Electronically Filed in TPUC Docket Room on April 4, 2023 at 1:47 p.m.

BEFORE
THE TENNESSEE PUBLIC UTILITY COMMISSION

PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ITS 2023 ANNUAL RATE REVIEW FILING PURSUANT TO TENN. CODE ANN. § 65-5-103(D)(6)	)	Docket No. 23-00008

DIRECT TESTIMONY
of
WILLIAM H. NOVAK

ON BEHALF OF

THE CONSUMER ADVOCATE DIVISION
OF THE
OFFICE OF THE TENNESSEE ATTORNEY GENERAL

April 4, 2023

ATTACHMENTS

Attachment WHN-1	Adjustment for Plant in Service Error
Attachment WHN-2	Adjustment for Common Equity Error in Lead/Lag Study
Attachment WHN-3	Adjustment for Allocation Errors to Tennessee
Attachment WHN-4	Adjustment for Exclusion of Other Revenues
Attachment WHN-5	Rate Design
Attachment WHN-6	Consumer Advocate Revenue Deficiency Exhibit

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

A1. My name is William H. Novak. My business address is 19 Morning Arbor Place, The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility consulting and expert witness services company.[1]

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

A2. I have both a Bachelor's degree in Business Administration with a major in Accounting, and a Master's degree in Business Administration from Middle Tennessee State University. I am a Certified Management Accountant and am also licensed to practice as a Certified Public Accountant.

My work experience has centered on regulated utilities for over 40 years. Before establishing WHN Consulting, I was Chief of the Energy & Water Division of the Tennessee Public Utility Commission ("the Commission") where I had either presented testimony or advised the Commission on a host of regulatory issues for over 19 years. In addition, I was previously the Director of Rates & Regulatory Analysis for two years with Atlanta Gas Light Company, a natural gas distribution utility with operations in Georgia and Tennessee. I also served for two years as the Vice President of Regulatory Compliance for Sequent Energy Management, a

[1] State of Tennessee, Registered Accounting Firm ID 3682.

natural gas trading and optimization entity in Texas, where I was responsible for ensuring the firm's compliance with state and federal regulatory requirements.

In 2004, I established WHN Consulting as a utility consulting and expert witness services company. Since 2004 WHN Consulting has provided testimony or consulting services to state public utility commissions and state consumer advocates in at least ten state jurisdictions.

Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?

A3. I am testifying on behalf of the Consumer Advocate Division ("Consumer Advocate" or the "CA") of the Office of the Tennessee Attorney General.

Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS DOCKETS REGARDING ATMOS ENERGY CORPORATION?

A4. Yes. I've presented testimony in TPUC Docket Nos. U-82-7211, U-83-7277, U-84-7333, U-86-7442, 89-10017, 92-02987, 05-00258, 07-00105 12-00064 and 14-00146 concerning cases involving either Atmos Energy Corporation ("Atmos" or the "Company") or its predecessor companies as well as dockets for other generic tariff and rulemaking matters. In addition, I previously presented testimony concerning Atmos' Annual Reconciliation Mechanism ("ARM") tariff that is the subject of this proceeding in TPUC Docket Nos. 14-00146, 16-00013, 16-00105, 17-00012, 17-00091, 18-00067, 18-00097 and 19-00076.

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A5. My testimony will address the Consumer Advocate's analysis and review with respect to Atmos' proposed ARM reconciliation in this Docket with its books and records, including the calculations supporting that reconciliation and the resulting revenue deficiency or surplus. I will also address the implementation of new rates resulting from the ARM reconciliation.

Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF YOUR TESTIMONY?

A6. I have reviewed the Company's Petition filed on January 31, 2023, along with the accompanying schedules. I have also reviewed Atmos' responses to the data requests submitted by the Consumer Advocate in this Docket. In addition, I reviewed the Stipulation and Settlement Agreement ("14-00146 Settlement Agreement") between the Company and the Consumer Advocate in TRA[2] Docket No. 14-00146, which was incorporated into the Commission's Order in that docket, and modifications in subsequent dockets that have been made to the relevant Approved Methodologies as defined in the 14-00146 Settlement Agreement. Finally, I reviewed the Stipulation and Settlement Agreement ("18-00112 Settlement Agreement") between the Company and the Consumer Advocate in TPUC Docket No. 18-00112, which was incorporated into the Commission's Order

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

in that docket and combined the ARM reconciliation and budget filings into a single annual proceeding.

Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS IN THIS DOCKET.

A7. My recommendations and concerns are summarized as follows:

- I recommend that the Commission adjust the Company's filing for an error in the calculation of common gross plant in service for August 2022 by approximately $13 million. The impact of this adjustment is to change the revenue deficiency by approximately $5,030.

- I recommend that the Commission adjust the Company's filing for an error in the calculation of common equity for the lead/lag. The impact of this adjustment is to change the revenue deficiency by approximately $-3,163.

- I recommend that the Commission adjust the Company's filing for errors in the allocation factors used to transfer common costs to Tennessee. The impact of this adjustment is to change the revenue deficiency by approximately $-416,017.

- I recommend that the Commission include a pro forma adjustment to Other Revenues that restores this item back to the same level approved in the Company's last rate case. The impact of this adjustment is to change the revenue deficiency by approximately $-1,200,536.

- I recommend that the Commission accept the Consumer Advocate proposed adjustments to O&M Expenses for Division 02 as discussed in Mr. Bradley's direct testimony. The impact of this adjustment is to change the revenue deficiency by approximately $-9,363.

- I recommend other miscellaneous adjustments that change the revenue deficiency by approximately $-807.

- I recommend that the Commission accept my recalculated ARM reconciliation for the 12 months ended September 30, 2022, that results in a revenue surplus of $1,598,019.

- I recommend that the Commission accept my proposed tariff rates to produce an annual revenue decrease of $1,598,019 to be effective June 1, 2023.

Q8. PLEASE EXPLAIN THE OVERALL STRUCTURE OF THE ARM AND THE RELIEF THAT ATMOS IS ASKING FROM THE COMMISSION THROUGH ITS PETITION.

A8. The ARM allows the Company to annually reconcile or "true-up" their actual earnings with the Commission approved rate of return. The initial overall structure for the ARM was agreed to by Atmos and the Consumer Advocate in TRA Docket No. 14-00146 and incorporated into the Commission's order in that docket and required separate annual budget and reconciliation filings. This initial ARM structure was then changed in accordance with TPUC Docket No. 18-00112 to combine the separate budget and reconciliation filings into a single annual filing. In the current filing, the Company is asking the Commission to recognize a total revenue deficiency of $26,834 and approve an adjustment to their tariff to allow this recovery to be implemented starting on June 1, 2023.[3]

Q9. HOW IS THE ARM REVENUE DEFICIENCY CALCULATED?

A9. The ARM revenue deficiency is calculated in accordance with the terms of Commission Orders in TPUC Docket Nos. 14-00146 and 18-00112. The overall methodology for the reconciliation calculation is shown below in Table 1 which provides a comparison of the Atmos' filing with my own calculation.

