



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10580 **First Amended Proposal for Decision**

STATEMENT OF INTENT TO CHANGE THE RATES OF CITY GATE SERVICE (CGS) AND RATE PIPELINE TRANSPORTATION (PT) RATES OF ATMOS PIPELINE – TEXAS

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PROCEDURAL HISTORY:

Statement of Intent Filed:	January 6, 2017
Suspension Order:	January 24, 2017
Rate Case Expenses Severed:	February 17, 2017
Hearing on the Merits:	April 19-21, 2017
Heard By:	John Dodson, Administrative Law Judge Dana Lewis, Administrative Law Judge Rose Ruiz, Technical Examiner James Currier, Technical Examiner
Evidentiary Record Closed:	June 26, 2017
PFD Issued:	June 26, 2017
PFD Exceptions (deadline):	July 11, 2017
Replies to Exceptions (deadline):	July 20, 2017
First Amended PFD Issued:	July 24, 2017
Deadline for Commission Action:	August 1, 2017

STATEMENT OF THE CASE

Atmos Pipeline – Texas (“Atmos”) was required to file this full rate case because it had exhausted all allowable GRIP filings since its last full rate case in 2011. Ten parties intervened, including Commission Staff, with numerous contested issues. The deadline for Commission action is August 1, 2017.

Atmos’s requested relief includes:

- increased annual base revenues by \$80,750,312;
- a return on equity (“ROE”) set at 13.5 percent—an increase from the current 11.8 percent;
- a capital structure consistent with its parent company, Atmos Energy—40.17 percent long-term debt and 59.83 percent common equity;
- maintaining its current rate design, but with transmission capacity costs allocated based on Maximum Daily Quantity (“MDQ”), rather than the previous/current Maximum Daily Usage (“MDU”), and a 75-percent adjustment to the Rate PT customers’ MDQ capacity cost allocation factor;
- continuation of its Equal Life Group (“ELG”) depreciation method, along with new depreciation rates;
- incentive compensation consistent with prior Atmos dockets;
- the same treatment of accumulated deferred income taxes (“ADIT”) that the Commission approved in Atmos’s last full rate case; and
- continuation of its “Rider REV Other Revenue” tracking mechanism and other tariffs, with certain amendments.

SUMMARY OF EXAMINER RECOMMENDATIONS

The original PFD was issued on June 26, 2017. The Examiners thoroughly reviewed the parties’ PFD exceptions and replies, and revisited all recommendations contained in the original PFD. The Examiners maintain that the recommendations contained in the original PFD are proper and strongly supported by the evidence:

- Increase in annual base revenues by \$30,697,359;
- Cost of equity set at 11.5 percent;
- Capital structure of 47.36 percent long-term debt and 52.64 percent common equity;
- Limiting the Rate PT increase to 1.5 times the system average;
- Depreciation rates consistent with Atmos’s proposed methodology and rates;
- Incentive compensation limited to only those costs associated with the direct employees for both STI and LTI, limited to 100 percent of targets;
- Treatment of ADIT consistent with Atmos’s request, with the exception of an adjustment for incentive compensation; and
- Approval of Atmos’s proposed “Rider REV Other Revenue” tracking mechanism and other tariffs, with certain changes.

SUMMARY OF CHANGES TO ORIGINAL PFD

The Examiners' main recommendations in the original PFD have not changed. This First Amended PFD corrects typographical and calculation errors, and adds clarifying language in certain sections, where appropriate. Notable changes in the First Amended PFD include:

- Typographical and calculation corrections;
- Added language that discusses the timely filing of certain exceptions to the PFD, and replies to the exceptions (p. 4);
- Added language discussing an overview of Atmos's request (p. 6);
- A minor clarification relating to ADIT (p. 11);
- An additional finding that the ELG depreciation method is a straight-line method (p. 24);
- Clarification that the Examiners' recommendation for total O&M expenses is inclusive of depreciation and of taxes other than income taxes (p. 39);
- Added treatment on the Examiners' findings and recommendation for capital structure (pp. 43-44);
- Added treatment on the Examiners' findings and recommendation for return on equity ("ROE") (pp. 55-60);
- Added treatment on the Examiners' findings and recommendation for allocation of costs among Atmos's customers (pp. 66-67);
- Corrected net plant in service by removing WGIS under "Future IRA" filing factors. For the initial filing, the net plant in service shall be \$1,979,922,986 (p. 77); and
- Corrected "Future IRA" revenue allocation table by removing WGIS allocation (p. 77).

The Findings of Fact and Conclusions of Law contained in the Amended Proposed Final Order reflect these changes, where appropriate.

Since this First Amended PFD and Amended Proposed Final Order are being formally served on all parties, the Commission is not required to separately note and specify in its Final Order any adopted amendments contained herein.

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FIRST AMENDED PROPOSAL FOR DECISION

I. INTRODUCTION

On January 6, 2017, Atmos Pipeline – Texas (“Atmos”), a division of Atmos Energy Corporation (“Atmos Energy”), filed with the Commission a statement of intent to change its rate city gate service (“CGS”) and rate pipeline transportation (“PT”)—and related riders—under the provisions of Subchapter C (Rate Changes Proposed by Utility) of Chapter 104 (Rates and Services) of the Gas Utility Regulatory Act (“GURA”). The statement of intent (“SOI”) was docketed as GUD No. 10580. Atmos was required to file this SOI because it had exhausted all allowable GRIP filings since its last full rate case in 2011.

Atmos’s requested relief includes:

- increased annual base revenues by \$80,750,312;
- a return on equity (“ROE”) set at 13.5 percent—an increase from the current 11.8 percent;
- a capital structure consistent with its parent company, Atmos Energy—40.17 percent long-term debt and 59.83 percent common equity;
- maintaining its current rate design, but with transmission capacity costs allocated based on Maximum Daily Quantity (“MDQ”), rather than the previous/current Maximum Daily Usage (“MDU”), and a 75-percent adjustment to the Rate PT customers’ MDQ capacity cost allocation factor;
- continuation of its Equal Life Group (“ELG”) depreciation method, along with new depreciation rates;
- incentive compensation consistent with prior Atmos dockets;
- the same treatment of accumulated deferred income taxes (“ADIT”) that the Commission approved in Atmos’s last full rate case;
- continuation of its “Rider REV Other Revenue” tracking mechanism and other tariffs, with certain amendments; and
- recovery of reasonable rate case expenses.

Ten parties intervened. The Commission has original jurisdiction over all matters in this docket. The deadline for Commission action is August 1, 2017.

II. PARTIES

The parties in this proceeding are Applicant Atmos and 10 intervenors: Staff of the Railroad Commission ("Staff"), Atmos Cities Steering Committee ("ACSC"), Atmos Texas Municipalities ("ATM"), City of Dallas ("Dallas"), Texas Industrial Energy Consumers ("TIEC"), Smurfit Kappa North America, LLC ("Smurfit"), Nucor Steel – Texas ("Nucor"), Texas Gas Service Company ("TGS"), CoServ Gas, Ltd. ("CoServ"), and Fowler Energy Company ("Fowler Energy").

Atmos is a "gas utility" under GURA Section 101.003 (Definitions).¹ From January 12, 2017, through March 28, 2017, each of the above-named intervenors (collectively, the "Intervenors") became parties.² Staff's purpose for intervening was "to assert its interest in seeing that the rules and regulations of the Railroad Commission of Texas, together with the appropriate statutes, have been followed."³

III. PROCEDURAL BACKGROUND

On January 6, 2017, Atmos filed its SOI. Subsequently, Staff, ACSC, ATM, Dallas, TIEC, Smurfit, Nucor, TGS, CoServ, and Fowler Energy properly intervened. On January 24, 2017, the Commission properly suspended the effective date of Atmos's proposed rate change for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).⁴ A prehearing conference was held on January 24, 2017, to consider procedural and other pre-hearing issues.

On February 17, 2017, all municipal parties were aligned for purposes of discovery pursuant to Commission Rule § 1.86 (Alignment of Municipal Intervenors

¹ Tex. Util. Code § 101.003(7) (Definitions) (defining "gas utility" as "a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.").

² See Examiners' Letter No. 1 (Motions to Intervene by Staff and Atmos Cities Steering Committee), issued January 12, 2017, Examiners' Letter No. 4 (Motions to Intervene by Texas Gas Service Company and CoServ Gas, Ltd.), issued January 17, 2017, Examiners' Letter No. 6 (Ruling on Motion to Intervene by Atmos Texas Municipalities), issued February 6, 2017, Examiners' Letter No. 11 (Ruling on Motions to Intervene of Nucor Steel – Texas and the City of Dallas), issued February 21, 2017, Examiners' Letter No. 14 (Ruling on Motion to Intervene by Texas Industrial Energy Consumers), issued March 3, 2017, and Examiners' Letter No. 18 (Motions to Intervene), issued March 28, 2017 (approving the motions to intervene filed by Fowler Energy and SKNA).

³ See Staff of the Railroad Commission of Texas' Motion to Intervene, filed January 9, 2017, at 1.

⁴ See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) ("Pending the hearing and a decision...the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.").

for Purposes of Discovery),⁵ and the rate case expense portion of GUD No. 10580 was severed into a separate docket, GUD No. 10604.⁶

On February 21, 2017, Atmos provided a Public Notice of Intent to Increase Rates (the "Public Notice") to all applicable customers at their billing addresses by US Mail, postage paid, in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).⁷ The Public Notice stated that Atmos requested an increase in annual revenues by \$72.9 million.⁸ On February 24, 2017, Atmos filed certain errata to its original SOI (the "Errata Filing").⁹ The Errata Filing changed Atmos's requested increase annual revenue to \$80.8 million.¹⁰

On March 10, 2017, the Notice of Hearing was issued, setting the hearing on the merits to commence on April 19, 2017 ("Notice of Hearing").¹¹ On March 15, 2017, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1055*.¹²

The hearing on the merits was held from April 19-21, 2017 (the "Hearing"). Lists of the parties' exhibits admitted into the evidentiary record are attached to this PFD as Attachment 1. Previous Commission Final Orders and PFDs referenced by the parties' witnesses in their testimonies also are included in the evidentiary record.¹³ On May 25, 2017, Atmos voluntarily caused the deadline for Commission action to be extended until August 1, 2017.¹⁴

On June 26, 2017, the evidentiary record closed¹⁵ and the Proposal for Decision ("PFD") was issued.

⁵ See Examiners' Letter No. 9 (Alignment of Municipal Parties), issued February 17, 2017; see also 16 Tex. Admin. Code § 1.86 (Alignment of Municipal Intervenor for Purposes of Discovery) ("Municipal parties, whether participating as a single municipality or a coalition of municipalities, are presumed to share a common interest in a proceeding such that alignment of municipal parties as a single party for purposes of discovery is appropriate. The presiding officer shall order alignment of municipal intervenors at the earliest reasonable opportunity so as to avoid unnecessary duplication of effort and to allow aligned parties an adequate opportunity to coordinate discovery efforts in an efficient manner.").

⁶ See Examiners' Letter No. 10 (Rate Case Expense Docket), issued February 17, 2017.

⁷ Atmos Ex. 3 (Affidavit of Charles R. Yarbrough, II, sworn to on March 24, 2017 ("Affidavit of Notice")) ¶ 2; see also Tex. Util. Code § 104.103(b).

⁸ Atmos Ex. 3 (Affidavit of Notice), Exhibit A (Public Notice) ("If approved, the proposed rates will increase the Company's annual revenues by \$72.9 million or 17.38%.").

⁹ Atmos Ex. 2 (Errata Filing).

¹⁰ See *id.*

¹¹ See Examiners' Letter No. 16 (Notice of Hearing), issued March 10, 2017 (attaching the Notice of Hearing).

¹² See *Gas Utilities Information Bulletin No. 1055*, published by the Railroad Commission of Texas Oversight and Safety Division on March 15, 2017 ("Bulletin"), at 6-8.

¹³ Hearing Tr. at 25 (April 19, 2017) (ALJ taking official notice of "all the past Commission PFDs and final orders that are referenced in the testimonies in this case, and that includes information that is incorporated by reference in the final orders.").

¹⁴ See Letter to the ALJ from counsel for Atmos, dated May 25, 2017.

¹⁵ See Examiners' Letter No. 25 (Close of Evidentiary Record), issued June 26, 2017.

From July 7-11, 2017, ATM, Dallas, ACSC, TIEC, Staff, Smurfit, and Atmos each timely filed exceptions to the PFD. On July 20, 2017, ATM, Dallas, ACSC, TIEC, Nucor, CoServ, and Atmos each timely filed replies to the exceptions.

IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

Jurisdiction

The Commission has jurisdiction over Atmos, which is a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates Atmos requests.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities), 103 (Jurisdiction and Powers of Municipality), and 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

Burden of Proof

As the party proposing gas utility rate changes, Atmos has the burden of proving that the rate changes are just and reasonable.¹⁶

Notice

Proper notice has been issued in this proceeding in accordance with applicable statutes and rules. On February 21, 2017, Atmos provided the Public Notice to all applicable customers at their billing addresses by US Mail, postage paid, in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).¹⁷ On March 10, 2017, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On March 15, 2017, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1055*, in compliance with Commission Rule § 7.235 (Publication and Service of Notice).¹⁸

¹⁶ Tex. Util. Code § 104.008 (Burden of Proof) ("In a proceeding involving a proposed rate change, the gas utility has the burden of proving that the rate change is just and reasonable, if the utility proposes the change.").

¹⁷ Atmos Ex. 3 (Affidavit of Notice) ¶ 2; see also Tex. Util. Code § 104.103(b).

¹⁸ See Bulletin at 6-8 (containing the Notice of Hearing); see also 16 Tex. Admin. Code § 7.235(a)(1)(A) (Publication and Service of Notice) ("The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.").

Proper notice has been issued in this proceeding in accordance with applicable statutory and regulatory requirements.

V. COMPLIANCE WITH COMMISSION RULES; BOOKS AND RECORDS

Atmos presented evidence that it maintains its books and records in accordance with Commission requirements.¹⁹ Barbara W. Myers, Manager, Rates and Regulatory Affairs, Shared Services Unit of Atmos Energy, testified that Atmos complies with Commission Rule § 7.310 (System of Accounts), which requires each gas utility to “utilize the Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USAO) for all operating and reporting purposes.”²⁰

Ms. Myers further testified that the information contained within Atmos’s books and records, as well as the summaries and excerpts therefrom, qualify for the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).²¹ Ms. Myers testified that Atmos is in compliance with Commission Rule § 7.501 (Certain Matters to be Submitted in Rate Hearings), which requires the separate presentation in a rate proceeding of evidence related to certain types of financial transactions, and in some cases, exclusion of these costs from rates,²² with Commission Rule § 7.5414 (Advertising, Contributions, and Donations), which states that actual expenditures for advertising will be allowed as a cost-of-service item for ratemaking purposes, provided that the total sum of such expenditures shall not exceed one-half of one (1) percent of the gross receipts of the utility for utility services rendered to the public,²³ and with Commission Rule § 7.5252 (Depreciation and Allocations), which requires a gas utility in a rate proceeding to book depreciation and amortization on a straight-line basis over the useful life expectancy of the property or facility in question, to fairly and justly apportion certain shared or common items between service areas, and to exclude nonintegral nonutility activities from the utility’s cost of service.²⁴

¹⁹ Atmos Ex. 5, Direct Testimony of Barbara W. Myers on Behalf of Atmos (“Myers Test.”), at 8, 16.

²⁰ *Id.*, p. 16; see 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

²¹ Atmos Ex. 5 (Myers Test.) at 16; see 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

²² Atmos Ex. 5 (Myers Test.) at 44; see 16 Tex. Admin. Code § 7.501 (Certain Matters to be Submitted in Rate Hearings).

²³ Atmos Ex. 5 (Myers Test.) at 43-44; see 16 Tex. Admin. Code § 7.5414 (Advertising, Contributions, and Donations).

²⁴ Atmos Ex. 5 (Myers Test.) at 8, 16; and Atmos Ex. 13, Direct Testimony of Dane A. Watson on Behalf of Atmos (Watson Test.), Exhibits DAW-2, p. 4, and DAW-3, p. 4; see *also* 16 Tex. Admin. Code § 7.5252 (Depreciation and Allocations).

No party disputes that Atmos maintains its books and records in accordance with Commission requirements.

Considering the evidence, the Examiners find that Atmos has established that it complied with these Commission rules. Accordingly, Atmos is entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in its books and records are presumed to have been reasonably and necessarily incurred.²⁵

VI. OVERVIEW OF ATMOS'S REQUEST

Atmos was required to file this rate case because it exhausted all its eligible Gas Infrastructure Reliability Program ("GRIP") filings since its last full rate case in 2011 (GUD No. 10000). For many issues, Atmos seeks to continue the *status quo*. One of the the most financially impactful—and contested—issues in this docket is whether Atmos's cost of equity (also referred to as "return on equity," or ROE) should reflect the risk associated with pipelines, which generally carry greater risk, or with local distribution companies ("LDCs"), which generally carry lower risk.

VII. REVENUE REQUIREMENT

The Commission is required to establish Atmos's overall revenues at an amount that will permit Atmos a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.²⁶ Here, Atmos requests a base revenue requirement of \$430,875,147—an increase of \$80,750,312.²⁷ As treated below, the Examiners recommend that Atmos's base revenue requirement be \$380,821,971—an increase of \$30,697,359.

²⁵ See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) ("In any proceeding before the Commission involving a gas utility that keeps its books and records in accordance with Commission rules, the amounts shown on its books and records as well as summaries and excerpts therefrom shall be considered prima facie evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts shall be presumed to have been reasonably and necessarily incurred; provided, however, that if any evidence is introduced that an investment or expense item has been unreasonably incurred, then the presumption as to that specific investment or expense item shall no longer exist and the gas utility shall have the burden of introducing probative evidence that the challenged item has been reasonably and necessarily incurred.").

²⁶ Tex. Util. Code § 104.051 (Establishing Overall Revenues).

²⁷ In its original SOI, Atmos requested a base rate revenue requirement increase of \$72,918,007, which is the amount stated in the public notice for this docket. Subsequently, Atmos revised this requested increase to \$80,848,796 in errata, and then \$80,750,312 in rebuttal.

A. Rate Base

Atmos requests a total rate base amount of \$1,771,755,131, which represents Atmos's invested capital used to provide gas utility service to its customers. Most of Atmos's rate base is not challenged and therefore is presumed to have been reasonably and necessarily incurred.²⁸ Atmos's investments include assets exclusively serving Atmos's pipeline customers and an allocated portion of Atmos Energy's Shared Services Unit ("SSU") assets serving Atmos's pipeline customers and other service areas.²⁹

ACSC is the only intervenor recommending a substantial change to the rate base, recommending a reduced amount of \$1,613,916,021.³⁰ The disputed issues include: accumulated deferred income taxes ("ADIT"), pension and other postemployment benefits ("OPEB") regulatory asset, and capitalized incentive compensation.

1. Cash Working Capital

The term "cash working capital" refers to the net funds required by Atmos to pay for goods and services between the time they are paid for by Atmos and the time revenues are recovered from customers.³¹ For Atmos, the cost of goods and services includes: operations and maintenance ("O&M") expenses, including labor expenses and non-labor expenses; federal, state, and local taxes; and employment taxes.³² Atmos's CWC amount was determined by a lead-lag study that, according to Atmos, used the same methods previously used by Atmos and approved by the Commission in its most recent rate case proceeding—GUD No. 10000.³³

No party opposes Atmos's proposed CWC. The Examiners find that Atmos established that its CWC amounts and methods used are just and reasonable. The Examiners recommend approval of CWC totaling \$8,093,285, which is just and reasonable and supported by the evidence.

2. Accumulated Deferred Income Taxes (ADIT)

Atmos seeks to include accumulated deferred income tax ("ADIT") in its rate base, as it has done in the past. Intervenor ACSC is the only party opposing Atmos's request. Barbara W. Myers, Manager, Rates and Regulatory Affairs, Shared Services Unit of Atmos Energy, and Jennifer K. Story, Director of Tax for Atmos Energy,

²⁸ See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

²⁹ Atmos Ex. 5 (Myers Test.) at 29.

³⁰ ACSC Ex. 1, Direct Testimony of Karl J. Nalepa on Behalf of ("Nalepa Test."), Schedule KJN-1.

³¹ Atmos Ex. 9 (Lyons Test.) at 3.

³² *Id.*

³³ *Id.* at 14.

testified in support Atmos's ADIT calculations. Constance Cannady, an Executive Consultant at NewGen Strategies & Solutions, LLC, testified on behalf of ACSC in opposition to Atmos's proposed ADIT calculation. ACSC objects to Atmos's inclusion of Net Operating Loss Carryforward ("NOLC") in its ADIT calculation and maintains that a flow-through adjustment should be made for its primary recommendation related to accrued short-term ("STI") and long-term incentive ("LTI") plan awards.³⁴

a. Net Operating Loss Carryforward

Atmos's Proposal

Atmos proposes to reduce the rate base for ADIT by \$343,366,465.³⁵ This total reflects direct and allocated Shared Services Unity ("SSU") ADIT amounts, as adjusted for NOLC. Also included are ADIT balances related to Working Gas in Storage that were booked in the Mid-Tex division.³⁶ Atmos contends that including these balances in rate base is consistent with the Commission's Orders in GUD Nos. 10000 and 10170.³⁷ On behalf of Atmos, Ms. Myers testified that items not related to Atmos, or that are inconsistent with other ratemaking treatments, have been removed from the ADIT calculation.³⁸ For example, ADIT related to construction work in progress has been removed. Both Ms. Myers, in her direct testimony, and Ms. Story, in her rebuttal testimony, indicate that items removed from ADIT are consistent with the Commission's decisions in GUD Nos. 10000 and 10170.

ACSC's Proposal

ACSC argues that Atmos's proposed NOLC ADIT results in artificially added federal income tax liability, and therefore the Commission should disallow the inclusion of all NOL carryforward in Atmos's rates.³⁹ According to ACSC, the impact of this disallowance would be to reduce Atmos's total request by \$22.6 million.⁴⁰ Alternatively, if the Commission determines that including an NOL carryforward ADIT computation in conjunction with setting the federal tax liability for Atmos at the full 35 percent corporate tax rate is reasonable, then the NOL carryforward should not be any greater than the NOL carryforward resulting from the consolidated Atmos Energy federal income tax filings.⁴¹ ACSC represents that its alternative recommendation results in a reduction of approximately \$7.4 million from Atmos's total request.⁴²

³⁴ ACSC Ex. 2, Direct Testimony of Constance T. Cannady ("Cannady Test."), at 23-24.

³⁵ See Exhibit WP_B-6.

³⁶ Atmos Ex. 5 (Myers Test.) at 31.

³⁷ *Id.*

³⁸ *Id.*

³⁹ ACSC Trial Br. at 5.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

In support of ACSC's position that NOLC should not be included in the ADIT computation, Ms. Cannady testifies that by computing federal income tax liability on the full statutory corporate tax rate of 35 percent, rather than on the actual taxes paid, and adding NOLC liability as well, overstates the potential tax liability of Atmos and forces ratepayers to pay for "phantom taxes."⁴³ Ms. Cannady refers to NOLC as a phantom tax because NOLC may only be applied to actual taxable income,⁴⁴ and given Atmos Energy's continued actual tax losses, Ms. Cannady does not think it likely that Atmos Energy will ever be able to apply all of the NOLC to future taxable income.⁴⁵ According to Ms. Cannady, ratepayers will not receive future benefit for contributing NOLC ADIT.⁴⁶ Furthermore, she argues, the proposed NOLC does not take into account the differences between tax treatment and regulatory treatment of each of the ADIT components included in the NOLC computation.⁴⁷ Ms. Cannady alleges that continuing the NOLC computation approved in GUD No. 10170 does not result in rates that are just and reasonable in accordance with GURA Section 104.051.⁴⁸

Alternatively, ACSC offers that the NOLC ADIT should be no more than the calculation resulting from Atmos Energy's consolidated federal income tax return.⁴⁹ According to Ms. Cannady, her alternative proposal would result in a maximum NOLC of \$487,983,038, with a resulting decrease to ADIT of \$49,543,694.⁵⁰ Ms. Cannady noted that this alternative ACSC approach would reduce the requested revenue requirements by approximately \$7.4 million as compared to the \$22.6 million reduction if her recommendation to exclude NOLC ADIT from rate base is adopted by the Commission.⁵¹

Atmos's Rebuttal

Atmos disagrees with ACSC's position that including NOLC ADIT will increase the rate base.⁵² Atmos maintains that it is proposing a credit for ADIT, which results in a decrease in the rate base of approximately \$343.4 million.⁵³ Atmos notes that Ms. Canady acknowledged that her proposal with regard to ADIT NOLC is inconsistent with Commission precedent in GUD No. 10170, but nevertheless advocates for its disallowance.⁵⁴ Atmos maintains that Ms. Cannady fails to provide support for her

⁴³ ACSC Ex. 2 (Cannady Test.) at 22.

⁴⁴ NOLC may be applied retroactively for two years or forward looking for up to 20 years.

⁴⁵ ACSC Ex. 2 (Cannady Test.) at 21.

⁴⁶ *Id.*

⁴⁷ *Id.* at 22.

⁴⁸ *Id.*

⁴⁹ *Id.* at 23.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² Atmos Reply Br. at 15.

⁵³ *Id.*

⁵⁴ Atmos Br. at 7.

contentions,⁵⁵ and Atmos provided rebuttal testimony of Jennifer K. Story to address ACSC's objections.

Regarding ACSC's objection to inclusion of NOLC in Atmos's ADIT calculation, Ms. Story testified that all ADIT balances, assets, and liabilities must be included in the calculation of ADIT.⁵⁶ According to Ms. Story, NOLC ADIT must be considered in the calculation of the rate base; otherwise, the rate base does not reflect the true quantity of cost-free cash available to Atmos.⁵⁷ Furthermore, Atmos argues that it must include the NOLC in its ADIT calculation, since failure to do so would result in a federal normalization violation of the Internal Revenue Code ("IRC").⁵⁸ A normalization violation, according Ms. Story, would result in the utility losing the ability to claim accelerated tax depreciation on future tax returns.⁵⁹

Regarding ACSC's alternative proposal that NOLC ADIT should be no more than the calculation resulting from Atmos Energy's consolidated federal income tax return, Ms. Story, on behalf of Atmos, testified that Atmos Energy reports its taxable income on a consolidated basis and files a consolidated tax return in accordance with special IRC rules governing taxation of corporations under common control, such as Atmos Energy.⁶⁰ However, each member of the affiliated group is required to compute its taxable income on an individual basis as well.⁶¹ Thus, Atmos Energy's tax department prepares separate pro forma tax returns for each individual member of the affiliate group, of which Atmos Energy and Atmos (Pipeline) are distinct and separate members.⁶² According to Ms. Story, these separate pro forma returns allow Atmos to determine taxable income and losses generated by utility operations versus non-utility operations, to include ADIT NOLC.⁶³ Atmos maintains that using Atmos Energy's consolidated tax return would result in including in its ADIT NOLC calculation NOLC resulting from both regulated and non-regulated tax items in Atmos's rate base.⁶⁴

Examiner Findings and Recommendations

After review and consideration of the evidence, argument, and relevant law, the Examiners find that Atmos established that its calculation of the ADIT NOLC is just and reasonable. As discussed above, ACSC contends that Atmos is increasing the rate base by including NOLC in its ADIT calculation, while Atmos maintains that

⁵⁵ Atmos Ex. 19, Rebuttal Testimony of Jennifer K. Story ("Story Rebuttal Test."), at 4-5.

⁵⁶ *Id.* at 7.

⁵⁷ *Id.*

⁵⁸ *Id.* at 37.

⁵⁹ *Id.* at 39.

⁶⁰ *Id.* at 10-11; see also Treasury Reg. §1.1502-1-12.

⁶¹ Atmos Ex. 19 (Story Rebuttal Test.) at 12.

⁶² *Id.*

⁶³ *Id.* at 12-14.

⁶⁴ *Id.* at 29.

it is proposing a credit to the rate base for ADIT. Both Atmos and ACSC are correct. Atmos does propose a credit to rate base for ADIT in the amount of \$343,366,465. However, that credit—or reduction in rate base—reflects Atmos's ADIT liability of \$494,605,824, decreased by the allocated NOLC amount of \$151,239,359.⁶⁵

A general understanding of ADIT and NOLC is important before treating this issue in depth. Deferred taxes arise because of timing differences between recognition of certain items for book purposes versus tax purposes.⁶⁶ Deferred taxes represent the difference between what is included as income taxes in the ratemaking context and what is actually paid in federal income taxes. ADIT is the amount of the difference that has accumulated over time. The ADIT balances are either an asset or liability that represent the cumulative amounts of additional income taxes that are estimated to become receivable or payable in future periods. An ADIT liability is considered a cost-free loan by the government.⁶⁷

As presented by Atmos in this case, an ADIT liability is an ADIT balance that results in a decrease to rate base.⁶⁸ Generally, it represents an amount of revenues collected for income taxes that are not yet due, but have been contributed by the ratepayer. Thus, an ADIT liability is a credit for ratemaking purposes, and the effect of the credit is to reduce the cost of providing service to ratepayers by an amount equal to the deferred income taxes multiplied by the overall rate of return.⁶⁹ In the context of ratemaking, a typical example of an ADIT credit is usually related to depreciation expense. ADIT associated with depreciation expense results because of differences due to the amount of depreciation expenses recovered versus the amount of depreciation expenses that may be claimed for tax purposes.

Depending on the income and deductions reported by Atmos on its tax returns, either a positive or negative taxable income is reported on the tax return. A tax net operating loss is realized when Atmos's tax deduction exceed its earned income and all tax has been offset.⁷⁰ Under provisions of the IRC, a tax NOL may first be carried back to offset taxable income from the prior two years.⁷¹ Any loss remaining after the carryback is available to carry forward for up to twenty years to reduce taxable income in a future period.⁷² NOLC represents tax deductions that have not yet been used to offset tax, but are available to offset future taxes.⁷³ Ms. Story, on behalf of Atmos, testified that because the deductions have not yet been used to offset taxes,

⁶⁵ Atmos Exhibit 18, Myers Rebuttal Testimony ("Myers Rebuttal Test."), schedules, WP_B-6.

⁶⁶ Atmos Ex. 19 (Story Rebuttal Test.) at 17.

⁶⁷ *Id.* at 19.

⁶⁸ *Id.* at 18.

⁶⁹ *Id.* at 18-19.

⁷⁰ *Id.* at 7.

⁷¹ *Id.* at 13.

⁷² *Id.*

⁷³ *Id.* at 20.

the government has not yet extended a cost-free loan.⁷⁴ Thus, Atmos's rate base should not be reduced for a cost-free loan that has not yet be realized.⁷⁵

NOLC has become a more prominent issue in recent years because Congress passed a stimulus measure to increase the availability of bonus depreciation, which along with accelerated depreciation and other deductions, has allowed Atmos to depreciate assets much faster than is allowed for financial accounting or regulatory purposes.⁷⁶ Ms. Cannady, on behalf of ACSC, claims that the ratepayers will never have the opportunity to reap the benefits of the NOLC because it is unlikely Atmos will actually have to pay taxes in the future due to current tax policies.⁷⁷ However, the evidence in this case indicates that current law phases out bonus depreciation at the end of 2019, which is likely to result in utility operations generating taxable income to which the NOLC may be used prior to its expiration.⁷⁸ Furthermore, Atmos provided decisions from other regulatory bodies supporting Atmos's treatment of ADIT, as well as numerous Internal Revenue Service ("IRS") Private Letter Rulings that validate Atmos's position on normalization rules for NOLC ADIT.⁷⁹

ACSC recommends that, if not excluded altogether, the NOLC ADIT balance should be calculated based upon the consolidated returns of Atmos Energy rather than on the stand-alone taxes of Atmos. As explained by Atmos, Atmos Energy reports its taxable income on a consolidated basis and files a consolidated tax return.⁸⁰ The filing includes both the regulated and non-regulated legal entities of Atmos Energy. On a consolidated basis, the ADIT NOLC asset balance totaled approximately \$494,035,140.⁸¹ Atmos Energy, however, did not apply the allocated portion of this asset to the ADIT calculation for Atmos. Although Atmos Energy files a consolidated return, it calculates the taxable income of the regulated operations separately from the non-regulated operations. Instead of applying the consolidated ADIT calculation for NOLC, Atmos calculated an ADIT asset for its regulated entities in the amount of \$725,716,695.⁸² A portion of this amount was allocated to Atmos and based upon Atmos Energy's proposed allocation, the ADIT asset attributable to NOLC that was assigned to Atmos was \$151,239,359. This ADIT asset was added to rate base as a matching offset.

⁷⁴ *Id.* at 7.

⁷⁵ *Id.*

⁷⁶ *Id.* at 20-21.

⁷⁷ ACSC Ex. 2 (Cannady Test.) at 21.

⁷⁸ Atmos Ex. 19 (Story Rebuttal Test.) at 28.

⁷⁹ *Id.* at 30, footnotes 7 and 8; *Application of Gulf States Utilities Co. to Change Rates*, Docket No. 8702, 17 P.U.C. Bull. 703 (May 2, 1991), and *Statement of Intent filed by Atmos Energy Cor., to Increase Gas Utiliy Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division*, GUD 10170, Final Order (Dec. 4, 2012). See also Atmos Ex. 19 (Story Rebuttal Test.), JKS-R-1.

⁸⁰ Atmos Ex. 19 (Story Rebuttal Test.) at 10-11.

⁸¹ Atmos Ex. 18 (Myers Rebuttal Test.), schedules, WP_B-6.

⁸² *Id.*; ACSC Ex. 2 (Cannady Test.), Schedule CTC-7.

Furthermore, the issue of whether the NOLC ADIT balance should be calculated based upon the consolidated returns of Atmos Energy or the calculation of the stand-alone taxes of the regulated entities was previously addressed by this Commission in GUD No. 10170. In GUD No. 10170, the Commission found that Atmos Mid-Tex established that the regulated operations generated substantial ADIT liabilities which gave rise to the NOLC, and that Atmos Mid-Tex's approach matched the ADIT liabilities to the ADIT NOLC asset created by those deductions.⁸³ Here, the Examiners find that Atmos's current proposal uses the same procedure to arrive at its ADIT computation and that methodology remains appropriate and supported by substantial evidence in this docket.

b. ADIT Adjustments for Incentive Compensation

Atmos's Proposal

Atmos included an ADIT credit associated with various incentive compensation programs.

ACSC's Opposition

ACSC argues that a flow-through adjustment should be made to the ADIT computation to reflect ACSC's recommended modifications to both STI and LTI plans, as discussed in later in the sections on incentive compensation expenses and capitalized incentive compensation.⁸⁴ On behalf of ACSC, Ms. Cannady testified and provided her work papers regarding the calculations she made to adjust ADIT to correspond to the recommendations she proffered on incentive pay.⁸⁵ Her recommended adjustment reduces rate base by \$739,054.⁸⁶

Atmos's Rebuttal

Atmos disagrees with ACSC's position, indicating that ACSC's adjustments to expenses for STI and LTI are based on calculations made using test year data, whereas ADIT related to STI and LTI is cumulative rather than reflective of the costs incurred during the test year.⁸⁷ On behalf of Atmos, Ms. Story explained in her testimony that deferred taxes related to incentive compensation result from the timing differences between accrual of expenses for book purposes versus when the amounts are deductible for tax purposes.⁸⁸ Ms. Story testified that given the timing issues of these deductions, adopting ACSC's proposal will result in a mismatch

⁸³ *Statement of Intent filed by Atmos Energy Cor., to Increase Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division*, GUD 10170, Final Order (Dec. 4, 2012).

⁸⁴ ACSC Br. at 11.

⁸⁵ ACSC Ex. 2 (Cannady Test.) at 23.

⁸⁶ *Id.* at 24.

⁸⁷ Atmos Trial Br. at 6-7. See also Atmos Ex. 19 (Story Rebuttal Test.) at 44-45.

⁸⁸ Atmos Ex. 19 (Story Rebuttal Test.) at 44.

between deferred taxes and underlying incentive compensation included in rates, and that it is difficult for Atmos to bifurcate ADIT amounts resulting from current periods of costs versus those resulting from prior periods of costs.⁸⁹

Examiner Findings and Recommendation

After review and consideration of the evidence, argument, and relevant law, the Examiners find that an adjustment to the ADIT calculation included in rate base is warranted. ACSC's calculation is not appropriate here because the Examiners recommend adjustments to incentive compensation that are different from either Atmos's or ACSC's proposals. The Examiners do, however, find that calculating the adjustment by using the methodology provided by ACSC witness, Ms. Cannady, as indicated in her Schedule CTC-5, is acceptable. While Ms. Story, on behalf of Atmos, testified that an adjustment should not be made to the ADIT calculation for incentive compensation, she did acknowledge that "Ms. Cannady's imprecise methodology could be used as a loose approximation for a rate base adjustment."⁹⁰

Accordingly, the Examiners find it appropriate and reasonable to use the methodology reflected in Ms. Cannady's Schedule CTC-5 to adjust the ADIT calculation, in conformance with Examiners' findings and recommendations regarding incentive compensation. The Examiners recommend an increase to Atmos's ADIT calculation of \$1,484,486, and recommend approval of an ADIT credit to the rate base of \$344,850,951, which is just and reasonable, supported by the evidence, and consistent with GURA Section 104.051 (Establishing Overall Revenues).

c. ADIT Conclusion

After review and consideration of the evidence, argument, and relevant law, the Examiners find that Atmos established that its calculation of the ADIT NOLC totaling \$151,239,359 is just and reasonable. However, the Examiners find that Atmos's proposed rate base credit of \$343.3 million should be increased by \$1,484,486 to reflect adjustments to the incentive compensation programs. Thus, the Examiners recommend approval of an ADIT credit to the rate base of \$344,850,951.

3. Pension and Other Postemployment Benefit (OPEB)

GURA Section 104.059 (Pension and Other Postemployment Benefits) allows Atmos to establish a pension and other postemployment benefit ("OPEB") regulatory asset. Atmos represents that it complied with GURA Section 104.059, stating that it used the current benchmark based on amounts approved in GUD No. 10000. Atmos

⁸⁹ *Id.* at 45.

⁹⁰ *Id.* at 45.

also requests that the Commission approve its proposal for a one-time adjustment to allocate to utility plant the deferred pension amounts attributable to capital, approve the pension asset amount attributable to expense, and the related amortization.

Intervenor ACSC opposes the proposed one-time adjustment for deferred capital amounts.

Regulatory Asset

Atmos provided testimony and schedules detailing the proposed capitalization amounts showing each annual adjustment. The adjustments were based on a Willis Towers Watson Actuarial Report, using the report and the benchmarks set in GUD No. 10000, indicating that the value as of September 30, 2016, was \$6,567,664. Atmos proposes a 10-year amortization of the deferred asset be included in O&M expense in the amount of \$656,766.⁹¹

One-Time Adjustment

Atmos requests that the Commission approve its proposed request for a one-time adjustment to allocate the pension amount that is currently deferred and is attributable to capital to utility plant. The allocation of pension attributable to capital utility plant, by year, is shown below.⁹²

Year	Capital Amount	Expense Amount
FY 2012	\$399,374.25	\$1,368,602.25
FY 2013	\$725,953.94	\$2,428,821.25
FY 2014	\$544,760.88	\$1,797,393.42
FY 2015	\$385,503.57	\$1,135,945.12
FY 2016	\$47,716.20	(\$163,098.36)
TOTAL	\$2,103,308.84	\$6,567,663.68

According to Atmos, deferral of the expense-only amount will simplify the process and eliminate the need for additional adjustments between capital and expense. Atmos states that its books and records will reflect the amount of capitalized pension on a monthly basis, and the Commission will be able to account for the amount at issue. Atmos also records both capital and expense amounts related to the pension asset in its other divisions, and tracking changes is possible because the relevant benchmark is known. Atmos claims its proposal is consistent with GURA Section 104.059 (Pension and Other Postemployment Benefits), which does not dictate what amounts must be included for capital and expense. Atmos claims the proposed change does not impair the Commission's subsequent review of the amounts recorded to reserve accounts to determine whether the amounts are reasonable and necessary.⁹³

⁹¹ Atmos Ex. 18 (Myers Rebuttal Test.), Schedules, WP B-7 and WP B-7.1.

⁹² Atmos Ex. 1a (Relied Files), WP_B-7.1 Pension Regulatory Asset.

⁹³ Atmos Ex. 18 (Myers Rebuttal Test.) at 15.

Atmos requests Commission approval of the pension asset amount attributable to expense, and that the Commission approve the pension benchmark for expenses consistent with the below table.⁹⁴ Atmos requests that the benchmark amount approved by the Commission for future periods include only the expense amount. The amount attributable to capital would continue to be recorded to utility plant through the overhead process as described in the Cost Allocation Manual.⁹⁵

Expense Benchmarks for Commission Approval⁹⁶

Entity	Pension Account Plan	Post-Employment Benefit Plan	Supplemental Executive Benefit Plan	Total
SSU Allocated to APT	\$ 682,388	\$ 390,508	\$ 0	\$1,072,896
Mid-Tex Allocated to APT	\$ 906,331	\$ 481,543	\$ 0	\$1,387,874
APT Direct	\$ 335,451	(\$ 193,820)	\$ 323,031	\$464,662
Total	\$1,924,170	\$ 678,231	\$ 323,031	\$2,925,432

Opposition by ACSC

ACSC opposes Atmos's requested one-time adjustment for deferred capital amounts. ACSC argues the Commission should not approve the one-time adjustment for deferred capital amounts because, by capitalizing pension costs with regular employee expenses and not deferring the capital amount, it would be difficult to track the adjustments.⁹⁷ At the hearing, ACSC discussed the allocation of OPEB between capital and expense with Atmos's witness, Ms. Myers. Since 2012, the amount proposed to be included in capital is \$2.1 million and expense is \$6.6 million. The total deferred asset is approximately \$8.6 million. The capitalization ratio benchmark of approximately 23 percent, which was set in GUD No. 10000, was utilized for the entire period of 2012-2016. However, the expense ratios varied by year.⁹⁸

Examiner Findings and Recommendation

The Examiners' recommend approval of inclusion of the Pension and OPEB regulatory asset of \$6,567,664 in rate base. No party contested this. Atmos testified to the asset amounts recorded by period, as reported in the Willis Towers Watson

⁹⁴ *Id.* at 15 and BWM-R-1, WP F-2.3.1.

⁹⁵ Atmos Ex. 5 (Myers Test.) at 38.

⁹⁶ Atmos Ex. 18 (Myers Rebuttal Test.), WP F-2.3.1.

⁹⁷ ACSC Ex.2 (Cannady Test.) at 24.

⁹⁸ Hearing Tr. (April 19, 2017) at 130-136.

Actuarial Study, and which are updated annually using the benchmark set in GUD No. 10000.⁹⁹

The Examiners recommend approval of Atmos's requested change from the current OPEB benchmark set by the Commission to include only expenses, and approval of the proposed one-time pension asset adjustment in the amount of \$2,102,205. This amount was allocated on a pro-rata account basis to plant in service that Atmos established is the amount of pension asset attributable to capital recorded since Atmos complied with GURA Section 104.059 (Pension and Other Postemployment Benefits), covering the period of January 2012 through September 2016.¹⁰⁰

To address ACSC's concern that, by capitalizing pension costs with regular employee expenses and not deferring the capital amount, it could be difficult to track the adjustments, the Examiners recommend requiring Atmos, in its next statement of intent, to maintain the same schedules and format for WP_F-2.3.1 and WP_B-7.1, including the monthly source documentation provided in Atmos Ex. 1a Relied Files, WP_B-7.1 Pension Regulatory Asset, as Atmos did with this filing. This will provide monthly dollar amounts capitalized and expensed and allow verification of ratios.

As Atmos explains, actual benefits are recorded based on work performed, which depending upon the activity, is recorded to capital or expense or both. These activities change and vary month to month. However, the benchmark amounts are set based on the historic period and create a baseline for determining future variances between capital and expense amounts. GURA Section 104.059 does not specify that the amount deferred be for both capital and expense. The statute says "If the gas utility establishes reserve accounts for the costs of pensions and other postemployment benefits, the regulatory authority at a subsequent general rate proceeding shall . . . review the amounts recorded to each reserve account to determine whether the amounts are reasonable and necessary."¹⁰¹ Therefore, GURA does not state that the amounts for review must include capital and expense.

4. Capitalized Incentive Compensation

Atmos requests inclusion of \$6,544,983 in rate base for capitalized incentive compensation, of which \$5,013,445 is for STI and \$1,531,538 is for LTI.¹⁰² Atmos's capitalized incentive compensation includes STI and LTI for its direct Atmos employees and Shared Services Unit ("SSU") employees. Atmos requests recovery for all capitalized incentive compensation.¹⁰³ Atmos offers that its request is aligned

⁹⁹ Atmos Ex. 18 (Myers Rebuttal Test.), Schedules WP_B-7.1.

¹⁰⁰ Atmos Ex. 18 (Myers Rebuttal Test.), BWM-R-1, Schedule C, Rate Base cell E63.

¹⁰¹ Tex. Util. Code § 104.059(e)(1).

¹⁰² Atmos Ex. 18 (Myers Rebuttal Test.), Exhibit BWM-R-3.

¹⁰³ Atmos Ex. 5 (Myers Test.) at 42-43.

with precedent established in GUD No. 10000 and numerous Mid-Tex Division cases.¹⁰⁴

Opposition by ACSC

In opposition, ACSC recommends the same treatment of capitalized STI and LTI as it prescribed for expensed STI and LTI, resulting in a rate base reduction of \$2,802,860¹⁰⁵ and \$1,396,335,¹⁰⁶ respectively. Additionally, ACSC recommends removing the capitalized SSU STI, thus reducing rate base by an additional \$432,486.¹⁰⁷ ACSC explains that reducing rate base is necessary to ensure that both the capitalized and expensed portion of its incentive compensation recommendation are considered.¹⁰⁸ In support, ACSC points to an admission by an Atmos witness at the Hearing that the appropriate action to take when reversing an accounting entry is to reverse both the expense entry and the capitalization entry.¹⁰⁹

In response, Atmos cites to prior commission decisions involving Atmos Energy that do not support ACSC's recommendation to remove the capitalized portions of SSU STI.¹¹⁰ Atmos points out that the Commission did not adjust capitalized incentive compensation in GUD No. 10170, and that had the Commission intended to make an adjustment to rate base, it would have done so.¹¹¹

Examiner Findings and Recommendation

As treated below in the expenses section, the Examiners find that substantial, credible evidence supports partial—but not total—recovery for both STI and LTI, and that both shareholders and ratepayers benefit, to some degree, from incentive compensation. Consistent with the Examiners' recommendation regarding O&M expenses, the Examiners recommend that Atmos recover its direct capitalized incentive compensation expenses at the 100-percent target and that the SSU portions be removed. Atmos requests recovery of \$432,486 for SSU STI and \$819,798 for SSU LTI—the Examiners recommend removing this amount. The amounts exceeding the 100-percent target are \$1,285,517 for STI and \$85,976 for LTI. Removing these amounts results in a total adjustment of \$2,623,777 and ultimate recovery of \$3,921,206. The Examiners find recovery of \$3,921,206 to be just and reasonable, supported by the evidence, and consistent with GURA Section 104.051 (Establishing Overall Revenues).

¹⁰⁴ *Id.* at 43.

¹⁰⁵ ACSC Ex. 2 (Cannady Test.) at 7-8.

¹⁰⁶ *Id.* at 15-17.

¹⁰⁷ *Id.* at 8.

¹⁰⁸ *Id.* at 7-8.

¹⁰⁹ ACSC Br. at 7 (referencing Hearing Tr. (April 19, 2017) at 127-28 (Myers testifying)).

¹¹⁰ Atmos Ex. 18 (Myers Rebuttal Test.) at 6 (referencing GUD Nos. 9762, 9869, 10000 and 10170).

¹¹¹ Atmos Br. at 10.

5. Unchallenged Amounts

As found above, Atmos established that it keeps its books and records in accordance with Commission rules. Accordingly, the unchallenged amounts shown on Atmos's books and records, as well as summaries and excerpts therefrom, are presumed to have been reasonably and necessarily incurred.¹¹²

6. Rate Base Conclusion

The Examiners find that a rate base amount totaling \$1,767,599,981 is just and reasonable, supported by the evidence, and consistent with the requirements of GURA Chapter 104 (Rates and Services).

B. Operations and Maintenance (O&M) Expenses

Atmos requests expenses totaling \$234,024,575. Challenged expenses include (1) depreciation, (2) incentive compensation, (3) Supplemental Employee Retirement Plan ("SERP"); (4) Cost Center 1905 outside director retirement costs, (5) other pay, (6) pension and other postemployment benefit (OPEB) regulatory asset expense amounts, (8) federal income tax, (9) allocations from Shared Service Unit (SSU) and Mid-Tex, (10) affiliate expenses for Blueflame Property Risk Management Program.

As set out in detail below, the Examiners recommend a \$1,597,805 reduction to Atmos's requested expenses, reducing the total amount to \$232,426,770.

1. Depreciation

The Commission is required to establish proper and adequate rates and methods of depreciation for Atmos.¹¹³ Here, Atmos requests an increase to its direct depreciation expense of approximately \$19 million and a decrease to SSU depreciation expense allocated to Atmos of approximately \$1.3 million.¹¹⁴ Atmos bases this request on two depreciation studies conducted by Alliance Consulting Group ("Alliance"), a utility consulting firm.¹¹⁵ The last change in Atmos's depreciation rates occurred in 2011.¹¹⁶ Since then, Atmos's plant balance has increased from \$1 billion (2009) to \$2.4 billion (2016)—a change of 140 percent.¹¹⁷

¹¹² See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

¹¹³ Tex. Util. Code § 104.054 (Depreciation, Amortization, and Depletion).

¹¹⁴ Atmos Br. at 29.

¹¹⁵ See Atmos Ex. 13, Direct Testimony of Dane A. Watson ("Watson Test."), Exhibits DAW-2 (Atmos Study) and DAW-3 (SSU Study).

¹¹⁶ GUD No. 10000 (establishing depreciation rates based on a depreciation study on plant in service as of September 30, 2009).

¹¹⁷ Atmos Ex. 13 (Watson Test.) at 15.

In support of its requested new depreciation rates, Atmos provided testimony from Dane A. Watson (B.S. (Electrical Engineering), MBA), an Alliance partner and Certified Depreciation Professional by the Society of Depreciation Professionals.¹¹⁸

Dallas opposes Atmos's depreciation request. The primary disagreement between Atmos and Dallas is whether Atmos should be allowed to continue using the Equal Life Group ("ELG") method to establish depreciation rates, as Atmos has done continually since the Commission first approved this method for Atmos in 1997. Dallas opposes Atmos's requested continuation of the ELG method, arguing that another method—Average Life Group ("ALG")—is more proper. The financial impact of switching from the ELG method to the ALG method is significant—according to Dallas, doing so would reduce Atmos's proposed annual depreciation expense by approximately \$23 million.¹¹⁹ Alternatively, if the Commission allows Atmos to continue using the ELG method, Dallas proposes life adjustments to seven accounts. In support, Dallas provided testimony from David J. Garrett (B.B.A. (Finance), MBA, JD), a depreciation consultant and managing member of Resolve Utility Consulting, PLLC, a utility consulting firm.¹²⁰ Mr. Garrett also is a Certified Depreciation Professional by the Society of Depreciation Professionals.

Equal Life Group (ELG) vs. Average Life Group (ALG)

In the ELG system, the annual depreciation expense for each group is computed by dividing the original cost of the asset, less allocated depreciation reserve, less estimated net salvage, by its respective equal life group remaining life.¹²¹ The resulting annual accrual amounts of all depreciable property within an account are accumulated, and the total is divided by the original cost of all account level depreciable property to determine the account-level depreciation rate.¹²² The calculated remaining lives and annual depreciation accrual rates are based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group.¹²³ Here, Atmos requests continuation of the *status quo* ELG method, which Atmos has used continually for nearly 20 years since the Commission first approved it for Atmos in 1997.¹²⁴ Since 1997, the Commission has approved the ELG method: for Atmos in GUD Nos. 8976 (2000), 9400 (2004), and 10000 (2007); for other Atmos Energy divisions in GUD Nos. 9145-9148 (2000), 9400 (2004), 9670 (2007), 9762 (2008), 10170 (2012), and 10174 (2012); and for other utilities as recently as 2017.¹²⁵

¹¹⁸ *Id.* at 24, Rebuttal Testimony of Dane A. Watson ("Watson Rebuttal Test.").

¹¹⁹ Dallas Br. at 19.

¹²⁰ Dallas Ex. 3, Direct Testimony of David J. Garrett ("Garrett Test.").

¹²¹ Atmos Ex. 13 (Watson Test.) at 10.

¹²² *Id.*

¹²³ *Id.* at 10-11.

¹²⁴ GUD No. 8664, Second Order on Rehearing (Dec. 1, 1997).

¹²⁵ Atmos Ex. 24 (Watson Rebuttal Test.) at 7-8.

In opposition, Dallas argues that the ELG method unfairly accelerates depreciation and therefore should be replaced with the ALG method. In the ALG method, a constant accrual rate based on the average life of all property in the group is applied to the surviving property.¹²⁶ According to Dallas, the ELG method results in accelerated depreciation and intergenerational inequality because it results in annual accruals that are higher during the early years of a vintage's life, thereby causing an increase in depreciation expense and revenue requirements during these years.¹²⁷ In contrast, the ALG method results in the same depreciation rate applied to each age interval.¹²⁸ While acknowledging industry acceptance of both ELG and ALG methods as "systemic and rational,"¹²⁹ Dallas highlights that Atmos's own depreciation expert previously testified in other utility rate cases in favor of the ALG method.¹³⁰ Dallas also notes that in many of the prior dockets involving Commission approval of the ELG method, the properness of the ELG method was not contested or meaningfully litigated.

In response, Atmos disputes Dallas's characterization that the ELG method results in accelerated depreciation or intergenerational inequality, arguing that ELG is more accurate and the Commission and other industry authorities historically have recognized the ELG method as the more "theoretically correct" depreciation procedure because it appropriately recognizes that specific assets within a FERC account retire at different ages—not over just the stated average service life of all assets in the account.¹³¹ The ELG procedure groups assets that share similar lives within an account and calculates a theoretical reserve amount for that account to reflect retirements that occur at ages outside of the average, unlike the ALG method.¹³² Atmos notes that the properness of the ELG method was extensively litigated in GUD Nos. 8664 (1997) and 9145 (2000), and since then Atmos has continued to maintain aged records for its assets, maintained detailed records on the type of pipe in its systems, and performed depreciation studies at regular intervals.¹³³ At the Hearing, Atmos's depreciation expert witness acknowledged his prior advocacy for the ALG method in other cases,¹³⁴ but maintained that—for Atmos—ELG is "the best, most accurate method."¹³⁵

¹²⁶ Dallas Ex. 3 (Garrett Test.) at 11.

¹²⁷ *Id.* at 12 (citing NARUC *Public Utility Depreciation Practices*).

¹²⁸ *Id.*

¹²⁹ Dallas Ex. 10 (excerpt from *Depreciation Systems* publication, at 93).

¹³⁰ Dallas Ex. 7 (Watson 2014 Testimony before the New Mexico PRC) at 15; Dallas Ex. 8 (Watson 2013 Testimony before the Texas PUC) at 8; and Dallas Ex. 6 (Watson 2014 Testimony before the Public Service Commission of Nebraska) at 3, 6; see also Dallas Reply Br. at 13-16.

¹³¹ Atmos Ex. 25 (Watson Rebuttal Test.) at 6-8, 10-14; Atmos Br. at 29-30.

¹³² Atmos Ex. 25 (Watson Rebuttal Test.) at 7.

¹³³ *Id.* at 8-9.

¹³⁴ Hearing Tr. (April 20, 2017) at 175-193.

¹³⁵ *Id.* at 194 ("Q: Can I ask why did you use ELG for [Atmos] specifically? A: There were a number of reasons. One is that it's been the Commission's precedent for the last 20 years to use [ELG]. The second is, you know, from what my reading of the discussions from the Commissioners in the past, they seem – they have some very solid reasons that they want it and thought it was appropriate to – to keep or give the company the cash flow to

Proposed Service Life Adjustments

Dallas contests Atmos's requested service life estimates for seven accounts, summarized below.

Proposed Service Life Adjustments

FERC Acct. No.	Account Title	Existing Service Life/Curve	Atmos Proposed Service Life/Curve	Dallas Proposed Service Life/Curve
Underground Storage				
351	Structures and Improvements	45 yrs / S3	52 yrs / S3	69 yrs / R2
353	Lines	41 yrs / R2	40 yrs / R0.5	42 yrs / R0.5
354	Compressor Station Equipment	35 yrs / R2.5	40 yrs / R1.5	42 yrs / L2
355	M&R Equipment	38 yrs / R3	40 yrs / R0.5	42 yrs / R0.5
356	Purification Equipment	40 yrs / R3	55 yrs / R2.5	69 yrs / R2
Transmission Plant				
365.20	Rights of Way	85 yrs / R4	85 yrs / R4	89 yrs / R1
370	Communication Equipment	25 yrs / L2	25 yrs / L2	28 yrs / R1.5

- *Account 351 (Structures & Improvements).* The existing service life is 45 years. Atmos proposes an increase to 52 years. Dallas recommends lengthening this projected life to 69 years.
- *Account 353 (Lines).* The existing service life is 41 years. Atmos proposes a decrease to 40 years. Dallas recommends lengthening this projected life to 42 years.
- *Account 354 (Compressor Station Equipment).* The existing service life is 35 years. Atmos proposes an increase to 40 years. Dallas recommends lengthening this projected life to 42 years.
- *Account 355 (Measuring & Regulating Station Equipment).* The existing service life is 38 years. Atmos proposes an increase to 40 years. Dallas recommends lengthening this projected life to 42 years.
- *Account 356 (Purification Equipment).* The existing service life is 40 years. Atmos proposes an increase to 55 years. Dallas recommends lengthening this projected life to 69 years.

be able to keep investing in their system. And so for all of those reasons, especially because that's been the long-term precedent and it is the best, most accurate method, I chose to continue to recommend equal life group for this case.").

- *Account 365.20 (Rights of Way)*. The existing service life is 85 years. Atmos does not propose a change. Dallas recommends lengthening this projected life to 89 years.
- *Account 370 (Communication Equipment)*. The existing service life is 25 years. Atmos does not propose a change. Dallas recommends lengthening this projected life to 28 years.

For all its accounts, Atmos used actuarial analysis methods to establish average service lives for each account within a functional group.¹³⁶ Atmos supports its actuarial analysis method—and resulting service life calculations—with a 2016 Atmos Study¹³⁷ and a 2014 SSU Study.¹³⁸ In addition to mathematical analyses, Atmos considered information specific to Atmos that, according to Atmos, affects the lives of its assets, including relevant operational experience, future expectations, and existing parameters previously approved by the Commission.¹³⁹

Like Atmos, Dallas also used an actuarial analysis for these accounts. Dallas reviewed actual observed data from Atmos's records, using a combination of visual and mathematical curve-fitting techniques to calculate service lives for the above seven accounts.¹⁴⁰ Dallas stresses that these adjustments are based on Dallas's recommended ALG method (discussed above), but are also proper if the Commission chooses to keep the ELG method.¹⁴¹ Dallas offers that it reviewed the same Atmos-specific operational information considered by Atmos's depreciation expert, though Dallas disputes the usefulness of that information for estimating service lives.¹⁴²

In response, Atmos argues that Dallas's recommendations should be rejected because they overly rely on mathematical analyses and statistics, disregarding information specific to Atmos's operations that affect the lives of these assets.¹⁴³ Atmos highlights that Dallas only meaningfully addresses two accounts—356 (Purification Equipment) and 365.20 (Rights of Way)—in the direct evidence provided by Dallas. For *Account 356 (Purification Equipment)*, Atmos argues that: Dallas improperly excludes relevant data at the tail of the observed life table ("OLT") curve;¹⁴⁴ Atmos's proposed service life of 55 years is appropriate to comply with various regulations related to security and safety;¹⁴⁵ and Dallas's proposed 29 years—

¹³⁶ Atmos Ex. 13 (Watson Test.) at 11, and Exhibits DAW-2 (Atmos Study) and DAW-3 (SSU Study).

¹³⁷ *Id.*, Exhibit DAW-2 (Atmos Study).

¹³⁸ *Id.*, Exhibit DAW-3 (SSU Study).

¹³⁹ Atmos Ex. 24 (Watson Rebuttal Test.) at 15.

¹⁴⁰ Dallas Ex. 3 (Garrett Test.) at 17.

¹⁴¹ *Id.* at 19 ("As a matter of principle, it is far more important for the Commission to adopt my proposed rates because they are based on the [ALG] procedure."), 28-29.

¹⁴² Dallas Reply Br. at 19-20.

¹⁴³ Atmos Br. at 30-31.

¹⁴⁴ Atmos Ex. 24 (Watson Rebuttal Test.) at 17-18.

¹⁴⁵ *Id.* at 19 ("However, I also conducted on-site interviews with Company [subject matter experts], who informed me that the changes in this account are driven by various regulations related to security and safety, such as those already experienced at TriCities, Lapan, and New York facilities.").

a nearly 73 percent change—is excessive.¹⁴⁶ For *Account 365.20 (Rights of Way)*, Atmos and Dallas are only four years apart in their recommendations—Atmos argues that the existing service life of 85 years is proper and supported by the general historical trend of the percent surviving at 100 to 90 percent for the first 40 years and then dropping.

Reserve Reallocation

Atmos also offered evidence supporting the appropriateness of reallocating the reserve to ensure the undepreciated plant balance in each account will be depreciated over the remaining life of those assets.¹⁴⁷ Dallas argues that reserve reallocation is not necessary.¹⁴⁸ In response, Atmos maintains that reserve reallocation is necessary to ensure the most accurate rates and doing so is standard depreciation practice.¹⁴⁹

Examiner Findings and Recommendation

Method

The Examiners find that Atmos’s proposed ELG depreciation method is proper and adequate.¹⁵⁰ Atmos met its burden by establishing that ELG is a viable, industry-accepted method to establish depreciation rates. As Atmos and Dallas both acknowledge, neither the ELG nor the ALG methods are inherently “incorrect”—they are just different, and both are systemic and rational.¹⁵¹ The evidence supports that the ELG is a straight-line method¹⁵² and is proper and adequate—Atmos is not required to prove further that ELG is superior to ALG.

Proposed Service Lives

The Examiners find that Atmos’s proposed service lives are proper and adequate, and just and reasonable. The weight of evidence—including Atmos’s two depreciation studies, along with the direct and rebuttal testimonies of Atmos’s depreciation expert witness—supports Atmos’s proposed service lives, including those contested by Dallas. For the seven contested accounts, both Atmos and Dallas offered persuasive expert analysis, supported by data, though in testimony Dallas only meaningfully addressed and discussed two accounts—356 (Purification Equipment) and 365.20 (Rights of Way). For these and the other contested accounts,

¹⁴⁶ *Id.* at 20.

¹⁴⁷ Atmos Ex. 13 (Watson Test.), Exhibit DAW-2 (Atmos Study), pp. 8-9; Atmos Ex. 24 (Watson Rebuttal Test.) at 32-33.

¹⁴⁸ Dallas Ex. 3 (Garrett Test.) at 15-16.

¹⁴⁹ Atmos Ex. 24 (Watson Rebuttal Test.) at 33-34.

¹⁵⁰ See Tex. Util. Code § 104.054(a) (Depreciation, Amortization, and Depletion) (“The railroad commission shall establish **proper and adequate** rates and methods of depreciation, amortization, or depletion for each class of property of a gas utility or municipally owned utility.”) (emphasis added).

¹⁵¹ See Atmos Ex. 24 (Watson Rebuttal Test.) at 11, and Dallas Reply Br. at 13 (both citing *Depreciation Systems* publication, at 93).

¹⁵² Atmos Ex. 24 (Watson Rebuttal Test.) at 10 (“Both [ELG and ALG] procedures are straight-line methods of calculating depreciation so that assets are fully depreciated at the end of their service lives.”).

the weight of evidence favored Atmos. The Examiners disagree with Dallas that Atmos's company-specific operational information carries no probative weight when estimating service life parameters. The analyses and considerations used by Atmos were proper and adequate, and sufficiently supported Atmos's proposed service lives.

Reserve Reallocation

The Examiners find that Atmos's proposed reserve reallocation is proper and adequate. Reallocating reserves ensures the undepreciated plant balance in each account will be depreciated over the remaining life of those assets, which ensures accurate rates.

Conclusion

Atmos's proposed depreciation rates and methods—including calculation of the reserve—are proper and adequate, just and reasonable, and meet the requirements of GURA Section 104.054 (Depreciation, Amortization, and Depletion) and Commission Rule § 7.5252 (Depreciation and Allocations). The Examiners recommend their approval.

2. Incentive Compensation

Incentive compensation is a major point of disagreement between Atmos, ACSC, and Dallas. Atmos's incentive compensation expenses include short-term incentive compensation ("STI") and long-term incentive compensation for ("LTI") its direct Atmos employees and its Shared Services Unit ("SSU") employees. Atmos argues that all test-year incentive compensation expenses should be considered reasonable and necessary, though Atmos does not seek cost recovery for the entire amount.¹⁵³ Rather, Atmos—citing Commission precedent in GUD Nos. 9670, 9762, 9869, 10000, and 10170—removed allocated SSU STI.¹⁵⁴ Atmos requests recovery \$1,849,491 of STI and \$1,421,652 of LTI, of which \$404,401 is for direct employees and \$1,017,251 for SSU employees.¹⁵⁵ In support, Atmos provides testimony from: Barbara W. Myers, Manager of Rates and Regulatory Affairs for Atmos Energy Corporation Shared Services; Melanie P. Connelly, Director of Compensation & Human Resource Management System for Atmos Energy Shared Services Division; John R. Ellerman, Partner at Pay Governance LLC, a management consulting firm; Mr. Knights; and Mr. Erskine.

Incentive Compensation – Generally

Atmos explains that its compensation program—base pay, incentive compensation, and merit increases—targets the midpoint compensation levels of peer

¹⁵³ Atmos Ex. 7, Direct Testimony of Melanie P. Connelly ("Connelly Test."), at 16-17.

¹⁵⁴ *Id.* at 16-17.

¹⁵⁵ Atmos Ex. 18, Rebuttal Testimony of Barbara W. Myers ("Myers Rebuttal Test."), Exhibit BWM-R-3.

companies to be competitive in the labor market.¹⁵⁶ Atmos highlights prior dockets, stating that over the last ten years, the Commission repeatedly has found the same incentive compensation costs Atmos seeks to recover in this case to be reasonable and necessary expenses.¹⁵⁷ Atmos argues that incentive compensation benefits customers because an employee's receipt of the award is closely tied to individual employee performance.¹⁵⁸ Atmos explains that the variable compensation components of STI and LTI are not guaranteed and are only paid if Atmos and the individual meet established criteria.¹⁵⁹

Short-Term Incentive (STI)

Atmos explains that its STI plan, which includes a variable pay plan ("VPP") and a management incentive plan ("MIP"), offers incentives based on financial, operational, and safety goals that benefit customers and shareholders.¹⁶⁰ Atmos bases the award levels on an employee's grade, with each plan providing a payout ranging from 50 percent of the target to 200 percent of the target.¹⁶¹ According to Atmos, this the overall design structure of the annual STI plans have remained the same since implementation in the late 1990s, except for two immaterial exceptions.¹⁶² Atmos also notes the following to support its request: (1) More than 80 percent of Southern Gas Association survey participants and American Gas Association survey participants offer STI;¹⁶³ (2) like Atmos, 89 percent of American Gas Association survey participants rely on established targets in an STI plan for exempt, non-management, and non-exempt employees;¹⁶⁴ (3) the VPP threshold target range—50 percent to 200 percent—are comparable to surveyed companies;¹⁶⁵ and (4) nearly half of surveyed companies use earnings per share ("EPS") as an STI metric, whereas the next most common financial metrics are present in only 15 percent of plans.¹⁶⁶

Long-Term Incentive (LTI)

Atmos describes its LTI plan as a stock-based, long-term incentive plan focusing on its long-term financial strength and viability.¹⁶⁷ Eligibility is limited to certain management personnel charged with directing and overseeing day-to-day

¹⁵⁶ Atmos Ex. 7 (Connelly Test.) at 4-5.

¹⁵⁷ Atmos Ex. 5, Direct Testimony of Barbara W. Myers ("Myers Test."), at 43 n1 (referencing GUD Nos. 9670, 9762, 9869, 10000, and 10170).

¹⁵⁸ Atmos Ex. 7 (Connelly Test.) at 21.

¹⁵⁹ *Id.* at 4-9.

¹⁶⁰ *Id.* at 9-12.

¹⁶¹ *Id.* at 10-12.

¹⁶² *Id.* at 10-13, Exhibit MPC-4, Exhibit MPC-9.

¹⁶³ *Id.* at 10-12, Exhibit MPC-1, Exhibit MPC-2.

¹⁶⁴ *Id.* at 10, Exhibit MPC-8.

¹⁶⁵ *Id.*, Exhibit MPC-8.

¹⁶⁶ *Id.*, Exhibit MPC-4.

¹⁶⁷ *Id.* at 14.

operations and remain with Atmos Energy for a three-year period.¹⁶⁸ Atmos's LTI plan divides the value of stock awards equally between time-lapse restricted share units ("RSU") with a three-year vesting period and performance-based RSU with a three-year performance period.¹⁶⁹ The actual payout for the performance-based award ranges from 0 to 200 percent of the target, based on cumulative EPS over the three-year performance period.¹⁷⁰

Atmos explains that the time-based grants are designed to encourage management personnel to remain with Atmos to continue investing their time and talent in helping Atmos Energy successfully provide safe and reliable service.¹⁷¹ Atmos explains that the performance-based grants have both time and performance components, with the performance-based restricted stock units (RSUs) vesting in whole or part at the end of an employee's three-year period, depending on Atmos's performance. Atmos notes that if the employee leaves before the end of the period, then both the time-based and performance-based RSUs are forfeited.¹⁷² Atmos contends that its LTI plan is consistent with the market, showing that 45 percent of Southern Gas Association survey participants have an LTI plan for management that includes awards of performance shares or RSUs.¹⁷³

Opposition by ACSC

In opposition, ACSC recommends removing \$1,159,144 of STI and \$1,073,267 of LTI, arguing that ratepayers should not be burdened with incentive compensation awards exceeding the 100-percent target because such excessive awards are not necessary to attract and retain employees.¹⁷⁴ In support, ACSC provides testimony from Constance T. Cannady, executive consultant at NewGen Strategies & Solutions, LLC.

ACSC's Recommendation for STI

ACSC recommends limiting any allowed STI pay to 100 percent of the targets established for the payment by position, and then disallowing the portion of the STI set at 100 percent of targets that is awarded based on meeting certain financial measures.¹⁷⁵

ACSC argues that ratepayers should not be responsible for any STI award that is greater than the target percentages set to achieve a level of total compensation

¹⁶⁸ *Id.* at 14-16.

¹⁶⁹ *Id.* at 14.

¹⁷⁰ *Id.*

¹⁷¹ *Id.* at 15.

¹⁷² *Id.* at 14-16.

¹⁷³ *Id.* at 16, Exhibit MPC-2.

¹⁷⁴ ACSC Ex. 2, Direct Testimony of Constance T. Cannady ("Cannady Test."), at 9-10, 26-28.

¹⁷⁵ *Id.* at 7-15, Exhibit CTC-2.

that falls within the 50th percentile.¹⁷⁶ To support its position further, ACSC explains that Atmos Energy sets the target percentages for STI by position based on compensation surveys, but Atmos Energy does not review the actual percentage amounts awarded by companies included in the surveys in any particular year.¹⁷⁷ ACSC argues that the target is set at a level to attract and retain employees, and therefore Atmos may choose to reward employees for greater than 100 percent of their respective STI target percentages, but these additional pay-outs are not necessary to retain and attract employees.¹⁷⁸

ACSC disputes Atmos's claim that Atmos's request follows Commission precedent. According to ACSC, in GUD No. 10000, all the incentive targets approved by the Commission were at two percent for all employee grades. In this case, ACSC states, every employee grade is proposed to have over a 100-percent increase in the incentive target.¹⁷⁹

ACSC recommends that at least half of the STI set at the 100-percent target be disallowed because incentive pay based on financial performance measures should be disallowed in rates and should be the responsibility of shareholders.¹⁸⁰ ACSC explains that none of the variable component is paid if Atmos Energy's financial performance does not meet or exceed the targeted EPS values.¹⁸¹ ACSC offers that while it is not known how much of any individual's incentive compensation is attributable to Atmos meeting its financial goals, it is known that no payments are made if the financial EPS goal is not met. To support its recommendation, ACSC cites the Commission's Order in GUD No. 10506, where the Commission approved the use of a 50-percent reduction computation.¹⁸²

ACSC's Recommendation for LTI

ACSC recommends removing all performance-based LTI and setting the time-based grants to 100 percent of the targeted three-year average EPS.¹⁸³ ACSC cites the same reasons used in its STI argument. ACSC cites the reasons identified above regarding the impropriety of burdening ratepayers with incentive awards gained by adding to Atmos's EPS.

¹⁷⁶ ACSC Br. at 3.

¹⁷⁷ *Id.*; Atmos Ex. 7 (Connelly Test.) at 7; Hearing Tr. (April 19, 2017) at 192-96 (Connelly testifying); ACSC Ex. 22, APT Response to ACSC RFI 1-57; ACSC Ex. 56, APT Response to ACSC RFI 1-58.

¹⁷⁸ ACSC Br. at 3 (referencing Hearing Tr. (April 19, 2017) at 193 (Connelly testifying)).

¹⁷⁹ ACSC Br. at 3 (referencing Hearing Tr. (April 19, 2017) at 1 (Connelly testifying) and Hearing Tr. (April 21, 2017) at 97 (Myers testifying)).

¹⁸⁰ ACSC Br. at 4.

¹⁸¹ *Id.*; Hearing Tr. (April 19, 2017) at 195, 212 (Connelly testifying); Hearing Tr. (April 21, 2017) at 169-71 (Ellerman testifying); ACSC Ex. 25, APT Response to ACSC RFI No. 15-03; ACSC Ex. 26, APT Response to ACSC RFI 15-04.

¹⁸² ACSC Ex. 2 (Cannady Test.) at 10-11 n9 (citing GUD No. 10506, Final Order, at FoF 81-84 (Sep. 27, 2016)).

¹⁸³ ACSC Ex. 2 (Cannady Test.) at 28-29.

Opposition by Dallas

In opposition, Dallas recommends removing \$1,519,571 of STI and \$1,427,717 of LTI, arguing that incentive compensation based on financial measures is inappropriate.¹⁸⁴ In support, Dallas provides testimony from Mark Garrett, an attorney, certified public accountant, and President of Garrett Group, LLC, a firm specializing in public utility regulation, litigation, and consulting services.¹⁸⁵

Dallas's Recommendation for STI

Dallas recommends the Commission exclude STI for the following reasons: (1) payment is uncertain; (2) most of the factors that significantly impact earnings are outside the control of most company employees and have limited value to customers; (3) earnings-based incentive compensation can discourage conservation; (4) the utility and its shareholders assume none of the financial risks associated with incentive payments; (5) incentive payments based on financial performance measures should be made out of increased earnings; and (6) incentive payments embedded in rates shelter the utility against the risk of earnings erosion.¹⁸⁶

Dallas disputes Atmos's claim that incentive compensation may not be offered if it is not included in rates, arguing that even when incentive compensation tied to financial performance is excluded from rates, utilities continue to offer the plans but pay for them from increased corporate earnings.¹⁸⁷ Dallas also disputes Atmos's claim related to safety and reliability, arguing that Atmos's plans are all tied to EPS and that the compensation is not paid unless the EPS targets are achieved.¹⁸⁸

Dallas also provides a multi-state survey showing that most respondents exclude incentive payments associated with financial performance in rates.¹⁸⁹ Dallas references GUD No. 10506, where the Commission excluded all incentive compensation in excess of 100 percent of the performance goal and split the remainder between the ratepayers and shareholders.¹⁹⁰

Dallas's Recommendation for LTI

Dallas recommends that the Commission exclude LTI, which would reduce expenses by \$1,427,718.¹⁹¹ Dallas argues that the interests of Atmos and its customers are not always the same, and therefore not all executive compensation is

¹⁸⁴ Dallas Ex. 2a, M. Garrett Errata ("Garrett Errata"), Exhibits MG-2, MG-2.1, and MG-2.2.

