

**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)	DOCKET NO. 21-00019
TENN. CODE ANN. § 65-5-103(d)(6))	
)	

DIRECT TESTIMONY

OF

DAVID N. DITTEMORE

April 1, 2021

1 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION**
2 **FOR THE RECORD.**

3 **A1.** My name is David N. Dittmore. My business address is Office of the Tennessee
4 Attorney General, John Sevier Building, 500 Dr. Martin L King Jr. Blvd., Nashville,
5 TN 37243. I am a Financial Analyst employed by the Consumer Advocate Unit of the
6 Tennessee Attorney General's Office ("Consumer Advocate").

7 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

9 **A2.** I received a Bachelor of Science Degree in Business Administration from the University
10 of Central Missouri in 1982. I am a Certified Public Accountant licensed in the state of
11 Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission
12 (KCC) in various capacities, including Managing Auditor, Chief Auditor and Director
13 of the Utilities Division. For approximately four years I was self-employed as a Utility
14 Regulatory Consultant representing primarily the KCC Staff in regulatory issues. I also
15 participated in proceedings in Georgia and Vermont, evaluating issues involving
16 electricity and telecommunications regulatory issues. Additionally, I performed a
17 consulting engagement for Kansas Gas Service (KGS), my subsequent employer during
18 this time frame. For eleven years, I served as Manager, and subsequently, Director of
19 Regulatory Affairs for KGS, the largest natural gas utility in Kansas, serving
20 approximately 625,000 customers. KGS is a division of One Gas, a natural gas utility
21 serving approximately two million customers in Kansas, Oklahoma, and Texas. I joined
22 the Tennessee Attorney General's Office in September 2017 as a Financial Analyst.

Overall, I have thirty years of experience in the field of public utility regulation.
Attached as Exhibit DND-1 is a detailed summary of my background.

**Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE
TENNESSEE PUBLIC UTILITY COMMISSION (TPUC OR THE
“COMMISSION”)?**

A3. Yes. I have submitted testimony in a number of dockets before the Commission.

**Q4. WHAT ASPECTS OF THE FILING ARE YOU ADDRESSING WITHIN YOUR
TESTIMONY?**

A4. The outline of my Testimony is detailed below:

- I. Magnitude of initial and revised rate increase
- II. Consumer Advocate recommended rate increase
- III. Scope of Review
- IV. Introduction of Schedules
- V. New Matters
 - a. Implications of COVID-19
 - b. Gain on the Sale of Utility Assets
- VI. Adjustments to Atmos Energy’s pro-forma operating results proposed by the Consumer Advocate
 - a. Gain on the sale of utility assets
 - b. Removal of Supplemental Executive Retirement costs
 - c. Removal of incentive compensation costs
 - d. Removal of costs either unsupported or incorrectly charged to Tennessee operations
 - e. Removal of out of period costs charged to the test period

f. Elimination of Economic Development organization costs

VII. Proposed Rate Design

VIII. Recommendations for subsequent ARM calculations

a. Removal of non-cash items from Cash Working Capital calculation

IX. Construction Cost Metrics

I. Magnitude of Initial and Revised Rate Increase

Q5. PLEASE BEGIN BY IDENTIFYING THE INITIAL AND REVISED RATE INCREASE REQUESTS SOUGHT BY ATMOS ENERGY.

A5. The initial application sought a rate increase designed to produce a total revenue requirement from base rates of \$84,647,021.¹ In the Company's Supplemental Response to Consumer Advocate Request No. 1-8, it revised its revenue requirement from base rates to \$82,782,833², increasing rates \$11,108,071³ and representing an increase of approximately 15.4%.

Q6. WHAT IS THE TEST PERIOD IN THIS APPLICATION?

A6. The test period, in this application, is the twelve-month period ending September 30, 2020.

Q7. DO YOU AGREE WITH THE REVISIONS THE COMPANY MADE AS A RESULT OF ITS RECOGNITION OF ALLOWANCE OF FUNDS USED DURING CONSTRUCTION (AFUDC) AND THE TIMING OF RECOGNITION OF EXCESS ACCUMULATED DEFERRED INCOME TAX (ADIT) ACCRUALS?

¹ *Petition*, 2020 Revenue Requirement Schedules, Schedule 11-3 at cell R 61.

² *Atmos Energy Corporation's Supplemental Response to DR-1-8 of the Consumer Advocate's First Discovery Request* (Atmos Energy's Supplemental Response to Consumer Advocate Request No. 1-8), Attachment 1, Schedule 11-3 at cell S 61, TPUC Docket No. 21-00019 (March 19, 2021).

³ *Id.* See also Atmos Energy's Supplemental Response to Consumer Advocate Request No. 1-8, Attachment 2, Schedule 1 at cell D 26.

1 **A7.** Yes.

2 **II. RATE INCREASE RECOMMENDED BY THE CONSUMER ADVOCATE**

3 **Q8.** **WHAT IS THE AMOUNT AND PERCENTAGE INCREASE THE CONSUMER**
4 **ADVOCATE IS RECOMMENDING IN THIS PROCEEDING?**

5 **A8.** The recommended increase I am supporting is \$10,329,808⁴ which translates to an increase
6 of 14.35%⁵.

7 **III. SCOPE OF REVIEW**

8 **Q9.** **WHAT WAS THE SCOPE OF YOUR REVIEW?**

9 **A9.** I have reviewed the application and schedules provided by the Company. I have also
10 submitted two sets of discovery within this investigation.

11 **Q10.** **IS IT POSSIBLE TO REVIEW ALL ASPECTS OF AN ARM FILING WITHIN**
12 **THE STATUTORY TIMELINE ESTABLISHED FOR THESE CASES?**

13 **A10.** No. Due to the abbreviated procedural schedule pursuant to Tenn. Code Ann. §65-5-
14 103(d)(6)(C) and the scope and complexity of Atmos Energy's financial records, it is not
15 possible to thoroughly review all aspects of the Atmos Energy's Annual Rate Mechanism
16 (ARM). Therefore, any ratemaking procedure or other issue not addressed in my testimony
17 should not be construed as implied acceptance of such methodology.

18 **IV. INTRODUCTION OF SCHEDULES**

19 **Q11.** **PLEASE IDENTIFY THE SCHEDULES YOU ARE SUPPORTING.**

⁴ Consumer Advocate Schedule 1.

⁵ Consumer Advocate Schedule 11.

1 **A11.** I am supporting the following schedules:

2 Schedule CA – 1: This schedule sets forth the calculation of the Atmos Energy’s revenue
3 requirement deficiency as calculated by both Atmos Energy and the Consumer Advocate.
4 This schedule incorporates the revenue deficiency for the reconciliation period as well as
5 the adjustments necessary to incorporate into the rate effective year. As shown on line 25,
6 the total revenue deficiency I am supporting is \$10,329,808.

7 Schedule CA – 1R: This schedule sets forth the calculation of the Consumer Advocate’s
8 reconciliation revenue requirement and identifies adjustments I am supporting in my
9 testimony to the Company’s operating results.

10 Schedule CA – 1R-1: This schedule compares the initial Atmos Energy’s reconciliation
11 revenue requirement calculation with updated Company filing provided in Attachment 1
12 to the Response to Consumer Advocate Request No. 1-8, as well as the reconciliation
13 revenue requirement I am sponsoring.

14 Schedule CA – 2: This schedule sets forth the Consumer Advocate’s adjusted revenue,
15 incorporating Adjustment No. 1 that I will discuss later in my testimony.

16 Schedule CA – 4: This schedule sets forth the calculation of operating expenses as adjusted
17 by adjustments 2 – 6 that I will discuss later in my testimony.

18 Schedule CA – 8: This schedule calculates the income tax liability for the rate effective
19 year, incorporating adjustments that I am sponsoring to revenue and operating expenses.

20 Schedule CA – 8R: This schedule calculates the income tax liability for the reconciliation
21 year, incorporating adjustments that I am sponsoring to revenue and operating expenses.

22 Schedule CA – 10: This schedule calculates the rate of return for the rate effective period.

23 Schedule CA – 10-1: This schedule calculates the income tax liability in the rate effective
24 year.

25 Schedule CA – 10R: This schedule calculates the rate of return for the reconciliation period.

26 Schedule CA – 10R-1: This schedule calculates the income tax liability in the reconciliation
27 period.

28 Schedule CA – 11: This schedule calculates the target base revenue as well as the overall
29 rate increase under the Atmos Energy and Consumer Advocate’s proposals.

30 Schedule CA – 11-1: This schedule sets forth the proof of revenue calculation based upon
31 the Consumer Advocate’s recommended revenue requirement and proposed rates.

32 Schedule CA – 11-2: This schedule compares the existing Atmos Energy’s base rates, the
33 rates initially proposed by Atmos Energy in this ARM docket, the Company’s revised
34 proposal contained in its Supplement Response to Consumer Advocate Request No. 1-8,
35 and finally, the Consumer Advocate’s proposed rates in this proceeding.

36 Schedules CA A through F: These schedules, including supporting schedules, set forth the
37 six adjustments I am supporting to the Atmos Energy’s revenue requirement.

1 There are other schedules included as attachments to my testimony that are supported by
2 Atmos Energy, and for which I am not proposing adjustments. I have included these
3 supporting schedules for ease of review as they are required in the computation of the
4 revenue requirement. These schedules of Atmos Energy that have not been adjusted
5 include:

6 Schedule 3: This schedule sets forth the Company's calculation of adjusted gas
7 costs.

8 Schedule 5: This schedule sets forth the Company's calculation of Taxes other than
9 Income Taxes.

10 Schedule 6: This schedule sets for the Company's calculation of Depreciation for
11 the rate effective year.

12 Schedule 7: This schedule calculates Rate Base and the necessary return on Rate
13 Base for the rate effective period.

14 Schedule 7R: This schedule calculates Rate Base and the necessary return on Rate
15 Base for the reconciliation period.

16 Schedule 9: This schedule sets forth the calculation of the rate of return for the rate
17 effective period.

18 Schedule 9R: This schedule sets forth the calculation of the rate of return for the
19 reconciliation period.

20 **Q12. ARE THERE OTHER SCHEDULES YOU HAVE PREPARED THAT DO NOT**
21 **IMPACT THE CURRENT ARM REVENUE REQUIREMENT CALCULATION?**

22 **A12.** Yes. The Consumer Advocates Schedules 7-5, 7-7, and 7-7-1 all relate to the calculation
23 of Cash Working Capital. I am recommending the Company's methodology for computing
24 Cash Working Capital be modified for future filings, but such methodology has not been
25 incorporated within my recommendation in this docket. I will discuss this recommendation
26 later in my testimony.

27 V. NEW MATTERS

**Q13. WHAT IS A NEW MATTER AS DEFINED IN THE SETTLEMENT AGREEMENT
IN TPUC DOCKET NO. 18-00112, GIVING RISE TO THIS DOCKET?**

A13. *New Matters* are defined as “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 [ARM] in TRA Docket No. 14-00146.”⁶

**Q14. WERE NEW MATTERS IDENTIFIED BY THE COMPANY WITHIN THIS
FILING?**

A14. No.

**Q15. DO YOU BELIEVE THE FAILURE TO IDENTIFY NEW MATTERS THAT ARE
THEN SUBSEQUENTLY DISCOVERED BY INTERVENORS IS GROUNDS TO
DISMISS THE APPLICATION?**

A15. Yes. While the Company is in a position to identify *New Matters*, it does not have the incentive to do so. The burden to identify *New Matters* within an abbreviated review period should rest with the Company. Since *New Matters* may reduce the revenue requirement, the Company has the incentive to define *New Matters* very narrowly. Our Office reserves all legal rights in future filings if we believe the Company has neglected to identify *New Matters* impacting the revenue requirement.

Q16. IN YOUR OPINION DID NEW MATTERS OCCUR IN THE TEST PERIOD?

⁶ *Order Approving Stipulation and Agreement*, Exhibit 1, p.3, ¶6(f) TPUC Docket No. 18-00112 (October 2, 2019).

1 **A16.** Yes. I believe there were two *New Matters* that occurred in the test period, the twelve-
2 month period ending September 30, 2020. First, the COVID-19 pandemic began impacting
3 everyday life in mid-March 2020. Secondly, the Company had a material gain on the sale
4 of a utility asset within the test period.

5 **Q17. FIRST, LET US DISCUSS THE IMPLICATIONS OF COVID-19. DID YOU**
6 **INQUIRE AS TO THE IMPLICATIONS OF THE PANDEMIC ON THE**
7 **FINANCIAL RESULTS OF ATMOS ENERGY?**

8 **A17.** Yes. The impact of the pandemic on Atmos Energy's operations was the subject of the
9 Consumer Advocate Request No. 1-6.

10 **Q18. WHAT IS YOUR CONCLUSION OF THE MATERIALITY OF THE PANDEMIC**
11 **ON ATMOS ENERGY'S RESULTS?**

12 **A18.** Based upon the Company's response to this request it does not appear the COVID-19
13 pandemic had a material impact on its operating results.

14 **Q19. DO YOU BELIEVE ATMOS ENERGY SHOULD HAVE ADDRESSED THE**
15 **IMPACT OF THE PANDEMIC IN ITS FILING?**

16 **A19.** Absolutely. The impact of the pandemic on Atmos Energy's operations is not obvious
17 without reviewing relevant information.

18 **Q20. DO YOU BELIEVE UTILITY CUSTOMERS SHOULD NECESSARILY BEAR**
19 **ANY INCREASED REVENUE REQUIREMENTS ASSOCIATED WITH THE**
20 **PANDEMIC?**

21 **A20.** No. I do not believe ratepayers should automatically bear the impact and risk associated
22 with increasing costs or declining revenues associated with the COVID-19 pandemic. The

1 Company's shareholders are compensated for taking on risk, and I believe the pandemic is
2 such a risk for which utility shareholders receive compensation through the authorized
3 return on equity. I also disagree with any underlying premise that the impacts of the
4 pandemic on utility operations do not matter for companies operating under an ARM
5 mechanism.

6 **Q21. DO YOU BELIEVE THE COMPANY TOOK NECESSARY STEPS TO IDENTIFY**
7 **THE IMPACTS OF COVID-19 BASED UPON YOUR REVIEW OF THE**
8 **RESPONSE?**

9 **A21.** It appears the Company did a high-level benchmarking analysis in its Response to
10 Consumer Advocate Request No. 1-6. I suspect the Company felt it had little risk of denial
11 of these costs due to the existence of its ARM mechanism.

12 **Q22. WHAT IS THE NEXT NEW MATTER YOU HAVE IDENTIFIED?**

13 **A22.** The second *New Matter* involves the recognition of a gain on the sale of a utility asset.⁷
14 The attribution of the gain on the sale of utility assets is a standard ratemaking issue that
15 arises from time to time as asset sales occur.

16 **Q23. TO YOUR KNOWLEDGE HAS THE GAIN ON THE SALE ISSUE BEEN**
17 **ADDRESSED IN A PRIOR ATMOS ENERGY ARM FILING?**

18 **A23.** I do not believe this issue has been addressed in prior Atmos Energy's ARM
19 determinations.

⁷ *Atmos Energy Corporation's Supplemental Response to the Consumer Advocate's First Discovery Request* (Atmos Energy's Supplemental Response to Consumer Advocate Request No. 1-3), TPUC Docket No. 21-00019 (March 25, 2021); and *Atmos Energy Corporation's Response to the Consumer Advocate's Second Discovery Request* (Atmos Energy's Response to Second Discovery), Consumer Advocate Request No. 2-10, TPUC Docket No. 21-00019 (March 19, 2021).

VI. ADJUSTMENTS SPONSORED BY THE CONSUMER ADVOCATE

Q24. PLEASE BEGIN BY IDENTIFYING THE FIRST ADJUSTMENT YOU ARE SPONSORING.

A24. Consumer Advocate Adjustment No. 1 increases Operating Revenue \$116,381 to move the net gain on the sale of an Atmos Energy's service center above the line for ratemaking purposes. This adjustment is reflected on CA Schedule A.

Q25. PLEASE IDENTIFY THE GAIN ON THE SALE TRANSACTIONS OCCURRING IN THE TEST PERIOD.

