atmos Energy Corporation for An Adjustment of Rates and Tariff Modifications*, Case No. 2017-00349, May 3, 2018.

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 11.

a. Explain whether Atmos actually removes all pipelines that are replaced or whether it retires any pipelines in place, and if it does not remove all pipelines, explain how it makes the decision to remove the pipelines, what percentage are typically removed, and what percentage of the pipelines at issue in this case are likely to be removed.
b. If a percentage of pipelines are retired in place, explain why Atmos applied the cost of removal to all PRP projects.
c. Explain whether the manner in which Atmos calculates the cost of removal is consistent with the manner in which Atmos calculates the salvage value of the existing pipeline. If not, explain how Atmos calculates salvage value and why using a different method to calculate the cost of removal does not result in excessive amounts being removed from accumulated depreciation.

RESPONSE:

a. During pipeline construction, the removal of the existing pipe varies from project to project. On some pipeline steel projects we will opt to remove a large portion of the pipeline that is accessible and feasible to remove if it is shallow, too close to the new main, or has the potential to cause issues locating the new pipe. In other instances, for distribution piping in a more developed area we opt to retire a large portion of the pipe in place due to the cost of removal as well as the unnecessary disturbance of customer property, roads, and sidewalks. Many times, the decision to remove pipe is not fully decided until the replacement project has been installed. All projects will have some portion of the existing pipelines removed, specifically in tie-in areas at the location where the new project connects to the existing pipe. Based on the explanations above, the percentages of the pipe removed per project would vary by project from as much as 90% of a steel pipeline, to less than 1% on an in-town distribution replacement project. For the projects proposed in our filing, we would estimate the removal of pipe to be around 5% of the total project cost on average.

b. Please see response to subpart (a)

c. The Company does not forecast salvage value for either a general case or PRP filing due to the infrequency of occurrence. In the base period from the general case, there was $0 salvage value for the 6 month period Oct-20 to Mar-21.

The Company budgets total project costs including cost of removal. Of the total project budgeted cost, 5% is estimated to be related to cost of removal. This portion of budgeted project costs is included in the PRP filing as a reduction to accumulated depreciation. The remaining 95% of budgeted project cost is included in the PRP filing as an increase to gross plant. Depreciation expense is calculated on the portion of capital spending projected to be recorded as an addition to gross plant.

If the Company overestimates the portion of a capital project that will be applied to cost of removal, then the impact would be to under recover depreciation, but there would be no virtually no impact to net plant and therefore no impact on rate base.

Respondent: Brannon Taylor

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 11, and the Excel spreadsheet titled "Staff_1-11_Att1 - PRP In-service Date.xlsx."

a. Explain what the estimated closing date refers to.
b. Confirm that the dollar amounts reflected in each month for each project represent the projected capital budget or spending on the project in each month as opposed to the dates the project will be placed in service. If this cannot be confirmed, explain each basis why it cannot be confirmed, including why each project would have an in-service date in each month from the date the project is started to the date it is completed.
c. Provide the projected in service date for each of the projects listed on Staff_1-11_Att1 - PRP In-service Date.xlsx, and if the project is phased with different in service dates for each phase, identify each phase, the projected cost of each phase, and the projected in service date for each phase.
d. Explain whether work on pipeline projects is seasonal, and if so, explain why that is not reflected in Staff_1-11_Att1 - PRP In-service Date.xlsx, which shows relatively consistent spending or work throughout the year.
e. Explain whether the amounts listed on Staff_1-11_Att1 - PRP In-service Date.xlsx include AFUDC, and if so, provide a breakdown of the AFUDC included.
f. If the amounts listed on Staff_1-11_Att1 - PRP In-service Date.xlsx include AFUDC, explain why it is reasonable to include AFUDC given that spending appears to be moved to plant in service immediately.

RESPONSE:

a. The estimated closing date refers to the in-service date.

b. Confirm.

c. Please see Company's response to subpart (a). The closing or in-service date is provided in Column B of "Staff_1-11_Att1 - PRP In-service Date.xlsx".

d. Pipeline replacement work is scheduled for the entire year. Most of the Company's distribution projects are ongoing to best utilize contract resources as efficiently as possible. Some larger steel pipeline work is scheduled for construction during the summer months to provide longer days and less down time for weather, but some spending will still happen during the winter months for design, permitting, material acquisition which would have costs reflected in months throughout the year.

e. Yes, AFUDC is included. Please see Attachment 1.

f. The amounts do move into plant immediately; therefore, the Company does agree that AFUDC should be removed from the capital spending included in response to subpart (e).

