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June 15, 2018

Sharla Dillon
Dockets Manager
Tennessee Public Utility Commission
500 Deaderick Street, 4th Floor
Nashville, TN 37242

VIA E-MAIL AND HAND DELIVERY

RE: Atmos Energy Corporation – 2018 ARM Filing
TPUC Docket No. 18-00067

Dear Ms. Dillon:

Enclosed is Atmos Energy Corporations 2018 ARM forward-looking filing, consisting of the following:

- Two volumes of non-confidential material (original and four hard copies);
- One volume of confidential material (original and four hard copies), filed in sealed envelopes;
- A thumb drive containing the complete non-confidential portion of the filing, PDF format;
- A separate sealed envelope, containing one thumb drive of confidential material and one thumb drive of the individual files making up the filing and linked model and relied upon files;
- A proposed protective order.

Best regards.

Sincerely,



A. Scott Ross

ASR:prd
Enclosures
cc: Wayne Irvin, Esq.

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

IN RE:)	
)	
PETITION OF ATMOS ENERGY)	
CORPORATION FOR APPROVAL OF)	No. 18-_____
ITS 2018 ANNUAL RATE REVIEW)	
FILING PURSUANT TO TENN. CODE)	
ANN. § 65-5-103(d)(6))	

PROPOSED PROTECTIVE ORDER

To expedite the flow of filings, exhibits and other information, and to facilitate the prompt resolution of disputes as to the confidentiality of information, adequately protect information entitled to be kept confidential and to ensure that protection is afforded only to information so entitled, the Tennessee Public Utility Commission ("TPUC") hereby orders that:

1. For the purpose of this Protective Order ("Order"), proprietary or confidential information, hereinafter referred to as CONFIDENTIAL INFORMATION, shall mean documents, testimony, or information in whatever form which the Producing Party, in good faith, and based on reasonable inquiry, deems to contain trade secrets, confidential research, development or other sensitive information protected by state or federal law, regulation or rule, and which has been specifically designated by the Producing Party. A Producing Party is defined as the Party creating the CONFIDENTIAL INFORMATION as well as the Party having actual physical possession of information produced pursuant to this Order.

2. All summaries, notes, extracts, compilations or other direct or indirect reproduction from or of any protected materials, shall be entitled to protection under this Order.

3. Documents containing CONFIDENTIAL INFORMATION shall be segregated from non-confidential information and be conspicuously and specifically labeled as “CONFIDENTIAL” on each page containing CONFIDENTIAL INFORMATION and on the cover page by the Producing Party. The documents must be produced in a way that will clearly identify to others that it contains CONFIDENTIAL INFORMATION.¹ Any document so designated shall be handled in accordance with this Order. The provisions of any document containing CONFIDENTIAL INFORMATION may be challenged under paragraph 16 of this Order.

4. Any individual Party or non-Party subject to this Order, including Producing Parties or persons reviewing CONFIDENTIAL INFORMATION, shall act in good faith in discharging their obligations hereunder.

5. Parties or non-Parties subject to this Order shall include Atmos Energy Corporation and its affiliates (“Atmos”) and the Consumer Protection and Advocate Division of the Office of the Attorney General (“Attorney General”). Anything else in this Order to the contrary notwithstanding, if parties other than the Office of the Attorney General are permitted to intervene, they will be allowed access to Confidential Information only to the extent and under the conditions permitted by separate order consistent with this Order.

6. Subject to the exceptions noted in this Order, CONFIDENTIAL INFORMATION shall be disclosed only to the following persons:

- (a) Counsel of record for the Parties in this case and associates, secretaries, and paralegals actively engaged in assisting counsel of record in this docket and any appeals therefrom;

¹ The Producing Party is required to provide substitute information clearly and conspicuously marked CONFIDENTIAL and/or provide segregated Confidential Information from non-confidential information within a reasonable time of a Person’s identification that Confidential information is not clearly and conspicuously marked CONFIDENTIAL, not marked CONFIDENTIAL at all, or is not segregated from non-confidential information.

- (b) In-house counsel for the Parties;
- (c) Officers, directors, or employees of the parties, including employees of the Office of the Tennessee Attorney General; provided, that such officers, commissioners, and/or employees shall be subject to the provisions of this Order, and shall not disclose such information further except as otherwise permitted under the terms of this Order.;
- (d) TPUC Commissioners and members of the Staff of the TPUC; and
- (e) Outside consultants and expert witnesses employed or retained by the parties or their counsel, who have access to CONFIDENTIAL INFORMATION solely for evaluation, testing, testimony, preparation for trial or other services related to this Docket, provided that to the extent that any Party seeks to disclose CONFIDENTIAL INFORMATION to any outside consultant or expert witness who is expected to testify on that Party's behalf, the Party shall give seven (7) days written notice to the Producing Party of intention to disclose CONFIDENTIAL INFORMATION. During such notice period, the Producing Party may move to prevent or limit disclosure for cause, in which case no disclosure shall be made until the TPUC, the Hearing Officer, the Administrative Law Judge or court rules on the motion. Any such motion shall be filed within three (3) days after service of the notice. Any response shall be filed within three (3) days after service of the notice. Pre hearing conferences may be called to confer with the parties on the Motions to Limit Disclosure. All service shall be by the fastest method of hand delivery, facsimile or email. All filings by email in this Docket shall be followed up by delivering a hard copy of the filing to the Docket Manager of TPUC.

Under no circumstances shall any CONFIDENTIAL INFORMATION be disclosed to or discussed with anyone associated with the marketing of services in known competition with the products, goods or services of the Producing Party.

7. Prior to disclosure of CONFIDENTIAL INFORMATION to any of the authorized persons, the counsel representing the Party who is to receive the CONFIDENTIAL INFORMATION shall notify the Party who is receiving the CONFIDENTIAL INFORMATION of this Order and where it can be found on TPUC's website or provide a copy of this Order to the recipient

Commissioner, staff member, employee or, officer, who shall be bound by the terms of this Order.

8. Prior to disclosure of CONFIDENTIAL INFORMATION to any outside consultant or expert witness employed or retained by a Party, counsel shall provide a copy of this Order to such outside consultant or expert witness, who shall sign an Affidavit in the form of attached as Exhibit A to this Order attesting that he or she has read a copy of this Order, that he or she understands and agrees to be bound by the terms of this Order, and that he or she understands that unauthorized disclosure of the documents labeled “CONFIDENTIAL” constitutes a violation of this Order. This Affidavit shall be signed in the presence of and be notarized by a notary public. Counsel of record for each Party shall provide the Producing Party a copy of each such Affidavit for retained experts expected to be called as a witness at the hearing of this matter and shall keep the Affidavits executed by all experts or consultants retained by that Party, whether or not expected to be called as a witness, on file (electronically or in paper) in their respective offices.

9. No person authorized under the terms herein to receive access to information testimony designated as CONFIDENTIAL INFORMATION shall be granted access until such person has complied with the requirements set forth in paragraphs 7 and 8 of this Order.

10. In no event shall the TPUC, Attorney General, the State of Tennessee or any other Party to this Order, be liable for any claims or damages resulting from the disclosure of information while not so labeled as “CONFIDENTIAL” at all, or not segregated from non-confidential information. The Party or non-Party who has produced such information shall notify the Recipient of the inadvertence in providing the CONFIDENTIAL INFORMATION in writing within five (5) days of discovery of such inadvertence and the CONFIDENTIAL nature of the information and within a reasonable time provide substitute information clearly and conspicuously marked

CONFIDENTIAL and segregated from non-Confidential Information.

11. An inadvertent failure to label a document as “CONFIDENTIAL” shall not constitute a waiver of confidentiality. The Party who has produced the document shall notify the recipient of the document in writing of such inadvertent failure to label the document as CONFIDENTIAL. Upon such notice, pending resolution of a motion described below, recipients will treat the subject document as CONFIDENTIAL INFORMATION. The Party by written motion or by oral motion at a Pre-Hearing Conference or at the Hearing on the merits may request designation of the information as CONFIDENTIAL, and recipients shall then be governed by the order on the motion. An inadvertent failure to label information as CONFIDENTIAL, or to segregate it from non-confidential information shall not, in any way, affect the TPUC’s determination as to whether the information is entitled to CONFIDENTIAL status under this Order. The TPUC, the Hearing Officer, or Administrative Law Judge may, at his or her discretion, either before or during the Pre-Hearing Conference or Hearing on the merits of the Docket allow information to be designated CONFIDENTIAL and treated as such in accordance with the terms of this Order.

12. Any filings in this Docket that contain, quote, paraphrase, compile or otherwise disclose documents covered by the terms of this Order, or any information contained therein, shall be filed with the TPUC in sealed envelopes labeled “CONFIDENTIAL.” The filing party shall also include with the filing a public version of the papers with any CONFIDENTIAL INFORMATION redacted. Only the redacted public version may be placed in the TPUC’s public file and/or posted on the TPUC website. Each sealed envelope shall be labeled to reflect the style and docket number of this Docket and to identify the subject matter of the content of the sealed envelope. The envelopes shall be maintained in a locked filing cabinet or may be converted to electronic format at the election

of TPUC. The envelopes shall not be opened or their contents reviewed by anyone except upon order by the TPUC, Hearing Officer, or Administrative Law Judge after due notice to Counsel of Record. Notwithstanding the foregoing, the Commissioners and the Staff of the TPUC may review any paper filed as CONFIDENTIAL INFORMATION and labeled “CONFIDENTIAL” without obtaining an order of the TPUC, Hearing Officer, or Administrative Law Judge, provided the Commissioners and Staff maintain the confidentiality of the paper in accordance with the terms of this Order.

13. Information designated as CONFIDENTIAL INFORMATION and labeled “CONFIDENTIAL,” in accordance with this Order, may be disclosed in testimony at the Hearing on the merits of this Docket and offered into evidence in any hearing related to this Docket, subject to the applicable Rules of Evidence and to such future orders as the TPUC, Hearing Officer, or Administrative Law Judge may enter. Any Party intending to use documents, information, or testimony designated as CONFIDENTIAL INFORMATION shall inform the Producing Party and the TPUC, Hearing Officer, or Administrative Law Judge, prior to the Hearing on the merits of the case, of the proposed use, and shall advise the TPUC, the Hearing Officer, or Administrative Law Judge, and the Producing Party before use of such information during witness examinations so that appropriate measures can be taken by the TPUC, Hearing Officer, or Administrative Law Judge to protect the confidential nature of the information.