A25. The Company experienced two asset sales recorded in the test period: (1) the sale of over two acres in Maury County Tennessee ("land sale"); and (2) the sale of a service center in Morrison, Tennessee. Only the latter involved the sale of a rate-based asset⁸; therefore, the land sale should be disregarded for ratemaking purposes.

Q26. HOW DOES ATMOS ENERGY BELIEVE SUCH TRANSACTIONS SHOULD BE TREATED FOR RATEMAKING PURPOSES?

A26. Atmos Energy's position is the ratemaking treatment should follow the proper accounting treatment for such gains, which is to say that such gains are reflected as a non-operating item; and therefore, not incorporated into the revenue requirement.

Q27. DO YOU AGREE WITH THE COMPANY'S POSITION ON THE APPROPRIATE ACCOUNTING FOR SUCH TRANSACTIONS?

⁸ Atmos Energy's Supplemental Response to Consumer Advocate Request No. 1-3.

1 **A27.** Yes. I agree with the Company that such transactions are properly recorded to Account
2 421.

3 **Q28. DO YOU AGREE WITH THE COMPANY THAT THE RATEMAKING**
4 **TREATMENT MUST FOLLOW THE ACCOUNTING TREATMENT FOR GAIN**
5 **ON THE SALE TRANSACTIONS?**

6 **A28.** No.

7 **Q29. WHAT IS THE RATIONALE FOR INCLUSION OF SUCH GAINS ABOVE THE**
8 **LINE FOR RATEMAKING PURPOSES?**

9 **A29.** Utility owners/shareholders are entitled to an opportunity to earn its authorized return
10 through the ratemaking process. Utilities are granted the right to the provision of a
11 monopoly service within a given service territory. This governmental permit to provide
12 exclusive utility service within a given service territory is of great value to the holder of
13 the right. The utility owner is protected from competition for the services they offer.
14 Utility shareholders do not assume the level of risk that accrue to shareholders of
15 competitive companies. Captive utility ratepayers provide a financial safety net for utility
16 owners/shareholders, and therefore, should benefit from any Gain on the Sale resulting
17 from the transfer of assets at a gain. In this situation, the Company's ratepayers have
18 provided a return on and recovery of the costs of the Morrison Service Center to Atmos
19 Energy's shareholders. Atmos Energy's shareholders are not entitled to retention of any
20 further returns on these assets beyond what has already been provided by its ratepayers
21 through the ratemaking process.

22 **Q30. HAS THE COMMISSION ADDRESSED THIS ISSUE IN PREVIOUS DOCKETS?**

1 **A30.** Yes. I am aware of two cases in which the Commission has addressed the appropriate
2 treatment of Gain on the Sale.⁹ In both cases, the Commission assigned the gain on the
3 sale of utility assets to utility ratepayers, albeit in different ways.

4 **Q31. BEGIN WITH THE COMMISSION'S TREATMENT OF THE GAIN IN TPSC¹⁰**
5 **DOCKET NO. 92-1398 AND EXPLAIN HOW THIS TREATMENT IMPACTS**
6 **RATEPAYERS.**

7 **A31.** Attached as Exhibit DND-2 is an Order involving a Petition of Bell South
8 Telecommunications and a resultant transfer of assets to A+ Commission. The
9 Commission stated that:

10 Upon consummation of the transfer, Bell shall account for the sale by
11 recognizing a gain on the sale in accordance with Uniform System of
12 Accounts (USAO) Part 32 accounting requirements. This gain shall be
13 recognized in the intrastate regulated results via an amortization of the gain
14 over a period of five years beginning on January 1, 1994, and therefore, be
15 included in results in setting rates.¹¹

16 **Q32. IN THE REFERENCED CASE THE COMMISSION RETURNED THE GAIN ON**
17 **THE SALE TO RATEPAYERS OVER A FIVE-YEAR PERIOD. IS THAT A**
18 **PERTINENT ISSUE IN DETERMINING HOW SUCH GAINS SHOULD BE**
19 **FLOWED BACK IN THIS SITUATION?**

20 **A32.** No. The gain at issue is only \$116,000; thus, it is not so significant to warrant extending
21 the recovery period beyond one year.

⁹ *Order on Remand, In re A+ Communications, Inc.*, TPSC Docket No. 92-1398 (May 18, 1994) and *Order, In re Kingsport Power Company*, TPSC Docket No. U-84-7308 (November 15, 1984).

¹⁰ The Tennessee Regulatory Authority, or TRA, is the predecessor agency to the TPUC, just as the Tennessee Public Service Commission predated the TRA. While the nomenclature has changed, the scope and function of these entities has remained essentially the same.

¹¹ *Order on Remand, In re A+ Communications, Inc.*, TPSC Docket No. 92-1398 (May 18, 1994).

1 **Q33. NEXT TURN TO THE COMMISSION’S TREATMENT OF THE GAIN IN TPSC**
2 **DOCKET NO. U-84-7308 AND EXPLAIN HOW THIS TREATMENT IMPACTS**
3 **RATEPAYERS.**

4 **A33.** The matter involved the Gain on the Sale within the context of a rate increase request
5 submitted by Kingsport Power. In this case, the Commission adopted an adjustment to use
6 the gain to reduce the rate base of Kingsport.¹² This order is attached as Exhibit DND-3.

7 **Q34. WHAT IS YOUR REASONING FOR ASSIGNING THE ENTIRE GAIN AS AN**
8 **INCREASE IN OPERATING REVENUE?**

9 **A34.** There is clear theoretical support for assigning some portion of Gains on the Sale to utility
10 customers, and my proposed treatment is consistent with the treatment the Commission
11 adopted in TPSC Docket No. 92-1398. The ARM mechanism is designed to afford the
12 Company the opportunity to earn its authorized return on equity; it is not designed to afford
13 the opportunity of Atmos Energy to earn its authorized return plus earnings on asset sales
14 that have been paid for by the Company’s customers.

15 **Q35. PLEASE CONTINUE WITH A DISCUSSION OF YOUR PROPOSED**
16 **ADJUSTMENT NUMBER 2 ASSOCIATED WITH SUPPLEMENTAL**
17 **EMPLOYEE RETIREMENT COSTS.**

18 **A35.** Consumer Advocate Adjustment No. 2 eliminates \$164,936 from operating expenses
19 associated with allocated Supplemental Executive Retirement Costs (SERP), as reflected
20 on CA Schedule B. These types of costs were classified as Statement of Financial

¹² Order, *In re Kingsport Power Company*, TPSC Docket No. U-84-7308 (November 15, 1984).

Accounting Standard 87 (FAS) costs and removed from the Company's revenue requirement pursuant to the Settlement in TRA Docket No. 14-00146.¹³

Q36. CAN YOU PLEASE EXPLAIN THE NATURE OF THESE COSTS?

A36. Yes. These costs reflect accrued compensation for qualifying Atmos Energy's executives that are in excess of the base level pension available for non-executive employees.

Q37. ARE THESE COSTS COMPUTED IN A SIMILAR MANNER TO ACCRUED PENSION EXPENSE COSTS AVAILABLE TO NON-EXECUTIVE EMPLOYEES?

A37. Yes. These costs are determined from an actuarial study, using discount rates and various assumptions of the same type used in the determination of pension costs for non-executive employees.¹⁴

Q38. CAN YOU DEMONSTRATE HOW SUCH COSTS WERE IDENTIFIED AS COSTS TO BE ELIMINATED FROM FUTURE ARM CALCULATIONS WITHIN TRA DOCKET NO. 14-00146?

A38. Yes. The Settlement Agreement in TRA Docket No. 14-00146, which established the initial Atmos Energy's ARM, contains the statement:

(iv) **FAS 87 accrual** -The Company shall remove from O&M any amounts related to FAS 87 expenses (subaccount 01202, and any amount in any successor or replacement account or subaccount containing FAS 87 expenses). In years that the Company makes actual cash contributions to its pension fund, it shall be allowed to recover those cash contributions as part of the annual reconciliation process described below. The amount of cash contribution allocable to and recoverable from Tennessee shall be consistent with the methodology represented in WP 4-4 of this Settlement Agreement and be based on the amount of future liability allocable to

¹³ *Order Approving Settlement*, Attachment A, p.14, TRA Docket 14-00146 (November 4, 2015). *See also, Stipulation and Settlement Agreement*, p. 14, ¶13b(iv), TRA Docket No. 14-000146, (April 29, 2015).

¹⁴ Atmos Energy's Response to Second Discovery, Consumer Advocate Request No. 2-14.

Tennessee as defined by the Company's actuary. The allocation methodology described is consistent with that used in Docket Nos. 08-00197 and 12-00064.¹⁵

Q39. CAN YOU DEMONSTRATE THAT SUPPLEMENTAL EXECUTIVE RETIREMENT COSTS WERE DEFINED AS FAS 87 COSTS WITHIN THAT DOCKET?

A39. Yes. CA Schedule B-1 is a discovery attachment prepared by the Company in Response to Consumer Advocate Request No. 1-19 in TRA Docket No. 14-00146. As shown on line 17, SEBP Costs¹⁶ for the fiscal year 2014 are included within the Total FAS 87 gross costs of \$16,546,427. Thus, the Company classified these costs as FAS 87 costs within its own response. This total was then incorporated into the Consumer Advocate testimony and labeled as FAS 87 costs.¹⁷ The FAS 87 costs were then specifically excluded as referenced in the paragraph above. CA Schedule B-2 is the original workpaper prepared by the Consumer Advocate within TRA Docket No. 14-00146 and clearly identifies the same total for FAS 87 costs as is contained in CA Schedule B-1.

Q40. IS THERE ANY SUBSTANTIVE DISTINCTION BETWEEN THE REFERENCE TO SUPPLEMENTAL EXECUTIVE BENEFIT PLAN COSTS IDENTIFIED IN TRA DOCKET NO. 14-00146 AND WHAT IS CURRENTLY IDENTIFIED AS SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN COSTS IN THE CURRENT CASE?

¹⁵ *Order Approving Settlement*, Attachment A, p.14, TRA Docket No.14-00146, (November 4, 2015). *See also, Stipulation and Settlement Agreement*, p. 14, ¶13b(iv), TRA Docket No. 14-000146, (April 29, 2015).

¹⁶ The term SEBP is defined as Supplement Executive Benefit Plan within the Company's Response to Consumer Advocate Request No. 2-14(b).

¹⁷ Direct Testimony of William H. Novak at 13:14-15 and Table 6, TRA Docket No. 14-00146 (April 7, 2015).

1 **A40.** None of which I am aware. The SERP costs are calculated in a similar fashion to pension
2 costs for non-executive employees. From this standpoint, there is no distinction between
3 the nature of the underlying costs other than the superior benefit provided to executive
4 employees compared with the pension plan offered to non-qualifying employees. I cannot
5 think of any regulatory rationale for adopting a cash-basis pension calculation for non-
6 executive employees on one hand yet permitting the recovery of an accrual expense
7 calculation for supplemental executive retirement costs on the other.

8 **Q41. PLEASE CONTINUE WITH AN EXPLANATION OF CONSUMER ADVOCATE**
9 **ADJUSTMENT NO. 3.**

10 **A41.** Consumer Advocate Adjustment No. 3 reduces operating expenses \$39,051 by correcting
11 the company's calculation of corporate division incentive compensation costs to remove
12 from the revenue requirement consistent with adopted methodologies in TRA Docket No.
13 14-00146 and subsequent dockets. The costs in question relate exclusively to the Variable
14 Pay and Management Incentive Plans cost category, subaccount 7452 and are embedded
15 within its disallowances found within Atmos Energy's Schedule 4-1.

16 **Q42. CAN YOU EXPLAIN WHY THIS ADJUSTMENT IS NECESSARY?**

17 **A42.** Yes. This adjustment was discovered within my review of the Company's file titled <9)
18 21-xxxx – 2021 Atmos Energy TN ARM Filing – TN MFR #38> (MFR #38). The
19 mechanics of the company's adjustment can be found within tab "FY20 CAP OH and
20 Alloc." The exclusion calculation incorporated within the Company's Schedule 4-1 was
21 based upon a corporate total of \$15,160,467 reflected for subaccount 7452 within MFR
22 #38. However, evidence indicates the actual expense for this subaccount used within the

1 allocation of costs to Atmos Energy's Tennessee operations was \$16,639,467.¹⁸ The
2 difference between these two amounts on a corporate basis is \$1,479,000, which represents
3 the December entry for subaccount 7452 in the month of September 2020 found within tab
4 "O&M 002 FY20", within Atmos Energy's pre-filed file <p. O&M Summary Historic Year
5 Sep 20>. The gross expense of \$16,639,467 on the "FY20 Summary" tab is correctly
6 stated; however, this amount was not used in the derivation of the \$400,296 disallowance,
7 which in turn is incorporated into the cost reduction of \$588,199 on the Company's
8 Schedule 4-1. Instead, it was the understated balance shown within tab "FY20 CAP OH
9 and Alloc" which was used to arrive at the \$400,296 disallowances. Thus, it appears that
10 within the calculation workpaper above the Company simply did not incorporate the
11 September 2020 monthly activity for this subaccount when calculating the appropriate
12 disallowance credit.

13 **Q43. NOW TURN TO CONSUMER ADVOCATE ADJUSTMENT NO. 4 AND EXPLAIN**
14 **THE PURPOSE OF THIS ADJUSTMENT.**

15 **A43.** Consumer Advocate Adjustment No. 4 reduces O&M costs \$16,542 because of the
16 identification of costs which were either incorrectly allocated to Atmos Energy's
17 Tennessee operations or which the Company has subsequently indicated should not be
18 incorporated into the Atmos Energy's revenue requirement. These excluded costs were
19 identified as a result of sampled transactions presented to the Company in discovery. The
20 Consumer Advocate's Schedule D sets forth these excluded items and is the exact schedule

¹⁸ *Petition* at "Relied Upons", file <j. TN Minimum Filing Requirements #38 12 months September 2020>, tab "FY20 Summary" at cell G7; and "Relied Upons", file <p. O&M Summary Historic Year Sep 20>, tab "O&M 002 FY20" at cell S184.

provided by the Company in Supplemental Response to Consumer Advocate Request No. 2-6.

Q44. PLEASE CONTINUE BY DISCUSSING CONSUMER ADVOCATE ADJUSTMENT NO. 5.

A44. Consumer Advocate Adjustment No. 5 reduces O&M costs \$68,860 by eliminating costs incurred prior to the test period but charged to test period expense.

Q45. HOW DID YOU DISCOVER CERTAIN COSTS WERE INCURRED IN A PRIOR PERIOD BUT CHARGED TO TEST PERIOD EXPENSE?

A45. Consumer Advocate Request No. 1-18 asked for all legal invoices from outside vendors whose costs were charged to test period expenses. A review of the response indicated services identified within the invoices included work performed prior to the test period. Test period costs used for ratemaking should not include costs incurred prior to the test period.

Q46. IS THE TIMING OF THIS ANNUAL REVIEW MECHANISM UNIQUE?

A46. Yes. The test period covers the period October 2019 through September 2020. The months prior to October are not covered under any ARM mechanism (commonly referred to as the stub period) pursuant to the terms of the Commission's Order in TPUC Docket No. 18-00112.¹⁹ Therefore, while future ARM filings will contain consecutive months in which the issue of out of period costs is not critical, the concept of out of period costs is an issue to consider in the present filing.

¹⁹ *Order Approving Stipulation and Settlement Agreement*, TPUC Docket No. 18-00112 (December 16, 2019).

1 **Q47. WHY IS IT APPROPRIATE TO REMOVE COSTS INCURRED IN MONTHS**
2 **PRIOR TO OCTOBER 2019?**

3 **A47.** It is important in ratemaking to ensure a matching of period costs for ratemaking between
4 the various components of the revenue requirement. Just as it would be inappropriate to
5 include prior period expenses in test period O&M costs, it is also inappropriate to reflect
6 revenue earning in August 2019 in test period operations.

7 **Q48. IN WHAT MONTHS WERE THE EXCLUDED COSTS INCORRECT?**

8 **A48.** As reflected in the box at the bottom of CA Schedule E, the adjustment is comprised of
9 nearly equal costs incurred in the months of July, August, and September 2019.

