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February 27, 2018

Gwen Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation:
Case No. 2017-00039

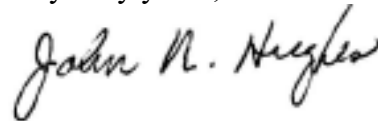
Dear Ms. Pinson:

Atmos Energy Corporation and the Attorney General, Office of Rate Intervention, submit the proposed Settlement in this case.

I certify that the electronic filing is a complete and accurate copy of the original documents to be filed in this matter, which will be filed within two days of this submission and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

If you have any questions about this matter, please contact me.

Very truly yours,



John N. Hughes

And

Mark R. Hutchinson
Wilson, Hutchinson and Littlepage
611 Frederica St.
Owensboro, KY 42301
270 926 5011
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Attorneys for Atmos Energy
Corporation

**BEFORE THE PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY**

**ELECTRONIC INVESTIGATION OF THE IMPACT)
OF THE TAX CUTS AND JOB ACT ON THE) CASE NO. 2018-00039
RATES OF ATMOS ENERGY CORPORATION)**

SETTLEMENT TESTIMONY OF JOE T. CHRISTIAN

I. INTRODUCTION

1
2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Joe T. Christian. My business address is 5420 LBJ Freeway, 1600
4 Lincoln Centre, Dallas, TX 75240.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Atmos Energy Corporation (“Atmos Energy” or “the Company”)
7 as Director of Rates & Regulatory Affairs (Shared Services).

8 **Q. ARE YOU THE SAME JOE CHRISTIAN THAT FILED PREFILED
9 TESTIMONY IN THIS PROCEEDING?¹**

10 A. Yes.

II. PURPOSE

12 **Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

13 A. The purpose of my testimony is to speak to the terms of the Settlement Agreement
14 that is implementing the interim rate adjustment to reflect an adjustment to rates for

¹ The Company’s Direct Testimony and Exhibits were filed in Case No. 2017-00481. The Commission opened Case No. 2018-00039 on January 30, 2018 and has closed Case No. 2017-00481.

1 the Tax Expense calculation due to the Tax Cuts and Jobs Act (“TCJA”).
2 Specifically, I will describe the steps taken by the Company to arrive at the agreed
3 upon interim rates between the Company and the Office of the Attorney General of
4 Kentucky (“OAG”).

5 **Q. DO YOU HAVE ANY EXHIBITS ATTACHED TO YOUR TESTIMONY?**

6 A. Yes. I have one Exhibit, JTC-S-1 Tariffs, reflecting the Company’s proposed tariff
7 changes as a result of the Settlement Agreement.

8 **Q. WHAT PORTION OF THE TCJA DOES THE AGREED UPON INTERIM**
9 **RATE ADJUSTMENT CAPTURE IN THE COMPANY’S COST OF**
10 **SERVICE?**

11 A. As described in my direct testimony, Atmos Energy is recording a deferred liability
12 to preserve for customers the benefit of the tax savings beginning January 1, 2018,
13 through the effective date of the rates resulting from the pending rate case which
14 will fully reflect our best estimate of the full benefits of the tax savings going
15 forward.² However, to provide customers with the most significant driver of
16 benefits of TCJA while the details are worked out Atmos Energy can, upon
17 Commission order, put in place an interim rate adjustment that flows back an
18 estimated amount of savings to its customers through their bills. The interim rates
19 produced are Exhibits JTC-1 and Exhibits JTC-2 that compare existing base rates
20 and PRP rates, respectively, with the rates that would be derived with a change of

² As will be more fully explained in the rate case, the Company’s fiscal year end of September 30 combined with additional technical work related to the amortization of the excess deferred liability will take some time to work through, however the estimated impact will be incorporated and updated in a future filing.

1 a federal corporate tax rate from 35 percent to 21 percent applied to the cost of
2 service models for these rates.

