CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

ATMOS ENERGY CORPORATION, MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION

Atmos Energy Corporation ("Atmos Energy" or the "Company") on behalf of its Mid-Tex Division and West Texas Division ("WTX Division") files this Application for a Regulatory Asset Determination ("Application"). Atmos Energy's Mid-Tex and WTX Divisions operate in Texas as gas utilities under Texas Utilities Code §§ 101.003(7) and 104.362(12). The Company's Application is timely filed pursuant to the customer rate relief provisions contained in H.B. 1520, Texas Utilities Code, Chapter 104, Subchapter I, and the Railroad Commission of Texas ("Commission") Notice to Gas Utilities issued on June 17, 2021 ("June 17th Notice").

In support of the Application, the Company respectfully shows the following:

I. FEBRUARY 2021 WINTER WEATHER EVENT

Winter Storm Uri was historic in its severity, its breadth, and its duration. Within a day of its arrival on February 11, 2021, Governor Greg Abbott issued an emergency disaster declaration for all 254 counties in the State of Texas. On February 14, 2021, the President of the United States approved the disaster declaration and ordered federal assistance to supplement state and local recovery efforts.

Across the state, temperatures dropped to some of the coldest recorded in decades. By Monday after the storm's arrival, temperatures in Dallas had dropped to five degrees, the coldest temperature recorded in the city since the late 1980s. On Tuesday morning, the temperature at the

Dallas/Fort Worth International Airport dropped to negative two degrees, tying a record low 20th century temperature for this area. Austin and San Antonio also saw single-digit temperatures for the first time in more than thirty years. By the time the worst weather had passed on February 19th, almost half of the state's population was still dealing with disruptions in water service. And nearly 190,000 Texas homes remained without electricity. Overall, the storm had catastrophic impacts on the entire state, causing power outages, burst water pipes, and limited travel.

The storm also dramatically impacted natural gas availability. The record cold conditions led to wellhead freeze-offs across West Texas when water present in raw natural gas froze at the wellhead and inside gathering lines, causing blockages that severely restricted production. Due to widespread rolling blackouts, many natural gas facilities lost electricity, without which they could not deliver natural gas to the power plants. Because a significant number of natural gas facilities were not listed as critical infrastructure, electric power was curtailed to them, further decreasing the overall supply of gas.

In response, the Commission quickly acted and issued an Emergency Order modifying curtailment priorities to require continued service to residential and other human needs customers.[1] The Commission also acknowledged the natural gas supply and demand issues facing natural gas service and the resulting consequence that local distribution companies ("LDCs") "may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to" Winter Storm Uri.[2] The Commission's prediction proved to be true.

These weather conditions, lack of electricity, high customer demand for natural gas, unprecedented gas supply interruptions, and the diminished availability of gas supply caused

[1] *Emergency Order*, Railroad Commission of Texas (Feb. 12, 2021).
[2] *Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event*, Railroad Commission of Texas (Feb. 13, 2021).

natural gas prices to soar to unparalleled highs due to severely constrained supply during a time of unprecedented demand and left LDCs, like Atmos Energy, struggling to procure gas supply volumes needed to ensure that its human needs customers continued to receive reliable service. For example, Mid-Tex customer demand during Winter Storm Uri was over 2 Billion Cubic Feet ("Bcf") for eight consecutive days. For comparison purposes, the average demand per day for the prior week was approximately 1 Bcf, or half of what the Company experienced daily during Winter Storm Uri. Likewise, price escalation for gas supply during Winter Storm Uri was dramatic and significant. The average price increase among the Houston Ship Channel, Katy and Waha Hub delivery locations was a staggering 9,230.4%. Yet, even at these price levels, demand far outstripped available supply, and as the cold weather persisted, the situation grew worse for any entity seeking natural gas. These circumstances, despite the extensive efforts Atmos Energy undertook to prepare for the winter peak, led to the need to procure natural gas supplies during unprecedented market conditions to continue to serve human needs, customer demand, and maintain system support.

In passing H.B. 1520, the Texas Legislature recognized the unprecedented nature of Winter Storm Uri and its financial impacts—both to customers and gas utilities. The new rate relief measures in Subchapter I of Chapter 104 of the Texas Utilities Code benefit customers and support the financial strength and stability of gas utilities in Texas. Consistent with those purposes and the Commission's June 17th Notice, Atmos Energy requests a regulatory asset determination to recover the extraordinary gas procurement costs its incurred to provide service to customers and maintain its system during Winter Storm Uri through securitization and the issuance of customer rate relief bonds.

II. JURISDICTION

The Commission's jurisdiction in this proceeding stems from the adoption of Subchapter I in Chapter 104 of the Texas Utilities Code, which was passed by the Texas Legislature to provide customers with rate relief related to natural gas costs incurred during Winter Storm Uri. Atmos Energy's Mid-Tex Division and WTX Division are LDCs that operate as gas utilities under Texas Utilities Code §§ 101.003(7) and 104.362(12). The Commission has exclusive, original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities under Texas Utilities Code § 102.101(a), (b) and (d). In addition, Texas Utilities Code § 104.365 gives the Commission jurisdiction to determine the regulatory asset amount to be recovered by a utility related to its extraordinary costs incurred for Winter Storm Uri. Upon making a regulatory asset determination, the Commission has exclusive, original jurisdiction based on Texas Utilities Code § 104.364(c) to issue a financing order to authorize recovery of extraordinary costs through securitization by creating customer rate relief property.

III. SUMMARY OF REQUESTED RELIEF

In accordance with the Commission's June 17th Notice, Atmos Energy requests a Commission determination that its extraordinary costs, which total $2,038,997,976 were prudently incurred and should be recovered through the securitization process authorized in Subchapter I in Chapter 104 of the Texas Utilities Code.

The Company's extraordinary costs have been recorded as a regulatory asset in the books and records of the Company in accordance with the Commission's *Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event* issued on February 13, 2021, the Uniform System of Accounts ("USOA") prescribed for natural gas companies subject to the provisions of the Natural Gas Act (15 U.S.C.

Section 717 et seq) by the Federal Energy Regulatory Commission ("FERC"), and generally accepted accounting principles.

In addition to demonstrating the prudence of its extraordinary costs related to Winter Storm Uri, the Company's Application, with its supporting testimony and evidence, also establishes that the issuance of customer rate relief bonds: (1) will be the most cost-effective method of funding the reimbursement of Atmos Energy's extraordinary gas costs as compared to conventional methods of recovery; (2) will provide tangible and quantifiable benefits for customers greater than would be achieved absent the issuance of customer rate relief bonds; and (3) is in the public interest and consistent with the purposes of Subchapter I, Chapter 104 of the Texas Utilities Code.

Concurrent with its processing of the Company's Application, Atmos Energy requests that the Commission establish a concurrent proceeding to issue a financing order that will allow the Texas Public Finance Authority to issue securitization bonds relating to the utility regulatory assets resulting from Winter Storm Uri.[3] The swift establishment of a separate proceeding will facilitate the selection of a governing board, selection of a lead underwriter and start of necessary financing initiatives, and save valuable time between a Commission order on the amount of utility regulatory assets to be securitized and the actual securitization of those costs. It could also save customers millions in carrying costs associated with the need for those utilities to carry the extraordinary costs on their balance sheets until such time as securitization can occur.

Alternatively, if the Commission determines that securitization should not be used to recover the Company's extraordinary gas cost regulatory asset balance, Atmos Energy requests approval to amortize and recover its extraordinary gas costs over a three-year period via a flat monthly volumetric charge assessed to all sales customers as part of the Company's gas cost rate

[3] In the event that the Commission establishes a separate proceeding to consider and issue a Financing Order, Atmos Energy will intervene and participate in that proceeding.

schedules. At the conclusion of the three-year amortization period, the Company would true-up collections via a final one-time charge/credit to gas cost.

IV. DETAILS OF THE APPLICATION

A. Regulatory Asset Balance Submitted for Determination

The total regulatory asset balance for which a prudence determination is requested is $2,038,997,976. This amount is supported by the Schedules included as **Exhibit A** to the Application as well as the Company's direct testimony included as **Exhibit D** to the Application.

The regulatory asset balance requested by the Company has been calculated pursuant to the Commission's instructions in its June 17th Notice. Specifically, Atmos Energy has only included that portion of the regulatory asset balance that reflects gas supply purchased during February 2021 that is over and above the Normalized Market Pricing formula set forth in Texas Utilities Code § 104.362(15); financing and other costs incurred to secure and pay for natural gas volumes purchased during the 2021 Winter Weather Event; and Atmos Energy's extraordinary legal and consulting expenses relating to that event and this proceeding. Other extraordinary costs associated with the February 2021 Winter Weather Event have been recorded in a separate regulatory asset and Atmos Energy will seek review of these costs for reasonableness in a subsequent rate proceeding, as applicable.

B. Class and Number of Customers Affected

The Company's request for a regulatory asset determination and related cost recovery will affect all sales customers Atmos Energy serves in the state of Texas. The total number of Atmos Energy customers by class affected by this Application and normalized volumes by customer class for the year ending December 21, 2020, is summarized in **Exhibit A** at Schedule G. Recovery of the Company's extraordinary gas costs is expected to flow through gas costs to all of the Company's sales customers whether in the form of a customer rate relief charges or otherwise.

Consequently, this Application is expected to have no effect on the base rates charged to customers by the Mid-Tex Division or WTX Division.

C. Proposed Recovery

The Company further requests recovery of the regulatory asset determined to be reasonable through securitization financing as authorized in recently enacted in Texas Utilities Code, Chapter 104, Subchapter I. If securitization financing is authorized by the Commission, the Mid-Tex and WTX Divisions will be reimbursed for the regulatory asset determined to be reasonable through the disbursement of customer rate relief bond proceeds.[4] Repayment of customer rate relief bonds should be recovered from all sales customers of all LDCs participating in the regulatory asset determination process in the form of customer rate relief charges.[5] Atmos Energy also supports a Commission determination to assess the same, uniform, monthly volumetric customer rate relief charge on every sales customer of every LDC participating in the regulatory asset determination proceeding as contemplated under Texas Utilities Code § 104.373.

Schedule H, which is included as part of **Exhibit A**, provides a comparison of the estimated monthly costs to customers if the Company's proposed regulatory asset is recovered over a 12-month period as authorized by the Company's gas cost recovery mechanisms and the estimated monthly costs to customers if the Company's alternative form of recovery over a three-year period is selected in lieu of securitization financing. Joint witness Dr. Bruce Fairchild, who testifies on behalf of the participating utilities, provides the estimated monthly cost to customers resulting from issuance of customer rate relief bonds through the securitization financing. Dr. Fairchild furthers explains that securitization is the most affordable and cost-effective method of recovery compared to conventional methods of cost recovery.

[4] Tex. Util. Code § 104.372(b)(1).
[5] Tex. Util. Code § 104.373.

Alternatively, if the Commission does not authorize securitization financing, Atmos Energy seeks to recover its prudently incurred extraordinary gas costs from all sales customers receiving service from the Mid-Tex and WTX Divisions over a three-year period via a flat monthly volumetric charge assessed to these sales customers through the Company's approved purchased gas adjustment tariffs.

D. Description of the Filing Package

Atmos Energy submits this filing consistent with the requirements set forth in the Commission's June 17th Notice, including the following direct testimony:

Christopher Felan - Vice President of Rates and Regulatory Affairs for the Mid-Tex Division of Atmos Energy. Mr. Felan testifies about the policies behind the request for securitization of gas costs. He provides an overview of the request for a regulatory asset determination on the extraordinary gas costs and related expense that Atmos Energy incurred in February 2021 during the Winter Weather Event. He further testifies about the carrying costs, the tax obligations, and the extraordinary legal and consulting expenses. In the event the Commission determines that securitization should not be used to recover the costs associated with the February 2021 Winter Weather Event, Mr. Felan explains and supports Atmos Energy's request for alternative recovery of its extraordinary gas costs. He analyzes and explains why securitization results in the best outcome for customers and for the financial security of Atmos Energy.

Barbara W. Myers - Manager, Rates and Regulatory Affairs within the Shared Services Unit of Atmos Energy. Ms. Myers establishes that the books and records are maintained in accordance with the FERC USOA and Generally Accepted Accounting Principles and Ms. Myers describes the systems that are in place to ensure that all entries are accurate. Ms. Myers testifies that the Company fully complies with Commission Rule 7.310 and Rule 7.503 and establishes that the books and records, as well as the summaries and excerpts therefrom qualify for the presumption set forth in Rule 7.503. She testifies about the accounting system for gas purchases. Finally, Ms. Myers testifies about the regulatory asset established to record extraordinary costs and provides the total regulatory asset requested in this proceeding.

Jeffrey S. Knights - Senior Vice President of Technical and Operating Services. He provides an overview of Mid-Tex and WTX Divisions. Mr. Knights testifies that system pressure is the key element to transporting natural gas on the distribution system. Mr. Knights testifies about the Company's annual activities intended to prepare the system for winter weather and ensure service during extreme weather events. He testifies about the activities taken by Atmos Energy

before, during and after Winter Storm Uri. He testifies that the high demand on the system required acquisition of large volumes of natural gas to maintain system pressures and maintain system integrity in order to serve customers.

Kenneth M. Malter - Director of Gas Supply and Services for Atmos Energy. He testifies about how Atmos Energy forecasts its gas requirements. He testifies about how Atmos Energy contracts to ensure reliability of gas supply and explains how Winter Storm Uri disrupted normal gas supply practices. He testifies about the extraordinary measures Atmos Energy undertook to successfully purchase enough natural gas to serve its human needs customers and ensure continuous system integrity in the face of the unprecedented interruption of previously contracted for natural gas supplies.

Dr. Ray Perryman, PhD - President and Chief Executive Officer of The Perryman Group. Dr. Perryman testifies that Atmos Energy as a gas utility providing natural gas service in Texas has an obligation to provide continued safe and adequate natural gas service to its human needs customers. He testifies about the prudent actions taken by Atmos Energy on an annual basis to ensure adequate supplies of natural gas during the winter heating season. He describes the efforts taken by Atmos Energy to ensure adequate supplies prior to Winter Storm Uri. Dr. Perryman testifies about how those plans were disrupted by Winter Storm Uri and the failure of the natural gas market during that storm. He testifies that as a result of the breakdown of economic forces beyond the control of Atmos Energy, Atmos Energy and other utilities became captive buyers. Atmos Energy did not have bargaining power. Atmos Energy was a buyer that despite extensive preparations had no option but to acquire natural gas at prices that were significantly distorted by the temporary failure in the market caused by Winter Storm Uri. He testifies that there was no meaningful market restraint on pricing by suppliers, while Atmos Energy faced a situation in which essential human needs compelled them to purchase natural gas at extraordinary high prices.

Dr. Bruce Fairchild – Principal in Financial Concepts and Applications, Inc. Dr. Fairchild demonstrates that securitization provides tangible and quantifiable benefits for customers greater than would be achieved absent the issuance of customer rate relief bonds, that securitization financing is the most cost-effective method of funding the regulatory asset balance for Atmos Energy based on customer affordability considerations and comparisons of conventional forms of recovery and securitization recovery, and securitization is in the public interest.

Exhibit A to the Company's Application provides supporting schedules and other required documentation. Residential and commercial customer bill samples are provided as **Exhibit F** to the Application. The documentation set forth in Paragraphs 6 and 7 of the Commission's June 17th Notice for January, February (to the extent not previously provided in Exhibit A) and March 2021

are attached to the Company's Application as **Exhibit G**. All Exhibits to the Application are incorporated herein by reference.

V. PROPOSED NOTICE

Proposed forms of Notice for the Mid-Tex and WTX Divisions are attached as **Exhibit B** to the Company's Application. Atmos Energy proposes to promptly provide notice of this Application to all affected customers by including the notice, in conspicuous form, in the bill of each directly affected customer. Atmos Energy further proposes to promptly provide notice of this Application to the authorized representative of each municipality within which it provides service by United States mail, postage prepaid. Copies of the Company's Application will be made available upon request to the Company's undersigned representatives. Additionally, the Company will provide access to the public version of its Application via its website. Atmos Energy will submit proof of notice to the Commission promptly upon completion thereof.

VI. PROPOSED PROCEDURAL SCHEDULE

Included as **Exhibit C** to its Application is a proposed procedural schedule that will enable the Commission to render the requisite regulatory asset determination within the time frame set forth in Texas Utilities Code § 104.365(d). The proposed schedule allows for a process consistent with the statutory 150-day period provided for the regulatory asset determination.

VII. REQUEST FOR APPROVAL OF PROTECTIVE ORDER

The Company requests approval of the proposed protective order attached as **Exhibit E**. Protected material will be provided to parties upon execution of a protective order certification, which is included with the proposed Protective Order.

VIII. COMPANY REPRESENTATIVES FOR NOTIFICATION

Atmos Energy's business address and telephone number for purposes of this filing is:

5420 LBJ Freeway, Suite 1600
Dallas, Texas 75240
214.303.9199 (phone)
214.206.2131 (fax)

Its authorized representatives are:

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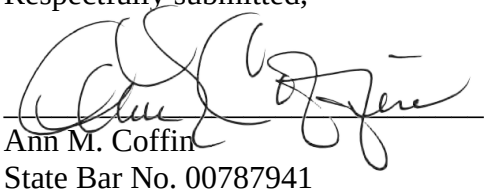
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All pleadings, motions, orders, and other documents filed in this proceeding should be served on Mr. Felan, Mr. Littlejohn, Ms. Coffin and Ms. Harvel at the above-stated addresses.

IX. CONCLUSION

Atmos Energy requests that the Commission (1) determine that its regulatory asset balance in the amount of $2,038,997,976 is reasonable, necessary and prudent; (2) authorize recovery of the regulatory asset balance through securitization financing, if the Commission determines the statutory requirements for doing so have been met; and (3) authorize recovery of the regulatory asset balance over a three-year period through the Company's approved gas cost recovery tariffs if the statutory requirements for securitization financing are not met. Finally, Atmos Energy requests such further relief to which the Company may be entitled.

Respectfully submitted,



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ATTORNEYS FOR ATMOS ENERGY CORPORATION, MID TEX DIVISION AND WEST TEXAS DIVISION

Exhibit A - Schedules

The schedules are voluminous and are being provided electronically. Confidential materials will be provided upon execution of the Protective Order issued in this proceeding.

**NOTICE OF CUSTOMER RATE RELIEF AND
RELATED REGULATORY ASSET DETERMINATION APPLICATION**

On July 30, 2021, Atmos Energy Corporation ("Atmos Energy" or the "Company") on behalf of its Texas local distribution systems filed an Application for Customer Rate Relief and Related Regulatory Asset Determination ("Application") with the Railroad Commission of Texas ("Commission"). The Application was filed pursuant to the Commission's authority to provide customer rate relief provisions under H.B. 1520, Texas Utilities Code, Chapter 104, Subchapter I, and the Commission Notice to Gas Utilities issued on June 17, 2021.

Atmos Energy's Application seeks a determination as to the reasonableness and necessity of the Company's extraordinary costs incurred to provide service during Winter Storm Uri, which occurred in February 2021. Atmos Energy's Application also requests a Commission determination to utilize securitization financing to recover the extraordinary costs it incurred to provide service during Winter Storm Uri. The use of securitization financing is expected to provide the most cost effective and affordable method of recovering these costs and will thereby provide customers with rate relief. Atmos Energy is also requesting that the Commission establish a financing order proceeding and, if securitization financing is not approved, to authorize recovery of the extraordinary costs through Atmos Energy's approved gas cost recovery tariffs over a three-year period.

The extraordinary costs Atmos Energy seeks to recover include gas procurement costs incurred during Winter Storm Uri; carrying costs, financing and other costs incurred to secure and pay for natural gas volumes purchased during the storm; and Atmos Energy's extraordinary legal and consulting expenses relating to that event and this proceeding. Other extraordinary costs associated with Winter Storm Uri have been recorded in a separate regulatory asset and Atmos Energy will seek review of these costs for reasonableness in a subsequent rate proceeding, as applicable.

Recovery of the extraordinary costs Atmos Energy incurred to provide service during Winter Storm Uri will affect all rate-regulated customers the Company serves in Texas. If securitization financing is approved, it is expected that customer bills will begin to reflect the recovery of Winter Storm Uri costs upon the issuance of customer rate relief bonds, which, if approved, are expected to be issued in September 2022. In the absence of securitization financing, gas procurement expenses are passed through to customers through the gas cost recovery rate schedule in effect for Atmos Energy's Mid-Tex Division. The estimated monthly impact to gas costs for the average residential customer if the Winter Storm Uri extraordinary costs were recovered pursuant to the Mid-Tex Division's currently approved Gas Cost Recovery rate schedule is estimated to be $12.19/Mcf per month, for twelve months. The estimated monthly customer rate relief charge to recover Winter Storm Uri's extraordinary costs pursuant to the securitization process is expected to be less than this amount.

Persons with specific questions or desiring additional information about this filing may contact Atmos Energy at 1 (888) 286-6700. Complete copies of the Application for Customer Rate Relief and Related Regulatory Asset Determination are available at 5420 LBJ Freeway, Suite 1600, Dallas, Texas 75240 and on our website at https://www.atmosenergy.com/utility-operationsrates/mid-tex/mid-tex. In addition, any affected person may file in writing comments

or a protest concerning the application with Docket Services Section of the Office of the Hearings Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967, at any time within 60 days following the receipt of this notice. Please reference Case No. 00007062.

Las personas con preguntas específicas o que deseen información adicional sobre esta presentación pueden comunicarse con Atmos Energy al 1(888) 286-6700. Copias completas de la Solicitud de alivio de tarifas para clientes y determinación regulatoria de activos relacionados están disponibles en las oficinas de la Compañía ubicadas en 5420 LBJ Freeway, Suite 1600, Dallas, Texas 75240 y en nuestro sitio web en https://www.atmosenergy.com/utility-operationsrates/mid-tex/mid-tex. Además, cualquier persona afectada puede presentar comentarios por escrito o una protesta con respecto a la solicitud con la Sección de Servicios de Expediente de la Oficina de la División de Audiencias, Comisión de Ferrocarriles de Texas, P.O. Box 12967, Austin, Texas 78711-2967, en cualquier momento dentro de los 60 días después de recibir este aviso. Por favor haga referencia a el Caso No. 00007062.

**NOTICE OF CUSTOMER RATE RELIEF AND
RELATED REGULATORY ASSET DETERMINATION APPLICATION**

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The extraordinary costs Atmos Energy seeks to recover include gas procurement costs incurred during Winter Storm Uri; carrying costs, financing and other costs incurred to secure and pay for natural gas volumes purchased during the storm; and Atmos Energy's extraordinary legal and consulting expenses relating to that event and this proceeding. Other extraordinary costs associated with Winter Storm Uri have been recorded in a separate regulatory asset and Atmos Energy will seek review of these costs for reasonableness in a subsequent rate proceeding, as applicable.

Recovery of the extraordinary costs Atmos Energy incurred to provide service during Winter Storm Uri will affect all rate-regulated customers the Company serves in Texas. If securitization financing is approved, it is expected that customer bills will begin to reflect the recovery of Winter Storm Uri costs upon the issuance of customer rate relief bonds, which, if approved, are expected to be issued in September 2022. In the absence of securitization financing, gas procurement expenses are passed through to customers through the gas cost recovery rate schedule in effect for Atmos Energy's West Texas Division. The estimated monthly impact to gas costs for the average residential customer if the Winter Storm Uri extraordinary costs were recovered pursuant to the West Texas Division's currently approved Gas Cost Adjustment rate schedule is estimated to be $9.51/Mcf per month, for twelve months. The estimated monthly customer rate relief charge to recover Winter Storm Uri's extraordinary costs pursuant to the securitization process is expected to be less than this amount.

Persons with specific questions or desiring additional information about this filing may contact Atmos Energy at 1 (888) 286-6700. Complete copies of the Application for Customer Rate Relief and Related Regulatory Asset Determination are at the Company's offices located at 6606 66th Street, Lubbock, Texas 79424 and on our website at https://www.atmosenergy.com/utility-operationsrates/tariffs-west-texas/west-texas. In addition, any affected person may file in writing

comments or a protest concerning the application with Docket Services Section of the Office of the Hearings Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967, at any time within 60 days following the receipt of this notice. Please reference Case No. 00007062.

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Regulatory Asset Filing: Proposed Procedural Schedule

Event	150-Day Timeline*
Application Filed	July 30, 2021
Conference, if necessary	TBD
Intervention Deadline	TBD
Deadline for Propounding Discovery Requests on Applicants' Direct Testimony	August 20
Intervenor Direct Testimony	August 30
• *Deadline for Propounding Discovery Requests on Intervenor Direct*	September 15
Settlement Conference	September 9
Staff Direct Testimony	September 21
• *Deadline for Propounding Discovery Requests on Staff Direct*	September 24
Applicants' Rebuttal Testimony	September 30
• *Deadline for Propounding Discovery Requests on Applicants' Rebuttal*	October 4
Trial Briefs due	October 5
Prehearing Conference	October 6
Hearing on the Merits	October 7-8
Initial Briefs	October 14
Reply Briefs	October 21
Draft Order Issued	October 25
Exceptions to Draft Order	October 28
Replies to Exceptions to Draft Order	November 2
RCT Conference - Regulatory Asset Determination	November 10
RCT Conference – Financing Order Issuance	December 7
Statutory Deadline for Regulatory Asset Determination	**December 28**

* Condensed from the full 240-day timeline for the Commission in the new statute (150 days for Regulatory Asset determination, followed by 90 days for issuance of Financing Order). **A 240-day statutory deadline would be March 28, 2022.** Following the Commission's issuance of a Financing Order, the TPFA has approximately 180 days to cause the issuance of bonds.

- Discovery responses due:
  - within 7 working days for Applicant Direct
  - within 3 working days for Intervenor and Staff Direct
  - within 3 working days for Applicant Rebuttal

- Discovery received after 1pm on the last working day of a work week is deemed received on the first working day of the following work week.

- Discovery limitations:
  - For aligned municipal parties, by Applicant: no more than 50 RFIs, including subparts, per week
  - For any party that is not aligned, by Applicant: no more than 25 RFIs, including subparts, per week
  - Not applicable to Commission Staff or Presiding Officers

CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

CHRISTOPHER A. FELAN

ON BEHALF OF

ATMOS ENERGY CORPORATION

July 30, 2021

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EXHIBIT CAF-2	Interest Comparison
EXHIBIT CAF-3	Final Term Sheet
EXHIBIT CAF-4	Affidavit of Ann M. Coffin

DIRECT TESTIMONY OF CHRISTOPHER A. FELAN

I. POSITION, QUALIFICATIONS AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Christopher A. Felan. I serve as the Vice President of Rates and Regulatory Affairs for the Mid-Tex Division of Atmos Energy Corporation ("Atmos Energy" or the "Company"). My business address is 5420 LBJ Freeway, Lincoln Centre II, Ste. 1862, Dallas, TX 75240.

Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.

A. I received a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin in 1990. I am a Certified Public Accountant in the state of Texas and a member of the American Institute of Certified Public Accountants. I have worked in various industries for over 25 years in a variety of accounting and finance positions. I joined Atmos Energy in 2006 as a Senior Analyst in the Planning and Budgeting group. I was promoted to Manager of Rates & Regulatory Affairs in March 2009. I assumed my current role in June 2012.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE RAILROAD COMMISSION OF TEXAS ("COMMISSION")?

A. Yes, I have previously filed testimony before the Commission in Gas Utilities Docket ("GUD") Nos. 10041, 10084, 10085, 10359, 10640, 10742, 10779 and 10855.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. In addition to introducing the other witnesses testifying in support of the Company's Application, my testimony provides an overview of the Company's request for a regulatory asset determination on the extraordinary gas cost and related expenses that Atmos Energy's Mid-Tex Division and West Texas ("WTX") Division incurred to provide safe and reliable service to their customers during the February 2021 Winter Weather Event, which is also known as Winter Storm Uri. I also support recovery of the approved regulatory asset balances through customer rate relief bond proceeds as authorized under newly enacted House Bill ("H.B.") 1520. My testimony, and that of Dr. Bruce Fairchild, demonstrates that securitization is the most cost-effective and affordable method of reimbursing Atmos Energy for its extraordinary gas procurement costs incurred during the February 2021 Winter Weather Event.

Regarding the requested regulatory asset determination, my testimony describes the extraordinary costs Atmos Energy incurred in February 2021 and supports the financing, debt issuance, and carrying cost included in the regulatory asset balance. I also discuss the expected tax obligation associated with securitization financing and describe and support the reasonableness of the legal and consulting expenses the Company seeks to recover. Finally, I explain and support Atmos Energy's request for alternative recovery of the requested regulatory asset balances if the Commission determines that the securitization process should not be used to recover these costs from customers.

Q. IN ADDITION TO YOURSELF, ARE OTHER WITNESSES PRESENTING TESTIMONY IN SUPPORT OF THE COMPANY'S APPLICATION?

A. Yes. In addition to my testimony, the Company is presenting the direct testimony, exhibits, and supporting schedules of five other (5) witnesses.

Ms. Barbara W. Myers, Manager of Rates and Regulatory Affairs for Atmos Energy, Shared Services ("SSU"), sponsors the Company's books and records. Ms. Myers establishes that the books and records are maintained in accordance with the Federal Energy Regulatory Commission Uniform System of Accounts and Generally Accepted Accounting Principles and describes the systems that are in place to ensure that all entries are accurate. Ms. Myers testifies that the Company fully complies with 16 Texas Administrative Code §§ 7.310 and 7.503 and establishes that the books and records, as well as the summaries and excerpts therefrom qualify for the presumption set forth in § 7.503. Her testimony also describes both the accounting system used by Atmos Energy for natural gas purchases and the regulatory asset that the Company has established for its Mid-Tex and WTX Divisions pursuant to the Commission's February 13, 2021, Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event and June 17, 2021, Notice to Gas Utilities("June 17th Notice").

Mr. Jeffrey S. Knights, Senior Vice President of Technical and Operating Services for the Mid-Tex Division of Atmos Energy, provides an overview of the Company's Mid-Tex and WTX local distribution system operations and supports, from an operations perspective, the prudence of Atmos Energy's natural gas

purchases during February 2021. Mr. Knights' testimony explains the essential role of gas supply in maintaining required operating system pressures and the operations activities undertaken by Atmos Energy before, during, and after the February 2021 Winter Weather Event to ensure system reliability and the continued provision of gas service to human needs customers in Texas. Mr. Knights also explains the significant operational consequences and challenges if system operating pressures are not maintained.

Mr. Kenneth Malter, Director, Gas Supply & Services, SSU, supports the prudence of the Company's extraordinary gas costs. Mr. Malter provides a timeline of events from the perspective of Gas Supply that relate to available gas supplies, the decisions made, and prices paid for natural gas during February 2021, particularly during Winter Storm Uri. Mr. Malter also explains the prudent actions taken by Atmos Energy on an annual basis to ensure adequate supplies of natural gas during the winter heating season and supports the Company's planned supply portfolio for the 2020/2021 winter, including February 2021. Mr. Malter explains how Winter Storm Uri severely disrupted normal gas supply practices and supports the prudence of Atmos Energy's natural gas purchases during February 2021 and the resulting extraordinary gas costs incurred to reliably serve customers throughout this unprecedented winter storm.

Dr. Ray Perryman, President and Chief Executive Officer of The Perryman Group, provides an independent, third-party review of the prudence of the Company's response in the marketplace as a natural gas utility purchasing gas in the market conditions that developed during the February 2021 Winter Weather

Event. Dr. Perryman explains Atmos Energy's service obligation to its customers and the necessary actions taken by the Company to ensure gas supply adequacy during the February 2021 Winter Weather Event. Dr. Perryman also provides an overview of the February 2021 Winter Weather Event, the failure of normal market forces in the natural gas market in February 2021, and the effects of the market failure on Atmos Energy, a utility with an obligation to purchase natural gas to serve its customers.

Dr. Bruce Fairchild is a principal in Financial Concepts and Applications, Inc., a firm engaged in financial, economic, and policy consulting to business and government. Dr. Fairchild testifies in support of the use of securitization financing as the method through which Atmos Energy and other participating gas utilities will be reimbursed for the extraordinary costs they incurred to provide service to customers during Winter Storm Uri. Dr. Fairchild explains that securitization financing will provide tangible and quantifiable benefits to utility customers, greater than would be achieved absent the issuance of customer rate relief bonds. Dr. Fairchild describes the proposed structuring, expected pricing, and proposed financing costs of customer rate relief bonds, and further explains that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to the gas utility. Dr. Fairchild's testimony further demonstrates that securitization will provide expected benefits to customers in terms of affordability and that the use of a securitization financing mechanism serves the public interest and is consistent with the purposes of Texas Utilities Code, chapter 104, subchapter I.

Finally, Atmos Energy is reserving its right to adopt portions of other participating gas utilities' testimony, as necessary to support recovery of its regulatory asset balancing and the use of securitization financing as the method through which these costs will be recovered from customers.

II. APPLICATION OVERVIEW

Q. WHAT IS THE PURPOSE OF THIS FILING?

A. This filing complies with the Commission's June 17th Notice. The June 17th Notice established a procedure for gas utilities seeking a regulatory asset determination pursuant to H.B. 1520, Texas Utilities Code, chapter 104, subchapter I, and invited utilities to participate in securitization of extraordinary costs resulting from the February 2021 Winter Weather Event. The Commission's June 17th Notice instructed gas utilities desiring to participate in securitization pursuant to H.B. 1520 to file an *Application for Regulatory Asset Determination* ("Application") on Friday, July 30, 2021. Atmos Energy's Application was timely filed.

Q. WHAT ACTION DOES ATMOS ENERGY REQUEST FROM THE COMMISSION AT THIS TIME?

A. Atmos Energy seeks a regulatory asset determination that $2,038,997,976 of extraordinary costs for its Mid-Tex and WTX Divisions associated with the February 2021 Winter Weather Event are reasonable and necessary costs eligible for recovery from customers. This is shown in detail in the Company's Application as Application Exhibit A at Schedule A.

The Company's Application also supports a favorable Commission determination that securitization financing is the most cost-effective and affordable

method of reimbursing Atmos Energy for its extraordinary gas costs. However, if the Commission concludes that securitization financing proves not to be beneficial for customers, Atmos Energy requests authority to recover the approved regulatory asset balance as a flat monthly volumetric charged assessed to all sales customers as part of the gas cost recovery rate schedules applicable in the Mid-Tex and WTX Divisions over a three-year period. At the conclusion of the three-year amortization period, the Company would true-up collections via a final one-time charge/credit to gas cost.

Q. IS ATMOS ENERGY REQUESTING A REGULATORY ASSET DETERMINATION FOR ALL OF ATMOS ENERGY'S EXTRAORDINARY COSTS INCURRED AS A RESULT OF WINTER STORM URI?

A. No. Pursuant to the Commission's June 17th Notice, the extraordinary costs included in this filing are those related to the extraordinary gas costs incurred during February 2021, and certain additional expenses. The Company will present the other extraordinary costs incurred to provide service to customers during the February 2021 Winter Weather Event for review and recovery in a future proceeding.

Q. DO THE REGULATORY ASSET BALANCES PRESENTED FOR RECOVERY IN THIS PROCEEDING INCLUDE ANY AFFILIATE COSTS?

A. Yes.

Q. ARE YOU SPONSORING ANY EXHIBITS OR SCHEDULES AS PART OF YOUR DIRECT TESTIMONY?

A. Yes. My exhibits are listed in the table of contents above. With regard to the schedules attached as Exhibit A to the Company's Application, below is a summary of each schedule and the sponsoring witness:

Schedule No.	Schedule Description	Sponsor
A.	Summary of Regulatory Asset Costs	Felan/Myers
B.	Gas Costs Recovered (5 a.1) Method 2	Myers
C.	Extraordinary Gas Costs, including Penalties and Adjustments (5 a.2) Method 2	Myers
C-1	Gas Contracts	Malter
C-2	Summary of Gas Costs Invoices	Malter/Myers
C-3	Average Normalized Cost	Myers
D.	Summary of Legal and Consulting Expenses and Professional Fees	Felan
D-1.	Detail of Legal, Consulting and Professional Expenses	Felan
E.	Tax	Felan
F.	Summary of Interim Carrying Costs (March 2021 through August 2022)	Myers
F-1.	Interim Financing Detail	Felan/Myers
F-2.	Commitment Fees Support	Felan/Myers
F-3.	Professional Fees Support	Felan/Myers
F-4.	Other Capital Carrying Costs Support	Felan/Myers
G.	Customer Information - Calendar Year 2020	Felan
H.	Summary of Conventional Extraordinary Gas Cost Recovery Support	Felan
H-1.	Conventional Extraordinary Gas Cost Recovery Support	Felan
H-2.	Average Bill Impact	Felan

Q. WERE YOUR EXHIBITS AND THE SCHEDULES YOU SPONSOR PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

Q. PLEASE DISCUSS HOW THE COMPANY IS SUPPORTING THE EXTRAORDINARY GAS COSTS FOR WHICH A REGULATORY ASSET DETERMINATION IS REQUESTED IN THIS FILING.

A. The Company is supporting the regulatory asset balances for the Mid-Tex and WTX Divisions by providing the information required by the Commission's June 17th Notice. In addition to cost-specific evidence supporting the reasonableness and necessity of these costs, Mr. Malter addresses the specifics of the Company's gas purchases in his direct testimony. My testimony and that of Ms. Myers discusses the thoroughness of the Company's processes to approve invoices associated with these extraordinary gas purchases to ensure that the costs charged to the Company were accurate and reflective of the gas supply received. Ms. Myers also verifies the process by which the Company has captured and accounted for its extraordinary gas costs. Through the testimony of Dr. Perryman, the Company is also providing evidence regarding the failure of the natural gas market during the February 2021 Winter Weather Event and the reasonableness of the Company's resulting actions in that market as a provider of natural gas service to human needs customers. Finally, Dr. Fairchild addresses and supports the use of securitization financing. In the aggregate, this information resoundingly supports a Commission determination that the extraordinary costs presented for recovery were reasonable and necessarily incurred and should be recovered through the issuance of customer rate relief bonds.

Q. WHAT STANDARD SHOULD BE APPLIED TO REVIEW THE REASONABLENESS AND NECESSITY OF THE COMPANY'S EXTRAORDINARY GAS PROCUREMENT COSTS?

A. The determination of whether the Company's gas procurement costs were reasonable and necessary must be based on the circumstances that existed at the time and on the resources and information reasonably available at the time. This means that the Company's extraordinary gas procurement costs must be evaluated based on the market conditions and other challenges that existed during Winter Storm Uri.

III. ATMOS ENERGY'S RESPONSE TO WINTER STORM URI

Q. PLEASE DESCRIBE THE FEBRUARY 2021 WINTER WEATHER EVENT AND ITS IMPACT.

A. Winter Storm Uri was historic in its severity, its breadth, and its duration. Within a day of its arrival on February 11, 2021, the Governor of Texas, Greg Abbott, issued an emergency disaster declaration for all 254 counties in the state of Texas. On February 14, 2021, the President of the United States approved the disaster declaration and ordered federal assistance to supplement state and local recovery efforts.

Across the state, temperatures dropped to some of the coldest recorded in decades. It was the coldest two-day period since 1960 and the coldest 10-day period since 1983. By Monday after the storm's arrival, temperatures in Dallas had dropped to five degrees, the coldest temperature recorded in the city since the late 1980s. On Tuesday morning, the temperature at the Dallas/Fort Worth

International Airport dropped to negative two degrees, tying a record low 20th century temperature for this area. Austin and San Antonio also saw single-digit temperatures for the first time in more than thirty years. By the time the worst weather had passed on February 19th, almost half of the state's population was still dealing with disruptions in water service. And nearly 190,000 Texas homes remained without electricity. Overall, the storm had catastrophic impacts on the entire state, causing power outages, burst water pipes, and limited travel.

The storm also dramatically impacted natural gas availability. The record cold conditions led to wellhead freeze-offs across West Texas when water present in raw natural gas froze at the wellhead and inside gathering lines, causing blockages that severely restricted production. Due to widespread rolling blackouts, many natural gas facilities lost electricity, without which they could not deliver natural gas to the power plants. Because a significant number of natural gas facilities were not listed as critical infrastructure, electric power was curtailed to them, further decreasing the overall supply of gas.

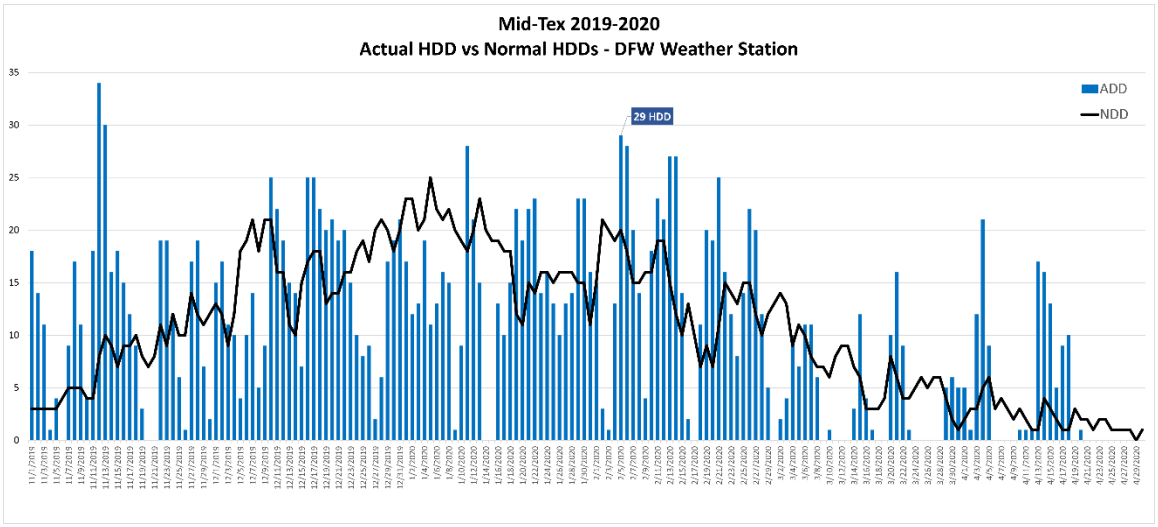
At the same time, Mid-Tex customer demand during this period was over 2 Billion Cubic Feet ("Bcf") for eight consecutive days. For comparison purposes, the average demand per day for the prior week was approximately 1 Bcf, or half of what the Company experienced daily during Winter Storm Uri.

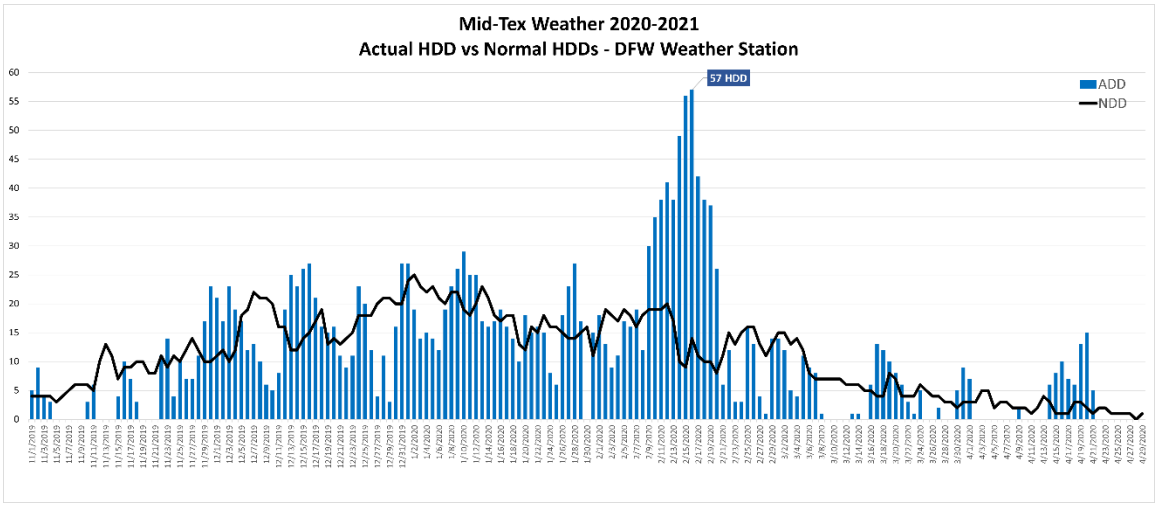
These weather conditions, lack of electricity, high customer demand for natural gas, and the diminished availability of gas supply created a perfect storm causing natural gas prices to soar to unparalleled highs and the normal market structure and incentives to cease to function due to severely constrained supply

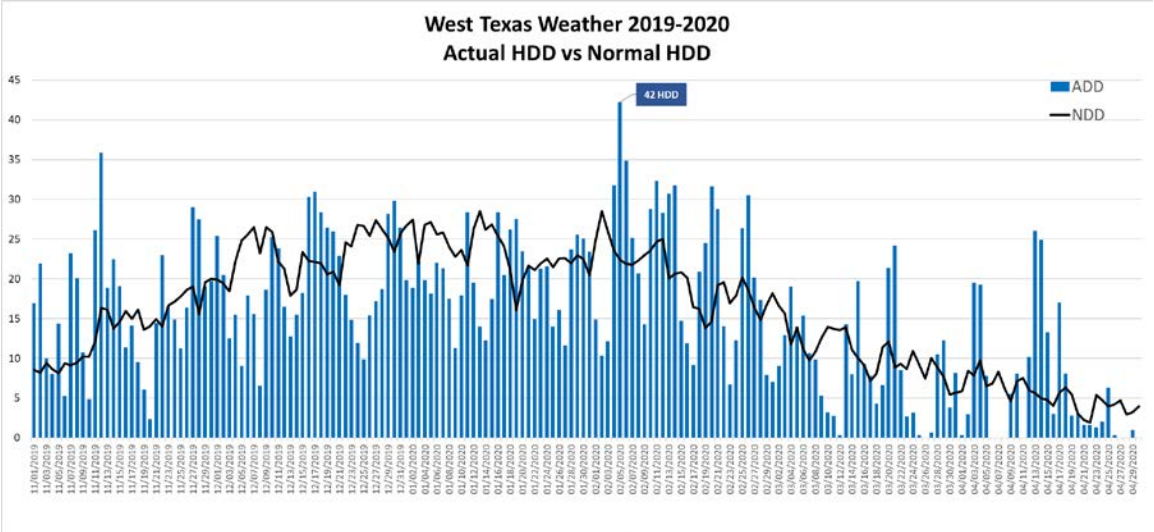
during a time of unprecedented demand and left local gas distribution companies ("LDCs"), like Atmos Energy, struggling to procure gas supply volumes needed to ensure that its human needs customers continued to receive reliable service.

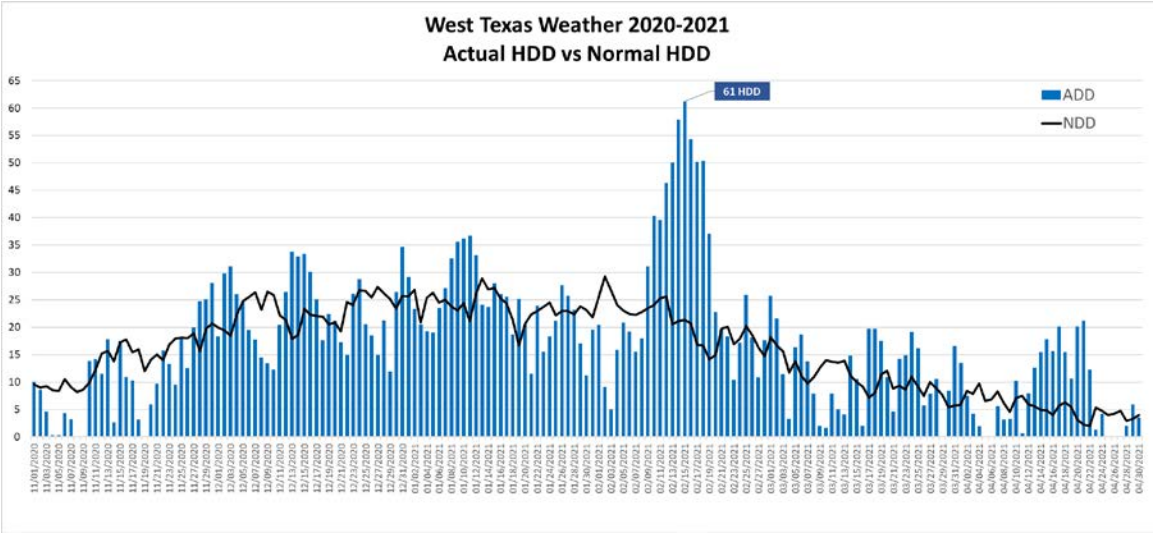
Q. HOW DOES THE HEATING DEGREE DAY ("HDD") DATA DURING WINTER STORM URI COMPARE TO HISTORIC HDD DATA?

A. The charts below show the comparison of HDDs for the Mid-Tex and WTX Divisions during the 2019-2020 winter months to the 2020-2021 winter months. An HDD is a measure of how cold the temperature was on a given day. It is the difference between the standard of 65 degrees and the mean temperature for the day. For example, if a mean temp is 30 degrees, the HDD for the day would be 35. During Winter Storm Uri, the average HDD was 45 for the Mid-Tex Division and 51 for the WTX Division. For the same eight-day period in 2020, the average HDD was 15 for the Mid-Tex Division and 21 for the WTX Division.


Mid-Tex 2019-2020
Actual HDD vs Normal HDDs - DFW Weather Station
ADD
NDD
29 HDD


Mid-Tex Weather 2020-2021
Actual HDD vs Normal HDDs - DFW Weather Station
ADD
NDD
57 HDD





Q. DID GOVERNMENT OFFICIALS URGE THE COMPANY TO TAKE NECESSARY STEPS TO ENSURE NATURAL GAS SERVICE CONTINUED TO BE PROVIDED TO CUSTOMERS?

A. Yes. In addition to the State of Disaster declared by Governor Abbott, the Commission anticipated the 2021 February Winter Storm Event and issued an Emergency Order establishing a curtailment program, which outlined priorities for natural gas supply. The Emergency Order noted the extreme threat to customers'

natural gas service and established service priorities to help ensure human needs were met. The Commission also recognized that high prices would occur due to high demand and the decrease in supply and made clear that it expected LDCs to take all actions necessary to "ensure that the citizens of the state of Texas are provided with safe and reliable natural gas service."[1]

Q. DID ATMOS ENERGY TAKE ALL REASONABLE AND NECESSARY ACTIONS TO SECURE GAS SUPPLIES AND FORTIFY ITS LOCAL GAS DISTRIBUTION SYSTEMS TO PROVIDE SERVICE TO CUSTOMERS THROUGHOUT THE DURATION OF THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes, as explained in the testimonies of Mr. Malter and Mr. Knights, Atmos Energy secured the necessary gas supplies and as a result was able to meet its obligation to serve our Texas customers. This is evidenced by the fact that 99.93% of Atmos Energy's Texas customers experienced no service disruption during Winter Storm Uri.

[1] *Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event,* Railroad Commission of Texas (Feb. 2021).

Q. IN ADDITION TO SECURING NECESSARY GAS SUPPLIES TO SERVE ITS TEXAS CUSTOMERS, WHAT WERE SOME OF THE OTHER ACTIONS THAT ATMOS ENERGY TOOK TO ENSURE THE SERVICE WAS PROVIDED TO ITS CUSTOMERS DURING THIS HISTORIC WEATHER EVENT?

A. Atmos Energy employees participated in daily meetings beginning on February 12th and ending on February 21st with the Texas Energy Reliability Council ("TERC"). This was an historic weather event that warranted coordination through TERC with other LDCs, pipelines, the Commission, producers, and electric utilities. This interaction allowed us to share information regarding gas supply, system performance, curtailments, conservation efforts and customer communication. In addition, the Company proactively communicated with its customers and other stakeholders to provide them with up-to-date information regarding the February 2021 Winter Weather Event, service issues, and the importance of natural gas conservation. Mr. Knights describes these activities in more detail in his direct testimony.

IV. EXTRAORDINARY COSTS

Q. PLEASE DESCRIBE THE EXTRAORDINARY COSTS ATMOS ENERGY HAS INCLUDED IN THE REGULATORY ASSET PRESENTED FOR DETERMINATION IN THIS CASE.

A. Consistent with the Commission's June 17th Notice, Atmos Energy's regulatory asset includes extraordinary gas procurement costs. In addition to the extraordinary commodity cost, the extraordinary costs include: (1) debt issuance costs incurred

to secure financing and pay for natural gas volumes purchased during these dates; (2) carrying costs from the date the costs were incurred through the expected date of the bond issuance, and (3) extraordinary legal and consulting expenses arising from the February 2021 Winter Weather Event.

A. Extraordinary Natural Gas Procurement Costs

Q. PLEASE DESCRIBE THE NATURAL GAS PURCHASES THAT ARE THE SUBJECT OF THE COMPANY'S REQUEST FOR A REGULATORY ASSET DETERMINATION.

A. Consistent with the Commission's June 17th Notice, the Company is requesting a regulatory asset determination regarding extraordinary gas costs incurred by the Mid-Tex and WTX Divisions during February 2021. These natural gas costs were incurred due to the extreme weather and market conditions experienced during Winter Storm Uri.

Q. WHAT IS THE AMOUNT OF EXTRAORDINARY GAS PROCUREMENT COSTS THAT THE COMPANY SEEKS TO RECOVER IN THIS PROCEEDING?

A. As shown in Application Exhibit A at Schedule B, the extraordinary gas procurement costs are $1,721,048,119 for the Mid-Tex Division and $290,835,274 for the WTX Division.

Q. HOW HAS THE COMPANY DETERMINED WHAT IS "NORMAL" GAS COST AND WHAT IS "EXTRAORDINARY GAS COST?"

A. As explained by Ms. Myers in her direct testimony, the Company has relied on the methodology set forth in the Commission's June 17th Notice, which instructs that the Company present for recovery the lesser of:

1) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021; or

2) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs for February 2021 using the Normalized Market Pricing definition set forth in Texas Utilities Code § 104.362(15).

For Atmos Energy, the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021 results in a lower recoverable amount of "extraordinary gas cost" and it is this amount that is reflected in the Company's calculation of its regulatory asset balance presented in Application Exhibit A at Schedule A.

Q. FOR THE YEAR ENDING DECEMBER 31, 2020, WHAT WERE THE NORMALIZED GAS VOLUMES FOR EACH CUSTOMER CLASS SERVED BY THE MID-TEX AND WTX DIVISIONS?

A. As shown in Application Exhibit A at Schedule G, the annual average gas volumes for the Mid-Tex Division are 142,375,632 Mcf. The annual average gas volumes for the WTX Division are 30,578,099 Mcf.

Q. FOR THE YEAR ENDING DECEMBER 31, 2020, WHAT WAS THE CUSTOMER COUNT FOR EACH CLASS OF CUSTOMERS SERVED BY THE MID-TEX AND WTX DIVISIONS?

A. Customer count by customer class is shown in Application Exhibit A at Schedule G. The total customer counts for the year ending December 31, 2020, are 1,725,260 for the Mid-Tex Division and 311,632 for the WTX Division.

Q. WERE THE EXTRAORDINARY GAS COSTS INCURRED BY THE MID-TEX AND WTX DIVISIONS NECESSARY TO PROVIDE SERVICE TO CUSTOMERS?

A. Yes. The extraordinary gas costs incurred by the Mid-Tex and WTX Divisions were necessary to provide safe and reliable gas service to human needs customers.

Q. DID THE COMPANY COMMUNICATE TO CUSTOMERS THAT THEY SHOULD TRY TO REDUCE THEIR GAS USAGE DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes, Mr. Knights describes the mass communication efforts undertaken by the Company to encourage customers to voluntarily reduce usage. In addition, the Company took action to curtail interruptible customers in accordance with the Commission's Emergency Order revising curtailment priorities issued February 12, 2021.

Q. DO YOU BELIEVE THAT THE COMPANY WOULD BE JUSTIFIED IN REFUSING TO PURCHASE GAS NEEDED TO SERVE ITS HUMAN NEEDS CUSTOMERS BASED ON A CONCLUSION THAT THE GAS IS SIMPLY TOO EXPENSIVE?

A. No, while the circumstances that resulted in the Company incurring these extraordinary gas costs were both unforeseen and extremely unusual, the Company's obligation to serve its human needs customers is not limited by the price of gas. The Company has an obligation to serve its customers. Atmos Energy fulfilled this obligation during the February 2021 Winter Weather Event by securing natural gas supplies necessary to operate its system and meet customer demand during this unprecedented cold weather event.

B. Financing, Debt Issuance and Carrying Costs

Q. WITH REGARD TO THE FEBRUARY 2021 WINTER WEATHER EVENT, PLEASE BRIEFLY DESCRIBE THE FINANCIAL ACTIONS ATMOS ENERGY TOOK TO SECURE GAS SUPPLY AND PAY FOR THAT GAS.

A. As reflected in the affidavit of Mr. Forsythe, which is attached as Exhibit CAF-1, Atmos Energy completed a public offering of $1.1 billion of 0.625% senior notes due 2023, with an effective interest rate of 0.834 %, after giving effect to the offering costs, and $1.1 billion floating rate senior notes due 2023 that bear interest at a rate equal to the Three-Month LIBOR rate plus 0.38% on March 9, 2021. The net proceeds of $2.2 billion from the offering, after the underwriting discount and offering expenses, combined with available cash on hand and net proceeds available through our At-The-Market Equity Issuance Program, were used for the

payment of unplanned and extraordinary natural gas costs incurred during Winter Storm Uri.

Q. WAS THIS FINANCING OBTAINED EXCLUSIVELY TO ADDRESS THE EXTRAORDINARY COSTS INCURRED AS A RESULT OF THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes. Due to the historic nature of this winter storm, we experienced unforeseeable and unprecedented market pricing for gas costs, which resulted in aggregated natural gas purchases during the month of February 2021 of approximately $2.2 billion as shown in Application Exhibit A at Schedule B. These gas costs were paid by the end of March 2021.

Q. WHY DID THE COMPANY OBTAIN FINANCING TO SECURE AND PAY FOR THE NATURAL GAS SUPPLIED TO CUSTOMERS DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. The Company took the financial actions indicated to ensure that it had sufficient liquidity to continue its normal course of business. In addition, by securing favorable financing, the Company was also able to reduce the cost its customers would pay if the Company had used the liquidity available through its current credit facilities to secure and pay for these extraordinary costs.

Q. PLEASE EXPLAIN HOW THE COMPANY'S FINANCIAL ACTIONS BENEFITED ITS CUSTOMERS.

A. The Company's Form 8K filed on March 1, 2021, stated that as of February 28, 2021, the Company had approximately $2.8 billion in total liquidity. As shown in Exhibit CAF-2, if the Company had utilized the liquidity from its current credit

facilities to secure and pay for its extraordinary gas costs, the cost to customers would have been approximately $2.0 - $2.5 million more per quarter than to issue the debt.

Q. WERE THE FINANCIAL ACTIONS TAKEN BY THE COMPANY A REASONABLE AND NECESSARY RESPONSE TO THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes. With the issuance of the debt in March 2021, the Company was able to avoid the more expensive existing credit facilities to pay for the extraordinary gas costs and was able to maintain the liquidity under those credit facilities liquidity to support on-going operations.

Q. PLEASE BRIEFLY DESCRIBE THE TERMS OF THE FINANCING INSTRUMENT AND THE ACCOMPANYING FINANCING COSTS, DEBT ISSUANCE COSTS, AND OTHER COSTS INCURRED TO OBTAIN THIS FINANCING INSTRUMENT(S).

A. On March 9, 2021, the Company completed a public offering of $1.1 billion principal amount of its 0.625% Senior Notes due 2023 and $1.1 billion principal amount of its Floating Rate Senior Notes due 2023. The Fixed Rate Notes bear interest at an annual rate of 0.625%, payable by the Company on March 9 and September 9 of each year, beginning on September 9, 2021, and mature on March 9, 2023. The Floating Rate Notes will bear interest at a rate equal to the Three-Month LIBOR Rate plus 38 basis points per year reset quarterly for the applicable interest period, payable by the Company on March 9th, June 9th, September 9th, and

December 9th of each year, beginning on June 9, 2021, and mature on March 9, 2023.

The Company may redeem all of the above-referenced Notes at its option at any time on or after September 9, 2021, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date. Please see Exhibit CAF-3 for the final term sheet.

The table below summarizes the net proceeds received from the issuance.

Table CAF-1 Net Proceeds Received from Debt Issuance

Category	Fixed	Floating	Total
Issued	$1,100,000,000	$1,100,000,000	$2,200,000,000
Less: Original Issue Discount	44,000		$ 44,000
Less: Underwriting Discount	2,750,000	2,750,000	$ 5,500,000
Less: Other Expenses	1,880,832	1,880,832	$ 3,761,664
Net Proceeds Received	$1,095,325,168	$1,095,369,168	$2,190,694,336

Q. HAVE THESE COSTS BEEN INCLUDED IN THE REGULATORY ASSET AMOUNT ATMOS ENERGY SEEKS TO RECOVER?

A. Yes, as discussed by Ms. Myers, the financing costs, debt issuance, other costs, and interest on the debt has been included in the regulatory asset for both Mid-Tex and WTX that the Company seeks to recover.

Q. HAS ATMOS ENERGY INCLUDED A CALCULATION OF CARRYING COSTS IN ITS APPLICATION?

A. Yes. As allowed by Section 104.363 of the Gas Utility Regulatory Act ("GURA"), the Company has included carrying costs in its calculation of the extraordinary gas costs for which it is requesting a regulatory asset determination. In her direct

testimony, Ms. Myers discusses the bases for the Company's calculation of carrying cost if the securitization process is utilized.

Q. WHAT CARRYING COST IS ATMOS ENERGY REQUESTING IF THE ALTERNATIVE THREE-YEAR RECOVERY PERIOD IS AUTHORIZED BY THE COMMISSION RATHER THAN THE SECURITIZATION PROCESS?

A. The carrying cost Atmos Energy is requesting for the three-year recovery period is the Pre-Tax return approved by the Commission in GUD Nos. 10742 and 10743. The weighted average pre-tax return is 9.54% as illustrated in the table below:

Table CAF-2
Carrying Cost Applicable to 3-year Recovery of Extraordinary Costs

Class of Capital	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.82%	5.20%	2.07%	2.07%
Common Equity	60.18%	9.80%	5.90%	7.47%
Weighted Average Cost of Capital	100.00%		7.97%	9.54%

Q. WHY IS ATMOS ENERGY PROPOSING DIFFERENT CARRYING COSTS BASED ON THE RECOVERY METHOD SELECTED BY THE COMMISSION?

A. Under the securitization process, Atmos Energy will recover the outstanding regulatory asset balances within the term period of the financing that the Company was able to obtain to secure gas supply and pay its extraordinary costs. Consequently, it is reasonable to use the interest rate associated with those financings to calculate applicable carrying costs. In contrast, if the Company is

required to carry the regulatory asset balances on its books over an extended period, the Company must replace the financing instruments that will mature in 2023 with a combination of long-term debt and equity to continue to finance these extraordinary costs. Under this scenario, it is reasonable for the Company to recover its authorized pre-tax return on the outstanding balance because the extraordinary costs, like other assets, are included in the Company's actual capital structure and must be paid for based on the financing costs associated with that capital structure.

Q. IS THE RECOVERY OF CARRYING COSTS ON EXTRAORDINARY GAS COST REASONABLE?

A. Yes. First, the inclusion of carrying costs is authorized under the statute. Second, supplier invoices for gas purchased during the February 2021 Winter Weather Event Market were due on March 25, 2021, and, as discussed above, Atmos Energy had to secure financing for these costs until they are recovered either through the securitization process or otherwise. Third, gas costs make up a substantial part of a gas utility's costs, and the magnitude of the February 2021 Winter Weather Event gas procurements costs is far greater than any prior reconciliation.

As a result, the Company has included carrying costs on the unrecovered gas costs to reflect the financing of these costs through August 31, 2022, when the securitization and reimbursement process is expected to be completed.

C. Tax Obligations Arising from Customer Rate Relief Bonds or Charges

Q. PLEASE DESCRIBE THE EXPECTED TAX OBLIGATIONS THAT WILL ARISE OR RESULT FROM THE RECEIPT OF CUSTOMER RATE RELIEF BOND PROCEEDS OR THE COLLECTION OR REMITTANCE OF CUSTOMER RATE RELIEF CHARGES.

A. Atmos Energy does not expect to incur any tax obligation arising from the receipt of customer rate relief bond proceeds or the collection or remittance of customer rate relief charges. Therefore, no such costs have been included in the Company's request for regulatory asset recovery.

D. Legal and Consulting Expenses

Q. PLEASE DESCRIBE THE LEGAL AND CONSULTING COSTS THAT ATMOS ENERGY HAS INCURRED AS A RESULT OF THE FEBRUARY 2021 WINTER WEATHER EVENT AND ITS DECISION TO PARTICIPATE IN THE SECURITIZATION PROCESS.

A. Atmos Energy has utilized the services of Coffin Renner LLP to provide legal assistance and advice regarding various issues arising from the February 2021 Winter Weather Event and the decision to participate in the securitization process. Coffin Renner has provided legal advice and support to Atmos Energy in connection with H.B. 1520 and its decision to participate in the securitization process. For example, Coffin Renner has assisted with the preparation of the Company's Application, pre-filed testimony, and other evidence included with this filing. Coffin Renner will also continue to provide the Company with legal

representation throughout the remainder of this proceeding and the issuance of the Financing Order.

Atmos Energy has also utilized the legal services of Richard L Adams PLLC in connection with its decision to participate in the securitization process. Mr. Adams has provided Atmos Energy with legal advice and assisted in the preparation of the Application, review of pre-filed testimony and the overall development of the case. Mr. Adams will also continue to provide Atmos Energy with legal representation throughout the remainder of this proceeding.

Finally, the Company has retained the services of Dr. Perryman and Dr. Fairchild to support its filed Application. As I mentioned earlier in my testimony, Dr. Perryman provides pre-filed direct testimony regarding the prudence of the actions taken by Atmos Energy to procure natural gas during the February 2021 Winter Weather Event and whether those actions were in the public interest. His testimony focuses on the breakdown of market forces that occurred and how the market ultimately failed as the cold weather persisted. Dr. Perryman will provide further testimony as needed, and Atmos Energy will present him as a witness at the hearing. Likewise, Dr. Fairchild testifies in support of the use of the securitization process authorized by H.B. 1520 and provides the requisite information required to render a favorable public interest determination on this method of recovery.

Q. ARE THERE OTHER EXTRAORDINARY COSTS THAT THE COMPANY EXPECTS TO INCUR AS A RESULT OF ITS PARTICIPATION IN THIS PROCEEDING?