¹⁸⁵ Dallas Ex. 2, Direct Testimony and Exhibits of Mark E. Garrett ("Garrett Test."), at 3.

¹⁸⁶ Dallas Ex. 2 (Garrett Test.) at 8-9.

¹⁸⁷ Dallas Ex. 2 (Garrett Test.) at 18-21.

¹⁸⁸ Dallas Ex. 2 (Garrett Test.) at 18-21.

¹⁸⁹ Dallas Ex. 2 (Garrett Test.) at 10-16.

¹⁹⁰ Dallas Ex. 2 (Garrett Test.) at 17.

¹⁹¹ Dallas Ex. 2a (Garrett Errata), Exhibit MG-2.

presumed to be a necessary cost of providing utility service.¹⁹² Dallas explains that incentive compensation should be paid out of increased earnings; otherwise, the plan was poorly conceived.¹⁹³ According to Dallas, most states exclude all LTI and some utilities treat it as a “below the line” expense.¹⁹⁴

Atmos’s Rebuttal

In rebuttal, Atmos argues that ACSC’s and Dallas’s proposals are inconsistent with Commission precedent, noting that the Commission’s decisions for Atmos Energy have not changed in ten years, nor have the rate requests regarding incentive compensation for Atmos Energy’s divisions.¹⁹⁵ Atmos explains that GURA Section 104.051 (Establishing Overall Revenues) sets the standard for O&M expense recovery, and no party has challenged the reasonableness of the overall compensation Atmos Energy offers to employees, nor have they disputed the necessity of offering incentive compensation as a necessary tool to attract, motivate, and retain necessary personnel.¹⁹⁶ Atmos warns that excluding any component of its total compensation from cost recovery increases the risk of it not recovering reasonable and necessary compensation expenses.¹⁹⁷

Rebutting ACSC’s and Dallas’s assertions that only shareholders benefit from strong financial performance, Atmos explains that customers also benefit because consistent EPS performance results in a financially-healthy company that can provide timely and efficient service and invest in improved infrastructure.¹⁹⁸ Atmos explains that it has adopted the standard that it is a safety company striving to deliver excellent service—meaning that all employees contribute to meeting that standard every day.¹⁹⁹ In support, Atmos provides several examples of employee evaluations used to determine the incentive compensation awards. According to Atmos, this demonstrates that the awards are based on more than just financial measures.²⁰⁰

Atmos defends recovering incentive compensation costs exceeding the 100-percent target as reasonable and necessary because 89 percent of companies in the American Gas Association survey have established targets exceeding 100 percent. Thus, Atmos argues, it must offer incentive plans above 100 percent to maintain competitiveness with the median of the market.²⁰¹ Atmos explains that when an actual payout exceeds the 100-percent target, it is because its employees have

¹⁹² Dallas Ex. 2 (Garrett Test.) at 24.

¹⁹³ Dallas Ex. 2 (Garrett Test.) at 28-29.

¹⁹⁴ Dallas Ex. 2 (Garrett Test.) at 24-26.

¹⁹⁵ Atmos Ex. 18 (Myers Rebuttal Test.) at 4-9.

¹⁹⁶ Atmos Ex. 20, Rebuttal Testimony of Melanie P. Connelly (“Connelly Rebuttal Test.”), at 7.

¹⁹⁷ Atmos Ex. 21, Rebuttal Testimony of John R. Ellerman (“Ellerman Rebuttal Test.”), at 5-7.

¹⁹⁸ Atmos Ex. 17 (Knights Rebuttal Test.) at 20-23.

¹⁹⁹ Atmos Ex. 15 (Erskine Rebuttal Test.) at 19-20.

²⁰⁰ Atmos Ex. 17 (Knights Rebuttal Test.), Exhibit JSK-R-8.

²⁰¹ Atmos Ex. 7 (Connelly Rebuttal Test.) at 20; Atmos Ex. 21 (Ellerman Rebuttal Test.) at 10.

operated the business successfully for the benefit of all stakeholders.²⁰² Atmos points out that 78 percent to 92 percent of STI plans rely on financial metrics.²⁰³ Atmos explains that shareholders are bearing a responsibility for a portion of Atmos's incentive compensation costs because Atmos excludes recovery of allocated STI expenses.²⁰⁴

Examiner Findings and Recommendation

The Examiners find that the weight of the evidence supports partial—but not total—recovery for both STI and LTI, and that both shareholders and ratepayers benefit, to some degree, from incentive compensation. The precise degree of benefit to each is not quantified—and may not be quantifiable—but the evidence supports that a benefit exists. While Atmos, ACSC, and Dallas each provide evidence of previous Commission decisions and decisions from other states to support their respective arguments, those prior decisions do not bind the Commission here. Ultimately, the Examiners base the findings herein on the evidence unique to this case. Here, the weight of the evidence establishes that portions of both STI and LTI are reasonable and necessary and supported by the evidence. Similar to the Commission's decision in GUD No. 10000, the Examiners recommend that Atmos's incentive compensation request be limited to the expenses of direct employees.²⁰⁵ As in GUD No. 10000, direct employees regularly interface with Atmos's customers and are closer to the ground level of pipeline operations than employees headquartered elsewhere and providing services to multiple Atmos Energy divisions. Therefore, the Examiners recommend that incentive compensation cost recovery be limited to only those costs associated with the direct employees for both STI and LTI, limited to 100 percent of the target. The Examiners recommend a downward adjustment of \$1,597,736, which includes \$531,635 for STI and \$1,066,101 for LTI.

Short-Term Incentive (STI)

The weight of the evidence supports partial cost recovery of Atmos's requested STI amount. Atmos only pays its employees STI if company EPS goals are met, thus making it possible that Atmos could recover for expenses it does not incur. The evidence shows that STI payout levels are variable—the amount paid out in the test year will not necessarily be the amount paid out in a subsequent year, with a target ranging from 50 percent to 200 percent. The evidence establishes that the test year STI amount in excess of 100 percent is \$531,635.²⁰⁶ The Examiners recommend excluding this amount from rates to reduce variability, and because Atmos can finance the incentive compensation amounts above 100 percent with increased earnings. The record shows that Atmos targets the median of the market and has

²⁰² Atmos Ex. 7 (Connelly Rebuttal Test.) at 21.

²⁰³ Atmos Ex. 7 (Connelly Rebuttal Test.), Exhibit MPC-R-1.

²⁰⁴ Atmos Ex. 7 (Connelly Rebuttal Test.) at 15; Atmos Ex. 21 (Ellerman Rebuttal Test.) at 20.

²⁰⁵ GUD No. 10000, Final Order, signed April 18, 2011, at FOF 66, 67.

²⁰⁶ Atmos Response to Examiners' RFI 3-01 and 3-02, filed on May 26, 2017.

already removed its allocated SSU STI expenses from cost recovery. The result is a total STI of \$1,362,856, an expense the Examiners find to be reasonable and necessary, supported by the evidence, and consistent with GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services).

Long-Term Incentive (LTI)

The weight of the evidence also supports partial cost recovery of Atmos's requested LTI amount. Atmos limits eligibility to certain managers charged with directing and overseeing day-to-day operations and only pays LTI to employees that remain for at least three years. Thus, Atmos potentially could recover for expenses it does not incur. The evidence shows that the LTI payout levels are variable, thus the amount paid out in the test year will not necessarily be the amount paid out in subsequent year, with a target ranging from zero percent to 200 percent. The evidence shows that the LTI metric is based on both encouraging employee retention and financial performance. The evidence establishes that the test-year LTI amount for SSU employees is \$1,017,251. The Examiners recommend excluding this amount from LTI for cost recovery because these expenses are for employees who do not regularly and directly interact with customers on behalf of the Atmos Energy's pipeline division, and it is more appropriate for shareholders to burden these expenses. The remaining \$404,401 is for direct employees. Like with STI, the Examiners recommend removing the test year amount in excess of 100 percent, which amounts to \$48,850.²⁰⁷ The result is a total LTI of \$355,551, an expense the Examiners find to be reasonable and necessary, supported by the evidence, and consistent with GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services).

Conclusion

Considering the evidence, the Examiners recommend a combined STI and LTI recovery of \$1,718,407—an expense the Examiners find to be a reasonable and necessary, supported by the evidence, and consistent with the requirements of GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services).

²⁰⁷ Atmos Response to Examiners' RFI 3-03, filed on May 26, 2017.

3. Supplemental Executive Retirement Plans (SERP)

Atmos requests recovery of SERP expenses totaling \$93,683.²⁰⁸ Consistent with prior Atmos Energy cases, Atmos requests recovery only of direct SERP costs and has excluded SSU SERP costs.²⁰⁹ Atmos explains that the SERP Benefit puts key employees in a position regarding retirement income that is comparable to employees whose compensation is not subject to limitations in the Internal Revenue Code.²¹⁰

Opposition by Dallas

In opposition, Dallas objects to all SERP cost recovery.²¹¹ Dallas explains that by disallowing the SERP costs, ratepayers will pay for all of the executive benefits included in Atmos's regular pension plans, up to the income limitations, and shareholders will pay for the additional executive benefits included in the supplemental plan.²¹² Dallas opines that shareholders should bear the additional costs associated with supplemental benefits to highly-compensated executives since these costs are not necessary for the provision of utility service but are instead discretionary costs of the shareholders designed to attract, retain and reward highly compensated employees.²¹³ Dallas points out that SERP has been disallowed in many jurisdictions²¹⁴

In response, Atmos argues that SERP expenses are not discretionary costs because the SERP plan is a necessary component of a competitive compensation package for management employees and that without it, Atmos Energy would be unable to attract and retain the management talent necessary to operate the utility.²¹⁵

Examiner Findings and Recommendation

Considering the evidence, the Examiners find that Atmos's request is reasonable and necessary. The evidence shows that SERP is beneficial to recruit and retain executives, which benefits both shareholders and ratepayers. The evidence shows that Atmos has already excluded the SSU portion of SERP, thus consistent with the Examiners' incentive compensation recommendation, the Examiners recommend cost recovery for all the SERP expenses directly assigned to Atmos Pipeline—\$93,683. This amount is reasonable and necessary, supported by the evidence, and consistent

²⁰⁸ Atmos Response to Examiners' RFI 3-04, filed on May 26, 2017.

²⁰⁹ Atmos Ex. 18 (Myers Rebuttal Test.) at 10.

²¹⁰ Atmos Ex. 21 (Ellerman Rebuttal Test.) at 27.

²¹¹ Dallas Ex. 2a (Garrett Errata), Exhibits MG 2, MG 2.3.

²¹² Dallas Ex. 2 (Garrett Test.) at 31.

²¹³ Dallas Ex. 2 (Garrett Test.) at 31.

²¹⁴ Dallas Ex. 2 (Garrett Test.) at 30-33.

²¹⁵ Atmos Ex. 21 (Ellerman Rebuttal Test.) at 28, Exhibit JRE-R-2.

with the requirements of GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services).

4. Cost Center 1905 Outside Director Retirement Costs

Atmos requests recovery of the test-year compensation costs recorded in Cost Center 1905, totaling \$610,588.²¹⁶ Atmos explains that these costs represent costs associated with the annual grant of share units to non-employee directors for their service on the Board of Directors.²¹⁷

Opposition by ACSC

In opposition, ACSC recommends removing the LTI awarded during the test year to a director who retired on February 9, 2017.²¹⁸ ACSC alleges that the only reason given for the significant increase in SSU Cost Center 1905 was that an extra director was added during the test year, and each director receives 3,000 shares per year as compensation.²¹⁹ ACSC explains that after the retirement, the Board at test-year end is the same number of directors it had prior to 2016 and although Atmos Energy added another director in November of 2016, it could not identify any additional services being provided by this new director that would justify recovering the director's compensation from ratepayers.²²⁰ ACSC's recommendation would reduce Atmos's revenue requirement by \$46,741.²²¹

Atmos rebuts ACSC's position by explaining that the Board periodically adds or removes directors.²²² Atmos points out that the Board had 13 directors in March of 2016, increased to 14 in November and returned to 13 in February of 2017.²²³ Atmos concludes that no adjustment is necessary to the test-year expense because it reflects the expenses related to a 13-member Board of Directors on a going forward basis when the rates established in this proceeding will be in effect.²²⁴

Examiner Findings and Recommendation

Considering the evidence, the Examiners find that Atmos's request for \$610,588 is reasonable and necessary. The evidence shows that the test year expense is for a 13-member Board of Directors and that no adjustment is necessary. This amount is reasonable and necessary, supported by the evidence, and consistent

²¹⁶ Atmos Response to Examiners' RFI 3-05, filed on May 26, 2017.

²¹⁷ Atmos Ex. 18 (Myers Rebuttal Test.) at 16.

²¹⁸ ACSC Ex. 2 (Cannady Test.) at 34, Attachment P.

²¹⁹ ACSC Ex. 2 (Cannady Test.) at Attachment Q.

²²⁰ ACSC Ex. 31, Atmos Response to ACSC RFI 15-19; ACSC Ex. 45, Atmos Response to ACSC RFI 10-03.

²²¹ Atmos Ex. 1 (Nalepa Test.), Schedule KJN.

²²² Atmos Ex. 18 (Myers Rebuttal Test.) at 16; Atmos Ex. 21 (Ellerman Rebuttal Test.) at 17-18.

²²³ Atmos Ex. 18 (Myers Rebuttal Test.) at 16-17.

²²⁴ Atmos Ex. 18 (Myers Rebuttal Test.) at 16-17; Atmos Ex. 21 (Ellerman Rebuttal Test.) at 17-18.

with the requirements of GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services).

5. Other Pay

Within Atmos's request are expenses related to settlement pay, relocation expenses, and severance pay.

Opposition by ACSC

In opposition, ACSC argues that shareholders be responsible for these expenses, thus reducing Atmos's request by \$87,465.²²⁵ ACSC explains that settlement pay given during the test year was confirmed by Atmos to have been an error that was reversed outside the test year and booked to pension expense thus it is not a non-recurring expenses and should not be corrected in the test year to reflect a higher pension amount for purposes of setting rates in this case.²²⁶ ACSC alleges that the only information Atmos offered with regard to what the home sale expenses might include is that they include "marketing assistance" for a period of 120 days.²²⁷ ACSC argues that Atmos did not provide a basis for any argument that these expenses are necessary for the provisions of services by Atmos.²²⁸

In rebuttal, Atmos agreed to remove its severance pay request but insists on keeping the other expenses.²²⁹ Atmos explains that the record demonstrates that the challenged settlement pay amounts are valid business expenses related to pensions and that the amounts were inadvertently recorded to labor expense in the test-year and were subsequently reclassified to pension expense-the proper account and that no other adjustment should occur.²³⁰ Regarding relocation expenses, Atmos explains that Atmos Energy serves eight states and relocates employees on a routine and ongoing basis for promotions, transfers, changes in business requirements, resignation and retirements and that the test year includes relocation expenses related to a single Atmos employee.²³¹

Examiner Findings and Recommendation

Considering the evidence, the Examiners find that Atmos's request for \$53,682²³² for settlement pay and relocation expenses are reasonable and necessary. This amount is reasonable and necessary, supported by the evidence, and consistent

²²⁵ ACSC Ex. 2 (Cannady Test.) at 33-34.

²²⁶ ACSC Br. at 17; ACSC Ex. 30, APT Response to ACSC RFI No. 15-09.

²²⁷ ACSC Br. at 17, ACSC Ex. 29, APT Response to ACSC RFI No. 15-08.

²²⁸ ACSC Br. at 17 (referencing Hearing Tr. (April 21, 2017) at 105-07 (Myers testifying)).

²²⁹ Atmos Ex. 18 (Myers Rebuttal Test.) at Exhibit BWM-R-1.

²³⁰ Atmos Ex. 18 (Myers Rebuttal Test.); Atmos Br. at 28

²³¹ Atmos Ex. 18 (Myers Rebuttal Test.) at 18.

²³² Atmos Response to Examiners' RFI 3-01 and 3-06, filed on May 26, 2017.

with the requirements of GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services).

6. Federal Income Tax

Atmos requests federal income tax expenses at the current 35-percent corporate rate. While no party challenges the properness of Atmos recovering federal income tax expenses, Dallas raises the issue that Congress may lower this rate to 15 percent before Atmos's next full rate case.²³³ Dallas is concerned that, should this occur, Atmos will have the opportunity for a huge windfall.²³⁴ Dallas recommends that the Final Order in this docket put Atmos on notice that the Commission will act if the federal tax law changes.²³⁵

In response, Atmos argues that prospective changes to federal tax laws are too speculative to impact this docket, and the Commission need not put Atmos "on notice," as Dallas recommends.²³⁶

Examiner Findings and Recommendation

The proper, lawful federal income tax rate in this proceeding is 35 percent. Atmos's income tax expenses at this rate are reasonable and necessary. Possible future changes in federal tax law are too speculative to warrant Commission action in this proceeding. Should the corporate federal income tax rate change in the future, a procedural path exists under Texas law to ensure that Atmos and other utilities do not over-recover.²³⁷

7. Allocations From Shared Services Unit (SSU) and Mid-Tex

Atmos receives allocations of common costs from Atmos Energy's SSU for General Office services.²³⁸ Certain SSU-related expenses, such as O&M, depreciation and taxes other than income taxes, are allocated on Atmos Energy's general ledger using the allocation methodologies described in Atmos Energy's Cost Allocation

²³³ Dallas Br. at 32-33; Dallas Reply Br. at 23-24.

²³⁴ Dallas Br. at 33.

²³⁵ Dallas Br. at 33; Dallas Reply Br. at 24.

²³⁶ Atmos Reply Br. at 23-24.

²³⁷ See Tex. Util. Code §§ 104.151 (Unreasonable or Violative Existing Rates) ("If the regulatory authority, on its own motion or on complaint by an affected person, after reasonable notice and hearing, finds that the existing rates of a gas utility for a service are unreasonable or in violation of law, the regulatory authority shall: (1) enter an order establishing the just and reasonable rates to be observed thereafter, including maximum or minimum rates; and (2) serve a copy of the order on the gas utility."), and 104.008 (Burden of Proof) ("In a proceeding involving a proposed rate change, the gas utility has the burden of proving that...an existing rate is just and reasonable, if the proposal is to reduce the rate.").

²³⁸ Atmos Ex. 5 (Myers Test.) at 22-28.

Manual ("CAM").²³⁹ Other common costs, such as commonly utilized plant in service and other rate base items are not allocated on the books of Atmos Energy but are allocated for ratemaking purposes based on accepted methodologies.²⁴⁰

Opposition by ACSC

In opposition, ACSC recommends that the composite SSU O&M factor be 71.85 percent for base labor-related charges that are allocated to Atmos and ultimately capitalized, which reflects the fact that the SSU base labor expenses that is not directly charged to Atmos operating entities is capitalized into SSU Cost Center 1910 and charged to operating entities from the capitalized overhead account.²⁴¹

In rebuttal, Atmos reduced its SSU O&M Expense factor from 95.76 percent to 71.08 percent.²⁴² Atmos explains that the factor is derived by calculating the ratio of capital and expenses amounts recorded in Atmos Energy's General Ledger for the test period and is the same methodology used in GUD No. 10000.²⁴³ Atmos points out that with the adjustment, the main difference is that ACSC uses the 2016 capital allocation factors and Atmos uses the 2017 capital allocation factors.²⁴⁴ Atmos claims that the 2017 factors are known and measurable adjustments and will be in place at the time rates are implemented.²⁴⁵

Examiner Findings and Recommendation

Considering the evidence, the Examiners find that Atmos's SSU O&M Expense Allocation Factor of 71.08 percent is reasonable. It is based on data that is known and measurable and will be in effect for the rate period.

8. Affiliate Expenses – Blueflame Insurance Services, Ltd.

Atmos requests recovery of affiliate expenses associated with Blueflame Insurance Services, Ltd. ("Blueflame"), Atmos's captive insurer.²⁴⁶ No party has challenged the insurance rates Atmos paid to Blueflame for property insurance coverage. Nonetheless, the Commission is required to make specific findings related to affiliate transactions before rates may be adopted.²⁴⁷ Those findings include: (1) a specific finding of the reasonableness and necessity of each item or class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices

²³⁹ *Id.* at 25.

²⁴⁰ *Id.*

²⁴¹ ACSC Ex. 2 (Cannady Test.) at 29.

²⁴² Atmos Ex. 18 (Myers Rebuttal Test.) at 22-24.

²⁴³ *Id.* at 22.

²⁴⁴ *Id.* at 23.

²⁴⁵ *Id.* at 24.

²⁴⁶ Atmos Ex. 5, Direct Testimony of Derek W. Boyd on Behalf of Atmos ("Boyd Test."), at 4-5.

²⁴⁷ Tex. Util. Code § 104.055 (Net Income; Allowable Expenses).

charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items.²⁴⁸

Blueflame is a wholly owned subsidiary of Atmos Energy, and only provides insurance to Atmos Energy's affiliates and divisions.²⁴⁹ According to Derek W. Boyd, Director of Risk Management for Atmos, Blueflame was formed for the purpose of providing consistent insurance rates over the long-term, as well as to provide a continuity of insurance product at a cost that is considerably lower than what could be achieved if Atmos Energy sought insurance in the general marketplace.²⁵⁰ Boyd testified that through Blueflame, Atmos has direct access to reinsurance markets, which allows Atmos to avoid general market that includes profit, commissions, overhead, and other transactional costs that significantly increase premiums.²⁵¹ Boyd indicated in his testimony that "by accessing these markets directly, Blueflame has the ability to customize policy language and to reach additional capacity in the insurance marketplace, ensuring the most competitive rates and pricing structures for Atmos."²⁵²

Boyd testified that the costs included in the cost of service for property insurance provided to Atmos by Blueflame are reasonable and necessary because they are less than costs of traditional coverage.²⁵³ He also explained that the premiums charged to APT are determined based on the annual plant balance, which is the same manner premiums are determined for every other division and affiliate of Atmos Energy.²⁵⁴ Blueflame does not provide insurance services to any non-affiliated entity.

Considering the evidence, Atmos has established that the services provided to it by Blueflame are reasonable and necessary. The affiliate expenses included in Atmos's filing are reasonable and necessary costs of providing gas utility service, and the prices charged to Atmos by Blueflame are no higher than the prices charged by Blueflame to other affiliates or divisions of Atmos, for the same item or class of items. Accordingly, the Examiners recommend the expenses for Blueflame be approved.

9. Unchallenged Amounts

As found above, Atmos established that it keeps its books and records in accordance with Commission rules. Accordingly, the unchallenged amounts shown

²⁴⁸ *Id.*

²⁴⁹ Atmos Ex. 5 (Boyd Test.) at 4.

²⁵⁰ *Id.*

²⁵¹ *Id.*

²⁵² *Id.*

²⁵³ *Id.* at 12.

²⁵⁴ *Id.* at 12-14.

on Atmos's books and records, as well as summaries and excerpts therefrom, are presumed to have been reasonably and necessarily incurred.²⁵⁵

10. Operations and Maintenance (O&M) Expenses Conclusion

The Examiners find that operations and maintenance expenses totaling \$232,426,770, inclusive of depreciation and of taxes other than income taxes, is reasonable and necessary, supported by the evidence, and consistent with GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services). Accordingly, the Examiners recommend approval of this amount.

C. Rate of Return²⁵⁶

The Commission may not establish a rate that yields more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public.²⁵⁷ Based on the capital structure and costs indicated below, Atmos proposes the rate of return ("ROR") be set at 10.47 percent.

Atmos's Proposed Rate of Return

	Capital Structure	Cost	Weighted Average
LT Debt	40.17%	5.95%	2.39%
Equity	59.83%	13.50%	8.08%
Rate of Return	10.47%		

In support, Atmos provides testimony from the following witnesses: Richard A. Erskine, President of Atmos Pipeline-Texas; Robert B. Hevert, Partner of ScottMadden, Inc.; Jeffrey S. Knights, Vice President of Technical Services for the Mid-Tex Division of Atmos Energy; and John J. Reed, Chairman and CEO of Concentric Energy Advisors, Inc., and CE Capital Advisors.

²⁵⁵ See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

²⁵⁶ As noted by the Austin Court of Appeals in *Railroad Commission of Texas v. Lone Star Gas Company*, to achieve the rate of return that a utility should be allowed to earn, the regulatory agency should consider the cost to the utility of its capital expressed as follows: (1) interest on long-term debt; (2) dividends on preferred stock; and (3) earnings on common stock. *Railroad Commission of Texas v. Lone Star Gas Company*, 599 S.W.2d 659 (Tex. App. C Austin 1980). As stated by the United States Supreme Court, the annual rate that will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time, and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally. *Bluefield Water Works and Improvements Co. v. Public Serv. Comm'n of West Virginia*, 262 U.S. 679 (1923). See also *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1942).

²⁵⁷ Tex. Util. Code § 104.052 (Establishing Fair Rate of Return).

ACSC, ATM, Dallas, Smurfit, Staff, and TIEC oppose Atmos's request. The table below summarizes their proposed ROR components.

Intervenors' Recommendations

	ACSC	ATM	Dallas	Smurfit	Staff	TIEC
LT Debt	48%	33.8%	45%		40.2%	38.1%
ST Debt		12.8%				9.99%
Equity	52%	53.4%	55%		59.8%	51.9%
Cost of LT Debt	5.95%	5.95%	4.81%		5.95%	5.95%
Cost of ST Debt		1%				1.05%
Cost of Equity	9%	8.92%	9.25%	9.5% - 10%	10%	9.5%
Rate of Return	7.54%	6.90%	7.25%		8.37%	7.30%

In support of its position, ACSC provides testimony from Richard A. Baudino, consultant with J. Kennedy and Associates, Inc., an economic consulting firm specializing in utility ratemaking and planning issues, and Karl J. Nalepa, President of ReSolved Energy Consulting, LLC, an independent utility consulting company. ATM provides testimony from J. Randall Woolridge, a finance professor at Penn State, Director of the Smeal College Trading Room, and President of the Nittany Lion Fund, LLC. Dallas provides testimony from Daniel J. Lawton, an attorney who has worked in the utility consulting business as an economist since 1983. Smurfit provides testimony from Mike Brasovan, President of Brasovan Energy Solutions. Staff provides testimony from Frank M. Tomicek, a financial analyst in the Commission's Market Oversight Section of the Gas Services Division. TIEC provides testimony from Michael P. Gorman, Managing Principal of Brubaker & Associate, Inc., an economics and regulatory consulting firm.

The components of rate of return—capital structure, cost of debt, and cost of equity—are treated separately below.

1. Capital Structure

Atmos's Proposal

Atmos proposes a capital structure of 59.83 percent common equity and 40.17 percent long-term debt ("LT-debt"), which Atmos represents is based on the actual capital structure of Atmos Energy and is within the range of its proxy group companies' actual capital structures.²⁵⁸

²⁵⁸ Atmos Ex. 10, Direct Testimony of Robert B. Hevert ("Hevert Test."), at 63-64.

Opposition by ACSC

ACSC recommends a capital structure of 52 percent equity and 48 percent LT-debt, which recognizes the use of short-term debt ("ST-debt") and is consistent with the common equity ratios of ACSC's LDC proxy group.²⁵⁹ ACSC states that Atmos Energy consistently, year-after-year, uses ST-debt, and ACSC points out that ST-debt in Atmos Energy's capital structure—for calculation of the 13-month average common equity ratio for the fiscal year ending September 2016—is 51.9 percent.²⁶⁰

Opposition by ATM

ATM recommends a capital structure of 53.43 percent equity, 33.77 percent LT-debt, and 12.8 percent ST-debt. ATM argues this structure reflects Atmos Energy's 2016 fiscal-year ending capital structure when considering its use of ST-debt.²⁶¹ To support its recommendation, ATM provides the following three explanations: (1) Atmos's proposed equity ratio exceeds those of the gas and gas pipeline proxy groups;²⁶² (2) Atmos's consistent use of ST-debt as part of its financing program in recent years;²⁶³ and (3) the unfairness to customers of not having the historically low ST-debt cost rates reflected in rates.²⁶⁴

Opposition by Dallas

Dallas recommends using a hypothetical capital structure of 55 percent equity and 45 percent LT-debt.²⁶⁵ Dallas argues that Atmos's proposed capital structure is out of line with capital structures of comparable risk companies—55 percent in the 2016 to 2018 forecast period—and the current authorized equity ratio in Atmos Energy's regulated operations—in the 55-percent range.²⁶⁶

Opposition by TIEC

TIEC recommends a capital structure of 51.9 percent equity, 38.11 percent LT-debt, and 9.99 percent ST-debt. TIEC argues this structure accurately reflects Atmos's actual capital structure when considering its use of ST-debt.²⁶⁷ TIEC shows that Atmos Energy had ST-debt in its capital structure in every quarter of the test year, as well as all but two quarters of the last three years.²⁶⁸ Moreover, TIEC demonstrates that Atmos Energy uses ST-debt as a permanent source of financing

²⁵⁹ ACSC Ex. 3, Direct Testimony of Richard A. Baudino ("Baudino Test."), at 32-34.

²⁶⁰ ACSC Ex. 3 (Baudino Test.) at 34-35.

²⁶¹ ATM Ex. 1, Direct Testimony of J. Randall Woolridge on Behalf of ATM ("Woolridge Test."), at 6-7, Exhibit JRW-1.

²⁶² ATM Ex. 1 (Woolridge Test.) at 25, Exhibit JRW-4.

²⁶³ ATM Ex. 1 (Woolridge Test.) at 25.

²⁶⁴ *Id.*

²⁶⁵ Dallas Ex. 1, Direct Testimony and Exhibits of Daniel J. Lawton ("Lawton Test."), at 44.

²⁶⁶ Dallas Ex. 1 (Lawton Test.) at 45, Schedule DJL-4.

²⁶⁷ TIEC Ex. 1, Direct Testimony of Michael P. Gorman ("Gorman Test."), at 35, Exhibit MPG-6.

²⁶⁸ TIEC Ex. 16, APT Amended Response to ATM 1-06.

for its gas Plant In-Service and Working Capital.²⁶⁹ TIEC argues that Atmos's proposed equity ratio of nearly 60 percent exceeds the average equity ratios in both TIEC's diversified proxy group—49.2 percent—and LDC proxy group—55.3 percent.²⁷⁰ Alternatively, if the Commission declines to include ST-debt, TIEC recommends using the same capital structure approved in GUD No. 10000—50.5 percent equity and 49.5 percent LT-debt.²⁷¹ According to TIEC, Atmos's investment risk has declined since Atmos's last rate case in 2011.²⁷²

Atmos's Rebuttal

In rebuttal, Atmos makes the following arguments to support its initial proposal: (1) including ST-debt is not reasonable, nor is it supported by well-established Commission precedent²⁷³; (2) Atmos's proposed capital structure is consistent with those of other pipeline companies; and (3) Atmos's proposed capital structure supports the credit profile needed to access long-term capital at reasonable rates.²⁷⁴ Atmos cites GUD Nos. 9762, 9902, and 10170—cases where the Commission rejected intervenor requests to include ST-debt in the capital structure. Atmos explains that utilities primarily invest in, and therefore must finance, long-term assets. In practice, this means that the weighted average maturity of outstanding long-term capital is matched with the expected life of the underlying assets, such that the income produced from the assets over its life can cover the debt service payments used to finance the asset.²⁷⁵

Atmos further explains that consistent with the maturity matching principal, ST-debt is only used as temporary financing for the construction of long-term assets until long-term capital can be efficiently issued.²⁷⁶ Atmos points to Atmos Energy's March 28, 2016 shelf registration action as illustrating this practice.²⁷⁷ Atmos references Atmos Energy's Form 10-K filing, describing that "short-term debt is utilized to fund ongoing working capital needs, such as our seasonal requirements for gas supply and general corporate liquidity."²⁷⁸ Atmos shows that during the 418-day period in which Atmos Energy carried a balance of ST-debt, changes in the daily balance ranged from \$128 million to negative \$72.5 million, averaging \$1.99 million per day, with a standard deviation of \$20.2 million.²⁷⁹ Atmos defends its equity ratio as being consistent with the industry by providing the common equity ratios of its

²⁶⁹ TIEC Ex. 1 (Gorman Test.) at 35, Exhibit MPG-8.

²⁷⁰ *Id.*, Exhibit MPG-10.

²⁷¹ TIEC Ex. 1 (Gorman Test.) at 37.

²⁷² *Id.* at 11.

²⁷³ GUD 9902, Final Order-*Nunc Pro Tunc.*, at FOF 87; GUD 9762, Final Order, at FOF 98; GUD 10170, Final Order, at FOF 269-271.

²⁷⁴ Atmos Ex. 10 (Hevert Test.) at 6-7.

²⁷⁵ Atmos Ex. 22, Rebuttal Testimony of Robert B. Hevert ("Hevert Rebuttal Test."), at 44-46.

²⁷⁶ *Id.* at 43-44.

²⁷⁷ *Id.* at 44.

²⁷⁸ *Id.*

²⁷⁹ *Id.* at 45, Exhibit RBH-R-8.

updated proxy group, along with Staff's and other Intervenor's proxy groups.²⁸⁰ Finally, Atmos points out that the average projected equity ratio for 2020-2022 for its own updated pipeline proxy group and Dallas's combined group, is 62 percent and 59 percent, respectively.²⁸¹

Staff's Position

Staff supports Atmos's recommendation. Staff prefers to use the actual capital structure of a utility when it is consistent with those of comparable companies for the industry segment.²⁸² Staff's expert witness, Mr. Tomicek, testified at the hearing that Atmos's ST-debt was "ephemeral" and "may not exist at all," and that in 2014 there were two quarters in which Atmos Energy had no ST-debt.²⁸³ Staff says that because Atmos's ST-debt continues to be temporary, and subsequent orders in Atmos Energy rate cases after GUD No. 9670 have exclude ST-debt, Atmos's capital structure in this docket should not include ST-debt.²⁸⁴

Examiner Findings and Recommendation

After review and consideration of the evidence, the Examiners find that Atmos failed to meet its burden to support its proposed capital structure of 59.83 percent equity and 40.17 percent LT-debt. Contrary to what Atmos argues, the weight of credible evidence supports including ST-debt in Atmos's capital structure. The evidence shows that Atmos Energy had ST-debt in its capital structure for each quarter of the test year and all but two quarters of the last three years.²⁸⁵ The Examiners recommend an equity ratio of 52.64 percent and a LT-debt ratio of 47.36 percent. This capital structure reflects Atmos's actual equity ratio and is just and reasonable, supported by substantial evidence, and consistent with GURA Chapter 104 (Rates and Services).

The Examiners recommend limiting the capital structure to the two long-term securities of LT-debt and common equity. However, the Examiners recommend calculating the equity ratio by dividing Atmos Energy's equity, as used by Atmos, by Atmos Energy's capital, as used by Atmos, but adding the value of the test-year ST-debt. This results in an equity ratio of 52.64 percent and a LT-debt ratio of 47.36 percent. The second table below shows how the Examiners calculated the equity and long-term debt ratios. The calculation is similar to ACSC's because it implicitly includes short-term debt, but it differs because it uses test-year ending rather than test-year average values. The Examiners' recommended 52.64 percent equity ratio reflects Atmos's actual equity ratio because it reflects Atmos Energy's actual financial

²⁸⁰ Atmos Ex. 22 (Hevert Rebuttal Test.) at 45, Exhibit RBH-R-9.

²⁸¹ Atmos Ex. 22 (Hevert Rebuttal Test.) at 45-46.

²⁸² Staff Ex. 3, Direct Testimony of Frank Tomicek ("Tomicek Test."), at 8.

²⁸³ Hearing Tr. (April 20, 2017) at 28-29 (Tomicek testifying).

²⁸⁴ Staff Br. at 5.

²⁸⁵ TIEC Ex. 16, APT Amended Response to ATM 1-06.

data. The evidence shows that the average equity ratio is 50.46 percent for year-ending 2016, and 51.85 percent for the eight-quarter average ending in 2016.

The evidence shows that Atmos Energy's equity ratio increased from 50.5 percent, authorized in GUD No. 10000, to 51.5 percent at the end of the fiscal year.²⁸⁶ Furthermore, the Examiners find the recommended 52.64 percent equity ratio sufficient in protecting bondholders without burdening Atmos's customers. The evidence supports that this equity ratio is consistent with the pipeline industry, as the mean of Atmos's proxy group's equity ratio was 50.46 percent for the fourth quarter of 2016.²⁸⁷ Thus, the Examiners recommend adoption of a capital structure of 52.64 percent equity and 47.36 percent LT-debt.

Atmos Energy Actual Capital Values

Type	Value	Atmos / Staff	ACSC	ATM	TIEC
Test-year end					
LT-Debt	\$2,188,778,635	X		X	
Current Maturities for LT-Debt	\$ 250,000,000	X			
ST-Debt	\$ 829,811,164			X	
Equity	\$3,463,058,963			X	
Equity revised to remove interest swaps	\$3,632,279,002	X			
Test-year 13-month average					
LT-Debt	\$2,454,255,294		X		X
ST-Debt	\$ 643,444,075		X		X
Equity	\$3,342,561,732		X		X

Examiners' Capital Structure Calculation

Item	Value	Line	Source/Calc
Equity	\$3,632,279,002	a	Atmos
LT-Debt	\$2,188,778,635	b	Atmos
Current Maturities for LT-Debt	\$250,000,000	c	Atmos
ST-Debt	\$829,811,164	d	Atmos Energy, TYE
Capital	\$6,900,868,801	e	sum (a:d)
Equity Ratio	52.64%	f	a / e
LT-Debt Ratio	47.36%	g	1 - f

²⁸⁶ TIEC Exhibit 3, Atmos Energy Corporation – 2016 Annual Report ("2016 Annual Report"), at 39.

²⁸⁷ Atmos Ex. 22 (Hevert Rebuttal Test.), Exhibit RBH-R-9.

2. Cost of Debt

Atmos's Proposal

Atmos proposes the cost of LT-debt be set at 5.95 percent, which Atmos represents was its actual cost at the end of the test year.²⁸⁸ Atmos states that no party has offered evidence to substantiate a known and measurable adjustment to Atmos's cost of debt.²⁸⁹

Opposition by Dallas

Dallas argues that Atmos fails to meet its burden to prove that 5.95 percent is the proper cost of debt.²⁹⁰ Dallas claims that no Atmos witness testified that the requested cost of debt is reasonable. Dallas opposes Atmos's proposed 5.95 percent debt cost, and instead recommends 4.81 percent that, according to Dallas, reflects Atmos Energy's treasury swaps.²⁹¹ Dallas explains that Atmos Energy locked in treasury swaps for the 2017 issuance of \$250 million of 6.35 percent debt at 3.367 percent, and the 2019 issuance of \$450 million of 8.50 percent debt at 3.782 percent.²⁹² Dallas proposes that the cost of debt be reduced to 5.68 percent to reflect the 2017 reissuance.

Atmos's Rebuttal

Atmos argues that Dallas's adjustment is not known and measurable.²⁹³ Atmos explains that the treasury yield component relied upon by Dallas does not reflect the full debt costs associated with a future transaction.²⁹⁴ Atmos argues that the cost of debt is a combination of the treasury yield and credit spread, and that the credit spread will not be known until the debt is actually issued.²⁹⁵ Furthermore, Atmos states that an adjustment to the cost of debt was first proposed in Dallas's post-hearing briefing, and that the calculation for its proposed adjustment was attached to its brief, which is not part of the evidentiary record.²⁹⁶

Examiner Findings and Recommendations

Dallas is the only party to challenge Atmos's requested cost of debt. While Dallas questioned Atmos regarding its requested cost of debt during the Hearing, Dallas first proposed its adjustment in post-hearing briefing.

²⁸⁸ Atmos Br. at 21; Atmos Ex. 1 (SOI), Atmos Schedule G-Cap Structure, at Cell E25.

²⁸⁹ Atmos Br. at 21.

²⁹⁰ Dallas Br. at 2.

²⁹¹ *Id.* at 9.

²⁹² TIEC Ex. 3 (2016 Annual Report), Attachment 1 (10-K) at 34; Dallas Br. at 8-9, Attachment A.

²⁹³ Atmos Reply Br. at 14 (referencing Hearing Tr. (Apr. 20, 2017) at 140-41).

²⁹⁴ *Id.* (referencing Hearing Tr. (Apr. 20, 2017) at 87-96, 139-40).

²⁹⁵ *Id.* (referencing Hearing Tr. (Apr. 20, 2017) at 140-41).

²⁹⁶ *Id.*

Regarding the argument that Atmos failed to meet its burden because no witness testified as to the reasonableness of Atmos's cost of debt, 5.95 percent is indicated as the cost of debt in Atmos's Schedule G (Capital Structure) in the Excel Workbook, sponsored by Atmos Witness Myers.²⁹⁷ No party, including Dallas, has disputed that Atmos's end-of-test-year cost of debt was 5.95 percent. The Examiners find that Atmos's proposed 5.95-percent cost of LT-debt is just and reasonable, supported by credible evidence, and consistent with the requirements of GURA Chapter 104 (Rates and Services). Atmos demonstrated that 5.95-percent is the average cost of debt as of September 30, 2016.²⁹⁸ While Atmos Energy has locked in treasury swaps, the effect of those swaps on the capital structure has yet to be fully evaluated and thus is not a known and measurable change. Thus, the Examiners recommend approval of Atmos's proposed cost of LT-debt.

3. Cost of Equity

The proper return on equity ("ROE") is a major point of disagreement between Atmos and all Intervenor. The central issue is whether the ROE should reflect Atmos's more-risky pipeline operations or its less-risky local distribution company ("LDC") operations. Atmos proposes an ROE set at 13.5 percent—a level Atmos argues is commensurate with pipeline operations and associated risk. In support, Atmos provides the following quantitative analyses to develop a range of 12.75 percent to 15 percent: constant growth discounted cash flow ("Constant DCF"), capital asset pricing model ("CAPM"), and bond-yield plus risk premium ("Bond Plus RP").²⁹⁹ Within this range, Atmos says that a 13.5-percent ROE is appropriate, considering factors such as lack of geographic diversity, increased competitive risk, and increased bypass risk due to the number of nearby pipelines in northern Texas.³⁰⁰

Atmos maintains that because ROE is a market-based concept, and Atmos is not a publicly traded entity, it is necessary to establish a group of comparable, publicly traded companies to serve as its "proxy."³⁰¹ Atmos offers a proxy group includes five companies with risk profiles that, according to Atmos, are comparable.³⁰² Atmos explains that since its operations are comprised of regulated transmission pipeline operations, it selected companies that are primarily engaged in regulated natural gas transmission because transmission operations are riskier than distribution operations.³⁰³ Atmos includes master limited partnerships ("MLPs") and

²⁹⁷ Atmos Schedule Capital Structure 9-30-16, Tab "LTD Rate", Excel cell Q37, which incorporates information provided by Mr. Hevert.

²⁹⁸ Atmos Ex. 1 (SOI), Atmos Schedule G-Cap Structure, at Cell E25.

²⁹⁹ Atmos Ex. 10 (Hevert Test.) at 4-5.

³⁰⁰ *Id.* at 5; Atmos Ex. 12, Direct Testimony of Dennis L. Gordon ("Gordon Test."), at 7-10.

³⁰¹ Atmos Ex. 10 (Hevert Test.) at 11.

³⁰² *Id.* at 16; Atmos Ex. 22 (Hevert Rebuttal Test.) at 12-13.

³⁰³ Atmos Ex. 10 (Hevert Test.) at 19-22.

excludes local distribution companies, or LDCs, citing Commission precedent and significantly different risk profiles of transmission pipelines and LDCs.³⁰⁴

Atmos describes itself as an intrastate natural gas pipeline providing connections to three major Texas market centers. It offers throughput service to third parties, transports natural gas to Atmos Energy's Mid-Tex distribution division, other LDCs and industrial customers, and provides its customers access to the natural gas supply basins in the Permian and Barnett Shale formations.³⁰⁵ Atmos also points out that it operates five underground natural gas storage facilities within Texas and provides ancillary pipeline services.³⁰⁶ Atmos uses a proxy group comprised of pipeline companies to recommend a 13.5-percent ROE.³⁰⁷ Atmos represents that its models reflect, and therefore are influenced by, current and expected capital market conditions that imply higher capital costs.³⁰⁸ Atmos's quantitative estimates are as follows: Constant DCF—14.49 percent to 14.73 percent; CAPM—14.83 percent to 16.46 percent; and Bond Plus RP—12.91 percent to 13.02 percent.³⁰⁹ Together, Atmos's estimates range from 12.91 percent to 16.46 percent.

Opposition by ACSC

ACSC proposes an ROE set at 9 percent based on Constant DCF applied to a proxy group of gas distribution utilities.³¹⁰ ACSC does not rely on its CAPM analyses for its ROE recommendation but explains that the results tend to support the reasonableness of its recommendation.³¹¹ ACSC asserts that while it would be reasonable for the Commission to authorize an ROE in the range of 8.70 percent to 8.90 percent based on its Constant DCF results, 9 percent is reasonable considering recent increases in short-term interest rates by the Federal Reserve and increases in long-term interest rates, generally.³¹²

According to ACSC, the Commission's decision in GUD No. 10000 was inconsistent with prior Commission precedent and betrayed the purpose of Atmos—serving its captive affiliate, Atmos Mid-Tex.³¹³ ACSC argues that Atmos's proxy group is not comparable to Atmos for the following reasons: (1) the proxy companies are not stand-alone companies, but rather consortiums of stand-alone companies, some of which transport natural gas, and many of which conduct diverse activities that have nothing in common with Atmos;³¹⁴ (2) five of the six members are MLPs that a

³⁰⁴ *Id.* at 19-22.

³⁰⁵ Atmos Ex. 11, Direct Testimony, Exhibits and Workpapers of John J. Reed ("Reed Test."), at 4.

³⁰⁶ Atmos Ex. 10 (Hevert Test.) at 14.

³⁰⁷ *Id.* at 3-4.

³⁰⁸ *Id.* at 52-62.

³⁰⁹ Atmos Ex. 22 (Hevert Rebuttal Test.) at 14, Exhibit RBH-R-1.

³¹⁰ ACSC Ex. 3 (Baudino Test.) at 4.

³¹¹ *Id.* at 16.

³¹² *Id.* at 32.

³¹³ ACSC Br. at 19.

³¹⁴ ACSC Reply Br. at 10.

prominent investment advisory warns are not for every investor and should only be pursued after seeking advice from a tax professional;³¹⁵ (3) because MLPs pay out all their distributable income and do not pay state or federal corporate income taxes, MLPs grow by acquisitions;³¹⁶ (4) the proxy companies are engaged in many businesses and risky investments that have no connection to the limited activity of Atmos;³¹⁷ and (5) the rates of return of Atmos's proxy group are extremely volatile compared to the stable returns Atmos contributes to Atmos Energy.³¹⁸ ACSC also takes issue with Atmos's ROE's analysis, particularly the excessive growth earnings in the Constant DCF model,³¹⁹ the imprecision of the Bond Plus model,³²⁰ and inappropriate forecasted bond yields in the CAPM.³²¹

Opposition by ATM

ATM proposes an ROE set at 8.92 percent based on a blend of two proxy groups.³²² ATM contends that the transportation rates for the captive city gate (CG) and pipeline transportation (PT) customers are regulated, and therefore, the risk of this portion of Atmos's business is reflective of a distribution utility, not a pipeline.³²³ ATM explains that the transportation rates for competitive transportation ("CT") customers are subject to market prices, and therefore the risk characteristics of this portion of Atmos's business are more similar to the unregulated gas pipeline business.³²⁴ The first proxy group ("Gas Proxy Group") consists of eight natural gas distribution companies and the second proxy group ("Gas Pipeline Proxy Group") mirrors Atmos's proxy group.³²⁵ ATM weighs the groups in proportion to the revenues Atmos receives from its rate regulated customers—92.5 percent—and its rate unregulated customers—7.5 percent.³²⁶ ATM estimates an ROE of 8.75 percent for the Gas Proxy Group and 11 percent for the Gas Pipeline Proxy Group.³²⁷ ATM provides the following quantitative analyses: Constant DCF, FERC Two-Stage Growth DCF ("Two-Stage DCF"), and CAPM. ATM explains that its recommendation is in line with the prevailing metrics showing that interest rates and capital costs are low and are likely to remain low into the foreseeable future.³²⁸ ATM's quantitative estimates are as follows: Constant DCF—8.85 percent to 11.6 percent; Two-Stage DCF—10.65

³¹⁵ *Id.* (referencing Hearing Tr. at (April 20, 2017) at 66 (Hevert testifying), and quoting a March 3, 2017 Value Line Report on Spectra).

³¹⁶ *Id.* (referencing Hearing Tr. (April 19, 2017) at 51-52 (Erskine testifying)).

³¹⁷ *Id.* at 10-11.

³¹⁸ *Id.* at 11-12.

³¹⁹ ACSC Ex. 3 (Baudino Test.) at 41-42.

³²⁰ *Id.* at 44-45.

³²¹ *Id.* at 42-44.

³²² ATM Ex. 1 (Woolridge Test.) at 5-6.

³²³ *Id.* at 5.

³²⁴ *Id.*

³²⁵ ATM Ex. 1 (Woolridge Test.) at 5-7, Exhibit JRW-4.

³²⁶ *Id.* at 5-6.

³²⁷ *Id.* at 25.

³²⁸ *Id.* at 6.

percent; and CAPM—7.9 percent to 10.1 percent.³²⁹ Together, ATM's estimates range from 7.9 percent to 11.6 percent.

ATM argues that Atmos is significantly less risky than a more typical interstate pipeline company, and that Atmos's primary function is to transport and store gas for LDCs, including Atmos Mid-Tex.³³⁰ These services are under rates regulated by the Commission, and the customers that receive these services generally have no viable competitive options.³³¹ ATM also notes the following mechanisms Atmos has to minimize risk: (1) the Gas Infrastructure Reliability Program ("GRIP");³³² (2) Rider Rev-Revenue Adjustment ("Rider REV") that reduces the volatility of Atmos's "Other Revenue," which is subject to competitive market pricing;³³³ and (3) the Commission's previous approval of a straight fixed variable ("SFV") rate design that is intended to recover nearly 98 percent of the revenue requirement through demand charges.³³⁴ ATM also takes issue with Atmos's quantitative analyses and assumption of higher interest rates and capital costs than current conditions indicate.³³⁵

Opposition by Dallas

Dallas proposes an ROE set at 9.25 percent based on Dallas's proposed capital structure, or set at 9 percent if Atmos's proposed capital structure is approved.³³⁶ Dallas provided the following quantitative analyses: Constant DCF, Risk Premium ("RP"), CAPM, and empirical CAPM ("ECAPM").³³⁷ Dallas states that its recommendation is consistent with current market capital cost requirements and is more than adequate for Atmos to maintain its financial integrity and creditworthiness.³³⁸ Dallas's quantitative estimates are as follows: Constant DCF—8.88 percent to 9.38 percent; RP—9.52 percent; CAPM—9.13 percent; and ECAPM—9.60 percent.³³⁹ Together, Dallas's estimates range from 8.88 percent to 9.60 percent.

Dallas alleges that Atmos has the same risks as the minimal-risk CG and PT rate distribution customers it serves in Texas.³⁴⁰ Dallas cites financial reports from Moody's Investors Services ("Moody's") and Standard & Poor's ("S&P") to support its position. In characterizing Atmos Energy's risks on the credit side, Moody's described Atmos Energy's supportive regulatory environment and the "low risk regulated

³²⁹ *Id.* at 52.

³³⁰ *Id.* at 3, 54.

³³¹ *Id.* at 4.

³³² *Id.*; Hearing Tr. (Apr. 20, 2017) at 120 (Hevert testifying).

³³³ ATM Ex. 1 (Woolridge Test.) at 4.

³³⁴ *Id.*

³³⁵ *Id.* at 4-6, 56-62.

³³⁶ Dallas Ex. 1 (Lawton Test.) at 4-5.

³³⁷ *Id.* at 41.

³³⁸ *Id.* at 3-4.

³³⁹ *Id.* at 41.

³⁴⁰ *Id.* at 28.

activities that produce consistent financial performance.”³⁴¹ In assessing Atmos Energy’s business risk profile, S&P incorporated Atmos Energy’s “regulated, low-operating risk natural gas transmission and distribution operations that benefit from generally constructive regulation across various jurisdictions.”³⁴² Dallas argues that Atmos’s claims of competitive risks are not supported by the facts and that throughput customers—CT customers providing other revenues—do not create added risk on the system.³⁴³ To support its position, Dallas explains that while CT customers have competitive alternatives, the other revenues are not all at risk because Atmos is able to recover 75 percent of any loss in other revenues on a yearly basis through Rider REV.³⁴⁴ Using Atmos’s test year other revenues and proposed revenue requirement, and assuming that all CT customers left the system—unrealistic according to Dallas—Dallas demonstrates that only 3.5 percent of other revenues are at risk.³⁴⁵

Dallas uses a proxy group comprised of eight LDCs and four pipelines to recommend a 9.25 percent ROE.³⁴⁶ Dallas selected 12 companies for its proxy group, which includes eight companies considered a gas utility by Value Line, an investment research firm, and four pipelines used by Atmos.³⁴⁷ Dallas also maintains that Atmos’s requested ROE exceeds current capital market costs for risk-comparable peer gas utility companies and fails to recognize the risk reducing attributes of the annual GRIP mechanism.³⁴⁸

Opposition by Smurfit

Smurfit proposes an ROE set between 9.59 percent and 10 percent.³⁴⁹ Smurfit alleges that Atmos’s request greatly exceeds both the return Atmos Energy receives on its assets in other jurisdictions—10.44 percent—and the national average for natural gas utilities—9.59 percent.³⁵⁰ Smurfit argues that Atmos’s operations and finances are not 41 percent riskier than those of a natural gas utility, as Atmos’s requested 13.5 percent ROE implies.³⁵¹

Smurfit argues that Atmos’s risk is significantly lower than the comparison companies submitted by Atmos for the following reasons: Atmos’s rate structure is

³⁴¹ Dallas Ex. 1, (Lawton Test.) at 24 (quoting Moody’s Investment Survey, Credit Opinion, Atmos Energy Corp, dated December 14, 2016).

³⁴² Dallas Ex. 1, (Lawton Test.) at 25 (quoting Standard & Poor’s Global Ratings, Atmos Energy Corporation, dated January 6, 2017).

³⁴³ Dallas Ex. 1 (Lawton Test.) at 27-28.

³⁴⁴ *Id.* at 28.

³⁴⁵ *Id.* at 8, 28 n46.

³⁴⁶ *Id.* at 30.

³⁴⁷ *Id.* at 29-31.

³⁴⁸ *Id.* at 3, 49.

³⁴⁹ Smurfit Br. at 1.

³⁵⁰ Smurfit Ex. 1, Statement of Position / Testimony of Mike Brasovan (“Brasovan Test.”), at 3.

³⁵¹ Smurfit Br. at 11.

favorable, with a substantial predominance of fixed-capacity rates versus throughput rates; the proxy companies all have additional operations significantly more financially risky than Atmos's intrastate pipeline operations; and Atmos's financial and operational risk strongly resembles that of its other operating segments.³⁵²

Opposition by TIEC

TIEC proposes an ROE set at 9.5 percent.³⁵³ In support, TIEC provides the following quantitative analyses to develop a range of 9 percent to 10 percent: Constant DCF, Multi-Stage DCF, CAPM, and RP.³⁵⁴ TIEC explains that its recommendation is consistent with market conditions and the declining cost of capital for utilities like Atmos.³⁵⁵ TIEC shows that the average ROEs for local gas delivery utilities has declined steadily over the last decade—10.40 percent in 2006, 10.15 percent in 2010, and 9.45 percent in 2016.³⁵⁶ TIEC also considers Atmos's favorable regulatory environment that has allowed it to secure multiple rate increases through interim proceedings since GUD No. 10000.³⁵⁷ TIEC's quantitative estimates are as follows: DCF—8.47 percent to 9.8 percent; Multi-Stage DCF—7.45 percent to 8.21 percent; CAPM—8.10 percent to 11.85 percent; and Risk Premium—8.25 percent to 9.8 percent.³⁵⁸ Together, TIEC's estimates range from 7.45 percent to 11.85 percent.

TIEC argues that Atmos's actual operational and financial characteristics are less risky than the standalone pipeline companies Atmos uses in its proxy group.³⁵⁹ TIEC recommends an ROE of 9.50 percent based on two different proxy groups—one consisting of nine pipelines and one consisting of six LDCs with similar investment risk to Atmos.³⁶⁰ TIEC explains that when evaluating an appropriate ROE for Atmos, it is important to consider Atmos Energy's market cost of capital because Atmos's only source of capital is Atmos Energy.³⁶¹ TIEC says that Atmos Energy's cost of capital is low and declining and that since GUD No. 10000 was decided, Atmos Energy's credit rating improved from "BBB+" to "A" by S&P, with a current credit outlook of "Stable."³⁶² During the same period, TIEC notes that Atmos Energy's returns have significantly outpaced the S&P 500 and a peer group of utility companies.³⁶³ TIEC highlights that Atmos Energy, in its 2016 Annual Report, touted its 14-year annual earnings growth streak and 33-year annual dividend growth

³⁵² *Id.* at 11.

³⁵³ TIEC Ex. 1 (Gorman Test.) at 11.

³⁵⁴ *Id.* at 62-63.

³⁵⁵ *Id.* at 11-13.

³⁵⁶ *Id.* at 25-31.

³⁵⁷ *Id.* at 29-33.

³⁵⁸ *Id.* at 62.

³⁵⁹ *Id.* at 66.

³⁶⁰ *Id.* at 42.

³⁶¹ TIEC Br. at 6 (referencing Hearing Tr. (April 21, 2017) at 41 (Erskine testifying)).

³⁶² TIEC Ex. 1 (Gorman Test.) at 32.

³⁶³ TIEC Ex. 3 (Annual Report) at Attachment 1 – (10-K) at 23.

streak.³⁶⁴ TIEC points out that Atmos has been able to fund \$1.3 billion in investment since its last rate case at an 11.8-percent ROE and a roughly 50/50 capital structure.³⁶⁵ Furthermore, Atmos's own internal projections from November 2016 demonstrate that it expects to invest \$300-\$350 million in capital expenditures during fiscal year 2017, all the while assuming an 11.8-percent ROE.³⁶⁶ TIEC also takes issue with Atmos's unrealistically high growth rates in its DCF models, which TIEC states are more than twice the projected GDP growth rates.³⁶⁷

Opposition by Staff

Finally, Staff proposes an ROE set at 10 percent based on a blend of two proxy groups.³⁶⁸ Staff explains that because of the unique features of Atmos as a transportation division of a natural gas distribution company, Staff analyzed two proxy groups—one comprised of pipeline transport companies and a second comprised of gas distribution utilities—to determine a weighted ROE estimate.³⁶⁹ The first proxy group consists of eight companies primarily engaged in gas distribution operations.³⁷⁰ The second proxy group consists of six pipeline MLPs, including five of the six MLPs Atmos used in its own proxy group.³⁷¹ Staff weighs the groups in proportion to the volumes Atmos delivered to Atmos Mid-Tex—84.83 percent—and to Atmos's remaining Rate PT and CG customers—15.17 percent.³⁷²

Staff provides the following quantitative analyses: three Constant DCF models (30-day average stock price, 90-day average stock price, and 120-day average stock price), and CAPM.³⁷³ According to Staff, these two common cost-of-equity methods have commonly been employed in rate cases before the Commission.³⁷⁴ Staff also considers current capital market conditions and Atmos's risk profile.³⁷⁵ Staff's quantitative estimates are as follows: Constant DCF—9.63 percent to 12.74 percent; and CAPM—8.96 percent to 12.44 percent.³⁷⁶ Together, Staff's estimates range from 8.96 percent to 12.74 percent.

Staff maintains that while Atmos is a pipeline transmission division by industry definition, it has lower risks compared to other pipeline.³⁷⁷ Staff Witness Mr. Frank

³⁶⁴ TIEC. Ex. 3 (Annual Report) at inside of cover page.

³⁶⁵ TIEC Br. at 36 (referencing Hearing Tr. (Apr. 19, 2017) at 87 (Erskine testifying)).

³⁶⁶ TIEC Ex.6, Excerpt from Atmos Response to ATM RFP 1-01—Attachment 1 – pp. 653, 659, and 686, at 2.

³⁶⁷ TIEC Ex. 1 (Gorman Test.) at 63-67.

³⁶⁸ Staff Ex. 3 (Tomicek Test.) at 6-7.

³⁶⁹ *Id.* at 7.

³⁷⁰ *Id.* at 11.

³⁷¹ *Id.*

³⁷² *Id.* at 28.

³⁷³ *Id.* at 27.

³⁷⁴ Staff Ex. 3 (Tomicek Test.) at 7.

³⁷⁵ *Id.*

³⁷⁶ *Id.* at 27.

³⁷⁷ Staff Br. at 2.

Tomicek acknowledges that in GUD No. 10000, he used a proxy group of MLPs to calculate the cost of equity. However, in this proceeding, he examined Atmos's risk profile, reconsidered his position in GUD No. 10000, and now concludes that it is most appropriate to evaluate Atmos's relative risk on a spectrum with MLPs on the upper end, and LDCs on the lower end.³⁷⁸ Staff estimates the upper end at 12.54 percent and the low end at 9.5 percent.³⁷⁹ Staff acknowledges Atmos's natural gas transmission function, but also claims that Atmos exists and was created almost exclusively to serve LDCs.³⁸⁰ Staff points out that LDC customer Atmos Mid-Tex contributes 75 percent of Atmos's gross profits and is overwhelmingly Atmos's largest-served customer.³⁸¹ According to Staff, basing an ROE on the assumption of higher interest rates and the resultant capital costs, as Atmos proposes, ignores the test year concept and enters the realm of prospective ratemaking.³⁸² Staff argues that since future economic events are unknown, an ROE based on projected future conditions asks ratepayers to provide a downside market risk hedge to Atmos.³⁸³ Staff also disputes some of the inputs and methodologies in Atmos's quantitative analyses.³⁸⁴

Atmos's Rebuttal

In rebuttal, Atmos warns that assigning Atmos an ROE based on the risk profile of an LDC would be a complete reversal from its decision in GUD No. 10000 and immediately would signal to investors that transmission pipeline investment in Texas cannot be made with long term certainty because the Commission would have unexpectedly changed what has been a consistent and predictable regulatory environment for Atmos.³⁸⁵ Atmos asserts that investors are aware of the different risk profiles between LDCs and pipeline companies and require a higher return for investments in pipeline companies such as Atmos.³⁸⁶ To support this position, Atmos notes that Staff's and other Intervenor's pipeline ROE estimates exceed LDC estimates by approximately 300 basis points.³⁸⁷ According to Atmos, it is unreasonable to assume that having LDC customers causes a transmission pipeline to assume the same risk profile of its customers.³⁸⁸ Atmos points out that this argument was rejected by the Commission in GUD No. 10000.³⁸⁹

³⁷⁸ *Id.* at 9.

³⁷⁹ Staff Ex. 3 (Tomicek Test.) at 28.

³⁸⁰ Staff Br. at. 4-5 (referencing ACSC Ex.1 at 7-11).

³⁸¹ Staff Ex. 3 (Tomicek Test.) at 14-15; see *also* APT Ex. 1, Schedule I Billing Determinants Study

³⁸² *Id.*

³⁸³ Staff Ex. 3 (Tomicek Test.) at 33-34.

³⁸⁴ *Id.* at 29-31.

³⁸⁵ Atmos Ex. 15, Rebuttal Testimony, Exhibits and Workpapers of Richard A. Erskine with Errata ("Erskine Rebuttal Test."), at 10.

³⁸⁶ Atmos Br. at 14.

³⁸⁷ Atmos Ex. 15 (Erskine Rebuttal Test.) at 5-6, 12-13; Atmos Ex. 22 (Hevert Rebuttal Test.) at 2-12.

³⁸⁸ Atmos Ex. 15 (Erskine Rebuttal Test.) at 12-13; Atmos Ex. 22 (Hevert Rebuttal Test.) at 19; Atmos Ex. 23, Rebuttal Testimony of John J. Reed ("Reed Rebuttal Test."), at 7-22.

³⁸⁹ Atmos Ex. 15 (Erskine Rebuttal Test.) at 12-13; Atmos Ex. 22 (Hevert Rebuttal Test.) at 19; Atmos Ex. 23 (Reed Rebuttal Test.) at 7-22.

Atmos also notes that a significant number of pipelines provide service to LDCs, many of which receive a large share of their revenues from that service, and that many pipelines conduct such business with closely affiliated companies.³⁹⁰ Atmos offers that where a single LDC comprises a large percentage of Atmos's total customer base, the risks associated with demand for Atmos's services are not diversified and reductions in demand from that customer are directly "passed through."³⁹¹ Atmos explains that federal regulators draw a clear distinction between Atmos and Atmos Energy's LDC divisions, illustrated by the fact that Atmos Energy's Form 10-K filings with the Securities and Exchange Commission ("SEC") show Atmos to be sufficiently different from Atmos Energy's LDC operations to require separate segment-level reporting for Atmos.³⁹² Atmos defends its comparability to its proxy group, stating that Atmos's business is 100 percent dedicated to the transportation of natural gas—something that requires Atmos to operate its system at the same high pressures and under the same operational risks as other pipeline companies.³⁹³ Atmos disputes that its risk is lessened by any particular rate design or the existence of GRIP and Rider REV, explaining that these mechanisms have not guaranteed revenues or earnings that have consistently achieved or exceeded its authorized return.³⁹⁴

Atmos highlights the following increased operations risks for pipelines versus LDCs: (1) more stringent integrity management and safety standards;³⁹⁵ (2) potential impact of a failure on a transmission line has the potential for more widespread damage than a failure on a distribution system;³⁹⁶ (3) a transmission failure has the potential to affect thousands of customers relying on gas delivery at a downstream city gate station versus the relatively small impact of a failure on a distribution system;³⁹⁷ and (4) the compressors and compressor stations of pipelines present unique operational risks.³⁹⁸

Atmos argues that it is inappropriate to use credit ratings to support the use of LDCs as proxies for Atmos because those ratings relate to Atmos Energy, not Atmos. Thus, according to Atmos, they are not direct measures of Atmos's business risk. However, Atmos explains that a major contributor to Atmos Energy's credit rating is the constructive regulatory environment reflected in the Commission's Order

³⁹⁰ Atmos Ex. 23 (Reed Rebuttal Test.) at 7-22.

³⁹¹ *Id.* at 5.

³⁹² Atmos Ex. 22 (Hevert Rebuttal Test.) at 19.

³⁹³ Atmos Ex. 10 at 19-20 (Hevert Test.); Atmos Ex. 17, Rebuttal Testimony, Exhibits and Workpapers of Jeffrey S. Knights with Errata ("Knights Rebuttal Test."), at 6-20.

³⁹⁴ Atmos Ex. 15 (Erskine Rebuttal Test.) at 13-18.

³⁹⁵ Atmos Ex. 17 (Knights Rebuttal Test.) at 5-7.

³⁹⁶ *Id.* at 8.

³⁹⁷ *Id.* at 9.

³⁹⁸ *Id.* at 16.

in GUD No. 10000, and that rating agencies consider the regulatory environment to be an important determinant of the subject company's credit profile.³⁹⁹

Atmos states that directly observable and commonly referenced measures of market conditions cannot support arguments that Atmos's cost of equity has fallen nearly 300 basis points since GUD No. 10000 was decided. Rather, it establishes that Atmos's cost of equity has increased.⁴⁰⁰ Atmos also defends its quantitative analyses and disagrees with Intervenor's analyses.⁴⁰¹ Atmos shows that changing some of the assumptions and inputs produces ROE estimates closer to its bottom range estimate of 12.75 percent.⁴⁰²

Examiner Findings and Recommendation

After review and consideration of the evidence, the Examiners find that Atmos failed to meet its burden to support its proposed 13.5 percent ROE. In the original PFD, the Examiners recommended that the ROE be set at 11.5 percent. The Examiners reviewed and considered the PFD exceptions and replies filed by the parties, and revisited the ROE analysis. As treated below, the Examiners maintain that an ROE set at 11.5 percent is just and reasonable, supported by substantial evidence, and consistent with the requirements of GURA Chapter 104 (Rates and Services).

Atmos ROE Proposal

Atmos supports its proposed 13.5-percent ROE using a proxy group consisting only of pipelines—an approach the Commission allowed in Atmos's previous full rate case, GUD No. 10000. As explained below, the Examiners find that using a pipeline proxy group in this docket, consistent with GUD No. 10000, is reasonable. However, Atmos's reliance on values derived from the *mean* of its proxy group gives a skewed result because one of the companies—Kinder Morgan—is an extreme outlier, as shown in the below tables. Relying on mean values for this proxy group, rather than median values, results in a skewed high ROE recommendation. Accordingly, the Examiners find that Atmos's proposed 13.5 ROE is not supported by the weight of credible evidence.

Examiner Recommendation

As a threshold matter, the Commission may revisit its own precedent, including ROE approaches used in prior dockets. Texas law requires that the Commission

³⁹⁹ Atmos Ex. 22 (Hevert Rebuttal Test.) at 128.

⁴⁰⁰ *Id.* at 6, 36-42, 59.

⁴⁰¹ Atmos Ex. 22 (Hevert Rebuttal Test.).

⁴⁰² *Id.* at 8-9, 79-83, 106-108, 120-127.

evaluate and establish rates that are just and reasonable and based on each docket's unique evidentiary record. In PFD exceptions, several parties complained that an ROE set at 11.5 percent is not appropriate because that specific number is not offered by any party. To be clear, the Commission is not limited to the final ROE numbers the parties provide, nor is the Commission beholden to any party to use its evidence identically as did that party. Where, as here, an applicant fails to meet its burden of proof on an issue, the Commission may look to the entire evidentiary record to make findings that are supported by substantial evidence. Here, as treated below, an ROE set at 11.5 percent is well supported by substantial evidence, and the Commission may properly adopt this recommendation.

Using a Pipeline Proxy Group is Reasonable

Consistent with the Commission's treatment of ROE for Atmos in the last full rate case in 2011, the Examiners find it reasonable in this docket to use a proxy group of pipelines to establish an appropriate ROE. While the evidence supports that Atmos carries lower risk than the five pipelines in its proxy group, this lower risk can be accounted for by using low-end values.

Atmos Operates as a Pipeline

Atmos operates as an intrastate natural gas pipeline providing connections to three major Texas market centers. Atmos provided evidence showing that its business activities wholly consist of intrastate pipeline transmission operations, and its revenues are derived from both captive customers and customers with competitive alternatives. Atmos is subject to more stringent integrity management, safety standards, and environmental standards than LDCs.⁴⁰³ Atmos operates its system at the same high pressures and under the same operational risks as other pipeline companies.⁴⁰⁴ The potential impact of a failure on a transmission line has the potential for more widespread damage than a failure on a distribution system.⁴⁰⁵ Atmos does not sell gas to retail end-use customers, but rather receives gas from production zones or market hubs and charges a fee to transport gas to market centers.⁴⁰⁶ Federal regulators distinguish Atmos from and Atmos Energy's LDC divisions.⁴⁰⁷

⁴⁰³ Atmos Ex. 17 (Knights Rebuttal Test.) at 5-22.

⁴⁰⁴ Atmos Ex. 10 (Hevert Test.) at 19-22; Atmos Ex. 17 (Knights Rebuttal Test.) at 6-20.

⁴⁰⁵ Atmos Ex. 17 (Knights Rebuttal Test.) at 8.

⁴⁰⁶ Atmos Ex. 11 (Reed Test.) at 4-5.

⁴⁰⁷ Atmos Ex. 22 (Hevert Rebuttal Test.) at 19.

Atmos Carries Low Risk

However, as compared to other proxy-group pipelines, Atmos carries low risk. Atmos's five-company proxy group includes companies with S&P credit ratings three to four notches below Atmos Energy's "A" rating.⁴⁰⁸ Value Line assigns its safest and least risky rating of "1" to Atmos Energy, while rating the other members of Atmos's proxy group two to three notches below.⁴⁰⁹ Atmos's parent company, Atmos Energy, has top tier credit ratings. These credit ratings apply to Atmos Energy, however, and not to Atmos (Pipeline), meaning that they are not a direct measure of Atmos's risk but rather an indirect measure. In characterizing Atmos Energy's risks on the credit side, Moody's described Atmos Energy's supportive regulatory environment and the "low risk regulated activities that produce consistent financial performance" in its awarding of an A2 rating.⁴¹⁰ In assessing Atmos Energy's business risk profile, S&P incorporated Atmos Energy's "regulated, low-operating risk natural gas transmission and distribution operations that benefit from generally constructive regulation across various jurisdictions" in its awarding of an A rating.⁴¹¹

Regarding Atmos's operations, Atmos primarily serves its sibling division—Atmos Mid-Tex. In fiscal year 2016, sales to Atmos Mid-Tex comprised more than 75 percent of Atmos's income.⁴¹² Nearly 85 percent of Atmos's adjusted test year volumes were delivered to Atmos Mid-Tex.⁴¹³ Atmos's use of favorable risk mitigating measures improve its ability to achieve its authorized return on equity. The Gas Infrastructure Reliability Program ("GRIP") reduces regulatory lag by allowing Atmos to come in between rate cases to recover return on investments made between rate cases.⁴¹⁴ Atmos has secured multiple rate increases through interim proceedings since GUD No. 10000 without having to file a complete rate case. The Rider Revenue Adjustment ("Rider Rev") reduces the volatility of Atmos's "Other Revenue," which is subject to competitive market pricing by allowing Atmos to surcharge or credit its captive CGS and PT customers up to 75 percent of the difference between the level of projected and actual other revenues. Finally, Atmos has a straight-fixed-variable ("SFV") rate design, thus allowing it to recover 98 percent of its base revenue requirement through the capacity charge and the remainder through the usage charge.⁴¹⁵ While this rate design is not unique to Atmos and does follow cost causation, SFV rate design does stabilize revenues, thus mitigating sales risk.

⁴⁰⁸ Four companies are rated "BBB-" and one company is rated "BBB."

⁴⁰⁹ ACSC Ex. 3 (Baudino Test.) at 13.

⁴¹⁰ Dallas Ex. 1, (Lawton Test.) at 24-25 (quoting Moody's Investment Survey, Credit Opinion, Atmos Energy Corp, dated December 14, 2016.

⁴¹¹ Dallas Ex. 1, (Lawton Test.) at 25-26 (quoting Standard & Poor's Global Ratings, Atmos Energy Corporation, dated January 6, 2017.

⁴¹² Staff Ex. 3 (Tomicek Test.) at 14-15.

⁴¹³ Staff Ex. 3 (Tomicek Test.) at 28.

⁴¹⁴ ATM Ex. 1 (Woolridge Test.) at 4; Tr. at 120 (Apr. 20, 2017) (Hevert testifying).

⁴¹⁵ ATM Ex. 1 (Woolridge Test.) at 4.

Atmos's Lower Risk Can be Accounted for Using Its Pipeline Proxy Group

Because Atmos carries low risk relative to the five pipelines on its proxy group, it is reasonable to use "Low ROE" values from Atmos's pipeline proxy group to establish an ROE. Using Atmos's own pipeline proxy group, the Constant DCF *median* "Low ROE" estimates for 30-day, 90-day, and 180-day time periods are 11.41 percent, 11.60 percent, and 11.55 percent, respectively.⁴¹⁶

30 Day Average Stock Price			
Company	Low ROE	Mean ROE	High ROE
Boardwalk Pipeline Partners, LP	7.82%	10.81%	13.80%
EnLink Midstream Partners, LP	11.41%	11.41%	11.41%
Kinder Morgan, Inc.	26.57%	26.57%	26.57%
Spectra Energy Partners, LP	11.61%	12.29%	13.41%
TC Pipelines, LP	10.39%	11.35%	12.30%
Proxy Group Mean	13.56%	14.49%	15.50%
Proxy Group Median	11.41%	11.41%	13.41%
90 Day Average Stock Price			
Company	Low ROE	Mean ROE	High ROE
Boardwalk Pipeline Partners, LP	7.88%	10.88%	13.87%
EnLink Midstream Partners, LP	11.77%	11.77%	11.77%
Kinder Morgan, Inc.	26.59%	26.59%	26.59%
Spectra Energy Partners, LP	11.60%	12.29%	13.41%
TC Pipelines, LP	10.84%	11.80%	12.75%
Proxy Group Mean	13.74%	14.66%	15.68%
Proxy Group Median	11.60%	11.80%	13.41%
180 Day Average Stock Price			
Company	Low ROE	Mean ROE	High ROE
Boardwalk Pipeline Partners, LP	7.95%	10.94%	13.93%
EnLink Midstream Partners, LP	11.91%	11.91%	11.91%
Kinder Morgan, Inc.	26.62%	26.62%	26.62%
Spectra Energy Partners, LP	11.55%	12.23%	13.35%
TC Pipelines, LP	11.02%	11.97%	12.93%
Proxy Group Mean	13.81%	14.73%	15.75%
Proxy Group Median	11.55%	11.97%	13.35%

Median values are appropriate and reasonable to use here, rather than mean values, to avoid skewing by the outliers on the low end (Boardwalk Pipeline) and high end (Kinder Morgan). The average of these three "Low ROE" medians is 11.52 percent. Because the evidence demonstrates that Atmos's pipeline operations carry low risk relative to other pipelines, as described above, the Examiners find an ROE set at 11.5

⁴¹⁶ See Atmos Ex. 22 (Hevert Rebuttal Test.), Exhibit RBH-R-1, pp. 1-3.

percent—the rounded average of the “Low ROE” medians for Atmos’s pipeline proxy group for 30-day, 90-day, and 180-day periods—to be just and reasonable and well supported by substantial quantifiable, credible evidence.