ATTACHMENT:

Staff_2-07_Att1 - AFUDC.pdf

Respondent: Brannon Taylor

Inc/Exc	Y
AC Category	(Multiple Items)
Service Area	(Multiple Items)
Cost Center Name	(All)
Activity Code	(All)
Cost Center Code	(All)
Line Items	AFUDC Calc
Budget Category	(All)

CC11C Capital Budgets	Functional/Non-functional?	Sum of Oct 22	Sum of Nov 22	Sum of Dec 22	Sum of Jan 23	Sum of Feb 23	Sum of Mar 23	Sum of Apr 23	Sum of May 23	Sum of Jun 23	Sum of Jul 23	Sum of Aug 23	Sum of Sep 23	Sum of FY23_2
CB.050.54475 - PRP.2635.Maple Ave.FY21	Non-functional	228	750	728	575	751	1,385	5,261	-	-	-	-	-	9,678
CB.050.56685 - PRP.2734.Schweizer Rd.	Non-functional	8,614	7,071	3,788	3,174	7,912	5,022	6,001	8,566	5,061	12,161	7,984	2,511	77,865
PRP.2635.E Keigan St.FY23	Non-functional	-	-	-	-	-	-	463	701	983	2,237	2,181	1,712	8,276
PRP.2636.Maple Dr.FY23	Non-functional	-	-	-	-	-	-	159	661	1,191	653	-	-	2,663
PRP.2636.N Cherry St Greenville.FY23	Non-functional	303	1,012	1,674	1,733	1,489	-	-	-	-	-	-	-	6,211
PRP.2636.Oak St.FY23	Non-functional	-	-	-	-	279	611	1,163	1,802	2,389	-	-	-	6,243
PRP.2636.W Campbell St.FY23	Non-functional	-	-	455	625	793	1,598	4,608	-	-	-	-	-	8,080
PRP.2637.Hilldale Dr.FY23	Non-functional	-	348	593	972	1,255	1,581	-	-	-	-	-	-	4,749
PRP.2637.Lone Oak 2.FY23	Non-functional	-	-	-	-	-	-	-	937	928	2,769	1,988	1,773	8,396
PRP.2637.Sunset Ave.FY23	Non-functional	-	-	-	-	658	617	1,674	1,808	1,388	2,612	-	-	8,758
PRP.2637.Washington St.FY23	Non-functional	380	1,587	1,217	2,684	-	-	-	-	-	-	-	-	5,868
PRP.2734.US 31W.FY23	Non-functional	280	1,021	847	686	599	754	1,166	-	-	-	-	-	5,354
PRP.2737.Locust St.FY23	Non-functional	-	-	-	-	191	450	610	735	709	1,311	705	547	5,257
PRP.2737.Logan Ave.FY23	Non-functional	277	685	790	938	959	2,212	-	-	-	-	-	-	5,861
PRP.2737.Orchard St.FY23	Non-functional	237	680	614	755	905	1,247	-	-	-	-	-	-	4,438
PRP.2737.Portman St.FY23	Non-functional	-	-	-	-	412	588	919	1,292	1,395	2,604	1,362	607	9,177
PRP.2738.Covington Ave.FY23	Non-functional	266	628	560	508	416	514	629	794	822	1,470	625	-	7,232
PRP.2738.Mulberry St.FY23	Non-functional	290	620	496	489	431	495	981	1,338	1,259	-	-	-	6,399
PRP.W Depot St.FY23	Non-functional	-	-	-	-	-	-	-	-	120	1,034	1,542	747	3,444
PRP.2637.North 8th and 11th St.FY23	Non-functional	-	-	-	-	-	-	-	382	984	1,977	2,643	1,442	7,428
PRP-Aldyl-A.2635.St Charles Replacement	Non-functional	-	673	576	620	512	845	1,399	1,310	1,460	2,773	2,183	1,010	13,361
PRP-Aldyl-A.2736.Lincoln Ave.FY23	Non-functional	-	399	614	636	546	1,066	1,490	1,425	527	627	472	-	7,800
PRP-Aldyl-A.2736.Cunningham Ave.FY23	Non-functional	-	-	-	250	130	451	628	810	863	1,504	943	290	5,869
Grand Total		**10,875**	**15,474**	**12,951**	**14,647**	**18,238**	**19,434**	**27,148**	**22,561**	**20,078**	**33,731**	**22,628**	**10,639**	**228,406**

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 15, and the Excel spreadsheet titled "Staff_1-15_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx" at the "Summary" tab.