A. Yes. The Company expects that it will incur costs associated with any Commission requirement to provide notice of its Application to customers and other interested parties, as well as other expenses associated with its participation in this proceeding, such as printing, postage, etc. The Company will provide actual invoices supporting the recovery of these costs once they are known. Additionally, to the extent that the Commission determines that this proceeding warrants the reimbursement of expenses to municipal intervenors, the Company requests to recover those costs as part of this proceeding.

Q. HOW DO THESE EXTRAORDINARY COSTS DIFFER FROM NORMAL ONGOING LEGAL AND CONSULTING AND OTHER RELATED EXPENSES?

A. None of these costs are part of the Company's ordinary course of business. These costs were and will continue to be incurred solely because of the February 2021 Winter Weather Event and Atmos Energy's decision to participate in the securitization process.

Q. IS THE COMPANY PROVIDING DOCUMENTATION SUPPORTING THESE EXTRAORDINARY LEGAL AND CONSULTING COSTS AS PART OF ITS FILED APPLICATION?

A. Yes. As required by Paragraph 6.b of the Commission's June 17th Notice, the Company is providing invoices and supporting documentation of its legal and

consulting expenses resulting from its election to participate in securitization pursuant to H.B. 1520. Application Exhibit A at Schedule D provides a summary spreadsheet that ties to this supporting documentation. Additionally, the affidavit of Ms. Coffin, which is attached as Exhibit CAF-4, supports the estimated remaining legal and consulting expenses that the Company expects to incur for its participation in this proceeding and any related proceeding involving the issuance of a Financing Order authorizing securitization financing. The Company will provide updates of its actual and estimated expenses as this proceeding and any related financing order proceeding progresses.

Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE EXTRAORDINARY EXPENSES THAT HAVE BEEN INCURRED AS A RESULT OF THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. The Company requests recovery of its extraordinary legal and consulting expenses, as well as any other expenses that it incurs related to this proceeding through the customer rate relief bond financing proceeds. Similarly, any Commission-ordered expense reimbursement related to intervenor participation should also be recovered through the customer rate relief bond financing proceeds.

Q. WERE ALL OF THE COMPANY'S LEGAL, CONSULTING AND RELATED PROCEEDING COSTS REASONABLY AND NECESSARILY INCURRED?

A. Yes, these costs were reasonably and necessarily incurred in response to the February 2021 Winter Weather Event and the Company's election to participate in the securitization process.

V. SECURITIZATION OF EXTRAORDINARY GAS COSTS

Q. ARE YOU FAMILIAR WITH H.B. 1520?

A. Yes. H.B. 1520 was signed into law on June 16, 2021. H.B. 1520 was enacted, among other reasons, to provide rate relief to customers by extending the period during which extraordinary costs incurred by gas utilities to secure gas supply and provide service during Winter Storm Uri would otherwise be recovered. More specifically, the new law authorizes securitization financing that will allow these extraordinary costs to be reimbursed to gas utilities through customer rate relief bonds proceeds (hereinafter referred to as the "H.B. 1520 Process"). By allowing reimbursement in this manner, H.B. 1520 benefits customers.

Q. IS GAS UTILITY PARTICIPATION IN THE H.B. 1520 PROCESS MANDATORY?

A. No. Gas utilities may choose to participate in the H.B. 1520 Process to recover the extraordinary costs incurred to provide service to their customers during the February 2021 Winter Weather Event or they may utilize existing recovery mechanisms to seek recovery of these extraordinary costs.

Q. HOW WOULD ATMOS ENERGY RECOVER ITS EXTRAORDINARY GAS COSTS IF IT HAD CHOSEN NOT TO PARTICIPATE IN THE H.B. 1520 PROCESS?

A. Both the Mid-Tex and WTX Divisions have existing gas cost recovery tariffs ("GCR" and "GCA", respectively) that authorize the Company to recover the costs associated with procuring, storing, and transporting gas to its customers. In

addition to the monthly rate charged [2]to customers for their gas usage, the Company annually reconciles the difference between the Actual Gas Cost Incurred and the Gas Cost Billed through the GCR and GCA in any given month. This reconciliation factor is then applied to customer bills and recovered over the subsequent 12 months to ensure that the Company neither over- nor under-recovers its gas costs. Absent the securitization recovery process outlined in H.B. 1520, the Company would include its extraordinary gas costs in the annual GCR reconciliation process and recover those amounts from customers over the subsequent 12-month period.

Q. WHY HAS ATMOS ENERGY CHOSEN TO PARTICIPATE IN THE H.B. 1520 PROCESS INSTEAD OF RECOVERING ITS EXTRAORDINARY GAS COSTS THROUGH ITS APPROVED GAS COST RECOVERY MECHANISMS?

A. Atmos Energy is participating in the H.B. 1520 Process to mitigate the rate impact customers would otherwise experience to repay these extraordinary gas costs. As explained by Dr. Perryman, the February market conditions were extraordinary, and as a result, so were the gas procurement costs that were incurred. As Dr. Fairchild explains, utilizing the securitization process authorized by H.B. 1520 is the most cost effective and affordable method of recovering these costs from customers.

[2] Please see the Company's gas cost recovery tariffs at https://www.atmosenergy.com/utility-operationsrates/mid-tex/mid-tex and https://www.atmosenergy.com/utility-operationsrates/tariffs-west-texas/west-texas.

Q. WHAT IS THE ESTIMATED MONTHLY COST TO CUSTOMERS THAT WILL RESULT FROM THE ISSUANCE OF CUSTOMER RATE RELIEF BONDS?

A. The estimated monthly cost associated with the securitization process is supported by Dr. Fairchild and results in a volumetric rate of $1.26 per Mcf.

Q. WHAT IS THE ESTIMATED MONTHLY COST TO CUSTOMERS IF EXTRAORDINARY GAS COSTS ARE RECOVERED AS AUTHORIZED UNDER THE COMPANY'S GAS COST RECOVERY MECHANISMS?

A. As shown in Application Exhibit A at Schedule H-1, the estimated monthly cost for Mid-Tex customers is $12.19 per Mcf and $9.51 per Mcf for WTX customers. This monthly cost is the same for all customer classes.

Q. WHAT IS THE ESTIMATED MONTHLY COST TO CUSTOMERS IF EXTRAORDINARY GAS COSTS ARE AMORTIZED AND RECOVERED THROUGH GAS COSTS CHARGED TO CUSTOMERS OVER A THREE-YEAR PERIOD?

A. As shown in Application Exhibit A at Schedule H-1, the estimated monthly cost for Mid-Tex customers is $4.67 per Mcf and $3.81 per Mcf for WTX customers. This monthly cost is the same for all customer classes.

Q. CAN YOU ILLUSTRATE THE PROJECTED IMPACT TO CUSTOMERS OF EACH OF THESE RECOVERY APPROACHES ON MID-TEX AND WTX CUSTOMERS?

A. Yes. Figures CAF-1 and CAF-2 below depict the expected monthly customer bill impacts on customers within the Mid-Tex Division and WTX Division.

Figure CAF-1: Monthly Mid-Tex Residential Customer Bill Impact under Securitization, 12-Month Gas Cost Reconciliation and Alternative Proposed Rate Mitigation Plan

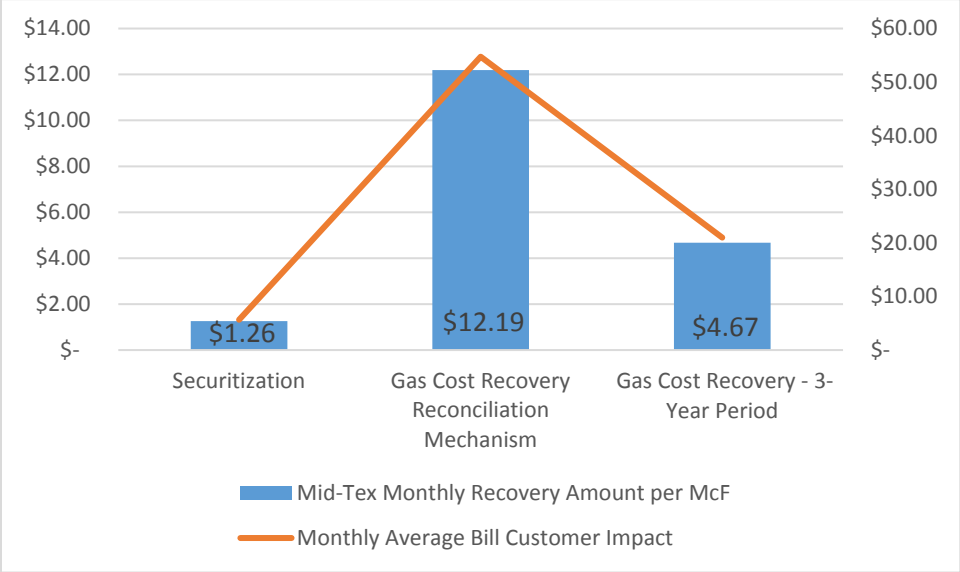
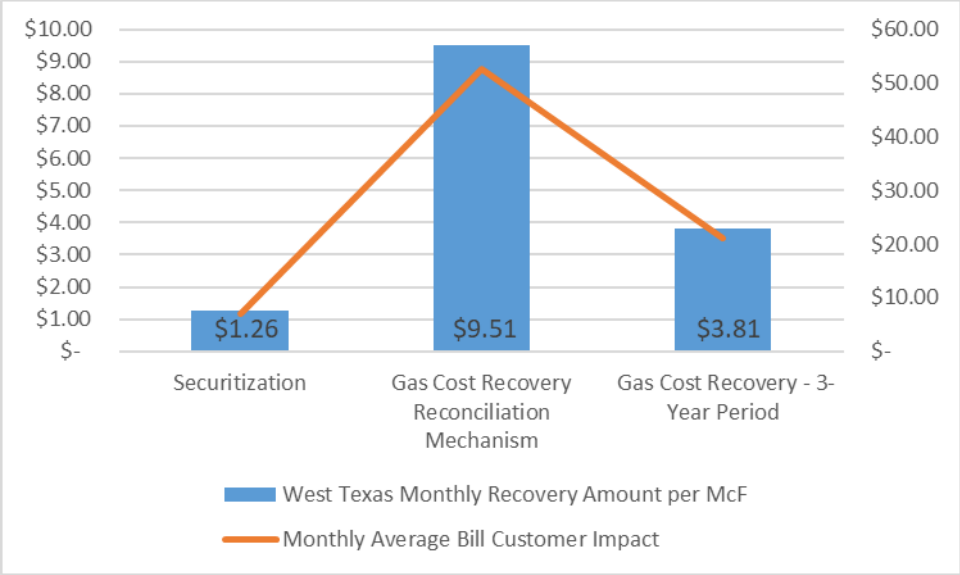


Figure CAF-2: Monthly WTX Residential Customer Bill Impact under Securitization, 12-Month Gas Cost Reconciliation and Alternative Proposed Rate Mitigation Plan



Q. FROM ATMOS ENERGY'S PERSPECTIVE, IS SECURITIZATION THE MOST COST-EFFECTIVE METHOD OF FUNDING THE REGULATORY ASSET REIMBURSEMENT TO MID-TEX AND WTX?

A. Yes. As explained by Dr. Fairchild and supported by the comparisons in the Figures above, securitization through the issuance of customer rate relief bonds is the most cost-effective method of funding regulatory asset reimbursements to the gas utility, particularly when viewed from a customer affordability perspective.

Q. CAN YOU PROVIDE ANY ADDITIONAL PERSPECTIVE ON THE BILL IMPACT TO CUSTOMERS THAT WILL RESULT IF THE SECURITIZATION PROCESS IS NOT USED TO RECOVER THE COMPANY'S EXTRAORDINARY GAS COSTS?

A. Yes. For Mid-Tex, the current average monthly residential bill is $58.05, based on an average residential consumption of 4.5 Mcf. For WTX, the current average residential bill is $47.78, based on an average residential consumption of 5.5 Mcf. As shown in Application Exhibit A at Schedule H-1, the extraordinary gas costs incurred by Atmos Energy during February 2021 would result in an additional monthly charge of approximately $83.84 for Mid-Tex and $77.77 for WTX, absent the process made available in H.B. 1520.

Q. BASED ON A MONTHLY BILL COMPARISON, DO YOU HAVE AN OPINION ON WHETHER SECURITIZATION FINANCING WILL MAKE CUSTOMERS' GAS BILLS MORE AFFORDABLE THAN IF OTHER RECOVERY MECHANISMS ARE USED?

A. Yes. I believe that securitization financing provides the most affordable option to customers based on a monthly customer bill comparison between what customers would pay under conventional recovery methods and what would be paid using the securitization process. Dr. Fairchild elaborates on this in his direct testimony.

Q. WILL OTHER TANGIBLE AND QUANTIFIABLE CUSTOMER BENEFITS BE REALIZED THROUGH SECURITIZATION FINANCING?

A. Yes. As explained by Dr. Fairchild, use of the securitization process is expected to result in a AAA bond rating, which means that the carrying cost (i.e. interest rate) paid by customers will be lower than if Atmos Energy was to continue to finance this debt. Additionally, securitization financing will allow the Company to remove the debt associated with these extraordinary costs from its balance sheet, which, in turn, will support the Company's current credit rating and continue to allow the Company to secure financing at lower costs. It will also help to ensure that the Company can continue its practice of making significant investments in system safety and reliability that began a decade ago. Finally, the securitization process will allow extraordinary costs to be repaid on a timelier basis and thereby restore the Company's ability to successfully respond to future weather or other emergencies.

Q. DO YOU UNDERSTAND THAT ANY PROCEEDS ATMOS ENERGY MAY RECEIVE PURSUANT TO THE H.B. 1520 PROCESS ARE IN LIEU OF RECOVERY THROUGH THE REGULAR RATEMAKING PROCESS OR OTHER MECHANISM?

A. Yes. On behalf of Atmos Energy, I understand and commit that any proceeds received through the securitization process will be treated in lieu of recovery of the authorized costs through a regular ratemaking or other mechanism as required under new Section 104.366(C)(10) of GURA.

Q. IF SECURITIZATION FINANCING IS NOT AUTHORIZED BY THE COMMISSION, HOW DOES ATMOS ENERGY PROPOSE TO RECOVER ITS EXTRAORDINARY GAS COSTS?

A. If the Commission does not authorize securitization financing, Atmos Energy still requests that the Commission issue a regulatory asset determination for Mid-Tex's and WTX's extraordinary gas costs. Atmos Energy further requests that the Commission authorize the Company to extend the recovery of its prudently incurred extraordinary gas costs beyond the 12-month reconciliation period authorized under its gas cost recovery mechanisms. Specifically, Atmos Energy requests authority to amortize and recover the extraordinary gas costs placed into the Mid-Tex and WTX regulatory assets over a three-year period via a flat monthly volumetric charge assessed to all sales customers as part of the Company's gas cost recovery mechanisms. At the conclusion of the three-year amortization period, the Company would true-up collections via a final one-time charge/credit to gas cost.

Q. HAS ATMOS ENERGY EVALUATED OTHER METHODS OF ALTERNATIVE RECOVERY IF THE COMMISSION DETERMINES THAT THE SECURITIZATION PROCESS SHOULD NOT BE USED TO RECOVER EXTRAORDINARY GAS COSTS?

A. Yes. As shown in Application Exhibit A at Schedule H-1, in addition to Atmos Energy's proposed alternative cost recovery method, the Company has also evaluated other methods of recovery, including a monthly fixed surcharge, and recovery periods of one versus three years.

Q. WHEN VIEWED IN LIGHT OF ALL OTHER COST RECOVERY ALTERNATIVES, IS SECURITIZATION FINANCING IN THE PUBLIC INTEREST AND DOES IT MEET THE STATED PURPOSES OF SUBCHAPTER I, CHAPTER 104 OF GURA?

A. Yes.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

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STATE OF TEXAS §
§
COUNTY OF DALLAS §

AFFIDAVIT OF CHRISTOPHER A. FELAN

BEFORE ME, the undersigned authority, on this day personally appeared Christopher A. Felan who having been placed under oath by me did depose as follows:

1. "My name is Christopher A. Felan. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Vice President of Rates and Regulatory Affairs for the Mid-Tex Division of Atmos Energy Corporation. The facts stated herein are true and correct based upon my personal knowledge.

2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

DocuSigned by:
Christopher A Felan
A03B0F5411F8445...
Christopher A. Felan

SUBSCRIBED AND SWORN TO BEFORE ME by the said Christopher A. Felan on this 19th day of July 2021.

STACY A HUGHES
Notary ID #10602813
My Commission Expires
January 20, 2025

Stacy A. Hughes
Notary Public in and for the State of Texas

STATE OF TEXAS §
§
COUNTY OF DALLAS §

AFFIDAVIT OF CHRISTOPHER T. FORSYTHE

BEFORE ME, the undersigned authority, on this day personally appeared Christopher T. Forsythe, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows.

1. "My name is Christopher T. Forsythe. I am over the age of eighteen (18) and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge. I am the Senior Vice President and Chief Financial Officer for Atmos Energy Corporation ("Atmos Energy" or the "Company"). I have been in this position since February 2017.

2. As part of my responsibilities, I am responsible for the corporate treasury function of the Company. My duties include planning, scheduling and administering the Company's financial requirements, including the sale and issuance of debt and equity securities. In addition to long-term financings, I am responsible for the Company's bank relations and other borrowing and investing activities. As a result of these activities, I am in frequent contact with financial institutions, credit rating agencies and commercial and investment bankers and am familiar with the terms and financial instruments used by Atmos Energy to finance its operations.

3. On March 9, 2021, Atmos Energy completed a public offering of $1.1 billion of 0.625% senior notes due 2023, with an effective interest rate of 0.834 %, after giving effect to the offering costs, and $1.1 billion floating rate senior notes due 2023 that bear interest at a rate equal to the Three-Month LIBOR rate plus 0.38%.

4. The terms of public offering, the underwriting discount, and the offering expense are just and reasonable and consistent with bond issuance expenses incurred by Atmos Energy in the regular course of business.

5. The public offering completed on March 9, 2021, would not have occurred but for Winter Storm Uri and the resulting extraordinary costs that were incurred during the month of February 2021 to provide service to the Company's customers.

6. The net proceeds of $2.2 billion from the March 9, 2021, offering, after the underwriting discount and offering expenses, were exclusively used for the payment of unplanned and extraordinary natural gas costs incurred during Winter Storm Uri, which occurred in February 2021.

7. Atmos Energy incurred aggregated natural gas purchases during the month of February 2021 of approximately $2.3 billion. These gas costs were paid by the end of March 2021.

Further affiant sayeth not.

Christopher T. Forsythe

SUBSCRIBED AND SWORN TO BEFORE ME by the said Christopher T. Forsythe on this 14th day of July, 2021.

Notary Public, State of Texas

AMANDA MORGAN
Notary Public, State of Texas
Comm. Expires 07-12-2023
Notary ID 13208523-2

Amanda Morgan
My Commission Expires: July 12, 2023
Dallas, TX 75240

Atmos Energy Corporation

Credit Facility Estimate								
Fiscal Period	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**Q3 22**	**Q4 22**	**Q1 23**
Calendar Period	**Q1 21**	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**Q3 22**	**Q4 22**
Credit Agricole $1.5Bn Revolver[2]								
Total Interest[1]	344,917.81	4,332,689.59	4,378,828.77	4,650,821.92	4,648,767.12	4,774,109.59	4,938,904.11	5,066,301.37
Credit Agricole $900MM Revolver [3]								
Total Interest[1]	22,994.52	2,021,921.81	2,043,453.42	2,170,383.56	2,169,424.66	2,227,917.81	2,304,821.92	2,364,273.97
Mizuho $600MM Revolver [4]								
Total Interest[1]	142,915.07	-	-	-	-	-	-	-
Total Credit Facility Interest	**510,827.40**	**6,354,611.40**	**6,422,282.19**	**6,821,205.48**	**6,818,191.78**	**7,002,027.40**	**7,243,726.03**	**7,430,575.34**

(1) Actual 3-Month Libor through June-21. Projections from July-22 Forward using Bloomberg 3-Month Libor Forecast
(2) Borrowing date 3/25/21 on day Feb 21 gas wires were primarily due
(3) Borrowing date 3/31/21 when facility was established
(4) Borrowing date 3/25/21 to 3/30/21 when facility was terminated. It is assumed that for the period 3/25/21 to 3/30/21 $100MM of cash on hand was used to fund gas wires. Cash balance on 3/25/21 was $388.3MM.

Senior Notes Estimate								
Fiscal Period	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**Q3 22**	**Q4 22**	**Q1 23**
Calendar Period	**Q1 21**	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**Q3 22**	**Q4 22**
$1.1BN 0.625% Sr Notes and $1.1BN FRN Notes								
Interest and Fees[2]	**1,114,849.70**	**4,359,275.29**	**4,383,952.05**	**4,583,413.70**	**4,556,410.96**	**4,661,076.71**	**4,794,673.97**	**4,888,098.63**

(1) Actual 3-Month Libor through June 21 Projections from July 22 Forward using Bloomberg 3-Month Libor Forecast
(2) Includes debt issuance fees and discount

Difference in Interest Costs								
Fiscal Period	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**Q3 22**	**Q4 22**	**Q1 23**
Calendar Period	**Q1 21**	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**Q3 22**	**Q4 22**
Interest and Fees[2]	***604,022.30***	***(1,995,336.11)***	***(2,038,330.14)***	***(2,237,791.78)***	***(2,261,780.82)***	***(2,340,950.68)***	***(2,449,052.05)***	***(2,542,476.71)***
Cummulative Difference	**604,022.30**	**(1,391,313.81)**	**(3,429,643.95)**	**(5,667,435.73)**	**(7,929,216.55)**	**(10,270,167.23)**	**(12,719,219.29)**	**(15,261,696.00)**

Credit Agricole $1.5Bn Revolver

Fiscal Period	Mar-21[3]	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Libor Period	Mar-21	Apr-21	May-21	Jun-21	Q3 21	Q3 21	Q3 21	Q4 21	Q4 21	Q4 21	Q1 22	Q1 22	Q1 22	Q2 22	Q2 22	Q2 22	Q3 22	Q3 22	Q3 22	Q4 22	Q4 22	Q4 22
Total Facility	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00
Principal Oustanding	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00
Margin[1]	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
3 Month Libor[2]	0.199%	0.188%	0.160%	0.128%	0.128%	0.128%	0.220%	0.220%	0.220%	0.250%	0.250%	0.250%	0.270%	0.270%	0.270%	0.290%	0.290%	0.290%	0.340%	0.340%	0.340%	0.340%
Interest Rate	**1.199%**	**1.188%**	**1.160%**	**1.128%**	**1.128%**	**1.128%**	**1.220%**	**1.220%**	**1.220%**	**1.250%**	**1.250%**	**1.250%**	**1.270%**	**1.270%**	**1.270%**	**1.290%**	**1.290%**	**1.290%**	**1.340%**	**1.340%**	**1.340%**	**1.340%**
Daily Interest	49,273.97	48,801.37	47,666.30	46,366.44	46,366.44	46,366.44	50,136.99	50,136.99	50,136.99	51,369.86	51,369.86	51,369.86	52,191.78	52,191.78	52,191.78	53,013.70	53,013.70	53,013.70	55,068.49	55,068.49	55,068.49	55,068.49
Days	7.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00	31.00	28.00	31.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00
Monthly Interest	**344,917.81**	**1,464,041.10**	**1,477,655.34**	**1,390,993.15**	**1,437,359.59**	**1,437,359.59**	**1,504,109.59**	**1,554,246.58**	**1,504,109.59**	**1,592,465.75**	**1,592,465.75**	**1,438,356.16**	**1,617,945.21**	**1,565,753.42**	**1,617,945.21**	**1,590,410.96**	**1,643,424.66**	**1,643,424.66**	**1,652,054.79**	**1,707,123.29**	**1,652,054.79**	**1,707,123.29**

(1) Level III Pricing
(2) Actual through June 21 Projections from July 22 Forward using Bloomberg 3-Month Libor Forecast
(3) Borrowing date 3/25/21 on day Feb 21 gas wires were primarily due

Credit Agricole $900MM Revolver

Fiscal Period	Mar-21[3]	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Libor Period	Mar-21	Apr-21	May-21	Jun-21	Q3 21	Q3 21	Q3 21	Q4 21	Q4 21	Q4 21	Q1 22	Q1 22	Q1 22	Q2 22	Q2 22	Q2 22	Q3 22	Q3 22	Q3 22	Q4 22	Q4 22	Q4 22
Total Facility	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00	900,000,000.00
Principal Outstanding	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00
Margin[1]	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
3 Month Libor[2]	0.199%	0.188%	0.160%	0.128%	0.128%	0.128%	0.220%	0.220%	0.220%	0.250%	0.250%	0.250%	0.270%	0.270%	0.270%	0.290%	0.290%	0.290%	0.340%	0.340%	0.340%	0.340%
Interest Rate	**1.199%**	**1.188%**	**1.160%**	**1.128%**	**1.128%**	**1.128%**	**1.220%**	**1.220%**	**1.220%**	**1.250%**	**1.250%**	**1.250%**	**1.270%**	**1.270%**	**1.270%**	**1.290%**	**1.290%**	**1.290%**	**1.340%**	**1.340%**	**1.340%**	**1.340%**
Daily Interest	22,994.52	22,773.97	22,244.27	21,637.67	21,637.67	21,637.67	23,397.26	23,397.26	23,397.26	23,972.60	23,972.60	23,972.60	24,356.16	24,356.16	24,356.16	24,739.73	24,739.73	24,739.73	25,698.63	25,698.63	25,698.63	25,698.63
Days	1.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00	31.00	28.00	31.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00
Monthly Interest	**22,994.52**	**683,219.18**	**689,572.49**	**649,130.14**	**670,767.81**	**670,767.81**	**701,917.81**	**725,315.07**	**701,917.81**	**743,150.68**	**743,150.68**	**671,232.88**	**755,041.10**	**730,684.93**	**755,041.10**	**742,191.78**	**766,931.51**	**766,931.51**	**770,958.90**	**796,657.53**	**770,958.90**	**796,657.53**

(1) Level III Pricing
(2) Actual through June 21 Projections from July 22 Forward using Bloomberg 3-Month Libor Forecast
(3) Borrowing date 3/31/21 when facility was established

Mizuho $600MM Revolver

Fiscal Period Libor Period	Mar-21[3] Mar-21
Total Facility	600,000,000.00
Principal Oustanding	600,000,000.00
Margin[1]	1.250%
3 Month Libor[2]	0.199%
Interest Rate	**1.449%**
Daily Interest	23,819.18
Days	6.00
Monthly Interest	**142,915.07**

(1) Level III Pricing
(2) Actual through June 21 Projections from July 22 Forward using Bloomberg 3-Month Libor Forecast
(3) Borrowing date 3/25/21 to 3/30/21 when facility was terminated. It is assumed that for the period 3/25/21 to 3/30/21 $100MM of cash on hand was used to fund gas wires. Cash balance on 3/25/21 was $388.1MM.

0.625% Senior Notes

Fiscal Period	Mar-21[1]	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Libor Period	Mar-21	Apr-21	May-21	Jun-21	Q3 21	Q3 21	Q3 21	Q4 21	Q4 21	Q4 21	Q1 22	Q1 22	Q1 22	Q2 22	Q2 22	Q2 22	Q3 22	Q3 22	Q3 22	Q4 22	Q4 22	Q4 22
Principal Oustanding	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00
All-in Rate	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**	**0.834%**
Daily Interest	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25	25,134.25
Days	23.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00	31.00	28.00	31.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00
Monthly Interest	**578,087.67**	**754,027.40**	**779,161.64**	**754,027.40**	**779,161.64**	**779,161.64**	**754,027.40**	**779,161.64**	**754,027.40**	**779,161.64**	**779,161.64**	**703,758.90**	**779,161.64**	**754,027.40**	**779,161.64**	**754,027.40**	**779,161.64**	**779,161.64**	**754,027.40**	**779,161.64**	**754,027.40**	**779,161.64**

(1) Issuance date 3/9/21

Floating Rate Senior Notes[1]

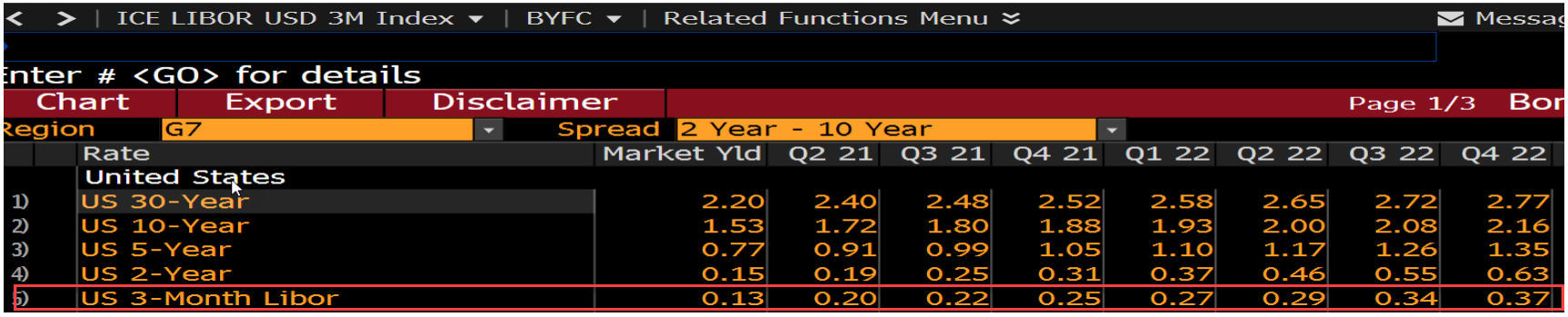
Fiscal Period	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Libor Period	Mar-21	Apr-21	May-21	Jun-21	Q3 21	Q3 21	Q3 21	Q4 21	Q4 21	Q4 21	Q1 22	Q1 22	Q1 22	Q2 22	Q2 22	Q2 22	Q3 22	Q3 22	Q3 22	Q4 22	Q4 22	Q4 22
Principal Oustanding	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00	1,100,000,000.00
Margin	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%	0.380%
3 Month Libor[2]	0.185%	0.185%	0.185%	0.128%	0.128%	0.128%	0.220%	0.220%	0.220%	0.250%	0.250%	0.250%	0.270%	0.270%	0.270%	0.290%	0.290%	0.290%	0.340%	0.340%	0.340%	0.340%
All in Rate[3]	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%	0.209%
Interest Rate	**0.774%**	**0.774%**	**0.774%**	**0.717%**	**0.717%**	**0.717%**	**0.809%**	**0.809%**	**0.809%**	**0.839%**	**0.839%**	**0.839%**	**0.859%**	**0.859%**	**0.859%**	**0.879%**	**0.879%**	**0.879%**	**0.929%**	**0.929%**	**0.929%**	**0.929%**
Daily Interest	23,337.48	23,337.48	23,337.48	21,615.75	21,615.75	21,615.75	24,380.82	24,380.82	24,380.82	25,284.93	25,284.93	25,284.93	25,887.67	25,887.67	25,887.67	26,490.41	26,490.41	26,490.41	27,997.26	27,997.26	27,997.26	27,997.26
Days	23.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00	31.00	28.00	31.00	30.00	31.00	30.00	31.00	31.00	30.00	31.00	30.00	31.00
Monthly Interest	**536,762.03**	**700,124.38**	**723,461.86**	**648,472.60**	**670,088.36**	**670,088.36**	**731,424.66**	**755,805.48**	**731,424.66**	**783,832.88**	**783,832.88**	**707,978.08**	**802,517.81**	**776,630.14**	**802,517.81**	**794,712.33**	**821,202.74**	**821,202.74**	**839,917.81**	**867,915.07**	**839,917.81**	**867,915.07**

(1) Issuance date 3/9/21
(2) 3-Month Libor resets quarterly
(3) Includes discount and underwriting fees.

Total Senior Note Interest	**1,114,849.70**	**1,454,151.78**	**1,502,623.51**	**1,402,500.00**	**1,449,250.00**	**1,449,250.00**	**1,485,452.05**	**1,534,967.12**	**1,485,452.05**	**1,562,994.52**	**1,562,994.52**	**1,411,736.99**	**1,581,679.45**	**1,530,657.53**	**1,581,679.45**	**1,548,739.73**	**1,600,364.38**	**1,600,364.38**	**1,593,945.21**	**1,647,076.71**	**1,593,945.21**	**1,647,076.71**

Security	US0003M Index	
Start Date		3/1/2021 0:00
End Date		6/8/2021 0:00
Period	W	

Date	PX_LAST	PX_ASK
6/4/2021	0.12825	0.13
5/28/2021	0.13138	0.13
5/21/2021	0.147	0.15
5/14/2021	0.15513	0.16
5/7/2021	0.15988	0.16
4/30/2021	0.17638	0.18
4/23/2021	0.18138	0.18
4/16/2021	0.18825	0.19
4/9/2021	0.1875	0.19
4/2/2021	0.19975	0.2
3/26/2021	0.199	0.2
3/19/2021	0.19688	0.2
3/12/2021	0.1895	0.19
3/5/2021	0.18538	0.19



Filed Pursuant to Rule 433 under the Securities Act of 1933
Registration Statement No. 333-236369
Issuer Free Writing Prospectus, dated March 4, 2021

ATMOS ENERGY CORPORATION

Final Term Sheet
0.625% Senior Notes due 2023
Floating Rate Senior Notes due 2023

This Free Writing Prospectus relates only to the 0.625% Senior Notes due 2023 and the Floating Rate Senior Notes due 2023 of Atmos Energy Corporation and should be read together with the Preliminary Prospectus Supplement dated March 4, 2021.

0.625% Senior Notes due 2023

Issuer:	Atmos Energy Corporation
Expected Ratings (Moody's/S&P):*	A1 (Negative) / A- (Creditwatch Negative)
Trade Date:	March 4, 2021
Settlement Date (T+3):**	March 9, 2021
Security Description:	Senior Unsecured Notes
Principal Amount:	$1,100,000,000
Maturity Date:	March 9, 2023
Interest Payment Dates:	Semi-annually in arrears on March 9 and September 9, beginning September 9, 2021
Coupon:	0.625%
Benchmark Treasury:	0.125% UST due February 28, 2023
Benchmark Treasury Price & Yield:	99-30 5/8 / 0.147%
Spread to Benchmark Treasury:	48 bps (0.480%)
Yield to Maturity:	0.627%
Public Offering Price:	99.996% of principal amount plus accrued interest from the Settlement Date

Net Proceeds (before expenses) to the Issuer:	$1,097,206,000 (99.746%)
Day Count Convention:	30/360
Optional Redemption Provisions:	The Notes may be redeemed, at the option of Atmos Energy Corporation, at any time on or after September 9, 2021, in whole or from time to time in part, at 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to the redemption date.
CUSIP/ISIN:	049560AU9 / US049560AU94
Joint Book-Running Managers:	J.P. Morgan Securities LLC Mizuho Securities USA LLC TD Securities (USA) LLC BNP Paribas Securities Corp. Credit Agricole Securities (USA) Inc. MUFG Securities Americas Inc. U.S. Bancorp Investments, Inc.
Senior Co-Managers:	Regions Securities LLC Truist Securities, Inc.
Co-Manager:	Goldman Sachs & Co. LLC

Floating Rate Senior Notes due 2023

Issuer:	Atmos Energy Corporation
Expected Ratings (Moody's/S&P):*	A1 (Negative) / A- (Creditwatch Negative)
Trade Date:	March 4, 2021
Settlement Date (T+3):**	March 9, 2021
Security Description:	Floating Rate Senior Notes
Principal Amount:	$1,100,000,000
Maturity Date:	March 9, 2023
Interest Rate Basis:	3-Month USD LIBOR
Spread to LIBOR:	38 bps (0.380%)
Coupon:	3-Month USD LIBOR + 38 bps
Public Offering Price:	100.000% of principal amount plus accrued interest from the Settlement Date
Net Proceeds (before expenses) to the Issuer:	$1,097,250,000 (99.750%)
Initial Interest Rate:	3-Month USD LIBOR + 38 bps as of two LIBOR Business Days prior to the Settlement Date
LIBOR Rate Reset Dates:	Each Interest Payment Date
LIBOR Interest Determination Dates:	The second LIBOR Business Day preceding each LIBOR Interest Reset Date
Day Count Convention:	Actual/360, subject to Modified Following, Adjusted business day convention.
Interest Payment Dates:	Quarterly on March 9, June 9, September 9 and December 9
First Interest Payment Date:	June 9, 2021
Optional Redemption Provision:	The Notes may be redeemed, at the option of Atmos Energy Corporation, at any time on or after September 9, 2021, in whole or from time to time in part, at 100% of the principal amount of the Notes to be redeemed plus

	accrued and unpaid interest, if any, to the redemption date.
CUSIP/ISIN:	049560AV7 / US049560AV77
Joint Book-Running Managers:	J.P. Morgan Securities LLC Mizuho Securities USA LLC TD Securities (USA) LLC BNP Paribas Securities Corp. Credit Agricole Securities (USA) Inc. MUFG Securities Americas Inc. U.S. Bancorp Investments, Inc.
Senior Co-Managers:	Regions Securities LLC Truist Securities, Inc.
Co-Manager:	Goldman Sachs & Co. LLC

*Note: A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time

** We expect that delivery of the notes will be made against payment therefor on or about March 9, 2021, which will be the third business day following the date of the pricing of the notes (such settlement cycle being referred to as "T+3"). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally settle in two business days, and purchasers who wish to trade notes on the date of pricing or any subsequent date that is prior to the second trading day preceding the date on which we deliver the notes may be required, by virtue of the fact that the notes initially settle in T+3, to specify alternate settlement arrangements to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on such dates should consult their advisers.

Atmos Energy Corporation has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about Atmos Energy Corporation and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by contacting J.P. Morgan Securities LLC by calling collect +1 212-834-4533; Mizuho Securities USA LLC at toll-free 1-866-271-7403; or TD Securities (USA) LLC at 1-855-495-9846.

CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

AFFIDAVIT OF ANN M. COFFIN

Before me, the undersigned authority, on this date personally appeared Ann M. Coffin, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

1. "My name is Ann M. Coffin. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.

2. I am a partner in the Austin, Texas law firm of Coffin Renner LLP, and have practiced law in Travis County since 1993. I have held positions at both the Railroad Commission of Texas ("Commission") and the Public Utility Commission of Texas. My law practice encompasses a wide range of administrative areas, including the representation of natural gas distribution companies and pipeline companies, as well as electric and telecommunications utilities. I have extensive experience representing and defending clients before the Commission and the Public Utility Commission of Texas.

3. I was retained by Atmos Energy Corporation to provide legal services related to Winter Storm Uri in February of 2021 and serve as counsel of record in this proceeding.

4. Attached to Atmos Energy's Application as part of Exhibit A at Schedule D are invoices supporting $574,975.32 in actual legal expense incurred by Atmos Energy through June 2021 for legal services rendered related to Winter Storm Uri and this proceeding. In addition, based on my experience in participating in Commission proceedings and my knowledge of issues likely to be raised, I estimate that the total legal and consulting expenses incurred for the completion of this docket and any related financing order proceeding will be approximately $1,700,000. Atmos Energy will update its actual and estimated legal and consulting expenses over the course of this proceeding.

5. The legal and consulting expenses that Atmos Energy seeks to recover qualify as extraordinary costs because these legal and consulting services would not have been necessary but for Winter Storm Uri. Both during and after Winter Storm Uri, the services provided have exclusively focused on Atmos Energy's activities during Winter Storm Uri, ensuring recovery of extraordinary costs associated with the storm, and efforts to develop and implement the customer rate relief authorized in H.B. 1520.

6. With regard to the regulatory asset determination proceeding, my services, and the services of my firm were engaged to obtain a regulatory asset determination regarding extraordinary

costs incurred to provide service during Winter Storm Uri and participate in securitization pursuant to H.B. 1520. The activities performed and that are expected to be performed are reasonable and necessary for the presentation and processing of Atmos Energy's Application for Customer Rate Relief and Related Regulatory Asset Determination. These services have or will include the preparation of testimony and exhibits, responses to discovery, attendance at meetings with participating parties, and the drafting of various pleadings throughout the proceeding.

7. I have reviewed the billings of Coffin Renner LLP submitted to Atmos Energy for legal services performed in providing legal services to Atmos Energy related to Winter Storm Uri and the regulatory asset determination proceeding and I affirm that those billings accurately reflect the time spent and expenditures incurred by Coffin Renner LLP on Atmos Energy's behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the legal rates charged by the Coffin Renner attorneys that have and will work on this matter are comparable to rates charged by other professionals with the same level of expertise and experience and commensurate with the complexity of the issues in the proceeding. The charges as calculated are correct and there was no duplication of services and no double billing of charges.

8. To the extent that the work performed benefitted Atmos Energy and other participating utilities represented by Coffin Renner LLP, the work performed has been reasonably allocated among those entities and the combined billings are representative of the total time dedicated to the task.

9. Based upon my experience and review of the work done in this proceeding and the invoices of my firm, I believe that the work performed was necessary, and the time and labor to do the work was reasonable and commensurate with the nature, extent, difficulty, and complexity of the work done.

10. No portion of fees or expenses are for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable."

Ann M. Coffin

SWORN AND SUBSCRIBED before me on this 23rd day of July 2021.

Notary Public in and for the State of Texas

SHELLEY MORGAN
NOTARY PUBLIC
ID# 3842060
State of Texas
Comm. Exp. 03-16-2025

CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

BARBARA W. MYERS

ON BEHALF OF

ATMOS ENERGY CORPORATION

July 30, 2021

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DIRECT TESTIMONY OF BARBARA W. MYERS

I. POSITION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Barbara W. Myers. My business address is 5420 LBJ Freeway, Suite 1600, Dallas, Texas, 75240.

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

A. I am employed by Atmos Energy Corporation ("Atmos Energy" or the "Company"), Shared Services as Manager, Rates and Regulatory Affairs.

Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from Oklahoma State University in 1985 with a Bachelor of Science degree in Accounting. Following graduation, I was employed by ENSERCH Corporation (later known as TXU Gas Company). I worked in various staff, supervisory and management gas accounting assignments. I became Gas Regulatory Accounting Manager for TXU Gas Company in 2000 and continued as the Regulatory Accounting Manager when Atmos Energy acquired the assets of TXU Gas Company on October 1, 2004. I assumed my current position in 2012 as Manager, Rates and Regulatory Affairs.

Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?

A. Yes. I am licensed as a Certified Public Accountant ("CPA") in the State of Texas.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE RAILROAD COMMISSION OF TEXAS ("COMMISSION")?

A. Yes. I have testified before the Commission in Docket Nos. 9145-9147, 9530, 9670, 9762, 9732, 9869, 10000, 10170, 10174, 10359, 10580, 10640, 10742, 10743, 10779, 10855 and 10900.

II. PURPOSE OF DIRECT TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My testimony establishes that the books and records maintained for the Company's Mid-Tex Division and West Texas Division ("WTX Division") are kept in accordance with the rules and regulations of the Commission. My testimony also describes the Atmos Energy Aligne Gas Supply system ("Aligne") used for natural gas purchases and the Oracle general ledger accounting system ("Oracle") used to record the gas purchases and the regulatory asset that the Company has established pursuant to Commission's Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event, issued February 13, 2021 ("H.B. 1520")[1]. Finally, my testimony supports the accuracy of the calculation of the Mid-Tex Division's and WTX Division's extraordinary costs for which a regulatory asset determination is requested in this case.

[1] Tex. Util Code § 104.361(18).

Q. ARE YOU SPONSORING ANY APPLICATION EXHIBITS OR SCHEDULES AS PART OF YOUR DIRECT TESTIMONY?

A. Yes. I am sponsoring or co-sponsoring with Company witnesses Christopher A. Felan and Kenneth M. Malter the following Application Exhibit A Schedules: A, B, C, C-2, C-3, F, F-1, F-2, F-3, and F-4. The Exhibit A, Table of Contents, Column (c) provides the detail for the specific schedule sponsor or co-sponsor. I am also co-sponsoring the Application Exhibit G data with Mr. Malter.

Q. WERE THESE DOCUMENTS PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

Q. IS THE COMPANY PROVIDING ADDITIONAL SUPPORTING DOCUMENTATION AS PART OF ITS APPLICATION?

A. Yes. The Company is providing the documentation set forth in Paragraphs 6 and 7 of the Commission's June 17th Notice to Gas Utilities to support a favorable determination regarding the regulatory asset amount it seeks to recover through either the securitization process authorized by recently enacted H.B. 1520 or other method of recovery that the Commission determines to be reasonable. Schedules supporting the Company's request are attached to the Company's Application as Exhibit A ("Schedules"). The documentation set forth in Paragraphs 6 and 7 for January, February (to the extent not previously provided in Exhibit A) and March are attached to the Company's Application as Exhibit G.

III. BOOKS AND RECORDS

Q. PLEASE SUMMARIZE HOW THE BOOKS AND RECORDS OF ATMOS ENERGY ARE MAINTAINED AND UTILIZED IN THE REGULAR COURSE OF BUSINESS.

A. Atmos Energy maintains its books and records in accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") and Generally Accepted Accounting Principles. The USOA is the prescribed methodology for maintaining records in all the state jurisdictions that regulate Atmos Energy's regulated intrastate pipeline operations and the natural gas distribution operations, which currently include eight states.

Atmos Energy's accounting organization utilizes integrated, computerized business systems to efficiently process, record and maintain transactions generated in the regular course of business. Financial transactions are created and entered into the system at or near the time of the transaction by personnel having personal knowledge or acting in reliance on information transmitted by persons having personal knowledge of the transactions, as well as of the applicable accounting procedures and requirements.

Q. DOES THE COMPANY HAVE ANY CONTROLS IN PLACE TO ASSURE THAT TRANSACTIONS ARE RECORDED PROPERLY?

A. Yes. The Controller's organization is staffed with highly qualified accounting managers and staff, with many accounting positions filled by CPAs. The managers in the organization are charged with the responsibility to analyze, review and revise, if appropriate, the work of the accountants they supervise. Atmos Energy has

established and maintained controls that ensure the accuracy of the Company's books and records. These controls help identify any necessary adjustments to accounting entries which are then recorded to the original books and records. Additionally, Atmos Energy contracts with KPMG LLP for internal audit services and this group periodically performs reviews of those controls.

Q. ARE THERE ANY OTHER ACCOUNTING CONTROLS OR PROCESSES IN PLACE TO ENSURE THE ACCURACY OF THE COMPANY'S BOOKS AND RECORDS?

A. Yes, the Company executes a series of detective monitoring controls designed to identify and explain material and/or unusual costs that have been recorded in the general ledger. Occasionally errors are found, and they are typically corrected in the following month's reporting period, unless they are material. If material, these errors are corrected in the current month.

Additionally, the chief executive officer and chief financial officer must certify the Company's annual and quarterly financial statements and must attest to and report on the Company's system of internal control. To facilitate this effort, the Company outsources its internal audit function to the accounting firm KPMG LLP to conduct tests of the Company's system of internal control. These tests are developed to ensure that the system of internal control has been designed effectively and that the controls are functioning as designed at of the end of the Company's fiscal year.

Q. PLEASE DESCRIBE THE PROCESS USED TO TEST INTERNAL CONTROLS.

A. The Company maintains a Sarbanes-Oxley ("SOX") steering committee, which is responsible for the oversight and monitoring of SOX compliance. This committee is comprised of the Vice President and Controller, the Vice President and Chief Information Officer, the Director of Information Security, the Director IT Engineering and Operations, the Director of Accounting Services and Financial Reporting and the Director of Gas Accounting and Rate Administration.

During the first quarter of the fiscal year, the Director of Accounting Services and Financial Reporting meets with the internal auditors to review the Company's listing of key controls to assess whether changes to that list should be made based upon changes in the risk profile or organization of the Company. A key control is defined as a control necessary to mitigate the risks and ensure financial reporting is reasonable and materially correct.

The internal audit group will develop a testing plan based upon these key controls, which is reviewed and approved by the SOX steering committee. The key controls are tested throughout the year. If issues arise, they are individually addressed by a steering committee member who has knowledge of the affected areas. The SOX steering committee meets regularly to assess the progress and review the results of the testing.

At the end of the fiscal year, the SOX steering committee makes recommendations regarding the effectiveness of the Company's internal control structure to be included in the internal auditor's final report to the audit committee.

Q. ARE THE COMPANY'S TESTS OF INTERNAL CONTROL SUBJECT TO EXAMINATION BY AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM?

A. Yes. As a publicly traded company, Atmos Energy is required to have an independent, registered public accounting firm audit management's public assertions regarding the Company's system of internal control. Ernst & Young, LLP ("EY") serves as the Company's independent registered public accounting firm.

Q. CAN YOU SUMMARIZE THE PROCESS USED BY EY TO PERFORM THIS FUNCTION?

A. Yes. EY will perform independent tests regarding the design of the Company's internal control function and the effectiveness of the controls as of the end of the fiscal year. The testing process is determined using a risk-based audit approach and performed on a sample basis, using a combination of observation, inspection, and re-performance of our control evidence. EY will rely, in part, on the work performed by the internal auditors in completing their audit procedures. Upon completion of their work, EY will issue an audit report summarizing their findings, which is included in the Company's annual report on Form 10-K.

Q. DID EY'S MOST RECENT REPORT DIFFER FROM THE FINDINGS OF MANAGEMENT?

A. No. EY issued an unqualified audit report for fiscal 2020, which means they agreed with management's assertions.

Q. ARE THERE OTHER TYPES OF REGULAR AUDITS AND REVIEWS THAT ARE CONDUCTED ON ATMOS ENERGY'S BOOKS AND RECORDS?

A. In addition to the audit of internal control, EY also conducts an annual audit of Atmos Energy's books and records. In addition, EY performs reviews of Atmos Energy's quarterly financial statements. These audits and reviews are conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Q. DOES THE ACCOUNTING SYSTEM ALLOW FOR THE SEPARATE RECORDING AND TRACKING OF GAS PURCHASE COSTS FOR ATMOS ENERGY'S MID-TEX AND WTX DIVISIONS?

A. Yes. Direct costs are charged directly to the division that has incurred the costs. In addition, technical and support services are provided to the divisions by centralized shared services departments primarily located at Atmos Energy's headquarters in Dallas. These centralized functions include, but are not limited to accounting, human resources, legal, treasury, and risk management. The costs for these shared services are allocated to the operating divisions.

Q. ARE THE COSTS RECORDED ON THE COMPANY'S BOOKS AND RECORDS FOR THE MID-TEX AND WTX DIVISIONS SUPPORTED BY UNDERLYING INVOICES OR OTHER RECORDS?

A. Yes. Our books and records reflect the Company's actual gas purchases for each division. The quantity and the price for each transaction (deal) is entered into Aligne. These transactions are based on the charge type of: Purchase, Transportation and Storage. Gas purchase, transportation and storage costs are supported by invoices from suppliers. As the invoices are received from suppliers, Gas Supply personnel compare the invoices to the transactions from the production month in the Aligne system. The comparison involves verifying that both the total quantity and total dollar amount equals the amounts in Aligne. Any volumetric or pricing difference is investigated and resolved by Gas Supply personnel. The incorrect party makes the appropriate adjustment (correcting the volume or pricing or both). Either a revised invoice is issued by the supplier or Gas Supply personnel makes the appropriate change in the Aligne system. In a normal period, volumetric or pricing differences are infrequent and normally immaterial in nature. Once all differences are resolved, the status of the invoice in the Aligne system is changed to "pending final" and the Gas Supply Manager proceeds with their review. The Gas Supply Manager, upon review of the invoice and the confirmation of accuracy, approves the invoice and changes the status to "final" which allows the invoice to be paid. This process is typically accomplished prior to the 23rd of each month, allowing for payment on the 25th of the month.

The invoices are then imported into the Oracle Accounts Payable ("AP") sub-ledger via the AP interface for the month by the appropriate Gas Supply department personnel. AP confirms the amounts imported with Gas Supply. These invoices are then prepared for payment in Markview, an accounts payable workflow processing system. The Markview system includes the appropriate coding and approvals received from Aligne, allowing Treasury to process the invoices for payment through the GTreasury system, a Treasury management system. GTreasury requires dual approval of wire payments prior to payment. After the wires receive the proper approvals, the wire payment is processed to the respective gas supplier's bank account.

After the AP interface occurs, a gas accountant runs a general ledger interface during month end close to transfer of the transactional details by account from Aligne to Oracle creating the Purchase entry in the general ledger. The Manager of Distribution Purchase Accounting reviews the reconciliation which compares the gas costs in Oracle to the activity per Aligne. Gas Accounting then runs the journal entry import within Oracle using "Aligne" as the data source to post all gas purchases and transportation to the general ledger.

Q. DOES THE COMPANY HAVE A PROCESS OR SYSTEM FOR THE REVIEW AND VALIDATION OF GAS PURCHASE INVOICES?

A. Yes. As discussed previously, each supplier invoice is compared to the Aligne system transactions. The supplier invoice quantity and pricing are compared to each transaction to the Aligne system. Any difference is resolved, with either an

adjustment to the supplier invoice or an adjustment in the Aligne system. Normally, few discrepancies occur between supplier invoices and the transactional data (quantity and pricing) in the Aligne system.

Q. WHAT IS THE GAS PURCHASE REVIEW PERIOD "(REVIEW PERIOD") THAT IS THE SUBJECT OF THIS APPLICATION?

A. The Review Period encompasses the month of February 2021 as required by the Commission's Notice to Gas Utilities issued on June 17, 2021.

Q. WITH RESPECT TO THE REVIEW PERIOD, HAS THE COMPANY ADDRESSED ANY DISCREPANCIES BETWEEN SUPPLIER AND THE TRANSACTIONAL DATA IN THE ALIGNE SYSTEM?

A. Yes. During the Review Period, many supplier invoices contained discrepancies which had to be resolved. As Mr. Malter discusses in his direct testimony, the Gas Supply group worked to resolve how to handle the volume of discrepancies in the invoices from quantity to price. Most supplier invoices during the Review Period involved resolution of differences. The Gas Supply group worked with each supplier to reconcile and finalize allocations of volumes in addition to pricing differences. Additionally, during this period some parties requested advance partial prepayments due to the unprecedented period. Gas Supply, Legal and Treasury Departments worked to provide prepayments when requested as per contract terms or when internal company exposure limits were triggered. Then, when all price and quantity discrepancies were resolved, these departments worked jointly to validate that final payments were accurately submitted for only the remaining purchase

balance. Gas Supply worked through all supplier invoices to resolve discrepancies and finalize payments to suppliers. All supplier invoices have been reconciled and paid for the Review Period.

Q. HAVE YOU REVIEWED THE SCHEDULES INCLUDED AS EXHIBITS A AND G TO THE COMPANY'S APPLICATION FILED IN THIS DOCKET?

A. Yes. I have reviewed the Schedules provided as Exhibit A and Exhibit G to the Company's Application.

Q. DO THE SCHEDULES REFLECT THE INFORMATION IN THE BOOKS AND RECORDS OF THE COMPANY?

A. Yes. All the Schedules included in the Company's filing are true and correct summaries of Atmos Energy's books and records as they relate to gas purchases for the February 2021 Review Period and the other extraordinary costs (collectively "extraordinary gas costs") for which a regulatory asset determination is requested in this case. The information in each Schedule is derived directly from the Company's Aligne and Oracle systems, which are kept in accordance with the FERC USOA, as appropriate.

Q. ARE THE COMPANY'S BOOKS AND RECORDS BEING MADE AVAILABLE FOR INSPECTION AS PART OF THIS PROCEEDING?

A. Yes. Atmos Energy's general ledger is maintained in an electronic format that allows authorized users access to the financial data. The Company is making its books and records, as they relate to gas purchases and other extraordinary costs during the Review Period, available for review by the intervenors upon submission

of this filing in the Company's office in Dallas, Texas. Additionally, the Company is providing the Schedules in Microsoft Excel format.

IV. COMPLIANCE WITH GAS UTILITY REGULATORY ACT AND COMMISSION RULES

Q. DOES THE COMPANY ADHERE TO THE COMMISSION'S REQUIREMENTS AS SET FORTH IN TITLE 16 OF THE TEXAS ADMINISTRATIVE CODE ("TAC")?

A. Yes. The Company fully complies with the requirements of 16 TAC §§ 7.310 (System of Accounts) and 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

Q. PLEASE DISCUSS THE SYSTEM OF ACCOUNTS THAT THE COMPANY UTILIZES.

A. The books and records are maintained in accordance with 16 TAC § 7.310. Transactions are classified consistent with the USOA, with additional supplemental sub-accounts and minor modifications. The use of such sub-account methodology is expressly permitted by the USOA in General Instruction No. 3, Numbering System, consistent with the 16 TAC § 7.310.

Q. DO THE BOOKS AND RECORDS, AS WELL AS THE SUMMARIES AND EXCERPTS THEREFROM, QUALIFY FOR THE PRESUMPTION SET FORTH IN THE 16 TAC § 7.503?

A. Yes. Since the Company maintains its books and records in accordance with the 16 TAC § 7.310, the amounts referenced on its books and records, as well as

summaries and excerpts from those books and records, are presumed to be reasonable and necessary under the provisions of § 7.503.

V. ACCOUNTING SYSTEM FOR GAS PURCHASES

Q. PLEASE DESCRIBE THE SYSTEM(S) USED DURING THE REVIEW PERIOD TO TRACK AND RECORD GAS PURCHASES.

A. During the entire Review Period, Atmos Energy managed its gas purchases using both a "production month" system, which is managed by the Company's Gas Supply Group and a separate "accounting month" system, which is managed by Atmos Energy's gas accounting group. The Aligne system was used to manage the production month data during the entire Review Period. This system is used by Gas Supply to track the individual transactions or deals, by date, quantity, and price. Purchases are categorized by charge type in Aligne (Purchase, Transportation and Storage), the Purchase transactions are those identified during the Review Period. The financial accounting system used during the Review Period was Oracle. Transactions are interfaced from the Aligne system into the Oracle AP and then to the Oracle general ledger. This interface creates entries to AP and Purchases in the general ledger. For the Review Period, it is February actual production month and March General Ledger Accounting Month. To comply with the Commission's June 17th Notice to Gas Utilities, Paragraphs 6 and 7, the Company is providing, as Exhibit G to its Application, the January actual production month data recorded in the February General Ledger Accounting Month and March actual production month data recorded in the April General Ledger Accounting Month.

Q. WHAT IS THE DIFFERENCE BETWEEN A "PRODUCTION MONTH" AND AN "ACCOUNTING MONTH"?

A. "Production month" means that the applicable data reflects the metered or allocated deliveries during the calendar month or specific period in which the gas flows, subject to the terms and conditions of the applicable contract. If subsequent to the applicable production month, it is determined that data for that month needs updating, an adjustment is made in the production month to reflect the updated data. The Review Period is the "Production Month" of February with gas procurement cost transactions for the period of February 1st through February 28th, 2021.

"Accounting month" means that the applicable data reflects the transactions that are recorded to the books and records of the Company as the information is available. Accounting adjustments are recorded when newer information indicates that the accounting data for a prior month or months needs to be changed. For the Review Period, the Accounting Month when the actuals are recorded in the General Ledger is March 2021.

Production month accounting is used to manage and administer gas purchases. This is because it is critical for gas quantities that are purchased and delivered to be tied to the specific month and day of purchase and delivery, due to the fact that gas prices very often vary from month to month or week to week. The production month accounting reflects the Company's gas purchase costs during the month the costs are actually incurred. This ensures that the correct price is applied to the correct quantity.

Q. PLEASE EXPLAIN THE COORDINATION OF THE GAS SUPPLY GROUP TO THE GAS ACCOUNTING GROUP IN RECORDING GAS PURCHASES.

A. The Gas Supply group maintains the Aligne system and enters production month and pricing data into the Aligne system. The Gas Supply group completes their processing of actual gas purchases by changing the status for each approved invoice from "pending final" to "final" in Aligne. When the invoices (prices and quantities) are finalized by Gas Supply, invoices are imported into Oracle AP system sub ledger via an AP interface with Aligne. AP validates the invoices for payment in Oracle and the workflow of the invoices are processed through Markview. After AP validates completeness in Oracle the invoices are sent through Markview to Treasury for payment via GTreasury the treasury management system with the data transferred to the respective gas supplier's bank for payment of the gas purchases.

After the AP interface occurs, the Gas Accounting group runs a general ledger interface to transfer transactional details from Aligne to Oracle. Accounting reviews a reconciliation which compares the gas cost in Oracle to the activity in Aligne. Upon confirmation that all activity in Aligne and Oracle match, Accounting runs a journal entry import within Oracle to capture all gas purchases, storage demand, and transportation expenses to record to the general ledger with "Aligne" designated as the data source.

Q. DO THE PRODUCTION AND FINANCIAL ACCOUNTING SYSTEMS USED BY ATMOS ENERGY ACCURATELY CAPTURE AND REPORT GAS PURCHASES FOR THE MID-TEX AND WTX DIVISIONS?

A. Yes. As noted above, the Company keeps its books and records in accordance with the Commission's rules. The books and records are subject to rigorous internal accounting controls. In addition, the Company's books and records are audited periodically by an outside accounting firm.

Q. WHAT ADDITIONAL ACCOUNTING CONTROLS EXIST TO ENSURE THAT ALL GAS PURCHASE EXPENSE IS RECORDED IN A TIMELY AND ACCURATE MANNER?

A. Each month, Atmos Energy's Gas Supply personnel do a detailed reconciliation of transactions in the Aligne system reconciling the MMBtus purchased per the Aligne system and the MMBtus allocated by the pipeline suppliers and shown on the suppliers' invoices. Gas Supply does a detailed review as invoices are received from suppliers, verifying the volumes and prices are as per nominations and contractual agreements. Any difference is identified and resolved. In addition to comparing in detail the quantities, the price is verified in the Aligne system and compared to the supplier invoices. Any price discrepancy is also resolved. The Manager of Gas Supply approves the invoices, confirming that all identified differences have been resolved. These invoices are then approved and routed to AP for payment. Gas Accounting also reconciles between the amounts in Oracle and the amounts in Aligne to assure all amounts transferred to the ledger.

VI. FEBRUARY 2021 WINTER WEATHER EVENT REGULATORY ASSET

Q. HAS ATMOS ENERGY ESTABLISHED A REGULATORY ASSET FOR THE MID-TEX AND WTX DIVISIONS TO RECORD EXTRAORDINARY COSTS ASSOCIATED WITH THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes. On February 13, 2021, the Commission issued a Notice to Local Distribution Companies authorizing local distribution companies "to record in a regulatory asset account the extraordinary expenses associated with the February 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply." Pursuant to this accounting authorization, a regulatory asset account was established for both the Mid-Tex and WTX Divisions to record the extraordinary costs incurred to "ensure that the citizens of the State of Texas are provided with safe and reliable gas service"[2] during Winter Storm Uri.

Q. HOW WERE COSTS RECORDED IN THE REGULATORY ASSET?

A. The Company recorded a regulatory asset pursuant to Commission's Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event, issued February 13, 2021, based on the information available at that time. Specifically, the Company recorded gas purchase expense amounts identified for the period of February 12 through

[2] *Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event,* Railroad Commission of Texas (Feb. 2021).

February 19, 2021, utilizing the *draft* H.B. 1520 (§ 104.361 (17)), which stated "'Normalized market pricing' shall be determined using the average monthly pricing at the Henry Hub for the three (3) preceding months prior to the month during which extraordinary costs were incurred, plus contractual adders to the index price, and other non-indexed gas procurement costs." The normalized average market price derived was $2.7933. The Company excluded base load which exceeded the average market pricing from the calculation as those amounts would have been purchased during this period at those prices with or without the winter event. Once final legislation was approved and the Commission issued its June 17th Notice to Gas Utilities, the Company re-calculated the regulatory asset based on Paragraph 5(a) of the June 17th Notice.[3]

I would also point out that subsequent to this filing, amounts in the regulatory asset may need to be revised to incorporate actual legal and professional expenses, actual interest and other amounts not currently identified at the time of the filing.

Q. PLEASE DESCRIBE THE TYPES OF EXTRAORDINARY COSTS THAT THE COMPANY SEEKS AUTHORITY TO RECOVER IN THIS CASE.

A. In addition to the natural gas procurement costs, and transportation overrun penalties specific to our tariffs, the Company seeks to recover:

[3] The re-calculated asset amount included February gas costs recorded subsequent to the March general ledger month as well as financing costs incurred to secure and pay for natural gas volumes included in extraordinary gas costs and (Paragraph 5.b.), actual and estimated legal and consulting expense resulting from participating in a securitization proceeding pursuant to H.B. 1520 (Paragraph 5.c), and carrying costs included in the proposed regulatory asset (Paragraph 5.d.).

1) financing costs or any other costs incurred to secure and pay for natural gas volumes that are included in extraordinary gas cost;

2) actual and estimated legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520, as well as other costs incurred to participate in this proceeding, such as the cost associated with providing public notice of the regulatory asset determination filing; and

3) Carrying costs included in the proposed regulatory asset.

As Mr. Felan explains in his direct testimony, Atmos Energy does not expect to incur tax obligations associated with securitization financing so there are no such costs included in the Company's regulatory asset.

Q. IS THE COMPANY'S REQUEST CONSISTENT WITH THE CATEGORIES OF EXTRAORDINARY COSTS THE COMMISSION HAS IDENTIFIED AS ELIGIBLE FOR RECOVERY IN THIS PROCEEDING?

A. Yes. The Company request is limited to the categories of extraordinary costs set forth in Paragraph 5(a-e) of the Commission's June 17th Notice to Gas Utilities.

Q. WHAT IS THE ACTUAL TOTAL GAS COST AMOUNT INCURRED BY ATMOS ENERGY FOR FEBRUARY 2021?

A. The total gas costs incurred by Atmos Energy during February 2021 was $2,178,197,638 as shown on Schedule B, Column (b), Line 6 and Schedule C, Column (d), Line 5 in Exhibit A attached to the Company's Application. The total gas cost broken down by Division is: Mid-Tex Division $1,869,147,300 and WTX Division $309,050,338. These amounts are detailed in Schedule B, Column (b) and Schedule C, Column (d).

Q. WHAT AMOUNT OF TOTAL GAS COST WAS INCURRED BY ATMOS ENERGY FOR FEBRUARY 2021 USING THE NORMALIZED MARKET PRICING DEFINITION SET FORTH IN TEXAS UTILITIES CODE § 104.362(15)?

A. The total gas costs incurred by Atmos Energy during February 2021 using the normalized market pricing as per Texas Utilities Code § 104.362(15) was $153,770,125 as shown on Schedule C, Column (g), Line 5 in Exhibit A attached to the Company's Application.

Q. WHAT WERE THE TOTAL GAS COSTS RECOVERED FROM MID-TEX AND WTX CUSTOMERS FOR FEBRUARY 2021?

A. The total gas costs recovered by Atmos Energy during February 2021 was $166,314,245 as shown on Schedule B, Column (e), Line 6 in Exhibit A attached to the Company's Application.

