

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

IN RE:)
)
ATMOS ENERGY CORPORATION FOR)
APPROVAL OF ITS 2026 ANNUAL) **DOCKET NO. 26-00009**
RATE REVIEW FILING PURSUANT TO)
TENN. CODE ANN. § 65-5-103(d)(6))

DIRECT TESTIMONY

OF

DAVID N. DITTEMORE

April 10, 2026

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1 **I. BACKGROUND**

2 **Q1. PLEASE STATE YOUR NAME AND OCCUPATION FOR THE RECORD.**

3 A1. My name is David N. Dittmore. I am a self-employed consultant working in the utility
4 regulatory sector.

5 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**
6 **PROFESSIONAL EXPERIENCE.**

7 A2. I received a Bachelor of Science Degree in Business Administration from the University
8 of Central Missouri in 1982. I am a Certified Public Accountant licensed in Oklahoma
9 (#7562). I was previously employed by the Kansas Corporation Commission (“KCC”) in
10 various capacities, including Managing Auditor, Chief Auditor, and Director of the
11 Utilities Division. I was self-employed as a utility regulatory consultant for
12 approximately four years, primarily representing the KCC staff in regulatory issues. I
13 also participated in proceedings in Georgia and Vermont, evaluating issues involving
14 electricity and telecommunications regulatory matters.

15 Additionally, during this time frame, I performed a consulting engagement for Kansas
16 Gas Service (“KGS”), my subsequent employer. For eleven years, I served as Manager
17 and subsequently Director of Regulatory Affairs for KGS, the largest natural gas utility in
18 Kansas, serving approximately 625,000 customers. KGS is a division of One Gas, a
19 natural gas utility serving about two million customers in Kansas, Oklahoma, and Texas.
20 I joined the Tennessee Attorney General’s Office in September 2017 as a Financial
21 Analyst. In July 2021, I began my independent consulting practice.

22 I have been a Board Member of the Financial Research Institute (University of Missouri),
23 a member of the NARUC Subcommittee on Accounting, the Vice-Chair of the

1 Accounting Committee of the National Association of State of Utility Consumer
2 Advocates (“NASUCA”), and an active participant in NASUCAs’ Natural Gas and Water
3 Committees.

4 Overall, I have over 35 years of experience in public utility regulation and have testified
5 as an expert witness on numerous occasions. A detailed overview of my background is
6 attached to my testimony as Exhibit DND-1.

7 **Q3. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

8 A3. I am testifying on behalf of the Consumer Advocate Division (“Consumer Advocate”) of
9 the Office of the Tennessee Attorney General.

10 **II. PURPOSE OF TESTIMONY**

11 **Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A4. The purpose of my testimony is to present the revenue requirement recommendation of
13 the Consumer Advocate in this proceeding. In doing so, I am sponsoring an Adjustment
14 to the amount of Allowance for Funds Used During Construction (AFUDC) incorporated
15 in this proceeding and four separate adjustments to Operating and Maintenance (O&M)
16 costs. I am sponsoring schedules identified below, which incorporate the adjustments
17 referenced above, as well as the capital structure recommendation of Consumer Advocate
18 witness Clark Kaml.

Index of Schedules	
Sponsored by CAD	
Name	Description
CA-1	Summary of Total Revenue Deficiency
CA-1R	Summary of Revenue Requirement - Reconciliation Period
WP CA 1-2	Workpaper Summarizing AFUDC Pro-Forma Adjustment
CA -4	Summary of CAD Pro-forma O&M
WP CA-4-1	Listing of CAD O&M Adjustments
WP CA 4-2	Support for Advertising Exclusions
CA - 7	CAD Pro-forma Rate Base and Return Calculation - Reset Period
CA- 7 R	CAD Pro-forma Rate Base and Return Calculation -Reconciliation Period
WP CA 7-5R	CAD Cash Working Capital calculation
WP CA 7-7R	CAD supporting workpaper for Cash Working Capital - Daily cost of Service
CA-8	Federal and State Income Taxes - Reset Period
CA 8R	Federal and State Income Taxes - Reconciliation Period
CA-9	Calculation of Weighted Average Cost of Capital - Reset Period
CA - 9R	Calculation of Weighted Average Cost of Capital - Reconciliation Period
CA-10	Calculation of Earned Rate of Return - Reset Period
CA-10R	Calculation of Earned Rate of Return - Reconciliation Period
WP CA 10-1	Computation of Federal Income and State Excise Tax for Schedule 10
WP CA 10--1R	Computation of Federal Income and State Excise Tax for Schedule 10R

1 The schedule names correspond to those sponsored by Atmos. Atmos schedules not
2 identified above were not adjusted and thus were not necessary for presentation purposes.
3 I also identify the magnitude of the increase sought in this proceeding and provide
4 context for the Commission’s consideration of this increase, given the higher gas costs
5 facing Atmos’ customers. I also express concern about the lack of transparency in the
6 Company’s filing, given the circumstances facing customers.
7 Any issues not identified in my testimony should not be construed as an endorsement of
8 an Atmos cost or accounting methodology.