The DCF model is widely recognized in regulatory proceedings and is used by all the expert witnesses that provided quantitative analyses in this proceeding. The DCF model is based on the theory that a stock’s current price represents the present value of all expected future cash flows.⁴¹⁷ Given the investment valuation process and the relative stability of the utility business, the DCF model provides the best measure of equity cost rates for public utilities.⁴¹⁸

Other Evidence Supports the Reasonableness of an ROE Set at 11.5 Percent

Other evidence in the record supports the accuracy and reasonableness of this recommended 11.5-percent ROE. ATM and Staff both provided ROE estimates using a pipeline proxy group and an LDC proxy group. ATM’s pipeline estimate—using the same proxy group as Atmos—is 11 percent. Staff, using a similar proxy group of pipelines, estimates an ROE of 12.54 percent. The Examiners’ 11.5-percent ROE recommendation fits within this range. TIEC and Dallas also incorporated pipeline companies into their respective recommendations but, unlike ATM and Staff, they did not parse out a pipeline-only ROE estimate. Data from evidence sponsored by TIEC and Dallas provides ROE estimates for pipeline companies using both the Constant DCF method and the CAPM method.⁴¹⁹ For the DCF, the results range from 11.10 percent to 11.83 percent. For the CAPM, the results range from 10.40 percent to 12.05 percent.⁴²⁰ The Examiners’ 11.5-percent ROE recommendation fits within both these ranges, as well.

Staff's Pipeline ROE Estimate	12.54%
Examiners' Recommendation	11.5%
ATM's Pipeline ROE Estimate	11%
Dallas & TIEC Pipeline DCF High ROE Estimate	11.83%
Examiners' Recommendation	11.5%
Dallas & TIEC Pipeline DCF Low ROE Estimate	11.10%
Dallas & TIEC Pipeline CAPM High ROE Estimate	12.05%
Examiners' Recommendation	11.5%
Dallas and TIEC Pipeline CAPM Low ROE Estimate	10.40%

⁴¹⁷ Atmos Ex. 10 (Hevert Test.) at 32.

⁴¹⁸ ATM Ex. 1 (Woolridge Test.) at 31.

⁴¹⁹ See Atmos Ex. 22 (Hevert Rebuttal Test.) at 9.

⁴²⁰ *Id.*

Conclusion

The Examiners find that substantial, credible evidence supports an ROE of 11.5 percent, which is just and reasonable and consistent with the requirements contained in GURA Chapter 104 (Rates and Services). Accordingly, the Examiners recommend setting Atmos's ROE at 11.5 percent.

4. Rate of Return Conclusion

The Examiners find a rate of return of 8.87 percent is just and reasonable, supported by substantial, credible evidence, and will not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public in compliance with GURA Chapter 104 (Rates and Services). The Examiners recommend setting the rate of return at 8.87 percent, incorporating the components as indicated in the table below.

Examiner Recommended Rate of Return

	Capital Structure	Cost	Weighted Average
LT Debt	47.36%	5.95%	2.82%
Equity	52.64%	11.50%	6.05%
Rate of Return	8.87%		

D. Revenue Requirement Conclusion

The Examiners find that an overall base revenue requirement of \$380,821,971—an increase of \$30,697,359—is just and reasonable, supported by the evidence, and permits Atmos a reasonable opportunity to earn a reasonable return on Atmos's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expense.

VIII. CLASS COST OF SERVICE STUDY, ALLOCATION, AND RATE DESIGN

Once the cost of service is determined, the Commission must determine the appropriate allocation of costs among various customer classes. Several parties disagree with Atmos's proposal to recover its revenue requirement from customers. Atmos, ACSC, Nucor, Smurfit, and TIEC each provided evidence in support of their respective positions. Atmos provided testimony from J. Stephen Gaske, Senior Vice President of Concentric Energy Advisors, Inc. ACSC provided testimony from Karl J. Nalepa, President of ReSolved Energy Consulting, LLC. Nucor provided testimony from Paul J. Wielgus, Managing Director with GDS Associates, Inc. Smurfit provided

testimony from Mike Brasovan, President of Brasovan Energy Solutions. TIEC provided testimony from Michael P. Gorman, a consultant with Brubaker & Associates.

Atmos's Position

Atmos uses a class cost of service study ("CCOSS") to allocate revenue to the City Gate (CG) and Pipeline Transportation (PT) classes.⁴²¹ Atmos explains that CCOSSs are widely used in utility rate making to provide a benchmark for determining the fairness of rate designs, which means that revenues collected from a customer class align with the costs associated with serving that customer class.⁴²² Atmos requests to allocate costs in a manner consistent with GUD No. 10000—Atmos's last full rate case in 2011—except now allocating transmission capacity costs based on Maximum Daily Quantity ("MDQ") specified in customer contracts, rather than the previous/current Maximum Daily Usage ("MDU"). Atmos offers that doing so is appropriate because customers now are billed based on their MDQ.⁴²³ According to Atmos, using MDQ better reflects the costs, benefits, and rights of both PT and CG customers.⁴²⁴ Atmos proposes to apply a 75-percent adjustment to PT customers' MDQ capacity costs allocation factor to reflect the fact that PT customers are interruptible.⁴²⁵ Atmos contends that its 75-percent adjustment is consistent with its practice prior to GUD No. 10000, where PT customers' charges were based on the higher of 75 percent of their MDQ or 75 percent of their MDU during winter months in the preceding 12 months.⁴²⁶

To allocate storage costs, Atmos maintains its use of the "equitable" method, which allocates half of the fixed storage costs based on the amount of working gas capacity dedicated to a class or service and half of the costs based on the maximum deliverability dedicated to the class or service.⁴²⁷ Atmos's proposal increases CG's rates by 22 percent and PT's rates by 60 percent.⁴²⁸

Opposition by ACSC

ACSC characterizes Atmos's 75-percent weighting as unreasonable, unsupported by analysis, and simply based on "judgment."⁴²⁹ ACSC also notes that it is different from the 4-MDU methodology approved in GUD No. 10000.⁴³⁰ The 4-MDU methodology allocates transmission capacity between classes based on the ratio of MDU for each customer class to system-wide usage on the peak day of each of the

⁴²¹ Atmos Ex. 14, Direct Testimony of J. Stephen Gaske with Errata ("Gaske Test."), at 19-21.

⁴²² *Id.* at 8.

⁴²³ *Id.* at 10, 14-16.

⁴²⁴ *Id.* at 15-16.

⁴²⁵ *Id.*

⁴²⁶ *Id.* at 15; Hearing Tr. (Apr. 20, 2017) at 237-38 (Gaske testifying).

⁴²⁷ Atmos Ex. 14 (Gaske Test.) at 17.

⁴²⁸ *Id.* at 21; Atmos Ex. 18 (Myers Rebuttal Test.), Exhibit BWM-R-1, Schedule K-3.

⁴²⁹ ACSC Ex. 1 (Nalepa Test.) at 21-23, Attachment J.

⁴³⁰ ACSC Ex. 1 (Nalepa Test.) at 22.

four winter season months during the test year. ACSC argues that shifting the allocation factor from the average of four peak days to a single peak day generally would increase the amount allocated to CG customers because of their seasonal load.⁴³¹ According to ACSC, using the 4-MDU method would result in a 110-percent rate increase for PT customers—a sudden increase too high for PT customers to bear.⁴³²

Atmos's 75-percent weighting results in a 60-percent increase for PT customers.⁴³³ ACSC argues that Atmos failed to articulate a specific rate increase between 60 percent and 110 percent that would be so high as to drive PT customers off the system.⁴³⁴ ACSC concludes that no new adjustment is necessary because no adjustment was applied in GUD No. 10000.⁴³⁵ Furthermore, according to ACSC, PT service is not materially inferior to CG service because PT service, while subject to curtailment, is rarely interrupted.⁴³⁶ ACSC estimates that its recommendation would shift \$4 million from the CG class to the PT class, explaining that the PT service discount provides sufficient recognition of any difference in service between the customers.⁴³⁷

Opposition by Nucor

Nucor disagrees with Atmos's proposed 75-percent weighting, arguing that because the contract capacity taken by Rate PT customers is fully interruptible, Atmos has a firm call option on 100 percent of that capacity. Therefore, Nucor offers that it is Atmos—and not the PT customer—that is entitled to all the MDQ-contracted capacity.⁴³⁸ Nucor provides three primary reasons for its opposition. *First*, Nucor points out that Atmos relied on Professor James C. Bonbright's rate making criteria explained in his 1961 book, *Principles of Public Utility Rates*, rather than relying on the later 1988 edition of the book, which states that no capacity pricing costs should be included in pricing interruptible service.⁴³⁹ *Second*, Nucor argues that the magnitude of Atmos's proposal results in a significant subsidy to both the firm customers—including Atmos's affiliated company Mid-Tex, the largest customer—and the non-regulated negotiated rate customers.⁴⁴⁰ *Third*, Nucor explains that in addition to the rate subsidy, the fully-recallable capacity of the PT customers provides an operational subsidy to Atmos's firm customers because the MDQ capacity is a

⁴³¹ *Id.* at 22-23.

⁴³² ACSC Br. at 33 (referencing Hearing Tr. (April 21, 2017) at 188-89 (Gaske testifying)).

⁴³³ Hearing Tr. (April 20, 2017) at 2 (Gaske testifying).

⁴³⁴ ACSC Br. at 33 (referencing Hearing Tr. (April 21, 2017) at 189 (Gaske testifying)).

⁴³⁵ ACSC Ex. 1 (Nalepa Test.), Attachment K; Atmos Ex. 25 (Gaske Rebuttal Test.) at 14; Hearing Tr. (April 20, 2017) at 10-16 (Gaske testifying).

⁴³⁶ ACSC Ex. 1 (Nalepa Test.), Attachment K; Atmos Ex. 25 (Gaske Rebuttal Test.) at 14; Hearing Tr. (April 20, 2017) at 235 (Gaske testifying).

⁴³⁷ ACSC Ex. 1 (Nalepa Test.) at 21-23.

⁴³⁸ Nucor Ex. 1, Direct Testimony of Paul J. Wielgus ("Wielgus Test."), at 4-5.

⁴³⁹ Nucor Ex. 1 (Wielgus Test.) at 5 (referencing James C. Bonbright *Principles of Public Utility Rates* (2d ed., 1988), p. 502).

⁴⁴⁰ Nucor Ex. 1 (Wielgus Test.) at 5.

banked capacity reserve that can be called on to support the reliability of the firm customers, while most of those transportation reserves are being paid for by the PT customers.⁴⁴¹

Nucor warns that a 60-percent base rate increase will result in rate shock to the PT customers, increasing their risks and creating an economic development impact on their businesses.⁴⁴² Nucor notes that a 60-percent increase does not comport with one of Dr. Bonbright's criteria for a sound rate structure—stability of rates.⁴⁴³ Nucor proposes reducing the MDQ adjustment to 25 percent.⁴⁴⁴ Alternatively, if the Commission declines to accept Nucor's adjustment, Nucor recommends adopting a single system-wide percentage increase.⁴⁴⁵

Opposition by Smurfit

Smurfit recommends that the Commission deny the cost allocation increase for PT customers and keep the existing 47-percent cost allocation.⁴⁴⁶ According to Smurfit, no evidence introduced in this case indicates that the cost to serve Rate PT customers has increased since GUD No. 10000, relative to the costs to serve Rate CG customers.⁴⁴⁷ Smurfit believes that Atmos's proposed increase for PT customers is based on the highest prices Atmos thinks it can charge PT customers before they would seek alternatives to Atmos's pipeline service.⁴⁴⁸

Opposition by TIEC

TIEC argues that Atmos's CCOS is flawed and unreliable because it significantly over-allocates fixed-demand capacity costs and certain fixed storage costs to Rate PT customers.⁴⁴⁹ TIEC warns that Atmos's proposed revenue spread—Rate PT customers receiving a 2.76x system average increase—would create undue distress for Rate PT customers and should be mitigated to ensure that no customers are detrimentally impacted by such a significant change.⁴⁵⁰ TIEC proposes reducing the MDQ adjustment to 55 percent to better reflect PT customers' use of Atmos's capacity.⁴⁵¹ TIEC notes that this is close to the proportional allocation the Commission approved in GUD No. 10000, which amounted to 47.3 percent of PT customers' MDQ.⁴⁵² TIEC contends that Atmos's proposal violates cost causation and shifts significant capacity costs to PT customers because Atmos's investments since

⁴⁴¹ *Id.* at 5-6.

⁴⁴² *Id.* at 6.

⁴⁴³ *Id.*

⁴⁴⁴ *Id.* at 8.

⁴⁴⁵ *Id.*

⁴⁴⁶ Smurfit Br. at 1.

⁴⁴⁷ *Id.* at 2.

⁴⁴⁸ *Id.* at 12.

⁴⁴⁹ TIEC Ex. 1 (Gorman Test.) at 7.

⁴⁵⁰ *Id.* at 7.

⁴⁵¹ *Id.* at 19-20.

⁴⁵² TIEC Br. at 24-25 (referencing Hearing Tr. (Apr 20, 2017) at 223-24 (Gaske testifying)).

its last rate case have largely benefitted CG customers through expanded capacity and improved reliability for firm service.⁴⁵³ TIEC explains that its recommended 55-percent adjustment approximates the ratio of PT customers' actual test year daily peak to their contractual MDQ—52.3 percent—and reflects that PT customers receive credit for capacity included in its base rates from negotiated contract rates.⁴⁵⁴ TIEC demonstrates that applying 52.3 percent of MDQ results in a PT capacity allocation factor of 2.45 percent—much closer to PT's historical peak allocation of 2.36 percent than Atmos's proposed 3.47 percent.⁴⁵⁵

TIEC also disagrees with Atmos regarding fixed storage costs allocation, recommending demand not throughput be used, resulting in reducing PT's proportion from 12 percent to 3 percent.⁴⁵⁶ For reasonableness, TIEC tested the results of its proposals against FERC's method for setting interruptible rates, which uses a volumetric charge equal to the firm rate at a 100-percent load factor.⁴⁵⁷ TIEC concludes that its proposed rate of \$0.39/Dth is much closer to the FERC-implied rate—\$0.43/Dth—than is Atmos's proposed rate of \$0.56/Dth.⁴⁵⁸ Alternatively, if the Commission declines to accept TIEC's primary adjustment, TIEC recommends limiting the rate increase to 1.5 times the system average.⁴⁵⁹

Atmos's Rebuttal

In rebuttal, Atmos defends its 75-percent MDQ adjustment against the competing arguments and recommendations of ACSC, Nucor, Smurfit, and TIEC. Responding to ACSC, Atmos argues that since Rate PT customers are interruptible, it is important to ensure the rate does not become so high that it compels PT customers to leave the system.⁴⁶⁰ Responding to Nucor and TIEC, Atmos explains that PT customers are rarely interrupted and the Commission has appropriately recognized in prior cases that system capacity costs are joint costs.⁴⁶¹ Atmos notes that over the last seven years, PT customers have only seen a 23-percent rate increase, whereas CG customers experienced most of the cost increases approved in GUD No. 10000 and subsequent GRIP filings.⁴⁶² Atmos points out that GUD No. 10000 established the PT capacity charge at 64 percent of the CG capacity charge, but now is only 53 percent.⁴⁶³ Atmos maintains that its 75-percent adjustment represents a more reasonable balance among customer classes and is more consistent with the proportion of capacity costs allocated to Rate CG and PT customers in GUD No.

⁴⁵³ TIEC Ex. 1 (Gorman Test.) at 8.

⁴⁵⁴ *Id.* at 20-21.

⁴⁵⁵ *Id.* at 19-20.

⁴⁵⁶ *Id.* at 21-22.

⁴⁵⁷ *Id.* at 22-23.

⁴⁵⁸ *Id.* at 21-23.

⁴⁵⁹ *Id.* at 7-8.

⁴⁶⁰ Atmos Ex. 25 (Gaske Rebuttal Test.) at 13.

⁴⁶¹ *Id.* at 11-13.

⁴⁶² *Id.* at 5-7.

⁴⁶³ *Id.* at 4.

10000.⁴⁶⁴ Atmos explains that if it now used the same methodology as in GUD No. 10000, PT customers' rates would increase by about 110 percent.⁴⁶⁵ Atmos defends its storage costs allocation by explaining that Rate PT customers benefit from the operational use of storage capacity to maintain pressures and ensure deliveries on various part of the system during both peak and off-peak periods.⁴⁶⁶

City Gate customer CoServ, a retail gas distribution utility providing service at over 108,000 customer meters in North Central Texas, filed a reply brief supporting Atmos's proposed rate design.⁴⁶⁷

Staff's Position

Staff does not oppose Atmos's proposed revenue allocation.

Summary of Parties' Positions

The below table summarizes the effects of each parties' primary revenue allocation recommendation on the magnitude of increase for the PT and CG rate classes, assuming Atmos's proposed revenue requirement.

Party	System	Rate PT	Total CGS
Atmos	23%	60%	22%
ACSC	23%	108%	21%
Nucor	23%	-38%	25%
TIEC	23%	21%	23%

The below table shows the relative increase for each class by dividing the class increase by the system increase. For example, Rate PT's increase under Atmos's proposal would be 2.61 times the system average.

Party	Rate PT	Total CGS
Atmos	2.61	0.96
ACSC	4.68	0.91
Nucor	(1.67)	1.07
TIEC	0.93	1.00

⁴⁶⁴ *Id.* at 13; Hearing Tr. (Apr. 21, 2017) at 209-10 (Gaske testifying).

⁴⁶⁵ Hearing Tr. (Apr. 20, 2017) at 240 (Gaske testifying); Hearing Tr. (April. 21, 2017) at 189, 210 (Gaske testifying).

⁴⁶⁶ Atmos Ex. 25 (Gaske Rebuttal Test.) at 15.

⁴⁶⁷ CoServ Reply Br.

Examiner Findings and Recommendations

The Examiners find that Atmos's CCOSS is reasonable to use as a guide to design rates, but the weight of the evidence supports that Atmos's proposed allocation would result in an unreasonably abrupt allocation increase for PT classes. Therefore, Atmos failed to meet its burden. The Examiners recommend using the results of Atmos's CCOSS as a guide, but limiting the rate increase to 1.5 times the system average for any class. As treated below, doing so is just and reasonable, supported by substantial evidence, and consistent with GURA Chapter 104 (Rates and Services).

Atmos's Proposal

Atmos uses the results of its CCOSS to allocate the revenue requirement to the CGS and PT classes in a strict formulaic way. This results in the PT class receiving an increase more than double the size of the system increase despite evidence showing that Atmos's investments since its last rate case have largely benefitted CGS customers. Using the Examiners' recommended revenue requirement, Atmos's proposal would increase PT customers' rates by 42 percent overnight, which may cause economic harm to industrial customers.

At the Hearing, Atmos acknowledged that many different considerations and judgments go into designing rates.⁴⁶⁸ Among these are effectiveness in yielding total revenue requirements under the fair-return standard, fairness of the specific rates in the apportionment of total costs of service among the different consumers, and efficiency of the rate classes and rate blocks in discouraging wasteful use of service while promoting all justified types and amount of use.⁴⁶⁹ Rate stability is also an important criteria.⁴⁷⁰ The evidence shows that Atmos's rate design would not result in rate stability for PT customers.

Examiner Recommendation

The Examiners find TIEC's alternative recommendation of limiting the rate increase to 1.5 times the system average for any class to be reasonable and appropriate here. This would result in a PT class rate increase of 13 percent. Doing so balances the interests of both PT and CG customers and recognizes the degree of inferiority of PT customers' interruptible service. The evidence also shows that interruptions have been minimal—17 over a six-year period, with seven restored the same day and three within three days.⁴⁷¹ Thus, PT customer service is inferior to CG

⁴⁶⁸ Hearing Tr. (April 20, 2017) at 233-234 (Gaske testifying)

⁴⁶⁹ Atmos Ex. 14 (Gaske Test.) at 5.

⁴⁷⁰ See Nucor Ex. 1 (Wielgus Test.) at 5-6.

⁴⁷¹ Atmos Ex. 25 (Gaske Rebuttal Test.) at 13-14.

customers, but not so much so to warrant capacity rates for PT customers that are less than half of CG's rates.

Using the Examiners' recommended revenue requirement, limiting the rate increase to 1.5 times the system average results in a PT capacity charge of \$5.47—which is 54 percent of the resulting CG charge. This ratio is between the ratio from GUD No. 10000—64 percent—and the current ratio of 53 percent. The resulting rates, revenue allocation, and percentage increases are shown in the table below.

Revenue and Rates

Examiners Recommendation	System	CGS	PT	Mid-Tex WGIS
Revenue Requirement	\$380,821,971	\$356,905,066	\$9,588,199	\$14,328,705
Revenue Requirement Increase Percentage	8.8%	8.7%	13.2%	-46%
Capacity Charge	per MDQ	\$10.20461	\$5.46962	\$0.43694
Usage Charge	per MMBTU	\$0.02785	\$0.01325	-

Conclusion

The Examiners find that substantial, credible evidence supports limiting the rate increase to 1.5 times the system average for any class. Doing so is just and reasonable and consistent with the requirements contained in GURA Chapter 104 (Rates and Services). Accordingly, the Examiners recommend that the Commissioners adopt this allocation.

IX. RATE SCHEDULES AND TARIFFS

Atmos proposes rate schedules and tariffs reflecting its requested rates. The proposed tariffs are listed below.

- Rate CGS – Mid-Tex
- Rate CGS – Other
- Rate PT – Pipeline Transportation
- Rider MF – Municipal Fee Adjustment
- Rider RA – Retention Adjustment
- Rider REV – Revenue Adjustment
- Rider SUR – Surcharges
- Rider TAX – Tax Adjustment

Various parties challenged portions of Rider REV, Rider SUR, and Rate PT. Each of these is treated separately, below.

A. Rider REV

Atmos proposes two modifications to Rider REV in this proceeding, and Dallas recommends one.

1. Tariff provision allowing for the continued collection of the current Rider REV annual adjustment through Oct. 31, 2017 (Proposed by Atmos)

Transition Provision: The adjustment under this Rider in effect pursuant to the version authorized in GUD No. 10295 will remain in effect following the effective date of the Final Order in GUD No. 10580 until October 31, 2017.

Atmos wants to include this provision so that it would be allowed to continue the most recently-approved Rider adjustment until October 31, 2017. This would permit a full recovery of the Rider REV annual adjustment approved by the Commission in October 2016. According to Atmos, this is required to enable Atmos to recover the Rider REV balances that remain uncollected at the time the new base rates go into effect because of this current statement of intent.⁴⁷² Because Rider REV adjustments are based on past periods, Atmos says, failure to allow continued recovery of the 2016 annual adjustment will deny Atmos the opportunity to recover the revenue authorized by the Commission.⁴⁷³

2. A modification to the current Rider REV calculation allowing an adjustment for over/under recoveries caused by the annual adjustment of customer MDQs (Proposed by Atmos)

*Any difference between the amount authorized to be collected from each class effective the second prior November 1 under this Rider and the amount collected from each class under this Rider during the twelve-month period beginning on the second prior November 1 will be **added to or subtracted** from each class' respective allocated portion of the difference in Other Revenue.*

As a part of the renewal of Rider REV in GUD No. 10295, the Commission required Atmos to review its LDC and Rate PT customers' MDQs annually and update them. Under Atmos's contracts with its Rate CGS customers, MDQ adjustments become effective on November 1st of each year. Atmos says that this date is utilized because it allows the customers to fully review their operations from the past winter

⁴⁷² Atmos Ex. 14 (Gaske Test.) at 22.

⁴⁷³ Atmos Ex. 12 (Gordon Test.) at 13.

and to evaluate most of the changes on their systems due to residential and commercial construction through the summer. The proposed change looks back to the most recently completed recovery period and compares the recovery to the amount authorized for recovery, and allows any difference to be added or subtracted from the next year's adjustment amount for each class of customer.⁴⁷⁴ Atmos also notes that the November 1st date is a contractual date set in the CGS contracts which comprises 99.9 percent of the class MDQ.⁴⁷⁵

In opposition, ACSC disagrees with allowing a "true-up of a true-up" because this would complicate the process and would also take two years to refund an over-collection. ACSC recommends two alternative methods. ACSC's primary recommendation is that Atmos determine MDQs by September 1st rather than November 1st. In the alternative, ACSC recommends the Commission either approve a dollar amount recovery for each Rider REV filing and require Atmos to calculate the adjustment factor once MDQs are known. ACSC also recommends that the Commission require Atmos to refund the acknowledged over-recovery from previous Rider REV adjustments.⁴⁷⁶

3. Proposal to modify Rider REV allocation to Regulated Customers (Proposed by Dallas)

Dallas proposes to modify Rider REV such that 100 percent of the revenue requirement would be allocated to regulated customers. Any excess contribution by non-regulated customers can then be credited to regulated customer's cost. Dallas claims that as proposed by Atmos, the increase to CGS and PT customers is 96.5 percent of the revenue requirement. Dallas recommends that Rider REV be changed so that 100 percent of revenue requirement—rather than 96.5 percent—be the responsibility of regulated customers. This way, according to Dallas, any excess contribution by non-regulated customers can be credited to the regulated customers' cost responsibility. Most importantly, Dallas argues, Atmos's claims of bypass risk, competitive pipeline risks, and pipeline risks in general can be dismissed, and with those unfounded risk claims aside, the resulting equity return in the case may be established at the low business risk level associated with distribution operations.⁴⁷⁷

Atmos opposes this change and seeks to continue the current Rider REV allocation, as previously approved in GUD No. 10000 and renewed in GUD 10295. The current allocation adjusts the Rate CGS and Rate PT rates annually for 75 percent of the difference between (1) the dollar amount of Other Revenue used in GUD No. 10000 to reduce the cost of service, and (2) the actual amount of Other Revenue billed during the period from July 1 of the prior year through June 30 of the current

⁴⁷⁴ *Id.* at 13.

⁴⁷⁵ Atmos Ex. 16 (Gordon Rebuttal Test.) at 4.

⁴⁷⁶ ACSC Ex. 1 (Nalepa Test.) at 25.

⁴⁷⁷ Dallas Ex. 1 (Lawton Test.) at 48.

year. If the Other Revenue in any given annual period is higher than the Other Revenue in GUD No. 10000, the Rate CGS and Rate PT rates are reduced. If the Other Revenue in any given annual period is lower than the Other Revenue in GUD No. 10000, the Rate CGS and Rate PT rates are increased. Atmos maintains that the continuation of Rider REV is important because it will reduce the need for a rate case when the primary driver is the annual change in revenues received from the Other Revenue customer class.⁴⁷⁸

Examiner Findings and Recommendations – Rider REV

Continue Collection Provision (Proposed by Atmos)

No intervenor opposed this transition provision. The 2016 Rider REV is for the period ended June 30, 2016. As shown on Schedule K-4, current revenue is adjusted for the Rider REV revenues and therefore not collected through current rates. The Examiners find that this transition provision is necessary to allow Atmos the opportunity to collect the previously approved revenues. Therefore, the Examiners recommend approval of this tariff amendment.

Update MDQ and Refund Over-recovery (Proposed by Atmos)

ACSC did not provide the Examiners with a detailed alternative mechanism or explain why ACSC's preferred "true-up" is superior to Atmos's proposal. As Atmos explained the annual Rider REV filing deadline is August 15th. The September true-up date ACSC proposes does not allow for an MDQ update prior to the annual Rider REV filings.⁴⁷⁹ Therefore, the Examiner's recommend approval of this tariff amendment.

Atmos agrees with ACSC that any over-recovery due to MDQ updates must be refunded. GUD No. 10295 modified the Rider REV to update annual MDQs by customer. Therefore, this refund should be addressed in the next Rider REV filing dating back to the final order in GUD No. 10295. Atmos should provide a true-up of Rider REV collections from the 2014 Rider REV to the present when Atmos updates the MDQs for the 2016 Rider REV adjustment.

Allocation Change (Proposed by Dallas)

Dallas arrives at the 96.5 percent calculation by taking the proposed revenue requirement allocated to CGS and PT of \$422,871,232 plus 75 percent of Other Revenue of \$69,699,015, or \$52,274,261. The \$52,274,261 assumes a total loss of other revenues. Under this assumption, the total revenue requirement requested is

⁴⁷⁸ Atmos Ex. 12 (Gordon Test.) at 12.

⁴⁷⁹ Atmos Ex. 16 (Gordon Rebuttal Test.) at 4.

\$492,570,247. Thus, Regulated rate customers would be responsible for \$475,145,493, or 96.5 percent of revenue requirements under Atmos's proposal.

The Examiners recommend continuation of the current Rider REV allocation of 75 percent and 25 percent, which is just and reasonable. The balance of sharing of any future loss of Other Revenues has been litigated and approved by the Commission previously in GUD Nos. 10000 and 10295.

B. Rider SUR

Atmos proposes to continue Rider SUR. Rider SUR allows for recovery of charges authorized by state or governmental entities and regulatory authorities. Atmos proposes adding a surcharge for recovery of \$7,140,134 in deferred costs related to a project to review and digitize pipeline records regarding the maximum allowable operating pressure ("MAOP"), as required by federal law.⁴⁸⁰ Atmos proposes recovery over a three-year period.

In support, Atmos testified that in December 2011, Congress passed the 2011 Reauthorization Act, which was signed into law on January 3, 2012. This required PHMSA to direct each owner or operator of a gas transmission pipeline to provide verification that their records accurately reflect the MAOP of their pipelines. To comply Atmos formed a team, of primarily engineers and contract employees, to locate, centralize, review, and scan all Atmos records. In GUD No. 10209, Atmos requested Commission approval to establish a regulatory asset account to track the "2011 Reauthorization Act" expenses. Commission Staff administratively approved the requested deferred account subject to review at its next rate case. Atmos completed its review in July 2013.⁴⁸¹

Atmos performed verification to include all Atmos transmission records.⁴⁸² In GUD No. 10209, Atmos requested Commission clarification to include additional costs in the deferred account. Staff administratively approved the requested deferred account subject to review at its next rate case.⁴⁸³

In opposition, ACSC argues that it was not reasonable for Atmos to have a regulatory asset account, in which Atmos could record the deferred expenses related to the required MAOP records review, because responding to legislative and regulatory mandates is an expected part of the Atmos's operations. Atmos stated that these costs do not qualify for recovery under GRIP because they do not extend the life of the asset and therefore are not capitalized. ACSC argues that singling out a certain expense for deferral and recover is piecemeal ratemaking.⁴⁸⁴

ACSC does not oppose recovery of these authorized costs through Rider SUR. However, ACSC requests to extend the amortization period from the requested three years to six years. Their basis is that the recovery period should match the period in

⁴⁸⁰ Atmos Ex. 6 (Knights Test.) at 17.

⁴⁸¹ *Id.* at 31-32, Exhibit JSK-8.

⁴⁸² *Id.* at 17-18.

⁴⁸³ *Id.* at 31-32, Exhibit JSK-9.

⁴⁸⁴ ACSC Ex. 1 (Nalepa Test.) at 27.

which expenses were incurred. This recommended adjustment has an annual impact reduction of \$1.2 million dollars.⁴⁸⁵

In rebuttal, Atmos maintains that a three-year amortization period is reasonable because it is typical to recover this type of costs over a time period that is less than the time when Atmos might be expected to file its next rate case. Because Atmos is not accruing interest on the unrecovered balance, a longer amortization period would reduce the effective cost recovery for Atmos. Nevertheless, Atmos states that it is amenable to an amortization period in the range of three-to-five years. According to Atmos, a six-year amortization period is excessive.⁴⁸⁶

Examiner Findings and Recommendation – Rider SUR

The Examiners find that it is proper to recover expenses over a period that matches the period in which the expenses were incurred. In GUD No. 10209, Atmos stated that it started incurring expenses as of October 2011 and incurred through the test-year end September 30, 2016, and does not anticipate completion until 2018.⁴⁸⁷ The period from inception to the TYE is five years. The Examiners recommend recovery of this regulatory asset over a 5-year period, which is just and reasonable. Additional expenses after the TYE to the project conclusion will be reviewed at the next rate case. This does not reduce the revenue requirement but does reduce the annual amount of Rider SUR by \$952,008. The monthly reduction is set out below.

Examiner Recommended Rider SUR Recovery

Customer Class	Requested Monthly Amount⁴⁸⁸	Recommended Monthly Amount	Monthly Reduction
CGS-Mid-Tex	\$180,264	\$108,159	(\$72,105)
CGS-Other	\$9,000	\$5,400	(\$3,600)
PT	\$9,072	\$5,443	(\$3,629)
Total	\$198,337	\$119,002	(\$79,334)

C. Rate PT Tariff

Atmos's proposed Rate PT Tariff includes an MDQ adjustment provision that the Commission previously approved in GUD No. 10000. Atmos is not proposing to change this provision.⁴⁸⁹

In opposition, Nucor and TIEC argue that the MDQ adjustment provision is unfair as Rate CGS customers are not subject to the same adjustment. Nucor states that the MDQ adjustment results in PT customers paying more for capacity to which they are not entitled because of Atmos's firm call option on all the interruptible

⁴⁸⁵ *Id.* at 28.

⁴⁸⁶ Atmos Ex. 25 (Gaske Rebuttal Test.) at 19.

⁴⁸⁷ Atmos Ex. 6 (Knights Test.) at 18.

⁴⁸⁸ Atmos Ex. 14 (Gaske Test), Exhibit JSG-4.

⁴⁸⁹ *Id.*, Exhibit JSG-2, p. 7.

customers' capacity, and the PT customers already are penalized by paying 200 percent for gas they take over the stated level of interruption when Atmos exercises its interruptible recall option.⁴⁹⁰

TIEC argues that MDQ adjustment requirements should be transparent and fairly describe customers' capacity entitlement, and that the MDQ adjustments required for Rate PT customers should also be required of Rate CGS customers, including the timing of the adjustment. TIEC offers that consistent adjustment requirements would reflect the amount of capacity needed for winter load.⁴⁹¹

In response, Atmos states that although the Rate CGS tariff does not have the same provision as the Rate PT tariff, that same provision is contained in most of the Rate CGS contracts. For example, the Mid-Tex contract states:

2.2 MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

Similar language currently applies to the contracts of all Rate CGS customers except WTG and Rising Star, which account for 0.01 percent of the CGS class MDQ. Thus, Rate CGS and Rate PT customers generally are subject to the same provision that adjusts their MDQ beginning the month immediately after a month in which their demand exceeds their MDQ by at least 10 percent. There is not a lag in Rate CGS MDQ adjustments that may cause the Rate CGS MDQ to be understated during the test year.⁴⁹²

In response to Nucor's claim that the MDQ adjustment applies a double penalty to Rate PT customers by charging a curtailment overpull fee during interruptions, Atmos states that the MDQ adjustment and the curtailment overpull fee are unrelated. The MDQ adjustment can occur at any time and is tied to the MDQ in the customer contracts. The Curtailment Overpull Fee applies only in those rare circumstances when Atmos is forced to call for a curtailment of Rate PT customers and a Rate PT customer fails to sufficiently curtail on that day.⁴⁹³

Examiner Findings and Recommendations – Rate PT

For transparency, the Examiners find it just and reasonable to include the MDQ provision in the CGS Mid-Tex and CGS-Other tariffs:

⁴⁹⁰ Nucor Ex. 1 (Wielgus Test.) at 6-8.

⁴⁹¹ TIEC Ex. 1 (Gorman Test.) at 16-17.

⁴⁹² Atmos Ex. 25 (Gaske Rebuttal Test.) at 16-17.

⁴⁹³ *Id.* at 19.

2.2 MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

D. Other Rate Schedules and Tariffs

Staff recommends one non-substantive change to the proposed Atmos tariffs to add clarity and avoid confusion for customers. Atmos agreed and provided updated proposed tariffs removing the temporary placeholder. Additionally, Atmos also deleted the Rider REV temporary placeholder.⁴⁹⁴

E. Rate Schedules and Tariffs Conclusion

Atmos's proposed tariffs, as modified herein, are just and reasonable, supported by the weight of the evidence, and consistent with GURA Chapter 104 (Rates and Services). The Examiners recommend their approval.

X. PRUDENCE REVIEW AND INTERIM RATE ADJUSTMENTS

A. Review for Reasonableness and Prudence

In the rate case a gas utility files or the Commission initiates after the implementation of an IRA under Commission Rule § 7.7101 (Interim Rate Adjustments), any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence.⁴⁹⁵

Here, Atmos requests a finding of reasonableness and prudence for its capital investment made since GUD No. 10000, including six interim investments filings for the period covering April 1, 2010, through December 31, 2015. The IRA filings were docketed as GUD Nos. 10078, 10144, 10240, 10338, 10422, and 10497.⁴⁹⁶ Atmos also seeks a finding of reasonableness and prudence for its capital investments made for the period of January 1, 2016, through September 30, 2016. Additionally, Atmos seeks approval of \$7,140,134 in expenses related to the records verification process

⁴⁹⁴ *Id.* at 19.

⁴⁹⁵ 16 Tex. Admin. Code § 7.7101(j).

⁴⁹⁶ Atmos Ex. 6 (Knights Test.) at 4

required by the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 ("2011 Reauthorization Act").⁴⁹⁷

In support, Atmos provided testimony that since GUD 10000 (test year ended March 31, 2010), Atmos as has placed over \$1.3 billion additional capital investment into service.⁴⁹⁸ According to Atmos, this investment was required to accommodate population growth and movement and to provide adequate capacity between upstream and downstream interconnection points. Atmos has installed over 260 miles of new steel transmission pipe, including six major system fortification projects, and over 20,700 horsepower of incremental compression.⁴⁹⁹ Atmos states that the system additions have resulted in ongoing operations and office activities that are necessary to maintain reliability and perform regulatory compliance inspections for the life of the facilities. Also, urbanization along—and adjacent to—the Atmos system has required pipe replacement due to changes in population density and regulatory class location requirements.⁵⁰⁰

"2011 Reauthorization Act" Regulatory Asset

In December 2011, Congress passed the 2011 Reauthorization Act, which was signed into law on January 3, 2012. This required PHMSA to direct each owner or operator of a gas transmission pipeline to provide verification that their records accurately reflect the maximum allowed operating pressure ("MOAP") of their pipelines. To comply, Atmos states that it formed a team—primarily engineers and contract employees—to locate, centralize, review, and scan all Atmos Pipeline records. Atmos completed its review in July 2013.⁵⁰¹ To account for expenses related to the required verification process, Atmos established a regulatory asset account to track the "2011 Reauthorization Act" expenses, as authorized by Commission Staff on October 11, 2012, and clarified on November 8, 2013. Atmos seeks recovery of \$7,140,134.⁵⁰²

Staff's Recommended Adjustment

Staff reviewed capital investment projects from each of the six IRA filings since GUD 10000, as well as the projects included for the period of January 1, 2016, through September 30, 2016. Staff reviewed supporting documentation for a sample of capital investment projects.⁵⁰³ Staff recommends a reduction to plant in service

⁴⁹⁷ *Id.* at 5. Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, Pub. L. No. 112-90, § 23, 125 Stat. 1904 (2012); *see also* 49 U.S.C. § 60139.

⁴⁹⁸ Atmos Ex. 6 (Knights Test.) at 34.

⁴⁹⁹ The six projects totaled approximately 12 miles of 4-inch pipe, 16 miles of 8-inch pipe, 19 miles of 12-inch pipe, 114 miles of 24-inch pipe and 84 miles of 30-inch pipe.

⁵⁰⁰ Atmos Ex. 6 (Knights Test.) at 9.

⁵⁰¹ *Id.* at 17.

⁵⁰² *Id.* at 31-32, Exhibits JSK-8, JSK-9.

⁵⁰³ Staff Ex. 2 (Montoya-Foglesong Test.) at 5.

of \$1,255.20 for four procurement card purchases, for which Atmos was unable to provide supporting documentation.

Staff also identified several items that were included in GRIP filings that were later transferred to other Atmos divisions. Staff recommends a refund of \$1,113,043 for amounts collected through GRIP charges.⁵⁰⁴ Staff recommends a refund to customers totaling \$1,113,043.09 in the form of one-time bill credits be applied to Rate CGS and Rate PT customers, in the amount of \$0.0315 (per MDQ) and \$0.0163 (per MDQ), respectively. Staff also recommends that Atmos be required to verify this refund via compliance filing with the Market Oversight Section of the Gas Services Division.⁵⁰⁵

Except for the above described \$1,255.20 (four missing invoices for procurement card documentation) and the \$1,113,043.09 (transferred projects), no other part of Atmos's capital investment was challenged as being unreasonable or imprudent.

Atmos accepts and agrees to Staff's recommendations.⁵⁰⁶

Examiner Findings and Recommendation

Considering the evidence, the Examiners find that capital investment made by Atmos through September 30, 2016, was reasonable and prudent, with the exception and the unsupported procurement card charges that required a \$1,255 reduction of plant in service. Also, while the investment subsequently transferred to other divisions may have been prudent at the time, the assets are no longer included in Atmos plant, and therefore warrant a refund of \$1,113,043.09 in GRIP collections. It is just and reasonable to refund this amount to affected customers in the form of a one-time bill credit, in the amounts listed below.

IRA REFUND PER CUSTOMER (per MDQ)

Rate Class	One-time Refund Amount
CGS	(\$0.0315)
PT	(\$0.0163)

⁵⁰⁴ *Id.* at 6; Atmos Ex. 18 (Myers Rebuttal Test.) at 28.

⁵⁰⁵ Staff Ex. 2 (Montoya-Foglesong Test.) at 7, Exhibit SMF-2.

⁵⁰⁶ Atmos Ex. 18 (Myers Rebuttal Test.) at 28.

B. Future Interim Rate Adjustment (IRA) Factors

After this rate case, Atmos may file with the Commission a tariff or rate schedule that provides for an interim adjustment in monthly customer charge or initial block rate to recover the cost of changes in the investment in service for gas utility services.⁵⁰⁷ Under Commission Rule § 7.7101 (Interim Rate Adjustments), the factors used to calculate the return on investment, depreciation expense, and incremental federal income tax used to compute the revenues to be collected through the IRA must be the same as those established by the Commission in this docket.⁵⁰⁸

Examiner Findings and Recommendation

The Examiners find that the following IRA factors are just and reasonable, supported by the evidence, and consistent with GURA Section 104.301 (Interim Adjustment for Changes in Investment) and Commission Rule § 7.7101 (Interim Rate Adjustments). The Examiners recommend these factors be followed until changed by a subsequent general rate proceeding:

- The capital structure and related components reflected in this PFD;
- For the initial filing, the Net Investment, including the detail of Plant in Service amounts—along with the associated depreciation rate for each account—as shown in Schedules C, D, F-3, and F-4;
- For the initial filing, the net plant in service shall be \$1,979,922,986;
- For the initial filing, the customer charges or volumetric rates reflected in this PFD will be the starting rates to apply to any IRA adjustment; and
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Examiners' Recommended Revenue	Percentage
PT	\$9,588,199	2.62%
CGS	\$356,905,066	97.38%
Total (not including Mid-Tex WGIS)	\$366,493,265	100%

⁵⁰⁷ Tex. Util. Code § 104.301 (Interim Adjustment for Changes in Investment).

⁵⁰⁸ 16 Tex. Admin. Code § 7.7101(f)(5).

XI. CHANGES TO ORIGINAL PFD

The Examiners' main recommendations in the original PFD have not changed. This First Amended PFD corrects typographical and calculation errors, and adds clarifying language in certain sections, where appropriate. Because this First Amended PFD and Amended Proposed Final Order are being served on all parties, the Commission is not required to separately note and specify in its Final Order any adopted amendments contained herein.⁵⁰⁹

Notable changes in the First Amended PFD include:

- Typographical and calculation corrections;
- Added language that discusses the timely filing of certain exceptions to the PFD, and replies to the exceptions (p. 4);
- Added language discussing an overview of Atmos's request (p. 6);
- A minor clarification relating to ADIT (p. 11);
- An additional finding that the ELG depreciation method is a straight-line method (p. 24);
- Clarification that the Examiners' recommendation for total O&M expenses is inclusive of depreciation and of taxes other than income taxes (p. 39);
- Added treatment on the Examiners' findings and recommendation for capital structure (pp. 43-44);
- Added treatment on the Examiners' findings and recommendation for return on equity ("ROE") (pp. 55-60);
- Added treatment on the Examiners' findings and recommendation for allocation of costs among Atmos's customers (pp. 66-67);
- Corrected net plant in service by removing WGIS under "Future IRA" filing factors. For the initial filing, the net plant in service shall be \$1,979,922,986 (p. 77); and
- Corrected "Future IRA" revenue allocation table by removing WGIS allocation (p. 77).

The Findings of Fact and Conclusions of Law contained in the Amended Proposed Final Order reflect these changes, where appropriate.

⁵⁰⁹ Separately noting adopted amendments, if any, is only required if an amended PFD is not served on all parties. See 16 Tex. Admin. Code § 1.141(d) ("Unless the amended proposal for decision is served on all parties, amendments adopted by the commission shall be noted and embodied with specificity in the commission's final order."). Here, this First Amended PFD and Amended Proposed Final Order are being formally served on all parties on the date of issuance—July 24, 2017.

XII. CONCLUSION

Atmos's request for a rate change was warranted. The recommendations contained herein are just and reasonable, supported by substantial evidence, and consistent with GURA Chapter 104 (Rates and Services) and applicable Texas law. Accordingly, the Examiners respectfully recommend that the Commission approve them.

XIII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Findings of Fact and Conclusions of Law contained in the Amended Proposed Final Order, issued contemporaneously with this First Amended PFD, are incorporated herein by reference.

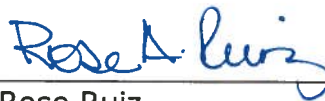
SIGNED July 24, 2017.



John Dodson
Administrative Law Judge



Dana Avant Lewis
Administrative Law Judge



Rose Ruiz
Technical Examiner



James R. Currier III
Technical Examiner

First Amended PFD

ATTACHMENT 1

GAS UTILITY DOCKET 10580

STATEMENT OF INTENT TO CHANGE THE RATE CGS AND RATE PT RATES OF ATMOS PIPELINE – TEXAS

ATMOS EXS.

Date	Ex. No.	Description	Offered	Admitted
04/19/17	1	GUD 10580 – Statement of Intent to Change the Rate CGS and Rate PT Rates of Atmos Pipeline – Texas (with all attachments and electronic files as filed on January 6, 2017)	✓	✓
04/19/17	1a	Fully Linked Cost of Service Model with Conf. WPs & Conf. Relied Files	✓	✓
04/19/17	2	Atmos Errata - Filing dated February 24, 2017	✓	✓
04/19/17	3	Affidavit of Charles Yarbrough (Proof of Notice) dated March 24, 2017	✓	✓
04/19/17	4	Direct Testimony & Exs. of Richard A. Erskine with Errata	✓	✓
04/19/17	5	Direct Testimony, Exs. & WPs of Barbara W. Myers with Errata	✓	✓
04/19/17	5a	Conf. WPs to the Direct Testimony of Barbara W. Myers	✓	✓
04/19/17	6	Direct Testimony, Exs. & WPs of Jeffrey S. Knights with Errata	✓	✓
04/19/17	7	Direct Testimony and Exs. of Melanie P. Connelly with Errata	✓	✓
04/19/17	7a	Conf. Exs. MPC-1 - MPC-9 to the Direct Testimony of Melanie P. Connelly	✓	✓
04/19/17	8	Direct Testimony, Exs. & WPs of Derek W. Boyd with Errata	✓	✓
04/19/17	8a	Conf. Exhibit DWB-1 to the Direct Testimony of Derek W. Boyd	✓	✓
04/19/17	8b	Conf. WPs to the Direct Testimony of Derek W. Boyd	✓	✓
04/19/17	9	Direct Testimony, Exs. & WPs of Timothy S. Lyons with Errata	✓	✓
04/20/17	10	Direct Testimony, Exs. & WPs of Robert B. Hevert	✓	✓
04/20/17	11	Direct Testimony, Exs. & WPs of John J. Reed	✓	✓
04/20/17	11a	Conf. WPs to the Direct Testimony of John J. Reed	✓	✓
04/19/17	12	Direct Testimony, Exs. & WPs of Dennis L. Gordon with Errata	✓	✓
04/19/17	12a	Conf. Exhibit DLG-2 to the Direct Testimony of Dennis L. Gordon	✓	✓
04/19/17	12b	HSPM WPs to the Direct Testimony of Dennis L. Gordon	✓	✓
04/20/17	13	Direct Testimony, Exs. & WPs of Dane A. Watson with Errata	✓	✓

GAS UTILITY DOCKET 10580

STATEMENT OF INTENT TO CHANGE THE RATE CGS AND RATE PT RATES OF ATMOS PIPELINE – TEXAS

ATMOS EXS.

Date	Ex. No.	Description	Offered	Admitted
04/20/17	14	Direct Testimony, Exs. & WPs of J. Stephen Gaske with Errata	✓	✓
04/20/17	14a	HSPM WPs to the Direct Testimony of J. Stephen Gaske	✓	✓
04/21/17	15	Rebuttal Testimony, Exs. & WPs of Richard A. Erskine with Errata	✓	✓
04/21/17	16	Rebuttal Testimony & WPs of Dennis L. Gordon	✓	✓
04/21/17	16a	HSPM WPs to the Rebuttal Testimony of Dennis L. Gordon	✓	✓
04/21/17	17	Rebuttal Testimony, Exs. & WPs of Jeffrey S. Knights with Errata	✓	✓
04/21/17	18	Rebuttal Testimony, Exs. & WPs of Barbara W. Myers	✓	✓
04/21/17	19	Rebuttal Testimony, Exs. & WPs of Jennifer K. Story	✓	✓
04/21/17	20	Rebuttal Testimony & WPs of Melanie P. Connelly	✓	✓
04/21/17	20a	Conf. Exhibit MPC-R-1 to the Rebuttal Testimony of Melanie P. Connelly	✓	✓
04/21/17	21	Rebuttal Testimony, Exs. & WPs of John R. Ellerman	✓	✓
04/21/17	21a	Conf. WP to the Rebuttal Testimony of John R. Ellerman	✓	✓
04/20/17	22	Rebuttal Testimony, Exs. & WPs of Robert B. Hevert with Errata	✓	✓
04/20/17	22a	Conf. WPs to the Rebuttal Testimony of Robert B. Hevert	✓	✓
04/20/17	23	Rebuttal Testimony of John J. Reed	✓	✓
04/21/17	24	Rebuttal Testimony, Exs. & WPs of Dane A. Watson with Errata	✓	✓
04/21/17	25	Rebuttal Testimony, Exs. & WPs of J. Stephen Gaske with Errata	✓	✓
04/20/17	26	Staff's Response to APT's RFI No. 2-1	✓	✓
04/20/17	27	Staff's Response to APT's RFI No. 2-2	✓	✓
04/20/17	28	Staff's Response to APT's RFI No. 2-5	✓	✓
04/20/17	29	Staff's Response to APT's RFI No. 2-6	✓	✓
04/20/17	30	Staff's Response to APT's RFI No. 2-9	✓	✓
04/20/17	31	Staff's Response to APT's RFI No. 2-10	✓	✓

GAS UTILITY DOCKET 10580

STATEMENT OF INTENT TO CHANGE THE RATE CGS AND RATE PT RATES OF ATMOS PIPELINE – TEXAS

ATMOS EXS.

Date	Ex. No.	Description	Offered	Admitted
04/20/17	32	Staff's Response to APT's RFI No. 2-11	✓	✓
04/20/17	33	Staff's Response to APT's RFI No. 2-12	✓	✓
04/20/17	34	Staff's Response to APT's RFI No. 2-14	✓	✓
04/20/17	35	Staff's Response to APT's RFI No. 2-16	✓	✓
04/20/17	36	Staff's Response to APT's RFI No. 2-17	✓	✓
04/20/17	37	Staff's Response to APT's RFI No. 2-19	✓	✓
04/21/17	38	APT's Response to Examiners' Request No. 1	✓	✓
04/21/17	39	APT's Response to Examiners' Request No. 2	✓	✓
05/09/17	40	Optional Completeness to Dallas Ex. 14 (APT Response to Dallas RFI 3-05)	✓	✓
05/09/17	41	Optional Completeness to ACSC Ex. 28 (APT Response to ACSC RFI 7-09)	✓	✓
05/09/17	42	Optional Completeness to ACSC Ex. 30 (APT's Response to ACSC RFI 7-07)	✓	✓
05/09/17	43	Optional Completeness to ACSC Ex. 65 (APT Responses to RFIs 9-04 and 14-02)	✓	✓

*Statement of Intent to Change the Rate CGS and Rate PT Rates
of Atmos Pipeline-Texas*

ACSC'S EXHIBIT LIST

EXHIBIT NO.	DESCRIPTION	OFFERED	ADMITTED
1	Direct Testimony of Karl J. Nalepa	Y	Y
2	Redacted Direct Testimony of Constance T. Cannady	Y	Y
2A	Confidential Direct Testimony of Constance T. Cannady	Y	Y
3	Direct Testimony of Richard A. Baudino	Y	Y
4	Cross-Rebuttal Testimony of Karl J. Nalepa	Y	Y
5	Cross-Rebuttal Testimony of Richard A. Baudino	Y	Y
6	APT Response to ACSC RFI 4-01	Y	Y
7	APT Response to ACSC RFI 4-02	Y	Y
8	APT Response to ACSC RFI 4-03	Y	Y
9	APT Response to ACSC RFI 4-04	Y	Y
9A	APT Confidential Attachment to ACSC RFI 4-04 (1 CD)	Y	Y
10	APT Response to ACSC RFI 4-05	Y	Y
11	APT Response to ACSC RFI 4-06		
12	APT Response to ACSC RFI 4-07	Y	Y
13	APT Response to ACSC RFI 4-08	Y	Y
14	APT Response to ACSC RFI 4-09	Y	Y
15	APT Response to ACSC RFI 4-10	Y	Y
16	Hevert Proxy Group Comparison	Y	Y
17	Atmos Energy 2016 Annual Report		
18	Rating Action: Moody's Upgrades Atmos Energy to Baa1. May 11, 2011		
19	Moody's Investors Service Credit Opinion. December 14, 2016		
20	Hevert Filed ROE Testimony in Texas	Y	Y
21	APT Rate Increases Since GUD 10000	Y	Y

GUD NO. 10580***Statement of Intent to Change the Rate CGS and Rate PT Rates
of Atmos Pipeline-Texas*****ACSC'S EXHIBIT LIST**

EXHIBIT NO.	DESCRIPTION	OFFERED	ADMITTED
22	APT Response to ACSC RFI 1-57	Y	Y
23	APT Response to ACSC RFI 3-05	Y	Y
24	APT Response to ACSC RFI 15-01	Y	Y
25	APT Response to ACSC RFI 15-03	Y	Y
26	APT Response to ACSC RFI 15-04	Y	Y
27	APT Response to ACSC RFI 15-05	Y	Y
28	APT Response to ACSC RFI 15-06	Y	Y
29	APT Response to ACSC RFI 15-08	Y	Y
30	APT Response to ACSC RFI 15-09	Y	Y
31	APT Response to ACSC RFI 15-10	Y	Y
32	APT Response to ACSC RFI 15-11	Y	Y
33	APT Response to ACSC RFI 15-12	Y	Y
34	18 CFR 35.24 – Tax normalization for public utilities		
35	APT Response to ACSC RFI 1-29	Y	Y
36	Energy Transfer Partners, L.P. Form 10-K Excerpt	Y	Y
37	Energy Midstream Partners Website Information		
38	EnLink Midstream Partners Form 10-K Excerpt	Y	Y
39	Kinder Morgan Website Information	Y	Y
40	Spectra Energy Partners Website Information		
41	Boardwalk Pipeline Partners Website Information	Y	Y
42	TC Pipelines, L.P. 2016 Annual Report Excerpt		
43	EnLink Midstream 2017 Guidance Excerpt		
44	2010 APT Rate Case Overview Excerpt	Y	Y
45	APT Response to ACSC RFI 10-03	Y	Y
46	APT Response to ACSC RFI 1-09	Y	Y

GUD NO. 10580***Statement of Intent to Change the Rate CGS and Rate PT Rates
of Atmos Pipeline-Texas*****ACSC'S EXHIBIT LIST**

EXHIBIT NO.	DESCRIPTION	OFFERED	ADMITTED
47	APT Response to ACSC RFI 17-01	Y	Y
48	APT response to ACSC RFI 17-08	Y	Y
49	APT Response to ACSC RFI 17-09	Y	Y
50	APT Response to ACSC RFI 17-10	Y	Y
51	APT Response to ACSC RFI 17-11	Y	Y
52	APT Response to ACSC RFI 17-14	Y	Y
53	APT Response to ACSC RFI 17-15	Y	Y
54	APT Response to ACSC RFI 17-16	Y	Y
55	Confidential APT Response to ACSC RFI 1-43, Attachment 2 excerpts		
56	APT Response to ACSC RFI 1-58	Y	Y
57	APT Response to ACSC RFI 16-2	Y	Y
58	APT Response to ACSC RFI 16-3	Y	Y
59	APT Response to ACSC RFI 16-4	Y	Y
60	APT Response to ACSC RFI 16-5	Y	Y
61	APT Response to ACSC RFI 16-6	Y	Y
62	APT Response to ACSC RFI 16-10	Y	Y
63	APT Response to ACSC RFI 16-11	Y	Y
64	APT Response to ACSC RFI 16-14	Y	Y
65	APT Response to ACSC RFI 16-17	Y	Y
66	APT Response to ACSC RFI 16-18	Y	Y
67	APT Response to ACSC RFI 16-20	Y	Y
68	APT Response to ACSC RFI 16-21	Y	Y
69	APT Response to ACSC RFI 16-22	Y	Y
70	APT Response to ACSC RFI 17-12	Y	Y

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT TO
CHANGE THE RATE CGS AND RATE
PT RATES OF ATMOS PIPELINE –
TEXAS (“APT”)**

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GAS UTILITIES DOCKET NO. 10580

**TEXAS INDUSTRIAL ENERGY CONSUMERS’
EXHIBIT LIST**

NUMBER	DESCRIPTION	OFFERED	ADMITTED
1	Direct Testimony of Michael P. Gorman – Includes Errata	✓	✓
1A	Public Workpapers to the Direct Testimony of Michael P. Gorman – Includes Errata	✓	✓
1B	Confidential Workpapers to the Direct Testimony of Michael P. Gorman	✓	✓
2	Rebuttal Testimony of Michael P. Gorman	✓	✓
2A	Workpapers to the Rebuttal Testimony of Michael P. Gorman	✓	✓
3	Atmos Energy Corporation – 2016 Annual Report	✓	✓
4	Excerpt from APT Response to ATM RFP 1-01 – Attachment 1 – Pgs. 709-744	✓	✓
6	Excerpt from APT Response to ATM RFP 1-01 – Attachment 1 – Pgs. 653, 659, and 686	✓	✓
7	APT Response to Nucor 1-05	✓	✓
8	APT Response to Nucor 1-04	✓	✓
9	APT Response to TIEC 1-12	✓	✓
11	GUD 10000 – Excerpt from Final Order	✓	✓
12	GUD 10000 – Excerpt from Direct Testimony of J. Stephen Gaske	✓	✓
13	GUD 10000 – Excerpt from Rebuttal Testimony of J. Stephen Gaske	✓	✓
15	TIEC’s Examiner’s Schedules	✓	✓

NUMBER	DESCRIPTION	OFFERED	ADMITTED
16	APT Amended Response to ATM 1-06	✓	✓
17	Atmos Energy Website	✓	✓
18	APT Response to ACSC 17-04	✓	✓
19	APT Response to ACSC 17-05	✓	✓
20	APT Response to TIEC 3-01 – Attachments 1 through 7	✓	✓
22	HIGHLY SENSITIVE PROTECTED MATERIAL – Attachment to TIEC RFI No. 3-3	✓	✓

GUD DOCKET NO. 10580

**STATEMENT OF INTENT TO
CHANGE THE RATE CGS AND
RATE PT RATES OF ATMOS
PIPELINE-TEXAS**

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**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

CITY OF DALLAS' UPDATED EXHIBIT LIST

<u>NO.</u>	<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>ADMITTED</u>
1	DIRECT TESTIMONY AND EXHIBITS OF DANIEL J. LAWTON	X	X
2	DIRECT TESTIMONY AND EXHIBITS OF MARK E. GARRETT	X	X
2a	M. GARRETT ERRATA	X	X
3	DIRECT TESTIMONY AND EXHIBITS OF DAVID J. GARRETT	X	X
4	CITY OF DALLAS EXAMINERS SCHEDULES	X	X
5	DIRECT TESTIMONY AND EXHIBITS OF DANE A. WATSON IN PUBLIC UTILITY COMMISSION DOCKET NO. 45414	X	X
6	PREFILED DIRECT TESTIMONY OF DANE A. WATSON BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA (2014)	X	X
7	DIRECT TESTIMONY OF DANE A. WATSON BEFORE THE NEXT MEXICO PUBLIC REGULATION COMMISSION	X	X
8	DIRECT TESTIMONY OF DANE A. WATSON IN PUBLIC UTILITY COMMISSION DOCKET NO. 42004	X	X
9	NATIONAL ASSOICITION OF REGULATORY UNTILITY COMMISSIONERS PUBLIC UTILITY DEPRECIATION PRACTICES AUGUST 1996 (EXCERPT)	X	X

<u>NO.</u>	<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>ADMITTED</u>
10	DEPRECIATION SYSTEMS BY FRANK K. WOLF AND W. CHESTER FITCH (EXCERPT)	X	X
11	REVISED PFD GUD 8664, STATEMENT OF INTENT OF LONE STAR GAS COMPANY AND LONE STAR PIPELINE COMPANY, DIVISIONS OF ENSERCH CORP. AND ENSAT PIPELINE COMPANY TO INCREASE THE INTRACOMPANY CITY GATE RATE (1997)	X	X
12	APT RESPONSE TO DALLAS RFP SET NO. 2 QUESTION 2-05	X	X
13	APT RESPONSE TO DALLAS RFP SET NO. 2 QUESTION 2-07	X	X
14	APT RESPONSE TO DALLAS RFI SET NO. 3 QUESTION 3-09	X	X
15	APT RESPONSE TO DALLAS RFI SET NO. 3 QUESTION 3-01	X	X
16	APT RESPONSE TO DALLAS RFI SET NO. 3 QUESTION 3-02	X	X
17	APT RESPONSE TO DALLAS RFI SET NO. 3 QUESTION 3-03	X	X

GAS UTILITIES DOCKET NO. 10580

**STATEMENT OF INTENT TO
CHANGE THE RATES OF CITY
GATE SERVICE (CGS) AND RATE
PIPELINE TRANSPORTATION (PT)
RATES OF ATMOS PIPELINE --
TEXAS (APT)**

**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

EXHIBIT LIST FOR THE ATMOS TEXAS MUNICIPALITIES

Exhibit	Description	Offered	Admitted
1	GUD 10580 Direct Testimony & Exhibits of J. Randall Wooldridge on Behalf of ATM	✓	✓
1A	GUD 10580 Workpapers to the Direct Testimony & Exhibits of J. Randall Wooldridge on Behalf of ATM	✓	✓
2	GUD 10000 Direct Testimony of Robert B. Hevert Witness for Atmos Pipeline - Texas	✓	✓
3	APT's Response to ATM RFP Set 1, RFP 1-01	✓	✓
4	Atmos Energy Corporation - Rating Agency Presentation	✓	✓
5	Atmos Energy Corp. - Value Line Report	✓	✓
6	APT Response to ATM RFP 1-04 - Moody's Credit Report – Dec. 2016 for Atmos Energy Corporation	✓	✓

GUD NO. 10580

EXHIBIT LIST OF NUCOR STEEL – TEXAS

Nucor Exhibit No.	Description	Admitted/Denied	Date
1	Direct Testimony of Paul J. Wielgus on Behalf of Nucor Steel – Texas	Admitted	4/18/17
2	Workpapers to the Direct Testimony of Paul J. Wielgus on Behalf of Nucor Steel – Texas	Admitted	4/18/17

GUD Docket #10580

Application of Atmos Pipeline –
Texas To Increase Rates

Before the Texas Railroad
Commission

Smurfit Kappa North America LLC's Exhibit List

EXHIBIT NO.	DESCRIPTION	OFFERED	ADMITTED
1	Statement of Position / testimony of Mike Brasovan	Y	Y
2	Rebuttal Testimony of Mike Brasovan	Y	Y

RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT TO	§	
CHANGE THE RATES OF CITY GATE	§	
SERVICE (CGS) AND RATE PIPELINE	§	GAS UTILITIES DOCKET NO. 10580
TRANSPORTATION (PT) RATES OF	§	
ATMOS PIPELINE – TEXAS (APT)	§	

COMMISSION STAFF EXHIBIT LIST

Ex. No.	Description	Date	Offered	Admitted
1	Direct Testimony, Attachments and Exhibits of Christina Poole	4/20/2017	✓	✓
2	Direct Testimony, Attachments and Exhibits of Sarah Montoya-Foglesong	4/20/2017	✓	✓
3	Direct Testimony, Attachments and Exhibits of Frank Tomicek, including errata	4/20/2017	✓	✓

First Amended PFD

ATTACHMENT 2

(full schedules transmitted electronically)

Atmos Pipeline - Texas
GUD No. 10580 / Statement of Intent filed 1/6/17
Twelve Months Ending September 30, 2016
Decision Summary GUD No. 10580

	SOI	Errata	Rebuttal	Examiners	Difference
Revenue Requirement Requested	\$ 494,642,625	\$ 502,784,446	\$ 502,398,276	\$ 452,099,810	\$ (50,298,466)
Base Transport Revenue Requirement Requested	\$ 422,871,291	\$ 430,973,408	\$ 430,875,147	\$ 380,821,971	\$ (50,053,176)
Transport Base Rates Increase Requested	\$ 72,918,007	\$ 80,848,796	\$ 80,750,312	\$ 30,697,359	\$ (50,052,953)

Rate CGS - Mid-Tex

	Proposed	Recommended
Capacity Charge per MDQ	\$ 11.24146	\$ 10.20461
Mid-Tex Working Gas in Storage Charge	\$ 0.52433	\$ 0.43694
Usage Charge per MMBtu	\$ 0.02785	\$ 0.02785

Rate CGS - Other

Capacity Charge per MDQ	\$ 11.24146	\$ 10.20461
Usage Charge per MMBtu	\$ 0.02785	\$ 0.02785

Rate PT

Capacity Charge per MDQ	\$ 7.70001	\$ 5.46962
Usage Charge per MMBtu	\$ 0.01325	\$ 0.01325

NO.	Rate of Return		Schedule G
1	a. Capital Structure		
	Long-Term Debt	47.36%	
	Atmos and Staff (40.17%)		0.401705729
	ACSC (48%)		
	ATM (33.77%)		
	Smurfit (remain at current GUD 10000 - 49.5%)		
	Dallas (45%)		
	TIEC (38.11%)		
	EXAMINERS (47.36%)		
	Common Equity	52.64%	0.598294271
	Atmos and Staff (59.83%)		
	ACSC (52%)		
	ATM (53.43%)		
	Smurfit (remain at current GUD 10000 - 50.5%)		
	Dallas (55%)		
	TIEC (51.90%)		
	EXAMINERS (52.64%)		
	Short-Term Debt	0.00%	
	ATM (12.80%)		
	TIEC (9.99%)		
	EXAMINERS (0%)		
	b. Cost of Capital		
	Return on Equity	11.50%	
	Atmos (13.5%)		
	ACSC (9%)		
	ATM (8.92%)		
	Dallas (9.25%)		
	Smurfit (9.59% - 10%)		
	Staff (10%)		
	TIEC (9.5%)		
	EXAMINERS (11.5%)		

Revenue Requirement Impact ROR by Party

	Examiners	ACSC	ATM
ROR	8.87%	7.54%	6.90%
Revenue Impact	\$ (47,941,228)	\$ (84,987,569)	\$ (94,223,641)
	Dallas	Smurfit	Staff
ROR	7.25%	7.79%	8.37%
Revenue Impact	(\$86,145,748)	(\$78,916,353)	(\$57,516,786)
	4.81% Cost of Debt	at 9.59% ROE	
	TIEC	Atmos	
ROR	7.30%	10.47%	
Revenue Impact	(\$85,736,378)		

Atmos Pipeline - Texas
GUD No. 10580 / Statement of Intent filed 1/6/17
Twelve Months Ending September 30, 2016
Decision Summary GUD No. 10580

Cost of Long-Term Debt	5.95%	5.95%
Atmos (5.95%)		
Dallas (4.81%) or (5.68%)		
EXAMINERS (5.95%)		
Cost of Short-Term Debt	0.00%	
ATM (1%)		
TIEC (1.05%)		
Rate of Return Result	8.87%	

Issue	On/Off Switch (1 is on, 0 is off)	Schedule Impacted	Cell Impacted	Adjustment	Base Transport Revenue Impact	Witness
Operations and Maintenance Expenses						
2 Depreciation	0	F-3	G17 - G60	(32,980,982)	(33,220,806)	D. Garrett
Incentive Compensation						
3 Direct Incentive Compensation (FERC 926 Employee Pensions and Benefits)		Schedule F-2	L51			
ACSC or	0			(\$1,474,777)	(\$1,485,846)	
Dallas or	0			(\$1,843,941)	(\$1,858,073)	
Examiners	1			(\$580,485)	(\$585,134)	
4 SSU Incentive Compensation (O&M Non-Labor Service Level Factor Adjustments)						
ACSC or	0	WP F-2.7	E109	(\$757,634)	(\$763,613)	
Dallas or	0	Schedule F-2	L51	(\$1,103,348)	(\$1,111,922)	
Examiners	1	Schedule F-2	L51	(\$1,017,251)	(\$1,025,179)	
5 SERP (Dallas)	0	Schedule F-2	L51	(\$93,446)	(\$94,440)	
6 Cost Center 1905 Outside Director (ACSC)	0	WP F-2.7	E101	(\$46,102)	(\$46,741)	
7 Other Pay (ACSC)	0	Schedule F-2		(\$87,465)	(\$88,123)	
Increase Adjustment for FERC 851 System Control and Load Dispatching \$25,485			L24	(\$25,485)	(\$25,677)	
Increase Adjustment for FERC 865 Maintenance of Measuring and Regulating Station Equipment \$8,231			L34	(\$8,231)	(\$8,293)	
Increase Adjustment for FERC 903 Customer Records and Collection Expenses \$6,344			L38	(\$6,344)	(\$6,392)	
Decrease Adjustment for FERC 922 Administrative Expenses Transferred- Credit \$47,405			L47	(\$47,405)	(\$47,761)	
8 Adjustments to Shared Services Expense Factors	0				(\$380,944)	C. Cannady
Decrease Labor Expense Factor for Medical and Dental Benefits Adjustment 70.28%		WP F-2.2	C24 C12	70.28%		
Decrease O&M Expense Factor for Pensions and Other Postemployment Benefits Plans 70.28%		WP F-2.3	D12	70.28%		
Rate Base						
Incentive Compensation						
9 Direct Incentive Compensation Capitalized		WP B-1	G13			
ACSC or	0			\$3,358,370	(\$501,422)	C. Cannady
Examiners	1			\$1,371,493	(\$205,064)	
10 SSU Incentive Compensation Capitalized		WP B-1	G14			
ACSC or	0			\$1,273,311	(\$190,112)	C. Cannady
Examiners	1			\$1,252,284	(\$187,265)	

Atmos Pipeline - Texas
GUD No. 10580 / Statement of Intent filed 1/6/17
Twelve Months Ending September 30, 2016
Decision Summary GUD No. 10580

11	Reduce MIP/VPP Accrual (ACSC) \$1,132,232	0	WP B-6	D12	(\$1,132,232)	(\$169,048)	C. Cannady				
	Reduce MIP/VPP Accrual (Examiners) \$519,292	1		D12	(\$519,292)	(\$77,825)					
12	Reduce Restricted Stock Grant Plan (ACSC) \$3,546,322	0	WP B-6	D40	(\$3,546,322)	(\$110,345)	C. Cannady				
	Reduce Restricted Stock Grant Plan (Examiner) \$4,631,448	1	WP B-6	D40	(\$4,631,448)	(\$144,401)					
13	Remove FD-NOL Credit Carryforward - Utility	0	WP B-6	D60	(\$725,716,695)	(\$22,580,808)	C. Cannady				
14	Increase Pension & Other Postemployment Benefit Regulatory Asset	0	WP B-7	C12	\$2,103,309	\$525,945	C. Cannady				
15	Remove Adjustments for Capitalized Pension Regulatory Asset from APT - Direct Plant	0	Schedule C	E63		(\$381,486)	C. Cannady				
	Remove Adjustment from FERC 350.1 Land \$4,790				(\$4,790)						
	Remove Adjustment from FERC 350.2 Rights-of-Way \$28				(\$28)						
	Remove Adjustment from FERC 351 Structures and Improvements \$21,394				(\$21,394)						
	Remove Adjustment from FERC 352 Wells \$68,089				(\$68,089)						
	Remove Adjustment from FERC 353 Lines \$11,512				(\$11,512)						
	Remove Adjustment from FERC 354 Compressor Station Equipment \$43,377				(\$76,646)						
	Remove Adjustment from FERC 355 M&R Equipment \$43,999				(\$43,999)						
	Remove Adjustment from FERC 356 Purification Equipment \$43,377				(\$43,377)						
	Remove Adjustment from FERC 357 Other Equipment \$539				(\$539)						
	Remove Adjustment from FERC 365.2 ROW - City Gate \$16,486				(\$16,486)						
	Remove Adjustment from FERC 366 Structures and Improvements \$9,963				(\$9,963)						
	Remove Adjustment from FERC 367 Mains - Cathodic Protection \$174,070				(\$174,070)						
	Remove Adjustment from FERC 367.01 Mains - Steel \$1,243,202				(\$1,243,202)						
	Remove Adjustment from FERC 367.02 Mains - Plastic \$10,066				(\$10,066)						
	Remove Adjustment from FERC 368 Compressor Station Equipment \$130,320				(\$130,320)						
	Remove Adjustment from FERC 369 M&R Station Equipment \$198,677				(\$198,677)						
	Remove Adjustment from FERC 370 Communication Equipment \$12,285				(\$12,285)						
	Remove Adjustment from FERC 371 Other Equipment \$4,276				(\$4,276)						
	Remove Adjustment from FERC 390 Structures and Improvements \$5,458				(\$5,458)						
	Remove Adjustment from FERC 391 Office Furniture and Equipment \$4,237				(\$4,237)						
	Remove Adjustment from FERC 392 Transportation Equipment \$1,357				(\$1,357)						
	Remove Adjustment from FERC 394 Tools, Shop, and Garage Equipment \$8,551				(\$8,551)						
	Remove Adjustment from FERC 395 Laboratory Equipment \$150				(\$150)						
	Remove Adjustment from FERC 396 Power Operated Equipment \$2,653				(\$2,653)						
	Remove Adjustment from FERC 397 Communication Equipment \$639				(\$639)						
	Remove Adjustment from FERC 397.02 Communication Equipment - Fixed Radios \$70				(\$70)						
	Remove Adjustment from FERC 397.05 Communication Equipment - Telemetry \$100				(\$100)						
	Remove Adjustment from FERC 398 Miscellaneous Equipment \$7,116				(\$7,116)						
	Remove Adjustment from FERC 399 Other Tangible Property \$62				(\$62)						
	Remove Adjustment from FERC 399.01 Other Tangible Property - Servers Hardware \$532				(\$532)						
	Remove Adjustment from FERC 399.02 Other Tangible Property - Servers Software \$1,223				(\$1,223)						
	Remove Adjustment from FERC 399.03 Other Tangible Property - Network Hardware \$62				(\$62)						
	Remove Adjustment from FERC 399.06 Other Tangible Property - PC Hardware \$689				(\$689)						
	Remove Adjustment from FERC 399.07 Other Tangible Property - PC Software \$690				(\$690)						
Revenue Allocation and Rate Design											
16	Allocation Factor for PT Interruptible Rate Class	0	Schedule I	D33	<table><tr><td>0 = Atmos (75%)</td><td>2 = Nucor (25%)</td></tr><tr><td>1 = ACSC (100%)</td><td>3 = TIEC (55%)</td></tr></table>			0 = Atmos (75%)	2 = Nucor (25%)	1 = ACSC (100%)	3 = TIEC (55%)
0 = Atmos (75%)	2 = Nucor (25%)										
1 = ACSC (100%)	3 = TIEC (55%)										
17	Fixed Storage Costs Allocation	0	Schedule H-3.1	F31							
18	Limit Increase to 1.5x System Average-Examiners / TIEC Alternative	1	Schedule J Schedule K-3	E39 K12							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COST OF SERVICE & CLASS COST OF SERVICE SCHEDULES AND WORKPAPERS
TEST YEAR ENDING SEPTEMBER 30, 2016

Totals may vary due to rounding.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Schedule	Description of Schedule	Witnesses
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3	Schedule C	COMPONENTS OF RATE BASE - GROSS PLANT	MYERS
4	Schedule D	COMPONENTS OF RATE BASE - ACCUMULATED DEPRECIATION	MYERS
5	Schedule E	CASH WORKING CAPITAL	LYONS
6	Schedule F-1	OPERATION AND MAINTENANCE EXPENSES	MYERS
7	Schedule F-2	ADJUSTMENTS TO OPERATION AND MAINTENANCE EXPENSES	MYERS
8	Schedule F-3	DEPRECIATION AND AMORTIZATION EXPENSE	MYERS
9	Schedule F-4	DEPRECIATION RATE SUMMARY	WATSON
10	Schedule F-5	TAXES OTHER THAN INCOME TAX	MYERS
11	Schedule F-6	TOTAL INCOME TAXES	MYERS
12	Schedule G	SUMMARY OF RETURN	HEVERT
13	Schedule H	CLASS COST OF SERVICE SUMMARY	GASKE
14	Schedule H-1	FUNCTIONALIZATION AND CLASSIFICATION OF COSTS	GASKE
15	Schedule H-1.1	FUNCTIONAL ALLOCATION OF DEFERRED INCOME TAXES	GASKE
16	Schedule H-2	ALLOCATION OF TRANSMISSION COSTS	GASKE
17	Schedule H-2.1	DEVELOPMENT OF CLASS ALLOCATION FACTORS	GASKE
18	Schedule H-3	ALLOCATION OF STORAGE COSTS	GASKE
19	Schedule H-3.1	DEVELOPMENT OF STORAGE ALLOCATOR	GASKE
20	Schedule H-4	TOTAL ALLOCATED COST	GASKE
21	Schedule H-4.1	RRC TAX ALLOCATION	GASKE
22	Schedule I	ADJUSTED BILLING DETERMINANTS	GASKE
23	Schedule J	RATE DESIGN	GASKE
24	Schedule K	SUMMARY OF CURRENT AND PROPOSED RATE STRUCTURE	GASKE
25	Schedule K-1	SUMMARY PROOF OF REVENUE AT CURRENT RATES	GASKE
26	Schedule K-2	SUMMARY PROOF OF REVENUE AT PROPOSED RATES	GASKE
27	Schedule K-3	PROPOSED CHANGE IN PRO FORMA REVENUE	GASKE
28	Schedule K-4	OTHER REVENUE	GORDON \ GASKE

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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Line No.	Workpaper	Description of Workpaper	Witnesses
1	WP B-1	RATE BASE ADJUSTMENTS	MYERS
2	WP B-1.1	GUD NO. 10000 RATE BASE ADJUSTMENT	MYERS
3	WP B-2	INJURIES AND DAMAGES RESERVE	MYERS
4	WP B-3	MATERIALS AND SUPPLIES	MYERS
5	WP B-4	PREPAYMENTS	MYERS
6	WP B-5	UNDERGROUND STORAGE & LINE PACK GAS	MYERS
7	WP B-6	ACCUMULATED DEFERRED INCOME TAXES TEST YEAR ENDING BALANCE	MYERS
8	WP B-7	PENSION AND OTHER POSTEMPLOYMENT BENEFITS REGULATORY ASSET	MYERS
9	WP B-7.1	PENSION AND OTHER POSTEMPLOYMENT BENEFITS REGULATORY ASSET SUMMARY	MYERS
10	WP E-1	ACCUMULATED DEFERRED INCOME TAXES TEST YEAR BEGINNING BALANCE	MYERS
11	WP F-2.1	BASE LABOR ADJUSTMENT	MYERS
12	WP F-2.2	MEDICAL AND DENTAL BENEFITS ADJUSTMENT	MYERS
13	WP F-2.3	PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS PLAN ADJUSTMENTS	MYERS
14	WP F-2.3.1	PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS PLAN FOR APPROVAL	MYERS
15	WP F-2.4	PROPERTY INSURANCE ADJUSTMENT	MYERS
16	WP F-2.5	BLANK SHEET	MYERS
17	WP F-2.6	EMPLOYEE EXPENSE ADJUSTMENT	MYERS
18	WP F-2.7	SHARED SERVICES ("SSU") SERVICE LEVEL FACTORS ADJUSTMENT	MYERS
19	WP F-2.7.1	SHARED SERVICES ("SSU") COST CENTER FUNCTIONS	MYERS
20	WP F-2.8	MISCELLANEOUS ADJUSTMENTS	MYERS
21	WP F-2.9	BLANK SHEET	MYERS
22	WP F-2.10	RULE COMPLIANCE ADJUSTMENT	MYERS
23	WP F-2.11	BLANK SHEET	MYERS
24	WP F-5.1	TAXES OTHER THAN INCOME TAX WORKPAPER	MYERS
25	WP F-5.2	SHARED SERVICES ("SSU") ADJUSTED TOTAL LABOR ALLOCATED TO PIPELINE FOR PAYROLL TAX CALCULATION	MYERS

Atmos Pipeline - Texas Errata Changes

Revenue Requirement - Original Filing (1/6/2017)	\$ 494,642,625	
Updated Revenue Requirement - Errata Filing (2/24/2017)	\$ 502,784,446	Amounts have been hardcoded. Can trace back to Schedule A.
Base Transport Revenue Requirement - Original Filing (1/6/2017)	\$ 422,871,291	
Updated Base Transport Revenue Requirement - Errata Filing (2/24/2017)	\$ 430,973,408	Amounts have been hardcoded. Can trace back to Schedule A.

