

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

PETITION OF ATMOS ENERGY  
CORPORATION FOR APPROVAL OF  
ITS 2025 ANNUAL RATE REVIEW  
FILING PURSUANT TO TENN. CODE  
ANN. § 65-5-103(D)(6)

Docket No. 25-00007

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

ON BEHALF OF

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

*April 8, 2025*

## ATTACHMENTS

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Attachment WHN-1	Consumer Advocate Revenue Deficiency Exhibit
Attachment WHN-2	Pension Obligation & Assets
Attachment WHN-3	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<sup>2</sup> 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

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<sup>2</sup> 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.

1 subject of this proceeding in TPUC Docket Nos. 14-00146, 16-00013, 16-00105,  
2 17-00012, 17-00091, 18-00067, 18-00097, 19-00076, 23-00008 and 24-00006.

3

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

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

11

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

14 ***A6.*** I have reviewed the Company’s Petition filed on January 31, 2025, along with the  
15 accompanying schedules. I have also reviewed Atmos’ responses to the data  
16 requests submitted by the Consumer Advocate in this Docket. In addition, I  
17 reviewed the Stipulation and Settlement Agreement (“14-00146 Settlement  
18 Agreement”) between the Company and the Consumer Advocate in TRA Docket  
19 No. 14-00146, which was incorporated into the Commission’s Order in that  
20 docket, and modifications in subsequent dockets that have been made to the  
21 relevant Approved Methodologies as defined in the 14-00146 Settlement  
22 Agreement. Finally, I reviewed the Stipulation and Settlement Agreement (“18-  
23 00112 Settlement Agreement”) between the Company and the Consumer

1 Advocate in TPUC Docket No. 18-00112, which was incorporated into the  
2 Commission's Order in that docket and combined the ARM reconciliation and  
3 budget filings into a single annual proceeding.  
4

5 ***Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS***  
6 ***IN THIS DOCKET.***

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

- 8 • I recommend that the Commission accept various miscellaneous adjustments  
9 that I have included in the ARM reconciliation that results in a change to the  
10 revenue deficiency by \$-26,297.  
11
- 12 • I recommend that the Commission accept adjustments to the Lead/Lag  
13 component of Working Capital that I have included in the ARM reconciliation  
14 that results in a change to the revenue deficiency by \$-139.  
15
- 16 • I recommend that the Commission accept adjustments to the Pension Expense  
17 that I have included in the ARM reconciliation that results in a change to the  
18 revenue deficiency by \$-552,207.  
19
- 20 • I recommend that the Commission accept my recalculated ARM  
21 reconciliation for the 12 months ended September 30, 2024, that results in a  
22 revenue deficiency of \$1,139,177.  
23
- 24 • I recommend that the Commission accept my proposed tariff rates to produce  
25 an annual revenue increase of \$1,139,177 to be effective June 1, 2025.  
26

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

30 ***A8.*** The ARM allows the Company to annually reconcile or "true-up" their actual  
31 earnings with the Commission approved rate of return. The initial overall  
32 structure for the ARM was agreed to by Atmos and the Consumer Advocate in

1 TRA Docket No. 14-00146 and incorporated into the Commission’s order in that  
2 docket and required separate annual budget and reconciliation filings. This initial  
3 ARM structure was then changed in accordance with TPUC Docket No. 18-00112  
4 to combine the separate budget and reconciliation filings into a single annual  
5 filing. In the current filing, the Company is asking the Commission to recognize a  
6 total revenue deficiency of \$1,717,820 and approve an adjustment to their tariff to  
7 allow this recovery to be implemented starting on June 1, 2025.<sup>3</sup>

8

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

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

14

<b>Table 1 – ARM Revenue Deficiency Calculation<sup>4</sup></b>		
<b>Item</b>	<b>Company Filing</b>	<b>Consumer Advocate Filing</b>
Rate Base	\$611,744,993	\$611,644,488
Operating Income at Present Rates	47,845,618	48,043,809
<b>Earned Rate of Return</b>	<b>7.82%</b>	<b>7.85%</b>
Fair Rate of Return	7.63%	7.63%
Required Operating Income	\$46,676,143	\$46,668,474
Operating Income Deficiency	\$-1,169,475	\$-1,375,334
Gross Revenue Conversion Factor	1.359700	1.359700
<b>Current Revenue Deficiency</b>	<b>\$-1,590,135</b>	<b>\$-1,870,042</b>
EDITL Amortization	-255,213	-255,216
Annual Reconciliation Revenue Req	3,563,168	3,264,435
<b>Net Revenue Deficiency</b>	<b>\$1,717,820</b>	<b>\$1,139,177</b>

3. Direct Testimony of William Matthews at 4:4-5, TPUC Docket No. 25-00007 (January 31, 2025).

4. Attachment WHN-1, Schedule 1.

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

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

8  
9    ***Q11. WHAT WERE THE RESULTS OF YOUR REVIEW?***

10   A11. Overall, I found that Atmos' filing appropriately reconciled the actual revenues,  
11   expenses and net investment to the amounts recorded on the Company's ledger.  
12   Likewise, I also found that the reconciliation generally reflected the  
13   methodologies established in Docket Nos. 14-00146 and 18-00112. However, I  
14   did discover certain errors in the Company's filing. I also disagree with the  
15   Company's use of updated lag days for certain expenses in the Working Capital  
16   calculation. Finally, I disagree with the Company's request for recovery of its  
17   pension plan contributions that have already been fully funded. In my opinion,  
18   adjustments for these items need to be considered by the Commission to  
19   determine the proper ARM reconciliation revenue deficiency.

