COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF	)	
ATMOS ENERGY CORPORATION	)	
FOR AN ADJUSTMENT OF RATES;	)	**Case No. 2024-00276**
APPROVAL OF TARIFF REVISIONS;	)	
AND OTHER GENERAL RELIEF	)	

DIRECT TESTIMONY

AND EXHIBITS

OF

RANDY A. FUTRAL

ON BEHALF OF THE

OFFICE OF THE ATTORNEY GENERAL

J. Kennedy and Associates, Inc.
570 Colonial Park Drive, Suite 305
Roswell, GA 30075

JANUARY 2025

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DIRECT TESTIMONY OF RANDY A. FUTRAL

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and business address.

A. My name is Randy A. Futral. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. What is your occupation and by whom are you employed?

A. I am a utility rate and planning consultant holding the position of Director of Consulting with the firm of Kennedy and Associates.

Q. Please describe your education and professional experience.

A. I earned a Bachelor of Business and Science degree in Business Administration with an emphasis in Accounting from Mississippi State University. I have held various positions in the field of accounting for a period of approximately 40 years, both as an employee and more recently as a consultant. My experience has been focused in the areas of accounting, auditing, tax, budgeting, forecasting, financial reporting, and management.

Since 2003, I have been a consultant with Kennedy and Associates, providing services to state government agencies and large consumers of utility services in the ratemaking, financial, tax, accounting, and management areas.

From 1997 to 2003, I served both as the Corporate Controller and Assistant Controller of Telscape International, Inc., an international public company providing telecommunication and high-end internet access services. My tenure with Telscape included responsibilities in the areas of accounting, financial reporting, budgeting, forecasting, banking, and management.

From 1988 to 1997, I was employed by Comcast Communications, Inc., then the world's third largest cable television provider, in a series of positions including Regional Controller for their South Central regional office. My duties with Comcast encompassed various accounting, tax, budgeting, forecasting, and managerial functions.

From 1984 to 1988, I held various staff and senior level accounting positions for both public accounting and private concerns focusing in the areas of accounting, budgeting, tax and financial reporting.

I have testified as an expert on ratemaking, accounting, finance, tax, and other issues in proceedings before regulatory commissions at the federal and state levels on numerous occasions. I have testified in numerous proceedings regarding distribution cooperatives and participated in the drafting and finalization of numerous formula rate plans involving such. I have also acted as the lead expert in numerous proceedings involving audits of Louisiana fuel adjustment clauses, environmental adjustment clauses, purchase gas adjustment clauses, energy efficiency rider filings, and formula rate plan filings resulting in written reports that were ultimately approved by the

Louisiana Public Service Commission.

I previously appeared as a witness before the Kentucky Public Service Commission ("Commission") in a Water Service Corporation of Kentucky base rate proceeding in Case No. 2022-00147, in a Duke Energy Kentucky, Inc. base rate proceeding in Case No. 2022-00372, and in a Kentucky Power Company ("Kentucky Power") consolidated fuel adjustment two-year review proceeding in Case No. 2023-00008. I also filed Direct Testimony in a Kenergy Corporation base rate proceeding in Case No. 2023-00276 and in a Kentucky Power purchased power adjustment tariff update proceeding in Case No. 2023-00318, both of which were decided by the Commission in lieu of formal hearings. Finally, I filed Direct Testimony in a pending Licking Valley Rural Electric Cooperative Corporation base rate proceeding in Case No. 2024-00211. I have also assisted counsel for the Office of the Attorney General of the Commonwealth of Kentucky and Kentucky Industrial Utilities Customers, as well as other Kennedy and Associates' experts, in numerous other proceedings before the Commission, including base rate, fuel adjustment clause, and acquisition proceedings involving the Atmos Energy Corporation's ("AEC") Kentucky rate division ("Atmos" or "Company"), Kentucky Power, Duke Energy Kentucky, Inc., Columbia Gas of Kentucky, Inc., Kentucky Utilities Company, Louisville Gas and Electric Company, Big Rivers Electric Corporation, Jackson Purchase Energy Corporation, East Kentucky Power Cooperative, and Kentucky-American Water Company.[1]

Q. On whose behalf are you testifying?

[1] My qualifications are further detailed in Exhibit RAF-1.

A. I am providing testimony on behalf of the Office of the Attorney General of the Commonwealth of Kentucky ("AG").

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: 1) summarize the AG's adjustments to reduce Atmos's requested base revenue requirement and requested rate increase, and 2) address and make recommendations on specific issues that affect the base revenue requirement in this proceeding.

Q. Please summarize your testimony.

A. I recommend that the Commission authorize an increase in Atmos's base revenues of no more than $11.751 million, a reduction of $21.250 million from the Company's requested increase of $33.001 million. On Table 1 below, I list each AG recommended adjustment, the AG witness responsible for each adjustment, and the effect of each adjustment on the Company's requested increase.[2] These adjustments were developed in consultation with the AG, but I understand that the AG's final adjustments may differ based upon discovery, testimony, and further evidence presented throughout the course of this proceeding.

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[2] The quantifications shown on the table are detailed in my electronic workpapers, which have been filed along with my testimony.

Table 1
Atmos Energy Corporation - Kentucky Division
Summary of Attorney General Recommendations
KPSC Case No. 2024-00276
Test Year Ended March 31, 2026
$ Millions

	Operating Income Adjustment Amount	Gross-Up for B/D and PSC Fees	Rate Increase Amount	AG Witness
Atmos Requested Base Revenue Increase			$ 33.001	
Effects of AG Rate Base Recommendations on Revenue Requirement				
Reduce Asset NOL ADIT to Reflect Updated Balances though FYE 2024			(0.085)	Kollen
Reduce Asset NOL ADIT to Reflect Allocated Share of SSU Division Amount			(0.690)	Kollen
Reduce Asset NOL ADIT to Reflect Only Book/Tax Depreciation Temporary Differences			(0.627)	Kollen
Subtract Vendor Supplied Portion of Construction Expenditures			(0.565)	Kollen
CWC - Adjustment 1 - Remove All Non-Cash Expenses			(1.045)	Kollen
CWC - Adjustment 2 - Correct O&M, Non-Labor Expense Lag Days			(0.017)	Kollen
Effects on AG Operating Income Recommendations on Revenue Requirement				
Reduce Payroll Expense and Related Payroll Taxes Expense	$ (1.044)	1.012	(1.056)	Futral
Reduce Benefits Expense for Filing Error	(1.285)	1.012	(1.300)	Futral
Reduce Ad Valorem Expense	(3.216)	1.012	(3.254)	Futral
Remove 50% of Directors and Officers Insurance Expense to Share with Shareholders	(0.065)	1.012	(0.066)	Futral
Remove 50% of Investor Relations Expense to Share with Shareholders	(0.019)	1.012	(0.019)	Futral
Remove American Gas Association and Kentucky Chamber of Commerce Dues	(0.077)	1.012	(0.078)	Futral
Effects of AG Rate of Return Recommendations on Revenue Requirement				
Reflect Changes in Capital Structure (52.5% Equity and 47.5% Debt)			(5.375)	Baudino
Reflect Return on Equity of 9.40%			(6.549)	Baudino
Effects of AG Recommended Atmos-KY Composite Allocation Factor Update				
As-Filed Requested Revenue Increase Using FYE 2023 Composite Allocation Factors		$33.001		
As-Filed Requested Revenue Increase Updated to Use FYE 2024 Composite Allocation Factors		32.475		
Reduction Due to FYE 2024 Composite Allocation Factor Update			(0.526)	Futral
Total AG Recommendations to Annual Revenue Requirement			$ (21.250)	
AG Recommended Maximum Base Rate Increase			$ 11.751	

In the following sections of my testimony, I address each of the issues identified with my name in Table 1 in greater detail. I also summarize the effects of AG witness Lane Kollen's recommendations to modify the base rate revenue requirement. Finally, I quantify the effects of AG witness Richard A. Baudino's capital structure and rate of return recommendations on the base rate revenue requirement. I note that the costs of capital, including the capital structure and the return on equity, also will have an effect on the Company's Pipeline Replacement

Program ("PRP") rider in future PRP filings and any other capital related riders such as the proposed Pipeline Modernization ("PM") Rider. Witness Baudino recommends a 10 basis points reduction in the return on equity ("ROE") for these capital related riders compared to his recommended ROE for base rates. Some of the adjustments recommended by the AG could also have a minimal effect on the computation of cash working capital included in rate base. I have not attempted to synchronize the balance of cash working capital related to those adjustments. It can be synchronized after all other adjustments to the applicable expenses are determined as a result of the adjudication in this proceeding.

II. OPERATING INCOME ISSUES

A. Reduce Payroll and Related Payroll Tax Expenses

Q. Describe the Company's payroll, benefits, and employee welfare expenses included in recent prior periods and in the test year.

A. The Company summarizes its operations and maintenance ("O&M") expenses by different O&M cost elements. Exhibit GWK-3 attached to the Direct Testimony of Gregory K. Waller summaries the Company's direct and allocated O&M expenses by cost element for the base year and the test year. The three O&M expense cost elements related primarily to employees are labor, benefits, and employee welfare. Table 2 below summarizes the expenses for these three cost elements for the base year and the test year as well as for each of the fiscal years 2022 through 2024.[3]

[3] Refer to Exhibit GWK-3 for the base year and test year amounts. Refer to the response to AG 1-74 for the amounts for fiscal years 2022 through 2024, a copy of which I have attached as Exhibit RAF-2. The

Table 2
Atmos KY Employee Related O&M Expense Cost Elements
$

	FY 2022	FY 2023	FY 2024	Base Year	Test Year
Labor	11,553,338	12,173,370	12,178,541	12,503,414	14,070,026
Benefits	3,105,593	2,179,278	1,925,731	2,779,729	3,908,255
Employee Welfare	2,727,386	2,842,628	2,595,798	2,540,404	2,122,942
Total	17,386,317	17,195,276	16,700,070	17,823,547	20,101,223

Projected test period expenses, before a subsequent proforma to reduce incentive compensation expense, combined for all three cost elements amount to $20.101 million compared to only $16.700 million in actual expenses for the 2024 fiscal year ended September 30, 2024, an increase of approximately 20.4%. O&M expenses related to the payroll and benefits cost elements reflect large increases in the test year compared to all of the depicted historic time periods. The benefits expense cost element increase is discussed subsequently in a separate section below.

