

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)
)
DOCKET TO INVESTIGATE AND) Docket No. 18-00112
CONSIDER MODIFICATIONS TO)
ATMOS ENERGY CORPORATIONS')
ANNUAL RATE REVIEW)
MECHANISM (ARM) UNDER TENN.)
CODE ANN. § 65-5-103(6))

STIPULATION AND SETTLEMENT AGREEMENT

In compromise and settlement of this matter, Tennessee Public Utility Commission (“Commission”) Docket No. 18-00112, Herbert H. Slatery III, the Tennessee Attorney General and Reporter, by and through the Consumer Advocate Unit of the Financial Division (“Consumer Advocate”), Atmos Energy Corporation (“Atmos Energy” or the “Company”), and TPUC Party Staff (“Party Staff”), (collectively the “Parties”) respectfully submit this Stipulation and Settlement Agreement (“Settlement Agreement”).

1. In TPUC Docket No. 14-00146, the Commission approved a *Stipulation and Settlement Agreement* implementing an Annual Review Mechanism (“ARM”) under Tenn. Code Ann. § 65-5-103(d)(6) for Atmos Energy. This mechanism allows for annual rate reviews by the Commission in lieu of a general rate case. Pursuant to the *Order Approving Settlement*, the twelve-month period ending September 30 of each year prior to the annual ARM filing date of February 1 is to be used as the historic test year, with rates to be established based on a forward-looking test year for the twelve-month period ending May 31 of each year. Additionally, the *Order Approving Settlement* requires that the Company use the authorized return on equity as established in TPUC

Docket No. 14-00146 or any subsequent general rate case. In addition to the February 1 annual rate review filing, under Atmos Energy's existing ARM the Company also must file an Annual Reconciliation to the authorized return on equity by September 1 of each year. This filing is required to reconcile actual amounts to the Company's authorized return on equity for the forward-looking test year immediately completed, inclusive of interest at the overall cost of capital compounded for two years. The resulting rates are effective on bills rendered on or after June 1.

2. In TPUC Docket No. 18-00067, Commission Staff posed three questions to Atmos Energy and the Consumer Advocate seeking input concerning potential modifications to the ARM that would move from two annual ARM filings to one. Both Atmos Energy and the Consumer Advocate submitted testimony in response. Both indicated their willingness to discuss potential modifications to the ARM to allow a single annual ARM filing.

3. By Order dated December 4, 2018, in TPUC Docket No. 18-00067, the Commission directed that a new docket be opened to examine and consider modifications to allow a one-step approach for Atmos Energy Corporation's annual rate review mechanism. Pursuant to that Order, this docket (TPUC Docket No. 18-00112) was opened. On December 4, 2018, Commission employees Ryan McGehee, David Foster, and Joe Shirley, were designated to participate as parties in this docket pursuant to Tenn. Rules and Regs. 1220-1-2-.21.

4. Chattanooga Gas Company's Petition to Intervene in this docket was denied by Order of the Hearing Officer entered April 8, 2019. As a result, Chattanooga Gas Company did not become a party to this docket.

5. The Parties have conducted extensive settlement discussions in this matter over a number of months concerning potential modifications to Atmos Energy's Annual Review Mechanism. These discussions have resulted in agreement among the Parties to a revised annual

review mechanism and ARM tariff for Atmos Energy. If approved by the Commission, these modifications will result in a single more streamlined annual ARM filing for Atmos Energy.

WHEREFORE, the Parties have agreed to the terms set forth herein, subject to Commission approval, which the Parties jointly request.

6. Definitions. The following defined terms shall apply throughout this Settlement Agreement:

- (a) **Annual Filing Date** shall be the date the Company will make its annual ARM filing. The Annual Filing Date shall be no later than February 1 of each year.
- (b) **Historic Test Period** is defined as the twelve-month period ending September 30 of each year prior to each Annual Filing Date.
- (c) **Rate Effective Year** is defined as the twelve months beginning June 1 of the year following the end of the Historic Test Period.
- (d) **Authorized Return on Equity** is defined as the return on equity established in TPUC Docket No. 14-00146, or in any subsequent Tennessee general rate case for Atmos Energy, whichever is more recent.
- (e) **Overall Cost of Capital** is defined as the overall cost of capital for the applicable period, as stated on Schedule 9, determined in accordance with the Approved Methodologies and utilizing the Authorized Return on Equity.
- (f) **New Matters** refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the Commission regarding the Company since initiating the Annual Rate Mechanism in TPUC Docket No. 14-00146.
- (g) **Approved Methodologies** are defined as the methodologies explicitly approved and/or adopted by the Commission in TPUC Docket No. 14-00146 or in any subsequent Tennessee general rate case or Commission docket for Atmos Energy, or as modified following a determination on a New Matter, all as applied to enable the Annual Review Mechanism described in this Settlement Agreement and the modified ARM tariff attached hereto as Exhibit A.
- (h) **Annual Reconciliation Revenue Requirement (“ARRR”)**, as set forth more fully herein, is calculated by comparing actual adjusted cost of service excluding gas cost from the Historic Test Period just completed with actual, adjusted gross margin

(plus/minus any previous ARRR) from the same period and adding carrying costs to the difference.

- (i) **Carrying Costs** are computed by applying the Company's overall rate of return to the Net Revenue Deficiency (Sufficiency) on Schedule 1R incurred during the Historic Test Period from the midpoint date of the historic test period through the date new rates become effective.
- (j) **Relieved Amounts** are those that have been transferred from the regulatory asset (Account 186) to Account 107, Construction Work in Progress.
- (k) **Settlement Agreement** refers to this Stipulation and Settlement Agreement, together with all of its Exhibits, all of which are incorporated by reference herein.

7. Atmos Energy's Annual Review Mechanism will move to a single annual filing, to be made on or before February 1 each year. In order to facilitate this change and mitigate regulatory lag, the Parties have agreed to, and jointly recommend that the Commission approve and adopt, certain modifications to Atmos Energy's approved annual review mechanism, as set forth in this Settlement Agreement and in the exhibits hereto, including the revised ARM tariff attached hereto as Exhibit A. The Parties agree that these modifications to Atmos Energy's approved annual review mechanism are authorized by Tenn. Code Ann. § 65-5-103(d)(6)(D)(iii), and do not require the filing of a general rate case.

8. Atmos Energy will make a single annual ARM filing, which shall be made on or before February 1 (the "Annual Filing Date"). The annual ARM proceeding will serve two broad functions:

- (a) First, it will determine the Annual Reconciliation Revenue Requirement ("ARRR"), the calculation of which shall begin by comparing actual cost of service excluding gas cost from the Historic Test Period just completed with actual gross margin from the same period.
 - i. Actual cost of service for the purpose of the reconciliation shall be based upon average historic rate base and shall include synchronized (calculated) interest and income tax expense thereon. Average historic rate base shall include the components of the regulatory asset described below associated with Depreciation and Ad Valorem expense deferrals but shall exclude the

components of the regulatory asset associated with Interest Deferrals and RWIP Interest Deferrals. The offset to the regulatory asset for depreciation expense is an increase in accumulated depreciation which shall be recognized as a reduction to rate base in the ARRR as it is reflected in the Company's books and records. The actual cost of service for the purpose of the reconciliation shall not recognize as expense the portion of Depreciation expense and Ad Valorem expense deferred as a regulatory asset.

- ii. In determining actual gross margin for the period, the amount of any previous ARRR shall be subtracted. Carrying Costs shall be included in the ARRR. Carrying Costs shall be calculated at the Overall Cost of Capital from the midpoint of the Historic Test Period through the date new rates become effective. The resulting total ARRR (including these Carrying Costs) shall be added to Atmos Energy's revenue requirement for the Rate Effective Year and included in rates effective June 1.
- (b) Second, it will determine the Company's revenue requirement and the rates necessary to allow the Company to earn its Authorized Return on Equity for the Historic Test Period. The revenue at present rates used in the calculation shall utilize current tariff rates, and actual historic billing determinants normalized for weather.
 - (c) The Company's tariff rates shall be adjusted so as to generate annual revenue equal to the sum of 8(a) and 8(b) above, with such rates to become effective with bills rendered on or after June 1 of the Rate Effective Year. These determinations shall be made in accordance with the Approved Methodologies (as defined herein), the provisions of the revised ARM Tariff (attached hereto as Exhibit A), and the terms of this Stipulation and Settlement Agreement, including Schedules 1 through 11 of the Company's revenue requirement model (attached hereto as Collective Exhibit B), all as may be modified from time to time by subsequent Commission order.

9. The Company shall be authorized to establish and include in rate base a Regulatory Asset to record Interest Deferrals (including Retirement Work in Progress ("RWIP") Interest Deferrals), Depreciation Expense Deferrals and Ad Valorem Expense Deferrals associated with plant in-service which has been placed in service subsequent to the previous Historic Test Period and has not otherwise been included in rate base. The balance of the Regulatory Asset as of the end of the Historic Test Period shall be included in plant and rate base. The balance of the Regulatory Asset shall be comprised of Interest Deferrals (including RWIP interest deferrals), Depreciation Expense Deferrals and Ad Valorem Deferrals as discussed below.

- (a) Interest Deferrals: The Company shall record monthly interest into a Regulatory Asset. Interest shall be calculated at the pretax Overall Cost of Capital on all plant and RWIP that has been closed and placed into service (and including previously deferred interest) and shall continue to accrue and be added to the Regulatory Asset account for so long as the plant has not yet been included in rates. The balance on which interest is calculated shall account for plant in-service net monthly of (1) a provision adding or subtracting deferred income taxes on assets not yet included in rates; (2) a provision subtracting the increase in accumulated depreciation on assets already included in rates; and (3) a provision adding the depreciation expense deferred on assets not yet included in rates.
- (b) Depreciation Expense Deferrals: On a monthly basis, depreciation expense shall be calculated on plant in service not yet included in rates and added to the balance of the Regulatory Asset.
- (c) Ad Valorem Deferrals: The annual calculation of the ad valorem deferral amounts is based on the general ledger account balances of 1010 and 1070 for projects as of the state ad valorem assessment date. The annual ad valorem tax rates applied to these balances shall be those provided by the Atmos Energy Tax Department based on the most recent tax rate information available. The calculated ad valorem tax deferral amount shall be divided by 12 and applied on a monthly basis for the following year. On a monthly basis, ad valorem taxes, so calculated, shall be added to the Regulatory Asset. A Deferral for Ad Valorem taxes shall not be determined for any assets that are exempt from Ad Valorem Tax Expense.
- (d) RWIP Interest Deferrals: Retirement Work in Progress (RWIP) interest deferral amounts shall be calculated and added to the Regulatory Asset monthly, based upon the pretax Overall Cost of Capital, applied to closed RWIP for identified projects excluding any Relieved Amounts.
- (e) Relief of Regulatory Asset Accounts: Upon the effective date of new rates, the balance of the Regulatory Asset as of the end of the Historic Test Year shall be relieved and transferred to plant and included in rate base. This shall be accomplished by debiting Construction Work in Progress (CWIP) (account 1070.14218) and crediting the Regulatory Asset (account 1860.14218).

10. The Parties agree that, for the purpose of calculating the gross up factor on WP 8-2, total revenues shall be used in the denominator of the "Forfeited Discounts" component and actual gross margin shall be used in the denominator of the "Uncollectible Ratio" component.

11. Contents of the Annual ARM Filing: The ARM modifications set forth in this Settlement Agreement require modification or elimination of some of the schedules and other

filings currently included in Atmos Energy's two annual ARM filings. The single annual ARM filing shall include the following Schedules and Staff Data Requests/Relied Upon Files:

(a) Schedule 1: Cost of Service

Summarizes the elements of cost of service, including gas cost expense, operation and maintenance expense, depreciation expense, taxes other than income taxes, return on rate base, income tax, allowance for funds used during construction ("AFUDC") and interest on customer deposits. Compares the total cost of service to revenue at present rates in order to calculate a net revenue deficiency / sufficiency. Additionally, includes the Annual Reconciliation Revenue Requirement and calculates the net adjustment necessary to be implemented during the Rate Effective Year. Schedule 1R calculates the cost of service to be used for the purpose of calculating the ARRR and calculates the ARRR.

(b) Schedule 2: Summary of Actual Revenues for the Historic Test Period

Presents per-book revenues for the Historic Test Period.

(c) Schedule 3: Cost of Gas

Presents Historic Test Period per-book gas cost. Includes ratemaking adjustments consistent with the Approved Methodologies.

(d) Schedule 4: Operation and Maintenance Expenses

Presents Historic Test Period per-book operation and maintenance expense. Includes ratemaking adjustments consistent with the Approved Methodologies.

(e) Schedule 5: Taxes Other than Income

Presents Historic Test Period per-book taxes other than income taxes expense. Includes ratemaking adjustments consistent with the Approved Methodologies.

(f) Schedule 6: Depreciation and Amortization Expenses

Presents Historic Test Period per-book depreciation and amortization expense. Includes ratemaking adjustments to reflect end of Historic Test Period plant levels, and those consistent with the Approved Methodologies. Also includes adjustments to reflect impact of proposed depreciation rates, if any.

(g) Schedule 7: Rate Base and Return

Presents the calculation of the Historic Test Period rate base in accordance with the provisions of this Settlement Agreement. Includes the Regulatory Asset and

ratemaking adjustments consistent with the Approved Methodologies. Schedule 7R calculates the historic average rate base for use in the calculation of the ARRR.

(h) Schedule 8: Computation of State Excise and Income Taxes

Presents the calculation of state excise taxes and income taxes on the required return on rate base for the Historic Test Period. Schedule 8R calculates state excise taxes and income taxes on the required return for use in the calculation of the ARRR.

(i) Schedule 9: Overall Cost of Capital

Presents the calculation of the overall cost of capital based on the capital structure, debt cost rates and the required rate of return on equity. Schedule 9R calculates overall cost of capital for use in the calculation of the ARRR.

(j) Schedule 10: Rate of Return

Presents the calculation of a rate of return on rate base and a rate of return on the equity-financed portion of rate base for the Historic Test Period, with costs and revenues as presented in Schedules 2 through 9. Schedule 10R presents the calculation of a rate of return on rate base and a rate of return on the equity-financed portion of rate base for use in the calculation of the ARRR.

(k) Schedule 11: Proof of Revenues and Calculation of Rates

Presents the calculation of new tariff rates by customer class and rate schedule for the Rate Effective Year consistent with the cost of service and net revenue deficiency / sufficiency presented on Schedule 1 (including the ARRR).

(i) Schedule 11-1: Actual Revenue for the Historic Test Period

(ii) Schedule 11-2: Proof of Revenues and Calculation of Rates, Rate Effective Year Margin at Present Rates

(iii) Schedule 11-3: Proof of Revenues and Calculation of Rates, Rate Design for Rate Effective Year

(iv) Schedule 11-4: Proof of Revenues and Calculation of Rates, Summary of Present and Proposed Rates.

(l) Relied-Upon Files:

Referenced years of documents to be updated with each annual filing

(i) ADIT to Rates: Reconciliation of account balance by book/tax component

(ii) Blending percentages for Greenville and CKV Center

(iii) Cash Working Capital

(iv) Composite Factors for Rates Effective – Support for allocation factors used with the Historic Period

(v) Gas Storage

(vi) Intercompany Leased Property

- (vii) Plant Balances
- (m) Weather Normalization
 - (i) 30 Year Smoothed Normal Bristol Weather
 - (ii) 30 Year Smoothed Normal Knoxville Weather
 - (iii) 30 Year Smoothed Normal Nashville Weather
 - (iv) 30 Year Smoothed Normal Paducah Weather
- (n) Incentive Compensation Disallowance Calculation
- (o) Trial Balance
- (p) General Ledger

12. Transition and Schedule: The Parties agree, and request that the Commission approve, transition to the modified ARM under the schedule and terms set forth herein.

- (a) September 1, 2019: Atmos Energy has filed its Annual Reconciliation of actual results to the Authorized Return on Equity for the Forward-Looking Test Year June 1, 2018 through May 31, 2019. This reconciliation shall proceed and shall determine the ARRR under the existing ARM Tariff (i.e. prior to the modifications called for by this Settlement Agreement), except that (i) Atmos Energy shall be permitted to include its 2019 Annual Pension contribution even though made after the end of the June 1, 2018 through May 31, 2019 Test Year, (ii) Atmos Energy shall be authorized to include the resulting ARRR in rates effective June 1, 2020 without an intervening February 1 ARM filing, and (iii) for the purpose of calculating the gross up factor on WP 8-2, total revenues shall be used in the denominator of the "Forfeited Discounts" component and actual gross margin shall be used in the denominator of the "Uncollectible Ratio" component.
- (b) February 1, 2020: Atmos Energy will not make an annual ARM filing.
- (c) June 1, 2020: Atmos Energy shall implement new rates that remove the previous ARRR (from Docket 18-00097) and include the ARRR resulting from the September 1, 2019 reconciliation proceeding outlined above in Paragraph 12(a). These rates shall be in effect through May 31, 2021.
- (d) June 1, 2020: The modified ARM Tariff attached hereto as Exhibit A shall become effective.
- (e) June 1, 2020: Atmos Energy shall begin deferrals to the Regulatory Asset described herein.
- (f) September 1, 2020: Atmos Energy will not make an Annual Reconciliation filing.

