

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

December 16, 2019

IN RE:

DOCKET TO INVESTIGATE AND  
CONSIDER MODIFICATIONS TO ATMOS  
ENERGY CORPORATION'S ANNUAL  
RATE REVIEW MECHANISM UNDER  
TENN. CODE ANN. § 65-5-103(d)(6)

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DOCKET NO.  
18-00112

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ORDER APPROVING STIPULATION AND SETTLEMENT AGREEMENT

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This matter came before Chair Robin L. Morrison, Vice Chair Kenneth C. Hill, and Commissioner John Hie of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on November 4, 2019, for consideration of the *Stipulation and Settlement Agreement* (“*Settlement Agreement*” or “*Agreement*”) filed on October 2, 2019. The *Settlement Agreement* reflects the agreement among Atmos Energy Corporation (“Atmos” or “Company”), the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General (“Consumer Advocate”), and the Commission Staff as a Party (“Party Staff”) relative to the Commission’s December 4, 2018 *Order Approving 2018 Annual Rate Review Filing* (“*2018 ARM Order*”), which directed that a new docket be opened to examine and consider modifications to allow a one-step approach for Atmos’s alternative review mechanism (“ARM”).

**I. BACKGROUND AND TRAVEL OF THE CASE**

The Commission approved the ARM for Atmos in Docket No. 14-00146 (“2014 Rate

Case”).<sup>1</sup> The ARM provides a process for annual rate reviews and adjustments rather than through a traditional general rate case. Atmos’s ARM consists of two annual filings: a February 1st filing; and, a September 1st filing. The February 1st filing utilizes an historic test year ending September 30th and the authorized return on equity (“ROE”) established in the most recent general rate case. Rates were then to be determined using a forward-looking test year for the twelve-month period ending on May 31st of each year. The September 1st filing conducts an annual reconciliation of the actual results of the Company to its authorized ROE for the forward-looking test year that was completed on the immediately preceding May 31st. Rates established in the reconciliation became effective on or after June 1st.<sup>2</sup>

Prior to the instant docket, Atmos submitted its annual ARM filing for 2018 in Docket No. 18-00067 (“2018 ARM Docket”). During consideration of that docket, the Hearing Officer entered an *Order Establishing Procedural Schedule* in which the parties were asked to respond to three questions concerning modifications to the ARM mechanism.<sup>3</sup> The three questions posed by the Hearing Officer were: “(1) Whether the ARM can be modified to eliminate the forward-looking test year and associated annual rate adjustment; (2) Whether the provision for interest at the rate of the overall cost of capital compounded for two years to be added to the annual reconciliation revenue requirement (whether positive or negative) should be modified if the forward-looking test year filing requirement and associated annual rate adjustment based on the forward-looking test year filing are eliminated; and (3) Whether any other modifications to the ARM should be made to provide that the Company earns its authorized rate of return?”<sup>4</sup> As a result of these questions, the

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

<sup>2</sup> 2014 Rate Case, *Stipulation and Settlement Agreement* (April 29, 2015). *See also Stipulation and Settlement Agreement*, pp. 1-2 (October 2, 2019).

<sup>3</sup> Gregory K. Waller, Pre-Filed Direct Testimony, p. 3 (October 3, 2019). *See also* 2018 ARM Docket, *Order Establishing Procedural Schedule*, p. 2 (August 28, 2018).

<sup>4</sup> *Id.*

parties submitted responses through pre-filed testimony concerning possible modifications to the ARM process. While the parties did not agree on proposed modifications, the parties did advise the Commission that they are open to continuing discussions with regard to possible modifications to the ARM and that they “await further direction from the Commission.”<sup>5</sup> The Commission ordered that “[a] new docket shall be opened to examine and consider a one-step approach for Atmos Energy Corporation’s annual rate review mechanism and other changes and/or modifications necessary to implement a more streamlined and transparent annual rate review mechanism.”<sup>6</sup>

