

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

September 15, 2022

IN RE:

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ATMOS ENERGY CORPORATION 2021 ACA FILING)	DOCKET NO.
FOR TENNESSEE EXCLUDING UNION CITY AND FOR)	21-00100
UNION CITY)	

**ORDER ADOPTING ACA AUDIT REPORT OF
TENNESSEE PUBLIC UTILITY COMMISSION’S UTILITIES DIVISION**

This matter came before Chairman Herbert H. Hilliard, Vice Chairman John Hie, Commissioner David F. Jones, Commissioner Robin L. Morrison, and Commissioner Kenneth C. Hill of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on July 11, 2022 to consider the report of the Commission’s Utilities Division (the “Staff”) resulting from the Staff’s audit of Atmos Energy Corporation (“Atmos” or the “Company”) annual deferred gas cost account filing for the period ended June 30, 2021. The Actual Cost Adjustment (“ACA”) Compliance Audit Report (the “Report”) is attached hereto as Exhibit 1 and incorporated by this reference.

The Company filed its ACA filing on August 31, 2021. The Staff completed its audit of the Company’s filing and filed its Report on June 22, 2022.¹ The objective of the audit was

¹ The original deadline for the completion and approval of the ACA Audit was February 27, 2022. Audit Staff by rule has 180 days to complete its audit. The audit deadline, however, may be extended by mutual agreement between Staff and the Company or by action of the Commission. See Commission PGA Rule 1220-04-07-.03(2). The Staff requested an extension of the audit deadline as evidenced by the Staff memo filed in this docket on February 22, 2022. The deadline was initially extended to May 30, 2022 and subsequently to July 31, 2022 by mutual consent of Staff and Atmos as evidenced by the memo filed in the docket on May 27, 2022.

to verify that the Company's calculations of gas costs incurred and recovered were materially correct and that the Company has followed all Commission orders and directives with respect to the ACA account balance. Based on the Company's filing and staff's audit of the same, the ending balance reported by Atmos in the ACA Account as of June 30, 2021 was \$502,285.07 in under-recovered gas costs for the Union City filing and an ACA Account balance of \$5,329,720.47 in under-recovered gas costs for the East Tennessee filing.² The Report included no material findings.³

Commission Staff noted that the over-collection of \$37,284.64 in weather normalization adjustment ("WNA") revenues from 2019 and the over-collection of \$15,304.05 in WNA revenues from 2020, which had not been previously credited to the ACA Account, were included as credits to the combined ACA Account beginning balance in the current docket.⁴ In addition, the Consumer Advocate Unit in the Financial Division of the Office of the Attorney General ("Consumer Advocate") submitted a records request in this docket, to which Commission Staff responded.⁵ However, no party intervened in this docket.

During the regularly scheduled Commission Conference held on July 11, 2022, the voting panel considered the Company's ACA filing and Staff's Compliance Audit Report. The panel unanimously approved the Compliance Audit Report as filed.

² *Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission*, Exh. A, pp. 4-5 (June 22, 2022).

³ *Id.* at 1.

⁴ The oversight of inclusion of the over-collected WNA revenues was identified in TPUC Docket No. 21-00082. The Commission instructed Atmos to credit these amounts in the ACA filing covering the period July 2020 through June 2021 at issue in this docket. *See In re: Audit of Atmos Energy Corporation's Weather Normalization Adjustment for the Period October 1, 2020 Through April 30, 2021*, Docket No. 21-00082, *Order Adopting WNA Compliance Audit Report of Tennessee Public Utility Commission's Utilities Division* (October 8, 2021).

⁵ *See* Consumer Advocate Records Request Re: Piedmont Natural Gas Company, Inc., Chattanooga Gas Company and Atmos Energy Company (May 20, 2022); Tennessee Public Utility Commission Response to the Consumer Advocate Tenn. Code Ann. § 65-4-118 Records Request (May 26, 2022); Tennessee Public Utility Commission Supplemental Response to the Consumer Advocate Request for Records Under Tenn. Code Ann. § 65-4-118 Records Request (June 3, 2022).

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Compliance Audit Report relative to Atmos Energy Corporation's gas costs for the period ended June 30, 2021, a copy of which is attached to this Order as Exhibit 1, is approved and adopted and the conclusions and recommendations contained therein are incorporated in this Order as if fully rewritten herein.

2. Atmos Energy Corporation shall file a tariff within thirty (30) days to begin surcharging the approved balances in the Actual Cost Adjustment Accounts, effective with its July 2022 customer billing.

3. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

4. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman Herbert H. Hilliard,
Vice Chairman John Hie,
Commissioner David F. Jones,
Commissioner Robin L. Morrison, and
Commissioner Kenneth C. Hill concurring.**

None dissenting.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT 1

COMPLIANCE AUDIT REPORT
OF
ATMOS ENERGY CORPORATION
ACTUAL COST ADJUSTMENT
DOCKET NO. 21-00100

PREPARED BY
TENNESSEE PUBLIC UTILITY COMMISSION
UTILITIES DIVISION
June 2022

EXHIBIT A

COMPLIANCE AUDIT
ATMOS ENERGY CORPORATION

ACTUAL COST ADJUSTMENT

DOCKET NO. 21-00100

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I. INTRODUCTION

The subject of this audit is Atmos Energy Corporation's ("Company" or "Atmos") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Public Utility Commission ("TPUC" or the "Commission")¹. The objective of the audit is to determine whether the Purchased Gas Adjustments, which are encompassed by the Actual Cost Adjustment ("ACA") as more fully described in Section IV, for the year ended June 30, 2021 are calculated correctly and are supported by appropriate source documentation.

II. AUDIT OPINION

On August 31, 2021, the TPUC Audit Staff (hereafter "Staff") received Atmos's ACA filings supporting the activity in the Deferred Gas Cost Accounts ("ACA Account") for the period July 1, 2020 through June 30, 2021 for Union City (UC) and Other Tennessee Towns (ETN). After reviewing the Company's filings, Staff found no material errors.² The Audit Staff concludes that the Purchased Gas Adjustment mechanism as calculated in the Actual Cost Adjustment appears to be working properly and is in accordance with the TPUC rules for Atmos Energy Corporation.

Additionally, the Company filed tariffs effective October 1, 2021 to distribute the balances in the ACA accounts as of June 30, 2021 to its Union City customers and customers in other Tennessee service areas.³

III. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority, now the Tennessee Public Utility Commission. The PGA Rule permits a gas company to recover, in a timely manner, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA Rule consists of three major components:

- 1. The Actual Cost Adjustment (ACA)**
- 2. The Gas Charge Adjustment (GCA)**
- 3. The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TPUC in another docket) as reflected in the Deferred Gas Cost account. The

¹ As of April 5, 2017, the name of Tennessee Regulatory Authority has changed to the Tennessee Public Utility Commission and board members of the agency will be known as Commissioners rather than Directors.

² Refer to Section VII for a description of the audit results.

³ Tariff Filing No. 2021-0106 for Union City and 2021-0107 for ETN.

ACA then "true-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

“Each year, the Company shall file with the [Commission] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Commission] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180 day notification period may be extended by mutual consent of the Company and the [Commission] Staff or by order of the [Commission].”

Prudence Audit of Gas Purchases:

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Commission, an “Audit of Prudence of Gas Purchases” by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. In Docket 97-01364, Atmos Energy was authorized to operate under a Performance-Based Ratemaking Mechanism (“PBRM”), beginning April 1, 1999, and continuing each year unless terminated by the Company or the Commission. For each year that the mechanism is in effect, the requirements of Section 1220-4-7-.05 of the PGA Rule is waived.

IV. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of the Company’s ACA Account. The audit goal is to verify that the Company’s calculations of gas costs incurred and recovered were materially correct,⁴ and that the Company is following all Commission orders and directives with respect to its calculation of the ACA Account balance. Also included in this audit are the Company’s PGA filings to implement a total collection of \$502,285.07 from the customers of Union City and a total collection of \$5,329,720.47 from the customers in other Tennessee towns, effective October 1, 2021. Details of the ACA Account are provided in Section VII ACA Findings.

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by Atmos. Where appropriate, Staff requested additional information to clarify the filing.

⁴ The audit goal is not to guarantee that the Company’s results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company’s calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff’s review.

V. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Atmos Energy Corporation, with its corporate headquarters located in Dallas, Texas, has its local offices in Franklin, Tennessee. On October 4, 2002, the Company filed tariffs to officially change its name from United Cities Gas Company to Atmos Energy Corporation. Atmos is a multi-state gas distributor, providing service to customers in twelve cities and surrounding areas in Tennessee. The natural gas used to serve these areas is purchased from four natural gas pipelines in accordance with separate and individual tariffs approved by the Federal Energy Regulatory Commission (FERC). The interstate pipelines are Tennessee Gas Pipeline (TGP), East Tennessee Natural Gas (ETNG), Texas Gas Transmission Corporation (TGTC), and Texas Eastern Transmission Corporation (TETC).

TGP and ETNG provide service to east Tennessee towns, which include Columbia, Shelbyville, Maryville, Morristown, Elizabethton, Greeneville, Johnson City, Kingsport, Bristol and adjacent areas in Maury, Bedford, Moore, Blount, Hamblen, Sullivan, Carter, Washington, and Greene Counties.

TETC provides service to Atmos in Murfreesboro and Franklin and adjacent areas in Rutherford and Williamson Counties. TGTC provides service to Atmos in Union City and adjacent areas in Obion County.