14. Except for documents filed with the TPUC, all information covered by the terms of this Order that are disclosed to the Requesting Party shall be maintained separately in electronic or paper files labeled “CONFIDENTIAL” and labeled with reference to this Order at the offices of the requesting Party's Counsel of Record.

15. Nothing herein shall be construed as preventing any Party from continuing to use and disclose any information labeled as CONFIDENTIAL: (a) that is in the public domain, or (b) that subsequently becomes part of the public domain through no act of such Party, or violation of this Order, or (c) that is disclosed to it by a third party, where said disclosure does not itself violate any contractual or legal obligation or terms of this Order, or (d) that is independently developed by a Party, or (e) that is known or used by it prior to this Docket, or, or (f) if disclosure is otherwise required by state or federal law or by court order. The burden of establishing the existence of (a) through (f) shall be upon the Party attempting to use or disclose such information.

16. Any Party may contest the designation of any information as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS by a written or oral motion with the TPUC, Hearing Officer, Administrative Law Judge or the courts, as appropriate, for a ruling that the information should not be so treated. All information designated as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS, however, shall be maintained as such until the TPUC, Hearing Officer, Administrative Law Judge, or a court orders otherwise. A motion to contest must be filed not later than ten (10) days after receipt of the material designated CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS or five (5) days prior to the Hearing on the merits, whichever date occurs later in time. Any reply seeking to protect the status of their CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS must be received not later than five (5) days prior to the Hearing on the merits. These limitations can be waived by TPUC in the public interest or to comply with state and federal law or a court order. Any reply seeking to protect the status of the CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS must be received no later than three (3) business days prior to the hearing

on the merits or as otherwise ordered by TPUC. Motions made and subsequent replies received within the three (3) days prior to the Hearing on the merits shall be presented to the TPUC at the Hearing on the merits for a ruling.

17. Nothing in this Order shall prevent any Party from asserting any objection to discovery.

18. Non-party witnesses shall be entitled to invoke the provisions of this Order by designating information produced for use in this action as CONFIDENTIAL INFORMATION pursuant to the terms of this Order.

19. To the extent permitted by state and federal law and regulations, any person to whom disclosure or inspection is made in violation of this Order shall be bound by the terms of this Order.

20. Upon an order becoming final in this Docket and conclusion of any appeals resulting from such an order, except as to the Attorney General and the TPUC, all the filings, exhibits and other materials designated CONFIDENTIAL INFORMATION, and all copies thereof, shall be returned to counsel of the Producing Party within fifteen (15) business days of a written request from the Producing Party, or counsel in possession of such information shall certify to counsel of the Producing Party that all the filings, exhibits and other materials designated as CONFIDENTIAL INFORMATION and all copies thereof have been destroyed. To the extent permitted by law, the Attorney General may elect to retain the CONFIDENTIAL INFORMATION provided it continues to comply with the terms of this Order. Further, the TPUC shall retain copies of information designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS as may be necessary to maintain a complete record of this Docket intact.

21. After termination of this Docket, the provisions of this Order relating to confidential

nature of CONFIDENTIAL INFORMATION, shall continue to be binding, upon Parties hereto and their officers, employers, employees, agents, and/or others for five (5) years unless this Order is vacated or modified or otherwise ordered by TPUC.

22. Nothing herein shall prevent entry of a subsequent order, upon an appropriate showing, requiring that any documents, information or testimony designated as CONFIDENTIAL INFORMATION shall receive protection other than that provided herein.

23. In addition to the other provisions of this Order, a Producing Party may designate and label as “PROTECTED SECURITY MATERIALS” documents and information related to security measures undertaken to protect public health and safety. The Producing Party shall provide access to PROTECTED SECURITY MATERIALS to TPUC Commissioners and members of the Staff of the TPUC and further only to authorized representatives of the Intervenor in this Docket. Authorized representatives shall be limited to the following: (i) one counsel of record and one other staff member or person under contract to the staff, each authorized in writing by a senior official of the TPUC to have such access; and with respect to any other party, (ii) two Counsels of Record, the Tennessee Attorney General, the Chief Deputy of the Office of the Tennessee Attorney General, the Senior Deputy whose responsibility includes the Consumer Advocate duties, the Deputy Attorney General responsible for Consumer Advocate duties and two other persons, employed by or under contract to the Party, authorized by that Party in a written certification mutually agreeable to the Parties.

24. The Producing Party shall provide access by an authorized representative to PROTECTED SECURITY MATERIALS only after such authorized representative has executed an Affidavit in the form of that attached as Exhibit A to this Order and provided a copy to the Producing

Party. Except with consent of the Producing Party: (i) access shall be at the offices of the Producing Party or its Counsel of Record and under supervision of the Producing Party ; (ii) PROTECTED SECURITY MATERIALS shall not be removed from the offices of the Producing Party or its counsel; and (iii) no copies shall be provided to an authorized representative except as provided herein. Authorized representatives may make notes or memoranda from a review of the PROTECTED SECURITY MATERIALS and may remove such notes and memoranda. In all other respects such notes and memoranda shall remain PROTECTED SECURITY MATERIALS and subject to the provisions hereof. PROTECTED SECURITY MATERIALS shall be used only to assist TPUC Staff or any other Party to prepare for and to try this Docket and shall not be used for any other purpose in this or any other jurisdiction except as provided for in this Order.

25. Except as provided in this Order, the contents of PROTECTED SECURITY MATERIALS to which the TPUC Staff or other Party is given access, and any notes, memoranda, or any form of information or opinions regarding or derived from the PROTECTED SECURITY MATERIALS shall not be disclosed to anyone other than an authorized representative in accordance with this Order, except that an authorized representative may disclose his or her conclusions or findings solely within, and for the purposes of, this Docket and in accordance with this Order. PROTECTED SECURITY MATERIALS shall not otherwise be published, disclosed or divulged except as expressly provided herein. The TPUC Staff and any other Party shall treat all notes and memoranda or opinions regarding or derived from the PROTECTED SECURITY MATERIALS as highly confidential and shall keep them in a secure location with access limited to an authorized representative and the contents of PROTECTED SECURITY MATERIALS and any information derived from them shall be considered highly confidential, and shall not be deemed public records.

The TPUC Staff, any Party, Hearing Officer, or the TPUC Commissioners may discuss any position or conclusion regarding security expenditures and testimony in briefs, orders, pleadings, or hearings in this Docket in accordance with this Order.

26. Upon written request from the Producing Party within one (1) month from the conclusion of this Docket or any judicial review proceedings involving security related expenditures, the TPUC Staff and any Party will either return any PROTECTED SECURITY MATERIALS, any notes or memoranda related thereto and any copies thereof to the Producing Party or certify to the Producing Party in writing that all such notes, memoranda and copies have been destroyed. Any electronic copies of PROTECTED SECURITY MATERIALS made by authorized representatives shall be eliminated. However, the TPUC shall retain copies of information designated as PROTECTED SECURITY MATERIALS as may be necessary to maintain a complete record of this Docket intact.

27. The Attorney General and his staff have authority to enter into non-disclosure agreements pursuant to Tenn. Code Ann. § 65-4-118 which are consistent with state and federal law, regulations and rules.

28. The Attorney General and his staff agree to keep CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATERIALS in a secure place and will not permit them to be seen by any person who is not an employee of the State of Tennessee, the Office of the Attorney General and Reporter, or a person who has signed a Non-Disclosure Agreement.

29. The Attorney General and his staff may make copies of CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATERIALS and any portion thereof. To the extent permitted by state and federal law, regulations and rules, all notes utilizing supporting

information shall be subject to the terms of this Order to the extent factual assertions are derived from the supporting information.

30. To the extent permitted by state law, the Attorney General's Office may provide timely notice of any public records request so the Producing Party may take any action it deems appropriate. The Attorney General may, consistent with the discharge of its duties, handle information received pursuant to this Order accordant with Tenn. Code Ann. § 10-7-504(a)(5)(C) or any other law, regulation or rule.

31. The obligations of the Attorney General and his staff under this Order are further subject to the state's Public Records Act and other open records statutes. Nothing in this Order is intended to violate or alter the state's Public Records Act or Freedom of Information Act ("FOIA"). In the event that the Attorney General or member of his staff is served with a subpoena, public records request, FOIA request, or other request that calls for the production of confidential commercial information labeled as "CONFIDENTIAL INFORMATION" or "PROTECTED SECURITY MATERIALS" by the Producing Party, the Attorney General will notify the Producing Party by notifying the undersigned of the existence of the subpoena, public records request, FOIA request, or other request, at least five (5) business days before responding to the request to the extent permitted by state law and orders of a court, as long as the Attorney General or his staff is able to respond to the request within a reasonable time. The Attorney General or his staff may elect to wait to produce such information as allowed by state law in order to provide the Producing Party an opportunity to challenge said subpoena or request or to make arrangements to preserve the confidentiality of the confidential commercial information labeled as "CONFIDENTIAL INFORMATION" or "PROTECTED SECURITY MATERIALS" by the Producing Party that is

subject to such request.

32. The designation of any information in accordance with this Order as constituting “CONFIDENTIAL INFORMATION” or “PROTECTED SECURITY MATERIALS” and the Attorney General’s or his staff’s treatment of such material as confidential in compliance with this Order is not an admission or agreement by the Attorney General or his staff that the material constitutes or contains CONFIDENTIAL INFORMATION protected by state or federal law and shall not be deemed to be either a waiver of the State’s right to challenge such designation or an acceptance of such designation. The Producing Party agrees to designate information provided to the Attorney General as CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATERIALS if it has a good faith basis for the claim . The Producing Party will upon request of the Attorney General or his staff provide a written explanation of the details, including statutory authority that support its CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATERIALS claim within five (5) days of a written request. The Producing Party also specifically agrees that it will not designate any documents as CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATEIRALS or label such documents as “CONFIDENTIAL” if the documents:

- (a) have been distributed to the public, consumers or others; or
- (b) are not maintained by the Producing Party as CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATERIALS.

