JOHN N. HUGHES
Attorney at Law
Professional Service Corporation
124 West Todd Street
Frankfort, Kentucky 40601

Telephone: (502) 227-7270 **jnhughes@johnnhughespsc.com**t

August 23, 2021

Linda C. Bridwell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation
Case No. 2021-00214

Dear Ms. Bridwell:

Atmos Energy Corporation submits its responses to Staff's Second Data Request. I certify that the electronic documents are true and correct copies of the original documents and that no party has been excused from electronic service.

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

Submitted By:

Mark R. Hutchinson
Wilson, Hutchinson and Littlepage
611 Frederica St.
Owensboro, KY 42301
270 926 5011
randy@whplawfirm.com

And

John N. Hughes

John N. Hughes
124 West Todd St.
Frankfort, KY 40601
502 227 7270
jnhughes@jnhughes@johnnhughespsc.com

Attorneys for Atmos Energy Corporation

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2021-00214
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Timothy (Ryan) Austin, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

Timothy R. Austin

STATE OF KENTUCKY

COUNTY OF DAVIESS

SUBSCRIBED AND SWORN to before me by Timothy R. Austin on this the 23rd day of August, 2021.

KATHERINE T. FERGUSON NOTARY PUBLIC ID # 613806 COMMISSION EXPIRES 12/17/2022 STATE AT LARGE - KENTUCKY

Katherine T. Ferguson
Notary Public

My Commission Expires: 12/17/22

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2021-00214
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Joe T. Christian, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

____
Joe T. Christian

STATE OF TEXAS

COUNTY OF DALLAS

SUBSCRIBED AND SWORN to before me by Joe T. Christian on this the 20th day of August, 2021.

______________________________ Notary Public

My Commission Expires:

9/01/2024

NOTARY PUBLIC STATE OF TEXAS
GISELLE R HEROY
Notary ID #130804842
My Commission Expires
September 1, 2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2021-00214
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Dylan W. D'Ascendis, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

[signature]

Dylan W. D'Ascendis

STATE OF NEW JERSEY

COUNTY OF BURLINGTON

SUBSCRIBED AND SWORN to before me by Dylan W. D'Ascendis on this the 17 day of August, 2021.

Margaret A Clancy
Notary Public of New Jersey
My Commission Expires 6/9/2024

Margaret A Clancy

Notary Public

My Commission Expires: 6/9/2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2021-00214
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Josh C. Densman, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

Josh C. Densman

Josh C. Densman

STATE OF TEXAS

COUNTY OF ~~DALLAS~~ COLLIN

SUBSCRIBED AND SWORN to before me by Josh C. Densman on this the 18 day of August, 2021.

Barbara Ivey

Notary Public

My Commission Expires: 03-26-2023

BARBARA IVEY
Notary Public, State of Texas
Comm. Expires 03-26-2023
Notary ID 131948151

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2021-00214
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Paul H. Raab, being duly sworn, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

Paul H. Raab

STATE OF MARYLAND

COUNTY OF MONTGOMERY

SUBSCRIBED AND SWORN to before me by Paul H. Raab on this the 16 day of August, 2021.

DAVID KIM
Notary Public - State of Maryland
Montgomery County
My Commission Expires May 1, 2023

Notary Public

My Commission Expires: May, 1, 2023

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2021-00214
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Brannon C. Taylor, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

Brannon C. Taylor

STATE OF TENNESSEE

COUNTY OF DAVIDSON

SUBSCRIBED AND SWORN to before me by Brannon C. Taylor on this the 17 day of August, 2021.

BO ROBERTSON
STATE OF TENNESSEE NOTARY PUBLIC
RUTHERFORD COUNTY

Bo Robertson
Notary Public

My Commission Expires: 11/17/24

My Commission Expires
November 17, 2024

REQUEST:

Refer to Atmos's current tariff on file with the Commission, P.S.C. KY No. 2, Original Sheet No. 63, Special Charges.

a. Provide detailed cost support for the following items:
   1. Meter Set;
   2. Turn-On;
   3. Read;
   4. Reconnect Delinquent Service;
   5. Seasonal Charge;
   6. Meter Test Charge;
   7. Returned Check Charge;
   8. Late Payment Charge; and
   9. Optional Facilities Charge for Electronic Flow Measurement equipment.

RESPONSE:

The Company has not performed a study of these items for this case. Please see Attachment 1 for a copy of the study that was performed for Case No. 2006-00464.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-01_Att1 - Special Charges Analysis.xlsx, 10 Pages.

Respondent: Brannon Taylor

Exhibit RRC 1

Atmos Energy- Kentucky
Special Service Charge Analysis

Line No.	Description	Work Codes	Total Orders Worked	# Orders Billed During Reg. Hours	# Orders Billed After Hours	Average Time To Complete (Minutes)	Sr. Service Technician Salary & Load Per Minute 0.45	Office Salary & Load Per Minute 0.02	Supervision Salary & Load Per Minute 0.09	Total Salary Load Per Order	Travel Cost Between Orders	Service Cost Per Order	CSC Preparation and Processing of Order	Total Cost To Perform	Current Rates (Business Hours)	Current Revenue	Proposed Rates (Business Hours)	Proposed Rates (After Hours) [1]	Proposed Revenue	Increase In Revenue
	(1)	(2)	(5)	(3)	(4)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
1	Meter Sets	MSET/NEWC	5,354	3,864	1	46	$20.65		$4.02	$24.67	$4.56	$29.23	$3.91	$33.14	$28.00	$108,227	$34.00	$44.00	$131,420	$23,193
2	Turn On	TOSI/RCUS	11,751	11,025	3	25	$11.34		$2.21	$13.55	$4.56	$18.11	$3.91	$22.02	$20.00	$220,575	$23.00	$28.00	$253,659	$33,084
3a	Turn On from Non Pay	RDEL	7,104	6,463	19	22	$9.84		$1.92	$11.76	$4.56	$16.32	$3.91	$20.23	$34.00	$220,502	$39.00	$47.00	$252,950	$32,448
3b	Turn Off from Non Pay	DELQ	13,636			17	$7.58	$0.38	$1.48	$9.43	$4.56	$13.99	$3.91	$17.90						
4	Turn on from Seasonal off	RSEA	238	214	0	25	$11.11		$0.98	$12.08	$4.56	$16.65	$3.91	$20.55	$65.00	$13,910	$65.00	$73.00	$13,910	$0
5	Read and Run	RRUN	19,556	18,282	0	7	$3.16		$0.28	$3.43	$4.56	$8.00	$3.91	$11.90	$12.00	$219,384	$12.00	$14.00	$219,384	$0
6	Return Check Charges		3,593												$23.00	$82,639	$ 25.00		$89,825	$7,186
7	Totals															$865,237			$961,148	$95,911

[1] The after hours rate is calculated using 1.5 times column (5), Service Technician Salary & Load, plus the remaining charges.

Exhibit RRC 1

Atmos Energy Kentucky Division
Computation of Senior Service Tech Costs per Minute
KY Field

Line No.	Description	All Field Service Personnel
	(1)	(2)
1	FY 2007 Mid-Point of Senior Service Tech pay grade 2	17.84
2	Times Benefits and Payroll Tax Loading Factor	1.52
3	Average Salary per Employee w\Benefits	27.12
4	Divided by 60 Minutes per Hour	60
5	Employee Cost per Minute	0.45

Exhibit RRC 1

Atmos Energy Kentucky Division
Computation of Office Assistant (OA) Costs per Minute
KY Office

Line No.	Description	All Field Office Assistants
	(1)	(2)
1	FY 2007 Mid-Point of Office Assistants (OA) pay grade 2	17.84
2	Times Benefits and Payroll Tax Loading Factor	1.52
3	Average Salary per Employee w\Benefits	27.12
4	Divided by 60 Minutes per Hour	60
5	Employee Cost per Minute	0.45
6	Times .05 of OA's Time on DELQ or DTAG Service Orders	0.02

Exhibit RRC 1

Atmos Energy Kentucky Division
Computation of Operations Supervisor Costs per Minute
KY Office

Line No.	Description	All Field Service Personnel
	(1)	(2)
1	FY 2007 Mid-Point of Operations Supervisor pay grade 5	34.74
2	Times Benefits and Payroll Tax Loading Factor	1.52
3	Average Salary per Employee w\Benefits	52.81
4	Divided by 60 Minutes per Hour	60
5	Employee Cost per Minute	0.88
6	Times .10 of Supervisors Time spent on SOs	0.09

Exhibit RRC 1

Atmos Energy Kentucky Division
Travel & Completion Times

Line #	BU	State	S/O	Total Orders	Avg. Travel time (mins)	Avg. Worked time (mins)
	(1)	(2)	(3)	(4)	(5)	(6)
12	50	KY	**MSET Total**	3559	9.4	45.7
24	50	KY	**NEWC Total**	1795	10.5	45.7
36	50	KY	**RCUS Total**	359	9.6	22.8
48	50	KY	**RDEL Total**	7104	8.1	21.8
60	50	KY	**RRUN Total**	19556	8.2	7.0
72	50	KY	**RSEA Total**	238	9.1	24.6
84	50	KY	**TOSI Total**	11392	7.9	27.4
96	50	KY	**DELQ Total**	13636	5.0	16.8
97			**Grand Total**	**57,639**	**7.0**	**23.5**
98						

99 Source: Advantex reporting for October 1, 2005 - September 30, 2006.

Exhibit RRC 1

Atmos Energy Kentucky Division
Travel Cost
Between Orders

Line No.	Description	All Field Service Personnel
	(1)	(2)
1	Estimated Average Speed (Miles per Hour)	25.00
2	Minutes per Mile[1]	2.40
3	Total Number of Miles Driven for these SOs FY 2006	167,531.54
4	Total Number of Service Orders Worked	57,639
5	Miles Between Orders	2.91
6	Minutes Between Orders	6.98
7	Loaded Salary per Minute	0.45
8	Employee Travel Cost per Order	3.15
9	Vehicle Cost per Mile[2]	0.49
10	Vehicle Cost per Order	1.41
11	Total Cost to Arrive	4.56

[1] Minutes Divided by 25 Mph
[2] IRS Rate for Expenses of Operating a Vehicle as of 01/01/2007

Exhibit RRC 1

Atmos Energy - Kentucky Division
Returned Check Charge
Survey of Banks - November 27, 2006

Line No.	Bank	CHARGE
	(1)	(2)
1	Chase Bank	$ 32.00
2	Bank of Ohio County	$ 20.00
3	Independence Bank	$ 30.00
4	Fifth Third Bank	$ 33.00
5	First Security Bank of Owensboro	$ 30.00
6	National City Bank	$ 10.00
7	Branch Banking &Trust (BB&T)	$ 5.00
8	Old National Bank	$ 33.00
9	**Average Return Check Charge**	**$ 24.13**

Exhibit RRC 1

Atmos Energy - Kentucky Division
Cost Per Call FY 2006
Customer Support Center

Line No.		
1	Total KY Calls (including IVR handled calls) [1]	453,494
2	Total Cost[2]	$ 1,771,371
3	Cost Per Call	$3.91

[1]Source: Discoverer CMR Reports
[2]Source: Avaya CMS Reports

Exhibit RRC 1

Atmos Energy Kentucky Division
FY 2006 Service Orders by Month & Billings
KY Office

Line No.	MONTH (1)	SO Type (2)	Total Orders (3)	Orders Not Billed (4)	Billed Charges (5)	Unbilled (6)	FY SO Totals (7)
1	Oct-05	MSET	545	49	$13,894	$1,372	
2	Nov-05	MSET	585	119	$13,054	$3,332	
3	Dec-05	MSET	506	90	$11,648	$2,520	
4	Jan-06	MSET	206	23	$5,124	$644	
5	Feb-06	MSET	300	37	$7,382	$1,036	
6	Mar-06	MSET	278	32	$6,894	$896	
7	Apr-06	MSET	160	14	$4,095	$392	
8	May-06	MSET	182	20	$4,548	$560	
9	Jun-06	MSET	167	18	$4,178	$504	
10	Jul-06	MSET	155	14	$3,948	$392	
11	Aug-06	MSET	198	20	$4,984	$560	
12	Sep-06	MSET	277	27	$7,000	$756	
13	Oct-05	NEWC	310	190	$3,360	$5,320	
14	Nov-05	NEWC	305	177	$3,584	$4,956	
15	Dec-05	NEWC	237	132	$2,924	$3,696	
16	Jan-06	NEWC	135	83	$1,456	$2,324	
17	Feb-06	NEWC	131	64	$1,876	$1,792	
18	Mar-06	NEWC	118	62	$1,568	$1,736	
19	Apr-06	NEWC	35	29	$168	$812	
20	May-06	NEWC	77	39	$1,064	$1,092	
21	Jun-06	NEWC	124	63	$1,708	$1,764	
22	Jul-06	NEWC	77	41	$1,008	$1,148	
23	Aug-06	NEWC	124	70	$1,512	$1,960	
24	Sep-06	NEWC	122	76	$1,288	$2,128	5,354
25	Oct-05	RDEL	770	29	$25,206	$986	
26	Nov-05	RDEL	769	103	$22,670	$3,502	
27	Dec-05	RDEL	402	50	$11,992	$1,700	
28	Jan-06	RDEL	538	77	$15,704	$2,618	
29	Feb-06	RDEL	618	70	$18,624	$2,380	
30	Mar-06	RDEL	890	99	$26,912	$3,366	
31	Apr-06	RDEL	670	54	$20,950	$1,836	
32	May-06	RDEL	907	37	$29,580	$1,258	
33	Jun-06	RDEL	507	21	$16,524	$714	
34	Jul-06	RDEL	354	13	$11,594	$442	
35	Aug-06	RDEL	262	10	$8,574	$340	
36	Sep-06	RDEL	417	59	$12,184	$2,006	7104
37	Oct-05	RRUN	1,675	137	$18,304	$1,644	
38	Nov-05	RRUN	1,819	111	$20,509	$1,332	
39	Dec-05	RRUN	2,009	162	$22,154	$1,944	
40	Jan-06	RRUN	1,982	127	$22,260	$1,524	
41	Feb-06	RRUN	1,918	91	$21,924	$1,092	
42	Mar-06	RRUN	1,757	110	$19,612	$1,320	
43	Apr-06	RRUN	1,204	68	$13,632	$816	
44	May-06	RRUN	1,426	111	$15,780	$1,332	
45	Jun-06	RRUN	1,511	94	$17,004	$1,128	
46	Jul-06	RRUN	1,297	81	$14,592	$972	
47	Aug-06	RRUN	1,556	86	$17,640	$1,032	
48	Sep-06	RRUN	1,402	96	$15,672	$1,152	19,556

Exhibit RRC 1

Atmos Energy Kentucky Division
FY 2006 Service Orders by Month & Billings
KY Office

Line No.	MONTH	SO Type	Total Orders	Orders Not Billed	Billed Charges	Unbilled	FY SO Totals
49	Oct-05	RSEA	97	5	$5,935	$325	
50	Nov-05	RSEA	66	7	$3,835	$455	
51	Dec-05	RSEA	20	0	$1,300	$0	
52	Jan-06	RSEA	2	0	$130	$0	
53	Feb-06	RSEA	1	0	$65	$0	
54	Mar-06	RSEA	2	0	$130	$0	
55	Apr-06	RSEA	2	0	$130	$0	
56	May-06	RSEA	2	0	$130	$0	
57	Jun-06	RSEA	2	0	$130	$0	
58	Jul-06	RSEA	3	0	$195	$0	
59	Aug-06	RSEA	8	0	$520	$0	
60	Sep-06	RSEA	33	12	$1,365	$780	238
61	Oct-05	RCUS	72	38	$680	$760	
62	Nov-05	RCUS	49	35	$280	$700	
63	Dec-05	RCUS	28	12	$320	$240	
64	Jan-06	RCUS	23	14	$180	$280	
65	Feb-06	RCUS	11	6	$100	$120	
66	Mar-06	RCUS	33	21	$240	$420	
67	Apr-06	RCUS	25	11	$285	$220	
68	May-06	RCUS	18	12	$120	$240	
69	Jun-06	RCUS	14	9	$100	$180	
70	Jul-06	RCUS	15	7	$160	$140	
71	Aug-06	RCUS	31	22	$180	$440	
72	Sep-06	RCUS	39	26	$260	$520	
73	Oct-05	TOSI	1,761	40	$34,464	$800	
74	Nov-05	TOSI	2,043	109	$38,741	$2,180	
75	Dec-05	TOSI	1,299	80	$24,417	$1,600	
76	Jan-06	TOSI	788	45	$14,864	$900	
77	Feb-06	TOSI	837	52	$15,700	$1,040	
78	Mar-06	TOSI	560	43	$10,365	$860	
79	Apr-06	TOSI	437	23	$8,285	$460	
80	May-06	TOSI	628	20	$12,194	$400	
81	Jun-06	TOSI	631	18	$12,260	$360	
82	Jul-06	TOSI	635	25	$12,200	$500	
83	Aug-06	TOSI	785	25	$15,200	$500	
84	Sep-06	TOSI	989	30	$19,172	$600	11,751
85	**Totals**		44,003	4,132	$782,494	$94,148	44,003
86	**Total Billed and Unbilled Charges**				$876,642		
87							
88	Source: Advantex reporting for October 1, 2005 - September 30, 2006.						

REQUEST:

Refer to Atmos's current tariff on file with the Commission, P.S.C. KY. No. 2, Original Sheet No. 64, Application for Service.

a. Provide the personal information requested of each new potential customer, explain why each item is needed, and for each one, indicate whether the information is required in order for the customer to receive service or whether it is optional for the customer to provide.

b. Indicate whether Atmos has a standard Application for Service. If so, provide a copy.

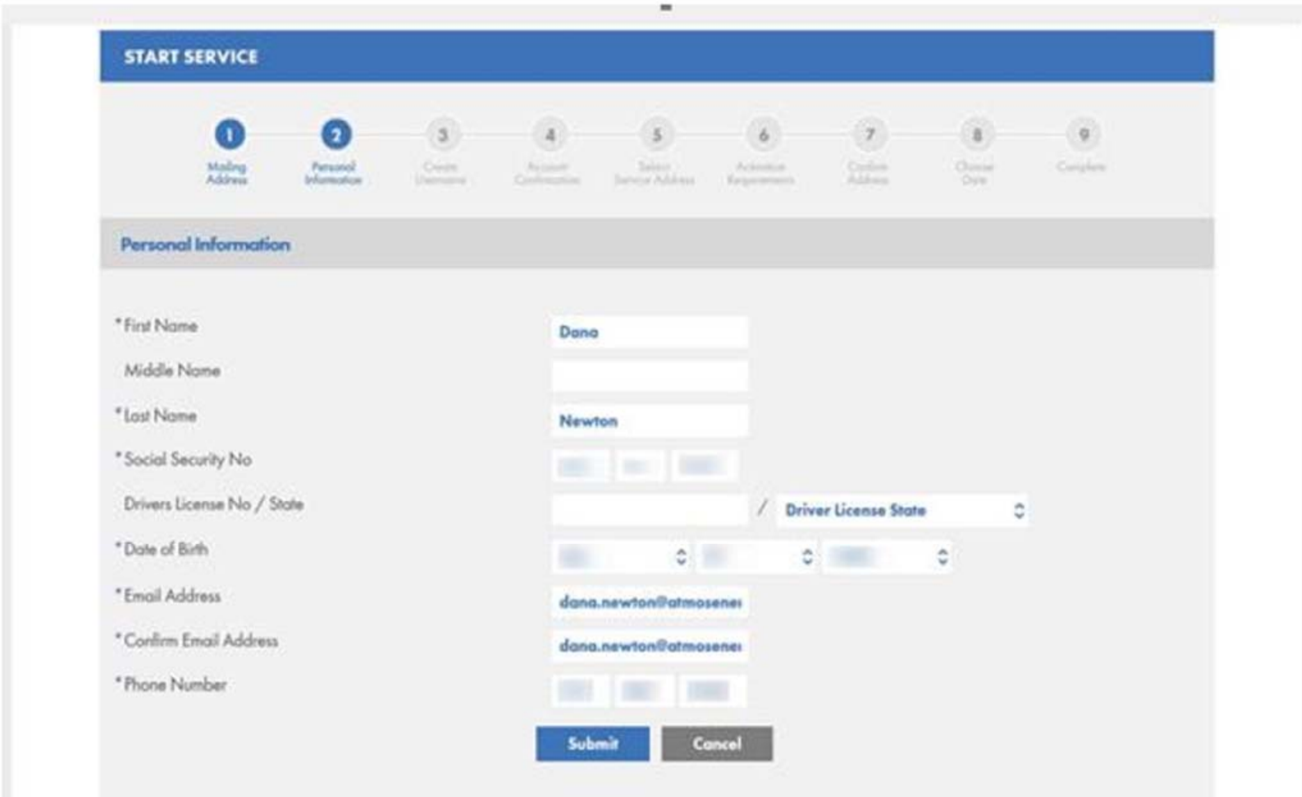
RESPONSE:

a. The Company asks all new customers for the following personal information: First Name, Middle Initial, Last Name and Date of Birth.

   The Company asks all new customers for the following contact information: Phone Number, Email Address, Mailing Address, Preferred billing Method.

   For a new residential customer starting service that has not had service with the Company previously, the Company asks for SPI (sensitive personal information), which is their Social Security Number, Date of Birth and Driver's License Number. The Social Security Number and Driver's License Numbers are not recorded during the call nor saved. If the customer is not comfortable providing the SPI information or does not have any of that information they can pay a deposit up front instead. The Company uses that information to verify the customer's identity to make sure they are who they claim to be and also whether or not the Company already has an existing account for that person (possibly with debt attached to it). The Company also uses the information to run their consumer utility score to see if they should be required to pay a deposit based on their credit with other utilities.

b. The application is either with a Company agent or online. A screenshot of the online application is provided below.



Respondent: Brannon Taylor

REQUEST:

Refer to Attachment 1 to filing requirement 16(1)(b)3, P.S.C. KY. No. 2, First Revised Sheet No. 87 Canceling Original Sheet No. 87. Indicate whether the proposed tariff should indicate that curtailments begin with Priority 5 instead of Priority 4.

RESPONSE:

Yes the proposed tariff should indicate that curtailments begin with Priority 5.

Respondent: Brannon Taylor

REQUEST:

Refer to Attachment 1 to filing requirement 16(1)(b)4, P.S.C. KY. No. 2, Original Sheet No. 87 and P.S.C. KY. No. 2, First Revised Sheet No. 87 Canceling Original Sheet No. 87. Explain why boiler loads served under Rate G-2 should be combined with other customers served under Rate G-2.

RESPONSE:

In an emergency situation, the Company cannot easily distinguish between Rate Schedule G-2 customers' end usage. Also, while historically most boilers had dual-fuel capability, the Company's understanding is that most modern gas boilers do not.

Respondent: Brannon Taylor

REQUEST:

Refer to the Direct Testimony of Brannon C. Taylor (Taylor Testimony), page 8, lines 10–12. Provide a quantification of the capital investments not recovered in current rates and the increase in expenses, using the test year from Case No. 2018-002812 (2018 Rate Case) as a starting point.

RESPONSE:

Please see filing requirements 16(8)(a) through 16(8)(k). Please also see the Company's supplemental response to Staff DR No. 1-55, files labeled "OM for KY-2021_Revised 8-17-21.xlsx" and "KY Plant Data-2021_Revised 8-12-21.xlsx" for expenses and capital investments, respectively. Please see Attachment 1 the Company's response to AG DR No. 1-21 for a breakdown of capital expenditures split between PRP and Non-PRP for investments made since the end of the test year in Case No. 2018-00281. Please see Attachment 1 for a walk forward from Case No. 2018-00281 that shows rate base has increased $118.8 million since the previous case.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-05_Att1 - KY Rev Req 2021 v 2018.xlsx, 1 Page.

Respondents: Brannon Taylor and Joe Christian

Comparison of Case 2018-0281 (Final Order)+PRPs and Case 2021-00214

Summary of Changes—Schedule A.1

Line No.		FORECAST TEST PERIOD					
		Case 2018-00281 (Final Order)	PRP filed 08-2019	PRP filed 08-2020	Activity Since 2018-00281	Case 2021-00214	Change (2021-00214 *less* Activity Since 2018-00281)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Rate Base	$ 424,928,656	$ 27,314,764	$ 12,053,610	$ 464,297,030	$ 583,089,824	$ 118,792,794
2	Required Rate of Return	7.49%	7.49%	7.49%	7.49%	7.66%	0.17%
3	Required Operating Income	31,827,156	2,045,771	902,769	34,775,697	44,664,681	9,888,984
4	Rate Strike Difference	-	-	-	-	(1,558)	(1,558)
5	Amortization of Excess ADIT	(1,463,766)			(1,463,766)	(5,406,740)	(3,942,974)
6	Amortization of COS and Depreciation Reserves	-	-	-	-	(9,862,441)	(9,862,441)
7	**Revenue Requirements**	**$ 168,045,758**	**$ 2,912,291**	**$ 1,562,149**	**$ 172,520,197**	**$ 178,656,335**	**$ 6,136,138**

Summary of Revenue Requirement Changes

RRQ = Expenses + Depreciation + Taxes + (Return on Rate Base * Rate Base)

Line No.		FORECAST TEST PERIOD					
		Case 2018-00281 (Final Order)	PRP filed 08-2019	PRP filed 08-2020		Case 2021-00214	Change (2021-00214 *less* Activity Since 2018-00281)
1	**Expenses**						
2	O&M						
3	Purchased Gas Cost	$ 78,382,354			$ 78,382,354	$ 77,873,656	$ (508,698)
4	Other O&M	27,085,654	(6,544)	(12,152)	27,066,958	29,068,888	2,001,930
5	Subtotal O&M	105,468,008	(6,544)	(12,152)	105,449,313	106,942,545	1,493,232
6							
7	Other Taxes	7,284,021	166,034	80,082	7,530,137	10,273,476	2,743,339
8							
9	**Total Expenses**	**112,752,029**	**159,491**	**67,930**	**112,979,450**	**117,216,021**	**4,236,571**
10							
11	**Depreciation**	**18,282,624**	**178,001**	**355,873**	**18,816,497**	**20,611,032**	**1,794,535**
12							
13	**Income Taxes**	**6,647,715**	**529,028**	**235,576**	**7,412,319**	**11,435,327**	**4,023,009**
14	*Check*	-				-	
15							
16	**Return on Rate Base**						
17	Rate Base (13-Month Average)						
18	Plant in Service	695,307,366	20,817,475	10,040,710	726,165,551	869,694,856	143,529,305
19	CWIP	-			-	-	-
20	Accumulated Depreciation and Amortization	(195,808,109)	7,006,058	3,434,315	(185,367,736)	(186,973,043)	(1,605,307)
21	Net Property, Plant, and Equipment (Sum of Lines 17—20)	499,499,257	27,823,534	13,475,025	540,797,815	682,721,813	141,923,998
22	*Check*	-				-	
23	Cash Working Capital	1,705,177			1,705,177	(3,062,527)	(4,767,704)
24	Other Working Capital Allowances (Inventory & Prepaids)	9,023,857			9,023,857	8,617,141	(406,716)
25	Customer Advances For Construction	(747,234)			(747,234)	(683,775)	63,459
26	Regulatory Assets / Liabilities	(33,100,553)			(33,100,553)	(27,462,375)	5,638,178
27	Deferred Inc. Taxes and Investment Tax Credits	(51,451,848)	(508,770)	(1,421,414)	(53,382,033)	(77,040,453)	(23,658,421)
28	Rate Base (Sum of Lines 21, 23–27)	424,928,656	27,314,764	12,053,610	464,297,030	583,089,824	118,792,794
29	*Check*	-				-	
30	Required Rate of Return	7.49%	7.49%	7.49%	7.49%	7.66%	0.17%
31							
32	**Return on Rate Base**	**31,827,156**	**2,045,771**	**902,769**	**34,774,074**	**44,664,681**	**9,890,607**
33	*Check*	*(0)*				*0*	
34							
35	**Revenue Requirement before Reg. Liability Amort. and Rate Strike Diff.**	**169,509,524**	**2,912,291**	**1,562,149**	**173,982,340**	**193,927,061**	**19,944,721**
36							
37	Rate Strike Adjustment	-	-	-	-	(1,558)	(1,558)
38	EDITL Amortization	(1,463,766)	-	-	(1,463,766)	(5,406,740)	(3,942,974)
39	COS and Depreciation Reserve Amortization	-	-	-	-	(9,862,441)	(9,862,441)
40							
41	**Revenue Requirement with Reg. Liability Amort. & Rae Strike Difference**	**$ 168,045,758**	**$ 2,912,291**	**$ 1,562,149**	**$ 172,518,574**	**$ 178,656,335**	**$ 6,137,762**

REQUEST:

Refer to the Taylor Testimony, page 11, line 13. Provide the average residential bills since 2007 as support for the statement.

RESPONSE:

Please see Attachment 1.

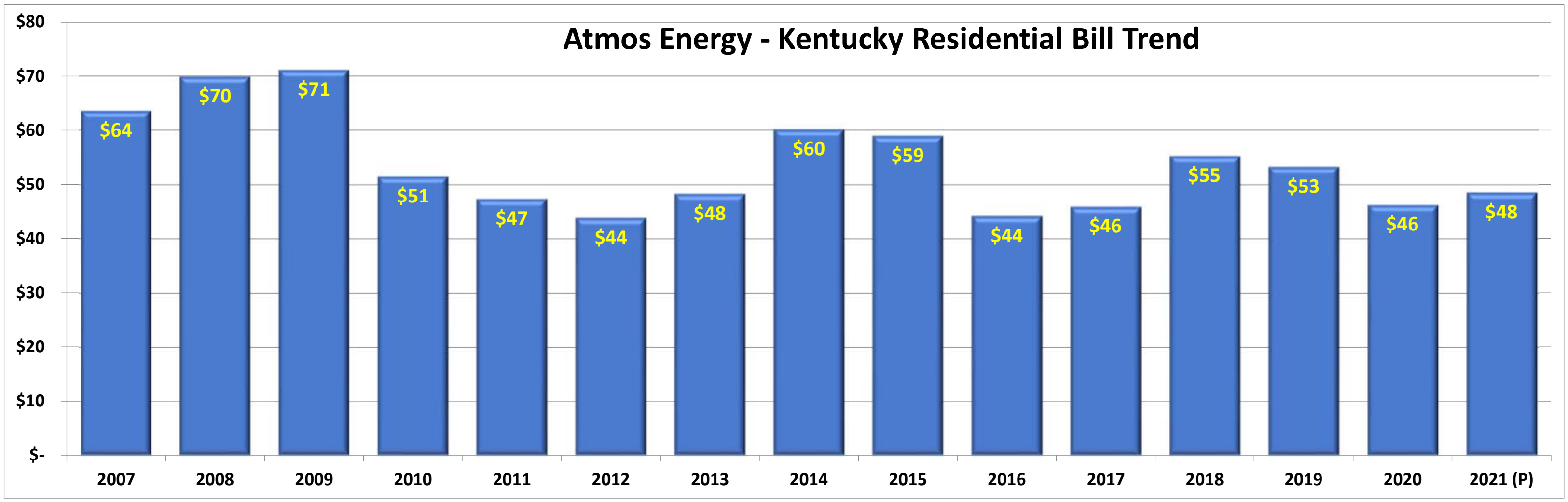
ATTACHMENT:

ATTACHMENT 1 - Staff_2-06_Att1 - ATO KY Res Bill Trend FY07 - FY21 (Jun21 Actuals).xlsx, 1 Page.

Respondent: Brannon Taylor

Kentucky
Utility Residential Bill Trend - Actual Data

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (P)
Annual Revenues $000's	117,203	128,720	130,355	94,526	87,258	80,850	89,751	112,287	109,984	82,638	86,157	104,315	100,891	88,078	93,265
Average Customers	153,662	153,440	152,754	153,117	153,758	153,931	155,084	155,639	155,556	155,983	156,615	157,419	157,921	158,829	160,317
Annual Bill	$ 763	$ 839	$ 853	$ 617	$ 568	$ 525	$ 579	$ 721	$ 707	$ 530	$ 550	$ 663	$ 639	$ 555	$ 582
Monthly Bill	$ 64	$ 70	$ 71	$ 51	$ 47	$ 44	$ 48	$ 60	$ 59	$ 44	$ 46	$ 55	$ 53	$ 46	$ 48
Avg Ann. Consumption MCF	**66.7**	**67.7**	**67.5**	**69.2**	**69.7**	**53.7**	**66.9**	**75.1**	**71.1**	**55.6**	**52.1**	**65.4**	**63.5**	**59.7**	**62.3**
Avg Gas Cost	**$ 8.77**	**$ 9.51**	**$ 9.78**	**$ 6.00**	**$ 4.88**	**$ 5.41**	**$ 4.98**	**$ 6.01**	**$ 5.76**	**$ 3.96**	**$ 4.35**	**$ 5.09**	**$ 4.95**	**$ 3.84**	**$ 3.94**
% of Bill from Gas Cost	**77%**	**77%**	**77%**	**67%**	**60%**	**55%**	**58%**	**63%**	**58%**	**42%**	**41%**	**50%**	**49%**	**41%**	**42%**



REQUEST:

Refer to the Taylor Testimony, page 17, lines 5–8. Mr. Taylor asserts that with the exception of residential sales, all classes contribute adequate amounts to Atmos's cost of service. Also refer to the Direct Testimony of Paul H. Raab (Raab Testimony), Exhibit PHR-5, page 1 of 2.

a. Confirm that at present rates, only the customer/demand study supports Mr. Taylor's assertion.

b. Confirm that at present rates, the demand-only and demand/commodity cost of service studies indicate that the residential and non-residential firm sales are the only rate classes that meet or exceed their cost to serve.

c. Explain why Mr. Taylor stated that only the residential class does not contribute adequately to Atmos's cost to serve.

d. Provide a thorough explanation for the proposed allocation of the proposed revenue increase.

RESPONSE:

a. It is true that at present rates only the customer/demand study supports Mr. Taylor's assertion.

b. This is true. However, it does not necessarily follow from that observation that those classes should not receive some allocated portion of the revenue deficiency. A better measure of which classes should bear some responsibility for the identified revenue deficiency is the Revenue Deficiency at Equalized Proposed Return summarized in Exhibit PHR-5. Using that metric, ***all*** classes warrant some allocation of the revenue deficiency under two or more of the studies. This more meaningful evaluation is reflected in the Company's proposed revenue deficiency allocation and rate designs.

c. This statement was based on Mr. Taylor's understanding of Mr. Paul Raab's testimony.

d. Please see the file "KY Revenue Billing Unit Forecast TYE 12.31.2022 - revised 8-19-21.xlsx", tab "Rate Design" included with the Company's supplemental response to Staff DR No. 1-55. As shown on Rows 28 - 36, the Company has allocated the increase to the classes proportionally between customer charge/volumetric and proportionally among the classes.

Respondent: Brannon Taylor

REQUEST:

Refer to the Taylor Testimony, page 19, line 3, through page 20, line 5, which discusses the proposed removal of parking service from the tariff.

a. Provide the number of customers using parking service by year for the past three calendar years and 2021 to date.

b. Provide the level of volumes parked by year for the past three calendar years and 2021 to date.

c. Provide the annual impact on Atmos's physical system of the parked volumes by year for the past three calendar years and 2021 to date.

d. Explain if parked volumes were impacted during the February storm that caused the 2021 Texas power crisis.

RESPONSE:

a. All transportation accounts parked at least once in each of the calendar years of 2018, 2019, 2020 and 2021 YTD June.

b. **CY 2018** - The average system quantity parked per month was 73,000 Dth, with a low of 23,000 Dth in June and a high of 194,000 Dth in December.

   CY 2019 - The average system quantity parked per month was 116,000 Dth, with a low of 47,000 Dth in October and a high of 222,000 Dth in January.

   CY 2020 - The average system quantity parked per month was 118,000 Dth, with a low of 61,000 in July and a high of 187,000 Dth in November.

   CY 2021 YTD through June - The average system quantity parked per month was 114,000 Dth, with a low of 68,000 Dth in June and a high of 175,000 Dth in March.

c. There is no impact on the physical distribution system; Atmos Energy ensures supply to the distribution system is balanced with customer requirements, regardless of the Transportation volumes parked.

d. We saw no impact on Transportation parked volumes in February 2021. The volumes parked in February 2021 were nearly identical to the volumes parked in January 2021.

Respondent: Brannon Taylor

REQUEST:

Refer to the Taylor Testimony, page 19, lines 9–12, which states that parking creates an opportunity for transportation customers and their marketers to attempt to engage in price arbitrage, which could negatively impact Atmos's Gas Cost Adjustment Clause (GCA).

a. Explain how parking allows transportation customers and their marketers to attempt to engage in price arbitrage.

b. Provide the effect parking service has had on the GCA by year for the past three calendar years and 2021 to date.

c. Explain how removing parking service from the tariff would affect the GCA.

d. Provide the monthly revenue or expense impacts since October 2019, if the proposed parking service revision was in effect.

RESPONSE:

a. The current parking tariff allows transportation customers and their marketers to park or roll an imbalance volume equal to 10% of their monthly nominations to the next production month. In a market where natural gas prices are projected to rise, transportation customers and their marketers can intentionally over nominate and over purchase natural gas for the current month, knowing 10% would be parked to the next month, and avoid purchasing natural gas that next month when prices are expected to be higher.

b. Parking Fees are recorded as a revenue only, therefore, there is no direct impact to GCA.

c. Please see the response to subpart (b).

d. If the Atmos KY parking service had been eliminated, the ten cent per MMBtu monthly Parking Revenue would not have been realized. From October 2019 to June 2021, the KY Parking Revenue averaged $11,400 per month; the total over the 21 months was approximately $240,000.

   The Company has not quantified the avoided cost of eliminating the parking service, which is an unknown as we cannot predict with any level of certainty how each Transportation account might have changed their behavior in self-managing daily and monthly imbalances. Atmos Energy utilizes no-notice storage to resolve daily total system imbalances; Transportation account imbalances are part of the total system imbalances. The Company anticipates that with parking service is removed, Transportation accounts behavior will change such that they will proactively resolve more of their daily and monthly imbalances, and rely less on Atmos Energy system balancing.

Respondent: Brannon Taylor

REQUEST:

Refer to the Taylor Testimony, page 20, lines 6–19, which discusses Atmos replacing references to Natural Gas Weekly with Gas Daily Weekly Average.

a. Explain how this change would have affected the imbalance calculations by year for the past three calendar years and 2021 to date.

b. Explain whether the imbalances have tended to be negative or positive for the past three calendar years and 2021 to date.

c. Explain the impact, if any, the proposed change will have on the GCA in the future if approved.

RESPONSE:

a. The replacement of Natural Gas Weekly with Gas Daily Weekly average would have no impact on volumetric imbalance calculations for the past three calendar years and 2021 to date.

b. Looking at the 42 months from January 2018 through June 2021, 18 months had short imbalances totaling about 600,000 MMBtu and 24 months had long imbalances totaling about 1,405,000 MMBtu. Of the long imbalances, approximately 750,000 MMBtu was parked and not cashed out. These are simply net figures; in actuality each account imbalance is handled independently and there is a mix of both negative and positive imbalances every month.

c. Parking Fees are recorded as revenue only; therefore, there is no direct impact to the GCA.

Respondent: Brannon Taylor

<u>REQUEST:</u>

Refer to the Taylor Testimony, page 21, line 19, through page 22, line 1, which states that it is rare that Atmos is required to curtail the supply of a Transportation account and that the more likely situation is the need to issue an Operational Flow Order.

a. Provide the number of times Atmos has had to curtail supply to Transportation accounts in the past three calendar years and 2021 to date and provide the details of each curtailment.

b. Had Atmos's tariff contained a provision allowing it to issue an Operational Flow Order, provide the number of times such an order would have been issued in the past three calendar years and 2021 to date, and explain the details that would have required such an order.

<u>RESPONSE:</u>

a. Atmos Energy did not curtail the supply of any Kentucky Transportation accounts.

During the past three calendar years, and YTD 2021, Atmos Energy issued one Kentucky on-system restriction. The restriction applied to all Atmos Kentucky Transportation accounts and was effective February 17 – 19, 2021. Atmos Energy applied the provision of tariff sheet 88 authorizing that Transportation services may be *curtailed* when the Company is unable to confirm the customer's gas supply is actually being delivered to the system. The Atmos Energy on-system restriction specified that Transportation customers shall not take more gas than the quantity of their supply being delivered to the Atmos Energy system within a 5% tolerance. Atmos Energy did not physically prevent or restrict (i.e., curtail) Transportation supply, however the unauthorized volumes, that is, greater than 5% above confirmed deliveries, were charged a penalty in accordance with Atmos' Curtailment tariff.

b. As explained in response to subpart (a) and in Mr. Taylor's Testimony, Atmos Energy's Curtailment tariff sheet 88 currently offers a means for addressing critical supply concerns, and Atmos Energy did issue one restriction pursuant to that language. Atmos Energy proposes to add clarifying language to the tariff, to better describe the restriction as an "Operational Flow Order." The new description of the restriction as an "Operational Flow Order" is consistent with general pipeline practice and familiar to gas marketers. The circumstances that prompted the issuance of the restriction in February 2021 was a combination of several factors, including but not limited to: cold weather forecast and the resulting increase in utility customer natural gas requirements, critical constraints on upstream pipelines, climbing spot gas prices, and the necessity for Atmos Energy to protect the Company's supplies and storage assets to ensure safe, reliable supply to the utility customers.

Respondent: Brannon Taylor

REQUEST:

Refer to the Taylor Testimony, page 22, line 12, through page 23, line 9, which discusses Atmos's proposal to address transportation accounts that carry an imbalance of 10 percent or more on a daily or accumulative basis.

a. Provide the number of transportation customers that have developed a short or long imbalance of 10 percent or more, on a daily or accumulative basis by year for the past three calendar years and 2021 to date.

b. Provide the number of customers identified in a. above that were nonresponsive to Atmos's request for corrective action.

RESPONSE:

a. Every Transportation account developed a short or long imbalance of 10% or more, on a daily or accumulative basis at some point during each calendar year 2018, 2019, 2020 and YTD 2021. Some accounts did so frequently, others less frequently. Most of these occurrences were short-lived and not considered to be egregious behavior. The tariff proposal is aimed at addressing Transportation accounts that are abusive of Atmos Energy's balancing service.

b. Atmos Energy has not tracked nor compiled data on "non-responsive" accounts except for when Atmos Energy formally issued the on-system restriction February 17-19, 2021. During the restriction, eleven Transportation accounts failed to comply on at least one of the three days and incurred a penalty for taking unauthorized gas supply over and above the 5% tolerance.

Respondent: Brannon Taylor

REQUEST:

Refer to the Taylor Testimony, pages 26–27. Explain how third-party lobbyists are directed by Atmos, including which person or people are in directly in charge of those directions.

RESPONSE:

Third-party lobbyists are directed by the Company's VP Governmental & Public Affairs, and Director, Government Affairs from the Company's Shared Services Division. The salaries for both these positions are coded below the line and are not part of the Company's filing request.

Respondent: Brannon Taylor

REQUEST:

Refer to the Direct Testimony of Joe T. Christian (Christian Testimony), page 14, lines 17 and 22. Reconcile the PRP investment for October 1, 2021, to September 30, 2022, of $27.9 million and $28.1 million.

RESPONSE:

The Direct Testimony of Mr. Christian should show PRP investment of $30.9 million for both of the cited references for the Period of October 1,2021 to September 30, 2022. Of this amount, $28.059 million is bare steel and $2.794 is Aldyl-A.

Respondent: Joe Christian

REQUEST:

Refer to the Christian Testimony, page 29, line 8.

a. Explain why, for the fiscal year 2019, actual O&M expenses were 7.86 percent greater than the forecasted budget.

b. Explain why, for the fiscal year 2018, actual O&M expenses were 6.40 percent greater than the forecasted budget.

RESPONSE:

a. and b. As shown in the table below, the variance for each year can be explained by three items:

	Fiscal 2018 Total Year	Budget 2018 Total Year	Fiscal 2019 Total Year	Budget 2019 Total Year
O&M - Total Operation & Maintenance Expense	29,221,826	27,463,403	31,588,593	29,286,805
Percent Variance		6.40%		7.86%
Bad Debt Expense	484,539		567,407	
Legal Settlements	60,128		561,692	
Incremental O&M for Safety related spending	0		629,801	
Temporary O&M Task subsequently transferred to capital	165,124			
Total identified items	709,791		1,758,900	
Adjusted Actual Total	28,512,035	27,463,403	29,829,693	29,286,805
Remaining Variances		3.82%		1.85%

As indicated in the Direct Testimony of Mr. Christian, Page 29, line 10 - 16, I examined what drove the variances in 2018 and 2019 and am satisfied that in conjunction with overall corporate results, O&M objectives continued to be met. Said another way, the Division communicated unplanned O&M needs and senior management concurred to adjust planned O&M spending rather than make cuts to meet that year's direct O&M budget.

Respondent: Joe Christian

REQUEST:

Refer to the Christian Testimony, page 31, lines 13–15. Mr. Christian states that costs above those approved for capital projects must be submitted for approval.

a. Explain whether there is a variance allowance cap that is allowed before having to submit for approval.

b. Provide a list of projects during the 2020, 2019, and 2018 fiscal years where the capital project exceed the approved amount. Include the budgeted amount and the actual amount.

RESPONSE:

a.

Amount Approved	Project Threshold
Less than $10,000	Greater than $5,000
	(i.e. $15,000 on a $10,000 project)
Between $10,000 and $25,000	50%
	(i.e. $37,500 on a $25,000 project)
Between $25,000 and $50,000	20%
	(i.e. $60,000 on a $50,000 project)
Between $50,000 and $100,000	15%
	(i.e. $115,000 on a $100,000 project)
Between $100,000 and $1,000,000	10%
	(i.e. $1,100,000 on a $1,000,000 project)
Greater than $1,000,000	5%
	(i.e. $10,500,000 on a $10,000,000 project)

b. Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-16_Att1 - Capital Projects Exceeding Approved Amounts.xlsx, 1 Page.

Respondents: Joe Christian and Michelle Faulk

Atmos Energy Corporaton, Kentucky
Capital Projects Exceeding Approved Amounts
FY 2018, 2018 and 2020

Assigned Date	Work Order Number	Authority Limit	AS OF ASSIGNED DATE Actuals	Initial Approved Estimate amount
2/9/2018	050.44561	10,000.00	25,705.11	9,823.22
8/3/2018	050.44722	25,000.00	27,033.45	19,531.75
8/31/2018	050.45027	10,000.00	11,747.40	3,444.54
10/6/2017	050.45453	25,000.00	29,055.72	22,890.29
12/28/2018	050.45546	50,000.00	57,463.38	42,153.37
10/30/2017	050.45687	50,000.00	50,892.11	18,243.77
11/17/2017	050.46206	50,000.00	54,892.24	40,425.94
10/26/2018	050.46445	250,000.00	283,179.52	186,840.23
12/1/2017	050.47056	10,000.00	12,681.15	5,814.81
12/1/2017	050.47085	10,000.00	10,305.33	9,323.80
6/1/2018	050.47096	10,000.00	12,750.27	7,464.98
12/15/2017	050.47133	10,000.00	24,977.40	6,754.36
11/2/2018	050.47201	10,000.00	13,695.45	7,157.02
1/25/2019	050.47203	10,000.00	12,421.71	8,890.20
11/2/2018	050.47315	10,000.00	10,852.97	9,305.82
10/5/2018	050.47357	50,000.00	55,904.09	36,304.80
10/5/2018	050.47358	50,000.00	54,002.00	43,111.96
4/6/2018	050.47382	25,000.00	25,549.11	24,614.72
9/28/2018	050.47674	10,000.00	10,250.74	6,636.03
6/8/2018	050.47678	50,000.00	50,292.94	48,523.88
8/3/2018	050.47795	10,000.00	18,699.15	5,348.53
9/28/2018	050.47866	50,000.00	55,456.82	43,922.17
6/1/2018	050.47925	10,000.00	11,674.24	1,581.33
5/4/2018	050.48067	25,000.00	63,121.87	24,795.00
9/7/2018	050.48187	10,000.00	11,727.56	3,022.55
8/10/2018	050.48332	25,000.00	28,557.86	23,994.14
9/7/2018	050.48380	10,000.00	10,781.01	6,697.53
10/5/2018	050.48451	10,000.00	11,251.44	4,803.76
7/6/2018	050.48592	10,000.00	18,816.84	4,836.06
10/19/2018	050.48612	25,000.00	32,177.75	24,280.09
11/8/2019	050.48765	25,000.00	40,082.33	17,738.84
11/8/2019	050.49330	1,000,000.00	1,010,993.99	681,342.15
11/9/2018	050.49788	5,000.00	6,502.81	5,000.00
6/7/2019	050.49984	10,000.00	12,499.95	9,069.45
6/7/2019	050.50055	50,000.00	50,500.55	43,224.54
2/1/2019	050.50073	10,000.00	11,424.65	8,876.18
1/25/2019	050.50074	10,000.00	12,078.32	7,622.27
5/31/2019	050.50491	3,000.00	3,300.62	2,539.58
10/18/2019	050.50521	25,000.00	42,890.06	21,706.56
6/7/2019	050.50544	10,000.00	10,104.50	6,801.89
7/5/2019	050.50656	25,000.00	28,862.63	17,089.44
6/7/2019	050.50784	25,000.00	28,144.42	24,389.94
11/1/2019	050.50882	25,000.00	29,615.91	14,973.14
7/5/2019	050.51083	50,000.00	50,899.93	48,928.00
11/15/2019	050.51243	10,000.00	10,816.32	7,704.31
11/1/2019	050.51471	50,000.00	51,040.74	31,135.16
10/25/2019	050.51518	10,000.00	22,794.53	7,421.27
10/4/2019	050.51874	25,000.00	26,173.35	22,800.44
8/7/2020	050.52016	1,000,000.00	1,035,401.07	975,209.96
11/15/2019	050.52069	10,000.00	15,193.71	9,678.16
12/6/2019	050.52526	10,000.00	10,071.76	8,828.97
12/20/2019	050.52597	10,000.00	14,363.85	3,185.78
12/20/2019	050.52800	10,000.00	13,779.20	7,480.64
5/22/2020	050.53185	25,000.00	25,076.64	23,583.16
8/28/2020	050.53428	10,000.00	10,311.51	6,384.94
6/12/2020	050.53448	10,000.00	10,994.04	9,718.81
9/4/2020	050.54352	10,000.00	12,754.26	6,592.53
9/4/2020	050.54402	25,000.00	25,359.00	18,789.51

REQUEST:

Refer to the Christian Testimony, page 34, lines 14–17. Quantify Atmos's normal level of vacancies.

RESPONSE:

Please see Attachment 1 for a comparison of actual headcount compared to open positions for calendar 2019 and 2020 as well as 2021 year-to-date. Generally, open positions average 2.5% - 3.0%; however, the calendar 2020 average does appear to be impacted by COVID-19, particularly at the division (less than 1%) and to a lesser extend in Shared Services (lower 2% range). YTD 2021 (which contains 3/4 of the base period) is reflective of the normal 2.5%-3.0% average.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-17_Att1 - Vacancies Calculation.xlsx, 1 Page.

