

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 14, 2024

IN RE:

**ATMOS ENERGY CORPORATION 2022 THROUGH 2023
ACA FILING FOR TENNESSEE EXCLUDING UNION
CITY AND FOR UNION CITY TENNESSEE**

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**DOCKET NO.
23-00062**

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

This matter came before Vice Chairman David F. Jones, Commissioner Robin L. Morrison, Commissioner Clay R. Good, Commissioner David Crowell, and Commissioner John Hie 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 May 20, 2024 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, 2023. The Actual Cost Adjustment (“ACA”) Compliance Audit Report (the “Report”) is attached hereto as Exhibit A and incorporated by this reference.

The Company filed its ACA filing on August 29, 2023. The Staff completed its audit of the Company’s filing and filed its Report on February 26, 2024.¹

¹ The original deadline for the completion and approval of the ACA Audit was February 29, 2024. 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 13, 2024. The deadline was initially extended to April 30, 2024 and subsequently to May 30, 2024 by mutual consent of Staff and Atmos as evidenced by the memo filed in the docket on April 30, 2024.

The objective of the audit was 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, 2023 was \$11,886,817.86. Of this amount \$945,556.11 in over-collected gas costs for the Union City filing and an ACA account balance of \$10,941,261.75 in over-collected gas costs for the East Tennessee filing.² The Report included no material findings.³

During the regularly scheduled Commission Conference held on May 20, 2024, the voting panel considered the Company's ACA filing and Staff's Report and found that the audit objective was met and the ending balance in the ACA accounts for the period ending June 30, 2023, as adjusted by Staff, was accurately calculated and in compliance with Atmos' tariff.

The panel unanimously approved the Report as filed, including the ACA account balance \$945,556.11 in over-collected gas costs for the Union City filing and an ACA account balance of \$10,941,261.75 in over-collected gas costs for the East Tennessee filing. These balances will become the beginning balance on July 1, 2023, in the Company's next ACA filing.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Compliance Audit Report of Atmos Energy Corporation's gas costs for the period ended June 30, 2023, a copy of which is attached to this Order as Exhibit A, is approved and adopted, and the conclusions and recommendations contained therein are incorporated in this Order as if fully rewritten herein.

2. Any person who is aggrieved by the Commission's decision in this matter may file

² Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission, Exh. A, p. 4 (February 26, 2024).

³ *Id.* at 1.

a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

3. 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:

**Vice Chairman David Jones
Commissioner Robin L. Morrison,
Commissioner Clay R. Good,
Commissioner David Crowell, and
Commissioner John Hie concurring.**

None Dissent.

ATTEST:

A handwritten signature in dark ink, appearing to read "Earl Taylor", with the initials "abh" written below it.

Earl R. Taylor, Executive Director

EXHIBIT A

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

February 26, 2024

IN RE:)
)
ATMOS ENERGY CORPORATION) **Docket No. 23-00062**
ACTUAL COST ADJUSTMENT (“ACA”) AUDIT)

**NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE
PUBLIC UTILITY COMMISSION**

Pursuant to Tenn. Code Ann. §§65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Public Utility Commission (“TPUC” or the “Commission”) hereby gives notice of its filing of the Compliance Audit Report of the Actual Cost Adjustment (hereafter “ACA”) component of the Purchased Gas Adjustment Rule for Atmos Energy Corporation (the “Company”) in this docket and would respectfully state as follows:

1. The present docket was opened by the Commission to hear matters arising out of the audit of the Company’s ACA filing for the period July 1, 2022, through June 30, 2023.
2. The Company’s ACA filing was received on August 29, 2023, and the Staff completed its audit of the same on February 23, 2024. The original 180-day deadline for completion of the audit of Atmos Energy Corporation was extended to April 30, 2024, by mutual consent of Company and the TPUC Audit Staff as provided for in the Purchased Gas Adjustment Rule 1220-4-7-.03(2).

3. The Audit Report is attached hereto as Exhibit A and is fully incorporated herein by this reference.

4. The Utilities Division hereby files its Report with the Tennessee Public Utility Commission for deposit as a public record and approval of the same.