10 **Q49. DOES ATMOS ENERGY HAVE AN ACCRUAL PROCESS IN PLACE IN WHICH**
11 **A CREDIT ENTRY TO OPERATING EXPENSES IS RECORDED IN OCTOBER**
12 **2019 THAT OFFSETS THE ACCRUAL OF COSTS INCURRED IN SEPTEMBER**
13 **2019, BUT WHICH HAVE YET TO BE PAID?**

14 **A49.** Apparently not. The Company's Response to Consumer Advocate Request No. 2-12
15 indicates that accounting accruals were not recorded in September 2019, which would have
16 then been reversed in October and would have negated the impact of recording out of
17 period costs within the test period.

18 **Q50. PROVIDE AN EXPLANATION AND SUPPORT FOR CONSUMER ADVOCATE**
19 **ADJUSTMENT NO. 6.**

20 **A50.** Consumer Advocate Adjustment No. 6 removes \$15,000 in Association dues paid to the
21 Northeast Tennessee Regional Economic Partnership Inc. These costs were identified
22 within the Company's Response to Consumer Advocate Request No. 1-19, Attachment

1 19.²⁰ These charitable contributions may promote economic development in Northeast
2 Tennessee, but they are not the types of cost that should be assigned to ratepayers. Instead,
3 this type of voluntary contribution should be borne by Atmos Energy’s shareholders.

4 **Q51. HAS THE COMMISSION RULED ON A SIMILAR ISSUE IN PRIOR DOCKETS?**

5 **A51.** Yes. In its Order in TRA Docket No. 14-00121, the Commission found:

6 In addition, the panel voted unanimously to disallow the Chamber of
7 Commerce and STEM donations totaling \$45,000. The panel found that
8 while these donations may have indirectly contributed to economic growth
9 in the Company’s service territory, these donations are not the type of
10 “expansion of infrastructure” that is contemplated by the statute. Further,
11 disallowance of these donations is consistent with the Authority’s long-
12 standing policy of disallowing charitable contributions and donations for
13 ratemaking purposes as they do not satisfy the guiding principle of necessity
14 and reasonableness, nor is it apparent that they provide a clear benefit to
15 ratepayers.²¹

16 **Q52. IS THE RECIPIENT OF THE DONATION, NORTHEAST TENNESSEE**
17 **REGIONAL ECONOMIC PARTNERSHIP, A CHARITABLE**
18 **ORGANIZATION?**

19 **A52.** Yes. Exhibit DND-5 is attached which is an IRS filing documenting the
20 Partnerships’ tax-exempt status as a 501(c)(6) organization.

21 **Q53. DID THE COMPANY RECORD THIS CONTRIBUTION AS AN**
22 **OPERATING EXPENSE?**

23 **A53.** Yes. The company recorded this to account 9302.²² Instead, the organization’s
24 charitable status should have prompted the Company to record this contribution to

²⁰ See Exhibit DND-4.

²¹ *Order Granting, In Part, and Denying, In Part, Petition*, pp. 14-15, TRA Docket No. 14-00121 (February 1, 2016).

²² *Consumer Advocate’s First Discovery Request to Atmos Corporation*, Consumer Advocate Request No. 1-19, Attachment <Discovery Sample Transactions>, TPUC Docket No. 21-00019 (February 26, 2021).

1 a non-operating expense account consistent with the Commission's long-standing
2 policy on recoverability of charitable contributions cited above.

3 VII. RATE DESIGN

4 **Q54. PROVIDE AN EXPLANATION OF YOUR APPROACH TO ASSIGNING**
5 **THE RATE DESIGN AMONG CUSTOMER CLASSES AND INDIVIDUAL**
6 **CLASS RATES.**

7 **A54.** I have calculated the percentage increase in base rates, excluding special contract
8 and miscellaneous revenue. As reflected on CA Schedule 11, the revenue
9 requirement I am sponsoring produces a rate increase of 14.35%. I applied this
10 increase across the board to each rate class and individual rate to produce a uniform
11 rate increase among all customers.

12 **Q.55 PLEASE EXPLAIN THE PURPOSE OF CONSUMER ADVOCATE SCHEDULES**
13 **11-1 AND 11-2.**

14 **A55.** Consumer Advocate Schedule 11-1 provides a proof of revenue reflecting the application
15 of the uniform rate increase to all customer rates as computed in Schedule 11. Consumer
16 Advocate Schedule 11-2 compares the existing Company base rates, the rates initially
17 proposed by Atmos Energy in this ARM docket, the Company's revised proposal contained
18 in its Supplement Response to Consumer Advocate Request No. 1-8, and finally the
19 Consumer Advocate's proposed rates in this proceeding.

20 **Q56. DO YOU HAVE ANYTHING TO HIGHLIGHT CONCERNING THE PROOF OF**
21 **REVENUE CALCULATION?**

1 **A56.** Yes. The Company's proof of revenue is contained in its Schedules 11-2 and 11-3, with
2 the former demonstrating the proforma revenue at present rates, while the latter schedule
3 calculates proforma revenue at proposed rates. Importantly, the revenue depicted on line
4 72 of Schedule 2, Transportation Demand Volumes producing revenue of \$334,984 is not
5 carried forward to Schedule 11-3 where new rates are developed. I am unaware of any
6 justification for not incorporating this level of revenue in the proof of revenue calculation
7 to derive new rates. The omission of this amount of revenue has the practical result of
8 requiring other rates to be higher to recover the absence of such revenue. Absent any
9 clarification provided by the Company concerning this level of revenue, it should be
10 included in the proof of revenue calculation.

11 **VIII. RECOMMENDATIONS FOR FUTURE ARM CALCULATIONS**

12 **Q57. IS THERE AN ASPECT OF THE ATMOS ENERGY'S REVENUE**
13 **REQUIREMENT CALCULATION YOU BELIEVE SHOULD BE MODIFIED?**

14 **A57.** Yes. I am recommending a future modification of the calculation of the Company's Cash
15 Working Capital calculation.

16 **Q58. ARE YOU SPONSORING AN ADJUSTMENT IN THIS REVENUE**
17 **REQUIREMENT FOR THIS ISSUE?**

18 **A58.** No. My recommendation is prospective, I have not incorporated any adjustment to Cash
19 Working Capital in this docket.

20 **Q59. HAS THE COMPANY CALCULATED CASH WORKING CAPITAL**
21 **CONSISTENT WITH THE METHODOLOGY USED IN PRIOR DOCKETS?**

22 **A59.** Yes.

Q60. WHY DO YOU BELIEVE A MODIFICATION TO THE METHODOLOGY USED TO CALCULATE CASH WORKING CAPITAL IS NECESSARY?

A60. The existing Cash Working Capital calculation is contained in Company schedules 7-5, 7-7, and 7-7-1. Specifically, Schedule 7-7 identifies the company's expenses and associates an expense lead associated with each expense component. The non-cash items such as depreciation, federal and state income taxes, and return on equity are assigned a zero lag in calculating the resulting weighted expense lag days. However, this assignment does not accurately calculate such expense lead time. These non-cash expenses are included in the denominator in determining the expense lead days. Instead, the non-cash expenses should be removed altogether in the computation of the net expense lead days. Further, these non-cash expenses should be eliminated in the calculation of the daily cost of service upon which the net revenue lag/expense lead days are applied. The goal of a Cash Working Capital calculation is to determine the cash on hand needed to finance daily operations. The current method is better described as a mechanism to calculate every minutiae of regulatory lag within the Atmos Energy's revenue requirement. The existing approach is not consistent with the regulatory theory supporting Cash Working Capital. Instead, all impacts from non-cash items should be removed from the Cash Working Capital, with the residual calculation reflecting necessary funds to finance utility operations.

Q61. DO YOU HAVE SCHEDULES SUPPORTING THE APPROACH YOU ARE RECOMMENDING IN FUTURE CALCULATIONS?

A61. Yes. The methodology I am supporting is set forth in Consumer Advocate Schedules 7-5, 7-7, and 7-7-1. As reflected in CA Schedule 7-5, this methodology change has a significant impact in the cash working capital calculation.

1 **Q62. HOW DO YOU RESPOND TO CLAIMS THAT THIS IS A SETTLED ISSUE THAT**
2 **SHOULD NOT BE REVISITED?**

3 **A62.** I believe it is in the public interest to continue to evaluate the reasonableness and accuracy
4 of the ARM calculations. The fact that an issue has not been previously identified should
5 not automatically rule it out from consideration. Instead, the merit of the recommendation
6 should drive its consideration.

7 **IX. CONSTRUCTION METRICS**

8 **Q63. HAVE YOU ACCUMULATED INFORMATION ON THE TREND OF KEY**
9 **CONSTRUCTION COSTS?**

10 **A63.** Yes. Table 1 below (top of page 25 of this Testimony) tracks historic weighted cost of
11 installed Main per mile and the annual weighted cost of installed service lines. These
12 metrics are especially important to monitor for a Company with an ARM, such as Atmos
13 Energy, since there is a continuous update of Rate Base. Please note, there is a gap in
14 information for fiscal years ending in 2018 and 2019. The information for these two years
15 should be obtained in the next ARM filing.

16 **Q64. DOES ANYTHING CONCERN YOU WITH THE AVERAGE COSTS**
17 **IDENTIFIED BELOW?**

18 **A64.** The average cost per installed service line of \$3,639 appears extremely high and should be
19 monitored going forward. This cost is significantly higher than its corresponding costs in
20 the 2015 – 2017 timeframe.

		Table 1					
			a/			b/	
Docket Number		18-00097				21-00019	% Increase
Twelve Months Ending		FYE 2015	FYE 2016	FYE 2017		FYE 2020	2020 v 2015
Miles		35.12	53.94	82.47		75.76	
Average cost of main per mile		\$ 267,705	\$ 296,354	\$ 266,857		\$ 492,785	84%
			a/			b/	
Docket Number		18-00097				21-00019	
Twelve Months Ending		FYE 2015	FYE 2016	FYE 2017		FYE 2020	
Total # of Service Lines		2,976	3,638	3,689		3,325	
Avg. Cost Per Service		\$ 1,851	\$ 1,787	\$ 2,010		\$ 3,639	97%
	a/	Docket 18-00097, Atmos Responses to CPAD DR Set 1 Non-					
		Confidential, DR 1-21 subpart x and xi					
	b/	Docket 21-00019, Atmos Responses to CA DR1, DR1-29					

1

2 **Q65. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 **A65.** Yes. However, I reserve the right to supplement my testimony should new issues arise.

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)

DOCKET NO. 21-00019

AFFIDAVIT

I, David N. Dittmore on behalf of the Consumer Advocate Unit of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Unit.


DAVID N. DITTEMORE

Sworn to and subscribed before me
this ____ day of _____, 2021.

03/30/2021


Signed on 2021/03/30 13:25:41 -6:00

NOTARY PUBLIC

My commission expires: _____

TERRA ALLEN
Tennessee Notary Public
Online Notary Public
Hickman County, State Of Tennessee
My Commission Expires Sep 28, 2022

Notary Stamp: 2021/03/30 11:25:41 PST

TD565AB0A255

David Dittmore

Experience

Areas of Specialization

Approximately thirty-year experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – Current**
Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 – 2017; Manager Regulatory Affairs, 2007 - 2014**

Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis. I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

Principal; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003

Manager Regulatory Affairs; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

Manager, Wholesale Billing Resolution; Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than \$50K. During my tenure, completed disputes increased by over 100%, rising to \$150M per year.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.
Chief of Accounting 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

Accountant Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) – Not a license to practice

Board Member, Financial Research Institute – 2007 - 2017

1994 WL 610165 (Tenn.P.S.C.)

Re A+ Communications, Inc.

Docket No. 92-1398

Tennessee Public Service Commission

May 18, 1994

ORDER ON REMAND

This matter is before the Tennessee Public Service Commission upon (A) the Petition of Bell South Telecommunications, Inc. d/b/a South Central Bell Telephone Company ('Bell') to withdraw its tariff for paging services within the State of Tennessee and transfer its assets and authority to provide paging services within the State of Tennessee to A+ Communications, Inc. ('A+') and (B) the application of A+ to acquire Bell's assets and landline authority to provide paging services in Tennessee. This matter was set for hearing and heard on April 20, 1994, before Ralph B. Christian, II, Administrative Judge. On May 6, 1994 the Administrative Judge issued his Initial Order recommending that the application for transfer of Bell's landline paging authority be approved and that Bell's petition to withdraw its tariffs for paging services be granted. No exceptions to the Initial Order were filed.

The Commission considered this matter at the Commission Conference held on May 18, 1994. It was concluded after careful consideration of the entire record, including the Administrative Judge's Initial Order and all applicable laws and statutes, that the Administrative Judge's Initial Order should be approved and the authority should be transferred. The Commission further ratifies and adopts the findings and conclusions of the Administrative Judge as its own. IT IS THEREFORE ORDERED:

1. The transfer of Bell's paging assets and operating authority within every area in the State of Tennessee in which Bell currently has general landline local exchange telephone service authority to A+ shall be, and it is here, approved;
2. The terms and conditions of this transfer as set forth in an Asset Purchase Agreement entered into by Bell and A+ on June 15, 1992, and subsequently amended, on November 16, 1992, and, on August 20, 1993, are hereby approved;
3. Upon consummation of such transfer, Bell shall be allowed to withdraw its one-way paging tariffs; cease providing paging service in Tennessee; and shall thereafter have no certificated authority to provide paging services pursuant to its general landline local exchange telephone service authority anywhere within the State of Tennessee. This sale and transfer shall not impair, alter, affect or modify South Central Bell's rights and authority to offer existing or future telecommunications services in local exchanges throughout Tennessee except for one-way paging services;
4. Upon consummation of the transfer, Bell shall account for the sale by recognizing a gain on the sale in accordance with Uniform System of Accounts (USOA) Part 32 accounting requirements. This gain shall be recognized in the intrastate regulated results via an amortization of the gain over a period of five years beginning on January 1, 1994, and therefore, be included in results in setting rates;
5. Upon consummation of such transfer, A+ shall thereafter have the authority to erect and operate transmitters emitting one-way radio paging signals and to provide paging services in every area within the State of Tennessee in which Bell is currently authorized to serve as a general landline local exchange telephone service provider;
6. A+ shall file tariffs with the Commission for all service areas in which it proposes to provide paging services;
7. Any party aggrieved with the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within ten (10) days from and after the date of this Order; and
8. Any party aggrieved with the Commission's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

Re a Communications, Inc., 1994 WL 610165 (1994)

ATTEST:

Paul Allen EXECUTIVE DIRECTOR

End of Document

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Re Kingsport Power Company, 1984 WL 1028458 (1984)

63 P.U.R.4th 524

1984 WL 1028458 (Tenn.P.S.C.), 63 P.U.R.4th 524

Re Kingsport Power Company
Intervenor: Kingsport Power Users Association

No. U-84-7308

Tennessee Public Service Commission

November 15, 1984

Before Bissell, chairman, and Cochran, commissioner.

By the COMMISSION:

Order

This matter is before the Tennessee Public Service Commission upon the filing of a petition by Kingsport Power Company on May 15, 1984, requesting a rate increase of \$2,044,592.

This docket was set for hearing and was heard by Chairman Keith Bissell and Commissioner Jane G. Eskind at the National Guard Armory, West Stone Drive, Kingsport, Tennessee, on October 13, 1984.

The following appearances were entered at the hearing: Thomas Arthur Scott, Jr., Kingsport, Kevin F. Duffy, Columbus, Ohio, both appearing on behalf of the petitioner, Kingsport Power Company; Bruce Shine, Kingsport, appearing on behalf of intervenor, Kingsport Power Users Association; Henry Walker, Nashville, appearing on behalf of the commission's staff.

I. Statement of Facts

Kingsport Power Company, a wholly owned subsidiary of American Electric Power Company (AEP), serves approximately 35,000 customers living in a 220 square mile area in the counties of Sullivan, Hawkins, and Washington, Tennessee, and including the city of Kingsport and the town of Mount Carmel. Kingsport Power Company has no poweroperating facilities of its own and merely distributes electric power which it purchases from Appalachian Power Company (APCO), another subsidiary of AEP whose wholesale rates are regulated by the Federal Energy Regulatory Commission (FERC).

In its petition, Kingsport Power Company requested a revenue increase of 3.7 per cent or \$2,044,592 to offset increased operating expense and to provide the company with an adequate return on its investment. The proposed tariffs as filed with the petition allocates substantially all of the increase to the residential and small commercial customers of Kingsport Power Company.