a. Confirm that Atmos has included ADIT changes from two separate years to project the combined "Book/Tax Adjustments Other than NOL" by using the ADIT change for the test year ending December 31, 2022, which included PRP rate base changes projected to occur prior to October 1, 2022, and the ADIT change Atmos projected would be generated from PRP spending in Fiscal Year 2023, which ends September 30, 2023. If this cannot be confirmed, explain each basis why it cannot be confirmed.
b. Confirm that the income from rates set in Case No. 2021-00214[2] and in this PRP case would be cumulative, and if this cannot be confirmed, explain each basis why it cannot be confirmed.
c. Confirm that increases in ADIT in the test year ending December 31, 2022, which included PRP rate base changes projected to occur prior to October 1, 2022, and increases in ADIT in subsequent years would generally not be cumulative but rather would primarily be a function of the amount and nature of capital spending in a given year, because the majority of the increase in Atmos's ADIT arises from differences in the manner in which projects are capitalized for book purposes when placed in service but expensed for tax purposes, primarily as repairs, pursuant to 26 U.S.C.A. § 162. If this cannot be confirmed, explain each basis why it cannot be confirmed.
d. Confirm that Atmos's income from its Performance Based Rate (PBR) mechanism is not reflected in the calculation of Atmos's taxable income (loss). If this cannot be confirmed, explain each basis why it cannot be confirmed.

RESPONSE:

a. Confirmed in part. Atmos Energy has included ADIT changes from two separate test period filings to project the amount of Book/Tax Adjustments Other than NOL for a combined 12-month period. Note that the ADIT change within the Excel spreadsheet titled "Staff_1-15_Att1 – Kentucky Taxable Income (Loss) Detail.xlsx" for the test period ending December 31, 2022 is inclusive of all adjustments to ADIT per the Commission's May 19, 2022 final Order in Case No 2021-00214.

b. Confirm.

c. Deny. Increases in ADIT in the test year ending December 31, 2022, and increases in ADIT in subsequent years would be cumulative. ADIT represents Accumulated Deferred Income Taxes and the accumulated balance at the end of any given year reflects the annual changes occurring in all years.

[2] Case No. 2021-00214, Electronic Application of Atmos Energy Corporation for an Adjustment of Rates (Ky. PSC May 19, 2022), Order.

d. Confirm.

Respondent: Brannon Taylor

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 15, and the Excel spreadsheet entitled "Staff_1-15_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx" at the "Gen Filing Sch B-5F" tab. Refer also to the Excel spreadsheet titled "2021 KY Rev Req Model - Rebuttal - Revised.xlsx" filed with the Corrected Rebuttal Testimony of Joe Christian in Case No. 2021-00214.[3]

a. Confirm that the ADIT balances for each division and the "Change in ADIT, excluding forecasted change in NOLC" reflected in the "Gen Filing Sch B-5F" tab of Staff_1-15_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx were taken from the ADIT balances and the "Change in ADIT, excluding forecasted change in NOLC" in the "B.5 F" tab of 2021 KY Rev Req Model - Rebuttal - Revised.xlsx. If this cannot be confirmed, explain each basis why it cannot be confirmed.
b. Confirm that the "Change in ADIT, excluding forecasted change in NOLC" in the amount of ($12,245,579) in 2021 KY Rev Req Model - Rebuttal - Revised.xlsx was calculated by subtracting the allocated 13-Month Average of ADIT in the base period ending September 30, 2021, in the amount of ($67,435,219) from the allocated prorated ending balance for the forecasted test year ending December 31, 2022, in the amount of ($79,680,799). If this cannot be confirmed, explain each basis why it cannot be confirmed.
c. Confirm that the manner in which the "Change in ADIT, excluding forecasted change in NOLC" was calculated in 2021 KY Rev Req Model - Rebuttal - Revised.xlsx does not reflect the actual forecasted change in ADIT during the forecasted test year ending December 31, 2022. If this cannot be confirmed, explain each basis why it cannot be confirmed.

RESPONSE:

a. Deny. The ADIT balances for each division and the "Change in ADIT, excluding forecasted change in NOLC" reflected in the "Gen Filing Sch B-5F" tab of the file "Staff_1-15_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx" were taken from a model to reflect the Commission's May 19, 2022 final Order in Case No. 2021-00214. The change in ADIT, excluding forecasted change in NOLC is the same amount of ($12,245,579) in both files.

b. Confirm.