20  
21   ***Q12. PLEASE EXPLAIN YOUR ADJUSTMENTS FOR ERRORS IN THE***  
22   ***COMPANY'S FILING.***



1 A12. As mentioned previously, a part of my review included tracing the Company's  
2 ARM calculations to its books and records. During this review, certain errors in  
3 the calculations were discovered. Through discovery, the Company has agreed to  
4 the correction of these errors which I calculate to be a \$-26,297 adjustment to the  
5 Revenue Deficiency calculation.<sup>5</sup>

6  
7 ***Q13. PLEASE EXPLAIN YOUR ADJUSTMENTS TO THE LEAD/LAG***  
8 ***COMPONENT OF THE COMPANY'S WORKING CAPITAL***  
9 ***CALCULATION.***

10 A13. As mentioned previously, the Commission approved the Settlement Agreement in  
11 TRA Docket No. 14-00146 between Atmos and the Consumer Advocate that laid  
12 out the methodologies to be used in ARM filings. The methodologies for  
13 calculating Cash Working Capital are specifically laid out in this Settlement  
14 Agreement as follows:

15 (v) *Cash Working Capital – The Company conducted a new lead-lag study for*  
16 *this Docket in order to calculate cash working capital requirements. **Rather than***  
17 ***conduct a new lead-lag study with each Annual ARM Filing, the Company shall***  
18 ***apply the lead-lag factors from this study to the subsequent annual Forward***  
19 ***Looking Test Year cost of service items and revenues in order to calculate cash***  
20 ***working capital requirements each Forward Looking Test Year.***<sup>6</sup> [Emphasis  
21 added.]  
22

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<sup>5</sup> Company Response to Consumer Advocate DR Nos. 1-9, 1-10, 1-12, 1-14, 1-18, and 2-5.

<sup>6</sup> *Petition of Atmos Energy Corporation for a General Rate Increase Under T.C.A. 65-5-103(a) and Adoption of an Annual Rate Review Mechanism Under T.C.A. 65-5-103(d)(6), Order Approving Settlement, Exhibit A – Stipulation and Settlement Agreement, at 21-22, TRA Docket No. 14-00146 (November 4, 2015).*

1 The Settlement Agreement goes on to state that the specific lag days for Non-  
2 Labor O&M Expense and Payroll Taxes are 29.40 and 16.55 respectively.<sup>7</sup>  
3 However, in the current filing, the Company has updated the lag days for these  
4 two items to 29.49 and 14.53.<sup>8</sup> I have reset the lag days for these two expenses  
5 back to the levels approved in the Settlement Agreement and then calculated the  
6 impact of this change to be a \$-139 adjustment to the Revenue Deficiency  
7 calculation.<sup>9</sup>  
8

9 ***Q14. PLEASE EXPLAIN YOUR ADJUSTMENTS TO THE COMPANY'S***  
10 ***PENSION PLAN FUNDING.***

11 A14. The Commission has traditionally allowed the Company to recover contributions  
12 to its Pension Plan through the ARM filings. As shown below in Table 2, Atmos  
13 funded a total of \$5 million to its pension plan during the current ARM  
14 reconciliation period. Of this total company-wide funding amount, \$319,142 was  
15 allocated to Tennessee, a portion of which was then capitalized, resulting in a net  
16 funding amount of \$253,459.

Table 2 – Pension Funding <sup>10</sup>				
Contribution Date	Total Contribution	Tennessee Allocation	Less Capitalized	Net Funding
August 2024	\$5,000,000	\$319,142	\$-65,682	\$253,459

<sup>7</sup> *Petition of Atmos Energy Corporation for a General Rate Increase Under T.C.A. 65-5-103(a) and Adoption of an Annual Rate Review Mechanism Under T.C.A. 65-5-103(d)(6)*, Order Approving Settlement, Exhibit A – Stipulation and Settlement Agreement, Attachment A, WP 7-6 and WP 7-7, TRA Docket No. 14-00146 (November 4, 2015).

<sup>8</sup> Company Response to Consumer Advocate DR Nos. 1-2 and 1-3.

<sup>9</sup> Attachment WHN-1, Schedule 4.

<sup>10</sup> *Petition*, File <TN 2025 Atmos Energy TN ARM Filing – Revenue Requirement Schedules.xlsx>, Tab “WP\_4-4”, TPUC Docket No. 25-00007 (January 31, 2025).

