REQUEST:

(a) With reference to Atmos' response to CAPD Set No. 5, Question No. 1-88, please state whether the company will be amending its Petition to incorporate its response to TRA Staff DR Question No. 1-06 (referencing adjustments described in CAPD DR No. 1-58) with respect to the removal of the Franklin building from the capital additions in the current filing and the adding back of the lease payments that were removed? Does the company believe that its responses to TRA Staff DR Question No. 1-06 or CAPD DR No. 1-58 amend the company's Petition? (b) Please explain fully the steps, at each level within Atmos at which approval was required, that led to the approval of the budget related to the Franklin building and the steps, at each level within Atmos at which approval was required, that led to the company postponing its building plans.

RESPONSE:

a) The Company has not filed an amended petition in the matter, and cannot do so. As the Company has consistently stated at every opportunity from the start of this case, it is critical that this matter remain on track from a timing perspective and that it be finally completed as planned no later than June of 2015. Delay in the completion of this matter would necessitate a delay in making the Company's first annual review filing in September of 2015. Because the intra-year timing of the annual review filing is necessitated by the Company's annual budget cycle, any delay in the resolution of this matter could result in a further year's delay in the Company's first annual mechanism filing. The responses to Staff DR No. 1-06 and CAPD DR No. 1-58 describe and model a known and measureable variance to the Company's approved capital investment budget. Given the nature and timing of the variance, the Company responded to Staff DR No. 1-06 incorporating the impact of that variance.

b) Please see the direct testimony of Greg Waller at page 26, line 11 through page 27, line 14 for a description of the budget approval process. The decision to postpone building plans was made by various levels of management up to and including the Division President, Senior VP, Utility Operations and Senior VP and CFO after consideration of the unique circumstances documented in the response to CAPD DR No. 1-58.

Respondents: Pat Childers and Greg Waller

REQUEST:

(a) With reference to Atmos' response to CAPD Set No. 5, Question No. 1-88, please provide copies of all board of directors minutes and management approvals, including without limitation copies of such documents and all attachments and exhibits thereto and any and all related documents, concerning or relating to the approval of Atmos' budget for each of the last three annual approved budgets. (b) With respect to each such budget, also please provide each change, modification, or deviation from an amount set forth in such budget as originally approved by the company's board of directors and/or, as applicable, management. (c) Please explain fully the process within the company by which the company's annual budget may be changed or modified. Please explain each step involved in modifying the company's budget after it has been loaded into the company's general ledger. In Atmos' response, please specifically address how changes in Atmos' budget would be flowed through or reflected in customers' rates.

RESPONSE:

a) The Company's budget is approved annually by the Company's Board of Directors. To review the Confidential Board of Directors meeting minutes, please contact Mr. Eric Wilen at 214-206-2862 to make arrangements to review these materials in the Company's Dallas office or upon request, to review relevant excerpts of the minutes in the offices of the Company's outside counsel (Neal Harwell) in Nashville. Individual project approvals are done systematically within the Company's fixed asset accounting system. These approvals represent approvals to incur costs and proceed with a project rather than approval of the budget.

b) Once approved and entered into the general ledger, the capital investment budget does not change. Reporting on variances to budget is incorporated into the Company's monthly accounting cycle. For details, please see the direct testimony of Greg Waller at page 32, line 17 through page 34, line 5.

c) Not applicable. Please see the response to subpart (b).

Respondent: Greg Waller

REQUEST:

With reference to Atmos' response to CAPD Set No. 5, Question No. 1-89, if Atmos' ratepayers had started paying higher rates on January 1, 2015, based on the inclusion in rate base of the company's budgeted Franklin building, please explain fully if (and if so, how) rate payers would recoup the increase in rates that they would have paid in 2015 based on the inclusion of that building in rate base, especially since the increase in rates in 2015 attributable to that building would apparently not be refunded to ratepayers (even upon the company's potential implementation of revised rates in January 2016) under the proposals in the company's Petition.