[3] Case No. 2021-00214, Rebuttal Testimony of Joe T. Christian, 2021 KY Rev Req Model - Rebuttal - Revised.xlsx (filed Dec. 3, 2021).

c. Deny. The “Change in ADIT, excluding forecasted change in NOLC” calculated in the file "2021 KY Rev Req Model – Rebuttal – Revised.xlsx" does reflect the forecasted change in ADIT during the forecasted test year ending December 31, 2022 as this was the test period utilized within Case No. 2022-00214.

Respondent: Brannon Taylor

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 19. Explain in detail what it means for tax expense to be "calculated and recorded at the lowest operating division based on the Company's structure."

RESPONSE:

The Company operates its Regulated Operations through operating divisions in different states within one legal entity as Atmos Energy Corporation, with Shared Services and Call Centers as separate divisions that provide centralized technical support to the operating divisions.

Each of the operating divisions records its own profit and loss, and incurs its own separate income tax expenses.

Respondent: Brannon Taylor

REQUEST:

Refer to the Excel spreadsheet titled "FR_16(7)(b)_Att1 - Capital Budget.xlsx" filed with the application in Case No. 2021-00214.[4] Refer also to the Excel spreadsheet titled "KY Plant Data-2021_Revised 8-12-21.xlsx" filed as a supplement to Atmos's responses to Commission Staff's First Request for Information in Case No. 2021-00214.[5]

a. Confirm that the amounts listed on "Line # 22" of FR_16(7)(b)_Att1 - Capital Budget.xlsx reflected the total projected capital spending, when filed, in the relevant periods for Atmos's Division 09, including projected capital spending for PRP projects during the relevant periods. If this cannot be confirmed, explain each basis why it cannot be confirmed.
b. Confirm that the "Capital Spending" tab of KY Plant Data-2021_Revised 8-12-21.xlsx at columns S through AD reflects the projected monthly capital spending for Divisions 02, 12, and 91 used to project and calculate rate base changes for the forecasted test year (before the relevant allocation percentages were applied). If this cannot be confirmed, explain each basis why it cannot be confirmed.
c. Confirm that the amounts listed in FR_16(7)(b)_Att1 - Capital Budget.xlsx for the forecasted test year ending December 31, 2022, less projected PRP spending for October 1, 2022, through December 31, 2022, as reflected in KY Plant Data-2021_Revised 8-12-21.xlsx at the "Capital Spending" tab, were used to project and calculate rate base changes in the forecasted test year. If this cannot be confirmed, explain each basis why it cannot be confirmed.
d. Explain why the actual capital spending in Fiscal Years 2021 and 2022 is lower than the projected capital spending in FR_16(7)(b)_Att1 - Capital Budget.xlsx and KY Plant Data-2021_Revised 8-12-21.xlsx.

RESPONSE:

a. Confirm.

b. Confirm.

c. Confirm for Division 009.

[4] Case No. 2021-00214, Application, FR_16(7)(b)_Att1 - Capital Budget.xlsx (filed Jun. 30, 2021).

[5] Case No. 2021-00214, Atmos's Supplemental Response to Commission Staff's First Request for Information, Item 55, Staff_1-55_Folder_Suppl - Revenue Requirements Model and WPs.zip, KY Plant Data-2021_Revised 8-12-21.xlsx (filed Aug. 23, 2021).

d. The Company is assuming this Data Request is based off of the Company's response to Staff 1-17, which is additions to plant in service. The Fiscal Year 2021 plant is relatively in line with projections, and the Fiscal Year 2022 amount has a timing difference of capital spending and when plant is placed into service. Please see Attachment 1 with an update to Staff 1-17 that shows preliminary FY22 plant additions relatively in line with projections.

ATTACHMENT:

Staff_2-11_Att1 - Additions to Plant in Service.xlsx

Respondent: Brannon Taylor

Atmos Energy Corporation
Additions to Plant-in-Service
Fiscal 2018 through Fiscal 2022 Preliminary

Division	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Preliminary Fiscal 2022
009 - Ketucky	68,617,848	116,731,558	56,886,307	55,591,202	62,169,030
Allocation %	100%	100%	100%	100%	100%
Kentucky Portion	68,617,848	116,731,558	56,886,307	55,591,202	62,169,030
002 - SSU General Office	13,460,316	20,595,983	22,202,296	24,041,791	23,245,981
Allocation %	4.91%	4.91%	4.91%	4.91%	4.91%
Kentucky Portion	660,901	1,011,263	1,090,133	1,180,452	1,141,378
012 - Customer Support	3,632,479	6,000,733	2,854,707	1,818,662	7,013,439
Allocation %	5.53%	5.53%	5.53%	5.53%	5.53%
Kentucky Portion	200,876	331,841	157,865	100,572	387,843
091 - KMD General Office	58,666	82,743	13,060	22,810	-
Allocation %	51.37%	51.37%	51.37%	51.37%	51.37%
Kentucky Portion	30,137	42,505	6,709	11,718	-

Note1: The amounts for Kentucky Div 009 include overhead allocations from Shared Services Div 002 and Div 012 and the KMD General Office Div 091.

