BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY CORPORATION FOR REVIEW AND ADJUSTMENT OF ITS NATURAL GAS RATES	))))	Docket No. 19-ATMG-525-RTS

REBUTTAL TESTIMONY OF GARY L. SMITH

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Gary L. Smith. I am Director, Regulatory Affairs for Atmos Energy Corporation ("Atmos Energy" or "Company"). My business address is 5420 LBJ Freeway, Suite 1600, Dallas, Texas 75240.

Q. DID YOU FILE DIRECT TESTIMONY IN THE CASE?

A. Yes.

II. SUMMARY OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of this testimony is to support Atmos Energy's proposed System Integrity Program ("SIP") tariff and billing determinants as filed in this case. My testimony will rebut the direct testimony of Kansas Corporation Commission ("Commission") Staff ("Staff") Witness Justin T. Grady and Citizens' Utility Ratepayer Board ("CURB") witness Josh Frantz, each recommending that the Commission modify the SIP filed by the Company. My testimony will also rebut the direct testimony of Staff witnesses Lana J. Ellis, Ph.D. and Robert H. Glass,

Ph.D. and CURB witness Andrea C. Crane regarding the proposed billing determinants.

III. SYSTEM INTEGRITY PROGRAM (SIP)

Q. PLEASE SUMMARIZE THE CURB AND STAFF TESTIMONY REGARDING THE PROPOSED SIP.

A. Both CURB and Staff are supportive of the proposal to accelerate infrastructure replacement but recommend modifications to the Company's proposed SIP.

Q. WHAT MODIFICATIONS ARE RECOMMENDED BY STAFF AND CURB?

A. Both CURB and Staff propose one rate adjustment per year (compared to the Company's quarterly adjustment proposal), both suggest that the SIP spur incremental investment above current spending, and both suggest a three-year rate case moratorium for the Company if the SIP is approved.

CURB recommended that, at least initially, the program concentrate solely on bare steel replacement while Staff did not impose material-based constraints. Staff recommended the scale of the SIP program at $50 million for the five-year pilot period, while the CURB recommendation would be approximately $7 million per year.

Q. PARTIES HAD AGREED TO A SEMI-ANNUAL RATE ADJUSTMENT UNDER SIP IN CASE 16-ATMG-079-RTS (THE "16-079 DOCKET"). WHAT CHANGED?

A. Among other things, Staff has stated in this case that the Company is "fully recovering its investments in safety and reliability infrastructure today through the

newly expanded GSRS".[1] Further, Staff stated that "Simply put, the newly expanded GSRS is allowing Atmos to recover all of its investment in safety and reliability capital today."[2]

Q. DO YOU AGREE WITH STAFF THAT GSRS IS ALLOWING THE COMPANY TO RECOVER ALL OF ITS SAFETY AND RELIABILITY INVESTMENT TODAY?

A. No. There are significant capital investment lag costs associated with the timing of the annual rate adjustments under the GSRS.

Q. FOR PURPOSES OF YOUR TESTIMONY, PLEASE DEFINE WHAT IS MEANT BY "CAPITAL INVESTMENT LAG".

A. Capital investment lag represents the number of months between the time that a capital investment is closed, placed into service and used by our customers and the time that this investment is reflected in customer rates; particularly the financial impacts of that lag. Exhibit GLS-2 of my direct testimony compared the effective capital investment lag of various rate mechanisms and comprehensive rate case filing timelines in Atmos Energy jurisdictions. Columns (e) through (h) of the Exhibit GLS-2 summarize all Infrastructure Replacement Only Trackers. The capital investment lag for GSRS is 11 months and for the Company proposed quarterly adjustment SIP is 4.5 months. The Staff proposal for SIP is 9 months. Notably, all other Infrastructure Replacement-Only Trackers for Atmos Energy have zero lag.

[1] See the testimony of Staff witness Grady Page 15, Line 20.

[2] See the testimony of Staff witness Grady Page 17, Line 25.

Q. WHAT DOES THIS MEAN FOR ATMOS ENERGY?

A. It means that in all other jurisdictions in which Atmos Energy has infrastructure replacement trackers in place, costs are recovered (or deferred) concurrent with the utilization of new capital investment, including its cost of capital. Under Atmos Energy's proposal in this case, there would be 4.5 months delay or average lag, which means that the SIP mechanism proposed by the Company is substantially less supportive of accelerated infrastructure replacement than similar mechanisms in other States. The CURB and Staff proposals would make the mechanism even less supportive. Mr. John Quackenbush discusses in his testimony the policy implications of less supportive mechanisms based on his experience as a regulator.

Q. COULD YOU PROVIDE A SIMPLE QUANTIFICATION OF THE DOLLAR IMPACT OF CAPITAL INVESTMENT LAG?

A. Yes. But first I would emphasize that the term "lag" in this instance is a bit misleading. The word "lag" implies merely a "delayed" recovery of costs. In reality, for capital investment lag, the unavoidable costs of depreciation, property taxes and carrying costs experienced prior to inclusion in rates will never actually be recovered. Further, return on the investment is delayed and by the time the return on investment is later recovered in rates, the value of the investment has been reduced due to the effect of accumulated depreciation. While these are unavoidable costs associated with prudent capital investments; they are unrecovered to the extent lag exists. As noted above, there is already substantial lag associated with the GSRS mechanism which causes Atmos Energy to be unable to fully recover the costs associated with its infrastructure investment covered by that mechanism

during the lag period. The Staff and CURB proposals would add a similar degree of lag to the proposed SIP mechanism. This would not only significantly limit the benefit of the mechanism to promote capital investment, but the suggestion to add lag to what is supposed to be an accelerated cost recovery mechanism seems inconsistent with the entire purpose of the mechanism.

I have prepared a model to compute the depreciation expense, property taxes and carrying costs associated with a series of monthly capital investments. This model can be utilized to calculate the approximate unrecovered costs for capital investments until reflected in base rates.

Q. WHAT KEY ASSUMPTIONS UNDERLIE THE FINANCIAL MODEL YOU PREPARED?

A. Depreciation rates are assumed to be 2.97%, the overall average rate in this case. The Ad Valorem Tax rate is assumed to be 2.03%, as is reflected in this case. Carrying costs for this model are based on an After Tax Weighted Cost of Capital of 7.70%. These are values underlying the approval of current rates in the 16-079 Docket. Finally, the model focuses solely on costs preceding coverage in base rates and does not incorporate revenues, provision for income taxes or deferred taxes. Notably, for simplicity's sake, the model also does not calculate the lower return on rate base experienced due to declines in rate base value as depreciation accumulates awaiting reflection of the investment in rates. These factors mean that the model produces a very conservative estimate of the dilution of the Company's investment.

Q. CAN THIS MODEL ADDRESS THE STATEMENT BY STAFF WITNESS GRADY THAT "THE NEWLY EXPANDED GSRS IS ALLOWING ATMOS TO RECOVER ALL OF ITS INVESTMENT IN SAFETY AND RELIABILITY TODAY"?

A. Yes. Rebuttal Exhibit GLS-3 models the costs of capital investment lag for the expanded GSRS. I model GSRS with annual spending of $13 million spread uniformly over each month. The depreciation expenses, ad valorem taxes and carrying costs are computed for each month up to the time the investments are reflected in rates.