RESPONSE:

As proposed in the Company's pre-filed testimony, variances between the Company's annual filing and actual results would not be refunded nor surcharged to customers. Variances to actual results would be expected each year and would be expected to have an equal probability of being positive or negative. Furthermore, variances would be expected to occur not only for capital investments but for most components of revenue requirement (revenues, O&M, Other Taxes, capex). Regarding the hypothetical example in the request, it would be quite possible for other variances to occur that would offset the variance referenced in the request. These would include, for example, rent payments the Company would have replaced with a Company-owned building. That stated, each subsequent annual filing would begin with actual account balances for the Historic Base Period (twelve month period ending each June 30th) and use the Company's forecasting methodologies to establish the revenue requirement for the subsequent Forward Looking Test Year (the subsequent calendar year). In this respect, an annual mechanism under Tenn. Code Ann. § 65-5-103(d)(6) would experience smaller variances from the forward-looking attrition period than one would expect under the traditional rate case approach, which would continue to utilize the attrition year numbers without correction until a new general rate case is filed.

Respondents: Greg Waller and Patricia Childers

REQUEST:

(a) With reference to Atmos' response to CAPD Set No. 5, Question No. 1-88, please describe any third party verification or approval (i.e., verification or approval by an entity that is unrelated to and/or not affiliated with Atmos) of any amount in the company's budget. List and describe fully any such amount that is verified or approved by such a third party, including a description of the method or process by which such amount is verified. If there is no such third party verification or approval, please so state. (b) With reference to Atmos' response to CAPD Set No. 5, Question No. 1-88, please describe any involvement or review by any third party (a person or entity that is unrelated to and/or not affiliated with Atmos) in the preparation or consideration of any amount in the company's budget. List and describe fully any such amount that is considered or reviewed by such a third party, including a description of the method or process by which such amount was considered or reviewed. If there is no such third party involvement or review, please so state.

RESPONSE:

The Company seeks input into its budgeting process from a number of key vendors, most notably for expected costs of its various benefit programs including medical/dental, pension, workers' comp, etc. It also seeks pricing guidance from a number of outside vendors for goods and services to use as guidance in preparing its budget. The input received is not binding nor does it represent review, verification or approval of budgeted amounts.

Respondent: Greg Waller

REQUEST:

In view of Atmos' response to CAPD Set No. 5, Question No. 1-88, that "[d]ue to the complexity of a comprehensive revenue requirement calculation, it is not practical to address narratively the specific original source, calculation, assumption, means of estimation, analysis, and rationale of every number of every cell of the revenue requirement model and supporting workpapers and relied upon files[,]" please state the company's position with respect to a requirement in the ARM tariff that would require the filing of all of the MFRs, as expanded and/or clarified by the TRA Staff and Consumer Advocate's data requests in this docket, with each such ARM filing (i.e., at the time each and every such ARM filing is made). If the company's position is that all or some portion of the data described in the preceding sentence should not be required to be filed with each such annual filing, please list each item that it is the company's position should not be required and explain fully why any such item should not be required to be filed with such annual filing.

RESPONSE:

If the Company's methodologies, as described and supported in its pre-filed testimony, revenue requirement model, workpapers and relied-upon files, are adopted, the Company's filing, together with the discovery process that would follow each year, contains everything necessary to determine the Company's revenue requirement. The filing of the 86 traditional MFRs would be unnecessary to determine or verify the Company's revenue requirement and not in the spirit of the alternative rate making statute. The Company's experience with the MFRs is that the cost of their creation substantially outweighs any benefit. Many of them would involve little more than duplication of voluminous filings recently made and/or publicly available. Examples include: MFR Nos. 4, 5, 6, 8, 10, 40, 47, 61, 67, and 85. (With respect to MFRs 8 and 10 (General Ledger and Trial Balance), the Company is agreeable to including these electronically in its pre-filed annual filings going forward.)

Many more are either directly included in the Company's filing or involve the restatement in another form of information that already can be found in the Company's pre-filed testimony, revenue requirement model, work papers and relied-upon files. Examples include:MFR Noss 12, 16, 21, 22, 30, 45, 56, 57, 58, 59, 66, 68, 72, and 74.