9 **III. EXECUTIVE SUMMARY**

10 **Q5. WHAT INCREASE IS ATMOS SEEKING?**

1 A5. Atmos is seeking to increase its base rates by \$14,678,350, representing a substantial
2 12.58% increase for an Annual Rate Mechanism filing. The proposed increase translates
3 into an additional \$51.65 per year in cost for residential customers.¹ The increase sought
4 in Atmos' 2025 ARM was approximately 1.5%, an important consideration.² However,
5 Atmos requested a significant rate increase as recently as 2024, which was 19%.³

6 **Q6. WHAT IS THE CONSUMER ADVOCATE INCREASE RECOMMENDED IN**
7 **THIS PROCEEDING?**

8 A6. The Consumer Advocate is recommending an increase of \$7,207,714 as reflected on
9 Schedule CA-1.

10 **Q7. ARE YOU CONCERNED WITH THE CUSTOMER IMPACT OF THIS ARM**
11 **PROPOSAL?**

12 A7. Yes. The current ARM mechanism of Atmos does not provide incentives to control costs,
13 as Atmos is compensated for all regulatory lag. The narrative supporting the ARM
14 mechanism is that small annual increases are preferable to less frequent significant
15 increases.⁴ Double-digit annual rate increases don't fit the narrative of small annual
16 increases, and arguably, mechanisms that allow and effectively encourage such increases
17 are not in the public interest. The ARM mechanism should not be used as a fast-track

¹ The proposed increase in rate to the residential class is \$7,577,974 derived from information contained in Atmos Schedule 11-3, columns F and Q. When this is divided by the average monthly customer count (Atmos Schedule 11-3, column D), the resulting monthly increase of \$4.30 is derived, translating to an annual increase of \$51.65.

² *Direct Testimony of William D. Matthews at 3:20 – 4:5, TPUC Docket No. 25-00007 (January 31, 2025).*

³ *Direct Testimony of William D. Matthews at 3:20 – 4:7, TPUC Docket No. 24-0006 (January 30, 2024).*

⁴ “Transferring a modified version of this ARM to Spire for a temporary period, however, serves the public interest in this case because such transfer mitigates the potential for substantial regulatory lag that could occur during the integration period and it lessens the potential for rate shock attributable to intermittent rate increases as opposed to annual rate increases, which are typically smaller. *Tennessee Public Utility Commission, Excerpt Re: Docket No. 25-00074, Transcript at 5:17 – 6:6 (March 16, 2026) (Motion for Deliberations of Decision by David F. Jones, Chairman).*”

1 vehicle to achieve annual double-digit rate increases. To the extent that small annual
 2 increases are not achievable under the current ARM procedures, it is appropriate to re-
 3 examine these details to achieve the desired result.

4 **Q8. HAVE YOU HAD AN OPPORTUNITY TO REVIEW THE COST IMPACTS OF**
 5 **ATMOS’ RECENT COST OF GAS FACTORS?**

6 A8. Yes. The schedule below sets forth a comparison of Atmos’ PGA rates since 2024.
 7 Based upon normalized average residential consumption, the average residential
 8 customer would have experienced bill increases in excess of \$110 for the four-month
 9 period ending February, 2026 as shown in the table below.

Identification of Atmos PGA Rates						
Firm Customers						
Source: Atmos Tariff						
https://www.atmosenergy.com/utility-operationsrates/tariffs-tennessee/						
Amounts per CCF					Weather	
Month	2024	2025	2026	Increase Cost Per CCF	Normalized	Increased
					Usage (CCF) AG 2-1	Customer Costs
January	0.3626	0.4559	0.7177	0.2618	139.1	\$ 36.42
February	0.3626	0.3925	0.7177	0.3252	136.4	\$ 44.36
March	0.3626	0.3925				
April	0.3626	0.4787				
May	0.2903	0.5328				
June	0.2903	0.5328				
July	0.3161	0.486				
August	0.3161	0.486				
September	0.3161	0.486				
October	0.3255	0.4496				
November	0.4559	0.6874		0.2315	52.5	\$ 12.15
December	0.4559	0.6874		0.2315	80.4	\$ 18.61
				Total		\$ 111.54