3 **Q. ARE THE AGREED UPON INTERIM RATES THE SAME AS SHOWN IN**
4 **EXHIBIT JTC-1 AND EXHIBIT JTC-2 IN YOUR DIRECT TESTIMONY?**

5 A. Yes. Per the terms of the Settlement Agreement, the Company and the OAG have
6 not endorsed or set precedent with any particular methodology concerning the
7 calculation of the interim rates, but have agreed that the proposed interim rates set
8 forth in JTC-1 and JTC-2 are appropriate to put into effect. These estimated interim
9 rates in the Company's cost of service rates result in approximately \$5.6 million of
10 annual savings to reduce customer bills.

11 **Q. WHEN DOES THE SETTLEMENT PROPOSE TO IMPLEMENT THESE**
12 **INTERIM RATES?**

13 A. The Company and the OAG support prompt implementation of the reduced rates,
14 and both understand the Commission is supportive of that objective. Therefore, we
15 propose that the interim rates be implemented effective for services rendered as
16 early as March 1.

17 **Q. PLEASE DESCRIBE THE STEPS ATMOS TOOK IN JTC-1 TO**
18 **CALCULATE ESTIMATED INTERIM RATES FOR BASE RATES?**

19 A. Exhibit JTC-1 is built upon a Cost of Service model reflecting the settlement
20 position resulting from the Company's last rate case, Case No. 2015-00343 ("2015
21 Settlement Model"). The 2015 Settlement Model consisted of the following steps:

- 22 • The Excel file, filed in both Case No. 2017-00349 and 2018-00039 was
23 labeled "KY Rev Req Model – 2015 Settlement."

- 1 • This file was built upon a model provided in response to Staff 2-21
2 Attachment 1 in Case No. 2015-00343.
- 3 • Ratemaking adjustments to that foundation file, to simulate the black-box
4 settlement, including reflection of an ROE of 9.7% (see Tab J-1F) and an
5 O&M adjustments of (\$132,364) (see Tab C.2).
- 6 • Because the Company is in a net loss position, all of the tax expense
7 included in cost of service is deferred and therefore must be equal to the
8 total change in deferred taxes (“ADIT”). On tab B.5 F, cell I73 must be
9 computed to balance amounts computed in cells I70 and I75. This
10 determines the amount of change in the Net Operating Loss Carryforward
11 (“NOLC”) necessary for the total change in ADIT from the Base Period to
12 the Forward Looking Test Period to equal the amount of income tax expense
13 included in the cost of service. The amount in cell I70 of Schedule B.5.F is
14 equal to the amount on Schedule C.1 cell J23 and is the tax expense included
15 in cost of service calculated at the statutory rate. The \$9,564,894 in cell
16 I73 was calculated using the "goal seek" function in Microsoft Excel. The
17 goal seek function was set to make the sum of cell I70 and I73 equal to zero
18 by changing the cell in I73 (the \$9,564,894 change in NOLC).

19 **Q. BASED ON THE SETTLEMENT MODEL DESCRIBED IN THE**
20 **PREVIOUS QUESTION AND ANSWER, PLEASE DESCRIBE THE NEXT**
21 **STEPS NEEDED TO DETERMINE THE IMPACT OF TCJA.**

22 A. Using the 2015 Settlement Model as a starting point, with a federal income tax
23 (“FIT”) rate of 35%, the Company made the following adjustments:

- 1 • The Company modified the filing to reflect a FIT rate adjustment from 35%
- 2 to 21% with the following entries:
- 3 ○ On the Allocation tab, cell E23, changed the keyed formula from
- 4 0.35 to 0.21;
- 5 ○ On Tab C.1, cell H23, changed the keyed formula from 0.35 to 0.21;
- 6 ○ On Tab E, cell E21 and G21, changed the keyed formula from 0.35
- 7 to 0.21; and
- 8 ○ On Tab H.1, cell C29, changed the keyed formula from 0.35 to 0.21.
- 9 • On Tab B.5 F, the Required Change in NOLC is computed as described
- 10 previously to ensure balance between the Tax Expense on Return and the
- 11 Total Required Changed in Accumulated Deferred Income Taxes. In this
- 12 instance, the “goal seek” solution in cell I73 is \$14,497,717.

