

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

July 19, 2021

IN RE:)	
)	
PETITION OF ATMOS ENERGY CORPORATION)	DOCKET NO.
FOR APPROVAL OF ITS 2021 ANNUAL RATE)	21-00019
REVIEW FILING PURSUANT TO TENN. CODE)	
ANN. § 65-5-103(d)(6))	

ORDER APPROVING STIPULATION AND SETTLEMENT AGREEMENT

This matter came before Chairman Kenneth C. Hill, Commissioner Robin L. Morrison, and Commissioner David F. Jones of the Tennessee Public Utility Commission (“TPUC” or the “Commission”), the voting panel assigned to this docket, at a regularly scheduled Commission Conference held on May 19, 2021, for consideration of the *Stipulation and Settlement Agreement* (“Settlement Agreement”) filed by Atmos Energy Corporation (“Atmos”, “Atmos Energy”, or the “Company”) and the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General (“Consumer Advocate”). The *Settlement Agreement* is intended to resolve any disputes concerning the *2021 Tennessee Annual Rate Review Filing* (“*Petition*”), filed on February 1, 2021 by Atmos.

BACKGROUND

In Docket No. 14-00146, the Commission approved a *Stipulation and Settlement Agreement* between Atmos and the Consumer Advocate implementing an Annual Rate Review

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

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

As the Commission considered the Company’s 2018 ARM Filing in Docket No. 18-00067, in response to formal Commission Staff questions regarding potential changes and/or modifications to Atmos’ existing ARM, both parties stated a willingness to explore options for replacing the two-step budget and reconciliation process and replacing it with a more efficient and

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

² Tenn. Code Ann. § 65-5-103(d)(6).

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

⁴ *Id.*

⁵ *Id.* at 5.

⁶ *Id.*

⁷ *Id.* at 7.

transparent one-step annual review process.⁸

While agreeing to explore a one-step process, however, the parties indicated different views as to the overall plan and tariff modifications necessary to implement a one-step process. As a result, in its *Final Order* in Docket No. 18-00067, the Commission ordered that a new docket be opened to examine and consider a one-step approach for Atmos Energy Corporation's annual rate review mechanism.⁹

Docket No. 18-00112 was opened to explore modifications of the Company's ARM and included the participation of the Consumer Advocate and Commission Party Staff ("Party Staff"). The Company, Consumer Advocate, and the Party Staff reached an agreement in Docket No. 18-00112 and filed the *Stipulation and Settlement Agreement* on October 2, 2019. The Commission approved the settlement and found that the terms and procedures of the modified ARM were reasonable and consistent with the provisions of Tenn. Code Ann. § 65-5-103(d)(6), and that the transition schedule from two annual filings to a single filing was reasonable and appropriate.¹⁰ In addition, the Commission found that the modified ARM continues to be in the public interest and will allow Atmos to timely recover its investment and operating expenses, while continuing to provide safe and reliable service to its customers.¹¹

THE PETITION

In accordance with modifications and deadlines set in the *Stipulation and Settlement Agreement* in Docket No. 18-00112, on February 1, 2021, Atmos submitted the *Petition*, including the pre-filed direct testimony of William D. Matthews, Manager of Rates and Regulatory Affairs.

⁸ *In re: Atmos Energy Corporation's 2018 ARM Filing*, Docket No. 18-00067, *Order Approving 2018 Annual Rate Review Filing*, p. 7 (December 4, 2018).

⁹ *Id.* at 10.

¹⁰ *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)*, Docket No. 18-00112, *Order Approving Stipulation and Settlement Agreement*, pp. 9-10 (December 16, 2019).

