

**BEFORE THE PUBLIC SERVICE COMMISSION
OF
THE STATE OF MISSISSIPPI**

ATMOS ENERGY CORPORATION
GC123008100

DOCKET NO. 2005-UN-503

IN RE: STABLE/RATE ANNUAL EVALUATION FOR 12 MONTHS ENDING
MARCH 31, 2018

**ORDER APPROVING AND ADOPTING STIPULATION
CONCERNING STABLE/RATE ANNUAL EVALUATION
FOR THE 12 MONTHS ENDING MARCH 31, 2018**

THIS CAUSE came on for consideration in the above referenced matter and by order dated October 23, 2018, by the Mississippi Public Service Commission (“Commission”). The Commission finds as follows:

1.

Atmos Energy Corporation (“Atmos Energy” or the “Company”) filed with the Commission its Stable/Rate Annual Evaluation for the 12 Months Ending March 31, 2018, on July 2, 2018.

2.

The Mississippi Public Utilities Staff (“MPUS”) reviewed and evaluated Atmos Energy's filing and had the benefit of full discovery as prescribed by Mississippi law and the Commission's Rules of Practice and Procedure (“Rules”). Atmos Energy and MPUS met on numerous occasions and, through discussion and negotiations, have stipulated and agreed to a resolution of certain issues relative to the evaluation of Atmos Energy's filing.

3.

Pursuant to these discussions and the review and evaluation of MPUS, the parties entered into a Stipulation, which was filed with the Commission on October 10, 2018, (the “Stipulation”). A copy of the Stipulation is attached hereto as Exhibit “A”.

4.

The Commission has duly considered the pleadings, documentation contained in the file, and other evidence and does hereby find that the Stipulation is just and reasonable and should be approved and adopted.

5.

The Evaluation, with the adjustments agreed upon and subject to the limitations in the Stipulation, is in full compliance with the provisions of Mississippi law and the Stable/Rate tariff of Atmos Energy.

IT IS THEREFORE ORDERED THAT:

1. The Stipulation attached hereto as Exhibit “A” entered into by the parties is just and reasonable and the same is hereby approved and adopted by this Commission.

2. The Stable/Rate Annual Evaluation for the 12 Months Ending March 31, 2018, as amended by and subject to the provisions stated in the Stipulation, is hereby approved.

3. Atmos Energy shall make an adjustment to the calculation of the cost of capital reflecting 39.05% long-term debt, 5.17% short-term debt, 1.09% customer deposits, and 54.69% equity, which is based on a thirteen-month average of the Company’s actual long-term debt, customer deposits and common equity and a twelve-month daily average of its short-term debt to calculate its capital structure. This methodology is adopted for this proceeding and the 2018 System Integrity Rider filing and does not indicate that this method will be appropriate for use in future proceedings. The Company shall continue to have the opportunity to propose an appropriate

methodology in future filings, and the MPUS shall continue to have the opportunity in future filings to engage a consultant at the Company's expense to review Atmos Energy's submittal and prepare an independent evaluation of the capital structure issue for consideration by the Commission.

4. For the reasons stated in the Stipulation, the Commission finds that it is consistent with the public interest to remove at this time the provision imposing an earnings band of 50 basis points above or below the Performance Based Benchmark Return and incorporate a provision providing a *de minimis* threshold such that the Annual Evaluation will not result in a change in revenues if the revenue deficiency/excess reflected in the filing is less than \$250,000. This modification to the Stable Rate Rider shall be reviewed in the Company's next general rate case, which is currently scheduled to be filed no later than February of 2022 pursuant to the Commission's Order dated August 20, 2015, in Docket 2015-UN-49, for a determination by the Commission as to whether it is just and reasonable to continue to maintain these changes in the Company's Stable Rate tariff.

5. The Stipulation also addresses anticipated supplemental growth-type projects specifically approved by the Commission for which the conditions precedent outlined in the Commission's Order(s) did not occur. In the event that there is a material change in the capital plan filed with its March 1 filing to the anticipated capital spending on such projects, the Company shall file in this docket a notification of such change and a proposal for reallocation of that capital investment for approval by the Commission before moving forward with any such reallocation. In future Stable Rate filings and/or future filings requesting approval of such projects, the Company may propose a procedure that will enable funds to be reallocated without an additional Commission Order. The goal of any such filing will be to provide the Commission and the MPUS

with transparency regarding the Company's capital plan and to maximize that plan for the benefit of Atmos Energy's customers.

6. The Commission finds that it is just and reasonable that Atmos Energy's rate mechanisms be modified consistent with the attached Stipulation for the policy reasons stated therein, and that Atmos Energy shall make a compliance filing within 30 days of the date of this Order modifying its tariffs to reflect those changes.

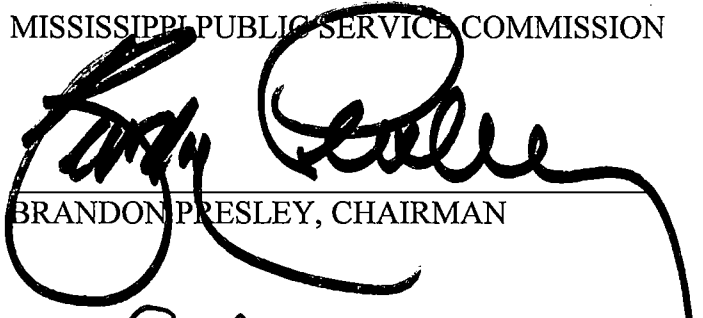
This Order shall be effective from and after the date of issuance.