- (g) February 1, 2021: Atmos Energy shall make its first annual ARM filing under the modified ARM Tariff attached hereto as Exhibit A.
- (h) June 1, 2021: Atmos Energy shall implement new rates as determined in the February 1, 2021 ARM proceeding referred to in Paragraph 11(g) above.

13. The Parties agree to, and jointly recommend that the Commission adopt the modified ARM Tariff attached hereto as Exhibit A, with such tariff to become effective June 1, 2020.

14. Retention of other Existing ARM Provisions: Except as modified by this Settlement Agreement, including without limitation the modified ARM Tariff attached hereto as Exhibit A, and except as they may be modified by subsequent Commission Order, the explicit procedures and identified ratemaking methodologies, and Commission Orders applicable to Atmos Energy's ARM as of the date of this Settlement Agreement shall be retained and applied to the fullest extent applicable under the modified ARM adopted herein. This provision shall not require the retention of (nor shall it require the rejection of) any disputed ratemaking methodologies which have not been explicitly resolved by the Commission, nor any methodologies previously identified in Consumer Advocate testimony but which were not explicitly resolved in a prior Settlement Agreement. For convenient reference, and without limitation, Commission Orders to date applicable to Atmos Energy's ARM include orders issued in the following Commission dockets:

- (a) Docket No. 14-00146: In Re: Petition of Atmos Energy Corporation for a general rate increase under Tenn. Code Ann. § 65-5-103(a) and adoption of an annual rate review mechanism under § 65-5-103(d)(6)
- (b) Docket No. 15-00089: In Re: Atmos Energy's petition to change depreciation rates pursuant to its approved annual review mechanism
- (c) Docket No. 16-00013: In Re: Petition of Atmos Energy Corporation for approval of its 2016 annual rate review filing pursuant to Tenn. Code Ann. § 65-5-103(d)(6)
- (d) Docket No. 16-00105: In Re: Petition of Atmos Energy for approval of its 2016 annual reconciliation filing

- (e) Docket No. 17-00012: In Re: Petition of Atmos Energy Corporation for approval of its 2017 annual rate review filing pursuant to Tenn. Code Ann. § 65-5-103(d)(6)
- (f) Docket No. 17-00091: In Re: Atmos Energy Corporation's annual reconciliation of annual review mechanism
- (g) Docket No. 18-00034: In Re: response of Atmos Energy Corporation to the Commission's order opening an investigation and requiring deferred accounting treatment
- (h) Docket No. 18-00067: In Re: Petition of Atmos Energy Corporation for approval of its 2018 annual rate review filing pursuant to Tenn. Code Ann. § 65-5-103(d)(6)
- (i) Docket No. 18-00097: In Re: Atmos Energy Corporation's annual reconciliation of annual review mechanism
- (j) Docket No. 19-00018: In Re: Petition of Atmos Energy Corporation for approval of its 2019 annual review filing pursuant to Tenn. Code Ann. § 65-5-103(d)(6).

15. All pre-filed testimony and exhibits of the Parties in this Docket 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 appearances.

16. The Parties agree to support this Settlement Agreement before the Commission and in any testimony, hearing, proposed order, or brief conducted or filed in this proceeding. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement of this matter. 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, including without limitation, any cost of service determination or cost allocation or revenue-related methodology, except to the limited extent necessary to implement the provisions hereof.

17. 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 to implement the provisions hereof.

18. The Parties agree and 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 the Commission or any court, state or federal, except to the limited extent necessary to implement the provisions hereof.

19. 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 the Commission issue an order adopting this Settlement Agreement in its entirety without modification.

20. If the Commission does not accept the settlement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the Commission does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement will retain the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such non-approval; provided, however, that the signatories of this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the Commission 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.

21. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement be rejected by the Commission in whole or in part.

22. No provision of this Settlement Agreement shall be deemed an admission of any Party and no provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this Docket, except to the limited extent necessary to implement the provisions hereof.

23. The Parties agree that this Settlement Agreement constitutes the complete understanding among the Parties concerning the resolution of issues and matters under this TPUC Docket No. 18-00112, and any oral statements, representations or agreements concerning such issues and matters made prior to the execution of this Settlement Agreement have been merged into this Settlement Agreement.

24. All exhibits and schedules attached to or referenced in this Settlement Agreement are hereby incorporated by reference into this Settlement Agreement.

25. No provision herein shall impact the Commission's regulatory supervision authority and enforcement jurisdiction; nor is any member of the Commission Staff required to intervene and act as Party Staff in any subsequent docket that may result in a change to the Company's ARM. The Parties further agree that any member of the Party Staff in the current docket may serve the Commission in an advisory capacity in subsequent ARM dockets.

26. 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 the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

27. 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.

28. 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 respective Party.

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

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

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

The foregoing is agreed and stipulated to this 2nd day of October, 2019.

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Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 18-00112
Atmos Energy Corporation Signature Page

ATMOS ENERGY CORPORATION

HAVE SEEN AND AGREED

By: A. Scott Ross

A. Scott Ross, BPR #15634

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by Vance Roemel
w/ permission

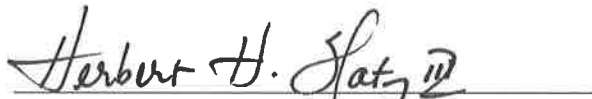
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Attorney General's Signature Page

FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT

HAVE SEEN AND AGREED

By:



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TPUC Party Staff's Signature Page

TENNESSEE PUBLIC UTILITY COMMISSION

By:



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Exhibit A

**ARM
Annual Review Mechanism****Applicable**

To all gas sold and transported under tariff services, excluding approved special contracts.

Purpose

This Annual Review Mechanism ("ARM") is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d) (6), which authorizes the Company to opt for an annual review of the Company's rates. Pursuant to this ARM and the annual filings described in section A. below, the Company's tariff rates (excluding approved special contract rates) shall be adjusted to provide that the Company earns the Authorized Return on Equity. The rate adjustments implemented under this mechanism will reflect changes in the Company's revenues, cost of service, and rate base. The ARM may be terminated or modified as provided under Tennessee Code Annotated 65-5-103(d) (6) (D) and the Final Orders in TPUC Docket Nos. 14-00146 and 18-00112.

Definitions

- A) Annual Filing Date** shall be the date the Company will make its annual ARM filing. The Annual Filing Date shall be no later than February 1 of each year.
- B) Historic Test Period** is defined as the twelve-month period ending September 30 of each year prior to each Annual Filing Date.
- C) Rate Effective Year** is defined as the twelve months beginning June 1 of the year following the end of the Historic Test Period.
- D) Authorized Return on Equity** is defined as the return on equity established in TPUC Docket No. 14-00146, or in any subsequent Tennessee general rate case for Atmos Energy, whichever is more recent.
- E) Overall Cost of Capital** is defined as the overall cost of capital for the applicable period, as stated on Schedule 9, determined in accordance with the Approved Methodologies and utilizing the Authorized Return on Equity.
- F) New Matters** refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the Commission regarding the Company since initiating the Annual Rate Mechanism in TPUC Docket 14-00146.
- G) Approved Methodologies** are defined as the methodologies explicitly approved and adopted by the Commission in TPUC Docket No. 14-00146 or in any subsequent Tennessee general rate case or Commission docket for Atmos Energy, or as modified following a determination on a New Matter all as applied to enable the Annual Review Mechanism described in the Stipulation and Settlement Agreement in Docket No. 18-00012 and this ARM Tariff.

H) Annual Reconciliation Revenue Requirement ("ARRR") as set forth more fully in the Settlement Agreement, is calculated by comparing actual adjusted cost of service excluding gas cost from the Historic Test Period just completed with actual, adjusted gross margin (plus/minus any previous ARRR) from the same period and adding carrying costs to the difference.

I) Carrying Costs are computed by applying the Company's overall rate of return to the Net Revenue Deficiency (Sufficiency) on Schedule 1R incurred during the Historic Test Period from the midpoint date of the historic test period through the date new rates become effective.

J) Relieved Amounts are those that have been transferred from the regulatory asset (Account 186) to Account 107, Construction Work in Progress.

K) Settlement Agreement refers to the Stipulation and Settlement Agreement in Docket No. 18-00112, together with all of its Exhibits.

ARM Filing

On the Annual Filing Date each year the Company shall file with the Commission schedules and supporting work papers that calculate the revenue requirement and rate adjustment necessary to allow the Company to earn its Authorized Return on Equity as well as the Annual Reconciliation Revenue Requirement for the Historic Test Period, determined in accordance with the Approved Methodologies and this ARM Tariff. The Annual Filing shall include pre-filed testimony supporting the underlying schedules and work papers.

A. Contents of the Annual Filing. The ARM filing shall include:

Schedule 1: Cost of Service

Summarizes the elements of cost of service, including gas cost expense, operation and maintenance expense, depreciation expense, taxes other than income taxes, return on rate base, income tax, allowance for funds used during construction ("AFUDC") and interest on customer deposits. Compares the total cost of service to revenue at present rates in order to calculate a net revenue deficiency / sufficiency. Additionally, includes the Annual Reconciliation Revenue Requirement and calculates the net adjustment necessary to be implemented during the Rate Effective Year. Schedule 1R calculates the cost of service to be used for the purpose of calculating the ARRR and calculates the ARRR.

Schedule 2: Summary of Actual Revenues for the Historic Test Period

Presents per-book revenues for the Historic Test Period.

Schedule 3: Cost of Gas

Presents Historic Test Period per-book gas cost. Includes ratemaking adjustments consistent with the Approved Methodologies.

Schedule 4: Operation and Maintenance Expenses

Presents Historic Test Period per-book operation and maintenance expense. Includes ratemaking adjustments consistent with the Approved Methodologies.

Schedule 5: Taxes Other than Income

Presents Historic Test Period per-book taxes other than income taxes expense. Includes ratemaking adjustments consistent with the Approved Methodologies.

Schedule 6: Depreciation and Amortization Expenses

Presents Historic Test Period per-book depreciation and amortization expense. Includes ratemaking adjustments to reflect end of Historic Test period plant levels and those consistent with the Approved Methodologies. Also includes adjustments to reflect impact of proposed depreciation rates, if any.

Schedule 7: Rate Base and Return

Presents the calculation of the Historic Test Period rate base in accordance with the provisions of this ARM Tariff. Includes the Regulatory Asset and ratemaking adjustments consistent with the Approved Methodologies. Schedule 7R calculates the historic average rate base for use in the calculation of the ARRR.

Schedule 8: Computation of State Excise and Income Taxes

Presents the calculation of state excise taxes and income taxes on the required return on rate base for the Historic Test Period. Schedule 8R calculates state excise taxes and income taxes on the required return for use in the calculation of the ARRR.

Schedule 9: Overall Cost of Capital

Presents the calculation of the overall cost of capital based on the capital structure, debt cost rates and the required rate of return on equity. Schedule 9R calculates overall cost of capital for use in the calculation of the ARRR.

Schedule 10: Rate of Return

Presents the calculation of a rate of return on rate base and a rate of return on the equity-financed portion of rate base for the Historic Test Period, with costs and revenues as presented in Schedules 2 through 9. Schedule 10R presents the calculation of a rate of return on rate base and a rate of return on the equity-financed portion of rate base for use in the calculation of the ARRR.

Schedule 11: Proof of Revenues and Calculation of Rates

Presents the calculation of new tariff rates by customer class and rate schedule for the Rate Effective Year consistent with the cost of service and net revenue deficiency / sufficiency presented on Schedule 1 (including the ARRR).

1. Schedule 11-1: Actual Revenue for the Historic Test Period and Weather Normalizing Adjustments
2. Schedule 11-2: Proof of Revenues and Calculation of Rates, Rate Effective Year Margin at Present Rates
3. Schedule 11-3: Proof of Revenues and Calculation of Rates, Rate Design for Rate Effective Year
4. Schedule 11-4: Proof of Revenues and Calculation of Rates, Summary of Present and Proposed Rates.

TPUC Staff Revenue Requirement Schedules Relied-Upon Files:

Referenced years of documents to be updated with each annual filing

1. ADIT to Rates; Reconciliation of account balance by book/tax component
2. Blending percentages for Greenville and CKV Center
3. Cash Working Capital
4. Composite Factors for Rates Effective – Support for allocation factors used within Historic Period
5. Gas Storage
6. Intercompany Leased Property
7. Plant Balances

Weather Normalization

1. 30 Year Smoothed Normal Bristol Weather
2. 30 Year Smoothed Normal Knoxville Weather
3. 30 Year Smoothed Normal Nashville Weather
4. 30 Year Smoothed Normal Paducah Weather

Incentive Compensation Disallowance Calculation
Trial Balance
General Ledger

B. Revenue Requirements. In presenting data that demonstrates revenue requirement and its elements:

- a. Rate Base and Cash Working Capital requirements will be determined in accordance with the Approved Methodologies. The Company will use the factors derived from the Lead/Lag study performed in its most recent general rate case in calculating cash working capital requirements.
 - (i) Plant balances (Plant in Service, CWIP, Accumulated Depreciation) shall be the balances allocable to Tennessee as of the end of the Historic Test Period.
 - (ii) Accumulated Deferred Income Taxes shall be the balance allocable to Tennessee as of the end of the Historic Test Period.
 - (iii) The Company shall be authorized to establish and include in rate base a regulatory asset to record Interest Deferrals, Depreciation Expense Deferrals and Ad Valorem Deferrals associated with plant in-service which has been placed in service subsequent to the previous Historic Test Period and have not otherwise been included in Rate Base. The balance of the Regulatory Asset as of the end of the Historic Test Period shall be included in plant and rate base. The balance of the Regulatory Asset shall be comprised of Interest Deferrals (including RWIP interest deferrals), Depreciation Expense Deferrals and Ad Valorem Deferrals as discussed below.
 - (iv) Interest Deferrals: The Company shall record monthly interest into a Regulatory Asset. Interest shall be calculated at the pretax Overall Cost of Capital on all plant and RWIP that has been closed and placed into service (and including previously deferred interest) and shall continue to accrue and be added to the Regulatory Asset account for so long as the plant has not yet been included in rates. The balance on which interest is calculated shall account for capital investment net monthly of (1) a provision adding or subtracting deferred income taxes on assets not yet in rates; (2) a provision subtracting the increase in accumulated depreciation on assets already included in rates; and (3) a provision adding the depreciation expense deferred on assets not yet included in rates.
 - (v) Depreciation Expense Deferrals: On a monthly basis, depreciation expense shall be calculated on capital investment not yet included in rates and added to the balance of the Regulatory Asset.
 - (vi) Ad Valorem Deferrals: The annual calculation of the ad valorem deferral amounts is based on the general ledger account balances of 1010 and 1070 for projects as of the state ad valorem assessment date. The annual ad valorem tax rates applied to these balances shall be those provided by the Atmos Energy Tax Department based on the most recent tax rate information available. The calculated ad valorem tax deferral amount shall be divided by 12 and applied on a monthly basis for the following year. On a monthly basis, ad valorem taxes, so calculated, shall be added to the Regulatory Asset. A Deferral for Ad Valorem taxes shall not be determined for any assets that are exempt from Ad Valorem Tax Expense.
 - (vii) RWIP Interest Deferrals: Retirement Work in Progress (RWIP) interest deferral amounts shall be calculated and added to the Regulatory Asset monthly, based upon the pretax Overall Cost of Capital, applied to closed RWIP for identified projects excluding any relieved amounts.
 - (viii) Relief of Regulatory Asset Accounts: Upon the effective date of new rates, the balance of the Regulatory Asset as of the end of the Historic Test Year shall be relieved and transferred to plant and included in rate base. This shall be accomplished by debiting Construction Work in Progress (CWIP) (account 1070.14218) and crediting the Regulatory Asset (account 1860.14218).

- b. Depreciation expenses shall reflect the depreciation rates approved by the Commission in the Company's most recent general rate case or subsequent approval pursuant to this tariff applied to **end-of-test-year plant balances**. If and when the Company performs a new depreciation study, the new study will be filed with the Commission. Following any appropriate discovery and rebuttal and conditioned upon approval by the Commission of new rates, the Company shall calculate depreciation expenses using the newly approved rates in its subsequent Annual ARM Filing.
- c. Operating Expenses (O&M, Taxes other than Income Taxes, and Income Taxes) will be calculated using the Approved Methodologies.
- d. The Historic Test Period data shall include actual revenues by billing component.
- e. Cost of Capital will be calculated using the Authorized Return on Equity. The Company's cost of debt and capital structure will be calculated using the Approved Methodologies.
- f. Schedules filed pursuant to this mechanism shall utilize the Approved Methodologies as well as other adjustments required to account properly for atypical, unusual, or nonrecurring events.

C. New Matters. If New Matters arise, the Company, TPUC Staff, and the Consumer Advocate will endeavor to reach a resolved treatment, or if necessary, will seek a ruling from the Commission.