Respondent: Joe Christian

Atmos Energy Corporation
SSU, CSO, KMD, KY Direct Headcounts vs. Open Positions
January 2019 - July 2021

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	**Open Positions**														
2		**Jan'19**	**Feb'19**	**Mar'19**	**Apr'19**	**May'19**	**Jun'19**	**Jul'19**	**Aug'19**	**Sep'19**	**Oct'19**	**Nov'19**	**Dec'19**	**Average**	**Annual Percent Open**
3	SSU	19	19	16	16	16	14	16	12	16	10	16	13	15	3.20%
4	CSO	16	16	22	7	8	21	27	18	17	8	3	37	17	2.70%
5	KMD	8	8	11	16	15	14	11	6	10	4	9	5	10	2.63%
6	Kentucky	5	5	7	11	9	8	6	3	5	2	7	4	6	3.02%
7															
8		**Jan'20**	**Feb'20**	**Mar'20**	**Apr'20**	**May'20**	**Jun'20**	**Jul'20**	**Aug'20**	**Sep'20**	**Oct'20**	**Nov'20**	**Dec'20**	**Average**	
9	SSU	12	14	13	13	14	11	11	16	11	10	6	11	12	2.48%
10	CSO	22	19	4	5	7	14	28	14	17	13	9	8	13	2.20%
11	KMD	6	4	6	2	4	3	3	-	-	2	2	2	3	0.76%
12	Kentucky	6	2	4	-	2	1	2	-	-	-	2	2	2	0.92%
13															
14		**Jan'21**	**Feb'21**	**Mar'21**	**Apr'21**	**May'21**	**Jun'21**	**Jul'21**						**Average**	
15	SSU	11	9	15	14	17	14	3						14	2.90%
16	CSO	19	8	6	9	26	15	32						19	3.23%
17	KMD	5	4	6	10	12	13	1						9	2.37%
18	Kentucky	5	3	2	4	7	9	-						5	2.66%
19															
20	**Actual Headcount**														
21															
22		**Jan'19**	**Feb'19**	**Mar'19**	**Apr'19**	**May'19**	**Jun'19**	**Jul'19**	**Aug'19**	**Sep'19**	**Oct'19**	**Nov'19**	**Dec'19**	**Average**	
23	SSU	478	471	472	472	476	480	482	479	482	480	474	472	477	
24	CSO	592	603	606	612	617	614	611	614	630	645	643	634	618	
25	KMD	367	369	367	368	370	367	369	373	376	376	374	374	371	
26	Kentucky	198	199	198	198	200	200	201	202	201	198	195	195	199	
27															
28		**Jan'20**	**Feb'20**	**Mar'20**	**Apr'20**	**May'20**	**Jun'20**	**Jul'20**	**Aug'20**	**Sep'20**	**Oct'20**	**Nov'20**	**Dec'20**	**Average**	
29	SSU	471	472	476	475	477	478	479	479	480	475	480	475	476	
30	CSO	629	621	617	614	609	608	592	599	604	605	602	588	607	
31	KMD	378	380	380	377	373	371	367	367	366	364	364	361	371	
32	Kentucky	197	199	199	196	193	191	187	187	186	186	186	186	191	
33															
34		**Jan'21**	**Feb'21**	**Mar'21**	**Apr'21**	**May'21**	**Jun'21**	**Jul'21**						**Average**	
35	SSU	473	471	471	470	470	473	512						477	
36	CSO	591	601	607	592	591	594	580						594	
37	KMD	360	358	361	360	358	359	359						359	
38	Kentucky	186	187	190	189	189	189	186						188	

REQUEST:

Refer to the Christian Testimony, page 35, lines 3–7. Explain why benefits are expected to be lower in the forecasted test period compared to the base period when labor expenses are projected to increase.

RESPONSE:

The forecast test period benefits is based on the actual benefits load used for the first six months of Fiscal Year 2021 - 30.5% as compared to the based period, which is a blend of six months actual (30.5%) and six month budget (36.4%). On the other hand, Labor expense for the forecasted test period reflects the 3% average increase over the base period, which is consistent with previous fiscal year salary adjustments.

Respondent: Joe Christian

REQUEST:

Refer to the Christian Testimony, page 41, lines 12–16. Quantify the relationship between employee incentive pay and lower rates for customers.

RESPONSE:

As explained beginning on page 40, line 19 and continuing through page 41, line 17, the Company does pay incentive compensation as part of its overall compensation to employees; therefore, it is unable to produce an analysis that would demonstrate what the overall O&M costs would be absent incentive compensation. The point of Mr. Christian's testimony that is cited in the question is simply to raise awareness that hiring and retaining employees, which in part is made possible with competitive pay, reduces employee turnover. Reducing employee turnover saves money related to all phases of the hiring process, including recruitment, onboarding, training to meet initial operator qualifications, as well as the fact that a more experienced employee is a more productive employee in terms of performing daily tasks whether in a direct field function or a back office support job.

Respondent: Joe Christian

REQUEST:

Refer to the Christian Testimony, page 50, line 16. Explain why the amortization of the protected excess deferred income tax liabilities was decreased from 24 to 22 years.

RESPONSE:

The protected excess deferred income tax liability was decreased from 24 to 22 years as a result of a detailed study being completed since the previous case. Please see Attachment 1 for a summary of the 22 year time period.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-20_Att1 - EDIT Amortization Support.xlsx, 1 Page.

Respondent: Joe Christian

Atmos Energy Corporation
Mid-States Kentucky Division
Computation of Excess Deferred Amortization Effective Life
September 30, 2018

Line	Description	Source		
1	Plant in Service as of September 30, 2018	FY2018 Trial Balance	$ 651,483,311	
2	Accumulated Depreciation	FY2018 Trial Balance	(202,055,388)	
3	Net Plant in Service as of September 30, 2018			$ 449,427,923
4	FY2018 Depreciation Expense	FY2018 Trial Balance	20,468,423	
5	Avg Remaining Book Useful Life in Years	Line 3 / Line 4		21.96
6	**Avg Remaining Book Useful Life in Years (Rounded up)**			**22**

REQUEST:

Refer to the Christian Testimony, page 54, lines 3–9. Explain how Atmos expects to securitize the Winter Storm Uri gas costs.

RESPONSE:

Atmos Energy sought a regulatory asset determination that $2,038,997,976 of extraordinary costs for its Mid-Tex and West Texas Divisions associated with the February 2021 Winter Weather Event on July 30, 2021 from the Railroad Commission of Texas (Case No. 00007062). The Company anticipates that this case and subsequent financing by the Texas Financing Authority will be completed in the spring to late-summer 2022, depending on how much of the full statutory timeline authorized by H.B. 1520 is utilized.

Atmos Energy anticipates filing for Securitization in Kansas for $85 - $90 million in extraordinary costs associated with the February 2021 Winter Weather event in September of 2021. The Company anticipates that this case and subsequent financing (to be done by the Company) will be completed in the spring of 2022.

Respondent: Joe Christian

REQUEST:

Refer to the Direct Testimony of Josh C. Densman (Densman Testimony), page 4, lines 9–12.

a. Due to the COVID-19 pandemic and the moratorium regarding disconnects, explain whether the 12-month period ending March 31, 2021, is an appropriate period in which to base rate case quality billing data.

b. Explain if Atmos made any adjustments for the usage or number of customers during this time period to account for the impacts of the COVID-19 pandemic.

RESPONSE:

a. Yes. The 12-month period ending March 31, 2021 is the appropriate period because this is a cost-of-service rate proceeding based on that time period under the Commission's regulations.

b. The question calls for speculation with regards to the phrase "impacts of the Covid-19 pandemic. Notwithstanding that objection, please refer to the direct testimony of Josh C Densman, page 6, line 20 thru page 7, line 7. The adjustments referenced for industrial sales and transportation did consider the possible impact of Covid-19 as well as industry closings, expansions or reductions, and contract changes altering a customer's service type or rate schedule. Due to the limited number of total customers in these classifications, a more granular review can be made for expected changes by service type for future periods.

   The Company attempted to estimate the margin impact of COVID for the residential, commercial, and public authority customer classes by analyzing the year over year weather adjusted consumption variance for the same 12 month period ending March 31, 2021, which was used as the "reference period" in this proceeding. Based on the results of that analysis the Company determined that a similar adjustment was not necessary.

Kentucky Service Area
Distribution Margin Analysis by Customer Class
Weather (net of WNA), Consumption
12 Months Ended March 31, 2021 Variance v. PY

Class		KY
Residential	$	190,434
Commercial	$	(154,741)
Public Authority	$	(36,960)
Weather & Consumption (net of WNA)	***$***	***(1,267)***

Please also see the Company's response to AG DR No. 1-31.

Respondent: Josh Densman

REQUEST:

Refer to the Densman Testimony, page 7, line 18. State whether Atmos considered any periods other than the 20-year average weather.

RESPONSE:

The Company did not consider any periods other than the 20-year period in the current filing based on the Commission's ruling in Case No. 2015-00343. The Company originally proposed a 10-year period basis for normal weather in Case No. 2015-00343, which was based on analysis required in the Commission Order in Case No. 2013-00148. Ultimately, the Commission approved the Company's modification to its WNA rider with the caveat to use a 20-year data period for future filings for determination of normal NOAA heating degree days in Case No. 2015-00343. The Company continued the use of the 20 year data period in Case No. 2017-00349 and Case No. 2018-00281 as well as the current filing.

Respondent: Josh Densman

REQUEST:

Refer to the Densman Testimony, page 9, lines 4–6 and the Application, FR 16(7)(h)14_Att1_-_Customer_Forecast.xlsx. Also refer to the Application in the 2018 Rate Case, FR 16(7)(h)14_Att1_-_Cusotmer Forecast.xlsx.

a. For the residential class, the 2018 Rate Case forecasted 325 additional customers per year.

    1. For the instant case, the forecasted growth of residential customers is 600 per year. Explain the increase in the residential growth rates between the two forecasts.
    2. Provide the modeling support for the estimated 600 additional customers.

b. For the commercial class, the 2018 Rate Case forecasted zero additional customers per year.

    1. For the instant case, the forecasted growth is 75 customers per year. Explain the increase in the commercial customer growth rates between the two forecasts.
    2. Provide the modeling support for the additional 75 customers.

c. Explain any changes in the forecasting methodology since the 2018 Rate Case.

d. Provide a comparison of the customer growth for each rate class by year from the numbers contained in the Application for the 2018 Rate Case to present.

RESPONSE:

Please see Attachment 1 for modeling support of residential and commercial growth as it relates to additional customers. In each instance, the Company used a 3 year average in forecasting residential and commercial growth. This is the same methodology used in prior cases including the 2018 rate case.

Please see Attachment 2 for comparison of the customer growth for each rate class by year from the 2018 rate case to present.

ATTACHMENTS:

ATTACHMENT 1 - Staff_2-24_Att1 - Customer Growth Modeling Support.xlsx, 2 Pages.

ATTACHMENT 2 - Staff_2-24_Att2 - Case Compare Customer Growth.xlsx, 1 Page.

Respondent: Josh Densman

CASE NO. 2021-00214
ATTACHMENT 1
TO STAFF DR NO. 2-24

Residential Forecasted Customer Change

Line No.	Period	Average Customers	Net Cust. Change From Prior Yr.	
1	FY 2011	153,757		
2	FY 2012	153,931	174	
3	FY 2013	154,732	801	
4	FY 2014	155,291	559	
5	FY 2015	155,209	(82)	
6	FY 2016	155,637	428	
7	FY 2017	156,272	635	
8	FY 2018	157,075	804	
9	FY 2019	157,579	503	
10	FY 2020	158,053	474	
11				
12		10Yr Rolling Slope		
13	Ten Year Slope =	481	594	< 3-yr Avg
14				
15		$\boxed{600}$	< Assume	

Commercial Forecasted Customer Change

Line No.	Period	Average Customers	Net Cust. Change From Prior Yr.	
1	FY 2011	17,335		
2	FY 2012	17,315	(20)	
3	FY 2013	17,455	140	
4	FY 2014	17,340	(115)	
5	FY 2015	17,329	(11)	
6	FY 2016	17,351	22	
7	FY 2017	17,391	39	
8	FY 2018	17,475	85	
9	FY 2019	17,555	80	
10	FY 2020	17,637	82	
11				
12		10Yr Rolling Slope		
13	Ten Year Slope =	28	82	< 3-yr Avg
14				
15		75	< Assume	

Residential

Filing	Fiscal Year [1]	Customers	Change	3yr Avg.	Adjustment
	FY 2014	155,291			
	FY 2015	155,209	(82)		
	FY 2016	155,637	428		
2018-00281	FY 2017	156,272	635	327	325
	FY 2018	157,075	804		
	FY 2019	157,579	503		
2021-00214	FY 2020 [2]	158,053	474	594	600

Commercial

Filing	Fiscal Year	Customers	Change	3yr Avg.	Adjustment
	FY 2014	17,340			
	FY 2015	17,329	(11)		
	FY 2016	17,351	22		
2018-00281	FY 2017	17,391	39	17	0
	FY 2018	17,475	85		
	FY 2019	17,555	80		
2021-00214	FY 2020 [3]	17,637	82	82	75

Public Authority

Filing	Fiscal Year	Customers	Change	3yr Avg.	Adjustment
	FY 2014	1,565			
	FY 2015	1,553	(12)		
	FY 2016	1,545	(8)		
2018-00281	FY 2017	1,539	(6)	(9)	0
	FY 2018	1,542	3		
	FY 2019	1,538	(5)		
2021-00214	FY 2020	1,538	-	(1)	0

[1] All years have been adjusted for the 2013 Livermore acquisition of 350 customers
[2] Excluded 429 custmers due to turning off duning during the pandemic
[3] Excluded 434 customers due to customer re-class

REQUEST:

Refer to the Densman Testimony, page 9, lines 13–15. Provide a trend line for the past 15 fiscal years showing average annual usage per customer for the residential, commercial, and public authority classes. If possible, the information should be adjusted for normal weather.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

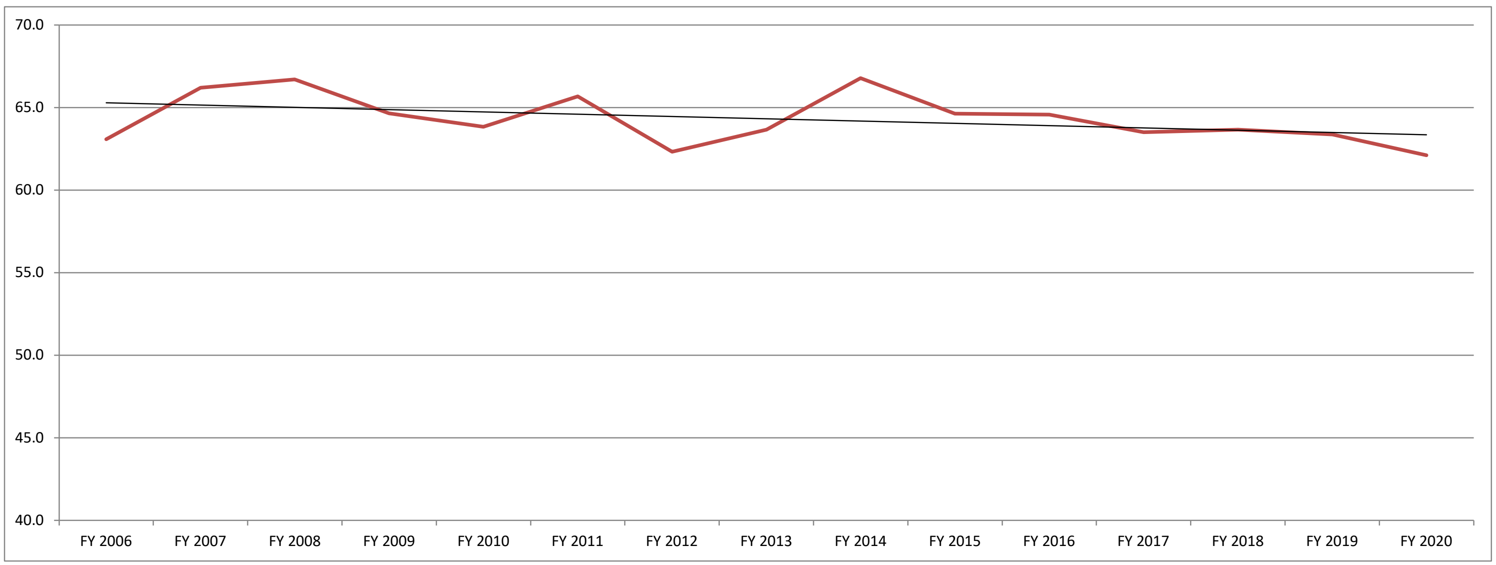
ATTACHMENT 1 - Staff_2-25_Att1 - Usage Trend 15 Years.xlsx,

Respondent: Josh Densman

Line No.

Residential Declining Usage

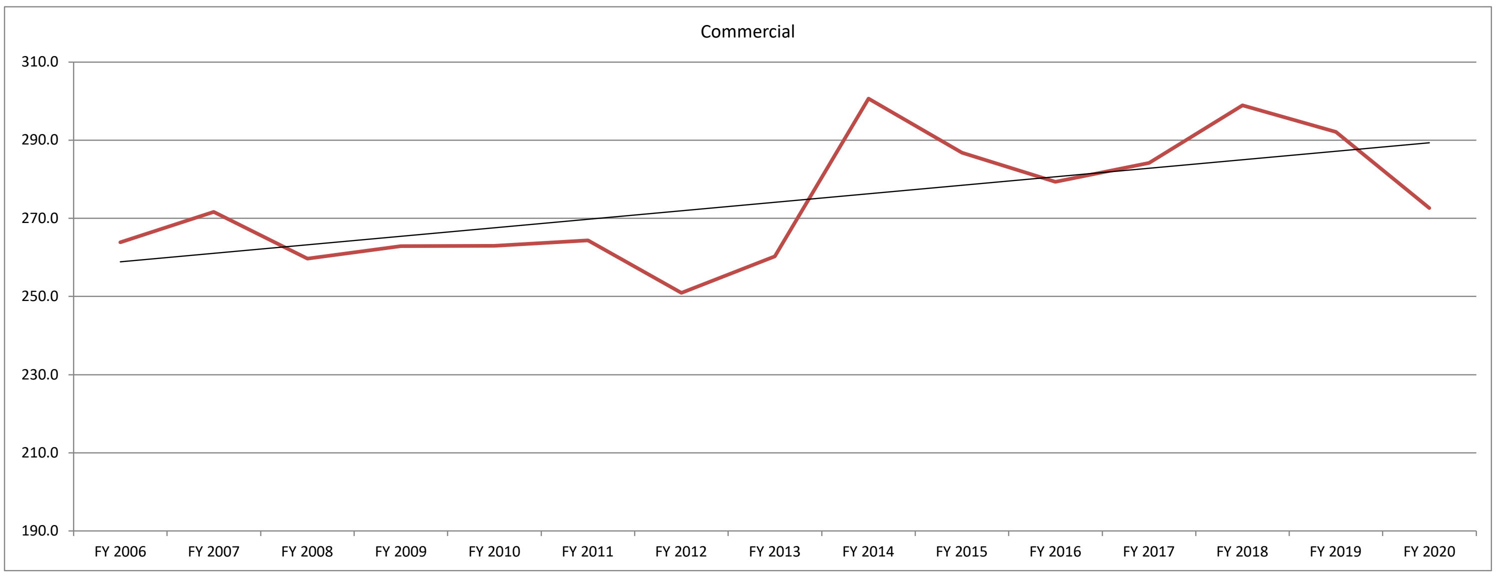
Line No.	a Period	b AHDD	c NHDD	d % Normal DD	e Monthly Base Load	f Total Volume	g Annual Heating Load	h Normal Heating Load	i Normal Total	j Average Customers	k Normal per Cust	l Volume Loss From Prior Yr	o Baseload Factor
1	FY 2006	3,885	3,943	98.5%	183,668	9,571,756	7,367,739	7,477,734	9,681,750	153,511	63.1		1.1964
2	FY 2007	3,985	3,943	101.1%	185,934	10,255,586	8,024,378	7,939,805	10,171,013	153,662	66.2	3.1	1.2100
3	FY 2008	4,016	3,943	101.9%	179,787	10,384,574	8,227,134	8,077,587	10,235,027	153,440	66.7	0.5	1.1717
4	FY 2009	4,156	3,943	105.4%	174,465	10,295,417	8,201,840	7,781,486	9,875,063	152,753	64.6	(2.1)	1.1421
5	FY 2010	4,358	3,943	110.5%	165,889	10,592,900	8,602,237	7,783,070	9,773,733	153,116	63.8	(0.8)	1.0834
6	FY 2011	4,246	3,943	107.7%	167,981	10,717,406	8,701,638	8,080,678	10,096,446	153,757	65.7	1.8	1.0925
7	FY 2012	3,256	3,943	82.6%	163,736	8,265,438	6,300,600	7,629,996	9,594,833	153,931	62.3	(3.3)	1.0637
8	FY 2013	4,192	3,943	106.3%	166,040	10,369,896	8,377,417	7,879,808	9,872,287	155,082	63.7	1.3	1.0707
9	FY 2014	4,552	3,943	115.4%	165,982	11,690,783	9,698,995	8,401,392	10,393,180	155,641	66.8	3.1	1.0664
10	FY 2015	4,433	3,943	112.4%	166,581	11,054,481	9,055,507	8,054,560	10,053,534	155,559	64.6	(2.1)	1.0709
11	FY 2016	3,273	3,943	83.0%	153,245	8,673,045	6,834,111	8,233,089	10,072,023	155,987	64.6	(0.1)	0.9824
12	FY 2017	3,078	3,943	78.1%	149,745	8,158,714	6,361,774	8,149,603	9,946,543	156,622	63.5	(1.1)	0.9561
13	FY 2018	4,074	3,943	103.3%	149,491	10,295,651	8,501,757	8,228,382	10,022,276	157,425	63.7	0.2	0.9496
14	FY 2019	3,949	3,943	100.2%	159,523	10,021,181	8,106,907	8,094,589	10,008,863	157,929	63.4	(0.3)	1.0101
15	FY 2020	3,755	3,943	95.2%	157,174	9,483,906	7,597,818	7,978,215	9,864,302	158,832	62.1	(1.3)	0.9896



Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2017-XXXXX
Commercial Usage Trend

Commercial Declining Usage

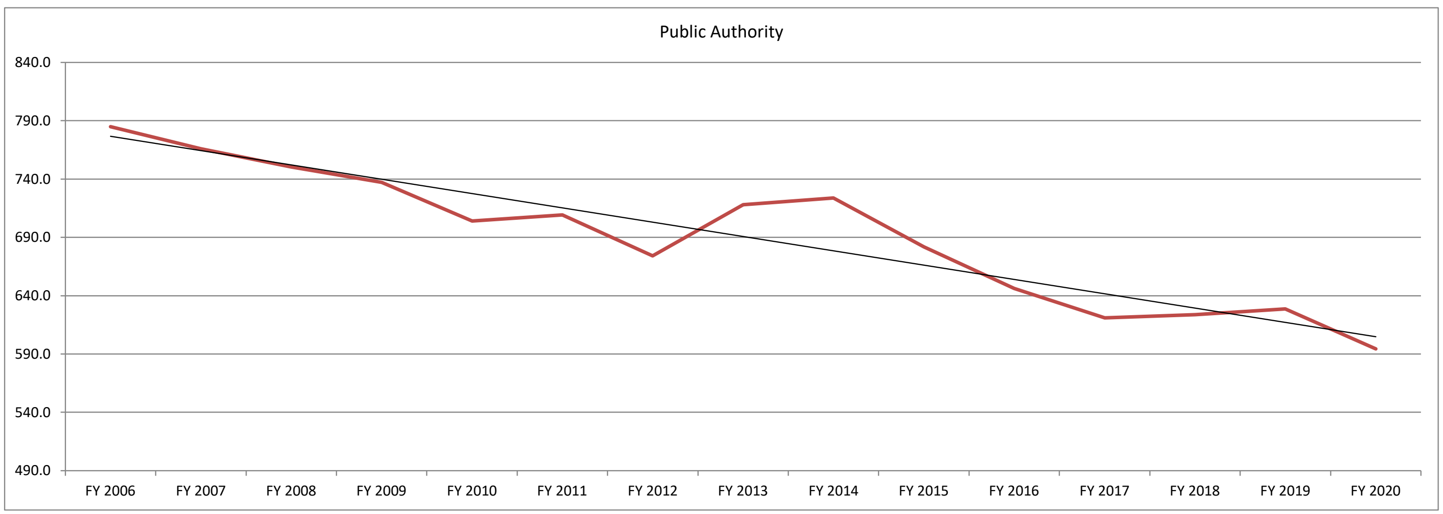
Line No.	a Period	b AHDD	c NHDD	d % Normal DD	e Monthly Base Load	f Total Volume	g Annual Heating Load	h Normal Heating Load	i Normal Total	j Average Customers	k Normal per Cust	l Volume Loss From Prior Yr	o Baseload Factor
1	FY 2006	3885	3,943	98.5%	149,146	4,608,717	2,818,959	2,861,044	4,650,801	17,627	263.8		8.4614
2	FY 2007	3,985	3,943	101.1%	155,760	4,836,441	2,967,322	2,936,048	4,805,166	17,686	271.7	7.8	8.8068
3	FY 2008	4,016	3,943	101.9%	138,388	4,604,432	2,943,781	2,890,271	4,550,922	17,526	259.7	(12.0)	7.8961
4	FY 2009	4,156	3,943	105.4%	145,178	4,708,056	2,965,916	2,813,910	4,556,050	17,333	262.9	3.2	8.3758
5	FY 2010	4,358	3,943	110.5%	136,809	4,841,582	3,199,869	2,895,155	4,536,867	17,255	262.9	0.1	7.9288
6	FY 2011	4,246	3,943	107.7%	152,517	4,794,545	2,964,339	2,752,800	4,583,006	17,335	264.4	1.5	8.7984
7	FY 2012	3,256	3,943	82.6%	148,417	3,898,634	2,117,624	2,564,432	4,345,442	17,315	251.0	(13.4)	8.5717
8	FY 2013	4,192	3,943	106.3%	138,295	4,725,411	3,065,875	2,883,766	4,543,301	17,455	260.3	9.3	7.9229
9	FY 2014	4,552	3,943	115.4%	162,030	5,717,812	3,773,452	3,268,612	5,212,972	17,340	300.6	40.4	9.3444
10	FY 2015	4,433	3,943	112.4%	150,899	5,362,320	3,551,527	3,158,960	4,969,753	17,329	286.8	(13.8)	8.7079
11	FY 2016	3,273	3,943	83.0%	158,207	4,345,709	2,447,229	2,948,189	4,846,669	17,351	279.3	(7.5)	9.1179
12	FY 2017	3,078	3,943	78.1%	143,876	4,236,092	2,509,580	3,214,839	4,941,351	17,391	284.1	4.8	8.2733
13	FY 2018	4,074	3,943	103.3%	181,662	5,324,036	3,144,098	3,042,999	5,222,937	17,475	298.9	14.7	10.3955
14	FY 2019	3,949	3,943	100.2%	178,065	5,133,274	2,996,494	2,991,942	5,128,721	17,555	292.2	(6.7)	10.1435
15	FY 2020	3,755	3,943	95.2%	168,160	4,788,470	2,770,547	2,909,258	4,927,182	18,071	272.7	(19.5)	9.3057



Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2017-XXXXX
Public Authority Usage Trend

Public Authority Declining Usage

Line No.	a Period	b AHDD	c NHDD	d % Normal DD	e Monthly Base Load	f Total Volume	g Annual Heating Load	h Normal Heating Load	i Normal Total	j Average Customers	k Normal per Cust	l Volume Loss From Prior Yr	o Baseload Factor
1	FY 2006	3885	3,943	98.5%	34,345	1,260,163	848,021	860,681	1,272,823	1,621	785.1		21.1855
2	FY 2007	3,985	3,943	101.1%	29,286	1,230,593	879,157	869,891	1,221,327	1,595	765.9	(19.2)	18.3662
3	FY 2008	4,016	3,943	101.9%	26,860	1,194,841	872,515	856,655	1,178,981	1,571	750.5	(15.5)	17.0977
4	FY 2009	4,156	3,943	105.4%	28,868	1,196,939	850,525	806,935	1,153,348	1,565	737.2	(13.3)	18.4518
5	FY 2010	4,358	3,943	110.5%	26,069	1,194,421	881,593	797,641	1,110,469	1,577	704.0	(33.2)	16.5273
6	FY 2011	4,246	3,943	107.7%	31,576	1,168,840	789,924	733,554	1,112,470	1,569	709.1	5.1	20.1272
7	FY 2012	3,256	3,943	82.6%	27,666	934,850	602,853	730,052	1,062,049	1,575	674.2	(34.9)	17.5632
8	FY 2013	4,192	3,943	106.3%	33,602	1,178,044	774,815	728,792	1,132,021	1,577	717.9	43.7	21.3101
9	FY 2014	4,552	3,943	115.4%	32,442	1,247,895	858,591	743,722	1,133,026	1,565	723.8	5.9	20.7253
10	FY 2015	4,433	3,943	112.4%	27,435	1,149,382	820,163	729,507	1,058,725	1,553	681.8	(42.1)	17.6667
11	FY 2016	3,273	3,943	83.0%	26,623	883,000	563,528	678,885	998,357	1,545	646.3	(35.5)	17.2334
12	FY 2017	3,078	3,943	78.1%	24,438	810,479	517,220	662,573	955,832	1,539	620.9	(25.3)	15.8759
13	FY 2018	4,074	3,943	103.3%	23,336	984,511	704,475	681,822	961,859	1,542	623.7	2.7	15.1314
14	FY 2019	3,949	3,943	100.2%	33,059	967,412	570,699	569,832	966,545	1,538	628.6	4.9	21.4997
15	FY 2020	3,755	3,943	95.2%	22,816	883,500	609,710	640,236	914,026	1,538	594.4	(34.2)	14.8379



REQUEST:

Refer to the Densman Testimony, page 9, line 18, through page 10, line 2.

a. Provide the calculation used to develop the estimate of 0.87 percent and state the period over which it was calculated.

b. Provide the ratio of late payment fees for the last three fiscal years for the residential class. Include all supporting calculations.

c. Provide the ratio of late payment fees for the last three fiscal years for the commercial class. Include all supporting calculations.

d. Provide the ratio of late payment fees for the last three fiscal years for the public authority class. Include all supporting calculations.

RESPONSE:

a. Please see Attachment 1. The 0.87% was derived as an average of fiscal years 2017 - 2019.

b. Please see Attachment 2.

c. Please see Attachment 2.

d. Please see Attachment 2.

ATTACHMENTS:

ATTACHMENT 1 - Staff_2-26_Att1 - Late Payment Fee Calculation.xlsx, 3 Pages.

ATTACHMENT 2 - Staff_2-26_Att2 - Late Payment Fee Trend by Class.xlsx, 1 Page.

Respondent: Josh Densman

Atmos Energy Corporation, Kentucky

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	R/C/PA Revenue (Mo)														
2		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	12 ME Aug	
3	FY 2002												3,654,274		
4	FY 2003	4,799,226	10,522,519	19,215,021	24,251,033	28,400,408	21,230,086	14,002,625	5,612,240	6,954,461	4,463,086	5,065,319	4,834,648	148,170,298	
5	FY 2004	7,476,014	10,458,021	21,670,829	31,431,637	33,878,896	22,923,804	15,757,898	7,303,236	5,235,954	4,835,727	5,162,243	5,209,788	170,968,907	
6	FY 2005	6,920,449	9,651,805	22,061,813	32,693,185	29,459,881	26,247,345	21,498,937	11,481,917	6,037,730	5,690,249	5,209,096	5,782,683	182,162,195	
7	FY 2006	7,630,347	14,345,620	34,285,551	39,367,584	36,036,186	33,576,771	19,723,938	8,010,919	6,165,044	5,210,378	5,194,810	5,087,943	215,329,832	
8	FY 2007	8,226,157	15,735,636	23,509,263	26,961,004	35,386,260	26,476,544	13,908,314	9,173,325	6,121,955	5,321,547	5,569,370	5,612,489	181,477,317	
9	FY 2008	6,153,613	13,084,299	23,882,004	35,236,337	33,833,651	27,914,547	17,692,061	12,243,244	7,600,656	7,397,676	7,400,279	7,556,703	198,050,856	
10	FY 2009	7,509,930	15,280,431	34,073,557	42,119,665	35,258,452	28,576,821	12,971,929	6,764,043	4,391,571	4,648,237	4,012,150	3,932,092	203,163,489	
11	FY 2010	5,663,222	10,763,306	17,234,963	25,776,371	26,259,585	23,231,929	10,520,100	5,395,728	4,640,698	4,551,797	4,606,888	4,419,114	142,576,679	
12	FY 2011	5,318,961	8,176,105	17,225,711	23,778,807	21,770,268	15,675,734	11,055,535	7,016,682	5,328,832	5,007,713	4,853,790	4,876,307	129,627,251	
13	FY 2012	6,329,073	10,189,363	16,387,779	21,482,625	19,531,408	15,047,805	7,577,252	5,502,238	4,596,751	4,442,688	4,559,695	4,365,396	120,522,984	
14	FY 2013	5,889,105	10,072,621	14,204,398	20,412,509	20,444,434	18,286,281	13,363,521	9,634,029	5,924,160	5,314,148	5,089,476	5,271,420	133,000,080	
15	FY 2014	6,460,439	11,975,818	20,244,964	28,019,493	32,395,580	24,140,055	14,481,212	8,777,541	5,883,187	6,531,652	5,767,356	6,215,218	169,948,716	
16	FY 2015	7,913,078	12,729,155	20,951,129	28,086,813	26,460,076	26,131,806	13,189,909	7,240,088	5,939,995	5,601,581	5,436,729	5,440,324	165,895,577	
17	FY 2016	6,626,207	8,472,707	13,412,817	18,993,710	19,825,922	15,106,185	10,490,858	6,681,498	5,814,789	5,525,778	5,377,460	5,577,863	121,768,254	
18	FY 2017	5,882,080	7,859,589	16,165,165	21,575,372	18,276,750	14,522,969	11,609,397	7,511,797	6,413,136	5,863,594	6,003,978	6,430,701	127,261,690	
19	FY 2018	6,405,579	11,548,486	17,832,962	28,355,946	25,953,707	18,372,772	16,351,214	9,228,917	5,740,199	5,894,903	5,435,687	5,935,762	157,551,072	
20	FY 2019	6,249,535	11,416,083	17,528,104	22,280,113	24,840,074	22,383,681	13,845,726	8,317,155	6,604,740	6,107,031	5,907,538	5,914,153	151,415,542	
21	FY 2020	6,115,291	11,416,082	16,620,835	19,163,397	19,155,660	16,142,118	10,983,602	7,995,748	5,853,255	5,504,524	5,423,906	5,878,722	130,288,571	
22	FY 2021	6,697,546	9,605,542	15,536,447	21,194,285	21,323,921	18,408,709							98,645,172	
23															
24															
25	Late payment Fees (Mo)														
26		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY Total	
27	FY 2003	30,292	61,813	97,891	199,946	231,948	221,679	176,732	120,699	54,159	68,478	40,924	49,646	1,354,208	
28	FY 2004	51,500	68,509	153,014	218,431	317,229	332,627	185,777	130,308	58,040	47,382	49,511	48,637	1,660,965	
29	FY 2005	49,336	62,463	93,919	223,770	245,489	166,418	184,650	89,022	79,667	52,356	49,941	49,424	1,346,455	
30	FY 2006	46,391	81,749	168,887	320,723	376,074	345,468	280,926	137,037	68,879	56,056	46,999	47,641	1,976,829	
31	FY 2007	39,686	87,604	143,292	224,900	255,883	302,453	185,455	132,372	58,543	57,016	43,869	49,456	1,580,528	
32	FY 2008	49,727	67,202	146,084	235,076	305,146	280,027	231,863	143,186	78,774	69,023	58,888	58,208	1,723,205	
33	FY 2009	64,161	64,969	187,561	294,923	(2,059)	374,939	239,121	92,760	49,981	38,478	31,277	34,919	1,471,028	
34	FY 2010	34,111	47,594	99,544	152,768	208,871	226,415	161,873	65,881	48,060	39,649	33,261	39,064	1,157,090	
35	FY 2011	37,517	41,306	97,208	162,028	197,173	182,013	117,489	75,352	53,725	44,458	43,067	40,533	1,091,868	
36	FY 2012	40,994	57,437	96,868	139,540	184,807	154,529	96,387	66,780	40,735	34,116	40,285	34,141	986,619	
37	FY 2013	40,064	62,672	102,392	123,598	163,882	123,562	81,928	(5)	(2)	-	-	105,021	803,109	
38	FY 2014	73,106	55,513	159,129	239,875	234,122	274,529	212,520	112,220	54,358	55,603	52,943	46,777	1,570,694	
39	FY 2015	65,206	52,231	167,146	193,517	239,341	201,602	223,761	89,189	60,407	59,252	46,948	49,663	1,448,262	
40	FY 2016	52,316	51,545	105,461	112,781	177,741	170,391	98,380	75,556	65,269	49,460	57,476	55,583	1,071,960	
41	FY 2017	45,414	62,404	102,636	164,679	178,264	212,874	110,474	89,244	73,990	49,238	67,376	42,564	1,199,157	
42	FY 2018	57,504	63,837	107,575	192,879	230,566	230,342	151,215	139,653	59,471	49,868	62,748	41,460	1,387,119	
43	FY 2019	59,093	58,442	97,799	169,272	171,608	192,515	153,970	98,074	45,497	42,870	46,131	44,467	1,179,738	
44	FY 2020	56,446	41,888	107,968	156,453	137,818	80,729	(140)	(42)	(9)	(7)	(22)	(2)	581,080	
45	FY 2021	(7)	18	(97)	(29)	(2)	(11)							(129)	
46															
47															

Atmos Energy Corporation, Kentucky

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
48	LPF % of Prior Month Revenue														
49		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY / 12 ME Aug	
50	FY 2003	0.83%	1.29%	0.93%	1.04%	0.96%	0.78%	0.83%	0.86%	0.97%	0.98%	0.92%	0.98%	0.91%	
51	FY 2004	1.07%	0.92%	1.46%	1.01%	1.01%	0.98%	0.81%	0.83%	0.79%	0.90%	1.02%	0.94%	0.97%	
52	FY 2005	0.95%	0.90%	0.97%	1.01%	0.75%	0.56%	0.70%	0.41%	0.69%	0.87%	0.88%	0.95%	0.74%	
53	FY 2006	0.80%	1.07%	1.18%	0.94%	0.96%	0.96%	0.84%	0.69%	0.86%	0.91%	0.90%	0.92%	0.92%	
54	FY 2007	0.78%	1.06%	0.91%	0.96%	0.95%	0.85%	0.70%	0.95%	0.64%	0.93%	0.82%	0.89%	0.87%	
55	FY 2008	0.89%	1.09%	1.12%	0.98%	0.87%	0.83%	0.83%	0.81%	0.64%	0.91%	0.80%	0.79%	0.87%	
56	FY 2009	0.85%	0.87%	1.23%	0.87%	0.00%	1.06%	0.84%	0.72%	0.74%	0.88%	0.67%	0.87%	0.72%	
57	FY 2010	0.45%	0.84%	0.92%	0.89%	0.81%	0.86%	0.70%	0.63%	0.89%	0.85%	0.73%	0.85%	0.81%	
58	FY 2011	0.85%	0.78%	1.19%	0.94%	0.83%	0.84%	0.75%	0.68%	0.77%	0.83%	0.86%	0.84%	0.84%	
59	FY 2012	0.84%	0.91%	0.95%	0.85%	0.86%	0.79%	0.64%	0.88%	0.74%	0.74%	0.91%	0.75%	0.82%	
60	FY 2013	0.92%	1.06%	1.02%	0.87%	0.80%	0.60%	0.45%	0.00%	0.00%	0.00%	0.00%	2.06%	0.60%	
61	FY 2014	1.39%	0.86%	1.33%	1.18%	0.84%	0.85%	0.88%	0.77%	0.62%	0.95%	0.81%	0.81%	0.92%	
62	FY 2015	1.05%	0.66%	1.31%	0.92%	0.85%	0.76%	0.86%	0.68%	0.83%	1.00%	0.84%	0.91%	0.87%	
63	FY 2016	0.96%	0.78%	1.24%	0.84%	0.94%	0.86%	0.65%	0.72%	0.98%	0.85%	1.04%	1.03%	0.88%	
64	FY 2017	0.81%	1.06%	1.31%	1.02%	0.83%	1.16%	0.76%	0.77%	0.98%	0.77%	1.15%	0.71%	0.94%	
65	FY 2018	0.89%	1.00%	0.93%	1.08%	0.81%	0.89%	0.82%	0.85%	0.64%	0.87%	1.06%	0.76%	0.88%	
66	FY 2019	1.00%	0.94%	0.86%	0.97%	0.77%	0.78%	0.69%	0.71%	0.55%	0.65%	0.76%	0.75%	0.78%	
67	FY 2020	0.95%	0.68%	0.95%	0.94%	0.72%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.45%	COVID
68	FY 2021	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%								COVID
69															
70															
71													FY 2005	0.87%	
72													FY 2006	0.88%	
73													FY 2007	0.84%	
74													FY 2008	0.89%	
75													FY 2009	0.82%	
76													FY 2010	0.80%	
77													FY 2011	0.79%	
78													FY 2012	0.82%	
79													FY 2013	0.75%	
80													FY 2014	0.78%	
81													FY 2015	0.80%	
82													FY 2016	0.89%	
83													FY 2017	0.90%	
84													FY 2018	0.90%	
85													FY 2019	0.87%	Using Pre-COVID
86													FY 2020	0.70%	
87												Rolling 3-year average	FY 2021	0.61%	

Company
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Kentucky Division - 009DIV
View
Cost Center

		October	November	December	January	February	March	April	May	June	July	August	September
Residential Revenue Class	Fiscal 2014	3,811,677	7,683,185	13,618,096	18,659,285	21,434,113	16,142,226	9,734,116	5,740,052	3,949,277	4,081,198	3,663,704	3,770,003
Residential Revenue Class	Fiscal 2015	4,887,681	8,635,982	14,132,606	18,745,078	17,643,036	17,499,150	8,835,752	4,807,185	3,947,247	3,682,775	3,592,523	3,575,396
Residential Revenue Class	Fiscal 2016	4,245,455	5,872,637	9,281,348	12,900,461	13,312,293	10,329,401	7,260,498	4,533,693	3,989,835	3,699,225	3,611,354	3,602,197
Residential Revenue Class	Fiscal 2017	3,744,004	5,428,275	11,101,270	14,513,203	12,401,756	9,837,265	7,970,175	5,001,330	4,280,264	3,912,522	3,911,150	4,056,095
Residential Revenue Class	Fiscal 2018	4,053,406	7,728,795	11,997,506	18,914,908	17,207,260	12,369,456	11,018,918	6,154,176	3,781,327	3,864,942	3,571,448	3,653,083
Residential Revenue Class	Fiscal 2019	4,050,903	7,737,109	11,816,723	15,033,119	16,614,063	14,765,154	9,308,416	5,568,191	4,362,671	4,015,547	3,863,778	3,755,598
Residential Revenue Class	Fiscal 2020	4,048,750	7,703,554	11,246,050	12,734,396	12,772,720	10,831,641	7,539,761	5,682,139	4,085,373	3,795,243	3,743,537	3,895,128
Residential Revenue Class	Fiscal 2021	4,389,566	6,573,042	10,594,273	14,202,977	14,243,829	12,321,346						
Commercial Revenue Class	Fiscal 2014	2,345,271	3,650,767	5,454,681	7,746,221	9,080,048	6,616,727	3,915,043	2,534,301	1,661,155	2,090,693	1,799,668	2,112,917
Commercial Revenue Class	Fiscal 2015	2,613,052	3,437,751	5,687,228	7,783,329	7,328,496	7,186,235	3,658,790	2,042,626	1,726,998	1,684,523	1,618,594	1,636,761
Commercial Revenue Class	Fiscal 2016	2,096,159	2,221,695	3,492,700	5,129,878	5,505,264	4,028,322	2,732,397	1,854,056	1,599,077	1,639,837	1,569,142	1,735,397
Commercial Revenue Class	Fiscal 2017	1,900,546	2,058,873	4,279,214	6,015,710	4,997,094	3,975,391	3,087,843	2,175,017	1,875,289	1,734,376	1,857,062	2,143,315
Commercial Revenue Class	Fiscal 2018	2,077,847	3,292,933	4,990,853	8,086,208	7,415,175	5,130,722	4,548,595	2,633,468	1,707,134	1,797,590	1,658,518	2,052,468
Commercial Revenue Class	Fiscal 2019	1,928,805	3,141,173	4,841,523	6,226,297	6,946,451	6,538,890	3,886,026	2,337,190	1,981,570	1,866,925	1,762,441	1,916,186
Commercial Revenue Class	Fiscal 2020	1,852,229	3,193,466	4,593,131	5,544,343	5,479,511	4,576,630	2,955,873	1,990,399	1,553,177	1,536,866	1,505,954	1,794,458
Commercial Revenue Class	Fiscal 2021	2,081,081	2,653,756	4,254,595	6,033,920	6,098,779	5,209,682						
Industrial Revenue Class	Fiscal 2014	153,646	842,125	628,088	365,396	1,022,826	712,794	584,281	396,915	249,785	364,678	330,888	274,132
Industrial Revenue Class	Fiscal 2015	398,189	423,360	722,533	1,014,725	1,015,685	1,197,882	487,790	362,213	346,989	238,424	291,127	139,853
Industrial Revenue Class	Fiscal 2016	146,153	171,079	293,506	525,356	814,983	452,700	327,109	330,871	172,903	302,399	229,803	273,047
Industrial Revenue Class	Fiscal 2017	220,193	290,576	501,502	879,115	863,109	978,760	585,027	578,725	688,370	212,760	235,590	231,267
Industrial Revenue Class	Fiscal 2018	292,940	367,965	486,521	973,707	1,334,354	899,111	594,159	355,283	174,114	196,091	199,809	166,705
Industrial Revenue Class	Fiscal 2019	213,655	431,774	1,017,304	1,019,299	1,437,501	1,331,626	1,005,024	981,209	647,032	755,754	751,289	566,406
Industrial Revenue Class	Fiscal 2020	356,994	376,739	680,811	823,526	782,957	755,334	488,765	227,793	148,144	134,036	148,274	448,258
Industrial Revenue Class	Fiscal 2021	170,312	286,330	503,033	691,280	786,976	540,118						
Public Authority Revenue Class	Fiscal 2014	303,490	641,866	1,172,188	1,613,987	1,881,418	1,381,102	832,053	503,188	272,754	359,761	303,984	332,297
Public Authority Revenue Class	Fiscal 2015	412,346	655,423	1,131,295	1,558,406	1,488,545	1,446,421	695,367	390,277	265,751	234,283	225,612	228,167
Public Authority Revenue Class	Fiscal 2016	284,593	378,375	638,769	963,370	1,008,365	748,462	497,964	293,749	225,877	186,715	196,964	240,269
Public Authority Revenue Class	Fiscal 2017	237,529	372,441	784,681	1,046,459	877,900	710,313	551,379	335,451	257,582	216,697	235,766	231,292
Public Authority Revenue Class	Fiscal 2018	274,326	526,757	844,603	1,354,830	1,331,272	872,594	783,701	441,272	251,739	232,371	205,720	230,211
Public Authority Revenue Class	Fiscal 2019	269,828	537,800	869,858	1,020,697	1,279,560	1,079,637	651,284	411,773	260,499	224,559	281,319	242,370
Public Authority Revenue Class	Fiscal 2020	214,311	519,062	781,654	884,658	903,429	733,848	487,968	323,211	214,705	172,415	174,415	189,136
Public Authority Revenue Class	Fiscal 2021	226,899	378,743	687,579	957,388	981,313	877,681						
Unbilled Revenue Class	Fiscal 2014	1,647,193	3,839,506	2,676,556	5,766,238	(5,407,512)	(1,944,566)	(4,601,458)	(1,128,302)	(575,543)	256,689	(115,108)	(86,017)
Unbilled Revenue Class	Fiscal 2015	1,474,719	3,990,055	2,867,694	1,992,327	(215,437)	(4,119,805)	(4,178,431)	(1,630,088)	(299,872)	(252,803)	(22,605)	97,651
Unbilled Revenue Class	Fiscal 2016	897,108	1,751,064	1,464,331	4,635,592	(4,620,210)	(571,905)	(3,146,652)	(316,144)	(210,759)	29,769	49,259	71,209
Unbilled Revenue Class	Fiscal 2017	861,228	1,899,484	3,403,455	1,003,856	(2,262,740)	(1,626,410)	(1,959,635)	(526,579)	(617,720)	(115,326)	135,988	(29,545)
Unbilled Revenue Class	Fiscal 2018	2,255,558	3,346,904	4,870,605	(8,744)	(5,378,589)	663,498	(2,628,365)	(2,802,260)	(176,619)	(49,490)	(33,436)	3,055
Unbilled Revenue Class	Fiscal 2019	1,989,592	3,671,201	3,315,377	2,586,252	(3,604,048)	(1,561,967)	(4,155,709)	(1,486,849)	(109,289)	(206,040)	(11,423)	(306,109)
Unbilled Revenue Class	Fiscal 2020	1,532,193	2,696,711	1,870,466	1,933,706	(1,820,085)	(2,627,755)	(1,667,198)	(1,939,234)	(333,914)	11,645	482,113	(182,647)
Unbilled Revenue Class	Fiscal 2021	1,775,193	2,200,270	3,552,194	111,422	(1,231,560)	(3,028,129)						
Unbilled Revenue Class	Fiscal 2014	**6,460,439**	**11,975,818**	**20,244,964**	**28,019,493**	**32,395,580**	**24,140,055**	**14,481,212**	**8,777,541**	**5,883,187**	**6,531,652**	**5,767,356**	**6,215,218**
Unbilled Revenue Class	Fiscal 2015	**7,913,078**	**12,729,155**	**20,951,129**	**28,086,813**	**26,460,076**	**26,131,806**	**13,189,909**	**7,240,088**	**5,939,995**	**5,601,581**	**5,436,729**	**5,440,324**
Unbilled Revenue Class	Fiscal 2016	**6,626,207**	**8,472,707**	**13,412,817**	**18,993,710**	**19,825,922**	**15,106,185**	**10,490,858**	**6,681,498**	**5,814,789**	**5,525,778**	**5,377,460**	**5,577,863**
Unbilled Revenue Class	Fiscal 2017	**5,882,080**	**7,859,589**	**16,165,165**	**21,575,372**	**18,276,750**	**14,522,969**	**11,609,397**	**7,511,797**	**6,413,136**	**5,863,594**	**6,003,978**	**6,430,701**
Unbilled Revenue Class	Fiscal 2018	**6,405,579**	**11,548,486**	**17,832,962**	**28,355,946**	**25,953,707**	**18,372,772**	**16,351,214**	**9,228,917**	**5,740,199**	**5,894,903**	**5,435,687**	**5,935,762**
Unbilled Revenue Class	Fiscal 2019	**6,249,535**	**11,416,083**	**17,528,104**	**22,280,113**	**24,840,074**	**22,383,681**	**13,845,726**	**8,317,155**	**6,604,740**	**6,107,031**	**5,907,538**	**5,914,153**
Unbilled Revenue Class	Fiscal 2020	**6,115,291**	**11,416,082**	**16,620,835**	**19,163,397**	**19,155,660**	**16,142,118**	**10,983,602**	**7,995,748**	**5,853,255**	**5,504,524**	**5,423,906**	**5,878,722**
Unbilled Revenue Class	Fiscal 2021	**6,697,546**	**9,605,542**	**15,536,447**	**21,194,285**	**21,323,921**	**18,408,709**	-	-	-	-	-	-
Forfeited Discounts	Fiscal 2014	73,106	55,513	159,129	239,875	234,122	274,529	212,520	112,220	54,358	55,603	52,943	46,777
Forfeited Discounts	Fiscal 2015	65,206	52,231	167,146	193,517	239,341	201,602	223,761	89,189	60,407	59,252	46,948	49,663
Forfeited Discounts	Fiscal 2016	52,316	51,545	105,461	112,781	177,741	170,391	98,380	75,556	65,269	49,460	57,476	55,583
Forfeited Discounts	Fiscal 2017	45,414	62,404	102,636	164,679	178,264	212,874	110,474	89,244	73,990	49,238	67,376	42,564
Forfeited Discounts	Fiscal 2018	57,504	63,837	107,575	192,879	230,566	230,342	151,215	139,653	59,471	49,868	62,748	41,460
Forfeited Discounts	Fiscal 2019	59,093	58,442	97,799	169,272	171,608	192,515	153,970	98,074	45,497	42,870	46,131	44,467
Forfeited Discounts	Fiscal 2020	56,446	41,888	107,968	156,453	137,818	80,729	(140)	(42)	(9)	(7)	(22)	(2)
Forfeited Discounts	Fiscal 2021	(7)	18	(97)	(29)	(2)	(11)						

Atmos Energy Corporation, Kentucky
Late Payment Fees Trend by Class

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	**Residential**													
2														
3	Revenue													
4		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	12 ME Aug
5	FY 2016	4,245,455	5,872,637	9,281,348	12,900,461	13,312,293	10,329,401	7,260,498	4,533,693	3,989,835	3,699,225	3,611,354	3,602,197	
6	FY 2017	3,744,004	5,428,275	11,101,270	14,513,203	12,401,756	9,837,265	7,970,175	5,001,330	4,280,264	3,912,522	3,911,150	4,056,095	85,703,410
7	FY 2018	4,053,406	7,728,795	11,997,506	18,914,908	17,207,260	12,369,456	11,018,918	6,154,176	3,781,327	3,864,942	3,571,448	3,653,083	104,718,236
8	FY 2019	4,050,903	7,737,109	11,816,723	15,033,119	16,614,063	14,765,154	9,308,416	5,568,191	4,362,671	4,015,547	3,863,778	3,755,598	100,788,757
9	FY 2020	4,048,750	7,703,554	11,246,050	12,734,396	12,772,720	10,831,641	7,539,761	5,682,139	4,085,373	3,795,243	3,743,537	3,895,128	87,938,761
10														
11														
12	Late payment Fees (Mo)													
13		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY Total
14	FY 2017	33,764	42,927	72,263	105,802	134,464	141,332	83,480	66,716	57,515	34,590	49,666	32,690	855,209
15	FY 2018	41,495	50,120	82,667	143,281	167,632	152,999	114,218	111,259	45,035	36,670	46,990	30,886	1,023,253
16	FY 2019	43,228	46,942	74,284	125,256	130,854	140,749	120,223	78,357	36,665	32,997	37,171	35,077	901,803
17	FY 2020	44,055	32,288	81,574	113,461	104,950	60,083	(99)	(42)	(9)	(7)	(2)	(2)	436,250
18														
19														
20	LPF % of Prior Month Revenue													
21		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY / 12 ME Aug
22	FY 2017	0.94%	1.15%	1.33%	0.95%	0.93%	1.14%	0.85%	0.84%	1.15%	0.81%	1.27%	0.84%	1.00%
23	FY 2018	1.02%	1.24%	1.07%	1.19%	0.89%	0.89%	0.92%	1.01%	0.73%	0.97%	1.22%	0.86%	0.98%
24	FY 2019	1.18%	1.16%	0.96%	1.06%	0.87%	0.85%	0.81%	0.84%	0.66%	0.76%	0.93%	0.91%	0.89%
25	FY 2020	1.17%	0.80%	1.06%	1.01%	0.82%	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%
26														
27														
28	**Commercial**													
29														
30	Revenue													
31		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	12 ME Aug
32	FY 2016	2,096,159	2,221,695	3,492,700	5,129,878	5,505,264	4,028,322	2,732,397	1,854,056	1,599,077	1,639,837	1,569,142	1,735,397	
33	FY 2017	1,900,546	2,058,873	4,279,214	6,015,710	4,997,094	3,975,391	3,087,843	2,175,017	1,875,289	1,734,376	1,857,062	2,143,315	35,691,813
34	FY 2018	2,077,847	3,292,933	4,990,853	8,086,208	7,415,175	5,130,722	4,548,595	2,633,468	1,707,134	1,797,590	1,658,518	2,052,468	45,482,358
35	FY 2019	1,928,805	3,141,173	4,841,523	6,226,297	6,946,451	6,538,890	3,886,026	2,337,190	1,981,570	1,866,925	1,762,441	1,916,186	43,509,760
36	FY 2020	1,852,229	3,193,466	4,593,131	5,544,343	5,479,511	4,576,630	2,955,873	1,990,399	1,553,177	1,536,866	1,505,954	1,794,458	36,697,765
37														
38														
39	Late payment Fees (Mo)													
40		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY Total
41	FY 2017	11,666	16,028	23,025	43,962	34,252	55,231	21,645	16,427	14,312	12,273	15,374	8,624	272,818
42	FY 2018	13,191	11,423	19,581	37,607	48,992	59,298	30,287	22,465	11,512	11,475	13,327	8,574	287,733
43	FY 2019	13,434	8,214	18,967	33,238	34,462	40,361	26,650	16,807	8,371	8,613	7,374	8,281	224,770
44	FY 2020	10,500	8,048	20,150	30,573	28,153	16,862	(42)	-	-	-	(19)	-	114,224
45														
46														
47	LPF % of Prior Month Revenue													
48		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY / 12 ME Aug
49	FY 2017	0.67%	0.84%	1.12%	1.03%	0.57%	1.11%	0.54%	0.53%	0.66%	0.65%	0.89%	0.46%	0.76%
50	FY 2018	0.62%	0.55%	0.59%	0.75%	0.61%	0.80%	0.59%	0.49%	0.44%	0.67%	0.74%	0.52%	0.63%
51	FY 2019	0.65%	0.43%	0.60%	0.69%	0.55%	0.58%	0.41%	0.43%	0.36%	0.43%	0.39%	0.47%	0.52%
52	FY 2020	0.55%	0.43%	0.63%	0.67%	0.51%	0.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.31%
53														
54														
55	**Public Authority**													
56														
57	Revenue													
58		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	12 ME Aug
59	FY 2016	284,593	378,375	638,769	963,370	1,008,365	748,462	497,964	293,749	225,877	186,715	196,964	240,269	
60	FY 2017	237,529	372,441	784,681	1,046,459	877,900	710,313	551,379	335,451	257,582	216,697	235,766	231,292	5,866,467
61	FY 2018	274,326	526,757	844,603	1,354,830	1,331,272	872,594	783,701	441,272	251,739	232,371	205,720	230,211	7,350,477
62	FY 2019	269,828	537,800	869,858	1,020,697	1,279,560	1,079,637	651,284	411,773	260,499	224,559	281,319	242,370	7,117,026
63	FY 2020	214,311	519,062	781,654	884,658	903,429	733,848	487,968	323,211	214,705	172,415	174,415	189,136	5,652,046
64														
65														
66	Late payment Fees (Mo)													
67		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY Total
68	FY 2017	1,740	1,716	4,605	7,966	5,184	10,336	2,599	2,608	1,469	1,134	1,486	533	41,375
69	FY 2018	879	688	3,146	4,487	8,345	9,812	3,870	3,105	1,798	700	1,400	984	39,214
70	FY 2019	1,643	2,216	2,970	5,592	4,224	7,023	3,836	1,396	720	863	1,025	259	31,768
71	FY 2020	1,005	1,031	3,718	4,806	1,640	1,271	-	-	-	-	-	-	13,471
72														
73														
74	LPF % of Prior Month Revenue													
75		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY / 12 ME Aug
76	FY 2017	0.72%	0.72%	1.24%	1.02%	0.50%	1.18%	0.37%	0.47%	0.44%	0.44%	0.69%	0.23%	0.71%
77	FY 2018	0.38%	0.25%	0.60%	0.53%	0.62%	0.74%	0.44%	0.40%	0.41%	0.28%	0.60%	0.48%	0.53%
78	FY 2019	0.71%	0.82%	0.55%	0.64%	0.41%	0.55%	0.36%	0.21%	0.17%	0.33%	0.46%	0.09%	0.45%
79	FY 2020	0.41%	0.48%	0.72%	0.61%	0.19%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.24%

REQUEST:

Refer to the Densman Testimony, page 10, lines 4–11. Regarding the projected gas costs, explain whether the events in Texas during February 2021 impacted this projection.

