

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:

ATMOS ENERGY CORPORATION	)	
ANNUAL RECONCILIATION	)	DOCKET NO. 17-00091
OF ANNUAL REVIEW MECHANISM	)	

A N D

IN RE:

ATMOS ENERGY CORPORATION	)	
REQUEST TO CHANGE CERTAIN ARM	)	DOCKET NO. 18-00003
DATES	)	

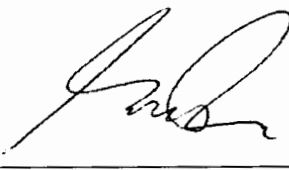
NOTICE OF FILING

Atmos Energy Corporation herewith files the transcript of the Commission conference held January 16, 2018, covering the two captioned matters, with exhibits. The transcript and exhibits should be filed in each of the two captioned matters.

This 6th day of February, 2018.

Respectfully submitted,

NEAL & HARWELL, PLC

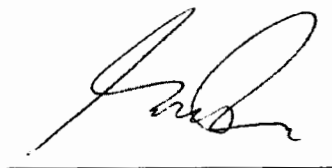
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 6th day of February, 2018.

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In The Matter Of:
Before the Tennessee Public Utility Commission
Excerpt of Transcript of Commission Conference

Docket Nos. 17-00091 and 18-00003
January 16, 2018



Original File 2018-01-16 TPUC 17-00091 and 18-00003.txt

Min-U-Script® with Word Index

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

EXCERPT OF TRANSCRIPT OF COMMISSION CONFERENCE

DOCKET NOS. 17-00091 and 18-00003

Tuesday, January 16, 2018

APPEARANCES:

For Atmos Energy: Mr. A. Scott Ross

For Consumer Advocate: Mr. Wayne M. Irvin
Mr. Vance L. Broemel

For TRA Staff: Ms. Kelly Cashman-Grams
Ms. Sharla Dillon
Mr. Jimmie Hughes

Reported By:
Patricia W. Smith, LCR, RPR, CCR

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ADDENDUM TO FINAL CONFERENCE AGENDA

SECTION 4 - MORRISON, HILLIARD, AND JORDAN

18-00003

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(Miscellaneous Business - None)

1 (The aforementioned Commission
2 Conference came on to be heard on Tuesday, January 16,
3 2018, beginning at 1:05 P.M., before Chairman David F.
4 Jones, Vice Chairman Robin L. Morrison, Commissioner
5 Herbert Hilliard, Commissioner Kenneth C. Hill, and
6 Commissioner Keith Jordan. The following is an excerpt
7 of the proceedings which were had, to-wit:)

8 (Excerpt beginning at 1:13 P.M.)

9 MS. DILLON: Next we have Section 4,
10 Commissioners Morrison, Hilliard, and Jordan.

11 Docket No. 17-00091, Atmos Energy
12 Corporation. Atmos Energy Corporation, 2017 ARM
13 reconciliation filing. Hear and consider petition.

14 VICE CHAIRMAN MORRISON: I would like
15 to move this matter to the heel of the agenda.

16 COMMISSIONER HILLIARD: Second and vote
17 aye.

18 COMMISSIONER JORDAN: Vote aye.

19 (Following proceedings beginning at
20 1:39 P.M.)

21 VICE CHAIRMAN MORRISON: Okay. We will
22 resume the hearing. Is everyone back and ready to go?

23 All right, Madam Clerk.

24 MS. DILLON: Under Section 4,
25 Commissioners Morrison, Hilliard, and Jordan.

1 Docket No. 17-00091, Atmos Energy
2 Corporation. Atmos Energy Corporation, 2017 ARM
3 reconciliation filing. Hear and consider petition.

4 VICE CHAIRMAN MORRISON: I will call
5 this hearing to order. This matter was duly noticed
6 for hearing on January 5, 2018, and is being conducted
7 in accordance with the Uniform Administrative
8 Procedures Act.

9 I see that the parties have come
10 forward. Please introduce yourselves for the record.

11 MR. IRVIN: I'm Wayne Irvin, on behalf
12 of the Consumer Advocate, and with me is Vance Broemel.

13 MR. ROSS: Scott Ross for Atmos Energy.
14 And with me is Greg Waller, Manager of Rates and
15 Regulatory Affairs for Atmos Energy.

16 VICE CHAIRMAN MORRISON: On January 8,
17 2018, Atmos filed a Motion to Resubmit Reconciliation
18 and Change Dates.

19 Mr. Ross, you may proceed with your
20 opening comments regarding your motion. And we are
21 keeping our opening statements to ten minutes, please.
22 Thank you.

23 MR. ROSS: That shouldn't be a problem.

24 When Atmos -- Atmos has had one
25 reconciliation proceeding under its ARM mechanism, and

1 that was Docket 16-105. In that docket, Atmos had to
2 decide what to do about income tax expense. And the
3 reason was that in all prior dockets up to that
4 point -- in fact, in the company's regulatory history
5 in Tennessee -- taxes had always been calculated at
6 statutory rates. And that's because every other filing
7 was a forward-looking filing. Now Atmos had to do a
8 reconciliation to a forward-looking filing.

9 And in the settlement agreement in the
10 docket that set up the ARM, 14-146, it's -- the
11 settlement agreement called for reconciliations to be
12 done using actual results for the forward-looking test
13 year. Well, there was no such thing because Atmos
14 Energy's forward-looking test year ends May 31 but its
15 fiscal year ends September 30. And the book tax
16 results that it had were for the year ended
17 September 30.

18 So what Atmos did in that first
19 proceeding, without really giving it adequate
20 consideration, is just take that book tax number from
21 September 30 and in the 16-105 docket just used it as
22 the tax number for the period eight months later, ended
23 May 31.

24 In retrospect, and in preparing this
25 docket, this was realized that that was in error to do

1 it that way. And Atmos, in this docket, sought to fix
2 that problem. And its proposed solution was to go back
3 to calculating taxes at statutory rates because in that
4 way it could align the revenue to which the tax is
5 being applied with the tax for the same periods of
6 time. There was resistance to that idea because there
7 was resistance to using anything but a book number.

8 And so in discussions in around
9 October, an alternative solution was proposed: well,
10 what about just changing the periods so that we can
11 align the fiscal year with the test year so that both
12 are year ended May -- or September 30? And so from
13 that point, the company has been working on how to do
14 that. And that brings us to our current motion.

15 Some of this has been set forth or
16 alluded to in testimony. There's some statements in
17 testimony from Mr. Novak, in his supplemental
18 testimony, and then in rebuttal testimony from
19 Mr. Waller, about changing the dates and align up the
20 periods and how that might be done.

21 What we are proposing here in our
22 motion is very narrow, that we, number one, resubmit
23 this reconciliation docket. And in that new
24 reconciliation docket, number two, we would reconcile
25 the period June 1, 2016 through September 30, 2017.

1 And in that way, we would have a 12-month period that
2 aligns with our fiscal year, we could use fiscal
3 year-end tax numbers, and for that 12-month period we
4 wouldn't have this timing problem. We would leave open
5 questions as to exactly how we would handle that
6 4-month stub period for further discussion, discovery,
7 motion practice, if necessary, and resolution, in the
8 new docket, and that all other issues raised in this
9 docket would be brought forward to the new docket so
10 that there would be adequate time to consider all of
11 that and get rulings on the things that we can't
12 resolve by agreement. And we would leave -- we would
13 dismiss or end this docket, administratively close this
14 docket, and leave all those issues for a new docket.

15 So we have -- in our motion we have
16 been -- I have tried to be very clear that -- what we
17 are deciding and what we are not deciding. All we are
18 asking for is to allow the new filing and to move
19 the -- allow the new filing with the new date periods
20 and to resolve all the "how-we-do-that issues" in the
21 new docket.

22 Now, we -- when we brought these ideas
23 to the Hearing Officer, it was recommended that we also
24 file a separate petition to deal with the
25 forward-looking alternative ratemaking filing that

1 would otherwise be due February 1, since that would
2 come and go while we were in that new docket unless we
3 did something about that.

4 And so in that petition, which is
5 18-00003, we have simply asked for permission to delay
6 that February 1 filing to June 1 and under the new
7 schedule to have a forward-looking test year that runs
8 from September 30 -- or October 1 to September 30 and
9 that we implement new rates effective October 1. So,
10 basically, we're making that same time shift to align
11 the test year with the fiscal year in the
12 forward-looking filing as we would be for this
13 reconciliation filing. So those are the two pieces to
14 this that we are asking the Commission to rule on
15 today.

16 And we've got -- Greg Waller is here
17 with me. He can explain further and go through the
18 accounting, answer any questions that you may have, any
19 cross-examination that may come up.

20 I also have here today Jennifer Story,
21 who is our director of tax, who can answer questions
22 about the underlying tax issues.

23 But what we're requesting here today is
24 to defer any resolution of those tax issues into the
25 new docket. So we're not asking for the Authority to

1 resolve whether there is a normalization violation or
2 any of these other technical tax questions that we have
3 run into, here today. But be that as it may, she is
4 here for questioning from the commissioners or
5 cross-examination, as may be needed.

6 with that, unless there are questions,
7 I will turn it over to Mr. Waller at this point.

8 VICE CHAIRMAN MORRISON: Thank you. We
9 will do the --

10 MR. ROSS: Yeah, the --

11 VICE CHAIRMAN MORRISON: -- opening
12 for --

13 Yes. You may proceed.

14 MR. IRVIN: Thank you. And now me.

15 And my understanding from the Hearing
16 officer is that we have up to -- I may need a couple
17 more minutes than ten. Is that -- I will -- I will do
18 my best to keep it under.

19 VICE CHAIRMAN MORRISON: Are you fine
20 with that, Mr. Ross? Yeah?

21 MR. ROSS: Yes.

22 VICE CHAIRMAN MORRISON: Okay. All
23 right.

24 MR. IRVIN: Thank you, Vice Chairman
25 Morrison.

1 This motion and the related petition
2 18-3 are simply premature. There is a dispute about a
3 normalization violation, but the solution to that is a
4 hearing on the merits. In our view, Atmos has not
5 proven there's a normalization violation. And granting
6 this motion to resolve an unproven problem would simply
7 not be prudent. Changing the dates, as requested by
8 Atmos, would be a dramatic change to the settlement
9 agreement and the Commission's order in Atmos' original
10 annual review mechanism, or ARM, that's in
11 Docket 14-146.

12 An incorporation of Mr. Waller's
13 untested and unevaluated proposal would be premature.
14 Mr. Waller's approach may appear simple, but it has
15 broad implications for consumers, Commission action in
16 the future, future ARM filings by Atmos and potentially
17 other utilities that will likely use the Alt Reg
18 statute and ARM in the future. Simply moving the dates
19 and potentially endorsing Mr. Waller's proposal could
20 lead to far more complexity, ambiguity, and unintended
21 consequences than simply working through the current
22 17-91 docket under the current mechanism and
23 methodologies. This is simply too complicated to rush
24 to a decision.

25 Specifically why is this motion

1 premature? First, there may be a better way to solve
2 the problem that Atmos created with respect to the tax
3 requirements dealing with income taxes, that is, the
4 alleged normalization violation.

5 One way would be for Atmos to simply
6 make the accounting and tax entries that it agreed to
7 make when it negotiated, reviewed, and signed the
8 settlement agreement.

9 Another recognizes that Atmos has
10 raised these alleged normalization violation issues in
11 at least three dockets now -- 14-146, 16-13, and now in
12 17-91. And the Advocate has identified -- as we have
13 been looking at this briefly and been applying what
14 Atmos appears to be using as a definition for
15 "normalization violation" -- another area, or two, that
16 we need more time to analyze, including in Mr. Waller's
17 proposal the shifting of dates that's the subject of
18 the motion.

19 Maybe it's time to do a more thorough
20 review of these issues, and others that the Consumer
21 Advocate would like to consider, in a broader form of
22 proceeding.

23 Second, and to specifically address
24 this motion, there can be no assurance that changing
25 the dates solves the alleged normalization problem

1 until the TPUC Staff and Advocate have examined not
2 only the dates proposed but also the changes to the ARM
3 mechanism and methodologies that result from that
4 change, especially in view of the requirements of
5 Tennessee Annotated -- Tennessee Code Annotated
6 Section 103(d) and the forced amendments that changing
7 the dates would make to prior settlement agreements and
8 Commission orders.

9 Mr. Waller has a proposal, for which we
10 are glad to give him credit, but that proposal has been
11 thoroughly -- has not been thoroughly reviewed and
12 analyzed in terms of the accounting and tax and
13 regulatory and methodology changes that would be
14 required if Mr. Waller's proposal were adopted on an
15 ongoing basis.

16 Third, Atmos has not proven that it has
17 a normalization violation in this docket, at least from
18 our review of the testimony so far. If it is as
19 clear-cut as Atmos believes, where is the clear support
20 and quantitative data in their testimony that shows it?

21 Fourth, no other utility -- Tennessee
22 utility appears to believe that the difference in dates
23 between a utility's fiscal year end and their own
24 alternative regulation mechanism would result in a
25 normalization violation. It would seem that if this is

1 a normalization violation, the Commission would be
2 dealing with filings from these utilities on this very
3 issue. What would be the implications and potential
4 precedent of changing the dates here because of a
5 merely alleged normalization violation?

6 Fifth, if you deny this motion, Atmos
7 and the Advocate will continue to work on Docket 17-91,
8 prepare it for a full hearing on the merits, and we
9 will present our perspectives to the Commission for a
10 decision on all of the issues in that docket. And
11 Atmos will make its budget filing on February 1, and
12 that process will move forward.

13 Now, on substantive grounds, this
14 motion should be denied for at least six reasons.
15 First, in addition to not being simple, the date change
16 proposed by Atmos is out of the norm. Remember, it
17 would require amendments to at least two settlement
18 agreements in the related orders.

19 It's fascinating to see Atmos ask you,
20 in the face of no amendment agreement with the Consumer
21 Advocate, to substantially and materially change a
22 contract between the parties. You may recall, in my
23 saying that, that what they're asking you to do here is
24 what they and other utilities have said could not be
25 done with special contracts, for example, because they

1 were agreements between third parties.

2 And I could not tell you how many times
3 I have heard from utilities that the utility would not
4 even consider a change that we may have otherwise
5 proposed because a settlement agreement was clear and
6 could not be changed without a new settlement
7 agreement. This ARM settlement agreement should not be
8 modified without at least the acquiescence of all
9 parties.

10 Second, again on substantive grounds,
11 Atmos is asking the Commission to make a determination
12 in a preliminary motion on one issue that was not even
13 mentioned in Atmos' petition or direct testimony in
14 this docket. Recall this only came up because the
15 Advocate asked if there had been any statutory or
16 regulatory changes that required income taxes to be
17 calculated the new way Atmos was calculating them in
18 its filing.

19 Atmos is asking you to sidestep all the
20 other issues in this docket without a hearing on the
21 merits, to resolve an issue, as an apparent
22 accommodation to Atmos, without the agreement of the
23 Advocate.

24 Does Atmos really get a do-over by
25 shoving the dates into the future that Atmos has not

1 proven it needs and could solve by simply keeping its
2 books like it had agreed to keep them? And is this
3 do-over fair to consumers, who, we believe, are due a
4 substantial reduction in rates from those put into
5 effect in Atmos' budget filing and that would apply the
6 methodologies that were used in the last reconciliation
7 docket?

8 Just looking at the testimony filed,
9 Atmos could reduce that reduction substantially if the
10 Commission changes the dates, all -- and all of the
11 other issues in this docket would be shoved aside.

12 Third, changing the dates creates a
13 legal, regulatory, accounting, and methodology
14 quagmire. Recall that the Tennessee statute requires
15 that methodologies that are used in annual filings be
16 adopted in the utility's most recent general rate case.
17 There was -- there were no 16-month methodologies
18 adopted in the last rate case.

19 You also may recall, in Docket 14-81
20 the Commission dismissed an earlier petition of Atmos
21 for lack of methodologies. And does the statute, that
22 speaks only of annual filings, even contemplate or
23 allow a 16-month reconciliation period to a made-up
24 16-month budget filing?

25 And there are more problems. How would

1 methodologies adopted for a 12-month period work in a
2 16-month period? And vice versa.

3 I mentioned Mr. Waller's untested
4 proposal earlier. Will that be used? Or will it be a
5 clean slate? Where is there any basis in the prior
6 settlement agreements for a 16-month reconciliation
7 period for a 12-month budget period? And if there is a
8 16-month budget period, when would the 16-month budget
9 period be approved by the Commission? And who will
10 decide what periods will match up against what periods
11 within that 16-month reconciliation period? And when
12 will that decision be made?

13 Is there really going to be adequate
14 time to analyze and consider all the new methodologies?

15 And, of course, we would want to assure
16 we are not moving from one alleged normalization
17 violation to another in the process of all these
18 16-month new methodologies and time periods and such.

19 And that's only a few of the issues
20 that could result.

21 Fourth, in contrast, this Docket 17-91
22 is almost over. With essentially only a hearing on the
23 merits, if a settlement could not be reached in the
24 interim, that would have to be postponed. We presume
25 that would have to be postponed only a month or two.

1 what will happen to the other issues in this docket,
2 and how will they be affected? All that work that went
3 into this docket, we scrapped. And it was a
4 considerable amount of work, as you can see from the
5 testimony that was filed.

6 And what would become of Docket 16-13?
7 would that docket and all that work and the
8 Commission's order and the compromises that are
9 reflected in that order also be scrapped? Atmos'
10 motion essentially asks you to scrap that budget docket
11 and this reconciliation docket by moving the dates so
12 they get to start over from the beginning.

13 Fifth, and at a very practical level,
14 what will happen to the amount that should have been
15 refunded to Atmos customers based on the true-up of
16 actual amounts in this docket to the budgeted amounts
17 that were approved in the last budget filing? With all
18 the issues considered fairly, we believe that refund
19 would have been substantial. The granting of Atmos'
20 motion would start the process all over and Atmos can
21 take another fresh shot at lowering that potential
22 refund even more, when a simple hearing on the merits
23 could have resolved all of the issues in this docket.

24 And, six, and finally, what's the
25 impact of the recently enacted federal tax legislation

1 on this docket and the upcoming budget filing by Atmos?
2 The Advocate's view is that it would be better to
3 resolve the issues in the current docket -- in other
4 words, get 17-91 over and done with efficiently and
5 cleanly, so that it does not clutter the coming
6 discussions and issues related to the new tax law.

7 Our view is that it is going to be
8 complicated enough to work through the new tax law and
9 its impact on the annual review mechanism without the
10 hangover effect and likely a substantial -- the
11 substantial amount of work that would be required in a
12 reconciliation docket that poses the extensive legal,
13 regulatory, and accounting challenges that I have
14 merely touched on.

15 For the foregoing reasons, the Advocate
16 respectfully recommends the Commission deny Atmos'
17 Motion to Resubmit Reconciliation and Change Dates.

18 VICE CHAIRMAN MORRISON: Thank you.
19 Mr. Ross, please call your first
20 witness.

21 MR. ROSS: Atmos Energy calls Gregory
22 Waller.

23 VICE CHAIRMAN MORRISON: Mr. Waller,
24 raise -- please raise your right hand.

25 Do you swear or affirm that the

1 testimony you are about to give will be truthful?

2 MR. WALLER: I do.

3 VICE CHAIRMAN MORRISON: Mr. Ross, you
4 may proceed.

5 GREGORY WALLER,
6 called as a witness, having been duly sworn, was
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. ROSS:

10 Q. Mr. Waller, what is your position with Atmos
11 Energy?

12 A. Manager of Rates and Regulatory Affairs.

13 Q. And are you prepared to testify here today
14 about the motion to change the dates that we have heard
15 about?

16 A. I am.

17 Q. And to explain what Atmos Energy is
18 proposing?

19 A. I am.

20 Q. At this point can you provide a summary of
21 your testimony to the Commission?

22 A. Sure.

23 Thank you for the opportunity to appear
24 before you today. We are here today requesting that
25 the Commission approve a solution to an issue that you

1 have heard already that arose in our second
2 reconciliation filing that was done pursuant to our
3 annual review mechanism.

4 In preparing our second reconciliation
5 filing, we discovered that we had made an error in the
6 way that we included income tax expense in our first
7 reconciliation filing, which was Docket 16-00105.

8 The bottom line is this: It is
9 inappropriate to use a tax expense from September of
10 one year to reconcile a test period that ends in May of
11 the following year. The May test period includes eight
12 more months of investment and, therefore, eight more
13 months of return and, therefore, requires more income
14 tax expense than would be recorded in September -- in a
15 September that falls eight months prior.

16 So recognizing this error, we filed our
17 second reconciliation filing with synchronized income
18 tax expense, which simply means that the income taxes
19 are calculated at statutory rates and synchronized with
20 the end of the test period, which would be May in this
21 case.

22 I continue to assert that this approach is
23 the correct approach and have stated so in my rebuttal
24 testimony. However, as you have heard, the Consumer
25 Advocate vigorously opposed using synchronized income

1 tax expense and instead argued that we be held to the
2 error that we made in 16-105, arguing that the error,
3 by its inclusion in that docket, effectively became
4 part of the methodology used to calculate
5 reconciliations and that we should be held to and
6 required to repeat that error over and over in future
7 reconciliation filings.

8 So recognizing this impasse, we began
9 brainstorming solutions. And the best idea we came up
10 with is the one that is here before you today, just
11 simply shift the test periods so that the test period
12 and the ARM aligns with the company's fiscal year which
13 ends in September. This allows us to use synchronized
14 tax expense with the -- align synchronized tax expense
15 with the end of the test period while addressing the
16 Consumer Advocate's concern that the number be
17 ultimately sourced from our general ledger.

18 The CAD, through Mr. Novak's prefiled
19 testimony, agreed that this solution was worth pursuing
20 and then mentioned it again in Mr. Novak's supplemental
21 testimony, where he says --

22 MR. IRVIN: If I could object, as far
23 as an agreement, I would be careful of exactly how that
24 is phrased.

25 Sorry to interrupt but --

1 VICE CHAIRMAN MORRISON: Okay. Just a
2 minute. (Pause.)

3 okay. All right. You may proceed.

4 THE WITNESS: That's fine.

5 MR. IRVIN: Thank you.

6 THE WITNESS: It was mentioned again in
7 Mr. Novak's supplemental testimony, where he says that
8 should the Commission be willing to consider the
9 proposal, he would recommend that the order simply say
10 that the dates should be changed without addressing the
11 methodologies by which the reconciliation be
12 calculated.

13 So to summarize where we are today, the
14 company cannot use the tax expense amount from
15 September to reconcile a test period that ends in May,
16 eight months later.

17 The Consumer Advocate is unwilling to
18 agree to use synchronized tax expense calculated at the
19 statutory rates. And so we believe the only solution
20 is to align the end of the test period with September,
21 which is our company's fiscal year. It's the only
22 solution we have developed thus far that addresses the
23 concerns of both parties, and for those reasons it's
24 the -- it's the solution we are asking the Commission
25 to approve today.

1 Thank you.

2 VICE CHAIRMAN MORRISON: Would the
3 Consumer Advocate like to cross-examine the witness?

4 MR. IRVIN: Yes.

5 I would ask -- and since this was filed
6 a week ago, I would ask for a little bit of latitude
7 just in terms of questions in addition to
8 cross-examination.

9 VICE CHAIRMAN MORRISON: Okay. We'll
10 just take it as we go.

11 MR. IRVIN: Thank you.

12 VICE CHAIRMAN MORRISON: Thank you.

13 CROSS-EXAMINATION

14 BY MR. IRVIN:

15 Q. Mr. Waller, first, I would like to ask you
16 some background questions.

17 Are you familiar with TPUC Docket 14-81, in
18 which Atmos sought to opt into an annual review
19 mechanism under Tennessee Code Annotated
20 65-5-103(d)(6)?

21 A. I am.

22 Q. Do you recall the result in that docket and
23 the Commission's reasoning?

24 A. The result was the Commission ruled that we
25 had not met the requirements to opt into the annual

1 review mechanism and, therefore, basically dismissed
2 that docket, if I recall correctly.

3 Q. Do you recall there were no methodologies in
4 the rate case just before 14-81, and so the Commission
5 dismissed the case for lack of methodologies; is that
6 right?

7 A. I believe the previous -- the case previous
8 to that docket was -- had been decided via a
9 settlement, a black-box settlement, if you will, and
10 that's -- that's why there were no stated
11 methodologies, per the Commission's order.

12 Q. Okay. Thank you.

13 Mr. Waller, are you familiar with a
14 settlement agreement in Docket 14-146?

15 A. I am.

16 Q. In fact, you were one of the principal
17 authors of that settlement agreement; correct?

18 A. I was.

19 Q. And that settlement agreement has two
20 principal aspects. It resolved the general rate case
21 and approved the parties' agreement that adopted the
22 methodologies and mechanisms that would be used in an
23 annual review mechanism, or ARM; correct?

24 A. Correct.

25 Q. And the ARM part of that settlement

1 agreement essentially had two parts, also, an annual
2 budget filing and an annual reconciliation filing;
3 correct?

4 A. We refer to the forward-looking test year
5 filings as the budget filings. But it's semantics.

6 Q. I'm trying to -- I'm trying to keep it
7 simple.

8 Okay. And the annual budget filing
9 essentially permits Atmos to put its annual budget for
10 the year, ending on May 31, into rates. And the annual
11 reconciliation filing essentially trues up the actual
12 results from that budget year; correct?

13 A. That's right.

14 Q. Okay. And when you were drafting and
15 negotiating the settlement, did you contemplate actual
16 results -- in quotes -- in the annual reconciliation
17 filing to be used in Atmos' books or a formula
18 calculation independent of that Atmos -- of --
19 independent of Atmos' books?

20 A. At the time we were writing, as you said,
21 writing and authoring the settlement agreement, we
22 anticipated it being actual results. But the -- the
23 vast majority of which do get sourced from the general
24 ledger. And that's what we have done in this -- in
25 this docket.

1 Q. Okay. So you contemplated it being from the
2 books or -- I'm sorry.

3 A. When I say "general ledger," that's the more
4 formal definition of books and records, yes, per books.

5 MR. ROSS: With due respect, I am going
6 to -- I am going to be a lawyer for a second.

7 I don't think it is competent to ask
8 the author of an agreement what the author meant by
9 specific provisions in the agreement as the -- this
10 goes back to the objective theory of contracts. The
11 agreement has a meaning that is independent of the --
12 the intentions of its authors. And that's because an
13 agreement is a compromise by --

14 COMMISSIONER JORDAN: But if there are
15 ambiguities in the contract, the makers of the contract
16 will testify as to the substance and resolve those
17 ambiguities. And I think that's what's been sought
18 here.

19 MR. IRVIN: I was -- I was just trying
20 to establish a foundation. And Mr. Waller is clearly
21 an expert in the contract. I really wasn't trying to
22 have him express his specific view for the purpose
23 of --

24 MR. ROSS: Okay. Maybe it was his --

25 MR. IRVIN: -- making that --

1 MR. ROSS: -- the way the question was
2 phrased.

3 MR. IRVIN: I'm sorry if I wasn't
4 crystal clear.

5 BY MR. IRVIN:

6 Q. Okay. So -- and you followed the per books
7 approach in Docket 16-105, which was the first
8 reconciliation docket under the ARM; correct?

9 A. In 16-105 we used per books, sourced from
10 the general ledger, for all of the costs of service,
11 including income taxes. It did not include per books
12 interest expenses. It was -- it was calculated or
13 synchronized interest expense in that docket.

14 Q. But taxes were -- taxes were per books?

15 A. We used the per books income tax expense
16 scenario, that's correct.

17 Q. Okay. Thank you. Okay. But in the
18 petition and in your direct testimony, you changed that
19 approach to a formula calculation but you didn't
20 mention anything about a normalization violation issue
21 in those filings, did you?

22 A. We did not. That's correct.

23 Q. And why not?

24 A. It's because the primary issue here is the
25 fact that it is inappropriate, for ratemaking, to use a

1 tax expense from September to reconcile a test period
2 that ends eight months later. So, again, the eight
3 months longer investment, the eight months more return
4 that goes along with that investment, requires more
5 income tax expense as part of the cost of service.
6 That is the primary reason why it's inappropriate to
7 use a tax expense from September to reconcile a test
8 period that ends in May.

9 Q. Right. And I appreciate that. But I'm --
10 I'm -- why didn't you include a normalization violation
11 discussion?

12 A. Because that wasn't the primary reason why
13 it is incorrect to do so. That said, even if we were
14 willing to forego or negotiate away that eight months
15 extra tax expense, we couldn't, even if we wanted to,
16 because it also creates a normalization violation.

17 But the primary reason you don't do it is
18 because it doesn't reflect the actual incurred expense
19 of the company of half of the period ending May 31.

20 Q. I'll try to -- I'll try once more.

21 Was there a reason you didn't include it,
22 the discussion about normalization violation? I mean,
23 this is a big deal. This is a huge deal -- right? --
24 to utilities such as Atmos? But it wasn't included.

25 A. It was not included in our prefiled

1 testimony because it wasn't our primary reason. And,
2 frankly, we were still getting our arms around the
3 issue ourselves when -- because, remember, we had the
4 call, ahead of our filing, in August, maybe a week
5 before the filing, and at that time we addressed the
6 issue, explained how we planned to make our filing, and
7 also explained we were still getting our arms around
8 the issue.

9 Q. Okay. Well, we can move on.

10 Mr. Waller, how often does Atmos make income
11 tax entries on its books?

12 A. Monthly.

13 Q. Are those entries accurate enough to be used
14 to determine income tax expense for ratemaking purposes
15 under the ARM?

16 A. Say that again, please.

17 Q. I'll be glad to.

18 Are those entries that you make monthly
19 accurate enough to be used to determine income tax
20 expense for ratemaking purposes under the ARM?

21 A. No.

22 Q. Could Atmos make income tax entries as of
23 May 31 that could be used to determine income tax
24 expense for ratemaking purposes under the ARM?

25 A. My understanding is no, but that would be a

1 question you would -- you would need to ask Ms. Story.

2 Q. Okay. And the basis for your saying -- it's
3 not possible in any sense, in other words?

4 A. It -- it is -- it --

5 Q. And I can -- I'll be glad to ask Ms. Story.

6 A. Yeah, I -- you probably should address that
7 question to Ms. Story.

8 Q. Okay.

9 A. But, yes, there are various reasons why the
10 number that is booked in September is the only number
11 that is appropriate to use for ratemaking for a true-up
12 such as this one.

13 Q. Okay. So keeping in mind what you just --
14 what you were talking about earlier, about the primary
15 reason, so did Atmos agree to the settlement agreement
16 knowing it required income tax entries as of May 31 and
17 then decide -- and then not decide to do that, to make
18 those entries?

19 A. We did not have that intention at the time
20 we made the settlement agreement. We had not -- we had
21 not contemplated exactly how we were going to make the
22 true-up entries related to income taxes of the day --
23 on the day we signed the settlement agreement in 146.

24 The methodologies in 146, the pages and
25 pages of methodologies in 146, address how we make

1 forward-looking filings. They do not address how we
2 make reconciliation filings.

3 Q. And that's -- that's fair. I'm just --
4 okay. That's fine.

5 And if Atmos chose to make the entries as of
6 May 31, there would be no normalization violation;
7 correct?

8 A. If we chose to make the entries of -- I
9 don't understand the question. If we chose to make --

10 Q. well, you had indicated previously that you
11 didn't think that you-all were -- that Atmos was able
12 to. But if you are able to and you chose to make the
13 correct or accurate entries as of May 31, then there
14 would not be a normalization violation; correct?

15 A. If it were possible to make entries, tax
16 expense entries, on the same month end as the test
17 period, then you're correct; that would -- that would
18 not cause a normalization violation if those entries
19 were -- if it was possible to make those entries that
20 would be appropriate for ratemaking.

21 Q. Okay. Now, to be -- to kind of be specific
22 on this -- I'm sorry to get in the weeds -- but I'd
23 like to talk about depreciation expense calculations in
24 paragraph 13(j) of the settlement agreement. Are you
25 familiar with that? Or do I need -- I can have a copy

1 marked.

2 A. I would like to see it, if we could.

3 Q. Sure.

4 COMMISSIONER JORDAN: If the witness is
5 going to be referencing documents, could we have a copy
6 of the documents as well?

7 MR. IRVIN: Oh, absolutely.
8 Absolutely, Your Honor. Hold on. I brought ten
9 copies, Your Honor.

10 VICE CHAIRMAN MORRISON: And would you
11 like to make this Exhibit 1?

12 MR. IRVIN: Yes, ma'am.

13 Okay. I'd like to mark this
14 Stipulation and Settlement Agreement in Docket 14-146
15 as Consumer Advocate Exhibit 1.

16 (Marked Exhibit 1.)

17 VICE CHAIRMAN MORRISON: When you find
18 it, will you tell us what page to refer to?

19 MR. IRVIN: Oh, sure.

20 VICE CHAIRMAN MORRISON: Thank you.

21 MR. IRVIN: Greg can probably find it
22 faster than I can.

23 MR. ROSS: Commissioner, it looks like
24 it starts on page 17.

25 MR. IRVIN: We're not going to get too

1 far in the weeds. I just wanted to make a couple of
2 points.

3 BY MR. IRVIN:

4 Q. Okay. Now, to be specific, I would like to
5 talk about that paragraph 13(j) of the settlement
6 agreement.

7 Aren't the specific depreciation rates that
8 are approved by the Commission, in fact, annual
9 depreciation rates?

10 A. Yes.

11 Q. However, the company converts these annual
12 depreciation rates to monthly rates and then records
13 the depreciation expense on its financial statement; is
14 that correct?

15 A. That's correct.

16 Q. So to be clear, the company takes an annual
17 depreciation rate that is approved by this Commission,
18 converts it to a monthly rate, and then records monthly
19 depreciation expense on its books and records?

20 A. For depreciation expense, that's correct,
21 yes.

22 Q. Okay. Now, let's compare that to the
23 company's methodology for recording income tax expense.
24 The company takes the statutory income tax rate but
25 only records income tax expense at the end of the

1 fiscal year; is that correct?

2 A. It's only recorded at a -- at the state
3 level, the Tennessee level, as opposed to the corporate
4 entity level. It's only recorded at the state level
5 once a year.

6 Q. wouldn't it be possible for the company to
7 record income tax expense on a monthly basis in its
8 financial statements?

9 A. You would have to address that to Ms. Story.

10 Q. Okay. So we'll get back to this with
11 Ms. Story.

12 Okay. Let me see. Now I'd like to take a
13 look at a few other parts of the motion.

14 Are you familiar with Tennessee Code
15 Annotated Section 65-5-103(d)(6)?

16 A. I'm familiar with, generally, the Code. I
17 can't -- I honestly don't -- as a rate person, I don't
18 have all of the annotations in my --

19 Q. Okay. Let's --

20 A. That's the annual review mechanism
21 language -- or statute.

22 Q. Yeah. Well, let me see. Maybe I will ask a
23 question first.

24 Is it accurate to say that Tennessee Code
25 Annotated Section 65-5-103(d)(6) requires an annual

1 filing, that is, a 12-month filing?

2 COMMISSIONER JORDAN: Can I interrupt,
3 Counsel, for just a second?

4 MR. IRVIN: Absolutely.

5 COMMISSIONER JORDAN: Could we get a
6 copy of the statutory language you're referring to?

7 MR. IRVIN: Oh, be glad to.

8 If we could mark this Exhibit 2,
9 please, Consumer Advocate Exhibit 2.

10 (Marked Exhibit 2.)

11 VICE CHAIRMAN MORRISON: Okay. We will
12 mark it as Exhibit 2.

13 COMMISSIONER JORDAN: Counsel, which
14 subsection are we referencing?

15 MR. IRVIN: It would be 65-5-103(d)(6).

16 COMMISSIONER JORDAN: (d)(6). Okay.
17 Got it.

18 VICE CHAIRMAN MORRISON: Okay. So
19 we're on page 53.

20 MR. IRVIN: Yes, but --

21 VICE CHAIRMAN MORRISON: Okay.

22 MR. IRVIN: -- this copy is a
23 convenience for Commissioner Jordan at this point. I'm
24 asking about a specific part of that and whether its
25 accurate to make a statement.

1 THE WITNESS: You will have to repeat
2 the question. I'm sorry.

3 BY MR. IRVIN:

4 Q. I will be glad to.

5 Is it accurate to say that Tennessee Code
6 Annotated Section 65-5-103(d)(6) requires an annual
7 filing, that is, a 12-month filing?

8 MR. ROSS: I respectfully object that
9 it calls for a legal conclusion.

10 MR. IRVIN: Well, Mr. Waller has --

11 VICE CHAIRMAN MORRISON: I'm going to
12 go ahead and sustain. Give me just a second. Okay?
13 Just a minute. (Pause.)

14 MR. IRVIN: May I ask for
15 reconsideration and provide a document that might be
16 helpful in the reconsideration?

17 VICE CHAIRMAN MORRISON: What's the
18 document?

19 MR. IRVIN: His testimony in 16-13, in
20 which he testifies extensively about the meaning of the
21 section.

22 VICE CHAIRMAN MORRISON: All right.
23 Just a minute. (Pause.)

24 Okay. We're going to state that the
25 Code speaks for itself and we will move on.

1 BY MR. IRVIN:

2 Q. would the motion require -- the motion filed
3 by Atmos -- that a reconciliation period in -- that the
4 reconciliation period in this docket be 16 months;
5 right?

6 A. would our current motion in this docket
7 require -- say that again -- our current motion in this
8 docket would require a 16-month --

9 Q. The motion required -- the motion filed by
10 Atmos would require a reconciliation period in this
11 docket of 16 months. Is that accurate?

12 A. That's accurate.

13 Q. So it would not be -- not seem to be in
14 accordance with the Alt Reg statute?

15 MR. ROSS: Same objection.

16 MR. IRVIN: I mean, he has testified,
17 Your Honor, many times about --

18 VICE CHAIRMAN MORRISON: would you like
19 for the witness to read a section of the Code into the
20 record?

21 MR. IRVIN: Well, I -- I would be happy
22 to offer as an exhibit his testimony in 16-13, and that
23 might be helpful.

24 VICE CHAIRMAN MORRISON: Okay.

25 MR. ROSS: I think the Commission can

1 take judicial notice of law. And so . . .

2 COMMISSIONER JORDAN: I was -- I was
3 about to make that same --

4 MR. ROSS: I would --

5 COMMISSIONER JORDAN: -- comment.

6 MR. ROSS: I would stipulate that the
7 statute can -- if it needs to be part of the
8 administrative record, that this copy of the statute
9 could be added to --

10 COMMISSIONER JORDAN: It's not
11 necessary to read it into -- into the -- into the
12 record because the --

13 MR. IRVIN: It's not so much the
14 statute. It's Mr. Waller's testifying about it.

15 MR. ROSS: And that's what I object to.
16 I don't think it's proper to ask this witness opinions
17 on law.

18 MR. IRVIN: He opined in a prior docket
19 about --

20 MR. ROSS: It may be that there was no
21 objection to that and --

22 VICE CHAIRMAN MORRISON: Okay. Just
23 one -- let me consult just a minute. (Pause.)

24 Okay. So the objection has been made.
25 The Code speaks for itself, and we're going to move on.

1 BY MR. IRVIN:

2 Q. well, okay. So, by definition, there would
3 have to be a 16-month budget period to reconcile; is
4 that right?

5 A. Yes.

6 Q. Budget period. Okay.

7 A. There would be a 16-month reconciliation
8 period.

9 Q. And, by definition, there would have to be a
10 16-month budget that you -- otherwise you couldn't
11 reconcile one against the other; correct?

12 A. No, I would disagree with that.

13 Q. So you would reconcile a 16-month period
14 against a 12-month period?

15 A. So this is the second -- the docket we're
16 currently in is the second reconciliation.

17 Q. Yes.

18 A. So we have now two years' worth of
19 forward-looking filings, and we have two years' worth
20 of reconciliations, the current one pending. If we
21 moved the dates to align with the fiscal year of
22 September end, there ultimately is what we deem to be a
23 stub period, a 4-month stub period. But that stub
24 period falls within -- the stub period overlaps with
25 existing forward-looking filings and existing

1 reconciliations that have been done already.

2 Q. So a 4-month stub period plus a 12-month
3 period is 16 months; right?

4 A. Correct.

5 Q. So it is a 16-month reconciliation period?

6 A. Correct.

7 Q. And that 16-month reconciliation period then
8 requires a 16-month budget.

9 A. No. I disagree. It requires -- it requires
10 a 12-month budget period and a 4-month stub period.

11 Q. 16 plus -- equals -- I mean, 12 plus 4
12 equals 16.

13 A. 12 plus 4 is -- 12 plus 4 equals 16. That's
14 correct.

15 Q. Right. So we have -- in this -- in this
16 docket you're proposing a change that would result in a
17 16-month reconciliation period?

18 A. Correct.

19 Q. And that requires, unless you're going to
20 true it up -- well, I think -- I think we've made our
21 point.

22 Let's see. Would the 16-month
23 reconciliation period proposed by Atmos be in
24 accordance with the Alt Reg statute?

25 A. I don't know that I am --

1 MR. ROSS: Again, I object. That calls
2 for a legal conclusion.

3 I can argue that it will or won't be,
4 if the Commission would like to entertain that as a
5 legal matter. I would be happy to address that. But I
6 don't think it's --

7 COMMISSIONER JORDAN: Well, I --

8 VICE CHAIRMAN MORRISON: Okay.

9 Let's --

10 MR. IRVIN: This illustrates --

11 COMMISSIONER JORDAN: I think it -- I
12 think it's a legal matter, but I'm not sure that's --

13 MR. IRVIN: This illustrates the --

14 COMMISSIONER JORDAN: -- the most
15 important issue before us right now.

16 VICE CHAIRMAN MORRISON: Let's go ahead
17 and move on.

18 BY MR. IRVIN:

19 Q. Okay. And the budget period to which this
20 16-month reconciliation period would be trued-up under
21 the motion, budget period, would be the 16-month period
22 ended September 30, 2017; right?

23 A. Again, it is a 16-month reconciliation.
24 Revenue requirements are -- in ratemaking are, by
25 definition, 12-month periods. So we would have a

1 12-month period where we would do a full reconciliation
2 of the 12-month -- of the 12-month revenue requirement,
3 then we would have to deal with this 4-month stub
4 period. The 4-month stub period is four months that
5 have been part of the filings that we have made
6 pursuant to the ARM already. They have been part of
7 the forward-looking filing. They've already been part
8 of the reconciliation filing. There is no -- there is
9 no revenue requirement that is calculated for 16
10 months. Revenue requirements are calculated for 12
11 months.

12 Q. And there's nothing in the settlement
13 agreement in Docket 14-146 that would permit a
14 16-month -- or, as you described it, 12 plus 4 --
15 reconciliation period; correct?

16 A. In which settlement agreement?

17 Q. In 14-146 or any of its progenies.

18 A. There's -- there's -- there's lots of things
19 that we are doing currently that are not in the
20 settlement agreement for 146. We have made changes to
21 the filings in 14-146 and in most -- or several,
22 anyway -- of the dockets subsequent to that.

23 So the settlement agreement allows for
24 changes, and we have proposed changes that have been
25 approved. The Consumer Advocate has proposed changes,

1 some of which have been approved.

2 So the settlement agreement absolutely
3 allows changes to be made, and we have done that.

4 Q. And those changes were all done with at
5 least the acquiescence of the Consumer Advocate?

6 A. I -- I would have to go back one by one
7 through them. I can't -- I'm not sure.

8 Q. Are you aware of any that we directly
9 opposed and fought?

10 A. There have been some that you opposed, that
11 were deferred, I believe, and later approved.

12 Q. But there's nothing in the settlement
13 agreement that allows this particular mechanism?

14 A. That's correct, not currently. But, again,
15 that's -- that's not -- that's not unique. We have had
16 several things that have been changed since the
17 settlement agreement.

18 Q. So the settlement agreement has to be
19 amended; correct?

20 A. No. I mean, we, again -- but it depends on
21 your definition of "amended." But we have made, again,
22 several changes and -- and you have not used the word
23 "amended" in previous dockets before. We have made
24 changes, but we have not gone back and amended the
25 settlement agreement. We have changed the way we

1 calculate several things and -- pursuant to that
2 settlement agreement. But we have never amended the
3 settlement agreement.

4 Q. And there's been no 16-month budget -- or,
5 in your case, as you would describe it, 12-plus-4
6 budget -- approved by the Commission, has there?

7 A. The -- well, the entire -- the 16 months
8 that's currently in question -- if we change the dates
9 and do a 16-month reconciliation, all but four of those
10 months have been the subject of a forward-looking
11 filing. The only four months that haven't been would
12 be the most recent four months, which would be June,
13 July, August, and September of '17. Those -- those
14 four months have not been the subject of a
15 forward-looking filing -- oh, no, that's -- I mean --
16 sorry. That's not -- they've all been the subject of
17 forward-looking filings, the entire 16-month period.

18 Q. As proposed in your new -- in your motion?

19 A. The 16 -- let me start again. My apologies.
20 The 16 months that is -- that is the reconciliation
21 filing that we're currently proposing to cover the 16
22 months from June 1 of '16 through September 30 of '17,
23 all 16 of those months have been the subject of a
24 forward-looking filing at some point, pursuant to the
25 ARM.

1 Q. Aside from the question about the
2 legalities -- so Mr. Ross will have a little less
3 heartburn -- of not using an annual period under
4 103(d)(6), does it seem fair and in the public interest
5 to allow Atmos to make up a new 16-month budget at the
6 same time it's -- or 12 plus 4 -- at the same time it's
7 truing up that 16-month, or 12-plus-4, budget?

8 MR. ROSS: Objection. Assumes facts
9 not in evidence.

10 MR. IRVIN: Well, I've been cut off
11 every time. I mean --

12 VICE CHAIRMAN MORRISON: If you will
13 just rephrase it.

14 BY MR. IRVIN:

15 Q. Would it be fair and appropriate to
16 basically be creating the 12-plus-4 period at the same
17 time, for budget purposes, as you are truing it up, the
18 12-plus-4 period? Would that be fair and in the public
19 interest?

20 MR. ROSS: Same objection.

21 MR. IRVIN: It goes right to one of the
22 questions of --

23 VICE CHAIRMAN MORRISON: You can ask a
24 hypothetical question.

25 MR. ROSS: Well, my objection is that

1 the question assumes that -- he's asking would it be
2 fair and appropriate to do X, and it has not been
3 established -- in fact, the witness has said that it's
4 not true -- that we are doing X or would be doing X.
5 So -- and so it's a --

6 MR. IRVIN: The witness has established
7 that he is doing a --

8 MR. ROSS: -- version of "when did you
9 stop beating your wife?"

10 MR. IRVIN: No, it's not.

11 VICE CHAIRMAN MORRISON: Objection
12 overruled. So proceed.

13 BY MR. IRVIN:

14 Q. would it be appropriate for the Commission
15 to disregard the references to annual periods in the
16 statute and allow other utilities to use non-annual
17 periods?

18 MR. ROSS: objection. calls for a
19 legal conclusion.

20 MR. IRVIN: He is an expert and he is
21 opining.

22 VICE CHAIRMAN MORRISON: Repeat the
23 question.

24 BY MR. IRVIN:

25 Q. would it be appropriate for the Commission

1 to disregard the references to annual periods in the
2 statute and allow other utilities to use non-annual
3 periods?

4 MR. ROSS: Same objection.

5 COMMISSIONER JORDAN: Can I interject
6 here? Has any -- has any other entity made a similar
7 request? If not, it would seem to me that's
8 speculative.

9 VICE CHAIRMAN MORRISON: He can ask a
10 hypothetical question.

11 MR. ROSS: Do you want to rephrase it
12 or --

13 MR. IRVIN: Well, I will --

14 BY MR. IRVIN:

15 Q. So if we assume that other utilities would
16 have the same problem, would it be appropriate for the
17 Commission to disregard the references to annual
18 periods and allow other utilities to use non-annual
19 periods?

20 A. I don't -- I can't speak to what is or isn't
21 appropriate for the Commission to do relative to the
22 statute.

23 MR. IRVIN: We'll move on, Your Honor.

24 BY MR. IRVIN:

25 Q. Let's see.

1 with respect to methodologies, the motion
2 says ". . . the specific methods" -- quote --
3 ". . . the specific methods by which Atmos proposes to
4 reconcile the 16-month reconciliation period would be
5 reserved, to be addressed in the Commission's new ARM
6 reconciliation filing" [sic]; correct?

7 A. Yes.

8 Q. In the 16-month reconciliation filing will
9 Atmos use the methodologies adopted in the most -- in
10 its most recent rate case, that is, as set out in
11 settlement -- in the settlement agreement in 14-146?

12 A. What was the question? Will we do that?

13 Q. Yes.

14 A. I mean, again, the order -- the motion says
15 that the methodology that we will use specifically to
16 calculate that 16 months will be reserved for that
17 docket.

18 Q. Have you ever said that it would -- that
19 methodologies must be established in the most recent
20 rate case to be used in a reconciliation docket -- or
21 in an ARM mechanism?

22 A. Say that again, please.

23 Q. Have you ever said -- well, it's going to be
24 easier if I just ask a couple of questions about it.

25 MR. IRVIN: This is the rebuttal

1 testimony of Greg Waller in Docket 16-13. I would ask
2 for it to be marked as No. 3, Consumer Advocate No. 3.

3 MR. ROSS: We have no objection for
4 identification.

5 VICE CHAIRMAN MORRISON: So marked.

6 (Marked Exhibit 3.)

7 COMMISSIONER JORDAN: Counsel, I wasn't
8 here for this particular hearing. If you would give me
9 a little, brief background about what was the nature of
10 the dispute here and . . .

11 MR. IRVIN: Probably Mr. Waller would
12 be better to -- he is an expert. This is the -- the
13 context is the annual -- or the budget filing is the
14 one to which -- that is, the current docket, 17-91 --
15 is now being reconciled.

16 THE WITNESS: And I apologize. But
17 could you repeat your question if you would like me to
18 respond?

19 COMMISSIONER JORDAN: Yeah. I mean,
20 obviously, I was not here for the -- for this hearing.
21 I just wanted -- this is -- it appears to be a rebuttal
22 testimony without saying what we were rebutting.

23 THE WITNESS: The Docket 16-00013 was
24 a -- one of our forward-looking filings or was --

25 COMMISSIONER JORDAN: I understand

1 that.

2 THE WITNESS: -- budget filing. We --
3 we filed that pursuant to the ARM.

4 COMMISSIONER JORDAN: Okay.

5 THE WITNESS: Mr. Novak filed rebuttal
6 testimony where he addressed -- or challenged several
7 things that were in that filing. So this was my
8 rebuttal testimony rebutting his positions.

9 COMMISSIONER JORDAN: So this is a
10 rebuttal to a rebuttal.

11 THE WITNESS: It's a rebuttal to the --
12 I don't know if the Consumer Advocate called that
13 testimony rebuttal testimony to my prefiled or if that
14 was their prefiled. But it was -- it was rebutting the
15 Consumer Advocate's testimony, yes.

16 COMMISSIONER JORDAN: Okay.

17 BY MR. IRVIN:

18 Q. Okay. If you would turn to page 9. Are you
19 familiar with the question?

20 A. Mm-hmm.

21 Q. And if you could read lines 11 through 17.

22 A. It starts with the answer "No. Tennessee
23 Code Annotated 65-5-103(d)(6)(A) specifically provides
24 that 'A public utility may opt to file for an annual
25 review of its rates based upon the methodology adopted

1 in its most recent rate case pursuant to Tennessee Code
2 Annotated 65-5-101 and subsection (a), if applicable.'"

3 Q. And the next sentence as well.

4 A. "The company's filing and adjustments to
5 base rates and rate design are in accordance with this
6 provision" -- and I apologize. I don't know where you
7 told me to stop.

8 Q. Oh, just line 17. You can stop at --

9 A. ". . . whereas Mr. Novak's recommendation is
10 contrary to the Code as well as the methodology adopted
11 in the company's most recent rate case and the ARM
12 tariff."

13 Q. So in this 16-month reconciliation filing --
14 if you recall, I quoted from the motion just a minute
15 ago -- will Atmos use the methodologies adopted in its
16 most recent rate case, that is, as set out in the
17 settlement -- the settlement agreement in 14-146?

18 A. As I said before, there's -- there's several
19 things that we have done to change calculations of
20 components of cost of service since the settlement
21 agreement in 14-146 was signed. Many of those were
22 proposed by the Consumer Advocate and agreed to by the
23 company.

24 So to the extent that those methodologies
25 now are the way we do things pursuant to the ARM, those

1 will be incorporated into the 16-month reconciliation.

2 Q. And those were done with the agreement or
3 acquiescence of the Consumer Advocate?

4 A. Again, I can't think of any that were not.
5 I believe so. That's correct.

6 Q. Thank you.

7 Okay. Now, Mr. Waller, there are -- okay.
8 As an expert on the settlement agreement, there are
9 some burdensome issues with moving to a 16-month
10 reconciliation period; right?

11 A. There are some issues to deal with, yes.

12 Q. Specifically, the settlement agreement
13 describes many calculations that deal with a 12-month
14 period in mind that don't readily apply to a 16-month
15 calculation, do they?

16 A. I would agree.

17 Q. Okay. Now, we're going to go back to
18 Exhibit 1. In paragraph 13(g), it's on page 9, of the
19 settlement agreement, that specifically mentions
20 forward-looking test year billing determinants.

21 A. Could you do that reference one more time,
22 please.

23 Q. Page 9 of Exhibit 1.

24 A. Okay.

25 COMMISSIONER JORDAN: Exhibit 1 being

1 the settlement agreement?

2 MR. IRVIN: That's Exhibit 1, yes. The
3 settlement agreement in Docket -- in Docket 14-146.

4 THE WITNESS: Mm-hmm.

5 BY MR. IRVIN:

6 Q. How would you propose that the revenue
7 deficiency, if we're using a 16-month historical
8 period, be applied to a future period using only 12
9 months?

10 A. I would suggest that we're going to reserve
11 those issues for the docket that we will file if and
12 when the Commission approves our motion today.

13 Q. But they would not be set out in -- they're
14 not set out in the settlement agreement now?

15 A. No, they're not.

16 Q. Okay. So it would require an amendment to
17 the settlement agreement?

18 A. Again, I don't -- I don't believe so.
19 There's lots of things we have changed to that
20 settlement -- or lots of things we are doing
21 differently than what it said in that settlement
22 agreement, that have become part of our filing
23 methodologies pursuant to the ARM --

24 Q. I'm talking about the --

25 A. -- and this is no different.

1 Q. I'm sorry. I'm talking about the specific
2 methodology. How would you propose to do that
3 methodology? Not so much how the parties have
4 interacted related to it, but as to the specific
5 methodology.

6 A. The specific methodology for what?

7 Q. Forward-looking test year billing
8 determinants.

9 A. We're -- like I said, we are -- we're going
10 to -- we're going to work through that and file our
11 proposal if and when we are ordered by this Commission
12 to do so.

13 COMMISSIONER JORDAN: Counsel --

14 THE WITNESS: At that -- at that point
15 it will -- excuse me.

16 COMMISSIONER JORDAN: You -- we keep on
17 talking about amending the settlement agreement. Is it
18 your position that any changes from here on into the
19 future have to go through some sort of amendatory
20 process on a prior settlement agreement?

21 MR. IRVIN: Basically, yes.

22 COMMISSIONER JORDAN: That clarifies
23 things.

24 MR. IRVIN: And it's not just my
25 opinion. Okay. So also --

1 COMMISSIONER JORDAN: Well, let me ask
2 opposing counsel.

3 Do you agree with his assessment that
4 this requires a formal amendatory process?

5 MR. ROSS: Absolutely not. In fact,
6 65-5-103(d)(6)(D)(iii) provides that the Commission, or
7 the public utility, may propose a modification to the
8 approved annual review plan and then provides that the
9 Commission shall resolve the proposed modification
10 within a 120-day period.

11 So the statute itself gives the
12 Commission the power to modify this alternative
13 ratemaking plan that we have adopted pursuant to that
14 section of this Code.

15 Now, we got to this through a
16 settlement with the Consumer Advocate, but we have --
17 the result of that settlement was approval to adopt an
18 alternative ratemaking plan under the statute and a
19 tariff that sets forth the ARM plan. The Commission
20 has always had and maintains the authority to modify
21 that for good cause at any time. And we have said that
22 from the beginning, and I think that's still true.

23 Whether they should or shouldn't make a
24 particular modification is open to debate based on the
25 merits of that proposal. And what we're asking for

1 today is a modification of these time periods so that
2 we can resolve this issue we didn't anticipate.

3 COMMISSIONER JORDAN: I understand
4 that. I was just trying to figure out, you know --
5 procedurally we're here on a petition to modify. We're
6 not here on a formal petition to amend a prior
7 agreement.