Although the ad valorem taxes are computed, these costs are not considered as a cost of capital investment lag since they would be recovered through the Ad Valorem Tax Surcharge. The capital investment lag costs for the $13 million annual GSRS investment amount to $1,311,200 (reference column e, line 32). This cost, which is roughly 10% of the annual investment and practically offsets the benefit of the GSRS investment for the first year of any investment, is never recovered. This significant unrecovered cost is not, in my opinion, recovery of all our investment in safety and reliability under the expanded GSRS as suggested by Staff.

Q. WHY DO YOU BELIEVE STAFF WITNESS GRADY OVERLOOKED THE CONSEQUENCES OF CAPITAL INVESTMENT AND CONCLUDED THAT ALL SAFETY-RELATED INVESTMENTS WERE FULLY RECOVERED?

A. Mr. Grady has determined that total depreciation expense can be over-recovered, under certain circumstances, when applying the expanded GSRS or incremental SIP.

Q. DO YOU AGREE WITH STAFF WITNESS GRADY THAT IT IS POSSIBLE THAT DEPRECIATION EXPENSE CAN BY OVER-RECOVERED IN CERTAIN INSTANCES?

A. Yes. Depreciation expense associated with capital investment under GSRS or other investment tracking mechanisms is intended to be recovered dollar-for-dollar (except for the effects of capital investment lag already discussed). If non-GSRS annual capital investment falls short of non-GSRS depreciation expense, then depreciation expense is over-recovered in rates. Net non-GSRS plant would decline.

However, I would point out that almost any specific cost item is either over or under-recovered in reality compared to the basis used for setting of rates. The best remedy to keeping costs and revenue balanced is to adopt a comprehensive annual rate review mechanism, such as the one the Company proposed in the prior rate case, the 16-079 Docket.

Q. WAS THE COMPANY AWARE THAT DEPRECIATION EXPENSE CAN BE OVER-RECOVERED IN CERTAIN INSTANCES?

A. I can't say that the Company gave the matter much thought until it was raised by Staff Witness Grady in this case. If any such over-recovery of depreciation occurred, it must have been masked by other factors preventing the Company from achieving its authorized rate of return (see Rebuttal Exhibit GLS-4[3] showing actual and authorized return for Kansas for calendar years 2014 through 2018). The capital investment lag-related loss discussed is one such factor.

Q. DO YOU AGREE WITH STAFF WITNESS GRADY'S CALCULATIONS OF DEPRECIATION EXPENSE OVER-RECOVERIES?

A. No. The math in the exercise to determine an over-recovery of depreciation is straight-forward; a program-specific rate adjustment such as the GSRS covers its incremental depreciation expenses (among other costs), so the measure boils down to whether non-program (non-GSRS) capital investment is greater than non-program depreciation expense. If it is greater, then there is no over-recovery of this cost item; if non-program capital investment is less than non-program depreciation expense then one could argue this cost item has been over-recovered. If non-program net plant declines, without an associated rate change, there is a sufficiency for this single cost item. Of course, alternatively if non-program net plant increases, without an associated rate change, there is a deficiency resulting in a capital investment lag-related permanent loss of the increase in net plant.

[3] Rebuttal Exhibit GLS-4 was provided in Discovery in response to CURB 1-9.

Staff witness Grady's calculations of this phenomenon are more confusing than the simple test of the levels of non-program capital investment versus non-program depreciation expense.

Q. PLEASE REVIEW SOME OF STAFF WITNESS GRADY'S CALCULATIONS AND EXPLAIN WHY YOU FIND IT CONFUSING?

A. Yes. I'll start with the tables shown on Page 24 of his testimony. The one on the left (Atmos 2018 Calendar Year Actuals) compares Total Rate Base Increase ($12.1 million) to GSRS Rate Base Recovery ($13.8 million) to deduce a $1.7 million Over Recovery of Rate Base. On Page 22, lines 19-21, regarding the $12.1 million rate base increase, Mr. Grady says "to be fair, that number was lower than otherwise would have been the case because of the final year of bonus depreciation". Then, on Page 23, lines 4-5, he says "In order to remove the influence of ADIT from the Rate Base number, we focus on Net Plant instead." The Company's view of the matter focuses on Net Plant changes too.

The table on the right (2019 Fiscal Year Projections) compares an allocated share of Total Net Plant Increase to Non-Growth ($12.8 million) to GSRS at maximum recovery ($13.0 million) to compute a $227,000 Over Recovery of Rate Base. Clearly, there is inconsistency between these two calculations.

The Company's logic is that GSRS, as a separate Rider, tracks and reflects depreciation and changes in net plant for all GSRS activity until the investments are rolled into base rates. So, GSRS covers its own depreciation (notwithstanding the effects of capital investment lag discussed previously in my direct and rebuttal testimony). The test simply becomes a comparison non-GSRS investment versus

non-GSRS depreciation. For the 2019 Fiscal Year Projections, the Company calculates total non-GSRS capital investment ($25.7 million minus $13.2 million), equaling $12.5 million. Compare this to depreciation expense of $12.1 million. This results in a non-GSRS net plant growth (or deficiency) of $0.4 million.

Q. STAFF WITNESS GRADY USES THESE CALCULATIONS TO DERIVE A $22 MILLION BASE SAFETY, RELIABILITY AND GSRS THRESHOLD BEFORE SIP IS FULLY APPLIED. DO YOU AGREE WITH THAT THRESHOLD?

A. Again, I'm confused by Mr. Grady's math on this topic. So, without agreeing or disagreeing to his calculation of $22 million, I'd suggest adding a provision to SIP which trues-up the Net Plant balance change for non-GSRS/SIP investments. If the Company's non-GSRS/SIP investment did not fully cover non-GSRS/SIP depreciation, that net plant sufficiency could be combined with the SIP net plant calculations for ratemaking. In a balanced fashion, if the Company's non-GSRS/SIP investment exceeded non-GSRS/SIP depreciation, that net plant deficiency could be combined with the SIP net plant calculations for ratemaking.

Q. STAFF WITNESS GRADY PROPOSES THAT THE SIP BE FOR INCREMENTAL ACTIVITY AND MODELS EFFECTS OF SHIFTING INCUMBENT INVESTMENT TYPES TO THE SIP. DO YOU AGREE WITH HIS CALCULATIONS?

A. First, the Company has always intended that the SIP would afford the opportunity to make incremental progress in the pace of infrastructure replacement. I'm confused again by Mr. Grady's tables. For example, in the left table on Page 26 he

shows $22 million Total Safety Capital Spend, comprised of $12 million GSRS and $10 million SIP. There's $8.5 million in the Company 2019 Fiscal Year Projection for safety and reliability spending beyond GSRS that is missing from his table. The Company has no intention to move all that incumbent spending activity to SIP.

Q. PLEASE DISCUSS THE RECOMMENDATION BY CURB AND STAFF TO ADJUST SIP RATES ONLY ONCE EACH YEAR VERSUS THE QUARTERLY RATE ADJUSTMENT PROPOSED BY THE COMPANY.

A. Although the Company has no capital investment lag in infrastructure replacement programs in the other states it serves, the Company is not proposing to make wholesale changes to regulatory processes in Kansas and thus did not propose a zero lag solution for Kansas at this time. Instead, we seek to reduce the costs of lag through quarterly rate adjustments. Unrecovered costs of capital investment lag are far greater with the annual adjustment proposed by CURB and Staff.