1 The Company has included the Net Pension Funding amount of \$253,459 as an  
2 incremental component of its O&M expenses within the ARM reconciliation.  
3 The \$65,682 capitalized portion of this cost is included separately within the Rate  
4 Base calculation.

5  
6 However, as also shown on Attachment WHN-2, the Company's pension plan is  
7 **overfunded** by \$70,852,000.<sup>11</sup> Therefore, it would appear that the current  
8 pension contribution of \$5 million is unnecessary and imprudent for the provision  
9 of utility service. In my opinion, it is inappropriate for the Company to request  
10 recovery from customers for a discretionary expense item such as this that is in  
11 excess of the current obligation. Consequently, I excluded all pension funding  
12 (expensed and capitalized) in the current ARM filing. The impact of this  
13 exclusion results in a \$-552,207 adjustment to the Revenue Deficiency  
14 calculation.

15  
16 ***Q15. MR. NOVAK, HAVE YOU PREVIOUSLY PRESENTED THIS ISSUE ON***  
17 ***PENSION FUNDING TO THE COMMISSION?***

18 A15. Not exactly. In TPUC Docket No. 19-00076, I did recommend that the  
19 Commission exclude recovery of pension funding based on prior rate case  
20 precedent.<sup>12</sup> In the current Docket, I am recommending that the Commission  
21 exclude recovery of pension funding based on it being an imprudent expenditure.

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<sup>11</sup> Pension Assets of \$502,412,000 less Pension Obligations of \$431,560,000.

<sup>12</sup> *Petition of Atmos Energy for Approval of 2019 Annual Reconciliation Filing*, Pre-Filed Direct Testimony of William H. Novak at 10-13, TPUC Docket No. 19-00076, (February 18, 2020).

***Q16. MR. NOVAK, PLEASE SUMMARIZE YOUR PROPOSED  
ADJUSTMENTS TO THE COMPANY'S REVENUE DEFICIENCY IN  
THIS ARM RECONCILIATION.***

A16. My proposed adjustments are summarized below in Table 3.

<b>Table 3 – Revenue Deficiency Reconciliation<sup>13</sup></b>	
<b>Item</b>	<b>Amount</b>
Atmos Proposed Revenue Deficiency	\$1,717,820
Adjustment for Error Corrections	-26,297
Adjustment for Changes in Expense Lag Days	-139
Adjustment for Changes in Pension Funding	-552,207
<b>WHN Proposed Revenue Deficiency</b>	<b>\$1,139,177</b>

***Q17. HOW WILL RATES BE ADJUSTED FOR THE CURRENT ARM  
RECONCILIATION?***

A17. I would recommend adjusting rates by using the same billing determinants (customers and usage) that Atmos used in its ARM filing.<sup>14</sup> A summary comparison of the current rates and my proposed rates for residential and commercial customers are shown below in Table 4. A complete copy of my proposed rate design for all customer classes is contained in Attachment WHN-3.

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<sup>13</sup> Attachment WHN-1, Schedule 1.

<sup>14</sup> *Petition*, File <TN 2025 Atmos Energy TN ARM Filing – Revenue Requirement Schedules.xlsx>, Tab “Sch 11-3”, TPUC Docket No. 25-00007 (January 31, 2025).

1

Table 4 – Current and Proposed Base Rates <sup>15</sup>		
	Current Rates	Proposed Rates
<b>Residential:</b>		
Winter Customer Charge	\$24.5000	\$24.5000
Summer Customer Charge	22.5000	22.5000
Commodity Charge (Mcf)	1.7510	1.8143
<b>Small Commercial:</b>		
Customer Charge	\$50.0000	\$50.0000
Commodity Charge (Mcf)	3.5510	3.6040
<b>Large Commercial:</b>		
Customer Charge	\$500.0000	\$500.0000
Commodity Charge (Mcf)	3.0870	3.1200

2 ***Q18. DOES THIS COMPLETE YOUR TESTIMONY?***

3 ***A18.*** Yes, it does. However, I reserve the right to incorporate any new information that  
4 may subsequently become available.

5

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<sup>15</sup> Attachment WHN-3.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:

ATMOS ENERGY CORPORATION  
FOR APPROVAL OF ITS 2025 ANNUAL  
RATE REVIEW FILING PURSUANT  
TO TENN. CODE ANN. § 65-5-103(d)(6)

DOCKET NO. 25-00007

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AFFIDAVIT

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I, William 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 3rd day of April, 2025.

  
NOTARY PUBLIC



My commission expires: 1/31/2027.