¹¹ *Id.*

Mr. Matthews presented the Company's calculations for the Historic Test Period ending September 30, 2020, and the resulting revenue requirement needed in order for the Company to earn its authorized return on equity ('ROE') for the Historic Test Period ending September 30, 2020.¹²

Mr. Matthews attested that the Revenue Requirement Models (Schedules 1-11) were made in accordance with approved methodologies and that the Company's total cost of service for the historic test period ended September 30, 2020 is \$145,826,135.¹³ The Company's revenue, using its previously approved rates and actual historical normalized billing determinants, is \$137,505,439, resulting in a revenue deficiency of \$8,320,696 for the historic period ending September 30, 2020.¹⁴

After comparing the actual cost of service, less gas cost, from the historic period with the actual gross margin from the same period, the Company claimed there is a revenue deficiency of \$5,632,416. Mr. Matthews asserted this includes the net revenue deficiency of \$713,614 as approved by the Commission in TPUC Docket No. 19-00076 and the expense credit of \$6,056,542 for the amortization of excess deferred income tax as determined and in accordance with a settlement approved by the Commission in Docket No. 18-00034.¹⁵

Mr. Matthews confirmed there are no adjustments due to the impact of the Coronavirus and the ARM remains in the public interest as determined by the Commission in Docket No. 18-00112.¹⁶ Mr. Matthews affirmed the methodologies utilized in this filing are consistent with those approved by this Commission and requests approval of the Company's 2021 ARM filing and the

¹² William D. Matthews, Pre-Filed Direct Testimony, p. 3 (February 1, 2021).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ See *In re: Response of Atmos Energy Corporation to the Commission's Order Opening an Investigation and Requiring Deferred Accounting*, Docket No. 18-00034, *Order Approving November 2020 Stipulation and Settlement Agreement* (April 22, 2021).

¹⁶ William D. Matthews, Pre-Filed Direct Testimony, pp. 4-6 (February 1, 2021).

calculated revenue requirement.¹⁷

In response to a data request from the Consumer Advocate, the Company filed revised calculations and schedules in the docket and supplemental testimony on March 11, 2021. According to the revised schedules the Company is now requesting to recover a revenue deficiency of \$11,108,072.¹⁸ In supplemental testimony, Mr. Matthews explained the revisions and supplemental exhibits. Mr. Matthews attests to the following three changes from the original filing:

1. Change the excess deferred income tax (“EDIT”) calculations from March 2021 rather than June 2021, resulting in an additional deficiency of \$56,255;
2. Include account Allowance of Funds Used During Construction (“AFUDC”) account 4191 which had been omitted in the original filing; and
3. The previous two changes necessitated an update in the proposed rates previously used to determine net revenue at present rates.

Mr. Matthews asserted the two corrections resulted in a modification in the proposed rates contained in the original *Petition*.¹⁹

POSITION OF THE CONSUMER ADVOCATE

On behalf of the Consumer Advocate, Mr. David N. Dittmore submitted pre-filed direct testimony, which indicated the Consumer Advocate’s concurrence with the Company’s revisions made as a result of its recognition of AFUDC.²⁰ Based upon Mr. Dittmore’s conclusions and calculations, the Consumer Advocate asserted Atmos’ ARM should increase revenues by \$10,329,808 rather than \$11,108,071 as proposed by the Company.²¹

¹⁷ *Id.* at 12-13.

¹⁸ Atmos Revised Schedule 1 (March 5, 2021).

¹⁹ William D. Matthews, Pre-Filed Supplemental Testimony, pp. 2-4 (March 11, 2021).

²⁰ David N. Dittmore, Pre-Filed Direct Testimony, pp. 3-4 (April 1, 2021).

²¹ *Id.*

Mr. Dittmore made one adjustment increasing revenues to \$116,381²² and five adjustments to operation and maintenance (“O&M”) expense excluding costs of \$304,390 (\$164,936 + \$39,051 + \$16,542 + \$68,860 + \$15,000).²³ After making these adjustments, the total income tax liability decreased \$1,614²⁴ and carrying costs decreased \$49,259.²⁵

Mr. Dittmore noted Atmos closed two sales of assets during the test period as the basis for his revenue adjustment of \$116,381 above the line for ratemaking purposes. The sale of over two acres of land in Maury County, Tennessee and the sale of a service center in Morrison, Tennessee. He asserted the gain on the sale of Atmos Energy’s service center should be included in the revenue amount used to determine the ARM based on the theory that shareholders have been compensated by ratepayers for the cost of the service center and therefore any gain should be given to those ratepayers.²⁶ The Consumer Advocate noted prior Commission decisions supporting this ratemaking theory.²⁷