Prefiled testimony on behalf of the petitioner was entered by John E. Faust, president of Kingsport Power Company; Bruce Barber, vice president, finance, American Electric Power Service Corporation, New York, New York; Clifford M. LaGraw, supervisor of regulatory and statistics section, Roanoke, Virginia; John Soper, consultant with the utility regulatory and advisory services group of Coopers and Lybrand; Dennis W. Bethel, senior rate analyst with the American Electric Power Service Corporation (AEPSC), a wholly owned subsidiary of American Electric Power Company, and Louis R. Jahn, manager-rate research and rate design, division of American Electric Power Service Corporation.

The staff presented prefiled testimony through its witnesses Athan Gibbs, David Hood, Hal Novak, and Archie Hickerson.

At the outset of the hearing, company president John Faust testified that the company was willing to accept the staff's accounting adjustments in the areas of rate base, revenues, and expenses and the company was willing to accept a return on rate base of 13.37 per cent (16 per cent on equity), which is within the range recommended by the staff. Mr. Faust pointed out that the return was lower than the 13.52 per cent return that the commission awarded in the last rate case, two years prior. A

Re Kingsport Power Company, 1984 WL 1028458 (1984)

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return of 13.37 per cent would require a rate increase of \$1,086,203.

In light of the fact that the company accepted the adjustments as set forth by the staff the company did not offer any additional witnesses but did ask that all of the company's witnesses' prefiled testimony and exhibits be entered into the record as if read.

Staff witness Hickerson summarized the adjustments the staff made to the rate case as filed by the company. He stated that as a result of the investigation the staff recommend that the commission adopt a rate base of \$27,291,925 and a level of operating revenues and expenses that produce a net operating income of \$3,085,408. Mr. Hickerson went further to recommend that the company be allowed to earn 15.75 per cent on its common equity, resulting in a rate increase of \$1,038,859.

The commission's statutory duty in this proceeding is to determine just and reasonable rates of the company as provided by TCA Par 65-5-203. It shall be the duty of the commission to approve any such proposed increase in rates upon being satisfied after full hearing that the same is just and reasonable. The traditional approach utilized by this commission has been to examine the evidence presented and discuss the issues that evolve during the course of the hearing. These issues normally include the *selection of a test period* and the determination of the proper amounts of *revenues, expenses, and rate base* which are projected during the test period. The commission must also decide upon the fair rate of return which the company will be allowed to earn on its investment.

ii. Findings**A. Test Period**

'Test period' is a term peculiar to regulation. It refers to a period of time, usually twelve months, during which the commission examines a company's revenues and expenses under existing rates and calculates the company's rate of return on its investment in rate base during that period.

There are generally two types of test periods that are accepted in rate-making proceeding: historical and forecast. Regardless of the approach used, the ultimate goal of a test period is to approximate the interrelationship between revenues, expenses, net operating income, and rate base which can be expected to exist during the initial period the new rates will be in effect.

In the present case, both the company and the staff adopted the 12-month period ended December 31, 1983, adjusted for known and anticipated changes through December, 1985. It is our opinion that this period is appropriate for evaluating the company's rates and we therefore also adopt it for this case.

B. Revenues and Expenses

The major adjustment proposed by the staff to operating revenues and expenses as presented by the company was for additional revenues and expenses related to the projected increase of electricity for the adjusted test year. These adjustments were summarized by Mr. Hickerson in his direct testimony at the hearing. Mr. Hickerson stated that the staff increased revenues by \$6,821,730, which was primarily to reflect additional sales to industrial and large commercial customers. He stated that the adjustment was made after contacting these customers and that the staff had discussed their projection of purchases for 1985 with Kingsport Power. Mr. Hickerson also stated that corresponding adjustments were made to reflect the increase in purchased power costs and the additional investment needed to serve these customers.

In summarizing the staff's adjustments, Mr. Hickerson pointed out that the staff increased other expenses and taxes by \$601,628. He pointed out that \$215,000 of this amount resulted from including the projected cost of an additional overhead line maintenance crew and a tree trimming crew. Mr. Hickerson further stated that an additional \$37,741 was included to reflect additional salaries and wages for the adjusted test year.

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The staff also increased other operating taxes by \$300,917. Of this amount, \$253,910 was allocated for gross receipt taxes that the company will incur during 1985. In addition, Mr. Hickerson stated that the staff made an adjustment to reduce federal income tax by \$506,118. Approximately \$480,000 of this amount resulted from the staff's excluding the amortization of federal income tax on unbilled revenue as of December 31, 1983.¹

It is our opinion that the level of revenue and expenses developed by the staff and adopted by the company as shown on the following page, is approximate for evaluating the company's revenue requirement for 1985.

C. Rate Base

The company submitted a proposed rate base of \$27,078,606, while the staff proposed a rate base of \$27,291,925. The reason for the difference is the fact that the staff included additional projected electric plant that will be needed to serve certain customers during 1985. The projected additional revenue from these customers was also included by the staff. The staff also made an adjustment to increase the company's working capital by \$292,206. Additional adjustments were made to increase the company's accumulated deferred federal income tax and to include as a deduction the deferred gain related to the sale of the company's service building.

We have considered all of the adjustments made by the staff to the rate base as presented by the company, together with the fact that the company has adopted the rate base as adjusted by the staff. We find that the rate base of \$27,291,925 as developed by the staff and as shown on the following page, is approximate and should be used in evaluating the company's future revenue requirements.

KINGSPORT POWER COMPANY**INCOME STATEMENT FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1983, AS ADJUSTED**

	Company	Adjustments	Staff
Operating Revenues:			
Sales of Electricity.....	\$54,705,538	\$6,821,730	\$61,527,268
Other.....	203,361	0	203,361
Total Operating Revenues.....	\$54,908,899	\$6,821,730	\$61,730,629
Operating Expenses:			
Purchase Power.....	\$43,226,672	\$6,297,420	\$49,524,092

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Operation and Maintenance.....	4,620,180	259,228	4,879,408
Depreciation.....	1,258,815	8,629	1,267,444
Taxes Other Than FIT and Tn Excise.....	2,340,898	300,917	2,641,815
Tennessee Excise Tax.....	0	32,854	32,854
Federal Income Tax--Current	630,184	-606,762	23,422
--Def. FIT.....	54,622	109,850	164,472
--Def. ITC	142,000	-9,274	132,726
Total Federal Income Tax	\$826,806	-506,185	\$320,621
Total Operating Expenses	\$52,273,371	\$6,392,862	\$58,666,233
Operating Income.....	\$2,635,528	\$428,868	\$3,064,396
Contributions (net of taxes)	-5,607		-5,607
AFUDC	41,717		41,717
Interest on Customer Deposits.....	-15,098		-15,098
Adjusted Operating Income.....	\$2,656,540	\$428,868	\$3,085,408

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KINGSPORT POWER COMPANY**AVERAGE RATE BASE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1983, AS ADJUSTED**

Company		Adjustment	Staff
Additions:			
Electric Plant in Service.....	\$39,818,673	\$257,719	\$40,076,392
Completed Const. not Class	297,827		297,827
Construction Work in Progress	560,564		560,564
Plant Held for Future Use	24,193		24,193
Working Capital Requirement.....	510,246	292,206	802,452
Total Additions.....	\$41,211,503	\$549,925	\$41,761,428
Deductions:			
Accumulated Depreciation	\$11,780,676	\$4,315	\$11,784,991
Customer Deposits.....	468,601		468,601
Contributions in Aid of Const	497,199		497,199
Customer Advances for Const.....	517,382		517,382
Accum. Deferred FIT	61,620	74,304	135,924

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Accum. Deferred ITC.....	807,419		807,419
Accum. Deferred Gain	0	257,987	257,987
Total Deductions.....	\$14,132,897	\$336,606	\$14,469,503
Average Rate Base	\$27,078,606	\$213,319	\$27,291,925

D. Depreciation Rates

The company presented through its witness, John S. Soper, a depreciation study of its electric plant in service as of December 31, 1983. The purpose of the study was to review and recommend appropriate annual depreciation accrual rates for the company to use in computing annual book depreciation. Both the staff and the company adopted the proposed rates as a basis for revenue requirement and incorporated such rates in the company's cost of service. The commission finds that such rates are appropriate and approves the company's use of such rates in keeping its books. Said revised depreciation accrual rates shall be made effective on the first day of the month following the date of this order.

E. Rate of Return and Rate Design

Having determined the appropriate rate base, expense and revenue levels for the test period, we will now consider what rate of return the company should earn on its investment. The supreme court of Tennessee has directed that the company must be given a reasonable opportunity to earn in return [sic] that is within the 'range of reasonableness' in light of evidence in the record and the commission's independent evaluation of the current economic climate. [CF Industries v Tennessee Pub. Service Commission \(Tenn Sup 1980\) 599 SW2d 536](#).

The determination of a rate of return within a 'zone of reasonableness' is a highly subjective decision and among the most difficult of this commission's regulatory responsibilities. Highly qualified expert witnesses studying the same data often reach radically different conclusions as to a utility's cost of capital. It is our duty, however, not simply to choose one expert's opinion or another but to examine the foundations of that opinion, apply our own expertise and judgment, and arrive at a cost of capital which balances the needs of the commission [sic] and its investors with the public interest. See Re [Area Rate Proceeding for Permian Basin \(1968\) 390 US 747, 791, 75 PUR3d 257, 20 L Ed 2d 312, 88 S Ct 1344](#).

In this case, company president John Faust stated at the outset of the hearing that the company would be willing to accept in this case a return on equity of 16 per cent even through [sic] the company's expert witness had recommended a return of 17 per cent. Mr. Faust also asked that the resulting rate increase be imposed primarily on residential users in accordance with the company's cost-of-service studies which indicated that those customers are presently subsidized, to varying degrees, by industrial and commercial customers. Staff witness Hickerson recommended a return on equity of 15.75 per cent based on the same capital structure used by the company (38 per cent equity and 62 per cent debt). Mr. Hickerson also stated that a return of 16 per cent would be within his recommended range and a 'fair' result in this case. Mr. Hickerson offered no testimony on rate design. Arthur Smith, testifying on behalf of Kingsport Power Users Association, said that the association recommended that the commission award the company a 16 per cent return on equity as long as the resulting rate increases were spread evenly across all customer classes. Mr. Smith also pointed to a number of questionable assumptions underlying the company's cost-of-service study and recommended that the commission, at the time of the company's next rate filing, hire an independent consultant to conduct a new such study specifically applicable to Tennessee ratepayers. The staff, in its

Re Kingsport Power Company, 1984 WL 1028458 (1984)

63 P.U.R.4th 524

posthearing brief, recommended in light of the testimony of Mr. Faust, Mr. Hickerson, and Mr. Smith that the commission adopt Mr. Smith's proposed compromise on the issues of rate-of-return and rate design which would result in a revenue award of \$1,086,203.

It is apparent from the testimony and briefs that all parties to this case have reached substantial agreement on these two issues. This agreement is not binding on the commission, however, which must make an independent determination of whether or not a 16 per cent return on equity is fair and reasonable. After examining the testimony of witnesses Hickerson and Barber, the commission finds that a return of 15.75 per cent is more consistent with the earnings of comparable utility companies and a more accurate estimation of the cost of equity capital during the coming year than 16 per cent. The determination of a fair return is hardly an exact science and Mr. Hickerson candidly admitted that a 16 per cent return is a 'fair' result since it falls within the upper limit of his own recommended range. We see no reason, however, to depart from his recommended return of 15.75 per cent merely because the company and intervenors are willing to agree to a 16 per cent return. If 16 per cent is within the 'range of reasonableness,' a return of 15.75 per cent, or 25 basis points less, is not beyond that range. We therefore adopt Mr. Hickerson's recommendation on the cost of equity which results in a revenue award of \$1,038,859.

On the issue of rate design, we agree with Mr. Smith that the company's cost-of-service study--which was not based on actual operations in Tennessee-- is based on several questionable assumptions concerning the allocation of plant costs. While the commission has stated in the past that we will move toward the implementation cost-based rates, we must be assured that those costs are properly allocated among customer classes. We will therefore adopt Mr. Smith's recommendation that, until these questions can be settled by an independent investigation of the company's costs in Tennessee, we direct that the rate increase awarded in this case be spread evenly among the various tariffed groups. We agree and adopt, however, the other tariff changes which were recommended by the company and not opposed by any party.

The company has filed with the commission revised rates consistent with this order. The commission staff has reviewed these tariffs and recommends that we approve them. We therefore will accept the company's tariffs for filing, for service rendered on and after the date of this order.

Footnotes

- 1 In its filing, the company requested a provision for the tax effect of the test-year balance of unbilled revenue to be collected over a three-year period. The company included this adjustment because the Internal Revenue Service (IRS) has established a strong position to include unbilled revenue in taxable income and the company's ratepayers have received the benefits associated with the exclusion from taxable income of unbilled revenue since 1974. The staff has rejected this adjustment on the grounds that resolution of these disallowances by the IRS may not occur for at least three to five years and because it is merely a proposed revenue agent's adjustment. This commission agrees with the staff's elimination of this adjustment at this time. However, this commission recognizes that the company's ratepayers have enjoyed the rate-making benefit of the exclusion from taxable income of unbilled revenue and will consider such an adjustment if this issue is resolved in favor of the IRS position.

Exhibit DND - 4



NORTHEAST TENNESSEE Regional Economic Partnership

Bill To:

Atmos Energy
Attn: John Bradley
2833 West Market Street
Johnson City, TN 37604

3451

Date of Invoice:

July 8, 2020

Due Date:

Due on Receipt

Invoice No:

256

DESCRIPTION	AMOUNT
Atmos Energy's Pledge for FY2020/2021 Northeast Tennessee Regional Economic Partnership	15,000.00
TOTAL	\$ 15,000.00

Please make checks payable to:

Northeast Tennessee Regional Economic Partnership
300 East Main St., Suite 406
Johnson City, TN 37601

Direct all inquiries to:

Ryan Chupa
423-202-3510
email: ryan@northeasttn.com

THANK YOU FOR YOUR SUPPORT!

