

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

	)	
	)	
PETITION OF ATMOS ENERGY	)	
CORPORATION FOR APPROVAL OF	)	
ITS 2024 ANNUAL RATE REVIEW	)	Docket No. 24-00006
FILING PURSUANT TO TENN. CODE	)	
ANN. § 65-5-103(D)(6)	)	
	)	
	)	
	)	

**DIRECT TESTIMONY**  
of  
**WILLIAM H. NOVAK**

ON BEHALF OF

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

*April 4, 2024*

## ATTACHMENTS

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Attachment WHN-1	Consumer Advocate Revenue Deficiency Exhibit
Attachment WHN-2	Consumer Advocate Proposed Rate Design

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

3   ***A1.***   My name is William H. Novak. My business address is 19 Morning Arbor Place,  
4           The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility  
5           consulting and expert witness services company.<sup>1</sup>

6

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

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

13

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

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<sup>1</sup>       State of Tennessee, Registered Accounting Firm ID 3682.

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

3

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

8

9 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?***

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

12

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

15 ***A4.*** Yes. I've presented testimony in TPUC Docket Nos. U-82-7211, U-83-7277, U-  
16 84-7333, U-86-7442, 89-10017, 92-02987, 05-00258, 07-00105 12-00064 and 14-  
17 00146 concerning cases involving either Atmos Energy Corporation ("Atmos" or  
18 the "Company") or its predecessor companies as well as dockets for other generic  
19 tariff and rulemaking matters. In addition, I previously presented testimony  
20 concerning Atmos' Annual Reconciliation Mechanism ("ARM") tariff that is the  
21 subject of this proceeding in TPUC Docket Nos. 14-00146, 16-00013, 16-00105,  
22 17-00012, 17-00091, 18-00067, 18-00097, 19-00076 and 23-00008.

23

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

3    ***A5.*** My testimony will address the Consumer Advocate’s analysis and review with  
4       respect to Atmos’ proposed ARM reconciliation in this docket with its books and  
5       records, including the calculations supporting that reconciliation and the resulting  
6       revenue deficiency. I will also address the implementation of new rates resulting  
7       from the ARM reconciliation.

8

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

11   ***A6.*** I have reviewed the Company’s Petition filed on January 30, 2024, along with the  
12       accompanying schedules. I have also reviewed Atmos’ responses to the data  
13       requests submitted by the Consumer Advocate in this docket. In addition, I  
14       reviewed the Stipulation and Settlement Agreement (“14-00146 Settlement  
15       Agreement”) between the Company and the Consumer Advocate in Docket No.  
16       14-00146, which was incorporated into the Commission’s Order in that Docket,  
17       and modifications in subsequent dockets that have been made to the relevant  
18       Approved Methodologies as defined in the 14-00146 Settlement Agreement.  
19       Finally, I reviewed the Stipulation and Settlement Agreement (“18-00112  
20       Settlement Agreement”) between the Company and the Consumer Advocate in  
21       Docket No. 18-00112, which was incorporated into the Commission’s Order in  
22       that docket and combined the ARM reconciliation and budget filings into a single  
23       annual proceeding.

1

2 ***Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS***  
3 ***IN THIS DOCKET.***

4 ***A7.*** My recommendations and concerns are summarized as follows:

- 5 • I recommend that the Commission include a pro forma adjustment to Other  
6 Revenues that restores this item back to the same level approved in the  
7 Company's last rate case. The impact of this adjustment is to change the  
8 revenue deficiency by \$-1,271,171.  
9
- 10 • I recommend that the Commission accept my adjustments to the Company's  
11 cost of capital that correct the cost rates for both short-term and long-term  
12 debt. The impact of this adjustment is to change the revenue deficiency by  
13 \$164,674.  
14
- 15 • I recommend that the Commission accept various miscellaneous adjustments  
16 that I have included in the ARM reconciliation that results in a change to the  
17 revenue deficiency by \$-1,009.  
18
- 19 • I recommend that the Commission accept my recalculated ARM  
20 reconciliation for the 12 months ended September 30, 2023, that results in a  
21 revenue deficiency of \$19,282,116.  
22
- 23 • I recommend that the Commission accept my proposed tariff rates to produce  
24 an annual revenue increase of \$19,282,116 to be effective June 1, 2024.  
25

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

29 A8. The ARM allows the Company to annually reconcile or "true-up" their actual  
30 earnings with the Commission approved rate of return. The initial overall  
31 structure for the ARM was agreed to by Atmos and the Consumer Advocate in  
32 Docket No. 14-00146 and incorporated into the Commission's order in that  
33 docket and required separate annual budget and reconciliation filings. This initial

1 ARM structure was then changed in accordance with Docket No. 18-00112 to  
2 combine the separate budget and reconciliation filings into a single annual filing.  
3 In the current filing, the Company is asking the Commission to recognize a total  
4 revenue deficiency of \$20,389,622 and approve an adjustment to their tariff to  
5 allow this recovery to be implemented starting on June 1, 2024.<sup>2</sup>  
6

7 ***Q9. HOW IS THE ARM REVENUE DEFICIENCY CALCULATED?***

8 A9. The ARM revenue deficiency is calculated in accordance with the terms of  
9 Commission Orders in Docket Nos. 14-00146 and 18-00112. The overall  
10 methodology for the reconciliation calculation is shown below in Table 1 which  
11 provides a comparison of the Atmos' filing with my own calculation.  
12

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2. Direct Testimony of William Matthews, p. 4:6-7, TPUC Docket No. 24-00006 (January 30, 2024).