Q. Can you describe the Company's proposed increase in the labor expense cost element as depicted in Table 2?

A. Yes. Projected test period expenses for the labor expense cost element amounts to $14.070 million compared to only $12.179 million for the 2024 fiscal year, an increase of approximately 15.5%. This projected increase is unduly high, even considering the three pay raises that impact the two levels of expense.[4] That is because the projected

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Company's fiscal year ends on September 30 of each year.

[4] Direct Testimony of Gregory K Waller at 26 and the response to AG 2-01. I have attached the narrative portion of this response as Exhibit RAF-3. There was a mid-year increase on June 8, 2024 averaging 3.0% for each employee that impacted the 2024 fiscal year. The average projected pay increases for October 1, 2024 and October 1, 2025 were 3.5% each year.

amounts assume full budgeted staffing for the entire year with no vacancies. Recent history indicates that there is always a level of vacancies to be considered. Schedule G-2 at line 2 in the Company's filing shows that a total of 443,040 straight time hours are projected for 213 average Kentucky employees in the test year. 213 employees multiplied by 52 weeks and by 40 hours per week equals the 443,040 projected hours. Schedule G-2 at line 2 depicts that the actual straight time hours for Kentucky employees in 2021, 2022, and 2023 were only 399,843, 396,862, and 408,449, respectively. Further, the Company's response to discovery indicates that there were nine vacant positions in Kentucky alone as of September 30, 2024.[5]

Q. What is your recommendation?

A. I recommend that the Commission reduce the test year labor expense to account for the fact that employee vacancies have been and will likely continue to be recurring. To do so, I recommend that the Commission escalate the actual 2024 fiscal year labor expenses of $12.179 million to account for the pay increases that have occurred and are projected to occur and compare that result to the $14.070 million in test year payroll expenses included in the Company's filing. To that result, the payroll tax expense impact utilizing a rate of 6.50% should also be applied.[6] I provide that calculation in Table 3 below as well as a step-by-step explanation of the escalation of actual 2024 fiscal year labor expenses for the three raises and the comparison of that escalated amount to the test year payroll expenses amount of $14.070 million included by the Company.

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[5] Response to AG 2-02 (b) , a copy of which I have attached as Exhibit RAF-4. The response indicates that the Company could not provide the vacancies for fiscal years ended 2022 and 2023.

[6] 6.50% was used as the payroll taxes adjustment rate on the Company's Schedule F-10.

Table 3
Atmos KY Effects of Pay Increases
$

Labor Expense - FY 2024				12,178,541
June 8, 2024 Raise			3.00%	
Raise Effects June 8, 2024 through September 30, 2024			31.2%	
Raise Effects October 1, 2023 to June 8, 2024 to Annualize			68.8%	
Annualized Labor Expense Before October 1, 2024 Raise				12,429,786
October 1, 2024 Raise			3.50%	
Annualized Labor Expense After October 1, 2024 Raise				12,864,828
October 1, 2025 Raise			3.50%	
Annualized Labor Expense After October 1, 2025 Raise				13,315,097
Test Year Monthly Labor Expense				
Apr-25		1,072,069		
May-25		1,072,069		
Jun-25		1,072,069		
Jul-25		1,072,069		
Aug-25		1,072,069		
Sep-25		1,072,069		
Oct-25		1,109,591		
Nov-25		1,109,591		
Dec-25		1,109,591		
Jan-26		1,109,591		
Feb-26		1,109,591		
Mar-26		1,109,591		
Total Adjusted TY Labor Expense			13,089,963	
As Filed TY Labor Expense			14,070,026	
Reduction in TY Labor Expense				(980,063)
Payroll Taxes	6.50%			(63,704)
Reduction in Payroll and Payroll Taxes Expense				(1,043,767)

I started the escalation calculation with the actual 2024 fiscal year labor expense directly charged by and allocated to the Kentucky division of $12.179 million. Since there was a June 8, 2024 pay raise averaging 3.0% applicable to all employees, I annualized the effect of that raise as if the raise had been applicable to all months during the 2024 fiscal year ending September 30, 2024. The annualized effect of that June 8, 2024 raise amounted to payroll expenses of $12.430 million. I then applied the October 1, 2024 raise averaging 3.50% for all employees to determine an annualized labor expense of $12.865 million applicable to all months starting in October 2024 and lasting until the next raise. Finally, I applied the October 1, 2025 raise averaging 3.50% for all employees to determine an annualized labor expense of $13.315 million applicable to all months starting in October 2025 and lasting until at least the end of the test year.

The projected test year is made up of the months April 2025 through March 2026. Thus, I selected the annualized labor amounts applicable to those months and determined the monthly effect for those months. The monthly payroll expense amounts for April 2025 through September 2025 are $1.072 million each. That is the monthly amount of the annualized $12.865 million applicable after the October 1, 2024 raises ($12.865/12). The monthly payroll expense amounts for October 2025 through March 2026 are $1.110 million each. That is the monthly amount of the annualized $13.315 million applicable after the October 1, 2024 raises ($13.315/12). The sum of these monthly amounts during the test year is $13.090 million in payroll expenses. That amount compared to the $14,070 million included by the Company yields a reduction in payroll expenses of $0.980 million before the application of the effects of payroll tax expense.

Q. What is the effect of your recommendation?

A. The effect is a reduction of $0.980 million in payroll expense and another reduction of $0.064 million in payroll tax expense, summing to an expense reduction of $1.044 million. This amounts to a reduction in the claimed base revenue requirement and base rate increase of $1.056 million after the gross up for the effects of bad debt and Commission assessment fees.

B. Reduce Benefits Expenses Due to Filing Error

Q. Can you describe the level of benefits expenses included in the revenue requirement in this proceeding?

A. As depicted in Table 2 above, the as-filed projected test period benefits expenses amount to $3.908 million compared to only $1.926 million in actual expenses for the 2024 fiscal year ended September 30, 2024, an increase of approximately 102.9%. When asked to justify this very large increase in expense, the Company responded that it inadvertently projected other post-employment benefits ("OPEB") too high, stating: :[7]

> "…there is debit to expense in Division 091 necessary to record a GAAP reporting adjustment for non-service cost OPEB benefits which should not have been included in Test Period O&M. The allocated impact to Kentucky of the overstatement related to this entry in the Test Period is $1,285,473."

Q. What is your recommendation?

A. I recommend that the Commission reduce the test year benefits expenses to remove the effects of the inadvertent addition of the allocated Division 091 non-service cost OPEB benefits that the Company identified in response to discovery.

Q. What is the effect of your recommendation?

A. The effect is a reduction of $1.285 million in benefits expenses and a reduction of $1.300 million in the claimed base revenue requirement and base rate increase after the gross up for the effects of bad debt and Commission assessment fees.

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[7] Response to AG 2-02 (d), attached as Exhibit RAF-4.

C. Reduce Ad Valorem Expenses

Q. Can you describe the ad valorem expenses applicable to the Kentucky Division only that Atmos included in the revenue requirement in this proceeding?

A. Yes. Atmos forecasts Kentucky Division 009 ad valorem expenses to be $12.385 million.[8] The Company's calculation to derive this amount is duplicated below.[9]

Division 009 Only	
Base Period Ad Valorem - Accrual	$ 11,322,473
Remove non-recurring adjustment	1,000,000
Ad Valorem Recovered in PRP Rates Case No. 2023-00231	(339,931)
Adjusted Base Period Ad Valorem	$ 11,982,542
Ending Base Period Gross Plant	$ 909,763,471
Ad Valorem Rate	1.32%
Ending Forecasted Period Gross Plant	$ 940,325,173
Forecasted Period Ad Valorem - Accrual	$ 12,385,072

The Company started its forecast estimate with the ad valorem expense accrual of $11.322 million it was recording and that it projected to record through the end of the base period for the twelve months ended December 31, 2024. The Company had lowered its accrual amount in February 2024 by $1.000 million to reflect what it described as a true-up based on the results of a settlement with the Kentucky Department of Revenue applicable to tax years 2020-2022. The $1.000 million was added back to base year expenses as a deemed non-recurring credit item. The Company then removed $0.340 million in ad valorem taxes applicable to PRP costs,

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[8] Application at Schedule C-2.3F and supporting workpaper WPC.2.3F.
[9] *Id.*

and not a part of base rates, to compute an adjusted base period ad valorem expense of $11.983 million. The Company then utilized this balance divided by the projected base period ending gross plant to derive an ad valorem rate of 1.32%. It then applied this rate to the forecast period ending gross plant as of March 31, 2026 to calculate $12.385 million in forecast ad valorem expense.

Q. What is your overarching problem with the Company's projection of ad valorem expense for the Kentucky Division 009?

A. All components of the Company's projection are based on estimates used to record its accounting accruals and in its projection of gross plant balances. There is no part of the calculation that is based on actual ad valorem taxes paid or actual gross or net plant balances. In addition, the actual ad valorem expense applicable to months in the test year ended March 31, 2026 would be based on a combination of plant valuation assessments as of January 1, 2025 and as of January 1, 2026. The months April through December during 2025 would be based on valuations as of Janaury 1, 2025, while the months January through March during 2026 would be based on valuations as of January 1, 2026. A valuation based on March 2026 data would not fully impact ad valorem expense until 2027, which falls outside of the test year.

Q. Do you have a concern that the adjusted base period ad valorem expense of $11.983 million used as a starting point is inordinately high?

A. Yes, the ad valorem expense monthly accruals projected during the base year were much higher than they had been in prior periods and much higher than the actual accruals being recorded starting in October 2024 for fiscal year 2025. Discovery responses related to these amounts revealed the following summed net monthly expense accrual amounts for the last three fiscal years without any subtraction of PRP-related ad valorem taxes.[10]

Fiscal Year 2022 Net Expense Accrual	$9,162,525
Fiscal Year 2023 Net Expense Accrual	$8,487,060
Fiscal Year 2024 Net Expense Accrual	$11,989,580

The fiscal year 2023 expense accrual amount was actually lower than the fiscal year 2022 amount due to a reduction adjustment of $1.500 million in September 2023 related to two things according to the Company's response to discovery.[11] The first adjustment, a decrease of $3.400 million, related to the same settlement of taxes with the Kentucky Department of Revenue applicable to tax years 2020-2022 mentioned in the Company's calculation of ad valorem taxes above.[12] The Company also increased its accrual that month by $1.900 million to reflect a potential increase in taxes. The Company indicated in response to discovery that it became aware that the Kentucky Department of Revenue planned to change its methodology of valuation based on a "Marathon Pipeline court case for tax years 2023 and forward."[13] The Company also stated in response to discovery that this same potential methodology change was a significant reason why the monthly expense accruals in fiscal year 2024 were so much higher than they were in fiscal years 2022 and 2023.[14] The Company did not provide any information or calculations in discovery to support the $1.900 million increase in September 2023 or the increase recorded during fiscal year 2024.

