

Docket No. 25-00007
Atmos Energy Corporation, Tennessee Division
Consumer Advocate DR Set No. 2
Question No. 2-01
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Electronically Filed in TPUC Docket
Room on March 25, 2025 at 12:27 p.m.

REQUEST:

Cost of Capital Supporting Calculation. Refer to the Company's file <Capital Structure 09-30-24 Consolidated>, Tab "Consolidated Balance Detail" that was included with the filing. Provide the following information related to the average equity balance of \$11.6 billion shown in Column F of this spreadsheet:

- a. Provide a reconciliation by account to the monthly balances included on this spreadsheet to the specific accounts in the trial balance in the same format as in TPUC Docket No. 24-00006, Company's Response to Consumer Advocate DR No. 1-26; and
- b. Provide a monthly trial balance from September 2023 to September 2024 for all divisions reporting equity balances that were not already included with the Company's filing. This response should include footnote support to the equity balances reported in item (a).

RESPONSE:

- a. See Attachment 1.
- b. See Attachment 2.

ATTACHMENTS:

CA_2-01_Att1 - Balance Sheet-Equity Portion Support 13 Mon Ending Sep-24.xlsx
CA_2-01_Att2 - Company Equity Trial Balance 13 Mon Ending Sep-24.xlsx

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REQUEST:

Cost of Capital Supporting Calculation. Refer to the Company's file <Capital Structure 09-30-24 Consolidated>, Tab "Consolidated Balance Detail" that was included with the filing. Specifically refer to the short-term debt average daily balance of \$7.3 million shown in Column I of this spreadsheet. Provide the source and support for the average daily balance of short-term debt for each month of the review period in the same format as in TPUC Docket 24-00006, Company's Response to Consumer Advocate DR No. 1-27.

RESPONSE:

See confidential Attachment 1 for support from US Bank Daily Balance report for column "e" in the WP_9-2.

See Attachment 2 for reconciliation between US Bank Daily Balance report and provided balances of STD Daily Average, in column (e) of WP_9-2.

ATTACHMENTS:

CA_2-02_Att1 - Sep 23 to Sep 24 STD Average Daily Balances Support (CONFIDENTIAL).pdf
CA_2-02_Att2 - STD Average Daily Balances Reconciliation.xlsx

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REQUEST:

Cost of Capital Supporting Calculation. Refer to the Company's file <Capital Structure 09-30-24 Consolidated>, Tab "2260 LTDebt Discount" that was included with the filing. Specifically refer to the manual adjustments in Cells G35 to H35 that total to \$23,042. Provide the following related to these manual adjustments:

- a. Provide the source and support for these adjustments which appear as unreferenced hard-coded amounts; and
- b. Provide a narrative explanation as to why these manual adjustments should be recognized in the ARM filing.

RESPONSE:

- a. The discount (or premium) amounts are amortized over the life of the corresponding Note. Monthly amortization for the months of October 2023, November 2023 and December 2023 was booked all in the month of December 2023 in the amount of \$(23,042). Hard-coded amounts in Cells G35 to H35 in tab "2260 LTDebt Discount" are manual adjustments to portray correct monthly accrual and balance for new debt.

Account	2260						
Account Description	Long Term Debt Discount						
Net Amount							
Sub Account	Sub Account Description	Line Description	Journal Name	Period Name	OCT-23	DEC-23	JAN-24
13549	500MM 6.20% due Nov-53	Amort LTD discount \$500M Sr Note due 2053 - Oct23	CA300A Amortization USD			(3,347)	
13549	500MM 6.20% due Nov-53	Amort LTD discount \$500M Sr Note due 2053 - Nov23	CA300A Amortization USD			(3,347)	
13549	500MM 6.20% due Nov-53	Amort LTD discount \$500M Sr Note due 2053	CA300 Amortization USD				(3,347)
13549	500MM 6.20% due Nov-53	Amort LTD discount \$500M Sr Note due 2053	CA300A Amortization USD			(3,347)	
13549	500MM 6.20% due Nov-53	010.LTD Discount.500MM 6.20% due Nov 2053	Treasury USD		1,205,000		
13549 Total					1,205,000	(10,042)	(3,347)
13550	400MM 5.90% due Nov-33	Amort LTD discount \$400M Sr Note due 2033 - Oct23	CA300A Amortization USD			(4,333)	
13550	400MM 5.90% due Nov-33	Amort LTD discount \$400M Sr Note due 2033 - Nov23	CA300A Amortization USD			(4,333)	
13550	400MM 5.90% due Nov-33	Amort LTD discount \$400M Sr Note due 2033	CA300 Amortization USD				(4,333)
13550	400MM 5.90% due Nov-33	Amort LTD discount \$400M Sr Note due 2033	CA300A Amortization USD			(4,333)	
13550	400MM 5.90% due Nov-33	010.LTD Discount.400MM 5.90% due Nov 2033	Treasury USD		520,000		
13550 Total					520,000	(13,000)	(4,333)
Grand Total					1,725,000	(23,042)	(7,681)

- b. The adjusted balances for the months of October 2023 and November 2023 reflect what the balance would have been if the amortizations occurred in the proper months.

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REQUEST:

Cost of Capital Supporting Calculation. Refer to the Company's file <Capital Structure 09-30-24 Consolidated>, Tab "2241 Unamort Debt Exp" that was included with the filing. Specifically refer to the manual adjustments in Row 38 that total \$305,120. Provide the following related to these manual adjustments:

- a. Provide the source and support for these adjustments which appear as unreferenced hard-coded amounts; and
- b. Provide a narrative explanation as to why these manual adjustments should be recognized in the ARM filing.

