

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

IN RE:)	
)	
ATMOS ENERGY CORPORATION)	
TENNESSEE DIRECT, KENTUCKY/MID-)	DOCKET NO. 23-00050
STATES DIVISION, AND SHARED)	
SERVICES UNIT DEPRECIATION STUDY)	

**CONSUMER ADVOCATE’S FIRST SET OF DISCOVERY REQUESTS
TO ATMOS ENERGY CORPORATION**

This First Set of Discovery Requests 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. & Regs. 1220-01-02-.11. The Consumer Advocate Division of the Tennessee 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 Division, 500 Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Victoria B. Glover, on or before Monday, August 14, 2023, by 2:00 p.m. (CDT).

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 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. **Definitions.** As used in this request:
 - (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 SET OF DISCOVERY REQUESTS

1-1. Provide, by account and sub-account, the Company’s present depreciation rates, including all service life, curve and net salvage parameters and methods of calculation underlying those rates.

RESPONSE:

1-2. Refer to the Direct Testimony of Ned W. Allis filed in this docket June 29, 2023. Provide Page VI-4 of Exhibit NWA-1 and Exhibit NWA-4 in Excel format with all formulae intact.

RESPONSE:

1-3. Provide the proposed Tennessee Direct Property (“TN-Direct”) depreciation rates, split into three separate components: capital recovery, gross salvage, and cost of removal. Provide this table in hard copy and Excel format with all formulae intact.

RESPONSE:

1-4. Refer to page 3 of Mr. Allis’s Direct Testimony. Explain why Mr. Allis conducted his study as of September 30, 2022, rather than December 31, 2021, or December 31, 2022.

RESPONSE:

1-5. Refer to page 3 of Mr. Allis's Direct Testimony and provide the following:

A. Copies of all course materials for the following courses that Mr. Allis instructed:

1. "Introduction to Depreciation";
2. "Life and Net Salvage Analysis";
3. "Analyzing the Life of Real-World Property";
4. "Analyzing Net Salvage in the Real World"; and
5. "Depreciation and Ratemaking Issues".

B. A definition of "real world" as used in these courses.

RESPONSE:

Revenue Requirement

1-6. Provide in both hard copy and Excel format, with all formulae intact, a translation of the annual depreciation rates per the depreciation study to the anticipated February 1, 2024, revenue requirement expense and rate base impacts. Provide the calculation of all amounts, including the depreciation rate applied and the applicable plant and reserve balances.

RESPONSE:

Depreciation Study Workpapers

1-7. Provide copies of all workpapers underlying the Company's TN-Direct Depreciation Study and Mr. Allis's Direct Testimony and exhibits. Provide these workpapers in hard copy and in Excel format with all formulae intact.

RESPONSE:

Depreciation Expense and Reserve Calculations

1-8. State whether the Company maintains its book reserves by plant account? If not, provide a narrative explanation for why not.

RESPONSE:

1-9. If the Company does not maintain its book reserves by plant account, provide the calculation of the recorded reserve shown in the TN-Direct Depreciation Study.

RESPONSE:

1-10. Identify and describe the level of detail, e.g., by account, functional category, at which the Company computes the depreciation expense for purposes of financial reporting, Commission reporting, and ratemaking. Explain fully any differences among these three depreciation calculations.

RESPONSE:

1-11. If not provided elsewhere, provide all remaining life calculations resulting from the Depreciation Study both in hard copy and in electronic format with all formulae intact.

RESPONSE:

Data

1-12. Provide all tabulations included in the TN-Direct Depreciation Studies and all data necessary to recreate in their entirety, as well as all analyses and calculations performed for the preparation of the TN-Direct Depreciation Study. Provide this and all electronic data in Excel format (or .txt format, if appropriate) with all formulae intact. Provide any record layouts necessary to interpret the data. Include in the response electronic spreadsheet copies of all the schedules and/or tables included in the Depreciation Study, with all formulae intact. Identify and explain all unique spreadsheet formulae or assumptions required to recreate in their entirety Mr. Allis's calculations given his inputs.