Q. CAN YOU CALCULATE THE CAPITAL INVESTMENT LAG COST DIFFERENCE BETWEEN QUARTERLY AND ANNUAL RATE ADJUSTMENTS UNDER SIP?

A. Yes. Using the basic model discussed earlier in testimony for Rebuttal Exhibit GLS-3, I can compute the cost of capital investment lag for these alternatives. For the illustrative purposes of this model, I assume $2.5 million in incremental annual investment under the SIP. Using this amount allows the model to provide an incremental calculation that can be multiplied to demonstrate various levels of investment.

Rebuttal Exhibit GLS-5 models uniform spending through the year with quarterly filings and rates implemented 3 months following the quarterly test period end. As shown in column (e), line 32, the cost of capital investment lag is $121,800 for the 12-month period.

Rebuttal Exhibit GLS-6 models the same uniform spending through the year with an annual filing and rates implemented 3 months following the annual test period end. As shown in column (e), line 32, the cost of capital investment lag is $219,000 for the 12-month period. This is a substantial cost for accelerating infrastructure replacement with an incremental $2.5 million annual investment; particularly when you recognize that the costs would occur every year and will never be recovered.

Q. STAFF WITNESS GRADY NOTES THAT THE COMPANY'S INVESTOR RELATIONS REPORTS LAG IN THREE CATEGORIES, 0-6 MONTHS, 7-12 MONTHS AND GREATER THAN 12 MONTHS. FURTHER, HE FOUND THAT THE LAG FOR THE KANSAS GSRS IS COUNTED AS 5 MONTHS; THUS, IN THEIR LOWEST LAG CATEGORY. DO YOU AGREE?

A. Yes. That is the manner that the Investor Relations group produced the graphic Mr. Grady references. He also notes that Investor Relations calculated lag measuring the number of months from the end the test period to when rates were implemented.

What the chart says is that 85% of the Company's capital is subject to ratemaking processes which reflect those investments in rates within 6 months of the end of the test period. That's good and accurate information for shareholders and potential shareholders. For the Kansas GSRS, let's put in perspective their

inclusion in the lowest category, 0 to 6 months. 1.8% of the Company's capital investment has rate treatment 6 months after the test year end. 2.4% of the Company's capital investment has rate treatment 5 months after the test year end; this includes the Kansas GSRS. So, it can also be said that nearly 81% of Atmos Energy's capital investment has faster rate treatment following the test year end than the Kansas GSRS.

Q. WITNESS GRADY STATES HIS PREFERENCE FOR MEASURING LAG WITHOUT CONSIDERATION OF ACTIVITY PRIOR TO THE END OF THE TEST YEAR. DO YOU AGREE?

A. Mr. Grady says Staff disagrees with my calculation of the months of regulatory lag and the underlying rationale. He states that, under my methodology, "a historical test year is responsible for an additional six months of regulatory lag". Staff disagrees with that position. For ratemaking purposes, I believe you must consider the lag that is occurring during the test year or when rates were previously adjusted. The 6-month calculation is simply the mid-point of a 12-month historic test period investment stream. Regardless, the real effects of lag are measured in dollars, not months.

Q. HAVE YOU MEASURED THE DOLLAR IMPACT OF CAPITAL INVESTMENT LAG BEFORE AND AFTER THE END OF THE TEST PERIOD?

A. Yes. For each of the lag models in my rebuttal exhibits, I calculated how much of the costs occur in the test year versus post-test year. Refer to Rebuttal Exhibit GLS-3, which calculated $1.311 million in capital investment lag losses per year. In

columns (g) and (h), line 32, the model calculates $761,400 of that loss occurring prior to the end of the test period. To ignore costs and effects of capital investment lag prior to test period end misses a significant portion of these costs.

Q. STAFF WITNESS GRADY SAYS THAT UTILITY INVESTMENTS ARE NOT NORMALLY UNIFORM THROUGHOUT THE YEAR; THAT CAPITAL CLOSINGS ARE MOSTLY IN SUMMER AND FALL MONTHS. IF TRUE, HOW DOES THIS IMPACT COSTS OF CAPITAL INVESTMENT LAG?

A. I have varied the closing patterns for the annual $2.5 million SIP scenarios modeled in Rebuttal Exhibits GLS-5 and GLS-6 from uniform monthly spending compressed to the months of July-October.

The $2.5 million annual investment is modeled with $625 thousand closed each of those four months. Rebuttal Exhibit GLS-7 models this compressed closing pattern under the Company's quarterly rate adjustment proposal. The 12-month uniform closing model had calculated an annual loss of $121,800. Revising the closings to the months of July-October actually increases the annual loss to $129,500.

Rebuttal Exhibit GLS-8 models this compressed closing pattern under Staff's annual rate adjustment proposal. The 12-month uniform closing model in Rebuttal Exhibit GLS-6 had calculated an annual loss of $219,000. Revising the closings to the months of July-October reduces the annual loss to $187,600.

Compressing the closing schedule in a manner suggested by Staff changes but does not necessarily reduce losses for capital investment lag.

Q. CURB WITNESS FRANTZ PROPOSED THAT THE SIP BE LIMITED, AT LEAST INITIALLY, TO BARE STEEL INFRASTRUCTURE. DO YOU AGREE WITH THAT LIMITATION?

A. No. The Company and Staff support a prioritization based on the highest relative risk of facilities. Company Witness Armstrong points out that bare steel projects in Class 3 locations are expected to be the highest relative risk and, thus, a targeted priority. Under the SIP, the Company will present its proposed projects for the upcoming year including the determination of relative risk underlying the selection of projects. Limiting the SIP to bare steel would potentially prevent a higher risk project from being considered for prioritized replacement.

Q. WHAT SCALE OF CAPITAL SPENDING UNDER SIP IS PROPOSED BY THE CURB AND STAFF?

A. Staff Witness Grady derives a capital investment level of $50 million over five years for the SIP. CURB Witness Frantz proposes an annual rate increase limit of $0.40 per month per Residential customer, which equates to a $6.5 to $7.0 million annual capital spending level under SIP.

Q. HOW DOES THE COMPANY RESPOND TO THE SPENDING LEVEL PROPOSED BY CURB AND STAFF?

A. Staff Witness Grady proposes an average of $10 million per year SIP spending, likely influenced by his belief that the Company would "recover all of its investment" under SIP. As addressed earlier in my rebuttal testimony, Mr. Grady is overlooking the significant costs (losses) of capital investment lag. CURB Witness Frantz arbitrarily applies the annual $0.40 per residential customer rate increase

limit for the Accelerated Replacement Program in Commission Docket No. 15-GIMG-343-GIG.

Neither CURB nor Staff discussed the financial impacts of capital investment lag for their proposed SIP spending levels. The Company believes that is a critical consideration especially since the SIP would layer on top of the expanded GSRS which already strands recovery of more than $1.3 million each year.

Q. WHAT WOULD BE THE CAPITAL INVESTMENT LAG COSTS FOR THEIR PROPOSED INVESTMENT LEVELS?

A. Since the Staff proposal is four times greater than the Company's scenarios in Rebuttal Exhibits GLS 5-8, the costs calculated in those Exhibits would be four times greater. So, even under the Company's quarterly rate adjustment SIP proposal, the $10 million investment, with a uniform monthly spend, would add another $487 thousand per year to the GSRS unrecovered costs. Under Staff's annual rate adjustment SIP proposal, the $10 million investment, with a uniform monthly spend would add another $876 thousand per year to the GSRS unrecovered costs.