D. Attestation

With each Annual ARM Filing, a Company officer shall, as of the date of each Annual ARM Filing, affirmatively represent and warrant, upon information and belief formed after reasonable inquiry, by signing a certificate ("Certificate") under oath: (1) That the Company's Annual ARM Filing has been prepared in accordance with the Approved Methodologies and this ARM Tariff, or that any deviation from or the resolution of any ambiguities in the Approved Methodologies has been affirmatively disclosed and explained in a document attached to such affidavit; (2) That all New Matters have been affirmatively disclosed and explained in a document attached to such affidavit; (3) That the Variance Report (as defined in section IX) includes all matters that are required; (4) That no Disallowed Items have been included in the Company's Annual ARM Filing; (5) That, except as expressly disclosed in a separate schedule dedicated to such disclosure, there have been no additions, deletions, or modifications to the accounts or subaccounts used by the Company as such accounts have been provided to the Commission and Consumer Advocate; (6) That there has been no change in the method of accounting or estimation in any account or subaccount referenced and described in the immediately preceding subsection (5).

E. June 1 Rate Adjustment

Pursuant to the provisions of Tennessee Code Annotated 65-5-103(d)(6)(C), based upon the Approved Methodologies and the provisions of this ARM Tariff, the Company's tariff rates shall be adjusted to the sum of the revenue requirement necessary for the Company to earn the Authorized Return on Equity applicable to the Historic Test Period (As Adjusted), plus/minus the Annual Reconciliation Revenue Requirement. All tariff rates shall be adjusted in proportion to the relative adjusted Historic Test Period revenue share of each class and rate, as specified in the Approved Methodologies. The Company shall file revised tariffs reflecting the new rates. The revised tariffs and new rates shall be effective for bills rendered on or after the June 1 immediately following the Annual Filing Date. Approved special contract rates shall be exempt from this ARM and shall not be adjusted hereunder.

F. The Company will simultaneously copy the Consumer Advocate on all filings made pursuant to this ARM tariff.

G. Variance Reporting and Consumer Advocate Authority to Petition

- a. **Variance Reporting** - As part of its Annual ARM Filing, Atmos Energy shall prepare and file with TPUC, with a copy to the Consumer Advocate, a Variance Report that identifies and explains each and every Atmos Energy revenue and operating expense account and/or subaccount for which the Tennessee amount (including amounts allocated to Tennessee) either exceeds the prior year's amount (based on amounts either as filed by Atmos Energy in the Annual ARM Filing or as adjusted by the TRA under Tenn. Code Ann. § 65-5-103(d)(6)(C)) by 5% and \$30,000; or exceeds the amount (based on amounts either as filed by Atmos Energy in the Annual ARM Filing or as adjusted by the TPUC under Tenn. Code Ann. § 65-5-103(d)(6)(C)) in such account in the third preceding year by 10% and \$60,000; or has been added or deleted or modified in form or substance in any way. As to any account and/or subaccount (and including without limitation any process related directly or indirectly to any such account or subaccount) included on a Variance Report, the TPUC and/or Consumer Advocate shall have the right in its discretion to request additional information and an explanation from Atmos Energy. Atmos Energy will provide any such information or explanation requested within ten business days of such request. The Consumer Advocate, further, has the right in its discretion to bring such account and/or subaccount (or related process) to the attention of the Commission and to request the Commission to review and consider such account and/or subaccount (or related process). Without limiting the Commission's discretion, the Consumer Advocate may recommend any form or process of review it deems appropriate, including without limitation a review that would include the appointment of a third party to review and report on the account and/or subaccount (or related process).
- b. **Consumer Advocate Authority to Petition** -- The Consumer Advocate shall have the right in its sole discretion to file a petition or complaint asking the TRA to terminate or modify any ARM Tariff resulting from this Docket or any directly or indirectly related docket or to take any other action contemplated by Tenn. Code Ann. § 65-5-103(d)(6). Atmos Energy shall not oppose the Consumer Advocate's petition or complaint filed under this Section on the grounds that such a proceeding is not statutorily authorized or that Consumer Advocate is not authorized to bring such a proceeding; provided, however, that Atmos Energy reserves all rights with regard to the merits of any termination or modification or other relief that the Consumer Advocate may request or position that the Consumer Advocate may assert in any such proceeding.

Exhibit B

**Tennessee Distribution System
Cost of Service
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Cost of Gas	Schedule 3	\$72,738,113
2			
3	Operation & Maintenance Expense	Schedule 4	20,533,099
4			
5	Taxes Other Than Income Taxes	Schedule 5	7,598,564
6			
7	Depreciation & Amortization Expense	Schedule 6	13,613,770
8			
9	Return	Schedule 7	27,644,096
10			
11	Federal Income and State Excise Tax	Schedule 8	7,096,871
12			
13	AFUDC	Wp 1-2	(240,693)
14			
15	Interest on Customer Deposits	Wp 1-1	74,818
16			
17	Total Cost of Service		<u>\$ 149,058,638</u>
18			
19			
20	Revenue at Present Rates	Schedule 2	<u>\$ 148,984,755</u>
21			
22	Net Revenue Deficiency (Sufficiency)		\$ 73,883
23	Amortization of EDITL	WP 7-9	\$ (1,036,590)
24	Annual Reconciliation Revenue Requirement	WP 1-3	\$ (5,257,353)
25			
26	Total Revenue Deficiency (Sufficiency)		<u><u>\$ (6,220,060)</u></u>
27			

Schedule 1

**Tennessee Distribution System
Cost of Service
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Cost of Gas	Schedule 3	\$72,738,113
2			
3	Operation & Maintenance Expense	Schedule 4	20,533,099
4			
5	Taxes Other Than Income Taxes	Schedule 5	7,598,564
6			
7	Depreciation & Amortization Expense	Schedule 6	12,972,432
8			
9	Return	Schedule 7	25,121,077
10			
11	Federal Income and State Excise Tax	Schedule 8	6,351,317
12			
13	AFUDC	Wp 1-2	(240,693)
14			
15	Interest on Customer Deposits	Wp 1-1	<u>74,818</u>
16			
17	Total Cost of Service		<u>\$ 145,148,727</u>
18			
19			
20	Actual Adjusted Revenue	Schedule 2	<u>\$ 149,846,580</u>
21			
22	Net Revenue Deficiency (Sufficiency)		\$ (4,697,853)
23	Carrying Costs	WP 7-9	\$ (559,500)
24	Annual Reconciliation Revenue Requirement	WP 1-3	\$ (5,257,353)

WP 1-1

**Tennessee Distribution System
Interest on Customer Deposits
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Amount (b)
1	Average Customer Deposit Balance	\$ 1,508,434
2		
3	Interest Rate on Customer Deposits	<u>4.96%</u>
4		
5	Adjusted Customer Deposit Interest	<u><u>\$ 74,818</u></u>

WP 1-2

**Tennessee Distribution System
Allowance for Funds Used During Construction
Twelve Months Ended September 30, 2018**

Line No.	Description	Amount
	(a)	(b)
1	Base Period AFUDC per books - Div 093 (1)	\$ (325,856)
2		
3	Less State Excise Tax Effect	<u>(21,181)</u>
4		
5		\$ (304,675)
6		
7	Less Federal Tax Effect	<u>(63,982)</u>
8		
9	Net AFUDC - Base Period	\$ (240,693)
10		
11	Change from Base Period to Attrition Year	<u>-</u>
12		
13	Projected Attrition Year Net AFUDC	<u><u>\$ (240,693)</u></u>
14		
15	Note:	
16	1. Twelve months ended September 30, 2018 - Account 432	

**Tennessee Distribution System
Summary of Revenue at Present Rates
Twelve Months Ended September 30, 2018**

Line	Description		Amount
	(a)	(b)	(c)
1	Base period per books revenue (1)		\$ 150,895,047
2			
3	Remove Cost of Service Reserve		3,563,826
4	Remove Reconciliation Revenue		(4,612,293)
5	Projected Attrition Year Revenue:		
6	Ongoing Gross Margin	\$ 77,108,467	
7	Gas cost	72,738,113	
8	Total		<u>\$ 149,846,580</u>
9			
10	Note:		
11	1. Twelve months ended September 30, 2018		

Schedule 3

**Tennessee Distribution System
Cost of Gas
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Amount (b)
1	Base period per books cost of gas (1)	\$ 73,997,359
2		
3	Adjustments	
4	Net Elimination of Intercompany Leased Storage Property	<u>(1,259,246)</u>
5		
6	Total Adjusted Gas Cost	\$ 72,738,113
7		
8		<u> </u>
9		
10		<u> </u>
11		
12	Note:	
13	1. Twelve months ended September 30, 2018	

WP 3-1

Tennessee Distribution System
ELIMINATION OF LEASED PROPERTY-RENT
Twelve Months Ended September 30, 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	October-17	\$ -	\$ 23,825	\$ 17,370	\$ 2,317	\$ (86,646)
2	November-17	-	23,288	17,371	2,317	(86,646)
3	December-17	-	19,684	17,371	2,317	(126,554)
4	January-18	-	32,524	17,371	2,417	(106,600)
5	February-18	-	31,625	17,370	14,205	(106,600)
6	March-18	-	27,550	17,370	2,417	(106,600)
7	April-18	-	29,146	17,371	2,417	(106,600)
8	May-18	-	49,746	17,371	18,371	(106,600)
9	June-18	-	25,889	17,370	2,417	(106,600)
10	July-18	-	18,382	17,371	2,417	(106,600)
11	August-18	-	33,889	17,371	2,417	(106,600)
12	September-18	-	51,747	17,370	2,417	(106,600)
13						
14	Total Per Books	\$ -	\$ 367,295	\$ 208,446	\$ 56,446	\$ (1,259,246)

Schedule 4

**Tennessee Distribution System
Operation and Maintenance Expenses
Twelve Months Ended September 30, 2018**

Line No.	Description (b)	Amount (c)
1	Base period per books O&M Expense (1)	\$ 20,165,805
2	(with ratemaking adjustments)	
3		
4		
5		
6		
7	<u>Adjustments to O&M</u>	
8		\$ -
9	Inclusion of Barnsley Storage Operating Expense	\$ 367,295
10		
11		
12		
13		
14		
15	Total Adjusted O&M TYE 9.30.18	20,533,099
16	Note:	
17	1. Twelve months ended September 30, 2018	

Tennessee Distribution System
Operation and Maintenance Expenses
Twelve Months Ended September 30, 2018

Line No.	Tennessee	SSU	General Office	Total
	Historic Base	Historic Base	Historic Base	Attrition Difference
1 Labor	\$ 3,435,291	\$ 3,203,771	\$ 1,117,495	\$ 7,756,558
2 Benefits	1,068,244	1,034,102	256,112	2,358,457
3 Employee Welfare	32,080	1,746,525	618,110	2,396,715
4 Insurance	187,879	1,051,261	26,391	1,265,531
5 Rent, Maint., & Utilities	435,566	350,511	137,353	923,430
6 Vehicles & Equip	517,577	2,562	20,243	540,383
7 Materials & Supplies	359,413	48,817	73,061	481,291
8 Information Technologies	7,882	1,024,324	30,565	1,062,771
9 Telecom	275,383	102,912	118,819	497,115
10 Marketing	97,277	12,514	132,215	242,006
11 Directors & Shareholders & PR	-	310,069	-	310,069
12 Dues & Donations	110,683	24,905	5,848	141,437
13 Print & Postages	10,440	8,416	5,645	24,501
14 Travel & Entertainment	383,184	133,209	212,398	728,790
15 Training	27,958	61,109	24,428	113,495
16 Outside Services	4,283,162	843,560	578,522	5,705,244
17 Provision for Bad Debt	446,414	-	-	446,414
18 Miscellaneous	(66,208)	(3,308,921)	(90,897)	(3,466,025)
19 Total O&M Expenses	\$ 11,612,227	\$ 6,649,647	\$ 3,266,308	\$ 21,528,183
20				
21 Disallowed Items				
22 Other (Sub 05416 and 05412)	(867)	(55)	-	(922)
23 Incentive Comp (MFR 38)		(702,945)	(496,384)	(1,199,329)
24 Benefits (FAS 87 Accrual)	(194,877)	(140,562)	(99,123)	(434,562)
25				
26 Rate Case Expense				-
27				
28 Actual Allocable Pension Contribution	272,435			272,435
29				
30 Total O&M	\$ 11,884,662	\$ 5,806,085	\$ 2,670,802	\$ 20,165,805

WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended September 30, 2018**

Division 093		
Line	FERC	Historic Base
No.	Account	Period
1	7350	639
2	8560	4,514
3	8630	-
4	8650	-
5	8700	1,773,673
6	8710	280
7	8711	28,620
8	8740	4,049,482
9	8750	498,979
10	8760	6,912
11	8770	23,185
12	8780	612,818
13	8800	44,497
14	8810	306,441
15	8860	7,965
16	8870	43,270
17	8890	112,484
18	8900	33
17	8910	139
18	8920	(23,550)
19	8930	24,447
20	8940	150
21	9010	-
22	9020	516,727
23	9030	1,019,594
24	9040	446,414
25	9090	8,836
	9100	33
26	9110	231,117
27	9120	72,810
28	9130	16,335
29	9200	113,245
30	9210	13,817
31	9220	9,915,955
32	9230	292,021
33	9240	142,925
34	9250	55,036
35	9260	1,080,222
36	9280	7,142
37	9302	70,151
38	9310	10,821
41	Total	21,528,182

WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended September 30, 2018**

Division 091		
Line No.	FERC Account	Historic Base Period
	8160	62
42	8170	632
43	8180	604
44	8190	9,289
45	8210	2,666
46	8240	11
47	8250	15,053
48	8500	-
49	8560	924
50	8570	1,167
51	8650	685
52	8700	3,039,160
53	8711	78,873
54	8740	83,670
55	8750	140,495
56	8760	4,779
57	8770	15,644
58	8780	82
59	8800	173
60	8810	285,112
61	9010	26,310
62	9020	-
63	9030	1,898,984
64	9100	1,065
65	9110	167,594
66	9120	3,211
67	9130	8,049
68	9200	(221,731)
69	9210	(28,759)
70	9220	(7,793,626)
71	9230	150,245
72	9240	(13,957)
73	9250	149,031
74	9260	1,961,892
75	9280	441
76	9302	12,168
77	Total	0

WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended September 30, 2018**

Division 002		
Line	FERC	Historic Base
No.	Account	Period
79	8210	518
80	8560	6,983
81	8700	191,887
82	8740	35,724
83	8800	503
84	8850	24,681,135
85	9010	2,129
86	9030	94,169
87	9100	8,714
88	9120	9,121
89	9160	1,600
90	9200	(16,675,832)
91	9210	25,661,779
	9220	(100,972,680)
	9230	12,276,988
	9240	132,862
	9250	21,271,133
92	9260	49,239,180
93	9302	6,550,588
94	9310	5,135,924
95	9320	443,726
100	Total	28,096,148

WP 4-2

**Tennessee Distribution System
Operation and Maintenance Expenses by FERC
Twelve Months Ended September 30, 2018**

Division 012		
Line	FERC	Historic Base
No.	Account	Period
101	8700	7,373
102	8740	21,894
103	8800	37
104	9010	4,099,938
105	9020	511
106	9030	18,637,064
107	9200	4,169,989
108	9210	7,876,706
109	9220	(46,283,154)
110	9230	1,020,034
111	9240	94,152
112	9250	114
113	9260	8,765,790
114	9310	1,578,608
115	9320	10,944
116	Total	0

Atmos Energy Corp - Tennessee Distribution System
Attrition Year Period Bad Debt Calculation
Twelve Months Ended September 30, 2018

[illegible]

Atmos Energy Corp - Tennessee Distribution System
Attrition Year Pension Benchmark Calculation
Twelve Months Ended September 30, 2018

Line No.	Description	(a)	Number of Participants	Estimated Liability	(c)	Percent of Contribution Applicable to Group	(d)	Actual Attrition Year Contribution	(e)	Allocation Factor to Tennessee	(f)	Amount Allocable to Tennessee	(g)	Composite Labor Capitalization Rate	Pension Contribution Assigned to Capital/Reduction to O&M Costs
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-merge)		47	5,625,000		1.1%	52,722		26.55%			13,998			
8	Inactive Division General Office Employees (post-merge)		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

Schedule 5

**Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Total (b)
1	Base period per books Other Taxes Expense (1)	\$ 7,542,119
2		
3		
4		
5		
6		
7	Inclusion of Barnsley Storage Other taxes	56,446
8		
9	Adjusted Taxes Other Than Income Taxes	\$ 7,598,564
10		
11	Note:	
12	1. Twelve months ended September 30, 2018 - Account 408	

WP 5-1

Tennessee Distribution System
Taxes Other Than Income Taxes
Twelve Months Ended September 30, 2018