RESPONSE:

1-13. For *each* TN-Direct plant account, and for each year since the inception of the account up to and including December 31, 2021, September 30, 2022, and December 31, 2022, provide the following standard depreciation study data as identified at pages 27–30 of the August 1996 NARUC Public Utility Depreciation Practices Manual (“NARUC Manual”). At a minimum, the data provided should be the same data set used to conduct the life analyses included in the Company’s filed depreciation study. Provide the data in electronic format (Excel or .txt). Provide aged vintage data if available. Use the codes identified for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company’s coding system:

<u>Code</u>	<u>Data Type</u>
9	Addition
0	Ordinary Retirement
1	Reimbursement
2	Sale
3	Transfer – In
4	Transfer – Out
5	Acquisition
6	Adjustment
7	Final retirement of life span property (see NARUC Manual, Chapter X)
8	Balance at Study Date
	Initial Balance of Installation

RESPONSE:

1-14. Review the tables in Mr. Allis’s depreciation study and identify and explain any amounts Mr. Allis considers to be abnormal relative to other amounts in the same tables for each account.

RESPONSE:

1-15. Refer to page 2 of Mr. Allis's Direct Testimony. Mr. Allis states that he "developed and maintained Gannett Fleming's proprietary depreciation software." At pages II-2 to II-21 of his study, Mr. Allis discusses survivor curves, Iowa Curves, the Retirement Rate Method of analysis, schedules of annual transactions, plant exposed to retirement, original life tables, "best fit" (p. II-17), and an illustration of an original survivor curve compared to various Iowa Curves. Apply Gannett Fleming's proprietary depreciation software to the hypothetical illustration discussed at study pages II-2 to II-21 and provide copies of all computer-generated outputs including the Summary of Curve Fitting Results and remaining life calculations. Track each output to the unique section of Mr. Allis's study to which such outputs relate.

RESPONSE:

1-16. If not provided elsewhere, please provide all amortization workpapers and calculations in Excel format with all formulae intact. Include all workpapers and support for the selection of the proposed amortization periods.

RESPONSE:

1-17. If not provided elsewhere, please provide the cost of removal and gross salvage data used in the TN-Direct Depreciation Study net salvage analyses. If this data differs from that reflected in the Company's books, explain the differences, and provide a reconciliation. Provide this data in electronic (Excel or .txt) format.

RESPONSE:

1-18. Provide the following annual accumulated depreciation amounts for all TN-Direct plant accounts for the last 10 years (up to, and including, December 31, 2021, September 30,

2022, and December 31, 2022). Provide data in both hard copy and electronic format (Excel or .txt).

- a. Beginning and ending reserve balances;
- b. Annual depreciation expense;
- c. Annual retirements;
- d. Annual cost of removal and gross salvage; and
- e. Annual third party reimbursements.

RESPONSE:

Company-Provided Information

- 1-19. Provide copies of all information related to current operations and future expectations provided to Mr. Allis by Company operating and fiscal management personnel. Provide all information in the same format provided to Mr. Allis. Identify by name and title all Company personnel who provided the information and explain the extent of their participation and preparation of the information they provided.

RESPONSE:

Plant Tours

- 1-20. Identify all plant tours during the preparation of the TN-Direct Depreciation Study and include the following information:
- (a) Identify those in attendance and their titles and job descriptions;
 - (b) Provide all conversation notes taken during the tour; and
 - (c) Provide all photographs and images taken during the tour.

RESPONSE:

Asset Retirement Accounting

- 1-21. Describe on an account-by-account basis, the accounting method reflected in the life studies, “location-life” or “cradle-to-grave.” In addition, explain the impact of the accounting method on the lives calculated in the Depreciation Study.

RESPONSE:

- 1-22. Explain, and provide examples of, the Company’s retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred since 2012.

RESPONSE:

Capitalization Policy

- 1-23. Provide a copy of Company’s current capitalization policy. If the policy has changed at all since 2012, provide a copy of all prior policies in effect during any portion of the period since 2012 and explain the impacts of these changes on the depreciation rates proposed in this proceeding.