Q. IN THE COMPANY'S PROPOSAL, IS THERE A PROCESS FOR DETERMINING THE APPROPRIATE LEVEL OF INVESTMENT?

A. The Company believes there is value to the SIP process, establishing transparent communication with Staff and CURB regarding project selection, cost estimates and goals before, during, and after each SIP year. Hopefully, with process

knowledge gained in the pilot, the parties can then better determine how to proceed under SIP and the scope and goals for the program thereafter.

Q. BOTH CURB AND STAFF RECOMMEND A THREE-YEAR RATE CASE MORATORIUM IF SIP IS ESTABLISHED. DO YOU AGREE?

A. No. The Company does believe that it is possible to extend periods between rate cases if SIP is a well-constructed ratemaking mechanism with respect to cost of capital and timing/frequency of rate adjustments; however, there could be unforeseen operating costs that could necessitate a rate case filing. For example, the federal Department of Transportation's Pipeline and Hazardous Material Safety Administration is undertaking ongoing rulemaking considerations to improve the safety and reliability of gas pipeline systems. Some of those rules changes could affect the Company's operating expenses. A moratorium would inappropriately strand potential increased compliance costs.

Q. STAFF WITNESS GRADY RECOMMENDS THAT THE COMMISSION REJECT THE COMPANY'S REQUESTED ABBREVIATED RATE CASE. PLEASE PROVIDE YOUR POSITION.

A. Mr. Grady states that "Staff's analysis supports the fact that Atmos will be fully recovering its increase in safety, reliability, and GSRS-eligible Net Plant through the GSRS and Staff's recommended SIP mechanism." My testimony and analysis shows otherwise. The Abbreviated filing is a limited-scope filing and would enable insight (and correction) into Mr. Grady's concerns about over-recovery of depreciation with the GSRS and SIP. The Company agrees that the need for the Abbreviated Rate Case would be negated if the Company's proposal to true-up

over- and under-recovery of depreciation for non-GSRS/SIP spending is integrated into the SIP rate calculations each year.

IV. BILLING DETERMINANTS

Q. PLEASE SUMMARIZE CURB AND STAFF POSITIONS WITH RESPECT TO THE COMPANY'S PROPOSED BILLING DETERMINANTS.

A. Even though the Company's filing methodology is consistent with recent filings, CURB and Staff suggested changes to those calculations. Specifically, CURB and Staff witnesses propose a new customer annualization adjustment, elimination of the proration adjustment, and a revised weather normalization adjustment methodology.

Q. WHAT ARE THE CURB AND STAFF POSITIONS REGARDING THE CUSTOMER ANNUALIZATION ADJUSTMENT?

A. Both Staff witness Ellis and CURB witness Crane observe that active residential customer bill counts were greater at the end of the test year, March 2019. Each propose a "revenue" adjustment annualizing the effect of this customer bill count growth throughout the test year. If such an adjustment is made, it would also be appropriate to adjust costs similarly. Notably, no expense adjustment is made to reflect a full year of service and billing to those additional customers.

Q. PLEASE DESCRIBE THE ADJUSTMENT PROPOSED BY STAFF WITNESS ELLIS.

A. Staff witness Ellis calculated the change in residential customer count, by weather area, from March 2018 to March 2019 of 1,005. She then spreads the increase ratably over the 12-month test period adding 6,024 residential bills. Staff witness

Ellis repeats this process for the Commercial, Public Authority, Small Generator Service and Irrigation customer classes.

Q. AND DESCRIBE THE ADJUSTMENT PROPOSED BY CURB WITNESS CRANE.

A. CURB witness Crane compares the residential customer count, as adjusted by the Company for proration, for the period from April 2018 to March 2019. She calculates an increase in count of 701, which she divides by two, adding 305.5 residential customers (or 4,200 annual bills). Witness Crane limits her adjustment to only residential customers.

Q. WHAT IS YOUR RESPONSE TO THE CUSTOMER ANNUALIZATION ADJUSTMENT PROPOSALS?

A. As stated previously, if an adjustment is made to reflect additional months of customer revenue, it seems an expense adjustment would be warranted for ratemaking matching purposes. If this matching principle was achieved, then I would suggest analysis of customer count changes for more than a single month data point (each chose March 2019 as an end point). Both adjustments overlook the reality of continual customer churn due to disconnection for non-pay, reconnection of formerly idle premises, and a vast array of other influences affecting the number of customers billed from month-to month. The Company has provided more years of information than cited by either Dr. Ellis or Ms. Crane and the Company believes this to be a stronger indicator for continuing trends and has found that it supports that an adjustment needs to be made. In this case, however,

the Company is willing to accept Dr. Ellis' proposed count and resulting volumetric adjustment to billing determinants.

Q. PLEASE DESCRIBE WHY INTERVENORS PROPOSE TO ELIMINATE THE PRORATION ADJUSTMENT.

A. Staff witness Glass supports the customer count adjustment proposed by Staff witness Ellis and believes that adjustment should subsume the proration adjustment.

Q. HAS THE PRORATION ADJUSTMENT BEEN APPLIED IN PREVIOUS ATMOS ENERGY CASES?

A. Yes. The proration adjustment has been included in the final billing determinants in our previous two rate cases, the 14-20 Docket and the 16-079 Docket.

Q. PLEASE DESCRIBE THE PURPOSE OF THE PRORATION ADJUSTMENT.

A. Dr. Glass correctly cites that the Company has asserted that "the bill count is recorded in integers, even if customers are part of the system for only a partial month due to beginning or ending service during the middle of a billing cycle."

Proration of partial month service facilities charges is required in Atmos Energy's Commission approved tariff. The fact that the proration adjustment is a negative adjustment to per books bills has not been correctly accounted for by Staff witness Glass when he observes growing customer counts. However, these two adjustments are not related. A simple example is one customer discontinuing service at a residence in the middle of the month, with a new customer occupying that residence with gas service initiating in the middle of that same month. While

each of these customers received a bill (2 total bills), Kansas proration rules charge only ½ the Facilities Charge to each customer (1 total Facilities Charge). In this example, ultimately, there is no net growth (1 new customer and 1 lost customer). The long-standing proration adjustment is necessary to recognize that total residential bills issued in a month is not synonymous with the revenue derived from Facilities Charges. Thus, it is necessary and appropriate to consider proration effects when computing billing determinants for current and proposed rates.

Q. HAVE YOU REVIEWED THE TESTIMONY OF STAFF WITNESS ELLIS?

A. Yes.

Q. WHAT ARE YOUR OBSERVATIONS OF HER REVIEW OF THESE MATTERS?

A. Dr. Ellis is in support of a Weather Normalization Adjustment ("WNA") that uses a methodology similar to the one the Company has proposed. However, she has proposed alternative data to use for inputs into the calculation. She proposes alternate weather stations, weather sensitivity factors, and 30-year normals. She has also included three additional customer classes.

Q. WHAT ARE THE WEATHER STATIONS DR. ELLIS PROPOSES?

A. Dr. Ellis proposes First Order Weather Stations, Wichita, Topeka, Dodge City, and Kansas City,

Q. ARE THESE STATIONS THAT HAVE BEEN USED BY THE COMPANY IN PREVIOUS CASES?

A. Currently, the majority of stations used are Second Order Stations. These were settled upon in the Company's 2008 case Docket No. 08- ATMG-280-RTS and are

Anthony, Chanute, Council Grove, Independence, Lawrence, Leavenworth, Marion Lake, Ness City, Olathe, Sedan, Syracuse, and Ulysses. The only change that has been made over the last ten years is the use of Kansas City Downtown Airport in lieu of Olathe per Docket No. 10-ATMG-495-RTS.

