

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

IN RE:

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

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DOCKET NO. 21-00019

STIPULATION AND SETTLEMENT AGREEMENT

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

BACKGROUND

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

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

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

II. SETTLEMENT AGREEMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ATMOS ENERGY CORPORATION.

HAVE SEEN AND AGREED.

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

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

FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT

HAVE SEEN AND AGREED.

By:

Herbert H. Slattery III by J. H. Slattery

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Attorney General and Reporter

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EXHIBIT A

Tennessee Distribution System
Proof of Revenue and Calculation of Rates
Rate Design for Rate Effectiveness
Twelve Months Ended September 30, 2020

Additional Revenue: 10,467,763

Line No.	Description	Monthly Customer Chg	Commodity Chargeable	Adjusted Base Cost	Adjusted Volume	Total Adjusted Margin Rev	Commodity Charge Rev	Commodity Charge %	Commodity Charge % of Total Rev	Proposed Commodity Rev	Proposed Commodity Rev %	Commodity Charge % of Total Rev
1	Rate Schedule 210725											
2	210725 SUMMER	\$15.65	\$1,214	674,923	1,193,317	\$12,099,979	\$10,590,980	88%	88%	\$18,880,962	88%	88%
3	210725 WINTER (weather sensitive)	\$17.95	\$1,214	937,364	7,287,262	25,393,495	\$16,544,626	65%	65%	\$18,747,680	65%	65%
4	210725 SR CIT	\$0.00	\$1,214	1,012	4,429	5,159	\$0	0%	0%	\$0	0%	0%
5	Total 210725			1,613,219	8,444,848	37,498,633	27,105,606	72%	72%	30,628,642	72%	72%
6	Rate Schedule 211											
7	211 HVAC	\$14.75	\$0.751	3	34	70	\$44	63%	37%	\$30	37%	37%
8	Rate Schedule 220											
9	220 Commercial / Industrial Gas Service	\$39.75	\$2,459	209,306	6,227,698	23,004,755	\$7,684,936	33%	33%	\$17,558,075	33%	33%
10	220 Transportation	\$425.00	\$2,459	122	117,684	341,143	\$51,650	15%	15%	\$151,170	15%	15%
11	Total 220			209,506	6,345,382	23,345,898	7,736,586	33%	33%	17,669,245	33%	33%
12	Rate Schedule 221											
13	221 Experimental School Gas Service	\$39.75	\$1,195	36	23,978	29,981	\$1,323	4%	4%	\$32,827	4%	4%
14	Rate Schedule 220											
15	220 Large Commercial / Industrial Gas Service	\$465.00	\$2,151	87	63,304	214,590	\$35,235	16%	16%	\$208,350	16%	16%
16	220 Transportation	\$425.00	\$2,151	537	1,471,941	3,393,931	\$218,275	7%	7%	\$314,135	7%	7%
17	Total 220			624	1,535,245	3,608,520	253,460	7%	7%	348,485	7%	7%
18	Rate Schedule 240/250/260/270/283											
19	240 Demand/Commodity Gas Service	\$425.00		60	120,308	25,500	\$25,500	100%	100%	\$27,300	100%	100%
20	Block 1 Volumes				292,460	209,653	\$209,653	84%	84%	\$240,834	84%	84%
21	Block 2 Volumes				0	0	\$0	0%	0%	\$0	0%	0%
22	Block 3 Volumes				20,573	334,884	\$334,884	96%	96%	\$389,851	96%	96%
23	250 Intermediate Gas Service	\$425.00		659	1,468,886	3,865,075	\$385,075	100%	100%	\$390,845	100%	100%
24	Block 1 Volumes				5,728,833	1,789,212	\$1,789,212	84%	84%	\$2,032,445	84%	84%
25	Block 2 Volumes				332,133	4,576,191	\$4,576,191	96%	96%	\$5,256,777	96%	96%
26	Block 3 Volumes				0	122,902	\$122,902	0%	0%	\$141,181	0%	0%
27	260 ECON DEV - OPT GS	\$425.00		12	3,048	5,100	\$5,100	100%	100%	\$5,460	100%	100%
28	Block 1 Volumes				0	0	\$0	0%	0%	\$0	0%	0%
29	Block 2 Volumes @ Discount Rate				24,000	21,710	\$21,710	90%	90%	\$24,940	90%	90%
30	Block 3 Volumes				0	0	\$0	0%	0%	\$0	0%	0%
31	Block 2 Volumes @ Discount Rate				29,204	17,486	\$17,486	60%	60%	\$20,088	60%	60%
32	Block 3 Volumes				0	0	\$0	0%	0%	\$0	0%	0%
33	Block 3 Volumes @ Discount Rate				0	0	\$0	0%	0%	\$0	0%	0%
34	292 Cogeneration, CHG, Prime Movers Service	\$39.75		12	3,048	4,411	\$4,411	100%	100%	\$504	100%	100%
35	Block 1 Volumes				0	3,676	\$3,676	100%	100%	\$4,223	100%	100%
36	Block 2 Volumes				0	0	\$0	0%	0%	\$0	0%	0%
37	Block 3 Volumes				0	0	\$0	0%	0%	\$0	0%	0%
38	293 Large Tonnage Air Conditioning Gas Service	\$39.75		12	12,000	4,411	\$4,411	100%	100%	\$504	100%	100%
39	Block 1 Volumes				0	15,058	\$15,058	100%	100%	\$17,868	100%	100%
40	Block 2 Volumes				0	3,338	\$3,338	100%	100%	\$4,065	100%	100%
41	Block 3 Volumes				0	0	\$0	0%	0%	\$0	0%	0%
42	Total 240/250/260/270/283			955	8,004,858	7,616,883	396,567	5%	5%	\$424,613	5%	5%
43	TOTALS			1,824,345	24,414,724	72,069,745	36,513,877	49%	49%	40,454,311	49%	49%
44								51%	51%	42,023,018	51%	51%
45								100.00%	100.00%	82,477,327	100.00%	100.00%