Chairman Brandon Presley voted aye; Vice Chairman Cecil Brown voted aye; and Commissioner Samuel F. Britton voted aye

SO ORDERED on this, the 23rd day of October, 2018.

MISSISSIPPI PUBLIC SERVICE COMMISSION

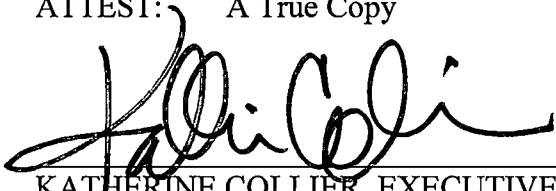



BRANDON PRESLEY, CHAIRMAN


CECIL BROWN, VICE CHAIRMAN


SAMUEL F. BRITTON, COMMISSIONER

ATTEST: A True Copy


KATHERINE COLLIER, EXECUTIVE SECRETARY

Effective this the 23rd day of October, 2018.

FILED

OCT 10 2018

**MISS. PUBLIC SERVICE
COMMISSION**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF
THE STATE OF MISSISSIPPI**

ATMOS ENERGY CORPORATION
GC123008100

DOCKET NO. 2005-UN-0503

IN RE: STABLE RATE ANNUAL EVALUATION FOR TWELVE (12) MONTHS
ENDING MARCH 31, 2018

**JOINT STIPULATION BETWEEN ATMOS ENERGY CORPORATION
AND THE MISSISSIPPI PUBLIC UTILITIES STAFF**

This Stipulation and Agreement is entered into between the Mississippi Public Utilities Staff (“MPUS” or “Staff”) and Atmos Energy Corporation (“Atmos Energy” or “Company”) pursuant to Rule 13 of the Mississippi Public Service Commission’s (“MPSC” or the “Commission”) Rules of Practice and Procedure (“Rules”).

1. On July 2, 2018, Atmos Energy filed its Stable/Rate Annual Evaluation for the twelve (12) months ending March 31, 2018 (“July 2018 Stable Rate Filing”).

2. On March 1, 2018, Atmos Energy made its third annual filing pursuant to the System Integrity Rider (“SIR”) (“March 2018 SIR Filing”). On July 2, 2018, Atmos Energy filed its SIR Compliance Tariff Filing and supporting schedules updated to reflect inputs filed contemporaneously in its July 2018 Stable Rate Filing.

3. Atmos Energy’s July 2018 Stable Rate Filing is summarized as follows:

| | |
|------------------------------------|-----------------|
| Adjusted Rate Base | \$416,697,556 |
| Performance Based Benchmark Return | 10.24% |
| Allowed Return | 9.74% to 10.74% |
| Expected Return on Equity | 7.48% |
| Revenue Adjustment | \$7,668,116 |



4. The MPUS has completed its review of the Evaluation of the July 2018 Stable Rate Filing. The MPUS has had the benefit of full discovery as prescribed by Mississippi law and the Rules. This Stipulation is entered into as a result of the pleadings and other evidence filed by Atmos Energy in this docket, and is supported by the discussions and information exchanged between MPUS and Atmos Energy and the independent research and investigation conducted by MPUS.

5. Atmos Energy and MPUS have met and, through discovery, discussion and negotiation, have resolved certain issues and the parties do hereby stipulate and agree as follows:

- a) Atmos Energy's adjusted rate base without SIR shall be modified from \$416,697,556 to \$415,626,858 to reflect the capitalized portion of certain Staff adjustments.
- b) Atmos Energy's performance-based benchmark return on equity is 10.24%. The allowed rate of return range is 9.74% to 10.24%¹. Atmos Energy's expected return on equity is 8.58%, resulting in a \$3,431,367 revenue requirement increase.
- c) Atmos Energy's adjusted operation and maintenance expenses as amended are reduced by \$1,731,999 to \$42,145,014. The O&M expense adjustment includes Incentive Compensation of \$1,211,338; \$33,102 for expenses such as lobbying, memberships, dues, and registrations; \$112,241 for business meals and entertainment expenses, and \$375,318 for other direct and allocated expenses adjusted by Staff.
- d) Atmos Energy's amortization of debt expense as amended is increased by \$14,014.

¹ See paragraphs 8 and 9 below, which describe modifications to the Stable Rate Rider regarding the earnings band that will be made in a compliance filing upon approval and adoption of this Stipulation by Commission Order.

- e) Atmos Energy's interest on long term debt as filed is increased by \$217,324.
 - f) Atmos Energy's income available for equity as filed is increased by \$809,665.
6. Atmos Energy's 2018 Stable Rate Adjustment Evaluation with the adjustments stated above and agreed to by the Company and Staff, attached as Exhibit A, is summarized as follows:

| | |
|------------------------------------|------------------------------|
| Adjusted Rate Base | \$415,626,858 |
| Performance Based Benchmark Return | 10.24% |
| Allowed Return | 9.74% to 10.24% ² |
| Expected Return on Equity | 8.58% |
| Revenue Adjustment | \$3,431,367 |