Q. WHAT WERE THE TOTAL VOLUMES PURCHASED (MMBtu) BY ATMOS ENERGY FOR FEBRUARY 2021 ON BEHALF OF THE MID-TEX AND WTX DIVISIONS?

A. The total volumes purchased (MMBtu) by Atmos Energy during February 2021 was 37,111,383 MMBtu as shown on Schedule C, Column (b), Line 5 in Exhibit A attached to the Company's Application.

Q. WHAT WERE THE SALES VOLUMES (MCF) FOR THE MID-TEX AND WTX DIVISIONS FOR FEBRUARY 2021?

A. The total sales volumes (Mcf) for Atmos Energy during February 2021 was 32,126,904 Mcf as shown on Schedule B, Column (c), Line 6 in Exhibit A attached to the Company's Application.

Q. HOW DID THE COMPANY DETERMINE THE AMOUNT OF EXTRAORDINARY GAS PROCUREMENT COSTS TO BE INCLUDED IN THE REGULATORY ASSET PRESENTED IN THIS PROCEEDING?

A. As required by the Commission's June 17th Notice to Gas Utilities, the Company's proposed extraordinary gas procurement costs for February 2021, have been determined based on the lesser of:

1) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021; or

2) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs for February 2021 using the Normalized Market Pricing definition set forth in Texas Utilities Code § 104.362(15).

In Exhibit A, attached to the Company's Application, Schedule B, details the calculation of the gas procurement costs based upon gas costs recovered (Item 1) and Schedule C, details the calculation of gas procurement costs which exceed the normalized market pricing, (Item 2). Schedule C.2 provides a detailed listing of vendor invoices supporting the total gas costs for February 2021. Schedule C.3 provides the calculation of the normalized market pricing as per Texas Utilities Code § 104.362(15). Finally, Schedule A shows the "lessor of" Items 1 and 2, with

Item 1 being the lessor of method. Schedule A further details the other Items 5(b-d) resulting in the Company's Regulatory Asset Balance requested.

Q. PLEASE DESCRIBE THE COMPANY'S CALCULATION OF ITS FINANCING AND DEBT ISSUANCE COSTS.

A. The Company's financing and debt issuance costs are detailed on Schedule F-3, Column (e), Line 22, included in Exhibit A, attached to the Company's Application. These costs are the professional fees required as part of the $2.2 billion debt issuance completed on March 9, 2021, used for the payment of the gas costs incurred as a result of Winter Storm Uri. The financing and debt issuance costs include the following items: Accounting fees and expenses, Rating Agency fees, Trustee fees and expenses, State filing fees, Legal fees and expenses, Printing and postage, SEC filing fee, Shelf registration costs, Miscellaneous costs and Underwriting discounts. These costs total $9,261,664 as shown on Schedule F-3, Column (e), Line 17. The $2.2 billion debt issuance included amounts for Texas, Kansas, and other Atmos Energy states for gas costs. Therefore, the amount included in the requested regulatory asset is an allocated amount to represent Texas's portion of the $2.2 Billion debt. The calculation to derive the Texas portion is shown on Schedule F-3, on Lines 26 through 29. The Texas percentage is 91.84% resulting in total allocated financing and debt issuance cost in the amount of $8,505,700 shown in Column (e), Line 22 on Schedule F-3. This allocated amount is also shown on Schedule F, Column (c), Line 5 and included in the total Interim Financing amount.

Q. HAS THE COMPANY INCLUDED INTEREST EXPENSE OR CARRYING COST TO COVER THE COST TO FINANCE NATURAL GAS PURCHASE EXPENSES INCURRED DURING THE REVIEW PERIOD?

A. Yes. Supplier invoices for gas purchased during the February 2021 Winter Weather Event Market were due on or about March 25, 2021. Atmos Energy has had to secure financing for these costs until they are recovered either through the securitization process or otherwise.

Q. PLEASE DESCRIBE THE COMPANY'S CALCULATION OF INTEREST EXPENSE OR CARRYING COSTS.

A. The interest expense is the Company's actual interest expense for the period of March 9th through June 30, 2021, allocated to the Texas portion as described earlier, plus an amount calculated based on the Company's proposed extraordinary gas cost from Schedule A, Column (c), Line 7 times a weighted average rate (based on rates from the Company's public offering) monthly for the period of July 1, 2021, through August 31, 2022. The total interest expense derived is $16,908,883. This amount is shown on Schedule F-1, Column (d), Line 2. This amount does not include any issuance costs which were described earlier in my testimony. Schedule A and Schedule F-1 are included in Exhibit A, attached to the Company's Application.

Q. PLEASE DESCRIBE HOW THE INTEREST RATE WAS CALCULATED.

A. The Company's public offering consisted of $1.1 billion principal amount utilizing 0.625% Senior Notes due 2023 and $1.1 billion principal amount of its Floating

Rate Senior Notes due 2023. The Fixed Rate Notes bear interest at an annual rate of 0.625%. The Floating Rate Notes will bear interest at a rate equal to the Three-Month LIBOR Rate plus 38 basis points per year reset quarterly for the applicable interest period, payable by the Company beginning on March 9th and maturing on March 9, 2023.

The interest rate for the Floating Rate Notes for March 9th through June 9th, 2021, was 0.56538% and for June 9th through September 9th is 0.50313% on the $1.1 billion. The Company utilized the actual interest expense recorded on the fixed rate notes for March through June 30, 2021. The floating rate notes the Company utilized the actual interest paid for March through June 10th and for June 11th through June 30th, the amount was calculated utilizing the rate of 0.50313%. The actual interest through June 30th, is $3,731,394. On Schedule F-1, this amount is sum of Line 2, Columns (f) through (i) which is the period of March through June 2021.

The weighted average rate was based on $1.1 billion fixed rate notes at 0.625% and $1.1 billion floating rate notes at 0.50313% to arrive at the rate of 0.56410%. The calculation is shown on Schedule F-1, Line 2, Column (c).

The interest for the period of July 2021 through August 31, 2022 (the last full month prior to the statutory deadline for the issuance of the Customer Rate Relief Bonds) was calculated using the extraordinary gas costs from Schedule A, Line 7, Column (c) times the weighted average rate, shown on Schedule F-1, Line 2, Column (c), to calculate an interest amount for each month, based on the

days in each month. The amount of interest for the period of July 2021 through August 2022 is $13,177,490 which is the sum of Line 2, Columns (j) through (w) on Schedule F-1.

The total interest is $3,731,394 (actual) plus $13,177,490 (calculated) for a total of $16,908,883 shown on Schedule F-1, Line 2, Column (d). This interest is included in the total Interim Financing shown on Schedule A, Line 13, Column (c) in the Exhibit A, attached to the Company's application.

Q. HAS THE COMPANY INCLUDED LEGAL AND CONSULTING EXPENSES IN THE REGULATORY ASSET PRESENTED FOR DETERMINATION IN THIS PROCEEDING?

A. Yes. The requested amount for legal and consulting expenses resulting from the Company's election to participate in the securitization process pursuant to H.B. 1520 is shown on Schedule D, in Exhibit A, attached to the Company's Application. Mr. Felan discusses and supports the Company's recovery of this amount in his direct testimony.

Q. DOES THE COMPANY'S APPLICATION INCLUDE ANY AMOUNT FOR EXPECTED TAX CONSEQUENCES ASSOCIATED WITH SECURITIZATION FINANCING?

A. No. As discussed in the direct testimony of Mr. Felan, the Company does not expect to incur any tax obligation resulting from securitization financing.

Q. HAVE ANY OF THE COSTS RECORDED IN THE REGULATORY ASSET BEEN INCLUDED IN THE COMPANY'S GAS COST BILLED TO CUSTOMERS THROUGH A GAS COST RECOVERY MECHANISM OR THE ANNUAL GAS COST RECONCILIATION PROCESS?

A. No. The Mid-Tex Gas Cost Recovery Mechanism (GCR) and the West Texas Gas Cost Adjustment Mechanism (GCA) calculations do not include any of the costs that are included in the Regulatory Asset. All extraordinary costs of gas purchases are included in the Regulatory Asset and not currently being passed to customers.

Q. HOW DOES THE COMPANY PROPOSE TO ADDRESS SOURCES OF FUNDING THAT MAY COMPENSATE OR OTHERWISE REIMBURSE ATMOS ENERGY FOR EXTRAORDINARY COSTS INCLUDED IN THE REGULATORY ASSET ACCOUNTS?

A. Atmos Energy requests that the Commission authorize the Company to track and defer amounts subsequent to the Company's filing, such as refund of fees or penalties or refund for gas cost due to a price or quantity adjustment, to a regulatory liability account for review by the Commission in a future proceeding.

Q. WHAT IS THE REGULATORY ASSET BALANCE THAT ATMOS ENERGY SEEKS TO SECURITIZE ON BEHALF OF ITS MID-TEX AND WTX DIVISIONS?

A. The amount the Company seeks to securitize is $2,038,997,976. This amount is detailed in Exhibit A, attached to the Company's Application on Schedule A, Column (c), Line 15.

VII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

STATE OF TEXAS §
§
COUNTY OF DALLAS §

AFFIDAVIT OF BARBARA W. MYERS

BEFORE ME, the undersigned authority, on this day personally appeared Barbara W. Myers who having been placed under oath by me did depose as follows:

1. "My name is Barbara W. Myers. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Manager, Rates and Regulatory Affairs for Atmos Energy Corporation. The facts stated herein are true and correct based upon my personal knowledge.

2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

Barbara W. Myers

Barbara W. Myers

SUBSCRIBED AND SWORN TO BEFORE ME by the said Barbara W. Myers on this 22nd day of July 2021.

Notary Public in and for the State of Texas

GISELLE R HEROY
Notary ID #130804842
My Commission Expires
September 1, 2024

CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

JEFFREY S. KNIGHTS

ON BEHALF OF

ATMOS ENERGY CORPORATION

July 30, 2021

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DIRECT TESTIMONY OF JEFFREY S. KNIGHTS

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jeffrey S. Knights. My business address is 5420 LBJ Freeway, Suite 1800, Dallas Texas 75240.

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

A. I am employed by Atmos Energy Corporation ("Atmos Energy" or the "Company"). My current position is Senior Vice President of Technical and Operating Services.

Q. WHAT ARE YOUR RESPONSIBILITIES AS SENIOR VICE PRESIDENT OF TECHNICAL AND OPERATING SERVICES?

A. I am responsible for the Technical Services organization supporting the Mid-Tex and Atmos Pipeline-Texas ("APT") divisions, including overseeing the annual capital budget for both divisions. I also have responsibility for the strategic integration of technical systems, operating systems, and technology into the business.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I graduated in May 1992 from the University of Maine where I received a Bachelor of Science degree in Surveying Engineering. In February 1998, I received my Professional Engineering registration from the Texas Board of Professional Engineers. Also, in December 1998, I received my Master of Business Administration from Southern Methodist University in Dallas. In terms of my

professional background, in June 1992, I joined Lone Star Gas Company as an engineer in the Transmission and Distribution Pipeline Engineering group and have held various positions of increasing responsibility since 1992. These positions have included Superintendent of Construction Services for Lone Star Pipeline; Senior Project Manager for Texas Utilities Pipeline Services following Texas Utilities' acquisition of Lone Star Gas Company; Manager of Gas Engineering Construction Management for TXU Gas; Director of Engineering Services for Mid-Tex following Atmos Energy's acquisition of the TXU Gas assets; Vice President of Operations for Mid-Tex; and Vice President of Technical Services for Mid-Tex. In August 2018, I assumed my current position. Over the past 29 years, I have worked with assets currently operated by the APT and Mid-Tex Divisions of Atmos Energy. My experience includes the following:

- Overall responsibility for the provision of safe and reliable gas service to a large geographical region;
- Transmission and distribution engineering;
- Capital construction/project management, including development of project scope, monitoring costs, and managing schedules;
- Coordination and oversight of survey, environmental, key supplier/contract construction, and engineering firms;
- Operating a large and complex distribution and transmission natural gas system;
- Execution and management of a variety of operations and maintenance ("O&M") activities including right-of-way maintenance, transmission integrity, distribution integrity, gas service, meter reading, and engineering; and

- Development, execution, and monitoring of project and divisional O&M and capital budgets.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes, I testified before the Railroad Commission of Texas ("Commission") in Gas Utilities Docket ("GUD") Nos. 9869, 10000, 10170 and 10580. I also submitted testimony in GUD No. 10359.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, it was.

Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?

A. Yes, I am sponsoring the exhibits listed in the table of contents.

II. PURPOSE OF TESTIMONY

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

A. My testimony provides an overview of the Company's Mid-Tex and West Texas local distribution system operations and supports, from an operations perspective, the prudence of Atmos Energy's natural gas purchases during February 2021. My testimony demonstrates that the natural gas volumes Atmos Energy procured were necessary to provide safe and reliable service to customers in the Mid-Tex Division and West Texas Division ("WTX Division"). In particular, my testimony focuses

on Atmos Energy's operations during the February 2021 Winter Weather Event, which saw Winter Storm Uri wreak havoc across the State of Texas. My testimony explains the essential role of gas supply in maintaining required operating system pressures and describes the dire operational consequences that can occur if gas volumes flowing through the natural gas system are not sufficient to support system pressure requirements. My testimony also describes the operations activities undertaken by Atmos Energy before, during, and after the February 2021 Winter Weather Event to ensure system reliability and the continued provision of gas service to human needs customers in Texas.

III. ATMOS ENERGY'S LOCAL DISTRIBUTION SYSTEM OPERATIONS IN TEXAS

Q. CAN YOU PROVIDE A GENERAL DESCRIPTION OF THE SCOPE OF OPERATIONS OF ATMOS ENERGY'S MID-TEX DIVISION?

A. Yes. The utility operations in the Mid-Tex Division include more than 32,000 miles of pipe and serves approximately 1.6 million customers in 443 incorporated municipalities and unincorporated areas in north and central Texas. Please see Exhibit JSK-1 for a map of the Mid-Tex service area.

Q. CAN YOU PROVIDE A GENERAL DESCRIPTION OF THE SCOPE OF OPERATIONS OF THE WTX DIVISION?

A. Yes. The utility operations of the WTX Division include more than 7,900 miles of pipe and serve approximately 300,000 customers in 72 incorporated municipalities and unincorporated areas in the Panhandle, South Plains, and Permian Basin

regions of Texas. See Exhibit JSK-2 for a map of the service territory served by the WTX Division.

Q. GENERALLY SPEAKING, HOW DOES THE NATURAL GAS DELIVERY SYSTEM WORK?

A. The fundamental principal of a natural gas system is that gas flows from higher pressure to lower pressure. Natural gas is extracted from the ground, processed to remove heavy hydrocarbons and contaminants, and compressed into a high-pressure pipeline. This pipeline transports the gas ultimately delivering the gas to a local distribution company for end use or into a storage facility for later use. Because natural gas is compressible, pressure is a key element to the transportation of gas along any portion of this system (pipeline or distribution). The higher the pressure, the larger the volume of gas a given pipe can hold. Under normal operating conditions, gas is injected and withdrawn from a pipeline system in equivalent measures to ensure sufficient pressures to allow delivery of natural gas throughout the system. However, if the total demand of downstream customers exceeds the supply coming into the system, system pressures will drop and the gas begins to decompress, thus eroding the line pack and over time lowering the delivery pressure. As this continues to occur in extreme situations, the pressure at the ends of the system will approach zero indicating there is no gas to deliver to that customer.

Q. PLEASE DESCRIBE HOW ATMOS ENERGY DESIGNS ITS SYSTEM IN ORDER TO MEET CUSTOMER DEMAND DURING EVENTS SUCH AS WINTER STORM URI.

A. Atmos Energy plans, designs, and constructs its system to support the reliable delivery of natural gas to its firm residential and commercial customers during peak winter weather conditions. The system is also continually fortified and expanded to support the population growth within Texas and the changing location of natural gas supplies. The investments we have made in the system in infrastructure, storage, and system fortifications are made to prepare for an event of this magnitude and have paid off as evidenced by the fact that the system performed extraordinarily well given that Winter Storm Uri was equal to or more severe than system design conditions.

Q. DOES THE LOCATION OF SUPPLY SOURCES AVAILABLE TO ATMOS ENERGY IMPACT ITS ABILITY TO SERVE ITS CUSTOMERS?

A. Yes. In order for the system to reliably deliver natural gas to human needs customers under peak conditions, it is necessary for both sufficient quantities of gas to be available and for those quantities to be available at the system locations that are designed to receive them. This includes the supply that comes from strategically located storage facilities. While the design of the system provides for some flexibility, the loss of any significant volumes of supply in one area of the state cannot be made up for by replacing them with like volumes from another part of the state. This is especially true for volumes coming from market area storages.

In short, the location of supply is critical to our ability to deliver that supply to our customers.

Q. IS THE FLOW OF NATURAL GAS IN A PIPELINE SYSTEM DYNAMIC IN NATURE?

A. Yes. Depending on flows, it could take a gas molecule hours or days to travel from a production (supply) point in West Texas to the Dallas Fort Worth metroplex for end use consumption.

Q. HOW IS PRESSURE MAINTAINED OR CONTROLLED ON A NATURAL GAS DELIVERY SYSTEM?

A. Many tools are available to maintain delivery pressure. The most critical tool is matching the gas supply (gas coming in) to the gas demand (gas going out). If these are equal, pressures are maintained (stabilized) along the pipe system. Second, compressors can be utilized along a transmission pipe system to boost the pressures at certain points. Lastly, natural gas can be injected or withdrawn from the system into storage fields to reduce/increase pressures at certain points.

Maintaining or controlling the pressures is a very active process requiring constant monitoring and adjusting of pipe-to-pipe inlets/outlets and gas supply/storage outlets. Teams of gas controllers work 24/7/365 to achieve this critical pressure balance across the transmission and distribution system. However, if volumes of gas are not available at the supply points, gas is not available to manage and control, and gas delivery to the customers will not be met.

Q. DOES "LINE PACK" PLAY A ROLE IN THE ABILITY TO DELIVER NATURAL GAS TO CUSTOMERS?

A. Yes. Line pack refers to the amount of gas in the pipe. Different size and pressures of a pipe dictate the amount of line pack because natural gas is a compressible gas, thus increasing pressure increases the number of molecules in the pipe (volume). One operational benefit of line pack in a gas system is that it can be used to meet *short term* fluctuations in gas demands. By increasing the pressure on a local gas system or "packing" the system, more gas volume can be put into the pipes. This can be thought of as a temporary linear storage. If gas is consumed at a higher rate than the gas can be supplied into the system, the line pack decreases, resulting in declining downstream pressures. In contrast when demand decreases below the available supply level the pipe begins to "re-pack."

Q. CAN EXTENDED PERIODS OF COLD WEATHER IMPACT LINE PACK AND THE RESULTING ABILITY OF A COMPANY TO RESPOND TO SYSTEM PRESSURE ISSUES?

A. Yes. During extended cold periods demand can continue to outrun the supply causing a situation where the line pack continually degrades and cannot be rebuilt without a break in demand, or the addition of additional natural gas supply. As can be seen on Exhibit JSK-6 this situation occurred during Winter Storm Uri.

Q. WHEN THIS OCCURRED DURING WINTER STORM URI WHAT ACTION WAS NECESSARY IN ORDER FOR THE COMPANY TO MAINTAIN THE PRESSURES REQUIRED TO CONTINUE TO OPERATE THE SYSTEM?

A. Two actions were taken to continue to operate the system. The first action was to reduce the demand on the system by curtailing certain customers and requesting customers to conserve usage. I discuss this in greater detail later in my testimony. The second action was to increase supply on the system. This required gas to be taken from storage facilities and gas to be purchased at various delivery points.

Q. WHAT ROLE DOES STORAGE GAS HAVE IN MAINTAINING SYSTEM PRESSURE?

A. Storage gas acts as a temporary booster shot to address a peak in demand or limitation in gas supply. While storage gas can serve an important role in managing system pressure, it is important to recognize that storage fields are limited in number and are location dependent. Each storage field also has a limited volume of gas it can hold and once depleted, it must be recharged (gas added back into the storage) with gas sourced from production fields.

Q. DOES ATMOS ENERGY RELY ON STORAGE GAS DURING A COLD WEATHER EVENT TO SERVE CUSTOMER DEMAND?

A. Yes, storage is part of the Company's overall gas supply portfolio. However, it is important to recognize that during a typical cold weather event, the demand from residential and commercial customers far exceeds the volume of gas that is produced in proximity to the demand or can be moved from the existing pipeline

system from the supply hubs. This means that while the Company relies on storage during cold weather events, storage gas functions as a *supplement* to purchased gas, rather than a primary source of supply. It is also important to understand that in an extended cold weather event storage working gas volumes can be significantly depleted since there is little chance to contemporaneously refill the storage facility.

Q. HOW LONG DOES IT TAKE TO RECHARGE OR INJECT A STORAGE FACILITY WITH NATURAL GAS?

A. Operationally, it takes two to three times as long to recharge a storage facility compared to extracting the gas out of the facility, depending on inventory levels and gas supply.

Q. ARE THERE OTHER OPERATIONAL CONSIDERATIONS THAT IMPACT THE DEGREE TO WHICH STORAGE GAS CAN BE USED TO SUPPORT SYSTEM SUPPLY?

A. Yes. There are design limitations on the volume and pressure that can be withdrawn from a storage facility which impacts the volume and pressures that can be transported into the transmission lines. There is also a locational restriction to storage which impacts the ability to deliver gas out of storage and deliver that gas to locations where it is needed by the local distribution company. For example, Atmos Energy's largest storage field is located approximately 78 miles from the Dallas Fort Worth metroplex. This geographic distance has a direct impact on the pressures required to deliver natural gas to various locations on the Mid-Tex system. The distance of large market centers from the storage means that it can take up to 12 hours for storage gas to move to the large city gates. Therefore, an

increase or decrease in storage withdrawal does not immediately impact a pressure variation (increase in demand) at a city gate in the metroplex.

Q. PLEASE DESCRIBE THE OPERATIONAL CONSEQUENCES IF SUFFICIENT PRESSURES AND FLOW RATES ARE NOT MAINTAINED ON THE NATURAL GAS DELIVERY SYSTEM.

A. During normal operations, gas supply into the system equals demand out of the system, and pressures and flows are confined to a relatively narrow, stable operational band. If, however, supply volumes into the system are interrupted, system pressure will fall. This, in turn, can impact the ability of the system to deliver gas where it is needed. While line pack can absorb short-term pressure fluctuations, extended interruptions or decreases in gas supply will cause system pressures to degrade. These insufficient pressures can, if severe enough, lead to a loss of gas service.

Q. WHAT ARE THE PRACTICAL IMPLICATIONS FOR RESIDENTIAL AND OTHER CUSTOMERS IF A LOCAL DISTRIBUTION COMPANY SYSTEM FAILS DUE TO PRESSURE LOSS?

A. If a company's local distribution system fails due to pressure loss, it means that customers that rely on that system will lose natural gas service and, unlike electric service, the gas utility must manually restore service at each household and business served by that system. This process can take days to months depending on the size of the system and number of customers impacted and contrasts starkly with the electric power system where a switch can be activated from miles away and all the homes on a particular electric distribution feeder have their electric service restored.

Q. CAN YOU ELABORATE ON THE ACTIVITIES THAT MUST BE PERFORMED IF PRESSURE IS LOST ON A NATURAL GAS SYSTEM BEFORE SERVICE CAN BE RESTORED?

A. Yes. If the pressure is lost at the end of a gas system, the system must be isolated from the rest of the natural gas system for safety reasons. This means that service to customers on that system will be interrupted because the gas utility must close the main valve(s) and/or excavate the main to interrupt the gas flow. Additionally, the gas utility must go to every home receiving gas service to manually turn off the inlet valve at the meter. Any remaining gas in the system is vented to the atmosphere.

Once natural gas supply pressure returns, the gas utility must purge the air from the line to prevent an explosive mixture of natural gas and air, reload the pipeline with natural gas and revisit each customer to re-initiate gas service by entering each home to close each appliance valve, perform a safety check on the customer's piping, open the valve supplying gas to the home, and relight any pilot lights.

Q. WHAT TYPE OF TIME FRAME IS REQUIRED TO PERFORM THESE ACTIVITIES AND RESTORE NATURAL GAS SERVICE TO CUSTOMERS?

A. Company witness Dr. Ray Perryman provides several examples of outages that have occurred in other markets due to extreme weather events and the timeframes required to restore service to customers after these events. With respect to Atmos Energy's system, it would take approximately 600 employees 15 consecutive days

to restore service to 50,000 customers. Importantly, service restoration is dependent on having available human resources, which often is the result of mutual assistance rendered by other utilities that have not been impacted by the weather event. Winter Storm Uri, however, was a major coast-to-coast storm that spread snowfall and damaging ice from the Northwest into the South, Midwest, and Northeast. The storm was also followed by the south-central states, including Texas, experiencing the coldest temperatures in decades. For example, temperatures in the Dallas/Fort Worth area dropped to minus 2 degrees, which was the coldest temperature experienced in the area since it hit minus 2 degrees in 1949. This temperature was only 6 degrees shy of the all-time record low of minus 8 degrees set in 1899. Similarly, San Angelo, Texas tied its second-coldest all-time record low after falling to minus 1 degree on Monday, February 15, 2021. Given the breadth of Winter Storm Uri's impact, weather and road conditions would likely have delayed mutual assistance to restore customer service in the event of a natural gas distribution system failure and therefore extended the outage.

IV. MID-TEX AND WTX DIVISION OPERATIONS BEFORE, DURING AND AFTER THE FEBRUARY 2021 WINTER WEATHER EVENT

Q. HAS ATMOS ENERGY DESIGNED AND BUILT THE MID-TEX AND WTX DISTRIBUTION SYSTEMS TO PROVIDE SERVICE DURING EXTREME WEATHER EVENTS, SUCH AS WINTER STORM URI?

A. Yes. It is part of our normal course of business to identify areas of our system that need fortification and to replace infrastructure and enhance reliability by increasing capacity and the maximum allowable operating pressure ("MAOP"). During Winter Storm Uri, Atmos Energy's system performed exceptionally well, and the

Company successfully delivered reliable service to 99.93% of our Texas customers for the full duration of this event.

Q. DOES ATMOS ENERGY PERFORM WINTERIZATION ACTIVITIES AS PART OF ITS NORMAL OPERATIONS ACTIVITIES?

A. Yes. Each fall, Atmos Energy has a winter preparation meeting where the operations, system planning, engineering, alternative fuels, and gas control review the past winter, any changes to the system over the summer, as well as any active projects that will impact the system prior to the winter. In addition, a review is conducted of the winterization activities that need to be performed. At a minimum, company service technicians, measurement instrumentation and control (MIC) technicians, operation's leadership, and contractor support personnel perform the following activities:

- Inspect and replace parts on equipment in town border stations and other regulator stations;
- Inspect and install catalytic heaters at selected regulator stations to prevent freezing;
- Inspect solar panel and back-up batteries at the stations;
- Fill diesel tanks for back-up electric generators at critical sites, including gas control centers;
- Review and install pressure monitoring devices at expected pressure low points;
- Replace orifice plates to ensure proper measurement and eliminate flow restrictions for the higher volume winter flows;
- Fill odorizer tanks to ensure the odorant does not restrict the necessary volumes needing to flow;
- Chains, ice cleats, and other winter safety equipment are procured and distributed;
- Review staffing to ensure appropriate training/operator qualifications are adequate for winter activity;
- Third party compressed natural gas ("CNG") tankers are retained to supplement internal CNG fleet; and

- Refresher training is provided to the curtailment team and each interruptible customer is contacted to remind them of their interruptible status and to verify contact information.

Q. WERE THESE ANNUAL WINTERIZATION ACTIVITIES PERFORMED IN ANTICIPATION OF THE 2020/2021 WINTER HEATING SEASON?

A. Yes.

Q. DOES ATMOS ENERGY HAVE AN EMERGENCY OPERATIONS PLAN FOR EVENTS SUCH AS THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes. Federal and state pipeline safety regulations require natural gas operators to have emergency plans for responding to pipeline emergencies. We review these emergency plans annually, and we train our employees to assure they are knowledgeable of the procedures. We also have liaison activities with appropriate fire, police, and other public emergency response officials.

Q. WAS THE EMERGENCY OPERATIONS PLAN IMPLEMENTED FOR THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes, in addition to implementing its emergency operations plan for winter weather events, the Company began monitoring and assembling teams approximately one week in anticipation of Winter Storm Uri's arrival. Additionally, the Company:

- Beginning February 8th, reviewed all non-essential work that could be suspended during the event. This included all non-emergency construction activity, meter reading, meter testing, non-emergency service orders including disconnects for non-pay, etc.;
- CNG tankers were strategically positioned beginning February 8th, and;
- As early as February 5th, staffing plans were developed and implemented to ensure system facility coverage on a 24/7 basis.

Q. DID ATMOS ENERGY TAKE ANY SPECIFIC ACTIONS IN ADVANCE OF OR DURING WINTER STORM URI TO FORTIFY SYSTEM PRESSURE ON THE MID-TEX AND WTX DISTRIBUTION SYSTEMS?

A. Yes. Both the Mid-Tex and WTX Divisions increased selected system operating pressures up to MAOP. A system's MAOP is based on federal guidelines that restrict the operating pressure based on material and original installation documentation. Typically, a pipe's MAOP ranges from two pounds to 800 pounds. The primary purpose of taking this action was to increase pressure to create increased line pack. A secondary benefit of this action is the early purchase of natural gas supply which would have otherwise been needed to be purchased during Winter Storm Uri.

In addition, on February 12, 2021, and the succeeding four days, we deployed Company and contract damage prevention specialists to monitor the system and identify any potential excavation activities, as third-party damage has the potential to detrimentally impact the Company's ability to deliver natural gas to our customers.

The Company also proactively addressed certain points on the system that were exhibiting pressure restrictions by deploying Company and contract employees to build bypasses around stations to mitigate pressure loss. In addition, we constructed several above ground bypasses utilizing high density plastic pipe to connect two systems together to boost the pressure of an isolated system.

Q. WERE THERE CERTAIN FACTORS THAT MADE WINTER STORM URI UNIQUE AS COMPARED TO OTHER HISTORICAL WINTER WEATHER EVENTS?

A. Yes. Winter Storm Uri was unique as compared to other winter storm events in several respects. First, there were record cold temperatures over an extended period of days that did not afford the opportunity to allow the system to recover by rebuilding line pack and by injecting gas into storage to compensate for the withdrawals. Second, the days of electric outages and rolling outages created additional challenges due to unstable demand. Many appliances now have electronic ignition. When the power was off, homes cooled off due to the heaters not being able to light and water in hot water heaters cooled. When the power was restored to a community, all the heaters and hot water appliances simultaneously resumed operation with a maximum burn. This surge in demand caused the system pressure to fall rapidly.

Lastly, the ice and snow that accompanied the storm made many roadways treacherous for travel. Utilizing tire chains and ice cleats, our employees continued to safely respond to emergency calls and monitored/controlled stations to maintain gas pressures. Although the ice hindered the movement and/or refueling of the CNG tankers, the pre-planning to strategically position larger tankers was crucial in providing supplemental gas supply to targeted systems during the storm.

Q. CAN YOU PROVIDE A PICTORIAL CONTEXT FOR THE OPERATING CONDITIONS CREATED BY WINTER STORM URI?

A. Yes. Exhibit JSK-3 is a picture of one of our Atmos Energy contractor crews working to fabricate, test, and install a 6-inch bypass around a station in Grapevine, Texas during Winter Storm Uri. These employees worked throughout the night to successfully install the bypass while battling the snow and single digit temperatures. The bypass was necessary to maintain service to the customers served by the station.

Q. PLEASE DESCRIBE SOME OF THE EXTRAORDINARY EFFORTS TAKEN BY THE COMPANY'S EMPLOYEES TO ENSURE SAFE AND RELIABLE SERVICE WAS PROVIDED TO ITS CUSTOMERS DURING WINTER STORM URI.

A. Atmos Energy employees went to extraordinary lengths to support our customers throughout Winter Storm Uri. This is evidenced by the efforts of the Company's Round Rock service technicians on February 14th in responding to numerous service dispatch orders. On that day, the road conditions were so challenging that our employees were unable to drive their vehicles up the hills in the neighborhood that was the subject of the dispatched calls. As a result, our service technicians parked their vehicles at the bottom of a hill that was approximately ¼ mile from the service location and traversed back and forth on foot through the snow and ice, up and down the hills to respond to the customer calls in the neighborhood.

Q. ON FEBRUARY 12, 2021, THE COMMISSION ISSUED AN EMERGENCY ORDER SETTING FORTH SERVICE PRIORITIES FOR THE DELIVERY OF GAS BY NATURAL GAS UTILITIES IN RESPONSE TO WINTER STORM URI. WHAT ACTIONS DID ATMOS ENERGY TAKE IN RESPONSE TO THIS ORDER?

A. On Friday, February 12, 2021, we began to communicate with over 850 industrial, commercial and transportation customers urging them to make efforts to conserve natural gas. When we saw capacity and supply constraints, we executed our curtailment plans and informed customers of the curtailment, which began on Saturday, February 13, 2021, for the Mid-Tex Division and Sunday, February 14, 2021, for the WTX Division. The curtailment included first interrupting customers that were on interruptible contracts. It also included curtailing the firm industrial sales customers per our curtailment plan. The Commission's Emergency Order is included in my testimony as Exhibit JSK-4.

Q. THROUGHOUT THE DURATION OF THE FEBRUARY 2021 WINTER WEATHER EVENT DID ATMOS ENERGY CONTINUE TO MAKE EVERY REASONABLE EFFORT TO GIVE EFFECT TO THE COMMISSION'S EMERGENCY ORDER?

A. Yes. The Mid-Tex and WTX Divisions continued to monitor system performance throughout the winter weather event. Curtailed customers were provided updates as curtailments were extended. When the weather warmed and natural gas producers were able to bring on sufficient supply, the curtailment notices were

lifted beginning Sunday, February 21, 2021, for both the Mid-Tex and WTX Divisions.

Q. DID ATMOS ENERGY ENCOURAGE ITS CUSTOMERS TO CONSERVE GAS USAGE DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes. We utilized press releases, social media, an informational website for winter safety tips, and text message alerts to encourage conservation from our customers. Atmos Energy proactively shared winter safety tips for preparing for bitterly cold temperatures via press release on Friday, February 12. This and all subsequent press releases were sent to DFW media and further amplified by Managers of Public Affairs who shared the announcements with local media, community partners, chambers of commerce, city contacts, and elected officials in their respective territories. Social media posts with graphics supported these press releases on Facebook, Instagram, Twitter and Nextdoor. Additionally, we launched an informational website for winter tips with a sitewide alert for easy access. We communicated directly with customers via text message throughout the winter event, sharing the direct link to this informational website, as well as additional conservation safety alerts. Examples of these communications is provided in Exhibit JSK-5 to my testimony.

Q. DESPITE THESE EFFORTS WAS IT NECESSARY FOR ATMOS ENERGY TO PURCHASE NATURAL GAS TO MAINTAIN SUFFICIENT SYSTEM PRESSURE AND MEET CUSTOMER DEMAND?

A. Yes. Company witness Kenneth M. Malter discusses this in detail in his direct testimony. Operationally, the need for these natural gas purchases was essential to maintain system pressures and meet customer demand. Throughout Winter Storm Uri, Atmos Energy was responding on a day-by-day, hour-by-hour basis to maintain service reliability. The record-breaking natural gas demand, the gas supply shortages, the locational restrictions to this supply, the delivery challenges, the icy weather conditions, storage working gas levels, and the extended duration of this event all contributed to the supply issues during the prolonged 10-day event that created very low operating pressure levels, despite the very heavy usage of storage gas. As demonstrated in Exhibit JSK-6, the normal line pack for short term spikes did not begin to recover until the evening of February 17th. Our employees continuously monitored and controlled hundreds of stations with two 12-hour shifts daily to ensure the maximum volume of gas was delivered to human needs customers.

Q. WHAT IMPACT DID WINTER STORM URI HAVE ON THE COMPANY'S STORAGE OPERATIONS?

A. Due to the significant demand and lack of supply during the early days of Winter Storm Uri, Atmos Energy relied heavily on its storage facilities to provide gas to its customers. Although the storage working gas inventories started out at very healthy levels, natural gas was withdrawn from them for an extended period of time

without the ability to replenish them. As a result, after nine consecutive days of withdrawals and no injections, the Bethel storage facility, on February 18th, was rapidly approaching a critical level of depletion that could have resulted in the loss of the facility for an extended period.

Q. IS THE BETHEL STORAGE FACILITY ESSENTIAL TO MID-TEX OPERATIONS?

A. Yes. Atmos Energy's Bethel storage facility is a large natural gas storage facility consisting of two caverns constructed in a salt dome. Its unique features include the ability to ramp up the withdrawal rate quickly and sustain high withdrawal rates as long as it has adequate inventory. The large demand swings on the Mid-Tex system combined with significant weather variations in Texas makes the Bethel storage facility a key facility used to address peak usage. Due to its high deliverability, the gas withdrawn from this cavern can partially support the demand needs in the Dallas/Plano area and/or the Waco/Austin corridor. We experienced the benefits of the critical nature of this facility during Winter Storm Uri and heavily relied on the Bethel storage facility to supply gas to the Waco/Austin corridor for multiple days during the days of gas supply shortages.

Q. WHAT ACTION DID THE COMPANY TAKE TO PROTECT THIS STORAGE FACILITY AND ENSURE ITS CONTINUED OPERATION?

A. To protect the functional integrity of the Bethel storage facility, it was necessary to reduce the rate of withdrawal. To meet the customer demand, additional supply had to be purchased to offset the gas coming from Bethel beginning on February 18th when we curtailed the facility. In addition, Atmos Energy began injecting

natural gas into Bethel on February 19th to protect the functional integrity of the storage facility and to restore the capability to utilize the facility if another weather/system demand event required large volumes to be delivered to the pipeline system rapidly. This required Atmos Energy to purchase supply from February 19th to February 24th to build cavern pressures to both mitigate potential risk to cavern integrity and to replenish inventory for operational purposes.

Q. FROM AN OPERATIONS PERSPECTIVE WERE THE GAS PURCHASES MADE TO SUPPORT THE INTEGRITY OF THE BETHEL STORAGE FACILITY REASONABLE AND NECESSARY?

A. Yes. If the purchases during this period had not been made, it is entirely possible that the Bethel storage facility could have been lost for several years and it would have been extremely expensive to restore it to service. When a cavern's integrity is compromised, a complete workover of that cavern is required. Restoring cavern integrity requires evacuation of the remaining gas in a controlled manner, including simultaneously filling the cavern with water. At that time, integrity testing is done to determine the condition of the cavern and the casings in the wellbore. Repairs would then be made based on the results of that testing (severe situations would require abandonment of the cavern). Once repairs are completed, the cavern would need to pass a mechanical integrity test. After a successful test, a second workover is required to convert the cavern for gas storage service including a complete changeout of the wellhead and subsequent de-brining activity to allow the natural gas to be re-injected into the cavern for ultimate storage. This complex process

could take two to three years to complete at which time the storage facility would not be available for the reliable delivery of natural gas to our customers.

Q. WAS ATMOS ENERGY ABLE TO SUCCESSFULLY RESPOND TO THE OPERATIONAL CHALLENGES CREATED BY WINTER STORM URI?

A. Yes.

Q. WAS ATMOS ENERGY ABLE TO PROVIDE SAFE AND RELIABLE GAS SERVICE TO ITS HUMAN NEEDS CUSTOMERS THROUGHOUT THIS EXTREME WEATHER EMERGENCY?

A. Yes. Despite this unprecedented event, Atmos Energy continued to deliver reliable service to 99.93% of our Texas customers for the full duration of this event.

Q. MR. MALTER TESTIFIES REGARDING THE EXTRAORDINARY GAS COSTS INCURRED TO PROVIDE SERVICE DURING THE FEBRUARY 2021 WINTER WEATHER EVENT. FROM AN OPERATIONS PERSPECTIVE, WAS THE GAS PURCHASED BY ATMOS ENERGY DURING THIS EVENT NECESSARY TO MEET HUMAN NEEDS CUSTOMER DEMAND AND SUPPORT SYSTEM OPERATIONS?

A. Yes. Atmos Energy has a commitment to serve our customers and an obligation to purchase natural gas to do so. Utilities are required to deliver natural gas to customers at the locations it is needed during all weather conditions, including natural disasters and severe weather events that affect supply and demand. As I discussed earlier in my testimony, if gas is not available at the locations it is required, it cannot be delivered to customers. For example, to address the operational challenges at the Bethel storage facility that were caused by Winter

Storm Uri, it was necessary for the Company to purchase gas at locations that would replicate the system impact of withdrawals from this storage facility. But for these natural gas purchases, we would not have been able to meet this obligation and reliably provide natural gas service to human needs customers.

Q. DID THE COMPANY'S CONTINUED PROVISION OF NATURAL GAS SERVICE DURING WINTER STORM URI BENEFIT ITS CUSTOMERS?

A. Absolutely. Our customers rely on natural gas to operate their fireplaces, water heaters, central heat, stoves, dryers, outdoor kitchens, and backup electric generators. Without gas service, customers may not have heat, hot water, a means to cook, and/or back-up electricity. In a prolonged winter event like Winter Storm Uri, natural gas service is critical to the sustainment of life. We heard many stories from our customers who did not have electricity and had to rely on natural gas in their fireplace for heat. In many instances, their entire family huddled around the fire to stay warm for the duration of this historic weather event and that heat also contributed to keeping their water pipes from freezing. I am confident that without the reliable natural gas service that Atmos Energy provided to our 1.9 million customers, the death toll from Winter Storm Uri and the human suffering would have been far greater.

V. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

STATE OF TEXAS §
§
COUNTY OF DALLAS §

AFFIDAVIT OF JEFFREY S. KNIGHTS

BEFORE ME, the undersigned authority, on this day personally appeared Jeffrey S. Knights who having been placed under oath by me did depose as follows:

1. "My name is Jeffrey S. Knights. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Senior Vice President of Technical and Operating Services for Atmos Energy Corporation. The facts stated herein are true and correct based upon my personal knowledge.

2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

Jeffrey S. Knights

SUBSCRIBED AND SWORN TO BEFORE ME by the said Jeffrey S. Knights on this 20th day of July 2021.

Notary Public in and for the State of Texas

STACY A HUGHES
Notary ID #10602813
My Commission Expires
January 20, 2025

ATMOS ENERGY
MID-TEX SERVICE AREA
JUNE 2021

Mid-Tex Service Area

Distribution Town Plant

25 12.5 0 25 50 75 100
Miles

N

Date: 06/02/2021

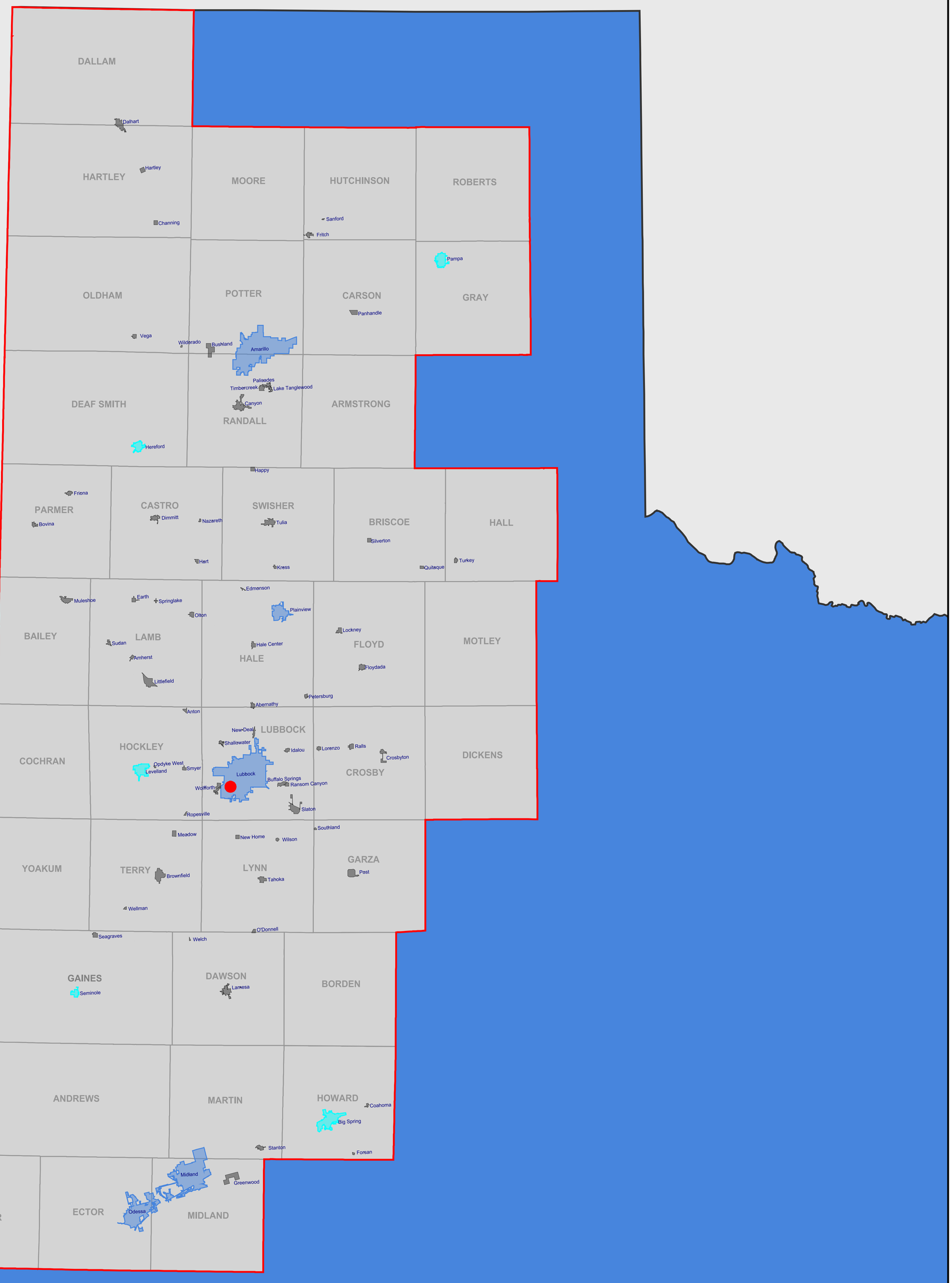
ATMOS energy®

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W E
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West Texas Division
JUNE 2021

- Texas Boundary
- Division Boundary
- County Boundary
- Operational Center
- Operational Office
- Served Community
- Division Headquarters

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Contract crews working on behalf of Atmos Energy in Grapevine, TX during Winter Storm Uri.

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RAILROAD COMMISSION OF TEXAS

EMERGENCY ORDER

WHEREAS, after Notice of Emergency Meeting to consider this Emergency Order was duly posted on February 12, 2021 with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Chapter 551, *et seq*., the Railroad Commission of Texas ("Commission") determined that an Emergency Order is necessary to protect human needs customers in the State of Texas because of current conditions which threaten and health, safety and welfare of those customers, and determined that the existing regulations and Orders of the Commission do not sufficiently address the specific conditions of this emergency; and

WHEREAS, on February 12, 2021, the Governor of the State of Texas issued a State of Disaster in all 254 counties due to severe weather posing an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide; and

WHEREAS, pursuant to the authority granted to the Commission in the Texas Utilities Code, the Commission has the authority to issue this Emergency Order affecting the operation of the gas utility systems in this state to prevent such threats to the public; and

WHEREAS, the transportation, delivery and/or sale of natural gas in the State of Texas for any other purpose other than serving human needs customers should be curtailed to the extent possible and necessary for the duration of this Emergency Order.

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF TEXAS that Rule 2 of Docket 489 is temporarily amended as follows:

RULE 2.

Until such time as the Commission has specifically approved a utilities curtailment program, the following priorities in descending order shall be observed:

A. Deliveries of gas by natural gas utilities to ~~for~~ residences, hospitals, schools, churches and other human needs customers, and deliveries to Local Distribution Companies which serve human needs customers.

B. Deliveries of gas to electric generation facilities which serve human needs customers.

~~B.~~C. Deliveries of gas to small industrials and regular commercial loads (defined as those customers using less than 3,000 MCF per day) and delivery of gas for use as pilot lights or in accessory or auxiliary equipment essential to avoid serious damage to industrial plants.

~~C~~. D. Large users of gas for fuel or as a raw material where an alternate cannot be used and operation and plant production would be curtailed or shut down completely when gas is curtailed.

~~D~~. E. Large users of gas for boiler fuel or other fuel users where alternate fuels can be used. This category is not to be determined by whether or not a user has actually installed alternate fuel facilities, but whether or not an alternate fuel "could" be used.

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~~E.~~ F. Interruptible sales made subject to interruption or curtailment at Seller's sole discretion under contracts or tariffs which provide in effect for the sale of such gas as Seller may be agreeable to selling and Buyer may be agreeable to buying from time to time.

IT IS FURTHER ORDERED that gas utilities which have a specific curtailment plan/program that has been approved by the Commission shall ensure that their top two priorities in the plan/program are A and B as listed above for the duration of this Emergency Order.

IT IS FURTHER ORDERED that this Emergency Order is in effect until 11:59 p.m. Central Standard Time Friday, February 19, 2021, unless otherwise renewed by the Commission in a subsequent Emergency Order.

SIGNED this 12th day of February 2021.

RAILROAD COMMISSION OF TEXAS

DocuSigned by:
Christi Craddick
15494B7DF4CC424...
CHAIRMAN CHRISTI CRADDICK

DocuSigned by:
Wayne Christian
C1C746B4E446422...
COMMISSIONER WAYNE CHRISTIAN

DocuSigned by:
Jim Wright
EAAE94782E9F4AE...
COMMISSIONER JIM WRIGHT

ATTEST:

DocuSigned by:
Callie Farrar
3581C80DFDE0476...
SECRETARY



RAILROAD COMMISSION OF TEXAS

EMERGENCY ORDER

WHEREAS, after Notice of Emergency Meeting to consider this Emergency Order was duly posted on February 17, 2021 with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Chapter 551, *et seq*., the Railroad Commission of Texas ("Commission") determined that an Emergency Order is necessary to protect human needs customers in the State of Texas because of current conditions which threaten and health, safety and welfare of those customers, and determined that the existing regulations and Orders of the Commission do not sufficiently address the specific conditions of this emergency; and

WHEREAS, on February 12, 2021, the Governor of the State of Texas issued a State of Disaster in all 254 counties due to severe weather posing an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide; and

WHEREAS, pursuant to the authority granted to the Commission in the Texas Utilities Code, the Commission has the authority to issue this Emergency Order affecting the operation of the gas utility systems in this state to prevent such threats to the public;

WHEREAS, the transportation, delivery and/or sale of natural gas in the State of Texas for any other purpose other than serving human needs customers should be curtailed to the extent possible and necessary for the duration of this Emergency Order;

WHEREAS, on February 12, 2021, the Commission held a duly posted emergency meeting and issued an emergency order temporarily modifying current natural gas utility curtailment priorities to ensure the protection of human needs customers; and

WHEREAS, the emergency conditions that prompted the Commission's emergency order continue to exist;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF TEXAS that the emergency order issued by the Railroad Commission on Friday, February 12, 2021 is hereby extended until Tuesday, February 23, 2021. The emergency order will remain in effect until 11:59 p.m. Central Standard Time on February 23, 2021 unless otherwise renewed by the Commission in a subsequent action.

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SIGNED this 17th day of February 2021.

RAILROAD COMMISSION OF TEXAS

DocuSigned by:
Christi Craddick
15434B7DF4CC424...

CHAIRMAN CHRISTI CRADDICK

DocuSigned by:
Wayne Christian
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COMMISSIONER WAYNE CHRISTIAN

DocuSigned by:
Jim Wright
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COMMISSIONER JIM WRIGHT

ATTEST:

DocuSigned by:
Callie Farrar
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SECRETARY

Press Releases

February 12, 2021-February 17, 2021

(/)



Preparing For Bitterly Cold Temperatures, Atmos Energy Offers These Winter Safety Tips

Safety | February 12, 2021

DALLAS – Bitterly cold temperatures are settling in for the next several days. Atmos Energy is closely monitoring the weather and staging its employees across the system.

Atmos Energy offers these safety tips:

- Never use an oven or a gas stovetop to heat your home.
- Protect natural gas meters. Natural gas meters are weather-proof; however, to ensure that the meter keeps working smoothly, remove snow and ice from natural gas meters with a broom or brush. Never kick or chip snow and ice away with a hard object.
- Safely remove snow from vents for dryers and other natural gas equipment. Blocked vents for dryers and other gas appliances can lead to a dangerous buildup of carbon monoxide gas.
- Minimize the risk of frozen pipes. Leave faucets running at a trickle, leave cabinet doors open, and close all doors and windows to keep heat inside.
- If you think you smell gas, act fast (https://www.atmosenergy.com/safety/recognizing-leak)! Leave the area immediately and from a safe distance call 911 and the Atmos Energy emergency number, 866.322.8667.

Atmos Energy encourages customers needing solutions to keep up with their monthly natural gas expenses to

contact Atmos Energy's customer service team at 888.286.6700 or visit the account center. (https://www.atmosenergy.com/accountcenter/logon/login.html)

For more ways to save energy and money, please visit www.atmosenergy.com/energytips (http://www.atmosenergy.com/energytips).

For additional information about carbon monoxide safety, please click here. (https://www.atmosenergy.com/safety/carbon-monoxide-safety)

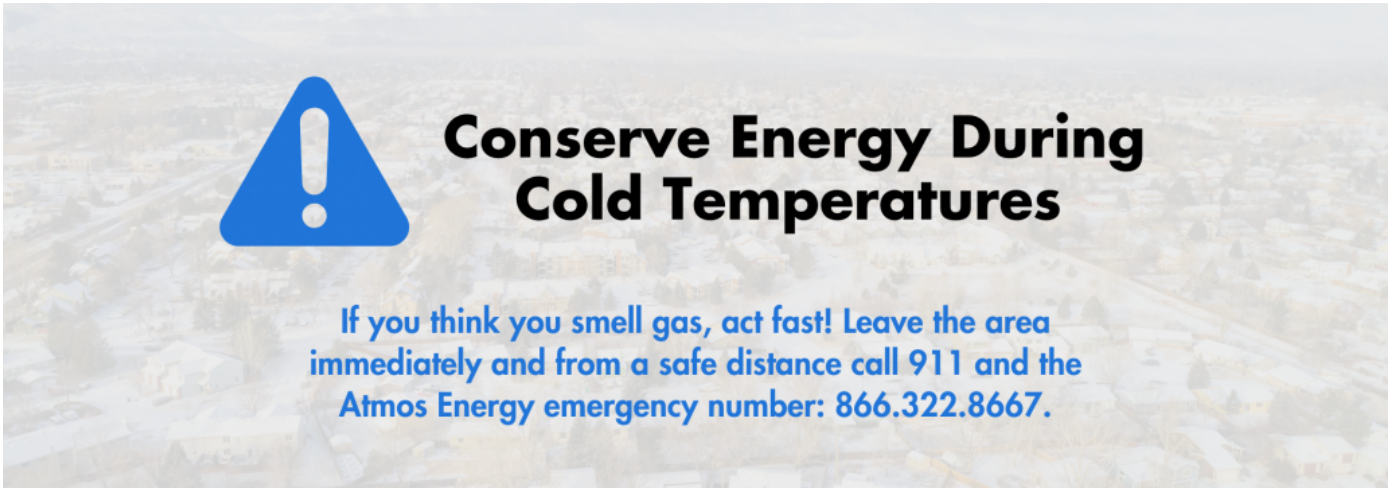
About Atmos Energy

Atmos Energy Corporation is the nation's largest fully-regulated, natural gas-only distributor of safe, clean, efficient, and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas.

Find us online at www.atmosenergy.com (http://www.atmosenergy.com/), Facebook, Twitter, Instagram and YouTube.



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Atmos Energy Offers Tips To Conserve Energy As Bitterly Cold Temperatures Arrive

Safety | February 13, 2021

DALLAS – Below freezing temperatures have settled in for the next several days, including the possibility of snow and ice accumulations early next week. Texas Governor Greg Abbott issued a disaster declaration in all 254 counties because of severe winter weather impacting the state. Atmos Energy reminds customers to heed the guidance of local leaders and stay alert to changing weather conditions in their area, while following a few easy tips to conserve energy, keep warm, and stay safe during this historic winter event.

Conserve energy:

- **Every degree makes a difference.** Save energy and money by lowering your thermostat to at least 68 degrees.
- **Don't forget the water heater.** Lower the maximum temperature to 120 degrees, because your water heater can account for as much as 25 percent of the energy consumed in your home.
- **Harness the power of the sun.** Open curtains on your south-facing windows during the day to allow sunlight to naturally heat your home, and close them at night to reduce the chill from cold windows.
- **Keep your fireplace damper closed unless a fire is burning.** Leaving the damper open is like keeping a window wide open – warm air goes right up the chimney!
- **Change furnace filters once a month during winter.** Dirty air filters can lead to dust, dirt, and grime

buildup on the heating components, causing the furnace to use more energy and increasing the risk of a malfunction.

Stay safe:

- Never use an oven or a gas stovetop to heat your home.
- Protect natural gas meters. Natural gas meters are weather-proof; however, to ensure that the meter keeps working smoothly, remove snow and ice from natural gas meters with a broom or brush. Never kick or chip snow and ice away with a hard object.
- Minimize the risk of frozen pipes. Leave faucets running at a trickle, leave cabinet doors open, and close all doors and windows to keep heat inside.
- If you think you smell gas, act fast! Leave the area immediately and from a safe distance call 911 and the Atmos Energy emergency number at 866.322.8667.

Atmos Energy encourages customers needing solutions to keep up with their monthly natural gas expenses to contact Atmos Energy's customer service team at 888.286.6700 or visit the account center. (https://www.atmosenergy.com/accountcenter/logon/login.html)

For more ways to save energy and money, please visit www.atmosenergy.com/energytips (http://www.atmosenergy.com/energytips).

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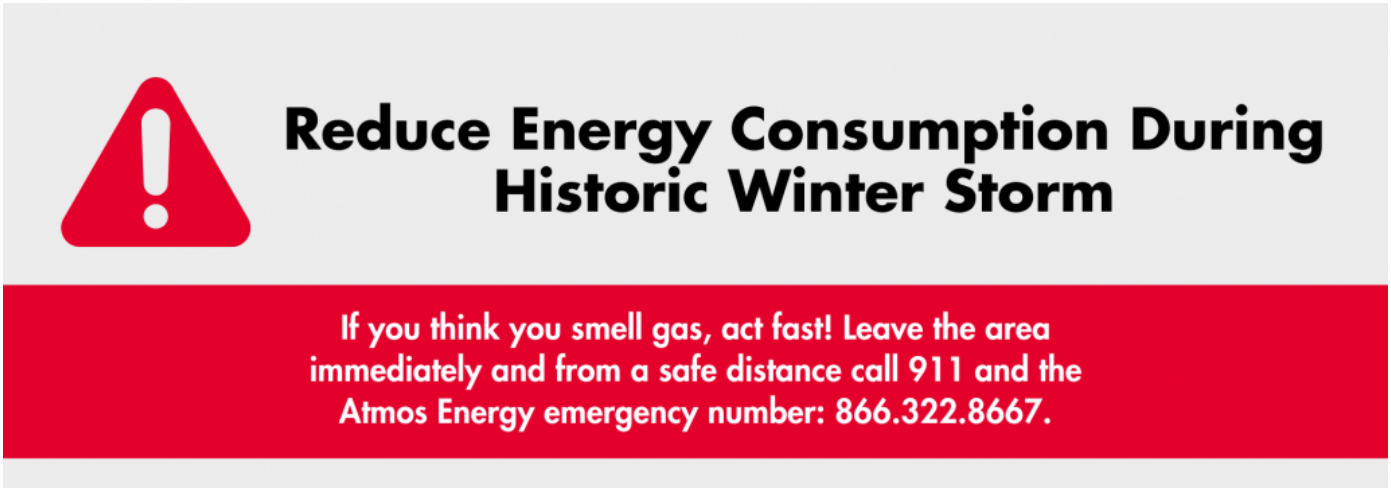


Winter Weather Safety

Keep your home and family safe during snowy or icy weather.

Learn more › (https://www.atmosenergy.com/safety/weather-safety)

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Atmos Energy Urges Customers To Reduce Energy Consumption During Historic Winter Storm

Safety | February 14, 2021

Historically low temperatures will continue for several days, and Atmos Energy is focused on providing safe and reliable service to its most critical customers including homes, hospitals, churches, and other human needs organizations. Industrial customers who have been asked to curtail their natural gas usage are urged to comply, and we can all help by taking small steps to support our community.

Take these steps to reduce energy usage now:

- Lower your thermostat to at least 68 degrees. Consider wearing additional layers of clothing and turning down the thermostat even lower.
- Businesses should minimize energy usage as much as possible.
- Lower the water heater temperature to 120 degrees, because it can account for as much as 25 percent of the energy consumed in your home.
- Unplug electronic devices and turn off lights that are not in use. By conserving electricity, you are also helping to conserve natural gas which keeps the power on.
- Reduce shower time and avoid baths. Showering accounts for about 40 percent of your home's hot water use.

- Refrain from using large appliances like your washer, dryer, oven, and dishwasher for the next few days. When in use, limit opening the oven door to prevent wasted energy.

- Keep your fireplace damper closed unless a fire is burning. Leaving the damper open is like keeping a window wide open – warm air goes right up the chimney!
- If you have a pool, do not use the pool heater. Instead, run your pool pump during the coldest part of the day to circulate the water and prevent freezing.

Atmos Energy reminds customers to heed the guidance of local leaders and stay alert to changing weather conditions in their area. Our teams are working to provide safe and reliable service, and we appreciate your patience during this historic weather event. In addition to reduced energy usage, please remember these ways to stay safe at home:

- Never use an oven or a gas stovetop to heat your home.
- Protect natural gas meters. Natural gas meters are weather-proof; however, to ensure that the meter keeps working smoothly, remove snow and ice from natural gas meters with a broom or brush. Never kick or chip snow and ice away with a hard object.
- Minimize the risk of frozen pipes. Leave faucets running at a trickle, leave cabinet doors open, and close all doors and windows to keep heat inside.
- If you think you smell gas, act fast! Leave the area immediately and from a safe distance call 911 and the Atmos Energy emergency number at 866.322.8667.

Atmos Energy encourages customers needing solutions to keep up with their monthly natural gas expenses to contact Atmos Energy's customer service team at 888.286.6700 or visit the account center at https://www.atmosenergy.com/accountcenter/logon/login.html (https://www.atmosenergy.com/accountcenter/logon/login.html)

For additional information, please visit our website at https://www.atmosenergy.com/safety/weather-safety (https://www.atmosenergy.com/safety/weather-safety)

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(http://www.instagram.com/atmosenergy) and YouTube (http://www.youtube.com/atmosenergyvideos).

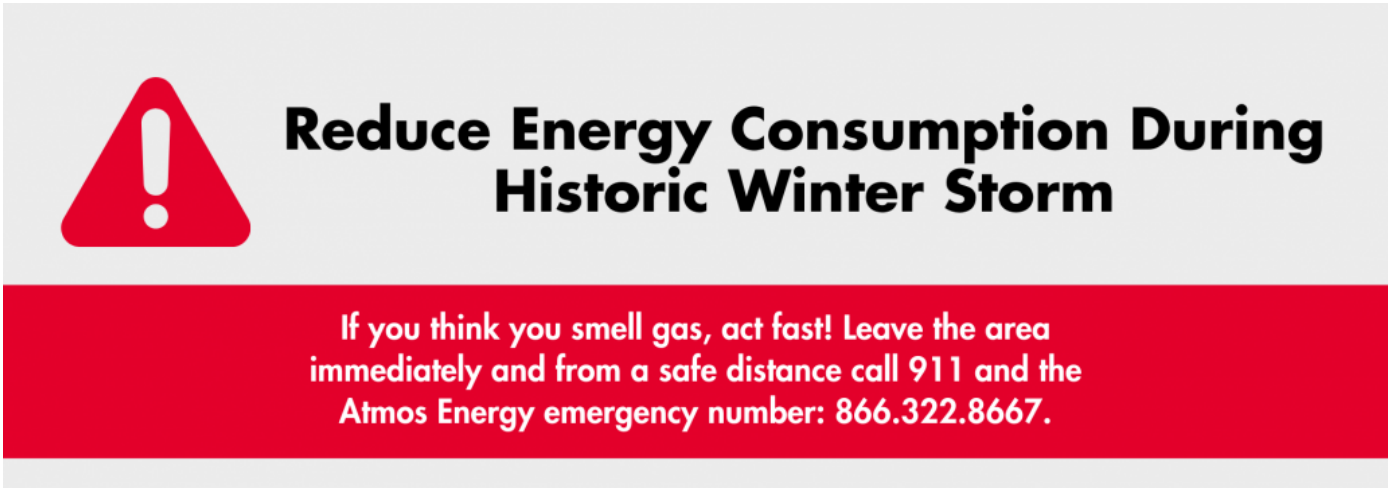


Winter Weather Safety

Keep your home and family safe during snowy or icy weather.

Learn more › (https://www.atmosenergy.com/safety/weather-safety)

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Urgent Need To Conserve Energy During Historic Winter Storm: Atmos Energy Asks All Customers And Businesses To Continue To Take Action

Safety | February 16, 2021

DALLAS – Demand for natural gas continues to be at unprecedented levels. Atmos Energy appreciates your conservation efforts during this historic winter storm, which will continue with record low temperatures and additional snowfall overnight.

Atmos Energy urges all residents and businesses to continue to conserve energy to help maintain service for our most critical human needs customers.

Conservation Efforts:

- Lower your thermostat to at least 68 degrees.
- Businesses should minimize energy usage as much as possible.
- Lower the water heater temperature to 120 degrees.
- Never use an oven or a gas stovetop to heat your home.
- Unplug electronic devices and turn off lights that are not in use.
- Reduce shower time and avoid baths.

- Refrain from using large appliances like your washer, dryer, oven, and dishwasher for the next few days. When in use, limit opening the oven door to prevent wasted energy.

- Keep your fireplace damper closed unless a fire is burning.
- Avoid using your natural gas fireplace, if possible.
- If you have a pool, do not use the pool heater. Instead, run your pool pump during the coldest part of the day to circulate the water and prevent freezing.

Atmos Energy reminds customers to heed the guidance of local leaders and stay alert to changing weather conditions in their area. Our teams are working around the clock to provide safe and reliable service, and we appreciate your patience during this historic weather event.

Please also remember these ways to stay safe at home:

- Protect natural gas meters. Natural gas meters are weather-proof; however, to ensure that the meter keeps working smoothly, remove snow and ice from natural gas meters with a broom or brush. Never kick or chip snow and ice away with a hard object.
- Minimize the risk of frozen pipes. Leave faucets running at a trickle, leave cabinet doors open, and close all doors and windows to keep heat inside.
- If you think you smell gas, act fast! Leave the area immediately and from a safe distance call 911 and the Atmos Energy emergency number at 866.322.8667.

