

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

IN RE:)
)
ATMOS ENERGY CORPORATION)
FOR APPROVAL OF ITS 2026 ANNUAL RATE) **DOCKET NO. 26-00009**
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 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 Shilina B. Brown, on or before Monday, March 27, 2026, by 2:00 p.m. (CDT).

PRELIMINARY MATTERS AND DEFINITIONS

This Second Set of Discovery Requests incorporates by reference the same Preliminary Matters and Definitions as outlined in the Consumer Advocate’s First Discovery Request to Atmos, are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

SECOND SET OF DISCOVERY REQUESTS

2-1. Provide the monthly weather-normalized average consumption per residential customer for the twelve months ending September 30, 2025.

RESPONSE:

2-2. Please refer to the response to CAD 1-19 and confirm that the costs per service line foot are limited to material costs only and do not include any other fixed or variable costs. If this is not confirmed, provide the breakdown of the cost split between the following: direct labor, employee benefits, equipment loadings, supervisory loadings, and other.

RESPONSE:

2-3. Regarding Service Lines installed in fiscal years 2023 - 2025, provide the following:

- a. Total amount charged to Plant in Service Account 380-Services for new construction, split between customer class, if available. For purposes of this response, eliminate credits charged to Account 380 associated with the removal costs associated with retired service lines.
- b. Total footage of Service Lines associated with the amount provided in part a) above, split between customer classes if available.

RESPONSE:

2-4. Refer to tab “093 O&M Acct” within Schedule 12 of the schedules filed with the application and respond to the following:

- a. Provide a breakdown of the \$366,521 of sales expense, account 913, between a) Labor and related benefits, b) outside contractor costs c) Media purchases and d) Other
- b. Provide the text for all advertisements whose costs are included in the proposed revenue requirement.
- c. For each distinct ad placed, identify the associated cost incurred in for both a) the cost to develop the ad and b) the costs to broadcast (radio/TV) or display the ad (print/social media).

RESPONSE:

2-5. Refer to account 925 within tab “093 O&M Acct” within Schedule 12 of the schedules filed with the application and respond to the following:

- a. For each incident that resulted in a charge to this account (accrual or cash), describe the nature of the incident, the date the incident occurred, and provide a copy of internal documentation regarding the incident.
- b. How are insurance proceeds received associated with Injuries and Damages accounted for by Atmos?

RESPONSE:

2-6. Refer to the “093 O&M Sub Acct” tab within File 12 and specifically footnote M and cost center 05418. Please respond to the following:

- a. Provide a copy of all internal documentation related to charges to this cost center incurred in fiscal year 2025.
- b. If not contained in item (a) above, provide a comprehensive explanation of the nature of the costs incurred in this cost center.
- c. Provide the rationale supporting the inclusion of these costs in the company’s revenue requirement.

RESPONSE:

2-7. Refer to the response to CAD 1-7. Provide the split of the AIC collections between Mains, Services and Other for the fiscal periods ending September 30, 2023 - 2025. For the portion related to Services, identify the portion of AIC split between those collections associated with a) developer installed service lines, b) Atmos’ contractor installed service lines and c) Service lines installed with Atmos labor.

RESPONSE:

2-8. Identify the amount of AIC collected in fiscal years 2023 – 2025 by customer class associated with the provisions of Atmos Tariff 7.3.4.

RESPONSE:

2-9. [CONFIDENTIAL] — Refer to the response to CAD 1-19 (b). [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-10. [CONFIDENTIAL] — Refer to the confidential response to CAD 1-31, Attachment 1,
[REDACTED]
[REDACTED]

a. [REDACTED]
[REDACTED] [REDACTED]
[REDACTED]

b. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-11. Please refer to the Capital Structure Reference Revenue Requirements Schedules, Tab 9, capital structure and November 4, 2015, Order Approving Settlement in Docket No. 14-00146, page 4.

- a. What is the revenue requirement impact of using the proposed capital structure compared to the capital structure approved in the last rate case?
- b. How does the capital structure in the petition compare to the industry average?
- c. Why does the company maintain an equity ratio higher than the industry average?
- d. What business risks does Atmos have that require a capital structure with a higher percentage of equity financing than the industry average?
- e. Confirm that the cost of equity of 9.8% approved in the last rate case was associated with the approved capital structure that was comprised of 53.13% equity, 5.01% short-term debt, and 51.86% long-term debt.
- f. How does the difference in the capital structure in this filing compared to that in the last rate case impact risk. How does the difference in capital structure impact the cost of equity?
- g. How do customers benefit from the capital structure with a higher percentage of equity financing than what was approved in the last rate case?
- h. Provide support for the benefit to customers of using the capital structure in this petition as beneficial for customers and investors.
- i. Has the company evaluated alternative capital structures? If so, what were the results?
- j. Provide Atmos' current bond rating.