<b>Table 1 – ARM Revenue Deficiency Calculation<sup>3</sup></b>		
<b>Item</b>	<b>Company Filing</b>	<b>Consumer Advocate Filing</b>
Rate Base	\$554,055,263	\$554,055,092
Operating Income at Present Rates	30,725,396	31,541,333
<b>Earned Rate of Return</b>	<b>5.55%</b>	<b>5.69%</b>
Fair Rate of Return	7.62%	7.64%
Required Operating Income	\$42,219,011	\$42,329,809
Operating Income Deficiency	\$11,493,615	\$10,788,476
Gross Revenue Conversion Factor	1.358000	1.343700
<b>Current Revenue Deficiency</b>	<b>\$15,608,329</b>	<b>\$14,496,475</b>
Prior Period Reconciliation	-255,213	-255,213
Excess Deferred Tax Amort.	5,036,506	5,040,845
<b>Net Revenue Deficiency</b>	<b>\$20,389,622</b>	<b>\$19,282,107</b>

***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 had continuing 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 established in Docket Nos. 14-00146 and 18-00112. However, I

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3. Attachment WHN-1, Schedule 1.



1 did discover certain errors in the Company’s filing related to the appropriate  
2 calculation of Other Revenues and Cost of Capital. In my opinion, adjustments  
3 for these items need to be considered by the Commission to determine the proper  
4 ARM reconciliation revenue deficiency.

5  
6 ***Q12. PLEASE EXPLAIN YOUR PRO FORMA ADJUSTMENT TO OTHER***  
7 ***REVENUES.***

8 A12. In response to the Covid pandemic, on March 27, 2020, the Commission issued its  
9 Order in Docket No. 20-00047 requiring all utilities under its jurisdiction to  
10 suspend disconnections and late-fee penalties for customers. This disconnection  
11 suspension was later lifted effective August 29, 2020, by a subsequent Order from  
12 the Commission in this same docket.

13  
14 Like other Tennessee utilities, Atmos also suspended the application of forfeited  
15 discounts, or late payment fees along with most miscellaneous service charges  
16 (e.g., reconnection fees) in accordance with the Commission’s Order. However,  
17 Atmos did not initially reimplement its tariff charges related to forfeited discounts  
18 and miscellaneous service charges (“Other Revenue), even though the  
19 Commission’s later Order allowing them to do so was effective from August 29,  
20 2020. In Docket No. 23-00008, Atmos agreed to reimplement the charges for  
21 Other Revenue effective for service on and after July 1, 2023.<sup>4</sup> However, this

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4. See In Re: 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, Order Approving 2023 Annual Rate Review Filing As Revised in Rebuttal Testimony, p. 12 (June 22, 2023).

1 July 1 implementation date means that the going level amount of Other Revenues  
2 are included in the current ARM filing for only 3 months (July 2023 – September  
3 2023) instead of for a full year. As a result, Other Revenues in the ARM are  
4 materially understated.

5  
6 ***Q13. HOW ARE YOU PROPOSING TO TREAT OTHER REVENUES IN THE***  
7 ***CURRENT ARM RECONCILIATION?***

8 A13. The Other Revenues for the current test period as well as from the Company’s last  
9 rate case are shown below on Table 2.

<b>Table 2 – Other Revenues<sup>5</sup></b>		
<b>Item</b>	<b>2023 Test Period</b>	<b>Docket 14-00146</b>
Forfeited Discounts	\$67,588	\$811,372
Miscellaneous Service Revenues	104,021	427,876
<b>Total Other Revenues</b>	<b>\$171,609</b>	<b>\$1,239,248</b>

10 As can be seen from Table 2, Other Revenues have declined significantly since  
11 the Company’s last rate case. This decline is representative of the partial year  
12 implementation during the test period described above. In addition, Atmos has  
13 stated that they expect “on a going forward basis the miscellaneous fees amount  
14 stated in TPUC Docket No. 14-00046 will be similar to Company actuals for the  
15 test period.”<sup>6</sup> I would therefore recommend that the Commission adopt the  
16 \$1,239,248 amount from the Company’s last rate case as the appropriate level to  
17 include in the ARM reconciliation filing. In addition, I recommend that the  
18 Commission adopt the forfeited discount rate of 1.0971% from the last rate case

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5. Attachment WHN-1, Schedule 5.

6. Company Response to CA Discovery Request No. 1-38.

1 as a component of the revenue conversion factor in the current ARM  
2 reconciliation filing.<sup>7</sup> The impact from these adjustments to Other Revenue  
3 changes the current revenue deficiency by \$-1,271,171.<sup>8</sup>  
4

5 ***Q14. PLEASE EXPLAIN YOUR PRO FORMA ADJUSTMENT TO THE COST***  
6 ***OF CAPITAL.***

7 A14. The Cost of Capital represents the overall return that the Company should be  
8 allowed to earn on its prudent rate base investment in Tennessee. In calculating  
9 the Cost of Capital, the Company included the cost structure and cost rates for  
10 short-term debt, long-term debt and common equity as shown below in Table 3 to  
11 produce a 7.62% overall rate of return.

