

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

IN RE:)	
)	
ATMOS ENERGY CORPORATION)	
FOR APPROVAL OF ITS 2022 ANNUAL RATE)	DOCKET NO. 22-00010
REVIEW FILING PURSUANT TO TENN.)	
CODE ANN. § 65-5-103(d)(6))	

**CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST
TO ATMOS ENERGY CORPORATION**

To: Erik Lybeck, Esq.
Neal & Harwell, PLC
1201 Demonbreun Street, Suite 1000
Nashville, TN 37203
elybeck@nealharwell.com

This First Discovery Request is hereby served upon Atmos Energy Corporation ("Atmos Energy" or the "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Attorney General's Office ("Consumer Advocate") requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate Unit in the Financial Division, 500 Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 2:00 p.m. (CDT), March 1, 2022.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Producing **Continuing Request.** These discovery requests are to be considered continuing in nature and are

to be supplemented from time to time as information is received by the Producing Party and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.

2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.

3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.

4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document, and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

5. **Singular/Plural.** The singular includes the plural, and vice-versa, where appropriate.

6. **Questions.** Any questions regarding this discovery request should be directed to the attorneys listed as issuing this Request.

7. **Definitions.** For the purposes of this Request, the following terms have the following meanings:

(a) "You," "Your," "Company," or "Atmos Energy," shall mean Atmos Energy Corporation and all employees, agents, attorneys, representatives, or any other person acting or purporting to act on its behalf.

(b) "Affiliate" shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, "control" is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term "Affiliate" shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an "Affiliate."

(c) "Communication" shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings and personal conversations, or otherwise.

(d) "Document" shall have the broadest possible meaning under applicable law. "Document" shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made.

(e) "Person" shall mean any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(f) “Identify” with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address or email address is available provide any address known to you) and that person’s relationship, whether business, commercial, professional, or personal with you;
- ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
- iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
- iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.

(g) “And” and “or” shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.

(h) “Including” shall be construed to mean including but not limited to.

FIRST DISCOVERY REQUESTS

- 1-1. Refer to the Petition, Attachment A. Specifically, the Deviation #1, Capital Structure and Deferred Tax Asset (“DTA”) NOL ADIT Adjustments due to Winter Storm Uri, from approved methodologies. Provide evidence in the form of regulatory orders that the \$2.2 billion in debt and associated Accumulated Deferred Income Taxes (“ADIT”), has been assigned, or specifically attributed to recovery in the states of Texas, Kansas, and Colorado.

RESPONSE:

1-2. Refer to the Direct Testimony of William D. Matthews at 13:18 – 14:3. Mr. Matthew discusses the removal of \$2.2 Billion in debt from the capital structure proposal in this proceeding. With respect to this adjustment respond to the following:

- a. Identify the amount of deferred gas costs on the books of Atmos Energy's divisions in the states of Colorado, Kansas, and Texas.
- b. Provide copies of testimony submitted by Atmos Energy in base rate case proceedings in 2021 covering the topic of return on equity and capitalization.
- c. Mr. Matthews' testimony references that the Company expects that the majority of this debt will be securitized. What is the estimated amount of debt that is expected to be securitized? Also, explain whether it would be appropriate to include the portion of debt not expected to be securitized within the Company's capital structure?
- d. Confirm that the first full sentence on page 14 refers to the Company's Tennessee operations.

RESPONSE:

1-3. Refer to the Direct Testimony of William D. Matthews, 14:4-8. Further describe the adjustment required in next year's filing.

RESPONSE:

1-4. Refer to the Petition's Relied Upons, File <p. ADIT TN ARM Fiscal 2021.xlsx>, Tab "Div 093" and respond to the following:

- a. Define the transactions within the category Fixed Asset Cost Adjustment.
- b. Define the transactions within the category Depreciation Adjustment.
- c. Provide a comprehensive discussion why there has only been minimal change in the balances of the (i) Fixed Cost Adjustment and (ii) Depreciation Adjustment throughout the test period.
- d. Provide the supporting documentation and calculations for the journal entry(ies) made in March 2021 affecting the Fixed Asset timing difference.
- e. Provide the supporting documentation and calculations for the journal entry(ies) made in September 2021 affecting the Depreciation Adjustment timing difference.