7. Per the Commission's December 5, 2017, Order in this docket and the terms of the Stable Rate Rider, the Company based its calculations in its 2018 Stable Rate filing and updated 2018 SIR filing on its actual long term debt and equity percentages for consideration by the Commission. The Staff evaluated Atmos Energy's evidence supporting setting rates on its actual capital structure and engaged in discussions with the Company regarding the capital structure issue. As a result of those discussions and in conjunction with the other terms of this Stipulation, the MPUS and Atmos Energy have agreed to make an adjustment to the calculation of the cost of capital reflecting 39.05% long-term debt, 5.17% short-term debt, 1.09% customer deposits, and 54.69% equity, which is based on a thirteen-month average of the Company's actual long-term debt, customer deposits and common equity and a twelve-month daily average of its short-term debt to calculate its capital structure. Although this methodology was adopted by the parties for this proceeding and the SIR, neither party agrees that this method will be appropriate for use in

² See footnote 1 above.

future proceedings. As per the December 1, 2017, Joint Stipulation in this docket and the Commission's December 5, 2017, Order adopting same, the MPUS will continue to have the opportunity in future filings to engage a consultant at the Company's expense to review Atmos Energy's submittal and prepare an independent evaluation of the capital structure issue for consideration by the Commission. This change in the Company's July 2, 2018, filings results in a reduction in the Stable Rate revenue requirement of approximately \$2.3 million and a reduction in the SIR revenue requirement of approximately \$840,000.

8. In its review of the Company's filing, the Staff reviewed the Company's reduction to the Stable Rate revenue adjustment to reflect the amortization of excess deferred income taxes ("EDIT") related to the change to the federal corporate income tax rate in the 2017 Tax Cuts and Jobs Act ("TCJA"). The Staff and Company discussed the potential that the earnings band provision in the Stable Rate Rider could prevent customers from receiving the full benefit of the TCJA. Therefore, the Staff and the Company have agreed that it is consistent with the public interest to remove at this time the provision imposing an earnings band of 50 basis points above or below the Performance Based Benchmark Return and incorporate a provision providing a *de minimis* threshold such that the Annual Evaluation will not result in a change in revenues if the revenue deficiency/excess reflected in the filing is less than \$250,000. The Staff and the Company further agree that this modification to the Stable Rate Rider shall be reviewed in the Company's next general rate case, which is currently scheduled to be filed no later than February of 2022 pursuant to the Commission's Order dated August 20, 2015, in Docket 2015-UN-49, for a determination by the Commission as to whether it is just and reasonable to adopt these changes permanently.

9. The Staff and the Company agree that upon an Order of the Commission adopting this Stipulation, the Company shall make a compliance filing to reflect these modifications in its Stable Rate and SIR tariffs.

10. The Staff and the Company also had discussions regarding anticipated supplemental growth-type projects specifically approved by the Commission for which the conditions precedent outlined in the Commission's Order(s) did not occur. The Staff and the Company have agreed that going forward, in the event that there is a material change in the capital plan filed with its March 1 filing to the anticipated capital spending on such projects, the Company shall file in this docket a notification of such change and a proposal for reallocation of that capital investment for approval by the Commission before moving forward with any such reallocation. The Staff and the Company further agree that in future Stable Rate filings and/or future filings requesting approval of such projects, the Company may propose a procedure that will enable funds to be reallocated without an additional Commission Order. The goal of any such filing will be to provide the Commission and the Staff with transparency regarding the Company's capital plan and to maximize that plan for the benefit of Atmos Energy's customers.

OTHER PROVISIONS

11. It is agreed that this stipulation is expressly conditional upon acceptance by the Commission of all of its provisions. It is also specifically understood and agreed that this stipulation is interdependent and non-separable and that if the Commission does not accept this stipulation in its entirety, neither MPUS nor Atmos Energy will be thereafter bound by any of its provisions.


12. Unless specifically agreed to herein, neither MPUS nor Atmos Energy shall be deemed to have approved or acquiesced in any accounting principle, cost of capital methodology,

capital structure, rate making principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology or cost allocation that may underlie this Agreement for which provision is made in this Agreement.

13. All provisions of this Stipulation have been agreed upon by and between MPUS and Atmos Energy consistent with the requirements of Atmos Energy's tariff on file with the Commission.

So stipulated, this the 10th day of October 2018.

MISSISSIPPI PUBLIC UTILITIES STAFF

BY: 
Virden C. Jones, Executive Director

ATMOS ENERGY CORPORATION

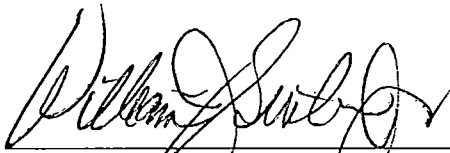
BY: 
William Senter, Vice-President
Rates and Regulatory Affairs