Mr. Dittmore removed \$164,936 from O&M for the supplemental retirement benefits included by the Company representing pension costs above the base level pension available for non-executive employees and classified as Statement of Financial Accounting Standard (87) (“FAS”) costs.²⁸ Similar costs were excluded in the approved settlement in Commission Docket No. 14-00146, which established the initial ARM. Mr. Dittmore asserted there is no rationale for adopting a cash-basis pension calculation for non-executive employees and then permitting the recovery of an accrual pension expense for supplemental executive retirement costs.²⁹

²² *Id.* at Schedule 2.

²³ *Id.* at Schedule CA-4.

²⁴ *Id.* at Schedule CA-8.

²⁵ *Id.* at Schedule 9.

²⁶ *Id.* at 10-11.

²⁷ *Id.* at 12-13.

²⁸ *Id.* at 13-14.

²⁹ *Id.* at 13-16.

Mr. Dittmore removed \$39,051 from O&M costs related to the Variable Pay and Management Incentive Plans. Based upon the Consumer Advocate's review of the Company's workpapers, the Company excluded some amounts from its September 2020 month activity in sub-account 7452 resulting in an incorrect disallowance credit.³⁰ Based on the Company's response to the Consumer Advocate Data Requests, Mr. Dittmore removed an additional \$16,542 from O&M costs because they were either incorrectly allocated or should not be included in the revenue requirement.³¹

The Consumer Advocate made additional adjustments to the Company's legal fees, finding that \$68,860 were for services performed during the months of July, August, and September 2019, which are outside of the test period (October 2019 through September 2020).³² Finally, Mr. Dittmore removed \$15,000 from O&M costs for dues paid to the Northeast Tennessee Regional Economic Partnership Inc. The Consumer Advocate contended such costs are charitable contributions promoting economic development and not the type of costs that should be recovered from ratepayers. Mr. Dittmore asserted the Commission has previously found in Commission Docket No. 14-00121 that such costs do not satisfy the necessity requirement and they do not provide any benefit to ratepayers and should therefore not be allowed for recovery.³³

With respect to rate design, Mr. Dittmore prepared and presented an across the board increase to each rate class and to each individual rate of 14.35% to recover the additional \$10,329,807 in needed revenue.³⁴ Mr. Dittmore notes the Company's proposed rate design did not carry forward Transportation Demand Volume revenue of \$334,984 when calculating the proof

³⁰ *Id.* at 16-17.

³¹ *Id.* at 17.

³² *Id.* at 18-19.

³³ *Id.* at 19-20.

³⁴ *Id.* at 21.

of revenue. He asserted the omission of this revenue results in other rates being higher which is unjustified. Therefore, Mr. Dittmore requested the Company be directed to include this revenue in its proof of revenue calculation.³⁵

The Consumer Advocate also addressed changes to how future ARMs are calculated. Mr. Dittmore requested a modification in future dockets for the calculation of the Company's Cash Working Capital. He asserted non-cash items such as depreciation, federal and state income taxes, and return on equity are assigned a zero lag when calculating weighted expense lag days while they are included in the denominator when calculating net expense lead days resulting in inaccuracies in Cash Working Capital. Mr. Dittmore asserted this method is inconsistent with the regulatory theory supporting Cash Working Capital and should be removed completely when computing the net expense lead days.³⁶ Mr. Dittmore noted that one could claim this issue was previously "settled" or resolved; however, Mr. Dittmore submitted that the public interest dictates the need to continually evaluate the reasonableness and accuracy of the ARM calculations.³⁷

Mr. Dittmore concluded his pre-filed direct testimony with the cost per installed service line of \$3,639 which he asserted is extremely high and in excess of the costs during the 2015-2017 timeframe. The Consumer Advocate recommended this cost be monitored going forward.³⁸

REBUTTAL TESTIMONY OF THE COMPANY

In pre-filed rebuttal testimony filed on April 16, 2021, Mr. Matthews agreed conceptually with the Consumer Advocate that Supplemental Executive Costs ("SERP") should be in the same category as other FAS 87 expenses. As such, the Company removed the SERP expense of

³⁵ *Id.* at 21-22.

