

Docket No. 25-00007
Atmos Energy Corporation, Tennessee Division
Consumer Advocate DR Set No. 1
Question No. 1-01
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Electronically Filed in TPUC Docket Room
on February 28, 2025 at 1:18 p.m.

REQUEST:

Supporting Calculation. Refer to the Company's file <V. TN Minimum Filing Requirements #38 FY24>, Tab "FY24 Summary" that was included with the filing. Specifically refer to Cell G8 of this spreadsheet which contains a value of \$20,216,894 as the 2024 Variable Pay and Management Incentive Plan costs for Account 002.9260.07452. However, a query of this account from the <SSU & KMD Detail Trial Balance FY24>, Tab "SSU Income Statement Accounts" which shows that this account has a 2024 balance of \$20,716,894 for a difference of \$500,000. Provide a reconciliation between these two amounts. If the Company believes that the amount included here is in error, then provide an updated calculation.

RESPONSE:

The difference of \$500,000 is related to Cost Center 1903 that does not allocate to other divisions; therefore, this cost center has been excluded from calculations.

Also refer to Attachment 1 in response to Consumer Advocate request 1-16.

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REQUEST:

Change from Prior Data. Refer to the Company File <TN 2025 Atmos Energy TN ARM Filing – Revenue Requirements Schedules>, Tab “WP 7-7” that was included with the filing. Specifically refer to Cell G15 of this spreadsheet which has a value of 29.49 lag days for O&M, Non-Labor Expense. In the ARM authorization in Docket No. 14-00146, this value was set at 29.40 lag days. Provide a reconciliation of the difference between these two amounts. If the Company believes that the lag days used here are in error, then provide an updated calculation.

RESPONSE:

The lag days for O&M, Non-Labor Expense has one component of the calculation that relies on the O&M, Non-Labor amount from the current year cost of service filing. See tab "WP 5-1" of the relied upon "x. Cash Working Capital.xlsx", column d, row 222 for the adjusted GE Fleet amount calculated on tab "WP 5-2", column d, row 24, that varies with the calculated amount of O&M, Non-Labor described above.

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REQUEST:

Change from Prior Data. Refer to the Company File <TN 2025 Atmos Energy TN ARM Filing – Revenue Requirements Schedules>, Tab “WP 7-7” that was included with the filing. Specifically refer to Cell G29 of this spreadsheet which has a value of 14.53 lag days for Payroll Taxes. In the ARM authorization in Docket No. 14-00146, this value was set at 16.55 lag days. Provide a reconciliation of the difference between these two amounts. If the Company believes that the lag days used here are in error, then provide an updated calculation.

RESPONSE:

See tab "ATO-CWC6" of the relied upon file "x. Cash Working Capital". The lag days for Payroll Taxes is a weighted average of three items (FICA, Federal Unemployment Taxes, and State Unemployment Taxes). The amount of each of these components varies each year and therefore the weighted results vary.

The lag days used for the lead-lag study were established in the settlement agreement in Docket No. 14-00146, pages 21-22.

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REQUEST:

Source & Support. Refer to the Company File <SSU & KMD Detail Trial Balance FY24>, Tab "WP 7-10" that was included with the filing. Specifically refer to Row 13 of this spreadsheet which contains the monthly values for the "Deferred Interest Infrastructure" from October 2023 to September 2024. Provide the source and support for how these monthly amounts are specifically calculated. To be clear, we are looking for how these amounts are calculated – not where they are located on the Company's ledger.

RESPONSE:

See the Company's tariff sheet 34.5, section B, paragraph (iv) below, which describes the calculation of the interest deferrals:

"Interest Deferrals: The Company shall record monthly interest into a Regulatory Asset. Interest shall be calculated at the pretax Overall Cost of Capital on all plant and RWIP that has been closed and placed into service (and including previously deferred interest) and shall continue to accrue and be added to the Regulatory Asset account for so long as the plant has not yet been included in rates. The balance on which interest is calculated shall account for capital investment net monthly of (1) a provision adding or subtracting deferred income taxes on assets not yet in rates; (2) a provision subtracting the increase in accumulated depreciation on assets already included in rates; and (3) a provision adding the depreciation expense deferred on assets not yet included in rates."

Also see Attachment 1, detail summary of Deferred Interest calculations for September 2023 through September 2024.