RESPONSE:

2-12. Please provide a breakdown of Capital Expenditures included in the 2025, 2024 and 2023 ARM Test Years by the primary categories listed below. If Atmos uses other similar category designations that would equate to the list below, please note the differences in the response.

- a. New Business/Growth
- b. Maintenance/System Integrity
- c. System Improvements
- d. Facilities
- e. IT
- f. Automated Meter Reading, if applicable
- g. LNG, if applicable
- h. RNG, if applicable
- i. All Other

RESPONSE:

2-13. Please provide a breakdown of Capital Expenditures budget amounts for the 2025, 2024 and 2023 ARM Test Years by the primary categories listed below. If the Atmos Budget time frame does not align with the ARM Test Year, the nearest corresponding 12-month period would be acceptable. If Atmos uses other similar categories designations that would equate to the list below, please note the differences in the response.

- a. New Business/Growth
- b. Maintenance/System Integrity
- c. System Improvements

- d. Facilities
- e. IT
- f. Automated Meter Reading, if applicable
- g. LNG, if applicable
- h. RNG, if applicable
- i. All Other

RESPONSE:

- 2-14.** When Atmos reviews proposals for line extensions for new residential, commercial or industrial business, would there be a decision as to whether AIC is charged to the requesting party. Does the company consider the following issues when making that decision and would the response be different based upon the class of customer requesting the extension?
- a. Financial security of the party requesting the extension?
 - b. Consideration of the timing of revenue generation from the project, i.e., 1 year, 3 years, 5 years, etc.?
 - c. How is the decision made to collect AIC prior to construction or at the end of a given time period?
 - d. If the model used to determine ROE/ROI of a project identifies the need for AIC, who in the Company can override the model and waive the AIC?

RESPONSE:

2-15. Please identify all proposals for a line-extension for new residential, commercial or industrial business, with a cost of over \$500,000 where no AIC was charged to the requesting party.

RESPONSE:

2-16. Please identify all proposals for a line-extensions for new residential, commercial or industrial business, with a cost of over \$500,000 and the amount of AIC that was charged to the requesting party.

RESPONSE:

2-17. If a new main or service line is installed and ready for service for a new development, but the development is not yet ready to receive gas deliveries, where is the cost of that installation recorded?

RESPONSE:

2-18. Please provide the Contractor costs for Capital Expenditures included in the 2025, 2024 and 2023 ARM Test Years?

RESPONSE:

2-19. What Capital Expenditures are typically completed by Contractors?

RESPONSE:

2-20. Does the company have employees (Contractor Inspectors) designated to monitor Contractor Construction projects? If not, how does the company ensure that work is completed in compliance with regulatory related issues and Company policy?

RESPONSE:

2-21. What Capital Expenditures are typically completed by Company Employees?

RESPONSE:

2-22. Please provide the number of customers by class (i.e., Residential, Commercial, etc.) at the end of the 2025, 2024 and 2023 ARM Test Years?

RESPONSE:

2-23. [CONFIDENTIAL] — Refer to the response to CAD DR 1-16, Attachment 2, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-24. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-25. [CONFIDENTIAL] — For the work addressed in [REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-26. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-27. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-28. [CONFIDENTIAL] — Please refer to the fiscal year 2024 Tennessee State and Excise Tax Return, identified as the 2023 Franchise and Excise Tax Return. The Franchise tax identified for this period, fiscal year 2024, was [REDACTED]. The fiscal year 2025 accrued Franchise tax amount, as shown in WP 5-1, Schedule 6, for division 093 is \$1,529,298. Provide a reconciliation, including supporting documentation supporting the approximate \$300,000 annual increase in this expense. If there are other components of the fiscal year State Franchise Tax that make such a comparison incomplete, provide a thorough explanation of these additional cost items.

RESPONSE:

2-29. Refer to WP 5.1. Provide all supporting documentation for the State Gross Receipts Expense charges of \$2,816,779. Identify all assumptions and estimates incorporated into monthly accruals and justify the reasonableness of such assumptions.

RESPONSE:

2-30. Refer to WP 5.1. Respond to the following regarding Division 002 Excise Taxes.

- a. What is the rationale for the assignment of excise taxes incurred in another jurisdiction to the Tennessee jurisdiction?
- b. Provide the underlying documentation supporting the \$666,500 in Division 002 Excise charges incurred in November, 2024.