EXHIBIT A

**Atmos Energy Corporation - Mississippi Division
DETERMINATION OF RATEBASE**

| (1) | (2) | (3) | (4) | (5) |
|--------|---------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| LINE # | RATE BASE | PER BOOK EVALUATION 3/31/18 | BEGINNING RATE PERIOD 11/01/18 | ENDING RATE PERIOD 10/31/19 |
| 1 | PLANT-IN-SERVICE + | 623,814,228 | 647,602,073 | 680,965,632 |
| 2 | GAS PLANT HELD FOR FUTURE USE | 0 | 0 | 0 |
| 3 | GAS PLANT ACQUISITION ADJ. | 1,235,363 | 1,235,363 | 1,235,363 |
| 4 | NON-CURRENT GAS STORED | 6,955,671 | 6,955,671 | 6,955,671 |
| 5 | CONST. WORK-IN-PROGRESS + | 5,410,925 | 5,410,925 | 5,410,925 |
| 6 | LESS: ACCUM DEPRECIATION + | 154,653,452 | 165,409,875 | 179,232,977 |
| 7 | NET PLANT | 482,762,736 | 495,794,158 | 515,334,615 |
| | PLUS: | | | |
| 8 | WORKING CAPITAL | 7,503,397 | 7,503,397 | 7,503,397 |
| 8A | WATER HEATER PROGRAM FINANCING | 0 | 0 | 0 |
| 9 | INVENTORY: MATERIAL & SUPPLIES | 77,365 | 77,365 | 77,365 |
| 10 | INVENTORY: GAS STORED UNDERGROUND | 8,621,919 | 8,621,919 | 8,621,919 |
| 11 | TOTAL INVENTORY | 8,699,284 | 8,699,284 | 8,699,284 |
| 12 | PREPAYMENTS + | 2,533,146 | 2,533,146 | 2,533,146 |
| | LESS: | | | |
| 13 | DEFERRED INCOME TAX + | 89,229,915 | 86,322,201 | 96,339,930 |
| 14 | CUSTOMER ADVANCES FOR CONST. | 1,686,637 | 1,686,637 | 1,686,637 |
| 15 | BAD DEBT RESERVE | 375,000 | 375,000 | 375,000 |
| 15A | INJURY AND DAMAGE RESERVE | 658,712 | 658,712 | 658,712 |
| 15B | VACATION ACCRUALS + | 429,293 | 429,293 | 429,293 |
| 15C | R & D SURCHARGE | 366,078 | 366,078 | 366,078 |
| 16 | UNFUNDED POST-RETIREMENT BENEFITS + | 20,010,370 | 20,010,370 | 20,010,370 |
| 17 | UNFUNDED PENSION LIABILITY -FASB 87 + | 3,080,859 | 3,080,859 | 3,080,859 |
| 18 | RATE BASE | 385,661,699 | 401,600,835 | 411,123,563 |
| 19 | AVERAGE RATE BASE FOR PERIOD | | | 406,362,199 |
| 20 | ADJUSTMENT FOR PRIOR ESTIMATION ERROR | | | 9,264,659 |
| 21 | ADJUSTED RATE BASE | | | <u>415,626,858</u> |
| 22 | SIR RATE BASE | | | 126,048,986 |
| 23 | RATE BASE WITH SIR | | | <u><u>541,675,843</u></u> |

- ** See Page 2 of this Appendix.
- *** This value is an average if the past 12 months. "+" Includes a Shared Services allocation.
- **** Excludes amounts arising from Yazoo Investments merger.
- ***** Deferred Income Taxes will include only those taxes which are associated with an item actually included in rate base. The deferred income taxes will be calculated in a manner consistent with the tax accounting methods, elections and positions utilized by the Company in preparing its income tax filings. Deferred income taxes reflected in rate base will be sufficient so as to prevent the Company from violating the normalization provisions of the Internal Revenue Code.

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

DETERMINATION OF WORKING CAPITAL
12 Months Ended March 2018

| LINE # | (1) WORKING CAPITAL | (2) TEST PERIOD | (3) ADJUSTMENTS | (4) ADJUSTED TEST PERIOD |
|--------|---------------------------------|-----------------------|--------------------|--------------------------------|
| A. | OPERATING & MAINTENANCE EXPENSE | 45,712,936 | (3,567,921) | 42,145,014 |
| B. | RENT OF DIST. PROPERTY | 130,049 | 0 | 130,049 |
| C. | GENERAL TAXES | 17,945,839 | (193,727) | 17,752,112 |
| D. | MISC. INCOME DEDUCTIONS | 0 | 0 | 0 |
| E. | TOTAL OPERATING EXP. | <u>63,788,824</u> | <u>(3,761,648)</u> | <u>60,027,176</u> |
| F. | NON-RECOVERABLE LOBBYING EXP. | 0 | 0 | 0 |
| G. | ALLOWABLE O. & M. | <u>63,788,824</u> | <u>(3,761,648)</u> | <u>60,027,176</u> |
| | TIMES 1/8 ALLOWANCE | 12.50% | 12.50% | 12.50% |
| H. | ALLOWED WORKING CAPITAL | <u>7,973,603</u> | <u>(470,206)</u> | <u>7,503,397</u> |

Note:

(A) Adjustments only for "known and measurable changes" as defined in the definitions section.

