

**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 SECOND SET OF DISCOVERY REQUESTS
TO ATMOS ENERGY CORPORATION**

This Second 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 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 Friday, August 25, 2023, at 2:00 p.m. (CDT),

PRELIMINARY MATTERS AND DEFINITIONS

These additional discovery requests incorporate the same Preliminary Matters and Definitions set forth in the First Set of Discovery Requests the Consumer Advocate served on the Company and counsel to the Company on August 4, 2023, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Atmos Energy, and any Atmos Energy affiliate, which would make a prior response inaccurate, incomplete, or incorrect.

SECOND SET OF DISCOVERY REQUESTS

- 2-1. Refer to the responses and attachments to Consumer Advocate DR No. 1-1. Provide all Excel spreadsheets with all formulae intact.

RESPONSE:

- 2-2. Refer to the response to Consumer Advocate DR No. 1-1. Provide the complete Tennessee Direct Depreciation Study, including workpapers, underlying the depreciation rates, factors and parameters provided in <CAD-1-01-ATT1> “Current Tennessee Direct Depreciation Rates (Division 93) as of September 30, 2022.” Provide spreadsheets with all formulae intact.

RESPONSE:

- 2-3. Refer to the response to Consumer Advocate DR No. 1-3 <CAD_1-03_ATT1> “TN Proposed Rates.” Explain and provide the formula used to separate the rates between Capital Recovery Rate, Cost of Removal Rate, and Gross Salvage Rate.

RESPONSE:

- 2-4. Refer to the response to Consumer Advocate DR No. 1-4. Provide the annual reports to TPUC and other relevant regulatory bodies that correspond and reconcile to Mr. Allis’s proposed September 30, 2022, depreciation rates.

RESPONSE:

- 2-5. Refer to the response to Consumer Advocate DR No. 1-5. The Company alleges Mr. Allis’s depreciation courses are proprietary. Given that position:
- a. Provide a narrative explanation of the most critical considerations parties to this proceeding should understand about Depreciation as Mr. Allis explained in his “Introduction to Depreciation” course? Include examples of “real-world” considerations.

- b. Provide a narrative explanation of the most critical considerations parties to this proceeding should understand about life and net salvage analysis as Mr. Allis explained in his “Life and Net Salvage Analysis” course. Include examples of “real world” considerations.
- c. Provide a narrative explanation of the most critical considerations parties to this proceeding should understand about analyzing the life of real-world property as Mr. Allis explained in his “Analyzing the Life of Real-World Property” course. Include examples “real-world” considerations.
- d. Provide a narrative explanation of the most critical considerations the parties to this proceeding should understand about analyzing net salvage in real-world as Mr. Allis explained in his “Analyzing Net Salvage in the Real-World” course. Include examples “real-world” considerations.
- e. Provide a narrative explanation of the most important critical considerations the parties to this proceeding should understand about depreciation and ratemaking issues as Mr. Allis explained in his “Depreciation and Ratemaking Issues” course. Include examples of “real-world” considerations.

RESPONSE:

2-6. Refer to the response to Consumer Advocate DR No. 1-7. Transaction Codes Workpaper:

- a. Why is Code 9 identified as both “Beginning Balance” and “Gross Addition”?
- b. The Transaction Codes Summary defines “Gross Additions” as “Placements of plant in service as replacements of plant retired or as additions to plant in service.” What is the difference between the two? Are replacements recorded after retirement is recorded?
- c. Are both “Gross Additions” and “Replacements” recorded at original cost as required by the Uniform System of Accounts? If not, explain any differences.

RESPONSE:

2-7. Refer to the response to Consumer Advocate DR No. 1-14 in which the Consumer Advocate requested explanations of abnormal study amounts. The Company responded “There are thousands of amounts in the tables in Mr. Allis’s depreciation study. Mr. Allis has not done an analysis assessing the abnormality of each amount relative to every other amount in each table, and the Company objects to this DR as unduly burdensome to the

extent it asks him to undertake an analysis which the Consumer Advocate can just as easily undertake for itself.” Provide an explanation for the specific following abnormal amounts included in Mr. Allis’s depreciation study:

<u>Page</u>	<u>Amount</u>
VII-7	937795
VII-8	681386
VII-16	165687, 120055, 269045
VII-20	202508, 155011, 262409, 127196, 107896, 117509
VII-23	174174, 186995, 108993, 143336, 458261
VII-24	115873,113751,126908,154333,153933,168472,101475,105229
VII-26	206297
VII-28	206754
VII-31	573406
VII-33	573406
VII-36	1139302,2349073
VII-38	1138661,2324144,94389,78144,89718,97201,182937,269423
VII-51	182927,269423
VII-53	182886,269296,100658
VII-58	269265
VIII-2	113783
VIII-7	710128
VIII-9	1784348
VIII-11	353811
VIII-12	595108,34838
VIII-13	6950623
VIII-15	1157473,1026081,108420
VIII-17	625401
VIII-19	108322

RESPONSE:

2-8. Refer to the response to Consumer Advocate DR No. 1-15. The Consumer Advocate requested Mr. Allis to “apply Gannett Fleming’s proprietary depreciation software to the hypothetical illustration discussed at study pages II-2 to II-21 [of his study] 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.” Mr. Allis responded that “Mr. Allis did not perform

the requested analysis of the hypothetical data shown in pages II-2 through II-21 for Atmos's depreciation study, nor would such an analysis impact the results of the study. Mr. Allis also does not recall performing such analysis on this particular hypothetical data set for any prior study or during the development of Gannett Fleming's depreciation software."