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

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

	)	
	)	
PETITION OF ATMOS ENERGY	)	
CORPORATION FOR APPROVAL OF	)	
ITS 2025 ANNUAL RATE REVIEW	)	Docket No. 25-00007
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 8, 2025*



**ATMOS ENERGY CORPORATION**  
**INDEX TO SCHEDULES**  
For the 12 Months Ending September 30, 2024

	<b><u>Schedule</u></b>
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**ATMOS ENERGY CORPORATION**  
Results of Operations  
For the 12 Months Ending September 30, 2024

Line No.		Consumer Advocate	Atmos	Difference
1	Rate Base	\$ 611,644,488 <b>A/</b>	\$ 611,744,993 <b>A/</b>	\$ -100,505
2	Operating Income At Current Rates	48,043,808 <b>B/</b>	47,845,618 <b>B/</b>	198,190
3	Earned Rate Of Return	7.85%	7.82%	0.03%
4	Fair Rate Of Return	7.63% <b>C/</b>	7.63% <b>D/</b>	0.00%
5	Required Operating Income	46,668,474	46,676,143	-7,669
6	Operating Income Deficiency (Surplus)	-1,375,334	-1,169,475	-205,859
7	Gross Revenue Conversion Factor	<u>1.359700 <b>E/</b></u>	<u>1.359700 <b>D/</b></u>	<u>0.000000</u>
8	<b>Revenue Deficiency (Surplus)</b>	\$ <b>-1,870,041</b>	\$ <b>-1,590,134</b>	\$ <b>-279,907</b>
9	Amortization of EDITL	-255,216 <b>F/</b>	-255,213 <b>D/</b>	-3
10	Annual Reconciliation Revenue Requirement	<u>3,264,435 <b>F/</b></u>	<u>3,563,168 <b>D/</b></u>	<u>-298,733</u>
11	<b>Net Revenue Deficiency/(Surplus)</b>	\$ <u><b>1,139,178</b></u>	\$ <u><b>1,717,820</b></u>	\$ <u><b>-578,643</b></u>

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, 2024

Line No.		<u>Consumer Advocate</u> A/	<u>Atmos</u> B/	<u>Difference</u>
	<b>Additions:</b>			
1	Utility Plant in Service	\$ 951,086,908	\$ 951,086,909	\$ -1
2	Construction Work in Progress	34,592,339	34,592,339	0
3	Working Capital	4,244,135 C/	4,243,111	1,024
4	Materials & Supplies / Gas Inventory	5,023,946	5,023,980	-34
5	Intercompany Leased Property	6,265,935	6,265,935	0
6	Cloud Projects	<u>268,310</u>	<u>268,310</u>	<u>0</u>
7	<b>Total Additions</b>	<b><u>\$ 1,001,481,573</u></b>	<b><u>\$ 1,001,480,584</u></b>	<b><u>\$ 989</u></b>
	<b>Deductions:</b>			
8	Accumulated Depreciation	\$ 261,177,345	\$ 261,177,345	\$ 0
9	Deferred Pension Regulated Asset	8,487,697	8,422,014	65,683
10	Accumulated Deferred Income Taxes	106,064,194	106,064,194	0
11	Customer Advances for Construction	20,280	20,280	0
12	Customer Deposits	2,219,619	2,219,619	0
13	Accumulated Interest on Customer Deposits	42,050	42,050	0
14	Capitalized Incentive Compensation	<u>11,825,900</u>	<u>11,790,089</u>	<u>35,811</u>
15	<b>Total Deductions</b>	<b><u>\$ 389,837,085</u></b>	<b><u>\$ 389,735,591</u></b>	<b><u>\$ 101,494</u></b>
16	<b>Rate Base</b>	<b><u>\$ 611,644,488</u></b>	<b><u>\$ 611,744,993</u></b>	<b><u>\$ -100,505</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, 2024

<u>Line No.</u>		<u>Consumer Advocate</u>	<u>Atmos</u> C/	<u>Difference</u>
1	Revenue Lag	37.50 A/	37.50	0.00
2	Expense Lag	28.04 B/	28.06	-0.02
3	Net Lag	9.46	9.44	0.02
4	Daily Cost of Service	\$ 448,818 B/	\$ 449,348	\$ -530
5	<b>Lead Lag Study</b>	<b>\$ 4,244,135</b>	<b>\$ 4,243,111</b>	<b>\$ 1,024</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, 2024

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	\$ 55,645,870	39.33	\$ 2,188,552,067
2	O&M Labor	8,753,546	14.07	123,162,392
3	O&M Non-Labor	15,522,965	29.40	456,375,171
	<b>Taxes Other Than Income:</b>			
4	Ad Valorem	3,540,137	241.50	854,943,086
5	State Gross Receipts Tax	1,343,411	-151.50	-203,526,767
6	Payroll Taxes	823,954	16.55	13,636,439
7	Franchise Tax	169,979	37.50	6,374,213
8	TPUC Inspection Fee	821,631	272.50	223,894,448
9	DOT Fee	0	59.00	0
	<b>Federal Income Tax:</b>			
10	Current Taxes	0	37.50	0
11	Deferred Taxes	9,723,831	0.00	0
	<b>State Excise Taxes:</b>			
12	Current Taxes	0	37.50	0
13	Deferred Taxes	3,218,992	0.00	0
	<b>Other:</b>			
14	Depreciation Expense	18,768,694	0.00	0
15	Interest on Customer Deposits	188,668	182.50	34,431,910
16	Interest Expense - Long Term Debt	9,725,147	91.25	887,419,664
17	Interest Expense - Short Term Debt	366,987	24.05	8,826,037
18	Return on Equity	35,204,793	0.00	0
19	<b>Total Cost of Service</b>	<b>\$ 163,818,605</b>	<b>28.04</b>	<b>\$ 4,594,088,659</b>
20	<b>Daily Cost Of Service</b>	<b>\$ 448,818</b>		

A/ Consumer Advocate Workpapers, "Expense Lag" Schedule.

