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September 16, 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:

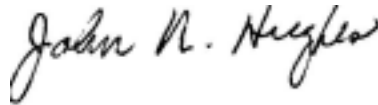
Atmos Energy Corporation submits its response to the Staff's First Data Request. I certify that the electronic documents are true and correct copies of the original documents.

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

Submitted By:

Mark R. Hutchinson
Wilson, Hutchinson & Littlepage
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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) CASE NO. 2022-00222
PERIOD BEGINNING OCTOBER 1, 2022)

CERTIFICATE AND AFFIDAVIT


The Affiant, Timothy (Ryan) Austin, being duly sworn, deposes and states that the attached responses to Commission Staff's first 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 September, 2022.



Notary Public
My Commission Expires: 3/21/24

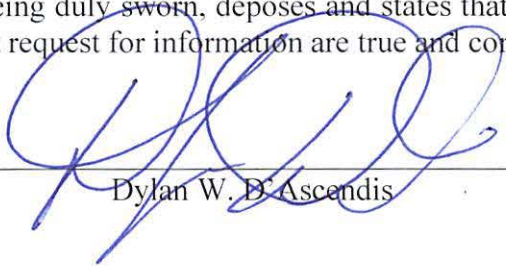
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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

CERTIFICATE AND AFFIDAVIT

The Affiant, Dylan W. D'Ascendis, being duly sworn, deposes and states that the attached responses to Commission Staff's first 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 14th day of September, 2022.



Notary Public
My Commission Expires: 06/07/2027

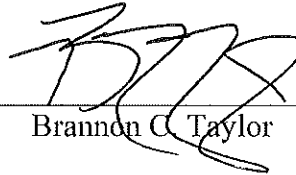


COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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

CERTIFICATE AND AFFIDAVIT

The Affiant, Brannon C. Taylor, being duly sworn, deposes and states that the attached responses to Commission Staff's first 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 12th day of September, 2022.



Notary Public

My Commission Expires: March 6, 2024



Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-01
Page 1 of 2

REQUEST:

Refer to the Application, Direct Testimony of Dylan W. D'Ascendis (D'Ascendis Testimony), Table 1, page 3. Also refer to the Commission's May 19, 2022 Order in Case No. 2021-00214,² pages 36-39.

- a. In light of the Commission's Order in Case No. 2021-00214, explain the reasonableness of a common equity ratio of 54.5 percent.
- b. Provide the supporting documentation for a short term debt cost rate of 80.94 percent.

RESPONSE:

- a. The Commission has expressed concern with the Company's actual capital structure in its two most recent cases, including on pages 36-39 of the Final Order in Case No. 2021-00214. However, the Final Order seemed to indicate that the capital structure that the Commission found reasonable in determining base rates would be proper until the next rate case, stating in part, "In addition, in subsequent rate case filings, the Commission will review the proxy group common equity ratios and will further transition down to the average common equity ratio of 50.0 percent or a median or average, whichever the facts merit."; thus, the Company has continued to rely on the latest approved capital structure rather than choosing to litigate a different capital structure as part of its PRP filing.

A 54.5% equity component, as part of the PRP filing, represents a reduction in the Company's consolidated actual capital structure of approximately 60% common equity. The actual capital structure of Atmos Energy Corporation is necessary to support the cash flow operating metrics necessary to provide ongoing financing to the capital investment the Company makes in all of its regulated distribution utility and regulated transmission utility operations. Thus, as proposed, a 54.5% common equity component is very reasonable and conservative in view of the Company's actual capital structure. Our Kentucky distribution customers benefit from being part of a utility that is financially sound enough to raise external capital on an annual basis and, combined with reinvesting over half of its earnings back into its operations provides safe and reliable service at an affordable cost. The Commission should encourage investment in Kentucky's energy infrastructure in how it approaches this aspect of establishing rates.

- b. Please see Attachment 1.

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

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Staff DR Set No. 1
Question No. 1-01
Page 2 of 2

ATTACHMENT:

Staff_1-01_Att1 - STD Cost Rate.xlsx

Respondent: Brannon Taylor

Atmos Energy Corp - Consolidated

Schedule of Debt and Equity
September 30, 2021

Line No.	Date	Atmos Consolidated Balances			Atmos Consolidated - calc of STD rate			Interest on CP or Draws on Credit Facility	Commitment Fees on Credit Facility	CA-Effective 09/25/15 to mature 9/25/23 Bank Fees on AEC Credit Facility
		Long-Term Debt**	Short-Term Debt	Equity	12 Month Avg STD Avg Daily Bal	12 Month Avg STD Int Exp & fees	STD avg rate			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	30120,30121	30121	30121	
							Detail of Colm (f) Consolidated Int Exp & Fees			
							Int Exp	Commit fees	Utility Bank Admin	
1	Sep-20	4,531,944,234	0	6,791,203,456						
2	Oct-20	5,124,535,942	0	6,875,466,222		441,338		177,988	263,350	
3	Nov-20	5,124,818,909	0	6,868,006,033		435,596		172,246	263,350	
4	Dec-20	5,125,033,150	0	7,213,155,664		441,338		177,988	263,350	
5	Jan-21	5,125,258,556	0	7,373,460,669		441,352		178,002	263,350	
6	Feb-21	5,125,483,885	59,994,400	7,438,802,054	15,000,000	434,326	1,867	169,109	263,350	
7	Mar-21	7,316,580,609	0	7,820,925,344	40,645,161	590,365	5,600	229,002	355,763	
8	Apr-21	7,317,569,587	0	7,844,770,874		435,722		202,260	233,462	
9	May-21	7,318,060,061	0	7,787,132,838		443,578		209,002	234,576	
10	Jun-21	7,328,947,454	0	7,773,757,588		436,836		202,260	234,576	
11	Jul-21	7,329,538,232	0	7,780,443,380		443,578		209,002	234,576	
12	Aug-21	7,330,131,876	24,998,243	7,731,393,336	5,645,161	444,112	535	209,002	234,576	
13	Sep-21	<u>7,330,656,877</u>	<u>0</u>	<u>7,906,888,837</u>	<u>19,166,667</u>	<u>438,593</u>	<u>1,757</u>	<u>202,260</u>	<u>234,576</u>	
14						<u>5,426,733</u>				
15										
16	Average	<u>6,263,735,336</u>	<u>6,537,896</u>	<u>7,477,338,946</u>	<u>6,704,749</u>				<u>80.94%</u>	
Check							-	-	-	-

30120,30121	30121
9,758.34	3,078,853.60
2,338,121.51	
per STD rpts: 5,426,733	

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-02
Page 1 of 1

REQUEST:

Refer to D'Ascendis Testimony, pages 4-5. Also refer also to the Commission's May 19, 2022 Order in Case No. 2021-00214, page 48. In light of the Commission's Order in Case No. 2021-00214, explain the reasonableness of a return on equity (ROE) of 10.95 percent, as compared to Atmos's recently authorized ROE of 9.23 percent for base rates and 9.13 for its natural gas capital rider.

RESPONSE:

Please refer to Mr. D'Ascendis' Direct Testimony specifically at pages 4 (summary of common equity cost rate), 16 through 18 (application of the discounted cash flow (DCF) model), 19 through 36 (application of the risk premium model (RPM)), 36 through 42 (application of the capital asset pricing model (CAPM)), 43 through 46 (application of market models to a proxy group of non-price regulated companies similar in total risk to the Utility Proxy Group), and 47 through 60 (adjustments to the indicated cost of common equity). The numerical support for the applications of the cost of common equity models referenced above and applicable adjustments to indicated model results are located in Exhibits DWD-1 through DWD-9.

The cost of common equity is not measured by authorized returns on equity by any regulatory jurisdiction and must be measured by applying market models to comparable companies to the regulated entity.

Respondent: Dylan D'Ascendis

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

REQUEST:

Refer to D'Ascendis Testimony, page 26 lines 8-22 and page 27 lines 1-10. Explain how current yields on Atmos's and the proxy groups' bonds compare to the expected bond yield of 5.30 percent.

RESPONSE:

As shown on page 4 of Exhibit DWD-3, the current yield on A2-rated public utility bonds is 4.34% as compared to the projected A2-rated yield used in Mr. D'Ascendis' RPM of 5.30%. As stated at page 26 of his Direct Testimony, because both ratemaking and the cost of capital is prospective in nature, prospective measures, such as interest rates should be used in cost of capital analyses.

Respondent: Dylan D'Ascendis

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Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-04
Page 1 of 1

REQUEST:

Refer to D'Ascendis Testimony, page 33.

- a. Explain how the S&P Utilities index including the number of companies included in the index, compares with the S&P 500 index.
- b. Explain how successive truncations of the market upon which risk premium calculations are made from the Value Line total market to the S&P 500 market to the S&P Utilities Index is valid for calculating the appropriate Atmos Pipeline Replacement Rider (PRP) risk premium.

RESPONSE:

- a. The S&P Utilities index is comprised of 30 utility companies that are part of the S&P 500 index, whereas the S&P 500 index is comprised of 500 large companies across many different industries.
- b. The S&P 500 index is comprised of 500 of the largest U.S. publicly traded companies, which account for approximately 80% of the overall U.S. equity market. The index is commonly used as a proxy for the entire U.S. equity market by investors, as the index components cover all sectors of the market. Additionally, the SBBI – 2022 market return values used are based on S&P 500 returns and Bloomberg betas are calculated using the S&P 500 as the market index.

