

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS)	CASE NO.
ENERGY CORPORATION FOR AN)	2021-00214
ADJUSTMENT OF RATES)	

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

Atmos Energy Corporation (Atmos), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on September 16, 2021. The Commission directs Atmos to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. 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.

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

Atmos shall make timely amendment to any prior response if Atmos obtains information that indicates 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, Atmos shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

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 the Direct Testimony of Joe T. Christian (Christian Testimony), page 12.

a. Explain how Atmos determines the appropriate annual capital budget, including whether any studies are performed.

b. Explain why Atmos does not invest a greater annual amount to replace plant faster.

2. Refer to the Christian Testimony, page 54, lines 14–16. Mr. Christian states that he expects there will be additional debt and equity issued during the pendency of this case.

a. Provide the expected date of the issuance and the expected impact on Atmos's capital structure.

b. Explain if Atmos expects to issue equity or additional debt during the forecasted test year.

3. Refer to the Direct Testimony of Dylan D'Ascendis (D'Ascendis Testimony), Exhibit DWD-1 Schedule DWD-3.8-3.9 footnotes (5) and (6). Explain the why the differences between the Value Line and Bloomberg data on the S&P 500 produce equity risk premiums that are over 200 basis points apart.

4. Refer to the D'Ascendis Testimony, page 7, lines 3-18. Explain the process for investment capital allocation to the respective state corporate Divisions. Include in the response the following: (a) the allocation process, (b) the criteria governing investment capital allocation decisions, and (c) how Atmos' Kentucky Division specifically must compete for equity capital within the larger corporate entity.

5. Refer to the D'Ascendis Testimony, pages 7-8, lines 3-23 and 1-6, respectively. Atmos Energy has one of the largest market capitalizations of any U.S. based natural gas utility. Atmos states that the fair rate of return for a regulated utility is based on its weighted average cost of capital. Explain why it is reasonable to establish a fair return on equity for Atmos' Kentucky Division on a standalone basis, but the overall rate of return is formulated on the basis of total company capital structure.

6. Refer to the D'Ascendis Testimony in general. Provide the capital to debt ratios of the proxy companies.

7. Refer to the Direct Testimony of Paul H. Raab, Exhibit PHR-5, page 2 of 2. Provide the relative return of the proposed revenue increase.

8. Refer to the Application, Volume 6, FR 17(4)(a)-(j).
 - a. Confirm that in calculating the current monthly base charge, of 20.68, the monthly pipe replacement (PRP) program cost was included.
 - b. If confirmed, explain why it is appropriate to include the monthly PRP rider as part of the customer charge.
9. Refer to the Weather Normalization Adjustment (WNA) Rider tariff.
 - a. Explain if Atmos intends to update the normal billing cycle heating degree days.
 - b. Provide the current class customer base load and heating sensitivity factors.
 - c. Provide the WNA adjustment for a residential customer and supporting calculations for the months of November 2020, December 2020, January 2021, February 2021, March 2021, and April 2021.
 - d. Provide the WNA adjustment for a residential customer and supporting calculations for the months of November 2020, December 2020, January 2021, February 2021, March 2021 and April 2021, using the normal billing cycle heating degree days based upon 10-year normal for the period of July 1998 through June 2018.
 - e. Provide the most recent normal billing cycle hearing degree days based upon a 20-year normal and 10-year normal.
10. Refer to Atmos's Response to Commission Staff's First Request for Information, Items 52d and Item 53. Explain how Atmos has the number of times a non-recurring charge was assessed for purposes of the forecast if Atmos does not track that information in its billing system.

11. Refer to Atmos's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1.

a. For each service listed in Staff's Second Request, indicate whether the service is performed by Atmos employees or independent contractors, or both. If both, for the past four calendar years and 2021 to date, provide the percentages of each service performed by Atmos employees and independent contractors.

b. Provide updated cost support for each charge listed in Staff's Second Request, Item 1, including the Meter Test Charge, Residential Late Payment Charge, and Optional Facilities Charge.

12. Refer to Atmos's Response to Staff's Second Request, Item 2.

a. Explain whether the customer's social security number and driver's license number is saved when the customer fills out the application for service online or applies for service in person. If so, explain the measures Atmos takes to protect such information.

b. Explain whether Atmos can perform a credit check without the social security number, date of birth, and driver's license number.

c. Confirm that service would not be refused if a prospective customer did not provide their social security number, date of birth, and driver's license number.

d. Explain how Atmos uses the social security and driver's license numbers to determine if a prospective customer already has an existing account with Atmos with debt possibly attached to it if Atmos does not save the social security and driver's license number when it is provided.