APPENDIX "A"

Page 2

CALCULATION OF EXPECTED RETURN

EXHIBIT A

**Atmos Energy Corporation - Mississippi Division
Adjustment to Rate Base Calculation**

For Prior Estimation Error for Period Ended Twelve Months Prior
to Beginning of Rate Period Current Evaluation

| (1) | (2) | (3) ACTUAL BEGINNING RATE BASE 10/31/2016 | (4) ACTUAL ENDING RATE BASE 10/31/2017 |
|---------------|---|---|--|
| LINE # | ITEMS | | |
| 1. | PLANT-IN-SERVICE + | 592,011,174 | 662,149,131 |
| | less negotiated SR disallowances | (1,326,199) | (1,452,705) |
| | less SGR exclusions | (12,352,140) | (21,375,382) |
| | less SIR exclusions | 0 | (50,524,393) |
| 2. | LESS: ACCUM DEPRECIATION + | 141,752,983 | 151,037,128 |
| | less SGR exclusions | (365,572) | (748,196) |
| | less SIR exclusions | 0 | (509,996) |
| | NET PLANT | 436,945,424 | 439,017,715 |
| 3. | LESS: DEFERRED INCOME TAX + | 63,665,521 | 75,879,837 |
| | less SGR exclusions | (688,875) | (1,267,736) |
| | less SIR exclusions | 0 | (798,462) |
| 4. | | 373,968,777 | 365,204,076 |
| 5. | ACTUAL AVERAGE PLANT LESS ACCUM DEPREC & LESS DEFERRED INCOME TAX | | \$ 369,586,427 |
| 6. | AVG PLANT, A/D & DEF INC TAX PROJECTED IN THE STABLE/RATE EVALUATION MADE TWO FILINGS PRIOR TO THE CURRENT FILING | | 360,321,768 |
| 7. | RATE BASE ADJUSTMENT TO CURRENT EVALUATION | | 9,264,659 |

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

Determination Of Expected Return

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|------|---|-------------|--------------|--------------------|---------------------|--|
| Line | EXPECTED EQUITY RETURN ON RATE BASE | TEST YEAR | ADJUSTMENTS | ADJUSTED TEST YEAR | ADJUSTED TY W/O SIR | SOURCE |
| 1. | OPERATING REVENUE | 244,532,723 | (14,182,218) | 230,350,505 | 230,350,505 | FERC ACCT. 400: 480-499 |
| 2. | LESS: GAS PURCHASED FOR RESALE | 118,101,715 | 0 | 118,101,715 | 118,101,715 | FERC ACCT. 401: 800-813 and 858 |
| 3. | MARGIN | 128,431,008 | (14,182,218) | 114,248,790 | 114,248,790 | LINE 1 LESS LINE 2 |
| 4. | LESS: OPERATING & MAINTENANCE EXPENSE | 45,712,936 | (3,587,921) | 42,145,014 | 42,145,014 | APPENDIX "A", PAGE 5A |
| 5. | RENT OF DIST. PROPERTY | 130,049 | 0 | 130,049 | 130,049 | FERC ACCT. 401:881 |
| 6. | GENERAL TAXES | 17,946,839 | (193,727) | 17,752,112 | 17,752,112 | FERC ACCT 408.1 |
| 7. | MISC. INCOME DEDUCTIONS | 0 | 0 | 0 | 0 | FERC ACCT 428.1 Donations |
| 8. | DEPRECIATION | 18,004,195 | 374,612 | 18,378,807 | 18,378,807 | FERC ACCT 403 & 404 |
| 9. | AMORT. OF GAS INVESTMENT | 0 | 0 | 0 | 0 | FERC ACCT 405 |
| 10. | AMORT. OF DEBT EXPENSE | 362,341 | 0 | 362,341 | 362,341 | FERC ACCT 428 & 428.1 (alloc) |
| 11. | ALLOW. FOR FUNDS USED DURING CONST | (159,026) | 0 | (159,026) | (159,026) | FERC ACCT 432 (+ alloc from SSU) |
| 11A | AMORT INVESTMENT TAX CREDIT | 0 | 0 | 0 | 0 | FERC ACCT 411.4 |
| 12. | TOTAL OPER. REV. DEDUCTIONS | 81,996,334 | (3,387,036) | 78,609,297 | 78,609,297 | SUM OF LINES 4 THROUGH 11 |
| 13. | NET OPERATING INCOME | 46,434,874 | | 35,639,492 | 35,639,492 | LINE 3 LESS LINE 12 |
| 14. | INTEREST ON LONG TERM DEBT | | | 8,638,318 | 8,638,318 | APPENDIX "A" PAGE 7, LINE 1 |
| | INTEREST ON SHORT TERM DEBT | | | 424,744 | 424,744 | APPENDIX "A" PAGE 7, LINE ?? |
| 15. | INTEREST ON CUSTOMER DEP. | | | 115,198 | 115,198 | APPENDIX "A" PAGE 7, LINE 2 |
| 16. | TOTAL DEBT EXPENSE | | | 9,178,258 | 9,178,258 | SUM OF LINES 14 & 15 |
| 17. | FUNDS AVAIL. FOR INC. TAX AND EQUITY | | | 26,461,234 | 26,461,234 | LINE 13 LESS LINE 16 |
| 18. | LESS INCOME TAXES: | | | 6,949,613 | 6,949,613 | EFFECTIVE TAX RATE TIMES LN 17 |
| 18A. | PROJECTED AFTER-TAX RETURN ON EQUITY FROM SIR | | | 7,058,895 | N/A | SIR Projected Annual End of Period return on Investment (SIR G1 line 7) |
| 19. | ADJ. INCOME AVAILABLE FOR EQUITY | | | 26,570,617 | 19,511,621 | LN 17 LESS LN 18 PLUS LN 18A |
| 20. | RETURN ON EQUITY RATEBASE | | | 8.97% | 8.58% | LN 19 / BY APNDX "A", P. 1 LN 23 FOR COL 5 OR LN 21 FOR COL 6 TIMES APNDX "A", P. 7 LN 5 |

Note:

(A) Adjustments only for "known and measurable changes" as defined in the definitions section.

