



Shelly M. Bass
Associate General Counsel

LA PUBLIC SERVICE COMM
SEP 25 2023 PM 1:08

September 25, 2023

Brandon Frey
Executive Secretary
Louisiana Public Service Commission
Galvez Building, 12th Floor
602 North Fifth Street
Baton Rouge, LA 70802

***In Re: Application for Renewal of the Rate Stabilization Clause ("RSC") Tariff
Docket No. U-36658***

Dear Mr. Frey:

Enclosed please find the original and two (2) copies of Atmos Energy Corporation's Rebuttal Testimony and Motion to Strike in the above-referenced matter, as well as an additional copy to be stamped filed and returned to the awaiting courier.

Should you have any questions concerning this filing, please feel free to contact me at 972-855-3756.

Sincerely,

A handwritten signature in cursive script that reads "Shelly M. Bass".

Shelly M. Bass

Enclosures

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

DOCKET NO. U-36658

LA PUBLIC SERVICE COMM
SEP 25 2023 PM1:09

**ATMOS ENERGY CORPORATION
EX PARTE**

In re: Application for Renewal of the Rate Stabilization Clause (“RSC”) Tariff

**MOTION TO STRIKE IMPROPER STAFF TESTIMONY
ON BEHALF OF ATMOS ENERGY CORPORATION**

NOW INTO THE TRIBUNAL, comes Atmos Energy Corporation (“Atmos Energy” or the “Company”), through undersigned counsel, and hereby requests, pursuant to Rule 35 of the Rules of Practice and Procedure of the Louisiana Public Service Commission (“LPSC” or “Commission”), that the Administrative Law Judge (“ALJ”) strike portions of Staff testimony of Messrs. Barta and Chastant that include recommendations responsive to a separate pending docket, Docket No. U-35937, without meeting the requirements of Rule 25, which addresses consolidation procedure.¹ In support, Atmos Energy States as follows:

I. RSC Renewal Docket U-36658 - Background

The Company’s Rate Stabilization Clause Rider (“Rider RSC”) contains a provision approved in LPSC Order No. U-35535, which provides for “a separate filing for the Staff and Commission to review the provisions of the RSC tariff to determine that its terms are still in the public interest and will produce just and reasonable rates for the following three years.” On March 1, 2023, Atmos Energy commenced the instant RSC Renewal Docket by Application consistent

¹ The portions of the Staff testimony that the Company seeks to strike for failure to comply with Rule 25 of the Rules of Practice and Procedure are listed in Exhibit 1.

with this tariff provision. In the above-styled docket, the Company seeks the following changes to the RSC Tariff:

- a. That the cost of capital be calculated using the Company's actual capital structure because such capital structure is visible to the competitive capital markets and affects the cost of debt capital obtained by the Company;
- b. That the return on equity be updated to 10.85% consistent with current capital market conditions;
- c. That the not-to-exceed operation and maintenance expense ("O&M") benchmark provision established in Docket No. U-35122 be removed because Atmos Energy faces increasing O&M due to factors beyond the Company's control; and
- d. That the Extraordinary Cost Provision be modified to provide Atmos Energy and the Commission more certainty and transparency on when that provision should be used.

In its Direct Testimonies, the Staff responded to the above requests, and the Staff proposed that the RSC Tariff be modified to include an earnings bandwidth, all of which are germane to the subject matter of the instant docket and are not the subject of this Motion. However, as explained further below, the Staff included subject matters and recommendations that are the subject of a separate docket, Docket No. U-35937, and that are *not* addressed in Atmos Energy's Direct Testimony or Application filed in the RSC Renewal Docket.

I. The System Integrity Investment Program ("SIIP") Prudence Investigation in Dockets X-35937 and U-35937 – Background²

The SIIP is a capital program initiated to accomplish Atmos Energy's response to federal and state safety regulations through a proactive risk-based systematic assessment and remediation of its distribution facilities in Louisiana. The Company did not construct the majority of its system in Louisiana, and, with Commission approval and annual oversight, the Company has been and is

² This discussion in this section of the Motion and elsewhere regarding the SIIP Investigation is provided without waiving any of the Company's procedural or substantive rights in both the SIIP Investigation and the RSC Renewal Docket. The Company reserves the right to file additional motions to strike and motions to consolidate in the future, if future circumstances warrant.

replacing and updating the systems constructed by its predecessors through the SIIP. The Commission reviewed the purpose of the SIIP and authorized a ratemaking mechanism to facilitate the acceleration of the Company's safety projects in LPSC Order No. U-32987 ("First SIIP Order"). Since the program was originally approved by the Commission in 2014, the Company has included with its annual RSC filings both the detail on its safety expenditures for the prior year and forecasts on expected future safety expenditures.