33. Nothing in this Order shall prevent the Attorney General from using the CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATERIALS received for investigative purposes in the discharge of the duties of the Office of the Attorney General and

Reporter. Additionally, nothing in this Order shall prevent the Attorney General from informing state officials and third parties of the fact of an investigation, as needed, to conduct the investigation.

Without limiting the scope of this paragraph, nothing in this Order shall prevent the Attorney General from contacting consumers whose names were provided by the Producing Party or from discussing with any consumer any information that he or she allegedly received from the Producing Party or confirming that a consumer actually received the information.

34. CONFIDENTIAL INFORMATION and PROTECTED SECURITY MATERIALS are subject to this Order which is entered pursuant to Rule 26 of the Tennessee Rules of Civil Procedure and to the Tennessee Public Records Act, as set forth in the language of Tenn. Code Ann. § 10-7-503(a)(2)(A) “. . . unless otherwise provided by state law.”

35. All information designated as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS and produced in accordance with this Order may be disclosed in testimony or offered into evidence at any TPUC or court hearing, trial, motion or proceeding of this Docket, subject to the provisions of this Order, including Paragraph 13, and the applicable Rules of Evidence and any order the TPUC may enter to protect the confidentiality of information offered at any hearing or other proceeding. The party who produced the information designated as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS agrees to stipulate to the authentication of such information, documents and things in any such proceeding. If any Party identified information in the CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS that indicates that unlawful conduct (civil or criminal) has occurred or may occur, nothing in the Order shall prevent such Party from reporting such alleged conduct to the appropriate law enforcement or regulatory agency.

36. Nothing in this Order is intended to restrict or alter federal or state laws, regulations or rules.

37. Any person who has signed a non-disclosure certificate or is otherwise bound by the terms of this Order shall continue to be bound by this Order and/or certificate even if no longer engaged by the TPUC or Intervenors.

HEARING OFFICER

This _____ day of _____, 2018.

SUBMITTED FOR ENTRY:

NEAL & HARWELL, PLC

By: 

A. Scott Ross, #15634

Blind Akrawi, #23213

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Counsel for Atmos Energy Corporation

EXHIBIT A

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

IN RE:)
)
PETITION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL OF) **No. 18-_____**
ITS 2018 ANNUAL RATE REVIEW)
FILING PURSUANT TO TENN. CODE)
ANN. § 65-5-103(d)(6))

AGREEMENT TO COMPLY WITH PROTECTIVE ORDER

I have reviewed the Protective Order entered in this Docket and agree to abide and be bound by its terms. I understand that unauthorized disclosure of information labeled “CONFIDENTIAL” or “PROTECTED SECURITY MATERIALS” will be a violation of the Protective Order.

DATE

NAME

STATE OF _____)

COUNTY OF _____)

Personally appeared before me, _____, a Notary Public,
_____ with whom I am personally acquainted, who acknowledged that
he executed the within instrument for the purposes therein contained.

WITNESS my hand, at office, this _____ day of _____, _____.

NOTARY PUBLIC

My Commission Expires: _____

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

IN RE:

PETITION OF ATMOS ENERGY CORPORATION)	
FOR APPROVAL OF ITS 2018 ANNUAL RATE)	Docket No. 18-XXXXX
REVIEW FILING PURSUANT TO TENN.)	
CODE ANN. § 65-5-103(d)(6))	

2018 ARM FORWARD-LOOKING FILING

Pursuant to the Annual Review Mechanism Tariff ("ARM") approved in Commission Docket No. 14-00146, Atmos Energy Corporation ("Atmos Energy" or the "Company") hereby respectfully makes its 2018 annual forward-looking filing. Atmos Energy submits herewith the following documents:

1. Certification
 - a. Attachment A: Deviations from Approved Methodologies
 - b. Attachment B: Added and Disabled Accounts/Subaccounts
2. Testimony of Gregory K. Waller
3. Testimony of Jennifer K. Story
4. List of Dockets Utilizing Methodologies Originally Approved in Docket No. 14-00146
5. 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. TPUC Staff Revenue Requirement Schedules
6. Relied Upons
- a. FY16 Blending percentages for Greenville and CKV Center Effective Oct-15
 - b. FY17 Blending percentages for Greenville and CKV Center Effective Oct-16
 - c. ADIT to Rates Oct 2017
 - d. Cash Working Capital
 - e. Depreciation
 - f. Essbase Support Final FY17
 - g. FY 2018 Ad Valorem Budget
 - h. FY17 Composite Factors for Rates FINAL
 - i. FY18 Blending percentages for CKV Center, Greenville and Aligne Effective Oct-17
 - j. FY18 Composite Factors
 - k. Gas Storage Forecast 2017_Thru May 2019
 - l. Income Statement
 - m. Inflation Calculation
 - n. Intercompany Lease Property 2017
 - o. KMD FY18 CapEx Projected Budget Final
 - p. KYMidStates CapEx Jul17
 - q. O&M Summary Historic Year Sep 17
 - r. O&M Summary Test Year-Budget FY18
 - s. Plant Balances 2018 TN Case
 - t. Reg Asset Tenn Calcs Thru 073114
 - u. SSU FY18 CapEx Projected Budget
 - v. SSU-CapEx Projections-2017
 - w. Taxes Other FY18 Details 093DIV
 - x. Taxes Other Historical
 - y. TN SSU Asset Depreciation activity by month Sep-16 to Sep-17
 - z. TN Depreciation Rates_09-2016
 - aa. TN Office Leases 2018
 - bb. TN-FYE2015-AcctAllocation
 - cc. TRA Customer Deposits Interest Rate
 - dd. Historic Base Period and Forward Looking Test Year Billing Determinants (Confidential)
7. 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
8. Tennessee Minimum Filing Requirement #38
9. Trial Balance

- 10. General Ledger
- 11. Variance Report
- 12. Proposed Tariff

WHEREFORE, Atmos Energy respectfully requests that the Commission approve the Annual ARM Filing and the Company's Proposed Tariff and supporting schedules.

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

A. Scott Ross, #15634
1201 Demonbreun Street, Suite 100
Nashville, TN 37203
(615) 244-1713 – Telephone
(615) 726-0573 – Facsimile
sross@nealharwell.com

Counsel for Atmos Energy Corporation

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 15th day of June, 2018.

<input type="checkbox"/> Hand	Wayne M. Irvin, Esq.
<input type="checkbox"/> Mail	Vance Broemel, Esq.
<input type="checkbox"/> Fax	Rachel Newton, Esq.
<input type="checkbox"/> Fed. Ex.	Office of the Attorney General
<input checked="" type="checkbox"/> E-Mail	Consumer Advocate and Protection Division
	P. O. Box 20207
	Nashville, TN 37202-0207



BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

IN RE:)
)
PETITION OF ATMOS ENERGY CORPORATION)
FOR APPROVAL OF ITS 2018 ANNUAL RATE) Docket No. 18-XXXXXX
REVIEW FILING PURSUANT TO TENN.)
CODE ANN. § 65-5-103(d)(6))

CERTIFICATE

STATE OF TENNESSEE)

COUNTY OF WILLIAMSON)

I, J. Kevin Dobbs, being first duly sworn, state that I am the President, Kentucky Mid-States Division for Atmos Energy Corporation (“Atmos Energy” or “the Company”), that I am authorized to affirmatively represent and warrant, on behalf of Atmos Energy in the above referenced docket, upon information and belief formed after reasonable inquiry:

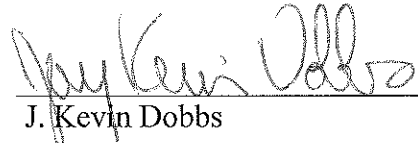
- (i) That the Company’s Annual Review Mechanism (“ARM”) Filing has been prepared in accordance with the Approved Methodologies, as defined and described in Section III. G. of the ARM Tariff (Atmos Energy Tariff Sheet No. 34.1) and Section 13(g-m) of the *Stipulation and Settlement Agreement* as approved by the Tennessee Public Utility Commission (“Commission”) in Exhibit A of the *Order Approving Settlement* in Docket No. 14-00146 (the “Settlement Agreement”) and subsequent Orders of the Commission in Dockets filed pursuant

to the Company's ARM tariff, with the exception of: 1) the deviations disclosed and described in Attachment A to this affidavit;

- (ii) That the Company does not have any New Matters, as defined in Section III. F. of the ARM Tariff (Atmos Energy Tariff Sheet No. 34.1);
- (iii) That the Variance Report, as defined in Section IX of the ARM Tariff (Atmos Energy Tariff Sheet No. 34.7), includes all matters that are required by the Settlement Agreement and any related Tennessee Public Utility Commission order to be disclosed in the Variance Report;
- (iv) That no Disallowed Items, as identified and described in Attachment H of the Settlement Agreement and modified by subsequent Orders of the Commission in Dockets filed pursuant to the Company's ARM tariff, have been included in the Company's ARM Filing;
- (v) That, except as expressly disclosed in Attachment B attached to this Certificate, Attachment B to the Certificate of previous forward looking Dockets filed pursuant to the Company's ARM tariff, and in Orders of the Commission in Dockets filed pursuant to the Company's ARM tariff, since the Effective Date of the Settlement Agreement there have been no additions, deletions, or modifications to the accounts or subaccounts used by the Company, as defined by Section 34 of the Settlement Agreement and as such accounts or subaccounts

were provided to the Tennessee Public Utility Commission and Consumer Advocate in the form of discovery and data request responses in Tennessee Public Utility Commission Docket No. 14-00146;

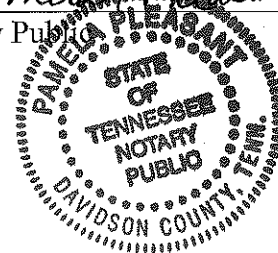
- (vi) That, except as referenced and described in the immediately preceding subsection (v), there has been no change in the method of accounting or estimation in any account or subaccount since the Effective Date of the Settlement Agreement;
- (vii) That the budgeting and forecasting methodologies used as the basis for the forecasted cost of service in this Docket are consistent with those employed in Docket No. 14-00146 and underlie the Approved Methodologies as defined in section (i) above;
- (viii) That the cost of service items for which the Company seeks recovery, particularly but not limited to capital investments and operating expenses, have been prudently incurred and/or have been prudently forecasted to be incurred.