10 It is important to consider the proposed ARM increase considering the existing bill
 11 pressure facing customers.

12 **Q9. IS IT POSSIBLE TO MODIFY THE ARM MECHANISM TO INCREASE THE**
 13 **INCENTIVE FOR ATMOS TO CONTROL COSTS, WHILE STILL**
 14 **MAINTAINING AN ARM MECHANISM?**

1 A9. Yes. There are mechanical aspects of the ARM that could be modified to reduce the
2 impact on Atmos' customers while still enabling Atmos to minimize regulatory lag and
3 achieve an annual cost of service update.

4 **Q10. ARE YOU RECOMMENDING CHANGES IN THE MECHANICS OF THE ARM**
5 **MECHANISM AT THE PRESENT TIME?**

6 A10. With the exception of the treatment of AFUDC as discussed below, I'm not proposing
7 any modifications to the ARM mechanism at this time. I believe the impact of future
8 Atmos requests should drive the Commission's decision on whether the ARM mechanism
9 is working for all stakeholders.

10 **IV. COMMENTS ON ATMOS FILING**

11 **Q11. DO YOU BELIEVE ATMOS HAS PROVIDED THE COMMISSION WITH**
12 **COMPREHENSIVE INFORMATION RELEVANT TO MAKE A DECISION IN**
13 **THIS PROCEEDING?**

14 A11. Not entirely. Atmos has provided detailed schedules and supporting workpapers that
15 comply with Commission requirements and allow for verification of how amounts flow
16 through its filing. However, the filing provides limited context regarding the underlying
17 drivers of the requested double-digit rate increase.

18 In particular, the Company does not offer a broader explanation of the key factors
19 contributing to the magnitude of the increase, whether those factors are expected to
20 persist, or whether a similar level of customer impact may reasonably be anticipated in
21 future ARM filings. This type of contextual information is necessary for the Commission
22 in evaluating not only the mechanical accuracy of the filing, but also its practical
23 implications for customers.

1 **Q12. WHY IS THIS ADDITIONAL CONTEXT IMPORTANT?**

2 A12. While the ARM mechanism is designed to streamline the ratemaking process and reduce
3 regulatory lag, it does not diminish the Commission’s responsibility to understand and
4 evaluate the overall customer impact of rate adjustments. Providing a clearer explanation
5 of cost drivers and forward-looking expectations would better support that evaluation.

6 **Q13. DID THE CONSUMER ADVOCATE ATTEMPT TO OBTAIN ADDITIONAL**
7 **INFORMATION FROM ATMOS REGARDING ITS ANTICIPATED COSTS IN**
8 **THE FUTURE?**

9 A13. Yes. The Consumer Advocate sought information in CA Request No. 1-9 regarding the
10 Company’s expected revenue requirement for the subsequent ARM filing year to provide
11 additional context for the Commission.⁵ This is especially important considering the
12 significant increase in rates sought in this case. Atmos objected to this request, asserting
13 that such information was not relevant to the current proceeding.⁶

14 **Q14. WHAT IS YOUR VIEW OF THAT RESPONSE?**

15 A14. While I recognize that the ARM process focuses on a defined test period, information
16 regarding expected future filings can provide useful context, particularly in a case
17 involving a double-digit increase. The absence of such information, combined with the
18 limited discussion of the drivers of the current increase, prevents an independent
19 assessment, by the Commission and the Consumer Advocate, of whether the requested
20 increase reflects temporary conditions or a continuing trend.

⁵ *Consumer Advocate’s First Set of Discovery Requests to Atmos Energy Corporation*, p. 6, CA DR No. 1-9 (February 20, 2026).

⁶ *Atmos Energy Response to the Consumer Advocate’s First Discovery Request*, p. 9, CA DR No. 1-09, TPUC Docket No. 26-00009 (March 2, 2026).

1 **Q15. WHAT IS YOUR OVERALL CONCLUSION REGARDING THE COMPANY'S**
2 **PRESENTATION?**

3 A15. Atmos has “checked the boxes” of the technical filing requirements of the ARM process.
4 However, the level of explanatory and forward-looking information supporting the
5 requested increase is insufficient. . Transparency regarding the causes of the increase and
6 expectations for future filings would inform and support the Commission’s review and
7 provide important context regarding customer impacts – especially in a request of this
8 magnitude.