When Atmos Energy's consolidation of its two rate divisions, the Trans La Division and the LGS Division, was approved in Order U-35122 in December 2019, the Order included a requirement for Atmos Energy to file an application for review of the consolidated RSC Tariff by March 31, 2020. Atmos Energy made that filing, which became Docket No. U-35535. After the Company and the Staff filed direct testimony and the Company filed rebuttal testimony, the Staff and Atmos Energy reached a settlement on the RSC Tariff's terms. The settlement and resulting Joint Stipulated Term Sheet contained no modifications or limitations regarding the SIIP, and the Commission approved the settlement in Order U-35535 on April 15, 2021. Separately, "at the Commission's March 17, 2021 Business and Executive Session, Chairman Greene directed Staff to open a docket to conduct a prudence review of [Atmos Energy's] System Integrity Improvement Plan ('SIIP'). . . ."³

After Docket X-35937 was established, the Staff issued a request for proposals to obtain an engineering consultant qualified to review the prudence of Atmos Energy's safety projects and expenditures pursuant to industry standards requiring gas utilities to proactively address safety risks pursuant to the applicable pipeline safety regulatory framework.⁴ However, the Staff

³ Notice of Proceeding, Docket No. X-35937, Mar. 30, 2021.

⁴ See RFP 21-08 ("Engineer RFP"), Docket No. X-35937, dated April 8, 2021.

received no responses to that request for proposals and moved forward with the docket.⁵ The Staff hired Henderson Ridge, an accounting consultant, and Stone Pigman, outside counsel, and proceeded with issuing discovery requests to Atmos Energy intermittently over the course of a nearly two-year period. The Staff filed a Report and Recommendation (“Report”) on March 22, 2023, that contained recommendations that were both unexpected by the Company and not based adequate evidence or correct information.

The docket number was then converted to U-35937 (“SIIP Investigation”), and Administrative Law Judge Joy Guillot was assigned. The ALJ held a status conference at which she set a procedural schedule that allows Atmos Energy to file direct testimony on or before October 2, 2023.⁶ This testimony filing will be the first opportunity for Atmos Energy to put evidence in the record supporting the prudence of its safety projects pursuant to the SIIP and requesting terms for the SIIP and the related ratemaking mechanism going forward. Such evidence will demonstrate the misconceptions in Staff’s Report and the necessity of continued regulatory treatment that allows Atmos Energy to continue the current pace of safety improvements to support the long-term safety of its system, its customers, and the communities it serves in Louisiana.

Rather than recommending an approach that would examine the need and justification for the projects proposed by Atmos Energy to keep its system safe and reliable in the long-term, the Report recommended arbitrarily restricting Atmos Energy’s planned safety expenditures to approximately one third of current levels. The Report also proposed ratemaking treatments that

⁵ One of the potential tasks for the independent engineering consultant set forth in the request for proposals was to obtain information from Atmos Energy’s safety regulator, the Department of Natural Resources – Pipeline Division (“DNR”). As stated, the Staff received no responses from engineering consultants to the RFP and moved forward with the docket without the expertise of an engineering consultant’s review. The Staff did not interview or request documents from the DNR or its representatives. Approximately two years after the SIIP Investigation’s commencement, on March 22, 2023, the Staff issued its Report, which was authored by Mr. Barta, who does not have engineering expertise.

⁶ Report of Status Conference, Docket U-35937, May 24, 2023.

penalized the Company for past and future safety expenditures by lowering the return on equity applied to such safety expenditures. Inexplicably, although the docket was a “prudence investigation,” the Staff did not opine on the prudence of the Company’s approach to these safety-related investments or its safety planning process. Atmos Energy believes that the Report is inaccurate and did not address the fundamental purpose of the docket, and Atmos Energy plans to put on evidence demonstrating this in Docket U-35937.

The critical issue before the Commission in the SIIP Investigation is whether the system’s safety needs support the Company’s planned level of safety expenditures. Atmos Energy believes that the Commission should have the opportunity to consider that critical safety issue, which has the potential to be a matter of life or death, in the docket the Commission opened for that purpose and put its evidence in the record, after which the Staff will have the opportunity to respond with its direct testimony pursuant to the procedural schedule entered by the ALJ.

A major inaccuracy in the SIIP Investigation Report, which Mr. Barta improperly tries to interject in this proceeding, concerns Atmos Energy’s communication of its planned level of safety expenditures. In Mr. Barta’s Direct Testimony in this proceeding (as well as in the Report, which Atmos Energy will address in the proceeding in which the Report was filed), Mr. Barta has repeatedly contended that “the level of SIIP-related capital expenditures has far exceeded the forecast of investment that Atmos conveyed to the Commission at the outset of the Program”⁷ and insinuates that Atmos Energy has misled the Commission about the Company’s safety expenditures for over nine years. Mr. Barta’s contention is factually inaccurate, and the inaccuracy is not subject to debate. Mr. Barta’s inaccurate factual claim is based on a contrived, unreasonable reading of the Company’s testimony in Docket U-32987 (the “First SIIP Order”

⁷ Direct Testimony of Mr. Barta at 29 (quoting from a previous docket); SIIP Investigation Report at 13-14.

docket), an inadequate review of the Staff's testimony in that same docket, and his refusal to acknowledge planned safety expenditure information provided to the Commission in the RSC proceedings after the First SIIP Order.