³⁶ *Id.* at 23.

³⁷ *Id.* at 24.

³⁸ *Id.*

\$164,936 from O&M Expenses.³⁹ The Company further noted the removal of \$16,542 from O&M expenses as expressed in responses to data requests in the docket.⁴⁰ With respect to rate design, the Company agrees that Transportation Demand Volumes should be included, although Mr. Matthews asserted that the Company followed the approved method of allocation.⁴¹

The Company disagreed with several of the proposed adjustments of the Consumer Advocate, including increasing revenues by \$116,381 to recognize the gain on sale of the service center, removing incentive compensation of \$39,051, removing out of period costs of \$68,860 from O&M expenses, and removal of \$15,000 in Association dues.⁴² He asserted these dues were paid to an industry Association and not a charitable contribution as the Consumer Advocate asserts.⁴³ The Company opposed the Consumer Advocate's prospective recommendation to revise the methodology used in determining cash working capital in future ARM filings. Mr. Matthews claimed there are sound ratemaking reasons for the current methodology and changing the approved methodology should only be considered within a rate case proceeding.⁴⁴

Mr. Matthews noted that the COVID-19 pandemic had no material impact on the Company's operating results. The Company claimed the Consumer Advocate's analysis of construction metrics in determining average cost is at a high level and asserted it does not have much meaning when determining specific construction cost.⁴⁵

STIPULATION AND SETTLEMENT AGREEMENT

On the same day the Company filed its rebuttal testimony on April 16, 2021, the parties filed the *Settlement Agreement*. In the *Settlement Agreement*, the parties agreed to a Revenue

³⁹ William D. Matthews, Pre-Filed Rebuttal Testimony, pp. 3-4 (April 16, 2021).

⁴⁰ *Id.* at 4.

⁴¹ *Id.* at 5.

⁴² *Id.* at 6-8.

⁴³ *Id.* at 8.

⁴⁴ *Id.* at 9.

⁴⁵ *Id.* at 10.

Deficiency of \$12,315,693, Amortization of EDIT \$6,112,798, and a True-Up Total of \$4,264,868.⁴⁶ This results in a Total Revenue Deficiency of \$10,467,763 to be recovered from ratepayers with the individual agreed upon adjustments below:

Beginning True-Up Adjustment	\$4,664,356
Gain on Sale of Service Center	(116,381)
Removal of SERP	(164,936)
Removal of allocated legal expense	(16,542)
Removal of out of period costs	(43,195)
Removal of Association dues	(15,000)
Carrying Costs	(43,434)
True-Up Total	\$4,264,868

The adjustments reflected in the *Settlement Agreement* reduce the requested recovery amount of \$11,108,072 sought by the Company to \$10,467,763.

The *Settlement Agreement* included an agreed-upon rate design that allocated the total revenue deficiency, inclusive of the amortization of EDIT and the annual true-up, among the rate classes proportionate to the current margin of each class, and proportionate to the current base and volumetric components within each class. The proposed rate design allocated 51.95% of the needed revenue increase to the residential class and further splits this revenue increase to residential rates to 72% in fixed charges and 28% to commodity rates, thus maintaining the current margin for the residential class.⁴⁷ This allocation method for the revenue increase is also used for all other customer rate classes. This rate design methodology was initially adopted for the Company in its original ARM filing in Docket No. 14-00146 and has been used in each subsequent ARM filing. Of note, the fixed monthly rates for residential service will increase from \$15.65 in summer months to \$18.00 and from \$17.65 in winter months to \$20.00.⁴⁸

⁴⁶ *Stipulation and Settlement Agreement*, p. 4 (April 16, 2021).

⁴⁷ *Id.* at Exhibit A.