9 **Q16. DO YOU HAVE ANY COMMENTS YOU WISH TO MAKE REGARDING THE**
10 **TESTIMONY OF ATMOS WITNESS MAUREEN MELSON?**

11 A16. Yes. Ms. Melson states that the cost-of-service items for which the Company seeks
12 recovery have been prudently incurred.⁷ There is simply no underlying support for such a
13 broad statement, and the Commission should disregard it.

14 **Q17. DID YOU SEEK TO OBTAIN INFORMATION CONCERNING THE**
15 **PROCEDURES MS. MELSON CONDUCTED TO ARRIVE AT THAT**
16 **CONCLUSION?**

17 A17. Yes. In CA DR No. 1-1, the Consumer Advocate requested the procedures performed by
18 Ms. Melson, the steps taken by others in arriving at that conclusion, and any workpapers
19 or other documentation supporting the conclusion reached.⁸ The lengthy response
20 outlines all the steps Atmos takes to ensure that accounting data is entered correctly into

⁷ *Direct Testimony of Maureen H. Melson* at 14:13-15, TPUC Docket No. 26-00009 (January 30, 2026).

⁸ *Consumer Advocate’s First Set of Discovery Requests to Atmos Energy Corporation*, p. 4, CA DR No. 1-1 (February 20, 2026).

1 the system and that its books accurately reflect Atmos’ operating results.⁹ However,
2 accurate data presentation, while critical, does not address whether costs were prudently
3 incurred. The Consumer Advocate recognizes that a thorough prudence review would
4 require significant effort considering the quick time-frame for ARM dockets, but this
5 doesn’t mean that prudence should be ignored. During a legislative committee on
6 alternative ratemaking mechanisms, Jim Allison¹⁰ explained to Representative Charles
7 Curtiss that the Commission would have an “enhanced” opportunity, with annual filings,
8 to review and ensure that utilities do not overestimate their capital expenditures for the
9 purpose of having higher rates and greater profits.¹¹ Also, Atmos lacks the autonomy to
10 conduct its own prudence review in a manner that would be dependable to external
11 parties, including the Commission.

12 V. EXPLANATION OF ADJUSTMENTS

13 A. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (“AFUDC”)

14 Q18. WHAT IS AFUDC?

15 A18. AFUDC represents financing costs that are applied to the balance of Construction Work
16 in Progress (“CWIP”). The AFUDC rate is computed based upon the cost of short-term
17 debt and any residual financing is assumed to be provided by a composite average of
18 long-term debt and equity. The purpose of AFUDC is to provide the utility with a return
19 on its invested capital while construction is ongoing. The application of AFUDC is

⁹ *Atmos Energy Response to the Consumer Advocate’s First Discovery Request*, p. 1, CA DR No. 1-09a-b, Attachment 1, TPUC Docket No. 26-00009 (March 2, 2026).

¹⁰ James “Jim” M. Allison was the Chairman of the Tennessee Regulatory Commission, the immediate precursor to the current Commission.

¹¹ Tennessee General Assembly, House Business and Utilities Committee, HB0191, Hearing at 40:51/59.17 minutes (March 6, 2013). The link to the hearing is https://tnga.granicus.com/player/clip/7320?view_id=269&redirect=true.

1 incorporated within the Federal Energy Regulatory Commissions' ("FERC") Uniform
2 System of Accounts ("USOA").

3 **Q19. PLEASE EXPLAIN THE NATURE OF THE ADJUSTMENT TO AFUDC THAT**
4 **YOU ARE SUPPORTING.**

5 A19. The Consumer Advocate's adjustment increases AFUDC revenue by \$758,983 to
6 eliminate the tax implication of AFUDC, as reflected in Schedule CA WP 1-2. The
7 current ARM mechanism includes an offset to the revenue requirement for AFUDC
8 generated each year. However, this amount is offset by a tax calculation, so the revenue
9 is reflected on a net-of-tax basis. The problem with this is that AFUDC is not subject to
10 income tax. Thus, the 'net of tax' aspect of the AFUDC recognition implies a tax
11 obligation that does not exist, and this aspect of the AFUDC recognition must be
12 corrected.

13 **Q20. HAS ATMOS REFLECTED AFUDC CONSISTENT WITH PRIOR ARM**
14 **FILINGS?**

15 A20. Yes. Prior ARM filings, including the settlement in TPUC Docket No. 18-00112,
16 referenced AFUDC being presented on a net-of-tax basis.