**ATMOS ENERGY CORPORATION**  
Comparative Income Statement at Current Rates  
For the 12 Months Ending September 30, 2024

Line No.		Consumer Advocate A/	Atmos B/	Difference
	<b>Operating Revenues:</b>			
1	Gas Sales & Transportation Revenues	\$ 167,555,807	\$ 168,384,801	\$ -828,994
2	Other Revenues	829,091	0	829,091
3	AFUDC	1,371,547	1,371,547	0
4	<b>Total Operating Revenue</b>	<b>\$ 169,756,445</b>	<b>\$ 169,756,348</b>	<b>\$ 97</b>
	<b>Operating &amp; Maintenance Expenses:</b>			
5	Purchased Gas Expense	\$ 55,645,870	\$ 55,645,870	\$ 0
6	Operations & Maintenance - Labor	8,753,546 C/	8,753,546 C/	0
7	Operations & Maintenance - NonLabor	15,522,965 C/	15,778,717 C/	-255,752
8	<b>Total Operating &amp; Maintenance Expenses</b>	<b>79,922,381</b>	<b>80,178,133</b>	<b>-255,752</b>
	<b>Other Expenses:</b>			
9	Depreciation Expense	\$ 21,959,653	\$ 21,972,705	\$ -13,052
10	Interest on Customer Deposits	188,668	188,668	0
11	General Taxes	6,699,112 D/	6,699,112 D/	0
12	State Excise Taxes	3,218,992 E/	3,201,405 E/	17,587
13	Federal Income Taxes	9,723,831 E/	9,670,707 E/	53,124
14	<b>Total Other Expenses</b>	<b>\$ 41,790,256</b>	<b>\$ 41,732,597</b>	<b>\$ 57,659</b>
15	<b>Total Operating Expenses</b>	<b>\$ 121,712,637</b>	<b>\$ 121,910,730</b>	<b>\$ -198,093</b>
16	<b>Utility Operating Income</b>	<b>\$ 48,043,808</b>	<b>\$ 47,845,618</b>	<b>\$ 198,190</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, 2024

Line No.		Consumer Advocate A/	Atmos B/	Difference
	<b>Labor:</b>			
1	Labor	\$ 8,753,546	\$ 8,753,546	\$ 0
2	<b>Total Labor</b>	<u>\$ 8,753,546</u>	<u>\$ 8,753,546</u>	<u>\$ 0</u>
	<b>Non-Labor:</b>			
3	Benefits	\$ 1,426,511	\$ 1,679,970	\$ -253,459
4	Employee Welfare	2,289,557	2,289,557	0
5	Insurance	2,374,863	2,374,863	0
6	Rent, Mainenance & Utilities	1,143,143	1,143,143	0
7	Vehicles & Equipment	539,716	539,716	0
8	Materials and Supplies	758,373	758,373	0
9	Information Technologies	1,984,987	1,984,987	0
10	Telecom	344,812	344,812	0
11	Marketing	504,758	504,758	0
12	Directors & Stockholders & PR	263,574	263,574	0
13	Dues & Donations	219,953	219,953	0
14	Printing & Postage	65,789	65,789	0
15	Travel & Entertainment	747,345	747,345	0
16	Training	181,164	181,164	0
17	Outside Services	7,879,559	7,879,559	0
18	Provision for Bad Debt	800,112	800,112	0
19	Miscellaneous	-4,902,422	-4,902,088	-334
20	Barnsley Storage Operating Expense	373,500	373,500	0
21	Disallowed Expense	-1,472,327	-1,470,370	-1,957
22	Legal Invoice Expense Adjustment	0	0	0
23	<b>Total Non-Labor</b>	<u>\$ 15,522,965</u>	<u>\$ 15,778,717</u>	<u>\$ -255,752</u>
24	<b>Total Operation &amp; Maintenance Expense</b>	<u>\$ 24,276,511</u>	<u>\$ 24,532,263</u>	<u>\$ -255,752</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, 2024

Line No.		Consumer Advocate A/	Atmos B/	Difference
1	Property Taxes	\$ 3,540,137	\$ 3,541,063	\$ -926
2	TPUC Inspection Fee	821,631	821,631	0
3	Payroll Taxes	823,954	823,028	926
4	Franchise Tax	169,979	169,979	0
5	Gross Receipts Tax	1,343,411	1,343,411	0
6	Allocated & Other Taxes	<u>0</u>	<u>0</u>	<u>0</u>
7	<b>Total</b>	<b><u>\$ 6,699,112</u></b>	<b><u>\$ 6,699,112</u></b>	<b><u>\$ 0</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, 2024

