

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS	)	
ENERGY CORPORATION TO ESTABLISH PRP	)	CASE NO.
RIDER RATES FOR THE TWELVE MONTH	)	2022-00222
PERIOD BEGINNING OCTOBER 1, 2022	)	

COMMISSION STAFF'S SECOND 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 October 14, 2022. The Commission directs Atmos to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> 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 question to which the response is made and 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

---

<sup>1</sup> 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).

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 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 Application, Pipeline Replacement Program (PRP) Filing, Exhibit F. Confirm that the actual projected change in ADIT, excluding any forecasted change in net operating loss carryforwards (NOLC), arising from the PRP projects from October 1, 2022 through December 31, 2022 is (\$966,971). If this cannot be confirmed, explain each basis why it cannot be confirmed.

2. Refer to the Direct Testimony of Dylan W. D'Ascendis (D'Ascendis Testimony), page 18, lines 1-11 and Exhibit DWD-2, page 1. Provide an updated Exhibit

DWD-2 by including dividend per share growth rates along with the earnings per share growth rates in the return on equity calculation.

3. Refer to the D'Ascendis Testimony, Exhibit DWD-3, page 8, Exhibit DWD-4, page 1. Refer also to Atmos's response to Staff's First Request for Information (Staff's First Request), Item 8. Using adjusted Yahoo! Finance beta values according to the formula provided in Item 8, provide an update to analyses in Exhibits DWD-3 and DWD-4 including Yahoo! Finance beta values.

4. Refer to Atmos's response to Staff's First Request, Item 8.

a. For Charts 1 and 2, explain the maximum and minimum values.

b. For Charts 1 and 2, explain whether the weekly and monthly values are based on average values over the respective time periods and, if so, explain how the averages are calculated.

c. Presumably, investors are aware of the beta adjustment process. Explain whether Chart 1 is calculated using adjusted or raw Yahoo! Finance beta values. If Chart 1 is based on raw beta values, apply the adjustment equation and compare the updated results to Chart 1.

d. On page 5 of Item 8, Atmos states that betas calculated using weekly returns incorporate more observable market data than betas that use monthly returns. Using this rationale, explain why Value Line beta values which are calculated using five years of market data and contain many more observations should not be considered over Bloomberg beta values which are calculated using two years of market data only.

5. Refer to Atmos's response to Staff's First Request, Item 10. Given the much higher leak rate per mile for bare steel as compared to Aldyl-A, explain why Atmos is moving to replace Aldyl-A before it has replaced all bare steel pipes.

6. Refer to Atmos's response to Staff's First Request, Item 11.

a. Explain whether Atmos actually removes all pipelines that are replaced or whether it retires any pipelines in place, and if it does not remove all pipelines, explain how it makes the decision to remove the pipelines, what percentage are typically removed, and what percentage of the pipelines at issue in this case are likely to be removed.

b. If a percentage of pipelines are retired in place, explain why Atmos applied the cost of removal to all PRP projects.

c. Explain whether the manner in which Atmos calculates the cost of removal is consistent with the manner in which Atmos calculates the salvage value of the existing pipeline. If not, explain how Atmos calculates salvage value and why using a different method to calculate the cost of removal does not result in excessive amounts being removed from accumulated depreciation.

7. Refer to Atmos's response to Staff's First Request, Item 11, and the Excel spreadsheet titled "Staff\_1-11\_Att1 - PRP In-service Date.xlsx."

a. Explain what the estimated closing date refers to.

b. Confirm that the dollar amounts reflected in each month for each project represent the projected capital budget or spending on the project in each month as opposed to the dates the project will be placed in service. If this cannot be confirmed, explain each basis why it cannot be confirmed, including why each project would have an

in-service date in each month from the date the project is started to the date it is completed.

c. Provide the projected in service date for each of the projects listed on Staff\_1-11\_Att1 - PRP In-service Date.xlsx, and if the project is phased with different in service dates for each phase, identify each phase, the projected cost of each phase, and the projected in service date for each phase.

d. Explain whether work on pipeline projects is seasonal, and if so, explain why that is not reflected in Staff\_1-11\_Att1 - PRP In-service Date.xlsx, which shows relatively consistent spending or work throughout the year.

e. Explain whether the amounts listed on Staff\_1-11\_Att1 - PRP In-service Date.xlsx include AFUDC, and if so, provide a breakdown of the AFUDC included.

f. If the amounts listed on Staff\_1-11\_Att1 - PRP In-service Date.xlsx include AFUDC, explain why it is reasonable to include AFUDC given that spending appears to be moved to plant in service immediately.