J. Kevin Dobbs

Sworn and subscribed before me this 8th day of June, 2018


Notary Public

My Commission Expires: MARCH 3, 2020



ATTACHMENT A

Deviations from Approved Methodologies

Regulatory Assets and Liabilities and Accumulated Deferred Income Tax Deviations Required by the Tax Cuts and Jobs Act ("TCJA")

The Tax Cuts and Jobs Act ("TCJA") was signed into law on December 22, 2017, making certain federal tax law changes, including a reduction in the corporate income tax rate. These tax law changes necessitate corresponding changes to certain aspects of the Company's revenue requirement model. Accordingly, the Company respectfully files its 2018 Annual Review Mechanism (ARM) filing with certain deviations from the Approved Methodologies, as defined in the ARM Tariff and the *Stipulation and Settlement Agreement* as approved in Exhibit A of the *Order Approving Settlement* in Tennessee Public Utility Commission Docket No. 14-00146 (the "Settlement Agreement") and subsequent Orders of the Commission in Dockets filed pursuant to the Company's ARM tariff. The deviations are required to properly reflect the impact of the TCJA in the Company's revenue requirement and are discussed in depth in the pre-filed direct testimony of Company witness Ms. Jennifer Story. They are briefly summarized below.

Paragraph 13(k)(vii) "Regulatory Assets" of the Settlement Agreement specifies that regulatory assets recognized by the Company be limited to the single item (which is now fully amortized) listed on Attachment F of the Settlement Agreement. There is no specific mention of regulatory liabilities. The TCJA requires the recognition of a regulatory liability for excess deferred income taxes and a deferred tax asset for the tax gross-up of same. The regulatory liability is reflected on Schedule 7 of the revenue requirement schedules while the related deferred tax asset is reflected in the Accumulated Deferred Income Tax balances and supporting workpapers. The amortization of the excess deferred income taxes included in revenue requirement is reflected on Schedule 1.

Paragraph 13(k)(ix) "Accumulated Deferred Income Tax" of the Settlement Agreement specifies that ADIT balances, other than the projected fixed asset accumulated ADIT, be held constant from the end of the Historic Base Period. A deviation is required because the Historic Base Period in this docket ends September 30, 2017 which is three months prior to the effective date of the TCJA. To properly include the impact of the TCJA in the Company's revenue requirement, ADIT balances must be forecasted consistent with the TCJA to 1) forecast ADIT consistent with the new federal income tax rate and 2) properly reflect the regulatory liability and asset balances described in the preceding paragraph.

ATTACHMENT B

Added and Disabled Accounts / Subaccounts

List of Added Accounts					
Type of Account	Account Number	Account Description	Date Added	Balance Sheet or Income Statement	50 (Yes/No)
Ferc Account	2250	Long Term Debt Premium	6/13/2017	Balance Sheet	Yes
Ferc Account	4290	Amortization of debt premium	7/7/2017	Income Statement	No
Sub Ferc Account	06113	Payment Services	6/14/2017	Income Statement	Yes
Sub Ferc Account	10030	Acquisition Adj-EnLink Pipeline	1/6/2017	Balance Sheet	No
Sub Ferc Account	10031	Acquisition Adj - Floxie system	3/1/2017	Balance Sheet	No
Sub Ferc Account	10243	Investment in TLGS Inc.	7/24/2017	Balance Sheet	No
Sub Ferc Account	10257	Restricted Stock Accumulated Amort-LTIP Performance Based	8/4/2017	Balance Sheet	Yes
Sub Ferc Account	10261	RSU Accumulated Amort - LTIP Time Lapse	8/4/2017	Balance Sheet	Yes
Sub Ferc Account	10265	RSU Accumulated Amort - MIP	8/4/2017	Balance Sheet	Yes
Sub Ferc Account	10271	Investment in AELIG	1/23/2017	Balance Sheet	No
Sub Ferc Account	12129	Mid-Tex Gas	2/15/2017	Balance Sheet	Yes
Sub Ferc Account	12136	Allegro Intercompany	2/15/2017	Balance Sheet	No
Sub Ferc Account	13536	750MM 4.125% due Oct-44	6/13/2017	Balance Sheet	Yes
Sub Ferc Account	13537	500MM 3.000% due Jun-27	6/13/2017	Balance Sheet	Yes
Sub Ferc Account	13776	GUO 10580 MAOP	8/10/2017	Balance Sheet	No
Sub Ferc Account	13777	FAS87 Reg Asset Non-Def	8/31/2017	Balance Sheet	No
Sub Ferc Account	13778	FAS106 Reg Asset Non-Def	8/31/2017	Balance Sheet	No
Sub Ferc Account	13779	SERP Reg Asset Non-Def	8/31/2017	Balance Sheet	No
Sub Ferc Account	13800	Expense Advance Clearing	5/2/2017	Balance Sheet	Yes
Sub Ferc Account	13894	Auto Insurance installment	8/28/2017	Balance Sheet	Yes
Sub Ferc Account	13898	Tax placeholder-Sabrix	5/2/2017	Balance Sheet	Yes
Sub Ferc Account	13944	Other Miso Def Dr - Miso	2/9/2017	Balance Sheet	Yes
Sub Ferc Account	14222	Goodwill - AELIG	1/23/2017	Balance Sheet	No
Sub Ferc Account	16041	Monroe 453S	1/25/2017	Balance Sheet	No
Sub Ferc Account	16043	JISH NGPA Sec 311	4/7/2017	Balance Sheet	No
Sub Ferc Account	20239	3.000% Senior Notes due 2027	6/13/2017	Balance Sheet	Yes
Sub Ferc Account	21042	Dental Claims Incurred	10/6/2017	Balance Sheet	Yes
Sub Ferc Account	21132	Oracle AR Reimbursements	8/29/2017	Balance Sheet	Yes
Sub Ferc Account	21254	Tetco Cashout	2/15/2017	Balance Sheet	No
Sub Ferc Account	25146	SUT Tennessee	2/15/2017	Balance Sheet	No
Sub Ferc Account	25147	SUT-Kentucky	2/15/2017	Balance Sheet	No
Sub Ferc Account	26811	Accrued Interest Payable	2/15/2017	Balance Sheet	No
Sub Ferc Account	26858	Int-3.000% Senior Notes due 2027	6/13/2017	Balance Sheet	Yes
Sub Ferc Account	27245	Oklahoma State Sales Tax	2/2/2017	Balance Sheet	No
Sub Ferc Account	27272	OH CAT Tax	2/15/2017	Balance Sheet	No
Sub Ferc Account	27274	Ohio State Fee	2/15/2017	Balance Sheet	No
Sub Ferc Account	27703	Other	2/15/2017	Balance Sheet	Yes
Sub Ferc Account	30167	4.15% Senior Notes disc	6/13/2017	Income Statement	Yes
Sub Ferc Account	30168	4.125 Senior Notes disc	6/13/2017	Income Statement	Yes
Sub Ferc Account	30174	3.000 Senior Notes prem	6/13/2017	Income Statement	Yes
Sub Ferc Account	30304	Gross Sales - Jobbing	8/4/2017	Income Statement	Yes
Sub Ferc Account	30945	LTD 3.000% Sr Notes due 2027	6/13/2017	Income Statement	Yes
Sub Ferc Account	31379	Provision for Rate Refunds - Cost of Service Reserve	1/31/2018	Income Statement	Yes
Sub Ferc Account	40011	Billed to AELIG	2/3/2017	Income Statement	Yes
Sub Ferc Account	40012	Billed to WKGS	2/3/2017	Income Statement	Yes
Sub Ferc Account	40013	Billed to AEH	2/3/2017	Income Statement	Yes
Sub Ferc Account	40014	Billed to UCGS	2/6/2017	Income Statement	Yes
Sub Ferc Account	40015	Billed to TLGP	2/7/2017	Income Statement	Yes
Sub Ferc Account	40016	Billed to TLGS	11/7/2017	Income Statement	Yes
Sub Ferc Account	40017	Billed to AP&S	11/8/2017	Income Statement	Yes
Sub Ferc Account	90003	Woodward	2/15/2017	Income Statement	No

List of Disabled Accounts					
Type of Account	Account/Sub Account Number	Sub Account Description	Date Disabled	or Income Statement	50 (Yes/No)
Fero Account	2070	Premium on capital stock	7/21/2017	Balance Sheet	No
Sub Ferro Account	01201	Other Benefits Variance	5/5/2017	Income Statement	No
Sub Ferro Account	10232	Investment in AEM-Atmos Energy Marketing	4/21/2017	Balance Sheet	No
Sub Ferro Account	10237	Investment in EnES-Energas Energy Services	4/21/2017	Balance Sheet	No
Sub Ferro Account	10269	AEH Invest in sub consolidation	4/21/2017	Balance Sheet	Yes
Sub Ferro Account	10533	Cash - AEM BOA 1125	9/29/2017	Balance Sheet	No
Sub Ferro Account	10996	Trade AR Pre Petition Bankruptcy (Formerly AR Brokerage-w	4/30/2017	Balance Sheet	No
Sub Ferro Account	11199	Interco Lending AEH/AEM	2/27/2017	Balance Sheet	No
Sub Ferro Account	12011	TBS Net write off	5/12/2017	Balance Sheet	No
Sub Ferro Account	12012	TBS Provision	5/9/2017	Balance Sheet	No
Sub Ferro Account	13019	Prepaid-Other w/MLLC	10/9/2017	Balance Sheet	No
Sub Ferro Account	13054	Prepaid - Rent-Leased Gas Property	10/2/2017	Balance Sheet	No
Sub Ferro Account	13531	250MM 6.35% due Jun-17	8/2/2017	Balance Sheet	Yes
Sub Ferro Account	13746	CO Rate Case	3/28/2017	Balance Sheet	No
Sub Ferro Account	14184	Lincoln II Construction Cost	3/22/2017	Balance Sheet	No
Sub Ferro Account	20103	OCI-Scotland T lock	7/7/2017	Balance Sheet	Yes
Sub Ferro Account	20233	Fixed Rate due 2017	8/4/2017	Balance Sheet	Yes
Sub Ferro Account	20629	Commercial Paper- JP Morgan	2/2/2017	Balance Sheet	No
Sub Ferro Account	26652	Int-6.35 % Senior Notes due 2017	8/4/2017	Balance Sheet	Yes
Sub Ferro Account	27354	Leased Gas District Rent	9/29/2017	Balance Sheet	No
Sub Ferro Account	27786	Meeker Lease Levelling	10/27/2017	Balance Sheet	No

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

IN RE:

**PETITION OF ATMOS ENERGY CORPORATION)
FOR APPROVAL OF ITS 2018 ANNUAL RATE) DOCKET NO. 18-XXXXX
REVIEW FILING PURSUANT TO TENN.)
CODE ANN. § 65-5-103(d)(6))**

**PRE-FILED TESTIMONY OF GREGORY K. WALLER
ON BEHALF OF ATMOS ENERGY CORPORATION**

I. INTRODUCTION OF WITNESS

1
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 with
4 Atmos Energy Corporation ("Atmos Energy" or "Company"). My business address
5 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 1994
9 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 at Towers Perrin in Dallas, TX (1997-2003). I joined Atmos Energy
12 in 2003 in the Planning and Budgeting Department in Dallas. In November of 2005 I
13 became Vice President of Finance for the Kentucky/Mid-States Division, which
14 includes the Company's regulated Tennessee operations. I assumed my current role
15 in Dallas, TX in July 2012.