Thus, in response to the Consumer Advocate's request, Mr. Allis did not provide the results of the application of his software to the hypothetical example in his study, even though page 2 of his testimony states that he "developed and maintained Gannett Fleming's proprietary software." Provide an explanation of the full process Mr. Allis undertook to complete his study.

RESPONSE:

2-9. Refer to the response to Consumer Advocate DR No. 1-17:

- a. Attachment <CAD_1-17_ATT1 – 2022 Retirements> does not show any amounts. Summarize the data by USoA amount and include the relevant totals.
- b. Explain the impact these 2023 retirements have upon Mr. Allis's life studies and Cost of Removal Studies?

RESPONSE:

2-10. Refer to the response to Consumer Advocate DR No. 1-22:

- a. The Consumer Advocate requested the Company to "Explain and provide examples the Company's retirement unit cost procedures for each account." The response only addresses accounts 376.02. Provide the requested information for all remaining Company accounts.
- b. Define "capital task level."
- c. Define "capital expenditure type level."
- d. Demonstrate that "each retirement translates to 300 FERC account."
- e. Provide hard copies of five actual representative discrete additions and replacements reflecting the procedures described in the responses to

Consumer Advocate DR Nos. 1-22 and 1-23, for the following accounts: 367.01, 376.01, 376.02, 378.00, 379.00, 380.00, 381.00.

- f. Are all retirement unit costs (“RUC”) recorded at “original cost” as required by the USoA? If not, explain any instances wherein RUC is not recorded at original cost.

RESPONSE:

2-11. Refer to the response to Consumer Advocate DR No. 1-23:

- a. Identify the USoA accounts to which the attachment <CAD_1-23_Att1-Capitalization Manual> applies.
- b. Provide a copy of or link to the “Account Coding Manual” discussed in the Capitalization Manual.
- c. How does the Capitalization Manual treat installation of new versus replacement?
- d. Provide a flow chart demonstrating how new installation flows into a plant account versus a replacement. Identify and explain any different procedures.
- e. Explain the following note at page 15 and elsewhere in the Capitalization Manual: “A systematic split between CWIP and Cost of Removal will be applied to capital projects for Mains and Services only that include both additions and retirements. The systematic split will be applied to the charge types Labor, Contractor Labor, and Contractor Services from the AP and Payroll sources.”
- f. Explain the “systematic split.”
- g. Explain why the “systematic split” only applied to Mains and Services.
- h. Explain what ratios are applied to implement the “systematic split.”
- i. Provide example work orders or other documents by another name demonstrating the systematic split for example projects for the following accounts: 367.01; 376.00; 376.01; 376.02; 376.03; 378.00; 379.00; 380.00; 381.00.00.

RESPONSE:

2-12. Explain what the normal annual ratios of new vs. replacement additions to each Main and Service account are.

RESPONSE:

2-13. Explain if there are any portions of Plastic Main additions allocated to Steel Mains cost of removal or vice versa.

RESPONSE:

2-14. Explain what the normal replacement for Steel Mains is.

RESPONSE:

2-15. Explain what the normal replacement for Plastic Mains is.

RESPONSE:

2-16. The response to Consumer Advocate DR No. 1-34 states “labor costs are split between install/removal and entered into Power Plant... all material invoices and Company labor charged to the project follow this percentage split. If the replacement project is cost of removal eligible, then the install/removal split for contractor labor, contractor services, and Company labor defaults to 95%/5%, regardless of the split entered into Power Plant. Please see Attachments 1 and 2 for the time and motion studies that supports the use of the 95%/5% split.”

- a. Confirm this process is tantamount to allocating 5% of the final cost of a replacement addition to cost of removal. If not, explain why not.
- b. Define “Cost of removal eligible.”
- c. Refer to Mr. Allis’s net salvage proposals for accounts 376.01, 376.02, 378.00, 380.00, and 382.00. Explain how the 5% percent allocation resulted in such high negative net salvage ratios for these accounts.
- d. The time and motion study to which the response cites states in the first paragraph: “this study, the methodology of sharing common costs and a more conservative approach of only applying the cost of “incremental” activities that were specifically driven by the retirement of the old asset in replacement project were considered.” Explain why a removal such as capping and old pipe is “incremental” instead of an embedded element of a replacement project.
- e. Explain why the Company’s approach is not tantamount to adding an incremental 5% layer on top of the original cost of a replacement project

and then allocating that 5% to Cost of Removal for use in depreciation studies.

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, provided upon:

Erik Lybeck, Esq.
Sims Funk, PLC
3322 West End Avenue, #200
Nashville, TN 37203
Phone: (615) 425-7030
Email: Elybeck@simsfunk.com

This the 25th day of August, 2023.



VICTORIA B. GLOVER
Assistant Attorney General