<b>Table 3 – Atmos Proposed Cost of Capital<sup>9</sup></b>			
<b>Description</b>	<b>Structure</b>	<b>Cost</b>	<b>Weighted Cost</b>
Short-Term Debt	0.29%	17.36%	0.05%
Long-Term Debt	37.33%	3.92%	1.46%
Common Equity	62.38%	9.80%	6.11%
<b>Total</b>	<b>100.00%</b>		<b>7.62%</b>

12 During the Consumer Advocate’s review, I discovered that the Company  
13 understated the cost of short-term debt by \$50,000, which increased the cost rate  
14 from 17.36% to 17.51%.<sup>10</sup> I also discovered that the Company had inadvertently  
15 included the cost of certain unregulated long-term debt in the Cost of Capital.

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<sup>7</sup> Attachment WHN-1, Schedule 10.

<sup>8</sup> This impact is calculated by adjusting the inputs on the Consumer Advocate’s ARM Reconciliation Model shown on Attachment WHN-1, and then noting the change in the resulting revenue deficiency. The total impact from all adjustments is then reconciled back to the Consumer Advocate’s total revenue deficiency or surplus shown on Table 8.

<sup>9</sup> Company filing, File <6> 24-XXXXX - 2024 Atmos Energy TN ARM Filing – Revenue Requirement Schedules (Unlinked)>, Tabs “Sch 9”, (January 30, 2024).

<sup>10</sup> Company Response to Consumer Advocate Discovery Request 1-28.

1 Removing this unregulated long-term debt increased the cost rate from 3.92% to  
2 3.95%.<sup>11</sup> The impact from these changes is to increase the overall rate of return  
3 from 7.62% to 7.64% as shown below on Table 4.

<b>Table 4 – Adjusted Cost of Capital<sup>12</sup></b>			
<b>Description</b>	<b>Structure</b>	<b>Cost</b>	<b>Weighted Cost</b>
Short-Term Debt	0.29%	17.51%	0.05%
Long-Term Debt	37.33%	3.95%	1.48%
Common Equity	62.38%	9.80%	6.11%
<b>Total</b>	<b>100.00%</b>		<b>7.64%</b>

4 ***Q15. HOW ARE YOU PROPOSING TO TREAT COST OF CAPITAL IN THE***  
5 ***CURRENT ARM RECONCILIATION?***

6 A15. I recommend that the Commission adopt the adjusted 7.64% overall rate of return  
7 shown in Table 4 as the appropriate Cost of Capital for this Docket. The impact  
8 from this adjustment to Cost of Capital changes the current revenue deficiency by  
9 \$164,674.<sup>13</sup>

10  
11 ***Q21. MR. NOVAK, PLEASE SUMMARIZE YOUR PROPOSED***  
12 ***ADJUSTMENTS TO THE COMPANY’S REVENUE DEFICIENCY IN***  
13 ***THIS ARM RECONCILIATION.***

14 A21. My proposed adjustments are summarized below in Table 5.  
15

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<sup>11</sup> See Company response to CA Discovery Request 1-30 in Docket No. 24-00006.

<sup>12</sup> Attachment WHN-1, Schedule 9.

<sup>13</sup> This impact is calculated by adjusting the inputs on the Consumer Advocate’s ARM Reconciliation Model shown on Attachment WHN-1, and then noting the change in the resulting revenue deficiency. The total impact from all adjustments is then reconciled back to the Consumer Advocate’s total revenue deficiency or surplus shown on Table 8.

<b>Table 5 – Revenue Deficiency Reconciliation<sup>14</sup></b>	
<b>Item</b>	<b>Amount</b>
Atmos Proposed Revenue Deficiency	\$20,389,622
Pro Forma Adjustment to Other Revenues	-1,271,171
Pro Forma Adjustment to Cost of Capital	164,674
Other Miscellaneous Adjustments	-1,018
<b>WHN Proposed Revenue Deficiency</b>	<b>\$19,282,107</b>

***Q22. HOW WILL RATES BE ADJUSTED FOR THE CURRENT ARM RECONCILIATION?***

A22. I would recommend adjusting rates by using the same billing determinants (customers and usage) that Atmos used in its ARM filing.<sup>15</sup> A summary comparison of the current rates and my proposed rates for residential and commercial customers are shown below in Table 6. A complete copy of my proposed rate design for all customer classes is contained in Attachment WHN-2.

<b>Table 6 – Current and Proposed Base Rates<sup>16</sup></b>		
	<b>Current Rates</b>	<b>Proposed Rates</b>
<b>Residential:</b>		
Winter Customer Charge	\$20.2500	\$24.5000
Summer Customer Charge	18.2500	22.5000
Commodity Charge (Mcf)	1.4400	1.7437
<b>Small Commercial:</b>		
Customer Charge	\$42.4500	\$50.0000
Commodity Charge (Mcf)	2.8700	3.5445
<b>Large Commercial:</b>		
Customer Charge	\$458.9500	\$500.0000
Commodity Charge (Mcf)	2.5150	3.0825

<sup>14</sup> Attachment WHN-1, Schedule 1.