To Mr. D'Ascendis' knowledge, while he believes that the Value Line Summary & Index market return expectation is relevant to the cost of capital, the return on the Value Line universe of stocks is not published anywhere other than Value Line, and no commonly used beta coefficients (including Value Line) are calculated using the Value Line universe's return data.

Mr. D'Ascendis considers returns of both the Value Line Summary & Index and the S&P 500 as estimates of the total market return in calculating his Beta Adjusted Risk Premium and applies returns of the S&P Utilities Index only in his risk premium study based on the holding period returns of public utilities with A rated bonds. Returns of the S&P 500 and S&P Utilities Index are not used simultaneously in one risk premium study. Lastly, the use of multiple methods adds reliability to the estimation of the cost of equity, as discussed on page 46 of Mr. D'Ascendis' testimony.

Respondent: Dylan D'Ascendis

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

REQUEST:

Refer to D'Ascendis Testimony, pages 34-35 and Exhibit DWD-3, pages 7 and 13. In Exhibit DW-3, page 13, there appears to be wide variation of risk premiums for given A2 rated Moody's bond yields which reflects wide variations in regulatory commission decisions. Explain why the use of implied risk premiums based on fully litigated authorized ROE decisions is valid for calculating the appropriate Atmos PRP risk premium in Kentucky.

RESPONSE:

As discussed on page 34-35 of Mr. D'Ascendis' testimony, there is a clear, statistically significant inverse relationship between authorized equity risk premiums and A2 rated bond yields. Beyond Mr. D'Ascendis' own analysis, he also provided examples of financial literature that support his findings.

Respondent: Dylan D'Ascendis

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

REQUEST:

Refer to D'Ascendis Testimony, Exhibit DWD-3, page 4. Provide an update to the calculations on this page by including the months of June and July 2022.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

Staff_1-06_Att1 - Exhibit DWD-3 Update.xlsx

Respondent: Dylan D'Ascendis

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

Selected Bond Yields - Moody's

	[1]	[2]	[3]	[4]
	<u>Aaa Rated Corporate Bond</u>	<u>Aa Rated Public Utility Bond</u>	<u>A2 Rated Public Utility Bond</u>	<u>Baa2 Rated Public Utility Bond</u>
Jul-2022	4.06 %	4.57 %	4.78 %	5.15 %
Jun-2022	4.24	4.65	4.86	5.22
May-2022	<u>4.13</u>	<u>4.55</u>	<u>4.75</u>	<u>5.07</u>
Average	<u><u>4.14 %</u></u>	<u><u>4.59 %</u></u>	<u><u>4.80 %</u></u>	<u><u>5.15 %</u></u>

Selected Bond Spreads

A2 Rated Public Utility Bonds Over Aaa Rated Corporate Bonds:	<u><u>0.66 %</u></u> (1)
Baa2 Rated Public Utility Bonds Over A2 Rated Public Utility Bonds:	<u><u>0.35 %</u></u> (2)
A2 Rated Public Utility Bonds Over Aa2 Rated Public Utility Bonds:	<u><u>0.21 %</u></u> (3)

Notes:

(1) Column [3] - Column [1].

(2) Column [4] - Column [3].

(3) Column [3] - Column [2].

Source of Information:

Bloomberg Professional Service

Bond Index - Date	Jul-22	Jun-22	May-22
MOODUAA Index	4.57	4.65	4.55
MOODUA Index	4.78	4.86	4.75
MOODUBAA Index	5.15	5.22	5.07
MOODCAA Index	4.06	4.24	4.13
MOODCA Index	4.37	4.49	4.36
MOODCA Index	4.67	4.77	4.65
MOODCBAA Index	5.21	5.27	5.12

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Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-07
Page 1 of 1

REQUEST:

Refer to D'Ascendis Testimony, Exhibit DWD-3, page 9.

- a. Referring to footnotes 4 and 6, explain the difference between the Value Line Summary and Index and the S&P 500.
- b. Explain whether Bloomberg Professional Service has an index or compilation of companies similar to Value Line's Summary and Index and, if so, provide a calculations updating Footnote 6 using that index as opposed to the S&P 500.
- c. Refer to footnote 7. Explain why it is appropriate to average the median and mean values as opposed to using one or the other.

RESPONSE:

- a. The Value Line Summary and Index covers approximately 1,700 publicly traded companies. As described in Mr. D'Ascendis' response to Staff 1-04 subpart (b), the S&P 500 index is commonly used as a proxy for the entire market by investors, as the index components cover all sectors of the market. Additionally, the SBBI-2022 market return is based on S&P 500 returns. Finally, Bloomberg beta's "default" setting uses the S&P 500 as the market proxy for its calculations.
- b. Mr. D'Ascendis is not aware of any Bloomberg Professional Services indexes similar to the Value Line Summary and Index.
- c. As stated in Mr. D'Ascendis' testimony, using the average of the mean and median values takes into account all individual results while mitigating high and low outliers. In Docket No. 2017-292-WS in the matter of Carolina Water Service, Inc. (South Carolina), the Commission adopted Mr. D'Ascendis' entire position, which would include the use of the average of mean and median values.

Respondent: Dylan D'Ascendis

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-08
Page 1 of 7

REQUEST:

Refer to the Application, D'Ascendis Testimony, Exhibit DWD-4, pages 1-2.

- a. Explain the differences between Bloomberg and Value Line derived beta values including the time periods used in their respective derivation.
- b. Aside from Value Line and Bloomberg, explain whether beta values may be obtained from additional sources, such as Yahoo! Finance, and if so, explain why it would not be appropriate to use those beta values in addition to those used in the current analysis.
- c. Explain why current 30-year Treasuries are not used as the risk free rate also, since an investor must have an expectation of inflation and other future conditions in order to be induced to lend money for an extended period of time.

RESPONSE:

- a. In addition to the time periods used to calculate the Value Line and Bloomberg betas (5 years and 2 years, respectively), Value Line betas use the New York Stock Exchange as its proxy for the market and Bloomberg uses the S&P 500.
- b. Mr. D'Ascendis does not believe that there are other readily available beta values that should be considered by investors besides Bloomberg and Value Line. Staff's example of Yahoo! Finance betas are not suitable for cost of capital purposes as they are unadjusted, or "raw" betas, which are not forward-looking and are calculated on a monthly, instead of weekly, basis, which does not adequately reflect changes in market data.

1. Unadjusted Betas

Betas are measured using an Ordinary Least Squares ("OLS") regression, in which the dependent variable is the return of the subject security, and the independent variable is the return on the market as measured by a given index (*Value Line*, for example, uses the New York Stock Exchange Index). Beta is represented by the slope term of the regression estimates. Intuitively, beta measures the change in the subject company's returns relative to the change in the market return.

The resulting beta is considered "raw", or unadjusted. Unadjusted betas are historical in nature as they use historical market data. Blume studied the stability of beta over time and found that "[n]o economic variable including the beta coefficient is constant over time."¹ Consistent with that finding, Blume observed a tendency of raw betas to change gradually over time. Blume further stated:

¹ Marshal E. Blume, On the Assessment of Risk, The Journal of Finance, Vol. XXVI, No. 1, March 1971.

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Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-08
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...there is obviously some tendency for the estimated values of the risk parameter [beta] to change gradually over time. This tendency is most pronounced in the lowest risk portfolios, for which the estimated risk in the second period is invariably higher than that estimated in the first period. There is some tendency for the high risk portfolios to have lower estimated risk coefficients in the second period than in those estimated in the first. Therefore, the estimated values of the risk coefficients in one period are biased assessments of the future values, and furthermore the values of the risk coefficients as measured by the estimates of β_1 tend to regress towards the means with this tendency stronger for the lower risk portfolios than the higher risk portfolios. (emphasis added)²

Blume proposed a correction for this tendency, also known as “regression bias”, which is inherent in the calculation of all betas. He stated:

In so far as the rate of regression towards the mean is stationary over time, one can in principle correct for this tendency in forming one’s assessments.

* * *

For individual securities as well as portfolios of two or more securities, the assessments adjusted for the historical rate of regression are more accurate than the unadjusted or naïve assessments. Thus, an improvement in the accuracy of one’s assessments of risk can be obtained by adjusting for the historical rate of regression even though the rate of regression over time is not strictly stationary.³

Based on Blume’s results, the typical adjustment is calculated based upon an approximate of the following formula:

$$\beta_{adjusted} = 0.35 + .67x\beta_{raw (unadjusted)}$$

This adjustment transforms the historical unadjusted beta into an expectational value, consistent with the expectational nature of the cost of capital.

² Marshal E. Blume, On the Assessment of Risk, The Journal of Finance, Vol. XXVI, No. 1, March 1971.

³ Marshal E. Blume, *On the Assessment of Risk*, The Journal of Finance, Vol. XXVI, No. 1, March 1971.