1 **Q. WHAT ARE YOUR RESPONSIBILITIES AT ATMOS ENERGY?**

2 A. I am responsible for managing rate proceedings filed primarily with state regulatory
3 bodies on behalf of the Company. My responsibilities include execution of
4 applications for changes to rates and tariffs as part of traditional rate cases, tariff
5 language change proposals, and annual rate making mechanisms that the Company
6 files in the eight states in which it has regulated operations.

7 **Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER REGULATORY**
8 **COMMISSION?**

9 A. Yes. I testified before the Tennessee Public Utility Commission ("Commission") in
10 Docket Nos. 05-00258, 16-00105, 17-00012 and 17-00091. I also submitted
11 testimony in Docket Nos. 07-00105, 08-00197, 12-00064, 14-00081, 14-00146 and
12 16-00013. I testified before the Kentucky Public Service Commission in 2014 and
13 2018, and the Georgia Public Service Commission in 2008, 2009 and 2011. I
14 submitted direct testimony in the Company's rate proceedings in Kentucky (2006,
15 2009, 2013, 2015 and 2017) and Virginia (2008, 2013, 2014, 2016 and 2018).

16 **II. PURPOSE OF TESTIMONY**

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

18 A. The purpose of my testimony is to calculate the Company's Annual Revenue
19 Requirement for the Forward Looking Test Year that ends May 31, 2019, as
20 prescribed in Section IV of the Company's Annual Review Mechanism ("ARM")
21 tariff. The resulting revenue requirement is the amount of additional revenue or
22 reduction in rates required for the Company to earn its authorized return on equity for
23 the Forward Looking Test Year ending May 31, 2019, in accordance with the
24 approved methodologies ("Approved Methodologies") as defined in the Company's

1 approved ARM tariff.¹ In addition, in accordance with Section V of the approved
2 ARM Tariff, I will also discuss the disclosed proposed deviations from the Approved
3 Methodologies, which the Company has included on Schedule 7 in its filing.

4 **Q. DO YOU HAVE ANY EXHIBITS ATTACHED TO YOUR TESTIMONY?**

5 A. No. While I have no exhibits attached directly to my testimony, I am sponsoring the
6 revenue requirement schedules, relied-upon files, and other contents of the
7 Company's ARM Filing required by Section IV of the ARM tariff.

8 **Q. WERE THE CONTENTS OF THE ARM FILING PREPARED BY YOU OR**
9 **UNDER YOUR DIRECTION AND SUPERVISION?**

10 A. Yes.

11 **Q. WHAT CALCULATIONS HAVE YOU PERFORMED FOR YOUR**
12 **TESTIMONY IN THIS PROCEEDING?**

13 A. I have calculated the Company's projected cost of service, or revenue requirement,
14 for the Test Year ended May 31, 2019, that is needed for the Company to earn its
15 authorized return on equity. The results and supporting calculations are shown in the
16 Revenue Requirement Model, Schedules 1-11. Except as discussed below in
17 connection with the disclosed proposed deviations, all of the calculations were made
18 in accordance with the Approved Methodologies.

19 **Q. PLEASE SUMMARIZE YOUR RESULTS.**

20 A. The Company's total cost of service for the Test Year ended May 31, 2019 is
21 \$127,853,476. The Company's projected revenue at present rates is \$132,279,331,
22 resulting in a revenue sufficiency for the Forward Looking Test Year ending May 31,
23 2019 of \$4,425,855. In addition to that sufficiency, I have added the Annual
24 Reconciliation Revenue Requirement deficiency of \$382,182 that was approved by
25 the Commission in Docket No. 17-00091. I have also included an expense credit of

¹ See also *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).

1 \$988,324 as a result of the amortization of excess deferred income tax, which is
2 further discussed in the testimony of Company witness Jennifer K. Story. The
3 resulting total revenue sufficiency is \$5,031,996. I have included in the ARM filing
4 proposed tariffs with proposed rates that produce that amount of revenue and that
5 were calculated using the Approved Methodologies.

6 **III. HISTORY AND PURPOSE OF THE**
7 **ANNUAL REVIEW MECHANISM**

8 **Q. PLEASE EXPLAIN THE PURPOSE OF THE COMPANY'S ANNUAL**
9 **REVIEW MECHANISM.**

10 A. The ARM is designed to provide the Company a reasonable and timely means of
11 recovering its cost of service for each projected Forward Looking Test Year. The
12 ARM is a comprehensive mechanism that includes all components of cost of service.
13 This includes, among other things, capital investment and depreciation expense,
14 O&M expenses, and revenues as detailed in the Revenue Requirement Model. The
15 ARM, created pursuant to Tennessee Code Annotated Section 65-5-103(d)(6), is a
16 reasonable and effective solution that allows the Company timely recovery of its cost
17 of service while avoiding costly and litigious general rate cases. An Annual
18 Reconciliation ensures that the Company does not earn in excess of its authorized
19 return on equity while simultaneously ensuring that the Company is not financially
20 injured as it invests the capital necessary to continue to provide safe and reliable
21 service to its Tennessee customers. In approving the ARM in November 2015, the
22 Commission properly found the mechanism to be in the public interest.²

² *Id.* at 9.

1 **Q. WHEN AND HOW WAS THE ANNUAL REVIEW MECHANISM**
2 **APPROVED BY THE COMMISSION?**

3 A. The ARM was initially approved by the Commission in Docket No. 14-00146 by
4 Order issued on November 4, 2015.³

5 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE ANNUAL**
6 **REVIEW MECHANISM AND HOW IT WORKS.**

7 A. Under the ARM, as set forth in the Company's Tariff Sheets 34.1 through 34.7, the
8 Company calculates an annual revenue requirement for its Tennessee jurisdiction for
9 each Forward Looking Test Year and then allocates that revenue requirement across
10 the Company's customer classes using Approved Methodologies established in the
11 Company's most recent rate case. Through the annual ARM filing, which is filed no
12 later than February 1 of each year, the Company updates both the customer and
13 volumetric charges of its base rates in accordance with the Approved Methodologies
14 to reflect the forecasted revenue requirement. In addition to the ARM filing each
15 February 1, the Company also files an Annual Reconciliation on or before September
16 1 of each year which provides a reconciliation of actual results to the authorized
17 return on equity for the Test Year immediately completed. The resulting revenue
18 requirement from the Annual Reconciliation is then incorporated into the Company's
19 subsequent February 1 ARM filing. This filing incorporates the Annual
20 Reconciliation approved by the Commission in Docket No. 17-00091.⁴ Per
21 Commission Order, the current forward looking filing was held in abeyance pending
22 the outcome of Docket No. 17-00091 and is therefore being made approximately 4 ½
23 months later than the February 1st date prescribed by the ARM tariff.

³ *Id.*

⁴ *In re: Atmos Energy Corporation Annual Reconciliation of Annual Review Mechanism*, Docket No. 17-00091 (May 14, 2018) (The True-Up Amount was approved by the Commission at its conference hearing on May 14, 2018. A written Final Order is pending).

1 **IV. REVENUE REQUIREMENT MODEL SCHEDULES**

2 **Q. PLEASE LIST THE SCHEDULES THAT COMPRISE THE COMPANY'S**
3 **REVENUE REQUIREMENT MODEL.**

4 A. The Revenue Requirement Model is comprised of:

5 Schedule 1: Cost of Service

6 Schedule 2: Summary of Revenues at Present Rates

7 Schedule 3: Cost of Gas

8 Schedule 4: Operation and Maintenance Expenses

9 Schedule 5: Taxes Other than Income

10 Schedule 6: Depreciation and Amortization Expenses

11 Schedule 7: Rate Base and Return

12 Schedule 8: Computation of State Excise and Income Taxes

13 Schedule 9: Overall Cost of Capital

14 Schedule 10: Rate of Return

15 Schedule 11: Proof of Revenues and Calculation of Rates

16 These Schedules are included in each February 1 ARM filing per the approved ARM
17 tariff. Pursuant to the ARM tariff, I have also included the schedules traditionally
18 used by Commission Staff to illustrate that the Company's Revenue Requirement
19 Model and Staff's model reconcile.

20 **Q. PLEASE EXPLAIN SCHEDULE 1.**

21 A. Schedule 1 summarizes the elements of the cost of service, including gas cost
22 expense, O&M expense, depreciation expense, taxes other than income taxes, return
23 on rate base, income tax, allowance for funds used during construction ("AFUDC")
24 and interest on customer deposits. Schedule 1 forecasts cost of service for the
25 Forward Looking Test Year from the Historic Base Period, as defined in the ARM
26 Tariff, in order to calculate the revenue requirement that is the amount of additional

1 revenue or reduction in rates required for the Company to earn its authorized rate of
2 return. Schedule 1 sources data from each of the other schedules.

3 **Q. PLEASE EXPLAIN SCHEDULES 2 AND 3.**

4 A. Schedule 2 shows per book revenues for the Historic Base Period ended September
5 30, 2017 and the projected revenues for the Forward Looking Test Year. Schedule 3
6 shows the Historic Base Period per books gas cost and the projected Forward
7 Looking Test Year cost of gas. The Forward Looking Test Year cost of gas is
8 adjusted to remove rent for inter-company leased storage property that is booked to
9 gas cost per the Approved Methodologies.

