

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 19, 2019

IN RE:

ATMOS ENERGY CORPORATION – 2018 ARM
RECONCILIATION FILING

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DOCKET NO.
18-00097

ORDER APPROVING JOINT PETITION TO APPROVE STIPULATION AND
SETTLEMENT

This matter came before Chair Robin L. Morrison, Commissioner David F. Jones, and Commissioner John Hie of the Tennessee Public Utility Commission (“TPUC” or the “Commission”), the voting panel assigned to this docket, at a regularly scheduled Commission Conference held on April 15, 2019, for consideration of the *Joint Petition to Approve the Stipulation and Settlement Agreement* (“*Joint Petition*”), filed on April 4, 2019 by Atmos Energy Corporation (“Atmos” or the “Company”) and the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General and Reporter (“Consumer Advocate”).

Before the filing of the *Joint Petition*, the Company and the Consumer Advocate submitted the *Stipulation and Settlement Agreement* (“*Settlement Agreement*”) on March 25, 2019 to resolve both this docket and TPUC Docket No. 18-00034. Neither docket has been consolidated or joined. For purposes of this docket, sections of the *Settlement Agreement* are intended to resolve the 2018 Annual Rate Review Mechanism (“ARM”) tariff filing (“Petition” or “2018 ARM Reconciliation Filing”) filed by Atmos on September 4, 2019.

BACKGROUND AND PETITION

In Docket No. 14-00146, the Commission approved a *Stipulation and Settlement Agreement* between Atmos and the Consumer Advocate implementing an ARM under Tenn. Code Ann. § 65-5-103(d)(6) for Atmos.¹ This mechanism allows for annual rate reviews by the Commission in lieu of a general rate case.² Pursuant to the *Order Approving Settlement*, the twelve-month period ending September 30th of each year prior to the annual ARM filing date of February 1st is to be used as the test year, with rates to be established based on a forward-looking test year for the twelve-month period ending May 31st of each following year.³ Additionally, the *Order Approving Settlement* required that the Company use the authorized return on equity as established in Docket No. 14-00146 or any subsequent general rate case.⁴

In addition to the annual rate review filing by no later than February 1st of each year, the Company must also file an Annual Reconciliation to the authorized return on equity by September 1st of each year.⁵ This filing is required to reconcile actual amounts to the Company's authorized return on equity for the forward-looking test year that immediately completed, inclusive of interest at the overall cost of capital compounded for two years.⁶ The resulting rates will be effective on bills rendered on or after June 1st.⁷

On September 4, 2018, Atmos submitted the *Petition* seeking approval of an annual reconciliation of the Company's actual results to the originally filed Forward-Looking Test Year ending May 31, 2018. In order to include the reconciliation amount in the next Annual ARM filing due February 1, 2019, the Company requested this docket be resolved by January 14, 2019.

¹ See *In re: Petition of Atmos Energy Corporation for a General Rate Increase under T.C.A. 65-5-103(a) and Adoption of an Annual Rate Review Mechanism Under T.C.A. 65-5-103(d)(6)*, Docket No. 14-00146, *Order Approving Settlement* (November 4, 2015) (hereinafter *Atmos Rate Case*, Docket No. 14-00146, *Order Approving Settlement*).

² Tenn. Code Ann. § 65-5-103(d)(6).

³ *Atmos Rate Case*, Docket No. 14-00146, *Order Approving Settlement*, pp. 5-6 (November 4, 2015).

⁴ *Id.*

⁵ *Id.* at 5.

⁶ *Id.*

⁷ *Id.* at 7.

Included with the *Petition* was the Pre-Filed Testimony of Gregory K. Waller and an Attestation of Richard M. Thomas, Vice-President and Controller for Atmos Energy Corporation, certifying the information contained on relied upon schedules are accurate and complete and reflect actual account balances found on the books and records of the Company. The Company's *Petition* initially proposed a revenue surplus of \$3,219,825. The Consumer Advocate filed a *Petition to Intervene* on October 9, 2018 and was granted intervention by Order dated October 25, 2018.

Pursuant to a procedural schedule issued by the Hearing Officer, on January 9, 2019, the Consumer Advocate filed the direct testimony of David Dittemore and William H. Novak laying out a number of contested issues.⁸ On February 6, 2019, Atmos filed the Pre-Filed Rebuttal Testimonies of Gregory K. Waller and Jennifer K. Story in response.⁹

THE FILING OF THE SETTLEMENT AGREEMENT

On March 25, 2019, the *Settlement Agreement* was filed by the Consumer Advocate and Atmos Energy (the "Parties") in Docket Nos. 18-00034 and 18-00097. The *Settlement Agreement* was intended to resolve both dockets. The Parties acknowledge in the *Settlement Agreement* that Docket Nos. 18-00034 and 18-00097 have not been formally merged into a single docket. However, the Parties assert there are issues within both Dockets that overlap or are interrelated. The Parties concluded a single "global" settlement agreement to address all issues in both Dockets was appropriate.

THE FILING OF JOINT PETITION TO APPROVE THE SETTLEMENT AGREEMENT

On April 4, 2019, the Parties filed the *Joint Petition*. The *Joint Petition* submitted excerpted provisions from the *Settlement Agreement* which the Parties submitted would resolve the issues in the present docket, Docket No. 18-00097. The following summarized issues from the *Settlement*

⁸ William H. Novak, Pre-Filed Direct Testimony, (January 9, 2019); David Dittemore, Pre-Filed Direct Testimony, (January 9, 2019).

⁹ Gregory K. Waller, Pre-Filed Rebuttal Testimony, (February 6, 2019); Jennifer K. Story, Pre-Filed Rebuttal Testimony, (February 6, 2019).

Agreement are intended to resolve the disputed issues in this docket and ultimately approve a modified 2018 Atmos ARM reconciliation calculation:

1. The Parties agree on a pro forma blended tax rate of 29.26%, as calculated by Atmos, since it reflects a systematic reduction of the federal corporate tax rate from the pre-2018 tax rate of 35% to the current rate of 21%. This blended rate shall be used in the ARM Reconciliation Docket to reflect the income tax savings from the 2017 Tax Cuts and Jobs Act (“TCJA”).¹⁰
2. The Parties agree that the correct methodology for calculating Allowance For Funds Used During Construction (AFUDC) is the one used by Atmos in its filing and the correct tax rates to be used are 6.5% for state and 29.26% blended rate for federal, as recommended by Consumer Advocate witness Novak in his Direct Testimony.¹¹
3. Two ratios (gross-up factors) are used to convert Commission approved operating margin deficiency (or surplus) into operating revenues. These factors are Forfeited Discounts and Uncollectible Expense. The Parties agree that the use of Operating Revenue as the denominator in those factor calculations, as recommended in Consumer Advocate witness Novak’s Direct Testimony, is the correct methodology. Thus, for purposes of the ARM Reconciliation Docket, the forfeited discount ratio is 0.005167 and the uncollectible expense ratio is 0.001731 as reflected on Table 5 of Mr. Novak’s Pre-Filed Direct Testimony filed in Docket No. 18-00097. The Parties also agree that this resolution has no precedential impact on positions taken by either party in a future Atmos docket.¹²
4. The Parties agree that end-of-period balances be used in the calculation of long-term debt and stockholder’s equity in the computation of capital structure, as recommended in the

¹⁰ *Stipulation and Settlement Agreement*, p. 5 (March 25, 2019).

¹¹ *Id.* at 6.

¹² *Id.* at 6-7.

Rebuttal Testimony of Company witness Gregory K. Waller. The Parties also agree that this resolution has no precedential impact on positions taken by either party in a future Atmos docket.¹³

5. The Parties agree that certain debt cost expenses should be annualized in the calculation of the long term debt rate, as recommended by Mr. Gregory Waller in his Rebuttal Testimony. The Parties also agree that this resolution has no precedential impact on positions taken by either party in a future Atmos docket.¹⁴
6. The Parties agree with Consumer Advocate Dittimore's recommendation that certain adjustments must be made to Atmos' ADIT balance in order to properly synchronize certain operation and maintenance costs for ratemaking purposes. The Parties agree with Mr. Dittimore's removal from Atmos' ADIT accounts of certain amounts related to Pension Expense, Restricted Stock Program, Restricted Stock—MIP, MIP/VPP Accrual. The Parties, however, take exception with the removal of certain Directors Stock Award amounts since these amounts are not tied to Company performance. The Parties agree that the appropriate adjustments reduce Atmos' ADIT account balance by \$134,123, as detailed below:

To Remove Pension Expense	(679,249)
To Remove Restricted Stock Program	93,067
To Remove Restricted Stock – MIP / C	480,664
To Remove MIP/VPP Accrual / C	<u>(28,606)</u>
Total Adjustments	(134,123) ¹⁵

7. Atmos' ADIT balance contains a number of individual book/tax timing differences multiplied by federal and state tax rates. The Parties agree to use the Tennessee specific

¹³ *Id.* at 7.

¹⁴ *Id.* at 7-8.

¹⁵ *Id.* at 8-9.

excise tax rate for both income tax expense and ADIT. Specifically, Tennessee ADIT will be calculated using Tennessee State Excise Tax Rate for Income Tax Expense and ADIT Division 93 (TN) calculations. The result is an increase in the 13-month average balance of ADIT of \$6,953,884 and a reduction to Atmos' rate base of \$6,955,572.¹⁶

8. The stipulated adjustment discussed in number 7 above also includes a correction to the Regulatory Liability balance due to recalculation of Excess ADIT using the Tennessee rate. The \$68,802 adjustment as applied to December 2017 – May 2018 results in the thirteen-month average balance of \$31,755.¹⁷
9. The parties agree that the total rate base deduction for ADIT is \$48,514,590, which is the 13-month average as of May 31, 2018 (the test period for the ARM Reconciliation Docket No. 18-00097).¹⁸
10. There are six exhibits attached to the *Settlement Agreement*, each of which is described below:¹⁹

Exhibit A reconciles the agreed upon Settlement Rate Base to the Company's original Rate Base found in Gregory Waller's Direct Testimony (Exhibit GKW-1, Schedule 7, line 19) and includes the changes to the Cash Working Capital balance resulting from other Rate Base Adjustments.

Exhibit B reconciles the settlement balance of ADIT to the original balance of ADIT in the Company's filing.

Exhibit C reconciles the settlement Cash Working Capital to the original balance of Cash Working Capital in the Company's filing.

Exhibit D reconciles the settlement balance of Atmos' Regulatory Liability to the original balance of Atmos' Regulatory Liability in the Company's filing.

¹⁶ The difference in the ADIT balance and the corresponding adjustment to rate base is due to impact of the ADIT adjustment on cash working capital.

¹⁷ *Id.* at 10.

¹⁸ *Id.* at 14.

¹⁹ *Id.* at 10.

Exhibit E reconciles the settlement balance of Accumulated Depreciation and Amortization to the original balance of Accumulated Depreciation and Amortization in the Company's filing.

Exhibit F reconciles the settlement balance of Storage and Gas Investment to the original balance of Storage and Gas Investment in the Company's filing.

11. The parties agree that the revenue surplus in the ARM Reconciliation Docket resulting from the above described adjustments is \$4,053,984 (including carrying costs). This amount will be incorporated into the Atmos ARM filing currently pending before the Commission in Docket No. 19-00018. Attached to the *Settlement Agreement* is a package of twelve (12) Schedules. Schedule 1 details the calculation of the agreed upon surplus and reconciles the calculation to the original Company filing. The remaining Schedules provide the underlying calculations supporting Schedule 1.²⁰

12. The parties agree that the Safety and Operating Performance Metrics proposed by Consumer Advocate witness David Dittemore in his Direct Testimony may be raised for consideration in Commission Docket No. 18-00112 which was opened to investigate and consider modifications to Atmos' ARM mechanism.²¹

The *Joint Petition* further states that all of the above are "subject to all of the terms and conditions" of the *Settlement Agreement* as a whole.²²

THE HEARING

The Hearing in this matter was held before the voting panel during the regularly scheduled Commission Conference on April 15, 2019, as noticed by the Commission on April 5, 2019. On April 5, 2019, A. Scott Ross, Esq., Attorney for Atmos, filed with the TPUC a Notice demonstrating the Company's compliance with the notice requirements of TPUC Rule 1220-04-01-.05. Prior to

²⁰ *Id.* at 14-15.

²¹ *Id.* at 15.

²² *Joint Petition*, p. 8.

the Hearing, the parties jointly informed the Hearing Officer that there were no outstanding procedural issues and, further, that they waived cross-examination of each party's respective expert witnesses.²³ Participating in the Hearing were:

Atmos Energy Corporation – A. Scott Ross, Esq., Neal & Harwell, 2000 One Nashville Place, 150 Fourth Avenue North, Nashville, Tennessee 37219-2498

Consumer Protection and Advocate Division – Wayne M. Irvin, Esq., Office of the Tennessee Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee 37202-0207.

Mr. Novak and Mr. Dittmore were present and available for questions. The Parties appeared jointly and waived cross-examination. During the Hearing, Mr. Greg Waller, the Company's Manager of Rates and Regulatory Affairs, appeared telephonically.²⁴ Mr. Waller summarized the relevant points of the *Settlement Agreement* filed by the Parties. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

FINDINGS AND CONCLUSIONS

It is procedurally unusual for one settlement agreement to resolve two separate dockets which were not previously joined or consolidated, even more so when the settlement agreement is hedged with an "all or nothing" non-severability clause. In essence, the *Settlement Agreement* is heard in parts in two separate dockets and by separate hearing panels. Within the mechanics of the ARM and overlap of consequences of federal tax rate changes in Docket No. 18-00034, there are issues present which intersect and have a ripple effect between the two dockets the Parties have sought to resolve. Be that as it may, parties that submit global settlements to resolve dockets which have not been joined or consolidated run the risk of whole settlements falling apart if one or both Commission hearing panels concludes one or more settlement provisions are not acceptable, just and reasonable, or otherwise in the public interest.

²³ *Pre-Hearing Order* (April 11, 2019).

²⁴ *Order Granting Electronic Participation in Hearing* (April 15, 2019).

The Commission Hearing panel here considered the agreements between the Parties in the *Settlement Agreement* as they applied to the ARM Reconciliation in Docket No. 18-00097. Upon review of the evidentiary record in this matter, and both the *Settlement Agreement* and *Joint Petition* filed by the Parties, the panel found the methodologies, adjustments and procedures relating to the issues contained within Docket No. 18-00097 to be reasonable and acceptable for settlement purposes. As a result of the agreements reached in the *Settlement Agreement*, the reconciliation revenue surplus is \$4,053,984 (including carrying costs). This amount is to be incorporated into Atmos' Annual Review Mechanism filing in Docket No. 19-00018, which is currently pending before the Commission. Therefore, the panel voted unanimously to approve the *Stipulation and Settlement Agreement* as it applies to Commission Docket No. 18-00097.

IT IS THEREFORE ORDERED THAT:

1. The *Joint Petition to Approve the Stipulation and Settlement Agreement* and the provisions of the *Stipulation and Settlement Agreement*, as they apply to this docket, submitted by Atmos Energy Corporation and the Consumer Advocate Unit of the Financial Division of the Tennessee Attorney General and Reporter, are approved. A copy of the *Joint Petition to Approve Stipulation and Settlement Agreement* is attached herein as Exhibit A, as well as a copy of the *Stipulation and Settlement Agreement* is attached herein as Exhibit B.

2. The 2018 Annual Rate Review Mechanism Reconciliation filing and rates as modified by the *Joint Petition to Approve the Stipulation and Settlement Agreement* and the *Stipulation and Settlement Agreement*, are approved.

3. The reconciliation surplus of \$4,053,984 shall be incorporated into the Annual Rate Review Mechanism filing in TPUC Docket No. 19-00018.

4. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order.

5. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

Chair Robin L. Morrison, Commissioner David F. Jones and Commissioner John Hie concur.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT A

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

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IN RE:

ATMOS ENERGY CORPORATION)
ANNUAL RECONCILIATION) DOCKET NO. 18-00097
OF ANNUAL REVIEW MECHANISM)

JOINT PETITION TO APPROVE STIPULATION AND SETTLEMENT AGREEMENT

The Parties jointly request approval of the Stipulation and Settlement Agreement (Settlement Agreement) filed in the above-referenced Docket and in Docket No. 18-00034 on March 25, 2019. The Settlement Agreement is incorporated in its entirety by reference herein. While the Parties request approval as written of all provisions of the entire Settlement Agreement in both dockets, for ease of reference, and at the request of the Hearing Officer, the Parties submit the following excerpted provisions from the Settlement Agreement. Subject to all of the terms and conditions of the Settlement Agreement, including provisions not reproduced below, the Settlement Agreement includes the following resolution of issues in this Docket 18-00097 (as excerpted from the Settlement Agreement):

Reduction in Federal Income Tax Rate

16.¹ The issue in this subsection concerning the reduction in federal income tax rates under the TCJA was raised in both TPUC Docket Nos. 18-00034 and 18-00097.

¹ For ease of reference, paragraph numbering from the Settlement Agreement has been maintained. Footnote numbering from the Settlement Agreement has not been maintained. Footnote number 1 was not in the original text.

RECEIVED

17. The Parties agree that the recommendation set out in Consumer Advocate witness Novak's Direct Testimony in the ARM Reconciliation Docket for a pro forma blended federal tax rate that reflects a systematic adjustment from the pre-2018 tax rate to the current rate is the correct tax rate for purposes of the ARM Reconciliation Docket.² Mr. Novak's recommendation was to agree with and accept the Company's proposed tax rate calculation.³ Specifically, the Parties agree, and recommend that the Commission approve, a blended rate of 29.26%. Further, such blended rate shall be used in the ARM Reconciliation Docket to take into account the income tax savings from the TCJA's reduction of the federal corporate tax rate from 35% to 21%.

18. For TPUC Docket No. 18-00034, the Parties agree that going forward Atmos Energy's annual review mechanism (ARM) as established in TPUC Docket No. 14-00146 provides the mechanism to address the Income Tax Savings from the TCJA's reduction of the federal corporate tax rate from 35% to 21%.

Correction of Tax Rates for Calculating Allowance for Funds Used During Construction (AFUDC)

19. The issue in this subsection concerning the correction of tax rates for calculating AFUDC was raised in TPUC Docket No. 18-00097.

20. The Parties agree that the recommendation set out in Consumer Advocate witness Novak's Direct Testimony in the ARM Reconciliation Docket that the methodology used by Atmos Energy for calculating AFUDC be used along with the tax rates of 6.5% for state and 29.26% for federal should be adopted by the

² Novak Direct Testimony, TPUC Docket No. 18-00097, pg. 4, lines 19-21.

³ *Id.*

Commission.⁴

Calculation of Gross-Up Factors

21. The issue in this subsection concerning the calculation of gross-up factors was raised in TPUC Docket No. 18-00097.

22. As reflected in the Consumer Advocate witness Novak's Direct Testimony, Table 5,⁵ two ratios – or gross-up factors – are used to convert any operating margin deficiency or surplus approved by the Commission into operating revenues.⁶ Those two factors are the Forfeited Discount factor and the Uncollectible Expense factor. The Parties agree that the recommendation of Consumer Advocate witness Novak to use Operating Revenue in those calculations, as reflected on Table 5 of Mr. Novak's testimony, is the correct methodology for the calculation of those respective factors. Thus, the Parties agree for purposes of the ARM Reconciliation Docket, that a forfeited discount ratio of 0.005167 and an uncollectible expense ratio of 0.001731.⁷

23. The Parties agree, however, that the Company has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.

Long-Term Debt and Stockholder's Equity to Compute Capital Structure

24. The issue in this subsection concerning the calculation of capital structure was raised in TPUC Docket No. 18-00097.

⁴ Novak Direct Testimony at pg. 18, line 9, Table 6.

⁵ Novak Direct Testimony at pg. 15, Table 5.

⁶ Novak Direct Testimony at pg. 16, lines 8-14.

⁷ Novak Direct Testimony at pg. 15, line 11, Table 5.