APPENDIX "A"

Page 5

CALCULATION OF EXPECTED RETURN

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

| DETAIL OF KNOWN AND MEASURABLE CHANGES: | | | |
|--|--|-------|----------------------------|
| Line | | | |
| A. | <u>ANNUALIZED PRIOR ADJUSTMENT</u> | | |
| | ADJUSTABLE ANNUAL REVENUE | | |
| 1. | FROM THE TEST PERIOD | | 53,126,489 |
| | | | |
| 2. | MOST RECENT AUTHORIZED STABLE RATE FACTOR MINUS 1 | | 0.89049 |
| | | | <hr/> |
| 3. | ANNUALIZED STABLE RATE REVENUE FROM MOST RECENT EVALUATION | | 47,308,835 |
| | | | |
| | LESS: | | |
| 4. | ACTUAL STABLE RATE REV COLLECTED IN THE TEST PERIOD | | <u>48,177,982</u> |
| | | | |
| 5. | ADJ. TO ANNUALIZE REVENUE FROM MOST RECENT STABLE RATE FACTOR | | (869,147) |
| | | | |
| | LESS: | | |
| 6. | MUNICIPAL FRANCHISE TAX | 1.75% | (15,210) |
| | | | <hr/> |
| 7. | <i>ANNUALIZED PRIOR ADJUSTMENT</i> | | <u><u>\$ (853,937)</u></u> |
| B. | OTHER KNOWN AND MEASURABLE CHANGES | | |

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

**COST OF CAPITAL
DETERMINATION**

| LINE # | TYPE OF CAPITAL | PERCENTAGE OF CAPITAL | CAPITAL ALLOCATED RATE BASE | ACTUAL INTEREST RATE & EQUITY RET. | DEBT* & EQUITY COST |
|-----------------------|------------------------------|--------------------------|-----------------------------------|---|---------------------------|
| <u>LONG TERM DEBT</u> | | | | | |
| 1. | TOTAL LONG TERM DEBT | 39.05% | 162,290,426 | 5.32% | 8,638,318 |
| <u>OTHER DEBT</u> | | | | | |
| | SHORT TERM DEBT (12 mon avg) | 5.17% | 21,504,753 | 1.98% | 424,744 |
| 2. | CUSTOMER DEPOSITS | 1.09% | 4,535,265 | 2.54% | 115,196 |
| 3. | TOTAL DEBT | <u>45.31%</u> | <u>188,330,444</u> | | |
| <u>EQUITY</u> | | | | | |
| 4. | COMMON EQUITY ** | <u>54.69%</u> | <u>227,296,414</u> | 10.24% | 23,275,153 |
| 5. | TOTAL EQUITY | 54.69% | 227,296,414 | | |
| 6. | TOTAL CAPITALIZATION | <u>100.00%</u> | <u>415,626,858</u> | | |

Long term debt is accounts 181, 189, and 221 through 226 (sub-accounts related to zero interest notes if applicable).
 Customer deposits is account 235.
 Common equity is accounts 201 through 217, (excludes Yazoo Investment merger adjustment).
 Percent of Capital balances are determined as of the end of the Test Period.

The Customer Deposit percentage of capital shall be equal to the ratio of Mississippi Customer Deposits to Rate Base. The Long Term Debt and Equity percentages shall be based on the Company's consolidated capital amounts.

*Derived by actual interest rate and equity return times allocated rate base.
 **Excludes amounts arising from Yazoo Investment merger.