RESPONSE:

Maintenance Expenses

- 1-24. Provide a summary of annual maintenance expenses by USoA account for all TN-Direct accounts for the last 20 years. Provide this data in both hard copy and electronic format.

RESPONSE:

- 1-25. Explain what consideration, if any, Mr. Allis gave to annual maintenance expenses in his estimation of service lives, dispersion patterns and net salvage.

RESPONSE:

Annual Reports

- 1-26. Provide the Company's most recent annual reports to the Commission. Reconcile the end-of-year ("EOY") plant and reserve balances shown in the Depreciation Study with the EOY plant and reserve balances shown in the most recent Commission Report and provide a complete explanation for each difference.

RESPONSE:

Company Plans

- 1-27. Provide Company's most recent Asset Management Plan, Integrated Resource Plan, Construction and Maintenance Plan.

RESPONSE:

- 1-28. Provide the Company's capital and construction budgets for the next five years. Identify all retirements, replacements, new additions, and cost of removal reflected in these budgets. Provide this information by account where available and explain how the Company derived cost estimates for these items.

RESPONSE:

Audit Reports

- 1-29. Provide all internal and external audit reports, management letters, and consultants' reports, etc., during the last 10 years that address in any way the Company's property accounting and/or depreciation practices.

RESPONSE:

Industry Statistics

- 1-30. Provide copies of all industry statistics available to Mr. Allis and/or Company relating to gas depreciation rates and the longevity of plant.

RESPONSE:

- 1-31. Identify all industry statistics upon which Mr. Allis or the Company relied in formulating its depreciation proposals.

RESPONSE:

Changes Since Last Study

- 1-32. Identify and explain all financial, operating, and maintenance changes since the last depreciation study that have affected depreciation lives, retirement patterns, or net salvage characteristics.

RESPONSE:

Net Salvage

- 1-33. Refer to each net salvage study in the Depreciation Study. For each of the most recent five years, explain whether gross salvage and cost of removal were normal or abnormal and why. This request pertains to the Company's perception as to the normalcy of the amounts in question, not how Mr. Allis coded the amounts in his database.

RESPONSE:

- 1-34. Explain the Company's procedures for gross salvage and cost of removal for each plant account. In addition, explain how the Company allocates the cost of removal relating to replacements between cost of removal and new additions. Provide copies of actual source documents showing this allocation.

RESPONSE:

1-35. State whether the Company agrees that, in the case of a replacement, they control the portion of the replacement cost assigned to the retirement as cost of removal, and the portion capitalized to plant-in-service. Explain the answer fully.

RESPONSE:

1-36. Provide all manuals, guidelines, memoranda, or other documentation that deals with the Company's policies on the assignment of capital costs and net salvage regarding the replacement of retired plant. Also, provide a sample workorder for a replacement project, showing these cost assignments.

RESPONSE:

1-37. At the point of retirement of an asset, how do the Company determine the age and original cost of the retired asset?

RESPONSE:

1-38. Identify and explain on an account-by-account basis the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Provide the basis for these expectations.

RESPONSE:

1-39. Do Mr. Allis' net salvage estimates for mass property accounts incorporate future inflation? If yes, provide the net present value of all these ratios.

RESPONSE:

1-40. State whether Mr. Allis's mass property cost of removal estimates extrapolate past inflation into the future cost of removal estimate. If not, explain why not.

RESPONSE:

1-41. Provide a comparison of the annual cost of removal and gross salvage amounts shown on the Company's federal tax returns with the corresponding book amounts for the last 5 years. Provide the annual deferred tax expense associated with each of the differences. In addition, provide the beginning and ending accumulated deferred tax balances and state whether they are rate base additions or rate base deductions.

RESPONSE:

1-42. Refer to page 12 of Mr. Allis's Direct Testimony. Mr. Allis discusses accounting changes relating to salvage, cost of removal, retirement, and additions. Provide a numeric example of these changes and their impact upon depreciation studies. Also, explain the accounting for these items prior to these accounting changes.

RESPONSE:

1-43. Explain whether Mr. Allis's approach to net salvage analysis in the TN-Direct Depreciation Study is used elsewhere in the country. If Mr. Allis is aware of any alternative methods used in other jurisdictions, explain those alternative methods.

