

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

IN RE:

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

RESPONSE OF ATMOS ENERGY TO TPUC STAFF'S MARCH 1 DATA REQUEST

DATA REQUEST:

Please reconcile and explain the calculated \$2,923,963 revenue surplus provided on page 19 of the Settlement Testimony of William H. Novak to the revenue surplus of \$3,477,452 provided in the Atmos filing on March 1, 2018. Also, please provide your position regarding this difference.

RESPONSE:

The reconciliation on the attached spreadsheet traces the steps necessary to reconcile the Company's filed rebuttal position (represented in Exhibit GKW-R-1 and repeated in column "c" on the attached) with the amount filed in Mr. Novak's Supplemental Testimony filed January 4, 2018. The reconciliation can be described in 3 Steps as labeled in columns "d" through "f" on the attached.


Step 1: Begins with the Company's filed rebuttal position in GKW-R-1 and makes adjustments to replace synchronized income tax and interest expense with per books income tax and interest expense. Impacted line items are highlighted which result in the Company's 3/1/18 filing. The Company disagrees that these adjustments are appropriate. Flow through impacts on Cash Working Capital have also been included which have minor impacts on rate base and therefore Return. The merits of the Company's position that synchronized income tax expense must be used for a May 31 ending test period is documented throughout the record. While the issue of interest expense has not been discussed thoroughly in the record, it is the Company's position that synchronized income tax AND interest expense must be used for any test period that does not align with the Company's fiscal year. Should the test period dates be moved to align with the fiscal year (September 30), then it would be possible to use per books for both. The Company had intended to recommend per books income tax and interest expense in the filing that would have resulted from shifting the test period dates.

Step 2: As a first step in reconciling the 3/1/18 filing back to that of the CPAD, Step 2 reverts back to synchronized interest expense as per books interest expense was not contemplated in Mr. Novak's testimony.

Step 3. The final step necessary to complete the reconciliation is to ignore the flow through impacts to Cash Working Capital that were not contemplated by Mr. Novak. Doing so reverts CWC and therefore rate base and return back to the GKW-R-1 amounts, leaving the income tax issue isolated as the difference between the two positions. The Company's position on CWC is that it is appropriate to include flow through impacts caused by other changes to the cost of service.

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

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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 2nd day of March, 2018.

<input type="checkbox"/> Hand	Wayne M. Irvin
<input type="checkbox"/> Mail	Assistant Attorney General
<input type="checkbox"/> Fax	Office of the Attorney General
<input type="checkbox"/> Fed. Ex.	Consumer Protection and Advocate Division
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**Tennessee Distribution System
Cost of Service
Twelve Months Ended May 31, 2017
Response to TPUC Staff Request dated March 1, 2018**

Line				Step 1	Step 2	Step 3
					Revert to Synchronized Interest Expense	Undo Cash Working Capital Flow Through Impacts - Ties to CPAD
No.	Description	Reference	GKW-R-1	Filed 3/1/18		
	(a)	(b)	(c)	(d)	(e)	(f)
1	Cost of Gas	Schedule 3	\$49,958,064	\$49,958,064	\$49,958,064	\$49,958,064
2						
3	Operation & Maintenance Expense	Schedule 4	21,722,726	21,722,726	21,722,726	21,722,726
4						
5	Taxes Other Than Income Taxes	Schedule 5	7,743,266	7,743,266	7,743,266	7,743,266
6						
7	Depreciation & Amortization Expense	Schedule 6	11,858,675	11,858,675	11,858,675	11,858,675
8						
9	Return	Schedule 7	20,802,049	20,788,775	20,788,775	20,802,049
10						
11	Federal Income and State Excise Tax	Schedule 8	9,442,279	6,579,767	6,579,767	6,579,767
12						
13	AFUDC	Wp 1-2	(69,679)	(69,679)	(69,679)	(69,679)
14						
15	Interest on Customer Deposits	Wp 1-1	132,163	132,163	132,163	132,163
16						
17	Total Cost of Service		\$ 121,589,543	\$ 118,713,757	\$ 118,713,757	\$ 118,727,031
18						
19	Cost of Service w/o Gas Cost		71,631,479	68,755,693	68,755,693	68,768,967
20						
21	Non-Gas Revenues in Attrition Year (Gross Margin)		71,300,579	71,300,579	71,300,579	71,300,579
22						
23	Per Books Interest Expense Adjustment			(465,947)		
24						
25	Additional Revenue Required to Earn Authorized Rate of Return		330,900	(3,010,833)	(2,544,886)	(2,531,612)
26						
27	Carrying Cost		51,283	(466,619)	(394,407)	(392,350)
28						
29	Amount to be added to revenue sufficiency / deficiency		\$ 382,182	\$ (3,477,452)	\$ (2,939,293)	\$ (2,923,962)
30	in February 1, 2018 ARM filing					