

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

**July 15, 2025**

**IN RE:**

**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**

---

**ORDER APPROVING SETTLEMENT AGREEMENT  
REVISING 2025 ANNUAL RATE REVIEW FILING**

---

This matter came before Chairman David F. Jones, Vice Chairman John Hie, Commissioner Robin L. Morrison, Commissioner Clay R. Good, and Commissioner David Crowell 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 29, 2025. The panel convened to consider the *Stipulation and Settlement Agreement* (“*Settlement Agreement*”) filed by Atmos Energy Corporation (“Atmos,” “Atmos Energy,” or the “Company”) and the Consumer Advocate Division of the Office of the Tennessee Attorney General and Reporter (“Consumer Advocate”) on May 5, 2025.

**BACKGROUND**

In Docket No. 14-00146, the Commission approved a settlement agreement between Atmos and the Consumer Advocate that established Atmos’s Annual Rate Review Mechanism (“ARRM”) pursuant to Tenn. Code Ann. § 65-5-103(d)(6).<sup>1</sup> This mechanism allows for annual

---

<sup>1</sup> See *In re: 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)*, Docket No. 14-00146, *Order Approving Settlement* (November 4, 2015) (hereinafter *Atmos Rate Case*, Docket No. 14-00146, *Order Approving Settlement*).

rate reviews by the Commission in lieu of a general rate case.<sup>2</sup> Pursuant to the *Order Approving Settlement* in Docket No. 14-00146, the 12-month period ending September 30<sup>th</sup> of each year prior to the annual ARRM filing date of February 1<sup>st</sup> was to be used as the test year, with rates to be established based on a forward-looking test year for the twelve-month period ending May 31<sup>st</sup> of each following year.<sup>3</sup> Additionally, the Company was required to use the authorized return on equity as established in Docket No. 14-00146 or any subsequent general rate case.<sup>4</sup>

In addition to the annual rate review filing, filed no later than February 1<sup>st</sup> of each year, a second step of the ARRM also required the Company to file an Annual Reconciliation to the authorized return on equity by September 1<sup>st</sup> of each year.<sup>5</sup> This filing was required to reconcile actual amounts to the Company's authorized return on equity for the forward-looking test year that had just been completed, inclusive of interest at the overall cost of capital compounded for two years.<sup>6</sup> The resulting rates would be effective on bills rendered on or after June 1<sup>st</sup>.<sup>7</sup>

Subsequently, Docket No. 18-00112 was opened to consider modifications to the Company's ARRM and included the participation of the Consumer Advocate and Commission Party Staff ("Party Staff"). The Company, Consumer Advocate, and Party Staff reached an agreement in Docket No. 18-00112 and filed a *Stipulation and Settlement Agreement* on October 2, 2019. The Commission approved the settlement and found that the terms and procedures of the modified ARRM were reasonable and consistent with the provisions of Tenn. Code Ann. § 65-5-103(d)(6). It also determined that transitioning the schedule from two yearly filings to just one

---

<sup>2</sup> Tenn. Code Ann. § 65-5-103(d)(6).

<sup>3</sup> *Atmos Rate Case*, Docket No. 14-00146, *Order Approving Settlement*, pp. 5-6 (November 4, 2015).

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at 5.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 7.

filing was reasonable and appropriate.<sup>8</sup> In addition, the Commission further found that the modified ARRM continued to be in the public interest and will allow Atmos to timely recover its investment and operating expenses, while continuing to deliver safe and reliable service to its customers.<sup>9</sup> The Company's last ARRM filing was resolved through the approval of a settlement agreement in Docket No. 24-00006.<sup>10</sup>

### **THE 2025 TENNESSEE ANNUAL RATE REVIEW FILING**

On January 31, 2025, Atmos filed the *2025 Tennessee Annual Rate Review Filing* ("2025 ARRM"), which included the pre-filed direct testimony of William D. Matthews, Manager of Rates and Regulatory Affairs. The 2025 ARRM filing proposed a \$1,717,820 net revenue deficit supported by the requisite workpapers, schedules, testimony, attestation, and proposed tariff revisions. In his pre-filed testimony, Mr. Matthews calculated Atmos's total cost of service as of September 30, 2024, the end of the historic test period, to be \$166,794,665.<sup>11</sup> According to Mr. Matthews, the Company's 12-month revenue as of September 30, 2024, based on current tariff rates and weather-normalized actual billing determinants, was \$168,384,801, resulting in a revenue sufficiency of \$1,590,136.