10 **Q. PLEASE EXPLAIN SCHEDULE 4.**

11 A. Schedule 4 shows the Historic Base Period per books O&M expense, and the
12 forecasted Forward Looking Test Year O&M expense with adjustments made in
13 accordance with the Approved Methodologies, including an adjustment to the Test
14 Year O&M expense to remove rent that was budgeted on inter-company leased
15 property prior to the sale of Atmos Energy Marketing ("AEM") and include
16 operating expenses for the Barnsley storage asset.

17 **Q. PLEASE PROVIDE MORE DETAIL ON THE VARIANCE BETWEEN THE**
18 **ACTUAL HISTORIC BASE PERIOD OPERATION AND MAINTENANCE**
19 **EXPENSE COMPARED TO THE FORECASTED FORWARD LOOKING**
20 **TEST YEAR AMOUNT.**

21 A. The Company forecasted Forward Looking Test Year O&M expenses of \$21,369,012
22 compared to Base Period O&M expenses of \$22,359,003, resulting in a decrease of
23 \$989,991. The forecasted O&M includes the removal of specified subaccounts, most
24 notably related to the pension accrual and incentive compensation, per the Approved
25 Methodologies. The disallowed items are itemized on WP 4-1.

1 **Q. PLEASE EXPLAIN THE ADJUSTMENT IN O&M EXPENDITURES FOR**
2 **PENSION CONTRIBUTION.**

3 A. As required by the Approved Methodologies, the Company removed the budgeted
4 accrual for FAS 87 expenses. In years when the Company makes actual cash
5 contributions to its pension fund, the allocable amount will be included in the Annual
6 Reconciliation Revenue Requirement as it was in Docket No. 17-00091 and utilizing
7 the allocation methodology per the Approved Methodologies.

8 **Q. DID YOU MAKE ANY ADJUSTMENTS FOR THE AMORTIZATION OF**
9 **RATE CASE EXPENSE?**

10 A. No. Actually-incurred rate case expenses for Docket No. 14-00146 were \$260,222.
11 The Company amortized that expense at \$14,583.33 per month and the amortization
12 was completed in November 2016. Therefore, no amounts are included in the
13 Forward Looking Test Year of this filing.

14 **Q. PLEASE EXPLAIN SCHEDULE 5.**

15 A. Schedule 5 shows Historic Base Period per books taxes other than income taxes and
16 forecasted Forward Looking Test Year taxes other than income taxes. Forecasted
17 Forward Looking Test Year taxes other than income taxes have been adjusted to
18 include taxes for intercompany leased property per the Approved Methodologies.

19 **Q. PLEASE EXPLAIN THE VARIANCE BETWEEN HISTORIC BASE PERIOD**
20 **PER BOOK TAXES OTHER THAN INCOME TAXES COMPARED TO THE**
21 **AMOUNT FORECASTED BY THE COMPANY.**

22 A. The Company forecasted \$7,645,406 in Taxes Other Than Income Taxes during the
23 Forward Looking Test Year, whereas the Historic Base Period amount was
24 \$7,616,970 for an overall increase of \$28,436. The primary drivers of the difference
25 are increases in Ad Valorem taxes at the Tennessee and Shared Services levels.

1 **Q. PLEASE EXPLAIN SCHEDULE 6.**

2 A. Schedule 6 shows the Historic Base Period per books depreciation and amortization
3 expense, and the forecasted Forward Looking Test Year depreciation and
4 amortization expense. I removed the \$649,245 adjustment for the amortization of the
5 pension regulatory asset that was approved in Docket No. 14-00146 as that asset
6 became fully amortized on May 31, 2017. In addition, I have adjusted the forecasted
7 Forward Looking Test Year depreciation expense to include expense for
8 intercompany leased storage property per the Approved Methodologies, as well as to
9 adjust for the removal of depreciation expense on capitalized incentive
10 compensation.

11 **Q. PLEASE EXPLAIN SCHEDULE 7.**

12 A. Schedule 7 shows the calculation of the Historic Base Period per books rate base and
13 forecasted Forward Looking Test Year rate base. The rate base includes the actual
14 thirteen-month averages of the original cost of plant, accumulated depreciation,
15 storage gas investment, materials and supplies, accumulated deferred income tax
16 ("ADIT"), customer advances, customer deposits and accumulated interest on
17 customer deposits per the Approved Methodologies.

18 **Q. PLEASE DISCUSS VARIANCES IN RATE BASE ITEMS BETWEEN THE**
19 **HISTORIC BASE PERIOD AND THE FORECASTED FORWARD**
20 **LOOKING TEST YEAR.**

21 A. Schedule 7 compares Historic Base Period rate base items to forecasted Forward
22 Looking Test Year items on a line by line basis in accordance with the Approved
23 Methodologies. The primary contributor to the growth in rate base is capital
24 investment (plant additions) as the Company continues to invest in the safety and
25 reliability of its system.

1 **Q. WHAT ADJUSTMENTS ARE MADE TO THE HISTORICAL BASE PERIOD**
2 **AND FORWARD LOOKING TEST YEAR RATE BASE?**

3 A. I have included deviations to the Approved Methodologies in accordance with the
4 ARM Tariff which are included on Schedule 7. These adjustments include the
5 recognition of a regulatory liability for excess deferred income taxes and a deferred
6 tax asset for the tax gross-up of same as a result of the Tax Cuts and Jobs Act
7 ("TCJA"). Additionally, and necessarily to properly reflect the impact of the TCJA
8 in revenue requirement, ADIT balances in addition to those related to fixed assets
9 must be projected beyond the end of the Historic Base Period. In addition to those
10 deviations and consistent with prior ARM filings, Schedule 7 also includes
11 adjustments for cash working capital and the net book value of inter-company leased
12 storage property. The revenue and expense lag factors from the Company's lead/lag
13 study prepared in Docket No. 14-00146 were applied to actual results in order to
14 calculate the Company's actual cash working capital requirement consistent with the
15 Approved Methodologies.

16 **Q. WERE THE DEVIATIONS MENTIONED ABOVE PROPERLY DISCLOSED**
17 **ON THE CERTIFICATION INCLUDED WITH THE COMPANY'S FILING**
18 **AS REQUIRED BY THE ARM TARIFF?**

19 A. Yes. The deviations are briefly described in Attachment A to the Certification and
20 more completely discussed and supported in the testimony of Company witness Ms.
21 Jennifer Story.

22 **Q. PLEASE EXPLAIN SCHEDULE 8.**

23 A. Schedule 8 shows the calculation of state excise taxes and income taxes on the
24 required return on rate base for both the Historic Base Period and the Forward
25 Looking Test Year, adjusted with costs and revenues as presented in Schedules 2-7.

1 **Q. PLEASE EXPLAIN SCHEDULE 9.**

2 A. Schedule 9 shows the calculation of the overall cost of capital based on the capital
3 structure, debt cost rates, and the required rate of return on equity required for the
4 Forward Looking Test Year. It is comprised of the actual equity balance and actual
5 long-term debt balance at the end of September 30, 2017, and a twelve-month
6 average short-term debt balance for the twelve months ending September 30, 2017.
7 The authorized return on equity is 9.80% and the actual cost of debt is calculated on
8 WP 9-2 and WP 9-3 of the filing, per the Approved Methodologies.

9 **Q. PLEASE EXPLAIN SCHEDULE 10.**

10 A. Schedule 10 shows the calculation of a rate of return on rate base and a rate of return
11 on the equity financed portion of rate base for the Historic Base Period and the
12 Forward Looking Test Year, adjusted with costs and revenues as presented in
13 Schedules 2 through 9, per the Approved Methodologies.

14 **Q. PLEASE EXPLAIN SCHEDULE 11.**

15 A. Schedule 11 presents the forecasted billing determinants and calculation of new tariff
16 rates by customer class and rate schedule for the Forward Looking Test Year
17 consistent with the cost of service and net revenue deficiency/sufficiency presented
18 in Schedule 1. In accordance with the ARM tariff, the approved Annual
19 Reconciliation Revenue Requirement from Docket No. 17-00091 is added to the
20 revenue sufficiency that the Company has filed in this ARM filing. The revenue
21 requirement also includes the amortization of the excess deferred income tax liability
22 discussed hereinabove, in the testimony of Jennifer Story and referenced on Schedule
23 1. The net revenue requirement (comprised of the sufficiency for the Forward
24 Looking Test Year ending May 31, 2019 plus the Annual Reconciliation Revenue
25 Requirement from Docket No. 17-00091 minus the amortization of the excess
26 deferred tax liability) is distributed across the billing determinants (customer classes

1 and rate schedules) forecasted in this filing, consistent with the ARM tariff and
2 Approved Methodologies.

3 **Q. HAVE THE COST OF SERVICE ITEMS FOR WHICH THE COMPANY**
4 **SEEKS RECOVERY BEEN PRUDENTLY INCURRED?**

5 A. Yes. The budgeting and forecasting methodologies used as the basis for the
6 forecasted cost of service in this filing are consistent with those documented in my
7 pre-filed direct testimony in Docket No. 14-00146. These are the same
8 methodologies, policies and procedures that are the basis for the Approved
9 Methodologies as defined by the ARM tariff. The cost of service items for which the
10 Company seeks recovery, particularly but not limited to capital investments and
11 operating expenses, have been prudently incurred and/or have been prudently
12 forecasted to be incurred.

13 **V. CONCLUSION**

14 **Q. WHAT ARE YOU ASKING THE COMMISSION TO DO IN THIS**
15 **PROCEEDING?**

16 A. I respectfully request that the Commission approve the Company's 2018 ARM filing
17 and the 2018 ARM Revenue Requirement, which have been prepared in accordance
18 with the Approved Methodologies approved and adopted by the Commission in
19 Docket No. 14-00146.

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. 18-XXXXX

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 Direct 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.



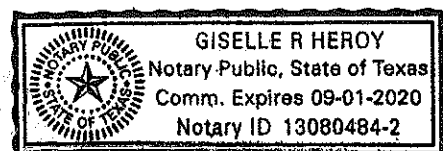
Gregory K. Waller

Sworn and subscribed before me this 8th day of June, 2018.