Line No.	Description	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Base Period
1	Division 093													
2	FICA	9,242	39,621	7,687	23,569	16,357	25,858	12,391	12,968	13,219	12,536	32,167	11,330	216,945
3	FUTA	0	23	2	2,258	(197)	(212)	4	15	34	13	34	6	1,951
4	SUTA	11	10	(1)	1,377	(416)	(63)	(6)	3	4	4	15	3	1,067
5	Ad Valorem	377,854	377,854	377,854	408,454	408,454	408,454	408,454	408,454	408,454	408,454	408,454	408,454	4,809,648
6	30105 Corp/State Franchise Tax	68,333	68,333	68,333	68,333	68,333	68,333	68,333	68,333	68,333	68,333	68,333	68,333	819,996
7	30107 City Franchise	167	167	167	167	167	167	167	167	167	167	167	167	2,000
8	30109 State Gross Receipts	52,046	76,407	115,027	156,472	111,360	99,961	57,444	37,266	38,170	38,815	38,641	40,056	861,666
9	30104 State Supv & Inspection	39,858	39,858	39,858	39,858	39,858	39,858	48,077	48,077	48,077	48,077	48,077	48,077	527,608
10	30108 Dot Transmission User Tax	-	-	-	-	-	-	-	21,740	-	-	-	-	21,740
11	Division 91 Allocations	15,034	30,811	11,261	15,835	(151,157)	6,362	13,491	15,378	13,242	14,932	4,060	11,150	401
12	Division 12 Allocations	9,173	24,327	7,564	13,545	9,370	11,197	10,040	12,270	9,067	9,622	9,319	9,120	134,613
13	Division 02 Allocations	13,310	39,720	10,383	18,144	12,892	13,099	13,724	16,093	(35,200)	15,004	11,933	14,482	144,483
14	Total	\$ 585,027	\$ 697,130	\$ 638,135	\$ 748,011	\$ 313,021	\$ 673,140	\$ 632,119	\$ 641,665	\$ 562,537	\$ 615,957	\$ 621,201	\$ 611,178	\$ 7,542,119
15														
16	Division 002													
17	FICA	239,580	762,216	175,145	245,589	242,067	227,184	244,654	333,859	217,608	246,166	203,132	261,204	3,396,205
18	FUTA	393	410	136	29,755	(631)	(1,029)	76	695	159	214	305	446	30,928
19	SUTA	1,023	1,386	424	71,227	(15,357)	4,677	434	1,471	544	483	653	901	67,867
20	Ad Valorem	64,500	64,500	64,500	69,700	69,700	69,700	69,700	69,700	69,700	69,700	69,700	69,700	820,800
21	30105 Corp/State Franchise Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Total	\$ 305,296	\$ 828,512	\$ 235,206	\$ 416,371	\$ 295,779	\$ 300,551	\$ 314,864	\$ 405,724	\$ 288,011	\$ 316,563	\$ 273,789	\$ 332,252	\$ 4,315,799
23														
24	Division 012													
25	FICA	151,502	482,774	116,549	183,399	162,535	190,014	166,897	214,727	145,477	157,629	150,861	146,361	2,268,525
26	FUTA	220	236	79	17,826	(587)	(501)	38	403	91	119	167	225	18,314
27	SUTA	572	796	245	42,673	(9,439)	2,993	239	851	313	269	357	449	40,320
28	Ad Valorem	48,700	48,700	48,700	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	619,500
29	Total	\$ 200,793	\$ 532,506	\$ 165,571	\$ 296,498	\$ 205,109	\$ 245,106	\$ 219,775	\$ 268,581	\$ 198,481	\$ 210,618	\$ 203,986	\$ 199,632	\$ 2,946,659
30														
31	Division 091													
32	FICA	35,661	73,294	26,669	34,981	36,211	14,962	31,893	36,379	30,789	34,813	8,856	25,797	390,306
33	FUTA	0	16	1	1,554	(122)	(141)	3	12	4	12	22	5	1,367
34	SUTA	10	6	(1)	948	(284)	61	(5)	2	4	4	10	3	757
35	Ad Valorem	200	200	200	300	(396,474)	300	300	300	800	800	800	800	(391,474)
36	30105 Corp/State Franchise Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
37	Total	\$ 35,871	\$ 73,516	\$ 26,870	\$ 37,784	\$ (360,670)	\$ 15,181	\$ 32,191	\$ 36,694	\$ 31,596	\$ 35,629	\$ 9,688	\$ 26,606	\$ 956

**Tennessee Distribution System
Depreciation and Amortization Expense
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Base period per books Depreciation Expense (1)		\$ 12,846,568
2			
3	Adjustment to Reflect Year End Plant Levels		<u>641,338</u>
4			
5	Total Proforma Depreciation Expense	Wp 6-2	\$ 13,487,906
6			
7	Adjustment to reflect Proposed Depreciation Rates		<u>-</u>
8			
9	Total Proforma Depreciation Expense	Wp 6-1	13,487,906
10			
11	Amortization of Deferred Pension Regulated Asset	Wp 7-3	0
12			
13	Net Elimination of Intercompany Leased Property	Wp 3-1	208,446
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>\$ 13,613,770</u>
18			
19	Note:		
20	1. Twelve months ended September 30, 2018		

**Tennessee Distribution System
Depreciation Expense Adjustment
Proforma SSU Depreciation at Proposed Depreciation Rates
Twelve Months Ended September 30, 2018**

Line No.	Description	Amount	Allocation	Allocated
	(a)	(b)	(c)	(d)
1	Proforma Depreciation			
2	Tennessee Operations	\$ 12,573,211	100.00%	\$ 12,573,211
3	Mid-States General Office	55,473	40.59%	22,516
4	SSU Div 12 - Customer Service	8,275,648	4.63%	383,250
5	SSU Div 02 - General Office	12,233,920	4.16%	508,928
6				
7	Proforma Depreciation Adjustment			<u>\$ 13,487,906</u>

**Tennessee Distribution System
Depreciation Expense Adjustment
Proforma SSU Depreciation at Current Depreciation Rates
Twelve Months Ended September 30, 2018**

Line No.	Description	Amount	Allocation	Allocated
	(a)	(b)	(c)	(d)
1	Proforma Depreciation			
2	Tennessee Operations	\$ 12,573,211	100.00%	\$ 12,573,211
3	Mid-States General Office	\$ 55,473	40.59%	22,516
4	SSU Div 12 - Customer Service	\$ 8,275,648	4.63%	383,250
5	SSU Div 02 - General Office	\$ 12,233,920	4.16%	508,928
6				
7	Proforma Depreciation Expense			<u>\$ 13,487,906</u>

**Tennessee Distribution System
Rate Base & Return
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Historic Base Period (1) (b)	Reference (c)
1	Original Cost of Plant	\$ 590,544,030	Wp 7-1 Wp7-2
2			
3	Accumulated Depreciation and Amortization	(210,619,203)	Wp 7-1 Wp7-2
4			
5	Construction Work in Progress per Books	22,219,196	Wp 7-1 Wp7-2
6			
7	Storage Gas Investment	4,717,375	Wp 7-1 Wp7-2
8			
9	Cash Working Capital	960,664	Wp 7-5
10			
11	Material & Supplies	30,036	Wp 7-1 Wp7-2
12			
13	Regulatory Assets/Liabilities (EDITL & Deferral)	(27,771,983)	Wp 7-9 Wp 7-10
14			
15	Accumulated Deferred Income Tax	(25,545,078)	Wp 7-1
16			
17	Customer Advances for Construction	(20,280)	Wp 7-1 Wp7-2
18			
19	Customer Deposits	(1,508,434)	Wp 7-1 Wp7-2
20			
21	Accumulated Interest on Customer Deposits	(60,852)	Wp 7-1 Wp7-2
22			
23	Unadjusted Rate Base	\$ 352,945,471	
24			
25	Adjustments:	(3,401,987)	Wp 7-8
26			
27	Net Elimination of Intercompany Leased Property	\$ 5,322,955	Wp 7-1 Wp7-2
28			
29	Total Rate Base	<u>\$ 354,866,439</u>	
30			
31	Return at Overall Cost of Capital on Rate Base	<u>\$ 27,644,096</u>	
32			
33	Note:		
34	1. Twelve months ended September 30, 2018		

**Tennessee Distribution System
Rate Base & Return
Twelve Months Ended September 30, 2018**

Line No.	Description (a)	Historic Base Period (1) (b)	Reference (c)
1	Original Cost of Plant	\$ 560,928,029	Wp 7-1 Wp7-2
2			
3	Accumulated Depreciation and Amortization	(207,271,618)	Wp 7-1 Wp7-2
4			
5	Construction Work in Progress per Books	21,528,052	Wp 7-1 Wp7-2
6			
7	Storage Gas Investment	4,717,375	Wp 7-1 Wp7-2
8			
9	Cash Working Capital	960,664	Wp 7-5
10			
11	Material & Supplies	30,036	Wp 7-1 Wp7-2
12			
13	Regulatory Assets/Liabilities (EDITL & Deferral)	(22,460,807)	Wp 7-9 Wp 7-10
14			
15	Accumulated Deferred Income Tax	(33,885,766)	Wp 7-1
16			
17	Customer Advances for Construction	(20,280)	Wp 7-1 Wp7-2
18			
19	Customer Deposits	(1,508,434)	Wp 7-1 Wp7-2
20			
21	Accumulated Interest on Customer Deposits	(60,852)	Wp 7-1 Wp7-2
22			
23	Unadjusted Rate Base	\$ 322,956,400	
24			
25	Adjustments:	(3,401,987)	Wp 7-8
26			
27	Net Elimination of Intercompany Leased Property	\$ 5,427,177	Wp 7-1 Wp7-2
28			
29	Total Rate Base	<u>\$ 324,981,591</u>	
30			
31	Return at Overall Cost of Capital on Rate Base	<u>\$ 25,121,077</u>	
32			
33	Note:		
34	1. Twelve months ended September 30, 2018		

WP 7-1

WP 7-1

[illegible]

**Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended September 30, 2018**

Line No.	Month	Division 093 - Tennessee		Division 091 - Mid-South General		Division 002 - SSU General		Greenville	AEAM	ALGN	FY18	Division 093		Division 091		Division 012	CKV	Division 002	Greenville	AEAM	ALGN
		(a)	(b)	(c)	(d)	(e)	(f)					(g)	(h)	(i)	(j)						
Gas Plant in Service (Account 101)																					
1	Sep-17	\$ 527,650,038	\$ 3,582,955	\$ 124,647,283	\$ 16,006,844	\$ 139,988,038	\$ 9,196,755	\$ 22,640,638	\$ 18,160,101	\$ 527,650,038	\$ 1,500,151	\$ 5,633,412	\$ 308,697	\$ 6,067,530	\$ 118,539	\$ 12,14,558	\$ -	\$ 540,493,225			
2	Oct-17	\$ 531,672,910	\$ 3,582,953	\$ 125,248,182	\$ 16,583,351	\$ 146,227,617	\$ 9,196,755	\$ 23,053,007	\$ 18,160,101	\$ 531,672,910	\$ 1,501,616	\$ 5,722,186	\$ 311,400	\$ 6,373,024	\$ 121,594	\$ 1,234,643	\$ -	\$ 546,937,711			
3	Nov-17	\$ 534,227,819	\$ 3,582,953	\$ 125,259,039	\$ 16,617,365	\$ 146,271,348	\$ 9,196,755	\$ 23,660,391	\$ 18,160,101	\$ 534,227,819	\$ 1,501,616	\$ 5,722,682	\$ 312,039	\$ 6,374,925	\$ 121,594	\$ 1,267,183	\$ -	\$ 549,527,568			
4	Dec-17	\$ 538,227,819	\$ 3,578,941	\$ 125,259,039	\$ 16,617,365	\$ 146,271,348	\$ 9,250,925	\$ 23,920,452	\$ 18,160,101	\$ 538,227,819	\$ 1,499,934	\$ 5,833,008	\$ 312,039	\$ 6,430,766	\$ 122,310	\$ 1,281,085	\$ -	\$ 554,067,968			
5	Jan-18	\$ 539,817,942	\$ 3,621,977	\$ 127,724,132	\$ 16,626,361	\$ 149,048,658	\$ 9,250,925	\$ 23,920,452	\$ 18,160,101	\$ 539,817,942	\$ 1,517,970	\$ 5,833,304	\$ 312,208	\$ 6,452,939	\$ 122,310	\$ 1,281,100	\$ -	\$ 555,339,233			
6	Feb-18	\$ 540,868,654	\$ 3,621,977	\$ 127,753,833	\$ 16,626,361	\$ 149,065,752	\$ 9,250,925	\$ 23,920,339	\$ 18,382,508	\$ 540,868,654	\$ 1,517,970	\$ 5,837,210	\$ 312,208	\$ 6,453,133	\$ 122,310	\$ 1,281,094	\$ -	\$ 556,392,380			
7	Mar-18	\$ 543,302,591	\$ 3,619,463	\$ 127,753,105	\$ 16,626,391	\$ 149,065,752	\$ 9,258,221	\$ 23,920,339	\$ 18,382,508	\$ 543,302,591	\$ 1,516,475	\$ 5,836,902	\$ 312,265	\$ 6,453,128	\$ 122,406	\$ 1,281,094	\$ -	\$ 558,825,261			
8	Apr-18	\$ 545,361,147	\$ 3,619,463	\$ 127,759,033	\$ 16,626,391	\$ 149,092,131	\$ 9,258,221	\$ 23,929,367	\$ 18,382,508	\$ 545,361,147	\$ 1,516,475	\$ 5,836,899	\$ 312,265	\$ 6,453,848	\$ 122,406	\$ 1,281,577	\$ -	\$ 560,785,017			
9	May-18	\$ 547,545,741	\$ 3,619,463	\$ 127,762,534	\$ 16,650,497	\$ 149,094,664	\$ 9,258,178	\$ 23,929,367	\$ 18,382,508	\$ 547,545,741	\$ 1,517,006	\$ 5,837,059	\$ 312,661	\$ 6,454,395	\$ 122,406	\$ 1,281,577	\$ -	\$ 563,070,844			
10	Jun-18	\$ 548,502,179	\$ 3,619,463	\$ 127,762,534	\$ 16,650,497	\$ 149,094,664	\$ 9,258,178	\$ 23,929,367	\$ 18,382,508	\$ 548,502,179	\$ 1,517,006	\$ 5,842,484	\$ 312,706	\$ 6,508,197	\$ 122,406	\$ 1,281,554	\$ -	\$ 564,196,331			
11	Jul-18	\$ 549,724,038	\$ 3,634,419	\$ 127,891,048	\$ 16,652,906	\$ 151,243,389	\$ 9,258,178	\$ 23,928,933	\$ 18,382,508	\$ 549,724,038	\$ 1,523,353	\$ 5,842,930	\$ 312,706	\$ 6,593,378	\$ 122,406	\$ 1,281,554	\$ -	\$ 565,400,465			
12	Aug-18	\$ 556,640,554	\$ 3,634,419	\$ 127,917,791	\$ 16,652,906	\$ 149,939,877	\$ 9,258,178	\$ 26,321,552	\$ 18,382,508	\$ 556,640,554	\$ 1,523,353	\$ 5,844,152	\$ 312,706	\$ 6,497,132	\$ 122,406	\$ 1,409,695	\$ -	\$ 571,344,098			
13	Sep-18	\$ 567,849,298	\$ 3,634,419	\$ 128,971,164	\$ 16,641,244	\$ 149,939,877	\$ 9,258,178	\$ 26,321,552	\$ 18,382,508	\$ 567,849,298	\$ 1,523,353	\$ 5,844,152	\$ 312,706	\$ 6,497,132	\$ 122,406	\$ 1,409,695	\$ -	\$ 573,344,098			
14	Average	\$ 543,976,247	\$ 3,611,868	\$ 126,985,637	\$ 16,627,759	\$ 149,230,043	\$ 9,242,337	\$ 24,022,043	\$ 18,206,967	\$ 543,976,247	\$ 1,513,644	\$ 5,797,031	\$ 312,050	\$ 6,370,381	\$ 121,961	\$ 1,246,695	\$ -	\$ 559,378,020			
Construction Work in Progress (Account 1070)																					
15	Sep-17	\$ 11,509,545	\$ 404,491	\$ 4,577,333	\$ 16,534,753	\$ -	\$ -	\$ -	\$ -	\$ 11,509,545	\$ 169,391	\$ 206,872	\$ -	\$ 716,669	\$ -	\$ -	\$ -	\$ 12,602,477			
16	Oct-17	\$ 17,780,221	\$ (93,278)	\$ 4,056,653	\$ 0	\$ 11,567,688	\$ 0	\$ -	\$ -	\$ 17,780,221	\$ (39,219)	\$ 185,335	\$ 0	\$ 504,153	\$ 0	\$ 0	\$ 0	\$ 18,430,491			
17	Nov-17	\$ 18,391,940	\$ (65,870)	\$ 4,278,176	\$ 0	\$ 11,500,465	\$ 0	\$ 0	\$ 0	\$ 18,391,940	\$ (35,983)	\$ 195,456	\$ 0	\$ 501,224	\$ 0	\$ 0	\$ 0	\$ 19,032,631			
18	Dec-17	\$ 15,745,362	\$ 562,277	\$ 1,782,757	\$ 6,900,741	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,745,362	\$ 235,650	\$ 81,448	\$ 0	\$ 300,754	\$ 0	\$ 0	\$ 0	\$ 16,363,315			
19	Jan-18	\$ 16,042,270	\$ 893,130	\$ 1,805,353	\$ 0	\$ 7,844,803	\$ 0	\$ 0	\$ 0	\$ 16,042,270	\$ 374,311	\$ 82,481	\$ 0	\$ 342,335	\$ 0	\$ 0	\$ 0	\$ 16,841,396			
20	Feb-18	\$ 17,176,206	\$ 1,092,899	\$ 1,909,412	\$ 0	\$ 7,580,110	\$ 0	\$ 0	\$ 0	\$ 17,176,206	\$ 438,034	\$ 87,235	\$ 0	\$ 330,363	\$ 0	\$ 0	\$ 0	\$ 18,091,338			
21	Mar-18	\$ 19,077,682	\$ 706,699	\$ 2,309,501	\$ 0	\$ 14,397,497	\$ 0	\$ 0	\$ 0	\$ 19,077,682	\$ 296,177	\$ 105,514	\$ 0	\$ 627,485	\$ 0	\$ 0	\$ 0	\$ 20,106,858			
22	Apr-18	\$ 22,345,079	\$ 638,313	\$ 3,315,500	\$ 0	\$ 12,852,441	\$ 0	\$ 0	\$ 0	\$ 22,345,079	\$ 267,517	\$ 151,475	\$ 0	\$ 560,134	\$ 0	\$ 0	\$ 0	\$ 23,344,204			
23	May-18	\$ 25,266,597	\$ 775,828	\$ 3,667,881	\$ 0	\$ 12,565,828	\$ 0	\$ 0	\$ 0	\$ 25,266,597	\$ 325,150	\$ 167,574	\$ 0	\$ 547,655	\$ 0	\$ 0	\$ 0	\$ 26,306,976			
24	Jun-18	\$ 27,046,784	\$ 688,654	\$ 3,989,374	\$ 0	\$ 16,307,389	\$ 0	\$ 0	\$ 0	\$ 27,046,784	\$ 388,531	\$ 182,262	\$ 0	\$ 710,719	\$ 0	\$ 0	\$ 0	\$ 28,228,925			
25	Jul-18	\$ 28,933,618	\$ 817,120	\$ 4,283,080	\$ 0	\$ 14,725,560	\$ 0	\$ 0	\$ 0	\$ 28,933,618	\$ 242,455	\$ 195,680	\$ 0	\$ 641,773	\$ 0	\$ 0	\$ 0	\$ 30,113,526			
26	Aug-18	\$ 26,803,740	\$ 970,703	\$ 4,833,012	\$ 0	\$ 13,836,002	\$ 0	\$ 0	\$ 0	\$ 26,803,740	\$ 406,622	\$ 220,837	\$ 0	\$ 690,179	\$ 0	\$ 0	\$ 0	\$ 28,237,577			
27	Sep-18	\$ 20,740,322	\$ 611,808	\$ 3,545,738	\$ -	\$ 13,189,127	\$ -	\$ -	\$ -	\$ 20,740,322	\$ 242,173	\$ 241,443	\$ -	\$ 595,259	\$ -	\$ -	\$ -	\$ 21,519,196			
28	Average	\$ 20,535,490	\$ 470,440	\$ 3,464,652	\$ -	\$ 13,189,127	\$ -	\$ -	\$ -	\$ 20,535,490	\$ 256,231	\$ 161,816	\$ -	\$ 574,516	\$ -	\$ -	\$ -	\$ 22,128,052			