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As noted by Morin:

Several authors have investigated the regression tendency of beta and generally reached similar conclusions [as Blume]. High-beta portfolios have tended to decline over time toward unity, while low-beta portfolios have tended to increase over time toward unity...He demonstrated that the Value Line adjustment procedure anticipated differences between past and future betas.⁴

Morin further notes:

A comprehensive study of beta measurement methodology by Kryzanowski and Jalilvand (1983) concludes that raw unadjusted beta (OLS beta) is one of the poorest beta predictors, and is outperformed by the Blume-style Bayesian beta approach. Gombola and Kahl (1990) examine the time-series properties of utility betas and find strong support for the application of adjustment procedures such as the Value Line and Bloomberg procedures.

Because of this observed regressive tendency, a company's raw unadjusted beta is not the appropriate measure of market risk to use. Current stock prices reflect expected risk, that is, expected beta, rather than historical risk or historical beta. Historical betas, whether raw or adjusted, are only surrogates for expected beta. The best of the two surrogates is adjusted beta.⁵

Morin also provides economic and statistical justification for using adjusted betas to estimate the cost of equity for utilities. Relative to economic justification, he states:

Adjusted betas compensate for the tendency of regulated utilities to be extra interest-sensitive relative to industrials.^(footnote omitted) In the same way that bondholders get compensated for inflation through an inflation premium in the interest rate, utility shareholders receive compensation for inflation through an inflation premium in the allowed rate of return. Thus, utility company returns are sensitive to fluctuations in interest rates. Conventional betas do not capture this extra sensitivity to interest rates. This is because the market index typically used in estimating betas is a stock-only index, such as the

⁴ Roger A. Morin, Modern Regulatory Finance, PUR Books, 2021 at 81. ("Morin").

⁵ Morin, at 81-82.

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S&P 500. A focus on stocks alone distorts the betas of regulated companies. The true risk of regulated utilities relative to other companies is understated because when interest rates change, the stocks of regulated companies react in the same way as bonds do. A nominal interest rate on the face value of a bond offers the same pattern of future cash flows as a nominal return applied on a book value rate base. Empirical studies of utility returns confirm that betas are higher when calculated in a way that captures interest rate sensitivity. *The use of adjusted betas compensates for the interest sensitivity of regulated companies. (italics added for emphasis)*⁶

Relative to statistical justification, Morin states:

There is a statistical justification for the use of adjusted betas as well. High-estimated betas will tend to have positive error (overestimated) and low-estimated betas will tend to have negative error (underestimated). Therefore, it is necessary to squash the estimated betas in toward 1.00. One way to accomplish this is by measuring the extent to which estimated betas tend to regress toward the mean over time. As a result of this beta drift, several commercial beta producers adjust their forecasted betas toward 1.00 in an effort to improve their forecasts. This adjustment, which is commonly performed by investment services such as Value Line, and Bloomberg, uses the formula:

$$\beta_{adjusted} = 1.0 + a(\beta_{raw} - 1.0) \quad (4-3)$$

where “a” is an estimate of the extent to which estimated betas regress toward the mean based on past data. Value Line and Bloomberg betas are adjusted for their long-term tendency to regress toward 1.0 by giving approximately 66% weight to the measured beta and approximately 34% weight to the prior value of 1.0 for each stock, that is, a = 0.66 in the above equation:

$$\begin{aligned} \beta_{adjusted} &= 1.0 + 0.66 (\beta_{raw} - 1.0) \\ &= 0.33 + 0.66 \beta_{raw} \quad (4-4)^7 \end{aligned}$$

Many commercial sources, including *Value Line* and Bloomberg, provide adjusted betas. Given the commercial use and acceptance of adjusted betas they are the proper measure of systematic risk in the CAPM.

⁶ Morin, at 82.

⁷ Morin, at 82-83.

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Question No. 1-08
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2. Monthly Betas

Betas calculated using weekly returns incorporate more observable market data than betas that use monthly returns. Weekly return betas are calculated using significantly more observations (260 weekly observations compared to 60 monthly observations for a five-year measurement period) which reduces the likelihood of measurement error. The lower number of observations of monthly returns may particularly be an issue for companies with relatively high dividend yields, such as the proxy companies, due to dividend-related price behavior. Because the value of a stock just prior to its dividend payment date is equal to the sum of the expected dividend, plus the going concern value of the business, following the ex-dividend date (the date on which a stockholder becomes entitled to the announced dividend) the value of the stock will adjust downward to reflect only the going concern value. That price behavior may skew the calculation of both the relative volatility of market returns and the correlation of market returns which determine betas.

Given Both *Value Line* and Bloomberg calculate betas based on weekly returns. Other sources, such as Zacks and Yahoo! Finance, calculate betas assuming monthly returns. As discussed previously, it is appropriate to use weekly data as opposed to monthly data because monthly data give less weight to market movements experienced in shorter time periods, thereby dampening volatility for the market index and the subject stock, although possibly not to the same degree for each.

To assess the difference in results, I calculated betas for a proxy group consisting of six companies using both monthly and weekly return data from May 2000 through August 2022. The proxy group consists of ATO, NJR, NI, NWN, OGS, and SR. The results shown in Charts 1 and 2, below, confirm that monthly betas do not capture the full extent of the risk faced by equity investors.

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Chart 1: Calculated Monthly Betas for the Proxy Group⁸

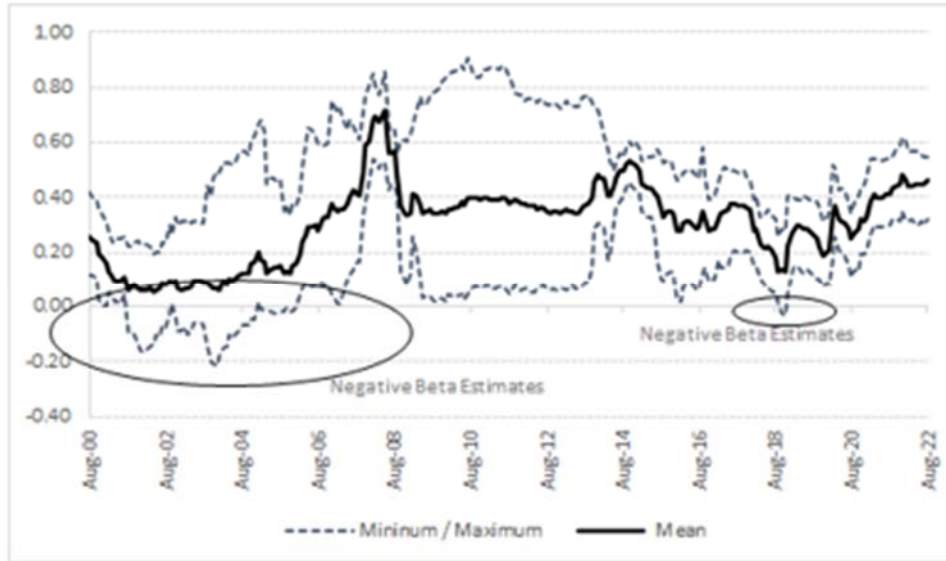
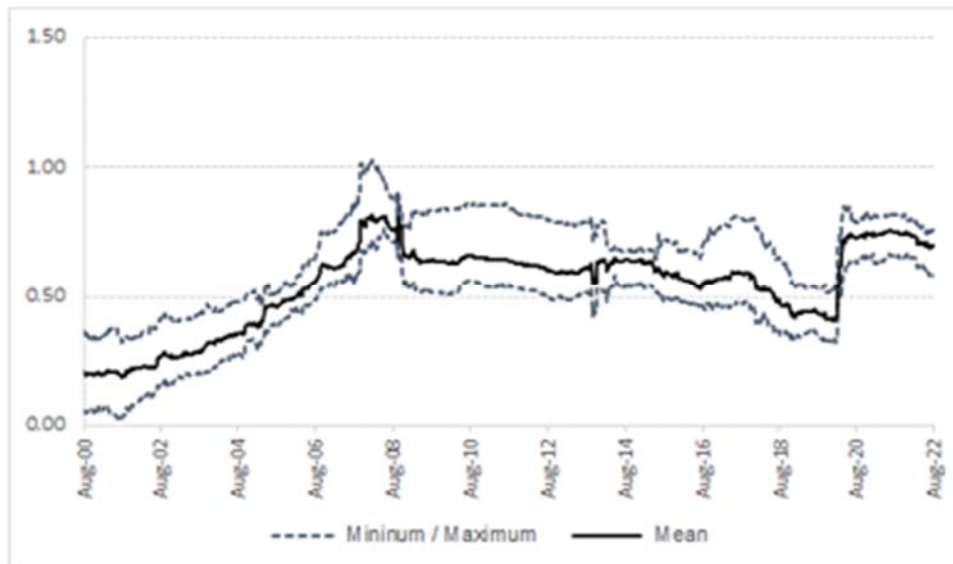


Chart 2: Calculated Weekly Betas for the Proxy Group⁹



⁸ Source S&P Global Market Intelligence.

⁹ Source S&P Global Market Intelligence.

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It also is clear from Charts 1 and 2 that a greater number of negative betas are observed when monthly returns are assumed. Taken at face value, a negative beta implies a cost of equity less than the risk-free rate of return. That prospect is highly unlikely, especially when other proxy companies did not have contemporaneously negative betas. Given the practical implications of negative betas, the use of weekly data provides more plausible results and ROE estimates.