[3] *Direct Testimony of William Matthews*, at 4:5-8, TPUC Docket No. 23-00008 (January 31, 2023).

Table 1 – ARM Revenue Deficiency Calculation		
Item	**Company Filing[4]**	**Consumer Advocate Filing[5]**
Rate Base	$499,428,907	$497,545,308
Operating Income at Present Rates	34,155,903	35,052,165
Earned Rate of Return	**6.84%**	**7.05%**
Fair Rate of Return	7.58%	7.58%
Required Operating Income	$37,856,711	$37,713,934
Operating Income Deficiency	$3,700,808	$2,661,769
Gross Revenue Conversion Factor	1.357600	1.342900
Current Revenue Deficiency (Surplus)	**$5,024,218**	**$3,574,490**
Prior Period Reconciliation	-393,912	-569,040
Excess Deferred Tax Amort.	-4,603,469	-4,603,469
Net Revenue Deficiency (Surplus)	**$26,834**	**-1,598,019**

Q10. HAVE YOU REVIEWED THE CALCULATIONS SUPPORTING THE ARM RECONCILIATION FILING?

A10. Yes. I reviewed the Company's filing. I also prepared discovery requests for supplemental supporting information that was not contained in the filing. In addition, I have had discussions with Atmos regarding the filing. The purpose of my review was to determine whether Atmos' ARM reconciliation was based on the actual amounts recorded in its books.

Q11. WHAT WERE THE RESULTS OF YOUR REVIEW?

A11. Overall, I found that Atmos' filing appropriately reconciled the actual revenues, expenses and net investment to the amounts recorded on the Company's ledger. Likewise, I also found that the reconciliation generally reflected the methodologies

[4] Company filing, File <TN 2023 Annual Review Mechanism Schedules FY22>, Tabs "Sch 1" and "1 Rev Deficiency – Surplus", (January 31, 2023).

[5] Attachment WHN-6, Schedule 1.

established in TPUC Docket Nos. 14-00146 and 18-00112. However, I did discover certain errors in the Company's filing related to the appropriate calculation of Plant in Service, the appropriate value of common equity in the lead/lag component of working capital, the appropriate allocation factors for costs allocated to Tennessee, and the appropriate value for Other Revenues. In my opinion, adjustments for these items need to be considered by the Commission to determine the proper ARM reconciliation revenue deficiency or surplus.

Q12. PLEASE EXPLAIN YOUR ADJUSTMENT TO CORRECT THE COMPANY'S ERROR IN CALCULATING PLANT IN SERVICE.

A12. In preparing the ARM filing, the Company inadvertently included an incorrect amount for the AEAM allocated plant in service in August 2022 as shown below in Table 2.

Table 2 – AEAM Plant in Service			
Month	**Company Filing[6]**	**Corrected Filing[7]**	**Difference**
September 2021	$34,982,672	$34,982,672	$0
October	34,982,229	34,982,229	0
November	34,982,229	34,982,229	0
December	34,982,164	34,982,164	0
January 2022	34,952,574	34,952,574	0
February	34,982,164	34,982,164	0
March	34,982,164	34,982,164	0
April	34,982,164	34,982,164	0
May	34,982,164	34,982,164	0
June	34,982,164	34,982,164	0
July	34,982,164	34,982,164	0
August	22,199,408	34,982,164	12,782,756
September	34,982,164	34,982,164	0
13-Month Average	**$33,996,648**	**$34,979,937**	**$983,289**

As shown in Table 2 above, correcting this error increases the 13-month average AEAM common plant by approximately $1 million. The Company estimates the impact of this correction on the current revenue deficiency is a change of approximately $5,030.[8]

Q13. PLEASE EXPLAIN YOUR ADJUSTMENT TO CORRECT THE COMPANY'S ERROR IN CALCULATING THE COMMON EQUITY COMPONENT OF THE LEAD/LAG STUDY.

A13. Working Capital is included in the ARM calculation as a component of Rate Base. One component of working capital involves determining the appropriate amount for the Return on Common Equity in the Lead/Lag Study. As shown in Table 3

[6] Company filing, File <TN 2023 Annual Review Mechanism Schedules FY22>, Tab "WP 7-2", (January 31, 2023).

[7] Attachment WHN-1.

[8] *Id.*

below, the Return on Equity is calculated by first taking the total return and then deducting the interest expense for both short- and long-term debt as well as the Allowance for Funds Used During Construction ("AFUDC").

Table 3 – Calculation of Return on Equity Component Lead/Lag Study		
Item	**Company Filing[9]**	**CA Filing[10]**
Total Return under Proposed Rates	$37,856,711	$37,713,935
Less Interest Expense on Short-Term Debt	0	-149,264
Less Interest Expense on Long-Term Debt	-7,241,719	-7,214,407
Less Allowance for Funds Used During Construction	-909,566	-909,566
Return on Equity	**$29,705,426**	**$29,440,698**

As can be seen in Table 3 above, the Company has not properly included an amount for Interest Expense on Short-Term Debt in calculating the Return on Common Equity.[11] Excluding this deduction overstates the Return on Equity component of Working Capital. The impact of this correction on the current revenue deficiency is a change of approximately $-3,163.[12]

Q14. PLEASE EXPLAIN YOUR ADJUSTMENT TO CORRECT THE COMPANY'S ERROR IN CALCULATING THE FACTORS TO ALLOCATE COMMON COSTS TO TENNESSEE.

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[9] *Petition of Atmos Energy Corporation for Approval of Its 2023 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, File <TN 2023 Annual Review Mechanism Schedules FY22>, Tab "WP 7-7", (January 31, 2023).

[10] Attachment WHN-6, Schedule 4.

[11] Attachment WHN-2.

[12] This impact is calculated by adjusting the inputs on the Consumer Advocate's ARM Reconciliation Model shown on Attachment WHN-6, and then noting the change in the resulting revenue deficiency or surplus. The total impact from all adjustments is then reconciled back to the Consumer Advocate's total revenue deficiency or surplus shown on Table 6.

A14. Atmos has various divisions that allocate common costs to Tennessee. These common costs include both investment costs (e.g., common plant) as well expenses (e.g., common labor). In order to allocate these common costs to Tennessee, the Company utilizes allocation factors for each of the operating divisions (02, 12 and 91) that are based on an average of Plant, Operation & Maintenance Expenses, and Customer Counts. The allocation factors for 2022 in Divisions 02 and 12 were incorrectly calculated as shown on Table 4 below.

Table 4 – Allocation Factor Calculations to Tennessee[13]

Division	2022 Allocation Factor	2022 Corrected Factor
Division 02 – Shared Service-General	3.90%	3.58%
Division 12 – Shared Service-Customer Support	3.96%	4.74%
Division 91 – Mid-States General Office	40.87%	40.87%

These corrections to the allocation factors touch several aspects of the ARM calculation including common net investment and expenses. The Company claims that the impact from these allocation errors is a change in the revenue deficiency of $20,924.[14] However, my own calculations show this allocation error to result in a change to the revenue deficiency of $-416,017.[15] The Company and the Consumer

[13] Attachment WHN-3.

