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January 8, 2025

Ms. Linda C. Bridwell, P.E.
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: *In the Matter of: Electronic Application of Atmos Energy Corporation for an Adjustment of Rates; Approval of Tariff Revisions; and Other General Relief-* **Case No. 2024-00276**

Dear Ms. Bridwell:

Please find attached Atmos Energy Corporation's Supplemental Responses to the Attorney General's Second Request for Information in the above styled case.

This is to certify that the foregoing electronic filing was transmitted to the Commission on January 8, 2025; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, no paper copies of this filing will be made.

If you have any questions, please let me know.

Very truly yours,

L. Allyson Honaker

L. Allyson Honaker

Enclosure

REQUEST:

Refer to the response to AG-DR-1-39.

a. Confirm the Company does not have a formal Tax Allocation Agreement whereby it allocates AEC taxable income and the related tax liability among it affiliate entities and regulated utility divisions. If confirmed, then provide a copy of all other documentation that describes the allocation of AEC taxable income and the related tax liability among its affiliate entities and regulated utility divisions. If denied, then provide a copy of the formal Tax Allocation Agreement.
b. Indicate if AEC does or has otherwise been required in an audit or other means, to prepare, develop, or otherwise calculate the following. If so, describe the circumstances that led to these calculations, the purpose for the calculations, and the use of the calculations. In addition, provide a copy of all such calculations:
   i. the actual taxable income or taxable loss by division;
   ii. the portion of the taxable loss caused by the excess of accelerated tax depreciation over straight line book depreciation;
   iii. the actual NOLC by division;
   iv. the actual NOLC by division caused by the excess of accelerated tax depreciation over straight line book depreciation;
   v. and/or the actual NOLC DTA by division.

RESPONSE:

a. Confirmed, the Company does not have a formal tax allocation agreement.

b. Refer to responses below.

   i. In connection with its financial reporting tax provision process, the Company performs a calculation of actual taxable income or loss by division; however, outside of a base regulatory filing, the Company does not perform a calculation of regulatory taxable income or loss (for example, taxable income or loss corresponding only with the revenue, expenses, assets and liabilities included within a specific regulatory filing).

   ii. No.

   iii. No.

   iv. No.

   v. No.

Respondent: Joel Multer

SUPPLEMENTAL RESPONSE:

a. The Company does not have documentation that describes the allocation of AEC taxable income and the related tax liability among its affiliate entities and regulated utility divisions, as the Company's income tax expenses, deferred taxes and income tax payables are calculated based on the operational results of each regulated business unit and affiliate entities.

Respondent: Joel Multer

REQUEST:

Refer to the electronic workpaper provided in response to Staff DR-1-54, entitled "KY – ADIT – EDIT Tax Update June 2024," in tab ADIT 009, in following cell rows 18 and 19:

Fixed Asset Cost Adjustment	2820	FXA	FXA01	(98,674,197)
Depreciation Adjustment	2820	FXA	FXA02	(32,543,306)

a. Describe the amounts shown on each of these rows, e.g., Fixed Asset Cost Adjustment refers to basis differences between book gross plant cost and tax basis plant cost, such as the repair allowance deduction, and identify the source of the temporary difference amounts used to calculate these DTL amounts, e.g., PowerPlant fixed asset software.
b. Indicate for each of these rows whether the Company has the underlying detail as to the specific temporary differences and the amounts for each temporary difference and whether it has that information for each prior year and the months shown on this schedule contributing to the specific DTL temporary difference aggregated into the amounts in each row. If the Company does not have this underlying detail, then explain why it does not and why it cannot be developed or obtained via query of the fixed asset software. If the Company does have the underlying detail, then provide this level of detail for each temporary difference and related DTL and the cumulative temporary differences and related DTL through June 2024 to match the test year amount and then for each month thereafter for which actual information is available

RESPONSE:

a. Refer to response to AG 2-10 subparts (b) and (c) for the adjustments included Fixed Asset Cost Adjustment "FXA01" and Depreciation Adjustment "FXA02". In addition, see Attachment 1 for further information on these adjustments.
   The Company confirms the temporary difference is calculated in the Power Plan fixed asset system.
b. The Company does not have the underlying details as to the specific temporary differences summarized by year. This is due to the fixed asset software system not having the detailed vintage level details required to be able to provide the level of information..

Respondent: Joel Multer

SUPPLEMENTAL RESPONSE:

See supplemental Attachment 1.

ATTACHMENT:

AG_2-13_Att1_Suppl - FXA01 FXA02 Descriptions.xlsx

Respondent: Joel Multer

ADIT Item	ADIT Description	Code Section and M Explanation
FXA01	Fixed Asset Cost Adjustment	The capitalization of costs for assets is treated differently for financial and income tax accounting purposes. Differences may arise from the acquisition of assets either through a stock or asset purchase and reflect the difference in treatment, cost allocation, or basis presentation of the acquired assets. Other cost basis differences 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. In addition, tax legislation such as the enactment or extension of bonus depreciation results in cost basis differences. Cost basis differences are initially reflected within CWIP (Construction Work in Process). As projects within CWIP are completed and assets are placed in service, the basis difference moves to Fixed Asset – Cost Adjustment.
FXA02	Depreciation Adjustment	For federal income tax purposes, Atmos 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.