BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

March 18, 2026

IN RE:	)	
	)	**DOCKET NO. 25-00068**
ATMOS ENERGY CORPORATION ACTUAL COST ADJUSTMENT (ACA) ACCOUNTING FILINGS FOR TENNESSEE, EXCLUDING UNION CITY, AND FOR UNION CITY, TENNESSEE, FOR THE PERIOD OF JULY 1, 2024 THROUGH JUNE 30, 2025	)))))	

ORDER ADOPTING THE ACA AUDIT REPORT OF THE TENNESSEE PUBLIC UTILITY COMMISSION'S UTILITIES DIVISION

This matter came before Vice Chairman John Hie, Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner Kenneth C. Hill, 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 February 17, 2025. The panel convened to consider the Compliance Audit Report (the "Report") for Atmos Energy Corporation's ("Atmos" or the "Company") Actual Cost Adjustment ("ACA") component of the Purchased Gas Adjustment Rule for the 12-month period ended June 30, 2025, filed by the Commission's Utilities Division (the "Audit Staff") on January 12, 2026. The Report is attached as Exhibit 1 and incorporated by this reference.

The Company filed its ACA filing on August 29, 2025, and on December 26, 2025, the Audit Staff submitted preliminary ACA audit findings to the Company via e-mail. The Audit Staff incorporated the Company's responses into its Report and completed the audit on January 9, 2026.[1] The objective of the audit was to verify that the Company's calculations of gas costs incurred and

[1] *Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission*, pp. 1-2 (January 12, 2026).

recovered were materially correct and that the Company had complied with all Commission orders and directives concerning the ACA account balance. Accordingly, Audit Staff reviewed gas supply invoices, supplemental schedules, and other source documentation provided by Atmos.

The Company's ACA filing for the 12-month period ended June 30, 2025, reported an ending balance in the ACA account of $6,444,343.83 in under-recovered gas costs—$238,869.61 from Union City customers and $6,405,474.22 from customers of Other Tennessee Towns ("ETN").[2] Audit Staff's review resulted in two findings that totaled a net over-recovery of $52,887.12.[3] When added to the Company's calculated balance, the Audit Staff found a net ending balance in the ACA account of $6,591,456.71 in under-recovered gas costs for the 12-month period ended June 30, 2025.[4] Atmos agreed.[5]

During the regularly scheduled Commission Conference held on February 17, 2026, the panel considered the administrative record and found that the audit objective was met and the ending balances in the ACA accounts for the period ended June 30, 2025, as adjusted by Audit Staff, were accurately calculated and in compliance with Atmos's tariff. The panel unanimously approved the Report as filed, including the ACA account balance of $238,869.61 in under-collected gas costs for the Union City filing and $6,352,587.10 in under-collected gas costs for the ETN filing. These ending balances will become the beginning balances beginning at July 1, 2025, in the Company's next ACA filing.

IT IS THEREFORE ORDERED THAT:

1. The Commission's Utilities Division Compliance Audit Report for Atmos Energy Corporation's Actual Cost Adjustment for the period ended June 30, 2025, attached to this Order as Exhibit 1, is approved and adopted with the conclusions and recommendations contained therein

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[2] *Id*., Exh. A, at pp.2-3
[3] *Id*. at p. 5.
[4] *Id*.
[5] *Id*. at p. 6.

incorporated in this Order as if fully rewritten.

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

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

<u>FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:</u>

Vice Chairman John Hie,
Commissioner Herbert H. Hilliard,
Commissioner Robin L. Morrison,
Commissioner Kenneth C. Hill, and
Commissioner David Crowell, concurred.

None dissented.

ATTEST:

Earl Taylor abh

Earl R. Taylor, Executive Director

Exhibit 1

Electronically Filed in TPUC Docket Room
on January 12, 2026 at 10:30 a.m.

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

January 12, 2026

IN RE:	)
	)
ATMOS ENERGY CORPORATION	) **Docket No. 25-00068**
ACTUAL COST ADJUSTMENT ("ACA") AUDIT	)

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

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

1. The present docket was opened by the Commission to hear matters arising out of the audit of the Company's ACA filing for the period July 1, 2024, through June 30, 2025.

2. The Company's ACA filing was received on August 29, 2025, and the Staff completed its audit of the same on January 9, 2025.