<sup>15</sup> *Petition*, File <6) 24-XXXXX - 2024 Atmos Energy TN ARM Filing – Revenue Requirement Schedules (Unlinked)>, Tab “Sch 11-3”, (January 30, 2024).

<sup>16</sup> Attachment WHN-2.

1    ***Q23. DOES THIS COMPLETE YOUR TESTIMONY?***

2    ***A23.*** Yes, it does. However, I reserve the right to incorporate any new information that  
3           may subsequently become available.

4

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:

ATMOS ENERGY CORPORATION  
FOR APPROVAL OF ITS 2024 ANNUAL  
RATE REVIEW FILING PURSUANT  
TO TENN. CODE ANN. § 65-5-103(d)(6)

DOCKET NO. 24-00006

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AFFIDAVIT

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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

Sworn to and subscribed before me  
this 27<sup>th</sup> day of April, 2024.



NOTARY PUBLIC



My commission expires: 1/31/2027.

**ATTACHMENT WHN-1**  
**Consumer Advocate Exhibit**



**BEFORE  
THE TENNESSEE PUBLIC UTILITY COMMISSION**

	)	
	)	
PETITION OF ATMOS ENERGY	)	
CORPORATION FOR APPROVAL OF	)	
ITS 2024 ANNUAL RATE REVIEW	)	Docket No. 24-00006
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, 2024*

**ATMOS ENERGY CORPORATION**  
**INDEX TO SCHEDULES**  
For the 12 Months Ending September 30, 2023

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**ATMOS ENERGY CORPORATION**  
Results of Operations  
For the 12 Months Ending September 30, 2023

Line No.		<u>Consumer Advocate</u>	<u>Atmos</u>	<u>Difference</u>
1	Rate Base	\$ 554,055,092 <b>A/</b>	\$ 554,055,263 <b>A/</b>	\$ -171
2	Operating Income At Current Rates	31,541,333 <b>B/</b>	30,725,396 <b>B/</b>	815,937
3	Earned Rate Of Return	5.69%	5.55%	0.15%
4	Fair Rate Of Return	7.64% <b>C/</b>	7.62% <b>D/</b>	0.02%
5	Required Operating Income	42,329,809	42,219,011	110,798
6	Operating Income Deficiency (Surplus)	10,788,476	11,493,615	-705,139
7	Gross Revenue Conversion Factor	<u>1.343700 <b>E/</b></u>	<u>1.358000 <b>D/</b></u>	<u>-0.014300</u>
8	<b>Revenue Deficiency (Surplus)</b>	<b>\$ 14,496,475</b>	<b>\$ 15,608,330</b>	<b>\$ -1,111,855</b>
9	Amortization of EDITL	-255,213 <b>F/</b>	-255,213 <b>D/</b>	0
10	Annual Reconciliation Revenue Requirement	<u>5,040,845 <b>F/</b></u>	<u>5,036,506 <b>D/</b></u>	<u>4,339</u>
11	<b>Net Revenue Deficiency/(Surplus)</b>	<b>\$ <u>19,282,107</u></b>	<b>\$ <u>20,389,622</u></b>	<b>\$ <u>-1,107,516</u></b>

A/ Consumer Advocate Exhibit, Schedule 2.

B/ Consumer Advocate Exhibit, Schedule 5.

C/ Consumer Advocate Exhibit, Schedule 9.

D/ Company Filing, Schedules 1 and 1 Rev Deficiency - Surplus.

E/ Consumer Advocate Exhibit, Schedule 10.

F/ Consumer Advocate Workpapers, Operating Results Schedule.

**ATMOS ENERGY CORPORATION**  
Comparative Rate Base  
For the 12 Months Ending September 30, 2023

Line No.		<u>Consumer Advocate</u> A/	<u>Atmos</u> B/	<u>Difference</u>
	<b>Additions:</b>			
1	Utility Plant in Service	\$ 887,103,516	\$ 887,104,144	\$ -628
2	Construction Work in Progress	12,304,017	12,304,033	-16
3	Working Capital	2,091,029 C/	2,079,344	11,685
4	Materials & Supplies / Gas Inventory	10,443,787	10,443,766	21
5	Intercompany Leased Property	5,812,516	5,812,516	0
6	Cloud Projects	<u>181,277</u>	<u>181,304</u>	<u>-27</u>
7	<b>Total Additions</b>	<b><u>\$ 917,936,143</u></b>	<b><u>\$ 917,925,107</u></b>	<b><u>\$ 11,036</u></b>
	<b>Deductions:</b>			
8	Accumulated Depreciation	\$ 251,008,710	\$ 251,009,240	\$ -530
9	Deferred Pension Regulated Asset	11,095,365	11,095,365	0
10	Accumulated Deferred Income Taxes	90,011,123	89,999,400	11,723
11	Customer Advances for Construction	20,280	20,280	0
12	Customer Deposits	1,872,103	1,872,103	0
13	Accumulated Interest on Customer Deposits	24,174	24,174	0
14	Capitalized Incentive Compensation	<u>9,849,296</u>	<u>9,849,282</u>	<u>14</u>
15	<b>Total Deductions</b>	<b><u>\$ 363,881,051</u></b>	<b><u>\$ 363,869,844</u></b>	<b><u>\$ 11,207</u></b>
16	<b>Rate Base</b>	<b><u>\$ 554,055,092</u></b>	<b><u>\$ 554,055,263</u></b>	<b><u>\$ -171</u></b>

A/ Consumer Advocate Workpapers, Rate Base Schedule.