Description of Change	Tab	Cell Reference	Value - Original Filing	Value - Errata Filing	Base Transport Revenue Requirement Impact	Sponsoring Witness	Testimony Pages	Testimony Exhibits	Print Cell Impacted
Changed Cost Center 1910 Allocation Factor	WP_F-2.7	I103	14.24%	0.00%	\$ 8,102,117	Myers		N/A	p. 2, Line 93, Col (g)
Added PT Customer to Billing Determinants	Adjustment	C26	1,880,220	1,916,220					p. 1, Line 16, Col. "MDQ Base Year"
Added PT Customer to Billing Determinants	Schedule I	E26	1,650,432	1,686,432	\$ (171,328)	Gaske		N/A	p. 1, Line 16, Col. "MDQ Test Year"
Updated No. of PT Customers	Schedule H-2.1	F19	70	71	\$ -	Gaske		N/A	p. 1, Line 9, Col (e)
Rebuttal Changes									
Changed SSU O&M Expense Factor	WP_F-2.1	E20	95.76%	71.08%	\$ (334,541)	Myers	p. 22, Line 1 - p. 24,	BWM-R-2	p. 1, Line 11, Col (c) done
Removed Severance Pay - Capital	WP_B-1	G13	\$ -	\$ 49,108	\$ (7,332)	Myers	p. 19, Lines 3 - 18	N/A	p. 1, Line 4, Col (b) done
Removed Severance Pay - Expense (Direct)	WP_F-2.8	E28	\$ -	\$ 8,231	\$ -	Myers	p. 19, Lines 3 - 18	N/A	p. 1, Line 19, Col (d) done
Removed Severance Pay - Expense (SSU)	WP_F-2.8	E39	\$ -	\$ 43,456	\$ (43,782)	Myers	p. 19, Lines 3 - 18	N/A	p. 2, Line 30, Col (d) done
Remove Gas Utility Tax from Other Revenue	Schedule K-4	D10	\$ 75,148,577	\$ 74,859,733	\$ 287,394	Myers	p. 4, Lines 4 - 13	N/A	p. 1, Line 1, Col (c) done
Remove Charges without invoice support	Schedule C	E38	\$ 12,285	\$ 11,181	\$ (225)	Myers	p. 28, Lines 13 - 18	N/A	p. 1, Line 29, Col (d)
Remove Charges without invoice support	Schedule D	E38	\$ (541,524)	\$ (541,538)	\$ 2	Myers	p. 28, Lines 13 - 18	N/A	p. 1, Line 29, Col (d)

Atmos Pipeline - Texas
GUD No. 10580 / Statement of Intent filed 1/6/17
Twelve Months Ending September 30, 2016
Decision Summary GUD No. 10580

	SOI	Errata	Rebuttal	Examiners	Difference
Revenue Requirement Requested	\$ 494,642,625	\$ 502,784,446	\$ 502,398,276	\$ 452,099,810	\$ (50,298,466)
Base Transport Revenue Requirement Requested	\$ 422,871,291	\$ 430,973,408	\$ 430,875,147	\$ 380,821,971	\$ (50,053,176)
Transport Base Rates Increase Requested	\$ 72,918,007	\$ 80,848,796	\$ 80,750,312	\$ 30,697,359	\$ (50,052,953)

Rate CGS - Mid-Tex	Proposed	Recommended
Capacity Charge per MDQ	\$ 11.24146	\$ 10.20461
Mid-Tex Working Gas in Storage Charge	\$ 0.52433	\$ 0.43694
Usage Charge per MMBtu	\$ 0.02785	\$ 0.02785

Rate CGS - Other	Proposed	Recommended
Capacity Charge per MDQ	\$ 11.24146	\$ 10.20461
Usage Charge per MMBtu	\$ 0.02785	\$ 0.02785

Rate PT	Proposed	Recommended
Capacity Charge per MDQ	\$ 7.70001	\$ 5.46962
Usage Charge per MMBtu	\$ 0.01325	\$ 0.01325

NO.	Rate of Return	Schedule G
1	a. Capital Structure	
	Long-Term Debt	47.36%
	Atmos and Staff (40.17%)	0.401705729
	ACSC (48%)	
	ATM (33.77%)	
	Smurfit (remain at current GUD 10000 - 49.5%)	
	Dallas (45%)	
	TIEC (38.11%)	
	EXAMINERS (47.36%)	
	Common Equity	52.64%
	Atmos and Staff (59.83%)	0.598294271
	ACSC (52%)	
	ATM (53.43%)	
	Smurfit (remain at current GUD 10000 - 50.5%)	
	Dallas (55%)	
	TIEC (51.90%)	
	EXAMINERS (52.64%)	
	Short-Term Debt	0.00%
	ATM (12.80%)	
	TIEC (9.99%)	
	EXAMINERS (0%)	
	b. Cost of Capital	
	Return on Equity	11.50%
	Atmos (13.5%)	
	ACSC (9%)	
	ATM (8.92%)	
	Dallas (9.25%)	
	Smurfit (9.59% - 10%)	
	Staff (10%)	
	TIEC (9.5%)	
	EXAMINERS (11.5%)	
	Cost of Long-Term Debt	5.95%

Revenue Requirement Impact ROR by Party

	Examiners	ACSC	ATM
ROR	8.87%	7.54%	6.90%
Revenue Impact	\$ (47,941,228)	\$ (84,987,569)	\$ (94,223,641)
	Dallas	Smurfit	Staff
ROR	7.25%	7.79%	8.37%
Revenue Impact	(\$86,145,748)	(\$78,916,353)	(\$57,516,786)
	4.81% Cost of Debt	at 9.59% ROE	
	TIEC	Atmos	
ROR	7.30%	10.47%	
Revenue Impact	(\$85,736,378)		

Atmos Pipeline - Texas
GUD No. 10580 / Statement of Intent filed 1/6/17
Twelve Months Ending September 30, 2016
Decision Summary GUD No. 10580

Atmos (5.95%)	5.95%
Dallas (4.81%) or (5.68%)	
EXAMINERS (5.95%)	
Cost of Short-Term Debt	0.00%
ATM (1%)	
TIEC (1.05%)	
Rate of Return Result	8.87%

Issue		On/Off Switch (1 is on, 0 is off)	Schedule Impacted	Cell Impacted	Adjustment	Base Transport Revenue Impact	Witness
Operations and Maintenance Expenses							
2 Depreciation		0	F-3	G17 - G60	(32,980,982)	(33,220,806)	D. Garrett
Incentive Compensation							
3	Direct Incentive Compensation (FERC 926 Employee Pensions and Benefits)		Schedule F-2	L51			
	ACSC or	0			(\$1,474,777)	(\$1,485,846)	
	Dallas or	0			(\$1,843,941)	(\$1,858,073)	
	Examiners	1			(\$580,485)	(\$585,134)	
4	SSU Incentive Compensation (O&M Non-Labor Service Level Factor Adjustments)						
	ACSC or	0	WP F-2.7	E109	(\$757,634)	(\$763,613)	
	Dallas or	0	Schedule F-2	L51	(\$1,103,348)	(\$1,111,922)	
	Examiners	1	Schedule F-2	L51	(\$1,017,251)	(\$1,025,179)	
5	SERP (Dallas)	0	Schedule F-2	L51	(\$93,446)	(\$94,440)	
6	Cost Center 1905 Outside Director (ACSC)	0	WP F-2.7	E101	(\$46,102)	(\$46,741)	
7	Other Pay (ACSC)	0	Schedule F-2		(\$87,465)	(\$88,123)	
	Increase Adjustment for FERC 851 System Control and Load Dispatching \$25,485			L24	(\$25,485)	(\$25,677)	
	Increase Adjustment for FERC 865 Maintenance of Measuring and Regulating Station Equipment \$8,231			L34	(\$8,231)	(\$8,293)	
	Increase Adjustment for FERC 903 Customer Records and Collection Expenses \$6,344			L38	(\$6,344)	(\$6,392)	
	Decrease Adjustment for FERC 922 Administrative Expenses Transferred- Credit \$47,405			L47	(\$47,405)	(\$47,761)	
8	Adjustments to Shared Services Expense Factors	0				(\$380,944)	C. Cannady
	Decrease Labor Expense Factor for Medical and Dental Benefits Adjustment 70.28%		WP F-2.2	C24 C12	70.28%		
	Decrease O&M Expense Factor for Pensions and Other Postemployment Benefits Plans 70.28%		WP F-2.3	D12	70.28%		
Rate Base							
Incentive Compensation							
9	Direct Incentive Compensation Capitalized		WP B-1	G13			
	ACSC or	0			\$3,358,370	(\$501,422)	C. Cannady
	Examiners	1			\$1,371,493	(\$205,064)	
10	SSU Incentive Compensation Capitalized		WP B-1	G14			
	ACSC or	0			\$1,273,311	(\$190,112)	C. Cannady
	Examiners	1			\$1,252,284	(\$187,265)	
11	Reduce MIP/VPP Accrual (ACSC) \$1,132,232	0	WP B-6	D12	(\$1,132,232)	(\$169,048)	C. Cannady
	Reduce MIP/VPP Accrual (Examiners) \$519,292	1		D12	(\$519,292)	(\$77,825)	
12	Reduce Restricted Stock Grant Plan (ACSC) \$3,546,322	0	WP B-6	D40	(\$3,546,322)	(\$110,345)	C. Cannady

Atmos Pipeline - Texas
GUD No. 10580 / Statement of Intent filed 1/6/17
Twelve Months Ending September 30, 2016
Decision Summary GUD No. 10580

	Reduce Restricted Stock Grant Plan (Examiner)	\$4,631,448	1					
13	Remove FD-NOL Credit Carryforward - Utility		0	WP B-6	D40 D60	(\$4,631,448) (\$725,716,695)	(\$144,401) (\$22,580,808)	C. Cannady
14	Increase Pension & Other Postemployment Benefit Regulatory Asset		0	WP B-7	C12	\$2,103,309	\$525,945	C. Cannady
15	Remove Adjustments for Capitalized Pension Regulatory Asset from APT - Direct Plant		0	Schedule C	E63		(\$381,486)	C. Cannady
	Remove Adjustment from FERC 350.1 Land \$4,790					(\$4,790)		
	Remove Adjustment from FERC 350.2 Rights-of-Way \$28					(\$28)		
	Remove Adjustment from FERC 351 Structures and Improvements \$21,394					(\$21,394)		
	Remove Adjustment from FERC 352 Wells \$68,089					(\$68,089)		
	Remove Adjustment from FERC 353 Lines \$11,512					(\$11,512)		
	Remove Adjustment from FERC 354 Compressor Station Equipment \$43,377					(\$76,646)		
	Remove Adjustment from FERC 355 M&R Equipment \$43,999					(\$43,999)		
	Remove Adjustment from FERC 356 Purification Equipment \$43,377					(\$43,377)		
	Remove Adjustment from FERC 357 Other Equipment \$539					(\$539)		
	Remove Adjustment from FERC 365.2 ROW - City Gate \$16,486					(\$16,486)		
	Remove Adjustment from FERC 366 Structures and Improvements \$9,963					(\$9,963)		
	Remove Adjustment from FERC 367 Mains - Cathodic Protection \$174,070					(\$174,070)		
	Remove Adjustment from FERC 367.01 Mains - Steel \$1,243,202					(\$1,243,202)		
	Remove Adjustment from FERC 367.02 Mains - Plastic \$10,066					(\$10,066)		
	Remove Adjustment from FERC 368 Compressor Station Equipment \$130,320					(\$130,320)		
	Remove Adjustment from FERC 369 M&R Station Equipment \$198,677					(\$198,677)		
	Remove Adjustment from FERC 370 Communication Equipment \$12,285					(\$12,285)		
	Remove Adjustment from FERC 371 Other Equipment \$4,276					(\$4,276)		
	Remove Adjustment from FERC 390 Structures and Improvements \$5,458					(\$5,458)		
	Remove Adjustment from FERC 391 Office Furniture and Equipment \$4,237					(\$4,237)		
	Remove Adjustment from FERC 392 Transportation Equipment \$1,357					(\$1,357)		
	Remove Adjustment from FERC 394 Tools, Shop, and Garage Equipment \$8,551					(\$8,551)		
	Remove Adjustment from FERC 395 Laboratory Equipment \$150					(\$150)		
	Remove Adjustment from FERC 396 Power Operated Equipment \$2,653					(\$2,653)		
	Remove Adjustment from FERC 397 Communication Equipment \$639					(\$639)		
	Remove Adjustment from FERC 397.02 Communication Equipment - Fixed Radios \$70					(\$70)		
	Remove Adjustment from FERC 397.05 Communication Equipment - Telemetry \$100					(\$100)		
	Remove Adjustment from FERC 398 Miscellaneous Equipment \$7,116					(\$7,116)		
	Remove Adjustment from FERC 399 Other Tangible Property \$62					(\$62)		
	Remove Adjustment from FERC 399.01 Other Tangible Property - Servers Hardware \$532					(\$532)		
	Remove Adjustment from FERC 399.02 Other Tangible Property - Servers Software \$1,223					(\$1,223)		
	Remove Adjustment from FERC 399.03 Other Tangible Property - Network Hardware \$62					(\$62)		
	Remove Adjustment from FERC 399.06 Other Tangible Property - PC Hardware \$689					(\$689)		
	Remove Adjustment from FERC 399.07 Other Tangible Property - PC Software \$690					(\$690)		
Revenue Allocation and Rate Design								
16	Allocation Factor for PT Interruptible Rate Class		0	Schedule I	D33	0 = Atmos (75%) 2 = Nucor (25%) 1 = ACSC (100%) 3 = TIEC (55%)		
17	Fixed Storage Costs Allocation		0	Schedule H-3.1	F31			
18	Limit Increase to 1.5x System Average-Examiners / TIEC Alternative		1	Schedule J Schedule K-3	E39 K12			

GUD No. 10580
Atmos Pipeline - Texas
Revenue Requirement Summary

		Recommended	Proposed	Difference
a Operations and Maintenance Expense	Schedule F-1	\$127,410,291	\$129,008,096	-\$1,597,804
b Depreciation and Amortization Expense	Schedule F-3	\$81,036,473	\$81,036,473	\$0
c Taxes Other than Income Taxes	Schedule F-5	\$25,846,258	\$26,091,547	-\$245,289
d Rate Base	Schedule B	\$1,767,599,981	\$1,771,755,131	-\$4,155,151
e Adjustment	Schedule G	8.87200%	10.46714%	
f Return on Rate Base	d * e	<u>\$156,821,470</u>	<u>\$185,452,048</u>	-\$28,630,578
g Income Taxes	Schedule F-6	\$60,993,470	\$80,809,888	-\$19,816,418
h Revenue Requirement	a + b + c + f + g	\$452,107,963	\$502,398,052	-\$50,290,089
i Other Revenue	Schedule K-4	\$69,411,586	\$69,411,586	\$0
j Transport Revenue Requirement	h - i	\$382,696,376	\$432,986,465	-\$50,290,089
k Rider TAX Revenue	Schedule F-5	\$1,866,252	\$2,111,542	-\$245,289
l Base Transport Revenue Requirement	j - k	\$380,830,124	\$430,874,924	-\$50,044,800
m Current Base Transport Revenues	Schedule K-1	\$350,124,612	\$350,124,612	\$0
n Revenue Requirement Deficiency	j - k - m	\$30,705,512	\$80,750,312	-\$50,044,800
o Transport Rev Increase (%)	n / m	8.77%	23.06%	
p Revenue Requirement Increase (%)	n / (m + i)	7.32%	19.25%	

Adjustment to ADIT Related to Incentive Pay Accruals
(Modeled after ACSC Cannady Schedule CTC-5)

SECTION 1--Atmos Direct ADIT (STI)

Atmos Direct STI	\$ 6,475,450	a	Section 3, d
Examiners Recommended Award to be included in Rates	\$ 4,658,298	b	a - (Section 3, h)
Examiners Recommended Percentage	72%	c	b / a
Atmos Direct ADIT Related to STI	\$ 1,850,506	d	WP_B-6, column b, line 3
Examiners Recommended ADIT for STI	\$ 1,331,214	e	c * d
Examiners Recommended Adjustment to ADIT	\$ (519,292)	f	e - d

SECTION 2--Atmos SSU ADIT (LTI)

Atmos SSU LTI	\$ 1,837,049	a	Section 4, f
Examiners Recommended Award	\$ -	b	a - Section 3,l
Examiners Recommended Percentage	0%	c	b / a
SSU ADIT for LTI before Allocation to Atmos	\$ 4,631,448	d	WP_B-6, column b, line 31
Examiners Recommended SSU ADIT LTI Before Allocation to Atmos	\$ -	e	c * d
Examiners Recommended ADIT Adjustment Before Allocation to Atmos	\$ (4,631,448)	f	e - d
SSU Four-Allocation Factor	20.84%	g	WP_B-6, column b, line 64
Examiners Recommended Adjustment to ADIT	\$ (965,194)	h	f * g

SECTION 3--STI

Atmos

Direct--Expense	\$ 1,894,491	a	Atmos Ex. 18 at Exh. BWM-R-3 (Myers Reb.)
Direct--Capitalized	\$ 4,580,959	b	Atmos Ex. 18 at Exh. BWM-R-3 (Myers Reb.)
SSU--Capitalized	\$ 432,486	c	Atmos Ex. 18 at Exh. BWM-R-3 (Myers Reb.)
Direct--Total	\$ 6,475,450	d	a + b

Examiners Adjustments

Direct--Expense Adjustment	\$ 531,635	e	Atmos Response to Exam RFI 3-01 + 3-02, limit award to 100%
Direct--Capitalized Adjustment	\$ 1,285,517	f	Atmos Response to Exam RFI 3-01 + 3-02, limit award to 100%
SSU--Capitalized Adjustmnet	\$ 432,486	g	Exclude all SSU
Direct -- Total	\$ 1,817,152	h	e + f

SECTION 4--LTI

Atmos

Direct--Expense	\$ 404,401	a	Atmos Ex. 18 at Exh. BWM-R-3 (Myers Reb.)
Direct--Capitalized	\$ 711,740	b	Atmos Ex. 18 at Exh. BWM-R-3 (Myers Reb.)
SSU--Expense	\$ 1,017,251	c	Atmos Ex. 18 at Exh. BWM-R-3 (Myers Reb.)
SSU--Capitalized	\$ 819,798	d	Atmos Ex. 18 at Exh. BWM-R-3 (Myers Reb.)
Direct--Total	\$ 1,116,141	e	a + b
SSU--Total	\$ 1,837,049	f	c + d

Examiners Adjustments

Direct--Expense	\$ 48,850	g	Atmos Response to Exam RFI 3-03, limit award to 100%
Direct--Capitalized	\$ 85,976	h	Atmos Response to Exam RFI 3-03, limit award to 100%
SSU--Expense	\$ 1,017,251	i	Exclude all SSU
SSU--Capitalized	\$ 819,798	j	Exclude all SSU
Direct--Total	\$ 134,826	k	g + h
SSU--Total	\$ 1,837,049	l	i + j

City of Dallas
Depreciation Adjustments
ALG Recommendation

		[1]	[2]				[3]				[4]		
Account No.	Description	Original Cost	Company Proposal				City of Dallas Proposal				Difference		
			Iowa Curve Type	AL	Rate	Annual Accrual	Iowa Curve Type	AL	Rate	Annual Accrual	Rate	Annual Accrual	
Underground Storage Plant													
350.20	Rights Of Way	32,563	R4 - 55		2.23%	726	R4 - 55		2.13%	695	-0.10%	(31)	
351.00	Structures & Improvements	24,613,950	S3 - 52		2.39%	588,987	R2.5 - 75		1.37%	336,821	-1.02%	(252,166)	
352.00	Wells	78,334,938	R0.5 - 55		3.27%	2,561,261	R0.5 - 55		1.89%	1,481,851	-1.38%	(1,079,410)	
353.00	Lines	13,244,531	R0.5 - 40		3.66%	485,025	R0.5 - 42		2.31%	305,595	-1.35%	(179,429)	
354.00	Compressor Station Equipment	88,180,195	R1.5 - 40		3.36%	2,958,943	L2 - 42		2.47%	2,174,213	-0.89%	(784,730)	
355.00	Meas. & Reg. Equipment	50,619,681	R0.5 - 40		4.59%	2,323,554	R0.5 - 42		2.47%	1,250,785	-2.12%	(1,072,770)	
356.00	Purification Equipment	49,904,221	R2.5 - 55		2.20%	1,097,856	R2 - 69		1.39%	695,526	-0.81%	(402,330)	
357.00	Other Equipment	620,643	R2.5 - 40		3.12%	19,347	R2.5 - 40		2.69%	16,718	-0.42%	(2,629)	
Total Underground Storage Plant		305,550,724			3.28%	10,035,700			2.05%	6,262,204	-1.23%	(3,773,496)	
Transmission Plant													
365.20	ROW - City Gate	18,967,308	R4 - 85		1.31%	248,564	R1 - 89		1.23%	232,664	-0.08%	(15,900)	
366.00	Structures & Improvements	11,462,500	L0 - 45		4.06%	465,303	L0 - 45		2.39%	273,576	-1.67%	(191,726)	
367.03	Mains - All	1,642,131,650	L0 - 70		2.83%	46,440,537	L0 - 70		1.52%	25,010,087	-1.31%	(21,430,450)	
368.00	Compressor Station Equipment	149,930,747	L0 - 32		4.40%	6,597,250	L0 - 32		2.75%	4,125,843	-1.65%	(2,471,407)	
369.00	M&R Station Equipment	228,574,767	L0 - 37		4.82%	11,019,272	L0 - 37		2.80%	6,397,236	-2.02%	(4,622,036)	
370.00	Communication Equipment	14,133,747	L2 - 25		5.47%	773,582	R1.5 - 28		3.50%	494,346	-1.98%	(279,236)	
371.00	Other Equipment	4,919,152	L0 - 34		3.61%	177,607	L0 - 34		2.51%	123,471	-1.10%	(54,136)	
Total Transmission Plant		2,070,119,871			3.17%	65,722,116			1.77%	36,657,225	-1.40%	(29,064,891)	
General Plant - Depreciated													
390.00	Structures & Improvements	6,279,606	R1.5 - 40		3.38%	212,345	R1.5 - 40		2.55%	160,214	-0.83%	(52,131)	
392.00	Transportation Equipment	1,561,599	L1 - 7		13.28%	207,393	L1 - 7		10.40%	162,437	-2.88%	(44,956)	
396.00	Power Operated Equipment	3,051,689	R1.5 - 15		6.98%	213,005	R1.5 - 15		5.49%	167,498	-1.49%	(45,508)	
Total General Plant - Depreciated		10,892,894			5.81%	632,743			4.50%	490,148	-1.31%	(142,595)	
General Plant - Amortized													
391.00	Office Furniture & Equipment	4,874,479	SQ - 24		7.20%	351,183	SQ - 24		7.20%	351,183	0.00%	-	

City of Dallas
Depreciation Adjustments
ALG Recommendation

		[1]	[2]			[3]				[4]		
Account No.	Description	Original Cost	Company Proposal			City of Dallas Proposal				Difference		
			Type	AL	Rate	Annual Accrual	Type	AL	Rate	Annual Accrual	Rate	Annual Accrual
394.00	Tools,Shop, & Garage	9,837,772	SQ	- 20	6.20%	609,659	SQ	- 20	6.20%	609,659	0.00%	-
395.00	Laboratory Equipment	172,495	SQ	- 21	6.03%	10,409	SQ	- 21	6.03%	10,409	0.00%	-
397.00	Communication Equipment - All	930,477	SQ	- 22	7.11%	66,191	SQ	- 22	7.11%	66,191	0.00%	-
398.00	Miscellaneous Equipment	8,186,506	SQ	- 32	5.49%	449,114	SQ	- 32	5.49%	449,114	0.00%	-
399.00	Other Tangible Property	71,110	SQ	- 7	15.93%	11,326	SQ	- 7	15.93%	11,326	0.00%	-
399.01	Servers Hardware	611,913	SQ	- 10	11.08%	67,779	SQ	- 10	11.08%	67,779	0.00%	-
399.02	Servers Software	1,407,444	SQ	- 10	12.61%	177,439	SQ	- 10	12.61%	177,439	0.00%	-
399.03	Network Hardware	71,335	SQ	- 10	10.98%	7,833	SQ	- 10	10.98%	7,833	0.00%	-
399.06	PC Hardware	792,972	SQ	- 5	22.06%	174,963	SQ	- 5	22.06%	174,963	0.00%	-
399.07	PC Software	690,857	SQ	- 5	23.15%	159,911	SQ	- 5	23.15%	159,911	0.00%	-
Total General Plant - Amortized		27,647,361			7.54%	2,085,808			7.54%	2,085,808	0.00%	-
TOTAL PLANT STUDIED		2,414,210,850			3.25%	78,476,366			1.88%	45,495,384	-1.37%	(32,980,982)

[1] From Company depreciation study; plant balance as of the study date

[2] From Company depreciation study

[3] Rates and Accruals from Rate Development exhibit. (Some unadjusted accounts may be hard coded to match Company proposal due to rounding differences)

[4] = [3] - [2]

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
REVENUE REQUIREMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Reference	Current Revenues	Proposed Revenues	Proposed Change (1)	Percent Increase
	(a)	(b)	(c)	(d)	(e)	(f)
1	Operating Revenues					
2	Rate CGS - Mid-Tex	Schedules K-1 and K-2	\$ 326,742,207	\$ 354,331,858	\$ 27,589,651	8.44%
3	Adjustment	Schedules K-1 and K-2	14,908,621	16,901,847	1,993,226	13.37%
4	Rate PT	Schedules K-1 and K-2	8,473,784	9,588,227	1,114,443	13.15%
5	Total Gas Transport Revenues	Sum Ln 2 through Ln 4	\$ 350,124,612	\$ 380,821,932	\$ 30,697,320	8.77%
6	Other Revenue	Schedule K-4	69,411,586	69,411,586	-	0.00%
7	Total Operating Revenues	Sum Ln 5 + Ln 6	<u>\$ 419,536,198</u>	<u>\$ 450,233,518</u>	<u>\$ 30,697,320</u>	<u>7.32%</u>
8						
9						
10						
11				Total	Rider TAX	Base Revenue
12	Cost of Service Elements					
13	Operation and Maintenance Expenses	Schedule F-1		\$ 127,410,291		\$ 127,410,291
14						
15	Taxes Other than Income Taxes	Schedule F-5		25,846,258	1,866,252	23,980,006
16						
17	Depreciation and Amortization Expense	Schedule F-3		81,036,473		81,036,473
18						
19	Income Taxes	Schedule F-6		60,993,470		60,993,470
20						
21	Rate Base	Schedule B	\$ 1,767,599,981			
22	Rate of Return	Schedule G	8.872%			
23	Return on Rate Base	Col (c), Ln 21 * Ln 22		156,813,317		156,813,317
24						
25	Subtotal Revenue Requirement	Sum Ln 13 through Ln 23		\$ 452,099,810	\$ 1,866,252	\$ 450,233,557
26	Other Revenue	Schedule K-4		69,411,586		69,411,586
27	Total Revenue Requirement	Ln 25 - Ln 26		<u>\$ 382,688,223</u>	<u>\$ 1,866,252</u>	<u>\$ 380,821,971</u>
28						
29	Revenue Deficiency (1)	Col (f) Ln 27 - Col (c) Ln 5				<u>\$ 30,697,359</u>
30						
31	<u>Note:</u>					
32	1. Difference is due to rounding.					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
RATE BASE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Reference	Per Book Amounts	Adjustments	Adjusted Amounts
	(a)	(b)	(c)	(d)	(e)
1	Net Plant in Service:				
2	Utility Plant in Service	Schedule C	\$ 2,477,714,631	\$ 1,770,733	\$ 2,479,485,364
3	Adjustment	Schedule D	499,811,419	(249,041)	499,562,378
4	Non-Current Gas in Storage	DTB (Acct 117.1)	16,928,914	-	16,928,914
5	Net Plant in Service (Ln 2 - Ln 3 + Ln 4)		<u>\$ 1,994,832,125</u>	<u>\$ 2,019,774</u>	<u>\$ 1,996,851,900</u>
6					
7	Additions:				
8	Materials & Supplies (1)	WP_B-3	\$ 3,191,463	\$ 566,215	\$ 3,757,677
9	Prepayments (1)	WP_B-4	4,172,121	2,484,071	6,656,192
10	Line Pack (1)	WP_B-5	4,385,237	-	4,385,237
11	Working Gas Stored Underground (1) (2)	WP_B-5	-	106,038,127	106,038,127
12	Pension and Other Postemployment Benefits Regulatory Asset	WP_B-7	-	6,567,664	6,567,664
13	Total Additions (Sum Ln 8 through Ln 12)		<u>\$ 11,748,820</u>	<u>\$ 115,656,076</u>	<u>\$ 127,404,896</u>
14					
15	Deductions:				
16	Injuries and Damages Reserve	WP_B-2	\$ 1,786,169	\$ (1,664,735)	\$ 121,434
17	Accum. Deferred Income Taxes	WP_B-6	407,438,827	(62,587,877)	344,850,951
18	Rate Base Adjustments	WP_B-1	-	3,591,145	3,591,145
19	Total Deductions (Sum Ln 16 through Ln 18)		<u>\$ 409,224,996</u>	<u>\$ (60,661,466)</u>	<u>\$ 348,563,530</u>
20					
21	Total Cash Working Capital	Schedule E	<u>\$ -</u>	<u>\$ (8,093,285)</u>	<u>\$ (8,093,285)</u>
22					
23	Total Rate Base (Ln 5 + Ln 13 - Ln 19 + Ln 21) (3)		<u><u>\$ 1,597,355,949</u></u>	<u><u>\$ 170,244,031</u></u>	<u><u>\$ 1,767,599,981</u></u>

Notes:

1. Adjusted to 13 month averages as of September 30, 2016.

2. Working Gas in Storage (FERC Account 164.1) was moved to APT to reflect GUD 9400 and GUD 10000 Final Order classification for rate purposes.

3. For this proceeding, APT is treating its original cost of investment minus accumulated depreciation, as adjusted, as its adjusted value of invested capital rate base, as per TEX. UTIL. CODE §§ 104.051, 104.052, and 104.301(b).

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
RATE BASE ADJUSTMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Amounts
	(a)	(b)
1	GUD No. 10000 Amortization of Employee Expenses, TYE March 31, 2010 (WP_B-1.1) (1)	\$ 759,435
2	Employee Expense Adjustment, TYE September 30, 2016 (WP_B-1) (2)	127,405
3	Adjustment	31,420
3a	Adjustment for Excessive APT STI/LTIP Capitalized	1,371,493
3b	Adjustment for SSU STI Capitalized and Excessive LTP Capitalized	1,252,284
3c	Remove Capitalized SSU Severance Pay	49,108
4	Total (Sum Ln 1 through Ln 3)	<u>\$ 3,591,145</u>
5		
6	<u>Notes:</u>	
7	1. In GUD 10000, rate base was approved through March 31, 2010.	
8	2. See Page 2, Column (e), Ln 22. The adjustment covers the periods April 1, 2010 through September 30, 2016.	
9	3. Other Employee-related Expenses adjusted beginning October 1, 2015 through September 30, 2016 for 5400 and 900 Series Review.	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
RATE BASE ADJUSTMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Shared Services - Customer Support (1)	Shared Services - General Office	APT	Total Adjustment
	(a)	(b)	(c)	(d)	(e)
1	<u>Twelve Months Ended September 30, 2016:</u>				
2	Employee Expense Adjustment (4)	\$ 168,422	\$ 297,945	\$ 264,468	
3	Allocation Factor (2) (3)	0.00%	20.84%	100.00%	
4					
5	Allocated Employee Expense Totals (Ln 2 x Ln 3)	\$ -	\$ 62,092	\$ 264,468	
6	Capitalization Factor (2)	100.00%	28.92%	0.00%	
7	Subtotal (Ln 5 x Ln 6)	\$ -	\$ 17,957	\$ -	
8					
9	<u>Add Charges Direct to Capital:</u>				
10	Employee Expense Adjustment (October 1, 2015 - September 30, 2016) (4)	\$ 7,065	\$ 7,191	\$ 8,028	
11	Employee Expense Adjustment (October 1, 2014 - September 30, 2015)	2,663	7,557	14,418	
12	Employee Expense Adjustment (October 1, 2013 - September 30, 2014)	3,470	2,247	18,046	
13	Employee Expense Adjustment (October 1, 2012 - September 30, 2013)	27,026	6,328	15,337	
14	Employee Expense Adjustment (October 1, 2011 - September 30, 2012)	43,068	3,697	18,326	
15	Employee Expense Adjustment (October 1, 2010 - September 30, 2011)	45,171	1,491	12,305	
16	Employee Expense Adjustment (April 1, 2010 - September 30, 2010)	2,356	652	1,531	
17	Employee Expense Adjustment Estimate (5)	-	1,959	14,972	
18	Subtotal (Sum Ln 10 through Ln 17)	\$ 130,819	\$ 31,123	\$ 102,963	
19	Allocation Factor (2) (3)	0.00%	20.84%	100.00%	
20	Allocated Expense Direct to Capital (Ln 18 x Ln 19)	\$ -	\$ 6,486	\$ 102,963	
21					
22	Total for the Period Ending September 30, 2016 (Ln 7 + Ln 20)	\$ -	\$ 24,443	\$ 102,963	\$ 127,405

Notes:

1. Shared Services - Customer Support does not provide services to APT; therefore APT is allocated zero percent of the amounts shown.
2. See WP_F-2.1, Col (b) and Col (c), Ln 7 and Ln 11, as applicable, for the Shared Services factors, as adjusted.
3. APT costs are directly charged and not allocated.
4. Shared Services - General Office amounts have been adjusted to remove amounts in cost centers which do not allocate to APT.
5. This adjustment is to align the employee expense criteria for April 2010 through May 2011 with GUD No. 10000, Finding of Fact Nos. 34 and 35.

Data Sources:

WP_B-1 and WP_F-2.6_Oct'15-Sep'16 Co 010 Div 002 IEXP.xlsx
WP_B-1 and WP_F-2.6_Oct'15-Sep'16 Co 010 Div 012 IEXP.xlsx
WP_B-1 and WP_F-2.6_Oct'15-Sep'16 Co 180 IEXP.xlsx
WP_B-1 and WP_F-2.8_Oct'15-Sep'16 900 Series Adjustment.xlsx
WP_B-1 and WP_F-2.8_Oct'15-Sep'16 5400 Review Adjustment.xlsx
WP_B-1_Apr'10-May'11 IEXP Estimate.xlsx
WP_B-1_Apr'10-Sep'15 Co 010 Div 002 IEXP Capital Only.xlsx
WP_B-1_Apr'10-Sep'15 Co 010 Div 012 IEXP Capital Only.xlsx
WP_B-1_Apr'10-Sep'15 Co 180 IEXP Capital Only.xlsx

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
GUD NO. 10000 RATE BASE ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016
AMORTIZATION SCHEDULE *

Line No.	Year Ended Mar. 31	Beginning of Year Rate Base Adjustment Amount	Annual Amortization (1)	End of Year Rate Base Adjustment Amount (2)	Balance as of September 30, 2016
	(a)	(b)	(c)	(d)	(e)
1	2010			\$ 962,159	
2	\$ 962,159	\$ 962,159	\$ 31,188	930,971	
3	\$ 930,971	930,971	31,188	899,782	
4	\$ 899,782	899,782	31,188	868,594	
5	\$ 868,594	868,594	31,188	837,406	
6	\$ 837,406	837,406	31,188	806,217	
7	\$ 806,217	806,217	31,188	775,029	
8	\$ 775,029	775,029	31,188	743,841	\$ 759,435
9	\$ 743,841	743,841	31,188	712,653	
10	\$ 712,653	712,653	31,188	681,464	
11	\$ 681,464	681,464	31,188	650,276	
12	\$ 650,276	650,276	31,188	619,088	
13	\$ 619,088	619,088	31,188	587,899	
14	\$ 587,899	587,899	31,188	556,711	
15	\$ 556,711	556,711	31,188	525,523	
16	\$ 525,523	525,523	31,188	494,334	
17	\$ 494,334	494,334	31,188	463,146	
18	\$ 463,146	463,146	31,188	431,958	
19	\$ 431,958	431,958	31,188	400,770	
20	\$ 400,770	400,770	31,188	369,581	
21	\$ 369,581	369,581	31,188	338,393	
22	\$ 338,393	338,393	31,188	307,205	
23	\$ 307,205	307,205	31,188	276,016	
24	\$ 276,016	276,016	31,188	244,828	
25	\$ 244,828	244,828	31,188	213,640	
26	\$ 213,640	213,640	31,188	182,452	
27	\$ 182,452	182,452	31,188	151,263	
28	\$ 151,263	151,263	31,188	120,075	
29	\$ 120,075	120,075	31,188	88,887	
30	\$ 88,887	88,887	31,188	57,698	
31	\$ 57,698	57,698	31,188	26,510	
32	\$ 26,510	26,510	26,510	-	

Notes:

1. The annual amortization is calculated based upon the same period reflected in GUD No. 9670, an Atmos Energy Corp., Mid-Tex Division case, Schedule B, Page 2, Footnote 1 (30.85 years).

2. The March 31, 2010 amount is per GUD No. 10000 Employee Expense Rate Base Adjustment found in relied file, "GUD_10000_Official Examiners Model_Final Order.xlsx."

1 in the amount of \$910,472 plus an additional \$51,687 in meals as stated in GUD No. 10000 Finding of Fact 36.

* Totals may vary due to rounding.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
INJURIES AND DAMAGES RESERVE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Per Book Amount (1)	Adjustments (2)	Adjusted Amount	Allocation Factor	Allocated Amount
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) * (e)
1	<u>APT - Direct</u>					
2	Adjustment	\$ 59,113	\$ -	\$ 59,113	100.00%	\$ 59,113
3	October 31, 2015	61,068	-	61,068	100.00%	61,068
4	November 30, 2015	62,661	-	62,661	100.00%	62,661
5	December 31, 2015	64,435	-	64,435	100.00%	64,435
6	January 31, 2016	-	-	-	100.00%	-
7	February 28, 2016	58,885	-	58,885	100.00%	58,885
8	March 31, 2016	60,659	-	60,659	100.00%	60,659
9	April 30, 2016	62,433	-	62,433	100.00%	62,433
10	May 31, 2016	57,911	-	57,911	100.00%	57,911
11	June 30, 2016	59,344	-	59,344	100.00%	59,344
12	July 31, 2016	61,118	-	61,118	100.00%	61,118
13	August 31, 2016	62,892	-	62,892	100.00%	62,892
14	September 30, 2016	61,663	-	61,663	100.00%	61,663

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
INJURIES AND DAMAGES RESERVE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Per Book Amount (1)	Adjustments (2)	Adjusted Amount	Allocation Factor	Allocated Amount
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) * (e)
15	<u>SSU - General Office (Div. 02)</u>					
16	Adjustment	\$ 6,726,995	\$ (6,538,170)	\$ 188,825	20.84%	\$ 39,351
17	October 31, 2015	6,655,480	(6,538,170)	117,310	20.84%	24,447
18	November 30, 2015	6,659,186	(6,538,170)	121,016	20.84%	25,220
19	December 31, 2015	6,655,587	(6,538,170)	117,417	20.84%	24,470
20	January 31, 2016	6,787,519	(6,538,170)	249,349	20.84%	51,964
21	February 28, 2016	6,812,059	(6,538,170)	273,888	20.84%	57,078
22	March 31, 2016	7,262,610	(6,988,170)	274,440	20.84%	57,193
23	April 30, 2016	7,255,311	(6,988,170)	267,141	20.84%	55,672
24	May 31, 2016	7,257,531	(6,988,170)	269,360	20.84%	56,135
25	June 30, 2016	7,259,841	(6,988,170)	271,671	20.84%	56,616
26	July 31, 2016	7,268,092	(6,988,170)	279,922	20.84%	58,336
27	August 31, 2016	7,274,731	(6,988,170)	286,561	20.84%	59,719
28	September 30, 2016	8,274,980	(7,988,170)	286,810	20.84%	59,771

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
INJURIES AND DAMAGES RESERVE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Per Book Amount (1)	Adjustments (2)	Adjusted Amount	Allocation Factor	Allocated Amount
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) * (e)
29	<u>SSU - Customer Support (Div. 12)</u>					
30	Adjustment	\$ -	\$ -	\$ -	0.00%	\$ -
31	October 31, 2015	-	-	-	0.00%	-
32	November 30, 2015	-	-	-	0.00%	-
33	December 31, 2015	-	-	-	0.00%	-
34	January 31, 2016	-	-	-	0.00%	-
35	February 28, 2016	-	-	-	0.00%	-
36	March 31, 2016	-	-	-	0.00%	-
37	April 30, 2016	-	-	-	0.00%	-
38	May 31, 2016	-	-	-	0.00%	-
39	June 30, 2016	-	-	-	0.00%	-
40	July 31, 2016	-	-	-	0.00%	-
41	August 31, 2016	-	-	-	0.00%	-
42	September 30, 2016	-	-	-	0.00%	-
43						
44	Total APT at September 30, 2016 (Col (f) = (Ln 14 + Ln 28 + Ln 42))	<u>\$ 1,786,169</u>				<u>\$ 121,434</u>
45						
46	<u>Notes:</u>					
47	1. Account 228.2 Sub Accounts 28101 and 28102.					
48	2. The adjustment in Column (c) removes SSU reserves not allocated to the divisions.					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
MATERIALS AND SUPPLIES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Per Book Amount (1)	Adjustments (2)	Adjusted Amount	Allocation Factor	Allocated Amount
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) * (e)
1	<u>APT - Direct</u>					
2	Adjustment	\$ 7,077,903	\$ (3,257,629)	\$ 3,820,273	100%	\$ 3,820,273
3	October 31, 2015	4,460,783	-	4,460,783	100%	4,460,783
4	November 30, 2015	4,002,520	-	4,002,520	100%	4,002,520
5	December 31, 2015	3,966,144	-	3,966,144	100%	3,966,144
6	January 31, 2016	3,937,662	-	3,937,662	100%	3,937,662
7	February 28, 2016	3,906,863	-	3,906,863	100%	3,906,863
8	March 31, 2016	3,880,232	-	3,880,232	100%	3,880,232
9	April 30, 2016	3,840,753	-	3,840,753	100%	3,840,753
10	May 31, 2016	3,830,652	-	3,830,652	100%	3,830,652
11	June 30, 2016	3,365,938	-	3,365,938	100%	3,365,938
12	July 31, 2016	3,339,477	-	3,339,477	100%	3,339,477
13	August 31, 2016	3,307,041	-	3,307,041	100%	3,307,041
14	September 30, 2016	3,191,463	-	3,191,463	100%	3,191,463
15						
16	13 Month Average	<u>\$ 4,008,264</u>	<u>\$ (250,587)</u>	<u>\$ 3,757,677</u>		<u>\$ 3,757,677</u>
17						
18	<u>Notes:</u>					
19	1. Accounts 154 and 163.					
20	2. Adjustment to exclude steel pipe charged to inventory due to project delay. See relied file, "FY16 Detail Trial Balance.xlsx".					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PREPAYMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Per Book Amount (1)	Adjustments	Adjusted Amount	Allocation Factor	Allocated Amount
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) * (e)
1	<u>APT - Direct</u>					
2	Adjustment	\$ 571,079	\$ -	\$ 571,079	100.00%	\$ 571,079
3	October 31, 2015	507,526	-	507,526	100.00%	507,526
4	November 30, 2015	420,994	-	420,994	100.00%	420,994
5	December 31, 2015	505,665	-	505,665	100.00%	505,665
6	January 31, 2016	371,728	-	371,728	100.00%	371,728
7	February 28, 2016	785,567	-	785,567	100.00%	785,567
8	March 31, 2016	926,158	-	926,158	100.00%	926,158
9	April 30, 2016	2,347,522	-	2,347,522	100.00%	2,347,522
10	May 31, 2016	2,853,997	-	2,853,997	100.00%	2,853,997
11	June 30, 2016	2,584,688	-	2,584,688	100.00%	2,584,688
12	July 31, 2016	2,443,099	-	2,443,099	100.00%	2,443,099
13	August 31, 2016	2,301,511	-	2,301,511	100.00%	2,301,511
14	September 30, 2016	663,755	-	663,755	100.00%	663,755
15						
16	13 Month Average	<u>\$ 1,329,484</u>	<u>\$ -</u>	<u>\$ 1,329,484</u>		<u>\$ 1,329,484</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PREPAYMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Per Book Amount (1)	Adjustments	Adjusted Amount	Allocation Factor	Allocated Amount
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) * (e)
17	<u>Shared Services General Office (Div. 02)</u>					
18	Adjustment	\$ 20,331,955	\$ -	\$ 20,331,955	20.84%	\$ 4,237,179
19	October 31, 2015	33,755,385	-	33,755,385	20.84%	7,034,622
20	November 30, 2015	34,011,139	-	34,011,139	20.84%	7,087,921
21	December 31, 2015	31,143,313	-	31,143,313	20.84%	6,490,266
22	January 31, 2016	27,823,564	-	27,823,564	20.84%	5,798,431
23	February 28, 2016	21,886,615	-	21,886,615	20.84%	4,561,171
24	March 31, 2016	26,445,249	-	26,445,249	20.84%	5,511,190
25	April 30, 2016	25,550,137	-	25,550,137	20.84%	5,324,649
26	May 31, 2016	27,278,517	-	27,278,517	20.84%	5,684,843
27	June 30, 2016	24,655,461	-	24,655,461	20.84%	5,138,198
28	July 31, 2016	22,751,428	-	22,751,428	20.84%	4,741,398
29	August 31, 2016	19,812,706	-	19,812,706	20.84%	4,128,968
30	September 30, 2016	16,834,769	-	16,834,769	20.84%	3,508,366
31						
32	13 Month Average	<u>\$ 25,560,018</u>	<u>\$ -</u>	<u>\$ 25,560,018</u>		<u>\$ 5,326,708</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PREPAYMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Per Book Amount (1)	Adjustments	Adjusted Amount	Allocation Factor	Allocated Amount
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) * (e)
33	<u>Shared Services Customer Support (Div. 12)</u>					
34	Adjustment	\$ -	\$ -	\$ -	0.00%	\$ -
35	October 31, 2015	-	-	-	0.00%	-
36	November 30, 2015	-	-	-	0.00%	-
37	December 31, 2015	-	-	-	0.00%	-
38	January 31, 2016	-	-	-	0.00%	-
39	February 28, 2016	-	-	-	0.00%	-
40	March 31, 2016	-	-	-	0.00%	-
41	April 30, 2016	-	-	-	0.00%	-
42	May 31, 2016	-	-	-	0.00%	-
43	June 30, 2016	-	-	-	0.00%	-
44	July 31, 2016	-	-	-	0.00%	-
45	August 31, 2016	-	-	-	0.00%	-
46	September 30, 2016	-	-	-	0.00%	-
47						
48	13 Month Average	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
49						
50	September 30, 2016 Total (Ln 14 + Ln 30 + Ln 46)					<u>\$ 4,172,121</u>
51						
52	13 Month Average Total (Ln 16 + Ln 32 + Ln 48)					<u>\$ 6,656,192</u>
53						
54	<u>Note:</u>					
55	1. Account 165.					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
UNDERGROUND STORAGE & LINE PACK GAS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Balance As of Date	Mid-Tex Gas Stored - Current (1)	Deferred Debits - Line Pack Gas (2)
	(a)	(b)	(c)
1	Adjustment	\$ 115,530,731	\$ 4,385,237
2	October 31, 2015	121,172,541	4,385,237
3	Adjustment	113,059,251	4,385,237
4	December 31, 2015	107,368,157	4,385,237
5	January 31, 2016	95,261,765	4,385,237
6	February 28, 2016	99,786,776	4,385,237
7	March 31, 2016	98,252,242	4,385,237
8	April 30, 2016	99,545,328	4,385,237
9	May 31, 2016	101,035,606	4,385,237
10	June 30, 2016	102,565,924	4,385,237
11	July 31, 2016	105,431,428	4,385,237
12	August 31, 2016	108,297,249	4,385,237
13	September 30, 2016	111,188,657	4,385,237
14			
15	13 Month Average	<u>\$ 106,038,127</u>	<u>\$ 4,385,237</u>

17 Notes:

- 18 1. Gas Stored - Current, Account 164.1, was moved from Mid-Tex to APT to
reflect the GUD 9400 and GUD 10000 Final Order classification for rate purposes.
- 19 2. Account 186, Sub Account 13956.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ACCUMULATED DEFERRED INCOME TAXES TEST YEAR ENDING BALANCE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Deferred Tax Item	Assets / (Liabilities) - Per Book Balances (1) (2)	Adjustments	Assets / (Liabilities) - Adjusted Balances
	(a)	(b)	(c)	(d) = (b) + (c)
1	<u>APT - Direct</u>			
2	Ad Valorem Taxes	\$ (1,361,251)	\$ -	\$ (1,361,251)
3	Adjustment	1,850,506	(519,292)	1,331,214
4	Self Insurance - Adjustment	-		-
5	Worker's Comp Insurance Reserve	141,522		141,522
6	SEBP Adjustment	1,211,376		1,211,376
7	FAS 106 Adjustment	(2,050,380)		(2,050,380)
8	CWIP	89,061	(89,061)	-
9	RWIP	(450,230)		(450,230)
10	Fixed Asset Cost Adjustment	(457,524,372)		(457,524,372)
11	Depreciation Adjustment	(30,062,037)		(30,062,037)
12	Section 481(a) TPR	-		-
13	TXU - Goodwill Amortization	(39,858,377)	39,858,377	-
14	Deferred Expense Projects	(24,791)		(24,791)
15	UNICAP Section 263A Costs (3)	-	3,593,587	3,593,587
16	Allowance for Doubtful Accounts	8,037	(8,037)	-
17	Prepayments	(242,237)		(242,237)
18	Rate Case Accrual	(5,294,205)	5,294,205	-
19	WACOG to FIFO Adjustment (3)	-	(2,180,659)	(2,180,659)
20	Reg Asset Benefit Accrual	(3,164,472)		(3,164,472)
21	Intra Period Tax Allocation	-		-
22	Total APT - Direct (Sum Ln 2 through Ln 21)	\$ (536,731,850)	\$ 45,949,120	\$ (490,782,730)
23				

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ACCUMULATED DEFERRED INCOME TAXES TEST YEAR ENDING BALANCE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Deferred Tax Item	Assets / (Liabilities) - Per Book Balances (1) (2)	Adjustments	Assets / (Liabilities) - Adjusted Balances
	(a)	(b)	(c)	(d) = (b) + (c)
24	<u>SSU - General Office (Div 02)</u>			
25	Directors Deferred Bonus	\$ 166,965	\$ -	\$ 166,965
26	MIP/VPP Accrual	1,498,907	(1,498,907)	-
27	Miscellaneous Accrued	-	-	-
28	Self Insurance - Adjustment	2,915,283	(2,915,283)	-
29	Worker's Comp Insurance Reserve	104,671	-	104,671
30	SEBP Adjustment	26,316,340	(26,316,340)	-
31	Restricted Stock Grant Plan	4,631,448	(4,631,448)	-
32	Rabbi Trust	1,442,452	(1,442,452)	-
33	Restricted Stock - MIP	12,632,356	(12,632,356)	-
34	Director's Stock Awards	5,939,395	-	5,939,395
35	Pension Expense	(30,651,600)	-	(30,651,600)
36	FAS 106 Adjustment	8,944,489	-	8,944,489
37	CWIP	1,707,565	(1,707,565)	-
38	RWIP	(3,782)	-	(3,782)
39	Fixed Asset Cost Adjustment	(42,023,581)	-	(42,023,581)
40	Depreciation Adjustment	17,524,367	-	17,524,367
41	Section 481(a) Cushion Gas	549,209	(549,209)	-
42	Section 481(a) Line Pack Gas	66,639	(66,639)	-
43	Deferred Expense Projects	-	-	-
44	Allowance for Doubtful Accounts	2	(2)	-
45	Clearing Account - Adjustment	-	-	-
46	Charitable Contribution Carryover	11,032,917	(11,032,917)	-
47	Prepayments	(4,047,588)	-	(4,047,588)
48	Federal & State Tax Interest	439,887	-	439,887
49	VA Charitable Contributions	(9,275,764)	9,275,764	-
50	FD - NOL Credit Carryforward - Non Reg	(237,733,657)	237,733,657	-
51	FD - NOL Credit Carryforward - Utility	725,716,695	-	725,716,695
52	FD - NOL Credit Carryforward - Other	6,052,102	(6,052,102)	-
53	ST - State Net Operating Loss	-	-	-
54	FD - FAS 115 Adjustment	(2,481,569)	-	(2,481,569)
55	FD - Federal Benefit on State NOL	-	-	-
56	FD - AMT Minimum Tax Credit	10,099,286	-	10,099,286
57	ST - Valuation Allow Enterprise Zone ITC	(120,928)	120,928	-
58	FD - Valuation Allow Fed Tax Enterprise Zone ITC	42,325	(42,325)	-

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ACCUMULATED DEFERRED INCOME TAXES TEST YEAR ENDING BALANCE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Deferred Tax Item	Assets / (Liabilities) - Per Book Balances (1) (2)	Adjustments	Assets / (Liabilities) - Adjusted Balances
	(a)	(b)	(c)	(d) = (b) + (c)
59	ST - Enterprise Zone ITC	1,755,554	(1,755,554)	-
60	FD - Treasury Lock Adjustment - Realized	10,520,828		10,520,828
61	FD - Treasury Lock Adjustment - Unrealized	97,261,210	(97,261,210)	-
62	FD - Federal Tax on Enterprise ITC	(614,444)	614,444	-
63	Total SSU General Office (Sum Ln 25 through Ln 62)	\$ 620,407,979	\$ 79,840,484	\$ 700,248,463
64	Allocation Factor	20.84%	20.84%	20.84%
65	Total SSU General Office Allocated to APT (Ln 63 x Ln 64)	\$ 129,293,023	\$ 16,638,757	\$ 145,931,780
66				
67	<u>SSU - Customer Support (Div 12)</u>			
68	MIP/VPP Accrual	\$ (574,777)	\$ 574,777	\$ -
69	Worker's Comp Insurance Reserve	-	-	-
70	CWIP	(255,614)	255,614	-
71	RWIP	(137)	-	(137)
72	Fixed Asset Cost Adjustment	(45,459,621)	-	(45,459,621)
73	Depreciation Adjustment	17,798,432	-	17,798,432
74	Total SSU Customer Support (Sum Ln 68 through Ln 73)	\$ (28,491,717)	\$ 830,391	\$ (27,661,326)
75	Allocation Factor	0.00%	0.00%	0.00%
76	Total SSU Customer Support Allocated to APT (Ln 74 x Ln 75)	\$ -	\$ -	\$ -
77				
78	Grand Total APT ADIT (Sum Ln 22 + Ln 65 + Ln 76)	\$ (407,438,827)	\$ 62,587,877	\$ (344,850,951)

Notes:

1. Includes FERC Accounts 190, 282 and 283.
2. Credit Amounts are in parentheses.
3. Adjustment for Storage Gas ADIT booked on Mid-Tex books per the Mid-Tex Division Final Order in GUD No. 9869 and GUD No. 10000.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS REGULATORY ASSET
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Amounts
	(a)	(b)
1	Summarization of Pension and Other Postemployment Benefits Regulatory Asset ("Asset"):	
2		
3	Adjustment	\$ 6,567,664
4		
5	Total Asset (Sum of Line 3)	<u>\$ 6,567,664</u>
6		
7	Summarization of Asset Amortization:	
8		
9	Asset Amortization - Calculated (Asset Amount / 10 years) (1)	\$ 656,766
10		
11	Asset Amortization - Per Book Amount in the Test Year	-
12		
13	Asset Amortization Adjustment (Line 9 plus Line 11) (2)	<u>\$ 656,766</u>
14		
15		
16	<u>Notes:</u>	
17	1. The annual recorded amortization of the Asset is included in O&M.	
18	2. The adjustment to Asset Amortization is shown on WP_F-2.8.	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS REGULATORY ASSET SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Time Period	Description	Expense Amount	Total Amount
	(a)	(b)	(c)	(d)
1	<u>Total Asset Amount - By Period (1):</u>			
2	Adjustment			
3	January 1, 2012 - September 30, 2012	This asset amount represents the difference between the GUD No. 10000 benchmark and the FY12 Towers Watson Actuarial Report.	\$ 1,368,602	
4	October 1, 2012 - September 30, 2013	This asset amount represents the difference between the GUD No. 10000 benchmark and the FY13 Towers Watson Actuarial Report.	2,428,821	
5	October 1, 2013 - September 30, 2014	This asset amount represents the difference between the GUD No. 10000 benchmark and the FY14 Towers Watson Actuarial Report.	1,797,393	
6	October 1, 2014 - September 30, 2015	This asset amount represents the difference between the GUD No. 10000 benchmark and the FY15 Towers Watson Actuarial Report.	1,135,945	
7	October 1, 2015 - September 30, 2016	This asset amount represents the difference between the GUD No. 10000 benchmark and the FY16 Towers Watson Actuarial Report.	(163,098)	
8				
9		Total Asset Value at September 30, 2016 (Sum Ln 3 through Ln 7)		\$ 6,567,664
10				
11	<u>Total Asset Amortization - By Period (2):</u>			
12				
13	January 1, 2012 - September 30, 2016	No amortization has been recorded prior to the end of the test year	\$ -	
14				
15		Total Asset Amortization at September 30, 2016 (Ln 13)		\$ -
16				
17		Net Asset Amount at September 30, 2016 (Ln 9 + Ln 15)		<u>\$ 6,567,664</u>
18				
19	<u>Notes:</u>			
20	1. The Company has included in rate base, the Company's calculated amount of the Pension and Other Postemployment Benefits Asset cost in accordance with TEX. UTIL. CODE § 104.059.			
21	2. The annual amortization of the Asset is included in O&M expense on Schedule F-1. The annual amortization is based on a ten year amortization period.			

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - GROSS PLANT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
1	APT - Direct				
2		<u>Intangible Plant</u>			
3		Adjustment Miscellaneous Intangible Plant	\$ 6,238,271	\$ -	\$ 6,238,271
4		Total Intangible Plant (Ln 3)	\$ 6,238,271	\$ -	\$ 6,238,271
5					
6		<u>Storage Plant</u>			
7	350.00	Land and Land Rights	\$ -	\$ -	\$ -
8	350.10	Land	5,510,599	4,790	5,515,389
9	350.20	Rights-of-Way	32,563	28	32,592
10	351.00	Structures and Improvements	24,613,950	21,394	24,635,344
11	352.00	Wells	78,334,938	68,089	78,403,027
12	353.00	Lines	13,244,531	11,512	13,256,043
13	354.00	Compressor Station Equipment	88,180,195	76,646	88,256,841
14	355.00	M&R Equipment	50,619,681	43,999	50,663,680
15	356.00	Purification Equipment	49,904,221	43,377	49,947,598
16	357.00	Other Equipment	620,643	539	621,183
17		Total Storage Plant (Sum Ln 7 through Ln 16)	\$ 311,061,323	\$ 270,374	\$ 311,331,697
18					
19		<u>Transmission Plant</u>			
20	365.00	Land	\$ 1,232,270	\$ -	\$ 1,232,270
21	365.10	ROW - Trans Comp Stat	-	-	-
22	365.20	ROW - City Gate	18,967,308	16,486	18,983,795
23	366.00	Structures and Improvements	11,462,500	9,963	11,472,463
24	367.00	Mains - Cathodic Protection	200,265,343	174,070	200,439,413
25	367.01	Mains - Steel	1,430,285,022	1,243,202	1,431,528,224
26	367.02	Mains - Plastic	11,581,285	10,066	11,591,352
27	368.00	Compressor Station Equipment	149,930,747	130,320	150,061,066
28	369.00	M&R Station Equipment	228,574,767	198,677	228,773,444
29	370.00	Communication Equipment	14,133,747	11,181	14,144,928
30	371.00	Other Equipment	4,919,152	4,276	4,923,427
31		Total Transmission Plant (Sum Ln 20 through Ln 30)	\$ 2,071,352,141	\$ 1,798,242	\$ 2,073,150,383
32					
33		<u>General Plant</u>			
34	389.00	Land and Land Rights	\$ 124,981	\$ -	\$ 124,981
35	390.00	Structures and Improvements	6,279,606	5,458	6,285,064
36	391.00	Office Furniture and Equipment	4,874,479	4,237	4,878,716

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - GROSS PLANT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
37	392.00	Transportation Equipment	1,561,599	1,357	1,562,956
38	393.00	Stores Equipment	-	-	-
39	394.00	Tools, Shop, and Garage Equipment	9,837,772	8,551	9,846,323
40	395.00	Laboratory Equipment	172,495	150	172,645
41	396.00	Power Operated Equipment	3,051,689	2,653	3,054,342
42	397.00	Communication Equipment	735,453	639	736,092
43	397.02	Communication Equipment - Fixed Radios	80,444	70	80,513
44	397.05	Communication Equipment - Telemetry	114,580	100	114,680
45	398.00	Miscellaneous Equipment	8,186,506	7,116	8,193,622
46	399.00	Other Tangible Property	71,110	62	71,172
47	399.01	Other Tangible Property - Servers Hardware	611,913	532	612,444
48	399.02	Other Tangible Property - Servers Software	1,407,444	1,223	1,408,668
49	399.03	Other Tangible Property - Network Hardware	71,335	62	71,397
50	399.06	Other Tangible Property - PC Hardware	792,972	689	793,661
51	399.07	Other Tangible Property - PC Software	794,285	690	794,975
52		Total General Plant (Sum Ln 34 through Ln 51)	\$ 38,768,664	\$ 33,589	\$ 38,802,253
53					
54		Total APT - Direct (Ln 4 + Ln 17 + Ln 31 + Ln 52)	\$ 2,427,420,399	\$ 2,102,205	\$ 2,429,522,604
55					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - GROSS PLANT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
56	<u>SSU General Office (Division 002)</u>				
57		<u>General Plant</u>			
58	390.00	Structures and Improvements	\$ 1,411,378	\$ -	\$ 1,411,378
59	390.09	Improvements to Leased Premises	8,968,040	(656,292)	8,311,748
60	391.00	Office Furniture and Equipment	9,396,159	(76,411)	9,319,747
61	392.00	Transportation Equipment	7,125	-	7,125
62	393.00	Stores Equipment	-	-	-
63	394.00	Tools, Shop, and Garage Equipment	160,005	-	160,005
64	395.00	Laboratory Equipment	-	-	-
65	397.00	Communication Equipment	2,429,872	-	2,429,872
66	398.00	Miscellaneous Equipment	136,510	-	136,510
67	399.00	Other Tangible Property	162,268	-	162,268
68	399.01	Other Tangible Property - Servers Hardware	31,625,506	-	31,625,506
69	399.02	Other Tangible Property - Servers Software	18,988,317	-	18,988,317
70	399.03	Other Tangible Property - Network Hardware	3,248,234	-	3,248,234
71	399.06	Other Tangible Property - PC Hardware	1,807,627	-	1,807,627
72	399.07	Other Tangible Property - PC Software	534,105	-	534,105
73	399.08	Other Tangible Property - Application Software	54,497,510	(857,853)	53,639,657
74	399.09	Other Tangible Property - Mainframe Software	39,252	-	39,252
75		Total General Plant (Sum Ln 58 through Ln 74)	\$ 133,411,908	\$ (1,590,557)	\$ 131,821,351
76		Allocation Factor (2)	20.84%	20.84%	20.84%
77		General Office Allocated to APT (Ln 75 x Ln 76)	\$ 27,803,042	\$ (331,472)	\$ 27,471,570
78					
79	<u>SSU - Greenville Data Center</u>				
80		<u>General Plant</u>			
81	390.05	Structures and Improvements	\$ 9,133,015	\$ -	\$ 9,133,015
82	391.04	Office Furniture and Equipment	63,741	-	63,741
83		Total General Plant (Sum of Ln 81 through Ln 82)	\$ 9,196,755	\$ -	\$ 9,196,755
84		Allocation Factor	70.13%	70.13%	70.13%
85		Greenville Data Center Allocated to APT (Ln 83 x Ln 84)	\$ 6,449,777	\$ -	\$ 6,449,777

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - GROSS PLANT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
86					
87		<u>SSU - Distribution and Marketing</u>			
88		<u>General Plant</u>			
89	390.20	Structures and Improvements	\$ -	\$ -	\$ -
90	390.29	Improvements to Leased Premises	-	-	-
91	391.20	Office Furniture and Equipment	263,338	-	263,338
92	394.20	Tools, Shop, and Garage Equipment	39,435	-	39,435
93	397.20	Communication Equipment	8,824	-	8,824
94	398.20	Miscellaneous Equipment	7,388	-	7,388
95	399.21	Other Tangible Property - Servers Hardware	1,628,900	-	1,628,900
96	399.22	Other Tangible Property - Servers Software	961,256	-	961,256
97	399.23	Other Tangible Property - Network Hardware	37,965	-	37,965
98	399.26	Other Tangible Property - PC Hardware	75,783	-	75,783
99	399.28	Other Tangible Property - Application Software	18,947,146	-	18,947,146
100		Total General Plant (Sum of Ln 89 through Ln 99)	<u>\$ 21,970,034</u>	<u>\$ -</u>	<u>\$ 21,970,034</u>
101		Allocation Factor	0.00%	0.00%	0.00%
102		Distribution and Marketing Allocated to APT (Ln 100 x Ln 101)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
103					
104		<u>SSU - Align Pipe Projects</u>			
105		<u>General Plant</u>			
106	399.31	Other Tangible Property - Servers Hardware	\$ 290,843	\$ -	\$ 290,843
107	399.32	Other Tangible Property - Servers Software	337,635	-	337,635
108	399.38	Other Tangible Property - Application Software	17,009,382	-	17,009,382
109		Total General Plant (Sum of Ln 106 through Ln 108)	<u>\$ 17,637,860</u>	<u>\$ -</u>	<u>\$ 17,637,860</u>
110		Allocation Factor (3)	90.95%	90.95%	90.95%
111		Align Projects Allocated to APT (Ln 109 x Ln 110)	<u>\$ 16,041,414</u>	<u>\$ -</u>	<u>\$ 16,041,414</u>
112					
113		Total SSU General Office Allocated to APT (Ln 77 + Ln 85 + Ln 102 + Ln 111)	<u>\$ 50,294,232</u>	<u>\$ (331,472)</u>	<u>\$ 49,962,760</u>
114					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - GROSS PLANT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
115	<u>SSU Customer Support (Division 012)</u>				
116		<u>General Plant</u>			
117	389.00	Land and Land Rights	\$ 2,874,240	\$ -	\$ 2,874,240
118	390.00	Structures and Improvements	12,620,665	-	12,620,665
119	390.09	Improvements to Leased Premises	2,820,614	-	2,820,614
120	391.00	Office Furniture and Equipment	2,295,208	-	2,295,208
121	397.00	Communication Equipment	1,962,785	-	1,962,785
122	398.00	Miscellaneous Equipment	51,379	-	51,379
123	399.00	Other Tangible Property	629,166	-	629,166
124	399.01	Other Tangible Property - Servers Hardware	8,903,052	-	8,903,052
125	399.02	Other Tangible Property - Servers Software	1,818,284	-	1,818,284
126	399.03	Other Tangible Property - Network Hardware	629,226	-	629,226
127	399.06	Other Tangible Property - PC Hardware	813,065	-	813,065
128	399.07	Other Tangible Property - PC Software	190,247	-	190,247
129	399.08	Other Tangible Property - Application Software	89,487,465	-	89,487,465
130		Total General Plant (Sum Ln 117 through Ln 129)	<u>\$ 125,095,393</u>	<u>\$ -</u>	<u>\$ 125,095,393</u>
131		Allocation Factor	0.00%	0.00%	0.00%
132		Customer Support Allocated to APT (Ln 130 x Ln 131)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
133					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - GROSS PLANT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
134	<u>SSU - Customer Support Charles K. Vaughn Training Center</u>				
135		<u>General Plant</u>			
136	389.10	Land and Land Rights	\$ 1,887,123	\$ -	\$ 1,887,123
137	390.10	Structures and Improvements	11,239,300	-	11,239,300
138	391.10	Office Furniture and Equipment	204,636	-	204,636
139	392.10	Transportation Equipment	96,290	-	96,290
140	394.10	Tools, Shop, and Garage Equipment	347,775	-	347,775
141	395.10	Laboratory Equipment	23,632	-	23,632
142	397.10	Communication Equipment	294,319	-	294,319
143	398.10	Miscellaneous Equipment	509,283	-	509,283
144	399.10	Other Tangible Property	113,831	-	113,831
145	399.16	Other Tangible Property - PC Hardware	228,123	-	228,123
146	399.17	Other Tangible Property - PC Software	102,576	-	102,576
147	399.18	Other Tangible Property - Application Software	20,560	-	20,560
148		Total General Plant (Sum of Ln 136 through Ln 147)	<u>\$ 15,067,448</u>	<u>\$ -</u>	<u>\$ 15,067,448</u>
149		Allocation Factor	0.00%	0.00%	0.00%
150		CKV Training Center Allocated to APT (Ln 148 x Ln 149)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
151					
152		Total SSU Customer Support Allocated to APT (Ln 132 + Ln 150)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
153					
154		Total APT Gross Plant (Ln 54 + Ln 113 + Ln 152)	<u>\$ 2,477,714,631</u>	<u>\$ 1,770,733</u>	<u>\$ 2,479,485,364</u>

Notes:

1. Please see relied file, "Schedule C & D_Net Plant Adjustments.xlsx" for details related to adjustments shown in Column (d). The adjustments include the capital portion of the pension and other postemployment benefits regulatory asset and the removal of SSU projects previously disallowed in GUD No. 10000 or removed to reduce controversy.
2. Allocation Factor are calculated excluding Atmos Energy Marketing.
3. The allocation factor is based upon volumes.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - ACCUMULATED DEPRECIATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
1	<u>APT - Direct</u>				
2		<u>Intangible Plant</u>			
3		Adjustment Miscellaneous Intangible Plant	\$ 6,238,271	\$ -	\$ 6,238,271
4		Total Intangible Plant (Ln 3)	\$ 6,238,271	\$ -	\$ 6,238,271
5					
6		<u>Storage Plant</u>			
7	350.00	Land and Land Rights	\$ 9,064	\$ (9,064)	\$ -
8	350.10	Land	-	-	-
9	350.20	Rights-of-Way	9,380	5,388	14,767
10	351.00	Structures and Improvements	6,961,408	(1,105,806)	5,855,602
11	352.00	Wells	10,803,413	3,495,251	14,298,665
12	353.00	Lines	3,418,253	281,618	3,699,870
13	354.00	Compressor Station Equipment	21,271,147	(2,605,184)	18,665,963
14	355.00	M&R Equipment	5,645,418	2,131,182	7,776,600
15	356.00	Purification Equipment	9,243,269	(2,183,425)	7,059,844
16	357.00	Other Equipment	216,940	(9,960)	206,980
17		Total Storage Plant (Sum Ln 7 through Ln 16)	\$ 57,578,292	\$ 0	\$ 57,578,292
18					
19		<u>Transmission Plant</u>			
20	365.00	Land	\$ 162,287	\$ (162,287)	\$ -
21	365.10	ROW - Trans Comp Stat	11,912	(11,912)	-
22	365.20	ROW - City Gate	6,516,054	(926,949)	5,589,104
23	366.00	Structures and Improvements	3,493,523	(353,287)	3,140,237
24	367.00	Mains - Cathodic Protection	61,498,385	(9,107,539)	52,390,846
25	367.01	Mains - Steel	224,636,976	14,294,331	238,931,308
26	367.02	Mains - Plastic	1,205,346	280,332	1,485,678
27	368.00	Compressor Station Equipment	49,459,698	(7,102,940)	42,356,758
28	369.00	M&R Station Equipment	51,312,585	4,277,954	55,590,538
29	370.00	Communication Equipment	5,213,036	(541,538)	4,671,498
30	371.00	Other Equipment	2,589,079	(646,179)	1,942,900
31		Total Transmission Plant (Sum Ln 20 through Ln 30)	\$ 406,098,881	\$ (14)	\$ 406,098,867
32					
33		<u>General Plant</u>			
34	389.00	Land and Land Rights	\$ (643)	\$ 643	\$ -
35	390.00	Structures and Improvements	1,546,068	(207,497)	1,338,571
36	391.00	Office Furniture and Equipment	2,877,454	(152,869)	2,724,584

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - ACCUMULATED DEPRECIATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
37	392.00	Transportation Equipment	403,733	174,682	578,415
38	393.00	Stores Equipment	-	-	-
39	394.00	Tools, Shop, and Garage Equipment	2,597,494	(430,587)	2,166,906
40	395.00	Laboratory Equipment	(16,420)	56,804	40,384
41	396.00	Power Operated Equipment	(634,933)	1,336,146	701,214
42	397.00	Communication Equipment	398,063	(85,331)	312,733
43	397.02	Communication Equipment - Fixed Radios	35,597	(26,273)	9,323
44	397.05	Communication Equipment - Telemetry	57,644	(7,124)	50,520
45	398.00	Miscellaneous Equipment	4,516,179	(959,832)	3,556,347
46	399.00	Other Tangible Property	19,562	1,925	21,487
47	399.01	Other Tangible Property - Servers Hardware	120,674	541	121,216
48	399.02	Other Tangible Property - Servers Software	622,310	52,842	675,152
49	399.03	Other Tangible Property - Network Hardware	13,855	(980)	12,875
50	399.06	Other Tangible Property - PC Hardware	392,206	(91,039)	301,166
51	399.07	Other Tangible Property - PC Software	165,483	337,950	503,432
52	RWIP	Retirement Work In Progress	(2,689,475)	-	(2,689,475)
53		Total General Plant (Sum Ln 34 through Ln 52)	<u>\$ 10,424,849</u>	<u>\$ 0</u>	<u>\$ 10,424,849</u>
54					
55		Total APT - Direct (Ln 4 + Ln 17 + Ln 31 + Ln 53)	<u>\$ 480,340,293</u>	<u>\$ (14)</u>	<u>\$ 480,340,279</u>
56					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - ACCUMULATED DEPRECIATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
57	<u>SSU General Office (Division 002)</u>				
58		<u>General Plant</u>			
59	390.00	Structures and Improvements	\$ 408,529	\$ -	\$ 408,529
60	390.09	Improvements to Leased Premises	8,970,747	(656,369)	8,314,378
61	391.00	Office Furniture and Equipment	5,955,554	(6,313)	5,949,240
62	392.00	Transportation Equipment	3,546	-	3,546
63	393.00	Stores Equipment	-	-	-
64	394.00	Tools, Shop, and Garage Equipment	101,081	-	101,081
65	395.00	Laboratory Equipment	-	-	-
66	397.00	Communication Equipment	1,774,856	-	1,774,856
67	398.00	Miscellaneous Equipment	36,581	-	36,581
68	399.00	Other Tangible Property	163,365	-	163,365
69	399.01	Other Tangible Property - Servers Hardware	17,683,721	-	17,683,721
70	399.02	Other Tangible Property - Servers Software	14,653,628	-	14,653,628
71	399.03	Other Tangible Property - Network Hardware	2,036,795	-	2,036,795
72	399.06	Other Tangible Property - PC Hardware	777,115	-	777,115
73	399.07	Other Tangible Property - PC Software	236,291	-	236,291
74	399.08	Other Tangible Property - Application Software	27,059,721	(532,268)	26,527,453
75	399.09	Other Tangible Property - Mainframe Software	39,956	-	39,956
76	RWIP	Retirement Work In Progress	-	-	-
77		Total General Plant (Sum Ln 59 through Ln 76)	\$ 79,901,486	\$ (1,194,950)	\$ 78,706,536
78		Allocation Factor (2)	20.84%	20.84%	20.84%
79		General Office Allocated to APT (Ln 77 x Ln 78)	\$ 16,651,470	\$ (249,028)	\$ 16,402,442
80					
81	<u>SSU - Greenville Data Center</u>				
82		<u>General Plant</u>			
83	390.05	Structures and Improvements	\$ 2,779,715	\$ -	\$ 2,779,715
84	391.04	Office Furniture and Equipment	27,728	-	27,728
85		Total General Plant (Sum of Ln 83 through Ln 84)	\$ 2,807,442	\$ -	\$ 2,807,442
86		Allocation Factor	70.13%	70.13%	70.13%
87		Greenville Data Center Allocated to APT (Ln 85 x Ln 86)	\$ 1,968,887	\$ -	\$ 1,968,887
88					
89	<u>SSU - Distribution and Marketing</u>				
90	390.20	Structures and Improvements	\$ (0)	\$ -	\$ (0)
91	390.29	Improvements to Leased Premises	(0)	-	(0)
92	391.20	Office Furniture and Equipment	83,689	-	83,689

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - ACCUMULATED DEPRECIATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
93	394.20	Tools, Shop, and Garage Equipment	20,320	-	20,320
94	397.20	Communication Equipment	2,898	-	2,898
95	398.20	Miscellaneous Equipment	447	-	447
96	399.21	Other Tangible Property - Servers Hardware	917,250	-	917,250
97	399.22	Other Tangible Property - Servers Software	324,978	-	324,978
98	399.23	Other Tangible Property - Network Hardware	36,123	-	36,123
99	399.26	Other Tangible Property - PC Hardware	15,134	-	15,134
100	399.28	Other Tangible Property - Application Software	10,280,108	-	10,280,108
101		Total General Plant (Sum of Ln 90 through Ln 100)	<u>\$ 11,680,946</u>	<u>\$ -</u>	<u>\$ 11,680,946</u>
102		Allocation Factor	0.00%	0.00%	0.00%
103		Distribution and Marketing Allocated to APT (Ln 101 x Ln 102)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
104					
105	<u>SSU - Align Pipe Projects</u>				
106		<u>General Plant</u>			
107	399.31	Other Tangible Property - Servers Hardware	\$ 10,277	\$ -	\$ 10,277
108	399.32	Other Tangible Property - Servers Software	7,318	-	7,318
109	399.38	Other Tangible Property - Application Software	917,843	-	917,843
110		Total General Plant (Sum of Ln 107 through Ln 109)	<u>\$ 935,438</u>	<u>\$ -</u>	<u>\$ 935,438</u>
111		Allocation Factor (3)	90.95%	90.95%	90.95%
112		Align Projects Allocated to APT (Ln 110 x Ln 111)	<u>\$ 850,769</u>	<u>\$ -</u>	<u>\$ 850,769</u>
113					
114		Total SSU General Office Allocated to APT (Ln 79 + Ln 87 + Ln 103 + Ln 112)	<u>\$ 19,471,126</u>	<u>\$ (249,028)</u>	<u>\$ 19,222,098</u>
115					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - ACCUMULATED DEPRECIATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
116	<u>SSU Customer Support (Division 012)</u>				
117		General Plant			
118	389.00	Land and Land Rights	\$ -	\$ -	\$ -
119	390.00	Structures and Improvements	1,114,580	-	1,114,580
120	390.09	Improvements to Leased Premises	1,464,153	-	1,464,153
121	391.00	Office Furniture and Equipment	661,080	-	661,080
122	397.00	Communication Equipment	893,350	-	893,350
123	398.00	Miscellaneous Equipment	8,773	-	8,773
124	399.00	Other Tangible Property	310,890	-	310,890
125	399.01	Other Tangible Property - Servers Hardware	3,321,754	-	3,321,754
126	399.02	Other Tangible Property - Servers Software	855,082	-	855,082
127	399.03	Other Tangible Property - Network Hardware	261,533	-	261,533
128	399.06	Other Tangible Property - PC Hardware	384,882	-	384,882
129	399.07	Other Tangible Property - PC Software	108,878	-	108,878
130	399.08	Other Tangible Property - Application Software	22,453,469	-	22,453,469
131	RWIP	Retirement Work In Progress	-	-	-
132		Total General Plant (Sum Ln 118 through Ln 131)	\$ 31,838,422	\$ -	\$ 31,838,422
133		Allocation Factor	0.00%	0.00%	0.00%
134		Customer Support Allocated to APT (Ln 132 x Ln 133)	\$ -	\$ -	\$ -
135					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
COMPONENTS OF RATE BASE - ACCUMULATED DEPRECIATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Amount Per Books	Adjustments (1)	Adjusted Amount
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
136	<u>SSU - Customer Support Charles K. Vaughn Training Center</u>				
137		General Plant			
138	389.10	Land and Land Rights	\$ -	\$ -	\$ -
139	390.10	Structures and Improvements	2,067,332	-	2,067,332
140	391.10	Office Furniture and Equipment	17,714	-	17,714
141	392.10	Transportation Equipment	77,650	-	77,650
142	394.10	Tools, Shop, and Garage Equipment	62,766	-	62,766
143	395.10	Laboratory Equipment	13,591	-	13,591
144	397.10	Communication Equipment	123,797	-	123,797
145	398.10	Miscellaneous Equipment	115,765	-	115,765
146	399.10	Other Tangible Property	88,548	-	88,548
147	399.16	Other Tangible Property - PC Hardware	198,147	-	198,147
148	399.17	Other Tangible Property - PC Software	61,102	-	61,102
149	399.18	Other Tangible Property - Application Software	8,022	-	8,022
150		Total General Plant (Sum of Ln 138 through Ln 149)	<u>\$ 2,834,434</u>	<u>\$ -</u>	<u>\$ 2,834,434</u>
151		Allocation Factor	0.00%	0.00%	0.00%
152		CKV Training Center Allocated to APT (Ln 150 x Ln 151)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
153					
154		Total SSU Customer Support Allocated to APT (Ln 134 + Ln 152)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
155					
156		Total APT Accumulated Depreciation (Ln 55 + Ln 114 + Ln 154)	<u>\$ 499,811,419</u>	<u>\$ (249,041)</u>	<u>\$ 499,562,378</u>

Notes:

1. Please see relied file, "Schedule C & D_Net Plant Adjustments.xlsx" for details related to adjustments shown in Column (d). The adjustments include reallocation of the APT reserve and the removal of SSU projects previously disallowed in GUD No. 10000 or removed to reduce controversy.
2. Allocation Factor are calculated excluding Atmos Energy Marketing.
3. The allocation factor is based upon volumes.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
CASH WORKING CAPITAL
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Test Year Expenses	Reference	Avg. Daily Expense	Revenue Lag	Expense Lag	Net Lag	Working Capital Requirement
	(a)	(b)	(c)	(d)=(b)/366	(e)	(f)	(g)=(e)-(f)	(h)=(d)x(g)
1	Operation & Maintenance							
2	Adjustment	\$ 30,132,276	(1), (2)	82,329	38.76	35.07	3.70	\$ 304,210
3	Other O&M - Non-Labor	97,278,016	Ln. 4 minus Ln. 2	265,787	38.76	39.25	(0.49)	(129,327)
4	Total Operation & Maintenance	<u>\$ 127,410,291</u>	Schedule F-1, Col. (e), Ln 46					<u>\$ 174,883</u>
5								
6	Taxes Other Than Income							
7	Ad Valorem	\$ 19,560,136	Schedule F-5, Col. (d), Ln 2	53,443	38.76	201.50	(162.74)	\$ (8,697,092)
8	Payroll Taxes	1,898,221	Schedule F-5, Col. (d), Ln 3	5,186	38.76	39.28	(0.51)	(2,655)
9	Gas Utility PipelineTax	1,866,252	Schedule F-5, Col. (d), Ln 9	5,099	38.76	96.25	(57.49)	(293,123)
10								
11	Allocated Taxes-Shared Services							
12	Ad Valorem	150,166	Schedule F-5.1, Col. (b), Ln 42	410	38.76	189.93	(151.16)	(62,020)
13	Payroll Taxes	491,984	Schedule F-5.1, Col. (b), Ln 50	1,344	38.76	39.28	(0.51)	(688)
14								
15	Total Taxes Other Than Income Taxes	<u>\$ 23,966,759</u>	Sum (Ln 7 through Ln 13)					<u>\$ (9,055,578)</u>
16								
17	State Income Tax ("Gross Margin")	\$ 3,376,820	Schedule F-6, Col. (b), Ln.2	9,226	38.76	(46.58)	85.34	787,409
18	Federal Income Tax - Current	-	(3)	-	38.76	38.75	0.01	-
19								
20	Total Cash Working Capital Requirement	<u><u>\$ 154,753,870</u></u>						<u><u>\$ (8,093,285)</u></u>

Notes:

1. Includes APT and SSU labor and APT MIP/VPP (excludes SSU MIP/VPP).
2. WP_F-2.1, Page 2, Col (f), Ln 25 + WP_F-5.1, Col (b) Ln 45 + APT MIP/VPP.
3. If Schedule F-6, Page 1, Col (b), Ln 1 minus WP_E-1, Col (d), Ln 76 plus WP_B-6, Col (d), Ln 78 is less than zero, then zero will be utilized.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ACCUMULATED DEFERRED INCOME TAXES TEST YEAR BEGINNING BALANCE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Deferred Tax Item	Assets / (Liabilities) - Per Book Balances (1) (2)	Adjustments	Assets / (Liabilities) - Adjusted Balances
	(a)	(b)	(c)	(d) = (b) + (c)
1	<u>APT - Direct</u>			
2	Ad Valorem Taxes	\$ (72,076)	\$ -	\$ (72,076)
3	Adjustment	1,465,908		1,465,908
4	Self Insurance - Adjustment	-		-
5	Worker's Comp Insurance Reserve	156,142		156,142
6	SEBP Adjustment	1,097,560		1,097,560
7	FAS 106 Adjustment	(1,940,325)		(1,940,325)
8	CWIP	(6,259,913)	6,259,913	-
9	RWIP	(317,587)		(317,587)
10	Fixed Asset Cost Adjustment	(329,040,770)		(329,040,770)
11	Depreciation Adjustment	(26,310,606)		(26,310,606)
12	Section 481(a) TPR	(10,409,899)		(10,409,899)
13	TXU - Goodwill Amortization	(36,541,949)	36,541,949	-
14	UNICAP Section 263A Costs (3)	-	2,658,793	2,658,793
15	Allowance for Doubtful Accounts	16,463	(16,463)	-
16	Charitable Contribution Carryover	-	-	-
17	Prepayments	(208,293)		(208,293)
18	Rate Case Accrual	(1,503,945)	1,503,945	-
19	WACOG to FIFO Adjustment (3)	-	1,216,267	1,216,267
20	Reg Asset Benefit Accrual	(3,207,020)		(3,207,020)
21	Intra Period Tax Allocation	-	-	-
22	Total APT - Direct (Sum Ln 2 through Ln 21)	\$ (413,076,309)	\$ 48,164,405	\$ (364,911,905)
23				

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ACCUMULATED DEFERRED INCOME TAXES TEST YEAR BEGINNING BALANCE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Deferred Tax Item	Assets / (Liabilities) - Per Book Balances (1) (2)	Adjustments	Assets / (Liabilities) - Adjusted Balances
	(a)	(b)	(c)	(d) = (b) + (c)
24	<u>SSU - General Office (Div 02)</u>			
25	Directors Deferred Bonus	\$ 140,541	\$ -	\$ 140,541
26	MIP/VPP Accrual	(1,944,142)	1,944,142	-
27	Miscellaneous Accrued	28,510		28,510
28	Self Insurance - Adjustment	2,386,432	(2,386,432)	-
29	Worker's Comp Insurance Reserve	68,217		68,217
30	SEBP Adjustment	24,888,020	(24,888,020)	-
31	Restricted Stock Grant Plan	6,917,886		6,917,886
32	Rabbi Trust	1,442,650	(1,442,650)	-
33	Restricted Stock - MIP	11,152,323	(11,152,323)	-
34	Director's Stock Awards	4,870,800		4,870,800
35	Pension Expense	(35,639,201)		(35,639,201)
36	FAS 106 Adjustment	8,766,482		8,766,482
37	CWIP	(2,150,230)	2,150,230	-
38	RWIP	(3,915)		(3,915)
39	Fixed Asset Cost Adjustment	(33,282,595)		(33,282,595)
40	Depreciation Adjustment	9,880,161		9,880,161
41	Section 481(a) Cushion Gas	549,284	(549,284)	-
42	Section 481(a) Line Pack Gas	66,648	(66,648)	-
43	Deferred Expense Projects	0		0
44	Allowance for Doubtful Accounts	2	(2)	-
45	Clearing Account - Adjustment	3,409		3,409
46	Charitable Contribution Carryover	11,423,536	(11,423,536)	-
47	Prepayments	(3,837,217)		(3,837,217)
48	Federal & State Tax Interest	271,005		271,005
49	VA Charitable Contributions	(10,286,479)	10,286,479	-
50	FD - NOL Credit Carryforward - Non Reg	(223,209,326)	223,209,326	-
51	FD - NOL Credit Carryforward - Utility	530,457,730		530,457,730
52	FD - NOL Credit Carryforward - Other	(8,887,801)	8,887,801	-
53	ST - State Net Operating Loss	-	-	-
54	FD - FAS 115 Adjustment	(2,731,369)		(2,731,369)
55	FD - Federal Benefit on State NOL	-	-	-
56	FD - AMT Minimum Tax Credit	10,099,286		10,099,286
57	ST - Enterprise Zone ITC	1,166,272	(1,166,272)	-
58	FD - Treasury Lock Adjustment - Realized	10,720,230		10,720,230

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ACCUMULATED DEFERRED INCOME TAXES TEST YEAR BEGINNING BALANCE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Deferred Tax Item	Assets / (Liabilities) - Per Book Balances (1) (2)	Adjustments	Assets / (Liabilities) - Adjusted Balances
	(a)	(b)	(c)	(d) = (b) + (c)
59	FD - Treasury Lock Adjustment - Unrealized	40,346,642	(40,346,642)	-
60	FD - Federal Tax on Enterprise ITC	(408,195)	408,195	-
61	Total SSU General Office (Sum Ln 25 through Ln 60)	\$ 353,265,598	\$ 153,464,363	\$ 506,729,960
62	Allocation Factor	20.84%	20.84%	20.84%
63	Total SSU General Office Allocated to APT (Ln 61 x Ln 62)	\$ 73,620,551	\$ 31,981,973	\$ 105,602,524
64				
65	<u>SSU - Customer Support (Div 12)</u>			
66	MIP/VPP Accrual	\$ 2,696,072	\$ (2,696,072)	\$ -
67	Worker's Comp Insurance Reserve	705	-	705
68	CWIP	(522,164)	522,164	-
69	RWIP	(745)	-	(745)
70	Fixed Asset Cost Adjustment	(43,780,403)	-	(43,780,403)
71	Depreciation Adjustment	11,859,027	-	11,859,027
72	Total SSU Customer Support (Sum Ln 66 through Ln 71)	\$ (29,747,509)	\$ (2,173,908)	\$ (31,921,416)
73	Allocation Factor	0.00%	0.00%	0.00%
74	Total SSU Customer Support Allocated to APT (Ln 72 x Ln 73)	\$ -	\$ -	\$ -
75				
76	Grand Total APT ADIT (Sum Ln 22 + Ln 63 + Ln 74)	\$ (339,455,759)	\$ 80,146,378	\$ (259,309,381)

Notes:

1. Includes FERC Accounts 190, 282 and 283.
2. Credit Amounts are in parentheses.
3. Adjustment for Storage Gas ADIT booked on Mid-Tex books per the Mid-Tex Division Final Order in GUD No. 9869 and GUD No. 10000.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
OPERATION AND MAINTENANCE EXPENSES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	FERC Account	Description	Per Book Amounts	Adjustments	Adjusted Amounts
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
1	813	Other Gas Supply Expenses	\$ 6,592	\$ -	\$ 6,592
2	814	Operation Supervision and Engineering	1,174,488	(4,917)	1,169,571
3	Adjustment	Wells Expenses	1,065,398	(86)	1,065,312
4	817	Lines Expenses	13,783	(28)	13,755
5	818	Compressor Station Expenses	2,341,351	(2,662)	2,338,689
6	820	Measuring and Regulating Station Expenses	52,989	(88)	52,901
7	821	Purification Expenses	34,829	(39)	34,791
8	824	Other Expenses	730	-	730
9	831	Maintenance of Structures and Improvements	1,931	-	1,931
10	832	Maintenance of Reservoirs and Wells	-	-	-
11	834	Maintenance of Compressor Station Equipment	4,158,558	(1,664)	4,156,894
12	835	Maintenance of Measuring and Regulating Station Equipment	17,696	(25)	17,671
13	836	Maintenance of Purification Equipment	81,365	(90)	81,276
14	850	Operation Supervision and Engineering	314,962	(612)	314,350
15	851	System Control and Load Dispatching	1,731,574	(3,538)	1,728,036
16	852	Communication System Expenses	1,984,442	(1,539)	1,982,902
17	853	Compressor Station Labor and Expenses	717,041	(1,556)	715,485
18	856	Mains Expenses	76,661,589	11,190	76,672,780
19	857	Measuring and Regulating Station Expenses	1,897,131	(5,469)	1,891,662
20	858	Transmission and Compression of Gas by Others	98,867	-	98,867
21	859	Other Expenses	33,711	0	33,711
22	860	Rents	141,228	-	141,228
23	863	Maintenance of Mains	1,667,403	(1,098)	1,666,305
24	864	Maintenance of Compressor Station Equipment	1,503,134	(751)	1,502,383
25	865	Maintenance of Measuring and Regulating Station Equipment	625,182	(277)	624,905
26	866	Maintenance of Communication Equipment	161,160	(209)	160,951
27	867	Maintenance of Other Equipment	132,082	(1)	132,082
28	902	Meter Reading Expenses	-	-	-
29	903	Customer Records and Collection Expenses	-	-	-
30	904	Uncollectible Accounts	(9,169)	-	(9,169)
31	910	Miscellaneous Customer Service and Informational Expenses	1,536,911	(104,896)	1,432,016
32	911	Supervision	108	-	108
33	912	Demonstrating and Selling Expenses	2,450	-	2,450
34	913	Advertising Expenses	6	-	6
35	916	Miscellaneous Sales Expenses	1,352,769	(2,641)	1,350,128
36	920	Administrative and General Salaries	1,038,364	(2,235)	1,036,130

GUD No. 10580
First Amended PFD
Date Issued: July 24, 2017

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
OPERATION AND MAINTENANCE EXPENSES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	FERC Account	Description	Per Book Amounts	Adjustments	Adjusted Amounts
	(a)	(b)	(c)	(d)	(e) = (c) + (d)
37	921	Office Supplies and Expenses	695,653	(205,076)	490,576
38	922	Administrative Expenses Transferred— Credit	14,883,550	1,475,079	16,358,629
39	923	Outside Services Employed	1,086,753	(328)	1,086,424
40	924	Property Insurance	413,805	33,055	446,860
41	925	Injuries and Damages	448,644	-	448,644
42	926	Employee Pensions and Benefits	10,110,066	(1,971,710)	8,138,356
43	930.2	Miscellaneous General Expenses	36,814	(273,761)	(236,947)
44	931	Rents	260,320	-	260,320
45					
46	Total Operation & Maintenance Expenses (Sum of Ln 1 through Ln 44)		<u>\$ 128,476,262</u>	<u>\$ (1,065,971)</u>	<u>\$ 127,410,291</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ADJUSTMENTS TO OPERATION AND MAINTENANCE EXPENSES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	FERC Account	Description	Base Labor	Medical and Dental Benefits	Pensions & Retiree Medical Benefits	Property Insurance	Blank Sheet	Employee Expense	SSU Service Level Factors	Miscellaneous Adjustments	Blank Sheet	Rule Compliance	Blank Sheet	Total Adjustments
			(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	813	Other Gas Supply Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	814	Operation Supervision and Engineering	(2,049)	-	-	-	-	-	-	(2,868)	-	-	-	(4,917)
3	Adjustment	Wells Expenses	(86)	-	-	-	-	-	-	-	-	-	-	(86)
4	817	Lines Expenses	(28)	-	-	-	-	-	-	-	-	-	-	(28)
5	818	Compressor Station Expenses	(2,517)	-	-	-	-	-	-	-	-	(145)	-	(2,662)
6	820	Measuring and Regulating Station Expenses	(88)	-	-	-	-	-	-	-	-	-	-	(88)
7	821	Purification Expenses	(39)	-	-	-	-	-	-	-	-	-	-	(39)
8	824	Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
9	831	Maintenance of Structures and Improvements	-	-	-	-	-	-	-	-	-	-	-	-
10	832	Maintenance of Reservoirs and Wells	-	-	-	-	-	-	-	-	-	-	-	-
11	834	Maintenance of Compressor Station Equipment	(1,664)	-	-	-	-	-	-	-	-	-	-	(1,664)
12	835	Maintenance of Measuring and Regulating Station Equipment	(25)	-	-	-	-	-	-	-	-	-	-	(25)
13	836	Maintenance of Purification Equipment	(90)	-	-	-	-	-	-	-	-	-	-	(90)
14	850	Operation Supervision and Engineering	(612)	-	-	-	-	-	-	-	-	-	-	(612)
15	851	System Control and Load Dispatching	(3,538)	-	-	-	-	-	-	-	-	-	-	(3,538)
16	852	Communication System Expenses	(1,539)	-	-	-	-	-	-	-	-	-	-	(1,539)
17	853	Compressor Station Labor and Expenses	(1,085)	-	-	-	-	-	-	-	-	(471)	-	(1,556)
18	856	Mains Expenses	(22,151)	-	-	-	-	-	-	33,342	-	-	-	11,190
19	857	Measuring and Regulating Station Expenses	(2,502)	-	-	-	-	-	-	(2,967)	-	-	-	(5,469)
20	858	Transmission and Compression of Gas by Others	-	-	-	-	-	-	-	-	-	-	-	-
21	859	Other Expenses	0	-	-	-	-	-	-	-	-	-	-	0
22	860	Rents	-	-	-	-	-	-	-	-	-	-	-	-
23	863	Maintenance of Mains	(1,098)	-	-	-	-	-	-	-	-	-	-	(1,098)
24	864	Maintenance of Compressor Station Equipment	(751)	-	-	-	-	-	-	-	-	-	-	(751)
25	865	Maintenance of Measuring and Regulating Station Equipment	(277)	-	-	-	-	-	-	-	-	-	-	(277)
26	866	Maintenance of Communication Equipment	(209)	-	-	-	-	-	-	-	-	-	-	(209)
27	867	Maintenance of Other Equipment	(1)	-	-	-	-	-	-	-	-	-	-	(1)
28	902	Meter Reading Expenses	-	-	-	-	-	-	-	-	-	-	-	-
29	903	Customer Records and Collection Expenses	-	-	-	-	-	-	-	-	-	-	-	-
30	904	Uncollectible Accounts	-	-	-	-	-	-	-	-	-	-	-	-
31	910	Miscellaneous Customer Service and Informational Expenses	(2,453)	-	-	-	-	-	-	(86,261)	-	(16,182)	-	(104,896)
32	911	Supervision	-	-	-	-	-	-	-	-	-	-	-	-
33	912	Demonstrating and Selling Expenses	-	-	-	-	-	-	-	-	-	-	-	-
34	913	Advertising Expenses	-	-	-	-	-	-	-	-	-	-	-	-
35	916	Miscellaneous Sales Expenses	(2,641)	-	-	-	-	-	-	-	-	-	-	(2,641)
36	920	Administrative and General Salaries	(2,235)	-	-	-	-	-	-	-	-	-	-	(2,235)
37	921	Office Supplies and Expenses	-	-	-	-	-	-	-	(205,076)	-	-	-	(205,076)
38	922	Administrative Expenses Transferred— Credit	(56,270)	(18,272)	499,235	(85)	-	(44,135)	1,206,774	(110,619)	-	(1,548)	-	1,475,079
39	923	Outside Services Employed	-	-	-	-	-	-	-	(328)	-	-	-	(328)
40	924	Property Insurance	-	-	-	33,055	-	-	-	-	-	-	-	33,055
41	925	Injuries and Damages	-	-	-	-	-	-	-	-	-	-	-	-
42	926	Employee Pensions and Benefits	-	45,635	(1,076,375)	-	-	-	-	656,766	(1,597,736)	-	-	(1,971,710)
43	930.2	Miscellaneous General Expenses	-	-	-	-	-	(264,468)	-	(245)	-	(9,048)	-	(273,761)
44	931	Rents	-	-	-	-	-	-	-	-	-	-	-	-
45	Total O&M Expense Adjustments (Sum Ln 1 through Ln 44)		\$ (103,948)	\$ 27,363	\$ (577,140)	\$ 32,970	\$ -	\$ (308,602)	\$ 1,206,774	\$ 281,743	\$ (1,597,736)	\$ (27,394)	\$ -	\$ (1,065,971)
46														
47	Adjustment Reference:		WP_F-2.1	WP_F-2.2	WP_F-2.3	WP_F-2.4	WP_F-2.5	WP_F-2.6	WP_F-2.7	WP_F-2.8	WP_F-2.9	WP_F-2.10	WP_F-2.11	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
BASE LABOR ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Shared Services - Customer Support	Shared Services - General Office	Shared Services - Total	Mid-Tex Employees Only	APT Employees Only	Total Adjustment
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g) = (d) + (e) + (f)
1	Annualized October 31, 2016 Employee Salaries (1) (5)	\$ 28,791,482	\$ 38,820,661	\$ 67,612,143	\$ 104,635,616	\$ 6,995,242	
2							
3	Adjustment	28,184,026	39,200,530	67,384,556	105,117,221	6,984,206	
4							
5	Base Labor Adjustment Total (Ln 1 - Ln 3)	\$ 607,456	\$ (379,869)	\$ 227,587	\$ (481,605)	\$ 11,036	
6							
7	Allocation Factor (2) (3)		20.84%	20.84%	28.73%	80.21%	
8							
9	Total Allocated Base Labor Adjustment (Ln 5 times Ln 7)	\$ -	\$ (79,165)	\$ (79,165)	\$ (138,374)	\$ 8,852	
10							
11	O&M Expense Factor (2) (3)		71.08%	71.08%	38.31%	60.20%	
12							
13	Test Year Base Labor O&M Expense Adjustment (Ln 9 times Ln 11)	\$ -	\$ (56,270)	\$ (56,270)	\$ (53,007)	\$ 5,329	\$ (103,948)
14							
15	Adjustment Summary:						
16	Account 922			\$ (56,270)	\$ -	\$ -	\$ (56,270)
17	Other O&M Accounts (4)			-	(53,007)	5,329	(47,678)
18	Total (Ln 16 + Ln 17)			\$ (56,270)	\$ (53,007)	\$ 5,329	\$ (103,948)
19							

Notes:

1. Annual salaries are base labor only and do not include items such as overtime and bonuses.
2. Shared Services based upon FY17 factors, as adjusted for the four-factor formula including Operating Income, and excluding Atmos Energy Marketing. Mid-Tex and APT factors are based upon actual test year ratios.
3. The factors in Col (d) are based upon the General Office Factors only, since Customer Support does not allocate to APT. The General Office factors are used in the calculation of other employee related adjustments.
4. Distribution by account was based upon per book O&M test year labor (See Page 2).
5. SSU amounts exclude cost centers which do not allocate to APT, employee time charged below the line for ratemaking purposes and excludes employees that moved from Cost Center 1227 in General Office to Cost Center 1226 in Customer Support.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
BASE LABOR ADJUSTMENT - DISTRIBUTION OF MID-TEX AND ATMOS PIPELINE TEXAS DIRECT BY FERC ACCOUNT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	FERC Acct	Account Description	Per Book O&M Labor	Ratio of Labor by Account	Base Labor Adjustment Allocated by Account	Adjusted O&M Labor	Functional Labor by FERC Account (1)
	(a)	(b)	(c)	(d)	(e)	(f) = (c) + (e)	(g)
1	814	Operation supervision and engineering	\$ 987,332	4.30%	\$ (2,049)	\$ 985,283	
2	816	Wells expenses	41,331	0.18%	(86)	41,246	
3	817	Lines expenses	13,645	0.06%	(28)	13,617	
4	818	Compressor station expenses	1,213,229	5.28%	(2,517)	1,210,712	
5	820	Measuring and regulating station expenses	42,287	0.18%	(88)	42,199	
6	821	Purification expenses	18,557	0.08%	(39)	18,518	
7	834	Maintenance of compressor station equipment	802,103	3.49%	(1,664)	800,439	
8	835	Maintenance of measuring and regulating station equipment	12,024	0.05%	(25)	11,999	
9	836	Maintenance of purification equipment	43,208	0.19%	(90)	43,119	\$ 3,167,132
10	850	Operation supervision and engineering	294,957	1.28%	(612)	294,345	
11	851	System control and load dispatching	1,705,351	7.42%	(3,538)	1,701,813	
12	852	Communication system expenses	741,896	3.23%	(1,539)	740,357	
13	853	Compressor station labor and expenses	523,011	2.28%	(1,085)	521,926	
14	856	Mains expenses	10,676,281	46.46%	(22,151)	10,654,130	
15	857	Measuring and regulating station expenses	1,206,085	5.25%	(2,502)	1,203,583	
16	859	Other expenses	(70)	0.00%	0	(70)	
17	863	Maintenance of mains	529,306	2.30%	(1,098)	528,208	
18	864	Maintenance of compressor station equipment	361,968	1.58%	(751)	361,217	
19	865	Maintenance of measuring and regulating station equipment	133,425	0.58%	(277)	133,148	
20	866	Maintenance of communication equipment	100,904	0.44%	(209)	100,695	
21	867	Maintenance of other equipment	253	0.00%	(1)	252	16,239,605
22	910	Miscellaneous customer service and informational expenses	1,182,308	5.15%	(2,453)	1,179,855	
23	916	Miscellaneous sales expenses	1,272,794	5.54%	(2,641)	1,270,153	
24	920	Administrative and general salaries	1,077,060	4.69%	(2,235)	1,074,826	
25		Totals (Sum of Ln 1 through Ln 24)	\$ 22,979,248	100.00%	\$ (47,678)	\$ 22,931,570	\$ 19,406,736

Note:

1. Column (g) has been added to link the total of certain FERC accounts to the Class Cost of Service Study, Schedule H-1. Column (g), Line 9 is the sum of Column (f) FERC Accounts 814 through 836; Column (g), Line 21 is the sum of Column (f) FERC Accounts 850 through 867. Column (f) FERC Accounts 910 through 920 are not included in the total in Column (g), Line 25; therefore, Column (g), Line 25 does not equal Column (f), Line 25.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
MEDICAL AND DENTAL BENEFITS ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Shared Services	Mid-Tex Direct	APT Direct	Total Adjustment
	(a)	(b)	(c)	(d)	(e) = (b) + (c) + (d)
1	Test Year Ended Cost per Average Number of Employees (1)	\$ 12,245	\$ 12,245	\$ 12,245	
2					
3	Adjustment	971	1,704	62	
4					
5	Sub-Total (Ln 1 x Ln 3)	\$ 11,890,100	\$ 20,865,840	\$ 759,203	
6					
7	Test Year Medical and Dental Cost	12,013,449	20,364,208	779,037	
8					
9	Medical and Dental Cost Adjustment (Ln 5 - Ln 7)	\$ (123,349)	\$ 501,632	\$ (19,834)	
10					
11	Allocation Factor (3)	20.84%	28.73%	80.21%	
12					
13	Allocated Medical and Dental Cost Adjustment (Ln 9 x Ln 11)	\$ (25,706)	\$ 144,128	\$ (15,909)	
14					
15	Labor Expense Factor (3)	71.08%	38.31%	60.20%	
16					
17	Test Year Medical and Dental Expense Adjustment (Ln 13 x Ln 15)	\$ (18,272)	\$ 55,211	\$ (9,576)	\$ 27,363
18					
19	Adjustment Summary:				
20	Account 922	\$ (18,272)	\$ -	\$ -	\$ (18,272)
21	Account 926	-	55,211	(9,576)	45,635
22	Total (Ln 20 + Ln 21)	\$ (18,272)	\$ 55,211	\$ (9,576)	\$ 27,363

24 Notes:

- 25 1. The cost per average employee includes an adjustment to normalize the stop loss premium for 2016 and to include the 2017 premium increase.
- 26 2. SSU amounts exclude cost centers which do not allocate to the Atmos Pipeline - Texas for ratemaking purposes.
- 27 3. Shared Services based upon FY17 factors, as adjusted for the four-factor formula including Operating Income and excluding Atmos Energy Marketing. Mid-Tex and APT factors are based upon actual test year ratios.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS PLAN ADJUSTMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Shared Services		Mid-Tex Direct		APT Direct			Adjustment Total
		Pension Account Plan	Post-employment Benefit Plan	Pension Account Plan	Post-employment Benefit Plan	Pension Account Plan	Supplemental Executive Benefit Plan	Post-employment Benefit Plan	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Proposed Benefits Benchmark - FY 2017 Willis Towers Watson Report (1) (4)	\$ 4,606,679	\$ 2,636,253	\$ 8,234,627	\$ 4,375,142	\$ 557,272	\$ 323,031	\$ (321,986)	
2	Adjustment	71.08%	71.08%	38.31%	38.31%	60.20%	100.00%	60.20%	
3	Proposed Benefits Benchmark - Expense (Ln 1 x Ln 2)	\$ 3,274,413	\$ 1,873,840	\$ 3,154,445	\$ 1,675,989	\$ 335,451	\$ 323,031	\$ (193,820)	
4	Allocation Factor (2) (3)	20.84%	20.84%	28.73%	28.73%	100.00%	100.00%	100.00%	
5	Allocated Proposed Benefits Benchmark Expense (Ln 3 times Ln 4)	\$ 682,388	\$ 390,508	\$ 906,331	\$ 481,543	\$ 335,451	\$ 323,031	\$ (193,820)	\$ 2,925,432
6									
7	Current Benefits O&M Benchmark, GUD 10000 (5)	\$ 283,066	\$ 290,595	\$ 957,920	\$ 1,114,069	\$ 278,033	\$ 280,760	\$ 298,130	\$ 3,502,572
8									
9	Test Year Adjustment (Ln 5 - Ln 7)	\$ 399,321	\$ 99,914	\$ (51,589)	\$ (632,526)	\$ 57,419	\$ 42,271	\$ (491,950)	\$ (577,140)
10									
11	Adjustment Summary:								
12									
13	Account 922	\$ 399,321	\$ 99,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 499,235
14	Account 926	-	-	(51,589)	(632,526)	57,419	42,271	(491,950)	(1,076,375)
15	Total (Ln 13 + Ln 14)	\$ 399,321	\$ 99,914	\$ (51,589)	\$ (632,526)	\$ 57,419	\$ 42,271	\$ (491,950)	\$ (577,140)

Notes:

1. Studies not applicable to APT, Mid-Tex, and Shared Services are omitted.
2. Shared Services' ratios are based upon FY17 factors, as adjusted for the four-factor method including Operating Income, and excluding Atmos Energy Marketing. APT and Mid-Tex factors are based upon actual test year ratios.
3. Mid-Tex Division does not allocate SEBP expense to APT.
4. SSU amounts exclude cost centers which do not allocate to APT for ratemaking purposes.
5. The current benchmark is calculated per TEX. UTIL. CODE § 104.059. The amounts are per GUD No. 10000, Final Order Schedule F-2.3.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS PLAN FOR APPROVAL
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Shared Services		Mid-Tex Direct		APT Direct			Adjustment Total
		Pension Account Plan	Post-employment Benefit Plan	Pension Account Plan	Post-employment Benefit Plan	Pension Account Plan	Supplemental Executive Benefit Plan	Post-employment Benefit Plan	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Proposed Benefits Benchmark - FY 2017 Willis Towers Watson Report	\$ 4,606,679	\$ 2,636,253	\$ 8,234,627	\$ 4,375,142	\$ 557,272	\$ 323,031	\$ (321,986)	
2	Adjustment	20.84%	20.84%	28.73%	28.73%	100.00%	100.00%	100.00%	
3	Proposed Benefits Benchmark Costs (Excluding Removed Cost Centers)								
4	Allocated to APT (Ln 1 x Ln 2)	\$ 960,032	\$ 549,395	\$ 2,365,962	\$ 1,257,060	\$ 557,272	\$ 323,031	\$ (321,986)	
5	O&M and Capital Factor	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
6	Proposed Benefits Benchmark Costs To Approve (Excluding Removed Cost Centers) (Ln 3 x Ln 4)	\$ 960,032	\$ 549,395	\$ 2,365,962	\$ 1,257,060	\$ 557,272	\$ 323,031	\$ (321,986)	\$ 5,690,766
7									
8	Summary of Expense Costs to Approve:								
9									
10									
11	O&M Expense Factor (WP_F-2.3, Ln 2)	71.08%	71.08%	38.31%	38.31%	60.20%	100.00%	60.20%	
12									
13	Total Pension Account Plan	\$ 682,388		\$ 906,331		\$ 335,451			\$ 1,924,170
14	Total Post-Retirement Medical Plan		\$ 390,508		\$ 481,543			\$ (193,820)	678,231
15	Total Supplemental Executive Benefit Plan						\$ 323,031		323,031
16	Total (Ln 13 + Ln 14 + Ln 15)	\$ 682,388	\$ 390,508	\$ 906,331	\$ 481,543	\$ 335,451	\$ 323,031	\$ (193,820)	\$ 2,925,432

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PROPERTY INSURANCE ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Shared Services	APT	Total Adjustment
	(a)	(b)	(c)	(d) = (b) + (c)
1	<u>Premium Adjustment:</u>			
2	Annual Premium - Current Policy (TME March 2017) (1)	\$ 158,719	\$ 1,744,253	
3	Adjustment	160,271	1,615,226	
4	Subtotal (Ln 2 - Ln 3)	\$ (1,552)	\$ 129,027	
5	Allocation Factor (2)	20.84%	100.00%	
6	Allocated Total Adjustment (Ln 4 x Ln 5)	\$ (323)	\$ 129,027	
7	O&M Expense Factor (2)	26.26%	25.62%	
8	Premium Adjustment (Ln 6 times Ln 7)	\$ (85)	\$ 33,055	\$ 32,970
9				
10	<u>Adjustment Summary:</u>			
11	Account 922	\$ (85)	\$ -	\$ (85)
12	Account 924	-	33,055	33,055
13	Total (Ln. 11+ Ln. 12)	\$ (85)	\$ 33,055	\$ 32,970
14				
15	<u>Notes:</u>			
16	1. The premium amounts include 4.85% tax per TEX. INS. CODE § 226.003 (a).			
17	2. SSU General Office factors are based upon Cost Center 1915, adjusted to the four-factor formula including Operating Income, and excluding Atmos Energy Marketing. APT factors are based upon actual test year ratios.			

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ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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TEST YEAR ENDING SEPTEMBER 30, 2016**

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ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
EMPLOYEE EXPENSE ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Shared Services - Customer Support (1)	Shared Services - General Office	APT Direct	Total Adjustment
	(a)	(b)	(c)	(d)	(e)
1	<u>Twelve Months Ended September 30, 2016:</u>				
2	Employee Expense Adjustment	\$ 168,422	\$ 297,945	\$ 264,468	
3	Adjustment	0.00%	20.84%	100.00%	
4					
5	Allocated Employee Expense Totals (Ln 2 x Ln 3)	\$ -	\$ 62,092	\$ 264,468	
6	O&M Expense Factor (2) (3)	0.00%	71.08%	100.00%	
7					
8	Total O&M Expense Adjustment (Ln 5 x Ln 6)	\$ -	\$ 44,135	\$ 264,468	\$ 308,602
9					
10	Adjustment Summary by Account:				
11	Account 922	\$ -	\$ (44,135)	\$ -	\$ (44,135)
12	Account 930.2	-	-	(264,468)	(264,468)
13	Totals (Ln 11 + Ln 12)	\$ -	\$ (44,135)	\$ (264,468)	\$ (308,602)

16 Notes:

- 17 1. Shared Services - Customer Support does not provide services to APT; therefore no adjustment is allocated.
- 18 2. See WP_F-2.1, Col (b) and Col (c), Ln 7 and Ln 11, as applicable, for the Shared Services factors, as adjusted.
- 19 3. APT costs are directly charged and not allocated.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") SERVICE LEVEL FACTORS ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description (1)	Per Book			FY 2017		Allocation Factor (2)	Total	SSU Allocated to Capital	Expense Allocated to APT
		SSU O&M (Labor)	SSU O&M (Non-Labor)	Total SSU O&M Expense	Capitalization Rate (Labor Exp)	Capitalization Rate (Non-Labor Exp)				
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g)	(h) = (d) * (g)	(i) = (b*e*g) + (c*f*g)	(j) = (h) - (i)
1	1001 SS Dallas President and COO	\$ 529,654	\$ 1,285,083	\$ 1,814,737	73.74%	73.74%	20.84%	\$ 378,191	\$ 278,867	\$ 99,324
2	djustme SS Dallas Chief Financial Officer	506,677	1,057,461	1,564,138	73.74%	73.74%	20.84%	325,966	240,358	85,608
3	1105 SS Dallas Audit	-	4,682,407	4,682,407	0.00%	0.00%	20.84%	975,814	-	975,814
4	1106 SS Dallas Treasurer	415,731	552,582	968,313	77.15%	77.15%	20.84%	201,796	155,681	46,116
5	1107 SS Dallas Treasury	437,225	951,643	1,388,868	73.74%	73.74%	20.84%	289,440	213,425	76,016
6	1108 SS Dallas Risk Management	395,558	311,217	706,775	80.00%	80.00%	20.84%	147,292	117,834	29,458
7	1110 SS Dallas Procurement	103,744	104,651	208,395	46.64%	46.64%	21.09%	43,950	20,500	23,451
8	1112 SS Dallas Mail & Supply	121,107	367,829	488,936	15.73%	17.50%	21.09%	103,117	17,594	85,522
9	1114 SS Dallas Vice Pres & Controller	351,803	411,899	763,702	29.34%	29.34%	20.84%	159,155	46,696	112,460
10	1116 SS Dallas Taxation	212,454	764,713	977,167	2.37%	2.37%	20.84%	203,642	4,833	198,808
11	1117 SS Dallas Acctg Services	299,522	210,931	510,453	65.19%	65.19%	20.84%	106,378	69,351	37,028
12	1118 SS Dallas Supply Chain	417,748	299,388	717,136	46.51%	46.51%	21.09%	151,244	70,336	80,907
13	1119 SS Dallas General Accounting	441,384	269,260	710,644	73.74%	73.74%	20.84%	148,098	109,203	38,895
14	1120 SS Dallas Accounts Payable	473,004	300,093	773,097	31.54%	31.54%	20.84%	161,113	50,817	110,297
15	1121 SS Dallas Plant Accounting	605,281	356,590	961,871	91.20%	91.20%	20.84%	200,454	182,819	17,635
16	1123 SS Dallas Gas Accounting	247,139	217,215	464,353	0.00%	0.00%	20.92%	97,143	-	97,143
17	1125 SS Dallas Financial Reporting	809,035	755,277	1,564,311	0.00%	0.00%	20.84%	326,003	-	326,003
18	1126 SS Dallas Payroll	357,501	414,809	772,310	73.74%	73.74%	20.84%	160,949	118,679	42,270
19	1128 SS Dallas Property & Sales Tax	1,223,144	1,400,894	2,624,038	2.50%	2.50%	20.84%	546,849	13,671	533,178
20	1129 SS Dallas Income Tax	438,723	469,236	907,960	2.00%	2.00%	20.84%	189,219	3,784	185,434
21	1130 SS Dallas Business Planning and Analysis	727,864	448,323	1,176,187	56.60%	56.60%	20.84%	245,117	138,726	106,391
22	1131 SS Dallas Media Relations	130,425	95,525	225,950	0.00%	0.00%	21.09%	47,653	-	47,653
23	1132 SS Dallas Investor Relations (5)	332,649	688,282	1,020,931	0.00%	0.00%	0.00%	-	-	-
24	1133 SS Dallas Corporate Communications	745,721	1,483,137	2,228,858	0.00%	0.00%	20.84%	464,494	-	464,494
25	1134 SS Dallas IT	1,345,597	1,428,574	2,774,172	38.57%	38.57%	20.84%	578,137	222,996	355,142
26	1135 SS Dallas IT E&O, Corporate Systems	1,831,640	5,316,447	7,148,087	23.12%	33.50%	20.84%	1,489,661	459,420	1,030,241
27	1137 SS Dal-IT Engineering & Operations	3,392,841	10,893,256	14,286,097	24.96%	36.71%	20.84%	2,977,223	1,009,877	1,967,346
28	1141 SS Dallas Gas Purchase Accounting	492,741	210,137	702,878	0.00%	0.00%	0.00%	-	-	-
29	1144 SS Dallas Rate Administration	693,863	310,333	1,004,196	0.00%	0.00%	0.00%	-	-	-
30	1145 SS Dallas Revenue Accounting	266,034	161,852	427,886	0.00%	0.00%	0.00%	-	-	-
31	1150 SS Dallas Strategic Planning	400,734	601,880	1,002,614	55.56%	55.56%	20.84%	208,945	116,080	92,864
32	1153 SS Dallas Distribution Acctg	613,642	284,860	898,501	0.00%	0.00%	0.00%	-	-	-
33	1154 SS Dallas Rates & Regulatory	1,496,541	1,240,738	2,737,279	74.97%	74.97%	21.09%	577,292	432,810	144,482

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") SERVICE LEVEL FACTORS ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description (1)	Per Book			FY 2017		Allocation Factor (2)	Total	SSU Allocated to Capital	Expense Allocated to APT
		SSU O&M (Labor)	SSU O&M (Non-Labor)	Total SSU O&M Expense	Capitalization Rate (Labor Exp)	Capitalization Rate (Non-Labor Exp)				
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g)	(h) = (d) * (g)	(i) = (b*e*g) + (c*f*g)	(j) = (h) - (i)
34	1155 SS Dallas Texas Gas Pipeline Accounting	84,872	39,387	124,259	0.00%	0.00%	97.21%	120,792	-	120,792
35	1156 SS Dal-IT Customer Services Systems	2,175,341	4,503,029	6,678,370	12.27%	28.48%	0.00%	-	-	-
36	1158 SS CCC IT Support	-	2,220,284	2,220,284	0.00%	0.00%	0.00%	-	-	-
37	1159 SS Dallas Director Technical Training	343,646	1,831,494	2,175,140	0.00%	0.00%	20.84%	453,299	-	453,299
38	1161 SS Dallas Benefits and Payroll Accounting	366,804	135,961	502,765	73.74%	73.74%	20.84%	104,776	77,259	27,517
39	1164 SS Dallas IT Security	865,631	2,174,546	3,040,177	17.00%	17.00%	20.84%	633,573	107,707	525,866
40	1167 SS Dal-IT Enterprise Architecture	448,537	193,639	642,176	20.00%	60.00%	21.09%	135,435	43,422	92,013
41	1171 SS Regulatory Accounting Services	172,233	69,808	242,041	74.97%	74.97%	21.09%	51,046	38,271	12,776
42	1201 SS Dallas President & CEO	1,063,037	3,564,895	4,627,932	73.74%	73.74%	20.84%	964,461	711,165	253,296
43	1205 SS Dallas SVP Utility Operations	371,529	758,203	1,129,732	12.02%	16.69%	20.84%	235,436	35,672	199,764
44	1209 SS Dallas Safety & Compliance	343,132	1,228,492	1,571,625	0.00%	0.00%	21.09%	331,456	-	331,456
45	1212 SS CSC-Customer Contact Management	13,926,455	7,861,101	21,787,556	20.86%	20.86%	0.00%	-	-	-
46	1213 SS Dallas Quality Assurance	518,351	179,868	698,219	0.00%	0.00%	0.00%	-	-	-
47	1214 SS Dallas Workforce Management	539,040	237,128	776,168	0.00%	0.00%	0.00%	-	-	-
48	1215 SS Dispatch Operations	4,068,368	1,711,946	5,780,314	0.00%	0.00%	0.00%	-	-	-
49	1216 SS Dallas CSO Training & Knowledge Manage	830,193	410,670	1,240,864	0.00%	0.00%	0.00%	-	-	-
50	1224 SS Dallas CSO Human Resources	486,757	999,523	1,486,280	0.00%	0.00%	0.00%	-	-	-
51	1226 SS Dallas Customer Service (7)	1,110,527	2,180,625	3,291,152	2.43%	18.32%	0.00%	-	-	-
52	1227 SS Dallas Business Processes & Change Management (7)	1,996,816	1,458,212	3,455,028	3.90%	22.93%	21.09%	728,665	86,919	641,746
53	1228 SS Dallas Customer Revenue Management	7,971,621	3,910,348	11,881,969	0.00%	0.00%	0.00%	-	-	-
54	1229 SS Dallas Pipeline Safety	638,850	794,883	1,433,732	30.00%	30.00%	21.09%	302,374	90,712	211,662
55	1401 SS Dallas Employment & Employee Relations	544,249	562,021	1,106,270	0.00%	0.00%	20.84%	230,547	-	230,547
56	1402 SS Dallas Executive Compensation	-	465,021	465,021	0.00%	0.00%	20.84%	96,910	-	96,910
57	1403 SS Dallas Human Resources - Vice Pres	578,599	467,267	1,045,865	0.00%	0.00%	20.84%	217,958	-	217,958
58	1405 SS Dallas Compensation & Benefits	611,813	528,558	1,140,371	0.00%	0.00%	20.84%	237,653	-	237,653
59	1407 SS Dallas Facilities	610,860	1,058,689	1,669,549	29.28%	29.28%	20.84%	347,934	101,890	246,044
60	1408 SS Dallas Employee Development	807,017	1,097,204	1,904,220	0.00%	0.00%	20.84%	396,840	-	396,840
61	1414 SS Tech Training Delivery	836,910	1,535,579	2,372,489	0.00%	0.00%	21.09%	500,358	-	500,358
62	1415 SS Tech Training Prog & Curriculum	187,432	71,799	259,232	0.00%	0.00%	21.09%	54,672	-	54,672
63	1416 SS Dallas Compensation & HRMS	779,236	578,255	1,357,491	0.00%	0.00%	20.84%	282,901	-	282,901
64	1420 SS Dallas EAPC	-	68,139	68,139	0.00%	0.00%	20.84%	14,200	-	14,200
65	1463 SS HR Benefit Variance	-	(612,890)	(612,890)	15.73%	17.50%	20.84%	(127,726)	(22,353)	(105,374)
66	1501 SS Corporate Legal	2,785,770	2,799,501	5,585,271	52.29%	52.29%	20.84%	1,163,970	608,624	555,347

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") SERVICE LEVEL FACTORS ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description (1)	Per Book			FY 2017		Allocation Factor (2)	Total	SSU Allocated to Capital	Expense Allocated to APT
		SSU O&M (Labor)	SSU O&M (Non-Labor)	Total SSU O&M Expense	Capitalization Rate (Labor Exp)	Capitalization Rate (Non-Labor Exp)				
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g)	(h) = (d) * (g)	(i) = (b*e*g) + (c*f*g)	(j) = (h) - (i)
67	1502 SS Corporate Secretary	-	1,440,659	1,440,659	0.00%	0.00%	20.84%	300,233	-	300,233
68	1503 SS Corporate Governmental Affairs	360,719	392,568	753,288	0.00%	0.00%	21.09%	158,868	-	158,868
69	1504 SS Corporate Central Records	192,447	495,155	687,602	73.74%	73.74%	21.09%	145,015	106,930	38,085
70	1505 SS Corporate Gas Contract Administration	133,262	68,759	202,022	0.00%	0.00%	21.09%	42,606	-	42,606
71	1508 SS Corporate Energy Assistance	462,140	390,831	852,971	0.00%	0.00%	0.00%	-	-	-
72	1821 SS Gas Supply Executive	349,313	503,647	852,959	0.00%	0.00%	20.92%	178,439	-	178,439
73	1822 SS Dallas-Regional Gas Supply	246,719	128,343	375,062	0.00%	0.00%	0.00%	-	-	-
74	1823 SS Dallas Gas Contract Admin	355,621	170,823	526,443	0.00%	0.00%	0.00%	-	-	-
75	1825 SS Franklin-Gas Control & Storage	298,464	193,573	492,037	0.00%	0.00%	0.00%	-	-	-
76	1826 SS New Orleans Gas Supply & Services	187,203	312,493	499,696	0.00%	0.00%	0.00%	-	-	-
77	1827 SS Regional Supply Planning	423,365	303,276	726,641	0.00%	0.00%	0.00%	-	-	-
78	1828 SS Jackson-West Region Gas Supply & Service	110,512	78,035	188,546	0.00%	0.00%	0.00%	-	-	-
79	1829 SS Franklin-East Region Gas Supply & Service	-	38,887	38,887	0.00%	0.00%	0.00%	-	-	-
80	1831 SS Dallas Gas Supply	-	35,068	35,068	0.00%	0.00%	0.00%	-	-	-
81	1833 SS Dallas-Corporate Gas Supply Risk Mgmt	105,838	102,697	208,535	0.00%	0.00%	0.00%	-	-	-
82	1835 SS Franklin Gas Control	958,194	619,264	1,577,458	0.00%	0.00%	0.00%	-	-	-
83	1836 SS TBS-System Support	250,219	188,378	438,597	0.00%	0.00%	20.92%	91,754	-	91,754
84	1837 SS TBS-Application Support	688,867	280,332	969,199	0.00%	0.00%	20.92%	202,756	-	202,756
85	1838 SS TBS-Technical Support	573,232	330,358	903,591	0.00%	0.00%	20.92%	189,031	-	189,031
86	1839 SS TBS-Transportation & Scheduling	203,299	88,640	291,939	0.00%	0.00%	20.92%	61,074	-	61,074
87	1901 SS Dallas Employee Relocation Exp (Div 02)	83,695	85,275	168,970	0.00%	0.00%	20.84%	35,213	-	35,213
88	1901 SS Dallas Employee Relocation Exp (Div 12)	14,624	5,060	19,683	0.00%	0.00%	0.00%	-	-	-
89	1903 SS Dallas Controller - Miscellaneous (3)	-	-	-	0.00%	0.00%	0.00%	-	-	-
90	1904 SS Dallas Performance Plan (5)	-	12,362,821	12,362,821	30.50%	30.50%	0.00%	-	-	-
91	1905 SS Outside Director Retirement Cost	-	2,929,886	2,929,886	0.00%	0.00%	20.84%	610,588	-	610,588
92	1908 SS Dallas SEBP (5)	-	5,156,431	5,156,431	0.00%	73.74%	0.00%	-	-	-
93	1910 SS Dallas Overhead Capitalized (4)	-	(56,473,030)	(56,473,030)	0.00%	0.00%	0.00%	-	-	-
94	1913 SS Dallas Fleet and Corporate Sourcing (6)	541,269	171,446	712,715	46.75%	46.75%	21.09%	150,312	70,270	80,041
95	1915 SS Dallas Insurance	-	19,701,748	19,701,748	0.00%	73.74%	20.84%	4,105,844	3,027,529	1,078,316
96	1953 SS Dallas Enterprise Team Meeting	-	69,934	69,934	0.00%	0.00%	20.84%	14,574	-	14,574
97	1954 SS Dallas Culture Council	-	2,500	2,500	0.00%	0.00%	20.84%	521	-	521
99	Total (Sum of Ln 1 through Ln 97)	\$ 73,459,351	\$73,603,561	\$147,062,912				\$ 25,268,699	\$ 9,178,376	\$ 16,090,323

GUD No. 10580
First Amended PFD
Date Issued: July 24, 2017

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") SERVICE LEVEL FACTORS ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description (1)	Per Book			FY 2017		Allocation Factor (2)	Total	SSU Allocated to Capital (i) = (b*e*g) + (c*f*g)	Expense Allocated to APT (j) = (h) - (i)
		SSU O&M (Labor)	SSU O&M (Non-Labor)	Total SSU O&M Expense (d) = (b) + (c)	Capitalization Rate (Labor Exp) (e)	Capitalization Rate (Non-Labor Exp) (f)				
	(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f)	(g)	(h) = (d) * (g)		
100										
101	Allocated Shared Services O&M to APT									14,883,550
102										
103	Total Adjustment to Account 922 (Ln 99 - Ln 101)									\$ 1,206,774
104										

105 Notes:

- 106 1. See Schedule F-2.7.1 for cost center functions and SSU Division designations.
- 107 2. Based upon FY17 factors adjusted to the four-factor formula including Operating Income, and excluding Atmos Energy Marketing.
- 108 3. \$1,145,383 of Cost Center 1903 was not allocated during the test period.
- 109 4. The Total represents the amount that would be credited from Cost Center 1910.
- 110 5. The four-factor allocation factors were set to 0% for cost centers 1132, 1904, and 1908 to remove these costs from this filing and to align with the Final Order in GUD No. 9762, Finding of Fact Nos. 72, 76, and 78. and GUD No. 10000.
- 111 6. Cost Center 1913 includes \$50 recorded to Cost Center 1111. Please see relied file, "WP_F-2.7_FY16 SSU O&M Labor and Non-labor.xlsx" for details.
- 112 7. Eight employees moved from General Office Cost Center 1227 to Customer Support Cost Center 1226 in August 2016.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") COST CENTER FUNCTIONS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Division (1)	Cost Center/Description	Cost Center Function
	(a)	(b)	(c)
1	002	1001 SS Dallas President and COO	Costs associated with the President and Chief Operating Officer
2	002	1101 SS Dallas Chief Financial Officer	Costs associated with the CFO
3	Adjustment	1105 SS Dallas Audit	Costs associated with internal and external audit services.
4	002	1106 SS Dallas Treasurer	Costs associated with the VP, Treasurer who manages Treasury, Procurement and Risk Management. The Treasurer supports the overall financing needs of the Company for both O&M and capital projects.
5	002	1107 SS Dallas Treasury	Costs associated with treasury operations
6	002	1108 SS Dallas Risk Management	Costs associated with insurance and risk management
7	002	1110 SS Dallas Procurement	Costs associated with purchasing and mail room activities
8	002	1112 SS Dallas Mail & Supply	Costs associated with mail services at the Dallas corporate office
9	002	1114 SS Dallas Vice Pres & Controller	Costs associated with the VP, Controller
10	002	1116 SS Dallas Taxation	Costs associated with the VP, Tax
11	002	1117 SS Dallas Acctg Services	Costs associated with management of General Accounting, Accounts Payable, Plant Accounting and Payroll departments
12	002	1118 SS Dallas Supply Chain	Costs associated with management of products and services for Operations.
13	002	1119 SS Dallas General Accounting	Costs associated with maintaining the general books and records of the Company
14	002	1120 SS Dallas Accounts Payable	Costs associated with the processing and payment of the Company's bills
15	002	1121 SS Dallas Plant Accounting	Costs associated with the recordkeeping for the Company's fixed assets
16	002	1123 SS Dallas Gas Accounting	Costs associated with the management of utility margin accounting, utility rate administration, and Texas and Louisiana pipeline accounting.
17	002	1125 SS Dallas Financial Reporting	Costs associated with the preparation and distribution of both internal and external reporting
18	002	1126 SS Dallas Payroll	Costs associated with paying the Company's employees
19	002	1128 SS Dallas Property & Sales Tax	Costs associated with the management and handling of the Company's property and sales tax activities
20	002	1129 SS Dallas Income Tax	Costs associated with the processing of the Company's income taxes
21	002	1130 SS Dallas Business Planning and Analysis	Costs associated with the planning and budgeting activities of the Company
22	002	1131 SS Dallas Media Relations	Costs associated with communicating customer service and safety messages to the media, business and industry leaders. Costs associated with crisis communications functions including training staff on media relations, interviews, press conferences, and press queries to better inform the public and our customers in a crisis. Costs associated with video creation and dissemination to the public to educate customers and stakeholders on the environmental and safe and reliable benefits of natural gas.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") COST CENTER FUNCTIONS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Division (1)	Cost Center/Description	Cost Center Function
	(a)	(b)	(c)
23	002	1132 SS Dallas Investor Relations	Performs a number of significant activities directly related to attracting capital investment and maintaining important relationships with the investing community. Such activities include, but are not limited to: 1.) Accompanying executive management at all discussions with the investing public and financial press to maintain compliance with SEC Regulation FD, applicable to all publicly trade companies. 2.) Initiating, building and maintaining relationships with the financial analyst community and individual investors, as well as serving as the first point of contact between the Company and institutional and individual investors. 3.) Preparing and presenting financial presentations throughout the year as needed and overseeing the issuance of financial press releases at least four times per year to report and explain the financial performance of the Company. 4.) Keeping executive management apprised of investor opinions and concerns. 5.) Reviewing research reports submitted by analysts and providing accurate feedback to foster reporting accuracy. 6.) Maintaining knowledge of other companies that are considered to be Atmos Energy's peers. 7.) Providing management and the Company's Board of Directors with information regarding developments in the financial markets and perceptions of investors that may have use in formulating the Company's long and short-term practices and policies. 8.) Serving on the Company's 7-member Financial Information Committee to review all SEC filings to ensure appropriate and accurate disclosures are made. 9.) Prepare and provide all operating divisions, treasurer, risk management, and all SSU departments with a comprehensive presentation explaining the strategy, financial performance, rate and regulatory strategy, etc. to use as a communication tool for all stakeholders. 10.) Overseeing the Stock Transfer Agent's administration of the Company's Direct Stock Purchase Plan and Dividend Reinvestment Plan, as well as ongoing plan redesign to ensure best practices. Providing investors with reliable, comprehensive information about the Company is a critical step in attracting equity investment capital. This information may be especially important in attracting non-institutional equity investors who do not have access to the range of analysts' reports, and attracting such investment has both near-term and longer-term direct benefits to the Company. The near-term benefits result from rising equity prices, which immediately translate to lower cost common equity, and ultimately ratemaking benefits through lower rates. For example, increased investment and higher equity prices lowers the yield calculation, as shown in the common Discounted Cash Flow formulation of the cost of capital. In a similar vein, the longer-term benefits derive from providing lower cost equity to maintain and expand the utility system.
24	002	1133 SS Dallas Communications	Costs associated with internal and external corporate communications including the annual report to shareholders.
25	002	1134 SS Dallas IT	Costs associated with the VP, CIO who manages all IT functions, and the direct reports to the CIO.
26	002	1135 SS Dallas IT E&O, Corporate Systems	Costs associated with the maintenance and support of the Company's information systems (software)
27	002	1137 SS Dal-IT Engineering & Operations	Costs associated with the maintenance and support of the Company's data center. Operational services include - <ul style="list-style-type: none"> • IT Systems and network engineering • Service desk • Desktop support • Hardware and software maintenance for infrastructure items • Support and administration of our database and SAP Basis environments • The IT Quality Assurance (testing) processes
28	002	1141 SS Dallas Gas Purchase Accounting	Costs associated with the accounting for the utility's distribution gas purchases.
29	002	1144 SS Dallas Rate Administration	Costs associated with filing PGA, tariffs and recovering gas costs
30	002	1145 SS Dallas Revenue Accounting	Costs associated with the accounting for the utility's distribution gross margin.
31	002	1150 SS Dallas Strategic Planning	Costs associated with the VP, Strategic Planning who manages Business Planning & Analysis and Rates & Regulatory Affairs.
32	002	1153 SS Dallas Distribution Acctg	Costs associated with the accounting for the utility's distribution revenues.
33	002	1154 SS Dallas Rates & Regulatory	Costs associated with rate case and regulatory work. Purpose is to manage the Company's rate strategy for regulated rates as well as the rate and regulatory activity for Atmos' eight state operating area. The primary activity is the establishment of base rates through rate cases or formula ratemaking mechanisms. The department currently has approximately twenty base rate case filings or formula mechanisms to manage in order to effect rate changes in its various jurisdictions as well as monthly, quarterly and annual reports to meet reporting requirements.
34	002	1155 SS Dallas Texas Gas Pipeline Acctg	Costs associated with accounting for the Texas and Louisiana gas pipeline systems.
35	012	1156 SS Dal-IT Customer Services Systems	Costs associated with developing and supporting Customer Service technologies. Also includes development and support of the interfaces between our internal systems and external vendors; and support and administration of our business intelligence / reporting environment. Costs include labor, software maintenance, and related expenses.
36	012	1158 SS CCC IT Support	Costs associated with supporting the IT activities in the Customer Contact Centers. Supports both the Amarillo and Waco customer contact centers, providing telephone and IT support for our contact centers. Costs in this center include hardware maintenance and software maintenance for call center equipment and software, and telephone access charges (not long distance).
37	002	1159 SS Dallas VP of Workforce Development	Costs associated with the VP Workforce Development who oversees technical training and employee development activities across the enterprise.
38	002	1161 SS Dallas Benefits & Payroll Acctg	Costs associated with management of payroll and benefits departments
39	002	1164 SS Dallas IT Security	Costs associated with providing the strategic direction for Cyber Security in the organization. Also includes the costs related to providing telecommunications to the corporate office (lines, equipment, etc.), network operations center and security administration.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") COST CENTER FUNCTIONS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Division (1)	Cost Center/Description	Cost Center Function
	(a)	(b)	(c)
40	002	1167 SS Dal-IT Enterprise Architecture	Costs associated with setting the strategic architecture for our information systems and infrastructure. Also includes the Project Management function.
41	002	1171 SS Dallas Regulatory Accounting	Costs associated with regulatory accounting work on rate cases, special projects and other Commission requests as well as regulatory reporting to utility commissions, government and industry groups. This cost center was created to clearly identify personnel who devote their time to working on the regulatory accounting and reporting side of the business on rate cases, special projects, commission annual reports and other commission requests such as documenting the Company's cost allocation methodologies and capitalized overhead study.
42	002	1201 SS Dallas Chief Executive Officer	Costs associated with the CEO
43	002	1205 SS Dallas SVP Safety and Enterprise Services	Costs associated with the SVP Safety and Enterprise Services.
44	002	1209 SS Dallas Safety & Compliance	Costs associated with safety compliance and security
45	012	1212 SS CSC-Customer Contact Management	Costs associated with both the Waco and Amarillo Customer Support Centers.
46	012	1213 SS Dallas Quality Assurance	Costs associated with monitoring calls to ensure customers are given correct information and that the correct processes and procedures are followed.
47	012	1214 SS Dallas Workforce Management	Costs associated with forecasting call volume and scheduling agents to ensure we have people available to answer calls
48	012	1215 SS Dispatch Operations	Service Orders to Service techs for emergency calls and same day service. To alert first responders of emergency situations and to communicate service order information to the approximately 750 service technicians throughout the regulated divisions. Costs in this center include the labor and related expenses to staff the dispatch function twenty-four hours a day as well as building maintenance and telecom costs.
49	012	1216 SS Dallas CSO Training & Knowledge Mgmt	Cost associated with the training of CSO employees.
50	012	1224 SS Dallas CSO Human Resources	Costs associated with Human Resources in the Customer Service Organization.
51	012	1226 SS Dallas Customer Service	Costs of management and administration of customer service organization (revenue management, customer contact and program development). Includes overall CSO management and administration (excluding Human Resources which is included in CC1224) and Regulated Operations initiatives. CSO management provides support to the contact centers as well as other CSO departments.
52	002	1227 SS Dallas Business Processes and Change Management	Define and implement business solutions and help employees understand, prepare for, and at on changes necessary to operate our business exceptionally well.
53	012	1228 SS Dallas Customer Revenue Management	Costs associated with managing customer revenue functions of billing, payment applications and collections. This center provides day-to-day support and transaction processing for customers in all states served by Atmos. Also includes the outside vendor costs of bill printing, accepting payments and collection agency fees.
54	002	1229 SS Dallas Pipeline Safety	Costs associated with the oversight of pipe replacement activities, pipeline safety, employee safety and technical training activities.
55	002	1401 SS Dallas Employment & Employee Relations	Costs associated with recruiting, staffing and onboarding, as well as HR compliance processes, operations, audits, investigations and risk management. Purpose is to develop, implement and administer employment related activities including: employee relations, corporate compliance, AA/EEO plans and reporting, responses to regulatory and legal inquiries (EEOC, OFCCP, Drug and Alcohol, MVR's, Vets 100, etc.) selection, hiring and onboarding. Costs charged to this cost center include labor and related expenses, professional association dues, contract labor, legal fees and professional reference books. These costs are a necessary component in providing human resource services to our employees.
56	002	1402 SS Dallas Executive Compensation	Costs associated with the compensation committee of the Board of Directors. Costs incurred for executive compensation work for the Human Resources Committee of the Atmos Energy Board of Directors. Also included are costs related to corporate officer annual physical exams paid by the Company. These costs are a necessary component of providing human resource services to the corporate officers that are necessary for the provision of safe and reliable service.
57	002	1403 SS Dallas Human Resources - Vice Pres	Costs associated with the VP Human Resources.
58	002	1405 SS Dallas Benefits	Costs associated with the management of the Company's benefit plans. The purpose is to ensure Atmos provides its employees the most cost effective benefit plans that are 1) competitive within the utility sector and general industry overall, and 2) consistently applied to all employees. Specifically, this cost center is accountable for: Group Medical Plan and Retiree Medical Plan; Group Dental Plan; Group Vision Plan; Wellness Plans (Compass, Advance Medical and Naturally Slim); Employee Assistance Plan; Group Life Insurance Plan; Optional Life Insurance Coverage (Group Variable Universal Life and Supplemental Term life for employee, dependent spouse and child(ren)); Flexible Benefits Plan; Health Savings Account; Business Travel & Accident Insurance; Service Awards Program; Defined Contribution Plan; Defined Benefit Plan; The Master Trust (holds assets of the defined benefit plan); Taxable and Tax Exempt VEBA Trusts; Pension Payments to 1,500 retirees; Collection of Retiree Medical Contributions; Workers' Compensation; Neuromuscular Corporate Solutions; Group Long-Term Disability Plan; Short-Term Disability; Family Medical Leave; and Supplemental Benefits Plan (executive).
59	002	1407 SS Dallas Facilities	Costs associated with the management of the Company's facilities (offices)
60	002	1408 SS Dallas Employee Development	Costs associated with designing, developing and implementing training and development opportunities for all employees in areas of customer service, leadership, culture shaping and communication. All training and development costs including those that go into the development and delivery of training programs or participant manuals go into this cost center. This cost center also provides training and development support to both customer support centers and all divisions.
61	002	1414 SS Tech Training Delivery	Costs associated with technical training delivery
62	002	1415 SS Tech Training Prog & Curriculum	Costs associated with the technical training curriculum and program development
63	002	1416 SS Dallas Compensation and HRMS	Costs associated with the management of the Company's compensation plans and maintenance of HR employee database. The purpose is to ensure Atmos provides its employees the most cost effective pay plans that are competitive within the utility and pipeline sector and general industry overall. Costs charged to this cost center include labor and related expenses, software maintenance, salary surveys, professional association dues and contract labor. These costs are a necessary component in providing human resource services to our employees.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") COST CENTER FUNCTIONS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Division (1)	Cost Center/Description	Cost Center Function
	(a)	(b)	(c)
64	002	1420 SS Dallas EAPC	Costs associated with the Shared Services Employee Activities Planning Committee (EAPC). This committee organizes various Dallas employee-related team building activities throughout the year, including the Company's Lincoln Center United Way campaign. This includes meals incurred by the EAPC as well as office supplies and materials. This does not include employee compensation for their work on the EAPC. These costs are a necessary component to providing human resource services to our employees and as such are reasonable and necessary to the provision of safe and reliable service.
65	002	1463 SS HR Benefit Variance	Used to accumulate the differences between the actual cost of employee benefits and the budgeted benefits rate
66	002	1501 SS Corporate Legal	Costs associated with the Corporate Legal department, which includes the SVP, General Counsel & Corporate Secretary
67	002	1502 SS Dallas Corporate Secretary	Costs associated with the Board of Directors and shareholders. Costs such as Director's fees, board meeting expenses, proxy solicitation expenses and NYSE fees are recorded in this cost center.
68	002	1503 SS Corporate Governmental Affairs	Costs associated with governmental relations
69	002	1504 SS Corporate Records Management	Costs associated with the storage and maintenance of Company records
70	002	1505 SS Corporate Gas Contract Administration	Costs associated with maintaining and administering the Company's gas contracts
71	002	1508 SS Corporate Energy Assistance	Costs associated with planning, organizing, developing, monitoring and overseeing all aspects of the company's Energy Assistance and Customer Advocacy Program.
72	002	1821 SS Gas Supply Executive	Costs associated with the VP, Gas Supply & Services
73	002	1822 SS Dallas-Regional Gas Supply	Costs associated with the management of the Regional Supply department for West Texas and Mid-Tex.
74	002	1823 SS Dallas Gas Contract Admin	Costs associated with maintaining and administering the Company's gas contracts for the entire utility operations.
75	002	1825 SS Franklin-Gas Control & Storage	Costs associated with supporting Franklin Gas Control and Atmos Energy Storage Operations for all utility areas excluding Mid-Tex.
76	002	1826 SS New Orleans Gas Supply & Services	Costs associated with the Director of all the Gas Supply, Planning & Hedging departments.
77	002	1827 SS Regional Supply Planning	Costs associated with the management of the Gas Supply Planning department for all utility divisions.
78	002	1828 SS Jackson-West Region Gas Supply & Services	Costs associated with the management of the Jackson Gas Supply and Services department which includes the regions of Mississippi, Louisiana, Colorado and Kansas.
79	002	1829 SS Franklin-East Region Gas Supply & Services	Costs associated with the management of the Franklin Gas Supply and Services department which includes the regions of Kentucky, Tennessee and Virginia.
80	002	1831 SS Dallas Gas Supply	Costs associated with the management of the Gas Supply department related to the Mid-Tex Division.
81	002	1833 SS Dallas-Corporate Gas Supply Risk Mgmt	Costs associated with the management of the Company's hedging program. The timing of the fixed physical purchases, and support for fixed purchase plans are services provided by this cost center.
82	002	1835 SS Franklin Gas Control	Costs associated with operating the gas control system in Franklin, Tennessee for all areas except Mid-Tex
83	002	1836 SS TBS-System Support	Software platform organization utilized to capture gas supply transactions including purchases and transportation activities. To provide support for the Transportation Billing System ("TBS") applications and related processes. The TBS Suite enables divisions to perform gas scheduling and complex billing functions for transportation and industrial sales customers, and provides support for those systems. Cost Center 1836 is the overall management of the TBS group. Costs in these centers include Company labor and related expenses as well as software maintenance fees, contract labor and tools to support the TBS system application.
84	002	1837 SS TBS-Application Support	User interface support including training for the TBS system. To provide support for the Transportation Billing System ("TBS") applications and related processes. The TBS Suite enables divisions to perform gas scheduling and complex billing functions for transportation and industrial sales customers, and provides support for those systems. Cost Center 1837 is the application support group that works with end users and is also responsible for loading contract change data into the application. Costs in these centers include Company labor and related expenses as well as software maintenance fees, contract labor and tools to support the TBS system application.
85	002	1838 SS TBS-Technical Support	Provide technical support for the TBS suite. To provide support for the Transportation Billing System ("TBS") applications and related processes. The TBS Suite enables divisions to perform gas scheduling and complex billing functions for transportation and industrial sales customers, and provides support for those systems. Cost Center 1838 is the Technical Support group which is responsible for polling all of the electronic meters as well as providing programming support to the TBS application. Costs in these centers include Company labor and related expenses as well as software maintenance fees, contract labor and tools to support the TBS system application.
86	002	1839 SS TBS-Transportation & Scheduling	Provide transportation, nomination & scheduling services to the divisions using TBS. To provide support for the Transportation Billing System ("TBS") applications and related processes. The TBS Suite enables divisions to perform gas scheduling and complex billing functions for transportation and industrial sales customers, and provides support for those systems. Cost Center 1839 is the Scheduling Group for the Atmos Utility Divisions. Costs in these centers include Company labor and related expenses as well as software maintenance fees, contract labor and tools to support the TBS system application.
87	002/012	1901 SS Dallas Employee Relocation Exp	Used to accumulate costs associated with the relocation of employees to Shared Services. Charges include transportation of household goods, closing costs, incidentals, etc.
88	002	1903 SS Dallas Controller – Misc.	Used to accumulate costs which do not specifically relate to another Shared Services Cost Center
89	002	1904 SS Dallas Performance Plan	Costs of the Management Incentive Plan ("MIP") and Variable Payment Plan ("VPP") for individuals in Shared Services Cost Centers. The two plans are intended to provide the Company a means by which it can engender and sustain a sense of personal commitment on the part of its employees (through the VPP) and its executives and senior managers (through the MIP) in the continued growth, development, and financial success of the Company and encourage them to remain with and devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. Accordingly, the Company may award to employees, executives and senior managers the respective annual incentive compensation.