13 **Q. WHAT IS THE RESULT OF UPDATING THE SETTLEMENT MODEL**

14 **FOR THE IMPACT OF TCJA?**

15 A. These steps create a revenue requirement model (Exhibit JTC-1) matching the

16 increase of \$500,000 set forth in the Settlement in Case No. 2015-00343 (See tab

17 A.1) at an FIT rate of 21%. Comparing the rate reduction produced by this model

18 compared to the settlement model shows a total rate reduction necessary of

19 \$4,584,138.

1 **Q. DOES THE OAG AGREE WITH THE METHODOLOGY USED TO**
2 **ESTIMATE THE INTERIM RATES?**

3 A. Counsel for the OAG have indicated that they agree with parts of the methodology,
4 but not all of it. In particular, OAG counsel noted that they don't agree with the
5 increase in the NOLC, and thus, the increase in rate base from the 2015 case.

6 **Q. WHY THEN DID THE PARTIES AGREE TO THE PROPOSED**
7 **SETTLEMENT?**

8 A. Both parties agree and understand that ultimately fair, just and reasonable *long term*
9 rates will be ordered by the Commission in Case No. 2017-00349. Both parties
10 agree that interim rate relief due to the changes following the TCJA should flow to
11 customers as timely as practical, with the understanding that any unresolved issues
12 can be properly litigated and decided by the Commission in the rate case. If
13 customers receive more or less benefit from the TCJA than the Commission wishes
14 and orders, the subsequent "true-up" of rates can be accomplished in an order in
15 this docket once the Company has achieved final determination of the excess
16 deferred tax liabilities resulting from the TCJA following its end-of-fiscal year
17 accounting in late October. Thus, the parties agree that an estimated interim relief
18 subject to subsequent "true-up" is better than postponing customers' benefits until
19 a final order in this case.

20 **Q. HAS THE COMPANY FILED ANY MORE MODELS IN THIS CASE?**

21 A. Yes. The Company also filed electronically, in both Case No. 2017-00349 and Case
22 No. 2018-00039, the Microsoft Excel file named "Rate Strike for FIT Expense."
23 This file demonstrates how the reduction of \$4,584,138 is spread uniformly to each

1 tariff rate component, producing a 5.6% reduction in base revenue (excluding pass-
2 through gas costs) for all customer classes.

3 **Q. PLEASE DESCRIBE THE INTERIM RATES FOR PRP AS SHOWN IN**
4 **EXHIBIT JTC-2?**

5 A. Exhibit JTC-2 compares the PRP rates that result from updating for the single
6 issue of federal income tax change to the current PRP rates being charged. In
7 order to provide this comparison of rates I utilized the Company's last rate PRP
8 model filed in Case No. 2017-00308 as a starting point.

9 **Q. PLEASE DESCRIBE THE PROCESS FOR DEVELOPING THE INTERIM**
10 **RATES FOR PRP.**

11 A. Similar to Exhibit JTC-1, Exhibit JTC-2 contains the last PRP model updated to
12 reflect the single issue of federal income tax change from 35 percent to 21
13 percent. This interim calculation results in a decrease in the PRP rate adjustment
14 of approximately \$1.0 million on an annual basis.

15 **Q. WHY DO YOU DESCRIBE THE EACH OF THESE CALCULATIONS AS**
16 **“INTERIM?”**

17 A. As mentioned in my direct testimony, and as noted in the Dec 27th Order in Case
18 No. 2017-00481 (“Dec 27th Order”), TCJA impact to rates cannot be determined
19 with precision at this time. The lack of precision is due in part to the interim
20 calculations excluding any amortization of excess deferred liabilities. While
21 Parties to this docket could continue investigating and getting to a more precise
22 answer, the final determination of the amount of net savings for the time period of
23 January 1 through the effective date of new base rates should not delay what can

1 be determined at this time. Rather the Parties agree that the majority of savings
2 are a result of changing the current rate from 35% to 21% and should be
3 implemented on an interim basis in order to flow these savings back to customers
4 as quickly as possible.