3. On December 26, 2025 the Utilities Division submitted its preliminary ACA audit findings to the Company via e-mail. The Company responded on December 29, 2025, via email, and the responses have been incorporated into the final report. The Audit Report is attached hereto as Exhibit A and is fully incorporated herein by this reference.

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

Respectfully Submitted:

Grace Marek

Grace Marek, MBA
Financial Regulatory Analyst
Utilities Division of the
Tennessee Public Utility Commission

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of January, a true and exact copy of the foregoing has been emailed to the following persons:

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Chairman
Tennessee Public Utility Commission
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Mr. Mark Martin
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Grace Marek

Grace Marek

COMPLIANCE AUDIT REPORT

OF

ATMOS ENERGY CORPORATION

ACTUAL COST ADJUSTMENT

DOCKET NO. 25-00068

PREPARED BY

TENNESSEE PUBLIC UTILITY COMMISSION

UTILITIES DIVISION

January 2026

EXHIBIT A

COMPLIANCE AUDIT

ATMOS ENERGY CORPORATION

ACTUAL COST ADJUSTMENT

DOCKET NO. 25-00068

TABLE OF CONTENTS

I. INTRODUCTION

The subject of this audit is Atmos Energy Corporation's ("Company" or "Atmos") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Public Utility Commission ("TPUC" or the "Commission")[1]. The objective of the audit is to determine whether the Purchased Gas Adjustments, which are encompassed by the Actual Cost Adjustment ("ACA") as more fully described in Section III, for the year ended June 30, 2025 are calculated correctly and are supported by appropriate source documentation.

II. AUDIT OPINION

On August 29, 2025, the TPUC Audit Staff (hereafter "Staff") received Atmos's ACA filings supporting the activity in the Deferred Gas Cost Accounts ("ACA Account") for the period July 1, 2024 through June 30, 2025 for Union City (UC) and Other Tennessee Towns (ETN). The Audit Staff ("Staff") concludes that, except for the findings noted in Section VIII, the Purchased Gas Adjustment mechanism as calculated in the Actual Cost Adjustment appears to be working properly and is in accordance with the TPUC rules for Atmos Energy Corporation. The amount of the findings contained herein is not material with respect to the total gas costs.

III. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority, now the Tennessee Public Utility Commission. The PGA Rule permits a gas company to recover, in a timely manner, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA Rule consists of three major components:

1. **The Actual Cost Adjustment (ACA)**
2. **The Gas Charge Adjustment (GCA)**
3. **The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TPUC in another docket) as reflected in the Deferred Gas Cost account. The ACA then "trues-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

[1] As of April 5, 2017, the name of Tennessee Regulatory Authority has changed to the Tennessee Public Utility Commission and board members of the agency will be known as Commissioners rather than Directors.

> "Each year, the Company shall file with the [Commission] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Commission] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180 day notification period may be extended by mutual consent of the Company and the [Commission] Staff or by order of the [Commission]."

Prudence Audit of Gas Purchases:

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Commission, an "Audit of Prudence of Gas Purchases" by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. In Docket 97-01364, Atmos Energy was authorized to operate under a Performance-Based Ratemaking Mechanism ("PBRM"), beginning April 1, 1999, and continuing each year unless terminated by the Company or the Commission. For each year that the mechanism is in effect, the requirements of Section 1220-4-7-.05 of the PGA Rule are waived.

IV. SUMMARY OF COMPANY FILING

The Company filed its annual report of the transactions in the Deferred Gas Costs Account ("ACA Account") for its Tennessee service areas on August 29, 2025. This ACA filing showed $80,009,830.73 in total gas costs, with $67,764,286.49 being recovered from customers through rates. Adding a beginning balance in the ACA account of $5,765,142.28 in net over-recovered gas costs from the preceding ACA period and interest due to customers for the current period of $163,941.87 resulted in an ACA Account balance at June 30, 2025, of $6,644,343.83 in under-recovered gas costs.[2]

[2] The filing was comprised individually of a $238,869.61 under-recovered balance in the Union City service area and a $6,405,474.22 under-recovered balance in the remaining Tennessee towns service area.