⁴⁸ *Id.*

On May 5, 2021, Mr. Brannon C. Taylor submitted pre-filed testimony on behalf of the Company adopting the previous pre-filed testimony of Mr. William D. Matthews and also outlining the major adjustments made in the *Settlement Agreement*.⁴⁹

THE HEARING

The hearing on the *Settlement Agreement* was noticed by the Commission on May 10, 2021, and held during the regularly scheduled Commission Conference on May 19, 2021. Appearances were made by the following:

Atmos Energy Corporation. – Erik Lybeck Esq., Neal & Harwell, 1201 Demonbreun Street, Suite 1000 Nashville, Tennessee 37203.

Consumer Advocate Unit – Karen Stachowski, Esq. Financial Division of the Office of the Tennessee Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee, 37219.

The *Settlement Agreement* was presented to the Hearing Panel. The Hearing Panel heard testimony by Mr. Brannon Taylor in support of the *Settlement Agreement*. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

FINDINGS & CONCLUSIONS

After reviewing the evidentiary record, the Hearing Panel found the calculations contained in Atmos Energy's *Petition*, as revised, to be consistent with the methodologies approved in Commission Docket No. 14-00146 and subsequent Commission Orders regarding Atmos Energy's Annual Rate Review Mechanism. Further, after review of the *Settlement Agreement* filed by the parties on April 16, 2021, including the agreed-upon adjustments to the Company's calculated revenue deficiency, the Hearing Panel found unanimously that the final revenue requirement contained in the *Settlement Agreement* of \$10,467,763, which includes the amortization of Excess Deferred Income Taxes and the true-up increase, to be reasonable. The Hearing Panel further

⁴⁹ Brannon C. Taylor, Pre-Filed Direct Testimony (May 5, 2021).

found the rate design attached to the *Settlement Agreement* to be reasonable and consistent with the approved methodologies set forth in Atmos Energy's approved tariffs.

Finally, the Hearing Panel found that the Annual Rate Review Mechanism continues to be in the public interest and allows Atmos Energy to timely recover its investment and operating expenses, while continuing to provide safe and reliable service to its customers. Therefore, the Hearing Panel voted unanimously to approve the *Settlement Agreement* as filed.

IT IS THEREFORE ORDERED THAT:

1. The *Stipulation and Settlement Agreement* filed by Atmos Energy Corporation and the Tennessee Attorney General and Reporter, through the Consumer Advocate Unit of the Financial Division on April 16, 2021, is approved, adopted, and incorporated herein as Exhibit I.
2. Atmos Energy Corporation shall file tariffs reflecting this decision.
3. Any party 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.
4. Any party 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.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman Kenneth C. Hill
Commissioner Robin L. Morrison, and
Commissioner David F. Jones concurring.**

None dissenting.

ATTEST:

A handwritten signature in black ink, reading "Earl Taylor". The signature is written in a cursive style with a large, stylized 'E' and 'T'.

Earl R. Taylor, Executive Director

EXHIBIT 1

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

IN RE:

**ATMOS ENERGY CORPORATION
FOR APPROVAL OF ITS 2021 ANNUAL RATE
REVIEW FILING PURSUANT TO TENN.
CODE ANN. § 65-5-103(d)(6)**

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DOCKET NO. 21-00019

STIPULATION AND SETTLEMENT AGREEMENT

In a compromise and settlement of the outstanding issues in this matter, Tennessee Public Utility Commission ("TPUC" or "Commission") Docket No. 21-00019, The Consumer Advocate Unit of the Financial Division of the Office of the Tennessee Attorney General (the "Consumer Advocate"), by and through counsel, and Atmos Energy Company ("Atmos Energy" or the "Company") (collectively, the "Parties"), respectfully submit this Stipulation and Settlement Agreement ("Settlement Agreement").

BACKGROUND

1. On February 1, 2021, the Company filed the *Petition of Atmos Energy Corporation for Approval of its 2021 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)* seeking approval of new rates pursuant to its alternative ratemaking mechanism as approved in TPUC Docket No. 14-00146 and as modified in TPUC Docket No. 18-00112.

2. On April 1, 2021, the Consumer Advocate filed the *Direct Testimony of David N. Dittmore* (the "Consumer Advocate's testimony"), which raised certain objections to portions of the calculations accompanying the Company's Petition.

3. On April 16, 20201, the Company filed the *Rebuttal Testimony of William Matthews* in response to the issues raised by the Consumer Advocate's testimony.