- c. While Mr. D'Ascendis agrees with Staff's statement that current market prices reflect all relevant publicly available information, including forecasts, it is still the current market price. The cost of capital, including the cost of common equity, is expectational in nature in that it reflects investors' expectations of future capital markets, including an expectation of interest rate levels, as well as future risks. Ratemaking is also prospective in that the rates set in this proceeding will be in effect for a period in the future. Because this is the case, projected interest rates, not current interest rates, are appropriate for ratemaking purposes.

Respondent: Dylan D'Ascendis

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-09
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REQUEST:

Refer to the Direct Testimony of Ryan Austin (Austin Testimony), pages 4-8.

- a. Explain whether the deteriorated tracer wire is a concern for all Aldyl-A replacement projects or only select sections.
- b. Explain whether locating pipes with deteriorated tracer wire has caused any construction delay concerns with the affected pipe sections.
- c. State whether the two projects to replace Aldyl-A pipes in Cadiz, Kentucky will complete Atmos's replacement projects for Cadiz. If not, provide a complete list of the remaining Aldyl-A replacement projects.
- d. Explain whether Atmos has selected the next areas for Aldyl-A replacement projects after replacement for Cadiz and St. Charles, Kentucky is completed.

RESPONSE:

- a. The Company considers all Aldyl-A pipe to be a concern for deteriorated tracer wire due to tracer wire practices that were used during the period when this vintage was installed. The coating and wire material was and is thin and is not suitable for long-term buried use for today's standards. The result has been attempting to locate wire without continuity to allow for standard locating methods.
- b. Yes. The Company has experienced construction delays due to the difficulty of locating the existing Aldyl-A pipe sections. Locating without tracer wire is extremely difficult and time consuming. Many times it requires excavation to find the pipe. Once the pipe is found sometimes a fitting can be fused on the pipe and an electronic fish tape may be sent down the line to locate. The additional time to locate these lines causes potential delays in construction and increased costs for potholing and finding the line.
- c. The Company will not be complete with the Cadiz-area replacements for Aldyl-A after these two projects. In finishing the Cadiz-area Aldyl-A there are approximately 6 to 7 more projects of similar scope and scale that would be targeted in the next 2 to 3 years. The remaining Aldyl-A pipe in the Cadiz system is similar in vintage and soil conditions so it will continue to have a relatively high ranking in our evaluations of proposed projects. With that initial time frame the Company is attempting to balance total project cost along with customer impacts and installation synergies when making a final decision on projects that are proposed.

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Atmos Energy Corporation, Kentucky Division
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- d. Yes. The Company has identified the areas that will be targeted for Aldyl-A replacement projects after replacement for Cadiz and St. Charles, Kentucky is completed. The system is reviewed annually and a list of the top 100 pipe segments are generated that are considered to be the higher risk areas based on historical and current data from the past year. This list changes from year to year due to population density, new facilities being installed, or ongoing record reviews, but certain sections of Aldyl-A in Mayfield, Adairville and Spottsville continually rank near the top of the list and would be under consideration for potential replacement following Cadiz and St. Charles.

Respondent: Ryan Austin

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Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-10
Page 1 of 1

REQUEST:

Refer to the Austin Testimony, page 8.

- a. Provide the leak rates for Atmos's system by pipe material for the last three years.
- b. Provide a breakdown of Atmos's system by pipe material for the last three years.

RESPONSE:

a.

Leak rate per 100 miles of main			
Material	2019	2020	2021
PRP Bare Steel	51.1	47.7	71.2
Coated Steel	6.1	7.1	6.2
PE	19.7	18.8	18.8
Aldyl-A	30.2	27.2	30.2

b.

Mileage by Material			
Material	2019	2020	2021
PRP Bare Steel	172.3	142.6	104
Coated Steel	2154.8	2156	2118.7
PE	1549.1	1656.6	1760
Aldyl-A	205.1	205.8	205.2

Respondent: Ryan Austin

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-11
Page 1 of 2

REQUEST:

Refer to the Application, Pipeline Replacement Program Filing, Exhibit B-1.

- a. Explain how Atmos projected the in service dates for the projects used to calculate the 13-month average for plant in service in Line No. 1 of Exhibit B-1.
- b. State whether the changes to rate base, including the additions to plant in service and removal of accumulated depreciation, in October, November, and December 2022 were not included in rate base used to set base rates in Case No. 2021-00214, and if so, explain how Atmos ensured that those rate base changes were not included in base rates.
- c. Explain how Atmos projected monthly "Retirements," "Cost of Removal," and "Accumulated Depreciation" on Line Nos. 2, 10, and 11 of Exhibit B-1, state whether Atmos used the same method it used for base rates in Case No. 2021-00214, and explain why Atmos contends its method is reasonable.

RESPONSE:

- a. Please see Attachment 1. In-service dates are projected based on the anticipated timing of the start of the project and subsequent coordination of the project between the Company' engineering personnel and the 3rd party contractors selected to perform the work.
- b. The changes to rate base promulgated by additions proposed as part of Case No. 2022-00222 are separate and apart from additions to plant approved in Case No. 2021-00214.
- c. For the projection of retirements in PRP filings, the Company averages the cost per foot of all pipe in the system at the time of projection and assigns this cost to the footage of pipe being replaced for each project. In Case No. 2021-00214 and previous general cases, retirements were forecasted based on actuals in the base period as percentage of additions by FERC account.

For cost of removal, the Company in its PRP filings estimates it to be 5% of all project costs based on prior trends throughout its system. In Case No. 2021-00214 and previous general cases cost of removal is not forecasted.

For depreciation, the Company has used the same methodology that was utilized in Case No. 2021-00214 to forecast depreciation, and therefore accumulated depreciation. For accumulated depreciation, the Company calculates it using depreciation rates as implemented per the outcome of Case No. 2021-00214 to the monthly in-service additions. See subpart (a) regarding in-service dates. This methodology is reasonable in that it is consistent with the Company's most recent case.

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-11
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ATTACHMENT:

Staff_1-11_Att1 - PRP In-service Date.xlsx

Respondent: Brannon Taylor

CC11C Capital Budgets	Est. Closing Date	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
CB.050.32170 - PRP.2635.Princeton Services	9/30/2023	83,414	93,074	88,435	91,073	87,252	87,193	85,695	85,069	82,706	86,368	84,177	84,345	1,038,801
CB.050.32175 - PRP.2636.Owensboro Services	9/30/2023	127,090	141,454	135,768	139,190	133,454	133,354	130,878	130,808	127,278	132,635	129,922	129,671	1,591,502
CB.050.32192 - PRP.2734.Bowling Green Service	9/30/2023	22,934	25,720	24,551	25,253	24,321	24,420	23,959	23,675	23,069	24,000	23,515	23,490	288,906
CB.050.32206 - PRP.2737.Danville Services	9/30/2023	187,923	210,220	201,832	207,547	199,127	199,039	195,997	195,195	188,907	196,543	193,096	192,178	2,367,606
CB.050.32210 - PRP.2738.Campbellsville Service	9/30/2023	39,990	43,944	42,005	43,284	41,561	41,739	40,741	40,916	39,907	41,448	40,440	40,061	496,035
CB.050.35217 - PRP.2637.Paducah Services	9/30/2023	108,126	121,203	115,818	119,223	114,082	113,997	112,374	111,821	108,303	112,947	110,573	110,420	1,358,886
CB.050.54475 - PRP.2635.Maple Ave.FY21	9/30/2023	72,218	72,558	81,456	64,277	92,728	144,712	450,682	-	-	-	-	-	978,632
CB.050.56685 - PRP.2734.Schweizer Rd.	9/30/2023	2,660,131	673,805	422,793	352,989	971,212	529,018	520,589	766,010	500,902	705,006	588,947	339,490	9,030,893
PRP.2635.E Keigan St.FY23	9/30/2023	-	-	-	-	-	-	39,518	64,244	97,983	130,825	160,906	229,303	722,779
PRP.2636.Maple Dr.FY23	7/21/2023	-	-	-	-	-	-	13,586	60,065	117,788	38,992	-	-	230,431
PRP.2636.N Cherry St Greenville.FY23	2/17/2023	97,032	98,540	187,787	192,829	184,407	-	-	-	-	-	-	-	760,595
PRP.2636.Oak St.FY23	6/30/2023	-	-	-	-	34,036	65,699	101,485	162,656	236,212	-	-	-	600,088
PRP.2636.W Campbell St.FY23	4/28/2023	-	-	50,219	71,278	99,879	168,725	396,488	-	-	-	-	-	786,590
PRP.2637.Hilldale Dr.FY23	3/31/2023	-	32,867	66,831	107,997	154,458	165,337	-	-	-	-	-	-	527,490
PRP.2637.Lone Oak 2.FY23	9/30/2023	-	-	-	-	-	-	-	83,128	92,019	160,655	146,721	236,784	719,306
PRP.2637.Sunset Ave.FY23	7/28/2023	-	-	-	-	80,123	65,340	144,801	162,339	136,922	151,603	-	-	741,128
PRP.2637.Washington St.FY23	1/27/2023	119,009	151,946	135,888	296,377	-	-	-	-	-	-	-	-	703,219
PRP.2734.US 31W.FY23	4/1/2023	87,147	97,387	94,136	76,006	74,153	79,493	100,877	-	-	-	-	-	609,199
PRP.2737.Locust St.FY23	9/1/2023	-	-	-	-	23,323	47,181	52,729	65,934	69,744	75,779	52,056	72,990	459,737
PRP.2737.Logan Ave.FY23	3/1/2023	86,114	65,205	87,887	103,546	117,794	230,014	-	-	-	-	-	-	690,560
PRP.2737.Orchard St.FY23	3/1/2023	73,592	64,727	68,361	83,421	111,070	129,994	-	-	-	-	-	-	531,165
PRP.2737.Portman St.FY23	9/30/2023	-	-	-	50,147	61,817	79,518	115,854	137,102	150,324	100,375	81,239	-	776,376
PRP.2738.Covington Ave.FY23	8/1/2023	83,560	59,959	62,252	56,315	51,498	54,329	54,374	71,708	81,676	85,713	46,730	-	708,114
PRP.2738.Mulberry St.FY23	6/1/2023	89,912	59,009	55,263	54,198	53,231	52,053	84,658	119,708	123,658	-	-	-	691,690
PRP.W Depot St.FY23	9/30/2023	-	-	-	-	-	-	-	-	11,744	60,736	113,849	100,407	286,736
PRP-Aldyl-A.2635.Princeton Services	9/30/2023	-	-	14,442	31,661	36,574	34,078	38,346	53,750	55,786	69,237	61,552	55,674	451,100
PRP-Aldyl-A.2736.Hopkinsville Services	9/30/2023	-	13,764	27,495	16,419	40,983	56,258	90,054	104,209	90,700	95,246	72,272	55,659	663,058
PRP.2637.North 8th and 11th St.FY23	9/30/2023	-	-	-	-	-	-	-	33,879	97,395	115,046	194,319	192,767	633,408
PRP-Aldyl-A.2635.St Charles Replacement	9/30/2023	-	63,524	65,255	69,782	64,410	89,477	121,396	118,008	144,275	161,315	160,831	135,762	1,194,035
PRP-Aldyl-A.2736.Lincoln Ave.FY23	8/31/2023	-	37,654	68,433	70,689	67,424	111,225	128,036	127,156	52,321	36,917	35,414	-	735,270
PRP-Aldyl-A.2736.Cunningham Ave.FY23	9/30/2023	-	-	-	27,522	16,146	47,322	54,495	72,953	85,840	87,556	69,814	38,961	500,609
Grand Total		3,938,192	2,126,560	2,096,907	2,300,877	2,923,394	2,731,814	3,061,275	2,769,085	2,702,238	2,718,894	2,385,508	2,119,200	31,873,943