5 **Q. HOW WOULD THE INTERIM RATES BE REFLECTED ON**
6 **CUSTOMERS' BILLS?**

7 A. As I also mention in my direct testimony, the Company would propose that, rather
8 than appearing as a separate line item, the reduction would be applied to the base
9 rate and PRP charges on customers' bills, so that current customer bills would go
10 down while the interim rates are in place. Then those base rates would change
11 again to reflect the outcome of the rate case, which will include the savings from
12 the tax changes going forward. Since new base rates from Case No. 2017-00349
13 will be implemented in early May 2018, showing a line item on the customer bill
14 for only one or two months would likely create confusion.

15 **Q. EXPLAIN HOW THIS SETTLEMENT AGREEMENT IS REASONABLE**
16 **AND IN THE PUBLIC INTEREST?**

17 A. The Settlement Agreement allows the Company to begin to adjust Customer's bills
18 as promptly as possible to address the tax expense effects of the TCJA for the
19 Company's cost of service. The Company and the OAG agree that methodologies
20 or precedent are not established in the Settlement Agreement and are still subject to
21 review in the Company's rate case docket. For this interim rate adjustment
22 proposed in the Settlement Agreement the Company and the Office of the Attorney

1 General support prompt implementation of the reduced rates, and both believe the
2 Commission is supportive of that objective.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A. Yes.**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

**ELECTRONIC INVESTIGATION OF THE IMPACT)
OF THE TAX CUTS AND JOB ACT ON THE) CASE NO. 2018-00039
RATES OF ATMOS ENERGY CORPORATION)**

CERTIFICATE AND AFFIDAVIT

The Affiant, Joe T. Christian, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared rebuttal testimony of this affiant in Case No. 2018-00039, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared rebuttal testimony.



Joe T. Christian

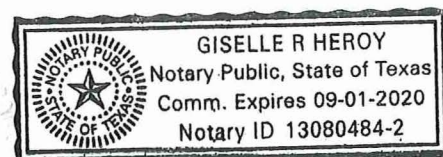
STATE OF Texas
COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Joe T. Christian on this the 26th day of February, 2018.



Notary Public

My Commission Expires: 9/01/2020



FOR ENTIRE SERVICE AREA

P.S.C. KY NO. 2

TWENTIETH REVISED SHEET NO. 4

CANCELLING

NINETEENTH REVISED SHEET NO. 4

ATMOS ENERGY CORPORATION
NAME OF UTILITY

Current Rate Summary
Case No. 2018-00039

Firm Service

Base Charge:

Residential (G-1)	-	\$16.52	per meter per month	(R)
Non-Residential (G-1)	-	42.01	per meter per month	(R)
Transportation (T-4)	-	354.06	per delivery point per month	(R)
Transportation Administration Fee	-	50.00	per customer per meter	

Rate per Mcf²

Sales (G-1)

Transportation (T-4)

First	300 ¹	Mcf	@	6.7097	per Mcf	@	1.4483	per Mcf	(R, R)
Next	14,700 ¹	Mcf	@	6.1583	per Mcf	@	0.8969	per Mcf	(R, R)
Over	15,000	Mcf	@	5.9601	per Mcf	@	0.6987	per Mcf	(R, R)

Interruptible Service

Base Charge	-	\$354.06	per delivery point per month	(R)
Transportation Administration Fee	-	50.00	per customer per meter	

Rate per Mcf²

Sales (G-2)

Transportation (T-3)

First	15,000 ¹	Mcf	@	4.7557	per Mcf	@	0.8025	per Mcf	(R, R)
Over	15,000	Mcf	@	4.5937	per Mcf	@	0.6405	per Mcf	(-, -)

¹ All gas consumed by the customer (sales, transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

² DSM, PRP and R&D Riders may also apply, where applicable.

