

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS)	CASE NO.
ENERGY CORPORATION FOR AN)	2018-00281
ADJUSTMENT OF RATES)	

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation (Atmos), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due within 14 days of the entry of this Request for Information. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Atmos shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Atmos fails or

refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to respond completely and precisely.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Atmos shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Atmos's response to Commission Staff's Third Request (Staff's Third Request), Item 1.

a. Explain whether Atmos purchases insurance from any other company besides its own wholly owned subsidiary, Blueflame Insurance Services, LTD (Blueflame Insurance).

b. Provide the monetary amount of insurance expense that Atmos has paid from 2013–2018, as well as for the forecasted test period, for its Kentucky operations.

c. Provide the monetary amount of insurance expense that is allocated to Atmos from other divisions.

d. Explain in detail how Atmos determines the reasonableness of the insurance expense.

e. Explain in detail whether Atmos negotiates with other insurance companies besides Blueflame Insurance in order to receive the best rate. If not, explain why not.

f. Provide copies of all correspondences, bids, etc., that Atmos has had with all other insurance companies to obtain competing quotes and compare pricing.

g. Provide a copy of the current insurance contract with schedules identifying limits and deductibles between Atmos and Blueflame Insurance.

h. Based upon Atmos's purchase of insurance from a wholly owned subsidiary, provide evidentiary proof that Atmos is in compliance with KRS 278.2207(1)(b), which requires services and products provided to a utility by an affiliate to be priced at the affiliate's fully distributed cost, but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.

2. Refer to Atmos's response to Staff's Third Request, Item 17, and Commission Staff's Second Request for Information (Staff's Second Request), Item 66. Refer also to Schedule B-5 F. Explain why the calculation of the "Required Change in NOLC" uses projected tax expense from the forecasted test period and the change in accumulated deferred income tax (ADIT) from another period (i.e., the difference between the 13-month average ADIT in the base period and the 13-month average ADIT in the forecasted test period) given that the difference in the 13-month average ADIT amounts is not solely attributable to movement during the forecasted period.

3. Refer to Atmos's response to Staff's Third Request, Item 20.b. Confirm that any accumulated deferred tax assets attributable to the sold divisions were removed from

Atmos's books at the time of their transfer. If this cannot be confirmed, explain in detail why not and how it was treated for accounting purposes.

4. Refer to Atmos's response to Staff's Third Request, Item 22.a., and the Attorney General's Second Request for Information (Attorney General's Second Request), Item 3.b. Refer also to Case No. 2017-00349;¹ Atmos's response to the Attorney General's First Request for Information, Item 15; and Staff's Second Request, Item 18.b.

a. Confirm that the total capital expenditure budget amounts for fiscal years 2019 and 2020 are essentially the same between Case No. 2017-00349 and the pending case, Case No. 2018-00281.

b. For fiscal years 2019 and 2020, confirm that the non-Pipeline Replacement Program (PRP) spend increased by approximately the same amount that the PRP spend was decreased.

c. If part a. and b. are confirmed, provide a narrative explanation of the decision to hold capital expenditures constant but swapping the spend between non-PRP and PRP categories.

a. Refer to Atmos's response to Staff's Third Request, Item 22.b., concerning the Kentucky Farm Tap Project in which Atmos states that it has approximately 929 farm taps to rebuild/replace pursuant to the Pipeline and Hazardous Materials Safety Administration (PHMSA) regulation 49 C.F.R. Section 192.740.