17 **Q21. IF THE APPLICATION OF AFUDC ON A NET OF TAX BASIS WAS CLEARLY**
18 **SET OUT IN EARLIER ARM CASES, WHY ARE YOU SUPPORTING THE**
19 **ADJUSTMENT AT THIS TIME?**

20 A21. I consider this adjustment to represent a correction and one that needs to be changed in
21 the ARM process to ensure customers do not incur excessive rates. I am supporting this
22 adjustment during the future test period, but not within the reconciliation period, as this is
23 the first time, to my knowledge, this adjustment has been presented to the Commission.

1 In other words, I am not proposing a change to the methodology during the reconciliation
2 period, as this issue was not identified in last year's ARM filing.

3 **Q22. PLEASE EXPLAIN THE BASIS FOR THAT CONCLUSION.**

4 A22. There are three primary reasons:

5 1. AFUDC does not give rise to a current tax liability.

6 AFUDC is an accounting convention authorized by the FERC chart of accounts
7 that permits the capitalization of financing costs; it does not represent taxable
8 income in the period it is recorded. For tax purposes, financing costs are
9 addressed through interest deductions and other provisions, not by recognizing
10 AFUDC as taxable income. Including AFUDC in the calculation of income tax
11 expense would therefore impute a tax cost that the utility does not actually incur.

12 2. Inclusion would overstate the revenue requirement and harm customers.

13 If AFUDC is included in the tax calculation, the resulting "tax expense" would
14 increase rates even though no such tax is payable. This would effectively allow
15 the utility to collect from customers amounts more than its actual cost of service,
16 contrary to fundamental ratemaking principles. It should be remembered that
17 AFUDC is capitalized and included as a component of CWIP for Atmos'
18 Tennessee division.

19 **Q23. DOES THE ABOVE-THE-LINE TREATMENT OF AFUDC CHANGE ITS**
20 **UNDERLYING TAX CHARACTER?**

21 A23. No. The ratemaking presentation of AFUDC does not alter its underlying tax treatment.

22 Whether recorded above- or below-the-line, AFUDC does not constitute taxable income

1 in the period recognized for book purposes. Therefore, its inclusion in income tax
2 expense would not reflect economic reality.

3 **Q24. HOW SHOULD AFUDC BE TREATED IN THE DETERMINATION OF**
4 **INCOME TAX EXPENSE?**

5 A24. AFUDC should be excluded from the calculation of income tax expense when it is
6 recorded above-the-line. This ensures that tax expense included in rates reflects only
7 those items that give rise to actual or deferred tax obligations, consistent with
8 normalization and cost-of-service principles.

9 **Q25. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

10 A25. I recommend that the Commission reflect AFUDC at the nominal level recorded on the
11 books of Atmos. This approach ensures that rates are based on actual costs, avoids
12 overstating tax expense, and protects customers from paying for taxes that the utility does
13 not incur.

14 **Q26. DOES THIS ADJUSTMENT MODIFY HOW THE INCOME TAX EXPENSE**
15 **USED IN SETTING RATES SHOULD BE DETERMINED?**

16 A26. Yes, slightly. Going forward, the depreciation expense used to compute the regulated
17 Income Tax Expense should be reduced by the portion attributable to the equity portion
18 of AFUDC. AFUDC represents an increase in the book value of assets. However, the
19 IRS does not recognize AFUDC equity as a qualifying tax deduction. For this reason, the
20 portion of AFUDC equity that comprises book depreciation should be eliminated as a tax
21 deduction when computing the regulated Income Tax Expense. This adjustment should
22 be reflected in Atmos' reconciliation filing covering its 2026 fiscal year.

23 **B. ELIMINATION OF UNSUPPORTED LEGAL COSTS**

1 **Q27. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENTS YOU ARE**
2 **SPONSORING REGARDING ATMOS LEGAL COSTS PRESENTED IN THIS**
3 **PROCEEDING.**

4 A27. I am supporting the elimination of \$91,271 in legal costs associated with McGuire Woods
5 and \$65,530 for Sims Funk, for a total legal cost adjustment of \$156,801. These costs are
6 set forth in Schedule WP CA-4-1 and are identified as O&M Adjustment Nos 1 and 2,
7 respectively. The Company has not provided the necessary supporting documentation to
8 assign these costs to ratepayers for recovery. As a result the Company has not met its
9 burden of proof in this regard; thus, these costs should be borne by shareholders rather
10 than Atmos' captive customers.