Q. WHAT IS THE COMPANY'S VIEW OF SWITCHING FROM SECOND ORDER STATIONS TO FIRST ORDER STATIONS?

A. The Company supports the transition to First Order Stations. As Dr. Ellis explains, First Order Stations are professionally maintained while Second Order Stations are often maintained by volunteer civilians. The Company has found that while the Second Order Station data is not inaccurate, it often has gaps and missing information for days or sometimes weeks at a time. When this happens, the nearest station that has data is used to fill in the missing data. For this reason, a transition to First Order Stations will provide more reliable and accurate data.

Q. DO YOU HAVE ANY OBJECTION TO DR. ELLIS' RECOMMENDATION TO UPDATE THE HDD NORMALS AND HEAT SENSITIVITY FACTORS (HSF)?

A. No. In order to switch to First Order Stations, it's appropriate to use 30-year normals for those stations. In addition, she updated the period of the 30-year normals. The National Oceanic and Atmospheric Administration ("NOAA") calculates 30-year normals once per decade and the most recent that NOAA offers is for the period 1981-2010. Dr. Ellis uses monthly data from January 1988 through August 2018 to calculate 30-year normals that are more current. I agree with this

update. I also agree with the linear regression methodology and calculations Dr. Ellis used to update the HSFs.

Q. WHAT ARE THE ADDITIONAL CLASSES SHE PROPOSES WEATHER NORMALIZING?

A. She proposes adjusting School Sales, Industrial Firm Sales, and Irrigation in addition to the three historically adjusted: Residential, Commercial, and Public Authority.

Q. DID DR. ELLIS USE THE SAME LINEAR REGRESSION METHODOLOGY FOR THE ADDITIONAL CLASSES?

A. She used HDDs the same way that it has been used in the past to create Heat Sensitivity Factors. For the Irrigation class, she used two additional factors, Cooling Degree Days and Precipitation for her adjustment.

Q. WHY ARE ADDITIONAL FACTORS USED?

A. A regression analysis, as Dr. Ellis explains on page 5, line 13 through page 6 line 16, create coefficients that determine how customer usage is impacted by weather data. For the Irrigation class specifically, gas is used for irrigation pumps. Warmer than normal weather, measured by Cooling Degree Days, increases the need for watering and increases gas usage. Increased rainfall consumption means there is less need for watering. Decreased rainfall has the inverse effect. Dr. Ellis' linear regression results demonstrate that the correlation of both of these factors have a significant correlation to customer usage.

Q. DOES THE COMPANY SUPPORT DR. ELLIS' WNA PROPOSAL?

A. Yes. However, it would like to work with Staff to develop the updated WNA tariffs and future WNA Annual filings to incorporate the new classes and weather sensitivity factors.

IV. CONCLUSION

Q. HOW DO YOU CONCLUDE YOUR REBUTTAL TESTIMONY?

A. For the reasons outlined in this rebuttal testimony, the Company recommends that the Commission approve the Company's proposed SIP. Further, the Commission should approve the Company's request for an Abbreviated Rate Case or, in the alternative, incorporate an adjustment within the SIP to correct for any imbalances between non-GSRS/SIP capital investment versus depreciation expense.

With respect to billing determinants, the Company can support Staff's proposed customer annualization adjustment and weather normalization adjustment. And, the Commission should approve and incorporate the Company's pro-ration adjustment.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF DALLAS)

Gary L. Smith, being duly sworn upon his oath, deposes and states that he is Director Rates & Regulatory Affairs for Atmos Energy Corporation; that he has read and is familiar with the foregoing Rebuttal Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information and belief.

Gary L. Smith

Subscribed and sworn before me this 15th day of November, 2019.

Notary Public

My appointment expires: 9/1/2020

GISELLE R HEROY
Notary Public, State of Texas
Comm. Expires 09-01-2020
Notary ID 13080484-2

GSRS

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
	Month	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4
	Year	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2022	2022	2022	2022
Line #	Amounts in $000's																
1	Cap Ex (Net of Retirements)	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3	1,083.3				
2	Depr, Current Yr Inv. For Month Inv.	0.17%	0.19%	0.21%	0.25%	0.30%	0.37%	0.50%	0.74%	1.49%	0.12%	0.14%	0.15%	0.17%	0.19%	0.21%	0.25%
3	Mo Depr Exp	1.8	2.0	2.3	2.7	3.2	4.0	5.4	8.0	16.1	1.3	1.5	1.6	0.0	0.0	0.0	0.0
4																	
5	Depr Exp (Cur Yr)	1.8	3.8	6.1	8.8	12.0	16.0	21.4	29.4	45.5	1.3	2.8	4.4	4.4	4.4	4.4	4.4
6	Depr. Prior Yr Inv.										24.1	24.1	24.1	24.1	24.1	24.1	24.1
7	Total Depr Exp	1.8	3.8	6.1	8.8	12.0	16.0	21.4	29.4	45.5	25.5	26.9	28.5	28.5	28.5	28.5	28.5
8																	
9	Ad Valorem	1.8	3.7	5.5	7.3	9.2	11.0	12.8	14.7	16.5	18.3	20.2	22.0	22.0	22.0	22.0	22.0
10																	
11	Carrying Cost	6.9	13.9	20.8	27.7	34.5	41.4	48.2	55.0	61.6	68.4	75.2	82.0	81.8	81.6	81.4	81.2
12																	
13																	
14	Cumulative Cap Ex	1,083.3	2,166.7	3,250.0	4,333.3	5,416.7	6,500.0	7,583.3	8,666.7	9,750.0	10,833.3	11,916.7	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0
15	Cumulative Depr Exp	1.8	5.6	11.7	20.5	32.5	48.5	69.9	99.3	144.8	170.3	197.2	225.7	254.3	282.8	311.4	339.9
16	Net Plant	1,081.5	2,161.1	3,238.3	4,312.9	5,384.2	6,451.5	7,513.5	8,567.4	9,605.2	10,663.1	11,719.5	12,774.3	12,745.7	12,717.2	12,688.6	12,660.1
17																	
18	Cumulative AVT	1.8	5.5	11.0	18.3	27.5	38.5	51.3	66.0	82.5	100.8	121.0	142.9	164.9	186.9	208.9	230.9
19	Cumulative Carrying Cost	6.9	20.8	41.6	69.3	103.8	145.2	193.4	248.4	310.0	378.4	453.6	535.6	617.4	699.0	780.4	861.7
20																	
21																	
22	Depr Rate	2.97%															
23	Ad Valorem	2.03%															
24	Carrying Cost[1]	7.70%															
25																	
26																	

27	Fiscal Year >>	2021	2022	Costs of Lag	Prior to TYE	Post TYE
28	Cap Ex (Net of Retirements)	9,750.0	3,250.0		13,000.0	-
29	Total Depr Exp	144.8	223.7	368.5	225.7	142.7
30	Ad Valorem	Recovered in AVTS			Recovered in AVTS	
31	Carrying Cost	310.0	632.7	942.7	535.6	407.1
32		454.8	856.3	1,311.2	761.4	549.8

Exhibit GLS-4 (Rebuttal)

DOCKET NO. 19-ATMG-525-RTS
ATTACHMENT 2
TO CURB DR NO. 1-09

Atmos Energy Corporation
Kansas Actual Earned ROE and ROR
DOCKET NO. 19-ATMG-525-RTS