¹ Case No. 2017-00349, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC May 3, 2018).

b. Identify the type of farm taps Atmos is referring to in the above-referenced statement; for example, explain whether the farm tap service lines are directly attached to production, gathering, or transmission pipelines.

c. Explain whether Atmos or its customers own the equipment/devices for the farm taps that Atmos intends to rebuild/replace.

d. Explain whether Atmos provides natural gas service to any customers pursuant to KRS 278.485.

e. Explain whether Atmos or its customers own the equipment/devices for the farm taps that Atmos intends to rebuild/replace.

f. Pursuant to 49 C.F.R., Section 192.740, each pressure regulating or limiting device, relief device (except rupture discs), automatic shutoff device, and associated equipment must be inspected and tested at least once every 3 calendar years, not exceeding 39 months. Explain in detail why Atmos is rebuilding/replacing this equipment instead of inspecting it as required by the regulation.

g. State whether Atmos is aware of the PHMSA Interpretation Response to the Commission dated November 9, 2018.

h. In conjunction of its adoption of 192 C.F.R., Section 192.740, PHMSA revised 192.1003 to exclude farm taps from the requirements of an operator's Distribution Integrity Management Plan (DIMP) under 192 C.F.R. Subpart P. Explain whether Atmos accounted in its rate adjustment application for a reduction in operating and maintenance expenses resulting from the exclusion of farm tap service lines from its DIMP.

5. Refer to Atmos's response to Staff's Third Request, Item 25, and Attachment 1 and Attachment 2 thereto.

a. State whether the amounts presented in Attachment 1 show the actual cumulative differences between book and tax depreciation (excluding bonus depreciation) or whether they reflect the cumulative value of the ADIT liability arising from differences between book and tax depreciation (excluding bonus depreciation).

b. If Attachment 1 reflects the book and tax timing differences in terms of the value of the ADIT liability arising from those timing differences, provide the actual cumulative differences between book and tax depreciation (excluding bonus depreciation) by division for tax years 2008 through 2018 in terms similar to the values for bonus depreciation deductions provided in Attachment 2, and explain what has been provided.

6. Refer to Atmos's response to Staff's Third Request, Item 24.b.

a. Provide a projection of the consolidated taxable income of all Atmos utility operations (as distinguished from non-utility operations) for tax years ending in 2019 and 2020 without any deductions for net operating losses carried forward from previous tax years;

b. Explain any material assumptions Atmos made in making those projections; and,

c. Describe any issues that Atmos identified with its projections that may materially affect their accuracy.

7. Refer to ADIT_KY_projection_-_2018-2020.xlsx produced in response to Commission Staff's First Request for Information (Staff's First Request), Item 71.

a. Confirm that line 28 of the attachment represents the difference between book and tax-timing differences (excluding bonus depreciation) for Division 02 consistent with Atmos's description of FXA02 in response to Staff's Third Request, Item 25, and explain the basis of Atmos's response in full detail.

b. Describe what the amounts in lines 22, 23, 26, and 27 represent.

c. Explain why amounts shown in line 28 of the attachment are represented as positive values and state whether that indicates the book depreciation exceeded tax depreciation.

d. Describe what the amounts in lines 10, 11, 13, and 14 represent, and distinguish them from the amounts represented in lines 22, 23, 26, and 27.

e. Explain why the amount in line 111 for "FXA01 – Gross" for division 09 continues to increase through March 2020 but the amounts in lines 15 and 65 for "FXA01 – Gross" for divisions 02 and 12 do not change after September 2018. Also, explain why the amount in line 157 for "FXA01 – Gross" for division 91 only changes in October 2018 and October 2019.

8. Refer to Atmos's response to the Attorney General's Second Request, Item 10.b, Attachment 1.

a. Explain why Atmos entered into treasury locks four to five years before the effective date.

b. Provide the estimated date that the refinanced note will be issued.

c. Refer also to Atmos's response to Staff's First Request, Item 64, Attachment 1, page 2.

(1) Confirm that the "Underlying Treasury Yield Component" is equal to the fixed treasury rate achieved through Atmos's hedging activity.

(2) State whether Atmos will issue the note at a premium to settle the treasury lock with the counterparties. If so, explain why Atmos included both the premium and the fixed treasury component in the calculation.

9. Provide a detailed side-by-side comparison of Atmos's revenue requirement using the Average Group Life and the Equal Life Group methodologies for computing depreciation.

10. Confirm that the ADIT amounts included in the application are calculated using the Equal Life Group depreciation rates. If confirmed, provide ADIT calculated with the Average Life Group depreciation rates.

for 
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DATED **FEB 01 2019**

cc: Parties of Record

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