RESPONSE:

- a. See Attachment 1, tab "FERC 224.1 Reconciliation" for a summary of manual adjustments, totaling \$305,120 in Excel columns H62:K76. These adjustments were based on comparing Oracle Ending balance, Excel column G, to the manually adjusted balances, Excel column J.
- b. The Unamortized Debt Expense is amortized throughout the duration of the related Note. Generally, accounting practices hold off on recording monthly amortizations until all invoices have been received and processed following an issuance. The adjusted balance indicates what the balance would have been had the amortizations been recorded in the appropriate months.

In sub account 13551, the \$650MM 5.00% Sr Note due December 2054 was not issued until October 2024; therefore, accounting did not begin any amortizations for this Note in September 2024 even though some fee invoices had been received.

ATTACHMENT:

CA_2-04_Att1 - FERC 224.1 Manual Adjustments.xlsx

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REQUEST:

O&M Expense Adjustment Acceptance. Refer to the Company's response to Consumer Advocate DR No. 1-15 regarding a charge to bad debt for Division 91 during the ARM Review Period. The Company's response appears to indicate that this charge was in error and was reversed in December 2024 (out of period). Does the Company agree to adjust its cost of service model to reflect this error correction?

RESPONSE:

The charge was incorrectly recorded to Division 91 in September 2024. In December 2024, the charge was correctly recorded to Division 93 as it pertains only to a customer of the Company's Tennessee Operations. The Company does agree to adjust its cost of service model to reflect the correction of this error.

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REQUEST:

Deferred Interest Supporting Calculation. Refer to the Company's file <CA 1-04 Att1 – Deferred Interest Detail Sep '23 through Sep '24> that was included with the Company's response to Consumer Advocate DR No. 1-4 regarding the Deferred Infrastructure calculation and provide the following information:

- a. Refer to the "4310-30310" tab of this spreadsheet and provide the source and support of the monthly "Additions" on Line 2 which are presented as unreferenced hard-coded amounts;
- b. Refer to the "4310-30310" tab of this spreadsheet and provide the source and support of the monthly "Current Month Depr Adjustment (+)" on Line 5 which are presented as unreferenced hard-coded amounts;
- c. Refer to the "4310-30310" tab of this spreadsheet and provide the source and support of the monthly "Closed RWIP Additions" on Line 18 which are presented as unreferenced hard-coded amounts;
- d. Refer to the "ADIT Factor" tab of this spreadsheet and provide the source and support for the 2022 and 2023 "Return on Rate Base" amounts of 7.58% and 7.64% which are presented as unreferenced hard-coded amounts;
- e. Refer to the "ADIT Factor" tab of this spreadsheet and provide the source and support for the 2022 and 2023 "Statutory Tax Rate" amounts of 24.89% and 26.14% which are presented as unreferenced hard-coded amounts;
- f. Refer to the "Reg Asset Calc FY23" tab of this spreadsheet and provide the source and support for the "Income Tax Gross Up on Taxable Portion" of 1.331339 on Line 25 which is presented as an unreferenced hard-coded amount; and
- g. Refer to the "Reg Asset Calc FY24" tab of this spreadsheet and provide the source and support for the "Income Tax Gross Up on Taxable Portion" of 1.353821 on Line 25 which is presented as an unreferenced hard-coded amount.

RESPONSE:

- a. See Attachment 1. The Power Plant System is the source of the monthly "Additions" balances.
- b. See Attachment 2. The Power Plant System is the source of the Current Month Depreciation Adjustment data. This system follows a systematic approach to the procedure. Manual reconciliation spreadsheets are used for audit purposes and contain complex and vast amounts of data. Attachment 2 illustrates the simplified monthly depreciation adjustment process using the month of October as an example.
- c. See Attachment 3. The Power Plant System is the source of the monthly "Closed RWIP Additions" balances.

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- d. See Attachment 4, tab "ADIT Factor" for support of Return on Rate Base linked amounts of 7.58% and 7.64% for the 2022 and 2023. These are based on Schedule 9 "Overall Cost of Capital" from Docket No. 23-00008 2023 TN ARM TYE 09.30.2022 and Docket No. 24-00006 2024 TN ARM TYE 09.30.2023.
- e. See Attachment 4, tab "ADIT Factor" for support of Statutory Tax Rate linked amounts of 24.89% and 26.14% for the 2022 and 2023. These are based on WP_8-2 "Revenue Conversion Factor" from Docket No. 23-00008 2023 TN ARM TYE 09.30.2022 and Docket No. 24-00006 2024 TN ARM TYE 09.30.2023.

In the most recent Deferral relieve, the Company discovered a formula error in the calculation of the Statutory Tax Rate for the twelve months ending in 2022. This error led to an understatement of the ADIT Factor by 0.09%, resulting in a figure of 1.89%. The Company has since rectified the formula for future calculations.

- f. See Attachment 5, tab "23TN ARM Reg Asset Interest" for support of Income Tax Gross Up on Taxable Portion amount of 1.331339 on line 25. Calculated using State Excise Tax and Federal Income Tax in Excel Column D of WP_8-2 "Revenue Conversion Factor" from Docket 24-00006 2024 TN ARM TYE 09.30.2023.

As previously noted, there was a formula error in calculating the Statutory Tax Rate for the twelve months ending in 2022, which resulted in an understatement of the Monthly Reg Asset Interest by 0.01%.

- g. See Attachment 5, tab "24TN ARM Reg Asset Interest" for support of Income Tax Gross Up on Taxable Portion amount of 1.353821 on line 25.

ATTACHMENTS:

CA_2-06_Att1 - Additions Support.xlsx
CA_2-06_Att2 - Current Monthly Depreciation Adj.xlsx
CA_2-06_Att3 - Closed RWIP Support.xlsx
CA_2-06_Att4 - ADIT Factor Computation.xlsx
CA_2-06_Att5 - Reg Asset Interest Calculation.xlsx