RESPONSE:

The events in Texas during February 2021 has no impact on the Kentucky projected gas costs.

Respondent: Josh Densman

REQUEST:

Refer to the Densman Testimony, Exhibit JCD-3. Explain the volume and contract adjustment for each of the following:

a. Residential Rate G-1
b. Interruptible Industrial Rate G-2
c. Transportation Rate T-4
d. Economic Development Rider Rate EDR
e. Transportation Rate T-3
f. Special Contracts
   (1) Transportation Bills
   (2) Transportation Administration Fee
   (3) EFM Fee
   (4) Parking Fee
   (5) Transported Volumes
   (6) Charges for Transported Volumes

RESPONSE:

Please see the Company's response to Staff DR No. 1-55, the folder "Staff_1-55_Folder 2 - Revenue Requirements Model and WPs", the folder "Relied Upons", the file "KY Revenue Billing Unit Forecast TYE 12.31.2022.xlsx", tabs "Contract & Vol Adj", "WNA Summary", and "TBS adjustments."

Tab "WNA Summary" reflects the impact of weather normalizing volumes for the Rate G-1 customers. Total volume adjustment was (171,874) Mcf.

Tabs "Contract & Vol Adj" and "TBS adjustments" reflect the impact of changes such as expansion/load additions, load reductions, new customers, closings, service changes, etc. Total volume adjustment was 622,491 Mcf.

Respondent: Josh Densman

REQUEST:

Refer to the Densman Testimony, Exhibit JCD-4 (B).

a. Refer to line 1. Explain what the lagged Heating Degree Days (HDD) implies.

b. Refer to line 2. Explain what the lagged Normal HDDs implies.

c. Refer to line 16, Base Load. Explain why the calculation is the ratio of the August and September number of customers and actual volumes.

d. Refer to line 11. Explain why the Actual Constant Load is the product of the Number of Customers and Base Load Ratio.

e. Refer to line 14. Explain how the Actual X Coefficient was calculated and what the coefficient implies.

f. Refer to line 15. Explain what the Product implies.

g. Refer to line 17, Normal Usage per Customer. Explain why it is the sum of the product and base load calculations.

RESPONSE:

a. "Lagged" actual and normal HDDs are the sum of daily HDD's from the 16th of the preceding month to the 15th of the current month. Since customer meters are read in cycles throughout the month, the "lagged" calculation corresponds better to the sum of billed usage than the calendar month HDDs.

b. Please see response to subpart (a).

c. Base Load or "Constant Load" indicates the customer usage that is not influenced by weather and thereby called base load. Typically, the baseload months are the lowest volume months, and usually have no weather associated with the volumes.

d. This is to calculate the total baseload or "constant load" for the given month in order to isolate the heating load for a given month.

e. This factor is the sum of the monthly heatload per customer divided by the annual actual lagged HDDs. This is an annual factor that represents the additional volume each customer would use per one HDD.

f. This factor implies what the normal heat load per customer is for the given month.

g. Since the product implies the normal heat load per customer for a given month as noted in (f), then the product plus the base load per customer implies the total normal usage per customer for the given month.

Respondent: Josh Densman

REQUEST:

Refer to the Direct Testimony of Ryan Austin (Austin Testimony), page 23, line 14. Provide additional data from Atmos's DIMP to support testimony stating that Aldyl-A pipe is considered the next most significant risk behind bare steel pipe.

RESPONSE:

Atmos Energy's DIM plan considers Material and Weld Failures as a primary threat to the Distribution system. The DIM Plan further mentions failures of Aldyl-A materials and other industry identified vintage plastics as a sub-threat under the primary threat of Material and Weld Failures. In the most recent DIM model risk-ranking, Material failures were identified as being a high-risk in Kentucky. Upon further review of these material failures it was determined that Aldyl-A Plastic was contributing to these high risks. This determination is supported by the leak rate tables provided in the Company's response to Staff DR No. 2-31 subpart (b).

Respondent: Ryan Austin

REQUEST:

Refer to the Austin Testimony, page 29, lines 18–21, and Case No. 2021-00304, Application, Exhibit B, line 1.

a. Explain the difference between the $2.79 million in Aldyl-A replacements in Mr. Austin's testimony and the amount included in the PRP Application.

b. Provide a comparison of leakage rates per mile of pipe over the past five years for bare steel and Aldyl-A pipe.

RESPONSE:

a. Please see the below chart for comparison of proposed Aldyl-A replacement in the current proceeding (Case No. 2021-00214) versus the annual PRP filing in Case No. 2021-00304. The cost estimates for Aldyl-A replacement in the general rate proceeding were prepared in advance of the formal budget entry process which typically generates the estimates for the annual PRP filing. Changes can and do occur in assumed pricing, calculated overhead percentages, etc. when you have a timing gap such as this.

	2021-00214	2021-00304
Name	**Rate Case Filing**	**PRP Filing**
Adyl.2635.2nd St	$ 322,650	$313,402
Adyl.2635.Westend St	$ 384,883	$373,032
Adyl.2635.Sunset Circle	$ 387,193	$380,027
Adyl.2635.Hillview Dr	$ 477,283	$478,999
Adyl.Services Replacement	$ 1,221,984	$1,190,415
	$ 2,793,992	**$ 2,735,875**

Notes:

General Rate Filing: Please see Staff DR 1-55 and relied upon file "Kentucky - CapEx 5 Year Plan - RATE CASE FILING.xlsx"

PRP Filing: Please see 2021-00304_KY_PRP_Model_(Filing_Copy).xlsx and tab Exhibit K-3.

b. Please see the below tables.

Year	Total Miles	Below Ground Leaks	Below Leaks / 100 Miles
2016	3,977.2	749	18.83
2017	4,019.6	621	15.45
2018	4,062.4	652	16.05
2019	4,081.3	586	14.36
2020	4,161.0	587	14.11

Year	Total Miles Bare PRP	Below Ground Leaks	Below Leaks / 100 Miles
2016	264.4	121	45.76
2017	235.0	114	48.51
2018	202.6	104	51.33
2019	172.3	88	51.07
2020	142.6	68	47.69

Year	Total Miles Aldyl-A	Below Ground Leaks	Below Leaks / 100 Miles
2016	205.8	73	35.47
2017	205.8	54	26.24
2018	205.8	65	31.58
2019	205.8	62	30.13
2020	205.8	56	27.21

Respondents: Ryan Austin and Joe Christian

REQUEST:

Refer to the Austin Testimony, page 33, lines 17–19. Explain whether Atmos expects to be encounter any difficulties or increased costs from its proposal to replace both bare steel and Aldyl-A pipelines simultaneously. Include an explanation of the workforce that completes these replacements and any limiting component to accelerated replacement (i.e., procurement of replacement materials, sufficient workforce, heavy machinery, etc.).

RESPONSE:

Atmos Energy has sufficient company and contractor resources available to replace bare steel and Aldyl-A simultaneously. One additional contractor company is expected to be added to the current bare steel contractors. We project that only one addition is needed because bare steel is winding down or has been completed in some areas, thus freeing those resources to work on Aldyl-A replacements. With advanced planning and gradual expansion of Aldyl-A replacement, the Company does not foresee any procurement issues associated with materials, workforce, machinery etc. Please see the Company's response to AG DR No. 1-24 for estimated spend of Aldyl-A replacement from the Company's operating plan.

Respondent: Ryan Austin

<u>REQUEST:</u>

Refer to the Direct Testimony of Dylan W. D’Ascendis (D’Ascendis Testimony).

a. Provide the most recent return on equity (ROE) award for each Atmos affiliate, the state Commission, case number, the date of the Order and whether the case proceeding was fully litigated or settled.

b. Provide the most recent ROE award for each of the companies’ state affiliates in the gas proxy group, the date of the award, and whether the case was fully litigated or settled.

<u>RESPONSE:</u>

a. Atmos Energy's annual Form 10-K filing includes authorized return on equity (ROE) information for Atmos Energy Corporation's operating divisions. Please see Attachment 1 for the most current available authorized ROE for jurisdictions where the calculation is performed as part of earnings monitoring reports or rate models.

b. Please see Attachment 1.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - Staff_2-33_Att1 - Atmos Energy and Proxy Group ROEs.xlsx, 2 Pages.

Respondents: Joe Christian and Dylan D'Ascendis

Atmos Energy Corporation
Division Authorized ROEs
as of August 2021

State	Approving Party	Type of Filing	Case No.	Authorized ROE	Order Date	Litigated / Settled
Colorado	Colorado Public Utility Commission	Rate Case Filing	17AL-0429G	9.45%	04/04/18	Partial Settlement
Kansas	Kansas Corporation Commission	Rate Case Filing	19-ATMG-525-RTS	9.10%	02/24/20	Litigated
Kentucky	Kentucky Public Service Commission	Rate Case Filing	2018-00281	9.65%	05/07/19	Litigated
Louisiana	Louisiana Public Service Commission	Annual Rate Stabilization Clause Filing	U-35951	N/A	08/10/21	Settlement
Mississippi	Mississippi Public Service Commission	Annual Stable Rate Filing	2005-UN-0503	N/A	10/06/20	Settlement
Tennessee	Tennessee Public Utility Commission	Annual Rate Review Filing	21-00019	9.80%	07/19/21	Settlement
Texas (Mid-Tex)	Mid-Tex Cities Coalition	Annual Rate Review Mechanism Filing	2021 MTX RRM	9.80%	N/A	Settlement
	Mid-Tex ATM Cities Coalition	Rate Case Filing	10779	9.80%	05/21/19	Partial Settlement
	Railroad Commission of Texas	Environs Rate Case Filing	10742	9.80%	12/11/18	Settlement
	City of Dallas	Annual Dallas Rate Review Filing	2021 MTX DARR	9.80%	N/A	Settlement
Texas (West Texas)	West Texas Cities Coalition	Annual Rate Review Mechanism Filing	2021 WTX RRM	9.80%	N/A	Settlement
	West Texas ALDC Cities Coalition	Rate Case Filing	2020 WTX ALDC SOI	N/A	N/A	Settlement
	Railroad Commission of Texas	Environs Rate Case Filing	10743	9.80%	12/11/18	Settlement
Virginia	Virginia State Corporation Commission	Annual Information Filing	PUR-2018-00014	9.20%	03/11/19	Partial Settlement

S&P Capital IQ PRO

Rate Case History (Past Rate Cases)
List: None
Company List: All
States: All
Years: All
Service Type: Natural Gas

State	Company	Parent Company Ticker	Docket	Rate Case Service Type	Case Type	Date	Decision Type	Return on Equity (%)
Colorado	Atmos Energy Corp.	ATO	D-13AL-0496G	Natural Gas	Distribution	3/16/2014	Settled	9.72
Georgia	Atmos Energy Corp.	ATO	D-30442	Natural Gas	Distribution	3/31/2010	Fully Litigated	10.70
Kansas	Atmos Energy Corp.	ATO	D-19-ATMG-525-RTS	Natural Gas	Distribution	2/24/2020	Fully Litigated	9.10
Kentucky	Atmos Energy Corp.	ATO	C-2018-00281	Natural Gas	Distribution	5/7/2019	Fully Litigated	9.65
Louisiana	Atmos Energy Corp.	ATO	D-U-21484 (LGS)	Natural Gas	Distribution	4/17/1996	Settled	10.77
Mississippi	Atmos Energy Corp.	ATO	C-U-4728	Natural Gas	Distribution	11/8/1985	Fully Litigated	12.94
Tennessee	Atmos Energy Corp.	ATO	D-19-00018	Natural Gas	Distribution	5/20/2019	Settled	NA
Texas	Atmos Energy Corp.	ATO	D-GUD-10900	Natural Gas	Distribution	4/21/2020	Settled	9.80
Indiana	Northern IN Public Svc Co.	NI	Ca-44988	Natural Gas	Distribution	9/19/2018	Settled	9.85
Kentucky	Columbia Gas of Kentucky Inc	NI	C-2016-00162	Natural Gas	Distribution	12/22/2016	Settled	NA
Maryland	Columbia Gas of Maryland Inc	NI	C-9644	Natural Gas	Distribution	11/7/2020	Settled	9.60
Ohio	Columbia Gas Ohio Inc.	NI	C-08-0072-GA-AIR	Natural Gas	Distribution	12/3/2008	Settled	10.39
Pennsylvania	Columbia Gas of Pennsylvania	NI	D-R-2020-3018835	Natural Gas	Distribution	2/19/2021	Fully Litigated	9.86
Virginia	Columbia Gas of Virginia Inc	NI	C-PUR-2018-00131	Natural Gas	Distribution	6/12/2019	Settled	NA
New Jersey	New Jersey Natural Gas Co.	NJR	D-GR19030420	Natural Gas	Distribution	11/13/2019	Settled	9.60
Oregon	Northwest Natural Gas Co.	NWN	D-UG-388	Natural Gas	Distribution	10/16/2020	Settled	9.40
Washington	Northwest Natural Gas Co.	NWN	D-UG-181053	Natural Gas	Distribution	10/21/2019	Settled	9.40
Kansas	Kansas Gas Service Co.	OGS	D-18-KGSG-560-RTS	Natural Gas	Distribution	2/5/2019	Settled	NA
Oklahoma	Oklahoma Natural Gas Co	OGS	Ca-PUD202000022	Natural Gas	Distribution	7/8/2020	Settled	NA
Texas	Texas Gas Service Co.	OGS	D-GUD-10928	Natural Gas	Distribution	8/4/2020	Settled	9.50
New Jersey	Elizabethtown Gas Co.	SJI	D-GR19040486	Natural Gas	Distribution	11/13/2019	Settled	9.60
New Jersey	South Jersey Gas Co.	SJI	D-GR20030243	Natural Gas	Distribution	9/23/2020	Settled	9.60
Alabama	Spire Gulf Inc.	SR	D-24794	Natural Gas	Distribution	11/27/1995	Fully Litigated	13.60
Missouri	Missouri Gas Energy	SR	C-GR-2017-0216	Natural Gas	Distribution	2/21/2018	Fully Litigated	9.80
Missouri	Spire Missouri Inc.	SR	C-GR-2017-0215	Natural Gas	Distribution	2/21/2018	Fully Litigated	9.80
Arizona	Southwest Gas Corp.	SWX	D-G-01551A-19-0055	Natural Gas	Distribution	12/9/2020	Fully Litigated	9.10
California	Southwest Gas Corp.	SWX	A-19-08-015 (SoCal)	Natural Gas	Distribution	3/25/2021	Settled	10.00
California	Southwest Gas Corp.	SWX	A-19-08-015 (NoCal)	Natural Gas	Distribution	3/25/2021	Settled	10.00
California	Southwest Gas Corp.	SWX	A-19-08-015 (LkTah)	Natural Gas	Distribution	3/25/2021	Settled	10.00
Nevada	Southwest Gas Corp.	SWX	D-20-02023 (Southern)	Natural Gas	Distribution	9/25/2020	Fully Litigated	9.25
Nevada	Southwest Gas Corp.	SWX	D-20-02023 (Northern)	Natural Gas	Distribution	9/25/2020	Fully Litigated	9.25

REQUEST:

Refer to the D’Ascendis Testimony, page 4, lines 8–12.

a. Explain why it is reasonable to include size and credit risk adjustments to Atmos’s ROE recommendation, rather than to loosen criteria for the proxy group and form a more inclusive sample.

b. Explain whether including these adjustments shows flaws in the selection of the proxy group as a representative sample of similar-risk utilities on which to form an ROE calculation.

c. Explain whether size and credit risk adjustments are already inherent to ROEs derived from the proxy group and whether including these adjustments is akin to “double dipping”.

RESPONSE:

a. As noted in Mr. D’Ascendis’ Direct Testimony on pages 43 through 47, Atmos Energy’s smaller size and higher credit rating have a material bearing on risk. These adjustments are necessary because no two companies are identical and market expectations regarding future risks and prospects vary within the proxy group, as noted on page 14 of Mr. D’Ascendis’ Direct Testimony. Further, loosening the criteria for the proxy group, as suggested by Commission Staff, would result in a larger proxy group that is less comparable to Atmos Energy at issue in this proceeding, thus likely necessitating larger risk adjustments.

b. Please refer to the response to subpart (a).

c. Credit and size risk adjustments are not inherent to ROE’s derived from similar risk proxy groups. On page 3, lines 7 through 14 of Mr. D’Ascendis’ Direct Testimony, he notes that he assessed the market-based common equity cost rates of companies relatively similar, but not necessarily identical to Atmos Energy. As no proxy group can be <u>identical</u> in risk to any single company, one must make relative risk adjustments to the Utility Proxy Group’s indicated common equity cost rates to reflect the company-specific risks of the target company, in this case, Atmos Energy. Further, as noted on page 12 of Mr. D’Ascendis’ Direct Testimony, neither S&P nor Moody’s account for company size in their bond ratings, thus applying a size adjustment in addition to a credit risk adjustment would not be considered a “double dip”.

Respondent: Dylan D'Ascendis

REQUEST:

Refer to the D'Ascendis Testimony, pages 11 lines 17–22 and 12 lines 1–9.

a. Explain the specific business and financial risks faced by Atmos. Include in the explanation any positive business and regulatory mechanisms that ameliorate Atmos's risk.

b. Provide the Standard & Poor's (S&P) and Moody's rating reports for Atmos for the last two years.

RESPONSE:

a. Atmos Energy lists several risk factors on pages 13 through 18 of its 2020 SEC Form 10-K. However, for the purposes of determining the Return on Equity for Atmos Energy, the relevant comparison is not the overall risk faced by the Company, it is the risk relative to the Utility Proxy Group. As noted in Mr. D'Ascendis' Direct Testimony on page 8, determining the cost of capital is a comparative exercise based on the economic principle of "opportunity costs." However, given that no two companies are identical, as noted on page 4 and 43-47 of Mr. D'Ascendis' Direct Testimony, a relative risk analysis between the Company and the Utility Proxy Group is necessary. Although analysts may have different approaches to determine the investor required return for a particular utility operating company, Mr. D'Ascendis' opinion is that the adjustments outlined his Direct Testimony are appropriate to reflect the unique risks associated with Atmos Energy's regulated gas distribution operations.

b. Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-35_Att1 - Jan_19 - Jul_21 Rating Agency Reports.pdf, 39 Pages.

Respondents: Joe Christian and Dylan D'Ascendis

S&P Global
Ratings

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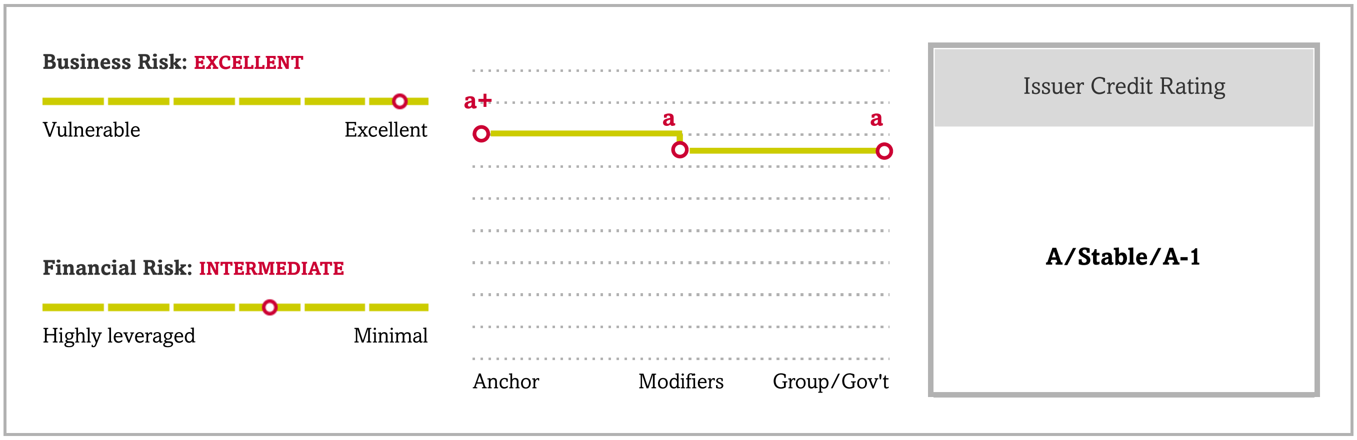
Atmos Energy Corp.



Credit Highlights

Overview

Key Strengths	Key Risks
Predominantly regulated utility strategy consisting of natural gas distribution operations	Elevated capital spending program requires ongoing balanced funding and timely cost recovery to support the credit profile
Maintains a balanced capital structure	About 40% of transmission and distribution (T&D) pipeline mains installed before 1970
Generally constructive regulatory frameworks	Heightened operating risk due to 2018 gas-related incident in Dallas area

Large multistate presence provides operating and regulatory diversity.

Atmos's business segments include its fully regulated natural gas distribution operations that serve over 3 million customers in eight states and its pipeline and storage segment under its Atmos Pipeline-Texas division. The pipeline and storage segment includes one of the largest intrastate pipelines in Texas that connects natural gas sources, primarily the Barnett Shale, Texas Gulf Coast, and the Delaware and Midland Basins of West Texas, with customers in highly concentrated regions, including the Dallas/Fort Worth Metroplex, supporting operational diversity.

Multiple recovery mechanisms contribute to predictable and timely cash flows, thereby reducing regulatory lag.

Throughout its eight-state service footprint, Atmos operates under several regulatory authorities and benefits from various recovery mechanisms that reduce lag and support credit health. Such mechanisms include formula rate mechanisms available in four states, infrastructure riders, weather normalization clauses, and purchase gas adjustment mechanisms. Recovery of capital spending through the riders will continue to support the company's ongoing replacement of vintage pipelines throughout its diverse and large distribution system.

Outlook: Stable

S&P Global Ratings' outlook on Atmos Energy Corp. is stable. Under our base-case scenario, we expect that Atmos will continue to effectively manage regulatory risk resulting in FFO to debt between 25%-26% through 2021. The stable outlook also reflects our expectation that the company will continue to execute on its regulated utility-focused growth strategy.

Downside scenario

We could lower the ratings if the financial measures weaken due to Atmos' inability to recover invested capital in a timely manner or due to the use of incremental debt, such that FFO to debt is consistently below 21%.

Upside scenario

We could raise the ratings by one notch if the company's financial measures improve, reflecting funds from operations (FFO) to debt that consistently exceeds 28%. This could occur if the company improves its ability to recover its infrastructure investments in a timely manner, further reducing its regulatory lag.

Our Base-Case Scenario

Assumptions

- Gross margin growth of about 5%-8% per year facilitated by various recovery mechanisms across Atmos's service territory;
- Increased expenses following planned outage of natural gas distribution system in the Dallas area;
- Elevated capital spending plan of about $1.7 billion to $2.3 billion over the next few years; and
- Annual common dividend payout ratio of about 50%.

Key Metrics

	2018A	2019E	2020E
FFO to debt (%)	26.6	25.5-26.5	25.5-26.5
Operating cash flow to debt (%)	30.3	20-21	24-25
Debt to EBITDA (x)	3.3	3-3.5	3-3.5

All figures are S&P Global Ratings-adjusted. A--Actual. E--Estimate. FFO--Funds from operations.

Base-case projections

Atmos's capital spending to remain strong through 2022.

Atmos continues to make significant investments across its transmission and distribution pipeline network to replace roughly 6,000 miles of vintage materials. We expect Atmos to recover costs through the regulated process, balancing potentially debt-funded growth with incremental, year-on-year EBITDA growth.

Elevated capital spending and U.S. corporate tax reform puts downward pressure on credit measures in fiscal 2019.

We anticipate the effects of U.S. corporate tax reform to be fully realized across all jurisdictions by fiscal year-end 2019 with seven of Atmos's eight operating states already reflecting the lower tax rate. In addition, we anticipate the company's increased capital spending to be funded in a credit supportive manner, illustrated by the equity issuance of up to $750 million in November 2018. As such, we expect the company to continue to remain in the intermediate financial risk category through the forecasted period.

Company Description

Atmos is engaged in two primary business segments: regulated natural gas distribution (regulated utility; about 70%-75% of EBITDA) comprising its distribution operations that serve over 3 million customers in eight states; and pipeline and storage (about 25%-30% EBITDA) comprised of its operations in the Atmos Pipeline-Texas division that are regulated by the Texas Railroad Commission.

Business Risk: Excellent

Our view of Atmos's business risk profile incorporates the company's fully regulated, low-operating-risk natural gas T&D operations that benefit from generally constructive regulation across various jurisdictions. The company has shown its ability to recover costs with limited regulatory lag through the use of infrastructure riders, weather normalization clauses, formula rates, and other regulatory mechanisms. Our assessment of Atmos's business risk also takes into account the company's large base of about 3.2 million customers across eight states, although the Texas operations represent over half of total operating income.

Peer comparison

Table 1

Atmos Energy Corp. -- Peer Comparison

Industry Sector: Gas

	Atmos Energy Corp.	Spire Inc.	NiSource Inc.	ONE Gas Inc.	Southwest Gas Corp.
Rating as of Jan. 24, 2019	A/Stable/A-1	A-/Stable/A-2	BBB+/Negative/A-2	A/Stable/A-1	BBB+/Negative/--
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	3,075.1	1,751.5	4,673.0	1,504.9	2,075.5
EBITDA	1,076.1	471.7	1,505.5	447.9	574.4
FFO	936.8	371.6	1,071.2	379.8	472.2
Net income from cont. oper.	445.3	147.6	213.2	140.7	149.1
Cash flow from operations	933.0	329.7	974.5	331.8	487.1
Capital expenditures	1,226.5	340.1	1,481.0	316.9	524.5
Free operating cash flow	(293.6)	(10.4)	(506.5)	14.9	(37.4)
Discretionary cash flow	(487.5)	(99.2)	(739.2)	(59.7)	(117.3)
Cash and short-term investments	29.2	8.8	23.6	10.5	34.0
Debt	3,567.1	2,481.8	8,480.1	1,482.6	1,899.2

Table 1

Atmos Energy Corp. -- Peer Comparison (cont.)

Industry Sector: Gas

	Atmos Energy Corp.	Spire Inc.	NiSource Inc.	ONE Gas Inc.	Southwest Gas Corp.
Equity	4,043.9	1,873.6	4,078.3	1,896.7	1,634.1
Adjusted ratios					
EBITDA margin (%)	35.0	26.9	32.2	29.8	27.7
Return on capital (%)	8.1	6.9	5.7	6.9	7.5
EBITDA interest coverage (x)	7.9	4.7	3.6	7.4	6.3
FFO cash interest coverage (X)	6.5	6.5	3.9	9.5	8.2
Debt/EBITDA (x)	3.3	5.3	5.6	3.3	3.3
FFO/debt (%)	26.3	15.0	12.6	25.6	24.9
Cash flow from operations/debt (%)	26.2	13.3	11.5	22.4	25.6
Free operating cash flow/debt (%)	(8.2)	(0.4)	(6.0)	1.0	(2.0)
Discretionary cash flow/debt (%)	(13.7)	(4.0)	(8.7)	(4.0)	(6.2)

FFO--Funds from operations.

Financial Risk: Intermediate

We assess Atmos's financial risk profile using our medial volatility benchmarks, reflecting its lower-risk utility operations and effective management of regulatory risk.

Under our base-case scenario, we expect that Atmos's financial measures will consistently support its financial risk profile category. The company will continue to benefit from timely recovery of invested capital, with FFO to debt in the 25%–26% range and debt to EBITDA averaging about 3.5x through 2021. We anticipate that Atmos will preserve its balanced capital structure over time at levels that are in line with the regulatory-approved capital structure, further supporting its overall credit profile. We expect operating cash flow after capital spending and dividends, or discretionary cash flow, to remain negative, indicating external funding needs, including debt issuance.

Financial summary

Table 2

Atmos Energy Corp. -- Financial Summary

Industry Sector: Gas

	--Fiscal year ended Sept. 30--				
	2018	2017	2016	2015	2014
Rating history	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A-/Stable/A-2	A-/Stable/A-2
(Mil. $)					
Revenues	3,115.5	2,759.7	3,349.9	4,142.1	4,940.9
EBITDA	1,125.2	1,094.0	1,009.0	974.6	942.6
FFO	996.1	949.2	865.1	827.3	782.4
Net income from continuing operations	603.1	382.7	350.1	315.1	289.8
Cash flow from operations	1,132.8	868.9	797.3	851.6	759.7

Table 2

Atmos Energy Corp. -- Financial Summary (cont.)					
Industry Sector: Gas					
	--Fiscal year ended Sept. 30--				
	2018	**2017**	**2016**	**2015**	**2014**
Capital expenditures	1,460.8	1,134.6	1,084.2	972.9	833.7
Free operating cash flow	(328.0)	(265.7)	(286.9)	(121.3)	(74.0)
Discretionary cash flow	(542.9)	(457.7)	(462.0)	(281.3)	(220.3)
Cash and short-term investments	13.8	26.4	47.5	28.7	42.3
Debt	3,740.5	3,620.8	3,340.0	2,989.4	2,807.0
Equity	4,770.0	3,898.7	3,463.1	3,194.8	3,086.2
Adjusted ratios					
EBITDA margin (%)	36.1	39.6	30.1	23.5	19.1
Return on capital (%)	7.4	8.4	8.6	8.9	9.4
EBITDA interest coverage (x)	8.8	7.8	7.2	7.0	6.0
FFO cash interest coverage (x)	6.4	6.8	6.4	6.3	5.9
Debt/EBITDA (x)	3.3	3.3	3.3	3.1	3.0
FFO/debt (%)	26.6	26.2	25.9	27.7	27.9
Cash flow from operations/debt (%)	30.3	24.0	23.9	28.5	27.1
Free operating cash flow/debt (%)	(8.8)	(7.3)	(8.6)	(4.1)	(2.6)
Discretionary cash flow/debt (%)	(14.5)	(12.6)	(13.8)	(9.4)	(7.8)
Net Cash Flow / Capex (%)	53.5	66.7	63.6	68.6	76.3
Return on capital (%)	7.4	8.4	8.6	8.9	9.4
Return on common equity (%)	13.8	10.3	10.4	10.0	10.2
Common dividend payout ratio (un-adj.) (%)	35.6	50.2	50.0	50.8	50.5

FFO--Funds from operations.

Liquidity: Adequate

We assess Atmos's liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationships with banks, and a generally satisfactory standing in the credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• Average expected credit facility availability of $1.5 billion; • Estimated cash FFO of about $1 billion; and • Cash and liquid investments of $14 million.	• Debt maturities, including outstanding commercial paper, of about $1.15 billion; • Working capital outflows of about $220 million; • Capital spending of at least $750 million; and • Dividends of about $225 million.

Debt maturities

- 2019: $575 million
- 2020: $0 million
- 2021: $0 million
- 2022: $0 million

Other Credit Considerations

We assess the comparable ratings analysis modifier as negative, resulting in a one-notch negative adjustment to the rating, which captures adjusted FFO to debt that we expect will trend toward the lower end of the range for the company's financial risk profile category.

Covenant Analysis

Compliance expectations

As of Sept. 30, 2018, Atmos was in compliance with the financial covenants of its credit facilities and public indentures and had sufficient cushion. Under our base-case scenario, we expect Atmos will remain in compliance with these covenants, especially given the stable nature of its regulated utility operations.

Requirements

As per the covenant requirements in its credit facility, Atmos must maintain a total debt-to-capitalization ratio of no greater than 70%. The covenant thresholds remain unchanged through the expiration of the obligations.

Environmental, Social, And Governance

Environmental and social factors are material in our rating analysis, while effective governance helps support the investment-grade rating.

With an expansive network of natural gas pipelines to support its T&D operations, Atmos is susceptible to a variety of risk factors. On the environmental side, natural gas leakages can stem from vintage gas infrastructure or changes in soil integrity, and the environmental decommissioning of former manufactured gas plant sites can carry a significant financial liability.

On the social side, compromised infrastructure integrity can cause the occasional safety incident. In February 2018, a gas distribution pipeline explosion at a residence in Dallas resulted in one fatality and injuries to four other residents. In response to the incident, an outage was initiated in the affected region until accelerated system repairs were completed. And although some social risks may not directly affect credit quality, they can influence the regulatory relationship, which does have an effect, further underlining the importance of this factor.

Governance factors are neutral to our ESG assessment and Atmos's governance practices are consistent with what we see across the industry for other publicly traded gas utilities.

Group Influence

Atmos is subject to our group rating methodology criteria. We view Atmos as the parent that is also the driver of the group credit profile. As a result, Atmos's group and stand-alone credit profiles are the same at 'a', leading to an issuer credit rating of 'A'.

Ratings Score Snapshot

Issuer Credit Rating

A/Stable/A-1

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Strong

Financial risk: Intermediate

- **Cash flow/Leverage:** Intermediate

Anchor: a+

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : a

- **Group credit profile:** a

Issue Ratings

We rate Atmos's commercial paper program 'A-1', reflecting the issuer credit rating.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of fiscal year-end 2018, Atmos's capital structure consists of about $3.5 billion of debt.

Analytical conclusions

We rate Atmos's senior unsecured debt obligations at the same level as our issuer credit rating on the company given the absence of more senior obligations in its capital structure.

Reconciliation

Table 3

Reconciliation Of Atmos Energy Corp. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $)

	--Fiscal year ended Sept. 30, 2018--						
Atmos Energy Corp. reported amounts							
	Debt	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Capital expenditures**
	3,644.4	1,084.2	723.1	106.6	1,084.2	1,124.7	1,467.6
S&P Global Ratings' adjustments							
Interest expense (reported)	--	--	--	--	(106.6)	--	--
Interest income (reported)	--	--	--	--	--	--	--
Current tax expense (reported)	--	--	--	--	157.8	--	--
Operating leases	77.9	17.4	5.7	5.7	11.7	11.7	--
Postretirement benefit obligations/deferred compensation	127.2	10.7	10.7	8.1	1.7	3.2	--
Surplus cash	(13.8)	--	--	--	--	--	--
Capitalized interest	--	--	--	6.8	(6.8)	(6.8)	(6.8)

Table 3

Reconciliation Of Atmos Energy Corp. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $) (cont.)							
Share-based compensation expense	--	12.9	--	--	12.9	--	--
Asset retirement obligations	10.2	--	--	--	--	--	--
Non-operating income (expense)	--	--	(5.3)	--	--	--	--
Debt - Accrued interest not included in reported debt	39.5	--	--	--	--	--	--
Debt - Issuance cost	20.8	--	--	--	--	--	--
Debt - Other	(165.7)	--	--	--	--	--	--
FFO - Other	--	--	--	--	(158.8)	--	--
Total adjustments	96.0	41.0	11.0	20.6	(88.1)	8.1	(6.8)
S&P Global Ratings' adjusted amounts							
	Debt	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditures**
	3,740.5	1,125.2	734.2	127.3	996.1	1,132.8	1,460.8

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	**a+/a**	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of January 24, 2019)

Atmos Energy Corp.	
Issuer Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Senior Unsecured	A
Issuer Credit Ratings History	
13-May-2016	A/Stable/A-1
29-Oct-2015	A-/Positive/A-2
08-Oct-2013	A-/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

MOODY'S INVESTORS SERVICE

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Atmos Energy Corporation

16 Oct 2020

New York, October 16, 2020 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Atmos Energy Corporation and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

Atmos' A1 senior unsecured rating reflects its business profile as a regulated, low risk natural gas local distribution company (LDC) and its pipeline and storage businesses which operate in constructive regulatory jurisdictions. The regulatory construct for Atmos' utilities is generally positive allowing for timely recovery of capital through mechanisms providing transparency of cash flows and attractive returns parameters. Atmos' credit profile also considers its scale and diversity operating across eight states where its LDC businesses and its pipeline and storage businesses generate approximately 64% and 36% of net income, respectively. Other key rating consideration include its fully regulated business profile and no holding company.

Atmos' balanced fiscal policy in funding its external capital needs and below sector average dividend payout are also key credit considerations which have driven its stable and consistent financial measures including its cash flow from operations pre-working capital (CFO pre-WC) to debt ratio which we expect to remain in the mid 20% range.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

This announcement applies only to EU rated and EU endorsed ratings. Non EU rated and non EU endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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Ratings

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Research Update:

Atmos Energy Corp. Downgraded To 'A-' On Weakening Credit Metrics; Ratings Placed On CreditWatch Negative

February 22, 2021

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Rating Action Overview

- On Feb. 19, 2021, Atmos Energy Corp. released an 8-K indicating it expects incremental gas costs in the $2.5 billion-$3.5 billion range stemming from unprecedented winter weather in various service territories, including Texas, and extraordinarily higher prices for natural gas to meet a spike in demand.
- As a result, S&P Global Ratings expects Atmos' financial measures to materially weaken, reflecting funds from operations (FFO) to debt of about 15%-17% through 2023. Previously, we expected FFO to debt in the 22%-23% range through 2023.
- As such, we are lowering our issuer credit rating on Atmos to 'A-' from 'A'. At the same time, we are lowering the senior unsecured debt rating to 'A-' from 'A' and the short-term rating and commercial paper ratings to 'A-2' from 'A-1'.
- We have revised our financial risk profile on Atmos downward to significant from intermediate, reflecting the weaker credit measures that we expect will consistently reflect the middle of the range for its financial risk profile category.
- Since Atmos has about $3 billion in liquidity including $800 million in cash, we expect the company to procure incremental funding to help mitigate any liquidity constraints to pay for the much higher gas expenses.
- Because of this, we have also placed our issuer and senior unsecured debt ratings on Atmos on CreditWatch with negative implications.

Rating Action Rationale

The ratings downgrade on Atmos reflects our expectations for weaker financial measures because of the extreme winter weather and extraordinary increase in natural gas prices. The severe winter weather and extremely cold temperatures created a very large increase in demand as well as a spike in natural gas prices. Atmos indicated it expects gas costs have risen $2.5

billion-$3.5 billion over this short period of time. Because of the higher costs, we expect Atmos' financial measures to significantly weaken, including FFO to debt to about the 15%-17% range through 2023. Therefore, we are revising the financial risk profile downward to significant. Under our revised base case, we expect financial measures that will consistently reflect the middle of the range for the company's financial risk profile category. We utilize our medial volatility table, which reflects more relaxed benchmarks than those used for most corporate issuers. This reflects the company's steadier cash flow, rate-regulated utility operations, and effective regulatory risk management.

We revised the comparable rating analysis modifier to neutral from negative. Under our revised base case, we expect the company's financial measures will consistently reflect the middle of the range for the company's financial risk profile category. Specifically, we expect FFO to debt of 15%-17%.

The CreditWatch placement reflects the potential for a further downgrade in the next 90 days. We are placing our ratings on Atmos on CreditWatch with negative implications because of uncertainty around the extra funding to support liquidity and rate recovery to prospectively support operating cash flow.

Environmental, social, and governance credit factors for this rating change.

- Natural conditions.

CreditWatch

We expect to resolve our CreditWatch on Atmos over the next 90 days once the company has procured additional funding of the extraordinary gas costs incurred because of the extreme winter weather. Also, while we do not expect financial measures to materially weaken from our base-case scenario, this could occur if permanent debt funding is materially more than expected or cost recovery is significantly less than expected.

Company Description

Atmos is engaged in two primary business segments. The regulated natural gas distribution business (about 65%-70% of EBITDA) consists of distribution operations that serve over 3 million customers in eight states. The pipeline and storage segment (about 30%-35% of EBITDA) includes operations in the Atmos Pipeline-Texas division, which are regulated by the Texas Railroad Commission.

Issue Ratings - Subordination Risk Analysis

Capital structure

Atmos' capital structure consists of about $4.5 billion of long-term debt but after funding is arranged to pay the extra natural gas costs, we expect this amount to significantly rise.

Analytical conclusions

- We rate Atmos' senior unsecured debt obligations at the same level as our issuer credit rating on the company because we view it as unsecured debt issued by a qualifying investment-grade regulated utility.
- Our 'A-2' rating on the company's commercial paper program reflects the issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating: A-/Watch Neg/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Group credit profile: a-

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Downgraded; Ratings Placed on CreditWatch

	To	From
Atmos Energy Corp.		
Issuer Credit Rating	A-/Watch Neg/A-2	A/Stable/A-1
Issue-Level Ratings Lowered		
Atmos Energy Corp.		
Commercial Paper	A-2	A-1
Issue-Level Ratings Lowered; Ratings Placed on CreditWatch		
Atmos Energy Corp.		
Senior Unsecured	A-/Watch Neg	A

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
2 March 2021

Update

Rate this Research

RATINGS

Atmos Energy Corporation

Domicile	Dallas, Texas, United States
Long Term Rating	A1
Type	Senior Unsecured - Dom Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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EMEA	44-20-7772-5454

Atmos Energy Corporation

Update following change in outlook to negative

Summary

Atmos Energy Corporation's (Atmos) credit profile is supported by its low risk natural gas local distribution company (LDC) and its pipeline and storage businesses which operate in constructive regulatory jurisdictions. Atmos' credit also reflects its scale and diversity, operating across eight states where its LDC business and its pipeline and storage business generate approximately 66% and 34% of net income, respectively. Atmos continues to spend significant capital in its system targeting safety, reliability and modernization. Atmos' balanced fiscal policy in funding its external capital needs and below sector average dividend payout are significant factors driving its stable and consistent financial measures including its cash flow from operations pre-working capital (CFO pre-WC) to debt ratio in the mid 20% range.

Recent developments

Atmos' credit profile is pressured by the uncertainty surrounding the recovery timeline for the substantial gas costs incurred during the recent weather events. We see Atmos carrying a sizeable amount of incremental debt over the next few years, a result of the disruptions in the gas markets. On 1 March 2020, the company announced that it incurred roughly $2.5 billion in procurement costs in February when they typically spend about $1.2 billion for the full year. Texas represented the majority at about 95% with the remainder in Kansas and Colorado.

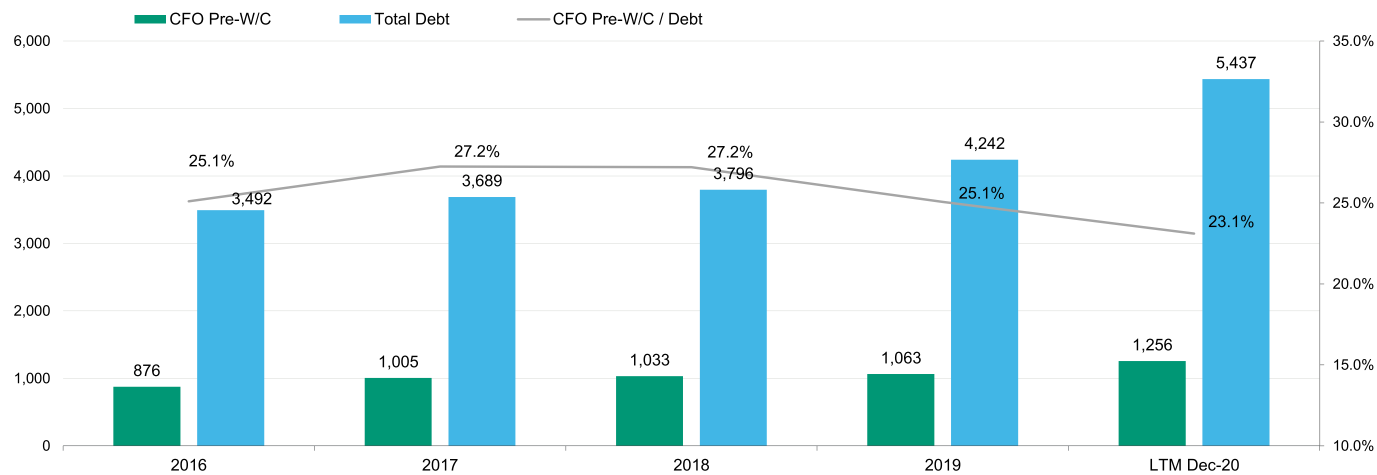
Although Atmos is authorized to recover its fuel costs, there is uncertainty around the recovery timeline. We see rising social risks associated with customer relations because of the significant impact these costs will have on customer bills. This will cause state utility regulators to weigh customer impact against the company's ability to manage the cost recovery over a medium to long-term period. As a result, the long-term financial profile for the company could change.

Atmos' is working on a long-term financing strategy which will include a mix of debt, equity through its At-the-Market (ATM) sales program and cash to cover the costs associated with the weather event. Based on scenario analysis, Atmos' ratio of CFO pre-WC to debt could fall to as low as 16% (assuming $2.5 billion of new debt) in 2021. Over time, the financial metrics should rebound based on the cost recovery timeline.

Coronavirus pandemic considerations

The rapid spread of the coronavirus outbreak, severe global economic shock, low oil prices and asset price volatility are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. We do not view the impact of the coronavirus outbreak to be a material credit driver for Atmos' given its rate regulated business model. However we believe the economic pressure on customers due to the pandemic will be an important consideration as the company negotiates cost recovery time frames for the February fuel costs with its regulators.

Exhibit 1
Historical CFO pre-WC, Total Debt and CFO pre-WC to Debt
($ MM)



Source: Moody's Financial Metrics

Credit Strengths

» Fully regulated LDC, pipeline and storage utility operations

» Diversity across eight states with rate design that is generally credit supportive

» Balanced fiscal policy in funding capital needs and a below average dividend payout

Credit Challenges

» Substantial new debt due to unusual gas costs incurred in February 2021

» Increased regulatory uncertainty around the recovery period for gas procurement costs

» Large capex plan with projected spending of approximately $11 to $12 billion over the next 5 years

Rating Outlook

The negative outlook reflects the uncertainty surrounding the recovery period associated with the costs incurred by the procurement of natural gas during the extreme weather event and the impact on the company's financial profile. If the timeline of the cost recovery is several years, we expect Atmos' credit metrics to be pressured and fall below 23% on a sustained basis.

Factors that Could Lead to an Upgrade

Atmos' rating could be upgraded should its regulatory constructs improve and permit it to earn returns above industry averages and the company exhibits a ratio of CFO pre-WC to debt above 26% on a sustained basis.

Factors that Could Lead to a Downgrade

Atmos' rating could be downgraded if its regulatory constructs deteriorate as evidenced by lower earned returns or a weaker equity capitalization, management deviates materially from its balanced fiscal policy, or the company generates a CFO pre-WC to debt ratio below 23% on a sustained basis. A rating downgrade could also occur should the accompany receive less than 100% recovery of the gas procurement cost.