Tennessee Distribution System
 Reallocation of Rate Base Items at Proforma Allocation Factors
 Twelve Months Ended September 30, 2018

[illegible]

Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended September 30, 2018

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Line No.	Month	Division 091 - Mid-South General Office		Division 012 - SSU Customer		CKV	Division 002 - SSU General		Greenville	AEAM	ALGN	FY18	Division 093		Division 091		Division 012	CKV	Division 002		Greenville	AEAM	ALGN		
		(a)	(b)	(c)	(d)	(e)	(f)	(g)					(h)	(i)	(j)	(k)			(l)	(m)				(n)	
69																									
70																									
71																									
72	Sep-17	\$	(1,647,626)	\$	-	\$	-	\$	-	\$	-	\$	(1,647,626)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(1,647,626)
73	Oct-17		(1,640,924)		0		0		0		0		(1,640,924)		0		0		0		0		0		(1,640,924)
74	Nov-17		(1,608,700)		0		0		0		0		(1,608,700)		0		0		0		0		0		(1,608,700)
75	Dec-17		(1,580,328)		0		0		0		0		(1,580,328)		0		0		0		0		0		(1,580,328)
76	Jan-18		(1,548,410)		0		0		0		0		(1,548,410)		0		0		0		0		0		(1,548,410)
77	Feb-18		(1,555,682)		0		0		0		0		(1,555,682)		0		0		0		0		0		(1,555,682)
78	Mar-18		(1,556,309)		0		0		0		0		(1,556,309)		0		0		0		0		0		(1,556,309)
79	Apr-18		(1,470,098)		0		0		0		0		(1,470,098)		0		0		0		0		0		(1,470,098)
80	May-18		(1,452,699)		0		0		0		0		(1,452,699)		0		0		0		0		0		(1,452,699)
81	Jun-18		(1,409,525)		0		0		0		0		(1,409,525)		0		0		0		0		0		(1,409,525)
82	Jul-18		(1,395,471)		0		0		0		0		(1,395,471)		0		0		0		0		0		(1,395,471)
83	Aug-18		(1,380,914)		0		0		0		0		(1,380,914)		0		0		0		0		0		(1,380,914)
84	Sep-18		(1,362,960)		0		0		0		0		(1,362,960)		0		0		0		0		0		(1,362,960)
85	Average	\$	(1,508,434)	\$	-	\$	-	\$	-	\$	-	\$	(1,508,434)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(1,508,434)
86																									
87																									
88																									
89																									
90	Sep-17	\$	(89,403,238)	\$	4,826,649	\$	(28,031,233)	\$	-	\$	-	\$	(89,403,238)	\$	2,021,279	\$	(1,266,867)	\$	-	\$	37,729,849	\$	-	\$	(50,918,976)
91	Oct-17		(89,403,238)		4,826,649		(28,031,233)		-		-		(89,403,238)		2,022,849		(1,280,657)		-		37,830,208		-		(50,830,838)
92	Nov-17		(89,403,238)		4,826,649		(28,031,233)		-		-		(89,403,238)		2,022,849		(1,280,657)		-		37,817,061		-		(50,843,985)
93	Dec-17		(46,302,235)		(5,505,684)		(17,525,378)		-		-		(46,302,235)		(2,307,432)		(800,678)		-		23,155,415		-		(26,254,950)
94	Jan-18		(46,302,235)		(5,505,684)		(17,525,378)		-		-		(46,302,235)		(2,307,432)		(800,678)		-		22,844,223		-		(26,565,822)
95	Feb-18		(46,302,235)		(5,505,684)		(17,525,378)		-		-		(46,302,235)		(2,307,432)		(800,678)		-		22,731,741		-		(26,678,604)
96	Mar-18		(49,678,703)		446,994		(17,476,104)		-		-		(49,678,703)		187,335		(798,427)		-		20,103,384		-		(30,186,411)
97	Apr-18		(49,678,703)		446,994		(17,476,104)		-		-		(49,678,703)		187,335		(798,427)		-		19,912,522		-		(30,377,273)
98	May-18		(49,678,703)		446,994		(17,476,104)		-		-		(49,678,703)		187,335		(798,427)		-		19,966,323		-		(30,323,473)
99	Jun-18		(49,680,442)		140,779		(17,051,943)		-		-		(49,680,442)		59,000		(779,048)		-		19,791,694		-		(30,608,796)
100	Jul-18		(49,680,442)		140,779		(17,051,943)		-		-		(49,680,442)		59,000		(779,048)		-		19,668,894		-		(30,731,596)
101	Aug-18		(49,680,442)		140,779		(17,051,943)		-		-		(49,680,442)		59,000		(779,048)		-		19,751,308		-		(30,649,182)
102	Sep-18		(52,446,267)		(178,024)		(17,092,088)		-		-		(52,446,267)		(242,250)		(780,924)		-		27,934,303		-		(25,545,070)
103	Average	\$	(58,280,779)	\$	(65,524)	\$	(19,799,020)	\$	-	\$	-	\$	(58,280,779)	\$	(27,382)	\$	(703,351)	\$	-	\$	23,335,945	\$	-	\$	(73,885,766)

**Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended September 30, 2018**

[illegible]

**Tennessee Distribution System
Reallocation of Rate Base Items at Proforma Allocation Factors
Twelve Months Ended September 30, 2018**

[illegible]

WP 7-3

Tennessee Distribution System
Pension Regulated Asset
Twelve Months Ended September 30, 2018

Line No.		
1	Annual benchmark per Docket 12-00064	2,086,819
2	Quarterly benchmark	521,705
3		
4		
5	Quarter ended 3/31/13	
6	Quarter ended 6/30/13	
7	Quarter ended 9/30/13	
8	Quarter ended 12/31/13	
9	Quarter ended 3/30/14	
10	Quarter ended 6/30/14	
11		
12		
13	Monthly Amortization	
14	2 years amortization	
15		
		Regulated Asset
16		Amortization Expense Balance
17	Sep-15	
18	Oct-15	
19	Nov-15	
20	Dec-15	
21	Jan-16	
22	Feb-16	
23	Mar-16	
24	Apr-16	
25	May-16	
26	Jun-16	
27	Jul-16	
28	Aug-16	
29	Sep-16	
30	Oct-16	
31	Nov-16	
32	Dec-16	
33	Jan-17	
34	Feb-17	
35	Mar-17	
36	Apr-17	
37	May-17	
38	Jun-17	
39	Jul-17	
40	Aug-17	
41	Sep-17	
42	Oct-17	
43	Nov-17	
44	Dec-17	
45	Jan-18	
46	Feb-18	
47	Mar-18	
48	Apr-18	
49	May-18	
50	Jun-18	
51	Jul-18	
52	Aug-18	
53	Sep-18	
54	Oct-18	
55	Nov-18	
56	Dec-18	
57	Jan-19	
58	Feb-19	
59	Mar-19	
60	Apr-19	
61	May-19	
62	Jun-19	
63	Jul-19	
64	Aug-19	
65	Sep-19	
66	Oct-19	
67	Nov-19	
68	Dec-19	
69	Jan-20	
70	Feb-20	
71	Mar-20	
72	Apr-20	
73	May-20	
74	Annual Amortization	13 month average

**Tennessee Distribution System
Accumulated Deferred Income Tax
Shared Services Division 002
Twelve Months Ended September 30, 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	Sep-17	621,073,570	(249,417,047)	782,273,564	88,217,053	870,490,617
2	Oct-17	618,588,704	(249,417,047)	782,273,564	85,732,187	868,005,751
3	Nov-17	618,287,061	(249,417,047)	782,273,564	85,430,544	867,704,108
4	Dec-17	381,635,843	(149,660,042)	480,066,663	51,229,222	531,295,885
5	Jan-18	374,502,493	(149,660,042)	480,066,663	44,095,872	524,162,535
6	Feb-18	371,914,729	(149,660,042)	480,066,663	41,508,108	521,574,771
7	Mar-18	310,582,063	(150,685,633)	425,350,912	35,916,784	461,267,696
8	Apr-18	306,202,776	(150,685,633)	425,350,912	31,537,497	456,888,409
9	May-18	307,437,229	(150,685,633)	425,350,912	32,771,950	458,122,862
10	Jun-18	302,356,570	(151,759,466)	422,509,065	31,606,971	454,116,036
11	Jul-18	299,538,952	(151,759,466)	422,509,065	28,789,353	451,298,418
12	Aug-18	301,429,935	(151,759,466)	422,509,065	30,680,336	453,189,401
13	Sep-18	486,764,912	(154,182,865)	584,225,267	56,722,510	640,947,777
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						

[1] FD - NOL Credit Carryforward - Non Reg

WP 7-5

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Forward Looking Attrition Year Twelve Months Ended September 30, 2018

Line No.		Base Period
1	Revenue Lag	37.50
2		
3	Expense Lag	35.14
4		
5	Net Lag	2.36
6		
7	Daily Cost of Service	407,865
8		
9	Cash Working Capital	960,664

WP 7-6

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Forward Looking Attrition Year Twelve Months Ended September 30, 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			
3				
4	Operation and Maintenance Expense			
5	O&M, Labor			
6	O&M, Non-Labor			
7	Total O&M Expense			
8				
9				
10	Taxes Other Than Income			
11	Ad Valorem			
12	State Gross Receipts Tax			
13	Payroll Taxes			
14	Franchise Tax			
15	TRA Inspection Fee			
16	DOT			
17				
18	Allocated Taxes-Shared Services			
19	Ad Valorem	14%		
20	Payroll Taxes	86%		
21				
22	Allocated Taxes-Business Unit			
23	Ad Valorem	27%		
24	Payroll Taxes	73%		
25	Total Taxes Other Than Income			
26				
27	Federal Income Tax			
28	Current Taxes			
29	Deferred Taxes			
30				
31	State Excise Tax			
32	Current Taxes			
33	Deferred Taxes			
34				
35	Depreciation			
36				
37	Interest on Customer Deposits			
38				
39	Interest Expense - LTD			
40				
41	Interest Expense - STD			
42				
43	Return on Equity			
44				
45				
46	TOTAL			
47				
48	Daily Cost of Service			
49				
50				

WP 7-7

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Historic Base Period September 30, 2018

Line No.	Description	Historic Base Period	Expense Lag	CWC Requirement (b) x (c)
	(a)	(b)	(c)	(d)
1	Gas Supply Expense			
2	Purchased Gas	72,738,113	39.33	2,860,789,988
3				
4	Operation and Maintenance Expense			
5	O&M, Labor	7,756,558	14.07	109,134,773
6	O&M, Non-Labor	12,776,541	29.44	376,141,367
7	Total O&M Expense	20,533,099		485,276,140
8				
9				
10	Taxes Other Than Income			
11	Ad Valorem	4,866,094	241.50	1,175,161,607
12	State Gross Receipts Tax	861,666	(151.50)	(130,542,405)
13	Payroll Taxes	219,963	15.41	3,389,562
14	Franchise Tax	821,996	37.50	30,824,852
15	TRA Inspection Fee	527,608	272.50	143,773,199
16	DOT	21,740	59.00	1,282,655
17				
18	Allocated Taxes-Shared Services			
19	Ad Valorem	0% -	241.50	-
20	Payroll Taxes	100% 279,097	15.41	4,300,788
21				
22	Allocated Taxes-Business Unit			
23	Ad Valorem	36% 146	241.50	35,237
24	Payroll Taxes	64% 255	15.41	3,924
25	Total Taxes Other Than Income	7,598,564		1,228,229,418
26				
27	Federal Income Tax	5,317,287		
28	Current Taxes	-	37.50	-
29	Deferred Taxes	5,317,287	-	-
30				
31	State Excise Tax	1,760,243		
32	Current Taxes	-	37.50	-
33	Deferred Taxes	1,760,243	-	-
34				
35	Depreciation	13,055,013	-	-
36				
37	Interest on Customer Deposits	74,818	182.50	13,654,347
38				
39	Interest Expense - LTD	6,955,382	91.25	634,678,626
40				
41	Interest Expense - STD	390,353	24.05	9,387,472
42				
43	Return on Equity	20,448,020	-	-
44				
45				
46	TOTAL	148,870,894	35.14	5,232,015,990
47				
48	Daily Cost of Service	407,865		
49				
50				

Tennessee Distribution System
Amortization Schedule of Capitalized Incentive Compensation Adjustment
For Forward Looking Attrition Year Twelve Months Ended September 30, 2018

Line No.	Description (a)	Amounts (b)	Amounts (c)
1			
2	Forward Looking Test Year		
3			
4			
5			
6			
7			
8			
9			
10			
11	Historic Base Period		
12	Docket No. 16-00013, 2016 TN ARM Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 5-31-16	\$ 1,162,062	\$ 29,796
13	Docket No. 17-00012, 2017 TN ARM Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 9-30-17	1,253,558	29,847
14	Docket No. 18-00067, 2018 TN ARM Amortization Schedule of Capitalized Incentive Compensation Adjustment, TYE 9-30-18	986,367	22,939
15	Total	\$ 3,401,987	\$ 82,582
16			
17			
18	*Forward Looking Test Year Amounts are for the period of 2020		
19	*Historic Base Period Amounts for the period of 2018		

Tennessee Distribution System
Deferred Regulatory Liability Amortization

ESTIMATED Amortization Period in Years [1]

