

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR ANNUAL
REVIEW OF RATES**

Docket No. 14-00081

**ATMOS ENERGY CORPORATION'S RESPONSE
TO TRA STAFF DATA REQUEST NO. 1**

Atmos Energy Corporation respectfully submits this response to the Staff Data Request filed in this docket on September 18, 2014. By agreement with Staff, the deadline to respond has been extended beyond that set forth in the request.

1. For each instance in Atmos' testimony filed in this case that refers to and/or relies upon a methodology adopted in Docket No. 12-00064, provide the date such methodology was filed with the Authority in Docket No. 12-00064 and the specific citation to the Authority's adoption of each methodology. If Atmos is unable to cite to the Authority's adoption of any methodology used in any calculation referenced in testimony in this case, please explain the Company's rationale for use of such methodology in light of the requirements set forth in Tenn. Code Ann. § 65-5-103(d)(6)(A).

Also, please discuss the basis for using calculations and results from the *Stipulation and Settlement Agreements* in Docket No. 12-00064 in light of

(1) the Authority's finding that, "...in accepting the *Stipulation and Settlement Agreement*, the Authority was not adopting any specific means, models or methodologies used to calculate the resulting agreed-upon terms."¹

(2) the parties' requested language contained in paragraphs 14-16 of the *Stipulation and Settlement Agreement* in Docket No. 12-00064 and the Authority's ordering clause 2 contained in the Order approving the *Stipulation and Settlement Agreement*, which provides

¹ Order Approving Settlement Agreement, Docket No. 12-00064, p.4 (December 4, 2012).

The settlement of any issue pursuant to the *Stipulation and Settlement Agreement* shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Authority or any court, state or federal.

(3) Language contained in the *Stipulation and Settlement Agreement* contained in paragraphs 8 – 10 stating that the revenue deficiency, revenue requirement and rates are fair and reasonable for the limited purpose of settling/resolving the docket/proceeding.

RESPONSE:

For the record, Atmos respectfully objects to this Request to the extent that it states or assumes the resolution of a disputed issue of statutory construction with which Atmos respectfully disagrees for the reasons set forth in the Response Of Atmos Energy Corporation To Consumer Advocate's Motion To Dismiss Or Deny Petition For Failure To Meet Statutory Requirement. That Response is incorporated by reference as if fully set forth herein. Atmos further incorporates by reference the testimony of Gregory K. Waller, Jason Schneider, and Pat Childers, and the electronic versions of Schedules 1-11 to the Petition in this matter and their supporting schedules, which have been provided. For further answer, Atmos states as follows.

At the most basic level, the Company, in calculating its cost of service, employs a forward looking test year (or "attrition year"). The primary data source for the Company's forward looking test year for both investment (rate base) and operating expenses is the Company's most recently completed operating budget. As in previous cases, including Docket No. 12-00064, the Company relies on its most recently completed budget to the extent it was available at the time the filing was prepared. For months in the forward looking test year for which no budget was yet completed, the Company relies on forecast methodologies consistent with those used in Docket No. 12-00064.

The Company allocates costs from the same Division General Office and Shared Services entities as it has for several years. The allocation percentages are calculated the same way they were in Docket No. 12-00064.

For rate base and operating expenses, the Company presents a Base Period which is made up of actual per books data for the purpose of comparison to its forward looking test year.

The Schedules attached to the Company's petition, as well as the calculations, data sources and methodologies contained within and underlying them, are consistent with those in Docket No. 12-00064. Schedules 1-10 are consistent in format, sources, and underlying methodologies with Schedules 1-10 that were attached to the testimony of Company witness Thomas Petersen in Docket No. 12-00064. Schedule 11 is consistent with Exhibits 1-5 attached to the testimony of Company witness Joshua Densman in Docket No. 12-00064. Some of the work papers supporting Schedules 1-10 were included as exhibits or work papers of other witnesses in Docket No. 12-00064 or developed for this proposal to ensure that the resulting revenue requirement calculations are consistent with the methodologies adopted in Docket No. 12-00064.

Operating Expenses

Each component of O&M is built in the same way as it was in Docket No. 12-00064 (except pension expense which is discussed specifically in the Stipulation).

The development and application of inflation factors is consistent with the methodologies used in Docket No. 12-00064. However, in this filing they are only needed for the last three months of the Forward Looking Test Year because the Company has a recently completed budget covering all but the final three months of the Forward Looking Test Year. The selection of the June ending Historic Base Period and September 1 Annual Filing Date ensures that the

first nine months of the Forward Looking Test Year can rely on the Company's recently completed budget without inflation built into the forecast.

Pension expense is handled per the Stipulation and Settlement Agreement in Docket No. 12-00064 where the methodology is specified on page 4. The required treatment of pension costs affects O&M, depreciation and amortization expense and rate base.

One other O&M adjustment is made in recognition of the fact that the Final Order in Docket No. 12-00064 approves and incorporates by reference a settlement among the parties. In the settlement, the parties agreed to a specific level of O&M expense. Accordingly, in order to remain true to the outcome of Docket No. 12-00064, the Company, in this and subsequent annual filings, has and will model the level of O&M in the Forward Looking Test Year to include the reduction to O&M that was agreed upon in the parties' settlement and approved and incorporated by reference in the Authority's Final Order. Because the Company's Forward Looking Test Year O&M is forecasted in the same manner that it was in Docket No 12-00064 and prior cases, it is a valid starting point from which to apply the approved settlement.