25. The Parties agree, for the purpose of resolving this issue in the ARM Reconciliation Docket, with the recommendation set out in the rebuttal testimony of Company witness Mr. Greg Waller that end-of-period balances be used for long term debt and shareholders' equity in the computation of capital structure.

26. The Parties agree, however, that the Consumer Advocate has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.

Annualizing Versus Actual Expenses for Long Term Debt

27. The issue in this subsection concerning the calculation of the long term debt rate was raised in TPUC Docket No. 18-00097.

28. The Parties agree, for the purpose of resolving this issue in the ARM Reconciliation Docket, with the recommendation set out in the rebuttal testimony of Company witness Mr. Greg Waller that certain debt cost expenses should be annualized in the calculation of the long term debt rate.

29. The Parties agree, however, that the Consumer Advocate has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.

Synchronization of Accumulated Deferred Income Tax (ADIT)

30. The issue in this subsection concerning the synchronization of ADIT was raised in both TPUC Docket Nos. 18-00034 and 18-00097.

31. The Parties agree that in order to properly synchronize certain operating and maintenance (O&M) costs for ratemaking certain adjustments must be made to Atmos Energy's ADIT balance. The Parties agree that the recommendation of Consumer Advocate witness Dittemore to remove certain amounts (Pension Expense, Restricted Stock Program, Restricted Stock -- MIP, MIP/VPP Accrual) from the Atmos Energy's ADIT accounts (with the exception of certain Directors Stock Award amounts) for ratemaking purposes is the correct methodology. Thus, the Parties agree to the adjustments described in the table below.⁸

Line	Description	Attrition Year 13 Month Average
1	Accumulated Deferred Income Tax	(41,695,007) A/
	Adjustments	
2	To Remove Pension Expense	(679,249) B/
3	To Remove Restricted Stock Program	93,067 B/
4	To Remove Restricted Stock- MIP /C	480,664 B/
6	To Remove MIP/VPP Accrual /C	(28,606) B/
7	Total Adjustments	(134,123)
8	Adjusted Total	(41,560,884)

A/ Attrition Period Trial Balance 5.31.18.xlsx from TPUC Docket No. 18-00097

B/ ADIT 06-30-18.xlsx from TPUC Docket No. 18-00097

C/ Management Incentive Plan/Variable Pay Plan from TPUC Docket No. 18-00097

The Parties agree that the appropriate modification to the Atmos Energy proposed ADIT balance associated with synchronizing components of the ADIT with their corresponding treatment within Operating and Maintenance costs reduces the

⁸ The original table is set out in Dittemore Direct Testimony, pg. 5, TPUC Docket No. 18-00097 (January 9, 2019). The table in this Settlement Agreement has been revised with the removal of "line 5" which is the Director's Stock Award as described in Story Rebuttal Testimony, pg. 4, line 14, through pg. 5, line 9 and fn. 3, TPUC Docket No. 18-00097 (February 6, 2019).

ADIT balance \$134,123.

**Synchronization of ADIT Calculation with a
Tennessee Specific Excise Tax Rate**

32. The issue in this subsection concerning synchronization of ADIT with a Tennessee specific excise tax rate was raised in TPUC Docket No. 18-00097.

33. Atmos Energy's proposed ADIT balance is comprised of a number of individual book/tax timing differences multiplied by federal and state tax rates. The Parties agree to use the Tennessee specific excise tax rate for both income tax expense and ADIT. More specifically, the Parties agree that Atmos Energy shall calculate the Tennessee ADIT using the Tennessee State Excise Tax Rate in its Income Tax Expense and within its Division 93 (TN) ADIT balances.

34. The result of this modification is an increase in the 13-month average balance of ADIT of \$6,953,884 and reduction to Atmos Energy's rate base of \$6,955,572.⁹ The difference between these amounts and the \$8.7 million adjustment proposed by the Consumer Advocate reflects corrections to this amount as identified in the rebuttal testimony of Ms. Story. Specifically, the use of the Tennessee state rate is applied to only those book/tax timing differences in which a rate other than the Tennessee state tax rate was previously used.

35. In addition to the adjustment discussed above, the stipulated adjustment reflects a correction to the Regulatory Liability balance for the impact of Excess ADIT using the Tennessee rate rather than a composite system average tax rate. The adjustment of \$68,802 is applied to the months of December 2017 -

⁹ The difference in ADIT balance and rate base adjustment is due to the impact of the ADIT adjustment on cash working capital.

May 2018 resulting in an adjustment to the thirteen-month average balance of \$31,755.

36. The Rate Base as set forth in the Settlement Agreement (settlement Rate Base) is reconciled with the Company's original Rate Base¹⁰ as set forth in Exhibit A. This settlement Rate Base also incorporates changes to the balance of Cash Working Capital consistent with other Rate Base adjustments. The original balance of ADIT¹¹ is reconciled with the settlement balance of ADIT as set forth in Exhibit B. The original balance of Cash Working Capital¹² is reconciled with the settlement balance of Cash Working Capital as set forth in Exhibit C. The original balance of the Atmos Regulatory Liability is reconciled with the settlement balance of the Atmos Regulatory Liability as set forth in Exhibit D.¹³ The original balance of Accumulated Depreciation and Amortization¹⁴ is reconciled with the settlement balance of Accumulated Depreciation and Amortization as set forth in Exhibit E. The original balance of Storage and Gas Investment¹⁵ is reconciled with the settlement balance of Storage and Gas Investment as set forth in Exhibit F.

Revenue Requirement Surplus

55. The issue in this subsection concerning revenue requirement was raised in TPUC Docket No. 18-00097.

56. As reflected in Settlement Agreement Schedules 1-12, the Parties agree that the resulting revenue surplus in the ARM Reconciliation Docket is

¹⁰ Waller Direct Testimony, Exhibit GKW-1, Schedule 7, line 29.

¹¹ Waller Direct Testimony, Exhibit GKW-1, Schedule 7, line 15.

¹² *Id.* at Schedule 7, line 9.

¹³ *Id.* at Schedule 7, line 13.

¹⁴ *Id.* at Schedule 7, line 3.

¹⁵ *Id.* at Schedule 7, line 7.

\$4,053,984 (including carrying costs) which shall be the amount that will be incorporated into the Atmos Energy ARM filing, TPUC Docket No. 19-00018, currently pending before the Commission.

Safety and Operating Performance Metrics

57. The issue in this subsection concerning safety and operating performance metrics was raised in TPUC Docket No. 18-00097.

58. The Parties agree that Mr. Dittmore's proposals for safety and operating performance metrics, as set out in his testimony, will be raised for consideration by the Commission in the existing TPUC Docket No. 18-00112.

The above provisions, excerpted from the Settlement Agreement, are subject to all of the terms and conditions of the Settlement Agreement, including those not reproduced herein.

Based upon the entirety of the record, the Parties respectfully request approval of the Settlement Agreement in this Docket No. 18-00097 and in Docket No. 18-00034.

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

A. Scott Ross, #15634

1201 Demonbreun Street, Ste. 1000
Nashville, TN 37203

(615) 244-1713 – Telephone

(615) 726-0573 – Facsimile

sross@nealharwell.com

Counsel for Atmos Energy Corporation

**OFFICE OF THE ATTORNEY GENERAL
OF TENNESSEE
FINANCIAL DIVISION, CONSUMER
ADVOCATE UNIT**

By: Karen Stachowski / Wayne M. Irvin *Per/mission*
Karen H. Stachowski, #019607
Assistant Attorney General
Wayne M. Irvin, #030946
Senior Assistant Attorney General
Office of Tennessee Attorney General
Financial Division, Consumer Advocate Unit
P. O. Box 20207
Nashville, TN 37202-0207
(615) 741-1671 - Telephone
(615) 532-2910 - Facsimile
Karen.stachowski@ag.tn.gov
Wayne.irvin@ag.tn.gov

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 11th day of April, 2019.

<input type="checkbox"/> Hand	Vance Broemel, Esq.
<input type="checkbox"/> Mail	Wayne Irvin, Esq.
<input type="checkbox"/> Fax	Daniel P. Whitaker, III, Esq.
<input type="checkbox"/> Fed. Ex.	Karen H. Stachowski, Esq.
<input checked="" type="checkbox"/> E-Mail	Assistant Attorneys General
	Office of Tennessee Attorney General
	Financial Division, Consumer Advocate Unit
	War Memorial Building, 2 nd Floor
	301 6th Avenue North
	Nashville, TN 37243
	<u>vance.broemel@ag.tn.gov</u>
	<u>Wayne.irvin@ag.tn.gov</u>
	<u>Daniel.whitaker@ag.tn.gov</u>
	<u>Karen.stachowski@ag.tn.gov</u>

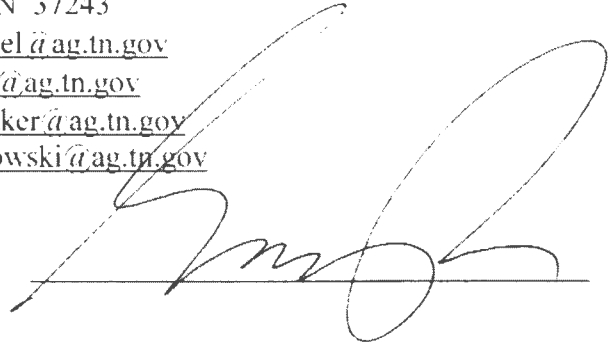
A handwritten signature in black ink, appearing to read 'Vance Broemel', is written over a horizontal line.

EXHIBIT B

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

IN RE:)	
)	
TENNESSEE PUBLIC UTILITY)	
COMMISSION INVESTIGATION OF)	
IMPACTS OF FEDERAL TAX REFORM)	Docket No. 18-00034
ON THE PUBLIC UTILITY REVENUE)	
REQUIREMENTS)	
)	
ATMOS ENERGY CORPORATION)	
ANNUAL RECONICLIATION OF)	Docket No. 18-00097
ANNUAL REVIEW MECHANISM)	

STIPULATION AND SETTLEMENT AGREEMENT

In a global stipulation and settlement of these two matters, Tennessee Public Utility Commission (TPUC or Commission) Docket Nos. 18-00034 and 18-00097, Herbert H. Slatery III, the Tennessee Attorney General and Reporter, by and through the Consumer Advocate Unit (Consumer Advocate) of the Financial Division and Atmos Energy Corporation (Atmos Energy or the Company), respectfully submit this Stipulation and Settlement Agreement (Settlement Agreement). The Consumer Advocate and Atmos Energy (individually, a Party and collectively, the Parties) recognize that these two Dockets have not been formally merged into a single docket. However, due to issues within the Dockets that overlap or are interrelated, the Parties determined that subject to Commission approval the use of this single, global Settlement Agreement is the most appropriate approach to resolving these Dockets.

I. BACKGROUND
A. TPUC Docket No. 18-00034 (Tax Docket)

1. On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (TCJA). Among other provisions, the TCJA lowers the federal corporate tax rate from 35% to 21%.¹

2. In the public utility context, regulated utilities will realize significantly reduced federal income tax expense as a result of the TCJA.² Further, as a result of the lower federal tax rate, utilities will experience excess deferred tax reserves.³ These reserves accumulate funds for the future payment of federal income tax. Effective with implementation of a lower federal income tax rate, a portion of these future obligations, paid by ratepayers, was effectively cancelled. Funding for these cancelled obligations was provided by ratepayers, and such funds should be returned to ratepayers.⁴

3. On February 6, 2018, the Commission issued its Order in TPUC Docket No. 18-00001 opening an investigation into the effects of the TCJA on certain public utilities.⁵ The Order required Tennessee's five largest public utilities – Tennessee American Water Company, Piedmont Natural Gas, Kingsport Power Company, Atmos Energy Corporation, and Chattanooga

¹ Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018. Pub. L. No. 116-97, 133 Stat. 2054 (Dec. 22, 2017).

² *Order Opening an Investigation and Requiring Deferred Accounting Treatment, In Re: Tennessee Public Utility Commission Investigation of Impacts of Federal Tax Reform on the Public Utility Revenue Requirements*, TPUC Docket No. 18-00001, pgs. 2, 4 (February 6, 2018).

³ Commission's Order, TPUC Docket No. 18-00001, pg. 4.

⁴ *Consumer Advocate's Petition to Intervene, In Re: Tennessee Public Utility Commission Investigation of Impacts of Federal Tax Reform on the Public Utility Revenue Requirements*, TPUC Docket No. 18-00001, pg. 2, ¶3 (March 13, 2018).

⁵ TPUC Docket No. 18-00001 was first set on the TPUC Conference Agenda on January 16, 2018. During this January Conference, the TPUC voted to open an investigation into the impacts of the recent federal tax reform and directed action by both utilities and the TPUC staff. Transcript, pgs. 8-12. The Commission issued its written order on February 6, 2018.

Gas Company – to file reports with the Commission by March 31, 2018 regarding the impact of the TCJA.⁶

4. Further, each of these utilities was directed to include three subject areas in the reports: (a) the portion of revenue representing the difference between the cost of service in the utility's most recent rate case and the cost of service if the tax rate had been 21% rather than 35%; (b) the excess deferred tax reserve caused by the reduction in the corporate tax rate; and (c) any other tax effects experienced by the utility resulting from the TCJA.⁷

5. On March 29, 2018, Atmos Energy filed its report in Response to the Commission's Order in TPUC Docket No. 18-00001 (Response).⁸ In response to Atmos Energy's filing, the Commission opened the present TPUC Docket 18-00034 separate from the original docket and separate from the other utilities previously named in the Commission's Order.⁹

6. On April 24, 2018, the Consumer Advocate filed a Petition to Intervene in this Docket.¹⁰ The intervention petition was subsequently granted without objection.¹¹

7. On October 8, 2018, Atmos Energy's Witness, Jennifer K. Story, filed testimony in support of Atmos Energy's Response to the Commission's Order.¹²

⁶ Commission's Order, TPUC Docket No. 18-00001, pgs. 5-6.

⁷ Commission's Order, TPUC Docket No. 18-00001, pgs. 4-5.

⁸ *Response of Atmos Energy Corporation to the Commission Order Opening An Investigation and Requiring Deferred Accounting Treatment*, TPUC Docket No. 18-00034 (March 29, 2018).

⁹ E-mail from Kelly Cashman-Grams, General Counsel, Tenn. Public Utility Comm. to Roberta Davis, Paralegal, Hunter, Smith & Davis, LLP (March 29, 2018, 1:41PM CT). In this e-mail, Ms. Cashman-Grams advised that compliance filings in response to TPUC Docket No. 18-00001 of each utility should be made in a separate docket from TPUC Docket No. 18-00001.

¹⁰ *Consumer Advocate's Petition to Intervene, In Re: Response of Atmos Energy Corporation to the Commission's Order Opening an Investigation and Requiring Deferred Accounting Treatment*, TPUC Docket No. 18-00034 (April 24, 2018).

¹¹ *Order Granting the Petition to Intervene Filed by the Consumer Advocate, In Re: Response of Atmos Energy Corporation to the Commission's Order Opening an Investigation and Requiring Deferred Accounting Treatment*, TPUC Docket No. 18-00034 (June 11, 2018).

¹² *Pre-Filed Testimony of Jennifer K. Story on Behalf of Atmos Energy Corporation, In Re: Response of Atmos Energy Corporation to the Commission's Order Opening an Investigation and Requiring Deferred Accounting Treatment*, TPUC Docket No. 18-00034 (October 8, 2018).

8. On November 21, 2018, Atmos Energy filed updated financials based upon the fiscal year ending September 30, 2018.

9. On December 21, 2018, the Consumer Advocate's witness, David N. Dittemore, filed testimony.¹³

10. On January 23, 2019, Atmos Energy's Witness, Jennifer K. Story, filed rebuttal testimony.¹⁴

B. TPUC Docket No. 18-00097 (ARM Reconciliation Docket)

11. On September 4, 2018, Atmos Energy filed its *Petition of Atmos Energy For Approval of 2018 Annual Reconciliation Filing* in TPUC Docket No. 18-00097 (ARM Reconciliation Petition).¹⁵ In the same filing on this date, Atmos Energy's witness, Gregory K. Waller, filed testimony in support of the ARM Reconciliation Petition.¹⁶

12. On October 9, 2018, the Consumer Advocate filed a Petition to Intervene in this Docket.¹⁷ The intervention petition was subsequently granted without objection.¹⁸

13. On January 9, 2019, the Consumer Advocate filed direct testimony of two witnesses, David Dittemore¹⁹ and William H. Novak.²⁰

14. On February 6, 2018, Atmos Energy filed rebuttal testimony of two witnesses,

¹³ *Direct Testimony of David Dittemore, In Re: Response of Atmos Energy Corporation to the Commission's Order Opening an Investigation and Requiring Deferred Accounting Treatment*, TPUC Docket No. 18-00038 (December 21, 2018).

¹⁴ *Rebuttal Testimony of Jennifer K. Story on Behalf of Atmos Energy Corporation, In Re: Response of Atmos Energy Corporation to the Commission's Order Opening an Investigation and Requiring Deferred Accounting Treatment*, TPUC Docket No. 18-00034 (January 23, 2019).

¹⁵ *In Re: Atmos Energy Corporation Annual Reconciliation of Annual Review Mechanism*, TPUC Docket No. 18-00097 (September 4, 2018).

¹⁶ *Pre-Filed Testimony of Gregory K. Waller on Behalf of Atmos Energy Corporation*, TPUC Docket No. 18-00097 (September 4, 2018).

¹⁷ *Consumer Advocate's Petition to Intervene*, TPUC Docket No. 18-00097 (October 9, 2018).

¹⁸ *Order Granting the Petition to Intervene Filed by the Consumer Advocate*, TPUC Docket No. 18-00097 (October 25, 2018).

¹⁹ *Direct Testimony of David Dittemore*, TPUC Docket No. 18-00097 (January 9, 2019).

²⁰ *Direct Testimony of William H. Novak*, TPUC Docket No. 18-00097 (January 9, 2019).

Gregory K. Waller²¹ and Jennifer K. Story²².

II. SETTLEMENT AGREEMENT TERMS

15. The Parties to this Settlement Agreement have engaged in discovery and have undertaken discussions to resolve all disputed issues in these cases. As a result of the information obtained during discovery and the discussions between the Parties, and for the purpose of avoiding further litigation and resolving this matter upon acceptable terms, the Parties have reached this Settlement Agreement. Subject to the TPUC's approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below:

A. Reduction in Federal Income Tax Rate

16. The issue in this subsection concerning the reduction in federal income tax rates under the TCJA was raised in both TPUC Docket Nos. 18-00034 and 18-00097.

17. The Parties agree that the recommendation set out in Consumer Advocate witness Novak's Direct Testimony in the ARM Reconciliation Docket for a pro forma blended federal tax rate that reflects a systematic adjustment from the pre-2018 tax rate to the current rate is the correct tax rate for purposes of the ARM Reconciliation Docket.²³ Mr. Novak's recommendation was to agree with and accept the Company's proposed tax rate calculation.²⁴ Specifically, the Parties agree, and recommend that the Commission approve, a blended rate of 29.26%. Further, such blended rate shall be used in the ARM Reconciliation Docket to take into account the income tax savings from the TCJA's reduction of the federal corporate tax rate from 35% to 21%.

²¹ *Rebuttal Testimony of Gregory K. Waller on Behalf of Atmos Energy Corporation*, TPUC Docket No. 18-00097 (February 6, 2019).

²² *Rebuttal Testimony of Jennifer K. Story on Behalf of Atmos Energy Corporation*, TPUC Docket No. 18-00097 (February 6, 2019).

²³ Novak Direct Testimony, TPUC Docket No. 18-00097, pg. 4, lines 19-21.

²⁴ *Id.*

18. For TPUC Docket No. 18-00034, the Parties agree that going forward Atmos Energy's annual review mechanism (ARM) as established in TPUC Docket No. 14-00146 provides the mechanism to address the Income Tax Savings from the TCJA's reduction of the federal corporate tax rate from 35% to 21%.

B. Correction of Tax Rates for Calculating Allowance for Funds Used During Construction (AFUDC)

19. The issue in this subsection concerning the correction of tax rates for calculating AFUDC was raised in TPUC Docket No. 18-00097.