II. SETTLEMENT AGREEMENT TERMS

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

5. The Parties agree to increase the Company's Operating Revenue by \$116,381 to recognize a gain on sale as shown on Schedule CA-A to the Consumer Advocate's testimony. This increase has been agreed to solely for purposes of resolving this matter without litigation, and inclusion of this provision in this Settlement Agreement does not reflect the adoption of any methodology regarding gains or losses on sale by the Parties in future ARM filings. Notwithstanding the inclusion of this provision in this Settlement Agreement, the Parties reserve their respective rights regarding this issue in future ARM proceedings.

6. The Parties agree to remove Supplemental Executive Retirement Program ("SERP") expenses as shown on Schedule CA-B in the Consumer Advocate's testimony from FAS 87 accrual in this proceeding and future ARM proceedings and will treat in accordance with other FAS 87 accrual items as expressed in the Settlement Agreement to Docket No. 14-00146.

7. The Parties agree to reduce the Company's O&M costs by \$16,542 as shown on Schedule CA-D to the Consumer Advocate's testimony.

8. The Parties agree to reduce the Company's O&M costs by \$43,195 for O&M costs incurred in the months of July and August as labeled on Schedule CA-E to the Consumer Advocate's testimony. This O&M reduction is specifically in relation to the stub period caused

by the Company's shift from two ARM filings per year to one ARM filing per year and pursuant to the terms of the Commission's Order in Docket No. 18-00112. This reduction has been agreed to solely for purposes of resolving this matter without litigation, and inclusion of this provision does not reflect the adoption of any methodology regarding timing of recoverable O&M costs by the Parties in future ARM filings. Notwithstanding the inclusion of this provision in this Settlement Agreement, the Parties reserve their respective rights regarding this issue in future ARM proceedings.

9. The Parties agree to reduce the Company's O&M costs by \$15,000 for Association dues paid to the Northeast Tennessee Regional Economic Partnership Inc. This reduction has been agreed to solely for purposes of resolving this matter without litigation, and inclusion of this provision does not reflect the adoption of any methodology regarding the recoverability of such dues by the Parties in future ARM filings. Notwithstanding the inclusion of this provision in this Settlement Agreement, the Parties reserve their respective rights regarding this issue in future ARM proceedings.

10. The Parties agree to update the Company's rate design allocation as shown on Schedule 11-3 attached to this Settlement Agreement as Exhibit A.

11. Removing these filings from the Company's request, as updated in the Company's Supplemental Response to DR 1-08 of the Consumer Advocate's First Discovery Request, reduces the revenue requirement and true-up increase from \$11,108,071 to \$10,467,763. The table below shows the impact of the items listed in Paragraphs 4-9 above on the revenue requirement and true-up:

	Sch 1	Sch 1R
Total Revenue Deficiency (Sufficiency)	\$ 12,556,513	\$ 4,664,356
CAU Adjustment #1 Gain on the Sale of Utility Assets	-	(116,381)
CAU Adjustment #2 Supplemental Exec. Retirement	(164,936)	(164,936)
CAU Adjustment #4 Certain Legal Costs	(16,542)	(16,542)
CAU Adjustment #5 Remove Out of Period Costs (July-Aug)	(43,195)	(43,195)
CAU Adjustment #6 Economic Development Association Dues	(15,000)	(15,000)
Flow Through Adjustments/Carrying Costs	(1,147)	(43,434)
Subtotal	\$ 12,315,693	\$ 4,264,868
Amortization of EDITL	(6,112,798)	
True-up Total	4,264,868	
Settlement Offer	\$ 10,467,763	

12. The Settlement Agreement does not address any other issues or adjustments raised by the Consumer Advocate's testimony except those expressly agreed upon within this Settlement Agreement. Any issues or adjustments not expressly addressed in this Settlement Agreement are reserved by both Parties to be raised in future ARM proceedings.

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

14. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the TPUC and in any hearing, proposed order, or brief conducted or filed in this Docket. The provisions in this Settlement Agreement do not necessarily reflect the positions asserted by any Party. None of the Parties to this Settlement Agreement shall

be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle except for the limited extent necessary to implement the provisions hereof and to the extent expressly stated above.