RESPONSE:

1-5. Refer to the Petition's Relied Upens, File <p. ADIT TN ARM Fiscal 2021.xlsx>, Tab "Div 093" and respond to the following:

- a. Provide all supporting documentation and calculations supporting the \$11,452,512 balance of ADIT associated with the State-Net Operating Loss category for September 2021.
- b. Provide a comprehensive discussion of the nature of the timing difference "State Bonus Depreciation".
- c. Provide the documentation and supporting calculations for the September 2021 balance of "State Bonus Depreciation".

RESPONSE:

1-6. Refer to the Petition's Relied Upens, File <p. ADIT TN ARM Fiscal 2021.xlsx>, Tab "Div 093". Provide the justification for inclusion of the balance of "Charitable Contribution Carryover" within the ADIT account for Division 093.

RESPONSE:

1-7. Refer to the Petition's Relied Upens, File <p. ADIT TN ARM Fiscal 2021.xlsx>, Tab "Div 093". Provide a description of the line item "Regulatory Liability – 2017 Gross Up", providing the rationale for inclusion in the balance of ADIT. Further, provide the support for the September 2021 balance.

RESPONSE:

1-8. Refer to the Petition's Relied Upens, File <p. ADIT TN ARM Fiscal 2021.xlsx>. Provide the rationale for inclusion of the book/tax timing difference identified as "Regulatory Liability" – NSC for (i) Division 091, and (ii) Division 093 within the balance of ADIT.

RESPONSE:

1-9. Refer to the Petition's Relied Upons, File <p. ADIT TN ARM Fiscal.xlsx >, Tab "Div 002". Provide the rationale for inclusion of the following book/tax timing differences within the ADIT balance in Division 002:

- a. SEBP Adjustment (Please define the nature of these transactions);
- b. SERP DTL Offset;
- c. Rabbi Trust;
- d. VEBA Contribution Adjustment;
- e. Directors' Stock Award; and
- f. FAS 106 Adjustment.

For each book/tax timing difference identified above, provide the Tennessee jurisdiction expense included in test year results.

RESPONSE:

1-10. Provide a comprehensive discussion of the method used to isolate the impact of winter storm Uri on taxable income. Provide supporting documentation identifying the portion of Net Operating Loss ("NOL") associated with the winter storm.

RESPONSE:

1-11. Provide the underlying calculations supporting the balance of the NOL asset attributable to regulated operations as reflected on Schedule 7-4.

RESPONSE:

1-12. Given the Company's adjustment to the total company NOL balance to remove impacts on the NOL from non-regulated operations, why is it then not appropriate to remove impacts on the balance of equity associated with non-regulated operating results?

RESPONSE:

1-13. Refer to the Petition's Revenue Requirement Schedules, File <2022 ARM.xls>, WP 7-10

and respond to the following:

- a. Confirm that the balances of Depreciation Expense and Ad Valorem Expense deferred to account 186 otherwise reduce the revenue requirement in the test period if such deferral provisions were not in place.
- b. Confirm that the Deferred Interest balance does not reduce the revenue requirement in the base period as presented by the Company. If this is not confirmed, provide an explanation where the test period interest expense is reduced due to this deferral.
- c. Provide an explanation why the credit to the 400 accounts does not match the charges to account 186.

RESPONSE:

1-14. Refer to the Petition's Revenue Requirement Schedules, File <2022 ARM.xls>, WP 9-3

and respond to the following:

- a. Provide the rationale for annualizing interest costs in cell R 33 at September 30, 2021 rather than using the actual interest expenses for the twelve month period ending September 30, 2021. This results in the imputation of interest expense associated with \$600 million in debt in October when the outstanding debt balance was zero.
- b. Provide the analytical support for the recognition of the \$38,645,183 balance of Unamortized Debt Discount within the calculation of the weighted cost of debt.
- c. Explain the amount of "Other Long-Term Real Estate Lease costs" included in the filing. Explain how this is recorded on the books of Atmos Energy-Tennessee.

RESPONSE:

1-15. Regarding elimination of the \$2.2 billion in debt associated with winter storm Uri, did the Company incur commitment fees or related costs associated with securing this debt which was allocated to the Company's Tennessee operations? If so, identify the amount charged to Tennessee operations.

RESPONSE:

- 1-16. Regarding elimination of the \$2.2 billion in debt associated with winter storm Uri, identify the date this debt was secured.

RESPONSE:

- 1-17. Refer to the Petition's Revenue Requirement Schedules, File <2022 ARM.xls>, Schedule 6. Confirm that the Base Period depreciation expense of \$15,666,182 is the balance of depreciation net of depreciation deferrals. Provide documentation demonstrating such deferrals were removed from this depreciation balance.