First, Mr. Barta's inaccurate contention starts with a contrived quote and a statement that a Company witness in the First SIIP Order docket stated that the estimated safety expenditures would be \$10 million annually.⁸ The full question and answer from the testimony relied upon by Mr. Barta shows that the Company witness stated that the \$10 million estimate "would most likely increase" due to inflation and more safety projects being added to the SIIP:

**Q. HOW WILL THE ESTABLISHMENT OF A REGULATORY ASSET
IMPACT LOUISIANA CAPITAL INVESTMENT?**

A. Mr. Hill provides more insight as to the type of projects the Louisiana division will be able to undertake if this modification to the RSC and tariff change is approved by the Commission. In total the Company expects to spend an additional \$10 million annually. Normal inflationary pressures and additional projects would most likely increase the incremental impact over time.⁹

To reiterate, the Atmos Energy witness testified that the \$10 million annual impact on Louisiana capital investment "would most likely increase." Mr. Barta repeatedly ignores and tries to hide the full import of the above question and answer.

Second, Mr. Barta failed to review the Direct Testimony of Mr. Mierzwa on behalf of the Staff in the First SIIP Order docket. Mr. Mierzwa's Direct Testimony pointed to the Company's discovery response informing the Staff that its total safety expenditures would exceed \$10 million annually.¹⁰ In his April 2014 testimony (before the Commission's Order approving the SIIP issued on June 30, 2014), Mr. Mierzwa observed that, in discovery (LPSC Set 2, No. 2), the Company

⁸ Direct Testimony of Mr. Barta at 28 and 29. Mr. Barta's quotation is contrived because it combines two answers without their two respective questions.

⁹ Direct Testimony of Mr. Christian, LPSC Docket No. U-32987, at 5.

¹⁰ The Company served the discovery response in February 2014.

provided its planned safety expenditures for the upcoming ten fiscal years.¹¹ That discovery response showed that, pursuant to the safety requirements and perceived needs of the system at the time, total planned safety expenditures over ten years were \$311 million and ranged from \$28 million to \$34 million annually.¹² Mr. Mierzwa believed that the “limited information provided in the response is inadequate to ensure costs are properly included in the proposed cost recovery mechanism” and recommended that the Company provide more detailed information in its RSC filings than division level expenditures by material type replaced.¹³ Mr. Mierzwa’s recommendation became Paragraph 2(e) in the First SIIP Order. Paragraph 2(e) of that Order requires Atmos Energy to provide detailed information on planned safety expenditures for the upcoming year and actual safety expenditures for the previous year in its annual RSC filings, and Atmos Energy has provided that information every year since.¹⁴ Thus, before the Commission issued the First SIIP Order in June 2014, the Staff was aware that Atmos Energy’s total safety expenditures would be more than \$10 million annually. Mr. Barta was either unaware of or disregarded Mr. Mierzwa’s testimony and, therefore, did not take into account the information regarding planned safety expenditures of approximately \$311 million that Mr. Mierzwa received.

Third, Mr. Barta failed to acknowledge what transpired in Atmos Energy’s RSC proceedings soon after the First SIIP Order’s issuance in June 2014. On March 31, 2015, in its first filing required by Paragraph 2(e) of First SIIP Order, the Company reported that its actual 2014 SIIP plant additions were \$4.7 million for the LGS Division and that its 2015 planned safety

¹¹ Direct Testimony of Mr. Mierzwa, LPSC Docket No. U-32987, at 6.

¹² The discovery response is included in Exhibit 2.

¹³ Direct Testimony of Mr. Mierzwa at 5-6.

¹⁴ Paragraph 2(e) provides the following: “. . . Detailed information supporting anticipated system integrity investment and actual expenditures for Trans La and LGS will be part of each utility’s respective RSC annual filing as further explained in Trey Hill’s Rebuttal Testimony.”

expenditures were \$17.8 million for the LGS Division.¹⁵ The Company included these reports with the RSC filing for the twelve months ending September 30, 2014 for the LGS Division. In December 2016, in Docket No. U-33925,¹⁶ the Staff reported to the Commission that the Company's planned safety expenditures for the Trans-La Division for fiscal years 2016 through 2020 would range from \$18 to \$21 million.¹⁷ Thus, as early as 2015 and certainly by the end of 2016, the Commission had additional information confirming that the Company's annual safety expenditures were exceeding and were expected to continue to exceed \$10 million. Yet, Mr. Barta's inaccurate testimony would lead one to believe that the Commission never received the above-described information. The annual reporting of planned safety expenditures has continued since that time, with the Commission and Staff having notice well in advance of expected safety expenditures, to which the Staff had the opportunity to conduct discovery and recommend that the planned level of expenditures not be undertaken before the first dollar was spent. Procedurally, it is fundamental that Atmos Energy have the opportunity to introduce all of this evidence into the record in the SIIP Investigation so that the record in the docket specifically created to address these issues is complete and correct.

III. Argument on Motion to Strike

In practice before the Commission, parties use motions to strike to exclude from the evidentiary record improper prepared testimony prior to the evidentiary hearing.¹⁸ Atmos Energy

¹⁵ The reports are included in the documents filed in LPSC Docket No. U-32987 on April 14, 2015. *See* Document Number F15-17262 and the file Rate Stabilization Clause filing (2).pdf, pages 123 through 131.

¹⁶ This docket concerned Atmos Energy's Trans LA Division RSC Filing for the test year ended September 30, 2015.

¹⁷ Louisiana Public Service Commission Staff's Evaluation Report and Reservation of Issues in Atmos Energy Corporation, Trans Louisiana Rate Stabilization Clause ("RSC") Cost of Service Schedules and Workpapers, Test Year Ending September 30, 2015 at 4. The Staff consultant for this proceeding was United Professionals Company, LLC.