8 MR. ROSS: No, and I don't think there
9 ever would be such a thing. The agreement is --

10 COMMISSIONER JORDAN: That's why I was
11 asking counsel, because he keeps on asking about
12 amending, as if there is a process by which you go
13 through an amendment process. I mean, I'm --

14 You know, if, in fact, this is -- the
15 settlement agreement is a binding contract that --
16 that -- that sort of going forward limits parties'
17 actions that cannot be changed without a formal
18 amendment process, that's one thing. If it's a
19 situation where people can go forward and ask for
20 modifications without going back and calling the entire
21 settlement agreement into question, asking to amend it,
22 that's -- the answer is a lot more complicated.

23 MR. ROSS: No, I think it is subject to
24 amendment by virtue of that statutory provision. And
25 there's nothing in the settlement agreement that tries

1 to or could possibly get rid of that power in the
2 Commission to amend this ARM.

3 MR. IRVIN: Well, the Commission has
4 broad powers over rates, supervisory powers, regulatory
5 powers.

6 I am not aware of a situation where
7 there hasn't been at least an acquiescence in the
8 context of a settlement agreement. And I believe,
9 although I cannot put my fingers on it at the moment,
10 that Atmos has testified in the past that it's
11 contrary -- in fact, it may have been part of what was
12 just quoted --

13 VICE CHAIRMAN MORRISON: Mr. Irvin, I
14 know you're answering it, but maybe we should probably
15 get back to the -- go ahead and get back to the hearing
16 and the testimony.

17 MR. IRVIN: Okay.

18 BY MR. IRVIN:

19 Q. Okay. So you're saying we would work out
20 forward --

21 COMMISSIONER JORDAN: Counsel, please.
22 (Directed to Mr. McGehee.)

23 BY MR. IRVIN:

24 Q. -- we would work out forward-looking test
25 year billing determinants, but you haven't said how.

1 A. Our motion specifically says we would
2 address the "how" in the -- in the filing that we're
3 making --

4 (Static heard over audio system. Court
5 reporter requests clarification.)

6 THE WITNESS: -- when, and if, we're
7 ordered to make the filing.

8 BY MR. IRVIN:

9 Q. Okay. Now if we could --

10 VICE CHAIRMAN MORRISON: Just --
11 just -- we'll just pause for a couple of minutes.
12 okay? Thank you. (Pause.)

13 why don't we -- let's take, like, a
14 five-minute break.

15 MR. IRVIN: That's fine. Thank you.

16 VICE CHAIRMAN MORRISON: Just five
17 minutes. We'll be right back. Okay? Thank you.

18 (Recess taken from 2:47 P.M. to
19 2:54 P.M.)

20 COMMISSIONER JORDAN: Madam Vice
21 Chairman, are we back on the record?

22 VICE CHAIRMAN MORRISON: We are.

23 COMMISSIONER JORDAN: And I understand
24 we can probably spend all day, you know, deciding how
25 many angels can dance on the head of a pin, but I do

1 want to make -- would like it clarified for my purposes
2 that the position of the Consumer Advocate is that
3 parties must agree to amend the agreement that was
4 entered into -- the settlement agreement -- or else the
5 matter cannot be brought before us on motion by the
6 petitioner to change the terms of the settlement
7 agreement.

8 MR. IRVIN: Yeah, our view is that
9 there needs to be at least an acquiescence, Your Honor.

10 COMMISSIONER JORDAN: That was my
11 understanding.

12 And the position of the petitioner is
13 that prior acquiescence isn't necessary; you can just
14 bring it to the Commission for the Commission to review
15 your petition on the merits?

16 MR. ROSS: Yes.

17 COMMISSIONER JORDAN: Thank you.

18 BY MR. IRVIN:

19 Q. And if I could just follow up. I mean --
20 okay. So, Mr. Waller --

21 MR. IRVIN: I'll go back to Mr. Waller.

22 BY MR. IRVIN:

23 Q. Okay. I just want to clarify, I mean,
24 Atmos' position is that the settlement agreement and
25 the Commission's order can be -- could basically be

1 amended at any time by any party simply by bringing a
2 motion?

3 MR. ROSS: I'll answer that. The
4 answer is yes.

5 BY MR. IRVIN:

6 Q. Okay. So the methodologies are not set in
7 the last rate case. They are set whenever -- in other
8 words, if there is a settlement agreement in the last
9 rate case, they are not set in that rate case. They
10 are set by whatever motion anybody wants to bring.

11 A. So, again, we -- we have -- the
12 methodologies are set in the last rate case unless and
13 until they are modified through a future order. And
14 there is a handful of things, as I have said before,
15 that we have modified since that 146 settlement
16 agreement was signed.

17 Q. And any party can bring that at any time,
18 according to Atmos' position?

19 A. And -- and -- and we have. Again, some of
20 the things that have changed, we have proposed. Some
21 of the things that are changed, the Consumer Advocate
22 has proposed.

23 And I'll point out that in this
24 particular --

25 Q. well --

1 A. I will point out that in this particular
2 issue you keep going back to those other things were
3 done through acquiescence. I will point out that as it
4 relates to the specific motion in front of the
5 Commission today, the motion is to change the dates.
6 And there's evidence in the record, in Mr. Novak's
7 testimony, that says specifically should the Commission
8 wish to consider changing the dates, he would recommend
9 that they change the dates without speaking to the
10 methodology by which we calculate the reconciliation.
11 So then the evidence --

12 Q. And I would --

13 A. -- there is actually evidence in the record.

14 Q. And I would respectfully point out the many
15 lines before that in which he talks about all of the
16 issues that would have to be researched and looked at
17 and how it's premature and it's -- there's a number of
18 other issues raised before you get to the point,
19 presumably after a full hearing on the merits, if they
20 decide -- if that -- if that could be a solution on the
21 merits.

22 A. He points out a number of issues, and then
23 he says, "Should they -- should the Commission wish to
24 consider moving the dates, I would recommend that the
25 order be to change the dates only without speaking to

1 the methodologies." That's exactly -- and that's
2 exactly what our motion asks the Commission to do
3 today.

4 VICE CHAIRMAN MORRISON: Mr. Irvin, I
5 was going to just ask, how many more questions do you
6 have regarding the settlement statement?

7 MR. IRVIN: Oh, a half dozen, maybe a
8 dozen at the most. It depends on the answers.

9 VICE CHAIRMAN MORRISON: Okay. All
10 right.

11 BY MR. IRVIN:

12 Q. Okay. Let's take a quick look at 13(h),
13 regarding O&M expenses in Exhibit 1. Wouldn't --

14 And it's not necessarily necessary to refer
15 to it, but it's -- it's -- I'm just trying to get a
16 sense because Mr. Waller is clearly an expert in this.

17 Wouldn't there potentially be certain
18 expenses that would be double-counted by expanding the
19 reconciliation period to 16 months?

20 A. I don't believe so, no.

21 Q. For example, an expense that's only paid
22 annually on September 30 would actually be recognized
23 twice in a 16-month reconciliation period that ends on
24 September 30? Are you certain?

25 A. So what's implied in that question -- and

1 this is the subject of a discovery request in this
2 docket -- what's implied in that question is a cash
3 accounting system of keeping our books. We use accrual
4 accounting to keep our books and records. And so we
5 accrue monthly expenses for things.

6 So if you use cash accounting, yes. But we
7 don't use cash accounting. We use accrual accounting,
8 like every other publicly traded company.

9 Q. So you're going to leave your books open
10 over the end of the 12-month period so that you're --
11 or that -- there's still a gap. There's still --
12 you're going to close them in twelve months and then
13 reopen them for the four months?

14 A. No.

15 Q. Okay. How are you -- how are you going to
16 do it?

17 A. We make accounting entries monthly. We
18 close the books monthly. And we accrue expenses
19 monthly. So those expenses, on a monthly basis, is
20 what would be the inputs into the 16-month
21 reconciliation.

22 Q. Okay. But you can't do tax expense as a
23 five-thirty-one so I'm trying to figure out how do
24 you -- or you have indicated that. I mean, but you're
25 going to now count each month 16 -- for 16 months, for

1 all of the -- all of the different line items,
2 basically?

3 A. For all of the elements of cost of service,
4 there's entries made in our books and records.

5 Q. For all? Or each?

6 A. I don't guess I see the difference. I'm
7 sorry.

8 Q. Okay. I'm sorry. I didn't mean to -- go
9 ahead.

10 A. For the elements of cost of service that are
11 the inputs into a reconciliation, those are booked into
12 our books and records and accounting entries made
13 monthly. Those are the inputs that ultimately become
14 the reconciliation. Again, we will reconcile a total
15 of 16 months, we'll have a full 12-month
16 reconciliation, and then we will have to deal with this
17 4-month stub period.

18 For the vast majority of expenses and
19 revenues and other components of cost of service, we
20 have monthly accounting entries we can rely on to do
21 that.

22 Q. Okay. So -- well, let's move on.

23 what about other year-end-type expenses? By
24 necessity, aren't there certain expenses, specific
25 accruals and deferrals, that are only recognized on

1 Atmos' books at its fiscal year end?

2 A. Income taxes is the prime example of that.
3 we have covered that extensively in the record in this
4 case.

5 Q. Are there others?

6 A. Not that I'm aware of.

7 Q. Okay. And you're saying these types of
8 expenses would not be double-counted by adopting a
9 16-month reconciliation period?

10 A. No, they wouldn't be double-counted. We
11 will have to figure out a way to deal with the stub
12 period, and we've got some ideas. And we've been
13 working on an appropriate way to deal with that stub
14 period.

15 Again, you cannot -- you can't develop a
16 revenue requirement for 16 months. You can't develop a
17 revenue requirement for 4 months. A ratemaking revenue
18 requirement, by definition, has to be a 12-month
19 period. So we will deal with a couple of different
20 12-month periods and figure out a way to deal with that
21 4-month stub period that's in question.

22 Q. Okay.

23 A. There won't be any double-counting of --

24 Q. But we don't have one --

25 A. -- expenses.

1 Q. We don't have one as of today so we don't
2 have a way to even consider an amendment to the
3 settlement agreement, or a change, or a proposal.

4 A. We are not considering an amendment to the
5 settlement agreement. We are asking to move the dates
6 and to deal with the methods by which we calculate the
7 16-month reconciliation in the docket we would file
8 when, and if, we are ordered to do so. That's what
9 the -- what the motion says.

10 Q. Okay. I'm sorry to beat a dead horse. But
11 the dates that are in the settlement agreement, we're
12 proposing to change them. So that's an amendment.

13 A. The calculation of pension expense and the
14 calculation of -- of the incentive comp adjustment is
15 also in the settlement agreement. And we have changed
16 the way we calculate those since that settlement
17 agreement was signed.

18 Q. Okay. Well, let's -- let's talk about
19 13(k), briefly, that deals with rate base, in the
20 settlement agreement. I will try to be brief.

21 The whole purpose of calculating the rate
22 base is to provide an average investment that's
23 applied -- that is applied to a fair rate of return and
24 then to include this return in the revenue deficiency
25 calculation; correct?

1 A. Could you give me that reference, please.

2 Q. Oh, page 19. I'm sorry.

3 VICE CHAIRMAN MORRISON: And that's
4 from Exhibit 1.

5 MR. IRVIN: Pardon me?

6 VICE CHAIRMAN MORRISON: 1.

7 MR. IRVIN: Yes, Exhibit 1.

8 THE WITNESS: And could you repeat the
9 question, please.

10 MR. IRVIN: I will be glad to.

11 BY MR. IRVIN:

12 Q. The whole purpose of calculating the rate
13 base is to provide an average investment that's applied
14 to a fair rate of return and then to include this
15 return in your revenue deficiency calculation; is that
16 correct?

17 A. That's the purpose of rate base, yes.

18 Q. However, the average rate base calculation
19 typically includes 12 monthly periods, then makes a
20 13-month average of those monthly amounts from the
21 beginning to end; is that correct?

22 A. Yes.

23 Q. So exactly how would a 16-month average rate
24 base be calculated?

25 A. The answer is we don't know yet. That's why

1 we're asking to only move the dates and to deal with
2 the methods by which we calculate the 16-month
3 reconciliation in that docket -- in the new docket.
4 And that's precisely because we don't know yet. We
5 have some ideas, and we want to file something, and we
6 want to have that filing be subject to review and
7 discovery by you and any other interested party.

8 Q. would it be appropriate to apply a 16-month
9 average rate base calculation to an annual rate of
10 return?

11 MR. ROSS: Objection. Assumes facts
12 not in evidence.

13 THE WITNESS: I guess I don't
14 understand the question.

15 BY MR. IRVIN:

16 Q. well, you have a 16-month reconciliation
17 period --

18 VICE CHAIRMAN MORRISON: That's fine.
19 You may respond.

20 BY MR. IRVIN:

21 Q. You have a 16-month reconciliation period
22 and you have an annual rate of return.

23 A. So the --

24 Q. I'm just asking how would you take -- how
25 would you appropriately apply that?

1 A. Again, the methodologies will be determined
2 in the filing, when we make the filing, and then will
3 be subject to review and discovery by all the parties
4 after we make that filing.

5 Q. Okay. Just to confirm, the only rate of
6 return that's been approved by the Commission is an
7 annual rate of return?

8 A. Correct.

9 Q. Okay. How would an adjustment be made to
10 take into account Docket 16-105 in accordance with the
11 existing settlement agreement methodologies and time
12 periods?

13 A. The methodology --

14 Q. If you could provide a little background on
15 105 just for the benefit of . . .

16 A. So 105 was our first reconciliation filing.
17 It reconciled the 12 months ending September 30 of
18 2016.

19 MR. ROSS: No. May 31.

20 THE WITNESS: Excuse me. May 31 --
21 thank you -- of 2016.

22 And so the question was: How would we
23 incorporate the result from that docket into the
24 16-month reconciliation? Was that the question?

25 ///

1 BY MR. IRVIN:

2 Q. Well, how would you take that -- take into
3 account Docket 16-105 in accordance with the existing
4 settlement agreement's methodologies and time periods?

5 A. Say that one more time. I'm sorry.

6 Q. I'll be glad to.

7 How would an adjustment be made to take into
8 account 16-105 in accordance with the existing
9 settlement agreement methodologies and time periods?

10 In other words, how are you going to take
11 into account the first reconciliation period in this
12 new 16-month period, reconciliation period? Because
13 there would appear to be an overlap.

14 A. Right. And that's -- again, that -- those
15 various overlaps, that's not the only overlap, but
16 that's one possible overlap that could be used as an
17 input into the 16-month reconciliation. The methods
18 that we use to calculate that 16-month reconciliation
19 will be determined in that new docket.

20 Q. Okay. I -- I have one last area to kind
21 of -- to inquire about. You have reviewed
22 Mr. Novak's -- have you reviewed Mr. Novak's
23 calculation of the revenue deficiency in the
24 reconciliation docket that was included with this
25 supplemental testimony?

1 A. Let me review it now and make sure.

2 MR. IRVIN: I'd like to mark this
3 exhibit -- what are we on?

4 VICE CHAIRMAN MORRISON: 4.

5 MR. IRVIN: -- 4?

6 VICE CHAIRMAN MORRISON: All right.
7 we'll mark it as 4.

8 MR. IRVIN: Thank you. Thank you.

9 MR. ROSS: Note my objection for
10 identification, please.

11 (Marked Exhibit 4.)

12 MR. IRVIN: And we're going to be
13 looking at the last page, Your Honor, page 19.

14 BY MR. IRVIN:

15 Q. Let me know whenever you're ready.

16 A. I will say I reviewed it to the point where
17 I believe I understood what he attempted to do. I have
18 not reviewed the specific numbers to be able to say I
19 agree with them or not.

20 Q. That's fine. I'm not asking for an
21 agreement at this point.

22 Okay. So you have had a chance now to
23 review Mr. Novak's calculation. Okay. He --
24 Mr. Novak's supplemental testimony calculated the
25 reconciliation revenue deficiency with a true-up of

1 actual income taxes to be 2 million 9 and change, on
2 page -- on Table 1, on page 19, of his supplemental
3 testimony; is that correct?

4 A. That's what it -- yeah, that's what it says
5 here.

6 Q. Okay. And have you also reviewed this
7 calculation, the underlying calculation? or --

8 A. As I said before, I have not reviewed the
9 details of the calculation, no, because I --

10 Q. Okay.

11 A. I did review it enough to know -- I think I
12 know what his intentions were.

13 Q. Have you reviewed it enough to know whether
14 that's the same as was used by Atmos in its alternative
15 calculation that was included with the company's filing
16 on August 31, 2017?

17 A. I did not double-check it against that, no.

18 Q. Okay.

19 A. And, again, we -- we -- since that -- since
20 that filing in August, we have, you know -- we have
21 agreed to change a few of the calculations on a couple
22 of cost-of-service items. At the Consumer Advocate's
23 request, we agreed to change a few things that would
24 have changed that August number anyway.

25 Q. I believe that reflects those, but in any

1 event.

2 Okay. Have you made any preliminary
3 calculations of what the true-up reconciliation would
4 be if the Commission moved the reconciliation dates to
5 a 16-month period -- or 4 plus 12 -- ended September 30
6 of '17, that would supposedly eliminate the income tax
7 normalization violation?

8 A. We worked up several pro formas, as
9 you're -- as you're aware. They were generally
10 consistent with the methodology that was in my rebuttal
11 testimony. We have continued to work up pro formas and
12 may have some other ideas, possibly better ideas, on
13 how to calculate that 16-month reconciliation. We're
14 continuing to look at it and continuing to evaluate the
15 appropriate way to do it. We will file it if, and
16 when, we're ordered to file it next week, and then have
17 that subject to, again, review and discovery by all the
18 parties.

19 MR. IRVIN: Okay. I have no further
20 questions, Your Honor.

21 VICE CHAIRMAN MORRISON: Do my fellow
22 commissioners have any questions?

23 COMMISSIONER HILLIARD: No, I do not.

24 VICE CHAIRMAN MORRISON: Director
25 Jordan?

1 (No audible response.)

2 VICE CHAIRMAN MORRISON: Does Staff
3 have any questions?

4 (No audible response.)

5 All right. Mr. Ross, would you like to
6 redirect?

7 MR. ROSS: Just one or two things for
8 clarification.

9 REDIRECT EXAMINATION

10 BY MR. ROSS:

11 Q. Mr. Waller, what -- what does the settlement
12 agreement in the 146 docket say about how to calculate
13 income tax?

14 A. The settlement agreement in 146 does not
15 specifically address the calculation of income tax. It
16 is -- so, again, as I said before, the methodologies in
17 14-146 address how to file a forward-looking test year.
18 They do not address specifically how to file a
19 reconciliation filing.

20 Because income taxes are not addressed
21 specifically in that document, they are governed by a
22 paragraph that -- that basically says "if we didn't
23 cover it specifically, then it is covered by the
24 calculations that are included in the schedules that
25 are attached to the testimony."

1 So the calculation -- calculation of income
2 taxes, which is done in a synchronized way at statutory
3 rates, is done that way and, again, is subject to
4 that -- that kind of catchall paragraph.

5 It does not address how you include income
6 taxes in the reconciliation filing. So the only
7 schedules that have been submitted pursuant to the ARM,
8 with the exception of the error in Docket 16-105, were
9 done at calculated statutory income tax rates.

10 Q. Okay. So in 16-105, is that the only place
11 that the company has attempted to set forth actual
12 income tax expense?

13 A. And I should say we also did it at the
14 staff's request following the August phone call. We
15 did it at staff's request in my prefiled testimony in
16 this docket. But we caveated it to say that we
17 believed that that was in error.

18 Q. And 16-105 was resolved by a settlement
19 agreement; correct?

20 A. It was.

21 Q. Does the settlement agreement in 16-105 say
22 anything about whether that agreement can be used as
23 precedent in future cases?

24 A. There's a couple of paragraphs in there that
25 basically state that it cannot be used for precedent

1 making or used in future cases.

2 MR. ROSS: No further questions.

3 VICE CHAIRMAN MORRISON: Okay. Thank
4 you, Mr. Waller.

5 The witness is excused.

6 Mr. Ross, do you have any other
7 witnesses?

8 MR. ROSS: Well, that -- I'm going to
9 need some direction from the Commission on that because
10 Ms. Story is here, and she was -- she submitted
11 prefiled testimony in this case. She is our Director
12 of Income Tax.

13 Her testimony in the case, and the
14 discovery requests that she answered, were directed to
15 the merits of the income tax normalization issue and
16 the income tax timing issues, the substance of those
17 tax questions. Our motion asks the Commission to defer
18 any ruling on who is right about those tax issues to
19 the next docket and not rule on that right now, and
20 maybe, hopefully, avoid some of the need to rule on
21 some of those issues.

22 She is here but -- to support the
23 motion that we have filed -- I don't need to present
24 anything from Ms. Story.

25 If -- if the Commissioners have

1 questions for her, she's here to answer questions that
2 you may have. Or if you direct me to bring her up
3 here, I will. That's -- that's completely -- I will
4 leave that to your discretion.

5 VICE CHAIRMAN MORRISON: Okay. Just
6 one moment. (Pause.)

7 Mr. Irvin, did you have questions?

8 MR. IRVIN: Yes, I have -- I have a
9 number of questions for Ms. Story as well. And it kind
10 of goes -- it goes to, basically, the need for the
11 changing of the dates.

12 VICE CHAIRMAN MORRISON: Okay. Let's
13 take -- we'll take a minute and come back. Okay?

14 MR. IRVIN: Okay. Perfect.

15 (Recess taken from 3:16 P.M. to
16 3:24 P.M.)

17 VICE CHAIRMAN MORRISON: One real quick
18 thing just about the weather because I know everyone is
19 probably checking and everything.

20 I think we're going to continue, but we
21 just want to keep an eye on it because we don't want
22 everyone on the road, you know, during -- when it gets
23 icy. So let's just see -- keep on moving forward. But
24 if we need to stop, we will stop. Okay?

25 Any comments, or anything, through as

1 of right now?

2 MR. IRVIN: No.

3 VICE CHAIRMAN MORRISON: Okay. All
4 right. We have made a decision to call Ms. Story
5 forward. So she was -- you know, you have referenced
6 her. We just want to make -- we want to swear her in
7 and do what we need to do.

8 MR. ROSS: That's fine.

9 VICE CHAIRMAN MORRISON: Okay. All
10 right.

11 Okay. Ms. Story, please raise your
12 right hand.

13 Do you swear or affirm that the
14 testimony you are about to give will be truthful?

15 MS. STORY: I do.

16 VICE CHAIRMAN MORRISON: Okay.
17 Mr. Ross, please proceed.

18 JENNIFER K. STORY,
19 called as a witness, having been duly sworn, was
20 examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. ROSS:

23 Q. Ms. Story, could you tell us your name and
24 position with Atmos Energy, please.

25 A. My name is Jennifer Story, and I'm Director

1 of Income Tax for Atmos Energy.

2 Q. Mr. Waller was asked one question that he
3 deferred to you. And if I recall correctly, it was --
4 it had to do with whether the company could book income
5 tax on a monthly basis, and if not, why not. Do you
6 have an explanation for that?

7 A. I do. The company does record income tax
8 expense on a monthly basis, but the method by which we
9 do that is really just applying a rate from the
10 previous quarter to current monthly earnings. It's not
11 an -- it's not an accurate and specific calculation of
12 income tax expense.

13 We record our income tax expense in
14 accordance with GAAP. So for financial statement
15 purposes we have specific requirements and rules around
16 when and how we calculate income tax expense. The
17 expense is booked. The calculations are done
18 quarterly, and they are estimates until year-end. So
19 at year-end, when we have all of our book numbers
20 finalized, we calculate a complete and detailed income
21 tax expense number for each of our operating divisions.
22 But until that time, the amounts that we record on our
23 financial statements are based on very high-level
24 estimates, and they are not detailed and they are not
25 based on actual final book numbers for the year.

1 COMMISSIONER JORDAN: When you say
2 "year," are you talking about fiscal year or calendar
3 year?

4 THE WITNESS: Fiscal year.

5 COMMISSIONER JORDAN: Fiscal year.

6 THE WITNESS: Yes.

7 BY MR. ROSS:

8 Q. And what is Atmos Energy's fiscal year?

9 A. September 30.

10 MR. ROSS: I have no further questions
11 at this time.

12 VICE CHAIRMAN MORRISON: Okay. would
13 the Consumer Advocate like to cross-examine the
14 witness?

15 MR. IRVIN: Yes.

16 CROSS-EXAMINATION

17 BY MR. IRVIN:

18 Q. Ms. Story, thank you for being willing to
19 testify and making the trip to Nashville.

20 would it be possible for Atmos to make
21 income tax entries as of May 31 that could be used to
22 determine income tax expense for ratemaking purposes
23 under the ARM?

24 A. I do not believe that we have the ability to
25 record income tax expense in the May time frame that

1 would align with the revenues for a 12-month period
2 ending in May for the -- for the ARM.

3 Q. So you're saying it is not possible in any
4 sense?

5 A. I can't envision how that would work, as it
6 doesn't follow generally accepted accounting
7 principles.

8 Q. So did Atmos agree to a settlement agreement
9 knowing it required income tax entries as of May 31 and
10 then decide not to do those entries?

11 A. I was not a part of the settlement
12 negotiations so I can't speak -- I can't speak to that.

13 Q. Have you reviewed the settlement agreement?

14 A. I have reviewed portions of the settlement
15 agreement.

16 Q. If Atmos chose to make the entries as of
17 May 31, would there be a normalization violation?

18 A. As I stated, I don't think it would be
19 possible to make -- to calculate those entries as of
20 May 31. So I can't really answer that question.

21 Q. Okay. Ms. Story, I wanted to follow up.
22 There's a little duplication here with Mr. Waller but
23 not much.

24 why didn't Atmos make any of the
25 normalization violation arguments in this petition or

1 prefilled direct testimony or in any communication with
2 the Advocate or Commission Staff prior to filing Atmos'
3 discovery requests?

4 A. When we first discovered the error in the
5 prior reconciliation file -- it was during the
6 preparation of this reconciliation filing. And the
7 first observation was that it was a clear misalignment
8 between the revenues generating the income tax expense
9 and the income tax expense which was being pulled from
10 a prior 12-month period.

11 Through discussions internally and with the
12 Consumer Protection Agency, we were working through the
13 issue and later became aware that in addition to the
14 fact that there was a misalignment, there was also a
15 normalization issue with using ADIT from May 31 and an
16 income tax expense number from the prior September.

17 Q. Okay. So Atmos agreed to a misalignment,
18 basically, is what you're suggesting.

19 A. There was an error in the prior
20 reconciliation filing.

21 Q. Okay. And you said that a normalization
22 violation would be a very serious matter?

23 A. That's correct.

24 Q. And you said Atmos violated the income tax
25 normalization rules in 16-105, and the company

1 identified this issue during the preparation of the
2 filing of this Docket 17-91?

3 A. That's correct.

4 Q. And you said that Atmos had 90 days, from
5 the date it believed that its method of accounting is
6 not a normalized method, to notify the IRS district
7 director; right?

8 A. I have said that, but I also stated in my
9 testimony that there was a revenue procedure issued,
10 also during the summer, I believe, in 2017, which
11 provides safe harbor procedures for how to correct an
12 inadvertent normalization violation.

13 So they state that when you identify that
14 you have a normalization violation, that you are to
15 correct that the next available opportunity, which is
16 defined as the next rate proceeding, which is this
17 hearing -- or this docket, rather. And so we have done
18 that.

19 Now, if -- if the issue were to be
20 considered and rates were to be set and the
21 normalization violation were to occur as a result of
22 that rate setting, then we would have to move to the
23 step to notify the district director.

24 Q. So is the test that it's 90 days from the
25 date you believe? Or 90 days from an order? Or 90

1 days from --

2 A. So once you identify an inadvertent
3 normalization violation -- and that's an important
4 term, because "inadvertent" is it was a mistake, it was
5 an error -- and you make an attempt to correct it, if
6 you're not able to correct it then you have to notify
7 the district director.

8 Q. And the basis for that requirement is which
9 cite?

10 A. The revenue procedure is 2017-47.

11 Q. No, I mean the -- for the 90-day
12 requirement.

13 A. I would -- I would have to look through the
14 treasury regulations for that. I believe --

15 Q. So you're not aware of where the 90-day
16 requirement is?

17 COMMISSIONER JORDAN: What triggers it,
18 you mean?

19 MR. IRVIN: Well, where the citation is
20 and, also, what triggers it.

21 But with that specific question, I was
22 just trying to determine where -- what the source is
23 for it.

24 THE WITNESS: The source is treasury
25 regulations, and I don't have the specific cite

1 memorized. I'm sorry.

2 BY MR. IRVIN:

3 Q. Okay. Is it a long-standing requirement?
4 Or is it a new one?

5 A. It's a long-standing requirement.

6 Q. How many days have elapsed since Atmos first
7 believed it committed this alleged income tax
8 normalization violation?

9 A. I have not counted the days. It was during
10 this summer.

11 Q. Okay. Have you filed the required notice to
12 the IRS district director?

13 A. No. We have followed the procedures
14 outlined in the revenue procedure --

15 Q. But I thought the --

16 A. -- to correct the normalization violation.

17 Q. But I thought you indicated that the 90 days
18 is independent -- it's somewhere in the treasury
19 regs -- from the revenue procedure.

20 A. It's not independent. If we are unable to
21 rectify the matter in this docket, then we will have to
22 notify the district director.

23 Q. Is the -- okay. Is the 90 days in the rev
24 proc?

25 A. The 90 days is not in the revenue procedure.

1 Q. In your rebuttal testimony, Ms. Story, you
2 state --

3 MR. IRVIN: And I'll go ahead and just
4 put it in as Exhibit 5.

5 VICE CHAIRMAN MORRISON: Okay. We'll
6 mark that as Exhibit 5.

7 (Marked Exhibit 5.)

8 MR. ROSS: We have no objection to
9 marking this for identification.

10 VICE CHAIRMAN MORRISON: Thank you,
11 Mr. Ross.

12 MR. IRVIN: Would it be possible to
13 just go ahead and move the exhibits into the record,
14 just to --

15 VICE CHAIRMAN MORRISON: Without
16 objection --

17 MR. ROSS: I would -- no, it's not
18 without objection.

19 VICE CHAIRMAN MORRISON: No?

20 MR. ROSS: He hasn't laid a foundation
21 for anything he has put in.

22 VICE CHAIRMAN MORRISON: Okay.

23 BY MR. IRVIN:

24 Q. Okay. In your rebuttal testimony, on page
25 4, you state that Treasury Regs Section

1 1.167(1)-1(h)(6)(i) is very clear that the time period
2 for which income tax expense and accumulated deferred
3 federal income taxes (ADIT) included in the company's
4 rate filings must be the same; is that correct?

5 A. That's correct.

6 Q. And you also state, on page 10, "A taxpayer
7 does not use a normalization violation [sic] if, for
8 ratemaking purposes, the amount of the accumulated
9 deferred federal income tax reserve which is excluded
10 from rate base exceeds the amount in the reserve for
11 deferred taxes for the period used in determining the
12 taxpayer's cost of service." Is that accurate?

13 A. That's correct.

14 Q. Okay. Referring to the treasury reg you
15 cited, do you, or Mr. Waller, in your testimony
16 provide, quote, "The amount of reserve to defer taxes
17 under Section 167-1 that's excluded from the base to
18 which the taxpayer's rate of return is applied or is
19 treated as a no-cost -- as no-cost capital in those
20 rate cases in which the rate of return is based upon
21 the cost of capital"?

22 A. It's not provided in my testimony, but it is
23 provided in the reconciliation file -- filing. It's
24 the per books ADIT number.

25 Q. Okay. So it's not in your testimony, but it

1 is in the record?

2 A. That's correct.

3 Q. Do you have a cite for that?

4 A. For where it is in the reconciliation
5 filing?

6 Q. Yes.

7 A. I do not.

8 Q. Okay. Referring to the treasury regulation
9 you cited, do you, or Mr. Waller, provide in your
10 testimony the amount of such reserve for deferred taxes
11 for the period used in determining the taxpayer's tax
12 expense in computing cost of service?

13 A. Okay. So that amount in our filing would
14 have been the calculated income tax expense amount.
15 The amount that you are proposing would be the
16 September 30 of the prior year income tax expense
17 amount. That's what relates to that.

18 Q. Is it in the testimony?

19 A. It's not. It's in the filing.

20 Q. Okay. Okay. So you don't provide the
21 amounts that the regs require to determine a
22 normalization violation?

23 A. The time period is clearly misaligned. So
24 we had eight additional months of capital spend that
25 went into the deferred taxes as of the May 31 balance.

1 Q. Okay. I --

2 A. They were not included in the September 30
3 of the prior year balance.

4 Q. But you don't provide the amounts?

5 A. I don't provide the amounts in my testimony.

6 COMMISSIONER JORDAN: Have you
7 determined the amounts?

8 THE WITNESS: We have not calculated
9 the amounts. We -- we were able to determine that
10 there was a clear misalignment just for eight --

11 COMMISSIONER JORDAN: No, I understand
12 that.

13 THE WITNESS: -- additional months.
14 But --

15 COMMISSIONER JORDAN: But that's as far
16 as you have gone?

17 THE WITNESS: That's correct.

18 BY MR. IRVIN:

19 Q. So what's the basis and proof for Atmos'
20 claim that it's a normalization violation?

21 A. The misalignment of the date for which ADIT
22 is being included and tax expenses -- income tax
23 expenses being included per your proposal. There
24 were -- there was additional investment. There is
25 additional ADIT that is on the books for that -- those

1 eight months.

2 Q. Right. It is theoretical at this point.

3 You lay out the standard, but there is no data?

4 A. The data is in the filing. It's not in my
5 testimony. That's correct.

6 Q. Do you, or Mr. Waller, quantify in your
7 testimony any of the amounts that would be required to
8 support your arguments?

9 A. I do not believe I have provided any amounts
10 in my testimony.

11 Q. Other than the treasury reg you cited, are
12 there any IRS revenue rules, private letter rulings, or
13 other authority tax -- authoritative tax materials in
14 support of your conclusion that this is -- quote, "this
15 is clearly a normalization violation," end quote?

16 A. Because the face of the treasury regulations
17 were so clear as to say that you cannot include an
18 amount in your ADIT balance that is greater than the
19 amount of income tax expense, we didn't look further to
20 find additional private letter rulings or guidance. I
21 believe it's very clear on the face of the treasury
22 regulations.

23 Q. Wouldn't it make sense to get a private
24 letter ruling in the absence of authority --

25 A. We don't believe getting --

1 Q. -- for concluding --

2 A. We don't believe getting a private letter
3 ruling is necessary because the treasury regulations
4 are so clear about this.

5 Q. Are you aware of the Alt Reg mechanisms used
6 by other Tennessee utilities?

7 A. I am not.

8 Q. Could you provide a citation or docket
9 reference to any -- well, let's see. (Pause.)

10 Could you provide any citation or docket or
11 other reference to any utility that has expressed this
12 same concern of normalization violation on similar
13 facts?

14 A. Not off the top of my head, no.

15 Q. For calculating the amounts in a
16 normalization violation, over what period are those
17 calculations made?

18 A. I'm sorry. Can you rephrase the question?

19 Q. Sure. For calculating the amounts in a
20 normalization violation -- and you -- we have
21 identified them a little earlier in the reg -- the
22 treasury reg you cited -- over what period are those
23 calculations made?

24 A. If you're -- are you asking in determining
25 whether the ADIT balance is in excess of the deferred

1 taxes included in cost of service?

2 Q. well, do you take that over a 12-month
3 period or a 4-month period or a 16-month period?
4 what's the relevant period?

5 A. I think the relevant period doesn't matter
6 as long as they're for the same period. whether it be
7 a 12-month period or a 16-month period, I think that
8 the two numbers have to be for the same period, which
9 is really the issue with the filing as it stands.

10 Q. Okay. So in other words, it could be
11 annually or over a 16-month period or over a 4-month
12 period? I just --

13 A. There's --

14 Q. -- want to double-check.

15 A. There's no specific requirements that I'm
16 aware of.

17 Q. Are there specific requirements saying they
18 have to line up --

19 A. They have to be aligned --

20 Q. -- exactly?

21 A. They have to be aligned for the same time
22 period.

23 Q. Okay. And if you assume for a second that
24 other Tennessee utilities have fiscal year ends that
25 don't match up with their period, with their ARM period

1 or annual -- alternative regulation period, they
2 would -- they would have a normalization violation?

3 A. This is purely hypothetical, but I would
4 have to also understand the facts -- what their
5 corporate structure was, how they file their tax
6 returns, and, therefore, what their generally accepted
7 accounting principle rules were for how they record
8 taxes. There are a lot of variables that could go into
9 the situation, making -- that would result in a
10 different determination or maybe the same
11 determination. I -- I just couldn't know.

12 Q. Did Atmos' tax department review the
13 settlement agreement in Docket 14-146 before it was
14 signed by the parties and approved by the Commission?

15 A. I did not review it. I believe that the tax
16 department did participate in that.

17 Q. In fact, the Atmos tax department was really
18 focused on what it believes were a normalization
19 violation in that docket dealing with NOLCs, wasn't it?

20 A. I -- I would need to refresh myself on that
21 docket.

22 Q. Okay. Well, generally, if the tax
23 department was involved in the process and looking at
24 the issue and had noticed a problem, would they
25 typically have raised it to Mr. Waller's and Mr. Ross's

1 awareness?

2 A. Yes, they would have. It's my understanding
3 that the -- it was not contemplated thoroughly how the
4 calculation would be performed for the reconciliation
5 filing.

6 Q. Okay. And are you familiar with the
7 normalization problems raised by the tax department in
8 14-146?

9 A. Somewhat.

10 Q. Could you identify it and provide a brief
11 explanation, to the extent of your knowledge?

12 A. To the extent of my knowledge, which is
13 limited in this docket, the issue surrounded whether
14 the NOLCs should be included in the rate base, or not,
15 as -- and deferred taxes that offset rate base. That
16 is really the extent of my understanding about that
17 docket, as I didn't participate in it.

18 Q. That's okay.

19 Okay. But they did scrutinize it carefully,
20 the tax department?

21 MR. ROSS: Objection. Asked and
22 answered.

23 BY MR. IRVIN:

24 Q. Okay. So even with the scrutiny, Atmos has
25 identified what it believes are normalization

1 violations in 16-13 and now 17-91; is that accurate?

2 MR. ROSS: Objection. Assumes facts
3 not in evidence.

4 VICE CHAIRMAN MORRISON: That's fine.
5 We'll allow it.

6 MR. ROSS: He can restate. It was just
7 the prefatory comment.

8 VICE CHAIRMAN MORRISON: Okay.

9 COMMISSIONER JORDAN: I'm sorry. I
10 didn't -- I didn't hear what --

11 MR. ROSS: I'm sorry. It was the
12 prefatory comment to his question that was problematic.
13 But --

14 MR. IRVIN: That's fine, Your Honor. I
15 will move on.

16 BY MR. IRVIN:

17 Q. Have you reviewed the settlement agreement
18 in 14-146 and subsequent dockets carefully for
19 normalization violations at this point?

20 A. I have reviewed the applicable sections of
21 subsequent dockets, yes.

22 Q. Have you identified any?

23 A. I have not.

24 Q. Do you have a methodology by which Atmos
25 allocates its net operating loss and normalization

1 violation?

2 A. I do not believe there is, no.

3 Q. Can you state without qualification there
4 are no normalization violation issues in any of the
5 dockets that have followed and are related to that
6 original 14-146 docket, other than as has been
7 specifically identified?

8 A. There are none that I am aware of, that's
9 correct.

10 Q. Have you reviewed Mr. Waller's proposal to
11 move certain dates in this docket?

12 A. I have.

13 Q. Can you state without qualification that
14 Mr. Waller's proposal does not raise any normalization
15 issues?

16 A. I cannot, as the methodology by which that
17 would be -- the reconciliation period would be
18 calculated has not been finalized. So it will depend
19 on the methodology for that calculation.

20 Q. So we don't know? Or you don't know?

21 A. As we discussed before, I believe that
22 moving the dates to align with our fiscal year end will
23 resolve one big issue that we have now and that we will
24 be taking income tax expense and ADIT from the same
25 time period, which is -- it's the most appropriate time

1 period for us to include since it's when we do our most
2 full and detailed calculation. But until I see all the
3 calculations for the reconciliation, I can't speak to
4 whether or not there could be an issue there.

5 Q. What other issues have -- you said that was
6 the big one. But what other issues have you
7 identified?

8 A. That's the only issue that we have
9 identified relating to normalization.

10 MR. IRVIN: No further questions, Your
11 Honor.

12 VICE CHAIRMAN MORRISON: All right. Do
13 my fellow commissioners have any questions?

14 COMMISSIONER HILLIARD: I have a
15 question for Atmos and for the CAD about changing the
16 period from -- to 16 months. What -- will either one
17 of -- will that have a detrimental effect on the
18 customers of Atmos?

19 MR. ROSS: Your Honor, I can speak to
20 that. And then if you want to hear something from our
21 accounting expert or our tax expert, that's fine too.

22 But the short answer is no, we don't
23 think so. First of all, the reconciliation will really
24 be -- we will be moving to -- well, we'll be staying
25 with a 12-month reconciliation. We're just shifting

1 the time period. It's only 16 months because we have
2 this 4-month transitional stub period, if you will, to
3 deal with in this one docket.

4 In terms of what the net effect will be
5 on ratepayers -- Mr. Waller may hit me -- but they have
6 done -- Atmos has been working, as he said, and we have
7 tossed around some numbers, and the bottom line should
8 be a net refund to customers, in other words, a rate
9 reduction, at the end of the day, of some amount. And
10 that's the way the numbers look now. And, obviously,
11 they are preliminary and all that remains to be vetted
12 and dealt with in the next docket. But since you asked
13 the question, that's where we are.

14 MR. IRVIN: That was what I was trying
15 to get at towards the very end here. I will refer,
16 since it's an exhibit, to Mr. Novak's testimony, the
17 last page, that has preliminary analyses based on what
18 was provided to the -- at Staff's request, you know, in
19 terms of the numbers.

20 The net is probably, I think -- based
21 on Mr. Novak's analysis of Mr. Waller's analysis,
22 you're looking at probably a net refund, or less of
23 a -- you know, basically, reduced -- reduction probably
24 of a million dollars. That's our best guess. And
25 that's based on Mr. Novak's analysis. He's not here to

1 defend himself, or otherwise.

2 COMMISSIONER HILLIARD: So if what I'm
3 hearing is right from both of you, there is no negative
4 financial impact to the customers. It could be a
5 positive and could -- and you could argue about how
6 much positive.

7 MR. ROSS: I think that's right. And I
8 do think that, as Mr. Waller has alluded to, the
9 proposal that was put forth in his rebuttal testimony,
10 they have had further ideas about how to do that
11 stub-period reconciliation since then, and I think
12 those further ideas walk more toward the Consumer
13 Advocate's side of things than what would be in the
14 reconciliation. So we're kind of moving further in
15 that direction. At least that's my understanding.
16 Again, that's 30,000 feet with one eye open, and it's,
17 you know, based on preliminary work at this point.

18 MR. IRVIN: It would be -- it would be
19 slightly detrimental in the sense it would be less of a
20 reduction.

21 COMMISSIONER HILLIARD: Okay. But it
22 could be a reduction.

23 And I think, yeah, the basis for all of
24 us here is to make sure that the consumer gets a fair
25 shake in all of this.

1 MR. IRVIN: Right.

2 COMMISSIONER HILLIARD: Okay. You have
3 answered my question.

4 VICE CHAIRMAN MORRISON: Any other
5 questions?

6 (No audible response.)

7 Does Staff have any questions?

8 (No audible response.)

9 All right. Mr. Ross, would you like to
10 redirect?

11 MR. ROSS: No, I don't think so.

12 VICE CHAIRMAN MORRISON: All right.
13 Ms. Story, you are excused. Thank you.

14 All right. If you will just give us a
15 minute to talk before we do closing arguments.

16 (Recess taken from 3:49 P.M. to
17 3:51 P.M.)

18 VICE CHAIRMAN MORRISON: All right. So
19 would the company like to move all docket filings into
20 the record?

21 MR. ROSS: Interesting. In view of the
22 motion that we have made to defer everything, for the
23 record, I think -- I suppose that the cleanest thing to
24 do is to go ahead and move the admission of all of the
25 docket filings. I mean, they're a part of the record

1 anyway, I think, but yes.

2 VICE CHAIRMAN MORRISON: All right.
3 without objection, so moved.

4 And does the Consumer Advocate have any
5 witnesses it would like to present, for the record?

6 MR. IRVIN: No. Our witness was
7 excused.

8 VICE CHAIRMAN MORRISON: Okay. All
9 right. So --

10 MR. IRVIN: If I may, there is a --
11 there is a little bit of -- excuse me.

12 VICE CHAIRMAN MORRISON: Go ahead. I'm
13 sorry.

14 MR. IRVIN: There is -- there was, I
15 think, one exhibit -- well, one exhibit that -- I just
16 would like to take maybe administrative notice to all
17 exhibits, since Mr. Waller -- Mr. Ross appears to have
18 an issue with moving all of our exhibits into -- there
19 was 14-81, for example, that -- if we could take
20 administrative notice of that and our exhibits.

21 MR. ROSS: They have been marked for
22 identification. They should be part of the record of
23 this proceeding so that someone reading this transcript
24 will know what the witness was being asked to refer to
25 and what the Commission saw.

1 However, they were not -- the
2 foundation was not laid for their admission as
3 substantive evidence, and they were not moved as
4 substantive evidence. And I would, respectfully,
5 object that they be admitted as substantive evidence.
6 However, I don't think that distinction really has any
7 import at this point for this proceeding.

8 VICE CHAIRMAN MORRISON: Okay. And I
9 guess for identification purposes we'll just have it --

10 MR. ROSS: I have no objection for
11 identification.

12 VICE CHAIRMAN MORRISON: Okay. All
13 right. Commissioner Jordan.

14 COMMISSIONER JORDAN: Yeah, I -- in
15 opening statement, Counsel for the Consumer Advocate
16 made reference, without specifying, that consideration
17 of this motion might have an impact on other issues
18 involving other matters with -- and I'm not sure I ever
19 had clarification as to what those other issues might
20 be.

21 MR. IRVIN: Well, for example, if it --
22 if the Commission were to accept the 16-month
23 reconciliation period -- the statute clearly specifies
24 an annual period -- that may give rise in -- with
25 respect to other utilities' filings under an annual

1 review mechanism. In other words, if the annual is not
2 really annual, that's one complication.

3 There could be other implications as
4 well. The settlement -- going back to your excellent
5 point about settlement agreements that are often
6 respected but appears to be more open to amendment.

7 COMMISSIONER JORDAN: There -- there
8 are no -- there are no specific filings or likely
9 filings that you are aware of that we need to be aware
10 of at this point?

11 MR. IRVIN: May I have one moment?

12 COMMISSIONER JORDAN: Sure.

13 (Off the record.)

14 MR. IRVIN: I believe I will have to
15 answer it there are no current filings. And I think it
16 would be inappropriate -- often, folks come and talk to
17 us confidentially, in terms of additional filings, that
18 there may be -- may have an impact. There might be
19 something that would impact those filings.

20 COMMISSIONER JORDAN: I'm just
21 wondering if there's anything specific I need to be
22 thinking about other than the general concerns at this
23 point.

24 MR. IRVIN: General concerns at this
25 point, Your Honor.

1 COMMISSIONER JORDAN: Okay. Thank you.

2 VICE CHAIRMAN MORRISON: Okay. So
3 before closing arguments, I would like to make the
4 following motion.

5 I move that we take the motion under
6 advisement and deliberate this matter at the next
7 Conference. Instead of closing arguments, I move for
8 the submission of post-hearing briefs from the parties
9 by February 9. I further move for the February 1
10 filing required by Atmos be held in abeyance pending
11 the Commission's decision in February.

12 COMMISSIONER JORDAN: I second that and
13 vote aye.

14 COMMISSIONER HILLIARD: I would like to
15 confer with staff before we -- before I vote.

16 (Pause in proceedings.)

17 COMMISSIONER HILLIARD: Thank you. I'm
18 sorry, Madam Chairperson.

19 I vote yes.

20 VICE CHAIRMAN MORRISON: As this is a
21 public hearing, is there any member of the public who
22 would like to make a comment on this matter?

23 (No audible response.)

24 Let the record reflect that no one is
25 seeking recognition to comment.

1 All right. And we -- go ahead,
2 Mr. Ross.

3 MR. ROSS: Can I just ask, the deadline
4 that you read for post-hearing briefs is February 9?

5 VICE CHAIRMAN MORRISON: February 9.

6 MR. ROSS: And is there -- is there --
7 could I request a page limit on the briefs? Maybe 20
8 pages, at the most?

9 VICE CHAIRMAN MORRISON: Yes, you can.

10 MR. ROSS: Well, I just propose 20
11 pages, but I would be happy with less if that's what
12 the Commission --

13 COMMISSIONER JORDAN: How about 20
14 pages of argument?

15 MR. ROSS: Well, and I'm not talking
16 about counting the way the Court of Appeals counts
17 pages. I mean beginning to end.

18 COMMISSIONER JORDAN: I'm sorry.
19 That's -- that's what I'm doing.

20 MR. ROSS: I mean beginning to end.
21 Twenty pages seems sufficient to me. But, obviously,
22 there is --

23 VICE CHAIRMAN MORRISON: Are you both
24 in agreement? Twenty?

25 MR. IRVIN: That's fine with us, Your

1 Honor.

2 VICE CHAIRMAN MORRISON: Okay. That's
3 fine.

4 MR. IRVIN: What was the other -- I'm
5 sorry. I missed the other date.

6 VICE CHAIRMAN MORRISON: Let's see.
7 The February 1 filing, we're going to hold that in
8 abeyance until the February meeting.

9 MR. IRVIN: Okay.

10 (Off-the-record comments between
11 counsel.)

12 MR. ROSS: Well, and -- Mr. Irvin
13 points out that we have this 18-00003 docket to deal
14 with. I assume that that's being rolled into this and
15 the Commission will issue one order that resolves that
16 as well.

17 VICE CHAIRMAN MORRISON: We're going to
18 call it, and then we're going to --

19 MR. ROSS: Okay.

20 VICE CHAIRMAN MORRISON: We are going
21 to talk about it.

22 MR. ROSS: Thank you.

23 VICE CHAIRMAN MORRISON: So, yes,
24 we're -- right.

25 MS. DILLON: Next we have Docket

1 No. 18-00003, Atmos Energy Corporation. Atmos Energy
2 Corporation, petition to change certain ARM dates.
3 Hear and consider petition.

4 VICE CHAIRMAN MORRISON: Okay. So in
5 light of our decision, is there any need for
6 discussion?

7 MR. IRVIN: Not at this time, no.

8 MR. ROSS: No. I mean, if we're clear
9 that that's going to be resolved -- that we should
10 brief that and the Commission will resolve that at the
11 next -- the next Authority conference, along with the
12 motion.

13 MR. IRVIN: So if I could -- we're
14 going to brief the 18-03 issue as well?

15 MR. ROSS: To me, it's the same thing.
16 I don't know if they see a distinction. But I think we
17 need to --

18 (Off-the-record discussions.)

19 VICE CHAIRMAN MORRISON: Okay. So if
20 the parties here are in agreement and you want to hold
21 it in abeyance until the February conference, then
22 that's fine.

23 MR. ROSS: Yes. It's part of the same
24 order that you just issued in 17-91.

25 VICE CHAIRMAN MORRISON: Then we'll

1 reserve that as well, yes.

2 COMMISSIONER JORDAN: Can I make -- can
3 I make a formal motion, then --

4 VICE CHAIRMAN MORRISON: Yes, yes.

5 COMMISSIONER JORDAN: -- to that
6 effect? In that the briefing schedule for this be the
7 same.

8 MR. ROSS: Thank you.

9 MR. IRVIN: Do you want a separate
10 20-page brief?

11 COMMISSIONER JORDAN: I -- I would
12 think if --

13 VICE CHAIRMAN MORRISON: Same brief.
14 Same brief.

15 MR. IRVIN: Just clarifying, Your
16 Honor.

17 COMMISSIONER JORDAN: I would -- I
18 would say if there are additional issues that you think
19 are raised in this subsequent matter, that if you need
20 additional pages, that you bring it to our attention.

21 MR. IRVIN: We could set a limit of ten
22 pages for the other if --

23 COMMISSIONER JORDAN: That would be
24 fine. If there are additional issues, yes.

25 MR. IRVIN: Okay.

1 VICE CHAIRMAN MORRISON: Are you good
2 with that?

3 MR. IRVIN: So 20 --

4 MR. ROSS: Yes. I --

5 MR. IRVIN: Twenty on 17-91 and then
6 ten for 18-03.

7 MR. ROSS: Would there be any objection
8 to filing a single brief that deals with --

9 COMMISSIONER JORDAN: No.

10 MR. ROSS: -- both cases?

11 COMMISSIONER JORDAN: No.

12 MR. IRVIN: We can put them in the same
13 brief.

14 COMMISSIONER JORDAN: Put them in the
15 same brief. If there are -- if there are additional
16 issues that are being raised on this --

17 MR. ROSS: Yeah.

18 COMMISSIONER JORDAN: -- on this
19 matter, then they be resolved in a ten-page --

20 MR. ROSS: Add on.

21 COMMISSIONER JORDAN: -- add-on, yeah.

22 MR. ROSS: That's fine.

23 MR. IRVIN: That's great. Thank you.

24 VICE CHAIRMAN MORRISON: Did you want
25 to make a motion -- do I need to make a motion?

1 COMMISSIONER JORDAN: Yeah, I will make
2 that as an additional motion.

3 COMMISSIONER HILLIARD: I'll -- I'll
4 second --

5 VICE CHAIRMAN MORRISON: Vote aye.

6 COMMISSIONER HILLIARD: -- and vote
7 aye.

8 MR. ROSS: Thank you.

9 VICE CHAIRMAN MORRISON: Thank you.

10 MR. IRVIN: Thank you.

11 VICE CHAIRMAN MORRISON: All right. If
12 there is no further business, I move we adjourn.

13 And, everyone, safe travels home.
14 okay? Thank you.

15 (Proceedings concluded at 4:00 P.M.)

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REPORTER'S CERTIFICATE

I, Patricia W. Smith, Licensed Court Reporter, Registered Professional Reporter, Certified Court Reporter, and Notary Public for the State of Tennessee, hereby certify that I reported the foregoing proceedings at the time and place set forth in the caption thereof; that the proceedings were stenographically reported by me; and that the foregoing proceedings constitute a true and correct transcript of said proceedings to the best of my ability.

I FURTHER CERTIFY that I am not related to any of the parties named herein, nor their counsel, and have no interest, financial or otherwise, in the outcome or events of this action.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and seal of office this 18th day of January, 2018.



PATRICIA W. SMITH, LCR, RPR, CCR
AND NOTARY PUBLIC FOR THE STATE
OF TENNESSEE

LCR No. 164 Expires 6/30/2018

Notary Commission Expires 3/3/2020

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**ATMOS ENERGY CORPORATION)
GENERAL RATE CASE AND PETITION)
TO ADOPT ANNUAL REVIEW)
MECHANISM AND ARM TARIFF)**

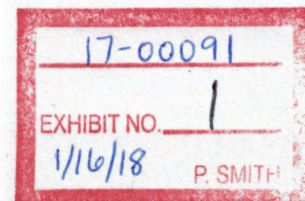
Docket No. 14-00146

STIPULATION AND SETTLEMENT AGREEMENT

For the purpose of settling this case, Tennessee Regulatory Authority ("TRA" or "Authority") Docket No. 14-00146, Herbert H. Slatery III, the Tennessee Attorney General and Reporter, by and through the Consumer Advocate and Protection Division ("Consumer Advocate" or "CAPD") and Atmos Energy Corporation ("Atmos Energy" or "Company") respectfully submit this Stipulation and Settlement Agreement ("Settlement Agreement"). Subject to Authority approval, the Consumer Advocate and Atmos Energy (individually, a "Party" and, collectively, the "Parties") agree to the following:

BACKGROUND

1. Atmos Energy is incorporated under the laws of the State of Texas and the Commonwealth of Virginia and is engaged in the business of transporting, distributing and selling natural gas in Bedford, Blount, Carter, Greene, Hamblen, Maury, Moore, Obion, Rutherford, Sullivan and Williamson Counties within the State of Tennessee, with its principal Tennessee office and place of business located at 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067-6226.