13. Refer to Atmos's response to Staff's Second Request, Item 13.

- a. Provide Atmos's Kentucky legislative branch ethics filings.
 - b. For the last three years, provide the employee position of all Atmos employees who have spoken with state or federal legislators or third-party lobbyists.
14. Refer to Atmos's response to Staff's Second Request, Item 15.
 - a. Provide the amount of "Legal Settlements" included in the forecasted test year and explain the nature of these settlements.
 - b. Provide the location and amount of legal settlements in the base and forecasted test years and explain whether these amounts are allocated to Atmos from any affiliate.
15. Refer to Atmos's response to Staff's Second Request, Item 16. Explain Atmos's review process for projects that exceed the approved amount.
16. Refer to Atmos's response to Staff's Second Request, Item 21. Confirm that costs associated with Storm Uri will not be allocated to Atmos's Kentucky operations. If this cannot be confirmed, explain the basis for the allocation.
17. Refer to Atmos's Response to Staff's Second Request, Item 30.
 - a. Provide clarification of what types of Aldyl-A material failures were included in the analysis.
 - b. Provide what other materials, other than Aldyl-A plastic, are included the Material Failures sub-threat.
 - c. Discuss and provide data to support the statement "Aldyl-A Plastic was contributing to these high risks."
 - d. Explain if bare steel pipe also included as a sub-threat under the primary threat of Materials and Weld Failures.

18. Refer to Atmos's Response to Staff's Second Request, Item 31b.

a. Regarding the tables provided, discuss why the total miles of Aldyl-A has remained the same since 2016.

b. Provide the general cause of the bare steel pipe leaks.

c. Provide the general cause of Aldyl-A pipe leaks.

d. Of the Bare Steel Below Ground Leaks reported in 2020, provide the following:

(1) The number of Grade 1, Grade 2, and Grade 3 leaks.

(2) The number of leaks that were located within a high consequence area (HCA);

(3) The number of leaks attributed to third party damage.

e. Of the Aldyl-A Below Ground Leaks reported in 2020, provide the following:

(1) The number of Grade 1, Grade 2, and Grade 3 leaks.

(2) The number of leaks that were located within a high consequence area (HCA);

(3) The number of leaks attributed to third party damage.

19. Refer to Atmos' response to Staff's Second Request Item 33. The risks associated the recovery of costs and capital in Atmos' PRP would appear to be much less than with the utility as a whole.

a. Provide a list of Atmos affiliates and proxy group companies with PRP programs and the associated ROE component.

b. Explain the whether the risks associated with PRP programs are alike or different from the risks associated with the distribution utility.

c. For Atmos, compare and contrast the risks specifically associated with its PRP and the utility and explain why the ROE associated with the PRP should be lower than that authorized for base rate calculation.

20. Refer to Atmos' response to Staff's Second Request Item 36.

a. Refer to Item 36a. Provide an updated ROE analysis including distribution water utilities to the proxy group for DCF and Risk Premium Model and CAPM analyses with supporting schedules.

b. Refer to Item 36d. Provide the reasons for excluding the three Value Line gas utilities from the proxy group.

21. Refer to Atmos's Response to Staff's Second Request, Items 51, 52, and 53 and the corresponding referenced spreadsheets.

a. Also refer to the Rabb Testimony, Exhibit PHR-5, page 2 of 2, the calculated customer-related cost and proposed customer related costs. Confirm that the estimated customer costs include the total customer-related and demand-related costs.

b. The total estimated customer costs per month are estimated to be \$53.36 for the customer/demand and demand only cost of service studies and \$40.65 for the demand/commodity COSS and include both the customer related expenses and the demand related expenses. The commodity estimated costs customer costs per month are estimated to be \$2.43 for the customer/demand and demand only COSS's and \$3.28 for the demand/commodity COSS. Explain why the Commission should include the demand related expenses in the customer charge calculation when the balance of system

is fixed and the only variable expenses are commodity related, which are significantly less.

22. Refer to Atmos's Response to Staff's Second Request, Item 54(b)-(d).

a. Provide support for the statement that the reduction of revenue from Turn-On, Read, Reconnect Delinquent Service, Seasonal Charge, and Meter Test Charge due to COVID-19 has been offset by a reduction in operation and maintenance expenses.

b. Explain whether the operation and maintenance expenses related to Turn-On, Read, Reconnect Delinquent Service, Seasonal Charge, and Meter Test Charge were included in Atmos's operation and maintenance expenses in the forecasted test period.



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DATED AUG 31 2021

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