As a result of the Commission’s *2018 ARM Order*, this docket was opened and employees were designated for participation in the docket as Party Staff.<sup>7</sup> The Consumer Advocate requested to intervene on January 8, 2019 and the Hearing Officer entered an order granting intervention on January 25, 2019. In addition, Chattanooga Gas Company (“CGC”) petitioned to intervene on January 23, 2019 because CGC maintained that changes to the Atmos mechanism may be precedential for any other natural gas utility seeking to implement an annual rate review mechanism.<sup>8</sup> Party Staff opposed CGC’s intervention or requested restrictions and conditions if CGC’s intervention was granted.<sup>9</sup> The Consumer Advocate requested a more definite statement seeking additional details from CGC or the reasons it requested intervention.<sup>10</sup> Atmos filed a response to CGC’s request to intervene indicating that it had no opposition to CGC’s participation in the docket if certain restrictions were imposed and confidentiality requirements were ordered.<sup>11</sup> The Hearing Officer denied CGC’s *Petition to Intervene* by order entered on April 8, 2019.

The Hearing Officer entered an *Order Establishing Procedural Schedule* on September 25,

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<sup>5</sup> *2018 ARM Order*, p. 8 (August 28, 2018).

<sup>6</sup> *Id.* at 10.

<sup>7</sup> *Designation of Staff Participating as a Party* (December 4, 2018).

<sup>8</sup> *Petition to Intervene*, pp. 2-3 (January 23, 2019).

<sup>9</sup> *Party Staff’s Opposition to the Petition to Intervene of Chattanooga Gas Company or, In the Alternative, Motion for Restrictions and Conditions for Intervention* (January 29, 2019).

<sup>10</sup> *The Consumer Advocate’s Motion for More Definite Statement* (January 31, 2019).

<sup>11</sup> *Response of Atmos Energy Corporation to Chattanooga Gas Company’s Petition to Intervene* (January 31, 2019).

2019, which established a deadline for the filing of the anticipated agreement and Atmos's Pre-Filed Testimony supporting the anticipated settlement, as well as the hearing date targeted for presentation of an agreement to the Commission.<sup>12</sup> The deadline for filing the agreement and Pre-Filed Testimony was extended, as requested and agreed by the parties, by entry of an *Order Establishing Amended Procedural Schedule* by the Hearing Officer on September 26, 2019. The parties filed the *Settlement Agreement* for consideration on October 2, 2019. The Pre-Filed Testimony of Gregory K. Waller of Atmos was filed on October 3, 2019 in support of the *Settlement Agreement*.

Mr. Waller summarized the terms and methodologies of the modified ARM in his Pre-Filed Testimony. He also identifies six (6) key elements of the *Settlement Agreement* as follows:

- a. Elimination of the current two annual filing mechanism in favor of a single annual filing;
- b. Alignment of the historic test year upon which cost of service is based and the Company's fiscal year;
- c. Elimination of regulatory lag, consistent with the Commission's long-standing precedent, by utilizing deferred accounting treatment for costs associated with new investment in lieu of a forward-looking test year;
- d. Retention of the provisions reconciling the Company's results to its authorized ROE;
- e. Retention of the Approved Methodologies adopted in Docket No. 14-00146 and modified in subsequent dockets filed pursuant to the ARM, except as required to implement these new provisions; and,
- f. Provision of necessary terms and schedules for transition from the current

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<sup>12</sup> *Order Establishing Procedural Schedule* (September 25, 2019).

ARM Tariff to the new ARM Tariff proposed in the *Agreement*.<sup>13</sup>

Mr. Waller testifies that the ARM presented in the *Settlement Agreement* will have no material impact on its customers. He states, “[w]hile the actual rates in effect at any given future time period will be slightly different because of the changes in the [*Settlement Agreement*], ... the Company’s overall rate of return and cost of service will be not materially affected.”<sup>14</sup> Mr. Waller also explains that certain other provisions of the *Settlement Agreement*, including the Regulatory Asset, the calculation of the gross-up factor, changes to the schedules and relied-upon files to be included with the ARM filing, and the calendar relative to the transition to the new, single-filing ARM plan.<sup>15</sup>

## II. THE HEARING

A Hearing in this matter was held before the voting panel of Commissioners during a regularly scheduled Commission Conference on November 4, 2019, as noticed by the Commission on October 25, 2019. Participating in the Hearing were the following parties and their respective counsel:

Atmos Energy Corporation – **A. Scott Ross**, Esq., Neal & Harwell, 1201 Demonbreun Street, Suite 1000, Nashville, Tennessee 37203; **Gregory K. Waller**, Manager, Rates and Regulatory Affairs, 5420 LBJ Freeway, Suite 1600, Dallas, TX 75240.