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

Exhibit DND - 5

DLN: 93493353004358

Form 990

Return of Organization Exempt From Income Tax

OMB No 1545-0047

2017

Open to Public Inspection

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter social security numbers on this form as it may be made public

Information about Form 990 and its instructions is at [www.irs.gov/form990](#)

Department of the Treasury
Internal Revenue Service

A For the 2017 calendar year, or tax year beginning 07-01-2017 , and ending 06-30-2018

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Final return/terminated

☐ Amended return

☐ Application pending

C Name of organization

NORTHEAST TENNESSEE REGIONAL ECONOMIC PARTNERSHIP INC

Doing business as

NETREP

Number and street (or P O box if mail is not delivered to street address)

300 EAST MAIN STREET NO 406

Room/suite

City or town, state or province, country, and ZIP or foreign postal code

JOHNSON CITY, TN 37601

F Name and address of principal officer

MITCH MILLER

300 EAST MAIN STREET

JOHNSON CITY, TN 37601

D Employer identification number

81-4014871

E Telephone number

(423) 202-3510

G Gross receipts \$

1,255,469

I Tax-exempt status

☐ 501(c)(3)

☒ 501(c) (6) ◀ (insert no)

☐ 4947(a)(1) or

☐ 527

J Website: ▶

WWW NORTHEAST COM

K Form of organization

☒ Corporation

☐ Trust

☐ Association

☐ Other ▶

L Year of formation

2017

M State of legal domicile

TN

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities

TO ENHANCE ECONOMIC DEVELOPMENT IN NORTHEAST TENNESSEE

2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a)

21

4 Number of independent voting members of the governing body (Part VI, line 1b)

21

5 Total number of individuals employed in calendar year 2017 (Part V, line 2a)

7

6 Total number of volunteers (estimate if necessary)

0

7a Total unrelated business revenue from Part VIII, column (C), line 12

0

7b Net unrelated business taxable income from Form 990-T, line 34

0

Revenue

8 Contributions and grants (Part VIII, line 1h)

0

10,000

9 Program service revenue (Part VIII, line 2g)

0

1,240,425

10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)

0

0

11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)

0

5,044

12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)

0

1,255,469

Expenses

13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)

0

0

14 Benefits paid to or for members (Part IX, column (A), line 4)

0

0

15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)

0

626,251

16a Professional fundraising fees (Part IX, column (A), line 11e)

0

0

16b Total fundraising expenses (Part IX, column (D), line 25) ▶0

17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)

0

409,033

18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)

0

1,035,284

19 Revenue less expenses Subtract line 18 from line 12

0

220,185

Net Assets or Fund Balances

20 Total assets (Part X, line 16)

134,500

280,407

21 Total liabilities (Part X, line 26)

134,500

60,222

22 Net assets or fund balances Subtract line 21 from line 20

0

220,185

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Sign Here

Signature of officer

2018-12-07

Date

MITCH MILLER CEO

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

MELISSA STEAGALL JONES

Preparer's signature

MELISSA STEAGALL JONES

Date

2018-11-20

Check ☐ if self-employed

PTIN

P01257759

Firm's name ▶

BLACKBURN CHILDERS & STEAGALL PLC

Firm's EIN ▶

62-0647474

Firm's address ▶

801B SUNSET DRIVE

Phone no (423) 282-4511

JOHNSON CITY, TN 376043033

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2017)

**Consumer Advocate
Atmos Energy
Cost of Service
Twelve Months Ended September 30, 2020**

Schedule CA 1

Line No.	Description	Atmos CA 1-08		CA As Adjusted	
		Reference	Amount	Pro-Forma Balance:	
	(a)	(b)	(c)		
1	Cost of Gas	Schedule 3	\$58,864,188	\$58,864,188	1/
2					
3	Operation & Maintenance Expense	Schedule 4	21,639,478	21,335,088	2/
4					
5	Taxes Other Than Income Taxes	Schedule 5	8,706,589	8,706,589	
6					
7	Depreciation & Amortization Expense	Schedule 6	16,000,176	16,000,176	
8					
9	Return	Schedule 7	32,094,495	32,094,495	
10					
11	Federal Income and State Excise Tax	Schedule 8	8,507,346	8,505,732	
12					
13	AFUDC	Atmos Wp 1-2	(866,703)	(866,703)	
14					
15	Interest on Customer Deposits	Atmos Wp 1-1	40,175	40,175	
16					
17	Total Cost of Service		<u>\$ 144,985,744</u>	<u>\$ 144,679,740</u>	
18					
19	Revenue at Present Rates	Sch 11-2, Sch 3	<u>\$ 132,429,231</u>	<u>\$ 132,429,231</u>	
20					
21	Net Revenue Deficiency (Sufficiency) (Line 17- 18)		\$ 12,556,513	\$ 12,250,509	
22	Amortization of EDITL	Atmos WP 7-9	\$ (6,112,798)	\$ (6,112,798)	
23	Annual Reconciliation Revenue Requirement	Schedule 1R	<u>\$ 4,664,356</u>	<u>\$ 4,192,095</u>	
24					
25	Total Revenue Deficiency (Sufficiency)		<u><u>\$ 11,108,072</u></u>	<u><u>\$ 10,329,807</u></u>	

1/ Balances are taken from Atmos Supplemental Schedule 1 unless otherwise noted.

2/ CA Schedule 4

Schedule CA - 1R

[illegible]

**Consumer Advocate
Cost of Service/Atmos Energy
Twelve Months Ended September 30, 2020**

Schedule CA - 1R-1

Line No.	Description	Original Filing Amount	Atmos CA Supplemental 1-08 Reference	Amount	1/ Consumer Advocate As Adjusted
	(a)	(c)	(b)	(c)	
1	Cost of Gas	\$58,864,188	Schedule 3	\$58,864,188	\$58,864,188
2					
3	Operation & Maintenance Expense	21,639,478	Schedule 4	21,639,478	21,335,088 2/
4					
5	Taxes Other Than Income Taxes	8,706,589	Schedule 5	8,706,589	8,706,589
6					
7	Depreciation & Amortization Expense	15,170,284	Schedule 6	15,170,284	15,170,284
8					
9	Return	29,945,193	Schedule 7R	29,930,024	29,930,024
10					
11	Federal Income and State Excise Tax	8,023,594	Schedule 8R	7,794,543	7,792,311 3/
12					
13	AFUDC	(243,837)	Wp 1-2	(866,703)	(866,703)
14					
15	Interest on Customer Deposits	<u>40,175</u>	Wp 1-1	<u>40,175</u>	<u>40,175</u>
16					
17	Total Cost of Service	<u>\$ 142,145,665</u>		<u>\$ 141,278,578</u>	<u>\$ 140,971,957</u>
18					
19					
20	Actual Adjusted Revenue	<u>\$ 137,100,734</u>	Schedule 2	<u>\$ 137,100,734</u>	<u>\$ 137,217,115</u> 4/
21					
22	Net Revenue Deficiency (Sufficiency)	\$ 5,044,931		\$ 4,177,844	\$ 3,754,842
23	Carrying Costs	<u>\$ 587,485</u>	Schedule 9	<u>\$ 486,512</u>	<u>437,253</u>
24	Annual Reconciliation Revenue Requirement	<u>\$ 5,632,416</u>		<u>\$ 4,664,356</u>	<u>\$ 4,192,095</u>

1/ For a reconciliation of the two Atmos schedules, see Supplemental response to Consumer Advocate request 1-08; attachment 2.

2/ CA Schedule 1R

3/ CA Schedule 8R

4/ CA Schedule 2

Consumer Advocate
Atmos Energy Tennessee
Calculation of Pro-Forma Revenue
Docket No. 21-00019

Schedule CA - 2

Line	Description	Amount	
	(a)	(b)	(c)
1	Base period per books revenue (1)	\$ 140,037,791	2/
2			
3	Remove Cost of Service Reserve	(2,223,443)	
4	Remove Reconciliation Revenue	(713,614)	
5	Projected Attrition Year Revenue:		
6	Ongoing Gross Margin	\$ 78,236,546	2/
7	Gas cost	58,864,188	2/
8	Total Per Atmos Schedule 2	<u>\$ 137,100,734</u>	2/
9	Plus: Gain on the Sale of Utility Assets	<u>\$ 116,381</u>	3/
10	Total Revenue per Consumer Advocate	<u><u>\$ 137,217,115</u></u>	

Note:

1/ Twelve months ended September 30, 2020

2/ Amounts per Atmos Supplemental 1-8; Schedule 2

3/ CA Schedule A

**Consumer Advocate
Atmos Energy Tennessee
Calculation of Pro-Forma Purchased Gas Costs
Docket No. 21-00019**

Line No.	Description	Amount
	(a)	(b)
1	Base period per books cost of gas (1)	\$ 60,011,260
2		
3	Adjustments	
4	Net Elimination of Intercompany Leased Storage Property	<u>(1,147,072)</u>
5		
6	Total Adjusted Gas Cost	<u><u>\$ 58,864,188</u></u>

Note:

1. Twelve months ended September 30, 2020

**Consumer Advocate
Atmos Energy Tennessee
Calculation of Pro-Forma O&M Costs
Docket No. 21-00019**

Schedule CA - 4

Line No.	Description (b)	Amount (c)	
1	Base period per books O&M Expense (1)	\$ 21,389,094	2/
2	(with ratemaking adjustments)		
3			
4	Atmos Adjustments to O&M		
5			
6	Inclusion of Barnsley Storage Operating Expense	\$ 250,384	2/
7			
8	Total Atmos Adjusted O&M	\$ 21,639,478	2/
9			
10	Less Consumer Advocate Adjustments:		
11	To remove Supplemental Executive Retirement Benefits	\$ (164,936)	3/
12	To remove Incentive Compensation Expense	\$ (39,051)	4/
13	operations	(16,542)	5/
14	To remove out of period costs	(68,860)	6/
15	To eliminate economic development association dues	(15,000)	7/
16	Consumer Advocate Adjusted O&M Expense	<u>\$ 21,335,088</u>	

2/ Atmos Supplement 1-8; Schedule 4

3/ CA Schedule B

4/ CA Schedule C

5/ CA Schedule D

6/ CA Schedule E

7/ CA Schedule F

Consumer Advocate
Atmos Energy Tennessee
Calculation of Taxes other than Income Taxes
Docket No. 21-00019

Atmos Schedule 5

Line No.	Description (a)	Total (b)
1	Base period per books Other Taxes Expense (1)	\$ 8,666,001
2		
3	Inclusion of Barnsley Storage Other taxes	<u>40,588</u>
4		
5	Adjusted Taxes Other Than Income Taxes	\$ 8,706,589

Note:

1. Twelve months ended September 30, 2020 - Account 408

**Consumer Advocate
Atmos Energy Tennessee
Calculation of Depreciation
Docket No. 21-00019**

Atmos Schedule 6

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Base period per books Depreciation Expense (1)		\$ 15,069,477
2			
3	Adjustment to Reflect Year End Plant Levels		829,892
4			
5	Total Proforma Depreciation Expense	Wp 6-2	\$ 15,899,369
6			
7	Adjustment to reflect Proposed Depreciation Rates		-
8			
9	Total Proforma Depreciation Expense	Wp 6-1	15,899,369
10			
11	Amortization of Deferred Pension Regulated Asset	Wp 7-3	0
12			
13	Net Elimination of Intercompany Leased Property	Wp 3-1	236,397
14			
15	Adjustment for Depreciation Expense on Capitalized Incentive Comp	Wp 7-8	<u>(135,590)</u>
16			
17	Total Depreciation and Amortization Expense, As Adjusted		\$ 16,000,176

Note:

1. Twelve months ended September 30, 2020

**Consumer Advocate
Atmos Energy Tennessee
Rate Base & Return
Twelve Months Ended September 30, 2020**

Atmos Schedule 7

Line No.	Description (a)	Atmos Schedule Reference (c)	Historic Base Period (1) (b)	Consumer Advocate as Adjusted
1	Original Cost of Plant	WP 7-10 WP7-2	\$ 698,819,253	698,819,253
2				
3	Accumulated Depreciation and Amortization	WP7-2	(226,109,537)	(226,109,537)
4				
5	Construction Work in Progress per Books	WP7-2	15,850,710	15,850,710
6				
7	Storage Gas Investment	WP7-2	3,891,363	3,891,363
8				
9	Cash Working Capital	WP 7-5	1,342,668	1,342,668
10				
11	Material & Supplies	WP7-2	80,335	80,335
12				
13	Regulatory Assets/Liabilities (EDITL & Deferral)	WP 7-9	(27,294,830)	(27,294,830)
14				
15	Accumulated Deferred Income Tax	WP 7-2	(45,135,975)	(45,135,975)
16				
17	Customer Advances for Construction	WP7-2	(20,280)	(20,280)
18				
19	Customer Deposits	WP7-2	(1,236,145)	(1,236,145)
20				
21	Accumulated Interest on Customer Deposits	WP7-2	<u>(19,393)</u>	<u>(19,393)</u>
22				
23	Unadjusted Rate Base		\$ 420,168,169	\$ 420,168,169
24				
25	Adjustments:	WP 7-8	(5,491,775)	(5,491,775)
26				
27	Net Elimination of Intercompany Leased Property	WP7-2	\$ 6,511,205	6,511,205
28				
29	Total Rate Base		<u>\$ 421,187,599</u>	<u>421,187,599</u>
30				
31	Atmos Wtd Cost of Capital	Schedule 9	7.62%	7.62%
32				
33	Return at Overall Cost of Capital on Rate Base		<u>\$ 32,094,495</u>	<u>\$ 32,094,495</u>

Note:

1. Twelve months ended September 30, 2020

**Consumer Advocate
Atmos Energy Tennessee
Rate Base and Return
Twelve Months Ended September 30, 2020**

Atmos Schedule 7R

Line No.	Description (a)	Reference (e)	Historic Base Period (1) (b)	Consumer Advocate as Adjusted
1	Original Cost of Plant	WP 7-10 WP7-2	\$ 667,431,221	667,431,221
2				
3	Accumulated Depreciation and Amortization	WP7-2	(221,924,775)	(221,924,775)
4				
5	Construction Work in Progress per Books	WP7-2	18,071,193	18,071,193
6				
7	Storage Gas Investment	WP7-2	3,891,363	3,891,363
8				
9	Cash Working Capital	WP 7-5	1,342,668	1,342,668
10				
11	Material & Supplies	WP7-2	80,335	80,335
12				
13	Regulatory Assets/Liabilities (EDITL & Deferral)	WP 7-9	(27,814,053)	(27,814,053)
14				
15	Accumulated Deferred Income Tax	WP 7-2	(43,600,078)	(43,600,078)
16				
17	Customer Advances for Construction	WP7-2	(20,280)	(20,280)
18				
19	Customer Deposits	WP7-2	(1,236,145)	(1,236,145)
20				
21	Accumulated Interest on Customer Deposits	WP7-2	(19,393)	(19,393)
22				
23	Unadjusted Rate Base		\$ 396,202,055	\$ 396,202,055
24				
25	Adjustments:	WP 7-8	(5,491,775)	(5,491,775)
26				
27	Net Elimination of Intercompany Leased Property	WP7-2	\$ 5,713,880	5,713,880
28				
29	Total Rate Base		<u>\$ 396,424,160</u>	<u>\$ 396,424,160</u>
30				
31	Return at Overall Cost of Capital on Rate Base		<u>\$ 29,930,024</u>	<u>\$ 29,930,024</u>

Note:

1. Twelve months ended September 30, 2020

Consumer Advocate
Atmos Energy Tennessee
Computation of State Excise & Income Taxes
Twelve Months Ended September 30, 2020

Schedule CA - 8

		Atmos Supplemental Schedule 8		Consumer Advocate Adjusted
Line No.	Description	Base Period (1)		
1	Required Return	\$	32,094,495	\$ 32,094,495 /2
2	Current Return	\$	<u>22,868,548</u>	<u>\$ 23,093,386</u> /3
3	Pre-Tax Deficiency from Current Return (Line 1 - 2)		9,225,947	9,001,109
4	Tax Expansion Factor		<u>1.3610</u>	<u>1.3610</u> /4
5	After-Tax Deficiency from Current Return		12,556,514	12,250,509
6	Tax Liability Increase / Decrease (Ln 5 - Ln 3)		3,330,567	3,249,400
7	Current Tax Liability	\$	<u>5,176,780</u>	<u>\$ 5,256,332</u> /3
8	Income Tax Liability (Lines 6 + 7)	\$	8,507,346	\$ 8,505,732
9	Less: ITC Amortization		<u>-</u>	<u>-</u>
10	Total Income Tax Liability		<u>8,507,346</u>	<u>8,505,732</u>

Note:

1. Twelve months ended September 30, 2020

/2 Schedule 7

/3 CA Schedule 10

/4 Atmos Schedule 8-2

**Consumer Advocate
Atmos Energy Tennessee
Computation of State Excise & Income Taxes
Twelve Months Ended September 30, 2020**

Schedule CA - 8R

Line No.	Description	Atmos Supplemental Schedule 8R		CA Adjusted Test Period
		Base Period (1)		
	(a)	(c)	(d)	
1	Required Return	\$ 29,930,024	\$ 29,930,024	
2	Current Return	\$ 26,860,337	\$ 27,171,140	2/
3	Pre-Tax Deficiency from Current Return	3,069,687	2,758,884	
4	Tax Expansion Factor	1.3610	1.3610	3/
5	After-Tax Deficiency from Current Return	4,177,844	3,754,842	
6	Tax Liability Increase / Decrease (Ln 5 - Ln 3)	1,108,157	995,957	
7	Current Tax Liability	\$ 6,686,386	\$ 6,796,354	4/
8	Income Tax Liability (Line 6 +7)	\$ 7,794,543	\$ 7,792,311	
9	Less: ITC Amortization	-	-	
10	Total Income Tax Liability	7,794,543	7,792,311	
11	Decrease in Tax Liability		(2,232)	

Note:

1. Twelve months ended September 30, 2020

2/ CA Schedule 10R

3/ Atmos Schedule 8-2

Consumer Advocate
Atmos Energy Tennessee
Calculation of Cost of Capital
Docket No. 21-00019