		Calendar 2014	Calendar 2015	Calendar 2016	Calendar 2017	Calendar 2018
	(a)	(b)	(c)	(d)	(e)	(f)
1	Kansas Income Before Interest and Taxes (see below calculation)	18,521,422	18,187,485	20,030,393	21,088,407	19,408,174
2	Less: Interest Expense Allocated to Kansas	4,890,443	4,942,011	4,863,017	4,654,531	4,864,489
3	Kansas Income Before Taxes	13,630,979	13,245,474	15,167,376	16,433,876	14,543,685
4	Composite Tax Rate (from Kansas rate models)	39.55%	39.55%	39.55%	39.55%	26.53%
5	Kansas Tax Expense	5,391,052	5,238,585	5,998,697	6,499,598	3,858,440
6	Kansas Net Income	8,239,927	8,006,889	9,168,679	9,934,278	10,685,245
7						
8	Kansas Rate Base at December (see below calculation)	186,331,513	195,383,436	206,936,282	222,678,848	234,768,209
9						
10	Capital Structure Based on 10-Q Consolidated:					
11	Long-Term Debt Portion	82,888,862	83,762,897	84,721,550	89,510,221	95,382,132
12	Equity Capital Portion	103,442,651	111,620,539	122,214,732	133,168,627	139,386,077
13		186,331,513	195,383,436	206,936,282	222,678,848	234,768,209
14						
15	Return on Equity	7.97%	7.17%	7.50%	7.46%	7.67%
16	Rate of Return on Rate Base	4.42%	4.10%	4.43%	4.46%	4.55%
17	Pre-Tax Rate of Return	9.94%	9.31%	9.68%	9.47%	8.27%
18	Settlement Pre-Tax ROR (at 35% and 21%)	11.04%	11.04%	11.04%	11.04%	9.54%
19	Pre-Tax Rate of Return Deficit	-1.10%	-1.73%	-1.36%	-1.57%	-1.27%
20						
21	**CAPITAL STRUCTURE CONSOLIDATED**					
22		**Per 10-Q December (in thousands)**				
23	Long-Term Debt	2,455,131	2,455,474	2,564,199	3,067,469	3,659,779
24	Shareholders Equity	3,063,925	3,272,109	3,698,975	4,563,620	5,348,195
25	Total Capitalization	5,519,056	5,727,583	6,263,174	7,631,089	9,007,974
26						
27	LTD %	44.48%	42.87%	40.94%	40.20%	40.63%
28	Equity %	55.52%	57.13%	59.06%	59.80%	59.37%
29		100.00%	100.00%	100.00%	100.00%	100.00%
30						
31	LTD Interest Rate per Treasury Capital Structure File (at December)	5.90%	5.90%	5.74%	5.20%	5.10%
32						
33						
34	**KANSAS RATE BASE**					
35	Kansas Plant in Service Direct and Allocated - Annual Report Page 10 / 22	325,736,161	347,770,953	358,269,139	376,863,542	396,409,792
36	Kansas Accum Depr Direct and Allocated - Annual Report Page 10	(103,643,884)	(107,072,735)	(108,911,289)	(115,802,001)	(119,532,132)
37	Prepayments Direct and Allocated - 13 Month Average from GL	1,020,899	1,080,774	1,089,937	1,239,104	1,331,686
38	Gas Storage Direct 13 Month Average from GL	13,828,576	10,566,062	8,930,105	8,998,852	8,489,208
39	Less: ADIT Unadjusted Direct and Allocated December Balance from GL	(47,635,634)	(53,591,711)	(49,268,557)	(26,695,853)	(31,763,296)
40	Less: EDIT Liability Direct Ending December Balance from GL	-	-	-	(20,189,719)	(18,681,171)
41	Less: Customer Deposits Direct 13 Month Average from GL	(1,921,558)	(2,397,118)	(2,385,816)	(1,111,506)	(862,307)
42	Less: Customer Advances for Construction Direct 13 Month Avg from GL	(1,053,047)	(972,789)	(787,237)	(623,571)	(623,571)
43	**Kansas Rate Base**	186,331,513	195,383,436	206,936,282	222,678,848	234,768,209
44						
45						
46	**KANSAS ANNUAL REPORT**					
47	Operating Revenues (400) . . . . . Pa	151,134,314	116,377,089	108,860,669	120,859,366	132,367,718
48	Operation Expenses (401) Cost of Gas. . . . . Pa	73,404,617	38,241,774	28,573,951	38,182,828	49,570,667
49	Gross Margin	77,729,697	78,135,315	80,286,718	82,676,538	82,797,051
50	Operating Expenses:					
51	Operation Expenses (401) Less Cost of Gas from Page 16. . . . . Pa	40,205,532	40,770,830	41,528,472	41,760,668	42,236,917
52	Maintenance Expenses (402) . . . . . Pa	560,288	455,136	443,761	494,268	712,856
53	Depreciation expenses (403) . . . . . Pa	10,136,242	10,619,732	10,866,546	11,341,200	11,765,236
54	Taxes Other Than Income, utility oper inc (408.1). . . . . Pa	8,306,213	8,102,132	7,417,546	7,991,995	8,673,868
55	Taxes Other Than Income, other inc & deduction (408.2	-	-	-	-	-
56	Tota Operating & Maintenance Expenses	59,208,275	59,947,830	60,256,325	61,588,131	63,388,877
57	Net Income Before Income Tax & Interest Expense	18,521,422	18,187,485	20,030,393	21,088,407	19,408,174
58						

Atmos Energy Corporation
Capital Structure Tax Calculation

Authorized Pre-Tax ROR

	Rate of Return	Percent	Cost	Weighted Cost	Tax Factor	
1	Capital Structure in 16-ATMG-079-RTS Order (March 2015 Test Period):					
2	Debt	43.8830%	5.9000%	2.5891%		2.59%
3	Equity	56.1170%	9.1000%	5.1066%	60.4500%	8.45%
4	Approved ROR	100.0000%		7.6957%		
5	Pre-Tax ROR					11.04%

Line No.	Tax Factor	Percent
1	Kansas Tax Rate	7.0000%
2	Federal Tax Rate	35.0000%
3	Tax Factor	60.4500%

Calculation: 1-[((1-Line 1)*Line 2) + Line 1]

2018 Earned Pre-Tax ROR

	Rate of Return	Percent	Cost	Weighted Cost	Tax Factor	
1	Capital Structure As of 12/31/2018:					
2	Debt	40.6282%	5.1000%	2.0720%		2.07%
3	Equity	59.3718%	7.6659%	4.5514%	73.4700%	6.19%
4	Approved ROR	100.0000%		6.6234%		
5	Pre-Tax ROR					8.26%

Line No.	Tax Factor	Percent
1	Kansas Tax Rate	7.0000%
2	Federal Tax Rate	21.0000%
3	Tax Factor	73.4700%

Calculation: 1-[((1-Line 1)*Line 2) + Line 1]

2018 Earned Pre-Tax ROR using GSRS Capital Structure

	Rate of Return	Percent	Cost	Weighted Cost	Tax Factor	
1	Capital Structure in 16-ATMG-079-RTS Order (March 2015 Test Period)					
2	Debt	43.8830%	5.9000%	2.5891%		2.59%
3	Equity	56.1170%	7.6659%	4.3019%	73.4700%	5.86%
4	Approved ROR	100.0000%		6.8910%		
5	Pre-Tax ROR					8.45%

Line No.	Tax Factor	Percent
1	Kansas Tax Rate	7.0000%
2	Federal Tax Rate	21.0000%
3	Tax Factor	73.4700%