¹⁸ Rule 35 of the Commission's Rules of Practice and Procedure. Although addressing the striking of content from pleadings, Article 964 of the Louisiana Code of Civil Procedure provides some guidance on what testimony content should be struck – insufficient testimony or redundant, immaterial, impertinent, or scandalous testimony.

requests that the ALJ strike the portions of Staff's testimony concerning the SIIP Investigation Report and the Report's unapproved recommendations because Staff's testimony is an improper attempt to consolidate the SIIP Investigation (U-35937) with this proceeding, the RSC Renewal Docket (U-36658) without undertaking the required procedure under the Commission's Rule 25.

Commission Rule 25 states in full:

A motion for consolidation of two or more applications, petitions or other proceedings, if made prior to hearing, shall be in writing, signed by the movant, his attorney or representative, and filed with the Secretary prior to the date set for hearing. No two or more applications, petitions, complaints or other proceedings shall be consolidated or heard jointly without the affirmative consent of all parties to all of such proceedings, and by consent of the Commission, unless the Commission shall find that the two or more applications, petitions, complaints or other proceedings, involve common questions of law and fact, and shall further find that separate hearings would result in unwarranted expense or delay or substantial injustice.

Staff's testimony filed in this docket is not a substitute for a filed written motion. Furthermore, only the Commission can order the consolidation of two dockets. The ALJ does not have such authority. Consolidation is not included in the specific delegations in Rule 55, parts (a) through (q) and (s). Although part (r) of Rule 55 states that the ALJ has the general authority to "[r]ender interlocutory rulings upon all motions . . . filed by the parties,"¹⁹ the more specific Rule 25 controls and requires Commission action for consolidation to occur. As the Louisiana Supreme Court explained, where two statutes conflict, the fundamental rule is that "the specific statute controls over a broader, more general statute."²⁰ Thus, Staff's testimony concerning the SIIP Investigation Report and the Report's unapproved recommendations must be struck from this proceeding.

Moreover, as stated above, the Company intends to oppose the consolidation of the SIIP Investigation with this proceeding, the RSC Renewal Docket. The critical issue before the

¹⁹ Additionally, Rule 55 could not even apply in this situation because the Staff did not file a motion to consolidate.

²⁰ *Burge v. State*, 54 So.3d 1110, 1113 (La. 2011).

Commission in the SIIP Investigation is whether the system's safety needs support the Company's planned level of safety expenditures. Atmos Energy believes that the Commission should have the opportunity to consider that critical safety issue, which has the potential to be a matter of life or death, separate and apart from any other issue. The ratemaking issues in the RSC Renewal Docket, while important, are not likely to affect customers in the manner that the SIIP Investigation Report's recommendations have the potential to do.

IV. Conclusion

For the above and foregoing reasons, Atmos Energy requests that the ALJ strike the improper testimony from the Direct Testimonies of Messrs. Barta and Chastant identified in Exhibit 1 to this Motion. Such improper testimony relates to the pending SIIP Investigation and the unapproved SIIP Investigation recommendations.

Respectfully Submitted,



ATMOS ENERGY CORPORATION
Shelly M. Bass (MS Bar No. 103587)
5430 LBJ Freeway,
1800 Three Lincoln Centre
Dallas, Texas 75240
T: (972) 855-3756 F: (972) 855-3080
email: shelly.bass@atmosenergy.com

By: Stephen T. Perrien, Esq. (LA Bar No. 22590)
TAGGART MORTON, LLC

2100 Energy Centre
1100 Poydras Street
New Orleans, LA 70163-2100
T: (504) 599-8511 F: (504) 599-8501
email: sperrien@taggartmorton.com

**ATTORNEYS FOR
ATMOS ENERGY CORPORATION**

CERTIFICATE OF SERVICE

I hereby certify that I have this 25th day of September, 2023 served the required number of copies of the foregoing pleading upon all other known parties of this proceeding individually and/or through their attorney of record or other duly designated individual by electronic means.

Arvind Viswanathan
Jessica Kayuha
Thomas Broady
Louisiana Public Service Commission
P.O. Box 91154
Galvez Building, 12th Floor
602 North 5th Street
Baton Rouge, Louisiana 70821-9154

William Barta
2088 Sylvania Drive
Decatur GA 30033-2616

Commissioner Davante Lewis
602 N. 5th Street
11th Floor
Baton Rouge LA 70802

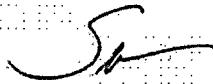
Commissioner Foster L. Campbell
415 Texas St.
Ste 100 One Texas Centre
Shreveport LA 71101-3541

R. Lane Sisung
Paul Thomas Chastant III
Julie Viviano
201 St. Charles Ave, Ste 4240
New Orleans LA 70170

Commissioner Craig Greene
10713 N. Oak Hills Pkwy, Ste B
Baton Rouge LA 70810

Commissioner Eric Skrmetta
433 Metairie Road
Metairie LA 70005

Commissioner Mike Francis
222 N. Parkerson Avenue
Crowley LA 70526



Stephen T. Perrien

Exhibit 1 – Testimony Portions to be Struck

Direct Testimony and Exhibits of William J. Barta:

- Page 7, lines 22-25
- Page 9, line 20 – Page 11, line 8
- Page 27, line 1 – Page 38, line 4
- Page 43, line 17 – Page 47, line 18
- Exhibit WJB-3

Direct Testimony of Paul Thomas Chastant III:

- Page 70 – Page 72 (entirety of Section V(E))
- Page 75 – Page 76 (entirety of Section VI(B))
- Page 77 (unmarked¹ lines 5-8)
- Page 78 (unmarked lines 3-5)

¹ Mr. Chastant's testimony does not have line numbers.