REQUEST:

Refer to the Excel spreadsheets titled "2021 KY Rev Req Model - Rebuttal - Revised.xlsx" and "2021 KY ADIT Actuals and 2022 updated projection.xlsx" filed with the Corrected Rebuttal Testimony of Joe Christian and as a supplement to Atmos's response to Commission Staff's First Request for Information in Case No. 2021-00214.[6] Confirm that the actual projected, jurisdictional change in ADIT, excluding forecasted changes in NOLC, during the test year ending on December 31, 2022, based on the values reflected in those spreadsheets, was ($8,575,843), as shown in the spreadsheet attached as an Appendix hereto. If this cannot be confirmed, explain each basis why it cannot be confirmed.

RESPONSE:

Deny. The projected change in ADIT, excluding forecasted change in NOLC should also reflect the impact of proration. Therefore, the calculated amount of $(12,245,579) is correct.

Respondent: Brannon Taylor

[6] Case No. 2021-00214, Rebuttal Testimony of Joe T. Christian, 2021 KY Rev Req Model - Rebuttal - Revised.xlsx (filed Dec. 3, 2021); Case No. 2021-00214, Atmos's Supplemental Response to Commission Staff's First Request for Information, Item 55, 2021 KY ADIT Actuals and 2022 updated projection.xlsx (filed Nov. 23, 2021).

REQUEST:

Confirm that there would be no taxable loss using Atmos's method reflected in the Excel spreadsheet titled "Staff_1-15_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx" if the sum of the ADIT change in the forecasted test year—($8,575,843)—and the incremental change in ADIT associated with PRP spending from October 1, 2022, to December 31, 2022—($966,971)—excluding any NOLC change, was used to calculate the "Book/Tax Adjustments Other than NOL." If this cannot be confirmed, explain each basis why it cannot be confirmed.

RESPONSE:

Deny. Atmos Energy has not calculated a revenue requirement associated PRP spending from October 1, 2022, to December 31, 2022. Additionally, note the ADIT change for the forecasted test year ended December 31, 2022 before including the incremental change in ADIT associated with PRP spending from October 1, 2022, to December 31, 2022 is ($12,245,579) due to the impact of proration rather than ($8,575,843).

Respondent: Brannon Taylor

REQUEST:

State whether Atmos contends that it would be unreasonable to use only the sum of the ADIT change in the forecast test year—($8,575,843)—and the incremental change in ADIT associated with PRP spending from October 1, 2022, to December 31, 2022—($966,971)—excluding any NOLC change, to calculate the "Book/Tax Adjustments Other than NOL" in Staff_1-15_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx, and if so, explain each basis why Atmos contends it would be unreasonable.

RESPONSE:

Atmos Energy contends such an approach to calculate the "Book/Tax Adjustments Other than NOL" in the file "Staff_1-15_Att1 – Kentucky Taxable Income (Loss) Detail.xlsx" would be unreasonable due to the following reasons:

- The ADIT change in the forecast test year ending December 31, 2022 is ($12,245,579) when reflecting all ADIT adjustments per the Commission's final Order in Case No. 2021-00214 as opposed to ($8,575,843) per the Company's Rebuttal – Revised filing.
- This approach fails to consider revenue requirements associated with PRP spending for the period October 1, 2022 to December 31, 2022.
- This approach does not take into consideration the ADIT change or revenue requirement associated with PRP spend during the period January 1, 2023 through September 30, 2023.

Respondent: Brannon Taylor

REQUEST:

Provide Atmos's most recent PBR report for Kentucky and an update showing the calculation of Atmos's share of any savings or expense for any historical month since the PBR report was filed.

RESPONSE:

The Company's most recent PBR report was submitted in Case No. 2020-00289 per Commission Order. Please see Confidential Attachment 1 for the requested updated months through August 2022.

ATTACHMENT:

Staff_2-15_Att1 - KY PBR Summary June 2022 - August 2022 (CONFIDENTIAL).pdf

Respondent: Brannon Taylor