RESPONSE:

- 1-18. Refer to the Petition's Revenue Requirement Schedules, File <2022 ARM.xls>, Schedule 8. Provide support for the hard-coded Short Term Debt rate of 80.94% associated with short-term debt. If this is not an error, provide a comprehensive explanation supporting the justification for an 80.94% cost rate for short-term debt.

RESPONSE:

- 1-19. Provide the underlying support for the Company's Allowance for Funds Used During Construction ("AFUDC") rate as of September 2021 applied to September's Construction Work in Progress ("CWIP") balance.

RESPONSE:

- 1-20. With regard to the Return to (Tax) Provision entries made during the test period, provide the following:
- a. Identify the entries made by division that reconcile the Income Tax related recordings with the company's most recently filed tax return. Also, identify the period in which such entries were made. Confirm that these true-up entries relate to the tax period ending September 2020.

- b. Provide a comprehensive discussion of the impact of these adjustments on the operating results recorded during the test period.

RESPONSE:

1-21. Refer to the Petition's Relied Upens, File <j. Income Statement.xlsx> and respond to the following:

- a. Identify the accounts/subaccounts and account titles of those accounts comprising the balance of "Other Operating Revenue" of \$1,094,874.
- b. Identify the accounts credited associated with the Expense recordings associated with "Franchise Taxes" and "Gross Receipts Taxes" and indicate whether such credits are incorporated into the test period revenue requirement deficiency.
- c. Describe the nature of the transactions giving rise to "Others Income" of \$612,607.

RESPONSE:

1-22. Refer to the Petition's Revenue Requirement Schedules, File <2022 ARM.xls>. The Company's Workpaper 10-1R computes test period Income Tax Expense of \$7,580,300. The Income Statement Schedule J reflects total Income Tax Expense of \$3,555,844. Reconcile this approximate \$4 million difference between the company's actual income tax expense and the imputed income tax expense for purposes of computing the test period earnings deficiency.

RESPONSE:

1-23. Refer to the Petition's Revenue Requirement Schedules, File <2022 ARM.xls>, Schedule 8. Provide the underlying calculations supporting the Company's book Income Tax Expense for the twelve month period ending September 30, 2021.

RESPONSE:

1-24. Refer to the Petition, File <12) 22-XXXXX - 2022 Atmos Energy TN ARM Filing - Variance Report.xlsx>. Provide responses to the following questions regarding the O&M information presented in this file:

- a. Refer to Tab “093 O&M Acct”, FERC account 9250 “A&G-Injuries & Damages”. Specifically, regarding subaccount 5418 “Settlement” provide a narrative answer detailing why these MVA claims are not covered by the Company’s automobile insurance.
- b. Refer to Tab “093 O&M Acct”, FERC Account 9260 “A&G-Employee pensions and benefits”. Provide documentation detailing the changes to OPEB as described in footnote F. If “changes” include modification of employee benefits, provide a comprehensive discussion of the nature of the benefit change along with its associated change in 2021 service costs.
- c. Refer to Tab “02 O&M Acct”, FERC account 9260 “A&G-Employee pensions and benefits”. Provide documentation detailing the changes to OPEB as described in footnote F. If “changes” include modification of employee benefits, provide a comprehensive discussion of the nature of the benefit change along with its associated change in 2021 service costs.
- d. Refer to Tab “91 O&M Acct”. Reference the Company’s statement in footnote B, which states “(t)he increase is due to higher labor charged to account 9030 during FY21 vs FY18 & FY20”. In the advocate’s review of the historic IS balances of division 91 account 8800 the increase was/is driven by Contract Labor expenses (sub 6111). Reconcile the company’s footnote to the historic information.
- e. Provide a copy of any actuarial reports, or internal memos or reports that detail the change in Pension/OPEB costs.

RESPONSE:

1-25. Refer to Petition’s Secondary Relied Upons, File <SSU and KMD Trial Balance FY21.xlsx>. Specifically, refer to the charges to account 9250- “Injuries & Damages” shown on the Income Statement of Division 02 as presented in this document. Provide a narrative response detailing the drivers of the approximate 20% increase in the Company’s subaccount 7121 “Insurance – Public Liability” since the year ended September 2020.

