

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:

ATMOS ENERGY CORPORATION)	
ANNUAL RECONCILIATION OF)	DOCKET NO. 17-00091
ANNUAL REVIEW MECHANISM)	

**CONSUMER ADVOCATE'S RESPONSE TO DATA REQUEST
OF THE TENNESSEE PUBLIC UTILITY COMMISSION**

TPUC DATA REQUEST:

Please reconcile and explain the calculated \$2,923,963 revenue surplus provided on page 19 of the Supplement[al] Testimony of William H. Novak to the revenue surplus of \$3,477,452 provided in the Atmos filing on March 1, 2018. Also, please provide your position regarding this difference.

CONSUMER ADVOCATE'S RESPONSE:

On December 20, 2017, Atmos Energy Corporation (Atmos) filed in this Docket the Pre-filed Rebuttal Testimony of Gregory K. Waller, along with an Exhibit (GKW-R-1). That Exhibit recalculated the revenue requirement of the ARM reconciliation for various adjustments outlined in Mr. Waller's testimony and resulted in a revenue deficiency of \$382,182. However, that Exhibit omitted a true-up to Atmos' actual per-books income tax expense, an adjustment to reflect per-books interest expense, and the adjustments to cash working capital that the Consumer Advocate believes would be required to comply with the Settlement Agreement and Commission Order in Docket No. 14-00146 (as confirmed by the Settlement Agreement and Commission Order in Docket No. 16-00105).

On January 4, 2018, the Consumer Advocate filed, in this Docket, the Supplemental Testimony of William H. Novak. On page 19 of Mr. Novak's Supplemental Testimony, on Table 1, Mr. Novak presented a revenue surplus calculation of \$2,923,963 that focused on the revenue requirement reconciliation impact of the largest of the omitted items, that is, the true-up of actual income tax expense that was omitted from Mr. Waller's Exhibit GKW-R-1. As applied to that income tax expense, Mr. Novak essentially followed the requirements for the reconciliation model in TPUC Docket No. 16-00105 by adjusting the revenue requirement stated in Exhibit GLW-R-1 by the amount necessary to reflect Atmos' actual income tax expense during the reconciliation period, this is, the per-books income tax expense amount that was reported on Exhibit GKW-2, Schedule 1, in the alternative filing made by Atmos in its Petition in this Docket on August 31, 2017. That adjustment resulted in the \$2,923,963 revenue surplus reconciliation amount shown on Page 19 of Mr. Novak's Supplemental Testimony. That revenue surplus calculation, in view of its focus, did not include a per-books interest expense adjustment and the cash working capital adjustments that would have been included in a complete revenue requirement reconciliation calculation. The Consumer Advocate's position is that a per-books interest expense adjustment and appropriate cash working capital adjustments – as well as the per-books income tax expense – would be required in a complete revenue requirement reconciliation calculation under the Settlement Agreement and Commission Order in Docket No. 14-00146 (as confirmed by the Settlement Agreement and Commission Order in Docket No. 16-00105).

On February 14, 2018, at the request of the Commission Staff, Atmos provided a full revenue requirement calculation that included a true-up to actual income taxes and adjustments for per-books interest expense and cash working capital that resulted in a revenue surplus of

\$4,424,903. Then, on March 1, 2018, Atmos provided an updated revenue requirement reconciliation calculation that also included those elements and resulted in a revenue requirement surplus of \$3,477,452.¹

Thus, Atmos' updated revenue requirement reconciliation calculation of \$3,477,452 in its March 1, 2018 filing appears to reflect the requirements of the Settlement Agreement and Commission Order in Docket No. 14-00146 (as confirmed by the Settlement Agreement and Commission Order in Docket No. 16-00105), while the revenue requirement surplus calculation of \$2,923,963 in Mr. Novak's Supplemental Testimony focused directly on the impact of the omitted per-books income tax expense. Accordingly, the Consumer Advocate contends, based on its review thus far, that Atmos' updated revenue requirement surplus calculation of \$3,477,452 reflects the position of the Consumer Advocate and, consequently, recommends that the Commission adopt this amount as the appropriate ARM reconciliation true-up amount to be included in Atmos' next budget filing.

The responsible witness for this response is William H. Novak.

RESPECTFULLY SUBMITTED,



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¹ Although not specifically mentioned in its March 1, 2018 filing, it appears that Atmos inadvertently excluded \$834,998 of actual allocable pension contributions from Schedule 4-1 of its February 14, 2018 filing.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 7th day of March, 2018.


Wayne M. Irvin