Respectfully Submitted:

A handwritten signature in cursive script that reads "Emily Qingshe".

Emily Qingshe, Audit Manager
Utilities Division of the
Tennessee Public Utility Commission

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of February 2024, a true and exact copy of the foregoing has been either hand-delivered or delivered via U.S. Mail, postage pre-paid, to the following persons:

Herbert H. Hilliard
Chair
Tennessee Public Utility Commission
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Mr. Brannon Taylor
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Emily Qingshe

COMPLIANCE AUDIT REPORT
OF
ATMOS ENERGY CORPORATION
ACTUAL COST ADJUSTMENT
DOCKET NO. 23-00062

PREPARED BY
TENNESSEE PUBLIC UTILITY COMMISSION

UTILITIES DIVISION

February 2024

EXHIBIT A

COMPLIANCE AUDIT
ATMOS ENERGY CORPORATION

ACTUAL COST ADJUSTMENT

DOCKET NO. 23-00062

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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, 2023 are calculated correctly and are supported by appropriate source documentation.

II. AUDIT OPINION

On August 29, 2023, 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, 2022 through June 30, 2023 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, 2023 to distribute the balances in the ACA accounts as of June 30, 2023 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 to 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. 2023-0076 for Union City and 2023-0077 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 one hundred eighty (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 are waived.

IV. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of the Company’s ACA Account(s). 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 refund of (\$945,556.11) to the customers of Union City and a total refund of (\$10,941,261.75) to the customers in other Tennessee towns, effective October 1, 2023. 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 are fulfilled under an Asset Management Agreement. The current Asset Management Agreement is between Atmos and Symmetry Energy Solutions, LLC, effective April 1, 2022. The agreement has a three-year term ending March 2025. Asset Management fees are shared with ratepayers according to the terms of the contract as a credit to the ACA Account.⁵

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.

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

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.

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, Grace Marek, and Aisha Salem of the Utilities Division conducted this audit.

VII. ACA FINDINGS

The combined ACA filings showed a total of \$98,231,647.75 in Purchased Gas Costs, with \$115,264,684.67 being recovered from customers through rates. Adding a beginning balance in the ACA account of \$5,238,376.24 in net under-recovered gas costs from the preceding ACA period and net interest of (\$92,157.18)⁶ due to customers for the current period resulted in a net ACA Account balance at June 30, 2023, of (\$11,886,817.86)⁷ in over-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 2022 - JUNE 2023

<u>Line</u>	<u>Union City</u>	<u>Other TN Towns</u>	<u>Total</u>
1 Beginning Balance (July 1, 2022)	\$572,414.09	\$4,665,962.15	\$5,238,376.24
2 Purchased Gas Costs	1,527,058.80	96,704,588.95	98,231,647.75
3 Gas Costs recovered through rates	3,030,295.43	112,234,389.24	115,264,684.67
4 Interest on monthly balances	<u>(14,733.57)</u>	<u>(77,423.61)</u>	<u>(92,157.18)</u>
5 Ending Balance (June 30, 2023) (Line 1 + Line 2 – Line 3 + Line 4)	<u>(\$945,556.11)</u>	<u>(\$10,941,261.75)</u>	<u>(\$11,886,817.86)</u>

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

⁶ The net interest of (\$92,157.18) is composed of (\$14,733.57) due to customers of Union City and (\$77,423.61) due to the customers of other Tennessee towns.

⁷ The net ending balance results in an over-collection of \$945,556.11 from customers of Union City and an over-collection of \$10,941,261.75 from customers of other Tennessee towns.

VIII. STAFF CONCLUSIONS AND RECOMMENDATIONS

Staff reviewed the gas costs and recoveries of Atmos Energy Corporation for the 12-month period ended June 30, 2023. 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, 2023, was **negative \$11,886,817.86**, indicating a total over-collection from its Tennessee customers. The net balance is composed of a **total over-collection of \$945,556.11 from Union City** customers and a total **over-collection of \$10,941,261.75 from** customers in **Other Tennessee towns**, both presented as negative amounts. These ending balances will become the beginning balances at July 1, 2023 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.