Key Indicators

Exhibit 2

Atmos Energy Corporation [1]

	Sep-16	Sep-17	Sep-18	Sep-19	LTM Dec-20
CFO Pre-W/C + Interest / Interest	8.3x	9.0x	9.6x	10.2x	14.1x
CFO Pre-W/C / Debt	25.1%	27.2%	27.2%	25.1%	23.1%
CFO Pre-W/C – Dividends / Debt	20.1%	22.0%	21.5%	19.3%	17.7%
Debt / Capitalization	40.9%	39.0%	39.1%	37.7%	38.3%

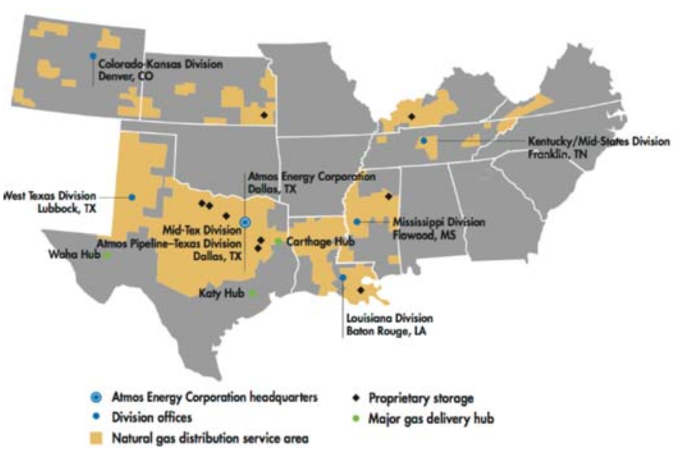
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Profile

Atmos Energy Corporation (Atmos, A1 negative), headquartered in Dallas, Texas, is a fully regulated natural gas distribution and natural gas pipeline and storage businesses. The company serves over 3 million customers with operations in eight states (Texas, Louisiana, Mississippi, Tennessee, Kansas, Colorado, Kentucky and Virginia).

Exhibit 3

Atmos Energy service territory

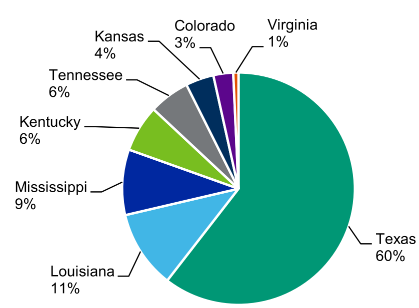


Source: Company Presentation

Exhibit 4

Rate base is largely in Texas

Rate base by jurisdiction



Source: Moody's Investors Service and Company Filings

Atmos' largest segment, its regulated LDC, accounted for approximately 66% of consolidated net income in 2020. The company's regulated pipeline and storage operations consist of approximately 5,700 miles of intra-state pipeline in Texas and 46 bcf of natural gas storage. The Atmos Pipeline Texas (APT) division is one of the largest intra-state pipeline operations in the state and transports natural gas to Atmos' Mid-Tex Division and other third parties. APT accounted for approximately 34% of net income in 2020.

Detailed Credit Considerations

Diversified, generally supportive regulatory jurisdictions

Atmos has operations in eight states providing relative scale and diversity across generally credit supportive regulatory jurisdictions where the company has opportunities to recover its costs and earn reasonable returns on a timely basis. Approximately 71% of Atmos' asset base is located in Texas, where we view the regulatory environment to be constructive with a low cost and capital recovery lag and significant opportunities to invest in rate base. The regulatory environments in Louisiana and Mississippi, where it has its two next largest operations, also have credit supportive regulatory frameworks that include formula rates, infrastructure capital riders and weather normalization adjustments.

Atmos' rate design improvements have successfully increased and stabilized its contribution margin. Management has addressed much of the regulatory lag through consistent rate filings that have led to regular rate adjustments across most of its jurisdictions. Formula rate plans and infrastructure rider mechanisms are attributable to 89% of its rate base and increase the certainty of obtaining timely rate relief while reducing the company's exposure to an adverse rate decision. As a result, approximately 90% of the company's annual capital spending begins to earn a return within 6 months and 99% within 12 months of assets being used and useful, with minimal rate increase requests through general rate cases. In the fiscal year ending 30 September 2020, Atmos completed regulatory ratemaking actions which resulted in an increase in annual operating income of $160.2 million. Since its fiscal year end, Atmos has received regulatory approval that will lead to an additional $106.6 million of annualized operating income beginning in its fiscal first quarter of 2021 (ending 31 December 2020).

Low business risk natural gas utility and pipeline operations

Atmos' core business consists entirely of a low risk, regulated local distribution company with operations in eight states and tariff based intrastate pipeline and storage assets in Texas. The company benefits from having constructive rate making mechanisms across most of its jurisdictions, reducing uncertainty and providing transparency. For example, Atmos utilizes weather normalization adjustments (WNA), which mitigate the risks and costs the company may encounter due to weather that is above or below normal. This adjustment allows Atmos to either increase or decrease customer bills to offset the effect of gas usage due to abnormal weather. However, with the February weather event and market disruptions, this mechanism will not be used given the substantial impact to customer bills.

Another example includes Atmos' Purchased Gas Adjustment mechanism (PGA), which allows the company to pass through purchased gas costs to its customers, insulating the company from gas price fluctuation risks, in typical market conditions. In fiscal year 2019, Atmos returned to customers an over collection of gas costs from 2018. Other mechanisms approved for Atmos include annual adjustment mechanisms in half of its states (mainly its larger service territories) and infrastructure enhancement mechanisms in 6 out of the 8 states. These mechanisms result in greater transparency in cash flows and accelerated recovery of capital spending, all credit positive. On average, Atmos' weighted average allowed ROE in its LDC businesses is 9.8% and 11.5% at APT. See Exhibit 5 for a summary of the regulatory mechanisms afforded Atmos.

Exhibit 5

Regulatory Mechanisms Provide Timely Recovery

	Regulatory Mechanism		Recovery Method					
Jurisdiction	Infrastructure Program	Deferral / Forward-Looking	Annual Filing	General Case	Formula Rate	Performace Based Rate Program	Bad Debt Rider**	WNA Period
Texas								
Mid-Tex	8.209	Yes	RRM / DARR / GRIP	No	Yes	No	Yes	November-April
Pipeline	GRIP	No	GRIP	No	Yes	N/A	No	N/A
West Texas	8.209	Yes	RRM/GRIP	No	Yes	No	Yes	October-May
Louisiana	RSC	Yes	RSC	No	Yes	No	No	December - March
Mississippi	SIR	Yes	SRF / SIR	No	Yes	No	No	November-April
Kentucky	PRP	Yes	PRP	Yes	No	Yes	Yes	November-April
Tennessee	N/A	Yes	ARM	No	Yes	Yes	Yes	October - April
Kansas	GSRS	No	GSRS	Yes	No	Yes	Yes	October - May
Colorado	SSIR	Yes	SSIR	Yes	No	No	No	N/A
Virginia	SAVE	Yes	SAVE	Yes	No	No	Yes	January - December

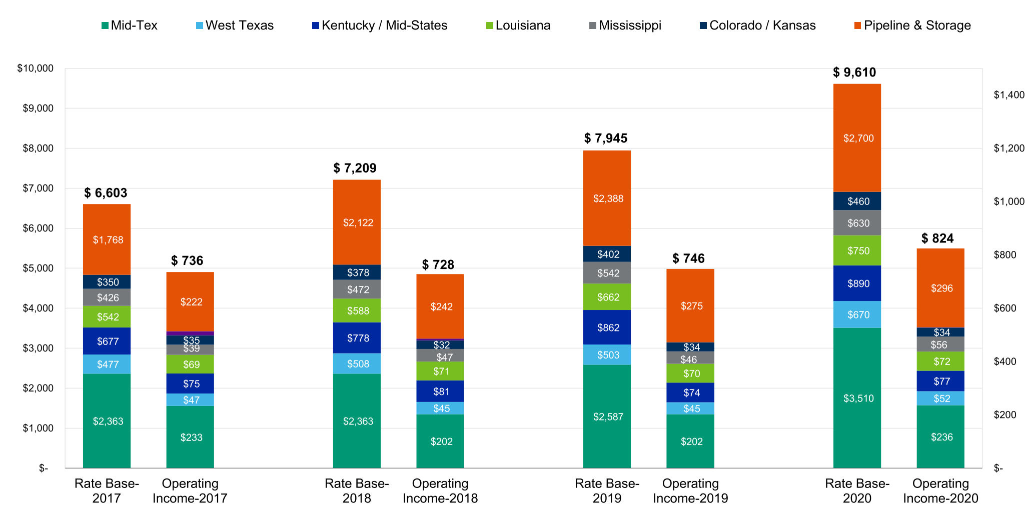
** The bad debt rider allows recovery from ratepayers of the gas cost portion of uncollectible accounts.
WNA - Weather Normalization Adjustment Clause; GRIP - Gas Reliability Infrastructure Program; RSC - Rate Stabilization Clause; SIR - System Integrity Rider; PRP - Pipeline Replacement Program; GSRS - Gas System Reliability Surcharge; RRM - Rate Review Mechanism; DARR - Dallas Annual Rate Review; SRF - Stable Rate Filing; ; ARM - Annual Rate Mechanism; SSIR - System Safety and Integrity Rider
Source: Atmos Energy, Moody's Investors Service

Large capital expenditure plan over the next five years

In fiscal 2020, Atmos invested $1.9 billion with approximately 88% of that spending related to system safety and reliability, which included system integrity, pipeline integrity, system modernization, and expansion. With the robust ongoing capital expenditure program, Atmos' fiscal year-end 2020 rate base was approximately $9.6 billion. Operating income increased $57 million for its LDC business and increased $21 million for its pipeline and storage business in 2020 compared to 2019. Exhibit 6 depicts Atmos' rate base and operating income by its LDC jurisdictions and in its pipeline and storage business over the last four years.

Exhibit 6

Atmos exhibits steady growth in rate base and operating income
($ in millions)



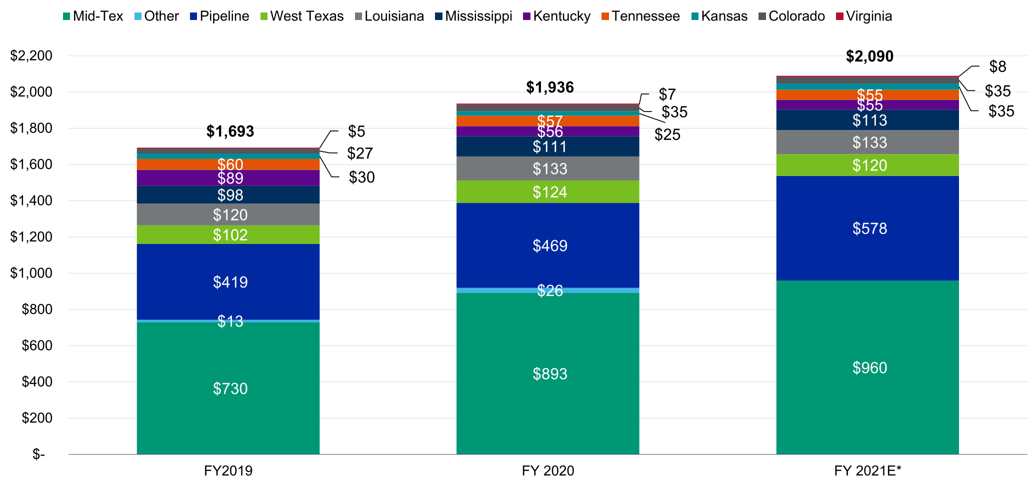
Source: Atmos Energy

In fiscal year 2021, Atmos expects to invest approximately $2.0 to $2.2 billion in consolidated capital expenditures, more than 80% of which will be related to safety and reliability. The company plans to utilize a combination of its regulatory mechanisms to recover costs associated with this capital expenditure program through 2025. Such mechanisms include the Gas Reliability Infrastructure Program (GRIP) and Rule 8.209, a capital deferral mechanism for capital expenditures related to system safety and reliability in Texas, and the Rate Stabilization Clause (RSC) in Louisiana, all which allow for timely recovery of capital invested for infrastructure safety and reliability.

Exhibit 7

Atmos Energy capital expenditures are substantial

$ in millions



*Capital expenditure for 2021 is estimated

Source: Atmos Energy, Moody's Investors Service

Longer term, Atmos is expected to invest about $2.0 billion of capital annually from 2022 through 2025. The company plans to fund these capital expenditures with a balance of internally generated cash flow, long-term debt and equity to maintain its current capital structure. Atmos has demonstrated a balanced fiscal policy through common equity raised of $644 million in fiscal year 2020 and $713 million in fiscal year 2019 to repay short-term debt and for capital needs, maintaining its appropriate regulatory layer of equity capital.

Consistent financial performance with stable credit metrics

In addition to its balanced funding of external capital needs, Atmos has obtained sufficient rate increases to sustain stable credit metrics. In the fiscal year ended 30 September 2020, Atmos completed regulatory ratemaking actions which resulted in an increase in annual operating income of $160.2 million and an additional $106.6 million of operating income was approved in its fiscal first quarter of 2021.

Atmos' cash flow from operations before working capital changes (CFO pre-WC) has been in the $1.0 - $1.2 billion range over the last three years. In its fiscal year end 30 September 2020, it generated CFO pre-WC of about $1.2 billion, resulting in CFO pre-WC to debt of 24.5%. Based on the robust capital investment program and shorter regulatory lag, we expect the company's CFO pre-WC to be in the range of around $1.2 billion to $1.3 billion annually over the next two years. However, as a result of the significant fuel costs incurred in February, we see the CFO pre-WC to debt ratio declining and could remain below 23% on a sustained basis depending on the approved recovery period.

ESG considerations

Environmental

Environmental considerations incorporated into our credit analysis for Atmos are primarily related to carbon regulations. Atmos is strongly positioned for carbon transition in the regulated utility sector with strategies and plans in place that substantially mitigate its carbon transition exposure, such as reducing the level of methane emitted from its system through its cast-iron and steel pipe replacement program. Moody's framework for assessing carbon transition risk is discussed in "Carbon transition risk for power generation varies widely by issuer" (2 December 2020).

The extreme cold weather experienced in Atmos' service territories in February 2021, although unprecedented, demonstrated the company's exposure to physical climate risk. The cold weather resulted in an imbalance between natural gas supply and demand that caused gas prices to soar such that the company spent an estimated $2.5 billion on natural gas, compared to about $1.2 billion spent in a full year. Atmos' fuel expenses are usually a pass through to customers, with over- or under-recoveries refunded to or recovered from customers within a year. We do not expect the company's gas recovery mechanisms to work normally given the size of the costs incurred. We anticipate a long timeline of recovery for approved amounts to reduce the customer bill impact, weakening Atmos' credit profile.

Social

Social considerations include risks associated with safety and reliability of company services and supply, business reputation or regulatory relations, an aging workforce and the ability to hire and retain qualified personnel. Atmos expects to replace all of its known cast-iron pipe by FY2021 reducing the operating risk and potential social risk emanating from a rare operating event such as a pipeline explosion which can result in casualties and property damage. We discuss these risks in "LDC Utilities Exposed to Operational Hazards, But Sector Still Viewed as Low Risk" (12 November 2018).

We expect regulators to work collaboratively with the company to determine an appropriate timeline over which to recover all of the February 2021 fuel cost, with a goal to reduce the customer bill impact. The approved recovery timeline will also be influenced by the current difficult economic conditions caused by the coronavirus pandemic. Nevertheless, a long recovery timeline will be credit negative for Atmos.

Atmos has a generally constructive and supportive relationships with its utility regulators. We expect regulators to work collaboratively with the company to determine an appropriate timeline over which to recover all of the February fuel costs, with a goal to reduce the customer bill impact. The approved recovery timeline will also be influenced by the current difficult economic conditions caused by the coronavirus pandemic. Nevertheless, a long recovery timeline will be credit negative for Atmos.

Governance

From a governance perspective, financial and risk management policies including a strong financial profile are important characteristics for managing environmental and social risks. Corporate finance policy decisions to reduce the financial impacts of the weather-driven natural gas market disruption, and any enhancements to the company's gas supply strategy to mitigate risks associated with extreme weather events will influence our view of Atmos' credit.

We view management and governance of Atmos positively under our assessment criteria. We assess a high level of credibility to Atmos management as evidenced by the company's consistent financial results driven by its balanced fiscal policies, risk management practices and simple organizational structure while much of its annual capital investments are focused on improving safety and reliability. Moody's global governance considerations are discussed in "ESG – Global Governance considerations are a key determinant of credit quality for all issuers" (19 September 2019).

Liquidity Analysis

Atmos reports $422 million of cash on hand, $247 million in net proceeds from their ATM program and use of up to $2.2 billion in credit facilities, a $1.5 billion revolver, which expires in September 2023 and contains a $250 million accordion feature and has a financial covenant stating that Atmos must maintain a total debt to capitalization ratio under 70%. Atmos was comfortably in compliance with the covenant at 31 December 2020, with a debt to capitalization ratio of 43%. The company also maintains a $1.5 billion commercial paper program. As of 31 December 2020, there were no amounts outstanding under its credit facility or commercial paper program.

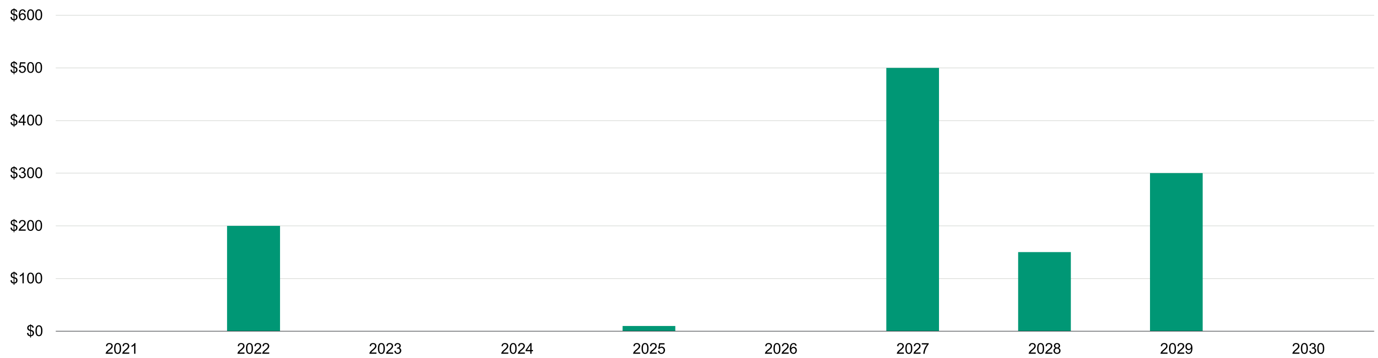
Additionally, as of April 2020, Atmos executed three new 364-day credit facilities: two $50 million unsecured revolving credit facilities and a $600 million revolving credit facility to provide additional working capital funding. As of the last twelve months ending 31 December 2020, the company produced about $1.0 billion in cash flow from operations, spent approximately $1.9 billion in capital investment, and distributed $292 million of dividends, resulting in $1.1 billion in negative free cash flow. Atmos will also receive $247 million from forward equity commitments within the next 12 months.

We expect Atmos' debt profile to increase over the next year as they plan to issue a mix of short term and long term debt to finance the costs of February gas procurement. Favorably, Atmos' maturity schedule is manageable with the next maturity due in 2022 when a $200 million floating term loan is due. See Exhibit 8 for a breakdown of debt through 2030.

Exhibit 8

Atmos' maturity schedule is manageable

Maturity schedule through 2030 ($ MM)



As of 31 December 2020 (Q1)

Source: Moody's Investors Service

Rating methodology and scorecard factors

Exhibit 9
Rating Factors
Atmos Energy Corporation

Regulated Electric and Gas Utilities Industry [1][2]	Current FY 9/30/2020		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	10.8x	Aaa	12x - 14x	Aaa
b) CFO pre-WC / Debt (3 Year Avg)	25.5%	A	24% - 26%	A
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	19.7%	A	17% - 19%	A
d) Debt / Capitalization (3 Year Avg)	38.0%	Aa	35% - 37%	Aa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A1		A1
HoldCo Structural Subordination Notching	0	0	0	0
a) Scorecard-Indicated Outcome		A1		A1
b) Actual Rating Assigned		A1		A1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of FYE 9/30/2020
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Appendix

Exhibit 10

Cash Flow and Credit Metrics [1]

CF Metrics	Sep-16	Sep-17	Sep-18	Sep-19	LTM Dec-20
As Adjusted					
EBITDA	989	1,082	1,115	1,183	1,363
FFO	887	969	1,011	1,073	1,257
- Div	175	192	215	246	292
RCF	712	777	796	828	965
FFO	887	969	1,011	1,073	1,257
+/- ΔWC	-53	-109	113	-66	-208
+/- Other	-11	36	22	-10	-1
CFO	824	896	1,146	997	1,048
- Div	175	192	215	246	292
- Capex	1,116	1,166	1,489	1,721	1,889
FCF	-467	-462	-558	-970	-1,133
Debt / EBITDA	3.5x	3.4x	3.4x	3.6x	4.0x
EBITDA / Interest	8.2x	8.6x	9.3x	10.2x	14.2x
FFO / Debt	25.4%	26.3%	26.6%	25.3%	23.1%
RCF / Debt	20.4%	21.1%	21.0%	19.5%	17.8%
Revenue	2,455	2,760	3,116	2,902	2,860
Interest Expense	121	126	120	116	96
Net Income	353	398	599	503	635
Total Assets	10,141	10,880	12,003	13,530	16,467
Total Liabilities	6,699	7,000	7,254	7,816	9,261
Total Equity	3,442	3,881	4,748	5,714	7,206

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months
Source: Moody's Financial Metrics

Exhibit 11

Peer Comparison Table [1]

	Atmos Energy Corporation A1 (Stable)			ONE Gas, Inc A3 (Negative)			Southern California Gas Company A2 (Stable)			CenterPoint Energy Resources Corp. A3 (Stable)			DTE Gas Company A3 (Stable)		
(In US millions)	FYE Sep-18	FYE Sep-19	LTM Dec-20	FYE Dec-18	FYE Dec-19	LTM Sept-20	FYE Dec-18	FYE Dec-19	LTM Sept-20	FYE Dec-19	FYE Dec-19	LTM Sept-20	FYE Dec-18	FYE Dec-19	LTM Sept-20
Revenue	3,116	2,902	2,860	1,634	1,653	1,499	3,962	4,525	4,630	7,343	6,570	6,332	1,415	1,462	1,386
CFO Pre-W/C	1,033	1,063	1,256	444	374	330	885	1,259	1,515	748	486	518	337	368	427
Total Debt	3,796	4,242	5,437	1,766	1,941	2,031	4,673	5,340	5,698	2,435	2,594	2,661	1,826	1,997	2,102
CFO Pre-W/C + Interest / Interest	9.6x	10.2x	14.1x	8.3x	6.2x	5.7x	6.4x	8.0x	8.9x	7.1x	5.2x	5.4x	5.5x	5.5x	6.1x
CFO Pre-W/C / Debt	27.2%	25.1%	23.1%	25.1%	19.3%	16.3%	18.9%	23.6%	26.6%	30.7%	18.7%	19.5%	18.5%	18.4%	20.3%
CFO Pre-W/C – Dividends / Debt	21.5%	19.3%	17.7%	19.7%	13.8%	10.7%	17.9%	20.7%	23.1%	15.9%	14.1%	5.7%	12.3%	12.3%	14.0%
Debt / Capitalization	39.1%	37.7%	38.3%	39.7%	41.0%	41.8%	46.4%	46.7%	46.9%	46.4%	45.7%	48.5%	43.9%	44.2%	44.0%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade
Source: Moody's Financial Metrics

Ratings

Exhibit 12

Category	Moody's Rating
ATMOS ENERGY CORPORATION	
Outlook	Negative
Senior Unsecured	A1
Commercial Paper	P-1

Source: Moody's Investors Service

REPORT NUMBER 1267355

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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Research Update:

Atmos Energy Corp. Ratings Affirmed, Outlook Negative On Uncertain Recovery

March 11, 2021

Rating Action Overview

- On March 9, 2021, Atmos Energy Corp. (Atmos), closed on two tranches of funding totaling $2.2 billion in senior unsecured notes due 2023. The proceeds will largely pay for the natural gas purchased for customers during the unprecedented winter weather in mid-February that led to extraordinarily higher prices and a spike in demand.
- As a result, we are removing our issuer credit rating and senior unsecured debt ratings on Atmos from CreditWatch with negative implications.
- We are also affirming our 'A-' issuer credit rating on Atmos. At the same time, we are affirming the 'A-' issue-level rating on the senior unsecured debt and the 'A-2' short-term rating and commercial paper ratings.
- We removed the ratings from credit watch that were placed with negative implications.
- The negative outlook on Atmos reflects the risk of a downgrade following the financial profile deterioration and ongoing risks concerning the rate recovery of the incremental natural gas costs stemming from the recent unprecedented winter weather and natural gas market disruptions. Our current base-case scenario assumes funds from operations (FFO) to debt in the 15% to 17% range over our forecast period, which leaves the company with minimal cushion at the current rating.

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Rating Action Rationale

The negative outlook reflects the uncertainty regarding Atmos' recovery of incremental natural gas costs largely incurred for Texas customers. Atmos estimates the aggregated natural gas purchases for all jurisdictions during the historic winter weather storm to be about $2.5 billion. Texas comprised most of these costs at about 95% of the total.

We expect the company's financial measures will weaken because of its very high natural gas costs. Our base-case forecast for Atmos reflects FFO to debt of about 15%-17% through 2023.

While the company successfully addressed its immediate financing pressures issuing unsecured senior notes of $2.2 billion in two $1.1 billion tranches, both issues mature in 2023, resulting in medium term refinancing risk. The 0.625% fixed rate unsecured senior notes and three-month LIBOR plus 38 basis points floating interest rate unsecured senior notes address immediate funding needs but leaves Atmos with medium-term refinancing risk. We expect Atmos to take proactive steps to address these maturities once it has greater clarity regarding deferred cost recovery in Texas.

Outlook

The negative outlook on Atmos reflects the risk of a downgrade following the financial profile deterioration and ongoing concerns related to the recovery of its incremental natural gas costs stemming from the unprecedented winter weather and natural gas market disruptions across its service territories. Our current base-case scenario assumes adjusted FFO to debt of about 15%-17% through 2023 that leaves the company with minimal cushion at the current rating.

Downside scenario

We could lower our ratings on Atmos over the next 12-24 months if its FFO to debt weakens consistently below 16%. This could occur if the company cannot fully recover its incremental natural gas costs through rates or the recovery takes longer than we forecast.

Upside scenario

We could revise our outlook on Atmos to stable over the next 12-24 months if the company improves its financial measures such that its FFO to debt remains consistently above 16% and there is more evidence regarding the path to recovering its incremental gas costs. We also expect Atmos to take proactive steps to extend the maturities of its medium-term notes well in advance of the pending maturities.

Company Description

Atmos is engaged in two primary business segments. The regulated natural gas distribution business (about 65%-70% of EBITDA) consists of distribution operations that serve over 3 million customers in eight states. The pipeline and storage segment (about 30%-35% of EBITDA) includes operations in the Atmos Pipeline-Texas division, which are regulated by the Texas Railroad Commission.

Liquidity

We assess Atmos' liquidity as adequate because we believe its sources are likely to cover uses by more than 1.1x over the next 12 months and will be sufficient to meet cash outflows even with a 10% decline in EBITDA. We believe Atmos has sound banking relationships, the ability to absorb high-impact, low-probability events without refinancing, and a satisfactory standing in the credit markets.

Principal Liquidity Sources

- Cash and liquid investments of about $460 million;
- Credit facility availability of about $2.1 billion;
- Estimated cash FFO at about $1.5 billion; and
- Debt issuance proceeds of about $2.2 billion.

Principal Liquidity Uses

- Working capital outflows of about $2.5 billion, mostly for the incremental natural gas costs;
- Capital spending of about $2.1 billion; and
- Dividends of around $350 million.

Issue Ratings - Subordination Risk Analysis

Capital structure

After the issuance of the $2.2 billion senior notes, Atmos' capital structure consists of about $6.7 billion of debt.

Analytical conclusions

- We rate Atmos' senior unsecured debt the same as the issuer credit rating because it is the debt of a qualifying investment-grade utility.
- Our 'A-2' rating on the company's commercial paper program reflects the issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating: A-/Negative/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)

- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)
- Stand-alone credit profile: a-

Group credit profile: a-

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Atmos Energy Corp.		
Issuer Credit Rating	A-/Negative/A-2	A-/Watch Neg/A-2
Ratings Affirmed; Off CreditWatch		
Atmos Energy Corp.		
Senior Unsecured	A-	A-/Watch Neg
Ratings Affirmed		
Atmos Energy Corp.		
Commercial Paper	A-2	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

REQUEST:

Refer to the D'Ascendis Testimony, page 12, lines 18–20, and page 13 lines 1–20.

a. With Atmos being a distribution gas company and such a small sample size of natural gas utilities, explain why it would not be appropriate to include water distribution utilities, which have many common attributes to gas distribution companies, in the proxy group in order to achieve a more significant sample size.

b. If it is not appropriate, explain specifically why water distribution companies are not suitable as proxies.

c. Explain the rationale for the 60 percent cutoff in criteria (ii), and provide the percentage of fiscal year 2020 total operating income and total assets attributable to regulated gas distribution operations for Atmos.

d. Explain whether seven utility companies represents a large enough representative sample to derive ROE estimates for Atmos.

RESPONSE:

a. The price of alternative energy sources indicates that natural gas utilities face competitive pressures from other energy sources and suppliers. Water utilities do not face similar risks, because there is no substitute for water. Further, because water is generally directly consumed by customers it must be treated before it is delivered. Lastly, water consumption is generally highest during warmer months, the opposite of natural gas usage.

b. Please see the response to subpart (a).

c. (i) Mr. D'Ascendis' objective in selecting a proxy group is to develop a proxy group that is highly representative of the risks and prospects faced by Atmos Energy. Therefore, Mr. D'Ascendis selected companies with at least 60% of operating income and assets attributable to regulated natural gas operations to ensure the proxy group companies had rate-regulated operations similar to the subject company. The threshold to eliminate companies with significant unregulated operations must balance the need to develop a group of companies that is fundamentally comparable to the Company with the need to develop a proxy group of sufficient size. In Mr. D'Ascendis' view, the 60% threshold reasonably balances those objectives. (ii) Atmos Energy's gas operations at issue in this proceeding are a pure play natural gas utility which means 100% of its operating income and total assets are attributable to regulated natural gas service.

d. A group of seven companies is sufficiently large to serve as a group of comparable risk companies to Atmos Energy. As discussed on pages 12-14 of Mr. D'Ascendis' Direct Testimony, he carefully chose screening criteria which produce a proxy group of comparable risk companies. Adding additional companies solely for the purpose of increasing the size of the proxy group produces results that may be less relevant to Atmos Energy. Lastly, Value Line's Natural Gas Utility Group includes ten companies, seven of which are included Mr. D'Ascendis' Utility Proxy Group.

Respondent: Dylan D'Ascendis

REQUEST:

Refer to the D'Ascendis Testimony, page 14, lines 1–3. Explain why it is appropriate to include a nonregulated proxy group of companies in the analyses, but to exclude water distribution companies or combination gas and electric companies, such as Duke Energy Kentucky Company or Louisville Gas and Electric Company.

RESPONSE:

As discussed in Mr. D'Ascendis' Direct Testimony, the selection criteria for the nonregulated proxy group were based on a range of unadjusted Beta coefficients (a measure of systematic risk) and a range of standard errors of the regression (a measure of non-systematic or diversifiable risk), which gave rise to those Beta coefficients, and together measure total risk.

Business and financial risks may vary between companies and proxy groups, but if the collective average betas and standard errors of the regression of the group are similar, then the total, or aggregate, non-diversifiable market risks and diversifiable risks are similar, as noted in "Comparable Earnings: New Life for an Old Precept" provided in Attachment 1. Thus, because the non-price regulated companies are selected based on analyses of market data, they are comparable in total risk (even though individual risks may vary) to the Utility Proxy Group.

As stated in the Company's response to Staff DR No. 2-36, water utilities do not face similar risks as gas companies and are therefore appropriate to exclude from the Utility Proxy Group. Similarly, combination gas and electric companies face a broader set of risks than pure-play gas companies and are therefore not appropriate to include in the Utility Proxy Group. Moreover, neither of the two companies that were identified in this question, Duke Energy Kentucky Company or Louisville Gas and Electric Company, have publicly traded data, meaning market-based data would not be available to use in the cost of common equity models.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-37_Att1 - Comparable Earnings - New Life for an Old Precept.pdf, 7 Pages.

Respondent: Dylan D'Ascendis

FINANCIAL QUARTERLY
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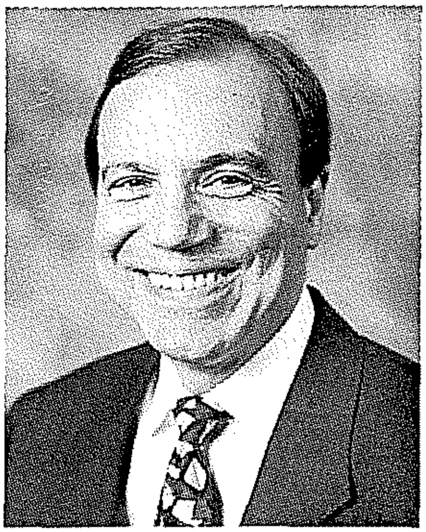
Comparable Earnings: New Life for an Old Precept

by
Frank J. Hanley
Pauline M. Ahern

Reprinted from the American Gas Association's *Financial Quarterly Review*
Summer 1994 edition, Arlington, Va.

Comparable Earnings: New Life for an Old Precept

Accelerating deregulation has greatly increased the investment risk of natural gas utilities. As a result, the authors believe it more appropriate than ever to employ the comparable earnings model. We believe our application of the model overcomes the greatest traditional objection to it — lack of comparability of the selected non-utility proxy firms. Our illustration focuses on a target gas pipeline company with a beta of 0.96 — almost equal to the market's beta of 1.00.



Frank J. Hanley is president of AUS Consultants — Utility Services Group. He has testified in several hundred rate proceedings on the subject of cost of capital before the Federal Energy Regulatory Commission and 27 state regulatory commissions. Before joining AUS in 1971, he was an assistant treasurer of a number of operating companies in the American Water Works System, as well as a financial planning officer with the Philadelphia National Bank. He is a Certified Rate of Return Analyst.

Pauline M. Ahern is a senior financial analyst with AUS Consultants — Utility Services Group. She has participated in many cost-of-capital studies. A former employee of the U.S. Department of the Treasury and the Federal Reserve Bank of Boston, she holds an MBA degree from Rutgers University and is a Certified Rate of Return Analyst.

Introduction

The comparable earnings model used to determine a common equity cost rate is deeply rooted in the standard of "corresponding risk" enunciated in the landmark *Bluefield* and *Hope* decisions of the U.S. Supreme Court.[1] With such solid grounding in the foundations of rate of return regulation, comparable earnings should be accepted as a principal model, along with the currently popular market-based models, provided that its most common criticism, non-comparability of the proxy companies, is overcome.

Our comparable earnings model overcomes the non-comparability issue of the non-utility firms selected as a proxy for the target utility, in this example, a gas pipeline company. We should note that in the absence of common stock prices for the target utility (as with a wholly-owned subsidiary), it is appropriate to use the average of a proxy group of similar risk gas pipeline companies whose common stocks are actively traded. As we will demonstrate, our selection process results in a group of domestic, non-utility firms that is comparable in total risk, the sum of business and financial risk, which reflects both non-diversifiable systematic, or market, risk as well as diversifiable unsystematic, or firm-specific, risk.

Embedded in the Landmark Decisions

As stated in *Bluefield* in 1922: "A public utility is entitled to such rates as will permit it to earn a return ... on investments in other business undertakings which are attended by corresponding risks and uncertainties ..."

In addition, the court stated in *Hope* in 1944: "By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks."

Thus, the "corresponding risk" precept of *Bluefield* and *Hope* predates the use of such market-based cost-of-equity models as the Discounted Cash Flow (DCF) and Capital Asset Pricing (CAPM), which were developed later and are currently popular in rate-base/rate-of-return regulation. Consequently, the comparable earnings model has a longer regulatory and judicial history. However, it has far greater relevance now than ever before in its history because significant deregulation has substantially increased natural gas utilities' investment risk to a level similar to that of non-utility firms. As a result, it is

Comparable Earnings *from page 4*

more important than ever to look to similar-risk non-utility firms for insight into common equity cost rate, especially in view of the deficiencies inherent in the currently popular market-based cost of common equity models, particularly the DCF model.

Despite the fact that the landmark decisions are still regarded as having set the standards for determining a fair rate of return, the comparable earnings model has experienced decreased usage by expert witnesses, as well as less regulatory acceptance over the years. We believe the decline in the popularity of the comparable earnings model, in large measure, is attributable to the difficulty of selecting non-utility proxy firms that regulators will accept as comparable to the target utility. Regulatory acceptance is difficult to gain when the selection process is arbitrary. Our application of the model is objective and consistent with fundamental financial tenets.

Principles of Comparable Earnings

Regulation is a substitute for the competition of the marketplace. Moreover, regulated public utilities compete in the capital markets with all firms, including unregulated non-utilities. The comparable earnings model is based upon the opportunity cost principle; i.e., that the true cost of an investment is the return that could have been earned on the next best available alternative investment of similar risk. Consequently, the comparable earnings model is consistent with regulatory and financial principles, as it is a surrogate for the competition of the marketplace, and investors seek the greatest available rate of return for bearing similar risk.

The selection of comparable firms is the most difficult step in applying the comparable earnings model, as noted by Phillips[2] as well as by Bonbright, Danielsen and Kamerschen.[3] The selection of non-utility proxy firms should result in a sufficiently broad-based group in order to minimize the effect of company-specific aberrations. However, if the selection process is arbitrary, it likely would result in a proxy group that is too broad-based, such as the Standard & Poor's 500 Composite Index or the Value Line Industrial Composite. The use of such groups would require subjective adjustments to the comparable earnings results to reflect risk differences between the group(s) and the target utility, a gas pipeline company in this example.

Authors' Selection Criteria

We base the selection of comparable non-utility firms on market-based, objective, quantitative measures of risk resulting from market prices that subsume investors' assessments of all elements of risk. Thus, our approach is based upon the principle of risk and return; namely, that firms of comparable risk should be expected to earn comparable returns. It is also consistent with the "corresponding risk" standard established in *Bluefield* and *Hope*. We measure total investment risk as the sum of non-diversifiable systematic and diversifiable unsystematic risk. We use the unadjusted beta as a measure of systematic risk and the standard error of the estimate (residual standard error) as a measure of unsystematic risk. Both the unadjusted beta and the residual standard error are derived from a regression of the target utility's security returns relative to the market's returns, which takes the general form:

$$r_{it} = a_i + b_i\, r_{mt} + e_{it}$$

where:

r_{it} = tth observation of the ith utility's rate of return

r_{mt} = tth observation of the market's rate of return

e_{it} = tth random error term

a_i = constant least-squares regression coefficient

b_i = least-squares regression slope coefficient, the unadjusted beta.

As shown by Francis,[4] the total variation or risk of a firm's return, Var (r_i), comes from two sources:

Var (r_i) = total risk of ith asset

= var$(a_i + b_i r_m + e)$ substituting $(a_i + b_i r_m + e)$ for r_i

= var$(b_i r_m)$ + var (e) since var$(a_i) = 0$

= b_i^2 var(r_m) + var (e) since var$(b_i r_m) = b_i^2$ var(r_m)

= systematic + unsystematic risk

Francis[5] also notes: "The term $\sigma^2(r_i|r_m)$ is called the *residual variance around the regression line* in statistical terms or *unsystematic risk* in capital market theory language. $\sigma^2(r_i|r_m) = \ldots = $ var (e). The residual variance is the squared standard error in regression language, a measure of unsystematic risk." Application of these criteria results in a group of non-utility firms whose average total investment risk is indeed comparable to that of the target gas pipeline.

As a measure of systematic risk, we use the Value Line unadjusted beta. Beta measures the extent to which market-wide or macro-economic events affect a firm's stock price. We use the unadjusted beta of the target utility as a starting point because it results from the regression of the target utility's security returns relative to the market's returns. Thus, the resulting standard deviation of beta relates to the unadjusted beta. We use the standard deviation of the unadjusted beta to determine the range around it as the selection criterion based on systematic risk.

We use the residual standard error of the regression as a measure of unsystematic risk. The residual standard error reflects the extent to which events specific to the firm's operations affect a firm's stock price. Thus, it is a measure of diversifiable, unsystematic, firm-specific risk.

An Illustration of Authors' Approach

Step One: We begin our approach by establishing the selection criteria as a range of both unadjusted beta and residual standard error of the target gas

continued on page 6

Comparable Earnings *from page 5*

pipeline company.

As shown in table 1, our target gas pipeline company has a Value Line unadjusted beta of 0.90, whose standard deviation is 0.1250. The selection criterion range of unadjusted beta is the unadjusted beta plus (+) and minus (-) three of its standard deviations. By using three standard deviations, 99.73 percent of the comparable unadjusted betas is captured.

Three standard deviations of the target utility's unadjusted beta equals 0.38 (0.1250 x 3 = 0.3750, rounded to 0.38). Consequently, the range of unadjusted betas to be used as a selection criteria is 0.52 - 1.28 (0.52 = 0.90 - 0.38) and (1.28 = 0.90 + 0.38).

Likewise, the selection criterion range of residual standard error equals the residual standard error plus (+) and minus (-) three of its standard deviations. The standard deviation of the residual standard error is defined as: $\sigma/\sqrt{2N}$.

As also shown in table 1, the target gas pipeline company has a residual standard error of 3.7867. According to the above formula, the standard deviation of the residual standard error would be 0.1664 ($0.1664 = 3.7867/\sqrt{2(259)} = 3.7867/22.7596$, where 259 = N, the number of weekly price change observations over a period of five years). Three standard deviations of the target utility's residual standard error would be 0.4992 (0.1664 x 3 = .4992). Consequently, the range of residual standard errors to be used as a selection criterion is 3.2875 - 4.2859 (3.2875 = 3.7867 - 0.4992) and (4.2859 = 3.7867 + 0.4992).

Step Two: The step one criteria are applied to Value Line's data base of nearly 4,000 firms for which Value Line derives unadjusted betas and residual standard errors on a weekly basis. All firms with unadjusted betas and residual standard errors within the criteria ranges are then selected.

Step Three: In the regulatory ratemaking environment, authorized common equity return rates are applied to a book-value rate base. Thus, the earnings rates on book common equity, or net worth, of competitive, non-utility firms are highly relevant provided those firms are indeed comparable in total risk to the target gas pipeline. The use of the return rates of other utilities has no relevance because their allowed, and hence subsequently achieved, earnings rates are dependent upon the regulatory

table 1

Summary of the Comparable Earnings Analysis for the Proxy Group of 248 Non-Utility Companies Comparable in Total Risk to the Target Gas Pipeline Company[1]

	1	2	3	4	5	6	7	8
			residual	rate of return on net worth				
	adj. beta	unadj. beta	standard error	3-year average[2]	4-year average[2]	5-year average[2]	5-year projected[3]	
average for the proxy group of 248 non-utility companies comparable in total risk to the target gas pipeline company	0.97	0.92	3.7705					
target gas pipeline company	0.96	0.90[4]	3.7867					
median				11.7%	12.0%	12.6%	15.5%	
average of the median historical returns					12.1%			
conclusion[5]								13.8%

[1] The criteria for selection of the non-utility group was that the non-utility companies be domestic and included in *Value Line Investment Survey*. The non-utility group was selected based on an unadjusted beta range of 0.52 to 1.28 and a residual standard error range of 3.2875 to 4.2859.
[2] Ending 1992.
[3] 1996-1998/1997-1999.
[4] The average standard deviation of the target gas pipeline company's unadjusted beta is 0.1250.
[5] Equal weight given to both the average of the 3-, 4- and 5-year historical medians (12.1%) and 5-year projected median rate of return on net worth (15.5%). Thus, 13.8% = (12.1% + 15.5% / 2).
Source: Value Line Inc., March 15, 1994
Value Line Investment Survey

Comparable Earnings *from page 6*

process. Consequently, we believe all utilities must be eliminated to avoid circularity. Moreover, we believe non-domestic firms must be eliminated because their reporting methods differ significantly from U.S. firms.

Step Four: We then eliminated those firms for which Value Line does not publish a "Ratings & Report" in *Value Line Investment Survey* so that the historical and projected returns on net worth[6] are from a consistent source. We use historical returns on net worth for the most recent five years, as well as those projected three to five years into the future. We believe it is logical to evaluate both historical and projected return rates because it is reasonable to assume that investors avail themselves of both when they are available from widely disseminated information services, such as Value Line Inc. The use of Value Line's return rates on net worth understates the common equity return rates for two reasons. First, preferred stock is included in net worth. Second, the net worth return rates are as of the end of each period. Thus, the use of average common equity return rates would yield higher results.

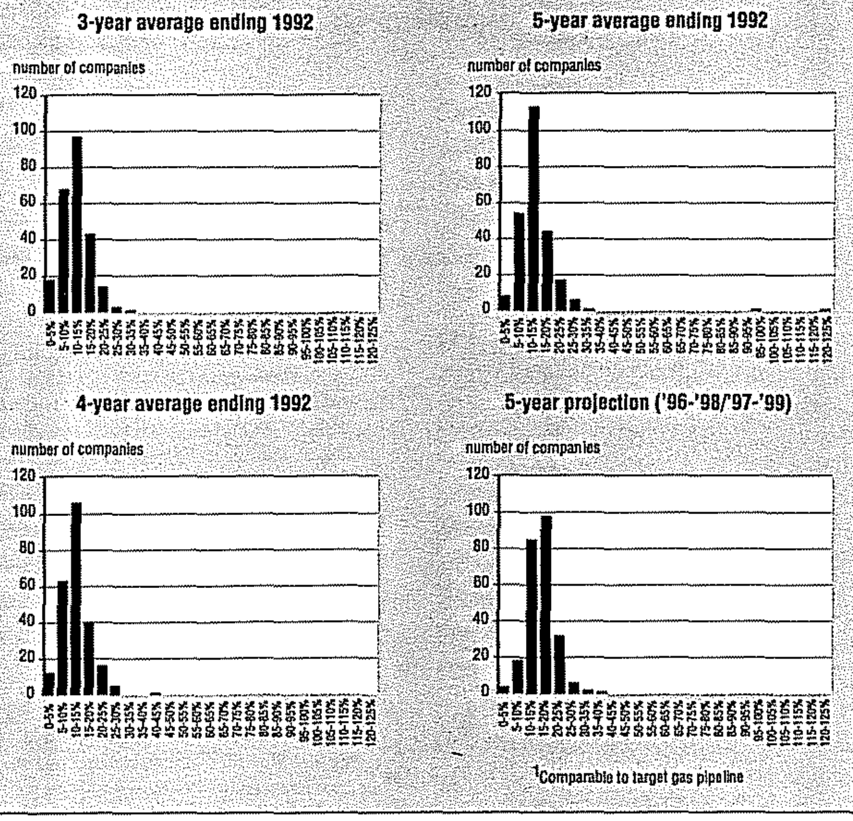
Step Five: Median returns based on the historical average three, four and five years ending 1992 and projected 1996-1998 or 1997-1999 rates of return on net worth are then determined as shown in columns 4 through 7 of table 1. The median is used due to the wide variations and skewness in rates of return on net worth for the non-utility firms as evidenced by the frequency distributions of those returns as shown in illustration 1.

However, we show the average unadjusted beta, 0.92, and residual standard error, 3.7705, for the proxy group in columns 2 and 3 of table 1 because their frequency distributions are not significantly skewed, as shown in illustration 2.

Step Six: Our conclusion of a com-

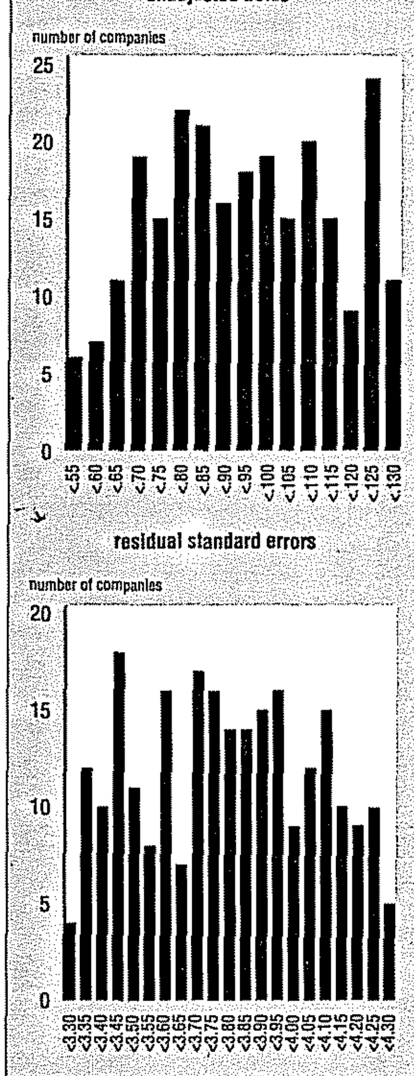
continued on page 8

Illustration 1
Rates of Return on Net Worth for the Proxy Group of 248 Non-Utility Companies[1]



[1]Comparable to target gas pipeline

Illustration 2
Unadjusted Betas and Residual Standard Errors for the Proxy Group of 248 Non-Utility Companies[1]



[1]Comparable to target gas pipeline

Comparable Earnings *from page 7*

parable earnings cost rate is based upon the mid-point of the average of the median three-, four- and five-year historical rates of return on net worth of 12.1 percent as shown in column 5 and the median projected 1996-1998/1997-1999 rate of return on net worth of 15.5 percent as shown in column 7 of table 1. As shown in column 8, it is 13.8 percent.

Summary

Our comparable earnings approach demonstrates that it is possible to select a proxy group of non-utility firms that is comparable in total risk to a target utility. In our example, the 13.8 percent comparable earnings cost rate is very conservative as it is an expected achieved rate on book common equity (a regulatory allowed rate should be greater) and because it is based on end-of-period net worth. A similar rate on average net worth would be about 20 to 40 basis points higher (i.e., 14.0 to 14.2 percent) and still understate the appropriate regulatory allowed rate of return on book common equity.

Our selection criteria are based upon measures of systematic and unsystematic risk, specifically unadjusted beta and residual standard error. They provide the basis for the objective selection of comparable non-utility firms. Our selection criteria rely on changes in market prices over approximately five years. We compare the aggregate total risk, or the sum of systematic and unsystematic risk, which reflects investors' aggregate assessment of both business and financial risk. Thus, no adjustments are necessary to the proxy group results to compensate for the differences in business risk and financial risk, such as accounting practices and debt/equity ratios. Moreover, it is inappropriate to attempt a comparison of the target utility with any individual firm, or subset of firms, in the proxy group because only the average firm of the group is relevant.

Because the comparable earnings model is firmly anchored in the "corresponding risk" precept established in the landmark court decisions, it is worthy of consideration as a principal model for use in estimating the cost rate of common equity capital of a regulated utility. Our approach to the comparable earnings model produces a proxy group that is indeed comparable in total risk because the selection process is objective and quantitative. It therefore overcomes criticism linked to arbitrary selection processes.

All cost-of-common-equity models, including the DCF and CAPM, are fraught with deficiencies, usually stemming from the many necessary but unrealistic assumptions that underlie them. The effects of the deficiencies of individual models can be mitigated by using more than one model when estimating a utility's common equity cost rate. Therefore, when the non-comparability issue is overcome, the comparable earnings model deserves to receive the same consideration as a primary model, as do the currently popular market-based models. ■

[1]*Bluefield Water Works Improvement Co. v. Public Service Commission*. 262 U.S. 679 (1922) and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 519 (1944).

[2]Charles F. Phillips Jr., The Regulation of Public Utilities: Theory and Practice. Public Utilities Reports Inc., 1988, p. 379

[3]James C. Bonbright, Albert L. Danielsen and David R. Kamerschen, Principles of Public Utilities Rates. 2nd edition. Public Utilities Reports Inc. 1988, p. 329

[4]Jack Clark Francis, Investments: Analysis and Management. 3rd edition. McGraw-Hill Book Co., 1980, p. 363

[5]Id., p. 548

[6]Returns on net worth must be used when relying on Value Line data because returns on book common equity for non-utility firms are not available from Value Line

Report Lists Pipeline, Storage Projects

More than $9 billion worth of projects to expand the nation's natural gas pipeline network are in various stages of development, according to an A.G.A. report. These projects involve nearly 8,000 miles of new pipelines and capacity additions to existing lines and represent 15.3 billion cubic feet (Bcf) per day of new pipeline capacity.

During 1993 and early 1994, construction on 3,100 miles of pipeline was completed or under way, at a cost of nearly $4 billion, says A.G.A. These projects are adding 5.4 Bcf in daily delivery capacity nationwide.

Among the projects completed in 1993 were Pacific Gas Transmission Co.'s 805 miles of looping that allows increased deliveries of Canadian gas to the West Coast; Northwest Pipeline Corp.'s addition of 433 million cubic feet of daily capacity for customers in the Pacific Northwest and Rocky Mountain areas; and the 156-mile Empire State Pipeline in New York.