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

ATMOS ENERGY CORPORATION
ex parte

DOCKET NO. U-32987

In Re: Request to modify the Rate Stabilization Clause for Atmos Energy's Louisiana regulatory divisions Trans Louisiana Gas and Louisiana Gas Service.

**ATMOS ENERGY CORPORATION'S RESPONSES
TO STAFF'S SECOND SET OF DATA REQUESTS**

NOW INTO COURT, comes Atmos Energy Corporation ("Atmos Energy" or the "Company"), by and through its undersigned counsel and hereby responds to the Second Set of Data Requests propounded by the Staff of the Louisiana Public Service Commission ("LPSC" or "Commission" or "Staff") as follows:

I. GENERAL OBJECTIONS

ATMOS ENERGY objects to Staff's Second Set of Data Requests to the extent that they ask for information or documents protected by the attorney/client privilege, the work-product doctrine, any other privilege, or otherwise call for information prepared for and in anticipation of litigation and hearing.

Furthermore, ATMOS ENERGY objects to Staff's Second Set of Data Requests to the extent that they seek information or documents that are irrelevant and immaterial to the subject matter of this proceeding, not reasonably calculated to lead to the discovery of admissible evidence and the production of which would be oppressive, and/or unduly burdensome or expensive.

ATMOS ENERGY also objects to Staff's Second Set of Data Requests insofar as they seek the production of information or documents that are not in ATMOS ENERGY's possession, custody or control. Without waiving any of the foregoing objections, each of which is expressly incorporated into each individual response as if fully stated therein, ATMOS ENERGY responds to Staff's Second Set of Data Requests with the following express reservation of rights:

1. The right to object on any ground whatsoever to the admission into evidence or other use of any information or documents produced in response to Staff's Second Set of Data Requests in any subsequent step or proceeding in this action or any other action;
2. The right to object on any grounds, at any time, to any other Data Requests or other discovery procedures involving or relating to the subject matter of Staff's Second Set of Data Requests; and
3. The right at any time to supplement, revise, correct, add to or clarify any of the responses propounded herein.

Subject to and without waiving these objections, ATMOS ENERGY responds to Staff's Second Set of Data Requests, as follows:

II. RESPONSES TO STAFF'S SECOND SET OF DATA REQUESTS

DATA REQUEST NO. 2-1

With regard to Mr. Christian's testimony at page 5, please provide all workpapers and supporting documentations showing the derivation of the estimated monthly impact per residential customer of \$1.09 at the end of five years.

RESPONSE TO DATA REQUEST NO. 2-1

Prepared by: Joe Christian

Please see Attachment 1 to DR 1-12. In particular, spreadsheet rows 7 - 11 of the attachment. Atmos Energy would note that within these rows is the combined impact of both of the regulatory division's proposed changes. Reducing the \$1.29 by the \$.20 shown on spreadsheet row 36 yields the net impact related to the pipeline spending proposal.

DATA REQUEST NO. 2-2

Referring to the new paragraph D-5 of the proposal Rider RSC, please provide complete details explaining what projects will qualify for recovery under this paragraph and how those projects will be differentiable from projects that don't qualify.

RESPONSE TO DATA REQUEST NO. 2-2

Prepared by: George Strain

Atmos Energy's capital budget is divided into two high level categories, Growth and Non-Growth Projects, with additional sub-category breakdown under each group. The proposed rider would fall under Non-Growth projects in the category of System Integrity. System Integrity projects relate to replacement of transmission pipelines, distribution mains, and service lines consisting of vintage material, bare pipe, obsolete material, and facilities that no longer meet federal and state regulatory safety standards. Atmos Energy uses federal and state guidelines along with Company standards and pipeline integrity management tools to evaluate system facilities for replacement. Atmos Energy has identified its integrity projects on Attachment 1 to DR 2-2 through its current evaluation process. This list of projects should not be considered all inclusive as it will be subject to change based on new evaluation tools and federal and state pipeline safety requirements.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff 2-02_Att1 - Ten Year Infrastructure Spending.xlsx, 1 Page.

DATA REQUEST NO. 2-3

Please provide a detailed comparison of the expected investment in system integrity projects over the next five years, both if the proposed RSC modification is approved and if it is not approved for Trans La and, separately, LGS (the Companies).

RESPONSE TO DATA REQUEST NO. 2-3

Prepared by: George Strain

Over the past four years, the total capital budget dollars allocated for system integrity has been 15% to 18% of the total capital budget. With the rider, the allocated amount would be in the range of 20% or greater total dollars allocated to system integrity. Should the rider not be granted, Atmos Energy would fall back to normal spending for this category in the range of 12% to 18% of the total budget.