20. The Parties agree that the recommendation set out in Consumer Advocate witness Novak's Direct Testimony in the ARM Reconciliation Docket that the methodology used by Atmos Energy for calculating AFUDC be used along with the tax rates of 6.5% for state and 29.26% for federal should be adopted by the Commission.²⁵

C. Calculation of Gross-Up Factors

21. The issue in this subsection concerning the calculation of gross-up factors was raised in TPUC Docket No. 18-00097.

22. As reflected in the Consumer Advocate witness Novak's Direct Testimony, Table 5,²⁶ two ratios – or gross-up factors – are used to convert any operating margin deficiency or surplus approved by the Commission into operating revenues.²⁷ Those two factors are the Forfeited Discount factor and the Uncollectible Expense factor. The Parties agree that the recommendation of Consumer Advocate witness Novak to use Operating Revenue in those calculations, as reflected on Table 5 of Mr. Novak's testimony, is the correct methodology for the calculation of those respective factors. Thus, the Parties agree for purposes of the ARM

²⁵ Novak Direct Testimony at pg. 18, line 9, Table 6.

²⁶ Novak Direct Testimony at pg. 15, Table 5.

²⁷ Novak Direct Testimony at pg. 16, lines 8-14.

Reconciliation Docket, that a forfeited discount ratio of 0.005167 and an uncollectible expense ratio of 0.001731.²⁸

23. The Parties agree, however, that the Company has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.

D. Long-Term Debt and Stockholder's Equity to Compute Capital Structure

24. The issue in this subsection concerning the calculation of capital structure was raised in TPUC Docket No. 18-00097.

25. The Parties agree, for the purpose of resolving this issue in the ARM Reconciliation Docket, with the recommendation set out in the rebuttal testimony of Company witness Mr. Greg Waller that end-of-period balances be used for long term debt and shareholders' equity in the computation of capital structure.

26. The Parties agree, however, that the Consumer Advocate has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.

E. Annualizing Versus Actual Expenses for Long Term Debt

27. The issue in this subsection concerning the calculation of the long term debt rate was raised in TPUC Docket No. 18-00097.

28. The Parties agree, for the purpose of resolving this issue in the ARM Reconciliation Docket, with the recommendation set out in the rebuttal testimony of Company witness Mr. Greg

²⁸ Novak Direct Testimony at pg. 15, line 11, Table 5.

Waller that certain debt cost expenses should be annualized in the calculation of the long term debt rate.

29. The Parties agree, however, that the Consumer Advocate has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.

F. Synchronization of Accumulated Deferred Income Tax (ADIT)

30. The issue in this subsection concerning the synchronization of ADIT was raised in both TPUC Docket Nos. 18-00034 and 18-00097.

31. The Parties agree that in order to properly synchronize certain operating and maintenance (O&M) costs for ratemaking certain adjustments must be made to Atmos Energy's ADIT balance. The Parties agree that the recommendation of Consumer Advocate witness Dittemore to remove certain amounts (Pension Expense, Restricted Stock Program, Restricted Stock – MIP, MIP/VPP Accrual) from the Atmos Energy's ADIT accounts (with the exception of certain Directors Stock Award amounts) for ratemaking purposes is the correct methodology. Thus, the Parties agree to the adjustments described in the table below.²⁹

²⁹ The original table is set out in Dittemore Direct Testimony, pg. 5, TPUC Docket No. 18-00097 (January 9, 2019). The table in this Settlement Agreement has been revised with the removal of "line 5" which is the Director's Stock Award as described in Story Rebuttal Testimony, pg. 4, line 14, through pg. 5, line 9 and fn. 3, TPUC Docket No. 18-00097 (February 6, 2019).

Line	Description	Attrition Year 13 Month Average
1	Accumulated Deferred Income Tax	(41,695,007) A/
	Adjustments	
2	To Remove Pension Expense	(679,249) B/
3	To Remove Restricted Stock Program	93,067 B/
4	To Remove Restricted Stock- MIP /C	480,664 B/
6	To Remove MIP/VPP Accrual /C	(28,606) B/
7	Total Adjustments	(134,123)
8	Adjusted Total	(41,560,884)

A/ Attrition Period Trial Balance 5.31.18.xlsx from TPUC Docket No. 18-00097

B/ ADIT 06-30-18.xlsx from TPUC Docket No. 18-00097

C/ Management Incentive Plan/Variable Pay Plan from TPUC Docket No. 18-00097

The Parties agree that the appropriate modification to the Atmos Energy proposed ADIT balance associated with synchronizing components of the ADIT with their corresponding treatment within Operating and Maintenance costs reduces the ADIT balance \$134,123.

G. Synchronization of ADIT Calculation with a Tennessee Specific Excise Tax Rate

32. The issue in this subsection concerning synchronization of ADIT with a Tennessee specific excise tax rate was raised in TPUC Docket No. 18-00097.

33. Atmos Energy's proposed ADIT balance is comprised of a number of individual book/tax timing differences multiplied by federal and state tax rates. The Parties agree to use the Tennessee specific excise tax rate for both income tax expense and ADIT. More specifically, the Parties agree that Atmos Energy shall calculate the Tennessee ADIT using the Tennessee State Excise Tax Rate in its Income Tax Expense and within its Division 93 (TN) ADIT balances.

34. The result of this modification is an increase in the 13-month average balance of ADIT of \$6,953,884 and reduction to Atmos Energy's rate base of \$6,955,572.³⁰ The difference

³⁰ The difference in ADIT balance and rate base adjustment is due to the impact of the ADIT adjustment on cash working capital.

between these amounts and the \$8.7 million adjustment proposed by the Consumer Advocate reflects corrections to this amount as identified in the rebuttal testimony of Ms. Story. Specifically, the use of the Tennessee state rate is applied to only those book/tax timing differences in which a rate other than the Tennessee state tax rate was previously used.

35. In addition to the adjustment discussed above, the stipulated adjustment reflects a correction to the Regulatory Liability balance for the impact of Excess ADIT using the Tennessee rate rather than a composite system average tax rate. The adjustment of \$68,802 is applied to the months of December 2017 - May 2018 resulting in an adjustment to the thirteen-month average balance of \$31,755.

36. The Rate Base as set forth in the Settlement Agreement (settlement Rate Base) is reconciled with the Company's original Rate Base³¹ as set forth in Exhibit A. This settlement Rate Base also incorporates changes to the balance of Cash Working Capital consistent with other Rate Base adjustments. The original balance of ADIT³² is reconciled with the settlement balance of ADIT as set forth in Exhibit B. The original balance of Cash Working Capital³³ is reconciled with the settlement balance of Cash Working Capital as set forth in Exhibit C. The original balance of the Atmos Regulatory Liability is reconciled with the settlement balance of the Atmos Regulatory Liability as set forth in Exhibit D.³⁴ The original balance of Accumulated Depreciation and Amortization³⁵ is reconciled with the settlement balance of Accumulated Depreciation and Amortization as set forth in Exhibit E. The original balance of Storage and Gas Investment³⁶ is reconciled with the settlement balance of Storage and Gas Investment as set forth in Exhibit F.

³¹ Waller Direct Testimony, Exhibit GKW-1, Schedule 7, line 29.

³² Waller Direct Testimony, Exhibit GKW-1, Schedule 7, line 15.

³³ *Id.* at Schedule 7, line 9.

³⁴ *Id.* at Schedule 7, line 13.

³⁵ *Id.* at Schedule 7, line 3.

³⁶ *Id.* at Schedule 7, line 7.

H. Classification of the Repair Deduction

37. The issue in this subsection concerning the classification of the Repair Deduction was raised in TPUC Docket No. 18-00034.

38. The Repair Deduction results from the current deduction for certain costs as incurred in computing federal taxable income, while those same costs are capitalized as plant-in-service for financial reporting purposes and included in rate base for ratemaking purposes.³⁷ Although the Parties agree to the current estimate of total Excess ADIT, there is a difference of opinion on the categorization of the Repair Deduction as either Protected³⁸ or Unprotected Excess ADIT³⁹ as reflected in the testimonies of Mr. Dittmore and Ms. Story in the Tax Docket. The Parties agree to resolve the issue of the classification of the Repair Deduction in TPUC Docket 18-00034 through the Private Letter Ruling (PLR) Process with the Internal Revenue Service (IRS) in accordance with Rev Proc 2019-1 or its successor.

39. Atmos Energy hereby represents that it does not have the vintage plant books and records that would be required to calculate the reversal of excess ADIT under the Average Rate Assumption Method (ARAM); therefore, Atmos Energy is utilizing the Reverse South Georgia Method (RSGM).

40. The Parties agree that the question posed to the IRS within the PLR is whether a Company utilizing RSGM, due to lack of vintage plant records, must normalize Excess ADIT associated with the Repair Deduction or whether Excess ADIT associated with the Repair

³⁷ Dittmore Direct Testimony at pg. 16, lines 2-6.

³⁸ For discussion of Protected Excess ADIT, see the testimony of the Consumer Advocate witness, Mr. Dittmore, TPUC Docket No. 18-00034, pg. 6, line 13 – pg. 7, line 3.

³⁹ For discussion of Unprotected Excess ADIT, see the testimony of the Consumer Advocate witness, Mr. Dittmore, TPUC Docket No. 18-00034, pg. 7, lines 4-6.

Deduction may be flowed back to ratepayers over an amortization period determined by the state utility regulatory agency.

41. The Parties agree to continue their strong, collaborative working relationship during this process of resolving the classification of the Repair Deduction. This includes collaboration and information-sharing, in good faith, during the drafting of the PLR request prior to Atmos Energy's formal submittal of the PLR request to the Commission. Accordingly, Atmos Energy agrees to (a) provide a draft copy of the PLR to the Consumer Advocate a reasonable period of time before any filing of such draft at the Commission or IRS to permit review and comment by the Consumer Advocate; (b) in good faith consider such comment and input from the Consumer Advocate into such draft; (c) provide prompt notice to the Consumer Advocate of each interaction, teleconference, or meeting with the Commission or IRS related to the PLR; and (d) to not object to the participation by the Consumer Advocate in any proceeding, teleconference, or meeting with the Commission or IRS related to the PLR, as permitted by Rev Proc 2019-1 or its successor.

42. Within 90 days of the Commission's written approval of this Settlement Agreement, Atmos Energy shall submit its draft PLR request to the Commission for review of the request to determine whether it is adequate and complete with a copy provided to the Consumer Advocate concurrently therewith. Atmos Energy agrees to provide prior notice to the Consumer Advocate of any meeting or telephone conference with Commission staff concerning such submission (along with a copy of any documents or materials pertinent to such meeting or telephone conference) and, further, Atmos Energy agrees not to object to the intervention or participation of the Consumer Advocate in any proceeding related to such submission. Within 30

days of the Commission's determination of whether the request is adequate and complete the Company shall submit its PLR request to the IRS.

43. Within five business days of the IRS publishing the PLR, Atmos Energy will file a copy in TPUC Docket No. 18-00034 for review and consideration by the Commission of issues, including but not limited to, a determination of the balances of Protected and Unprotected Excess ADIT and their corresponding amortization periods.

44. If for any reason the IRS declines to address the issue presented, Atmos Energy will file notice of such decision within five business days. Within 60 days of this notice, the Parties will submit their position to the Commission in TPUC Docket No. 18-00034 for review and consideration by the Commission of issues, including but not limited to, a determination of the balances of Protected and Unprotected Excess ADIT and their corresponding amortization periods.

45. The Parties agree that Atmos Energy will continue, on an interim basis, to amortize its balance of Unprotected ADIT – as Atmos Energy has defined such balances – until resolution of the appropriate Unprotected ADIT balance and amortization period is determined.

I. Amortization Periods of Excess ADIT

46. The issue in this subsection concerning amortization of Excess ADIT was raised in TPUC Docket No. 18-00034.

47. The Parties recognize that the current amounts of Excess ADIT are estimates and cannot be finalized until after Atmos Energy files its federal income tax return for its prior fiscal year.

48. The Parties also recognize that the specific amounts for Unprotected and Protected Excess ADIT cannot be finalized until after resolution of the classification of the Repair Deduction as agreed to in Section II.H. above.

49. The Parties agree that the Company's expenses related to the PLR Request that are recoverable from ratepayers are capped at \$100,000.

50. The Parties agree that due to the uncertainty regarding the resolution of the status of the Repair Deduction, the classification between Protected and Unprotected of the Excess ADIT between Protected and Unprotected cannot be determined at this time and is not defined in this Settlement Agreement.

51. The Parties agree that the appropriate estimated amortization period for Protected ADIT is 28 years, relying upon the RSGM method.

52. Despite the lack of agreement regarding the classification of Protected and Unprotected Excess ADIT, the Parties agree that the total rate base deduction for ADIT, is \$48,514,590 (13 month average as of May 31, 2018 which is the test period for the Reconciliation docket) and the estimate of total Excess ADIT as of May 31, 2018 is \$29,232,886.

53. The Parties agree that the Commission should reevaluate the matter of the appropriate amortization period for Unprotected Excess ADIT upon resolution of the dispute involving classification of the Repair Deduction.⁴⁰

54. The Parties agree that the amortizations of both the Protected and Unprotected Excess ADIT should be credited to Income Tax Expense.

J. Revenue Requirement Surplus

55. The issue in this subsection concerning revenue requirement was raised in TPUC Docket No. 18-00097.

56. As reflected in Settlement Agreement Schedules 1-12, the Parties agree that the resulting revenue surplus in the ARM Reconciliation Docket is \$4,053,984 (including carrying

⁴⁰ The Company commenced 28 year amortization of Protected and Unprotected Excess ADIT on October 15, 2018.

costs) which shall be the amount that will be incorporated into the Atmos Energy ARM filing, TPUC Docket No. 19-00018, currently pending before the Commission.

K. Safety and Operating Performance Metrics

57. The issue in this subsection concerning safety and operating performance metrics was raised in TPUC Docket No. 18-00097.

58. The Parties agree that Mr. Dittmore's proposals for safety and operating performance metrics, as set out in his testimony, will be raised for consideration by the Commission in the existing TPUC Docket No. 18-00112.

L. Appropriate Net Operating Loss (NOL) Balance Methodology for the Excess ADIT

59. The issue in this subsection concerning the method of determining the appropriate NOL balance for Excess ADIT was raised in TPUC Docket No. 18-00034.

60. The Parties agree that, solely for the purpose of resolving this issue in the Atmos Energy Tax Docket, Atmos Energy will not be required to identify the Tennessee specific NOL. The Parties agree, however, that the Consumer Advocate has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.⁴¹

M. Atmos Energy's Plant Accounting Accumulated Reserve Records

61. The issue in this subsection was raised in TPUC Docket No. 18-00034.

62. The Parties agree that for the purpose of resolving this issue in the Atmos Tax Docket, Atmos Energy will not be required to upgrade its plant accounting accumulated reserve

⁴¹ The Consumer Advocate likewise reserves the right to challenge any other methodology incorporated in or position taken by Atmos in the Tax Docket or the ARM Reconciliation Docket in future dockets. The resolution of the issues in this Settlement Agreement has no precedential impact on any position that any Party may take in any future Atmos docket.

records or modify its accounting systems to accommodate ARAM.

63. The Parties agree, however, that the Consumer Advocate has not waived its right to challenge such methodology in future dockets. The resolution of this issue has no precedential impact on positions that any Party may take regarding this issue in an existing or future Atmos Energy docket.

J. General Terms

64. All pre-filed discovery (formal and informal), testimony and exhibits of the Parties will be introduced into evidence without objection, and the Parties waive their right to cross-examine all witnesses with respect to all such pre-filed testimony. If, however, questions should be asked by any person, including a Commissioner, the Parties may present testimony and exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and exhibits. The Parties would ask to permit any out of town witnesses to be available by telephone to reduce the costs associated with such appearance.

65. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the TPUC and in any hearing, proposed order, or brief conducted or filed in these two Dockets. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement of these two Dockets. The provisions in this Settlement Agreement do not necessarily reflect the positions asserted by any Party. None of the Parties to this Settlement Agreement shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle except for the limited extent necessary to implement the provisions hereof.

66. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary for the enforcement and implementation of the provisions hereof.

67. The Parties request the Commission to order that the settlement of any issue pursuant to this Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before TPUC, or any court, state or federal, except to the limited extent necessary to implement the provisions hereof and for the limited purpose of enforcement should it become necessary.

68. The terms of this Settlement Agreement have resulted from extensive negotiations between the signatories and the terms hereof are interdependent. The Parties jointly recommend that TPUC issue an order adopting this Settlement Agreement in both Dockets in its entirety without modification.

69. If the Commission does not accept the settlement in whole for both Dockets, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that TPUC does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement retains the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such action by TPUC; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, TPUC within the same time frame. Should this Settlement Agreement terminate, it would be considered void and have no binding

precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

70. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement not be approved by TPUC in whole or in part.

71. No provision of this Settlement Agreement shall be deemed an admission of any Party. No provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in these two Dockets or any other docket.

72. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy and completeness of the information provided by Atmos Energy to TPUC and the Consumer Advocate throughout the course of these two Dockets, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

73. The acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of Atmos Energy's acts or practices.

74. Each signatory to this Settlement Agreement represents and warrants that it/he/she has informed, advised and otherwise consulted with the Party for whom it/he/she signs regarding the contents and significance of this Settlement Agreement and has obtained authority to sign on behalf of such Party, and based upon those communications,

each signatory represents and warrants that it/he/she is authorized to execute this Settlement Agreement on behalf of its/his/her respecting Party.

75. This Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, Tennessee choice of law rules notwithstanding.

76. Nothing herein limits or alters the Sovereign Immunity of the State of Tennessee or any of its entities or subdivisions.

77. The Parties agree that approval of the Settlement Agreement will become effective upon the oral decision of TPUC.

The foregoing is agreed and stipulated to this 25 day of March, 2019.

[Parties' signature pages follow – remainder of page intentionally left blank]

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket Nos. 18-00034 and 18-00097
Atmos Energy Corporation Signature Page

ATMOS ENERGY CORPORATION.

HAVE SEEN AND AGREED.

BY: 

A. SCOTT ROSS, (BPR # 15634)

Neal & Harwell, PLC

1201 Demonbreun Street, Ste. 1000

Nashville, TN 37203

(615) 244-1713 – Telephone

(615) 726-0573 – Facsimile

sross@nealharwell.com

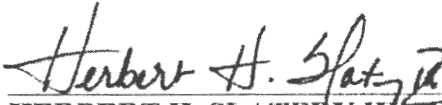
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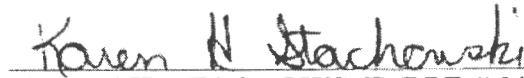
Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 18-00034 and 18-00097
Attorney General's Signature Page

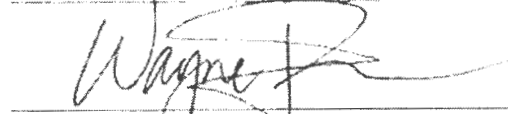
FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT

HAVE SEEN AND AGREED.