B/ Company Filing, Schedule 2 RB.

C/ Consumer Advocate Exhibit, Schedule 3.

**ATMOS ENERGY CORPORATION**  
Lead Lag Results  
For the 12 Months Ending September 30, 2023

Line No.		<u>Consumer Advocate</u>	<u>Atmos</u> C/	<u>Difference</u>
1	Revenue Lag	37.50 A/	37.50	0.00
2	Expense Lag	33.78 B/	33.80	-0.02
3	Net Lag	3.72	3.70	0.02
4	Daily Cost of Service	\$ 562,551 B/	\$ 561,562	\$ 989
5	<b>Lead Lag Study</b>	<b>\$ 2,091,073</b>	<b>\$ 2,079,344</b>	<b>\$ 11,729</b>

A/ Consumer Advocate Workpapers, Working Capital Schedule.

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, 2023

Line No.		<u>Consumer Advocate</u> A/	<u>Lag</u> A/	<u>Dollar Days</u>
	<b>Operating &amp; Maintenance Expenses:</b>			
1	Purchased Gas Expense	\$ 106,941,323	39.33	\$ 4,206,002,234
2	O&M Labor	8,042,566	14.07	113,158,904
3	O&M Non-Labor	14,915,882	29.43	438,974,407
	<b>Taxes Other Than Income:</b>			
4	Ad Valorem	5,119,610	241.50	1,236,385,815
5	State Gross Receipts Tax	798,691	-151.50	-121,001,687
6	Payroll Taxes	757,464	14.51	10,990,803
7	Franchise Tax	1,361,996	37.50	51,074,850
8	TPUC Inspection Fee	798,648	272.50	217,631,580
9	DOT Fee	0	59.00	0
	<b>Federal Income Tax:</b>			
10	Current Taxes	0	37.50	0
11	Deferred Taxes	5,868,795	0.00	0
	<b>State Excise Taxes:</b>			
12	Current Taxes	0	37.50	0
13	Deferred Taxes	1,942,815	0.00	0
	<b>Other:</b>			
14	Depreciation Expense	17,282,604	0.00	0
15	Interest on Customer Deposits	156,321	182.50	28,528,583
16	Interest Expense - Long Term Debt	8,200,191	91.25	748,267,429
17	Interest Expense - Short Term Debt	277,033	24.05	6,662,644
18	Return on Equity	32,867,181	0.00	0
19	<b>Total Cost of Service</b>	<b>\$ 205,331,120</b>	<b>33.78</b>	<b>\$ 6,936,675,561</b>
20	<b>Daily Cost Of Service</b>	<b>\$ 562,551</b>		

A/ Consumer Advocate Workpapers, Expense Lag Schedule.

**ATMOS ENERGY CORPORATION**  
Comparative Income Statement at Current Rates  
For the 12 Months Ending September 30, 2023

Line No.		Consumer Advocate A/	Atmos B/	Difference
	<b>Operating Revenues:</b>			
1	Gas Sales & Transportation Revenues	\$ 196,699,097	\$ 196,701,976	\$ -2,879
2	Other Revenues	1,239,248	171,609	1,067,639
3	AFUDC	986,309	986,308	1
4	<b>Total Operating Revenue</b>	<b>\$ 198,924,654</b>	<b>\$ 197,859,893</b>	<b>\$ 1,064,761</b>
	<b>Operating &amp; Maintenance Expenses:</b>			
5	Purchased Gas Expense	\$ 106,941,322	\$ 106,941,322	\$ 0
6	Operations & Maintenance - Labor	8,042,566 C/	8,042,566 C/	0
7	Operations & Maintenance - NonLabor	14,915,882 C/	14,915,897 C/	-15
8	<b>Total Operating &amp; Maintenance Expenses</b>	<b>129,899,770</b>	<b>129,899,785</b>	<b>-15</b>
	<b>Other Expenses:</b>			
9	Depreciation Expense	\$ 20,679,163	\$ 20,679,816	\$ -653
10	Interest on Customer Deposits	156,321	156,321	0
11	General Taxes	8,836,409 D/	8,836,408 D/	1
12	State Excise Taxes	1,942,827 E/	1,880,776 E/	62,051
13	Federal Income Taxes	5,868,831 E/	5,681,391 E/	187,440
14	<b>Total Other Expenses</b>	<b>\$ 37,483,551</b>	<b>\$ 37,234,712</b>	<b>\$ 248,839</b>
15	<b>Total Operating Expenses</b>	<b>\$ 167,383,321</b>	<b>\$ 167,134,497</b>	<b>\$ 248,824</b>
16	<b>Utility Operating Income</b>	<b>\$ 31,541,333</b>	<b>\$ 30,725,396</b>	<b>\$ 815,937</b>

A/ Consumer Advocate Workpapers, Income Statement Schedule.  
B/ Company Filing, Schedule 3 IS.  
C/ Consumer Advocate Exhibit, Schedule 6.  
D/ Consumer Advocate Exhibit, Schedule 7.  
E/ Consumer Advocate Exhibit, Schedule 8.