DATE OF ISSUE February 23, 2018
MONTH / DATE / YEAR

DATE EFFECTIVE March 1, 2018
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO 2018-00039 DATED _____

FOR ENTIRE SERVICE AREA

P.S.C. KY NO. 2

TWENTIETH REVISED SHEET NO. 6

ATMOS ENERGY CORPORATION

NAME OF UTILITY

CANCELLING

NINETEENTH REVISED SHEET NO. 6

Current Transportation

Case No. 2018-00039

The Transportation Rates (T-3 and T-4) for each respective service net monthly rate is as follows:

System Lost and Unaccounted gas percentage: 1.61%

				<u>Simple Margin</u>			<u>Non- Commodity</u>			<u>Gross Margin</u>	
<u>Transportation Service</u>¹											
<u>Firm Service (T-4)</u>											
First	300	Mcf	@	\$1.4483 +		\$0.0000 =	\$1.4483	per Mcf		(R)	
Next	14,700	Mcf	@	0.8969 +		0.0000 =	0.8969	per Mcf		(R)	
All over	15,000	Mcf	@	0.6987 +		0.0000 =	0.6987	per Mcf		(R)	
<u>Interruptible Service (T-3)</u>											
First	15,000	Mcf	@	\$0.8025 +		\$0.0000 =	\$0.8025	per Mcf		(R)	
All over	15,000	Mcf	@	0.6405 +		0.0000 =	0.6405	per Mcf		(-)	

¹ Excludes standby sales service.

DATE OF ISSUE February 23, 2018
MONTH / DATE / YEAR

DATE EFFECTIVE March 1, 2018
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO 2018-00039 DATED _____

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 8

Cancelling

First Revised SHEET No. 8

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)**General Firm Sales Service****Rate G-1****1. Applicable**

Entire Service Area of The Company.

2. Availability of Service

Available for any use for individually metered service, other than auxiliary or standby service (except for hospitals or other uses of natural gas in facilities requiring emergency power, however, the rated input to such emergency power generators is not to exceed the rated input of all other gas burning equipment otherwise connected multiplied by a factor equal to 0.15) at locations where suitable service is available from the existing distribution system and an adequate supply of gas to reader service is assured by the supplier(s) of natural gas to the Company.

3. Net Monthly Rate

a) Base Charge

\$16.52 per meter for residential service (R)

\$42.01 per meter for non-residential service (R)

b) Distribution Charge

First¹ 300 Mcf @ \$1.4483 per 1,000 cubic feet (R)Next¹ 14,700 Mcf @ 0.8969 per 1,000 cubic feet (R)

Over 15,000 Mcf @ 0.6987 per 1,000 cubic feet (R)

c) Weather Normalization Adjustment.

d) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15.

e) Demand Side Management Cost Recovery Mechanism (DSM), referenced on Sheet No. 36.

f) Research & Development Rider (R&D), referenced on Sheet No. 37.

g) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.

¹ All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

DATE OF ISSUE February 23, 2018
Month/Date/YearDATE EFFECTIVE March 1, 2018
Month/Date/YearIssued by Authority of an Order of the Public Service Commission in
Case No. 2018-00039ISSUED BY /s/ Mark A. Martin
Signature of OfficerTITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 11

Cancelling

First Revised SHEET No. 11

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

Interruptible Sales Service
Rate G-2

d) Revision of Delivery Volumes

The Daily Contract Demand for High Priority service and the Daily Contract Demand for Interruptible service shall be subject to revision as necessary so as to coincide with the customer's normal operating conditions and actual load with consideration given to any anticipated changes in customer's utilization, subject to the Company's contractual obligations with other customers or its suppliers, and subject to system capacity and availability of the gas if an increased volume is involved.

4. Net Monthly Rate

- a) Base Charge: \$354.06 per delivery point per month (R)
- Minimum Charge: The Base Charge plus any Transportation Fee and EFM facilities charge and any Pipe Replacement Rider.
- b) Distribution Charge

High Priority Service

The volume of gas used each day up to, but not exceeding the effective High Priority Daily Contract Demand shall be totaled for the month and billed at the "General Firm Sales Service Rate G-1".

Interruptible Service

Gas used per month in excess of the High Priority Service shall be billed as follows:

First ¹ 15,000 Mcf	\$0.8025 per 1,000 cubic feet	(R)
Over 15,000 Mcf	0.6405 per 1,000 cubic feet	

- c) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15
- d) Research & Development Rider (R&D), referenced on Sheet No. 37.
- e) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.

