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March 10, 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 Supplement response to the Attorney General's First Requests for Information Item 74 in the above-styled case.

This is to certify that the foregoing electronic filing was transmitted to the Commission on March 10, 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

Enclosure

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

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

CERTIFICATE AND AFFIDAVIT

The Affiant, Gregory K. Waller, being duly sworn, deposes and states that the attached supplemental response to the Office of the Attorney General's first request for information are true and correct to the best of his knowledge and belief

GWaller

Gregory K. Waller

STATE OF TEXAS

COUNTY OF DALLAS

SUBSCRIBED AND SWORN to before me by Gregory K. Waller on this the 5th day of March, 2025.

Notary Public

My Commission Expires: September 1, 2028

Giselle R Heroy
My Commission Expires
9/1/2028
Notary ID130804842

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

SUPPLEMENTAL RESPONSE:

Upon further review of this response in the process of preparing rebuttal testimony, the Company submits the following supplement:

a. The actual labor capitalization rate for FY24 for Kentucky direct employees was 59.7% compared to a budgeted capitalization rate of 56.1%. Because of this, the Kentucky division's labor expense was $538,225 lower than it would have been had the labor capitalization rate been on budget. The budgeted capitalization rate for FY25 (the basis for the Test Period) is 56.9%. The variances to budget that existed in FY24 are not expected to recur in FY25 and beyond.

   The Company has hired seven new Line Locators and two new Compliance Technicians as full-time employees to conduct line locating tasks, enhance damage prevention efforts, and further meet the needs of the operation. All nine of these positions were filled as of the beginning of FY25. The Company substantially offset the cost of these positions by reducing contract labor for line locating by $600,000 from FY24 to FY25.

Respondent: Greg Waller