Additionally, please see response to Staff DR 2-2 for the five-plus years projected projects.

DATA REQUEST NO. 2-4

Please provide each Company's five year capital improvement program and identify the projects and investment that will be eligible for inclusion in the proposed regulatory asset mechanism set forth in paragraph D-5, and also identify those that will not be eligible.

RESPONSE TO DATA REQUEST NO. 2-4

Prepared by: George Strain

Please see Attachment 1 to response to Staff DR 2-2 for the types of pipe replacements. Service lines associated with these pipe segments would also be included as part of the requested rider.

DATA REQUEST NO. 2-5

Please explain how the Companies propose to account for the accumulated deferred income taxes (ADIT) associated with system integrity investments in determining the return on the deferred balance. If the Companies do not propose to recognize the balance of ADIT in determining net investment, please explain in detail why not.

RESPONSE TO DATA REQUEST NO. 2-5

Prepared by: Joe Christian

Atmos Energy does not propose to account for ADIT in calculating the deferred asset. The Company's proposal is to follow a pipeline integrity rule established in Texas to enable additional infrastructure spending. Exhibit JTC-2, which is an accounting memo describing the accounting around the deferral in Texas, does not consider ADIT. The Company believes this is the appropriate approach because the intent of the deferral is to capture the costs associated with investment and thus not harm the Company's earnings between the time of the investment and placement of the investment in base rates. ADIT will be included in the overall calculation of base rates when moving the investment through the annual RSC process.

DATA REQUEST NO. 2-6

Please identify the estimated percentage of system integrity investments that will qualify for the repair deduction under the proposed IRS regulations issued in 2012 that take effect for tax years no later than 2014.

RESPONSE TO DATA REQUEST NO. 2-6

Prepared by: Joe Christian

Atmos Energy did not adopt the proposed IRS regulations and is not yet subject to the final Tangible Property regulations, issued in 2013 and effective for the Company's tax year ending 9/30/2015. However, the Company did change its method of accounting for repair expenditures beginning with the filed fiscal year ended 9/30/09 tax return, pursuant to Treas. Reg. §1.162-4.

For fiscal years ended 9/30/11 - 9/30/13, the Company calculated total deductible repairs of \$27.2 million of \$50.8 million in total system integrity spending, or 53.54% average. The Company expects that this would be a reasonable estimate for projecting fiscal year ended 9/30/14 deductible repairs of system integrity spending. However, please note that as a result of these deductions, as well as bonus depreciation deductions in recent years, the Company has had taxable losses and has generated a net operating loss carryforward asset which is included in ADIT. The Company anticipates taxable loss and additional net operating loss carryforward to be generated as a result of fiscal year end 9/30/14 repairs deductions. Therefore, the Company expects the net impact to ADIT from the repairs deduction and the net operating loss carryforward to be zero.

DATA REQUEST NO. 2-7

Please state whether the Companies agree that, when plant is retired and removed from plant in service, depreciation ceases to accrue on that plant. If the Companies disagree, please explain

why they disagree and explain why depreciation continues to accrue on plant that is no longer in service.

RESPONSE TO DATA REQUEST NO. 2-7

Prepared by: Joe Christian

The Company agrees that when plant is retired from plant in service, depreciation expense ceases to accrue on that plant.

DATA REQUEST NO. 2-8

Please explain whether the Companies propose to account for the reduction in depreciation expense associated with plant that is replaced in conjunction with system integrity projects in determining the deferred costs included as a regulatory asset. If not, please explain why not.

RESPONSE TO DATA REQUEST NO. 2-8

Prepared by: Joe Christian

Atmos Energy does not propose to expand the calculation of the deferral to consider any plant investment that is retired associated with infrastructure investment. The Company's proposal is to follow a pipeline integrity rule established in Texas to enable additional infrastructure spending. Exhibit JTC-2, which is an accounting memo describing the accounting around the deferral in Texas, does not consider plant retired in association with new infrastructure spending. The Company believes this is the appropriate approach because the intent of the deferral is to capture the costs associated with investment and thus not harm the Company's earnings between the time of the investment and placement of the investment in base rates. Plant retired and associated accumulated reserve for depreciation will be excluded in the overall calculation of base rates when moving the investment through the annual RSC process.

DATA REQUEST NO. 2-9

Please provide an example of the calculation of the regulatory asset for which Trans La would have sought recovery in its 2013 RSC filing had the proposed mechanism been in effect.

RESPONSE TO DATA REQUEST NO. 2-9

Prepared by: Joe Christian

Please see Attachment 1 to DR 2-9 for an example of the calculation. This example is based on an actual project eligible for expense deferral in Texas. Had this been a Trans La project, the amount deferred at 09/30/2013 would have been included as a rate base item in the filing. Once the filing is placed into rates in April, the amount included in the filing would be transferred from regulatory asset to plant-in-service.

ATTACHMENT:

ATTACHMENT 1 – Atmos Energy Corporation; Staff_2-09_Att1 - Example Calc for Single Project.xlsx, 2 Pages

DATA REQUEST NO. 2-10

Please identify the lag from the time plant is placed in service until that plant is included in the assessed valuation and property taxes begin to be assessed on that plant.