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Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-12
Page 1 of 1

REQUEST:

Refer to the Application, Pipeline Replacement Program Filing, Exhibit B-2 and Exhibit B-3. Explain why Atmos included a true-up for PRP projects that have been rolled-into base rates.

RESPONSE:

Exhibit B-2 of the Pipeline Replacement Program filing solely trues up the surcharge revenues collected during the Company's fiscal year 2021 compared to those allowed to be recovered in Case No. 2020-00229 for that same period. Exhibit B-3 trues up the calculation of the total rate adjustment based on the Company's actual spending during fiscal years 2020 and 2021 compared to the approved rate adjustment in Case No. 2020-00229.

These investments were rolled-into base rates following the final order in Case No. 2021-00214 on May 19, 2022 but no true-up of fiscal year 2020 has been made before this application.

Once fiscal year 2021 is trued-up, the only remaining true-up of investment and revenues now rolled into base rates will be for the period October 1, 2021 through May 19, 2022 for investment made in fiscal years 2020-2022 compared to surcharge revenues billed from October 1, 2021 through May 19, 2022. This true-up is an outstanding issue in the Company's motion for rehearing as part of Case No. 2021-00214 and can be calculated once fiscal year 2022 is complete in the Company's books and records as part of the Company's planned 2023 PRP filing.

Respondent: Brannon Taylor

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-13
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REQUEST:

Refer to the Application, Pipeline Replacement Program Filing, Exhibit F.

- a. Confirm that the timing differences reflected in FXA01 on Line No. 3 of Exhibit F arose from differences in the manner in which projects were capitalized for book purposes and expensed for tax purposes pursuant to 26 U.S.C.A. § 162. If this cannot be confirmed, explain why and identify the tax regulations and statutes that gave rise to the timing differences reflected in FXA01.
- b. Confirm that the timing differences reflected in FXA01 on Line No. 3 of Exhibit F are not subject to federal normalization rules. If this cannot be confirmed, explain why and identify any applicable statute, regulation, or decision that supports your contention.
- c. Explain what gave rise to the timing differences reflected in FXA02 on Line No. 17 of Exhibit F.
- d. Explain each basis for the statement in Exhibit F that “[b]ecause the Company is in a NOLC position, the total change in ADIT must equal the tax expenses included in revenue requirement.”
- e. Confirm that expenses in a current tax year will be used to offset federal income in the current tax year before any net operating loss carryforward (NOLC) from a previous tax year is used to offset income in the current year such that whether a utility has a NOLC from previous years is irrelevant to whether expenses in the current tax year will result in a net operating loss in the current year. If you are not able to confirm, explain why and identify any applicable statute, regulation, or decision that supports your position.

RESPONSE:

- a. Confirmed. FXA01, in general, reflects cost basis differences that are the result of differences in methods between book accounting and tax accounting for items such as capitalized interest, contributions in aid of construction, capitalization of overhead and capitalization of repair and maintenance expenses.

For the purposes of this filing, FXA01 only includes the projection of repair deductions under §162 as these reflect the largest basis adjustments for KY PRP

- b. Confirmed. FXA01 adjustments are not subject to the normalization rules as these are not considered as method life timing differences per IRS rules.

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Atmos Energy Corporation, Kentucky Division
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Question No. 1-13
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- c. For federal income tax purposes, Atmos Energy depreciates assets using the modified accelerated cost recovery method promulgated by §168 of the Internal Revenue Code (“IRC”). For financial statement purposes, Atmos follows a method of depreciation that is acceptable under generally accepted accounting principles (“GAAP”). Use of the modified accelerated cost recovery method for tax purposes results in assets being depreciated faster for income tax accounting than for financial accounting. This difference results in a deferred tax liability early in the life of the assets. This deferred liability reverses as the assets are depreciated.
- d. When determining total tax expense, the Company will calculate either a taxable loss or taxable income position.

When the Company calculates a taxable loss position, this results in the creation or increase in NOLC and an associated NOLC- ADIT balance.

When the Company calculates a taxable income position, this results in the utilization of NOLC and will therefore decrease the overall NOLC-ADIT balance as NOLC is being utilized against taxable income.

Due to the Company being in a NOLC carryforward position as the result of taxable losses in previous years, the Company is currently not paying any cash taxes even when in a taxable income position for a tax year. Therefore, none of the Company's income tax expense is current and all of its income tax expense is deferred.

- e. Confirmed. The calculation of federal taxable income/(loss) is based on the current years income statement and not depended on the NOLC carryforward position.

Respondent: Brannon Taylor

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Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-14
Page 1 of 1

REQUEST:

Confirm that Atmos projected that its regulated Kentucky operations would not be in a net operating loss position for federal tax purposes with the rates proposed in Case No. 2021-00214 but rather projected that deferred tax assets associated with NOLCs allocated to Atmos's Kentucky operations would be reduced by \$2.986 million.³ If this cannot be confirmed, explain why.

RESPONSE:

Confirmed, as of 08-17 update to the Company's filing the NOL was a reduction. However based on the final order in Case No. 2021-00214 the NOLC allocated to Kentucky operations *increases* by \$2.506 million according to the Company's calculations. Please see Attachment 1 of the Company's response to Staff 1-15 for further support.

Respondent: Brannon Taylor

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-15
Page 1 of 1

REQUEST:

State whether Atmos's Kentucky operations, on a standalone basis, are expected to be in a net operating loss position with respect to federal tax expense for the year ending September 30, 2022, and the year ending September 30, 2023, and explain each basis for the response.

RESPONSE:

We do not have revenue requirement calculation on a stand alone basis readily available for the requested periods. However, the Company would note that the federal tax expense calculations included in this filing are specific to the incremental capital investment related to the Kentucky Pipeline Replacement program as of September 30, 2023. Additionally, the overall stand alone calculations for Kentucky operations as of December 31, 2022 are reflected in the order per Atmos' 2021-00214 case filing.

Since the requested information is not available, but two different models exist that show a taxable loss related to our Kentucky operations and in order to provide what is available related to KY taxable loss please refer to Attachment 1. Attachment 1 is prepared to illustrate the Kentucky standalone taxable loss calculations for the 12 months ended December 31, 2022, and the Kentucky PRP taxable loss calculation for the 12 months ended September 20, 2023 based on the the revenue requirements in these two filings. A Total column is also added for a combined 12-month period taxable loss for illustration purpose.