[14] *Id.*

[15] This impact is calculated by adjusting the inputs on the Consumer Advocate's ARM Reconciliation Model shown on Attachment WHN-6, and then noting the change in the resulting revenue deficiency or surplus. The total impact from all adjustments is then reconciled back to the Consumer Advocate's total revenue deficiency or surplus shown on Table 6.

Advocate are continuing to work together to fully quantify the impact of this change which may require supplemental testimony and exhibits.[16]

Q15. PLEASE EXPLAIN YOUR PRO FORMA ADJUSTMENT TO OTHER REVENUES.

A15. In response to the Covid pandemic, on March 27, 2020, the Commission issued its Order in TPUC Docket No. 20-00047 requiring all utilities under its jurisdiction to suspend disconnections and late-fee penalties for customers. This disconnection suspension was later lifted effective August 29, 2020, by a subsequent Order from the Commission in this same docket.

Like other Tennessee utilities, Atmos also suspended the application of forfeited discounts, or late payment fees along with most miscellaneous service charges (e.g., reconnection fees) in accordance with the Commission's Order. However, Atmos has never reimplemented its tariff charges related to forfeited discounts and miscellaneous service charges ("Other Revenues"), even though the Commission's later Order allowing them to do so was effective from August 29, 2020. As a result, Atmos has effectively been allowed to recover its Other Revenues through the ARM surcharge instead of through the tariff rate provisions.[17]

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[16] At this point, the Consumer Advocate has not yet received the complete supporting calculations for the new allocation factors. Further, it is presently unclear whether this error has been isolated to just fiscal year 2022 or if it impacts any earlier periods.

[17] An unintended consequence from the Commission's Covid Order in TPUC Docket No. 20-00047 was that Atmos would be able to fully recover its cost of service (including Other Revenues) through the annual reconciliation in the ARM filing, even though the collection of Other Revenues was suspended.

Q16. IS IT IMPORTANT THAT OTHER REVENUES WERE RECOVERED FROM THE ARM SURCHARGE BY ATMOS INSTEAD OF THE THROUGH THE OTHER REVENUE PROVISIONS OF ITS TARIFF?

A16. Yes. The Company's tariff provisions for Other Revenues attempt to assign specific costs to the customers that cause those costs. For example, a customer paying their bill late incurs a late fee that reflects the incremental cost of late-paying customers. Likewise, a customer that needs to reconnect their gas service pays a fee for the incremental cost of this reconnection. Without these Other Revenues charges, all customers are forced to pay for these costs through the ARM surcharge.

Q17. HOW ARE YOU PROPOSING TO TREAT OTHER REVENUES IN THE CURRENT ARM RECONCILIATION?

A17. The Other Revenues for the test period as well as from the Company's last rate case are shown below on Table 5.

Table 5 – Other Revenues[18]

Item	2022 Test Period	Docket 14-00146
Forfeited Discounts	$-41	$811,372
Miscellaneous Service Revenues	68,558	427,876
Total Other Revenues	**$68,558**	**$1,239,248**

As can be seen from Table 5, Other Revenues have declined significantly since the Company's last rate case reflecting Atmos' continued suspension of the Other Revenues tariff rates. I recommend that the Commission adopt the $1,239,248 amount from the Company's last rate case as the appropriate level to include in the

[18] Attachment WHN-4.

ARM reconciliation filing. In addition, I recommend that the Commission adopt the forfeited discount rate of 1.0971% from the last rate case as a component of the revenue conversion factor in the current ARM reconciliation filing.[19] Finally, I recommend that the Commission order the Company to reimplement their tariff rates for Other Revenues to be effective on June 1, 2023, simultaneously with the new rates from this ARM filing. The impact from these adjustments to Other Revenues changes the current revenue deficiency by approximately $-1,200,536.[20]

Q18. PLEASE EXPLAIN THE CONSUMER ADVOCATE'S PROPOSED CHANGES TO O&M EXPENSES FOR DIVISION 02.

A18. This adjustment is discussed in the direct testimony of Consumer Advocate witness Alex Bradley.[21] The impact from these adjustments to O&M Expenses for Division 02 changes the current revenue deficiency by approximately $-9,363.[22]

Q19. MR. NOVAK, PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENTS TO THE COMPANY'S REVENUE DEFICIENCY IN THIS ARM RECONCILIATION.

A19. My proposed adjustments are summarized below in Table 6:

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[19] Attachment WHN-6, Schedule 9.

[20] This impact is calculated by adjusting the inputs on the Consumer Advocate's ARM Reconciliation Model shown on Attachment WHN-6, and then noting the change in the resulting revenue deficiency or surplus. The total impact from all adjustments is then reconciled back to the Consumer Advocate's total revenue deficiency or surplus shown on Table 6.

[21] *Direct Testimony of Alex Bradley*, 3-4, TPUC Docket No. 23-00008 (April 4, 2023).

[22] *Id.*

Table 6 – Revenue Deficiency/(Surplus) Reconciliation[23]	
Item	**Amount**
Atmos Proposed Revenue Deficiency	$26,837
Adjustment to Correct Error in Plant	5,030
Adjustment to Correct Error in Common Equity	-3,163
Adjustment to Correct Error in Allocation Factors	-416,017
Pro Forma Adjustment for Other Revenues	-1,200,536
Adjustment to O&M Expenses for Division 02	-9,363
Other Miscellaneous Adjustments	-807
WHN Proposed Revenue Surplus	**$-1,598,019**

Q20. HOW WILL RATES BE ADJUSTED FOR THE CURRENT ARM RECONCILIATION?

A20. I would recommend adjusting rates by using the same billing determinants (customers and usage) that Atmos has used in its ARM filing.[24] A summary comparison of the current rates and my proposed rates for residential and commercial customers are shown below in Table 7. A complete copy of my proposed rate design for all customer classes is contained in Attachment WHN-5.

[23] Attachment WHN-6, Schedule 1.

[24] *Petition of Atmos Energy Corporation for Approval of Its 2023 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, File <TN 2023 Annual Review Mechanism Schedules FY22>, Tab "Sch 11-3", (January 31, 2023).

Table 7 – Current and Proposed Base Rates[25]		
	Current Rates	**Proposed Rates**
Residential:		
Winter Customer Charge	$20.5000	$20.5000
Summer Customer Charge	18.5000	18.5000
Commodity Charge (Mcf)	1.4604	1.3687
Small Commercial:		
Customer Charge	$43.0000	$43.0000
Commodity Charge (Mcf)	2.9079	2.8310
Large Industrial:		
Customer Charge	$465.0000	$465.0000
Commodity Charge (Mcf)	2.5481	2.4989

Q21. DOES THIS COMPLETE YOUR TESTIMONY?

A21. Yes, it does. However, I reserve the right to incorporate any new information that may subsequently become available.

[25] Attachment WHN-5.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:	)	
	)	
ATMOS ENERGY CORPORATION FOR APPROVAL OF ITS 2023 ANNUAL RATE REVIEW FILING PURSUANT TO TENN. CODE ANN. § 65-5-103(d)(6)	)	**DOCKET NO. 23-00008**
	)	

AFFIDAVIT

I, William H. Novak, on behalf of the Consumer Advocate Division 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 Division.