The Company uses the most recently approved depreciation rates to calculate depreciation expense and accumulated depreciation.

The Company made the various adjustments related to intercompany leased storage assets and intercompany leased operational work centers that have been required of the Company in each of its rate cases subsequent to the purchase by United Cities Gas Company of Barnsley storage in 1989 (and including Docket No 12-00064). These adjustments affect cost of gas, O&M, depreciation expense, other taxes and rate base and have been made consistently since their inception.

Rate Base

Each component of rate base is calculated as it was in Docket No. 12-00064.

The Final Order in Docket No. 12-00064 approves and incorporates by reference a Stipulation and Settlement Agreement among the parties. A review of Schedule 3 of the Settlement Exhibit attached to the Final Order in Docket No. 12-00064 reveals only two components of rate base where the stipulated rate base differs from the Company's filed rate base. The first is cash working capital. The differences for cash working capital are "flow-through" differences, which means they result from other adjustments made throughout the filing to O&M and revenues. Because the methodologies adopted in Docket No. 12-00064 used for O&M and revenues are also used in this and future annual rate review filings, the flow through impacts captured in Docket 12-00064 are captured in this and future annual reviews. The other difference on Schedule 3 is a line labeled "Misc. Rate Base Adjustment - Settlement". The amount is \$6,582,062. In order to remain true to the outcome of Docket No. 12-00064, the Company, in this and subsequent annual filings, has and will model the level of rate base in the Forward Looking Test Year to include the adjustment that was agreed upon in the parties' settlement and approved and incorporated by reference in the Authority's Final Order.

Revenues and Billing Determinants

The revenue deficiency was distributed proportionately to the rate schedules consistent with the percentage distribution adopted and approved in Docket No. 12-00064.

Forward looking billing determinants were developed using the same methodology in Docket 12-00064. The methodology adopted and approved in Docket No. 12-00064 was the Consumer Advocate's consultant's model.

The weather stations used are the same weather stations used, adopted and approved in Docket No. 12-00064. An updated 30 year normal was calculated through June 30th using the same methodology (used by both Company and the Consumer Advocate's consultant) adopted and approved in Docket No. 12-00064.

The Company used the same methodology adopted and approved in Docket No. 12-00064 to determine usage adjustments for the large industrial customers.

The Company used the Consumer Advocate's consultant's methodology adopted and approved in Docket No. 12-00064 by looking at a 2 year average growth factor.

The Company used the methodology adopted and approved in Docket No. 12-00064 by averaging 2 years of other revenues associated with forfeited discounts and miscellaneous service revenue.

Capital Structure and Cost of Capital

The calculation of the overall cost of capital is based on the capital structure, debt cost rates and the required rate of return on equity that are required based on the methodologies in Docket No. 12-00064. The capital structure is the average capital structure of the Company over the last 3 years as of the last day of the Historic Base Period. The costs of short term and long term debt are calculated consistently with those in Docket No. 12-00064. The 10.1% return on equity is the ROE specified in the Final Order of Docket No. 12-00064.

Atmos Energy has in good faith modeled its filing in this case on the resolution of Docket No. 12-00064. At the most basic level, it has used the same "methodology" it has long used in Tennessee, a forward looking attrition period developed using the Company's approved and vetted budget for that period. Descending to a more specific level, the Company's has faithfully modeled this filing upon the Stipulation and Settlement Agreement in Docket No. 12-00064,

which was approved and incorporated by reference as an Order, and as a consent judgment has the same res judicata effect as a judgment reached after a full blown hearing. The Stipulation and Settlement Agreement does, in fact, specify several specific agreed upon components of cost of service both within the body of its text and in the 14 schedules attached thereto. By analyzing the case record (testimony, discovery, exhibits, supporting workpapers, etc.) in conjunction with the text and schedules, it is possible to ascertain how the inputs into the 14 schedules were derived. It is then possible, in turn, to substantiate the Company's claim that it has in good faith constructed those inputs consistent with the methodologies used in Docket No. 12-00064.

Respectfully Submitted,

NEAL & HARWELL, PLC

By: 

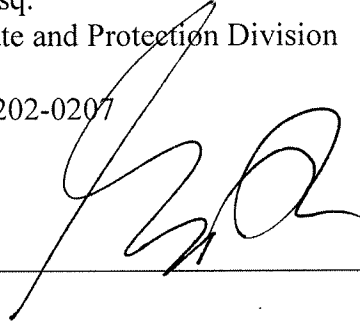
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Counsel for Atmos Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 2nd day of October, 2014.

<input type="checkbox"/> Hand	Wayne Irvin, Esq.
<input type="checkbox"/> Mail	Vance Broemel, Esq.
<input type="checkbox"/> Fax	Consumer Advocate and Protection Division
<input type="checkbox"/> Fed. Ex.	P. O. Box 20207
<input checked="" type="checkbox"/> E-Mail	Nashville, TN 37202-0207



VERIFICATION

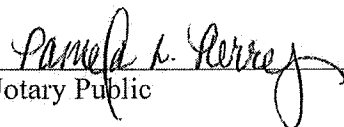
I, Greg Waller, as authorized agent for Atmos Energy Corporation, state under oath that the facts stated and contained in the foregoing Response to TRA Staff Data Request No. 1 are true and correct to the best of my knowledge, information and belief.



AFFIANT

STATE OF TEXAS)
)
COUNTY OF Dallas)

SWORN to and subscribed before me
this 2nd day of October, 2014.



Notary Public

My Commission Expires:

10-29-16