In addition, major construction projects were started on the systems of Texas Eastern Transmission Corp. and Algonquin Gas Transmission Co. — both subsidiaries of Panhandle Eastern Corp. — and along Florida Gas Transmission Co.'s pipeline.

The report goes on to discuss another $5 billion in proposed projects, which, if completed, will add nearly 5,000 miles of pipeline and 9.8 Bcf per day in capacity, much of it serving Florida and West Coast markets.

A.G.A. also identifies 47 storage projects and says that if all of them are built, existing storage capacity will increase by more than 500 Bcf, or 15 percent.

For a copy of *New Pipeline Construction: Status Report 1993-94* (#F00103), call A.G.A. at (703) 841-8490. Price per copy is $6 for employees of member companies and associates and $12 for other customers.

REQUEST:

Refer to the D’Ascendis Testimony, page 19, lines 19–23, and page 20, lines 1–15.

a. Provide a list of Atmos affiliate state commissions that have accepted or rejected the Predictive Risk Premium Model (PRPM) analysis for estimating ROE. Include in the response the case number, year, a copy of the commission’s order, and a copy of D’Ascendis’s testimony and exhibits submitted in those cases.

b. Provide a copy of the article referenced in footnote 11.

RESPONSE:

a. Mr. D’Ascendis understands that Atmos Energy’s gas operations are regulated by the Colorado Public Utilities Commission (CPUC), the Kansas Corporation Commission (KCC), the Louisiana Public Service Commission (LPSC), the Mississippi Public Service Commission (MPSC), the Tennessee Public Utility Commission (TPUC), the Kentucky Public Service Commission (KPSC), the Public Utility Commission of Texas (PUCT) and the Virginia State Corporation Commission (VSCC). The PRPM has been presented in front of all of these regulatory jurisdictions, but has not been addressed by any.

b. Please see Attachment 3 to the Company's response to Staff DR No. 1-55, bookmarked file "04-Ahern, Hanley, Michelfelder, A New Approach for Estimating the Equity Risk Premium Dec2011”.

Respondent: Dylan D'Ascendis

REQUEST:

Refer to the D'Ascendis Testimony, page 20, lines 15–21, page 21, and page 22, lines 1–9.

a. Provide the data sources, the historical returns, including how the PRPM model inputs were calculated, and the historical monthly yield on long-term U.S. Treasuries.

b. Provide a more detailed explanation of the GARCH model calculations. Include in the explanation what a GARCH variance and a GARCH coefficient represents.

c. Refer to Schedule DWD-3.2.

1. Explain how a long-term average predicted variance and a spot predicted variance is calculated and the differences between the two calculations.
2. Provide a further explanation of the current market conditions and how that leads to the recommendation to use an average of long-term average and spot predicted variances.

d. Explain why the current rate for 30-year treasuries do not already embody investors' expectations for the future and, as opposed to forecasted rates, and could not be used in the model.

e. Provide a revised PMRP analysis using the current risk free rate and current corporate bond rates.

RESPONSE:

a. Please see Attachment 2 to the Company's response to Staff DR No. 1-55, Attachment 2, tabs "PRPM WP 1" through "PRPM WP 12".

b. Please see Attachment 3 to the Company's response to Staff DR No. 1-55, bookmarked file "03-Ahern, Hanley, Michelfelder, A New Approach for Estimating the Equity Risk Premium Dec2011".

c.

(1) Please see Attachment 2 to the Company's response to Staff DR No. 1-55, Attachment 2, tab "PRPM WP 1".

(2) As noted on page 4, line 13 through page 5, line 3 of Mr. D'Ascendis' Direct Testimony, there is a wide range of indicated model results which may reflect increased uncertainty related to the COVID-19 pandemic and the unknown timeframe when economic conditions will normalize. To mitigate any uncertainty surrounding the recovery of the economy, Mr. D'Ascendis averaged the spot predicted variance with the long-term average variance for the PRPM.

d. The cost of capital, including the cost of common equity, is expectational in nature in that it reflects investors' expectations of future capital markets, including an expectation of interest rate levels, as well as future risks. Ratemaking is also prospective in that the rates set in this proceeding will be in effect for a period in the future. Because this is the case, projected interest rates, not current interest rates, are appropriate for ratemaking purposes.

e. While using current interest rates is inappropriate for cost of capital purposes, please see Attachment 1for the requested data.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-39_Att1 - PRPM Results.xlsx, 1 Page.

Respondent: Dylan D'Ascendis

Atmos Energy Corporation
Indicated ROE
Derived by the Predictive Risk Premium Model (1)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Seven Natural Gas Distribution Companies	LT Average Predicted Variance	Spot Predicted Variance	Recommended Variance (2)	GARCH Coefficient	Predicted Risk Premium (3)	Risk-Free Rate (4)	Indicated ROE (5)
Atmos Energy Corporation	0.33%	0.48%	0.41%	2.2565	11.58%	2.23%	13.81%
New Jersey Resources Corporation	0.38%	0.34%	0.36%	2.0814	9.43%	2.23%	11.66%
Northwest Natural Holding Company	0.32%	0.38%	0.35%	1.5413	6.68%	2.23%	8.91%
ONE Gas, Inc.	0.30%	0.43%	0.37%	4.0633	19.39%	2.23%	NMF
South Jersey Industries, Inc.	0.39%	0.69%	0.54%	1.6346	11.03%	2.23%	13.26%
Southwest Gas Holdings, Inc.	0.43%	0.38%	0.41%	1.3628	6.84%	2.23%	9.07%
Spire Inc.	0.71%	0.52%	0.61%	0.9445	7.18%	2.23%	9.41%
						Average	11.02%
						Median	10.54%
						Average of Mean and Median	10.78%

Notes:
(1) The Predictive Risk Premium Model uses historical data to generate a predicted variance and a GARCH coefficient. The historical data used are the equity risk premiums for the first available trading month as reported by Bloomberg Professional Service.
(2) Given current market conditions, I recommend using average of the the long-term average predicted variance and the spot variance.
(3) $(1+(\text{Column [3]} * \text{Column [4]})^{12}) - 1$.
(4) 3-month average historical 30-year Treasury yield February 2021 - April 2021. Blue Chip Financial Forecasts, June 1, 2021
(5) Column [5] + Column [6].

REQUEST:

Refer to the D'Ascendis Testimony, page 28, lines 1–19, and page 29 Table 4.

a. Explain the differences between the data used to derive the prospective equity risk premium using measures of capital appreciation and income returns from Value Line for the S&P 500 less projected Aaa corporate bond yields (10.76 percent) and the same calculations using data from Bloomberg Professional Services (12.78 percent).

b. Explain why the narrower S&P 500 was used in the calculations as opposed to relying solely on the broader Value Line Summary and Index.

RESPONSE:

a. The underlying data supporting the 10.76% (Value Line) and the 12.78% (Bloomberg) equity risk premiums were provided in Attachment 2 to the Company's response to Staff DR 1-55, tabs "MRP WP2" through "MRP WP3." The only difference between the two sets of data are the sources, the 10.76% equity risk premium uses Value Line data, and the 12.78% equity risk premium uses Bloomberg data.

b. The S&P 500 index is comprised of 500 of the largest U.S. publicly traded companies, which account for approximately 80% of the overall U.S. equity market. The index is commonly used as a proxy for the entire U.S. equity market by investors, as the index components cover all sectors of the market. Additionally, the SBBI – 2021 market return values used are based on S&P 500 returns and Bloomberg Beta coefficients are calculated using the S&P 500 as the market index.

Respondent: Dylan D'Ascendis

REQUEST:

Refer to the D'Ascendis Testimony, page 30, lines 1–21, and page 31, Table 5. If not answered above, explain the differences in data obtained from Value Line as compared to data obtained from Bloomberg Professional Services in the calculations.

RESPONSE:

Please see response to Staff 2-40 and Attachment 2 to the the Company's response to Staff DR 1-55, tabs "ERP WP1" through "ERP WP2".

Respondent: Dylan D'Ascendis

REQUEST:

Refer to the D'Ascendis Testimony, page 36, lines 7–13.

a. Compare and contrast the advantages and disadvantages of using the two-year Bloomberg Betas versus the five-year Value Line Betas in the CAPM calculations.

b. Provide a revised CAPM and ECAPM analyses using current 30-year Treasury rates as the risk-free rate.

RESPONSE:

a. Generally, Beta coefficients calculated using a two-year horizon (Bloomberg "default" beta) may more readily reflect significant changes in risk that occur over a short period than a Beta coefficient calculated over a five-year horizon (*Value Line* calculation). Given that both two-year and five-year Beta coefficients are considered by investors (Bloomberg and *Value Line*), including both sources provide valid measures of the systematic risk of a firm and reflects the nuances of different investors' expectations.

b. The cost of capital, including the cost of common equity, is expectational in nature in that it reflects investors' expectations of future capital markets, including an expectation of interest rate levels, as well as future risks. Ratemaking is also prospective in that the rates set in this proceeding will be in effect for a period in the future. Because this is the case, projected interest rates, not current interest rates, are appropriate for ratemaking purposes. While using current interest rates is inappropriate for cost of capital purposes, please see Attachment 1 for the requested data.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-42_Att1 - D'Ascendis CAPM.xlsx, 3 Pages.

Respondent: Dylan D'Ascendis

Atmos Energy Corporation
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Seven Natural Gas Distribution Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
Atmos Energy Corporation	0.80	0.91	0.86	9.78 %	2.23 %	10.65 %	10.99 %	10.82 %
New Jersey Resources Corporation	1.00	0.97	0.98	9.78	2.23	11.82	11.87	11.84
Northwest Natural Holding Company	0.85	0.85	0.85	9.78	2.23	10.55	10.91	10.73
ONE Gas, Inc.	0.80	1.00	0.90	9.78	2.23	11.04	11.28	11.16
South Jersey Industries, Inc.	1.05	0.98	1.02	9.78	2.23	12.21	12.16	12.19
Southwest Gas Holdings, Inc.	0.95	1.09	1.02	9.78	2.23	12.21	12.16	12.19
Spire Inc.	0.85	1.00	0.92	9.78	2.23	11.23	11.43	11.33
Mean			0.94			11.39 %	11.54 %	11.47 %
Median			0.92			11.23 %	11.43 %	11.33 %
Average of Mean and Median			0.93			11.31 %	11.49 %	11.40 %

Notes on page 2 of this Schedule.

Atmos Energy Corporation
Notes to Accompany the Application of the CAPM and ECAPM

Notes:

(1) The market risk premium (MRP) is derived by using six different measures from three sources: Ibbotson, Value Line, and Bloomberg as illustrated below:

Historical Data MRP Estimates:

Measure 1: Ibbotson Arithmetic Mean MRP (1926-2020)

Arithmetic Mean Monthly Returns for Large Stocks 1926-2020:	12.20	%
Arithmetic Mean Income Returns on Long-Term Government Bonds:	5.05	
MRP based on Ibbotson Historical Data:	7.15	%

Measure 2: Application of a Regression Analysis to Ibbotson Historical Data (1926-2020) 9.39 %

Measure 3: Application of the PRPM to Ibbotson Historical Data: (January 1926 - May 2021) 10.04 %

Value Line MRP Estimates:

Measure 4: Value Line Projected MRP (Thirteen weeks ending May 28, 2021)

Total projected return on the market 3-5 years hence*:	8.16	%
Projected Risk-Free Rate (see note 2):	2.23	
MRP based on Value Line Summary & Index:	5.93	%

*Forcasted 3-5 year capital appreciation plus expected dividend yield

Measure 5: Value Line Projected Return on the Market based on the S&P 500

Total return on the Market based on the S&P 500:	14.32	%
Projected Risk-Free Rate (see note 2):	2.23	
MRP based on Value Line data	12.09	%

Measure 6: Bloomberg Projected MRP

Total return on the Market based on the S&P 500:	16.34	%
Projected Risk-Free Rate (see note 2):	2.23	
MRP based on Bloomberg data	14.11	%
Average of Value Line, Ibbotson, and Bloomberg MRP:	9.78	%

(2) For reasons explained in the direct testimony, the appropriate risk-free rate for cost of capital purposes is the average forecast of 30 year Treasury Bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts. (See pages 10 and 11 of Schedule DWD-3.) For the purposes of the response to Staff-DR-02-42 the three-month average historical 30 year Treasury Bond yield reported in the June 1, 2021 Blue Chip Financial Forecast is provided below:

Feb-21	2.30	%
Mar-21	2.34	
Apr-21	2.04	
Average	2.23	%

(3) Average of Column 6 and Column 7.

Sources of Information:
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2021
Stocks, Bonds, Bills, and Inflation - 2021 SBBI Yearbook, John Wiley & Sons, Inc.
Bloomberg Professional Services

Atmos Energy Corporation
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Seven Natural Gas Distribution Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Forty-Eight Non-Price Regulated Companies	Value Line Adjusted Beta	Bloomberg Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
Apple Inc.	0.90	1.01	0.96	9.78 %	2.23 %	11.62 %	11.72 %	11.67 %
Abbott Labs.	0.90	0.85	0.88	9.78	2.23	10.84	11.13	10.99
Assurant Inc.	0.90	1.00	0.95	9.78	2.23	11.53	11.65	11.59
ANSYS, Inc.	0.85	0.97	0.91	9.78	2.23	11.13	11.35	11.24
Booz Allen Hamilton	0.90	0.92	0.91	9.78	2.23	11.13	11.35	11.24
Becton, Dickinson	0.80	0.58	0.69	9.78	2.23	8.98	9.74	9.36
Brown-Forman 'B'	0.90	0.97	0.94	9.78	2.23	11.43	11.57	11.50
Broadridge Fin'l	0.80	0.84	0.82	9.78	2.23	10.25	10.69	10.47
Brady Corp.	1.00	1.05	1.02	9.78	2.23	12.21	12.16	12.19
CACI Int'l	0.95	1.01	0.98	9.78	2.23	11.82	11.87	11.84
Casey's Gen'l Stores	0.90	0.91	0.91	9.78	2.23	11.13	11.35	11.24
Cadence Design Sys.	0.90	0.98	0.94	9.78	2.23	11.43	11.57	11.50
Cerner Corp.	0.90	0.89	0.90	9.78	2.23	11.04	11.28	11.16
CSW Industrials	0.90	1.05	0.97	9.78	2.23	11.72	11.79	11.76
Quest Diagnostics	0.85	0.96	0.91	9.78	2.23	11.13	11.35	11.24
Lauder (Estee)	0.95	1.00	0.98	9.78	2.23	11.82	11.87	11.84
Exponent, Inc.	0.90	0.94	0.92	9.78	2.23	11.23	11.43	11.33
Fastenal Co.	0.90	0.95	0.92	9.78	2.23	11.23	11.43	11.33
Gentex Corp.	0.95	1.06	1.01	9.78	2.23	12.11	12.09	12.10
Int'l Flavors & Frag	0.95	1.08	1.02	9.78	2.23	12.21	12.16	12.19
Ingredion Inc.	0.90	0.92	0.91	9.78	2.23	11.13	11.35	11.24
Iron Mountain	0.90	1.02	0.96	9.78	2.23	11.62	11.72	11.67
Hunt (J.B.)	0.95	0.91	0.93	9.78	2.23	11.33	11.50	11.42
J&J Snack Foods	0.90	0.77	0.84	9.78	2.23	10.45	10.84	10.65
Henry (Jack) & Assoc	0.85	0.89	0.87	9.78	2.23	10.74	11.06	10.90
ManTech Int'l 'A'	0.85	1.11	0.98	9.78	2.23	11.82	11.87	11.84
McCormick & Co.	0.80	0.70	0.75	9.78	2.23	9.57	10.18	9.87
Altria Group	0.90	0.88	0.89	9.78	2.23	10.94	11.21	11.07
MSA Safety	1.00	0.99	1.00	9.78	2.23	12.01	12.02	12.01
MSCI Inc.	0.95	0.94	0.94	9.78	2.23	11.43	11.57	11.50
Motorola Solutions	0.90	0.96	0.93	9.78	2.23	11.33	11.50	11.42
Vail Resorts	0.95	1.14	1.05	9.78	2.23	12.50	12.38	12.44
Maxim Integrated	0.95	0.99	0.97	9.78	2.23	11.72	11.79	11.76
Northrop Grumman	0.85	0.80	0.83	9.78	2.23	10.35	10.77	10.56
Old Dominion Freight	0.95	0.97	0.96	9.78	2.23	11.62	11.72	11.67
PerkinElmer Inc.	0.90	0.84	0.87	9.78	2.23	10.74	11.06	10.90
Philip Morris Int'l	0.95	0.91	0.93	9.78	2.23	11.33	11.50	11.42
Pool Corp.	0.85	0.95	0.90	9.78	2.23	11.04	11.28	11.16
Post Holdings	0.95	0.90	0.93	9.78	2.23	11.33	11.50	11.42
RLI Corp.	0.80	0.90	0.85	9.78	2.23	10.55	10.91	10.73
Rollins, Inc.	0.85	0.69	0.77	9.78	2.23	9.76	10.33	10.05
Selective Ins. Group	0.85	0.97	0.91	9.78	2.23	11.13	11.35	11.24
Sirius XM Holdings	0.95	1.10	1.02	9.78	2.23	12.21	12.16	12.19
Bio-Techne Corp.	0.80	0.93	0.86	9.78	2.23	10.65	10.99	10.82
Tetra Tech	0.95	1.06	1.00	9.78	2.23	12.01	12.02	12.01
Waters Corp.	0.95	0.86	0.91	9.78	2.23	11.13	11.35	11.24
West Pharmac. Svcs.	0.80	0.75	0.78	9.78	2.23	9.86	10.40	10.13
Western Union	0.80	1.05	0.93	9.78	2.23	11.33	11.50	11.42
		Mean	0.92			11.20 %	11.40 %	11.30 %
		Median	0.93			11.28 %	11.46 %	11.38 %
		Average of Mean and Median	0.93			11.24 %	11.43 %	11.34 %

Notes:
(1) From note 1 of page 2 of Schedule DWD-4.
(2) From note 2 of page 2 of Schedule DWD-4.
(3) Average of CAPM and ECAPM cost rates.

REQUEST:

Refer to the D’Ascendis Testimony, page 37. Provide support for utilizing S&P 500 returns as representative of total market return.

RESPONSE:

Please see the Company's response to Staff DR No. 2-40 subpart (b).

Respondent: Dylan D'Ascendis

REQUEST:

Refer to the D’Ascendis Testimony, Exhibit DWD-1, Schedule DWD-3. Pages 3.10 and 3.11 appear to be missing. Provide these pages in an updated Schedule DWD-3.

RESPONSE:

Please see Attachment 1, which includes Exhibit DWD-1, Schedule DWD-3, pages 10 and 11, as well as Schedule DWD-2, page 2 through 8 and Schedule DWD-5, page 1.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-44_Att1 - D'Ascendis Schedules.pdf, 37 Pages.

Respondent: Dylan D'Ascendis

Atmos Energy Corporation
Recommended Capital Structure and Cost Rates
for Ratemaking Purposes

Type Of Capital	Ratios (1)	Cost Rate		Weighted Cost Rate
Long-Term Debt	42.77%	4.00%	(1)	1.71%
Short-Term Debt	0.18%	25.17%	(1)	0.05%
Common Equity	57.05%	10.35%	(2)	5.90%
Total	100.00%			7.66%

Notes:

(1) Company-provided.
(2) From page 2 of this Schedule.

Atmos Energy Corporation
Brief Summary of Common Equity Cost Rate

Line No.	Principal Methods	Proxy Group of Seven Natural Gas Distribution Companies
1.	Discounted Cash Flow Model (DCF) (1)	9.44%
2.	Risk Premium Model (RPM) (2)	10.96%
3.	Capital Asset Pricing Model (CAPM) (3)	11.75%
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	12.42%
5.	Range of Common Equity Model Results	9.44% - 12.42%
6.	Size Risk Adjustment (5)	0.20%
7.	Credit Risk Adjustment (6)	-0.10%
8.	Flotation Cost Adjustment (7)	0.04%
9.	Indicated Range of Common Equity Cost Rates after Adjustment	9.58% - 12.66%
10.	Recommended Common Equity Cost Rate	10.35%

Notes:
(1) From page 1 of Schedule DWD-2.
(2) From page 1 of Schedule DWD-3.
(3) From page 1 of Schedule DWD-4.
(4) From page 1 of Schedule DWD-6.
(5) Adjustment to reflect the Company's greater business risk due to its smaller size relative to the Utility Proxy Group as detailed in Mr. D'Ascendis' direct testimony.
(6) Company-specific risk adjustment to reflect Atmos Energy's lower risk due to a higher long-term issuer rating relative to the proxy group as detailed in Mr. D'Ascendis' direct testimony.
(7) From page 1 of Schedule DWD-8.

Atmos Energy Corporation
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for the
Proxy Group of Seven Natural Gas Distribution Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Seven Natural Gas Distribution Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Zack's Five Year Projected Growth Rate in EPS	Bloomberg's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
Atmos Energy Corporation	2.54 %	7.00 %	7.30 %	7.10 %	7.17 %	7.14 %	2.63 %	9.77 %
New Jersey Resources Corporation	3.19	2.00	7.10	7.33	6.00	5.61	3.28	8.89
Northwest Natural Holding Company	3.57	5.50	3.90	4.42	3.80	4.41	3.65	8.06
ONE Gas, Inc.	3.02	6.50	5.00	5.67	5.00	5.54	3.10	8.64
South Jersey Industries, Inc.	4.84	11.50	5.40	4.93	4.80	6.66	5.00	11.66
Southwest Gas Holdings, Inc.	3.45	9.00	5.50	4.50	4.00	5.75	3.55	9.30
Spire Inc.	3.49	10.00	5.50	5.33	7.31	7.04	3.61	10.65
							Average	9.57 %
							Median	9.30 %
							Average of Mean and Median	9.44 %

NA= Not Available
NMF= Not Meaningful Figure

Notes:
(1) Indicated dividend at 05/28/2021 divided by the average closing price of the last 60 trading days ending 05/28/2021 for each company.
(2) From pages 2 through 8 of this Schedule.
(3) Average of columns 2 through 5 excluding negative growth rates.
(4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for Atmos Energy Corporation, 2.54% x (1+(1/2 x 7.14%)) = 2.63%.
(5) Column 6 + column 7.

Source of Information:
Value Line Investment Survey
www.zacks.com Downloaded on 05/28/2021
www.yahoo.com Downloaded on 05/28/2021
Bloomberg Professional Services

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE	98.51	P/E RATIO	18.9 (Trailing: 18.5 Median: 19.0)	RELATIVE P/E RATIO	0.87	DIV'D YLD	2.7%	VALUE LINE

High:	32.0	35.6	37.3	47.4	58.2	64.8	82.0	93.6	100.8	115.2	121.1	105.0
Low:	25.9	28.5	30.4	34.9	44.2	50.8	60.0	72.5	76.5	89.2	77.9	84.6

TIMELINESS 3 Lowered 4/2/21
SAFETY 1 Raised 6/6/14
TECHNICAL 5 Lowered 4/9/21
BETA .80 (1.00 = Market)

18-Month Target Price Range

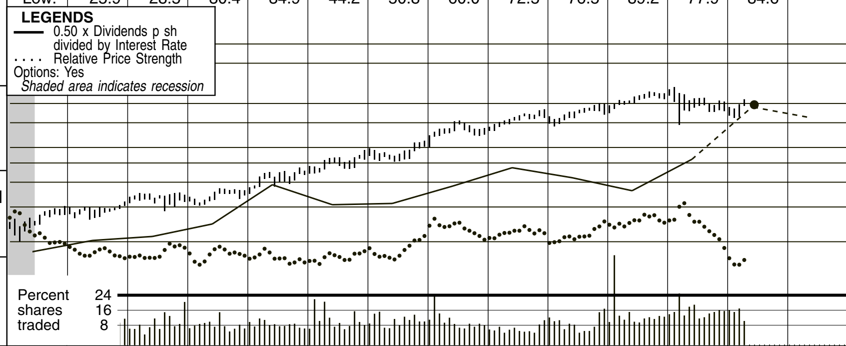
Low-High	Midpoint (% to Mid)
$75-$159	$117 (20%)

2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	160	(+60%)	15%
Low	130	(+30%)	10%

Institutional Decisions

	2Q2020	3Q2020	4Q2020
to Buy	233	256	280
to Sell	262	231	228
Hld's(000)	108597	108898	107949



Target Price Range
2024 | 2025 | 2026

% TOT. RETURN 4/21

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.1	75.2
3 yr.	26.8	56.1
5 yr.	58.9	103.5

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
61.75	75.27	66.03	79.52	53.69	53.12	48.15	38.10	42.88	49.22	40.82	32.23	26.01	28.00	24.32	22.41	*24.50*	*25.05*	Revenues per sh A	*35.50*
3.90	4.26	4.14	4.19	4.29	4.64	4.72	4.76	5.14	5.42	5.81	6.19	6.62	7.24	7.57	8.03	*8.55*	*9.10*	"Cash Flow" per sh	*10.25*
1.72	2.00	1.94	2.00	1.97	2.16	2.26	2.10	2.50	2.96	3.09	3.38	3.60	4.00	4.35	4.72	*5.10*	*5.45*	Earnings per sh AB	*6.50*
1.24	1.26	1.28	1.30	1.32	1.34	1.36	1.38	1.40	1.48	1.56	1.68	1.80	1.94	2.10	2.30	*2.50*	*2.70*	Div'ds Decl'd per sh C■	*3.30*
4.14	5.20	4.39	5.20	5.51	6.02	6.90	8.12	9.32	8.32	9.61	10.46	10.72	13.19	14.19	15.38	*15.80*	*15.75*	Cap'l Spending per sh	*15.15*
19.90	20.16	22.01	22.60	23.52	24.16	24.98	26.14	28.47	30.74	31.48	33.32	36.74	42.87	48.18	53.95	*62.15*	*70.25*	Book Value per sh	*87.85*
80.54	81.74	89.33	90.81	92.55	90.16	90.30	90.24	90.64	100.39	101.48	103.93	106.10	111.27	119.34	125.88	*133.00*	*137.00*	Common Shs Outst'g D	*155.00*
16.1	13.5	15.9	13.6	12.5	13.2	14.4	15.9	15.9	16.1	17.5	20.8	22.0	21.7	23.2	22.3	*Bold figures are*		Avg Ann'l P/E Ratio	*22.5*
.86	.73	.84	.82	.83	.84	.90	1.01	.89	.85	.88	1.09	1.11	1.17	1.24	1.13	*Value Line*		Relative P/E Ratio	*1.25*
4.5%	4.7%	4.2%	4.8%	5.3%	4.7%	4.2%	4.1%	3.5%	3.1%	2.9%	2.4%	2.3%	2.2%	2.1%	2.2%	*estimates*		Avg Ann'l Div'd Yield	*2.3%*

CAPITAL STRUCTURE as of 3/31/21
Total Debt $7316.6 mill. **Due in 5 Yrs** $410.0 mill.
LT Debt $7316.4 mill. **LT Interest** $370.0 mill.
(LT interest earned: 9.5x; total interest coverage: 9.5x)
Leases, Uncapitalized Annual rentals $20.4 mill.

Pfd Stock None

Pension Assets-9/20 $528.9 mill.
Oblig. $604.2 mill.
Common Stock 130,671,944 shs.
as of 4/30/21

MARKET CAP: $12.9 billion (Large Cap)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		24-26
4347.6	3438.5	3886.3	4940.9	4142.1	3349.9	2759.7	3115.5	2901.8	2821.1	*3260*	*3430*	Revenues ($mill) A	*5500*
199.3	192.2	230.7	289.8	315.1	350.1	382.7	444.3	511.4	580.5	*665*	*735*	Net Profit ($mill)	*1000*
36.4%	33.8%	38.2%	39.2%	38.3%	36.4%	36.6%	27.0%	21.4%	19.5%	*20.5%*	*21.5%*	Income Tax Rate	*25.0%*
4.6%	5.6%	5.9%	5.9%	7.6%	10.5%	13.9%	14.3%	17.6%	20.6%	*20.4%*	*21.4%*	Net Profit Margin	*18.2%*
49.4%	45.3%	48.8%	44.3%	43.5%	38.7%	44.0%	34.3%	38.0%	40.0%	*48.0%*	*45.0%*	Long-Term Debt Ratio	*40.0%*
50.6%	54.7%	51.2%	55.7%	56.5%	61.3%	56.0%	65.7%	62.0%	60.0%	*52.0%*	*55.0%*	Common Equity Ratio	*60.0%*
4461.5	4315.5	5036.1	5542.2	5650.2	5651.8	6965.7	7263.6	9279.7	11323	*15900*	*17500*	Total Capital ($mill)	*22700*
5147.9	5475.6	6030.7	6725.9	7430.6	8280.5	9259.2	10371	11788	13355	*14500*	*15650*	Net Plant ($mill)	*19100*
6.1%	6.1%	5.9%	6.4%	6.6%	7.2%	6.4%	6.9%	6.1%	5.5%	*5.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
8.8%	8.1%	8.9%	9.4%	9.9%	10.1%	9.8%	9.3%	8.9%	8.6%	*8.0%*	*7.5%*	Return on Shr. Equity	*7.5%*
8.8%	8.1%	8.9%	9.4%	9.9%	10.1%	9.8%	9.3%	8.9%	8.6%	*8.0%*	*7.5%*	Return on Com Equity	*7.5%*
3.3%	2.8%	4.0%	4.7%	4.9%	5.1%	4.9%	4.8%	4.6%	4.4%	*4.0%*	*4.0%*	Retained to Com Eq	*3.5%*
62%	65%	56%	50%	51%	50%	50%	48%	48%	49%	*50%*	*50%*	All Div'ds to Net Prof	*51%*

CURRENT POSITION ($MILL.)	2019	2020	3/31/21
Cash Assets	24.5	20.8	865.3
Other	433.5	450.5	755.1
Current Assets	458.0	471.3	1620.4
Accts Payable	265.0	235.8	263.6
Debt Due	464.9	.2	.2
Other	479.5	546.4	607.5
Current Liab.	1209.4	782.4	871.3
Fix. Chg. Cov.	990%	1306%	1320%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-'20 to '24-'26
Revenues	-8.5%	-11.0%	*6.0%*
"Cash Flow"	5.5%	7.0%	*5.0%*
Earnings	8.0%	9.0%	*7.0%*
Dividends	5.0%	7.5%	*7.5%*
Book Value	7.5%	10.0%	*10.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2018	889.2	1219.4	562.2	444.7	3115.5
2019	877.8	1094.6	485.7	443.7	2901.8
2020	875.6	977.6	493.0	474.9	2821.1
2021	914.5	1319.1	*525.9*	*500.5*	*3260*
2022	*960*	*1405*	*545*	*520*	*3430*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2018	1.40	1.57	.64	.41	4.00
2019	1.38	1.82	.68	.49	4.35
2020	1.47	1.95	.79	.53	4.72
2021	1.71	2.30	*.67*	*.42*	*5.10*
2022	*1.82*	*2.27*	*.80*	*.56*	*5.45*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.45	.45	.45	.485	1.84
2018	.485	.485	.485	.525	1.98
2019	.525	.525	.525	.575	2.15
2020	.575	.575	.575	.625	2.35
2021	.625	.625			

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three million customers through six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Gas sales breakdown for fiscal 2020: 68.6%, residential; 26.2%, commercial; 3.6%, industrial; and 1.6% other. The company sold Atmos Energy Marketing, 1/17. Officers and directors own approximately 1.2% of common stock (12/20 Proxy). President and Chief Executive Officer: Kevin Akers. Incorporated: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy shined during the first half of fiscal 2021 (which concludes on September 30th). Earnings per share jumped 17%, to $4.01, relative to the previous-year total of $3.42. One contributor was the natural gas distribution unit, which benefited from higher rates, primarily in the Mid-Tex, Mississippi, Louisiana, and West Texas divisions. Customer growth, mainly in the Mid-Tex unit, and a decrease in operating expenses also helped. Meanwhile, the performance of the pipeline and storage business got a lift from a GRIP filing approved in May, 2020 plus diminished system maintenance costs. Although the coronavirus has not gone away, full-year profits might increase around 8%, to $5.10 a share, compared to last year's $4.72 figure. Regarding fiscal 2022, we look for share net to rise at a similar percentage rate, to $5.45, assuming that operating margins widen further.

A powerful storm hit the service area, particularly Texas, in February. Consequently, the company experienced unprecedented market pricing for natural gas costs, resulting in total gas purchases during that month of $2.3 billion. To help pay for those expenses, it issued $2.2 billion in long-term debt. Leadership adds that it is working with regulators to recover these costs. Even though finances are now more leveraged, we believe these actions make sense.

Good things appear to be in store over the 2024-2026 time frame. Atmos ranks as one of the country's largest natural gas-only distributors, boasting more than three million customers across several states, including Texas, Louisiana, and Mississippi. Furthermore, it appears that the pipeline and storage unit has promising overall expansion opportunities, since it operates in one of the most-active drilling regions in the world. Finally, the balance sheet remains adequate. In the company's present configuration, annual earnings advances might be between 6% and 8% during the 3- to 5-year period.

The stock holds decent, risk-adjusted total return potential. Long-term capital appreciation possibilities are solid, even after taking recent price strength into account. Consider, too, the healthy dividend growth prospects.

Frederick L. Harris, III *May 28, 2021*

(A) Fiscal year ends Sept. 30th. **(B)** Diluted shrs. Excl. nonrec. gains (loss): '10, 5¢; '11, (1¢); '18, $1.43; '20, 17¢. Excludes discontinued operations: '11, 10¢; '12, 27¢; '13, 14¢; '17, 13¢. Next egs. rpt. due early Aug.
(C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail.
(D) In millions.
(E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	100

CASE NO. 2021-00214
ATTACHMENT 1
TO STAFF DR NO. 2-44

Exhibit DWD-1
Schedule DWD-2.3

NEW JERSEY RES. NYSE-NJR

RECENT PRICE 42.59 | P/E RATIO 19.4 (Trailing: 15.5 Median: 17.0) | RELATIVE P/E RATIO 0.89 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 3 Raised 5/21/21
SAFETY 2 Lowered 4/17/20
TECHNICAL 3 Raised 4/16/21
BETA 1.00 (1.00 = Market)

18-Month Target Price Range
Low-High Midpoint (% to Mid)
$16-$52 $34 (-20%)

2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+15%)	7%
Low	35	(-20%)	-1%

Institutional Decisions

	2Q2020	3Q2020	4Q2020
to Buy	139	129	132
to Sell	97	105	118
Hld's(000)	67573	69155	71013

High:	22.0	25.2	25.1	23.8	32.1	34.1	38.9	45.4	51.8	51.2	44.7	43.9
Low:	16.7	19.8	19.3	19.5	21.9	26.8	30.5	33.7	35.6	40.3	21.1	33.3

Target Price Range
2024 | 2025 | 2026

% TOT. RETURN 4/21

	THIS STOCK	VL ARITH.* INDEX
1 yr.	29.2	75.2
3 yr.	11.6	56.1
5 yr.	36.4	103.5

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
38.10	39.81	36.31	45.37	31.17	32.05	36.30	27.08	38.38	44.40	32.09	21.90	26.28	33.24	29.01	20.39	*24.75*	*26.55*	Revenues per sh A	*28.40*
1.31	1.37	1.22	1.81	1.58	1.63	1.70	1.86	1.93	2.73	2.52	2.46	2.68	3.72	2.99	3.30	*3.45*	*3.75*	"Cash Flow" per sh	*4.00*
.88	.93	.78	1.35	1.20	1.23	1.29	1.36	1.37	2.08	1.78	1.61	1.73	2.72	1.96	2.07	*2.15*	*2.40*	Earnings per sh B	*2.55*
.45	.48	.51	.56	.62	.68	.72	.77	.81	.86	.93	.98	1.04	1.11	1.19	1.27	*1.34*	*1.42*	Div'ds Decl'd per sh C■	*1.65*
.64	.64	.73	.86	.90	1.05	1.13	1.26	1.33	1.52	3.76	4.15	3.80	4.39	5.83	4.65	*4.10*	*4.10*	Cap'l Spending per sh	*4.00*
5.30	7.50	7.75	8.64	8.29	8.81	9.36	9.80	10.65	11.48	12.99	13.58	14.33	16.18	17.37	19.26	*20.30*	*21.50*	Book Value per sh D	*24.60*
82.64	82.88	83.22	84.12	83.17	82.35	82.89	83.05	83.32	84.20	85.19	85.88	86.32	87.69	89.34	95.80	*97.00*	*98.00*	Common Shs Outst'g E	*100.00*
16.8	16.1	21.6	12.3	14.9	15.0	16.8	16.8	16.0	11.7	16.6	21.3	22.4	15.6	24.3	17.7	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*17.0*
.89	.87	1.15	.74	.99	.95	1.05	1.07	.90	.62	.84	1.12	1.13	.84	1.29	.91			Relative P/E Ratio	*.95*
3.1%	3.2%	3.0%	3.3%	3.5%	3.7%	3.3%	3.4%	3.7%	3.5%	3.1%	2.9%	2.7%	2.6%	2.5%	3.5%			Avg Ann'l Div'd Yield	*3.7%*

CAPITAL STRUCTURE as of 3/31/21
Total Debt $2296.3 mill. **Due in 5 Yrs** $420.5 mill.
LT Debt $2265.2 mill. **LT Interest** $47.1 mill.
Incl. $54.9 mill. capitalized leases.
(LT interest earned: 5.0x; total interest coverage: 5.0x)
Pension Assets-9/20 $404.4 mill. **Oblig.** $643.0 mill.
Pfd Stock None

Common Stock 96,339,849 shs.
as of 5/3/21
MARKET CAP: $4.1 billion (Mid Cap)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		24-26
3009.2	2248.9	3198.1	3738.1	2734.0	1880.9	2268.6	2915.1	2592.0	1953.7	*2400*	*2600*	Revenues ($mill) A	*2840*
106.5	112.4	113.7	176.9	153.7	138.1	149.4	240.5	175.0	196.2	*210*	*235*	Net Profit ($mill)	*260*
30.2%	7.1%	25.4%	30.2%	26.3%	15.5%	17.2%	- -	NMF	5.0%	*5.0%*	*5.0%*	Income Tax Rate	*5.0%*
3.5%	5.0%	3.6%	4.7%	5.6%	7.3%	6.6%	8.2%	6.7%	10.0%	*8.7%*	*9.1%*	Net Profit Margin	*9.1%*
35.5%	39.2%	36.6%	38.2%	43.2%	47.7%	44.6%	45.4%	49.8%	55.1%	*54.0%*	*54.5%*	Long-Term Debt Ratio	*53.0%*
64.5%	60.8%	63.4%	61.8%	56.8%	52.3%	55.4%	54.6%	50.2%	44.9%	*46.0%*	*45.5%*	Common Equity Ratio	*47.0%*
1203.1	1339.0	1400.3	1564.4	1950.6	2230.1	2233.7	2599.6	3088.9	4104.2	*4270*	*4605*	Total Capital ($mill)	*5260*
1295.9	1484.9	1643.1	1884.1	2128.3	2407.7	2609.7	2651.0	3041.2	3983.0	*4065*	*4145*	Net Plant ($mill)	*4400*
9.7%	9.2%	9.0%	12.1%	8.6%	6.9%	7.7%	10.1%	6.4%	5.6%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.0%*
13.7%	13.8%	12.8%	18.3%	13.9%	11.8%	12.1%	16.9%	11.3%	10.6%	*10.5%*	*11.0%*	Return on Shr. Equity	*10.5%*
13.7%	13.8%	12.8%	18.3%	13.9%	11.8%	12.1%	16.9%	11.3%	10.6%	*10.5%*	*11.0%*	Return on Com Equity	*10.5%*
6.2%	6.2%	5.2%	11.0%	7.0%	4.8%	5.0%	10.2%	4.6%	4.3%	*4.0%*	*4.5%*	Retained to Com Eq	*3.5%*
55%	55%	59%	40%	50%	60%	59%	40%	59%	60%	*62%*	*59%*	All Div'ds to Net Prof	*64%*

CURRENT POSITION ($MILL.)	2019	2020	3/31/21
Cash Assets	2.7	117.0	57.7
Other	508.9	505.3	477.5
Current Assets	511.6	622.3	535.2
Accts Payable	295.9	270.1	288.2
Debt Due	46.9	152.6	31.1
Other	103.6	111.0	96.8
Current Liab.	446.4	533.7	416.1
Fix. Chg. Cov.	545%	545%	550%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-'20 to '24-'26
Revenues	-2.5%	-6.5%	*.5%*
"Cash Flow"	7.0%	7.0%	*3.0%*
Earnings	6.0%	5.5%	*2.0%*
Dividends	7.0%	6.5%	*5.5%*
Book Value	7.5%	8.5%	*5.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2018	705.3	1019.1	543.4	647.3	2915.1
2019	811.8	866.2	434.9	479.1	2592.0
2020	615.0	639.6	299.0	400.1	1953.7
2021	454.3	802.2	*525*	*618.5*	*2400*
2022	*505*	*850*	*575*	*670*	*2600*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2018	1.53	1.61	d.09	d.33	2.72
2019	.61	1.27	d.20	.29	1.96
2020	.44	1.12	d.06	.57	2.07
2021	.46	1.77	*d.20*	*.12*	*2.15*
2022	*.50*	*1.85*	*d.13*	*.18*	*2.40*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.255	.255	.255	.273	1.04
2018	.273	.273	.273	.2925	1.11
2019	.2925	.2925	.2925	.3125	1.19
2020	.3125	.3125	.3125	.3325	1.27
2021	.3325	.3325			

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in NJ, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had 558,000 cust. at 9/30/20. Fiscal 2020 volume: 215 bill. cu. ft. (14% interruptible, 21% res., 10% commercial & elec. utility, 55% capacity release programs). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2020 dep. rate: 2.8%. Has 1,156 empls. Off./dir. own 1.3% of common; BlackRock, 14.3%; Vanguard, 10.6% (12/20 Proxy). CEO, President & Director: Steven D. Westhoven. Incorporated: New Jersey. Address: 1415 Wyckoff Road, Wall, NJ 07719. Telephone: 732-938-1480. Web: www.njresources.com.

Since our February review, shares of New Jersey Resources have advanced nicely. The company's stock price increased about 15% over that time frame. This uptick likely reflected the better-than-expected financial results, of late.

The retailer and wholesaler of energy services posted solid results for the March quarter. To that point, revenues increased 25.4%, to $802.2 million, thanks to double-digit gains of nonutility volumes of nearly 44% and to a lesser extent a 4% rise in utility volumes. Meanwhile, on the profitability front, overall expenses fell 970 basis points, as a percentage of the top line. All told, these factors drove the bottom line 58% higher, to $1.77 per share. This was markedly better than our call for earnings of $0.90.

We have raised our fiscal 2021 (ends September 30th) share-net estimate by $0.50, bringing that figure to $2.15. Our revised figure would represent a year-over-year gain of about 4%, and falls at the top end of management's recently increased guidance range of $2.05 to $2.15. The primary driver of this year's results will largely be the Energy Services division that has been able to take advantage of the increased volatility affecting commodity prices these days. At the same time, the New Jersey Natural Gas (NJNG) regulated utility segment has added roughly 3,700 new customer accounts in the first six months of this year. Combined, we look for New Jersey Resources annual revenues to advance more than 20% this year, to $2.4 billion. That said, the industry's operating environment has been experiencing elevated uncertainty due to the COVID-19 pandemic; volatility surrounding commodity prices; a slump in end-user demand; and now fossil fuels transportation factors.

We look for this steady momentum to continue into next year, as well. The NJNG unit is on pace to add 28,000-30,000 new customers from 2021-2023. At the same time, the regulated utility business filed for a base rate case increase of about $165 million, which would help to return some of its investments in capital expansion projects.

Steady dividend growth aside, these shares appear richly valued.

Bryan J. Fong *May 28, 2021*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly. revenues and egs. may not sum to total due to rounding and change in shares outstanding. Next earnings report due early Aug.
(C) Dividends historically paid in early Jan., April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2020: $527.5 million, $5.51/share.
(E) In millions, adjusted for splits.

Company's Financial Strength	A+
Stock's Price Stability	80
Price Growth Persistence	60
Earnings Predictability	55

N.W. NATURAL NYSE-NWN

RECENT PRICE **54.22** | P/E RATIO **21.3** (Trailing: 20.4 Median: 24.0) | RELATIVE P/E RATIO **0.98** | DIV'D YLD **3.5%** | VALUE LINE

TIMELINESS 3 Raised 11/20/20
SAFETY 3 Lowered 3/19/21
TECHNICAL 4 Raised 5/7/21
BETA .85 (1.00 = Market)

High:	50.9	49.0	50.8	46.6	52.6	52.3	66.2	69.5	71.8	74.1	77.3	56.8
Low:	41.1	39.6	41.0	40.0	40.1	42.0	48.9	56.5	51.5	57.2	42.3	41.7

18-Month Target Price Range

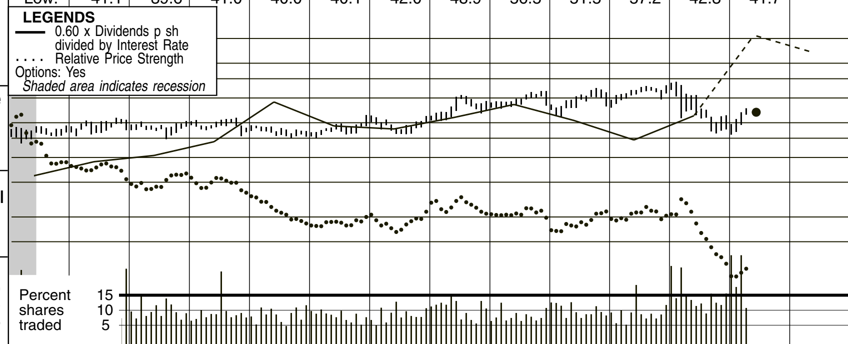
Low-High	Midpoint (% to Mid)
$27-$71	$49 (-10%)

2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+65%)	15%
Low	60	(+10%)	6%

Institutional Decisions

	2Q2020	3Q2020	4Q2020
to Buy	73	92	99
to Sell	103	94	85
Hld's(000)	21936	21896	22201



Target Price Range
2024 | 2025 | 2026
128 96 80 64 48 40 32 24 16 12

% TOT. RETURN 4/21

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-13.9	75.2
3 yr.	-3.8	56.1
5 yr.	21.6	103.5

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
33.01	37.20	39.13	39.16	38.17	30.56	31.72	27.14	28.02	27.64	26.39	23.61	26.52	24.45	24.49	25.29	*26.80*	*27.80*	Revenues per sh	*31.05*
4.34	4.76	5.41	5.31	5.20	5.18	5.00	4.94	5.04	5.05	4.91	4.93	1.04	5.28	5.15	5.69	*5.80*	*6.05*	"Cash Flow" per sh	*6.85*
2.11	2.35	2.76	2.57	2.83	2.73	2.39	2.22	2.24	2.16	1.96	2.12	d1.94	2.33	2.19	2.30	*2.55*	*2.65*	Earnings per sh A	*3.10*
1.32	1.39	1.44	1.52	1.60	1.68	1.75	1.79	1.83	1.85	1.86	1.87	1.88	1.89	1.90	1.91	*1.92*	*1.93*	Div'ds Decl'd per sh B■	*1.96*
3.48	3.56	4.48	3.92	5.09	9.35	3.76	4.91	5.13	4.40	4.37	4.87	7.43	7.43	7.95	9.18	*8.40*	*8.70*	Cap'l Spending per sh	*9.40*
21.28	22.01	22.52	23.71	24.88	26.08	26.70	27.23	27.77	28.12	28.47	29.71	25.85	26.41	28.42	29.05	*33.85*	*37.10*	Book Value per sh D	*45.30*
27.58	27.24	26.41	26.50	26.53	26.58	26.76	26.92	27.08	27.28	27.43	28.63	28.74	28.88	30.47	30.59	*31.00*	*31.00*	Common Shs Outst'g C	*32.00*
17.0	15.9	16.7	18.1	15.2	17.0	19.0	21.1	19.4	20.7	23.7	26.9	- -	26.6	30.9	25.0	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*24.0*
.91	.86	.89	1.09	1.01	1.08	1.19	1.34	1.09	1.09	1.19	1.41	- -	1.44	1.65	1.30			Relative P/E Ratio	*1.35*
3.7%	3.7%	3.1%	3.3%	3.7%	3.6%	3.9%	3.8%	4.2%	4.1%	4.0%	3.3%	3.0%	3.0%	2.8%	3.3%			Avg Ann'l Div'd Yield	*2.6%*

CAPITAL STRUCTURE as of 3/31/21
Total Debt $1192.2 mill. **Due in 5 Yrs** $360.2 mill.
LT Debt $860.7 mill. **LT Interest** $43.1 mill.

(Total interest coverage: 3.1x)

Pension Assets-12/20 $373.9 mill. **Oblig.** $595.2 mill.

Pfd Stock None

Common Stock 30,656,006 shares as of 4/26/21

MARKET CAP $1.7 billion (Mid Cap)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		24-26
848.8	730.6	758.5	754.0	723.8	676.0	762.2	706.1	746.4	773.7	*830*	*860*	Revenues ($mill)	*995*
63.9	59.9	60.5	58.7	53.7	58.9	d55.6	67.3	65.3	70.3	*79.0*	*82.0*	Net Profit ($mill)	*120*
40.4%	42.4%	40.8%	41.5%	40.0%	40.9%	- -	26.4%	16.2%	23.1%	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
7.5%	8.2%	8.0%	7.8%	7.4%	8.7%	NMF	9.5%	8.8%	9.1%	*9.5%*	*9.5%*	Net Profit Margin	*10.0%*
47.3%	48.5%	47.6%	44.8%	42.5%	44.4%	47.9%	48.1%	48.2%	49.2%	*49.0%*	*46.5%*	Long-Term Debt Ratio	*43.0%*
52.7%	51.5%	52.4%	55.2%	57.5%	55.6%	52.1%	51.9%	51.8%	50.8%	*51.0%*	*53.5%*	Common Equity Ratio	*57.0%*
1356.2	1424.7	1433.6	1389.0	1357.7	1529.8	1426.0	1468.9	1672.0	1748.8	*2050*	*2150*	Total Capital ($mill)	*2550*
1893.9	1973.6	2062.9	2121.6	2182.7	2260.9	2255.0	2421.4	2438.9	2654.8	*2640*	*2750*	Net Plant ($mill)	*3105*
6.2%	5.7%	5.8%	5.8%	5.5%	5.1%	NMF	5.8%	5.2%	5.2%	*4.0%*	*4.0%*	Return on Total Cap'l	*4.0%*
8.9%	8.2%	8.1%	7.6%	6.9%	6.9%	NMF	8.8%	7.5%	7.9%	*7.5%*	*7.0%*	Return on Shr. Equity	*7.0%*
8.9%	8.2%	8.1%	7.6%	6.9%	6.9%	NMF	8.8%	7.5%	7.9%	*7.5%*	*7.0%*	Return on Com Equity	*7.0%*
2.4%	1.6%	1.5%	1.1%	.6%	.9%	NMF	2.1%	1.4%	1.7%	*2.0%*	*2.0%*	Retained to Com Eq	*2.5%*
73%	80%	81%	85%	92%	87%	NMF	76%	82%	79%	*75%*	*73%*	All Div'ds to Net Prof	*63%*

CURRENT POSITION ($MILL.)

	2019	2020	3/31/21
Cash Assets	9.6	30.2	17.9
Other	284.1	293.0	284.9
Current Assets	293.7	323.2	302.8
Accts Payable	113.4	97.9	88.6
Debt Due	224.2	399.9	331.5
Other	144.6	129.3	165.6
Current Liab.	482.2	627.1	585.7
Fix. Chg. Cov.	336%	335%	312%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-'20 to '24-'26
Revenues	-3.5%	-2.0%	*4.0%*
"Cash Flow"	0.5%	1.5%	*4.0%*
Earnings	-1.5%	1.5%	*5.5%*
Dividends	1.5%	0.5%	*.5%*
Book Value	1.0%	- -	*8.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	264.7	124.6	91.2	226.7	706.1
2019	285.4	123.4	90.3	247.3	746.4
2020	285.2	135.0	93.3	260.2	773.7
2021	315.9	*145*	*110*	*259.1*	*830*
2022	*320*	*150*	*120*	*270*	*860*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	1.46	d.01	d.39	1.27	2.33
2019	1.50	.07	d.61	1.26	2.19
2020	1.58	d.17	d.61	1.50	2.30
2021	1.94	*d.10*	*d.60*	*1.31*	*2.55*
2022	*1.96*	*d.08*	*d.58*	*1.35*	*2.65*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.47	.47	.47	.4725	1.88
2018	.4725	.4725	.4725	.475	1.89
2019	.475	.475	.475	.4775	1.90
2020	.4775	.4775	.4775	.48	1.91
2021	.48	.48			

BUSINESS: Northwest Natural Holding Co. distributes natural gas to 1000 communities, 775,000 customers, in Oregon (89% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 3.7 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 37%; commercial, 22%; industrial, gas transportation, 41%. Employs 1,167. BlackRock Inc. owns 16.4% of shares; State Street, 15.4%; Off./Dir., 1.03% (4/21 proxy). CEO: David H. Anderson. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Since our February review, shares of Northwest Natural Holding Co. are trading markedly higher. In fact, over that time frame, the stock's price climbed approximately 17%. While this is encouraging, investors should recall that NWN shares did sell off from the highs experienced in 2020. In fact, the stock lost more than 45% of its value through the lows that were hit earlier this year.