11 **Q28. PLEASE EXPLAIN HOW THE COMPANY HAS FAILED TO MEET ITS**
12 **BURDEN OF PROOF REGARDING THESE COSTS.**

13 A28. In CA DR No. 2-53, the Consumer Advocate requested copies of invoices for vendors
14 whose costs charged to Tennessee operations were \$50,000 or more.¹² Invoices
15 supporting the legal costs cited above were not provided within the response.¹³ Atmos
16 provided a listing of the invoices with amounts and not dates or the actual invoices.
17 Atmos's unwillingness to provide evidence confirming the reasonableness and necessity
18 of these costs in providing utility service should result in the denial of cost recovery from
19 Atmos's captive customers. It appears that Atmos' position is that merely demonstrating
20 that legal costs were recorded on its books is sufficient evidence to require inclusion from
21 ratepayers. Instead, the standard for including legal costs in rates is higher and should be

¹² *Consumer Advocate's Second Set of Discovery Requests to Atmos Energy Corporation*, p. 20, CA DR No. 2-53 (March 13, 2026).

¹³ *Atmos Energy Response to the Consumer Advocate's Second Discovery Request*, p. 57, CA DR No. 2-53, TPUC Docket No. 26-00009 (March 27, 2026).

1 subject to an assessment of the reasonableness of the charges and whether such costs
2 were necessary for the provision of utility service and have at least some indirect benefits
3 for customers. The Commission should not permit cost recovery for costs shielded from
4 meaningful scrutiny. The Company could easily record costs it does not wish to disclose
5 in a below-the-line account, but the Commission should not award Atmos cost recovery
6 for items it shields from review.

7 **C. ELIMINATION OF UNSUPPORTED INJURIES AND DAMAGES**

8 **Q29. PLEASE CONTINUE WITH AN EXPLANATION OF YOUR NEXT**
9 **ADJUSTMENT TO O&M CHARGES.**

10 A29. O&M Adjustment No. 3 eliminates \$255,059 in Injuries and Damages costs that are not
11 supported by Atmos. Therefore, it should not be assigned to ratepayers for recovery.

12 **Q30. PLEASE EXPLAIN HOW THE COMPANY HAS FAILED TO MEET ITS**
13 **BURDEN OF PROOF REGARDING THESE COSTS.**

14 A30. Atmos objected to the Consumer Advocate's request to supply internal documentation
15 regarding the incident, a motor vehicle settlement, claiming such a document was
16 prepared in anticipation of litigation and it is protected from disclosure.¹⁴ The
17 Commission should eliminate, from the revenue requirement, costs that are not supported
18 by the Company in all its filings in this Docket, including discovery responses. In the
19 absence of this information, Atmos has not demonstrated that its actions are
20 prudent. Atmos has the burden of proof in this case. Failure to support the justification

¹⁴ *Atmos Energy Response to the Consumer Advocate's Second Discovery Request*, p. 5, CA DR No. 2-05, TPUC Docket No. 26-00009 (March 27, 2026).

1 and rationale for the settlement requires eliminating those costs from the revenue
2 requirement.

3 **Q31. IS IT POSSIBLE THAT EVEN IF SUPPORT HAD BEEN PROVIDED, YOU**
4 **WOULD HAVE FOUND THAT SUCH COSTS SHOULD NOT HAVE BEEN**
5 **ASSIGNED TO RATEPAYERS?**

6 A31. Yes. To the extent Atmos or its employees were at fault in a civil matter that resulted in
7 damages, it is reasonable to assign those costs to Atmos shareholders. Atmos' failure to
8 provide support for the recovery of these costs simply by claiming that all the details fall
9 under the work product doctrine does not then shift the burden of these costs to its captive
10 customers.

11 **D.. ELIMINATION OF PROMOTIONAL ADVERTISING COSTS**

12 **Q32. PLEASE CONTINUE WITH AN EXPLANATION OF O&M ADJUSTMENT NO.**
13 **4 RELATED TO THE ELIMINATION OF PROMOTIONAL ADVERTISING.**

14 A32. O&M Adjustment No. 4 eliminates \$184,261 of promotional advertising within the
15 reconciliation period. The analysis supporting this adjustment is contained in Workpaper
16 Schedule CA-4-2.