Consumer Protection and Advocate Division – **Karen H. Stachowski**, Esq., Consumer Advocate Unit in the Financial Division, Office of the Tennessee Attorney General, P.O. Box 20207, Nashville, Tennessee 37202-0207.

Party Staff – **Ryan McGehee**, Esq.; **David Foster**, Director Utilities Division; and, **Joe Shirley**, Director, Utility Audit and Compliance; Tennessee Public Utility Commission, 502 Deaderick Street, 4<sup>th</sup> Floor, Nashville, Tennessee 37243.

The panel heard testimony from Atmos witness, Gregory K. Waller. Mr. Waller adopted and summarized his Pre-Filed Direct Testimony, which details the proposed modifications to the

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<sup>13</sup> Gregory K. Waller, Pre-Filed Direct Testimony, pp. 4-5 (October 3, 2019).

<sup>14</sup> *Id.* at 5.

<sup>15</sup> *Id.* at 6.

Company's ARM contained in the *Settlement Agreement*. Mr. Waller was also made available for questions from the Commissioners.<sup>16</sup> Following testimony, the panel solicited comments from the public, but no member of the public sought to be heard.<sup>17</sup>

### III. THE *SETTLEMENT AGREEMENT*

The parties submitted a *Settlement Agreement* that resolves all issues relative to this docket. The Atmos ARM plan, as agreed upon by the parties, is attached as Exhibit A to the *Settlement Agreement*.<sup>18</sup>

Under the *Settlement*, the Annual Filing Date shall be no later than February 1st of each year with a Historic Test Period ending on September 30th of the year prior to the Annual Filing Date. The rates established will become effective on June 1st the following test year. The ROE authorized in the Company's latest rate case will be utilized and will also be used in determining the Overall Cost of Capital using the Approved Methodologies. Approved Methodologies will be those that have been adopted and approved in Atmos's most recent general rate case, or as such methodologies are modified in a subsequent New Matter.<sup>19</sup> This annual filing will determine the Annual Reconciliation Revenue Requirement ("ARRR"), to be calculated using the actual cost of service (excluding gas cost) from the Historic Test Period that was just completed. In addition, the annual filing also will determine the Company's revenue requirement and rates that are necessary in order for the Company to earn its Authorized ROE.<sup>20</sup>

In addition, actual cost of service shall be based upon an average historic rate base and will include interest and income tax expense. This cost will be compared with the actual adjusted gross margin from the same period plus carrying costs. Carrying costs will be determined by applying the

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<sup>16</sup> Transcript of Commission Conference, pp. 17-22 (November 4, 2019).

<sup>17</sup> *Id.* at 22-23.

<sup>18</sup> *Settlement Agreement* (October 2, 2019).

<sup>19</sup> *Id.* at 4-5.

<sup>20</sup> *Id.* at 3-5.

Company's overall rate of return to the Net Revenue Deficiency (Sufficiency) incurred from the midpoint of the Historic Test Period through the date the new rates become effective.<sup>21</sup>

Further, the *Settlement Agreement* allows Atmos to establish and include a Regulatory Asset in rate base which will include interest deferrals, depreciation expense deferrals, and Ad Valorem expense deferrals associated with the plant in service that has been placed in service after the previous Historic Test Period. The balance of this Regulatory Asset will be transferred to plant and included in rate base upon the effective date of new rates.<sup>22</sup>

The annual ARM filing shall consist of the following schedules: Cost of Service; Summary of Actual Revenues for the Historic Test Period; Cost of Gas; Operation and Maintenance Expenses; Taxes Other than Income; Depreciation and Amortization Expenses; Rate Base and Return; Computation of State Excise and Income Taxes; Overall Cost of Capital; Rate of Return; and, Proof of Revenues and Calculation of Rates. In addition, the Company will include certain Relied-Upon Files, outlined in detail in the *Agreement*, in the annual ARM filing.<sup>23</sup>

