

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

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

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**CONSUMER ADVOCATE’S SECOND DISCOVERY REQUEST  
TO ATMOS ENERGY CORPORATION**

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This Second Discovery Request is hereby served upon Atmos Energy Corporation (“Atmos” or the “Company”), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-01-02-.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 18, 2022.

## **PRELIMINARY MATTERS AND DEFINITIONS**

These additional discovery requests incorporate the same Preliminary Matters and Definitions set forth in the First Discovery Request of the Consumer Advocate served on the Company and counsel to the Company on February 22, 2022, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Atmos, and any Atmos affiliate, which would make a prior response inaccurate, incomplete, or incorrect.

## **SECOND DISCOVERY REQUESTS**

**2-1.** Refer to two documents (i) Atmos Energy's Schedule J-1<sup>1</sup> submitted in Kentucky Public Service Commission Docket No. 2021-00214 and (ii) Atmos Energy's File <CPAD\_1-09\_Att1 - 2022 ARM – Updated>, Tab "Schedule WP 9-1"<sup>2</sup> submitted in TPUC Docket No. 22-00010. The Company's proposed capital structure identified as the twelve months ended September 30, 2021, reflects a common equity percentage of 58.71%. Reconcile the balances reflected in Schedule J-1 with those supported in "Schedule WP 9-1" which incorporates an equity ratio of 60.59%.

### **RESPONSE:**

**2-2.** Provide supporting information and justification for the reasonableness of the equity ratio included in the test period.

### **RESPONSE:**

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<sup>1</sup> Application of Atmos Energy Corporation for An Adjustment of Rates and Tariff Modifications, File <FR\_16(8)(j)\_Att1-Schedule J.xlsx>, Kentucky Public Service Commission Docket No. 2021-00214 (June 30, 2021). The document can be accessed at [https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fpsc.ky.gov%2Fpsccef%2F2021-00214%2Fregulatory.support%2540atmosenergy.com%2F06302021111836%2FFR\\_16%25288%2529%2528j%2529\\_Att1\\_-\\_Schedule\\_J.xlsx&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fpsc.ky.gov%2Fpsccef%2F2021-00214%2Fregulatory.support%2540atmosenergy.com%2F06302021111836%2FFR_16%25288%2529%2528j%2529_Att1_-_Schedule_J.xlsx&wdOrigin=BROWSELINK).

<sup>2</sup> Atmos Energy's Response to Consumer Advocate DR No. 1-9, TPUC Docket No. 22-00010 (March 1, 2022).

- 2-3.** Provide a comprehensive explanation surrounding the implications of Atmos Energy's equity ratio prior the February 2021 winter storm on its ability to obtain the \$2.2 billion in debt. If not for the strong equity ratio of Atmos Energy prior to the winter storm, would the Company have been able to obtain the debt financing on favorable terms?

**RESPONSE:**

- 2-4.** Has the Company attributed any portion of the Division 002 Net Operating Loss ("NOL") asset associated with the February 2021 storm to the NOL requested in this proceeding? If not, provide the following:
- a. Identify the NOL asset recorded in 2021, Division 002 to record the impacts of the February 2021 storm and provide the underlying computation.
  - b. Identify the monthly Division 002 NOL balances for the twelve-month period ending September 30, 2021 and included in this case: (i) with the implications of the February 2021 storm; and (ii) without the implications of the February 2021 storm. Provide the underlying documentation for each calculation.
  - c. Document how this portion was removed from the balances used in this proceeding.

**RESPONSE:**

- 2-5.** Refer to File <CPAD\_1-09\_Att1 - 2022 ARM - Updated.xlsx>, Tab "Schedule WP 7-2" and an updated File <p. ADIT TN ARM Fiscal 2021>, Tab "Div 002".<sup>3</sup> Reconcile the values contained in Tab "Div 002" compared with those values contained in Division 002 within the Tab "WP 7-2".

**RESPONSE:**

- 2-6.** Confirm that the total Short-Term Debt related bank fees incorporated in this filing can be calculated as follows:  $(\$446,063,594 * .04\%)$  or \$178,425.

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<sup>3</sup> Atmos Energy's Response to Consumer Advocate DR 1-9, TPUC Docket No. 22-00010 (March 1, 2022).

**RESPONSE:**

**2-7.** Demonstrate the prudence of the Company's costs and minimal use of Short-Term Debt as incorporated into this case.

**RESPONSE:**

**2-8.** Provide a list of the terms within the Short-Term Debt agreement(s) which produce the costs as contained in the Company's Response to Consumer Advocate DR No. 1-18.

**RESPONSE:**

**2-9.** Given the apparent fixed fees associated with the Company's Short-Term Debt capability, fully explain why such financing source was not used to a greater extent than it was within the test period.

