

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

IN THE MATTER OF THE APPLICATION)	
OF ATMOS ENERGY CORPORATION)	Docket No.
FOR REVIEW AND ADJUSTMENT OF ITS)	26-ATMG-<u>026</u>-RTS
NATURAL GAS RATES)	

DIRECT TESTIMONY OF JOEL J. MULTER

JULY 25, 2025

**SUBMITTED ON BEHALF OF
ATMOS ENERGY CORPORATION**

TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. PURPOSE AND SUMMARY OF TESTIMONY.....	2
III. TAX RIDER TARIFF.....	2

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Joel J. Multer. My business address is 5430 LBJ Freeway, Dallas,
4 Texas 75240.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Atmos Energy Corporation (“Atmos Energy” or the “Company”)
7 as the Vice President of Tax.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I have a Bachelor of Business Administration Degree in Accounting as well as a
11 Master of Science with a focus on Taxation from the University of Wisconsin-
12 Milwaukee. I joined Atmos Energy in my current role in August 2021. Prior to
13 that time, I held positions in both public accounting and within the private sector,
14 including over 13 years in the regulated utility industry. My previous employers
15 include American Electric Power Service Corporation, Ernst & Young, WEC
16 Energy Group, and Walgreens Boots Alliance.

17 **Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE THE KANSAS**
18 **STATE CORPORATION COMMISSION (“COMMISSION”)?**

19 A. No.

20 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY**
21 **REGULATORY PROCEEDINGS?**

22 A. Yes. I have provided testimony to the Kentucky Public Service Commission, Texas
23 Railroad Commission and Mississippi Public Service Commission for Atmos

1 Energy. I have also provided testimony to the Arkansas Public Service
2 Commission, the Louisiana Public Service Commission, and the Public Utility
3 Commission of Texas on behalf of Southwestern Electric Power Company. I have
4 also provided testimony to the Oklahoma Corporation Commission on behalf of
5 Public Service Company of Oklahoma, to the Michigan Public Service
6 Commission on behalf of Indiana Michigan Power Company, and to the Public
7 Utilities Commission of Ohio on behalf of the Ohio Power Company.

8 **Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR**
9 **DIRECT TESTIMONY?**

10 A. No. However, I am sponsoring the Company's proposed Tax Rider Tariff which is
11 attached to the application.

12 **II. PURPOSE AND SUMMARY OF TESTIMONY**

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of my direct testimony is to explain the necessity of and provide
15 support for the Company's proposed Tax Rider Tariff which is intended to capture
16 the effects of the 2022 Inflation Reduction Act, signed into law as Public Law 117-
17 169, 136 Stat. 1818 on August 16, 2022 ("Tax Act 2022") as well as any future
18 changes to the federal or state income tax rate and other federal, state or local tax
19 law changes.

20 **III. TAX RIDER TARIFF**

21 **Q. WHY IS THE COMPANY PROPOSING THE ESTABLISHMENT OF THE**
22 **TAX RIDER TARIFF?**

23 A. The Tax Rider Tariff is designed to capture and implement the income tax effects

1 of the Tax Act 2022 as well as the effects of any future changes to the federal or
2 state income tax rate and other federal, state or local tax law changes. The proposed
3 tariff will allow customer rates to be aligned with the Company's costs in a timely
4 manner and ensure the procedure for achieving that alignment is seamless, efficient,
5 and transparent. While the primary impetus for the request to establish the Tax
6 Rider Tariff is the Tax Act 2022, the proposed tariff is designed to efficiently
7 capture the impact of both the Tax Act 2022 and other future changes to tax law
8 that could result in a misalignment of rates and costs; the proposed tariff would
9 alleviate the misalignment in a timely and efficient manner. Because tax law
10 changes are inherently unpredictable and largely out of the control of both the
11 Company and the Commission, the proposed language is the most effective way to
12 reflect their impact on the Company's cost of service in rates.