In order to transition from the two annual ARM filings currently utilized by Atmos to the single annual ARM filing outlined in the *Settlement Agreement*, the parties established a transition schedule. The transition schedule is as follows:

- a. September 1, 2019 – The ARM reconciliation for the Forward-Looking Test Year June 1, 2018 through May 31, 2019 that was filed to determine ARRR under the existing ARM Tariff shall proceed. This reconciliation shall determine the ARRR under the existing ARM Tariff with the following exceptions: (1) Atmos will be permitted to include its 2019 Annual Pension contribution; (2) Atmos is authorized to include the resulting ARRR in rates effective June 1, 2020 without a February 1

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<sup>21</sup> *Id.* at 5.

<sup>22</sup> *Id.* at 6.

<sup>23</sup> *Id.* at 7-9.

ARM filing; and, (3) the gross up factor shall be determined utilizing total revenues in the denominator of the “Forfeited Discounts” component and actual gross margin shall be used in the denominator or the “Uncollectible Ratio” component.<sup>24</sup>

- b. February 1, 2020 – Atmos will not make an annual ARM filing.
- c. June 1, 2020 – Atmos will implement new rates, removing the previous ARRR established in Docket No. 18-00097 and implementing the ARRR that resulted from the September 1, 2019 filing. Said rates shall remain effective through May 31, 2021.
- d. June 1, 2020 – The modified ARM Tariff presented with the *Settlement Agreement* shall become effective.
- e. June 1, 2020 – Atmos shall commence deferrals to the Regulatory Asset account.
- f. September 1, 2020 – Atmos will not make an Annual Reconciliation Filing.
- g. February 1, 2021 – Atmos will make its first ARM filing pursuant to the modified ARM Tariff effective June 1, 2020.
- h. June 1, 2021 – Atmos will implement new rates as determined in the February 1, 2021 ARM filing.<sup>25</sup>

The *Settlement Agreement* includes the parties’ joint request to approve the ARM Tariff, attached as Exhibit A to the *Settlement Agreement*, to become effective on June 1, 2020. The *Agreement* also states that, “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

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<sup>24</sup> *Id.* at 9.

<sup>25</sup> *Id.* at 9-10.



adopted herein[,]” unless modified by the *Settlement Agreement* or subsequent Commission Order.<sup>26</sup>

#### **IV. CRITERIA FOR ESTABLISHING JUST AND REASONABLE RATES**

The Commission has jurisdiction to set the rates of public utilities operating in the State of Tennessee.<sup>27</sup> The Commission is “authorized to implement alternative regulatory methods to allow for public utility rate reviews and cost recovery in lieu of a general rate case proceeding....”<sup>28</sup> A public utility may elect to opt into an annual rate review of its rates that is based upon the methodology adopted in the public utility’s most recent rate case, occurring within the five (5) years prior to the opt-in.<sup>29</sup> Further, the Commission must determine whether the annual review mechanism is in the public interest.<sup>30</sup>

Applying these principles and criteria, and upon consideration of the entire record, including all exhibits and the testimony of the witnesses, the panel made the following findings and conclusions with regard to the *Settlement Agreement*.

#### **V. FINDINGS AND CONCLUSIONS**

Following the Hearing on the proposed *Settlement Agreement*, the panel deliberated the matter on November 4, 2019. The panel found that the *Settlement Agreement*, along with its Exhibits, demonstrate that the methodologies, adjustments and procedures set forth in the Atmos ARM, as modified in the *Settlement Agreement*, are reasonable, acceptable, and consistent with the provisions established in Tenn. Code Ann. § 65-5-103(d)(6). In addition, the panel found that the transitional schedule is a reasonable and appropriate plan to transition from the existing ARM to the modified ARM proposed by the parties’ *Agreement*.

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<sup>26</sup> *Id.* at 10.

<sup>27</sup> Tenn. Code Ann. §§ 65-4-101(6); 65-4-104; 65-5-101, *et seq.* (2019 Supp.).

<sup>28</sup> Tenn. Code Ann. § 65-5-103(d)(1)(A) (2019 Supp.).

<sup>29</sup> Tenn. Code Ann. § 65-5-103(d)(6) (2019 Supp.).