RESPONSE:

2-31. Identify the footage of service lines for which AIC was charged for fiscal years 2023 – 2025.

RESPONSE:

2-32. Identify the footage of service lines installed for fiscal years 2023 – 2025.

RESPONSE:

2-33. A comparison of the September 2025 and September 2024 balance of account 380 Services for division 093, indicates a year-over-year increase of approximately \$20 million. Please respond to the following:

- a. What were the 2025 fiscal year credits to this account related to the retirement of Service Lines?
- b. Provide a breakdown of the debits charged to this account into the following categories:

- i. Direct charged Atmos Labor
- ii. Direct Atmos Labor employee benefits
- iii. Allocated Atmos Labor
- iv. Allocated Atmos Labor employee benefits
- v. Payments to developers for the installation of service lines
- vi. Payments to Atmos contracted third party construction firms
- vii. Equipment loadings
- viii. Other (specify)

RESPONSE:

2-34. The 2024 Annual Report to the U.S. Department of Transportation (DOT) was submitted on March 14, 2025. Please provide a copy of the 2025 calendar year report when it is submitted to the DOT.

RESPONSE:

2-35. Identify the number of service lines replaced by year in fiscal years 2023 – 2025.

RESPONSE:

2-36. Confirm that a reasonable assumption for the determination of the number of new service lines installed to accommodate customer growth is to simply assume the new service lines equal the growth in customers year over year. If this is not confirmed, identify the number of service lines installed in the test period to accommodate customer growth.

RESPONSE:

2-37. Provide the cost of installing new service lines versus the cost of replacing an existing service line based upon costs incurred in the 2025 fiscal year. For purposes of this request, the costs of removing the existing service line should be excluded from the computation. If such cost comparison is not known, provide an estimate of such costs and an explanation of how the estimate was determined.

RESPONSE:

2-38. For the AIC contribution, provide i) the least and ii) the greatest AIC contribution amounts received in fiscal year 2025 associated with excess service line footage and provide the underlying documentation supporting such charges.

RESPONSE:

2-39. Provide copies of all records reflecting travel and entertainment fees allocated to Tennessee operations and Tennessee customers.

RESPONSE:

2-40. Reference O&M Summary FY25. Provide a list of the entities to whom membership dues or associated dues were paid, along with the associated amount, and the amount allocated to Tennessee operations and Tennessee customers. Provide this information by division: 002, 091, 093, 012, etc.

RESPONSE:

2-41. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-42. [CONFIDENTIAL] — [REDACTED]
[REDACTED]

RESPONSE:

2-43. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-44. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-45. [CONFIDENTIAL] — [REDACTED]
[REDACTED]

RESPONSE:

2-46. [CONFIDENTIAL] — [REDACTED]
[REDACTED]

RESPONSE:

2-47. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-48. [CONFIDENTIAL] — [REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-49. [CONFIDENTIAL] — [REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE:

2-50. Refer to the response to CAD 1-12 and to the Utility Plant Link tab within schedule I “TN & SSU Asset Depreciation Activity.” Further, refer to the language below taken from Section 7.1 of the Company’s Tariff (Sheet 63):

The Company will install all mains necessary to serve the Customer(s) free of charge, provided the revenue expected to be realized produces a rate of return on the investment that is equal to or greater than the minimum allowed rate of return on equity approved in the Company’s most recent rate case. This rate of return analysis will be based on a feasibility study performed by the Company.

Please respond to the following:

- a. Identify the amounts charged to Account 376.02- Mains – Plastic for the months of December 2024 and March 2025, split between those projects representing the replacement of Mains versus Mains placed in service to serve new load.
- b. For the amounts charged to Account 376.02 associated with new load, split these projects between those that were subject to AIC collections and those that were not subject to AIC collections.
- c. Provide the underlying analysis relied upon for each growth project in which AIC was not charged in the months of December 2024 and March 2025.

RESPONSE:

2-51. Item 4 within Sheet 67 of Atmos' tariff contains the following language:

For service piping in excess of the portion installed at Company expense pursuant to paragraph (2) above, the Customer will be charged for such excess footage, based on the average cost to the Company, for installing service piping the preceding calendar year. The rate per linear foot of service will be the average cost incurred during the preceding calendar year for installing such service pipe. Any charges for installing excess service piping are payable in advance. For excess service piping pursuant to paragraph (2) above, the Customer will be charged for the actual cost of such excess service piping.

Notwithstanding the information provided in response to CAD 1-19, provide the cost to the Company for installing service piping for the years 2022 – 2025, along with supporting calculations.