The Company's Annual Reconciliation Revenue Requirement ("ARRR") compares the Company's actual cost of service, excluding gas costs, for the test period with the Company's actual gross margin for the same period. According to Mr. Matthews, the ARRR calculation for this ARRM filing resulted in a revenue deficiency of \$3,563,168, which included related carrying

---

<sup>8</sup> *In re: Docket to Investigate and Consider Modifications to Atmos Energy Corporation's Annual Rate Review Mechanism Under Tenn. Code Ann. § 65-5-103(d)(6)*, Docket No. 18-00112, *Order Approving Stipulation and Settlement Agreement*, pp. 9-10 (December 16, 2019).

<sup>9</sup> *Id.*

<sup>10</sup> *In Re: Petition of 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, *Order Approving Stipulation and Settlement Agreement* (July 29, 2024).

<sup>11</sup> William D. Mathews, Pre-Filed Direct Testimony, p. 3 (January 31, 2025).

costs.<sup>12</sup> In addition to the Company's calculated revenue sufficiency and its ARRR deficit, Mr. Matthews included a \$255,213 credit associated with the amortization of the Company's excess deferred income tax ("EDIT") liability, following methodologies approved in previous Commission dockets.<sup>13</sup> After accounting for these three factors, the Company estimated a total net revenue deficiency of \$1,717,820. Atmos also included revised tariffs with proposed rates necessary to generate this revenue deficit.<sup>14</sup>

Mr. Matthews provided individual explanations for each of the Company's 11 schedules included with the filing and provided an attestation that any adjustments reflected in the schedules were consistent with previously approved methodologies. Mr. Matthews affirmed that portions of the previous ARRR amounts approved in Docket Nos. 23-00008 and 24-00006 were removed in Schedule 2 in the Company's calculation of its historic period revenues.<sup>15</sup>

Following the approved methodologies, the Company adjusted its pension cost by removing the actual FAS 87 expense and replacing it with the \$319,142 Tennessee-allocated cash contribution to its pension fund, of which \$253,459 had been included in expenses and \$65,682 had been capitalized to rate base.<sup>16</sup> The Company's adjustment also included an expense credit of \$1,330,270, stemming from statutory changes in the franchise tax calculation.<sup>17</sup> According to Mr. Matthews, the Company's actual depreciation was adjusted in accordance with the approved methodologies. The depreciation expense for intercompany leased storage was included, while the depreciation expense for capitalized incentive compensation was excluded from the per-book

---

<sup>12</sup> *Id.* at 3-4.

<sup>13</sup> *Id.* at 11; 2025 ARRM, Workpaper 7-9 (January 30, 2025).

<sup>14</sup> *Id.* at 4.

<sup>15</sup> *Id.* at 7-8.

<sup>16</sup> *Id.* at 9.

<sup>17</sup> *Id.* at 10.

value. The calculation of the historic period's ending rate base balance was presented in Schedule 7, and the calculation of the 13-month average rate base was provided in Schedule 7R.<sup>18</sup>

Mr. Matthews testified that the protected portion of the Company's EDIT was based on the remaining depreciable life of the underlying plant assets; the EDIT adjustment included its annual protected EDIT amortization credit. The Company confirmed that its amortization credits associated with unprotected EDIT have been fully refunded to its customers after a three-year amortization period.<sup>19</sup> Mr. Matthews testified that the Company made an adjustment to remove the \$2.2 billion of debt associated with Winter Storm Uri because the storm did not have an extraordinary impact on Tennessee's gas costs.<sup>20</sup> As detailed in the Company's workpaper schedule 11-3, Mr. Matthews proposed a rate design that slightly increased both the fixed monthly customer charges and volumetric commodity charges for residential, small commercial, and large commercial customers.<sup>21</sup>

### **POSITION OF THE CONSUMER ADVOCATE**

On behalf of the Consumer Advocate, Mr. William H. Novak, submitted pre-filed direct testimony on April 8, 2025. Overall, Mr. Novak testified that the calculations in the *2025 ARRM* appropriately reconciled the Company's actual revenues, expenses, and net investment as recorded in its ledger and aligned with the methodologies approved for the ARRM mechanism.<sup>22</sup> However, Mr. Novak asserted that the Company's filing contained some errors and miscalculations related to its working capital provision and recovery of its pension plan contributions.<sup>23</sup> Based on his review and analysis, Mr. Novak recommended three adjustments to the Company's revenue

---

<sup>18</sup> *Id.* at 10.

<sup>19</sup> *Id.* at 11.

<sup>20</sup> *Id.* at 12.

<sup>21</sup> *2025 ARRM*, Workpaper Schedule 11-3 (January 30, 2025).

<sup>22</sup> William H. Novak, Pre-Filed Direct Testimony, p. 6 (April 8, 2025).