2. The Tennessee public utility operations of Atmos Energy are subject to the jurisdiction of the TRA, pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. On November 25, 2014, Atmos Energy filed a Petition of Atmos Energy Corporation for a General Rate Case and Petition to Adopt Annual Review Mechanism and ARM Tariff ("Petition") in this TRA Docket. In the first part of the Petition, Atmos Energy claimed a revenue deficiency, sought an increase in its annual revenues of approximately \$5.89 million, and sought adoption of methodologies that would enable it to opt into an annual review of rates under Tenn. Code Ann. § 65-5-103(d)(6) (referred to as part one in the Petition and herein as the "Rate Case"). In the second part of the Petition, Atmos Energy sought approval of an Annual Review Mechanism ("ARM") and ARM tariff.

4. On December 23, 2014, the Consumer Advocate filed a Petition to Intervene. By order dated January 7, 2015, intervention was granted.

5. The Parties to this Settlement Agreement have engaged in substantial discovery. The Company also has provided information informally in response to questions from the Consumer Advocate and its witnesses, and has responded to additional discovery requests from TRA Staff.

6. The Consumer Advocate filed direct testimony on April 7, 2015, challenging several aspects of the Company's proposed rate increase and ARM proposal. Among the aspects challenged, as shown in the testimony of the CAPD witnesses filed in this Docket, were the Company's calculation of rate base and numerous expenses, as well as the methodologies by which the Company arrived at certain of the amounts requested. The Consumer Advocate's witnesses, after extensive discovery and analysis recommended a decrease in rates of approximately \$3 million.

7. The Parties have undertaken extensive discussions and “give and take” negotiations to resolve all known disputed issues in this case. As a result of the information obtained during discovery and the discussions between the Parties, and for the purpose of avoiding further litigation and resolving this proceeding upon acceptable terms, the Parties have reached this Settlement Agreement.

In furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below.

SETTLEMENT

8. Based upon the exchange of information and discussions described above, and in order to resolve this case through settlement and avoid the need for further litigation and expenses for all Parties, the Parties have agreed, subject to Authority approval, to certain adjustments and amendments to the Company’s Petition, which are discussed herein.

9. **Attrition Period:** The Parties agree that the appropriate attrition period for use in the Rate Case part of this proceeding is the 12 months ended May 31, 2016.

10. **Revenue Deficiency:** The adjustments and amendments to the Company’s requests filed in the Rate Case part of the Petition collectively reduce the Company’s attrition period revenue deficiency from \$5.89 million (a proposed revenue increase of 3.9%) to \$0.71 million (an increase of 0.5%). The Parties agree that, subject to Authority approval, this revenue deficiency is reasonable and appropriate with respect to the Rate Case.

11. **Revenue Requirement:** The Parties agree, with respect to the Rate Case, that the Company’s attrition period cost of service should include the components set forth on Attachment A hereto, which the Parties agree are fair and reasonable to the Company and its customers and which include the following:

- a. Required operating income of \$19,167,175;
- b. A rate base of \$247,923,553;
- c. An overall rate of return of 7.73% on rate base;
- d. A return on common equity of 9.80%;
- e. A capital structure consisting of 5.01% short-term debt, 41.86% long-term debt, and 53.13% equity;
- f. A cost of short-term debt of 1.07%;
- g. A cost of long term debt of 5.90%; and
- h. An attrition period revenue deficiency of \$711,472.

12. **Rates:** The Parties agree that, with respect to the Rate Case, the rates reflected in Attachment A and tariffs reflected in Attachment B are fair and reasonable and appropriate for the limited purpose of resolving this proceeding. The Parties further agree that, subject to TRA approval, the Rate Case rates set forth on Attachment B shall be effective on bills rendered on and after June 1, 2015.

13. **Annual Review Mechanism and Ratemaking Methodologies:** The Parties agree (I) that the Company may opt into an annual review of its rates pursuant to Tenn. Code Ann. § 65-5-103(d)(6); (II) that the terms and conditions of the amended ARM tariff (which is attached hereto as Attachment C and referred to herein as the "ARM Tariff") are fair and reasonable and appropriate for the limited purpose of resolving this proceeding; and (III) as follows:

- a. **Annual ARM Filing and Forward Looking Rate Adjustment**
 - (i) The Company shall make an annual revenue requirement filing on or before February 1 of each year ("Annual ARM Filing") under Tenn. Code Ann. § 65-5-103(d)(6)(A) and (C).

- (ii) Certain required procedures, definitions, filings, and time frames relevant to the Annual ARM Filing are stated in the ARM Tariff.
- (iii) The Company shall provide, with each year's Annual ARM Filing, each and every document, spreadsheet, workpaper, and exhibits and attachments that are listed or described on Attachment E. Nothing herein shall limit the TRA staff or Consumer Advocate from requesting additional data and/or documents after each Annual ARM Filing, and the Company shall provide any such additional requested data and/or document within 10 business days of such request.
- (iv) All of the items listed or described on Attachment E shall be provided at the time that the Company makes the Annual ARM Filing. The Company will not make its first Annual ARM Filing prior to February 1, 2016.
- (v) Each Annual ARM Filing shall present financial data and ratemaking calculations for a Historic Base Period and Forward Looking Test Year as defined and calculated in the ARM Tariff and shall calculate a revenue sufficiency or deficiency for the Forward Looking Test Year.
- (vi) In each Annual ARM Filing, the Company shall utilize the Approved Methodologies, as defined below.
- (vii) Any rate adjustment resulting from an Annual ARM Filing, after review, consideration, and adjustment of the tariff rates requested

by such Annual ARM Filing by the Authority under Tenn. Code Ann. § 65-5-103(d)(6)(C), shall be effective on bills rendered on and after June 1.

- (viii) The resulting revenue sufficiency or deficiency for the Forward Looking Test Year shall be applied to all rate classes, excluding existing TRA approved Special Contracts (as defined in and set out on Attachment G to this Settlement Agreement).
- (ix) The Parties further agree to an annual reconciliation of actual results to the Authorized Return on Equity, as more fully described as an Annual Reconciliation below.

b. Representations and Warranties Made With Annual ARM Filing

With each Annual ARM Filing, a Company officer shall, as of the date of each Annual ARM Filing, affirmatively represent and warrant, upon information and belief formed after reasonable inquiry, by signing a certificate ("Certificate") under oath:

- (i) That the Company's Annual ARM Filing has been prepared in accordance with the Approved Methodologies, or that any deviation from or the resolution of any ambiguities in the Approved Methodologies has been affirmatively disclosed and explained in a document attached to such affidavit;
- (ii) That all New Matters (as defined below) have been affirmatively disclosed and explained in a document attached to such affidavit;

- (i) The Forward Looking Test Year sufficiency or deficiency shall be distributed among the rate classes proportionate to the current margin of each class, proportionate to the current base and volumetric components within each class and otherwise consistent with the distribution methodology as reflected on Schedule 11-3 of this Settlement Agreement.
 - (ii) Existing Special Contracts are unaffected and will not see a change in rates.
- d. **Special Contracts:** The Company will notify the Authority and Consumer Advocate at least 120 days prior to any termination, renewal, or other rate related change to any existing Special Contract and seek Authority approval for any such change. The Consumer Advocate may seek intervention in any such docket and Atmos Energy agrees not to object to the Consumer Advocate's intervention.
- e. **Definitions**
 - (i) **Annual Filing Date** shall be the date the Company will make its Annual ARM Filing. The Annual Filing Date shall be no later than February 1 of each year.
 - (ii) **Historic Base Period** is defined as the twelve month period ending September 30 of each year prior to each Annual Filing Date.
 - (iii) **Forward Looking Test Year** is defined as the twelve months beginning June 1 of each calendar year.

- (iv) **New Matters** refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination in this Docket 14-00146 by the Authority regarding the Company. The definition of “New Matters” includes, without limitation, any matter or item specifically described or set forth as a New Matter in this Settlement Agreement.
- f. **Authorized Return on Equity:** The Parties stipulate and agree to an Authorized Return on Equity of 9.80% for the Rate Case portion of this Docket, which shall therefore be used in calculating the revenue sufficiency or deficiency under the ARM Tariff.
- g. **Methodologies for Calculation of Annual Revenue Requirement and Resulting Sufficiency or Deficiency for each Forward Looking Test Year.** The revenue requirement and resulting sufficiency or deficiency shall be calculated using the ratemaking methodologies explicitly defined and set out in this Settlement Agreement (“Approved Methodologies”).
 - (i) **Billing Determinants and Revenue at Present Rates**
 - A. **Forward Looking Test Year Billing Determinants** – In calculating Settlement Forward Looking Test Year Billing Determinants, the Company shall begin with Historic Base Period sales and transportation volumes, bills and billing demand units. The Company shall then adjust the billing determinants for normal

weather, annualized customer usage and customer growth to arrive at Forward Looking Test Year Billing Determinants. The weather adjustment shall be calculated using the weather data from the Bristol, Knoxville, Nashville and Paducah weather stations to normalize sales data, and the Company shall use the daily normal weather for the 30-year period ending at the end of each Historic Base Period. For industrial and transportation customers the Company shall analyze the sales volumes of the Company's largest customers and adjust volumes accordingly based on any known and measurable changes expected for each Forward Looking Test Year. For residential and commercial customers the Company shall use a two year average, with the last year being the Historic Base Period, to calculate customer growth adjustments. The customer change shall then be multiplied by annualized normal usage per customer to arrive at the adjustment to volumes consistent with the applicable tariffs, rules and regulations.

B. Forward Looking Test Year Revenues – Forward Looking Test Year Revenues shall be calculated by multiplying the Forward Looking Test Year Billing Determinants by the rates effective at the end of the Historic Base Period consistent with Schedule 11-2 to this Settlement Agreement.

C. Weather Normalization – The weather adjustment shall be calculated using the weather data from the Bristol, Nashville,

Knoxville (TN) and Paducah (KY) NOAA weather stations to normalize actual usage for all customers served under Rate Schedule (210), (211), (220), (221) and (225), as well as the commercial sales customers under Rate Schedule (230). From this data a 30-year daily normal ending at the conclusion of the Historic Base Period shall be calculated. Monthly normal cycle degree days shall be calculated from the 16th of the previous month to the 15th of the current month to approximate cycle-billing. Weather normalization months shall be the periods from October through April. Normalized HDDs by weather station for the Historic Base Period ending June 30, 2014 are attached as Attachment D to this Settlement Agreement. Beginning with the Company's initial Annual ARM Filing on February 1, 2016, the normalized HDDs will be presented as of the end of each Historic Base Period ending September 30th of each year. Weather normalization shall continue to be subject to annual TRA audit and the Consumer Advocate shall have the right to intervene in any docket related to the audit. Atmos Energy agrees not to object to any such intervention by the Consumer Advocate.

D. **Other Revenues** – The Company shall calculate Other Revenues, consisting primarily of forfeited discounts and miscellaneous service charges, by calculating a two year average of these amounts up to the end of each Historic Base Period.

E. **Cost of Gas --** The Company shall calculate Cost of Gas by using the Historic Base Period per books cost of gas adjusted to remove rent for Intercompany Leased Storage Property to arrive at the Forward Looking Test Year Cost of Gas.

- h. **Operations and Maintenance Expense ("O&M").** Total O&M excluding Cost of Gas shall be comprised of expenses incurred directly in the Company's Tennessee operations and expenses allocated from the three rate divisions that allocate expenses to Tennessee (Division 091, the Kentucky Mid-States General Office; Division 002, Shared Services General Office; and Division 012, Shared Services Customer Service). The forecast for O&M shall be developed independently for each of the four rate divisions using the forecast methodologies defined below. For divisions 091, 002 and 012, the amount of expense shall be allocated to the Tennessee operation as described in the Company's Cost Allocation Manual (CAM).
- (i) **Labor --** Labor expense shall be equal to the Company's most recently completed and approved budget for the months of the Forward Looking Test Year for which the budget is available. Labor expense shall be forecasted using an inflation factor to adjust the months of the Forward Looking Test Year that extend beyond the Company's most recently completed budget. The inflation factor shall be the Company's budgeted average target common merit increase from its most recently completed budget.

The development of the O&M forecast shall be consistent for each entity that allocates costs to Tennessee. For divisions 091, 002 and 012, the appropriate amount of expense shall be allocated to the Tennessee operation as described in the Company's Cost Allocation Manual (CAM).

- (ii) **Non-Labor (excluding rent, FAS 87 accrual, disallowances and bad debt expenses)** -- Non-labor O&M expense types other than otherwise noted above and below shall be equal to the Company's most recently completed budget for the months of the Forward Looking Test Year for which the budget is available. Non-labor expense types other than otherwise noted below are forecasted using a standard inflation factor to adjust the months of the Forward Looking Test Year that extend beyond the Company's most recently completed budget. The inflation factor used is the average inflation rate for the southern region over the previous two years as reported by the U.S. Department of Labor. The development of the O&M forecast shall be consistent for each entity that allocates costs to Tennessee. For divisions 091, 002 and 012, the appropriate amount of expense shall be allocated to the Tennessee operation as described in the Company's Cost Allocation Manual (CAM).
- (iii) **Rent** -- The Company shall use a 0% inflation factor for lease payments (subaccounts 05481 and 05480). For the Forward

Looking Test Year ending May 31, 2016 used in this Docket, the Company shall include in its O&M forecast the adjustments documented and described in the response to CAPD DR 1-58 (removal of the Franklin building from the plant additions forecast and addition of lease payments previously removed) (attached as Attachment I).

- (iv) **FAS 87 accrual** – The Company shall remove from O&M any amounts related to FAS 87 expenses (subaccount 01202, and any amount in any successor or replacement account or subaccount containing FAS 87 expenses). In years that the Company makes actual cash contributions to its pension fund, it shall be allowed to recover those cash contributions as part of the annual reconciliation process described below. The amount of cash contribution allocable to and recoverable from Tennessee shall be consistent with the methodology represented in WP 4-4 of this Settlement Agreement and be based on the amount of future liability allocable to Tennessee as defined by the Company's actuary. The allocation methodology described is consistent with that used in Docket Nos. 08-00197 and 12-00064.
- (v) **Disallowances** – The Company shall remove from O&M amounts related to incentive compensation, spousal and dependent travel, and non-deductible dues. Specifically, the Company shall remove allocated net expense amounts for incentive compensation, spousal

and dependent travel, and non-deductible dues budgeted in the following subaccounts: 07452, 07458, 07460, 07463, 07454, 07450, 05416, and 05412, as well as any subaccount that in form or substance could constitute a successor or replacement for such subaccount.

- (vi) **Bad Debt Expense** – The Company shall calculate and include in O&M 0.5% of expected residential, commercial and public authority gross margins as calculated on WP 4-3 of this Settlement Agreement.
- (vii) **Rate Case Expense** – The Company shall include an annual amount of \$175,000 in the Forward Looking Test Year O&M to account for a 3 year amortization of the estimated rate case expenses for this Docket. Upon completion of this Docket, the Company shall defer accumulated rate case expenses and begin amortizing the actual balance at \$14,583.33 per month until the actual balance is fully amortized. In the Forward Looking Test Year following the full amortization of the rate case expense balance, the Company shall cease to include in O&M an adjustment for rate case expense. The Company shall include in its normal operating budget an estimated amount for legal expenses as it would any other O&M expense. Legal expenses associated with prosecuting the Company's Annual ARM Filing are expected to be annually recurring and significantly lower than

the level required to prosecute a traditional rate case. The annual expense incurred for such legal expenses shall be subject to the annual reconciliation described below just like any other O&M expense.

- (viii) **Other** - An adjustment for intercompany leased property shall be included consistent with the data and calculations on WP 3-1 attached to this Settlement Agreement and all previous rate filings made by the Company since 1989.

i. **Taxes, Other than Income Taxes**

- (i) Total Taxes, Other than Income Taxes shall be comprised of taxes incurred directly in the Company's Tennessee operations and taxes allocated from the three rate divisions that allocate expenses to Tennessee (Division 091, the Kentucky Mid-States General Office; Division 002, Shared Services General Office; and Division 012, Shared Services Customer Service). The forecast for Taxes, Other than Income Taxes shall be developed independently for each of the four rate divisions. For divisions 091, 002 and 012, the appropriate amount of taxes shall be allocated to the Tennessee operation as described in the Company's Cost Allocation Manual (CAM). The forecast for Taxes, Other Than Income Taxes shall be comprised of the Company's most recently completed budget for each type of tax with the following two exceptions:

A. Payroll taxes (FICA, FUTA, SUTA) shall be inflated at the same rate as labor O&M for months in the Forward Looking Test Year that extend beyond the most recently completed budget; and

B. The monthly accrual for ad valorem taxes shall be the Company's most recent monthly accrual for estimated ad valorem taxes due.

- (ii) An adjustment for intercompany leased property shall be included consistent with the data and calculations on WP 3-1 attached to this Settlement Agreement and all previous rate filings made by the Company since 1989.

j. Depreciation and Amortization Expense

- (i) Depreciation and Amortization Expense for each Forward Looking Test Year shall be calculated within the Company's plant forecast described below. Depreciation expense shall be calculated by multiplying the approved rate for each account by the projected account balance for each month. The depreciation rates used to calculate depreciation expense are those most recently approved by the Authority for Tennessee and each of the entities allocable to Tennessee. Depreciation expense allocable to Tennessee shall be done in accordance with the Company's Cost Allocation Manual (CAM).
- (ii) For the attrition years ending May 31, 2016 and May 31, 2017, the Company shall include in Amortization Expense \$649,245 each

year to account for a 2-year amortization of the regulatory asset related to FAS 87 which it was authorized to establish in the Order from Docket No. 12-00064. The regulatory asset will be fully amortized on May 31, 2017.

- (iii) Prudent rate making and accounting requires that depreciation rates be updated periodically. The Company's practice is to conduct depreciation studies and update rates in its various operating divisions and entities housing shared assets (including the Kentucky Mid-States General Office and SSU) every 4-6 years. The Company does plan to conduct depreciation studies in the future consistent with this practice and prudent accounting and rate making procedures. In the event it conducts a depreciation study for its Tennessee operations or any of the entities that house shared assets that support Tennessee operations, the Company shall, within 30 days of completing the study, file the depreciation study with the TRA, and provide a copy to the Consumer Advocate, and ask that the rates contained in the study be approved for its next annual review. Following any appropriate discovery and rebuttal, and conditioned upon approval by the TRA of new rates, the Company shall calculate depreciation expense using the newly approved rates in its subsequent Annual ARM Filing. To assist with review, the Company shall file any new depreciation study

when it is completed, rather than waiting until it makes the next Annual ARM Filing.

- (iv) An adjustment for intercompany leased property shall be included consistent with the data and calculations on WP 3-1 attached to this Settlement Agreement and all previous rate filings made by the Company since 1989.

k. **Rate Base** The rate base shall include projected thirteen month averages for each of the following components. Each component shall be forecasted consistent with the methodologies described in each section below:

- (i) **Original Cost of Plant** – The forecast of monthly gross plant balances shall begin with the actual plant balances at the end of the Historic Base Period. Plant additions for the period between the end of the Historic Base Period and end of the Forward Looking Test Year are made up of projected and budgeted plant additions from the Company's monthly projections and most recently completed capital budget. Plant additions are comprised of three components:

- (A) the capital spending for Tennessee;
- (B) the amount allocated to Tennessee resulting from capital spending by the KY/Mid-States Division's general office; and

(C) the amount allocated to Tennessee resulting from capital spending by the Company's Shared Services (SSU) during the Forward Looking Test Year.

Two components of SSU that house shared plant assets, the Charles K. Vaughan Center (CKV) and Greenville data center, shall use allocation percentages that recognize the unique nature and use of those assets and that are consistent with the Company's workpapers. The capital forecast shall be converted to plant account ("300 account") detail for the purpose of projecting additions, retirements, depreciation expense, accumulated depreciation and resulting net plant at the required level of detail. Projected plant retirements shall be based on the level of retirements recorded during each Historic Base Period. For the initial Forward Looking Test Year ending May 31, 2016, the Company shall include in its rate base forecast the adjustments documented and described in the response to CAPD DR 1-58 (removal of the Franklin building from the plant additions forecast and addition of lease payments previously removed), attached as Attachment I.

- (ii) **Accumulated Depreciation and Amortization** – Accumulated depreciation and amortization for each Forward Looking Test Year shall be forecast within the Company's plant projection described in the preceding section and shall incorporate the most recently

approved depreciation rates. The forecast shall begin with actual per books accumulated depreciation balances at the end of the Historic Base Period. For each month between the end of each Historic Base Period and the end of each Forward Looking Test Year, the forecast shall add projected depreciation expense and deduct the same retirements that were projected for gross plant. Depreciation expense shall be calculated by multiplying the approved rate for each account by the projected account balance for each month.

- (iii) **Construction Work in Progress ("CWIP")** – The balance of CWIP at the end of each Historic Base Period shall be projected to remain constant through the end of each Forward Looking Test Year as capital spending is offset by completing projects and placing assets in service.
- (iv) **Storage Gas Investment** - Forward Looking Test Year storage gas balances shall be based on actual balances through the end of each Historic Base Period and forecasted storage usage with future injections priced at NYMEX futures prices.
- (v) **Cash Working Capital** - The Company conducted a new lead-lag study for this Docket in order to calculate cash working capital requirements. Rather than conduct a new lead-lag study with each Annual ARM Filing, the Company shall apply the lead-lag factors from this study to the subsequent annual Forward Looking Test

Year cost of service items and revenues in order to calculate cash working capital requirements each Forward Looking Test Year.

- (vi) **Materials and Supplies** - The balance of materials and supplies at the end of each Historic Base Period shall be projected to remain constant through the end of each Forward Looking Test Year.
- (vii) **Regulatory Assets** - Attachment F lists the regulatory assets that are recognized for the Company. Attachment F shall include the Deferred Pension Regulatory Asset that is more particularly described below.
- (viii) **Deferred Pension Regulatory Asset Balance** - The Company shall include in rate base the average unamortized portion of the regulatory asset related to FAS 87 which it was authorized to establish in the Final Order from Docket No. 12-00064. The regulatory asset will be fully amortized on May 31, 2017. No further regulatory asset for FAS 87 shall be established unless so established by the TRA, and until the TRA adopts new ratemaking methodologies thereto.
- (ix) **Accumulated Deferred Income Tax** – Accumulated Deferred Income Taxes (“ADIT”) shall be forecasted consistent with this Settlement Agreement and shall be based on forecasted plant additions and currently enacted tax law. The forecast of monthly ADIT balances shall begin with the actual ADIT balances at the end of the Historic Base Period. The forecast of book plant

additions and book depreciation for the period between the end of the Historic Base Period and end of the Forward Looking Test Year shall be consistent with the amounts described above in (k)(i) and (k)(ii). To arrive at tax plant additions, the tax repairs basis adjustment shall be estimated based on the type of projected book plant additions and prior period deductible percentages. In periods for which bonus depreciation has been enacted, the bonus depreciation basis adjustment shall be estimated based on the type of projected book plant additions, using the last known bonus depreciation percentages, by rate division. Projected tax plant additions shall be used to compute tax projected depreciation in accordance with the current MACRs rates. The difference between projected book plant additions and projected tax plant additions results in projected fixed asset cost ADIT. The difference between projected book accumulated depreciation and projected tax accumulated depreciation results in projected fixed asset accumulated ADIT. All other ADIT balances shall be held constant from the end of the Historic Base Period; only fixed asset cost and accumulated ADIT are projected. ADIT balances for Tennessee and each rate division allocable to Tennessee shall include both liability and asset balances including NOLCs. ADIT shall include a ratemaking adjustment consistent with the

Company's pre-filed testimony to remove non-utility related ADIT associated with any consolidated tax net operating loss.

- (x) **Customer Advances for Construction** – The balance of customer advances for construction at the end of each Historic Base Period shall be projected to remain constant through the end of each Forward Looking Test Year.
- (xi) **Customer Deposits** – Customer deposits shall be projected to increase 0.35% annually from the ending balance in each Historic Base Period.
- (xii) **Accumulated Interest on Customer Deposits** – Accumulated interest on customer deposits shall be projected to increase 0.35% annually from the ending balance in each Historic Base Period.
- (xiii) **Operating Reserves** – Operating Reserves shall not be included as a component of rate base.
- (xiv) **Net Elimination of Intercompany Leased Property** – An adjustment for intercompany leased property shall be included consistent with the data and calculations on WP 3-1 and all previous rate filings made by the Company since 1989.

I. Rate of Return

- (i) **Capital Structure** - The Company's capital structure shall be calculated annually and be made up of:
 - A. Actual equity balance at the end of each Historic Base Period

- B. Actual long term debt ("LTD") balance at the end of each Historic Base Period
- C. Twelve-month average short term debt ("STD") balance for the 12 months that comprise each Historic Base Period
- (ii) **Cost of Debt** - Cost of Long Term Debt shall be calculated annually as it is calculated on WP 9-3 of this Settlement Agreement. Cost of Short Term Debt shall be calculated annually as it is calculated on WP 9-2 of this Settlement Agreement.
- (iii) **Return on Equity** – The Authorized Return on Equity shall be 9.80% until a different return on equity is adopted by the Authority in a subsequent general rate case.
- m. **Other Methodologies Adopted** -- To the extent that ratemaking methodologies are not described in this Settlement Agreement and are not inconsistent with any methodology described in this Settlement Agreement, the methodologies used in the Company's revenue requirement model and supporting workpapers and relied-upon files in this Docket No. 14-00146 may be utilized in calculating and evaluating the Company's annual revenue requirement and resulting sufficiency or deficiency; provided, however, that to the extent that any such methodology is or could be interpreted as ambiguous or contradictory, no methodology shall be inferred with respect to the item or process that is ambiguous or contradictory.

14. **Annual Reconciliation of Actual Results to Authorized Return on Equity**

- a. On or before September 1 of each year, the Company shall file with the Authority, and shall provide a copy to the Consumer Advocate, a reconciliation of actual results ("Annual Reconciliation") to the Authorized Return on Equity for the Forward Looking Test Year immediately completed.
- b. The annual reconciliation shall include a calculation of actual cost of service, determined in accordance with the Approved Methodologies, for the Forward Looking Test Year immediately completed; using the same revenue requirement model used in each Annual ARM Filing, substituting actual results in place of previously forecasted data for all aspects of cost of service, excluding revenue calculations. Actual cost of service shall be compared with actual booked revenue, ignoring the revenue impact of any prior year reconciliation, to determine the revenue requirement ("Annual Reconciliation Revenue Requirement") necessary to adjust the actual return on equity to the Authorized Return on Equity for the Forward Looking Test Year immediately completed, all determined in accordance with the Approved Methodologies. The calculation of the Annual Reconciliation Revenue Requirement shall be consistent with Schedule 12 of the ARM Tariff (Attachment C). Interest will be added to the Annual Revenue Reconciliation Revenue Requirement (whether positive or negative). The interest rate shall be the Overall Cost of Capital as stated on Schedule 9 of the Annual ARM Filing Compounded for 2 years.

- c. New rates shall be calculated to produce a net rate adjustment comprised of the Annual Reconciliation Revenue Requirement from the most recently completed Forward Looking Test Year and the revenue sufficiency/deficiency for the ensuing Forward Looking Test Year, all determined in accordance with the methodologies set forth herein and as approved and adopted by the Authority.
- d. The resulting rates shall be effective on bills rendered on and after June 1 of each year. All tariff rates (except Special Contract rates, which shall not be affected) shall be adjusted in proportion to the relative base revenue share of each class as described above.
- e. The first Annual Reconciliation Revenue Requirement filing shall occur on September 1, 2016, and shall cover the Forward Looking Test Year ended May 31, 2016. The resulting Annual Reconciliation Revenue Requirement shall be incorporated into the Company's February 1, 2017 Annual ARM Filing.

15. **Variance Report and ARM Review** -- As part of its Annual ARM Filing, Atmos Energy shall prepare and file with the TRA, with a copy to the Consumer Advocate, a Variance Report ("Variance Report") that identifies and explains each and every Atmos Energy operating revenue and expense account and/or subaccount for which the Tennessee amount (including amounts allocated to Tennessee) either:

- a. exceeds the prior year's amount (based on amounts either as filed by Atmos Energy in the Annual ARM Filing or as adjusted by the TRA under Tenn. Code Ann. § 65-5-103(d)(6)(C)) by 5% and \$30,000; or

- b. exceeds the amount (based on amounts either as filed by Atmos Energy in the Annual ARM Filing or as adjusted by the TRA under Tenn. Code Ann. § 65-5-103(d)(6)(C)) in such account and/or subaccount in the third preceding year by 10% and \$60,000; or
- c. has been, when compared with the accounts and/or subaccounts existing on the Effective Date of this Settlement Agreement and/or used in the calculations referenced herein, added or deleted or modified in form or substance in any way.

As to any account and/or subaccount (and including without limitation any process related directly or indirectly to any such account or subaccount) included on a Variance Report, the TRA and/ or Consumer Advocate shall have the right in its discretion to request additional information and an explanation from Atmos Energy. Atmos Energy agrees to provide any such information or explanation requested within ten business days of such request. The Consumer Advocate, further, has the right in its discretion to bring such account and/or subaccount (or related process) to the attention of the Authority and to request the Authority to review and consider such account and/or subaccount (or related process). Without limiting the Authority's discretion, the Consumer Advocate may recommend any form or process of review it deems appropriate, including without limitation a review that would include the appointment of a third party to review and report on the account and/or subaccount (or related process).

16. **CAPD Authority to Petition** -- The CAPD shall have the right in its sole discretion to file a petition or complaint asking the TRA to terminate or modify any ARM Tariff resulting from this Docket or any directly or indirectly related docket or to take any other action contemplated by Tenn. Code Ann. § 65-5-103(d)(6). Atmos Energy agrees not to oppose the

CAPD's petition or complaint filed under this Section on the grounds that such a proceeding is not statutorily authorized or that CAPD is not authorized to bring such a proceeding; provided, however, that Atmos Energy reserves all rights with regard to the merits of any termination or modification or other relief that the CAPD may request or position that the CAPD may assert in any such proceeding.

17. The Parties agree that the terms of this Settlement Agreement are fair and reasonable to all customer classes and will provide Atmos Energy with a reasonable opportunity to recover the agreed upon operating revenue requirement and a reasonable rate of return on investment.

18. The Parties agree to support this Settlement Agreement before the Authority and in any hearing, proposed order, or brief conducted or filed in this proceeding.

19. The Parties acknowledge that Atmos Energy brought this matter, *inter alia*, to determine rates in a general rate case and to establish adopted ratemaking methodologies sufficient to enable implementation of the annual review mechanism established by Tenn. Code Ann. § 65-5-103(d)(6). The Parties jointly request that the Authority adopt the ratemaking methodologies set forth in this Settlement Agreement for the limited purpose of implementing an annual review mechanism under Tenn. Code Ann. § 65-5-103(d)(6) under this Docket, and approve the annual review mechanism and ARM Tariff consistent with the terms and requirements established by this Settlement Agreement. The methodologies adopted by the Authority as a result of the above request shall be utilized in preparing and evaluating each Annual ARM Filing and Annual Reconciliation filing contemplated under this Docket.

20. None of the Parties waives its right to take other positions with respect to matters similar to those settled herein in future proceedings before the Authority.

21. The resolution of issues reflected herein is the result of give and take negotiations between the Parties and does not necessarily reflect the position of any single Party on any discrete issue, and no Party waives the right to assert any position in any future proceeding.

22. Except to the limited extent necessary to allow the Authority to implement an annual review mechanism under Tenn. Code Ann. § 65-5-103(d)(6) in this Docket (and, for the avoidance of doubt, only in this Docket 14-00146), the Parties acknowledge and agree as follows:

- a. This Settlement Agreement shall not have any precedential effect in any other proceeding or be binding upon any of the Parties in this or any other jurisdiction;
- b. None of the signatories hereto shall be deemed to have acquiesced in any ratemaking or procedural principle, including without limitation, any cost of service determination or cost allocation or revenue related methodology,
- c. No provision of this Settlement Agreement shall be deemed an admission of any Party.

23. The Parties agree that all pre-filed testimony and exhibits and attachments of the Parties (including pre-filed supplemental testimony and exhibits and attachments supporting this Settlement Agreement) will be admitted into evidence without objection and become part of the public record and the Parties hereby waive their right to cross-examine all witnesses with respect to such pre-filed testimony and exhibits and attachments; provided, however, that should questions be asked of such witnesses by any person at the hearing of this matter (including any questions by Directors), the Parties may cross-examine any witness with respect to such

questions consistent with the agreement set forth in this Settlement Agreement. As to the Supplemental Testimony that is the subject of the Consumer Advocate's Motion for Leave to File Supplemental Testimony filed on April 21, 2015, and any rebuttal thereto, the parties shall abide by the hearing officer's decision. Public comment regarding the Settlement Agreement will also be welcome and encouraged by the Parties.

24. The terms of the Settlement Agreement have resulted from extensive negotiations between the signatories and the terms hereof are interdependent. The provisions of this Settlement Agreement are agreements reached in compromise and settlement and solely for the purpose of resolving this Docket without the need for further litigation.

25. The provisions of this Settlement Agreement are not severable.

26. The Parties jointly recommend that the Authority issue an order adopting this Settlement Agreement in its entirety without modification.

27. If the Authority does not approve the settlement in its entirety, the Parties are not bound by any position or term set forth in this Settlement Agreement, except for this Section. In the event that the Authority does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement will retain the right to terminate this Settlement Agreement and/or to seek additional time to consider or review any proposed modifications. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should the Settlement Agreement be rejected or modified, in whole or in part, by the Authority.

28. The Parties agree that this Settlement Agreement constitutes the complete understanding among the Parties concerning the resolution of issues and matters under this TRA Docket 14-00146, and any oral statements, representations or agreement concerning such issues

and matters made prior to the execution of this Settlement Agreement have been merged into this Settlement Agreement.

29. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy and completeness of the information provided by the Company to the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

30. The acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of the Company's practices.

31. Each signatory to this Settlement Agreement represents and warrants that it/he/she has informed, advised and otherwise consulted with the Party for whom it/he/she signs regarding the contents and significance of this Settlement Agreement and has obtained authority to sign on behalf of such Party, and based upon those communications, each signatory represents and warrants that it/he/she is authorized to execute this Settlement Agreement on behalf of its/his/her respecting Party.

32. This Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee. Nothing herein limits or alters the Sovereign Immunity of the State of Tennessee or any of its entities or subdivisions.

33. The Parties agree that this Settlement Agreement may be executed in multiple counterparts and by copies provided by facsimile or in .pdf format.

34. The date set forth immediately following shall be the "Effective Date" for purposes of this Settlement Agreement.

The foregoing is agreed and stipulated to this 29th day of April, 2015.

**STIPULATION AND SETTLEMENT AGREEMENT
IN TRA DOCKET 14-00146
SIGNATURE PAGE**

ATMOS ENERGY CORPORATION

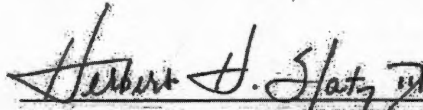
A handwritten signature in black ink, appearing to read "A. Scott Ross", is written over a horizontal line.

A. Scott Ross, #15634
Blind Akrawi, #23213
Neal & Harwell, PLC
2000 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219-2498
(615) 244-1713 – Telephone

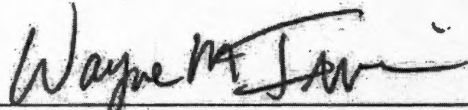
Dated: April 24, 2015

**STIPULATION AND SETTLEMENT AGREEMENT
IN TRA DOCKET 14-00146
SIGNATURE PAGE**

**CONSUMER ADVOCATE AND
PROTECTION DIVISION**



Herbert H. Slatery III, #09077
Attorney General and Reporter



Wayne M. Irvin, #30946
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P. O. Box 20207
Nashville, TN 37202-0207

Dated: April 29, 2015

EXHIBIT A

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Schedule 1

**Tennessee Distribution System
Cost of Service
Twelve Months Ended May 31, 2016**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Cost of Gas	Schedule 3	\$87,478,439
2			
3	Operation & Maintenance Expense	Schedule 4	19,095,533
4			
5	Taxes Other Than Income Taxes	Schedule 5	6,879,384
6			
7	Depreciation & Amortization Expense	Schedule 6	12,353,190
8			
9	Return	Schedule 7	19,167,175
10			
11	Federal Income and State Excise Tax	Schedule 8	8,290,277
12			
13	AFUDC	Wp 1-2	(66,220)
14			
15	Interest on Customer Deposits	Wp 1-1	<u>118,049</u>
16			
17	Total Cost of Service		<u>\$ 153,315,828</u>
18			
19			
20	Revenue at Present Rates	Schedule 2	<u>\$ 152,604,356</u>
21			
22	Net Revenue Deficiency		<u>\$ 711,472</u>

**Tennessee Distribution System
Interest on Customer Deposits
Twelve Months Ended May 31, 2016**

Line No.	Description (a)	Amount (b)
1	Average Customer Deposit Balance	\$ 3,632,272
2		
3	Interest Rate on Customer Deposits	<u>3.25%</u>
4		
5	Adjusted Customer Deposit Interest	<u>\$ 118,049</u>

WP 1-2

**Tennessee Distribution System
Allowance for Funds Used During Construction
Twelve Months Ended May 31, 2016**

Line No.	Description (a)	Amount (b)
1	Base Period AFUDC per books - Div 093 (1)	\$ (108,959)
2		
3	Less State Excise Tax Effect	<u>(7,082)</u>
4		
5		\$ (101,877)
6		
7	Less Federal Tax Effect	<u>(35,657)</u>
8		
9	Net AFUDC - Base Period	\$ (66,220)
10		
11	Change from Base Period to Attrition Year	<u>-</u>
12		
13	Projected Attrition Year Net AFUDC	<u>\$ (66,220)</u>
14		
15	Note:	
16	1. Twelve months ended June 30, 2014 - Account 432	

**Tennessee Distribution System
Summary of Revenue at Present Rates
Twelve Months Ended May 31, 2016**

Line	Description	Amount
	(a)	(b) (c)
1	Base period per books revenue (1)	\$ 150,583,201
2		
3	Change from Base Period to Attrition Year	<u>2,021,155</u>
4		
5	Projected Attrition Year Revenue:	
6	Margin at proposed WNA	\$ 65,125,917
7	Gas cost	<u>87,478,439</u>
8	Total	<u>\$ 152,604,356</u>
9		
10	Note:	
11	1. Twelve months ended June 30, 2014	

ATTACHMENT A
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Schedule 3

**Tennessee Distribution System
Cost of Gas
Twelve Months Ended May 31, 2016**

Line No.	Description (a)	Amount (b)
1	Base period per books cost of gas (1)	\$ 88,684,395
2		
3	Adjustments	
4	Net Elimination of Intercompany Leased Storage Property	<u>(1,205,956)</u>
5		
6	Total Adjusted Gas Cost	\$ 87,478,439
7		
8	Change from Base Period to Attrition Year	<u>—</u>
9		
10	Projected Attrition Year Gas Cost	<u>\$ 87,478,439</u>
11		
12	Note:	
13	1. Twelve months ended June 30, 2014	

ATTACHMENT A
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Docket No. 14-00146

WP 3-1

**Tennessee Distribution System
ELIMINATION OF LEASED PROPERTY-RENT
Twelve Months Ended May 31, 2016**

Line No.	Description	Building Rent O&M	Storage Expense O&M	Leased Property Depreciation	Storage Expense Other Taxes	Storage Rent Gas Cost
	(a)	(b)				(c)
1	July-13	\$ (44,333)	\$ 23,344	\$ 21,607	\$ 1,083	\$ (108,645)
2	August-13	(44,333)	24,048	21,607	1,083	(108,645)
3	September-13	(44,333)	83,934	21,607	1,083	(108,645)
4	October-13	(44,333)	32,801	21,607	1,967	(108,645)
5	November-13	(44,333)	30,600	21,607	1,967	(108,645)
6	December-13	(44,333)	29,021	21,607	2,288	(108,645)
7	January-14	(44,333)	40,286	21,607	2,017	(108,645)
8	February-14	(44,333)	27,715	21,607	2,017	(108,645)
9	March-14	(44,333)	49,711	21,607	2,017	(47,530)
10	April-14	(44,333)	55,083	21,607	2,017	(96,422)
11	May-14	(44,333)	26,342	21,738	2,017	(96,422)
12	June-14	(44,333)	53,196	21,738	2,017	(96,422)
13						
14	Total Per Books	\$ (532,000)	\$ 476,081	\$ 259,544	\$ 21,573	\$ (1,205,956)

**Tennessee Distribution System
Operation and Maintenance Expenses
Twelve Months Ended May 31, 2016**

Line No.	Description (b)	Amount (c)
1	Base period per books O&M Expense (1)	\$ 20,691,412
2		
3	Change from Base Period to Attrition Year	<u>(1,539,960)</u>
4		
5	Attrition Year O&M Expenses - Before Eliminations	\$ 19,151,452
6		
7	<u>Adjustments to O&M</u>	
8	Elimination of Intercompany Leased Property - Rent	\$ (532,000)
9	Inclusion of Barnsley Storage Operating Expense	\$ 476,081
10		
11	Total Adjustments	<u>\$ (55,919)</u>
12		
13	Total Adjusted Operation and Maintenance Expenses	<u>\$ 19,095,533</u>
14		
15	Note:	
16	1. Twelve months ended June 30, 2014	

ATTACHMENT A
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Stipulation and Settlement Agreement
Docket No. 14-00146

WP 4-1

Tennessee Distribution System
Operation and Maintenance Expenses
Twelve Months Ended May 31, 2016

Line No	Tennessee			SSU			General Office			Total		
	Historic Base	Attrition	Difference	Historic Base	Attrition	Difference	Historic Base	Attrition	Difference	Historic Base	Attrition	Difference
1 Labor	\$ 3,833,106	\$ 3,555,677	\$ (277,429)	\$ 2,988,616	\$ 3,258,726	\$ 270,110	\$ 830,668	\$ 1,101,169	\$ 270,501	\$ 7,652,390	\$ 7,915,572	\$ 263,182
2 Benefits	2,042,645	1,292,506	(750,138)	1,092,592	936,113	(156,479)	216,528	521,295	304,766	3,351,765	2,749,914	(601,851)
3 Employee Welfare	43,233	49,932	6,699	1,940,675	1,572,025	(368,651)	796,294	421,128	(375,166)	2,780,203	2,043,085	(737,117)
4 Insurance	221,454	24,620	(196,835)	748,809	833,818	85,009	21,054	189,967	168,913	991,318	1,048,405	57,087
5 Rent, Maint., & Utilities	578,875	531,590	(47,285)	352,221	347,964	(4,258)	162,704	138,531	(24,173)	1,093,800	1,018,085	(75,716)
6 Vehicles & Equip	621,268	682,388	61,120	6,587	7,330	743	26,652	33,884	7,231	654,508	723,602	69,094
7 Materials & Supplies	327,985	298,661	(29,324)	29,900	39,809	9,909	141,309	108,220	(33,089)	499,194	446,690	(52,504)
8 Information Technologies	-	-	-	639,959	688,694	48,736	37,245	66,731	29,485	677,204	755,425	78,221
9 Telecom	151,489	140,164	(11,324)	129,039	127,764	(1,275)	152,011	257,149	105,138	432,538	525,077	92,539
10 Marketing	76,887	70,831	(6,057)	16,767	25,745	8,978	113,813	184,311	70,498	207,468	280,886	73,418
11 Directors & Shareholders & PR	951	1,294	343	214,115	223,606	9,492	-	1,650	1,650	215,066	226,550	11,484
12 Dues & Donations	48,527	32,906	(15,621)	19,498	17,625	(1,874)	45,519	75,421	29,902	113,544	125,952	12,408
13 Print & Postages	9,759	14,549	4,790	7,889	12,241	4,352	3,429	6,926	3,497	21,077	33,716	12,639
14 Travel & Entertainment	216,924	152,528	(64,396)	111,987	128,271	16,284	182,841	221,533	38,692	511,752	502,332	(9,420)
15 Training	7,395	13,042	5,647	62,144	56,715	(5,428)	22,415	32,370	9,954	91,954	102,127	10,173
16 Outside Services	1,664,907	2,004,370	339,463	643,523	531,667	(111,857)	1,117,517	1,542,248	424,731	3,425,947	4,078,284	652,337
17 Provision for Bad Debt	651,500	261,968	(389,532)	-	-	-	(1,913)	-	1,913	649,587	261,968	(387,619)
18 Miscellaneous	6,634	20,126	13,492	(2,664,909)	(2,877,843)	(212,935)	(19,627)	(10,183)	9,445	(2,677,903)	(2,867,900)	(189,997)
19 Total O&M Expenses	\$ 10,503,538	\$ 9,147,152	\$ (1,356,386)	\$ 6,339,414	\$ 5,930,270	\$ (409,144)	\$ 3,848,459	\$ 4,892,347	\$ 1,043,888	\$ 20,691,412	\$ 19,969,769	\$ (721,642)
20												
21 Disallowed Items												
22 Other (Sub 05416 and 05412)		(2,243)			(2,691)			(213)			(5,147)	(5,147)
23 Incentive Comp (MFR 38)		0			(647,942)			(340,228)			(988,170)	(988,170)
24												
25 Rate Case Expense		175,000	175,000								175,000	175,000
26												
27 Pension Benchmark		-	-								-	-
28												
29												
30 Total O&M	\$ 10,503,538	\$ 9,319,909	\$ (1,181,386)	\$ 6,339,414	\$ 5,279,637	\$ (409,144)	\$ 3,848,459	\$ 4,551,906	\$ 1,043,888	\$ 20,691,412	\$ 19,151,452	\$ (1,539,960)

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2016**

Division 093			
Line No.	FERC Account	Historic Base Period	Attrition Year
1	7350	1,305	1,236
2	8180	572	1,009
3	8210	31	22
4	8560	623	756
5	8600	8,490	7,821
6	8670	11	10
7	8700	2,361,658	2,316,288
8	8711	16,308	14,850
9	8740	2,070,827	2,223,387
10	8750	121,646	114,076
11	8770	7,659	7,596
12	8780	600,254	557,564
13	8800	110,435	106,613
14	8810	398,508	380,777
15	8860	14,655	13,884
16	8870	18,660	17,629
17	8890	24,379	28,106
18	8920	5,234	4,794
19	8930	17,605	16,160
20	8940	(3,084)	(9,356)
21	9010	6,324	5,812
22	9020	691,800	668,384
23	9030	196,461	180,834
24	9040	651,500	261,968
25	9070	94	87
26	9090	143,931	132,327
27	9100	350	612
28	9110	347,428	305,382
29	9120	33,840	27,774
30	9130	1,600	1,474
31	9160	515	335
32	9200	194,222	180,165
33	9210	65,160	21,648
34	9220	10,187,875	9,831,543
35	9230	157,985	188,066
36	9240	132,462	14,726
37	9250	53,662	51,524
38	9260	2,055,011	1,306,813
39	9280	(74,610)	(68,848)
40	9302	13,199	8,766
41	9310	56,826	53,836
42	Total	20,691,413	18,976,452

ATTACHMENT A
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WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2016**

Division 091			
Line	FERC	Historic Base	
No.	Account	Period	Attrition Year
43	8170	500	432
44	8180	531	459
45	8190	10,223	8,840
46	8210	4,589	3,968
47	8240	401	347
48	8250	27,080	23,416
49	8500	587	721
50	8560	8,920	11,415
51	8570	1,000	865
52	8650	7,311	10,146
53	8700	3,210,235	4,743,128
54	8711	59,652	46,396
55	8740	67,177	85,772
56	8750	43,813	34,088
57	8760	1,382	1,075
58	8770	117,080	91,072
59	8780	344	268
60	8800	2,944	3,871
61	8810	316,444	273,633
62	8870	791	615
63	8940	122	95
64	9030	2,727,144	3,814,211
65	9040	(4,630)	-
66	9100	1,352	2,235
67	9110	72,274	95,672
68	9120	3,558	5,852
69	9130	15,697	25,817
70	9200	(51,047)	(26,896)
71	9210	5,282	10,507
72	9220	(9,310,483)	(11,189,685)
73	9230	91,198	127,856
74	9240	(3,576)	(32,768)
75	9250	525,243	1,400,610
76	9260	1,931,984	237,104
77	9302	104,766	175,740
78	9310	14,347	12,406
79	9320	394	717
80	Total	4,630	(0)

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WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2016**

Division 002			
Line	FERC	Historic Base	
No.	Account	Period	Attrition Year
81	8140	541	781
82	8210	4,468	2,393
83	8560	479	640
84	8700	100,986	111,794
85	8740	97,800	105,851
86	8760	200	178
87	8800	4,220	5,518
88	8850	1,553	2,078
89	8860	12	16
90	9010	125	167
91	9020	47,412	53,786
92	9030	25,234	28,748
93	9120	29,391	45,116
94	9130	(6,063)	(6,877)
95	9200	(22,447,731)	(24,982,212)
96	9210	18,501,335	25,155,798
97	9220	(84,875,857)	(71,795,374)
98	9230	8,101,170	8,397,621
99	9240	179,210	211,975
100	9250	16,678,193	19,556,422
101	9260	53,634,862	31,963,611
102	9301	306	437
103	9302	4,624,832	4,910,134
104	9310	5,200,477	5,470,031
105	9320	538,395	761,369
106	Total	441,553	0

ATTACHMENT A
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Stipulation and Settlement Agreement
Docket No. 14-00146

WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2016**

Division 012			
Line No.	FERC Account	Historic Base Period	Attrition Year
107	8700	10,212	2,835
108	8740	13,188	24,083
109	8800	179	72
110	9010	5,441,762	5,765,424
111	9020	14,190	14,558
112	9030	21,552,990	22,924,588
113	9050	1,257	913
114	9100	2,977	1,191
115	9200	5,019,864	5,355,018
116	9210	10,455,699	3,271,615
117	9220	(57,004,824)	(48,791,438)
118	9230	351,640	147,468
119	9240	188,310	-
120	9250	850	340
121	9260	12,410,091	9,695,597
122	9301	244	228
123	9302	180	56
124	9310	1,697,889	1,587,179
125	9320	19,527	273
126	Total	176,224	(0)

Atmos Energy Corp - Tennessee Distribution System
Attrition Year Period Bad Debt Calculation
Twelve Months Ended May 31, 2016

WP 4-3

261,968

ATTACHMENT A
to
Atmos Energy Corp. Tennessee Distribution System
Attrition Year Pension Benchmark Calculation
Twelve Months Ended May 31, 2016

WP 4-4

Line No.	Description	Number of Participants	Estimated Liability	Percent of Contribution	Estimated 2015 Contribution	Allocation Factor to Tennessee	Amount Allocable to Tennessee
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	All Other (not allocable to Tennessee)	5,078	\$ 354,513,000	76.4%	\$ -	0.00%	\$ -
2	Co 010 - Shared Services	574	50,472,000	10.9%	-	4.36%	-
3	Co 010 - CSO	448	13,252,000	2.9%	-	4.41%	-
4	Active Tennessee Jurisdiction Employees	123	13,714,000	3.0%	-	100.00%	-
5	Inactive Tennessee Jurisdiction Employees	242	18,153,000	3.9%	-	100.00%	-
6	Active Division General Office Employees	28	4,620,000	1.0%	-	40.68%	-
7	Inactive Division General Office Employees (pre-merger)	72	8,090,000	1.7%	-	26.55%	-
8	Inactive Division General Office Employees (post-merger)	5	1,374,000	0.3%	-	40.68%	-
9							
10	Total Amount of Contribution Allocable to Tennessee	6,570	\$ 464,188,000	100.00%	\$ -		\$ -

1 For General Office employees who worked at United Cities Gas Company prior to the merger with Atmos Energy, the Company has applied the allocation factor used to allocate labor expense in Docket No. 95-02258.