Notary Public

My Commission Expires: 9/01/2020



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

IN RE:

**PETITION OF ATMOS ENERGY CORPORATION)
FOR APPROVAL OF ITS 2018 ANNUAL RATE) DOCKET NO. 18-XXXXX
REVIEW FILING PURSUANT TO TENN.)
CODE ANN. § 65-5-103(d)(6))**

**PRE-FILED TESTIMONY OF JENNIFER K. STORY
ON BEHALF OF ATMOS ENERGY CORPORATION**

I. INTRODUCTION OF WITNESS

- 1
- 2 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**
- 3 A. My name is Jennifer K. Story. My business address is 5430 LBJ Freeway, Suite 700,
- 4 Dallas, TX 75240. I am employed by Atmos Energy Corporation (“Atmos Energy” or
- 5 the “Company”) as Director of Income Tax.
- 6 **Q. WHAT ARE YOUR JOB RESPONSIBILITIES?**
- 7 A. As Director of Income Tax for Atmos Energy, I am responsible for oversight and
- 8 management of all income tax matters for the Company. This oversight includes
- 9 ensuring that the income tax accounts recorded on the books and records accurately
- 10 reflect the Company’s tax filings and positions. I am also responsible for ensuring
- 11 that deferred taxes are recorded on the financial statements in accordance with
- 12 Generally Accepted Accounting Principles (“GAAP”). I oversee a group of tax
- 13 professionals that undertakes tax planning to minimize taxes, prepares the
- 14 Company’s tax filings, and defends those filings under audit. I am also responsible
- 15 for the establishment of and compliance with the Company’s income tax policies and
- 16 controls.

1 **Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL**
2 **QUALIFICATIONS.**

3 A. I received my education at the University of Texas at Dallas. In 2002, I received a
4 Bachelor of Science degree with a major in accounting. I am a licensed certified
5 public accountant in the state of Texas.

6 I worked in both a large corporate tax department and in public accounting
7 prior to joining Atmos Energy in December 2006. Since joining Atmos Energy, I
8 have assumed the oversight and management of all income tax matters for the
9 Company. I also serve as a representative for the Company on the American Gas
10 Association's Tax Committee.

11 **Q. HAVE YOU TESTIFIED BEFORE THE TENNESSEE REGULATORY**
12 **AUTHORITY OR ANY OTHER REGULATORY COMMISSION?**

13 A. Yes. I have submitted direct and rebuttal testimony regarding income taxes in the
14 following proceedings:

Regulatory Authority	Proceeding	Testimony Submitted
Kentucky Public Service Commission	Docket No. 2017-00481	Direct
Kentucky Public Service Commission	Docket No. 2017-00349	Rebuttal
Colorado Public Utilities Commission	Proceeding No. 15AL-0299G	Rebuttal
Mississippi Public Service Commission	Docket No. 2015-UN-049	Rebuttal
Texas Railroad Commission	GUD No. 10580	Rebuttal
Texas Railroad Commission	GUD No. 10640	Rebuttal
Tennessee Public Utility Commission	Docket No. 17-00091	Direct and Rebuttal
Virginia State Corporation Commission	Case No. PUR-2018-00014	Direct

15

1 **II. PURPOSE AND SUMMARY**

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

3 A. I will explain how the Tax Cuts and Job Act of 2017 impacted the Company's taxes
4 and the manner in which this will be reflected in customer rates.

5 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

6 A. No. While I have no exhibits attached directly to my testimony, I am sponsoring the
7 TCJA impacts included in the following schedules: Schedule 1, Schedule 7, Schedule
8 8 and Schedule 10.

9 **III. DISCUSSION OF IMPACT OF THE REDUCTION IN FEDERAL**
10 **CORPORATE TAX RATE ON THE COMPANY'S FINANCIAL OPERATIONS**

11 **Q. PLEASE PROVIDE A HIGH-LEVEL OVERVIEW OF THE IMPACTS TO**
12 **THE COMPANY'S FINANCIAL POSITION RESULTING FROM THE**
13 **REDUCTION IN FEDERAL CORPORATE TAX RATE ENACTED WITH**
14 **THE TAX CUTS AND JOB ACT OF 2017 ("TCJA").**

15 A. As a result of the federal statutory rate reduction the Company realizes two
16 significant changes to its financial position. First, the Company has immediately seen
17 a decrease in the tax liability associated with current earnings and the resulting tax
18 expense included as a component of cost of service. Second, there has been a
19 reduction in the future tax liabilities for which the Company has previously
20 established deferred taxes. The reversal of deferred taxes in future years will be taxed
21 at the 21% federal tax rate instead of the 35% tax rate at which the deferred taxes
22 were accrued. In other words, the amount recorded on the Company's books prior to
23 the tax law change exceeds what the Company expects to pay the government in the
24 future. Therefore, as a result of the TCJA, the Company had on its books at the date
25 of enactment an excess of deferred taxes.

1 **Q. WHAT ADJUSTMENTS TO ITS BOOKS AND RECORDS HAS THE**
2 **COMPANY MADE AS A RESULT OF THE REDUCTION IN FEDERAL**
3 **CORPORATE TAX RATE?**

4 A. The Company has lowered the statutory tax rate used to calculate tax expense on its
5 books and in this filing's cost of service to the new corporate rate enacted in the
6 TCJA. The Company also has revalued the deferred taxes on its books at the new
7 statutory rate. The Company established a regulatory liability equal to the excess
8 deferred taxes associated with items in rate base for each of the eight jurisdictions in
9 which it operates. The Company is reflecting this regulatory liability in customer's
10 rates in a manner that conforms with the Internal Revenue Code. The Company has
11 also recognized a one-time tax benefit for the excess deferred taxes associated with
12 items not included in rate base or unrelated to regulated operations.

13 **Q. DOES THE TCJA SPECIFY HOW THE REGULATORY LIABILITY FOR**
14 **EXCESS DEFERRED TAXES SHOULD BE AMORTIZED TO**
15 **CUSTOMERS?**

16 A. Yes. Section 13001(d) of the TCJA specifically addresses the return of excess
17 deferred income taxes. The TCJA requires that the amortization of excess deferred
18 taxes comply with the IRC normalization requirements and prohibits utilities from
19 reducing the reserve for excess deferred income taxes more rapidly or to a greater
20 extent than such reserve would be reduced under either the Average Rate Assumption
21 Method ("ARAM") or the alternative method referred to as the Reverse South
22 Georgia method ("RSG").

23 **Q. WHAT METHODOLOGY WILL THE COMPANY USE TO AMORTIZE**
24 **EXCESS DEFERRED TAX LIABILITIES?**

25 A. The Company will amortize excess deferred taxes utilizing the alternative RSG
26 method.

1 **Q. PLEASE DESCRIBE THE RSG METHOD OF AMORTIZING EXCESS**
2 **DEFERRED TAX LIABILITIES.**

3 A. RSG amortizes the excess deferred taxes back over the life of the underlying
4 property that gave rise to the excess. Under this method a taxpayer computes the
5 excess tax reserve on all public utility property included in the plant account and
6 amortizes such reserve on the basis of the weighted average life or the composite rate
7 used to compute depreciation for regulatory purposes. This method reduces the
8 excess tax reserve ratably over the remaining regulatory life of the property.

9 **Q. PLEASE EXPLAIN WHY THE COMPANY MUST USE THE RSG METHOD.**

10 A. The Company maintains its accounting records in accordance with FERC
11 requirements and GAAP. Book depreciation is computed using rates approved in
12 each jurisdiction where the Company operates. In order to use the ARAM, the
13 Company must calculate and track accumulated depreciation for assets by vintage.
14 Since this methodology does not align with FERC requirements applicable to Atmos
15 Energy or the methodology required in Tennessee, the Company has determined that
16 it does not possess the appropriate records necessary to utilize the ARAM. Instead,
17 the RSG method must be used.

18 **Q. DO THE NORMALIZATION REQUIREMENTS SPECIFY WHICH EXCESS**
19 **DEFERRED INCOME TAXES MUST BE AMORTIZED USING RSG?**

20 A. Yes. Utility property related excess deferred income taxes associated with
21 depreciation must be amortized using RSG. Property related excess deferred taxes
22 are those excess deferred taxes created by differences in book and tax methods for
23 depreciable assets. In addition, the Company's deferred tax asset for tax net operating
24 losses are also protected by the IRC normalization provisions. Therefore, the excess
25 deferred income taxes resulting from tax net operating losses must also be amortized
26 over the same period as the property related excess deferred income taxes.

1 **Q. WHAT IS THE PENALTY FOR NOT COMPLYING WITH THE IRC RULES**
2 **FOR AMORTIZING PROTECTED EXCESS DEFERRED TAX**
3 **LIABILITIES?**

4 A. The Internal Revenue Service will assert a normalization violation for any taxpayer
5 who reduces the excess tax reserve more quickly than the reserve would be reduced
6 under the allowable methods. A normalization violation results in the taxpayer's tax
7 for the taxable year being increased by the amount by which it reduced the excess tax
8 reserve more quickly than permitted. In addition, the taxpayer would lose the ability
9 to deduct accelerated tax depreciation in the future and instead would only be
10 allowed to deduct for tax purposes the amount of depreciation expensed for
11 regulatory reporting purposes. This would eliminate future growth in the ADIT offset
12 to rate base for accelerated tax depreciation, which effectively would increase rate
13 base, thus resulting in a higher overall cost of service with a corresponding increase
14 in customer bills.

15 **Q. DOES THE TCJA OR IRC SPECIFY THE METHODOLOGY FOR**
16 **AMORTIZATION OF EXCESS DEFERRED INCOME TAXES THAT ARE**
17 **NOT PROPERTY-RELATED?**

18 A. No.

19 **Q. HOW DOES THE COMPANY PROPOSE TO AMORTIZE NON-PROPERTY-**
20 **RELATED EXCESS DEFERRED TAXES?**

21 A. The Company proposes to amortize all excess deferred taxes, both property-related
22 and non-property-related over the amortization period determined using the RSG
23 method.

24 **Q. WHAT ESTIMATED AMOUNTS HAVE BEEN INCLUDED IN THIS**
25 **FILING?**

26 A. As shown on Workpaper 7-9, the estimated excess deferred tax liability is \$27.7
27 million. The regulatory liability the Company established for Tennessee excess

1 deferred income taxes includes some estimated amounts that will be finalized as the
2 Company files its federal tax return for its September 30th fiscal year end. In addition,
3 the Company has estimated that the period for amortizing the regulatory liability for
4 excess deferred income taxes in Tennessee is 28 years.