RESPONSE:

Service Lives

1-44. If not provided in the workpapers, provide the retirement rate analysis ranking of best-fit life/curve combinations for each account, i.e. the "Summary of Curve Fitting Results." Explain how to interpret these results and statistics.

RESPONSE:

1-45. For any accounts where Mr. Allis did not base his service life/curve selection on the best-fit life/curve combination, explain why he did not.

RESPONSE:

1-46. Provide the exact “Original and Smooth Survivor Curve” graphs included in section VII of Mr. Allis’s Depreciation Study but add the plot of the best-fit life/curve to the graph.

RESPONSE:

1-47. Provide the remaining life calculations for each account using the best-fit life/curve combination for the account.

RESPONSE:

1-48. Identify and explain all programs which might affect plant lives.

RESPONSE:

1-49. Identify and explain all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance, or capital, designed to extend lives and/or increase or enhance the capacity and/or reliability of existing plant. Identify the functions and plant accounts to which these studies relate.

RESPONSE:

SFAS No. 143, FERC Order No. 631, FIN 47 and ASC 410-20

1-50. On a plant account-by-plant account basis, identify all “legal obligations” associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and/or the normal operation of the assets in the account. For

the purposes of this request, use the definition of a “legal obligation” as “an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel.”

RESPONSE:

- 1-51. For any asset retirement obligations identified above, please provide the “fair value” of the obligation. For the purposes of this request, fair value means “the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction.” Provide all assumptions and calculations underlying these amounts.

RESPONSE:

- 1-52. Provide the “credit adjusted risk free rate” used for all ARO calculations.

RESPONSE:

- 1-53. Provide the accounting entries (debits and credits) used to implement SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Provide all these workpapers and calculations in Excel format with all formulae intact. Include summaries of the subsequent annual activity from the inception to December 31, 2022.

RESPONSE:

- 1-54. Provide an annual summary and analysis of the regulatory liabilities for accrued asset removal costs since their inception identifying and explaining each debit and credit entry and amount. Also, provide copies of the pages from each of the Company’s SEC Form 10Ks and 10Qs and reports to the TPUC reflecting the balances and activities relating to these amounts.

RESPONSE:

1-55. For all accounts for which the Company has collected non-legal AROs, but instead recorded a regulatory liability (for cost of removal), provide the fair value of the related asset retirement cost as of December 31, 2022.

RESPONSE:

Environmental Liabilities

1-56. Provide any forecasts of environmental remediation costs. Describe fully the nature of each project. Identify the site, the amount of the cost, the timing of the expenditure, and the reason(s) for the expenditure.

RESPONSE:

1-57. Identify all directives from the Environmental Protection Agency or state environmental agencies that affect or might affect the Company's obligations to incur environmental remediation costs. Describe fully the effect on the Company. Quantify any associated costs.

RESPONSE:

Cash Flow

1-58. Identify all sources of annual internally generated cash flow to the Company's Parent Company.

RESPONSE:

1-59. Provide separately the Company's annual cash flows by source (e.g., depreciation, deferred taxes, other) for each year 2012 to 2022.

RESPONSE:

1-60. Identify all the Company's internally generated annual cash flows devoted to, loaned to, invested in or transferred to unregulated businesses for each year 2012 to 2022.

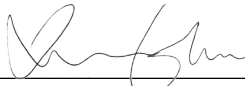
RESPONSE:

General

1-61. Provide all formal and informal responses to data requests of all other parties to this proceeding.

RESPONSE:

RESPECTFULLY SUBMITTED,



VICTORIA B. GLOVER (BPR No. 037954)

Assistant Attorney General

MASON C. RUSH (BPR No. 039471)

Assistant Attorney General

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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, provided upon:

Erik Lybeck, Esq. (BPR No. 35233)
Sims Funk, PLC
3322 West End Avenue, #200
Nashville, TN 37203
Phone: (615) 425-7030
Email: Elybeck@simsfunk.com

This the 4th day of August 2023.



VICTORIA B. GLOVER
Assistant Attorney General