Meanwhile, the company posted solid financial results for the March quarter. This is evident in revenues advancing 10.8%, to $315.9 million, thanks to new rate increases in Oregon, customer growth, and asset management benefits. In fact, the regulated utility business added 11,000 natural gas meters over the past 12 months. Additionally, the colder-than-normal weather patterns across NWN's service territory helped to drive end-use consumer demand. Those benefits were partially offset by ongoing challenges stemming from the COVID-19 pandemic. However, with vaccines rolling out, it appears that there is a light at the end of that tunnel. On the margin front, overall expenses decreased 320 basis points, as a percentage of the top line. Combined, these factors drove the bottom line 22.8% higher, to $1.94 a share. This bested our call of $1.60.

We have raised our 2021 revenue and earnings estimate by $10 million and $0.05, to $830 million and $2.55 a share, respectively. Our revised figure would represent a more-than-10% year-over-year share-net advance. This should be supported by an estimated 7.5% rise in sales, thanks to new customer accounts at the Natural Gas Distribution business. At the same time, the Other business segment has been getting a boost from acquisitions. The NW Natural Water Company continues to purchase water and waste water utilities, thereby expanding its geographic footprint and providing clean, reliable service to its customers.

Neutrally ranked shares of Northwest Natural may appeal to income-seeking patient investors. Indeed, the stock's above-average dividend yield is enticing and well covered. What's more, NWN offers worthwhile recovery potential for the pull to 2024-2026.

Bryan J. Fong *May 28, 2021*

(A) Diluted earnings per share. Excludes nonrecurring items: '06, ($0.06); '08, ($0.03); '09, $0.06; May not sum due to rounding. Next earnings report due in early Aug.
(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.
(D) Includes intangibles. In 2020: $69.2 million, $2.26/share.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	30
Earnings Predictability	5

ONE GAS, INC. NYSE-OGS

RECENT PRICE **74.20** | P/E RATIO **19.5** (Trailing: 19.8; Median: NMF) | RELATIVE P/E RATIO **0.90** | DIV'D YLD **3.2%** | **VALUE LINE**

TIMELINESS 3 Raised 3/26/21
SAFETY 2 New 6/2/17
TECHNICAL 4 Raised 5/28/21
BETA .80 (1.00 = Market)

	2014	2015	2016	2017	2018	2019	2020	2021
High:	44.3	51.8	67.4	79.5	87.8	96.7	97.0	81.9
Low:	31.9	38.9	48.0	61.4	62.2	75.8	63.7	66.8

18-Month Target Price Range

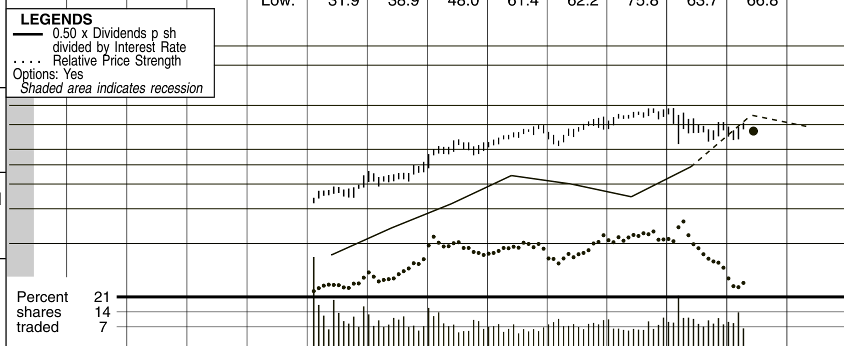
Low-High	Midpoint (% to Mid)
$60-$121	$91 (20%)

2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	145	(+95%)	20%
Low	105	(+40%)	12%

Institutional Decisions

	2Q2020	3Q2020	4Q2020
to Buy	142	130	123
to Sell	137	151	163
Hld's(000)	42060	42057	42726



Target Price Range 2024 | 2025 | 2026

% TOT. RETURN 4/21

	THIS STOCK	VL ARITH.* INDEX
1 yr.	3.9	75.2
3 yr.	23.8	56.1
5 yr.	54.8	103.5

The shares of ONE Gas, Inc. began trading "regular-way" on the New York Stock Exchange on February 3, 2014. That happened as a result of the separation of ONEOK's natural gas distribution operation. Regarding the details of the spinoff, on January 31, 2014, ONEOK distributed one share of OGS common stock for every four shares of ONEOK common stock held by ONEOK shareholders of record as of the close of business on January 21. It should be mentioned that ONEOK did not retain any ownership interest in the new company.

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
- -	- -	- -	34.92	29.62	27.30	29.43	31.08	31.32	28.78	*31.30*	*33.85*	Revenues per sh	*43.00*
- -	- -	- -	4.52	4.82	5.43	5.96	6.32	6.96	7.36	*7.75*	*8.20*	"Cash Flow" per sh	*9.75*
- -	- -	- -	2.07	2.24	2.65	3.02	3.25	3.51	3.68	*3.80*	*4.00*	Earnings per sh A	*5.00*
- -	- -	- -	.84	1.20	1.40	1.68	1.84	2.00	2.16	*2.32*	*2.48*	Div'ds Decl'd per sh B■	*2.95*
- -	- -	- -	5.70	5.63	5.91	6.81	7.50	7.91	8.87	*9.00*	*9.20*	Cap'l Spending per sh	*9.75*
- -	- -	- -	34.45	35.24	36.12	37.47	38.86	40.35	42.01	*44.40*	*48.45*	Book Value per sh	*74.40*
- -	- -	- -	52.08	52.26	52.28	52.31	52.57	52.77	53.17	*53.50*	*53.50*	Common Shs Outst'g C	*57.00*
- -	- -	- -	17.8	19.8	22.7	23.5	23.1	25.3	21.7	*Bold figures are*		Avg Ann'l P/E Ratio	*25.0*
- -	- -	- -	.94	1.00	1.19	1.18	1.25	1.35	1.11	*Value Line*		Relative P/E Ratio	*1.40*
- -	- -	- -	2.3%	2.7%	2.3%	2.4%	2.5%	2.3%	2.7%	*estimates*		Avg Ann'l Div'd Yield	*2.4%*
- -	- -	- -	1818.9	1547.7	1427.2	1539.6	1633.7	1652.7	1530.3	*1675*	*1810*	Revenues ($mill)	*2450*
- -	- -	- -	109.8	119.0	140.1	159.9	172.2	186.7	196.4	*205*	*215*	Net Profit ($mill)	*285*
- -	- -	- -	38.4%	38.0%	37.8%	36.4%	23.7%	18.7%	17.5%	*17.0%*	*17.5%*	Income Tax Rate	*22.0%*
- -	- -	- -	6.0%	7.7%	9.8%	10.4%	10.5%	11.3%	12.8%	*12.2%*	*11.9%*	Net Profit Margin	*11.6%*
- -	- -	- -	40.1%	39.5%	38.7%	37.8%	38.6%	37.7%	41.5%	*64.0%*	*62.0%*	Long-Term Debt Ratio	*47.0%*
- -	- -	- -	59.9%	60.5%	61.3%	62.2%	61.4%	62.3%	58.5%	*36.0%*	*38.0%*	Common Equity Ratio	*53.0%*
- -	- -	- -	2995.3	3042.9	3080.7	3153.5	3328.1	3415.5	3815.7	*6600*	*6820*	Total Capital ($mill)	*8000*
- -	- -	- -	3293.7	3511.9	3731.6	4007.6	4283.7	4565.2	4867.1	*5100*	*5330*	Net Plant ($mill)	*6000*
- -	- -	- -	4.4%	4.7%	5.2%	5.8%	5.9%	6.4%	6.0%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.0%*
- -	- -	- -	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	*8.5%*	*8.5%*	Return on Shr. Equity	*6.5%*
- -	- -	- -	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	*8.5%*	*8.5%*	Return on Com Equity	*6.5%*
- -	- -	- -	3.7%	3.1%	3.5%	3.7%	3.7%	3.8%	3.7%	*3.5%*	*3.0%*	Retained to Com Eq	*3.0%*
- -	- -	- -	40%	53%	52%	55%	56%	56%	58%	*61%*	*62%*	All Div'ds to Net Prof	*59%*

CAPITAL STRUCTURE as of 3/31/21
Total Debt $4529.7 mill. **Due in 5 Yrs** $1020.0 mill.
LT Debt $4082.7 mill. **LT Interest** $150.0 mill.
(LT interest earned: 4.8x; total interest coverage: 4.8x)
Leases, Uncapitalized Annual rentals $7.9 mill.
Pfd Stock None
Pension Assets-12/20 $987.6 mill. **Oblig.** $1077.6 mill.
Common Stock 53,245,144 shs. **as of 4/26/21**
MARKET CAP: $4.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2019	2020	3/31/21
Cash Assets	17.9	8.0	704.9
Other	488.3	531.9	453.8
Current Assets	506.2	539.9	1158.7
Accts Payable	120.5	152.3	228.0
Debt Due	516.5	418.2	447.0
Other	235.7	226.6	204.0
Current Liab.	872.7	797.1	879.0
Fix. Chg. Cov.	567%	587%	595%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-'20 to '24-'26
Revenues	- -	-1.0%	*6.0%*
"Cash Flow"	- -	8.0%	*6.0%*
Earnings	- -	10.0%	*6.5%*
Dividends	- -	14.5%	*7.0%*
Book Value	- -	3.0%	*10.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	638.5	292.5	238.3	464.4	1633.7
2019	661.0	290.6	248.6	452.5	1652.7
2020	528.2	273.3	244.6	484.2	1530.3
2021	625.3	*320*	*257*	*472.7*	*1675*
2022	*650*	*355*	*300*	*505*	*1810*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	1.72	.39	.31	.83	3.25
2019	1.76	.46	.33	.96	3.51
2020	1.72	.48	.39	1.09	3.68
2021	1.79	*.51*	*.42*	*1.08*	*3.80*
2022	*1.85*	*.55*	*.47*	*1.13*	*4.00*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.42	.42	.42	.42	1.68
2018	.46	.46	.46	.46	1.84
2019	.50	.50	.50	.50	2.00
2020	.54	.54	.54	.54	2.16
2021	.58	.58			

BUSINESS: ONE Gas, Inc. provides natural gas distribution services to more than two million customers. There are three divisions: Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service. The company purchased 153 Bcf of natural gas supply in 2020, compared to 174 Bcf in 2019. Total volumes delivered by customer (fiscal 2020): transportation, 58.3%; residential, 31.7%; commercial & industrial, 9.4%; other, .6%. ONE Gas has around 3,600 employees. BlackRock owns 11.9% of common stock; The Vanguard Group, 9.7%; American Century Investment, 7.6%; officers and directors, 1.9% (4/21 Proxy). CEO: Pierce H. Norton II. Incorporated: Oklahoma. Address: 15 East Fifth Street, Tulsa, Oklahoma 74103. Tel.: 918-947-7000. Internet: www.onegas.com.

ONE Gas' bottom line exhibited some improvement in the opening quarter of 2021. Share net of $1.79 was 4% higher than the prior-year total of $1.72. That partially reflected benefits from new rates, primarily in Texas and Oklahoma. Another contributing factor was an expanded customer base in Oklahoma and Texas. The effective income tax rate decreased, as well. The company adds that there was only a small number of outages across the service area despite the severe storm that occurred there in February (see below for more details). Although the effects of the coronavirus have continued, we believe that full-year earnings will increase around 3%, to $3.80 a share. Assuming further growth of operating margins in 2022, share net might advance another 5%, to $4.00.

Winter Storm Uri prompted leadership to take certain actions. Given that event, ONE Gas experienced unprecedented market pricing for gas costs in its Kansas, Oklahoma, and Texas territories, which resulted in aggregated natural gas purchases for February of approximately $2.1 billion. To pay for these expenses, the company issued $1 billion of 0.85 percent senior notes due 2023, $700 million of 1.10 percent senior notes due 2024, and $800 million of floating-rate senior notes due 2023. It should also be stated that ONE Gas seeks to recover those costs through future rate filings. Still, since the balance sheet is now more leveraged, we lowered the Financial Strength rating one notch, to B++.

Business prospects over the 2024-2026 span seem promising. The company remains the leading natural gas distributor (as measured by customer count) in both Oklahoma and Kansas, and holds the number-three position in Texas. Moreover, these markets seem to have decent growth possibilities and are located in one of the most active drilling regions in the United States. Also, ONE Gas seems capable of satisfying its working capital requirements, capital expenditures, and other commitments for a while.

These shares, although just an Average (3) selection for Timeliness, possess solid long-term total return potential.

Frederick L. Harris, III *May 28, 2021*

(A) Diluted EPS. Excludes nonrecurring gain: 2017, $0.06. Next earnings report due early Aug. Quarterly EPS for 2018 don't add up due to rounding.
(B) Dividends historically paid in early March, June, Sept., and Dec. ■ Dividend reinvestment plan. Direct stock purchase plan.
(C) In millions.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	80
Earnings Predictability	100

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE 25.66 | P/E RATIO 14.3 (Trailing: 14.2 Median: 19.0) | RELATIVE P/E RATIO 0.66 | DIV'D YLD 5.0% | VALUE LINE

TIMELINESS 5 Lowered 5/28/21
SAFETY 3 Lowered 8/28/20
TECHNICAL 5 Lowered 5/21/21
BETA 1.05 (1.00 = Market)

High:	27.1	29.0	29.0	31.1	30.6	30.4	34.8	38.4	36.7	34.5	33.4	29.2
Low:	18.6	21.4	22.9	25.3	25.9	21.2	22.1	30.8	26.0	26.6	18.2	20.8

18-Month Target Price Range
Low-High Midpoint (% to Mid)
$18-$51 $35 (35%)

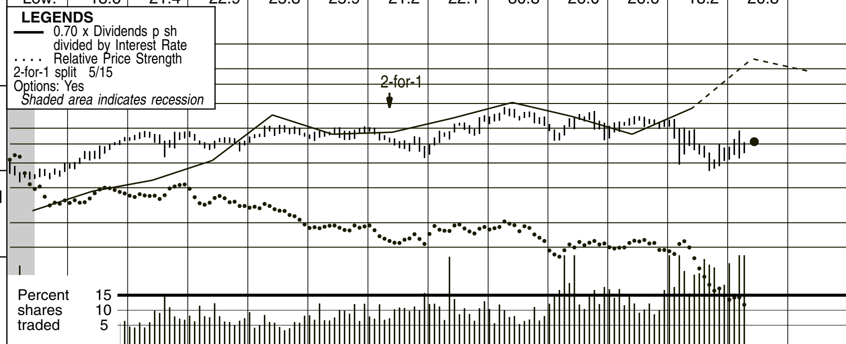
2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+95%)	21%
Low	35	(+35%)	12%

Institutional Decisions

	2Q2020	3Q2020	4Q2020
to Buy	88	132	110
to Sell	110	64	91
Hld's(000)	83521	85672	110377

LEGENDS
— 0.70 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 5/15
Options: Yes
Shaded area indicates recession



Target Price Range
2024 | 2025 | 2026

% TOT. RETURN 4/21

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-10.4	75.2
3 yr.	-10.7	56.1
5 yr.	5.7	103.5

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
15.89	15.88	16.15	16.18	14.19	15.48	13.71	11.16	11.18	12.98	13.52	13.04	15.63	19.20	17.63	15.32	*17.25*	*18.10*	Revenues per sh	*21.75*
1.25	1.75	1.60	1.74	1.86	2.10	2.23	2.34	2.48	2.67	2.42	2.67	2.79	2.91	2.56	3.32	*2.95*	*3.25*	"Cash Flow" per sh	*4.15*
.86	1.23	1.05	1.14	1.19	1.35	1.45	1.52	1.52	1.57	1.44	1.34	1.23	1.38	1.12	1.68	*1.80*	*1.95*	Earnings per sh A	*2.70*
.43	.46	.51	.56	.61	.68	.75	.83	.90	.96	1.02	1.06	1.10	1.13	1.16	1.19	*1.25*	*1.32*	Div'ds Decl'd per sh B ■	*1.50*
1.60	1.26	.94	1.04	1.83	2.79	3.20	4.01	4.84	5.01	4.87	3.50	3.43	3.99	5.46	4.84	*5.85*	*6.65*	Cap'l Spending per sh	*7.85*
6.75	7.55	8.12	8.67	9.12	9.54	10.33	11.63	12.64	13.65	14.62	16.22	14.99	14.82	15.41	16.51	*18.20*	*18.85*	Book Value per sh C	*22.60*
57.96	58.65	59.22	59.46	59.59	59.75	60.43	63.31	65.43	68.33	70.97	79.48	79.55	85.51	92.39	100.59	*103.00*	*105.00*	Common Shs Outst'g D	*115.00*
16.6	11.9	17.2	15.9	15.0	16.8	18.4	16.9	18.9	18.0	17.9	21.7	27.9	22.6	28.3	14.9	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.88	.64	.91	.96	1.00	1.07	1.15	1.08	1.06	.95	.90	1.14	1.40	1.22	1.51	.77	*Value Line*		Relative P/E Ratio	*.90*
3.0%	3.2%	2.8%	3.1%	3.4%	3.0%	2.8%	3.2%	3.1%	3.4%	3.9%	3.6%	3.2%	3.6%	3.7%	4.8%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*
						828.6	706.3	731.4	887.0	959.6	1036.5	1243.1	1641.3	1628.6	1541.4	*1775*	*1900*	Revenues ($mill)	*2500*
						87.0	93.3	97.1	104.0	99.0	102.8	98.1	116.2	103.0	163.0	*185*	*205*	Net Profit ($mill)	*300*
						22.4%	10.8%	- -	- -	5.9%	42.0%	- -	- -	- -	9.9%	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
						10.5%	13.2%	13.3%	11.7%	10.3%	9.9%	7.9%	7.1%	6.3%	10.6%	*10.4%*	*10.8%*	Net Profit Margin	*12.0%*
						40.5%	45.0%	45.1%	48.0%	49.2%	38.5%	48.5%	62.4%	59.2%	62.6%	*63.0%*	*63.0%*	Long-Term Debt Ratio	*60.5%*
						59.5%	55.0%	54.9%	52.0%	50.8%	61.5%	51.5%	37.6%	40.8%	37.4%	*37.0%*	*37.0%*	Common Equity Ratio	*39.5%*
						1048.3	1337.6	1507.4	1791.9	2043.9	2097.2	2315.4	3373.9	3493.9	4437.3	*5075*	*5380*	Total Capital ($mill)	*6600*
						1352.4	1578.0	1859.1	2134.1	2448.1	2623.8	2700.2	3653.5	4073.5	4464.2	*4800*	*5150*	Net Plant ($mill)	*5800*
						8.9%	7.4%	6.8%	6.4%	5.4%	5.4%	5.1%	4.4%	4.0%	4.8%	*4.5%*	*5.0%*	Return on Total Cap'l	*5.5%*
						13.9%	12.7%	11.7%	11.2%	9.5%	8.0%	8.2%	9.2%	7.2%	9.8%	*10.0%*	*10.5%*	Return on Shr. Equity	*11.5%*
						13.9%	12.7%	11.7%	11.2%	9.5%	8.0%	8.2%	9.2%	7.2%	9.8%	*10.0%*	*10.5%*	Return on Com Equity	*11.5%*
						6.7%	5.8%	4.8%	4.3%	2.8%	1.6%	.9%	1.7%	NMF	2.9%	*3.0%*	*3.5%*	Retained to Com Eq	*5.0%*
						52%	55%	59%	61%	71%	80%	89%	82%	104%	70%	*70%*	*68%*	All Div'ds to Net Prof	*58%*

CAPITAL STRUCTURE as of 3/31/21
Total Debt $3377.5 mill. **Due in 5 Yrs** $380.1 mill.
LT Debt $3063.4 mill. **LT Interest** $100 mill.

Leases, Uncapitalized Annual rentals $1.2 mill.
Pension Assets-12/20 $331 mill. **Oblig.** $481.8 mill.

Pfd Stock None

Common Stock 112,421,394 shs. as of 5/1/21

MARKET CAP: $2.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2019	2020	3/31/21
Cash Assets	6.4	34.0	30.4
Other	646.1	472.8	458.5
Current Assets	652.5	506.8	488.9
Accts Payable	232.2	256.6	218.1
Debt Due	1316.6	739.2	314.1
Other	183.1	167.8	220.5
Current Liab.	1731.9	1163.6	752.7
Fix. Chg. Cov.	176%	238%	333%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-'20 to '24-'26
Revenues	1.5%	6.5%	4.0%
"Cash Flow"	4.5%	3.0%	6.0%
Earnings	1.5%	-1.5%	11.5%
Dividends	6.5%	4.0%	4.5%
Book Value	5.5%	2.5%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	521.9	227.3	302.5	589.6	1641.3
2019	637.3	266.9	261.2	463.2	1628.6
2020	534.1	260.0	261.5	485.8	1541.4
2021	674.3	*285*	*285*	*530.7*	*1775*
2022	*640*	*320*	*320*	*620*	*1900*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	1.19	.07	d.27	.39	1.38
2019	1.09	d.13	d.30	.46	1.12
2020	1.15	d.01	d.06	.62	1.68
2021	1.26	*.01*	*d.05*	*.58*	*1.80*
2022	*1.32*	*.02*	*d.02*	*.63*	*1.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	- -	.273	.273	.553	1.10
2018	- -	.280	.280	.567	1.13
2019	- -	.287	.287	.582	1.16
2020	- -	.295	.295	.598	1.19
2021	- -	.303			

BUSINESS: South Jersey Industries, Inc. is a holding company. The company distributes natural gas in New Jersey and Maryland. South Jersey Gas rev. mix '20: residential, 48%; commercial, 23%; cogen. and electric gen., 9%; industrial, 20%. Acq. Elizabethtown Gas and Elkton Gas, 7/18. Nonutil. oper. incl. South Jersey Energy, South Jersey Resources Group, South Jersey Exploration, Marina Energy, South Jersey Energy Service Plus, and SJI Midstream. Has about 1,130 empl. Off./dir. own less than 1% of common; BlackRock, 14.4%; State Street Corporation, 13.9%; The Vanguard Group, 10.8% (3/21 proxy). Pres. & CEO: Michael J. Renna. Chairman: Joseph M. Rigby. Inc.: NJ. Addr.: 1 South Jersey Plaza, Folsom, NJ 08037. Tel.: 609-561-9000. Web: www.sjindustries.com.

South Jersey Industries has recently completed two concurrent registered public offerings. This included $228 million in shares of common stock and $300 million in equity units. The equity units were also listed on the New York Stock Exchange. Net proceeds from these offerings will be used to reduce leverage and for general purposes, as well as for capital expenditures mainly for its regulated businesses, such as infrastructure investments. Investors were not pleased by this development and the shares fell on the news. This issuance of additional shares drives down the price of a security and dilutes the ownership interest of existing stockholders.

But the equity has staged a partial rebound lately. The company posted good results for the March quarter. The top line increased roughly 26%, year over year, to $674.3 million. Adjusted earnings per share of $1.26 compared favorably with the prior-year tally. The company's utility and nonutility operations both fared well in the recent period.

Prospects for the coming years appear favorable here. The company's utility businesses should continue to benefit from solid customer growth, rate relief, and infrastructure modernization programs that allow South Jersey to enhance the reliability of its systems and earn an authorized return on these investments. Elsewhere, we expect favorable results on the nonutility side. The Energy Management segment's Wholesale Services line should continue to benefit from improved asset optimization opportunities and additional fuel management contracts. Earnings from fuel cell and solar investments ought to support performance at the Energy Production segment.

This stock is ranked to trail the broader market averages for the coming six to 12 months. Looking further out, we anticipate increasing revenue and healthy growth in earnings per share for the company over the pull to mid-decade. From the recent quotation, this equity offers attractive long-term total return potential. This is helped by a relatively generous dividend yield. All told, patient, income-oriented accounts may find something to like here.

Michael Napoli, CFA *May 28, 2021*

(A) Based on economic egs. from 2007. GAAP EPS: '10, $1.11; '11, $1.49; '12, $1.49; '13, $1.28; '14, $1.46; '15, $1.52; '16, $1.56; '17, ($0.04); '18, $0.21; '19, $0.84; '20, $1.62. Excl. nonrecur. gain (loss): '10, ($0.24); '11, $0.04; '12, ($0.03); '13, ($0.24); '14, ($0.11); '15, $0.08; '16, $0.22; '17, ($1.27); '18, ($1.17); '19, ($0.28); '20, ($0.06). Next egs. rpt. due early August. (B) Div'ds paid early April, July, Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. reg. assets. In 2020: $674.0 mill., $6.70 per shr. (D) In mill., adj. for split.

Company's Financial Strength	B++
Stock's Price Stability	60
Price Growth Persistence	15
Earnings Predictability	65

CASE NO. 2021-00214
ATTACHMENT 1
TO STAFF DR NO. 2-44

Exhibit DWD-1
Schedule DWD-2.7

SOUTHWEST GAS NYSE-SWX

RECENT PRICE **68.88** | P/E RATIO **15.3** (Trailing: 14.2 Median: 19.0) | RELATIVE P/E RATIO **0.71** | DIV'D YLD **3.5%** | VALUE LINE

TIMELINESS 3 Lowered 1/8/21
SAFETY 3 Lowered 1/4/91
TECHNICAL 4 Raised 5/28/21
BETA .95 (1.00 = Market)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
High:	37.3	43.2	46.1	56.0	64.2	63.7	79.6	86.9	86.0	92.9	81.6	73.5
Low:	26.3	32.1	39.0	42.0	47.2	50.5	53.5	72.3	62.5	73.3	45.7	57.0

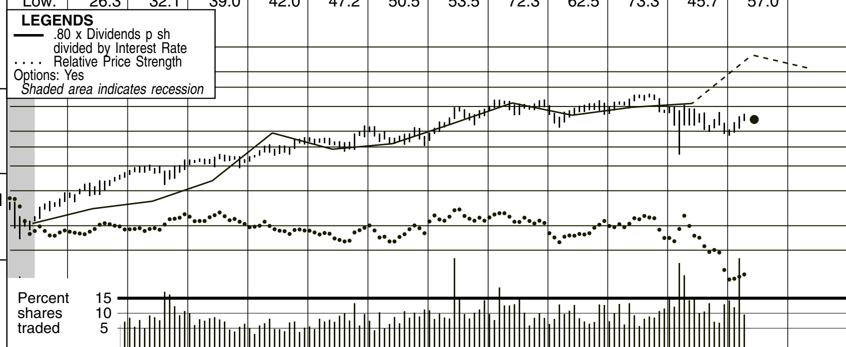
18-Month Target Price Range
Low-High: $48-$119 — Midpoint (% to Mid): $84 (20%)

2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	125	(+80%)	18%
Low	85	(+25%)	9%

Institutional Decisions

	2Q2020	3Q2020	4Q2020
to Buy	130	116	140
to Sell	123	137	123
Hld's(000)	48082	46991	48058



% TOT. RETURN 4/21

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-4.9	75.2
3 yr.	3.5	56.1
5 yr.	22.3	103.5

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
43.59	48.47	50.28	48.53	42.00	40.18	41.07	41.77	42.08	45.61	52.00	51.82	53.00	54.31	56.72	57.68	**59.30**	**60.65**	Revenues per sh	**67.70**
5.20	5.97	6.21	5.76	6.16	6.46	6.81	7.73	8.24	8.47	8.62	9.29	8.83	8.14	9.40	9.87	**10.50**	**11.05**	"Cash Flow" per sh	**14.00**
1.25	1.98	1.95	1.39	1.94	2.27	2.43	2.86	3.11	3.01	2.92	3.18	3.62	3.68	3.94	4.14	**4.50**	**4.75**	Earnings per sh A	**6.50**
.82	.82	.86	.90	.95	1.00	1.06	1.18	1.32	1.46	1.62	1.80	1.98	2.08	2.18	2.28	**2.37**	**2.48**	Div'ds Decl'd per sh B■†	**2.80**
7.49	8.27	7.96	6.79	4.81	4.73	8.29	8.57	7.86	8.53	10.30	11.15	12.97	14.44	17.06	14.43	**13.55**	**16.40**	Cap'l Spending per sh	**24.60**
19.10	21.58	22.98	23.49	24.44	25.62	26.66	28.35	30.47	31.95	33.61	35.03	37.74	42.47	45.56	46.77	**50.00**	**52.85**	Book Value per sh	**63.10**
39.33	41.77	42.81	44.19	45.09	45.56	45.96	46.15	46.36	46.52	47.38	47.48	48.09	53.03	55.01	57.19	**59.00**	**61.00**	Common Shs Outst'g C	**65.00**
20.6	15.9	17.3	20.3	12.2	14.0	15.7	15.0	15.8	17.9	19.4	21.6	22.2	20.6	21.3	16.8	*Bold figures are*		Avg Ann'l P/E Ratio	**16.0**
1.10	.86	.92	1.22	.81	.89	.98	.95	.89	.94	.98	1.13	1.12	1.11	1.13	.87	*Value Line*		Relative P/E Ratio	**.90**
3.2%	2.6%	2.6%	3.2%	4.0%	3.2%	2.8%	2.8%	2.7%	2.7%	2.9%	2.6%	2.5%	2.7%	2.6%	3.3%	*estimates*		Avg Ann'l Div'd Yield	**2.7%**

CAPITAL STRUCTURE as of 3/31/21
Total Debt $3073.9 mill. **Due in 5 Yrs** $750.9 mill.
LT Debt $2696.6 mill. **LT Interest** $100.0 mill.
(Total interest coverage: 4.3x) (48% of Cap'l)
Leases, Uncapitalized Annual rentals $13.9 mill.
Pension Assets-12/20 $1238.7 mill. **Oblig.** $1581.4 mill.

Pfd Stock None

Common Stock 58,001,396 shs. as of 4/30/21

MARKET CAP: $4.0 billion (Mid Cap)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		24-26
1887.2	1927.8	1950.8	2121.7	2463.6	2460.5	2548.8	2880.0	3119.9	3298.9	**3500**	**3700**	Revenues ($mill)	**4400**
112.3	133.3	145.3	141.1	138.3	152.0	173.8	182.3	213.9	232.3	**260**	**285**	Net Profit ($mill)	**410**
36.2%	36.2%	35.0%	35.7%	36.4%	33.9%	32.8%	25.3%	20.5%	21.6%	**21.0%**	**21.0%**	Income Tax Rate	**21.0%**
6.0%	6.9%	7.4%	6.7%	5.6%	6.2%	6.8%	6.3%	6.9%	7.0%	**7.4%**	**7.7%**	Net Profit Margin	**9.3%**
43.2%	49.2%	49.4%	52.4%	49.3%	48.2%	49.8%	48.3%	47.9%	50.5%	**50.5%**	**50.0%**	Long-Term Debt Ratio	**48.0%**
56.8%	50.8%	50.6%	47.6%	50.7%	51.8%	50.2%	51.7%	52.1%	49.5%	**49.5%**	**50.0%**	Common Equity Ratio	**52.0%**
2155.9	2576.9	2793.7	3123.9	3143.5	3213.5	3613.3	4359.3	4806.4	5407.2	**5950**	**6425**	Total Capital ($mill)	**7850**
3218.9	3343.8	3486.1	3658.4	3891.1	4132.0	4523.7	5093.2	5685.2	6176.1	**6400**	**6750**	Net Plant ($mill)	**8000**
6.4%	6.4%	6.3%	5.7%	5.5%	5.8%	5.8%	5.2%	5.4%	5.3%	**5.0%**	**5.5%**	Return on Total Cap'l	**6.0%**
9.2%	10.2%	10.3%	9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	8.7%	**9.0%**	**9.0%**	Return on Shr. Equity	**10.0%**
9.2%	10.2%	10.3%	9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	8.7%	**9.0%**	**9.0%**	Return on Com Equity	**10.0%**
5.3%	6.1%	6.1%	5.0%	4.0%	4.1%	4.5%	3.6%	3.9%	4.0%	**4.0%**	**4.0%**	Retained to Com Eq	**5.5%**
43%	40%	41%	47%	54%	55%	53%	55%	54%	54%	**54%**	**53%**	All Div'ds to Net Prof	**44%**

CURRENT POSITION ($MILL.)	2019	2020	3/31/21
Cash Assets	49.5	83.4	92.3
Other	810.4	787.6	908.6
Current Assets	859.9	871.0	1000.9
Accts Payable	238.9	231.3	182.8
Debt Due	374.5	147.4	377.3
Other	466.5	533.3	475.9
Current Liab.	1079.9	912.0	1036.0
Fix. Chg. Cov.	340%	379%	419%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-'20 to '24-'26
Revenues	2.5%	4.0%	3.0%
"Cash Flow"	4.0%	1.5%	7.5%
Earnings	7.5%	5.5%	9.0%
Dividends	8.5%	8.0%	4.5%
Book Value	6.0%	7.0%	6.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	754.3	670.9	668.1	786.7	2880.0
2019	833.6	713.0	725.2	848.1	3119.9
2020	836.3	757.2	791.2	914.2	3298.9
2021	885.9	*825*	*840*	*949.1*	*3500*
2022	*925*	*875*	*900*	*1000*	*3700*

Cal-endar	EARNINGS PER SHARE A D Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	1.63	.44	.25	1.36	3.68
2019	1.77	.41	.10	1.67	3.94
2020	1.31	.68	.32	1.82	4.14
2021	2.03	*.50*	*.25*	*1.72*	*4.50*
2022	*1.95*	*.60*	*.35*	*1.85*	*4.75*

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.450	.495	.495	.495	1.94
2018	.495	.520	.520	.520	2.06
2019	.520	.545	.545	.545	2.16
2020	.545	.570	.570	.570	2.26
2021	.570	.595			

BUSINESS: Southwest Gas Holdings, Inc. is the parent holding company of Southwest Gas and Centuri Group. Southwest Gas is a regulated gas distributor serving 2.1 million customers in Arizona, Nevada, and California. Centuri provides construction services. 2020 margin mix: residential and small commercial, 85%; large commercial and industrial, 3%; transportation, 12%. Total throughput: 2.2 billion therms. Has 11,149 employees. Off. & dir. own .8% of common; BlackRock, Inc., 12.3%; The Vanguard Group, Inc., 9.8%; Lazard Asset Management LLC, 9.4% (3/21 Proxy). Chairman: Michael J. Melarkey. Pres. & CEO: John P. Hester. Inc.: DE. Addr.: 8360 S. Durango Drive, P.O. Box 98510 Las Vegas, Nevada 89193. Tel.: 702-876-7237. Web: www.swgas.com.

Shares of Southwest Gas have moved higher in price in the current year. The company reported favorable results for the March period. The top line increased roughly 6%, year to year, to $885.9 million. Earnings per share of $2.03 marked a considerable improvement over the prior-year tally. The utility business benefited from favorable rulings in several rate cases. Its territories in Arizona, California, and Nevada have all experienced significant growth, driving increased demand for new homes, and natural gas services in general. Many of the communities that the company serves have benefited in recent times from the easing of pandemic-related restrictions. The infrastructure services operation, Centuri, also fared well. This business continues to gain as its regulated utility customers modernize their energy infrastructure.

We anticipate solid operating results going forward. Southwest's utility operation ought to further benefit from healthy growth in the customer base. Infrastructure investments by the utility should also pay off in the years ahead. Rate relief will likely continue to benefit performance, too. The company depends on such approved revenue increases to offset increasing expenses and allow it to earn an acceptable return on investment. Elsewhere, Centuri, the company's infrastructure services business, should also perform fairly well. This line derives its revenue from the installation, replacement, repair, and maintenance of energy distribution systems. Centuri has a robust client base, and ought to benefit from the ongoing need of utilities to replace aging infrastructure. Measures by the company to control costs should also pay off.

This stock is ranked to track the broader market averages for the coming six to 12 months. Looking further out, we anticipate solid growth in revenues and earnings for the company over the pull to mid-decade. From the recent quotation, this stock offers attractive long-term total return potential. The dividend should continue to increase at a steady rate in the coming years. In addition, Southwest Gas earns good marks for Financial Strength, Price Stability, and Earnings Predictability. Volatility is subdued, too.

Michael Napoli, CFA *May 28, 2021*

(A) Diluted earnings. Excl. nonrec. gains (losses): '05, (11¢); '06, 7¢. Next egs. report due early August. **(B)** Dividends historically paid early March, June, September, and December. ■† Div'd reinvestment and stock purchase plan avail. **(C)** In millions. **(D)** Totals may not sum due to rounding.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	60
Earnings Predictability	100

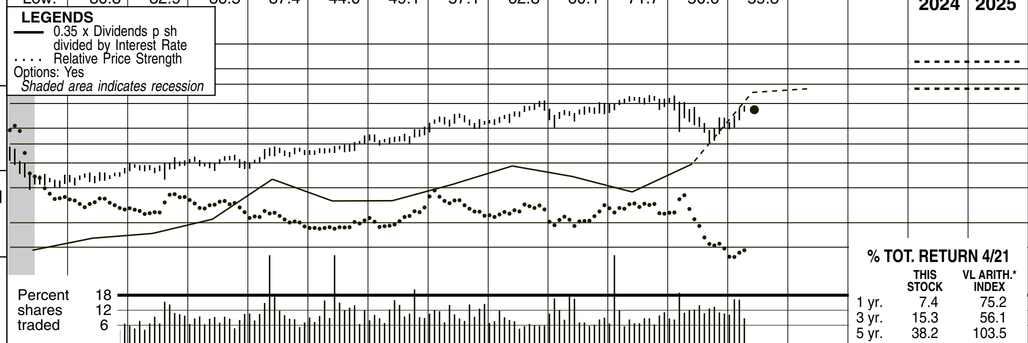
SPIRE INC. NYSE-SR

RECENT PRICE 74.48 | P/E RATIO 14.6 (Trailing: 25.9 Median: 19.0) | RELATIVE P/E RATIO 0.67 | DIV'D YLD 3.6% | VALUE LINE

TIMELINESS 3 Raised 5/21/21
SAFETY 2 Raised 6/20/03
TECHNICAL 2 Raised 5/28/21
BETA .85 (1.00 = Market)

High:	37.8	42.8	44.0	48.5	55.2	61.0	71.2	82.9	81.1	88.0	88.0	77.9
Low:	30.8	32.9	36.5	37.4	44.0	49.1	57.1	62.3	60.1	71.7	50.6	59.3

LEGENDS
— 0.35 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



Target Price Range 2024 | 2025 | 2026

18-Month Target Price Range
Low-High $37-$92 | Midpoint (% to Mid) $65 (-15%)

2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	130	(+75%)	18%
Low	95	(+30%)	10%

Institutional Decisions

	2Q2020	3Q2020	4Q2020
to Buy	127	145	131
to Sell	130	121	148
Hld's(000)	40679	40642	41028

Percent shares traded 18 / 12 / 6

% TOT. RETURN 4/21

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.4	75.2
3 yr.	15.3	56.1
5 yr.	38.2	103.5

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
75.43	93.51	93.40	100.44	85.49	77.83	71.48	49.90	31.10	37.68	45.59	33.68	36.07	38.78	38.30	35.96	*42.85*	*36.90*	Revenues per sh A	*58.20*
2.98	3.81	3.87	4.22	4.56	4.11	4.62	4.58	3.12	3.87	6.15	6.16	6.54	7.55	7.12	5.25	*9.10*	*8.55*	"Cash Flow" per sh	*10.50*
1.90	2.37	2.31	2.64	2.92	2.43	2.86	2.79	2.02	2.35	3.16	3.24	3.43	4.33	3.52	1.44	*5.00*	*4.30*	Earnings per sh A B	*5.50*
1.37	1.40	1.45	1.49	1.53	1.57	1.61	1.66	1.70	1.76	1.84	1.96	2.10	2.25	2.37	2.49	*2.60*	*2.72*	Div'ds Decl'd per sh C■	*3.10*
2.84	2.97	2.72	2.57	2.36	2.56	3.02	4.83	4.00	3.96	6.68	6.42	9.08	9.86	16.15	12.37	*11.25*	*10.85*	Cap'l Spending per sh	*11.45*
17.31	18.85	19.79	22.12	23.32	24.02	25.56	26.67	32.00	34.93	36.30	38.73	41.26	44.51	45.14	44.19	*54.40*	*56.25*	Book Value per sh D	*75.00*
21.17	21.36	21.65	21.99	22.17	22.29	22.43	22.55	32.70	43.18	43.36	45.65	48.26	50.67	50.97	51.60	*52.50*	*53.50*	Common Shs Outst'g E	*55.00*
16.2	13.6	14.2	14.3	13.4	13.7	13.0	14.5	21.3	19.8	16.5	19.6	19.8	16.7	22.8	NMF	*Bold figures are*		Avg Ann'l P/E Ratio	*20.5*
.86	.73	.75	.86	.89	.87	.82	.92	1.20	1.04	.83	1.03	1.00	.90	1.21	NMF	*Value Line*		Relative P/E Ratio	*1.15*
4.4%	4.3%	4.4%	3.9%	3.9%	4.7%	4.3%	4.1%	4.0%	3.8%	3.5%	3.1%	3.1%	3.1%	3.0%	3.4%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 3/31/21
Total Debt $3456.8 mill. **Due in 5 Yrs** $1690.0 mill.
LT Debt $2692.5 mill. **LT Interest** $130.0 mill.
(Total interest coverage: 2.0x)

Leases, Uncapitalized Annual rentals $8.8 mill.
Pension Assets-9/20 $897.9 mill. **Oblig.** $1401.3 mill.
Pfd Stock $242.0 mill. **Pfd Div'd** $14.8 mill.
Common Stock 51,679,561 shs. as of 4/30/21

MARKET CAP: $3.8 billion (Mid Cap)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		24-26
1603.3	1125.5	1017.0	1627.2	1976.4	1537.3	1740.7	1965.0	1952.4	1855.4	*2250*	*1975*	Revenues ($mill) A	*3200*
63.8	62.6	52.8	84.6	136.9	144.2	161.6	214.2	184.6	88.6	*265*	*230*	Net Profit ($mill)	*300*
31.4%	29.6%	25.0%	27.6%	31.2%	32.5%	32.4%	32.4%	15.7%	12.3%	*20.0%*	*21.0%*	Income Tax Rate	*23.5%*
4.0%	5.6%	5.2%	5.2%	6.9%	9.4%	9.3%	10.9%	9.5%	4.8%	*11.8%*	*11.6%*	Net Profit Margin	*9.4%*
38.9%	36.1%	46.6%	55.1%	53.0%	50.9%	50.0%	45.7%	45.0%	49.0%	*49.0%*	*49.0%*	Long-Term Debt Ratio	*45.0%*
61.1%	63.9%	53.4%	44.9%	47.0%	49.1%	50.0%	54.3%	55.0%	51.0%	*51.0%*	*51.0%*	Common Equity Ratio	*55.0%*
937.7	941.0	1959.0	3359.4	3345.1	3601.9	3986.3	4155.5	4625.6	4946.0	*5600*	*5900*	Total Capital ($mill)	*7500*
928.7	1019.3	1776.6	2759.7	2941.2	3300.9	3665.2	3970.5	4352.0	4680.1	*5100*	*5400*	Net Plant ($mill)	*6800*
8.1%	7.9%	3.3%	3.1%	5.1%	4.9%	5.0%	6.3%	5.1%	2.9%	*6.0%*	*5.5%*	Return on Total Cap'l	*5.5%*
11.1%	10.4%	5.0%	5.6%	8.7%	8.2%	8.1%	9.5%	7.3%	3.5%	*9.5%*	*7.5%*	Return on Shr. Equity	*7.5%*
11.1%	10.4%	5.0%	5.6%	8.7%	8.2%	8.1%	9.5%	7.9%	3.2%	*9.5%*	*7.5%*	Return on Com Equity	*7.5%*
4.9%	4.3%	1.0%	1.5%	3.7%	3.3%	3.3%	4.7%	2.7%	NMF	*4.0%*	*2.5%*	Retained to Com Eq	*3.0%*
56%	59%	81%	73%	58%	59%	60%	51%	66%	NMF	*57%*	*70%*	All Div'ds to Net Prof	*62%*

CURRENT POSITION ($MILL.)	2019	2020	3/31/21
Cash Assets	5.8	4.1	104.0
Other	608.7	586.5	936.0
Current Assets	614.5	590.6	1040.0
Accts Payable	301.5	243.3	352.1
Debt Due	783.2	708.4	764.3
Other	384.1	497.5	391.1
Current Liab.	1468.8	1449.2	1507.5
Fix. Chg. Cov.	272%	373%	385%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-'20 to '24-'26
Revenues	-8.0%	- -	*7.5%*
"Cash Flow"	4.5%	8.5%	*8.0%*
Earnings	1.5%	4.5%	*10.0%*
Dividends	4.5%	6.0%	*4.5%*
Book Value	7.0%	5.5%	*9.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2018	561.8	813.4	350.6	239.2	1965.0
2019	602.0	803.5	321.3	225.6	1952.4
2020	566.9	715.5	321.1	251.9	1855.4
2021	512.6	1104.9	*377.5*	*255*	*2250*
2022	*530*	*803*	*376*	*266*	*1975*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2018	2.39	2.03	.52	d.51	4.33
2019	1.32	3.04	d.09	d.74	3.52
2020	1.24	2.54	d1.87	d.45	1.44
2021	1.65	3.55	*.48*	*d.68*	*5.00*
2022	*1.75*	*2.74*	*.45*	*d.64*	*4.30*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.525	.525	.525	.525	2.10
2018	.5625	.5625	.5625	.5625	2.25
2019	.5925	.5925	.5925	.5925	2.37
2020	.6225	.6225	.6225	.6225	2.49
2021	.65	.65			

BUSINESS: Spire Inc., formerly known as the Laclede Group, Inc., is a holding company for natural gas utilities, which distributes natural gas across Missouri, including the cities of St. Louis and Kansas City, Alabama, and Mississippi. Has roughly 1.7 million customers. Acquired Missouri Gas 9/13, Alabama Gas Co 9/14. Utility therms sold and transported in fiscal 2020: 3.3 bill. Revenue mix for regulated operations: residential, 68%; commercial and industrial, 22%; transportation, 6%; other, 4%. Has about 3,583 employees. Officers and directors own 3.0% of common shares; BlackRock, 12.0% (1/21 proxy). Chairman: Edward Glotzbach; CEO: Suzanne Sitherwood. Inc.: Missouri. Address: 700 Market Street, St. Louis, Missouri 63101. Tel.: 314-342-0500. Internet: www.spireenergy.com.

Spire registered impressive numbers during the first half of fiscal 2021 (concludes September 30th). Share net of $5.20 surged around 38%, compared to the prior-year total of $3.78. This was made possible partially by the Gas Utility division, helped by increased Infrastructure System Replacement Surcharge (ISRS) revenues, the effects of colder temperatures, plus diminished operating costs. Moreover, favorable market conditions, especially in February when Winter Storm Uri struck parts of the U.S., drove the performance of the Gas Marketing unit. Given that the company faces an easy bottom-line comparison in the third quarter, it appears that full-year share net will jump nearly 3.5 times, to $5.00, versus the uninspiring fiscal 2020 tally of $1.44 (which was crushed by the impact of COVID-19). Turning to next year, we expect lower, though still respectable, earnings of $4.30 a share, since the second-quarter matchup will be challenging.

***Value Line* is optimistic about the company's prospects over the 2024-2026 period.** The gas utilities boast 1.7 million customers in Mississippi, Alabama, and Missouri, providing a measure of regional diversity. Furthermore, the other operations, particularly pipelines, hold promise. Additional expansionary projects and technological enhancements in customer service and elsewhere ought to assist Spire, too. Finally, the balance sheet (see below) is healthy.

The Financial Strength rating resides at B++. When March ended, there was around $675 million of available liquidity partly via a revolving credit facility. Too, long-term debt was a manageable 49.6% of total capital, and short-term commitments did not seem to be a major hurdle. So, the company ought to be able to meet its various obligations (including interest payments, capital expenditures, and dividends) with relative ease. Acquisitions are also plausible.

These good-quality shares have risen greatly in value in recent months. It appears that Spire's strong results of late are a driving force behind that movement. Also, long-term total return potential is solid. Meanwhile, the stock is neutrally ranked for Timeliness.

Frederick L. Harris, III *May 28, 2021*

(A) Fiscal year ends Sept. 30th. (B) Based on diluted shares outstanding. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late July. (C) Dividends paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred charges. In '20: $1,171.6 mill., $22.71/sh. (E) In millions. (F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	55
Earnings Predictability	50

Atmos Energy Corporation
Summary of Risk Premium Models for the
Proxy Group of Seven Natural Gas Distribution Companies

	Proxy Group of Seven Natural Gas Distribution Companies
Predictive Risk Premium Model (PRPM) (1)	11.43 %
Risk Premium Using an Adjusted Total Market Approach (2)	10.49 %
Average	10.96 %

Notes:
(1) From page 2 of this Schedule.
(2) From page 3 of this Schedule.

Atmos Energy Corporation
Indicated ROE
Derived by the Predictive Risk Premium Model (1)

Proxy Group of Seven Natural Gas Distribution Companies	[1] LT Average Predicted Variance	[2] Spot Predicted Variance	[3] Recommended Variance (2)	[4] GARCH Coefficient	[5] Predicted Risk Premium (3)	[6] Risk-Free Rate (4)	[7] Indicated ROE (5)
Atmos Energy Corporation	0.33%	0.48%	0.41%	2.2565	11.58%	2.88%	14.46%
New Jersey Resources Corporation	0.38%	0.34%	0.36%	2.0814	9.43%	2.88%	12.31%
Northwest Natural Holding Company	0.32%	0.38%	0.35%	1.5413	6.68%	2.88%	9.56%
ONE Gas, Inc.	0.30%	0.43%	0.37%	4.0633	19.39%	2.88%	NMF
South Jersey Industries, Inc.	0.39%	0.69%	0.54%	1.6346	11.03%	2.88%	13.91%
Southwest Gas Holdings, Inc.	0.43%	0.38%	0.41%	1.3628	6.84%	2.88%	9.72%
Spire Inc.	0.71%	0.52%	0.61%	0.9445	7.18%	2.88%	10.06%
						Average	11.67%
						Median	11.19%
						Average of Mean and Median	11.43%

Notes:
(1) The Predictive Risk Premium Model uses historical data to generate a predicted variance and a GARCH coefficient. The historical data used are the equity risk premiums for the first available trading month as reported by Bloomberg Professional Service.
(2) Given current market conditions, I recommend using average of the the long-term average predicted variance and the spot variance.
(3) (1+(Column [3] * Column [4])^12) - 1.
(4) From note 2 on page 2 of Schedule DWD-4.
(5) Column [5] + Column [6].

Atmos Energy Corporation
Indicated Common Equity Cost Rate Through Use of a Risk Premium Model Using an Adjusted Total Market Approach

Line No.		Proxy Group of Seven Natural Gas Distribution Companies
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	3.56 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A2 Rated Public Utility Bonds	0.39 (2)
3.	Adjusted Prospective Yield on A2 Rated Public Utility Bonds	3.95 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.04 (3)
5.	Adjusted Prospective Bond Yield	3.99 %
6.	Equity Risk Premium (4)	6.50
7.	Risk Premium Derived Common Equity Cost Rate	10.49 %

Notes:

(1) Consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 10 and 11 of this Schedule).

(2) The average yield spread of A2 rated public utility bonds over Aaa rated corporate bonds of 0.39% from page 4 of this Schedule.

(3) Adjustment to reflect the A2/A3 Moody's LT issuer rating of the Utility Proxy Group as shown on page 5 of this Schedule. The 0.04% upward adjustment is derived by taking 1/6 of the spread between A2 and Baa2 Public Utility Bonds (1/6 * 0.26% = 0.04%) as derived from page 4 of this Schedule.

(4) From page 7 of this Schedule.

Atmos Energy Corporation
Interest Rates and Bond Spreads for Moody's Corporate and Public Utility Bonds

Selected Bond Yields - Moody's

	[1]	[2]	[3]	[4]
	Aaa Rated Corporate Bond	Aa2 Rated Public Utility Bond	A2 Rated Public Utility Bond	Baa2 Rated Public Utility Bond
May-2021	2.96 %	3.17 %	3.33 %	3.58 %
Apr-2021	2.90	3.13	3.30	3.57
Mar-2021	3.04	3.27	3.44	3.72
Average	2.97 %	3.19 %	3.36 %	3.62 %

Selected Bond Spreads

A2 Rated Public Utility Bonds Over Aaa Rated Corporate Bonds:	0.39 % (1)
Baa2 Rated Public Utility Bonds Over A2 Rated Public Utility Bonds:	0.26 % (2)
A2 Rated Public Utility Bonds Over Aa2 Rated Public Utility Bonds:	0.17 % (3)

Notes:
(1) Column [3] - Column [1].
(2) Column [4] - Column [3].
(3) Column [3] - Column [2].