Atmos Schedule 9

Line No.	Description	Percent	Cost Rate	Overall Cost of Capital
	(a)	(b)	(c)	(d)
1	Long Term Debt Capital	39.96%	4.29%	1.72%
2	Short Term Debt	0.17%	17.10%	0.03%
3	Equity Capital	<u>59.88%</u>	9.80%	<u>5.87%</u>
4				
5	Rate of Return	<u><u>100.0%</u></u>		<u><u>7.62%</u></u>

**Consumer Advocate
Atmos Energy Tennessee
Calculation of Cost of Capital
Docket No. 21-00019**

Atmos Schedule 9R

Line No.	Description	Percent	Cost Rate	Overall Cost of Capital
	(a)	(b)	(c)	(d)
1	Long Term Debt Capital	41.03%	4.29%	1.76%
2	Short Term Debt	0.18%	17.10%	0.03%
3	Equity Capital	<u>58.79%</u>	9.80%	<u>5.76%</u>
4				
5	Rate of Return	<u><u>100.0%</u></u>		<u><u>7.55%</u></u>

**Consumer Advocate
Atmos Energy Tennessee
Calculation of Rate of Return
Docket No. 21-00019**

Schedule CA - 10

**Atmos
Supplemental
Schedule 8**

Line No.	Description	Reference	Historic Base Period (1)	Change	Consumer Advocate Adjusted Base Period	
	(a)	(b)	(c)	(d)	(e)	1/
1	Total Revenues	Sch. 1	\$ 132,429,231	\$ 0	\$ 132,429,231	
2						
3	Gas Cost	Sch. 3	58,864,188	0	58,864,188	
4						
5	Operation & Maintenance Expense	Sch. 1	21,639,478	(304,389)	21,335,088	2/
6						
7	Taxes Other Than Income Taxes	Sch. 5	8,706,589	-	8,706,589	
8						
9	Depreciation & Amortization Expense	Sch. 1	16,000,176	-	16,000,176	
10						
11	Federal Income and State Excise Tax	WP 10-1	5,176,780	79,552	5,256,332	3/
12						
13	Interest on Customer Deposits	Sch. 1	40,175	-	40,175	
14						
15	AFUDC Interest credit	WP 1-2	(866,703)	-	(866,703)	
16						
17	Return on Rate Base		<u>\$ 22,868,549</u>		<u>\$ 23,093,386</u>	
18						
19	Total Rate Base	Sch. 7	\$ 421,187,599		\$ 421,187,599	
20						
21	Rate of Return on Rate Base		5.43%		5.48%	
22						
23	Interest Expense	Sch. 9, Sch. 7	7,370,783		7,370,783	
24						
25						
26	Return on Equity		<u>\$ 15,497,766</u>		<u>\$ 15,722,603</u>	
27						
28	Rate of Return on Equity		6.15%		6.23%	

Note:

1. Twelve months ended September 30, 2020

1/ Balances are from Atmos referenced schedules unless otherwise noted.

2/ CA Schedule 1

3/ CA Schedule 10-1

Consumer Advocate
Atmos Energy Tennessee
Computation of State Excise and Federal Income Taxes for Schedule 10
Twelve Months Ended September 30, 2020

Schedule CA - 10-1

Line No.	Description	Tax Rate	Historic Base Period (1)	Change	Adjusted Amount
	(a)	(b)	(c)	(d)	(e)
1	Net Operating Income Before Income Tax		\$ 27,178,625	\$ 304,390	\$ 27,483,015 2/
2					
3	Interest Deduction		7,370,783	-	7,370,783
4					
5	Equity Portion of Return (Line 1 - 2)		\$ 19,807,842	304,390	\$ 20,112,232
6					
7	Application of Tax Rate to Equity Return - Tennessee	6.5%	1,287,510	19,785	1,307,295
8					
9	Application of Tax Rate to Equity Return - Federal	21%	3,889,270	59,767	3,949,037
10					
11	Income Tax Expense		\$ 5,176,780	79,552	\$ 5,256,332
12					
13	Less: ITC Amortization		-		-
14					
15	Total Income Tax Liability		\$ 5,176,780		\$ 5,256,332

Note:

1. Twelve months ended September 30, 2020

2/ Calculated from CA Schedule 10; excludes AFUDC and Income Taxes

**Consumer Advocate
Atmos Energy Tennessee
Rate of Return
Twelve Months Ended September 30, 2020**

Schedule CA - 10R

**Atmos
Supplemental
Schedule 10R**

Line No.	Description	Reference	Historic Base Period (1)	Rate-making Adjustments	CA Adjusted Test Period
	(a)	(b)	(c)	(d)	(e)
1	Total Revenues	Sch. 1R	\$ 137,100,734	116,381 2/	\$ 137,217,115
2					
3	Gas Cost	Sch. 3	58,864,188	2/	\$ 58,864,188
4					
5	Operation & Maintenance Expense	Sch. 1R	21,639,478	(304,389) 2/	\$ 21,335,088
6					
7	Taxes Other Than Income Taxes	Sch. 5	8,706,589	2/	\$ 8,706,589
8					
9	Depreciation & Amortization Expense	Sch. 1R	15,170,284	2/	\$ 15,170,284
10					
11	Federal Income and State Excise Tax	Wp 10-1R	6,686,386	109,968 3/	6,796,354
12					
13	Interest on Customer Deposits	Sch. 1R	40,175		\$ 40,175
14					
15	AFUDC Interest credit	WP 1-2	(866,703)		(866,703)
16					
17	Return on Rate Base		<u>\$ 26,860,337</u>	<u>\$ 310,802</u>	<u>\$ 27,171,140</u>
18					
19	Total Rate Base	Sch. 7R	\$ 396,424,160		\$ 396,424,160
20					
21	Rate of Return on Rate Base		6.78%		6.85%
22					
23	Interest Expense	Sch. 9R, Sch. 7R	7,095,992		7,095,992
24					
25	Return on Equity (Line 17 - 23)		<u>\$ 19,764,345</u>		<u>\$ 20,075,147</u>

Note:

1. Twelve months ended September 30, 2020

2/ CA Schedule 1R

3/ CA Schedule 10-1R

Consumer Advocate
Atmos Energy Tennessee
Computation of State Excise and Federal Income Taxes for Sch 10
Twelve Months Ended September 30, 2020

Schedule CA - 10R-1

Atmos
Supplemental
Schedule 10-1R

Line No.	Description	Tax Rate	Historic Base Period (1)	Ratemaking Adjustments	CA Adjusted Test Period
	(a)	(b)	(c)	(d)	(e)
1	Net Operating Income Before Income Tax		\$ 32,680,020	\$ 420,770	\$ 33,100,791
2					
3	Interest Deduction		7,095,992		7,095,992
4					
5	Equity Portion of Return		\$ 25,584,028		\$ 26,004,798
6					
7	Application of Tax Rate to Equity Return - Tennessee	6.5%	1,662,962		1,690,312
8					
9	Application of Tax Rate to Equity Return - Federal	21%	5,023,424		5,106,042
10					
11	Income Tax Expense (Line 7 + 9)		\$ 6,686,386		\$ 6,796,354
12					
13	Less: ITC Amortization		-		-
14					
15	Total Income Tax Liability		\$ 6,686,386	\$ 109,968	\$ 6,796,354

Note:

1. Twelve months ended September 30, 2020

2/ Calculated from CA Schedule 10R; excludes AFUDC and Income Taxes

**Consumer Advocate
Atmos Energy Tennessee
Calculation of Base Rate Target Revenue
Docket No. 21-00019**

Schedule CA - 11

Line No.	Item	Atmos	Consumer Advocate	
1	Revenue at Present Rates	\$ 132,429,231	\$ 132,429,231	1/
2	Plus: Revenue Deficiency	11,108,072	10,329,807	1/
3	Less: Gas Costs	(58,864,188)	(58,864,188)	1/
4	Less: Forfeited Discounts	(341,903)	(341,903)	2/
5	Less: Miscellaneous Service Charges	<u>(294,382)</u>	<u>(294,382)</u>	2/
6	Target Base Revenue (Lines 1 through 5)	\$ 84,036,830	\$ 83,258,565	
7	Less revenue at present rates 11-2	<u>\$ (72,928,759)</u>	<u>\$ (72,928,759)</u>	2/
8	Net Rate Increase (Line 7 - 6)	<u>\$ 11,108,071</u>	<u>\$ 10,329,806</u>	
9	Target Base Revenue (Line 6)	\$ 84,036,830	\$ 83,258,565	
10	Less: Special Contracts Revenue	<u>\$ (919,014)</u>	<u>\$ (919,014)</u>	3/
11	Subtotal Revenue Excluding -Special Contracts	\$ 83,117,816	\$ 82,339,551	
12	Subtotal Current Revenue Non-Special Contracts (Line 7 - Line 10)	<u>\$ 72,009,745</u>	<u>\$ 72,009,745</u>	
13	Rate Increase Percentage (Line 11 / Line 12)	15.43%	14.35%	

1/ CA Schedule 1

2/ Atmos response to CA 1-08 Supplemental; Schedule 11-2; lines 97-100, excel row R

3/ Atmos Schedule 11-2, cell R107

Consumer Advocate
Atmos Energy Tennessee
Proof of Revenue
Docket No. 21-00019

Schedule CA - 11-1

Line No.	Description	Atmos Schedule 11-2				CA Proposed Rates		CA Pro-Forma Revenue		Total Revenue
		Adjusted Base Count	Adjusted Volumes Mcf	Current Rates		Customer Charge	Commodity Rate	Customer Charge	Commodity Rate	(j)
	(a)	(b)	c	(d)	e	(f)	(g)	(h)	(i)	
1	RESIDENTIAL									
2	210 Residential Gas Service (Summer) & Public Authority	674,823	1,193,317	\$15.65	\$1.214	17.895	1.3884	\$ 12,075,958	\$ 1,656,801	\$ 13,732,759
3	210 Residential Gas Service (Winter) (weather sensitive) and Public Authority	937,384	7,287,282	\$17.65	\$1.214	20.182	1.3884	18,918,284	10,117,662	29,035,946
4	210 Residential Gas Service Senior Citizen (Summer)	383	433	\$0.00	\$1.214		1.3884		601	601
5	210 Residential Gas Service Senior Citizen (Winter) (weather sensitive)	629	3,816	\$0.00	\$1.214		1.3884		5,298	5,298
6	211 Residential/Sm. Commercial/Industrial Heating & Cooling Service	3	34	\$14.75	\$0.751	16.866	0.8583	51	30	80
7	Total Residential	1,613,222	8,484,882					30,994,292	11,780,392	42,774,684
8										
9	COMMERCIAL									
10	211 Residential/Sm. Commercial/Industrial Heating & Cooling Service	0	0	14.75	0.751	16.866	0.8583	-	-	-
11	220 Commercial Gas Service (weather sensitive)	205,524	5,589,618	36.75	2.458	42.022	2.8109	8,636,530	15,711,857	\$ 24,348,387
12	230 Large Commercial Gas Service (weather sensitive)	0	0	405.00	2.151	463.097	2.4592	-	-	-
13	250 Commercial Interruptible Gas Service	0	0	425.00				-	-	-
14	Block 1 Volumes	0	0		1.206		1.3791	-	-	-
15	Block 2 Volumes	0	0		0.799		0.9134	-	-	-
16	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
17	293 Large Tonnage Air Conditioning Gas Service	12	0	36.75		42.022		504		504
18	Block 1 Volumes	0	12,983		1.206		1.3791	-	17,904	17,904
19	Block 2 Volumes	0	4,430		0.799		0.9134	-	4,046	4,046
20	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
21	Total Commercial	205,536	5,607,030			0		-	-	24,370,841
22								-	-	-
23	INDUSTRIAL									
24	220 Industrial Gas Service (weather sensitive)	3,862	638,381	36.75	2.458	42.022	2.8109	162,289	1,794,425	1,956,714
25	230 Large Industrial Gas Service	87	83,384	405.00	2.151	463.097	2.4592	40,289	205,057	245,347
26	240 DEMAND/COMM GS	0	0	425.00		485.966		-	-	-
27	Block 1 Volumes	0	0		1.206		1.3791	-	-	-
28	Block 2 Volumes	0	0		0.799		0.9134	-	-	-
29	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
30	Demand Volumes	0	0		16.283		18.6188	-	-	-
31	250 Industrial Interruptible Gas Service	211	0	425.00		485.966		102,539	-	102,539
32	Block 1 Volumes	0	203,946		1.206		1.3791	-	281,263	281,263
33	Block 2 Volumes	0	597,025		0.799		0.9134	-	545,322	545,322
34	Block 3 Volumes	0	86,034		0.370		0.4231	-	36,401	36,401
35	250/240/280 Industrial/Demand/Economic Dev	0	0	425.00		485.966		-	-	-
36	Block 1 Volumes	0	0		1.206		1.3791	-	-	-
37	Block 1 Volumes @ Discount Rate	0	0		0.905		1.0343	-	-	-
38	Block 2 Volumes	0	0		0.799		0.9134	-	-	-
39	Block 2 Volumes @ Discount Rate	0	0		0.599		0.685	-	-	-
40	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
41	Block 3 Volumes @ Discount Rate	0	0		0.278		0.3173	-	-	-
42	Demand Volumes	0	0		16.283		18.6188	-	-	-
43	Demand Volumes @ Discount Rate	0	0		12.212		13.9641	-	-	-
44	280/250 Economic Development Gas Service	12	0	425.00		485.966		5,832	-	5,832
45	Block 1 Volumes	0	0		1.206		1.3791	-	-	-
46	Block 1 Volumes @ Discount Rate	0	24,000		0.905		1.0343	-	24,823	24,823
47	Block 2 Volumes	0	0		0.799		0.9134	-	-	-
48	Block 2 Volumes @ Discount Rate	0	29,204		0.599		0.685	-	20,005	20,005
49	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
50	Block 3 Volumes @ Discount Rate	0	0		0.278	0	0.3173	-	-	-
51	292 Cogeneration, CNG, Prime Movers Service	12	0	36.75		42.022		504	-	504
52	Block 1 Volumes	0	3,048		1.206		1.3791	-	4,204	4,204
53	Block 2 Volumes	0	0		0.799		0.9134	-	-	-
54	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
55	Total Industrial	4,184	1,665,022					-	-	3,222,953
56								-	-	-
57	PUBLIC AUTHORITY									
58	221 Experimental School Gas Service	36	23,978	36.75	1.195	42.022	1.3666	1,513	32,768	34,281
59								-	-	-
60								-	-	-
61	TRANSPORTATION									
62	260 - TRANSP (220 SML COM/INDG)	122	117,684	425.00	2.458	485.966	2.8109	59,288	330,797	390,085
63	260 - TRANSP (230 LRG COM/INDG)	537	1,471,941	425.00	2.151	485.966	2.4592	260,964	3,619,796	3,880,760
64	260 - TRANSP (240 DEMAND)	60	0	425.00		485.966		29,158	-	29,158
65	Block 1 Volumes	0	120,308		1.206		1.3791	-	165,917	165,917
66	Block 2 Volumes	0	262,460		0.799		0.9134	-	239,731	239,731
67	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
68	Demand Volumes	0	20,573		16.283		18.6188	-	383,037	383,037
69	260 - TRANSP (250 OPT GS)	648	0	425.00		485.966		314,906	-	314,906
70	Block 1 Volumes	0	1,262,940		1.206		1.3791	-	1,741,720	1,741,720
71	Block 2 Volumes	0	5,131,808		0.799		0.9134	-	4,687,393	4,687,393
72	Block 3 Volumes	0	246,099		0.370		0.4231	-	104,124	104,124
73	260 - TRANSP (280/240 ECON DEV/DEMAND)	0	0	425.00		485.966		-	-	-
74	Block 1 Volumes	0	0		1.206		1.3791	-	-	-
75	Block 1 Volumes @ Discount Rate	0	0		0.905		1.0343	-	-	-
76	Block 2 Volumes	0	0		0.799		0.9134	-	-	-
77	Block 2 Volumes @ Discount Rate	0	0		0.599		0.685	-	-	-
78	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
79	Block 3 Volumes @ Discount Rate	0	0		0.278		0.3173	-	-	-
80	Demand Volumes	0	0		16.283		18.6188	-	-	-
81	Demand Volumes @ Discount Rate	0	0		12.212		13.9641	-	-	-
82	260 - TRANSP (280/250 ECON DEV - OPT GS)	0	0	425.00		485.966		-	-	-
83	Block 1 Volumes	0	0		1.206		1.3791	-	-	-
84	Block 1 Volumes @ Discount Rate	0	0		0.905		1.0343	-	-	-
85	Block 2 Volumes	0	0		0.799		0.9134	-	-	-
86	Block 2 Volumes @ Discount Rate	0	0		0.599		0.685	-	-	-
87	Block 3 Volumes	0	0		0.370		0.4231	-	-	-
88	Block 3 Volumes @ Discount Rate	0	0		0.278		0.3173	-	-	-
89	SPECIAL CONTRACTS	24	2,779,457					-	-	919,014
90	Total Transportation	1,391	11,392,696					-	-	12,855,847
91								-	-	-
92	TOTALS (Excludes Demand Volumes)	1,824,369	27,173,609					-	-	83,258,605