Atmos Energy encourages customers needing solutions to keep up with their monthly natural gas expenses to contact Atmos Energy's customer service team at 888.286.6700 or visit the account center at https://www.atmosenergy.com/accountcenter/logon/login.html (https://www.atmosenergy.com/accountcenter/logon/login.html)

For additional information, please visit https://www.atmosenergy.com/safety/weather-safety (https://www.atmosenergy.com/safety/weather-safety)

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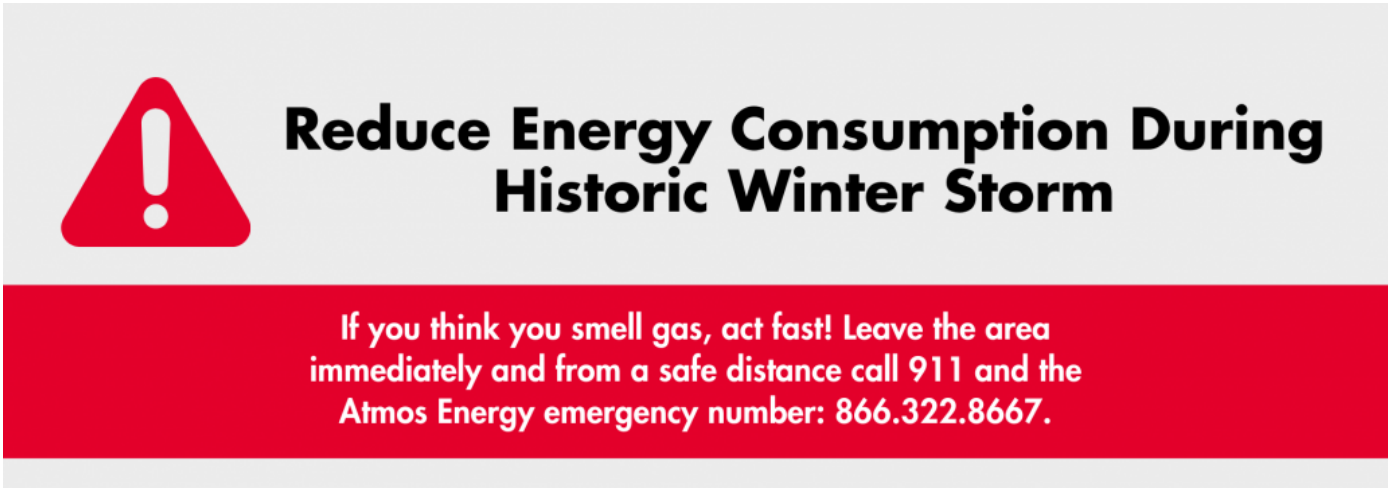


Winter Weather Safety

Keep your home and family safe during snowy or icy weather.

Learn more › (https://www.atmosenergy.com/safety/weather-safety)

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Natural Gas Supply Continues To Be Constrained

Safety | February 17, 2021

As demand for energy remains at unprecedented levels due to historically cold temperatures, suppliers continue to experience challenges with supply and delivery that limit the amount of natural gas Atmos Energy can deliver to its customers.

Even as the weather warms and producers are working to bring on more supplies, it remains important that all residents and businesses continue to be vigilant in their conservation efforts.

These natural gas supply constraints may lead to service outages for some Atmos Energy customers. If service is interrupted, restoration may take an extended period of time. Once supply is restored, Atmos Energy technicians will need to visit each home to safely restore gas service.

Atmos Energy urges all residents and businesses to continue to conserve energy to help maintain service for our most critical human needs customers. Everyone can continue to help by lowering the thermostat to 68 degrees or less, setting the water heater temperature to 120 degrees. Find more energy saving tips here (https://www.atmosenergy.com/safety/weather-safety).

Furthermore, those who experience an electrical outage may turn off the furnace. One of the easiest ways may be to turn it off at the thermostat. Then, after the power comes back on, wait 10 to 15 minutes before restarting

the furnace. This may help the natural gas system adjust to a sudden increase in usage.

Atmos Energy reminds customers to heed the guidance of local leaders and stay alert to changing weather conditions in their area. Our teams are working around the clock to provide safe and reliable service, and we appreciate your patience during this historic weather event.

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(https://www.atmosenergy.com/sites/default/files/ways_to_save_energy-energy_tips_jan2020_final.pdf)

Ways to Save Energy and Money (/sites/default/files/ways_to_save_energy-energy_tips_jan2020_final.pdf)

A few small changes in your daily routine can save you money on utility bills. Discover low-cost strategies for saving energy and money, plus lowering your home's carbon footprint.

Read the Energy Tips Brochure › (/sites/default/files/ways_to_save_energy-energy_tips_jan2020_final.pdf)

Social Media Posts and Messaging

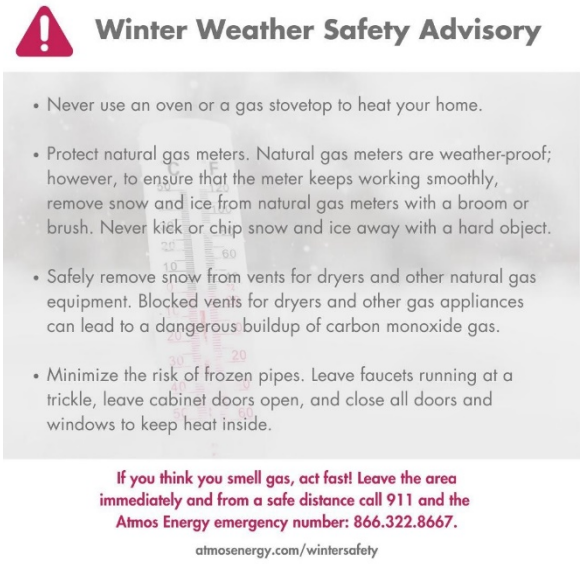
February 12, 2021-February 17, 2021

February 12, 2021

Messaging:

Cold weather is here! Use these tips to stay safe and warm over the next few days.
As always, if you smell gas, act fast! Leave the area immediately and from a safe distance call 911 and our 24/7 emergency number: 866.322.8667

Graphic:

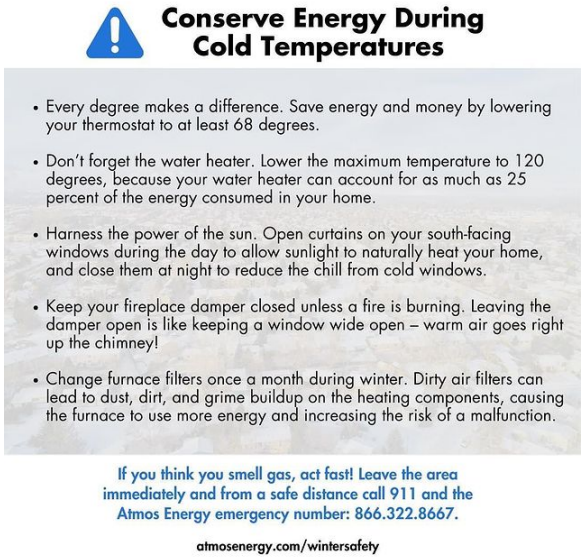


February 13, 2021

Messaging:

Below freezing temperatures are here. Please stay alert of changing weather conditions in your area. Stay safe, warm, and protect yourself and your home with these energy saving tips

Graphic**:**

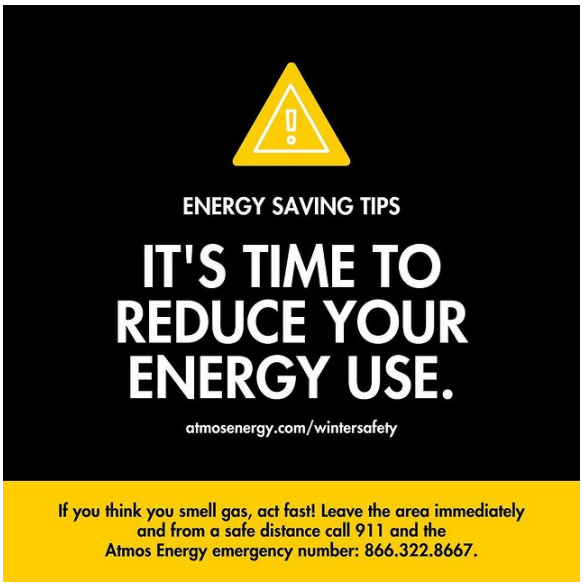


February 15, 2021

Messaging:

Due to the extreme temperatures and high energy consumption, Atmos Energy needs your help to reduce energy use during this historic winter storm. We can all help by taking small steps to support our community. www.atmosenergy.com/wintertips

Graphic:





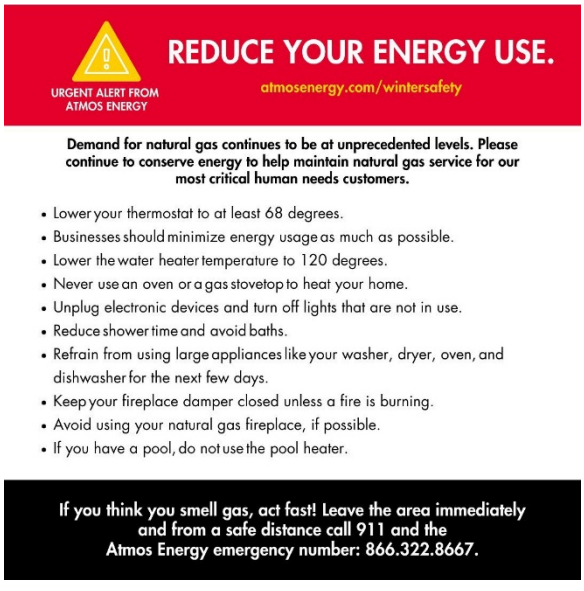
February 16, 2021

Messaging:

Demand for natural gas continues to be at unprecedented levels. We appreciate your conservation efforts during this historic winter storm, which will continue with record low temperatures & additional snowfall overnight. Please continue to conserve energy

Graphic:



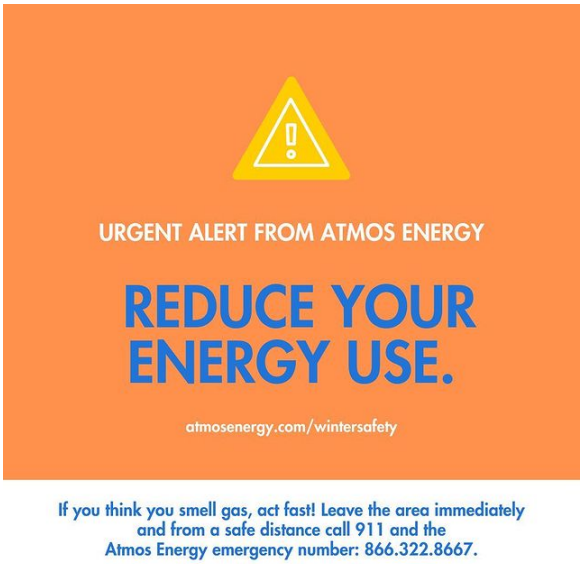


February 17, 2021

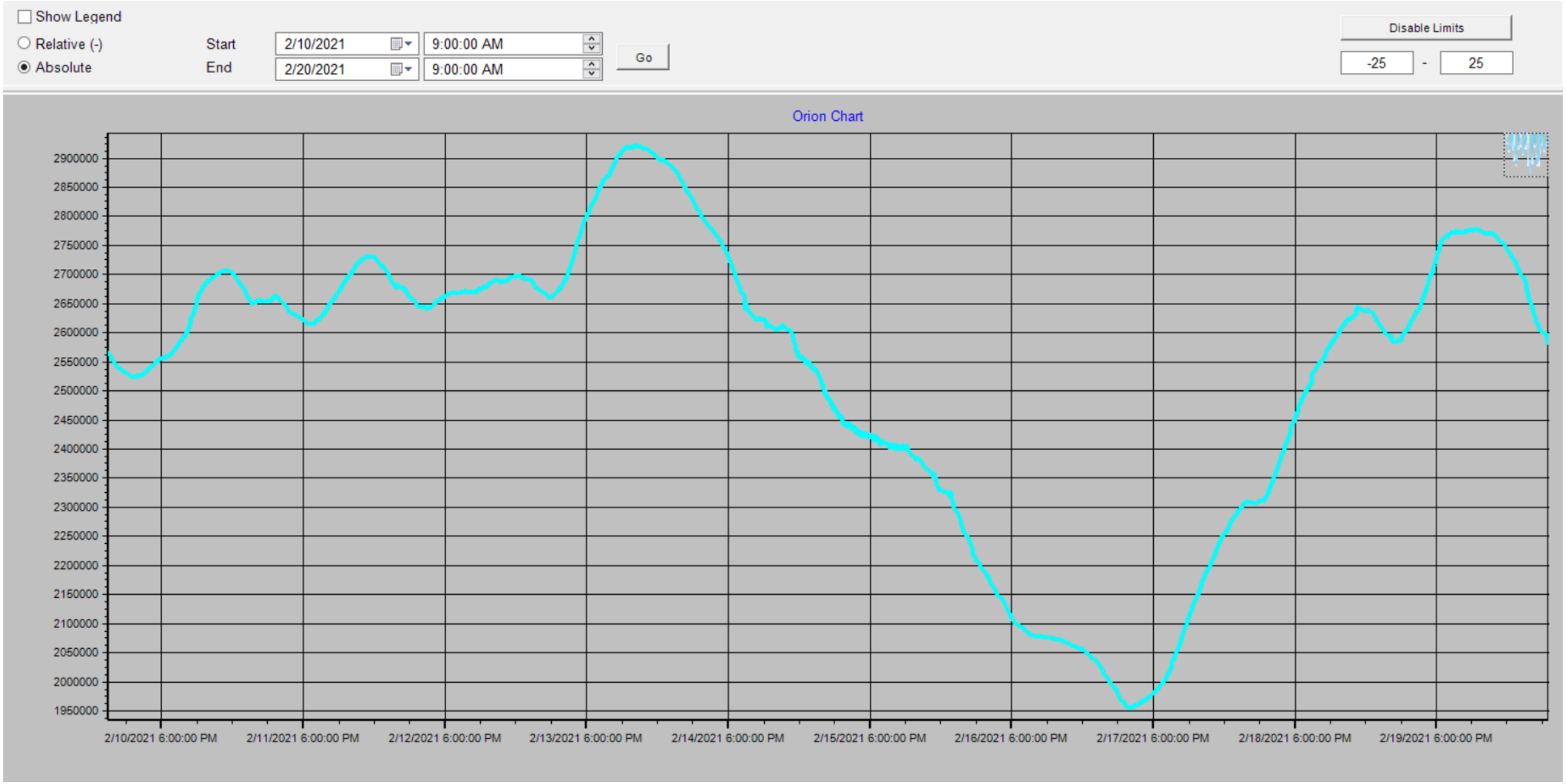
Messaging:

As demand for energy remains at unprecedented levels due to historically cold temperatures, suppliers continue to experience challenges with supply and delivery that limit the amount of natural gas Atmos Energy can deliver to its customers. READ MORE at Atmosenergy.com/news

Graphic:



Total Line Pack on APT
February 10, 2021-February 17, 2021



CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

KENNETH M. MALTER

ON BEHALF OF

ATMOS ENERGY CORPORATION

July 30, 2021

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EXHIBIT KMM-2	Shows the Baseload and other nominations made by the Company during February 2021, as well as what quantity of nominations were not delivered
CONFIDENTIAL EXHIBIT KMM-3	Shows the index prices for relevant indices for February 2021
EXHIBIT KMM-4	Contains the Affidavit of Shawn M. Audibert on behalf of Trans Louisiana Gas Pipeline, Inc.

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kenneth M. Malter. My business address is 1100 Poydras Street, Suite 3400, New Orleans, LA 70163.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am the Director of Gas Supply and Services for Atmos Energy Corporation ("Atmos Energy" or the "Company").

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES.

A. I am responsible for the department that is tasked with the procurement and administration of gas supply and transportation services for the entire Company.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from Louisiana State University with a BS in finance in 1989. I also completed a master's degree in business administration from Tulane University in 1995. I have worked in various positions at Atmos Energy involving natural gas markets for the past 23 years.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes, I have previously testified before the Mississippi Public Service Commission and the Kansas Corporation Commission on Gas Supply related matters.

Q. ARE YOU SPONSORING ANY SCHEDULES OR EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?

A. Yes, I am sponsoring the exhibits listed in my table of contents. In addition, I sponsor Application Exhibit A, Schedule C-1, Gas Contracts. I also co-sponsor Application Exhibit A, Schedule C-2, Summary of Gas Costs Invoices, and Application Exhibit G with Barbara Myers.

Q. WAS YOUR TESTIMONY AND THE EXHIBITS AND SCHEDULES THAT YOU SPONSOR PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, they were.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony explains and supports the prudence of gas purchases made for the Mid-Tex and West Texas ("WTX") Divisions during February 2021 ("Review Period") and, in particular for the period February 12th through February 19, 2021. My testimony will (1) explain the Company's need to make gas purchases in order to provide service to its customers; (2) describe generally how the Company forecasts its gas requirements and procures gas supply; (3) provide an overview of how Atmos Energy provides reliable gas supply to its Mid-Tex and WTX Divisions; (4) explain how Winter Storm Uri disrupted normal gas supply practices for the Mid-Tex and WTX Divisions; and (5) describe how the Company reconciled invoices for the Review Period to ensure the accuracy of the volumes and the amounts billed for this gas supply.

III. NECESSITY OF GAS PURCHASES

Q. WHY ARE THE COMPANY'S GAS PURCHASES NECESSARY?

A. The Company's gas purchases are necessary to provide service to its sales customers 24 hours a day, 7 days a week, and 365 days a year.

Q. PLEASE DESCRIBE THE COMPANY'S TYPES OF CUSTOMERS.

A. The Company's customers fall into two broad classes: sales customers and transportation customers. Transportation customers are larger customers, who are responsible for purchasing their own gas in the open market and arranging transportation into the Company's distribution system. Because transportation customers are responsible for securing their own gas supply, these customers only pay the Company to move gas from an upstream pipeline through the Company's distribution system to the customers' meter.

Residential, commercial, and industrial sales customers are customers who buy their natural gas from the Company. For these customers, the Company is responsible for procuring gas on the market, arranging delivery to the Company's distribution system, and getting that gas to customers' meters. The demands of residential and commercial customers are highly correlated to the weather, which means that the highest demand days for these customers typically occur during cold temperatures. Sales customers pay for the Company to reliably supply them with gas when they need it in the form of a gas cost recovery charge. This charge recovers the actual gas cost paid to suppliers and the transportation charges paid to deliver gas to the company's distribution system. There is no profit added to the gas cost.

Q. WHAT ARE THE COMPANY'S PRIMARY GOALS WHEN PURCHASING GAS FOR ITS CUSTOMERS AND HOW DOES IT ACHIEVE THESE GOALS?

A. Two of the Company's primary goals in providing natural gas service to our customers are (1) ensuring that service is reliable and (2) ensuring that Atmos Energy has the flexibility to not only provide service reliably but also at a reasonable price. From a reliability perspective, gas must be available when sales customers demand it, regardless of operating and market conditions. The supply must also be flexible enough to meet varying conditions (e.g. unusually warm and severely cold weather) so that our sales customers have a reliable supply of gas.

To achieve these goals Atmos Energy undertakes a comprehensive annual planning process every year to ensure that its goals are met. The planning process undertaken each year by Atmos Energy culminates in what has become known as the "Gas Supply Plan", which I describe in Section IV of my direct testimony.

Q. UNDER NORMAL CONDITIONS, HOW DOES ATMOS ENERGY ENSURE THAT ITS GAS PURCHASES AND THE PRICES AT WHICH GAS IS PURCHASED ARE REASONABLE?

A. The majority of our purchases are at an index price, which is reflective of the market price under normal conditions. In the event we make fixed-price purchases, we engage in price discovery with counterparties by surveying the market and observing real-time transactions on the Intercontinental Exchange to validate that the prices we pay are reasonable.

Q. DID THE MARKET FUNCTION NORMALLY DURING WINTER STORM URI?

A. No. This is evidenced in Confidential Exhibit KMM-3, which depicts the index prices for relevant indices for February 2021. As Dr. Perryman explains in his testimony, the cascading effects of the supply/demand imbalance resulted in extraordinarily large price increases at Texas natural gas hubs during Winter Storm Uri.

Q. WHAT AMOUNT WAS INCURRED BY THE COMPANY TO SECURE GAS SUPPLY DURING FEBRUARY 2021?

A. As shown on Schedule B of Exhibit A to the Company's Application, Atmos Energy incurred $2,178,197,638 to purchase natural gas during February 2021. Exhibit KMM-1 shows the per day amounts spent on natural gas during February 2021 by counterparty.

IV. OVERVIEW OF THE MID-TEX AND WTX DIVISION GAS SUPPLY ARRANGEMENTS AND REQUIREMENTS

Q. DOES THE COMPANY RELY ON A GAS SUPPLY PLAN TO FORECAST CUSTOMER NEEDS AND SECURE GAS SUPPLY?

A. Yes. Atmos Energy forecasts the expected gas requirements of its customers throughout the year, as well as for a heating or winter season, and develops a plan to secure sufficient gas supply to meet these requirements.

Q PLEASE DESCRIBE YOUR GAS SUPPLY PLAN.

A. For the Mid-Tex Division, the Gas Supply Plan details the quantities of gas supply by type (Baseload, Peaking, Spot and Storage described in more detail later in my testimony) that it deems necessary to meet the demand for the coldest day expected

in any 30- year period ("Design Day"). The Gas Supply Plan also details the daily storage withdrawal quantities by facility needed to meet the Design Day plan. Storage inventory levels are maintained in sufficient quantities to ensure there is enough daily storage withdrawal quantities when needed to support the plan. The WTX Division uses an Asset Management Agreement ("AMA") with an Asset Manager, who is solely responsible for acquiring gas supply equal to the sum of the contractual maximum daily quantity for each upstream transport contract along with delivered service supply requirements. Therefore, the Gas Supply Plan consists of ensuring that the sum of the transport contracts and delivered service supply equals the Design Day demand. This also includes ensuring there is enough storage injection and withdrawal capacity to properly balance the system.

Q. PLEASE DESCRIBE YOUR PLANNING PROCESS DURING MONTHS INCLUDED IN THE NON-WINTER HEATING SEASON.

A. While significant emphasis is placed on winter season planning, the Gas Supply Plan also provides the flexibility to accommodate our customers' gas needs during the spring, summer and fall seasons. Atmos Energy relies upon its Baseload and Spot purchases to meet the needs of our customers for the non-winter months and has entered into a limited number of year and multi-year Baseload contracts for this very purpose. Atmos Energy also utilizes gas purchased during non-winter months, typically April through October, to refill its storage inventory for the following winter heating season.

Q. ARE THE GAS SUPPLY PLANS SHARED EXTERNALLY?

A. Yes, annually the Gas Supply Plans are updated to account for changing forecasted Design Day demand and changes in sourcing requirements. The Company presents a summary of the Gas Supply Plans to the Railroad Commission of Texas ("Commission") Staff as well as representatives of the majority of the cities that Mid-Tex serves.

A. Mid-Tex Gas Procurement

Q. HOW DO YOU IMPLEMENT THE GAS SUPPLY PLAN FOR THE MID-TEX DIVISION?

A. Once the Gas Supply Plan is finalized, the Company must then determine how it will meet the requirements of the Gas Supply Plan. A first step in this implementation process is to examine the Company's existing gas purchase contracts and their respective terms and conditions, which include, among others, minimum and maximum quantity obligations, price, and delivery points. Second, a review of storage parameters is undertaken, including current storage inventory, desired levels of storage inventory at the beginning of winter, maximum injection rates, maximum withdrawal rates, and the need to maintain inventory levels for pressure maintenance, operational uncertainties, and late heating season weather events.

Based on these two steps, Atmos Energy is then able to determine what additional purchases must be acquired to meet the supply requirements in the Gas Supply Plan. When acquiring additional gas quantities, Atmos Energy must also consider: (1) geographical gas supply requirements; (2) availability of Spot gas on

peak days and during the winter season; and (3) weather uncertainty, including seasonal, daily, and intraday variability.

The Gas Supply Plan sets forth the appropriate mix of Baseload, Peaking and Spot purchase contracts. A part of the planning and implementation process is to determine the extent of the firm supply and optionality that is necessary to meet the highly variable demand needs of our customers. "Baseload" contracts are those that obligate the seller under the contract to sell, and Atmos Energy to purchase, a predetermined quantity of gas during each day of the contract term.

"Peaking" contracts allow Atmos Energy to vary the daily quantity purchased within certain limits. Under these contracts, Atmos Energy may have no obligation to purchase any quantity of gas on a particular day, but there is generally a minimum seasonal purchase obligation. These contracts assist in meeting peak day requirements during the winter heating season. "Spot" contracts allow the parties to purchase and sell gas for a particular day or purchase period, in which the buyer and seller agree to a price, quantity, and delivery point, typically on the day before the initial delivery of the natural gas for the purchase period. Spot purchases also help manage the day-to-day changes in the gas requirements of the Company's customers.

The Gas Supply Plan is implemented by posting Requests for Proposals ("RFP's") on the Company's website seeking proposals for firm Baseload and Peaking gas supplies by geographic location. After having received the responses, a review process is commenced to determine which offers will, in total, meet the requirements of the Gas Supply Plan in terms of quantity, location, type and pricing.

After having made that determination, suppliers are notified if their offers are selected, and contracts are drafted and executed.

Q. WHAT WAS THE MIX OF SUPPLY TYPES FOR THE MID-TEX DIVISION FOR THE REVIEW PERIOD?

A. The Company's November 2020 through October 2021 Gas Supply Plan for the Mid-Tex Division was in place for the Review Period. This Gas Supply Plan set the parameters for the Company to acquire gas supply under various contract types that consisted of Baseload, Peaking, Storage, and Spot contracts. The Baseload, Peaking and Storage agreements in place for February were in place before the winter and could supply 90% of the Company's forecasted Design Day demand as detailed in the chart below.

Table KMM-1 – Mid-Tex Design Day Supply Portfolio

Mid-Tex Division Peak Day Supply Portfolio Winter 2020-2021	Percent	MMBtu/d
Baseload	16%	458,760
Peaking Contracts*	37%	1,046,500
APT Storage	31%	872,532
3rd party Storage	5%	150,000
Spot	10%	275,624
Total	**100%**	**2,803,416**

* Includes 20,000 of firm peaking gas previously classified as Spot

Q. PLEASE DESCRIBE IN GREATER DETAIL THE THREE SUPPLY TYPES THE COMPANY RELIES ON TO PROVIDE NATURAL GAS SERVICE TO CUSTOMERS IN THE MID-TEX DIVISION.

A. As stated above, the portfolio consists of three basic types of supplies, namely Baseload, Peaking, and Spot. Baseload supply flows the same quantity of natural

gas each day of the contract's term. The Company acquires Baseload supply from a combination of marketers, producers, and plant operators. Typically, an adjusted Inside FERC ("IFERC") first of month index price is used as a price term. These Baseload supply arrangements are firm obligations by both the supplier and the purchaser. This supply option is designed to meet the base gas requirements of our customers. The base gas requirements may vary from month to month particularly between the winter months (November through March), but also in the non-winter months. Therefore, the Company has a customer gas requirement for year-round Baseload supply plus an additional winter season Baseload supply. The Company meets these different requirements through "term" Baseload supply contracts and through "seasonal" Baseload supply contracts, respectively. To a large extent, the Company acquires this supply through an RFP process.

In addition, the Company has a need for firm Peaking gas supply (Peaking contracts). These gas supply contracts are generally structured so that the supplier is obligated to provide a variable daily quantity up to a maximum daily quantity ("MDQ"). In exchange for this right to call on these Peaking supplies, the Company agrees to either taking a minimum quantity during the term, or to pay a reservation fee for the right to call upon the gas as needed up to a maximum number of days. The Company requires this firm supply source to meet the variable needs of our customers. Because these contracts provide a firm variable supply option each day, the pricing is usually based on an adjusted daily gas price index. These supplies are also acquired through an RFP process.

The final type of gas supply is acquired on the daily market or Spot market. Spot gas supplies fulfill an important role in our gas supply portfolio because Spot gas generally can be acquired the day before or, in some circumstances, a few days (weekend or holiday period) before delivery. This supply adds to Baseload and Peaking supply to match expected gas requirements and provides flexibility with minimum commitments. Under normal circumstances, Spot purchases are priced on a published market price index.

Another Spot supply which is sometimes available and needed by the Company is "same day Spot supply" or "intraday gas." "Intraday transactions" refers to purchases made after the timely nomination deadline for a purchase period that has passed. Intraday supply is purchased for use in the current gas day or current purchase period when timely purchases are not sufficient to meet current needs. Unlike gas daily ("GD") priced transactions where transactions are priced based on "Gas Daily" or published index, there is no published index price for intraday transactions. They can be made at a market premium or discount, or at a fixed price. The availability of this supply is also limited with fewer suppliers offering this service. When needed, the Company calls potential suppliers to determine the availability and receipt point, taking into consideration location, quantity, and price.

Q. ARE THERE SPECIFIC REQUIREMENTS AS TO WHERE NATURAL GAS FOR THE MID-TEX DIVISION MUST BE PURCHASED?

A. Yes, the geographic location of gas purchases is very important. To supply the Mid-Tex Division, natural gas must be sourced from specific regions within certain parameters. The exact locational sourcing requirement will vary with demand.

Q. HOW MANY COUNTERPARTIES DID THE COMPANY BUY GAS FROM FOR THE MID-TEX DIVISION DURING THE REVIEW PERIOD?

A. The Company purchased from 45 separate counterparties during the Review Period.

Q. WHEN DOES THE COMPANY ENTER INTO BASE CONTRACTS TO PURCHASE NATURAL GAS?

A. Base contracts detail the underlying terms and conditions upon which a transaction for supply will be based. A base contract does not commit counterparties to a purchase or sale obligation. Base contracts with counterparties are entered into throughout the year. The Company regularly seeks to identify additional counterparties with which to trade and enter into base contracts. However, not all potential counterparties are willing to agree to terms necessary for the Company to enter into base agreements with them.

Q. HOW OFTEN DOES THE COMPANY ENTER INTO INDIVIDUAL TRANSACTIONS TO PURCHASE NATURAL GAS?

A. Many of the Company's purchase transactions are agreed to on a seasonal basis, pursuant to RFPs that it publishes on its website. These tend to be "term" transactions that run for multiple months. Gas Supply also routinely makes

additional daily purchases for Mid-Tex, which I will discuss in more detail later in my testimony.

Q. HOW DOES THE COMPANY ENSURE THAT IT PRUDENTLY PURCHASES NATURAL GAS AT THE REQUIRED LOCATIONS?

A. Gas Supply contracts to purchase natural gas at specific zones on Atmos Pipeline – Texas ("APT") to ensure that the Company has the ability to contractually require counterparties to sell gas at specific zones/areas and in the correct amounts. To the extent that additional gas is needed on a given day, Gas Supply participates in the Spot market and purchases the required commodity.

Q. WHAT TERMS AND CONDITIONS DOES THE COMPANY REQUIRE COUNTERPARTIES TO AGREE TO IN ORDER TO ENTER INTO COMMODITY PURCHASE AGREEMENTS FOR THE MID-TEX DIVISION?

A. Gas Supply requires agreement on price, quantity, term, location, and service level and typically involves firm arrangements to purchase natural gas. The only excuse from performance under a firm transaction is in the event of force majeure, which is contractually defined.

B. WTX Gas Procurement

Q. HOW DO YOU IMPLEMENT THE GAS SUPPLY PLAN FOR THE WTX DIVISION?

A. As previously mentioned, the implementation of the Gas Supply Plan for the WTX Division involves having an executed "AMA" in place with an Asset Manager that obligates the Asset Manager to make gas sales on any day equal to the total of the

maximum amount of upstream transport capacity there is on each transport agreement that is part of the "AMA." As part of this implementation, the Company undergoes a comprehensive study each year that ensures there is enough transport capacity under contract to meet the Design Day demand. The Asset Manager is also obligated to fill the storage associated with the Company's Storage contracts. In addition to this "AMA" the Company also has gas supply contracts with two other sellers that supply small quantities of gas at specific geographic locations. These agreements are full requirements type agreements where the sellers provide and sell whatever demand quantity is needed on any given day for a specific geographical location.

Q. IS THE COMPANY'S USE OF AN ASSET MANAGER FOR WTX UNUSUAL?

A. No. The Company uses Asset Managers in every state in which it operates. With respect to the WTX Division, the Company has been using this type of contractual purchase relationship for over eight years.

Q. DO COMMODITY LOCATIONAL REQUIREMENTS DICTATE GAS PURCHASING DECISIONS FOR THE WTX DIVISION?

A. Yes, to some extent, they do, as gas must be purchased in locations that ensure deliverability at the proper Atmos Energy city gates. Gas Supply must source purchases within the locational guidelines for the system to function properly.

Q. HOW DOES THE COMPANY ENSURE THE PRUDENT PURCHASE OF NATURAL GAS AT THE REQUIRED LOCATIONS?

A. Similar to the portfolio of contracts that Mid-Tex uses, the AMA contractually obligates the Asset Manager to provide the WTX Division with quantities of natural gas up to its Design Day needs on any given day, at the required locations at contractual market-based indexed pricing.

Q. WHY DOES THE COMPANY PURCHASE GAS DIFFERENTLY FOR THE WTX DIVISION THAN IT DOES FOR THE MID-TEX DIVISION?

A. The Company uses interstate pipeline capacity to serve the WTX Division. This allows the Company to use FERC Order No. 712 compliant AMAs, which require the release of interstate pipeline capacity. The decision was made to enter into these agreements because of the financial benefit to the customers. The Mid-Tex Division does not have the ability to use a comparable AMA because it does not hold interstate capacity.

Q. DOES THE AMA GENERATE BENEFITS FOR WTX DIVISION CUSTOMERS?

A. Yes. FERC requires interstate pipelines to allow customers to release their capacity to asset managers, who can optimize unutilized capacity. The Asset Manager pays Atmos Energy to optimize its interstate transportation and storage capacity and those payments are credited against gas costs.

C. Transportation and Storage Capacity Needs

Q. HOW IS NATURAL GAS TRANSPORTED TO THE MID-TEX AND WTX DIVISION SYSTEMS?

A. The Company subscribes to upstream transportation services on multiple pipelines. That pipeline capacity is used to move gas that the Company purchases to its city gates for distribution to end-users.

Q. HOW DOES GAS SUPPLY KNOW HOW MUCH TRANSPORTATION AND STORAGE CAPACITY IS REQUIRED BY THE MID-TEX AND WTX DIVISIONS?

A. On an annual basis, Gas Supply performs statistical modeling to forecast Atmos Energy's customers' Design Day requirements. This requirement is used to determine the gas transportation requirements for the Mid-Tex and WTX Divisions. This statistical modeling uses multiple parameters including historical gas usage and corresponding weather data to forecast Design Day usage. Additionally, storage entitlements for each of the divisions are contracted to provide adequate daily flexibility and enhance supply certainty.

Q. HOW IS NATURAL GAS STORED AND PRICED FOR FUTURE USE BY THE MID-TEX AND WTX DIVISIONS?

A. The Company subscribes to upstream Storage contracts and to no-notice transportation services that have bundled storage components. Gas is typically injected ratably throughout the injection season and can be withdrawn during periods of need. From a pricing perspective, Gas Supply purchases gas at market prices that is then injected into storage. When gas is withdrawn from storage, it is

sold to customers at the weighted average cost of the gas in storage. Like all gas purchases, there is no mark-up.

Q. WAS THE TRANSPORTATION AND STORAGE CAPACITY CONTRACTED FOR BY THE MID-TEX AND WTX DIVISIONS SUFFICIENT TO MEET CUSTOMER DEMAND DURING WINTER STORM URI?

A. Yes. Both the Mid-Tex and WTX Divisions prudently contracted for and had available sufficient capacity to meet its customers' demands. During Winter Storm Uri, however, much of the gas that the Company contracted for was not delivered due to suppliers exercising contractual force majeure provisions. As a result, the Company was required to turn to the intraday market to both make up this missing supply and respond to increased customer demand caused by the unprecedented weather conditions created by Winter Storm Uri.

1. Mid-Tex Transportation and Storage Contracts

Q. WHAT CONTRACTS DOES THE MID-TEX DIVISION USE TO TRANSPORT AND STORE NATURAL GAS?

A. The Company holds a transportation and Storage agreement with APT, as well as some third-party transportation and Storage agreements.

Table KMM-2 – Mid-Tex Storage and Transportation Contract Summary

Operating Division	Reporting Contract Type	Counterparty	Service Level	Contract	Maximum Daily Quantity[1]	Maximum Daily Injection Quantity[1]	Maximum Storage Quantity[2]	Maximum Daily Withdrawal Quantity[1,3]
Mid-Tex	Transportation	Atmos Pipeline-Texas	Firm	03124-00	2,803,416	-	-	-
Mid-Tex	Transportation	Oasis	Firm	028-04300-02-104-BL	25,500	-	-	-
Mid-Tex	Transportation	Enlink North Texas Gathering	Firm	GTH00265	5,000	-	-	
Mid-Tex	Transportation	Enterprise	Firm	9941FTSA	2,000	-	-	-
Mid-Tex	Storage	Atmos Pipeline-Texas	Firm	03125-00	-	301,200	36,160,500	1,100,000
Mid-Tex	Storage	Enstor	Firm	MdTx-S-12060	-	40,000	2,000,000	50,000
Mid-Tex	Storage	Hill-Lake Gas Storage	Firm	HL-ATM-FSS-INTRA-FT06	-	30,000	1,000,000	50,000
Mid-Tex	Storage	Worsham-Steed Gas Storage	Firm	WS-ATM-FSS-INTRA-FT07	-	30,000	1,000,000	50,000
				TOTALS	2,835,916	401,200	40,160,500	1,250,000

Footnotes

1. The units of measure for the Maximum Daily Quantity, Maximum Daily Injection Quantity and Maximum Daily Withdrawal Quantity are MMBtu per day.

2. The unit of measure for the Maximum Storage Quantity is MMBtu.

3. The Maximum Daily Withdrawal Quantity assumes storage is full.

Q. DURING THE 2020/2021 WINTER SEASON, WHAT WAS THE MAXIMUM DAILY QUANTITY OF TRANSPORTATION CAPACITY THE COMPANY CONTRACTED FOR MID-TEX?

A. The Company contracted for 2,803,416 MMBtu/day of upstream capacity on APT to serve its Mid-Tex distribution system. The Company also contracted for an additional 32,500 MMBtu/d of capacity upstream of APT as depicted in the chart below.

Table KMM-3 – Mid-Tex 2020/2021 Transportation Capacity

Operating Division	Reporting Contract Type	Counterparty	Service Level	Contract	Maximum Daily Quantity
Mid-Tex	Transportation	Atmos Pipeline-Texas	Firm	03124-00	2,803,416
Mid-Tex	Transportation	Oasis	Firm	028-04300-02-104-BL	25,500
Mid-Tex	Transportation	Enlink North Texas Gathering	Firm	GTH00265	5,000
Mid-Tex	Transportation	Enterprise	Firm	9941FTSA	2,000
				TOTAL	2,835,916

Q. DURING THE 2020/2021 WINTER SEASON, WHAT IS THE MAXIMUM STORAGE CAPACITY OF THE STORAGE CONTRACTS THE COMPANY HAS CONTRACTED FOR MID-TEX?

A. The Company has storage entitlements of 36,160,500 MMBtu of capacity on APT and 4,000,000 MMBtu of capacity with other third parties.

Table KMM-4 – Mid-Tex 2020/2021 Storage Capacity

Operating Division	Reporting Contract Type	Counterparty	Service Level	Contract	Maximum Daily Injection Quantity	Maximum Storage Quantity	Maximum Daily Withdrawal Quantity
Mid-Tex	Storage	Enstor Katy	Firm	MdTx-S-12060	40,000	2,000,000	50,000
Mid-Tex	Storage	Hill-Lake Gas Storage	Firm	HL-ATM-FSS-INTRA-FT06	30,000	1,000,000	50,000
Mid-Tex	Storage	Worsham-Steed Gas Storage	Firm	WS-ATM-FSS-INTRA-FT07	30,000	1,000,000	50,000
Mid-Tex	Storage	Atmos Pipeline-Texas	Firm	03124-00	301,200	36,160,500	1,100,000
				Totals	401,200	40,160,500	1,250,000

Q. WHY DOES THE COMPANY CONTRACT FOR ADDITIONAL THIRD-PARTY STORAGE?

A. The additional storage capacity is held to supplement the storage needs of the Mid-Tex Division beyond the entitlements that APT can provide.

Q. WHAT ARE THE WITHDRAWAL ENTITLEMENTS OF THE STORAGE CONTRACTS FOR MID-TEX?

A. The maximum withdrawal quantity for the 2020/2021 Winter Season for Mid-Tex when storages are full is 1,250,000 MMBtu per day.

Table KMM-5 – Mid-Tex 2020/2021 Storage Withdrawal Entitlements

Operating Division	Reporting Contract Type	Counterparty	Service Level	Contract	Maximum Daily Injection Quantity	Maximum Storage Quantity	Maximum Daily Withdrawal Quantity
Mid-Tex	Storage	Enstor Katy	Firm	MdTx-S-12060	40,000	2,000,000	50,000
Mid-Tex	Storage	Hill-Lake Gas Storage	Firm	HL-ATM-FSS-INTRA-FT06	30,000	1,000,000	50,000
Mid-Tex	Storage	Worsham-Steed Gas Storage	Firm	WS-ATM-FSS-INTRA-FT07	30,000	1,000,000	50,000
Mid-Tex	Storage	Atmos Pipeline-Texas	Firm	03124-00	301,200	36,160,500	1,100,000
				Totals	401,200	40,160,500	1,250,000

Q. IS IT COMMON FOR CUSTOMER DEMAND FOR GAS TO VARY FROM THE AMOUNT OF GAS SUPPLIED?

A. Yes. Even when daily totals of natural gas delivered are very close to the exact amount of natural gas burned, there is still significant hourly variation in gas supplied versus gas demanded. As Mr. Knights explains in his direct testimony, under normal conditions some variation can be accommodated by relying on pipeline pressure (line pack). Greater variations can also typically be accommodated by using no-notice storage. Under extreme conditions, intraday gas purchases may also be made, which was the case during Winter Storm Uri.

Q. HOW ARE STORAGE CONTRACTS USED TO HELP WITH BALANCING DAILY GAS SUPPLY?

A. No-notice storage allows for the injection of excess gas or the withdrawal of needed gas on a real-time basis. In the absence of storage, imbalance resolution would be more difficult and costly.

2. WTX Division Transportation and Storage Contracts

Q. WHAT CONTRACTS DOES THE WTX DIVISION USE TO TRANSPORT AND STORE NATURAL GAS?

A. The Company subscribes to capacity on various upstream transportation and storage providers.

Q. WHAT IS THE MAXIMUM DAILY QUANTITY OF TRANSPORTATION CAPACITY THE COMPANY HAS CONTRACTED FOR THE WTX DIVISION?

A. Atmos Energy contracted for 474,364 MMBtu/day of upstream capacity to serve its customers' needs.

Table KMM-6 – WTX 2020/2021 Transportation Capacity

Operating Division	Reporting Contract Type	Counterparty	Contract	Maximum Daily Quantity[1]	Maximum Daily Injection Quantity[1]	Maximum Storage Quantity[2]	Maximum Daily Withdrawal Quantity[1,3]
WTX	Transportation	El Paso Natural Gas	H222Y000	45,000	-	-	-
WTX	Transportation	El Paso Natural Gas	FT3J9000	12,000	-	-	-
WTX	Transportation	El Paso Natural Gas	613502	10,000	-	-	-
WTX	Transportation	El Paso Natural Gas	613504	7,000	-	-	-
WTX	Transportation	El Paso Natural Gas	613503	5,000	-	-	-
WTX	Transportation	El Paso Natural Gas	H222Z000	5,000	-	-	-
WTX	Transportation	El Paso Natural Gas	H2232	5,000	-	-	-
WTX	Transportation	MarkwestPower-Tex	WTx-T-12059	10,000	-	-	-
WTX	Transportation	Northern Natural Gas	126665B	60,000	-	-	-
WTX	Transportation	Northern Natural Gas	135338	5,000	-	-	-
WTX	Transportation	OneOk WesTex Transmission	40FT-1016	210,000	-	-	-
WTX	Transportation	OneOk WesTex Transmission	40FT-1023	25,000	-	-	-
WTX	Transportation	Transwestern Pipeline Co.	105172	45,000	-	-	-
WTX	Transportation	Transwestern Pipeline Co.	105174	15,000	-	-	-
WTX	Transportation	Transwestern Pipeline Co.	105010	5,000	-	-	-
WTX	Transportation	Transwestern Pipeline Co.	105173	5,000	-	-	-
WTX	Transportation	Transwestern Pipeline Co.	27798	364			
WTX	Transportation	West Texas Gas	EGC-10427-1A	5,000			
WTX	Storage	ETC Marketing	ATO-NB-11748-WTx-TC-3[4]	-	12,500	1,000,000	30,000
WTX	Storage	Hartree Partners	ATO-NB-12053-WTx-TC-1[4]	-	12,500	1,000,000	30,000
WTX	Storage	Keystone Storage	210975	-	7,000	250,000	10,000
WTX	Storage	Keystone Storage	210978	-	32,000	1,250,000	50,000
WTX	Storage	OneOk Texas Gas Storage	16FS-10306	-	52,000	2,000,000	56,000
			TOTALS	474,364	116,000	5,500,000	176,000

Footnotes

1. The units of measure for the Maximum Daily Quantity, Maximum Daily Injection Quantity and Maximum Daily Withdrawal Quantity are in MMBtu per day.

2. The unit of measure for the Maximum Storage Quantity is MMBtu.

3. The Maximum Daily Withdrawal Quantity assumes storage is full.

4. The following contracts are virtual storage contracts: ATO-NB-11748-WTx-TC-3 & ATO-NB-12053-WTx-TC-1

Q. WHAT IS THE MAXIMUM STORAGE CAPACITY OF THE STORAGE CONTRACTS THE COMPANY HAS CONTRACTED FOR THE WTX DIVISION?

A. The Company has storage entitlements of 5,500,000 MMBtu of capacity which includes third party storage and virtual storage contracts.

Table KMM-7 – WTX 2020/2021 Storage Capacity

Operating Division	Reporting Contract Type	Counterparty	Contract	Maximum Daily Injection Quantity	Maximum Storage Quantity	Maximum Daily Withdrawal Quantity
WTX	Storage	ETC Marketing	ATO-NB-11748-WTx-TC-3	12,500	1,000,000	30,000
WTX	Storage	Hartree Partners	ATO-NB-12053-WTx-TC-1	12,500	1,000,000	30,000
WTX	Storage	Keystone Storage	210975	7,000	250,000	10,000
WTX	Storage	Keystone Storage	210978	32,000	1,250,000	50,000
WTC	Storage	OneOk Texas Gas Storage	16FS-10306	52,000	2,000,000	56,000
			TOTALS	116,000	5,500,000	176,000

Q. WHAT IS A VIRTUAL STORAGE CONTRACT?

A. It is a contractual arrangement for the exchange of natural gas that can replicate much of the functionality of storage even though there is no physical storage facility where gas is stored. Instead, the counterparty will accept gas from Atmos Energy in the summer months and agree to exchange an equivalent quantity of gas back to Atmos Energy in the winter months. Also, the counterparty will allow Atmos Energy to receive gas back non-ratably across a weekend period if the gas is timely nominated into or out of the virtual storage agreement.

Q. WHAT ARE THE WITHDRAWAL ENTITLEMENTS OF THE STORAGE CONTRACTS FOR THE WTX DIVISION?

A. The maximum daily withdrawal quantity for the 2020/2021 winter season for the WTX Division when storages are full is 176,000 MMBtu per day.

Table KMM-8 – WTX 2020/2021 Storage Withdrawal Entitlements

Operating Division	Reporting Contract Type	Counterparty	Contract	Maximum Daily Injection Quantity	Maximum Storage Quantity	Maximum Daily Withdrawal Quantity
WTX	Storage	ETC Marketing	ATO-NB-11748-WTx-TC-3	12,500	1,000,000	30,000
WTX	Storage	Hartree Partners	ATO-NB-12053-WTx-TC-1	12,500	1,000,000	30,000
WTX	Storage	Keystone Storage	210975	7,000	250,000	10,000
WTX	Storage	Keystone Storage	210978	32,000	1,250,000	50,000
WTC	Storage	OneOk Texas Gas Storage	16FS-10306	52,000	2,000,000	56,000
			TOTALS	116,000	5,500,000	176,000

Q. HOW ARE THE STORAGE CONTRACTS USED TO HELP WITH BALANCING DAILY GAS SUPPLY?

A. It is common for purchased gas supply on the Atmos Energy system to vary from customer demand. No-notice storage allows for the injection of excess gas or the withdrawal of needed gas on a real-time basis. In the absence of storage, imbalance resolution would be more difficult and costly. Additionally, some of our third-party storage contracts have intraday rights which allow the Company to make changes to previously submitted nominations, such that we can either increase or decrease the amount of storage gas that we originally had requested to or from storage.

Q. WAS ATMOS ENERGY ABLE TO RELY ON VIRTUAL STORAGE TO SUPPLEMENT ITS SUPPLY NEEDS DURING WINTER STORM URI?

A. Atmos Energy contracted with two separate counterparties for virtual storage for the WTX Division. One of those counterparties declared force majeure for its virtual storage contract and limited deliveries from February 14th to February 19th. The Company only received 28% of its contractual requirements on February 14th, and only received 53% of its contractual requirement throughout the period in which the force majeure was declared.

V. NORMAL GAS SUPPLY ACTIVITY

Q. HOW DOES ATMOS ENERGY STRUCTURE ITS MONTHLY NATURAL GAS PURCHASES?

A. In general, the Company makes "Baseload" elections prior to the start of each month and subsequently makes "Day-Ahead" elections for incremental daily supply. The Company also relies on storage gas to meet system needs. For the Mid-

Tex Division, the Baseload elections are typically seasonal and/or annual and can be supplemented with monthly Baseload purchases. For the WTX Division, the Baseload elections are monthly.

Q. ARE THERE OTHER TYPES OF GAS PURCHASES?

A. Yes, however, the vast majority of the Company's natural gas for a given month is bought on a Baseload or Day-Ahead basis.

Q. HOW DOES GAS SUPPLY PROJECT DEMAND BASED ON WEATHER FORECASTS?

A. Every morning between 5am and 6am, Gas Supply receives weather data from AWIS Weather Services based in Auburn, Alabama. This information includes hourly forecasted weather for a seven-day period. That weather data is then transformed into the appropriate Gas Day format which is a daily average using 25 hourly observations starting from 9am of the current day to 9am of the following day. Gas Supply uses this weather information as variables in our demand forecast. We use four different statistical models for each forecasted area to predict natural gas usage. The models that we use for our Short-Term Forecast are as follows: Linear Regression, Random Forest, Boosted Tree, Neural Network, and a combination of the Boosted Tree and Neural Network models. Using combination forecasts is a popular technique that shows significant improvements over individual forecasts as has been demonstrated in scholarly articles. The Company's model building procedures and its Short-Term Forecast methodology was created in partnership with and is reviewed annually by Dr. Russell Robins, a statistics professor at Tulane University.

In addition, for the Mid-Tex division, Gas Supply utilizes the Gas Day Model which is a statistical forecasting model created by Marquette Energy Analytics, which provides statistical modeling and forecasting for many natural gas utilities throughout the country.

A. Mid-Tex Division Gas Supply Process Under Normal Conditions

Q. PLEASE DESCRIBE THE NORMAL PROCESS THE COMPANY USES TO MAKE DAILY PURCHASE DECISIONS FOR MID-TEX.

A. The Gas Supply department reviews weather forecasts and demand projections, considers storage balances, and its current Baseload nominations, then it decides what Day-Ahead purchasing decisions to make and what storage withdrawals, if any, to nominate.

Q. NORMALLY, WHAT PERCENTAGE OF BASELOAD AND DAY-AHEAD NOMINATIONS ARE DELIVERED?

A. Normally, all Baseload and Day-Ahead nominations are delivered. The only exceptions that I am aware of are for things like scheduled maintenance or production failures that may make a location temporarily unavailable or events of force majeure, which historically have been rare.

Q. WHAT PERCENTAGE OF NOMINATED STORAGE WITHDRAWALS ARE NORMALLY DELIVERED?

A. Generally, storage withdrawals have historically been reliable. It is rare for a storage facility to be unable to comply with a request to withdraw natural gas in storage, although I am aware of a very limited number of prior situations where

equipment failure or concerns around cavern integrity rendered a storage facility unable to perform.

1. Baseload Nominations

Q. HOW DOES GAS SUPPLY DETERMINE WHAT BASELOAD PURCHASES TO MAKE?

A. After considering volumes already under contract, Gas Supply prepares a forecast of gas supply needs by month for the next 12 months beginning with the following June. This forecast includes, by month, the amount of gas that is needed to meet the minimum daily demand plus the amount of gas needed to inject to fill storage during the storage fill season, which is typically during April-October of each year. Based upon this forecast, Gas Supply will enter into purchase contracts to buy enough gas to meet this forecasted daily demand. In April of each year, Gas Supply posts another RFP offering for seasonal Baseload quantities. These contracts are used to supplement the annual Baseload quantities for the November -March period. The volume purchased under these agreements is set high enough to minimize daily gas purchases, but not so high that we could be in a situation where we would have to over inject into storage, or be in a position to have to sell back to suppliers.

Q. DOES STORAGE AFFECT GAS SUPPLY'S BASELOAD NOMINATIONS?

A. Yes. The Company takes storage into account when deciding its Baseload purchases. For Mid-Tex, Baseload nominations are typically preestablished in contractual arrangements. As part of the analysis to determine how much Baseload gas to buy on an annual basis, Mid-Tex does consider the quantities of gas it plans

to inject during the summer periods. If storage inventories ever get seasonally low, Gas Supply may purchase additional monthly Baseload volumes to refill storage.

2. Day-Ahead Adjustments

Q. HOW DOES GAS SUPPLY MAKE ITS DAY-AHEAD DECISIONS FOR THE MID TEX DIVISION?

A. Gas Supply relies upon its forecast models to project customer demand. Baseload nominations are set prior to the first of the month for the upcoming month and cannot be changed once the nomination is submitted. Incremental demand is typically met through a combination of Day-Ahead Peaking nominations, Spot purchases and the use of storage. However, in the event that Day-Ahead Peaking nominations, Spot purchases and storage cannot meet customer demand, the Company will purchase intraday gas to meet its obligation to serve its customers.

Q. DOES GAS SUPPLY REGULARLY HAVE TO BUY INTRADAY GAS FOR THE MID-TEX DIVISION?

A. No. Storage entitlements are usually sufficient to avoid the need to purchase intraday gas. As I discuss below, this was not the case during Winter Storm Uri.

3. Daily Imbalances

Q. DOES NO-NOTICE STORAGE HELP RESOLVE DAILY IMBALANCES?

A. No-notice storage allows for surplus gas to be injected into storage and allows for needed gas to be withdrawn from storage in real time. It is particularly useful because unlike traditional storage and transportation, it does not need to be nominated on a timely basis. It happens automatically in real-time.

Q. HOW ARE IMBALANCES ADDRESSED?

A. On APT, imbalances are addressed on a monthly basis. So the aggregate imbalances for a month are normally resolved through in-kind resolution in future month(s). Additionally, by mutual agreement, storage can be utilized to resolve the imbalance.

B. WTX Division Gas Supply Process Under Normal Conditions

1. Baseload Nominations

Q. HOW ARE BASELOAD NOMINATIONS FOR THE WTX DIVISION MADE UNDER THE AMA?

A. The Company makes an election to the Asset Manager five gas trading days prior to the first day of flow for a calendar month. The election specifies a different Baseload amount for each of the Company's locational supply areas in West Texas, and specifically identifies the different quantities for each of the transportation pipelines.

Q. DOES STORAGE AFFECT GAS SUPPLY'S BASELOAD NOMINATIONS?

During the winter months, the amount of gas that is nominated monthly for Baseload purchases is determined after allowing for planned storage withdrawals. In the summer months, the volume of gas that is Baseloaded is determined each month after adding the volume of gas to be injected into storage to the normal monthly demand volume.

2. Day-Ahead Adjustments

Q. HOW ARE DAY-AHEAD NOMINATIONS FOR THE WTX DIVISION MADE UNDER THE AMA?

A. The Company makes an election to the Asset Manager on the business day prior to any purchase period. The election details a Day-Ahead purchase volume for each of the Company's locational supply areas in West Texas, with specific amounts for each pipeline. The election also specifies the planned storage injections/withdrawals.

3. Daily Imbalances

Q. DOES NO-NOTICE STORAGE HELP RESOLVE DAILY IMBALANCES?

A. Yes. The use of no-notice storage is the same for WTX as it is for Mid-Tex.

Q. HOW ARE IMBALANCES RESOLVED?

A. On the pipelines used by the WTX Division, some imbalances are resolved monthly while others are resolved on a daily basis. Imbalance resolution can also be in-kind or through a cash-out mechanism as per the terms of the corresponding upstream pipelines' tariff and are resolved by the Asset Manager. To the extent that the Asset Manager's actions cause any imbalances, the Atmos Energy customers are not responsible for the financial impacts of those imbalances.

C. Hedging Activities

Q. WHAT TYPES OF HEDGING ACTIVITIES ARE APPLICABLE TO GAS SUPPLY TRANSACTIONS?

A. Hedging activities related to gas supply can involve either financial hedging or physical hedging. A financial hedge is a contract that is not tied to the delivery of

physical natural gas. Instead, the Company can utilize hedging counterparties to financially convert a future floating price of natural gas to a fixed price for a specific quantity of its future needs. A fixed-price physical hedge is a contract to purchase physical flowing natural gas at a fixed stated price, as opposed to purchasing at an index price. A fixed-physical hedge includes the physical sale of gas for the hedge to be settled.

Q. ARE THERE ANY OTHER DIFFERENCES BETWEEN PHYSICAL HEDGES AND FINANCIAL HEDGES?

A. Yes. Physical transactions can be disrupted due to events of force majeure. Financial hedges are settled financially regardless of physical conditions.

Q. ARE THE COMPANY'S HEDGING POLICIES UPDATED AND REVIEWED ON AN ANNUAL BASIS?

A. Yes. The Company's Hedging Policies and Procedures are updated, reviewed, and approved by management each year. In addition, both the Mid-Tex and WTX Divisions approve their division's annual hedging plan each year.

Q. DID THE COMPANY HAVE HEDGES IN PLACE FOR THE WINTER OF 2020-2021?

A. No. Pursuant to the Commission's Order in GUD No. 9869, the Mid-Tex Division is not authorized to engage in financial hedging. The WTX Division also did not engage in financial hedging. Based on the advice of its outside consultant, the Company also did not enter into any fixed-price physical hedges for last winter season.

Q. WHO IS THE COMPANY'S HEDGING CONSULTANT AND WHY DOES THE COMPANY UTILIZE AN OUTSIDE CONSULTANT TO ADVISE ON HEDGING PRACTICES?

A. The Company's outside consultant is Gelber and Associates. We rely on them to perform technical market analysis and review macroeconomic trends in natural gas markets. Other utilities also rely upon Gelber and Associates to provide the same types of services.

Q. WHAT WAS THE BASIS FOR GELBER AND ASSOCIATES' RECOMMENDATION THAT ATMOS ENERGY NOT EXECUTE HEDGING CONTRACTS FOR THE WINTER OF 2020/2021?

A. Gelber and Associates recommended not executing hedging contracts due to concerns over Permian Basin price volatility resulting from the lack of infrastructure in the Permian Basin. In other words, there was reason to believe that settlement prices could be significantly lower than the price the Company could hedge for Permian Basin gas throughout this winter.

Q. WAS THIS RECOMMENDATION REASONABLE?

A. Yes. The recommendation was reasonable when it was made, and, based upon the actual market prices observed during the majority of the winter of 2020/2021, I still believe it was reasonable.

Q. IS THERE ANY REASON TO BELIEVE THAT THE COMPANY'S NEED TO PURCHASE INTRADAY GAS DURING WINTER STORM URI WOULD HAVE BEEN REDUCED IF ATMOS ENERGY HAD ENTERED INTO HEDGING ARRANGEMENTS THAT COVERED THIS TIME PERIOD?

A. No, there is not. The same suppliers with which Atmos Energy had existing contracts at the time of Winter Storm Uri would have been the counterparties to any physical hedging arrangements with the Company. The majority of those suppliers claimed force majeure to excuse supplying gas to Atmos Energy under existing contracts and there is no reason to expect they would not have claimed force majeure under a physical hedge contract. Indeed, there is every reason they would have likewise claimed force majeure to excuse performance under a physical hedge. Additionally, while the Company's contracts protect pricing for Baseload purchases there are no corresponding provisions to protect against intramonth price spikes as experienced during Winter Storm Uri. Therefore, the implementation of physical hedges or financial hedges would not have led to a significant reduction in gas costs.

Q. DO PHYSICAL HEDGING ARRANGEMENTS TYPICALLY COME AT A COST TO THE BUYER?

A. Yes. The supplying counterparty under a physical hedging arrangement will typically charge a "premium" for that contract because of the risk the supplying counterparty assumes for undertaking the physical hedge.

VI. WINTER STORM URI

Q. PLEASE PROVIDE AN OVERVIEW OF THE CONDITIONS ATMOS ENERGY FACED TO SECURE GAS SUPPLY DURING WINTER STORM URI.

A. Dallas' coldest 10-day period in over 30 years happened during Winter Storm Uri. Winter Storm Uri was also the most extreme cold weather event in the Mid-Tex and WTX Division's history in terms of both severity and duration. Below is a chart that shows the top 5 coldest 10 consecutive day period based on Heating Degree Days ("HDDs") for the Dallas weather station since December 31, 1987. The Dallas weather station is the major weather station used for Mid-Tex.

Similarly, all three weather stations utilized for WTX (Amarillo, Lubbock and Midland) experienced the most accumulated HDDs for a consecutive 10-day period since December 31, 1987 during Winter Storm Uri. An HDD is the degrees that a day's average temperature is below 65 Fahrenheit, used to quantify the demand for energy. For example, if a day's average temperature is 20 degrees, that day experienced 45 HDDs. This chart depicts HDDs on a Gas Day (9 am to 9 am) and the low temp represents the lowest temperature experienced during the Gas Day.

Chart KMM-1 – Weather Chart

Top 5 Coldest 10-Day Period (by HDD) in Distinct Winter Year Since Dec. 31st, 1987															
2020 - 2021			1989 - 1990			2010-2011			1990 - 1991			1996 - 1997		
Date	*Low Temp*	*HDD*	*Date*	*Low Temp*	*HDD*	*Date*	*Low Temp*	*HDD*	*Date*	*Low Temp*	*HDD*	*Date*	*Low Temp*	*HDD*
02/10/21	*24*	*36.88*	12/15/89	*12*	*46.40*	02/01/11	*13*	*48.32*	12/21/90	*14*	*48.44*	01/08/97	*31*	*32.52*
02/11/21	*24*	*39.16*	12/16/89	*17*	*40.52*	02/02/11	*14*	*46.96*	12/22/90	*10*	*51.48*	01/09/97	*32*	*25.52*
02/12/21	*20*	*42.36*	12/17/89	*27*	*33.96*	02/03/11	*17*	*44.28*	12/23/90	*14*	*45.48*	01/10/97	*22*	*35.76*
02/13/21	*16*	*41.60*	12/18/89	*28*	*33.32*	02/04/11	*18*	*42.56*	12/24/90	*22*	*34.80*	01/11/97	*18*	*42.64*
02/14/21	*5*	*53.96*	12/19/89	*18*	*38.44*	02/05/11	*25*	*24.32*	12/25/90	*30*	*28.28*	01/12/97	*19*	*44.44*
02/15/21	-1	58.20	12/20/89	23	34.72	02/06/11	35	22.12	12/26/90	33	30.40	01/13/97	19	40.96
02/16/21	6	47.76	12/21/89	6	48.60	02/07/11	31	26.28	12/27/90	34	27.00	01/14/97	27	34.76
02/17/21	22	39.92	12/22/89	-1	58.56	02/08/11	16	22.92	12/28/90	41	12.52	01/15/97	29	22.52
02/18/21	16	41.72	12/23/89	5	48.96	02/09/11	16	45.08	12/29/90	15	29.20	01/16/97	20	36.76
02/19/21	22	34.84	12/24/89	22	34.76	02/10/11	20	37.60	12/30/90	14	46.80	01/17/97	20	36.20
Total:		**436.40**	**Total:**		**418.24**	**Total:**		**360.44**	**Total:**		**354.40**	**Total:**		**352.08**

In addition to the weather forecast trending colder than initially anticipated, these weather conditions coincided with a four-day holiday weekend gas purchase period, which added additional complexity to gas procurement efforts.

Q. PLEASE EXPLAIN HOW THE HOLIDAY WEEKEND FURTHER COMPLICATED THE COMPANY'S GAS PROCUREMENT EFFORTS.

A. Natural gas is bought and sold each day according to the trading calendar as published by the Intercontinental Exchange ("ICE") which is a global exchange and marketplace used to electronically transact commodities. According to the ICE trading calendar when buying gas for a normal weekend, a transaction with a counterparty will be entered into the Friday before the weekend for a three-day purchase period to include the following, Saturday, Sunday, and Monday. The quantity that is purchased across the three days will typically not vary. You buy the same quantity for each of the three days for each transaction. This can create challenges because we must factor in that we will be buying the same quantity of gas for each day of an extended purchase period when we might need a variable source of supply to match against a variable demand forecast. The longer the purchase period, the more challenging it can be to build a plan that can match the

supply needs across the demand profile. So, in this instance, since the Presidents' Day holiday was on Monday, February 15, and was also a holiday on the ICE calendar, we had to buy gas on Friday, February 12th for a four-day purchase period instead of the typical three-day weekend purchase period. And this was done while the forecasts were indicating we were about to experience some of the coldest weather we had seen in a very long time, with weather conditions potentially Peaking during the four-day purchase period when the gas markets were closed for normal trading.

Q. WHAT FACTORS MADE SECURING GAS SUPPLY DURING WINTER STORM URI UNIQUE AS COMPARED TO OTHER WINTER WEATHER EVENTS?

A. As discussed by Dr. Perryman in his direct testimony, several factors contributed to making gas purchasing during Winter Storm Uri unique, including the fact that the winter storm disrupted supply and resulted in unprecedented market conditions.