Q. Has the Company provided any proof that the Kentucky Department of Revenue has indeed changed its valuation methodology related to the court case mentioned

[10] Responses to AG 1-86 and AG 2-04, copies of which are attached as Exhibit RAF-5.
[11] Response to AG 2-03(a), a copy of which is attached as Exhibit RAF-6.
[12] *Id.*
[13] *Id.*
[14] Response to AG 2-03(d), attached as Exhibit RAF-6.

above or to what extent this would impact the annual ad valorem taxes to be paid?

A. No. The Company did not provide any such support in response to discovery. The Company should: (a) provide proof in its Rebuttal testimony that such a change in valuation methodology has in fact occurred, resulting in such large increases in estimated ad valorem taxes; (b) provide an update on the actual time periods affected by any such changes; (c) support the quantifications of the impact of the valuation methodology change as part of its large expense accrual amount increases for the 2023 and 2024 tax years; and (d) provide an update regarding those increased amounts based on actual directions from or communications with the Kentucky Department of Revenue.

Q. Are you aware that the Company has been participating in settlement discussions with the Kentucky Department of Revenue in regards to the ad valorem taxes owed for 2024?

A. Yes. It is my understanding, based on the response to discovery, that the Company expected to reach a settlement on taxes owed for 2024 before January 2025.[15] The Company should also explain how the result of that settlement, if actually completed before the filing of Rebuttal testimony, impacts the monthly accrual amounts recorded during 2024 and beginning in 2025.

Q. Can you describe the monthly ad valorem expense amount that began to be recorded each month in October 2024 to start fiscal year 2025?

A. Yes. According to the response to discovery, the Company recorded monthly expense accruals of only $792,400 in both October and November of 2024.[16] This was far less

[15] Response to AG 1-88.
[16] Response to AG 2-04. See Exhibit RAF-5.

than the monthly accruals of $1,117,400 being recorded for most months during fiscal year 2024 and in the projected base year, for which the test year ad valorem expense adjustment calculation was based. I note these new monthly amounts also include the ad valorem taxes on the PRP plant that is recovered via the PRP.

Q. Can you describe the actual ad valorem tax expense amounts that have actually been paid over the last four years?

A. Yes. The Company provided the amount of actual monthly Kentucky Division ad valorem tax payments made from January 2021 through November 2024 in response to discovery.[17] While the Company indicated that all payments for that time period have not yet been made, the sum of these payments for this nearly four-year period total only $29.516 million, which averages only $7.379 million per year. This is far less than a level of over $12 million projected for the test year.

Q. Has the amount of the ad valorem tax expense accrual grown to very high balances due to the very high monthly accrual amounts in the last several years that have not necessarily been lowered by actual tax payments?

A. Yes. The Company provided the amount of actual monthly Kentucky Division ad valorem tax accrual balances in account 2360-25201 from the beginning of January 2021 through November 2024 in response to discovery.[18] Several of the beginning and ending period balances are depicted below:

Beginning of January 2021	$8,196,609
End of December 2021	$9,525,810
End of December 2022	$12,482,221
End of December 2023	$14,358,920
End of November 2024	$16,921,914

[17] *Id.*
[18] *Id.*

While the Company indicated that all payments for these years have not yet been made, the unpaid accrual balances are inordinately high compared to the average tax payments that have been made during this time period of only $7.379 million per year as described above. To base the projected test year ad valorem tax expense on an escalation of the inordinately high and unsupported expense accruals during 2024 is unreasonable.

Q. What is your recommendation?

A. I recommend that the Commission reduce the test year ad valorem expenses for the Kentucky Division to $9.169 million, which is a reduction of $3.216 million to the as-filed projection of $12.385 million. This recommended amount is the annualized amount associated with the new monthly accruals of $0.792 million each month starting in October 2024 less the $0.340 million that is recovered via the PRP. My recommendation relies on the fact that the Company has made a new assessment of monthly ad valorem expenses based on its most current estimates for recording purposes for fiscal year 2025. This is the amount that is much more known and measurable than the use of escalated prior year accrual amounts that appear inordinately high and that are not supported.

Q. What is the effect of your recommendation?

A. The effect is a reduction of $3.216 million in ad valorem expenses and a reduction of $3.254 million in the claimed base revenue requirement and base rate increase after the gross up for the effects of bad debt and Commission assessment fees.

D. 50% Sharing of Corporate Expenses

Q. Can you describe three types of corporate related expenses that Atmos included in the revenue requirement in this proceeding?

A. Yes. The Kentucky ratemaking division is an operating division of AEC. AEC incurs certain expenses related to the directors and officers of the corporation and other expenses related to communications with its investors. These expenses are allocated to each of the AEC operating divisions, including the Kentucky division, utilizing the composite allocation factor.

AEC projects that it will incur Director's & Officer's (D&O) insurance expense of $2.841 million during the test year and it has allocated $0.130 million of that amount to the Kentucky division as part of O&M expense.[19] The Company included this amount as part of the overall revenue requirement in this proceeding. D&O insurance is designed to protect the individual directors and officers of an organization from personal losses if they are sued as a result of their service and decisions made while serving in those roles. It can also help to defray the legal and other costs incurred by an organization related to any such suits. Finally, D&O insurance can act as an ultimate protection to shareholders, giving them protection from any negligent acts committed by an organization's directors and officers.

AEC projects that it will incur Board of Directors (BOD) compensation expense of $4.395 million during the test year, broken down between Directors fees of $1.448 million and Directors retirement expenses of $2.947 million. The Company projects that the portion of the Directors fees allocated to the Kentucky division will

[19] Atmos Response to AG 1-91, a copy of which is attached as Exhibit RAF-7.

be $0.066 million, while the portion of the Directors retirement expenses allocated to the Kentucky division will be $0.134 million. The Company preemptively removed the $0.134 million in Directors retirement expenses from the revenue requirement to be consistent with prior precedent.[20] Thus, the Company basically shared in the responsibility of the projected BOD compensation expense with ratepayers as part of its filing.

AEC projects that it will incur investor relations expense of $0.813 million during the test year and it has allocated $0.037 million of that amount to the Kentucky division as part of O&M expense.[21] The Company included this amount as part of the overall revenue requirement in this proceeding. Like many other large publically held organizations, AEC maintains an investor relations unit to interact with current and potential investors. The AEC website details the communications supplied to investors.[22] These include such things as news releases, investor presentations, regulatory filings with the U.S. Securities and Exchange Commission, analyst reports, and other statistical and reporting information.

Q. Should there be a sharing of all three kinds of corporate expenses between ratepayers and shareholders?

A. Yes. Ratepayers should not be expected to be held responsible for all of these costs, especially since the majority of the benefits arising from these kinds of expenses are retained by shareholders. The Company already shared in essence the responsibility

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[20] Atmos Response to AG 1-93, a copy of which is attached as Exhibit RAF-8. See also the Direct Testimony of Gregory K. Waller at 33, wherein he describes the proforma adjustment included on Application Schedule F.11.

[21] Atmos Response to AG 1-92, a copy of which is attached as Exhibit RAF-9.

[22] Atmos Energy | Investor Relations.

of the BOD compensation expense. Expenses for D&O insurance and investor relations should be no different.

Q. What do you recommend?

A. I recommend a 50/50 sharing of the D&O insurance and investor relations expenses between ratepayers and shareholders to align costs with derived benefits. Thus, I recommend a 50% reduction in each expense included in the revenue requirement for the Kentucky division. This amounts to a reduction of D&O insurance expense of $0.065 million and a reduction of investor relations expense of $0.019 million, both of which should be grossed up for the effects of bad debt and Commission assessment fees.

E. Remove American Gas Association ("AGA") and Kentucky Chamber of Commerce Dues

Q. Describe the Company's request for recovery of AGA dues.

A. The Company included $0.033 million for AGA dues in the test year, after an adjustment to remove $0.001 million, or 4.3%, for lobbying activities.[23] The Company also included $0.045 million for Kentucky Chamber of Commerce dues in the test year, after an adjustment to remove $0.011 million, or 20%, for lobbying activities.[24]

Q. Did Atmos propose to remove similar portions of previous social organization/service club dues like these from the revenue requirement requested in the last base rate proceeding?

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[23] Direct Testimony of Gregory K. Waller at 34 and Application Schedule F-1 at page 3 of 4.
[24] *Id.*

A. Yes. Atmos removed 6.2% of AGA dues and 15% of Kentucky Chamber of Commerce dues from its requested revenue requirement in Case No. 2021-00214, based upon amounts identified on invoices allocable to lobbying activity.[25]

Q. What decision was reached by the Commission in that case regarding recovery for these two kinds of dues payments?

A. Consistent with prior Orders, in its Order in Case No. 2021-00214, the Commission disallowed recovery of AGA and the Kentucky Chamber of Commerce dues, stating as follows:[26]

> As noted in Case Nos. 2020-00350 and 2021-00183, Atmos Kentucky has the burden of establishing that costs it seeks to recover in rates for dues paid to associations like AGA do not include prohibited costs for lobbying and political activity, including costs for legislative lobbying, regulatory advocacy, and public relations. When asked by the Attorney General whether each association for which dues were included in rates engaged in such activity, Atmos Kentucky indicated that it "identified the AGA and Kentucky Chamber of Commerce as organizations that engage, directly or indirectly, in one or more of the listed activities," without indicating whether or not others did. Atmos Kentucky then estimated percentages of the dues related only to lobbying for the AGA and Kentucky Chamber of Commerce without identifying amounts paid for other prohibited costs. Thus, the Commission finds that Atmos Kentucky has not met its burden of proof that the association and social organization/social club dues are properly recoverable from ratepayers and do not include expenses related to legislative advocacy, regulatory advocacy, or public relations. The Commission will remove all such dues, excluding the Southern Gas Association, because it has been specifically approved in recent gas rate cases.

Q. Has the Company provided additional proof in this proceeding that the dues applicable to the Company's membership in AGA and the Kentucky Chamber of Commerce provide a direct benefit to ratepayers and should be recoverable from ratepayers?