WILLIAM H. NOVAK

TERRA ALLEN
STATE OF TENNESSEE NOTARY PUBLIC
HICKMAN COUNTY
My Commission Expires JAN 31, 2027

Sworn to and subscribed before me
this 17th day of March, 2023.

NOTARY PUBLIC

My commission expires: January 31, 2027.

ATTACHMENT WHN-1

Adjustment for

Plant in Service Error

REQUEST:

Source & Support. Refer to the <TN 2023 Annual Review Mechanism Schedules FY22> spreadsheet included with the Company's filing, specifically the "WP 7-2" tab and cell I24, which contains the gross plant for AEAM of $22,199,408 for August 22. Provide the source and support for these amounts.

RESPONSE:

"WP_7-2" Cell I24 was incorrectly linked in the relied file "o. Plant Balances 2022 TN Case.xlsx". The correct unallocated AEAM balance for August 2022 is $34,982,164. The impact to the filing is an increase of $5,030.

ATTACHMENT WHN-2

Adjustment for

Common Equity Error

In

Lead/Lag Study

RE: Other Revenues in the ARM Filing

Matthews, William <William.Matthews@atmosenergy.com>
Wed 3/29/2023 2:39 PM

To: William Novak <halnovak@whnconsulting.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover victoria.glover@ag.tn.gov

Hal,

We have researched back and see that this is historically how the return on equity for lead lag calculation has been prepared in the ARM, however in looking back at prior filings, we could not find anything definitive on why it is not included. If you raise the issue in your report, we will update the formula in this and future filings.

Thanks,
William

William D Matthews | Mgr Rates and Regulatory Affairs | Atmos Energy Corporation | 214-208-3637 Cell | William.Matthews@atmosenergy.com | www.atmosenergy.com

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From: William Novak <halnovak@whnconsulting.com>
Sent: Friday, March 24, 2023 11:02 PM
To: Mathews, William <William.Mathews@atmosenergy.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov> **Subject:** [EXT] Re: Other Revenues in the ARM Filing

Also, one other item to ponder for the weekend.

Refer to the formula for the Return on Equity on Workpaper 7-7 for the lead/lag calculation.
The formula here deducts interest on long-term debt, but there doesn't seem to be a similar deduction for interest on short-term debt.
Shouldn't that also be in the calculation?

Thanks again.

Hal Novak, CPA
WHN CONSULTING
Phone: 713-298-1760

ATTACHMENT WHN-3

Adjustment for

Allocation Errors to Tennessee

RE: Other Revenues in the ARM Filing

Matthews, William <William.Matthews@atmosenergy.com>
Wed 3/29/2023 3:35 PM

To: William Novak <halnovak@whnconsulting.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov>

Hal,

All rates below are rates allocated to Tennessee Operations.

Div 02 rate base has 4 allocation factors used depending on what type of asset/liability is being allocated.

- 1.26% Greenville Ave Data Center
- 4.78% Atmos Energy/Atmos Marketing (AEAM)
- 1.31% Aligne
- 3.90% General Plant

Div 02 O&M is allocated based on each cost center's activity. The Company's Cost Allocation Manual (CAM) is the source of the methodologies used to allocate costs in the Company's general ledger.
Of the 99 cost centers in Div 02:

- 50 allocate at 3.90%, our rate for all regulated and non-regulated combined.
- 15 allocate at 3.92%, our rate for all regulated only.
- 12 allocate at 4.80%, all utility including MTX but not APT
- 22 other cost centers allocate using 11 different rates. Including 10 cost centers at 0% because they support a specific area of Atmos not in Mid States and one gas supply cost center that only supports Mid States that allocates at 40.87%

The net effect is that Div 02 should have allocated 3.58% of it's O&M to TN for FY22. There have been no methodology changes in allocating Div 02 O&M since the last TN general rate case.

Div 12 has 8 cost centers that all should allocate O&M to TN at 4.74% for FY22.

Thanks,
William

William D Matthews | Mgr Rates and Regulatory Affairs | Atmos Energy Corporation | 214-208-3637 Cell | William.Matthews@atmosenergy.com | www.atmosenergy.com

From: William Novak <halnovak@whnconsuting.com>
Sent: Tuesday, March 28, 2023 2:53 PM
To: Ma hews, William <William.Mathews@atmosenergy.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov> **Subject:**
[EXT] Re: Other Revenues in the ARM Filing

William -

Just to be clear (again), you are saying the following...

Division 02 "should" be allocated for FY22 by using an allocation factor of 3.90% for rate base and 3.58% for O&M Expenses.
I want to be clear about this, because I don't think that we've ever had two separate allocation factors in the ARM for rate base and O&M expenses.
Why would there be a need to have separate allocators for rate base and O&M expenses?

Thanks.

Hal Novak, CPA
WHN CONSULTING
Phone: 713-298-1760

From: Ma hews, William <William.Mathews@atmosenergy.com>
Sent: Tuesday, March 28, 2023 2:31 PM
To: William Novak <halnovak@whnconsulting.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov> **Subject:**
RE: Other Revenues in the ARM Filing

Hal,

Please see my notes below. I have only a couple of tweaks to your notes.

One overall point to clarify first is that O&M is allocated systematically from our Div 02 and Div 12 to our Mid States office Div 91 and from there to Kentucky, Tennessee and Virginia.

Rate base is only allocated in rate filings from Div 02, Div 12 and Div 91 to Tennessee Div 93. Rate base is allocated in the ARM filing properly and no adjustments are needed there. What we've found is that a mapping error needs to be corrected in the systema c allocation of O&M.

Your Notes:
Division 91 was allocated at 40.87% to Tennessee for both O&M and Rate Base for FY 2022 and this is correct.
Correct

Division 12 should have been allocated at 4.74% for both O&M and Rate Base for FY 2022.
However, Division 12 was actually allocated at 3.96% for O&M which was in error and needs to be changed to 4.74%.
Correct

Division 02 should have been allocated at 3.58% for both O&M and Rate Base for FY 2022.
However, Division 02 was actually allocated at 3.90% for both O&M and Rate Base which was in error and needs to be changed to 3.58%.
Div 002 O&M should have been allocated at 3.58% as shown in the attached file.
The rate base is correctly allocated using the 3-factor composite for total company. This rate is 3.90% as shown in the composite factor file. It can be calculated as the Kentucky/Mid-States 3-factor composite of 9.55% * 40.87% for TN = 3.90%.

Ok. If all that is correct, can you send me the supporting calculations for the 3.58% allocation factor to Tennessee for Division 02 for FY 2022?
Please see attached file that calculates the 3.58% using trial balance amounts.

William D Matthews | Mgr Rates and Regulatory Affairs | Atmos Energy Corporation | 214-208-3637 Cell | William.Matthews@atmosenergy.com | www.atmosenergy.com

From: William Novak <halnovak@whnconsulting.com>
Sent: Friday, March 24, 2023 10:59 PM
To: Ma hews, William <William.Mathews@atmosenergy.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov>
Subject: [EXT] Re: Other Revenues in the ARM Filing

Ouch!