**ATMOS ENERGY CORPORATION**  
Comparative Operation & Maintenance Expenses  
For the 12 Months Ending September 30, 2023

Line No.		Consumer Advocate A/	Atmos B/	Difference
	<b>Labor:</b>			
1	Labor	\$ 8,042,566	\$ 8,042,566	\$ 0
2	<b>Total Labor</b>	<u>\$ 8,042,566</u>	<u>\$ 8,042,566</u>	<u>\$ 0</u>
	<b>Non-Labor:</b>			
3	Benefits	\$ 1,942,469	\$ 1,942,474	\$ -5
4	Employee Welfare	2,266,285	2,266,285	0
5	Insurance	1,946,984	1,946,984	0
6	Rent, Mainenance & Utilities	1,399,635	1,399,635	0
7	Vehicles & Equipment	585,376	585,376	0
8	Materials and Supplies	690,906	690,906	0
9	Information Technologies	1,668,555	1,668,555	0
10	Telecom	428,565	428,565	0
11	Marketing	335,837	335,837	0
12	Directors & Stockholders & PR	220,234	220,234	0
13	Dues & Donations	200,679	200,679	0
14	Printing & Postage	61,448	61,448	0
15	Travel & Entertainment	599,449	599,449	0
16	Training	244,734	244,734	0
17	Outside Services	7,516,439	7,516,439	0
18	Provision for Bad Debt	315,764	315,764	0
19	Miscellaneous	-4,265,865	-4,265,865	0
20	Barnsley Storage Operating Expense	394,916	394,916	0
21	Disallowed Expense	-1,626,304	-1,626,294	-10
22	Legal Invoice Expense Adjustment	-10,224	-10,224	0
23	<b>Total Non-Labor</b>	<u>\$ 14,915,882</u>	<u>\$ 14,915,897</u>	<u>\$ -15</u>
24	<b>Total Operation &amp; Maintenance Expense</b>	<u>\$ 22,958,448</u>	<u>\$ 22,958,463</u>	<u>\$ -15</u>

A/ Consumer Advocate Workpapers,O&M Expenses Schedule.

B/ Company Filing, Schedule 4 O&M.



**ATMOS ENERGY CORPORATION**  
Taxes Other than Income Income Taxes  
For the 12 Months Ending September 30, 2023

Line No.		<b>Consumer Advocate A/</b>	<b>Atmos B/</b>	<b>Difference</b>
1	Property Taxes	\$ 5,119,610	\$ 5,119,853	\$ -243
2	TPUC Inspection Fee	798,648	798,648	0
3	Payroll Taxes	757,464	757,220	244
4	Franchise Tax	1,361,996	1,361,996	0
5	Gross Receipts Tax	798,691	798,691	0
6	Allocated & Other Taxes	<u>0</u>	<u>0</u>	<u>0</u>
7	<b>Total</b>	<b>\$ <u>8,836,409</u></b>	<b>\$ <u>8,836,408</u></b>	<b>\$ <u>1</u></b>

A/ Consumer Advocate Workpapers, Other Taxes Schedule.  
B/ Company Filing, Schedule 5 Tax.

**ATMOS ENERGY CORPORATION**  
Excise and Income Taxes  
For the 12 Months Ending September 30, 2023

Line No.		Consumer Advocate A/	Atmos B/	Difference
1	<b>Operating Revenues</b>	<b>\$ 198,924,653</b>	<b>\$ 197,859,893</b>	<b>\$ 1,064,760</b>
	<b>Operating Expenses:</b>			
2	Purchased Gas Expense	\$ 106,941,323	\$ 106,941,322	\$ 1
3	O&M Expenses	22,958,448	22,958,463	-15
4	Depreciation Expense	20,679,163	20,679,816	-653
5	Interest on Customer Deposits	156,321	156,321	0
6	General Taxes	8,836,409	8,836,408	1
7	<b>Total Operating Expenses</b>	<b>\$ 159,571,663</b>	<b>\$ 159,572,329</b>	<b>\$ -667</b>
8	<b>NOI Before Excise and Income Taxes</b>	<b>\$ 39,352,990</b>	<b>\$ 38,287,564</b>	<b>\$ 1,065,426</b>
9	Less AFUDC	986,309	986,308	1
10	Less Interest Expense	8,477,043	8,366,235	110,808
11	<b>Pre-tax Book Income</b>	<b>\$ 29,889,638</b>	<b>\$ 28,935,021</b>	<b>\$ 954,617</b>
12	Excise Tax Rate	6.50%	6.50%	0.00%
13	<b>State Excise Tax Expense</b>	<b>\$ 1,942,826</b>	<b>\$ 1,880,776</b>	<b>\$ 62,050</b>
14	<b>Pre-tax Book Income</b>	<b>\$ 29,889,638</b>	<b>\$ 28,935,021</b>	<b>\$ 954,617</b>
15	Less State Excise Tax Expense	1,942,826	1,880,776	62,050
16	<b>FIT Taxable Income</b>	<b>\$ 27,946,812</b>	<b>\$ 27,054,245</b>	<b>\$ 892,567</b>
17	FIT Rate	21.00%	21.00%	0.00%
18	<b>Federal Income Tax Expense</b>	<b>\$ 5,868,830</b>	<b>\$ 5,681,391</b>	<b>\$ 187,439</b>
19	<b>Total State &amp; Federal Income Tax Expense</b>	<b>\$ 7,811,657</b>	<b>\$ 7,562,168</b>	<b>\$ 249,489</b>

A/ Consumer Advocate Workpapers, Income Taxes Schedule.  
B/ Company Filing, Schedule 6 FIT.