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[25] Order in Case No. 2021-00214 at 23-25.
[26] *Id.,* without footnotes.

A. No.

Q. Has the Company provided additional proof that the dues applicable to the Company's membership in AGA and the Kentucky Chamber of Commerce are not used for legislative advocacy, regulatory advocacy, and/or public relations?

A. No.

Q. What is your recommendation?

A. I recommend that the AGA and the Kentucky Chamber of Commerce dues in the test year be removed in accordance with Commission precedent unless the Company can provide the requisite affirmative proof. The Company has thus failed to establish that this expense is fair, just, and reasonable. The Company has provided no evidence of a direct ratepayer benefit from its memberships in these trade organizations, and no evidence that ratepayer-provided dues are not used for legislative advocacy, regulatory advocacy, and/or public relations.

Q. What is the effect of your recommendation?

A. The effect is a reduction of $0.077 million in dues expense and a reduction of $0.078 million in the claimed base revenue requirement and base rate increase after the gross up for the effects of bad debt and Commission assessment fees.

III. COST OF CAPITAL ISSUES

A. Quantification of Witness Baudino's Recommendation to Modify the Capital Structure

Q. What is the effect of witness Baudino's recommendation to modify the Company's proposed capital structure?

A. Mr. Baudino recommends modifications to the capital structure by resetting the common equity ratio to 52.5%. The effect of this modification is a reduction of $5.375 million in the Company's base revenue requirement and base rate increase.

B. Quantification of Witness Baudino's Return on Equity

Q. What is the effect of witness Baudino's return on equity recommendation?

A. The effect of resetting the return on equity to 9.40% is a reduction of $6.549 million in the Company's base revenue requirement and base rate increase. This amount is incremental to the reductions in the revenue requirement for witness Baudino's recommendations to modify the capital structure through a reduction in the common equity ratio.

Q. Have you quantified the effects of a 10 basis point change in the return on common equity?

A. Yes. Each 10 basis point change in the return on equity equals $0.423 million in the base revenue requirement and requested base rate increase.

C. Summary of Rate of Return Recommendations Compared to Company

Q. Summarize the AG's capital structure and cost of capital recommendations, including witness Baudino's common equity and return on equity recommendations.

A. The following table compares our recommendations to the Company's proposed capital structure and cost of capital recommendations.

Table 4
Atmos Energy Corporation
Cost of Capital
KPSC Case No. 2024-00276

Atmos Cost of Capital Per Filing

	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed-Up WACC
Short Term Debt	0.19%	17.14%	0.03%	0.03%
Long Term Debt	38.93%	4.11%	1.60%	1.62%
Common Equity	60.88%	10.95%	6.67%	8.99%
Total Capital	100.00%		8.30%	10.64%

Atmos Cost of Capital Recommended by AG

	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed-Up WACC
Short Term Debt	0.19%	17.14%	0.03%	0.03%
Long Term Debt	47.31%	4.11%	1.94%	1.96%
Common Equity	52.50%	9.40%	4.94%	6.66%
Total Capital	100.00%		6.91%	8.65%

IV. DIVISION 002, DIVISION 012, AND DIVISION 091 COMPOSITE FACTORS

Q. Please describe the composite factors used to allocate AEC shared services costs incurred at the corporate level by Divisions 002 and 012 and at the Kentucky/Mid-States level by Division 091 to the Kentucky rate division.

A. The costs that are incurred at the corporate level by Divisions 002 and 012 are allocated to the Kentucky/Mid-States Division in the Company's application using a composite factor. The costs allocated to and incurred at the Kentucky/Mid-States Division 091 are also allocated to the Kentucky rate division using a composite factor. The composite factors for each division are comprised of three components with equal weighting: gross direct property plant and equipment, average number of customers, and total O&M expense.[27] AEC uses various versions of the composite factor, e.g., all companies, utility, and regulated only, among others.

In its application, Atmos calculated a composite factor of 9.13% and allocated costs from Division 002 to Division 091 using this factor. Atmos also calculated a composite factor of 10.90% and allocated costs from Division 012 to Division 091 using this factor. Finally, Atmos calculated a composite factor of 49.97% and allocated the Divisions 002 and 012 costs allocated to Division 091, along with the costs incurred directly by Division 091, to the Kentucky jurisdiction using this factor.

Q. Are the composite factors used for Divisions 002, 012, and 091 the most current available?

A. No. The composite factors in the Company's filing were based on data for the 12-month period ended September 30, 2023.[28] These composite factors were applicable in the allocation of actual costs for all months during AEC's fiscal year ended September 30, 2024. Shortly after the Company's September 27, 2024 rate case filing in this proceeding, AEC began closing its accounting books for the fiscal year ended September 30, 2024 and preparing for the allocation of costs during fiscal year 2025. As part of that process, AEC updated its composite factor allocation percentages based on data for the 12-month period ended September 30, 2024. The Company provided

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[27] Refer to Schedule Allocation in the electronic revenue requirement model provided by the Company in response to Staff 1-54. I have attached a copy of this schedule as Exhibit RAF-10 for ease of reference.

[28] Application at Exhibit GKW-2 Allocation Factors attached to the Direct Testimony of Gregory K. Waller.

these updated composite factor allocation percentages in response to discovery.[29] The percentage allocations to the Kentucky rate division decreased as a result of this annual update.

As part of the annual update, Atmos calculated a composite factor of only 8.90% and began allocating costs in November 2024 from Division 002 to Division 091 using this factor. Atmos also calculated a composite factor of 10.86% and began allocating costs from Division 012 to Division 091 using this factor. Finally, Atmos calculated a composite factor of 48.90% and began allocating the Division 002 and 012 costs allocated to Division 091, along with the costs incurred directly by Division 091, in November 2024 to the Kentucky jurisdiction using this factor.

Q. What is your recommendation?

A. I recommend that the Commission modify the composite allocation factors used in the filing to reflect the most updated calculated factors available. In addition, the updated allocation factors are currently being used to allocate costs ultimately to the Kentucky rate division. These are the factors that will be used to allocate costs for the beginning first six months of the test year, April 2025 through September 2025. There is no reason to rely upon outdated allocation information when more updated information is available and currently being utilized in the actual allocation process.

Q. Have you quantified the effect of your recommendation?

A. Yes. The effect is a reduction of $0.526 million in the Company's base revenue requirement and base rate increase.[30]

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[29] Atmos's response to AG 1-71, a copy of which I have attached as Exhibit RAF-11.

[30] I inserted the updated allocation factors for Divisions 002, 012 and 091 into the Company's electronic revenue requirement model provided in response to Staff 1-54 to determine the change in the revenue requirement. The composite factors in the electronic model impact not only expenses, but they also impact rate base balances allocated to the Kentucky division such as plant, accumulated depreciation, and accumulated

Q. Does this complete your testimony?

A. Yes.

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deferred income taxes. I provide a copy of the Company's electronic revenue requirement model with only this change along with my filed Direct Testimony.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF	)	
ATMOS ENERGY CORPORATION	)	
FOR AN ADJUSTMENT OF RATES;	)	Case No. 2024-00276
APPROVAL OF TARIFF REVISIONS;	)	
AND OTHER GENERAL RELIEF	)	

EXHIBITS

OF

RANDY A. FUTRAL

ON BEHALF OF

THE OFFICE OF THE ATTORNEY GENERAL

J. Kennedy and Associates, Inc.
570 Colonial Park Drive, Suite 305
Roswell, GA 30075

JANUARY 2025

AFFIDAVIT

STATE OF GEORGIA)

COUNTY OF FULTON)

RANDY A. FUTRAL, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

Randy A. Futral

Sworn to and subscribed before me on this 27th day of January 2025.

Jessica K Inman
NOTARY PUBLIC
Cherokee County, GEORGIA
My Commission Expires 07/31/2027

Notary Public

EXHIBIT RAF-1

RESUME OF RANDY A. FUTRAL – DIRECTOR OF CONSULTING

EDUCATION

Mississippi State University, BBS in Business Administration
Accounting

EXPERIENCE

J. Kennedy and Associates, Inc. **2003 - Present**
Director of Consulting

Responsible for utility revenue requirements analysis, affiliate transaction auditing and analysis, fuel adjustment clause auditing and research involving tax and public reporting matters. Clients served include the Georgia Public Service Commission ("GPSC") Staff, the Louisiana Public Service Commission ("LPSC") and its Staff, the Florida Office of Public Counsel ("OPC"), the Office of the Attorney General of the Commonwealth of Kentucky ("KY AG"), the South Carolina Office of Regulatory Staff ("ORS"), the Houston Council for Health and Education, the Gulf Coast Coalition of Cities, Cities Served by Texas Gas Service Company, the Alliance for Valley Healthcare, the Ohio Energy Group, Inc. ("OEG"), the Kentucky Industrial Utility Customers ("KIUC"), the Municipalities of Alda, Grand Island, Kearney and North Platte, Nebraska, the City of Clinton, and the Wisconsin Industrial Energy Group, Inc.

Direct and Responsive Testimonies filed on behalf of Louisiana Public Service Commission or its Staff:
LPSC Docket No. U-23327 Southwestern Electric Power Company, Revenue Requirement Review, October 2004.
LPSC Docket No. U-21453, U-20925, U-22092 Entergy Gulf States, Inc., Jurisdictional Separation Plan, March 2006.
LPSC Docket No. U-25116 Entergy Louisiana, Inc., 2002-2004 Audit of Fuel Adjustment Clause, April 2006.
LPSC Docket No. U-23327 Southwestern Electric Power Company, Revenue Requirement Review, July 2006.
LPSC Docket No. U-21453, U-20925, U-22092 Entergy Gulf States, Inc., Jurisdictional Separation Plan, August 2006.
FERC Docket No. ER07-682 Entergy Services, Inc., Company's Section 205 Changes to Rough Production Cost Equalization Computation, November 2007.

FERC Docket No. ER07-956 Entergy Services, Inc., Company's 2007 Filing to be in Compliance with FERC Opinions' 480and 480-A, March 2008.

FERC Docket No. ER08-51 Entergy Services, Inc., LPSC Section 206 Filing Related to Spindletop Regulatory Asset in Rough Production Cost Equalization Computation, November 2008.

FERC Docket No. ER08-1056 Entergy Services, Inc., Company's 2008 Filing to be in Compliance with FERC Opinions' 480and 480-A, January 2009.