Why do I keep coming up with questions that cause the revenue deficiency to increase? <<grin>>

So, let me see if I can repeat this.

Division 91 was allocated at 40.87% to Tennessee for both O&M and Rate Base for FY 2022 and this is correct.

Division 12 should have been allocated at 4.74% for both O&M and Rate Base for FY 2022.
However, Division 12 was actually allocated at 3.96% for O&M which was in error and needs to be changed to 4.74%.

Division 02 should have been allocated at 3.58% for both O&M and Rate Base for FY 2022.
However, Division 02 was actually allocated at 3.90% for both O&M and Rate Base which was in error and needs to be changed to 3.58%.

Ok. If all that is correct, can you send me the supporting calculations for the 3.58% allocation factor to Tennessee for Division 02 for FY 2022?

Thanks.

Hal Novak, CPA
WHN CONSULTING

Phone: 713-298-1760

From: Ma hews, William <William.Matthews@atmosenergy.com>
Sent: Friday, March 24, 2023 5:12 PM
To: William Novak <halnovak@whnconsulting.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov>
Subject: RE: Other Revenues in the ARM Filing

Hal,

The Div 012 rate of 4.74% is the rate calculated in our Fiscal 2022 allocation factor file and is the correct rate. Due to a mapping issue in our monthly close process between the subaccounts 9220-41131 (to allocate Div 012) and 9220-41132 (to allocate Div 002) the 41131 subaccount was understated, causing our O&M allocation factor to be calculated at 3.96% instead of the intended 4.74% for Div 012.

Also, subaccount 41132 was overstated causing our O&M allocation factor to be calculated at 3.90% instead of 3.58% for Div 02. The allocation rate from Div 02 for O&M can vary because it is calculated on a cost center basis based on the support provided by each cost center to the distribution businesses.

To quantify, SSU Div 002 billings to Div91 were $10,529,984 * 40.87% = $4,303,604, and SSU Div 012 Billings were $5,722,768 * 43.10% = $2,466,513, which total $6,770,117 that **should have been** billed to TN, compared to actual billings of $4,687,096 + $2,062,097 = $6,749,193, which means we **under allocated** O&M to TN by $20,924.

We are working to correct this mapping issue between the subaccounts going forward.

Thanks,
William

William D Matthews | Mgr Rates and Regulatory Affairs | Atmos Energy Corporation | 214-208-3637 Cell | William.Matthews@atmosenergy.com | www.atmosenergy.com

From: William Novak <halnovak@whnconsulting.com>
Sent: Wednesday, March 22, 2023 11:54 PM
To: Ma hews, William <William.Mathews@atmosenergy.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov>
Subject: [EXT] Re: Other Revenues in the ARM Filing

Thanks William, this helps me understand this.

While I've got you here, can you help explain another Item.

Division 12 has an allocation rate to Tennessee of 4.74% for Fiscal 22 for Rate Base allocations.
However, Division 12 has an allocation rate to Tennessee of 3.96% for Fiscal 22 for O&M Expense allocations.

Why the difference? Divisions 2 and 91 have the same allocation factor for both Rate Base and O&M Expense.

Am I missing something?

Hal Novak, CPA

WHN CONSULTING

Phone: 713-298-1760

ATTACHMENT WHN-4

Adjustment for

Other Revenues

RE: Other Revenues in the ARM Filing

Matthews, William <William.Matthews@atmosenergy.com>

Wed 3/22/2023 9:19 AM

To: William Novak <halnovak@whnconsulting.com>

Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>;Victoria Glover <victoria.glover@ag.tn.gov>

Hal,

Please see attached schedule of Forfeited Discounts and Miscellaneous Service Revenues during the twelve months ended 09/30/2023 and for each filing period since Docket 14-00146. The Company suspended forfeited discounts, or late payment fees along with most Miscellaneous Service Charges at the time of the moratorium on disconnections issued in Commission Order 20-00047. No timeline has been established at this time as to when these fees would resume being billed.

ATMOS energy

Atmos Energy Corporation

Income Statements

For the Month Ended Jun 12 Mo, 2023

Atmos Energy-KY/Mid-States

Docket #	14-00146		16-00013	17-00012	18-00067	19-0076	21-0019	22-0010	23-00008
	Fiscal 2014 Jun 12 Mo	Fiscal 2015 May 12 Mo	Fiscal 2016 May 12 Mo	Fiscal 2017 Sep 12 Mo	Fiscal 2018 Sep 12 Mo	Fiscal 2019 Sep 12 Mo	Fiscal 2020 Sep 12 Mo	Fiscal 2021 Sep 12 Mo	Fiscal 2022 Sep 12 Mo
Forfeited discounts - Late Fee 4870-31201	811,372	806,749	550,854	699,834	791,453	613,011	341,903	(200)	(41)
Miscellaneous service revenues - Misc Service Revenue 4880-31301	427,876	473,302	417,402	442,783	426,897	406,336	294,382	51,056	68,558

Thanks,
William

William D Matthews | Mgr Rates and Regulatory Affairs | Atmos Energy Corporation | 214-208-3637 Cell | William.Matthews@atmosenergy.com | www.atmosenergy.com

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From: William Novak <halnovak@whnconsulting.com>
Sent: Monday, March 20, 2023 7:56 AM
To: Matthews, William <William.Matthews@atmosenergy.com>
Cc: Yurova, Maria <Maria.Yurova@atmosenergy.com>; Victoria Glover <victoria.glover@ag.tn.gov>
Subject: [EXT] Other Revenues in the ARM Filing

CAUTION: Don't be quick to click. This e-mail originated from outside of Atmos Energy. Do not click links or open attachments unless you recognize the sender and know the content is safe.

William -

I'm having some difficulty working with Other Revenues in the Current ARM filing.
Specifically, there appears to be a significant variance in the amounts recorded on the books during the test period for Forfeited Discounts and Miscellaneous Services Revenues from what was recognized in the last rate case (Docket 14-00146) as shown below.

Item	Last Rate Case	Current ARM Filing
Forfeited Discounts	$811,372	$-41
Miscellaneous Service Revenues	$427,878	$68,558

Can you please confirm and verify that the amounts recorded on the books in the current ARM filing are correct for these two accounts? If these amounts are correct, can you explain why there is such a big variance in these amounts from the last rate case.

Thanks.

Hal Novak, CPA

Docket 14-00146
Schedule 7

Atmos Energy Corporation
Gross Revenue Conversion Factor
For the Twelve Months Ended May 31, 2016

Line No.		Amount		Balance
1	Operating Revenues			1.000000
2	Add: Forfeited Discounts	0.010971	A/	0.010971
3	Balance			1.010971
4	Uncollectible Ratio	0.004117	B/	0.004162
5	Balance			1.006809
6	State Excise Tax	0.065000	C/	0.065443
7	Balance			0.941366
8	Federal Income Tax	0.350000	C/	0.329478
9	Balance			0.611888
10	Revenue Conversion Factor (1 / Line 9)			1.634300

A/ Forfeited discounts on gross revenues = forfeited discounts/gross revenues (excluding forfeited discounts)
B/ Uncolletible expense/Gross margin on sales
C/ Statutory Rate

ATTACHMENT WHN-5

Rate Design

WHN Consulting

Atmos Energy Corporation - ARM Reconciliation-Rate Design Model

Rate Design for Revenue Increase

Additional Revenue -$1,598,019

SOURCE: Company ARM Filing, Schedule 11-3.