17 **Q33. PROVIDE AN OVERVIEW OF THE APPLICABLE COMMISSION RULES**
18 **THAT APPLY TO THE ADVERTISING IN QUESTION.**

19 A33. The Commission's Rule 1220-04-05.45 addresses the recoverability of Advertising. The
20 general rule is that a utility may not recover from any person other than their (sic)
21 shareholders (or other owners) any direct or indirect expenditure for promotional or
22 political advertising. The rule goes on to define advertising and further addresses the

1 definition of promotional and political advertising. In pertinent part, the Commission’s
2 rules indicate that the definition of promotional advertising would not include:

- 3 • Advertising which informs gas customers how they can conserve energy, or
4 reduce peak demand for gas, or
- 5 • Advertising that promotes the use of energy-efficient appliances, equipment,
6 services, or that informs customers that natural gas is cheaper and/or more
7 efficient than other fuels.

8 **Q34. DID YOU RELY UPON THE COMMISSIONS RULES IN MAKING THIS**
9 **ASSESSMENT?**

10 A34. Yes. I evaluated the text of the ad, provided in the attachment to CA 2-04, to determine
11 whether the ad should be recoverable.¹⁵ Listed below is the text along with my rationale
12 for exclusion/inclusion of the associated costs in Atmos’ revenue requirement:

- 13 • “It’s Not a Dream Home without natural gas/Use less energy enjoying your home
14 with natural gas” – I recommend a 50% exclusion/50% inclusion of the related
15 costs of these ads. The messaging in the ad is both promotional and references
16 natural gas’ energy efficiency.¹⁶ While the messaging is arguably fully
17 promotional, some portions also tout gas as an energy-efficient fuel source.
18 Therefore, I believe a split of such costs for inclusion in the revenue requirement
19 is reasonable and appropriate. The portion of the adjustment related to this
20 component is \$35,000.
- 21 • “Low-impact energy, High Impact Living” – Arguably, this messaging is also
22 promotional in nature, due to the emphasis on “Low impact energy,” I recommend

¹⁵ *Atmos Energy Response to the Consumer Advocate’s Second Discovery Request*, p. 57, CA DR No. 2-04, Excel Spreadsheet, File <CA_2-04_Att1 – Account 913 Sales Expense Detail.xlsx>, TPUC Docket No. 26-00009 (March 27, 2026).

¹⁶ I’m not drawing any conclusions regarding the accuracy of the general claim that natural gas is efficient and requires less energy. The claim is likely true; however, while I have not done recent research into this broad claim, for the purposes of this testimony, I will accept the statement as accurate.

1 allowing 100% of the costs from this message into the revenue requirement based
2 upon the existing Commission rules.

- 3 • “Cook with confidence, cook with natural gas” and “Home chefs agree, natural
4 gas really cooks”. The messaging here is purely promotional, and including the
5 costs of these ads does not comply with the Commission’s rules. The associated
6 costs of these ads are \$142,665.
- 7 • Miscellaneous – The Company has also included miscellaneous costs associated
8 with the placement of its logos in civic publications. These costs should be
9 excluded, as they do not comply with the Commission’s rules on recoverable
10 advertising. The costs of these ads are \$6,596 and include costs associated with
11 an ad that was erroneously charged to Atmos’ Tennessee operations (\$2,625).

12 **Q35. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A35. Yes.

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AT NASHVILLE, TENNESSEE

IN RE:)
)
ATMOS ENERGY CORPORATION)
FOR APPROVAL OF ITS 2026 ANNUAL)
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TO TENN. CODE ANN. § 65-5-103(d)(6))
)

DOCKET NO. 26-00009

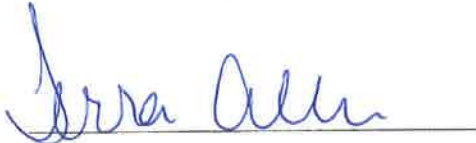
AFFIDAVIT

I, David Dittmore, on behalf of the Consumer Advocate Division of the Attorney General's Office hereby certify that the attached Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.


DAVID DITTEMORE

Sworn to and subscribed before me

This 7th day of April, 2026.



NOTARY PUBLIC



My Commission Expires: 1/31/2027

David Dittmore**Utility Regulatory Experience (Listing of Testimony provided from 2015 – current is attached)****Principal – Blue River Consulting – July 2021 – Current**

Provide expert witness testimony on behalf of clients in the areas of utility revenue requirement, regulatory policy, tariff provisions, and civil litigation.

Tennessee Attorney General's Office; Financial Analyst 2017 – July 2021

Developed recommendations on behalf of the TN AG's office representing retail customers in matters before the Tennessee Public Utility Commission. Responsible for preparing expert witness testimony and pre-filed exhibit as well as responding to cross-examination questions in contested technical hearings before the Commission. In this position I also spend a significant amount of time explaining technical regulatory issues to attorneys and other AG Staff.