Source: Relied Upon\TN-FYE2014-AcctAllocation.pdf

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Schedule 5

**Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended May 31, 2016**

Line No.	Description (a)	Total (b)
1	Base period per books Other Taxes Expense (1)	\$ 6,190,722
2		
3	Change from Base Period to Attrition Year	<u>667,089</u>
4		
5	Attrition Year Other Taxes Expense	<u>\$ 6,857,811</u>
6		
7	Inclusion of Barnsley Storage Other taxes	<u>21,573</u>
8		
9	Attrition Year Adjusted Taxes Other Than Income Taxes	<u>\$ 6,879,384</u>
10		
11	Note:	
12	1. Twelve months ended June 30, 2014 - Account 408	

ATTACHMENT A
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Stipulation and Settlement Agreement
Docket No. 14-00146

WP 5-1

Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended June 30, 2014

Line No.	Description	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Year Totals
1	Division 021													
2	FICA	13,058	14,714	17,500	11,261	52,163	7,679	25,172	24,869	14,254	14,695	22,762	28,635	246,765
3	FUTA	9	6	2	4	37	10	8,700	(1,707)	(79)	(97)	5	11	6,901
4	SUTA	34	17	13	(21)	69	18	2,554	1,251	(233)	(63)	(26)	13	3,629
5	Ad Valorem	275,655	275,655	275,655	275,655	275,655	269,026	304,920	304,920	304,920	304,920	304,920	304,920	3,476,821
6	30105 Corp/State Franchise Tax	50,417	50,417	50,417	51,667	51,667	51,667	51,667	51,667	51,667	51,667	51,667	51,667	616,254
7	30107 City Franchise	167	167	167	167	167	167	167	167	167	167	167	167	2,000
8	30109 State Gross Receipts	43,189	43,806	43,132	52,117	97,192	161,526	203,484	144,001	129,162	79,012	44,103	49,612	1,084,335
9	30104 State Supv & Inspection	31,044	31,044	31,044	31,044	31,044	31,044	31,044	31,044	44,174	44,174	44,174	44,174	425,046
10	30108 Dot Transmission User Tax	0	0	0	0	0	0	0	0	0	19,392	0	0	19,392
11	Division 91 Allocations	7,158	7,317	7,973	6,695	14,835	(38,125)	11,016	8,918	7,704	7,666	9,523	11,046	61,928
12	Division 12 Allocations	10,745	10,618	9,839	10,721	19,602	(19,774)	14,691	11,038	11,633	11,305	10,471	10,027	110,716
13	Division 02 Allocations	13,679	12,643	11,450	10,925	26,213	(14,261)	16,807	11,473	11,830	12,121	15,571	11,185	136,034
14	Total	\$ 443,154	\$ 446,403	\$ 447,192	\$ 450,234	\$ 508,644	\$ 448,078	\$ 609,422	\$ 547,241	\$ 575,801	\$ 544,657	\$ 601,338	\$ 503,458	\$ 6,190,722
15														
16	Division 002													
17	FICA	240,480	226,916	200,694	206,173	442,148	190,605	247,305	203,961	224,048	232,114	264,046	209,624	2,888,113
18	FUTA	157	194	212	211	98	110	21,115	2,302	277	(241)	14	245	24,594
19	SUTA	485	518	514	540	449	312	49,505	10,846	2,990	(246)	(247)	875	66,581
20	Ad Valorem	50,000	50,000	50,000	36,000	36,000	(508,191)	38,000	38,000	38,000	38,000	38,000	38,000	(58,191)
21	30105 Corp/State Franchise Tax	167	167	167	0	0	0	0	0	0	0	0	0	501
22	Total	\$ 292,285	\$ 228,795	\$ 201,587	\$ 242,924	\$ 880,895	\$ 132,424	\$ 326,820	\$ 244,309	\$ 264,325	\$ 269,877	\$ 264,809	\$ 248,429	\$ 2,925,527
23														
24	Division 012													
25	FICA	170,201	162,758	149,667	194,709	317,478	163,311	215,344	183,306	205,509	202,069	230,851	178,914	2,448,116
26	FUTA	110	139	158	203	85	95	18,351	2,183	313	(331)	10	209	21,525
27	SUTA	340	371	383	518	392	268	43,025	9,996	2,895	(325)	(226)	748	58,385
28	Ad Valorem	72,000	72,000	72,000	39,000	48,000	(600,439)	50,000	50,000	50,000	50,000	50,000	50,000	(439)
29	Total	\$ 242,651	\$ 235,268	\$ 221,208	\$ 274,429	\$ 435,953	\$ 433,763	\$ 326,720	\$ 245,485	\$ 258,717	\$ 251,413	\$ 280,635	\$ 229,871	\$ 2,527,587
30														
31	Division 021													
32	FICA	7,018	7,905	9,022	6,151	25,713	4,347	11,346	11,679	8,661	8,563	12,970	16,616	129,890
33	FUTA	5	3	1	2	18	5	3,971	(769)	(13)	(52)	3	7	3,181
34	SUTA	18	9	7	(11)	35	9	1,165	500	(74)	(31)	(14)	8	1,711
35	Ad Valorem	10,000	10,000	10,000	10,000	10,000	(96,179)	10,000	10,000	10,000	10,000	10,000	10,000	13,827
36	30105 Corp/State Franchise Tax	617	617	617	0	0	0	0	0	0	0	0	0	2,811
37	Total	\$ 17,658	\$ 18,534	\$ 19,667	\$ 12,261	\$ 45,866	\$ 14,461	\$ 26,482	\$ 22,415	\$ 18,633	\$ 18,520	\$ 23,003	\$ 26,624	\$ 141,820

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WP 5-1

Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended May 31, 2016

Line No.	Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	3350	3351	3352	3353	3354	3355	3356	3357	3358	3359	3360	3361	3362	3363</

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Schedule 6

**Tennessee Distribution System
Depreciation and Amortization Expense
Twelve Months Ended May 31, 2016**

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Base period per books Depreciation Expense (1)		\$ 10,441,142
2			
3	Change from Base Period to Attrition Year		<u>1,003,258</u>
4			
5	Attrition Year Depreciation Expense at current Depreciation Rates	Wp 6-2	\$ 11,444,401
6			
7	Adjustment to reflect Proposed Depreciation Rates		<u>-</u>
8			
9	Attrition Year Depreciation Expense at proposed Depreciation Rates	Wp 6-1	11,444,401
10			
11	Amortization of Deferred Pension Regulated Asset	Wp 7-3	649,245
12			
13	Net Elimination of Intercompany Leased Property	Wp 3-1	<u>259,544</u>
14			
15	Total Depreciation and Amortization Expense, As Adjusted		<u>\$ 12,353,190</u>
16			
17	Note:		
18	1. Twelve months ended June 30, 2014		

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WP 6-1

**Tennessee Distribution System
Depreciation Expense Adjustment
Proforma SSU Depreciation at Proposed Depreciation Rates
Twelve Months Ended May 31, 2016**

Line No.	Description (a)	Amount (b)	Allocation (c)	Allocated (d)
1	Proforma Depreciation			
2	Tennessee Operations	\$ 10,249,313	100.00%	\$ 10,249,313
3	Mid-States General Office	441,587	40.68%	179,635
4	SSU Div 12 - Customer Service	9,774,813	4.41%	431,064
5	SSU Div 02 - General Office	13,413,327	4.36%	584,388
6				
7	Proforma Depreciation Adjustment			<u>\$ 11,444,401</u>

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WP 6-2

**Tennessee Distribution System
Depreciation Expense Adjustment
Proforma SSU Depreciation at Current Depreciation Rates
Twelve Months Ended May 31, 2016**

Line No.	Description	Amount	Allocation	Allocated
	(a)	(b)	(c)	(d)
1	Proforma Depreciation			
2	Tennessee Operations	\$ 10,249,313	100.00%	\$ 10,249,313
3	Mid-States General Office	441,587	40.68%	179,635
4	SSU Div 12 - Customer Service	9,774,813	4.41%	431,064
5	SSU Div 02 - General Office	13,413,327	4.36%	584,388
6				
7	Proforma Depreciation Expense			<u>\$ 11,444,401</u>

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Schedule 7

Tennessee Distribution System
Rate Base & Return
Twelve Months Ended May 31, 2016
Thirteen Month Average

Line No.	Description	Historic Base Period (1)	Change	Attrition Year	Reference
	(a)	(b)	(c)	(d)	(e)
1	Original Cost of Plant	\$ 432,469,950	\$ 46,198,118	\$ 478,668,068	Wp 7-1 Wp7-2
2					
3	Accumulated Depreciation and Amortization	(181,393,329)	(12,783,530)	(194,176,859)	Wp 7-1 Wp7-2
4					
5	Construction Work in Progress per Books	13,489,444	(4,886,489)	8,602,955	Wp 7-1 Wp7-2
6					
7	Storage Gas Investment	6,482,564	(98,081)	6,384,483	Wp 7-1 Wp7-2
8					
9	Cash Working Capital	955,030	(177,448)	777,582	Wp 7-5
10					
11	Material & Supplies	6,005	(110)	5,895	Wp 7-1 Wp7-2
12					
13	Deferred Pension Regulated Asset Balance	-	973,868	973,868	Wp 7-3
14					
15	Accumulated Deferred Income Tax	(40,562,870)	(14,279,728)	(54,842,598)	Wp 7-1
16					
17	Customer Advances for Construction	(73,942)	(1,135)	(75,078)	Wp 7-1 Wp7-2
18					
19	Customer Deposits	(3,392,069)	(240,203)	(3,632,272)	Wp 7-1 Wp7-2
20					
21	Accumulated Interest on Customer Deposits	(56,907)	6,328	(50,578)	Wp 7-1 Wp7-2
22					
23	Unadjusted Rate Base	\$ 227,923,876	\$ 14,711,589	\$ 242,635,465	
24					
25	Adjustments:				
26					
27	Net Elimination of Intercompany Leased Property	\$ 5,822,234	\$ (499,423)	\$ 5,322,811	Wp 7-1 Wp7-2
28					
29	Total Rate Base	<u>\$ 233,746,110</u>	<u>\$ 14,212,166</u>	<u>\$ 247,958,276</u>	
30					
31	Return at Overall Cost of Capital on Rate Base	<u>\$ 18,068,574</u>	<u>\$ 1,098,600</u>	<u>\$ 19,167,175</u>	
32					
33	Note:				
34	1. Twelve months ended June 30, 2014				

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Twelve Months Ended May 31, 2016

WP 7-1

No.	Month	Division 003 - Tennessee	SSU Status General Office	Division 012 - SSU Customer	CKV	Division 002 - SSU General	Greenville	197%	48.0%	4.41%	0.07%	1.37%	1.25%	Total Tennessee
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	Gas Plant in Service (Account 101) 12 month average balances													
2														
3	May-15	449,988,746	6,752,011	148,372,576	12,967,182	186,407,218	9,218,027	449,988,746	2,747,377	6,543,152	108,413	8,133,390	117,754	467,628,831
4	Jun-15	451,689,339	6,752,011	149,132,608	12,970,389	187,257,130	9,218,027	451,689,339	2,747,377	6,576,669	108,439	8,160,428	117,754	469,399,006
5	Jul-15	453,224,418	6,752,011	149,418,462	12,971,596	187,991,252	9,218,027	453,224,418	2,747,377	6,589,275	108,450	8,192,430	117,754	470,979,693
6	Aug-15	454,925,674	6,752,011	149,597,782	12,972,353	188,696,384	9,218,027	454,925,674	2,747,377	6,597,183	108,456	8,233,149	117,754	472,719,592
7	Sep-15	456,184,194	6,752,011	149,775,022	12,973,101	189,636,226	9,218,027	456,184,194	2,747,377	6,604,999	108,462	8,264,106	117,754	474,026,892
8	Oct-15	458,588,457	6,752,011	149,949,554	12,973,837	191,485,628	9,218,027	458,588,457	2,747,377	6,612,696	108,468	8,344,700	117,754	476,519,452
9	Nov-15	461,158,988	6,752,011	150,131,013	12,974,603	195,632,705	9,218,027	461,158,988	2,747,377	6,620,698	108,475	8,525,425	117,754	479,278,716
10	Dec-15	463,229,865	6,752,011	150,312,287	12,975,368	196,659,949	9,218,027	463,229,865	2,747,377	6,628,692	108,481	8,570,191	117,754	481,402,360
11	Jan-16	464,823,512	6,752,011	150,501,523	12,976,167	197,768,070	9,218,027	464,823,512	2,747,377	6,637,037	108,488	8,618,481	117,754	483,032,649
12	Feb-16	466,172,540	6,752,011	150,782,593	12,977,353	199,170,280	9,218,027	466,172,540	2,747,377	6,649,432	108,498	8,679,588	117,754	484,475,188
13	Mar-16	467,902,246	6,752,011	151,062,643	12,978,535	199,950,894	9,218,027	467,902,246	2,747,377	6,661,782	108,508	8,713,606	117,754	486,251,273
14	Apr-16	469,096,619	6,752,011	151,341,881	12,979,714	200,843,672	9,218,027	469,096,619	2,747,377	6,674,097	108,517	8,752,512	117,754	487,496,876
15	May-16	470,967,303	6,752,011	152,144,837	12,983,102	201,563,644	9,218,027	470,967,303	2,747,377	6,709,493	108,546	8,783,883	117,754	489,454,358
16	Average	469,818,146	6,752,011	150,999,965	12,978,889	198,811,208	9,218,027	469,818,146	2,747,377	6,631,477	108,477	8,457,837	117,754	478,668,068
17														
18	Construction Work in Process (Account 1070)													
19														
20	May-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
21	Jun-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
22	Jul-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
23	Aug-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
24	Sep-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
25	Oct-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
26	Nov-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
27	Dec-15	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
28	Jan-16	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
29	Feb-16	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
30	Mar-16	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
31	Apr-16	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
32	May-16	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
33	Average	7,834,846	(16,064)	1,399,985	0	16,359,036	0	7,834,846	(6,536)	61,739	0	712,906	0	8,602,955
34														

Stipulation and Settlement Agreement
Docket No. 14-00146

**Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended May 31, 2016**

WP 7-1

No.	Month	Division 003 of	Mid-Station	Division 002-	CHKV	Division 002-	Gross Profit	100%	40.00%	4.01%	0.00%	4.00%	1.00%	Total
		Tennessee	General Office	SSU Customer		SSU General								
		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
35	Inventories-Plant Materials (Account 1540)													
36														
37	May-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
38	Jun-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
39	Jul-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
40	Aug-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
41	Sep-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
42	Oct-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
43	Nov-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
44	Dec-15	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
45	Jan-16	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
46	Feb-16	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
47	Mar-16	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
48	Apr-16	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
49	May-16	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
50	Average	0	14,487	0	0	0	0	0	5,895	0	0	0	0	5,895
51														
52	Inventories-Gas Stored (Account 1541)													
53														
54	May-15	2,562,319	0	0	0	0	0	2,562,319	0	0	0	0	0	2,562,319
55	Jun-15	4,147,362	0	0	0	0	0	4,147,362	0	0	0	0	0	4,147,362
56	Jul-15	5,741,210	0	0	0	0	0	5,741,210	0	0	0	0	0	5,741,210
57	Aug-15	7,345,961	0	0	0	0	0	7,345,961	0	0	0	0	0	7,345,961
58	Sep-15	8,955,744	0	0	0	0	0	8,955,744	0	0	0	0	0	8,955,744
59	Oct-15	10,563,849	0	0	0	0	0	10,563,849	0	0	0	0	0	10,563,849
60	Nov-15	12,184,115	0	0	0	0	0	12,184,115	0	0	0	0	0	12,184,115
61	Dec-15	11,203,817	0	0	0	0	0	11,203,817	0	0	0	0	0	11,203,817
62	Jan-16	8,539,281	0	0	0	0	0	8,539,281	0	0	0	0	0	8,539,281
63	Feb-16	5,589,687	0	0	0	0	0	5,589,687	0	0	0	0	0	5,589,687
64	Mar-16	2,640,093	0	0	0	0	0	2,640,093	0	0	0	0	0	2,640,093
65	Apr-16	955,853	0	0	0	0	0	955,853	0	0	0	0	0	955,853
66	May-16	2,568,991	0	0	0	0	0	2,568,991	0	0	0	0	0	2,568,991
67	Average	6,204,483	0	0	0	0	0	6,204,483	0	0	0	0	0	6,204,483
68														

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended May 31, 2016

WP 7-1

Line No.	Month	Division 093 -	Division 091 -	Division 012 -	CKV	Division 002 -	Greenville	Division 093	Division 091	Division 012	CKV	Division 002	Greenville	Total Tennessee
		Tennessee	Mid-States General Office	SEU Customer		SEU General	Greenville	100%	98.49%	4.41%	9.84%	4.30%	1.32%	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
69	Customers Deposits (Account 1350)													
70														
71	May-15	(3,569,139)	0	0	0	0	0	(3,569,139)	0	0	0	0	0	(3,569,139)
72	Jun-15	(3,579,549)	0	0	0	0	0	(3,579,549)	0	0	0	0	0	(3,579,549)
73	Jul-15	(3,589,990)	0	0	0	0	0	(3,589,990)	0	0	0	0	0	(3,589,990)
74	Aug-15	(3,600,460)	0	0	0	0	0	(3,600,460)	0	0	0	0	0	(3,600,460)
75	Sep-15	(3,610,962)	0	0	0	0	0	(3,610,962)	0	0	0	0	0	(3,610,962)
76	Oct-15	(3,621,494)	0	0	0	0	0	(3,621,494)	0	0	0	0	0	(3,621,494)
77	Nov-15	(3,632,056)	0	0	0	0	0	(3,632,056)	0	0	0	0	0	(3,632,056)
78	Dec-15	(3,642,650)	0	0	0	0	0	(3,642,650)	0	0	0	0	0	(3,642,650)
79	Jan-16	(3,653,274)	0	0	0	0	0	(3,653,274)	0	0	0	0	0	(3,653,274)
80	Feb-16	(3,663,930)	0	0	0	0	0	(3,663,930)	0	0	0	0	0	(3,663,930)
81	Mar-16	(3,674,616)	0	0	0	0	0	(3,674,616)	0	0	0	0	0	(3,674,616)
82	Apr-16	(3,685,334)	0	0	0	0	0	(3,685,334)	0	0	0	0	0	(3,685,334)
83	May-16	(3,696,083)	0	0	0	0	0	(3,696,083)	0	0	0	0	0	(3,696,083)
84	Average	(3,632,272)	0	0	0	0	0	(3,632,272)	0	0	0	0	0	(3,632,272)
85														
86														
87	Accumulated Deferred 2312 (Total Accounts 1200, 2000, 3000) adjusted to customer responsibility item.													
88														
89	May-15	(72,688,955)	9,406,385	(29,893,462)	0	485,484,583	0	(72,688,955)	3,827,435	(1,318,286)	0	21,156,802	0	(49,023,004)
90	Jun-15	(73,073,583)	9,473,591	(29,783,708)	0	485,595,787	0	(73,073,583)	3,854,781	(1,313,402)	0	21,161,648	0	(49,370,556)
91	Jul-15	(73,459,174)	9,543,177	(29,655,459)	0	485,712,555	0	(73,459,174)	3,883,096	(1,307,790)	0	21,166,736	0	(49,717,132)
92	Aug-15	(73,861,485)	9,615,144	(29,524,396)	0	485,831,155	0	(73,861,485)	3,912,379	(1,302,010)	0	21,171,905	0	(50,079,212)
93	Sep-15	(74,224,721)	9,689,491	(29,393,097)	0	485,940,514	0	(74,224,721)	3,942,631	(1,296,220)	0	21,176,670	0	(50,401,640)
94	Oct-15	(74,682,222)	9,699,722	(29,234,003)	0	485,957,726	0	(74,682,222)	3,966,793	(1,289,204)	0	21,177,421	0	(50,724,212)
95	Nov-15	(75,260,673)	9,710,142	(29,074,887)	0	485,960,828	0	(75,260,673)	3,991,103	(1,282,187)	0	21,177,556	0	(51,044,271)
96	Dec-15	(75,453,983)	9,721,471	(28,915,565)	0	485,984,166	0	(75,453,983)	3,955,643	(1,275,161)	0	21,178,573	0	(51,364,928)
97	Jan-16	(75,396,051)	9,732,799	(28,756,340)	0	486,007,164	0	(75,396,051)	3,960,252	(1,268,135)	0	21,179,575	0	(51,684,358)
98	Feb-16	(75,207,176)	9,744,128	(28,598,990)	0	486,028,497	0	(75,207,176)	3,964,862	(1,261,200)	0	21,180,505	0	(52,003,909)
99	Mar-16	(75,106,532)	9,755,457	(28,441,402)	0	486,053,954	0	(75,106,532)	3,969,472	(1,254,251)	0	21,181,614	0	(52,323,597)
100	Apr-16	(75,026,466)	9,766,785	(28,283,484)	0	486,078,835	0	(75,026,466)	3,974,081	(1,247,287)	0	21,182,698	0	(52,643,253)
101	May-16	(75,253,422)	9,778,114	(28,138,277)	0	486,104,945	0	(75,253,422)	3,978,691	(1,240,343)	0	21,183,836	0	(52,962,911)
102	Average	(75,468,803)	9,664,339	(29,053,228)	0	485,903,131	0	(75,468,803)	3,932,396	(1,281,232)	0	21,175,041	0	(53,842,598)

**Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended May 31, 2016**

Line No.	Month	Division 093 -	Division 091 -	Division 012 -	CKV	Division 002 -	Greenville	100%	80.0%	4.61%	0.00%	4.36%	1.28%	Total Tennessee	
		Tennessee	Mid-States General Office	SSU Customer		SSU General									
		(a)	(b)	(c)		(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
104	Accumulated Depreciation (Account 1080)														
105															
106	May-15	(181,372,567)	(3,509,121)	(47,721,381)	(3,173,363)	(116,276,065)	(3,404,854)	(181,372,567)	(1,427,853)	(2,104,488)	(26,531)	(5,067,163)	(43,495)	(190,042,096)	
107	Jun-15	(181,983,370)	(3,545,920)	(48,397,911)	(3,206,642)	(117,116,341)	(3,430,548)	(181,983,370)	(1,442,876)	(2,134,322)	(26,809)	(5,103,781)	(43,823)	(190,734,932)	
108	Jul-15	(182,618,250)	(3,582,719)	(49,137,200)	(3,239,926)	(117,989,198)	(3,456,241)	(182,618,250)	(1,457,800)	(2,166,924)	(27,088)	(5,141,819)	(44,151)	(191,456,032)	
109	Aug-15	(183,234,016)	(3,619,518)	(49,891,220)	(3,273,211)	(118,873,393)	(3,481,935)	(183,234,016)	(1,472,773)	(2,200,176)	(27,366)	(5,180,351)	(44,679)	(192,159,162)	
110	Sep-15	(183,911,841)	(3,656,317)	(50,646,464)	(3,306,498)	(119,706,370)	(3,507,628)	(183,911,841)	(1,487,747)	(2,233,483)	(27,644)	(5,216,652)	(44,807)	(192,922,174)	
111	Oct-15	(184,439,965)	(3,693,116)	(51,403,058)	(3,339,788)	(120,539,919)	(3,533,322)	(184,439,965)	(1,502,720)	(2,266,848)	(27,922)	(5,243,825)	(45,136)	(193,526,416)	
112	Nov-15	(184,950,468)	(3,729,915)	(52,159,735)	(3,373,079)	(120,421,222)	(3,559,015)	(184,950,468)	(1,517,693)	(2,300,217)	(28,201)	(5,247,804)	(45,464)	(194,089,847)	
113	Dec-15	(185,508,516)	(3,766,714)	(52,917,434)	(3,406,373)	(121,275,866)	(3,584,709)	(185,508,516)	(1,532,667)	(2,333,631)	(28,479)	(5,285,048)	(45,792)	(194,734,133)	
114	Jan-16	(186,139,376)	(3,803,513)	(53,675,146)	(3,439,669)	(122,117,648)	(3,610,402)	(186,139,376)	(1,547,640)	(2,367,045)	(28,757)	(5,321,732)	(46,120)	(195,450,572)	
115	Feb-16	(186,808,299)	(3,840,312)	(54,422,555)	(3,472,968)	(122,896,025)	(3,636,096)	(186,808,299)	(1,562,613)	(2,400,006)	(29,036)	(5,355,679)	(46,449)	(196,202,082)	
116	Mar-16	(187,424,912)	(3,877,110)	(55,171,634)	(3,506,271)	(123,831,204)	(3,661,789)	(187,424,912)	(1,577,587)	(2,433,040)	(29,314)	(5,396,407)	(46,777)	(196,908,036)	
117	Apr-16	(188,121,984)	(3,913,909)	(55,922,354)	(3,539,577)	(124,744,018)	(3,687,482)	(188,121,984)	(1,592,560)	(2,466,146)	(29,593)	(5,436,186)	(47,105)	(197,693,574)	
118	May-16	(188,294,819)	(3,950,708)	(56,609,951)	(3,572,892)	(125,703,183)	(3,713,176)	(188,294,819)	(1,607,534)	(2,496,469)	(29,871)	(5,477,985)	(47,433)	(198,380,111)	
119	Average	(185,018,022)	(3,729,915)	(52,159,697)	(3,373,077)	(120,867,773)	(3,559,015)	(185,018,022)	(1,517,693)	(2,300,215)	(28,201)	(5,267,264)	(45,464)	(194,176,659)	
120															
121															
122	Customer Advances (Account 3528)														
123															
124	May-15	(75,078)	0	0	0	0	0	(75,078)	0	0	0	0	0	(75,078)	
125	Jun-15	(75,078)	0	0											

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended May 31, 2016

WP 7-1

Line No.	Month	Division 093 -	Division 091 -	Division 012 -	CKV	Division 002 -	Greenville	Division 093	Division 091	Division 012	CKV	Division 002	Greenville	Total Tennessee
		Tennessee	Mid-States General Office	SSU Customer		SSU General		100%	40.69%	4.41%	0.84%	4.36%	1.28%	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
139	<u>Interest on Customer Deposits (Account 2379-34919)</u>													
140														
141	May-15	(50,490)	0	0	0	0	0	(50,490)	0	0	0	0	0	(50,490)
142	Jun-15	(50,505)	0	0	0	0	0	(50,505)	0	0	0	0	0	(50,505)
143	Jul-15	(50,519)	0	0	0	0	0	(50,519)	0	0	0	0	0	(50,519)
144	Aug-15	(50,534)	0	0	0	0	0	(50,534)	0	0	0	0	0	(50,534)
145	Sep-15	(50,549)	0	0	0	0	0	(50,549)	0	0	0	0	0	(50,549)
146	Oct-15	(50,563)	0	0	0	0	0	(50,563)	0	0	0	0	0	(50,563)
147	Nov-15	(50,578)	0	0	0	0	0	(50,578)	0	0	0	0	0	(50,578)
148	Dec-15	(50,593)	0	0	0	0	0	(50,593)	0	0	0	0	0	(50,593)
149	Jan-16	(50,608)	0	0	0	0	0	(50,608)	0	0	0	0	0	(50,608)
150	Feb-16	(50,622)	0	0	0	0	0	(50,622)	0	0	0	0	0	(50,622)
151	Mar-16	(50,637)	0	0	0	0	0	(50,637)	0	0	0	0	0	(50,637)
152	Apr-16	(50,652)	0	0	0	0	0	(50,652)	0	0	0	0	0	(50,652)
153	May-16	(50,667)	0	0	0	0	0	(50,667)	0	0	0	0	0	(50,667)
154	Average	(50,578)	0	0	0	0	0	(50,578)	0	0	0	0	0	(50,578)
155														
156	<u>Net elimination of intercompany leased property</u>													
157														
158	May-15	5,453,240	0	0	0	0	0	5,453,240	0	0	0	0	0	5,453,240
159	Jun-15	5,431,502	0	0	0	0	0	5,431,502	0	0	0	0	0	5,431,502
160	Jul-15	5,409,764	0	0	0	0	0	5,409,764	0	0	0	0	0	5,409,764
161	Aug-15	5,388,026	0	0	0	0	0	5,388,026	0	0	0	0	0	5,388,026
162	Sep-15	5,366,287	0	0	0	0	0	5,366,287	0	0	0	0	0	5,366,287
163	Oct-15	5,344,549	0	0	0	0	0	5,344,549	0	0	0	0	0	5,344,549
164	Nov-15	5,322,811	0	0	0	0	0	5,322,811	0	0	0	0	0	5,322,811
165	Dec-15	5,301,073	0	0	0	0	0	5,301,073	0	0	0	0	0	5,301,073
166	Jan-16	5,279,335	0	0	0	0	0	5,279,335	0	0	0	0	0	5,279,335
167	Feb-16	5,257,596	0	0	0	0	0	5,257,596	0	0	0	0	0	5,257,596
168	Mar-16	5,235,858	0	0	0	0	0	5,235,858	0	0	0	0	0	5,235,858
169	Apr-16	5,214,120	0	0	0	0	0	5,214,120	0	0	0	0	0	5,214,120
170	May-16	5,192,382	0	0	0	0	0	5,192,382	0	0	0	0	0	5,192,382
171	Average	5,322,811	0	0	0	0	0	5,322,811	0	0	0	0	0	5,322,811

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended June 31, 2014

WP 7-2

											Factors FY13	Division 093 100%	Division 091 41.10%	Division 012 4.32%	CKV 1.52%	Division 002 4.56%	Greenville 1.31%										
Division 091 - Mid-Tennessee																											
Line No.	Month	Division 093 - Tennessee		States General Office		Division 012 - SSU Customer		Division 002 - SSU General			Greenville	FY14	100%	41.48%	4.36%	1.53%	4.50%	1.31%	Total Tennessee								
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)													
1	Gas Plant in Service (Account 101)																										
2																											
3	Jun-13	\$	401,921,898	\$	4,206,295	\$	138,810,847	\$	12,935,810	\$	166,406,959	\$	9,218,027	\$	401,921,898	\$	1,728,800	\$	6,001,597	\$	196,793	\$	7,591,710	\$	120,642	\$	417,561,440
4	Jul-13	\$	404,683,924	\$	4,206,295	\$	138,822,106	\$	12,949,991	\$	166,475,230	\$	9,218,027	\$	404,683,924	\$	1,728,800	\$	6,002,083	\$	197,009	\$	7,594,825	\$	120,642	\$	420,327,283
5	Aug-13	\$	406,109,303	\$	4,211,622	\$	138,857,212	\$	12,949,991	\$	166,496,381	\$	9,218,027	\$	406,109,303	\$	1,730,990	\$	6,003,601	\$	197,009	\$	7,595,790	\$	120,642	\$	421,757,334
6	Sep-13	\$	410,265,159	\$	4,958,561	\$	140,069,160	\$	12,949,956	\$	165,919,624	\$	9,218,027	\$	410,265,159	\$	2,037,984	\$	6,056,001	\$	197,008	\$	7,569,477	\$	120,642	\$	426,246,271
7	Oct-13	\$	413,114,863	\$	4,958,561	\$	140,161,126	\$	12,949,956	\$	166,993,088	\$	9,218,027	\$	413,114,863	\$	2,056,743	\$	6,114,023	\$	198,119	\$	7,508,480	\$	120,629	\$	429,112,856
8	Nov-13	\$	413,722,800	\$	4,979,948	\$	143,514,638	\$	12,949,956	\$	168,046,548	\$	9,218,027	\$	413,722,800	\$	2,063,614	\$	6,260,308	\$	198,119	\$	7,555,847	\$	120,629	\$	429,923,315
9	Dec-13	\$	415,334,429	\$	4,993,956	\$	143,269,925	\$	12,949,956	\$	168,380,018	\$	9,218,027	\$	415,334,429	\$	2,071,424	\$	6,249,633	\$	198,119	\$	7,579,833	\$	120,629	\$	431,354,066
10	Jan-14	\$	416,883,041	\$	4,993,956	\$	144,283,027	\$	12,949,956	\$	167,376,925	\$	9,218,027	\$	416,883,041	\$	2,071,424	\$	6,293,826	\$	198,119	\$	7,534,731	\$	120,629	\$	433,101,770
11	Feb-14	\$	417,650,685	\$	5,010,663	\$	144,283,027	\$	12,949,956	\$	167,607,080	\$	9,218,027	\$	417,650,685	\$	2,078,354	\$	6,293,826	\$	198,119	\$	7,536,087	\$	120,629	\$	433,877,699
12	Mar-14	\$	426,280,982	\$	4,988,938	\$	144,284,984	\$	12,949,956	\$	167,683,605	\$	9,218,027	\$	426,280,982	\$	2,069,343	\$	6,293,912	\$	198,119	\$	7,539,528	\$	120,629	\$	442,502,511
13	Apr-14	\$	427,676,167	\$	4,988,877	\$	144,290,670	\$	12,949,956	\$	168,874,483	\$	9,218,027	\$	427,676,167	\$	2,069,317	\$	6,294,160	\$	198,119	\$	7,593,073	\$	120,629	\$	443,951,464
14	May-14	\$	429,057,626	\$	4,988,868	\$	144,390,782	\$	12,949,956	\$	168,887,517	\$	9,218,037	\$	429,057,626	\$	2,069,314	\$	6,294,164	\$	198,119	\$	7,593,659	\$	120,629	\$	445,333,511
15	Jun-14	\$	430,566,956	\$	4,988,874	\$	144,291,226	\$	12,949,956	\$	169,263,998	\$	9,218,027	\$	430,566,956	\$	2,069,316	\$	6,294,184	\$	198,119	\$	7,610,587	\$	120,629	\$	446,859,830
16	Average	\$	416,405,221	\$	4,805,801	\$	142,348,364	\$	12,948,873	\$	167,600,861	\$	9,218,027	\$	416,405,221	\$	1,988,263	\$	6,188,563	\$	197,761	\$	7,569,510	\$	120,633	\$	432,469,950
17																											
18	Construction Work in Progress (Account 1070)																										
19																											
20	Jun-13	\$	13,307,538	\$	1,153,175	\$	2,040,418	\$	9,930,935	\$		\$	13,307,538	\$	473,959	\$	88,219	\$		\$		\$	453,063	\$		\$	14,322,778
21	Jul-13	\$	13,051,136	\$	1,191,431	\$	2,052,383	\$	8,730,857	\$		\$	13,051,136	\$	489,682	\$	88,736	\$		\$		\$	398,313	\$		\$	14,027,868
22	Aug-13	\$	15,256,455	\$	869,803	\$	2,325,929	\$	7,191,934	\$		\$	15,256,455	\$	357,492	\$	100,563	\$		\$		\$	328,106	\$		\$	16,042,616
23	Sep-13	\$	13,865,904	\$	725,359	\$	2,586,861	\$	10,857,359	\$		\$	13,865,904	\$	298,125	\$	111,845	\$		\$		\$	495,327	\$		\$	14,771,201
24	Oct-13	\$	12,865,275	\$	509,020	\$	2,451,695	\$	12,726,160	\$		\$	12,865,275	\$	211,135	\$	106,946	\$		\$		\$	572,204	\$		\$	13,755,560
25	Nov-13	\$	14,994,028	\$	437,832	\$	(774,033)	\$	15,488,481	\$		\$	14,994,028	\$	181,607	\$	(33,764)	\$		\$		\$	696,406	\$		\$	15,838,276
26	Dec-13	\$	15,831,148	\$	46,974	\$	(652,608)	\$	10,407,275	\$		\$	15,831,148	\$	19,484	\$	(28,468)	\$		\$		\$	467,940	\$		\$	16,290,105
27	Jan-14	\$	16,161,936	\$	217,327	\$	(465,052)	\$	13,523,869	\$		\$	16,161,936	\$	90,144	\$	(20,286)	\$		\$		\$	608,161	\$		\$	16,839,975
28	Feb-14	\$	16,847,162	\$	249,334	\$	10,334	\$	14,058,524	\$		\$	16,847,162	\$	103,420	\$	451	\$		\$		\$	632,156	\$		\$	17,583,189
29	Mar-14	\$	8,317,186	\$	(69,617)	\$	162,715	\$	21,691,111	\$		\$	8,317,186	\$	(28,876)	\$	7,098	\$		\$		\$	975,294	\$		\$	9,270,701
30	Apr-14	\$	8,513,464	\$	23,233	\$	383,908	\$	15,529,175	\$		\$	8,513,464	\$	9,637	\$	16,747	\$		\$		\$	698,235	\$		\$	9,238,083
31	May-14	\$	8,026,968	\$	(47,018)	\$	790,139	\$	15,917,382	\$		\$	8,026,968	\$	(19,502)	\$	34,467	\$		\$		\$	715,686	\$		\$	8,757,619
32	Jun-14	\$	7,834,846	\$	(16,064)	\$	1,399,965	\$	16,359,036	\$		\$	7,834,846	\$	(6,663)	\$	61,069	\$		\$		\$	735,548	\$		\$	8,624,801
33	Average	\$	12,682,544	\$	406,984	\$	947,129	\$	13,261,693	\$		\$	12,682,544	\$	167,665	\$	41,048	\$		\$		\$	598,168	\$		\$	13,489,444

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended June 31, 2014

WP 7-2

Line No.	Month	Tennessee Distribution System							Allocation Factors							Total Tennessee
		Division 093 - Tennessee	Division 091 - Mid-State General Office	Division 012 - SSU Customer	CKV	Division 002 - SSU General	Greenville		Factor FY13	Division 093 100%	Division 091 41.10%	Division 012 4.32%	CKV 1.52%	Division 002 4.56%	Greenville 1.31%	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	FY14	(h)	(i)	(j)	(k)	(l)	(m)	(n)
34																
35	Inventories-Plant Materials (Account 1540)															
36																
37	Jun-13	\$	\$	14,887	\$	\$	\$	\$	\$	\$	6,119	\$	\$	\$	\$	6,119
38	Jul-13			14,487	0	0	0	0	0	0	5,954	0	0	0	0	5,954
39	Aug-13			14,487	0	0	0	0	0	0	5,954	0	0	0	0	5,954
40	Sep-13			14,487	0	0	0	0	0	0	5,954	0	0	0	0	5,954
41	Oct-13			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
42	Nov-13			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
43	Dec-13			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
44	Jan-14			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
45	Feb-14			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
46	Mar-14			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
47	Apr-14			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
48	May-14			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
49	Jun-14			14,487	0	0	0	0	0	0	6,009	0	0	0	0	6,009
50	Average	\$	\$	14,518	\$	\$	\$	\$	\$	\$	6,005	\$	\$	\$	\$	6,005
51																
52																
53	Inventories-Gas Stored (Account 1641)															
54	<i>Includes Tennessee stored gas in Division 93 and an allocated portion of Tennessee stored gas in Division 96</i>															
55	Jun-13	\$	\$	3,594,943	\$	\$	\$	\$	\$	\$	3,594,943	\$	\$	\$	\$	3,594,943
56	Jul-13			5,403,263	0	0	0	0			5,403,263	0	0	0	0	5,403,263
57	Aug-13			7,049,470	0	0	0	0			7,049,470	0	0	0	0	7,049,470
58	Sep-13			8,732,803	0	0	0	0			8,732,803	0	0	0	0	8,732,803
59	Oct-13			10,288,624	0	0	0	0			10,288,624	0	0	0	0	10,288,624
60	Nov-13			11,728,348	0	0	0	0			11,728,348	0	0	0	0	11,728,348
61	Dec-13			10,451,616	0	0	0	0			10,451,616	0	0	0	0	10,451,616
62	Jan-14			7,668,537	0	0	0	0			7,668,537	0	0	0	0	7,668,537
63	Feb-14			4,806,866	0	0	0	0			4,806,866	0	0	0	0	4,806,866
64	Mar-14			886,189	0	0	0	0			886,189	0	0	0	0	886,189
65	Apr-14			2,838,404	0	0	0	0			2,838,404	0	0	0	0	2,838,404
66	May-14			4,519,761	0	0	0	0			4,519,761	0	0	0	0	4,519,761
67	Jun-14			6,304,505	0	0	0	0			6,304,505	0	0	0	0	6,304,505
68	Average	\$	\$	6,482,564	\$	\$	\$	\$	\$	\$	6,482,564	\$	\$	\$	\$	6,482,564

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended June 31, 2014

WP 7-2

Line No.	Month	Tennessee						Factors						Total Tennessee	
		Division 093 - Tennessee	Division 091 - Mid-States General Office	Division 012 - SSU Customer	CKV	Division 002 - SSU General	Greenville	FY13	Division 093 100%	Division 091 41.10%	Division 012 4.32%	CKV 1.52%	Division 002 4.56%	Greenville 1.31%	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
69															
70	Customers Deposits (Account 2350)														
71															
72	Jun-13	\$ (3,444,837)	0	0	0	0	0	0	(3,444,837)	0	0	0	0	0	\$ (3,444,837)
73	Jul-13	\$ (3,391,938)	0	0	0	0	0	0	(3,391,938)	0	0	0	0	0	(3,391,938)
74	Aug-13	\$ (3,360,293)	0	0	0	0	0	0	(3,360,293)	0	0	0	0	0	(3,360,293)
75	Sep-13	\$ (3,340,530)	0	0	0	0	0	0	(3,340,530)	0	0	0	0	0	(3,340,530)
76	Oct-13	\$ (3,321,396)	0	0	0	0	0	0	(3,321,396)	0	0	0	0	0	(3,321,396)
77	Nov-13	\$ (3,333,255)	0	0	0	0	0	0	(3,333,255)	0	0	0	0	0	(3,333,255)
78	Dec-13	\$ (3,369,934)	0	0	0	0	0	0	(3,369,934)	0	0	0	0	0	(3,369,934)
79	Jan-14	\$ (3,390,776)	0	0	0	0	0	0	(3,390,776)	0	0	0	0	0	(3,390,776)
80	Feb-14	\$ (3,410,607)	0	0	0	0	0	0	(3,410,607)	0	0	0	0	0	(3,410,607)
81	Mar-14	\$ (3,431,899)	0	0	0	0	0	0	(3,431,899)	0	0	0	0	0	(3,431,899)
82	Apr-14	\$ (3,438,742)	0	0	0	0	0	0	(3,438,742)	0	0	0	0	0	(3,438,742)
83	May-14	\$ (3,406,076)	0	0	0	0	0	0	(3,406,076)	0	0	0	0	0	(3,406,076)
84	Jun-14	\$ (3,456,608)	0	0	0	0	0	0	(3,456,608)	0	0	0	0	0	(3,456,608)
85	Average	\$ (3,392,069)	\$	\$	\$	\$	\$	\$	(3,392,069)	\$	\$	\$	\$	\$	(3,392,069)
86															
87															
88	Accumulated Deferred FIT (Total Accounts 1799, 2820, 2850)														
89															
90	Jun-13	\$ (58,952,526)	\$ 38,261,356	\$ (23,586,174)	\$	\$ 355,104,324	\$	\$ (58,952,526)	\$ 15,725,537	\$ (1,019,767)	\$	\$ 16,200,339	\$	\$	\$ (28,046,417)
91	Jul-13	\$ (58,952,525)	\$ 38,261,356	\$ (23,586,174)	\$	\$ 346,895,612	\$	\$ (58,952,525)	\$ 15,725,537	\$ (1,019,767)	\$	\$ 15,825,846	\$	\$	\$ (28,420,909)
92	Aug-13	\$ (58,952,525)	\$ 39,086,252	\$ (23,586,174)	\$	\$ 336,785,660	\$	\$ (58,952,525)	\$ 16,064,572	\$ (1,019,767)	\$	\$ 15,364,616	\$	\$	\$ (28,543,104)
93	Sep-13	\$ (64,055,632)	\$ 10,948,144	\$ (30,660,400)	\$	\$ 400,356,748	\$	\$ (64,055,632)	\$ 4,499,721	\$ (1,325,627)	\$	\$ 18,264,815	\$	\$	\$ (42,616,722)
94	Oct-13	\$ (64,055,632)	\$ 10,948,144	\$ (30,660,400)	\$	\$ 402,554,762	\$	\$ (64,055,632)	\$ 4,541,139	\$ (1,337,449)	\$	\$ 18,099,997	\$	\$	\$ (42,751,946)
95	Nov-13	\$ (64,055,632)	\$ 10,948,144	\$ (30,660,400)	\$	\$ 396,143,301	\$	\$ (64,055,632)	\$ 4,541,139	\$ (1,337,449)	\$	\$ 17,811,720	\$	\$	\$ (43,040,223)
96	Dec-13	\$ (64,055,632)	\$ 9,477,949	\$ (30,660,400)	\$	\$ 386,294,358	\$	\$ (64,055,632)	\$ 3,931,322	\$ (1,337,449)	\$	\$ 17,368,884	\$	\$	\$ (44,092,876)
97	Jan-14	\$ (64,055,632)	\$ 9,477,949	\$ (30,660,400)	\$	\$ 398,002,176	\$	\$ (64,055,632)	\$ 3,931,322	\$ (1,337,449)	\$	\$ 17,895,300	\$	\$	\$ (43,566,459)
98	Feb-14	\$ (64,055,632)	\$ 9,477,949	\$ (30,660,400)	\$	\$ 399,890,577	\$	\$ (64,055,632)	\$ 3,931,322	\$ (1,337,449)	\$	\$ 17,980,208	\$	\$	\$ (43,481,551)
99	Mar-14	\$ (64,055,632)	\$ 4,744,119	\$ (30,660,400)	\$	\$ 381,525,134	\$	\$ (64,055,632)	\$ 1,967,795	\$ (1,337,449)	\$	\$ 17,154,446	\$	\$	\$ (46,270,840)
100	Apr-14	\$ (64,055,632)	\$ 4,744,119	\$ (30,660,400)	\$	\$ 386,419,626	\$	\$ (64,055,632)	\$ 1,967,795	\$ (1,337,449)	\$	\$ 17,374,516	\$	\$	\$ (46,050,770)
101	May-14	\$ (64,055,632)	\$ 4,744,119	\$ (30,660,400)	\$	\$ 395,166,796	\$	\$ (64,055,632)	\$ 1,967,795	\$ (1,337,449)	\$	\$ 17,767,814	\$	\$	\$ (45,657,473)
102	Jun-14	\$ (63,456,220)	\$ 2,168,138	\$ (30,389,085)	\$	\$ 426,895,665	\$	\$ (63,456,220)	\$ 899,314	\$ (1,325,615)	\$	\$ 19,104,507	\$	\$	\$ (44,778,013)
103	Average	\$ (62,831,884)	\$ 14,868,287	\$ (29,007,017)	\$	\$ 385,987,284	\$	\$ (62,831,884)	\$ 6,130,332	\$ (1,262,318)	\$	\$ 17,401,001	\$	\$	\$ (40,562,870)

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

**Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended June 31, 2014**

WP 7-2

Factor																
Division 093																
100%																
Division 091																
41.10%																
Division 012																
4.32%																
CKV																
1.52%																
Division 002																
4.56%																
Greenville																
1.31%																
FY13																
FY14																
100%																
41.10%																
4.32%																
1.52%																
4.56%																
1.31%																
Total Tennessee																
Line No.	Month	Division 093 - Tennessee	Division 091 - Mid-States General Office	Division 012 - SSU Customer	Division 002 - SSU CKV	Division 002 - SSU General	Greenville	FY14	100%	41.10%	4.32%	1.52%	4.56%	1.31%	Total Tennessee	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)		
104																
105	Accumulated Depreciation (Account 1080)															
106																
107	Jun-13	\$ (171,279,819)	\$ (2,951,876)	\$ (31,062,227)	\$ (2,397,228)	\$ (100,725,046)	\$ (2,431,494)	\$ (171,279,819)	\$ (1,213,230)	\$ (1,343,000)	\$ (36,469)	\$ (4,595,213)	\$ (31,822)	\$ (178,499,533)		
108	Jul-13	(171,837,778)	(2,970,039)	(31,836,311)	(2,432,146)	(101,683,496)	(2,489,413)	(171,837,778)	(1,220,695)	(1,376,468)	(37,000)	(4,638,938)	(32,580)	(179,143,460)		
109	Aug-13	(172,414,467)	(2,988,282)	(32,610,873)	(2,467,064)	(102,630,515)	(2,547,332)	(172,414,467)	(1,228,193)	(1,409,957)	(37,532)	(4,682,143)	(33,338)	(179,805,630)		
110	Sep-13	(172,928,298)	(3,011,389)	(33,515,225)	(2,501,981)	(103,615,653)	(2,605,252)	(172,928,298)	(1,237,690)	(1,449,057)	(38,063)	(4,727,086)	(34,096)	(180,414,291)		
111	Oct-13	(173,291,841)	(3,027,422)	(34,156,358)	(2,536,859)	(104,588,430)	(2,663,172)	(173,291,841)	(1,235,733)	(1,489,948)	(38,811)	(4,702,591)	(34,851)	(180,813,774)		
112	Nov-13	(173,654,885)	(3,043,454)	(34,933,737)	(2,571,737)	(105,559,193)	(2,721,092)	(173,654,885)	(1,262,383)	(1,523,858)	(39,344)	(4,746,239)	(35,609)	(181,262,318)		
113	Dec-13	(174,269,567)	(3,058,151)	(35,284,213)	(2,606,616)	(106,494,759)	(2,779,013)	(174,269,567)	(1,268,479)	(1,539,146)	(39,878)	(4,653,416)	(36,367)	(181,806,854)		
114	Jan-14	(174,907,741)	(3,074,175)	(36,105,800)	(2,640,301)	(107,413,247)	(2,836,442)	(174,907,741)	(1,275,125)	(1,574,985)	(40,393)	(4,694,714)	(37,118)	(182,530,077)		
115	Feb-14	(175,346,647)	(3,090,305)	(36,871,233)	(2,673,987)	(108,384,036)	(2,893,871)	(175,346,647)	(1,281,816)	(1,608,374)	(40,909)	(4,738,363)	(37,870)	(183,053,979)		
116	Mar-14	(174,218,678)	(3,084,303)	(37,636,678)	(2,707,673)	(109,351,586)	(2,951,300)	(174,218,678)	(1,279,326)	(1,641,764)	(41,424)	(4,781,867)	(38,621)	(182,001,681)		
117	Apr-14	(174,928,413)	(3,100,434)	(38,402,150)	(2,741,359)	(107,323,149)	(3,008,729)	(174,928,413)	(1,286,017)	(1,675,155)	(41,939)	(4,825,551)	(39,373)	(182,796,449)		
118	May-14	(174,825,083)	(3,120,795)	(39,140,899)	(2,774,488)	(108,418,350)	(3,065,477)	(174,825,083)	(1,294,463)	(1,707,380)	(42,446)	(4,874,795)	(40,115)	(182,784,282)		
119	Jun-14	(175,156,355)	(3,141,156)	(39,879,651)	(2,807,618)	(109,384,796)	(3,122,226)	(175,156,355)	(1,302,908)	(1,739,606)	(42,953)	(4,918,249)	(40,858)	(183,200,929)		
120	Average	\$ (173,773,813)	\$ (3,050,986)	\$ (35,485,087)	\$ (2,604,543)	\$ (104,890,174)	\$ (2,778,062)	\$ (173,773,813)	\$ (1,262,005)	\$ (1,544,513)	\$ (39,782)	\$ (4,736,859)	\$ (36,355)	\$ (181,393,329)		
121																
122																
123	Customers Advances (Account 2520)															
124																
125	Jun-13	\$ (72,538)	0	0	0	0	0	\$ (72,538)	0	0	0	0	0	0	\$ (72,538)	
126	Jul-13	(72,538)	0	0	0	0	0	(72,538)	0	0	0	0	0	0	(72,538)	
127	Aug-13	(72,538)	0	0	0	0	0	(72,538)	0	0	0	0	0	0	(72,538)	
128	Sep-13	(73,888)	0	0	0	0	0	(73,888)	0	0	0	0	0	0	(73,888)	
129	Oct-13	(73,888)	0	0	0	0	0	(73,888)	0	0	0	0	0	0	(73,888)	
130	Nov-13	(73,888)	0	0	0	0	0	(73,888)	0	0	0	0	0	0	(73,888)	
131	Dec-13	(73,888)	0	0	0	0	0	(73,888)	0	0	0	0	0	0	(73,888)	
132	Jan-14	(73,888)	0	0	0	0	0	(73,888)	0	0	0	0	0	0	(73,888)	
133	Feb-14	(73,888)	0	0	0	0	0	(73,888)	0	0	0	0	0	0	(73,888)	
134	Mar-14	(75,078)	0	0	0	0	0	(75,078)	0	0	0	0	0	0	(75,078)	
135	Apr-14	(75,078)	0	0	0	0	0	(75,078)	0	0	0	0	0	0	(75,078)	
136	May-14	(75,078)	0	0	0	0	0	(75,078)	0	0	0	0	0	0	(75,078)	
137	Jun-14	(75,078)	0	0	0	0	0	(75,078)	0	0	0	0	0	0	(75,078)	
138	Average	\$ (73,942)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (73,942)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (73,942)	

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Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended June 31, 2014

WP 7-2

Line No.	Month	Division 093 -	Division 091 - Mid-	Division 012 - SSU	CKV	Division 002 - SSU			Factor	Division 093	Division 091	Division 012	CKV	Division 002	Greenville	Total Tennessee
		Tennessee	States General	Customer		General	Greenville	Greenville	FY13	100%	41.10%	4.32%	1.52%	4.56%	1.31%	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)		(i)	(j)	(k)	(l)	(m)	(n)	
139																
140	Interest on Customer Deposits (Account 2378-24918)															
141																
142	Jun-13	\$ (32,937)	12,646	0	0	0	0	0	\$	(32,937)	5,198	0	0	0	0	(27,739)
143	Jul-13	(43,807)	12,646	0	0	0	0	0		(43,807)	5,197	0	0	0	0	(38,610)
144	Aug-13	(54,559)	12,646	0	0	0	0	0		(54,559)	5,197	0	0	0	0	(49,362)
145	Sep-13	(73,804)	0	0	0	0	0	0		(73,804)	0	0	0	0	0	(73,804)
146	Oct-13	(81,802)	0	0	0	0	0	0		(81,802)	0	0	0	0	0	(81,802)
147	Nov-13	(89,866)	0	0	0	0	0	0		(89,866)	0	0	0	0	0	(89,866)
148	Dec-13	(98,712)	0	0	0	0	0	0		(98,712)	0	0	0	0	0	(98,712)
149	Jan-14	(107,835)	0	0	0	0	0	0		(107,835)	0	0	0	0	0	(107,835)
150	Feb-14	(2,455)	0	0	0	0	0	0		(2,455)	0	0	0	0	0	(2,455)
151	Mar-14	(17,056)	0	0	0	0	0	0		(17,056)	0	0	0	0	0	(17,056)
152	Apr-14	(40,547)	0	0	0	0	0	0		(40,547)	0	0	0	0	0	(40,547)
153	May-14	(61,671)	0	0	0	0	0	0		(61,671)	0	0	0	0	0	(61,671)
154	Jun-14	(50,328)	0	0	0	0	0	0		(50,328)	0	0	0	0	0	(50,328)
155	Average	\$ (38,106)	\$ 2,918	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$	\$ (38,106)	\$ 1,199	\$ 0	\$ 0	\$ 0	\$ 0	\$ (36,907)
156																
157																
158	Net allocation of intercompany-based property															
159																
160	Jun-13	5,951,905	0	0	0	0	0	0		5,951,905	0	0	0	0	0	5,951,905
161	Jul-13	5,930,298	0	0	0	0	0	0		5,930,298	0	0	0	0	0	5,930,298
162	Aug-13	5,908,691	0	0	0	0	0	0		5,908,691	0	0	0	0	0	5,908,691
163	Sep-13	5,887,084	0	0	0	0	0	0		5,887,084	0	0	0	0	0	5,887,084
164	Oct-13	5,865,478	0	0	0	0	0	0		5,865,478	0	0	0	0	0	5,865,478
165	Nov-13	5,843,871	0	0	0	0	0	0		5,843,871	0	0	0	0	0	5,843,871
166	Dec-13	5,822,264	0	0	0	0	0	0		5,822,264	0	0	0	0	0	5,822,264
167	Jan-14	5,800,657	0	0	0	0	0	0		5,800,657	0	0	0	0	0	5,800,657
168	Feb-14	5,779,051	0	0	0	0	0	0		5,779,051	0	0	0	0	0	5,779,051
169	Mar-14	5,757,444	0	0	0	0	0	0		5,757,444	0	0	0	0	0	5,757,444
170	Apr-14	5,735,837	0	0	0	0	0	0		5,735,837	0	0	0	0	0	5,735,837
171	May-14	5,714,099	0	0	0	0	0	0		5,714,099	0	0	0	0	0	5,714,099
172	Jun-14	5,692,361	0	0	0	0	0	0		5,692,361	0	0	0	0	0	5,692,361
173	Average	\$ 5,822,234	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$	\$ 5,822,234	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,822,234

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WP 7-3

**Tennessee Distribution System
Pension Regulated Asset
Twelve Months Ended May 31, 2016**

Line No.				
1	Annual benchmark per Docket 12-00064	2,086,819		
2	Quarterly benchmark	521,705		
3				
4		Contribution	Benchmark	Difference
5	Quarter ended 3/31/13	521,705	521,705	-
6	Quarter ended 6/30/13	641,911	521,705	120,206
7	Quarter ended 9/30/13	1,038,413	521,705	516,708
8	Quarter ended 12/31/13	417,671	521,705	(104,034)
9	Quarter ended 3/30/14	390,181	521,705	(131,524)
10	Quarter ended 6/30/14	1,418,839	521,705	897,134
11		\$ 4,428,719	\$ 3,130,229	\$ 1,298,490
12				
13	Monthly Amortization			
14	2 years amortization			\$ 54,104
15				
16		Amortization Expense	Regulated Asset Balance	
17	May-15		1,298,490	
18	Jun-15	54,104	1,244,386	
19	Jul-15	54,104	1,190,283	
20	Aug-15	54,104	1,136,179	
21	Sep-15	54,104	1,082,075	
22	Oct-15	54,104	1,027,971	
23	Nov-15	54,104	973,868	
24	Dec-15	54,104	919,764	
25	Jan-16	54,104	865,660	
26	Feb-16	54,104	811,556	
27	Mar-16	54,104	757,453	
28	Apr-16	54,104	703,349	
29	May-16	54,104	649,245	
30	Annual Amortization	\$ 649,245	\$ 973,868	13 month average

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WP 7-4

**Tennessee Distribution System
Accumulated Deferred Income Tax
Shared Services Division 002
Twelve Months Ended May 31, 2016**

Line No.	Month	Total SSU 002	Non-regulated NOL[1]	Regulated Utility NOL	Other ADIT	SSU Utility ADIT
	(a)	(b)	(c)	(d)	(e)	(f)
1	Jun-13	154,128,596	(200,975,728)	352,057,428	3,046,896	355,104,324
2	Jul-13	145,919,884	(200,975,728)	352,057,428	(5,161,816)	346,895,612
3	Aug-13	136,438,570	(200,347,089)	346,167,066	(9,381,406)	336,785,660
4	Sep-13	195,885,794	(204,470,954)	389,816,215	10,540,533	400,356,748
5	Oct-13	198,083,808	(204,470,954)	389,816,215	12,738,547	402,554,762
6	Nov-13	191,672,347	(204,470,954)	389,816,215	6,327,086	396,143,301
7	Dec-13	179,196,615	(207,097,743)	395,636,604	(9,342,246)	386,294,358
8	Jan-14	190,904,433	(207,097,743)	395,636,604	2,365,572	398,002,176
9	Feb-14	192,792,834	(207,097,743)	395,636,604	4,253,973	399,890,577
10	Mar-14	162,357,534	(219,167,600)	377,175,208	4,349,926	381,525,134
11	Apr-14	167,252,026	(219,167,600)	377,175,208	9,244,418	386,419,626
12	May-14	175,999,196	(219,167,600)	377,175,208	17,991,588	395,166,796
13	Jun-14	205,011,038	(219,884,627)	405,828,177	19,067,488	424,895,665
14	Jul-14	208,298,312	(219,884,627)	405,828,177	22,354,762	428,182,939
15	Aug-14	224,949,437	(219,079,036)	405,022,586	39,005,887	444,028,473
16	Sep-14	267,982,820	(217,201,876)	444,334,650	40,850,046	485,184,696
17	Oct-14	267,680,686	(217,201,876)	444,334,650	40,547,912	484,882,562
18	Nov-14	267,653,966	(217,201,876)	444,334,650	40,521,192	484,855,842
19	Dec-14	267,755,046	(217,201,876)	444,334,650	40,622,272	484,956,922
20	Jan-15	267,853,720	(217,201,876)	444,334,650	40,720,946	485,055,596
21	Feb-15	267,941,546	(217,201,876)	444,334,650	40,808,772	485,143,422
22	Mar-15	268,055,296	(217,201,876)	444,334,650	40,922,522	485,257,172
23	Apr-15	268,165,195	(217,201,876)	444,334,650	41,032,421	485,367,071
24	May-15	268,282,707	(217,201,876)	444,334,650	41,149,933	485,484,583
25	Jun-15	268,393,911	(217,201,876)	444,334,650	41,261,137	485,595,787
26	Jul-15	268,510,679	(217,201,876)	444,334,650	41,377,905	485,712,555
27	Aug-15	268,629,279	(217,201,876)	444,334,650	41,496,505	485,831,155
28	Sep-15	268,738,638	(217,201,876)	444,334,650	41,605,864	485,940,514
29	Oct-15	268,755,850	(217,201,876)	444,334,650	41,623,076	485,957,726
30	Nov-15	268,758,952	(217,201,876)	444,334,650	41,626,178	485,960,828
31	Dec-15	268,782,290	(217,201,876)	444,334,650	41,649,516	485,984,166
32	Jan-16	268,805,288	(217,201,876)	444,334,650	41,672,514	486,007,164
33	Feb-16	268,826,621	(217,201,876)	444,334,650	41,693,847	486,028,497
34	Mar-16	268,852,078	(217,201,876)	444,334,650	41,719,304	486,053,954
35	Apr-16	268,876,959	(217,201,876)	444,334,650	41,744,185	486,078,835
36	May-16	268,903,069	(217,201,876)	444,334,650	41,770,295	486,104,945