ATMOS ENERGY CORPORATION
 ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
 SHARED SERVICES ("SSU") COST CENTER FUNCTIONS
 TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Division (1)	Cost Center/Description	Cost Center Function
	(a)	(b)	(c)
90	002	1905 SS Outside Director Retirement Cost	Accrued retirement costs for the non-employee members of the Board of Directors. Cost associated with the annual grant of share units to non-employee directors for their service on the Board of Directors. Like all publicly held corporations, Atmos has a board of directors, and the activities of the board benefit the Company and its customers as a whole. These directors require compensation. Part of the compensation package includes annual grants of shares of the Company's stock. The expense recorded in this cost center is not invoiced from a third-party. Rather, it is calculated in accordance with the provisions of ASC 718 Compensation - Stock Compensation (formerly SFAS No. 123R)). Essentially, this standard requires shared-based compensation to be recognized over the requisite service period. The amount of the compensation cost recorded in this cost center is based upon the number of shares granted and the grant date fair value of the stock award.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") COST CENTER FUNCTIONS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Division (1)	Cost Center/Description	Cost Center Function
	(a)	(b)	(c)
91	002	1908 SS Dallas SEBP	<p>Atmos Energy Corporation has implemented and maintained over the past years a supplemental executive retirement plan as an integral part of its executive compensation program. There are currently three SERP plans in which active corporate officers participate. The SEBP is currently closed to new membership; only employees promoted to or directly appointed to a Management Committee level job are eligible to join the SERP. An account based SERP is now in place to which newly appointed corporate officers are eligible. The SERP has been instrumental in helping the Company to attract, motivate, and retain a high quality senior management team responsible for the leadership of the Atmos organization.</p> <p>To capture the cost associated with these plans, Cost Center 1908 has been established. Annuity benefits from the SEBP and SERP are funded through Rabbi Trusts maintained at State Street Trust and lump sum benefits from the SEBP, SERP and Account Based SERP are paid from Corporate assets. Atmos Energy's Company-Owned Life Insurance (COLI) which is a funding vehicle for benefits paid to former officers who receive an annuity benefit paid out of Corporate assets. The COLI reimburses Atmos for these annuity benefits. The SFAS 87 (now ASC 715) expense related to these annuity benefits is charged to the respective division where the former Corporate officer retired. The SFAS 87 expense for current retired SEBP and SERP participants, the management committee and current active Corporate officers is also accounted for in Cost Center 1908. The SFAS 87 expense for the SEBP and SERP is actuarially determined by an independent third-party actuary in accordance with SFAS 87.</p> <p>The COLI policies were executed on certain executives (now retired) in prior years and are being phased out. Currently, no new policies are being executed. Finally, this Cost Center is used to record the independent actuary's cost to perform the annual SFAS 87 and SFAS 106 calculations required for Atmos Energy's SEC filings. This includes third-party costs associated with the administration of the SEBP (Haynes Boone, State Street, Towers Watson, LCG Associates). These costs are part of the overall executive compensation plan and are not incentive compensation.</p>
92	002	1910 SS Corporate Overhead Capitalized	Represents the portion of Shared Services costs that are capitalized through the overhead pool throughout the year. Capitalization rates are based on estimated support of capital activities by each cost center.
93	002	1913 SS Dallas Fleet and Corporate Sourcing	Costs associated with managing Atmos' vehicle fleet
94	002	1915 SS Dallas Insurance	Used for booking insurance costs related to Shared Services.
95	002	1953 SS Dallas Enterprise Team Meeting	Used to record expenses related to the Enterprise Team Meeting.
96	002	1954 SS Dallas Culture Council	This cost center is used to record expenses related to the company's Culture Council. The purpose of the Culture Council is to sustain and strengthen a unified culture at Atmos Energy. The Culture Council is currently made up of leaders across the company that meet throughout the year to discuss and develop ways of sustaining and strengthening our company culture.

Note:

1. Division 002 represents the General Office and Division 012 represents Customer Support.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
MISCELLANEOUS ADJUSTMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Footnote Reference	FERC Account	Total Adjustment
	(a)	(b)	(c)	(d)
1	<u>APT - Direct</u>			
2	Employee-related Expenses - 5400 Subaccount Series	1	814	\$ (2,868)
3	Adjustment	1	856	(24,074)
4	Employee-related Expenses - 5400 Subaccount Series	1	857	(2,967)
5	Employee-related Expenses - 5400 Subaccount Series	1	910	(14,412)
6	Employee-related Expenses - 5400 Subaccount Series	1	921	(188,182)
7	Total 5400 Series Adjustment (Sum of Ln 2 through Ln 6)			<u>\$ (232,504)</u>
8				
9	Employee-related Expenses - 900 Account Series	2	910	\$ (71,849)
10	Employee-related Expenses - 900 Account Series	2	921	(16,894)
11	Employee-related Expenses - 900 Account Series	2	923	(328)
12	Employee-related Expenses - 900 Account Series	2	930.2	(245)
13	Total 900 Account Series Adjustment (Sum of Ln 9 through Ln 12)			<u>\$ (89,316)</u>
14				
15	Pension and Other Postemployment Benefits Regulatory Asset Amortization	3	926	\$ 656,766
16				
17	Line Locate Contract Rate Change	4	856	\$ 57,416
18				
19	Severance Pay Adjustment		856	\$ (8,231)
20				
21	Total APT Direct Miscellaneous Adjustments (Ln 7 + Ln 13 + Ln 15 + Ln 17)			<u><u>\$ 384,131</u></u>
22				

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
MISCELLANEOUS ADJUSTMENTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Footnote Reference	FERC Account	Total Adjustment
	(a)	(b)	(c)	(d)
23	<u>Shared Services General Office (Division 002)</u>			
24	Employee-related Expenses - 5400 Subaccount Series	1	922	\$ (8,299)
25	Employee-related Expenses - 900 Account Series	2	922	(46,795)
26	Total 5400 and 900 Account Series Adjustment (Ln 22 + Ln 23)			<u>\$ (55,094)</u>
27				
28	SSU MIP\VPP in Cost Centers other than 1904	5	922	\$ (11,847)
29	SSU SEBP\SERP in Cost Centers other than 1908	6	922	(222)
30	Severance Pay Adjustment		922	<u>(43,456)</u>
30	Total Other Miscellaneous Adjustments (Ln 26 + Ln 27)			<u>\$ (55,526)</u>
31				
32	Total SSU (Division 002) Miscellaneous Adjustments (Ln 24 + Ln 28)			<u>\$ (110,619)</u>
33				
34	Total Miscellaneous Adjustments (Ln 19 + Ln 30)			<u><u>\$ 273,512</u></u>
35				
36	<u>Notes:</u>			
37	1. O&M expenses recorded in sub accounts 05400-05499 and 07590 that are being voluntarily removed by the Company, include items such as alcohol and meals greater than \$25. Any adjustments in sub accounts 05415, 05416, 05417, and 07510 are reflected on WP_F-2.10.			
38	2. O&M expenses recorded to FERC accounts 902 through 931 that are being voluntarily removed by the Company, and include items such as meals greater than \$25, alcohol, other controversial items and non-recurring expenses.			
39	3. Adjustment to include the annual amortization of the Pension and Other Postemployment Benefits Regulatory Asset. Please see WP_B-7.			
40	4. Adjustment to reflect the increase in the rate per line locate effective in April 2016.			
41	5. Adjustment to remove MIP\VPP expense recorded in Cost Centers other than 1904, which is removed on WP_F-2.7.			
42	6. Adjustment to remove SEBP\SERP expense recorded in Cost Centers other than 1908, which is removed on WP_F-2.7.			

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ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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TEST YEAR ENDING SEPTEMBER 30, 2016**

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ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
RULE COMPLIANCE ADJUSTMENT
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Rule (1)	FERC Account	Cost Center	Adjustment Amount
	(a)	(b)	(c)	(d)	(e)
1	<u>APT - Direct</u>				
2	Nondeductible Dues/Donations	7.5414	818		\$ (145)
3	Adjustment	7.5414	853		(471)
4	Nondeductible Dues/Donations	7.5414	910		(16,182)
5	Nondeductible Dues/Donations	7.5414	930.2		(9,048)
6	Total (Sum of Ln 2 through Ln 5)				<u>\$ (25,846)</u>
7					
8	<u>Shared Services General Office (Division 002)</u>				
9	Nondeductible Dues/Donations	7.5414	922	1118	\$ (604)
10	Nondeductible Dues/Donations	7.5414	922	1150	(695)
11	Nondeductible Dues/Donations	7.5414	922	1164	(19)
12	Nondeductible Dues/Donations	7.5414	922	1401	(57)
13	Nondeductible Dues/Donations	7.5414	922	1503	(174)
14	Total (Sum of Ln 9 through Ln 13)				<u>\$ (1,548)</u>
15					
16	Total Rule Compliance (Ln 6 + Ln 14)				<u>\$ (27,394)</u>
17					
18	<u>Notes:</u>				
19	1. In compliance with TEX. ADMIN. CODE § 7.5414, the test year expenses removed are from sub-accounts 05415, 05416, 05417 and 07510.				
20	2. In compliance with TEX. ADMIN. CODE § 7.501, the Company advises the following Legislative Advocacy expenses were incurred and booked to Account 426.4.				
21					
22		<u>CY 2015</u>	<u>Test Year</u>		
23	Shared Services	\$ 576,301	\$ 581,827		
24	Atmos Pipeline - Texas	\$ 205,974	\$ 220,396		

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
RULE COMPLIANCE 7.5414, ADJUSTMENT CALCULATION FOR ADVERTISING LIMITATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	FERC Account	Per Book Amounts	Adjustment Amount (1)
	(a)	(b)	(c)	(d)
1	Miscellaneous Customer Service and Informational Expenses	910	\$ 354,603	\$ -
2	Supervision	911	108	-
3	Demonstrating and Selling Expenses	912	2,450	-
4	Advertising Expenses	913	6	-
5	Miscellaneous Sales Expenses	916	79,975	-
6				
7	Total Advertising (Sum of Ln 1 through Ln 5)		<u>\$ 437,142</u>	<u>\$ -</u>
8				
9	Total Operating Revenue	480-495	\$ 408,832,567	
10	Less: Uncollectible Accounts	904	(9,169)	
11				
12	Total Gross Receipts (Ln 9 - Ln 10)		<u>\$ 408,841,736</u>	
13				
14	Allowable Percentage for Advertising per Substantive Rule 7.5414		0.500%	
15				
16	Calculated Allowable Advertising Expense (Ln 12 times Ln 14)		<u>\$ 2,044,209</u>	
17				
18	Total Advertising Expense Allowed (2)		<u>\$ 437,142</u>	
19				
20	Adjustment Amount (3)			<u>\$ -</u>
21				
22				
23	<u>Notes:</u>			
24	1. An adjustment, if applicable, is allocated to accounts based upon the relative per book amounts.			
25	2. The lesser amount of Ln. 7 Col (c) or Ln. 16 Col (c)			
26	3. An adjustment is required if the amount shown on Line 7, Column (c), exceeds the amount shown on Line 16, Column (c). If the amount shown on Line 7, Column (c), is less than Line 16 then no adjustment is required.			
27	4. The above information is provided per TEX. ADMIN. CODE § 7.5414.			

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ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Total Adjusted Plant Balance	Non-depreciable and Fully Depreciated Plant	Depreciable Plant	Proposed Rate	Proposed Depreciation Expense
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)	(g) = (e) * (f)
1	APT - Direct						
2	<u>Intangible Plant</u>						
3	Adjustmen	Miscellaneous Intangible Plant	\$ 6,238,271	\$ 6,238,271	\$ -	0.00%	\$ -
4		Total Intangible Plant (Ln 3)	\$ 6,238,271	\$ 6,238,271	\$ -		\$ -
5							
6	<u>Storage Plant</u>						
7	350.00	Land and Land Rights	\$ -	\$ -	\$ -	0.00%	\$ -
8	350.10	Land	5,515,389	5,515,389	-	0.00%	-
9	350.20	Rights-of-Way	32,592	-	32,592	2.23%	727
10	351.00	Structures and Improvements	24,635,344	-	24,635,344	2.39%	589,499
11	352.00	Wells	78,403,027	-	78,403,027	3.27%	2,563,487
12	353.00	Lines	13,256,043	-	13,256,043	3.66%	485,446
13	354.00	Compressor Station Equipment	88,256,841	-	88,256,841	3.36%	2,961,515
14	355.00	M&R Equipment	50,663,680	-	50,663,680	4.59%	2,325,574
15	356.00	Purification Equipment	49,947,598	-	49,947,598	2.20%	1,098,810
16	357.00	Other Equipment	621,183	-	621,183	3.12%	19,364
17		Total Storage Plant (Sum Ln 7 through Ln 16)	\$ 311,331,697	\$ 5,515,389	\$ 305,816,308		\$ 10,044,423
18							
19	<u>Transmission Plant</u>						
20	365.00	Land	\$ 1,232,270	\$ 1,232,270	\$ -	0.00%	\$ -
21	365.10	ROW - Trans Comp Stat	-	-	-	1.31%	-
22	365.20	ROW - City Gate	18,983,795	-	18,983,795	1.31%	248,780
23	366.00	Structures and Improvements	11,472,463	-	11,472,463	4.06%	465,707
24	367.00	Mains - Cathodic Protection	200,439,413	-	200,439,413	2.83%	5,668,555
25	367.01	Mains - Steel	1,431,528,224	-	1,431,528,224	2.83%	40,484,537
26	367.02	Mains - Plastic	11,591,352	-	11,591,352	2.83%	327,811
27	368.00	Compressor Station Equipment	150,061,066	-	150,061,066	4.40%	6,602,985
28	369.00	M&R Station Equipment	228,773,444	-	228,773,444	4.82%	11,028,850
29	370.00	Communication Equipment	14,144,928	-	14,144,928	5.47%	774,194
30	371.00	Other Equipment	4,923,427	-	4,923,427	3.61%	177,761
31		Total Transmission Plant (Sum Ln 20 through Ln 30)	\$ 2,073,150,383	\$ 1,232,270	\$ 2,071,918,113		\$ 65,779,181
32							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account (a)	Account Description (b)	Total Adjusted Plant Balance (c)	Non-depreciable and Fully Depreciated Plant (d)	Depreciable Plant (e) = (c) - (d)	Proposed Rate (f)	Proposed Depreciation Expense (g) = (e) * (f)
33		<u>General Plant</u>					
34	389.00	Land and Land Rights	\$ 124,981	\$ 124,981	\$ -	0.00%	\$ -
35	390.00	Structures and Improvements	6,285,064	-	6,285,064	3.38%	212,530
36	391.00	Office Furniture and Equipment	4,878,716	-	4,878,716	4.17%	203,280
37	392.00	Transportation Equipment (1)	1,562,956	-	1,562,956	13.28%	62,272
38	393.00	Stores Equipment	-	-	-	4.00%	-
39	394.00	Tools, Shop, and Garage Equipment (1)	9,846,323	-	9,846,323	5.00%	147,695
40	395.00	Laboratory Equipment (1)	172,645	-	172,645	4.76%	2,466
41	396.00	Power Operated Equipment (1)	3,054,342	-	3,054,342	6.98%	4,264
42	397.00	Communication Equipment	736,092	-	736,092	4.55%	33,459
43	397.02	Communication Equipment - Fixed Radios	80,513	-	80,513	4.55%	3,660
44	397.05	Communication Equipment - Telemetry	114,680	-	114,680	4.55%	5,213
45	398.00	Miscellaneous Equipment	8,193,622	-	8,193,622	3.13%	256,051
46	399.00	Other Tangible Property	71,172	-	71,172	14.29%	10,167
47	399.01	Other Tangible Property - Servers Hardware	612,444	-	612,444	10.00%	61,244
48	399.02	Other Tangible Property - Servers Software	1,408,668	-	1,408,668	10.00%	140,867
49	399.03	Other Tangible Property - Network Hardware	71,397	-	71,397	10.00%	7,140
50	399.06	Other Tangible Property - PC Hardware	793,661	-	793,661	20.00%	158,732
51	399.07	Other Tangible Property - PC Software	794,975	-	794,975	20.00%	158,995
52		Total General Plant (Sum Ln 34 through Ln 51)	\$ 38,802,253	\$ 124,981	\$ 38,677,272		\$ 1,468,034
53		Accrual For Reserve Deficiency (2)					568,485
54		Total APT - Direct (Ln 4 + Ln 17 + Ln 31 + Ln 52 + Ln 53)					\$ 77,860,123
55							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Total Adjusted Plant Balance	Non-depreciable and Fully Depreciated Plant	Depreciable Plant	Proposed Rate	Proposed Depreciation Expense
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)	(g) = (e) * (f)
56	<u>SSU General Office (Division 002)</u>						
57		<u>General Plant</u>					
58	390.00	Structures and Improvements	\$ 1,411,378	\$ -	\$ 1,411,378	3.01%	\$ 42,508
59	390.09	Improvements to Leased Premises	8,311,748	8,311,748	-	3.25%	-
60	391.00	Office Furniture and Equipment	9,319,747	-	9,319,747	3.96%	369,499
61	392.00	Transportation Equipment	7,125	-	7,125	8.34%	594
62	393.00	Stores Equipment	-	-	-	10.32%	-
63	394.00	Tools, Shop, and Garage Equipment	160,005	-	160,005	8.37%	13,389
64	395.00	Laboratory Equipment	-	-	-	10.05%	-
65	397.00	Communication Equipment	2,429,872	-	2,429,872	5.85%	142,184
66	398.00	Miscellaneous Equipment	136,510	-	136,510	5.29%	7,219
67	399.00	Other Tangible Property	162,268	162,268	-	13.06%	-
68	399.01	Other Tangible Property - Servers Hardware	31,625,506	-	31,625,506	9.48%	2,999,541
69	399.02	Other Tangible Property - Servers Software	18,988,317	-	18,988,317	8.93%	1,696,385
70	399.03	Other Tangible Property - Network Hardware	3,248,234	-	3,248,234	6.99%	227,152
71	399.06	Other Tangible Property - PC Hardware	1,807,627	-	1,807,627	10.49%	189,578
72	399.07	Other Tangible Property - PC Software	534,105	-	534,105	6.63%	35,386
73	399.08	Other Tangible Property - Application Software	53,639,657	-	53,639,657	6.52%	3,495,116
74	399.09	Other Tangible Property - Mainframe Software	39,252	39,252	-	15.89%	-
75		Total General Plant (Sum Ln 58 through Ln 74)	\$ 131,821,351	\$ 8,513,268	\$ 123,308,083		\$ 9,218,552
76		Allocation Factor					20.84%
77		Total General Office Allocated to APT (Ln 75 x Ln 76)					\$ 1,921,146
78							
79	<u>SSU - Greenville Data Center</u>						
80		<u>General Plant</u>					
81	390.05	Structures and Improvements	\$ 9,133,015	\$ -	\$ 9,133,015	3.01%	\$ 275,070
82	391.04	Office Furniture and Equipment	63,741	-	63,741	3.96%	2,527
83		Total General Plant (Sum of Ln 81 through Ln 82)	\$ 9,196,755	\$ -	\$ 9,196,755		\$ 277,597
84		Allocation Factor					70.13%
85		Total Greenville Data Center Allocated to APT (Ln 83 x Ln 84)					\$ 194,682
86							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Total Adjusted Plant Balance	Non-depreciable and Fully Depreciated Plant	Depreciable Plant	Proposed Rate	Proposed Depreciation Expense
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)	(g) = (e) * (f)
87	<u>SSU - Distribution and Marketing</u>						
88	<u>General Plant</u>						
89	390.20	Structures and Improvements	\$ -	\$ -	\$ -	3.01%	\$ -
90	390.29	Improvements to Leased Premises	-	-	-	3.25%	-
91	391.20	Office Furniture and Equipment	263,338	-	263,338	3.96%	10,441
92	394.20	Tools, Shop, and Garage Equipment	39,435	-	39,435	8.37%	3,300
93	397.20	Communication Equipment	8,824	-	8,824	5.85%	516
94	398.20	Miscellaneous Equipment	7,388	-	7,388	5.29%	391
95	399.21	Other Tangible Property - Servers Hardware	1,628,900	-	1,628,900	9.48%	154,494
96	399.22	Other Tangible Property - Servers Software	961,256	-	961,256	8.93%	85,877
97	399.23	Other Tangible Property - Network Hardware	37,965	-	37,965	6.99%	2,655
98	399.26	Other Tangible Property - PC Hardware	75,783	-	75,783	10.49%	7,948
99	399.28	Other Tangible Property - Application Software	18,947,146	-	18,947,146	6.52%	1,234,580
100		Total General Plant (Sum of Ln 89 through Ln 99)	<u>\$ 21,970,034</u>	<u>\$ -</u>	<u>\$ 21,970,034</u>		<u>\$ 1,500,202</u>
101		Allocation Factor					0.00%
102		Total Distribution and Marketing Allocated to APT (Ln 100 x Ln 101)					<u>\$ -</u>
103							
104	<u>SSU - Align Pipe Projects</u>						
105	<u>General Plant</u>						
106	399.31	Other Tangible Property - Servers Hardware	\$ 290,843	\$ -	\$ 290,843	9.48%	\$ 27,585
107	399.32	Other Tangible Property - Servers Software	337,635	-	337,635	8.93%	30,164
108	399.38	Other Tangible Property - Application Software	17,009,382	-	17,009,382	6.52%	1,108,317
109		Total General Plant (Sum of Ln 106 through Ln 108)	<u>\$ 17,637,860</u>	<u>\$ -</u>	<u>\$ 17,637,860</u>		<u>\$ 1,166,066</u>
110		Allocation Factor					90.95%
111		Align Projects Allocated to APT (Ln 109 x Ln 110)					<u>\$ 1,060,523</u>
112							
113		Total SSU General Office Allocated to APT (Ln 77 + Ln 85 + Ln 102 + Ln 111)					<u>\$ 3,176,350</u>
114							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Total Adjusted Plant Balance	Non-depreciable and Fully Depreciated Plant	Depreciable Plant	Proposed Rate	Proposed Depreciation Expense
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)	(g) = (e) * (f)
115	<u>SSU Customer Support (Division 012)</u>						
116		<u>General Plant</u>					
117	389.00	Land and Land Rights	\$ 2,874,240	\$ 2,874,240	\$ -	0.00%	\$ -
118	390.00	Structures and Improvements	12,620,665	-	12,620,665	3.01%	380,112
119	390.09	Improvements to Leased Premises	2,820,614	-	2,820,614	3.25%	91,614
120	391.00	Office Furniture and Equipment	2,295,208	-	2,295,208	3.96%	90,998
121	397.00	Communication Equipment	1,962,785	-	1,962,785	5.85%	114,852
122	398.00	Miscellaneous Equipment	51,379	-	51,379	5.29%	2,717
123	399.00	Other Tangible Property	629,166	-	629,166	13.06%	82,183
124	399.01	Other Tangible Property - Servers Hardware	8,903,052	-	8,903,052	9.48%	844,416
125	399.02	Other Tangible Property - Servers Software	1,818,284	-	1,818,284	8.93%	162,442
126	399.03	Other Tangible Property - Network Hardware	629,226	-	629,226	6.99%	44,002
127	399.06	Other Tangible Property - PC Hardware	813,065	-	813,065	10.49%	85,272
128	399.07	Other Tangible Property - PC Software	190,247	-	190,247	6.63%	12,604
129	399.08	Other Tangible Property - Application Software	89,487,465	-	89,487,465	6.52%	5,830,930
130		Total General Plant (Sum Ln 117 through Ln 129)	<u>\$ 125,095,393</u>	<u>\$ 2,874,240</u>	<u>\$ 122,221,153</u>		<u>\$ 7,742,142</u>
131		Allocation Factor					0.00%
132		Total Customer Support Allocated to APT (Ln 130 x Ln 131)					<u>\$ -</u>
133							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account (a)	Account Description (b)	Total Adjusted Plant Balance (c)	Non-depreciable and Fully Depreciated Plant (d)	Depreciable Plant (e) = (c) - (d)	Proposed Rate (f)	Proposed Depreciation Expense (g) = (e) * (f)
134	<u>SSU - Customer Support Charles K. Vaughn Training Center</u>						
135		<u>General Plant</u>					
136	389.10	Land and Land Rights	\$ 1,887,123	\$ 1,887,123	\$ -	0.00%	\$ -
137	390.10	Structures and Improvements	11,239,300	-	11,239,300	3.01%	338,507
138	391.10	Office Furniture and Equipment	204,636	-	204,636	3.96%	8,113
139	392.10	Transportation Equipment	96,290	-	96,290	8.34%	8,028
140	394.10	Tools, Shop, and Garage Equipment	347,775	-	347,775	8.37%	29,101
141	395.10	Laboratory Equipment	23,632	-	23,632	10.05%	2,374
142	397.10	Communication Equipment	294,319	-	294,319	5.85%	17,222
143	398.10	Miscellaneous Equipment	509,283	-	509,283	5.29%	26,934
144	399.10	Other Tangible Property	113,831	-	113,831	13.06%	14,869
145	399.16	Other Tangible Property - PC Hardware	228,123	-	228,123	10.49%	23,925
146	399.17	Other Tangible Property - PC Software	102,576	-	102,576	6.63%	6,796
147	399.18	Other Tangible Property - Application Software	20,560	-	20,560	6.52%	1,340
148		Total General Plant (Sum of Ln 136 through Ln 147)	<u>\$ 15,067,448</u>	<u>\$ 1,887,123</u>	<u>\$ 13,180,325</u>		<u>\$ 477,208</u>
149		Allocation Factor					0.00%
150		Total CKV Training Center Allocated to APT (Ln 148 x Ln 149)					<u>\$ -</u>
151							
152		Total SSU Customer Support (Ln 132 + Ln 150)					<u>\$ -</u>
153							
154		Total APT Depreciation Expense (Ln 54 + Ln 113 + Ln 152)					<u>\$ 81,036,473</u>
155							
156		<u>Notes:</u>					
157		1. Depreciation Expense has been reduced by the percent of depreciation that is capitalized for each account.					
158		2. Please see Direct Testimony of APT Witness Dane Watson, Exhibit DAW-2, Appendix B for reserve deficit calculation and details.					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION RATE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Current	Proposed (1)	Dallas Proposed
	(a)	(b)	(c)	(d)	
1	<u>APT - Direct</u>				
2		<u>Intangible Plant</u>			
3	Adjustment	Miscellaneous Intangible Plant	0.00%	0.00%	0.00
4					
5		<u>Storage Plant</u>			
6	350.00	Land and Land Rights	0.00%	0.00%	0.00
7	350.10	Land	0.00%	0.00%	0.00
8	350.20	Rights-of-Way	2.03%	2.23%	2.13%
9	351.00	Structures and Improvements	2.36%	2.39%	1.37%
10	352.00	Wells	2.24%	3.27%	1.89%
11	353.00	Lines	2.96%	3.66%	2.31%
12	354.00	Compressor Station Equipment	3.38%	3.36%	2.47%
13	355.00	M&R Equipment	2.90%	4.59%	2.47%
14	356.00	Purification Equipment	2.62%	2.20%	1.39%
15	357.00	Other Equipment	2.75%	3.12%	2.69%
16					
17		<u>Transmission Plant</u>			
18	365.00	Land	0.00%	0.00%	0.00
19	365.10	ROW - Trans Comp Stat	1.17%	1.31%	0.00
20	365.20	ROW - City Gate	1.17%	1.31%	1.23%
21	366.00	Structures and Improvements	3.30%	4.06%	2.39%
22	367.00	Mains - Cathodic Protection	2.03%	2.83%	1.52%
23	367.01	Mains - Steel	2.03%	2.83%	1.52%
24	367.02	Mains - Plastic	2.03%	2.83%	1.52%
25	368.00	Compressor Station Equipment	4.05%	4.40%	2.75%
26	369.00	M&R Station Equipment	3.60%	4.82%	2.80%
27	370.00	Communication Equipment	4.96%	5.47%	3.50%
28	371.00	Other Equipment	2.80%	3.61%	2.51%
29					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION RATE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility Account	Account Description	Current	Proposed (1)	Dallas Proposed	
	(a)	(b)	(c)	(d)		
30		General Plant				
31	389.00	Land and Land Rights	0.00%	0.00%		0.00
32	390.00	Structures and Improvements	2.97%	3.38%	2.55%	0.00
33	391.00	Office Furniture and Equipment	2.93%	4.17%		0.00
34	392.00	Transportation Equipment	4.65%	13.28%	10.40%	0.00
35	393.00	Stores Equipment	0.00%	4.00%		0.00
36	394.00	Tools, Shop, and Garage Equipment	4.93%	5.00%		0.00
37	395.00	Laboratory Equipment	4.96%	4.76%		0.00
38	396.00	Power Operated Equipment	1.98%	6.98%	5.49%	0.00
39	397.00	Communication Equipment	3.81%	4.55%		0.00
40	397.02	Communication Equipment - Fixed Radios	3.81%	4.55%		0.00
41	397.05	Communication Equipment - Telemetry	3.81%	4.55%		0.00
42	398.00	Miscellaneous Equipment	2.59%	3.13%		0.00
43	399.00	Other Tangible Property	11.43%	14.29%		0.00
44	399.01	Other Tangible Property - Servers Hardware	8.38%	10.00%		0.00
45	399.02	Other Tangible Property - Servers Software	8.19%	10.00%		0.00
46	399.03	Other Tangible Property - Network Hardware	8.61%	10.00%		0.00
47	399.06	Other Tangible Property - PC Hardware	16.72%	20.00%		0.00
48	399.07	Other Tangible Property - PC Software	18.26%	20.00%		0.00
49						

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION RATE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility	Account Description	Current	Proposed (1)	Dallas Proposed
	Account				
	(a)	(b)	(c)	(d)	
50	<u>SSU - General Office (Division 002)</u>				
51		<u>General Plant</u>			
52	390.00	Structures and Improvements	9.10%	3.01%	0.00
53	390.09	Improvements to Leased Premises	9.10%	3.25%	0.00
54	391.00	Office Furniture and Equipment	2.13%	3.96%	0.00
55	392.00	Transportation Equipment	10.32%	8.34%	0.00
56	393.00	Stores Equipment	10.32%	10.32%	0.00
57	394.00	Tools, Shop, and Garage Equipment	10.32%	8.37%	0.00
58	395.00	Laboratory Equipment	10.32%	10.05%	0.00
59	397.00	Communication Equipment	8.45%	5.85%	0.00
60	398.00	Miscellaneous Equipment	8.15%	5.29%	0.00
61	399.00	Other Tangible Property	4.51%	13.06%	0.00
62	399.01	Other Tangible Property - Servers Hardware	6.95%	9.48%	0.00
63	399.02	Other Tangible Property - Servers Software	4.00%	8.93%	0.00
64	399.03	Other Tangible Property - Network Hardware	9.30%	6.99%	0.00
65	399.06	Other Tangible Property - PC Hardware	14.86%	10.49%	0.00
66	399.07	Other Tangible Property - PC Software	9.02%	6.63%	0.00
67	399.08	Other Tangible Property - Application Software	11.11%	6.52%	0.00
68	399.09	Other Tangible Property - Mainframe Software	15.89%	15.89%	0.00
69					
70	<u>SSU - Greenville Data Center (Division 002)</u>				
71		<u>General Plant</u>			
72	390.05	Structures and Improvements	9.10%	3.01%	0.00
73	391.04	Office Furniture and Equipment	2.13%	3.96%	0.00
74					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION RATE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility		Current	Proposed (1)	Dallas Proposed
	Account	Account Description			
	(a)	(b)	(c)	(d)	
75	<u>SSU - Distribution and Marketing Projects (Division 002)</u>				
76		<u>General Plant</u>			
77	390.20	Structures and Improvements	9.10%	3.01%	0.00
78	390.29	Improvements to Leased Premises	9.10%	3.25%	0.00
79	391.20	Office Furniture and Equipment	2.13%	3.96%	0.00
80	394.20	Tools, Shop, and Garage Equipment	10.32%	8.37%	0.00
81	397.20	Communication Equipment	8.45%	5.85%	0.00
82	398.20	Miscellaneous Equipment	8.15%	5.29%	0.00
83	399.21	Other Tangible Property - Servers Hardware	6.95%	9.48%	0.00
84	399.22	Other Tangible Property - Servers Software	4.00%	8.93%	0.00
85	399.23	Other Tangible Property - Network Hardware	9.30%	6.99%	0.00
86	399.26	Other Tangible Property - PC Hardware	14.86%	10.49%	0.00
87	399.28	Other Tangible Property - Application Software	11.11%	6.52%	0.00
88					
89	<u>SSU - Align Pipe Projects (Division 002)</u>				
90		<u>General Plant</u>			
91	399.31	Other Tangible Property - Servers Hardware	6.95%	9.48%	0.00
92	399.32	Other Tangible Property - Servers Software	4.00%	8.93%	0.00
93	399.38	Other Tangible Property - Application Software	11.11%	6.52%	0.00
94					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION RATE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility	Account Description	Current	Proposed (1)	Dallas Proposed
	Account				
	(a)	(b)	(c)	(d)	
95	<u>SSU - Customer Support (Division 012)</u>				
96		<u>General Plant</u>			
97	389.00	Land and Land Rights	0.00%	0.00%	0.00
98	390.00	Structures and Improvements	9.10%	3.01%	0.00
99	390.09	Improvements to Leased Premises	9.10%	3.25%	0.00
100	391.00	Office Furniture and Equipment	2.13%	3.96%	0.00
101	397.00	Communication Equipment	8.45%	5.85%	0.00
102	398.00	Miscellaneous Equipment	8.15%	5.29%	0.00
103	399.00	Other Tangible Property	4.51%	13.06%	0.00
104	399.01	Other Tangible Property - Servers Hardware	6.95%	9.48%	0.00
105	399.02	Other Tangible Property - Servers Software	4.00%	8.93%	0.00
106	399.03	Other Tangible Property - Network Hardware	9.30%	6.99%	0.00
107	399.06	Other Tangible Property - PC Hardware	14.86%	10.49%	0.00
108	399.07	Other Tangible Property - PC Software	9.02%	6.63%	0.00
109	399.08	Other Tangible Property - Application Software	11.11%	6.52%	0.00
110					

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEPRECIATION RATE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Utility	Account Description	Current	Proposed (1)	Dallas Proposed
	Account				
	(a)	(b)	(c)	(d)	
111	<u>SSU - Charles K. Vaughn Training Center (Division 012)</u>				
112		<u>General Plant</u>			
113	389.10	Land and Land Rights	0.00%	0.00%	0.00
114	390.10	Structures and Improvements	9.10%	3.01%	0.00
115	391.10	Office Furniture and Equipment	2.13%	3.96%	0.00
116	392.10	Transportation Equipment	10.32%	8.34%	0.00
117	394.10	Tools, Shop, and Garage Equipment	10.32%	8.37%	0.00
118	395.10	Laboratory Equipment	10.32%	10.05%	0.00
119	397.10	Communication Equipment	8.45%	5.85%	0.00
120	398.10	Miscellaneous Equipment	8.15%	5.29%	0.00
121	399.10	Other Tangible Property	4.51%	13.06%	0.00
122	399.16	Other Tangible Property - PC Hardware	14.86%	10.49%	0.00
123	399.17	Other Tangible Property - PC Software	9.02%	6.63%	0.00
124	399.18	Other Tangible Property - Application Software	11.11%	6.52%	0.00
125					
126	<u>Note:</u>				
127	1. Please see the APT and SSU Depreciation Studies provided in APT Witness Dane Watson's direct testimony as Exhibits DAW-2 and DAW-3, respectively.				

Data Source:
Schedule F-4_Depreciation Rates.xlsx

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TAXES OTHER THAN INCOME TAX
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Per Book Amounts (1)	Adjustments	Adjusted Amounts
	(a)	(b)	(c)	(d) = (b) + (c)
1	<u>Non Revenue - Related</u>			
2	Ad Valorem Tax	\$ 17,070,024	\$ 2,490,112	\$ 19,560,136
3	Adjustment	1,901,869	(3,647)	1,898,221
4	Pipeline User Fees	1,819,798	39,788	1,859,586
5	Taxes Allocated from Shared Services	701,759	(39,696)	662,063
6	Total Taxes Other Than Income Taxes (Sum of Ln 2 through Ln 5)	<u>\$ 21,493,449</u>	<u>\$ 2,486,556</u>	<u>\$ 23,980,006</u>
7				
8	Gas Utility Pipeline Tax	\$ 2,003,521	\$ (137,268)	\$ 1,866,252
9				
10	<u>Notes:</u>			
11	1. Per FERC Account 408.1.			
12	2. Gas Utility Pipeline Tax used in the calculation of Cash Working Capital and Other Revenue.			

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TAXES OTHER THAN INCOME TAX WORKPAPER
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Amounts
	(a)	(b)
1	<u>APT Direct:</u>	
2	<u>Adjustment</u>	
3	APT Property Taxes	\$ 19,010,193
4	Capitalized Property Taxes	(104,973)
5	Storage Gas Property Tax (1)	1,262,500
6	North Side Loop Tax Reimbursement	(607,584)
7	Total APT Ad Valorem Tax (Sum of Ln 3 through Ln 6)	<u>\$ 19,560,136</u>
8		
9	<u>Payroll Tax</u>	
10	Base Labor Adjustment for APT (WP_F-2.1)	\$ (47,678)
11	Statutory Tax Rate	7.65%
12	Direct Payroll Tax Expense for Base Labor Adjustment (Ln 10 times Ln 11)	<u>\$ (3,647)</u>
13		
14	Direct Payroll Tax Expense for test period	\$ 1,901,869
15	Total Proposed Payroll Tax (Ln 12 + Ln 14)	<u>\$ 1,898,221</u>
16		
17	<u>Pipeline User Fees</u>	
18	Total 2017 Estimated Pipeline User Fees	<u>\$ 1,859,586</u>
19		
20	<u>Other Taxes</u>	
21	Total Operating Revenues Per Book (Accts 4892 - 4950)	\$ 408,832,567
22		
23	<u>Determination of Tax Rates</u>	
24	Gas Utility Pipeline Tax Expense Per Book (4081-30112)	<u>\$ 2,003,521</u>
25	Ratio to Total Operating Revenues (Ln 24 divided by Ln 21)	<u>0.4901%</u>
26		
27	<u>Gas Utility Pipeline Tax</u>	
28	Revenue Requirement (Schedule A, Col (f), Ln 27)	\$ 380,821,971
29	Effective Tax Rate (Ln 25)	0.4901%
30	Proposed Gas Utility Pipeline Tax at Projected Rates (Ln 28 times Ln 29)	<u>\$ 1,866,252</u>
31		

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TAXES OTHER THAN INCOME TAX WORKPAPER
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description (a)	Amounts (b)
32	<u>SSU:</u>	
33	<u>Ad Valorem Tax Allocated to Pipeline</u>	
34	Shared Services General Office Property Taxes	\$ 720,567
35	Allocation Factor	20.84%
36	General Office Ad Valorem Tax Expense Allocated to APT (Ln 34 times Ln 35)	<u>\$ 150,166</u>
37		
38	Shared Services Customer Support Property Taxes	\$ 548,470
39	Allocation Factor	0.00%
40	Customer Support Ad Valorem Tax Expense Allocated to APT (Ln 38 times Ln 39)	<u>\$ -</u>
41		
42	Proposed Ad Valorem Tax Expense Allocated to APT (Ln 36 + Ln 40)	<u><u>\$ 150,166</u></u>
43		
44	<u>Payroll Tax Allocated to APT</u>	
45	Adjusted Labor Expense Allocated to APT (WP_F-5.2, Col (g), Ln 102)	\$ 5,306,215
46	Statutory Tax Rate	7.65%
47	Payroll Tax Expense Allocated to APT (Ln 45 times Ln 46)	<u>\$ 405,925</u>
48	Add: Benefit-Related Payroll Tax Expense Allocated to APT	72,039
49	Add: Payroll Tax for FUTA & SUTA Allocated to APT (Per Book)	14,020
50	Total Proposed Payroll Tax Expense Allocated to APT (Sum of Ln 47 though Ln 49)	<u><u>\$ 491,984</u></u>
51		
52	<u>Other Tax Allocated to APT</u>	
53	Excise Tax (Test Year Amount)	\$ 95,554
54	Allocation Factor	20.84%
55	Total Proposed Excise Tax Expense Allocated to APT (Ln 53 times Ln 54)	<u>\$ 19,913</u>
56		
57	Proposed Total Taxes Allocated from SSU (Ln 42 + Ln 50 + Ln 55)	<u><u>\$ 662,063</u></u>
58		
59	<u>Note:</u>	
60	1. Working Gas in Storage (FERC Account 164.1) was moved from Mid-Tex to APT to reflect GUD 9400 and GUD 10000 Final Order classification for rate purposes.	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") ADJUSTED TOTAL LABOR ALLOCATED TO PIPELINE FOR PAYROLL TAX CALCULATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Per Book SSU O&M Labor	FY17 Capitalization Rate (1)	Allocation Factor (1), (2)	Total	SSU Capital Allocated to APT	SSU Expense Allocated to APT
	(a)	(b)	(c)	(d)	(e) = (b) * (d)	(f) = (c) * (e)	(g) = (e) - (f)
1	1001 SS Dallas President and COO	\$ 529,654	73.74%	20.84%	\$ 110,380	\$ 81,391	\$ 28,989
2	1101 SS Dallas Chief Financial Officer	506,677	73.74%	20.84%	105,592	77,860	27,731
3	adjustmer 1102 SS Dallas Audit	-	0.00%	20.84%	-	-	-
4	1106 SS Dallas Treasurer	415,731	77.15%	20.84%	86,638	66,839	19,799
5	1107 SS Dallas Treasury	437,225	73.74%	20.84%	91,118	67,188	23,930
6	1108 SS Dallas Risk Management	395,558	80.00%	20.84%	82,434	65,947	16,487
7	1110 SS Dallas Procurement	103,744	46.64%	21.09%	21,880	10,205	11,674
8	1112 SS Dallas Mail & Supply	121,107	15.73%	21.09%	25,541	4,018	21,523
9	1114 SS Dallas Vice Pres & Controller	351,803	29.34%	20.84%	73,316	21,511	51,805
10	1116 SS Dallas Taxation	212,454	2.37%	20.84%	44,275	1,051	43,224
11	1117 SS Dallas Acctg Services	299,522	65.19%	20.84%	62,420	40,693	21,727
12	1118 SS Dallas Supply Chain	417,748	46.51%	21.09%	88,103	40,973	47,130
13	1119 SS Dallas General Accounting	441,384	73.74%	20.84%	91,984	67,827	24,158
14	1120 SS Dallas Accounts Payable	473,004	31.54%	20.84%	98,574	31,091	67,483
15	1121 SS Dallas Plant Accounting	605,281	91.20%	20.84%	126,141	115,043	11,097
16	1123 SS Dallas Gas Accounting	247,139	0.00%	20.92%	51,701	-	51,701
17	1125 SS Dallas Financial Reporting	809,035	0.00%	20.84%	168,603	-	168,603
18	1126 SS Dallas Payroll	357,501	73.74%	20.84%	74,503	54,936	19,567
19	1128 SS Dallas Property & Sales Tax	1,223,144	2.50%	20.84%	254,903	6,373	248,531
20	1129 SS Dallas Income Tax	438,723	2.00%	20.84%	91,430	1,829	89,601
21	1130 SS Dallas Business Planning and Analysis	727,864	56.60%	20.84%	151,687	85,849	65,838
22	1131 SS Dallas Media Relations	130,425	0.00%	21.09%	27,507	-	27,507
23	1132 SS Dallas Investor Relations (3)	332,649	0.00%	0.00%	-	-	-
24	1133 SS Dallas Corporate Communications	745,721	0.00%	20.84%	155,408	-	155,408
25	1134 SS Dallas IT	1,345,597	38.57%	20.84%	280,422	108,163	172,260
26	1135 SS Dallas IT E&O, Corporate Systems	1,831,640	23.12%	20.84%	381,714	88,258	293,456
27	1137 SS Dal-IT Engineering & Operations	3,392,841	24.96%	20.84%	707,068	176,491	530,577
28	1141 SS Dallas Gas Purchase Accounting	492,741	0.00%	0.00%	-	-	-
29	1144 SS Dallas Rate Administration	693,863	0.00%	0.00%	-	-	-
30	1145 SS Dallas Revenue Accounting	266,034	0.00%	0.00%	-	-	-
31	1150 SS Dallas Strategic Planning	400,734	55.56%	20.84%	83,513	46,396	37,117
32	1153 SS Dallas Distribution Acctg	613,642	0.00%	0.00%	-	-	-
33	1154 SS Dallas Rates & Regulatory	1,496,541	74.97%	21.09%	315,621	236,628	78,992
34	1155 SS Dallas Texas Gas Pipeline Accounting	84,872	0.00%	97.21%	82,504	-	82,504
35	1156 SS Dal-IT Customer Services Systems	2,175,341	12.27%	0.00%	-	-	-
36	1158 SS CCC IT Support	-	0.00%	0.00%	-	-	-
37	1159 SS Dallas Director Technical Training	343,646	0.00%	20.84%	71,616	-	71,616

GUD No. 10580
First Amended PFD
Date Issued: July 24, 2017

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") ADJUSTED TOTAL LABOR ALLOCATED TO PIPELINE FOR PAYROLL TAX CALCULATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Per Book SSU O&M Labor	FY17 Capitalization Rate (1)	Allocation Factor (1), (2)	Total	SSU Capital Allocated to APT	SSU Expense Allocated to APT
	(a)	(b)	(c)	(d)	(e) = (b) * (d)	(f) = (c) * (e)	(g) = (e) - (f)
38	1161 SS Dallas Benefits and Payroll Accounting	366,804	73.74%	20.84%	76,442	56,366	20,076
39	1164 SS Dallas IT Security	865,631	17.00%	20.84%	180,398	30,668	149,730
40	1167 SS Dal-IT Enterprise Architecture	448,537	20.00%	21.09%	94,596	18,919	75,677
41	1171 SS Regulatory Accounting Services	172,233	74.97%	21.09%	36,324	27,233	9,091
42	1201 SS Dallas President & CEO	1,063,037	73.74%	20.84%	221,537	163,355	58,182
43	1205 SS Dallas SVP Utility Operations	371,529	12.02%	20.84%	77,427	9,306	68,121
44	1209 SS Dallas Safety & Compliance	343,132	0.00%	21.09%	72,367	-	72,367
45	1212 SS CSC-Customer Contact Management	13,926,455	20.86%	0.00%	-	-	-
46	1213 SS Dallas Quality Assurance	518,351	0.00%	0.00%	-	-	-
47	1214 SS Dallas Workforce Management	539,040	0.00%	0.00%	-	-	-
48	1215 SS Dispatch Operations	4,068,368	0.00%	0.00%	-	-	-
49	1216 SS Dallas CSO Training & Knowledge Management	830,193	0.00%	0.00%	-	-	-
50	1224 SS Dallas CSO Human Resources	486,757	0.00%	0.00%	-	-	-
51	1226 SS Dallas Customer Service	1,110,527	2.43%	0.00%	-	-	-
52	1227 SS Dallas Business Processes & Change Management	1,996,816	3.90%	21.09%	421,129	16,415	404,713
53	1228 SS Dallas Customer Revenue Management	7,971,621	0.00%	0.00%	-	-	-
54	1229 SS Dallas Pipeline Safety	638,850	30.00%	21.09%	134,733	40,420	94,313
55	1401 SS Dallas Employment & Employee Relations	544,249	0.00%	20.84%	113,421	-	113,421
56	1402 SS Dallas Executive Compensation	-	0.00%	20.84%	-	-	-
57	1403 SS Dallas Human Resources - Vice Pres	578,599	0.00%	20.84%	120,580	-	120,580
58	1405 SS Dallas Compensation & Benefits	611,813	0.00%	20.84%	127,502	-	127,502
59	1407 SS Dallas Facilities	610,860	29.28%	20.84%	127,303	37,280	90,023
60	1408 SS Dallas Employee Development	807,017	0.00%	20.84%	168,182	-	168,182
61	1414 SS Tech Training Delivery	836,910	0.00%	21.09%	176,504	-	176,504
62	1415 SS Tech Training Prog & Curriculum	187,432	0.00%	21.09%	39,529	-	39,529
63	1416 SS Dallas Compensation & HRMS	779,236	0.00%	20.84%	162,393	-	162,393
64	1420 SS Dallas EAPC	-	0.00%	20.84%	-	-	-
65	1463 SS HR Benefit Variance	-	15.73%	20.84%	-	-	-
66	1501 SS Corporate Legal	2,785,770	52.29%	20.84%	580,554	303,564	276,991
67	1502 SS Corporate Secretary	-	0.00%	20.84%	-	-	-
68	1503 SS Corporate Governmental Affairs	360,719	0.00%	21.09%	76,076	-	76,076
69	1504 SS Corporate Central Records	192,447	73.74%	21.09%	40,587	29,928	10,659
70	1505 SS Corporate Gas Contract Administration	133,262	0.00%	21.09%	28,105	-	28,105
71	1508 SS Corporate Energy Assistance	462,140	0.00%	0.00%	-	-	-
72	1821 SS Gas Supply Executive	349,313	0.00%	20.92%	73,076	-	73,076
73	1822 SS Dallas-Regional Gas Supply	246,719	0.00%	0.00%	-	-	-
74	1823 SS Dallas Gas Contract Admin	355,621	0.00%	0.00%	-	-	-

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SHARED SERVICES ("SSU") ADJUSTED TOTAL LABOR ALLOCATED TO PIPELINE FOR PAYROLL TAX CALCULATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Per Book SSU O&M Labor	FY17 Capitalization Rate (1)	Allocation Factor (1), (2)	Total	SSU Capital Allocated to APT	SSU Expense Allocated to APT
	(a)	(b)	(c)	(d)	(e) = (b) * (d)	(f) = (c) * (e)	(g) = (e) - (f)
75	1825 SS Franklin-Gas Control & Storage	298,464	0.00%	0.00%	-	-	-
76	1826 SS New Orleans Gas Supply & Services	187,203	0.00%	0.00%	-	-	-
77	1827 SS Regional Supply Planning	423,365	0.00%	0.00%	-	-	-
78	1828 SS Jackson-West Region Gas Supply & Services	110,512	0.00%	0.00%	-	-	-
79	1829 SS Franklin-East Region Gas Supply & Services	-	0.00%	0.00%	-	-	-
80	1831 SS Dallas Gas Supply	-	0.00%	0.00%	-	-	-
81	1833 SS Dallas-Corporate Gas Supply Risk Mgmt	105,838	0.00%	0.00%	-	-	-
82	1835 SS Franklin Gas Control	958,194	0.00%	0.00%	-	-	-
83	1836 SS TBS-System Support	250,219	0.00%	20.92%	52,346	-	52,346
84	1837 SS TBS-Application Support	688,867	0.00%	20.92%	144,111	-	144,111
85	1838 SS TBS-Technical Support	573,232	0.00%	20.92%	119,920	-	119,920
86	1839 SS TBS-Transportation & Scheduling	203,299	0.00%	20.92%	42,530	-	42,530
87	1901 SS Dallas Employee Relocation Exp (Div 02)	83,695	0.00%	20.84%	17,442	-	17,442
88	1901 SS Dallas Employee Relocation Exp (Div 12)	14,624	0.00%	0.00%	-	-	-
89	1903 SS Dallas Controller - Miscellaneous	-	0.00%	0.00%	-	-	-
90	1904 SS Dallas Performance Plan (3)	-	30.50%	0.00%	-	-	-
91	1905 SS Outside Director Retirement Cost	-	0.00%	20.84%	-	-	-
92	1908 SS Dallas SEBP (3)	-	0.00%	0.00%	-	-	-
93	1910 SS Dallas Overhead Capitalized	-	0.00%	0.00%	-	-	-
94	1913 SS Dallas Fleet and Corporate Sourcing	541,269	46.75%	21.09%	114,154	53,366	60,787
95	1915 SS Dallas Insurance	-	0.00%	20.84%	-	-	-
96	1953 SS Dallas Enterprise Team Meeting	-	0.00%	20.84%	-	-	-
97	1954 SS Dallas Culture Council	-	0.00%	20.84%	-	-	-
98	TOTAL (Sum of Ln 1 through Ln 97)	<u>\$ 73,459,351</u>			<u>\$ 7,645,864</u>	<u>\$ 2,283,380</u>	<u>\$ 5,362,485</u>
99							
100	Add: SSU Labor Adjustment (WP_F-2.1, Col (g), Ln 16)						(56,270)
101							
102	Total Adjusted SSU Labor Allocated to APT Account 922 (Ln 98 + Ln 100)						<u>\$ 5,306,215</u>

Notes:

- 105 1. Factors are displayed only if applicable to APT.
- 106 2. Based upon FY17 factors, adjusted to the four-factor formula including Operating Income.
- 107 3. The four-factor allocation factors were set to 0% for cost centers 1132, 1904, and 1908 to remove these costs from this filing and to align with the Final Order in GUD No. 9762, Finding of Fact Nos. 72, 76, and 78. and GUD No. 10000.

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL INCOME TAXES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description (a)	Amount (b)
1	Federal Income Tax (Page 2, Col (b), Ln 12)	\$ 57,616,650
2	State Income Tax (Page 3, Col (c), Ln 7)	3,376,820
3	Adjustment	
4	Total Income Tax (Ln 1 + Ln 2)	<u>\$ 60,993,470</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FEDERAL INCOME TAX
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description (a)	Amount (b)
1	Return on Rate Base (Schedule G, Col (b), Ln 6)	\$ 156,813,317
2		
3	Interest Expense:	
4	Rate Base (Schedule B, Col (e), Ln 23)	\$ 1,767,599,981
5	Weighted Cost of Debt (Schedule G, Col (b), Ln 17)	2.82%
6	Total (Ln 4 times Ln 5)	<u>\$ 49,810,967</u>
7		
8	Taxable component of return (Ln 1 - Ln 6)	\$ 107,002,350
9		
10	Tax factor (1 / .65) * (.35)	<u>53.85%</u>
11		
12	Federal Income Taxes (Ln 10 times Ln 8)	<u>\$ 57,616,650</u>
13		
14	<u>Note:</u>	
15	1. Federal Income Taxes are calculated at the statutory rate based on TEX. UTIL. CODE § 104.055 (c).	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
STATE FRANCHISE ("GROSS MARGIN") TAX
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Account	Amount
	(a)	(b)	(c)
1	Total Proposed Operating Revenues (Schedule A, Col (d), Ln 25)	480-495	\$ 452,099,810
2	Less:		
3	Taxes Other Than Federal Income Tax- Revenue Related (Schedule F-5, Col (d), Ln 10)	408.1	1,866,252
4	Bad Debt Expense, not included in Purchased Gas Costs	904	(9,169)
5	Gross Profit (Ln 1 - Ln 3 - Ln 4)		\$ 450,242,726
6	Tax Rate		0.75%
7	Tax Due (Ln 5 times Ln 6)	409.1	\$ 3,376,820
8			
9	<u>Note:</u>		
10	1. State Income Tax is the State Franchise ("Gross Margin") Tax and is calculated at the statutory rate based on TEX. UTIL. CODE § 171.002.		

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY OF RETURN
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Proposed Rates	
	(a)	(b)	
1	<u>Net Operating Income/Return</u>		
2			
3	Adjustment	5.95%	\$ 49,809,885
4	Cost of Equity	11.50%	\$ 107,003,432
5	Cost of Short-Term Debt	0.00%	\$ -
6			
7	Total Return on Rate Base	\$	<u>156,813,317</u>
8			
9	<u>Rate Base - Capitalization Structure</u>		
10			
11	Long-Term Debt	47.36%	\$ 837,135,351
12	Equity	52.64%	\$ 930,464,630
13	Short-Term Debt	0.00%	\$ -
14			
15	Rate Base	\$	<u>1,767,599,981</u>
16			
17	<u>Percent Return - After Tax</u>		
18			
19	Cost of Long-Term Debt		2.82%
20	Return on Equity		<u>6.05%</u>
21	Cost of Short-Term Debt		0.000%
22			
23	Percent Return - After Tax		<u>8.872%</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
CLASS COST OF SERVICE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description		Total System	Total City Gate	Total Pipeline Transport	Total Mid-Tex WGIS
	(a)	(b)	(c)	(d)	(e)	(f)
1	Adjustment					
2	Debt Cost	47.36%	\$ 837,135,351	\$ 761,677,725	\$ 25,237,969	\$ 50,219,657
3	Common Equity	52.64%	930,464,630	846,594,499	28,051,661	55,818,470
4	Total Invested Capital (Ln 2 + Ln 3)		\$ 1,767,599,981	\$ 1,608,272,224	\$ 53,289,630	\$ 106,038,127
5						
6	Return Required					
7	Debt Cost	5.95%	\$ 49,809,885	\$ 45,320,126	\$ 1,501,669	\$ 2,988,089
8	Common Equity	11.50%	107,003,432	97,358,367	3,225,941	6,419,124
9	Total Return Required (Ln 7 + Ln 8)		\$ 156,813,317	\$ 142,678,493	\$ 4,727,610	\$ 9,407,214
10						
11	Operating Revenue					
12	Transportation Revenue		\$ 380,821,971	\$ 354,428,073	\$ 12,065,193	\$ 14,328,705
13	Transportation Revenue - Other		69,411,586	67,126,514	2,285,073	-
14	Total Operating Revenue (Ln 12 + Ln 13)		\$ 450,233,557	\$ 421,554,586	\$ 14,350,266	\$ 14,328,705
15						
16	Operating Expenses					
17	Other Gas Supply Expenses		\$ 6,592	\$ 6,380	\$ 212	\$ -
18	Underground Storage Expenses - Operation		4,675,749	4,587,424	88,325	-
19	Underground Storage Expenses - Maintenance		4,257,772	4,104,963	152,810	-
20	Transmission Expenses - Operation		83,579,021	80,592,450	2,986,571	-
21	Transmission Expenses - Maintenance		4,086,626	3,844,061	242,564	-
22	Customer Accounts Expense		2,775,538	2,686,034	89,504	-
23	Administrative and General Expenses		28,028,993	27,145,501	883,492	-
24	Depreciation Expense		81,036,473	78,431,343	2,605,130	-
25	Property-Related Taxes (Ad Valorem)		19,560,136	17,709,410	588,226	1,262,500
26	Property-Related Taxes (Shared Services)		662,063	640,779	21,284	-
27	Property-Related Taxes (DOT Pipeline Fee)		1,859,586	1,793,694	65,892	-
28	Payroll Related Taxes		1,898,221	1,838,407	59,814	-
29	Total Operating Expenses Before FIT (Sum Ln 17 through Ln 28)		\$ 232,426,770	\$ 223,380,447	\$ 7,783,824	\$ 1,262,500
30	State and Federal Income Taxes		60,993,470	55,495,646	1,838,832	3,658,992
31	Total Operating Expenses (Ln 29 + Ln 30)		\$ 293,420,240	\$ 278,876,093	\$ 9,622,656	\$ 4,921,492
32						
33	Total Return at Recommended Rates		\$ 156,813,317	\$ 142,678,493	\$ 4,727,610	\$ 9,407,214
34	Total Rate Base		1,767,599,981	1,608,272,224	53,289,630	106,038,127
35	Rate of Return at Recommended Rates (Ln 33 / Ln 34)		8.87%	8.87%	8.87%	8.87%

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
CLASS COST OF SERVICE SUMMARY
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total System	Total City Gate	Total Pipeline Transport	Total Mid-Tex WGIS	
	(a)	(b)	(c)	(d)	(e)	(f)
36						
37	Total Revenue Requirement (Ln 31 + Ln 33)	\$ 450,233,557	\$ 421,554,586	\$ 14,350,266	\$ 14,328,705	
38	Less: Other Transportation Revenue	69,411,586	67,126,514	2,285,073	-	
39	Total Revenue Requirement Excl Other Transport Rev (Ln 37 - Ln 38)	\$ 380,821,971	\$ 354,428,073	\$ 12,065,193	\$ 14,328,705	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	INVESTED CAPITAL - GROSS PLANT							
2	Adjustment							
3	STORAGE PLANT							
4	350.00	Land and Land Rights	\$ -	STORAG		\$ -	\$ -	\$ -
5	350.10	Land	5,515,389	STORAG		-	5,515,389	-
6	350.20	Rights-of-Way	32,592	STORAG		-	32,592	-
7	351.00	Structures and Improvements	24,635,344	STORAG		-	24,635,344	-
8	352.00	Wells	78,403,027	STORAG		-	78,403,027	-
9	353.00	Lines	13,256,043	STORAG		-	13,256,043	-
10	354.00	Compressor Station Equipment	88,256,841	STORAG		-	88,256,841	-
11	355.00	M&R Equipment	50,663,680	STORAG		-	50,663,680	-
12	356.00	Purification Equipment	49,947,598	STORAG		-	49,947,598	-
13	357.00	Other Equipment	621,183	STORAG		-	621,183	-
14		Subtotal (Sum Ln 4 through Ln 13)	\$ 311,331,697			\$ -	\$ 311,331,697	\$ -
15								
16	TRANSMISSION PLANT							
17	365.00	Land	\$ 1,232,270	TRANS		\$ 1,232,270	\$ -	\$ -
18	365.10	ROW - Trans Comp Stat	-	TRANS		-	-	-
19	365.20	ROW - City Gate	18,983,795	TRANS		18,983,795	-	-
20	366.00	Structures and Improvements	11,472,463	TRANS		11,472,463	-	-
21	367.00	Mains - Cathodic Protection	200,439,413	TRANS		200,439,413	-	-
22	367.01	Mains - Steel	1,431,528,224	TRANS		1,431,528,224	-	-
23	367.02	Mains - Plastic	11,591,352	TRANS		11,591,352	-	-
24	368.00	Compressor Station Equipment	150,061,066	TRANS		150,061,066	-	-
25	369.00	M&R Station Equipment	228,773,444	TRANS		228,773,444	-	-
26	370.00	Communication Equipment	14,144,928	TRANS		14,144,928	-	-
27	371.00	Other Equipment	4,923,427	TRANS		4,923,427	-	-
28		Subtotal (Sum Ln 17 through Ln 27)	\$2,073,150,383			\$2,073,150,383	\$ -	\$ -
29								
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$2,384,482,080			\$2,073,150,383	\$ 311,331,697	\$ -
31								
32	INTANGIBLE PLANT							
33	303.00	Miscellaneous Intangible Plant	\$ 6,238,271	FPLANT		\$ 5,385,531	\$ 852,740	\$ -
34		Subtotal (Ln 33)	\$ 6,238,271			\$ 5,385,531	\$ 852,740	\$ -
35								

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
36		GENERAL PLANT						
37	389.00	Land and Land Rights	\$ 124,981	FPLANT		\$ 107,897	\$ 17,084	\$ -
38	390.00	Structures and Improvements	6,285,064	FPLANT		5,425,928	859,136	-
39	391.00	Office Furniture and Equipment	4,878,716	FPLANT		4,211,821	666,896	-
40	392.00	Transportation Equipment	1,562,956	FPLANT		1,349,308	213,648	-
41	393.00	Stores Equipment	-	FPLANT		-	-	-
42	394.00	Tools, Shop, and Garage Equipment	9,846,323	FPLANT		8,500,381	1,345,942	-
43	395.00	Laboratory Equipment	172,645	FPLANT		149,045	23,600	-
44	396.00	Power Operated Equipment	3,054,342	FPLANT		2,636,829	417,513	-
45	397.00	Communication Equipment	736,092	FPLANT		635,472	100,620	-
46	397.02	Communication Equipment - Fixed Radios	80,513	FPLANT		69,508	11,006	-
47	397.05	Communication Equipment - Telemetry	114,680	FPLANT		99,004	15,676	-
48	398.00	Miscellaneous Equipment	8,193,622	FPLANT		7,073,595	1,120,026	-
49	399.00	Other Tangible Property	71,172	FPLANT		61,443	9,729	-
50	399.01	Other Tangible Property - Servers Hardware	612,444	FPLANT		528,726	83,718	-
51	399.02	Other Tangible Property - Servers Software	1,408,668	FPLANT		1,216,110	192,558	-
52	399.03	Other Tangible Property - Network Hardware	71,397	FPLANT		61,638	9,760	-
53	399.06	Other Tangible Property - PC Hardware	793,661	FPLANT		685,172	108,489	-
54	399.07	Other Tangible Property - PC Software	794,975	FPLANT		686,306	108,669	-
55		Shared Services General Office	27,471,570	FPLANT		23,716,346	3,755,223	-
56		Shared Services Greenville Data Center	6,449,777	FPLANT		5,568,125	881,651	-
57		Shared Services Align Pipe Projects	16,041,414	FPLANT		13,848,634	2,192,779	-
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 88,765,013			\$ 76,631,289	\$ 12,133,724	\$ -
59								
60		Total APT Gross Plant (Ln 30 + Ln 34 + Ln 58)	\$2,479,485,364			\$2,155,167,204	\$ 324,318,160	\$ -

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	INVESTED CAPITAL - ACCUMULATED DEPRECIATION							
2								
3		STORAGE PLANT						
4	350.00	Land and Land Rights	\$ -	STORAG		\$ -	\$ -	\$ -
5	350.10	Land	-	STORAG		-	-	-
6	350.20	Rights-of-Way	14,767	STORAG		-	14,767	-
7	351.00	Structures and Improvements	5,855,602	STORAG		-	5,855,602	-
8	352.00	Wells	14,298,665	STORAG		-	14,298,665	-
9	353.00	Lines	3,699,870	STORAG		-	3,699,870	-
10	354.00	Compressor Station Equipment	18,665,963	STORAG		-	18,665,963	-
11	355.00	M&R Equipment	7,776,600	STORAG		-	7,776,600	-
12	356.00	Purification Equipment	7,059,844	STORAG		-	7,059,844	-
13	357.00	Other Equipment	206,980	STORAG		-	206,980	-
14		Subtotal (Sum Ln 4 through Ln 13)	\$ 57,578,292			\$ -	\$ 57,578,292	\$ -
15								
16		TRANSMISSION PLANT						
17	365.00	Land	\$ -	TRANS		\$ -	\$ -	\$ -
18	365.10	ROW - Trans Comp Stat	-	TRANS		-	-	-
19	365.20	ROW - City Gate	5,589,104	TRANS		5,589,104	-	-
20	366.00	Structures and Improvements	3,140,237	TRANS		3,140,237	-	-
21	367.00	Mains - Cathodic Protection	52,390,846	TRANS		52,390,846	-	-
22	367.01	Mains - Steel	238,931,308	TRANS		238,931,308	-	-
23	367.02	Mains - Plastic	1,485,678	TRANS		1,485,678	-	-
24	368.00	Compressor Station Equipment	42,356,758	TRANS		42,356,758	-	-
25	369.00	M&R Station Equipment	55,590,538	TRANS		55,590,538	-	-
26	370.00	Communication Equipment	4,671,498	TRANS		4,671,498	-	-
27	371.00	Other Equipment	1,942,900	TRANS		1,942,900	-	-
28		Subtotal (Sum Ln 17 through Ln 27)	\$ 406,098,867			\$ 406,098,867	\$ -	\$ -
29								
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 463,677,159			\$ 406,098,867	\$ 57,578,292	\$ -
31								
32		INTANGIBLE PLANT						
33	303.00	Miscellaneous Intangible Plant	\$ 6,238,271	FPLANT		\$ 5,385,531	\$ 852,740	\$ -
34		Subtotal (Ln 33)	\$ 6,238,271			\$ 5,385,531	\$ 852,740	\$ -
35								

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
36		GENERAL PLANT						
37	389.00	Land and Land Rights	\$ -	FPLANT		\$ -	\$ -	\$ -
38	390.00	Structures and Improvements	1,338,571	FPLANT		1,155,595	182,976	-
39	391.00	Office Furniture and Equipment	2,724,584	FPLANT		2,352,148	372,437	-
40	392.00	Transportation Equipment	578,415	FPLANT		499,348	79,066	-
41	393.00	Stores Equipment	-	FPLANT		-	-	-
42	394.00	Tools, Shop, and Garage Equipment	2,166,906	FPLANT		1,870,701	296,205	-
43	395.00	Laboratory Equipment	40,384	FPLANT		34,864	5,520	-
44	396.00	Power Operated Equipment	701,214	FPLANT		605,361	95,852	-
45	397.00	Communication Equipment	312,733	FPLANT		269,984	42,749	-
46	397.02	Communication Equipment - Fixed Radios	9,323	FPLANT		8,049	1,274	-
47	397.05	Communication Equipment - Telemetry	50,520	FPLANT		43,614	6,906	-
48	398.00	Miscellaneous Equipment	3,556,347	FPLANT		3,070,212	486,134	-
49	399.00	Other Tangible Property	21,487	FPLANT		18,550	2,937	-
50	399.01	Other Tangible Property - Servers Hardware	121,216	FPLANT		104,646	16,570	-
51	399.02	Other Tangible Property - Servers Software	675,152	FPLANT		582,862	92,290	-
52	399.03	Other Tangible Property - Network Hardware	12,875	FPLANT		11,115	1,760	-
53	399.06	Other Tangible Property - PC Hardware	301,166	FPLANT		259,999	41,168	-
54	399.07	Other Tangible Property - PC Software	503,432	FPLANT		434,616	68,817	-
55		Shared Services General Office	16,402,442	FPLANT		14,160,312	2,242,130	-
56		Shared Services Greenville Data Center	1,968,887	FPLANT		1,699,751	269,137	-
57		Shared Services Align Pipe Projects	850,769	FPLANT		734,473	116,296	-
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 32,336,423			\$ 27,916,199	\$ 4,420,224	\$ -
59								
60		RWIP	(2,689,475)	FPLANT		(2,321,837)	(367,637)	-
61								
62		Total APT Accumulated Depreciation						
		(Ln 30 + Ln 34 + Ln 58 + Ln 60)	\$ 499,562,378			\$ 437,078,760	\$ 62,483,618	\$ -