LPSC Docket No. U-31066 Dixie Electric Membership Corporation, Company's Application to Implement a Storm Recovery Rate Rider, September 2009.

LPSC Docket No. U-30893 Dixie Electric Membership Corporation, Company's Application to Implement a Formula Rate Plan, September 2009.

FERC Docket No. EL09-61 (Phase I) Entergy Services, Inc., LPSC Complaint Regarding Single Operating Company Opportunity Sales, April 2010.

LPSC Docket No. U-31066 Dixie Electric Membership Corporation, Company's Application to Implement a Storm Recovery Rate Rider, May 2010.

FERC Docket No. EL10-55 Entergy Services, Inc.

LPSC Complaint Regarding Depreciation Rates, September 2010.

LPSC Docket No. U-23327, Subdocket E Southwestern Electric Power Company, 2003-2004 Fuel Audit, September 2010.

LPSC Docket No. U-23327, Subdocket F Southwestern Electric Power Company, 2009 Test Year Formula Rate Plan Filing, October 2010.

LPSC Docket No. U-23327, Subdocket C Southwestern Electric Power Company, 2007 Test Year Formula Rate Plan Filing, February 2011.

LPSC Docket No. U-23327, Subdocket D Southwestern Electric Power Company, 2008 Test Year Formula Rate Plan Filing, February 2011.

FERC Docket No. ER10-2001 Entergy Arkansas, Inc., Company's 2010 Filing to Request Approval of Changed Depreciation Rates, March 2011.

FERC Docket No. ER11-2161 Entergy Texas, Inc., Company's 2010 Filing to Request Approval of Changed Depreciation Rates, July 2011.

LPSC Docket No. U-31835 South Louisiana Electric Cooperative Association, Company's Application to Implement a Formula Rate Plan and Initial Revenue Adjustment, August 2011.

FERC Docket No. ER12-1384 Entergy Services, Inc., Company's Section 205 Fling Related to Little Gypsy 3 Cancellation Costs, September 2012.

LPSC Docket No. U-32315 Claiborne Electric Cooperative, Inc.'s Application to Implement a Formula Rate Plan and Initial Revenue Adjustment, September 2012.

FERC Docket No. ER10-1350 Entergy Services, Inc., Company's 2010 Filing to be in Compliance with FERC Opinions' 480 and 480-A, January 2014.

FERC Docket No. EL-01-88-015 Entergy Services, Inc., Company's 2005 Remand Filing to be in Compliance with FERC Opinions' 480 and 480-A, March 2016.

LPSC Docket No. U-33984 Claiborne Electric Cooperative, Inc., Formula Rate Plan Extension, October 2016.

FERC Docket No. EL09-61(Phase III) Entergy Services, Inc., LPSC Complaint Regarding Single Operating Company Opportunity Sales, November 2016.

LPSC Docket No. U-33323 Entergy Louisiana LLC, 2010-2013 Fuel Audit, July 2019.
LPSC Docket No. U-33324 Entergy Gulf States Louisiana LLC, 2010-2013 Fuel Audit, July 2019.
LPSC Docket No. U-35441 Southwestern Electric Power Company, Rate Case, July 2021 Direct, October 2021 Surrebuttal.

Direct Testimony filed on behalf of the Florida OPC:
FPSC Docket Nos. 20200241-EI, 202100178-EI, and 202100179-EI Florida Power and Light Company and Gulf Power Company, Storm Cost Audit, May 2022.

Direct Testimony filed on behalf of the KY AG:
KPSC Case No. 2022-00372 Duke Energy Kentucky, Inc. (Electric Division), Rate Case, March 2023.
KPSC Case No. 2023-00276 Kenergy Corp., Rate Case, January 2024.
KPSC Case No. 2024-00211 Licking Valley Rural Electric Cooperative Corporation, Rate Case, October 2024.

Direct Testimony filed on behalf of the KY AG and the City of Clinton:
KPSC Case No. 2022-00147 Water Service Corporation of Kentucky, Rate Case, October 2022.

Direct Testimony filed on behalf of the KY AG and KIUC:
KPSC Case No. 2022-00263 Kentucky Power Company, Fuel Adjustment Clause – Six-Month Review, December 2022.
KPSC Case No. 2023-00318 Kentucky Power Company, Tariff PPA Modification, November 2023.
KPSC Case No. 2023-00008 Kentucky Power Company, Fuel Adjustment Clause – Two-Year Review, December 2023.

Direct Testimony filed on behalf of the South Carolina ORS:
SCPSC Docket No. 2022-256-E Duke Energy Progress, LLC, Cost Recovery for 8 Named Storms Since 2014, January 2023.

Direct Testimony filed on behalf of the OEG in Ohio:
PUCO Case No. 23-301-EL-SSO FirstEnergy Utilities, Standard Service Offer in the Form of an Electric Security Plan, October 2023.

Direct Testimony filed on behalf of Georgia Public Service Commission Staff:
GPSC Docket No. U-43830 Atlanta Gas Light Company, Affiliate Audit, May 2024.

Direct Testimony filed on behalf of Cities Served by Texas Gas Service Company:
Texas Railroad Commission Case No. OS-24-00017471 Texas Gas Service Company, Rate Case, August 2024.

Telscape International, Inc. **1997 - 2003**
Corporate Controller **1999 - 2003**
Assistant Controller **1997 - 1999**

Complete responsibility and accountability for the accounting and financial functions of a $160 million newly public company providing telecommunication and high-end internet access services. Telscape served as a telephony carrier of services domestically and to Latin and Central America targeting other service carriers as well as individuals. Reported directly to CFO and managed a staff of eleven.

- Managed the day to day processes required to produce timely and accurate financial statements, including general ledger, account reconciliations, AP, AR, fixed assets, payroll, treasury, tax, internal and external reporting.

- Worked with attorneys and auditors on mergers and acquisitions including due diligence, audits, tax and integrating the accounting functions of eleven acquisitions.

- Grew the accounting department from four to eleven employees while developing and implementing company policies and procedures.

- Instituted capital investment policy and accounts payable management for twenty-one separate entities and twenty-four bank accounts to facilitate effective use of cash flow.

- Created capital and operating budgeting and variance analysis package for five separate business lines.

- Developed the consolidations and inter-company billings process across all entities including six in Latin and Central America.

- Worked with CFO to develop financial models and business plans in raising over $240 million over a three-year period through private preferred placements, debenture offerings and asset based credit facilities.

- Responsible for relationship management with external auditors, attorneys, and the banking community while reviewing and approving all SEC filings, including quarterly and annual reports, proxies and informational filings.

- Developed line cost accounting for revenues and carrier invoices saving thousands monthly and providing the justification for invoice reductions.

Comcast Communications, Inc. **1988 - 1997**
Regional Controller **1993 - 1997**
Regional Assistant Controller **1991 - 1992**
Regional Senior Financial Analyst **1988 - 1991**

Complete responsibility and accountability for the accounting functions of a $2.1 billion regional division of the world's third largest cable television provider serving approximately 490,000 subscribers. Reported to the Regional VP of Finance and managed a staff of twelve.

- Managed the day to day processes required to produce timely and accurate financial statements, including general ledger, account reconciliations, AP, AR, fixed assets and internal reporting.

- Controlled extensive budgeting, forecasting, and variance reporting for eighteen separate entities covering eight states, training employees and management throughout the region.

- Performed due diligence related to the acquisition of seven cable system entities and coordinated the integration of all accounting functions with the corporate office.

- Instituted all FCC informational and rate increase filings throughout the region based on the Cable Act of 1992.

- Responsible for the coordination of all subscriber reporting, sales and property tax filings, franchise fee and copyright filings.

- Grew the accounting department from seven to thirteen before its move to Atlanta, restaffing ninety percent of the department after the move.

- Directed all efforts throughout the region to implement Oracle as the new financial package and a new Access database for the budgeting and forecasting processes.

Storer Cable Communications, Inc **1987 - 1988**
Senior Accountant for Operations

Responsibility for the accounting, budgeting, and forecasting activities of this 82,000 subscriber area for this cable television concern that was acquired by Comcast listed above. Reported to the Area VP and General Manager and managed three employees.

- Implemented new Lotus based model for budgeting and forecasting, training all management on its use.

- Transitioned financial statement preparation from the regional office level to this area office.

- Managed the day to day processes required to produce timely and accurate financial statements for six separate entities including general ledger, AP, AR, fixed assets, subscriber reporting and other internal reporting.

- Developed and maintained tracking mechanism to track progress of cable plant rebuild and the associated competitor overbuild in the area's largest cable system.

Tracey-Luckey Pecan & Storage, Inc. 1986 - 1987
Senior Accountant

Responsibility for the accounting, budgeting, and office management for a divisional office of this pecan production, processing, and storage entity annually grossing approximately $22 million. Financial statements were produced for three entities. Reported directly to the president of the division and managed three employees.

Tarpley & Underwood, CPA's 1984 - 1986
Staff Accountant

Responsibility for the completion of monthly and quarterly client write-up for twenty-three small businesses for this regional CPA firm that is now one of the top twenty-five firms in Atlanta. Performed all payroll tax, sales tax, property tax, and income tax filings for these and other clients as well as approximately eighty individual returns per year. Reported directly to both partners with dotted line responsibility to all managers.

EXHIBIT RAF-2

REQUEST:

Refer to Exhibit GKW-3, which shows base year and test year allocated O&M amounts by division and cost element and the difference in the test year compared to the base year. The total labor and benefit expenses (direct and allocated) in the test year, before any proforma adjustments, reflected an increase in expense of 12.8% as depicted in the data below:

	Base Year	Test Year	Difference
Labor	$12,503,414	$14,070,026	$1,566,612
Benefits	$2,779,729	$3,908,255	$1,128,526
Employee Welfare	$2,540,404	$2,122,942	($417,462)
Total	$17,823,547	$20,101,223	$2,277,676

Increase – Test Year Over Base Year 12.8%

a. Explain all reasons why the labor, benefits, and employee welfare expenses increased by 12.8% on a net basis from the base year to the test year.
b. Indicate whether there are other labor, benefits, and employee welfare expense amounts that are reflected in Exhibit GKW-3 that are not reflected in the three costs elements depicted in the table above. If there are any, identify and explain.
c. Indicate the percentages of average raises given during 2021, 2022, 2023, and 2024 and projected for 2025 and 2026.
d. Provide the actual expense amounts of these three cost elements for each fiscal year ended September 30, 2022, September 30, 2023, and September 30, 2024.