[1] FD - NOL Credit Carryforward - Non Reg

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WP 7-5

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Forward Looking Attrition Year Twelve Months Ended May 31, 2016

Line No.		Base Period	Attrition Year
1	Revenue Lag	37.50	37.50
2			
3	Expense Lag	35.19	35.65
4			
5	Net Lag	2.31	1.85
6			
7	Daily Cost of Service	413,499	419,234
8			
9	Cash Working Capital	955,030	777,582

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WP 7-6

**Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Forward Looking Attrition Year Twelve Months Ended May 31, 2016**

Line No.	Description	Attrition Year Expenses	Expense Lag	CWC Requirement (b) x (c)
	(a)	(b)	(c)	(d)
1	Gas Supply Expense			
2	Purchased Gas	87,478,439	39.33	3,440,527,025
3				
4	Operation and Maintenance Expense			
5	O&M, Labor	7,915,572	14.07	111,372,097
6	O&M, Non-Labor	11,179,961	29.40	328,690,855
7	Total O&M Expense	19,095,533		440,062,953
8				
9				
10	Taxes Other Than Income			
11	Ad Valorem	3,801,021	241.50	917,946,572
12	State Gross Receipts Tax	1,241,962	(151.50)	(188,157,243)
13	Payroll Taxes	272,080	16.55	4,501,739
14	Franchise Tax	622,004	37.50	23,325,152
15	TRA Inspection Fee	530,084	272.50	144,447,966
16	DOT	-	59.00	-
17				
18	Allocated Taxes-Shared Services			
19	Ad Valorem	16% 49,974	241.50	12,068,736
20	Payroll Taxes	84% 255,485	16.55	4,227,167
21				
22	Allocated Taxes-Business Unit			
23	Ad Valorem	46% 48,815	241.50	11,788,913
24	Payroll Taxes	54% 57,959	16.55	958,965
25	Total Taxes Other Than Income	6,879,384		931,107,967
26				
27	Federal Income Tax	6,916,490		
28	Current Taxes	1,653,147	37.50	61,993,000
29	Deferred Taxes	5,263,343	-	-
30				
31	State Excise Tax	1,373,787		
32	Current Taxes	328,356	37.50	12,313,356
33	Deferred Taxes	1,045,431	-	-
34				
35	Depreciation	12,353,190	-	-
36				
37	Interest on Customer Deposits	118,049	182.50	21,543,913
38				
39	Interest Expense - LTD	6,124,569	91.25	558,866,960
40				
41	Interest Expense - STD	123,979	24.05	2,981,533
42				
43	Return on Equity	12,976,386	-	-
44				
45				
46	TOTAL	153,439,806	35.65	5,469,396,707
47				
48	Daily Cost of Service	419,234		
49				
50				

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WP 7-7

**Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Historic Base Period June 30, 2014**

Line No.	Description	Historic Base Period	Expense Lag	CWC Requirement (b) x (c)
	(a)	(b)	(c)	(d)
1	Gas Supply Expense			
2	Purchased Gas	87,478,439	39.33	3,440,527,025
3				
4	Operation and Maintenance Expense			
5	O&M, Labor	7,652,390	14.07	107,669,132
6	O&M, Non-Labor	12,983,103	29.40	381,703,215
7	Total O&M Expense	20,635,493		489,372,347
8				
9				
10	Taxes Other Than Income			
11	Ad Valorem	3,498,394	241.50	844,862,151
12	State Gross Receipts Tax	1,084,335	(151.50)	(164,276,753)
13	Payroll Taxes	257,296	16.55	4,257,132
14	Franchise Tax	618,254	37.50	23,184,527
15	TRA Inspection Fee	425,046	272.50	115,825,068
16	DOT	19,392	59.00	1,144,149
17				
18	Allocated Taxes-Shared Services			
19	Ad Valorem	0% -	241.50	-
20	Payroll Taxes	100% 247,649	16.55	4,097,523
21				
22	Allocated Taxes-Business Unit			
23	Ad Valorem	10% 6,231	241.50	1,504,740
24	Payroll Taxes	90% 55,697	16.55	921,546
25	Total Taxes Other Than Income	6,212,295		831,520,083
26				
27	Federal Income Tax	6,399,584		
28	Current Taxes	-	37.50	-
29	Deferred Taxes	6,399,584	-	-
30				
31	State Excise Tax	1,271,117		
32	Current Taxes	-	37.50	-
33	Deferred Taxes	1,271,117	-	-
34				
35	Depreciation	10,700,686	-	-
36				
37	Interest on Customer Deposits	110,242	182.50	20,119,207
38				
39	Interest Expense - LTD	5,773,529	91.25	526,834,513
40				
41	Interest Expense - STD	116,873	24.05	2,810,641
42				
43	Return on Equity	12,228,825	-	-
44				
45				
46	TOTAL	150,927,084	35.19	5,311,183,817
47				
48	Daily Cost of Service	413,499		
49				
50				

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Schedule 8

**Tennessee Distribution System
Computation of State Excise & Income Taxes
Twelve Months Ended May 31, 2016**

Line No.	Description	Tax Rate	Base Period (1)	Attrition Year	Change
	(a)	(b)	(c)	(d)	
2					
3	Required Return		\$ 18,068,574	\$ 19,167,175	\$ 1,098,601
1	Current Return		\$ 17,842,299	\$ 18,731,838	\$ 889,539
4					
5	Pre-Tax Deficiency from Current Return		226,275	435,337	209,062
6	Tax Expansion Factor		1.6343	1.6343	
7	After-Tax Deficiency from Current Return		369,801	711,471	341,670
8					
9	Tax Liability Increase / Decrease (Ln 7 - Ln 3)		143,526	276,134	132,608
10	Current Tax Liability		\$ 7,669,966	\$ 8,014,143	\$ 344,177
11					
12	Income Tax Liability		\$ 7,813,493	\$ 8,290,277	\$ 476,784
13					
14	Less: ITC Amortization		735		(735)
15					
16	Total Income Tax Liability		7,812,758	8,290,277	477,519
17					
18	Note:				
19	1. Twelve months ended June 30, 2014				

**Tennessee Distribution System
Amortization of UCG Deferred Utility ITC
Twelve Months Ended May 31, 2016**

Line No.	Description	Amortization	Allocation Factor [1]	Tennessee Allocation
	(a)	(b)	(c)	(d)
1	Fiscal year ended September 30, 2011	50,990		
2	Fiscal year ended September 30, 2012	12,229		
3	Fiscal year ended September 30, 2013	5,820		
4	Fiscal year ended September 30, 2014	-		
5				
6	Base Period ended June 30, 2014	1,455	50%	735
7				
8	Attrition Year ended May 31, 2016	-	50%	-
9				
10	[1] Division 091 - Mid-States General Office allocation factor excluding Kentucky			

**Tennessee Distribution System
Revenue Conversion Factor
Twelve Months Ended May 31, 2016**

<u>Line No.</u>		<u>Attrition Year</u>	
		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2			
3	Add: Forfeited Discounts	0.010971	<u>0.010971</u>
4			
5	Balance		1.010971
6			
7	Uncollectible Ratio	0.004117	<u>0.004162</u>
8			
9	Balance		1.006809
10			
11	State Excise Tax	0.065000	<u>0.065443</u>
12			
13	Balance		0.941366
14			
15	Federal Income Tax	0.350000	<u>0.329478</u>
16			
17	Balance		0.611888
18			
19	Revenue Conversion Factor (Line 1/Line 9)		1.634300

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Schedule 9

**Tennessee Distribution System
Overall Cost of Capital
Twelve Months Ended May 31, 2016**

Line No.	Description	Percent	Cost Rate	Overall Cost of Capital
	(a)	(b)	(c)	(d)
1	Long Term Debt Capital	41.86%	5.90%	2.47%
2	Short Term Debt	5.01%	1.07%	0.05%
3	Equity Capital	<u>53.13%</u>	<u>9.80%</u>	<u>5.21%</u>
4				
5	Total Capital	<u>100.0%</u>		<u>7.73%</u>

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WP 9-1

Tennessee Distribution System
Cost of Capital
Twelve Months Ended May 31, 2016

Line No.	Description	<u>June 30, 2014</u>	
		\$	%
	(a)	(b)	(c)
1	LT Debt	\$ 2,455,907,240	41.86%
2	ST Debt	293,738,170	5.01%
3	Equity	3,116,684,772	53.13%
4			
5	Total Capital	\$ 5,866,330,182	100.00%

WP 9-2

Line No.	Date	<u>Atmos Consolidated Balances</u>			<u>12 Month Avg 12 Month Avg Atmos Consolidated - calc of STD rate</u>		
		Long-Term Debt	Short-Term Debt	Equity	STD Avg Daily Bal	STD Int Exp & fces	STD avg rate
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1 Jun-13		2,455,592,790	141,997,923	2,581,443,813			
2 Jul-13		2,455,618,994	195,995,478	2,605,641,606	143,645,161	221,702	
3 Aug-13		2,455,645,199	252,461,845	2,589,624,095	205,903,226	235,423	
4 Sep-13		2,455,671,403	367,983,524	2,580,409,324	297,933,333	245,989	
5 Oct-13		2,455,697,607	711,881,958	2,589,914,322	569,098,387	344,579	
6 Nov-13		2,455,723,811	626,820,344	2,597,645,504	608,018,333	357,163	
7 Dec-13		2,455,750,015	689,795,231	2,661,314,057	619,733,871	356,618	
8 Jan-14		2,455,776,219	584,922,360	2,698,302,734	560,322,581	335,573	
9 Feb-14		2,455,802,424	94,997,300	3,097,294,351	343,214,286	239,959	
10 Mar-14		2,455,828,628	0	3,124,760,754	14,903,226	172,242	
11 Apr-14		2,455,854,832	0	3,139,392,522	-	165,029	
12 May-14		2,455,881,036	0	3,101,988,610	-	168,414	
13 Jun-14		2,455,907,240	0	3,116,684,772	1,333,333	165,263	
14						3,007,953	
15			12 Month Avg				
16 Average		2,455,750,015	293,738,170	2,806,493,574	280,342,145		1.07%

Interest on CP or Interest on Draws on Credit Facility	Commitment Fees on Credit Facility	Bank Fees on AEC Credit Facility With RBS
30121		
Detail of Colm (f) Consolidated Int Exp & Fees		
		Utility
<u>Int Exp</u>	<u>Commit fees</u>	<u>Bank Admin</u>
32,902	125,362	63,438
46,614	125,362	63,447
61,157	121,318	63,514
155,714	125,362	63,503
172,342	121,318	63,503
167,753	125,362	63,503
147,368	124,703	63,503
81,699	94,758	63,503
3,828	104,911	63,503
-	101,527	63,503
-	104,911	63,503
233	101,527	63,503
869,609.51	1,376,421.24	761,922.52
per STD rpts:	3,007,953	

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WP 9-1

Tennessee Distribution System
Cost of Capital- Long Term Debt Rate
Twelve Months Ended May 31, 2016

Line No.	Debt Series (a)	Issued (b)	Outstanding 6/30/2011 (c)	Outstanding 7/31/2013 (d)	Outstanding 8/31/2013 (e)	Outstanding 9/30/2013 (f)	Outstanding 10/31/2013 (g)	Outstanding 11/30/2013 (h)	Outstanding 12/31/2013 (i)	Outstanding 1/31/2014 (j)	Outstanding 2/28/2014 (k)
1	9.40% First Mortgage Bond J due May 2021/RET 2005	04/01/91	-	-	-	-	-	-	-	-	-
2	6.75% Debentures Unsecured due July 2028	07/27/98	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
3	5.125% Senior Notes due Jan 2013	01/13/03	-	-	-	-	-	-	-	-	-
4	10.43% First Mortgage Bond P due 2017 (eff 2012)	11/01/87	-	-	-	-	-	-	-	-	-
5	9.75% First Mortgage Bond Q due Apr 2020/RET 2005	04/01/90	-	-	-	-	-	-	-	-	-
6	9.32% First Mortgage Bond T due June 2021/RET 2005	06/01/91	-	-	-	-	-	-	-	-	-
7	8.77% First Mortgage Bond U due May 2022/RET 2005	05/01/92	-	-	-	-	-	-	-	-	-
8	6.67% MTN A1 due Dec 2025	12/15/95	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
9	(1) 4.125% Sr Note due 10/15/2044	10/15/2014	-	-	-	-	-	-	-	-	-
10	5.95% Sr Note due 10/15/2034	10/22/04	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
11	6.35% Sr Note due 6/15/2017	6/20/07	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
12	Sr Note 5.50% Due 06/15/2041	6/10/2011	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000	400,000,000
13	8.50% Sr Note due 3/15/2019	03/23/09	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000
14	4.15% Sr Note due 1/15/2043	01/15/13	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
15	Debt Issuance Cost - Amort is pending new debt issue	10/20/14	-	-	-	-	-	-	-	-	-
16	Debt Issuance Cost - Amort is pending new debt issue	06/20/17	-	-	-	-	-	-	-	-	-
17	March 2019 - Swap Position	03/2019	-	-	-	-	-	-	-	-	-
18	Subtotal - Utility Long-Term Debt		\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000
19											
20	Atmos Leasing, Inc										
21	Industrial Develop Revenue Bond 07/13	1991	-	-	-	-	-	-	-	-	-
22	Total Long-Term Debt		\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000
23	Less Unamortized Debt Discount		\$ 4,407,210	\$ 4,381,006	\$ 4,354,801	\$ 4,328,597	\$ 4,302,393	\$ 4,276,189	\$ 4,249,985	\$ 4,223,781	\$ 4,197,576
24	Annualized Amortization of T-Lock Settlement, Debt Exp. & Debt Discd.										
25											
26	Effective Avg Cost of Consol Debt										

Note

1. Notes issued in October of 2014 represents the refinancing of the 4.95% 500M Sr Note due October 2014.

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WP 9-3

Tennessee Distribution System
Cost of Capital- Long Term Debt Rate
Twelve Months Ended May 31, 2016

Line No.	Debt Series (a)	Issued (b)	Outstanding 3/31/2014 (f)	Outstanding 4/30/2014 (m)	Outstanding 5/31/2014 (n)	Outstanding 6/30/2014 (o)	End Int Rate (p)	Annual Int at June 30, 2014 (q)	(r) (v)	Annualized 4270 Amort for T-lock (w)	Annualized 4280-81 Amort Debt Exp & Debt (x)	Exp 1810 Penalty 1890 Debt 1260 1/6/1890 (y)
1	9.40% First Mortgage Bond J due May 2021/RET 2005	04/01/91	-	-	-	-	9.40%	0		0	560,397	3,829,383
2	6.75% Debentures Unsecured due July 2028	07/27/98	150,000,000	150,000,000	150,000,000	150,000,000	6.75%	10,125,000		0	99,938	1,403,776
3	5.125% Senior Notes due Jan 2013	01/19/03	-	-	-	-	5.13%	0		0	0	0
4	10.43% First Mortgage Bond P due 2017 (cIT 2012)	11/01/87	-	-	-	-	10.43%	0		0	33,837	112,789
5	9.75% First Mortgage Bond Q due Apr 2020/RET 2005	04/01/90	-	-	-	-	9.75%	0		0	337,581	1,969,221
6	9.32% First Mortgage Bond T due June 2021/RET 2005	06/01/91	-	-	-	-	9.32%	0		0	362,746	2,508,996
7	8.77% First Mortgage Bond U due May 2022/RET 2005	05/01/92	-	-	-	-	8.77%	0		0	368,719	2,888,300
8	6.67% MTN A1 due Dec 2015	12/15/95	10,000,000	10,000,000	10,000,000	10,000,000	6.67%	667,000		0	7,790	90,137
9	(1) 4.125% Sr Note due 10/15/2044	10/15/2014	-	-	-	500,000,000	4.125%	20,625,000		(445,478)	210,035	6,380,601
10	5.95% Sr Note due 10/15/2034	10/12/04	200,000,000	200,000,000	200,000,000	200,000,000	5.95%	11,900,000		(7,047)	115,724	2,349,669
11	6.35% Sr Note due 6/15/2017	6/20/07	250,000,000	250,000,000	250,000,000	250,000,000	6.35%	15,875,000		(474,980)	307,042	921,125
12	Sr Note 5.50% Due 06/15/2041	6/10/2011	400,000,000	400,000,000	400,000,000	400,000,000	5.50%	22,000,000		(669,302)	186,860	5,029,637
13	8.50% Sr Note due 7/15/2019	03/23/09	450,000,000	450,000,000	450,000,000	450,000,000	8.50%	38,250,000		(77,734)	1,161,169	5,515,555
14	4.15% Sr Note due 7/15/2043	07/15/13	500,000,000	500,000,000	500,000,000	500,000,000	4.15%	20,750,000		2,220,857	378,080	10,789,734
15	Debt Issuance Cost - Amort is pending new debt issue	10/2014	-	-	-	-	-	0		0	0	82,170
16	Debt Issuance Cost - Amort is pending new debt issue	06/2017	-	-	-	-	-	0		0	0	41,580
17	March 2019 - Swap Position	03/2019	-	-	-	-	-	0		0	0	0
18	Subtotal -- Utility Long-Term Debt		\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 2,460,000,000		\$ 140,192,000		\$ 546,316	\$ 4,129,918	\$ 43,912,672
19												
20	Atmos Leasing, Inc.											
21	Industrial Develop Revenue Bond 07/13	1991	-	-	-	-	7.90%	-		0	0	0
22	Total Long-Term Debt		\$ 1,960,000,000	\$ 1,960,000,000	\$ 1,960,000,000	\$ 2,460,000,000		\$ 140,192,000				
23	Less Unamortized Debt Discount		\$ 4,171,372	\$ 4,145,168	\$ 4,118,964	\$ 4,092,760				\$ 546,316	\$ 4,129,918	\$ 43,912,672
24	Annualized Amortization of T-Lock Settlement, Debt Exp, & Debt Direct							\$ 4,676,234				
25								\$ 144,868,234				
26	Effective Avg Cost of Consol Debt							\$ 2,455,907,340				
								5.90% end of period				

Note

1. Notes issued in October of 2014 represents the refinancing of the 4.95% 500M Sr Note due

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Schedule 10

**Tennessee Distribution System
Rate of Return
Twelve Months Ended May 31, 2016**

Line No.	Description	Reference	Historic Base Period (1)	Change	Attrition Year	Rate-making Adjustments	Current Rate of Return
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Total Revenues	Sch. 2	\$ 150,583,201	\$ 2,021,155	\$ 152,604,356	\$ -	\$ 152,604,356
2							
3	Gas Cost	Sch. 3	87,478,439	-	87,478,439	-	87,478,439
4							
5	Operation & Maintenance Expense	Sch. 4	20,635,493	(1,539,960)	19,095,533	-	19,095,533
6							
7	Taxes Other Than Income Taxes	Sch. 5	6,212,295	667,089	6,879,384	-	6,879,384
8							
9	Depreciation & Amortization Expense	Sch. 6	10,700,686	1,003,258	11,703,945	649,245	12,353,190
10							
11	Federal Income and State Excise Tax	Wp 10-1	7,669,966	652,192	8,322,159	(308,016)	8,014,143
12							
13	Interest on Customer Deposits	Wp 1-1	110,242	7,807	118,049	-	118,049
14							
15	AFUDC Interest credit	Wp 1-2	(66,220)	-	(66,220)	-	(66,220)
16							
17	Return on Rate Base		\$ 17,842,299	\$ 1,230,769	\$ 19,073,068	\$ (341,229)	\$ 18,731,838
18							
19	Total Rate Base	Sch. 7	\$ 233,746,110	\$ 8,889,355	\$ 242,635,465	\$ 5,322,811	\$ 247,958,276
20							
21	Rate of Return on Rate Base		7.63%		7.86%		7.55%
22							
23	Interest Expense	Sch. 8	5,890,402	224,012	6,114,414	134,135	6,248,549
24							
25							
26	Return on Equity		\$ 11,951,897		\$ 12,958,654		\$ 12,483,290
27							
28	Rate of Return on Equity		9.62%		10.05%		9.48%
29							
30	Note:						
31	1. Twelve months ended June 30, 2014						

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Wp 10-1

Tennessee Distribution System
Computation of State Excise and Federal Income Taxes for Sch 10
Twelve Months Ended May 31, 2016

Line	Description	Tax Rate	Historic Base Period (1)	Projected Amount	Adjusted Amount
e	(a)	(b)	(c)	(d)	(e)
1	Net Operating Income Before Income Tax		\$ 25,446,046	\$ 27,329,007	\$ 26,679,761
2					
3	Interest Deduction		5,890,402	6,114,414	6,248,549
4					
5	Equity Portion of Return		\$ 19,555,644	\$ 21,214,593	\$ 20,431,213
6					
7	Application of Tax Rate to Equity Return - Tennessee	6.5%	1,271,117	1,378,949	1,328,029
8					
9	Application of Tax Rate to Equity Return - Federal	35%	6,399,584	6,942,475	6,686,114
10					
11	Income Tax Expense		\$ 7,670,701	\$ 8,321,424	\$ 8,014,143
12					
13	Less: ITC Amortization		735	(735)	
14					
15	Total Income Tax Liability		\$ 7,669,966	\$ 8,322,159	\$ 8,014,143
16					
17	Note:				
18	1. Twelve months ended June 30, 2014				

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Schedule 11-1

Tennessee Distribution System
Proof of Revenues and Calculation of Rates
Historic Data Period: Month at Present Rates
Actual Twelve Months Ended June 30, 2014

Line No.	Description	12 Mths Ended Jun 14		Rates effective Jun 14		12 mths Jun 14		Weather		12 mths Jun 14		Weather		12 mths Jun 14	
		Base Count	Volume Mcf	Monthly Customer chg	Commodity Charge/Mcf	Margin at Jun 14 rates	Adjustment Volumes Mcf	WNA Adjusted Volumes Mcf	Weather adj at Jun 14 rates	Margin at Jun 14 rates	WNA Adj at Jun 14 rates	Weather adj at Jun 14 rates	Margin at Jun 14 rates	WNA Adj at Jun 14 rates	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
1	RESIDENTIAL														
2	210 Residential Gas Service (Summer)	544,867	835,236	\$13.85	\$1.227	9,125,242		835,236		9,125,242				\$0	
3	210 Residential Gas Service (Winter) (weather sensitive)	828,242	7,536,096	18.85	\$1.227	23,168,867	(857,216)	6,678,880		22,362,563	(806,404)				
4	210 Residential Gas Service Senior Citizen (Summer)	714	521	0.00	\$1.227	640		521		640				\$0	
5	210 Residential Gas Service Senior Citizen (Winter) (weather sensitive)	1,027	8,776	0.00	\$1.227	10,772		8,779		10,772				\$0	
6	211 Residential Sm, Commercial/Industrial Heating & Cooling	12	278	13.85	\$0.719	365	(34)	238		338	(27)				
7	Total Residential	1,412,862	8,369,910			32,305,887	(857,250)	7,723,865		31,489,355	(804,492)				
8	COMMERCIAL														
9	211 Residential Sm, Commercial/Industrial Heating & Cooling	12	209	13.85	0.719	316		209		316				\$0	
10	220 Commercial Gas Service (weather sensitive)	190,262	5,429,449	35.00	2.332	18,320,644	(296,219)	5,133,229		18,024,860	(296,764)				
11	230 Large Commercial Gas Service (weather sensitive)	18	31,415	378.80	2.036	69,586	(1,714)	28,701		68,087	(1,585)				
12	250 Commercial Interruptible Gas Service			425.00		0		0		0					
13	Block 1 Volumes				1.141	0		0		0					
14	Block 2 Volumes				0.755	0		0		0					
15	Block 3 Volumes				0.349	0		0		0					
16	253 Large Torrance Air Conditioning Gas Service	12		35.00		420		0		420					
17	Block 1 Volumes		14,318		1.141	16,337		14,318		16,337					
18	Block 2 Volumes		2,111		0.755	1,584		2,111		1,584					
19	Block 3 Volumes		0		0.349	0		0		0					
20	Total Commercial	190,301	5,477,502			18,406,887	(297,933)	5,179,568		18,114,634	(294,273)				
21	INDUSTRIAL														
22	230 Industrial Gas Service (weather sensitive)	3,883	572,579	35.00	2.332	1,471,158	(31,255)	541,824		1,398,272	(82,887)				
23	230 Large Industrial Gas Service	108	200,206	378.80	2.036	631,360		200,206		631,360					
24	240 DEMAND/COMM GAS	0		425.00		0		0		0					
25	Block 1 Volumes		0		1.141	0		0		0					
26	Block 2 Volumes		0		0.755	0		0		0					
27	Block 3 Volumes		0		0.349	0		0		0					
28	Demand Volumes		0		18.283	0		0		0					
29	250 Industrial Interruptible Gas Service	285		425.00		125,375		0		125,375					
30	Block 1 Volumes		301,042		1.141	343,489		301,042		343,489					
31	Block 2 Volumes		277,758		0.755	209,707		277,758		209,707					
32	Block 3 Volumes		0		0.349	0		0		0					
33	200/250 Economic Development Gas Service	0		425.00		0		0		0					
34	Block 1 Volumes		0		1.141	0		0		0					
35	Block 2 Volumes @ Discount Rate		0		0.858	0		0		0					
36	Block 3 Volumes		0		0.755	0		0		0					
37	Block 3 Volumes @ Discount Rate		0		0.568	0		0		0					
38	Block 3 Volumes		0		0.349	0		0		0					
39	Block 3 Volumes @ Discount Rate		0		0.262	0		0		0					
40	202 Cogeneration, CNG, Prime Movers Service	12		35.00		420		0		420					
41	Block 1 Volumes		2,949		1.141	3,385		2,949		3,385					
42	Block 2 Volumes		0		0.755	0		0		0					
43	Block 3 Volumes		0		0.349	0		0		0					
44	Total Industrial	4,078	1,444,885			2,784,878	(31,255)	1,413,588		2,711,869					
45	PUBLIC AUTHORITY														
46	211 Residential Sm, Commercial/Industrial Heating & Cooling	0	0	13.85	\$0.719	0		0		0				\$0	
47	221 Experimental School Gas Service	61	73,267	35.00	1.134	63,220	(3,807)	63,270		60,667	(2,553)				
48	225 Public Authority Gas Service (Sr. Citizen) (Summer)	0	0	0.00	1.227	0		0		0				\$0	
49	225 Public Authority Gas Service (Sr. Citizen) (Winter)	0	0	0.00	1.227	0		0		0				\$0	
50	225 Public Authority Gas Service (Summer)	2,043	9,107	13.85	1.227	52,489		9,107		52,489				\$0	
51	225 Public Authority Gas Service (Winter)	4,142	47,713	18.85	1.227	128,338	(4,456)	43,257		122,882	(5,481)				
52	Total Public Authority	7,186	130,987			208,645	(8,453)	121,634		200,848	(10,009)				
53	TRANSPORTATION														
54	260 - TRANSP (220 SML COMMING)	132	142,224	425.00	2.332	387,767		142,224		387,767					
55	260 - TRANSP (230 LRQ COMMING)	497	1,121,093	425.00	2.036	2,493,770		1,121,093		2,493,770					
56	260 - TRANSP (240 DEMAND)	48		425.00		20,400		0		20,400					
57	Block 1 Volumes		96,000		1.141	108,538		96,000		108,538					
58	Block 2 Volumes		237,829		0.755	179,837		237,829		179,837					
59	Block 3 Volumes		0		0.349	0		0		0					
60	Demand Volumes		16,126		18.283	282,880		16,126		282,880					
61	260 - TRANSP (250 OPT GS)	841		425.00		272,426		0		272,426					
62	Block 1 Volumes		1,217,584		1.141	1,389,274		1,217,584		1,389,274					
63	Block 2 Volumes		3,978,982		0.755	3,003,437		3,978,982		3,003,437					
64	Block 3 Volumes		0		0.349	0		0		0					
65	260 - TRANSP (260/250 ECON DEV - OPT GS)	5		425.00		2,125		0		2,125					
66	Block 1 Volumes		10,000		1.141	11,410		10,000		11,410					
67	Block 2 Volumes @ Discount Rate		0		0.858	0		0		0					
68	Block 2 Volumes		203,360		0.755	153,637		203,360		153,637					
69	Block 2 Volumes @ Discount Rate		6,000		0.568	3,388		6,000		3,388					
70	Block 3 Volumes		0		0.349	0		0		0					
71	Block 3 Volumes @ Discount Rate		165,165		0.262	43,232		165,165		43,232					
72	SPECIAL CONTRACTS	43	1,284,296			480,017		1,284,296		480,017					
73	Total Transportation	1,308	5,461,723			8,792,543	0	8,451,723		8,792,543					
74	TOTALS	1,815,993	23,895,057			583,558,349	(894,865)	22,895,161		581,574,787	(1,510,705)				
75															
76	4870 - Forfeited Discount					9811,372				9811,372					
77	4980 - Miscellaneous Service charges					9427,876				9427,876					
78	TOTAL MARGIN REVENUES					591,797,597				593,214,005					

Schedule 11-2

Line No.	Description	12 Mths Ended Jan 14		Rates effective Jan 14		12 mths Jan 14		S O F	Customer Charges Base Cost	Customer Charges Meter Cost	Customer Costs		Customer Usage Volume M3	Adjusted Base Cost	Adjusted Volume M3	Total Adjusted Margin Rate
		Base Cost	Weather Adj. Meter Cost	Monthly Customer day	Connectivity Customer day	Weather adj. Meter Cost	Weather adj. Meter Cost				Base Cost	Volume M3				
0	RESIDENTIAL															
210	Residential Gas Service (Summer)	554,887	835,234	513.85	11,227	58,125,242					18,204	25,887	0	603,071	661,231	58,408,279
211	Residential Gas Service (Winter) (weather sensitive)	826,242	4,678,680	513.85	11,227	22,262,561					25,717	214,108	0	851,650	7,062,369	23,098,666
212	Residential Gas Service Senior Citizen (Summer)	714	0	50.00	11,227	640					22	16	0	738	537	859
213	Residential Gas Service Senior Citizen (Winter) (weather sensitive)	1,627	9,779	50.00	11,227	16,772					32	273	0	1,029	9,052	11,107
211	Residential Gas, Commercial/Industrial Heating & Cooling	12	230	513.85	10,710	338					0	7	0	12	247	349
211	Total Residential	1,412,862	7,723,653			21,486,553			0	0	43,978	248,402	0	1,458,838	7,964,059	32,479,994
0	COMMERCIAL															
221	Residential Gas, Commercial/Industrial Heating & Cooling	12	209	13.85	6,710	318					0	0	0	12	215	328
222	Commercial Gas Service (weather sensitive)	100,382	4,133,229	35.00	2,332	16,629,680					3,610	87,369	0	102,072	5,230,818	16,802,212
223	Large Commercial Gas Service (weather sensitive)	18	28,701	375.00	2,808	66,067					0	664	0	15	38,285	67,251
228	Commercial Intermediate Gas Service	0	0	425.00		0					0	0	0	0	0	0
229	Block 1 Volume	0	0		1,341	0					0	0	0	0	0	0
230	Block 2 Volume	0	0		6,756	0					0	0	0	0	0	0
231	Block 3 Volume	0	0		6,349	0					0	0	0	0	0	0
230	Large Tonnage Air Conditioning Gas Service	12	0	35.00		420					12	0	0	12	0	420
231	Block 1 Volume	0	14,218		1,141	16,337					0	0	0	0	14,319	16,337
232	Block 2 Volume	0	2,111		6,756	1,504					0	0	0	0	2,111	1,504
233	Block 3 Volume	0	0		6,349	0					0	0	0	0	0	0
233	Total Commercial	100,391	5,179,968			16,714,624			0	0	3,610	87,369	0	102,071	5,277,837	18,069,348
0	INDUSTRIAL															
230	Industrial Gas Service (weather sensitive)	3,883	541,824	35.00	2,332	1,268,272					73	10,378	0	1,341	551,800	1,434,800
230	Large Industrial Gas Service	108	286,265	375.00	2,836	631,260			(12)	(225,328)	0	0	0	0	84,078	168,078
240	DEMAND/COM GAS	0	0	425.00		0					0	0	0	0	0	0
241	Block 1 Volume	0	0		1,341	0					0	0	0	0	0	0
242	Block 2 Volume	0	0		6,756	0					0	0	0	0	0	0
243	Block 3 Volume	0	0	</												

ATTACHMENT A
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Stipulation and Settlement Agreement
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Schedule 11-3

Tennessee Distribution System
Proposed Revisions and Computation of Rates
Rate Design
Historic Base Period Ended June 30, 2014 and Forward Looking Test Year Ended May 31, 2016

Additional Revenue: 711,472

Line No.	Description	Rate effective Jan 14 Monthly Customer chg	Commodity Charge/Unit	Adjusted Base Count	Adjusted Volume Mtd	Total Adjusted Margin Rev	Cost Charge Rev	Commodity Charge Rev	Cost Charge %	Commodity %	% of Total Rev	Allocated Amount of Increase	Proposed Cost Charge	Proposed Commodity Charge	Proposed Cost Rev	Proposed Commodity Rev	Total	Cost Charge %	Commodity %	% of Total Rev
1	Rate Schedule 210/225																			
2	210/225 SUMMER	\$13.85	\$1.227	888,147	879,634	\$8,463,383	\$8,385,137	\$1,088,255	14.15	1.218	68,576,842	\$1,050,723	14.15	1.218	\$8,576,842	\$1,050,723	9,627,564	14.15	1.218	68,576,842
3	210/225 WINTER (weather sensitive)	\$18.85	\$1.227	658,230	7,137,561	23,185,301	\$14,427,677	\$8,757,814	17.15	1.218	\$14,884,348	\$9,888,058	17.15	1.218	\$14,884,348	\$9,888,058	23,360,414	17.15	1.218	23,360,414
4	210/225 SR CIT	\$0.00	\$1.227	1,785	8,590	11,767	\$0	\$11,767	0.00	1.218	\$0	\$11,884	0.00	1.218	\$0	\$11,884	11,884	0.00	1.218	11,884
5	Total 210/225			1,484,172	8,017,805	32,660,461	22,822,614	9,857,846	70%	30%	51.81%	369,341			23,261,328	9,768,474	33,029,802	70%	30%	51.81%
7	Rate Schedule 211																			
8	211 HVAC	\$13.85	\$0.719	482	482	675	\$343	\$332	51%	49%	0.00%	8	14.15	0.719	\$350	\$332	683	51%	49%	0.00%
10	Rate Schedule 220																			
11	220 Commercial / Industrial Gas Service	\$35.00	\$2.332	197,808	5,782,518	28,408,112	\$6,823,280	\$13,484,832	34%	66%			36.35	2.332	\$7,150,758	\$13,401,050	20,551,808	34%	66%	
12	220 Transportation	\$425.00	\$2.332	132	142,224	387,767	\$58,100	\$31,857	14%	86%			435.00	2.332	\$57,420	\$331,826	389,246	15%	85%	
13	Total 220			197,940	5,924,742	28,795,879	\$6,881,380	\$13,516,689	34%	66%	33.05%	235,178			7,208,178	\$13,822,876	21,031,048	34%	66%	33.05%
15	Rate Schedule 221																			
16	221 Residential School Gas Service	\$35.00	\$1.134	76,584	76,584	82,218	\$2,176	\$80,042	3%	97%	0.13%	500	36.35	1.146	\$2,247	\$80,001	82,248	3%	97%	0.13%
18	Rate Schedule 230																			
19	230 Large Commercial / Industrial Gas Service	\$375.00	\$2.036	111	85,143	235,443	\$41,732	\$193,711	18%	82%			405.00	2.057	\$42,845	\$195,886	238,731	18%	82%	
20	230 Transportation	\$425.00	\$2.036	407	1,328,561	2,912,163	\$211,225	\$2,700,878	7%	93%			435.00	2.057	\$216,105	\$2,728,414	2,944,519	7%	93%	
21	Total 230			608	1,413,704	3,147,606	\$252,957	\$2,894,589	8%	92%	5.08%	35,504			259,940	\$2,924,101	3,183,140	8%	92%	5.08%
24	Rate Schedule 240/250/260/270/280																			
25	240 Demand/Commodity Gas Service	\$425.00		48		20,408	\$20,400						435.00		\$20,880		20,880			
26	Block 1 Volume		\$1,141	98,000	98,000	100,538		\$109,536						1.153		\$110,875	110,875			
27	Block 2 Volume		\$0.755	237,828	237,828	179,637		\$179,637						0.760		\$181,403	181,403			
28	Block 3 Volume		\$0.349	0	0	0		\$0						0.350		\$0	0			
29	250 Interruptible Gas Service	\$425.00		824		382,700	\$382,700						435.00		\$401,940		401,940			
30	Block 1 Volume		\$1,141	1,481,133	1,481,133	1,701,362		\$1,701,362						1.153		\$1,719,072	1,719,072			
31	Block 2 Volume		\$0.755	4,035,245	4,035,245	3,046,610		\$3,046,610						0.763		\$3,078,085	3,078,085			
32	Block 3 Volume		\$0.349	0	0	0		\$0						0.350		\$0	0			
33	260 ECON DEV - OPT GS	\$425.00		36		15,300	\$15,300						435.00		\$15,660		15,660			
34	Block 1 Volume		\$1,141	48,000	48,000	54,768		\$54,768						1.153		\$55,237	55,237			
35	Block 2 Volume @ Discount Rate		\$0.856	24,000	24,000	20,538		\$20,538						0.865		\$20,752	20,752			
36	Block 3 Volume		\$0.755	588,976	588,976	452,882		\$452,882						0.763		\$457,681	457,681			
37	Block 2 Volume @ Discount Rate		\$0.586	287,892	287,892	163,075		\$163,075						0.572		\$164,760	164,760			
38	Block 3 Volume		\$0.349	0	0	0		\$0						0.353		\$0	0			
39	Block 2 Volume @ Discount Rate		\$0.282	188,887	188,887	48,918		\$48,918						0.284		\$49,423	49,423			
40	280 Cogeneration, CHS, Prime Movers Random	\$35.00		12		430	\$420						36.15		\$434		434			
41	Block 1 Volume		\$1,141	2,980	2,980	3,365		\$3,365						1.153		\$3,400	3,400			
42	Block 2 Volume		\$0.755	0	0	0		\$0						0.763		\$0	0			
43	Block 3 Volume		\$0.349	0	0	0		\$0						0.353		\$0	0			
44	293 Large Turbine Air Conditioning Gas Service	\$35.00		12		420	\$420						36.15		\$434		434			
45	Block 1 Volume		\$1,141	14,318	14,318	16,337		\$16,337						1.153		\$16,506	16,506			
46	Block 2 Volume		\$0.755	2,111	2,111	1,584		\$1,584						0.763		\$1,611	1,611			
47	Block 3 Volume		\$0.349	0	0	0		\$0						0.353		\$0	0			
48	Total 240/250/260/270/280			1,832	7,026,541	8,227,382	\$28,240	\$7,085,742	7%	93%	8.90%	70,429			\$438,348	\$5,858,778	8,298,124	7%	93%	8.90%
49	TOTALS			1,863,940	22,491,838	62,914,761	\$8,486,780	\$32,428,051	48%	52%	100.00%	711,472			\$1,170,481	\$32,458,454	\$33,628,945	48%	51%	100.00%

8 711,484

ATTACHMENT A
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Schedule 11-4

Atmos Energy Corp - Tennessee Distribution System
Proof of Revenues and Calculation of Rates
Summary Of Present And Proposed Rates
Forward Looking Test Year Ended May 31, 2016

	Current Rate Monthly	Proposed Rate Monthly
Sales and Transportation Revenues:		
210 Residential Gas Service (WINTER)		
Customer Charge	\$16.85	\$17.15
Commodity Charge	\$1.227	\$1.218
210 Residential Gas Service (SUMMER)		
Customer Charge	\$13.85	\$14.15
Commodity Charge	\$1.227	\$1.218
211 Residential & Small Commercial/Industrial Heating & Cooling		
Customer Charge	\$13.85	\$14.15
Commodity Charge	\$0.719	\$0.719
220 Commercial & Industrial Gas Service		
Customer Charge	\$35.00	\$36.15
Commodity Charge	\$2.332	\$2.333
221 Experimental School Gas Service		
Customer Charge	\$35.00	\$36.15
Commodity Charge	\$1.134	\$1.146
225 Public Housing Authority Gas Service (WINTER)		
Customer Charge	\$16.85	\$17.15
Commodity Charge	\$1.227	\$1.218
225 Public Housing Authority Gas Service (SUMMER)		
Customer Charge	\$13.85	\$14.15
Commodity Charge	\$1.227	\$1.218
230 Large Commercial & Industrial Gas Service		
Customer Charge	\$375.00	\$385.00
Commodity Charge	\$2.036	\$2.057
240 Demand/Commodity Gas Service		
Customer Charge	\$425.00	\$435.00
1 - 2,000 Mcf	\$1.141	\$1.153
Next 48,000 Mcf	\$0.755	\$0.763
Over 50,000 Mcf	\$0.349	\$0.353
Demand Charge	\$16.283	\$16.283
250 Interruptible Gas Service		
Customer Charge	\$425.00	\$435.00
1 - 2,000 Mcf	\$1.141	\$1.153
Next 48,000 Mcf	\$0.755	\$0.763
Over 50,000 Mcf	\$0.349	\$0.353
260 Transportation Service / 250 Interruptible Gas Service		
Customer Charge	\$425.00	\$435.00
1 - 2,000 Mcf	\$1.141	\$1.153
Next 48,000 Mcf	\$0.755	\$0.763
Over 50,000 Mcf	\$0.349	\$0.353
260 Transportation Service / 220 Commercial & Industrial Gas Service		
Customer Charge	\$425.00	\$435.00
Commodity Charge	\$2.332	\$2.333
260 Transportation Service / 230 Large Commercial & Industrial Gas Service		
Customer Charge	\$425.00	\$435.00
Commodity Charge	\$2.036	\$2.057
Schedule 280 Economic Development Gas Service		
Customer Charge	\$425.00	\$435.00
1 - 2,000 Mcf	\$1.141	\$1.153
1 - 2,000 Mcf @ Discount Rate	\$0.856	\$0.865
Next 48,000 Mcf	\$0.755	\$0.763
Next 48,000 Mcf @ Discount Rate	\$0.566	\$0.572
Over 50,000 Mcf	\$0.349	\$0.353
Over 50,000 Mcf @ Discount Rate	\$0.262	\$0.264
Schedule 292 Cogeneration, CNG, Prime Movers, Fuel Cell Service		
Customer Charge	\$35.00	\$36.15
1 - 2,000 Mcf	\$1.141	\$1.153
Next 48,000 Mcf	\$0.755	\$0.763
Over 50,000 Mcf	\$0.349	\$0.353
Schedule 293 Large Tonnage Air Conditioning Gas Service		
Customer Charge	\$35.00	\$36.15
1 - 2,000 Mcf	\$1.141	\$1.153
Next 48,000 Mcf	\$0.755	\$0.763
Over 50,000 Mcf	\$0.349	\$0.353

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Docket 14-00146
Schedule 1

Atmos Energy Corporation
Revenue Deficiency (Surplus)
For the Twelve Months Ended May 31, 2016

Line No.		Company	Reference
1	Rate Base	247,958,276	See 2RB
2	Operating Income at Present Rates	18,731,838	See 3 IS
3	Earned Rate of Return (L 2 / L 1)	7.55%	
4	Fair Rate of Return	7.73%	See 8 CC
5	Required Operating Income (L 1 x L 4)	19,167,175	
6	Operating Income Deficiency (Surplus) (L 5 - L 2)	435,337	
7	Gross Revenue Conversion Factor	1.634300	See 7 GU
8	Revenue Deficiency (Surplus)	711,471	

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Schedule 2

Almos Energy Corporation
Rate Base
For the Twelve Months Ended May 31, 2016

Line No.		Company	Reference
1	Utility Plant in Service	478,668,068	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 1
2	Construction Work in Progress	8,602,955	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 5
3	Materials and Supplies / Storage Gas	6,390,378	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 11
4	Working Capital/Deferred Rate Case	777,582	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 9
5	Net Elimination of Intercompany Leased Property	5,322,811	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 27
6	Deferred Pension Regulated Asset	973,868	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 13
7	Total Additions	<u>500,735,661</u>	
Deductions:			
8	Accumulated Depreciation	194,176,859	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 3
9	Customer Deposits	3,632,272	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 19
10	Contributions and Advances in Aid of Construction	75,078	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 17
11	Accumulated Deferred Tax-Accel. Depreciation	54,842,598	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 15
12	Accrued Interest on Customer Deposits	50,578	2015 revenue requirement schedules.xls, Sch 7, Col (d), Ln 21
13	Total Deductions	<u>262,777,385</u>	
14	Rate Base	<u>247,958,276</u>	

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Schedule 3

Atmos Energy Corporation
Income Statement
For the Twelve Months Ended May 31, 2016

Line No.	Company	Reference
1	Revenues - Sales, forfeited discounts & other	152,604,356 2015 revenue requirement schedules.xls, Sch 1, Col (c), Ln 20
2	Cost of Gas	<u>87,478,439</u> 2015 revenue requirement schedules.xls, Sch 1, Col (c), Ln 1
3	Gross margin on sales and service	65,125,917
4	AFUDC	<u>66,220</u> 2015 revenue requirement schedules.xls, Sch 1, Col (c), Ln 13
5	Operating Margin	<u>85,192,137</u>
6	Other Operation and Maintenance	19,095,533 See 4 O&M
7	Interest on Customer Deposits	118,049 2015 revenue requirement schedules.xls, Sch 1, Col (c), Ln 13
8	Depreciation and Amortization Exp.	12,353,190 2015 revenue requirement schedules.xls, Sch 1, Col (c), Ln 13
9	Taxes Other Than Income	6,879,384 See 5 Tax
10	State Excise Tax	1,328,029 See 6 FIT
11	Federal Income Tax	<u>6,686,114</u> See 6 FIT
12	Total Operating Expense	<u>46,460,299</u>
13	Net Operating Income for Return	<u>18,731,838</u>
14	Plus amortization-Gain	-
15	Plus adjustments	-
16	Adjusted Net Operating Income	<u>18,731,838</u>

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Docket 14-00146
Schedule 4

Atmos Energy Corporation
Operations and Maintenance Expenses
For the Twelve Months Ended May 31, 2016

Line No.		Company	Reference
1	Labor	7,915,572	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 1
2	Benefits	2,749,914	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 2
3	Employee Welfare	2,043,085	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 3
4	Insurance	1,048,405	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 4
5	Rent, Maint., & Utilities	1,018,085	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 5
6	Vehicles & Equip	723,602	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 6
7	Materials and Supplies	448,690	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 7
8	Information Technologies	755,425	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 8
9	Telecom	525,077	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 9
10	Marketing	280,886	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 10
11	Directors & Shareholders & PR	226,550	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 11
12	Dues & Donations	125,952	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 12
13	Print & Postage	33,716	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 13
14	Travel & Entertainment	502,332	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 14
15	Training	102,127	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 15
16	Outside Services	4,078,264	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 16
17	Provision for Bad Debt	261,968	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 17
18	Miscellaneous	(2,867,900)	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 18
19	Rate Case Expense	175,000	2015 revenue requirement schedules.xls, WP 4-1, Excel Col Q, Ln 21
20	Elimination of Intercompany Leased Property - Rent	(532,000)	2015 revenue requirement schedules.xls, WP 4-1, Excel Col C, Ln 14
21	Inclusion of Barnsley Storage Operating Expense	476,081	2015 revenue requirement schedules.xls, WP 4-1, Excel Col D, Ln 14
22	Interest Expense	6,248,549	2015 revenue requirement schedules.xls, Sch 8, Col (e), Ln 3
	Disallowed Items	(983,317)	
23			
25	Total O&M Expense	<u>25,344,082</u>	

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Docket 14-00146
Schedule 5

Atmos Energy Corporation
Operations and Maintenance Expense
For the Twelve Months Ended May 31, 2016

<u>Line No.</u>		<u>Company</u>	<u>Reference</u>
1	Property Taxes	3,899,810	2015 revenue requirement schedules.xls, WP 7-8, Col (b), Ln 11+Ln19+Ln23
2	State Gross Receipts Tax	1,241,952	2015 revenue requirement schedules.xls, WP 7-8, Col (b), Ln 12
3	Payroll Taxes	585,523	2015 revenue requirement schedules.xls, WP 7-8, Col (b), Ln 13+Ln20+Ln24
4	State Franchise Tax	622,004	2015 revenue requirement schedules.xls, WP 7-8, Col (b), Ln 14
5	Other General Taxes		
6	TRA Inspection Fee	<u>530,084</u>	2015 revenue requirement schedules.xls, WP 7-8, Col (b), Ln 15
7	Total Taxes Other Than Income Taxes	<u>6,879,364</u>	

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Docket 14-00146
Schedule 6

Atmos Energy Corporation
Federal and Excise Taxes
For the Twelve Months Ended May 31, 2016

<u>Line No.</u>		<u>Company</u>
1	Operating Margin	65,125,917
2	Other Operation and Maintenance	19,095,533
3	Depreciation and Amortization Expense	12,353,190
4	Taxes Other Than Income	<u>6,879,384</u>
5	NOI Before Excise and Income Taxes	26,797,810
6	less Interest on Customer Deposits	118,049
7	less Interest Expense	<u>6,248,549</u>
8	Pre-tax Book Income	20,431,213
9	Schedule M Adjustments	<u>-</u>
10	Excise Taxable Income	20,431,213
11	Excise Tax Rate	<u>6.50%</u>
12	Excise Tax	<u>1,328,029</u>
13	Pre-tax Book Income	20,431,213
14	Excise Tax	1,328,029
15	Schedule M Adjustments	<u>-</u>
16	FIT Taxable Income	19,103,184
17	FIT Rate	<u>35.00%</u>
18	Subtotal FIT	<u>6,686,114</u>
19	Less: ITC Amortization	<u>-</u>
20	Federal Income Tax Expense	<u>6,686,114</u>

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Docket 14-00146
Schedule 7

Atmos Energy Corporation
Gross Revenue Conversion Factor
For the Twelve Months Ended May 31, 2016

Line No.		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.010971 A/	<u>0.010971</u>
3	Balance		1.010971
4	Uncollectible Ratio	0.004117 B/	<u>0.004162</u>
5	Balance		1.006809
6	State Excise Tax	0.065000 C/	<u>0.065443</u>
7	Balance		0.941366
8	Federal Income Tax	0.350000 C/	<u>0.329478</u>
9	Balance		<u>0.611888</u>
10	Revenue Conversion Factor (1 / Line 9)		<u><u>1.634300</u></u>

A/ Forfeited discounts on gross revenues = forfeited discounts/gross revenues (excluding forfeited discounts)

B/ Uncollectible expense/Gross margin on sales

C/ Statutory Rate

ATTACHMENT A
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Docket 14-00146
Schedule 8

Atmos Energy Corporation
Cost of Capital

Line No.		Ratio	Cost	Weighted Cost
1	Short Term Debt	5.01%	1.07%	0.1%
2	Long Term Debt	41.86%	5.90%	2.5%
3	Preferred Stock			
4	Stockholder's Equity	<u>53.13%</u>	9.80%	<u>5.2%</u>
5	Total	<u>100.00% A/</u>		<u>7.73%</u>

A/ Should be 100%

EXHIBIT B

ATMOS ENERGY CORPORATION

RESIDENTIAL GAS SERVICE

Schedule 210: All Service Areas

Availability

Residential service is available within the Company's service area to single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area.

Customer Charge

A monthly customer charge of ~~\$16.85~~ \$17.15 for the months of October through April is payable regardless of the usage of gas.

A customer charge of ~~\$13.85~~ \$14.15 for the months of May through September is payable regardless of the usage of gas.

Monthly

All consumption, per Ccf ~~\$-1227~~ \$.1218

Minimum Bill

The minimum net monthly bill shall be the customer charge per month as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

Gas Lights

For all gas light services, the charge for such services shall be based on actual usage through a metered source at this tariff rate. For all unmetered gas light services prior to August 17, 1990 the customer will be billed for twenty (20) Ccf per standard residential gas light. For all unmetered gas light service after August 17, 1990 the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL
HEATING AND COOLING SERVICE

Schedule 211: All Service Areas

Availability

This service is available within the Company service area to single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered and which utilize natural gas for heating and cooling the conditioned space. This schedule is also available within the Company's service area to commercial/industrial customers using less than 5,000 Ccf per year and which utilize natural gas for heating and cooling the conditioned space. Cooling equipment must have a COP greater than 0.7. Any additional gas measured through this single meter will be billed at this rate.

This service is intended to assist in the development of natural gas heating and cooling technologies. This rate is designed to significantly increase energy savings which will improve the economics of the technology. This service will cease when either of the following criteria has been met.

- 1) One hundred customers have qualified for this service
- 2) The service expires for new customers ten years after November 15, 1995.

Customers that have qualified for this service prior to the expiration date will continue to receive service under this rate schedule as long as natural gas is utilized for both heating and cooling.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area.

Customer Charge

A monthly customer charge of \$13.85 \$14.15 is payable regardless of the usage of gas.

Monthly

All consumption, per Ccf \$0.719

Minimum Bill

The minimum net monthly bill shall be the customer charge per month as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

COMMERCIAL/INDUSTRIAL GAS SERVICE

Schedule 220: All Service Areas

Availability

This schedule is available within the Company's service area to commercial/industrial customers using less than 135,000 Ccf per year for any purpose at the option of the Company, to the extent gas is available. This schedule is not available to residences, apartment or federal housing projects.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area, or such higher delivery pressure as agreed upon by customer and Company.

Customer Charge

A monthly customer charge of ~~\$35.00~~ \$36.15 is payable regardless of the usage of gas.

Monthly Rate

All Consumption, per Ccf ~~\$.2332~~ \$.2333

Minimum Bill

The minimum net monthly bill shall be the customer charge per meter as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

EXPERIMENTAL SCHOOL GAS SERVICE

Schedule 221: All Service Areas

Availability

This service is available to existing or new state, county, city, and private educational institutions or universities eligible for accreditation by the Southern Association of Secondary Schools and Colleges utilizing natural gas through a single meter for primary heating and cooling of the conditioned space. Any additional gas measured through this single meter will be billed at this rate. Gas cooling equipment must have a coefficient of performance (COP) greater than 0.7.

This service is intended to assist in the development of the natural gas cooling market. This rate is designed to significantly increase energy savings which improves the economics of natural gas cooling. This service is experimental and will cease when any one of the following criteria has been met.

1. Ten (10) schools have qualified for this service.
2. 250,000 Mcf per year of estimated gas consumption has qualified for this service.
3. The experimental service expires on October 1, 2002.

Schools that have qualified for this service prior to October 1, 2002 will continue to receive service under this rate schedule as long as natural gas is utilized for both heating and cooling.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area, or such higher delivery pressure as agreed upon by customer and Company.

Customer Charge

A monthly customer charge of \$35.00-\$36.15 is payable regardless of the usage of gas.

Monthly Rate

All Consumption, per Ccf \$.1134 \$.1146

Minimum Bill

The minimum net monthly bill shall be the customer charge per meter as described above.

PUBLIC HOUSING AUTHORITY GAS SERVICE

Schedule 225: All Service Areas

Availability

This service is available within the Company's service area to any customer in a housing project using gas primarily for domestic purposes and under the ownership and control of a public housing authority or other governmental agency, which are master metered.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area.

Customer Charge

A monthly customer charge of ~~\$16.85~~ \$17.15 for the months of October through April is payable regardless of the usage of gas.

A customer charge of ~~\$13.85~~ \$14.15 for the months of May through September is payable regardless of the usage of gas.

Minimum Bill

The minimum net monthly bill shall be the customer charge as described above.

Monthly Rate

All consumption, per Ccf ~~\$.1227~~ \$.1218

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

LARGE COMMERCIAL/INDUSTRIAL GAS SERVICE

Schedule 230: All Service Areas

Availability

This service is available within the Company's service area to any commercial/industrial customers using more than 135,000 Ccf per year for any purpose at the option of the Company, to the extent gas is available.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area, or at such higher delivery pressure as agreed upon by Customer and Company. Service under this rate schedule may be terminated by either party following twelve (12) months notice to the other party.

Customer Charge

A monthly customer charge of ~~\$375.00~~ \$385.00 is payable regardless of the usage of gas.