RESPONSE TO DATA REQUEST NO. 2-10

Prepared by: Joe Christian

Atmos Energy typically receives the assessed value from the Louisiana Tax Commission annually by September 1st. The assessed value represents the value of all Louisiana assets that

were in service along with any open construction work in progress (CWIP) projects as of January 1st of the calendar assessment year.

DATA REQUEST NO. 2-11

Please provide a copy of the most recent property tax bill(s) showing the assessed valuation, and reconcile that valuation with plant in service as of the date of the assessed valuation for Trans La and, separately, LGS.

RESPONSE TO DATA REQUEST NO. 2-11

Prepared by: Joe Christian

Please see Attachment 1 to DR 2-11 for copies of the 2013 Louisiana tax bills.

Please see Attachment 2 to DR 2-11 for a copy of the 2013 assessed value from the Louisiana Tax Commission, including the allocated value for each parish.

Please see Attachment 3 to DR 2-11 for copies of the "Parish Recap" (Schedule 2) sheets that were filed on the Company's property tax rendition. The Schedules shown on the Recap are listed below.

- Schedule 3 (Pipe, Services, and Meters)
- Schedule 4 (Real Estate - Land)
- Schedule 5 (Real Estate - Improvements)
- Schedule 6 (Machinery & Equipment)
- Schedule 7 (Other Moveable Equipment)
- Schedule 8 (CWIP)

The allocation of Cost and Net Book Value between Trans La and LGS for Schedule 3 and Schedule 8 has been written at the bottom of each Parish Recap sheet. The allocation of the assessed value between Trans La and LGS for Schedules 4-7 is not available in parishes containing assets for both divisions.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_2-11_Att1 - Louisiana 2013 Tax Bills.pdf, 581 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_2-11_Att2 - Louisiana Assessed Value.pdf, 82 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, Staff_2-11_Att3 - Parish Recaps.pdf, 49 Pages.

DATA REQUEST NO. 2-12

Please provide a copy of any studies or analyses prepared by or for the Companies regarding the O&M cost savings that are estimated to result from the system integrity investment.

RESPONSE TO DATA REQUEST NO. 2-12

Prepared by: Joe Christian

Atmos Energy has not engaged in any studies or performed any analysis regarding O&M savings that would result from the system integrity investment; however, as noted in response to DR 2-5 and DR 2-8, any O&M savings associated with system integrity spending will be included in the annual RSC process.

DATA REQUEST NO. 2-13

With regards to Mr. Hill's testimony at page 6, please state whether Atmos is willing to modify the O&M cost sharing mechanisms included in the LGS RSC to ensure that the savings from the system integrity investments are passed through to ratepayers.

- a. If not, explain why not.
- b. If yes, please explain how the Company would propose to modify the current mechanism.

RESPONSE TO DATA REQUEST NO. 2-13

Prepared by: Trey Hill

- a) The LGS rate division customers have benefited substantively from the reduction in O&M expenses following the acquisition by Atmos Energy. The O&M cost sharing mechanism has a maximum period of 20 years and will expire no later than 2021. Any substantial benefits in the reduction of O&M expenses will not be achieved in the near term and may come later in the program as the number of issues that require regular monitoring are considerably reduced. Although the Company is not opposed to modifications around the sharing and treatment of the savings generated through additional investments in aging infrastructure, customers will benefit from the existing mechanism, and it is the Company's belief that during the remaining term of the current mechanism, the savings will be difficult to quantify. Upon the expiration of the sharing mechanism, as achievable savings in O&M expenses from the additional investments grow, all the benefits will be passed on to the customer.
- b) Please see response to subpart (a) above.

DATA REQUEST NO. 2-14

Please provide a comparison of the return that is accrued on system integrity projects during the time they are included in CWIP to the return that will be accrued when those projects are transferred to the regulatory asset account.

RESPONSE TO DATA REQUEST NO. 2-14

Prepared by: Joe Christian

During the time that projects are placed in service but not included in base rates, the interest deferral rates would be as follows:

	<u>TLA 2013</u>	<u>LGS 2012</u>
Return on Equity - Before Tax	7.80%	8.11%
Debt Capital	2.99%	3.09%
Pretax cost of capital	10.79%	11.20%

The CWIP AFUDC rate for calendar 2013 was 1.09%.

DATA REQUEST NO. 2-15

Please identify the jurisdictions in which Atmos has received approval for similar cost recovery mechanisms for system integrity investment and the docket number(s) in which approval was granted.

RESPONSE TO DATA REQUEST NO. 2-15

Prepared by: Joe Christian

Atmos Energy has received specific approval in the state of Kentucky. The recovery mechanism was approved as part of Docket No. 2009-00354. The Texas Railroad Commission approved a rule that includes establishment of a regulatory asset. The rule is part of Title 16, Part 1, Chapter 8, Subchapter C, Rule 8.209.

DATA REQUEST NO. 2-16

Please provide a copy of the most recent system integrity cost recovery filing in each other jurisdiction in which Atmos has a mechanism similar to that being requested in this proceeding.

RESPONSE TO DATA REQUEST NO. 2-16

Prepared by: Joe Christian

Please see Attachment 1 to DR 2-16 for a copy of Atmos Energy's latest Kentucky filing. No specific filing is required in Texas. Please see the example calculation related to the Texas rule provided in the Company's response to Staff DR 2-9.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_2-16_Att1 - Atmos 2013 PRP Annual Filing.pdf, 30 Pages.