Kansas Gas Service, Division of One Gas (OGS); Director Regulatory Affairs 2014 – 2017; Manager Regulatory Affairs, 2007 - 2014

Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures.

Principal Strategic Regulatory Solutions; 2003 -2007

Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major utility industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.

Exhibit DND-1

Chief of Accounting 1990 - 1995; Responsible for the supervision of employees within the accounting section; areas of responsibility included providing expert witness testimony; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) – Not a license to practice

Other

- Board Member – Financial Research Institute 2007 – 2017
- Vice Chair – NASUCA Accounting Committee, active member NASUCA Natural Gas and Water Committees

Atmos Energy Corporation
 Docket No. 26-00009
 Calculation of Promotional Advertising Adjustment

WP CA-4-2

Source: CA 2-04 Attachment
 FERC Account 913 - Sales-Advertising Expenses
 Fiscal 2025

Line No.	Month	Text	Vendor Name	Amount	CAD Code	Exclusion Percentage	CAD Adjustment
1	APR-25	Its not a Dream Home without natural gas / Use less energy enjoying your home with natural gas	THREADGILL AGENCY LLC THE	6,666	1	50%	\$ 3,333
2	APR-25	Its not a Dream Home without natural gas / Use less energy enjoying your home with natural gas	THREADGILL AGENCY LLC THE	40,000	1	50%	20,000
3	JUN-25	Its not a Dream Home without natural gas / Use less energy enjoying your home with natural gas	THREADGILL AGENCY LLC THE	23,333	1	50%	11,667
4	JAN-25	Logo	MAURY COUNTY SHERRIFFS RODEC	24	2	100%	24
5	JAN-25	Logo	MAURY COUNTY SHERRIFFS RODEC	250	2	100%	250
6	MAY-25	Logo	HABITAT FOR HUMANITY	98	2	100%	98
7	MAY-25	Logo	HABITAT FOR HUMANITY	1,000	2	100%	1,000
8	MAY-25	Logo	MARYVILLE HIGH SCHOOL	250	2	100%	250
9	MAY-25	Logo	MARYVILLE HIGH SCHOOL	24	2	100%	24
10	APR-25	Low-impact energy, High-impact living	LAMAR COMPANIES	23,750	3	0%	-
11	APR-25	Low-impact energy, High-impact living	LAMAR COMPANIES	34,200	3	0%	-
12	APR-25	Low-impact energy, High-impact living	LAMAR COMPANIES	38,300	3	0%	-
13	FEB-25	Low-impact energy, High-impact living	OUTFRONT MEDIA SPORTS	32,790	3	0%	-
14	JUN-25	Cook with confidence. Cook with natural gas.	OUTFRONT MEDIA SPORTS	13,940	2	100%	13,940
15	JUN-25	Cook with confidence. Cook with natural gas.	OUTFRONT MEDIA SPORTS	18,780	2	100%	18,780
16	JUN-25	Posters - This invoice should have been charged to Kentucky	LAMAR COMPANIES	2,625	4	100%	2,625
17	OCT-24	Home chefs agree, natural gas really cooks.	OUTFRONT MEDIA SPORTS	31,390	2	100%	31,390
18	OCT-24	Home chefs agree, natural gas really cooks.	LAMAR COMPANIES	10,200	2	100%	10,200
19	OCT-24	Home chefs agree, natural gas really cooks.	LAMAR COMPANIES	21,030	2	100%	21,030
20	OCT-24	Home chefs agree, natural gas really cooks.	LAMAR COMPANIES	40,225	2	100%	40,225
21	SEP-25	Cook with confidence. Cook with natural gas.	OUTFRONT MEDIA SPORTS	3,500	2	100%	3,500
22	SEP-25	Cook with confidence. Cook with natural gas.	OUTFRONT MEDIA SPORTS	3,600	2	100%	3,600
23	SEP-25	Outfront Media includes BillBoard Advertising - See billboard text below	OUTFRONT MEDIA SPORTS	9,110	3	0%	-
24	SEP-25	Outfront Media includes BillBoard Advertising - See billboard text below	OUTFRONT MEDIA SPORTS	9,110	3	0%	-
25	FEB-25	Logo	UNITED WAY	1,000	2	100%	1,000
26	JAN-25	Veterans Day Ad with logo	WILLIAMSON HERALD	625	2	100%	625
27	SEP-25	Football ad: We go the extra yard to support the home team	WILLIAMSON HERALD	700	2	100%	700
				<u>366,521</u>			
						Total	<u>184,261</u>

See Below for Examples of the Billboard Advertising