RESPONSE:

1-26. Refer to the Petition's Secondary Relied Upons, File <SSU and KMD Trial Balance FY21.xlsx>. Specifically, refer to the charges to account 9260 – "A&G-Employee pensions and benefits" shown on the Income Statement of Division 02 as presented in this document.

Provide responses to the following questions regarding this account:

- a. A narrative response detailing the Company's rationale of the inclusion of subaccount 1227 – "OPEB Regulated Asset O&M" along with any Regulatory Commission Order(s) supporting this treatment; and
- b. A narrative response detailing the drivers of increases in costs recorded in subaccount 1295 – "NSC-OPEB Benefits Variance." The Advocate notes this account has increased from an ending balance of \$257k in 2021 to an ending balance of \$18 million in 2022.

RESPONSE:

1-27. Refer to the Petition's Secondary Relied Upons, File <SSU and KMD Trial Balance FY21.xlsx>. Specifically, refer to the charges to account 9302 – "Miscellaneous General Expenses", subaccount 7510 – "Association Dues" shown on the Income Statement of Division 93 as presented in this document. Provide a breakdown of showing the association name and amount paid for the year ended September 2021.

RESPONSE:

1-28. Refer to the Petition's Secondary Relied Upons, File <SSU and KMD Trial Balance FY21.xlsx>. Specifically, refer to the charges to account 9230 – "A&G-Outside services employed", subaccount 6121 – "Legal" shown on the Income Statement of Division 02 as presented in this document. Provide a narrative description of what these charges relate to along with a narrative detailing why the balance for this subaccount has fluctuated so dramatically over the last 3 years.

RESPONSE:

1-29. Refer to the Petition's Relied Upons, File <u. Supplemental Executive Retirement Plan FY21.Xlsx.>. Specifically, refer to the values shown in cells R10 and R27 which represent the capitalized Supplemental Executive Retirement Plan ("SERP") expenses for Divisions 02 and 91. With respect to SERP costs please respond to the following:

- a. Confirm that the SERP costs reflected in this schedule are based upon GAAP and do not represent cash contributions.
- b. Confirm that the Company has not removed the capitalized SERP costs reflected in Schedule U. If this is not confirmed, please identify where such costs were removed from Rate Base
- c. Provide the rationale and support for the 81.65% capitalization rate applied to division 2 SERP costs.

RESPONSE:

1-30. Confirm that the Company's position on the inclusion of non-cash items in the cash working capital calculation continues to be represented by its discovery response and rebuttal testimony in TPUC Docket No. 21-00019.

RESPONSE:

1-31. For the Transactions listed below within File <m. O&M by FERC.xlsx> account Division 002. Provide the following:

- a. Confirm that a pro-rata portion of these costs were allocated to Division 093 and that such allocated costs are reflected in the historic base period.
- b. If (a) is confirmed, provide the underlying documentation supporting the recording of this journal entry.
- c. Provide an explanation supporting the inclusion of these costs in the Division 093 revenue requirement.

Periods:

- 1) August 2021
- 2) September 2021

Cost Center:

- 1) 1903
- 2) 1105

Subaccount:

- 1) 06121
- 2) 0611

Subaccount Description:

- 1) Legal
- 2) Contract Labor

Net Amount:

- 1) \$853,589.21
- 2) \$780,029.88

Effective Period Number:

- 1) 181890099
- 2) 262730156

RESPONSE:

- 1-32. Refer to the underlying support for Division 002 and provide an explanation of the scope of services provided by the following cost centers and why such costs are appropriately allocated to Atmos' Tennessee division:
- a. ATM Dal Pipeline Safety (confirm that this is a company-wide cost center and not limited to Texas operations – if confirmed no further response required);
 - b. ATM Transmission Gas Control Ops;
 - c. ATM Transmission Operational Technology; and
 - d. ATM New Orleans-Gas Supply.

RESPONSE:

[Intentionally Blank – Signature Page Follows]

RESPECTFULLY SUBMITTED,

Karen H Stachowski

KAREN H. STACHOWSKI (BPR #019607)

Senior Assistant Attorney General

VANCE L. BROEMEL (BPR #011421)

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TPUC Docket No. 22-00010


Consumer Advocates 1st Discovery Request to Atmos Energy

CERTIFICATE OF SERVICE

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

Erik Lybeck, Esq.
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elybeck@nealharwell.com

This the 22nd day of February, 2022.



KAREN H. STACHOWSKI
Senior Assistant Attorney General