ATTACHMENT:

CA_1-04_Att1 - Deferred Interest Detail Sep'23 through Sep'24.xlsx

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REQUEST:

Source & Support. Refer to the Company File <T. Gas in Storage Sep-23 -Sep-24>, Tabs "ETN Alloc 07_23_06_24" and "ETN Alloc 07_24" that was included with the filing. Specifically refer to Rows 81 and 82 of these two spreadsheets which contain the Bristol TN and Bristol VA sales volumes. Provide the source and support for these sales volumes which appear as unreferenced hard-coded values. For a template on this request, refer to TPUC Docket No. 24-00006, Company's Response to Consumer Advocate DR No. 1-11.

RESPONSE:

See Attachment 1.

ATTACHMENT:

CA_1-05_Att1 -TN ETN Allocation Jul'23-Sep'24.xlsx

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REQUEST:

Source & Support. Refer to the Company File <S. Intercompany Leased Property FY24>, Tab “232 Act & Bal 13m” that was included with the filing. Provide a complete monthly trial balance that supports “Company 232” in the same format as Workpaper 10 for the 13 months ended September 2024. For a template on this request, refer to TPUC Docket No. 24-00006, Company’s Response to Consumer Advocate DR No. 1-12.

RESPONSE:

See Attachment 1.

ATTACHMENT:

CA_1-06_Att1 - C232 UCG Storage - Barnsley Trial Balance FY24.xlsx

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REQUEST:

Source & Support. Refer to the Company File <P. ADIT TN ARM FY24 >, Tabs “Winter Storm URI Fed NOL TN” and “Winter Storm URI State NOL TN” that was included with the filing and provide the following information:

- a. Provide the source and support for the monthly amounts of the “FD-NOL Credit Carryforward-Utility (URI)” with a September 2024 value of \$19,558,524 shown on Row 13 of the “Fed” spreadsheet tab. For a template on this request, refer to TPUC Docket No. 24-00006, Company’s Response to Consumer Advocate DR No. 1-16.
- b. Provide the source and support for the monthly amounts of the “ST-State Net Operating Loss” with a September 2024 value of \$276,357 shown on Row 15 of the “State” spreadsheet tab. For a template on this request, refer to TPUC Docket No. 24-00006, Company’s Response to Consumer Advocate DR No. 2-5.

RESPONSE:

See Attachment 1 for the monthly support of the FD-NOL credit Carryforward and ST-State Net Operating loss balances.

ATTACHMENT:

CA_1-07_Att1 - TN WWE Adjustments 9-30-24.xlsx

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REQUEST:

Source & Support. Refer to the Company File <V.TN Minimum Filing Requirements #38 FY24>, Tab "FY24 Cap OH Expense Alloc" that was included with the filing. Specifically, refer to Column E of this spreadsheet which contains the Division 02 and 12 values for Sub Accounts 7452, 7458, 7460, and 7463 by Cost Center. Provide an update to Workpaper 10 (FY 24 Trial Balance Schedules) that includes the details for Cost Center Codes and Cost Center Descriptions that tie to the individual hard-coded amounts used by the Company on Workpaper V. For a template on this request, refer to TPUC Docket No. 24-00006, Company's Response to Consumer Advocate DR No. 1-18.

RESPONSE:

See Attachment 1.

ATTACHMENT:

CA_1-08_Att1 - Incentive Compensation FY24 Detail Summary.xlsx

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REQUEST:

Calculation Error. Refer to the Company File <V.TN Minimum Filing Requirements #38 FY24>, Tab "FY24 Cap OH Expense Alloc" that was included with the filing. Specifically, refer to Cell O126 of this spreadsheet. It appears that there should have been a formula calculation in this Cell that was omitted. Provide an updated schedule that corrects this omission.

RESPONSE:

See Attachment 1, tab "FY24 Cap OH Expense Alloc" for updated formula in cell O126.

The Company agrees to make an adjustment to its cost of service model to reflect this update.

ATTACHMENT:

CA_1-09_Att1 - TN Minimum Filing Requirements #38 FY24.xlsx

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REQUEST:

Calculation Error. Refer to the Company File <V.TN Minimum Filing Requirements #38 FY24>, Tab "FY24 Summary" that was included with the filing. Specifically, refer to Cell L35 of this spreadsheet which calculates a value of \$2,012,292 for Capitalized Incentive Costs allocated to Division 93. It appears that the Company has omitted the value in Cell L15 (\$35,782) from this formula. Provide an updated schedule that corrects this omission.

