

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

IN RE:)	
)	
ATMOS ENERGY CORPORATION)	
FOR APPROVAL OF ITS 2024 ANNUAL RATE)	DOCKET NO. 24-00006
REVIEW FILING PURSUANT TO TENN.)	
CODE ANN. § 65-5-103(d)(6))	

**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 Shilina B. Brown, on or before Thursday, March 21, 2024, 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 February 22, 2024, 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. Reconciliation Revenue (Explanation). Refer to the *Petition*, File <24-XXXXXX - 2024 Atmos Energy TN ARM Filing - SSU and KMD Trial Balance> spreadsheet, Tab “Reconciliation Revenue”. Specifically, refer to Cells B24 to D30 which calculate the contribution margin percentages for the past five years. In the current filing, the Company separately calculates these percentages for October - May and June - September. However, in TPUC Docket No. 23-00008, these calculations were based on percentages for October - June and July - September. Provide a narrative explanation and support for this change in methodology.

RESPONSE:

- 2-2. Legal Expense Adjustment (Explanation). Refer to the *Petition*, File <24-XXXXXX - 2024 Atmos Energy TN ARM Filing - SSU and KMD Trial Balance.xlsx>, Tab “WP 4-1” regarding an adjustment to legal expenses of \$10,224 in Division 93. In TPUC Docket No. 23-00008, the Company made a similar type of adjustment to legal expenses for \$6,815 (before allocation) in Division 91. Provide a narrative explanation of the process used by the Company to cull inappropriate legal costs from the ARM filings.

RESPONSE:

- 2-3. Deferred Regulatory Liability (Source & Support). Refer to the *Petition*, File <24-XXXXXX - 2024 Atmos Energy TN ARM Filing - Revenue Requirements Schedules (Unlinked).xlsx>, Tab “WP 7-9”. Specifically refer to Cell J7 of this spreadsheet regarding the new monthly amortization calculation of \$21,268 for the Deferred Regulatory Liability. The new monthly amortization of \$21,268 appears to be based upon the unamortized balance of \$8,507,087 on May 31, 2024, divided by 400 months. However, the existing

monthly amortization of \$24,168 was based on the unamortized balance of \$8,797,101 on May 31, 2023, divided by 364 months. Provide the source and support for the new 400-month amortization period as well as a narrative explanation of the Company's rationale for this change.

RESPONSE:

2-4. Revenue Conversion Factor (Explanation). Refer to the *Petition*, File <24-XXXXX – 2024 Atmos Energy TN ARM Filing – Revenue Requirements Schedules (Unlinked).xlsx>, Tab “8-2” regarding the Company's Revenue Conversion Factor calculation. Specifically refer to Cells D12 to D16 of this spreadsheet which contain the Company's Forfeited Discount factor of 0.000337 and Uncollectible Ratio of 0.003381. These two factors are calculated in the Company's workpapers as follows:

Factor/Ratio	Calculation
Forfeited Discounts	\$67,558
Total Test Year Revenue	\$200,321,953
Forfeited Discount Factor	0.000337
Provision for Bad Debt	\$315,764
Ongoing Gross Margin	\$93,380,631
Uncollectible Ratio	0.003381

The purpose of the Revenue Conversion Factor is to adjust the revenue award for certain fees and taxes that go hand-in-hand with revenue changes approved by the Commission. However, it appears that the Company is basing the Forfeited Discount Factor on Revenues, but basing the Uncollectible Ratio on Ongoing Gross Margin which would be inconsistent. In other words, applying an uncollectible ratio based on gross margin instead of revenues would result in an over-stated revenue deficiency. Provide a narrative

explanation for the inconsistent approach to calculating the Forfeited Discount Factor and Uncollectible Ratio. If the calculation is in error, then provide an updated calculation.