RESPONSE:

a. Labor expense is budgeted each year at a level to address anticipated workload. Please see the response to Staff 1-38 and the direct testimony of Greg Waller at page 26. The increase in labor expense between the Base and Test period includes the impact of three merit increases averaging 3 - 3.5% each.

   The Company budgets benefits expense based on the best information and expectations available at the time the budget is prepared. Variances between budgeted benefits load and actual expenses are recorded in benefits variance subaccounts in Divisions 002 and 091 (see subaccounts 01206, 01207, 01208, 01252, 01258, 01261, 01264, 01267, 01270, 01295, and 01298 in the Benefits section of tabs "Div002 history" and "Div091 history" in the "O&M Detail - TME Jun-24" file included in the response to Staff 1-54). For the six months of actuals included in the Base Period, the benefits variances were net credits to expense as actual costs were below expectations. The Company does not budget nor anticipate negative benefits variances as part of its annual budgeting process.

b. All labor, benefits, and employee welfare expenses are reflected in the three cost elements depicted in the table above.

c. See the response to Staff 1-38 for fiscal years 2022 - 2024. For FY 2021, the average increase was 2.99% for non-exempt and 2.93% for exempt employees. For FY 2025, the average increase was 3.43% for non-exempt and 3.61% for exempt employees. For FY 2026, the average increase is targeted to be 3.5%.

d. See the table below. Also, see the response to AG 1-73.

Element	Fiscal 2022	Fiscal 2023	Fiscal 2024
Labor	$11,553,338	$12,173,370	$12,178,541
Benefits	$ 3,105,593	$ 2,179,278	$ 1,925,731
Employee Welfare	$ 2,727,386	$ 2,842,628	$ 2,595,798
Total	$17,386,317	$17,195,276	$16,700,070

Respondent: Greg Waller

EXHIBIT RAF-3

REQUEST:

Refer to the response to Staff 1-38 in regards to the two merit increases during fiscal 2024, one on October 1, 2024 and the other effective June 8, 2024.

a. Explain all reasons for the second fiscal year 2024 merit increase of 3.0% effective June 8, 2024.
b. Confirm that the second fiscal year 2024 merit increase applied to all employees at all divisions in which costs are directly charged or allocated to Atmos-KY. If not confirmed, explain why not.

RESPONSE:

a. The second fiscal year 2024 merit increase of 3.0% effective June 8, 2024 was necessary for Atmos Energy to be within a range that makes it competitive in the marketplace. See confidential Attachment 1 from Willis Towers Watson showing substantiation and recommendation of the increase.

b. The second fiscal year 2024 merit increase of 3.0% effective June 8, 2024 applied to all employees at all divisions in which costs are directly charged or allocated to Atmos-KY, with the exception of employees that participate in the Company's Management Incentive Program ("MIP"), as Atmos Energy determined at that time that compensation for those employees was already within a range to be considered competitive with the marketplace.

ATTACHMENT:

AG_2-01_Att1 - FY2025 Merit and Structure Rec (CONFIDENTIAL).pdf

Respondent: Greg Waller

EXHIBIT RAF-4

REQUEST:

Refer to the question and response to AG 1-74 and to Exhibit GWK-3 in regards to the labor, benefits, and employee welfare O&M cost elements for the projected test year ended March 31, 2026, the actual and projected base year ended December 31, 2024 and for the actual fiscal year ended September 30, 2024. The sum of O&M expenses for these three cost elements for the base year was $17,823,547. The sum of O&M expenses for these three cost elements for the actual fiscal year ended September 30, 2024 was $16,700,070.

a. Explain all reasons why the actual 2024 fiscal year expenses were so much lower than the actual and projected base year expenses. Include as part of the response the quantified effects of the second fiscal year 2024 merit increase of 3.0% effective June 8, 2024 for the last three months of calendar year 2024.
b. Provide the amount of vacant positions for each division applicable to Atmos KY as of September 30, 2022, September 30, 2023 and September 30, 2024.
c. Indicate whether the base year or test year projections were based on full employment or whether provisions were made for potential vacant positions. If such provisions were made, describe them.
d. Indicate all known reasons why the actual benefits expense was only $1,925,731 during the 2024 fiscal year and how they are expected to more than double in the test year to $3,908,255.

RESPONSE:

a. The variance in fiscal year 2024 actual expenses compared to the Base Period is due largely to the difference in comparison periods. The Base Period includes six months of actual expenses in fiscal 2024 (January through June 2024), the last three months of 2024 fiscal budget (July through September 2024) and the first three months of 2025 fiscal budget (October through December 2024). Comparing actual fiscal year 2024 expenses to the Base Period that includes budgeted 2025 fiscal expenses would result in many variances, notably that the three months of fiscal 2025 expenses would include two merit increases not included in fiscal 2024 actual results (which includes October 2023-December 2023). Isolating the variance related to this period comparison issue is ($471,212), which leaves a remaining variance of ($652,265).

   Upon review of this remaining variance, the Company inadvertently included a debit to expense in Division 091 necessary to record a GAAP reporting adjustment for non-service cost OPEB benefits in the budgeted periods for both Fiscal 2024 and 2025 that should not be included in Test Period O&M. The Kentucky portion of this overstatement is $616,741.

b. Vacancies applicable to the Atmos Kentucky Division as of September 30, 2024 include nine Kentucky positions and one Kentucky Mid-States position. Atmos Energy does not track vacancies on a historical basis, and cannot provide this information as of September 30, 2022 and September 30, 2023.

c. The Company strives to fill vacancies in a timely manner and prepares its budget accordingly. The first six months of the Base Period reflect actual labor expense and therefore reflects actual open positions. For the Test Period, which is based on the Company's FY2025 budget, a credit to labor expense of $408,000 was budgeted in DIV 091 (the division General Office) to account for attrition (approximately half of which is allocated to Kentucky).

d. Labor expense is budgeted each year at a level to address anticipated workload. See the response to Staff 1-38 and the Direct Testimony of Greg Waller at page 26. The increase in labor expense between fiscal 2024 actual expenses and the Test Period includes the impact of three merit increases averaging 3 - 3.5% each.

   As described in the response to subpart (a), there is debit to expense in Division 091 necessary to record a GAAP reporting adjustment for non-service cost OPEB benefits which should not have been included in Test Period O&M. The allocated impact to Kentucky of the overstatement related to this entry in the Test Period is $1,285,473.

Respondent: Greg Waller

EXHIBIT RAF-5

REQUEST:

Provide the actual ad valorem taxes expensed and capitalized for the Kentucky Division during each of the last three fiscal years 2022, 2023, and 2024 by month. This request includes a separate provision of all PRP and non-PRP amounts.

RESPONSE:

See Attachment 1. In the general ledger, the ad valorem cost in Kentucky is not recorded separately for PRP and non-PRP.

ATTACHMENT:

AG_1-86_Att1 - Ad Valorem FY22-FY24.xlsx

Respondent: Emily Wiebe

Atmos Energy Corporation - Kentucky (Div 009)
Ad Valorem Tax - Expense and Capital
For Fiscal 2022, 2023 and 2024

	Kentucky - Division 009		Agrees to 4081-30101
Month	**Ad Valorem Expense**	**Ad Valorem Capitalized**	**Ad Valorem Net Expense**
10/31/2021	737,655	(5,870)	731,785
11/30/2021	737,655	(5,870)	731,785
12/31/2021	737,655	(5,870)	731,785
01/31/2022	780,000	(5,870)	774,130
02/28/2022	780,000	(5,870)	774,130
03/31/2022	780,000	(5,870)	774,130
04/30/2022	780,000	(5,870)	774,130
05/31/2022	780,000	(5,870)	774,130
06/30/2022	780,000	(5,870)	774,130
07/31/2022	780,000	(5,870)	774,130
08/31/2022	780,000	(5,870)	774,130
09/30/2022	780,000	(5,870)	774,130
Total FY22	**9,232,965**	**(70,440)**	**9,162,525**

	Kentucky - Division 009		Agrees to 4081-30101
Month	**Ad Valorem Expense**	**Ad Valorem Capitalized**	**Ad Valorem Net Expense**
10/31/2022	780,000	(5,870)	774,130
11/30/2022	780,000	(5,870)	774,130
12/31/2022	780,000	(5,870)	774,130
01/31/2023	857,500	(5,870)	851,630
02/28/2023	857,500	(5,870)	851,630
03/31/2023	857,500	(5,870)	851,630
04/30/2023	857,500	(5,870)	851,630
05/31/2023	857,500	(5,870)	851,630
06/30/2023	857,500	(5,870)	851,630
07/31/2023	857,500	(5,870)	851,630
08/31/2023	857,500	(5,870)	851,630
09/30/2023	(642,500)	(5,870)	(648,370)
Total FY23	**8,557,500**	**(70,440)**	**8,487,060**

	Kentucky - Division 009		Agrees to 4081-30101
Month	**Ad Valorem Expense**	**Ad Valorem Capitalized**	**Ad Valorem Net Expense**
10/31/2023	1,015,900	(9,560)	1,006,340
11/30/2023	1,015,900	(9,560)	1,006,340
12/31/2023	1,015,900	(9,560)	1,006,340
01/31/2024	1,117,400	(9,560)	1,107,840
02/29/2024	117,400	(9,560)	107,840
03/31/2024	1,117,400	(9,560)	1,107,840
04/30/2024	1,117,400	(9,560)	1,107,840
05/31/2024	1,117,400	(9,560)	1,107,840
06/30/2024	1,117,400	(9,560)	1,107,840
07/31/2024	1,117,400	(9,560)	1,107,840
08/31/2024	1,117,400	(9,560)	1,107,840
09/30/2024	1,117,400	(9,560)	1,107,840
Total FY24	**12,104,300**	**(114,720)**	**11,989,580**

REQUEST:

Refer to the trial balances for the Kentucky Division attached to the response to AG 1-30 and specifically to account 2360 (Taxes accrued) sub account 25201 (Ad Valorem Tax). For each of the calendar years 2021 through 2024 (with the most current month with data available), provide the monthly activity in this account/subaccount to reflect the beginning balance, expense accruals, expense adjustments, ad valorem tax payments, and ending balances.

RESPONSE:

See Attachment 1.