RESPONSE:

See Attachment 1 in response to DR 1-09, tab "FY24 Summary" for the formula update in Cells K35 and L35.

The Company agrees to make an adjustment to its cost of service model to reflect this update.

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REQUEST:

Source & Support. Refer to the Company File <V.TN Minimum Filing Requirements #38 FY24>, Tab "FY24 SERP CAP to Div093" that was included with the filing and provide the following information. Specifically, refer to Cell R10 of this spreadsheet which contains the Cost Center 1908 CAP OH Rate of 82.50%. Provide the source and support for this amount which contains an unreferenced hard-coded value.

RESPONSE:

See Attachment 1 in response to Consumer Advocate request 1-08, tab "CCAlloc 3 Factor" , line 113, Excel Cell F118 for 82.50% CAP OH Rate support of Cost Center 1908 "ATM-Dallas SEBP".

See Attachment 1, FY24 Overhead Capitalization Study, which is the source of the Cost Center Allocation Factors.

ATTACHMENT:

CA_1-11_Att1 - SSU Capitalized OH Study FY24.xlsx

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REQUEST:

Calculation Error. Refer to the Company File <SSU & KMD Detail Trial Balance FY24>, Tab "Reconciliation revenue" that was included with the filing. Specifically, refer to Cell K12 of this spreadsheet which contains a value of \$6,727,514 for Net Margin for June 2024. It appears that the Company has omitted Account 4950.31388 with a value of \$-335 from this total. Provide an updated schedule that corrects this omission or an explanation as to why this omission is appropriate:

RESPONSE:

The amount recorded in June 2024 to Account 4950.31388 is related to the retirement of carbon credits as a part of the Company's Smart Choice Carbon Offset Tariff, which should be excluded from the Company's cost of service calculations.

The Company agrees to make adjustments to its cost of service model related to the Reconciliation Revenue as well as the Base Period per books revenue calculation on Schedule 2.

See Attachment 1, tab "Reconciliation revenue". Cell K12 has been corrected to exclude Account 4950.31388 "Carbon credits" in June 2024.

See Attachment 1, Tab "093 Revenue", Cell S51, for the removal of the \$334.50 Carbon Credits from the Base period per books revenue calculation.

ATTACHMENT:

CA_1-12_Att1 - Reconciliation Revenue updated for 4950-31388.xlsx

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REQUEST:

Supporting Data. Refer to the Company File <L. O&M Summary FY24 >, Tab "093" that was included with the filing. Specifically, refer to Cell N122 of this spreadsheet which contains a value of \$80,263 for fiscal 2024 to Outside Services in Division 93 related to Sub Account 5418 for "Settlement". Provide a full narrative description for the purpose and nature of this account.

RESPONSE:

The purpose of sub account 05418 "Settlement" is primarily related to settlements, which are costs associated with injuries or damages to property. Common costs that fall in this category include landscaping, plumbing and sprinkler repairs after the Company completes work on a customer's property, and vehicle claims. Other types of routine claims involve the temporary interruption of service to a customer so that Atmos Energy can complete work on its facilities.

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REQUEST:

Supporting Data. Refer to the Company File <L. O&M Summary FY24 >, Tab "093" that was included with the filing. Specifically, refer to Cell N130 of this spreadsheet which contains a value of \$335 for fiscal 2024 to Miscellaneous in Division 93 related to Sub Account 4028 for "Carbon Credits". Provide a full narrative description for the purpose and nature of this account.

RESPONSE:

The amount of \$334.50 recorded in June 2024 to Account 9160.04028 is related to the retirement of carbon credits as a part of the Company's Smart Choice Carbon Offset Tariff, which should be excluded from the Company's cost of service calculations.

See Attachment 1, tab "093", Excel line 170 excluding sub account 31388 "Carbon credits".

The Company agrees to make an adjustment to its cost of service model on WP_4-1 to reflect this update.

ATTACHMENT:

CA_1-14_Att1 - O&M Summary Div 093 Exclude Carbon Credits.xlsx

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REQUEST:

Supporting Data. Refer to the Company File <L. O&M Summary FY24 >, Tab "091" that was included with the filing. Specifically, refer to Cell N141 of this spreadsheet which contains a value of \$1,555 for fiscal 2024 to Provision for Bad Debt in Division 91. Provide a full narrative description for the purpose and nature of this account along with the rationale as to why it is appropriate to allocate these costs to Tennessee.