13 **Q. PLEASE DESCRIBE THE TAX ACT 2022.**

14 A. The Tax Act 2022 was signed into law on August 16, 2022, and introduced a new
15 15% corporate alternative minimum tax ("CAMT"). The Tax Act 2022 also
16 expanded various energy-related federal income tax credit provisions.

17 **Q. PLEASE DESCRIBE THE NEW CAMT AND HOW IT OPERATES.**

18 A. The CAMT applies to any corporation having three-year average annual adjusted
19 financial statement income ("AFSI") greater than \$1 billion. Such corporations are
20 required to calculate a minimum tax liability that is equal to 15% of AFSI. AFSI
21 generally consists of the corporation's net income or loss as reported on its annual
22 financial statements, prepared under U.S. Generally Accepted Accounting

1 Principles adjusted to exclude income tax expense and substitute tax depreciation
2 in place of financial statement depreciation expense.

3 The corporation will owe the minimum tax liability to the extent it is greater
4 than its regular tax liability (federally determined taxable income multiplied by the
5 21% corporate tax rate). Any amount of minimum tax liability paid in excess of
6 the regular tax liability results in a tax credit that can be carried forward indefinitely
7 to future tax periods and can be used to offset regular tax liability to the extent it is
8 greater than that period's minimum tax liability. This CAMT tax credit
9 carryforward, therefore, represents incremental income taxes paid due to the
10 CAMT and is accounted for as a deferred tax asset within the corporation's
11 financial statements.

12 **Q. IS THE COMPANY CURRENTLY SUBJECT TO THE CAMT?**

13 A. No.

14 **Q. DOES THE COMPANY EXPECT TO PAY THE CAMT IN THE FUTURE?**

15 A. Yes. The Company currently projects to begin paying the CAMT quarterly
16 beginning in its 2027 fiscal year.

17 **Q. PLEASE FURTHER EXPLAIN THE FINANCIAL STATEMENT
18 TREATMENT FOR THE CAMT.**

19 A. A current federal income tax liability and a current federal income tax expense will
20 be recorded for the CAMT liability. When the minimum tax is paid, a CAMT credit
21 is generated, which can be carried forward indefinitely to offset future regular
22 federal income tax liabilities in periods where the regular federal income tax
23 liability exceeds the CAMT liability. The CAMT credit cannot be carried back to

1 previous taxable years. A federal deferred tax asset and a federal deferred tax
2 benefit are recognized for the CAMT credit carryforward. When the CAMT credit
3 carryforward is used to offset regular taxable income, the deferred tax asset will
4 reverse and the current tax liability will be reduced. Total income tax expense is
5 unaffected since the CAMT is not designed to increase the total amount of taxes
6 paid over the life of a corporation, but instead to accelerate the payment of those
7 taxes to an earlier period.

8 **Q. PLEASE EXPLAIN THE IMPACT OF THE CAMT ON CASH FLOW.**

9 A. Payment of the CAMT, once applicable to the Company, means that the Company
10 will no longer be able to defer a portion of taxes to future periods. The cost-free
11 capital previously received from government incentives to invest is no longer
12 available. Thus, the resulting deferred tax asset represents a new financing
13 requirement for the Company, in addition to the financing that is required to fund
14 infrastructure investments, which will reduce overall cash flow. It is for this reason
15 that it is appropriate for the Company to collect a return on the CAMT asset and
16 the reason that the proposed tariff language is necessary.