ATTACHMENT:

Staff_1-15_Att1- Kentucky Taxable Income (Loss) Detail.xlsx

Respondent: Brannon Taylor

Case No. 2022-00222
Staff 1-15 Att-1

		Case No. 2021-00214 12-Months Ended 12/31/2022	Case No. 2022-00222 12-Months Ended 9/30/2023	Combined 12-Month Period
Operating Revenue	C-1	186,567,800	1,904,243	188,472,043
Operating Expenses				
Purchased Gas Cost	C-1	77,870,753	-	77,870,753
Other O & M Expenses	C-1	29,315,105	(4,474)	29,310,632
Depreciation Expense	C-1	20,611,032	216,445	20,827,477
Taxes Other than Income	C-1	8,952,783	122,265	9,075,048
Uncollectible accounts expense	C-1	932,839	9,521	942,360
PSC Assessment	C-1	373,136	2,843	375,979
Interest Deduction	B-SF	9,473,894	285,656	9,759,550
Pre Tax Book Income		39,038,257	1,271,987	40,310,244
State & Federal Income Taxes	C-1	9,740,045	317,361	10,057,406
Return on Equity Portion of Rate Base		29,298,212	954,626	30,252,838

Stand-Alone Kentucky Taxable Income (Loss)

Pre Tax Book Income		39,038,257	1,271,987	40,310,244
Book/Tax Adjustments Other than NOL:				
Change in ADIT (B-SF)	(12,245,579)		(3,805,097)	
Tax Rate	24.95%		24.95%	
Book/Tax Adjustments Other than NOL		(49,080,478)	(15,250,892)	(64,331,370)
Taxable Income (Loss)		(10,042,221)	(13,978,905)	(24,021,125)
Tax Rate		24.95%	24.95%	
NOLC DTA (Increase) Decrease		(2,505,534)	(3,487,737)	(5,993,271)

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORECASTED ACTIVITY
AS OF OCTOBER 2022 THROUGH SEPTEMBER 2023
DEFICIENCY

Line Number	Description	Total
1	Project Additions	\$ 15,586,559
2	Project Retirements	\$ (3,039,583)
3	Net Change to Gross Plant	<u>\$ 12,546,976</u>
4		
5	Cost of Removal to Accumulated Depr.	\$ 790,841
6	Retirements from Accumulated Depr.	3,039,583
7	Depreciation Accrual to Accumulated Depr.	(63,621)
8	Net Change to Accumulated Depreciation	<u>3,766,802</u>
9		
10	Net Change to Net Plant	\$ 16,313,779
11		
12	Accumulated Deferred Income Taxes	(317,361)
13	Net Change to Rate Base	<u>\$ 15,996,418</u>
14		
15	Rate of Return	<u>7.75%</u>
16	Required Operating Income	\$ 1,240,282
17		
18	Depreciation & Amortization Expense	216,445
19	O&M Savings	(4,474)
20	Ad Valorem Tax Increase	122,265
21	Income Taxes on Cost of Service Items	(83,392)
22	Income Taxes on Adjusted Interest Expense	(71,271)
23	Operating Income at Present Rates	<u>\$ 179,573</u>
24		
25	Deficiency	\$ 1,419,855
26	Tax Factor	74.56%
27	Total Rate Adjustment	<u>\$ 1,904,243</u>
28		
29	Project Cost True-up	\$ 237,735
30	Revenue Recovery True-up	99,746
31	Total True-up	<u>\$ 337,481</u>
32		
33	Total Rate Adjustment	\$ 2,241,724

Note:

**ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORECASTED ACTIVITY
AS OF OCTOBER 2022 THROUGH SEPTEMBER 2023
KENTUCKY PRP ADIT CALCULATION**

Line No		Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total
1	Book Cost	3,060,348	1,615,030	1,591,409	1,750,593	2,243,818	2,090,507	2,348,687	2,113,986	2,064,137	2,072,762	1,813,105	1,604,572	24,368,954
2	Tax Cost	1,172,972	619,010	609,956	670,968	860,012	801,251	900,206	810,250	791,144	794,450	694,928	615,001	9,340,148
3	FXA01	\$ (1,887,376)	\$ (996,020)	\$ (981,453)	\$ (1,079,625)	\$ (1,383,806)	\$ (1,289,256)	\$ (1,448,481)	\$ (1,303,736)	\$ (1,272,994)	\$ (1,278,312)	\$ (1,118,177)	\$ (989,571)	\$ (15,028,806)
4														
5														
6	Prior Yr Bal													
7	Current Yr	(1,887,376)	(996,020)	(981,453)	(1,079,625)	(1,383,806)	(1,289,256)	(1,448,481)	(1,303,736)	(1,272,994)	(1,278,312)	(1,118,177)	(989,571)	(15,028,806)
8	FXA01 Cumulative	(1,887,376)	(2,883,396)	(3,864,849)	(4,944,474)	(6,328,279)	(7,617,535)	(9,066,016)	(10,369,753)	(11,642,746)	(12,921,059)	(14,039,236)	(15,028,806)	(15,028,806)
9	Deferred Rate	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%
10	FXA01 Tax Effected	\$ (470,900)	\$ (719,407)	\$ (964,280)	\$ (1,233,646)	\$ (1,578,906)	\$ (1,900,575)	\$ (2,261,971)	\$ (2,587,253)	\$ (2,904,865)	\$ (3,223,804)	\$ (3,502,789)	\$ (3,749,687)	\$ (3,749,687)
11	FXA01 Prorated	\$ (450,903)	\$ (668,432)	\$ (861,982)	\$ (1,052,014)	\$ (1,269,102)	\$ (1,444,037)	\$ (1,610,874)	\$ (1,733,411)	\$ (1,826,955)	\$ (1,893,801)	\$ (1,928,578)	\$ (1,939,063)	\$ (1,939,063)
12														
13														
14														
15	Book Depreciation	2,129	3,466	4,918	6,677	9,132	11,776	15,207	18,983	23,581	29,784	38,012	52,780	216,445
16	Tax Depreciation	4,314	7,022	9,964	13,528	18,502	23,858	30,811	38,460	47,777	60,343	77,015	106,935	438,530
17	FXA02	\$ (2,185)	\$ (3,556)	\$ (5,046)	\$ (6,851)	\$ (9,370)	\$ (12,082)	\$ (15,603)	\$ (19,478)	\$ (24,196)	\$ (30,560)	\$ (39,003)	\$ (54,155)	\$ (222,086)
18														
19														
20														
21	Prior Yr Bal													
22	Current Yr	(2,185)	(3,556)	(5,046)	(6,851)	(9,370)	(12,082)	(15,603)	(19,478)	(24,196)	(30,560)	(39,003)	(54,155)	(222,086)
23	FXA02 Cumulative	(2,185)	(5,741)	(10,787)	(17,638)	(27,008)	(39,090)	(54,694)	(74,172)	(98,367)	(128,927)	(167,930)	(222,086)	(222,086)
24	Deferred Rate	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%
25	FXA02 Tax Effected	\$ (545)	\$ (1,432)	\$ (2,691)	\$ (4,401)	\$ (6,739)	\$ (9,753)	\$ (13,646)	\$ (18,506)	\$ (24,543)	\$ (32,167)	\$ (41,899)	\$ (55,410)	\$ (55,410)
26	FXA02 Prorated	\$ (522)	\$ (1,299)	\$ (2,294)	\$ (3,500)	\$ (4,970)	\$ (6,609)	\$ (8,406)	\$ (10,237)	\$ (12,015)	\$ (13,613)	\$ (14,826)	\$ (15,400)	\$ (15,400)
27														
28	Cumulative Deferred Inc. Taxes and Investment Tax Credits													\$ (1,954,463)
29	(excluding forecasted change in NOLC)													
30	Forecasted Change in NOLC													\$ 3,502,155
31														
32	Forecasted ADIT in Rate Base													\$ 1,547,692
33														
34	ADIT Proration:													
35	days in month	31	30	31	31	28	31	30	31	30	31	31	30	365
36	mid month convention	15.5	30	31	31	28	31	30	31	30	31	31	30	
37	days remaining	350	320	289	258	230	199	169	138	108	77	46	16	
38	pro ration factor	95.75%	87.53%	79.04%	70.55%	62.88%	54.38%	46.16%	37.67%	29.45%	20.96%	12.47%	4.25%	
39														
40	Calculation of Change in NOLC													
41	Forecasted Test Period													
42														
43	Net Change to Rate Base													15,996,418
44														
45	Required Operating Income													1,240,282
46														
47	Interest Deduction													285,656
48														
49	Return on Equity Portion of Rate Base													954,626
50														
51	Return, grossed up for Income Tax													1,271,987
52														
53	Tax Expense on Return													317,361
54														
55	Change In ADIT, excluding forecasted change in NOLC													\$ (3,805,097)
56	Required Change in NOLC													3,502,155
57														
58	Total Required Change in Accumulated Deferred Income Taxes¹													(317,361)
59														
60														

¹ Because the Company is in a NOLC position, the total change in ADIT must equal the tax expenses included in revenue requirement

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORECASTED ACTIVITY
AS OF OCTOBER 2022 THROUGH SEPTEMBER 2023
DEFERRED INCOME TAXES