By:


HERBERT H. SLATTERY III (BPR # 09077)
Attorney General and Reporter
State of Tennessee


KAREN H. STACHOWSKI (BPR # 019607)
Assistant Attorney General
Office of the Attorney General
Financial Division, Consumer Advocate Unit
P.O. Box 20207
Nashville, Tennessee 37202-0207
Phone: (615) 741-1671
Fax: (615) 532-2910
Karen.Stachowski@ag.tn.gov


WAYNE M. IRVIN (BPR # 030946)
Senior Assistant Attorney General
Office of the Attorney General
Financial Division, Consumer Advocate Unit
P.O. Box 20207
Nashville, Tennessee 37202-0207
Phone: (615) 741-1671
Fax: (615) 532-2910
Wayne.Irvin@ag.tn.gov

SETTLEMENT EXHIBIT A

Atmos Energy
Docket No. 18-00097
Adjustments to Rate Base

Settlement Exhibit A

Resulting from the Application Adjustments to Cash Working Capital and ADIT

	A/ As Filed	Adjustments	B/ Settlement	Adjustment Reference
Original Cost of Plant	\$ 546,605,030		\$ 546,605,030	
Accumulated Depreciation and Amortization	(204,635,275)	9,733	(204,625,542)	Settlement Exhibit E
Construction Work in Progress per Books	18,629,890		18,629,890	
Storage Gas Investment	4,561,487	(5,532)	4,555,955	Settlement Exhibit F
Cash Working Capital	1,129,457	(40,061)	1,089,396	Settlement Exhibit C
Material & Supplies	31,504		31,504	
Regulatory Assets/Liabilities	(13,496,569)	(31,755)	(13,528,323)	Settlement Exhibit D
Accumulated Deferred Income Tax	(41,694,823)	(6,819,767)	(48,514,590)	Settlement Exhibit B
Customer Advances for Construction	(19,995)		(19,995)	
Customer Deposits	(1,624,026)		(1,624,026)	
Accumulated Interest on Customer Deposits	(52,049)		(52,049)	
Unadjusted Rate Base	309,434,632		302,547,250	
Adjustments:	(3,401,987)		(3,401,987)	
Net Elimination of Intercompany Leased Property	5,495,201		5,495,201	
Total Rate Base	<u>311,527,846</u>		<u>304,640,464</u>	

A/ GW-1 Reconciliation Revenue Requirement Model, Sch. 7, cell E19

B/ Settlement Exhibit SA-1 Reconciliation Revenue Requirement Model v3

SETTLEMENT EXHIBIT B

Atmos Energy
Docket No. 18-00097

Settlement Exhibit B

**Adjustment to ADIT/Regulatory Liability
Resulting from the Application of TN specific Excise Tax Rate**

As Filed Accumulated Deferred Income Tax	(41,694,823) A/
Adjustment 1	
Elimination of ADIT items related to Disallowed Expenses	134,123
Adjustment 2	
Synchronization of ADIT with Statutory State Tax Rate	(6,953,884)
Adjusted ADIT Balance	<u><u>(48,514,584)</u></u>
ADIT Balance per Settlement Exhibit SA-1	(48,514,590) B/
Difference	<u><u>(6)</u></u>

A/ GW-1 Reconciliation Revenue Requirement Model, Sch. 7, cell E19

B/ Settlement Exhibit SA-1 Reconciliation Revenue Requirement Model v3

SETTLEMENT EXHIBIT C

Atmos Energy

Docket No. 18-00097

Settlement Exhibit C

Adjustment to Cash Working Capital

Resulting from the Application of TN specific Excise Tax Rate

	<u>A/ As Filed</u>	<u>B/ Settlement</u>	<u>Difference</u>
Revenue Lag	37.50	37.50	0.00
Expense Lag	34.70	34.79	0.09
Net Lag	2.80	2.71	(0.09)
Daily Cost of Service	404,026	402,047	(1,979)
Cash Working Capital	\$ 1,129,457	\$ 1,089,396	\$ (40,061)

A/ GKW-1 Reconciliation Revenue Requirement Model, Sch. 7, cell E19

B/ Settlement Exhibit SA-1 Reconciliation Revenue Requirement Model v3

SETTLEMENT EXHIBIT D

Atmos Energy
Docket No. 18-00097
Adjustment to Regulatory Assets/Liabilities
Resulting from the Application of TN specific Excise Tax Rate

Settlement Exhibit D

	A/ As Filed	B/ Settlement	Difference
Regulatory Assets/Liabilities	\$ (13,496,569)	(13,528,323)	\$ (31,755)

Monthly Balance	Account 2530 - 27909	Account 2530 - 27909	
May-17	-	-	\$ -
Jun-17	-	-	\$ -
Jul-17	-	-	\$ -
Aug-17	-	-	\$ -
Sep-17	-	-	\$ -
Oct-17	-	-	\$ -
Nov-17	-	-	\$ -
Dec-17	(29,321,046)	(29,389,848)	\$ (68,802)
Jan-18	(29,321,046)	(29,389,848)	\$ (68,802)
Feb-18	(29,321,046)	(29,389,848)	\$ (68,802)
Mar-18	(29,164,084)	(29,232,886)	\$ (68,802)
Apr-18	(29,164,084)	(29,232,886)	\$ (68,802)
May-18	(29,164,084)	(29,232,886)	\$ (68,802)
13 Month Average	(13,496,569)	(13,528,323)	(31,755)

A/ GW-1 Reconciliation Revenue Requirement Model, Sch. 7, cell E19

B/ Settlement Exhibit SA-1 Reconciliation Revenue Requirement Model v3

SETTLEMENT EXHIBIT E

Atmos Energy
Docket No. 18-00097
Adjustment to Accumulated Depreciation and Amortization
Resulting from the Updated CKV Calculation

Settlement Exhibit E

As Filed Accumulated Depreciation and Amortization	\$ (204,635,275) A/
Adjustment 1	
Inclusion of SubAcct 39918 in Calculation of CKV Accum. Deprec.	(6,795) B/
Adjustment 2	
To Adjust Div 12 Accum. Deprec. for the Removal of the Updated CKV Calculation	16,529 B/
Total Adjustments	<u>9,733</u>
Settlement Accumulated Depreciation and Amortization	<u>\$ (204,625,542) C/</u>

A/ GWK-1 Reconciliation Revenue Requirement Model, Sch 7, cell E13
B/ Docket #18-00097 Response to CPAD DR 1-04
C/ Settlement Exhibit SA-1 Reconciliation Revenue Requirement Model v3

SETTLEMENT EXHIBIT F

Atmos Energy
Docket No. 18-00097
Adjustment to Storage Gas Investment
Resulting from Updated Commodity Allocation Percentage

Settlement Exhibit F

	A/ As Filed	B/ Settlement	Difference
Storage Gas Investment	\$ 4,561,487	4,555,955	\$ (5,532)

Inventories- Gas Stored (Account 1641)

May-17	3,324,309	3,324,309	-
Jun-17	4,173,868	4,173,868	-
Jul-17	5,248,371	5,248,371	-
Aug-17	6,348,943	6,348,943	-
Sep-17	7,351,047	7,351,047	-
Oct-17	8,153,627	8,153,627	-
Nov-17	8,246,120	8,246,120	-
Dec-17	5,636,711	5,626,240	(10,471)
Jan-18	3,247,369	3,233,440	(13,929)
Feb-18	2,701,708	2,690,790	(10,918)
Mar-18	840,077	831,112	(8,965)
Apr-18	1,380,990	1,368,505	(12,485)
May-18	2,646,189	2,631,037	(15,152)
Average	<u>4,561,487</u>	<u>4,555,955</u>	<u>(5,532)</u>

A/ GKW-1 Reconciliation Revenue Requirement Model, Sch. 7, cell E13

B/ Docket #18-00097 Response to CPAD DR 1-07

Settlement Exhibit SA-1 Reconciliation Revenue Requirement Model v3

SETTLEMENT AGREEMENT

SCHEDULE 1

Schedule 1

**Tennessee Distribution System
Cost of Service
Twelve Months Ended May 31, 2018**

Line No.	Description (a)	Reference (b)	Amount (c)	As Filed (d)	Difference (e)
1	Cost of Gas	Schedule 3	\$73,565,057	\$40,904,923	\$32,660,135
2					
3	Operation & Maintenance Expense	Schedule 4	20,712,003	20,384,327	327,676
4					
5	Taxes Other Than Income Taxes	Schedule 5	7,486,379	7,704,182	(217,803)
6					
7	Depreciation & Amortization Expense	Schedule 6	12,652,532	12,516,189	136,343
8					
9	Return	Schedule 7	23,701,028	22,691,145	1,009,883
10					
11	Federal Income and State Excise Tax	Schedule 8	8,855,376	10,064,573	(1,209,197)
12					
13	AFUDC	Wp 1-2	(149,964)	(50,693)	(99,271)
14					
15	Interest on Customer Deposits	Wp 1-1	78,864	165,200	(86,336)
16					
17	Total Cost of Service		<u>\$ 146,901,275</u>	<u>\$ 114,379,845</u>	<u>\$ 32,521,429</u>
18					
19	Cost of Service w/o Gas Cost		<u>73,336,218</u>	<u>73,474,922</u>	<u>(138,705)</u>
20					
21	Non-Gas Revenues in Attrition Year (Gross Margin)		81,438,352		
22	Removal of 16-00105 ARM Recon Revenue included in 17-00012		<u>4,612,293</u>		
23	Non-Gas Revenues in Attrition Year with True-up Removal		76,826,059		
24					
23	Additional Revenue Required to Earn Authorized Rate of Return		(3,489,841)		
24					
25	Carrying Cost		(564,143)		
26					
27	Amount to be added to revenue sufficiency / deficiency		<u>\$ (4,053,984)</u>		
28	in February 1, 2019 ARM filing				

**Tennessee Distribution System
Interest on Customer Deposits
Twelve Months Ended May 31, 2018**

Line No.	Description (a)	Amount (b)
1	Average Customer Deposit Balance	\$ 1,624,026
2		
3	Interest Rate on Customer Deposits	<u>3.25%</u>
4		
5	Adjusted Customer Deposit Interest	<u>\$ 52,781</u>
6		
7	Per Book Customer Deposit Interest	<u>\$ 78,864</u>

**Tennessee Distribution System
Allowance for Funds Used During Construction
Twelve Months Ended May 31, 2018**

Line No.	Description (a)	Amount (b)
1	Base Period AFUDC per books - Div 093 (1)	\$ (83,411)
2		
3	Less State Excise Tax Effect	<u>(5,422)</u>
4		
5		\$ (77,989)
6		
7	Less Federal Tax Effect	<u>(22,820)</u>
8		
9	Net AFUDC - Base Period	\$ (55,169)
10		
11	Change from Base Period to Attrition Year	<u>(94,795)</u>
12		
13	Attrition Year AFUDC per books - Div 093 (2)	<u><u>\$ (226,730)</u></u>
14		
15	Less State Excise Tax Effect	<u>(14,737)</u>
16		
17		\$ (211,993)
18		
19	Less Federal Tax Effect	<u>(62,029)</u>
20		
21	Net AFUDC - Attrition Period	<u><u>\$ (149,964)</u></u>
22		
23	Note:	
24	1. Twelve months ended September 30, 2016 - Account 432	
25	2. Twelve months ended May 31, 2018	

SETTLEMENT AGREEMENT

SCHEDULE 2

Schedule 2

**Tennessee Distribution System
Summary of Revenue at Present Rates
Twelve Months Ended May 31, 2018**

Line	Description	Amount
	(a)	(b) (c)
1	Base period per books revenue (1)	\$ 106,935,939
2	Attrition Period per books revenue (2)	155,003,409
3	Change from Base Period to Attrition Year	<u>48,067,470</u>
4		
5	Attrition Year Revenue:	
6	Gross Margin	\$ 81,438,352
7	Gas cost	<u>73,565,057</u>
8	Total	<u>\$ 155,003,409</u>
9		
10	Note:	
11	1. Twelve months ended September 30, 2016	
12	2. Twelve months ended May 31, 2018	

SETTLEMENT AGREEMENT

SCHEDULE 3

Schedule 3

**Tennessee Distribution System
Cost of Gas
Twelve Months Ended May 31, 2018**

Line No.	Description (a)	Amount (b)
1	Base period per books cost of gas (1)	\$ 42,120,941
2	Adjustments	
3	Base Period Net Elimination of Intercompany Leased Storage Property	\$ (1,216,018)
4		
5	Total Adjusted Gas Cost Base Period	<u>\$ 40,904,923</u>
6		
7	Attrition Period per books cost of gas (2)	\$ 74,744,487
8	Adjustments	
9	Attrition Period Net Elimination of Intercompany Leased Storage Property	<u>(1,179,430)</u>
10		
11	Total Adjusted Gas Cost	\$ 73,565,057
12		
13	Change from Base Period to Attrition Year	\$ 32,660,135
14		
15	Attrition Year Gas Cost	<u>\$ 73,565,057</u>
16		
17	Note:	
18	1. Twelve months ended September 30, 2016	
19	2. Twelve months ended May 31, 2018	

Tennessee Distribution System
ELIMINATION OF LEASED PROPERTY-RENT
Twelve Months Ended May 31, 2018

Line No.	Description	Building Rent O&M	Storage Expense O&M	Leased Property Depreciation	Storage Expense Other Taxes	Storage Rent Gas Cost
	(a)	(b)				(c)
1	June-17	\$ -	\$ 28,140	\$ 17,359	\$ 3,050	\$ (86,646)
2	July-17	\$ -	\$ 22,751	\$ 17,359	\$ 3,050	\$ (86,646)
3	August-17	\$ -	\$ 24,688	\$ 17,359	\$ 3,050	\$ (86,646)
4	September-17	\$ -	\$ 124,283	\$ 17,394	\$ 3,050	\$ (86,646)
5	October-17	\$ -	\$ 23,825	\$ 17,370	\$ 2,317	\$ (86,646)
6	November-17	\$ -	\$ 23,288	\$ 17,371	\$ 2,317	\$ (86,646)
7	December-17	\$ -	\$ 19,684	\$ 17,371	\$ 2,317	\$ (126,554)
8	January-18	\$ -	\$ 32,524	\$ 17,371	\$ 2,417	\$ (106,600)
9	February-18	\$ -	\$ 31,625	\$ 17,370	\$ 14,205	\$ (106,600)
10	March-18	\$ -	\$ 27,550	\$ 17,370	\$ 2,417	\$ (106,600)
11	April-18	\$ -	\$ 29,146	\$ 17,371	\$ 2,417	\$ (106,600)
12	May-18	\$ -	\$ 49,746	\$ 17,371	\$ 18,371	\$ (106,600)
13						
14	Total Per Books	\$ -	\$ 437,252	\$ 208,434	\$ 58,978	\$ (1,179,430)

SETTLEMENT AGREEMENT

SCHEDULE 4

Schedule 4

**Tennessee Distribution System
Operation and Maintenance Expenses
Twelve Months Ended May 31, 2018**

Line No.	Description (b)	Amount (c)
1	Base period per books O&M Expense (1)	\$ 21,828,328
2		
3	Change from Base Period to Attrition Year	<u>(1,553,577)</u>
4		
5	Attrition Year O&M Expenses - Before Eliminations (2)	\$ 20,274,751
6		
7	<u>Adjustments to O&M</u>	
8	Elimination of Intercompany Leased Property - Rent	\$ -
9	Inclusion of Barnsley Storage Operating Expense	\$ 437,252
10		
11	Total Adjustments	<u>\$ 437,252</u>
12		
13	Total Adjusted Operation and Maintenance Expenses	<u>\$ 20,712,003</u>
14		
15	Note:	
16	1. Twelve months ended September 30, 2016	
17	2. Twelve months ended May 31, 2018	

Tennessee Distribution System
Operation and Maintenance Expenses
Twelve Months Ended May 31, 2018

Line No.	Tennessee			SSU			General Office			Total		
	Historic Base	Attrition	Difference	Historic Base	Attrition	Difference	Historic Base	Attrition	Difference	Historic Base	Attrition	Difference
1 Labor	\$ 3,555,037	\$ 3,453,549	\$ (101,488)	\$ 3,318,537	\$ 3,183,789	\$ (134,748)	\$ 915,953	\$ 1,142,802	\$ 226,854	\$ 7,789,527	\$ 7,780,145	\$ (9,382)
2 Benefits	\$ 1,340,603	1,142,006	(198,597)	\$ 1,134,962	\$ 1,051,549	(83,413)	\$ 312,042	\$ 269,677	(42,365)	2,787,606	2,463,232	(324,374)
3 Employee Welfare	\$ 32,262	30,015	(2,248)	\$ 1,387,685	\$ 1,649,400	261,716	\$ 635,376	\$ 526,409	(108,968)	2,056,323	2,205,824	149,501
4 Insurance	\$ 178,945	181,455	2,510	\$ 627,549	\$ 980,511	352,962	\$ 20,638	\$ 28,742	8,104	1,126,932	1,190,708	63,776
5 Rent, Maint., & Utilities	\$ 590,732	446,776	(143,956)	\$ 373,165	\$ 350,556	(22,609)	\$ 153,665	\$ 134,609	(19,056)	1,117,063	931,941	(185,121)
6 Vehicles & Equip	\$ 507,567	524,880	17,313	\$ 6,780	\$ 3,211	(3,569)	\$ 28,804	\$ 29,871	1,067	543,151	557,963	14,811
7 Materials & Supplies	\$ 389,975	417,683	27,708	\$ 43,399	\$ 42,328	(1,070)	\$ 71,745	\$ 83,526	11,781	505,119	543,538	38,419
8 Information Technologies	\$ 9,358	3,267	(6,092)	\$ 793,487	\$ 918,274	124,787	\$ 39,334	\$ 28,756	(10,578)	842,179	950,296	108,117
9 Telecom	\$ 190,673	264,497	73,823	\$ 114,742	\$ 108,133	(6,609)	\$ 145,546	\$ 127,409	(17,938)	450,762	500,038	49,276
10 Marketing	\$ 89,851	96,025	6,174	\$ 11,700	\$ 10,702	(998)	\$ 138,954	\$ 170,651	31,697	240,305	277,378	36,873
11 Directors & Shareholders & PR	\$ 3,633	-	(3,633)	\$ 273,215	\$ 308,542	35,327	\$ 4	\$ -	(4)	276,852	308,542	31,690
12 Dues & Donations	\$ 73,045	100,746	33,701	\$ 25,822	\$ 23,982	(1,840)	\$ 46,643	\$ 10,735	(35,908)	145,510	141,463	(4,047)
13 Print & Postages	\$ 8,695	8,703	7	\$ 8,137	\$ 7,756	(381)	\$ 5,600	\$ 5,593	(7)	22,432	22,052	(381)
14 Travel & Entertainment	\$ 291,917	313,212	21,295	\$ 112,851	\$ 126,521	13,670	\$ 173,488	\$ 202,041	28,554	578,256	641,775	63,519
15 Training	\$ 11,875	21,431	9,556	\$ 75,245	\$ 57,942	(17,303)	\$ 20,414	\$ 26,288	5,874	107,532	105,661	(1,871)
16 Outside Services	\$ 3,486,914	4,395,915	909,000	\$ 721,496	\$ 745,901	24,405	\$ 1,247,270	\$ 564,965	(682,304)	5,453,681	5,766,781	251,101
17 Provision for Bad Debt	\$ 286,637	268,238	(18,399)	\$ -	\$ -	-	\$ -	\$ -	-	286,637	268,238	(18,399)
18 Miscellaneous	\$ 193,710	(55,954)	(251,673)	\$ (2,655,742)	\$ (2,962,854)	(307,112)	\$ (43,717)	\$ (89,469)	(45,752)	(2,503,759)	(3,108,276)	(604,517)
19 Total O&M Expenses	\$ 11,243,940	\$ 11,613,443	\$ 374,503	\$ 6,672,828	\$ 6,606,245	\$ (66,582)	\$ 3,911,561	\$ 3,267,610	\$ (643,951)	\$ 21,828,328	\$ 21,487,298	\$ (341,030)
20												
21 Disallowed Items												
22 Other (Sub 05416 and 05412)		(2,023)			(2,476)			(1,412)			(5,911)	(5,911)
23 Incentive Comp (MFR 38)		0			(612,869)			(425,536)			(1,038,405)	(1,038,405)
24 Benefits (FAS 87 Accrual)		(215,933)			(156,623)			(68,110)			(440,666)	(440,666)
25												
26 Rate Case Expense		-	-							-	-	-
27												
28 Actual Allocable Pension Contribution		272,435	272,435							-	272,435	272,435
29												
30 Total O&M	\$ 11,243,940	\$ 11,672,921	\$ (446,937)	\$ 6,672,828	\$ 5,834,277	\$ (66,582)	\$ 3,911,561	\$ 2,767,553	\$ (648,951)	\$ 21,828,328	\$ 20,274,751	\$ (1,553,577)