Line No.		Consumer Advocate A/	Atmos B/	Difference
1	<b>Operating Revenues</b>	<b>\$ 169,756,445</b>	<b>\$ 169,756,348</b>	<b>\$ 97</b>
	<b>Operating Expenses:</b>			
2	Purchased Gas Expense	\$ 55,645,870	\$ 55,645,870	\$ 0
3	O&M Expenses	24,276,511	24,532,263	-255,752
4	Depreciation Expense	21,959,653	21,972,705	-13,052
5	Interest on Customer Deposits	188,668	188,668	0
6	General Taxes	6,699,112	6,699,112	0
7	<b>Total Operating Expenses</b>	<b>\$ 108,769,813</b>	<b>\$ 109,038,617</b>	<b>\$ -268,805</b>
8	<b>NOI Before Excise and Income Taxes</b>	<b>\$ 60,986,632</b>	<b>\$ 60,717,731</b>	<b>\$ 268,901</b>
9	Less AFUDC	1,371,547	1,371,547	0
10	Less Interest Expense	10,092,134	10,093,792	-1,658
11	<b>Pre-tax Book Income</b>	<b>\$ 49,522,951</b>	<b>\$ 49,252,392</b>	<b>\$ 270,559</b>
12	Excise Tax Rate	6.50%	6.50%	0.00%
13	<b>State Excise Tax Expense</b>	<b>\$ 3,218,992</b>	<b>\$ 3,201,405</b>	<b>\$ 17,586</b>
14	<b>Pre-tax Book Income</b>	<b>\$ 49,522,951</b>	<b>\$ 49,252,392</b>	<b>\$ 270,559</b>
15	Less State Excise Tax Expense	3,218,992	3,201,405	17,586
16	<b>FIT Taxable Income</b>	<b>\$ 46,303,959</b>	<b>\$ 46,050,987</b>	<b>\$ 252,973</b>
17	FIT Rate	21.00%	21.00%	0.00%
18	<b>Federal Income Tax Expense</b>	<b>\$ 9,723,831</b>	<b>\$ 9,670,707</b>	<b>\$ 53,124</b>
19	<b>Total State &amp; Federal Income Tax Expense</b>	<b>\$ 12,942,823</b>	<b>\$ 12,872,113</b>	<b>\$ 70,711</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, 2024

Line No.	Class of Capital	Consumer Advocate			A/
		Percent of Total	Cost Rate	Weighted Cost Rate	
1	Short-Term Debt	0.09%	68.88%	0.06%	
2	Long-Term Debt	38.86%	4.08%	1.59%	
3	Common Equity	61.05%	9.80%	5.98%	
4	<b>Total</b>	<b>100.00%</b>		<b>7.63%</b>	
<b>Interest Expense Short-Term Debt:</b>					
5	Rate Base			\$ 611,644,488	
6	Short-Term Weighted Debt Cost			0.06%	
7	<b>Short-Term Debt Interest Expense</b>			<b>\$ 366,987</b>	
<b>Interest Expense Long-Term Debt:</b>					
8	Rate Base			\$ 611,644,488	
9	Long-Term Weighted Debt Cost			1.59%	
10	<b>Long-Term Debt Interest Expense</b>			<b>\$ 9,725,147</b>	
11	<b>Total Interest Expense</b>			<b>\$ 10,092,134</b>	

A/ Consumer Advocate Workpapers, "Rate of Return" Schedule.

**ATMOS ENERGY CORPORATION**  
Revenue Conversion Factor  
For the 12 Months Ending September 30, 2024

Line No.		<u>Amount</u>	<u>Balance</u>	<u>A/</u>
1	Operating Revenues		1.000000	
2	Add: Forfeited Discounts	0.003670	<u>0.003670</u>	
3	Balance		1.003670	
4	Uncollectible Ratio	0.007965	<u>0.007994</u>	
5	Balance		0.995676	
6	State Excise Tax	0.065000	<u>0.064719</u>	
7	Balance		0.930957	
8	Federal Income Tax	0.210000	<u>0.195501</u>	
9	Balance		<u>0.735456</u>	
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><u>1.359700</u></u>	

A/ Consumer Advocate Workpapers, "Revenue Conversion" Schedule.

**ATTACHMENT WHN-2**  
**Pension Obligation & Assets**



500 N Akard Street  
Suite 4300  
Dallas TX 75201

T 214 530 4200  
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wtwco.com

November 7, 2024

Ms. Kim Pettineo  
Manager, Disability & Retirement  
Atmos Energy Corporation  
5430 LBJ Freeway, Suite 500  
Dallas, TX 75240

Dear Kim:

As requested, we are providing an estimate of the September 30, 2023 Projected Benefit Obligation (PBO), assets, and the FY2024 Net Periodic Pension Cost (NPPC) attributable to Tennessee residents who participate in the Atmos Energy Corporation Pension Account Plan (PAP). The PBO and assets are split based on the groupings provided in May of 2012.