Line Number	Description	Mains	Services	Meters	Total
1					
2	Additions to Gross Plant - Book 2023	\$ 22,437,148	\$ 7,581,265	\$ 319,583	\$ 30,337,995
3	Less: Retirements to Book 2023	(3,708,968)	(2,133,914)	(126,159)	(5,969,041)
4	Book Basis	\$ 18,728,180	\$ 5,447,351	\$ 193,424	\$ 24,368,954
5	Repairs Percentage	69.95%	69.95%	0.00%	
6	Less: Repairs	\$ (15,694,761)	\$ (5,303,087)	\$ -	\$ (20,997,847)
7	Add: Deferred Retirements	\$ 3,708,968	\$ 2,133,914	\$ 126,159	\$ 5,969,041
8	Tax Basis Before Bonus	\$ 6,742,387	\$ 2,278,178	\$ 319,583	\$ 9,340,148
9	Bonus Depreciation %	0.00%	0.00%	0.00%	
10	Bonus Depreciation	\$ -	\$ -	\$ -	\$ -
11	Tax Basis	\$ 6,742,387	\$ 2,278,178	\$ 319,583	\$ 9,340,148
12					
13	FXA01 - Gross	\$ (11,985,793)	\$ (3,169,172)	\$ 126,159	\$ (15,028,807)
14	Deferred Rate	24.95%	24.95%	24.95%	
15	FXA01 - Tax Effected	\$ (2,990,455)	\$ (790,709)	\$ 31,477	\$ (3,749,687)
16	FXA01 - Tax Effected Prorated				\$ (1,939,063)
17					
18					
19	Book Depreciation 2023	\$ 144,207	\$ 67,547	\$ 4,691	\$ 216,445
20	Book Depreciation	\$ 144,207	\$ 67,547	\$ 4,691	\$ 216,445
21					
22	Tax Depreciation 2023	\$ 337,119	\$ 85,432	\$ 15,979	\$ 438,530
23	Tax Depreciation	\$ 337,119	\$ 85,432	\$ 15,979	\$ 438,530
24					
25	FXA02 - Gross	\$ (192,912)	\$ (17,885)	\$ (11,289)	\$ (222,085)
26	Deferred Rate	24.95%	24.95%	24.95%	
27	FXA02 - Tax Effected	\$ (48,132)	\$ (4,462)	\$ (2,817)	\$ (55,410)
28	FXA02 - Tax Effected Prorated				\$ (15,400)
29					
30	Calculation of Book Depreciation				
31					
32	Book Basis - 2023	\$ 18,728,180	\$ 5,447,351	\$ 193,424	\$ 24,368,954
33	Book Depreciation Rates - Year 1	0.77%	1.24%	2.43%	
34	Book Depreciation 2023	\$ 144,207	\$ 67,547	\$ 4,691	\$ 216,445
35					
36	Calculation of Tax Depreciation				
37					
38	Tax Basis - 2023	\$ 6,742,387	\$ 2,278,178	\$ 319,583	\$ 9,340,148
39	Tax Depreciation Rates - Year 1	5.00%	3.75%	5.00%	
40	Tax Depreciation 2023	\$ 337,119	\$ 85,432	\$ 15,979	\$ 438,530
41					
42					
43					
44					
45	Tax Rates				
46	Ad Valorem Tax Rate	0.974%			
47	Income Tax Rate	24.950%			
48	State Tax Rate	5.00%			
49	Federal Tax Rate	21.00%			
50	Uncollectible accounts expense	0.50%			
51	PSC Assessment	0.1493%			
52	Gross Up Factor	1.3412			

Note:

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Income Summary
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s): _____
FR 16(8)(c)1
Schedule C-1
Witness: Christian, Densman

Line No.	Description	Base Return at Current Rates	Forecasted Return at Current Rates	Proposed Increase	Forecasted Return at Proposed Rates
1	Operating Revenue	\$ 166,354,706	\$ 173,466,923	\$ 13,100,877	\$ 186,567,800
2	Operating Expenses				
3	Purchased Gas Cost	70,285,635	77,870,753		77,870,753
4	Other O & M Expenses	31,311,659	29,249,601	65,504	29,315,105
5	Depreciation Expense	19,295,729	20,611,032		20,611,032
6	Taxes Other than Income	9,574,126	10,232,556	26,202	10,258,758
7					
8	State & Federal Income Taxes	<u>6,827,385</u>	<u>6,494,257</u>	<u>3,245,788</u>	<u>9,740,045</u>
9	Total Operating Expenses	\$ <u>137,294,535</u>	\$ <u>144,458,199</u>	\$ <u>3,337,494</u>	\$ <u>147,795,694</u>
10	Operating Income	<u>\$ 29,060,171</u>	<u>\$ 29,008,724</u>	<u>\$ 9,763,383</u>	<u>\$ 38,772,106</u>
11	Rate Base	532,849,358	568,505,829		568,505,829
12	Rate of Return	5.45%	5.10%		6.82%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Deferred Credits and Accumulated Deferred Income Taxes
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data: _____ Base Period Forecasted Period
Type of Filing: Original _____ Updated
Worksheet Reference No(s).

FR 16(b)5
Sch. B-5 F
Witness: Christian

Line No.	Account	Period End	Kentucky- Mid States Divisor Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	Prorated Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	
DIVISION 09										
1	Account 190 - Accumulated Deferred Income Taxes	\$ 19,011,292	100%	100%	\$ 19,011,292	\$ 19,011,292	100%	100%	\$ 19,011,292	
2										
3	Account 282 - Accumulated Deferred Income Taxes	(120,983,653)	100%	100%	(120,983,653)	(120,983,653)	100%	100%	(120,983,653)	
4										
5	Account 283 - Accumulated Deferred Income Taxes - Other	(1,060,161)	100%	100%	(1,060,161)	(1,060,161)	100%	100%	(1,060,161)	
6										
7	Div 09 Accumulated Deferred Income Taxes	<u>\$ (103,032,522)</u>			<u>\$ (103,032,522)</u>	<u>\$ (103,032,522)</u>			<u>\$ (103,032,522)</u>	
8										
9	DIVISION 02									
10	Account 190 - Accumulated Deferred Income Taxes	\$ 624,825,359	9.86%	50.42%	\$ 31,062,643	\$ 624,825,359	9.86%	50.42%	\$ 31,062,643	
11	Account 190 Adjustments	(30,561,964)	9.86%	50.42%	(1,519,361)	(30,561,964)	9.86%	50.42%	(1,519,361)	
12	Account 282 - Accumulated Deferred Income Taxes	(18,362,886)	9.86%	50.42%	(912,895)	(18,362,886)	9.86%	50.42%	(912,895)	
13										
14	Account 283 - Accumulated Deferred Income Taxes - Other	(8,309,282)	9.86%	50.42%	(413,089)	(8,309,282)	9.86%	50.42%	(413,089)	
15	Account 283 Adjustments	(40,057,592)	9.86%	50.42%	(1,991,428)	(40,057,592)	9.86%	50.42%	(1,991,428)	
16	Div 02 Accumulated Deferred Income Taxes	<u>\$ 527,533,635</u>			<u>\$ 26,225,870</u>	<u>\$ 527,533,635</u>			<u>\$ 26,225,870</u>	
17										
18	Account 190 - Accumulated Deferred Income Taxes	\$ (931,455)	11.02%	50.43%	\$ (51,765)	\$ (931,455)	11.02%	50.43%	\$ (51,765)	
19										
20	Account 282 - Accumulated Deferred Income Taxes	(11,737,925)	11.02%	50.43%	(652,322)	(11,737,925)	11.02%	50.43%	(652,322)	
21										
22	Account 283 - Accumulated Deferred Income Taxes - Other	5,981	11.02%	50.43%	332	5,981	11.02%	50.43%	332	
23										
24	Div 012 Accumulated Deferred Income Taxes	<u>\$ (12,663,399)</u>			<u>\$ (703,754)</u>	<u>\$ (12,663,399)</u>			<u>\$ (703,754)</u>	
25										
26	DIVISION 91									
27	Account 190 - Accumulated Deferred Income Taxes	\$ (1,691,962)	100%	50.42%	\$ (853,087)	\$ (1,691,962)	100%	50.42%	\$ (853,087)	
28										
29	Account 255 - Accumulated Deferred Investment Tax Credits	0	100%	50.42%	0	0	100%	50.42%	0	
30										
31	Account 282 - Accumulated Deferred Income Taxes	(349,146)	100%	50.42%	(176,040)	(349,146)	100%	50.42%	(176,040)	
32										
33	Account 283 - Accumulated Deferred Income Taxes - Other	(2,263,519)	100%	50.42%	(1,141,266)	(2,263,519)	100%	50.42%	(1,141,266)	
34										
35	Div 91 Accumulated Deferred Income Taxes	<u>\$ (4,304,627)</u>			<u>\$ (2,170,393)</u>	<u>\$ (4,304,627)</u>			<u>\$ (2,170,393)</u>	
36										
37	Total Deferred Inc. Taxes and Investment Tax Credits	<u>\$ 407,533,087</u>			<u>\$ (79,680,799)</u>	<u>\$ 407,533,087</u>			<u>\$ (79,680,799)</u>	
38	<i>(excluding forecasted change in NOLC)</i>									
39	Forecasted Change in NOLC								250536.795	
40										
41	Forecasted 13-month Average ADIT in Rate Base								<u>(77,175,262)</u>	
42										
43	Calculation of Change in NOLC									
44	(from 13-month average Base Period to 13-month average Forecasted Period)									
45										
46	Forecasted Test Period			Schedule Reference						
47										
48	13-month average Rate Base			B.1 F		568,505,829				
49										
50	Required Operating Income			A.1		38,772,098				
51										
52	Interest Deduction			E.1		9,473,894				
53										
54	Return on Equity Portion of Rate Base			line 50 - line 52		29,298,204				
55										
56	Return, grossed up for Income Tax	24.95%		Line 54 / (1-tax rate)		39,038,246				
57										
58	Tax Expense on Return	24.95%		Line 56 x tax rate		9740042.489				
59										
60	Change In ADIT, excluding forecasted change in NOLC			Line 37; B.5 B		(12,245,579)				
61	Required Change in NOLC					2,505,537		0.00		
62										
63	Total Required Change in Accumulated Deferred Income Taxes¹			B.1 F; B.1 B		<u>(9,740,042)</u>				
64										
65										
66	ADIT Reconciliation									
67	Avg ADIT, Base Period			B.5 B		<u>(67,435,219)</u>				
68										
69	13-Month Average ADIT, Forecasted Period, excl. Change in NOLC			Line 37		(79,680,799)				
70	Change in NOLC			Line 39		2,505,537				
71	Forecasted 13-month Average ADIT in Rate Base					<u>(77,175,262)</u>				
72										
73	Total Required Change in Accumulated Deferred Income Taxes			Line 71 - Line 67		<u>(9,740,042)</u>				
74										
75										
76										