RESPONSE:

On a quarterly basis the Company reviews it's Accounts Receivable Balance and records a reserve if the balance on the customer account fits the criteria of being deemed uncollectible.

See confidential Attachment 1, tab "9040-09929". The amount of \$1,555 was incorrectly recorded in September 2024 to Mid-States General Office Div 091. In December 2024, it was correctly recorded as this is in reference to a Div 093 TN customer only.

ATTACHMENT:

CA_1-15_Att1 - 9040-09929 Misc. Uncollectible Accounts Write off Jan'24 thru Jan'25
(CONFIDENTIAL).xlsx

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REQUEST:

Supporting Data. Refer to the Company File <L. O&M Summary FY24 >, Tabs “002 CC1903” and “012 CC1903” that was included with the filing. Provide an update to Workpaper 10 (FY 24 Trial Balance Schedules) that includes the details for Cost Center Codes and Cost Center Descriptions that tie to the individual hard-coded amounts shown here. For a template on this request, refer to TPUC Docket No. 24-00006, Company’s Response to Consumer Advocate DR No. 1-23.

RESPONSE:

See Attachment 1.

ATTACHMENT:

CA_1-16_Att1 - O&M Summary Detail Div 002 and 012 FY24.xlsx

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REQUEST:

Cost Rationalization. Refer to the Company File <G. TN-FY24 – Allocation with Assets>, Tab “TN FY24” that was included with the filing. This file includes journal entry support for the Company’s \$5 million payment for its Pension Contribution. This file also includes a letter from the Company’s actuary showing existing pension plan assets of \$502 million and a pension benefit obligation of \$432 million. Given that the pension assets already exceed the plan obligations by \$70 million (\$502 million less \$432 million) explain why the Company would make a \$5 million contribution at this time along with an explanation of why this excess contribution is appropriate to recover from Tennessee customers.

RESPONSE:

The plan is funded in a Master Trust, which is invested in accordance with the established investment policy. The Company’s actuary, Willis Tower Watson (“WTW”), provides Atmos Energy’s Qualified Retirement Plans and Trusts Committee information each year to determine funding requirements. Contributions to the plan are determined by the Committee taking into account the funding requirements and may make additional contributions at its discretion based upon long-term projections and other considerations. The contribution is also consistent with the Approved Methodologies established in Docket No. 14-00146 (Settlement Agreement at 13(h)(iv) on page 14).

Regardless of the timing of actual cash contributions, the Company continues to recover only actual cash contributions allocable to Tennessee dollar for dollar.

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REQUEST:

Supporting Data. Refer to the Company File <O. Plant Balances 2025 TN Case>, Tab "02" that was included with the filing. Specifically refer to Column P of this spreadsheet the September 2024 Plant Balances. It appears that certain accounts in Column P have been adjusted from the Trial Balance data as shown in the table below:

Account	Sep-24 Plant Balance	Adjustment	Adjusted Plant Balance
39907 – PC Software	\$82,728	\$-222,395	\$-139,667
39908 – Application Software	95,726,842	222,395	95,949,237
39922 – Servers-Software-AEAM	5,425,529	-10,638	5,414,891
39923 – Network Hardware-AEAM	576,066	10,638	586,704
39926 – PC Hardware-AEAM	146,532	129,694	276,226
39928 – Application SW-AEAM	29,590,572	-129,694	29,460,878

Explain the nature of these adjustments. If the Company believes that these adjustments are in error, then provide an updated calculation.

RESPONSE:

These are transfer Adjustment Balances that have been listed on an incorrect line in Attachment 2 that links to Attachment 1 for the above plant accounts.

See Attachment 2, tab "Utility Plant Link" for updated transfer adjustment balances moved:

- from 39907 on Excel lines AQ29:BC29 to 39908 Excel lines AQ30:BC30
- from 39922 on Excel lines AQ32:BC32 to 39923 Excel lines AQ33:BC33
- from 39926 on Excel lines AQ34:BC34 to 39928 Excel lines AQ35:BC35

See Attachment 1, tab "02" for the above plant accounts updated balances in Column P that match the column "Sep-24 Plant Balance" in the above table.

The Company agrees to make an adjustment to its cost of service model.

ATTACHMENTS:

CA_1-18_Att1 - o. Plant Balances 2025 TN Case_updated.xlsx

CA_1-18_Att2 - q. TN & SSU Asset Depreciation Activity Sep-23 to Sep-24_updated.xlsx