8. Refer to Atmos's response to Staff's First Request, Item 15, and the Excel spreadsheet titled "Staff\_1-15\_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx" at the "Summary" tab.

a. Confirm that Atmos has included ADIT changes from two separate years to project the combined "Book/Tax Adjustments Other than NOL" by using the ADIT change for the test year ending December 31, 2022, which included PRP rate base changes projected to occur prior to October 1, 2022, and the ADIT change Atmos projected would be generated from PRP spending in Fiscal Year 2023, which ends

September 30, 2023. If this cannot be confirmed, explain each basis why it cannot be confirmed.

b. Confirm that the income from rates set in Case No. 2021-00214<sup>2</sup> and in this PRP case would be cumulative, and if this cannot be confirmed, explain each basis why it cannot be confirmed.

c. Confirm that increases in ADIT in the test year ending December 31, 2022, which included PRP rate base changes projected to occur prior to October 1, 2022, and increases in ADIT in subsequent years would generally not be cumulative but rather would primarily be a function of the amount and nature of capital spending in a given year, because the majority of the increase in Atmos's ADIT arises from differences in the manner in which projects are capitalized for book purposes when placed in service but expensed for tax purposes, primarily as repairs, pursuant to 26 U.S.C.A. § 162. If this cannot be confirmed, explain each basis why it cannot be confirmed.

d. Confirm that Atmos's income from its Performance Based Rate (PBR) mechanism is not reflected in the calculation of Atmos's taxable income (loss). If this cannot be confirmed, explain each basis why it cannot be confirmed.

9. Refer to Atmos's response to Staff's First Request, Item 15, and the Excel spreadsheet entitled "Staff\_1-15\_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx" at the "Gen Filing Sch B-5F" tab. Refer also to the Excel spreadsheet titled "2021 KY Rev

---

<sup>2</sup> Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC May 19, 2022), Order.

Req Model - Rebuttal - Revised.xlsx” filed with the Corrected Rebuttal Testimony of Joe Christian in Case No. 2021-00214.<sup>3</sup>

a. Confirm that the ADIT balances for each division and the “Change in ADIT, excluding forecasted change in NOLC” reflected in the “Gen Filing Sch B-5F” tab of Staff\_1-15\_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx were taken from the ADIT balances and the “Change in ADIT, excluding forecasted change in NOLC” in the “B.5 F” tab of 2021 KY Rev Req Model - Rebuttal - Revised.xlsx. If this cannot be confirmed, explain each basis why it cannot be confirmed.

b. Confirm that the “Change in ADIT, excluding forecasted change in NOLC” in the amount of (\$12,245,579) in 2021 KY Rev Req Model - Rebuttal - Revised.xlsx was calculated by subtracting the allocated 13-Month Average of ADIT in the base period ending September 30, 2021, in the amount of (\$67,435,219) from the allocated prorated ending balance for the forecasted test year ending December 31, 2022, in the amount of (\$79,680,799). If this cannot be confirmed, explain each basis why it cannot be confirmed.

c. Confirm that the manner in which the “Change in ADIT, excluding forecasted change in NOLC” was calculated in 2021 KY Rev Req Model - Rebuttal - Revised.xlsx does not reflect the actual forecasted change in ADIT during the forecasted test year ending December 31, 2022. If this cannot be confirmed, explain each basis why it cannot be confirmed.

---

<sup>3</sup> Case No. 2021-00214, Rebuttal Testimony of Joe T. Christian, 2021 KY Rev Req Model - Rebuttal - Revised.xlsx (filed Dec. 3, 2021).

10. Refer to Atmos's response to Staff's First Request, Item 19. Explain in detail what it means for tax expense to be "calculated and recorded at the lowest operating division based on the Company's structure."