With respect to Atmos Energy's operations, the winter storm's effects on gas production resulted in a significant loss of supply in the Permian Basin and other production areas that the Company normally relies upon. These impacts were exacerbated by widespread power outages. This led to an unprecedented number of declarations of force majeure from the Company's suppliers. Numerous storage facilities in the region had equipment failures, which prevented their volumes from being fully accessible to the market. There was limited electronic trading on the ICE, which is usually a robust marketplace. Counterparties were not willing to sell at the Gas Daily index price and even when a counterparty was willing to agree to

sell gas, it was often only on a "best efforts" basis, and there was no certainty that the volumes would be delivered.

To further illustrate how extraordinary the circumstances were, the governor declared a State of Emergency and the Commission issued an emergency order modifying statewide priority rules. Amid this crisis, we experienced natural gas prices setting new records. As a result, the Company was faced with procuring natural gas at extremely high prices to meet customer demand with no real certainty that the gas would actually be delivered. In short, gas procurement during Winter Storm Uri was, in many respects, a "Hobson's Choice," where we were faced with taking what was available or potentially getting nothing at all.

Q. HAVE YOU EVER EXPERIENCED THE GAS SUPPLY CONDITIONS PRESENT DURING WINTER STORM URI?

A. No. I have been in the natural gas industry for over 30 years and have experienced many extreme weather conditions, but nothing close to this extreme for this duration with this much disruption in the marketplace.

Q. WHAT WERE THE PRIORITIES FOR GAS SUPPLY DURING THE STORM?

A. Gas Supply's priorities were to purchase sufficient gas, at the appropriate locations, to ensure the continued reliability of the Company's distribution systems to meet the needs of our customers to keep them safe.

Q. HOW DID GAS SUPPLY MEET THOSE PRIORITIES?

A. We first executed our normal gas supply plan, and then supplemented with incremental and intraday purchases to the extent possible to compensate for supply

disruptions. This required Gas Supply to be in constant communication with our transporters and upstream providers to assess their operational ability to supply our needs.

Q. HOW MUCH GAS WAS REQUIRED TO PROVIDE RELIABLE SERVICE TO YOUR CUSTOMERS DURING THE EXTREME WINTER STORM EVENT?

A. The maximum daily gas requirement of Atmos Energy's WTX customers and Mid-Tex customers for February is provided in the table below. These volumes represent all known prior period adjustments through June 30, 2021. The volumes are in MMBtus and include all residential and commercial customers that Gas Supply purchased gas for including farm taps and the military bases that are not transport customers.

Table KMM-9 – Maximum Daily Gas Requirements During Winter Storm Uri

Date	MidTex	WTX
2/1/2021	887,010	131,723
2/2/2021	729,005	100,042
2/3/2021	421,614	73,845
2/4/2021	650,907	132,865
2/5/2021	777,662	127,774
2/6/2021	868,030	139,722
2/7/2021	791,266	121,100
2/8/2021	848,174	154,761
2/9/2021	1,514,913	209,813
2/10/2021	1,856,901	283,159
2/11/2021	2,106,053	290,059
2/12/2021	2,218,867	331,917
2/13/2021	2,183,365	360,955
2/14/2021	2,638,311	415,690
2/15/2021	2,309,804	363,229
2/16/2021	2,295,522	354,501
2/17/2021	2,216,954	330,673
2/18/2021	2,231,530	342,154
2/19/2021	1,774,031	240,553
2/20/2021	1,150,373	162,923
2/21/2021	823,634	167,612
2/22/2021	652,555	141,384
2/23/2021	376,029	106,533
2/24/2021	458,968	141,055
2/25/2021	858,931	195,359
2/26/2021	627,570	133,708
2/27/2021	397,274	102,361
2/28/2021	537,068	147,921

A. Weather forecasts were used to inform gas purchasing decisions.

Q. DO WEATHER FORECASTS IMPACT THE COMPANY'S GAS PURCHASING DECISIONS?

A. Yes. Weather forecasts are the most important input into the Company's forecasting models. Gas Supply's purchasing decisions are driven by its predictions of demand. Monthly weather forecasts also influence the Company's Baseload decisions. More importantly, daily weather forecasts drive intramonth and Day-Ahead purchasing decisions as daily weather forecasts are updated and

forecasting models are rerun. Importantly, the Company's forecasting models rely upon forecasted weather, not upon actual weather.

Q. HOW WAS THE WEATHER FORECAST USED BY GAS SUPPLY IN FEBRUARY LEADING UP TO AND DURING WINTER STORM URI?

A. The weather forecasts were input into our forecasting models leading up to and during the winter storm to determine how much gas to purchase each day to meet the system's projected needs. The model's output was used each morning to make timely nominations for the next gas day. Additionally, the model was re-run during the day to try to provide greater insight into the Company's supply needs. These updated forecasting models helped Gas Supply make better informed purchasing decisions which maintained system reliability and allowed the Company to continue to provide service to its customers.

Q. IS THE PROCESS AND INFORMATION YOU DESCRIBE ABOVE ROUTINELY USED BY LOCAL DISTRIBUTION COMPANIES TO MAKE GAS PROCUREMENT DECISIONS?

A. Yes. Large utilities routinely use weather forecasts and historical demand data, as inputs into forecasting models to project how much gas to purchase.

Q. WHAT OTHER PREPARATION EFFORTS DID THE COMPANY'S GAS SUPPLY GROUP TAKE IN ANTICIPATION OF THE WINTER WEATHER EVENT.

A. As explained in the Gas Supply Plan, every morning between 5 am and 6 am, Atmos Energy uses forecasted weather data as a variable in its statistical forecasting models to predict the amount of natural gas its customers will consume over the

next seven days. On Monday, February 8th Atmos Energy Gas Supply reviewed the forecasted weather and usage predictions through Sunday, February 14th and began to prepare for colder than normal weather starting on Friday, February 12th. On the morning of February 9th, Atmos Energy Gas Supply reviewed the forecasted weather for the next seven days, and found that the forecasted weather for Texas was predicted to be colder than the previous day weather forecast for the next seven days. In fact, West Texas was predicted to exceed 75% of a Design Day condition starting on Friday, February 12th through Monday, February 15th and in Mid-Tex starting on Saturday, February 13th through Monday, February 15th. When weather is predicted to meet or exceed 75% of Design Day conditions, Atmos Energy Gas Supply sets up a meeting with numerous groups within the Gas Supply organization to discuss the weather forecast, usage forecast, supply plans, storage plans, any operational issues, pipeline communications and any other items that could have an impact on gas supply. Starting on Tuesday February 9th, these meetings were held daily through Friday February 12th. Atmos Energy Gas Supply continued to review the weather and usage forecasts in the morning and afternoons to understand the changes in weather and load and update supply plans. Beginning on Wednesday February 10th, Atmos Energy Gas Supply also began reaching out to upstream pipelines, storage facilities, suppliers, and our Asset Manager in West Texas to understand any potential concerns and make sure proper plans were in place in anticipation of the event. Gas Supply also contacted suppliers of our transportation customers via e-mail informing them that it was imperative to stay in balance during the cold weather event.

Q. WHAT OPTIONS ARE AVAILABLE TO THE COMPANY TO ENSURE ADEQUATE GAS SUPPLY ONCE THE TIMELY NOMINATION PERIOD HAS PASSED FOR A GAS DAY?

A. Once the timely nomination deadline for a gas day has passed, the only options left to the Company are storage withdrawals, overrunning your daily nominations, and intraday purchases.

Q. DID GAS SUPPLY HAVE TO SECURE GAS AFTER THE TIMELY NOMINATION DEADLINE DURING THE STORM?

A. Yes. During the storm, an unprecedented amount of gas that was timely nominated was not being delivered. This required Gas Supply to anticipate non-deliveries and purchase gas to replace those volumes in real time by participating in the intraday market. Under normal circumstances, the intraday market is typically not very robust, with limited counterparties. This fact, coupled with the scarcity of gas supply during Winter Storm Uri, created a situation where the Company had to purchase supply when it was available. Stated differently, the demand for gas was far in excess of available supply and when suppliers had available gas to sell, if we did not buy it quickly, other market participants would purchase that gas and we had little or no expectation that additional gas would be subsequently available.

Q. WHAT WOULD HAVE HAPPENED IF ATMOS ENERGY HAD NOT EXPEDITIOUSLY REPLACED NON-DELIVERED VOLUMES DURING WINTER STORM URI?

A. As discussed by Mr. Knights, if Atmos Energy had not acted to replace volumes that were not delivered as expected, the Company would not have been able to

continue to operate the system and service its customers, most of whom are human needs customers.

B. Baseload Nominations and Original February 2021 Forecast

Q. DID ATMOS ENERGY REASONABLY BASE ITS FEBRUARY 2021 BASELOAD NOMINATIONS ON THE WEATHER FORECASTS AVAILABLE AT THE TIME THOSE NOMINATIONS WERE MADE?

A. Yes. The Company accessed the month-ahead weather forecast from Frontier Weather, a DTN Company, as it normally does. At the end of January, Texas was projected to be slightly warmer than normal on average for the month of February.

Q. WHAT WERE GAS SUPPLY'S MID-TEX BASELOAD NOMINATIONS FOR FEBRUARY 2021?

A. The Company Baseloaded 73% of the month's projected purchases for the Mid-Tex Division for February 2021. Please refer to the table below.

Table KMM-10– Mid-Tex February 2021 Baseload Nominations

Baseload Nominations for Feb 2021	
Atmos Pipeline TX Zone	mmbtu/d
Zone 2	250,000
Zone3	-
Zone4	-
Zone5	135,000
Zone6	25,760
Zone 8	48,000
Total	458,760

Q. WHAT WERE GAS SUPPLY'S WTX BASELOAD NOMINATIONS FOR FEBRUARY 2021?

A. The Company Baseloaded 73% of the month's projected purchases for the WTX Division for February 2021. Please refer to the table below.

Table KMM-11 – WTX February 2021 Baseload Nominations

Baseload Nominations for Feb 2021	
	mmbtu/d
Oneok Westex Transmission	21,000
Northern Natural Gas	14,311
El Paso Natural Gas	19,252
Transwestern Natural Gas	14,473
Natural Gas Pipeline	5,000
Dacott Industries Inc	15
WTG Gas Marketing	2,997
Total	77,048

Q. HOW DID GAS SUPPLY DECIDE THAT THOSE WERE THE APPROPRIATE NOMINATIONS?

A. For Mid-Tex, because we had adequate storage and weather was forecasted to be warmer than normal, there were no monthly Baseload purchases incremental to existing contractual requirements. For WTX, Baseload nominations were made based upon the total projected demand for February. Gas Supply tries to maximize its level of Baseload nominations while considering storage flexibility to handle daily imbalances and avoiding being oversupplied throughout the month.

Q. DID THIS BASELOAD LEVEL UNREASONABLY EXPOSE THE COMPANY AND ITS CUSTOMERS TO DAILY PRICE CHANGES?

A. No. It would not be cost-effective to try to eliminate all potential exposure to daily price risk. While Baseload nominations and storage both mitigate exposure to daily price risk, the only way to completely avoid having exposure to daily price risk would be to dramatically increase storage contracts and/or increase Baseload nominations. Increasing storage entitlements to a level that would eliminate all daily price risk would be prohibitively expensive, if even possible. Increasing

Baseload nominations to the maximum possible demand would expose the customers to the price risk of having to sell back excess gas almost every day of the year.

Q. WAS BASELOADING THIS PERCENTAGE OF PROJECTED AVERAGE DEMAND CONSISTENT WITH THE COMPANY'S PRACTICE IN OTHER WINTER MONTHS?

A. Yes.

Q. IN HINDSIGHT, WOULD IT HAVE BEEN BETTER TO HAVE BASELOADED A HIGHER PERCENTAGE OF NATURAL GAS FOR FEBRUARY 2021?

A. No, a higher Baseload percentage of natural gas for February 2021 would not have ensured the Company received more Baseload gas during Winter Storm Uri. Natural gas production froze-off and was otherwise unavailable due to factors such as electric power loss, regardless of how sellers had contracted to sell it. Gas supply disruptions during Winter Storm Uri were widespread and having more Baseload gas would not necessarily have changed the extent of those disruptions.

Q. IF WEATHER FORECASTS FOR THE COMING MONTH PROVE TO BE INACCURATE AFTER THE COMPANY HAS NOMINATED ITS BASELOAD REQUIREMENTS, WHAT OPTIONS ARE AVAILABLE TO THE COMPANY TO ADJUST ITS AVAILABLE GAS SUPPLY TO RESPOND TO UNEXPECTED EVENTS?

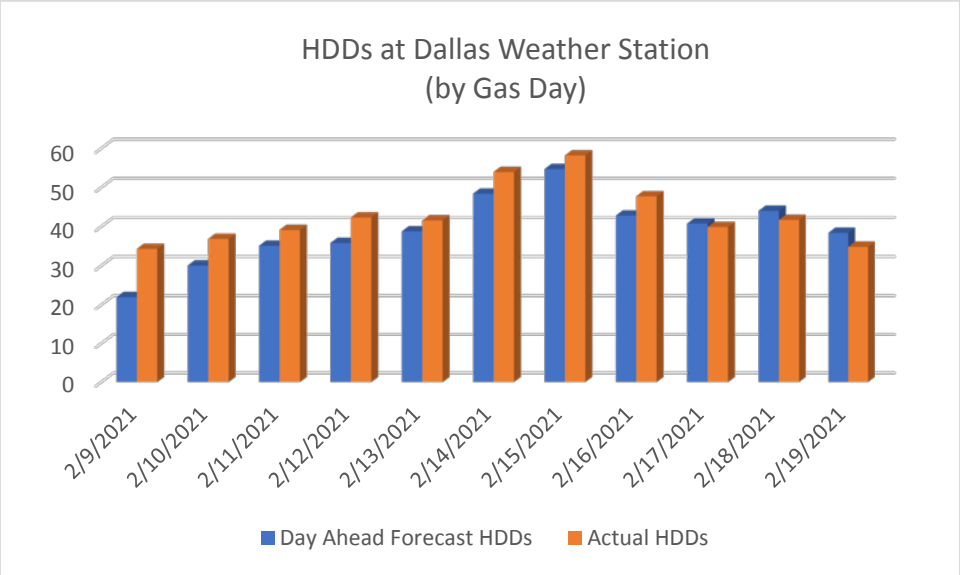
A. In any given month, the Company expects that it will use Baseload gas, as well as storage, Peaking, and Spot purchases as necessary to balance supply needs with

daily demand. Although uncommon, the Company will also utilize intraday purchases if timely supply purchases and storage are not sufficient. During Winter Storm Uri, the Company utilized all of those options to respond to the dire circumstances.

Q. WHAT HAPPENED AS WEATHER FORECASTS CONTINUED TO BE UPDATED INTO FEBRUARY 2021?

A. As we moved through February, the weather forecasts began to predict colder and colder temperatures in Texas as Winter Storm Uri approached. Additionally, actual temperatures both before and during Winter Storm Uri ended up being even colder than the updated forecasted temperatures. The table below details the daily forecasted HDDs leading up to each day from February 9th through February 19th for the Dallas weather station which is the most significant weather station for Mid-Tex. For example, the initial February 14th Dallas forecast (which was on February 8th) was 34.64 HDDs. The forecast got colder and increased to 48.44 HDDs four days later which was the day we made purchase decisions for February 14th, and this forecast also under projected the actual HDDs which were 53.96. The difference between the initial February 8th forecast and the actual temperature was approximately 19 degrees. Each incremental HDD represents approximately 35,000 MMBtu of demand, so for February 14th, the difference between the initial forecast and actual temperature represented approximately 665,000 MMBtu of additional demand. On the chart below, the red highlighted cells show the forecasted HDD on the day purchase decisions were made. The actual HDDs for each gas day are shown at the bottom of the table.

Table KMM-12 – HDDs by Day for February 9th – 19th



Dallas Weather Station	Gas Day										
Date of Weather Forecast	2/9/2021	2/10/2021	2/11/2021	2/12/2021	2/13/2021	2/14/2021	2/15/2021	2/16/2021	2/17/2021	2/18/2021	2/19/2021
2/3/2021	22.88										
2/4/2021	28.08	30.96									
2/5/2021	26.00	31.52	35.84								
2/6/2021	22.88	26.44	34.00	36.56							
2/7/2021	21.52	21.68	32.56	38.28	38.00						
2/8/2021	22.00	26.84	32.56	32.56	37.96	34.64					
2/9/2021	30.48	30.08	35.08	35.88	42.72	43.32	42.12				
2/10/2021		34.20	35.12	36.56	42.12	45.52	45.00	37.84			
2/11/2021			35.08	35.84	40.80	46.32	52.88	42.92	36.68		
2/12/2021				38.56	38.80	48.44	54.72	42.84	39.76	38.92	
2/13/2021					40.04	48.80	57.96	46.40	42.28	42.52	33.20
2/14/2021						50.60	57.56	45.64	42.24	43.00	31.84
2/15/2021							58.04	45.40	41.84	44.44	34.16
2/16/2021								46.56	40.80	45.04	35.68
2/17/2021									42.76	44.04	37.76
2/18/2021										43.40	38.44
2/19/2021											27.28
Actual HDD for Gas Day	**34.32**	**36.88**	**39.16**	**42.36**	**41.60**	**53.96**	**58.20**	**47.76**	**39.92**	**41.72**	**34.84**

Amarillo, Lubbock and Midland weather stations in general experienced the same weather trends where actual temperatures were colder than forecasted on the colder days during the event. When making its initial purchase decisions, Gas Supply focused on utilizing the resources that it had already contracted for, such as gas storages, Peaking contracts, and Spot purchases. The Company had no reason

to believe that the gas supplies it had contracted to receive would not be delivered. During the event, not only was the Company purchasing supply to make up shortfalls due to supply disruptions, but the Company was also having to purchase additional supply to compensate for the colder than forecasted temperatures.

Q. WHAT ACTIONS DID GAS SUPPLY TAKE IN THE DAYS PRIOR TO WINTER STORM URI'S ARRIVAL ON FEBRUARY 11, 2021?

A. As weather forecasts projected demand in excess of 75% of Design Day requirements, daily meetings were conducted with various departments within the Company including Gas Control, division representatives, Gas Supply, and management to evaluate how the gas supply plans would adjust to meet changing daily demand. Notably, at the time the storm was forecasted the Company already had contracted for 90% of its Design Day requirements for Mid-Tex and 100% of its Design Day requirements for WTX on a firm basis.

C. Mid-Tex Division Nomination and Storage Use During Winter Storm Uri

Q. WHAT NOMINATIONS DID GAS SUPPLY HAVE IN EFFECT FOR FEBRUARY 12, 2021 THROUGH FEBRUARY 19, 2021?

A. The Company's Baseload nominations are displayed in the table below.

Table KMM-13 – Baseload Nominations by Day during Winter Storm Uri

Timely Nominations by day			(in mmbtu/d)			
Date	Baseload	Peaking	Spot	APT Storage	3rd Party Storage	Total
12-Feb	458,760	1,026,500	425,134	-	85,000	1,910,394
13-Feb	458,760	1,026,500	537,365	-	50,000	2,022,625
14-Feb	458,760	1,026,500	552,365	310,000	137,500	2,347,625
15-Feb	458,760	1,026,500	552,365	600,000	137,500	2,637,625
16-Feb	458,760	1,026,500	552,365	190,000	25,000	2,227,625
17-Feb	458,760	1,011,500	273,796	300,000	75,000	2,044,056
18-Feb	458,760	1,026,500	415,044	260,000	75,000	2,160,304
19-Feb	458,760	1,026,500	357,537	250,000	68,750	2,092,797
Total	3,670,080	8,197,000	3,665,971	1,910,000	653,750	17,443,051

Q. YOU HAVE PREVIOUSLY DESCRIBED DIFFERENT TYPES OF FIRM TRANSACTIONS THAT THE COMPANY ENTERS INTO THAT OBLIGATE SUPPLIERS TO SELL NATURAL GAS UPON TIMELY NOTICE. HOW DID THE COMPANY USE THESE TRANSACTIONS DURING WINTER STORM URI?

A. On February 11, 2021, the Company gave timely notice to elect to take all of the gas it was entitled to under its Peaking transactions for February 12, 2021. We also communicated our intention to continue making elections for all contract volumes over the next several days.

Q. HOW DID THE COMPANY MAKE ITS NOMINATIONS ON FRIDAY, FEBRUARY 12, 2021 FOR THE HOLIDAY WEEKEND?

A. Holiday weekends add complexity to the gas nomination process. Nominations on February 12, 2021 had to be made for a four-day period. The normal complexity of a long weekend was greatly exacerbated by the extreme cold weather. In

response, the Company notified all suppliers of its intent to purchase full contractual rights. Please see the table below for details.

Table KMM-14 – Baseload Nominations over President's Day Holiday

Timely Noms for Gas Day Feb 13-16, 2021 (in mmbtu/d)						
Date	Baseload	Peaking	Spot	APT W/D	3rd Party W/D	Total
13-Feb	458,760	1,026,500	537,365	-	50,000	2,072,625
14-Feb	458,760	1,026,500	552,365	310,000	137,500	2,485,125
15-Feb	458,760	1,026,500	552,365	600,000	137,500	2,775,125
16-Feb	458,760	1,026,500	552,365	190,000	25,000	2,252,625

Q. HOW WAS STORAGE USED TO SUPPORT MID-TEX OPERATIONS THROUGHOUT THE EVENT?

A. As shown in the table above, the plan going into the four-day buying period was to conservatively utilize APT storage to allow for the possibility of having a larger than expected demand load as each day occurred during the 4-day buying period. At the beginning of the weekend our contractual maximum storage withdrawal rights from APT storage were 871,934 MMBtu/d. At the same time both the APT storage withdrawal nominations and those from the third-party storage providers were sculpted to match the expected daily demand across the period. We use storage as a tool to help match gas supply with forecasted demand especially when we are buying gas across a multi-day buying period like this one. As is shown, we did not plan on utilizing the maximum volume of storage withdrawals from all of our providers simultaneously.

As can be seen below this plan proved to be wise as unanticipated widespread supply disruptions occurred and we had incremental contractual storage withdrawal capacity available from APT under our no-notice storage contract.

During the following week we remained conservative with our planned storage withdrawal volumes because of the supply uncertainty and the continuing changes in the daily forecasted demand. Also, as the week unfolded, two of our third-party storage providers (Enstor and Worsham Steed) declared force majeure, and could not fully perform which necessitated us having to buy additional gas supplies to offset that loss.

Table KMM-15 – Mid-Tex Storage Volume Withdrawal

MidTex Storage Contract Utilization (in mmbtu/d)	12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
Atmos Pipeline Texas	272,251	53,141	708,239	823,083	695,789	522,531	(161,672)	(78,070)
Hill Lake Storage	30,000	-	50,000	50,000	50,000	25,000	25,000	25,000
Worsham Steed Storage*	25,000	-	37,500	37,500	37,500	25,000	25,000	18,750
Enstor Storage*	30,000	50,000	50,000	50,000	18,169	-	-	25,000
Total	357,251	103,141	845,739	960,583	801,458	572,531	(111,672)	(9,320)
* did not get full contractual rights due to Force Majuere								

1. Cuts to Mid-Tex Nominations

Q. WHEN DID THE COMPANY FIRST EXPERIENCE REDUCTIONS TO ITS REQUESTED NOMINATIONS?

A. Reductions, or "cuts," due to failure of supply and the ensuing declarations of force majeure started to occur during the first weekend of the event, February 13-14, 2021.

Q. WHICH TRANSACTIONS DID THESE CUTS AFFECT?

A. The delivery cuts affected Baseload deals, Spot transactions, storage gas, and the Company's Peaking transactions. The full extent of the cuts can be seen on Exhibit KMM-2.

Q. HOW WERE THESE CUTS COMMUNICATED TO GAS SUPPLY?

A. News of the cuts came in from multiple channels. The Company received formal force majeure letters from some suppliers. The Company also received notices

from transporters and storage providers that certain gas was not available or being received. Many suppliers also contacted Gas Supply to let us know that their gas would not be delivered or that they did not know exactly how much of their gas would be delivered.

Q. WHAT ACTIONS DID GAS SUPPLY TAKE IN RESPONSE TO THE FAILURE OF COUNTERPARTIES TO FULLY PERFORM DURING WINTER STORM URI?

A. The Company fully utilized its storage rights. The Company sought to increase its Spot purchases for additional Day-Ahead volumes. The Company also accessed the intraday market to buy additional gas, which I will discuss in greater detail below.

2. Force Majeure Notices

Q. HOW MANY FORCE MAJEURE NOTICES WERE RECEIVED FOR MID-TEX GAS SUPPLY DURING WINTER STORM URI?

A. The Company received force majeure notices from 26 of its Texas gas suppliers, representing more than half of the counterparties it had contracted with. Notably, some of these force majeure notices were received by the Company after the designated effective date. These force majeure notices effectively made it impossible for the Company to predict how much gas it was going to receive from these supplies. Additionally, certain third-party storages declared force majeure and were unable to meet their contractual obligations, which required the Company to purchase additional intraday gas.

Q. WHAT PERCENTAGE OF THE COMPANY'S CONTRACTED BASELOAD AND PEAKING VOLUMES WERE ACTUALLY NOT DELIVERED DUE TO FORCE MAJEURE DECLARATIONS?

A. Please refer to the tables below:

Table KMM-16 – Mid-Tex Nominations Not Delivered

Mid Tex Nominations	(in mmbtu)	FIRM CONTRACTUAL ARRANGEMENTS (entered into prior to winter 2020-2021)							
Baseload		12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
	Noms	458,760	458,760	458,760	458,760	458,760	458,760	458,760	458,760
	Delivered	457,301	452,595	314,387	181,618	134,186	196,349	179,823	255,112
	Not Delivered	1,459	6,165	144,373	277,142	324,574	262,411	278,937	203,648
	% not delivered	0%	1%	31%	60%	71%	57%	61%	44%
Day Ahead Peaking		12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
	Noms	1,026,500	1,026,500	1,026,500	1,026,500	1,026,500	1,011,500	1,026,500	1,026,500
	Delivered	991,991	1,022,539	843,627	716,256	600,759	598,035	727,104	810,285
	Not Delivered	34,509	3,961	182,873	310,244	425,741	413,465	299,396	216,215
	% not delivered	3%	0%	18%	30%	41%	41%	29%	21%
Total		12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
	Noms	1,485,260	1,485,260	1,485,260	1,485,260	1,485,260	1,470,260	1,485,260	1,485,260
	Delivered	1,449,292	1,475,134	1,158,014	897,874	734,945	794,384	906,927	1,065,397
	Not Delivered	35,968	10,126	327,246	587,386	750,315	675,876	578,333	419,863
	% not delivered	2%	1%	22%	40%	51%	46%	39%	28%

Table KMM-17 – WTX Nominations Not Delivered

West Texas Texas Nominations		(in mmbtu)	FIRM CONTRACTUAL ARRANGEMENTS (entered into prior to winter 2020-2021)						
Baseload		12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
	Noms	77,047	77,047	77,047	77,047	77,047	77,047	77,047	77,047
	Delivered	77,047	77,047	51,314	14,894	17,695	10,825	23,190	32,303
	Not Delivered	(0)	(0)	25,733	62,153	59,352	66,222	53,857	44,744
	% not delivered	0%	0%	33%	81%	77%	86%	70%	58%
Day Ahead Gas Daily priced		12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
	Noms	158,750	189,750	189,750	189,750	189,750	201,300	190,150	95,550
	Delivered	158,721	203,349	101,612	33,670	46,318	70,894	272,679	219,918
	Not Delivered	29	(13,599)	88,138	156,080	143,432	130,406	(82,529)	(124,368)
	% not delivered	0%	-7%	46%	82%	76%	65%	-43%	-130%
Day Ahead Fixed Price		12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
	Noms	-	29,300	29,300	29,300	29,300	2,000	7,300	
	Delivered	-	29,300	25,025	13,141	20,900	2,000	7,300	
	Not Delivered	-	-	4,275	16,159	8,400	-	-	
	% not delivered		0%	15%	55%	29%	0%	0%	
Total		12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
	Noms	235,797	296,097	296,097	296,097	296,097	280,347	274,497	172,597
	Delivered	235,768	309,696	177,951	61,705	84,913	83,719	303,169	252,221
	Not Delivered	29	(13,599)	118,146	234,392	211,184	196,628	(28,672)	(79,624)
	% not delivered	0%	-5%	40%	79%	71%	70%	-10%	-46%

Q. WHAT GAS SUPPLY CHALLENGES DID THESE FORCE MAJEURE DECLARATIONS PRESENT?

A. The declaration of force majeure and the associated failure of firm supply created a situation where the Company needed to replace this supply immediately. To do this, it was necessary to communicate with suppliers, interconnecting upstream pipelines, and APT to try to determine what was and what was not coming into the pipeline in real time. The Company then had to determine what other gas was available in real-time and contract to buy the amounts of gas that were needed, in the places that it was needed. This became a continuing iterative and complex process for the better part of the week.

Typically, even under Design Day conditions, we would only expect to purchase 10% of Mid-Tex's needed commodity on a Spot basis, approximately

270,000 Dth. The other 90% would be provided by Baseload, Peaking Arrangements, and Storage. As shown in the chart above, in February there were days in which we were required to purchase on a Spot and intraday basis two, three, and even four times the amount of Spot gas anticipated by our Gas Supply Plan at a time when the market had less gas available than ever experienced.

3. Intraday Purchases

Q. DID THE COMPANY BUY INTRADAY PURCHASES TO REPLACE GAS VOLUMES THAT WERE NOT DELIVERED AFTER FORCE MAJEURE WAS DECLARED?

A. Yes. Although the Company does not normally buy intraday gas, it will do so in response to unforeseen circumstances. During Winter Storm Uri, it was necessary to procure gas through substantial intraday purchases to avert a failure of the system and provide service to human needs customers.

Q. HOW DID THE DAILY SPOT MARKET FOR GAS FUNCTION DURING THE EVENT?

A. As discussed by Dr. Perryman in his direct testimony, natural gas supply was greatly diminished at this time of unusually high demand, resulting in extraordinarily high prices.

Q. DID ATMOS ENERGY HAVE ANY CONTROL OVER THE PRICE OF GAS THAT IT PURCHASED DURING WINTER STORM URI?

A. No. Atmos Energy had no control over the prices during Winter Storm Uri and was subject to the forces in a dysfunctional marketplace in which normal incentives and signaling mechanisms were not operative. During the weather event, Atmos

Energy had to purchase large quantities of natural gas in the market at highly elevated prices to meet customer demand and support system operations. This was due, in part, to firm gas supplies not being delivered as expected by the Company's suppliers.

Q. IS THERE A PUBLISHED MARKET PRICE FOR INTRADAY GAS?

A. There is no published market price for intraday gas. Rather, the market price for intraday gas fluctuates in real time. The Company was using ICE for price discovery, but it was also calling all potential suppliers that it could contact in an effort to negotiate purchases.

Q. HOW WAS THE PRICING FOR INTRADAY GAS DETERMINED IF THERE WAS NO PUBLISHED MARKET PRICE?

A. Pricing for intraday gas is arrived at by bilateral agreement between a seller and buyer. In almost all cases during the winter storm, the normal forces of supply and demand broke down, resulting in intraday gas being sold at a premium to the published gas daily index price for that day, since numerous parties were in the market at the same time trying to buy limited quantities of intraday gas to replace lost supply.

Q. HOW DID THE COMPANY DETERMINE THE QUANTITY OF GAS THAT NEEDED TO BE SECURED THROUGH INTRADAY GAS PURCHASES DURING WINTER STORM URI?

A. The Company increased the frequency with which it ran its demand forecast models with updated weather forecasts for daily planning purposes for the Mid-Tex Division. Additionally, the Company was in communication with upstream

transportation providers to help assess the impact of supply cuts. Gas Supply made intraday purchases factoring in the changing forecasts and the need based on known and anticipated supply cuts.

Q. PLEASE DESCRIBE HOW ATYPICAL THE COMPANY'S INTRADAY GAS PURCHASES WERE DURING THIS TIME PERIOD.

A. I have never seen a situation where demand was so high, for so long, and the supply disruption was so great, that the Company had to purchase this much intraday gas. As Dr. Perryman explains in his direct testimony, the Company's obligation to serve human needs customers under these conditions placed the Company in the position of being a captive buyer in a market where there were many other buyers and very few suppliers. This created a situation that required the Company to purchase essentially all available natural gas, regardless of whether the price was higher than the published index prices for that day, to serve human needs customers and maintain reliable service.

Q. IN ADDITION TO MAKING INTRADAY PURCHASES, WHAT OTHER ACTIONS DID GAS SUPPLY TAKE TO TRY TO REPLACE DISRUPTED SUPPLY?

A. We were in communication with upstream pipelines throughout the event to see if there was literally anything we could do to get additional supply or to alleviate pipeline constraints. We also accepted interruptible offers to sell us gas, which we would normally not consider. The Company also borrowed gas from our Louisiana utility division's storage in Louisiana and transported it to Texas under an emergency exception to certain interstate transportation requirements. Equivalent

volumes of gas were subsequently returned to the Louisiana division. Also, our affiliate, Trans Louisiana Gas Pipeline Inc. ("TLGP"), was able to buy gas in Louisiana markets and transport it to APT on an interruptible basis, where it sold us that gas at the actual cost of the gas plus the actual cost of transportation.

Q. WERE THE AFFILIATE TRANSACTIONS WITH TLGP PRICED LOWER THAN THE MARKET PRICE FOR GAS?

A. Yes. The affiliate transactions with TLGP allowed Atmos Energy to purchase gas at prices far below prevailing prices. The Affidavit of Shawn M. Audibert, attached to my testimony as Exhibit KMM-4, describes the transactions with TLGP and demonstrates that price charged by TLGP, and the cost included in the Company's gas costs in this proceeding meet the affiliate expense standard for recovery prescribed by Texas Utilities Code §104.055(b)(2). These were the only sales that TLGP made in the state of Texas during this time period.

Q. DID GAS SUPPLY HAVE ANY OPTIONS OTHER THAN PURCHASING INTRADAY GAS TO REPLACE DISRUPTED SUPPLY?

A. No. Gas Supply had exhausted all of its other options for sourcing supply and was forced to supplement with intraday purchases. Atmos Energy is obligated to provide the gas that its sales customers demand. While the Company can interrupt certain customers and ask firm customers to voluntarily reduce usage, our human needs customers rely on natural gas to operate their fireplaces, water heaters, furnaces, and other essential appliances. As Mr. Knights and Dr. Perryman explain in their direct testimony, failure to procure sufficient gas would have been catastrophic for our customers and the State of Texas as a whole.

D. WTX Division Nomination and Storage Use During Winter Storm Uri

Q. HOW DID THE COMPANY MAKE ITS NOMINATIONS ON FRIDAY, FEBRUARY 12, 2021 FOR THE HOLIDAY WEEKEND?

A. Unlike in Mid-Tex, where the Company had to call upon numerous contractual arrangements with lots of different counterparties, for West Texas, it submitted its nominations to its Asset Manager to make incremental purchases at Gas Daily pricing to meet projected demand. The Asset Manager, as agent for Atmos Energy, submitted nominations to the pipelines and storage facilities.

Q. HOW DID THE COMPANY PLAN TO USE ITS WTX STORAGE ENTITLEMENTS?

A. As previously discussed, since this was a four-day buying period beginning on Saturday February 13th, the volume of gas that we were nominating to our Asset Manager for gas purchases was the same quantity across each of the four days, however our forecasted demand was not. So, since we can contractually vary our storage nominations by day, we used that right to build a gas plan that would match our gas supply to the forecasted gas demand by day. This meant we were scheduling more storage withdrawals on the forecasted colder days, and less withdrawal as the forecasted demand decreased across the weekend. The plan that was put in place nominated gas from all of our storage facilities, ONEOK storage contract, Keystone storage contract and the two virtual storage contracts with ETC and Hartree Partners. Unfortunately, the virtual storage contract with ETC and the storage contract with Keystone Storage were both interrupted by force majeure

during parts of the four-day purchase period. These supply interruptions caused us to withdraw more gas from the no-notice ONEOK agreement than was planned.

1. Cuts to WTX Nominations

Q. WHEN DID THE COMPANY FIRST EXPERIENCE CUTS TO ITS REQUESTED NOMINATIONS?

A. As with Mid-Tex, cuts to WTX's nominations first occurred on February 13th when there was a small cut of less than 5% of the total nomination which grew to a 34% cut by Sunday, February 14, 2021

Q. HOW DID THESE CUTS AFFECT GAS SUPPLY IN WEST TEXAS?

A. The cuts impacted supply from virtually every significant upstream pipeline and storage facility (except ONEOK storage) including Keystone storage, the ETC virtual storage contract, the AMA supply with the Company's Asset Manager involving ONEOK WesTex Pipeline, Northern Natural Gas Pipeline, Transwestern Pipeline, and El Paso Natural Gas Pipeline. The Company's arrangements with the smaller pipelines such as Markwest and West Texas Gas were not affected.

Q. IN RESPONSE TO THESE CUTS DID THE COMPANY HAVE TO SECURE GAS FROM AREAS OUTSIDE THE PERMIAN BASIN TO MEET THE CUSTOMER DEMAND?

A. Yes. Normally, the WTX Division's natural gas is almost exclusively provided from sources within the Permian Basin. However, the lack of sufficient gas in the Permian Basin during Winter Storm Uri meant that the Asset Manager was forced to go to alternative production and market areas that the Company does not

normally transact to secure necessary supply to support system pressure and meet the demands of human needs customers.

Q. DID THE COMPANY PURCHASE INTRADAY GAS FROM ITS ASSET MANAGER?

A. Yes. The intraday gas was purchased from the Asset Manager. These transactions were priced at both index and fixed prices. Although there is no published index price appropriate for intraday gas, the Company and the Asset Manager agreed to make certain transactions at published index prices because they were appropriate based on the location and market conditions at that time. Gas Supply relied upon its understanding of what it was paying to buy intraday gas for Mid-Tex in some of the same markets, as well as real-time ICE offers for natural gas to ensure that the prices paid were reasonable at that time.

Q. BUT FOR THE ACTIONS OF ITS ASSET MANAGER WOULD THE COMPANY HAVE BEEN ABLE TO ACQUIRE THE GAS SUPPLY NECESSARY TO CONTINUE TO PROVIDE SERVICE DURING WINTER STORM URI?

A. Without the Asset Manager's assistance, I do not believe we could have acquired the necessary volumes of gas required by WTX to meet customer demand and maintain system operations.

2. Pipeline Penalties incurred by WTX

Q. DOES THE REGULATORY ASSET BALANCE INCLUDE PENALTIES INCURRED AS A RESULT OF WINTER STORM URI?

A. Yes. With respect to the WTX Division, the Asset Manager incurred penalties that Atmos Energy is contractually obligated to pay. These penalties were incurred in connection with our El Paso Natural Gas and our Northern Natural Gas service.

Q. WHAT WERE THE PENALTY AMOUNTS?

A. The total amount was $14,961,931.07 in transportation overrun penalties. Approximately $8 million dollars are associated with overruns on El Paso Natural Gas Company, L.L.C. and approximately $7 million dollars are associated with overruns on Northern Natural Gas. These penalties are shown on page 28 of our invoice from our Asset Manager, which is included as part of Exhibit A to the Company's Application.

Q. WHY DID ATMOS ENERGY INCUR THESE PENALTIES?

A. Atmos Energy incurred these penalties to provide service to its customers during Winter Storm Uri because the Company received more gas from those pipelines than the Asset Manager could deliver into or acquire on those pipelines.

Q. COULD THE COMPANY HAVE DONE ANYTHING TO AVOID THESE PENALTIES?

A. No. The only way to have avoided the penalties would have been to acquire more supply or to have reduced takes off of the pipelines. The Company and its Asset Manager were already trying to buy all of the gas we could find. Reducing takes from those pipelines would have meant insufficient gas supply for communities in

West Texas and could have led to a catastrophic system failure. Gas Supply was in contact with the employees of those pipelines during the event to ensure that they would not restrict our takes. Incurring those penalties was preferrable to the alternative of losing service to those systems, which would have been the only way to have avoided the penalties.

3. Adequate Assurance Pre-Payments

Q. WAS ATMOS ENERGY REQUIRED TO PROVIDE ADEQUATE ASSURANCE OF PERFORMANCE IN CONNECTION WITH EXTRAORDINARY GAS PURCHASES MADE DURING WINTER STORM URI?

A. Yes. A handful of suppliers asked for adequate assurance of performance from the Company given the relatively large dollar-value of purchases for February. In instances where we could verify that the volumes of gas received and the prices paid supported it, we made limited prepayments to certain counterparties in advance of the March 25, 2021, due date.

Q. DO COUNTERPARTIES NORMALLY ASK ATMOS ENERGY FOR ADEQUATE ASSURANCE OF PERFORMANCE?

A. No, and our overall strong creditworthiness helped us buy gas when other, smaller counterparties may have had trouble purchasing gas. However, given our need for counterparties during the event, Gas Supply felt it prudent to provide adequate assurance of performance to counterparties so that they would continue trading with us. Even after the storm had passed and supply had returned to normal, Gas Supply still supported providing adequate assurance of performance in response to requests

from counterparties that had been able to provide gas to us during the storm. Ultimately, the form of the assurance was determined by the Company's Treasury Department, while Gas Supply's role was to verify that the amounts requested by counterparties were owed to them.

Q. WERE ANY PREPAYMENTS MADE BY ATMOS ENERGY NETTED AGAINST THE FINAL INVOICE PAYMENT TO THESE SUPPLIERS?

A. Yes. In all instances of prepayment, the Company owed the supplier more than the pre-payment, and the prepayment was netted against the final invoice payment.

VII. RESOLUTION AND RECONCILIATION

Q. HOW WERE INVOICES FROM SUPPLIERS FOR FEBRUARY 2021 RECEIVED AND PROCESSED?

A. The Company, consistent with industry practice, receives invoices the month after purchases occur. Unless an invoice is sent late, payment is typically required by the 25th of the month following the month in which a sale is made. Consistent with normal practice, counterparties sent out invoices to the Company in mid-March. However, unlike normal months, there were far more irregularities with the invoices for February 2021.

Q. DID ATMOS ENERGY TAKE ANY EXTRAORDINARY MEASURES TO VERIFY THE ACCURACY OF THE INVOICES IT RECEIVED FOR GAS PURCHASES DURING THE REVIEW PERIOD?

A. Yes. For Mid-Tex, the Company purchased gas from 45 counterparties, and was invoiced by each one. There were numerous adjustments and issues that had to be

resolved, and Gas Supply contacted each impacted supplier individually. For the WTX Division, the Company purchased gas from three counterparties.

To reconcile invoices for accuracy, additional Gas Supply employees were brought in to review invoice discrepancies and evaluate what aspects of the Suppliers' invoices could be reconciled and what invoices needed to be reissued. As part of this process, Gas Supply worked with APT to determine the allocations of gas volumes that APT received from each supplier at upstream interconnecting receipt points, which was then purchased by Gas Supply. Additionally, the Company had its internal systems calculate amounts owed under transactions on a day-by-day basis. This took into account volume adjustments attributable to undelivered volumes to help calculate how much had been spent in February 2021 to purchase gas. Atmos Energy also extended authority on a limited and targeted basis to additional employees to perform volumetric updates to the purchase quantities in Gas Supply's records. These volumetric updates were calculated using APT's reporting indicating how much gas volume was confirmed by point, by day, and by counterparty. These efforts were captured by changing the gas volume statuses in the System from "nominated" to "scheduled." The Gas Supply Representatives and Traders continued to have System authority to make volume updates for revised cut notices, and APT continued to reconcile and revise the volumes with the upstream interconnecting pipelines.

Q. WHAT DISCREPANCIES DID GAS SUPPLY OBSERVE IN THE INVOICES?

A. Discrepancies relating to allocations of revised delivery volumes among multiple purchase deals from the same counterparty on the same day were common. Pipelines were still resolving cuts as many invoices are typically prepared, meaning that counterparties were often in the position of sending out invoices and then subsequently having their volumes change.

Q. HOW DID GAS SUPPLY RESOLVE THESE DISCREPANCIES?

A. Gas Supply worked with counterparties to allocate volumes on a pro-rata basis across equal priority deals or to allocate volumes first to the lowest-priced deal, using the latest available data from APT regarding delivered volumes. Suppliers were asked to allocate volumes at certain points to offset shortfalls in lower-priced deliveries at other points. This allocation and negotiation process continued each day throughout March until March 22, 2021, at which point the Mid-Tex invoices were largely reconciled.

Q. AS OF THIS FILING HAS THE COMPANY RESOLVED ALL OUTSTANDING INVOICE DISCREPANCIES?

A. Yes. Due to the nature of the February gas markets, some pipelines were still making retroactive adjustments to delivery volumes even after March 22, 2021. However, it is my understanding that all outstanding invoice discrepancies have been resolved.

Q. IS THE COMPANY STILL REVIEWING COUNTERPARTIES' CLAIMS OF FORCE MAJEURE FROM FEBRUARY 2021?

A. Yes. Under standard industry contracts, such as the base agreements used by the Company with its suppliers, force majeure events excuse the performance of firm obligations. If there is no excuse for performance of a firm obligation, or if the declaration of force majeure is not valid, the counterparty failing to perform is liable under the terms of the contract. Accordingly, for counterparties that failed to perform all of their firm obligations, the Company is reviewing their declarations of force majeure. In addition to the Company's in-house legal department, outside counsel have been retained to assist in the analysis. As discussed in Ms. Myer's direct testimony, if Atmos Energy prevails in any disputes involving these issues, the Company will return those dollars to its customers in the manner determined by the Commission to be reasonable.

Q. HOW DID GAS SUPPLY RECONCILE ITS INVOICE FROM ITS ASSET MANAGER FOR THE WTX DIVISION?

A. To start, we agreed upon the actual delivered volumes by pipeline, by point, and by day. Then we worked through ascertaining how much of our Baseload nominations, Day-Ahead nominations, and intraday purchases were delivered for each day on each pipeline. We also had to review pipeline records together to agree on our storage withdrawals. Both parties relied upon 3rd party pipeline nominations and delivery volumes to agree to the amounts.

Q. HOW WAS THE PRICING FOR THESE VOLUMES DETERMINED?

A. For Baseload and Day-Ahead gas, pricing was determined by the AMA. For storage gas, there is no price for the gas, though we pay withdrawal and transportation charges for those volumes. For replacement purchases, or intraday gas, we had to agree to the appropriate market price for that gas, depending upon where it was sourced from.

Q. HOW DID THE COMPANY AND THE ASSET MANAGER AGREE ON INTRADAY PURCHASES?

A. During the event, we were entering into oral agreements to buy the gas, but neither party was confident that scheduled volumes would actually flow and be delivered, and pricing was dependent upon where delivered gas was being sourced from.

Q. ARE ORAL AGREEMENTS RELATED TO GAS PURCHASES AUTHORIZED?

A. Yes. Under our North American Energy Standards Board ("NAESB") agreement with the Asset Manager, both parties elected the Oral Transaction procedure. This is the transaction procedure elected on all of the Company's NAESB form agreements and is commonly used in the industry. One party is designated the "Confirming Party" and they are obligated to follow up with a written transaction confirmation. The Asset Manager was the confirming party.

Q. HOW DID THE COMPANY AND THE ASSET MANAGER AGREE ON THE PRICING FOR THE INTRADAY PURCHASES?

A. After both parties were able to review the upstream pipelines' records, including confirmed deliveries, and agreed on what flowed on what days at which places, we

were able to meet with the Asset Manager and review the relevant pricing information for each day to arrive at necessary prices to obtain those volumes in a failed market. This was memorialized in a transaction confirmation in March 2021, prior to Atmos Energy paying the Asset Manager's invoice for West Texas.

VIII. CONCLUSION

Q. WERE ALL OF THE COMPANY'S GAS PURCHASE DECISIONS REASONABLY BASED ON INFORMATION AVAILABLE AT THE TIME THE DECISIONS WERE MADE?

A. Yes. The Company's gas purchases decisions were based on its understanding of current and expected weather conditions, customer demand projections, supply disruptions, gas scarcity, and the gas nomination process, which required the Company to secure gas in advance of both a holiday weekend and subsequent weekend periods. Put simply, Atmos Energy was making gas purchase decisions in real time under unprecedented, highly adverse operating conditions to ensure that it could continue operating its system and provide human needs customers with uninterrupted service. Within this context, I firmly believe that Atmos Energy's gas purchases were reasonable and necessary in light of those conditions and circumstances. Further, Dr. Perryman explains in his direct testimony that during the Review Period, Atmos Energy, through no fault of its own, was forced to buy natural gas at very high fixed prices to meet its obligation to provide safe and reliable service to its customers.

Q. BUT FOR THE GAS PURCHASES MADE BY ATMOS ENERGY DURING FEBRUARY 2021 WOULD CUSTOMERS HAVE CONTINUED TO RECEIVE GAS SERVICE DURING WINTER STORM URI?

A. No. If Gas Supply had not made intraday gas purchases, the system would not have been able to provide service to Atmos Energy's customers.

Q. WOULD ATMOS ENERGY HAVE INCURRED THE EXTRAORDINARY GAS SUPPLY-RELATED COSTS IF WINTER STORM URI HAD NOT OCCURRED?

A. No. Atmos Energy incurred these extraordinary gas costs to continue to provide safe and reliable service during the winter storm. In doing so, Atmos Energy fulfilled its obligation to provide service to its customers and complied with the Commission's directive to gas utilities to work to ensure that Texas residents were provided with safe and reliable natural gas service during the storm.

Q. ARE ALL OF THE EXTRAORDINARY GAS SUPPLY COSTS ATMOS ENERGY SEEKS TO RECOVER IN THIS CASE REASONABLE, NECESSARY AND PRUDENTLY INCURRED?

A. Yes.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

STATE OF LOUISIANA §
§
PARISH OF JEFFERSON §

AFFIDAVIT OF KENNETH M. MALTER

BEFORE ME, the undersigned authority, on this day personally appeared Kenneth M. Malter who having been placed under oath by me did depose as follows:

1. "My name is Kenneth M. Malter. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Director of Gas Supply and Services for Atmos Energy Corporation. The facts stated herein are true and correct based upon my personal knowledge.

2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

Kenneth M. Malter

SUBSCRIBED AND SWORN TO BEFORE ME by the said Kenneth M. Malter on this 25th day of July 2021.

Notary Officer
Title: NOTARY
Notary ID Number: 20136

MARIA C. CANGEMI
NOTARY PUBLIC
LOUISIANA BAR NO. 20136
My Commission is for Life.

Exhibit No. KMM-1 shows the amounts spent on natural gas commodity during the period of interest in February 2021 by counterparty by each day.

MidTex Gas Purchases
(does not include amount paid for purchase demand, storage demand and variable, transport demand and variable, sell backs)

Sum of AMOUNT	Column Labels								
Row Labels	2/1/2021	2/2/2021	2/3/2021	2/7/2021	2/8/2021	2/9/2021	2/10/2021	2/11/2021	2/12/2021
ARM Energy Management LLC	$41,850.00	$41,850.00	$41,850.00	$41,850.00	$41,850.00	$41,850.00	$107,250.00	$133,050.00	$262,550.00
Bedrock Production, LLC	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$26,650.00
BP Energy Company									
Castleton Commodities Merchant Trading L.P.	$248,880.00	$252,555.00	$235,000.00	$294,250.00	$294,250.00	$328,850.00	$402,790.00	$565,380.00	$1,638,550.00
Cima Energy, LP	$44,356.25	$58,331.25	$18,656.25	$67,776.25	$67,776.25	$49,906.25	$157,451.25	$477,997.25	$1,314,647.25
Cokinos Energy Corporation									
COLT MIDSTREAM LLC	$166.59	$129.11	$62.47	$129.11	$162.43	$299.87	$387.33	$449.80	$478.95
Concord Energy LLC	$69,550.00	$6,463.00		$86,840.00	$86,840.00	$132,800.00	$261,490.00	$799,657.50	$2,538,400.00
ConocoPhillips Company	$152,670.00	$133,200.00	$106,850.00	$155,070.00	$155,070.00	$152,355.00	$224,275.00	$350,298.38	$525,769.21
Continental Resources, Inc.	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$50,200.00	$372,750.00
Cross Stream LLC	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00
ECO ENERGY NATURAL GAS LLC	$82,860.00	$44,910.00	$37,125.00	$49,405.00	$49,405.00	$46,500.00	$76,105.00	$208,175.00	$443,600.00
EDF Trading North America, LLC									
ENGIE Energy Marketing NA, Inc.	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$71,100.00	$168,225.00
EnLink Gas Marketing LP	$261,125.00	$263,150.00	$265,550.00	$287,800.00	$287,800.00	$287,400.00	$319,850.00	$330,150.00	$983,150.00
Enterprise Products Operating LLC									
EOG Resources, Inc.	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00
ETC Marketing, LTD	$12,600.00	$7,785.00	$0.00	$31,150.00	$31,150.00	$15,625.00	$22,575.00	$165,450.00	$1,371,150.00
Exelon Generation Company, LLC	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$327,000.00	$810,750.00
HARTREE PARTNERS, L.P.									
Hydrocarbon Exchange Corporation	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00
Kinder Morgan Texas Pipeline LLC	$86,550.00	$0.00	$0.00	$0.00	$0.00	$0.00	$50,100.00	$341,625.00	$825,375.00
Koch Energy Services, LLC	$20,160.00	$12,975.00	$0.00	$27,630.00	$27,630.00	$34,375.00	$146,525.00	$175,140.00	$278,740.00
Mercuria Energy America, LLC	$41,400.00	$41,400.00	$41,400.00	$56,750.00	$56,750.00	$57,025.00	$57,475.00	$41,400.00	$360,775.00
MIDCOAST MARKETING (U.S.) L.P.	$51,500.00	$54,200.00	$28,700.00	$64,800.00	$64,800.00	$64,400.00	$64,200.00	$38,150.00	
MIECO LLC	$18,675.00	$18,675.00	$18,675.00	$18,675.00	$18,675.00	$18,675.00	$38,085.00	$54,995.00	$606,375.00
Navitas Midstream Midland Basin LLC	$124,125.00	$112,000.00	$112,000.00	$127,450.00	$127,450.00	$112,000.00	$176,700.00	$157,200.00	$242,556.50
NJR Energy Services Company									
Oasis Pipe Line Company Texas, LP									
Occidental Energy Marketing Inc	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$132,300.00	$325,800.00
Penn Oak Services, LLC	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00
Pioneer Natural Resources USA Inc							$16,325.00	$95,494.00	
Repsol Energy North America Corporation	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$48,600.00	$40,548.00	$162,150.00
Sequent Energy Management, L.P.	$74,950.00	$88,850.00	$49,400.00	$61,680.00	$61,680.00	$58,880.00	$81,800.00	$150,300.00	$407,905.00
Southwest Energy, L.P.	$77,575.00	$109,590.00		$120,240.00	$120,240.00	$39,840.00	$129,090.00	$131,410.00	$253,625.00
Spotlight Energy, LLC	$7,560.00			$12,320.00	$12,320.00	$9,405.00	$16,125.00		
Symmetry Energy Solutions, LLC	$140,385.00	$49,250.00	$27,897.50	$55,550.00	$55,550.00	$35,660.00	$186,300.00	$338,825.00	$601,943.00
Targa Gas Marketing LLC	$136,120.00	$133,975.00	$121,000.00	$121,000.00	$121,000.00	$121,000.00	$140,530.00	$166,900.00	$121,000.00
Tenaska Gas Storage, LLC	$144,890.00	$118,510.00	$96,950.00	$141,620.00	$141,620.00	$131,955.00	$243,575.00	$323,950.00	$1,711,050.00
Total Gas & Power North America Inc				$62,350.00	$62,350.00				$195,000.00
Trans Louisiana Gas Pipeline, Inc.									
Twin Eagle Resource Management, LLC	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$101,700.00	$443,500.00	$1,889,450.00
VITOL INC.	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$64,500.00	$100,400.00	$322,800.00
Wells Fargo Commodities LLC	$27,285.00	$28,662.00		$9,686.00	$9,686.00	$9,628.00	$33,762.00	$40,969.00	$60,260.93
WPX ENERGY MARKETING, LLC	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00
WWM Logistics, LLC									
XTO Energy, Inc.	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00
Grand Total	**$2,061,789.84**	**$1,773,017.36**	**$1,397,673.22**	**$2,090,578.36**	**$2,090,611.68**	**$1,944,986.12**	**$3,364,122.58**	**$6,448,570.93**	**$18,991,382.84**

West Texas Gas Purchases
(does not include amount paid for cashin/cashouts, storage demand and variable, transport demand and variable, penalties, AMA Fee)

Sum of AMOUNT	Column Labels								
Row Labels	02/01	02/02	02/03	02/07	02/08	02/09	02/10	02/11	02/12
Dacott Industries Inc	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23
HARTREE PARTNERS, L.P.	$ 278,000.22	$ 223,845.93	$ 187,115.38	$ 368,220.29	$ 368,220.29	$ 351,667.64	$ 659,103.36	$ 877,860.17	$ 1,905,761.74
WTG Gas Marketing Inc	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19
Grand Total	**$ 286,940.63**	**$ 232,786.34**	**$ 196,055.79**	**$ 377,160.70**	**$ 377,160.70**	**$ 360,608.05**	**$ 668,043.77**	**$ 886,800.58**	**$ 1,914,702.15**

Sum of AMOUNT								
Row Labels	**2/13/2021**	**2/14/2021**	**2/15/2021**	**2/16/2021**	**2/17/2021**	**2/18/2021**	**2/19/2021**	**2/20/2021**
ARM Energy Management LLC	$3,655,450.00	$2,710,200.00	$2,710,200.00	$0.00	$0.00	$802,060.26	$1,449,855.42	$108,431.61
Bedrock Production, LLC	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$8,661.25	$8,661.25	$17,322.50	$20,653.75
BP Energy Company					$10,916,600.00	$5,287,500.00	$2,012,067.50	$198,400.00
Castleton Commodities Merchant Trading L.P.	$18,077,000.00	$13,067,793.27	$6,308,408.52	$8,719,626.04	$13,883,374.39	$14,386,893.18	$5,334,709.85	$186,350.00
Cima Energy, LP	$19,201,694.37	$15,907,645.63	$10,412,111.44	$7,388,933.31	$11,963,590.26	$6,638,332.44	$1,795,305.87	$430,667.25
Cokinos Energy Corporation	$1,504,337.50	$1,504,337.50	$1,504,337.50	$1,504,337.50				
COLT MIDSTREAM LLC	$466.46	$541.42	$287.37	$570.58	$483.12	$483.12	$354.01	$216.57
Concord Energy LLC	$19,751,275.00	$22,251,275.00	$10,908,700.00	$16,196,200.00	$24,223,400.00	$7,671,320.00		
ConocoPhillips Company	$5,432,135.94	$5,398,052.70	$3,889,082.08	$3,324,146.88	$6,206,579.57	$10,369,149.67	$1,498,855.68	$303,300.00
Continental Resources, Inc.	$2,048,850.00	$1,968,316.44	$0.00	$0.00	$0.00	$0.00	$0.00	$83,764.62
Cross Stream LLC	$12,900.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
ECO ENERGY NATURAL GAS LLC	$4,658,158.79	$3,137,753.07	$1,479,103.18	$1,322,883.06	$0.00	$13,884.75	$999,804.45	$107,625.00
EDF Trading North America, LLC					$7,382,800.00		$693,200.00	
ENGIE Energy Marketing NA, Inc.	$2,712,900.00	$2,712,900.00	$1,643,836.54	$1,259,147.32	$0.00	$0.00	$0.00	$0.00
EnLink Gas Marketing LP	$8,301,050.00	$6,716,672.80	$631,417.55	$4,496,148.90	$98,610.05	$82,545.45	$120,452.00	$216,200.00
Enterprise Products Operating LLC	$8,975,000.00	$8,975,000.00	$1,968,810.00	$1,968,460.00	$12,500,000.00	$10,500,000.00	$3,678,528.00	
EOG Resources, Inc.	$65,500.00	$65,500.00	$65,500.00	$183,724.88	$242,835.56	$218,703.70	$209,600.00	$196,500.00
ETC Marketing, LTD	$2,647,250.00	$2,647,250.00	$2,380,550.00	$2,038,503.02	$4,765,600.00	$283,044,450.00	$48,884,050.00	$1,223,750.00
Exelon Generation Company, LLC	$11,314,375.00	$11,314,375.00	$11,314,375.00	$136,000.00	$3,500,000.00	$18,337,500.00	$4,824,000.00	$351,000.00
HARTREE PARTNERS, L.P.	$6,280,000.00	$5,704,000.00	$5,344,000.00	$5,470,000.00	$8,060,000.00	$13,500,000.00		$30,772.16
Hydrocarbon Exchange Corporation	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$7,473.56
Kinder Morgan Texas Pipeline LLC	$11,193,000.00	$11,193,000.00	$12,969,400.00	$72,477,400.00	$91,839,725.00	$68,131,424.00	$6,963,625.00	$2,615,625.00
Koch Energy Services, LLC	$2,546,675.00	$2,544,074.36	$2,704,500.00	$3,485,508.80	$8,166,038.18	$6,429,585.82	$789,250.00	$415,500.00
Mercuria Energy America, LLC	$662,950.00	$451,102.06	$609,336.19	$621,550.00	$1,136,125.00	$1,106,425.00	$352,000.00	$146,650.00
MIDCOAST MARKETING (U.S.) L.P.								
MIECO LLC	$7,702,875.00	$5,144,756.07	$3,539,649.89	$2,321,243.14	$12,963,085.00	$5,278,415.00	$429,936.43	$127,875.00
Navitas Midstream Midland Basin LLC	$1,346,920.49	$52,653.44	$0.00	$0.00	$0.00	$0.00	$13,440.00	$62,720.00
NJR Energy Services Company					$0.00	$0.00	$1,286,400.00	
Oasis Pipe Line Company Texas, LP		$1,530,525.99						
Occidental Energy Marketing Inc	$4,472,850.00	$2,187,372.74	$0.00	$266,880.05	$2,528,338.41	$3,962,443.65	$1,306,711.00	$106,037.14
Penn Oak Services, LLC	$6,925.00	$0.00	$0.00	$0.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00
Pioneer Natural Resources USA Inc					$3,237,706.53	$3,740,459.54	$65,071.76	
Repsol Energy North America Corporation	$2,235,675.00	$2,235,675.00	$2,235,675.00	$0.00	$0.00	$0.00	$964,800.00	$0.00
Sequent Energy Management, L.P.	$4,092,575.00	$3,174,422.00	$3,174,422.00	$3,174,422.00	$8,078,400.00	$5,000,700.00	$1,510,411.00	$375,481.00
Southwest Energy, L.P.	$1,548,300.00	$1,207,738.02	$1,554,289.84	$1,527,965.66	$472,500.00	$16,660,932.00	$420,000.00	
Spotlight Energy, LLC								
Symmetry Energy Solutions, LLC	$14,190,200.00	$13,123,387.84	$9,443,054.82	$9,848,932.24	$9,885,087.50	$6,732,487.50	$3,226,200.00	$6,950.00
Targa Gas Marketing LLC	$121,000.00	$57,049.08	$48,400.00	$48,400.00	$16,698,130.12	$8,158,121.40	$238,306.19	$700,800.00
Tenaska Gas Storage, LLC	$7,550,718.43	$5,999,158.76	$6,960,587.77	$6,362,265.09	$31,488,756.02	$1,043,550.00	$772,950.00	$310,150.00
Total Gas & Power North America Inc	$8,752,880.00	$8,752,880.00	$4,381,420.00	$4,381,420.00				
Trans Louisiana Gas Pipeline, Inc.	$413,791.99	$703,450.63	$932,633.61	$927,253.85	$587,123.87	$837,545.88	$591,519.33	$975,805.18
Twin Eagle Resource Management, LLC	$35,049,250.00	$32,465,750.00	$29,975,000.00	$21,935,393.99	$43,386,349.92	$34,530,040.80	$9,670,500.00	$475,500.00
VITOL INC.	$4,818,250.00	$4,725,790.23	$3,272,100.00	$3,272,100.00	$8,077,900.00	$5,000,200.00	$1,360,300.00	$202,300.00
Wells Fargo Commodities LLC	$126,800.03	$126,800.03	$406,565.03	$126,800.03	$1,467,937.50	$870,258.31	$157,390.10	
WPX ENERGY MARKETING, LLC	$69,500.00	$69,500.00	$24,600.22	$0.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00
WWM Logistics, LLC					$9,215,155.44	$4,765,973.08	$94,189.53	$60,763.36
XTO Energy, Inc.	$2,232.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Grand Total	**$221,581,211.00**	**$199,866,199.08**	**$142,831,853.55**	**$184,825,716.34**	**$353,070,167.69**	**$543,199,320.80**	**$101,820,380.62**	**$10,123,686.20**

West Texas Gas Purchases
(does not include amount paid for cashin/cashouts, s

Sum of AMOUNT								
Row Labels	**02/13**	**02/14**	**02/15**	**02/16**	**02/17**	**02/18**	**02/19**	**02/20**
Dacott Industries Inc	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23
HARTREE PARTNERS, L.P.	$ 36,821,012.24	$ 45,691,211.28	$ 31,998,689.01	$ 74,948,819.61	$ 69,759,839.12	$ 17,964,732.60	$ 1,912,388.30	$ 971,410.53
WTG Gas Marketing Inc	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19
Grand Total	**$ 36,829,952.65**	**$ 45,700,151.69**	**$ 32,007,629.42**	**$ 74,957,760.02**	**$ 69,768,779.53**	**$ 17,973,673.01**	**$ 1,921,328.71**	**$ 980,350.94**

Sum of AMOUNT									
Row Labels	**2/21/2021**	**2/22/2021**	**2/23/2021**	**2/24/2021**	**2/25/2021**	**2/26/2021**	**2/27/2021**	**2/28/2021**	**Grand Total**
ARM Energy Management LLC	$107,603.28	$110,469.06	$41,850.00	$41,850.00	$41,850.00	$41,850.00	$41,850.00	$41,850.00	$12,784,869.63
Bedrock Production, LLC	$20,653.75	$20,653.75	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$26,650.00	$682,906.25
BP Energy Company	$198,400.00	$198,400.00							$18,811,367.50
Castleton Commodities Merchant Trading L.P.	$186,350.00	$186,350.00	$260,860.00	$257,400.00	$327,112.50	$235,150.00	$235,150.00	$235,150.00	$86,961,032.75
Cima Energy, LP	$430,667.25	$430,667.25	$49,916.25	$45,056.25	$86,106.25	$45,606.25	$45,606.25	$45,606.25	$77,368,069.57
Cokinos Energy Corporation									$6,017,350.00
COLT MIDSTREAM LLC	$170.76	$120.78	$49.98	$87.46	$158.26	$87.46	$45.81	$108.28	$6,838.61
Concord Energy LLC				$55,700.00	$82,200.00	$51,900.00	$51,900.00	$51,900.00	$105,440,830.50
ConocoPhillips Company	$303,300.00	$303,300.00	$114,965.00	$140,170.00	$214,030.00	$135,250.00	$135,250.00	$135,250.00	$40,317,795.11
Continental Resources, Inc.	$83,764.62	$83,764.62	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$4,691,410.30
Cross Stream LLC	$0.00	$0.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$12,900.00	$245,100.00
ECO ENERGY NATURAL GAS LLC	$107,625.00	$107,625.00	$37,125.00	$37,125.00	$56,962.50	$37,125.00	$37,125.00	$37,125.00	$13,357,729.80
EDF Trading North America, LLC									$8,076,000.00
ENGIE Energy Marketing NA, Inc.	$0.00	$0.00	$0.00	$13,325.00	$26,500.00	$0.00	$0.00	$0.00	$8,607,933.86
EnLink Gas Marketing LP	$121,252.80	$121,320.00	$271,040.00	$276,700.00	$302,250.00	$272,425.00	$272,425.00	$272,425.00	$26,705,509.55
Enterprise Products Operating LLC									$48,565,798.00
EOG Resources, Inc.	$196,500.00	$196,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$65,500.00	$2,819,864.14
ETC Marketing, LTD	$1,223,750.00	$1,223,750.00	$10,420.00	$13,200.00	$12,625.00	$12,250.00	$12,250.00	$12,250.00	$351,867,583.02
Exelon Generation Company, LLC	$351,000.00	$351,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$62,931,375.00
HARTREE PARTNERS, L.P.	$45,200.00	$45,200.00							$44,479,172.16
Hydrocarbon Exchange Corporation	$7,473.56	$7,473.56	$7,473.56	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$12,850.00	$338,294.24
Kinder Morgan Texas Pipeline LLC	$2,615,625.00	$365,625.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$281,713,024.00
Koch Energy Services, LLC	$415,500.00	$415,500.00	$28,100.00	$28,150.00	$27,700.00	$0.00	$0.00	$0.00	$28,779,357.16
Mercuria Energy America, LLC	$146,650.00	$146,650.00	$41,400.00	$69,550.00	$41,400.00	$41,400.00	$41,400.00	$41,400.00	$6,639,123.25
MIDCOAST MARKETING (U.S.) L.P.			$53,600.00	$53,700.00	$52,800.00	$49,900.00	$49,900.00	$49,900.00	$918,150.00
MIECO LLC	$127,875.00	$127,875.00	$18,675.00	$44,225.00	$84,800.00	$18,675.00	$18,675.00	$18,675.00	$38,834,840.53
Navitas Midstream Midland Basin LLC	$0.00	$0.00	$112,000.00	$112,000.00	$112,000.00	$112,000.00	$112,000.00	$112,000.00	$3,804,140.43
NJR Energy Services Company									$1,286,400.00
Oasis Pipe Line Company Texas, LP									$1,530,525.99
Occidental Energy Marketing Inc	$141,900.00	$141,900.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$15,572,532.99
Penn Oak Services, LLC	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$6,925.00	$173,125.00
Pioneer Natural Resources USA Inc				$17,885.00	$23,805.00	$11,900.00	$11,900.00	$11,900.00	$7,232,446.83
Repsol Energy North America Corporation	$0.00	$0.00	$0.00	$39,975.00	$39,675.00	$0.00	$0.00	$0.00	$8,002,773.00
Sequent Energy Management, L.P.	$267,618.08	$299,693.50	$67,635.00	$62,600.00	$64,922.25	$56,750.00	$56,750.00	$56,750.00	$30,728,416.83
Southwest Energy, L.P.			$88,960.00	$91,905.00	$84,940.00	$25,950.00	$25,950.00	$25,950.00	$25,018,430.52
Spotlight Energy, LLC									$89,030.00
Symmetry Energy Solutions, LLC	$6,950.00	$6,950.00	$30,080.00	$54,920.00	$150,320.00	$26,870.00	$26,870.00	$26,870.00	$68,484,095.40
Targa Gas Marketing LLC	$633,900.00	$633,900.00	$121,000.00	$146,550.00	$160,675.00	$121,000.00	$121,000.00	$121,000.00	$29,707,226.79
Tenaska Gas Storage, LLC	$310,150.00	$310,150.00	$127,850.00	$128,930.00	$206,445.00	$116,790.00	$116,790.00	$116,790.00	$65,416,576.07
Total Gas & Power North America Inc									$26,650,650.00
Trans Louisiana Gas Pipeline, Inc.	$339,416.40	$85,354.74							$6,393,895.48
Twin Eagle Resource Management, LLC	$475,500.00	$475,500.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$210,873,434.71
VITOL INC.	$202,300.00	$202,300.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$31,621,240.23
Wells Fargo Commodities LLC					$20,276.00				$3,563,216.96
WPX ENERGY MARKETING, LLC	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$69,500.00	$1,831,600.22
WWM Logistics, LLC	$60,763.36	$60,763.36							$14,257,608.13
XTO Energy, Inc.	$0.00	$0.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$2,232.00	$42,408.00
Grand Total	**$9,204,283.86**	**$6,735,180.62**	**$1,666,706.79**	**$1,927,560.71**	**$2,416,109.76**	**$1,609,435.71**	**$1,609,394.06**	**$1,609,456.53**	**$1,830,241,098.51**

West Texas Gas Purchases
(does not include amount paid for cashin/cashouts, s

Sum of AMOUNT									
Row Labels	**02/21**	**02/22**	**02/23**	**02/24**	**02/25**	**02/26**	**02/27**	**02/28**	**Grand Total**
Dacott Industries Inc	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 35.23	$ 986.40
HARTREE PARTNERS, L.P.	$ 931,048.13	$ 883,732.78	$ 267,789.92	$ 372,444.98	$ 570,690.91	$ 295,432.35	$ 295,432.35	$ 295,573.21	$ 290,099,851.35
WTG Gas Marketing Inc	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 8,905.19	$ 249,345.18
Grand Total	**$ 939,988.54**	**$ 892,673.19**	**$ 276,730.33**	**$ 381,385.39**	**$ 579,631.32**	**$ 304,372.76**	**$ 304,372.76**	**$ 304,513.62**	**$ 290,350,182.93**

Exhibit No. KMM-2 shows the baseload and other nominations made by the Company during the period of interest in February 2021, as well as what quantity of nominations were not delivered.