ATTACHMENT:

AG_2-04_Att1 - Account 2360-25201 Rollforward.xlsx

Respondents: Greg Waller and Emily Wiebe

Atmos Energy Corporation - Kentucky (Div 009)
Account 2360-25201 Ad Valorem Tax Rollforward
For January 2021 through November 2024

Month	Beginning Balance	Expense Accruals	Expense Adjustments	Payments/Refunds	Ending Balance
Jan-21	(8,196,609.20)	(695,800.00)	-	785,521.77	(8,106,887.43)
Feb-21	(8,106,887.43)	(695,800.00)	-	7,175.76	(8,795,511.67)
Mar-21	(8,795,511.67)	(695,800.00)	-	184.56	(9,491,127.11)
Apr-21	(9,491,127.11)	(695,800.00)	-	-	(10,186,927.11)
May-21	(10,186,927.11)	(695,800.00)	-	3,697,398.94	(7,185,328.17)
Jun-21	(7,185,328.17)	(695,800.00)	-	1,381,971.92	(6,499,156.25)
Jul-21	(6,499,156.25)	(695,800.00)	-	471,673.20	(6,723,283.05)
Aug-21	(6,723,283.05)	(695,800.00)	-	4,054.19	(7,415,028.86)
Sep-21	(7,415,028.86)	(695,800.00)	(500,000.00)	-	(8,610,828.86)
Oct-21	(8,610,828.86)	(737,655.00)	-	428,239.02	(8,920,244.84)
Nov-21	(8,920,244.84)	(737,655.00)	-	823,278.05	(8,834,621.79)
Dec-21	(8,834,621.79)	(737,655.00)	-	46,467.18	(9,525,809.61)
Jan-22	(9,525,809.61)	(780,000.00)	-	3,008,319.97	(7,297,489.64)
Feb-22	(7,297,489.64)	(780,000.00)	-	2,130,370.60	(5,947,119.04)
Mar-22	(5,947,119.04)	(780,000.00)	-	350,368.58	(6,376,750.46)
Apr-22	(6,376,750.46)	(780,000.00)	-	508,715.54	(6,648,034.92)
May-22	(6,648,034.92)	(780,000.00)	-	118,952.27	(7,309,082.65)
Jun-22	(7,309,082.65)	(780,000.00)	-	72,140.98	(8,016,941.67)
Jul-22	(8,016,941.67)	(780,000.00)	-	411.64	(8,796,530.03)
Aug-22	(8,796,530.03)	(780,000.00)	-	-	(9,576,530.03)
Sep-22	(9,576,530.03)	(780,000.00)	-	105,310.25	(10,251,219.78)
Oct-22	(10,251,219.78)	(780,000.00)	-	49,040.50	(10,982,179.28)
Nov-22	(10,982,179.28)	(780,000.00)	-	-	(11,762,179.28)
Dec-22	(11,762,179.28)	(780,000.00)	-	59,958.07	(12,482,221.21)
Jan-23	(12,482,221.21)	(857,500.00)	-	777,479.00	(12,562,242.21)
Feb-23	(12,562,242.21)	(857,500.00)	-	4,192,923.99	(9,226,818.22)
Mar-23	(9,226,818.22)	(857,500.00)	-	1,473,878.10	(8,610,440.12)
Apr-23	(8,610,440.12)	(857,500.00)	-	747,251.62	(8,720,688.50)
May-23	(8,720,688.50)	(857,500.00)	-	101,615.93	(9,476,572.57)
Jun-23	(9,476,572.57)	(857,500.00)	-	-	(10,334,072.57)
Jul-23	(10,334,072.57)	(857,500.00)	-	-	(11,191,572.57)
Aug-23	(11,191,572.57)	(857,500.00)	-	-	(12,049,072.57)
Sep-23	(12,049,072.57)	(857,500.00)	1,500,000.00	-	(11,406,572.57)
Oct-23	(11,406,572.57)	(1,015,900.00)	-	15,956.57	(12,406,516.00)
Nov-23	(12,406,516.00)	(1,015,900.00)	-	79,396.46	(13,343,019.54)
Dec-23	(13,343,019.54)	(1,015,900.00)	-	-	(14,358,919.54)
Jan-24	(14,358,919.54)	(1,117,400.00)	-	11,036.08	(15,465,283.46)
Feb-24	(15,465,283.46)	(1,117,400.00)	1,000,000.00	2,510,910.26	(13,071,773.20)
Mar-24	(13,071,773.20)	(1,117,400.00)	-	5,635.98	(14,183,537.22)
Apr-24	(14,183,537.22)	(1,117,400.00)	-	3,755,337.51	(11,545,599.71)
May-24	(11,545,599.71)	(1,117,400.00)	-	379,214.58	(12,283,785.13)
Jun-24	(12,283,785.13)	(1,117,400.00)	-	521,659.86	(12,879,525.27)
Jul-24	(12,879,525.27)	(1,117,400.00)	-	10,478.29	(13,986,446.98)
Aug-24	(13,986,446.98)	(1,117,400.00)	-	64,524.46	(15,039,322.52)
Sep-24	(15,039,322.52)	(1,117,400.00)	-	613,281.04	(15,543,441.48)
Oct-24	(15,543,441.48)	(792,400.00)	-	165,626.82	(16,170,214.66)
Nov-24	(16,170,214.66)	(792,400.00)	-	40,700.46	(16,921,914.20)

EXHIBIT RAF-6

REQUEST:

Refer to the response to AG 1-86 in regards to general ledger data for ad valorem costs for Kentucky Division 009 for fiscal years 2022, 2023, and 2024.

a. Explain all reasons for the large negative adjustment to ad valorem expense recorded in September 2023.
b. Provide a copy of the journal entry and all supporting documentation used to record the large negative adjustment to ad valorem expense in September 2023.
c. Provide a copy of the journal entry and all supporting documentation used to record the expense amount of $117,400 in February 2024.
d. Explain all reasons why the monthly ad valorem tax accrual for Kentucky Division 009 increased from only $857,500 per month during the first eight months of calendar year 2023 to $1,117,400 for eight of the nine months listed during calendar year 2024, which represents an increase of 30.3%.

RESPONSE:

a. The Company received verbal acceptance of a settlement offer related to tax years 2020, 2021, and 2022 on August 21, 2023, which resulted in a reduction to the original estimate for those tax years by $3,400,000. During the same quarter, the Company became aware that the Department of Revenue intended to change their methodology of valuation based on the *Marathon Pipeline* court case for tax years 2023 and forward. This change would result in an increase to the 2023 estimate by $1,900,000. This additional tax increase to the 2023 estimate netted with the reduction from the prior years' settlement created the adjustment of $1,500,000 ($3,400,000 - $1,900,000). As a result, the Company adjusted the balance in the 25201 sub-account in September to reflect the "net" reduced tax liability. The final settlement for 2020-2022 was provided in response to AG 1-89 in the attachment, "AG_1-89_Att1 - 2020-2022 Atmos Settlement Agreement (CONFIDENTIAL)" and contains the same terms as the verbal acceptance in August 2023.

b. See Attachment 1 for the journal entry recorded. See the response to subpart (a) for discussions with the Department of Revenue.

c. See Attachment 2 for the journal entry recorded. See the response to subpart (a) for discussions with the Department of Revenue. This valuation was lower than anticipated.

d. The budgeted monthly accrual during 2024 resulted in an increase from the prior year for two primary reasons. First, the estimate includes an overall 10% valuation increase from the original 2023 tax valuation estimate. Second, the accruals in calendar year 2024 include an increase related to the Department of Revenue's position related to the Marathon case described in subpart (a) above.

<u>ATTACHMENTS:</u>

AG_2-03_Att1 - Ad Valorem Journal Entry Sep-23.xlsx
AG_2-03_Att2 - Ad Valorem Journal Entry Feb-24.xlsx

Respondent: Greg Waller

Atmos Energy Corporation - Kentucky (Div 009)
Ad Valorem Journal Entry - September 2023

Batch Name: bpj-20231002-01
Batch Description: 2023 Monthly Property Tax Accrual

CO	CC	Acct	Sub	Sub Description	Service Area	Debits	Credits	Line Description
050	0000	2360	25201	Ad Valorem Tax	009000	-	857,500.00	Mid States - KY
050	0000	4081	30101	Ad Valorem - Accrual	009000	857,500.00	-	Mid States - KY
050	0000	2360	25201	Ad Valorem Tax	009000	1,500,000.00	-	Mid States - KY
050	0000	4081	30101	Ad Valorem - Accrual	009000	-	1,500,000.00	Mid States - KY
						2,357,500.00	2,357,500.00	

Atmos Energy Corporation - Kentucky (Div 009)
Ad Valorem Journal Entry - February 2024

Batch Name: tlf-20240304-01
Batch Description: 2023 Property Tax True-Up

CO	CC	Acct	Sub	Sub Description	Service Area	Debits	Credits	Line Description
050	0000	2360	25201	Ad Valorem Tax	009000	1,000,000.00	0.00	True-Up
050	0000	4081	30101	Ad Valorem - Accrual	009000	0.00	1,000,000.00	True-Up
						1,000,000.00	1,000,000.00	

Batch Name: bpj-20240304-01
Batch Description: 2024 Monthly Property Tax Accrual

CO	CC	Acct	Sub	Sub Description	Service Area	Debits	Credits	Line Description
050	0000	2360	25201	Ad Valorem Tax	009000	0.00	1,117,400.00	Mid States - KY
050	0000	4081	30101	Ad Valorem - Accrual	009000	1,117,400.00	0.00	Mid States - KY
						1,117,400.00	1,117,400.00	

EXHIBIT RAF-7

REQUEST:

Provide the Directors & Officers ("D&O") insurance expense directly incurred by or allocated to the Atmos – Kentucky Division included in the test year, showing how the allocations were performed.

RESPONSE:

Directors & Officers ("D&O") insurance expense in the test year is based on the Fiscal Year 2025 Budget. These expenses are budgeted in Company 002, and allocated based on the Kentucky Composite Allocation rate of 4.56% (see Line No.2 on the "Allocation" tab in the 2024 KY Rev Req Model).

See the table in Attachment 1 for the monthly amounts allocated to the Atmos-Kentucky Division. This account detail can also be found in the relied file "O&M Detail - TME Jun-24.xlsx" on the "FY25 Budget" tab, "Insurance - D&O - 07119" account.