<sup>23</sup> *Id.*

deficiency filing. These adjustments reduced the Company's proposed total revenue deficiency from \$1,717,820 to \$1,139,177.<sup>24</sup>

First, he recommended a \$26,297 reduction to the Company's revenue deficiency to correct calculation errors identified during his review.<sup>25</sup> Mr. Novak identified certain calculation errors, which the Company acknowledged and agreed to correct.<sup>26</sup> Second, Mr. Novak recommended a \$139 reduction related to the correction of expense lag days used in the cash working capital calculation. The Company applied different lag days for non-labor O&M expenses and payroll taxes in its working capital calculation, which Mr. Novak asserted deviated from the lead/lag factors in the settlement agreement approved in Docket No. 14-00146.<sup>27</sup>

Mr. Novak's final recommended adjustment was a \$552,207 reduction to exclude pension contributions that he considered unnecessary. He testified that the Company contributed \$5 million to its pension plan during the ARRM's historic period, of which \$319,142 was allocated to Tennessee. As noted earlier, this allocated amount included \$253,459 in operating expenses and \$65,682 as capitalized rate base costs. Mr. Novak testified that the Company's pension plan is currently overfunded by \$70.85 million.<sup>28</sup> As such, Mr. Novak deemed the historic period contributions to the Company's pension plan as discretionary expenses and concluded that customers should not bear the costs of unnecessary pension contributions.<sup>29</sup>

Regarding rate design, Mr. Novak proposed to maintain the Company's existing monthly customer charges and increase volumetric charges.<sup>30</sup>

---

<sup>24</sup> *Id.* at 4-5.

<sup>25</sup> *Id.* at 7.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 8.

<sup>28</sup> *Id.* at 9.

<sup>29</sup> *Id.* at 8-9.

<sup>30</sup> *Id.* at 10-11.

## **REBUTTAL TESTIMONY OF THE COMPANY**

In his pre-filed rebuttal testimony filed on April 22, 2024, Mr. Matthews addressed the Consumer Advocate's recommendations and presented the Company's updated revenue requirement model, which was included as Exhibit WDM-R-1. The Company agreed with the Consumer Advocate's recommended miscellaneous adjustments, identified in data requests, and a small revision to the Company's cash working capital calculation related to the lead/lag analysis.<sup>31</sup> The Company incorporated the adjustments into its updated revenue requirement model. As a result of the two adjustments, the Company's revised revenue deficiency was \$26,436 lower than its original revenue requirement.<sup>32</sup>

Atmos opposed the Consumer Advocate's proposal to exclude its allocated pension contribution. Mr. Matthews testified that the Consumer Advocate's proposed pension adjustment was inconsistent with the approved methodologies. Relying on the settlement from Docket No. 14-00146, Mr. Matthews testified that actual cash contributions to the pension fund were permitted for recovery through the annual reconciliation process, and the recoverable amount was based on the future pension liability attributable to Tennessee as defined in the Company's actuary report.<sup>33</sup>

According to Mr. Mathews, the Commission rejected a nearly identical proposal by Mr. Novak in Docket No. 19-00076.<sup>34</sup> Mr. Matthews compared the fundamental treatment of cash pension contributions under an ARRM with their treatment in a general rate case. In a rate case, pension contributions are estimated based on actuarially computed minimum required contributions, then incorporated into rates and remain unchanged until the next case, even if no contributions are made each year. To avoid overcharging customers, it is reasonable to limit

---

<sup>31</sup> William D. Mathews, Pre-Filed Rebuttal Testimony, pp. 2-3 (April 30, 2025).

<sup>32</sup> *Id.* at 3.

<sup>33</sup> *Id.* at 4-6.

<sup>34</sup> *Id.* at 7-9.

pension contributions to the minimum required levels. Unlike a general rate case, an ARRM allows recovery of actual pension expenses reasonably incurred during the review period.<sup>35</sup>

Mr. Matthews stated that the Consumer Advocate's proposed treatment of pension contributions was inconsistent with the Company's long-term investment philosophy. The funding status of the pension plan can fluctuate significantly from year to year due to factors beyond the Company's control.<sup>36</sup> The inconsistency in the Company's investment philosophy could result in substantial rate fluctuations when the plan becomes underfunded.