**ATMOS ENERGY CORPORATION**  
Rate of Return Summary  
For the 12 Months Ending September 30, 2023

Line No.	Class of Capital	Consumer Advocate			A/
		Percent of Total	Cost Rate	Weighted Cost Rate	
1	Short-Term Debt	0.29%	17.51%	0.05%	
2	Long-Term Debt	37.33%	3.95%	1.48%	
3	Common Equity	62.38%	9.80%	6.11%	
4	<b>Total</b>	<b>100.00%</b>		<b>7.64%</b>	
<b>Interest Expense Short-Term Debt:</b>					
5	Rate Base			\$ 554,055,092	
6	Short-Term Weighted Debt Cost			0.05%	
7	<b>Short-Term Debt Interest Expense</b>			<b>\$ 277,028</b>	
<b>Interest Expense Long-Term Debt:</b>					
8	Rate Base			\$ 554,055,092	
9	Long-Term Weighted Debt Cost			1.48%	
10	<b>Long-Term Debt Interest Expense</b>			<b>\$ 8,200,015</b>	
11	<b>Total Interest Expense</b>			<b>\$ 8,477,043</b>	

A/ Consumer Advocate Workpapers, Rate of Return Schedule.

**ATMOS ENERGY CORPORATION**  
Revenue Conversion Factor  
For the 12 Months Ending September 30, 2023

Line No.		<u>Amount</u>	<u>Balance</u>	<u>A/</u>
1	Operating Revenues		1.000000	
2	Add: Forfeited Discounts	0.010971	<u>0.010971</u>	
3	Balance		1.010971	
4	Uncollectible Ratio	0.003381	<u>0.003418</u>	
5	Balance		1.007553	
6	State Excise Tax	0.065000	<u>0.065491</u>	
7	Balance		0.942062	
8	Federal Income Tax	0.210000	<u>0.197833</u>	
9	Balance		<u>0.744229</u>	
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><u>1.343700</u></u>	

A/ Consumer Advocate Workpapers, Revenue Conversion Schedule.

# ATTACHMENT WHN-2

## Rate Design

Rate Schedule	12 ME 9-30-2023		Current Rates		Current	Allocated	Proposed Rates		Proposed
	Bills	Adjusted Mcf	Bills	Mcf Usage	Revenue	Rate Increase	Bills	Mcf Usage	Revenue
Rate Schedule 210/225:									
210/225 Residential Gas Service (Summer)	711,741	1,113,920	\$18.25	\$1.4400	\$14,593,318		\$22.50	\$1.7437	\$17,956,515
210/225 Residential Gas Service (Winter) (weather sensitive)	992,829	7,889,762	20.25	1.4400	31,466,045		24.50	1.7437	38,081,689
210/225 Residential Gas Service Senior Citizen	874	3,448	0.00	1.4400	4,964		0.00	1.7437	6,011
Total 210/225	1,705,444	9,007,130			46,064,327	9,979,742			56,044,215
						9,979,888			
Rate Schedule 220:									
220 Commercial Gas Service (weather sensitive)	212,379	6,098,524	\$42.45	\$2.8700	\$26,518,253		\$50.00	\$3.5445	\$32,235,169
220 Industrial Gas Service (weather sensitive)	3,826	665,710	42.45	2.8700	2,073,003		50.00	3.5445	2,550,911
260 - TRANSP (220 SML COM/INDG)	108	113,842	458.95	2.8700	376,292		500.00	3.5445	457,512
Total 220	216,313	6,878,076			28,967,548	6,275,760			35,243,591
						6,276,044			
Rate Schedule 221:									
221 Experimental School Gas Service	36	25,405	\$42.45	\$1.3910	\$36,867		\$50.00	\$1.6950	\$44,861
Total 221	36	25,405			36,867	7,987			44,861
						7,995			
Rate Schedule 230:									
230 Large Commercial Gas Service (weather sensitive)	0	0	\$458.95	\$2.5150	\$0		\$500.00	\$3.0825	\$0
230 Large Industrial Gas Service	87	65,413	458.95	2.5150	204,442		500.00	3.0825	245,135
260 - TRANSP (230 LRG COM/INDG)	487	1,405,391	458.95	2.5150	3,758,067		500.00	3.0825	4,575,618
Total 230	574	1,470,804			3,962,509	858,469			4,820,753
						858,244			
Rate Schedule 240:									
240 DEMAND/COMM GS	0		\$458.95		\$0		\$500.00		\$0
Block 1 Volumes		0		\$1.4090	0			\$1.7010	0
Block 2 Volumes		0		0.9330	0			1.1500	0
Block 3 Volumes		0		0.4320	0			0.5000	0
Demand Volumes		0		19.0000	0			23.5000	0
260 - TRANSP (240 DEMAND)	84	0	458.95		38,552		500.00		42,000
Block 1 Volumes		168,000		1.4090	236,712			1.7010	285,768
Block 2 Volumes		421,009		0.9330	392,802			1.1500	484,161
Block 3 Volumes		0		0.4320	0			0.5000	0
Demand Volumes		31,766		19.0000	603,554			23.5000	746,501
Total 240	84	589,009			1,271,620	275,494			1,558,430
Rate Schedule 250:									
250 Industrial Interruptible Gas Service	200		\$458.95		\$91,790		\$500.00		\$100,000
Block 1 Volumes		215,959		\$1.4090	304,286			\$1.7010	367,346
Block 2 Volumes		694,938		0.9330	648,377			1.1500	799,178
Block 3 Volumes		702,651		0.4320	303,545			0.5000	351,326
260 - TRANSP (250 OPT GS)	678		458.95		311,168		500.00		339,000
Block 1 Volumes		1,283,884		1.4090	1,808,993			1.7010	2,183,887
Block 2 Volumes		5,321,732		0.9330	4,965,176			1.1500	6,119,992
Block 3 Volumes		434,940		0.4320	187,894			0.5000	217,470
Total 250	878	8,654,104			8,621,229	1,867,772			10,478,199