ATTACHMENT:

AG_1-91_Att1 - DO Insurance.xlsx

Respondent: Greg Waller

	Test Year											
	Budget ==>					**<== Budget**	**Forecast ==>**					**<== Forecast**
	2025	**2025**	**2025**	**2025**	**2025**	**2025**	**2025**	**2025**	**2025**	**2026**	**2026**	**2026**
	April	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**March**
Co 002 - Insurance - D&O - 07119	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 242,604	$ 242,604	$ 242,604
Total D&O Insurance	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 234,847	$ 242,604	$ 242,604	$ 242,604
KY Composite Allocation %	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
Allocted D&O Insurance	**$ 10,714**	**$ 10,714**	**$ 10,714**	**$ 10,714**	**$ 10,714**	**$ 10,714**	**$ 10,714**	**$ 10,714**	**$ 10,714**	**$ 11,068**	**$ 11,068**	**$ 11,068**

EXHIBIT RAF-8

REQUEST:

Provide the Board of Directors ("BOD") compensation expense directly incurred by or allocated to the Atmos – Kentucky Division included in the test year, showing how the allocations were performed. Provide the amount before and after the Company's proforma adjustment to remove $134,473 in costs associated with stock awarded to its board members as depicted on Schedule F.11.

RESPONSE:

Board of Directors ("BOD") compensation expense in the test year is based on the Fiscal Year 2025 Budget. These expenses are budgeted in Company 002, and allocated based on the Kentucky Composite Allocation rate of 4.56% (see Line No.2 on the "Allocation" tab in the 2024 KY Rev Req Model).

See the table in Attachment 1 for the monthly amounts allocated to the Atmos-Kentucky Division. This account detail can also be found in the relied file "O&M Detail - TME Jun-24.xlsx" on the "FY25 Budget" tab, accounts "Director's Fees - 04111" and "Directors Retirement Expenses - 04113."

ATTACHMENT:

AG_1-93_Att1 - BOD Compensation Expense.xlsx

Respondent: Greg Waller

	Test Year											
	Budget ==>					<== Budget	Forecast ==>					<== Forecast
	2025 April	2025 May	2025 June	2025 July	2025 August	2025 September	2025 October	2025 November	2025 December	2026 January	2026 February	2026 March
Co 002 - Director's Fees - 04111	$ 349,375	$ -	$ -	$ 349,375	$ -	$ -	$ 349,375	$ -	$ -	$ 399,375	$ -	$ -
Co 002 - Director's Retirement Expenses - 04113	349,375	-	-	349,375	-	1,500,000	349,375	-	-	399,375	-	-
Total BOD Compensation Expense	**$ 698,750**	**$ -**	**$ -**	**$ 698,750**	**$ -**	**$ 1,500,000**	**$ 698,750**	**$ -**	**$ -**	**$ 798,750**	**$ -**	**$ -**
KY Composite Allocation %	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
Allocted BOD Compensation Expense	**$ 31,879**	**$ -**	**$ -**	**$ 31,879**	**$ -**	**$ 68,434**	**$ 31,879**	**$ -**	**$ -**	**$ 36,441**	**$ -**	**$ -**
Less F.11 Adjustment - 04113	(15,939)	-	-	(15,939)	-	(68,434)	(15,939)	-	-	(18,221)	-	-
Net Allocated BOD Copmensation Expense	**$ 15,939**	**$ -**	**$ -**	**$ 15,939**	**$ -**	**$ -**	**$ 15,939**	**$ -**	**$ -**	**$ 18,221**	**$ -**	**$ -**

EXHIBIT RAF-9

REQUEST:

Provide the Investor Relations expense directly incurred by or allocated to the Atmos – Kentucky Division included in the test year, showing how the allocations were performed.

RESPONSE:

Investor Relations expense in the test year is based on the Fiscal Year 2025 Budget for Cost Center 1135 - Investor Relations. These expenses are budgeted in Company 002, and allocated based on the Kentucky Composite Allocation rate of 4.56% (see Line No.2 on the "Allocation" tab in the 2024 KY Rev Req Model).

See the table in Attachment 1 for monthly amounts allocated to the Atmos-Kentucky Division.

ATTACHMENT:

AG_1-92_Att1 - Investor Relations.xlsx

Respondent: Greg Waller

	Test Year											
						<== Budget	Forecast ==>					<== Forecast
	2025 April	2025 May	2025 June	2025 July	2025 August	2025 September	2025 October	2025 November	2025 December	2026 January	2026 February	2026 March
CC 1132 - Investor Relations Expense	$ 158,125	$ 93,074	$ 54,830	$ 55,370	$ 57,204	$ 54,193	$ 54,731	$ 58,481	$ 54,193	$ 60,370	$ 57,843	$ 54,835
Total Investor Relations Expense	$ 158,125	$ 93,074	$ 54,830	$ 55,370	$ 57,204	$ 54,193	$ 54,731	$ 58,481	$ 54,193	$ 60,370	$ 57,843	$ 54,835
KY Composite Allocation %	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
Allocted Investor Relations Expense	**$ 7,214**	**$ 4,246**	**$ 2,502**	**$ 2,526**	**$ 2,610**	**$ 2,472**	**$ 2,497**	**$ 2,668**	**$ 2,472**	**$ 2,754**	**$ 2,639**	**$ 2,502**

EXHIBIT RAF-10

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2024-00276
Base Period: Twelve Months Ended December 31, 2024
Forecasted Test Period: Twelve Months Ended March 31, 2026

Allocation Factors

Line No.	Description	Forecast Period KY/ Md-Sts Division	Forecast Period Kentucky Jurisdiction	Forecast Period Kentucky Composite	Base Period KY/ Md-Sts Division	Base Period Kentucky Jurisdiction	Base Period Kentucky Composite
	Rate Base, Dep. Exp., & Taxes Other						
1	**Shared Services**						
2	General Office (Div 002)	9.13%	49.97%	4.56%	9.13%	49.97%	4.56%
3	Customer Support (Div 012)	10.90%	49.46%	5.39%	10.90%	49.46%	5.39%
4	**Kentucky/Mid-States**						
5	Mid-States General Office (Div 091)	100%	49.97%	49.97%	100%	49.97%	49.97%
6							
7							
8	**Greenville Avenue Data Center**			1.50%			1.50%
9	**Charles K. Vaughan Center**			2.98%			2.98%
10	**AEAM**			5.59%			5.59%
11	**ALGN**			3.60%			
12							
13	**Kentucky Composite Tax**			24.95%			
14							
15	**Rate of Return on Equity**			10.95%			
16							
17	**STDRATE**			17.14%			
18							
19	**LTDRATE**			4.11%			

EXHIBIT RAF-11

REQUEST:

Refer to the allocation percentages shown on Exhibit GWK-2 Allocation Factors for the 2024 fiscal year based on cost data for the twelve months ended September 30, 2023. Provide the same data and allocation percentage calculations to be used for the 2025 fiscal year, starting October 2024, based on cost data for the twelve months ended September 30, 2024. This request includes information related to each of the divisions that make up the Mid States Division. Provide in electronic format with all formulas intact.

RESPONSE:

See Attachment 1.

ATTACHMENT:

AG_1-71_Att1 - FY25 Allocation Factors.xlsx

Respondent: Emily Wiebe

ATMOS ENERGY CORPORATION
Allocation of Atmos Corporate (Co. # 10) Cost Based on 12 Month Period Ended 9/30/24

			30	60	20	20	50	70	80	180
	ALL COMPANIES									
	A. Composite Allocation Factor:	Total	West Tex Div	CO/KS Div	LA Div 007	LA Div 077	Kentucky/ MidStates Div	Mississippi Div	Mid-Tex Div	Atmos P/L
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Gross Direct PP&E	**24,993,685,761**	1,663,753,995	1,017,832,213	-	1,792,597,476	2,014,369,887	1,360,550,808	10,773,446,506	6,301,736,534
2	Average Number of Customers	**3,390,547**	319,407	273,008	-	363,414	368,128	249,771	1,816,311	286
3	Total O&M Expense *	**610,877,032**	44,763,412	36,574,812	-	42,774,421	47,462,790	28,851,494	220,903,446	186,481,480
4	(* w/o Allocation)									
5										
6	Gross Direct PP&E	**100.00%**	**6.68%**	**4.07%**	**0.00%**	**7.17%**	**8.06%**	**5.44%**	**43.10%**	**25.21%**
7	Average Number of Customers	**100.00%**	**9.41%**	**8.05%**	**0.00%**	**10.72%**	**10.86%**	**7.37%**	**53.57%**	**0.01%**
8	Total O&M Expense	**100.00%**	**7.33%**	**5.99%**	**0.00%**	**7.00%**	**7.77%**	**4.72%**	**36.16%**	**30.53%**
9										
10	**Total Composite Factor for FY 2025**	**100.00%**	**7.79%**	**6.04%**	**0.00%**	**8.30%**	**8.90%**	**5.84%**	**44.28%**	**18.58%**
11										

		220	232	233	303	
12						
13						
14		AELIG	UCGS-Barnsley	WKG Storage	TLGP	Remaining non reg
15						
16	Gross Direct PP&E	5,199,042	13,058,627	18,584,217	32,504,089	52,369
17	Average Number of Customers	216	-	-	6	-
18	Total O&M Expense *	782,358	210,042	220,233	1,885,142	(32,598)
19	(* w/o Allocation)					
20						
21	Gross Direct PP&E	**0.02%**	**0.05%**	**0.07%**	**0.13%**	**0.00%**
22	Average Number of Customers	**0.01%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
23	Total O&M Expense	**0.13%**	**0.03%**	**0.04%**	**0.31%**	**-0.01%**
24						
25	**Total Composite Factor for FY 2025**	**0.05%**	**0.03%**	**0.04%**	**0.15%**	**0.00%**

Atmos Energy Corporation
Atmos Energy Mid States Div
Development of Allocation Factors
Effective October 1, 2024

Line #	Div #	Division Name	Sept ' 24 Direct Property Plant & Equipment	Percent of MidStates Property	YE Sept '24 Total O &M w/o 922	Percent of MidStates O & M	YE Sept '24 Avg Number of Customers	Percent of MidStates Customers	**MidStates Allocation Percent**
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1									
2	09	KENTUCKY	940,645,426	46.74%	18,746,041	50.77%	181,052	49.18%	48.90%
3	93	TENNESSEE	925,389,601	45.98%	13,805,083	37.39%	162,831	44.23%	42.53%
4	96	VIRGINIA	146,583,910	7.28%	4,368,754	11.83%	24,245	6.59%	8.57%
5									
6									
7		Total	2,012,618,938	100%	36,919,878	100%	368,128	100%	100%