17 **Q. HOW DOES THE TARIFF REFLECT THE IMPACT OF CAMT IN**
18 **RATES?**

19 A. The Tax Rider Tariff prescribes the calculation of a rider, calculated as the product
20 of the Company's grossed-up rate of return authorized in the Company's most
21 recent base rate case proceeding times the CAMT deferred tax asset estimated at
22 September 30 of the fiscal year or applicable quarter-end within a fiscal year prior
23 to the annual change in the rates pursuant to the proposed tariff, less the income tax

1 credits received in accordance with Internal Revenue Code requirements applicable
2 to the Tax Act 2022 grossed-up for income taxes to a revenue equivalent.
3 Furthermore, the estimated CAMT deferred tax asset and the related effects on the
4 rider revenue requirements shall be trued up to the actual effects in the following
5 year and the over/under recovery amortized over the 12 months that each year's
6 recalculated tariff rates are in effect.

7 **Q. PLEASE DESCRIBE THE PURPOSE OF THE SECOND SECTION OF**
8 **THE PROPOSED TAX RIDER TARIFF, "OTHER FEDERAL OR STATE**
9 **TAX RATE CHANGES".**

10 A. The purpose of the second section of the proposed tariff, like that of the first section,
11 is to align customer rates with any future federal and state tax rate changes in a
12 timely manner.

13 **Q. PLEASE DESCRIBE THE MECHANISMS BY WHICH THE PROPOSED**
14 **TARIFF ACCOMPLISHES THIS PURPOSE.**

15 A. The proposed tariff prescribes that the Company (1) accrue regulatory assets and/or
16 liabilities as applicable as of the effective date of the federal state, or local tax rate
17 change; and (2) refund or collect applicable amounts to/from customers within 12
18 months, or as subject to applicable Internal Revenue Code rules and the
19 requirements of a Commission decision issued pursuant to a filing made regarding
20 the Tax Rider Tariff.

21 **Q. WHAT IS MEANT BY REFERENCE TO AMOUNTS BEING SUBJECT TO**
22 **APPLICABLE INTERNAL REVENUE CODE RULES AND**
23 **REQUIREMENTS?**

1 A. To the extent the Company accrues regulatory liabilities or assets related to
2 book/tax timing differences associated with accelerated tax depreciation, such
3 balances will be subject to the normalization provisions of the Internal Revenue
4 Code.

5 **Q. HOW WOULD THE NORMALIZATION PROVISIONS OF THE**
6 **INTERNAL REVENUE CODE IMPACT THE TREATMENT OF**
7 **REGULATORY LIABILITIES OR ASSETS?**

8 A. The normalization rules of the Internal Revenue Code restrict the manner and
9 timing of passing back, or collecting, amounts from customers in rates when such
10 amounts pertain to the tax benefits of accelerated tax depreciation.

11 **Q. HOW IS THE COMPANY PROPOSING TO COMPLY WITH THE**
12 **NORMALIZATION REQUIRMENTS IN RELATION TO THIS**
13 **PROPOSED TAX RIDER TARIFF?**

14 A. To the extent accrued regulatory liabilities or assets resulting from a federal tax rate
15 change relate to book/tax differences associated with accelerated tax depreciation,
16 the Company will work with the Commission to implement customers refunds or
17 collections in a manner that is consistent with the Tax Code normalization
18 provisions.

19 **Q. HAS THERE BEEN ANY FEDERAL OR KANSAS TAX RATE OR TAX**
20 **LAW CHANGES SINCE THE TAX ACT 2022 THAT HAVE IMPACTED**
21 **THE COMPANY?**

22 A. No. The recent passage of H.R. 1, the One Big Beautiful Bill Act, is not believed
23 to include any provisions that would affect the Company's tax expense or cash tax

1 outflows applicable to its Kansas operations.

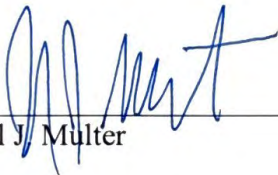
2 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

3 A. Yes.

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF DALLAS)

Joel J. Multer, being duly sworn upon his oath, deposes and states that he is Vice President Tax for Atmos Energy Corporation; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information and belief.



Joel J. Multer

Subscribed and sworn before me this 23 day of July, 2025.



Notary Public

My appointment expires: 5/25/26