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

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

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

18. 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 TPUC does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement retains the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such action by TPUC; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by,

or issues raised by, TPUC within the same time frame. Should this Settlement Agreement terminate, it would be considered void and have no binding precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

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

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

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

22. 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.

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

Agreement on behalf of its/his/her respecting Party.

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

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

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


The foregoing is agreed and stipulated to this 16th day of April, 2021.

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

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 21-00019
Atmos Energy Corporation Signature Page

ATMOS ENERGY CORPORATION.

HAVE SEEN AND AGREED.

BY: 

ERIK C. LYBECK, (BPR # 35233)

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

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 21-00019
Attorney General's Signature Page

FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT

HAVE SEEN AND AGREED.

By:

Herbert H. Slattery III by J. H. Slattery

HERBERT H. SLATTERY III (BPR # 09077)

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Vance L. Broemel by permission

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EXHIBIT A

Additional Revenue:10,467,763

Line No.	Description	Rates relative to 10/2/25	Monthly Customer Chg	Commodity Charged	Adjusted Base Count	Adjusted Volume	Total Adjusted Margin Rate	Out Charge Rec	Commodity Charge Rev	Commodity %		Allocated Amount of Increase	Proposed Out Charge	Proposed Commodity Charge	Physical Out	Proposed Commodity Rev	Total	Commodity Charge %		Total Rev	%	
										(b)	(c)							(d)	(e)			(f)
1	Rate Schedule 210/2/25																					
2	210/2/25 SUMMER	\$15.65	\$1,214	674,823	1,193,317	\$1,009,979	\$10,560,980	\$1,448,989				18.00	1,407	\$12,146,814	\$1,890,952	13,037,766						
3	210/2/25 WINTER (weather sensitive)	\$17.95	\$1,214	937,384	7,287,282	\$5,363,495	\$15,544,628	\$8,848,687				20.00	1,809	\$16,767,690	\$10,265,143	27,032,833						
4	210/2/25 SR GT	\$0.00	\$1,214	1,012	4,410	\$1,159	\$0	\$1,159				0.00	1,400	\$0	\$5,895	5,895						
5	Total 210/2/25			1,613,219	8,484,608	37,468,633	27,105,608	10,352,836	72%	28%	51.95%	5,437,941			11,952,000	42,048,574	72%	28%		51.25%		
6																						
7	Rate Schedule 211	\$11.75	\$0.751	3	34	70	\$44	\$28			10	16.75	0.012	\$50	\$30	\$80					0.00%	
8	211 HVAC																					
9																						
10	Rate Schedule 220	\$39.75	\$2.658	206,386	6,227,688	25,094,725	\$7,894,036	\$15,308,000	33%	67%		42.00	2,413	\$8,794,212	\$17,558,075	26,352,287	33%	67%				
11	220 Commercial / Industrial Gas Service	\$425.00	\$2.658	122	117,684	\$81,443	\$51,650	\$103,333	15%	85%		485.00	2,410	\$55,510	\$31,170	\$87,298	14%	86%				