The ASC 715 PBO and fair value of assets as of September 30, 2023 and the FY2024 NPPC for the Pension Account Plan are \$431.6 million, \$502.4 million and \$6.4 million, respectively. The allocation of these amounts by group is shown in the table below.

		ASC 715 PBO			
	Counts	as of 9/30/2023	Assets as of 9/30/2023	%	FY 2024 NPPC
Inactive Pre GO Merger	47	3,877,000	4,522,000	0.9%	(36,000)
Active GO	13	2,722,000	3,014,000	0.6%	81,000
Inactive GO After Merger	8	2,061,000	2,512,000	0.5%	(16,000)
Inactive TN	176	13,596,000	16,077,000	3.2%	(119,000)
Active TN	59	8,173,000	9,546,000	1.9%	229,000
Active SS	173	24,791,000	28,637,000	5.7%	872,000
Active CSO SS	241	16,172,000	18,589,000	3.7%	632,000
Inactive SS	281	25,683,000	30,145,000	6.0%	(219,000)
Other	3,515	334,485,000	389,370,000	77.5%	4,979,000
Total	4,513	431,560,000	502,412,000	100.0%	6,403,000

Our calculations were based on the following:

- Participant groupings were provided by Atmos in May 2012
- PBO, service cost and interest cost determined directly for participants
- Assets as of September 30, 2023, expected return on assets, and gain/loss amortization allocated based on PBO.

**Source:** Company Filing, Schedule G

# ATTACHMENT WHN-3

## Rate Design

WHN Consulting

Atmos Energy Corporation - ARM Reconciliation-Rate Design Model  
Rate Design for Revenue Increase

Additional Revenue **\$1,139,177**

Rate Schedule	12 ME 9-30-2024		Current Rates		Current Revenue	Allocated Rate Increase	Proposed Rates		Proposed Revenue
	Bills	Adjusted Mcf	Bills	Mcf Usage			Bills	Mcf Usage	
<b>Rate Schedule 210/225:</b>									
210/225 Residential Gas Service (Summer)	722,377	1,044,138	\$22.50	\$1.7510	\$18,081,769		\$22.50	\$1.8143	\$18,147,863
210/225 Residential Gas Service (Winter) (weather sensitive)	1,009,581	8,218,358	24.50	1.7510	39,125,079		24.50	1.8143	39,645,301
210/225 Residential Gas Service Senior Citizen	759	3,108	0.00	1.7510	5,441		0.00	1.8143	5,638
<b>Total 210/225</b>	<b>1,732,717</b>	<b>9,265,604</b>			<b>\$57,212,289</b>	<b>\$586,731</b>			<b>\$57,798,802</b>
						<b>586,513</b>			
<b>Rate Schedule 220:</b>									
220 Commercial Gas Service (weather sensitive)	215,675	6,175,649	\$50.00	\$3.5510	\$32,713,479		\$50.00	\$3.6040	\$33,040,788
220 Industrial Gas Service (weather sensitive)	3,765	688,586	50.00	3.5510	2,633,418		50.00	3.6040	2,669,913
260 - TRANSP (220 SML COM/INDG)	101	104,256	500.00	3.5510	420,714		500.00	3.6040	426,239
<b>Total 220</b>	<b>219,541</b>	<b>6,968,491</b>			<b>\$35,767,611</b>	<b>\$366,809</b>			<b>\$36,136,941</b>
						<b>369,330</b>			
<b>Rate Schedule 221:</b>									
221 Experimental School Gas Service	36	23,785	\$50.00	\$1.6970	\$42,163		\$50.00	\$1.7200	\$42,710
<b>Total 221</b>	<b>36</b>	<b>23,785</b>			<b>\$42,163</b>	<b>\$432</b>			<b>\$42,710</b>
						<b>547</b>			
<b>Rate Schedule 230:</b>									
230 Large Commercial Gas Service (weather sensitive)	0	0	\$500.00	\$3.0870	\$0		\$500.00	\$3.1200	\$0
230 Large Industrial Gas Service	94	431,825	500.00	3.0870	1,380,042		500.00	3.1200	1,394,293
260 - TRANSP (230 LRG COM/INDG)	470	1,388,885	500.00	3.0870	4,522,488		500.00	3.1200	4,568,321
<b>Total 230</b>	<b>564</b>	<b>1,820,709</b>			<b>\$5,902,530</b>	<b>\$60,532</b>			<b>\$5,962,614</b>
						<b>60,083</b>			
<b>Rate Schedule 240:</b>									
240 DEMAND/COMM GS	0		\$500.00		\$0		\$500.00		\$0
Block 1 Volumes		0		\$1.7250	0			\$1.7500	0
Block 2 Volumes		0		1.1420	0			1.1525	0
Block 3 Volumes		0		0.5290	0			0.5400	0
Demand Volumes		0		23.2500	0			23.2500	0
260 - TRANSP (240 DEMAND)	84		500.00		42,000		500.00		42,000
Block 1 Volumes		168,000		1.7250	289,800			1.7500	294,000
Block 2 Volumes		474,969		1.1420	542,415			1.1525	547,402
Block 3 Volumes		0		0.5290	0			0.5400	0
Demand Volumes		31,197		23.2500	725,340			23.2500	725,340
<b>Total 240</b>	<b>84</b>	<b>642,969</b>			<b>\$1,599,555</b>	<b>\$16,404</b>			<b>\$1,608,742</b>
<b>Rate Schedule 250:</b>									
250 Industrial Interruptible Gas Service	224		\$500.00		\$112,000		\$500.00		\$112,000
Block 1 Volumes		231,936		\$1.7250	400,090			\$1.7500	405,888
Block 2 Volumes		805,122		1.1420	919,449			1.1525	927,903
Block 3 Volumes		745,960		0.5290	394,613			0.5400	402,818
260 - TRANSP (250 OPT GS)	678		500.00		339,000		500.00		339,000
Block 1 Volumes		1,351,933		1.7250	2,332,085			1.7500	2,365,883
Block 2 Volumes		5,165,789		1.1420	5,899,331			1.1525	5,953,572
Block 3 Volumes		266,402		0.5290	140,927			0.5400	143,857
<b>Total 250</b>	<b>902</b>	<b>8,567,143</b>			<b>\$10,537,495</b>	<b>\$108,066</b>			<b>\$10,650,923</b>