The remainder of the MFRs are either wholly unnecessary to calculate the Company's revenue requirement, or ask for the data in a slightly more granular form and/or spanning a longer timeframe than is required. As the Company will be filing annually, questions that each year ask the Company to restate historical information going back a number of years, which of necessity already will have been filed, would merely multiply the amount of duplicative data. The Company submits that it should not be required to file the 86 traditional MFRs on top of the pre-filed testimony, revenue requirement model, workpapers and relied-upon files that the Company will, in accordance with its proposed ARM Tariff, file each year in support of its annual mechanism submission.

If, through the course of the discovery process in this Docket and/or subsequent annual filings, it becomes evident that the CAPD or Authority repeatedly requires data not included in the Company's original filing in order to determine the Company's annual revenue requirement, the Company would propose to work with the parties to incorporate the requested data into subsequent filings.

Respondents: Patricia Childers, Greg Waller and Joe Christian

REQUEST:

With reference to the Petition and the company's responses to CAPD Set No. 5, Questions No. 1-88 and 1-89, please explain fully any and all differences between the methodologies proposed by Atmos in TRA docket 14-00081 and the methodologies proposed by Atmos in TRA docket 14-00146.

RESPONSE:

- In Docket No. 14-00081, the Company replicated the impact of two settlement positions that had been part of the settlement reached by the parties in Docket No. 12-00064. The Company did not incorporate those settlement positions in calculating the revenue requirement in Docket No. 14-00146.

- In Docket No. 14-00081, the Company used a three year average capital structure consistent with the capital structure used in arriving at the Settlement among parties in that Docket No. 12-00064. In the current docket, the Company used capital structure as of the end of the Historic Base Period.

- Rate case expense is included in O&M for the rate case portion of the current Docket. It was not included in Docket No. 14-00081 (as stated in the direct testimony of Greg Waller in Docket No. 14-00146 at page 10, lines 4-9, the Company does not propose to recover rate case expenses for subsequent annual filings separate from the amount budgeted in annually recurring O&M).

Respondents: Patricia Childers, Greg Waller and Joe Christian

Docket No. 14-00146
Atmos Energy Corporation, Tennessee Division
CAPD DR Set No. 8
Question No. 1-112 (8-07 Informal)
Page 1 of 1

REQUEST:

With reference to the Direct Testimony of James H. Vander Weide, Ph.D., in this TRA docket 14-00146 and the Petition in TRA docket 14-00081, please explain fully the reasons for the company's willingness to opt in to an annual review mechanism by which Atmos would have earned a 10.1% return on equity in TRA docket 14-00081 (for as long as the proposed annual review mechanism would have been in effect) in view of Dr. Vander Weide's testimony in this TRA docket 14-00146 opining as to a 10.7% return on equity and his prior testimony in TRA docket 12-00064 opining as to an 11% return on equity.

RESPONSE:

Tenn. Code Ann. § 65-5-103(d)(6) requires that rates be set using the rate of return on equity from the Company's most recent case. At the time Docket No. 14-00081 was filed, Docket No. 12-00064 was the Company's most recent case, in which the Authority approved a 10.1% ROE. The addition of a newly litigated case as a prerequisite to the annual review necessitated that the Company present new testimony regarding required rate of return on equity. Dr. Vander Weide's testimony in this Docket fulfills that need.

Respondents: Patricia Childers and Greg Waller

<u>REQUEST:</u>

Please provide complete copies of any and all intercompany or intracompany (or interdivision) tax allocation agreements or tax sharing agreements and/or tax allocation or tax sharing policy statements. Please provide any such agreement or statement whether or not it has been formally or adopted. If any such agreement or statement exists, but has not been reduced to or approved in written form, please provide a detailed written summary of such agreement or policy.

<u>RESPONSE:</u>

There are no tax allocation agreements or tax sharing policy statements. The Company records taxes and the tax impact of transactions on the books and records of the legal entity which had the underlying taxable event or activity.

Respondents: Pace McDonald / Jennifer Story