28

<u>ADIT Excess Deferred Liabilities</u>	<u>Year Ended September 30, 2018</u>	<u>Excess Deferred Balance</u>	<u>Amortization Expense</u>	<u>Month</u>	<u>Monthly Balance</u>
1 Account 2530 - 27909	2018	(29,024,530)	(1,036,590)	Sep-17	-
2	2019	(27,987,939)	(1,036,590)	Oct-17	-
3	2020	(26,951,349)	(1,036,590)	Nov-17	-
4	2021	(25,914,759)	(1,036,590)	Dec-17	(29,321,046)
5	2022	(24,878,168)	(1,036,590)	Jan-18	(29,321,046)
6	2023	(23,841,578)	(1,036,590)	Feb-18	(29,321,046)
7	2024	(22,804,988)	(1,036,590)	Mar-18	(29,164,084)
8	2025	(21,768,397)	(1,036,590)	Apr-18	(29,164,084)
9	2026	(20,731,807)	(1,036,590)	May-18	(29,164,084)
10	2027	(19,695,217)	(1,036,590)	Jun-18	(29,170,189)
11	2028	(18,658,626)	(1,036,590)	Jul-18	(29,170,189)
12	2029	(17,622,036)	(1,036,590)	Aug-18	(29,170,189)
13	2030	(16,585,446)	(1,036,590)	Sep-18	(29,024,530)
14	2031	(15,548,855)	(1,036,590)	Oct-18	(28,938,148)
15	2032	(14,512,265)	(1,036,590)	Nov-18	(28,851,765)
16	2033	(13,475,675)	(1,036,590)	Dec-18	(28,765,383)
17	2034	(12,439,084)	(1,036,590)	Jan-19	(28,679,000)
18	2035	(11,402,494)	(1,036,590)	Feb-19	(28,592,617)
19	2036	(10,365,904)	(1,036,590)	Mar-19	(28,506,235)
20	2037	(9,329,313)	(1,036,590)	Apr-19	(28,419,852)
21	2038	(8,292,723)	(1,036,590)	May-19	(28,333,470)
22	2039	(7,256,132)	(1,036,590)	Jun-19	(28,247,087)
23	2040	(6,219,542)	(1,036,590)	Jul-19	(28,160,705)
24	2041	(5,182,952)	(1,036,590)	Aug-19	(28,074,322)
25	2042	(4,146,361)	(1,036,590)	Sep-19	(27,987,940)
26	2043	(3,109,771)	(1,036,590)	Oct-19	(27,901,557)
27	2044	(2,073,181)	(1,036,590)	Nov-19	(27,815,175)
28	2045	(1,036,590)	(1,036,590)	Dec-19	(27,728,792)
	2046	0.00	(1,036,590)	Jan-20	(27,642,410)
				Feb-20	(27,556,027)
				Mar-20	(27,469,645)
				Apr-20	(27,383,262)
				May-20	(27,296,880)

TN Deferred Interest & Depreciation Expense Oct-16 to Sep-18
Company 50 Service Area 093000

FOR ILLUSTRATIVE PURPOSES ONLY

Source - General Ledger		Company Cost Center		Account up Account Service Area		Sep-18
Description		50	0000	4030	30005	93000
Depr Exp to Reg Asset		50	0000	4030	30005	93000
Ad Valorem Exp to Reg Asset		50	0000	4081	30101	93000
Interest to Reg Asset		50	0000	4310	30130	93000
RWIP Interest to Reg Asset		50	0000	4310	30130	93000
Grand Total						15,000,000.00

Source - General Ledger		Company Cost Center		Account up Account Service Area		Sep-18	Relieved in Jun-18 ¹	Sep-18 After Relieve
Description		50	0000	1860	14218	93000		
Depr Exp to Reg Asset		50	0000	1860	14218	93000	2,600,000.00	1,350,000.00
Ad Valorem Exp to Reg Asset		50	0000	1860	14218	93000	400,000.00	200,000.00
Interest to Reg Asset		50	0000	1860	14218	93000	11,600,000.00	6,250,000.00
RWIP Interest to Reg Asset		50	0000	1860	14218	93000	400,000.00	200,000.00
Grand Total							15,000,000.00	8,000,000.00

Reg Asset Relieving Notes	
-- For Company 50 TN, 100% of the deferrals during the time period 201510 and 201709 were relieved in Jun-18 business.	

Schedule 8

Tennessee Distribution System
Computation of State Excise & Income Taxes
Twelve Months Ended September 30, 2018

Line No.	Description (a)	Tax Rate (b)	Base Period (1) (c)	Attrition Year (d)	Change
2					
3	Required Return		\$ 27,644,096		
1	Current Return		\$ 27,589,554		
4					
5	Pre-Tax Deficiency from Current Return		54,542		
6	Tax Expansion Factor		1,3546		
7	After-Tax Deficiency from Current Return		73,883		
8					
9	Tax Liability Increase / Decrease (Ln 7 - Ln 3)		19,341		
10	Current Tax Liability		\$ 7,077,530		
11					
12	Income Tax Liability		\$ 7,096,871		
13					
14	Less: ITC Amortization		-		
15					
16	Total Income Tax Liability		7,096,871		
17					
18	Note:				
19	1. Twelve months ended September 30, 2018				

Schedule 8

Tennessee Distribution System
Computation of State Excise & Income Taxes
Twelve Months Ended September 30, 2018

Line No.	Description (a)	Tax Rate (b)	Base Period (1) (c)	Attrition Year (d)	Change
2					
3	Required Return		\$ 25,121,077		
1	Current Return		\$ 28,589,152		
4					
5	Pre-Tax Deficiency from Current Return		(3,468,075)		
6	Tax Expansion Factor		1,3546		
7	After-Tax Deficiency from Current Return		(4,697,854)		
8					
9	Tax Liability Increase / Decrease (Ln 7 - Ln 3)		(1,229,779)		
10	Current Tax Liability		\$ 7,581,096		
11					
12	Income Tax Liability		\$ 6,351,317		
13					
14	Less: ITC Amortization		-		
15					
16	Total Income Tax Liability		6,351,317		
17					
18	Note:				
19	1. Twelve months ended September 30, 2018				

**Tennessee Distribution System
Amortization of UCG Deferred Utility ITC
Twelve Months Ended September 30, 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 September 30, 2017	-		-
7				
8	Attrition Year ended May 31, 2020	-		-
9				
10	[1] Division 091 - Mid-States General Office allocation factor excluding Kentucky			

WP 8-2

**Tennessee Distribution System
Revenue Conversion Factor
Twelve Months Ended September 30, 2018**

<u>Line No.</u>		Attrition Year	
		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2			
3	Add: Forfeited Discounts	0.005282	<u>0.005282</u>
4			
5	Balance		1.005282
6			
7	Uncollectible Ratio	0.005789	<u>0.005820</u>
8			
9	Balance		0.999462
10			
11	State Excise Tax	0.065000	<u>0.064965</u>
12			
13	Balance		0.934497
14			
15	Federal Income Tax	0.210000	<u>0.196244</u>
16			
17	Balance		0.738252
18			
19	Revenue Conversion Factor (Line 1/Line 9)		1.354600

Schedule 9

Tennessee Distribution System
Overall Cost of Capital
Twelve Months Ended September 30, 2018

Line No.	Description (a)	Percent (b)	Cost Rate (c)	Overall Cost of Capital (d)
1	Long Term Debt Capital	37.56%	5.22%	1.96%
2	Short Term Debt	4.07%	2.61%	0.11%
3	Equity Capital	58.38%	9.80%	5.72%
4				
5	Total Capital	100.0%		7.79%

Schedule 9

Tennessee Distribution System
Overall Cost of Capital
Twelve Months Ended September 30, 2018

Line No.	Description (a)	Percent (b)	Cost Rate (c)	Overall Cost of Capital (d)
1	Long Term Debt Capital	38.65%	5.22%	2.02%
2	Short Term Debt	4.19%	2.61%	0.11%
3	Equity Capital	57.16%	9.80%	5.60%
4				
5	Total Capital	100.0%		7.73%

WP 9-1

**Tennessee Distribution System
Cost of Capital
Twelve Months Ended September 30, 2018**

Line No.	Description	<u>September 30, 2018</u>	
		\$	%
	(a)	(b)	(c)
1	LT Debt	\$ 3,068,665,052	37.56%
2	ST Debt	332,384,179	4.07%
3	Equity	4,769,951,328	58.38%
4			
5	Total Capital	<u>\$ 8,171,000,560</u>	<u>100.00%</u>

WP 9-1

**Tennessee Distribution System
Cost of Capital
Twelve Months Ended September 30, 2018**

Line No.	Description	<u>September 30, 2018</u>	
		\$	%
	(a)	(b)	(c)
1	LT Debt	\$ 3,067,886,006	38.65%
2	ST Debt	332,384,179	4.19%
3	Equity	4,536,341,819	57.16%
4			
5	Total Capital	\$ 7,936,612,004	100.00%

Interest on CP or Interest on Draws on Credit Facility	Commitment Fees on Credit Facility	Bank Fees on AEC Credit Facility With RBS
---	--	---

Line No.	Date	Atmos Consolidated Balances				12 Month Avg				Atmos Consolidated - calc of STD rate				30121
		Long-Term		Short-Term		Equity	STD	Int Exp & fees	STD	avg rate	Detail of Colm (f) Consolidated Int Exp & Fees		30121	
		Debt	(b)	Debt	(c)						Int Exp	Commit fees		
							Avg Daily Bal	(e)	(f)	(g)				
1	Sep-17	3,067,045,495	447,745,269	3,898,665,243		492,516,129	759,849				530,727	131,821	97,301	
2	Oct-17	3,067,186,078	572,550,585	3,933,727,046		636,332,033	899,754				674,884	127,568	97,301	
3	Nov-17	3,067,327,541	657,589,374	3,925,107,994		384,445,161	677,636				448,514	131,821	97,301	
4	Dec-17	3,067,468,564	336,816,271	4,563,619,781		261,155,645	563,862				334,740	131,821	97,301	
5	Jan-18	3,067,609,587	268,675,525	4,666,561,070		208,922,143	471,328				254,963	119,064	97,301	
6	Feb-18	3,067,750,610	215,748,079	4,695,448,924		133,250,645	427,969				195,328	131,821	100,820	
7	Mar-18	3,067,891,633	129,601,816	4,721,346,388		70,122,333	351,221				108,170	127,568	115,483	
8	Apr-18	3,068,032,657	109,795,722	4,768,024,508		99,967,742	415,026				167,723	131,821	115,483	
9	May-18	3,068,173,680	143,846,586	4,738,600,109		200,466,667	574,974				331,923	127,568	115,483	
10	Jun-18	3,068,314,703	244,777,193	4,759,551,416		272,096,774	727,751				480,447	131,821	115,483	
11	Jul-18	3,068,455,726	324,774,078	4,787,700,136		357,763,419	876,781				629,477	131,821	115,483	
12	Aug-18	3,068,596,749	408,654,985	4,744,139,704		497,683,333	1,109,620				866,569	127,568	115,483	
13	Sep-18	3,068,665,052	575,779,937	4,769,951,328							5,023,465.39	1,552,080.98	1,280,224.14	
14							7,855,771							
15														
16	Average	3,067,886,006	332,384,179	4,536,341,819		301,226,835								
per STD rpts:														7,855,771
														2.61%

Tennessee Distribution System
Rate of Return
Twelve Months Ended September 30, 2018

Line No.	Description (a)	Reference (b)	Historic Base Period (1) (c)	Change (d)	Attrition Year (e)	Rate-making Adjustments (f)	Current Rate of Return (g)
1	Total Revenues	Sch. 2	\$ 148,984,755				
2							
3	Gas Cost	Sch. 3	72,738,113				
4							
5	Operation & Maintenance Expense	Sch. 4	20,533,099				
6							
7	Taxes Other Than Income Taxes	Sch. 5	7,598,564				
8							
9	Depreciation & Amortization Expense	Sch. 6	13,613,770				
10							
11	Federal Income and State Excise Tax	Wp 10-1	7,077,530				
12							
13	Interest on Customer Deposits	Wp 1-1	74,818				
14							
15	AFUDC Interest credit	Wp 1-2	(240,693)				
16							
17	Return on Rate Base		\$ 27,589,554				
18							
19	Total Rate Base	Sch. 7	\$ 354,866,439				
20							
21	Rate of Return on Rate Base		7.77%				
22							
23	Interest Expense		7,345,735				
24							
25							
26	Return on Equity		\$ 20,243,819				
27							
28	Rate of Return on Equity		9.77%				
29							
30	Note:						
31	1. Twelve months ended September 30, 2018						

Tennessee Distribution System
Rate of Return
Twelve Months Ended September 30, 2018

Line No.	Description (a)	Reference (b)	Historic Base Period (1) (c)	Change (d)	Attrition Year (e)	Rate-making Adjustments (f)	Current Rate of Return (g)
1	Total Revenues	Sch. 2	\$ 149,846,580				
2							
3	Gas Cost	Sch. 3	72,738,113				
4							
5	Operation & Maintenance Expense	Sch. 4	20,533,099				
6							
7	Taxes Other Than Income Taxes	Sch. 5	7,598,564				
8							
9	Depreciation & Amortization Expense	Sch. 6	12,972,432				
10							
11	Federal Income and State Excise Tax	Wp 10-1	7,581,096				
12							
13	Interest on Customer Deposits	Wp 1-1	74,818				
14							
15	AFUDC Interest credit	Wp 1-2	(240,693)				
16							
17	Return on Rate Base		\$ 28,589,152				
18							
19	Total Rate Base	Sch. 7	\$ 324,981,591				
20							
21	Rate of Return on Rate Base		8.80%				
22							
23	Interest Expense		6,922,108				
24							
25							
26	Return on Equity		\$ 21,667,044				
27							
28	Rate of Return on Equity		11.66%				
29							
30	Note:						
31	1. Twelve months ended September 30, 2018						

Wp 10-1

Tennessee Distribution System
Computation of State Excise and Federal Income Taxes for Sch 10
Twelve Months Ended September 30, 2018

Lin e	Description (a)	Tax Rate (b)	Historic Base Period (1) (c)	Projected Amount (d)	Adjusted Amount (e)
1	Net Operating Income Before Income Tax		\$ 34,426,391		
2					
3	Interest Deduction		7,345,735		
4					
5	Equity Portion of Return		\$ 27,080,655		
6					
7	Application of Tax Rate to Equity Return - Tennessee	6.5%	1,760,243		
8					
9	Application of Tax Rate to Equity Return - Federal	21%	5,317,287		
10					
11	Income Tax Expense		\$ 7,077,530		
12					
13	Less: ITC Amortization		-		
14					
15	Total Income Tax Liability		\$ 7,077,530		
16					
17	Note:				
18	1. Twelve months ended September 30, 2018				

Wp 10-1

Tennessee Distribution System
Computation of State Excise and Federal Income Taxes for Sch 10
Twelve Months Ended September 30, 2018

Lin e	Description (a)	Tax Rate (b)	Historic Base Period (1) (c)	Projected Amount (d)	Adjusted Amount (e)
1	Net Operating Income Before Income Tax		\$ 35,929,554		
2					
3	Interest Deduction		6,922,108		
4					
5	Equity Portion of Return		\$ 29,007,446		
6					
7	Application of Tax Rate to Equity Return - Tennessee	6.5%	1,885,484		
8					
9	Application of Tax Rate to Equity Return - Federal	21%	5,695,612		
10					
11	Income Tax Expense		\$ 7,581,096		
12					
13	Less: ITC Amortization		-		
14					
15	Total Income Tax Liability		\$ 7,581,096		
16					
17	Note:				
18	1. Twelve months ended September 30, 2018				

Schedule 11-1

Tennessee Distribution System
Proof of Revenues and Calculation of Rates
Historic Base Period Margin at Present Rates
Actual Twelve Months Ended September 30, 2018