Rate Schedule	12 ME 9-30-2022 Bills	12 ME 9-30-2022 Adjusted Mcf	Current Rates Bills	Current Rates Mcf Usage	Current Revenue	Allocated Rate Increase	Proposed Rates Bills	Proposed Rates Mcf Usage	Proposed Revenue
Rate Schedule 210/225:									
210/225 Residential Gas Service (Summer)	698,605	1,029,086	$18.50	$1.4604	$14,427,070		$18.50	$1.3687	$14,332,702
210/225 Residential Gas Service (Winter) (weather sensitive)	976,455	8,000,602	20.50	1.4604	31,701,406		20.50	1.3687	30,967,751
210/225 Residential Gas Service Senior Citizen	878	3,560	0.00	1.4604	5,199		0.00	1.3687	4,873
Total 210/225	**1,675,938**	**9,033,248**			**$46,133,675**	**-$828,787**			**$45,305,326**
						-828,349			
Rate Schedule 220:									
220 Commercial Gas Service (weather sensitive)	210,420	6,001,821	$43.00	$2.9079	$26,500,756		$43.00	$2.8310	$26,039,216
220 Industrial Gas Service (weather sensitive)	3,817	637,449	43.00	2.9079	2,017,769		43.00	2.8310	1,968,749
260 - TRANSP (220 SML COM/INDG)	111	111,863	465.00	2.9079	376,901		465.00	2.8310	368,299
Total 220	**214,348**	**6,751,133**			**$28,895,426**	**-$519,103**			**$28,376,264**
						-519,162			
Rate Schedule 221:									
221 Experimental School Gas Service	36	25,306	$43.00	$1.4090	$37,204		$43.00	$1.3826	$36,536
Total 221	**36**	**25,306**			**$37,204**	**-$668**			**$36,536**
						-668			
Rate Schedule 230:									
230 Large Commercial Gas Service (weather sensitive)	0	0	$465.00	$2.5481	$0		$465.00	$2.4989	$0
230 Large Industrial Gas Service	91	68,261	465.00	2.5481	216,251		465.00	2.4989	212,892
260 - TRANSP (230 LRG COM/INDG)	494	1,387,095	465.00	2.5481	3,764,168		465.00	2.4989	3,695,923
Total 230	**585**	**1,455,356**			**$3,980,419**	**-$71,508**			**$3,908,815**
						-71,604			
Rate Schedule 240:									
240 DEMAND/COMM GS	0		$465.00		$0		$465.00		$0
Block 1 Volumes		0		$1.4290	0			$1.4000	0
Block 2 Volumes		0		0.9464	0			0.9300	0
Block 3 Volumes		0		0.4381	0			0.4100	0
Demand Volumes		0		19.0000	0			19.0000	0
260 - TRANSP (240 DEMAND)	84	0	465.00		39,060		465.00		39,060
Block 1 Volumes		167,966		1.4290	240,024			1.4000	235,153
Block 2 Volumes		427,811		0.9464	404,880			0.9300	397,864
Block 3 Volumes		0		0.4381	0			0.4100	0
Demand Volumes		33,442		19.0000	635,406			19.0000	635,406
Total 240	**84**	**595,777**			**$1,319,369**	**-$23,702**			**$1,307,482**
Rate Schedule 250:									
250 Industrial Interruptible Gas Service	191		$465.00		$88,815		$465.00		$88,815
Block 1 Volumes		204,315		$1.4290	291,966			$1.4000	286,041
Block 2 Volumes		670,431		0.9464	634,496			0.9300	623,501
Block 3 Volumes		647,508		0.4381	283,673			0.4100	265,478
260 - TRANSP (250 OPT GS)	649		465.00		301,785		465.00		301,785
Block 1 Volumes		1,291,589		1.4290	1,845,681			1.4000	1,808,225
Block 2 Volumes		5,237,386		0.9464	4,956,662			0.9300	4,870,769
Block 3 Volumes		221,824		0.4381	97,181			0.4100	90,948
Total 250	**840**	**8,273,054**			**$8,500,260**	**-$152,706**			**$8,335,562**

WHN Consulting

Atmos Energy Corporation - ARM Reconciliation-Rate Design Model

Rate Design for Revenue Increase

Additional Revenue -$1,598,019

SOURCE: Company ARM Filing, Schedule 11-3.

Rate Schedule	12 ME 9-30-2022 Bills	12 ME 9-30-2022 Adjusted Mcf	Current Rates Bills	Current Rates Mcf Usage	Current Revenue	Allocated Rate Increase	Proposed Rates Bills	Proposed Rates Mcf Usage	Proposed Revenue
Rate Schedule 280:									
250/240/280 Industrial/Demand/Economic Dev	0		$465.00		$0		$465.00		$0
Block 1 Volumes		0		$1.4290	0			$1.4000	0
Block 1 Volumes @ Discount Rate		0		1.0718	0			1.0500	0
Block 2 Volumes		0		0.9464	0			0.9300	0
Block 2 Volumes @ Discount Rate		0		0.7098	0			0.6975	0
Block 3 Volumes		0		0.4381	0			0.4100	0
Block 3 Volumes @ Discount Rate		0		0.3286	0			0.3075	0
Demand Volumes		0		18.9500	0			19.0000	0
Demand Volumes @ Discount Rate		0		14.2125	0			14.2500	0
280/250 Economic Development Gas Service	12		465.00		5,580		465.00		5,580
Block 1 Volumes		0		1.4290	0			1.4000	0
Block 1 Volumes @ Discount Rate		23,470		1.0718	25,154			1.0500	24,644
Block 2 Volumes		0		0.9464	0			0.9300	0
Block 2 Volumes @ Discount Rate		54,051		0.7098	38,365			0.6975	37,701
Block 3 Volumes		0		0.4381	0			0.4100	0
Block 3 Volumes @ Discount Rate		0		0.3286	0			0.3075	0
260 - TRANSP (280/240 ECON DEV/DEMAND)	0		465.00		0		465.00		0
Block 1 Volumes		0		1.4290	0			1.4000	0
Block 1 Volumes @ Discount Rate		0		1.0718	0			1.0500	0
Block 2 Volumes		0		0.9464	0			0.9300	0
Block 2 Volumes @ Discount Rate		0		0.7098	0			0.6975	0
Block 3 Volumes		0		0.4381	0			0.4100	0
Block 3 Volumes @ Discount Rate		0		0.3286	0			0.3075	0
Demand Volumes		0		19.0000	0			19.0000	0
Demand Volumes @ Discount Rate		0		14.2500	0			14.2500	0
260 - TRANSP (280/250 ECON DEV - OPT GS)	0		465.00		0		465.00		0
Block 1 Volumes		0		1.4290	0			1.4000	0
Block 1 Volumes @ Discount Rate		0		1.0718	0			1.0500	0
Block 2 Volumes		0		0.9464	0			0.9300	0
Block 2 Volumes @ Discount Rate		0		0.7098	0			0.6975	0
Block 3 Volumes		0		0.4381	0			0.4100	0
Block 3 Volumes @ Discount Rate		0		0.3286	0			0.3075	0
Total 280	**12**	**77,521**			**$69,099**	**-$1,241**			**$67,924**
Rate Schedule 292:									
292 Cogeneration, CNG, Prime Movers Service	12		$43.00		$516		$43.00		$516
Block 1 Volumes		2,266		$1.4290	3,238			$1.4000	3,172
Block 2 Volumes		0		0.9464	0			0.9300	0
Block 3 Volumes		0		0.4381	0			0.4100	0
Total 292	**12**	**2,266**			**$3,754**	**-$67**			**$3,688**
Rate Schedule 293:									
293 Large Tonnage Air Conditioning Gas Service	12		$43.00		$516		$43.00		$516
Block 1 Volumes		8,815		$1.4290	12,596			$1.4000	12,341
Block 2 Volumes		0		0.9464	0			0.9300	0
Block 3 Volumes		0		0.4381	0			0.4100	0
Total 293	**12**	**8,815**			**$13,112**	**-$236**			**$12,857**
Total 240/250/280/292/293	**960**	**8,957,432**			**$9,905,594**	**-$177,953**			**$9,727,513**
						-178,081			
Subtotal	**1,891,867**	**26,222,476**			**$88,952,319**	**-$1,598,019**			**$87,354,455**
SPECIAL CONTRACTS	**0**	**0**			**$0**				**$0**
Total Sales & Transportation Margin	**1,891,867**	**26,222,476**			**$88,952,319**				**$87,354,455**