5 **Q. WHY HAS THE COMPANY ESTIMATED THE AMOUNT OF THE**
6 **REGULATORY LIABILITY FOR EXCESS DEFERRED INCOME TAXES?**

7 A. The Company's fiscal year end is September 30th. The TCJA was signed into law on
8 December 22, 2017, during the Company's first quarter of fiscal year ending
9 September 30, 2018. Cumulative timing differences which generate ADIT are
10 calculated based on the Company's fiscal year end. In the first quarter, annual timing
11 difference amounts are estimated based on actual results for the first quarter and
12 projected activity for the remainder of the fiscal year. Until the Company has
13 completed its year end and the book accounting for items giving rise to cumulative
14 temporary differences are completed, estimates of the current year deferred taxes and
15 resulting amounts to be recorded to the regulatory liability have been used.

16 **Q. WHEN WILL THE COMPANY FINALIZE THE AMOUNT OF THE**
17 **TENNESSEE REGULATORY LIABILITY FOR EXCESS DEFERRED**
18 **INCOME TAXES?**

19 A. First, the Company will refine its estimate of the cumulative differences generating
20 the excess deferred taxes as part of the annual tax provision calculation performed in
21 October 2018. The Company will have exact amounts after the filing of its federal
22 income tax return in July 2019.

23 **Q. WHY HAS THE COMPANY ESTIMATED THE AMORTIZATION PERIOD**
24 **OF THE REGULATORY LIABILITY FOR EXCESS DEFERRED INCOME**
25 **TAXES?**

26 A. The Company must first finalize the computation of the regulatory liability for excess
27 deferred income taxes prior to finalizing the amortization for this amount. In

1 addition, the Company's tax systems are currently being modified in order to
2 calculate amortization using RSG. Until such modifications are complete and the
3 Company is able to perform a full and detailed computation of amortization, a high-
4 level estimate has been prepared for use in this filing.

5 **Q. ARE THE ESTIMATES FOR THE REGULATORY LIABILITY FOR**
6 **EXCESS DEFERRED INCOME TAXES AND AMORTIZATION PERIOD**
7 **INCLUDED IN THIS FILING THE SAME AS THOSE INCLUDED IN THE**
8 **COMPANY'S RESPONSE TO THE COMMISSION'S ORDER OPENING AN**
9 **INVESTIGATION AND REQUIRING DEFERRED ACCOUNTING**
10 **TREATMENT FOR THE TCJA?**

11 A. No. Both the estimate of the regulatory liability and the amortization period differ
12 slightly from amounts reported by the Company in its response to the Commission's
13 investigation into the impacts of the TCJA in Docket No. 18-00034 ("TCJA
14 Investigation").

15 **Q. WHY IS THE ESTIMATE OF THE REGULATORY LIABILITY AMOUNT**
16 **DIFFERENT?**

17 A. The Approved Methodologies for the ARM Tariff require the Company to utilize a
18 Historic Base Period ended September 30. Only fixed-asset-related ADIT items are
19 permitted to be projected beyond this base period. The Company determined the
20 appropriate regulatory liability amount to include in this filing by revaluing
21 September 30, 2017 ADIT balances using the new statutory federal rate. Fixed-asset-
22 related ADIT projections for October through December, computed at the new
23 statutory federal rate, were added to the revalued September balance amount. This
24 calculation resulted in a regulatory liability of \$27.7 million. The Company's
25 response to the Commission's TCJA Investigation, Docket No. 18-00034, included
26 the \$29.3 million of Tennessee excess deferred income taxes recorded on the
27 Company's financial statements at December 31, 2017. As I have described in my

1 testimony, the final amount for the regulatory liability will not be known until the
2 Company files its tax return in July 2019.

3 **Q. WHY IS THE ESTIMATE OF THE AMORTIZATION PERIOD**
4 **DIFFERENT?**

5 A. As I have described in my testimony, modifications to the Company's tax systems
6 are currently being made in order to calculate the amortization period for the excess
7 deferred income taxes. At the time of the Company's response to the Commission's
8 TCJA Investigation in Docket No. 18-00034, the Company only had data available to
9 compute a very high-level system-wide amortization period that included operations
10 in all of its regulated jurisdictions. This estimate was 24 years. While modifications
11 are not yet complete and the amortization period remains an estimate, the Company
12 has additional data available to refine that estimate and currently estimates 28 years
13 for amortization of excess deferred income taxes in Tennessee. The Company expects
14 the system modifications to be complete and the amortization period to be finalized
15 prior to the finalization of the regulatory liability in 2019. As these amounts are
16 finalized, true-ups to estimates of the regulatory liability and amortization period will
17 be reflected in customer rates through future ARM and Reconciliation filings.

18 **IV. DEVIATIONS TO APPROVED METHODOLOGIES**

19 **Q. WERE TCJA-RELATED DEVIATIONS TO THE APPROVED**
20 **METHODOLOGIES FOR THE ARM TARIFF NECESSARY FOR THIS**
21 **FILING?**

22 A. Yes. As Company witness Waller describes in his testimony, the TCJA-related
23 adjustments appear on Schedule 7. The deviations to the Approved Methodologies
24 resulted from incorporating the impacts of the TCJA in the Company's revenue
25 requirement. These included (1) the recognition of a regulatory liability for excess
26 deferred income taxes and the recognition of a deferred tax asset for the tax gross-up

1 of the regulatory liability; and (2) the projection of ADIT balances in addition to
2 those related to fixed assets beyond the end of the Historic Base Period.

3 **Q. PLEASE DESCRIBE THE REGULATORY LIABILITY FOR EXCESS**
4 **DEFERRED INCOME TAXES INCLUDED IN THIS FILING.**

5 A. As I have described in my testimony, the Company revalued the deferred taxes on its
6 books at the new statutory rate in December 2017. The Company established a
7 regulatory liability equal to the excess deferred taxes associated with items in rate
8 base in Tennessee. As I have described in my testimony, the regulatory liability
9 computed for this filing is \$27.7 million. This amount includes the gross-up for taxes,
10 which I will describe. This regulatory liability is included as an adjustment to rate
11 base and will be amortized to customers. This amortization is shown on Workpaper
12 7-9 and Schedule 1.

13 **Q. PLEASE DESCRIBE THE DEFERRED TAX ASSET FOR THE TAX GROSS-**
14 **UP OF THE REGULATORY LIABILITY INCLUDED IN THIS FILING.**

15 A. The amortization of the regulatory liability for excess deferred income taxes will
16 reduce the Company's revenue and therefore result in decreased tax expense. To
17 properly account for this, GAAP requires the Company to gross up the regulatory
18 liability for taxes and establish a deferred tax asset for the gross-up amount. The
19 Company has done so and has included both the grossed up regulatory liability for
20 excess deferred income taxes and the deferred tax asset of \$6.3 million in this filing.

21 **Q. PLEASE DESCRIBE WHY ADIT BALANCES MUST BE PROJECTED**
22 **BEYOND THE END OF THE HISTORIC BASE PERIOD TO PROPERLY**
23 **REFLECT THE IMPACT OF THE TCJA IN THE REVENUE**
24 **REQUIREMENT.**

25 A. The TCJA was enacted December 22, 2017, three months after the Historic Base
26 Period ended September 30, 2017. In order to reflect the reduction in the statutory

1 income tax rate in the revenue requirement, gross ADIT balances at September 30,
2 2017 were revalued using the new statutory rate in December 2017.

3 **Q. IN ADDITION TO REVALUING ADIT AMOUNTS AT THE NEW RATE,**
4 **WAS ADIT ACTIVITY PROJECTED BEYOND THE END OF THE**
5 **HISTORIC BASE PERIOD?**

6 A. Yes. Pursuant to the Approved Methodologies in accordance with the ARM Tariff,
7 ADIT balances related to fixed assets were projected beyond the end of the Historic
8 Base Period. In addition, balances for the regulatory liability for excess deferred
9 income taxes and the related deferred tax asset were projected to reflect the
10 amortization of these amounts to customers.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes.

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

IN RE:

ATMOS ENERGY CORPORATION)
ANNUAL RECONCILIATION)
OF ANNUAL REVIEW MECHANISM)

Docket No. 18-XXXXX

VERIFICATION

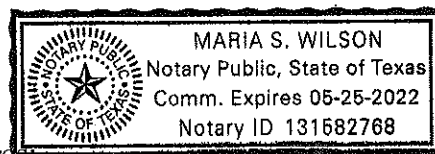
STATE OF TEXAS)

COUNTY OF DALLAS)

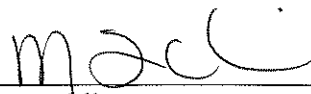
I, Jennifer K. Story, being first duly sworn, state that I am Director Income Tax for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Direct Testimony of Jennifer K. Story in support of Atmos Energy Corporation's filing is true and correct to the best of my knowledge, information and belief.


Jennifer K. Story

Sworn and subscribed before me this 13 day of June, 2018.



My Commission Expires _____


Notary Public

**Atmos Energy Corporation filings under Tennessee Annual Review Mechanism (ARM)
which utilize the methodologies originally approved in Docket No. 14-00146**

1. **Docket No. 14-00146**: 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)
2. **Docket No. 15-00089**: IN RE: ATMOS ENERGY PETITION TO CHANGE DEPRECIATION RATES PURSUANT TO IT'S APPROVED ANNUAL REVIEW MECHANISM
3. **Docket No. 16-00013**: 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)
4. **Docket No. 16-00105**: IN RE: PETITION OF ATMOS ENERGY FOR APPROVAL OF 2016 ANNUAL RECONCILIATION FILING
5. **Docket No. 17-00012**: IN RE: PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ITS 2017 ANNUAL RATE REVIEW FILING PURSUANT TO TENN. CODE ANN. § 65-5-103(d)(6)
6. **Docket No. 17-00091**: IN RE: ATMOS ENERGY CORPORATION ANNUAL RECONCILIATION OF ANNUAL REVIEW MECHANISM
7. **Docket No. 18-XXXXX**: IN RE: PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ITS 2018 ANNUAL RATE REVIEW FILING PURSUANT TO TENN. CODE ANN. § 65-5-103(d)(6)