Line No.	Description	12 Mths Ended Sep 18		Rates effective Sep 18		12 mths Sep 18		12 mths Sep 18		12 mths Sep 18	
		Base Count	Volumes Mcf	Monthly Customer chg	Commodity Charge/Mcf	Margin at Sep 18 rates	Weather Adjustment Volumes Mcf	WHA Adjusted Volumes Mcf	Weather adj Margin at Sep 18 rates	WHA \$ Adj at Sep 18 rates	
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
1	RESIDENTIAL										
3	210 Residential Gas Service (Summer)	640,540	961,088	\$16.65	\$1.291	11,931,575		961,088	11,931,575	\$0	
4	210 Residential Gas Service (Winter) (weather sensitive)	864,303	7,032,718	\$16.65	\$1.291	25,757,971	39,501	7,072,219	25,808,957	\$50,996	
5	210 Residential Gas Service Senior Citizen (Summer)	468	443	\$0.00	\$1.291	571		443	571	\$0	
6	210 Residential Gas Service Senior Citizen (Winter) (weather sensitive)	491	5,015	\$0.00	\$1.291	6,474		5,015	6,474	\$0	
7	211 Residential/Small Commercial/Industrial Heating & Cooling	15	281	\$15.75	\$0.788	458	2	283	459	\$2	
8	Total Residential	1,506,106	8,019,544			37,697,049	39,503	8,059,047	37,748,648	\$50,997	
9	COMMERCIAL										
10	211 Residential/Small Commercial/Industrial Heating & Cooling	12	133	15.75	0.788	293		133	293	\$0	
11	220 Commercial Gas Service (weather sensitive)	199,204	5,406,255	39.00	2.607	22,095,085	23,199	5,518,454	22,155,566	\$60,480	
12	230 Large Commercial Gas Service (weather sensitive)	0	0	420.00	2.285	0	0	0	0	\$0	
13	250 Commercial Interruptible Gas Service			440.00		0		0	0		
14	Block 1 Volumes				1.281	0		0	0		
15	Block 2 Volumes				0.848	0		0	0		
16	Block 3 Volumes				0.393	0		0	0		
17	293 Large Tonnage Air Conditioning Gas Service	12		39.00		468		0	468		
18	Block 1 Volumes		8,990		1.281	11,524		8,966	11,524		
19	Block 2 Volumes		1,683		0.848	1,427		1,683	1,427		
20	Block 3 Volumes		0		0.393	0		0	0		
21	Total Commercial	199,226	5,506,006			22,108,797	23,199	5,529,265	22,169,378	\$60,480	
22	INDUSTRIAL										
23	220 Industrial Gas Service (weather sensitive)	3,844	701,364	39.00	2.607	1,976,372	2,961	704,325	1,986,091	\$7,719	
24	230 Large Industrial Gas Service	74	47,783	420.00	2.285	140,264		47,783	140,264		
25	240 DEMAND/CCOMM GS	0	0	440.00		0		0	0		
26	Block 1 Volumes		0		1.281	0		0	0		
27	Block 2 Volumes		0		0.848	0		0	0		
28	Block 3 Volumes		0		0.393	0		0	0		
29	Demand Volumes		0		16.283	0		0	0		
30	250 Industrial Interruptible Gas Service	291		440.00		128,040		0	128,040		
31	Block 1 Volumes		277,417		1.281	365,371		277,417	365,371		
32	Block 2 Volumes		568,158		0.848	482,646		568,158	482,646		
33	Block 3 Volumes		74,718		0.393	29,364		74,718	29,364		
34	250/240/280 Industrial Demand/Economic Dev	0	0	440.00		0		0	0		
35	Block 1 Volumes		0		1.281	0		0	0		
36	Block 1 Volumes @ Discount Rate		0		0.951	0		0	0		
37	Block 2 Volumes		0		0.848	0		0	0		
38	Block 2 Volumes @ Discount Rate		0		0.636	0		0	0		
39	Block 3 Volumes		0		0.393	0		0	0		
40	Block 3 Volumes @ Discount Rate		0		0.295	0		0	0		
41	Demand Volumes		0		16.283	0		0	0		
42	Demand Volumes @ Discount Rate		0		12.212	0		0	0		
43	280/250 Economic Development Gas Service	12		440.00		5,280		0	5,280		
44	Block 1 Volumes		0		1.281	0		0	0		
45	Block 1 Volumes @ Discount Rate		23,899		0.951	22,961		23,899	22,961		
46	Block 2 Volumes		0		0.848	0		0	0		
47	Block 2 Volumes @ Discount Rate		17,204		0.636	10,941		17,204	10,941		
48	Block 3 Volumes		0		0.393	0		0	0		
49	Block 3 Volumes @ Discount Rate		0		0.295	0		0	0		
50	292 Cogeneration, CHG, Prime Movers Service	12		39.00		468		0	468		
51	Block 1 Volumes		0		1.281	0		0	0		
52	Block 2 Volumes		0		0.848	0		0	0		
53	Block 3 Volumes		0		0.393	0		0	0		
54	Total Industrial	4,233	1,711,542			3,153,708	2,961	1,714,503	3,161,427	\$7,719	
55	PUBLIC AUTHORITY										
56	211 Residential/Small Commercial/Industrial Heating & Cooling	0	0	15.75	\$0.788	0		0	0	\$0	
57	221 Experimental School Gas Service	26	25,074	39.00	1.267	33,173	106	25,180	33,307	\$134	
58	225 Public Authority Gas Service (Sr. Citizen) (Summer)	0	0	0.00	1.291	0		0	0	\$0	
59	225 Public Authority Gas Service (Sr. Citizen) (Winter)	0	0	0.00	1.291	0		0	0	\$0	
60	225 Public Authority Gas Service (Summer)	3,716	6,560	16.65	1.291	70,340		6,560	70,340	\$0	
61	225 Public Authority Gas Service (Winter)	5,201	31,944	18.65	1.291	138,239	190	32,134	138,463	245	
62	Total Public Authority	8,963	63,578			241,752	296	63,874	242,131	379	
63	TRANSPORTATION										
64	260 - TRANSP (220 SAIL COM/INDG)	132	148,601	440.00	2.607	445,483		148,601	445,483		
65	260 - TRANSP (230 LRG COM/INDG)	521	1,459,221	440.00	2.285	3,563,561		1,459,221	3,563,561		
66	260 - TRANSP (240 DEMAND)	60		440.00		26,400		0	26,400		
67	Block 1 Volumes		120,000		1.281	153,720		120,000	153,720		
68	Block 2 Volumes		274,654		0.848	232,907		274,654	232,907		
69	Block 3 Volumes		0		0.393	0		0	0		
70	Demand Volumes		21,838		16.283	365,566		21,838	365,566		
71	260 - TRANSP (250 OPT GS)	637		440.00		280,280		0	280,280		
72	Block 1 Volumes		1,214,044		1.281	1,565,191		1,214,044	1,565,191		
73	Block 2 Volumes		4,285,655		0.848	3,634,235		4,285,655	3,634,235		
74	Block 3 Volumes		116,405		0.393	45,747		116,405	45,747		
75	260 - TRANSP (280/240 ECON DEV/DEMAND)	0		440.00		0		0	0		
76	Block 1 Volumes		0		1.281	0		0	0		
77	Block 1 Volumes @ Discount Rate		0		0.951	0		0	0		
78	Block 2 Volumes		0		0.848	0		0	0		
79	Block 2 Volumes @ Discount Rate		0		0.636	0		0	0		
80	Block 3 Volumes		0		0.393	0		0	0		
81	Block 3 Volumes @ Discount Rate		0		0.295	0		0	0		
82	Demand Volumes		0		16.283	0		0	0		
83	Demand Volumes @ Discount Rate		0		12.212	0		0	0		
84	260 - TRANSP (280/250 ECON DEV - OPT GS)	13		440.00		5,720		0	5,720		
85	Block 1 Volumes		26,000		1.281	33,306		26,000	33,306		
86	Block 1 Volumes @ Discount Rate		0		0.951	0		0	0		
87	Block 2 Volumes		295,289		0.848	250,405		295,289	250,405		
88	Block 2 Volumes @ Discount Rate		54,448		0.636	34,629		54,448	34,629		
89	Block 3 Volumes		0		0.393	0		0	0		
90	Block 3 Volumes @ Discount Rate		58,141		0.295	17,137		58,141	17,137		
91	SPECIAL CONTRACTS	36	3,201,680			1,673,696		3,201,680	1,673,696		
92	Total Transportation	1,399	11,254,149			11,707,411	0	11,254,149	11,707,411	\$0	
93	TOTALS	1,749,849	26,554,879			\$71,908,717	65,969	26,620,637	\$75,028,393	\$119,576	
94	4870 - Forfeited Discount					\$791,453			\$791,453		
95	4880 - Miscellaneous Service charges					\$426,897			\$426,897		
96	TOTAL MARGIN REVENUES					\$76,127,066			\$76,246,642		

Tennessee Distribution System

Proof of Revenue and Calculation of Rates
Forward Looking Test Year Margin at Present Rates
Historic Base Period Ended September 30, 2018

										200,201,220		0.00%									
		12 Mths Ended Sep 18		Rules effective Sep 18		12 mths Sep 18		H		Customer Charges		Customer Growth		Delivery		Adjusted		Adjusted		Total	
Line	Description	Base	Weather Adj	Monthly	Commodity	Weather Adj	Margin	OT	Base	Customer	Base	Customer	Usage	Base	Adjusted	Adjusted	Adjusted	Adjusted	Adjusted	Margin	
No		Count	Vol Mcf	Customer	Charge/Mcf	Count	Vol Mcf	Charge	Count	Mcf	Count	Mcf	Count	Count	Count	Count	Count	Count	Count	Count	
1	RESIDENTIAL																				
2	210 Residential Gas Service (Summer)	640,540	981,068		\$16.65	\$1,291	\$11,931,575						0	0	0	640,540	981,068		\$11,931,575		
3	210 Residential Gas Service (Winter) (weather sensitive)	894,302	7,072,219		\$18.65	\$1,291	25,808,967						0	0	0	894,302	7,072,219		25,808,967		
4	210 Residential Gas Service Senior Citizen (Summer)	488	443		\$0.00	\$1,291	571						0	0	0	488	443		571		
5	210 Residential Gas Service Senior Citizen (Winter) (weather sensitive)	691	5,015		\$0.00	\$1,291	6,474						0	0	0	691	5,015		6,474		
6	211 Residential/Sm Commercial/Industrial Heating & Cooling Gas	15	283		\$15.75	\$0,788	459						0	0	0	15	283		459		
7	Total Residential	1,536,036	8,059,047				37,748,046		0	0		0	0	0	1,536,036	8,059,047		37,748,046			
8	COMMERCIAL																				
9	211 Residential/Sm Commercial/Industrial Heating & Cooling Gas	12	133		15.75	0.788	293						0	0		12	133		293		
10	220 Commercial Gas Service (weather sensitive)	199,204	5,518,454		39.00	2,607	22,155,565						0	0	0	199,204	5,518,454		22,155,565		
11	230 Large Commercial Gas Service (weather sensitive)	0			420.00	2,285	0														
12	250 Commercial Interruptible Gas Service	0			440.00		0														
13	Block 1 Volumes		0			1,261	0														
14	Block 2 Volumes		0			0,848	0														
15	Block 3 Volumes		0			0,393	0														
16	293 Large Storage Air Conditioning Gas Service	12			39.00		468														
17	Block 1 Volumes		8,996			1,261	11,524											8,996	11,524		
18	Block 2 Volumes		1,683			0,848	1,427											1,683	1,427		
19	Block 3 Volumes		0			0,393	0											0	0		
20	Total Commercial	199,228	5,529,265				22,169,278		0	0		0	0	0	199,228	5,529,265		22,169,278			
21	INDUSTRIAL																				
22	230 Industrial Gas Service (weather sensitive)	3,844	704,325		39.00	2,607	1,966,091						0	0		3,844	704,325		1,966,091		
23	230 Large Industrial Gas Service	74	47,783		420.00	2,285	140,264									74	47,783		140,264		
24	240 DEMAND/COMM GS	0			440.00		0														
25	Block 1 Volumes		0			1,261	0														
26	Block 2 Volumes		0			0,848	0														
27	Block 3 Volumes		0			0,393	0														
28	Demand Volumes		0			16,283	0														
29	250 Industrial Interruptible Gas Service	291			440.00		128,040									291			128,040		
30	Block 1 Volumes		277,417			1,261	355,371											277,417	355,371		
31	Block 2 Volumes		569,158			0,848	482,646											569,158	482,646		
32	Block 3 Volumes		74,718			0,393	29,364											74,718	29,364		
33	250/240/280 Industrial/Demand/Economic Dev	0			440.00		0														
34	Block 1 Volumes		0			1,261	0														
35	Block 1 Volumes @ Discount Rate		0			0,961	0														
36	Block 2 Volumes		0			0,848	0														
37	Block 2 Volumes @ Discount Rate		0			0,636	0														
38	Block 3 Volumes		0			0,393	0														
39	Block 3 Volumes @ Discount Rate		0			0,295	0														
40	Demand Volumes		0			16,283	0														
41	Demand Volumes @ Discount Rate		0			12,212	0														
42	280/250 Economic Development Gas Service	12			440.00		5,280									12			5,280		
43	Block 1 Volumes		0			1,261	0														
44	Block 1 Volumes @ Discount Rate		23,899			0,961	22,961											23,899	22,961		
45	Block 2 Volumes		0			0,848	0														
46	Block 2 Volumes @ Discount Rate		17,204			0,636	10,941											17,204	10,941		
47	Block 3 Volumes		0			0,393	0														
48	Block 3 Volumes @ Discount Rate		0			0,295	0														
49	292 Cogeneration CHG, Prime Movers Service	12			39.00		468									12			468		
50	Block 1 Volumes		0			1,261	0														
51	Block 2 Volumes		0			0,848	0														
52	Block 3 Volumes		0			0,393	0														
53	Total Industrial	4,233	1,714,503				3,161,427		0	0		0	0	0	4,233	1,714,503		3,161,427			
54	PUBLIC AUTHORITY																				
55	211 Residential/Sm Commercial/Industrial Heating & Cooling Gas	0	0		15.75	0.788	0											0	0		
56	221 Experimental School Gas Service	36	25,180		39.00	1,267	33,307						0	0		36	25,180		33,307		
57	225 Public Authority Gas Service (Sr. Citizen) (Summer)	0	0		0.00	1,291	0											0	0		
58	225 Public Authority Gas Service (Sr. Citizen) (Winter) (weather sensitive)	0	0		0.00	1,291	0											0	0		
59	225 Public Authority Gas Service (Summer)	3,716	6,560		16.65	1,291	70,340						0	0		3,716	6,560		70,340		
60	225 Public Authority Gas Service (Winter) (weather Sensitive)	5,201	32,134		18.65	1,291	138,483						0	0		5,201	32,134		138,483		
61	Total Public Authority	8,953	63,874				242,131		0	0		0	0	0	8,953	63,874		242,131			
62	TRANSPORTATION																				
63	260 - TRANSP (220 SML COM/NOG)	132	148,601		440.00	2,607	445,483									132	148,601		445,483		
64	260 - TRANSP (230 LRG COM/NOG)	521	1,459,221		440.00	2,285	3,563,561									521	1,459,221		3,563,561		
65	260 - TRANSP (240 DEMAND)	60			440.00		26,400									60			26,400		
66	Block 1 Volumes		120,000			1,261	153,720											120,000	153,720		
67	Block 2 Volumes		274,654			0,848	232,907											274,654	232,907		
68	Block 3 Volumes		21,838			0,393	0											0	0		
69	Demand Volumes		0			16,283	355,595											0	21,838	355,595	
70	260 - TRANSP (250 OPT GS)	637			440.00		280,280									637			280,280		
71	Block 1 Volumes		1,214,044			1,261	1,565,191											1,214,044	1,565,191		
72	Block 2 Volumes		4,285,655			0,848	3,634,235											4,285,655	3,634,235		
73	Block 3 Volumes		116,405			0,393	45,747											116,405	45,747		
74	280 - TRANSP (280/240 ECON DEV/DEMAND)				440.00		0											0	0		
75	Block 1 Volumes		0			1,261	0											0	0		
76	Block 1 Volumes @ Discount Rate		0			0,961	0											0	0		
77	Block 2 Volumes		0			0,848	0											0	0		
78	Block 2 Volumes @ Discount Rate		0			0,636	0											0	0		
79	Block 3 Volumes		0			0,393	0											0	0		
80	Block 3 Volumes @ Discount Rate		0			0,295	0											0	0		
81	Demand Volumes		0			16,283	0											0	0		
82	Demand Volumes @ Discount Rate		0			12,212	0											0	0		
83	260 - TRANSP (280/250 ECON DEV - OPT GS)	13			440.00		5,720									13			5,720		
84	Block 1 Volumes		28,000			1,261	33,306											28,000	33,306		
85	Block 1 Volumes @ Discount Rate		0			0,961	0											0	0		
86	Block 2 Volumes		295,269			0,848	250,405											295,269	250,405		
87	Block 2 Volumes @ Discount Rate		54,448			0,636	34,629											54,448	34,629		
88	Block 3 Volumes		0			0,393	0											0	0		
89	Block 3 Volumes @ Discount Rate		58,141			0,295	17,137											58,141	17,137		
90	SPECIAL CONTRACTS	36	3,201,690				1,073,696									36	3,201,690		1,073,696		
91	Total Transportation	1,399	11,254,143				11,707,411		0	0		0	0	0	1,399	11,254,143		11,707,411			
92	TOTALS	1,743,843	26,620,837				\$75,028,281		0	0		0	0	0	1,743,843	26,620,837		\$75,028,281			
93	4870 - Forfeited Discount						791,453												791,453		
94	4880 - Miscellaneous Service charges						426,897												426,897		
95	TOTAL MARGIN REVENUES						\$76,24														

Tennessee Distribution System
Proof of Revenues and Calculation of Rates
Rate Design
Historic Base Period Ended September 30, 2018 and Forward Looking Test Year Ended May 31, 2020
Additional Revenues: \$6,220,982