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2018**

Division 093			
Line No.	FERC Account	Historic Base Period	Attrition Year
1	7350	1,504	891
2	8400	-	-
3	8560	44,801	38,030
4	8600	6,308	-
5	8630	5,775	800
6	8650	-	-
7	8700	1,614,281	1,959,659
8	8710	-	63
9	8711	5,762	47,040
10	8740	3,656,775	4,055,596
11	8750	474,888	454,046
12	8760	7	262
13	8770	2,615	5,650
14	8780	681,638	692,491
15	8800	130,271	94,150
16	8810	493,974	302,506
17	8860	4,457	6,612
18	8870	34,771	43,374
19	8890	3,247	140,114
20	8900	-	33
21	8910	-	139
22	8920	8,229	(26,005)
23	8930	11,094	37,016
24	8940	(56)	150
25	9010	212	-
26	9020	947,850	481,768
27	9030	316,230	983,425
28	9040	286,637	268,238
29	9090	152,522	16,139
30	9100	-	33
31	9110	302,849	226,566
32	9120	42,872	63,690
33	9130	100	11,019
34	9160	-	-
35	9200	99,887	111,863
36	9210	20,297	14,242
37	9220	10,554,992	9,868,855
38	9230	160,931	154,589
39	9240	139,178	142,185
40	9250	27,773	50,130
41	9260	1,352,964	1,153,867
42	9270	-	-
43	9280	180,833	6,714
44	9302	21,871	70,525
45	9310	10,531	10,834
46	Total	21,798,867	21,487,298

Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2018

Division 091			
Line No.	FERC Account	Historic Base Period	Attrition Year
	8160	-	62
44	8170	521	549
45	8180	544	520
46	8190	7,490	6,868
47	8210	2,213	2,882
48	8240	-	11
49	8250	12,765	15,258
50	8500	151	-
51	8560	1,026	901
52	8570	1,060	1,000
53	8640	-	-
54	8650	93	-
55	8700	3,100,485	3,133,634
56	8710	140	-
57	8711	54,105	100,581
58	8740	90,489	119,576
59	8750	113,036	155,723
60	8760	70	2,856
61	8770	1,036	36,722
62	8780	478	82
63	8800	1,610	173
64	8810	309,396	274,246
65	8860	-	-
66	8940	-	-
67	9010	-	27,899
68	9020	-	-
69	9030	2,765,198	1,921,993
70	9090	388	-
71	9100	753	2,138
72	9110	131,544	170,230
73	9120	3,933	3,041
74	9130	8,759	5,998
75	9200	(104,066)	(219,098)
76	9210	69,126	(38,644)
77	9220	(8,980,256)	(7,786,772)
78	9230	175,505	141,485
79	9240	(11,528)	(14,370)
80	9250	371,198	146,225
81	9260	1,837,731	1,776,232
82	9280	-	441
83	9302	103,010	11,555
84	9310	-	-
85	Total	68,000	(0)

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2018**

Division 002			
Line	FERC	Historic Base	
No.	Account	Period	Attrition Year
84	8210	-	440
85	8230	-	6,062
86	8560	463	6,983
87	8700	4,341	283,387
88	8740	112,666	45,956
89	8780	-	-
90	8800	(3,799)	-
91	8850	-	24,916,754
92	8900	-	-
93	9010	17,340	118
94	9030	1,883,902	72,748
95	9100	-	3,707
96	9120	7,034	17,895
97	9160	-	1,009
98	9200	(15,850,637)	(12,976,253)
99	9210	22,631,682	23,211,846
100	9220	(91,705,860)	(100,272,886)
101	9230	9,093,724	10,871,865
102	9240	126,521	135,293
103	9250	21,484,805	19,993,118
104	9260	41,979,578	47,668,559
105	9301	-	-
106	9302	5,798,774	6,591,533
107	9310	5,260,633	5,059,659
108	9320	304,218	396,046
109	Total	1,145,384	26,033,838

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended May 31, 2018**

Division 012			
Line	FERC	Historic Base	
No.	Account	Period	Attrition Year
107	8700	824	1,876
108	8740	21,423	19,316
109	8800	54	37
110	9010	5,191,977	4,140,074
111	9020	76	9,791
112	9030	22,338,905	18,683,675
113	9100	-	-
114	9200	4,339,176	4,045,370
115	9210	9,667,656	8,021,415
116	9220	(55,357,052)	(46,393,818)
117	9230	576,465	847,264
118	9240	121,818	95,934
119	9250	-	183
120	9260	11,150,347	8,846,083
121	9301	66	-
122	9302	88,362	-
123	9310	1,849,962	1,672,147
124	9320	9.942	10,653
125	Total	0	0

Line No	Description	Number of Bills (a)	Volumes Mcf (c)	Adjustments to Bills (d)	Adjustments to Volumes (e)	Total Bills (f)	Total Volumes (g)	Proposed Customer Charge (h)	Proposed Commodity Charge (i)	Revenue @ Proposed Rates (j)	Bad Debt Percentage (k)	Total Bad Debt (l)
1	210 Residential Gas Service (Summer)	613,797	810,777	19,113	25,250	832,820	836,027	14.50	1.206	10,184,383	0.5%	\$ 50,922
2	210 Residential Gas Service (Winter) (weather sensitive)	853,737	6,668,956	26,590	297,694	880,387	6,876,550	17.50	1.206	23,792,037	0.5%	\$ 118,510
3	210 Residential Gas Service Senior Citizen (Summer)	799	553	22	17	731	570	0.00	1.206	688	0.5%	\$ 3
4	210 Residential Gas Service Senior Citizen (Winter) (weather sensitive)	1,011	6,211	31	193	1,042	6,405	0.00	1.206	7,726	0.5%	\$ 39
5												
6	211 Residential/Sm. Commercial/Industrial Heating & Cooling Service	24	342	1	11	25	353	14.25	0.735	612	0.5%	\$ 3
7												
8	220 Commercial Gas Service (weather sensitive)	194,355	5,146,491	3,267	86,496	197,622	5,232,989	36.00	2.385	19,593,309	0.5%	\$ 37,967
9												
10	221 Experimental School Gas Service	53	69,275	1	1,164	54	70,439	36.00	1.162	83,755	0.5%	\$ 419
11												
12	225 Public Authority Gas Service (Sr. Citizen) (Summer)	0	0	0	0	0	0	0.00	1.206	0	0.5%	\$ -
13	225 Public Authority Gas Service (Sr. Citizen) (Winter) (weather Sensitive)	0	0	0	0	0	0	0.00	1.206	0	0.5%	\$ -
14	225 Public Authority Gas Service (Summer)	2,974	7,439	93	232	3,067	7,671	14.50	1.206	53,720	0.5%	\$ 269
15	225 Public Authority Gas Service (Winter) (weather Sensitive)	4,166	40,992	130	1,277	4,296	42,268	17.50	1.206	126,154	0.5%	\$ 631
16												
17	230 Large Commercial Gas Service (weather sensitive)	0	0	0	0	0	0	385.00	2.084	0	0.5%	\$ -
18												
19	Total											268,752

Atmos Energy Corp - Tennessee Distribution System
Attrition Year Pension Benchmark Calculation
Twelve Months Ended May 31, 2018

Line No.	Description	Number of Participants	Estimated Liability	Percent of Contribution Applicable to Group	Actual Attrition Year Contribution	Allocation Factor to Tennessee	Amount Allocable to Tennessee	Composite Labor Capitalization Rate	Pension Contribution Assigned to Capital/Reduction to O&M Costs
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
1	All Other (not allocable to Tennessee)	4,410	\$ 414,624,000	77.7%	\$ 3,886,206.17	0.00%	\$ -		
2	Co 010 - Shared Services	493	56,998,000	10.7%	534,233	4.26%	22,785		
3	Co 010 - CSO	371	18,248,000	3.4%	171,036	4.52%	7,730		
4	Active Tennessee Jurisdiction Employees	107	15,613,000	2.9%	146,338	100.00%	146,338	55.6%	(81,364)
5	Inactive Tennessee Jurisdiction Employees	192	15,783,000	3.0%	147,932	100.00%	147,932		
6	Active Division General Office Employees	25	5,090,000	1.0%	47,708	41.81%	19,948	53.7%	(10,712)
7	Inactive Division General Office Employees (pre-merger)(1)	47	5,625,000	1.1%	52,722	26.55%	13,998		
8	Inactive Division General Office Employees (post-merger)	5	1,475,000	0.3%	13,825	41.81%	5,781		
9									
10	Total Amount of Contribution Allocable to Tennessee	5,650	\$ 533,456,000	100.00%	\$ 5,000,000		\$ 364,511		\$ (92,076)

1 For General Office employees who worked at United Cities Gas Company prior to the merger with Atmos Energy, the Company has applied the allocation factor used to allocate labor expense in Docket No. 95-02258

Source: Relied Upon\TN-FYE2015-AcctAllocation

Transportation, Distribution System
Operation and Maintenance Expenses, Present vs. Actuals
Twelve Months Ended Nov. 30, 1977

Line Item	Transportation			SN			General Office			Total		
	Actual	Forecast	Difference	Actual	Forecast	Difference	Actual	Forecast	Difference	Actual	Forecast	Difference
1 Labor	\$ 5,535,006	\$ 5,657,349	\$ (122,343)	\$ 3,183,729	\$ 3,183,729	\$ 0	\$ 1,142,897	\$ 1,142,897	\$ 0	\$ 9,142,079	\$ 9,142,079	\$ 0
2 Insurance ¹	\$ 1,773,054	\$ 1,112,666	\$ (660,388)	\$ 1,658,000	\$ 1,658,000	\$ 0	\$ 20,679	\$ 20,679	\$ 0	\$ 3,142,467	\$ 2,463,272	\$ (679,195)
3 Employee Welfare	\$ 41,242	\$ 30,315	\$ (10,927)	\$ 1,067,638	\$ 1,067,638	\$ 0	\$ 130,273	\$ 130,273	\$ 0	\$ 379,823	\$ 2,403,323	\$ (2,023,500)
4 Insurance	\$ 31,137	\$ 181,455	\$ (150,318)	\$ 897,283	\$ 897,283	\$ 0	\$ 178,415	\$ 178,415	\$ 0	\$ 1,099,815	\$ 1,099,815	\$ 0
5 Auto, Marine, & Other	\$ 748,856	\$ 772,686	\$ (23,830)	\$ 36,771	\$ 36,771	\$ 0	\$ 29,791	\$ 29,791	\$ 0	\$ 1,099,815	\$ 1,099,815	\$ 0
6 Vehicle & Equip	\$ 555,319	\$ 417,883	\$ (137,436)	\$ 42,510	\$ 42,510	\$ 0	\$ 67,351	\$ 67,351	\$ 0	\$ 738,601	\$ 738,601	\$ 0
7 Insurance	\$ 5,267	\$ 5,267	\$ 0	\$ 811,863	\$ 811,863	\$ 0	\$ 55,791	\$ 55,791	\$ 0	\$ 175,941	\$ 175,941	\$ 0
8 Telephone	\$ 17,698	\$ 24,407	\$ (6,709)	\$ 198,692	\$ 198,692	\$ 0	\$ 270,426	\$ 270,426	\$ 0	\$ 382,593	\$ 382,593	\$ 0
9 Utilities	\$ 5,463	\$ 86,625	\$ (81,162)	\$ 19,743	\$ 19,743	\$ 0	\$ 17,421	\$ 17,421	\$ 0	\$ 146,195	\$ 146,195	\$ 0
10 Directors & Shareholders of IS	\$ 2,612	\$ 12,612	\$ (10,000)	\$ 19,743	\$ 19,743	\$ 0	\$ 17,421	\$ 17,421	\$ 0	\$ 257,219	\$ 257,219	\$ 0
11 Other & Insurance	\$ 5,215	\$ 5,215	\$ 0	\$ 29,791	\$ 29,791	\$ 0	\$ 17,421	\$ 17,421	\$ 0	\$ 257,219	\$ 257,219	\$ 0
12 Freight & Postage	\$ 10,732	\$ 10,732	\$ 0	\$ 29,791	\$ 29,791	\$ 0	\$ 17,421	\$ 17,421	\$ 0	\$ 257,219	\$ 257,219	\$ 0
13 Travel & Entertainment	\$ 4,012	\$ 2,212	\$ (1,800)	\$ 11,010	\$ 11,010	\$ 0	\$ 17,421	\$ 17,421	\$ 0	\$ 17,421	\$ 17,421	\$ 0
14 Training	\$ 3,672,000	\$ 3,672,000	\$ 0	\$ 1,818,181	\$ 1,818,181	\$ 0	\$ 2,678,181	\$ 2,678,181	\$ 0	\$ 6,078,181	\$ 6,078,181	\$ 0
15 Professional Fees	\$ 3,672,000	\$ 3,672,000	\$ 0	\$ 1,818,181	\$ 1,818,181	\$ 0	\$ 2,678,181	\$ 2,678,181	\$ 0	\$ 6,078,181	\$ 6,078,181	\$ 0
16 Miscellaneous ²	\$ 3,672,000	\$ 3,672,000	\$ 0	\$ 1,818,181	\$ 1,818,181	\$ 0	\$ 2,678,181	\$ 2,678,181	\$ 0	\$ 6,078,181	\$ 6,078,181	\$ 0
17 Total O&M Expenses	\$ 10,233,773	\$ 11,618,411	\$ (1,384,638)	\$ 9,606,215	\$ 9,606,215	\$ 0	\$ 1,142,897	\$ 1,142,897	\$ 0	\$ 22,222,185	\$ 22,222,185	\$ 0
18 Distribution of Items	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
19 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
20 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
21 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
22 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
23 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
24 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
25 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
26 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
27 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
28 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
29 Insurance Corp. (MFR, N)	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0	\$ 17,765	\$ 17,765	\$ 0
30 Total O&M	\$ 10,233,773	\$ 11,618,411	\$ (1,384,638)	\$ 9,606,215	\$ 9,606,215	\$ 0	\$ 1,142,897	\$ 1,142,897	\$ 0	\$ 22,222,185	\$ 22,222,185	\$ 0

1. AS 17,765 received from "Pawling" on 10/10/77.
2. From Cost Control Department included in "Miscellaneous" Expenses.

SETTLEMENT AGREEMENT

SCHEDULE 5

Schedule 5

**Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended May 31, 2018**

Line No.	Description (a)	Total (b)
1	Base period per books Other Taxes Expense (1)	\$ 7,811,449
2		
3	Change from Base Period to Attrition Year	<u>(384,048)</u>
4		
5	Attrition Year per books Other Taxes Expense (2)	<u>\$ 7,427,402</u>
6		
7	Inclusion of Barnsley Storage Other taxes	<u>58,978</u>
8		
9	Attrition Year Adjusted Taxes Other Than Income Taxes	<u>\$ 7,486,379</u>
10		
11	Note:	
12	1. Twelve months ended September 30, 2016 - Account 408	
	2. Twelve months ended May 31, 2018 - Account 408	

Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended Sept 30, 2016

Line No.	Description	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
1	<u>Division 093</u>												
2	FICA	33,910	42,678	2,556	28,602	18,153	12,192	37,419	15,206	13,758	16,235	10,522	51,968
3	FUTA	15	35	(8)	2,445	132	(248)	(24)	6	(2)	-	-	-
4	SUTA	24	97	(23)	2,961	994	(269)	(59)	3	(5)	-	-	-
5	Ad Valorem	344,854	344,854	344,854	344,854	344,854	344,854	344,854	344,854	344,854	384,854	384,854	384,854
6	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-
7	30105 Corp/State Franchise Tax	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
8	30107 City Franchise	167	167	167	167	167	167	167	167	167	167	167	167
9	30109 State Gross Receipts	76,927	170,959	219,903	262,085	202,641	171,911	94,924	66,627	63,521	51,441	72,780	68,801
10	30104 State Supv & Inspection	54,674	54,674	54,674	54,674	54,674	54,674	47,302	47,302	47,302	47,302	47,302	47,302
11	30108 Dot Transmission User Tax	-	-	-	-	-	-	20,299	-	-	-	-	-
12	Division 91 Allocations	12,378	13,192	3,993	11,352	7,998	6,258	12,498	7,282	6,714	7,419	6,071	11,656
13	Division 12 Allocations	9,805	26,736	8,022	13,560	10,955	11,957	10,815	12,939	9,651	10,050	10,271	9,814
14	Division 02 Allocations	13,292	35,075	10,245	17,794	14,168	15,404	14,078	17,818	13,683	13,750	14,324	13,241
15	Total	\$ 606,045	\$ 711,465	\$ 704,281	\$ 798,494	\$ 734,736	\$ 676,960	\$ 642,272	\$ 572,204	\$ 559,643	\$ 591,216	\$ 608,290	\$ 627,803
16													
17	<u>Division 002</u>												
18	FICA	227,631	718,162	159,532	261,021	239,161	273,924	247,866	330,985	237,783	239,325	226,736	226,630
19	FUTA	447	544	199	24,163	1,812	402	(550)	186	73	96	100	525
20	SUTA	922	1,194	703	45,522	8,077	2,649	(394)	342	237	181	211	957
21	Ad Valorem	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000
22	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-
23	Taxes Property and Other	-	-	-	-	-	-	-	-	-	-	-	-
24	30105 Corp/State Franchise Tax	-	-	-	-	-	-	-	-	-	-	-	-
25	Total	\$ 300,000	\$ 790,901	\$ 231,434	\$ 401,707	\$ 320,050	\$ 347,975	\$ 17,723	\$ 402,513	\$ 309,093	\$ 310,602	\$ 298,047	\$ 299,112
26													
27	<u>Division 012</u>												
28	FICA	163,784	542,963	124,111	196,246	182,879	219,608	188,319	234,683	161,124	170,059	174,987	163,894
29	FUTA	326	411	154	18,271	1,426	325	(426)	126	48	68	77	384
30	SUTA	670	904	542	34,421	6,239	2,070	(471)	220	157	129	163	699
31	Ad Valorem	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
32	Total	\$ 219,779	\$ 599,278	\$ 179,807	\$ 303,938	\$ 245,543	\$ 268,063	\$ 242,422	\$ 290,029	\$ 216,330	\$ 225,236	\$ 230,228	\$ 219,977
33													
34	<u>Division 091</u>												
35	FICA	21,198	22,944	1,753	15,762	10,354	7,255	21,460	9,340	8,036	9,661	6,544	19,449
36	FUTA	9	19	(5)	1,355	80	(137)	(14)	4	(1)	-	-	-
37	SUTA	15	52	(12)	1,641	567	(142)	(35)	2	(3)	-	-	-
38	Occupational Licenses	-	-	-	-	-	-	-	-	-	-	-	-
39	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-
40	Ad Valorem	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
41	30105 Corp/State Franchise Tax	0	0	0	0	0	0	0	0	0	0	0	0
42	Total	\$ 28,633	\$ 30,515	\$ 9,238	\$ 26,259	\$ 18,500	\$ 14,475	\$ 28,910	\$ 16,846	\$ 15,531	\$ 17,161	\$ 14,644	\$ 26,949

Line No.	Description	Base Period
1	<u>Division 093</u>	
2	FICA	263,198
3	FUTA	2,350
4	SUTA	3,724
5	Ad Valorem	4,258,248
6	Payroll Tax Projects	-
7	30105 Corp/State Franchise Tax	720,000
8	30107 City Franchise	2,000
9	30109 State Gross Receipts	1,482,520
10	30104 State Supv & Inspection	611,854
11	30108 Dot Transmission User Tax	20,299
12	Division 91 Allocations	106,811
13	Division 12 Allocations	144,575
14	Division 02 Allocations	195,871
15	Total	<u>\$ 7,811,449</u>
16		
17	<u>Division 002</u>	
18	FICA	3,388,758
19	FUTA	27,996
20	SUTA	60,401
21	Ad Valorem	852,000
22	Payroll Tax Projects	-
23	Taxes Property and Other	-
24	30105 Corp/State Franchise Tax	-
25	Total	<u>\$ 4,329,155</u>
26		
27	<u>Division 012</u>	
28	FICA	2,513,656
29	FUTA	21,191
30	SUTA	45,743
31	Ad Valorem	660,000
32	Total	<u>\$ 3,240,590</u>
33		
34	<u>Division 091</u>	
35	FICA	153,667
36	FUTA	1,310
37	SUTA	2,084
38	Occupational Licenses	-
39	Payroll Tax Projects	-
40	Ad Valorem	90,000
41	30105 Corp/State Franchise Tax	-
42	Total	<u>\$ 247,061</u>

Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended May 31, 2018

Line No.	Description	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
1	<u>Division 093</u>												
2	FICA	13,491	13,872	8,435	32,288	9,276	39,621	7,638	23,503	17,293	25,851	12,391	12,968
3	FUTA	3	2	7	22	9	23	2	2,258	(197)	(212)	4	15
4	SUTA	3	9	3	14	11	10	(11)	1,377	(416)	63	(6)	3
5	Ad Valorem	374,854	374,854	374,854	374,854	377,854	377,854	377,854	408,454	408,454	408,454	408,454	408,454
6	Payroll Tax Projects	83	26	769	218	(34)	-	49	65	(956)	7	-	-
7	30105 Corp/State Franchise Tax	60,000	60,000	60,000	60,000	68,333	68,333	68,333	68,333	68,333	68,333	68,333	68,333
8	30107 City Franchise	-	167	167	167	167	167	167	167	167	167	167	167
9	30109 State Gross Receipts	69,870	35,108	34,946	36,013	52,046	76,407	115,027	156,472	111,560	99,961	57,442	57,266
10	30104 State Supv & Inspection	39,858	39,858	39,858	39,858	39,858	39,858	39,858	39,858	39,858	39,858	48,077	48,077
11	30108 Pot Transmission User Tax	10,343	-	-	-	-	-	-	-	-	-	-	21,740
12	Division 91 Allocations	14,530	13,313	16,398	5,776	15,034	30,811	11,261	15,835	(151,157)	6,362	13,491	15,378
13	Division 12 Allocations	8,677	8,360	12,571	7,017	9,173	24,527	7,564	13,543	9,370	11,197	10,040	12,270
14	Division 02 Allocations	15,066	14,100	18,813	11,563	13,310	39,720	10,383	18,144	12,892	13,099	15,724	16,993
15	Total	\$ 654,778	\$ 559,667	\$ 586,921	\$ 565,790	\$ 585,027	\$ 697,130	\$ 638,133	\$ 748,011	\$ 515,021	\$ 673,140	\$ 632,119	\$ 641,664
16													
17	<u>Division 002</u>												
18	FICA	256,179	279,868	389,068	199,031	239,380	762,216	173,145	245,539	242,067	213,654	243,911	333,708
19	FUTA	272	399	171	496	393	410	136	29,755	(631)	(1,029)	76	695
20	SUTA	983	1,015	785	1,037	1,023	1,386	424	71,227	(15,357)	4,677	434	1,471
21	Ad Valorem	44,000	44,000	44,000	44,000	64,500	64,500	64,500	69,700	69,700	69,700	69,700	69,700
22	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	13,579	743	152
23	Taxes Property and Other	180,544	26,608	-	1,117,807	65	82,788	-	-	-	-	-	(15,846)
24	30105 Corp/State Franchise Tax	-	-	-	-	-	-	-	-	-	-	-	-
25	Total	\$ 481,977	\$ 351,893	\$ 434,024	\$ 1,362,370	\$ 305,360	\$ 911,301	\$ 278,206	\$ 416,271	\$ 295,779	\$ 300,531	\$ 314,864	\$ 389,879
26													
27	<u>Division 012</u>												
28	FICA	147,260	140,256	233,551	110,406	151,302	482,774	116,549	183,399	162,535	190,014	166,897	214,727
29	FUTA	156	201	110	280	220	236	79	17,826	(587)	(501)	58	403
30	SUTA	566	508	483	532	572	796	245	42,673	(9,439)	2,993	239	851
31	Ad Valorem	44,000	44,000	44,000	44,000	48,700	48,700	48,700	52,600	52,600	52,600	52,600	52,600
32	Total	\$ 191,981	\$ 184,966	\$ 278,146	\$ 155,268	\$ 200,793	\$ 532,506	\$ 165,572	\$ 296,498	\$ 265,109	\$ 245,106	\$ 219,775	\$ 268,581
33													
34	<u>Division 091</u>												
35	FICA	29,691	26,763	54,385	3,979	35,661	73,294	26,669	34,981	36,190	14,920	31,893	36,379
36	FUTA	3	2	6	18	9	16	1	1,554	(122)	(141)	3	12
37	SUTA	2	8	3	11	10	6	(1)	948	(284)	61	(5)	2
38	Occupational Licenses	-	-	-	-	-	-	-	-	-	-	-	-
39	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-
40	Ad Valorem	5,000	5,000	5,000	5,000	200	200	200	300	(296,474)	300	300	300
41	30105 Corp/State Franchise Tax	-	-	-	-	-	-	-	-	-	-	-	-
42	Total	\$ 34,696	\$ 31,772	\$ 59,394	\$ 9,008	\$ 35,871	\$ 73,516	\$ 26,870	\$ 37,784	\$ (360,690)	\$ 15,140	\$ 32,191	\$ 36,694

Line No.	Description	Attrition Year
1	<u>Division 093</u>	
2	FICA	216,627
3	FUTA	1,927
4	SUTA	1,069
5	Ad Valorem	4,675,248
6	Payroll Tax Projects	247
7	30105 Corp/State Franchise Tax	786,664
8	30107 City Franchise	1,855
9	30109 State Gross Receipts	881,921
10	30104 State Supv & Inspection	494,731
11	30108 Dot Transmission User Tax	32,083
12	Division 91 Allocations	5,123
13	Division 12 Allocations	134,110
14	Division 02 Allocations	195,806
15	Total	<u>\$ 7,427,402</u>
16		
17	<u>Division 002</u>	
18	FICA	3,577,816
19	FUTA	31,141
20	SUTA	69,109
21	Ad Valorem	718,000
22	Payroll Tax Projects	14,424
23	Taxes Property and Other	1,391,966
24	30105 Corp/State Franchise Tax	-
25	Total	<u>\$ 5,802,454</u>
26		
27	<u>Division 012</u>	
28	FICA	2,299,670
29	FUTA	18,461
30	SUTA	41,072
31	Ad Valorem	585,100
32	Total	<u>\$ 2,944,303</u>
33		
34	<u>Division 091</u>	
35	FICA	184,805
36	FUTA	1,352
37	SUTA	761
38	Occupational Licenses	-
39	Payroll Tax Projects	-
40	Ad Valorem	(374,674)
41	30105 Corp/State Franchise Tax	-
42	Total	<u>\$ 12,244</u>

SETTLEMENT AGREEMENT

SCHEDULE 6

Schedule 6

**Tennessee Distribution System
Depreciation and Amortization Expense
Twelve Months Ended May 31, 2018**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Base period per books Depreciation Expense (1)		\$ 11,358,190
2			
3	Change from Base Period to Attrition Year		<u>1,168,489</u>
4			
5	Attrition Year per books Depreciation Expense (2)	Wp 6-2	\$ 12,526,680
6			
7	Adjustment to reflect Proposed Depreciation Rates		<u>-</u>
8			
9	Attrition Year per books Depreciation Expense	Wp 6-1	12,526,680
10			
11	Amortization of Deferred Pension Regulated Asset*	Wp 7-3	0
12			
13	Net Elimination of Intercompany Leased Property	Wp 3-1	208,434
14			
15	Adjustment for Depreciation Expense on Capitalized Incentive Comp	Wp 7-8	<u>(82,582)</u>
16			
17	Total Depreciation and Amortization Expense, As Adjusted		<u>\$ 12,652,532</u>
18			
19	Note:		
20	1. Twelve months ended September 30, 2016		
21	2. Twelve months ended May 31, 2018		

Tennessee Distribution System
Depreciation Expense Adjustment
Proforma SSU Depreciation at Proposed Depreciation Rates
Twelve Months Ended May 31, 2018

Line No.	Description	Allocated Amount
	(a)	(d)
1	Proforma Depreciation	
2	Tennessee Operations	\$ 11,613,517
3	Mid-States General Office	18,466
4	SSU Div 12 - Customer Service	363,878
5	SSU Div 02 - General Office	530,819
6		
7	Proforma Depreciation Adjustment	<u>\$ 12,526,680</u>
	Attrition Period Per Books Depreciation Expense	<u>\$ 12,526,680</u>

**Tennessee Distribution System
Depreciation Expense Adjustment
Proforma SSU Depreciation at Current Depreciation Rates
Twelve Months Ended May 31, 2018**

Line No.	Description (a)	Allocated (d)
1	Proforma Depreciation	
2	Tennessee Operations	\$ 11,613,517
3	Mid-States General Office	\$ 18,466
4	SSU Div 12 - Customer Service	\$ 363,878
5	SSU Div 02 - General Office	\$ 530,819
6		
7	Proforma Depreciation Expense	<u>\$ 12,526,680</u>
	Attrition Period Per Books Depreciation Expense	<u>\$ 12,526,680</u>

SETTLEMENT AGREEMENT

SCHEDULE 7

Schedule 7

**Tennessee Distribution System
Rate Base & Return
Twelve Months Ended May 31, 2018
Thirteen Month Average**

Line No	Description	Historic Base Period (f)	Change	Attrition Year	Reference
	(a)	(b)	(c)	(d)	(e)
1	Original Cost of Plant	\$ 486,264,877	\$ 60,340,153	\$ 546,605,030	Wp 7-1 Wp7-2
2					
3	Accumulated Depreciation and Amortization	(191,843,738)	(12,781,804)	(204,625,542)	Wp 7-1 Wp7-2
4					
5	Construction Work in Progress per Books	9,936,947	8,692,943	18,629,890	Wp 7-1 Wp7-2
6					
7	Storage Gas Investment	4,708,124	(152,170)	4,555,955	Wp 7-1 Wp7-2
8					
9	Cash Working Capital	1,035,838	53,558	1,089,396	Wp 7-5
10					
11	Material & Supplies	15,835	15,669	31,504	Wp 7-1 Wp7-2
12					
13	Regulatory Assets/Liabilities	-	(13,528,323)	(13,528,323)	Wp 7-3 Wp 7-10
14					
15	Accumulated Deferred Income Tax	(50,220,519)	1,705,929	(48,514,590)	Wp 7-1
16					
17	Customer Advances for Construction	(76,428)	56,432	(19,995)	Wp 7-1 Wp7-2
18					
19	Customer Deposits	(4,770,726)	3,146,701	(1,624,026)	Wp 7-1 Wp7-2
20					
21	Accumulated Interest on Customer Deposits	(71,237)	19,188	(52,049)	Wp 7-1 Wp7-2
22					
23	Unadjusted Rate Base	\$ 254,978,975	\$ 47,568,275	\$ 302,547,250	
24					
25	Adjustments:	(2,415,620)	(986,367)	(3,401,987)	Wp 7-8
26					
27	Net Elimination of Intercompany Leased Property	\$ 5,806,952	\$ (311,751)	\$ 5,495,201	Wp 7-1 Wp7-2
28					
29	Total Rate Base	<u>\$ 258,370,306</u>	<u>\$ 46,270,158</u>	<u>\$ 304,640,464</u>	
30					
31	Return at Overall Cost of Capital on Rate Base	<u>\$ 19,498,097</u>	<u>\$ 3,599,818</u>	<u>\$ 23,097,915</u>	
32					
33	Note:				
34	1. Twelve months ended September 30, 2016				

Tennessee Distribution System
Reallocation of Base Base Items at Proforma Allocation Factors
Twelve Months Ended May 31, 2018

Line	Month	Division 099 - Transportation		Division 012 - Social Services		Division 002 - SNL Operations		Growth	SEALC		M/GSN	100%	11.91%	43.37%	1.08%	4.83%	1.32%	5.36%	0.00%	Total Comments
		(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)										
Participation in State of Connecticut's Transportation Program																				
1	Mar-19	5,367,623	2,582,313	154,532,572	17,922,825	141,267,486	9,186,715	22,521,257	18,165,011	510,687,644	1,505,214	5,928,227	223,766	6,122,536	118,719	1,206,479	0	315,909,252		
2	Apr-19	5,319,624	3,162,513	144,661,011	18,066,417	166,626,803	9,186,715	22,521,257	18,165,011	512,667,619	1,505,214	5,913,741	223,766	6,094,032	119,139	1,217,718	0	315,909,252		
3	May-19	5,616,646	3,183,551	134,589,991	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
4	Jun-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
5	Jul-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
6	Aug-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
7	Sep-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
8	Oct-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
9	Nov-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
10	Dec-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
11	Jan-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
12	Feb-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
13	Mar-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
14	Apr-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
15	May-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
16	Apr-20	5,319,624	3,162,513	144,661,011	18,066,417	166,626,803	9,186,715	22,521,257	18,165,011	512,667,619	1,505,214	5,913,741	223,766	6,094,032	119,139	1,217,718	0	315,909,252		
Participation in State of Connecticut's Transportation Program																				
17	Mar-19	5,367,623	2,582,313	154,532,572	17,922,825	141,267,486	9,186,715	22,521,257	18,165,011	510,687,644	1,505,214	5,928,227	223,766	6,122,536	118,719	1,206,479	0	315,909,252		
18	Apr-19	5,319,624	3,162,513	144,661,011	18,066,417	166,626,803	9,186,715	22,521,257	18,165,011	512,667,619	1,505,214	5,913,741	223,766	6,094,032	119,139	1,217,718	0	315,909,252		
19	May-19	5,616,646	3,183,551	134,589,991	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
20	Jun-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
21	Jul-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
22	Aug-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
23	Sep-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
24	Oct-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
25	Nov-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
26	Dec-19	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
27	Jan-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
28	Feb-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
29	Mar-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
30	Apr-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
31	May-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		
32	Apr-20	5,319,624	3,162,513	144,661,011	18,066,417	166,626,803	9,186,715	22,521,257	18,165,011	512,667,619	1,505,214	5,913,741	223,766	6,094,032	119,139	1,217,718	0	315,909,252		
33	May-20	5,616,646	3,183,551	144,661,011	16,512,152	166,626,803	9,186,715	22,521,257	18,165,011	516,646,616	1,505,214	5,913,741	223,766	6,111,531	118,719	1,217,718	0	315,909,252		

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended May 31, 2018

Line	Material	Division 070 - Timber		Division 010 - Sub-Structure		Division 020 - Foundation		Division 030 - Framing		Division 040 - Roofing		Division 050 - Siding		Division 060 - Finishes		Division 070 - Mechanical		Division 080 - Electrical		Division 090 - Other		Total	
		Qty	Unit	Qty	Unit	Qty	Unit	Qty	Unit	Qty	Unit	Qty	Unit	Qty	Unit	Qty	Unit	Qty	Unit	Qty	Unit		
1	2x4	100	LF	100	LF	100	LF	100	LF	100	LF	100	LF	100	LF	100	LF	100	LF	100	LF	1000	LF
2	2x6	50	LF	50	LF	50	LF	50	LF	50	LF	50	LF	50	LF	50	LF	50	LF	50	LF	500	LF
3	2x8	25	LF	25	LF	25	LF	25	LF	25	LF	25	LF	25	LF	25	LF	25	LF	25	LF	250	LF
4	2x10	15	LF	15	LF	15	LF	15	LF	15	LF	15	LF	15	LF	15	LF	15	LF	15	LF	150	LF
5	2x12	10	LF	10	LF	10	LF	10	LF	10	LF	10	LF	10	LF	10	LF	10	LF	10	LF	100	LF
6	4x4	5	LF	5	LF	5	LF	5	LF	5	LF	5	LF	5	LF	5	LF	5	LF	5	LF	50	LF
7	4x6	3	LF	3	LF	3	LF	3	LF	3	LF	3	LF	3	LF	3	LF	3	LF	3	LF	30	LF
8	4x8	2	LF	2	LF	2	LF	2	LF	2	LF	2	LF	2	LF	2	LF	2	LF	2	LF	20	LF
9	4x10	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
10	4x12	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
11	6x6	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
12	6x8	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
13	6x10	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
14	6x12	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
15	8x8	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
16	8x10	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
17	8x12	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
18	10x10	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
19	10x12	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
20	12x12	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
21	12x14	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
22	12x16	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
23	12x18	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
24	12x20	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
25	12x22	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
26	12x24	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
27	12x26	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
28	12x28	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
29	12x30	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
30	12x32	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
31	12x34	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
32	12x36	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
33	12x38	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
34	12x40	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
35	12x42	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
36	12x44	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
37	12x46	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
38	12x48	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
39	12x50	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
40	12x52	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
41	12x54	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
42	12x56	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
43	12x58	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
44	12x60	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
45	12x62	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
46	12x64	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
47	12x66	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
48	12x68	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
49	12x70	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
50	12x72	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
51	12x74	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
52	12x76	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
53	12x78	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
54	12x80	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
55	12x82	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
56	12x84	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
57	12x86	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
58	12x88	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
59	12x90	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
60	12x92	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
61	12x94	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
62	12x96	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
63	12x98	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
64	12x100	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
65	12x102	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
66	12x104	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
67	12x106	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
68	12x108	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
69	12x110	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
70	12x112	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
71	12x114	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
72	12x116	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
73	12x118	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
74	12x120	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
75	12x122	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
76	12x124	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
77	12x126	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
78	12x128	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	1	LF	10	LF
79	12																						

[illegible]

[illegible]

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended September 30, 2016

[illegible]

Inventory - Gas, Oil, & Accessories

Includes Timescope stored gas in Division 43 and an allocated portion of Timescope stored gas in Division 96

[illegible]

Tennessee Distribution Systems
Renewal of Rate Base Items et Proforma Allocation Factors
Twelve Months Ended September 30, 2016

[illegible]

Line No.	Month	Division 001 - Med. Sales Office		Division 012 - SBU Customer		CKV	Division 002 - SBU Customer		Commodities	AP/AM	AL/RS	EM/RS	Division 003	Division 001	Division 012	CKV	Division 002	Greenfield	AE/AM	AL/RS	
		(a)	(b)	(c)	(d)		(e)	(f)													(g)
Accumulated Transactions (Amount: \$)																					
104	Jan-11	\$ (180,472,042)	\$ (3,057,026)	\$ (48,509,104)	\$ (3,304,478)	\$ (11,860,017)	\$ (3,879,018)	\$	\$	(0)	\$	\$	\$ (184,472,042)	\$ (1,243,593)	\$ (2,031,873)	\$ (27,037)	\$ (4,876,486)	\$ (90,429)	\$	\$	\$ (180,721,231)
105	Feb-11	\$ (181,164,380)	\$ (3,049,581)	\$ (47,321,620)	\$ (3,337,580)	\$ (11,860,017)	\$ (3,879,018)	\$	\$	(0)	\$	\$	\$ (181,164,380)	\$ (1,237,101)	\$ (2,111,409)	\$ (22,210)	\$ (4,908,590)	\$ (93,471)	(0)	\$	\$ (180,609,307)
106	Mar-11	\$ (181,857,802)	\$ (3,040,857)	\$ (46,074,187)	\$ (3,370,681)	\$ (11,859,077)	\$ (4,071,408)	\$	\$	(0)	\$	\$	\$ (181,857,802)	\$ (1,311,877)	\$ (2,145,018)	\$ (33,637)	\$ (5,004,971)	\$ (94,643)	(0)	\$	\$ (180,467,017)
107	Apr-11	\$ (181,679,654)	\$ (2,130,616)	\$ (44,834,173)	\$ (3,465,797)	\$ (11,437,783)	\$ (4,150,903)	\$	\$	(6,847,733)	\$	\$	\$ (181,679,654)	\$ (933,160)	\$ (2,179,598)	\$ (21,857)	\$ (5,064,128)	\$ (95,398)	(32,775)	\$	\$ (180,577,706)
108	May-11	\$ (181,609,509)	\$ (2,162,349)	\$ (43,793,109)	\$ (3,237,334)	\$ (11,672,508)	\$ (2,333,511)	\$	\$	(1,288,434)	\$	\$	\$ (181,609,509)	\$ (933,160)	\$ (2,306,243)	\$ (21,497)	\$ (5,116,184)	\$ (93,412)	(83,114)	\$	\$ (180,521,568)
109	Jun-11	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
110	Jul-11	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
111	Aug-11	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
112	Sep-11	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
113	Oct-11	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
114	Nov-11	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
115	Dec-11	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
116	Jan-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
117	Feb-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
118	Mar-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
119	Apr-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
120	May-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
121	Jun-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
122	Jul-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
123	Aug-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
124	Sep-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
125	Oct-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
126	Nov-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
127	Dec-12	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
128	Jan-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
129	Feb-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
130	Mar-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
131	Apr-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
132	May-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
133	Jun-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
134	Jul-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
135	Aug-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
136	Sep-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
137	Oct-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
138	Nov-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
139	Dec-13	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
140	Jan-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
141	Feb-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
142	Mar-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
143	Apr-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
144	May-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
145	Jun-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
146	Jul-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
147	Aug-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
148	Sep-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)	\$	\$	(1,247,500)	\$	\$	\$ (182,466,569)	\$ (937,653)	\$ (2,306,243)	\$ (21,814)	\$ (5,116,184)	\$ (93,412)	(86,126)	\$	\$ (181,461,700)
149	Oct-14	\$ (182,466,569)	\$ (2,168,323)	\$ (42,766,573)	\$ (3,276,173)	\$ (11,777,240)	\$ (2,416,271)														