ATMOS ENERGY CORPORATION
SUMMARY OF ACA FILING FOR PERIOD JULY 2024 - JUNE 2025

Line		Union City	Other TN Towns	Total
1	Beginning Balance (July 1, 2024)	($486,263.06)	($5,278,879.22)	($5,765,142.28)
2	Purchased Gas Costs	1,648,724.23	78,361,106.50	80,009,830.73
3	Gas Costs recovered through rates	917,298.55	66,846,987.94	67,764,286.49
4	Interest on monthly balances	(6,293.01)	170,234.88	163,941.87
5	Ending Balance (June 30, 2025) (Line 1 + Line 2 – Line 3 + Line 4)	$238,869.61	$6,405,474.22	$6,644,343.83

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

The Company began to recover the amount from its Union City customers and customers in other Tennessee service areas on October 1, 2025, to distribute the balances in the ACA accounts as of June 30, 2025.[3] Staff's findings resulting from this audit are described in detail in Section VIII of this report.

V. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of the Company's ACA Account. The audit goal is to verify that the Company's calculations of gas costs incurred and recovered were materially correct,[4] and that the Company is following all Commission orders and directives with respect to its calculation of the ACA Account balance. Also included in this audit are the Company's PGA filings to implement a total collection of $238,869.61 to the customers of Union City and a total collection of $6,405.474.22 from the customers in other Tennessee towns, effective October 1, 2025. Details of the ACA Account are provided in Section IV: Summary of Company Filing.

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by Atmos. Where appropriate, Staff requested additional information to clarify the filing.

VI. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Atmos Energy Corporation, with its corporate headquarters located in Dallas, Texas, has its local offices in Franklin, Tennessee. On October 4, 2002, the Company filed tariffs to officially change its name from United Cities Gas Company to Atmos Energy

[3] Tariff Filing No. 2025-0032 for Union City and 2025-0031 for ETN.
[4] The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

Corporation. Atmos is a multi-state gas distributor, providing service to customers in twelve cities and surrounding areas in Tennessee. The natural gas used to serve these areas is purchased from four natural gas pipelines in accordance with separate and individual tariffs approved by the Federal Energy Regulatory Commission (FERC). The interstate pipelines are Tennessee Gas Pipeline (TGP), East Tennessee Natural Gas (ETNG), Texas Gas Transmission Corporation (TGTC), and Texas Eastern Transmission Corporation (TETC).

TGP and ETNG provide service to east Tennessee towns, which include Columbia, Shelbyville, Maryville, Morristown, Elizabethton, Greeneville, Johnson City, Kingsport, Bristol and adjacent areas in Maury, Bedford, Moore, Blount, Hamblen, Sullivan, Carter, Washington, and Greene Counties.

TETC provides service to Atmos in Murfreesboro and Franklin, as well as adjacent areas in Rutherford and Williamson Counties. TGTC provides service to Atmos in Union City and adjacent areas in Obion County.

Atmos' gas Commodity requirements are fulfilled under an Asset Management Agreement. During the audit period, two separate asset management agreements were in effect between Atmos and Symmetry Energy Solutions, LLC. Each agreement covers a three-year term: the first from April 1, 2022, through March 31, 2025, and the second from April 1, 2025, through March 31, 2027. Asset Management fees are shared with ratepayers according to the terms of the contract as a credit to the ACA Account.[5]

VII. <u>JURISDICTION OF THE TENNESSEE PUBLIC UTILITY COMMISSION</u>

Tennessee Code Annotated (T.C.A.) gave jurisdiction and control over public utilities to the Tennessee Public Utility Commission, formerly Tennessee Regulatory Authority. T.C.A. §65-4-104 states that:

> The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Commission with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

[5] In Commission Docket No. 21-00104, Atmos successfully petitioned to remove the section of its PBRM tariff related to RFP Procedures for the Selection of Asset Manager and/or Gas Provider. Since Atmos sold its gas marketing affiliate and has no plans currently to acquire another affiliated marketing entity, the Commission agreed that the protections provided by the RFP Procedures are no longer necessary. Atmos, therefore, is no longer required to file its RFP to select an asset manager with the Commission for prior approval.

> The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The TPUC's Utilities Division is responsible for auditing gas, electric, and water companies under its jurisdiction to ensure that each company is abiding by Tennessee statutes as well as the Commission's Rules and Regulations. Grace Marek and Aisha Salem of the Utilities Division conducted this audit.

VIII. ACA AUDIT FINDINGS

Staff reviewed the gas costs and recoveries of Atmos Energy Corporation for the 12-month period ending June 30, 2025. Staff's audit findings totaled a net over-recovery of $52,887.12. This amount results from the net total of two (2) findings and represents a decrease to the Company's reported under-recovered ending balance in the ACA Account on June 30, 2025, of $6,644,343.83. The findings, when added to the Company's calculated balance, result in a net-ending balance in the ACA account of $6,591,456.71[6] in under-recovered gas costs. Below is a summary of the ACA accounts as filed by the Company and as adjusted by the Staff, followed by a description of the findings.