Monthly Rate

All Consumption, per Ccf ~~\$-2036~~ \$.2057

Minimum Bill

The minimum net monthly bill shall be the customer charge per meter as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

ATMOS ENERGY CORPORATION

DEMAND/COMMODITY GAS SERVICE

Schedule 240: All Service Areas

Availability

This service is available within the Company's service area to any commercial/industrial customers using at least 270,000 Ccf per year for any purpose at the option of the Company, to the extent gas is available.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area, or at such higher delivery pressure as agreed upon by Customer and Company. Service under this rate schedule may be terminated by either party following twelve (12) months notice to the other party.

Customer Charge

A monthly Customer Charge of \$425.00-\$435.00 is payable regardless of the usage of gas.

Monthly Rate

Demand Charge

Per Unit of Billing Demand \$1.6283 per Ccf

Commodity Charge

First	20,000	Ccf Per Month	~~\$1.141~~ \$1.153
Next	480,000	Ccf Per Month	~~\$0.755~~ \$0.763
Over	500,000	Ccf Per Month	~~\$0.349~~ \$0.353

Minimum Bill

The minimum net monthly bill shall be the Customer Charge per meter plus the Monthly Demand Charge as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

INTERRUPTIBLE GAS SERVICE

Schedule 250: All Service Areas

Availability

To any commercial or industrial customer using 270,000 Ccf or more per year, or 1,000 Ccf per day during off-peak periods. The Company recommends that the Customer has and maintains adequate standby facilities and an alternate fuel supply in order that gas deliveries hereunder may be interrupted at any time.

Customers that will utilize natural gas during off-peak periods only do not need to meet the volumetric annual requirement (i.e. 270,000 ccf or more per year) for eligibility under this schedule. Examples of customers utilizing natural gas during off-peak periods only would include, but is not limited to the following: asphalt plants, electric generating facilities, grain drying facilities, and farm irrigation systems. The Company recommends an adequate standby facility and alternate fuel supply for off-peak customers served under this schedule.

Deliveries to such customers shall be subject to curtailment at any time. Deliveries to such customers shall be subject to curtailment in whole or in part upon one-half (1/2) hour's notice.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area, or such higher delivery pressure as agreed upon by customer and Company.

Customer Charge

A monthly customer charge of ~~\$425.00~~ \$435.00 is payable regardless of the usage of gas.

Monthly Rate

First	20,000	Ccf used per month	~~\$.1141~~ \$.1153
Next	480,000	Ccf used per month	~~\$.0755~~ \$.0763
Over	500,000	Ccf used per month	~~\$.0349~~ \$.0353

Minimum Bill

The minimum net monthly bill shall be ~~\$425.00~~ \$435.00

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

ATMOS ENERGY CORPORATION

TRANSPORTATION SERVICE (Continued)

Schedule 260: All Service Areas

- (vi) A percentage adjustment for lost and unaccounted for gas shall be made to the volumes of gas received by the Company from the Connecting Pipeline Company for the Customer's account, and the volumes of gas deliverable to the Customer under this rate schedule shall be reduced by such percentage. Such percentage shall be equal to the percent that unaccounted-for gas bore to total sendout as recorded by the Company during its most recent 12 months ended June.
- (vii) If the rendition of service to Customer under this rate schedule causes the Company to incur additional charges from the Connecting Pipeline Company, Customer shall reimburse Company for all such charges.
- (viii) All volumes transported under the terms of this rate schedule shall be included in the Purchased Gas Adjustment computations and included in the sales volumes of the Purchased Gas Adjustment computations.
- (ix) The Customers served under this Rate Schedule shall be required to pay for the cost of, installation of, replacement of, and maintenance of measurement data collection and verification equipment, including applicable income taxes. Customers shall also be required to pay the cost of installation, maintenance and any monthly usage charges associated with dedicated telephone, power or other utilities or energy sources required for the operation of the data collection and verification equipment, including applicable income taxes. Customers shall also be required to provide adequate space in new or existing facilities for the installation of the data collection equipment.
- (x) Once a customer elects and has qualified for service under this rate schedule, all services will be provided under the terms and conditions of this rate schedule for a term of no less than 12 months. At any time following the first six months of service under this rate schedule, service may be terminated by either party following at least six months written notice to the other party. After termination of this service, Customer may not re-elect for transportation service for a period of no less than 12 months after termination.

D. Rate

Customer Charge

A monthly customer charge of \$425.00 \$435.00 per meter is payable regardless of the usage of gas.

Monthly Demand Charge

The Customers eligible to receive service under companion Rate Schedule 240 shall be billed the applicable Monthly Demand Charge.

Monthly Rate

The Customer shall be billed for the quantity of gas delivered under this rate schedule at the monthly rate of the companion rate schedule, plus any applicable taxes or fees.

ATMOS ENERGY CORPORATION

COGENERATION, COMPRESSED NATURAL GAS, PRIME MOVERS, FUEL CELL SERVICE

Schedule 292: All Service Areas

Purpose

The purpose of providing service under this schedule is to increase utilization of system supplies and system capacity.

Applicability

This schedule is available to the extent gas supply and delivery capacity is available to commercial and industrial customers, existing or new, for use as a single prime fuel source to generate electrical and thermal energy in order to optimize efficiency. This schedule is also available for compressed natural gas for automobile and truck fleets and fuel cell service.

Eligibility

Eligible customers shall include those who are currently connected to the Company's gas main or who will become newly connected. In either case, service will be provided, at the Company's option, through a separate meter.

Character of Service

Natural gas with a heating value of approximately 100,000 Btu per hundred cubic feet, supplied through a single delivery point meter, at the standard equipment utilization pressure, or at such higher delivery pressure as approved by Company.

Rate

Customer Charge

A monthly charge of ~~\$35.00~~ \$36.15 for each customer regardless of the usage of gas.

Customer charge for adjacent connected load will not be duplicated, otherwise the facilities charge will be at the customer's regular schedule charge.

Monthly Charge

First	20,000	Ccf used per month	~~\$.1141~~	\$.1153
Next	480,000	Ccf used per month	~~\$.0755~~	\$.0763
Over	500,000	Ccf used per month	~~\$.0349~~	\$.0353

ATMOS ENERGY CORPORATION

LARGE TONNAGE AIR CONDITIONING GAS SERVICE

Schedule 293: All Service Areas

Purpose

The purpose of providing service under this schedule is to increase utilization of system supplies and system capacity.

Applicability

This schedule is available to the extent gas supply and delivery capacity is available to commercial and industrial customers whose requirements may include high load factor systems that provide chilled water, space conditioning, processing, and/or humidity control. These conditions may be accomplished by the utilization of absorption, gas engine driven or desiccant systems.

Eligibility

Eligible customers shall include those who are currently connected to the Company's gas main or who will become newly connected. In either case, service will be provided, at the Company's option, through a separate meter.

Character of Service

Natural gas with a heating value of approximately 100,000 Btu per hundred cubic feet, supplied through a single delivery point and a single meter, at the standard equipment utilization pressure or at such higher delivery pressure as approved by Company.

Rate

Customer Charge

A monthly charge of ~~\$35.00~~ \$36.15 for each customer is payable regardless of the usage of gas.

Customer charge for adjacent connected load will not be duplicated; otherwise the facilities charge will be at the customers regular schedule charge.

Monthly Charge

First	20,000	Ccf used per month	~~\$1141~~ \$1153
Next	480,000	Ccf used per month	~~\$0755~~ \$0763
Over	500,000	Ccf used per month	~~\$0349~~ \$0353

ATMOS ENERGY CORPORATION

WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER (Continued)

- HSF_i = heat sensitive factor for the ith schedule or classification utilized by the Regulatory Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues
- NDD = normal billing cycle heating degree days utilized by the Regulatory Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues
- ADD = actual billing cycle heating degree days
- Bl_i = base load sales for the ith schedule or classification utilized by the Regulatory Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues

Filing with Regulatory Authority

The Company will file as directed by the Regulatory Authority (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and (c) a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

Heat Use/Base Use Factors

<u>Town</u>	<u>Residential/PA</u>		<u>Commercial / Small Industrial</u>	
	<u>Base use</u> <u>Ccf</u>	<u>Heat use</u> <u>Ccf/HDD</u>	<u>Base use</u> <u>Ccf</u>	<u>Heat use</u> <u>Ccf/HDD</u>
Union City	7.59 7.11	.135899 .150337	56.84 64.63	.407379 .522940
Columbia Shelbyville Franklin Murfreesboro	9.87 9.96	.148714 .163893	104.91 106.90	.497239 .590445
Maryville Morristown	9.33 7.37	.119599 .130132	114.31 97.65	.593839 .687730
Johnson City Elizabethton Kingsport Greeneville Bristol	8.89 6.84	.114758 .126685	113.15 97.09	.547136 .625318

EXHIBIT C

ATMOS ENERGY CORPORATION

Original Sheet No. 34.1

ARM
Annual Review Mechanism

I. Applicable

To all gas sold and transported under tariff services, excluding approved special contracts.

II. Purpose

This Annual Review Mechanism ("ARM") is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d)(6), which authorizes the Company to opt for an annual review of the Company's rates. Pursuant to this ARM and the annual filings described in section IV.A below, the Company's tariff rates (excluding approved special contract rates) shall be adjusted to provide that the Company earns the Authorized Return on Equity. The rate adjustments implemented under this mechanism will reflect changes in the Company's revenues, cost of service, and rate base. The ARM may be terminated or modified as provided under Tennessee Code Annotated 65-5-103(d)(6)(D) and the Final Order in TRA Docket 14-00146.

III. Definitions

A) **Annual Filing Date** shall be the date the Company will make its annual ARM filing. The Annual Filing Date shall be no later than February 1 of each year.

B) **Historic Base Period** is defined as the twelve month period ending September 30 of each year prior to each Annual Filing Date.

C) **Forward Looking Test Year** is defined as the twelve months beginning June 1 of each calendar year.

D) **Authorized Return on Equity** is defined as the return on equity established in TRA Docket No. 14-00146, or in any subsequent general rate case, whichever is more recent.

E) **Annual Reconciliation Revenue Requirement** is the revenue requirement necessary to adjust the actual return on equity to the Authorized Return on Equity for the Forward Looking Test Year immediately completed, all determined in accordance with the Approved Methodologies.

F) **New Matters** refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the Authority regarding the Company.

G) **Approved Methodologies** are defined as the methodologies approved and adopted by the Authority in Docket No. 14-00146 or in any subsequent general rate case, whichever is more recent, or as modified following a determination on a New Matter (defined in part F).

IV. ARM Filing

On the Annual Filing Date each year the Company shall file with the Authority schedules and supporting work papers that reflect the actual annual amounts as reflected on the books and records of the Company for the Historic Base Period as well as the projected amounts expected during the Forward Looking Test Year.

A. Contents of the Annual Filing. The ARM filing shall include:

ATMOS ENERGY CORPORATION

Original Sheet No. 34.2

Schedule 1: Cost of Service

Summarizes the elements of cost of service, including gas cost expense, operation and maintenance expense, depreciation expense, taxes other than income taxes, return on rate base, income tax, allowance for funds used during construction ("AFUDC") and interest on customer deposits. Compares the total cost of service to revenues at present rates in order to calculate a net revenue deficiency / sufficiency.

Schedule 2: Summary of Revenues at Present Rates

Presents per book revenues for the Historic Base Period and the projected Forward Looking Test Year revenues.

Schedule 3: Cost of Gas

Presents Historic Base Period per books gas cost and the projected Forward Looking Test Year cost of gas. Includes rate making adjustments consistent with the Approved Methodologies.

Schedule 4: Operation and Maintenance Expenses

Presents Historic Base Period per books operation and maintenance expense, and the projected Forward Looking Test Year operation and maintenance expense. Includes rate making adjustments consistent with the Approved Methodologies.

Schedule 5: Taxes Other than Income

Presents Historic Base Period per books taxes other than income taxes expense, and the projected Forward Looking Test Year taxes other than income taxes expense. Includes rate making adjustments consistent with the Approved Methodologies.

Schedule 6: Depreciation and Amortization Expenses

Presents Historic Base Period per books depreciation and amortization expense, and the projected Forward Looking Test Year depreciation and amortization expense. Includes rate making adjustments consistent with the Approved Methodologies and adjustments to reflect impact of proposed depreciation rates, if any, as defined in Section IV. B. b.

ATMOS ENERGY CORPORATION

Original Sheet No. 34.3

Schedule 7: Rate Base and Return

Presents the calculation of the Historic Base Period rate base, and projected Forward Looking Test Year rate base. The rate base includes the projected thirteen month averages of the original cost of plant, accumulated depreciation, construction work in progress ("CWIP"), storage gas investment, materials and supplies, cash working capital, accumulated deferred income tax ("ADIT"), customer advances, customer deposits, accumulated interest on customer deposits. Includes rate making adjustments consistent with the Approved Methodologies.

Schedule 8: Computation of State Excise and Income Taxes

Presents the calculation of state excise taxes and income taxes on the required return on rate base for the Historic Base Period and Forward Looking Test Year.

Schedule 9: Overall Cost of Capital

Presents the calculation of the overall cost of capital based on the capital structure, debt cost rates and the required rate of return on equity as defined in section IV. B. e.

Schedule 10: Rate of Return

Presents the calculation of a rate of return on rate base and a rate of return on the equity financed portion of rate base for the Base Period and the Forward Looking Test Year, with costs and revenues as presented in Schedules 2 through 9.

Schedule 11: Proof of Revenues and Calculation of Rates

Presents the forecasted billing determinants and calculation of new tariff rates by customer class and rate schedule for the Forward Looking Test Year consistent with the cost of service and net revenue deficiency / sufficiency presented in Schedule 1.

1. Schedule 11-1: Proof of Revenues and Calculation of Rates, Historic Base Period Margin at Present Rates
2. Schedule 11-2: Proof of Revenues and Calculation of Rates, Forward Looking Test Year Margin at Present Rates
3. Schedule 11-3: Proof of Revenues and Calculation of Rates, Rate Design
4. Schedule 11-4: Proof of Revenues and Calculation of Rates, Summary of Present and Proposed Rates.

Schedule 12: Calculation of Annual Reconciliation Revenue Requirement

Calculates the Annual Reconciliation Revenue Requirement as described in section VII.

ATMOS ENERGY CORPORATION

Original Sheet No. 34.4

TRA Staff Revenue Requirement Schedules from Docket 14-00146 Staff Data Requests

Relied-Upon Files:

Referenced years of documents to be updated with each annual filing

1. 2013 Blending percentages for Greenville and CKV Center Effective Apr-13
2. 2014 Blending percentages for Greenville and CKV Center Effective Oct-13
3. ADIT TN Projection Oct 2014 to Rates
4. Cash Working Capital
5. Depreciation
6. Essbase Support Final
7. FY 2015 Ad Valorem Budget
8. FY14 Composite Factors for Rates_11.11.13
9. FY15 Blending percentages for Greenville and CKV Center Effective Oct-14
10. FY15 Composite Factors for Rates_11.5.14
11. Gas Storage forecast 2014_Thru May 2016
12. Income Statement
13. Inflation Calculation
14. Intercompany Lease Property 2014
15. KMD FY15 CapEx Projected Budget Final
16. KYMidStates CapEx Jul14
17. O&M Summary Historic Year
18. O&M Summary Test Year-Budget FY15
19. Plant Balances 2015 TN Case
20. Reg Asset Tenn Calcs Thru 073114
21. SSU FY15 CapEx Projected Budget as of 07-31-14
22. SSU-CapEx Projections-2014
23. Taxes Other FY15 Details 093
24. Taxes Other Historical
25. TN SSU Asset Depreciation activity by month Jun-13 to Jun-14
26. TN Depreciation Rates_03-2014
27. TN Office Leases 2015
28. TN-FYE2014-AcctAllocation
29. TRA Customer Deposits Interest Rate
30. Historic Base Period and Forward Looking Test Year Billing Determinants (Confidential)

Weather Normalization

1. 30 Year Smoothed Normal Bristol Weather
2. 30 Year Smoothed Normal Knoxville Weather
3. 30 Year Smoothed Normal Nashville Weather
4. 30 Year Smoothed Normal Paducah Weather

Tennessee minimum filing requirement #38

Trial Balance

General Ledger

ATMOS ENERGY CORPORATION

Original Sheet No. 34.5

B. Revenue Requirements. In presenting data that demonstrates the Forward Looking Test Year revenue requirements:

- a. Rate Base and Cash Working Capital requirements will be determined in accordance with the Approved Methodologies. The Company will use the factors derived from the Lead/Lag study performed in its most recent general rate case in calculating cash working capital requirements.
- b. Depreciation expenses shall reflect the depreciation rates approved by the Authority in the Company's most recent general rate case. If and when the Company performs a new depreciation study, the new study will be filed with the Authority, and updated depreciation rates will be utilized in the next annual review under this tariff.
- c. Forward Looking Test Year Operating Expenses (O&M, Taxes other than Income Taxes, and Income Taxes) will be projected using the Approved Methodologies.
- d. The Historic Base Period data shall include actual revenues by billing component, and the Forward Looking Test Year data shall reflect adjustments to forecast revenue billing determinants based on the revenue forecasting methodologies included in the Approved Methodologies for projecting the number of customers and average customer use.
- e. Cost of Capital will be calculated using the Authorized Return on Equity. The Company's cost of debt and capital structure will be calculated using the Approved Methodologies.
- f. Schedules filed pursuant to this mechanism shall utilize the Approved Methodologies as well as other adjustments required to account properly for atypical, unusual, or nonrecurring events.

C. New Matters. If New Matters arise, the Company, TRA Staff, and the Consumer Advocate will endeavor to reach a resolved treatment, or if necessary, will seek a ruling from the Authority.

V. Attestation

With each Annual ARM Filing, a Company officer shall, as of the date of each Annual ARM Filing, affirmatively represent and warrant, upon information and belief formed after reasonable inquiry, by signing a certificate ("Certificate") under oath: (1) That the Company's Annual ARM Filing has been prepared in accordance with the Approved Methodologies, or that any deviation from or the resolution of any ambiguities in the Approved Methodologies has been affirmatively disclosed and explained in a document attached to such affidavit; (2) That all New Matters have been affirmatively disclosed and explained in a document attached to such affidavit; (3) That the Variance Report (as defined in section IX) includes all matters that are required; (4) That no Disallowed Items have been included in the Company's Annual ARM Filing; (5) That, except as expressly disclosed in a separate schedule dedicated to such disclosure, there have been no additions, deletions, or modifications to the accounts or subaccounts used by the Company as such accounts have been provided to the Authority and Consumer Advocate; (6) That there has been no change in the method of accounting or estimation in any account or subaccount referenced and described in the immediately preceding subsection (5).

VI. June 1 Rate Adjustment

Pursuant to the provisions of Tennessee Code Annotated 65-5-103(d)(6)(C), based upon the Forward Looking Test Year and the Approved Methodologies, the Company's tariff rates shall be adjusted to provide for the Company to earn the Authorized Return on Equity. Anything else to the contrary notwithstanding, in determining the annual rate adjustment specified by this paragraph, calculations shall include the Annual Reconciliation Revenue Requirement adjustment discussed in section VII below. All tariff rates shall be adjusted in proportion to the relative adjusted Historic Base Period revenue share of each class and rate, as specified in the Approved Methodologies. The Company shall file revised tariffs reflecting the new rates. The revised tariffs and new rates shall be effective for bills rendered on or after the June 1 immediately following the Annual Filing Date. Approved special contract rates shall be exempt from this ARM and shall not be adjusted hereunder.

VII. Annual Reconciliation to Authorized Return on Equity

On or before September 1 of each year, the Company shall file with the Authority, and shall provide a copy to the Consumer Advocate, a reconciliation of actual results ("Annual Reconciliation") to the Authorized Return on Equity for the Forward Looking Test Year immediately completed. The annual reconciliation shall include a calculation of actual cost of service, determined in accordance with the Approved Methodologies, for the Forward Looking Test Year immediately completed; using the same revenue requirement model used in each Annual Filing, substituting actual results in place of previously forecasted data for all aspects of cost of service, excluding revenue calculations. Actual cost of service shall be compared with actual booked revenue, ignoring the revenue impact of any prior year reconciliation, to determine the revenue requirement ("Annual Reconciliation Revenue Requirement") necessary to adjust the actual return on equity to the Authorized Return on Equity for the Forward Looking Test Year immediately completed, all determined in accordance with the Approved Methodologies. Interest shall be added to the "Annual Reconciliation Revenue Requirement" (whether positive or negative). The interest rate shall be the Overall Cost of Capital as stated on Schedule 9 of the Annual ARM Filing compounded for 2 years. New rates shall be calculated to produce a net rate adjustment comprised of the Annual Reconciliation Revenue Requirement from the most recently completed Forward Looking Test Year and the revenue sufficiency/deficiency for the ensuing Forward Looking Test Year, all determined in accordance with the Approved Methodologies. The resulting rates shall be effective on bills rendered on and after June 1 of each year. All tariff rates (except Special Contract rates, which shall not be affected) shall be adjusted in proportion to the relative base revenue share of each class as specified in the Approved Methodologies.

VIII. The Company will simultaneously copy the Consumer Advocate on all filings made pursuant to this ARM tariff.

IX. Variance Reporting and CAPD Authority to Petition

Variance Reporting - As part of its Annual ARM Filing, Atmos Energy shall prepare and file with the TRA, with a copy to the Consumer Advocate, a Variance Report that identifies and explains each and every Atmos Energy revenue and operating expense account and/or subaccount for which the Tennessee amount (including amounts allocated to Tennessee) either exceeds the prior year's amount (based on amounts either as filed by Atmos Energy in the Annual ARM Filing or as adjusted by the TRA under Tenn. Code Ann. § 65-5-103(d)(6)(C)) by 5% and \$30,000; or exceeds the amount (based on amounts either as filed by Atmos Energy in the Annual ARM Filing or as adjusted by the TRA under Tenn. Code Ann. § 65-5-103(d)(6)(C)) in such account in the third preceding year by 10% and \$60,000; or has been added or deleted or modified in form or substance in any way. As to any account and/or subaccount (and including without limitation any process related directly or indirectly to any such account or subaccount) included on a Variance Report, the TRA and/or Consumer Advocate shall have the right in its discretion to request additional information and an explanation from Atmos Energy. Atmos Energy will provide any such information or explanation requested within ten business days of such request. The Consumer Advocate, further, has the right in its discretion to bring such account and/or subaccount (or related process) to the attention of the Authority and to request the Authority to review and consider such account and/or subaccount (or related process). Without limiting the Authority's discretion, the Consumer Advocate may recommend any form or process of review it deems appropriate, including without limitation a review that would include the appointment of a third party to review and report on the account and/or subaccount (or related process).

CAPD Authority to Petition - The CAPD shall have the right in its sole discretion to file a petition or complaint asking the TRA to terminate or modify any ARM Tariff resulting from this Docket or any directly or indirectly related docket or to take any other action contemplated by Tenn. Code Ann. § 65-5-103(d)(6). Atmos Energy shall not oppose the CAPD's petition or complaint filed under this Section on the grounds that such a proceeding is not statutorily authorized or that CAPD is not authorized to bring such a proceeding; provided, however, that Atmos Energy reserves all rights with regard to the merits of any termination or modification or other relief that the CAPD may request or position that the CAPD may assert in any such proceeding.

ATTACHMENT C
to
Stipulation and Settlement Agreement
Docket No. 14-00146

Schedule 1

**Tennessee Distribution System
Cost of Service
Twelve Months Ended May 31, XXXX**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Cost of Gas	Schedule 3	XXXX
2			
3	Operation & Maintenance Expense	Schedule 4	XXXX
4			
5	Taxes Other Than Income Taxes	Schedule 5	XXXX
6			
7	Depreciation & Amortization Expense	Schedule 6	XXXX
8			
9	Return	Schedule 7	XXXX
10			
11	Federal Income and State Excise Tax	Schedule 8	XXXX
12			
13	AFUDC	Wp 1-2	XXXX
14			
15	Interest on Customer Deposits	Wp 1-1	XXXX
16			
17	Total Cost of Service		<u>=ROUND(SUM(D11:D25),0)</u>
18			
19			
20	Revenue at Present Rates	Schedule 2	<u>XXXX</u>
21			
22	Net Revenue Deficiency		<u><u>=ROUND(+D27-D30,0)</u></u>

**Tennessee Distribution System
Summary of Revenue at Present Rates
Twelve Months Ended May 31, XXXX**

Line No.	Description	Amount
	(a)	(b) (c)
1	Base period per books revenue (1)	XXXX
2		
3	Change from Base Period to Attrition Year	<u>=D16-D9</u>
4		
5	Projected Attrition Year Revenue:	
6	Margin at proposed WNA	XXXX
7	Gas cost	<u>XXXX</u>
8	Total	<u>=C14+C15</u>
9		
10	Note:	
11	1. Twelve months ended September 30, XXXX	

Schedule 3

**Tennessee Distribution System
Cost of Gas
Twelve Months Ended May 31, XXXX**

Line No.	Description (a)	Amount (b)
1	Base period per books cost of gas (1)	XXXX
2		
3	Adjustments	
4	Net Elimination of Intercompany Leased Storage Property	<u>XXXX</u>
5		
6	Total Adjusted Gas Cost	=C13+C10
7		
8	Change from Base Period to Attrition Year	<u>0</u>
9		
10	Projected Attrition Year Gas Cost	<u>=C17+C15</u>
11		
12	Note:	
13	1. Twelve months ended September 30, XXXX	

**Tennessee Distribution System
Operation and Maintenance Expenses
Twelve Months Ended May 31, XXXX**

Line No.	Description	Amount
	(b)	(c)
1	Base period per books O&M Expense (1)	XXXX
2		
3	Change from Base Period to Attrition Year	<u>=C14-C10</u>
4		
5	Attrition Year O&M Expenses - Before Eliminations	XXXX
6		
7	<u>Adjustments to O&M</u>	
8	Elimination of Intercompany Leased Property - Rent	XXXX
9	Inclusion of Barnsley Storage Operating Expense	XXXX
10		
11	Total Adjustments	<u>=ROUND(SUM(C17:C19),0)</u>
12		
13	Total Adjusted Operation and Maintenance Expenses	<u>=ROUND(+C20+C14,0)</u>
14		
15	Note:	
16	1. Twelve months ended September 30, XXXX	

Schedule 5

**Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended May 31, XXXX**

Line No.	Description (a)	Total (b)
1	Base period per books Other Taxes Expense (1)	XXXX
2		
3	Change from Base Period to Attrition Year	<u>=C14-C10</u>
4		
5	Attrition Year Other Taxes Expense	<u>XXXX</u>
6		
7	Inclusion of Barnsley Storage Other taxes	<u>XXXX</u>
8		
9	Attrition Year Adjusted Taxes Other Than Income Taxes	<u>=C16+C14</u>
10		
11	Note:	
12	1. Twelve months ended September 30, XXXX - Account 408	

**Tennessee Distribution System
Depreciation and Amortization Expense
Twelve Months Ended May 31, XXXX**

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Base period per books Depreciation Expense (1)		XXXX
2			
3	Change from Base Period to Attrition Year		<u>=D15-D11</u>
4			
5	Attrition Year Depreciation Expense at current Depreciation Rates	Wp 6-2	XXXX
6			
7	Adjustment to reflect Proposed Depreciation Rates		<u>=D19-D15</u>
8			
9	Attrition Year Depreciation Expense at proposed Depreciation Rates	Wp 6-1	XXXX
10			
11	Amortization of Deferred Pension Regulated Asset	Wp 7-3	XXXX
12			
13	=Sch 7!B37	Wp 3-1	<u>XXXX</u>
14			
15	Total Depreciation and Amortization Expense, As Adjusted		<u>=SUM(D19:D23)</u>
16			
17	Note:		
18	1. Twelve months ended September 30, XXXX		

to
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Schedule 7

Tennessee Distribution System
Rate Base & Return
Twelve Months Ended May 31, XXXX
Thirteen Month Average

Line No.	Description	Historic Base Period (1)	Change	Assessment Year	Reference
	(a)	(b)	(c)	(d)	(e)
1	Original Cost of Plant	XXXX	=E11-C11	XXXX	Wp 7-1 Wp7-2
2					
3	Accumulated Depreciation and Amortization	XXXX	=E13-C13	XXXX	Wp 7-1 Wp7-2
4					
5	Construction Work in Progress per Books	XXXX	=E15-C15	XXXX	Wp 7-1 Wp7-2
6					
7	Storage Gas Investment	XXXX	=E17-C17	XXXX	Wp 7-1 Wp7-2
8					
9	Cash Working Capital	XXXX	=E19-C19	XXXX	Wp 7-5
10					
11	Material & Supplies	XXXX	=E21-C21	XXXX	Wp 7-1 Wp7-2
12					
13	Deferred Pension Regualted Asset Balance	XXXX	=E23-C23	XXXX	Wp 7-3
14					
15	Accumulated Deferred Income Tax	XXXX	=E25-C25	XXXX	Wp 7-1
16					
17	Customer Advances for Construction	XXXX	=E27-C27	XXXX	Wp 7-1 Wp7-2
18					
19	Customer Deposits	XXXX	=E29-C29	XXXX	Wp 7-1 Wp7-2
20					
21	Accumulated Interest on Customer Deposits	XXXX	=E31-C31	XXXX	Wp 7-1 Wp7-2
22					
23	Unadjusted Rate Base	=SUM(C11:C31)	=SUM(D11:D31)	=SUM(E11:E31)	
24					
25	Adjustments:				
26					
27	Net Elimination of Intercompany Leased Property	XXXX	=E37-C37	XXXX	Wp 7-1 Wp7-2
28					
29	Total Rate Base	=SUM(C32:C38)	=SUM(D32:D38)	=SUM(E32:E38)	
30					
31	Return at Overall Cost of Capital on Rate Base	=ROUND(Sch 7:SE14:C39,0)	=ROUND(Sch 7:SE14:D39,0)	=ROUND(Sch 7:SE14:E39,0)	
32					
33	Note:				
34	1. Twelve months ended September 30, XXXX				

**Tennessee Distribution System
Computation of State Excise & Income Taxes
Twelve Months Ended May 31, XXXX**

Line No.	Description	Tax Rate	Base Period (1)	Attrition Year	Change
	(a)	(b)	(c)	(d)	
2					
3	Required Return		XXXX	XXXX	=E10-D10
1	Current Return		XXXX	XXXX	=E12-D12
4					
5	Pre-Tax Deficiency from Current Return		=D10-D12	=E10-E12	=E14-D14
6	Tax Expansion Factor		XXXX	=D15	
7	After-Tax Deficiency from Current Return		=D14*D15	=E15*E14	=E16-D16
8					
9	Tax Liability Increase / Decrease (Ln 7 - Ln 3)		=D16-D14	=E16-E14	=E18-D18
10	Current Tax Liability		XXXX	XXXX	=E19-D19
11					
12	Income Tax Liability		=D19+D18	=E19+E18	=E21-D21
13					
14	Less: ITC Amortization		XXXX		=E23-D23
15					
16	Total Income Tax Liability		=D21-D23	=E21-E23	=E25-D25
17					
18	Note:				
19	1. Twelve months ended September 30, XXXX				

Tennessee Distribution System
Overall Cost of Capital
Twelve Months Ended May 31, XXXX

Line No.	Description	Percent	Cost Rate	Overall Cost of Capital
	(a)	(b)	(c)	(d)
1	Long Term Debt Capital	XXXX	XXXX	=ROUND(C10*D10,4)
2	Short Term Debt	XXXX	XXXX	=ROUND(C11*D11,4)
3	Equity Capital	XXXX	0.095	=ROUND(C12*D12,4)
4				
5	Total Capital	=SUM(C10:C12)		=SUM(E10:E12)

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Schedule 10

**Tennessee Distribution System
Rate of Return
Twelve Months Ended May 31, XXXX**

Line No.	Description	Reference	Amount	Formula	Amount	Formula	Amount
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Total Revenues	Sch. 2	XXXX	=+F11-D11	XXXX	=+H11-F11	XXXX
2							
3	Gas Cost	Sch. 3	XXXX	=+F13-D13	XXXX	=+H13-F13	XXXX
4							
5	Operation & Maintenance Expense	Sch. 4	XXXX	=+F15-D15	XXXX	=+H15-F15	XXXX
6							
7	Taxes Other Than Income Taxes	Sch. 5	XXXX	=+F17-D17	XXXX	=+H17-F17	XXXX
8							
9	Depreciation & Amortization Expense	Sch. 6	XXXX	=+F19-D19	XXXX	=+H19-F19	XXXX
10							
11	Federal Income and State Excise Tax	Wp 10-1	XXXX	=+F21-D21	XXXX	=+H21-F21	XXXX
12							
13	Interest on Customer Deposits	Wp 1-1	XXXX	=+F23-D23	XXXX	=+H23-F23	XXXX
14							
15	AFUDC Interest credit	Wp 1-2	XXXX	=+F25-D25	XXXX	=+H25-F25	=+F25
16							
17	Return on Rate Base		=D11-SUM(D13:D25)	=E11-SUM(E13:E25)	=F11-SUM(F13:F25)	=G11-SUM(G13:G25)	=H11-SUM(H13:H25)
18							
19	Total Rate Base	Sch. 7	XXXX	=+F29-D29	XXXX	=+H29-F29	XXXX
20							
21	Rate of Return on Rate Base		=ROUND(D27/D29,4)		=ROUND(F27/F29,4)		=ROUND(H27/H29,4)
22							
23	Interest Expense	Sch. 8	XXXX	=+F33-D33	XXXX	=+H33-F33	XXXX
24							
25							
26	Return on Equity		=D27-D33		=F27-F33		=H27-H33
27							
28	Rate of Return on Equity		XXXX		XXXX		XXXX
29							
30	Note:						
31	1. Twelve months ended June 30, 2014						

1993

Tennessee Distribution System
 Division of Public Health and Community Health
 Mobile Health Project Targets 25 Percent Point
 Lower Trends Within Eight September 24, 2000

Practitioner: Practitioner's Edition

Tennessee Distribution System
Plant, Warehouse and Distribution in
Mobile, Ala. Period Expires 24 Months
Letter Tenders Must Be Filed September 24, 2000

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Transmission Distribution System
Final of Distribution and Substation Plans
March 2014

Line	From	To	Length (ft)	Area (sq ft)	Volume (cu ft)	Weight (lb)	Cost (\$)	Notes
1	2000	2001	100	100	100	100	100	
2	2001	2002	100	100	100	100	100	
3	2002	2003	100	100	100	100	100	
4	2003	2004	100	100	100	100	100	
5	2004	2005	100	100	100	100	100	
6	2005	2006	100	100	100	100	100	
7	2006	2007	100	100	100	100	100	
8	2007	2008	100	100	100	100	100	
9	2008	2009	100	100	100	100	100	
10	2009	2010	100	100	100	100	100	
11	2010	2011	100	100	100	100	100	
12	2011	2012	100	100	100	100	100	
13	2012	2013	100	100	100	100	100	
14	2013	2014	100	100	100	100	100	
15	2014	2015	100	100	100	100	100	
16	2015	2016	100	100	100	100	100	
17	2016	2017	100	100	100	100	100	
18	2017	2018	100	100	100	100	100	
19	2018	2019	100	100	100	100	100	
20	2019	2020	100	100	100	100	100	
21	2020	2021	100	100	100	100	100	
22	2021	2022	100	100	100	100	100	
23	2022	2023	100	100	100	100	100	
24	2023	2024	100	100	100	100	100	
25	2024	2025	100	100	100	100	100	
26	2025	2026	100	100	100	100	100	
27	2026	2027	100	100	100	100	100	
28	2027	2028	100	100	100	100	100	
29	2028	2029	100	100	100	100	100	
30	2029	2030	100	100	100	100	100	
31	2030	2031	100	100	100	100	100	
32	2031	2032	100	100	100	100	100	
33	2032	2033	100	100	100	100	100	
34	2033	2034	100	100	100	100	100	
35	2034	2035	100	100	100	100	100	
36	2035	2036	100	100	100	100	100	
37	2036	2037	100	100	100	100	100	
38	2037	2038	100	100	100	100	100	
39	2038	2039	100	100	100	100	100	
40	2039	2040	100	100	100	100	100	
41	2040	2041	100	100	100	100	100	
42	2041	2042	100	100	100	100	100	
43	2042	2043	100	100	100	100	100	
44	2043	2044	100	100	100	100	100	
45	2044	2045	100	100	100	100	100	
46	2045	2046	100	100	100	100	100	
47	2046	2047	100	100	100	100	100	
48	2047	2048	100	100	100	100	100	
49	2048	2049	100	100	100	100	100	
50	2049	2050	100	100	100	100	100	
51	2050	2051	100	100	100	100	100	
52	2051	2052	100	100	100	100	100	
53	2052	2053	100	100	100	100	100	
54	2053	2054	100	100	100	100	100	
55	2054	2055	100	100	100	100	100	
56	2055	2056	100	100	100	100	100	
57	2056	2057	100	100	100	100	100	
58	2057	2058	100	100	100	100	100	
59	2058	2059	100	100	100	100	100	
60	2059	2060	100	100	100	100	100	
61	2060	2061	100	100	100	100	100	
62	2061	2062	100	100	100	100	100	
63	2062	2063	100	100	100	100	100	
64	2063	2064	100	100	100	100	100	
65	2064	2065	100	100	100	100	100	
66	2065	2066	100	100	100	100	100	
67	2066	2067	100	100	100	100	100	
68	2067	2068	100	100	100	100	100	
69	2068	2069	100	100	100	100	100	
70	2069	2070	100	100	100	100	100	
71	2070	2071	100	100	100	100	100	
72	2071	2072	100	100	100	100	100	
73	2072	2073	100	100	100	100	100	
74	2073	2074	100	100	100	100	100	
75	2074	2075	100	100	100	100	100	
76	2075	2076	100	100	100	100	100	
77	2076	2077	100	100	100	100	100	
78	2077	2078	100	100	100	100	100	
79	2078	2079	100	100	100	100	100	
80	2079	2080	100	100	100	100	100	
81	2080	2081	100	100	100	100	100	
82	2081	2082	100	100	100	100	100	
83	2082	2083	100	100	100	100	100	
84	2083	2084	100	100	100	100	100	
85	2084	2085	100	100	100	100	100	
86	2085	2086	100	100	100	100	100	
87	2086	2087	100	100	100	100	100	
88	2087	2088	100	100	100	100	100	
89	2088	2089	100	100	100	100	100	
90	2089	2090	100	100	100	100	100	
91	2090	2091	100	100	100	100	100	
92	2091	2092	100	100	100	100	100	
93	2092	2093	100	100	100	100	100	
94	2093	2094	100	100	100	100	100	
95	2094	2095	100	100	100	100	100	
96	2095	2096	100	100	100	100	100	
97	2096	2097	100	100	100	100	100	
98	2097	2098	100	100	100	100	100	
99	2098	2099	100	100	100	100	100	
100	2099	2100	100	100	100	100	100	
101	2100	2101	100	100	100	100	100	
102	2101	2102	100	100	100	100	100	
103	2102	2103	100	100	100	100	100	
104	2103	2104	100	100	100	100	100	
105	2104	2105	100	100	100	100	100	
106	2105	2106	100	100	100	100	100	
107	2106	2107	100	100	100	100	100	
108	2107	2108	100	100	100	100	100	
109	2108	2109	100	100	100	100	100	
110	2109	2110	100	100	100	100	100	
111	2110	2111	100	100	100	100	100	
112	2111	2112	100	100	100	100	100	
113	2112	2113	100	100	100	100	100	
114	2113	2114	100	100	100	100	100	
115	2114	2115	100	100	100	100	100	
116	2115	2116	100	100	100	100	100	
117	2116	2117	100	100	100	100	100	
118	2117	2118	100	100	100	100	100	
119	2118	2119	100	100	100	100	100	
120	2119	2120	100	100	100	100	100	
121	2120	2121	100	100	100	100	100	
122	2121	2122	100	100	100	100	100	
123	2122	2123	100	100	100	100	100	
124	2123	2124	100	100	100	100	100	
125	2124	2125	100	100	100	100	100	
126	2125	2126	100	100	100	100	100	
127	2126	2127	100	100	100	100	100	
128	2127	2128	100	100	100	100	100	
129	2128	2129	100	100	100	100	100	
130	2129	2130	100	100	100	100	100	
131	2130	2131	100	100	100	100	100	
132	2131	2132	100	100	100	100	100	
133	2132	2133	100	100	100	100	100	
134	2133	2134	100	100	100	100	100	
135	2134	2135	100	100	100	100	100	
136	2135	2136	100	100	100	100	100	
137	2136	2137	100	100	100	100	100	
138	2137	2138	100	100	100	100	100	
139	2138	2139	100	100	100	100	100	
140	2139	2140	100	100	100	100	100	
141	2140	2141	100	100	100	100	100	
142	2141	2142	100	100	100	100	100	
143	2142	2143	100	100	100	100	100	
144	2143	2144	100	100	100	100	100	
145	2144	2145	100	100	100	100	100	
146	2145	2146	100	100	100	100	100	
147	2146	2147	100	100	100	100	100	
148	2147	2148	100	100	100	100	100	
149	2148	2149	100	100	100	100	100	
150	2149	2150	100	100	100	100	100	
151	2150	2151	100	100	100	100	100	
152	2151	2152	100	100	100	100	100	
153	2152	2153	100	100	100	100	100	
154	2153	2154	100	100	100	100	100	
155	2154	2155	100	100	100	100	100	
156	2155	2156	100	100	100	100	100	
157	2156	2157	100	100	100	100	100	
158	2157	2158	100	100	100	100	100	
159	2158	2159	100	100	100	100	100	
160	2159	2160	100	100	100	100	100	
161	2160	2161	100	100	100	100	100	
162	2161	2162	100	10				

to
Stipulation and Settlement Agreement
Docket No. 14-00146

Schedule 11-4

Atmos Energy Corp - Tennessee Distribution System
Proof of Revenues and Calculation of Rates
Summary Of Present And Proposed Rates
Forward Looking Test Year Ended May 31, XXXX

	Current Rate Monthly	Proposed Rate Monthly
Sales and Transportation Revenues:		
210 Residential Gas Service (WINTER)		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
210 Residential Gas Service (SUMMER)		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
211 Residential & Small Commercial/Industrial Heating & Cooling		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
220 Commercial & Industrial Gas Service		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
221 Experimental School Gas Service		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
225 Public Housing Authority Gas Service (WINTER)		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
225 Public Housing Authority Gas Service (SUMMER)		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
230 Large Commercial & Industrial Gas Service		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
240 Demand/Commodity Gas Service		
Customer Charge	XXXX	XXXX
1 - 2,000 Mcf	XXXX	XXXX
Next 48,000 Mcf	XXXX	XXXX
Over 50,000 Mcf	XXXX	XXXX
Demand Charge	XXXX	XXXX
250 Interruptible Gas Service		
Customer Charge	XXXX	XXXX
1 - 2,000 Mcf	XXXX	XXXX
Next 48,000 Mcf	XXXX	XXXX
Over 50,000 Mcf	XXXX	XXXX
260 Transportation Service / 250 Interruptible Gas Service		
Customer Charge	XXXX	XXXX
1 - 2,000 Mcf	XXXX	XXXX
Next 48,000 Mcf	XXXX	XXXX
Over 50,000 Mcf	XXXX	XXXX
260 Transportation Service / 220 Commercial & Industrial Gas Service		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
260 Transportation Service / 230 Large Commercial & Industrial Gas Service		
Customer Charge	XXXX	XXXX
Commodity Charge	XXXX	XXXX
Schedule 280 Economic Development Gas Service		
Customer Charge	XXXX	XXXX
1 - 2,000 Mcf	XXXX	XXXX
1 - 2,000 Mcf @ Discount Rate	XXXX	XXXX
Next 48,000 Mcf	XXXX	XXXX
Next 48,000 Mcf @ Discount Rate	XXXX	XXXX
Over 50,000 Mcf	XXXX	XXXX
Over 50,000 Mcf @ Discount Rate	XXXX	XXXX
Schedule 292 Cogeneration, CNG Prime Movers, Fuel Cell Service		
Customer Charge	XXXX	XXXX
1 - 2,000 Mcf	XXXX	XXXX
Next 48,000 Mcf	XXXX	XXXX
Over 50,000 Mcf	XXXX	XXXX
Schedule 293 Large Tonnage Air Conditioning Gas Service		
Customer Charge	XXXX	XXXX
1 - 2,000 Mcf	XXXX	XXXX
Next 48,000 Mcf	XXXX	XXXX
Over 50,000 Mcf	XXXX	XXXX

**Tennessee Distribution System
Cost of Service True - Up
Twelve Months Ended May 31, 201(X)**

Line No.	Description (a)	Attrition Year (b)	Amount (c)
1	Schedule 1 Net Revenue Deficiency	5/31/201(X)	XXXX
2			
3	<u>Cost of Service</u>		
4	Actual Cost of Service	5/31/201(X-2)	XXXX
5			
6	<u>Revenue</u>		
7	Total Book Revenues	5/31/201(X-2)	XXXX
8	Less: Prior True - Up Revenues	5/31/201(X-3)	XXXX
9	Total Attrition Year Revenues	5/31/201(X-2)	=D17-D18
10			
11	True - Up	5/31/201(X-2)	=D14-D19
12			
13	Cost of Capital	5/31/201(X-2)	=D21*(Cost of Capital^2)
14			
15	True - Up Incl. of Cost of Capital	5/31/201(X-2)	=D23+D21
16			
17	Deficiency Net of True-up		=D25+D11

Stipulation and Settlement Agreement
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Appendix 13.7

EXCISE TAX Any person who has a Federal tax liability for any month may elect to pay the tax in 12 equal monthly installments.

[illegible]

EXHIBIT D

ATTACHMENT D
to
Stipulation and Settlement Agreement
Docket No. 14-00146

PADUCAH CALENDAR HEATING DDD
NORMAL DAILY WEATHER (30 YEAR ENDING JUNE 2014)

DAY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	28	28	21	11	4	1	0	0	0	0	16	20
2	28	27	21	8	5	0	0	0	0	0	15	19
3	28	26	20	8	5	0	0	0	0	0	15	22
4	28	26	20	11	4	0	0	0	0	0	15	22
5	28	26	19	12	3	0	0	0	0	0	15	25
6	28	26	19	12	3	0	0	0	0	0	16	27
7	28	26	19	10	2	0	0	0	0	0	15	26
8	28	26	19	11	1	0	0	0	0	0	14	25
9	28	26	18	11	1	0	0	0	0	0	13	26
10	28	26	18	8	2	0	0	0	0	0	14	26
11	27	26	18	7	2	0	0	0	0	0	16	27
12	25	26	18	8	2	0	0	0	0	0	17	27
13	25	26	18	8	2	0	0	0	0	0	17	26
14	25	26	17	7	2	0	0	0	0	0	17	26
15	25	26	18	8	2	0	0	0	0	0	17	26
16	25	26	18	8	2	0	0	0	0	0	17	26
17	25	26	18	8	2	0	0	0	0	0	17	26
18	25	26	18	8	2	0	0	0	0	0	17	26
19	25	26	18	8	2	0	0	0	0	0	17	26
20	25	26	18	8	2	0	0	0	0	0	17	26
21	25	26	18	8	2	0	0	0	0	0	17	26
22	25	26	18	8	2	0	0	0	0	0	17	26
23	25	26	18	8	2	0	0	0	0	0	17	26
24	25	26	18	8	2	0	0	0	0	0	17	26
25	25	26	18	8	2	0	0	0	0	0	17	26
26	25	26	18	8	2	0	0	0	0	0	17	26
27	25	26	18	8	2	0	0	0	0	0	17	26
28	25	26	18	8	2	0	0	0	0	0	17	26
29	25	26	18	8	2	0	0	0	0	0	17	26
30	25	26	18	8	2	0	0	0	0	0	17	26
31	25	26	18	8	2	0	0	0	0	0	17	26
Calendar Total	410	371	283	223	121	31	0	0	0	0	240	430
Cycle Total	410	371	283	223	121	31	0	0	0	0	240	430

NOAA 30 Year Normal
4.315

PADUCAH CALENDAR HEATING DDD
NOAA 30 Year Normal Daily Weather (1981 - 2010)

DAY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	28	28	21	12	4	1	0	0	0	0	12	20
2	28	27	21	12	4	1	0	0	0	0	12	20
3	28	26	21	11	3	1	0	0	0	0	12	21
4	28	26	21	11	3	1	0	0	0	0	12	21
5	28	26	20	11	3	1	0	0	0	0	12	21
6	28	26	20	11	3	1	0	0	0	0	12	21
7	28	26	20	10	2	1	0	0	0	0	14	26
8	28	26	19	10	2	1	0	0	0	0	14	26
9	28	26	19	10	2	1	0	0	0	0	14	26
10	28	26	19	10	2	1	0	0	0	0	14	26
11	28	26	19	10	2	1	0	0	0	0	14	26
12	28	26	19	10	2	1	0	0	0	0	14	26
13	28	26	19	10	2	1	0	0	0	0	14	26
14	28	26	19	10	2	1	0	0	0	0	14	26
15	28	26	19	10	2	1	0	0	0	0	14	26
16	28	26	19	10	2	1	0	0	0	0	14	26
17	28	26	19	10	2	1	0	0	0	0	14	26
18	28	26	19	10	2	1	0	0	0	0	14	26
19	28	26	19	10	2	1	0	0	0	0	14	26
20	28	26	19	10	2	1	0	0	0	0	14	26
21	28	26	19	10	2	1	0	0	0	0	14	26
22	28	26	19	10	2	1	0	0	0	0	14	26
23	28	26	19	10	2	1	0	0	0	0	14	26
24	28	26	19	10	2	1	0	0	0	0	14	26
25	28	26	19	10	2	1	0	0	0	0	14	26
26	28	26	19	10	2	1	0	0	0	0	14	26
27	28	26	19	10	2	1	0	0	0	0	14	26
28	28	26	19	10	2	1	0	0	0	0	14	26
29	28	26	19	10	2	1	0	0	0	0	14	26
30	28	26	19	10	2	1	0	0	0	0	14	26
31	28	26	19	10	2	1	0	0	0	0	14	26
Calendar Total	410	371	283	223	121	31	0	0	0	0	240	430
Cycle Total	410	371	283	223	121	31	0	0	0	0	240	430

TO BE USED IN BILLING
PADUCAH CALENDAR HEATING DDD
SMOOTHED NORMAL DAILY WEATHER (30 YEAR ENDING JUNE, 2014)

DAY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	28	28	20	12	4	1	0	0	0	0	12	20
2	28	28	20	11	3	1	0	0	0	0	12	20
3	28	28	20	11	3	1	0	0	0	0	12	21
4	28	28	20	10	3	1	0	0	0	0	12	21
5	28	27	19	10	3	1	0	0	0	0	12	21
6	28	27	19	10	3	1	0	0	0	0	12	21
7	28	27	19	9	3	1	0	0	0	0	14	26
8	28	27	19	9	3	1	0	0	0	0	14	26
9	28	26	18	9	3	1	0	0	0	0	14	26
10	28	26	18	9	3	1	0	0	0	0	14	26
11	28	26	18	9	3	1	0	0	0	0	14	26
12	28	26	18	9	3	1	0	0	0	0	14	26
13	28	26	18	9	3	1	0	0	0	0	14	26
14	28	26	18	9	3	1	0	0	0	0	14	26
15	28	26	18	9	3	1	0	0	0	0	14	26
16	28	26	18	9	3	1	0	0	0	0	14	26
17	28	26	18	9	3	1	0	0	0	0	14	26
18	28	26	18	9	3	1	0	0	0	0	14	26
19	28	26	18	9	3	1	0	0	0	0	14	26
20	28	26	18	9	3	1	0	0	0	0	14	26
21	28	26	18	9	3	1	0	0	0	0	14	26
22	28	26	18	9	3	1	0	0	0	0	14	26
23	28	26	18	9	3	1	0	0	0	0	14	26
24	28	26	18	9	3	1	0	0	0	0	14	26
25	28	26	18	9	3	1	0	0	0	0	14	26
26	28	26	18	9	3	1	0	0	0	0	14	26
27	28	26	18	9	3	1	0	0	0	0	14	26
28	28	26	18	9	3	1	0	0	0	0	14	26
29	28	26	18	9	3	1	0	0	0	0	14	26
30	28	26	18	9	3	1	0	0	0	0	14	26
31	28	26	18	9	3	1	0	0	0	0	14	26
Calendar Total	410	371	283	223	121	31	0	0	0	0	240	430
Cycle Total	410	371	283	223	121	31	0	0	0	0	240	430

ATTACHMENT D
to
Stipulation and Settlement Agreement
Docket No. 14-00146

BRISTOL CALENDAR HEATING DDD
NORMAL DAILY WEATHER (30 YEAR ENDING JUNE 2014)

DAY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	29	28	22	13	4	1	0	0	0	0	11	21
2	27	27	21	12	4	1	0	0	0	0	12	21
3	27	28	22	12	4	1	0	0	0	0	12	21
4	27	27	22	11	3	1	0	0	0	0	10	25
5	28	29	20	12	3	1	0	0	0	0	10	25
6	28	28	20	13	4	1	0	0	0	0	10	27
7	29	27	19	10	3	1	0	0	0	0	10	27
8	30	29	19	11	3	1	0	0	0	0	17	24
9	29	28	19	12	3	1	0	0	0	0	17	24
10	29	27	20	11	3	1	0	0	0	0	17	24
11	28	28	20	8	3	1	0	0	0	0	18	20
12	27	28	19	7	4	1	0	0	0	0	18	20
13	27	29	18	11	4	1	0	0	0	0	18	20
14	28	29	18	8	3	1	0	0	0	0	17	24
15	29	29	18	8	3	1	0	0	0	0	17	24
16	30	28	17	9	3	1	0	0	0	0	17	24
17	30	27	16	8	4	1	0	0	0	0	19	21
18	29	29	16	8	4	1	0	0	0	0	19	21
19	30	29	16	7	4	1	0	0	0	0	19	21
20	31	22	17	7	4	1	0	0	0	0	17	27
21	32	20	18	7	3	1	0	0	0	0	18	28
22	31	21	18	8	3	1	0	0	0	0	20	29
23	30	21	19	8	3	1	0	0	0	0	20	29
24	30	22	18	7	3	1	0	0	0	0	20	29
25	31	24	17	7	3	1	0	0	0	0	21	31
26	31	23	18	7	4	1	0	0	0	0	19	31
27	31	23	14	7	1	1	0	0	0	0	18	28
28	29	23	12	7	1	1	0	0	0	0	22	27
29	37	23	12	6	1	1	0	0	0	0	22	27
30	30	22	12	6	1	1	0	0	0	0	22	27
31	29	23	13	6	1	1	0	0	0	0	22	27
Calendar Total	822	713	640	379	277	171	91	51	20	237	434	811
Cycle Total	822	713	640	379	277	171	91	51	20	237	434	811

BRISTOL CALENDAR HEATING DDD
NOAA 30 Year Normal Daily Weather (1981 - 2010)

BRISTOL CALENDAR HEATING DDD
NOAA 30 Year Normal Daily Weather (1981 - 2010)

DAY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	29	28	22	14	5	2	0	0	0	0	14	23
2	28	28	22	13	4	1	0	0	0	0	14	24
3	28	28	22	13	4	1	0	0	0	0	15	24
4	28	28	22	13	4	1	0	0	0	0	15	24
5	28	28	21	13	4	1	0	0	0	0	15	25
6	29	28	21	12	4	1	0	0	0	0	15	25
7	29	28	20	12	4	1	0	0	0	0	15	25
8	30	27	20	12	4	1	0	0	0	0	15	25
9	30	27	20	12	4	1	0	0	0	0	17	24
10	30	27	20	12	4	1	0	0	0	0	17	24
11	30	27	20	11	4	1	0	0	0	0	17	24
12	30	27	19	11	4	1	0	0	0	0	17	27
13	30	27	19	11	4	1	0	0	0	0	17	27
14	30	27	19	11	4	1	0	0	0	0	18	27
15	30	26	19	10	3	1	0	0	0	0	18	28
16	30	26	19	10	3	1	0	0	0	0	19	28
17	30	26	18	10	3	1	0	0	0	0	19	28
18	30	26	18	9	3	1	0	0	0	0	19	28
19	30	25	18	9	3	1	0	0	0	0	20	28
20	30	25	17	8	3	1	0	0	0	0	20	28
21	30	25	17	8	3	1	0	0	0	0	21	29
22	30	24	17	8	3	1	0	0	0	0	21	29
23	30	24	16	8	3	1	0	0	0	0	21	29
24	30	24	16	8	3	1	0	0	0	0	22	29
25	30	23	16	8	3	1	0	0	0	0	22	29
26	30	23	16	7	2	1	0	0	0	0	22	29
27	30	23	16	7	2	1	0	0	0	0	22	29
28	30	23	16	7	2	1	0	0	0	0	23	29
29	30	23	16	7	2	1	0	0	0	0	23	29
30	30	23	16	6	1	1	0	0	0	0	23	30
31	29	23	15	6	1	1	0	0	0	0	23	30
Calendar Total	822	713	640	384	279	171	91	51	27	237	440	817
Cycle Total	822	713	640	384	279	171	91	51	27	237	440	817