Rate Schedule	12 ME 9-30-2024		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		\$500.00		\$0		\$500.00		\$0
Block 1 Volumes		0		\$1.7250	0			\$1.7500	0
Block 1 Volumes @ Discount Rate		0		1.2938	0			1.3125	0
Block 2 Volumes		0		1.1420	0			1.1525	0
Block 2 Volumes @ Discount Rate		0		0.8565	0			0.8644	0
Block 3 Volumes		0		0.5290	0			0.5400	0
Block 3 Volumes @ Discount Rate		0		0.3968	0			0.4050	0
Demand Volumes		0		23.2500	0			23.2500	0
Demand Volumes @ Discount Rate		0		17.4375	0			17.4375	0
280/250 Economic Development Gas Service	0		500.00		0		500.00		0
Block 1 Volumes		0		1.7250	0			1.7500	0
Block 1 Volumes @ Discount Rate		0		1.2938	0			1.3125	0
Block 2 Volumes		0		1.1420	0			1.1525	0
Block 2 Volumes @ Discount Rate		0		0.8565	0			0.8644	0
Block 3 Volumes		0		0.5290	0			0.5400	0
Block 3 Volumes @ Discount Rate		0		0.3968	0			0.4050	0
260 - TRANSP (280/240 ECON DEV/DEMAND)	0		500.00		0		500.00		0
Block 1 Volumes		0		1.7250	0			1.7500	0
Block 1 Volumes @ Discount Rate		0		1.2938	0			1.3125	0
Block 2 Volumes		0		1.1420	0			1.1525	0
Block 2 Volumes @ Discount Rate		0		0.8565	0			0.8644	0
Block 3 Volumes		0		0.5290	0			0.5400	0
Block 3 Volumes @ Discount Rate		0		0.3968	0			0.4050	0
Demand Volumes		0		23.2500	0			23.2500	0
Demand Volumes @ Discount Rate		0		17.4375	0			17.4375	0
260 - TRANSP (280/250 ECON DEV - OPT GS)	0		500.00		0		500.00		0
Block 1 Volumes		0		1.7250	0			1.7500	0
Block 1 Volumes @ Discount Rate		0		1.2938	0			1.3125	0
Block 2 Volumes		0		1.1420	0			1.1525	0
Block 2 Volumes @ Discount Rate		0		0.8565	0			0.8644	0
Block 3 Volumes		0		0.5290	0			0.5400	0
Block 3 Volumes @ Discount Rate		0		0.3968	0			0.4050	0
Total 280	0	0			\$0	\$0			\$0
Rate Schedule 292:									
292 Cogeneration, CNG, Prime Movers Service	12		\$50.00		\$600		\$50.00		\$600
Block 1 Volumes		2,091		\$1.7250	3,608			\$1.7500	3,660
Block 2 Volumes		0		1.1420	0			1.1525	0
Block 3 Volumes		0		0.5290	0			0.5400	0
Total 292	12	2,091			\$4,208	\$43			\$4,260
Rate Schedule 293:									
293 Large Tonnage Air Conditioning Gas Service	12		\$50.00		\$600		\$50.00		\$600
Block 1 Volumes		8,683		\$1.7250	14,978			\$1.7500	15,195
Block 2 Volumes		0		1.1420	0			1.1525	0
Block 3 Volumes		0		0.5290	0			0.5400	0
Total 293	12	8,683			\$15,578	\$160			\$15,795
Total 240/250/280/292/293	1,010	9,220,887			\$12,156,836	\$124,672			\$12,279,720
						122,884			
Subtotal	1,953,868	27,299,476			\$111,081,429	\$1,139,177			\$112,220,786
SPECIAL CONTRACTS	0	0			\$0				\$0
Total Sales & Transportation Margin	1,953,868	27,299,476			\$111,081,429				\$112,220,786