DATA REQUEST NO. 2-17

Please state whether any of the other states where Atmos has a mechanism for recovery of system integrity costs require either advance identification of qualifying investments and/or past completion reporting of the eligible investments. If yes, explain those requirements and provide copies of any reports.

RESPONSE TO DATA REQUEST NO. 2-17

Prepared by: Joe Christian

Please see the Company's response to Staff DR 2-16 for a copy of the Kentucky filing. This filing is made in August and spending/recovery begins in October each year. In Texas, the Company files an annual replacement completion report and replacement work plan, which is provided in Attachment 1 to DR 2-17.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_2-17_Att1 - Atmos Mar'13 8.209 Report.pdf, 8 Pages.

DATA REQUEST NO. 2-18

For 2014 and 2015, please provide a listing of the projects that Trans La and LGS plan to undertake that would qualify as projects eligible for deferral treatment, and explain the basis for qualifications.

RESPONSE TO DATA REQUEST NO. 2-18

Prepared by: George Strain

No specific projects have been identified. Please see Attachment 1 to the Company's response to Staff DR 2-2, for a list of types of transmission and distribution pipe that will be replaced under the program.

DATA REQUEST NO. 2-19

Please explain the procedures that the Companies propose to implement to allow review and verification that the projects included for recovery under the proposed regulatory asset mechanism are properly included for such recovery. Include a copy of any reports or other documents that the Companies intend to provide.

RESPONSE TO DATA REQUEST NO. 2-19

Prepared by: Joe Christian

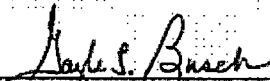
Atmos Energy has proposed to implement deferred accounting via a modification to the RSC tariff; thus the Company would propose to provide with each RSC filing the following additional information:

- 1) a listing of projects that have costs deferred;
- 2) detail supporting the regulatory asset included in rate base; and
- 3) detailed examples of how the monthly regulatory asset is accumulated during the test period.

The Company has not developed any specific reports; however, please refer to Attachment 1 to the Company's response to Staff DR 2-9 for a sample of what the Company can provide in relation to how the monthly regulatory asset is accumulated during the test period.

Respectfully submitted,

**ROEDEL, PARSONS, KOCH, BLACHE,
BALHOFF & MCOLLISTER, ALC**
8440 Jefferson Highway, Suite 301
Baton Rouge, Louisiana 70809
T: (225) 929-7033 F: (225) 928-4925
E: GKellner@RoedelParsons.com


By: Gayle T. Busch [Kellner] (No. 20585)
J. Kenton Parsons (No. 10377)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the above and foregoing Atmos Energy Corporation's Responses to Staff's Second Set of Data Requests has been sent this date, by email and/or facsimile and/or FedEx and/or US Mail, postage prepaid and properly addressed to:

Thomas Catlin
Matthew Kahal
Exeter Associates, Inc.
10480 Little Patuxent Parkway, Suite 300
Columbia, MD 21044
LPSC Outside Consultants

Steve Kabel
Staff Attorney, LPSC
P.O. Box 91154 (70821)
Galvez Building, 12th Floor
602 North 5th Street
Baton Rouge, LA 70802
Facsimile: (225) 342-5610
Email: Stephen.Kabel@LA.GOV
LPSC Staff Counsel

Baton Rouge, Louisiana this 12th day of February, 2014.


Gayle T. Busch [Kellner] (No. 20585)

Response

Atmos Energy Corporation, Louisiana
 Ten-Year Infrastructure Spending

RD 077											
Project/Mileage	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	TOTAL
18" Steel Pipe	2.5	2.5	2.0								7.0
Bare Steel	5.0	5.0	5.0	6.0	8.0	8.0	7.0	10.0	12.0	15.0	81.0
PVC	5.0	5.0	5.0	5.0	5.0	5.0	5.0				35.0
Total	12.5	12.5	12.0	11.0	13.0	13.0	12.0	10.0	12.0	15.0	123.0

RD 007											
Project/Footage	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	TOTAL
Delrin	5.0	5.0	5.0	2.8							17.8
Bare Steel	7.0	7.0	9.0	10.0	10.0	7.0	8.0	8.0	12.0	13.0	91.0
PVC	2.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0			35.0
Aldyl A	2.0	2.0	2.0	4.0	6.0	8.0	8.0	8.0	5.0		45.0
ABS	2.0	2.0									4.0
Total	18.0	20.0	20.0	21.8	21.0	20.0	21.0	21.0	17.0	13.0	192.8

LA Division											
Project/Footage	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	TOTAL
18" Steel Pipe	2.5	2.5	2.0								7.0
Delrin	5.0	5.0	5.0	2.8							17.8
Bare Steel	12.0	12.0	14.0	16.0	18.0	15.0	15.0	18.0	24.0	28.0	172.0
PVC	7.0	9.0	9.0	10.0	10.0	10.0	10.0	5.0			70.0
Aldyl A	2.0	2.0	2.0	4.0	6.0	8.0	8.0	8.0	5.0		45.0
Total	28.5	30.5	32.0	32.8	34.0	33.0	33.0	31.0	29.0	28.0	311.8