Atmos' gas Commodity requirements were met under an Asset Management Agreement between Atmos and CenterPoint Energy Services, LLC, effective April 1, 2019, and approved by the Commission in Docket No. 19-00050.⁵ The agreement is a three-year term ending in March, 2022. Asset Management fees are shared with ratepayers according to the terms of the contract as a credit to the ACA Account.

VI. JURISDICTION OF THE TENNESSEE PUBLIC UTILITY COMMISSION

Tennessee Code Annotated (T.C.A.) gave jurisdiction and control over public utilities to the Tennessee Public Utility Commission, formerly Tennessee Regulatory Authority. T.C.A. §65-4-104 states that:

The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

⁵ In Commission Docket No. 21-00104, Atmos successfully petitioned to remove the section of its PBRM tariff related to RFP Procedures for the Selection of Asset Manager and/or Gas Provider. Since Atmos sold its gas marketing affiliate and has no plans currently to acquire another affiliated marketing entity, the Commission agreed that the protections provided by the RFP Procedures are no longer necessary. Atmos, therefore, is no longer required to file its RFP to select an asset manager with the Commission for prior approval.

Further, T.C.A. §65-4-105 grants the same power to the Commission with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The TPUC's Utilities Division is responsible for auditing those gas, electric, and water companies under its jurisdiction, to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Commission. Emily Qingshe and Grace Marek of the Utilities Division conducted this audit.

VII. ACA FINDINGS

The combined ACA filings showed \$61,051,560.93 in total Purchased Gas Costs, with \$51,141,673.83 being recovered from customers through rates. Adding a beginning balance in the ACA account of (\$4,162,958.31)⁶ in net over-recovered gas costs from the preceding ACA period and net interest due from customers for the current period of \$85,076.76⁷ resulted in a net ACA Account balance at June 30, 2021 of \$5,832,005.54⁸ in under-recovered gas costs.

Staff agrees with the ACA Account balances as calculated by the Company. Therefore, there are no findings. A summary of the account as filed by the Company is shown below.

ATMOS ENERGY CORPORATION SUMMARY OF ACA FILING FOR PERIOD JULY 2020-JUNE 2021

<u>Line</u>		<u>Union City</u>	<u>Other TN Towns</u>	<u>Total</u>
1	Beginning Balance (July 1, 2020)	(\$404,627.03)	(\$3,758,331.28)	(\$4,162,958.31)
2	Purchased Gas Costs	1,489,487.20	59,562,073.73	61,051,560.93

⁶ The beginning balance of (\$4,162,958.31) is composed of (\$4,110,369.62) ending balance in docket 20-00105, WNA overbilled amount of \$37,284.64 in docket 19-00065 and WNA overbilled amount of \$15,304.05 in docket 20-00092.

⁷ The net interest of \$85,076.76 is composed of \$1,019.35 due to customers of Union City and \$86,096.11 due from the customers of other Tennessee towns.

⁸ The net ending balance results in an under-collection of \$502,285.07 from customers of Union City and an under-collection of \$5,329,720.47 from the customers of other Tennessee towns.

3	Gas Costs recovered through rates	581,555.74	50,560,118.09	51,141,673.83
4	Interest on monthly balances	<u>(1,019.35)</u>	<u>86,096.11</u>	<u>85,076.76</u>
5	Ending Balance (June 30, 2021) (Line 1 + Line 2 – Line 3 + Line 4)	<u>\$502,285.07</u>	<u>\$5,329,720.47</u>	<u>\$5,832,005.54</u>

**A number in () is a negative or credit balance which represents an over-collection of gas costs.

VIII. STAFF CONCLUSIONS AND RECOMMENDATIONS

Staff reviewed the gas costs and recoveries of Atmos Energy Corporation for the 12-month period ended June 30, 2021. As reported in the body of this report, Staff concludes that the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, appears to be working properly and in accordance with the TPUC rules for Atmos. Based on the Company's filing, the **net balance** in the ACA Account as of June 30, 2021, was positive **\$5,832,005.54**. This means that as of June 30, 2021 the Company had under-collected this amount in total from its Tennessee customers. The net balance is composed of a **total under-collection from Union City customers of \$502,285.07 and a total under-collection from customers in Other Tennessee towns of \$5,329,720.47**. These ending balances will become the beginning balances at July 1, 2021 in the Company's next ACA filings. **Staff recommends approval of the Company's calculated ACA Account balances.**

APPENDIX A

PGA FORMULA

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + \text{DACA}}{\text{SF}} - \text{DB} + \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

$$\text{Non-Firm GCA} = \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{\text{DR1} - \text{DR2}}{\text{SFR}} + \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

$$\text{Non-Firm RA} = \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

where

RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

i = Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.

SFR = Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

STR = Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.