Rate Schedule	12 ME 9-30-2023		Current Rates		Current	Allocated	Proposed Rates		Proposed
	Bills	Adjusted Mcf	Bills	Mcf Usage	Revenue	Rate Increase	Bills	Mcf Usage	Revenue
Rate Schedule 280:									
250/240/280 Industrial/Demand/Economic Dev	0		\$458.95		\$0		\$500.00		\$0
Block 1 Volumes		0		\$1.4090	0			\$1.7010	0
Block 1 Volumes @ Discount Rate		0		1.0568	0			1.2758	0
Block 2 Volumes		0		0.9330	0			1.1500	0
Block 2 Volumes @ Discount Rate		0		0.6998	0			0.8625	0
Block 3 Volumes		0		0.4320	0			0.5000	0
Block 3 Volumes @ Discount Rate		0		0.3240	0			0.3750	0
Demand Volumes		0		19.0000	0			23.5000	0
Demand Volumes @ Discount Rate		0		14.2500	0			17.6250	0
280/250 Economic Development Gas Service	10		458.95		4,590		500.00		5,000
Block 1 Volumes		0		1.4090	0			1.7010	0
Block 1 Volumes @ Discount Rate		20,000		1.0568	21,135			1.2758	25,516
Block 2 Volumes		0		0.9330	0			1.1500	0
Block 2 Volumes @ Discount Rate		52,933		0.6998	37,040			0.8625	45,655
Block 3 Volumes		0		0.4320	0			0.5000	0
Block 3 Volumes @ Discount Rate		0		0.3240	0			0.3750	0
260 - TRANSP (280/240 ECON DEV/DEMAND)	0		458.95		0		500.00		0
Block 1 Volumes		0		1.4090	0			1.7010	0
Block 1 Volumes @ Discount Rate		0		1.0568	0			1.2758	0
Block 2 Volumes		0		0.9330	0			1.1500	0
Block 2 Volumes @ Discount Rate		0		0.6998	0			0.8625	0
Block 3 Volumes		0		0.4320	0			0.5000	0
Block 3 Volumes @ Discount Rate		0		0.3240	0			0.3750	0
Demand Volumes		0		19.0000	0			23.5000	0
Demand Volumes @ Discount Rate		0		14.2500	0			17.6250	0
260 - TRANSP (280/250 ECON DEV - OPT GS)	0		458.95		0		500.00		0
Block 1 Volumes		0		1.4090	0			1.7010	0
Block 1 Volumes @ Discount Rate		0		1.0568	0			1.2758	0
Block 2 Volumes		0		0.9330	0			1.1500	0
Block 2 Volumes @ Discount Rate		0		0.6998	0			0.8625	0
Block 3 Volumes		0		0.4320	0			0.5000	0
Block 3 Volumes @ Discount Rate		0		0.3240	0			0.3750	0
Total 280	10	72,933			\$62,765	\$13,598			\$76,171
Rate Schedule 292:									
292 Cogeneration, CNG, Prime Movers Service	12		\$42.45		\$509		\$50.00		\$600
Block 1 Volumes		1,817		\$1.4090	2,560			\$1.7010	3,091
Block 2 Volumes		0		0.9330	0			1.1500	0
Block 3 Volumes		0		0.4320	0			0.5000	0
Total 292	12	1,817			\$3,070	\$665			\$3,691
Rate Schedule 293:									
293 Large Tonnage Air Conditioning Gas Service	12		\$42.45		\$509		\$50.00		\$600
Block 1 Volumes		8,225		\$1.4090	11,590			\$1.7010	13,992
Block 2 Volumes		0		0.9330	0			1.1500	0
Block 3 Volumes		0		0.4320	0			0.5000	0
Total 293	12	8,225			\$12,099	\$2,621			\$14,592
Total 240/250/280/292/293	996	9,326,089			\$9,970,782	\$2,160,149			\$12,131,082
						2,160,300			
Subtotal	1,923,363	26,707,504			\$89,002,032	\$19,282,107			\$108,284,502
SPECIAL CONTRACTS	0	0			\$0				\$0
Total Sales & Transportation Margin	1,923,363	26,707,504			\$89,002,032				\$108,284,502