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

Schedule of Test Period Known & Measurable Adjustments

| Line | Section | Description | KNOWN AND MEASURABLE CHANGES | TOTAL ADJUSTMENTS | EXPLANATION OF ADJUSTMENTS |
|------|---------|---|------------------------------------|----------------------|--|
| 1 | | | | | |
| 2 | 1. | OPERATING REVENUE | | | |
| 3 | | A> Annualized Prior Adjustments | (853,937) | \$ (853,937) | Annualized Prior Adjustment - Appendix A p 6. |
| 4 | | B> Margin adjustment - SIR | (7,738,098) | (7,738,098) | remove amounts related to SIR from March balances |
| 5 | | C> Margin adjustment - Energy Efficiency Rider | (2,040,582) | (2,040,582) | remove revenue derived from the Energy Efficiency Rider a/o 3/2018 |
| 6 | | D> Margin adjustment - SGR | (3,549,602) | (3,549,602) | remove non-recurring SGR revenues from Test Year book balances |
| 7 | | E> Large Customer Activity Net Gain or Loss | 0 | 0 | reflect revenue impact of large company changes |
| 8 | | TOTAL ADJUSTMENTS TO REVENUE | 0 | (14,182,218) | |
| 9 | | | | | |
| 10 | 2. | LESS: GAS PURCHASED FOR RESALE | | | |
| 11 | | A> | | 0 | |
| 12 | | TOTAL ADJ. TO GAS PURCHASES | 0 | 0 | |
| 13 | | | | | |
| 14 | 3 | (left blank as a placeholder) | | | |
| 15 | | | | | |
| 16 | 4 | ADJ to OPERATING & MAINTENANCE EXPENSE | | | |
| 17 | | A> Spousal travel / gifts / club dues | (14,075) | (14,075) | Subacct 05412 Dependent Travel & 05416 Nondeductible Dues |
| 18 | | B> Expense Adjustment | (150,000) | (150,000) | Miscellaneous Expense Adjustment pending additional review |
| 19 | | C> Non-recoverable Advertising | (132,678) | (132,678) | Appendix D -- Advertising |
| 20 | | D> Adj Bad Debt exp to reflect actual write offs | (195,853) | (195,853) | a/c 904 Bad Debt Exp timing diff |
| 21 | | E> Energy Efficiency Rider expense | (1,343,316) | (1,343,316) | remove expense related to the Energy Efficiency Rider |
| 22 | | F> Additional Staff expense adjustments | (1,731,999) | (1,731,999) | see Issues List |
| 23 | | G> | 0 | 0 | |
| 24 | | H> | | 0 | |
| 25 | | | | 0 | |
| 26 | | TOTAL ADJUSTMENTS TO O&M EXPENSE | 0 | (3,567,921) | |
| 27 | | | | | |
| 28 | 5. | RENT OF DIST. PROPERTY | | | |
| 29 | | A> | | 0 | |
| 30 | | TOTAL ADJ. TO RENT OF DIST PROP | 0 | 0 | |
| 31 | | | | | |
| 32 | 6. | GENERAL TAXES | | | |
| 33 | | A> State Regulatory Tax - Adjust Accrual for test yr rev. | 165,967 | 165,967 | |
| 34 | | B> Reduce franchise tax for margin adjustments | (248,189) | (248,189) | |
| 35 | | C> Adjust to Projected Property Taxes | 943,945 | 943,945 | |
| 36 | | E> Adjust for SIR property taxes from the test year | (1,055,451) | (1,055,451) | remove amounts related to SIR from March balances |
| 37 | | | 0 | 0 | |
| 38 | | TOTAL ADJUSTMENTS TO GENERAL TAXES | 0 | (193,727) | |

EXHIBIT A

Atmos Energy Corporation - Mississippi Division
 Schedule of Test Period Known & Measurable Adjustments

| Line | Section | Description | KNOWN AND MEASURABLE CHANGES | TOTAL ADJUSTMENTS | EXPLANATION OF ADJUSTMENTS |
|------|---------|---|------------------------------------|----------------------|---|
| 1 | 7. | MISC. INCOME DEDUCTIONS | | | |
| 2 | | A> | | 0 | |
| 3 | | TOTAL ADJUSTMENTS MISC. INC. DEDUCTIONS | 0 | 0 | |
| 4 | | | | | |
| 5 | 8. | DEPRECIATION | | | |
| 6 | | A> Adjustment for chg in depreciable property | 1,329,646 | 1,329,646 | adjust from March per books to projected amounts |
| 7 | | C> Adjust for SIR for the test year | (955,034) | (955,034) | remove amounts related to SIR from March balances |
| 8 | | TOTAL ADJUSTMENTS TO DEPRECIATION | 0 | 374,612 | |
| 9 | | | | | |
| 10 | 9. | AMORTIZATION OF GAS INVESTMENT | | | |
| 11 | | A> | | 0 | |
| 12 | | TOTAL ADJUST. TO AMORT. GAS INVESTME | 0 | 0 | |
| 13 | | | | | |
| 14 | 10. | AMORT. OF DEBT EXPENSE | | | |
| 15 | | A> | | 0 | |
| 16 | | TOTAL ADJUST. TO AMORT OF DEBT EXP. | 0 | 0 | |
| 17 | | | | | |
| 18 | 11. | ALLOW. FOR FUNDS USED DURING CONST. | | | |
| 19 | | A> | | 0 | |
| 20 | | B> | | 0 | |
| 21 | | TOTAL ADJUST. TO AFUDC | 0 | 0 | |
| 22 | | | | | |
| 23 | 12. | AMORT. OF INVESTMENT TAX CREDIT | | | |
| 24 | | A> | | 0 | |
| 25 | | TOTAL ADJUST. TO ITC | 0 | 0 | |

APPENDIX "A"
 Page 6 part B
 Schedule of Known and Measurable Changes

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

July SRF - 2018

LINE

REVENUE ADJUSTMENT TEST (INCLUDING SIR)

| | | |
|----|--|--------|
| A. | EXPECTED RETURN ON EQUITY (AFTER ADJ.) | 8.97% |
| B. | PERFORMANCE BASED BENCHMARK RETURN | 10.24% |
| C. | DIFFERENCE PBBR/ER | -1.27% |
| D. | ALLOWED DIFFERENCE PBBR/ER | 1.27% |
| E. | REVENUE ADJUSTMENT INDICATED * | |

* IF A REVENUE ADJUSTMENT IS INDICATED, PROCEED TO THE DETERMINATION OF REVENUE ADJUSTMENT.