<sup>30</sup> *Id.*

The *Settlement Agreement* ARM complies with Tenn. Code Ann. § 65-5-103(d)(1) and (d)(6). The panel found that the proposed ARM continues to benefit both consumers and Atmos and, therefore, remains in the public interest. Additionally, this mechanism will allow Atmos to timely recovery of investment and operating expenses, while continuing to provide safe and reliable service to its customers. Consumers benefit through reduced rate case and legal expenses that would otherwise result from an expensive general rate case. In addition, the single filing process reduces the time needed to review and approve the ARM filing. Therefore, the panel found that the ARM is in the public interest. Thereafter, the panel voted unanimously to approve the *Settlement Agreement*.

**IT IS THEREFORE ORDERED THAT:**

1. The *Stipulation and Settlement Agreement*, including all attachments thereto, a copy of which is attached to this Order as Exhibit 1, is approved and adopted, and incorporated into this Order as if stated herein verbatim.
2. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order; and
3. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

**Chair Robin L. Morrison, Vice Chair Kenneth C. Hill, and Commissioner John Hie concur.  
None dissent.**

**ATTEST:**



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**Earl R. Taylor, Executive Director**

# **EXHIBIT 1**

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)	)	

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STIPULATION AND SETTLEMENT AGREEMENT

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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 2<sup>nd</sup> day of October, 2019.

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

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

Neal & Harwell, PLC

1201 Demonbreun Street, Ste. 1000

Nashville, TN 37203

(615) 244-1713 – Telephone

(615) 726-0573 – Facsimile

[sross@ncalharwell.com](mailto:sross@ncalharwell.com)

by Vance Ruemel  
w/ permission

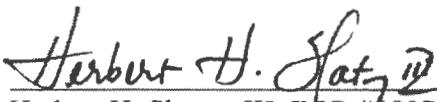
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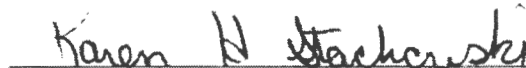
Stipulation and Settlement Agreement  
Tennessee Public Utility Commission Docket No. 18-00112  
Attorney General's Signature Page

**FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT**

**HAVE SEEN AND AGREED**

By:

  
Herbert H. Slatery III, BPR #09077  
Attorney General and Reporter  
State of Tennessee

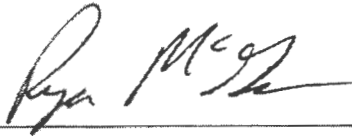
  
Karen H. Stachowski, BPR #19607  
Assistant Attorney General  
Office of the Attorney General  
Financial Division, Consumer Advocate Unit  
P. O. Box 20207  
Nashville, TN 37202-0207  
(615) 741-1671 – Telephone  
(615) 532-2910 – Facsimile  
[Karen.stachowski@ag.tn.gov](mailto:Karen.stachowski@ag.tn.gov)

*[additional signature page follows – remainder of page intentionally left blank]*

Stipulation and Settlement Agreement  
Tennessee Public Utility Commission Docket No. 18-00112  
TPUC Party Staff's Signature Page

**TENNESSEE PUBLIC UTILITY COMMISSION**

By:

A handwritten signature in black ink, appearing to read "Ryan McGehee", is written over a horizontal line.

Ryan McGehee, BPR #02559  
Tennessee Public Utility Commission  
Party Staff  
502 Deaderick Street, Fourth Floor  
Nashville, TN 37243  
(615) 770-1078 – Telephone  
[ryan.mcgehee@tn.gov](mailto:ryan.mcgehee@tn.gov)

# 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	<u>74,818</u>
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			



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

Line No.	Description	Reference	Amount
	(a)	(b)	(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 (a)	Amount (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		<u>                    </u>
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)

**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&amp;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	
	<u>Historic Base</u>		<u>Historic Base</u>		<u>Historic Base</u>		<u>Historic Base</u>	<u>Attrition</u> <u>Difference</u>
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	\$	2,670,302	\$	20,165,805



WP 4-2

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

Division 093		
Line No.	FERC Account	Historic Base 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	FERC	Historic Base
No.	Account	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 No.	FERC Account	Historic Base 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 No.	FERC Account	Historic Base 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

WP 4-3

[illegible]

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

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

† 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