TO BE USED IN BILLING
BRISTOL CALENDAR HEATING DDD
SMOOTHED NORMAL DAILY WEATHER (30 YEAR ENDING JUNE 2014)

DAY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	29	27	21	13	4	1	0	0	0	0	14	23
2	28	27	21	12	4	1	0	0	0	0	14	23
3	28	27	21	12	4	1	0	0	0	0	14	23
4	28	27	21	12	4	1	0	0	0	0	15	24
5	28	27	20	12	4	1	0	0	0	0	15	24
6	29	27	20	12	4	1	0	0	0	0	15	24
7	29	27	20	11	4	1	0	0	0	0	15	24
8	29	27	20	11	4	1	0	0	0	0	15	24
9	29	26	19	11	4	1	0	0	0	0	17	24
10	29	26	19	11	4	1	0	0	0	0	17	24
11	29	26	19	10	3	1	0	0	0	0	17	24
12	29	26	18	10	3	1	0	0	0	0	17	24
13	29	25	18	10	3	1	0	0	0	0	18	20
14	29	25	18	9	3	1	0	0	0	0	18	20
15	29	25	17	9	3	1	0	0	0	0	18	20
16	29	25	17	9	3	1	0	0	0	0	18	20
17	29	25	17	8	3	1	0	0	0	0	19	21
18	29	24	17	8	3	1	0	0	0	0	19	21
19	29	24	17	8	3	1	0	0	0	0	20	27
20	29	24	16	8	3	1	0	0	0	0	20	27
21	29	24	16	8	3	1	0	0	0	0	20	27
22	29	23	16	7	3	1	0	0	0	0	20	27
23	29	23	16	7	3	1	0	0	0	0	20	27
24	29	23	15	7	3	1	0	0	0	0	21	31
25	29	23	15	7	3	1	0	0	0	0	21	31
26	29	22	15	7	3	1	0	0	0	0	21	31
27	28	22	14	6	2	1	0	0	0	0	21	31
28	28	22	14	6	2	1	0	0	0	0	22	27
29	28	22	14	6	2	1	0	0	0	0	22	27
30	28	22	14	5	1	1	0	0	0	0	22	27
31	28	22	13	5	1	1	0	0	0	0	22	27
Calendar Total	822	713	640	384	279	171	91	51	27	237	440	817
Cycle Total	822	713	640	384	279	171	91	51	27	237	440	817

EXHIBIT E

ATTACHMENT E
to
Stipulation and Settlement Agreement
Docket No. 14-00146

DOCUMENTS TO BE FILED WITH ANNUAL ARM FILING

1. REVENUE REQUIREMENT SCHEDULES

- a. Schedule 1: Cost of Service (and supporting workpapers)
- b. Schedule 2: Summary of Revenue at Present Rates
- c. Schedule 3: Cost of Gas (and supporting workpapers)
- d. Schedule 4: Operation and Maintenance Expenses (and supporting workpapers)
- e. Schedule 5: Taxes Other Than Income Taxes (and supporting workpapers)
- f. Schedule 6: Depreciation and Amortization Expense (and supporting workpapers)
- g. Schedule 7: Rate Base & Return (and supporting workpapers)
- h. Schedule 8: State Excise & Income Taxes (and supporting workpapers)
- i. Schedule 9: Overall Cost of Capital (and supporting workpapers)
- j. Schedule 10: Rate of Return (and supporting workpapers)
- k. Schedule 11-1: Proof of Revenues and Calculation of Rates, Historic Base Period Margin at Present Rates
- l. Schedule 11-2: Proof of Revenues and Calculation of Rates, Forward Looking Test Year Margin at Present Rates
- m. Schedule 11-3: Proof of Revenues and Calculation of Rates, Rate Design
- n. Schedule 11-4: Proof of Revenues and Calculation of Rates, Summary of Present and Proposed Rates.
- o. TRA STAFF REVENUE REQUIREMENT SCHEDULES from Docket 14-00146 Staff Data Requests

2. RELIED UPONS (Referenced years of documents to be updated with each annual filing)

- a. 2013 Blending percentages for Greenville and CKV Center Effective Apr-13
- b. 2014 Blending percentages for Greenville and CKV Center Effective Oct-13
- c. ADIT TN Projection Oct 2014 to Rates
- d. Cash Working Capital
- e. Depreciation
- f. Essbase Support Final
- g. FY 2015 Ad Valorem Budget
- h. FY14 Composite Factors for Rates_11.11.13
- i. FY15 Blending percentages for Greenville and CKV Center Effective Oct-14
- j. FY15 Composite Factors for Rates_11.5.14
- k. Gas Storage forecast 2014_Thru May 2016
- l. Income Statement
- m. Inflation's Calculation
- n. Intercompany Lease Property 2014
- o. KMD FY15 CapEx Projected Budget Final
- p. KYMidStates CapEx Jul14
- q. O&M Summary Historic Year

- r. O&M Summary Test Year-Budget FY15
- s. Plant Balances 2015 TN Case
- t. Reg Asset Tenn Calcs Thru 073114
- u. SSU FY15 CapEx Projected Budget as of 07-31-14
- v. SSU-CapEx Projections-2014
- w. Taxes Other FY15 Details 093
- x. Taxes Other Historical
- y. TN SSU Asset Depreciation activity by month Jun-13 to Jun-14
- z. TN Depreciation Rates_03-2014
- aa. TN Office Leases 2015
- bb. TN-FYE2014-AcctAllocation
- cc. TRA Customer Deposits Interest Rate
- dd. Historic Base Period and Forward Looking Test Year Billing Determinants
(Confidential)

3. WEATHER NORMALIZATION

- a. 30 Year Smoothed Normal Bristol Weather
- b. 30 Year Smoothed Normal Knoxville Weather
- c. 30 Year Smoothed Normal Nashville Weather
- d. 30 Year Smoothed Normal Paducah Weather

4. TENNESSEE MINIMUM FILING REQUIREMENT #38

5. TRIAL BALANCE

6. GENERAL LEDGER

EXHIBIT F

ATTACHMENT F
to
Stipulation and Settlement Agreement
Docket No. 14-00146

REGULATORY ASSETS

1. Pension Regulatory Asset authorized in the Final Order of Docket No. 12-00064.
24 month amortization of beginning balance of \$1,298,490 beginning June, 2015
(\$54,104 per month x 24 months). See Attachment A, WP 7-3.
Asset to be fully amortized on May 31, 2017

EXHIBIT G

ATTACHMENT G
to
Stipulation and Settlement Agreement
Docket No. 14-00146

SPECIAL CONTRACT CUSTOMERS

1. Mountain Home Energy Center, LLC
TRA Docket No. 01-00138
Effective Date: July 20, 2001
Expiration: July 19, 2016 (not including possible renewals)
2. Middle Tennessee State University
TRA Docket No. 98-00277
Effective Date: March 12, 1999
Expiration: March 12, 2019 (final renewal period)
3. UCAR Carbon Company, Inc.
TPSC Docket No. 93-05553
Effective Date: 11/1/11
Expiration: 10/31/15
4. U.S. Nitrogen, LLC
TRA Docket No. 11-00122
Effective Date: December 1, 2012
Expiration: November 31, 2022 (not including possible renewals)

EXHIBIT H

ATTACHMENT H
to
Stipulation and Settlement Agreement
Docket No. 14-00146

DISALLOWANCE SUBACCOUNTS

Incentive Compensation:

1. 07452 - Variable Pay & Mgmt Incentive Plans
2. 07458 - Restricted Stock - Long Term Incentive Plan - Performance Based
3. 07460 - RSU-Long Term Incentive Plan - Time Lapse
4. 07463 - RSU-Management Incentive Plan
5. 07454 - VPP & MIP - Capital Credit
6. 07450 - Capitalized Restricted Stock

Non-Deductible Dues

1. 05416 - Club Dues - Nondeductible

Spousal and Dependent Travel

2. 05412 - Spousal & Dependent Travel

EXHIBIT I

ATTACHMENT I
to
Stipulation and Settlement Agreement
Docket No. 14-00146

COPY OF CAPD REQUEST 1-058
REMOVAL OF FRANKLIN OFFICE AND INCLUSION OF LEASE PAYMENTS

TN DOCKET 14-00146 – CAPD 1-058 (Informal 1-07)

Refer to the Company's response to MFR #52 in the 2014 rate case. Specifically refer to the following attrition year projects related to the Company's Franklin Office:

Project Type	Start & Completion	Budget Amount
IT Build-out for new Franklin, TN Office	FY 2016	\$613,767
093.Building new office in Franklin, TN	FY 2016	\$2,909,240
Purchase of land for Franklin office.	FY 2015	\$1,274,107

Please provide documentation on the total costs and economic feasibility of the Franklin Office, including which existing costs will cease when the project is completed and any allocation of cost to the Company's other divisions.

RESPONSE:

At the time the Company filed its petition, it was actively negotiating to purchase land by the end of calendar 2014. Unforeseen changes in the size of the particular land parcel offered by the seller rendered that parcel unacceptable and have resulted in the Company postponing its building plans.

Due to the unforeseen issues in purchasing the land for the building, it is reasonable to remove the building related capital additions from the current filing and add back the lease payments that were removed from the original request.

The entirety of the building-related capital additions in the Company's filing is as follows which includes the amounts in division 091 as well as 093:

Project Name	Expenditure Type	Rate Division	FY 2015	FY 2016	Total
3301.091.Franklin Office Building	Structures	091	\$3,742,573	\$891,096	\$4,633,669
3301.091.Franklin Office Land Purchase	Structures	091	\$849,405	\$0	\$849,405
3301.093.Franklin Office Building	Structures	093	\$2,909,240	\$692,638	\$3,601,878
3301.093.Franklin Office Land Purchase	Structures	093	\$1,274,107	\$0	\$1,274,107
3301.IT Build-out New Franklin Office	IT Other Purchases	093	\$613,767	\$0	\$613,767
Furniture Purchases	Structures	091	\$0	\$485,577	\$485,577
Total			\$9,389,092	\$2,069,311	\$11,458,403

The Company removed lease payments from its filing for the last five months of the attrition period (January - May, 2016) in the following amounts consistent with the anticipated completion of the building:

200 Noah Drive -- \$26,106.50 per month	Rate Division 093
810 Crescent Centre Dr. -- \$45,755.26 per month	Rate Division 091
377 Riverside Dr. 201 -- \$9,376.83 per month	Rate Division 091

The Company has made these adjustments to its filed revenue requirement model. The impact of these changes reduces the Company's filed revenue requirement by \$840,599.

Respondent: Greg Waller

commission itself. Such rate proceeding shall be commenced within 120 days after May 18, 2004. The utility shall continue to collect its current authorized rates from a municipality until new rates are placed into effect by the Tennessee public utility commission. The municipal government will reimburse the state for any consequent increase in expenditures to the state, up to fifty thousand dollars (\$50,000), which results directly from this subsection (d).

History.

Acts 1919, ch. 49, § 4; Shan. Supp., § 3059a87; Code 1932, § 5450; Acts 1974, ch. 470, § 1; T.C.A. (orig. ed.), § 65-518; Acts 1995, ch. 305, § 23; 2003, ch. 41, § 1; T.C.A. § 65-5-201; Acts 2004, ch. 545, § 1; 2004, ch. 716, § 1; 2005, ch. 173, § 1; 2017, ch. 94, § 52.

Amendments.

The 2017 amendment, throughout the section, substituted "Tennessee public utility com-

mission" for "Tennessee regulatory authority", and substituted "The commission" for "The authority", and "the commission" for "the authority"; and substituted "Tennessee public utility commission commissioners" for "Tennessee regulatory authority directors" in the second sentence of (b).

Effective Dates.

Acts 2017, ch. 94, § 83. April 4, 2017.

65-5-102. Commission may require filing of schedules.

The commission has the power to require every such public utility to file with it complete schedules of every classification employed and of every individual or joint rate, toll, fare, or charge made or exacted by it for any product supplied or service rendered within this state as specified in such requirement.

History.

Acts 1919, ch. 49, § 4; Shan. Supp., § 3059a87; Code 1932, § 5450; T.C.A. (orig. ed.), § 65-519; Acts 1995, ch. 305, § 23; T.C.A. § 65-5-202; Acts 2017, ch. 94, § 52.

Amendments.

The 2017 amendment substituted "The com-

mission" for "The authority" at the beginning of the section.

Effective Dates.

Acts 2017, ch. 94, § 83. April 4, 2017.

65-5-103. Changes in utility rates, fares, schedules — Implementation of alternative regulatory methods to allow for public utility rate reviews and cost recovery in lieu of a general rate case proceeding.

(a) When any public utility shall increase any existing individual rates, joint rates, tolls, fares, charges, or schedules thereof, or change or alter any existing classification, the commission shall have power either upon written complaint, or upon its own initiative, to hear and determine whether the increase, change or alteration is just and reasonable. The burden of proof to show that the increase, change, or alteration is just and reasonable shall be upon the public utility making the same. In determining whether such increase, change or alteration is just and reasonable, the commission shall take into account the safety, adequacy and efficiency or lack thereof of the service or services furnished by the public utility. The commission shall have authority pending such hearing and determination to order the suspension, not exceeding three (3) months from the date of the increase, change, or alteration until the commission shall have approved the increase, change, or alteration; provided, that if the investigation cannot be completed within three (3) months, the commission shall have authority to extend the period of suspension for such

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further period as will reasonably enable it to complete its investigation of any such increase, change or alteration; and provided further, that the commission shall give the investigation preference over other matters pending before it and shall decide the matter as speedily as possible, and in any event not later than nine (9) months after the filing of the increase, change or alteration. It shall be the duty of the commission to approve any such increase, change or alteration upon being satisfied after full hearing that the same is just and reasonable.

(b)(1) If the investigation has not been concluded and a final order made at the expiration of six (6) months from the date filed, of any such increase, change or alteration, the utility may place the proposed increase, change or alteration, or any portion thereof, in effect at any time thereafter prior to the final commission decision thereon upon notifying the commission, in writing, of its intention so to do; provided, that the commission may require the utility to file with the commission a bond in an amount equal to the proposed annual increase conditioned upon making any refund ordered by the commission as provided in subdivision (b)(2).

(2) Where increased rates or charges are thus made effective, the interested utility shall maintain its records in such a manner as will enable it, or the commission, to determine the amounts to be refunded and to whom due, in the event a refund is subsequently ordered by the commission as provided in this subdivision (b)(2). Upon completion of the hearing and decision, the commission may order the utility to refund, to the persons in whose behalf such amounts were paid, such portion of such increase, change or alteration as shall have been collected under bond and subsequently disallowed by the commission. If the commission, at any time during the initial three (3) months' suspension period, finds that an emergency exists or that the utility's credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective during the three-month period, the commission may permit all or a portion of the increase, change or alteration to become effective under such terms and conditions as the commission may by order prescribe. Any increase, change or alteration placed in effect under this subsection (b) under bond may be continued in effect by the utility, pending final determination of the proceeding by final order of the commission or, if the matter be appealed, by final order of the appellate court. Should the final order of the commission be appealed while increased rates or charges are being collected under bond, the court shall have power to order an increase or decrease in the amount of the bond as the court may determine to be proper. In the event that all or any portion of such rates or charges have not been placed into effect under bond before the commission, the court considering an appeal from an order of the commission shall have the power to permit the utility to place all or any part of the rates or charges into effect under bond.

(c) In the event the commission, by order, directs any utility to make a refund, as provided in subsection (b), of all or any portion of such increase, change or alteration, the utility shall make the same within ninety (90) days after a final determination of the proceeding by final order of the commission or, if the matter be appealed, by final order of the appellate court, with lawful interest thereon.

(d)(1)(A) The commission is authorized to implement alternative regulatory methods to allow for public utility rate reviews and cost recovery in lieu of a general rate case proceeding before the commission .

(B) For all alternative regulatory methods, the commission is authorized to develop minimum filing requirements and procedural schedules; provided, however, that a final determination of the commission pursuant to any alternative regulatory method be made by the commission no later than one hundred twenty (120) days from the initial filing by the public utility.

(C) If the commission denies an alternative regulatory method filed by a public utility, the commission shall set forth with specificity the reasons for its denial and the public utility shall have the right to refile, without prejudice, an amended plan or amendment within sixty (60) days of the issuance of a final order. The commission shall thereafter have sixty (60) days to approve or deny the amended plan or amendment.

(2)(A) A public utility may request and the commission may authorize a mechanism to recover the operational expenses, capital costs or both, if such expenses or costs are found by the commission to be in the public interest, related to any one (1) of the following:

- (i) Safety requirements imposed by the state or federal government;
- (ii) Ensuring the reliability of the public utility plant in service; or
- (iii) Weather-related natural disasters.

(B) The commission shall grant recovery and shall authorize a separate recovery mechanism or adjust rates to recover operational expenses, capital costs or both associated with the investment in such safety and reliability facilities, including the return on safety and reliability investments at the rate of return approved by the commission at the public utility's most recent general rate case pursuant to § 65-5-101 and subsection (a), upon a finding that such mechanism or adjustment is in the public interest.

(3)(A) A public utility may request and the commission may authorize a mechanism to recover the operational expenses, capital costs or both related to the expansion of infrastructure for the purpose of economic development, if such expenses or costs are found by the commission to be in the public interest. Expansion of economic development infrastructure may include, but is not limited to, the following:

- (i) Infrastructure and equipment associated with alternative motor vehicle transportation fuel;
- (ii) Infrastructure and equipment associated with combined heat and power installations in industrial or commercial sites; and
- (iii) Infrastructure that will provide opportunities for economic development benefits in the area to be directly served by the infrastructure.

(B) The commission shall grant recovery and shall authorize a separate recovery mechanism or adjust rates to recover operational expenses, capital costs or both associated with the investment in such economic development facilities, including the return on such economic development investments at the rate of return approved by the commission at the

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public utility's most recent general rate case pursuant to § 65-5-101 and subsection (a), upon a finding that such mechanism or adjustment is in the public interest.

(4)(A)(i) A public utility may request and the commission may authorize a mechanism to recover expenses associated with efforts to promote economic development in its service territory, if such expenses are found by the commission to be in the public interest.

(ii) Efforts to promote economic development may include, but are not limited to, foregone revenues associated with economic development riders and rates.

(iii) Expenses described in subdivision (d)(4)(A)(ii) may be reflected in cost of service and be subject to recovery through the annual review process in subdivision (d)(6).

(B) Upon a finding that expenses to promote economic development have been incurred, the commission shall authorize a separate recovery mechanism or adjust rates to recover such expenses or grant recovery through the annual review process set forth in subdivision (d)(6), upon a finding that such mechanism or adjustment is in the public interest.

(5)(A) A public utility may request and the commission may authorize a mechanism to recover the operational expenses, capital costs or both related to other programs that are in the public interest.

(B) A utility may request and the commission may authorize a mechanism to allow for and permit a more timely adjustment of rates resulting from changes in essential, nondiscretionary expenses, such as fuel and power and chemical expenses.

(C) Upon a finding that such programs are in the public interest, the commission shall grant recovery and shall authorize a separate recovery mechanism or adjust rates to recover operational expenses, capital costs or both associated with the investment in other programs, including the rate of return approved by the commission at the public utility's most recent general rate case pursuant to § 65-5-101 and subsection (a).

(6)(A) A public utility may opt to file for an annual review of its rates based upon the methodology adopted in its most recent rate case pursuant to § 65-5-101 and subsection (a), if applicable.

(B) In order for a public utility to be eligible to make an election to opt into an annual rate review, the public utility must have engaged in a general rate case pursuant to § 65-5-101 and subsection (a) within the last five (5) years; provided, however, that the commission may waive such requirement or increase the eligibility period upon a finding that doing such would be in the public interest.

(C) Pursuant to the procedures set forth in subdivision (d)(1), the commission shall review the annual filing by the public utility within one hundred twenty (120) days of receipt and order the public utility to make the adjustments to its tariff rates to provide that the public utility earns the authorized return on equity established in the public utility's most recent general rate case pursuant to § 65-5-101 and subsection (a).

(D)(i) A public utility may terminate an approved annual review plan only by filing a general rate case pursuant to § 65-5-101 and subsection

(a).

(ii) The commission may terminate an approved annual review plan only after citing the public utility to appear and show cause why the commission should not take such action pursuant to the procedures in § 65-2-106.

(iii) The commission or the public utility may propose a modification to the approved annual review plan for consideration by the commission. The commission shall determine whether any proposed modification is in the public interest and should be approved within the time frame set forth in subdivision (d)(6)(C). If the commission denies a modification to the approved annual review plan, the commission shall set forth with specificity the reasons for its denial.

(7) In addition to the alternative regulatory methods described in this subsection (d), a public utility may opt to file for other alternative regulatory methods. Upon a filing by a public utility for an alternative method not prescribed, the commission is empowered to adopt policies or procedures, that would permit a more timely review and revisions of the rates, tolls, fares, charges, schedules, classifications or rate structures of public utilities, and that would further streamline the regulatory process and reduce the cost and time associated with the ratemaking processes in § 65-5-101 and subsection (a).

(e) For purposes of this section, "public utility" does not include a telecommunications carrier that elects market regulation pursuant to § 65-5-109.

History.

Acts 1919, ch. 49, § 5; Shan. Supp. § 3059a88; Code 1932, § 5451; Acts 1973, ch. 59, § 1; 1974, ch. 470, § 2; T.C.A. (orig. ed.), § 65-520; Acts 1983, ch. 347, § 1; 1995, ch. 305, § 23; T.C.A. § 65-5-203; Acts 2013, ch. 245, § 5; 2017, ch. 94, § 52.

Amendments.

The 2017 amendment substituted "the com-

mission" for "the authority" and "The commission" for "The authority" throughout the section.

Effective Dates.

Acts 2017, ch. 94, § 83. April 4, 2017.

65-5-105. Intrastate rate reductions reflecting tax savings.

Any public utility, the maximum rates of which are fixed by the commission, shall reduce its intrastate rates to reflect any tax savings resulting from Acts 1989, ch. 312. Such rate reduction shall be implemented contemporaneously with the effective date of the tax savings.

History.

Acts 1989, ch. 312, § 1; 1995, ch. 305, § 23; T.C.A. § 65-5-205; Acts 2017, ch. 94, § 52.

Amendments.

The 2017 amendment substituted "commission" for "authority" in the first sentence.

Effective Dates.

Acts 2017, ch. 94, § 83. April 4, 2017.

65-5-106. O

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL OF)
ITS 2016 ANNUAL RATE REVIEW)
FILING PURSUANT TO TENN. CODE) DOCKET NO. 16-00013
ANN. § 65-5-103(D)(6))**

**REBUTTAL TESTIMONY OF GREGORY K. WALLER
ON BEHALF OF ATMOS ENERGY CORPORATION**

I. INTRODUCTION OF WITNESS

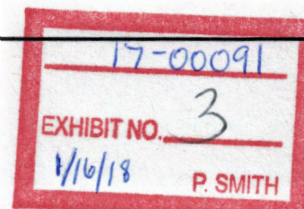
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2 Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

3 A. My name is Gregory K. Waller. I am Manager, Rates and Regulatory Affairs
4 with Atmos Energy Corporation ("Atmos Energy" or "Company"). My business
5 address is 5420 LBJ Freeway, Ste. 1600, Dallas, Texas 75240.

6 Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL
7 BACKGROUND.

8 A. I received a Bachelor of Arts degree in economics from Dartmouth College in
9 1994 and an MBA degree from the University of Texas in 2000. I worked as a
10 management consultant from 1994 to 2003 at Harbor Research in Boston, MA
11 (1994-1996) and Towers Perrin in Dallas, TX (1997-2003). I joined Atmos
12 Energy in 2003 in the Planning and Budgeting Department in Dallas. In
13 November of 2005 I became Vice President of Finance for the Kentucky/Mid-
14 States Division, which includes the Company's regulated Tennessee operations. I
15 assumed my current role in Dallas, TX in July 2012.

16 Q. WHAT ARE YOUR RESPONSIBILITIES AT ATMOS ENERGY?



1 I am responsible for managing rate proceedings filed primarily with state
2 regulatory bodies on behalf of the Company. My responsibilities include
3 execution of applications for changes to rates and tariffs as part of traditional rate
4 cases, tariff language change proposals, and annual rate making mechanisms that
5 the Company files in the eight states in which it has regulated operations.

6 Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER
7 REGULATORY COMMISSION?

8 A. Yes. I testified before the Tennessee Regulatory Authority ("Authority") in
9 Docket No. 05-00258 I also submitted testimony in Docket Nos. 07-00105, 08-
10 00197, 12-00064, 14-00081 and 14-00146. I testified before the Kentucky Public
11 Service Commission in 2014 and the Georgia Public Service Commission in
12 2008, 2009 and 2011. And I submitted direct testimony in the Company's rate
13 proceedings in Kentucky (2006, 2009, 2013 and 2015) and Virginia (2008, 2013
14 and 2014).

15 Q. HAVE YOU REVIEWED THE TESTIMONY OF THE INTERVENING
16 PARTY?

17 A. Yes. I have reviewed the testimony of the Consumer Protection and Advocate
18 Division (CPAD) including that of CPAD witness Mr. Hal Novak.

19
20 **II. PURPOSE OF REBUTTAL TESTIMONY**

21 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

22 A. The purpose of my testimony is to respond concerning certain issues raised in the
23 testimony of CPAD witness Mr. Hal Novak by demonstrating that the Company's

1 filing is in full compliance with its Annual Review Mechanism (“ARM”) tariff.
2 Specifically, I am rebutting comments made by Mr. Novak concerning the docket
3 number of this filing, Mr. Novak’s review of the Company’s filing and requested
4 increase, Mr. Novak’s comments regarding the absence of Company pre-filed
5 testimony, Mr. Novak’s suggestions regarding the Company’s proposed rate
6 design and finally Mr. Novak’s assertions regarding a change in the Company’s
7 forecast methodology for Accumulated Deferred Income Tax (“ADIT”) related to
8 Net Operating Loss Carryforwards (“NOLCs”) made in response to Internal
9 Revenue Service (“IRS”) rulings and mandates released following the Settlement
10 Agreement.
11

12 **III. DOCKET NUMBER ISSUE**

13 **Q. DO YOU AGREE WITH MR. NOVAK’S STATEMENT BEGINNING ON**
14 **PAGE 4 LINE 20 OF HIS TESTIMONY THAT THERE APPEARS TO BE**
15 **A “THRESHOLD ISSUE” THAT ARM METHODOLOGIES CAN ONLY**
16 **BE SPECIFICALLY USED IN DOCKET 14-00146?**

17 **A.** No. Both the Company and the Authority have addressed this assertion, which
18 was raised and resolved in Docket No. 15-00089. As the Company has explained
19 in prior briefing and in response to several CPAD discovery requests in this
20 Docket, the Authority’s Final Order in Docket No. 14-00146 is a binding final
21 order, the Company’s approved ARM Tariff is a properly issued and binding
22 tariff, and both extend to and include the Approved Methodologies, as defined in
23 both. Atmos Energy would further note that the Authority’s Final Order in

1 Docket No. 14-00146 specifically approved the methodologies set-forth in the
2 Settlement Agreement, including the following specific finding: “Furthermore,
3 the panel found that the underlying methodologies employed by the parties in the
4 Settlement Agreement, as reflected in the workpapers and schedules contained in
5 Attachment A of the Agreement, as a whole are based upon sound ratemaking
6 principles applicable to the unique circumstances and settlement of this case.”¹

7 The Company has also responded to Mr. Novak’s “threshold issue” in multiple
8 discovery answers filed in this Docket,² and I would refer back to those responses
9 and the Company’s prior briefing on this issue for further detail.

10 **Q. HAS THIS ISSUE PREVIOUSLY BEEN ADDRESSED BY THE**
11 **AUTHORITY CONCERNING THE COMPANY’S ARM TARIFF AND**
12 **THE SPECIFIC USE OF DOCKET 14-00146?**

13 A. Yes. The Company submitted a petition requesting approval of new depreciation
14 rates pursuant to its approved ARM tariff on September 22, 2015 in Docket No.
15 15-00089.³ The Company specifically requested approval of the new rates for use
16 in the Company’s upcoming annual ARM filing (the matter now under
17 consideration). The CPAD, in a letter dated November 30, 2015, made the same
18 argument that Mr. Novak now suggests is a lingering “threshold issue,” asserting
19 that any methodology adopted or adjustment to depreciation rates approved in
20 Docket 15-00089 would not be useable in connection with or bind the parties in

¹ Docket No. 14-00146, *Order Approving Settlement*, 11/04/15, at 8.

² See, e.g., Docket No. 16-00013, *Atmos’ Responses To The CAD’s Discovery Requests – Set No. 1*, 1-22, 4/05/16.

³ Docket No. 15-00089, *Petition*, 9/22/15.

1 an annual rate review under Docket 14-00146.⁴ The Company, in a letter brief
2 dated December 2, 2015, responded that the Settlement Agreement and the ARM
3 Tariff in Docket No. 14-00146 are binding and enforceable, and that they do not
4 lose their force or effect if future ARM filings may be given a docket number
5 other than 14-00146.⁵ At the Authority Conference held on December 14, 2015,
6 the panel found that, among other things, Atmos Energy's filing for revised
7 depreciation rates was made in accordance with the terms set forth in its approved
8 tariff under its ARM, which was approved by the Authority in Docket No. 14-
9 00146.⁶ In its Final Order dated February 23, 2016, the Authority, after
10 specifically noting the positions of both parties in their letter briefs as described
11 above, approved the Company's filing as filed and found that the proposed
12 depreciation rates are just and reasonable for inclusion in Atmos Energy's ARM
13 going forward.⁷ Thus, despite the CPAD's continued efforts, it appears to me
14 that this issue has been ruled upon and rejected by the Authority and further
15 discussion on this topic is unwarranted. In addition, I would also note that the
16 Company has tried to eliminate any further argument about the CPAD's
17 "threshold issue" by making its 2016 Annual ARM filing (the one under
18 consideration here) under Docket No. 14-00146, the docket in which even the
19 CPAD concedes the approved methodologies are binding.

⁴ Docket No. 15-00089, *Notice of Intent Not to Intervene*, 11/30/15.

⁵ Docket No. 15-00089, *Atmos Energy Response to Consumer Advocate's November 30, 2015 Correspondence*, 12/02/15.

⁶ Docket No. 15-00089, *Order Approving Depreciation Rates*, 12/02/15, at 4 (In fact, the Company originally filed this docket under the original 14-00146 in anticipation of the CPAD's argument, however the Authority itself chose to assign a new docket number to the Company's depreciation filing, which the Authority subsequently approved as filed)

⁷ *Id.* at 3-4.

1

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IV. MR. NOVAK'S REVIEW OF THE COMPANY'S FILING

3

**Q. HAS MR. NOVAK FOUND ANY ERRORS OR IDENTIFIED ANY
CALCULATION INCONSISTENT WITH THE ARM TARIFF OR
SETTLEMENT AGREEMENT AS APPROVED IN DOCKET 14-00146?**

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**A. No. Other than a change to the manner in which Company must project ADIT
NOLC amounts to comply with IRS mandates, which I will address in this
rebuttal testimony, Mr. Novak found that "the calculations supporting the
Company's filing appeared to be reasonable, logical and reflected the
methodologies established in Docket 14-00146...."**

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**Q. ARE THE RATES INCLUDED IN ATTACHMENT WHN-2 SUBMITTED
BY MR. NOVAK CONSISTENT WITH THE RATES PROPOSED BY THE
COMPANY IN ITS REQUEST?**

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14

A. Yes.⁸

15

16

V. COMPANY PRE-FILED TESTIMONY

17

**Q. PLEASE DISCUSS THE COMPANY'S ARM TARIFF REQUIREMENTS
IN RELATION TO MR. NOVAK'S CONCERN ABOUT THE ABSENCE
OF PRE-FILED COMPANY TESTIMONY IN THIS FILING?**

18

19

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**A. Section IV(A) of the Company's approved ARM Tariff specifies in detail the
required contents of the ARM filing. The approved ARM Tariff does not require**

21

⁸ Docket No. 16-00013, *Direct Testimony of William H. Novak*, Attachment WHN-2, 4/11/16. I would note that several times in Mr. Novak's testimony he erroneously characterizes the Company's requested increase as \$4.2 million. The Company's requested increase is \$4.9 million, and Mr. Novak has this amount correctly reflected on both page 12 line 4 of his testimony and Attachment WHN-2.

1 the filing of testimony by the Company with its ARM filing. Instead, the ARM
2 Tariff requires that the Company submit an Attestation with its filing, making
3 certain specified representations and warranties concerning the filing. That
4 provision provides as follows:

5 With each Annual ARM Filing, a Company officer shall, as
6 of the date of each Annual ARM Filing, affirmatively represent
7 and warrant, upon information and belief formed after reasonable
8 inquiry, by signing a certificate("Certificate") under oath: (1) That
9 the Company's Annual ARM Filing has been prepared in
10 accordance with the Approved Methodologies, or that any
11 deviation from or the resolution of any ambiguities in the
12 Approved Methodologies has been affirmatively disclosed and
13 explained in a document attached to such affidavit; (2) That all
14 New Matters have been affirmatively disclosed and explained in a
15 document attached to such affidavit; (3) That the Variance Report
16 (as defined in section IX) includes all matters that are required; (4)
17 That no Disallowed Items have been included in the Company's
18 Annual ARM Filing; (5) That, except as expressly disclosed in a
19 separate schedule dedicated to such disclosure, there have been no
20 additions, deletions, or modifications to the accounts or
21 subaccounts used by the Company as such accounts have been
22 provided to the Authority and Consumer Advocate; (6) That there
23 has been no change in the method of accounting or estimation in
24 any account or subaccount referenced and described in the
25 immediately preceding subsection (5). Atmos Energy Tariff Page
26 34.5.
27

28 **Q. DID THE COMPANY PROVIDE EVERYTHING IN ITS FEBRUARY 1**
29 **FILING AS REQUIRED BY THE ARM TARIFF?**

30 **A. Yes.**

31 **Q. DID THE CPAD HAVE THE OPPORTUNITY FOR DISCOVERY?**

32 **A. Yes.** Pursuant to the Settlement Agreement approved by the Final Order in
33 Docket No. 14-00146, nothing limited the CPAD from requesting additional data
34 and/or documents after the Company's ARM filing, and the Company agreed that

1 it would provide any such additional requested data and/or documents within 10
2 business days of such request.⁹ This discovery process shows that a readily
3 available and agreed-upon mechanism was in place for the CPAD and Mr. Novak
4 to quickly work with the Company to resolve any questions concerning the
5 Company's filing. In addition, multiple representatives of the Company met with
6 CPAD staff including Mr. Novak on March 15, 2016 to review and discuss the
7 ARM filing prior to issuance of discovery.

8 **Q. DID THE CPAD SERVE DISCOVERY TO THE COMPANY?**

9 A. Yes. Subsequent to the Company's filing February 1, the CPAD submitted one
10 informal discovery request on March 22, 2016 consisting of thirty-seven
11 questions. The Company filed responses 10 business days thereafter. Per the
12 procedural schedule to this Docket, the Company was available to answer any
13 discovery requests through April 20, 2016.

14 **Q. MR. NOVAK INDICATES THAT TESTIMONY IS IMPORTANT SO**
15 **THAT CUSTOMERS RECEIVE NOTICE OF PROPOSED RATE**
16 **CHANGES (PAGE 11 LINE 3 OF HIS TESTIMONY). DO CUSTOMERS**
17 **RECEIVE NOTIFICATION OF PROPOSED RATE CHANGES AS THEY**
18 **ALWAYS HAVE?**

19 A. Yes. Utility customers receive notice of any change in rates through publication
20 in a newspaper of general circulation. (TRA Chapter Rules (1220.04-.01-.05)).
21 Just as the Company has always done with any request for a rate increase, the
22 Company complied with this Authority Rule and caused to be published notice of

⁹ Docket No. 14-000146, *Order Approving Settlement*, Exhibit A *Stipulation and Settlement Agreement* 13(a)(iii).

1 the proposed change in rates. Proof of such publication was filed with the
2 Authority on April 4, 2016. The Company also provided all workpaper
3 calculations as required by the ARM tariff in its filing.
4

5 **VI. RATE DESIGN**

6 **Q. DO YOU AGREE WITH MR. NOVAK'S RECOMMENDATION ON**
7 **PAGE 12 LINE 10 OF HIS TESTIMONY FOR THE AUTHORITY TO**
8 **DEVELOP A SINGLE SURCHARGE RATE TO APPLY TO ALL**
9 **CUSTOMERS AND PRESENT SEPARATELY ON THE CUSTOMER'S**
10 **BILL?**

11 **A.** No. Tenn. Code Ann. § 65-5-103(d)(6)(A) specifically provides that "A public
12 utility may opt to file for an annual review of its rates based upon the
13 methodology adopted in its most recent rate case pursuant to Tenn. Code Ann. §
14 65-5-101 and subsection (a), if applicable." The Company's filing and
15 adjustments to base rates and rate design are in accordance with this provision,
16 whereas Mr. Novak's recommendation is contrary to the Code as well as the
17 methodology adopted in the Company's most recent rate case and the ARM tariff.
18 Furthermore, the Company has complied with the terms of its approved ARM
19 Tariff, which specifies how rates will be adjusted. The approved ARM tariff
20 specifically provides that "the Company's tariff rates shall be adjusted to provide
21 for the Company to earn the Authorized Return on Equity," that all tariff rates
22 (excluding special contracts) shall be adjusted proportionally, that the Company
23 "shall file revised tariffs reflecting the new rates," and that the "revised tariff and

1 new rates shall be effective for bills rendered on or after the June 1 immediately
2 following the Annual Filing date.” Atmos Energy Tariff page 34.6.

3 **Q. TO YOUR KNOWLEDGE, HAVE OTHER UTILITIES FILED FOR AN**
4 **ANNUAL REVIEW OF RATES UNDER THIS PROVISION TENN. CODE**
5 **ANN. § 65-5-103(d)(6)?**

6 A. No. Atmos Energy is the first. Despite Mr. Novak’s attempt to compare the
7 Company’s filing and mechanism to other utilities operating under alternative
8 regulation mechanisms, the examples he cites relate to a different section of the
9 Code. Tenn. Code Ann. § 65-5-103(d)(2)(B) allows the Authority to grant
10 recovery and authorize a separate recovery mechanism or adjust rates to recover
11 operational expenses, capital costs or both associated with the investment in such
12 safety and reliability facilities. The mechanisms cited by Mr. Novak address
13 certain limited expenses and investments rather than a comprehensive review of
14 all costs and investment to derive a revenue requirement. The approved Atmos
15 Energy ARM Tariff derives from a different section of the Code, and is not
16 comparable to the alternative regulation mechanisms adopted by Piedmont and
17 Tennessee American Water. The Company’s approved ARM Tariff is the
18 process the Company followed in this filing, and the processes used by other
19 utilities are presumably those required by their approved tariffs.

20 **Q. IS RATE DESIGN ADDRESSED IN THE ARM TARIFF AND THE**
21 **SETTLEMENT AGREEMENT FROM DOCKET 14-00146?**

22 A. Yes. Section VI of the ARM Tariff states that tariff rates shall be adjusted in
23 proportion to the relative adjusted Historic Base Period Revenue share of each

1 class and rate, as specified in the Approved Methodologies. This rate design was
2 used by the Company in its request. In short, the Company complied with the
3 provisions of its approved ARM Tariff.

4
5 **VII. NOLC FORECAST**

6 **Q. DOES THE ARM TARIFF AND SETTLEMENT AGREEMENT ADDRESS**
7 **HOW TO APPROACH A DEVIATION IN APPROVED**
8 **METHODOLOGIES?**

9 A. Yes. Section 13.b.(i) of the Settlement Agreement, approved by the Authority's
10 Final Order in Docket No. 14-00146, requires "that any deviation from or the
11 resolution of any ambiguities in the Approved Methodologies has been
12 affirmatively disclosed and explained in a document attached to such affidavit,"
13 referring to the Certificate that the Company is directed to file with its annual
14 ARM filing, as specified in the approved ARM Tariff. The Company followed
15 this process in disclosing the deviation to the Approved Methodology of NOLC in
16 Attachment A of its Certificate in this filing.

17 **Q. DO YOU AGREE WITH MR. NOVAK'S STATEMENT BEGINNING ON**
18 **PAGE 13 LINE 20 OF HIS TESTIMONY THAT THE COMPANY'S**
19 **PROJECTION OF ITS FIXED ASSET RELATED NOLC BALANCE**
20 **CONSTITUTES A "NEW MATTER" AS DEFINED UNDER SECTION**
21 **13.e.(IV) OF THE SETTLEMENT AGREEMENT?**

22 A. No. As discussed in the Company's response to CPAD Data Request 1-07, the
23 Authority's Final Order in Docket No. 14-00146 approved the Settlement
24 Agreement and the methodologies set forth therein. The Settlement Agreement

1 addresses the treatment and forecast methodology of NOLCs on page 23
2 (paragraph 13.k.(ix)): "All other ADIT balances shall be held constant from the
3 end of the Historic Base Period . . .". "All other ADIT balances" refers to those
4 ADIT balances, including NOLC balances, that are not directly related to fixed
5 assets. Because there is a prior determination on the forecast methodology of
6 NOLCs, it is, by definition, not a "New Matter". It is, however, a deviation in the
7 way a rate base item, for which there is a prior determination, must be calculated.
8 Mr. Novak acknowledges several times in his testimony that this is a change in
9 methodology in an area on which there is a prior determination.¹⁰ The
10 methodology deviation disclosed by the Company, as required by the Settlement
11 Agreement in paragraph 13.b.(i), simply addresses a change in the forecast
12 methodology for ADIT NOLCs in response to IRS rulings and mandates released
13 following the Settlement Agreement. Without conceding the argument that the
14 forecast methodology of NOLCs is a deviation, even should the Authority
15 determine this is a "New Matter" then the statutory time frame of 120 days is still
16 applicable to the Company's filing.

17 **Q. IN ADDITION TO RESPONDING TO DATA REQUESTS, DID THE**
18 **COMPANY MEET WITH THE CPAD AND MR. NOVAK TO DISCUSS**
19 **THIS ISSUE?**

20 **A.** Yes. Pace McDonald, Vice President of Tax for Atmos Energy, and Jennifer
21 Story, Director of Income Tax for Atmos Energy, met with the CPAD and Mr.

¹⁰ See, e.g., Docket No. 16-00013, *Direct Testimony of William H. Novak*, 4/11/16, at 13.

1 Novak on March 15, 2016 to discuss and answer any questions related to the
2 deviation filed by the Company.

3 **Q. WHY IS THE DEVIATION NECESSARY?**

4 A. The Authority's Final Order in Docket No. 14-00146 approved the Settlement
5 Agreement and the methodologies set forth therein. The Settlement Agreement
6 addresses the treatment of NOLCs in paragraph 13.k.(ix): "ADIT balances for
7 Tennessee and each rate division allocable to Tennessee shall include both
8 liability and asset balances including NOLCs." Thus, the inclusion of NOLCs in
9 rate base is not in question in the ARM. The methodology deviation disclosed by
10 the Company, as required by the Settlement Agreement in paragraph 13.b.(i),
11 simply addresses the Company's change in the forecast methodology for ADIT
12 NOLCs in response to IRS rulings released following the Settlement Agreement.
13 The Company explained the necessity of the change in its response to CPAD
14 informal data request 1-06 and I will summarize¹¹.

15
16 Treasury Regulation §1.167(l)-1(h)(6)(ii) provides the procedure for determining
17 the amount of the reserve for deferred taxes to be excluded from rate base or to be
18 included as no-cost capital. If, in determining depreciation for ratemaking tax
19 expense, a period (the "test period") is used which is part historical and part
20 future, then the amount of the reserve account for this period is the amount of the
21 reserve at the end of the historical portion of the period and *a pro rata* amount of

¹¹ Mr. Pace McDonald, Vice President of Tax for Atmos Energy, authored the relevant paragraphs of the Company's response to CPAD informal data request 1-06 that I summarize in my testimony. In addition, Mr. McDonald has reviewed and approved the relevant sections of this testimony and will be available at the Hearing on this matter to answer any questions the Authority may have regarding this issue. (See attached affidavit of Mr. McDonald).

1 any projected increase to be credited to the account during the future portion of
2 the period. The pro rata amount of any increase during the future portion of the
3 period is determined by multiplying the increase by a fraction, the numerator of
4 which is the number of days remaining in the period at the time the increase is to
5 accrue, and the denominator of which is the total number of days in the future
6 portion of the period.

7 **Q. WHY DID THE COMPANY NOT PROPOSE THIS METHODOLOGY IN**
8 **ITS ORIGINAL 14-00146 FILING?**

9 A. After the Company's ARM Tariff was approved, the issuance of several Private
10 Letter Rulings ("PLRs") made us aware that our methodology needed to be
11 updated to avoid violating the normalization provisions of the Internal Revenue
12 Code. In this filing the Company has forecasted ADIT in a manner that complies
13 with the normalization provisions of § 1.167(l)-1(h)(6)(i) and (ii). The Company
14 has provided to the CPAD these recent PLRs issued by the IRS and filed them in
15 the docket in this matter.¹² The IRS has been clear that inclusion of the NOLC-
16 related Deferred Tax Asset ("DTA") in rate base is required for normalization.
17 This reflects the true cost-free capital the Company has received from the
18 government. Therefore, the appropriate method for inclusion of the NOLC-related
19 DTA in future test periods is to project it in a manner consistent with projected
20 ADIT. The Company has done so in this filing and the projection of the NOLC
21 ADIT using the proration methodology described above resulted in the deviation
22 to the approved methodologies.

¹² See PLRs 201531010, 201531011, 20153012 (all July 31, 2015), 201532018 (August 7, 2015) and 201541010 (October 9, 2015) filed by the Company in this Docket March 22, 2016.

1
2 The methodology change, as calculated in the Company's filing, results in an
3 increase to revenue requirement of \$90,531.¹³ It will, however, have no ultimate
4 impact on ratepayers, as the Company's *actual* NOLC balance will be included as
5 required in the Annual Reconciliation as defined in Section VII of the ARM
6 Tariff (Atmos Energy Tariff Sheet No. 34.6) and Section 14 of the Settlement
7 Agreement. Any difference caused by the change in the forecast methodology
8 will be "trued-up" to actual balances, with interest, in the Annual Reconciliation,
9 and thus will have no ultimate impact on ratepayers. On the other hand, failing to
10 make this change to the NOLC forecast methodology or otherwise to abide by
11 IRS directives concerning the handling of ADIT and NOLC balances could result
12 in the IRS declaring a "normalization violation," the ultimate consequences of
13 which would be quite serious.

14
15
16 **VIII. CONCLUSION**

17 **Q. MR. NOVAK RECOMMENDS SEVERAL TIMES, SUCH AS PAGE 5**
18 **LINE 10, PAGE 11 LINE 6, PAGE 12 LINE 20 AND PAGE 14 LINE 6,**
19 **THAT THIS DOCKET BE HELD IN ABEYANCE. WHAT DO THE ARM**
20 **TARIFF AND THE STATUTE HAVE TO SAY ABOUT THE TIMING OF**
21 **THIS DOCKET?**

¹³ Docket No. 16-00013, *Atmos' Responses To The CAD's Discovery Requests – Set No. 1 (Confidential On File in Docket Office)*, 1-05, 4/05/16.

1 A. The statute imposes a 120-day time limit on this proceeding, from start to finish,
2 stating in relevant part: “the authority shall review the annual filing by the public
3 utility within one hundred twenty (120) days of receipt and order the public utility
4 to make the adjustments to its tariff rates to provide that the public utility earns
5 the authorized return on equity established in the public utility's most recent
6 general rate case pursuant to § 65-5-101 and subsection (a).” Tenn. Code Ann. §
7 65-5-103(d)(6)(C). With the Company’s filing having been made on February 1,
8 this 120-day statutory period would expire May 31.

9 The approved ARM Tariff contains its own specific timing provisions, consistent
10 with this statutory 120-day maximum period. The ARM Tariff provides that each
11 year’s annual ARM filing will be made on February 1. Pursuant to the ARM
12 Tariff, the “Company’s tariff rates shall be adjusted to provide for the Company
13 to earn the Authorized Return on Equity,” and the “new rates shall be effective for
14 bills rendered on or after the June 1 immediately following the Annual Filing
15 Date.” For this case that date is June 1, 2016. The ARM Tariff then calls for an
16 annual reconciliation filing to be made on September 1, to true-up the Company’s
17 actual performance over the just-completed June 1 to May 31 annual period. In
18 September 2016, for example, the Company will make its Annual Reconciliation
19 (true-up) filing for the completed period June 1, 2015, through May 31, 2016.
20 The statute and the Company’s approved ARM Tariff therefore leave no room to
21 hold this matter in abeyance, as Mr. Novak suggests.

22 Q. HAS THE COMPANY FULLY COMPLIED WITH THE PROVISIONS OF
23 THE ARM TARIFF APPROVED BY THE AUTHORITY?

1 A. Yes.

2 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

3 A. Yes.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ITS 2016 ANNUAL RATE REVIEW
FILING PURSUANT TO TENN. CODE
ANN. § 65-5-103(D)(6)

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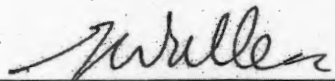
Docket No. 16-00013

VERIFICATION

STATE OF TEXAS)

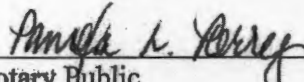
COUNTY OF DALLAS)

I, Gregory K. Waller, being first duly sworn, state that I am the Manager of Rates and Regulatory Affairs for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Rebuttal Testimony of Gregory K. Waller in support of Atmos Energy Corporation's filing is true and correct to the best of my knowledge, information and belief.



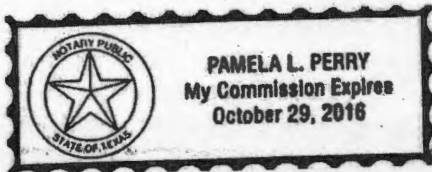
Gregory K. Waller

Sworn and subscribed before me this 13th day of April, 2016



Notary Public

My Commission Expires: 10-29-16



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ITS 2016 ANNUAL RATE REVIEW
FILING PURSUANT TO TENN. CODE
ANN. § 65-5-103(D)(6)

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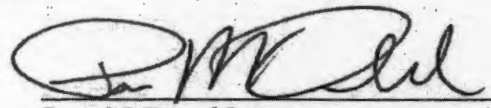
Docket No. 16-00013

VERIFICATION

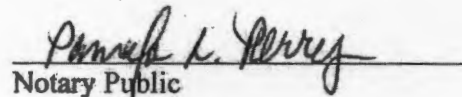
STATE OF TEXAS)

COUNTY OF DALLAS)

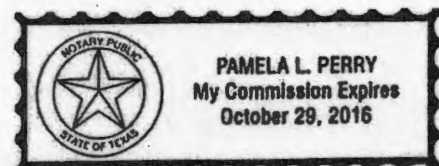
I, Pace McDonald, being first duly sworn, state that I am the Vice President of Tax for Atmos Energy Corporation, that I have reviewed the relevant sections of the Rebuttal Testimony of Gregory K. Waller as noted in footnote 11 of that Rebuttal Testimony, and that the Rebuttal Testimony of Gregory K. Waller in support of Atmos Energy Corporation's filing is true and correct to the best of my knowledge, information and belief.


Pace McDonald

Sworn and subscribed before me this 14th day of April, 2016


Notary Public

My Commission Expires: 10-29-16



**BEFORE
THE TENNESSEE PUBLIC UTILITY COMMISSION**

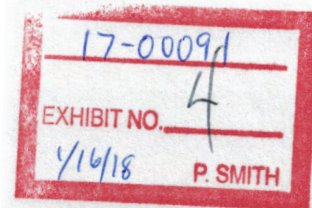
Petition of Atmos Energy Corporation for
Approval of 2017 Annual Reconciliation
Filing

Docket No. 17-00091

**SUPPLEMENTAL TESTIMONY
of
WILLIAM H. NOVAK**

ON BEHALF OF
**THE CONSUMER PROTECTION AND ADVOCATE DIVISION
OF THE
TENNESSEE ATTORNEY GENERAL'S OFFICE**

January 4, 2018



IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY
CORPORATION ANNUAL
RECONCILIATION OF ANNUAL
RATE REVIEW MECHANISM

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Docket No. 17-00091

AFFIDAVIT

I, William H. Novak, CPA, on behalf of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Supplemental Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.


WILLIAM H. NOVAK

Sworn to and subscribed before me this 4 day of JAN, ~~2017~~ ²⁰¹⁸.

Chel Larkin
NOTARY PUBLIC

My commission expires: 12-23-2021



1 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
2 **OCCUPATION FOR THE RECORD.**

3 **A1.** My name is William H. Novak. My business address is 19 Morning Arbor Place,
4 The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility
5 consulting and expert witness services company.
6

7 **Q2. ARE YOU THE SAME WILLIAM H. NOVAK WHO PRESENTED PRE-**
8 **FILED TESTIMONY IN THIS DOCKET?**

9 **A2.** Yes.
10

11 **Q3. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

12 **A3.** The purpose of my supplemental testimony is to address the new – or at least
13 memorialized – positions taken in the testimony of the two Atmos' witnesses in
14 this Docket that were filed on December 20, 2017. Specifically, my supplemental
15 testimony addresses the following:

- 16 1. Page 2, line 1 through page 23, line 19 of the Pre-Filed Rebuttal Testimony of
17 Jennifer K. Story on behalf of Atmos Energy Corporation, and
- 18 2. Page 2, lines 15-17; page 3, line 4 through page 6, line 5; page 9, line 1
19 through page 10, line 4; and page 14, line 1 through page 18, line 12
20 (including Exhibit GK W-R-1 which is referenced and attached therein), of the
21 Pre-Filed Rebuttal Testimony of Gregory K. Waller on behalf of Atmos
22 Energy Corporation.

1 In the interest of economy of analysis and for ease of consideration and reference,
2 I have separated the remaining disputed matters of this Docket into the following
3 two categories:

- 4 1. Income Tax Reconciliation; and
- 5 2. Alternative ARM Calculation Proposal.

6 I have also included a brief discussion, along with a revised revenue deficiency
7 calculation, that reflects those areas on which the Consumer Advocate and the
8 Company now appear to agree and those that remain in dispute.

1 INCOME TAX RECONCILIATION

2
3 **Q4. FOR CONTEXT, DID ATMOS MAKE ANY OF THE ARGUMENTS**
4 **THAT ARE DESCRIBED IN ITS WITNESSES' REBUTTAL TESTIMONY**
5 **RELATED TO AN INCOME TAX NORMALIZATION VIOLATION**
6 **WITHIN THEIR PRE-FILED DIRECT TESTIMONY OR IN ANY**
7 **COMMUNICATION WITH THE CONSUMER ADVOCATE PRIOR TO**
8 **FILING THEIR DISCOVERY RESPONSES?**

9 A4. No.

10
11 **Q5. IN THEIR REBUTTAL TESTIMONY, DO EITHER OF ATMOS'**
12 **WITNESSES EXPLAIN WHY NO STATEMENT REGARDING A**
13 **POTENTIAL INCOME TAX NORMALIZATION VIOLATION WAS**
14 **MADE IN ATMOS' PETITION OR THEIR DIRECT TESTIMONY?**

15 A5. No.

16
17 **Q6. DOES ATMOS INDICATE THAT A NORMALIZATION VIOLATION**
18 **WOULD BE A VERY SERIOUS MATTER?**

19 A6. Yes.

20
21 **Q7. DOES ATMOS STATE THAT IT VIOLATED THE INCOME TAX**
22 **NORMALIZATION RULES IN TPUC DOCKET NO. 16-00105, AND**

1 ***THAT THE COMPANY IDENTIFIED THIS ISSUE DURING THE***
2 ***PREPARATION FOR THE FILING OF THIS DOCKET NO. 17-00091?***

3 A7. Yes.¹

4

5 ***Q8. HAS ATMOS PROVIDED INFORMATION RELATED TO THE***
6 ***NOTIFICATION REQUIREMENTS TO THE INTERNAL REVENUE***
7 ***SERVICE (IRS) FOR AN INCOME TAX NORMALIZATION***
8 ***VIOLATION THAT IT ALLEGES HAS OCCURRED?***

9 A8. Yes. Atmos Witness Story states that:

10 If a utility believes its method of accounting is not a normalized method or
11 is compelled by a regulatory body to adopt a method which is not
12 normalized, the utility must notify the Service's District Director within 90
13 days and file amended returns which re-compute its tax liability for any
14 affected taxable years.²

15

16 ***Q9. HOW MANY DAYS HAVE ELAPSED SINCE ATMOS FIRST LEARNED***
17 ***OF THE ALLEGED INCOME TAX NORMALIZATION VIOLATION?***

18 A9. At least 126 days, based on Ms. Story's statement that "[t]he Company identified
19 this issue during the preparation of the current filing."³

20

21 ***Q10. IS THERE ANY EVIDENCE IN THIS DOCKET THAT ATMOS FILED***
22 ***THE REQUIRED NOTICE TO THE SERVICE'S DISTRICT DIRECTOR***
23 ***WITHIN THE REQUIRED 90 DAYS?***

24 A10. No.

¹ Story Rebuttal Testimony, Page 11, lines 5-9.