¹ All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
Month/Date/Year

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Case No. 2018-00039

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Sixth Revised SHEET No. 39

Cancelling

Fifth Revised SHEET No. 39

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

Pipeline Replacement Program Rider

4. Pipe Replacement Rider Rates

The charges for the respective gas service schedules for the revenue month beginning March 1, 2018 per billing period are: (T)

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$2.97		\$0.00	(R,-)
Rate G-1 (Non-Residential)	\$9.97		\$0.00	(R,-)
Rate G-2	\$42.43	1-15,000	\$0.0746 per 1000 cubic feet	(R,R)
		Over 15,000	\$0.0562 per 1000 cubic feet	(R)
Rate T-3	\$41.31	1-15,000	\$0.0978 per 1000 cubic feet	(R,R)
		Over 15,000	\$0.0737 per 1000 cubic feet	(R,R)
Rate T-4	\$42.37	1-300	\$0.1848 per 1000 cubic feet	(R,R)
		301-15,000	\$0.1144 per 1000 cubic feet	(R)
		Over 15,000	\$0.0891 per 1000 cubic feet	(R)

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in
Case No. 2018-00039.

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President -- Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 45

Cancelling

First Revised SHEET No. 45

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

Interruptible Transportation Service
Rate T-3

1. Applicable

Entire service area of the Company to any customer for that portion of the customer's interruptible requirements not included under one of the Company's sales tariffs.

2. Availability of Service

- a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require interruptible transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
- b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.

3. Net Monthly Rate

In addition to any and all charges assessed by other parties, there will be applied:

- a) Base Charge - \$354.06 per delivery point (R)
- b) Transportation Administration Fee- 50.00 per customer per month (R)
- c) Distribution Charge for Interruptible Service
 - First¹ 15,000 Mcf @ \$0.8025 per Mcf (R)
 - Over 15,000 Mcf @ 0.6405 per Mcf (R)
- d) Applicable Non-Commodity Components (Sheet No. 6) as calculated in the Company's Gas Cost Adjustment (GCA) filing.
- e) Electronic Flow Measurement ("EFM") facilities charge, if applicable.
- f) Pipe Replacement Program (PRP) Rider.

¹All gas consumed by the customer (Sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
Month/Date/Year

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Case No. 2018-00039

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 52

Cancelling

First Revised SHEET No. 52

ATMOS ENERGY CORPORATION

(NAME OF UTILITY)

Firm Transportation Service

Rate T-4

1. Applicable

Entire Service Area of the Company to any customer for that portion of the customer's firm requirements not included under one of the Company's sales tariffs.

2. Availability of Service

- a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require firm transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
- b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.

3. Net Monthly Rate

In addition to any and all charges assessed by other parties, there will be applied:

- a) Base Charge - \$354.06 per delivery point (R)
- b) Transportation Administration Fee - 50.00 per customer per month
- c) Distribution Charge for Firm Service
 - First¹ 300 Mcf @ \$1.4483 per Mcf (R)
 - Next¹ 14,700 Mcf @ 0.8969 per Mcf (R)
 - Over 15,000 Mcf @ 0.6987 per Mcf (R)
- d) Applicable Non-Commodity Components as calculated in the Company's Gas Cost Adjustment (GCA) filing.
- e) Electronic Flow Measurement ("EFM") facilities charges, if applicable.
- f) Pipe Replacement Program (PRP) Ride.

¹ All gas consumed by the customer (sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC INVESTIGATION OF THE IMPACT)
OF THE TAX CUTS AND JOB ACT ON THE) CASE NO. 2018-00039
RATES OF ATMOS ENERGY CORPORATION)**

SETTLEMENT

This Settlement is entered into this 27th day of February, 2018 by and between Atmos Energy Corporation and Andy Beshear, Attorney General, through his Office of Rate Intervention (“OAG”) (collectively, “the Parties”). There are no other intervenors.