Line No.	Description	Rate effective Sep 18 Monthly Customer chg	Commodity Charge/Mcf	Adjusted Base Count	Adjusted Volumes Mcf	Total Adjusted Margin Rev	Curt Charge Rev	Commodity Charge Rev	Curt Charge %	Commodity Charge %	% of Total Rev	Proposed Curt Charge Rev	Proposed Commodity Charge Rev	Proposed Total Rev	Curt Charge %	Commodity Charge %	% of Total Rev		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)
1	Rate Schedule 210/225																		
2	210/225 SUMMER	\$16.65	\$1,291	644,256	987,648	\$12,001,915	\$10,726,862	\$1,275,053				15.24	\$9,820,312	\$1,167,296	10,987,608				
3	210/225 WINTER (weather sensitive)	\$18.65	\$1,291	889,503	7,104,353	25,947,653	\$16,775,731	\$9,171,719				17.07	\$15,357,978	\$6,398,598	21,754,576				
4	210/225 SR CIT	\$0.00	\$1,291	1,179	5,457	7,045	\$0	\$7,045				0.00	\$0	\$6,450	6,450				
5	Total 210/225			1,544,938	8,097,457	37,956,411	27,502,593	10,453,817	72%	28%	51.57%		25,178,290	9,570,343	34,748,633	72%	28%	51.57%	
6																			
7	Rate Schedule 211																		
8	211 HVAC	\$15.75	\$0.788	27	416	753	\$425	\$328	56%	44%	0.00%	14.42	\$389	\$300	689	55%	44%	0.00%	
9																			
10	Rate Schedule 220																		
11	220 Commercial / Industrial Gas Service	\$39.00	\$2.607	203,048	6,222,779	24,141,857	\$7,918,872	\$16,222,785	33%	67%		35.70	\$7,249,631	\$14,851,763	22,101,394	33%	67%		
12	220 Transportation	\$440.00	\$2.607	132	148,601	445,483	\$58,080	\$387,403	13%	87%		402.81	\$53,172	\$354,662	407,834	13%	87%		
13	Total 220			203,180	6,371,380	24,587,140	7,976,952	15,610,188	32%	68%	33.41%		7,302,803	15,206,425	22,509,228	32%	68%	33.41%	
14																			
15	Rate Schedule 221																		
16	221 Experimental School Gas Service	\$39.00	\$1.267	36	25,180	33,307	\$1,404	\$31,903	4%	96%	0.05%	35.70	\$1,285	\$29,207	30,492	4%	96%	0.05%	
17																			
18	Rate Schedule 230																		
19	230 Large Commercial / Industrial Gas Service	\$420.00	\$2.285	74	47,783	140,284	\$31,080	\$109,184	22%	78%		384.50	\$28,453	\$89,956	128,410	22%	78%		
20	230 Transportation	\$440.00	\$2.285	571	1,459,221	3,563,561	\$229,240	\$3,334,321	6%	94%		402.81	\$209,866	\$3,052,530	3,262,397	6%	94%		
21	Total 230			595	1,507,004	3,703,824	260,320	3,443,504	7%	93%	5.03%		238,320	3,152,487	3,390,805	7%	93%	5.03%	
22																			
23	Rate Schedule 240/250/260/292/293																		
24	240 Demand/Commodity Gas Service	\$440.00		60	120,000	26,400	\$26,400	\$153,720				402.81	\$24,169	\$140,729	140,729				
25	Block 1 Volumes	\$1.281										1.173		\$213,214	213,214				
26	Block 2 Volumes	\$0.848			274,654	232,907		\$232,907				0.776		\$0	0				
27	Block 3 Volumes	\$0.353			0	0		\$0				0.360		\$0	0				
28	250 Interruptible Gas Service	\$440.00		928		408,320	\$408,320					402.81	\$373,812	373,812					
29	Block 1 Volumes	\$1.281			1,491,461	1,910,562		\$1,910,562				1.173		\$1,749,096	1,749,096				
30	Block 2 Volumes	\$0.848			4,854,813	4,116,882		\$4,116,882				0.776		\$3,768,791	3,768,791				
31	Block 3 Volumes	\$0.353			191,123	75,111		\$75,111				0.360		\$68,760	68,760				
32	260 ECON DEV - OPT GS	\$440.00		25		11,000	\$11,000					402.81	\$10,070	10,070					
33	Block 1 Volumes	\$1.281			26,000	33,306		\$33,306				1.173		\$30,491	30,491				
34	Block 1 Volumes @ Discount Rate	\$0.961				22,961		\$22,961				0.880		\$21,020	21,020				
35	Block 2 Volumes	\$0.848			295,289	250,405		\$250,405				0.776		\$229,233	229,233				
36	Block 2 Volumes @ Discount Rate	\$0.636				45,570		\$45,570				0.582		\$41,717	41,717				
37	Block 3 Volumes	\$0.353			0	0		\$0				0.360		\$0	0				
38	Block 3 Volumes @ Discount Rate	\$0.29			58,141	17,137		\$17,137				0.270		\$15,688	15,688				
39	292 Cogeneration, CNG, Prime Movers Service	\$39.00		12		468	\$468					35.70	\$428	428					
40	Block 1 Volumes	\$1.281			0	0		\$0				1.173		\$0	0				
41	Block 2 Volumes	\$0.848			0	0		\$0				0.776		\$0	0				
42	Block 3 Volumes	\$0.353			0	0		\$0				0.360		\$0	0				
43	293 Large Tonnage Air Conditioning Gas Service	\$39.00		12		468	\$468					35.70	\$428	428					
44	Block 1 Volumes	\$1.281			8,996	11,524		\$11,524				1.173		\$10,550	10,550				
45	Block 2 Volumes	\$0.848			1,683	1,427		\$1,427				0.776		\$1,306	1,306				
46	Block 3 Volumes	\$0.353			0	0		\$0				0.360		\$0	0				
47	Total 240/250/260/292/293			1,037	7,417,710	7,318,167	446,656	6,871,511	6%	94%	9.94%		\$408,908	\$6,250,597	6,659,505	6%	94%	9.94%	
48																			
49	TOTALS			1,749,813	23,419,147	73,569,602	36,188,351	37,411,251	48%	51%	100.00%		33,129,995	34,249,358	67,379,353	48%	51%	100.00%	

**Atmos Energy Corp - Tennessee Distribution System
Proof of Revenues and Calculation of Rates
Summary Of Present And Proposed Rates
Forward Looking Test Year Ended May 31, 2020**

Schedule 11-4

	<u>Current Rate</u> Monthly	<u>Proposed Rate</u> Monthly
Sales and Transportation Revenues:		
210 Residential Gas Service (WINTER)		
Customer Charge	\$18.65	\$17.07
Commodity Charge	\$1.291	\$1.182
210 Residential Gas Service (SUMMER)		
Customer Charge	\$16.65	\$15.24
Commodity Charge	\$1.291	\$1.182
211 Residential & Small Commercial/Industrial Heating & Cooling		
Customer Charge	\$15.75	\$14.42
Commodity Charge	\$0.788	\$0.721
220 Commercial & Industrial Gas Service		
Customer Charge	\$39.00	\$35.70
Commodity Charge	\$2.607	\$2.387
221 Experimental School Gas Service		
Customer Charge	\$39.00	\$35.70
Commodity Charge	\$1.267	\$1.160
225 Public Housing Authority Gas Service (WINTER)		
Customer Charge	\$18.65	\$17.07
Commodity Charge	\$1.291	\$1.182
225 Public Housing Authority Gas Service (SUMMER)		
Customer Charge	\$16.65	\$15.24
Commodity Charge	\$1.291	\$1.182
230 Large Commercial & Industrial Gas Service		
Customer Charge	\$420.00	\$384.50
Commodity Charge	\$2.285	\$2.092
240 Demand/Commodity Gas Service		
Customer Charge	\$440.00	\$402.81
1 - 2,000 Mcf	\$1.281	\$1.173
Next 48,000 Mcf	\$0.848	\$0.776
Over 50,000 Mcf	\$0.393	\$0.360
Demand Charge	\$16.283	\$16.283
250 Interruptible Gas Service		
Customer Charge	\$440.00	\$402.81
1 - 2,000 Mcf	\$1.281	\$1.173
Next 48,000 Mcf	\$0.848	\$0.776
Over 50,000 Mcf	\$0.393	\$0.360
260 Transportation Service / 250 Interruptible Gas Service		
Customer Charge	\$440.00	\$402.81
1 - 2,000 Mcf	\$1.281	\$1.173
Next 48,000 Mcf	\$0.848	\$0.776
Over 50,000 Mcf	\$0.393	\$0.360
260 Transportation Service / 220 Commercial & Industrial Gas Service		
Customer Charge	\$440.00	\$402.81
Commodity Charge	\$2.607	\$2.387
260 Transportation Service / 230 Large Commercial & Industrial Gas Service		
Customer Charge	\$440.00	\$402.81
Commodity Charge	\$2.285	\$2.092
Schedule 280 Economic Development Gas Service		
Customer Charge	\$440.00	\$402.81
1 - 2,000 Mcf	\$1.281	\$1.173
1 - 2,000 Mcf @ Discount Rate	\$0.961	\$0.880
Next 48,000 Mcf	\$0.848	\$0.776
Next 48,000 Mcf @ Discount Rate	\$0.636	\$0.582
Over 50,000 Mcf	\$0.393	\$0.360
Over 50,000 Mcf @ Discount Rate	\$0.295	\$0.270
Schedule 292 Cogeneration, CNG, Prime Movers, Fuel Cell Service		
Customer Charge	\$39.00	\$35.70
1 - 2,000 Mcf	\$1.281	\$1.173
Next 48,000 Mcf	\$0.848	\$0.776
Over 50,000 Mcf	\$0.393	\$0.360
Schedule 293 Large Tonnage Air Conditioning Gas Service		
Customer Charge	\$39.00	\$35.70
1 - 2,000 Mcf	\$1.281	\$1.173
Next 48,000 Mcf	\$0.848	\$0.776
Over 50,000 Mcf	\$0.393	\$0.360

Docket 14-00146
Schedule 1

Atmos Energy Corporation
Revenue Deficiency (Surplus)
Twelve Months Ended September 30, 2018

Line No.		Company	Reference
1	Rate Base	354,866,439	See 2RB
2	Operating Income at Present Rates	27,589,555	See 3 IS
3	Earned Rate of Return (L 2 / L 1)	7.77%	
4	Fair Rate of Return	7.79%	See 8 CC
5	Required Operating Income (L 1 x L 4)	27,644,096	
6	Operating Income Deficiency (Surplus) (L 5 - L 2)	54,541	
7	Gross Revenue Conversion Factor	1.354600	See 7 GU
8	Revenue Deficiency (Surplus)	73,881	

Docket 14-00146
Schedule 2

Atmos Energy Corporation
Rate Base
Twelve Months Ended September 30, 2018

Line No.		Company	Reference
1	Utility Plant in Service	590,544,030	Sch 7, Col (d), Ln 1
2	Construction Work in Progress	22,219,196	Sch 7, Col (d), Ln 5
3	Materials and Supplies / Storage Gas	4,747,412	Sch 7, Col (d), Ln 11
4	Working Capital/Deferred Rate Case	960,664	Sch 7, Col (d), Ln 9
5	Net Elimination of Intercompany Leased Property	5,322,955	Sch 7, Col (d), Ln 27
6	Deferred Pension Regulated Asset	(27,771,983)	Sch 7, Col (d), Ln 13
7	Total Additions	<u>596,022,273</u>	
	Deductions:		
8	Accumulated Depreciation	210,619,203	Sch 7, Col (d), Ln 3
9	Customer Deposits	1,508,434	Sch 7, Col (d), Ln 19
10	Contributions and Advances in Aid of Construction	20,280	Sch 7, Col (d), Ln 17
11	Accumulated Deferred Tax-Accel. Depreciation	25,545,078	Sch 7, Col (d), Ln 15
12	Accrued Interest on Customer Deposits	60,852	Sch 7, Col (d), Ln 21
13	Adjustment for Capitalized Incentive Compensation	3,401,987	
14	Total Deductions	<u>241,155,834</u>	
15	Rate Base	<u>354,866,439</u>	

Docket 14-00146
Schedule 3

Atmos Energy Corporation
Income Statement
Twelve Months Ended September 30, 2018

Line No.	Company	Reference
1	Revenues - Sales, forfeited discounts & other	148,984,755 Sch 1, Col (c), Ln 20
2	Cost of Gas	<u>72,738,113</u> Sch 1, Col (c), Ln 1
3	Gross margin on sales and service	76,246,642
4	AFUDC	<u>240,693</u> Sch 1, Col (c), Ln 13
5	Operating Margin	<u>76,487,336</u>
6	Other Operation and Maintenance	20,533,099 See 4 O&M
7	Interest on Customer Deposits	74,818 Sch 1, Col (c), Ln 13
8	Depreciation and Amortization Exp.	13,613,770 Sch 1, Col (c), Ln 13
9	Taxes Other Than Income	7,598,564 See 5 Tax
10	State Excise Tax	1,760,243 See 6 FIT
11	Federal Income Tax	<u>5,317,287</u> See 6 FIT
12	Total Operating Expense	<u>48,897,781</u>
13	Net Operating Income for Return	<u>27,589,555</u>
14	Plus amortization-Gain	-
15	Plus adjustments	-
16	Adjusted Net Operating Income	<u>27,589,555</u>

Docket 14-00146
Schedule 4

Atmos Energy Corporation
Operations and Maintenance Expenses
Twelve Months Ended September 30, 2018

Line No.		Company	Reference
1	Labor	7,756,558	WP 4-1, Excel Col Q, Ln 1
2	Benefits	2,630,892	WP 4-1, Excel Col Q, Ln 2
3	Employee Welfare	2,396,715	WP 4-1, Excel Col Q, Ln 3
4	Insurance	1,265,531	WP 4-1, Excel Col Q, Ln 4
5	Rent, Maint., & Utilities	923,430	WP 4-1, Excel Col Q, Ln 5
6	Vehicles & Equip	540,383	WP 4-1, Excel Col Q, Ln 6
7	Materials and Supplies	481,291	WP 4-1, Excel Col Q, Ln 7
8	Information Technologies	1,062,771	WP 4-1, Excel Col Q, Ln 8
9	Telecom	497,115	WP 4-1, Excel Col Q, Ln 9
10	Marketing	242,006	WP 4-1, Excel Col Q, Ln 10
11	Directors & Shareholders & PR	310,069	WP 4-1, Excel Col Q, Ln 11
12	Dues & Donations	141,437	WP 4-1, Excel Col Q, Ln 12
13	Print & Postage	24,501	WP 4-1, Excel Col Q, Ln 13
14	Travel & Entertainment	728,790	WP 4-1, Excel Col Q, Ln 14
15	Training	113,495	WP 4-1, Excel Col Q, Ln 15
16	Outside Services	5,705,244	WP 4-1, Excel Col Q, Ln 16
17	Provision for Bad Debt	446,414	WP 4-1, Excel Col Q, Ln 17
18	Miscellaneous	(3,466,025)	WP 4-1, Excel Col Q, Ln 18
19	Rate Case Expense	-	WP 4-1, Excel Col Q, Ln 21
20	Elimination of Intercompany Leased Property - Rent	-	WP 4-1, Excel Col C, Ln 14
21	Inclusion of Barnsley Storage Operating Expense	367,295	WP 4-1, Excel Col D, Ln 14
22	Interest Expense	7,345,735	Sch 8, Col (e), Ln 3
23	Disallowed Items	(1,634,813)	
24			
25			
26	Total O&M Expense	<u>27,878,834</u>	

Docket 14-00146
Schedule 5Atmos Energy Corporation
Operations and Maintenance Expense
Twelve Months Ended September 30, 2018

Line No.		Company	Reference
1	Property Taxes	4,866,240	WP 7-6, Col (b), Ln 11+Ln19+Ln23
2	State Gross Receipts Tax	861,666	WP 7-6, Col (b), Ln 12
3	Payroll Taxes	499,315	WP 7-6, Col (b), Ln 13+Ln20+Ln24
4	State Franchise Tax	821,996	WP 7-6, Col (b), Ln 14
5	Other General Taxes	21,740	
6	TRA Inspection Fee	527,608	WP 7-6, Col (b), Ln 15
7	Total Taxes Other Than Income Taxes	7,598,564	

Atmos Energy Corporation
Federal and Excise Taxes
Twelve Months Ended September 30, 2018

Line No.		Company
1	Operating Margin	76,246,642
2	Other Operation and Maintenance	20,533,099
3	Depreciation and Amortization Expense	13,613,770
4	Taxes Other Than Income	7,598,564
5	NOI Before Excise and Income Taxes	34,501,209
6	less Interest on Customer Deposits	74,818
7	less Interest Expense	7,345,735
8	Pre-tax Book Income	27,080,655
9	Schedule M Adjustments	-
10	Excise Taxable Income	27,080,655
11	Excise Tax Rate	6.50%
12	Excise Tax	1,760,243
13	Pre-tax Book Income	27,080,655
14	Excise Tax	1,760,243
15	Schedule M Adjustments	-
16	FIT Taxable Income	25,320,413
17	FIT Rate	21.00%
18	Subtotal FIT	5,317,287
19	Less: ITC Amortization	-
20	Federal Income Tax Expense	5,317,287

Atmos Energy Corporation
Gross Revenue Conversion Factor
Twelve Months Ended September 30, 2018

Line No.		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.005282 A/	<u>0.005282</u>
3	Balance		1.005282
4	Uncollectible Ratio	0.005789 B/	<u>0.005820</u>
5	Balance		0.999462
6	State Excise Tax	0.065000 C/	<u>0.064965</u>
7	Balance		0.934497
8	Federal Income Tax	0.210000 C/	<u>0.196244</u>
9	Balance		<u>0.738252</u>
10	Revenue Conversion Factor (1 / Line 9)		<u><u>1.354600</u></u>

A/ Forfeited discounts on gross revenues = forfeited discounts/gross revenues (excluding forfeited discounts)

B/ Uncollectible expense/Gross margin on sales

C/ Statutory Rate

Atmos Energy Corporation
Cost of Capital
Twelve Months Ended September 30, 2018

Line No.		Ratio	Cost	Weighted Cost
1	Short Term Debt	4.07%	2.61%	0.1%
2	Long Term Debt	37.56%	5.22%	2.0%
3	Preferred Stock			
4	Stockholder's Equity	<u>58.38%</u>	9.80%	<u>5.7%</u>
5	Total	<u>100.00% A/</u>		<u>7.79%</u>

A/ Should be 100%