**RESPONSE:**

**2-10.** Identify the source of financing used to support the Company's daily O&M requirements.

**RESPONSE:**

**2-11.** Refer to the Response to Consumer Advocate DR No. 1-18, Attachment 1,<sup>4</sup> and provide the following:

- a. Provide the specific calculation within File <CPAD\_1-09\_Att1 - 2022 ARM – Updated><sup>5</sup> that incorporates the reduction in bank fees of \$740,777.
- b. Identify the account(s) and associated amounts by month associated with the \$4,685,956 in Interest Expense and fees as contained in File <CPAD\_1-09\_Att1 - 2022 ARM – Updated>.<sup>6</sup>

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<sup>4</sup> Atmos Energy's Response to Consumer Advocate DR No. 1-19, Attachment 1, File <CPAD\_1-18\_Att1 - Short-Term Debt Rate.xls>, TPUC Docket No. 22-00010 (March 1, 2022).

<sup>5</sup> Atmos Energy's Response to Consumer Advocate DR No. 1-9, Attachment, TPUC Docket No. 22-00010 (March 1, 2022).

<sup>6</sup> *Id.*

**RESPONSE:**

**2-12.** Refer to the Company's Response to Consumer Advocate DR No. 1-19 and respond to the following:

- a. Given that the instructions within the FERC uniform system of accounts requires the attribution of Short-Term Debt as the first source of financing in calculating the Allowance for Funds Used During Construction ("AFUDC") rate, coupled with the fact that the Company's consolidated balance of Short-Term Debt is significantly less than the \$459 million of construction work in progress, what is the rationale for inclusion of Short-Term Debt in the proposed capital structure?
- b. Provide the FERC support for the recognition of the pre-tax return on equity within the AFUDC calculation.
- c. Has the Company adjusted either the AFUDC revenue or the capitalized plant in service for its revised cost of Short-Term Debt cost of 69.89% from 80.94%? If not, would such an adjustment be appropriate?

**RESPONSE:**

**2-13.** Refer to the Company's Response to Consumer Advocate DR No. 1-20 and respond to the following:

- a. The response to part (a) indicates that a true-up adjustment is recorded to the financial statements after the filing of federal and state tax returns. However, despite the request for such information in Consumer Advocate DR No. 1-20 part (a), no such documentation was provided. Provide the September 2021 entry used to record amounts to Accumulated Deferred Income Tax Liability, inclusive of any recordings to the Deferred Tax asset, as well as those amounts recorded to current and deferred tax expense which trues-up the Company's 2020 operating results.
- b. Given that the annual true-up entries apply to the preceding period, what is the rationale for not adjusting prior period Accumulated Deferred Income Tax ("ADIT") balances to reflect the amounts of the true-up entry as if they were precisely recorded in the periods in which they were incurred?

**RESPONSE:**

**2-14.** Refer to the Company's Response to Consumer Advocate DR No. 1-22. The response refers to the \$2.96 million in credits related to the amortization of excess deferred income

taxes. Identify where, in the application, this credit is reflected for purposes of computing the Company's test period revenue requirement.

**2-15.** The purpose of this request is to determine whether the manner in which Income Tax Expense and the balance of ADIT are calculated consistently within the revenue requirement. Refer to Company's Responses to Consumer Advocate DR Nos. 1-20, 1-22 and 1-23. Respond to the following:

- a. Confirm that for purposes of calculating Income Tax Expense, all book tax timing differences are normalized.
- b. Provide a comprehensive explanation indicating whether the ADIT balances as reflected in the filing are determined consistent with (i) the manner in which Deferred Income Tax Expense is recorded on the books of Atmos, or (ii) the manner in which Deferred Income Tax Expense is reflected within the current revenue requirement.
- c. Identify all book/tax timing differences which are 'flowed through' for purposes of calculating taxable income reflected on (i) the financial books of Atmos/Tennessee, and (ii) the regulatory books of Atmos/Tennessee.

**RESPONSE:**

**2-16.** Refer to File <O&M Summary Historic Year>, Tab "O&M 002 FY21" filed in this Docket.<sup>7</sup> Specifically, refer to account 9230 subaccount 07497, Admin Fee SERP. Confirm that the Tennessee allocated portion of the ~\$208k for the year ending Sept. 2021 is not included for cost recovery. If not confirmed, provide the Company's rationale for inclusion of this subaccount in the Company's Cost of Service given the adjustment to remove other SERP expenses on line 25 on <WP 4-1>.

**RESPONSE:**

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<sup>7</sup> Atmos Energy's Response to Consumer Advocate DR 1-9, Relied Upons, TPUC Docket No. 22-00010 (March 1, 2022).

**2-17.** Refer to the Response to Consumer Advocate DR No. 1-9. For each adjustment identified within this response, provide a reconciliation and supporting workpapers identifying the original item total and a reconciliation to the revised item total.

**RESPONSE:**

RESPECTFULLY SUBMITTED,



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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:

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This the 11<sup>th</sup> day of March, 2022.



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KAREN H. STACHOWSKI  
Senior Assistant Attorney General