Source of Information:
Bloomberg Professional Service

Atmos Energy Corporation
Comparison of Long-Term Issuer Ratings for
Proxy Group of Seven Natural Gas Distribution Companies

	Moody's Long-Term Issuer Rating May 2021		Standard & Poor's Long-Term Issuer Rating May 2021	
Proxy Group of Seven Natural Gas Distribution Companies	Long-Term Issuer Rating (1)	Numerical Weighting (2)	Long-Term Issuer Rating (1)	Numerical Weighting (2)
Atmos Energy Corporation	A1	5.0	A-	7.0
New Jersey Resources Corporation	A1	5.0	NR	- -
Northwest Natural Holding Company	Baa1	8.0	A+	5.0
ONE Gas, Inc.	A3	7.0	BBB+	8.0
South Jersey Industries, Inc.	A3	7.0	BBB	9.0
Southwest Gas Holdings, Inc.	Baa1	8.0	A-	7.0
Spire Inc.	A1/A2	5.5	A-	7.0
Average	A2/A3	6.5	A-	7.2

Notes:

(1) Ratings are that of the average of each company's utility operating subsidiaries.
(2) From page 6 of this Schedule.

Source Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-
B1	14	B+
B2	15	B
B3	16	B-

Atmos Energy Corporation
Judgment of Equity Risk Premium for
Proxy Group of Seven Natural Gas Distribution Companies

Line No.		Proxy Group of Seven Natural Gas Distribution Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	8.03 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	5.84
3.	Predicted Equity Risk Premium Based on Regression Analysis of 800 Fully-Litigated Natural Gas Utility Rate Cases	5.64
4.	Average equity risk premium	6.50 %

Notes: (1) From page 8 of this Schedule.
(2) From page 12 of this Schedule.
(3) From page 13 of this Schedule.

Atmos Energy Corporation
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for the
Proxy Group of Seven Natural Gas Distribution Companies

Line No.	Equity Risk Premium Measure	Proxy Group of Seven Natural Gas Distribution Companies
	Ibbotson-Based Equity Risk Premiums:	
1.	Ibbotson Equity Risk Premium (1)	5.92 %
2.	Regression on Ibbotson Risk Premium Data (2)	8.69
3.	Ibbotson Equity Risk Premium based on PRPM (3)	9.02
4.	Equity Risk Premium Based on Value Line Summary and Index (4)	4.60
5.	Equity Risk Premium Based on Value Line S&P 500 Companies (5)	10.76
6.	Equity Risk Premium Based on Bloomberg S&P 500 Companies (6)	12.78
7.	Conclusion of Equity Risk Premium	8.63 %
8.	Adjusted Beta (7)	0.93
9.	Forecasted Equity Risk Premium	8.03 %

Notes provided on page 9 of this Schedule.

Atmos Energy Corporation
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for the
Proxy Group of Seven Natural Gas Distribution Companies

Notes:

(1) Based on the arithmetic mean historical monthly returns on large company common stocks from Duff & Phelps 2021 SBBI® Yearbook minus the arithmetic mean monthly yield of Moody's average Aaa and Aa corporate bonds from 1928-2020.

(2) This equity risk premium is based on a regression of the monthly equity risk premiums of large company common stocks relative to Moody's average Aaa and Aa rated corporate bond yields from 1928-2020 referenced in Note 1 above.

(3) The Predictive Risk Premium Model (PRPM) is discussed in the accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM is derived by applying the PRPM to the monthly risk premiums between Ibbotson large company common stock monthly returns and average Aaa and Aa corporate monthly bond yields, from January 1928 through March 2021.

(4) The equity risk premium based on the Value Line Summary and Index is derived by subtracting the average consensus forecast of Aaa corporate bonds of 3.56% (from page 3 of this Schedule) from the projected 3-5 year total annual market return of 8.16% (described fully in note 1 on page 2 of Schedule DWD-4).

(5) Using data from Value Line for the S&P 500, an expected total return of 14.32% was derived based upon expected dividend yields and long-term earnings growth estimates as a proxy for capital appreciation. Subtracting the average consensus forecast of Aaa corporate bonds of 3.56% results in an expected equity risk premium of 10.76%.

(6) Using data from the Bloomberg Professional Service for the S&P 500, an expected total return of 16.34% was derived based upon expected dividend yields and long-term earnings growth estimates as a proxy for capital appreciation. Subtracting the average consensus forecast of Aaa corporate bonds of 3.56% results in an expected equity risk premium of 12.78%.

(7) Average of mean and median beta from Schedule DWD-4.

Sources of Information:

Stocks, Bonds, Bills, and Inflation - 2021 SBBI Yearbook, John Wiley & Sons, Inc.
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2021
Bloomberg Professional Service

Consensus Forecasts of U.S. Interest Rates and Key Assumptions

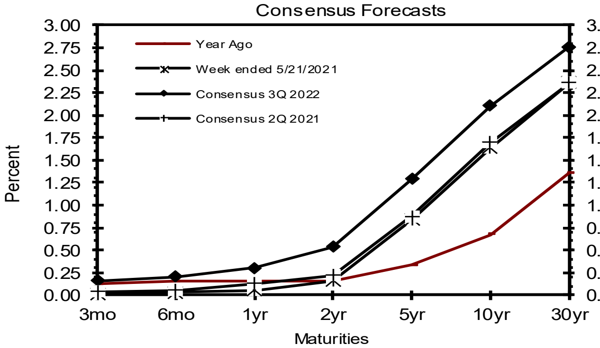
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			*Latest Qtr*	2Q	3Q	4Q	1Q	2Q	3Q
Interest Rates	May 21	May 14	May 7	Apr 30	Apr	Mar	Feb	1Q 2021	**2021**	**2021**	**2021**	**2022**	**2022**	**2022**
Federal Funds Rate	0.06	0.06	0.06	0.07	0.07	0.07	0.08	0.08	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**
LIBOR, 3-mo.	0.15	0.16	0.17	0.18	0.18	0.19	0.19	0.20	**0.2**	**0.2**	**0.2**	**0.3**	**0.3**	**0.3**
Commercial Paper, 1-mo.	0.04	0.04	0.29	0.04	0.04	0.07	0.06	0.07	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**
Treasury bill, 3-mo.	0.01	0.02	0.02	0.01	0.02	0.03	0.04	0.05	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**
Treasury bill, 6-mo.	0.03	0.04	0.04	0.04	0.04	0.05	0.06	0.07	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**
Treasury bill, 1 yr.	0.05	0.05	0.06	0.05	0.06	0.08	0.07	0.08	**0.1**	**0.1**	**0.2**	**0.2**	**0.3**	**0.3**
Treasury note, 2 yr.	0.16	0.16	0.16	0.17	0.16	0.15	0.12	0.13	**0.2**	**0.3**	**0.3**	**0.4**	**0.5**	**0.5**
Treasury note, 5 yr.	0.84	0.83	0.81	0.86	0.86	0.82	0.54	0.60	**0.9**	**1.0**	**1.1**	**1.2**	**1.2**	**1.3**
Treasury note, 10 yr.	1.64	1.65	1.60	1.63	1.64	1.61	1.26	1.32	**1.7**	**1.8**	**1.9**	**2.0**	**2.0**	**2.1**
Treasury note, 30 yr.	2.36	2.36	2.27	2.29	2.30	2.34	2.04	2.07	**2.4**	**2.5**	**2.6**	**2.6**	**2.7**	**2.8**
Corporate Aaa bond	3.09	3.11	3.01	3.04	3.04	3.15	2.84	2.88	**3.0**	**3.1**	**3.3**	**3.3**	**3.3**	**3.4**
Corporate Baa bond	3.56	3.57	3.48	3.51	3.51	3.62	3.30	3.35	**3.8**	**4.0**	**4.1**	**4.2**	**4.2**	**4.3**
State & Local bonds	2.64	2.65	2.65	2.63	2.66	2.74	2.63	2.68	**2.6**	**2.7**	**2.8**	**2.9**	**2.9**	**2.9**
Home mortgage rate	3.00	2.94	2.96	2.98	3.06	3.08	2.81	2.88	**3.1**	**3.3**	**3.4**	**3.5**	**3.5**	**3.6**

	History								Consensus Forecasts-Quarterly					
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Key Assumptions	2019	2019	2019	2020	2020	2020	2020	2021	**2021**	**2021**	**2021**	**2022**	**2022**	**2022**
Fed's AFE $ Index	110.4	110.6	110.5	111.4	112.4	107.3	105.2	103.4	**102.7**	**102.7**	**102.9**	**102.9**	**103.1**	**103.2**
Real GDP	1.5	2.6	2.4	-5.0	-31.4	33.4	4.3	6.4	**9.3**	**6.9**	**5.0**	**3.9**	**3.1**	**2.6**
GDP Price Index	2.5	1.5	1.4	1.4	-1.8	3.5	2.0	4.3	**3.3**	**2.5**	**2.1**	**2.2**	**2.2**	**2.3**
Consumer Price Index	3.5	1.3	2.6	1.0	-3.1	4.7	2.4	3.7	**4.8**	**2.6**	**2.1**	**2.2**	**2.3**	**2.2**
PCE Price Index	2.5	1.4	1.5	1.3	-1.6	3.7	1.5	3.7	**4.0**	**2.4**	**2.0**	**2.1**	**2.2**	**2.2**

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index, PCE Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data: Treasury rates from the Federal Reserve Board's H.15; AAA-AA and A-BBB corporate bond yields from Bank of America-Merrill Lynch and are 15+ years, yield to maturity; State and local bond yields from Bank of America-Merrill Lynch, A-rated, yield to maturity; Mortgage rates from Freddie Mac, 30-year, fixed; LIBOR quotes from Intercontinental Exchange. All interest rate data are sourced from Haver Analytics. Historical data for Fed's Major Currency Index are from FRSR H.10. Historical data for Real GDP, GDP Price Index and PCE Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index history is from the Department of Labor's Bureau of Labor Statistics (BLS).

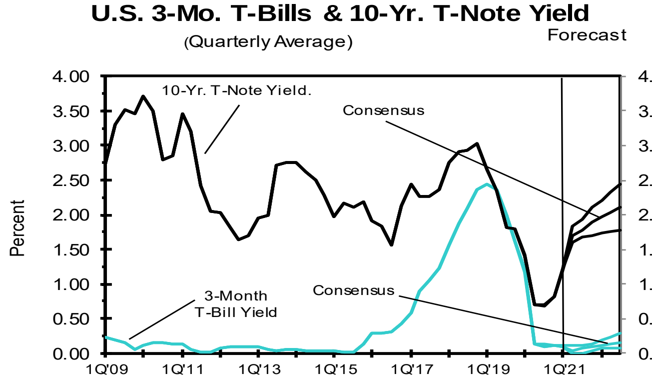
U.S. Treasury Yield Curve

Week ended May 21, 2021 & Year Ago vs. 2Q 2021 & 3Q 2022 Consensus Forecasts



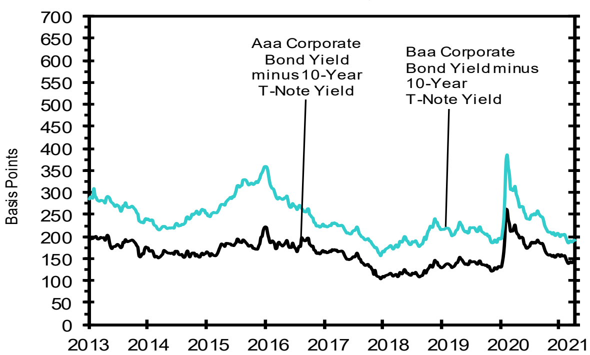
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average)



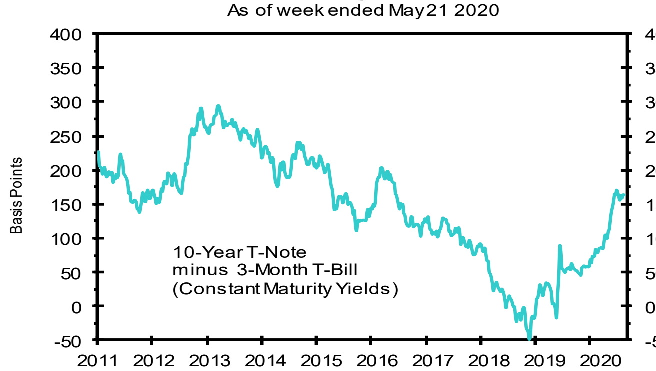
Corporate Bond Spreads

As of week ended May 21, 2020



U.S. Treasury Yield Curve

As of week ended May 21 2020



Long-Range Survey:

The table below contains the results of our twice-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are consensus estimates for the years 2022 through 2027 and averages for the five-year periods 2023-2027 and 2028-2032. Apply these projections cautiously. Few if any economic, demographic and political forces can be evaluated accurately over such long time spans.

		Average For The Year						Five-Year Averages	
		2022	2023	2024	2025	2026	2027	2023-2027	2028-2032
1. Federal Funds Rate	CONSENSUS	**0.1**	**0.4**	**1.0**	**1.6**	**1.9**	**2.1**	**1.4**	**2.2**
	Top 10 Average	0.2	0.7	1.6	2.4	2.6	2.7	2.0	2.7
	Bottom 10 Average	0.1	0.1	0.5	0.9	1.3	1.5	0.9	1.6
2. Prime Rate	CONSENSUS	**3.3**	**3.5**	**4.2**	**4.7**	**5.0**	**5.2**	**4.5**	**5.2**
	Top 10 Average	3.4	3.8	4.7	5.4	5.7	5.8	5.1	5.8
	Bottom 10 Average	3.2	3.3	3.7	4.0	4.4	4.6	4.0	4.7
3. LIBOR, 3-Mo.	CONSENSUS	**0.4**	**0.6**	**1.3**	**1.8**	**2.1**	**2.3**	**1.6**	**2.4**
	Top 10 Average	0.5	1.0	1.8	2.4	2.7	2.9	2.2	3.0
	Bottom 10 Average	0.2	0.4	0.8	1.2	1.6	1.7	1.1	1.8
4. Commercial Paper, 1-Mo	CONSENSUS	**0.2**	**0.6**	**1.3**	**1.8**	**2.1**	**2.3**	**1.6**	**2.4**
	Top 10 Average	0.4	0.9	1.6	2.3	2.6	2.8	2.0	2.8
	Bottom 10 Average	0.1	0.3	0.9	1.3	1.8	1.9	1.2	2.0
5. Treasury Bill Yield, 3-Mo	CONSENSUS	**0.2**	**0.5**	**1.0**	**1.6**	**1.9**	**2.1**	**1.4**	**2.2**
	Top 10 Average	0.3	0.8	1.6	2.2	2.5	2.7	1.9	2.7
	Bottom 10 Average	0.1	0.2	0.6	0.9	1.3	1.5	0.9	1.6
6. Treasury Bill Yield, 6-Mo	CONSENSUS	**0.2**	**0.5**	**1.1**	**1.6**	**2.0**	**2.2**	**1.5**	**2.3**
	Top 10 Average	0.3	0.8	1.7	2.3	2.6	2.7	2.0	2.8
	Bottom 10 Average	0.1	0.3	0.6	1.0	1.4	1.6	1.0	1.7
7. Treasury Bill Yield, 1-Yr	CONSENSUS	**0.3**	**0.7**	**1.2**	**1.8**	**2.1**	**2.3**	**1.6**	**2.4**
	Top 10 Average	0.5	1.0	1.8	2.4	2.8	2.9	2.2	3.0
	Bottom 10 Average	0.2	0.3	0.7	1.1	1.5	1.7	1.1	1.8
8. Treasury Note Yield, 2-Yr	CONSENSUS	**0.5**	**0.9**	**1.5**	**2.0**	**2.3**	**2.5**	**1.8**	**2.6**
	Top 10 Average	0.7	1.3	2.1	2.7	3.0	3.1	2.5	3.3
	Bottom 10 Average	0.3	0.5	0.9	1.3	1.6	1.8	1.2	1.9
9. Treasury Note Yield, 5-Yr	CONSENSUS	**1.2**	**1.6**	**2.1**	**2.5**	**2.8**	**2.8**	**2.4**	**3.0**
	Top 10 Average	1.5	2.0	2.8	3.3	3.5	3.5	3.0	3.6
	Bottom 10 Average	0.9	1.2	1.5	1.8	2.0	2.2	1.7	2.3
10. Treasury Note Yield, 10-Yr	CONSENSUS	**2.0**	**2.4**	**2.7**	**3.0**	**3.2**	**3.3**	**2.9**	**3.3**
	Top 10 Average	2.3	2.8	3.4	3.8	4.0	3.9	3.6	4.0
	Bottom 10 Average	1.7	1.9	2.1	2.3	2.5	2.6	2.3	2.7
11. Treasury Bond Yield, 30-Yr	CONSENSUS	**2.6**	**2.9**	**3.3**	**3.6**	**3.8**	**3.8**	**3.5**	**3.9**
	Top 10 Average	3.0	3.5	4.0	4.5	4.6	4.5	4.2	4.6
	Bottom 10 Average	2.3	2.4	2.5	2.7	2.9	3.1	2.7	3.2
12. Corporate Aaa Bond Yield	CONSENSUS	**3.3**	**3.7**	**4.1**	**4.5**	**4.7**	**4.7**	**4.3**	**4.8**
	Top 10 Average	3.6	4.2	4.7	5.2	5.4	5.4	5.0	5.4
	Bottom 10 Average	3.1	3.2	3.4	3.7	3.9	4.1	3.7	4.2
13. Corporate Baa Bond Yield	CONSENSUS	**4.3**	**4.7**	**5.1**	**5.4**	**5.6**	**5.7**	**5.3**	**5.8**
	Top 10 Average	4.6	5.1	5.6	6.1	6.3	6.2	5.9	6.4
	Bottom 10 Average	4.0	4.3	4.5	4.7	4.9	5.2	4.7	5.2
14. State & Local Bonds Yield	CONSENSUS	**2.9**	**3.2**	**3.6**	**3.9**	**4.1**	**4.2**	**3.8**	**4.2**
	Top 10 Average	3.2	3.5	4.1	4.5	4.7	4.7	4.3	4.8
	Bottom 10 Average	2.6	2.9	3.1	3.4	3.7	3.7	3.3	3.8
15. Home Mortgage Rate	CONSENSUS	**3.6**	**4.0**	**4.4**	**4.7**	**4.9**	**5.0**	**4.6**	**5.0**
	Top 10 Average	4.0	4.5	5.0	5.5	5.6	5.6	5.2	5.7
	Bottom 10 Average	3.2	3.6	3.8	4.0	4.2	4.3	4.0	4.4
A. Fed's AFE Nominal $ Index	CONSENSUS	**103.7**	**103.7**	**104.0**	**103.7**	**103.6**	**103.3**	**103.7**	**103.1**
	Top 10 Average	105.3	106.0	106.8	107.0	107.3	107.5	106.9	107.9
	Bottom 10 Average	102.0	101.5	101.4	100.8	100.4	100.0	100.8	99.4

		Year-Over-Year, % Change						Five-Year Averages	
		2022	2023	2024	2025	2026	2027	2023-2027	2028-2032
B. Real GDP	CONSENSUS	**4.2**	**2.6**	**2.3**	**2.2**	**2.1**	**2.1**	**2.2**	**2.1**
	Top 10 Average	5.3	3.3	2.7	2.5	2.4	2.4	2.7	2.5
	Bottom 10 Average	2.9	2.0	1.9	1.8	1.8	1.7	1.8	1.7
C. GDP Chained Price Index	CONSENSUS	**2.3**	**2.3**	**2.2**	**2.1**	**2.2**	**2.1**	**2.2**	**2.1**
	Top 10 Average	2.6	2.6	2.4	2.4	2.4	2.4	2.4	2.3
	Bottom 10 Average	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9
D. Consumer Price Index	CONSENSUS	**2.4**	**2.4**	**2.2**	**2.2**	**2.2**	**2.2**	**2.2**	**2.2**
	Top 10 Average	2.8	2.7	2.5	2.5	2.5	2.4	2.5	2.4
	Bottom 10 Average	2.1	2.1	1.9	1.9	2.0	1.9	2.0	1.9
E. PCE Price Index	CONSENSUS	**2.3**	**2.2**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**
	Top 10 Average	2.7	2.5	2.4	2.4	2.4	2.4	2.4	2.3
	Bottom 10 Average	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9

Atmos Energy Corporation
Derivation of Mean Equity Risk Premium Based Studies
Using Holding Period Returns and
Projected Market Appreciation of the S&P Utility Index

Line No.		Implied Equity Risk Premium
	Equity Risk Premium based on S&P Utility Index Holding Period Returns (1):	
1.	Historical Equity Risk Premium	4.16 %
2.	Regression of Historical Equity Risk Premium (2)	6.37
3.	Forecasted Equity Risk Premium Based on PRPM (3)	5.41
4.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Value Line Data) (4)	7.45
5.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Bloomberg Data) (5)	5.82
6.	Average Equity Risk Premium (6)	5.84 %

Notes:

(1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2020. Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

(2) This equity risk premium is based on a regression of the monthly equity risk premiums of the S&P Utility Index relative to Moody's A2 rated public utility bond yields from 1928 - 2020 referenced in note 1 above.

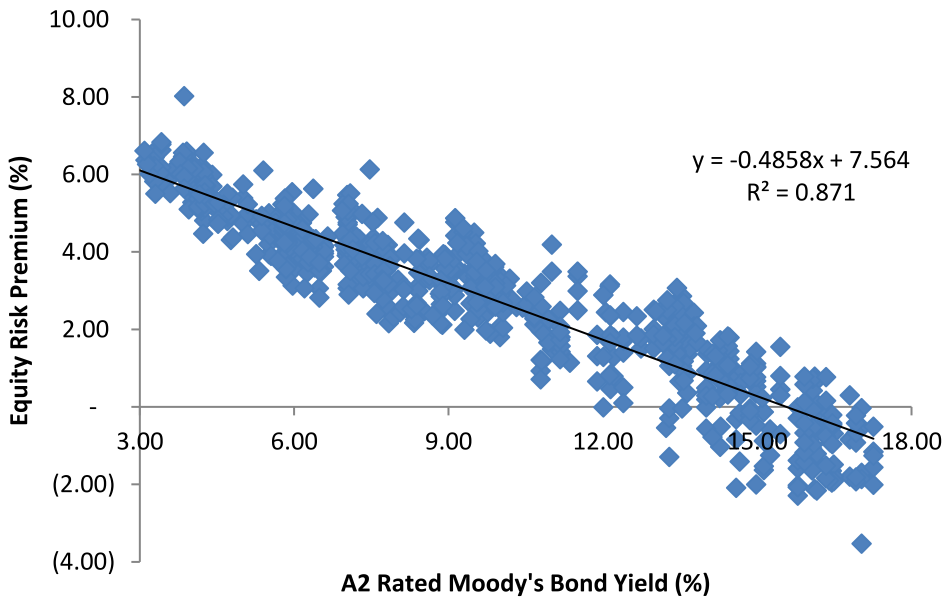
(3) The Predictive Risk Premium Model (PRPM) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A2 rated public utility bonds from January 1928 - May 2021.

(4) Using data from Value Line for the S&P Utilities Index, an expected return of 11.40% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A2 rated public utility bond yield of 3.95%, calculated on line 3 of page 3 of this Schedule results in an equity risk premium of 7.45%. (11.40% - 3.95% = 7.45%)

(5) Using data from Bloomberg Professional Service for the S&P Utilities Index, an expected return of 9.77% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A2 rated public utility bond yield of 3.95%, calculated on line 3 of page 3 of this Schedule results in an equity risk premium of 5.82%. (9.77% - 3.95% = 5.82%)

(6) Average of lines 1 through 5.

Atmos Energy Corporation
Prediction of Equity Risk Premiums Relative to
Moody's A2 Rated Utility Bond Yields



Constant	Slope	Prospective A2 Rated Utility Bond (1)	Prospective Equity Risk Premium
7.564001 %	-0.48585	3.95 %	5.64 %

Notes:
(1) From line 3 of page 3 of this Schedule.

Source of Information:
Regulatory Research Associates
Bloomberg Professional Services

Atmos Energy Corporation
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Seven Natural Gas Distribution Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
Atmos Energy Corporation	0.80	0.91	0.86	9.46 %	2.88 %	11.02 %	11.35 %	11.18 %
New Jersey Resources Corporation	1.00	0.97	0.98	9.46	2.88	12.15	12.20	12.17
Northwest Natural Holding Company	0.85	0.85	0.85	9.46	2.88	10.92	11.28	11.10
ONE Gas, Inc.	0.80	1.00	0.90	9.46	2.88	11.39	11.63	11.51
South Jersey Industries, Inc.	1.05	0.98	1.02	9.46	2.88	12.53	12.48	12.51
Southwest Gas Holdings, Inc.	0.95	1.09	1.02	9.46	2.88	12.53	12.48	12.51
Spire Inc.	0.85	1.00	0.92	9.46	2.88	11.58	11.77	11.68
Mean			0.94			11.73 %	11.88 %	11.81 %
Median			0.92			11.58 %	11.77 %	11.68 %
Average of Mean and Median			0.93			11.66 %	11.83 %	11.75 %

Notes on page 2 of this Schedule.

Atmos Energy Corporation
Notes to Accompany the Application of the CAPM and ECAPM

Notes:

(1) The market risk premium (MRP) is derived by using six different measures from three sources: Ibbotson, Value Line, and Bloomberg as illustrated below:

Historical Data MRP Estimates:

Measure 1: Ibbotson Arithmetic Mean MRP (1926-2020)

Arithmetic Mean Monthly Returns for Large Stocks 1926-2020:	12.20	%
Arithmetic Mean Income Returns on Long-Term Government Bonds:	5.05	
MRP based on Ibbotson Historical Data:	7.15	%

Measure 2: Application of a Regression Analysis to Ibbotson Historical Data (1926-2020)	9.39	%
Measure 3: Application of the PRPM to Ibbotson Historical Data: (January 1926 - May 2021)	10.04	%

Value Line MRP Estimates:

Measure 4: Value Line Projected MRP (Thirteen weeks ending May 28, 2021)

Total projected return on the market 3-5 years hence*:	8.16	%
Projected Risk-Free Rate (see note 2):	2.88	
MRP based on Value Line Summary & Index:	5.28	%

*Forcasted 3-5 year capital appreciation plus expected dividend yield

Measure 5: Value Line Projected Return on the Market based on the S&P 500

Total return on the Market based on the S&P 500:	14.32	%
Projected Risk-Free Rate (see note 2):	2.88	
MRP based on Value Line data	11.44	%

Measure 6: Bloomberg Projected MRP

Total return on the Market based on the S&P 500:	16.34	%
Projected Risk-Free Rate (see note 2):	2.88	
MRP based on Bloomberg data	13.46	%
Average of Value Line, Ibbotson, and Bloomberg MRP:	9.46	%

(2) For reasons explained in the direct testimony, the appropriate risk-free rate for cost of capital purposes is the average forecast of 30 year Treasury Bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts. (See pages 10 and 11 of Schedule DWD-3.) The projection of the risk-free rate is illustrated below:

Second Quarter 2021	2.40	%
Third Quarter 2021	2.50	
Fourth Quarter 2021	2.60	
First Quarter 2022	2.60	
Second Quarter 2022	2.70	
Third Quarter 2022	2.80	
2023-2027	3.50	
2028-2032	3.90	
	2.88	%

(3) Average of Column 6 and Column 7.

Sources of Information:

Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2021
Stocks, Bonds, Bills, and Inflation - 2021 SBBI Yearbook, John Wiley & Sons, Inc.
Bloomberg Professional Services

Atmos Energy Corporation
Basis of Selection of the Group of Non-Price Regulated Companies
Comparable in Total Risk to the Utility Proxy Group

The criteria for selection of the proxy group of forty-eight non-price regulated companies was that the non-price regulated companies be domestic and reported in Value Line Investment Survey (Standard Edition).

The Non-Price Regulated Proxy Group were then selected based on the unadjusted beta range of 0.64 – 0.94 and residual standard error of the regression range of 2.7297 – 3.2557 of the Utility Proxy Group.

These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and residual standard errors of the regression.

The standard deviation of the Utility Proxy Group's residual standard error of the regression is 0.1315. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1315 = \frac{2.9927}{\sqrt{518}} = \frac{2.9927}{22.7596}$$

Source of Information: Value Line, Inc., March 2021
Value Line Investment Survey (Standard Edition)

Atmos Energy Corporation
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

	[1]	[2]	[3]	[4]
Proxy Group of Seven Natural Gas Distribution Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
Atmos Energy Corporation	0.80	0.66	2.7453	0.0685
New Jersey Resources Corporation	0.95	0.92	3.0205	0.0754
Northwest Natural Holding Company	0.80	0.69	3.1454	0.0785
ONE Gas, Inc.	0.80	0.67	2.7077	0.0676
South Jersey Industries, Inc.	1.05	1.00	3.4767	0.0868
Southwest Gas Holdings, Inc.	0.95	0.88	3.0244	0.0755
Spire Inc.	0.85	0.71	2.8287	0.0706
Average	0.89	0.79	2.9927	0.0747

Beta Range (+/- 2 std. Devs. of Beta)	0.64	0.94
2 std. Devs. of Beta	0.15	
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.7297	3.2557
Std. dev. of the Res. Std. Err.	0.1315	
2 std. devs. of the Res. Std. Err.	0.2630	

Source of Information: Valueline Proprietary Database, March 2021

Atmos Energy Corporation
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Seven Natural Gas Distribution Companies

	[1]	[2]	[3]	[4]
Proxy Group of Forty-Eight Non-Price Regulated Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
Apple Inc.	0.90	0.81	3.1746	0.0792
Abbott Labs.	0.95	0.88	2.7401	0.0684
Assurant Inc.	0.90	0.84	2.9537	0.0737
ANSYS, Inc.	0.85	0.74	2.8841	0.0720
Booz Allen Hamilton	0.90	0.82	3.0468	0.0760
Becton, Dickinson	0.80	0.66	2.8952	0.0722
Brown-Forman 'B'	0.90	0.77	2.7453	0.0685
Broadridge Fin'l	0.85	0.70	2.7332	0.0682
Brady Corp.	1.00	0.93	3.0007	0.0749
CACI Int'l	0.95	0.86	3.1684	0.0791
Casey's Gen'l Stores	0.90	0.78	3.2522	0.0812
Cadence Design Sys.	0.90	0.79	3.0338	0.0757
Cerner Corp.	0.90	0.84	2.7309	0.0681
CSW Industrials	0.90	0.81	2.8884	0.0721
Quest Diagnostics	0.85	0.75	2.7411	0.0684
Lauder (Estee)	0.95	0.85	2.8216	0.0704
Exponent, Inc.	0.90	0.79	2.9131	0.0727
Fastenal Co.	0.90	0.85	3.2203	0.0804
Gentex Corp.	0.95	0.91	2.7546	0.0687
Int'l Flavors & Frag	0.95	0.87	3.2238	0.0804
Ingredion Inc.	0.90	0.78	2.8793	0.0718
Iron Mountain	0.90	0.82	3.0897	0.0771
Hunt (J.B.)	0.95	0.86	2.8344	0.0707
J&J Snack Foods	0.90	0.84	2.9208	0.0729
Henry (Jack) & Assoc	0.85	0.71	2.7734	0.0692
ManTech Int'l 'A'	0.85	0.77	3.0653	0.0765
McCormick & Co.	0.80	0.66	2.7887	0.0696
Altria Group	0.90	0.83	2.9215	0.0729
MSA Safety	1.00	0.94	3.0076	0.0750
MSCI Inc.	0.95	0.87	2.9662	0.0740
Motorola Solutions	0.90	0.80	2.7926	0.0697
Vail Resorts	0.95	0.88	3.1939	0.0797
Maxim Integrated	0.95	0.87	2.9404	0.0734
Northrop Grumman	0.85	0.71	2.9032	0.0724
Old Dominion Freight	0.90	0.83	3.0708	0.0766
PerkinElmer Inc.	0.95	0.86	2.8896	0.0721
Philip Morris Int'l	0.95	0.88	3.2481	0.0811
Pool Corp.	0.85	0.75	3.2001	0.0799
Post Holdings	0.95	0.86	3.0105	0.0751
RLI Corp.	0.80	0.64	2.9883	0.0746
Rollins, Inc.	0.85	0.73	2.9697	0.0741
Selective Ins. Group	0.85	0.77	3.0004	0.0749
Sirius XM Holdings	0.95	0.91	2.7995	0.0699
Bio-Techne Corp.	0.80	0.67	3.2475	0.0810
Tetra Tech	0.90	0.84	3.0245	0.0755
Waters Corp.	0.95	0.86	2.7531	0.0687
West Pharmac. Svcs.	0.85	0.70	3.1887	0.0796
Western Union	0.80	0.67	2.7346	0.0682
Average	0.90	0.80	2.9609	0.0739
Proxy Group of Seven Natural Gas Distribution Companies	0.89	0.79	2.9927	0.0747

Source of Information: Valueline Proprietary Database, March 2021

Atmos Energy Corporation
Summary of Cost of Equity Models Applied to
Proxy Group of Forty-Eight Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Seven Natural Gas Distribution Companies

Principal Methods	Proxy Group of Forty-Eight Non-Price Regulated Companies
Discounted Cash Flow Model (DCF) (1)	12.83 %
Risk Premium Model (RPM) (2)	12.49
Capital Asset Pricing Model (CAPM) (3)	11.69
	12.34 %
	12.49 %
	12.42 %

Notes:
(1) From page 2 of this Schedule.
(2) From page 3 of this Schedule.
(3) From page 6 of this Schedule.

Atmos Energy Corporation
DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Seven Natural Gas Distribution Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Forty-Eight Non-Price Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Zack's Five Year Projected Growth Rate in EPS	Bloomberg's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate (1)
Apple Inc.	0.69 %	14.50 %	12.50 %	12.10 %	17.93 %	14.26 %	0.74 %	15.00 %
Abbott Labs.	1.51	11.50	13.80	13.63	16.49	13.86	1.61	15.47
Assurant Inc.	1.76	11.50	17.50	17.50	17.50	16.00	1.90	17.90
ANSYS, Inc.	-	8.00	12.30	12.58	10.74	10.90	-	NA
Booz Allen Hamilton	1.80	10.50	10.60	13.00	9.67	10.94	1.90	12.84
Becton, Dickinson	1.35	7.50	8.90	8.30	11.85	9.14	1.41	10.55
Brown-Forman 'B'	0.97	11.00	NA	5.39	7.40	7.93	1.01	8.94
Broadridge Fin'l	1.48	8.50	NA	12.30	11.60	10.80	1.56	12.36
Brady Corp.	1.59	7.50	7.00	9.00	7.00	7.63	1.65	9.28
CACI Int'l	-	13.50	13.10	12.06	13.68	13.08	-	NA
Casey's Gen'l Stores	0.63	8.00	NA	15.81	7.85	10.55	0.66	11.21
Cadence Design Sys.	-	9.50	14.40	11.60	14.40	12.48	-	NA
Cerner Corp.	1.18	8.00	12.30	10.46	11.63	10.60	1.24	11.84
CSW Industrials	0.45	8.50	NA	12.00	12.00	10.83	0.47	11.30
Quest Diagnostics	1.91	10.00	26.50	(5.40)	3.26	13.25	2.04	15.29
Lauder (Estee)	0.71	11.00	10.70	18.20	27.18	16.77	0.77	17.54
Exponent, Inc.	0.83	12.50	NA	13.30	15.00	13.60	0.89	14.49
Fastenal Co.	2.21	8.00	9.00	8.70	7.95	8.41	2.30	10.71
Gentex Corp.	1.35	10.50	10.10	13.15	15.80	12.39	1.43	13.82
Int'l Flavors & Frag	2.20	7.50	9.80	21.48	7.72	11.63	2.33	13.96
Ingredion Inc.	2.76	7.50	NA	11.00	1.90	6.80	2.85	9.65
Iron Mountain	6.32	11.50	1.70	0.66	1.70	3.89	6.44	10.33
Hunt (J.B.)	0.71	8.00	15.00	15.00	21.53	14.88	0.76	15.64
J&J Snack Foods	1.55	10.00	NA	NA	6.00	8.00	1.61	9.61
Henry (Jack) & Assoc	1.18	9.00	10.90	12.47	10.64	10.75	1.24	11.99
ManTech Int'l 'A'	1.79	9.00	5.10	5.53	3.87	5.88	1.84	7.72
McCormick & Co.	1.53	5.50	6.70	5.87	6.00	6.02	1.58	7.60
Altria Group	6.94	6.00	4.00	4.35	4.35	4.68	7.10	11.78
MSA Safety	1.10	6.50	NA	9.00	18.00	11.17	1.16	12.33
MSCI Inc.	0.69	16.00	NA	15.00	15.31	15.44	0.74	16.18
Motorola Solutions	1.49	7.00	9.00	12.20	7.37	8.89	1.56	10.45
Vail Resorts	-	9.50	NA	87.08	72.95	56.51	-	NA
Maxim Integrated	-	8.00	10.00	11.95	21.91	12.97	-	NA
Northrop Grumman	1.84	7.00	NA	5.67	5.77	6.15	1.90	8.05
Old Dominion Freight	0.32	9.00	17.20	18.98	18.93	16.03	0.35	16.38
PerkinElmer Inc.	0.21	11.00	37.90	5.66	37.90	23.11	0.23	23.34
Philip Morris Int'l	5.19	6.50	8.70	10.75	12.75	9.67	5.44	15.11
Pool Corp.	0.83	15.00	NA	NA	17.00	16.00	0.90	16.90
Post Holdings	-	11.00	NA	20.30	31.20	20.83	-	NA
RLI Corp.	0.89	12.50	NA	NA	9.80	11.15	0.94	12.09
Rollins, Inc.	0.91	11.50	NA	NA	8.20	9.85	0.95	10.80
Selective Ins. Group	1.33	8.50	9.50	9.51	5.10	8.15	1.38	9.53
Sirius XM Holdings	0.96	35.50	12.70	40.32	10.10	24.66	1.08	25.74
Bio-Techne Corp.	0.32	12.50	14.00	19.03	15.00	15.13	0.34	15.47
Tetra Tech	0.62	13.50	15.00	13.85	15.00	14.34	0.66	15.00
Waters Corp.	-	6.00	7.10	8.19	7.77	7.26	-	NA
West Pharmac. Svcs.	0.22	17.00	25.80	18.55	25.80	21.79	0.24	22.03
Western Union	3.74	6.00	NA	4.57	9.19	6.59	3.86	10.45
							Mean	13.33 %
							Median	12.33 %
							Average of Mean and Median	12.83 %

NA= Not Available

(1) The application of the DCF model to the domestic, non-price regluated comparable risk companies is identical to the application of the DCF to the Utility Proxy Group. The dividend yield is derived by using the 60 day average price and the spot indicated dividend as of May 28, 2021. The dividend yield is then adjusted by 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.zacks.com, Bloomberg Professional Services, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey
www.zacks.com Downloaded on 05/28/2021
www.yahoo.com Downloaded on 05/28/2021
Bloomberg Professional Services

Atmos Energy Corporation
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Forty-Eight Non-Price Regulated Companies
1.	Prospective Yield on Baa2 Rated Corporate Bonds (1)	4.46 %
2.	Equity Risk Premium (2)	8.03
3.	Risk Premium Derived Common Equity Cost Rate	12.49 %

Notes: (1) Average forecast of Baa2 corporate bonds based upon the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated June 1, 2021 (see pages 10 and 11 of Schedule DWD-3). The estimates are detailed below.

Second Quarter 2021	3.80 %
Third Quarter 2021	4.00
Fourth Quarter 2021	4.10
First Quarter 2022	4.20
Second Quarter 2022	4.20
Third Quarter 2022	4.30
2023-2027	5.30
2028-2032	5.80
Average	4.46 %

(2) From page 5 of this Schedule.

Atmos Energy Corporation
Comparison of Long-Term Issuer Ratings for the
Proxy Group of Forty-Eight Non-Price Regulated Companies of Comparable risk to the
Proxy Group of Seven Natural Gas Distribution Companies

	Moody's Long-Term Issuer Rating May 2021		Standard & Poor's Long-Term Issuer Rating May 2021	
Proxy Group of Forty-Eight Non-Price Regulated Companies	Long-Term Issuer Rating	Numerical Weighting (1)	Long-Term Issuer Rating	Numerical Weighting (1)
Apple Inc.	Aa1	2.0	AA+	2.0
Abbott Labs.	A2	6.0	A+	5.0
Assurant Inc.	Baa3	10.0	BBB	9.0
ANSYS, Inc.	NA	--	NA	--
Booz Allen Hamilton	NA	--	NA	--
Becton, Dickinson	Baa3	10.0	BBB	9.0
Brown-Forman 'B'	A1	5.0	A-	7.0
Broadridge Fin'l	Baa1	8.0	BBB+	8.0
Brady Corp.	NA	--	NA	--
CACI Int'l	NA	--	BB+	11.0
Casey's Gen'l Stores	NA	--	NA	--
Cadence Design Sys.	Baa2	9.0	BBB+	8.0
Cerner Corp.	NA	--	NA	--
CSW Industrials	NA	--	NA	--
Quest Diagnostics	Baa2	9.0	BBB+	8.0
Lauder (Estee)	A1	5.0	A+	5.0
Exponent, Inc.	NA	--	NA	--
Fastenal Co.	NA	--	NA	--
Gentex Corp.	NA	--	NA	--
Int'l Flavors & Frag	Baa3	10.0	BBB	9.0
Ingredion Inc.	Baa1	8.0	BBB	9.0
Iron Mountain	Ba3	13.0	BB-	13.0
Hunt (J.B.)	Baa1	8.0	BBB+	8.0
J&J Snack Foods	NA	--	NA	--
Henry (Jack) & Assoc	NA	--	NA	--
ManTech Int'l 'A'	WR	--	BB+	11.0
McCormick & Co.	Baa2	9.0	BBB	9.0
Altria Group	A3	7.0	BBB	9.0
MSA Safety	NA	--	NA	--
MSCI Inc.	Ba1	11.0	BB+	11.0
Motorola Solutions	Baa3	10.0	BBB-	10.0
Vail Resorts	B2	15.0	BB	12.0
Maxim Integrated	Baa1	8.0	BBB+	8.0
Northrop Grumman	Baa2	9.0	BBB+	8.0
Old Dominion Freight	NA	--	NA	--
PerkinElmer Inc.	Baa3	10.0	BBB	9.0
Philip Morris Int'l	A2	6.0	A	6.0
Pool Corp.	NA	--	NA	--
Post Holdings	B2	15.0	B+	14.0
RLI Corp.	Baa2	9.0	BBB	9.0
Rollins, Inc.	NA	--	NA	--
Selective Ins. Group	Baa2	9.0	BBB	9.0
Sirius XM Holdings	NA	--	BB	12.0
Bio-Techne Corp.	NA	--	NA	--
Tetra Tech	NA	--	NA	--
Waters Corp.	NA	--	NA	--
West Pharmac. Svcs.	NA	--	NA	--
Western Union	Baa2	9.0	BBB	9.0
Average	Baa2	8.8	BBB	8.9

Notes:
(1) From page 6 of Schedule DWD-3.

Source of Information:
Bloomberg Professional Services

Atmos Energy Corporation
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
Proxy Group of Forty-Eight Non-Price Regulated Companies of Comparable risk to the
Proxy Group of Seven Natural Gas Distribution Companies

Line No.	Equity Risk Premium Measure	Proxy Group of Forty-Eight Non-Price Regulated Companies
	Ibbotson-Based Equity Risk Premiums:	
1.	Ibbotson Equity Risk Premium (1)	5.92 %
2.	Regression on Ibbotson Risk Premium Data (2)	8.69
3.	Ibbotson Equity Risk Premium based on PRPM (3)	9.02
4.	Equity Risk Premium Based on Value Line Summary and Index (4)	4.60
5	Equity Risk Premium Based on Value Line S&P 500 Companies (5)	10.76
6.	Equity Risk Premium Based on Bloomberg S&P 500 Companies (6)	12.78
7.	Conclusion of Equity Risk Premium	8.63 %
8.	Adjusted Beta (7)	0.93
9.	Forecasted Equity Risk Premium	8.03 %

Notes:
(1) From note 1 of page 9 of Schedule DWD-3.
(2) From note 2 of page 9 of Schedule DWD-3.
(3) From note 3 of page 9 of Schedule DWD-3.
(4) From note 4 of page 9 of Schedule DWD-3.
(5) From note 5 of page 9 of Schedule DWD-3.
(6) From note 6 of page 9 of Schedule DWD-3.
(7) Average of mean and median beta from page 6 of this Schedule.

Sources of Information:
Stocks, Bonds, Bills, and Inflation - 2021 SBBI Yearbook, John Wiley & Sons, Inc.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2021
Bloomberg Professional Services

Atmos Energy Corporation
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Seven Natural Gas Distribution Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Forty-Eight Non-Price Regulated Companies	Value Line Adjusted Beta	Bloomberg Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
Apple Inc.	0.90	1.01	0.96	9.46 %	2.88 %	11.96 %	12.06 %	12.01 %
Abbott Labs.	0.90	0.85	0.88	9.46	2.88	11.20	11.49	11.35
Assurant Inc.	0.90	1.00	0.95	9.46	2.88	11.87	11.99	11.93
ANSYS, Inc.	0.85	0.97	0.91	9.46	2.88	11.49	11.70	11.59
Booz Allen Hamilton	0.90	0.92	0.91	9.46	2.88	11.49	11.70	11.59
Becton, Dickinson	0.80	0.58	0.69	9.46	2.88	9.41	10.14	9.77
Brown-Forman 'B'	0.90	0.97	0.94	9.46	2.88	11.77	11.91	11.84
Broadridge Fin'l	0.80	0.84	0.82	9.46	2.88	10.64	11.06	10.85
Brady Corp.	1.00	1.05	1.02	9.46	2.88	12.53	12.48	12.51
CACI Int'l	0.95	1.01	0.98	9.46	2.88	12.15	12.20	12.17
Casey's Gen'l Stores	0.90	0.91	0.91	9.46	2.88	11.49	11.70	11.59
Cadence Design Sys.	0.90	0.98	0.94	9.46	2.88	11.77	11.91	11.84
Cerner Corp.	0.90	0.89	0.90	9.46	2.88	11.39	11.63	11.51
CSW Industrials	0.90	1.05	0.97	9.46	2.88	12.06	12.13	12.09
Quest Diagnostics	0.85	0.96	0.91	9.46	2.88	11.49	11.70	11.59
Lauder (Estee)	0.95	1.00	0.98	9.46	2.88	12.15	12.20	12.17
Exponent, Inc.	0.90	0.94	0.92	9.46	2.88	11.58	11.77	11.68
Fastenal Co.	0.90	0.95	0.92	9.46	2.88	11.58	11.77	11.68
Gentex Corp.	0.95	1.06	1.01	9.46	2.88	12.43	12.41	12.42
Int'l Flavors & Frag	0.95	1.08	1.02	9.46	2.88	12.53	12.48	12.51
Ingredion Inc.	0.90	0.92	0.91	9.46	2.88	11.49	11.70	11.59
Iron Mountain	0.90	1.02	0.96	9.46	2.88	11.96	12.06	12.01
Hunt (J.B.)	0.95	0.91	0.93	9.46	2.88	11.68	11.84	11.76
J&J Snack Foods	0.90	0.77	0.84	9.46	2.88	10.83	11.20	11.02
Henry (Jack) & Assoc	0.85	0.89	0.87	9.46	2.88	11.11	11.42	11.26
ManTech Int'l 'A'	0.85	1.11	0.98	9.46	2.88	12.15	12.20	12.17
McCormick & Co.	0.80	0.70	0.75	9.46	2.88	9.97	10.57	10.27
Altria Group	0.90	0.88	0.89	9.46	2.88	11.30	11.56	11.43
MSA Safety	1.00	0.99	1.00	9.46	2.88	12.34	12.34	12.34
MSCI Inc.	0.95	0.94	0.94	9.46	2.88	11.77	11.91	11.84
Motorola Solutions	0.90	0.96	0.93	9.46	2.88	11.68	11.84	11.76
Vail Resorts	0.95	1.14	1.05	9.46	2.88	12.81	12.69	12.75
Maxim Integrated	0.95	0.99	0.97	9.46	2.88	12.06	12.13	12.09
Northrop Grumman	0.85	0.80	0.83	9.46	2.88	10.73	11.13	10.93
Old Dominion Freight	0.95	0.97	0.96	9.46	2.88	11.96	12.06	12.01
PerkinElmer Inc.	0.90	0.84	0.87	9.46	2.88	11.11	11.42	11.26
Philip Morris Int'l	0.95	0.91	0.93	9.46	2.88	11.68	11.84	11.76
Pool Corp.	0.85	0.95	0.90	9.46	2.88	11.39	11.63	11.51
Post Holdings	0.95	0.90	0.93	9.46	2.88	11.68	11.84	11.76
RLI Corp.	0.80	0.90	0.85	9.46	2.88	10.92	11.28	11.10
Rollins, Inc.	0.85	0.69	0.77	9.46	2.88	10.16	10.71	10.44
Selective Ins. Group	0.85	0.97	0.91	9.46	2.88	11.49	11.70	11.59
Sirius XM Holdings	0.95	1.10	1.02	9.46	2.88	12.53	12.48	12.51
Bio-Techne Corp.	0.80	0.93	0.86	9.46	2.88	11.02	11.35	11.18
Tetra Tech	0.95	1.06	1.00	9.46	2.88	12.34	12.34	12.34
Waters Corp.	0.95	0.86	0.91	9.46	2.88	11.49	11.70	11.59
West Pharmac. Svcs.	0.80	0.75	0.78	9.46	2.88	10.26	10.78	10.52
Western Union	0.80	1.05	0.93	9.46	2.88	11.68	11.84	11.76
		Mean	0.92			11.55 %	11.75 %	11.65 %
		Median	0.93			11.63 %	11.81 %	11.72 %
		Average of Mean and Median	0.93			11.59 %	11.78 %	11.69 %

Notes:
(1) From note 1 of page 2 of Schedule DWD-4.
(2) From note 2 of page 2 of Schedule DWD-4.
(3) Average of CAPM and ECAPM cost rates.

Atmos Energy Corporation
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

		[1]			[2]	[3]	[4]
Line No.		Market Capitalization on May 28, 2021 (1)			Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	Applicable Size Premium (3)	Spread from Applicable Size Premium (4)
		(millions)	(times larger)				
1.	Atmos Energy Corporation	$ 597.101			8	1.46%	
2.	Proxy Group of Seven Natural Gas Distribution Companies	$ 4,615.314	7.7	x	4	0.75%	0.71%

	[A]	[B]	[C]	[D]
	Decile	Market Capitalization of Smallest Company (millions)	Market Capitalization of Largest Company (millions)	Size Premium (Return in Excess of CAPM)*
Largest	1	$ 29,025.803	$ 1,966,078.882	-0.22%
	2	13,178.743	28,808.073	0.49%
	3	6,743.361	13,177.828	0.71%
	4	3,861.858	6,710.676	0.75%
	5	2,445.693	3,836.536	1.09%
	6	1,591.865	2,444.745	1.37%
	7	911.586	1,591.765	1.54%
	8	451.955	911.103	1.46%
	9	190.019	451.800	2.29%
Smallest	10	2.194	189.831	5.01%

*From 2021 Duff & Phelps Cost of Capital Navigator

Notes:

(1) From page 2 of this Schedule.

(2) Gleaned from Columns [B] and [C] on the bottom of this page. The appropriate decile (Column [A]) corresponds to the market capitalization of the proxy group, which is found in Column [1].

(3) Corresponding risk premium to the decile is provided in Column [D] on the bottom of this page.

(4) Line No. 1 Column [3] – Line No. 2 Column [3]. For example, the 0.71% in Column [4], Line No. 2 is derived as follows 0.71% = 1.46% - 0.75%.