WEST TEXAS **All volumes in Dth**

Baseload					Peaking			
Date	Nominations	Deliveries	Volumes Not Delivered		Date	Nominations	Deliveries	Volumes Not Delivered
2/1/21	77,047	77,047	0		2/1/21	35,600	35,600	0
2/2/21	77,047	77,047	0		2/2/21	13,450	13,450	0
2/3/21	77,047	77,047	0		2/3/21	50	50	0
2/4/21	77,047	77,047	0		2/4/21	16,530	16,530	0
2/5/21	77,047	77,047	0		2/5/21	39,980	39,980	0
2/6/21	77,047	77,047	0		2/6/21	56,580	56,580	0
2/7/21	77,047	77,047	0		2/7/21	56,580	56,580	0
2/8/21	77,047	77,047	0		2/8/21	56,580	56,580	0
2/9/21	77,047	77,047	0		2/9/21	51,680	51,680	0
2/10/21	77,047	77,047	0		2/10/21	83,880	83,538	342
2/11/21	77,047	77,047	0		2/11/21	154,130	154,130	0
2/12/21	77,047	77,047	0		2/12/21	158,750	158,721	29
2/13/21	77,047	77,047	0		2/13/21	189,750	203,349	0
2/14/21	77,047	51,314	25,733		2/14/21	189,750	101,612	88,138
2/15/21	77,047	14,894	62,153		2/15/21	189,750	33,670	156,080
2/16/21	77,047	17,695	59,352		2/16/21	189,750	46,318	143,432
2/17/21	77,047	10,825	66,222		2/17/21	201,300	70,894	130,406
2/18/21	77,047	23,190	53,857		2/18/21	190,150	272,679	0
2/19/21	77,047	32,303	44,744		2/19/21	95,550	219,918	0
2/20/21	77,047	57,027	20,020		2/20/21	100,150	185,900	0
2/21/21	77,047	77,047	0		2/21/21	100,150	166,206	0
2/22/21	77,047	77,047	0		2/22/21	100,150	154,670	0
2/23/21	77,047	77,047	0		2/23/21	30,700	30,700	0
2/24/21	77,047	76,835	212		2/24/21	71,220	71,220	0
2/25/21	77,047	77,047	0		2/25/21	142,370	142,370	0
2/26/21	77,047	77,047	0		2/26/21	44,560	44,560	0
2/27/21	77,047	77,047	0		2/27/21	44,560	44,560	0
2/28/21	77,047	77,047	0		2/28/21	44,560	44,618	0
Grand Total	**2,157,325**	**1,825,032**	**332,293**		**Grand Total**	**2,648,210**	**2,556,663**	**518,427**

Day Ahead Fixed Price Gas Purchases				Replacement Gas Purchases			
Date	Nominations	Deliveries	Volumes Not Delivered	Date	Nominations*	Deliveries	Volumes Not Delivered
2/1/21	0	0	0	2/1/21	0	0	0
2/2/21	0	0	0	2/2/21	0	0	0
2/3/21	0	0	0	2/3/21	0	0	0
2/4/21	0	0	0	2/4/21	0	0	0
2/5/21	0	0	0	2/5/21	0	0	0
2/6/21	0	0	0	2/6/21	0	0	0
2/7/21	0	0	0	2/7/21	0	0	0
2/8/21	0	0	0	2/8/21	0	0	0
2/9/21	0	0	0	2/9/21	0	0	0
2/10/21	40,000	40,000	0	2/10/21	0	0	0
2/11/21	0	0	0	2/11/21	0	0	0
2/12/21	0	0	0	2/12/21	0	0	0
2/13/21	29,300	29,300	0	2/13/21	0	0	0
2/14/21	29,300	25,025	4,275	2/14/21	88,138	86,606	1,532
2/15/21	29,300	13,141	16,159	2/15/21	156,080	69,061	87,019
2/16/21	29,300	20,900	8,400	2/16/21	143,432	178,470	0
2/17/21	2,000	2,000	0	2/17/21	130,406	163,439	0
2/18/21	7,300	7,300	0	2/18/21	0	7,300	0
2/19/21	0	0	0	2/19/21	0	0	0
2/20/21	0	0	0	2/20/21	0	0	0
2/21/21	0	0	0	2/21/21	0	0	0
2/22/21	0	0	0	2/22/21	0	0	0
2/23/21	0	0	0	2/23/21	0	0	0
2/24/21	0	0	0	2/24/21	0	0	0
2/25/21	0	0	0	2/25/21	0	0	0
2/26/21	0	0	0	2/26/21	0	0	0
2/27/21	0	0	0	2/27/21	0	0	0
2/28/21	0	0	0	2/28/21	0	0	0
Grand Total	**166,500**	**137,666**	**28,834**	**Grand Total**	**518,056**	**504,876**	**88,551**

* nomination from Peaking not delivered

Date	TOTAL Nominations	Deliveries	Volumes Not Delivered
2/1/21	112,647	112,647	0
2/2/21	90,497	90,497	0
2/3/21	77,097	77,097	0
2/4/21	93,577	93,577	0
2/5/21	117,027	117,027	0
2/6/21	133,627	133,627	0
2/7/21	133,627	133,627	0
2/8/21	133,627	133,627	0
2/9/21	128,727	128,727	0
2/10/21	200,927	200,585	342
2/11/21	231,177	231,177	0
2/12/21	235,797	235,768	29
2/13/21	296,097	309,696	0
2/14/21	384,235	264,557	119,678
2/15/21	452,177	130,766	321,411
2/16/21	439,529	263,383	211,184
2/17/21	410,753	247,158	196,628
2/18/21	274,497	310,469	53,857
2/19/21	172,597	252,221	44,744
2/20/21	177,197	242,927	20,020
2/21/21	177,197	243,253	0
2/22/21	177,197	231,717	0
2/23/21	107,747	107,747	0
2/24/21	148,267	148,055	212
2/25/21	219,417	219,417	0
2/26/21	121,607	121,607	0
2/27/21	121,607	121,607	0
2/28/21	121,607	121,665	0
Grand Total	**5,490,091**	**5,024,237**	**968,105**

Exhibit No. KMM-2 shows the baseload and other nominations made by the Company during the period of interest in February 2021, as well as what quantity of nominations were not delivered.

MIDTEX **All units in Dth**

	Baseload				Peaking			
Date	Nominations	Deliveries	Volumes Not Delivered		Date	Nominations	Deliveries	Volumes Not Delivered
2/1/21	458,760	458,740	20		2/1/21	140,000	140,000	0
2/2/21	458,760	458,731	29		2/2/21	95,000	95,000	0
2/3/21	458,760	458,715	45		2/3/21	40,000	40,000	0
2/4/21	458,760	458,731	29		2/4/21	65,000	65,000	0
2/5/21	458,760	458,726	34		2/5/21	70,000	70,000	0
2/6/21	458,760	458,725	35		2/6/21	40,000	40,000	0
2/7/21	458,760	458,731	29		2/7/21	40,000	40,000	0
2/8/21	458,760	458,739	21		2/8/21	40,000	40,000	0
2/9/21	458,760	458,772	0		2/9/21	40,000	40,000	0
2/10/21	458,760	458,793	0		2/10/21	150,000	150,000	0
2/11/21	458,760	458,808	0		2/11/21	779,000	771,566	7,434
2/12/21	458,760	457,301	1,459		2/12/21	1,026,500	991,991	34,509
2/13/21	458,760	452,595	6,165		2/13/21	1,026,500	1,022,539	3,961
2/14/21	458,760	314,387	144,373		2/14/21	1,026,500	843,627	182,873
2/15/21	458,760	181,618	277,142		2/15/21	1,026,500	716,256	310,244
2/16/21	458,760	134,186	324,574		2/16/21	1,026,500	600,759	425,741
2/17/21	458,760	196,349	262,411		2/17/21	1,011,500	598,035	413,465
2/18/21	458,760	179,823	278,937		2/18/21	1,026,500	727,104	299,396
2/19/21	458,760	255,112	203,648		2/19/21	1,026,500	810,285	216,215
2/20/21	458,760	424,210	34,550		2/20/21	584,233	576,651	7,582
2/21/21	388,760	343,235	45,525		2/21/21	584,233	584,233	0
2/22/21	388,760	356,237	32,523		2/22/21	584,233	584,233	0
2/23/21	458,760	456,620	2,140		2/23/21	50,000	50,000	0
2/24/21	458,760	458,721	39		2/24/21	65,000	65,000	0
2/25/21	458,760	458,738	22		2/25/21	71,000	71,000	0
2/26/21	458,760	458,721	39		2/26/21	35,000	35,000	0
2/27/21	458,760	458,711	49		2/27/21	35,000	35,000	0
2/28/21	458,760	458,726	34		2/28/21	35,000	35,000	0
Grand Total	**12,705,280**	**11,091,501**	**1,613,872**		**Grand Total**	**11,739,699**	**9,838,279**	**1,901,420**

Day Ahead Spot				Intraday Spot			
Date	Nominations	Deliveries	Volumes Not Delivered	Date	Nominations	Deliveries	Volumes Not Delivered
2/1/21	199,200	199,200	0	2/1/21	0	0	0
2/2/21	129,500	129,500	0	2/2/21	0	0	0
2/3/21	42,000	42,000	0	2/3/21	0	0	0
2/4/21	134,000	134,000	0	2/4/21	0	0	0
2/5/21	283,500	283,500	0	2/5/21	0	0	0
2/6/21	249,900	249,900	0	2/6/21	0	0	0
2/7/21	249,900	249,900	0	2/7/21	0	0	0
2/8/21	249,900	249,900	0	2/8/21	0	0	0
2/9/21	202,900	202,900	0	2/9/21	0	0	0
2/10/21	523,200	523,200	0	2/10/21	0	0	0
2/11/21	423,400	423,400	0	2/11/21	0	0	0
2/12/21	425,134	420,807	4,327	2/12/21	0	0	0
2/13/21	537,365	491,508	45,857	2/13/21	130,065	122,065	8,000
2/14/21	552,365	458,253	94,112	2/14/21	202,860	174,526	28,334
2/15/21	552,365	260,699	291,666	2/15/21	359,637	199,131	160,506
2/16/21	552,365	292,268	260,097	2/16/21	389,860	328,270	61,590
2/17/21	273,796	168,767	105,029	2/17/21	834,223	689,755	144,468
2/18/21	415,044	258,655	156,389	2/18/21	1,268,527	1,186,103	82,424
2/19/21	357,537	259,799	97,738	2/19/21	489,861	466,638	23,223
2/20/21	680,584	662,749	17,835	2/20/21	0	0	0
2/21/21	673,084	568,252	104,832	2/21/21	0	0	0
2/22/21	673,084	388,972	284,112	2/22/21	0	0	0
2/23/21	139,000	139,000	0	2/23/21	0	0	0
2/24/21	218,000	218,000	0	2/24/21	0	0	0
2/25/21	408,950	401,450	7,500	2/25/21	0	0	0
2/26/21	143,000	143,000	0	2/26/21	0	0	0
2/27/21	143,000	143,000	0	2/27/21	0	0	0
2/28/21	143,000	143,000	0	2/28/21	0	0	0
Grand Total	**9,575,073**	**8,105,579**	**1,469,494**	**Grand Total**	**3,675,033**	**3,166,488**	**508,545**

Date	Total Nominations	Deliveries	Volumes Not Delivered
2/1/21	797,960	797,940	20
2/2/21	683,260	683,231	29
2/3/21	540,760	540,715	45
2/4/21	657,760	657,731	29
2/5/21	812,260	812,226	34
2/6/21	748,660	748,625	35
2/7/21	748,660	748,631	29
2/8/21	748,660	748,639	21
2/9/21	701,660	701,672	0
2/10/21	1,131,960	1,131,993	0
2/11/21	1,661,160	1,653,774	7,434
2/12/21	1,910,394	1,870,099	40,295
2/13/21	2,152,690	2,088,707	63,983
2/14/21	2,240,485	1,790,793	449,692
2/15/21	2,397,262	1,357,704	1,039,558
2/16/21	2,427,485	1,355,483	1,072,002
2/17/21	2,578,279	1,652,906	925,373
2/18/21	3,168,831	2,351,685	817,146
2/19/21	2,332,658	1,791,834	540,824
2/20/21	1,723,577	1,663,610	59,967
2/21/21	1,646,077	1,495,720	150,357
2/22/21	1,646,077	1,329,442	316,635
2/23/21	647,760	645,620	2,140
2/24/21	741,760	741,721	39
2/25/21	938,710	931,188	7,522
2/26/21	636,760	636,721	39
2/27/21	636,760	636,711	49
2/28/21	636,760	636,726	34
Grand Total	**37,695,085**	**32,201,847**	**5,493,331**

Exhibit KMM-3 is Confidential
and will be provided pursuant to the terms of the Protective Order.

STATE OF LOUISIANA §

§

PARISH OF Jefferson §

AFFIDAVIT OF SHAWN M. AUDIBERT

BEFORE ME, the undersigned authority, on this day personally appeared Shawn M. Audibert, who, having been placed under oath by me, did depose as follows:

1. "My name is Shawn M. Audibert. I am over the age of eighteen (18) and fully competent to make this affidavit. I am Director of Gas Supply Risk & Services for Atmos Energy Corporation ("Atmos Energy" or the "Company").

2. In my role with the Company, I am responsible for overseeing Trans Louisiana Gas Pipeline Inc. ("TLGP"), which, among other things, is responsible for providing gas supply and services for portions of the Company's Louisiana and Mississippi Divisions.

3. TLGP is owned by Atmos Energy and is an affiliate of the Mid-Tex Division.

4. During Winter Storm Uri, I was asked to make exchanges and sales of gas to the Company's Mid-Tex Division ("Emergency Transactions") to address gas supply constraints in Texas.

5. The exchanges involved TLGP accessing natural gas from a storage facility in Louisiana and transporting it over interstate pipeline facilities into Atmos Pipeline – Texas.

6. The exchanges of gas were repaid by having the Mid-Tex Division make purchases of equivalent quantities of gas, which was injected into storage in Louisiana.

7. The sales involved TLGP purchasing gas in various markets in Louisiana, and then transporting it over interstate pipeline facilities into Atmos Pipeline – Texas.

8. Sales volumes were sold to the Mid-Tex Division at actual cost, plus the actual variable transportation charges, including fuel charges, to transport that gas to Atmos Pipeline - Texas

9. Both customers and the Mid-Tex Division benefited from the Emergency Transactions, which provided volumes of gas at cost or in-kind, at a time when market conditions in Texas would have made purchasing those volumes much more expensive, if they had even been available.

10. The cost of the gas provided by TLGP was reasonable and necessary and was less than the prices that would have been paid to a third-party supplier.

11. All of the gas available to the Mid-Tex Division through TLGP would not otherwise have been available to the Company.

12. Required elements of the Emergency Transactions were filed in FERC Docket No. EM21-1.

13. The prices charged to the Mid-Tex Division by TLGP were no higher than the prices TLGP would have charged to other affiliates or divisions or to a nonaffiliated person for the same gas at that delivery location.

14. The price charged by TLGP and the cost included in the Company's gas costs in this proceeding meet the affiliate expense standard for recovery prescribed by Texas Utilities Code §104.055(b)(2).

I do affirm that the information provided herein is true and accurate to the best of my knowledge."

Shawn M. Audibert

SUBSCRIBED AND SWORN TO BEFORE ME by the said Shawn M. Audibert in Jefferson Parish, Louisiana.

Notary Public, State of Louisiana

MARIA C. CANGEMI
NOTARY PUBLIC
LOUISIANA BAR NO. 20136
My Commission is for Life.

CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

RAY PERRYMAN, PHD

ON BEHALF OF

ATMOS ENERGY CORPORATION

July 30, 2021

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DIRECT TESTIMONY OF RAY PERRYMAN

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ray Perryman. My business address is 510 N. Valley Mills Drive, Suite 300, Waco, Texas 76710.

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

A. I am President and Chief Executive Officer of The Perryman Group.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I have more than forty years of academic and professional experience in economics and finance since completing my graduate education. My educational background includes a Bachelor of Science degree in Mathematics from Baylor University and a PhD in Economics from Rice University. My academic career includes seventeen years as a member of the faculty of Baylor University and five years as Business Economist-in-Residence at Southern Methodist University. During my tenure at Baylor, I served ten years in an endowed research chair as the Herman Brown Professor of Economics and five years in an honorary role as University Professor and Economist-in-Residence. I have published five books and published or presented more than 400 academic papers on a wide range of topics. I have also served as an officer in several academic societies and as the editor of academic journals and monograph series. I have won numerous awards for my research endeavors.

In the professional arena, I have authored more than 2,500 trade and professional articles. I also publish a monthly newsletter and a weekly syndicated column. My subscription forecasting services have provided data and projections regarding the economies of the U.S., Texas, regions and metropolitan areas in Texas, and Texas counties for the past four decades. I provide a daily syndicated radio program and deliver dozens of speeches each year on economic matters. I have also served on numerous governmental task forces and am actively involved in the public policy process. I am frequently invited to provide testimony to legislative and regulatory bodies on various economic issues. I have received numerous awards for my work in these areas, including selection as the 2012 Texan of the Year by the Texas Legislative Conference, recipient of the 2012-2013 Baylor University Meritorious Service Award, recognition with the Cesar E. Chavez Legacy Award for humanitarian efforts in 2016, and, most recently, designations with the Chairman's Award for Lifetime Achievement in Economic Development by the International Economic Development Council in 2019 and "Go Global" award from the International Trade Council as the outstanding global economic analyst. I have more than forty years of consulting experience, and my firm has served the needs of more than 2,500 clients. I am a Fellow of the International Institute for Advanced Studies, an Honorary Fellow of the National Academy of Nursing, and a Fellow of the National Association of Corporate Directors.

A summary of my curriculum vitae is attached as Exhibit RP-1 of this testimony. My full complete curriculum vitae, which provides a list of my publications and prior litigation and regulatory experience, is provided as

Exhibit RP-5. In particular, I have extensive experience in all of the areas relevant to my testimony in this matter. A summary of this activity is offered in Exhibit RP-2.

Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?

A. Yes. A summary of my primary current and former professional activities and involvement in professional organizations is provided in Exhibit RP-3. A complete listing is contained in my full curriculum vitae provided as Exhibit RP-5.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes. I have testified before federal, state, and local regulatory, congressional, and legislative entities on more than 300 occasions. A summary of the most relevant testimony is provided in Exhibit RP-4. A complete list is provided in my full curriculum vitae provided as Exhibit RP-5.

II. PURPOSE OF TESTIMONY AND SCOPE OF ENGAGEMENT

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

A. The purpose of my testimony is to describe my assessment and findings regarding the prudence of actions taken by Atmos Energy Corporation ("Atmos Energy" or the "Company") to procure natural gas during the February 2021 Texas Winter Weather Event and whether these actions were in the public interest.

Q. WHAT IS THE SCOPE OF YOUR ENGAGEMENT FOR ATMOS ENERGY?

A. Atmos Energy requested that I review the prudence of the Company's response in the marketplace as a natural gas utility purchasing gas given the market conditions that developed during the February 2021 Winter Weather Event and whether its actions were reasonable and consistent with the public interest. Company witness Kenneth M. Malter supports the prudence of the specific transactions entered into by Atmos Energy during February 2021.

Q. ARE YOU SPONSORING ANY EXHIBITS OR SCHEDULES AS PART OF YOUR DIRECT TESTIMONY?

A. Yes. I have provided five exhibits which are identified during the course of this testimony.

Q. WERE THESE DOCUMENTS PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. All documents were prepared by me or by individuals under my direct supervision.

III. SUMMARY OF OPINIONS

Q. WOULD YOU SUMMARIZE YOUR OPINIONS IN THIS MATTER?

A. The following are my primary opinions based on research and analysis in this matter by me and individuals at my firm working under my direct supervision as well as my prior experience and education. I will describe the basis for each of these major findings in subsequent sections.

(1) As a natural gas utility operation in Texas, Atmos Energy has a public service obligation to serve a wide variety of customers, many of which support human

needs, with a reliable supply of natural gas even under the most challenging circumstances to ensure the wellbeing of customers and Texas as a whole.

(2) Atmos Energy carefully plans for its gas supply needs including peak winter needs using diverse layers of natural gas supplies, and these plans have enabled the efficient provision of natural gas at reasonable prices to Atmos Energy customers over many years.

(3) The highly unusual weather conditions in February 2021 affected the entirety of Texas, including both the Atmos Energy service area and the area from which Atmos Energy draws its natural gas supplies, and caused unprecedented demand for natural gas even as supplies were falling precipitously. These conditions led to a breakdown of market forces and ultimately market failure, and, as the cold weather persisted, the situation grew worse.

(4) Atmos Energy experienced unprecedented gas supply interruptions, including *force majeure* declarations from literally dozens of suppliers. As a result, well-crafted plans to supply natural gas were disrupted, with other companies facing similar problems.

(5) Atmos Energy went to great lengths to find gas for customers, many of whom were serving human needs, and was also forced to purchase natural gas to protect its pipeline facilities and supply infrastructure to avoid catastrophic disruption to the system. In essence, Atmos Energy confronted a situation of market failure characterized by (1) a complete loss of the bargaining power that a large purchaser would typically enjoy, (2) a failure of prices to perform their normal and essential signaling function, and (3) circumstances which compelled the purchase of natural

gas wherever available at prices that were well above those that would reflect proper signaling in the absence of market failure.

(6) Atmos Energy did what was necessary to support and protect its natural gas system and provide gas to customers, and the Company's actions were reasonable and prudent (and, in fact, essential).

(7) If Atmos Energy had not purchased sufficient gas to support its customers, the resulting shutdown in supply would have caused major system disruptions. The actions of Atmos Energy in procuring natural gas during Winter Storm Uri were clearly in the public interest.

IV. ATMOS ENERGY'S SERVICE OBLIGATION TO ITS CUSTOMERS

Q. PLEASE DESCRIBE ATMOS ENERGY'S CUSTOMERS AND THE COMPANY'S OBLIGATION TO PROVIDE THEM WITH NATURAL GAS SERVICE.

A. Atmos Energy serves a wide variety of customers including residential, commercial, governmental, and industrial customers. Customers include nursing homes, hospitals, and other facilities which serve human needs. As of September 2020, the Mid-Tex Division served 550 Texas communities (including the Dallas-Fort Worth area) with more than 1.75 million gas meters, while the West Texas Division served 80 communities (including, Amarillo, Lubbock, Midland, and Odessa) with over 320,000 gas meters.[1]

As noted, Atmos Energy has an obligation to serve these customers. For example, through rulemakings over time, the Railroad Commission of Texas

[1] Atmos Energy Company, 2020 Annual Report, November 13, 2020, p. 4.

("Railroad Commission") has mandated that natural gas utilities, including Atmos Energy, plan to ensure "suffering and hardship of domestic consumers" can be avoided.[2] Human needs have been prioritized through these rules, which Atmos Energy has adhered to and supported. During the February 2021 Winter Weather Event, the Railroad Commission issued an Emergency Order which directed Atmos Energy and other gas utilities to take actions necessary to protect human needs customers by continuing to provide these customers with safe and reliable natural gas service throughout the unprecedented cold weather event that began in Texas on Thursday, February 11, 2021, which Atmos Energy also followed.[3]

V. ATMOS ENERGY'S ACTIONS TO ENSURE SUPPLY ADEQUACY

Q. WHAT DOES ATMOS ENERGY DO TO ENSURE THE ADEQUACY OF THE SUPPLY OF NATURAL GAS AVAILABLE FOR ITS CUSTOMERS AND SYSTEM SUPPORT?

A. Every fall, Atmos Energy assesses the coming winter and formulates plans to ensure supply adequacy. Atmos Energy carefully analyzes likely demand during peak season day within that season. Diverse layers of supply are utilized to meet peak needs. A pro-forma design day is developed, with supply categories including baseload, peaking, physical calls, weather contingent, spot, Atmos Pipeline-Texas (APT) storage, and third-party storage.

[2] Curtailment Plan, Oil and Gas Utilities Division No. 20-62,505 Docket No. 489, Railroad Commission of Texas, January 5, 1973, https://www.rrc.state.tx.us/gas-services/curtailment-plan.

[3] Railroad Commission of Texas Emergency Order, Railroad Commission of Texas, February 12, 2021, https://rrc.texas.gov/media/cw3ewubr/emergency-order-021221-final-signed.pdf.

A detailed presentation describing market conditions and changes, demand for the previous winter, design day plans, storage capacity and inventory, and other information is then prepared. This information is presented to the staff of the Railroad Commission and representatives of a majority of the cities that Atmos Energy serves.[4]

For many years, Atmos Energy's supply plans have allowed the Company to efficiently service customers with a reliable supply of natural gas at a reasonable cost.

VI. NATURAL GAS MARKET

Q. PLEASE DESCRIBE HOW MARKETS FUNCTION IN A GENERAL, ECONOMIC SENSE.

A. A market is the organized exchange of commodities (goods, services, or resources) between buyers and sellers within a specific geographic area and during a given period of time. Markets facilitate the efficient interaction between buyers (the demand side) and sellers (the supply side), enabling the economy to function effectively.

Market economies function by using the forces of supply and demand to determine the appropriate prices and quantities produced for most goods and services. Prices serve the essential function of signaling consumers and producers and, thus, incentivizing various actions. Entrepreneurs and businesses which desire to supply goods or services marshal factors of production (land, labor, and capital) in cooperation with workers and financial backers to produce goods and services

[4] *See, for example,* Atmos Energy Gas Supply & Services Texas Region, Atmos Energy, October 15, 2020.

for consumers or other businesses to buy. Buyers and sellers agree on the terms of these transactions voluntarily based on consumer preferences for various goods and the revenues that businesses require to cover costs and provide an appropriate return on their investments.

The allocation of resources by suppliers across different businesses and production processes is determined by the profits they hope to make by producing output customers will value beyond what was paid for the inputs. Entities that succeed in this effort are rewarded with profits that can be reinvested in future business, and those who fail to adequately meet this standard either learn to improve over time or cease operations. In this way, overall consumer wellbeing is enhanced, with firms supplying the products in quality and amounts optimal for the economy.

Q. HOW HAVE MARKET ECONOMIES EVOLVED?

A. Markets as places of trade and commerce have a long history dating back to ancient civilizations. As the organizing mechanism for entire economies, however, they are of relatively recent origin. Scottish philosopher Adam Smith set forth some of the fundamental ideas in his classic work, *An Inquiry into the Nature and Causes of the Wealth of Nations* in 1776.[5] This treatise introduced the concept of the market as an "Invisible Hand" that acts as a guiding force in the decisions of producers, workers, and other economic actors through the use of incentives.

The ideas were expanded and explored in subsequent scholarship, with an important advancement in the 1870s with the recognition of the significance of

[5] Smith, Adam, An Inquiry Into the Nature and Causes of the Wealth of Nations (Cannan Ed.), Vol. 1, 1904.

marginal decisions (those based on the last unit consumed or produced)[6] and a major milestone with the publication of *Principles of Economics* by Alfred Marshall in 1890.[7] This influential text, which went through multiple editions, set forth the basic premises of market behavior and graphic depictions that remain at the core of economics. In particular, it presented the concept of price elasticity of demand, which is a significant component of market analysis and highly relevant to the current proceedings.[8]

In the current world environment, literally trillions of dollars in transactions take place in markets every day involving workers, manufacturers, service providers, transporters, consumers, investors, financial services firms, retailers, and myriad others in a seemingly automatic manner. This mechanism functions because (1) prices (including wages, which may be viewed as the price of labor, and interest rates and profits, the prices, respectively, of debt and equity capital) serve as a signaling mechanism to inform various participants of the merits of various market actions and (2) economic actors respond to the resulting incentives.[9]

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[6] Neoclassical Economics: Marginal Revolution, Policonomics, (n.d.), https://policonomics.com/lp-neoclassical-economics-marginal-revolution/; Ross, Sean, What Is Marginalism in Microeconomics, and Why Is It Important, October 22, 2020, https://www.investopedia.com/ask/answers/032515/what-marginalism-microeconomics-and-why-it-important.asp; William Stanley Jevons, The Library of Economics and Liberty, (n.d.), https://www.econlib.org/library/Enc/bios/Jevons.html; Leon Walras, The Library of Economics and Liberty, (n.d.), https://www.econlib.org/library/Enc/bios/Walras.html; Carl Menger, The Library of Economics and Liberty, (n.d.), https://www.econlib.org/library/Enc/bios/Menger.html.

[7] Marshall, Alfred, Principles of Economics, 8th Ed., 1890.

[8] Gallo, Amy, A Refresher on Price Elasticity, *Harvard Business Review*, August 21, 2015, https://hbr.org/2015/08/a-refresher-on-price-elasticity.

[9] Lesson 2: Opportunity Cost and Incentives, Foundation for Teaching Economics, (n.d.), https://www.fte.org/teachers/teacher-resources/lesson-plans/efllessons/lesson-2-opportunity-cost-and-incentives/; The Pricing Mechanism, Economics Online, (n.d.), https://www.economicsonline.co.uk/Competitive_markets/Rationing_and_incentives.html#:~:text=The%20incentive%20function%20of%20the,more%20revenue%20and%20increased%20profits.

Q. WHAT ARE SOME LIMITATIONS OF MARKETS?

A. Although markets are remarkable vehicles to organize activity, they are not perfect and cannot always be relied upon for all aspects of our economic lives. In particular, they must always function within a well-defined framework of parameters. The pure functioning of a market without appropriate safeguards could at times lead to outcomes which do not align with societal goals, or which are inequitable in some respect. For example, it is axiomatic that properly functioning markets are comprised of willing buyers and sellers not under undue duress and having access to relevant information.[10] When these premises are not present, instances of market failure can easily occur.

Several categories of activity can serve to illustrate some of the limitations of markets. One shortcoming lies in the fact that markets do not provide an effective approach to the provision of public goods, which are items that are neither excludable (one user cannot prevent others from usage) nor rivalrous (use by one does not restrict use by others).[11] Examples of public goods include national

[10] Fair Market Value vs. The Real World, Mercer Capital, (n.d.), https://mercercapital.com/article/fair-market-value-vs-the-real-world/.

[11] What Are Public Goods?, Khan Academy, (n.d.), https://www.khanacademy.org/economics-finance-domain/microeconomics/market-failure-and-the-role-of-government/externalities-topic/a/public-goods-cnx; Introducing Market Failure, Lumen, (n.d.), https://courses.lumenlearning.com/boundless-economics/chapter/introducing-market-failure/.

defense and public safety.[12] These goods and services are typically provided by governments and funded through taxation.[13]

Markets also often fail to capture externalities, which are production or consumption activities that are not priced into a market transaction.[14] For example, for many years, the costs of emissions from some types of manufacturing were not captured in market prices, resulting in pollution being overproduced.[15] Similarly, education provides benefits to society that go beyond the benefits to the student who is consuming it.[16] Thus, a market would tend to underproduce education. Such situations are typically dealt with through regulation (such as emissions standards) or direct governmental action (such as investing in public education).[17]

Another limitation of markets lies in the very nature of competition. Wherever there is competition (be it baseball, football, or the economy), there tends to be winners. In markets, these winners can become monopolists, the single

[12] Principles of Economics, Chapter 13. Positive Externalities and Public Goods, Pressbooks, (n.d.), https://opentextbc.ca/principlesofeconomics/chapter/13-3-public-goods/; Public Goods: Examples, University of Arizona, (n.d.), http://www.u.arizona.edu/~mwalker/11_PublicGoods/Public%20Goods%20Examples.pdf.

[13] What goods and services are best provided by the public sector and which are best provided by the private sector?, Iowa State University, (n.d.), https://www.econ.iastate.edu/node/710.

[14] How Do Externalities Affect Equilibrium and Create Market Failure?, Investopedia, July 15, 2019, https://www.investopedia.com/ask/answers/051515/how-do-externalities-affect-equilibrium-and-create-market failure.asp#:~:text=An%20externality%20stems%20from%20the,to%20an%20unrelated%20third%20party.&text=Externalities%20lead%20to%20market%20failure,of%20that%20product%20or%20service.

[15] What is an Externality?, Corporate Finance Institute, (n.d.), https://corporatefinanceinstitute.com/resources/knowledge/economics/externality/; Carriazo, Fernando, Economics and Air Pollution, IntechOpen, December 14, 2016, https://www.intechopen.com/books/air-quality-measurement-and-modeling/economics-and-air-pollution.

[16] Positive Externality – Energy Education, University of Calgary, (n.d.), https://energyeducation.ca/encyclopedia/Positive_externality.

[17] Externalities – The Economic Lowdown Podcast Series, Federal Reserve Bank of St. Louis, (n.d.), https://www.stlouisfed.org/education/economic-lowdown-podcast-series/episode-11-externalities.

supplier of a particular good or service.[18] Unlike the aftermath of the World Series or the Super Bowl, however, there is no mechanism in the economy to automatically start a new season a few months later. While there is nothing wrong with a producer obtaining a large market share (even 100%) through providing superior quality, value, and innovation, it often becomes possible for these "winners" to use their position to impose barriers for rivals, thus providing them with "monopoly power" to charge prices above those that should prevail in the market and harm consumers.[19] This limitation is normally dealt with through antitrust laws and regulations,[20] which in the US were initially enacted largely in response to the "robber barons" of the early 20th Century.[21]

On a related issue, there are some industries where the fixed costs of entry are sufficiently high that it is most efficient to have only one producer in the market, which is referred to as a natural monopoly.[22] Examples of this phenomenon include the power transmission lines and water, sewer, and natural gas pipes that are

[18] What is a monopoly? Definition and examples, Market Business News, (n.d.), https://marketbusinessnews.com/financial-glossary/monopoly-definition-meaning/#:~:text=A%20monopoly%20is%20a%20supplier,sole%20provider%20in%20a%20market.&text=The%20word%20monopoly%20may%20refer,service%2C%20or%20the%20supplier%20itself.

[19] Competition and Monopoly: Single Firm Conduct Under Section 2 of the Sherman Act, Chapter 2, The United States Department of Justice, (n.d.), https://www.justice.gov/atr/competition-and-monopoly-single-firm-conduct-under-section-2-sherman-act-chapter-2.

[20] The Antitrust Laws, Federal Trade Commission, (n.d.), https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/antitrust-laws.

[21] 16.1 Antitrust Laws and Their Interpretation, Saylor Academy, (n.d.), https://saylordotorg.github.io/text_principles-of-economics-v2.0/s19-01-antitrust-laws-and-their-inter.html; BRIA 23 1 b Progressives and the Era of Trustbusting, Constitutional Rights Foundation, (n.d.), https://www.crf-usa.org/bill-of-rights-in-action/bria-23-1-b-progressives-and-the-era-of-trustbusting.html.

[22] Natural Monopolies, Economics Online, (n.d.), https://www.economicsonline.co.uk/Business_economics/Natural_monopolies.html.

connected to homes and businesses.[23] This situation is normally accommodated through either a governmental supplier or the grant of monopoly to a private entity with a regulatory structure designed to provide pricing to consumers in line with what would occur in a competitive environment.[24]

Markets can also fail to meet societal goals and objectives that are not adequately captured through normal commerce. One prominent example lies in the provision of a social safety net. As noted, markets act through incentives which are signaled by prices. They do not have a social conscience. Thus, anyone who for any reason does not produce the amount of value needed to be sustainable is not accommodated. This issue is normally addressed through various anti-poverty measures.[25]

Q. DOES A FUNCTIONING MARKET EXHIBIT CERTAIN CHARACTERISTICS?

A. Yes. As discussed previously, effective markets require that buyers and sellers have access to relevant information.[26] Inefficiencies can arise in cases where there is asymmetric information, with one party, typically the seller, having better information than the other. A classic example is the "lemon" problem in the market for used cars. Information asymmetry occurs when sellers know more about the

[23] Natural Monopolies, Economics Online, (n.d.), https://www.economicsonline.co.uk/Business_economics/Natural_monopolies.html.

[24] *Id*.

[25] The early scholars who set forth market principles were generally aware of this issue. *See, for, example*, Perryman, M. Ray, Secondary Distribution Schemes Among English Classical Economists: Some Exceptions to the Doctrine of Laissez-Faire, Center for the Advancement of Economic Analysis, June 1979.

[26] Fair Market Value vs. The Real World, Mercer Capital, (n.d.), https://mercercapital.com/article/fair-market-value-vs-the-real-world/.

product than buyers.[27] This situation can lead to buyers unknowingly purchasing cars with defects (lemons) at a higher price than they would have been willing to pay if they had complete information.[28] Many states have instituted "lemon laws" to protect consumers and help them with repairs or replacement of a faulty vehicle.[29] Similar asymmetries form the basis for numerous consumer protection and deceptive trade practice statutes.

Another central concept in the functioning of markets is the bargaining power of buyers and sellers. Bargaining power is the ability of a buyer or seller to influence the price or terms of sale relative to the other parties in a negotiation.[30] Numerous factors determine the bargaining power of parties in a transaction. For example, the existence of more buyers relative to the number of sellers can skew bargaining power toward the sellers under certain conditions because there is a greater opportunity for the seller to negotiate with other buyers to obtain a more favorable outcome. The lack of suitable substitutes can also diminish a buyer's bargaining power because the buyer is unable to replace the seller's good or service with another if the seller demands a higher price than the buyer would prefer. Additionally, if a buyer will incur elevated costs associated with a delay in

[27] Asymmetric Information, MacMillan Education, (n.d.), https://dornsife.usc.edu/assets/sites/1277/docs/week_13_Asymmetric_Information.pdf.

[28] *Id*.

[29] Lemon Law, National Independent Automobile Dealers Association, (n.d.), https://www.niada.com/lemon_law.php#:~:text=All%2050%20states%20have%20some,New%20York%20and%20Rhode%20Island.

[30] Some economists have defined bargaining power in other, more specific ways. However, for the purpose of this testimony, I have chosen the broadest definition of the term. *See* Fletcher, L.B., Concept and Importance of Bargaining Power, *Bargaining Power in Agriculture*, Center for Agricultural and Economic Adjustment, Vol. 9 (1961), p. 1-2.

obtaining the good or service relative to a seller, this factor will tend to decrease the buyer's bargaining power.[31] Perhaps most important, however, is whether the good or service is a convenience or a necessity, as goods and services that are necessary to sustain life are generally far more important to the buyer than the seller.[32] In a properly functioning market, the disparities between the bargaining power of buyers and sellers are minimized. In the long run, bargaining power tends to even out as additional sellers or buyers are incentivized to enter the market or develop substitutes if they expect sustained profits or consumer surpluses. In the short run, however, substantial asymmetries in bargaining power may exist and lead to inefficiencies in the market.[33]

Q. CAN YOU ILLUSTRATE THE ROLE OF BARGAINING POWER IN A MARKET ECONOMY?

A. Yes. To provide an illustration of this phenomenon, assume that several travelers have stopped at a small gas station in a sparsely populated area. The owner has posted a sign that regular gasoline is selling for five times the price charged by the next nearest gas station, which is located 100 miles away. Some of the travelers have enough fuel left in their cars to drive to the next gas station, and they choose not to purchase the gas at the current location. The gas station owner could lower the price to entice these travelers to purchase from this station, but because she has

[31] *See, for example*, Binmore, Ken, Ariel Rubinstein, and Asher Wolinsky, The Nash Bargaining Solution in Economic Modelling, *The RAND Journal of Economics*, Vol. 17, No. 2 (Summer 1986), p. 177-178.

[32] Barnhizer, Daniel D., Inequality of Bargaining Power, *University of Colorado Law Review*, Vol. 76 (2005), p. 201-202; *also see People v. Two Wheel Corp.*, 71 N.Y.2d 693, 697 (1988).

[33] Fletcher, L.B., Concept and Importance of Bargaining Power, *Bargaining Power in Agriculture*, Center for Agricultural and Economic Adjustment, Vol. 9 (1961), p. 5.

a limited supply of gas and because other travelers do not have enough fuel to reach another station, she chooses to keep the price inflated. One of the travelers is driving to the wedding of a close family member, and his car is running low on fuel. He could choose to wait around until the number of other travelers has subsided, thus giving the gas station owner more incentive to negotiate on the price, but doing so would risk missing the wedding (and incurring substantial social costs). In this scenario, this traveler has little to no bargaining power, and would accept virtually any price the owner wishes to charge. Over the long run, the elevated profits would entice other sellers to open gas stations nearby to compete, and travelers, upon learning about the extreme pricing of gasoline at the station, may choose to take alternate routes or modes of transportation, resulting in a balancing of bargaining power between the buyers and sellers. Nevertheless, in the short run, the substantial bargaining power held by the gas station owner over the travelers is the dominant force on the price of gasoline at the location.

Q. ARE THERE OTHER CHARACTERISTICS WHICH INDICATE WHETHER A MARKET IS PROPERLY FUNCTIONING?

A. Yes. As noted, properly functioning markets also require that buyers and sellers be "willing" and not functioning under "undue duress."[34] This tenet is often not operative in periods where natural disasters or other emergencies arise. For example, during a natural disaster, demand for certain types of items may increase, pushing prices to levels well above normal. It is common for demand for (and,

[34] Fair Market Value vs. The Real World, Mercer Capital, (n.d.), https://mercercapital.com/article/fair-market-value-vs-the-real-world/.

thus, prices of) basic goods such as bottled water and plywood to increase in advance of a hurricane. While an increase in prices may help to optimize allocation of scarce goods in such situations, the potential for abuse created by the duress of the situation and the frequency of such actions has served as the predicate to laws in many states against practices such as price gouging.

A more extreme version of this situation can arise when the duress reaches a point at which prices no longer perform their fundamental signaling function, thus causing a breakdown in the market. This situation surfaces in circumstances in which (1) there is a truly essential (often life sustaining) good with a low elasticity of demand (i.e., limited response of quantity to price changes); (2) the good is homogeneous in nature, thus eliminating the possibility of substitution among alternatives and rendering the low elasticity a market wide phenomenon; and (3) there is a sudden increase in the amount required relative to the quantity supplied. Under these conditions, producers lose any market incentive to compete based on price and have opportunities to collude implicitly or explicitly to raise prices to exorbitant levels (even in the absence of any formal or informal cooperation, there is no effective market mechanism to constrain pricing). Simultaneously, the needs of buyers increase for a good for which purchases are not optional and pricing is no longer an effective signaling mechanism for the proper functioning of the market.[35]

[35] Azgad-Tromer, Schlomit, A Hierarchy of Markets: How Basic Needs Induce a Market Failure, *Depaul Business & Commercial Law Journal*, January 12, 2015, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2547995.

Q. IS THE MARKET FAILURE THAT YOU DESCRIBE ABOVE APPLICABLE TO THE FEBRUARY 2021 WINTER WEATHER EVENT EXPERIENCED BY ATMOS ENERGY AND ITS CUSTOMERS IN TEXAS?

A. Yes. The scenario described immediately above is indicative of the situation that occurred in the natural gas market during the February 2021 State of Disaster in Texas declared by Governor Greg Abbott for all Texas counties. Natural gas, both directly and as a fuel for electricity, is the predominant source of heat and warmth for many of the customers that Atmos Energy serves. As such, it is an essential, homogeneous product with a low market elasticity of demand. Moreover, the State of Disaster was accompanied by both supply challenges in getting gas to the market and increased customer demand for natural gas due to record low temperatures and the degradation of other forms of energy delivery particularly fuel for electric power generation (e.g., some coal units experienced coal piles freezing up; wind and solar energy experienced constraints and one of the South Texas Project nuclear units was forced offline). Because the situation was unfolding rapidly in "real time," there was no opportunity for the types of substitution that typically lead to long-term elasticities being higher (quantities acquired being more responsive to price changes) than those confronting buyers in this market situation.

Q. WHAT WAS THE CONSEQUENCE OF THIS FAILURE IN THE NATURAL GAS MARKET?

A. Utilities essentially became captive buyers. Atmos Energy serves hospitals, nursing care facilities, police and fire stations, military installations, homes, and

other entities critical to the functioning of society and where life, safety and security depend on its ongoing ability to operate its facilities to provide natural gas to these customers. Given that imperative, during the February 2021 Winter Weather Event, prices no longer served as an effective signal for gas purchases, suppliers were no longer constrained by normal competitive forces, and the market completely broke down and failed to function.

Q. IS IT REASONABLE TO EXPECT THAT UTILITIES COULD OR SHOULD HAVE RESPONDED TO THIS SITUATION USING TRADITIONAL BARGAINING PRACTICES?

A. No. While it is normal and appropriate to expect some price increases in response to demand and supply shocks, situations of this timing and magnitude cannot be effectively addressed through traditional market forces (somewhat, though not completely, analogous to the scarcity pricing models often applied to electric power markets).

In summary, while markets are powerful and indeed essential to the proper functioning of the global economy, they are subject to limitations and can only function properly within an effective framework of rules and regulations. There are situations in which they do not function in a socially optimal manner and others where they break down entirely. Markets operate through incentives and using prices as signals to guide behavior. If the incentives are incorrect, the outcomes can be decidedly harmful. An excellent example of this phenomenon is the mortgage crisis and the Great Recession of the 2008-09 timeframe which was largely due to an environment which generated market incentives which were

skewed and led to imbalances and ultimately market failure. Strong short-term incentives to make and securitize substandard loans led to a real estate bubble which set off a major financial crisis.[36] Subsequent reforms readjusted loan standards and other problem areas to help prevent similar problems in the future.

In this instance, Atmos Energy was clearly a buyer that, despite extensive preparations, was in a situation with no effective bargaining power and no option but to acquire natural gas at prices that no longer reflected market signals.

Q. IS THE NATURAL GAS MARKET GENERALLY ONE THAT FUNCTIONS WELL FROM AN ECONOMIC PERSPECTIVE?

A. Yes. Natural gas prices are not regulated, but the natural gas market has long been characterized as one with an acceptable balance between supply and demand. Therefore, prices tend to trend in an expected range.

Additionally, since the technological advances associated with fracking, the amount of natural gas produced in Texas has risen dramatically and contributed to fairly stable pricing. By way of background, gross natural gas withdrawals in Texas rose from 6,960,858 million cubic feet ("MMcf") in 2007 to 10,291,029 MMcf in 2020.[37] Production from shale gas has increased every year from 2007 to 2019, with 1,264,725 MMcf withdrawn from shale wells in 2007 increasing to 7,762,285 MMcf in 2019.[38] This production from shale wells has led to a consistent and growing supply of natural gas in Texas, which has contributed to fairly stable

[36] Perryman, Ray, How Did We Get Into This Mess? The Causes of the Financial Crisis, *The Texas Lyceum Journa*l, June 2009.

[37] Natural Gas Gross Withdrawals and Production in Texas, U.S. Energy Information Administration, https://www.eia.gov/dnav/ng/ng_prod_sum_dc_stx_mmcf_a.htm.

[38] *Id*.

pricing with occasional spikes typically for short periods of time. This pattern is evidenced by reviewing the US Natural Gas Liquid Composite Price for the period 2009 to 2021, which shows that gas prices on a monthly basis have ranged from a high of $15.88 per million Btu ("British thermal units") in July 2011 to a low of $2.85 per million Btu in April 2020.[39]

VII. FEBRUARY 2021 WINTER WEATHER EVENT

Q. WOULD YOU DESCRIBE THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Between February 10 and February 18, the state of Texas endured a winter storm of unprecedented proportions, which resulted in the need to capture extraordinary gas costs over the February 11-19 period.[40] Temperatures dropped to record low levels, much of the state experienced various forms of frozen precipitation, and each of the state's 254 counties was under a winter storm advisory of some kind.[41] While "a cold air mass" hovered over this region, even colder air gathered across the Northern Plains of the state.[42] When this arctic air began to move south on

[39] U.S. Natural Gas Liquid Composite Price, U.S. Energy Information Administration, https://www.eia.gov/dnav/ng/hist/ngm_epg0_plc_nus_dmmbtum.htm. Gas prices at specific hubs can show more volatility, such as during parts of 2019 and 2020 when the price at the Waha hub was actually negative because of takeaway constraints in the Permian Basin. During the February 2021 Winter Weather Event, natural gas prices spiked significantly at a number of hubs reaching $352.64 per million Btu at the Katy Hub and $400.00 per million Btu at the Houston Ship Channel hub. As noted above, these prices occurred in a highly unusual market situation in which prices ceased to function as the signaling mechanism for market behavior. However, prices of natural gas are typically in an expected range and the market has generally functioned in an appropriate manner.

[40] February 2021 Historical Winter Storm Event South-Central Texas, Austin/San Antonio Weather Forecast Office, (n.d.), https://www.weather.gov/media/ewx/wxevents/ewx-20210218.pdf.

[41] Villarreal, Mireya, All 254 Texas Counties Under Winter Storm Warning as Arctic Blast Heads East, CBS News, February 14, 2021, https://www.cbsnews.com/news/texas-snow-winter-storm-warning-arctic-blast-2021-02-14/.

[42] February 2021 Historical Winter Storm Event South-Central Texas, Austin/San Antonio Weather Forecast Office, (n.d.), https://www.weather.gov/media/ewx/wxevents/ewx-20210218.pdf.

February 14, a "strong upper level low-pressure system" moved in from the Southern Plains.[43] The area received snowfall as the system pushed through the region and temperatures plummeted into the teens and single digits.[44] While the arctic air mass stayed in place and temperatures remained below freezing, "another upper level disturbance approache[d] from the west."[45]

By the Monday after the storm's arrival (February 15), temperatures in Dallas had dropped to five degrees, the coldest temperature recorded in the city since the late 1980s.[46] The following morning saw the temperature at the Dallas/Fort Worth International Airport reach *negative* 2 degrees, tying a record low 20th century temperature for this area, with the only lower temperature in recorded history occurring in 1899. At the same time, the cities of Austin and San Antonio saw single-digit temperatures for the first time in more than three decades.[47] By the time the worst weather had passed on February 19, almost half of the state's population was still struggling with disruptions in water service and nearly 190,000 Texas homes remained without electricity.[48]

During the event, all climate sites saw five to six consecutive days of record-breaking temperatures and multiple days of record-breaking snowfall.[49] Major

[43] *Id*.

[44] *Id*.

[45] February 2021 Historical Winter Storm Event South-Central Texas, Austin/San Antonio Weather Forecast Office, (n.d.), https://www.weather.gov/media/ewx/wxevents/ewx-20210218.pdf.

[46] Maxouris, Christina, Here's How a Week of Frigid Weather and Catastrophe Unfolded in Texas, CNN, February 21, 2021, https://www.cnn.com/2021/02/21/weather/texas-winter-storm-timeline/index.html.

[47] *Id*.

[48] *Id*.

[49] February 2021 Historical Winter Storm Event South-Central Texas, Austin/San Antonio Weather Forecast Office, (n.d.), https://www.weather.gov/media/ewx/wxevents/ewx-20210218.pdf.

cities, including Austin, Corpus Christi, Dallas, Fort Worth, Galveston, Houston, and San Antonio, posted information on government websites providing weather updates and guiding residents to emergency resources.[50] Overall, the storm had catastrophic impacts on the entire state, causing power outages, burst water pipes, and limited travel.[51] In fact, conditions became hazardous so quickly that on February 12 (just two days after the winter storm arrived) Texas Governor Greg Abbott "declare[d] a state of disaster in all 254 counties" in Texas.[52] Just two days later, on February 14, Governor Abbott "announced the Biden administration's approval for a Federal Emergency Declaration."[53]

Q. DID THE FEBRUARY 2021 WINTER WEATHER EVENT ADVERSELY IMPACT THE AVAILABILITY OF NATURAL GAS?

A. Yes. During the storm, the frigid air led to wellhead freeze-offs across West Texas.[54] Wellhead freeze-offs occur when water and other liquids that are present in produced raw natural gas freeze at the wellhead and inside gathering lines, causing blockages that severely restrict production.[55] Another factor impacting the

[50] Winter Storm 2021, Texas State Law Library, (n.d.), https://guides.sll.texas.gov/weather-emergencies/winter-storm-2021.

[51] February 2021 Historical Winter Storm Event South-Central Texas, Austin/San Antonio Weather Forecast Office (n.d.), https://www.weather.gov/media/ewx/wxevents/ewx-20210218.pdf.

[52] Governor Abbott Issues Disaster Declaration in Response to Severe Winter Weather in Texas, Office of the Texas Governor, February 12, 2021, https://gov.texas.gov/news/post/governor-abbott-issues-disaster-declaration-in-response-to-severe-winter-weather-in-texas.

[53] Gov. Abbott Announces Approval of Federal Emergency Declaration Ahead of Winter Storm, Fox 26 Houston, February 14, 2021, https://www.fox26houston.com/news/gov-abbott-announces-approval-of-federal-emergency-declaration-ahead-of-winter-storm.

[54] Gonzales, Letisha, Natural Gas 'Madness' Ensues as Arctic Plunge Ushers in Natural Gas Price Records, Natural Gas Intelligence, February 14, 2021, https://www.investorvillage.com/dialogs/Print.asp?msgid=21695628.

[55] Natural Gas Weekly Update, US Energy Information Administration, February 18, 2021, https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2021/02_18/#tabs-prices-2.

supply of natural gas was the loss of electricity to natural gas facilities (such as compressor stations) as part of the planned rolling blackouts. With no electricity, the facilities could not deliver natural gas to the power plants. Many of these natural gas facilities were not on the list of critical infrastructure; as a result, power was curtailed to these locations, which further decreased the supply of gas.[56]

In anticipation of the 2021 February Winter Weather Event and to protect the health, safety, and welfare of human needs customers reliant on natural gas service, the Railroad Commission issued an Emergency Order setting forth a curtailment program which outlined priorities for natural gas supply.[57] The Emergency Order noted the threat for "widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide" and helped ensure human needs were met. The Railroad Commission also issued a Notice to Local Distribution Companies ("LDCs") that authorized "each LDC to record in a regulatory asset account the extraordinary expenses associated with the February 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply."[58] The notice also acknowledged that high prices could occur. This

[56] Douglas, Erin, Paperwork Failures Worsened Texas Blackouts, Sparking Mid-storm Scramble to Restore Critical Fuel Supply, *The Texas Tribune*, March 18, 2021, https://www.texastribune.org/2021/03/18/texas-winter-storm-blackouts-paperwork/.

[57] Railroad Commission of Texas Emergency Order, Railroad Commission of Texas, February 12, 2021, https://rrc.texas.gov/media/cw3ewubr/emergency-order-021221-final-signed.pdf..

[58] Railroad Commission of Texas, Notice to Local Distribution Companies, Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event, February 2021, https://www.rrc.state.tx.us/media/4u1fpycl/2021_nto_gas-services_state-disaster-waiver_gasutilityassetaccountingwinter-2021_2-13-2021.pdf.

directive was a very important step that assisted LDCs in meeting essential human needs throughout the duration of this winter storm.

VIII. FEBRUARY 2021 NATURAL GAS MARKET FAILURE

Q. FROM AN ECONOMIC PERSPECTIVE, WHAT HAPPENED IN THE NATURAL GAS MARKET DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Unprecedented demand for natural gas was occurring even as the supply became severely constrained. The US Energy Information Administration ("EIA") reports that estimated "U.S. natural gas demand on February 14, 2021, reached 148.3 Bcf, surpassing the previous single-day record set in January 2019, according to estimates from IHS Markit." In addition, "during the week ending February 19, U.S. average weekly dry natural gas production fell by 13.8 billion cubic feet per day (Bcf/d), according to estimates from IHS Markit."

Demand for natural gas during the storm led to the second-largest reported withdrawal of natural gas from storage in the United States, according to the EIA. "Weekly stocks fell by 338 billion cubic feet (Bcf) in the week ending February 19, 2021, nearly three times the average withdrawal for mid-February, while a record amount of natural gas (156 Bcf) was withdrawn during that week in the South Central region which includes Texas."[59]

During the course of the storm, US production of dry natural gas fell by 21.0 billion cubic feet per day (Bcf/d), falling from 90.7 Bcf/d on February 8 to

[59] Cold Weather Results in Near-Record Withdrawals from Underground Natural Gas Storage, Today in Energy, U.S. Energy Information Administration, https://www.eia.gov/todayinenergy/detail.php?id=46916#, accessed May 5, 2021.

69.7 Bcf/d on February 17.[60] The decline in natural gas production in Texas was responsible for a large portion of the nationwide decrease.[61] Overall, Texas's natural gas production fell by more than 10 Bcf/d between February 8 and February 17.[62]

A committee of faculty and staff at The University of Texas at Austin studied the February blackouts and indicated that "67 locations (electrical meters) that were in ERCOT's ERS program were also in the fuel supply chain for generation resources, including gas refining and pipeline infrastructure."[63] The Electric Reliability Council of Texas' ("ERCOT") Emergency Response Service (ERS) program involves qualified entities making themselves available for deployment in an electric grid emergency and is designed to decrease the likelihood of the need for firm load shedding.[64] However, during the February weather event when gas supplies were extremely short, cutting power to these meters would exacerbate the situation.

A report from Enverus analyzing the storm conducted for the Texas Oil and Gas Association indicates that the primary cause for natural gas disruption for both the upstream and midstream sectors was the loss of power and electricity.[65] Every

[60] Natural Gas Weekly Update, U.S. Energy Information Administration, February 18, 2021, https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2021/02_18/#tabs-prices-2.

[61] *Id*.

[62] *Id*.

[63] The University of Texas at Austin Energy Institute, The Timeline and Events of the February 2021 Texas Electric Grid Blackouts, https://energy.utexas.edu/sites/default/files/UTAustin%20%282021%29%20EventsFebruary2021TexasBlackout%2020210714.pdf, July 2021, p. 56.

[64] ERCOT, Emergency Response Service, http://www.ercot.com/services/programs/load/eils/index (n.d.).

[65] Winter Storm Uri-Natural Gas Analysis, Enverus, April 2021.

upstream producer in the survey (which represent oil and gas operators contributing 51% of natural gas production) experienced a drop in production during the week, with nearly 60% of those companies seeing a decline of 76% or higher.[66] Similarly, 100% of midstream companies (which include processing, pipeline gathering, compressor stations, terminals, pipeline transmission and others) had to shut down their facilities during the storm.[67] The loss of through-put for these companies was significant, with 40% losing from 51-75% and 60% losing 76% or higher.[68] The power issues also caused problems with stored gas being available. Although storage withdrawals increased, some facilities could not operate at maximum levels due to the lack of electricity.[69]

Q. HOW DID GAS PRICES CHANGE DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Price escalation reflective of the situation confronting the Texas market was dramatic. At the Houston Ship Channel, prices increased from $3.25 per MMBtu ("million British thermal units") on February 10 to $400.00 per MMBtu on February 17.[70] During that same time, prices at the Katy delivery location climbed from $3.24 per MMBtu to $359.14 per MMBtu.[71] Between February 10 and February 16, the price of natural gas at the Waha Hub climbed from $4.54 per

[66] *Id*.
[67] *Id*.
[68] *Id*.
[69] *Id*.
[70] Gas Daily, S&P Global Platts, Final Daily Price Survey-Platts Locations, February 10-18, 2021.
[71] *Id*.

MMBtu to $208.79 per MMBtu.[72] The average price increase among these three delivery locations was a staggering 9,230.4%. In comparison to previous extreme cold weather events, the price increases in this event were significantly higher. For example, in the 2011 storm in late January and early February, prices did not change much at all.[73]

In other exchanges in areas not directly affected by the February 2021 Winter Weather Event, the increases were much more modest. The Henry Hub[74] spot price of natural gas increased from $3.68 per MMBtu on February 10 to $23.61 per MMBtu by February 17, the highest nominal price seen since at least 1993.[75] At the NGPL Texok delivery location, prices climbed from $3.75 per MMBtu on February 10 to $24.16 per MMBtu on February 17.[76] During that same time, the Louisiana/Southeastern location experienced an increase in price from $3.15 per MMBtu to $19.06 per MMBtu.[77] Notably, the average price increase among these three delivery locations is just over 530%, well below those indicative of the Texas market.

[72] *Id*.

[73] *Id*, January 27-February 3, 2011.

[74] Henry Hub connects nine interstate and four intrastate pipelines and also acts as a "delivery point for natural gas futures traded on CME Group's NYMEX exchange." Henry Hub has been increasingly viewed as a global benchmark due to "growing international demand and a surge in shipments of American gas that has been unearthed by the continent's booming shale oil and gas plays. *See*, LNG and the Importance of the Henry Hub Benchmark, CME Group, October 4, 2018, https://www.thestreet.com/markets/commodities/lng-and-the-importance-of-the-henry-hub-benchmark-14733628.

[75] Gas Daily, S&P Global Platts, Final Daily Price Survey-Platts Location, February 10-18, 2021.

[76] *Id*.

[77] *Id*.