WP 3.7

[illegible]

Tennessee Distribution System
Pension Regulated Asset
Twelve Months Ended May 31, 2018

Line No.				
1	Annual benchmark per Docket 12-00064	2,086,819		
2	Quarterly benchmark	521,705		
3				
4		Contribution	Benchmark	Difference
5	Quarter ended 3/31/13	521,705	521,705	-
6	Quarter ended 6/30/13	641,911	521,705	120,206
7	Quarter ended 9/30/13	1,038,413	521,705	516,708
8	Quarter ended 12/31/13	417,671	521,705	(104,034)
9	Quarter ended 3/30/14	390,181	521,705	(131,524)
10	Quarter ended 6/30/14	1,418,839	521,705	897,134
11		\$ 4,428,719	\$ 3,130,229	\$ 1,298,490
12				
13	Monthly Amortization			
14	2 years amortization			\$ 54,104
15				
16		Amortization Expense	Regulated Asset Balance	
17	May-15	-	1,298,490	
18	Jun-15	54,104	1,244,386	
19	Jul-15	54,104	1,190,283	
20	Aug-15	54,104	1,136,179	
21	Sep-15	54,104	1,082,075	
22	Oct-15	54,104	1,027,971	
23	Nov-15	54,104	973,868	
24	Dec-15	54,104	919,764	
25	Jan-16	54,104	865,660	
26	Feb-16	54,104	811,556	
27	Mar-16	54,104	757,453	
28	Apr-16	54,104	703,349	
29	May-16	54,104	649,245	
30	Jun-16	54,104	595,141	
31	Jul-16	54,104	541,038	
32	Aug-16	54,104	486,934	
33	Sep-16	54,104	432,830	
34	Oct-16	54,104	378,726	
35	Nov-16	54,104	324,623	
36	Dec-16	54,104	270,519	
37	Jan-17	54,104	216,415	
38	Feb-17	54,104	162,311	
39	Mar-17	54,104	108,208	
40	Apr-17	54,104	54,104	
41	May-17	54,104	-	
42	Jun-17	-	-	
43	Jul-17	-	-	
44	Aug-17	-	-	
45	Sep-17	-	-	
46	Oct-17	-	-	
47	Nov-17	-	-	
48	Dec-17	-	-	
49	Jan-18	-	-	
50	Feb-18	-	-	
51	Mar-18	-	-	
52	Apr-18	-	-	
53	May-18	-	-	
42	Annual Amortization*	\$ -	\$ -	13 month average

*This amount is included in Benefits actuals for Division 093

**Tennessee Distribution System
Accumulated Deferred Income Tax
Shared Services Division 002
Twelve Months Ended May 31, 2018**

Line No.	Month	Total SSU 002	Non-regulated NOL [1]	Regulated Utility NOL	Other ADIT	SSU Utility ADIT
	(a)	(b)	(c)	(d)	(e)	(f)
1	Jun-14	205,011,038	(219,884,627)	405,828,177	19,067,488	424,895,665
2	Jul-14	208,298,312	(219,884,627)	405,828,177	22,354,762	428,182,939
3	Aug-14	224,949,437	(219,079,036)	405,022,586	39,005,887	444,028,473
4	Sep-14	267,982,820	(220,149,274)	444,334,650	43,797,444	488,132,094
5	Oct-14	276,895,783	(220,149,274)	444,334,650	52,710,407	497,045,057
6	Nov-14	284,975,299	(220,149,274)	444,334,650	60,789,923	505,124,573
7	Dec-14	321,070,352	(222,598,277)	469,818,580	73,850,049	543,668,629
8	Jan-15	353,945,345	(222,598,277)	469,818,580	106,725,042	576,543,622
9	Feb-15	333,570,147	(222,598,277)	469,818,580	86,349,844	556,168,424
10	Mar-15	290,103,994	(227,206,094)	425,654,746	91,655,342	517,310,088
11	Apr-15	281,416,540	(227,206,094)	425,654,746	82,967,888	508,622,634
12	May-15	276,100,280	(227,206,094)	425,654,746	77,651,628	503,306,374
13	Jun-15	252,513,161	(230,175,901)	407,851,903	74,837,159	482,689,062
14	Jul-15	264,175,149	(230,175,901)	407,851,903	86,499,147	494,351,050
15	Aug-15	266,520,916	(230,175,901)	407,851,903	88,844,914	496,696,817
16	Sep-15	372,778,731	(232,097,127)	530,457,730	74,418,128	604,875,858
17	Oct-15	371,209,940	(232,097,127)	530,457,730	72,849,337	603,307,067
18	Nov-15	372,796,985	(232,097,127)	530,457,730	74,436,382	604,894,112
19	Dec-15	391,604,960	(231,927,975)	554,535,985	68,996,950	623,532,935
20	Jan-16	412,507,116	(231,927,975)	554,535,985	89,899,106	644,435,091
21	Feb-16	427,217,972	(231,927,975)	554,535,985	104,609,962	659,145,947
22	Mar-16	418,072,350	(221,557,479)	541,564,884	98,064,945	639,629,829
23	Apr-16	415,700,475	(221,557,479)	542,923,119	94,334,835	637,257,954
24	May-16	419,800,223	(221,557,479)	542,923,119	98,434,583	641,357,702
25	Jun-16	461,899,931	(226,370,626)	570,484,105	117,786,452	688,270,557
26	Jul-16	470,449,370	(226,370,626)	570,484,105	126,335,891	696,819,996
27	Aug-16	475,105,108	(226,370,626)	570,484,105	130,991,629	701,475,734
28	Sep-16	632,296,868	(231,681,555)	725,716,695	138,261,728	863,978,423
29	Oct-16	614,493,197	(231,681,555)	725,716,695	120,458,057	846,174,752
30	Nov-16	585,395,823	(231,681,555)	725,716,695	91,360,683	817,077,378
31	Dec-16	605,920,449	(239,479,660)	761,090,475	84,309,634	845,400,109
32	Jan-17	603,593,470	(239,479,660)	761,090,475	81,982,655	843,073,130
33	Feb-17	601,980,215	(239,479,660)	761,090,475	80,369,400	841,459,875
34	Mar-17	552,104,926	(253,090,639)	725,798,687	79,396,878	805,195,565
35	Apr-17	560,034,799	(253,090,639)	725,798,687	87,326,751	813,125,438
36	May-17	566,047,163	(253,090,639)	725,798,687	93,339,115	819,137,802
37	Jun-17	563,932,097	(268,998,356)	745,188,374	87,742,080	832,930,453
38	Jul-17	563,184,563	(268,998,356)	745,188,374	86,994,545	832,182,919
39	Aug-17	570,782,742	(268,998,356)	745,188,374	94,592,724	839,781,098
40	Sep-17	621,073,570	(249,417,047)	782,273,564	88,217,053	870,490,617
41	Oct-17	618,588,704	(249,417,047)	782,273,564	85,732,187	868,095,751
42	Nov-17	618,287,061	(249,417,047)	782,273,564	85,430,544	867,704,108
43	Dec-17	381,635,843	(149,660,042)	480,066,663	51,229,222	531,295,885
44	Jan-18	374,502,493	(149,660,042)	480,066,663	44,095,872	524,162,535
45	Feb-18	371,914,729	(149,660,042)	480,066,663	41,508,108	521,574,771
46	Mar-18	310,582,063	(150,685,633)	425,350,912	35,916,784	461,267,696
47	Apr-18	306,202,776	(150,685,633)	425,350,912	31,537,497	456,888,409
48	May-18	307,437,229	(150,685,633)	425,350,912	32,771,950	458,122,862

[1] FD - NOL Credit Carryforward - Non Reg

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Forward Looking Attrition Year Twelve Months Ended May 31, 2018

Line No.		Base Period	Attrition Year
1	Revenue Lag	37.50	37.50
2			
3	Expense Lag	34.02	34.79
4			
5	Net Lag	3.48	2.71
6			
7	Daily Cost of Service	299,101	402,047
8			
9	Cash Working Capital	955,030	1,089,396

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Forward Looking Attrition Year Twelve Months Ended May 31, 2018

Line No	Description		Attrition Year Expenses	Expense Lag	CWC Requirement (b) x (c)
	(a)		(b)	(c)	(d)
1	Gas Supply Expense				
2	Purchased Gas		73,565,057	39.33	2,893,313,708
3					
4	Operation and Maintenance Expense				
5	O&M, Labor		7,780,145	14.07	109,466,638
6	O&M, Non-Labor		12,931,858	29.44	380,713,903
7	Total O&M Expense		20,712,003		490,180,542
8					
9					
10	Taxes Other Than Income				
11	Ad Valorem		4,734,226	241.50	1,143,315,485
12	State Gross Receipts Tax		881,921	(151.50)	(133,611,066)
13	Payroll Taxes		219,870	15.41	3,388,130
14	Franchise Tax		788,497	37.50	29,568,651
15	TRA Inspection Fee		494,731	272.50	134,814,271
16	DOT		32,083	59.00	1,892,915
17					
18	Allocated Taxes-Shared Services				
19	Ad Valorem	31%	101,655	241.50	24,549,571
20	Payroll Taxes	69%	228,262	15.41	3,517,446
21					
22	Allocated Taxes-Business Unit				
23	Ad Valorem	-3060%	(157,078)	241.50	(37,934,328)
24	Payroll Taxes	3160%	162,211	15.41	2,499,619
25	Total Taxes Other Than Income		7,486,379		1,172,000,694
26					
27	Federal Income Tax		7,155,341		
28	Current Taxes		-	37.50	-
29	Deferred Taxes		7,155,341	-	-
30					
31	State Excise Tax		1,700,035		
32	Current Taxes		-	37.50	-
33	Deferred Taxes		1,700,035	-	-
34					
35	Depreciation		12,652,532	-	-
36					
37	Interest on Customer Deposits		52,781	182.50	9,632,503
38					
39	Interest Expense - LTD		6,001,417	91.25	547,629,314
40					
41	Interest Expense - STD		274,176	24.05	6,593,578
42					
43	Return on Equity		17,549,647	-	-
44					
45					
46	TOTAL		147,149,368	34.79	5,119,350,338
47					
48	Daily Cost of Service		402,047		
49					
50					

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Historic Base Period September 30, 2016

Line No	Description	Historic Base Period	Expense Lag	CWC Requirement (b) x (c)
	(a)	(b)	(c)	(d)
1	Gas Supply Expense			
2	Purchased Gas	40,904,923	39.33	1,608,790,612
3				
4	Operation and Maintenance Expense			
5	O&M, Labor	7,789,527	14.07	109,598,638
6	O&M, Non-Labor	13,794,549	29.44	406,111,511
7	Total O&M Expense	21,584,075		515,710,149
8				
9				
10	Taxes Other Than Income			
11	Ad Valorem	4,303,248	241.50	1,039,234,392
12	State Gross Receipts Tax	1,482,520	(151.50)	(224,601,780)
13	Payroll Taxes	269,272	15.41	4,149,389
14	Franchise Tax	722,000	37.50	27,075,002
15	TRA Inspection Fee	611,854	272.50	166,730,090
16	DOT	20,299	59.00	1,197,639
17				
18	Allocated Taxes-Shared Services			
19	Ad Valorem	0% -	241.50	-
20	Payroll Taxes	100% 340,446	15.41	5,246,153
21				
22	Allocated Taxes-Business Unit			
23	Ad Valorem	36% 38,909	241.50	9,396,624
24	Payroll Taxes	64% 67,902	15.41	1,046,343
25	Total Taxes Other Than Income	7,856,449		1,029,473,851
26				
27	Federal Income Tax	6,169,974		
28	Current Taxes	-	37.50	-
29	Deferred Taxes	6,169,974	-	-
30				
31	State Excise Tax	1,225,511		
32	Current Taxes	-	37.50	-
33	Deferred Taxes	1,225,511	-	-
34				
35	Depreciation	11,541,971	-	-
36				
37	Interest on Customer Deposits	155,049	182.50	28,296,371
38				
39	Interest Expense - LTD	5,753,110	91.25	524,971,297
40				
41	Interest Expense - STD	286,354	24.05	6,886,430
42				
43	Return on Equity	13,694,294	-	-
44				
45				
46	TOTAL	109,171,709	34.02	3,714,128,710
47				
48	Daily Cost of Service	299,101		
49				
50				

Tennessee Distribution System
Amortization Schedule of Capitalized Incentive Compensation Adjustment
For Attribution Year Twelve Months Ended May 31, 2019

WP 7-8

Line No.	Description	Amounts	Amounts
	(a)	(b)	(c)
2	<u>Forward Looking Test Year</u>	<u>Rate Base</u>	<u>Depreciation Expense</u>
3	Docket No. 18-X-0000, 2018 TN ARM Reconciliation Filing Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 3-31-18	\$ 986,367	\$ 27,939
4	Docket No. 17-00091, 2017 TN ARM Reconciliation Filing Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 3-31-17	1,253,558	29,847
5	Docket No. 16-00105, 2016 TN ARM Reconciliation Filing Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 3-31-16	1,162,062	29,796
6			
7	Total	\$ 3,401,987	\$ 87,582
8			
9	<u>Historic Base Period</u>		
10	Docket No. 16-00105, 2016 TN ARM Reconciliation Filing Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 3-31-16	\$ 1,162,062	\$ 29,796
11	Docket No. 17-00091, 2017 TN ARM Reconciliation Filing Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 3-31-17	1,253,558	29,847
12			
13	Total	\$ 2,415,620	\$ 59,643
14			

**Tennessee Distribution System
Rate Base & Return Forecast vs. Actuals
Twelve Months Ended May 31, 2018
Thirteen Month Average**

Line No.	Description (a)	Attrition Year Forecast (b)	Variance (c)	Attrition Year Actuals (d)	Reference (e)
1	Original Cost of Plant	\$ 553,915,203	\$ (7,310,173)	\$ 546,605,030	Wp 7-1 Wp7-2
2					
3	Accumulated Depreciation and Amortization	\$ (202,597,056)	\$ (2,028,486)	\$ (204,625,542)	Wp 7-1 Wp7-2
4					
5	Construction Work in Progress per Books	\$ 6,897,700	\$ 11,732,191	\$ 18,629,890	Wp 7-1 Wp7-2
6					
7	Storage Gas Investment	\$ 5,943,713	\$ (1,387,758)	\$ 4,555,955	Wp 7-1 Wp7-2
8					
9	Cash Working Capital	\$ 1,545,831	\$ (456,435)	\$ 1,089,396	Wp 7-5
10					
11	Material & Supplies	\$ 31,873	\$ (369)	\$ 31,504	Wp 7-1 Wp7-2
12					
13	Regulatory Assets/Liabilities	\$ -	\$ (13,528,323)	\$ (13,528,323)	Wp 7-3; Wp 7-10
14					
15	Accumulated Deferred Income Tax	\$ (60,285,092)	\$ 11,770,502	\$ (48,514,590)	Wp 7-1
16					
17	Customer Advances for Construction	\$ (76,428)	\$ 56,432	\$ (19,995)	Wp 7-1 Wp7-2
18					
19	Customer Deposits	\$ (4,720,013)	\$ 3,095,987	\$ (1,624,026)	Wp 7-1 Wp7-2
20					
21	Accumulated Interest on Customer Deposits	\$ (89,264)	\$ 37,215	\$ (52,049)	Wp 7-1 Wp7-2
22					
23	Unadjusted Rate Base	\$ 300,566,468	\$ 1,980,782	\$ 302,547,250	
24					
25	Adjustments:	(2,927,113)	\$ (474,874)	(3,401,987)	
26					
27	Net Elimination of Intercompany Leased Property	\$ 5,313,186	\$ 182,015	\$ 5,495,201	Wp 7-1 Wp7-2
28					
29	Total Rate Base	<u>\$ 302,952,541</u>	<u>\$ 1,687,923</u>	<u>\$ 304,640,464</u>	
30					
31	Return at Overall Cost of Capital on Rate Base	<u>\$ 22,691,145</u>	<u>\$ 1,009,883</u>	<u>\$ 23,701,028</u>	
32					
33					
34					
35					

Tennessee Distribution System
 Deferred Regulatory Liability Amortization
 First Year Ending May 31, 2028

ESTIMATED Amortization Factor is 6.46% (1)

28

ADT Energy Deferred Liabilities		12-Mo Faded May 31, 2028		Keyes Reduced Balance		Amortization Expense		Monthly Balance		Account 2530 - 27609	
Account 2530 - 27609											
2		2025	(22,378,040)	(1,041,574)	(1,041,574)			May 17			
3		2026	(18,122,550)	(1,041,574)	(1,041,574)			Jun 17			
4		2027	(17,040,915)	(1,041,574)	(1,041,574)			Jul 17			
5		2028	(16,039,960)	(1,041,574)	(1,041,574)			Aug 17			
6		2029	(14,991,764)	(1,041,574)	(1,041,574)			Sep 17			
7		2030	(13,994,250)	(1,041,574)	(1,041,574)			Oct 17			
8		2031	(12,914,430)	(1,041,574)	(1,041,574)			Nov 17			
9		2032	(11,873,660)	(1,041,574)	(1,041,574)			Dec 17	(19,189,838)		
10		2033	(10,831,830)	(1,041,574)	(1,041,574)			Jan 18	(19,380,868)		
11		2034	(9,790,020)	(1,041,574)	(1,041,574)			Feb 18	(19,569,845)		
12		2035	(8,748,240)	(1,041,574)	(1,041,574)			Mar 18	(19,757,469)		
13		2036	(7,706,490)	(1,041,574)	(1,041,574)			Apr 18	(19,943,845)		
14		2037	(6,664,760)	(1,041,574)	(1,041,574)			May 18	(20,128,875)		
15		2038	(5,623,050)	(1,041,574)	(1,041,574)			12 Month Average	(20,322,321)		
16		2039	(4,581,360)	(1,041,574)	(1,041,574)						
17		2040	(3,539,690)	(1,041,574)	(1,041,574)						
18		2041	(2,498,040)	(1,041,574)	(1,041,574)						
19		2042	(1,456,410)	(1,041,574)	(1,041,574)						
20		2043	(414,790)	(1,041,574)	(1,041,574)						
21		2044	(1,122,550)	(1,041,574)	(1,041,574)						
22		2045	(1,234,030)	(1,041,574)	(1,041,574)						
23		2046	(1,345,440)	(1,041,574)	(1,041,574)						
24		2047	(1,456,850)	(1,041,574)	(1,041,574)						
25		2048	(1,568,260)	(1,041,574)	(1,041,574)						
26		2049	(1,679,670)	(1,041,574)	(1,041,574)						
27		2050	(1,791,080)	(1,041,574)	(1,041,574)						
28		2051	(1,902,490)	(1,041,574)	(1,041,574)						
		2052	0	(1,041,574)	(1,041,574)						