ATTACHMENT WHN-6

Consumer Advocate Exhibit

BEFORE
THE TENNESSEE PUBLIC UTILITY COMMISSION

	)	
	)	
PETITION OF ATMOS ENERGY	)	
CORPORATION FOR APPROVAL OF	)	
ITS 2023 ANNUAL RATE REVIEW	)	Docket No. 23-00008
FILING PURSUANT TO TENN. CODE	)	
ANN. § 65-5-103(D)(6)	)	
	)	
	)	
	)	

EXHIBIT

OF

THE CONSUMER ADVOCATE DIVISION
OF THE
OFFICE OF THE TENNESSEE ATTORNEY GENERAL

April 4, 2023

ATMOS ENERGY CORPORATION
INDEX TO SCHEDULES
For the 12 Months Ending September 30, 2022

	Schedule
Results of Operations	1
Comparative Rate Base	2
Lead Lag Results	3
Working Capital Expense Lag	4
Comparative Income Statement at Current Rates	5
Taxes Other than Income Income Taxes	6
Excise and Income Taxes	7
Rate of Return Summary	8
Revenue Conversion Factor	9

ATMOS ENERGY CORPORATION
Results of Operations
For the 12 Months Ending September 30, 2022

Line No.		Consumer Advocate		Atmos	E/	Difference
1	Rate Base	$ 497,545,308	A/	$ 499,428,907		$ -1,883,599
2	Operating Income At Current Rates	35,052,165	B/	34,155,903		896,262
3	Earned Rate Of Return	7.05%		6.84%		0.21%
4	Fair Rate Of Return	7.58%	C/	7.58%		0.00%
5	Required Operating Income	37,713,934		37,856,711		-142,777
6	Operating Income Deficiency (Surplus)	2,661,769		3,700,808		-1,039,039
7	Gross Revenue Conversion Factor	1.342900	D/	1.357600		-0.014700
8	**Revenue Deficiency (Surplus)**	$ **3,574,490**		$ **5,024,218**		$ **-1,449,728**
9	Amortization of EDITL	-4,603,469		-4,603,469		0
10	Annual Reconciliation Revenue Requirement	-569,040		-393,912		-175,128
11	**Net Revenue Deficiency/(Surplus)**	$ **-1,598,019**		$ **26,837**		$ **-1,624,856**

A/ Consumer Advocate Exhibit, Schedule 2.
B/ Consumer Advocate Exhibit, Schedule 6.
C/ Consumer Advocate Exhibit, Schedule 12.
D/ Consumer Advocate Exhibit, Schedule 13.
E/ Company Filing, Schedules 1 and 1 Rev Deficiency - Surplus.

ATMOS ENERGY CORPORATION
Comparative Rate Base
For the 12 Months Ending September 30, 2022

Line No.		Consumer Advocate A/	Atmos B/	Difference
	Additions:			
1	Utility Plant in Service	$ 811,146,870	$ 811,685,075	$ -538,205
2	Construction Work in Progress	11,714,042	11,767,197	-53,155
3	Working Capital	2,529,959 C/	2,517,328	12,631
4	Materials & Supplies / Gas Inventory	8,627,170	8,627,217	-47
5	Intercompany Leased Property	5,985,565	5,985,565	0
6	Cloud Projects	119,181	129,921	-10,740
7	**Total Additions**	$ **840,122,787**	$ **840,712,303**	$ **-589,516**
	Deductions:			
8	Accumulated Depreciation	$ 238,679,580	$ 238,922,903	$ -243,323
9	Deferred Pension Regulated Asset	17,184,326	17,184,326	0
10	Accumulated Deferred Income Taxes	77,096,381	75,558,974	1,537,407
11	Customer Advances for Construction	20,280	20,280	0
12	Customer Deposits	1,069,120	1,069,120	0
13	Accumulated Interest on Customer Deposits	18,913	18,913	0
14	Capitalized Incentive Compensation	8,508,879	8,508,879	0
15	**Total Deductions**	$ **342,577,479**	$ **341,283,395**	$ **1,294,084**
16	**Rate Base**	$ **497,545,308**	$ **499,428,908**	$ **-1,883,600**

A/ Consumer Advocate Workpapers.
B/ Company Filing, Schedule 2RB.
C/ Consumer Advocate Exhibit, Schedule 3.

ATMOS ENERGY CORPORATION
Lead Lag Results
For the 12 Months Ending September 30, 2022

Line No.		Consumer Advocate		Atmos	C/	Difference
1	Revenue Lag	37.50	A/	37.50		0.00
2	Expense Lag	32.95	B/	32.98		-0.03
3	Net Lag	4.55		4.52		0.03
4	Daily Cost of Service	$ 556,598	B/	$ 556,473		$ 125
5	**Lead Lag Study**	$ **2,529,959**		$ **2,517,328**		$ **12,631**

A/ Consumer Advocate Workpapers.
B/ Consumer Advocate Exhibit, Schedule 4.
C/ Company Filing, WP 7-5.