Q. HOW DO THESE PRICE SWINGS COMPARE TO HISTORIC COLD WEATHER EVENTS?

A. These price swings experienced during the February 2021 Winter Weather Event are far more dramatic and significant. A cold weather event in February 2014 saw Houston Ship Channel prices rise from a daily midpoint price of $5.236 per MMBtu on February 4, 2014 to $10.489 per MMBtu on February 6, a 100.3% increase.[78] The Katy price increased from a daily midpoint price on February 4, 2014 of $5.303 per MMBtu to $13.956 per MMBtu on February 6 while the Waha price went from a daily midpoint price of $5.478 per MMBtu to $21.562 per MMBTU over the same period.[79] These patterns represent price increases of 163.2% for Katy and 293.6% for Waha. Another cold snap in March of 2014 led to some price increases ranging from 71.9% for Waha to 76.6% for Katy.[80] All of these events saw price increases substantially lower than the February 2021 Winter Weather Event price increases.

Q. HAVE MARKET PARTICIPANTS ACKNOWLEDGED THE FEBRUARY 2021 NATURAL GAS MARKET FAILURE?

A. Yes. There is evidence that market participants on the supply side were aware that the market had ceased to function properly. In fact, a number of them described

[78] *Id.*, February 4-11, 2014.

[79] *Id*.

[80] *Id.*, February 28, 2014-March 7, 2014.

the situation as a "windfall,"[81] indicating the market situation was not within normal ranges.[82]

The first quarter 2021 earnings reports for many Texas gas suppliers have also shown extraordinary profits. BP Plc reported "its gas trading unit had an "exceptional" first quarter," driven by the February storm.[83] BP describes financial results using adjectives such as average, strong, or exceptional.[84] BP has had only three "exceptional" quarters in the past decade, with the most recent prior to the first quarter of 2021 coming in the second quarter of 2020.[85] Macquarie Group Ltd. "also enjoyed a windfall from gas and power price swings, pocketing $210 million" during the quarter.[86] Sequent Energy Management also "made about $200 million selling natural gas during the freeze in February."[87] Net income for the first quarter will be about $133 million for Sequent; the firm has averaged net income of about $40 million per year since 2010, mostly driven by two unusual years of $260

[81] Englund, Will and Neena Satija, As Texans Went Without Heat, Light, or Water, Some Companies Scored a Big Payday, *The Washington Post*, February 27, 2021, https://www.washingtonpost.com/business/2021/02/27/texas-power-winners-losers/.

[82] In this instance, a "windfall" is an unexpected and sudden gain experienced by a company. *See, for example*, Windfall Financial Definition of Windfall, The Free Dictionary, (n.d.), https://financial-dictionary.thefreedictionary.com/windfall#:~:text=A%20sudden%2C%20unexpected%20profit%20or,its%20stock%20consequently%20jumps%20significantly.&text=See%20also%3A%20Windfall%20shares%2C%20Windfall%20tax.

[83] Hurst, Laura, BP Emerges as Another Big Winner from the Texas Freeze, Bloomberg, April 27, 2021, https://www.bloomberg.com/news/articles/2021-04-27/bp-emerges-as-another-big-winner-from-the-texas-freeze.

[84] *Id*.

[85] *Id*.

[86] *Id*.

[87] Southern to Sell Sequent Natgas Trading Unit after Texas Freeze Profit, Reuters, April 30, 2021, https://www.reuters.com/business/energy/southern-sell-sequent-natgas-trading-unit-after-texas-freeze-profit-2021-04-30/.

million and $163 million.[88] Excluding these outliers, Sequent's annual net income for the other years has averaged about $4 million since 2010 (as compared with $200 million during the freeze period).[89] Enterprise Products Partners "earned more than $1 billion in the first quarter, lifted in part by natural gas sales at high prices during the winter storm," even though the storm caused outages at some of its processing plants and other facilities.[90] The company had "a net benefit of about $250 million in the first quarter from the storms, helped by sales of natural gas to electricity generators, natural gas utilities and industrial customers."[91] Other natural gas suppliers are also expected to see enormous profits in the first quarter of 2021 due to the high prices for natural gas. Energy Transfer LP "reported record financial results for the quarter ended March 31, 2021," with net income of $3.29 billion and adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) for the three months ended March 31, 2021 of "$5.04 billion compared with $2.64 billion for the three months ended March 31, 2020."[92] Energy Transfer "expects to realize a total impact of approximately $2.4 billion from the storm for 2021."[93] Based on first-quarter earnings reports, it is clear numerous gas suppliers

[88] *Id*.

[89] *Id*.

[90] De Luna, Marcy, Enterprise Products Says Natural Gas Sales During Winter Storm Helped Profits, *Houston Chronicle*, May 3, 2021, https://www.houstonchronicle.com/business/energy/article/Enterprise-Products-reports-first-quarter-2021-16146953.php#.

[91] Kumar, Devika, Enterprise Products Oil Pipeline Q1 Volumes Drop Amid Winter Storms, Reuters, May 3, 2021, https://www.reuters.com/business/energy/enterprise-products-oil-pipeline-q1-volumes-drop-amid-winter-storms-2021-05-03/.

[92] Energy Transfer Reports First Quarter 2021 Results, Energy Transfer, May 6, 2021, https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-reports-first-quarter-2021-results.

[93] *Id*.

benefitted enormously from the storm as they "marked up their sales to power plants delivering billions of dollars in windfall revenue."[94] Estimates of the excessive earnings on the part of gas sellers due to the storm total over $11 billion, including more than $8 billion for power generation and $3 billion for gas used in homes.[95]

In essence, a situation emerged in which there was no meaningful market restraint on pricing by suppliers, while buyers (such as Atmos Energy) faced a situation in which essential human needs compelled them to purchase natural gas at prices well above those reflecting normal market signaling. In such a situation, prices are not incentivizing appropriate economic actions and the market fails to function.

Q. DID THE EXTREME CONDITIONS IN FEBRUARY 2021 CAUSE THE TEXAS NATURAL GAS MARKET TO EXPERIENCE A TEMPORARY FAILURE?

A. Yes. The unprecedented conditions in the natural gas market led to a breakdown of market forces. Prices rose to extreme levels, as previously described, rising far above normal market ranges. Even at these price levels, demand far outstripped available supply, and as the cold weather persisted, the situation grew worse for any firm seeking natural gas. While most past winter events had been relatively short lived, this event lasted for over a week with winter storm warnings in all 254

[94] McDonnell, Tim, The Texas Blackouts Generated Billions in Revenue for Gas Companies, Quartz, May 7, 2021, https://qz.com/2006451/the-texas-blackouts-generated-billions-in-revenue-for-gas-companies/.

[95] Crowley, Kevin, Naureen S. Malik, and Mark Chediak, Gas Sellers Reaped $11 Billion Windfall During Texas Freeze, Bloomberg, July 9, 2021, https://www.bloomberg.com/news/articles/2021-07-09/gas-sellers-reaped-11-billion-windfall-during-texas-freeze.

counties in Texas.[96] It was almost nine days from when the first Winter Weather Advisory was issued on Thursday, February 11 until the last Hard Freeze Warning expired on Saturday, February 20.[97] This period led to the need to capture the extraordinary gas costs over the February 11-19 period.

Q. IS THERE ANY ADDITIONAL EVIDENCE OF THIS MARKET FAILURE?

A. Yes. In its scarcity pricing protocols, ERCOT has set its Low System-Wide Offer Cap ("LCAP") for electricity at the greater of $2,000 per MWH or 50 times the price of natural gas per mcf, with its High System-Wide Offer Cap ("HCAP") being set at $9,000 per MWH. As a practical matter, the LCAP is normally $2,000, as natural gas prices do not approach $40 per mcf even under severe weather conditions. During the February freeze, however, gas prices escalated to the point that the formula would have resulted in the LCAP being almost twice as high as the HCAP. In fact, according to the University of Texas study, "[i]f the LCAP had been allowed to come into effect, the LCAP calculation would have driven the market price higher than the HCAP on February 18 to $15,359/MWh."[98] Thus, normal criterion to deal with emergencies was no longer functional and was suspended. One power company received a natural gas quote of quote

[96] Valentine's Week Winter Outbreak 2021: Snow, Ice, & Record Cold, National Weather Service, (n.d.), https://www.weather.gov/hgx/2021ValentineStorm.

[97] *Id*.

[98] The University of Texas at Austin Energy Institute, The Timeline and Events of the February 2021 Texas Electric Grid Blackouts, https://energy.utexas.edu/sites/default/files/UTAustin%20%282021%29%20EventsFebruary2021TexasBlackout%2020210714.pdf, July 2021, p. 62.

$1,100/MMBtu, illustrating the completely dysfunctional nature of the market.[99] This pattern demonstrates the lack of any rational pricing signals occurring in the natural gas market.[100]

IX. EFFECTS OF MARKET FAILURE ON NATURAL GAS SUPPLIERS

Q. WHAT HAPPENED TO ATMOS ENERGY'S GAS SUPPLY DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Atmos Energy experienced high demand from multiple users of natural gas, many of whom service human needs customers. Additionally, as a result of unprecedented freezing weather conditions, Atmos Energy experienced unprecedented gas supply interruptions, including *force majeure* declarations from literally dozens of suppliers. Therefore, despite the extensive efforts in preparing for the winter peak, Atmos Energy's gas supply plans were disrupted and, as Mr. Malter describes, the Company was forced to procure natural gas supplies during these unprecedented market conditions in order to continue to serve human needs, customer demand, and maintain system support, actions that were clearly in the public interest.

[99] The University of Texas at Austin Energy Institute, The Timeline and Events of the February 2021 Texas Electric Grid Blackouts, https://energy.utexas.edu/sites/default/files/UTAustin%20%282021%29%20EventsFebruary2021TexasBlackout%2020210714.pdf, July 2021, p. 62.

[100] Order Directing ERCOT to Take Actin and Granting Exception to Commission Rules, Public Utility Commission of Texas, Oversight of the Electric Reliability Council of Texas, PUC Project No. 51617, February 15, 2021, http://www.ercot.com/content/wcm/lists/225213/51617WinterERCOTOrder.pdf; Casey, JP, Texas to Raise Energy Prices and Suspend Price Cap Amid Winter Storm, Power Technology, February 18, 2021, https://www.power-technology.com/news/texas-to-raise-energy-prices-and-suspend-price-cap-amid-winter-storm/#:

Q. WHAT EXTRAORDINARY ACTIONS DID ATMOS ENERGY HAVE TO TAKE IN ORDER TO SECURE NATURAL GAS SUPPLIES?

A. Atmos Energy undertook a variety of actions to secure natural gas for its customers despite additional costs. For example, the firm utilized a financing instrument to pay for procurement and is funding gas purchases made during the storm using a mix of long-term debt, available proceeds from its At-the-Market equity sales program, short-term debt, and cash.[101] Atmos Energy issued Senior Unsecured Notes with a principal amount of $1,100,000,000 and 0.625% coupon rate with a maturity date of March 9, 2023. Atmos Energy also issued $1,100,000,000 in Floating Rate Senior Notes due 2023 with a coupon of 3-month USD LIBOR + 38 bps also with a March 9, 2023, maturity date.[102]

Q. WERE OTHER NATURAL GAS SUPPLIERS ALSO AFFECTED?

A. Yes. Gas supply disruptions affected not only Atmos Energy, but also many other LDCs that had their plans for natural gas supplies interrupted and/or faced substantial additional costs. For example, CenterPoint Energy Resources obtained a "loan facility to bridge potential working capital needs in connection with the extreme and unprecedented winter weather event that occurred in February 2021 resulting in, among other things, natural gas supply shortages and increased wholesale prices of natural gas in the United States."[103] Similarly, ONE Gas, Inc.,

[101] Atmos Energy Corporation, Form 8-K, United States Securities and Exchange Commission, March 1, 2021.

[102] Atmos Energy Corporation, Final Term Sheet 0.625% Senior Notes due 2023, Floating Rate Senior Notes due 2023, March 4, 2021.

[103] CenterPoint Energy Resources Corp., Form 8-K, United States Securities and Exchange Commission, February 26, 2021.

(which includes Texas Gas Service), entered into a Credit Agreement due to "unforeseeable and unprecedented market pricing for gas costs in our Kansas, Oklahoma, and Texas jurisdictions" during the historic winter storm.[104]

X. ATMOS ENERGY RESPONSE

Q. WHAT DID ATMOS ENERGY DO IN ORDER TO OBTAIN THE NEEDED NATURAL GAS?

A. Although other witnesses will be describing the responses of Atmos Energy to the situation in detail, my understanding from discussions with Atmos Energy personnel is that the Company undertook extraordinary measures to obtain the natural gas its customers needed. These measures were required to meet basic and essential human needs, and Atmos Energy's decisions were based on a process characterized by extensive planning, analysis, and use of available information. In addition, due to the market failure described above, Atmos Energy was forced to purchase natural gas to protect its pipeline and supply infrastructure to avoid catastrophic disruption to the system.

Q. DID ATMOS ENERGY HAVE ANY CHOICE BUT TO PURCHASE NATURAL GAS AT THE PRICES OFFERED DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. No. Through no fault of its own, Atmos Energy was forced to buy natural gas at prices that were well above those that would reflect proper signaling in the absence of market failure at a time when there were numerous other buyers competing for gas that was in short supply. Atmos Energy was a buyer functioning under extreme

[104] ONE Gas Inc., Form 8-K, United States Securities and Exchange Commission, February 22, 2021.

duress with no bargaining power in a market for which prices were not properly performing their signaling function. Atmos Energy went to great lengths to find gas for customers, many of whom were serving human needs such as heating homes, hospitals, public safety installations, and care facilities.

Q. WERE THE ACTIONS OF ATMOS ENERGY REASONABLE AND PRUDENT?

A. Yes. As a result of this combination of circumstances, Atmos Energy was placed in the position of having to buy gas wherever it was available and for prices that were well above those that would reflect proper signaling in the absence of market failure. Atmos Energy did what was necessary to provide gas to customers and support the system to avoid catastrophic failure. Consequently, the Company's actions were reasonable and prudent (and, indeed, essential).

Q. DO YOU HAVE ANY FURTHER COMMENTS REGARDING THE RESULTS OF THE GAS PURCHASES MADE BY ATMOS ENERGY DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes. The gas purchases made by Atmos Energy during the February 2021 Winter Weather Event enabled it to maintain reliable service to its customers despite the highly challenging conditions resulting from the complete failure of the gas market I described earlier. I have reviewed the testimony of Company witnesses Jeffery S. Knights and Kenneth M. Malter, which make it clear that had Atmos Energy not gone to extreme lengths to procure gas for its customers, the likely result would have been extensive service outages for a great many customers. It is also clear that, given the logistical challenges in restoring service described by Mr. Knights,

service curtailments would very likely have been protracted. Mr. Knights has indicated that an outage affecting even a relatively small percentage of customers would require weeks to resolve.[105]

Q. HAVE OTHER AREAS EXPERIENCED PROTRACTED SERVICE OUTAGES?

A. Yes. While such outages are rare due to their high human cost and the extreme measures typically undertaken to avoid them, outages have occurred in other markets due to extreme weather events. During a significant winter storm in early February 2011, for example, record natural gas usage led to service curtailments in New Mexico. Voluntary and involuntary curtailments were insufficient and in order to "avoid catastrophic system failure, service was curtailed to 28,000 customers" of New Mexico Gas Company ("NMGC")[106] on the morning of February 3, 2011. Once a shut-down occurs, restoring service is a time-consuming undertaking. In order to restore service to customers, more than 1,000 individuals participated including "over 200 NMGC employees, 200 employees from other utilities, 280 local plumbers and contractors, 300 National Guardsmen, as well as a number of fire personnel, and state, tribal and local police."[107] Service was restored to NMGC customers by Tuesday February 8, five days later.[108] Other areas of New Mexico, as well as Arizona and Texas, also had service interruptions from

[105] Direct Testimony of Jeffrey S Knights, July 30, 2021.

[106] Artic Storm of February 2011, New Mexico Gas Company, Presentation, August 7, 2014, https://www.nmlegis.gov/handouts/STTC%20080714%20Item%204%20Gas%20Pipeline%20Issues.pdf.

[107] *Id*.

[108] *Id*.

their LDC from February 2 through February 4, 2011 with more than 50,000 customers affected (including the NMGC customers).[109] As mentioned previously, "restoration of gas service to residences following curtailment is a lengthy process that must be performed by trained, qualified personnel. The first step is to shut off each individual gas meter. The LDC's distribution lines and lines from the meters to homes must then be purged of air and re-pressurized with gas. Once this is done, workers visit each home, inspect gas appliances for safety, open meter valves, relight pilot lights, and confirm that the appliances are operating safely. This can only be done when the customer is home, and if workers find that any appliances are not operating properly, service cannot be restored to that home until repairs have been made."[110] In New Mexico, "service was restored to some areas as early as February 5, but the statewide relighting effort was not substantially completed until the following week, on February 10."[111]

In October 2012, Hurricane Sandy made landfall as a post-tropical cyclone near Atlantic City, New Jersey, causing New Jersey Natural Gas ("NJNG") to shut down part of its natural gas infrastructure affecting approximately 32,000 customers in Ocean and Monmouth counties, including Long Beach Island.[112] As part of the shutdown, NJNG vented gas from its distribution pipelines, allowing

[109] Report on Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011, Causes and Recommendations, Federal Energy Regulatory Commission and North American Electric Reliability Corporation, August 2011.

[110] Report on Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011, Causes and Recommendations, Federal Energy Regulatory Commission and North American Electric Reliability Corporation, August 2011.

[111] *Id*.

[112] Comparing the Impacts of Northeast Hurricanes on Energy Infrastructure, Office of Electricity Delivery and Energy Reliability, U.S. Department of Energy. April 2013.

water to infiltrate the pipes. The Managing Director of Operations and Engineering for the American Gas Association indicated "gas is different because once the system is breached, a lot is involved in turning it back on."[113] NJNG also indicated "they could not cut gas to Long Beach Island because if they did it would take six months to turn it back on under government regulations."[114] Long Beach Island had "over 8,000 meters on the island and every gas meter with water on it would have to be replaced."[115] After initial fears that it would take six months to restore service to Long Beach Island, repair and replacement of meters was completed on the northern end of the island by November 20, 2012 with gas service available to 8,448 meters and repairs to the meters on the southern end of the island completed by November 26, 2012.[116] Once again, a massive effort using employees from other utilities was implemented due to the seriousness of the situation. However, the damage caused by the water was sufficiently severe that some portions of the distribution system needed to be completely rebuilt. Although virtually all of the Long Beach Island customers had service restored by the end of November, as of early January 2013, more than 8,000 NJNG customers remained without service

[113] Khemlani, Anjalee and Donna Weaver, Entire Natural Gas Grid on Long Beach Island Shut Down, Must Be Completely Rebuilt, *The Press of Atlantic City*, November 2, 2012, https://pressofatlanticcity.com/news/local/entire-natural-gas-grid-on-long-beach-island-shut-down-must-be-completely-rebuilt/article_ff55fee6-250c-11e2-a716-0019bb2963f4.html.

[114] Bogdan, Jennifer, Natural Gas Leaks, Outages Affecting Thousands in South Jersey, *The Press of Atlantic City*, November 2, 2021, https://pressofatlanticcity.com/news/local/natural-gas-leaks-outages-affecting-thousands-in-south-jersey/article_2713bf42-24ac-11e2-b34e-001a4bcf887a.html.

[115] *Id*.

[116] Weaver, Donna, Long Beach Island Nearing Full Natural-Gas Restoration, *The Press of Atlantic City*, November 12, 2012, https://pressofatlanticcity.com/news/breaking/long-beach-island-nearing-full-natural-gas-restoration/article_089c177e-3345-11e2-a6aa-0019bb2963f4.html.

mainly in some areas of Ocean County Mainland and Seaside Peninsula.[117] Although this lengthy delay is reflective of more than a gas curtailment due to the additional damage, it shows recovery from a curtailment can be a slow process.

Q. DO YOU HAVE ANY FURTHER COMMENTS REGARDING THE RESULTS OF THE GAS PURCHASES MADE BY ATMOS ENERGY DURING THE FEBRUARY 2021 WINTER WEATHER EVENT?

A. Yes. It is abundantly clear that the extensive efforts by Atmos Energy personnel to procure gas and keep the system functional during the February 2021 Winter Weather Event averted a major system and human needs crisis in Texas and thus clearly served the public interest.

XI. CONCLUSION

Q. CAN YOU BRIEFLY SUMMARIZE YOUR OVERALL CONCLUSION?

A. Atmos Energy encountered a situation which conforms in every respect to the conditions that lead to a market failure in which the buyer loses all bargaining power and prices cease to perform their signaling function. Prices of natural gas were unconstrained and escalated enormously, yet Atmos Energy had no choice but to acquire available supply at prices that were well above those that would reflect proper signaling in the absence of market failure despite careful planning and execution to meet the anticipated needs of the winter season. Atmos Energy did the only thing possible to meet its mandate to keep its system operating, thus

[117] Comparing the Impacts of Northeast Hurricanes on Energy Infrastructure, Office of Electricity Delivery and Energy Reliability, U.S. Department of Energy, April 2013.

meeting essential human needs. Its actions were entirely reasonable and prudent (and, indeed, essential).

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

STATE OF TEXAS §
§
COUNTY OF MCLENNAN §

AFFIDAVIT OF RAY PERRYMAN

BEFORE ME, the undersigned authority, on this day personally appeared Ray Perryman who having been placed under oath by me did depose as follows:

1. "My name is Ray Perryman. I am over the age of eighteen (18) and fully competent to make this affidavit. I am President and Chief Executive Officer of The Perryman Group. The facts stated herein are true and correct based upon my personal knowledge.

2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

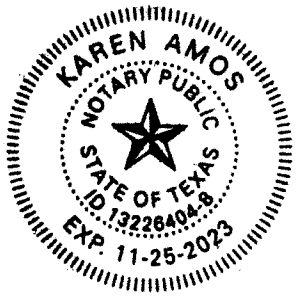
M. Ray Perryman

Ray Perryman

SUBSCRIBED AND SWORN TO BEFORE ME by the said Ray Perryman on this 19th day of July 2021.

Karen Amos

Notary Public in and for the State of Texas



M. RAY PERRYMAN

President & CEO, The Perryman Group
Institute Distinguished Professor of Economic Theory and Method
International Institute for Advanced Studies

ACADEMIC BACKGROUND

Ph.D. in Economics, Rice University
B.S. in Mathematics, Baylor University

SELECTED ACADEMIC/PROFESSIONAL POSITIONS AND ACTIVITY (Current and Former)

Business Economist-in-Residence, Cox School of Business, Southern Methodist University
University Professor and Economist-in-Residence, Baylor University
Herman Brown Professor of Economics, Baylor University
Founder and Director, Center for the Advancement of Economic Analysis, Baylor University
President, Southwestern Economics Association
President, Southwestern Society of Economists
Editor, *The Southwestern Journal of Economic Abstracts*
Editor, *International Series in Economic Modeling* (book series)
Editor and Author, *The Perryman Report & Texas Letter* (monthly economic newsletter)
Editor and Author, *The Perryman Economic Forecast* (subscription forecasting service)
Author, "The Economist" (syndicated weekly newspaper column)
Host, *The Perryman Report*, daily radio broadcast on the Texas State Network
Assistant Editor, *The Journal of Economics*
Contributing Economist, "Marketplace Radio," National Public Radio
Published or presented more than 400 academic papers
Authored or edited 5 books

SELECTED ADVISORY/CONSULTING ACTIVITY (Current and Former)

Advisor or Member for more than 50 governmental entities at the international, federal, state, and regional levels including: Federal Task Force on the Savings and Loan Crisis, Congress of the United States; Joint Economic Committee, Congress of the United States; United States Senate Academic Advisory Committee on the North American Free Trade Agreement; and Governor's Task Force on Economic Growth
Economic Advisor, Federal Reserve System and Federal Home Loan Bank Board
Economic Advisor, United States Senate
Economic Advisor, United States House of Representatives
Economic Advisor, Office of the President
Economic Advisor, US Departments of State, Defense, the Treasury, Labor, Agriculture, the Interior, Commerce, Energy, and Housing and Urban Development
Economic Consultant, Federal Communications Commission
Economic Advisor, Office of the Governor, State of Texas
Economic Advisor, Ministry of Economic Affairs, Republic of China
Chairman of the Board and President, Texas Manufacturing Technology Center
Chairman, Blue Cross & Blue Shield of Texas Affiliate Board
Member, Board of Directors, Health Care Service Corporation (Chair of Finance, Governance and Nominating, and Compensation Committees)
Member, Board of Directors, Real Estate Council of Dallas
Chairman, Texas Legislative Conference
President, Board of Directors, Texas Leadership Institute

Co-Chair, Strategic Advisory Committee, Team Texas: The Future of Nursing, Robert Wood Johnson Foundation
Member, Board of Visitors, Scott & White Hospital
Director, Women's Financial Services, Southern Methodist University
Advisory Director, Texas Association of Business and Chambers of Commerce
Advisory Director, Chase Bank
Director of projects, studies, and analyses for more than 2,000 clients, including major corporations, public utilities, government agencies, and financial services groups
Published more than 2,500 trade articles and columns

SELECTED HONORS AND AWARDS

Doctoris Honoris Causa degree, International Institute for Advanced Studies
Lifetime Achievement Award, International Institute for Advanced Studies
Citation for Outstanding Initiative in Promoting World Trade, China External Development and Trade Administration
Honorary Lifetime Fellow, National Academy of Nursing
Citation for Meritorious Efforts in Promoting World Capitalism (including the People's Republic of China), The Democracy Foundation
Citation for Promoting International Academic Exchange, The Asia and World Institute
Citation for Outstanding Advisory Contributions, Congress of the United States
Presidential Medal of Merit
First Recipient, "Ray Perryman Leadership Award," Texas Association of Nurse Practitioners
Award for Outstanding Research Achievement in Economic Modeling, Systems Research Foundation
Outstanding Texas Leader (John Ben Shepperd Memorial Award)
Outstanding Alumnus in Economic Research, Rice University
Named the Outstanding Young Person in the World in the Field of Economics and Business Innovation, one of five Outstanding Young Texans, one of ten Outstanding Young Americans, and one of ten Outstanding Young Persons in the World
2012 Texan of the Year, Texas Legislative Conference
2013 Distinguished Service Medal, Baylor University
2014 Texas Leadership Hall of Fame, JBS Leadership Institute
2016 Cesar E. Chavez Conscience Builders Award, Cesar E. Chavez Legacy and Educational Foundation
2018 Most Dynamic Economic Researcher in the US by Global Business Insights
2019 Chairman's Award for Lifetime Achievement in Economic Development from the International Economic Development Council
2019 "Go Global" Award for Economic Analysis from the International Trade Council
Recognized by Texas Legislature for "tireless efforts in helping to build a better Texas" and "shaping the economic future of the state; extensive contributions to economic growth in the Lone Star State"

Note: The Full Curriculum Vitae will be provided separately.

Summary of Relevant Experience

I have extensive experience in the analysis of industries, markets, and competition, including antitrust and pricing issues. I have performed numerous studies that involve the structure, performance, and valuation of various companies, their assets, and the industries in which they compete, including studies of many aspects of the energy industry.

Examples of other industries which I have extensively analyzed include electronic commerce (e-commerce), refined petroleum products, health care, franchising, electric power, newspapers, wholesale and retail groceries, trucking, cement production, aerospace, oil and gas, hospitality, personal computers, medical supplies, medical equipment, pharmaceuticals, mainframe software, microelectronics, bakery products, residential care, carbonated beverages, equipment leasing, airlines, railroad transportation, renewable energy, oil field equipment, coal mining, chemical manufacturing, defense manufacturing, tourism, higher education, offshore drilling labor markets, airline reservation systems, and banking.

I have also performed studies and provided testimony in various forums related to the deregulation of numerous industries, including telecommunications, financial institutions, airlines, trucking, electric power generation, natural gas, cable television, and broadband access. These endeavors have required extensive study of the nature and functioning of various markets, as well as the framework of competition and the implications of technological change.

I have examined issues related to defining relevant markets, monopolization, attempted monopolization, price fixing, wage fixing, and other forms of potentially anticompetitive conduct in a wide variety of markets.

I also have extensive experience related to the energy sector, which forms much of the basis of the supply of and demand for the services at issue in this proceeding. I have completed scores of studies related to the economic aspects of oil and natural gas exploration, production,

transportation, and exports, including projects for the US Department of the Interior, the US Department of Energy, the Interstate Oil Compact Commission, the Texas Railroad Commission, and the Federal Energy Regulatory Commission. Study area geographies range from local areas to worldwide. Many of these studies have examined economic impacts on a localized basis. I have analyzed the economic impacts of numerous major oil and gas fields throughout the United States (including the Permian Basin as well as the Bakken Shale, Haynesville Shale, Eagle Ford Shale, Barnett Shale, Fayette Shale, Alaska North Slope, and Marcellus Shale), and have developed a comprehensive system that measures the supply chain associated with exploration, drilling, and production. I have analyzed many of the major investments in liquefaction, petroleum refining, petrochemical production, and related facilities in the United States and Canada, as well as numerous intrastate and interstate pipelines (oil, natural gas, and refined products). Representative examples include Longhorn Partners, Frontier Aspen, Louis Dreyfus, Creole Trail, Rio Bravo, ExxonMobil, Colonial, TransCanada (Keystone XL), Alaska, Texaco, Enbridge, Williams Pipeline, and North Texas. I have also provided testimony to the US Department of Energy, the US Department of State, the Interstate Oil Compact Commission, the Railroad Commission of Texas, the Oklahoma Corporation Commission, the Public Utility Commission of Texas, the US Congress, the Texas Legislature, and numerous other administrative and regulatory bodies relating to the energy sector. I have provided customized analysis to most of the major energy companies in the US and produced ongoing forecasts of performance in the oil and gas sector.

I have extensive expertise in analysis of utilities and have performed numerous studies including, among others, rate analysis, impact assessments of potential additions to generation capacity (gas, wind, coal, solar, and nuclear power plants and natural gas infrastructure) and electric, natural gas, and telecommunications transmission infrastructure, demand forecasts, price forecasts, fuel diversity analysis, usage analysis, and major policy studies. I have analyzed the effects of competition in the electric power industry on multiple occasions, including major studies

before, during, and after the introduction of competition in Texas. I played a key role in the introduction of wholesale and retail competition into the state. I have testified on utility industry matters before the US Department of Energy, the US Department of Agriculture, the Public Utility Commission of Texas, the Oklahoma Corporation Commission, the Texas Railroad Commission, the Texas Legislature (House and Senate), and numerous other legislative and regulatory bodies. I have also spoken to major industry conferences on dozens of occasions.

I have extensive experience in economic analysis, economic modeling, and forecasting. I have extensive experience in all aspects of statistical analyses and econometric modeling, disciplines in which I have authored numerous academic papers, edited three major books, derived advanced estimation techniques, and developed numerous large and highly sophisticated models. These models are used on an ongoing basis by hundreds of major corporations and governmental entities. I have taught statistical methods and econometrics at the undergraduate and graduate levels and have frequently used such techniques within the context of regulatory matters. I have extensive experience with the various techniques that are appropriate for the analysis in this matter. I have received a Lifetime Achievement Award from the International Institute for Advanced Studies and a citation for outstanding research achievement from the Systems Research Foundation for my work in this area. I have also been preparing projections for Texas and its regions for decades and have completed specialized modeling and forecasting projects for hundreds of clients spanning all aspects of the private and public sectors (including utilities). Specialized analyses have ranged from economic modeling and forecasting for public entities such as transit authorities, cities, and counties to major corporations and small firms.

Summary of Relevant Professional Activities

My current primary positions include the following, and a list of former positions is included in my complete curriculum vitae: Chairman of the Board, President, and Chief Executive Officer, The Perryman Group (including Perryman Consultants, Inc., and Texas Economic Publishers, Inc., subsidiaries); Institute Distinguished Professor of Economic Theory and Method, International Institute for Advanced Studies; Chairman of the Board, President, and Chief Executive Officer, Perryman Center for Economic Studies; Chairman of the Board, President, and Chief Executive Officer, Y'all Street, Inc.; Chairman of the Board and Chief Executive Officer, The Perryman Group/Great Eastern International, Inc.; Co-Chair, Strategic Advisory Committee, Texas Team: The Future of Nursing, Robert Wood Johnson Foundation; Chairman of the Board, President and Chief Executive Officer, Texas Business, Inc; Global Senior Research Fellow, IC2 Institute, The University of Texas at Austin; Distinguished Fellow, International Institute for Advanced Studies; Editor and Author, The Perryman Economic Forecast (detailed subscription forecast published by Texas Economic Publishers, Inc.); Editor and Author, The Perryman Report & Texas Letter (monthly newsletter addressing various topics related to the economy published by Texas Economic Publishers, Inc.); Author, The Economist (weekly syndicated column discussing various national and international issues); Host, The Perryman Report (syndicated daily radio commentary discussing current economic and financial topics on the domestic and international levels); Director, Annual Texas Economic Outlook Conference Series, 1984-2021; Director, Texas Economic Model Project (development and maintenance of an extensive modeling system including economic, input-output, real estate, impact assessment, industry-occupation, demographic, fiscal impact, industrial, and trade models for Texas, its metropolitan areas, regions, counties, and small areas); Director, US Impact Assessment Modeling Project (development and maintenance of a comprehensive set of impact assessment systems, consumer impact models,

regulatory impact models, and industrial impact models for every county and multi-county region of the United States); Member, Advisory Board, The Real Estate Council of Dallas; Member, Board of Directors, Texas Manufacturing Assistance Center; Member and Former Chair, Advisory Board, Texas Legislative Conference; Member, Advisory Board, Texas Travel and Tourism Association; Board of Editors, Journal of Pharmacoeconomics and Health Economics; Contributing Editor and Columnist, Journal of Business Forecasting Methods and Systems; Contributing Editor and Columnist, WVIA Investment Letter; Contributing Economist, Marketplace Radio, National Public Radio; Contributing Economist, Bloomberg News; and Contributing Economist, Yahoo Finance. In the past, I have served as President of the Southwestern Society of Economists, the Southwestern Society of Economists, and the Texas Leadership Institute; I also served as Editor of the Southwestern Journal of Economic Abstracts and Associate Editor of the Journal of Economics, and in numerous other academic and professional leadership capacities.

Summary of Relevant Regulatory Testimony

Previous testimony before the Texas Railroad Commission includes the following:

"The Impact of Expanded Oil Production in the East Texas Field on Business Activity in the Local Economy (Gregg, Rusk, Smith, and Upshur Counties)," study and testimony prepared for Oxy USA and Mobil Oil, 1991 (partial basis for testimony before the Railroad Commission of Texas regarding the proper production allowable in a large oil field);

"A Reassessment of the Benefits Derived from Full Allowable Production Activity in the East Texas Oil Fields," study prepared for Oxy, Mobil, and Atlantic Richfield, 1994 (partial basis for testimony before the Railroad Commission of Texas);

"The Potential Economic Impacts of the Proposed Union Pacific-Southern Pacific Merger," study prepared for the Texas Farm Bureau, the Texas Cattle Raisers Association, and Conrail, 1997 (partial basis for testimony before the Railroad Commission of Texas);

"Complaint by Southern Union Gas Energy, Ltd. Against Louis Dreyfus Pipeline, L.P." (Louis Dreyfus Pipeline, L.P.) GUD No. 9686, Railroad Commission of Texas, 2006 (deposition testimony);

"Economic Impact of Future Production in the East Texas Oil Field," testimony delivered before the Railroad Commission of Texas, Austin, Texas, 1991;

"The Long-Term Consequences of Production Patterns in the East Texas Oil Field," testimony delivered to a Special Hearing of the Railroad Commission of Texas, Longview, Texas, 1994;

"A Reassessment of the Benefits Derived from Full Allowable Production Activity in the East Texas Oil Fields," testimony delivered before the Railroad Commission of Texas, Fort Worth, Texas, 1994;

"Economic and Competitive Factors in the Proposed Union Pacific—Southern Pacific Merger," testimony delivered before the Railroad Commission of Texas, Austin, Texas, 1996;

"The Net Impact of the Proposed Merger of Union Pacific and Southern Pacific on Business Activity and Competition in Texas," testimony delivered before the Railroad Commission of Texas, Austin, Texas, 1996;

"The Potential Economic Impacts of the Proposed Union Pacific-Southern Pacific Merger," testimony delivered before the Railroad Commission of Texas, Austin, Texas, 1997; and

"The Economic Impact of Various In-State Common Carrier Pipeline Transportation Issues," testimony delivered before the Railroad Commission of Texas, Austin, Texas, 2006. I also worked extensively with the Texas Legislature and the Commission in analyzing and establishing guidelines for natural gas regulation.

Other regulatory testimony since 2010 includes the following:

"Water Supply Access and Reliability in the Lower Neches Valley Authority Service Area," testimony delivered before the Texas Commission on Environmental Quality, Austin, Texas, 2010;

"The Impact of Developing the Keystone XL Pipeline Project on Business Activity in the US: An Analysis Including State-by-State Construction Effects and an Assessment of the Potential Benefits of a More Stable Source of Domestic Supply," testimony delivered before the US Department of State, Washington, DC, 2010;

"The Potential Impact of the Proposed Plains & Eastern Clean Line Transmission Project on Business Activity in the US and Affected States," testimony delivered before the Corporation Commission of Oklahoma, Oklahoma City, Oklahoma, 2010;

"The Impact of Developing the Keystone XL Pipeline Project on the Hispanic Population of the US: A State-by-State Analysis," testimony delivered before the US Department of State, Washington, DC, 2010;

"The Impact of the Clean Lines Transmission Facilities on the Economy of Oklahoma," testimony presented to the Corporation Commission of Oklahoma, Oklahoma City, Oklahoma, 2011;

"Water Supply Access and Reliability in the Lower Neches Valley Authority Service Area," testimony delivered before the Texas Commission on Environmental Quality, Austin, Texas, 2010;

"The Impact of Developing the Keystone XL Pipeline Project on Business Activity in the US: An Analysis Including State-by-State Construction Effects and an Assessment of the Potential Benefits of a More Stable Source of Domestic Supply," testimony delivered before the US Department of State, Washington, DC, 2010;

"The Potential Impact of the Proposed Plains & Eastern Clean Line Transmission Project on Business Activity in the US and Affected States," testimony delivered before the Corporation Commission of Oklahoma, Oklahoma City, Oklahoma, 2010;

"The Impact of Developing the Keystone XL Pipeline Project on the Hispanic Population of the US: A State-by-State Analysis," testimony delivered before the US Department of State, Washington, DC, 2010;

"The Impact of the Clean Lines Transmission Facilities on the Economy of Oklahoma," testimony presented to the Corporation Commission of Oklahoma, Oklahoma City, Oklahoma, 2011;

"The Role of Community Pharmacies in Health Care Delivery and Medicaid Programs," invited testimony before the Committee on Public Health of the Texas House of Representatives, Austin, Texas, 2011;

"Economic Development: Historical Perspective and Future Requirements," invited testimony before the Committee on Economic Development of the Texas House of Representatives, Austin, Texas, 2011;

"Testimony of M. Ray Perryman Regarding the Economic Impact of the Keystone XL Pipeline on the United States," testimony before the US Department of State, Washington, DC, 2011;

"The Cost to Date of Delays in Permits for Development of the Keystone XL Pipeline Project on Business Activity in the US," testimony delivered before the US Department of State, Washington, DC, 2011;

"Testimony of M. Ray Perryman, PhD, Regarding the Economic Benefits of Greater Utilization of Advanced Practice Registered Nurses," testimony before the Public Health Committee of the Texas House of Representatives, Houston, Texas, 2012;

"Past and Potential Future Economic Development in Texas," testimony delivered before the Select Committee on Economic Development of the Texas Legislature, Austin, Texas, 2012;

"The Economic Benefits of More Fully Utilizing Advanced Practice Registered Nurses in the Provision of Health Care in Texas: An Analysis of Local and Statewide Effects on Business Activity," testimony delivered before the Committee on Public Health of the Texas House of Representatives, Austin, Texas, 2012;

"Testimony of M. Ray Perryman Regarding the Texas Economy and Future Prospects and Challenges," testimony delivered to the Committee on Business and Industry of the Texas House of Representatives, Austin, Texas, 2014;

"Testimony of M. Ray Perryman Regarding the Adverse Impact of Banning Hydraulic Fracturing in the City of Denton on Business Activity and Tax Receipts in the City and State," testimony delivered to the Denton City Council, Denton, Texas, 2014;

"Testimony of M. Ray Perryman Regarding Economic Development Incentives," testimony delivered to the Select Committee on Economic Development Incentives of the Texas House of Representatives, Austin, Texas, 2014;

"Testimony of M. Ray Perryman Regarding Food Banks House Bill (HB) 1, Article VI," testimony delivered to the Appropriations Subcommittee of the Texas House of Representatives, 2015;

"Testimony of M. Ray Perryman Regarding Food Banks House Bill (HB) 1, Article VI," testimony delivered to the Finance Committee of the Texas Senate, 2015;

"Testimony of M. Ray Perryman Regarding the Windstorm Insurance System in Texas," testimony delivered to the Committee on Insurance of the Texas House of Representatives, 2015;

"Testimony of M. Ray Perryman Regarding the Windstorm Insurance System in Texas," testimony delivered to the Committee on Business and Commerce of the Texas Senate, 2015;

"Testimony of M. Ray Perryman Regarding Energy Resources," written testimony prepared for the Committee on Energy Resources of the Texas House of Representatives, 2016;

"Testimony of M. Ray Perryman Regarding the Efficacy of Spending and Revenue Caps," testimony delivered to the Finance Committee of the Texas Senate, 2016;

"Testimony of M. Ray Perryman Regarding Food Banks," written testimony prepared for the Finance Committee of the Texas Senate, 2017;

"Testimony of M. Ray Perryman Regarding Immigration and the Benefits of Foreign Workers," testimony delivered to the Committee on International Trade and Intergovernmental Affairs of the Texas House of Representatives, 2017;

"Testimony of M. Ray Perryman Regarding Trade and a Potential Border Tax," testimony delivered to the Committee on International Trade and Intergovernmental Affairs of the Texas House of Representatives, 2017;

"Testimony of M. Ray Perryman Regarding Selected Factors Impacting the Future Economic Performance of Texas," testimony delivered to the Select Committee on Economic Competitiveness of the Texas House of Representative, 2017;

"Testimony of M. Ray Perryman Regarding the Economic Benefits of Institutions of Higher Education," testimony delivered to the House Committee on Economic and Small Business Development of the Texas House of Representatives, 2017;

"Testimony of M. Ray Perryman Regarding Food Banks," testimony delivered to the Finance Committee of the Texas Senate, 2017; "Potential Economic Effects of Converting Portions of US Highway 380 in Collin County to a Limited Access Roadway," testimony delivered to the Collin County Commissioners Court, 2017;

"Testimony of M. Ray Perryman Concerning Article II Regarding Medicaid Managed Care Contracts," testimony delivered to the Committee on General Investigations and Ethics and the Appropriations Subcommittee of the Texas House of Representatives, 2018;

"The Potential Economic Impact of Mississippi Cares," testimony delivered to the Mississippi State Senate, 2019;

"Direct Testimony of M. Ray Perryman Regarding the Appropriate Rate of Return on Behalf of Viking Gas Transmission Company," testimony delivered to the Federal Energy Regulatory Commission. 2019;

"Testimony of M. Ray Perryman Regarding Change Order Request by Grand Parkway Infrastructure, LLC (GPI) in Relation to Steel Prices and Tariffs," testimony delivered to the Texas Department of Transportation and the American Arbitration Association, 2020;

"The Potential Economic Impact of Legislation Restricting Voter Access on Business Activity in Texas and Harris County," testimony delivered to the Harris County Commissioners Court, 2021;

"The Potential Economic Impact of Legislation Restricting Voter Access on Business Activity in Texas and Dallas County," testimony delivered to the Dallas County Commissioners Court, 2021;

"The Potential Economic Impact of Legislation Restricting Voter Access on Business Activity in Texas and Tarrant County," testimony delivered to the Tarrant County Commissioners Court, 2021; and

"The Potential Economic Impact of Legislation Restricting Voter Access on Business Activity in Texas, Harris County, and the City of Houston," testimony delivered to the Houston City Council, 2021.

Exhibit RP-5 is Voluminous and will be provided electronically.

CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

BRUCE H. FAIRCHILD

ON BEHALF OF

GAS UTILITIES PARTICIPATING IN THE REGULATORY ASSET DETERMINATION AND RELATED SECURITIZATION

July 30, 2021

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Appendix A – Qualifications

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Appendix D – House Bill 1520

Appendix E – Notice to Gas Utilities (June 17, 2021)

DIRECT TESTIMONY OF BRUCE H. FAIRCHILD

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Bruce H. Fairchild, 3907 Red River, Austin, Texas 78751.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am a principal in Financial Concepts and Applications, Inc. ("FINCAP"), a firm engaged in financial, economic, and policy consulting to business and government.

Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?

A. I am providing testimony on behalf of the gas utilities participating in this proceeding -- AgriTexGas, LP, Atmos Energy Corporation on behalf of its Mid-Tex Division and West Texas Division, Bluebonnet Natural Gas, LLC, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex, CenterPoint Energy Arkla, and CenterPoint Energy Texas Gas, Corix Utilities (Texas) Inc., CoServ Gas, Ltd., EPCOR Gas Texas Inc., NatGas, Inc., SiEnergy, LP, Texas Gas Service Company, a Division of ONE Gas, Inc., and Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. (collectively, "participating gas utilities").

A. Qualifications

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, AND PRIOR EXPERIENCE.

A. I hold a BBA degree from Southern Methodist University and MBA and Ph.D. degrees from the University of Texas at Austin. I am also a Certified Public Accountant. My previous employment includes working in the Controller's Department at Sears, Roebuck and Company and serving as Assistant Director of

Economic Research at the Public Utility Commission of Texas ("PUCT"). I have also been on the business school faculties at the University of Colorado at Boulder and the University of Texas at Austin, where I taught undergraduate and graduate courses in finance and accounting.

Q. BRIEFLY DESCRIBE YOUR EXPERIENCE IN UTILITY-RELATED MATTERS.

A. While at the PUCT, I assisted in managing a division comprised of approximately twenty-five professionals responsible for financial analysis, cost allocation and rate design, economic and financial research, and data processing systems. I testified on behalf of the PUCT staff in numerous cases involving most major investor-owned and cooperative electric, telephone, and water/sewer utilities in the state regarding a variety of financial, accounting, and economic issues. Since forming FINCAP in 1979, I have participated in a wide range of analytical assignments involving utility-related matters on behalf of utilities, industrial consumers, municipalities, and regulatory commissions. I have also prepared and presented expert testimony before a number of regulatory authorities addressing revenue requirements, cost allocation, and rate design issues for gas, electric, telephone, and water/sewer utilities. I have been a frequent speaker at regulatory conferences and seminars and have published research concerning various regulatory issues. A resume that contains the details of my experience and qualifications is attached as Appendix A, with Appendix B listing my prior testimony before regulatory agencies since leaving the PUCT.

B. Purpose of Testimony

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

A. The purpose of my testimony is four-fold. The first purpose is to describe generally how the extraordinary costs related to the winter weather event in February 2021 ("Winter Storm Uri") recorded as regulatory assets by participating gas utilities would be financed through customer rate relief ("CRR") bonds issued through the Texas Public Finance Authority ("TPFA"). The second purpose is to determine whether it would be more cost-effective to recover these regulatory assets through CRR bonds versus alternative recovery methods. The third purpose is to determine whether the use of CRR bonds would result in more affordable estimated monthly costs to customers than conventional recovery methods. Finally, I explain why the use of CRR bonds to finance and recover the extraordinary costs related to the February 2021 Winter Weather Event would provide tangible and quantifiable benefits to customers greater than other recovery methods and would serve the public interest.

C. Summary of Conclusions

Q. BRIEFLY SUMMARIZE THE CONCLUSIONS OF YOUR TESTIMONY.

A. For the reasons explained below, I conclude:

- Issuing CRR bonds is the most cost-effective method to recover the extraordinary Winter Storm Uri costs from customers;
- The issuance of CRR bonds to reimburse gas utilities for the regulatory assets has the least immediate impact on customers' monthly bills compared to conventional recovery methods; and

- Using CRR bonds to reimburse the participating gas utilities for their regulatory assets would enable the gas utilities to maintain their financial integrity, ensure their ability to raise debt and equity capital on reasonable terms to finance normal, ongoing expenditures as well as manage another crisis, should it arise.

II. BACKGROUND

Q. PLEASE DESCRIBE THE EVENTS LEADING TO THE PRESENT CASE.

A. Beginning on February 11, 2021, an unprecedented cold winter weather event hit Texas. On February 12, Governor Abbott issued a State of Disaster in Texas for all Texas counties, and the Railroad Commission of Texas ("Commission") issued an Emergency Order temporarily modifying natural gas utility curtailment priorities to ensure the protection of human needs customers throughout the storm. Natural gas usage by homes, businesses, and electric generating facilities surged while natural gas supply fell as production, processing, treating, and pipeline facilities froze or otherwise became inoperable. This prolonged winter storm resulted in a dramatic increase in natural gas prices as demand greatly exceeded supply. At the same time, gas utilities experienced major gas supply interruptions, including *force majeure* declarations from suppliers. To continue to supply customers and maintain system operations, gas utilities were required to purchase additional gas to meet demand and replace interrupted supplies at extremely high market prices. The combination of greater customer usage and increased gas prices resulted in gas utilities incurring extraordinary gas supply costs.

Q. DID THE COMMISSION TAKE ANY ACTION TO RECOGNIZE THAT GAS UTILITIES WERE INCURRING EXTRAORDINARY COSTS AS A RESULT OF WINTER STORM URI?

A. Yes. On February 13, 2021, the Commission issued a Notice to Local Distribution Companies ("Regulatory Asset NTO") stating that, to provide customers safe and reliable service, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices for natural gas and incur other extraordinary expenses responding Winter Storm Uri. The Regulatory Asset NTO authorized Texas LDCs to record the extraordinary costs in a regulatory asset account to defer and reduce their impact on customers. A copy of the Regulatory Asset NTO is attached to my testimony as Appendix C.

Q. DID THE LEGISLATURE TAKE ANY ACTION TO ADDRESS THE EXTRAORDINARY COSTS GAS UTILITIES INCURRED AS A RESULT OF WINTER STORM URI?

A. Yes. During the 87th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after the event. To this end, H.B. 1520 authorizes securitization financing that would provide rate relief by extending the period over which the extraordinary costs are recovered from customers and support the financial strength and stability of gas utilities. Before the CRR bonds may be

issued, however, H.B. 1520 requires the Commission to ensure that the securitization financing provides tangible and quantifiable benefits to customers greater than would have been achieved absent the issuance of CRR bonds. It also requires the Commission to determine that CRR bonds are the most cost-effective method of funding regulatory asset reimbursements, consider customer affordability, and find that the securitization financing mechanism is in the public interest.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF HOW THE SECURITIZATION PROCESS CONTEMPLATED UNDER H.B. 1520 WILL BE CONSIDERED BY THE COMMISSION.

A. On June 17, 2021, the Commission issued a Notice to Gas Utilities ("NGU") directing those desiring to participate in the CRR bond program to file an Application for Regulatory Asset Determination ("Application"). This NGU is attached to my testimony as Appendix E. Each gas utility's Application must contain extensive data and documentation to support the regulatory asset recorded on its books. The NGU also requires that gas utilities demonstrate the CRR bonds would provide customers tangible and quantifiable benefits greater than would be achieved otherwise, would benefit customers through affordability, and would be in the public interest and consistent with the purposes of subchapter 1, chapter 104 of the Texas Utilities Code. After the Commission has issued its regulatory asset determinations, if it finds that the CRR bonds are most cost-effective, provide affordability benefits, and are in the public interest, it will issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the CRR bonds.

III. CUSTOMER RATE RELIEF BONDS

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I provide an overview of the CRR bonds contemplated by H.B. 1520 to reimburse gas utilities for their regulatory assets and provide customers rate relief by allowing the extraordinary winter storm costs to be recovered differently than would be available through conventional recovery methods.

A. Securitized Financing

Q. WHAT IS SECURITIZED FINANCING?

A. Securitization is a financing technique used by many companies whereby certain assets are legally isolated in a special purpose entity ("SPE"). Generally, the SPE's primary asset is a revenue stream produced by financial assets such as loans, leases, or receivables, with its activities being carried out through a servicing agreement by another party. The SPE is also generally financed by selling debt and/or equity to investors, which are typically institutional investors such as banks, pension funds, and insurance companies. Bonds issued by an SPE are typically self-amortizing through payment of principal over time, and there is customarily a broad and diverse pool of underlying obligors that will make the payments to service the bonds. Securitizations are generally non-recourse and bankruptcy-remote from the underlying company.

Q. HAVE UTILITIES IN TEXAS USED SECURITIZATION AS A FORM OF FINANCING?

A. Yes. Securitization is a unique form of financing that has typically been used pursuant to specific statutory provisions by electric utilities in Texas to finance and

recover costs from customers over longer periods of time. The securitizations by Texas utilities have involved the recovery of costs that are not incurred in the normal course of utility business. For example, securitization was used by electric utilities to recover "stranded costs" resulting from the transition from a regulated to competitive wholesale market for electricity in the early 2000s. Securitization has also been used to reimburse utilities for the extensive damage to facilities caused by hurricanes along the Gulf Coast. In utility securitizations, an SPE typically issues bonds backed primarily by the specific statutory and regulatory right to receive a charge paid to a utility by its customers, which in turn is remitted to the SPE. While it is common for the SPE to be managed by the utility pursuant to a service and administration agreement, care is taken to maintain the SPE as a separate entity and isolate its assets from the utility and its creditors.

Q. WHAT BENEFITS ARE DERIVED FROM SECURITIZATION FINANCING?

A. When authorized by the Legislature for use in the recovery of these types of extraordinary, non-typical costs, securitizations involve a unique, particularly high-quality stream of revenues, which the SPE has statutory and regulatory rights to receive, and that can be kept separate from a utility's other assets and activities. The SPE can then sell bonds secured by this revenue stream that are less risky than the utility itself. Because the bonds issued by SPEs are less risky, they typically have a higher credit rating than the debt of the utility. As a result, the bonds issued by the SPE carry a lower interest rate and, because the bonds are secured with a high-quality revenue stream, the SPE can be heavily debt financed, both of which

reduce the carrying cost of the underlying asset. In the case of H.B. 1520, because the securitized bonds are a liability of a state agency-created SPE and not the utility, they are not carried on the utility's balance sheet. Accordingly, the securitized bonds should not increase the gas utility's debt load, which supports its financial strength and stability, nor should they reduce the utility's borrowing capacity, which should maintain the utility's ability to attract capital to finance property, plant, and equipment on reasonable terms.

Q. DESCRIBE THE SPE CONTEMPLATED UNDER H.B. 1520.

A. If securitization is approved by the Commission, H.B. 1520 authorizes the TPFA to create an issuing financing entity (the SPE) to issue CRR bonds. The issuing financing entity would be a self-funding, non-profit, public authority of Texas governed by a three-member board. The CRR bonds sold by the issuing financing entity would not be a liability of Texas, the Commission, or the participating gas utilities; rather, they would be securitized and repaid from customer rate relief charges assessed to all customers of the participating gas utilities. The customer rate relief charges would be sufficient to cover the SPE's costs, including initial financing costs, CRR bond principal and interest, and other financing, administrative, and operating expenses authorized by the Financing Order.

B. Structure of Customer Rate Relief Bonds

Q. WOULD THE CRR BONDS BE STRUCTURED LIKE TYPICAL UTILITY DEBT?

A. No. The long-term bonds issued by most large gas utilities are outstanding for a specified number of years. A fixed interest rate is usually paid on the original face

amount periodically, with the entire principal balance being due at maturity. While this "balloon payment" debt structure is generally satisfactory for financing a large utility's permanent property, plant, and equipment, it is not well-suited to an entity having just a single, self-liquidating asset.

Q. HOW WOULD THE CRR BONDS MOST LIKELY BE STRUCTURED?

A. H.B. 1520 calls for the customer rate relief charge to be a uniform monthly volumetric charge applicable to all existing and future customers of participating gas utilities. Although the resulting revenue stream could be used to pay annual principal and interest payments on a single issue of CRR bonds (like a home mortgage), this is not the structure normally used. Because of differing portfolio and reinvestment considerations, large investors do not want all bonds having the same life. To amortize the CRR bonds while still allowing investors to select their preferred maturities, the bonds are anticipated to be split among several series or tranches, each with a different scheduled maturity and corresponding interest rate. In this way, on any given payment date, interest is paid on all the bond series, but principal is repaid only on the series that is maturing. This structuring into series or tranches enhances marketing of the bonds because it enables both shorter-term investors (e.g., banks) and longer-term investors (e.g., pension funds) to participate in the same securitization issue but offers each a maturity most suitable for its investment objectives. The actual structure of the CRR bonds would depend on the Commission's Financing Order, input from TPFA and investment bankers, and capital market conditions at the time the CRR bonds were issued.

Q. OVER WHAT PERIOD WOULD THE CRR BONDS MOST LIKELY BE STRUCTURED?

A. H.B. 1520 caps the maximum scheduled maturity of the CRR bonds to 30 years, with the Commission ultimately deciding in its Financing Order the period over which the bonds are to be repaid by customers. Because the CRR bonds would be secured only by customer rate relief charges and not physical assets, it is believed that investors would prefer the bonds to have a maximum term of between 10 and 15 years. I understand that in the securitizations approved by the PUCT for electric utilities, the scheduled maturity of the bonds has typically been less than 15 years.

C. Interest Rates on Customer Rate Relief Bonds

Q. WHAT INTEREST RATES WILL THE CRR BONDS BEAR?

A. The actual interest rates on the CRR bonds will depend on capital market conditions at the time they are issued, the maturity structure of the various series, and the rating assigned to the CRR bonds by rating agencies.

Q. WHAT BOND RATING WOULD LIKELY BE ASSIGNED TO THE CRR BONDS?

A. To achieve the lowest interest rate, the CRR bonds would need to be rated triple-A by the major bond rating agencies (i.e., Moody's, Standard & Poor's, and Fitch). Most of the characteristics and features required for the CRR bonds to be rated triple-A are provided for in H.B. 1520 and would also need to be included in the Financing Order.

Q. WHAT ARE CURRENT INTEREST RATES ON BONDS RATED TRIPLE-A?

A. The table below shows average interest rates between mid-June and mid-July 2021 on triple-A rated taxable bonds issued by government entities having different maturities over the next 15 years. These range from 0.19% to 2.07%, with the interest rate increasing with the length of the bond term:

Maturity (Years)	Interest Rate	(Years)	Interest Rate	(Years)	Interest Rate
1	0.19%	6	1.18%	11	1.77%
2	0.32%	7	1.36%	12	1.85%
3	0.50%	8	1.50%	13	1.92%
4	0.74%	9	1.62%	14	2.00%
5	0.96%	10	1.69%	15	2.07%

Q. COULD THE CRR BONDS HAVE A VARIABLE INTEREST RATE INSTEAD OF A FIXED INTEREST RATE?

A. Although floating-rate bonds could be issued, fixed interest rates allow the likely costs and benefits to be better evaluated in advance and would facilitate developing and maintaining a uniform monthly volumetric charge over time. Additionally, current interest rates are at historical lows, which are not expected to persist indefinitely. I understand that all the securitized bonds issued by Texas electric utilities have had fixed interest rates.

IV. COST-EFFECTIVENESS

Q. WHAT IS THE PURPOSE OF THIS SECTION?

A. H.B. 1520 requires that, before issuing a Financing Order, the Commission must determine that CRR bonds are the most cost-effective method of funding

reimbursements to gas utilities of the regulatory asset associated with the extraordinary costs incurred in connection with Winter Storm Uri. The purpose of this section is to compare the expected costs associated with CRR bonds and the costs of other methods that might be used to finance the regulatory assets.

A. Alternative Methods

Q. WHAT ALTERNATIVE METHODS ARE AVAILABLE TO FUND THE EXTRAORDINARY COSTS INCURRED BY THE PARTICIPATING GAS UTILITIES ATTRIBUTABLE TO WINTER STORM URI?

A. There are basically three alternative methods. The first would be to include the extraordinary costs related to Winter Storm Uri in the gas utility's purchased gas cost ("PGC") recovery mechanism (sometimes referred to as a "purchased gas adjustment" (PGA), "gas cost recovery" (GCR) mechanism, "cost of gas clause" (COG), or "purchased gas factor" (PGF), depending on the utility). The second would be to treat the regulatory assets similar to rate case expenses, where they would be amortized over a relatively short period and recovered through an established rate or a specific surcharge added to customers' bills until the total amount is received. The third method would be to include the regulatory assets in rate base, amortize them over a longer time period (e.g., 10 to 15 years), and include the additional costs in the gas utilities' base service rates.

Q. PLEASE DISCUSS THE FIRST ALTERNATIVE, INCLUDING THE EXTRAORDINARY COSTS IN THE PGC RECOVERY MECHANISM.

A. Under this method, the regulatory asset would be included as a cost of gas and recovered from customers over a period of approximately up to a year through each

participating gas utility's PGC recovery mechanism. The effect of this method would be to fund the extraordinary Winter Storm Uri costs from current customers. While this method may be the least expensive because carrying costs and administrative expenses would be minimized, as will be addressed later in my testimony, it would have the greatest immediate impact on current bills and be the least affordable method for customers.

Q. PLEASE DISCUSS THE SECOND ALTERNATIVE THAT WOULD ADJUST AN EXISTING RATE OR ADD A SURCHARGE TO CUSTOMER BILLS UNTIL THE EXTRAORDINARY COSTS ARE FULLY RECOVERED.

A. Similar to how rate case expenses are recovered, this method would amortize the regulatory asset over a relatively short period, such as three years, with an adjustment to existing rates or a surcharge being added to each customer's monthly bill until the regulatory asset is fully recovered. While this alternative would have a smaller monthly or annual impact than recovering the regulatory asset pursuant to the terms of the existing PGC recovery mechanism, it would still have a significant impact on customers' bills in the near-term and their affordability. Additionally, this method could adversely impact the financial integrity of certain gas utilities and their ability to attract capital. Specifically, many of the participating gas utilities financed the extraordinary costs of Winter Storm Uri, in whole or in part, with short-term debt, which has adversely impacted their borrowing capacity. As a result, the ability to raise additional debt to finance ordinary capital requirements would be impaired or potentially non-existent for

certain utilities, as would their ability to manage another crisis. Additionally, this short-term debt matures prior to when the regulatory assets would be fully recovered approximately three years following the completion of this proceeding. Rolling over maturing short-term debt would continue to leave the gas utilities with limited or exhausted borrowing capacity, while refinancing it with permanent capital would not only increase the cost of capital but would strain their ability to raise additional debt and equity to finance normal, ongoing capital expenditures and withstand extraordinary events. Similarly, the ability to attract additional capital by those utilities that financed the extraordinary gas costs with permanent capital may already be significantly reduced.

Q. PLEASE DISCUSS THE THIRD ALTERNATIVE THAT WOULD INCLUDE THE REGULATORY ASSET IN RATE BASE AND RECOVER THE EXTRAORDINARY COSTS IN BASE SERVICE RATES.

A. Under the third method, the regulatory assets associated with Winter Storm Uri would remain on the gas utilities' books and be financed by the utility. For ratemaking purposes, the regulatory asset would be included in rate base along with property, plant, and equipment, and amortized over a longer period, such as 10 to 15 years. The capital carrying costs, income taxes, and amortization expense associated with the regulatory asset would then be included in the gas utilities' base service rates.

Q. HOW WOULD THE REGULATORY ASSET BE FUNDED UNDER THIS THIRD METHOD?

A. Because the regulatory asset is essentially treated like the gas utilities' other permanent assets, it would have to be correspondingly financed. Short-term debt currently being used to finance the regulatory assets by certain utilities would have to be replaced with long-term debt and common equity. As under the three-year amortization method, financing the regulatory asset with new long-term debt and equity could strain the utility's ability to raise additional capital to finance normal, ongoing expenditures and withstand extraordinary events. Additionally, the proportions and costs of new long-term debt and equity financing could be adversely affected by the fact that the assets being financed are not physical assets being used to provide service to customers, with the higher capital costs being reflected in rates.

B. Analysis of Cost-Effectiveness

Q. DESCRIBE YOUR ANALYSIS AND COMPARISON OF THE RELATIVE COST-EFFECTIVENESS OF FUNDING THE REGULATORY ASSETS WITH CRR BONDS VERSUS THE ALTERNATIVES IDENTIFIED ABOVE.

A. Because different time periods are involved in evaluating the costs of CRR bonds against the costs of alternative methods to fund reimbursements of the extraordinary costs incurred in connection with Winter Storm Uri, it is necessary to use analyses that take into account the time value of money and measure costs in comparable dollars. For efficiency and consistency with the aggregated nature of securitization

cost recovery in H.B. 1520, I have not performed an analysis for each participating gas utility, but have used combined amounts for all of the gas utilities, which are developed in Schedule BHF-1, or representative values for gas utilities.

Q. HOW HAVE YOU TAKEN INTO ACCOUNT THE TIME VALUE OF MONEY IN YOUR ANALYSIS?

A. It is standard practice to analyze costs and benefits that occur over varying time periods using "present value," which accounts for the fact that a dollar received or paid in the future is worth less than one received or paid today. Present value analysis combines future nominal dollars into a single amount normally expressed in current dollars, so that the comparison is on an "apples to apples" basis. Nominal dollar benefits or costs in future years are converted to present value dollars using a "discount" rate, which is effectively an interest rate reflecting the time value, or opportunity cost, of money.

Q. WHAT WOULD BE THE ANNUAL COSTS OF CRR BONDS?

A. The estimated annual costs of the CRR bonds, including principal and interest and ongoing annual operating and administrative expenses, are developed in Schedule BHF-2.

Q. WHAT IS THE ESTIMATED TOTAL AMOUNT OF BONDS THAT WOULD BE ISSUED UNDER SECURITIZATION?

A. In the upper portion of Schedule BHF-2, an initial CRR bond issuance of $3,830 million is calculated. This amount is the sum of the total regulatory assets of $3,607 million contained in the participating gas utilities' Applications summarized on Schedule BHF-1, projected underwriting and issuance expenses, and amounts

required to fund a debt service reserve. Underwriting and issuance costs are estimated to be 0.40% and 0.30%, respectively, of the CRR bonds issued. The 0.40% underwriting expense is consistent with the percentage in Texas electric securitizations, average and median percentages for other bond issuances by Texas government entities over the last year, and data from investment banks. The 0.30% issuance expense is in-line with recent percentages for other bond issuances by Texas government entities. It may be conservative (i.e., overstated) because the large size of the CRR bond issuance would involve economies of scale, but this allows for other reimbursable costs provided for in H.B. 1520 (e.g., costs incurred by the Commission and TPFA). The debt service reserve fund is equal to one-half of the average annual bond costs. This amount is based on discussions with utility Treasury departments, investment bankers, and the level required by other bonds issued by Texas government entities. It also reflects that H.B. 1520 allows the customer rate relief charge to be revised annually and trued-up as necessary.

