

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS)	CASE NO.
ENERGY CORPORATION FOR AN)	2014-00214
ADJUSTMENT OF RATES)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO ATTORNEY GENERAL

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), 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 November 4, 2021. The Commission directs the Attorney General 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

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).

that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The Attorney General shall make timely amendment to any prior response if the Attorney General 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 the Attorney General fails or refuses to furnish all or part of the requested information, the Attorney General 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, the Attorney General 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 Lane Kollen (Kollen Testimony), page 12, lines 10–15. Explain why these periods are an appropriate comparison given the seasonal nature of gas sales and resulting taxable income.

2. Refer to the Kollen Testimony, page 26, lines 15–24. Provide the adjustment necessary to remove non-cash items from the lead/lag study.

3. Refer to the Kollen Testimony, page 38, lines 4–8. Provide support for the conclusion that a reasonable level of short-term debt is approximately 2.0 percent of Atmos Energy Corporation’s total capitalization.

4. Refer to the Kollen Testimony, page 38, lines 12–20.

a. Provide support for the recommendation to phase in the short-term debt ratio over two base rate cases.

b. Explain whether or not a phase in of more than two base rate cases is recommended.

c. Explain whether or not commitment fees are traditionally excluded from the cost of debt calculation.

5. Refer to the Kollen Testimony, page 39, lines 11–12. Provide support that using the most recent cost of new long-term debt is preferred to the cost of the long term debt at the conclusion of the case record.

6. Refer to the Kollen Testimony, page 40, lines 17–22 and page 41, lines 1–17. Also refer to page 38 of Mr. Kollen’s testimony, lines 18–20. Explain why Mr. Kollen is recommending reducing the commitment fees included in the cost of short-term debt, but proposes to remove the entirety of the commitment fees for the cost of the proposed additional short term debt ratio.

7. Refer to the Direct Testimony of Richard Baudino (Baudino Testimony) generally.

a. Provide Exhibits RAB-2-5 in Excel format with all formulas, columns, and rows unprotected and fully accessible.

b. For each of the return on equity (ROE) methods employed, provide a separate discussion of the assumptions required and why each assumption can reasonably be assumed. If assumptions cannot be reasonably assumed, explain why not.

8. Refer to the Baudino Testimony, page 10, Table 1. Provide an update with the most recent data available.

9. Refer to the Baudino Testimony, page 11, Figure 2. Provide an update with the most recent data available.

10. Refer to the Baudino Testimony, page 14, Figure 3. Provide an update with the most recent data available.

11. Refer to the Baudino Testimony, page 17, lines 14–18.

a. Explain whether a proxy group of seven regulated gas distribution utilities represents a large enough representative sample on which to derive statistically significant ROE estimates.

b. In addition to using gas utilities, explain whether using water utilities as additional proxy companies would be appropriate in the DCF and CAPM analyses and, if not, why not.

12. Refer to the Baudino Testimony, page 17, lines 21–24. Explain why the most reasonable period over which to estimate dividend yields is six months.

13. Refer to the Baudino Testimony, page 25, lines 1–3. Explain why using an average of both the median and average values is better than relying on one or the other.

14. Refer to the Baudino Testimony, page 25, lines 19–22 and page 26 lines 1–5. Explain why the “historical risk premium of stock returns over the long term government bond returns has been significantly influenced upward by substantial growth in the

price/earnings (“P/E”) ratio” is important and why Duff and Phelps subtracted out the P/E ratio for stocks from the historical risk premium.

15. Refer to the Baudino Testimony, page 25, lines 13–18, and to page 26, lines 6–10. Explain the reasoning for using 20-year Treasury bonds to determine the historical MRP, but 30-year Treasury bonds were used as the risk free rate.

16. Refer to the Baudino Testimony, page 26, lines 12–15. Provide a greater explanation of Duff and Phelps’ “normalized” risk free rate, and how it incorporates expected inflation.

17. Refer to the Baudino Testimony, page 29, Table 3. Provide an update of Table 3.

18. Refer to the Baudino Testimony, Exhibit RAB-3, page 1 of 2. Comparing the projected EPS growth rates of Value Line, Zacks and Yahoo! Finance, several are close and others are very different, e.g. New Jersey Resources, South Jersey Industries, and Spire Inc. Explain the factors, if known, in Value Line’s EPS analyses versus other analysts’ projections that would lead to such divergent results for select companies only.

19. Refer to the Baudino Testimony, Exhibit RAB-5, page 1 of 1. Provide an explanation for the column “Adjusted Arithmetic Mean.”



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED OCT 19 2021

cc: Parties of Record

*Angela M Goad
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Randy Hutchinson
Wilson, Hutchinson & Littlepage
611 Frederica Street
Owensboro, KENTUCKY 42301

*Atmos Energy Corporation
3275 Highland Pointe Drive
Owensboro, KY 42303

*Eric Wilen
Project Manager-Rates & Regulatory Affairs
Atmos Energy Corporation
5420 LBJ Freeway, Suite 1629
Dallas, TEXAS 75420

*Brannon Taylor
Atmos Energy Corporation
810 Crescent Centre Drive, Suite 600
Franklin, TN 37067

*Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

*John G Horne, II
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Larry Cook
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*J. Michael West
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204