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	INVESTED CAPITAL - NET PLANT							
2								
3	STORAGE PLANT							
4	350.00	Land and Land Rights	\$ -	STORAG		\$ -	\$ -	\$ -
5	350.10	Land	5,515,389	STORAG		-	5,515,389	-
6	350.20	Rights-of-Way	17,824	STORAG		-	17,824	-
7	351.00	Structures and Improvements	18,779,742	STORAG		-	18,779,742	-
8	352.00	Wells	64,104,362	STORAG		-	64,104,362	-
9	353.00	Lines	9,556,173	STORAG		-	9,556,173	-
10	354.00	Compressor Station Equipment	69,590,878	STORAG		-	69,590,878	-
11	355.00	M&R Equipment	42,887,080	STORAG		-	42,887,080	-
12	356.00	Purification Equipment	42,887,754	STORAG		-	42,887,754	-
13	357.00	Other Equipment	414,203	STORAG		-	414,203	-
14		Subtotal (Sum Ln 4 through Ln 13)	\$ 253,753,405			\$ -	\$ 253,753,405	\$ -
15								
16	TRANSMISSION PLANT							
17	365.00	Land	\$ 1,232,270	TRANS		\$ 1,232,270	\$ -	\$ -
18	365.10	ROW - Trans Comp Stat	-	TRANS		-	-	-
19	365.20	ROW - City Gate	13,394,690	TRANS		13,394,690	-	-
20	366.00	Structures and Improvements	8,332,227	TRANS		8,332,227	-	-
21	367.00	Mains - Cathodic Protection	148,048,567	TRANS		148,048,567	-	-
22	367.01	Mains - Steel	1,192,596,916	TRANS		1,192,596,916	-	-
23	367.02	Mains - Plastic	10,105,674	TRANS		10,105,674	-	-
24	368.00	Compressor Station Equipment	107,704,308	TRANS		107,704,308	-	-
25	369.00	M&R Station Equipment	173,182,906	TRANS		173,182,906	-	-
26	370.00	Communication Equipment	9,473,431	TRANS		9,473,431	-	-
27	371.00	Other Equipment	2,980,527	TRANS		2,980,527	-	-
28		Subtotal (Sum Ln 17 through Ln 27)	\$ 1,667,051,516			\$ 1,667,051,516	\$ -	\$ -
29								
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 1,920,804,921			\$ 1,667,051,516	\$ 253,753,405	\$ -
31								
32	INTANGIBLE PLANT							
33	303.00	Miscellaneous Intangible Plant	\$ -	FPLANT		\$ -	\$ -	\$ -
34		Subtotal (Ln 33)	\$ -			\$ -	\$ -	\$ -
35								

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
36		GENERAL PLANT						
37	389.00	Land and Land Rights	\$ 124,981	FPLANT		\$ 107,897	\$ 17,084	\$ -
38	390.00	Structures and Improvements	4,946,493	FPLANT		4,270,333	676,160	-
39	391.00	Office Furniture and Equipment	2,154,132	FPLANT		1,859,673	294,459	-
40	392.00	Transportation Equipment	984,541	FPLANT		849,960	134,582	-
41	393.00	Stores Equipment	-	FPLANT		-	-	-
42	394.00	Tools, Shop, and Garage Equipment	7,679,417	FPLANT		6,629,680	1,049,737	-
43	395.00	Laboratory Equipment	132,261	FPLANT		114,182	18,079	-
44	396.00	Power Operated Equipment	2,353,128	FPLANT		2,031,468	321,661	-
45	397.00	Communication Equipment	423,359	FPLANT		365,488	57,871	-
46	397.02	Communication Equipment - Fixed Radios	71,190	FPLANT		61,459	9,731	-
47	397.05	Communication Equipment - Telemetry	64,160	FPLANT		55,390	8,770	-
48	398.00	Miscellaneous Equipment	4,637,275	FPLANT		4,003,383	633,892	-
49	399.00	Other Tangible Property	49,685	FPLANT		42,893	6,792	-
50	399.01	Other Tangible Property - Servers Hardware	491,229	FPLANT		424,080	67,148	-
51	399.02	Other Tangible Property - Servers Software	733,516	FPLANT		633,248	100,268	-
52	399.03	Other Tangible Property - Network Hardware	58,523	FPLANT		50,523	8,000	-
53	399.06	Other Tangible Property - PC Hardware	492,494	FPLANT		425,173	67,321	-
54	399.07	Other Tangible Property - PC Software	291,542	FPLANT		251,690	39,852	-
55		Shared Services General Office	11,069,128	FPLANT		9,556,034	1,513,093	-
56		Shared Services Greenville Data Center	4,480,889	FPLANT		3,868,374	612,515	-
57		Shared Services Align Pipe Projects	15,190,645	FPLANT		13,114,161	2,076,484	-
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 56,428,590			\$ 48,715,090	\$ 7,713,500	\$ -
59								
60		RWIP	2,689,475	FPLANT		2,321,837	367,637	-
61								
62		Total APT Net Plant (Ln 30 + Ln 34 + Ln 58 + Ln 60)	\$ 1,979,922,986			\$ 1,718,088,444	\$ 261,834,542	\$ -

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	<u>INVESTED CAPITAL SUMMARY</u>							
2								
3		NET PLANT						
4		Gross Plant	\$ 2,479,485,364			\$ 2,155,167,204	\$ 324,318,160	\$ -
5		Accumulated Depreciation	499,562,378			437,078,760	62,483,618	-
6		Non-Current Gas in Storage	16,928,914	STORAG		-	16,928,914	-
7		Total Net Plant (Ln 4 - Ln 5 + Ln 6)	\$ 1,996,851,900			\$ 1,718,088,444	\$ 278,763,456	\$ -
8								
9		INVESTMENT ADDITIONS						
10		Cash Working Capital	\$ (8,093,285)	FPLANT		\$ (6,986,975)	\$ (1,106,311)	\$ -
11		Materials and Supplies	3,757,677	FPLANT		3,244,022	513,655	-
12		Line Pack	4,385,237	TRANS		4,385,237	-	-
13		Working Gas Stored Underground	106,038,127	MIDTEX		-	-	106,038,127
14		Prepayments	6,656,192	FPLANT		5,746,324	909,867	-
15		Pension and Other Post Employment Benefits Regulatory Asset	6,567,664	FLABOR		5,495,837	1,071,827	-
16		Total Investment Additions (Sum Ln 10 through Ln 15)	\$ 119,311,611			\$ 11,884,445	\$ 1,389,038	\$ 106,038,127
17								
18		INVESTMENT DEDUCTIONS						
19		Injuries and Damages Reserve	\$ 121,434	FLABOR		\$ 101,616	\$ 19,818	\$ -
20		Accumulated Deferred Income Taxes	344,850,951			297,573,789	47,277,161	-
21		Rate Base Adjustments	3,591,145	FLABOR		3,005,079	586,066	-
22		Total Investment Deductions (Sum Ln 19 through Ln 21)	\$ 348,563,530			\$ 300,680,485	\$ 47,883,045	\$ -
23								
24		Total Invested Capital (Ln 7 + Ln 16 - Ln 22)	\$ 1,767,599,981			\$ 1,429,292,404	\$ 232,269,449	\$ 106,038,127

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1		OPERATING EXPENSES						
2								
3		OTHER GAS SUPPLY EXPENSES						
4	813	Other Gas Supply Expenses	\$ 6,592	FPLANT	FIXED	\$ 5,691	\$ 901	\$ -
5		Total Other Gas Supply Expenses (Ln 4)	\$ 6,592			\$ 5,691	\$ 901	\$ -
6								
7		UNDERGROUND STORAGE EXPENSES - OPERATION						
8	814	Operation Supervision and Engineering	\$ 1,169,571	STORAG	FIXED	\$ -	\$ 1,169,571	\$ -
9	816	Wells Expenses	1,065,312	STORAG	FIXED	-	1,065,312	-
10	817	Lines Expenses	13,755	STORAG	FIXED	-	13,755	-
11	818	Compressor Station Expenses - FIXED	1,210,712	STORAG	FIXED	-	1,210,712	-
12	818	Compressor Station Expenses - VARIABLE	1,127,977	STORAG	VARIABLE	-	1,127,977	-
13	820	Measuring and Regulating Station Expenses	52,901	STORAG	FIXED	-	52,901	-
14	821	Purification Expenses	34,791	STORAG	FIXED	-	34,791	-
15	824	Other Expenses	730	STORAG	FIXED	-	730	-
16		Total UG Storage Expenses - Operation						
17		(Sum Ln 8 through Ln 15)	\$ 4,675,749			\$ -	\$ 4,675,749	\$ -
18		UNDERGROUND STORAGE EXPENSES - MAINTENANCE						
19	831	Maintenance of Structures and Improvements	\$ 1,931	STORAG	FIXED	\$ -	\$ 1,931	\$ -
20	832	Maintenance of Reservoirs and Wells	-	STORAG	FIXED	-	-	-
21	834	Maintenance of Compressor Station Equipment - FIXED	800,439	STORAG	FIXED	-	800,439	-
22	834	Maintenance of Compressor Station Equipment - VARIABLE	3,356,455	STORAG	VARIABLE	-	3,356,455	-
23	835	Maintenance of Measuring and Regulating Station Equipment	17,671	STORAG	FIXED	-	17,671	-
24	836	Maintenance of Purification Equipment	81,276	STORAG	FIXED	-	81,276	-
25		Total UG Storage Expenses - Maintenance						
26		(Sum Ln 19 through Ln 24)	\$ 4,257,772			\$ -	\$ 4,257,772	\$ -
27		Total Storage Expenses (Ln 16 + Ln 25)	\$ 8,933,522			\$ -	\$ 8,933,522	\$ -
28								

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
29		TRANSMISSION EXPENSES - OPERATION						
30	850	Operation Supervision and Engineering	\$ 314,350	TRANS	FIXED	\$ 314,350	\$ -	\$ -
31	851	System Control and Load Dispatching	1,728,036	TRANS	FIXED	1,728,036	-	-
32	852	Communication System Expenses	1,982,902	TRANS	FIXED	1,982,902	-	-
33	853	Compressor Station Labor and Expenses - FIXED	521,926	TRANS	FIXED	521,926	-	-
34	853	Compressor Station Labor and Expenses - VARIABLE	193,559	TRANS	VARIABLE	193,559	-	-
35	856	Mains Expenses	76,672,780	TRANS	FIXED	76,672,780	-	-
36	857	Measuring and Regulating Station Expenses	1,891,662	TRANS	FIXED	1,891,662	-	-
37	858	Transmission and Compression of Gas by Others	98,867	TRANS	VARIABLE	98,867	-	-
38	859	Other Expenses	33,711	TRANS	FIXED	33,711	-	-
39	860	Rents	141,228	TRANS	FIXED	141,228	-	-
		Total Transmission Expenses - Operation						
40		(Sum Ln 30 through Ln 39)	\$ 83,579,021			\$ 83,579,021	\$ -	\$ -
41								
42		TRANSMISSION EXPENSES - MAINTENANCE						
43	863	Maintenance of Mains	\$ 1,666,305	TRANS	FIXED	\$ 1,666,305	\$ -	\$ -
44	864	Maintenance of Compressor Station Equipment - FIXED	361,217	TRANS	FIXED	361,217	-	-
45	864	Maintenance of Compressor Station Equipment - VARIABLE	1,141,166	TRANS	VARIABLE	1,141,166	-	-
46	865	Maintenance of Measuring and Regulating Station Equipment	624,905	TRANS	FIXED	624,905	-	-
47	866	Maintenance of Communication Equipment	160,951	TRANS	FIXED	160,951	-	-
48	867	Maintenance of Other Equipment	132,082	TRANS	FIXED	132,082	-	-
		Total Transmission Expenses - Maintenance						
49		(Sum Ln 43 through Ln 48)	\$ 4,086,626			\$ 4,086,626	\$ -	\$ -
50								
51		Total Transmission Expenses (Ln 40 + Ln 49)	\$ 87,665,647			\$ 87,665,647	\$ -	\$ -
52								

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
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TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
53		CUSTOMER ACCOUNTS EXPENSES						
54	902	Meter Reading Expenses	\$ -	TRANS	FIXED	\$ -	\$ -	\$ -
55	904	Uncollectible Accounts	(9,169)	TRANS	FIXED	(9,169)	-	-
56	910	Miscellaneous Customer Service and Informational Expenses	1,432,016	TRANS	FIXED	1,432,016	-	-
57	911	Supervision	108	TRANS	FIXED	108	-	-
58	912	Demonstrating and Selling Expenses	2,450	TRANS	FIXED	2,450	-	-
59	913	Advertising Expenses	6	TRANS	FIXED	6	-	-
60	916	Miscellaneous Sales Expenses	1,350,128	TRANS	FIXED	1,350,128	-	-
61		Total Customer Accounts Expenses						
		(Sum Ln 54 through Ln 60)	\$ 2,775,538			\$ 2,775,538	\$ -	\$ -
62		ADMINISTRATIVE AND GENERAL EXPENSES						
64	920	Administrative and General Salaries	\$ 1,036,130	FLABOR	FIXED	\$ 867,036	\$ 169,094	\$ -
65	921	Office Supplies and Expenses	490,576	FLABOR	FIXED	410,515	80,061	-
66	922	Administrative Expenses Transferred— Credit	16,358,629	FLABOR	FIXED	13,688,941	2,669,688	-
67	923	Outside Services Employed	1,086,424	FLABOR	FIXED	909,123	177,302	-
68	924	Property Insurance	446,860	FPLANT	FIXED	385,776	61,083	-
69	925	Injuries and Damages	448,644	FLABOR	FIXED	375,427	73,218	-
70	926	Employee Pensions and Benefits	8,138,356	FLABOR	FIXED	6,810,197	1,328,160	-
71	930.2	Miscellaneous General Expenses	(236,947)	FLABOR	FIXED	(198,278)	(38,669)	-
72	931	Rents	260,320	FLABOR	FIXED	217,837	42,484	-
73		Total Admin and General Expenses						
		(Sum Ln 64 through Ln 72)	\$ 28,028,993			\$ 23,466,573	\$ 4,562,420	\$ -
74		Total O&M Expense (Ln 5 + Ln 27 + Ln 51 + Ln 61 + Ln 73)	\$ 127,410,291			\$ 113,913,449	\$ 13,496,843	\$ -
75		Total O&M Expense Excluding A&G (Ln 75 - Ln 73)	\$ 99,381,298			\$ 90,446,876	\$ 8,934,423	\$ -

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Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	DEPRECIATION EXPENSE, OTHER TAX, OPERATING INCOME							
2								
3		DEPRECIATION EXPENSE						
4		Transmission, Storage, and General Plant	\$ 81,036,473	FPLANT	FIXED	\$ 69,959,202	\$ 11,077,272	\$ -
5		Total Depreciation Expense (Ln 4)	<u>\$ 81,036,473</u>			<u>\$ 69,959,202</u>	<u>\$ 11,077,272</u>	<u>\$ -</u>
6								
7		OTHER TAXES						
8		Property-Related Taxes (Ad Valorem)	\$ 19,560,136	FPROPTAX	FIXED	\$ 15,796,442	\$ 2,501,193	\$ 1,262,500
9		Property-Related Taxes (Shared Services)	662,063	FPLANT	FIXED	571,562	90,501	-
10		Property-Related Taxes (DOT Pipeline Fee)	1,859,586	TRANS	FIXED	1,859,586	-	-
11		Payroll Related Taxes	1,898,221	FLABOR	FIXED	1,588,436	309,785	-
12		Total Other Taxes (Sum Ln 8 through Ln 11)	<u>\$ 23,980,006</u>			<u>\$ 19,816,027</u>	<u>\$ 2,901,479</u>	<u>\$ 1,262,500</u>
13								
14		Total Operating Expenses Before FIT						
15		(Page 10, Ln 75 + Ln 5 + Ln 12)	<u>\$ 232,426,770</u>			<u>\$ 203,688,677</u>	<u>\$ 27,475,593</u>	<u>\$ 1,262,500</u>
16		Total Fixed O&M	226,508,746		FIXED	202,255,085	22,991,161	1,262,500
17		Total Variable O&M	5,918,024		VARIABLE	1,433,592	4,484,432	-
18								
19		STATE/FEDERAL INCOME TAX EXPENSE	60,993,470	RATEBASE		49,319,701	8,014,777	3,658,992
20								
21		Total Operating Expenses						
		(Page 10, Ln 75 + Ln 5 + Ln 12 + Ln 19)	<u>\$ 293,420,240</u>			<u>\$ 253,008,378</u>	<u>\$ 35,490,370</u>	<u>\$ 4,921,492</u>

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Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	DEVELOPMENT OF LABOR ALLOCATOR							
2								
3	UNDERGROUND STORAGE EXPENSES - OPERATION							
4	814	Operation Supervision and Engineering	\$ 985,283	STORAG		\$ -	\$ 985,283	\$ -
5	816	Wells Expenses	41,246	STORAG		-	41,246	-
6	817	Lines Expenses	13,617	STORAG		-	13,617	-
7	818	Compressor Station Expenses	1,210,712	STORAG		-	1,210,712	-
8	820	Measuring and Regulating Station Expenses	42,199	STORAG		-	42,199	-
9	821	Purification Expenses	18,518	STORAG		-	18,518	-
10	824	Other Expenses	-	STORAG		-	-	-
11	Total UG Storage Expenses - Operation							
	(Sum Ln 4 through Ln 10)		\$ 2,311,575			\$ -	\$ 2,311,575	\$ -
12								
13	UNDERGROUND STORAGE EXPENSES - MAINTENANCE							
14	832	Maintenance of Reservoirs and Wells	\$ -	STORAG		\$ -	\$ -	\$ -
15	834	Maintenance of Compressor Station Equipment	800,439	STORAG		-	800,439	-
16	835	Maintenance of Measuring and Regulating Station Equipment	11,999	STORAG		-	11,999	-
17	836	Maintenance of Purification Equipment	43,119	STORAG		-	43,119	-
18	Total UG Storage Expenses - Maintenance							
	(Sum Ln 14 through Ln 17)		\$ 855,557			\$ -	\$ 855,557	\$ -
19								
20	Total UG Storage - O&M Labor (Ln 11 + Ln 18)		\$ 3,167,132			\$ -	\$ 3,167,132	\$ -
21								

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Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
22		TRANSMISSION EXPENSES - OPERATION						
23	850	Operation Supervision and Engineering	\$ 294,345	TRANS		\$ 294,345	\$ -	\$ -
24	851	System Control and Load Dispatching	1,701,813	TRANS		1,701,813	-	-
25	852	Communication System Expenses	740,357	TRANS		740,357	-	-
26	853	Compressor Station Labor and Expenses	521,926	TRANS		521,926	-	-
27	854	Gas for Compressor Station Fuel	-	TRANS		-	-	-
28	855	Other Fuel and Power for Compressor Stations	-	TRANS		-	-	-
29	856	Mains Expenses	10,654,130	TRANS		10,654,130	-	-
30	857	Measuring and Regulating Station Expenses	1,203,583	TRANS		1,203,583	-	-
31	858	Transmission and Compression of Gas by Others	-	TRANS		-	-	-
32	859	Other Expenses	(70)	TRANS		(70)	-	-
33	860	Rents	-	TRANS		-	-	-
34		Total Transmission Expenses - Operation						
		(Sum Ln 23 through Ln 33)	\$ 15,116,084			\$ 15,116,084	\$ -	\$ -
35		TRANSMISSION EXPENSES - MAINTENANCE						
36								
37	861	Maintenance Supervision and Engineering	\$ -	TRANS		\$ -	\$ -	\$ -
38	863	Maintenance of Mains	528,208	TRANS		528,208	-	-
39	864	Maintenance of Compressor Station Equipment	361,217	TRANS		361,217	-	-
40	865	Maintenance of Measuring and Regulating Station Equipment	133,148	TRANS		133,148	-	-
41	866	Maintenance of Communication Equipment	100,695	TRANS		100,695	-	-
42	867	Maintenance of Other Equipment	252	TRANS		252	-	-
43		Total Transmission Expenses - Maintenance						
		(Sum Ln 37 through Ln 42)	\$ 1,123,521			\$ 1,123,521	\$ -	\$ -
44		Total Transmission O&M Labor (Ln 34 + Ln 43)	\$ 16,239,605			\$ 16,239,605	\$ -	\$ -
45								
46		Total Functional Labor - O&M (Ln 20 + Ln 45)	\$ 19,406,736			\$ 16,239,605	\$ 3,167,132	\$ -
47								
48								

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
49		CUSTOMER ACCOUNTS EXPENSES						
50	902	Meter Reading Expenses	\$ -	TRANS		\$ -	\$ -	\$ -
51	904	Uncollectible Accounts	-	TRANS		-	-	-
52	910	Miscellaneous Customer Service and Informational Expenses	1,179,855	TRANS		1,179,855	-	-
53	911	Supervision	-	TRANS		-	-	-
54	912	Demonstrating and Selling Expenses	-	TRANS		-	-	-
55	916	Miscellaneous Sales Expenses	1,270,153	TRANS		1,270,153	-	-
56		Total Customer Accounts Expenses						
		(Sum Ln 50 through Ln 55)	\$ 2,450,008			\$ 2,450,008	\$ -	\$ -
57								
58		ADMINISTRATIVE AND GENERAL EXPENSES						
59	920	Administrative and General Salaries	\$ 1,074,826	FLABOR		\$ 899,417	\$ 175,409	\$ -
60	921	Office Supplies and Expenses	-	FLABOR		-	-	-
61	922	Administrative Expenses Transferred— Credit	-	FLABOR		-	-	-
62	923	Outside Services Employed	-	FLABOR		-	-	-
63	924	Property Insurance	-	FPLANT		-	-	-
64	925	Injuries and Damages	-	FLABOR		-	-	-
65	926	Employee Pensions and Benefits	-	FLABOR		-	-	-
66	928	Regulatory Commission Expenses	-	FLABOR		-	-	-
67	930.2	Miscellaneous General Expenses	-	FLABOR		-	-	-
68	931	Rents	-	FLABOR		-	-	-
69	932	Maintenance of General Plant	-	FPLANT		-	-	-
70		Total Admin and General Expenses						
		(Sum Ln 59 through Ln 69)	\$ 1,074,826			\$ 899,417	\$ 175,409	\$ -
71								
72		Total O&M Expense Labor (Sum Ln 47 + Ln 56 + Ln 70)	\$ 22,931,570			\$ 19,589,029	\$ 3,342,541	\$ -
73								
74		Total O&M Expense Labor Excluding A&G						
		(Sum Ln 47 + Ln 56)	\$ 21,856,744			\$ 18,689,612	\$ 3,167,132	\$ -
75								
76		Total O&M Direct Labor (Ln 74 - Ln 4 - Ln 23 - Ln 37)	\$ 20,577,116			\$ 18,395,267	\$ 2,181,849	\$ -
77								
78		Total O&M Expense Labor	18.00%			85.42%	14.58%	0.00%
79								
80		Total O&M Expense Labor Excluding A&G	21.99%			85.51%	14.49%	0.00%
81								
82		Total O&M Direct Labor	21.02%			89.40%	10.60%	0.00%

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONALIZATION AND CLASSIFICATION OF COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total System	AF Label	Classifier	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	<u>RETURN ON RATE BASE</u>							
2								
3		TOTAL INVESTED CAPITAL	\$ 1,767,599,981			\$ 1,429,292,404	\$ 232,269,449	\$ 106,038,127
4			8.87%			8.87%	8.87%	8.87%
5			<u>\$ 156,821,470</u>			<u>\$ 126,806,822</u>	<u>\$ 20,606,946</u>	<u>\$ 9,407,703</u>
6								
7		TOTAL OPERATING EXPENSE	232,426,770			203,688,677	27,475,593	1,262,500
8								
9		INCOME TAX	60,993,470			49,319,701	8,014,777	3,658,992
10								
11		TOTAL REVENUE REQUIREMENT	<u>\$ 450,241,710</u>			<u>\$ 379,815,200</u>	<u>\$ 56,097,316</u>	<u>\$ 14,329,194</u>
12								
13	<u>FUNCTIONAL ALLOCATORS</u>							
14								
15		Transmission Function		TRANS		100.00%	0.00%	0.00%
16		Storage Function		STORAG		0.00%	100.00%	0.00%
17		Functional Plant Ratios		FPLANT		86.33%	13.67%	0.00%
18		Functional Labor Ratios		FLABOR		83.68%	16.32%	0.00%
19		Mid-Tex Working Gas in Storage		MIDTEX		0.00%	0.00%	100.00%
20		Rate Base		RATEBASE		80.86%	13.14%	6.00%
21		Functional Property Tax		FPROPTAX		80.76%	12.79%	6.45%

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONAL ALLOCATION OF DEFERRED INCOME TAXES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Assets / (Liabilities) - Adjusted Balances	Functional Allocator	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)
<u>DEFERRED TAX</u>						
1	Adjustment	\$ (1,361,251)	FPLANT	\$ (1,175,175)	\$ (186,076)	\$ -
2	MIP/VPP Accrual	1,331,214	FPLANT	1,149,244	181,970	-
3	Self Insurance - Adjustment	-	FPLANT	-	-	-
4	Worker's Comp Insurance Reserve	141,522	FLABOR	118,426	23,096	-
5	SEBP Adjustment	1,211,376	FLABOR	1,013,682	197,694	-
6	FAS 106 Adjustment	(2,050,380)	FLABOR	(1,715,763)	(334,617)	-
7	CWIP	-	FPLANT	-	-	-
8	RWIP	(450,230)	FPLANT	(388,686)	(61,544)	-
9	Fixed Asset Cost Adjustment	(457,524,372)	FPLANT	(394,983,129)	(62,541,243)	-
10	Depreciation Adjustment	(30,062,037)	FPLANT	(25,952,710)	(4,109,327)	-
11	Section 481(a) TPR	-	FPLANT	-	-	-
12	TXU - Goodwill Amortization	-	FPLANT	-	-	-
13	Deferred Expense Projects	(24,791)	FPLANT	(21,402)	(3,389)	-
14	UNICAP Section 263A Costs	3,593,587	FPLANT	3,102,362	491,225	-
15	Allowance for Doubtful Accounts	-	FPLANT	-	-	-
16	Prepayments	(242,237)	FPLANT	(209,124)	(33,113)	-
17	Rate Case Accrual	-	FPLANT	-	-	-
18	WACOG to FIFO Adjustment	(2,180,659)	FPLANT	(1,882,574)	(298,085)	-
19	Reg Asset Benefit Accrual	(3,164,472)	FPLANT	(2,731,905)	(432,567)	-
20	Intra Period Tax Allocation	-	FPLANT	-	-	-
21	Total Deferred Tax (Sum Ln 1 through Ln 20)	\$ (490,782,730)		\$ (423,676,754)	\$ (67,105,976)	\$ -
22						

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONAL ALLOCATION OF DEFERRED INCOME TAXES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Assets / (Liabilities) - Adjusted Balances	Functional Allocator	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)
23	<u>SSU ALLOCATION</u>					
24						
25	Directors Deferred Bonus	\$ 166,965	FPLANT	\$ 144,142	\$ 22,823	\$ -
26	MIP/VPP Accrual	-	FPLANT	-	-	-
27	Miscellaneous Accrued	-	FPLANT	-	-	-
28	Self Insurance - Adjustment	-	FPLANT	-	-	-
29	Worker's Comp Insurance Reserve	104,671	FLABOR	87,589	17,082	-
30	SEBP Adjustment	-	FPLANT	-	-	-
31	Restricted Stock Grant Plan	-	FLABOR	-	-	-
32	Rabbi Trust	-	FPLANT	-	-	-
33	Restricted Stock - MIP	-	FLABOR	-	-	-
34	Director's Stock Awards	5,939,395	FPLANT	5,127,510	811,885	-
35	Pension Expense	(30,651,600)	FLABOR	(25,649,334)	(5,002,266)	-
36	FAS 106 Adjustment	8,944,489	FLABOR	7,484,770	1,459,719	-
37	CWIP	-	FPLANT	-	-	-
38	RWIP	(3,782)	FPLANT	(3,265)	(517)	-
39	Fixed Asset Cost Adjustment	(42,023,581)	FPLANT	(36,279,172)	(5,744,409)	-
40	Depreciation Adjustment	17,524,367	FPLANT	15,128,876	2,395,491	-
41	Section 481(a) Cushion Gas	-	FPLANT	-	-	-
42	Section 481(a) Line Pack Gas	-	FPLANT	-	-	-
43	Deferred Expense Projects	-	FPLANT	-	-	-
44	Allowance for Doubtful Accounts	-	FPLANT	-	-	-
45	Clearing Account - Adjustment	-	FPLANT	-	-	-
46	Charitable Contribution Carryover	-	FPLANT	-	-	-
47	Prepayments	(4,047,588)	FPLANT	(3,494,303)	(553,285)	-
48	Federal & State Tax Interest	439,887	FPLANT	379,757	60,130	-
49	VA Charitable Contributions	-	FPLANT	-	-	-
50	FD - NOL Credit Carryforward - Non Reg	-	FPLANT	-	-	-
51	FD - NOL Credit Carryforward - Utility	725,716,695	FPLANT	626,514,932	99,201,763	-
52	FD - NOL Credit Carryforward - Other	-	FPLANT	-	-	-
53	ST - State Net Operating Loss	-	FPLANT	-	-	-
54	FD - FAS 115 Adjustment	(2,481,569)	FPLANT	(2,142,351)	(339,218)	-
55	FD - Federal Benefit on State NOL	-	FPLANT	-	-	-
56	FD - AMT Minimum Tax Credit	10,099,286	FPLANT	8,718,765	1,380,521	-
57	ST - Valuation Allow Enterprise Zone ITC	-	FPLANT	-	-	-

GUD No. 10580
First Amended PFD
Date Issued: July 24, 2017

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
FUNCTIONAL ALLOCATION OF DEFERRED INCOME TAXES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Assets / (Liabilities) - Adjusted Balances	Functional Allocator	TRANS	STORAGE	MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)
58	FD - Valuation Allow Fed Tax Enterprise Zone ITC	-	FPLANT	-	-	-
59	ST - Enterprise Zone ITC	-	FPLANT	-	-	-
60	FD - Treasury Lock Adjustment - Realized	10,520,828	FPLANT	9,082,685	1,438,143	-
61	FD - Treasury Lock Adjustment - Unrealized	-	FPLANT	-	-	-
62	FD - Federal Tax on Enterprise ITC	-	FPLANT	-	-	-
63	Total SSU Deferred Tax (Sum Ln 25 through Ln 62)	\$ 700,248,463		\$ 605,100,599	\$ 95,147,864	\$ -
64						
65	Allocation Factor			20.84%	20.84%	20.84%
66						
67	SSU Allocation Amount (Ln 63 times Ln 65)			\$ 126,102,965	\$ 19,828,815	\$ -
68						
69	Deferred Tax + SSU Allocation Amount (Ln 21 + Ln 67)		DEF INC TAX	\$ (297,573,789)	\$ (47,277,161)	\$ -
70						
71			Total Plant Related	\$ 200,084,474	\$ 31,681,181	\$ -
72						
73			Total Labor Related	\$ (18,660,629)	\$ (3,639,293)	\$ -
74						
75			ALLOCATOR	CGS	PT	
76	Transmission - Plant Related	\$ 200,084,474	TPLANT	\$ 192,994,727	\$ 7,089,747	
77	Transmission - Labor Related	(18,660,629)	TLABOR	(17,999,413)	(661,216)	
78	Total Transmission	<u>\$ 181,423,845</u>		<u>\$ 174,995,314</u>	<u>\$ 6,428,531</u>	
79	TDEFDTAX			96.46%	3.54%	
80						
81	Storage - Plant Related	\$ 31,681,181	SPLANT	\$ 31,320,212	\$ 360,969	
82	Storage - Labor Related	(3,639,293)	SLABOR	(3,597,827)	(41,465)	
83	Total Storage	<u>\$ 28,041,888</u>		<u>\$ 27,722,385</u>	<u>\$ 319,503</u>	
84	SDEFDTAX			98.86%	1.14%	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL - GROSS PLANT</u>						
2	Adjustment						
3	STORAGE PLANT						
4	350.00	Land and Land Rights	\$ -	CONTRACT		\$ -	\$ -
5	350.10	Land	-	CONTRACT		-	-
6	350.20	Rights-of-Way	-	CONTRACT		-	-
7	351.00	Structures and Improvements	-	CONTRACT		-	-
8	352.00	Wells	-	CONTRACT		-	-
9	353.00	Lines	-	CONTRACT		-	-
10	354.00	Compressor Station Equipment	-	CONTRACT		-	-
11	355.00	M&R Equipment	-	CONTRACT		-	-
12	356.00	Purification Equipment	-	CONTRACT		-	-
13	357.00	Other Equipment	-	CONTRACT		-	-
14		Subtotal (Sum Ln 4 through Ln 13)	\$ -			\$ -	\$ -
15							
16	TRANSMISSION PLANT						
17	365.00	Land	\$ 1,232,270	CONTRACT		\$ 1,188,606	\$ 43,664
18	365.10	ROW - Trans Comp Stat	-	CONTRACT		-	-
19	365.20	ROW - City Gate	18,983,795	CONTRACT		18,311,127	672,667
20	366.00	Structures and Improvements	11,472,463	CONTRACT		11,065,951	406,513
21	367.00	Mains - Cathodic Protection	200,439,413	CONTRACT		193,337,089	7,102,324
22	367.01	Mains - Steel	1,431,528,224	CONTRACT		1,380,803,783	50,724,441
23	367.02	Mains - Plastic	11,591,352	CONTRACT		11,180,627	410,725
24	368.00	Compressor Station Equipment	150,061,066	CONTRACT		144,743,837	5,317,229
25	369.00	M&R Station Equipment	228,773,444	CONTRACT		220,667,138	8,106,306
26	370.00	Communication Equipment	14,144,928	CONTRACT		13,643,720	501,208
27	371.00	Other Equipment	4,923,427	CONTRACT		4,748,972	174,456
28		Subtotal (Sum Ln 17 through Ln 27)	\$ 2,073,150,383			\$ 1,999,690,850	\$ 73,459,533
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 2,073,150,383			\$ 1,999,690,850	\$ 73,459,533
31							
32	INTANGIBLE PLANT						
33	303.00	Miscellaneous Intangible Plant	\$ 5,385,531	CONTRACT		\$ 5,194,701	\$ 190,830
34		Subtotal (Ln 33)	\$ 5,385,531			\$ 5,194,701	\$ 190,830
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights	\$ 107,897	CONTRACT		\$ 104,074	\$ 3,823
38	390.00	Structures and Improvements	5,425,928	CONTRACT		5,233,667	192,261
39	391.00	Office Furniture and Equipment	4,211,821	CONTRACT		4,062,580	149,241
40	392.00	Transportation Equipment	1,349,308	CONTRACT		1,301,497	47,811
41	393.00	Stores Equipment	-	CONTRACT		-	-
42	394.00	Tools, Shop, and Garage Equipment	8,500,381	CONTRACT		8,199,181	301,201
43	395.00	Laboratory Equipment	149,045	CONTRACT		143,764	5,281
44	396.00	Power Operated Equipment	2,636,829	CONTRACT		2,543,396	93,433
45	397.00	Communication Equipment	635,472	CONTRACT		612,955	22,517
46	397.02	Communication Equipment - Fixed Radios	69,508	CONTRACT		67,045	2,463
47	397.05	Communication Equipment - Telemetry	99,004	CONTRACT		95,496	3,508
48	398.00	Miscellaneous Equipment	7,073,595	CONTRACT		6,822,951	250,644
49	399.00	Other Tangible Property	61,443	CONTRACT		59,266	2,177
50	399.01	Other Tangible Property - Servers Hardware	528,726	CONTRACT		509,992	18,735
51	399.02	Other Tangible Property - Servers Software	1,216,110	CONTRACT		1,173,019	43,091
52	399.03	Other Tangible Property - Network Hardware	61,638	CONTRACT		59,454	2,184
53	399.06	Other Tangible Property - PC Hardware	685,172	CONTRACT		660,893	24,278
54	399.07	Other Tangible Property - PC Software	686,306	CONTRACT		661,988	24,318
55		Shared Services General Office	23,716,346	CONTRACT		22,875,987	840,360
56		Shared Services Greenville Data Center	5,568,125	CONTRACT		5,370,825	197,300
57		Shared Services Align Pipe Projects	13,848,634	CONTRACT		13,357,925	490,709
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 76,631,289			\$ 73,915,954	\$ 2,715,335
59							
60		Total APT Gross Plant (Ln 30 + Ln 34 + Ln 58)	\$ 2,155,167,204			\$ 2,078,801,505	\$ 76,365,698

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL - ACCUMULATED DEPRECIATION</u>						
2							
3	STORAGE PLANT						
4	350.00	Land and Land Rights	\$ -	CONTRACT		\$ -	\$ -
5	350.10	Land	-	CONTRACT		-	-
6	350.20	Rights-of-Way	-	CONTRACT		-	-
7	351.00	Structures and Improvements	-	CONTRACT		-	-
8	352.00	Wells	-	CONTRACT		-	-
9	353.00	Lines	-	CONTRACT		-	-
10	354.00	Compressor Station Equipment	-	CONTRACT		-	-
11	355.00	M&R Equipment	-	CONTRACT		-	-
12	356.00	Purification Equipment	-	CONTRACT		-	-
13	357.00	Other Equipment	-	CONTRACT		-	-
14		Subtotal (Sum Ln 4 through Ln 13)	\$ -			\$ -	\$ -
15							
16	TRANSMISSION PLANT						
17	365.00	Land	\$ -	CONTRACT		\$ -	\$ -
18	365.10	ROW - Trans Comp Stat	-	CONTRACT		-	-
19	365.20	ROW - City Gate	5,589,104	CONTRACT		5,391,061	198,043
20	366.00	Structures and Improvements	3,140,237	CONTRACT		3,028,966	111,270
21	367.00	Mains - Cathodic Protection	52,390,846	CONTRACT		50,534,441	1,856,405
22	367.01	Mains - Steel	238,931,308	CONTRACT		230,465,071	8,466,237
23	367.02	Mains - Plastic	1,485,678	CONTRACT		1,433,035	52,643
24	368.00	Compressor Station Equipment	42,356,758	CONTRACT		40,855,898	1,500,860
25	369.00	M&R Station Equipment	55,590,538	CONTRACT		53,620,756	1,969,782
26	370.00	Communication Equipment	4,671,498	CONTRACT		4,505,969	165,529
27	371.00	Other Equipment	1,942,900	CONTRACT		1,874,056	68,844
28		Subtotal (Sum Ln 17 through Ln 27)	\$ 406,098,867			\$ 391,709,254	\$ 14,389,614
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 406,098,867			\$ 391,709,254	\$ 14,389,614
31							
32	INTANGIBLE PLANT						
33	303.00	Miscellaneous Intangible Plant	\$ 5,385,531	TPLANT		\$ 5,194,701	\$ 190,830
34		Subtotal (Ln 33)	\$ 5,385,531			\$ 5,194,701	\$ 190,830
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights	\$ -	TPLANT		\$ -	\$ -
38	390.00	Structures and Improvements	1,155,595	TPLANT		1,114,648	40,947
39	391.00	Office Furniture and Equipment	2,352,148	TPLANT		2,268,802	83,345
40	392.00	Transportation Equipment	499,348	TPLANT		481,654	17,694
41	393.00	Stores Equipment	-	TPLANT		-	-
42	394.00	Tools, Shop, and Garage Equipment	1,870,701	TPLANT		1,804,415	66,286
43	395.00	Laboratory Equipment	34,864	TPLANT		33,628	1,235
44	396.00	Power Operated Equipment	605,361	TPLANT		583,911	21,450
45	397.00	Communication Equipment	269,984	TPLANT		260,417	9,567
46	397.02	Communication Equipment - Fixed Radios	8,049	TPLANT		7,764	285
47	397.05	Communication Equipment - Telemetry	43,614	TPLANT		42,069	1,545
48	398.00	Miscellaneous Equipment	3,070,212	TPLANT		2,961,423	108,789
49	399.00	Other Tangible Property	18,550	TPLANT		17,893	657
50	399.01	Other Tangible Property - Servers Hardware	104,646	TPLANT		100,938	3,708
51	399.02	Other Tangible Property - Servers Software	582,862	TPLANT		562,209	20,653
52	399.03	Other Tangible Property - Network Hardware	11,115	TPLANT		10,721	394
53	399.06	Other Tangible Property - PC Hardware	259,999	TPLANT		250,786	9,213
54	399.07	Other Tangible Property - PC Software	434,616	TPLANT		419,216	15,400
55		Shared Services General Office	14,160,312	TPLANT		13,658,559	501,753
56		Shared Services Greenville Data Center	1,699,751	TPLANT		1,639,522	60,229
57		Shared Services Align Pipe Projects	734,473	TPLANT		708,448	26,025
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 27,916,199			\$ 26,927,023	\$ 989,176
59							
60		RWIP	(2,321,837)	TPLANT		(2,239,566)	(82,271)
61							
62		Total APT Accumulated Depreciation					
		(Ln 30 + Ln 34 + Ln 58 + Ln 60)	\$ 437,078,760			\$ 421,591,412	\$ 15,487,348

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	INVESTED CAPITAL - NET PLANT						
2							
3	STORAGE PLANT						
4	350.00	Land and Land Rights	\$ -	CONTRACT		\$ -	\$ -
5	350.10	Land	-	CONTRACT		-	-
6	350.20	Rights-of-Way	-	CONTRACT		-	-
7	351.00	Structures and Improvements	-	CONTRACT		-	-
8	352.00	Wells	-	CONTRACT		-	-
9	353.00	Lines	-	CONTRACT		-	-
10	354.00	Compressor Station Equipment	-	CONTRACT		-	-
11	355.00	M&R Equipment	-	CONTRACT		-	-
12	356.00	Purification Equipment	-	CONTRACT		-	-
13	357.00	Other Equipment	-	CONTRACT		-	-
14		Subtotal (Sum Ln 4 through Ln 13)	\$ -			\$ -	\$ -
15							
16	TRANSMISSION PLANT						
17	365.00	Land	\$ 1,232,270	CONTRACT		\$ 1,188,606	\$ 43,664
18	365.10	ROW - Trans Comp Stat	-	CONTRACT		-	-
19	365.20	ROW - City Gate	13,394,690	CONTRACT		12,920,066	474,624
20	366.00	Structures and Improvements	8,332,227	CONTRACT		8,036,984	295,242
21	367.00	Mains - Cathodic Protection	148,048,567	CONTRACT		142,802,648	5,245,919
22	367.01	Mains - Steel	1,192,596,916	CONTRACT		1,150,338,712	42,258,204
23	367.02	Mains - Plastic	10,105,674	CONTRACT		9,747,592	358,082
24	368.00	Compressor Station Equipment	107,704,308	CONTRACT		103,887,939	3,816,370
25	369.00	M&R Station Equipment	173,182,906	CONTRACT		167,046,382	6,136,523
26	370.00	Communication Equipment	9,473,431	CONTRACT		9,137,751	335,679
27	371.00	Other Equipment	2,980,527	CONTRACT		2,874,916	105,611
28		Subtotal (Sum Ln 17 through Ln 27)	\$ 1,667,051,516			\$ 1,607,981,597	\$ 59,069,919
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 1,667,051,516			\$ 1,607,981,597	\$ 59,069,919
31							
32	INTANGIBLE PLANT						
33	303.00	Miscellaneous Intangible Plant	\$ -	TPLANT		\$ -	\$ -
34		Subtotal (Ln 33)	\$ -			\$ -	\$ -
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights	\$ 107,897	TPLANT		\$ 104,074	\$ 3,823
38	390.00	Structures and Improvements	4,270,333	TPLANT		4,119,019	151,314
39	391.00	Office Furniture and Equipment	1,859,673	TPLANT		1,793,778	65,895
40	392.00	Transportation Equipment	849,960	TPLANT		819,842	30,117
41	393.00	Stores Equipment	-	TPLANT		-	-
42	394.00	Tools, Shop, and Garage Equipment	6,629,680	TPLANT		6,394,766	234,915
43	395.00	Laboratory Equipment	114,182	TPLANT		110,136	4,046
44	396.00	Power Operated Equipment	2,031,468	TPLANT		1,959,485	71,983
45	397.00	Communication Equipment	365,488	TPLANT		352,538	12,951
46	397.02	Communication Equipment - Fixed Radios	61,459	TPLANT		59,281	2,178
47	397.05	Communication Equipment - Telemetry	55,390	TPLANT		53,427	1,963
48	398.00	Miscellaneous Equipment	4,003,383	TPLANT		3,861,528	141,855
49	399.00	Other Tangible Property	42,893	TPLANT		41,373	1,520
50	399.01	Other Tangible Property - Servers Hardware	424,080	TPLANT		409,054	15,027
51	399.02	Other Tangible Property - Servers Software	633,248	TPLANT		610,810	22,438
52	399.03	Other Tangible Property - Network Hardware	50,523	TPLANT		48,733	1,790
53	399.06	Other Tangible Property - PC Hardware	425,173	TPLANT		410,108	15,065
54	399.07	Other Tangible Property - PC Software	251,690	TPLANT		242,772	8,918
55		Shared Services General Office	9,556,034	TPLANT		9,217,428	338,606
56		Shared Services Greenville Data Center	3,868,374	TPLANT		3,731,303	137,071
57		Shared Services Aline Pipe Projects	13,114,161	TPLANT		12,649,477	464,684
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 48,715,090			\$ 46,988,931	\$ 1,726,159
59							
60		RWIP	2,321,837	TPLANT		2,239,566	82,271
61							
62		Total APT Net Plant (Ln 30 + Ln 34 + Ln 58 + Ln 60)	\$ 1,718,088,444			\$ 1,657,210,093	\$ 60,878,350

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL SUMMARY</u>						
2							
3		NET PLANT					
4		Gross Plant	\$ 2,155,167,204			\$ 2,078,801,505	\$ 76,365,698
5		Accumulated Depreciation	437,078,760			421,591,412	15,487,348
6		Non-Current Gas in Storage	-	TPLANT		-	-
7		Total Net Plant (Ln 4 - Ln 5 + Ln 6)	\$ 1,718,088,444			\$ 1,657,210,093	\$ 60,878,350
8							
9		INVESTMENT ADDITIONS					
10		Cash Working Capital	\$ (6,986,975)	TPLANT		\$ (6,739,400)	\$ (247,575)
11		Materials and Supplies	3,244,022	TPLANT		3,129,074	114,948
12		Line Pack	4,385,237	TPLANT		4,229,851	155,385
13		Working Gas Stored Underground	-	TPLANT		-	-
14		Prepayments	5,746,324	TPLANT		5,542,710	203,614
15		Pension and Other Post Employment Benefits Regulatory Asset	5,495,837	TPLANT		5,301,099	194,738
16		Total Investment Additions (Sum Ln 10 through Ln 15)	\$ 11,884,445			\$ 11,463,335	\$ 421,111
17							
18		INVESTMENT DEDUCTIONS					
19		Injuries and Damages Reserve	\$ 101,616	TLABOR		\$ 98,016	\$ 3,601
20		Accumulated Deferred Income Taxes	297,573,789	TDEFTAX		287,029,628	10,544,161
21		Rate Base Adjustments	3,005,079	RATEBASE		2,908,700	96,379
22		Total Investment Deductions (Sum Ln 19 through Ln 21)	\$ 300,680,485			\$ 290,036,344	\$ 10,644,141
23							
24		Total Invested Capital (Ln 7 + Ln 16 - Ln 22)	\$ 1,429,292,404			\$ 1,378,637,084	\$ 50,655,320

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>OPERATING EXPENSES</u>						
2							
3	OTHER GAS SUPPLY EXPENSES						
4	813	Other Gas Supply Expenses	\$ 5,691	TPLANT	DEMAND	\$ 5,489	\$ 202
5		Total Other Gas Supply Expenses (Ln 4)	\$ 5,691			\$ 5,489	\$ 202
6							
7	UNDERGROUND STORAGE EXPENSES - OPERATION						
8	814	Operation Supervision and Engineering	\$ -	TPLANT	DEMAND	\$ -	\$ -
9	816	Wells Expenses	-	TPLANT	DEMAND	-	-
10	817	Lines Expenses	-	TPLANT	DEMAND	-	-
11	818	Compressor Station Expenses - FIXED	-	TPLANT	DEMAND	-	-
12	818	Compressor Station Expenses - VARIABLE	-	THRUPT	USAGE	-	-
13	820	Measuring and Regulating Station Expenses	-	TPLANT	DEMAND	-	-
14	821	Purification Expenses	-	TPLANT	DEMAND	-	-
15	824	Other Expenses	-	TPLANT	DEMAND	-	-
16		Total UG Storage Expenses - Operation					
17		(Sum Ln 8 through Ln 15)	\$ -			\$ -	\$ -
18	UNDERGROUND STORAGE EXPENSES - MAINTENANCE						
19	831	Maintenance of Structures and Improvements	\$ -	TPLANT	DEMAND	\$ -	\$ -
20	832	Maintenance of Reservoirs and Wells	-	TPLANT	DEMAND	-	-
21	834	Maintenance of Compressor Station Equipment - FIXED	-	TPLANT	DEMAND	-	-
22	834	Maintenance of Compressor Station Equipment - VARIABLE	-	THRUPT	USAGE	-	-
23	835	Maintenance of Measuring and Regulating Station Equipment	-	TPLANT	DEMAND	-	-
24	836	Maintenance of Purification Equipment	-	TPLANT	DEMAND	-	-
25		Total UG Storage Expenses - Maintenance					
26		(Sum Ln 19 through Ln 24)	\$ -			\$ -	\$ -
27		Total Storage Expenses (Ln 16 + Ln 25)	\$ -			\$ -	\$ -
28							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29		TRANSMISSION EXPENSES - OPERATION					
30	850	Operation Supervision and Engineering	\$ 314,350	LABTRANO	DEMAND	\$ 303,212	\$ 11,139
31	851	System Control and Load Dispatching	1,728,036	TPLANT	DEMAND	1,666,805	61,231
32	852	Communication System Expenses	1,982,902	TPLANT	DEMAND	1,912,641	70,262
33	853	Compressor Station Labor and Expenses - FIXED	521,926	TPLANT	DEMAND	503,432	18,494
34	853	Compressor Station Labor and Expenses - VARIABLE	193,559	THRUPT	USAGE	170,119	23,440
35	856	Mains Expenses	76,672,780	TPLANT	DEMAND	73,955,974	2,716,806
36	857	Measuring and Regulating Station Expenses	1,891,662	TPLANT	DEMAND	1,824,633	67,029
37	858	Transmission and Compression of Gas by Others	98,867	THRUPT	USAGE	86,894	11,973
38	859	Other Expenses	33,711	TPLANT	DEMAND	32,517	1,195
39	860	Rents	141,228	TPLANT	DEMAND	136,223	5,004
		Total Transmission Expenses - Operation					
40		(Sum Ln 30 through Ln 39)	\$ 83,579,021			\$ 80,592,450	\$ 2,986,571
41							
42		TRANSMISSION EXPENSES - MAINTENANCE					
43	863	Maintenance of Mains	\$ 1,666,305	TPLANT	DEMAND	\$ 1,607,261	\$ 59,043
44	864	Maintenance of Compressor Station Equipment - FIXED	361,217	TPLANT	DEMAND	348,418	12,799
45	864	Maintenance of Compressor Station Equipment - VARIABLE	1,141,166	THRUPT	USAGE	1,002,970	138,196
46	865	Maintenance of Measuring and Regulating Station Equipment	624,905	TPLANT	DEMAND	602,762	22,143
47	866	Maintenance of Communication Equipment	160,951	TPLANT	DEMAND	155,248	5,703
48	867	Maintenance of Other Equipment	132,082	TPLANT	DEMAND	127,402	4,680
		Total Transmission Expenses - Maintenance					
49		(Sum Ln 43 through Ln 48)	\$ 4,086,626			\$ 3,844,061	\$ 242,564
50							
51		Total Transmission Expenses (Ln 40 + Ln 49)	\$ 87,665,647			\$ 84,436,512	\$ 3,229,135
52							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
53		CUSTOMER ACCOUNTS EXPENSES					
54	902	Meter Reading Expenses	\$ -	CUSTOMERS	DEMAND	\$ -	\$ -
55	904	Uncollectible Accounts	(9,169)	CUNCOL	DEMAND	-	(9,169)
56	910	Miscellaneous Customer Service and Informational Expenses	1,432,016	TPLANT	DEMAND	1,381,274	50,742
57	911	Supervision	108	TPLANT	DEMAND	104	4
58	912	Demonstrating and Selling Expenses	2,450	TPLANT	DEMAND	2,363	87
59	913	Advertising Expenses	6	TPLANT	DEMAND	5	0
60	916	Miscellaneous Sales Expenses	1,350,128	TPLANT	DEMAND	1,302,288	47,840
61		Total Customer Accounts Expenses					
		(Sum Ln 54 through Ln 60)	\$ 2,775,538			\$ 2,686,034	\$ 89,504
62							
63		ADMINISTRATIVE AND GENERAL EXPENSES					
64	920	Administrative and General Salaries	\$ 867,036	TLABOR	DEMAND	\$ 836,313	\$ 30,722
65	921	Office Supplies and Expenses	410,515	TLABOR	DEMAND	395,969	14,546
66	922	Administrative Expenses Transferred— Credit	13,688,941	TLABOR	DEMAND	13,203,890	485,051
67	923	Outside Services Employed	909,123	TLABOR	DEMAND	876,909	32,214
68	924	Property Insurance	385,776	TPLANT	DEMAND	372,107	13,670
69	925	Injuries and Damages	375,427	TLABOR	DEMAND	362,124	13,303
70	926	Employee Pensions and Benefits	6,810,197	TLABOR	DEMAND	6,568,886	241,311
71	930.2	Miscellaneous General Expenses	(198,278)	TLABOR	DEMAND	(191,252)	(7,026)
72	931	Rents	217,837	TLABOR	DEMAND	210,118	7,719
73		Total Admin and General Expenses					
		(Sum Ln 64 through Ln 72)	\$ 23,466,573			\$ 22,635,064	\$ 831,509
74							
75		Total O&M Expense (Ln 5 + Ln 27 + Ln 51 + Ln 61 + Ln 73)	\$ 113,913,449			\$ 109,763,099	\$ 4,150,350
76							
77		Total O&M Expense Excluding A&G (Ln 75 - Ln 73)	\$ 90,446,876			\$ 87,128,035	\$ 3,318,841

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		DEPRECIATION EXPENSE, OTHER TAX, OPERATING INCOME					
2							
3		DEPRECIATION EXPENSE					
4		Transmission, Storage, and General Plant	\$ 69,959,202	TPLANT	DEMAND	\$ 67,480,283	\$ 2,478,918
5		Total Depreciation Expense (Ln 4)	<u>\$ 69,959,202</u>			<u>\$ 67,480,283</u>	<u>\$ 2,478,918</u>
6							
7		OTHER TAXES					
8		Property-Related Taxes (Ad Valorem)	\$ 15,796,442	TPLANT	DEMAND	\$ 15,236,715	\$ 559,727
9		Property-Related Taxes (Shared Services)	571,562	TPLANT	DEMAND	551,310	20,253
10		Property-Related Taxes (DOT Pipeline Fee)	1,859,586	TPLANT	DEMAND	1,793,694	65,892
11		Payroll Related Taxes	1,588,436	TPLANT	DEMAND	1,532,152	56,284
12		Total Other Taxes (Sum Ln 8 through Ln 11)	<u>\$ 19,816,027</u>			<u>\$ 19,113,870</u>	<u>\$ 702,157</u>
13							
14		Total Operating Expenses Before FIT					
15		(Page 10, Ln 75 + Ln 5 + Ln 12)	<u>\$ 203,688,677</u>			<u>\$ 196,357,253</u>	<u>\$ 7,331,424</u>
16		Total Demand O&M	202,255,085		DEMAND	195,097,269	7,157,816
17		Total Variable O&M	1,433,592		USAGE	1,259,984	173,609
18							
19		STATE/FEDERAL INCOME TAX EXPENSE	49,319,701	RATEBASE	DEMAND	\$ 47,737,919	\$ 1,581,782
20							
21		Total Operating Expenses					
		(Page 10, Ln 75 + Ln 5 + Ln 12 + Ln 19)	<u>\$ 253,008,378</u>			<u>\$ 244,095,172</u>	<u>\$ 8,913,206</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	DEVELOPMENT OF LABOR ALLOCATOR						
2							
3	UNDERGROUND STORAGE EXPENSES - OPERATION						
4	814	Operation Supervision and Engineering	\$ -	TPLANT		\$ -	\$ -
5	816	Wells Expenses	-	TPLANT		-	-
6	817	Lines Expenses	-	TPLANT		-	-
7	818	Compressor Station Expenses	-	TPLANT		-	-
8	820	Measuring and Regulating Station Expenses	-	TPLANT		-	-
9	821	Purification Expenses	-	TPLANT		-	-
10	824	Other Expenses	-	TPLANT		-	-
11	Total UG Storage Expenses - Operation						
	(Sum Ln 4 through Ln 10)		\$ -			\$ -	\$ -
12							
13	UNDERGROUND STORAGE EXPENSES - MAINTENANCE						
14	832	Maintenance of Reservoirs and Wells	\$ -	TPLANT		\$ -	\$ -
15	834	Maintenance of Compressor Station Equipment	-	TPLANT		-	-
16	835	Maintenance of Measuring and Regulating Station Equipment	-	TPLANT		-	-
17	836	Maintenance of Purification Equipment	-	TPLANT		-	-
18	Total UG Storage Expenses - Maintenance						
	(Sum Ln 14 through Ln 17)		\$ -			\$ -	\$ -
19							
20	Total UG Storage - O&M Expense (Ln 11 + Ln 18)		\$ -			\$ -	\$ -
21							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
22		TRANSMISSION EXPENSES - OPERATION					
23	850	Operation Supervision and Engineering	\$ 294,345	LABTRANO		\$ 283,916	\$ 10,430
24	851	System Control and Load Dispatching	1,701,813	TPLANT		1,641,511	60,302
25	852	Communication System Expenses	740,357	TPLANT		714,123	26,234
26	853	Compressor Station Labor and Expenses	521,926	TPLANT		503,432	18,494
27	854	Gas for Compressor Station Fuel	-	TPLANT		-	-
28	855	Other Fuel and Power for Compressor Stations	-	TPLANT		-	-
29	856	Mains Expenses	10,654,130	TPLANT		10,276,614	377,516
30	857	Measuring and Regulating Station Expenses	1,203,583	TPLANT		1,160,936	42,647
31	858	Transmission and Compression of Gas by Others	-	TPLANT		-	-
32	859	Other Expenses	(70)	TPLANT		(67)	(2)
33	860	Rents	-	TPLANT		-	-
34		Total Transmission Expenses - Operation					
		(Sum Ln 23 through Ln 33)	\$ 15,116,084			\$ 14,580,464	\$ 535,620
35		TRANSMISSION EXPENSES - MAINTENANCE					
36							
37	861	Maintenance Supervision and Engineering	\$ -	LABTRANM		\$ -	\$ -
38	863	Maintenance of Mains	528,208	TPLANT		509,492	18,716
39	864	Maintenance of Compressor Station Equipment	361,217	TPLANT		348,418	12,799
40	865	Maintenance of Measuring and Regulating Station Equipment	133,148	TPLANT		128,430	4,718
41	866	Maintenance of Communication Equipment	100,695	TPLANT		97,127	3,568
42	867	Maintenance of Other Equipment	252	TPLANT		243	9
43		Total Transmission Expenses - Maintenance					
		(Sum Ln 37 through Ln 42)	\$ 1,123,521			\$ 1,083,710	\$ 39,811
44		Total Transmission Expenses - O&M (Ln 34 + Ln 43)					
45			\$ 16,239,605			\$ 15,664,174	\$ 575,430
46		Total Functional Labor - O&M (Ln 20 + Ln 45)					
47			\$ 16,239,605			\$ 15,664,174	\$ 575,430
48							
49		CUSTOMER ACCOUNTS EXPENSES					
50	902	Meter Reading Expenses	\$ -	CUSTOMERS		\$ -	\$ -
51	904	Uncollectible Accounts	-	CUNCOL		-	-
52	910	Miscellaneous Customer Service and Informational Expenses	1,179,855	TPLANT		1,138,048	41,807
53	911	Supervision	-	TPLANT		-	-
54	912	Demonstrating and Selling Expenses	-	TPLANT		-	-
55	916	Miscellaneous Sales Expenses	1,270,153	TPLANT		1,225,147	45,006
56		Total Customer Accounts Expenses					
		(Sum Ln 50 through Ln 55)	\$ 2,450,008			\$ 2,363,195	\$ 86,813
57							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
58		ADMINISTRATIVE AND GENERAL EXPENSES					
59	920	Administrative and General Salaries	\$ 899,417	TLABXAG		\$ 867,547	\$ 31,870
60	921	Office Supplies and Expenses	-	TLABXAG		-	-
61	922	Administrative Expenses Transferred— Credit	-	TLABXAG		-	-
62	923	Outside Services Employed	-	TLABXAG		-	-
63	924	Property Insurance	-	TPLANT		-	-
64	925	Injuries and Damages	-	TLABXAG		-	-
65	926	Employee Pensions and Benefits	-	TLABXAG		-	-
66	928	Regulatory Commission Expenses	-	TLABXAG		-	-
67	930.2	Miscellaneous General Expenses	-	TLABXAG		-	-
68	931	Rents	-	TLABXAG		-	-
69	932	Maintenance of General Plant	-	TPLANT		-	-
70		Total Admin and General Expenses (Sum Ln 59 through Ln 69)	\$ 899,417			\$ 867,547	\$ 31,870
71							
72		Total O&M Expense Labor (Sum Ln 47 + Ln 56 + Ln 70)	\$ 19,589,029			\$ 18,894,916	\$ 694,113
73							
74		Total O&M Expense Labor Excluding A&G (Sum Ln 47 + Ln 56)	\$ 18,689,612			\$ 18,027,369	\$ 662,243
75							
76		Total O&M Direct Labor (Ln 74 - Ln 4 - Ln 23 - Ln 37)	\$ 18,395,267			\$ 17,743,453	\$ 651,814
77							
78		Total Transmission O&M Expense Labor	17.20%			96.46%	3.54%
79							
80		Total Transmission O&M Expense Labor Excluding A&G	20.66%			96.46%	3.54%
81							
82		Total Transmission O&M Direct Labor	20.41%			96.46%	3.54%

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF TRANSMISSION COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Transmission	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>RETURN ON RATE BASE</u>						
2							
3		TOTAL INVESTED CAPITAL	\$ 1,429,292,404			\$ 1,378,637,084	\$ 50,655,320
4			8.87%			8.87%	8.87%
5			<u>\$ 126,806,822</u>			<u>\$ 122,312,682</u>	<u>\$ 4,494,140</u>
6							
7		TOTAL OPERATING EXPENSE	203,688,677			196,357,253	7,331,424
8							
9		INCOME TAX	49,319,701			47,737,919	1,581,782
10							
11		TOTAL REVENUE REQUIREMENT	<u>\$ 379,815,200</u>			<u>\$ 366,407,854</u>	<u>\$ 13,407,346</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEVELOPMENT OF CLASS ALLOCATION FACTORS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Allocation Factor	Total	City Gate	Transport	City Gate	Transport	Reference
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	CONTRACT VOLUMES DELIVERED	CONTRACT	\$ 35,695,440	\$ 34,430,616	\$ 1,264,824	96.46%	3.54%	Schedule I (75% weight for PT)
2	Adjustment	TPLANT	2,155,167,204	2,078,801,505	76,365,698	96.46%	3.54%	Schedule H-2, Page 2, Line 60
3	TRANSMISSION OPERATION & MAINT LABOR	TLABOR	19,589,029	18,894,916	694,113	96.46%	3.54%	Schedule H-2, Page 14, Line 72
4	TRANSMISSION DEFERRED INCOME TAX	TDEFTAX	181,423,845	174,995,314	6,428,531	96.46%	3.54%	Schedule H-1.1, Page 3, Line 78
5	TOTAL RATE BASE	RATEBASE	1,665,152,999	1,611,748,194	53,404,805	96.79%	3.21%	Schedule H-4, Page 7, Line 7 + Line 16 - Line 19 - Line 20
6	VOLUMES DELIVERED	THRUPT	226,899,801	199,422,153	27,477,648	87.89%	12.11%	Schedule I, Page 1, Col (g), Line 13 and Line 18
7	TRANSMISSION OPERATION LABOR	LABTRANO	14,821,738	14,296,548	525,190	96.46%	3.54%	Schedule H-2, Page 13, Line 24 through Line 33
8	TRANSMISSION MAINTENANCE LABOR	LABTRANM	1,123,521	1,083,710	39,811	96.46%	3.54%	Schedule H-2, Page 13, Line 38 through Line 42
9	YEAR END NUMBER OF CUSTOMERS	CUSTOMERS	79	8	71	10.13%	89.87%	Schedule I_Billing Determinants Study - Errata.xlsx
10	UNCOLLECTIBLE ACCOUNTS	CUNCOL				0.00%	100.00%	No Uncollectible CGS Accounts
11	TRANSMISSION O&M LABOR EXCL A&G LABOR	TLABXAG	18,689,612	18,027,369	662,243	96.46%	3.54%	Schedule H-2, Page 14, Line 74
12	FIXED STORAGE COSTS	SFIX	43,598,107	43,101,360	496,747	98.86%	1.14%	Schedule H-3.1, Page 1, Line 23
13	TOTAL STORAGE PLANT	SPLANT	324,318,160	320,622,949	3,695,212	98.86%	1.14%	Schedule H-3, Page 2, Line 60
14	STORAGE OPERATION & MAINT LABOR	SLABOR	3,342,541	3,304,457	38,084	98.86%	1.14%	Schedule H-3, Page 14, Line 73
15	STORAGE DEFERRED INCOME TAX	SDEFTAX	28,041,888	27,722,385	319,503	98.86%	1.14%	Schedule H-1.1, Page 3, Line 83
16	VARIABLE STORAGE COSTS	SVAR	4,484,432	4,293,989	190,443	95.75%	4.25%	Schedule H-3.1, Page 2, Line 13
17	STORAGE O&M LABOR EXCL A&G LABOR	SLABXAG	3,167,132	3,131,046	36,086	98.86%	1.14%	Schedule H-3, Page 14, Line 75
18	ALL TO CGS	CGS				100.00%	0.00%	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		INVESTED CAPITAL - GROSS PLANT					
2		Adjustment					
3		STORAGE PLANT					
4	350.00	Land and Land Rights	\$ -	SFIX		\$ -	\$ -
5	350.10	Land	5,515,389	SFIX		5,452,548	62,841
6	350.20	Rights-of-Way	32,592	SFIX		32,220	371
7	351.00	Structures and Improvements	24,635,344	SFIX		24,354,654	280,690
8	352.00	Wells	78,403,027	SFIX		77,509,720	893,307
9	353.00	Lines	13,256,043	SFIX		13,105,006	151,037
10	354.00	Compressor Station Equipment	88,256,841	SFIX		87,251,262	1,005,580
11	355.00	M&R Equipment	50,663,680	SFIX		50,086,429	577,251
12	356.00	Purification Equipment	49,947,598	SFIX		49,378,506	569,092
13	357.00	Other Equipment	621,183	SFIX		614,105	7,078
14		Subtotal (Sum Ln 4 through Ln 13)	\$ 311,331,697			\$ 307,784,450	\$ 3,547,247
15							
16		TRANSMISSION PLANT					
17	365.00	Land	\$ -	SFIX		\$ -	\$ -
18	365.10	ROW - Trans Comp Stat	-	SFIX		-	-
19	365.20	ROW - City Gate	-	SFIX		-	-
20	366.00	Structures and Improvements	-	SFIX		-	-
21	367.00	Mains - Cathodic Protection	-	SFIX		-	-
22	367.01	Mains - Steel	-	SFIX		-	-
23	367.02	Mains - Plastic	-	SFIX		-	-
24	368.00	Compressor Station Equipment	-	SFIX		-	-
25	369.00	M&R Station Equipment	-	SFIX		-	-
26	370.00	Communication Equipment	-	SFIX		-	-
27	371.00	Other Equipment	-	SFIX		-	-
28		Subtotal (Sum Ln 17 through Ln 27)	\$ -			\$ -	\$ -
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 311,331,697			\$ 307,784,450	\$ 3,547,247
31							
32		INTANGIBLE PLANT					
33	303.00	Miscellaneous Intangible Plant	\$ 852,740	SFIX		\$ 843,024	\$ 9,716
34		Subtotal (Ln 33)	\$ 852,740			\$ 843,024	\$ 9,716
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights	\$ 17,084	SFIX		\$ 16,890	\$ 195
38	390.00	Structures and Improvements	859,136	SFIX		849,347	9,789
39	391.00	Office Furniture and Equipment	666,896	SFIX		659,297	7,598
40	392.00	Transportation Equipment	213,648	SFIX		211,214	2,434
41	393.00	Stores Equipment	-	SFIX		-	-
42	394.00	Tools, Shop, and Garage Equipment	1,345,942	SFIX		1,330,607	15,335
43	395.00	Laboratory Equipment	23,600	SFIX		23,331	269
44	396.00	Power Operated Equipment	417,513	SFIX		412,756	4,757
45	397.00	Communication Equipment	100,620	SFIX		99,474	1,146
46	397.02	Communication Equipment - Fixed Radios	11,006	SFIX		10,880	125
47	397.05	Communication Equipment - Telemetry	15,676	SFIX		15,498	179
48	398.00	Miscellaneous Equipment	1,120,026	SFIX		1,107,265	12,761
49	399.00	Other Tangible Property	9,729	SFIX		9,618	111
50	399.01	Other Tangible Property - Servers Hardware	83,718	SFIX		82,764	954
51	399.02	Other Tangible Property - Servers Software	192,558	SFIX		190,364	2,194
52	399.03	Other Tangible Property - Network Hardware	9,760	SFIX		9,648	111
53	399.06	Other Tangible Property - PC Hardware	108,489	SFIX		107,253	1,236
54	399.07	Other Tangible Property - PC Software	108,669	SFIX		107,431	1,238
55		Shared Services General Office	3,755,223	SFIX		3,712,437	42,786
56		Shared Services Greenville Data Center	881,651	SFIX		871,606	10,045
57		Shared Services Align Pipe Projects	2,192,779	SFIX		2,167,795	24,984
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 12,133,724			\$ 11,995,475	\$ 138,249
59							
60		Total APT Gross Plant (Ln 30 + Ln 34 + Ln 58)	\$ 324,318,160			\$ 320,622,949	\$ 3,695,212

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL - ACCUMULATED DEPRECIATION</u>						
2							
3	STORAGE PLANT						
4	350.00	Land and Land Rights	\$ -	SFIX		\$ -	\$ -
5	350.10	Land	-	SFIX		-	-
6	350.20	Rights-of-Way	14,767	SFIX		14,599	168
7	351.00	Structures and Improvements	5,855,602	SFIX		5,788,885	66,717
8	352.00	Wells	14,298,665	SFIX		14,135,749	162,916
9	353.00	Lines	3,699,870	SFIX		3,657,715	42,156
10	354.00	Compressor Station Equipment	18,665,963	SFIX		18,453,287	212,676
11	355.00	M&R Equipment	7,776,600	SFIX		7,687,995	88,605
12	356.00	Purification Equipment	7,059,844	SFIX		6,979,406	80,438
13	357.00	Other Equipment	206,980	SFIX		204,622	2,358
14		Subtotal (Sum Ln 4 through Ln 13)	\$ 57,578,292			\$ 56,922,257	\$ 656,035
15							
16	TRANSMISSION PLANT						
17	365.00	Land	\$ -	SFIX		\$ -	\$ -
18	365.10	ROW - Trans Comp Stat	-	SFIX		-	-
19	365.20	ROW - City Gate	-	SFIX		-	-
20	366.00	Structures and Improvements	-	SFIX		-	-
21	367.00	Mains - Cathodic Protection	-	SFIX		-	-
22	367.01	Mains - Steel	-	SFIX		-	-
23	367.02	Mains - Plastic	-	SFIX		-	-
24	368.00	Compressor Station Equipment	-	SFIX		-	-
25	369.00	M&R Station Equipment	-	SFIX		-	-
26	370.00	Communication Equipment	-	SFIX		-	-
27	371.00	Other Equipment	-	SFIX		-	-
28		Subtotal (Sum Ln 17 through Ln 27)	\$ -			\$ -	\$ -
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 57,578,292			\$ 56,922,257	\$ 656,035
31							
32	INTANGIBLE PLANT						
33	303.00	Miscellaneous Intangible Plant	\$ 852,740	SFIX		\$ 843,024	\$ 9,716
34		Subtotal (Ln 33)	\$ 852,740			\$ 843,024	\$ 9,716
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights	\$ -	SFIX		\$ -	\$ -
38	390.00	Structures and Improvements	182,976	SFIX		180,891	2,085
39	391.00	Office Furniture and Equipment	372,437	SFIX		368,193	4,243
40	392.00	Transportation Equipment	79,066	SFIX		78,165	901
41	393.00	Stores Equipment	-	SFIX		-	-
42	394.00	Tools, Shop, and Garage Equipment	296,205	SFIX		292,830	3,375
43	395.00	Laboratory Equipment	5,520	SFIX		5,457	63
44	396.00	Power Operated Equipment	95,852	SFIX		94,760	1,092
45	397.00	Communication Equipment	42,749	SFIX		42,262	487
46	397.02	Communication Equipment - Fixed Radios	1,274	SFIX		1,260	15
47	397.05	Communication Equipment - Telemetry	6,906	SFIX		6,827	79
48	398.00	Miscellaneous Equipment	486,134	SFIX		480,596	5,539
49	399.00	Other Tangible Property	2,937	SFIX		2,904	33
50	399.01	Other Tangible Property - Servers Hardware	16,570	SFIX		16,381	189
51	399.02	Other Tangible Property - Servers Software	92,290	SFIX		91,238	1,052
52	399.03	Other Tangible Property - Network Hardware	1,760	SFIX		1,740	20
53	399.06	Other Tangible Property - PC Hardware	41,168	SFIX		40,699	469
54	399.07	Other Tangible Property - PC Software	68,817	SFIX		68,033	784
55		Shared Services General Office	2,242,130	SFIX		2,216,584	25,546
56		Shared Services Greenville Data Center	269,137	SFIX		266,070	3,066
57		Shared Services Aigine Pipe Projects	116,296	SFIX		114,971	1,325
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 4,420,224			\$ 4,369,861	\$ 50,363
59							
60		RWIP	(367,637)	SPLANT		(363,449)	(4,189)
61							
62		Total APT Accumulated Depreciation					
		(Ln 30 + Ln 34 + Ln 58 + Ln 60)	\$ 62,483,618			\$ 61,771,693	\$ 711,925

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	INVESTED CAPITAL - NET PLANT						
2							
3	STORAGE PLANT						
4	350.10	Land and Land Rights	\$ -	SFIX		\$ -	\$ -
5	350.10	Land	5,515,389	SFIX		5,452,548	62,841
6	350.20	Rights-of-Way	17,824	SFIX		17,621	203
7	351.00	Structures and Improvements	18,779,742	SFIX		18,565,770	213,972
8	352.00	Wells	64,104,362	SFIX		63,373,971	730,391
9	353.00	Lines	9,556,173	SFIX		9,447,292	108,881
10	354.00	Compressor Station Equipment	69,590,878	SFIX		68,797,975	792,904
11	355.00	M&R Equipment	42,887,080	SFIX		42,398,433	488,646
12	356.00	Purification Equipment	42,887,754	SFIX		42,399,100	488,654
13	357.00	Other Equipment	414,203	SFIX		409,484	4,719
14		Subtotal (Sum Ln 4 through Ln 13)	\$ 253,753,405			\$ 250,862,193	\$ 2,891,212
15							
16	TRANSMISSION PLANT						
17	365.00	Land	\$ -	SFIX		\$ -	\$ -
18	365.10	ROW - Trans Comp Stat	-	SFIX		-	-
19	365.20	ROW - City Gate	-	SFIX		-	-
20	366.00	Structures and Improvements	-	SFIX		-	-
21	367.00	Mains - Cathodic Protection	-	SFIX		-	-
22	367.01	Mains - Steel	-	SFIX		-	-
23	367.02	Mains - Plastic	-	SFIX		-	-
24	368.00	Compressor Station Equipment	-	SFIX		-	-
25	369.00	M&R Station Equipment	-	SFIX		-	-
26	370.00	Communication Equipment	-	SFIX		-	-
27	371.00	Other Equipment	-	SFIX		-	-
28		Subtotal (Sum Ln 17 through Ln 27)	\$ -			\$ -	\$ -
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)	\$ 253,753,405			\$ 250,862,193	\$ 2,891,212
31							
32	INTANGIBLE PLANT						
33	303.00	Miscellaneous Intangible Plant	\$ -	SFIX		\$ -	\$ -
34		Subtotal (Ln 33)	\$ -			\$ -	\$ -
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights	\$ 17,084	SFIX		\$ 16,890	\$ 195
38	390.00	Structures and Improvements	676,160	SFIX		668,456	7,704
39	391.00	Office Furniture and Equipment	294,459	SFIX		291,104	3,355
40	392.00	Transportation Equipment	134,582	SFIX		133,048	1,533
41	393.00	Stores Equipment	-	SFIX		-	-
42	394.00	Tools, Shop, and Garage Equipment	1,049,737	SFIX		1,037,777	11,960
43	395.00	Laboratory Equipment	18,079	SFIX		17,873	206
44	396.00	Power Operated Equipment	321,661	SFIX		317,996	3,665
45	397.00	Communication Equipment	57,871	SFIX		57,212	659
46	397.02	Communication Equipment - Fixed Radios	9,731	SFIX		9,620	111
47	397.05	Communication Equipment - Telemetry	8,770	SFIX		8,670	100
48	398.00	Miscellaneous Equipment	633,892	SFIX		626,669	7,222
49	399.00	Other Tangible Property	6,792	SFIX		6,714	77
50	399.01	Other Tangible Property - Servers Hardware	67,148	SFIX		66,383	765
51	399.02	Other Tangible Property - Servers Software	100,268	SFIX		99,125	1,142
52	399.03	Other Tangible Property - Network Hardware	8,000	SFIX		7,909	91
53	399.06	Other Tangible Property - PC Hardware	67,321	SFIX		66,554	767
54	399.07	Other Tangible Property - PC Software	39,852	SFIX		39,398	454
55		Shared Services General Office	1,513,093	SFIX		1,495,853	17,240
56		Shared Services Greenville Data Center	612,515	SFIX		605,536	6,979
57		Shared Services Align Pipe Projects	2,076,484	SFIX		2,052,825	23,659
58		Subtotal (Sum Ln 37 through Ln 57)	\$ 7,713,500			\$ 7,625,614	\$ 87,886
59							
60		RWIP	367,637	SPLANT		363,449	4,189
61							
62		Total APT Net Plant (Ln 30 + Ln 34 + Ln 58 + Ln 60)	\$ 261,834,542			\$ 258,851,256	\$ 2,983,287