According to Mr. Matthews, the Company's pension contribution decisions incorporate many other factors beyond just the minimum required contribution. These include tax planning, risk management, financial planning, and medium-to-long-term funding stability, all of which are overseen by a committee of executives appointed by the Board of Directors. By considering other critical factors, the Company could reduce unexpected contributions in future years when the plan becomes underfunded, thereby minimizing the potential for sharp rate impacts.<sup>37</sup>

### **SETTLEMENT AGREEMENT**

On May 5, 2025, the Parties filed the *Settlement Agreement*, in which Atmos and the Consumer Advocate agreed to reduce the Company's originally requested net revenue deficiency of \$1,717,820 by \$286,056, which resulted in a final settled revenue deficiency of \$1,431,764. The *Settlement Agreement* included three adjustments.

First, the Parties agreed on several miscellaneous adjustments identified during the discovery process, including correcting formula errors, correcting the Company's bad debt

---

<sup>35</sup> *Id.* at 7.

<sup>36</sup> *Id.* at 10-11.

<sup>37</sup> *Id.* at 11-12.



provision, and excluding expenditures related to carbon credits from the cost of service. These adjustments totaled a net \$26,297 reduction in the required revenue.<sup>38</sup>

Second, Atmos agreed that its calculation of cash working capital in this and each future ARRM filing would maintain lag days associated with its payroll taxes and non-labor O&M expenses at the same levels per its Docket No. 14-00146. This adjustment resulted in a \$139 reduction in required revenue.<sup>39</sup>

Third, Atmos and the Consumer Advocate agreed that the Company's pension expenses, defined as reasonable and prudent cash pension contributions allocated to Atmos's Tennessee operations, would be evaluated in its ARRR process in this and future ARRM filings but would be excluded from the calculation of its reset. This adjustment resulted in a \$259,620 reduction in the Company's originally filed revenue deficit.<sup>40</sup> As a result, for this and future ARRM filings by Atmos, actual cash pension contributions would no longer be included in the calculation of the Company's go-forward rates. Instead, the pension contributions would be evaluated as part of the reconciliation and true-up process related to the Company's test period only.

## **THE HEARING**

The hearing on the merits was publicly noticed by the Commission on May 16, 2025, and held during the regularly scheduled Commission Conference on May 29, 2025. Appearances were made by the following:

Atmos Energy Corporation. – Erik Lybeck Esq., Sims & Funk, PLC, 3102 West End Ave., Suite 1100, Nashville, Tennessee 37203.

Consumer Advocate Division – Shilina B. Brown, Esq. Consumer Advocate Division of the Office of the Tennessee Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee, 37219.

---

<sup>38</sup> *Stipulation and Settlement Agreement*, p. 2 (May 5, 2025).

<sup>39</sup> *Id.*

<sup>40</sup> *Id.* at 2-3.

The panel heard testimony from Mr. William D. Matthews concerning the *Settlement Agreement*. Members of the public were given an opportunity to offer comments, but no one sought recognition to speak.

### **FINDINGS & CONCLUSIONS**

After reviewing the record in its entirety, the panel voted unanimously to approve the *Settlement Agreement* filed by the Parties on May 5, 2025, which included the Parties' agreed-upon \$1,431,674 net revenue deficiency. This amount consisted of (1) a forward-looking revenue *sufficiency* of \$1,863,609 at September 30, 2024; (2) a credit of \$255,213 for amortization of excess accumulated deferred income taxes associated with the 2017 Tax Cuts and Jobs Act; and (3) a revenue *deficiency* of \$3,550,585 resulting from the test year's annual reconciliation revenue requirement calculation plus carrying charges.

Next, in accordance with the *Settlement Agreement*, the panel voted unanimously to approve the changes in methodology related to pension contributions and the calculation of cash working capital in this and all future annual rate review filings made by Atmos. Furthermore, the panel unanimously approved the proposed rate design as presented in Schedule 11-3 attached to the *Settlement Agreement* filed on May 5, 2025. This rate design permits the Company to recover its revenue deficit through proportional fixed and volumetric customer rate increases consistent with its tariff and previously approved rate designs.

Finally, the panel found that this ARRM continues to serve the public interest by allowing Atmos Energy to timely recover its reasonable and prudent expenditures for providing safe and reliable natural gas services to its customers, while also limiting the need for more costly rate cases.

**IT IS THEREFORE ORDERED THAT:**

1. The *Stipulation and Settlement Agreement*, filed by Atmos Energy Corporation and the Consumer Advocate Division of the Office of the Tennessee Attorney General and Reporter on May 5, 2025, is approved.

2. Atmos Energy Corporation shall file tariffs reflecting this decision.

3. Any party aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days of the date of this Order.

4. Any party aggrieved by the Commission's decision in this matter has the right to seek judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days of this Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

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

None dissented.

**ATTEST:**

A handwritten signature in dark ink, appearing to read "Earl Taylor" with a stylized flourish or initials "abh" at the end.

---

**Earl R. Taylor, Executive Director**