**Consumer Advocate
Atmos Energy Tennessee
Comparison of Tariff Rates
Docket No. 21-00019**

		Updated Atmos Filing Supplemental 1-08; Schedule 11-4		Original Atmos Filing Schedule 11-3		Update Atmos Filing Supplemental 1-08; Sch 11-3		Consumer Advocate CA Schedule 11	
Line No.	Description	Rates effective Sep 20 Monthly Customer chg	Commodity Charge/Mcf	Proposed Cust Charge	Proposed Commodity Charge	Proposed Cust Charge	Proposed Commodity Charge	Proposed Cust Charge	Proposed Commodity Charge
	(a)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)
1	<u>Rate Schedule 210/225</u>								
2	210/225 SUMMER	\$15.65	\$1.214	18.40	1.468	18.25	1.404	17.895	1.3884
3	210/225 WINTER (weather sensitive)	\$17.65	\$1.214	20.60	1.468	20.25	1.404	20.182	1.3884
4	210/225 SR CIT	\$0.00	\$1.214	0.00	1.468	0.00	1.404	0.00	1.3884
5	Total 210/225	\$0.00	\$1.214						
6									
7	<u>Rate Schedule 211</u>								
8	211 HVAC	\$14.75	\$0.751	17.35	0.891	17.00	0.870	16.866	0.8583
9									
10	<u>Rate Schedule 220</u>								
11	220 Commercial / Industrial Gas Service	36.75	2.458	43.30	2.907	42.25	2.846	42.022	2.8109
12	220 Transportation (see 250 for commodity rates)	425.00	2.458	485.25	2.907	455.00	2.846	463.097	2.4592
13	Total 220								
14									
15	<u>Rate Schedule 221</u>								
16	221 Experimental School Gas Service	36.75	1.195	43.30	1.412	42.25	1.381	42.022	1.3666
17									
18	<u>Rate Schedule 230</u>								
19	230 Large Commercial / Industrial Gas Service	405.00	2.151	463.20	2.547	455.00	2.497	463.097	2.459
20	230 Transportation	425.00	2.151	485.25	2.547	455.00	2.497	485.966	2.4592
21	Total 230								
22									
23	<u>Rate Schedule 240/250/280/292/293</u>								
24	240 Demand/Commodity Gas Service	425.00		485.25		455.00		485.966	
25	Block 1 Volumes		1.206		1.427		1.399		1.3791
26	Block 2 Volumes		0.799		0.945		0.926		0.9134
27	Block 3 Volumes		0.370		0.438		0.429		0.4231
28	Demand Volumes			16.283				16.283	
29	250 Interruptible Gas Service	425.00		485.25		455.00		485.966	
30	Block 1 Volumes		1.206		1.427		1.399		1.3791
31	Block 2 Volumes		0.799		0.945		0.926		0.9134
32	Block 3 Volumes		0.370		0.438		0.429		0.4231
33	280 ECON DEV - OPT GS	425.00		485.25		455.00		485.966	
34	Block 1 Volumes		1.206		1.427		1.399		1.3791
35	Block 1 Volumes @ Discount Rate		0.905		1.070		1.049		1.0343
36	Block 2 Volumes		0.799		0.945		0.926		0.9134
37	Block 2 Volumes @ Discount Rate		0.599		0.709		0.695		0.6850
38	Block 3 Volumes		0.370		0.438		0.429		0.4231
39	Block 3 Volumes @ Discount Rate		0.278		0.328		0.322		0.3173
40	292 Cogeneration, CNG, Prime Movers Service	36.75		43.30		42.25		42.022	
41	Block 1 Volumes		1.206		1.427		1.399		1.3791
42	Block 2 Volumes		0.799		0.945		0.926		0.9134
43	Block 3 Volumes		0.370		0.438		0.429		0.4231
44	293 Large Tonnage Air Conditioning Gas Service	36.75		43.30		42.25		42.02	
45	Block 1 Volumes		1.206		1.427		1.399		1.3791
46	Block 2 Volumes		0.799		0.945		0.926		0.9134
47	Block 3 Volumes		0.370		0.438		0.429		0.4231
48	Total 240/250/280/292/293								

**Consumer Advocate
Atmos Energy Tennessee
Listing of Proposed Adjustments
Docket No. 21-00019**

CA Adjustment Summary

<u>Line Item</u>	<u>Item</u>	<u>Classification</u>	<u>Amount</u>	<u>CA Schedule Reference</u>
1	Operating Revenue - To recognize Gain on the Sale of Utility Assets	Other Income	\$ 116,381	CA Schedule A
2	To remove Supplemental Executive Retirement	Operating Expenses	\$ (164,936)	CA Schedule B
3	To remove Incentive Compensation Expense	Operating Expenses	\$ (39,051)	CA Schedule C
4	To correct the assignment of legal costs to Tennessee operations	Operating Expenses	\$ (16,542)	CA Schedule D
5	To remove out of period costs	Operating Expenses	\$ (68,860)	CA Schedule E
6	To eliminate economic development association dues	Operating Expenses	\$ (15,000)	CA Schedule F

**Consumer Advocate
Atmos Energy Tennessee
Adjustment to Revenue
Docket No. 21-00019**

Schedule CA - A

Line No.	Item	Gain Amount	Reference
1	Land - Columbia TN	\$ -	DR 1-3; Attachment 1; PDF p. 1; Gain is associated with non-utility plant and thus is not subject to assignment to
2	Morristown TN Service Center	\$ 116,381	DR 1-3; Attachment 1; PDF p. 2
3	Total Gain	<u>\$ 116,381</u>	

Consumer Advocate
Atmos Energy Tennessee
Calculation of Supplemental Executive Benefit Costs
Docket No. 21-00019

Schedule CA - B

Line No.	Sub Account	Sub Account Description	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	FY 2020
1	07489	NQ Retirement Cost	2,746	2,746	2,746	2,746	2,746	2,746	2,746	2,746	2,746	2,746	2,975	2,770	33,202
2	07492	NSC-NQ Retirement Cost	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	1,825	2,200	1,997	22,447
3	07490	SERP Capitalized	(1,538)	(1,538)	(1,538)	(1,538)	(1,538)	(1,538)	(1,538)	(1,538)	(1,538)	(1,538)	(1,666)	(1,551)	(18,593)
4	07493	NSC-SERP Capitalized	(256)	(256)	(256)	(256)	(256)	(256)	(256)	(256)	(256)	(256)	(466)	(353)	(3,380)
5	Kentucky/Mid-States Division Net Expense		2,777	2,777	2,777	2,777	2,777	2,777	2,777	2,777	2,777	2,777	3,043	2,864	33,676
6	Tennessee Allocation Percentage		40.81%	40.81%	40.81%	40.81%	40.81%	40.81%	40.81%	40.81%	40.81%	40.81%	40.81%	40.81%	40.81%
7	Tennessee Net Expense		1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,242	1,169	13,743

	Sub Account	Sub Account Description	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	FY 2020
8	07489	NQ Retirement Cost	79,622	91,587	79,622	70,000	79,622	80,058	76,842	79,622	79,622	79,622	89,247	81,826	967,292
9	07492	NSC-NQ Retirement Cost	627,250	627,250	627,250	627,250	627,250	627,250	627,250	627,250	627,250	9,807,245	526,411	556,295	16,535,198
10	Shared Services Gross Cost		706,872	718,837	706,872	697,250	706,872	707,308	704,092	706,872	706,872	9,886,867	615,658	638,121	17,502,490
11	Shared Services Capitalized Overhead		(565,851)	(575,429)	(565,851)	(558,148)	(565,851)	(566,200)	(563,626)	(565,851)	(565,851)	(7,914,437)	(492,834)	(510,816)	(14,010,743)
12	Shared Services Net Expense		141,021	143,408	141,021	139,101	141,021	141,108	140,466	141,021	141,021	1,972,430	122,824	127,305	3,491,747
13	Tennessee Allocation Percentage		4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
14	Tennessee Net Expense		6,106	6,210	6,106	6,023	6,106	6,110	6,082	6,106	6,106	85,406	5,318	5,512	151,193
15	Total SERP Expense Allocated to Tennessee		7,239	7,343	7,239	7,156	7,239	7,243	7,215	7,239	7,239	86,539	6,560	6,681	164,936

Consumer Advocate
Atmos Energy Tennessee
Calculation of Supplemental Executive Benefit Costs
Docket No. 21-00019
Docket 14-00146 Response to CAPD_1-019_Att1

Schedule CA - B-1

Atmos Energy Corporation
TN FY 2012, FY 2013, FY 2014 FAS 87 Expense and Capital
Dallas Atmos Rate Division - 002DIV

Line No.		Fiscal 2012 Activity October	Fiscal 2012 Activity November	Fiscal 2012 Activity December	Fiscal 2012 Activity January	Fiscal 2012 Activity February	Fiscal 2012 Activity March	Fiscal 2012 Activity April	Fiscal 2012 Activity May	Fiscal 2012 Activity June	Fiscal 2012 Activity July	Fiscal 2012 Activity August	Fiscal 2012 Activity September	Fiscal 2012 Total September
1	Expense - Pension Account Plan	0.00	0.00	1,483,089.09	291,465.57	(212,172.22)	198,210.81	309,717.55	300,517.14	280,796.30	291,078.41	250,585.67	339,733.59	3,533,021.91
2	Expense - NonQualified Plan for Retirees													-
3	Expense - SEBP Qualified Plan for Retirees (1)	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	632,154.50	7,585,854.00
4	Total FAS 87 Expense	632,154.50	632,154.50	2,115,243.59	923,620.07	419,982.28	830,365.31	941,872.05	932,671.64	912,950.80	923,232.91	882,740.17	971,888.09	11,118,875.91
5	Capital - Pension Account Plan	14,715.35	15,640.87	25,510.40	38,001.72	58,033.88	113,151.40	54,411.03	66,139.35	71,826.37	38,442.67	67,266.71	18,509.05	581,648.80
6	Total FAS 87 Capital	14,715.35	15,640.87	25,510.40	38,001.72	58,033.88	113,151.40	54,411.03	66,139.35	71,826.37	38,442.67	67,266.71	18,509.05	581,648.80
7	Total FAS 87 Gross Cost Fiscal	646,869.85	647,795.37	2,140,753.99	961,621.79	478,016.16	943,516.71	996,283.08	998,810.99	984,777.17	961,675.58	950,006.88	990,397.14	11,700,524.71
		Fiscal 2013 Activity October	Fiscal 2013 Activity November	Fiscal 2013 Activity December	Fiscal 2013 Activity January	Fiscal 2013 Activity February	Fiscal 2013 Activity March	Fiscal 2013 Activity April	Fiscal 2013 Activity May	Fiscal 2013 Activity June	Fiscal 2013 Activity July	Fiscal 2013 Activity August	Fiscal 2013 Activity September	Fiscal 2013 Total September
8	Expense - Pension Account Plan	289,386.45	322,344.83	316,828.57	286,774.20	281,175.00	264,404.56	281,754.53	330,415.09	343,030.72	310,106.90	316,845.03	346,634.18	3,689,700.06
9	Expense - NonQualified Plan for Retirees													-
10	Expense - SEBP Qualified Plan for Retirees (1)	745,545.75	745,545.75	745,545.75	745,545.75	745,103.92	747,586.52	2,874,951.07	690,801.08	701,404.55	708,658.51	699,301.08	690,801.08	10,840,790.81
11	Total FAS 87 Expense	1,034,932.20	1,067,890.58	1,062,374.32	1,032,319.95	1,026,278.92	1,011,991.08	3,156,705.60	1,021,216.17	1,044,435.27	1,018,765.41	1,016,146.11	1,037,435.26	14,530,490.87
12	Capital - Pension Account Plan	50,645.08	33,820.40	42,119.28	27,663.09	56,893.46	48,315.23	29,965.00	(21,326.08)	5,485.73	4,180.83	4,099.55	8,478.92	290,340.49
13	Total FAS 87 Capital	50,645.08	33,820.40	42,119.28	27,663.09	56,893.46	48,315.23	29,965.00	(21,326.08)	5,485.73	4,180.83	4,099.55	8,478.92	290,340.49
14	Total FAS 87 Gross Cost Fiscal	1,085,577.28	1,101,710.98	1,104,493.60	1,059,983.04	1,083,172.38	1,060,306.31	3,186,670.60	999,890.09	1,049,921.00	1,022,946.24	1,020,245.66	1,045,914.18	14,820,831.36
		Fiscal 2014 Activity October	Fiscal 2014 Activity November	Fiscal 2014 Activity December	Fiscal 2014 Activity January	Fiscal 2014 Activity February	Fiscal 2014 Activity March	Fiscal 2014 Activity April	Fiscal 2014 Activity May	Fiscal 2014 Activity June	Fiscal 2014 Activity July	Fiscal 2014 Activity August	Fiscal 2014 Activity September	Fiscal 2014 Total September
15	Expense - Pension Account Plan	273,087.54	310,104.82	296,473.66	273,919.08	310,613.53	291,484.71	294,106.64	283,614.81	307,341.46	278,734.06	293,964.41	288,618.08	3,502,062.80
16	Expense - NonQualified Plan for Retirees													-
17	Expense - SEBP Qualified Plan for Retirees (1)	5,238,932.16	689,400.33	720,201.34	707,956.85	699,902.33	694,955.86	710,773.71	695,401.33	693,583.10	712,182.71	694,651.33	699,651.33	12,957,592.38
18	Total FAS 87 Expense	5,512,019.70	999,505.15	1,016,675.00	981,875.93	1,010,515.86	986,440.57	1,004,880.35	979,016.14	1,000,924.56	990,916.77	988,615.74	988,269.41	16,459,655.18
19	Capital - Pension Account Plan	2,407.74	4,239.29	6,010.07	4,821.98	8,229.43	8,595.96	7,492.32	12,817.14	6,929.82	7,501.49	8,874.66	8,852.24	86,772.13
20	Total FAS 87 Capital	2,407.74	4,239.29	6,010.07	4,821.98	8,229.43	8,595.96	7,492.32	12,817.14	6,929.82	7,501.49	8,874.66	8,852.24	86,772.13
21	Total FAS 87 Gross Cost Fiscal	5,514,427.44	1,003,744.44	1,022,685.07	986,697.91	1,018,745.29	995,036.53	1,012,372.67	991,833.28	1,007,854.38	998,418.26	997,490.40	997,121.65	16,546,427.31

(1) Recorded in cost center 1908, account 9260, sub account 07489.