¹Because the Company is in a NOLC position, the total change in ADIT must equal the tax expenses included in revenue requirement

Cell I73: use Excel solver function such that I70 + I75 = 0

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-16
Page 1 of 1

REQUEST:

Provide the expected federal tax expense, on a standalone basis, for Atmos's Kentucky operations for the years ending September 30, 2022, and September 30, 2023, including all revenue and expenses for regulated operations, and provide all work papers showing how the expected tax expense was calculated in each year in Excel spreadsheet format with all formulas accessible and intact.

RESPONSE:

Please see the Company's response to Staff 1-15.

Respondent: Brannon Taylor

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-17
Page 1 of 1

REQUEST:

Identify the dollar amount of all capital projects allocated to Atmos's Kentucky operations and included as an addition to plant in service for Atmos's Kentucky operations in each of the last four fiscal years ending September 30, 2021, and in each month so far of the fiscal year ending September 30, 2022.

RESPONSE:

Please see Attachment 1 for additions to plant in service recorded at the Shared Services and Kentucky/Mid-states division office level for the periods fiscal year 2018 to 2021 and year to date August fiscal year 2022.

For purposes of this response, Attachment 1 shows allocations for each of these periods using the latest fiscal year 2022 allocation rates to demonstrate what would have been included in a rate case had a rate case been filed. As discussed in prior rate cases, Shared Service and Kentucky/Mid-states division office investment is not allocated on the Company's books and records but rather as part of the revenue requirement calculation.

ATTACHMENT:

Staff_1-17_Att1 - Allocated Plant Additions FY18-FY22 YTD Aug.xlsx

Respondent: Brannon Taylor

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

Division	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	YTD-August
					Fiscal 2022
009 - Kentucky	68,617,848	116,731,558	56,886,307	55,591,202	41,645,486
Allocation %	100%	100%	100%	100%	100%
Kentucky Portion	68,617,848	116,731,558	56,886,307	55,591,202	41,645,486
002 - SSU General Office	13,460,316	20,595,983	22,202,296	24,041,791	21,560,232
Allocation %	4.91%	4.91%	4.91%	4.91%	4.91%
Kentucky Portion	660,901	1,011,263	1,090,133	1,180,452	1,058,607
012 - Customer Support	3,632,479	6,000,733	2,854,707	1,818,662	6,922,129
Allocation %	5.53%	5.53%	5.53%	5.53%	5.53%
Kentucky Portion	200,876	331,841	157,865	100,572	382,794
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	-

Note 1: For Fiscal 2022, the latest data available is the eleven months ending August 2022.

Note2: The amounts for Kentucky Div 009 include overhead allocations from Shared Services Div 002 and Div 012 and the KMD General Office Div 091.

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-18
Page 1 of 1

REQUEST:

Identify all projected capital expenditures for Atmos's Kentucky operations in the fiscal year ending September 30, 2023.

RESPONSE:

Please see Attachment 1 for Atmos Energy's projected non-PRP capital expenditures for FY23. Please see the Company response to Staff 1-11 subpart (a) for PRP.

ATTACHMENT:

Staff_1-18_Att1 - KY Projected Capital Expenditures.xlsx

Respondent: Brannon Taylor

Service Area	AC Category	CC11C Capital Budgets	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
	CB.050.32195 - 2735.Non.Growth.Functional		37,427	42,111	39,460	41,225	38,795	40,357	38,163	39,441	37,265	39,364	37,916	38,240	469,764
	CB.050.32198 - 2735.Leak.Functional		7,047	7,961	7,411	7,782	7,277	7,818	7,224	7,610	7,095	7,551	7,166	7,263	89,206
	CB.050.32199 - 2736.Growth.Functional.		11,732	12,784	11,917	12,485	11,927	11,965	12,094	11,637	11,320	11,859	11,806	12,068	143,595
	CB.050.32200 - 2736.Non.Growth.Functional.		48,469	52,854	49,284	51,621	49,304	49,467	49,945	48,123	46,792	49,021	48,780	49,840	593,499
	CB.050.32202 - 2736.Leak.Functional.		7,049	7,752	7,254	7,580	7,220	7,254	7,228	7,076	6,847	7,175	7,100	7,215	86,751
	CB.050.32203 - 2737.Growth.Funct.		9,111	10,054	9,656	9,804	9,685	9,762	9,575	9,832	9,057	9,395	9,617	9,251	114,800
	CB.050.32204 - 2737.Non.Growth.Funct.		57,772	64,001	61,186	62,491	61,083	61,564	60,185	61,612	57,294	59,592	60,314	58,626	725,720
	CB.050.32207 - 2737.Leak.Functional.		5,397	5,978	5,716	5,837	5,708	5,753	5,625	5,759	5,353	5,567	5,637	5,477	67,808
	CB.050.32208 - 2738.Growth.Functional		13,009	12,782	11,879	12,265	12,141	12,636	11,650	12,651	12,347	12,673	12,312	11,515	147,858
	CB.050.32209 - 2738.Non.Growth.Functional.		35,044	35,892	33,518	34,686	33,836	34,852	32,639	34,674	33,638	34,758	33,832	32,370	409,739
	CB.050.32211 - 2738.Leak.Functional.		5,302	4,925	4,545	4,678	4,728	4,992	4,503	5,041	4,959	5,045	4,888	4,430	58,035
	CB.050.32212 - 2739.Growth.Functional		43,202	45,712	42,619	43,410	44,934	44,033	42,887	42,810	41,416	42,625	41,969	40,825	516,442
	CB.050.32213 - 2739.Non.Growth.Functional		22,239	24,075	22,550	23,162	23,133	22,919	22,266	22,365	21,547	22,342	21,934	21,607	270,138
	CB.050.32215 - 2739.Leak.Functional		2,988	3,306	3,110	3,219	3,108	3,112	3,016	3,048	2,925	3,054	2,990	2,981	36,860
	CB.050.59357 - 2637.Parking Lot Seal.FY23		13,109	-	-	-	-	-	-	-	-	-	-	-	13,109
	CB.050.59331 - 2734.BG Purchase 2 Replace		670,417	2,061	459,709	365,120	345,681	-	-	-	-	-	-	-	1,842,987
	CB.050.59359 - 2734.BG Lot Clear/InterPaint		-	49,417	12,594	-	-	-	-	-	-	-	-	-	62,011
	CB.050.59332 - 2737.South Soul SpiritsMainExt		94,099	73,572	74,609	-	12,492	-	-	-	-	-	-	-	254,771
	CB.050.59358 - 2739.Blacktop Reseal.FY23		14,300	-	-	-	-	-	-	-	-	-	-	-	14,300
	CB.050.59346 - 2609.St Charles Comp/Dehy-Ph 2		298,476	-	-	-	-	-	-	340,525	671,526	83,502	1,328,914	-	2,722,942
	CB.050.59362 - 2635.Floor Repl/RestroomUpgr		34,559	-	-	-	-	-	-	-	-	-	-	-	34,559
	CB.050.59361 - 2636.Lot Resurf,WHS,WaterMtr		22,880	-	-	-	-	-	-	-	-	-	-	-	22,880
	CB.050.59330 - 2636.St Joe Tie Back		68,649	104,197	91,899	95,182	90,286	90,988	88,294	-	-	-	-	-	629,496
	CB.050.59360 - 2736.Shop Addition.FY23		71,501	-	-	-	-	-	-	-	-	-	-	-	71,501
	NON-PROG Total		2,471,430	1,568,113	3,386,666	2,367,549	2,804,286	2,602,089	2,068,320	2,331,635	3,430,002	2,191,993	2,970,768	2,709,206	30,902,057
Kentucky-Regulatory - 009REG Total			2,471,430	1,568,113	3,386,666	2,367,549	2,804,286	2,602,089	2,068,320	2,331,635	3,430,002	2,191,993	2,970,768	2,709,206	30,902,057

Case No. 2022-00222
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-19
Page 1 of 1

REQUEST:

Identify and provide any current written agreement or cost allocation manual or policy indicating how tax expense is divided between Atmos's various divisions.

RESPONSE:

There are no written policies addressing the allocation of tax expense between the various Atmos Energy divisions. Tax expense is calculated and recorded at the lowest operating division based on the Company's structure.

Respondent: Brannon Taylor