Calculation: 1-[((1-Line 1)*Line 2) + Line 1]

Tax Expansion Factor Details

			1.0000
1	STATE INCOME TAX (5% X Ln 3)	7.0%	0.070
2	Ln 3 - 5		0.9300
3			
4	FEDERAL INCOME TAX (35% X Ln 6)	21.00%	0.1953
5	Ln 6 - 8		0.7347
	Statutory Tax Rate		26.53%

Tax Expansion Factor Details

			1.0000
1	STATE INCOME TAX (5% X Ln 3)	7.0%	0.070
2	Ln 3 - 5		0.9300
3			
4	FEDERAL INCOME TAX (35% X Ln 6)	35.00%	0.3255
5	Ln 6 - 8		0.6045
	Statutory Tax Rate		39.55%

Atmos SIP Plan Yr 1 (Uniform Closings)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)
				SIP Q1						SIP Q2						SIP Q3						SIP Q4	
	Month	1	2	3	4	5	6	4	5	6	7	8	9	7	8	9	10	11	12	10	11	12	1
	Year	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2022
Line #	Amounts in $000's																						
1	Cap Ex (Net of Retirements)	208.3	208.3	208.3				208.3	208.3	208.3				208.3	208.3	208.3				208.3	208.3	208.3	
2	Depr, Current Yr Inv.	0.17%	0.19%	0.21%	0.25%	0.30%	0.37%	0.25%	0.30%	0.37%	0.50%	0.74%	1.49%	0.50%	0.74%	1.49%	0.12%	0.14%	0.15%	0.12%	0.14%	0.15%	0.17%
3	Mo Depr Exp	0.3	0.4	0.4	0.0	0.0	0.0	0.5	0.6	0.8	0.0	0.0	0.0	1.0	1.5	3.1	0.0	0.0	0.0	0.3	0.3	0.3	0.0
4																							
5	Depr Exp (Cur Yr)	0.3	0.7	1.2	1.2	1.2	1.2	0.5	1.1	1.9	1.9	1.9	1.9	1.0	2.6	5.7	0.0	0.0	0.0	0.3	0.5	0.8	0.8
6	Depr. Prior Yr Inv. (Qtrs 1-3)																4.6	4.6	4.6				
7	Total Depr Exp for Quarterly Closings	0.3	0.7	1.2	1.2	1.2	1.2	0.5	1.1	1.9	1.9	1.9	1.9	1.0	2.6	5.7	4.6	4.6	4.6	0.3	0.5	0.8	0.8
8																							
9	Ad Valorem	0.4	0.8	1.1	1.1	1.1	1.1	0.4	0.8	1.1	1.1	1.1	1.1	0.4	0.8	1.1	1.1	1.1	1.1	0.4	0.8	1.1	1.1
10																							
11	Carrying Cost	1.3	2.7	4.0	4.0	4.0	4.0	1.3	2.7	4.0	4.0	4.0	4.0	1.3	2.7	4.0	3.9	3.9	3.9	1.3	2.7	4.0	4.0
12																							
13																							
14	Cumulative Cap Ex	208.3	416.7	625.0	625.0	625.0	625.0	208.3	416.7	625.0	625.0	625.0	625.0	208.3	416.7	625.0	625.0	625.0	625.0	208.3	416.7	625.0	625.0
15	Cumulative Depr Exp	0.3	1.1	2.2	3.4	4.6	5.8	0.5	1.7	3.6	5.5	7.4	9.3	1.0	3.6	9.3	13.9	18.6	23.2	0.3	0.8	1.6	2.5
16	Net Plant	208.0	415.6	622.8	621.6	620.4	619.2	207.8	415.0	621.4	619.5	617.6	615.7	207.3	413.1	615.7	611.1	606.4	601.8	208.1	415.9	623.4	622.5
17																							
18	Cumulative AVT	0.4	1.1	2.3	3.4	4.6	5.7	0.4	1.1	2.3	3.4	4.6	5.7	0.4	1.1	2.3	3.4	4.6	5.7	0.4	1.1	2.3	3.4
19	Cumulative Carrying Cost	1.3	4.0	8.0	12.0	16.0	19.9	1.3	4.0	8.0	12.0	15.9	19.9	1.3	4.0	7.9	11.9	15.7	19.6	1.3	4.0	8.0	12.0
20																							
21																							
22	Depr Rate	2.97%																					
23	Ad Valorem	2.20%																					
24	Carrying Cost[1]	7.70%																					
25																							
26																							

27	Fiscal Year >>	2021	2022		Costs of Lag		SIP Q1	SIP Q2	SIP Q3	SIP Q4		Prior to TPE	Post TPE
28	Cap Ex (Net of Retirements)	2,500.0	-				625.0	625.0	625.0	625.0		2,500.0	-
29	Total Depr Exp	39.9	2.5		42.4		5.8	9.3	23.2	4.2		16.7	25.7
30	Ad Valorem	Recovered in AVTS					Recovered in AVTS					Recovered in AVTS	
31	Carrying Cost	67.4	12.0		79.4		19.9	19.9	19.6	20.0		31.9	47.5
32		107.3	14.5		121.8		25.7	29.2	42.8	24.2		48.6	73.2

SIP - Annual Adj (Uniform Closings)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
	Month	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3
	Year	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2022	2022	2022
Line #	Amounts in $000's															
1	Cap Ex (Net of Retirements)	208.3	208.3	208.3	208.3	208.3	208.3	208.3	208.3	208.3	208.3	208.3	208.3			
2	Depr, Current Yr Inv. For Month Inv.	0.17%	0.19%	0.21%	0.25%	0.30%	0.37%	0.50%	0.74%	1.49%	0.12%	0.14%	0.15%	0.17%	0.19%	0.21%
3	Mo Depr Exp	0.3	0.4	0.4	0.5	0.6	0.8	1.0	1.5	3.1	0.3	0.3	0.3	0.0	0.0	0.0
4																
5	Depr Exp (Cur Yr)	0.3	0.7	1.2	1.7	2.3	3.1	4.1	5.7	8.8	0.3	0.5	0.8	0.8	0.8	0.8
6	Depr. Prior Yr Inv.										6.2	6.2	6.2	6.2	6.2	6.2
7	Total Depr Exp	0.3	0.7	1.2	1.7	2.3	3.1	4.1	5.7	8.8	6.4	6.7	7.0	7.0	7.0	7.0
8																
9	Ad Valorem	0.4	0.8	1.1	1.5	1.9	2.3	2.7	3.1	3.4	3.8	4.2	4.6	4.6	4.6	4.6
10																
11	Carrying Cost	1.3	2.7	4.0	5.3	6.6	8.0	9.3	10.6	11.9	13.1	14.4	15.7	15.7	15.6	15.6
12																
13																
14	Cumulative Cap Ex	208.3	416.7	625.0	833.3	1,041.7	1,250.0	1,458.3	1,666.7	1,875.0	2,083.3	2,291.7	2,500.0	2,500.0	2,500.0	2,500.0
15	Cumulative Depr Exp	0.3	1.1	2.2	3.9	6.2	9.3	13.4	19.1	27.8	34.3	41.0	48.1	55.1	62.1	69.2
16	Net Plant	208.0	415.6	622.8	829.4	1,035.4	1,240.7	1,444.9	1,647.6	1,847.2	2,049.0	2,250.7	2,451.9	2,444.9	2,437.9	2,430.8
17																
18	Cumulative AVT	0.4	1.1	2.3	3.8	5.7	8.0	10.7	13.8	17.2	21.0	25.2	29.8	34.4	39.0	43.5
19	Cumulative Carrying Cost	1.3	4.0	8.0	13.3	20.0	27.9	37.2	47.8	59.6	72.8	87.2	102.9	118.6	134.3	149.9
20																
21																
22	Depr Rate	2.97%														
23	Ad Valorem	2.20%														
24	Carrying Cost[1]	7.70%														
25																
26																