W I T N E S S E T H:

WHEREAS, on December 22, 2017, federal legislation known as the Tax Cuts and Jobs Act (“TCJA”) was signed into law and took effect;

WHEREAS, on January 30, 2018, the Public Service Commission (“Commission”) issued an order initiating an investigation into the impact of the TCJA on Atmos Energy’s rates;

WHEREAS, Atmos Energy’s customers rates reflect estimated revenues for income tax expense of approximately \$5.6 million above what is required as a result of TCJA (base rates and pipeline replacement program (“PRP”) rates), excluding the effects of amortizing excess accumulated deferred income taxes (“ADIT”);

WHEREAS, the Commission has granted full intervention in this case to the OAG;

WHEREAS, an informal conference discussing the issues in this case and the possibility of settlement, attended by representatives of the Parties and the Commission Staff, took place on February

9, at the offices of the Commission, during which several procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in this case;

WHEREAS, the Parties seek to implement as quickly as possible an interim reduction in Atmos Energy's rates due to partial implementation of the impacts of the TCJA;

WHEREAS, certain issues as to the calculation of, and the methodology to be used to calculate, the amount of rate adjustment due to the TCJA remain unresolved, and the Parties have agreed that those issues will be deferred to, and determined by the Commission in Atmos Energy's pending general rate case, Case No. 2017-00349. Nothing agreed to in this Settlement limits either party's ability to raise any issue or any ratemaking principle or methodology in that case;

WHEREAS, because Atmos Energy will not complete its fiscal year until September 30, 2018, and the final determination of the excess deferred tax liabilities resulting from the TCJA cannot be fully determined until end-of-fiscal year accounting is completed in late October, this case shall remain open for the purpose of final resolution of 1) incorporating the full impact of excess deferred tax liabilities; 2) the calculation of the refunds to the period of January 1, 2018 – February 28, 2018 (based on a March 1, 2018 interim rate implementation for services rendered); and 3) the impact, if any, of Commission's finding of the correct methodology for calculation of the interim rates in the pending Atmos Energy rate case, Case No. 2017-00349;

WHEREAS, it is understood by the Parties that this Settlement is subject to the approval of the Commission, and does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any adjustments to Atmos Energy's rates, terms, or conditions;

WHEREAS, the Parties agree that this Settlement, is a fair, just, and reasonable resolution of all the issues in the case; and

WHEREAS, sufficient evidence in the record support this Settlement, and provided an adequate record for the Commission to approve it;

NOW, THEREFORE, for and in consideration of the terms and condition of the Settlement, the Parties agree:

Beginning March 1, or a date determined by the Commission, Atmos Energy will lower its base rates and PRP rates to reflect the benefits of the TCJA using the agreed upon estimation of revenues for the excess income tax expense resulting from the TCJA. The rates agreed upon are included in the direct testimony of Mr. Joe Christian as Exhibit JTC-1 and Exhibit JTC-2. Proposed tariff updates are included as Exhibit JTC-S-1 in Mr. Christian's testimony supporting this Settlement.

The statements and positions of the Parties shall not be deemed to constitute admissions by either of the Parties that any computation, formula, allegation, assertion, or contention made by any other party is acceptable to or binding on either in any other proceeding.

The Parties agree that the settlement represents a fair, just, and reasonable interim resolution of the issues and request the Commission to approve the Settlement. If the Commission issues an order adopting this Settlement in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court.

If the Commission does not accept and approve this settlement in its entirety, either Party may withdraw from it within five (5) business days after the issuance of the final order. Upon that occurrence, this settlement shall become void without any further action by either party and neither of the Parties will be bound by it.

The Settlement constitutes the complete agreement and understanding among the Parties, and any oral statements, representations, or agreements made prior to or contemporaneously with shall be null and void and shall be deemed to have been merged into the settlement.

The Parties agree that the terms of the Settlement are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues and are the product of compromise and negotiation.

IN WITNESS WHEREOF, the Parties have affixed their signature.

Atmos Energy Corporation

By: _____

Date: _____

John R. Kuyper
2/27/18

Attorney General for the Commonwealth of Kentucky,
by and through the Office of Rate Intervention

By: _____

Date: _____

[Signature]
2-27-2018