SUMMARY OF THE ACA ACCOUNT:

Combined ETN and Union City

Line		Atmos Combined Filing	Staff Audit Results	Difference	Findings
1	Adj. Beginning Balance (July 2024)	($5,765,142.28)	($5,765,142.28)		
2	Purchased Gas Costs	80,009,830.73	79,957,448.85	(52,381.88)	#1
3	Gas Costs recovered through rates	67,764,286.49	67,764,286.49		
4	Interest on monthly balances	163,941.87	163,436.63	(505.24)	#2
5	Ending Balance (June 2025) (Line 1 + Line 2 – Line 3 + Line 4)	$6,644,343.83	$6,591,456.71	($52,887.12)	

Note: A negative number indicates an over-recovery of gas costs.

[6] The ending balance is made up of $238,869.61 under-recovery for the Union City filing and $6,352,587.10 under-recovery for the ETN filing.

SUMMARY OF FINDINGS:

				See page
FINDING #1	Current Gas Costs- Storage	($52,381.88)	Over-recovery	6
FINDING #2	Interest on Account Balance	($505.24)	Over-recovery	6
TOTAL FINDINGS		**($52,887.12)**	**Over-recovery**	

FINDING #1:

Exception

The Company overstated the storage injection costs in its current ACA filing.

Discussion:

Upon review, the Staff identified cell reference errors in April and June 2025 for the FSPA Storage Facility (16040). In addition, the Staff identified that the injection fees for the FSPA (16040) and FSMA (15933) Storage facilities in April 2025 needed a revision due to a prior period adjustment in the April invoice, which was invoiced in the June production month. These errors also affected the average gas costs associated with withdrawals and the withdrawal costs for both storage facilities. The net impact of this finding is a decrease in Commodity costs of $52,381.88. As a result, the Company's reported under-recovered ACA Account Balance as of June 30, 2025, is reduced by this amount.

Company Response
The company agrees to the above adjustment and will be included in the beginning balance of July 2025-June 2026 ACA Filing.

FINDING #2:

Exception

The Company overstated the interest due from customers in its ACA filing.

Discussion:

Staff were required to recalculate the total interest based on the revised ACA monthly balances identified in Finding #1. The net impact is a decrease in under-recovered interest costs of $505.24, representing a decrease in the Company's reported under-recovered ACA Account Balance as of June 30, 2025.

Company Response

The company agrees to the above adjustment and will be included in the beginning balance of July 2025-June 2026 ACA Filing.

IX. STAFF CONCLUSIONS AND RECOMMENDATIONS

Staff reviewed the gas costs and recoveries of Atmos Energy Corporation for the 12-month period ending June 30, 2025. As reported in the body of this report, Staff concludes that the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, appears to be working properly and in accordance with the TPUC rules for Atmos. Staff's audit procedures revealed two findings reported in Section VIII, with which the Company concurs. Based on the Company's filing and audit adjustments by the Staff, the **net balance** in the ACA Account as of June 30, 2025, was **positive $6,591,456.71**. This means that as of June 30, 2025 the Company had under-collected this amount in total from its Tennessee customers. The net balance is composed of a **total under-collection from Union City customers of $238,869.61 and a total under-collection from customers in Other Tennessee towns of $6,352,587.10.** These ending balances will become the beginning balances at July 1, 2025, in the Company's next ACA filings. **Staff recommends approval of the Company's adjusted ACA Account balances.**

APPENDIX A

PGA FORMULA

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + DACA}{SF} - DB + \frac{P + T + SR + CACA}{ST} - CB$$

$$\text{Non-Firm GCA} = \frac{P + T + SR\ \ CACA}{ST} - CB$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{DR1 - DR2}{SFR} + \frac{CR1 - CR2 + CR3 + i}{STR}$$

$$\text{Non-Firm RA} = \frac{CR1 - CR2 + CR3 + i}{STR}$$

where

RA =	The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
DR1 =	Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
DR2 =	A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
CR1 =	Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
CR2 =	A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
CR3 =	The residual balance of an expired Refund Adjustment.
i =	Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.
SFR =	Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

STR = Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.