RESPONSE:

2-52. Refer to Tab WP 4.1 within Schedule 6, and specifically Outside Services. For any vendor whose costs are more than \$500,000 within the 2025 fiscal year charged to either Division 002 or 012, provide the following:

- a. Identify the vendor and the associated cost
- b. Provide a thorough explanation of the nature of the services provided and why such services were necessary in the provision of Tennessee jurisdictional gas distribution service.
- c. For any vendor whose costs exceeded \$1,000,000, provide a copy of any contract that covers such services and the associated invoices supporting costs recorded in the 2025 fiscal year.

RESPONSE:

2-53. Refer to Tab WP 4.1 within Schedule 6 and specifically Outside Services. For any vendor whose costs are more than \$50,000 within the 2025 fiscal year charged to division 093, provide the following:

- a. Identify the vendor and the associated cost
- b. Provide a thorough explanation of the nature of the services provided and why such services were necessary in the provision of Tennessee jurisdictional gas distribution service.
- c. Provide a copy of the contract covering such services and all invoices supporting charges recorded in the 2025 fiscal year.

RESPONSE:

2-54. Refer to Tab WP 4.1 within Schedule 6 and specifically Outside Services. For any vendor whose costs are more than \$100,000 within the 2025 fiscal year charged to division 091, provide the following:

- a. Identify the vendor and the associated cost
- b. Provide a thorough explanation of the nature of the services provided and why such services were necessary in the provision of Tennessee jurisdictional gas distribution service.
- c. Provide a copy of the contract covering such services and all invoices supporting charges recorded in the 2025 fiscal year.

RESPONSE:

2-55. [CONFIDENTIAL] — Refer to CAD Supplemental Responses 1-16, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RESPONSE:

2-56. [CONFIDENTIAL] — [REDACTED]
[REDACTED] as the term is used in response to CAD Supplemental Response 1-16.

RESPONSE:

2-57. [CONFIDENTIAL] — Provide support for the development of the respective [REDACTED] as reflected in the response to CAD Supplemental 1-16 Attachments 1 and 2.

RESPONSE:

2-58. Refer to Attachment-2 provided in response to CAD 1-51, and specifically cost center 1904, “ATM Dallas Performance Plan” and respond to the following:

- a. Provide the type of information provided in this response for February for the remaining months of the test year. In addition, provide the calculation demonstrating the level of these costs allocated to the Company's Tennessee jurisdiction.
- b. Identify the portion of these costs, if any, that are the subject of adjustments contained in MFR 38, Schedule N along with the appropriate reconciliation of such amounts.
- c. To the extent costs from this cost center are included in the proposed revenue requirement of Atmos, provide a comprehensive explanation identifying the nature of these costs, including a definition of this cost center.
- d. Provide the underlying supporting documentation for the February charges to this cost center of \$5,083,779.

RESPONSE:

2-59. Refer to Attachment-2 provided in response to CAD 1-51, and specifically cost center 1908, "ATM Dal-SEBP" and respond to the following:

- a. Provide the type of information provided in this response for February for the remaining months of the test year. In addition, provide the calculation demonstrating the level of these costs allocated to the Company's Tennessee jurisdiction.

- b. Identify the portion of these costs, if any, that are the subject of adjustments contained in MFR 38, Schedule N, along with the appropriate reconciliation of such amounts.
- c. To the extent costs from this cost center are included in the proposed revenue requirement of Atmos, provide a comprehensive explanation identifying the nature of these costs, including a definition of this cost center.
- d. Provide the underlying supporting documentation for the February charges to this cost center of \$444,652.

RESPONSE:

2-60. Refer to Attachment-2 provided in response to CAD 1-51, and specifically cost center 1915 “ATM Dal-Insurance” and respond to the following:

- a. Provide a comprehensive explanation of the coverage offered for each insurance policy included within this cost center, including the geographic scope of such coverage.
- b. Identify the deductible associated with each policy identified in part a.
- c. Identify the premium associated with each policy identified in part a and the applicable portion of that premium allocated to the Tennessee jurisdiction.

RESPONSE:

RESPECTFULLY SUBMITTED,

SHILINA B. BROWN (BPR No. 020689)
Senior Assistant Attorney General
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TPUC Docket No. 26-00009
CA's 2nd DR to Atmos

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
3102 West End Avenue, Suite 1100
Nashville, TN 37203
Phone: (615) 425-7030
Email: Elybeck@simsfunk.com

This 13th day of March, 2026.

SHILINA B. BROWN
Senior Assistant Attorney General