SETTLEMENT AGREEMENT

SCHEDULE 8

Schedule 8

Tennessee Distribution System
Computation of State Excise & Income Taxes
Twelve Months Ended May 31, 2018

Line No.	Description	Tax Rate	Base Period ⁽¹⁾	Attrition Year ⁽²⁾	Change
	(a)	(b)	(c)	(d)	
2					
3	Required Return		\$ 19,498,097	\$ 23,701,028	\$ 4,202,931
1	Current Return		\$ 17,548,681	\$ 26,017,243	\$ 8,468,562
4					
5	Pre-Tax Deficiency from Current Return		1,949,416	(2,316,215)	(4,265,631)
6	Tax Expansion Factor		1.6365	1.5067	
7	After-Tax Deficiency from Current Return		3,190,220	(3,489,842)	(6,680,061)
8					
9	Tax Liability Increase / Decrease (Ln 7 - Ln 3)		1,240,803	(1,173,626)	(2,414,430)
10	Current Tax Liability		\$ 7,395,485	\$ 10,029,002	\$ 2,633,517
11					
12	Income Tax Liability		\$ 8,636,288	\$ 8,855,376	\$ 219,087
13					
14	Less: ITC Amortization		-	-	-
15					
16	Total Income Tax Liability		8,636,288	8,855,376	219,087
17					
18	Note:				
19	1. Twelve months ended September 30, 2016				
20	2. Twelve months ended May 31, 2018				

**Tennessee Distribution System
Amortization of UCG Deferred Utility ITC
Twelve Months Ended May 31, 2018**

Line No.	Description	Amortization	Allocation Factor [1]	Tennessee Allocation
	(a)	(b)	(c)	(d)
1	Fiscal year ended September 30, 2011	50,990		
2	Fiscal year ended September 30, 2012	12,229		
3	Fiscal year ended September 30, 2013	5,820		
4	Fiscal year ended September 30, 2014	-		
5				
6	Base Period ended June 30, 2014	1,455	0%	-
7				
8	Attrition Year ended May 31, 2016	-	0%	-
9				
10	[1] Division 091 - Mid-States General Office allocation factor excluding Kentucky			

**Tennessee Distribution System
Revenue Conversion Factor
Twelve Months Ended May 31, 2018**

<u>Line No.</u>		Attrition Year	
		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2			
3	Add: Forfeited Discounts	0.005167	<u>0.005167</u>
4			
5	Balance		1.005167
6			
7	Uncollectible Ratio	0.001731	<u>0.001739</u>
8			
9	Balance		1.003427
10			
11	State Excise Tax	0.065000	<u>0.065223</u>
12			
13	Balance		0.938205
14			
15	Federal Income Tax	0.292600	<u>0.274519</u>
16			
17	Balance		0.663686
18			
19	Revenue Conversion Factor (Line 1/Line 9)		1.506700

SETTLEMENT AGREEMENT

SCHEDULE 9

Schedule 9

**Tennessee Distribution System
Overall Cost of Capital
Twelve Months Ended May 31, 2018**

Line No.	Description	Percent	Cost Rate	Overall Cost of Capital
	(a)	(b)	(c)	(d)
1	Long Term Debt Capital	37.78%	5.21%	1.97%
2	Short Term Debt	3.86%	2.27%	0.09%
3	Equity Capital	<u>58.35%</u>	<u>9.80%</u>	<u>5.72%</u>
4				
5	Total Capital	<u><u>100.0%</u></u>		<u><u>7.78%</u></u>

**Tennessee Distribution System
Cost of Capital
Twelve Months Ended May 31, 2018**

Line No.	Description	<u>May 31, 2017</u>	
		\$	%
	(a)	(b)	(c)
1	LT Debt	\$ 3,068,173,680	37.78%
2	ST Debt	313,822,226	3.86%
3	Equity	4,738,600,109	58.35%
4			
5	Total Capital	<u>\$ 8,120,596,015</u>	<u>100.00%</u>

Tennessee Distribution System
Cost of Capital- Short Term Debt Rate
Twelve Months Ended May 31, 2018

Atmos Consolidated Balances					12 Month Avg	12 Month Avg	Draws on Credit Facility	Facility	With RBS
Line	Long-Term	Short-Term		STD	STD	STD	30121		
No.	Debt	Debt	Equity	Avg Daily Bal	Int Exp & fees	avg rate	Detail of Colm (f) Consolidated Int Exp & Fees		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	Int Exp	Commit fees	Utility Bank Admin
1 May-17	2,564,900,664	629,857,850	3,864,281,638						
2 Jun-17	3,066,734,196	258,573,383	3,901,710,103	424,284,267	625,683		400,813	127,568	97,301
3 Jul-17	3,066,772,609	262,202,530	3,923,183,120	231,767,129	474,145		245,023	131,821	97,301
4 Aug-17	3,066,904,471	362,721,572	3,876,930,951	277,363,548	524,041		294,919	131,821	97,301
5 Sep-17	3,067,045,495	447,745,269	3,898,665,243	382,200,000	619,875		395,006	127,568	97,301
6 Oct-17	3,067,186,078	572,550,585	3,933,727,046	492,516,129	759,849		530,727	131,821	97,301
7 Nov-17	3,067,327,541	657,589,374	3,925,107,994	636,332,033	899,754		674,884	127,568	97,301
8 Dec-17	3,067,468,564	336,816,271	4,563,619,781	384,445,161	677,636		448,514	131,821	97,301
9 Jan-18	3,067,609,587	268,675,525	4,666,561,070	261,155,645	563,862		334,740	131,821	97,301
10 Feb-18	3,067,750,610	215,748,079	4,695,448,924	208,922,143	471,328		254,963	119,064	97,301
11 Mar-18	3,067,891,633	129,601,816	4,721,346,388	133,250,645	427,969		195,328	131,821	100,820
12 Apr-18	3,068,032,657	109,795,722	4,768,024,508	70,122,333	351,221		108,170	127,568	115,483
13 May-18	3,068,173,680	143,846,586	4,738,600,109	99,967,742	415,026		167,723	131,821	115,483
14					6,810,388		4,050,809.95	1,552,080.98	1,207,496.86
15		12 Month Avg							
16 Average	3,028,753,676	313,822,226	4,267,477,452	300,193,898		2.27%	per STD rpts:	6,810,388	

[illegible][illegible]

Not valid

Schedule 10

**Tennessee Distribution System
Rate of Return
Twelve Months Ended May 31, 2018**

Line No	Description	Reference	Historic Base Period (1)	Change	Attrition Year (2)	Ratemaking Adjustments	Current Rate of Return
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Total Revenues	Sch. 2	\$ 106,935,939	\$ 48,067,470	\$ 155,003,409	\$ (4,612,293)	\$ 150,391,116
2							
3	Gas Cost	Sch. 3	40,904,923	32,660,135	73,565,057	-	73,565,057
4							
5	Operation & Maintenance Expense	Sch. 4	21,584,075	(872,072)	20,712,003	-	20,712,003
6							
7	Taxes Other Than Income Taxes	Sch. 5	7,856,449	(370,070)	7,486,379	-	7,486,379
8							
9	Depreciation & Amortization Expense	Sch. 6	11,541,971	1,193,143	12,735,114	(82,582)	12,652,532
10							
11	Federal Income and State Excise Tax	Wp 10-1	7,395,485	4,181,791	11,577,276	(1,548,274)	10,029,002
12							
13	Interest on Customer Deposits	Wp 1-1	155,049	(76,185)	78,864	-	78,864
14							
15	AFUDC Interest credit	Wp 1-2	(50,693)	(99,271)	(149,964)	-	(149,964)
16							
17	Return on Rate Base		<u>\$ 17,548,681</u>	<u>\$ 11,449,999</u>	<u>\$ 28,998,680</u>	<u>\$ (2,981,437)</u>	<u>\$ 26,017,243</u>
18							
19	Total Rate Base	Sch. 7	\$ 258,370,306	\$ 44,176,944	\$ 302,547,250	\$ 2,093,214	\$ 304,640,464
20							
21	Rate of Return on Rate Base		6.79%		9.58%		8.54%
22							
23	Interest Expense	Sch. 8	6,039,464	193,009	6,232,473	43,120	6,275,594
24							
25							
26	Return on Equity		<u>\$ 11,509,217</u>		<u>\$ 22,766,207</u>		<u>\$ 19,741,650</u>
27							
28	Rate of Return on Equity		8.38%		12.90%		11.11%
29							
30	Note:						
31	1. Twelve months ended June 30, 2016						
32	2. Twelve months ended May 31, 2018						

SETTLEMENT AGREEMENT

SCHEDULE 10

Tennessee Distribution System
Computation of State Excise and Federal Income Taxes for Sch 10
Twelve Months Ended May 31, 2018

Line	Description	Tax Rate	Historic Base Period (1)	Attrition Period Amount (2)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e)
1	Net Operating Income Before Income Tax		\$ 24,893,472	\$ 40,425,992	\$ 35,896,281
2					
3	Interest Deduction		6,039,464	6,232,473	6,275,594
4					
5	Equity Portion of Return		\$ 18,854,008	\$ 34,193,519	\$ 29,620,687
6					
7	Application of Tax Rate to Equity Return - Tennessee	6.5%	1,225,511	2,222,579	1,925,345
8					
9	Application of Tax Rate to Equity Return - Federal	29%	6,169,974	9,354,697	8,103,657
10					
11	Income Tax Expense		\$ 7,395,485	\$ 11,577,276	\$ 10,029,002
12					
13	Less: ITC Amortization		-	-	-
14					
15	Total Income Tax Liability		\$ 7,395,485	\$ 11,577,276	\$ 10,029,002
16					
17	Note:				
18	1. Twelve months ended June 30, 2016				
19	2. Twelve months ended May 31, 2018				

SETTLEMENT AGREEMENT

SCHEDULE 11

Schedule 11-1

Tennessee Division System
Print of Revenue and Calculation of Rates
Historic Data Period Begins at Present Rates
Actual Volume Month Ending September 30, 2019

Line	Description	12 Mo. Ended Sep. 15		Historical Actual Sep. 16		12 mth Sep 16		12 mth Sep 16		12 mth Sep 16	
		Base	Volume	Monthly	Connecticut	Margin	Adjusted	Volume	Margin	Adjusted	Volume
REVENUE											
1	200 Residential Gas Service (General)	613,707	419,777	85.30	51.322	10,461,564	0.12777	10,461,564	30		
2	200 Residential Gas Service (Winter) (gasifier service)	853,789	5,514,947	98.30	51.322	22,815,245	1.75400	6,668,666	29,442,646	11,525,593	
3	200 Residential Gas Service (Summer) (gasifier service)	708	583	0.00	51.322	3,611	0.00	3,611	731	30	
4	200 Residential Gas Service (Summer) (gasifier service)	1,011	6,791	0.00	51.322	5,211	0.00	5,211	8,211	30	
5	200 Residential Gas Service (Summer) (gasifier service)	12	178	0.00	51.322	630	0.00	630	231	30	
6	Total Residential	1,469,296	6,332,646			33,886,622	1.85400	7,485,722	38,881,712	13,585,642	
COMMERCIAL											
7	200 Commercial Gas Service (gasifier service)	17	112	15.30	0.709	708	0.00	708	300	50	
8	200 Commercial Gas Service (gasifier service)	10,105	1,581,814	27.80	2.548	19,828,725	5.14601	5,146,491	20,459,877	51,431,107	
9	200 Commercial Gas Service (gasifier service)	8	0	405.00	2.724	0	0	0	0	0	
10	200 Commercial Industrial Gas Service			440.00		0	0	0	0	0	
11	Block 1 Volume			1.245		0	0	0	0	0	
12	Block 2 Volume			0.825		0	0	0	0	0	
13	Block 3 Volume			0.362		0	0	0	0	0	
14	200 Large Commercial Gas Service (gasifier service)	12	12,561	37.80	1.748	45,577	0.291	15,577	15,577	303	
15	Block 1 Volume			581		581	0	581	581	303	
16	Block 2 Volume			0		0	0	0	0	0	
17	Block 3 Volume			0		0	0	0	0	0	
18	Total Commercial	19,129	4,868,143			19,848,308	5.14601	5,146,491	20,459,877	51,431,107	
INDUSTRIAL											
19	200 Industrial Gas Service (gasifier service)	3,825	543,080	37.80	2.548	1,528,350	85.530	600,690	1,867,770	1,867,770	
20	200 Large Industrial Gas Service	12	41,076	405.00	2.724	123,900	41,076	123,900	123,900	123,900	
21	200 Industrial Gas Service	0	0	440.00		0	0	0	0	0	
22	Block 1 Volume			1.245		0	0	0	0	0	
23	Block 2 Volume			0.825		0	0	0	0	0	
24	Block 3 Volume			0.362		0	0	0	0	0	
25	200 Industrial Gas Service (gasifier service)	24	295,442	440.00	1.245	1,372,800	0	1,372,800	1,372,800	1,372,800	
26	Block 1 Volume			295,442		295,442	0	295,442	295,442	295,442	
27	Block 2 Volume			295,442		295,442	0	295,442	295,442	295,442	
28	Block 3 Volume			0		0	0	0	0	0	
29	200 Industrial Gas Service (gasifier service)	4	0	440.00		1,700	0	1,700	1,700	1,700	
30	Block 1 Volume			1.245		0	0	0	0	0	
31	Block 2 Volume			0.825		0	0	0	0	0	
32	Block 3 Volume			0.362		0	0	0	0	0	
33	200 Industrial Gas Service (gasifier service)	0	0	0		0	0	0	0	0	
34	Block 1 Volume			0		0	0	0	0	0	
35	Block 2 Volume			0		0	0	0	0	0	
36	Block 3 Volume			0		0	0	0	0	0	
37	200 Industrial Gas Service (gasifier service)	0	0	0		0	0	0	0	0	
38	Block 1 Volume			0		0	0	0	0	0	
39	Block 2 Volume			0		0	0	0	0	0	
40	Block 3 Volume			0		0	0	0	0	0	
41	200 Industrial Gas Service (gasifier service)	0	0	0		0	0	0	0	0	
42	Block 1 Volume			0		0	0	0	0	0	
43	Block 2 Volume			0		0	0	0	0	0	
44	Block 3 Volume			0		0	0	0	0	0	
45	200 Industrial Gas Service (gasifier service)	0	0	0		0	0	0	0	0	
46	Block 1 Volume			0		0	0	0	0	0	
47	Block 2 Volume			0		0	0	0	0	0	
48	Block 3 Volume			0		0	0	0	0	0	
49	Total Industrial	4,224	1,849,552			2,441,115	85.530	1,251,493	2,542,636	2,542,636	
TRANSPORTATION											
50	200 Transportation Gas Service (gasifier service)	0	0	15.30	0.709	0	0	0	0	0	
51	200 Transportation Gas Service (gasifier service)	50	61,714	37.80	1.254	78,195	7,485	85,275	85,275	85,275	
52	200 Public Authority Gas Service (gasifier service)	0	0	0.00	1.322	0	0	0	0	0	
53	200 Public Authority Gas Service (gasifier service)	0	0	0.00	1.322	0	0	0	0	0	
54	200 Public Authority Gas Service (gasifier service)	7,436	7,436	0.30	1.322	55,217	7,436	62,653	62,653	62,653	
55	200 Public Authority Gas Service (gasifier service)	4,190	38,589	14.30	1.322	129,640	7,436	137,076	137,076	137,076	
56	Total Transportation	7,126	107,625			254,055	14,921	254,055	254,055	254,055	
TRANSMISSION											
57	200 TRANSMISSION (200 EOL COMPANY)	144	178,025	440.00	2.548	418,574	138,005	418,574	418,574	418,574	
58	200 TRANSMISSION (200 EOL COMPANY)	115	1,286,542	440.00	2.724	3,365,790	1,380,542	3,365,790	3,365,790	3,365,790	
59	200 TRANSMISSION (200 EOL COMPANY)	54	108,000	440.00		73,700	0	73,700	73,700	73,700	
60	Block 1 Volume			1.245		134,500	0	134,500	134,500	134,500	
61	Block 2 Volume			0.825		297,831	0	297,831	297,831	297,831	
62	Block 3 Volume			0.362		0	0	0	0	0	
63	200 TRANSMISSION (200 EOL COMPANY)	631	2,009,580	440.00		338,410	26,080	338,410	338,410	338,410	
64	Block 1 Volume			1,245		777,842	0	777,842	777,842	777,842	
65	Block 2 Volume			0.825		1,406,434	1,300,880	1,406,434	1,406,434	1,406,434	
66	Block 3 Volume			0.362		2,143,875	2,143,875	2,143,875	2,143,875	2,143,875	
67	200 TRANSMISSION (200 EOL COMPANY)	4	0	440.00		1,700	0	1,700	1,700	1,700	
68	Block 1 Volume			1.245		0	0	0	0	0	
69	Block 2 Volume			0.825		0	0	0	0	0	
70	Block 3 Volume			0.362		0	0	0	0	0	
71	200 TRANSMISSION (200 EOL COMPANY)	2	2,109	0.825		1,371	2,109	1,371	1,371	1,371	
72	Block 1 Volume			0.825		0	0	0	0	0	
73	Block 2 Volume			0.362		0	0	0	0	0	
74	Block 3 Volume			0		0	0	0	0	0	
75	200 TRANSMISSION (200 EOL COMPANY)	0	0	0		0	0	0	0	0	
76	Block 1 Volume			0		0	0	0	0	0	
77	Block 2 Volume			0		0	0	0	0	0	
78	Block 3 Volume			0		0	0	0	0	0	
79	200 TRANSMISSION (200 EOL COMPANY)	24	48,000	440.00		4,252	440	4,252	4,252	4,252	
80	Block 1 Volume			1.245		10,560	0	10,560	10,560	10,560	
81	Block 2 Volume			0.825		20,808	48,000	20,808	20,808	20,808	
82	Block 3 Volume			0.362		0	0	0	0	0	
83	200 TRANSMISSION (200 EOL COMPANY)	547,461	84,438	0.362		451,695	547,461	451,695	451,695	451,695	
84	Block 1 Volume			0.362		52,245	84,438	52,245	84,438	84,438	
85	Block 2 Volume			0.362		0	0	0	0	0	
86	Block 3 Volume			0.362		11,609	0	11,609	11,609	11,609	
87	SPECIAL CONTRACTS	36	1,922,192			308,143	1,922,192	308,143	308,143	308,143	
88	Total Transmission	1,470	8,429,239			52,287,411	0	52,287,411	52,287,411	52,287,411	
89	TOTALS	1,516,445	20,944,182			585,262,317	1,537,214	22,641,487	588,527,608	57,145,211	
90	4870 - Fuel Cost					1,554,700		1,554,700			
91	4880 - Miscellaneous Service Charges					1,813,790		1,813,790			
92	TOTAL HARMON REVENUES					588,630,807		588,630,807			

[illegible]

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SETTLEMENT AGREEMENT

SCHEDULE 12

Settlement Agreement Schedule 12 (1 page)

Schedule 12-1

Tennessee Distribution System
 Cost of Service True - Up
 Twelve Months Ended May 31, 2018

Line No	Description (a)	Attrition Year (b)	Amount (c)
1	Schedule 1 Net Revenue Deficiency	5/31/2018	4,053,984
2			
3	<u>Cost of Service</u>		
4	Actual Cost of Service	5/31/2018	146,901,275
5			
6	<u>Revenue</u>		
7	Total Book Revenues	5/31/2018	155,003,409
8	Less: Prior True - Up revenues	5/31/2017	4,612,293
9	Total Attrition Year Revenues	5/31/2018	150,391,116
10			
11	True - Up	5/31/2018	(13,489,841)
12			
13	Cost of Capital	5/31/2018	(564,143)
14			
15	True - Up Incl. Cost of Capital	5/31/2018	(4,053,984)
16			
17	Deficiency Net of True - Up		0