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL SUMMARY</u>						
2							
3		NET PLANT					
4		Gross Plant	\$ 324,318,160			\$ 320,622,949	\$ 3,695,212
5		Accumulated Depreciation	62,483,618			61,771,693	711,925
6		Non-Current Gas in Storage	16,928,914	SPLANT		16,736,029	192,884
7		Total Net Plant (Ln 4 - Ln 5 + Ln 6)	\$ 278,763,456			\$ 275,587,285	\$ 3,176,171
8							
9		INVESTMENT ADDITIONS					
10		Cash Working Capital	\$ (1,106,311)	SPLANT		\$ (1,093,706)	\$ (12,605)
11		Materials and Supplies	513,655	SPLANT		507,803	5,852
12		Line Pack	-	TPLANT		-	-
13		Working Gas Stored Underground	-	SPLANT		-	-
14		Prepayments	909,867	SPLANT		899,501	10,367
15		Pension and Other Post Employment Benefits Regulatory Asset	1,071,827	SPLANT		1,059,614	12,212
16		Total Investment Additions (Sum Ln 10 through Ln 15)	\$ 1,389,038			\$ 1,373,212	\$ 15,826
17							
18		INVESTMENT DEDUCTIONS					
19		Injuries and Damages Reserve	\$ 19,818	SLABOR		\$ 19,592	\$ 226
20		Accumulated Deferred Income Taxes	47,277,161	SDEFTAX		46,738,495	538,666
21		Rate Base Adjustments	586,066	RATEBASE		567,270	18,796
22		Total Investment Deductions (Sum Ln 19 through Ln 21)	\$ 47,883,045			\$ 47,325,357	\$ 557,688
23							
24		Total Invested Capital (Ln 7 + Ln 16 - Ln 22)	\$ 232,269,449			\$ 229,635,140	\$ 2,634,309

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>OPERATING EXPENSES</u>						
2							
3		OTHER GAS SUPPLY EXPENSES					
4	813	Other Gas Supply Expenses	\$ 901	SFIX	DEMAND	\$ 891	\$ 10
5		Total Other Gas Supply Expenses (Ln 4)	\$ 901			\$ 891	\$ 10
6							
7		UNDERGROUND STORAGE EXPENSES - OPERATION					
8	814	Operation Supervision and Engineering	\$ 1,169,571	SLABOR	DEMAND	\$ 1,156,246	\$ 13,326
9	816	Wells Expenses	1,065,312	SFIX	DEMAND	1,053,174	12,138
10	817	Lines Expenses	13,755	SFIX	DEMAND	13,598	157
11	818	Compressor Station Expenses - FIXED	1,210,712	SFIX	DEMAND	1,196,918	13,795
12	818	Compressor Station Expenses - VARIABLE	1,127,977	SVAR	USAGE	1,080,074	47,902
13	820	Measuring and Regulating Station Expenses	52,901	SFIX	DEMAND	52,298	603
14	821	Purification Expenses	34,791	SFIX	DEMAND	34,394	396
15	824	Other Expenses	730	SFIX	DEMAND	722	8
16		Total UG Storage Expenses - Operation					
		(Sum Ln 8 through Ln 15)	\$ 4,675,749			\$ 4,587,424	\$ 88,325
17							
18		UNDERGROUND STORAGE EXPENSES - MAINTENANCE					
19	831	Maintenance of Structures and Improvements	\$ 1,931	SFIX	DEMAND	\$ 1,909	\$ 22
20	832	Maintenance of Reservoirs and Wells	-	SFIX	DEMAND	-	-
21	834	Maintenance of Compressor Station Equipment - FIXED	800,439	SFIX	DEMAND	791,319	9,120
22	834	Maintenance of Compressor Station Equipment - VARIABLE	3,356,455	SVAR	USAGE	3,213,915	142,540
23	835	Maintenance of Measuring and Regulating Station Equipment	17,671	SFIX	DEMAND	17,470	201
24	836	Maintenance of Purification Equipment	81,276	SFIX	DEMAND	80,349	926
25		Total UG Storage Expenses - Maintenance					
		(Sum Ln 19 through Ln 24)	\$ 4,257,772			\$ 4,104,963	\$ 152,810
26							
27		Total Storage Expenses (Ln 16 + Ln 25)	\$ 8,933,522			\$ 8,692,387	\$ 241,135
28							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29		TRANSMISSION EXPENSES - OPERATION					
30	850	Operation Supervision and Engineering	\$ -	SFIX	DEMAND	\$ -	\$ -
31	851	System Control and Load Dispatching	-	SFIX	DEMAND	-	-
32	852	Communication System Expenses	-	SFIX	DEMAND	-	-
33	853	Compressor Station Labor and Expenses - FIXED	-	SFIX	DEMAND	-	-
34	853	Compressor Station Labor and Expenses - VARIABLE	-	SVAR	USAGE	-	-
35	856	Mains Expenses	-	SFIX	DEMAND	-	-
36	857	Measuring and Regulating Station Expenses	-	SFIX	DEMAND	-	-
37	858	Transmission and Compression of Gas by Others	-	SFIX	USAGE	-	-
38	859	Other Expenses	-	SFIX	DEMAND	-	-
39	860	Rents	-	SFIX	DEMAND	-	-
		Total Transmission Expenses - Operation					
40		(Sum Ln 30 through Ln 39)	\$ -			\$ -	\$ -
41							
42		TRANSMISSION EXPENSES - MAINTENANCE					
43	863	Maintenance of Mains	-	SFIX	DEMAND	-	-
44	864	Maintenance of Compressor Station Equipment - FIXED	-	SFIX	DEMAND	-	-
45	864	Maintenance of Compressor Station Equipment - VARIABLE	-	SVAR	USAGE	-	-
46	865	Maintenance of Measuring and Regulating Station Equipment	-	SFIX	DEMAND	-	-
47	866	Maintenance of Communication Equipment	-	SFIX	DEMAND	-	-
48	867	Maintenance of Other Equipment	-	SFIX	DEMAND	-	-
		Total Transmission Expenses - Maintenance					
49		(Sum Ln 43 through Ln 48)	\$ -			\$ -	\$ -
50							
51		Total Transmission Expenses (Ln 40 + Ln 49)	\$ -			\$ -	\$ -
52							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
53		CUSTOMER ACCOUNTS EXPENSES					
54	902	Meter Reading Expenses	\$ -	CUSTOMERS	DEMAND	\$ -	\$ -
55	904	Uncollectible Accounts	-	CUNCOL	DEMAND	-	-
56	910	Miscellaneous Customer Service and Informational Expenses	-	SFIX	DEMAND	-	-
57	911	Supervision	-	SFIX	DEMAND	-	-
58	912	Demonstrating and Selling Expenses	-	SFIX	DEMAND	-	-
59	913	Advertising Expenses	-	SFIX	DEMAND	-	-
60	916	Miscellaneous Sales Expenses	-	SFIX	DEMAND	-	-
61		Total Customer Accounts Expenses					
		(Sum Ln 54 through Ln 60)	\$ -			\$ -	\$ -
62							
63		ADMINISTRATIVE AND GENERAL EXPENSES					
64	920	Administrative and General Salaries	\$ 169,094	SLABOR	DEMAND	\$ 167,167	\$ 1,927
65	921	Office Supplies and Expenses	80,061	SLABOR	DEMAND	79,149	912
66	922	Administrative Expenses Transferred— Credit	2,669,688	SLABOR	DEMAND	2,639,270	30,418
67	923	Outside Services Employed	177,302	SLABOR	DEMAND	175,282	2,020
68	924	Property Insurance	61,083	SPLANT	DEMAND	60,387	696
69	925	Injuries and Damages	73,218	SLABOR	DEMAND	72,383	834
70	926	Employee Pensions and Benefits	1,328,160	SLABOR	DEMAND	1,313,027	15,133
71	930.2	Miscellaneous General Expenses	(38,669)	SLABOR	DEMAND	(38,229)	(441)
72	931	Rents	42,484	SLABOR	DEMAND	42,000	484
73		Total Admin and General Expenses					
		(Sum Ln 64 through Ln 72)	\$ 4,562,420			\$ 4,510,437	\$ 51,983
74							
75		Total O&M Expense (Ln 5 + Ln 27 + Ln 51 + Ln 61 + Ln 73)	\$ 13,496,843			\$ 13,203,714	\$ 293,128
76							
77		Total O&M Expense Excluding A&G (Ln 75 - Ln 73)	\$ 8,934,423			\$ 8,693,278	\$ 241,145

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		DEPRECIATION EXPENSE, OTHER TAX, OPERATING INCOME					
2							
3		DEPRECIATION EXPENSE					
4		Transmission, Storage, and General Plant	\$ 11,077,272	SPLANT	DEMAND	\$ 10,951,060	\$ 126,212
5		Total Depreciation Expense (Ln 4)	\$ 11,077,272			\$ 10,951,060	\$ 126,212
6							
7		OTHER TAXES					
8		Property-Related Taxes (Ad Valorem)	\$ 2,501,193	SPLANT	DEMAND	\$ 2,472,695	\$ 28,498
9		Property-Related Taxes (Shared Services)	90,501	SPLANT	DEMAND	89,470	1,031
10		Property-Related Taxes (DOT Pipeline Fee)	-	SPLANT	DEMAND	-	-
11		Payroll Related Taxes	309,785	SPLANT	DEMAND	306,255	3,530
12		Total Other Taxes (Sum Ln 8 through Ln 11)	\$ 2,901,479			\$ 2,868,420	\$ 33,059
13							
14		Total Operating Expenses Before FIT					
15		(Page 10, Ln 75 + Ln 5 + Ln 12)	\$ 27,475,593			\$ 27,023,194	\$ 452,399
16		Total Demand O&M	22,991,161		DEMAND	22,729,205	261,956
17		Total Variable O&M	4,484,432		USAGE	4,293,989	190,443
18							
19		STATE/FEDERAL INCOME TAX EXPENSE	8,014,777	RATEBASE	DEMAND	\$ 7,757,727	\$ 257,050
20							
21		Total Operating Expenses					
		(Page 10, Ln 75 + Ln 5 + Ln 12 + Ln 19)	\$ 35,490,370			\$ 34,780,921	\$ 709,449

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	DEVELOPMENT OF LABOR ALLOCATOR						
2							
3	UNDERGROUND STORAGE EXPENSES - OPERATION						
4	814	Operation Supervision and Engineering	\$ 985,283	SFIX		\$ 974,057	\$ 11,226
5	816	Wells Expenses	41,246	SFIX		40,776	470
6	817	Lines Expenses	13,617	SFIX		13,462	155
7	818	Compressor Station Expenses	1,210,712	SFIX		1,196,918	13,795
8	820	Measuring and Regulating Station Expenses	42,199	SFIX		41,718	481
9	821	Purification Expenses	18,518	SFIX		18,307	211
10	824	Other Expenses	-	SFIX		-	-
11	Total UG Storage Expenses - Operation						
	(Sum Ln 4 through Ln 10)		\$ 2,311,575			\$ 2,285,237	\$ 26,338
12							
13	UNDERGROUND STORAGE EXPENSES - MAINTENANCE						
14	832	Maintenance of Reservoirs and Wells	\$ -	SFIX		\$ -	\$ -
15	834	Maintenance of Compressor Station Equipment	800,439	SFIX		791,319	9,120
16	835	Maintenance of Measuring and Regulating Station Equipment	11,999	SFIX		11,862	137
17	836	Maintenance of Purification Equipment	43,119	SFIX		42,628	491
18	Total UG Storage Expenses - Maintenance						
	(Sum Ln 14 through Ln 17)		\$ 855,557			\$ 845,809	\$ 9,748
19							
20	Total UG Storage - O&M Labor (Ln 11 + Ln 18)		\$ 3,167,132			\$ 3,131,046	\$ 36,086
21							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
22		TRANSMISSION EXPENSES - OPERATION					
23	850	Operation Supervision and Engineering	\$ -	SFIX		\$ -	\$ -
24	851	System Control and Load Dispatching	-	SFIX		-	-
25	852	Communication System Expenses	-	SFIX		-	-
26	853	Compressor Station Labor and Expenses	-	SFIX		-	-
27	854	Gas for Compressor Station Fuel	-	SFIX		-	-
28	855	Other Fuel and Power for Compressor Stations	-	SFIX		-	-
29	856	Mains Expenses	-	SFIX		-	-
30	857	Measuring and Regulating Station Expenses	-	SFIX		-	-
31	858	Transmission and Compression of Gas by Others	-	SFIX		-	-
32	859	Other Expenses	-	SFIX		-	-
33	860	Rents	-	SFIX		-	-
		Total Transmission Expenses - Operation					
34		(Sum Ln 23 through Ln 33)	\$ -			\$ -	\$ -
35		TRANSMISSION EXPENSES - MAINTENANCE					
36							
37	861	Maintenance Supervision and Engineering	\$ -	SFIX		\$ -	\$ -
38	863	Maintenance of Mains	-	SFIX		-	-
39	864	Maintenance of Compressor Station Equipment	-	SFIX		-	-
40	865	Maintenance of Measuring and Regulating Station Equipment	-	SFIX		-	-
41	866	Maintenance of Communication Equipment	-	SFIX		-	-
42	867	Maintenance of Other Equipment	-	SFIX		-	-
		Total Transmission Expenses - Maintenance					
43		(Sum Ln 37 through Ln 42)	\$ -			\$ -	\$ -
44		Total Transmission O&M Labor (Ln 34 + Ln 43)	\$ -			\$ -	\$ -
45							
46		Total Functional Labor - O&M (Ln 20 + Ln 45)	\$ 3,167,132			\$ 3,131,046	\$ 36,086
47							
48							
49		CUSTOMER ACCOUNTS EXPENSES					
50	902	Meter Reading Expenses	\$ -	CUSTOMERS		\$ -	\$ -
51	904	Uncollectible Accounts	-	CUNCOL		-	-
52	910	Miscellaneous Customer Service and Informational Expenses	-	SFIX		-	-
53	911	Supervision	-	SFIX		-	-
54	912	Demonstrating and Selling Expenses	-	SFIX		-	-
55	916	Miscellaneous Sales Expenses	-	SFIX		-	-
		Total Customer Accounts Expenses					
56		(Sum Ln 50 through Ln 55)	\$ -			\$ -	\$ -
57							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
58		ADMINISTRATIVE AND GENERAL EXPENSES					
59	920	Administrative and General Salaries	\$ 175,409	SLABXAG		\$ 173,410	\$ 1,999
60	921	Office Supplies and Expenses	-	SLABXAG		-	-
61	922	Administrative Expenses Transferred— Credit	-	SLABXAG		-	-
62	923	Outside Services Employed	-	SLABXAG		-	-
63	924	Property Insurance	-	SPLANT		-	-
64	925	Injuries and Damages	-	SLABXAG		-	-
65	926	Employee Pensions and Benefits	-	SLABXAG		-	-
66	928	Regulatory Commission Expenses	-	SLABXAG		-	-
67	930.2	Miscellaneous General Expenses	-	SLABXAG		-	-
68	931	Rents	-	SLABXAG		-	-
69	932	Maintenance of General Plant	-	SPLANT		-	-
70		Total Admin and General Expenses (Sum Ln 59 through Ln 69)	\$ 175,409			\$ 173,410	\$ 1,999
71							
72		Total O&M Expense Labor (Sum Ln 47 + Ln 56 + Ln 70)	\$ 3,342,541			\$ 3,304,457	\$ 38,084
73							
74		Total O&M Expense Labor Excluding A&G (Sum Ln 47 + Ln 56)	\$ 3,167,132			\$ 3,131,046	\$ 36,086
75							
76		Total O&M Direct Labor (Ln 74 - Ln 4 - Ln 23 - Ln 37)	\$ 2,181,849			\$ 2,156,989	\$ 24,860
77							
78		Total Storage O&M Expense Labor	24.77%			25.03%	12.99%
79							
80		Total Storage O&M Expense Labor Excluding A&G	35.45%			36.02%	14.96%
81							
82		Total Storage O&M Direct Labor	28.10%			28.62%	10.91%

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ALLOCATION OF STORAGE COSTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Total Storage	AF Label	Classifier	CGS	PT
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>RETURN ON RATE BASE</u>						
2							
3		TOTAL INVESTED CAPITAL	\$ 232,269,449			\$ 229,635,140	\$ 2,634,309
4			8.87%			8.87%	8.87%
5			<u>\$ 20,606,946</u>			<u>\$ 20,373,230</u>	<u>\$ 233,716</u>
6							
7		TOTAL OPERATING EXPENSE	27,475,593			27,023,194	452,399
8							
9		INCOME TAX	8,014,777			7,757,727	257,050
10							
11		TOTAL REVENUE REQUIREMENT	<u>\$ 56,097,316</u>			<u>\$ 55,154,151</u>	<u>\$ 943,165</u>

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEVELOPMENT OF STORAGE ALLOCATOR
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Classifier	Reference	Amount	(e)	Allocations	(g)	(h)
	(a)	(b)	(c)	(d)		(f)		
1	<u>ALLOCATOR FOR FIXED STORAGE COSTS</u>							
2								
3	Adjustment		Schedule H-1, Page 7, Line 24	\$ 232,269,449				
4	Rate of Return		Schedule G, Line 20	8.87%				
5	Return on Rate Base		Line 3 x Line 4	\$ 20,606,946				
6	Fixed Storage Expenses		Schedule H-3, Page 11, Line 17	22,991,161				
7	Total Fixed Storage Costs		Sum (Ln 5 + Ln 6)	<u>\$ 43,598,107</u>				
8								
9								
10						Allocation to System and 3rd Party Storage		
11						CGS Storage	System & 3rd Party Storage	
12	<u>Fixed Storage Costs</u>							
13	Capacity	0.5	Line 7 x Classifier	\$ 21,799,053	90.51%	\$ 19,729,583	9.49%	\$ 2,069,470
14	Deliverability	0.5	Line 7 x Classifier	21,799,053	90.68%	19,766,575	9.32%	2,032,479
15	Total Fixed Storage Costs		Sum (Ln 13 + Ln 14)	<u>\$ 43,598,107</u>		<u>\$ 39,496,158</u>		<u>\$ 4,101,949</u>
16								
17								
18						Allocation to Rate Classes		
19						Allocator	CGS	PT
20	<u>Allocation of Fixed Storage Costs</u>							
21	Fixed CGS Storage Cost			\$ 39,496,158	CGS	\$ 39,496,158	\$ -	
22	Fixed System & 3rd Party			4,101,949	THRUPT	3,605,201	496,747	
23	Total Fixed Storage Cost		Sum (Ln 21 + Ln 22)	<u>\$ 43,598,107</u>		<u>\$ 43,101,360</u>	<u>\$ 496,747</u>	
24	Fixed Storage Cost Allocator					98.86%	1.14%	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
DEVELOPMENT OF STORAGE ALLOCATOR
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Classifier	Reference	Amount	(e)	Allocations	(g)	(h)
	(a)	(b)	(c)	(d)		(f)		
1	<u>ALLOCATOR FOR VARIABLE STORAGE COSTS</u>							
2								
3						Allocation to System and 3rd Party Storage		
4						CGS Storage	System & 3rd Party Storage	
5	Variable Storage Costs		Schedule H-3, Page 11, Line 18	\$ 4,484,432	64.93%	\$ 2,911,828	35.07%	\$ 1,572,604
6								
7								
8						Allocation to Rate Classes		
9						Allocator	CGS	PT
10	<u>Allocation of Variable Storage Costs</u>							
11	Variable CGS Storage Cost			\$ 2,911,828	CGS	\$ 2,911,828	\$ -	
12	Variable System & 3rd Party			1,572,604	THRUPT	1,382,160.90	190,442.89	
13	Total Variable Storage Cost		Sum (Ln 11 + Ln 12)	<u>\$ 4,484,432</u>		<u>\$ 4,293,989</u>	<u>\$ 190,443</u>	
14	Variable Storage Cost Allocator					95.75%	4.25%	
15								
16								
17	<u>SYSTEM STORAGE ALLOCATORS</u>							
18						Working Gas Capacity (1)	Max. Withdrawl Capacity (1)	TY Injection/Withdrawl (2)
19	Total Capacity/Usage					(MMcf)	(MMcf)	(MMBtu)
20	CGS Capacity/Usage					39,243	1,434	28,715,859
21	Net of CGS Capacity/Usage		Ln 19 - Ln 20			35,518	1,300	18,645,761
22	System and 3rd Party % of Capacity		Ln 21 / Ln 19			3,726	134	10,070,098
23						9.49%	9.32%	35.07%
24	<u>Notes:</u>							
25	1. Per Relied File, "Schedule I_Billing Determinants Study".							
26	2. Per Relied File, "FY16 Class Cost of Service Workpapers.xlsx".							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		<u>INVESTED CAPITAL - GROSS PLANT</u>					
2		Adjustment					
3		STORAGE PLANT					
4	350.00	Land and Land Rights		\$ -	\$ -	\$ -	\$ -
5	350.10	Land		5,515,389	5,452,548	62,841	-
6	350.20	Rights-of-Way		32,592	32,220	371	-
7	351.00	Structures and Improvements		24,635,344	24,354,654	280,690	-
8	352.00	Wells		78,403,027	77,509,720	893,307	-
9	353.00	Lines		13,256,043	13,105,006	151,037	-
10	354.00	Compressor Station Equipment		88,256,841	87,251,262	1,005,580	-
11	355.00	M&R Equipment		50,663,680	50,086,429	577,251	-
12	356.00	Purification Equipment		49,947,598	49,378,506	569,092	-
13	357.00	Other Equipment		621,183	614,105	7,078	-
14		Subtotal (Sum Ln 4 through Ln 13)		\$ 311,331,697	\$ 307,784,450	\$ 3,547,247	\$ -
15							
16		TRANSMISSION PLANT					
17	365.00	Land		\$ 1,232,270	\$ 1,188,606	\$ 43,664	\$ -
18	365.10	ROW - Trans Comp Stat		-	-	-	-
19	365.20	ROW - City Gate		18,983,795	18,311,127	672,667	-
20	366.00	Structures and Improvements		11,472,463	11,065,951	406,513	-
21	367.00	Mains - Cathodic Protection		200,439,413	193,337,089	7,102,324	-
22	367.01	Mains - Steel		1,431,528,224	1,380,803,783	50,724,441	-
23	367.02	Mains - Plastic		11,591,352	11,180,627	410,725	-
24	368.00	Compressor Station Equipment		150,061,066	144,743,837	5,317,229	-
25	369.00	M&R Station Equipment		228,773,444	220,667,138	8,106,306	-
26	370.00	Communication Equipment		14,144,928	13,643,720	501,208	-
27	371.00	Other Equipment		4,923,427	4,748,972	174,456	-
28		Subtotal (Sum Ln 17 through Ln 27)		\$ 2,073,150,383	\$ 1,999,690,850	\$ 73,459,533	\$ -
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)		\$ 2,384,482,080	\$ 2,307,475,300	\$ 77,006,780	\$ -
31							
32		INTANGIBLE PLANT					
33	303.00	Miscellaneous Intangible Plant		\$ 6,238,271	\$ 6,037,725	\$ 200,546	\$ -
34		Subtotal (Ln 33)		\$ 6,238,271	\$ 6,037,725	\$ 200,546	\$ -
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights		\$ 124,981	\$ 120,964	\$ 4,018	\$ -
38	390.00	Structures and Improvements		6,285,064	6,083,015	202,050	-
39	391.00	Office Furniture and Equipment		4,878,716	4,721,877	156,839	-
40	392.00	Transportation Equipment		1,562,956	1,512,711	50,245	-
41	393.00	Stores Equipment		-	-	-	-
42	394.00	Tools, Shop, and Garage Equipment		9,846,323	9,529,787	316,536	-
43	395.00	Laboratory Equipment		172,645	167,095	5,550	-
44	396.00	Power Operated Equipment		3,054,342	2,956,152	98,190	-
45	397.00	Communication Equipment		736,092	712,429	23,664	-
46	397.02	Communication Equipment - Fixed Radios		80,513	77,925	2,588	-
47	397.05	Communication Equipment - Telemetry		114,680	110,993	3,687	-
48	398.00	Miscellaneous Equipment		8,193,622	7,930,216	263,405	-
49	399.00	Other Tangible Property		71,172	68,884	2,288	-
50	399.01	Other Tangible Property - Servers Hardware		612,444	592,756	19,689	-
51	399.02	Other Tangible Property - Servers Software		1,408,668	1,363,382	45,285	-
52	399.03	Other Tangible Property - Network Hardware		71,397	69,102	2,295	-
53	399.06	Other Tangible Property - PC Hardware		793,661	768,147	25,514	-
54	399.07	Other Tangible Property - PC Software		794,975	769,418	25,557	-
55		Shared Services General Office		27,471,570	26,588,424	883,146	-
56		Shared Services Greenville Data Center		6,449,777	6,242,432	207,345	-
57		Shared Services Align Pipe Projects		16,041,414	15,525,720	515,693	-
58		Subtotal (Sum Ln 37 through Ln 57)		\$ 88,765,013	\$ 85,911,428	\$ 2,853,585	\$ -
59							
60		Total APT Gross Plant (Ln 30 + Ln 34 + Ln 58)		\$ 2,479,485,364	\$ 2,399,424,454	\$ 80,060,910	\$ -

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL - ACCUMULATED DEPRECIATION</u>						
2							
3		STORAGE PLANT					
4	350.00	Land and Land Rights		\$ -	\$ -	\$ -	\$ -
5	350.10	Land		-	-	-	-
6	350.20	Rights-of-Way		14,767	14,599	168	-
7	351.00	Structures and Improvements		5,855,602	5,788,885	66,717	-
8	352.00	Wells		14,298,665	14,135,749	162,916	-
9	353.00	Lines		3,699,870	3,657,715	42,156	-
10	354.00	Compressor Station Equipment		18,665,963	18,453,287	212,676	-
11	355.00	M&R Equipment		7,776,600	7,687,995	88,605	-
12	356.00	Purification Equipment		7,059,844	6,979,406	80,438	-
13	357.00	Other Equipment		206,980	204,622	2,358	-
14		Subtotal (Sum Ln 4 through Ln 13)		\$ 57,578,292	\$ 56,922,257	\$ 656,035	\$ -
15							
16		TRANSMISSION PLANT					
17	365.00	Land		\$ -	\$ -	\$ -	\$ -
18	365.10	ROW - Trans Comp Stat		-	-	-	-
19	365.20	ROW - City Gate		5,589,104	5,391,061	198,043	-
20	366.00	Structures and Improvements		3,140,237	3,028,966	111,270	-
21	367.00	Mains - Cathodic Protection		52,390,846	50,534,441	1,856,405	-
22	367.01	Mains - Steel		238,931,308	230,465,071	8,466,237	-
23	367.02	Mains - Plastic		1,485,678	1,433,035	52,643	-
24	368.00	Compressor Station Equipment		42,356,758	40,855,898	1,500,860	-
25	369.00	M&R Station Equipment		55,590,538	53,620,756	1,969,782	-
26	370.00	Communication Equipment		4,671,498	4,505,969	165,529	-
27	371.00	Other Equipment		1,942,900	1,874,056	68,844	-
28		Subtotal (Sum Ln 17 through Ln 27)		\$ 406,098,867	\$ 391,709,254	\$ 14,389,614	\$ -
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)		\$ 463,677,159	\$ 448,631,511	\$ 15,045,648	\$ -
31							
32		INTANGIBLE PLANT					
33	303.00	Miscellaneous Intangible Plant		\$ 6,238,271	\$ 6,037,725	\$ 200,546	\$ -
34		Subtotal (Ln 33)		\$ 6,238,271	\$ 6,037,725	\$ 200,546	\$ -
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights		\$ -	\$ -	\$ -	\$ -
38	390.00	Structures and Improvements		1,338,571	1,295,539	43,032	-
39	391.00	Office Furniture and Equipment		2,724,584	2,636,996	87,589	-
40	392.00	Transportation Equipment		578,415	559,820	18,595	-
41	393.00	Stores Equipment		-	-	-	-
42	394.00	Tools, Shop, and Garage Equipment		2,166,906	2,097,245	69,661	-
43	395.00	Laboratory Equipment		40,384	39,086	1,298	-
44	396.00	Power Operated Equipment		701,214	678,671	22,542	-
45	397.00	Communication Equipment		312,733	302,679	10,054	-
46	397.02	Communication Equipment - Fixed Radios		9,323	9,024	300	-
47	397.05	Communication Equipment - Telemetry		50,520	48,896	1,624	-
48	398.00	Miscellaneous Equipment		3,556,347	3,442,019	114,328	-
49	399.00	Other Tangible Property		21,487	20,796	691	-
50	399.01	Other Tangible Property - Servers Hardware		121,216	117,319	3,897	-
51	399.02	Other Tangible Property - Servers Software		675,152	653,447	21,705	-
52	399.03	Other Tangible Property - Network Hardware		12,875	12,461	414	-
53	399.06	Other Tangible Property - PC Hardware		301,166	291,485	9,682	-
54	399.07	Other Tangible Property - PC Software		503,432	487,248	16,184	-
55		Shared Services General Office		16,402,442	15,875,143	527,300	-
56		Shared Services Greenville Data Center		1,968,887	1,905,592	63,295	-
57		Shared Services Aligned Pipe Projects		850,769	823,419	27,350	-
58		Subtotal (Sum Ln 37 through Ln 57)		\$ 32,336,423	\$ 31,296,884	\$ 1,039,539	\$ -
59							
60		RWIP		\$ (2,689,475)	\$ (2,603,015)	\$ (86,460)	\$ -
61							
62		Total APT Accumulated Depreciation					
		(Ln 30 + Ln 34 + Ln 58 + Ln 60)		\$ 499,562,378	\$ 483,363,105	\$ 16,199,273	\$ -

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL - NET PLANT</u>						
2							
3		STORAGE PLANT					
4	350.00	Land and Land Rights		\$ -	\$ -	\$ -	\$ -
5	350.10	Land		5,515,389	5,452,548	62,841	-
6	350.20	Rights-of-Way		17,824	17,621	203	-
7	351.00	Structures and Improvements		18,779,742	18,565,770	213,972	-
8	352.00	Wells		64,104,362	63,373,971	730,391	-
9	353.00	Lines		9,556,173	9,447,292	108,881	-
10	354.00	Compressor Station Equipment		69,590,878	68,797,975	792,904	-
11	355.00	M&R Equipment		42,887,080	42,398,433	488,646	-
12	356.00	Purification Equipment		42,887,754	42,399,100	488,654	-
13	357.00	Other Equipment		414,203	409,484	4,719	-
14		Subtotal (Sum Ln 4 through Ln 13)		\$ 253,753,405	\$ 250,862,193	\$ 2,891,212	\$ -
15							
16		TRANSMISSION PLANT					
17	365.00	Land		\$ 1,232,270	\$ 1,188,606	\$ 43,664	\$ -
18	365.10	ROW - Trans Comp Stat		-	-	-	-
19	365.20	ROW - City Gate		13,394,690	12,920,066	474,624	-
20	366.00	Structures and Improvements		8,332,227	8,036,984	295,242	-
21	367.00	Mains - Cathodic Protection		148,048,567	142,802,648	5,245,919	-
22	367.01	Mains - Steel		1,192,596,916	1,150,338,712	42,258,204	-
23	367.02	Mains - Plastic		10,105,674	9,747,592	358,082	-
24	368.00	Compressor Station Equipment		107,704,308	103,887,939	3,816,370	-
25	369.00	M&R Station Equipment		173,182,906	167,046,382	6,136,523	-
26	370.00	Communication Equipment		9,473,431	9,137,751	335,679	-
27	371.00	Other Equipment		2,980,527	2,874,916	105,611	-
28		Subtotal (Sum Ln 17 through Ln 27)		\$ 1,667,051,516	\$ 1,607,981,597	\$ 59,069,919	\$ -
29							
30		Total Functional Plant in Service (Ln 14 + Ln 28)		\$ 1,920,804,921	\$ 1,858,843,790	\$ 61,961,131	\$ -
31							
32		INTANGIBLE PLANT					
33	303.00	Miscellaneous Intangible Plant		\$ -	\$ -	\$ -	\$ -
34		Subtotal (Ln 33)		\$ -	\$ -	\$ -	\$ -
35							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
36		GENERAL PLANT					
37	389.00	Land and Land Rights		\$ 124,981	\$ 120,964	\$ 4,018	\$ -
38	390.00	Structures and Improvements		4,946,493	4,787,475	159,018	-
39	391.00	Office Furniture and Equipment		2,154,132	2,084,881	69,250	-
40	392.00	Transportation Equipment		984,541	952,891	31,651	-
41	393.00	Stores Equipment		-	-	-	-
42	394.00	Tools, Shop, and Garage Equipment		7,679,417	7,432,542	246,875	-
43	395.00	Laboratory Equipment		132,261	128,009	4,252	-
44	396.00	Power Operated Equipment		2,353,128	2,277,481	75,647	-
45	397.00	Communication Equipment		423,359	409,749	13,610	-
46	397.02	Communication Equipment - Fixed Radios		71,190	68,901	2,289	-
47	397.05	Communication Equipment - Telemetry		64,160	62,098	2,063	-
48	398.00	Miscellaneous Equipment		4,637,275	4,488,197	149,077	-
49	399.00	Other Tangible Property		49,685	48,088	1,597	-
50	399.01	Other Tangible Property - Servers Hardware		491,229	475,437	15,792	-
51	399.02	Other Tangible Property - Servers Software		733,516	709,935	23,581	-
52	399.03	Other Tangible Property - Network Hardware		58,523	56,641	1,881	-
53	399.06	Other Tangible Property - PC Hardware		492,494	476,662	15,833	-
54	399.07	Other Tangible Property - PC Software		291,542	282,170	9,372	-
55		Shared Services General Office		11,069,128	10,713,281	355,846	-
56		Shared Services Greenville Data Center		4,480,889	4,336,839	144,050	-
57		Shared Services Align Pipe Projects		15,190,645	14,702,302	488,343	-
58		Subtotal (Sum Ln 37 through Ln 57)		\$ 56,428,590	\$ 54,614,545	\$ 1,814,045	\$ -
59							
60		RWIP		\$ 2,689,475	\$ 2,603,015	\$ 86,460	\$ -
61							
62		Total APT Net Plant (Ln 30 + Ln 34 + Ln 58 + Ln 60)		\$ 1,979,922,986	\$ 1,916,061,349	\$ 63,861,637	\$ -

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>INVESTED CAPITAL SUMMARY</u>						
2							
3		NET PLANT					
4		Gross Plant		\$ 2,479,485,364	\$ 2,399,424,454	\$ 80,060,910	\$ -
5		Accumulated Depreciation		499,562,378	483,363,105	16,199,273	-
6		Non-Current Gas in Storage		16,928,914	16,736,029	192,884	-
7		Total Net Plant (Ln 4 - Ln 5 + Ln 6)		\$ 1,996,851,900	\$ 1,932,797,378	\$ 64,054,521	\$ -
8							
9		INVESTMENT ADDITIONS					
10		Cash Working Capital		\$ (8,093,285)	\$ (7,833,105)	\$ (260,180)	\$ -
11		Materials and Supplies		3,757,677	3,636,877	120,800	-
12		Line Pack		4,385,237	4,229,851	155,385	-
13		Working Gas Stored Underground		106,038,127	-	-	106,038,127
14		Prepayments		6,656,192	6,442,211	213,981	-
15		Pension and Other Post Employment Benefits Regulatory Asset		6,567,664	6,360,713	206,950	-
16		Total Investment Additions (Sum Ln 10 through Ln 15)		\$ 119,311,611	\$ 12,836,547	\$ 436,937	\$ 106,038,127
17							
18		INVESTMENT DEDUCTIONS					
19		Injuries and Damages Reserve		\$ 121,434	\$ 117,608	\$ 3,826	\$ -
20		Accumulated Deferred Income Taxes		344,850,951	333,768,124	11,082,827	-
21		Rate Base Adjustments		3,591,145	3,475,970	115,175	-
22		Total Investment Deductions (Sum Ln 19 through Ln 21)		\$ 348,563,530	\$ 337,361,701	\$ 11,201,829	\$ -
23							
24		Total Invested Capital (Ln 7 + Ln 16 - Ln 22)	DEMANDRB	\$ 1,767,599,981	\$ 1,608,272,224	\$ 53,289,630	\$ 106,038,127

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>OPERATING EXPENSES</u>						
2							
3		OTHER GAS SUPPLY EXPENSES					
4	813	Other Gas Supply Expenses	DEMAND	\$ 6,592	\$ 6,380	\$ 212	\$ -
5		Total Other Gas Supply Expenses (Ln 4)		\$ 6,592	\$ 6,380	\$ 212	\$ -
6							
7		UNDERGROUND STORAGE EXPENSES - OPERATION					
8	814	Operation Supervision and Engineering	DEMAND	\$ 1,169,571	\$ 1,156,246	\$ 13,326	\$ -
9	816	Wells Expenses	DEMAND	1,065,312	1,053,174	12,138	-
10	817	Lines Expenses	DEMAND	13,755	13,598	157	-
11	818	Compressor Station Expenses - FIXED	DEMAND	1,210,712	1,196,918	13,795	-
12	818	Compressor Station Expenses - VARIABLE	USAGE	1,127,977	1,080,074	47,902	-
13	820	Measuring and Regulating Station Expenses	DEMAND	52,901	52,298	603	-
14	821	Purification Expenses	DEMAND	34,791	34,394	396	-
15	824	Other Expenses	DEMAND	730	722	8	-
16		Total UG Storage Expenses - Operation					
		(Sum Ln 8 through Ln 15)		\$ 4,675,749	\$ 4,587,424	\$ 88,325	\$ -
17							
18		UNDERGROUND STORAGE EXPENSES - MAINTENANCE					
19	831	Maintenance of Structures and Improvements	DEMAND	\$ 1,931	\$ 1,909	\$ 22	\$ -
20	832	Maintenance of Reservoirs and Wells	DEMAND	-	-	-	-
21	834	Maintenance of Compressor Station Equipment - FIXED	DEMAND	800,439	791,319	9,120	-
22	834	Maintenance of Compressor Station Equipment - VARIABLE	USAGE	3,356,455	3,213,915	142,540	-
23	835	Maintenance of Measuring and Regulating Station Equipment	DEMAND	17,671	17,470	201	-
24	836	Maintenance of Purification Equipment	DEMAND	81,276	80,349	926	-
25		Total UG Storage Expenses - Maintenance					
		(Sum Ln 19 through Ln 24)		\$ 4,257,772	\$ 4,104,963	\$ 152,810	\$ -
26							
27		Total Storage Expenses (Ln 16 + Ln 25)		\$ 8,933,522	\$ 8,692,387	\$ 241,135	\$ -
28							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29		TRANSMISSION EXPENSES - OPERATION					
30	850	Operation Supervision and Engineering	DEMAND	\$ 314,350	\$ 303,212	\$ 11,139	\$ -
31	851	System Control and Load Dispatching	DEMAND	1,728,036	1,666,805	61,231	-
32	852	Communication System Expenses	DEMAND	1,982,902	1,912,641	70,262	-
33	853	Compressor Station Labor and Expenses - FIXED	DEMAND	521,926	503,432	18,494	-
34	853	Compressor Station Labor and Expenses - VARIABLE	USAGE	193,559	170,119	23,440	-
35	856	Mains Expenses	DEMAND	76,672,780	73,955,974	2,716,806	-
36	857	Measuring and Regulating Station Expenses	DEMAND	1,891,662	1,824,633	67,029	-
37	858	Transmission and Compression of Gas by Others	USAGE	98,867	86,894	11,973	-
38	859	Other Expenses	DEMAND	33,711	32,517	1,195	-
39	860	Rents	DEMAND	141,228	136,223	5,004	-
40		Total Transmission Expenses - Operation					
		(Sum Ln 30 through Ln 39)		\$ 83,579,021	\$ 80,592,450	\$ 2,986,571	\$ -
41							
42		TRANSMISSION EXPENSES - MAINTENANCE					
43	863	Maintenance of Mains	DEMAND	\$ 1,666,305	\$ 1,607,261	\$ 59,043	\$ -
44	864	Maintenance of Compressor Station Equipment - FIXED	DEMAND	361,217	348,418	12,799	-
45	864	Maintenance of Compressor Station Equipment - VARIABLE	USAGE	1,141,166	1,002,970	138,196	-
46	865	Maintenance of Measuring and Regulating Station Equipment	DEMAND	624,905	602,762	22,143	-
47	866	Maintenance of Communication Equipment	DEMAND	160,951	155,248	5,703	-
48	867	Maintenance of Other Equipment	DEMAND	132,082	127,402	4,680	-
49		Total Transmission Expenses - Maintenance					
		(Sum Ln 43 through Ln 48)		\$ 4,086,626	\$ 3,844,061	\$ 242,564	\$ -
50							
51		Total Transmission Expenses (Ln 40 + Ln 49)		\$ 87,665,647	\$ 84,436,512	\$ 3,229,135	\$ -
52							

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
53		CUSTOMER ACCOUNTS EXPENSES					
54	902	Meter Reading Expenses	DEMAND	\$ -	\$ -	\$ -	\$ -
55	904	Uncollectible Accounts	DEMAND	(9,169)	-	(9,169)	-
56	910	Miscellaneous Customer Service and Informational Expenses	DEMAND	1,432,016	1,381,274	50,742	-
57	911	Supervision	DEMAND	108	104	4	-
58	912	Demonstrating and Selling Expenses	DEMAND	2,450	2,363	87	-
59	913	Advertising Expenses	DEMAND	6	5	0	-
60	916	Miscellaneous Sales Expenses	DEMAND	1,350,128	1,302,288	47,840	-
61		Total Customer Accounts Expenses					
		(Sum Ln 54 through Ln 60)		\$ 2,775,538	\$ 2,686,034	\$ 89,504	\$ -
62							
63		ADMINISTRATIVE AND GENERAL EXPENSES					
64	920	Administrative and General Salaries	DEMAND	\$ 1,036,130	\$ 1,003,481	\$ 32,649	\$ -
65	921	Office Supplies and Expenses	DEMAND	490,576	475,118	15,458	-
66	922	Administrative Expenses Transferred— Credit	DEMAND	16,358,629	15,843,160	515,469	-
67	923	Outside Services Employed	DEMAND	1,086,424	1,052,191	34,234	-
68	924	Property Insurance	DEMAND	446,860	432,494	14,365	-
69	925	Injuries and Damages	DEMAND	448,644	434,507	14,137	-
70	926	Employee Pensions and Benefits	DEMAND	8,138,356	7,881,913	256,444	-
71	930.2	Miscellaneous General Expenses	DEMAND	(236,947)	(229,481)	(7,466)	-
72	931	Rents	DEMAND	260,320	252,118	8,203	-
73		Total Admin and General Expenses					
		(Sum Ln 64 through Ln 72)		\$ 28,028,993	\$ 27,145,501	\$ 883,492	\$ -
74							
75		Total O&M Expense (Ln 5 + Ln 27 + Ln 51 + Ln 61 + Ln 73)		\$ 127,410,291	\$ 122,966,813	\$ 4,443,478	\$ -
76							
77		Total O&M Expense Excluding A&G (Ln 75 - Ln 73)		\$ 99,381,298	\$ 95,821,313	\$ 3,559,986	\$ -

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
TOTAL ALLOCATED COST
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Account Number	Account Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		DEPRECIATION EXPENSE, OTHER TAX, OPERATING INCOME					
2							
3		DEPRECIATION EXPENSE					
4		Transmission, Storage, and General Plant	DEMAND	\$ 81,036,473	\$ 78,431,343	\$ 2,605,130	\$ -
5		Total Depreciation Expense (Ln 4)		\$ 81,036,473	\$ 78,431,343	\$ 2,605,130	\$ -
6							
7		OTHER TAXES					
8		Property-Related Taxes (Ad Valorem)	DEMAND	\$ 19,560,136	\$ 17,709,410	\$ 588,226	\$ 1,262,500
9		Property-Related Taxes (Shared Services)	DEMAND	662,063	640,779	21,284	-
10		Property-Related Taxes (DOT Pipeline Fee)	DEMAND	1,859,586	1,793,694	65,892	-
11		Payroll Related Taxes	DEMAND	1,898,221	1,838,407	59,814	-
12		Total Other Taxes (Sum Ln 8 through Ln 11)		\$ 23,980,006	\$ 21,982,290	\$ 735,215	\$ 1,262,500
13							
14		Total Operating Expenses Before FIT (Page 10, Ln 75 + Ln 5 + Ln 12)		\$ 232,426,770	\$ 223,380,447	\$ 7,783,824	\$ 1,262,500
15							
16		STATE/FEDERAL INCOME TAX EXPENSE	DEMAND	60,993,470	55,495,646	1,838,832	3,658,992
17							
18		Total Demand O&M	DEMAND	287,502,216	273,322,120	9,258,604	4,921,492
19		Total Usage O&M	USAGE	5,918,024	5,553,973	364,051	-
20							
21		Total Operating Expenses (Page 10, Ln 75 + Ln 5 + Ln 12 + Ln 16)		\$ 293,420,240	\$ 278,876,093	\$ 9,622,656	\$ 4,921,492

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
RRC TAX ALLOCATION
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	TOTAL PIPELINE	TOTAL CITY GATE	TOTAL TRANSPORT	MID-TEX ONLY	Reference
	(a)	(b)	(c)	(d)	(e)	(f)
1	Rate Base	\$ 1,767,599,981	\$ 1,608,272,224	\$ 53,289,630	\$ 106,038,127	Schedule H-4, Page 7, Line 24
2	Adjustment		8.872%	8.872%	8.872%	Schedule G, Line 20
3	Return on Rate Base (Ln 1 times Ln 2)	\$ 156,821,470	\$ 142,685,912	\$ 4,727,856	\$ 9,407,703	
4	Total Operating Expenses	293,420,240	278,876,093	9,622,656	4,921,492	Schedule H-4, Page 11, Line 23
5	Total Revenue Requirement (Ln 3 + Ln 4)	\$ 450,241,710	\$ 421,562,005	\$ 14,350,512	\$ 14,329,194	
6			96.71%	3.29%		
7						
8	Less: Other Revenue Credit	69,411,586	67,126,514	2,285,073	-	Schedule K-4, Col (c), Line 11
9	Total Costs Excl Revenue Credit (Ln 5 - Ln 8)	380,830,124	354,435,491	12,065,439	14,329,194	
10			93.07%	3.17%	3.76%	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
ADJUSTED BILLING DETERMINANTS
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Rate Class	MDQ (12 Month)			Volume		
		Base Year	Adjustment	Test Year	Base Year	Adjustment	Test Year
1	City Gate Service (CGS)						
2	Adjustment	32,392,056	401,244	32,793,300	171,830,360	20,637,688	192,468,048
3							
4	Other CGS						
5	Coserv	1,401,480	97,320	1,498,800	5,721,445	(33,901)	5,687,544
6	Texas Gas	90,000	-	90,000	191,368	545,225	736,593
7	Navasota	36,000	-	36,000	489,570	-	489,570
8	Terra Gas	5,460	-	5,460	4,471	1,050	5,521
9	Rising Star	2,700	-	2,700	17,414	-	17,414
10	WTG	2,280	-	2,280	6,471	18	6,489
11	Corix Utilities (1)	2,076	-	2,076	10,974	-	10,974
12							
13	Total CGS	33,932,052	498,564	34,430,616	178,272,073	21,150,080	199,422,153
14							
15	Pipeline Transportation (PT)						
16	Industrial (Rate PT)	1,916,220	(229,788)	1,686,432	31,178,385	(3,700,737)	27,477,648
17							
18	Total PT	1,916,220	(229,788)	1,686,432	31,178,385	(3,700,737)	27,477,648
19							
20	Total Billing Units	35,848,272	268,776	36,117,048	209,450,458	17,449,343	226,899,801
21							
22	<u>For Allocation Purposes Only:</u>						
23	PT Interruptible Adjustment (Ln 18 x 75%)		75.0%	1,264,824			
24							
25	<u>Note:</u>						
26	1. Corix Utilities, formerly Mitchell County, Assignment and Assumption Agreement effective August 23, 2016.						

Data Source:
Schedule I_Billing Determinants Study.xlsx

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
RATE DESIGN
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Classified	TOTAL PIPELINE	TOTAL CGS	TOTAL PT	TOTAL MID-TEX WGIS	Reference
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>COSTS</u>							
1	Adjustment	DEMANDRB	\$ 1,767,599,981	\$ 1,608,272,224	\$ 53,289,630	\$ 106,038,127	Schedule H-4, Page 7, Line 24
2	Overall Rate of Return			8.87%	8.87%	8.87%	Schedule H, Line 9 / Line 4
3	Demand Return on Rate Base		\$ 156,813,317	\$ 142,678,493	\$ 4,727,610	\$ 9,407,214	Line 1 times Line 2
4	Demand Expenses	DEMAND	287,502,216	273,322,120	9,258,604	4,921,492	Schedule H-4, Page 11, Line 19
5	Total Demand Costs		\$ 444,315,533	\$ 416,000,613	\$ 13,986,214	\$ 14,328,705	Line 3 + Line 4
6	Less: Other Revenue Credit		69,411,586	67,126,514	2,285,073	-	Schedule H, Line 13
7	Total Costs for Demand Charge		\$ 374,903,946	\$ 348,874,100	\$ 11,701,142	\$ 14,328,705	Line 5 - Line 6
8							
9	Usage Costs	USAGE	5,918,024	5,553,973	364,051	-	Schedule H-4, Page 11, Line 20
10							
11	Base Revenue Requirement		\$ 450,233,557	\$ 421,554,586	\$ 14,350,266	\$ 14,328,705	Line 5 + Line 9
12	Less: Other Revenue Credit		69,411,586	67,126,514	2,285,073	-	Line 6
13	Total Revenue Requirement Excl. Other Transport Rev.		\$ 380,821,971	\$ 354,428,073	\$ 12,065,193	\$ 14,328,705	Line 11 - Line 12
14							
15							
16	<u>BILLING UNITS</u>						
17	MMBTU		226,899,801	199,422,153	27,477,648	192,468,048	Schedule K-1
18							
19	Contract MDQ - Annual		36,117,048	34,430,616	1,686,432	32,793,300	Schedule K-1
20							
21	<u>PROPOSED RATES using ATMOS COSS</u>						
22	Capacity Charge			\$ 10.13267	\$ 6.93840	\$ 0.43694	Line 7 / Line 19
23							
24	Usage Charge			\$ 0.02785	\$ 0.01325	\$ -	Line 9 / Line 17
<u>EXAMINERS</u>							
System Increase				8.77%			
Increase limit at 1.5x system average				13.2%			
PT Increase				\$ 3,591,409			
PT Increase at 1.5x limit				\$ 1,114,415			
Necessary Adjustment				\$ (2,476,994)			
				CGS	PT	Mid-Tex WGIS	
Adjusted Demand Costs				\$ 351,351,093	\$ 9,224,148		
Adjusted Capacity Charge				\$ 10.20461	\$ 5.46962		
Adjusted Revenue Requirement				\$ 356,905,066	\$ 9,588,199	\$ 14,328,705	

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY OF CURRENT AND PROPOSED RATE STRUCTURE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Current	Proposed
	(a)	(b)	(c)
1	Rate CGS - Mid-Tex		
2	Capacity Charge per MDQ	\$ 9.1275	\$ 10.20461
3	Adjustment	\$ 0.8134	\$ 0.43694
4	Usage Charge per MMBtu	\$ 0.0276	\$ 0.02785
5			
6	Rate CGS - Other		
7	Capacity Charge per MDQ	\$ 9.1275	\$ 10.20461
8	Usage Charge per MMBtu	\$ 0.0276	\$ 0.02785
9			
10	Rate PT		
11	Capacity Charge per MDQ	\$ 4.8331	\$ 5.46962
12	Usage Charge per MMBtu	\$ 0.0163	\$ 0.01325

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT CURRENT RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate CGS - Mid-Tex</u>		
2			
3	<u>Adjustment</u>		
4	Capacity Charge	\$ 3.6263	GUD 10000
5	Mid-Tex Working Gas In Storage Charge	0.8134	GUD 10000
6	Annual Rider REV Adjustment	0.1392	GUD 10540
7	2010 Interim Rate Adjustment	0.4036	GUD 10078
8	2011 Interim Rate Adjustment	0.4691	GUD 10144
9	2012 Interim Rate Adjustment	0.8507	GUD 10240
10	2013 Interim Rate Adjustment	1.3701	GUD 10338
11	2014 Interim Rate Adjustment	1.0994	GUD 10422
12	2015 Interim Rate Adjustment	1.1691	GUD 10497
13			
14	Capacity Charge per MDQ	\$ 9.9409	Sum (Ln 4 through Ln 12)
15			
16	Usage Charge per MMBtu	\$ 0.0276	GUD 10000
17			
18	<u>Billing Units:</u>		
19	MDQ Capacity	32,793,300	Schedule I
20	Total MMBtu	192,468,048	Schedule I
21			
22	<u>Present Revenue:</u>		
23	Capacity Charges	\$ 325,994,916	Ln 14 x Ln 19
24	Usage Charges	5,312,118	Ln 16 x Ln 20
25	Less: Rider REV Revenue	4,564,827	Ln 6 x Ln 19
26	Total Present Revenue Rate CGS - Mid-Tex	<u>\$ 326,742,207</u>	Ln 23 + Ln 24 - Ln 25

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT CURRENT RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate CGS - Other</u>		
2			
3	<u>Rate Characteristics:</u>		
4	Capacity Charge	\$ 3.6263	GUD 10000
5	Annual Rider REV Adjustment	0.1392	GUD 10540
6	2010 Interim Rate Adjustment	0.4036	GUD 10078
7	2011 Interim Rate Adjustment	0.4691	GUD 10144
8	2012 Interim Rate Adjustment	0.8507	GUD 10240
9	2013 Interim Rate Adjustment	1.3701	GUD 10338
10	2014 Interim Rate Adjustment	1.0994	GUD 10422
11	2015 Interim Rate Adjustment	1.1691	GUD 10497
12			
13	Capacity Charge per MDQ	\$ 9.1275	Sum (Ln 4 through Ln 11)
14			
15	Usage Charge per MMBtu	\$ 0.0276	GUD 10000
16			
17	<u>Billing Units:</u>		
18	MDQ Capacity	1,637,316	Schedule I
19	Total MMBtu	6,954,105	Schedule I
20			
21	<u>Present Revenue:</u>		
22	Capacity Charges	\$ 14,944,602	Ln 13 x Ln 18
23	Usage Charges	191,933	Ln 15 x Ln 19
24	Less: Rider REV Revenue	227,914	Ln 5 x Ln 18
25	Total Present Revenue Rate CGS - Other	<u>\$ 14,908,621</u>	Ln 22 + Ln 23 - Ln 24

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT CURRENT RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate PT</u>		
2			
3	<u>Rate Characteristics:</u>		
4	Capacity Charge	\$ 2.3061	GUD 10000
5	Annual Rider REV Adjustment	0.0740	GUD 10540
6	2010 Interim Rate Adjustment	0.2454	GUD 10078
7	2011 Interim Rate Adjustment	0.2513	GUD 10144
8	2012 Interim Rate Adjustment	0.3731	GUD 10240
9	2013 Interim Rate Adjustment	0.5932	GUD 10338
10	2014 Interim Rate Adjustment	0.4729	GUD 10422
11	2015 Interim Rate Adjustment	0.5171	GUD 10497
12			
13	Capacity Charge per MDQ	\$ 4.8331	Sum (Ln 4 through Ln 11)
14			
15	Usage Charge per MMBtu	\$ 0.0163	GUD 10000
16			
17	<u>Billing Units:</u>		
18	MDQ Capacity	1,686,432	Schedule I
19	Total MMBtu	27,477,648	Schedule I
20			
21	<u>Present Revenue:</u>		
22	Capacity Charges	\$ 8,150,694	Ln 13 x Ln 18
23	Usage Charges	447,886	Ln 15 x Ln 19
24	Less: Rider REV Revenue	124,796	Ln 5 x Ln 18
25	Total Present Revenue Rate PT	<u>\$ 8,473,784</u>	Ln 22 + Ln 23 - Ln 24

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate CGS - Mid-Tex</u>		
2			
3	<u>Adjustment</u>		
4	Capacity Charge per MDQ	\$ 10.20461	Schedule J
5	Mid-Tex Working Gas In Storage Charge	\$ 0.43694	Schedule J
6			
7	Usage Charge per MMBtu	\$ 0.02785	Schedule J
8			
9	<u>Billing Units:</u>		
10	MDQ Capacity	32,793,300	Schedule K-1
11	Total MMBtu	192,468,048	Schedule K-1
12			
13	<u>Proposed Revenue:</u>		
14	Capacity Charges	\$ 348,971,623	(Ln 4 + Ln 5) x Ln 10
15	Usage Charges	5,360,235	Ln 7 x Ln 11
16	Total Proposed Revenue Rate CGS - Mid-Tex	<u>\$ 354,331,858</u>	Ln 14 + Ln 15

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate CGS - Other</u>		
2			
3	<u>Rate Characteristics:</u>		
4	Capacity Charge per MDQ	\$ 10.20461	Schedule J
5			
6	Usage Charge per MMBtu	\$ 0.02785	Schedule J
7			
8	<u>Billing Units:</u>		
9	MDQ Capacity	1,637,316	Schedule K-1
10	Total MMBtu	6,954,105	Schedule K-1
11			
12	<u>Proposed Revenue:</u>		
13	Capacity Charges	\$ 16,708,175	Ln 4 x Ln 9
14	Usage Charges	193,672	Ln 6 x Ln 10
15	Total Proposed Revenue Rate CGS - Other	<u>\$ 16,901,847</u>	Ln 13 + Ln 14

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate PT</u>		
2			
3	<u>Rate Characteristics:</u>		
4	Capacity Charge per MDQ	\$ 5.46962	Schedule J
5			
6	Usage Charge per MMBtu	\$ 0.01325	Schedule J
7			
8	<u>Billing Units:</u>		
9	MDQ Capacity	1,686,432	Schedule K-1
10	Total MMBtu	27,477,648	Schedule K-1
11			
12	<u>Proposed Revenue:</u>		
13	Capacity Charges	\$ 9,224,148	Ln 4 x Ln 9
14	Usage Charges	364,079	Ln 6 x Ln 10
15	Total Proposed Revenue Rate PT	<u>\$ 9,588,227</u>	Ln 13 + Ln 14

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
PROPOSED CHANGE IN PRO FORMA REVENUE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Rate PT	Total CGS	Mid-Tex	Other CGS
	(a)	(b)	(c)	(d)	(e)	(f)
1	<u>PROFORMA REVENUE</u>					
2	Current Rates	\$ 350,124,612	\$ 8,473,784	\$ 341,650,827	\$ 326,742,207	\$ 14,908,621
3	Adjustment	380,821,932	9,588,227	371,233,705	354,331,858	16,901,847
4	Rate Increase	\$ 30,697,320	\$ 1,114,443	\$ 29,582,877	\$ 27,589,651	\$ 1,993,226
5	% Change	8.8%	13.2%	8.7%	8.4%	13.4%
6						
7	<u>ALLOCATED COST</u>					
8	Total City Gate			\$ 354,428,073		
9	Mid-Tex WGIS			14,328,705		
10	Total Rev. Requirement	\$ 380,821,971	\$ 12,065,193	\$ 368,756,778		
11						
12	Difference (Ln 3 - Ln 10)	\$ (39)	\$ (2,476,966)	\$ 2,476,927		

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
OTHER REVENUE
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Total Other Revenue	(1)	\$ 74,859,733
2			
3	Adjustment	(2)	5,106,314
4			
5	Adjusted Other Revenue (Ln. 1 - Ln. 3)		<u>\$ 69,753,419</u>
6			
7	Gas Utility Pipeline Tax Rate	WP_F-5.1, Ln 25, Col (b)	0.4901%
8			
9	Gas Utility Pipeline Tax	Ln 5 times Ln 7	<u>\$ 341,833</u>
10			
11	Adjusted Other Revenue Net of Utility Tax	Ln 5 minus Ln 9	<u>\$ 69,411,586</u>
12			
13	<u>Notes:</u>		
14	1. Adjusted Account 489.2 through Account 495. See relied file, "FY16 Detail Trial Balance.xlsx", tab "Revenue".		
15	2. For the adjustment to Other Revenue, please see Confidential Relied File, "Schedule K-4_Other Revenue Adjustment (CONFIDENTIAL).xlsx".		

First Amended PFD

ATTACHMENT 3

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT RECOMMENDED RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate CGS - Mid-Tex</u>		
2			
3	<u>Adjustment</u>		
4	Capacity Charge per MDQ	\$ 10.20461	Schedule J
5	Mid-Tex Working Gas In Storage Charge	\$ 0.43694	Schedule J
6			
7	Usage Charge per MMBtu	\$ 0.02785	Schedule J
8			
9	<u>Billing Units:</u>		
10	MDQ Capacity	32,793,300	Schedule K-1
11	Total MMBtu	192,468,048	Schedule K-1
12			
13	<u>Proposed Revenue:</u>		
14	Capacity Charges	\$ 348,971,623	(Ln 4 + Ln 5) x Ln 10
15	Usage Charges	5,360,235	Ln 7 x Ln 11
16	Total Proposed Revenue Rate CGS - Mid-Tex	<u>\$ 354,331,858</u>	Ln 14 + Ln 15
1	<u>Rate CGS - Other</u>		
2			
3	<u>Rate Characteristics:</u>		
4	Capacity Charge per MDQ	\$ 10.20461	Schedule J
5			
6	Usage Charge per MMBtu	\$ 0.02785	Schedule J
7			
8	<u>Billing Units:</u>		
9	MDQ Capacity	1,637,316	Schedule K-1
10	Total MMBtu	6,954,105	Schedule K-1
11			
12	<u>Proposed Revenue:</u>		
13	Capacity Charges	\$ 16,708,175	Ln 4 x Ln 9
14	Usage Charges	193,672	Ln 6 x Ln 10
15	Total Proposed Revenue Rate CGS - Other	<u>\$ 16,901,847</u>	Ln 13 + Ln 14

ATMOS ENERGY CORPORATION
ATMOS PIPELINE - TEXAS ("APT") STATEMENT OF INTENT
SUMMARY PROOF OF REVENUE AT RECOMMENDED RATES
TEST YEAR ENDING SEPTEMBER 30, 2016

Line No.	Description	Total	Reference
	(a)	(b)	(c)
1	<u>Rate PT</u>		
2			
3	<u>Rate Characteristics:</u>		
4	Capacity Charge per MDQ	\$ 5.46962	Schedule J
5			
6	Usage Charge per MMBtu	\$ 0.01325	Schedule J
7			
8	<u>Billing Units:</u>		
9	MDQ Capacity	1,686,432	Schedule K-1
10	Total MMBtu	27,477,648	Schedule K-1
11			
12	<u>Proposed Revenue:</u>		
13	Capacity Charges	\$ 9,224,148	Ln 4 x Ln 9
14	Usage Charges	364,079	Ln 6 x Ln 10
15	Total Proposed Revenue Rate PT	<u>\$ 9,588,227</u>	Ln 13 + Ln 14
CHECK			
	TOTAL at Recommended Rates	\$	380,821,932
	Transport RR	\$	380,821,971
	difference	\$	39

First Amended PFD

ATTACHMENT 4

(not including Rider RA – Retention Adjustment or Rider TAX – Tax Adjustment)

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
EFFECTIVE DATE:		

Application

Applicable, in the event that Company has entered into a Transportation Agreement for City Gate Service to a Local Distribution Company (Customer) connected to the Atmos Pipeline -Texas System for the transportation of all natural gas supplied by Customer to a Point or Points of Delivery.

Type of Service

This service provides firm transportation and storage service to Local Distribution Companies. Where service of the quantity and type required by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

Charge	Amount
Capacity	\$ 10.20461 per MMBtu of MDQ ¹
Capacity Charge related to Mid-Tex Working Gas	\$ 0.43694 per MMBtu of MDQ
Total Capacity Charge	\$ 10.64155 per MMBtu of MDQ
Usage	\$ 0.02785 per MMBtu

Rider RA: Plus a quantity of gas as calculated in accordance with Rider RA.

Rider TAX: Plus an amount for tax calculated in accordance with Rider TAX.

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
EFFECTIVE DATE:		

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest “midpoint” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” during such month, for the MMBtu of Customer’s monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer’s receipt quantities for the month.

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer’s deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled “Daily Price Survey.”

Replacement Index

In the event the “midpoint” or “common” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for service provided are subject to the orders of regulatory bodies having jurisdiction and to the Company’s Tariff for Gas Service.

Special Conditions

In order to receive service under Rate CGS – Mid-Tex, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:		

Application

Applicable, in the event that Company has entered into a Transportation Agreement for City Gate Service to a Local Distribution Company (Customer), other than Mid-Tex, connected to the Atmos Pipeline -Texas System for the transportation of all natural gas supplied by Customer to a Point or Points of Delivery.

Type of Service

This service provides firm transportation and storage service to Local Distribution Companies. Where service of the quantity and type required by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

Charge	Amount
Capacity	\$ 10.20461 per MMBtu of MDQ ¹
Total Capacity Charge	\$ 10.20461 per MMBtu of MDQ
Usage	\$ 0.02785 per MMBtu

Rider RA: Plus a quantity of gas as calculated in accordance with Rider RA.

Rider TAX: Plus an amount for tax calculated in accordance with Rider TAX.

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:		

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest “midpoint” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” during such month, for the MMBtu of Customer’s monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer’s receipt quantities for the month.

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer’s deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled “Daily Price Survey.”

Replacement Index

In the event the “midpoint” or “common” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for service provided are subject to the orders of regulatory bodies having jurisdiction and to the Company’s Tariff for Gas Service.

Special Conditions

In order to receive service under Rate CGS - Other, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY
CORPORATION**

RATE SCHEDULE:	PT - PIPELINE TRANSPORTATION	
APPLICABLE TO:	Entire System	
EFFECTIVE DATE:		

Applicability

This rate schedule is applicable to service by the Company under a Transportation Agreement - Pipeline, to a customer directly connected to the Atmos Pipeline-Texas System for the transportation of all natural gas supplied by Customer or Customer's agent for delivery to Customer at one Point of Delivery.

Not applicable for service to City Gate Service customers.

Type of Service

This service provides interruptible transportation service to end use customers. Where service of the quantity and type desired by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

Charge	Amount
Capacity	\$ 5.46962 per MMBtu of MDQ
Total Capacity Charge	\$ 5.46962 per MMBtu of MDQ
Usage	\$ 0.01325 per MMBtu

Rider RA: Plus a quantity of gas as calculated in accordance with Rider RA.

Rider TAX: Plus an amount for tax calculated in accordance with Rider TAX.

Rider MF: Plus an amount for municipal fees calculated in accordance with Rider MF.

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY
CORPORATION**

RATE SCHEDULE:	PT - PIPELINE TRANSPORTATION	
APPLICABLE TO:	Entire System	
EFFECTIVE DATE:		

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest “midpoint” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” during such month, for the MMBtu of Customer’s monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer’s receipt quantities for the month.

Curtailement Overpull Fee

Upon notification by Company of an event of curtailement or interruption of Customer’s deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailement or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled “Daily Price Survey.”

Replacement Index

In the event the “midpoint” or “common” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

MDQ Adjustment

If a Customer’s daily usage on any day exceeds the Customer’s MDQ as set forth in the applicable Transportation Agreement by 10% or more, the Customer’s MDQ shall be increased to equal such daily usage. The effective date of such increase in the MDQ shall be the first day of the calendar month that begins following the day on which the Customer’s daily usage exceeded the Customer’s MDQ.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for service provided are subject to the orders of regulatory bodies having jurisdiction and to the Company’s Tariff for Gas Service.

Special Conditions

In order to receive service under Rate PT, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RIDER:	RIDER MF – MUNICIPAL FEE ADJUSTMENT	
APPLICABLE TO:	Entire System	
EFFECTIVE DATE:		

Application

Applicable to Customers inside the corporate limits of an incorporated municipality that imposes a municipal fee upon Company for the Gas Service provided to Customer.

Monthly Adjustment

Company will adjust Customer's bill each month in an amount equal to the municipal fees payable for the Gas Service provided to Customer by Company. Municipal franchise fees are determined by each municipality's ordinance. Each municipality's ordinance will specify the percentage and applicability of municipal fees.

From time to time, Company will make further adjustments to Customer's bill to account for any over- or under-recovery of municipal fees by Company.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RIDER:	REV – REVENUE ADJUSTMENT	
APPLICABLE TO:	Rate CGS – Mid-Tex, Rate CGS – Other and Rate PT	
EFFECTIVE DATE:		

Applicability

This Rider will apply to Rate CGS – Mid-Tex, Rider CGS - Other and Rate PT.

Transition Provision

The adjustment under this Rider in effect pursuant to the version authorized in GUD No. 10295 will remain in effect following the effective date of the Final Order in GUD No. 10580 until October 31, 2017.

Adjustment Mechanism

Effective each November 1, rate schedules subject to this Rider will be adjusted based on the change in 1) the level of Other Revenue for the twelve-month period from July 1 of the prior year through June 30 of the current year from 2) the level of Other Revenue credited to the total cost of service in GUD Docket No. 10580.

Seventy-five percent of the difference between 1) the level of Other Revenue for the twelve-month period from July 1 of the prior year through June 30 of the current year less revenue related taxes and 2) the level of Other Revenue credited to the total cost of service in GUD Docket No. 10580 less revenue related taxes shall be allocated to the Rate CGS class and the Rate PT class in the same proportion as the Other Revenue was allocated to each class in GUD Docket No. 10580, as determined from the dollar amounts for Other Revenue Credit on Schedule J to the Final Order in GUD No. 10580, Columns (d) and (e), Line 6 for each class, respectively, as compared to the Total System Other Revenue Credit on Schedule J, Column (c), Line 6. Any difference between the amount authorized to be collected from each class effective the second prior November 1 under this Rider and the amount collected from each class under this Rider during the twelve-month period beginning on the second prior November 1 will be added to or subtracted from each class' respective allocated portion of the difference in Other Revenue. The adjusted allocated portion of the difference in Other Revenue for each class shall be divided by the then current MDQ for such class, and that result shall be divided by 12 to calculate a monthly amount. The resulting amount shall be added to or subtracted from the capacity charge for each class.

Such adjusted capacity charge will then be adjusted for any Interim Rate Adjustments approved by the Commission after the issuance of the Final Order in GUD Docket No. 10580.

Adjustment Review Process

No later than August 15th of each year, Atmos Pipeline – Texas shall file with the Commission an “Other Revenue Adjustment” Report showing the following:

1. The actual Other Revenue billed by Atmos Pipeline - Texas during the twelve-month period from July 1 of the prior year through June 30 of the current year by FERC Account;
2. A listing of the customers in the Other Revenue class by coded reference showing monthly volumes and monthly revenues for each customer;
3. The then current contractual MDQ and the MDQ in the prior year's filing for each customer in each class (CGS and PT);
4. The Other Revenue allocation percentages for each class derived from Schedule J;
5. The calculations described in the Adjustment Mechanism Section of this Rider REV and supporting schedules;
6. A confidential cross reference listing of the Customer codes and names (for Railroad Commission Staff only);

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RIDER:	REV – REVENUE ADJUSTMENT	
APPLICABLE TO:	Rate CGS – Mid-Tex, Rate CGS – Other and Rate PT	
EFFECTIVE DATE:		

7. A statement on whether or not the proposed adjustment would generate additional revenue of more than 2 ½% of Atmos Pipeline – Texas’ annual per books revenue for the twelve-month period ending on June 30 of the current year; and
8. Proposed tariffs showing the proposed adjusted rates.

Atmos Pipeline – Texas shall provide notice to all directly affected customers by bill insert or direct mail on the same date as the date of the filing of the Other Revenue Adjustment Report. The notice shall provide the customers with the proposed adjustment and contact information on where the customer can inspect a copy of the filing. If the requested adjustment would generate additional revenue of more than 2 ½% of Atmos Pipeline – Texas’ annual per books revenue for the twelve-month period ending on June 30 of the current year, the notice shall contain a statement that within 20 days of the date of the filing the customer has a right to:

1. request a copy of the complete filing and the address for making such a request;
2. file a reply and the address for filing a reply; and
3. request a hearing and the address for making such a request.

If a hearing is requested, the Hearings Division of the Commission shall conduct the hearing, which shall be limited in scope to the sole issue of the reasonableness of any increase greater than 2 ½% of Atmos Pipeline – Texas’ annual per books revenue for the twelve-month period ending on June 30 of the current year, on an expedited basis in order to permit the Commission to approve, adjust or deny the proposed Other Revenue Adjustment on or before November 1 of the current year.

The Commission shall have the opportunity to review the Other Revenue Adjustment Report and may submit discovery requests until the 40th day following the filing date of the Other Revenue Adjustment Report. Directly affected customers may also submit discovery requests until that date. The Commission shall approve, adjust or deny the proposed Other Revenue Adjustment on or before November 1 of the current year. Atmos Pipeline – Texas shall have the right to appeal the Commission’s decision by filing a Motion for Rehearing with the Commission within 20 days following the issuance of the Commission’s decision.

Atmos Pipeline – Texas shall promptly reimburse the Commission for the cost of reviewing each Other Revenue Adjustment Report upon the invoicing of such cost.

The Other Revenue Adjustment, as adjusted by the Commission, shall be implemented on November 1 of the current year and shall remain in effect until revised on the following November 1st.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RIDER:	SUR – SURCHARGES	
APPLICABLE TO:	Rate CGS – Mid-Tex, Rate CGS – Other and Rate PT	
EFFECTIVE DATE:		

Applicability

This Rider is applicable to customer classes as authorized by the state or any governmental entity or regulatory authority pursuant to any statute, order, rule, contract, or agreement.

Monthly Calculation

Surcharges will be calculated in accordance with the applicable statute, order, rule, contract, or agreement.

GUD No. 10580 - MAOP

The following surcharge as authorized in GUD No. 10580 shall be recovered from the Rate CGS – Mid-Tex, Rate CGS – Other and Rate PT customers by adding an amount equal to each customer's MDQ times \$0.03958 per MMBtu of MDQ to their otherwise applicable total customer charge for each month for a 60-month period.

GUD No. 10580 – GRIP Refund

The following refund as authorized in GUD No. 10580 shall be made to the Rate CGS – Mid-Tex, Rate CGS – Other and Rate PT customers by crediting each customer's bill in the month of September 2017 by an amount equal to each customer's MDQ times (\$0.0315) for CGS and (\$0.0163) for PT per MMBtu of MDQ.