27	Fiscal Year >>	2021	2022	Costs of Lag	Prior to TYE	Post TYE
28	Cap Ex (Net of Retirements)	1,875.0	625.0		2,500.0	-
29	Total Depr Exp	27.8	41.3	69.2	48.1	21.1
30	Ad Valorem	Recovered in AVTS			Recovered in AVTS	
31	Carrying Cost	59.6	90.3	149.9	102.9	46.9
32		87.5	131.6	219.0	151.0	68.0

Atmos SIP Plan Yr 1 (Compressed Closings)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)
				SIP Q1						SIP Q2						SIP Q3						SIP Q4	
	Month	1	2	3	4	5	6	4	5	6	7	8	9	7	8	9	10	11	12	10	11	12	1
	Year	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2022
Line #	Amounts in $000's																						
1	Cap Ex (Net of Retirements)	-	-	-				-	-	-				625.0	625.0	625.0				625.0	-	-	
2	Depr, Current Yr Inv.	0.17%	0.19%	0.21%	0.25%	0.30%	0.37%	0.25%	0.30%	0.37%	0.50%	0.74%	1.49%	0.50%	0.74%	1.49%	0.12%	0.14%	0.15%	0.12%	0.14%	0.15%	0.17%
3	Mo Depr Exp	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	4.6	9.3	0.0	0.0	0.0	0.8	0.0	0.0	0.0
4																							
5	Depr Exp (Cur Yr)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	7.7	17.0	0.0	0.0	0.0	0.8	0.8	0.8	0.8
6	Depr. Prior Yr Inv. (Qtrs 1-3)																4.6	4.6	4.6				
7	Total Depr Exp for Quarterly Closings	-	-	-	-	-	-	-	-	-	-	-	-	3.1	7.7	17.0	4.6	4.6	4.6	0.8	0.8	0.8	0.8
8																							
9	Ad Valorem	-	-	-	-	-	-	-	-	-	-	-	-	1.1	2.3	3.4	3.4	3.4	3.4	1.1	1.1	1.1	1.1
10																							
11	Carrying Cost	-	-	-	-	-	-	-	-	-	-	-	-	4.0	8.0	11.9	11.8	11.8	11.8	4.0	4.0	4.0	4.0
12																							
13																							
14	Cumulative Cap Ex	-	-	-	-	-	-	-	-	-	-	-	-	625.0	1,250.0	1,875.0	1,875.0	1,875.0	1,875.0	625.0	625.0	625.0	625.0
15	Cumulative Depr Exp	-	-	-	-	-	-	-	-	-	-	-	-	3.1	10.8	27.8	32.5	37.1	41.8	0.8	1.5	2.3	3.1
16	Net Plant	-	-	-	-	-	-	-	-	-	-	-	-	621.9	1,239.2	1,847.2	1,842.5	1,837.9	1,833.2	624.2	623.5	622.7	621.9
17																							
18	Cumulative AVT	-	-	-	-	-	-	-	-	-	-	-	-	1.1	3.4	6.9	10.3	13.8	17.2	1.1	2.3	3.4	4.6
19	Cumulative Carrying Cost	-	-	-	-	-	-	-	-	-	-	-	-	4.0	11.9	23.8	35.6	47.4	59.2	4.0	8.0	12.0	16.0
20																							
21																							
22	Depr Rate	2.97%																					
23	Ad Valorem	2.20%																					
24	Carrying Cost[1]	7.70%																					
25																							
26																							

27	Fiscal Year >>	2021	2022		Costs of Lag		SIP Q1	SIP Q2	SIP Q3	SIP Q4		Prior to TPE	Post TPE
28	Cap Ex (Net of Retirements)	2,500.0	-				-	-	1,875.0	625.0		2,500.0	-
29	Total Depr Exp	44.1	2.3		46.4		-	-	41.8	4.6		30.2	16.2
30	Ad Valorem	Recovered in AVTS					Recovered in AVTS					Recovered in AVTS	
31	Carrying Cost	71.2	12.0		83.1		-	-	59.2	24.0		35.8	47.3
32		115.3	14.3		129.5		-	-	100.9	28.6		66.0	63.6

SIP - Annual Adj (Compressed Closings)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
	Month	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3
	Year	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2022	2022	2022
Line #	Amounts in $000's															
1	Cap Ex (Net of Retirements)	-	-	-	-	-	-	625.0	625.0	625.0	625.0	-	-			
2	Depr, Current Yr Inv. For Month Inv.	0.17%	0.19%	0.21%	0.25%	0.30%	0.37%	0.50%	0.74%	1.49%	0.12%	0.14%	0.15%	0.17%	0.19%	0.21%
3	Mo Depr Exp	0.0	0.0	0.0	0.0	0.0	0.0	3.1	4.6	9.3	0.8	0.0	0.0	0.0	0.0	0.0
4																
5	Depr Exp (Cur Yr)	0.0	0.0	0.0	0.0	0.0	0.0	3.1	7.7	17.0	0.8	0.8	0.8	0.8	0.8	0.8
6	Depr. Prior Yr Inv.										6.2	6.2	6.2	6.2	6.2	6.2
7	Total Depr Exp	-	-	-	-	-	-	3.1	7.7	17.0	7.0	7.0	7.0	7.0	7.0	7.0
8																
9	Ad Valorem	-	-	-	-	-	-	1.1	2.3	3.4	4.6	4.6	4.6	4.6	4.6	4.6
10																
11	Carrying Cost	-	-	-	-	-	-	4.0	8.0	11.9	15.8	15.8	15.7	15.7	15.6	15.6
12																
13																
14	Cumulative Cap Ex	-	-	-	-	-	-	625.0	1,250.0	1,875.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0
15	Cumulative Depr Exp	-	-	-	-	-	-	3.1	10.8	27.8	34.8	41.8	48.7	55.7	62.6	69.6
16	Net Plant	-	-	-	-	-	-	621.9	1,239.2	1,847.2	2,465.2	2,458.2	2,451.3	2,444.3	2,437.4	2,430.4
17																
18	Cumulative AVT	-	-	-	-	-	-	1.1	3.4	6.9	11.5	16.0	20.6	25.2	29.8	34.4
19	Cumulative Carrying Cost	-	-	-	-	-	-	4.0	11.9	23.8	39.6	55.4	71.1	86.8	102.4	118.0
20																
21																
22	Depr Rate	2.97%														
23	Ad Valorem	2.20%														
24	Carrying Cost[1]	7.70%														
25																
26																

27	Fiscal Year >>	2021	2022	Costs of Lag	Prior to TYE	Post TYE
28	Cap Ex (Net of Retirements)	1,875.0	625.0		2,500.0	-
29	Total Depr Exp	27.8	41.8	69.6	48.7	20.9
30	Ad Valorem	Recovered in AVTS			Recovered in AVTS	
31	Carrying Cost	23.8	94.2	118.0	71.1	46.9
32		51.6	136.0	187.6	119.8	67.8