RESPONSE:

2-5. ADIT (Explanation, Source & Support). Refer to the spreadsheet attachment in the Company's response to Consumer Advocate DR No. 1-16 regarding ADIT support and provide the following information:

- a. Provide a narrative explanation of the Company's calculations that support the Winter Storm URI adjustments along with any assumptions or changes to those assumptions occurring between September 2022 to September 2023.
- b. Refer to the Tabs "September 2022 GL Balances", "March 2023 GL Balances" and the "September 2023 Balances". Provide the monthly trial balance support for all divisions deferring activity related to Winter Storm URI from September 2022 to September 2023, along with a reconciliation to the calculated balances included here from the quarterly activity in the "FY23 Q1 Activity" and the "FY23 Q3 Activity KS Only" tabs.
- c. Refer to the Tab "September 2022 GL Balances". Provide the source and support for the "TN Apportionment" rates of 3.4842% and 4.3952% shown in Cells I27 and I33 that appear as unreferenced hard-coded amounts.
- d. Refer to the Tab "FY23 Q3 Activity KS Only". Provide a narrative explanation as to why the Company only considers the quarterly activity for Kansas in this calculation.
- e. Refer to the Tab "FY23 Q3 Activity KS Only". Specifically refer to Cell L14 which shows a balance of \$4,547,876 for the "Total FY23 Q3 Activity KS Only". Provide a narrative explanation as to why the Company removes the March 2023 balances of \$85,909,366 and \$3,142,758 for the Colorado-Kansas Division in this calculation.
- f. Refer to the Tab "March 2023 GL Balances." Specifically refer to Cell I23 which has a balance of \$-5,209,050 and is captioned a "Return to provision adjustments recognized for Income Tax". Provide a narrative explanation of this amount along with the source and support for its calculation which appears as an unreferenced hard-coded number.
- g. Refer to the Tab "September 2022 GL Balances". Specifically refer to Cells I22 and I35 which have balances of \$22,727,710 and \$309,193 respectively relating to the Total Tax Balance and the TN NOL Adjustment Balance on December 31, 2022. These balances do not precisely tie to the amounts included by the Company in File <p. ADIT TN ARM FY23.xlsx>, Tabs - "Winter Storm URI Fed NOL SSU" and "Winter Storm URI State NOL

TN”. Provide the original calculations made by the Company along with a narrative explanation of the reasons for any adjustments that were made in the Company’s new calculations.

RESPONSE:

2-6. Incentive Compensation (Source & Support). Refer to the spreadsheet attached with the Company’s response to Consumer Advocate DR No. 1-18. Specifically refer to the Tab “CCAlloc 3 Factor” of this spreadsheet. Provide the source and support for the Capitalization Factors included in Cells E6 to F114 that appear as hard-coded values.

RESPONSE:

2-7. Incentive Compensation (Source & Support). Refer to the spreadsheet attached with the Company’s response to Consumer Advocate DR No. 1-18. Specifically refer to the Tab “CCAlloc 3 Factor” of this spreadsheet. Provide the source and support for the Tennessee Allocation Factors included in Cells G117 to G133 that appear as hard-coded values.

RESPONSE:

2-8. Revenue & Rate Design (Explanation, Source & Support). Refer to the Company’s response to Consumer Advocate DR No. 1-33 regarding Rate Schedule 250 billing determinants as well as the Tab “KMD Industrial Volumes” in the Supplemental Response to Consumer Advocate DR No. 1-31. Specifically refer to Cells E34 to V61, which contain the Company’s billing determinant adjustments to Rate Schedule 250, and provide the following information:

- a. Provide a narrative explanation as to why it is necessary to separately adjust the billing determinants for these 3 customers.
- b. The header detail on Row 13 of this spreadsheet appears to indicate that this adjustment data is from January 2023 through December 2023. Provide a narrative explanation as to why this data is not for October 2022 through September 2023.

- c. Refer to Cells S47 to S48 which provide total volumes of 5,561 Mcf. The formulas in these two cells do not appear to be correct. Explain.
- d. Provide a database and related pivot table that show the monthly number of bills and Mcf volumes by step for each customer on Rate Schedule 250 from October 2022 through September 2023.

RESPONSE:

2-9. Revenue & Rate Design (Explanation). Refer to the Company's response to Consumer Advocate DR No. 1-34 regarding Rate Schedule 280/250 billing determinants as well as the Tab "KMD Industrial Volumes" in the Supplemental Response to Consumer Advocate DR No. 1-31. Specifically refer to Cells E34 to S37, which contain the Company's billing determinant adjustments to Rate Schedule 280/250. Provide a narrative explanation as to why it is necessary to separately adjust the billing determinants for this customer.

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.
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Phone: (615) 425-7030
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This the 14th day of March, 2024.



KAREN H. STACHOWSKI
Deputy Attorney General