ATMOS ENERGY CORPORATION
Working Capital Expense Lag
For the 12 Months Ending September 30, 2022

Line No.		Consumer Advocate A/	Lag A/	Dollar Days
	Operating & Maintenance Expenses:			
1	Purchased Gas Expense	$ 111,383,272	39.33	$ 4,380,704,088
2	O&M Labor	8,071,129	14.07	113,560,785
3	O&M Non-Labor	13,546,736	29.43	398,680,440
	Taxes Other Than Income:			
4	Ad Valorem	4,200,305	241.50	1,014,373,658
5	State Gross Receipts Tax	717,361	-151.50	-108,680,192
6	Payroll Taxes	721,854	14.51	10,474,102
7	Franchise Tax	1,301,996	37.50	48,824,850
8	TRA Inspection Fee	612,669	272.50	166,952,303
9	DOT Fee	20,090	59.00	1,185,310
	Federal Income Tax:			
10	Current Taxes	0	37.50	0
11	Deferred Taxes	7,118,449	0.00	0
	State Excise Taxes:			
12	Current Taxes	0	37.50	0
13	Deferred Taxes	2,356,502	0.00	0
	Other:			
14	Depreciation Expense	16,265,157	0.00	0
15	Interest on Customer Deposits	38,488	182.50	7,024,060
16	Interest Expense - Long Term Debt	7,214,407	91.25	658,314,639
17	Interest Expense - Short Term Debt	149,264	24.05	3,589,799
18	Return on Equity	29,440,698	0.00	0
19	**Total Cost of Service**	$ **203,158,377**	**32.95**	$ **6,695,003,841**
20	**Daily Cost Of Service**	$ **556,598**		

A/ Consumer Advocate Workpapers.

ATMOS ENERGY CORPORATION
Comparative Income Statement at Current Rates
For the 12 Months Ending September 30, 2022

Line No.		Consumer Advocate A/	Atmos B/	Difference
	Operating Revenues:			
1	Gas Sales & Transportation Revenues	$ 201,244,758	$ 201,244,758	$ 0
2	Other Revenues	1,239,248	68,517	1,170,731
3	AFUDC	909,566	909,566	0
4	**Total Operating Revenue**	$ **203,393,572**	$ **202,222,841**	$ **1,170,731**
	Operating & Maintenance Expenses:			
5	Purchased Gas Expense	$ 111,383,272	$ 111,383,269	$ 3
6	Operations & Maintenance - Labor	8,071,129	8,024,006	47,123
7	Operations & Maintenance - NonLabor	13,546,736	13,582,643	-35,907
8	**Total Operating & Maintenance Expenses**	**133,001,137**	**132,989,918**	**11,219**
	Other Expenses:			
9	Depreciation Expense	$ 18,252,555	$ 18,316,285	$ -63,730
10	Interest on Customer Deposits	38,488	38,488	0
11	General Taxes	7,574,276	7,574,276	0
12	State Excise Taxes	2,356,502	2,275,179	81,323
13	Federal Income Taxes	7,118,449	6,872,792	245,657
14	**Total Other Expenses**	**35,340,270**	**35,077,020**	**263,250**
15	**Total Operating Expenses**	$ **168,341,407**	$ **168,066,938**	$ **274,469**
16	**Utility Operating Income**	$ **35,052,165**	$ **34,155,903**	$ **896,262**

A/ Consumer Advocate Workpapers.
B/ Company Filing, Schedule IS.

ATMOS ENERGY CORPORATION
Taxes Other than Income Income Taxes
For the 12 Months Ending September 30, 2022

Line No.		Consumer Advocate A/	Atmos B/	Difference
1	Property Taxes	$ 4,200,306	$ 4,200,306	$ 0
2	TPUC Inspection Fee	612,669	612,669	0
3	Payroll Taxes	721,854	721,854	0
4	Franchise Tax	1,301,996	1,301,996	0
5	Gross Receipts Tax	717,361	717,361	0
6	Allocated & Other Taxes	20,090	20,090	0
7	**Total**	$ **7,574,276**	$ **7,574,276**	$ **0**

A/ Consumer Advocate Workpapers.
B/ Company Filing, Schedule Tax.

ATMOS ENERGY CORPORATION
Excise and Income Taxes
For the 12 Months Ending September 30, 2022

Line No.		Consumer Advocate A/
1	**Operating Revenues**	$ **203,393,572**
	Operating Expenses:	
2	Purchased Gas Expense	$ 111,383,272
3	O&M Expenses	21,617,865
4	Depreciation Expense	18,252,555
5	Interest on Customer Deposits	38,488
6	General Taxes	7,574,276
7	**Total Operating Expenses**	$ **158,866,455**
8	**NOI Before Excise and Income Taxes**	$ **44,527,117**
9	AFUDC	909,566
10	Interest Expense	7,363,671
11	**Pre-tax Book Income**	$ **36,253,880**
12	Schedule M Adjustments	36,253,880
13	**Excise Taxable Income**	$ **0**
14	Excise Tax Rate	6.50%
15	**Excise Tax Payable**	$ **0**
16	Excise Tax - Deferred	2,356,502
17	**State Excise Tax Expense**	$ **2,356,502**
18	**Pre-tax Book Income**	$ 36,253,880
19	State Excise Tax Expense	2,356,502
20	Schedule M Adjustments	0
21	**FIT Taxable Income**	$ **33,897,378**
22	FIT Rate	21.00%
23	**Federal Income Tax Payable**	$ **7,118,449**
24	FIT - Deferred	0
25	**Federal Income Tax Expense**	$ **7,118,449**

A/ Consumer Advocate Workpapers.

ATMOS ENERGY CORPORATION
Rate of Return Summary
For the 12 Months Ending September 30, 2022

Line No.	Class of Capital	Consumer Advocate Percent of Total	Consumer Advocate Cost Rate	Consumer Advocate Weighted Cost Rate A/
1	Short-Term Debt	0.09%	28.15%	0.03%
2	Long-Term Debt	37.71%	3.83%	1.45%
3	Common Equity	62.20%	9.80%	6.10%
4	**Total**	**100.00%**		**7.58%**

	Interest Expense Short-Term Debt:	
5	Rate Base	$ 497,545,287
6	Short-Term Weighted Debt Cost	0.03%
7	**Short-Term Debt Interest Expense**	$ **149,264**
	Interest Expense Long-Term Debt:	
8	Rate Base	$ 497,545,287
9	Long-Term Weighted Debt Cost	1.45%
10	**Long-Term Debt Interest Expense**	$ **7,214,407**
11	**Total Interest Expense**	$ **7,363,671**

A/ Consumer Advocate Workpapers.

ATMOS ENERGY CORPORATION
Revenue Conversion Factor
For the 12 Months Ending September 30, 2022

Line No.		Amount	Balance A/
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.010971	0.010971
3	Balance		1.010971
4	Uncollectible Ratio	0.002803	0.002834
5	Balance		1.008137
6	State Excise Tax	0.065000	0.065529
7	Balance		0.942608
8	Federal Income Tax	0.210000	0.197948
9	Balance		0.744661
10	Revenue Conversion Factor (Line 1 / Line 9)		**1.342900**

A/ Consumer Advocate Workpapers.