11. Refer to the Excel spreadsheet titled "FR\_16(7)(b)\_Att1 - Capital Budget.xlsx" filed with the application in Case No. 2021-00214.<sup>4</sup> Refer also to the Excel spreadsheet titled "KY Plant Data-2021\_Revised 8-12-21.xlsx" filed as a supplement to Atmos's responses to Commission Staff's First Request for Information in Case No. 2021-00214.<sup>5</sup>

a. Confirm that the amounts listed on "Line # 22" of FR\_16(7)(b)\_Att1 - Capital Budget.xlsx reflected the total projected capital spending, when filed, in the relevant periods for Atmos's Division 09, including projected capital spending for PRP projects during the relevant periods. If this cannot be confirmed, explain each basis why it cannot be confirmed.

b. Confirm that the "Capital Spending" tab of KY Plant Data-2021\_Revised 8-12-21.xlsx at columns S through AD reflects the projected monthly capital spending for Divisions 02, 12, and 91 used to project and calculate rate base changes for the forecasted test year (before the relevant allocation percentages were applied). If this cannot be confirmed, explain each basis why it cannot be confirmed.

c. Confirm that the amounts listed in FR\_16(7)(b)\_Att1 - Capital Budget.xlsx for the forecasted test year ending December 31, 2022, less projected PRP

---

<sup>4</sup> Case No. 2021-00214, Application, FR\_16(7)(b)\_Att1 - Capital Budget.xlsx (filed Jun. 30, 2021).

<sup>5</sup> Case No. 2021-00214, Atmos's Supplemental Response to Commission Staff's First Request for Information, Item 55, Staff\_1-55\_Folder\_Suppl - Revenue Requirements Model and WPs.zip, KY Plant Data-2021\_Revised 8-12-21.xlsx (filed Aug. 23, 2021).

spending for October 1, 2022, through December 31, 2022, as reflected in KY Plant Data-2021\_Revised 8-12-21.xlsx at the “Capital Spending” tab, were used to project and calculate rate base changes in the forecasted test year. If this cannot be confirmed, explain each basis why it cannot be confirmed.

d. Explain why the actual capital spending in Fiscal Years 2021 and 2022 is lower than the projected capital spending in FR\_16(7)(b)\_Att1 - Capital Budget.xlsx and KY Plant Data-2021\_Revised 8-12-21.xlsx.

12. Refer to the Excel spreadsheets titled “2021 KY Rev Req Model - Rebuttal - Revised.xlsx” and “2021 KY ADIT Actuals and 2022 updated projection.xlsx” filed with the Corrected Rebuttal Testimony of Joe Christian and as a supplement to Atmos’s response to Commission Staff’s First Request for Information in Case No. 2021-00214.<sup>6</sup> Confirm that the actual projected, jurisdictional change in ADIT, excluding forecasted changes in NOLC, during the test year ending on December 31, 2022, based on the values reflected in those spreadsheets, was (\$8,575,843), as shown in the spreadsheet attached as an Appendix hereto. If this cannot be confirmed, explain each basis why it cannot be confirmed.

13. Confirm that there would be no taxable loss using Atmos’s method reflected in the Excel spreadsheet titled “Staff\_1-15\_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx” if the sum of the ADIT change in the forecasted test year—(\$8,575,843)—and the incremental change in ADIT associated with PRP spending from October 1, 2022, to

---

<sup>6</sup> Case No. 2021-00214, Rebuttal Testimony of Joe T. Christian, 2021 KY Rev Req Model - Rebuttal - Revised.xlsx (filed Dec. 3, 2021); Case No. 2021-00214, Atmos’s Supplemental Response to Commission Staff’s First Request for Information, Item 55, 2021 KY ADIT Actuals and 2022 updated projection.xlsx (filed Nov. 23, 2021).

December 31, 2022—(\$966,971)—excluding any NOLC change, was used to calculate the “Book/Tax Adjustments Other than NOL.” If this cannot be confirmed, explain each basis why it cannot be confirmed.

14. State whether Atmos contends that it would be unreasonable to use only the sum of the ADIT change in the forecast test year—(\$8,575,843)—and the incremental change in ADIT associated with PRP spending from October 1, 2022, to December 31, 2022—(\$966,971)—excluding any NOLC change, to calculate the “Book/Tax Adjustments Other than NOL” in Staff\_1-15\_Att1 - Kentucky Taxable Income (Loss) Detail.xlsx, and if so, explain each basis why Atmos contends it would be unreasonable.

15. Provide Atmos’s most recent PBR report for Kentucky and an update showing the calculation of Atmos’s share of any savings or expense for any historical month since the PBR report was filed.



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

DATED SEP 29 2022

cc: Parties of Record

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

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

\*Mark R Hutchinson  
Wilson, Hutchinson & Littlepage  
611 Frederica Street  
Owensboro, KENTUCKY 42301

\*Eric Wilen  
Atmos Energy Corporation  
810 Crescent Centre Drive, Suite 600  
Franklin, TN 37067