Atmos Energy Corporation
Market Capitalization of Atmos Energy Corporation and the
Proxy Group of Seven Natural Gas Distribution Companies

Company	Exchange	[1] Common Stock Shares Outstanding at Fiscal Year End 2020 (millions)	[2] Book Value per Share at Fiscal Year End 2020 (1)	[3] Total Common Equity at Fiscal Year End 2020 (millions)	[4] Closing Stock Market Price on May 28, 2021	[5] Market-to-Book Ratio on May 28, 2021 (2)	[6] Market Capitalization on May 28, 2021 (3) (millions)
Atmos Energy Corporation		NA	NA	340.035 (4)	NA		
Based upon Proxy Group of Seven Natural Gas Distribution Companies						175.6 (5)	$ 597.101 (6)
Proxy Group of Seven Natural Gas Distribution Companies							
Atmos Energy Corporation	NYSE	$ 125.882	$ 53.949	$ 6,791.203	$ 99.170	183.8 %	$ 12,483.765
New Jersey Resources Corporation	NYSE	95.949	19.226	1,844.692	42.720	222.2	4,098.949
Northwest Natural Holding Company	NYSE	30.589	29.054	888.733	52.880	182.0	1,617.546
ONE Gas, Inc.	NYSE	53.167	42.006	2,233.311	74.320	176.9	3,951.352
South Jersey Industries, Inc.	NYSE	100.592	16.571	1,666.876	26.660	160.9	2,681.781
Southwest Gas Holdings, Inc.	NYSE	57.193	46.771	2,674.953	66.010	141.1	3,775.305
Spire Inc.	NYSE	51.612	44.182	2,280.300	71.660	162.2	3,698.501
Average		$ 73.569	$ 35.966	$ 2,625.724	$ 61.917	175.6 %	$ 4,615.314

NA= Not Available

Notes:
(1) Column 3 / Column 1.
(2) Column 4 / Column 2.
(3) Column 1 * Column 4.
(4) Requested rate base multiplied by the initial requested common equity ratio.
(5) The market-to-book ratio of Atmos Energy Corporation on May 28, 2021 is assumed to be equal to the market-to-book ratio of Proxy Group of Seven Natural Gas Distribution Companies on May 28, 2021 as appropriate.
(6) Column [3] multiplied by Column [5].

Source of Information: 2020 Annual Forms 10K
yahoo.finance.com
Bloomberg Professional

Atmos Energy Corporation
Derivation of the Flotation Cost Adjustment to the Cost of Common Equity

Equity Issuances and Flotation Costs for FY 2019, 2018, 2017, and 2016

Fiscal Year	Transaction (1)	[Column 1] Shares Issued	[Column 2] Average Offering Price per Share (2)	[Column 3] Net Proceeds per Share (3)	[Column 4] Gross Equity Issue before Costs	[Column 5] Total Net Proceeds	[Column 6] Total Flotation Costs (4)	[Column 7] Flotation Cost Percentage (5)
2019	At the Market Equity Offering	5,390,836	$ 92.7500	$ 91.6555	$ 500,000,000	$ 494,100,000	$ 5,900,000	1.18%
2018	At the Market Equity Offering	4,558,404	$ 87.7500	$ 86.6751	$ 400,000,000	$ 395,100,000	$ 4,900,000	1.23%
2017	At the Market Equity Offering	1,303,494	$ 76.7169	$ 75.7963	$ 100,000,000	$ 98,800,000	$ 1,200,000	1.20%
2016	At the Market Equity Offering	1,360,756	$ 73.4886	$ 72.4597	$ 100,000,000	$ 98,600,000	$ 1,400,000	1.40%
					$ 1,100,000,000	$ 1,086,600,000	$ 13,400,000	1.22%

Flotation Cost Adjustment

	Average Dividend Yield	Average Projected EPS Growth Rate	Adjusted Dividend Yield	Average DCF Cost Rate Unadjusted for Flotation (6)	DCF Cost Rate Adjusted for Flotation (7)	Flotation Cost Adjustment (8)
Proxy Group of Seven Natural Gas Distribution Companies	3.44 %	6.02 %	3.54 %	9.56 %	9.60 %	0.04 %

See page 2 of this Schedule for notes.

Source of Information: Company SEC filings

REQUEST:

Refer to the Raab Testimony, page 14, lines 9–10. Explain why storage facilities are classified as 50 percent demand and 50 percent commodity.

RESPONSE:

Storage facilities are classified as 50 percent demand and 50 percent commodity for two primary reasons. First, this classification scheme is employed to be consistent with prior studies. Second, the classification reflects the dual role that storage facilities play in meeting loads on the gas system: they meet periods of higher system demands and they also serve an important system balancing function. The use of the specific 50/50 classification factors is admittedly a judgment.

Respondent: Paul Raab

REQUEST:

Refer to the Raab Testimony, page 14, lines 12–13. For its customer/demand cost of service study (COSS), Atmos classified distribution mains and related facilities approximately 33 percent to customer and 67 percent to demand using the results of a minimum system study. Also refer to Atmos's response to Commission Staff's First Request for Information (Staff's First Request), Item 55, the analysis tab of Staff_1_55_ATT10_-_Raab_WP_-_KY_Mains_Data.xlsx. Explain why the calculation of the minimum cost for mains includes both 2-inch and less than 1-inch mains.

RESPONSE:

It is generally assumed that the minimum diameter main that would be installed to meet the needs of a modern gas distribution utility is 2-inches. Indeed, 2-inch mains make up 66.4% of the total number of feet of distribution mains on the Atmos Kentucky system, while 1-inch mains represent only 3.8%. Based on these relative amounts, it seems a reasonable assumption that a "minimum system" is comprised of all mains of diameter 2 inches and less.

Respondent: Paul Raab

REQUEST:

Refer to the Raab Testimony, page 14, lines 16–17. For the demand/community study, the allocation of mains was estimated to be 61 percent demand and 39 percent commodity based on the calculated system load factor. Provide support for the design day study and the associated load factor.

RESPONSE:

Please see Attachment 7 to the Company's response to Staff DR No. 1-55, the workpaper "factors_ky21.xlsx", tab "class peakday".

Respondent: Paul Raab

REQUEST:

Refer to the Raab Testimony, Exhibit PHR-5. Provide a similar exhibit comparing the COSS filed in this case as compared to the COSS filed in the 2018 Rate Case.

RESPONSE:

Please see Attachment 1 for a copy of Exhibit PHR-5 to the Testimony of Paul H. Raab filed in Case No. 2018-00281.

ATTACHMENT:

ATTACHMENT 1 - Staff_2-48_Att1 - Raab Exhibit PHR-5 2018-00281.pdf, 2 Pages.
Respondent: Paul Raab

SUMMARY OF ALTERNATIVE CLASS COST OF SERVICE STUDIES

Customer/Demand Study

Line No.		Return at Present Rates	Relative Return at Present Rates	Revenue Deficiency at Equalized Proposed Return	Allocation of Amortization of Excess ADIT	Revenue Increase at Equalized Proposed Return	Customer-Related Costs
1	Total Company	5.58%	1.00	$ 15,919,320	$ (1,463,766)	$ 14,455,554	$ 29.43
2	Residential Sales	3.95%	0.71	$ 17,729,653	$ (921,978)	$ 16,807,675	$ 27.02
3	Non-Residential Firm Sales	8.00%	1.43	$ (68,299)	$ (421,980)	$ (490,279)	$ 47.75
4	Non-Residential Interruptible Sales	0.35%	0.06	$ 300,495	$ (13,725)	$ 286,770	$ 214.90
5	Firm Transport	10.39%	1.86	$ (1,191,165)	$ (55,720)	$ (1,246,885)	$ 172.09
6	Interruptible Transport	9.87%	1.77	$ (851,364)	$ (50,363)	$ (901,727)	$ 169.32

Demand-Only Study

		Return at Present Rates	Relative Return at Present Rates	Revenue Deficiency at Equalized Proposed Return	Allocation of Amortization of Excess ADIT	Revenue Increase at Equalized Proposed Return	Customer-Related Costs
7	Total Company	5.58%	1.00	$ 15,919,320	$ (1,463,766)	$ 14,455,554	$ 19.91
8	Residential Sales	5.65%	1.01	$ 8,802,533	$ (851,580)	$ 7,950,953	$ 17.48
9	Non-Residential Firm Sales	5.99%	1.07	$ 2,990,330	$ (446,100)	$ 2,544,230	$ 38.27
10	Non-Residential Interruptible Sales	-1.96%	(0.35)	$ 576,282	$ (15,900)	$ 560,382	$ 207.96
11	Firm Transport	5.40%	0.97	$ 1,744,267	$ (78,869)	$ 1,665,398	$ 169.20
12	Interruptible Transport	5.05%	0.90	$ 1,805,909	$ (71,318)	$ 1,734,591	$ 170.03

Demand/Commodity Study

		Return at Present Rates	Relative Return at Present Rates	Revenue Deficiency at Equalized Proposed Return	Allocation of Amortization of Excess ADIT	Revenue Increase at Equalized Proposed Return	Customer-Related Costs
13	Total Company	5.58%	1.00	$ 15,919,320	$ (1,463,766)	$ 14,455,554	$ 19.91
14	Residential Sales	6.40%	1.15	$ 5,620,434	$ (826,521)	$ 4,793,913	$ 17.48
15	Non-Residential Firm Sales	6.67%	1.19	$ 1,853,875	$ (437,157)	$ 1,416,718	$ 38.26
16	Non-Residential Interruptible Sales	-1.50%	(0.27)	$ 502,542	$ (15,314)	$ 487,228	$ 206.59
17	Firm Transport	3.60%	0.64	$ 3,494,505	$ (92,652)	$ 3,401,852	$ 171.80
18	Interruptible Transport	2.39%	0.43	$ 4,447,964	$ (92,123)	$ 4,355,841	$ 176.95

SUMMARY OF ALTERNATIVE CLASS COST OF SERVICE STUDIES

Revenue Deficiency at Equalized Proposed Return

Line No.		Minimum Revenue Increase Indicated	Maximum Revenue Increase Indicated	Average Revenue Increase Indicated	Proposed Revenue Increase
1	Total Company	$ 14,455,554	$ 14,455,554	$ 14,455,554	$ 14,455,538
2	Residential Sales	$ 4,793,913	$ 16,807,675	$ 9,850,847	$ 8,410,568
3	Non-Residential Firm Sales	$ (490,279)	$ 2,544,230	$ 1,156,890	$ 3,426,441
4	Non-Residential Interruptible Sales	$ 286,770	$ 560,382	$ 444,793	$ 47,663
5	Firm Transport	$ (1,246,885)	$ 3,401,852	$ 1,273,455	$ 1,499,112
6	Interruptible Transport	$ (901,727)	$ 4,355,841	$ 1,729,568	$ 1,071,753

Customer-Related Costs at Equalized Proposed Return

		Minimum Customer-Related Cost Indicated	Maximum Customer-Related Cost Indicated	Average Customer-Related Cost Indicated	Proposed Customer-Related Cost
7	Total Company	$ 19.91	$ 29.43	$ 23.08	
8	Residential Sales	$ 17.48	$ 27.02	$ 20.66	$ 20.50
9	Non-Residential Firm Sales	$ 38.26	$ 47.75	$ 41.43	$ 51.75
10	Non-Residential Interruptible Sales	$ 206.59	$ 214.90	$ 209.82	$ 435.00
11	Firm Transport	$ 169.20	$ 172.09	$ 171.03	$ 435.00
12	Interruptible Transport	$ 169.32	$ 176.95	$ 172.10	$ 435.00

REQUEST:

Refer to the Application, FR_16(8)(j)_Att1_-_Schedule_J, Tab J-3 B.

a. Provide an explanation for the increase in the interest rates for the $200MM 3Yr. Term Load from 2.320 percent to 2.425 percent.

b. Provide an explanation for the increase in the 13-month average amount outstanding for the 1.500 percent Sr. Notes Due 2031 from $276,923,077.

RESPONSE:

a. On April 9, 2020, we entered into a two year bears interest at a rate of LIBOR plus 1.25 percent. The 2.320 reflects a 13 month average of the outstanding principle and the 2.425 represents the rate as of 03/31/2021.

b. The 1.500 percent Sr. Notes Due 2031 of $600mm was only outstanding for 5 of the 13 months as of 03/31/2021. The forecast period Schedule_J, Tab J-3 F utilizes a full 13 months in calculating the 13 month average outstanding.

Respondent: Joe Christian

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 49, Staff_1-49_Att1_-__Average_Number_of_Customers.xlxs.

a. Explain whether the increase in residential customers between calendar year 2019 and 2020 is due to the COVID-19 disconnect moratorium or another reason.

b. Explain whether the increase in commercial customers between calendar years 2019 and 2020 is due to the COVID-19 disconnect moratorium or another reason.

RESPONSE:

a. The Company's residential customer count is higher than it otherwise would be in the absence of the COVID-19 disconnect moratorium; however, the Company cannot quantify how much higher the customer count or whether the count is directly related to the COVID-19 disconnect moratorium.

b. The Company's commercial customer count is higher than it otherwise would be in the absence of the COVID-19 disconnect moratorium; however, the Company cannot quantify how much higher the customer count or whether the count is directly related to the COVID-19 disconnect moratorium.

Respondent: Josh Densman

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 55. Also refer to Tab Cust. Summ. of Staff_1-55_Att4_-_Raab_WP_-_COSA_Atmos_KY_customer_demand_only .xlsx.

a. Explain how the Total Fixed Costs at Equalized rate of return (ROR) of $111,720,583 was calculated as well as each rate class total.

b. Refer to line 30 where the total customer-Related Costs at Equalized ROR are reported. Also refer to the Raab Testimony, Exhibit PHR-5, page 2 of 2, Calculated Fixed Costs at Equalized Proposed Return Table. Explain why the fixed cost in the table are not the Total Customer Costs at Equalized ROR as see in line 30.

RESPONSE:

a. The Total Fixed Costs at Equalized rate of return (ROR) of $111,720,583 and the corresponding values for each rate class total were calculated as the sum of the identified "fixed" costs from an intermediate scenario of the customer/demand class cost of service study, i.e., the sum of the Total Customer-Related Costs @ Equalized ROR and the Total Demand-Related Costs @ Equalized ROR. Updated values are as follows:

Class	Total Fixed Costs @ Equalized ROR	Customers	Dollars/Customer/Month
Total Company	$ 115,919,366	181,046	$ 53.36
Residential Sales	$ 77,457,402	160,872	$ 40.12
Non-Residential Sales Firm	$ 23,879,910	19,977	$ 99.61
Non-Residential Sales Interruptible	$ 305,488	8	$ 3,149.36
Transport Firm	$ 7,513,773	119	$ 5,259.50
Transport Interruptible	$ 6,762,793	70	$ 8,070.16

b. The Total Customer-Related Costs at Equalized ROR that are shown on line 30 of the Tab Cust. Summ. of Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_customer_demand would not necessarily show up in the Calculated Fixed Costs at Equalized Proposed Return that are summarized in the table on page 2 of 2 of Exhibit PHR-5 because these represent the Minimum Customer-Related Cost Indicated, the Maximum Customer-Related Cost Indicated, the Average Customer-Related Cost Indicated, and the Proposed Customer-Related Cost by class. However, assuming that the question is intended to reference the Customer/Demand Study table on page 1 of 2 of Exhibit PHR-5, the Calculated Fixed Costs are not the same as the Total Customer Costs at Equalized ROR as seen in line 30 of tab "Cust. Summ." of "Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_customer_demand.xlsx" because the customer-related costs are only a portion of the fixed costs that the customer charges of the rates are designed to collect.

Respondent: Paul Raab

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 55. Also refer to Tab Cust. Summ. of Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_demand_only.xlsx.

a. Explain how the Total Fixed Costs at Equalized ROR of $88,295,839 was calculated as well as each rate class total.

b. Refer to line 30 where the total customer-Related Costs at Equalized ROR are reported. Also refer to the Raab Testimony, Exhibit PHR-5, page 2 of 2, Calculated Fixed Costs at Equalized Proposed Return Table. Explain why the fixed costs in the table are not the Total Customer Costs at Equalized ROR as see in line 30.

RESPONSE:

a. The Total Fixed Costs at Equalized ROR of $88,295,839 and the corresponding values for each rate class total were calculated as the sum of the identified "fixed" costs from an intermediate scenario of the demand-only class cost of service study, i.e., the sum of the Total Customer-Related Costs @ Equalized ROR and the Total Demand-Related Costs @ Equalized ROR. Updated values are as follows:

Class	Total Fixed Costs @ Equalized ROR	Customers	Dollars/Customer/Month
Total Company	$ 115,919,366	181,046	$ 53.36
Residential Sales	$ 67,497,121	160,872	$ 34.96
Non-Residential Sales Firm	$ 27,201,808	19,977	$ 113.47
Non-Residential Sales Interruptible	$ 438,818	8	$ 4,523.90
Transport Firm	$ 10,915,431	119	$ 7,640.60
Transport Interruptible	$ 9,866,189	70	$ 11,773.49

b. The Total Customer-Related Costs at Equalized ROR that are shown on line 30 of tab "Cust. Summ." of "Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_demand_only.xlsx" would not necessarily show up in the Calculated Fixed Costs at Equalized Proposed Return that are summarized in the table on page 2 of 2 of Exhibit PHR-5 because these represent the Minimum Customer-Related Cost Indicated, the Maximum Customer-Related Cost Indicated, the Average Customer-Related Cost Indicated, and the Proposed Customer-Related Cost by class. However, assuming that the question is intended to reference the Demand-Only Study table on page 1 of 2 of Exhibit PHR-5, the Calculated Fixed Costs are not the same as the Total Customer Costs at Equalized ROR as seen in line 30 of tab "Cust. Summ." of "Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_demand_only.xlsx" because the customer-related costs are only a portion of the fixed costs that the customer charges of the rates are designed to collect.

Respondent: Paul Raab

REQUEST:

Refer to Atmos's response to Staff's First Request, Item 55. Also refer to Tab Cust. Summ. of Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_demand_only.xlsx.

a. Explain how the Total Fixed Costs at Equalized ROR of $88,321,603 was calculated as well as each rate class total.

b. Refer to line 30 where the total customer-Related Costs at Equalized ROR are reported. Also refer to the Raab Testimony, Exhibit PHR-5, page 2 of 2, Calculated Fixed Costs at Equalized Proposed Return Table. Explain why the fixed cost in the table are not the Total Customer Costs at Equalized ROR as see in line 30.

RESPONSE:

a. Assuming that the question refers to tab "Cust. Summ." of "Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_demand_commodity.xlsx", the Total Fixed Costs at Equalized ROR of $88,321,603 as well as each rate class total is calculated as the sum of the Total Customer-Related Costs @ Equalized ROR and the equivalent class value of the Total Demand-Related Costs @ Equalized ROR from the Tab Demand Summ., divided by customers.

b. The Total Customer-Related Costs at Equalized ROR that are shown on line 30 of tab "Cust. Summ." of "Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_demand_commodity.xlsx" would not necessarily show up in the Calculated Fixed Costs at Equalized Proposed Return that are summarized in the table on page 2 of 2 of Exhibit PHR-5 because these represent the Minimum Customer-Related Cost Indicated, the Maximum Customer-Related Cost Indicated, the Average Customer-Related Cost Indicated, and the Proposed Customer-Related Cost by class. However, assuming that the question is intended to reference the Demand/Commodity Study table on page 1 of 2 of Exhibit PHR-5, the Calculated Fixed Costs are not the same as the Total Customer Costs at Equalized ROR as seen in line 30 of tab "Cust. Summ." of "Staff_1-55_Att6_-_Raab_WP_-_COSA_Atmos_KY_demand_commodity.xlsx" because the customer-related costs are only a portion of the fixed costs that the customer charges of the rates are designed to collect.

Respondent: Paul Raab

REQUEST:

Refer to Atmos's Response to Staff's First Request, Item 55, workpaper "KY Revenue Billing Unit Forecast TYE 12.31.2022.xlsx", Tab "Other Revenue."

a. Provide a narrative description of how the number of nonrecurring services was forecasted for each charge listed for the forecasted test year.

b. Confirm that Atmos has not forecast any instances of the Reconnect Delinquent Service being charged during the forecasted test year. If confirmed, explain why.

c. Confirm that Atmos has only forecasted three instances of the Seasonal Charge being charged during the forecasted test year. If confirmed, explain why.

d. Confirm that Atmos has not forecasted any instances of the Meter Test Charge being charged during the forecasted test year. If confirmed, explain why.

RESPONSE:

a. All of these charges and counts are based on the actuals for the Twelve Months Ended March 2021. As consistent with historic revenue filings in Kentucky, the Company has used actuals.

b. Confirm. As the Company has reviewed both revenue and O&M impacts due to COVID-19, generally the reduction in revenue has been off-set by a reduction in O&M. Due to the uncertainty of how soon reconnect delinquent service, seasonal charge, and meter testing charges will return to a more normalized level as well as O&M savings generated by reduced travel and other O&M returning to a more normal level we have chosen to make no changes to these items which implicitly means the reduced revenue and reduced O&M will continue to roughly offset one another when rates go into effect.

c. Please see the response to subpart (b).

d. Please see the response to subpart (c).

Respondents: Josh Densman and Joe Christian

REQUEST:

Provide, in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible, the average monthly bill impact for each customer class based on current and proposed base rates and not including any riders, roll-in of the pipeline replacement program charges, and the gas cost adjustment.

RESPONSE:

Please see Attachment 1. In Attachment 1, please see the worksheet tab "RATES AS FILED With No PRP, CGA" for the calculations using the Company's proposed rates as filed. For rates as revised for revisions to the revenue requirement model provided as a supplement to Staff DR No. 1-55, please see the worksheet tab "REVISED RATES With No PRP, CGA".

ATTACHMENT:

ATTACHMENT 1 - Staff_2-55_Att1 - Bill Impacts.xlsx, 5 Pages.

Respondent: Brannon Taylor

Atmos Energy Corporation
Case No. 2021-00214

Average Monthly Bill Impacts -- Present v Proposed, No PRP or GCA -- **RATES AS FILED**

Customer Class	Average Monthly Usage (Mcf)	Average Monthly Bill (Present Rates)	Average Monthly Bill (Proposed Rates)	Increase in Average Monthly Bill ($)	Increase in Average Monthly Bill (%)
G-1 Firm Services - Residential	5.2	26.49	31.48	4.99	18.8%
G-1 Firm Services - Non-Residential	27.5	89.89	106.87	16.98	18.9%
G-2 Interruptible Sales	2,745.0	2,720.76	3,212.56	491.80	18.1%
T-4 Firm Transportation	5,162.1	5,557.56	6,539.54	981.98	17.7%
T-3 Interruptible Transportation	9,956.8	8,776.03	10,428.25	1,652.22	18.8%

Rates - AS FILED

Customer Class Base Rate		Present Base	Present PRP	Present Total	Proposed Excl. PRP	Proposed
G-1 Firm Services - Residential		$19.30	$1.38	$20.68	$23.02	$24.40
G-1 Firm Services - Non-Residential		$51.75	$4.50	56.25	$62.00	66.50
G-2 Interruptible Sales		$435.00	$20.56	455.56	$519.44	540.00
T-4 Firm Transportation		$435.00	$23.20	458.20	$516.80	540.00
T-3 Interruptible Transportation		$435.00	$22.97	457.97	$517.03	540.00

Customer Class Volumetric Rate		Present Base	Present PRP	Present Total	Proposed Excl. PRP	Proposed
G-1 Firm Services - Residential	Block 1 (1-300)	1.3855	0.0000	1.3855	1.6300	1.6300
	Block 2 (301-15000)	0.9578	0.0000	0.9578	1.1302	1.1302
	Block 3 (Over 15000)	0.7651	0.0000	0.7651	0.9028	0.9028
G-1 Firm Services - Non-Residential	Block 1 (1-300)	1.3855	0.0000	1.3855	1.6300	1.6300
	Block 2 (301-15000)	0.9578	0.0000	0.9578	1.1302	1.1302
	Block 3 (Over 15000)	0.7651	0.0000	0.7651	0.9028	0.9028
G-2 Interruptible Sales	Block 1 (1-15000)	0.8327	0.0239	0.8566	0.9811	1.0050
	Block 2 (Over 15000)	0.6387	0.0183	0.6570	0.7570	0.7753
T-4 Firm Transportation	Block 1 (1-300)	1.3855	0.0653	1.4508	1.6147	1.6800
	Block 2 (301-15000)	0.9578	0.0452	1.0030	1.1288	1.1740
	Block 3 (Over 15000)	0.7651	0.0361	0.8012	0.9029	0.9390
T-3 Interruptible Transportation	Block 1 (1-15000)	0.8327	0.0433	0.8760	0.9904	1.0337
	Block 2 (Over 15000)	0.6387	0.0332	0.6719	0.7596	0.7928

Customer Class Gas Cost	Present	Proposed
G-1 Firm Services - Residential	$0.0000	$0.0000
G-1 Firm Services - Non-Residential	$0.0000	$0.0000
G-2 Interruptible Sales	$0.0000	$0.0000
T-4 Firm Transportation	na	na
T-3 Interruptible Transportation	na	na

Other Fees		
G-1 Firm Services - Residential		
G-1 Firm Services - Non-Residential		
G-2 Interruptible Sales		
T-4 Firm Transportation	$50.00	$50.00
T-3 Interruptible Transportation	$50.00	$50.00

Atmos Energy Corporation
Case No. 2021-00214

Average Monthly Bill Impacts -- Present v Proposed, No PRP or GCA -- **REVISED RATES**

Customer Class	Average Monthly Usage (Mcf)	Average Monthly Bill (Present Rates)	Average Monthly Bill (Proposed Rates)	Increase in Average Monthly Bill ($)	Increase in Average Monthly Bill (%)
G-1 Firm Services - Residential	5.2	26.49	31.16	4.67	17.6%
G-1 Firm Services - Non-Residential	27.5	89.89	106.09	16.20	18.0%
G-2 Interruptible Sales	2,745.0	2,720.76	3,178.84	458.07	16.8%
T-4 Firm Transportation	5,162.1	5,557.56	6,268.16	710.60	12.8%
T-3 Interruptible Transportation	9,956.8	8,776.03	10,072.70	1,296.67	14.8%

Rates - REVISED

Customer Class Base Rate		Present Base	Present PRP	Present Total	Proposed Excl. PRP	Proposed
G-1 Firm Services - Residential		$19.30	$1.38	$20.68	$22.75	$24.13
G-1 Firm Services - Non-Residential		$51.75	$4.50	56.25	$61.50	66.00
G-2 Interruptible Sales		$435.00	$20.56	455.56	$499.44	520.00
T-4 Firm Transportation		$435.00	$23.20	458.20	$496.80	520.00
T-3 Interruptible Transportation		$435.00	$22.97	457.97	$497.03	520.00

Customer Class Volumetric Rate		Present Base	Present PRP	Present Total	Proposed Excl. PRP	Proposed
G-1 Firm Services - Residential	Block 1 (1-300)	1.3855	0.0000	1.3855	1.6200	1.6200
	Block 2 (301-15000)	0.9578	0.0000	0.9578	1.1260	1.1260
	Block 3 (Over 15000)	0.7651	0.0000	0.7651	0.9300	0.9300
G-1 Firm Services - Non-Residential	Block 1 (1-300)	1.3855	0.0000	1.3855	1.6200	1.6200
	Block 2 (301-15000)	0.9578	0.0000	0.9578	1.1260	1.1260
	Block 3 (Over 15000)	0.7651	0.0000	0.7651	0.9300	0.9300
G-2 Interruptible Sales	Block 1 (1-15000)	0.8327	0.0239	0.8566	0.9761	1.0000
	Block 2 (Over 15000)	0.6387	0.0183	0.6570	0.8017	0.8200
T-4 Firm Transportation	Block 1 (1-300)	1.3855	0.0653	1.4508	1.5547	1.6200
	Block 2 (301-15000)	0.9578	0.0452	1.0030	1.0808	1.1260
	Block 3 (Over 15000)	0.7651	0.0361	0.8012	0.8939	0.9300
T-3 Interruptible Transportation	Block 1 (1-15000)	0.8327	0.0433	0.8760	0.9567	1.0000
	Block 2 (Over 15000)	0.6387	0.0332	0.6719	0.7868	0.8200

Customer Class Gas Cost	Present	Proposed
G-1 Firm Services - Residential	$0.0000	$0.0000
G-1 Firm Services - Non-Residential	$0.0000	$0.0000
G-2 Interruptible Sales	$0.0000	$0.0000
T-4 Firm Transportation	na	na
T-3 Interruptible Transportation	na	na

Other Fees	Present	Proposed
G-1 Firm Services - Residential		
G-1 Firm Services - Non-Residential		
G-2 Interruptible Sales		
T-4 Firm Transportation	$50.00	$50.00
T-3 Interruptible Transportation	$50.00	$50.00

Atmos Energy Corporation
Case No. 2021-00214

Detail for Notice Table

Customer Class	Average Monthly Usage (Mcf)	Average Monthly Bill (Present Rates)	Average Monthly Bill (Proposed Rates)	Increase in Average Monthly Bill ($)	Increase in Average Monthly Bill (%)
G-1 Firm Services - Residential	5.2	51.44	56.43	4.99	9.7%
G-1 Firm Services - Non-Residential	27.5	219.40	236.38	16.98	7.7%
G-2 Interruptible Sales	2,745.0	11,661.48	12,153.28	491.80	4.2%
T-4 Firm Transportation	5,162.1	5,820.12	6,802.10	981.98	16.9%
T-3 Interruptible Transportation	9,956.8	9,230.13	10,882.35	1,652.22	17.9%

Detail for Notice Rates

Customer Class Base Rate		Present	Proposed				
G-1 Firm Services - Residential		$20.68	$24.40			$3.72	18.0%
G-1 Firm Services - Non-Residential		56.25	66.50			$10.25	18.2%
G-2 Interruptible Sales		455.56	540.00			$84.44	18.5%
T-4 Firm Transportation		458.20	540.00			$81.80	17.9%
T-3 Interruptible Transportation		457.97	540.00			$82.03	17.9%
Customer Class Volumetric Rate				Combined Volumetric for Notice			
G-1 Firm Services - Residential	Block 1	1.3855	1.6300	$5.9272	$6.1717	$0.2445	4.1%
	Block 2	0.9578	1.1302	$5.4995	$5.6719	$0.1724	3.1%
	Block 3	0.7651	0.9028	$5.3068	$5.4445	$0.1377	2.6%
G-1 Firm Services - Non-Residential	Block 1	1.3855	1.6300	$5.9272	$6.1717	$0.2445	4.1%
	Block 2	0.9578	1.1302	$5.4995	$5.6719	$0.1724	3.1%
	Block 3	0.7651	0.9028	$5.3068	$5.4445	$0.1377	2.6%
G-2 Interruptible Sales	Block 1	0.8566	1.0050	$4.0823	$4.2307	$0.1484	3.6%
	Block 2	0.6570	0.7753	$3.8827	$4.0010	$0.1183	3.0%
T-4 Firm Transportation	Block 1	1.4508	1.6800	$1.4508	$1.6800	$0.2292	15.8%
	Block 2	1.0030	1.1740	$1.0030	$1.1740	$0.1710	17.0%
	Block 3	0.8012	0.9390	$0.8012	$0.9390	$0.1378	17.2%
T-3 Interruptible Transportation	Block 1	0.8760	1.0337	$0.8760	$1.0337	$0.1577	18.0%
	Block 2	0.6719	0.7928	$0.6719	$0.7928	$0.1209	18.0%
Customer Class Gas Cost - From Latest Tariff							
G-1 Firm Services - Residential		$4.5417	$4.5417				
G-1 Firm Services - Non-Residential		$4.5417	$4.5417				
G-2 Interruptible Sales		$3.2257	$3.2257				
T-4 Firm Transportation		na	na				
T-3 Interruptible Transportation		na	na				
Other Fees							
G-1 Firm Services - Residential							
G-1 Firm Services - Non-Residential							
G-2 Interruptible Sales							
T-4 Firm Transportation		$50.00	$50.00				
T-3 Interruptible Transportation		$50.00	$50.00				

ATMOS ENERGY CORPORATION - KENTUCKY
CASE NO. 2021-0214
TEST YEAR ENDING DEC, 31 2022

Tariff-Level Calculations

Line No.	Customer Class	Average Monthly Customers	Average Monthly Usage (Mcf)
1	G-1 Firm Services - Residential	160,872	5.2
10	G-1 Firm Services - Non-Residential	19,977	27.5
19	G-2 Interruptible Sales	8	2,745.0
27	T-4 Firm Transportation	119	5,162.1
38	T-3 Interruptible Transportation	70	9,956.8

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TEST YEAR ENDING DEC, 31 2022
CURRENT & PROPOSED RATES

Line No.	Class of Customers	Current Rate	Proposed Rate	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total Billing Units
				(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	RESIDENTIAL (Rate G-1)															
2	FIRM BILLS	$20.68	$24.40	162,090	161,803	163,021	160,753	160,313	160,182	159,941	159,437	159,410	160,372	160,914	162,226	1,930,462
3	Sales: 1-300	1.3855	1.6300	1,857,318	2,012,321	1,399,888	894,359	417,321	201,246	158,271	157,773	161,795	317,627	917,735	1,522,955	10,018,608
4	Sales: 301-15000	0.9578	1.1302	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Sales: Over 15000	0.7651	0.9028	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CLASS TOTAL (Mcf/month)			1,857,318	2,012,321	1,399,888	894,359	417,321	201,246	158,271	157,773	161,795	317,627	917,735	1,522,955	10,018,608
7	Gas Charge per Mcf	$4.63		$4.87	$4.49	$4.49	$4.49	$4.68	$4.68	$4.68	$4.69	$4.69	$4.69	$4.67	$4.67	
8	Gas Costs			$9,045,217	$9,030,639	$6,282,236	$4,013,590	$1,954,228	$942,396	$741,153	$739,225	$758,071	$1,488,202	$4,286,120	$7,112,697	$46,393,776
9																
10	FIRM COMMERCIAL (Rate G-1)															
11	FIRM BILLS	56.25	66.50	18,580	18,557	18,757	18,428	18,263	18,041	17,905	17,765	17,749	17,980	18,211	18,483	218,719
12	Sales: 1-300	1.3855	1.6300	698,561	750,728	566,070	402,387	254,646	171,530	156,316	143,655	120,025	155,217	386,577	605,127	4,410,839
13	Sales: 301-15000	0.9578	1.1302	107,392	113,312	72,279	43,432	11,216	12,022	10,303	21,661	46,610	70,095	62,275	72,079	642,678
14	Sales: Over 15000	0.7651	0.9028	0	0	0	0	0	0	0	0	0	0	0	0	0
15	CLASS TOTAL (Mcf/month)			805,953	864,039	638,349	445,819	265,862	183,552	166,620	165,316	166,636	225,312	448,853	677,207	5,053,517
16	Gas Charge per Mcf	$4.63		$4.87	$4.49	$4.49	$4.49	$4.68	$4.68	$4.68	$4.69	$4.69	$4.69	$4.67	$4.67	
17	Gas Costs			$3,925,025	$3,877,525	$2,864,700	$2,000,688	$1,244,979	$859,538	$780,246	$774,570	$780,752	$1,055,674	$2,096,288	$3,162,776	$23,422,762
18																
19	FIRM INDUSTRIAL (Rate G-1)															
20	FIRM BILLS	$56.25	$66.50	223	226	216	207	219	214	219	216	218	222	212	215	2,607
21	Sales: 1-300	1.3855	1.6300	42,513	44,952	40,595	28,438	18,852	8,968	9,790	8,169	11,744	12,846	19,888	37,041	283,794
22	Sales: 301-15000	0.9578	1.1302	74,752	94,325	54,095	15,834	10,226	3,503	3,411	8,163	15,930	10,787	19,891	46,786	357,703
23	Sales: Over 15000	0.7651	0.9028	0	0	0	0	0	0	0	0	0	0	0	0	0
24	CLASS TOTAL (Mcf/month)			117,265	139,277	94,690	44,272	29,077	12,470	13,201	16,332	27,674	23,633	39,779	83,828	641,497
25	Gas Charge per Mcf	$4.63		$4.87	$4.49	$4.49	$4.49	$4.68	$4.68	$4.68	$4.69	$4.69	$4.69	$4.67	$4.67	
26	Gas Costs			$571,083	$625,029	$424,937	$198,678	$136,163	$58,395	$61,816	$76,520	$129,663	$110,729	$185,782	$391,503	$2,970,298
27																
28	FIRM PUBLIC AUTHORITY (Rate G-1)															
29	FIRM BILLS	$56.25	$66.50	1,534	1,534	1,563	1,522	1,540	1,553	1,523	1,530	1,529	1,525	1,518	1,530	18,401
30	Sales: 1-300	1.3855	1.6300	122,829	131,460	96,997	69,709	38,973	24,586	21,255	20,578	21,333	31,746	73,277	109,053	761,797
31	Sales: 301-15000	0.9578	1.1302	31,609	35,282	23,562	9,953	4,251	1,855	1,343	2,123	1,673	3,274	7,915	19,002	141,842
32	Sales: Over 15000	0.7651	0.9028	0	0	0	0	0	0	0	0	0	0	0	0	0
33	CLASS TOTAL (Mcf/month)			154,438	166,742	120,559	79,662	43,224	26,441	22,598	22,702	23,006	35,020	81,192	128,055	903,639
34	Gas Charge per Mcf	$4.63		$4.87	$4.49	$4.49	$4.49	$4.68	$4.68	$4.68	$4.69	$4.69	$4.69	$4.67	$4.67	
35	Gas Costs			$752,119	$748,285	$541,031	$357,496	$202,411	$123,818	$105,823	$106,365	$107,790	$164,080	$379,193	$598,059	$4,186,470
36																
37	INTERRUPTIBLE COMMERCIAL (G-2)															
38	INT BILLS	455.56	540.00	2	4	2	4	5	2	2	2	2	3	3	3	34
39	Sales: 1-15000	0.8566	1.0050	2,114	3,301	2,364	1,366	996	146	1	1	1	337	1,111	1,513	13,250
40	Sales: Over 15000	0.6570	0.7753	0	0	0	0	0	0	0	0	0	0	0	0	0
41	CLASS TOTAL (Mcf/month)			2,114	3,301	2,364	1,366	996	146	1	1	1	337	1,111	1,513	13,250
42	Gas Charge per Mcf	$3.34		$3.60	$3.22	$3.22	$3.22	$3.41	$3.41	$3.41	$3.42	$3.42	$3.42	$3.40	$3.40	
43	Gas Costs			$7,610	$10,622	$7,607	$4,397	$3,399	$499	$3	$2	$3	$1,152	$3,782	$5,152	$44,227
44																
45	INTERRUPTIBLE INDUSTRIAL (G-2)															
46	INT BILLS	455.56	540.00	5	5	5	6	6	6	5	5	5	5	5	5	63
47	Sales: 1-15000	0.8566	1.0050	19,258	15,242	9,221	30,567	16,305	10,104	14,805	16,702	24,423	16,040	17,055	13,825	203,547
48	Sales: Over 15000	0.6570	0.7753	0	0	0	16,188	0	0	0	0	33,279	0	0	0	49,468
49	CLASS TOTAL (Mcf/month)			19,258	15,242	9,221	46,756	16,305	10,104	14,805	16,702	57,703	16,040	17,055	13,825	253,015
50	Gas Charge per Mcf			$3.60	$3.22	$3.22	$3.22	$3.41	$3.41	$3.41	$3.42	$3.42	$3.42	$3.40	$3.40	
51	Gas Costs			$69,331	$49,047	$29,671	$150,451	$55,649	$34,485	$50,528	$57,046	$197,086	$54,783	$58,071	$47,072	$853,220
52																
53	TRANSPORTATION (T-4)															
54	TRANSPORTATION BILLS	$458.20	$540.00	119	119	119	120	119	119	119	119	119	119	119	119	1,429
55	Trans Admin Fee			5,900	5,900	5,900	5,950	5,900	5,900	5,900	5,900	5,900	5,900	5,900	5,900	$70,850
56	EFM Fee			6,750	6,750	6,750	6,825	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	$81,075
57	Parking Fee			0	6	36	30	11	6	1	0	1	1	0	0	$92
58	Firm Transport: 1-300	1.4508	1.6800	35,863	36,000	36,000	36,300	33,938	34,224	32,981	32,222	32,041	33,052	34,414	35,950	412,985
59	Firm Transport: 301-15000	1.0030	1.1740	563,013	599,375	587,607	487,844	326,094	334,303	354,218	343,932	358,032	381,992	439,067	473,684	5,249,162
60	Firm Transport: Over 1500	0.8012	0.9390	191,692	238,603	184,398	160,305	110,240	79,556	101,649	101,324	104,674	144,723	146,786	148,519	1,712,468
61	CLASS TOTAL (Mcf/month)			790,569	873,978	808,005	684,449	470,271	448,083	488,848	477,478	494,747	559,767	620,267	658,152	7,374,615
62																
63	ECONOMIC DEV RIDER (EDR)															
64	Firm Transport: 1-300	1.039125	1.2600	0	0	0	0	0	0	0	0	0	0	0	0	0
65	Firm Transport: 301-15000	0.7184	0.8805	0	0	0	0	0	0	0	0	0	0	0	0	0
66	Firm Transport: Over 15000	0.5738	0.7043	1,993	4,507	3,488	1,800	1,853	0	1,997	42	0	1,764	2,765	3,257	23,465
67	CLASS TOTAL (Mcf/month)			1,993	4,507	3,488	1,800	1,853	0	1,997	42	0	1,764	2,765	3,257	23,465
68																
69	TRANSPORTATION (T-3)															
70	TRANSPORTATION BILLS	457.97	540.00	70	69	69	70	70	70	70	70	70	70	70	70	838
71	Trans Admin Fee			3,450	3,400	3,400	3,450	3,450	3,450	3,450	3,450	3,450	3,450	3,450	3,450	$41,300
72	EFM Fee			3,900	3,825	3,825	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	$46,650
73	Parking Fee			415	428	430	215	72	165	71	99	64	71	228	315	$2,573
74	Interrupt Transport: 1-15000	0.8760	1.0337	461,080	457,872	443,740	425,993	396,964	367,093	376,659	367,569	371,894	397,732	427,385	443,997	4,937,982
75	Interrupt Transport: Over 15000	0.6719	0.7928	306,652	374,923	310,979	306,551	240,113	234,556	249,690	217,672	277,249	269,069	323,690	294,674	3,405,819
76	CLASS TOTAL (Mcf/month)			767,732	832,795	754,719	732,544	637,077	601,649	626,349	585,241	649,142	666,802	751,075	738,672	8,343,801
77																
78	SPECIAL CONTRACTS															
79	TRANSPORTATION BILLS	435.00	435.00	13	13	13	13	13	13	13	13	13	13	13	13	151
80	Trans Admin Fee			600	600	600	600	600	600	600	600	600	600	600	600	$7,200
81	EFM Fee			675	675	675	675	675	675	675	675	675	675	675	675	$8,100
82	Parking Fee			10,788	7,781	8,972	11,992	7,869	7,467	10,589	5,875	9,801	6,875	11,242	16,253	$115,505
83	Transported Volumes	Various	Various	1,499,644	1,573,203	1,368,534	1,305,767	1,050,189	943,578	1,108,964	1,219,010	1,335,049	1,143,650	1,252,412	1,325,543	15,125,542
84	Charges for Transport Volumes			260,105	273,244	230,796	206,922	173,139	144,370	174,424	199,397	230,472	192,263	207,329	224,325	$2,516,787
85	CLASS TOTAL (Mcf/month)			1,499,644	1,573,203	1,368,534	1,305,767	1,050,189	943,578	1,108,964	1,219,010	1,335,049	1,143,650	1,252,412	1,325,543	15,125,542
86																
87	OTHER REVENUE (Current)															
88	Service Charges			$13,265	$12,790	$11,209	$25,716	$22,720	$22,154	$24,641	$21,821	$25,606	$21,842	$14,779	$17,743	
89	Late Payment Fees			$164,748	$191,837	$193,882	$149,225	$111,035	$76,826	$60,068	$56,586	$56,303	$56,497	$68,652	$114,622	
90																
91	OTHER REVENUE (Proposed)															
92	Service Charges			$13,265	$12,790	$11,209	$25,716	$22,720	$22,154	$24,641	$21,821	$25,606	$21,842	$14,779	$17,743	
93	Late Payment Fees			$177,694	$205,246	$205,502	$159,193	$119,525	$84,624	$67,708	$64,187	$63,898	$64,610	$78,654	$126,552	

Detail Customer Class Calculations

Customer Class	Present Rates: Total Revenue	Proposed Rates: Total Revenue	Revenue Increase	Revenue Increase Pctg.	Average Monthly Customers	Average Monthly Usage (Mcf)	Average Monthly Bill (Present Rates)	Average Monthly Bill (Proposed Rates)	Increase in Average Monthly Bill ($)	Increase in Average Monthly Bill (%)
RESIDENTIAL (Rate G-1)										
Customer Charge	$ 39,921,954	$ 47,103,273					$ 20.68	$ 24.40		
Dist Chrg - Block 1	13,880,782	16,330,331					7.19	8.46		
Dist Chrg - Block 2	-	-					-	-		
Dist Chrg - Block 3	-	-					-	-		
Gas Cost	46,393,776	46,393,776					24.03	24.03		
Total	$ 100,196,512	$ 109,827,380	$ 9,630,868	9.6%	160,872	5.2	$ 51.90	$ 56.89	$ 4.99	9.6%
FIRM COMMERCIAL (Rate G-1)										
Customer Charge	$ 12,302,944	$ 14,544,814					$ 56.25	$ 66.50		
Dist Chrg - Block 1	6,111,218	7,189,668					27.94	32.87		
Dist Chrg - Block 2	615,557	726,354					2.81	3.32		
Dist Chrg - Block 3	-	-					-	-		
Gas Cost	23,422,762	23,422,762					107.09	107.09		
Total	$ 42,452,481	$ 45,883,598	$ 3,431,118	8.1%	18,227	23.1	$ 194.10	$ 209.78	$ 15.69	8.1%
FIRM INDUSTRIAL (Rate G-1)										
Customer Charge	$ 146,644	$ 173,366					$ 56.25	$ 66.50		
Dist Chrg - Block 1	393,196	462,583					150.82	177.44		
Dist Chrg - Block 2	342,608	404,276					131.42	155.07		
Dist Chrg - Block 3	-	-					-	-		
Gas Cost	2,970,298	2,970,298					1,139.35	1,139.35		
Total	$ 3,852,746	$ 4,010,523	$ 157,777	4.1%	217	246.1	$ 1,477.85	$ 1,538.37	$ 60.52	4.1%
FIRM PUBLIC AUTHORITY (Rate G-1)										
Customer Charge	$ 1,035,056	$ 1,223,667					$ 56.25	$ 66.50		
Dist Chrg - Block 1	1,055,470	1,241,729					57.36	67.48		
Dist Chrg - Block 2	135,856	160,309					7.38	8.71		
Dist Chrg - Block 3	-	-					-	-		
Gas Cost	4,186,470	4,186,470					227.51	227.51		
Total	$ 6,412,852	$ 6,812,175	$ 399,323	6.2%	1,533	49.1	$ 348.51	$ 370.21	$ 21.70	6.2%
INTERRUPTIBLE COMMERCIAL (G-2)										
Customer Charge	$ 15,489	$ 18,360					$ 455.56	$ 540.00		
Dist Chrg - Block 1	11,350	13,317					333.83	391.67		
Dist Chrg - Block 2	-	-					-	-		
Gas Cost	44,227	44,227					1,300.78	1,300.78		
Total	$ 71,066	$ 75,903	$ 4,837	6.8%	3	389.7	$ 2,090.18	$ 2,232.45	$ 142.27	6.8%
INTERRUPTIBLE INDUSTRIAL (G-2)										
Customer Charge	$ 28,700	$ 34,020					$ 455.56	$ 540.00		
Dist Chrg - Block 1	174,358	204,565					2,767.59	3,247.06		
Dist Chrg - Block 2	32,500	38,352					515.88	608.77		
Gas Cost	853,220	853,220					13,543.18	13,543.18		
Total	$ 1,088,779	$ 1,130,157	$ 41,378	3.8%	5	4,016.1	$ 17,282.21	$ 17,939.00	$ 656.80	3.8%
TRANSPORTATION (T-4)										
Customer Charge	$ 654,589	$ 771,449					$ 458.20	$ 540.00		
Trans Admin Fee	70,850	70,850					49.59	49.59		
EFM Fee	81,075	81,075					56.75	56.75		
Parking Fee	92	92					0.06	0.06		
Trans Charge - Block 1	599,159	693,816					419.40	485.66		
Trans Charge - Block 2	5,264,909	6,162,516					3,685.34	4,313.65		
Trans Charge - Block 3	1,372,029	1,608,008					960.40	1,125.58		
Total	$ 8,042,704	$ 9,387,805	$ 1,345,101	16.7%	119	5,162.1	$ 5,629.74	$ 6,571.29	$ 941.55	16.7%
ECONOMIC DEV RIDER (EDR)										
Firm Transport: 1-300	$ -	$ -								
Firm Transport: 301-15000	-	-								
Firm Transport: Over 15000	13,465	16,525								
Total	$ 13,465	$ 16,525	$ 3,060	22.7%						
TRANSPORTATION (T-3)										
Customer Charge	$ 383,779	$ 452,520					$ 457.97	$ 540.00		
Trans Admin Fee	41,300	41,300					49.28	49.28		
EFM Fee	46,650	46,650					55.67	55.67		
Parking Fee	2,573	2,573					3.07	3.07		
Trans Charge - Block 1	4,325,670	5,104,390					5,161.90	6,091.16		
Trans Charge - Block 2	2,288,369	2,700,132					2,730.75	3,222.11		
Total	$ 7,088,341	$ 8,347,565	$ 1,259,224	17.8%	70	9,956.8	$ 8,458.64	$ 9,961.29	$ 1,502.65	17.8%
SPECIAL CONTRACTS										
Customer Charge	$ 65,820	$ 65,820					$ 435.00	$ 435.00		
Trans Admin Fee	7,200	7,200					47.58	47.58		
EFM Fee	8,100	8,100					53.53	53.53		
Parking Fee	115,505	115,505					763.36	763.36		
Trans Charge	2,516,787	2,516,787					16,633.28	16,633.28		
Total	$ 2,713,412	$ 2,713,412	$ -	0.0%	13	99,963.7	$ 17,932.76	$ 17,932.76		
OTHER REVENUE (Current)										
Service Charges	$ 234,286	$ 234,286	$ -	0.0%						
Late Payment Fees	$ 1,300,280	$ 1,417,393	$ 117,113	9.0%						
TOTAL GROSS PROFIT	$ 95,596,170	$ 111,985,970								
Gas Costs	77,870,753	77,870,753								
TOTAL REVENUE	$ 173,466,923	$ 189,856,724								

REQUEST:

Gas utilities often speak of the threat of by-pass from large industrial customers. Explain whether Atmos faces such risk associated with by-pass, and if so, how this risk is mitigated.

RESPONSE:

Atmos Energy has experienced the threat of industrial customer bypass for many years. The Company has worked well with the Commission to establish special contracts with those customers to keep them on our system. The Company has 13 special contracts in place at this time, as approved by the Commission.

Respondent: Brannon Taylor

REQUEST:

Provide the number of customers on payment plans and the associated total dollar amount due from those customers as a result of the COVID-19 pandemic.

RESPONSE:

IP Start Month	IPs Created	Amount Financed
March 2020	581	$143,363.57
April 2020	302	$67,886.33
May 2020	358	$93,455.40
June 2020	393	$115,133.57
July 2020	308	$81,115.97
August 2020	334	$75,258.60
September 2020	431	$143,941.50
October 2020	2,285	$457,650.30
November 2020	13,676	$2,244,340.64
December 2020	4,136	$720,570.28
January 2021	313	$77,505.16
February 2021	504	$162,325.88
March 2021	858	$272,394.16
April 2021	5,591	$651,405.01
May 2021	3,097	$533,235.38
June 2021	1,094	$506,246.99
July 2021	888	$412,962.60
August 2021	377	$190,149.00
Total	35,526	$6,948,940.34

The elevated numbers from October to December 2020 are due to the mass placement of accounts on IP plans per Commission order. The elevated numbers for April to June 2021 reflect when some of those accounts defaulted early and were placed back on the system.

Respondent: Josh Densman

REQUEST:

Provide the monthly number of disconnections due to nonpayment since the moratorium was lifted.

RESPONSE:

Month	10/2020	11/2020	12/2020	01/2021	02/2021	03/2021	04/2021	05/2021	06/2021	07/2021
Number Terminated	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	606	618

Respondent: Joe Christian

REQUEST:

Explain any impacts to Atmos's operations resulting from the February 2018 incident or the 2021 events in Texas, especially any change in parking for transportation customers.

RESPONSE:

There has been no change to parking for transportation customers resulting from the February 2018 incident or the 2021 events in Texas.

Respondent: Brannon Taylor

<u>REQUEST:</u>

Confirm that penalties and fines related to Atmos's business in other jurisdictions are not allocated to Atmos's Kentucky operations. If this cannot be confirmed, provide the allocated amounts and a description of the penalties or fines.

<u>RESPONSE:</u>

Confirm, no penalties or fines related to Atmos Energy business in other jurisdictions are allocated to Kentucky operations.

Respondent: Michelle Faulk