12	220 Transportation			309,300	6,345,862	23,345,875	7,744,796	15,599,083	33%	67%	3,383,095			\$840,722	17,689,851	26,786,573	33%	67%		32.42%		
13	Total 220																					
14	Rate Schedule 221	\$38.75	\$1.195	36	23,978	29,381	\$1,323	\$28,058	4%	96%	4,358	42.00	1,399	\$1,512	\$32,827	34,339	4%	96%		0.04%		
15	221 Experimental School Gas Service																					
16	Rate Schedule 230	\$405.00	\$2.151	87	81,384	214,560	\$35,235	\$179,324	16%	84%		455.00	2,475	\$39,585	\$206,356	245,941	16%	84%				
17	230 Large Commercial / Industrial Gas Service	\$425.00	\$2.151	537	1,471,841	3,393,931	\$23,235	\$3,185,705	7%	93%	524,553	455.00	2,475	\$144,335	\$1,642,774	3,087,109	6%	94%		5.01%		
18	230 Transportation			624	1,595,324	3,048,500	293,460	3,345,450	7%	93%				283,920	3,349,123	4,133,053	7%	93%				
19	Total 230																					
20	Rate Schedule 250/250/250/250/250	\$425.00		60	120,308	25,500	\$25,500	\$145,104				455.00	1,398	\$27,300	\$186,694	214,044						
21	250 Demand Commodity Gas Service																					
22	Block 1 Volumes	\$0.799	\$0.370	287,460	209,653	145,104	\$209,653	\$0														
23	Block 2 Volumes			0	0	0	\$0	\$0														
24	Block 3 Volumes			0	0	0	\$0	\$0														
25	Demand Volumes			20,573	334,884	385,075	\$385,075															
26	250 Intermittent Gas Service	\$425.00		859	1,465,886	1,789,212	\$1,789,212	\$1,789,212				455.00	1,394	\$23,032,445	\$2,032,445	300,845						
27	Block 1 Volumes	\$1.206	\$0.905	31	5,738,833	4,576,191	\$4,576,191	\$4,576,191				0.018	0.425	\$2,256,777	\$2,256,777	5,256,777						
28	Block 2 Volumes	\$0.799	\$0.370	32	332,133	122,902	\$122,902	\$122,902				0.425	0.425	\$14,181	\$14,181	14,181						
29	Block 3 Volumes	\$425.00		12	5,100	5,100	\$5,100	\$5,100				0.425	0.425	\$5,460	\$5,460	5,460						
30	260 ECON DEV - OPT GS																					
31	Block 1 Volumes	\$1.206	\$0.905	34	24,000	21,710	\$21,710	\$21,710				1.306	1.306	\$24,940	\$24,940	24,940						
32	Block 2 Volumes	\$0.799	\$0.370	35	0	0	\$0	\$0				0.918	0.918	\$0	\$0	0						
33	Block 3 Volumes	\$0.599	\$0.370	36	25,204	17,486	\$17,486	\$17,486				0.868	0.868	\$20,098	\$20,098	20,098						
34	Block 1 Volumes @ Discount Rate																					
35	Block 2 Volumes	\$0.799	\$0.370	37	0	0	\$0	\$0				0.425	0.425	\$0	\$0	0						
36	Block 3 Volumes	\$0.799	\$0.370	38	0	0	\$0	\$0				0.316	0.316	\$504	\$504	504						
37	Block 1 Volumes @ Discount Rate																					
38	Block 2 Volumes	\$0.799	\$0.370	39	0	0	\$0	\$0				1.306	1.306	\$24,940	\$24,940	24,940						
39	Block 3 Volumes	\$0.799	\$0.370	40	0	0	\$0	\$0				0.425	0.425	\$0	\$0	0						
40	202 Coproduction, CHG, Prime Movers Service	\$36.75	\$1.206	12	3,048	3,676	\$3,676	\$3,676				42.00	42.00	\$504	\$504	504						
41	Block 1 Volumes	\$1.206	\$0.905	41	0	0	\$0	\$0														
42	Block 2 Volumes	\$0.799	\$0.370	42	0	0	\$0	\$0														
43	Block 3 Volumes	\$0.799	\$0.370	43	0	0	\$0	\$0														
44	260 Large Tonnage Air Conditioning Gas Service	\$38.75	\$1.206	12	12,893	15,658	\$15,658	\$15,658				42.00	42.00	\$504	\$504	504						
45	Block 1 Volumes	\$0.799	\$0.370	45	4,430	3,538	\$3,538	\$3,538														
46	Block 2 Volumes																					
47	Block 3 Volumes																					
48	Total 240/250/260/290/293			955	4,024,026	7,816,853	386,527	7,233,125	5%	95%	1,107,296			\$424,613	\$4,299,695	8,723,708	5%	95%		10.29%		
49	TOTALS			1,854,345	24,414,724	72,095,745	\$5,519,877	\$6,495,767	49%	51%	100.00%	10,467,763			40,454,311	42,023,018	82,477,327	49%	51%		100.00%	