

**Docket No. 25-00007**  
**Atmos Energy Corporation, Tennessee Division**  
**Consumer Advocate DR Set No. 1**  
**Question No. 1-17 Supplement**  
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Electronically Filed in TPUC Docket  
Room on April 4, 2025 at 3:23 p.m.

**REQUEST:**

**Cost Rationalization.** Refer to the Company File <G. TN-FY24 – Allocation with Assets>, Tab “TN FY24” that was included with the filing. This file includes journal entry support for the Company’s \$5 million payment for its Pension Contribution. This file also includes a letter from the Company’s actuary showing existing pension plan assets of \$502 million and a pension benefit obligation of \$432 million. Given that the pension assets already exceed the plan obligations by \$70 million (\$502 million less \$432 million) explain why the Company would make a \$5 million contribution at this time along with an explanation of why this excess contribution is appropriate to recover from Tennessee customers.

**RESPONSE:**

The plan is funded in a Master Trust, which is invested in accordance with the established investment policy. The Company’s actuary, Willis Tower Watson (“WTW”), provides Atmos Energy’s Qualified Retirement Plans and Trusts Committee information each year to determine funding requirements. Contributions to the plan are determined by the Committee taking into account the funding requirements and may make additional contributions at its discretion based upon long-term projections and other considerations. The contribution is also consistent with the Approved Methodologies established in Docket No. 14-00146 (Settlement Agreement at 13(h)(iv) on page 14).

Regardless of the timing of actual cash contributions, the Company continues to recover only actual cash contributions allocable to Tennessee dollar for dollar.

**SUPPLEMENTAL RESPONSE:**

Consideration of several actuarial assumptions are contemplated in making cash funding decisions. Those include things like investment returns by asset class, future salary increases, discount rate, projected timing of future cash disbursements, participant demographic information, actuarial mortality assumptions, impact of legislative and regulative impact.

Each year, third-party actuaries provide the Company with the minimum required contribution necessary to avoid payment of variable rate premiums. The Qualified Retirement Plans and Trusts Committee also has our third-party actuary consider a range of potential outcomes to the assumptions noted above. Since many of the key assumptions are outside of the Company’s control, the Company prefers a consistent funding strategy that smooths contributions over time and helps avoid any large shocks in any given year.

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**REQUEST:**

**Deferred Interest Supporting Calculation.** Refer to the Company's file <CA 1-04 Att1 – Deferred Interest Detail Sep '23 through Sep '24> that was included with the Company's response to Consumer Advocate DR No. 1-4 regarding the Deferred Infrastructure calculation and provide the following information:

- a. Refer to the "4310-30310" tab of this spreadsheet and provide the source and support of the monthly "Additions" on Line 2 which are presented as unreferenced hard-coded amounts;
- b. Refer to the "4310-30310" tab of this spreadsheet and provide the source and support of the monthly "Current Month Depr Adjustment (+)" on Line 5 which are presented as unreferenced hard-coded amounts;
- c. Refer to the "4310-30310" tab of this spreadsheet and provide the source and support of the monthly "Closed RWIP Additions" on Line 18 which are presented as unreferenced hard-coded amounts;
- d. Refer to the "ADIT Factor" tab of this spreadsheet and provide the source and support for the 2022 and 2023 "Return on Rate Base" amounts of 7.58% and 7.64% which are presented as unreferenced hard-coded amounts;
- e. Refer to the "ADIT Factor" tab of this spreadsheet and provide the source and support for the 2022 and 2023 "Statutory Tax Rate" amounts of 24.89% and 26.14% which are presented as unreferenced hard-coded amounts;
- f. Refer to the "Reg Asset Calc FY23" tab of this spreadsheet and provide the source and support for the "Income Tax Gross Up on Taxable Portion" of 1.331339 on Line 25 which is presented as an unreferenced hard-coded amount; and
- g. Refer to the "Reg Asset Calc FY24" tab of this spreadsheet and provide the source and support for the "Income Tax Gross Up on Taxable Portion" of 1.353821 on Line 25 which is presented as an unreferenced hard-coded amount.

**RESPONSE:**

- a. See Attachment 1. The Power Plant System is the source of the monthly "Additions" balances.
- b. See Attachment 2. The Power Plant System is the source of the Current Month Depreciation Adjustment data. This system follows a systematic approach to the procedure. Manual reconciliation spreadsheets are used for audit purposes and contain complex and vast amounts of data. Attachment 2 illustrates the simplified monthly depreciation adjustment process using the month of October as an example.
- c. See Attachment 3. The Power Plant System is the source of the monthly "Closed RWIP Additions" balances.

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- d. See Attachment 4, tab "ADIT Factor" for support of Return on Rate Base linked amounts of 7.58% and 7.64% for the 2022 and 2023. These are based on Schedule 9 "Overall Cost of Capital" from Docket No. 23-00008 2023 TN ARM TYE 09.30.2022 and Docket No. 24-00006 2024 TN ARM TYE 09.30.2023.
- e. See Attachment 4, tab "ADIT Factor" for support of Statutory Tax Rate linked amounts of 24.89% and 26.14% for the 2022 and 2023. These are based on WP\_8-2 "Revenue Conversion Factor" from Docket No. 23-00008 2023 TN ARM TYE 09.30.2022 and Docket No. 24-00006 2024 TN ARM TYE 09.30.2023.

In the most recent Deferral relieve, the Company discovered a formula error in the calculation of the Statutory Tax Rate for the twelve months ending in 2022. This error led to an understatement of the ADIT Factor by 0.09%, resulting in a figure of 1.89%. The Company has since rectified the formula for future calculations.

- f. See Attachment 5, tab "23TN ARM Reg Asset Interest" for support of Income Tax Gross Up on Taxable Portion amount of 1.331339 on line 25. Calculated using State Excise Tax and Federal Income Tax in Excel Column D of WP\_8-2 "Revenue Conversion Factor" from Docket 24-00006 2024 TN ARM TYE 09.30.2023.

As previously noted, there was a formula error in calculating the Statutory Tax Rate for the twelve months ending in 2022, which resulted in an understatement of the Monthly Reg Asset Interest by 0.01%.

- g. See Attachment 5, tab "24TN ARM Reg Asset Interest" for support of Income Tax Gross Up on Taxable Portion amount of 1.353821 on line 25.

**ATTACHMENTS:**

CA\_2-06\_Att1 - Additions Support.xlsx  
CA\_2-06\_Att2 - Current Monthly Depreciation Adj.xlsx  
CA\_2-06\_Att3 - Closed RWIP Support.xlsx  
CA\_2-06\_Att4 - ADIT Factor Computation.xlsx  
CA\_2-06\_Att5 - Reg Asset Interest Calculation.xlsx

**SUPPLEMENTAL RESPONSE:**

- a. Note that the variance of \$7.3 million between the Additions balances provided in CA\_2-6 "Additions" (\$98.3 million) and relied on file "q.TN & SSU Asset Depreciation Activity Sep-23 to Sep-24", Tab 'Asset Detail' (\$91 million) is primarily due to the addition of the regulatory asset in Jun-24, which occurred when rates were implemented based on the preceding filing along with other miscellaneous adjustments.