APPENDIX "C"

Page 1

CALCULATION OF REVENUE ADJUSTMENT

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

July SRF - 2018

LINE

Determination of Revenue Adjustment

| | | |
|----|---|------------------|
| F. | EXPECTED RETURN ON EQUITY (AFTER ADJ.) | 8.58% |
| G. | PERFORMANCE BASED BENCHMARK RETURN | 10.24% |
| H. | DIFFERENCE PBBR/ER | -1.66% |
| I. | ALLOWED DIFFERENCE PBBR/ER | 1.66% |
| J. | ALLOWED ADJUSTMENT TO RATES | 1.66% |
| K. | RATE BASE--EQUITY PORTION | 227,296,414 |
| L. | CHANGE IN EQUITY REV. FOR REQUIRED RETURN | 3,763,531 |
| M. | TAX EXPANSION | 1,340,488 |
| | Amortization of Excess ADIT | (1,332,054) |
| | SGR trueup (YE Oct 2017) | (340,599) |
| N. | TOTAL REVENUE CHANGE REQUIRED | 3,431,367 |

FOUR PERCENT TEST

| | | |
|----|--|------------------|
| O. | ACTUAL GROSS REVENUE FROM TEST PERIOD | 244,532,723 |
| P. | FOUR PERCENT OF GROSS REVENUE | 9,781,309 |
| Q. | NET ADJUSTMENT ALLOWED WITHOUT HEARING | 3,431,367 |

APPENDIX "C"

Page 2

CALCULATION OF REVENUE ADJUSTMENT

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

TAX EXPANSION FACTOR

Line #

| | | | |
|----|---------------------------------|--------|----------------------|
| 1 | GROSS REQUIREMENT | | 1.0000 |
| 2 | MUNICIPAL FRANCHISE TAX RATE | | <u>0.0175</u> |
| 3 | Ln 1 - 2 | | 0.9825 |
| 4 | | | |
| 5 | STATE INCOME TAX (5% X Ln 3) | 5.0% | 0.049 |
| 6 | Ln 3 - 5 | | 0.9334 |
| 7 | | | |
| 8 | FEDERAL INCOME TAX (21% X Ln 6) | 21.00% | <u>0.1960</u> |
| 9 | Ln 6 - 8 | | 0.7374 |
| 10 | | | |
| 11 | Expansion Factor | | <u><u>0.7374</u></u> |

NOTE: Tax Rates Subject To Change.
Effective Municipal Franchise Tax Rate Recalculated Each Evaluation.

APPENDIX "C"

Page 3

CALCULATION OF REVENUE ADJUSTMENT

EXHIBIT A

Atmos Energy Corporation - Mississippi Division

DETERMINATION OF FACTOR APPLIED TO RATES
TO ACHIEVE REQUIRED REVENUE CHANGE

| CALCULATION OF TEST PERIOD REVENUE | | | | |
|------------------------------------|---|----------------------|-------------------|-----------------------|
| Line # | Revenue Month | (1) | (2) | (3) |
| | | ACTUAL COLLECTION | EFFECTIVE RATE | ADJUSTABLE REVENUE |
| 1. | 04/2017 | 4,346,791 | 0.93139 | 4,666,973 |
| 2. | 05/2017 | 2,996,728 | 0.93139 | 3,217,465 |
| 3. | 06/2017 | 2,477,393 | 0.93139 | 2,659,876 |
| 4. | 07/2017 | 2,407,060 | 0.93139 | 2,584,363 |
| 5. | 08/2017 | 2,307,913 | 0.93139 | 2,477,912 |
| 6. | 09/2017 | 2,437,818 | 0.93139 | 2,617,386 |
| 7. | 10/2017 | 2,818,983 | 0.93139 | 3,026,627 |
| 8. | 11/2017 | 3,516,101 | 0.89049 | 3,948,482 |
| 9. | 12/2017 | 5,215,304 | 0.89049 | 5,856,640 |
| 10. | 01/2018 | 7,271,851 | 0.89049 | 8,166,084 |
| 11. | 02/2018 | 6,939,452 | 0.89049 | 7,792,809 |
| 12. | 03/2018 | 5,442,587 | 0.89049 | 6,111,872 |
| 13. | Total | <u>48,177,982</u> | | <u>53,126,489</u> |
| 14. | Current Net Adjustment Allowed | | | 3,431,367 |
| 15. | Annualized Stable Rate Revenue from most recent Evaluation | | | 47,308,835 |
| 16. | Net Annual Change to Base Revenue | | | <u>50,740,202</u> |
| 17. | Rate Adjustment Factor | | <u>1.00000</u> | <u>1.95508</u> |

The rate adjustment factor will be applied to the adjustable rate revenue in the next rate period.

APPENDIX "C"

Page 4

CALCULATION OF REVENUE ADJUSTMENT

EXHIBIT A

**Atmos Energy Corporation
Mississippi Division
July SRF - 2018**

Summary of Performance Indicators

The score used for the Customer Satisfaction Indicator falls between 0 and 10.

III. Weighting

Company's scores on the Performance Indicator are weighted and averaged as follows:

| <u>Line #</u> | <u>Performance Indicator</u> | <u>Performance Score</u> | <u>X</u> | <u>Weight</u> | <u>=</u> | <u>Weighted Score</u> |
|---------------|-------------------------------------|--------------------------|----------|---------------|----------|-----------------------|
| 1. | Customer Price | 10.00 | x | 0.75 | = | 7.50 |
| 2. | Customer Satisfaction | 10.00 | x | 0.25 | = | 2.50 |
| 3. | Company's Performance Score (CPS) | | | | | <u>10.00</u> |
| 4. | | | | | x | 0.10 |
| 5. | | | | | | <u>1.00</u> |
| 6. | | | | | - | <u>0.50</u> |
| 7. | Company's Performance Adjuster (PA) | | | | | <u><u>0.50</u></u> |

The Company's Performance Adjuster (PA) is calculated as follows:

$$(CPS \times .10) - .50 = PA$$