² Story Rebuttal Testimony, Page 12, line 21, through Page 13, line 1.

³ Story Rebuttal Testimony, Page 11, lines 8-9.

1

2 **Q11. DOES MS. STORY PROVIDE ANY BASIS UPON WHICH ATMOS**
3 **WOULD NOT HAVE TO FILE THE MANDATORY NOTICE TO THE**
4 **SERVICE'S DISTRICT DIRECTOR WITHIN THE REQUIRED 90 DAYS?**

5 A11. No.

6

7 **Q12. MR. NOVAK, WITH REFERENCE TO MS. STORY'S TESTIMONY ON**
8 **THE INCLUSION OF ACTUAL INCOME TAX EXPENSE IN THE ARM**
9 **RECONCILIATION MODEL, DOES ATMOS AGREE WITH**
10 **INCLUDING THE TRUE-UP OF CALCULATED TAXES TO ACTUAL**
11 **TAXES PAID FOR THE ARM CALCULATION?**

12 A12. Not any longer. In Docket No. 16-00105, the Company included a true-up of
13 income taxes with the ARM reconciliation. However, in the current Docket,
14 Company witness Story states that "...the Company erroneously and improperly
15 included the September per books income tax expense amount" in the previous
16 filing.⁴

17

18 **Q13. MR. NOVAK, IS IT CLEAR FROM THE SETTLEMENT AGREEMENTS**
19 **IN DOCKET NOS. 14-00146 AND 16-00105 THAT "ACTUAL RESULTS"**
20 **MEANS PER-BOOKS INCOME TAX EXPENSE?**

21 A13. Yes. As I mentioned in my direct testimony, the true-up to actual recorded
22 amounts on Atmos' books is a core concept of certain portions of the 14-00146

⁴ Story Rebuttal Testimony, Page 7.

1 Settlement Agreement.⁵ And it is a similar core concept within the Settlement
2 Agreement in Docket No. 16-00105. Atmos is now proposing to change the
3 terms of the 14-00146 Settlement Agreement (as those terms were confirmed in
4 Docket No. 16-00105) to better suit themselves. Further, Ms. Story's claim that
5 the "calculation of income tax expense meets the definition of actual results" is
6 without foundation in the history of these proceedings.⁶ While it may be
7 appropriate to apply an income tax rate for a forecasted budget, from my
8 recollection – and in my opinion – the 14-00146 Settlement Agreement always
9 envisioned truing up income taxes to the actual amounts recorded during the
10 reconciliation process. Further, it strains rational thought to conclude that
11 calculated income tax expense based on statutory rates would mean the same as
12 actual results.

13
14 ***Q14. ARE THERE PARTS OF THE 14-00146 SETTLEMENT AGREEMENT***
15 ***THAT, IF YOU HAD THE OPPORTUNITY, YOU WOULD***
16 ***RECOMMEND THAT THE COMMISSION CHANGE AND FOR WHICH***
17 ***YOU COULD OFFER A PLAUSIBLE RATIONALE?***

18 A14. Yes. There are certainly portions of the 14-00146 Settlement Agreement that I
19 would now like to revisit, but I recognize that this was the agreement that both
20 Parties made at the time and that the Parties asked the Commission to approve.⁷

⁵ Direct Testimony of William H. Novak, Page 18.

⁶ See Story Rebuttal Testimony, Page 3, lines 8-10.

⁷ The elimination of the Weather Normalization Adjustment (WNA) and the use of a surcharge on customers' bills to reflect the adjustment to base rates outside of a rate case for ARM filings are just two items that come to mind.

1 However, changing a core concept of the 14-00146 Settlement Agreement for the
2 benefit of one party would seem to require revisiting every other issue that was
3 resolved within that Settlement Agreement.

4
5 ***Q15. MR. NOVAK, IS THE COMPANY'S ASSERTION THAT THE CURRENT***
6 ***METHODOLOGY VIOLATES THE TAX NORMALIZATION RULES OF***
7 ***THE IRS VALID?***

8 A15. Only the IRS can say for certain through a private letter ruling or the audit
9 process. With that said, Ms. Story's main argument for the Company's position
10 appears to be that "Treas. Reg. § 1.167(l)-1 (h)(6)(i) is very clear that the time
11 period for which income tax expense and accumulated deferred federal income
12 taxes ("ADIT") included in the Company's rate filings must be the same."⁸ For
13 comparison and ease of reference, here is that regulation:

14 (i) Notwithstanding the provisions of subparagraph (1) of this
15 paragraph, a taxpayer does not use a normalization method of
16 regulated accounting if, for ratemaking purposes, the amount of the
17 reserve for deferred taxes under section 167(l) which is excluded
18 from the base to which the taxpayer's rate of return is applied, or
19 which is treated as no-cost capital in those rate cases in which the
20 rate of return is based upon the cost of capital, exceeds the amount
21 of such reserve for deferred taxes for the period used in determining
22 the taxpayer's tax expense in computing cost of service in such
23 ratemaking.⁹

24 From my perspective, the regulation appears to require some analysis and support
25 for clarity. It is also worth emphasizing that Atmos bears the burden of
26 demonstrating that a change should be made to the agreed methodologies in the

⁸ Story Rebuttal Testimony, Page 4, lines 9-11.

⁹ For a paraphrase of the regulation, see Story Rebuttal Testimony, Page 10, lines 5-9.

1 Settlement Agreement (as confirmed in Docket No. 16-00105) and that a
2 normalization violation would occur under the facts in this Docket No. 17-00091.

3
4 **Q16. WITH REFERENCE TO TREAS. REG. § 1.167(1)-1 (h)(6)(i), DOES MS.**
5 **STORY OR MR. WALLER PROVIDE "THE AMOUNT OF THE**
6 **RESERVE FOR DEFERRED TAXES UNDER SECTION 167(1) THAT IS**
7 **EXCLUDED FROM THE BASE TO WHICH THE TAXPAYER'S RATE**
8 **OF RETURN IS APPLIED, OR THAT IS TREATED AS NO-COST**
9 **CAPITAL IN THOSE RATE CASES IN WHICH THE RATE OF RETURN**
10 **IS BASED UPON THE COST OF CAPITAL" IN THIS DOCKET?**

11 A16. No.

12
13 **Q17. WITH REFERENCE TO TREAS. REG. § 1.167(1)-1 (h)(6)(i), DOES MR.**
14 **STORY OR MR. WALLER PROVIDE "THE AMOUNT OF SUCH**
15 **RESERVE FOR DEFERRED TAXES FOR THE PERIOD USED IN**
16 **DETERMINING THE TAXPAYER'S TAX EXPENSE IN COMPUTING**
17 **COST OF SERVICE" IN THIS DOCKET?**

18 A17. No.

19
20 **Q18. IF NEITHER MS. STORY NOR MR. WALLER PROVIDES THE**
21 **INFORMATION REQUIRED TO DETERMINE WHETHER A**
22 **NORMALIZATION VIOLATION HAS OCCURRED UNDER TREAS.**

1 ***REG. § 1.167-1 (h)(6)(i), THEN WHAT IS THE APPARENT BASIS FOR***
2 ***ATMOS' CLAIM?***

3 A18. Company witness Story appears to fault my testimony holding Atmos to its
4 agreements and course of dealing. Specifically, Ms. Story states:

5 Mr. Novak proposes to include in this filing a per-books number
6 reflecting tax expense for the period ended September 30, 2016 and
7 a per-books number reflecting accumulated deferred income tax for
8 the period ending May 31, 2017. Adopting Mr. Novak's proposal
9 would result in the inclusion of eight additional months of deferred
10 federal income tax reserve as compared to included income tax
11 expense. September 30, 2016 book depreciation would be included
12 in the calculation of income tax expense, yet May 31, 2017
13 temporary differences related to book and tax depreciation would be
14 included in the calculation of deferred federal income tax reserve.
15 Therefore, the accumulated deferred federal income tax reserve
16 would certainly exceed the amount in the reserve for deferred taxes.
17 As I have stated in answers to discovery requests in this case,^[10] this
18 is clearly a normalization violation outlined in Treas. Reg.
19 §1.167(l)-1(h)(1)(i)(a) and (b).¹¹

20 As shown above, Ms. Story attempts to find fault with my testimony for
21 “proposing” (without the benefit of any prior income tax normalization violation
22 testimony by any Atmos witness at that time) that the Parties follow the
23 methodology agreed and approved in Docket No. 14-00146 and later followed by
24 the Parties in Docket No. 16-00105. The implications of Ms. Story's argument
25 would be that, notwithstanding the Parties' prior agreement and course of dealing,
26 that Atmos may unilaterally change the methodologies previously agreed to and
27 followed by the Parties and that the Consumer Advocate and Commission should
28 simply acquiesce based on Atmos' unsubstantiated analysis and conclusions.

10 Ms. Story provides no citation or specific reference with respect to Atmos' discovery responses here.

11 Story Rebuttal Testimony, Page 10, line 16 through Page 11, line 4.

1 **Q19. DOES MS. STORY OR MR. WALLER QUANTIFY ANY OF THE**
2 **AMOUNTS THAT WOULD BE REQUIRED TO SUPPORT MS. STORY'S**
3 **ARGUMENTS IN THE ABOVE QUOTE FROM PAGE 10, LINE 16**
4 **THROUGH PAGE 11, LINE 4 OF MS. STORY'S REBUTTAL**
5 **TESTIMONY?**

6 A19. No.

7
8 **Q20. SO WHAT SUPPORT DOES MS. STORY OR MR. WALLER PROVIDE**
9 **FOR MS. STORY'S CONCLUSION THAT "...THE ACCUMULATED**
10 **DEFERRED FEDERAL INCOME TAX RESERVE WOULD CERTAINLY**
11 **EXCEED THE AMOUNT IN THE RESERVE FOR DEFERRED**
12 **TAXES"?¹²**

13 A20. None, other than setting out the agreement and course of dealing of the parties, as
14 that agreement and course of dealing were vetted by the Parties in prior dockets.
15 And I would respectfully point out that Atmos appeared in Docket No. 14-00146
16 to thoroughly vet the tax implications of its positions in that Docket.¹³ It would
17 strain credibility at this point to assert that Atmos was not counseled by
18 competent tax counsel and accountants who were and continue to be fully versed
19 with respect to Atmos' tax positions, including without limitation its positions on

¹² Story Rebuttal Testimony, Page 11, lines 1-2.

¹³ See the Rebuttal Testimony of Pace McDonald on behalf of Atmos Energy Corporation, as filed on April 27, 2015, in TPUC Docket No. 14-00146.

1 the normalization requirements of the Internal Revenue Code and related
2 authorities.¹⁴

3
4 **Q21. OTHER THAN TREAS. REG. § 1.167(1)-1 (h)(6)(i), DOES MS. STORY OR**
5 **MR. WALLER PROVIDE ANY IRS REVENUE RULINGS, PRIVATE**
6 **LETTER RULINGS, OR OTHER AUTHORITATIVE TAX MATERIALS**
7 **IN SUPPORT FOR MS STORY'S CONCLUSION THAT "THIS IS**
8 **CLEARLY A NORMALIZATION VIOLATION"?**

9 A21. No.

10
11 **Q22. IN VIEW OF THE LACK OF IRS REVENUE RULINGS, PRIVATE**
12 **LETTER RULINGS, OR OTHER AUTHORITATIVE TAX MATERIALS**
13 **WITH RESPECT TO TAX NORMALIZATION REQUIREMENTS IN**
14 **THIS AREA, AND THE COMPANY'S APPARENT INABILITY OR**
15 **UNWILLINGNESS TO PROVIDE SUFFICIENT DATA OR**
16 **INFORMATION IN ITS TESTIMONY, IS MS. STORY OPEN TO ATMOS**
17 **SEEKING A PRIVATE LETTER RULING ON THIS ISSUE?**

18 A23. Unfortunately, Ms. Story all but rules out this avenue for resolution in her
19 Rebuttal Testimony.¹⁵

20

¹⁴ I would respectfully note that I disagreed – and continue to disagree – with Mr. McDonald's analysis and conclusions in Docket No. 14-00146.

¹⁵ Story Rebuttal Testimony, Page 4, lines 16-20.

1 ***Q24. HAVE ANY OTHER TENNESSEE UTILITIES EXPRESSED THIS SAME***
2 ***CONCERN OF AN IRS TAX NORMALIZATION VIOLATION?***

3 A24. No. It would seem that a tax normalization violation from the alternative rate
4 mechanism for one utility would equally apply to all other utilities. However, no
5 other Tennessee utilities have come forward with this same concern in spite of
6 informal inquiries on this issue. With that in view – along with the lack of
7 sufficient data and support for her position, and her unwillingness to seek a
8 private letter ruling – Ms. Story’s characterization that the true-up of income taxes
9 “clearly violates these rules” appears to be a bit of an over-statement.¹⁶

10
11 ***Q25. MR. NOVAK, DID ATMOS PROVIDE ANY DATA, ANALYSIS OR***
12 ***OTHER SUPPORT IN REBUTTAL TESTIMONY THAT WOULD CAUSE***
13 ***YOU TO CHANGE YOUR POSITION ON THE TREATMENT OF***
14 ***INCOME TAXES IN THIS RECONCILIATION DOCKET?***

15 A25. No. While I appreciate the testimony filed by Atmos on the treatment of income
16 taxes in this reconciliation Docket, my position on that issue remains unchanged.
17 However, I believe it has been important to supplement my testimony on this
18 issue in view of the rebuttal testimony filed by Ms. Story and Mr. Waller.

19

¹⁶ See Story Rebuttal Testimony, Page 2, line 8.

1 ALTERNATIVE ARM CALCULATION PROPOSAL

2
3 ***Q26. MR. NOVAK, IN MS. STORY'S STATEMENT CONCERNING THE USE***
4 ***OF THE COMPANY'S PREFERRED SEPTEMBER 30 DATE FOR THE***
5 ***ARM RECONCILIATION (ON PAGE 14 OF HER REBUTTAL***
6 ***TESTIMONY), DOES SHE INDICATE ANY REASON THAT ATMOS***
7 ***COULD NOT DETERMINE AN ACCURATE PER-BOOKS INCOME***
8 ***TAX EXPENSE AMOUNT AS OF MAY 31?***

9 A26. No.

10
11 ***Q27. JUST TO CONFIRM, ATMOS ADVOCATED AND ACCEPTED***
12 ***SPECIFIC TERMS IN THE SETTLEMENT AGREEMENT IN TPUC***
13 ***DOCKET NO. 14-00146 THAT THE TWELVE-MONTHS ENDING MAY***
14 ***31 WOULD BE THE RELEVANT REVIEW PERIOD WITH RESPECT***
15 ***TO THE ANNUAL ARM RECONCILIATION?***

16 A27. Yes.

17
18 ***Q28. AND NOW ATMOS PROPOSES TO ADJUST THAT TWELVE-MONTH***
19 ***PERIOD TO END ON SEPTEMBER 30, IN CONNECTION WITH***
20 ***APPARENTLY EXTENDING THE PROCEDURAL SCHEDULE OF THIS***
21 ***DOCKET?***

22 A28. Yes.

1 **Q29. IS THE PROPOSAL BY ATMOS TO EXTEND THE SCHEDULE OF THE**
2 **CURRENT DOCKET AND CHANGE THE ARM RECONCILIATION**
3 **PERIODS A REASONABLE RESOLUTION TO THIS ISSUE?**

4 A29. Possibly. There would be a number of significant and time-intensive issues¹⁷ that
5 would have to be resolved. Among those issues would be exactly how such a
6 change could take into account a 16-month reconciliation that would then be
7 applied for recovery over 12 months and would result in double counting of
8 certain items such as income taxes paid in September 2016 and September 2017.
9 At this time, it is unclear exactly how such a reconciliation would be calculated
10 and applied.¹⁸

11
12 **Q30. DO YOU HAVE ANY SPECIFIC RECOMMENDATIONS IF ATMOS'**
13 **PROPOSAL TO EXTEND THE ARM RECONCILIATION TO**
14 **SEPTEMBER 30 IS CONSIDERED?**

15 A30. Yes. To begin with, I would want additional time to consider the timing
16 implications that I allude to above, and to know if Atmos could provide the data
17 and other support to complete the analysis and calculations that would be needed
18 under that approach. With that said, if the Commission were to consider Mr.
19 Waller's proposal to extend the ARM Reconciliation to September 30th, I would
20 recommend that the Commission simply order the change in dates (along with an

¹⁷ Respectfully, the Consumer Advocate would need more time than the time constraints of this Docket permit to review and resolve those issues.

¹⁸ While I appreciate Mr. Waller's efforts to craft a potential methodology (and the Company's willingness to discuss and provide information about his methodology) on how to deal with a 16-month reconciliation period, the time constraints of the current procedural schedule in this Docket have not permitted the level of analysis, and potential further discovery, that would be needed to provide a recommendation on the specifics of his proposal.

1 adjustment to take into account Docket No. 16-00105) and require Atmos to file
2 for the 16-month reconciliation without a specific methodology to address how
3 that true-up is to be calculated. The Consumer Advocate and the Commission
4 could then review and consider Atmos' proposed calculation methodology.
5
6

1 **STATUS OF THE REMAINING ISSUES IN THIS DOCKET**

2
3 ***Q31. MR. NOVAK, HAVE YOU REVIEWED THE EXHIBIT PRESENTED BY***
4 ***ATMOS ALONG WITH ITS REBUTTAL TESTIMONY?***

5 A31. Yes. The Company's Exhibit recalculates the revenue requirement of the ARM
6 reconciliation for various adjustments outlined in Mr. Waller's testimony and
7 results in a revenue deficiency of \$382,182.¹⁹ In that Exhibit, the Company
8 unfortunately omitted the true-up to income taxes required by the Settlement
9 Agreement in Docket No. 14-00146 (as confirmed in Docket No. 16-00105).

10
11 ***Q32. IN ATMOS' EXHIBIT, WHAT ADJUSTMENTS FROM THE***
12 ***CONSUMER ADVOCATE'S EXHIBIT HAS THE COMPANY MADE?***

13 A32. In addition to the adjustment to true up income taxes, Atmos has proposed the
14 following adjustments to the Consumer Advocate's filings:

- 15 • Rejection of the prospective adjustment for the allocation of Net Operating
16 Loss Carryforward (NOLC) as proposed by the Consumer Advocate.²⁰
- 17 • Acceptance of an adjustment to the Rate Base allocation methodology
18 proposed by the Consumer Advocate that takes into account certain internal
19 recalculations for the impact of acquisitions.²¹ However, the Company
20 excludes the impact to depreciation expense from this adjustment to the
21 allocation methodology.

¹⁹ Atmos Rebuttal Exhibit GKW-R-1, Schedule 1.

²⁰ Waller Rebuttal Testimony, Page 3.

²¹ Waller Rebuttal Testimony, Page 6.

- Acceptance of an adjustment to the gas storage allocation methodology as originally proposed by the Consumer Advocate.²²
- Acceptance of an adjustment to the pension expense methodology as originally proposed by the Consumer Advocate.²³

Q33. WHAT IS THE IMPACT OF THE COMPANY'S ADJUSTMENTS?

A33. As mentioned above, the Company has calculated a new revenue deficiency of \$382,182 exclusive of its adjustment for income taxes which I discuss below. Atmos' new revenue deficiency represents an increase of \$281,545 from the comparable \$100,637 revenue deficiency that was calculated in the Consumer Advocate's amended filing which excludes the true-up for actual income taxes paid.

Q34. DO YOU AGREE WITH THE COMPANY'S ADJUSTMENTS?

A34. Not entirely. However, I do believe that these adjustments fairly reflect consideration for a number of issues (except for the income tax true-up issue) and result in a revenue deficiency difference (\$281,545 as mentioned above) that is relatively inconsequential in rate design. Therefore, in order to facilitate a reasonable and timely resolution to these issues, I am prepared to not contest Atmos' position on the above issues (except for the income tax true-up issue) in this Docket, which would result in the Company's proposed revenue deficiency of \$382,182 (exclusive of the income tax true-up), with the remaining issue being

²² Waller Rebuttal Testimony, Page 10.

²³ Waller Rebuttal Testimony, Pages 11-12.

the amount of income taxes that should be included in this ARM reconciliation

Docket.²⁴

Q35. WHAT IS THE IMPACT ON THE ARM RECONCILIATION OF ACTUAL INCOME TAXES ON THIS REVENUE DEFICIENCY?

A35. After truing-up to the actual income tax expense, the revenue deficiency of \$382,182 becomes a revenue surplus of \$-2,923,963 as shown in Table 1 below.

²⁴ This no contest position should not be construed to establish any precedent or to mean that these issues will not again be contested or objected to in future dockets. In future dockets, the Consumer Advocate would expect to challenge appropriate issues.

Table 1 – Revenue Surplus Calculation Including Reconciliation of Actual Income Tax Expense	
Proposed Revenue Required to Earn Authorized Return ²⁵	\$330,900
Proposed Income Deficiency ²⁶	202,658
Increase in Income Taxes	\$128,242
Increase in Income Taxes	\$128,242
Calculated Excise Taxes ²⁷	1,543,435
Calculated Federal Income Taxes ²⁸	7,770,603
Total Calculated Income Taxes	\$9,442,280
Total Calculated Income Taxes	\$9,442,280
Actual Income Taxes Expense ²⁹	6,579,767
Income Tax True-Up	\$-2,862,513
Proposed Revenue Required to Earn Authorized Return ³⁰	\$330,900
Income Tax True-Up	-2,862,513
Revenue Surplus After Income Tax True-Up	\$-2,531,613
Revenue Surplus After Income Tax True-Up	\$-2,531,613
Carrying Costs ³¹	-392,350
Total Revenue Surplus	\$-2,923,963

1

2 **Q36. DOES THIS COMPLETE YOUR SUPPLEMENTAL TESTIMONY?**

3 A36. Yes, it does. However, I reserve the right to incorporate any new information that
4 may subsequently become available.

²⁵ Atmos Rebuttal Exhibit GKW-R-1, Schedule 1.

²⁶ Atmos Rebuttal Exhibit GKW-R-1, Docket No. 14-00146 Format, Schedule 1.

²⁷ Atmos Rebuttal Exhibit GKW-R-1, Docket No. 14-00146 Format, Schedule 6.

²⁸ Atmos Rebuttal Exhibit GKW-R-1, Docket No. 14-00146 Format, Schedule 6.

²⁹ Atmos Original Direct Exhibit, Schedule 1.

³⁰ Atmos Rebuttal Exhibit GKW-R-1, Schedule 1.

³¹ Cost of Capital of 7.47% per Atmos Rebuttal Exhibit GKW-R-1, Schedule 9 compounded for 2 years.

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:

ATMOS ENERGY CORPORATION	)	
ANNUAL RECONCILIATION	)	
OF ANNUAL REVIEW MECHANISM	)	DOCKET NO. 17-00091

**PRE-FILED REBUTTAL TESTIMONY OF JENNIFER K. STORY
ON BEHALF OF ATMOS ENERGY CORPORATION**

I. INTRODUCTION OF WITNESS

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

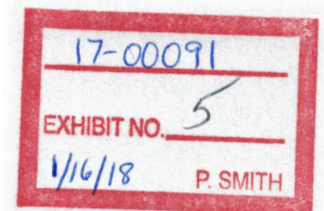
2 **A. My name is Jennifer K. Story. My business address is 5430 LBJ Freeway, Suite**
3 **700, Dallas, TX 75240. I am employed by Atmos Energy Corporation (“Atmos**
4 **Energy” or the “Company”) as Director of Income Tax.**

5 **Q. ARE YOU THE SAME JENNIFER STORY WHO FILED PRE-FILED**
6 **TESTIMONY IN THIS PROCEEDING?**

7 **A. Yes.**

8 **Q. HAVE YOU REVIEWED THE INTERVENOR TESTIMONY FILED BY**
9 **CONSUMER PROTECTION AND ADVOCATE DIVISION WITNESS**
10 **WILLIAM H. NOVAK IN THIS CASE?**

11 **A. Yes, I have reviewed Mr. Novak’s testimony.**



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1 immediately completed. The inclusion of income tax expense using the statutory
2 income tax rate, as the Company has proposed and which I describe in detail in my
3 direct testimony, results in the inclusion of both current and deferred income taxes
4 resulting from revenue requirement reflected in this filing. This calculation aligns
5 the income tax liability incurred by the Company with the operations included in
6 the revenue requirement for the Test Year ended May 31, 2017 and therefore results
7 in matching of the income tax included in this filing with the revenues that gave
8 rise to the income tax liability. By its very definition, this calculation of income tax
9 expense meets the definition of “actual results” as required by the Settlement
10 Agreement for the ARRR.¹ Mr. Novak’s proposal to require the Company to
11 include the per books income tax expense from a prior period would not result in
12 actual results being substituted in place of forecasted amounts for the reconciliation
13 filing. His proposal neither meets the stated requirements nor the spirit of the
14 Settlement Agreement.

15 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR REBUTTAL TESTIMONY**
16 **DESCRIBING WHY ADOPTION OF MR. NOVAK’S PROPOSED**
17 **METHODOLOGY WOULD RESULT IN A NORMALIZATION**
18 **VIOLATION.**

19 **A.** The Company is required to comply with the tax normalization provisions of the
20 IRC. In my testimony I will describe these rules. I will also establish that the
21 adoption of Mr. Novak’s proposal would clearly violate these provisions. I will

¹ See *In re: Petition of Atmos Energy Corporation for a General Rate Increase Under T.C.A. 65-5-103(a) and Adoption of an Annual Rate Review Mechanism Under T.C.A. 65-5-103(d)(6)*, Docket No. 14-00146, *Order Approving Settlement*, p. 10 (November 4, 2015); see also Exhibit A to *Order Approving Settlement*, p. 26 (November 4, 2015).

1 describe the severe consequences that Atmos Energy Tennessee and its customers
2 would face if the Tennessee Public Utility Commission (“Commission”) were to
3 adopt Mr. Novak’s proposal to use September 30, 2016 per books income tax
4 expense in the Company’s ARM reconciliation filing.

5 **Q. PLEASE PROVIDE A SUMMARY OF YOUR REBUTTAL TESTIMONY**
6 **REGARDING MR. NOVAK’S PROPOSAL THAT THIS COMMISSION**
7 **REQUIRE ATMOS ENERGY TO SEEK A PRIVATE LETTER RULING**
8 **FOR THE NORMALIZATION ISSUE.**

9 A. As I will describe in my testimony, Treas. Reg. §1.167(1)-1 (h)(6)(i) is very clear
10 that the time period for which income tax expense and accumulated deferred federal
11 income taxes (“ADIT”) included in the Company’s rate filings must be the same.
12 The Company has complied with this requirement by including calculated income
13 tax expense for the period ending May 31, 2017 using statutory rates in this filing.
14 Mr. Novak’s proposal results in a misalignment by including income tax expense
15 for the year ended September 30, 2016 with accumulated deferred federal income
16 taxes for the period ended May 31, 2017. There is no ambiguity requiring further
17 clarification from the IRS. The process for requesting a Private Letter Ruling is
18 costly and time-consuming, and the result would not be in doubt that a
19 normalization violation would exist under Mr. Novak’s proposal. With nothing to
20 be gained from doing so, Mr. Novak’s proposal should be rejected.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR REBUTTAL TESTIMONY**
2 **REGARDING MR. NOVAK'S PROPOSAL TO REQUIRE THE COMPANY**
3 **TO RECOMPUTE THE NOLC ADIT FOR TENNESSEE DIRECT.**

4 A. In my testimony I explain the income tax filing requirements for Atmos Energy. I
5 demonstrate that Atmos Energy complies with the Treasury Regulations that
6 prescribe the calculation of taxable income for members of a consolidated filing
7 group. I establish that the NOLC ADIT included in Atmos Energy Tennessee's
8 filing results directly from calculations required by the Internal Revenue Service
9 and has been accepted in every jurisdiction the Company files in, including
10 Tennessee. Mr. Novak's recommendation that the Company perform a hypothetical
11 computation of the NOLC ADIT for Tennessee in this filing is without merit,
12 statutory guidance or Commission precedent and should be rejected.

13 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR REBUTTAL TESTIMONY**
14 **REGARDING MR. NOVAK'S ALTERNATIVE SOLUTION MENTIONED**
15 **ON PAGE 19 OF HIS TESTIMONY.**

16 A. On page 19 of Mr. Novak's testimony he suggests an alternative solution for the
17 income tax expense issue. He suggests moving the test period to align with the
18 Company's fiscal year end of September 30. Company witness Mr. Greg Waller
19 discusses this solution in detail in his rebuttal testimony. The Company has given
20 this solution consideration and believes it would eliminate the normalization issue
21 that exists in Mr. Novak's primary proposal as it would align both per books income
22 tax expense for September 30 and the accumulated deferred federal income tax
23 reserve for the same period in each ARM filing.

1 **III. INCLUSION OF ACTUAL INCOME TAX EXPENSE IN ARM**
2 **RECONCILIATION MODEL**

3 **Q. WHAT AMOUNT DOES MR. NOVAK PROPOSE TO INCLUDE FOR**
4 **INCOME TAX EXPENSE IN THIS RECONCILIATION FILING?**

5 A. Mr. Novak proposes to include the per-books income tax expense balance for
6 September 30, 2016.

7 **Q. DO YOU AGREE WITH THIS PROPOSAL?**

8 A. No, I do not.

9 **Q. WHY NOT?**

10 A. As stated in my direct testimony, page 7 lines 10-15, income tax expense for the
11 period ending September 30, 2016 does not relate to the cost of service included in
12 the test year, which is the twelve months ending May 31, 2017. Income tax expense
13 recorded to the Company's general ledger for a prior period is not "actual" income
14 tax expense for purposes of the reconciliation filing.

15 **Q. DOES MR. NOVAK GIVE ANY REASONING FOR WHY TAXES**
16 **RECORDED TO THE GENERAL LEDGER FOR THE PERIOD ENDING**
17 **SEPTEMBER 30, 2016 ARE A BETTER MEASURE OF ACTUAL TAX**
18 **FOR THE TEST PERIOD ENDING MAY 31, 2017?**

19 A. No, he does not.

20 **Q. WHAT REASONS DOES MR. NOVAK GIVE FOR USING THE**
21 **SEPTEMBER 30, 2016 INCOME TAX EXPENSE AMOUNT IN THIS**
22 **FILING?**

23 A. Mr. Novak states in his testimony on page 11, lines 12-15 that the "income tax
24 methodology set out in the settlement agreements in Docket Nos. 14-00146 and 16-

1 00105 aligns the tax items in accordance with the budget and reconciliation
2 amounts in relevant periods.” In other words, he believes a tax normalization
3 violation does not exist. Mr. Novak appears to rely on this reasoning for his
4 proposal to include the per-books income tax expense amount in this reconciliation
5 filing.

6 **Q. DO YOU BELIEVE THIS REASONING IS SOUND?**

7 A. No I do not.

8 **Q. WHY NOT?**

9 A. The Company’s first reconciliation filing after approval of the ARM mechanism
10 was Docket 16-00105. As I have described in my direct testimony on page 4 lines
11 12-23, page 5 lines 1-23 and page 6 lines 1-5, in that filing the Company
12 erroneously and improperly included the September per books income tax expense
13 amount. This error was realized while the Company was preparing the current
14 filing. The Company seeks to utilize the correct income tax figures in this and
15 subsequent reconciliation filings. These corrected figures would both align with
16 the relevant test period, as well as avoid a tax normalization violation.

17 **Q. WHY WAS IT NOT APPROPRIATE TO INCLUDE THE SEPTEMBER**
18 **PER-BOOKS INCOME TAX EXPENSE IN DOCKET 16-00105?**

19 A. Utilization of the per books income tax expense amount in Docket 16-00105
20 resulted in a clear misalignment between income tax expense included in the filing
21 and the forecasted and reconciliation amounts. The forecasted income tax expense
22 amount was calculated, using statutory rates, for the test period ending May 31,
23 2016. The per books income tax expense amount used in the reconciliation filing

1 came from the general ledger and represented tax expense for the twelve months
2 ended September 30, 2015. Mr. Novak's assertion that the inclusion of per books
3 income tax expense in Docket 16-00105 resulted in an alignment of the forecasted
4 and reconciliation amounts for the relevant period is without merit. Inclusion in the
5 filing of a per books tax expense associated with a time period eight months prior
6 to the end of the test period in no way aligns tax expense with the revenue and
7 expense included in the filing.

8 IV. TAX NORMALIZATION

9 Q. WHAT IS MEANT BY TAX NORMALIZATION?

10 A. There are a myriad of differences between the rules governing the recognition of
11 income and expense for tax purposes versus the recognition of those same items for
12 financial statement purposes. These differences result in both the acceleration and
13 deferral of income tax payments when compared to the income tax expense
14 recorded on a company's financial statements. The difference between tax expense
15 per the financial statements and the tax paid to the taxing authorities generally
16 results in a deferral of tax. Said differently, current taxes paid to the government are
17 less than the tax expense on the books and records. The government has provided
18 a cost-free loan to the utility by the enactment of favorable tax provisions.

19 A normalization method of accounting for income taxes in its simplest terms
20 strives to keep this incremental cash received from the cost-free loan at the utility
21 level where Congress intended. Tax expense in cost of service and rate filings are
22 normalized and not artificially lowered for the cash tax savings. In other words, tax
23 expense is calculated at the statutory rate. A reserve is recorded against rate base in

1 the amount of the accumulated tax deferred. Such an approach is mutually
2 beneficial both for customers and the utility. Customers are not paying a return on
3 rate base financed with the cost-free loan that the utility receives from the
4 government.

5 **Q. WHAT ARE THE TAX DEPRECIATION NORMALIZATION RULES?**

6 A. Accelerated depreciation was enacted by Congress as an investment incentive for
7 businesses. In a regulated environment, Congress was concerned that the tax
8 savings from accelerated depreciation would be flowed through to customers
9 thereby negating the incentive it sought to create. To discourage utilities and
10 commissions from flowing the incentive through to customers, Congress enacted
11 the depreciation normalization rules. The tax depreciation normalization rules
12 mandate the normalization process I previously described for all items associated
13 with tax depreciation. In other words, deferred accounting must be utilized and the
14 balance of deferred taxes must be adjusted out of rate base.

15 **Q. HOW DOES TAX DEPRECIATION NORMALIZATION WORK?**

16 A. As defined under Treas. Reg. §1.167(l)-1(h), in order to use a normalized method
17 of accounting, the public utility must use the “same method” of depreciation to
18 compute both its tax expense and its depreciation expense for purposes of
19 establishing its cost of service for ratemaking purposes and for reflecting operating
20 results in its regulated books of account. Further, if in computing its allowance for
21 tax depreciation for purpose of filing its tax returns, the taxpayer uses a depreciation
22 method other than that used for establishing its cost of service for ratemaking
23 purposes and for reflecting operating results in its regulated books of account, the

1 utility must make adjustments to an accumulated deferred federal income tax
2 reserve to reflect the deferral of taxes resulting from the use of the different methods
3 of depreciation. (Treas. Reg. §1.167(l)-1(h)(1)(i)(a) and (b)).

4 The established reserve must be used in ratemaking proceedings to reduce
5 the utility's rate base upon which the rate of return is applied. A taxpayer DOES
6 NOT use a normalization method if, for ratemaking purposes, the amount of the
7 accumulated deferred federal income tax reserve which is excluded from rate base
8 exceeds the amount in the reserve for deferred taxes for the period used in
9 determining the taxpayer's cost of service. (Treas. Reg. §1.167(l)-1(h)(6)(i))

10 **Q. DOES MR. NOVAK'S PROPOSAL TO INCLUDE PER-BOOKS INCOME**
11 **TAX EXPENSE FROM A PRIOR PERIOD VIOLATE THE**
12 **NORMALIZATION PROVISIONS?**

13 **A.** Yes. The adoption of Mr. Novak's proposal would certainly result in a
14 normalization violation.

15 **Q. WHY WOULD THIS RESULT IN A NORMALIZATION VIOLATION?**

16 **A.** Mr. Novak proposes to include in this filing a per-books number reflecting tax
17 expense for the period ended September 30, 2016 and a per-books number
18 reflecting accumulated deferred income tax for the period ending May 31, 2017.
19 Adopting Mr. Novak's proposal would result in the inclusion of eight additional
20 months of deferred federal income tax reserve as compared to included income tax
21 expense. September 30, 2016 book depreciation would be included in the
22 calculation of income tax expense, yet May 31, 2017 temporary differences related
23 to book and tax depreciation would be included in the calculation of deferred

1 federal income tax reserve. Therefore, the accumulated deferred federal income
2 tax reserve would certainly exceed the amount in the reserve for deferred taxes. As
3 I have stated in answers to discovery requests in this case, this is clearly a
4 normalization violation outlined in Treas. Reg. §1.167(l)-1(h)(1)(i)(a) and (b).

5 **Q. DID THE INCLUSION OF SEPTEMBER 30, 2015 PER BOOKS INCOME**
6 **TAX EXPENSE IN DOCKET 16-00105 VIOLATE THE NORMALIZATION**
7 **RULES?**

8 A. Yes, for the reasons I have described above. The Company identified this issue
9 during preparation of the current filing.

10 **Q. HAS THE IRS PROVIDED GUIDANCE FOR ADDRESSING A PRIOR**
11 **NORMALIZATION VIOLATION?**

12 A. Yes the IRS has issued guidance for addressing inadvertent normalization
13 violations. On September 7, 2017 the IRS issued Revenue Procedure (Rev Proc)
14 2017-47 which outlines the safe harbor procedures for addressing prior inadvertent
15 normalization violations. If this safe harbor applies, the IRS will not assert that the
16 inadvertent use of an inconsistent practice or procedure constitutes a violation of
17 the normalization rules.

18 **Q. WHAT PROCEDURES ARE OUTLINED IN THIS REV PROCEDURE?**

19 A. Revenue Procedure 2017-47 requires any taxpayer who has identified an
20 inadvertent normalization violation to change its practice to be consistent with the
21 normalization provisions at the next available opportunity, which is defined as the
22 first rate proceeding following identification of the error. The taxpayer must
23 abandon the incorrect methodology and comply with the normalization

1 requirements immediately. The safe harbor applies if the taxpayer does so and the
2 taxpayer's regulator adopts or approves the change.

3 **Q. HAS THE COMPANY FOLLOWED THESE PROCEDURES IN THIS**
4 **FILING?**

5 A. Yes. The Company has complied by including calculated income tax expense using
6 statutory rates in this filing.

7 **Q. IF MR. NOVAK'S PROPOSAL TO USE SEPTEMBER 30 PER BOOKS**
8 **INCOME TAX EXPENSE IN THIS FILING WERE APPROVED, WOULD**
9 **THE SAFE HARBOR PROCEDURES BE AVAILABLE TO THE**
10 **COMPANY?**

11 A. No. The safe harbor relief would not be available to the Company because the error
12 would no longer be considered to be inadvertent. Revenue Procedure 2017-47,
13 Section 3(4.02) states that "a taxpayer's Inconsistent Practice or Procedure is
14 neither inadvertent nor unintentional if the Taxpayer's Regulator specifically
15 considered and specifically addressed the application of the Normalization Rules
16 to the Inconsistent Practice or Procedure in establishing or approving the taxpayer's
17 rates even if at the time of such consideration the Taxpayer's Regulator did not
18 believe the practice or procedure was inconsistent with the Normalization Rules."

19 **Q. WHAT IS THE IMPACT TO A UTILITY IF IT DOES NOT MAINTAIN A**
20 **NORMALIZED METHOD OF ACCOUNTING?**

21 A. If a utility believes its method of accounting is not a normalized method or is
22 compelled by a regulatory body to adopt a method which is not normalized, the
23 utility must notify the Service's District Director within 90 days and file amended

1 returns which re-compute its tax liability for any affected taxable years.
2 Prospectively, the utility would lose the ability to claim accelerated tax depreciation
3 on future tax returns. (Treas. Reg. §1.167(l)-1(h)(5))

4 **Q. WHAT EFFECT WOULD A NORMALIZATION VIOLATION HAVE ON**
5 **ATMOS ENERGY TENNESSEE AND ITS CUSTOMERS?**

6 A. A violation of the tax depreciation normalization provisions is a serious matter
7 under the IRC and a violation would have devastating financial implications.
8 Compliance with these rules is not optional and the Company is not allowed to
9 violate them either directly or indirectly. Such a violation would create severe
10 detriment for both Atmos Energy Tennessee and its Customers as the Company
11 would lose the ability to claim accelerated depreciation.

12 **V. ALTERNATIVE SOLUTION**

13 **Q. DOES MR. NOVAK REFERENCE A POSSIBLE SOLUTION TO THE**
14 **INCOME TAX EXPENSE ISSUE IN HIS TESTIMONY?**

15 A. Yes, on page 19 of Mr. Novak's testimony he suggests that a possible alternative
16 could be to move the test period in the ARM tariff to align with the Company's
17 fiscal year ending September 30. However that is not his recommendation for the
18 current filing test period.

19 **Q. WHAT IS THE PURPOSE OF THE ALTERATIVE SOLUTION**
20 **PROPOSED?**

21 A. It is my understanding that this solution, more fully described by Company witness
22 Mr. Greg Waller in Section VIII of his testimony, would permit the use of a per-

1 books income tax expense in this and future reconciliation filings while eliminating
2 the normalization issues I have described.

3 **Q. DO YOU BELIEVE THIS WOULD ELIMINATE THE NORMALIZATION**
4 **ISSUE THAT CURRENTLY EXISTS IN THE FILING?**

5 A. Yes I do.

6 **Q. WHY?**

7 A. A full and detailed calculation of income tax is performed at the Company's fiscal
8 year-end. Since all facts are known and the books have closed for the year, the year-
9 end calculation for income taxes is much more precise than the income tax
10 estimates recorded at other time points during the fiscal year. Income tax expense
11 as well as ADIT are recorded to each operating division. Unlike Mr. Novak's
12 recommendation for the current filing test period, the use of per-books income tax
13 expense and accumulated federal deferred tax reserve as of September 30 would
14 not result in the accumulated deferred federal income tax reserve exceeding the
15 amount in reserve for deferred tax expense. Both the reserve and the expense would
16 be included for the same time period, the twelve months ending September.
17 Therefore, the Company would be compliant with the normalization provisions.

18 **VI. PRIVATE LETTER RULING**

19 **Q. DO YOU AGREE WITH MR. NOVAK'S PROPOSAL THAT THE**
20 **COMMISSION REQUIRE THE COMPANY TO SEEK A PRIVATE**
21 **LETTER RULING ON THE NORMALIZATION ISSUE?**

22 A. No I do not.

1 **Q. WHY NOT?**

2 A. Seeking a Private Letter Ruling (“PLR”) from the IRS is a costly and time-
3 consuming undertaking. As I have described in my rebuttal testimony and in
4 answers to discovery questions, the Treasury Regulations governing the
5 normalization rules clearly address the normalization issue at hand; therefore,
6 investing the resources necessary to obtain a PLR would not provide any benefit to
7 the customer.

8 **Q. WHAT DOES MR. NOVAK PROPOSE THAT THE COMMISSION**
9 **SHOULD ORDER WITH REGARD TO PARTICIPATION OF THE TPUC**
10 **STAFF AND CONSUMER ADVOCATE IN A PLR REQUEST BY ATMOS**
11 **ENERGY?**

12 A. Mr. Novak proposes that Atmos Energy should be ordered to permit the full
13 participation of the Commission Staff and CPAD in the process of analyzing,
14 drafting and communicating with the IRS concerning any request for a PLR.

15 **Q. DO YOU AGREE WITH THIS PROPOSAL?**

16 A. No I do not.

17 **Q. WHY NOT?**

18 A. The IRS has defined procedures for ruling on requests for proposed or issued rate
19 orders and compliance with the normalization provisions of the IRC. These
20 procedures are outlined in Revenue Procedure 2017-1. These procedures do not
21 accommodate full participation by consumer advocates and staff in private ruling
22 requests as Mr. Novak has suggested.

1 **Q. WHAT ARE THE PROCEDURES OUTLINED IN REVENUE**
2 **PROCEDURE 2017-1?**

3 A. The request for a Private Letter Ruling is made by the taxpayer. Drafting of such a
4 request is done by the taxpayer and the taxpayer alone. The company requesting
5 the PLR is required to include two statements with the request. The first statement
6 declares whether the regulatory authority responsible for establishing the
7 taxpayer's rates has reviewed the request and believes it to be adequate and
8 complete. The second statement declares whether the taxpayer will permit the
9 regulatory authority to participate in any Associate office conference concerning
10 the request.

11 Once the request is submitted to the IRS, the consumer advocate and
12 regulatory authorities are permitted to communicate with the Service regarding the
13 request via mail.

14 Rev. Proc. 2017-1, Appendix E, Section .01 states:

15 If the taxpayer or the regulatory authority informs a consumer
16 advocate of the request for a letter ruling and the advocate wishes to
17 communicate with the Service regarding the request, any such
18 communication should be sent to: Internal Revenue Service,
19 Associate Chief Counsel (Procedure and Administration), Attn:
20 CC:PA:LPD:DRU, P.O. Box 7604, Ben Franklin Station,
21 Washington, DC 20044 (or, if a private delivery service is used:
22 Internal Revenue Service, Associate Chief Counsel (Procedure and
23 Administration), Attn: CC:PA:LPD:DRU, Room 5336, 1111

1 Constitution Ave., NW, Washington, DC 20224). These
2 communications will be treated as third party contacts for purposes
3 of IRC § 6110.

4 **VII. NET OPERATING LOSS CARRYFORWARD**

5 **Q. HOW DOES THE COMPANY REPORT ITS TAXABLE INCOME TO THE**
6 **INTERNAL REVENUE SERVICE?**

7 A. The Company reports its taxable income on a consolidated basis and files a
8 consolidated Form 1120 - U.S. Corporation Income Tax Return ("Form 1120").

9 **Q. WHAT IS A CONSOLIDATED FILING?**

10 A. The IRC and related regulations provide special rules for the taxation of
11 corporations under common control. An affiliated group of corporations may join
12 in the filing of a consolidated tax return in which the taxable income of the affiliated
13 group is reported on a consolidated basis.

14 **Q. IS ATMOS ENERGY A MEMBER OF A CONSOLIDATED GROUP?**

15 A. Yes. Atmos Energy is the common parent of an affiliated group of companies.

16 **Q. WHAT OTHER COMPANIES ARE IN THE AFFILIATED GROUP AND**
17 **JOIN IN THE FILING OF THE CONSOLIDATED RETURN?**

18 A. All legal entities that are under the common control of the parent corporation,
19 Atmos Energy, join together in the filing of the consolidated return. This filing
20 includes both the utility and non-utility legal entities of the Company.

1 **Q. HOW IS TAXABLE INCOME OR LOSS COMPUTED FOR THE**
2 **CONSOLIDATED TAX RETURN?**

3 A. Treasury Reg §1.1502-11 outlines the requirements for computing taxable income
4 for a consolidated group. This regulation requires that the consolidated taxable
5 income for a consolidated return year is determined by taking into account the
6 separate taxable income of each member of the group. Certain specific items such
7 as charitable contributions, capital gains and losses, and the deduction of net
8 operating losses from carryback or carryforward periods are then determined on a
9 consolidated basis.

10 **Q. HOW IS THE SEPARATE TAXABLE INCOME OF EACH MEMBER OF**
11 **THE AFFILIATED GROUP CALCULATED?**

12 A. Treasury Reg §1.1502-1 defines a member of a consolidated group as a corporation
13 that is included in the group. Treasury Reg §1.1502-12 requires that the separate
14 taxable income for each member must be calculated as if the member was a separate
15 corporation, and not part of a consolidated group. For each member of the affiliated
16 group, a pro forma standalone tax return is prepared. This tax return is prepared as
17 if each of these members were individual and separate taxpayers filing its own tax
18 return. All items of income and deductions are calculated on a standalone basis
19 without regard to other members of the group.

20 **Q. ARE THESE COMPUTATIONS OF SEPARATE TAXABLE INCOME**
21 **COMBINED TO ARRIVE AT CONSOLIDATED TAXABLE INCOME OR**
22 **LOSS?**

23 A. Yes.

1 **Q. DOES THE COMPANY CALCULATE THE TAXABLE INCOME OF THE**
2 **UTILITY OPERATIONS SEPARATE FROM THE NON-UTILITY**
3 **OPERATIONS?**

4 A. Yes. As required by the Treasury regulations, the Company is required to compute
5 the separate taxable income of each member of the affiliated group. The utility
6 operations of the Company are contained solely and entirely within the Atmos
7 Energy Corporation legal entity. Atmos Energy Corporation is a separate and
8 distinct member of the affiliated group. Therefore, a separate calculation of the
9 taxable income and deductions for Atmos Energy Corporation is performed
10 annually. In preparing the annual tax calculations, the Company's tax department
11 prepares a separate pro forma tax return (Form 1120) for each member of the
12 affiliated group, including Atmos Energy. This pro forma tax return reflects the
13 income, deductions and taxable income or loss for that particular member as if it
14 were separate and distinct from the group.

15 **Q. DO THESE ANNUAL CALCULATIONS ALLOW THE COMPANY TO**
16 **BIFURCATE ITS ANNUAL TAXABLE INCOME OR LOSS BETWEEN**
17 **UTILITY AND NON-UTILITY OPERATIONS?**

18 A. Yes. Since all items are calculated separately, the Company is able to clearly
19 identify taxable income and losses generated by utility operations and those
20 generated by non-utility operations.

1 Q. DOES ATMOS ENERGY'S SEPARATE COMPANY TAXABLE INCOME
2 OR LOSS CALCULATION FOR UTILITY OPERATIONS INCLUDE THE
3 ATMOS ENERGY TENNESSEE OPERATIONS?

4 A. Yes.

5 Q. IS A SEPARATE CALCULATION OF TAXABLE INCOME PREPARED
6 FOR INDIVIDUAL OPERATING DIVISIONS SUCH AS ATMOS ENERGY
7 TENNESSEE?

8 A. No. As I have described, the Treasury Regulations are very clear in their
9 requirements and the methodology for calculating taxable income for a
10 consolidated group such as Atmos Energy. The calculation of taxable income is
11 made for each member of a consolidated group.

12 Q. DOES ATMOS ENERGY COMPUTE TAXABLE INCOME FOR
13 OPERATING DIVISIONS SUCH AS ATMOS ENERGY TENNESSEE?

14 A. No. Atmos Energy calculates taxable income in compliance with the Treasury
15 Regulations described above.

16 Q. WHAT IS AN INCOME TAX NET OPERATING LOSS CARRYFORWARD?

17 A. The Company computes its taxable income in accordance with the IRC. Depending
18 on the income and deductions reported on the Company's tax return, either taxable
19 income or a taxable loss is reported on the tax return. Taxable income will result
20 in the imposition of tax at the applicable tax rate. A taxable loss creates an NOL.
21 Under §172 of the IRC, a tax NOL may first be carried back to offset taxable income
22 (generally to the two preceding years). Any loss remaining after the carryback is
23 available to carry forward for up to 20 years and reduce taxable income in a future

1 period. The amount available to carry forward and offset future taxable income is
2 the NOLC.

3 **Q. WHAT ARE THE CONSEQUENCES OF AN NOLC?**

4 A. An NOLC represents deductions that were claimed on a prior tax return but not
5 used to offset the tax liability in the period claimed. An NOLC therefore has the
6 effect of moving those unused deductions forward to a subsequent year to offset the
7 tax liability of the future period.

8 **Q. HAVE ATMOS ENERGY CORPORATION'S REGULATED UTILITY**
9 **OPERATIONS RESULTED IN TAXABLE INCOME OR LOSSES?**

10 A. For the past eight fiscal years, the separate taxable income computations for the
11 utility operations have reflected large taxable losses due to significant deductions
12 associated with bonus depreciation, accelerated depreciation and the deduction of
13 capital expenditures as repairs for tax purposes.

14 **Q. HAVE THESE LOSSES RESULTED IN A NOLC FOR THE COMPANY?**

15 A. Yes.

16 **Q. IS THE COMPANY ABLE TO ACCURATELY IDENTIFY THE AMOUNT**
17 **OF TAXABLE NOLC GENERATED BY THE UTILITY?**

18 A. Yes. By reviewing the separate pro forma tax returns and taxable income
19 computations for each member of the affiliated group, the Company is able to
20 identify that portion of the consolidated tax NOL resulting from utility operations
21 and the portion resulting from non-utility operations.

1 **Q. WHERE IS THIS NOLC RECORDED ON THE COMPANY'S BOOKS AND**
2 **RECORDS?**

3 A. The NOLC is recorded at the Shared Services division.

4 **Q. HOW DOES THE COMPANY ATTRIBUTE NOLC TO OPERATING**
5 **DIVISIONS SUCH AS ATMOS ENERGY TENNESSEE?**

6 A. The NOLC is allocated in the same manner as other shared rate base items recorded
7 at the Shared Services division.

8 **Q. WHY IS THE COMPANY'S METHOD OF ALLOCATING THE NOLC**
9 **REASONABLE?**

10 A. The Company's method of allocation is reasonable for several reasons. It begins
11 with an established NOLC amount that can be reconciled and verified with the
12 Company's tax filings. This number is derived based on guidance from the Treasury
13 Regulations so its computation is consistent and repeatable in future years. The
14 allocation of the utility NOLC to Tennessee is done so with allocation factors that
15 are utilized in many other areas of this filing. The use of those factors result in
16 consistency throughout the filing.

17 **Q. WHAT DOES MR. NOVAK PROPOSE THAT THE COMMISSION ORDER**
18 **WITH REGARD TO THE COMPANY'S CALCULATION OF THE NOLC?**

19 A. Mr. Novak has proposed that the Commission order the Company to calculate a
20 separate NOLC for Atmos Energy Tennessee for inclusion in future ARM filings.

21 **Q. DO YOU AGREE WITH THIS PROPOSAL?**

22 A. No I do not.

1 **Q. WHY NOT?**

2 A. As I have explained, the Company does not calculate taxable income for separate
3 operating divisions. Such a hypothetical calculation would not render an accurate
4 result. Estimates and allocations would necessarily be included in the calculated
5 amount and assumptions would have to be made about how to calculate it. Using
6 such a hypothetical calculation would introduce another allocation methodology
7 into the filing when it is unnecessary to do so. The Treasury Regulations are clear
8 in how taxable income should be computed for members of a consolidated group.
9 No such guidance exists for calculations of operating divisions within a legal entity.
10 Furthermore, such a calculated amount would be inconsistent with the Company's
11 methodology for the inclusion of the NOLC in rates in this and other jurisdictions.

12 **Q. IN WHAT JURISDICTIONS DOES ATMOS ENERGY INCLUDE THE**
13 **ALLOCATED NOLC?**

14 A. Atmos Energy includes the allocated NOLC as described above in every
15 jurisdiction in which it operates.

16 **Q. HAS THIS METHODOLOGY BEEN APPROVED IN THESE**
17 **JURISDICTIONS?**

18 A. Yes, this methodology has been approved in every jurisdiction, including Tennessee
19 and is part of the Approved Methodologies.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

IN RE:

ATMOS ENERGY CORPORATION)
ANNUAL RECONCILIATION)
OF ANNUAL REVIEW MECHANISM)

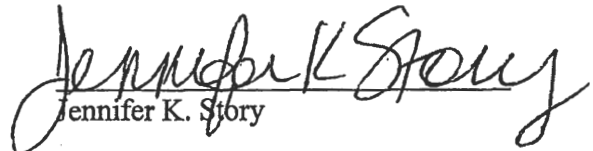
Docket No. 17-00091

VERIFICATION

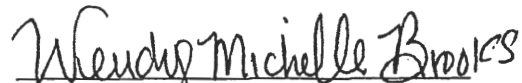
STATE OF TEXAS)

COUNTY OF DALLAS)

I, Jennifer K. Story, being first duly sworn, state that I am Director Income Tax for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Rebuttal Testimony of Jennifer K. Story in support of Atmos Energy Corporation's filing is true and correct to the best of my knowledge, information and belief.


Jennifer K. Story

Sworn and subscribed before me this 20 day of December, 2017.


Notary Public

My Commission Expires: March 31, 2018