(2) Excludes direct charges out to other BU's

Consumer Advocate
Atmos Energy Tennessee
Calculation of Supplemental Executive Benefit Costs
Docket No. 21-00019

Schedule CA - B-2

Information below taken directly from workpapers in Docket 14-00146

CAPD WP E-0-02
 PRINTED ON 4/1/2021 10:25
 ATMOS ENERGY CORP. (14-00146)
 DIVISION 02 DISALLOWED-MATRIX

Period	A/ 2008-2009	A/ 2009-2010	A/ 2010-2011	A/ 2011-2012	A/ 2012-2013	A/ 2013-2014	A/ 2014-2015
July		633,544	572,802	549,895	363,296	432,282	382,459
August		627,933	651,020	597,221	388,201	409,675	375,079
September		861,451	336,198	(7,222)	3,281,387	7,815,689	718,823
October	1,149,774	1,196,252	1,236,025	1,238,913	1,016,927	1,314,433	
November	1,659,424	1,560,198	1,560,078	1,636,190	1,928,976	2,123,484	
December	2,318,109	1,840,604	1,592,631	1,811,364	1,910,880	2,111,120	
January	2,047,222	2,115,780	2,050,799	2,147,607	2,538,599	2,699,306	
February	1,575,928	1,379,285	1,410,707	1,364,659	1,636,416	1,202,628	
March	206,290	460,724	373,728	682,176	323,132	9,677,492	
April	515,774	466,309	394,563	511,053	2,461,937	(3,775,243)	
May	1,190,970	1,141,445	1,195,660	964,994	404,578	4,864,338	
June	606,723	322,368	550,894	6,088,466	964,956	1,275,645	
12 Month Total	11,270,215	12,605,895	11,925,105	17,585,317	17,219,284	30,150,849	1,476,361
FAS 87		11,834,063	10,916,995	11,081,468	14,236,005	#####	B/
Total	11,270,215	24,439,958	22,842,100	28,666,785	31,455,289	46,715,049	

Division 02 Test Period Disallowed Expenses			
05412	Spousal & Dependent Travel	53,877	A/
05416	Club Dues - Nondeductible	169	A/
07452	Variable Pay & Mgmt Incentive Plans	17,756,510	A/
07453	Exec Compensation-Other	345	A/
07454	VPP & MIP - Capital Credit	-	A/
07456	Restricted Stock - Long Term Incentive Plan - Time Lapse	-	A/
07457	Restricted Stock - Management Incentive Plan	-	A/
07458	Restricted Stock - Long Term Incentive Plan - Performance Based	8,389,464	A/
07460	RSU-Long Term Incentive	3,377,025	A/
07463	RSU-Management Incentive	573,074	A/
07520	Donations	385	A/
30737	Political Activities	-	A/
	FAS 87	16,564,200	B/
TOTAL		46,715,049	

Source

A/ E-0-02.5
 B/ CAPD 1-19 Att1 - FAS 87 THRU FY 14 MAILOUT (TRA #14-00146)
 See CA Sch B-1

**Consumer Advocate
Atmos Energy Tennessee
Variable Pay & Management Incentive Plan Expense Adjustment
Fiscal Year 2020
Docket 21-00019**

Schedule CA - C

Line No.	Division	Description	1/ Allocated Credit Per Atmos	CA Adjustment	CA Proforma
1	93	Variable Pay & Mgmt Incentive Plans	\$ (400,296)	\$ (39,051) 3/	\$ (439,347)
		Restricted Stock - Long Term Incentive Plan - Performance			
2		Based	(90,744)		\$ (90,744)
3		RSU-Long Term Incentive Plan - Time Lapse	(77,207)		\$ (77,207)
4		RSU-Managment Incentive Plan	(5,345)		\$ (5,345)
5		Restricted Stock - Long Term Incentive Plan - Performance B	(7,757)		\$ (7,757)
6		RSU-Long Term Incentive Plan - Time Lapse	(5,800)		\$ (5,800)
7		RSU-Managment Incentive Plan	(1,050)		\$ (1,050)
8		Total	\$ (588,199)	\$ (39,051)	\$ (627,250)

1/ Excel file p. O&M Summary Historic Year Sept 20.xlsx
(tab <O&M 002 FY20>); File 9) 21-XXXXXX 2021 Atmos
Energy

TN ARM Filing - TN MFR #38.xlsx (tab <FY20 Summary>).

2/ See Atmos file 2020 Revenue Requirement Schedules -
TY FY20; <WP 4-1>; cell H 23.

3/ CA Schedule C-1

Consumer Advocate
Atmos Energy Tennessee
Variable Pay & Management Incentive Plan Expense Adjustment
Fiscal Year 2020
Docket 21-00019

Schedule CA - C-1

Line No.	Description	Per Atmos	Per CA	Adjustment	
1	002 VP & MIP expenses for FY20	\$ 16,639,467	\$ 16,639,467	\$ -	1/
	Capitalization Calculation:				
2	<i>FY 2020 Monthly VP&MIP expenses</i>				
3	October 2019	\$ 912,000	\$ 912,000	\$ -	2/
4	November 2019	131,474	131,474	-	
5	December 2019	1,368,000	1,368,000	-	
6	January 2020	1,472,000	1,472,000	-	
7	February 2020	1,357,624	1,357,624	-	
8	March 2020	1,172,000	1,172,000	-	
9	April 2020	1,042,000	1,042,000	-	
10	May 2020	938,000	938,000	-	
11	June 2020	938,000	938,000	-	
12	July 2020	2,481,450	2,481,450	-	
13	August 2020	3,347,919	3,347,919	-	
14	September 2020	-	1,479,000	(1,479,000)	
15	Total Test Period	\$ 15,160,467	\$ 16,639,467	\$ (1,479,000)	
16	Capitalization Rate	36.60%	36.60%	0.00%	2/
17	002 VIP & MIP Capitalization	\$ 5,548,731	\$ 6,090,045	\$ (541,314)	
18	Net division 002 Expense (Line 15 - 17)	\$ 9,611,736	\$ 10,549,422		
19	Allocated Expense to 091 at 10.21% (A)	\$ 981,358	\$ 1,077,096	\$ (95,738)	2/
	Tennessee as a % of Division 091	40.79%	40.79%		5/
	Allocated Expense credits to division 093 at 40.79% (A*.4079), necessary to remove subaccount 7452				
20	costs, variable Pay and Mgmt Incentive Plans	\$ 400,296	\$ 439,347	\$ (39,051)	2/,3/
		4/			

21 CA proposed reduction in VP & MIP expenses allocated to TN 093 \$ (39,051)
(increase in allocated capitalization of expenses)

1/ Excel file p. O&M Summary Historic Year Sept 20.xlsx (tab <O&M 002 FY20>); File 9) 21-XXXXXX 2021 Atmos Energy TN ARM Filing - TN MFR #38.xlsx (tab <FY20 Summary>).

2/ Excel file 9) 21-XXXXXX 2021 Atmos Energy TN ARM Filing - TN MFR #38.xlsx (tab <FY20 CAP OH and Alloc>).

3/ Excel file 9) 21-XXXXXX 2021 Atmos Energy TN ARM Filing - TN MFR #38.xlsx (tab <FY20 Summary>).

4/ Excel file 9) 21-XXXXXX 2021 Atmos Energy TN ARM Filing - TN MFR #38.xlsx (tab <FY20 Cap OH and Alloc>, cell AE115).

5/ Excel file aaa. FY20 Composite to Rates_11.7.19 <Mid States FY20>, cell M11

**Consumer Advocate
Atmos Energy Tennessee
Calculation of Unsupported Invoices
Docket No. 21-00019**

Schedule CA - D

Source: Supplemental Response to Consumer Advocate Request 2-6.

Division	Division Description	Vendor Name	Invoice Number	Amount	Source:
091	Mid-States General Office Div	PENNSTUART	1196548	\$ 2,386.00	2-06(a-b)
091	Mid-States General Office Div	PENNSTUART	1198123	\$10,815.75	
091	Mid-States General Office Div	PENNSTUART	1199112	\$ 754.00	
091	Mid-States General Office Div	PENNSTUART	1200957	\$ 3,170.00	
091	Mid-States General Office Div	PENNSTUART	1201863	\$ 3,370.00	
091	Mid-States General Office Div	HUNTON ANDREWS KURTH LI 101170394		\$ 900.00	
091	Mid-States General Office Div	HUNTON ANDREWS KURTH LI 101171525-4		\$ 7,235.00	
091	Mid-States General Office Div	HUNTON ANDREWS KURTH LI 101171588-3		\$ 225.00	
091	Mid-States General Office Div	HUNTON ANDREWS KURTH LI 101174620-3		\$ 675.00	
091	Mid-States General Office Div	HUNTON ANDREWS KURTH LI 101178748-5		\$ 337.50	
091	Mid-States General Office Div	HUNTON ANDREWS KURTH LI 101179244-4		\$ 3,097.50	

Division	Division Description	Vendor Name	Invoice Number	Amount	Source:
091	Mid-States General Office Div	MCGUIREWOODS LLP	92285000	\$ 1,039.50	2-06(c-d), 2-05 (b-c)*
091	Mid-States General Office Div	MCGUIREWOODS LLP	92276255	\$ 346.50	
091	Mid-States General Office Div	MCGUIREWOODS LLP	92269332	\$ 157.50	
091	Mid-States General Office Div	MCGUIREWOODS LLP	92369820	\$ 675.00	
091	Mid-States General Office Div	MCGUIREWOODS LLP	92389389	\$ 685.00	
091	Mid-States General Office Div	MCGUIREWOODS LLP	92379847	\$ 2,750.00	
091	Mid-States General Office Div	MCGUIREWOODS LLP	92395703	\$ 1,935.00	

				<u>Allocated to 093</u>	
General VA Legal		\$	11,570.00	40.79%	\$ 4,719
Mildred Clark		\$	21,395.75	40.79%	\$ 8,727
McGuireWoods		\$	7,588.50	40.79%	\$ 3,095
					Total Amount
				<u>\$ 40,554.25</u>	<u>\$ 16,542</u> Removed

**Consumer Advocate
Atmos Energy Tennessee
Out of Period Legal Costs
Docket No. 21-00019**

Schedule CA - E

Source: Response to CA Request 1-18

Line No.	Attachment No.	PDF Page	Invoice Date	Invoice Number	Month Services Performed	Services Performed	Vendor	Amount	Division	TN Allocation Percent	Atmos Tennessee Allocated Amount	Notes
1	3	36/37	9/30/19	208-1732	September	2019	Bryant Consulting	\$ 22,020	93	100%	\$ 22,020	Work performed exclusively for Tennessee
2	3	39-41	8/16/19	5068700	July	2019	Little	\$ 1,978	93	100%	\$ 1,978	Work performed exclusively for Tennessee
3	3	101-108	8/28/19	92269332	July	2019	McGuire Woods	\$ 11,685	91	40.79%	\$ 4,766	Less: Portion of 92269332 excluded in Supplemental Response 2-6
4						2019		\$ (158)	91	40.79%	\$ (64)	
5	4	1/2	9/16/19	1052968	September	2019	Neal & Harwell	\$ 1,995	93	100%	\$ 1,995	Work performed exclusively for Tennessee
6	4	8/9	9/10/19	1052596	August	2019	Neal & Harwell	\$ 1,634	93	100%	\$ 1,634	Work performed exclusively for Tennessee
7	4	11/12	9/10/19	1052592	August	2019	Neal & Harwell	\$ 2,151	93	100%	\$ 2,151	Work performed exclusively for Tennessee
8	4	15-17	9/10/19	1052593	August	2019	Neal & Harwell	\$ 5,445	93	100%	\$ 5,445	Work performed exclusively for Tennessee
9	4	19-20	9/10/19	1052594	August	2019	Neal & Harwell	\$ 495	93	100%	\$ 495	Work performed exclusively for Tennessee
10	4	22/23	9/10/19	1052595	August	2019	Neal & Harwell	\$ 2,624	93	100%	\$ 2,624	Work performed exclusively for Tennessee
11	4	25-28	9/17/19	1052733	August	2019	Neal & Harwell	\$ 9,690	93	100%	\$ 9,690	Work performed exclusively for Tennessee
12	4	84-86	9/17/19	1052738	July	2019	Neal & Harwell	\$ 14,476	93	100%	\$ 14,476	Work performed exclusively for Tennessee; Bristol incident
13	4	91-93	10/16/19	1052967	September	2019	Neal & Harwell	\$ 1,650	93	100%	\$ 1,650	Work performed exclusively for Tennessee
14												

Total Out of Period Costs \$ 68,860

Costs incurred by Month	
July	\$ 21,156
August	\$ 22,039
September	\$ 25,665
Total	\$ 68,860

**Consumer Advocate
Atmos Energy Tennessee
Elimination of Association Dues
Docket No. 21-00019**

Schedule CA - F

Source: Response to Consumer Advocate Request 1-19, Attachment 9; Response to 2-9

Line No.	Vendor	Account	Subaccount	Division	Amount
1	Northeast Tennessee Regional Economic Partnership	930	7510	93 \$	15,000

Atmos Energy Corporation-Tennessee
Cash Working Capital Lead/Lag Analysis
For Twelve Months Ended September 30, 2020

Schedule CA - 7-5

Line No.		Atmos Calculated Base Period	CA Calculated Base Period
1	Revenue Lag	37.50	37.50
2			
3	Expense Lag	34.03	49.69
4			
5	Net Lag	3.47	(12.19)
6			
7	Daily Cost of Service	386,540	264,716
8			
9	Cash Working Capital	1,342,668	(3,225,758)
10	Difference		(4,568,426)

Consumer Advocate
Lead Lag Study Results/Atmos Energy
Twelve Month Period Ended September 30, 2020

Schedule CA - 7-7

Line No.	Description		Histori Base Period	CA Lead/Lag Adjustments	Adjusted CA Balances	Expense Lag	CWC Requirement (b) x (c)
	(a)		(b)			(c)	(d)
1	Gas Supply Expense						
2	Purchased Gas		58,864,188		58,864,188	39.33	2,315,128,517
3							
4	Operation and Maintenance Expense						
5	O&M, Labor		8,240,031		8,240,031	14.07	115,937,232
6	O&M, Non-Labor		13,399,447		13,399,447	29.43	394,345,733
7	Total O&M Expense		<u>21,639,478</u>		<u>21,639,478</u>		<u>510,282,964</u>
8							
9							
10	Taxes Other Than Income						
11	Ad Valorem		5,197,036		5,197,036	241.50	1,255,084,095
12	State Gross Receipts Tax		1,158,580		1,158,580	(151.50)	(175,524,918)
13	Payroll Taxes		247,086		247,086	15.41	3,807,510
14	Franchise Tax		1,002,000		1,002,000	37.50	37,575,000
15	TRA Inspection Fee		605,546		605,546	272.50	165,011,413
16	DOT		23,106		23,106	59.00	1,363,227
17							
18	Allocated Taxes-Shared Services						
19	Ad Valorem	0%	-		-	241.50	-
20	Payroll Taxes	100%	360,893		360,893	15.41	5,561,239
21							
22	Allocated Taxes-Business Unit						
23	Ad Valorem	36%	40,924		40,924	241.50	9,883,222
24	Payroll Taxes	64%	71,418		71,418	15.41	1,100,527
25	Total Taxes Other Than Income		<u>8,706,589</u>		<u>8,706,589</u>		<u>1,303,861,315</u>
26							
27	Federal Income Tax		3,889,270		3,889,270		
28	Current Taxes		-		-	37.50	-
29	Deferred Taxes		3,889,270	(3,889,270)	-	-	-
30							
31	State Excise Tax		1,287,510				
32	Current Taxes		-		-	37.50	-
33	Deferred Taxes		1,287,510	(1,287,510)	-	-	-
34							
35	Depreciation		15,305,874	(15,305,874)	-	-	-
36							
37	Interest on Customer Deposits		40,175		40,175	182.50	7,331,888
38							
39	Interest Expense - LTD		7,244,427		7,244,427	91.25	661,053,937
40							
41	Interest Expense - STD		126,356		126,356	24.05	3,038,700
42							
43	Return on Equity		<u>23,983,365</u>	<u>(23,983,365)</u>	-		-
44							
45							
46	TOTAL		<u>141,087,232</u>	<u>(44,466,020)</u>	<u>96,621,213</u>	49.69	<u>4,800,697,322</u>
47							
48	Daily Cost of Service		<u>386,540</u>		<u>264,716</u>		<u>13,152,595</u>
49							
50							

Consumer Advocate
Lead Lag Study Results/Atmos Energy
Twelve Month Period Ended September 30, 2020

Schedule CA - 7-7-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>Source</u>
1	Total Expenses per Atmos subject to Cash Working Capital Calculation	\$ 141,087,232	
2	Less: Non Cash Expenditures		
3	Federal Deferred Taxes	(3,889,270)	Atmos Sch 7-7
4	State Deferred Taxes	(1,287,510)	Atmos Sch 7-7
5	Depreciation	(15,305,874)	Atmos Sch 7-7
6	Return on Equity	<u>(23,983,365)</u>	Atmos Sch 7-7
7	Total - Non Cash Expense	<u>(44,466,020)</u>	
8	Total Costs subject to Cash Working Capital Calculation	\$ 96,621,213	CA Sch 7-7