Q. WHAT ARE THE ESTIMATED ANNUAL COSTS OF THE CRR BONDS?

A. In this analysis, the CRR bonds are assumed to have a maximum maturity of 10 years, with ten series being sized to result in approximately equal annual principal and interest payments, except for the final principal payment being partially met with funds from the debt service reserve. The bond payments are based on the interest rates between mid-June and mid-July 2021 presented earlier for triple-A rated, taxable bonds issued by government entities. To the bond payments, annual operating and administrative expenses equal to 0.60% of the initial bond issuance, or approximately $23 million, are added. Although electric utilities in Texas have

been providing this service for between 0.05% and 0.125% plus projected outside expenses of less than $500,000 per year, the 0.60% is the maximum service fee allowed by the PUCT in recent electric securitizations. As with issuance expenses, the assumed 0.60% servicing fee may be overstated, but this again allows for other reimbursable costs provided for in H.B. 1520. As shown in the last column of the lower portion of Schedule BHF-2, the estimated costs on the CRR bonds are between approximately $411 million and $419 million in each of the ten years.

Q. WHAT WOULD BE THE COSTS IF THE EXTRAORDINARY STORM COSTS WERE RECOVERED THROUGH THE PARTICIPATING UTILITIES' PGC RECOVERY MECHANISMS?

A. Schedule BHF-1 lists the amounts that the participating gas utilities have calculated in their respective Applications that they would be entitled to recover through their respective PGC recovery mechanisms if this method were used. As shown there, this totals $3,604 million and would all be recovered through their PGC recovery mechanisms during the first year.

Q. WHAT WOULD BE THE ANNUAL COSTS IF THE REGULATORY ASSETS WERE AMORTIZED OVER THREE YEARS AND RECOVERED THROUGH A SURCHARGE TO CUSTOMERS?

A. Schedule BHF-1 also shows the total amount that each of the participating gas utilities has calculated in its Application that it would be entitled to recover if the regulatory asset associated with the extraordinary costs were amortized over three years and surcharged to customers. Dividing the total of $4,079 million by three

would result in approximately $1,360 million being recovered in each of the three years.

Q. WHAT WOULD BE THE ANNUAL COST IF THE REGULATORY ASSETS WERE INCLUDED IN RATE BASE, AMORTIZED OVER A LONGER PERIOD, AND INCLUDED IN BASE RATES?

A. Schedule BHF-3 develops the annual costs if the regulatory assets of the participating utilities were included in rate base along with property, plant, and equipment and amortized over 10 years. As noted earlier, the regulatory assets contained in the participating gas utilities' Applications total $3,607 million. An annual carrying cost for the regulatory assets is based on capital structure ratios of 41% debt and 59% equity, a cost of debt of 4.75%, and a return on common equity ("ROE") of 9.5%. These representative values reflect those allowed in recent rate cases before the Commission. As shown in the upper portion of Schedule BHF-3, combining these capital structure ratios, cost of debt, and ROE, grossed up for associated federal income taxes at 21%, produces a capital carrying cost of 9.04%. Applying this percentage to the average unamortized balance of the regulatory asset in each year and adding annual amortization expense results in the declining total annual costs in each of the ten years shown on Schedule BHF-3.

Q. WHAT WAS THE NEXT STEP IN YOUR COST-EFFECTIVENESS ANALYSIS?

A. The annual costs to customers under the CRR bonds and the three methods described above to reimburse utilities for the extraordinary costs are summarized on Schedule BHF-4. The next step is to calculate the present value of the annual

costs under the CRR bonds and each alternative method. There is not a single discount rate applicable to all customers. For those customers that have money to invest, their opportunity cost may currently be relatively low, while for those customers carrying balances on their credit cards, their time value of money may be in excess of 20%. Accordingly, I used a range of interest rates -- 5%, 10%, 15%, and 20% -- to discount the annual costs of the CRR bonds and each alternative method to calculate their present values, which are shown in the middle of Schedule BHF-4.

Q. WHAT ARE THE RESULTS OF THIS ANALYSIS?

A. At the bottom of Schedule BHF-4, the present values of the cost of the CRR bonds is subtracted from the present values of the costs of the alternative methods to calculate the saving under securitized financing. As summarized in the table below, the CRR bonds are the most cost-effective method to fund the regulatory assets of the participating gas utilities, with the savings ranging between $229 million and $1,384 million, depending on the method and discount rate used (millions of present value dollars):

Savings from CRR Bonds vs. Alternative Methods			
	PGC	**3-year**	**Rate Base**
Discount Rate	**Recovery**	**Amortization**	**Inclusion**
5%	$229	$506	$959
10%	$759	$869	$860
15%	$1,126	$1,094	$779
20%	$1,384	$1,231	$712

Q. HAVE YOU PERFORMED ANY SENSITIVITY ANALYSES OF THESE RESULTS?

A. Yes. For the CRR bond financing and method that includes the regulatory assets in rate base, I also calculated the present value using a maximum maturity of the bonds of 15 years and amortizing the regulatory asset over 15 years. As shown on Schedule BHF-5, using 15 years versus ten years does not change the conclusion. Again, the CRR bonds are the most cost-effective method to fund the extraordinary storm costs incurred by the participating gas utilities, with the savings from securitization ranging between $316 million and $1,744 million, depending on the method and discount rate used.

Q. WHAT IF A DISCOUNT RATE LOWER THAN 5%, SAY 3%, IS USED TO CALCULATE PRESENT VALUE?

A. If a time value of money of only 3% is used to discount the annual costs of CRR bond financing and the alternative methods, then recovery of the extraordinary gas costs currently through the PGC mechanism becomes slightly more cost-effective, but CRR bond securitization continues to be more cost-effective than both the 3-year amortization or inclusion in rate base methods. However, as will be discussed in the next section, recovery through the PGC mechanism is the least affordable method, and it is doubtful that 3% is representative of the time value of money to the majority of customers.

Q. WHAT HAPPENS IF INTEREST RATES WERE TO CHANGE BETWEEN NOW AND WHEN THE CRR BONDS ARE ISSUED?

A. I also performed a sensitivity analysis assuming that interest rates on the CRR bonds increase 50% over those used in the analyses on Schedules BHF-4 and BHF-5. When these higher interest rates are substituted into the 10-year analyses on Schedule BHF-4, the CRR bonds remain the most cost-effective except for where costs are recovered through the PGC mechanism and discounted at 5%. Substituting the higher interest rates into the 15-year sensitivity analysis on Schedule BHF-5 shows the CRR bonds to be the most cost-effective in all cases. Of course, if interest rates were to increase, so too would the cost of money to customers, with higher discount rates applying to more customers and the 5% discount rate becoming less applicable. A rise in interest rates would also likely increase the cost of capital to utilities and result in the annual costs of the alternative recovery methods being greater, which would improve the relative cost-effectiveness of the CRR bonds.

V. CUSTOMER AFFORDABILITY

Q. WHAT IS THE PURPOSE OF THIS SECTION?

A. In addition to cost-effectiveness, H.B. 1520 requires that the Commission must find that CRR bonds are reasonably expected to provide benefits to customers in the way of affordability. The purpose of this section is to perform an analysis that compares the estimated impact on customers' monthly bills resulting from the issuance of CRR bonds versus the estimated impact on customers' monthly bills that would result under conventional recovery methods. My analysis of customer

affordability considers only the residential and small commercial classes because the customers comprising gas utilities' larger classes often have vastly dissimilar gas usage, which causes bill impact calculations based on averages for these other classes to have limited meaning.

Q. WHAT CONVENTIONAL RECOVERY METHODS DID YOU COMPARE SECURITIZATION AGAINST TO EVALUATE CUSTOMER AFFORDABILITY?

A. My analysis of customer affordability compares the cost of financing the regulatory asset using CRR bonds with the same three methods used in the analysis of cost-effectiveness described above. These are: 1) to include the extraordinary expenses in the gas utility's PGC recovery mechanism, 2) to amortize the regulatory assets over a relatively short period and recover them through a surcharge added to customers' bills, and 3) to include the regulatory assets in rate base, amortize them over a longer time period, and recover them through base rates.

Q. HOW DID YOU COMPARE THE RELATIVE AFFORDABILITY OF THE CRR BONDS AGAINST THE OTHER CONVENTIONAL RECOVERY METHODS?

A. Whereas the cost-effectiveness analysis above evaluates the costs of the CRR bonds versus the alternative methods over time, the affordability analysis focuses on the immediate impact of each method on residential and commercial customers' bills. Therefore, I use the first-year costs of each method shown on Schedule BHF-4 to estimate the respective impacts on customer's monthly bills.

Q. WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF FINANCING THE REIMBURSEMENT OF THE REGULATORY ASSETS USING CRR BONDS?

A. As noted earlier, H.B. 1520 calls for the customer rate relief charge to be a uniform monthly volumetric charge. As developed on Schedule BHF-6, dividing the first year cost of the CRR bonds of $411 million shown on Schedule BHF-4 by total 2020 volumes of 325,102,345 Mcf reported by the participating gas utilities in their Applications produces a customer rate relief charge of $1.26 per Mcf. As developed on Schedule BHF-1, the average monthly usages for residential and commercial customers are 4.04 Mcf and 26.87 Mcf, respectively, again using data from the participating utilities' Applications. Multiplying these average monthly usages by the customer rate relief charge of $1.26 produces an estimated monthly cost under the CRR bonds of $5.10 to a residential customer and $33.94 to a commercial customer (Schedule BHF-6).

Q. WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF EACH OF THE THREE CONVENTIONAL METHODS OF COST RECOVERY?

A. The estimated monthly costs to customers under each of the three conventional recovery methods are also developed in Schedule BHF-6. Again, a volumetric customer rate relief charge under each method is calculated by dividing the first-year costs from Schedule BHF-4 by the total 2020 volumes of the participating gas utilities. The resulting uniform monthly customer rate relief charges are then multiplied by the average monthly usage of a residential and commercial customer from Schedule BHF-1 to calculate the estimated monthly cost under each

conventional recovery method. As summarized in the table below, the average monthly cost for residential customers of $5.10 in the first year under CRR bond securitization compares with $44.77 if the extraordinary costs are recovered through the PGC mechanism; $16.89 if recovered through a 3-year amortization charge; and $8.33 if included in rate base. For commercial customers, the average first-year CRR charge of $33.94 per month compares with $297.86, $112.36, and $55.41, respectively, under the three conventional recovery methods.

Q. WHAT ARE THE ESTIMATED MONTHLY SAVINGS TO CUSTOMERS UNDER SECURITIZATION VERSUS CONVENTIONAL RECOVERY METHODS?

A. The estimated monthly costs to customers resulting from the issuance of CRR bonds are compared with the estimated monthly costs to customers that would result from the application of conventional recovery methods in the table below. As can be seen, the use of the CRR bonds to finance the extraordinary costs incurred in connection with Winter Storm Uri has the least immediate impact on customers' estimated monthly bills, with annual first-year savings ranging between $3.23 and $39.67 per month for the average residential customer and between $21.47 and $263.92 per month for the average commercial customer. First year total savings for residential customers from CRR bond securitization range between $38.73 and $476.03, and for commercial customers between $257.65 and $3,167.08:

Comparison of First-year Savings of CRR Bonds vs. Conventional Methods				
	CRR Securitization	**PGC Mechanism**	**3-year Amortization**	**Inclusion in Rate Base**
Residential:				
Monthly Cost	$5.10	$44.77	$16.89	$8.33
Monthly Savings		$39.67	$11.79	$3.23
Annual Savings		$476.03	$141.458	$38.73
Commercial:				
Monthly Cost	$33.94	$297.86	$112.36	$55.41
Monthly Savings		$263.92	$78.42	$21.47
Annual Savings		$3,167.08	$941.07	$257.65

Q. HOW IS AFFORDABILITY AFFECTED UNDER THE SENSITIVITY ANALYSES DESCRIBED EARLIER?

A. Lengthening the maximum maturity of the CRR bonds and the amortization of the regulatory asset if included in rate base from 10 to 15 years lowers the first-year monthly cost under these methods from those shown in the table above, with there being no change in the costs under the PGC recovery and 3-year amortization methods. The average cost to a residential customer under securitization drops from $5.10 to $3.72 per month and from $33.94 to $24.77 per month for a commercial customer. For the rate base inclusion method, the cost to a residential customer drops from $8.33 to $6.90 and for a commercial customer from $55.41 to $45.92. The $3.72 and $24.77 per month costs to the average residential and commercial customer, respectively, continue to be lower under securitization than those under the three conventional recovery methods.

Meanwhile, a 50% increase in the interest rate on CRR bonds with 10- and 15-year maximum maturities produces first-year costs for a residential customer of $5.63 and $3.87 a month, respectively, and $37.43 and $25.75 a month, respectively, for a commercial customer. These are still below the monthly first-year costs of the three conventional recovery methods, so that even if interest rates rise 50%, CRR bond securitization remains the most affordable.

VI. PUBLIC INTEREST

Q. DOES CRR BOND SECURITIZATION ACCOMPLISH THE OBJECTIVES OF H.B. 1520?

A. Yes. The purpose of H.B. 1520 is to provide rate relief to customers by extending the period over which the extraordinary costs of Winter Storm Uri are recovered and support the financial strength and stability of gas utilities. As described earlier in my testimony, the issuance of CRR bonds to reimburse gas utilities for the regulatory assets authorized by the Commission in the Regulatory Asset NTO would defer these costs over the life of the CRR bonds and substantially reduce the immediate impact on customers' bills compared to conventional recovery methods. As also described earlier, using CRR bonds to reimburse the participating gas utilities for their regulatory assets would eliminate the need for them to finance these substantial assets with short-term debt or permanent capital. This would, in turn, enable the gas utilities to maintain their financial integrity and ensure their ability to raise debt and equity capital on reasonable terms. Additionally, it would preserve their borrowing power so that the gas utilities could access capital to

finance normal, ongoing expenditures as well as manage another crisis, should it arise.

Q. IS CRR BOND SECURITIZATION THE MOST COST-EFFECTIVE METHOD OF FUNDING REGULATORY ASSET REIMBURSEMENT TO BE MADE TO GAS UTILITIES?

A. Yes. As shown earlier, issuing CRR bonds is the most cost-effective method to recover the extraordinary Winter Storm Uri costs from customers. Using various discount rates between 5% and 20%, the savings from issuing CRR bonds versus other alternative methods of cost recovery are expected to range between $229 million and $1,384 million in present value dollars. Sensitivity analyses lengthening the maximum maturity of the CRR bonds, using a lower discount rate, and assuming a significant increase in interest rates does not affect this conclusion, with securitization being more cost-effective than the other methods in virtually every case.

Q. DOES CRR BOND SECURITIZATION PROVIDE AFFORDABILITY BENEFITS TO CUSTOMERS COMPARED TO CONVENTIONAL RECOVERY METHODS?

A. Yes. A comparison of the estimated monthly costs to the average residential and commercial customer in the first year resulting from the issuance of CRR bonds versus recovery of the regulatory assets through conventional recovery methods shows that the CRR bonds have the least immediate impact on customers' estimated monthly bills. Therefore, recovering the extraordinary costs associated with Winter

Storm Uri through CRR bonds provides customers more near-term affordability than other conventional methods.

Q. DOES THE SECURITIZATION OF THE EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI USING CRR BONDS PROVIDE CUSTOMERS TANGIBLE AND QUANTIFIABLE BENEFITS?

A. Yes. As described above, using CRR bonds to finance the participating gas utilities' regulatory assets is expected to save customers hundreds of millions of present value dollars versus recovering the extraordinary storm costs through other methods. Additionally, both residential and commercial customers benefit immediately through lower estimated monthly costs under CRR bond financing when compared to conventional recovery methods. Both of these are tangible and quantifiable benefits to customers from securitization greater than would have been achieved absent the issuance of CRR bonds.

Q. IS IT YOUR OPINION THAT USING CRR BONDS TO FINANCE THE EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI IS IN THE PUBLIC INTEREST?

A. Yes. For the reasons developed and described above, I believe using CRR bonds to reimburse participating gas utilities for their regulatory assets is consistent with the purposes of H.B. 1520 and in the public interest.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?

A. Yes, it does.

APPENDIX A

BRUCE H. FAIRCHILD

FINCAP, INC.
Financial Concepts and Applications
Economic and Financial Counsel

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Summary of Qualifications

M.B.A. and Ph.D. in finance, accounting, and economics; Certified Public Accountant. Extensive consulting experience involving regulated industries, valuation of closely-held businesses, and other economic analyses. Previously held managerial and technical positions in government, academia, and business, and taught at the undergraduate, graduate, and executive education levels. Broad experience in technical research, computer modeling, and expert witness testimony.

Employment

Principal, FINCAP, Inc. (Sep. 1979 to present)	Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included revenue requirements, rate of return, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Other assignments have involved some seventy valuations as well as various economic (e.g., damage) analyses, typically in connection with litigation. Presented expert witness testimony before courts and regulatory agencies on over one hundred occasions.
Adjunct Assistant Professor, University of Texas at Austin (Sep. 1979 to May. 1981)	Taught undergraduate courses in finance: Fin. 370 – Integrative Finance and Fin. 357 – Managerial Finance.
Assistant Director, Economic Research Division, Public Utility Commission of Texas (Sep. 1976 to Aug. 1979)	Division consisted of approximately twenty-five financial analysts, economists, and systems analysts responsible for rate of return, rate design, special projects, and computer systems. Directed Staff participation in rate cases, presented testimony on approximately thirty-five occasions, and was involved in some forty other cases ultimately settled. Instrumental in the initial development of rate of return and financial policy for newly-created agency. Performed independent research and managed State and Federal funded projects. Assisted in preparing appeals to the Texas Supreme Court and testimony presented before the Interstate Commerce Commission and Department of Energy. Maintained communications with financial community, industry representatives, media, and consumer groups. Appointed by Commissioners as Acting Director.

Assistant Professor, College of Business Administration, University of Colorado at Boulder (Jan. 1977 to Dec. 1978)	Taught graduate and undergraduate courses in finance: Fin. 305 – Introductory Finance, Fin. 401 – Managerial Finance, Fin. 402 – Case Problems in Finance, and Fin. 602 – Graduate Corporate Finance.
Teaching Assistant, University of Texas at Austin (Jan. 1973 to Dec. 1976)	Taught undergraduate courses in finance and accounting: Acc. 311 – Financial Accounting, Acc. 312 – Managerial Accounting, and Fin. 357 – Managerial Finance. Elected to College of Business Administration Teaching Assistants' Committee.
Internal Auditor, Sears, Roebuck and Company, Dallas, Texas (Nov. 1970 to Aug 1972)	Performed audits on internal operations involving cash, accounts receivable, merchandise, accounting, and operational controls, purchasing, payroll, etc. Developed operating and administrative policy and instruction. Performed special assignments on inventory irregularities and Justice Department Civil Investigative Demands.
Accounts Payable Clerk, Transcontinental Gas Pipeline Corp., Houston, Texas (May. 1969 to Aug. 1969)	Processed documentation and authorized payments to suppliers and creditors.

Education

Ph.D., Finance, Accounting, and Economics, University of Texas at Austin (Sep. 1974 to May 1980)	Doctoral program included coursework in corporate finance, investment theory, accounting, and economics. Elected to honor society of Phi Kappa Phi. Received University outstanding doctoral dissertation award. Dissertation: *Estimating the Cost of Equity to Texas Public Utility Companies*
M.B.A., Finance and Accounting, University of Texas at Austin, (Sep. 1972 to Aug. 1974)	Awarded Wright Patman Scholarship by World and Texas Credit Union Leagues. Professional Report: *Planning a Small Business Enterprise in Austin, Texas*
B.B.A., Accounting and Finance, Southern Methodist University, Dallas, Texas (Sep. 1967 to Dec. 1971)	Dean's List 1967-1971 and member of Phi Gamma Delta Fraternity.

Other Professional Activities

Certified Public Accountant, Texas Certificate No. 13,710 (October 1974); entire exam passed in May 1972. Member of the American Institute of Certified Public Accountants (Honorary).

Participated as session chairman, moderator, and paper discussant at annual meetings of Financial Management Association, Southwestern Finance Association, American Finance Association, and other professional associations.

Visiting lecturer in Executive M.B.A program at the University of Stellenbosch Graduate Business School, Belleville, South Africa (1983 and 1984).

Associate Editor of *Austin Financial Digest*, 1974-1975. Wrote and edited a series of investment and economic articles published in a local investment advisory service.

Military

Texas Army National Guard, Feb. 1970 to Sep. 1976. Specialist 5th Class with duty assignments including recovery vehicle operator for armor unit and company clerk for finance unit.

Bibliography

Monographs

"On the Use of Security Analysts' Growth Projections in the DCF Model," with William E. Avera, *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds., Institute for Study of Regulation (1982).

"An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies", with William E. Avera, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982).

"The Spring Thing (A) and (B)" and "Teaching Notes", with Mike E. Miles, a two-part case study in the evaluation, management, and control of risk; distributed by *Harvard's Intercollegiate Case Clearing House*; reprinted in *Strategy and Policy: Concepts and Cases*, A. A. Strickland and A. J. Thompson, Business Publications, Inc. (1978) and *Cases in Managing Financial Resources*, I. Matur and D. Loy, Reston Publishing Co., Inc. (1984).

"Energy Conservation in Existing Residences, Project Director for development of instruction manual and workshops promoting retrofitting of existing homes, *Governor's Office of Energy Resources* and *Department of Energy* (1977-1978).

"Linear Algebra," "Calculus," "Sets and Functions," and "Simulation Techniques," contributed to and edited four mathematics programmed learning texts for MBA students, *Texas Bureau of Business Research* (1975).

Articles and Notes

"How to Value Personal Service Practices," with Keith Wm. Fairchild, *The Practical Accountant* (August 1989).

"The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test," with Adrien M. McKenzie, *Public Utilities Fortnightly* (May 25, 1989).

"North Arctic Industries, Limited," with Keith Wm. Fairchild, *Case Research Journal* (Spring 1988).

"Regulatory Effects on Electric Utilities' Cost of Capital Reexamined," with Louis E. Buck, Jr., *Public Utilities Fortnightly* (September 2, 1982).

"Capital Needs for Electric Utility Companies in Texas: 1976-1985", *Texas Business Review* (January-February 1979), reprinted in "The Energy Picture: Problems and Prospects", J. E. Pluta, ed., *Bureau of Business Research* (1980).

"Some Thoughts on the Rate of Return to Public Utility Companies," with William E. Avera, *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978).

"Regulatory Problems of EFTS," with Robert McLeod, *Issues in Bank Regulation* (Summer 1978) reprinted in *Illinois Banker* (January 1979).

"Regulation of EFTS as a Public Utility," with Robert McLeod, *Proceedings of the Conference on Bank Structure and Competition* (1978).

"Equity Management of REA Cooperatives," with Jerry Thomas, *Proceedings of the Southwestern Finance Association* (1978).

"Capital Costs Within a Firm," *Proceedings of the Southwestern Finance Association* (1977).

"The Cost of Capital to a Wholly-Owned Public Utility Subsidiary," *Proceedings of the Southwestern Finance Association* (1977).

Selected Papers and Presentations

"Federal Energy Regulatory Commission Audits of Common Carriers (Procedures for Audit Compliance)", Energy Transfer Accounting Employee Education, Dallas and Houston, Texas (December 2018).

"Perspectives on Texas Utility Regulation", TSCPA 2016 Energy Conference, Austin, Texas (May 16, 2016).

"Legislative Changes Affecting Texas Utilities," Texas Committee of Utility and Railroad Tax Representatives, Fall Meeting, Austin, Texas (September 1995).

"Rate of Return," "Origins of Information," Economics," and "Deferred Taxes and ITC's," New Mexico State University and National Association of Regulatory Utility Commissioners Public Utility Conferences on Regulation and the Rate-Making Process, Albuquerque, New Mexico (October 1983, 1984, 1985, 1986, 1987, 1988, 1990, 1991, 1992, 1994, and 1995, and September 1989); Pittsburgh, Pennsylvania (April 1993); and Baltimore, Maryland (May 1994 and 1995).

"Developing a Cost-of-Service Study," 1994 Texas Section American Water Works Association Annual Conference, Amarillo, Texas (March 1994).

"Financial Aspects of Cost of Capital and Common Cost Considerations," Kidder, Peabody & Co. Two-Day Rate Case Workshop for Regulated Utility Companies, New York, New York (June 1993).

"Cost-of-Service Studies and Rate Design," General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).

"Rate Base and Revenue Requirements," The University of Texas Regulatory Institute Fundamentals of Utility Regulation, Austin, Texas (June 1989 and 1990).

"Determining the Cost of Capital in Today's Diversified Companies," New Mexico State University Public Utilities Course Part II, Advanced Analysis of Pricing and Utility Revenues, San Francisco, California (June 1990).

"Estimating the Cost of Equity," Oklahoma Association of Tax Representatives, Tulsa, Oklahoma (May 1990).

"Impact of Regulations," Business and the Economy, Leadership Dallas, Dallas, Texas (November 1989).

"Accounting and Finance Workshop" and "Divisional Cost of Capital," New Mexico State University Current Issues Challenging the Regulatory Process, Albuquerque, New Mexico (April 1985 and 1986) and Santa Fe, New Mexico (March 1989).

"Divisional Cost of Equity by Risk Comparability and DCF Analyses," NARUC Advanced Regulatory Studies Program, Williamsburg, Virginia (February 1988) and USTA Rate of Return Task Force, Chicago, Illinois (June 1988).

"Revenue Requirements," Revenue, Pricing, and Regulation in Texas Water Utilities, Texas Water Utilities Conference, Austin, Texas (August 1987 and May 1988).

"Rate Filing – Basic Ratemaking," Texas Gas Association Accounting Workshop, Austin, Texas (March 1988).

"The Effects of Regulation on Fair Market Value: P.H. Robinson – A Case Study," Annual Meeting of the Texas Committee of Utility and Railroad Tax Representatives, Austin, Texas (September 1987).

"How to Value Closely-held Businesses," TSCPA 1987 Entrepreneurs Conference, San Antonio, Texas (May 1987).

"Revenue Requirements" and "Determining the Rate of Return", New Mexico State University Regulation and the Rate-Making Process, Southwestern Water Utilities Conference, Albuquerque, New Mexico (July 1986) and El Paso, Texas (November 1980).

"How to Evaluate Personal Service Practices," TSCPA CPE Exposition 1985, Houston and Dallas, Texas (December 1985).

"How to Start a Small Business – Accounting and Record Keeping," University of Texas Management Development Program, Austin, Texas (October 1984).

"Project Financing of Public Utility Facilities", TSCPA Conference on Public Utilities Accounting and Ratemaking, San Antonio, Texas (April 1984).

"Valuation of Closely-Held Businesses," Concho Valley Estate Planning Council, San Angelo, Texas (September 1982).

"Rating Regulatory Performance and Its Impact on the Cost of Capital," New Mexico State University Seminar on Regulation and the Cost of Capital, El Paso, Texas (May 1982).

"Effect of Inflation on Rate of Return," Cost of Capital Conference and Workshop, Pinehurst, North Carolina (April 1981).

"Original Cost Versus Current Cost Regulation: A Re-examination," Financial Management Association, New Orleans, Louisiana (October 1980).

"Capital Investment Analysis for Electric Utilities," The University of Texas at Dallas, Richardson, Texas (June 1980).

"The Determinants of Capital Costs to the Electric Utility Industry," with Cedric E. Grice, Southwestern Finance Association, San Antonio, Texas (March 1980).

"The Entrepreneur and Management: A Case Study," Small Business Administration Seminar, Austin, Texas (October 1979).

"Capital Budgeting by Public Utilities: A New Perspective," with W. Clifford Atherton, Jr., Financial Management Association, Boston, Massachusetts (October 1979).

"Issues in Regulated Industries – Electric Utilities," University of Texas at Dallas 4th Annual Public Utilities Conference, Dallas, Texas (July 1979).

"Investment Conditions and Strategies in Today's Markets," American Society of Women Accountants, Austin, Texas (January 1979).

"Attrition: A Practical Problem in Determining a Fair Return to Public Utility Companies," Financial Management Association, Minneapolis, Minnesota (October 1978).

"The Cost of Equity to Wholly-Owned Electric Utility Subsidiaries," with William L. Beedles, Financial Management Association, Minneapolis, Minnesota (October 1978).

"PUC Retrofitting Program," Texas Electric Cooperatives Spring Workshop, Austin, Texas (May 1978).

"The Economics of Regulated Industries," Consumer Economics Forum, Houston, Texas (November 1977).

"Public Utilities as Consumer Targets – Is the Pressure Justified?" University of Texas at Dallas 2nd Annual Public Utilities Conference, Dallas, Texas (July 1977).

APPENDIX B

BRUCE H. FAIRCHILD
SUMMARY OF TESTIMONY BEFORE REGULATORY AGENCIES

.	Utility Case	Agency	Docket	Date	Nature of Testimony
1.	Arkansas Electric Cooperative	Arkansas PSC	U-3071	Aug-80	Wholesale Rate Design
2.	East Central Oklahoma Electric Cooperative	Oklahoma CC	26925	Sep-80	Retail Rate Design
3.	Kansas Gas & Electric Company	Kansas CC	115379-U	Nov-80	PURPA Rate Design Standards
4.	Kansas Gas & Electric Company	Kansas CC	128139-U	May-81	Attrition
5.	City of Austin Electric Department	City of Austin	--	Jun-81	PURPA Rate Design Standards
6.	Tarrant County Water Control and Improvement District No. 1	Texas Water Commission	--	Oct-81	Wholesale Rate Design
7.	Owentown Gas Company	Texas RRC	2720	Jan-82	Revenue Requirements and Retail Rate Design
8.	Kansas Gas & Electric Company	Kansas CC	134792-U	Aug-82	Attrition
9.	Mississippi Power Company	Mississippi PSC	U-4190	Sep-82	Working Capital
10.	Lone Star Gas Company	Texas RRC	3757; 3794	Feb-83	Rate of Return on Equity
11.	Kansas Gas & Electric Company	Kansas CC	134792-U	Feb-83	Rate of Return on Equity
12.	Southwestern Bell Telephone Company	Oklahoma CC	28002	Oct-83	Rate of Return on Equity
13.	Morgas Company	Texas RRC	4063	Nov-83	Revenue Requirements
14.	Seagull Energy	Texas RRC	4541	Jul-84	Rate of Return
15.	Southwestern Bell Telephone Company	FCC	84-800	Nov-84	Rate of Return on Equity
16.	Kansas Gas & Electric Company, Kansas City Power & Light Company, and Kansas Electric Power Cooperatives	Kansas CC	142098-U; 142099-U; 142100-U	May-85	Nuclear Plant Capital Costs and Allowance for Funds Used During Construction
17.	Lone Star Gas Company	Texas RRC	5207	Oct-85	Overhead Cost Allocation
18.	Westar Transmission Company	Texas RRC	5787	Nov-85 Jan-86 Jul-86	Rate of Return, Rate Design, and Gas Processing Plant Economics
19.	City of Houston	Texas Water Commission	RC-022; RC-023	Nov-86	Line Losses and Known and Measurable Changes
20.	ENSTAR Natural Company	Alaska PUC	TA 50-4; R-87-2; U-87-2	Nov-86 May-87 May-87	Cost Allocation, Rate Design, and Tax Rate Changes
21.	Brazos River Authority	Texas Water Commission	RC-020	Jan-87	Revenue Requirements and Rate Design
22.	East Texas Industrial Gas Company	Texas RRC	5878	Feb-87	Revenue Requirements and Rate Design

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
23.	Seagull Energy	Texas RRC	6629	Jun-87	Revenue Requirements
24.	ENSTAR Natural Company	Alaska PUC	U-87-42	Jul-87 Sep-87 Sep-87	Cost Allocation, Rate Design, and Contracts
25.	High Plains Natural Gas Company	Texas RRC	6779	Sep-87	Rate of Return
26.	Hughes Texas Petroleum	Texas RRC	2-91,855	Jan-88	Interim Rates
27.	Cavallo Pipeline Company	Texas RRC	7086	Sep-88	Revenue Requirements
28.	Union Gas System, Inc.	Kansas CC	165591-U	Mar-89 Aug-89	Rate of Return
29.	ENSTAR Natural Gas Company	Alaska PUC	U-88-70	Mar-89	Cost Allocation and Bypass
30.	Morgas Co.	Texas RRC	7538	Aug-89	Rate of Return and Cost Allocation
31.	Corpus Christi Transmission Company	Texas RRC	7346	Sep-89	Revenue Requirements
32.	Amoco Gas Co.	Texas RRC	7550	Oct-89	Rate of Return and Cost Allocation
33.	Iowa Southern Utilities	Iowa Utilities Board	RPU-89-7	Nov-89 Mar-90	Rate of Return on Equity
34.	Southwestern Bell Telephone Company	FCC	89-624	Feb-90 Apr-90	Rate of Return on Equity
35.	Lower Colorado River Authority	Texas PUC	9427	Mar-90 Aug-90 Aug-90	Revenue Requirements
36.	Rio Grande Valley Gas Company	Texas RRC	7604	May-90	Consolidated FIT and Depreciation
37.	Southern Union Gas Company	El Paso PURB	--	Oct-90	Disallowed Expenses and FIT
38.	Iowa Southern Utilities	Iowa Utilities Board	RPU-90-8	Nov-90 Feb-91	Rate of Return on Equity
39.	East Texas Gas Systems	Texas RRC	7863	Dec-90	Revenue Requirements
40.	San Jacinto Gas Transmission	Texas RRC	7865	Dec-90	Revenue Requirements
41.	Southern Union Gas Company	Austin; Texas RRC	-- 7878	Feb-91 Feb-91	Rate of Return and Acquisition Adjustment
42.	Southern Union Gas Company	Port Arthur; Texas RRC	-- 8033	Mar-91 Aug-91 Oct-91	Rate of Return and Acquisition Adjustment
43.	Cavallo Pipeline Company	Texas RRC	8016	Jun-91	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
44.	New Orleans Public Service Inc.	New Orleans City Council	CD-91-1	Jun-91 Mar-92	Rate of Return on Equity
45.	Houston Pipe Line Company	Texas RRC	8017	Jul-91	Rate of Return
46.	Southern Union Gas Company	El Paso PURB	--	Aug-91 Sep-91	Acquisition Adjustment
47.	Southwestern Gas Pipeline, Inc.	Texas RRC	8040	Jan-92 Feb-92	Rate Design and Settlement
48.	City of Fort Worth	Texas Water Commission	8748-A 9261-A	Mar-92 Aug-92 Dec-92 Oct-94 Nov-94	Interim Rates, Revenue Requirements, and Public Interest
49.	Southern Union Gas Company	Oklahoma Corp. Com.	--	Jun-92	Rate of Return
50.	Minnegasco	Minnesota PUC	G-008/GR-92-400	Jul-92 Dec-92	Rate of Return
51.	Guadalupe-Blanco River Authority	Texas PUC	11266	Sep-92	Cost Allocation and Bond Funds
52.	Dorchester Intra-State Gas System	Texas RRC	8111	Oct-92 Nov-92	Rate Impact of System Upgrade
53.	Corpus Christi Transmission Company GP and GPII	Texas RRC	8300 8301	Oct-92 Oct-92	Revenue Requirements
54.	East Texas Industrial Gas Company	Texas RRC	8326	Mar-93	Revenue Requirements
55.	Arkansas Louisiana Gas Company	Arkansas PSC	93-081-U	Apr-93 Oct-93	Rate of Return on Equity
56.	Texas Utilities Electric Company	Texas PUC	11735	Jun-93 Jul-93	Impact of Nuclear Plant Construction Delay
57.	Minnegasco	Minnesota PUC	G-008/GR-93-1090	Nov-93 Apr-94	Rate of Return
58.	Gulf States Utilities Company	Municipalities	--	May-94 Oct-94 Nov-94	Rate of Return on Equity
59.	Louisiana Power & Light Company	Louisiana PSC	U-20925	Aug-94 Feb-95	Rate of Return on Equity
60.	San Jacinto Gas Transmission	Texas RRC	8429	Sep-94	Revenue Requirements
61.	Cavallo Pipeline Company	Texas RRC	8465	Sep-94	Revenue Requirements
62.	Eastrans Limited Partnership	Texas RRC	8385	Oct-94	Revenue Requirements
63.	Gulf States Utilities Company	Louisiana PSC	U-19904	Oct-94	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
64.	Entergy Services, Inc.	FERC	ER95-112-000	Mar-95 Nov-95	Rate of Return on Equity
65.	East Texas Gas Systems	Texas RRC	8435	Apr-95	Revenue Requirements
66.	System Energy Resources, Inc.	FERC	ER95-1042-000	May-95 Dec-95 Jan-96	Rate of Return on Equity
67.	Minnegasco	Minnesota PUC	G-008/GR-95-700	Aug-95 Dec-95	Rate of Return
68.	Entex	Louisiana PSC	U-21586	Aug-95	Rate of Return
69.	City of Fort Worth	Texas NRCC	SOAH 582-95-1084	Nov-95	Public Interest of Contract
70.	Seagull Energy Corporation	Texas RRC	8589	Nov-95	Revenue Requirements
71.	Corpus Christi Transmission Company LP	Texas RRC	8449	Feb-96	Revenue Requirements
72.	Missouri Gas Energy	Missouri PSC	GR-96-285	Apr-96 Sep-96 Oct-96	Rate of Return
73.	Entex	Mississippi PSC	96-UA-202	May-96	Rate of Return
74.	Entergy Gulf States, Inc.	Louisiana PSC	U-22084	May-96	Rate of Return on Equity (Gas)
75.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-96 Oct-96	Rate of Return on Equity
76.	American Gas Storage, L.P.	Texas RRC	8591	Sep-96	Revenue Requirements
77.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	Sep-96 Oct-96	Rate of Return on Equity
78.	Lone Star Pipeline and Gas Company	Texas RRC	8664	Oct-96 Jan-97	Rate of Return
79.	Entergy Arkansas, Inc.	Arkansas PSC	96-360-U	Oct-96 Sep-97	Rate of Return on Equity
80.	East Texas Gas Systems	Texas RRC	8658	Nov-96	Revenue Requirements
81.	Entergy Gulf States, Inc.	Texas PUC	16705	Nov-96 Jul-97	Rate of Return on Equity
82.	Eastrans Limited Partnership	Texas RRC	8657	Nov-96	Revenue Requirements
83.	Enserch Processing, Inc.	Texas RRC	8763	Nov-96	Interim Rates
84.	Entergy New Orleans, Inc.	City of New Orleans	UD-97-1	Feb-97 Mar-97 May-98	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
85.	ENSTAR Natural Gas Company	Alaska PUC	U-96-108	Mar-97 Apr-97	Service Area Certificate
86.	San Jacinto Gas Transmission	Texas RRC	8741	Sep-97	Revenue Requirements
87.	Missouri Gas Energy	Missouri PSC	GR-98-140	Nov-97 Apr-98 May-98	Rate of Return
88.	Corpus Christi Transmission Company LP	Texas RRC	8762	Dec-97	Revenue Requirements
89.	Texas-New Mexico Power Company	Texas PUC	17751	Feb-98	Excess Cost Over Market
90.	Southern Union Gas Company	Texas RRC	8878	May-98	Rate of Return
91.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	May-98 Jul-98	Financial Integrity
92.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-98 Jul-98	Financial Integrity
93.	ACGC Gathering Company, LLC	Texas RRC	8896	Sep-98	Cost-based Rates
94.	American Gas Storage, L.P.	Texas RRC	8855	Oct-98	Revenue Requirements
95.	Duke Energy Intrastate Network	Texas RRC	8940	Jun-99	Rate of Return
96.	Aquila Energy Corporation	Texas RRC	8970	Aug-99	Revenue Requirements
97.	San Jacinto Gas Transmission	Texas RRC	8974	Sep-99	Revenue Requirements
98.	Southern Union Gas Company	El Paso PURB	--	Oct-99	Rate of Return
99.	TXU Lone Star Pipeline	Texas RRC	8976	Oct-99 Feb-00	Rate of Return
100.	Sharyland Utilities, L.P.	Texas PUC	21591	Nov-99	Rate of Return
101.	TXU Lone Star Gas Distribution	Texas RRC	9145	Apr-00 Aug-00	Rate of Return
102.	Rotherwood Eastex Gas Storage	Texas RRC	9136	May-00	Revenue Requirements
103.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9137	May-00	Revenue Requirements
104.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9138	Jul-00	Revenue Requirements
105.	East Texas Gas Systems	Texas RRC	9139	Jul-00	Revenue Requirements
106.	Eastrans Limited Partnership	Texas RRC	9140	Aug-00	Revenue Requirements
107.	Reliant Energy – Entex	City of Tyler	--	Oct-00	Rate of Return
108.	City of Fort Worth	Texas NRCC	SOAH 582-00-1092	Dec-00	CCN – Rates and Financial Ability
109.	Entergy Services, Inc.	FERC	RTO1-75	Dec-00	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
110	ENSTAR Natural Gas Company	Alaska PUC	U-00-88	Jun-01 Aug-01 Nov-01 Sep-02 Dec-02	Revenue Requirements, Cost Allocation, and Rate Design
111.	TXU Gas Distribution	Texas RRC	9225	Jul-01	Rate of Return
112.	Centana Intrastate Pipeline LLC	Texas RRC	9243	Aug-01	Rate of Return
113.	Maxwell Water Supply Corp.	Texas NRCC	SOAH-582-01-0802	Oct-01 Mar-02 Apr-02	Reasonableness of Rates
114.	Reliant Energy Arkla	Arkansas PSC	01-243-U	Dec-01 Jun-01	Rate of Return
115.	Entergy Services, Inc.	FERC	ER01-2214-000	Mar-02	Rate of Return on Equity
116.	TXU Lone Star Pipeline	Texas RRC	9292	Apr-02	Rate of Return
117.	Southern Union Gas Company	El Paso PURB	--	Apr-02	Rate of Return
118.	San Jacinto Gas Transmission Co.	Texas RRC	9301	May-02	Rate of Return
119.	Duke Energy Intrastate Network	Texas RRC	9302	May-02	Rate of Return
120.	Reliant Energy Arkla	Oklahoma CC	200200166	May-02	Rate of Return
121.	TXU Gas Distribution	Texas RRC	9313	Jul-02 Sep-02	Rate of Return
122.	Entergy Mississippi, Inc.	Mississippi PSC	2002-UN-256	Aug-02	Rate of Return on Equity
123.	Aquila Storage & Transportation LP	Texas RRC	9323	Sep-02	Revenue Requirements
124.	Panther Pipeline Ltd.	Texas RRC	9291	Oct-02	Revenue Requirements
125.	SEMCO Energy	Michigan PSC	U-13575	Nov-02	Revenue Requirements
126.	CenterPoint Energy Entex	Louisiana PSC	U-26720	Jan-03	Rate of Return
127.	Crosstex CCNG Transmission Ltd.	Texas RRC	9363	May-03	Revenue Requirements
128.	TXU Gas Company	Texas RRC	9400	May-03 Jan-04	Rate of Return
129.	Eastrans Limited Partnership	Texas RRC	9386	May-03	Rate of Return
130.	CenterPoint Energy Entex	City of Houston		Jun-03	Rate of Return
131.	East Texas Gas Systems, L.P.	Texas RRC	9385	Jun-03	Rate of Return
132.	ENSTAR Natural Gas Company	Alaska RCA	U-03-084	Aug-03 Nov-03	Line Extension Surcharge
133.	CenterPoint Energy Arkla	Louisiana PSC		Nov-03	Rate of Return
134.	ENSTAR Natural Gas Company	Alaska RCA	U-03-091	Feb-04	Cost Separation and Taxes

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
135.	Sid Richardson Pipeline, Ltd.	Texas RRC	9532	Jun-04 Nov-04	Revenue Requirements
136.	ETC Katy Pipeline, Ltd.	Texas RRC	9524	Sep-04	Revenue Requirements
137.	CenterPoint Energy Entex	Mississippi PSC	03-UN-0831	Sep-04	Rate Formula
138.	Centana Intrastate Pipeline LLC	Texas RRC	9527	Sep-04	Rate of Return
139.	SEMCO Energy	Michigan PSC	U-14338	Dec-04	Revenue Requirements
140.	Atmos Energy – Energas	Texas RRC	9539	Feb-05	Regulatory Policy
141.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9613	Sep-05	Revenue Requirements
142.	SiEnergy, L.P.	Texas RRC	9604	Dec-05	Rate of Return, Income Taxes, and Cost Allocation
143.	ENSTAR Natural Gas Company	Alaska RCA	TA-140-4	Feb-06	Connection Fees
144.	SEMCO Energy	Michigan PSC	U-14984	May-06 Dec-06	Revenue Requirements
145.	Atmos Energy – Mid-Tex	Texas RRC	9676	May-06 Oct-06	Revenue Requirements
146.	EasTrans Limited Partnership	Texas RRC	9659	Jun-06	Rate of Return
147.	Kinder Morgan Texas Pipeline, L.P.	Texas RRC	9688	Jul-06	Rate of Return
148.	Crosstex CCNG Transmission Ltd.	Texas RRC	9660	Aug-06	Revenue Requirements
149.	Enbridge Pipelines (North Texas), LP	Texas RRC	9691	Oct-06	Rate of Return
150.	Panther Interstate Pipeline Energy	FERC	CP03-338-00	Mar-07	Revenue Requirements
151.	El Paso Electric Company	Texas PUC	34494	Jul-07	CCN
152.	El Paso Electric Company	NM PRC	07-00301-UT	Jul-07	CCN
153.	Atmos Energy	Kansas CC	08-ATMG-280-RTS	Sep-07 Feb-08	Rate of Return on Equity
154.	Centana Intrastate Pipeline LLC	Texas RRC	9759	Sep-07	Rate of Return
155.	Texas Gas Service Company	Texas RRC	9770	Nov-07	Rate of Return
156.	ENSTAR Natural Gas Company	Alaska RCA	U-08-25	Jun-08	Rate Class Switching
157.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-131-301	Oct-08	Rate of Return
158.	ExxonMobil Pipeline Co.	Alaska RCA	TL-140-304	Nov-08	Rate of Return
159.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9843	Dec-08	Revenue Requirements
160.	Koch Alaska Pipeline Company	Alaska RCA	TL 128-308	Dec-08	Rate of Return
161.	Unocal Pipeline Company	Alaska RCA	TL 118-312	Dec-08	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
162.	ETC Katy Pipeline, Ltd.	Texas RRC	9841	Dec-08	Revenue Requirements
163.	Oklahoma Natural Gas	Oklahoma CC	200800348	Jan-09	Rate of Return on Equity
164.	Entergy Mississippi, Inc.	Mississippi PSC	EC-123-0082	Mar 09	Rate of Return on Equity
165.	ENSTAR Natural Gas Company	Alaska RCA	U-09-69 U-09-70	Jun-09 Jul-09 Oct-09	Revenue Requirements, Cost Allocation, and Rate Design
166.	EasTrans, LLC	Texas RRC	9857	Jun-09	Rate of Return
167.	Oklahoma Natural Gas	Oklahoma CC	200900110	Jun-09	Rate of Return
168.	Crosstex CCNG Transmission Ltd.	Texas RRC	9858	Jun-09	Revenue Requirements
169.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul-09	Rate of Return
170.	ENSTAR Natural Gas Company	Alaska RCA	U-08-142	Jul-09	Gas Cost Adjustment
171.	Kinder Morgan Texas Pipeline, LLC	Texas RRC	9889	Jul-09	Rate of Return
172.	Koch Alaska Pipeline Company	Alaska RCA	TL 133-308	Aug-09	Rate of Return
173.	ExxonMobil Pipeline Co.	Alaska RCA	TL-147-304	Nov-09	Rate of Return
174.	Texas Gas Service Company	El Paso PURB	--	Dec-09	Rate of Return
175.	Unocal Pipeline Company	Alaska RCA	TL126-312	Dec-09	Rate of Return
176.	Kuparuk Transportation Company	Alaska RCA	P-08-05	Apr-10	Rate of Return
177.	Trans-Alaska Pipeline System	FERC	ISO9-348-000	Apr 10 Oct 10	Rate of Return
178.	Texas Gas Service	Texas RRC	9988	May 10 Aug 10	Rate of Return
179.	SEMCO Energy Gas Company	Michigan PSC	U-16169	Jun 10 Dec 10	Revenue Requirements
180.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul 10	Rate of Return
181.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-308	Aug 10	Rate of Return
182.	CPS Energy	Texas PUC	36633	Sep 10 Apr 11	Rate of Return for MOU
183.	ExxonMobil Pipeline Co.	Alaska RCA	TL-151-304	Dec 10	Rate of Return
184.	Unocal Pipeline Company	Alaska RCA	TL132-312	Feb 11	Rate of Return
185.	New Mexico Gas Company	NM PRC	11-00042-UT	Mar 11	Rate of Return
186.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-143-301	May 11	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
187.	Enbridge Pipelines (Southern Lights)	FERC	IS11-146-000	Jun 11 Nov 11	Rate of Return
188.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-___	Jul 11	Rate of Return
189.	Unocal Pipeline Company	Alaska RCA	TL126-___	Dec 11	Rate of Return
190.	Kansas Gas Service	Kansas CC	12-KGSC-835-RTS	May 12 Oct 12	Rate of Return
191.	ExxonMobil Pipeline Co.	Alaska RCA	TL-157-304	Jun 12	Rate of Return
192.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-149-301	Jul 12	Rate of Return
193.	Seaway Crude Pipeline Company	FERC	IS12-226-000	Aug 12 Feb 13	Rate of Return
194.	Cross Texas Transmission, LLC	Texas PUC	40604	Aug 12 Oct 12 Nov 12	Revenue Requirements
195.	Wind Energy Transmission Texas	Texas PUC	40606	Aug 12 Nov 12	Revenue Requirements
196.	Lone Star Transmission LLC	Texas PUC	40798	Nov 12	Revenue Requirements
197.	West Texas Gas Company	Texas RRC	10235	Jan 13	Rate of Return
198.	Cross Texas Transmission, LLC	Texas PUC	41190	Feb 13	Revenue Requirements
199.	ExxonMobil Pipeline Co.	Alaska RCA	TL-162-304	Apr 13	Rate of Return
200.	EasTrans,LLC	Texas RRC	10276	Jul 13	Rate of Return
201.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-152-301	Jul 13	Rate of Return
202.	BP Pipelines (Alaska) Inc.	Alaska RCA	TL-143-311	Sep 13	Rate of Return
203.	Wind Energy Transmission Texas	Texas PUC	41923	Oct 13	Revenue Requirements
204.	Oliktok Pipeline Company	Alaska RCA	P-13-013	Nov 13	Rate of Return
205.	Aqua Texas Southeast Region-Gray	Texas CEQ	2013-2007-UCR	Apr 14	Revenue Requirements
206.	Entergy Mississippi	Mississippi PSC	EC-123-0082	Jun 14	Rate of Return on Equity
207.	Westlake Ethylene Pipeline	Texas RRC	10358	Jul 14 Aug 15	Rates
208.	ExxonMobil Pipeline Co.	Alaska RCA	TL-164-304	Jul 14	Rate of Return
209.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-154-301	Aug 14	Rate of Return
210.	Enstar Natural Gas Company	Alaska RCA	TA-262-4	Sep 14 Jun 15	Revenue Requirements, Cost Allocation, and Rate Design

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
211.	Oliktok Pipeline Company	Alaska RCA	TL-44-334	Mar 15	Rate of Return
212.	Entergy Arkansas, Inc.	Arkansas PSC	15-0150U	Apr 15 Oct 15 Dec 15	Rate of Return on Equity
213.	Wind Energy Transmission Texas	Texas PUC	44746	Jun 15	Revenue Requirements
214.	Texas City	Texas RRC	10408	Jun 15 Nov 15	Pipeline Annual Assessment
215.	Oklahoma Natural Gas	Oklahoma CC	201500213	Jul 15 Nov 15	Rate of Return
216.	PTE Pipeline LLC	Alaska RCA	P-12-015	Sep 15	Rate of Return
217.	Northeast Transmission Development, LLC	FERC	ER16-453	Dec 15	Formula Rates
218.	Oncor Electric Delivery	Texas PUC	45188	Dec 15	Public Interest of Acquisition
219.	Corix Utilities (Texas)	Texas PUC	45418	Dec 15 Oct 16	Rate of Return
220.	Texas Gas Service	Texas RRC	10488	Dec 15	Rate of Return
221.	Texas Gas Service	Texas RRC	10506	Mar 16 Jun 16	Rate of Return
222.	Kansas Gas Service	Kansas CC	16-KGSG-491-RTS	May 16 Sep 16	Rate of Return on Equity
223.	Enstar Natural Gas Company	Alaska RCA	TA-285-4	Jun 16 Apr 17	Revenue Requirements, Cost Allocation, and Rate Design
224.	Texas Gas Service	Texas RRC	10526	Jun 16	Rate of Return
225.	West Texas LPG Pipeline	Texas RRC	10455	Aug 16 Jan 17	Rates and Rate of Return
226.	Liberty Utilities	Texas PUC	46356	Sep 16 Feb 17 Jun 17	Revenue Requirements and Rate of Return
227.	DesertLink LLC	FERC	ER17-135	Oct 16	Formula Rates
228.	Houston Pipe Line Co.	Texas RRC	10559	Nov 16	Revenue Requirements
229.	Texas Gas Service	Texas RRC	10656	Jun 17	Rate of Return
230.	Trans-Pecos Pipeline	Texas RRC	10646	Sep 17 Feb 18	Revenue Requirements
231.	Comanche Trail Pipeline	Texas RRC	10647	Sep 17 Feb 18	Revenue Requirements
232.	Alpine High Pipeline	Texas RRC	10665	Oct 17 Feb 18	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
233.	SiEnergy, LP	Texas RRC	10679	Jan 18	Rate of Return
234.	Targa Midland Gas Pipeline LLC	Texas RRC	10690	Jan 18	Revenue Requirements
235.	ET Fuel, LP	Texas RRC	10706	Apr 18	Revenue Requirements
236.	Texas Gas Service	Texas RRC	10739	Jun 18	Rate of Return
237.	Kansas Gas Service	Kansas CC	18-KGSG-560-RTS	Jun 18 Nov 18	Rate of Return on Equity
238.	Oliktok Pipeline Company	Alaska RCA	TL46-334	Jul 18	Rate of Return
239.	Red Bluff Express, LLC	Texas RRC	10752	Jul 18	Revenue Requirements
240.	PTE Pipeline LLC	Alaska RCA	P-18-0__	Jul 18	Rate of Return
241.	Agua Blanca, LLC	Texas RRC	10761	Aug 18	Revenue Requirements
242.	Texas Gas Service	Texas RRC	10766	Aug 18	Rate of Return
243.	Republic Transmission LLC	FERC	ER19-___	Dec 18	Formula Rates
244.	Gulf Coast Express Pipeline LLC	Texas RRC	10825	Feb 19	Revenue Requirements
245.	Cook Inlet Natural Gas Storage Alaska, LLC	Alaska RCA	U-18-043	Mar 19 Apr 19	Accumulated Deferred Income Taxes and Working Capital
246.	Impulsora Pipeline LLC	Texas RRC	10829	Mar 19	Revenue Requirements
247.	SEMCO Energy Gas Co.	Michigan PSC	U-20479	May 19 Oct 19	Revenue Requirements
248.	Liberty Utilities (Fox River) LLC	AAA	01-18-0002-2510	Jul 19 Oct 19	Revenue Requirements
249.	AMP Intrastate Pipeline LLC	Texas RRC	10887	Aug 19	Revenue Requirements
250.	Corix Utilities (Texas) Inc.	Texas PUC	49923	Aug 19 Jul 20 Aug 20	TCJA Tax Expense Reduction
251.	Colonial Pipeline Company	FERC	OR18-7-002	Nov 19 Feb 20 May 20 Jul 20	Rate of Return
252.	Texas Gas Service	Texas RRC	10928	Dec 19 Apr 20	Rate of Return
253.	Mississippi Power Company	Mississippi PSC	2019-UN-219	Feb 20	Rate of Return on Equity
254.	Corix Utilities (Texas)	Texas PUC	50557	Mar 20 Mar 21	Rate of Return and Excess ADFIT
255.	SouthCross CCNG Transmission	Texas RRC	10967	May 20	Revenue Requirements
256.	Kinder Morgan Border Pipeline LLC	Texas RRC	10980	Jun 20	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

257.	Monarch Utilities I LP	Texas PUC	50944	Jul 20 Nov 20	Rate of Return
258.	West Texas Gas, Inc.	Texas RRC	10998	Aug 20	Revenue Requirements, Rate of Return, and Cost of Service Study
259.	Centric Gas Services, LLC	Texas RRC		Oct 20	Rate of Return
260.	CoServ Gas, Ltd	Texas RRC	00005136	Nov 20	Rate of Return
261.	Permian Highway Pipeline LLC	Texas RRC	00005306	Dec 20	Revenue Requirements
262.	Whistler Pipeline LLC	Texas RRC	00005675	Feb 21	Revenue Requirements
263.	Oklahoma Natural Gas	Oklahoma CC	202100063	May 21	Rate of Return
264.	Oliktok Pipeline Company	Alaska RCA	TL47-334	Jul 21	Rate of Return

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department

NOTICE TO LOCAL DISTRIBUTION COMPANIES

Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 and is expected to continue until, at a minimum, Thursday, February 18, 2021 ("2021 Winter Weather Event"). The Commission is aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the 2021 Winter Weather Event. The Commission encourages LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service.

Through this Notice, the Commission authorizes LDCs to use an accounting mechanism and a subsequent process through which those regulated companies may seek future recovery of extraordinary expenses resulting from the effects of the 2021 Winter Weather Event in order to partially defer and reduce the impact on customers of these extraordinary expenses. The Commission has exclusive, original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities pursuant to the Gas Utility Regulatory Act, Texas Utility Code § 102.101(a), (b) and (d). **The Commission hereby authorizes each LDC to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply.**

This Notice only authorizes the ability to record the expenses related to securing natural gas throughout the 2021 Winter Weather Event in a regulatory asset account and does **not** authorize the reasonableness, necessity, or accuracy of the expenses placed into the regulatory asset account. In future rate proceedings, the expenses will be fully subject to review for reasonableness and accuracy, and the LDCs shall bear the burden to prove that the expenses would not have been incurred but for the 2021 Winter Weather Event.

If you have questions regarding this notice, please contact the Commission at mark.evarts@rrc.texas.gov.

Please Forward to the Appropriate Section of Your Company

Austin, Texas **February 2021**

H.B. No. 1520

AN ACT

relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1232.002, Government Code, is amended to read as follows:

Sec. 1232.002. PURPOSE. The purpose of this chapter is to provide a method of financing for:

(1) the acquisition or construction of buildings; [~~and~~]

(2) the purchase or lease of equipment by executive or judicial branch state agencies; and

(3) customer rate relief bonds authorized by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

SECTION 2. Section 1232.066(a), Government Code, is amended to read as follows:

(a) The board's authority under this chapter is limited to the financing of:

(1) the acquisition or construction of a building;

(2) the purchase or lease of equipment; [~~or~~]

(3) stranded costs of a municipal power agency; or

(4) customer rate relief bonds approved by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

SECTION 3. Subchapter C, Chapter 1232, Government Code, is amended by adding Section 1232.1072 to read as follows:

Sec. 1232.1072. ISSUANCE OF OBLIGATIONS FOR FINANCING CUSTOMER RATE RELIEF PROPERTY. (a) The definitions in Section 104.362, Utilities Code, apply to terms used in this section.

(b) The authority may create an issuing financing entity for the purpose of issuing customer rate relief bonds approved by the Railroad Commission of Texas in a financing order, as provided by Subchapter I, Chapter 104, Utilities Code.

(c) An issuing financing entity created under this section is a duly constituted public authority and instrumentality of the state and is authorized to issue customer rate relief bonds on behalf of the state for the purposes of Section 103, Internal Revenue Code of 1986 (26 U.S.C. Section 103).

(d) The issuing financing entity must be governed by a governing board of three members appointed by the authority. A member of the governing board may be a current or former director of the authority. A member of the governing board serves without compensation but is entitled to reimbursement for travel expenses incurred in attending board meetings.

(e) The issuing financing entity must be formed in accordance with, be governed by, and have the powers, rights, and privileges provided for a nonprofit corporation organized under the Business Organizations Code, including Chapter 22 of that code,

subject to the express exceptions and limitations provided by this section and Subchapter I, Chapter 104, Utilities Code. A single organizer selected by the executive director of the authority shall prepare the certificate of formation of the issuing financing entity under Chapters 3 and 22, Business Organizations Code. The certificate of formation must be consistent with the provisions of this section.

(f) The authority shall establish the issuing financing entity to act on behalf of the state as its duly constituted authority and instrumentality to issue customer rate relief bonds approved under Subchapter I, Chapter 104, Utilities Code.

(g) On a request to the authority from the Railroad Commission of Texas, the authority shall direct an issuing financing entity to issue customer rate relief bonds in accordance with a financing order issued by the railroad commission as provided in Subchapter I, Chapter 104, Utilities Code.

(h) Before the issuance of any customer rate relief bonds, the authority and the Railroad Commission of Texas shall ensure that adequate provision is made in any financing order for the recovery of all issuance costs and all other fees, costs, and expenses of the authority, the issuing financing entity, and any advisors or counsel hired by the authority or the entity for the purposes of this section during the life of the customer rate relief bonds.

(i) Customer rate relief bonds are limited obligations of the issuing financing entity payable solely from customer rate relief property and any other money pledged by the issuing

financing entity to the payment of the bonds and are not a debt of this state, the Railroad Commission of Texas, the authority, or a gas utility.

(j) The Railroad Commission of Texas shall ensure that customer rate relief charges are imposed, collected, and enforced in an amount sufficient to pay on a timely basis all bond obligations, financing costs, and bond administrative expenses associated with any issuance of customer rate relief bonds.

(k) The authority and the Railroad Commission of Texas have all the powers necessary to perform the duties and responsibilities described by this section. This section shall be interpreted broadly in a manner consistent with the most cost-effective financing of customer rate relief property, including regulatory assets, extraordinary costs, and related financing costs approved by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

(l) Any interest on the customer rate relief bonds is not subject to taxation by and may not be included as part of the measurement of a tax by this state or a political subdivision of this state.

(m) The authority shall make periodic reports to the Railroad Commission of Texas and the public regarding each financing made in accordance with Section 104.373(b), Utilities Code, and if required by the applicable financing order.

(n) The issuing financing entity shall issue customer rate relief bonds in accordance with and subject to other provisions of Title 9 applicable to the authority.

(o) The issuing financing entity may exercise the powers granted to the governing body of an issuer with regard to the issuance of obligations and the execution of credit agreements under Chapter 1371. A purpose for which bonds, obligations, or other evidences of indebtedness are issued under this section and Subchapter I, Chapter 104, Utilities Code, constitutes an eligible project for purposes of Chapter 1371 of this code.

(p) Assets of an issuing financing entity may not be considered part of any state fund and must be held outside the state treasury. The liabilities of the issuing financing entity may not be considered to be a debt of the state or a pledge of the state's credit. An issuing financing entity must be self-funded from customer rate relief property and established in accordance with Subchapter I, Chapter 104, Utilities Code. A state agency may provide money appropriated for the purpose to the issuing financing entity to provide for initial operational expenses of the issuing financing entity.

SECTION 4. Section 1232.108, Government Code, is amended to read as follows:

Sec. 1232.108. LEGISLATIVE AUTHORIZATION REQUIRED. Except as permitted by Section 1232.1072, 1232.109, 2166.452, or 2166.453, before the board may issue and sell bonds, the legislature by the General Appropriations Act or other law must have authorized:

(1) the specific project for which the bonds are to be issued and sold; and

(2) the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance

and sale of bonds for the project.

SECTION 5. Chapter 104, Utilities Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CUSTOMER RATE RELIEF BONDS

Sec. 104.361. PURPOSE; RAILROAD COMMISSION DUTY. (a) The purpose of this subchapter is to reduce the cost that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after that event, by providing securitization financing for gas utilities to recover those costs. The securitization financing mechanism authorized by this subchapter will:

(1) provide rate relief to customers by extending the period during which the costs described by this subsection are recovered from customers; and

(2) support the financial strength and stability of gas utility companies.

(b) The railroad commission shall ensure that securitization provides tangible and quantifiable benefits to customers, greater than would have been achieved absent the issuance of customer rate relief bonds.

Sec. 104.362. DEFINITIONS. In this subchapter:

(1) "Ancillary agreement" means a financial arrangement entered into in connection with the issuance or payment of customer rate relief bonds that enhances the marketability, security, or creditworthiness of customer rate relief bonds, including a bond, insurance policy, letter of credit, reserve

account, surety bond, interest rate or currency swap arrangement, interest rate lock agreement, forward payment conversion agreement, credit agreement, other hedging arrangement, or liquidity or credit support arrangement.

(2) "Authority" means the Texas Public Finance Authority.

(3) "Bond administrative expenses" means all costs and expenses incurred by the railroad commission, the authority, or any issuing financing entity to evaluate, issue, and administer customer rate relief bonds issued under this subchapter, including fees and expenses of the authority, any bond administrator, and the issuing financing entity, fees for paying agents, trustees, and attorneys, and fees for paying for other consulting and professional services necessary to ensure compliance with this subchapter, applicable state or federal law, and the terms of the financing order.

(4) "Bond obligations" means the principal of a customer rate relief bond and any premium and interest on a customer rate relief bond issued under this subchapter, together with any amount owed under a related ancillary agreement or credit agreement.

(5) "Credit agreement" has the meaning assigned by Section 1371.001, Government Code.

(6) "Customer rate relief bonds" means bonds, notes, certificates, or other evidence of indebtedness or ownership the proceeds of which are used directly or indirectly to recover, finance, or refinance regulatory assets approved by the railroad

commission, including extraordinary costs and related financing costs, and that are:

(A) issued by an issuing financing entity under a financing order; and

(B) payable from and secured by customer rate relief property and amounts on deposit in any trust accounts established for the benefit of the customer rate relief bondholders as approved by the applicable financing order.

(7) "Customer rate relief charges" means the amounts authorized by the railroad commission as nonbypassable charges to repay, finance, or refinance regulatory assets, including extraordinary costs, financing costs, bond administrative expenses, and other costs authorized by the financing order:

(A) imposed on and included in customer bills of a gas utility that has received a regulatory asset determination under Section 104.365;

(B) collected in full by a gas utility that has received a regulatory asset determination under Section 104.365, or its successors or assignees, or a collection agent, as servicer, separate and apart from the gas utility's base rates; and

(C) paid by all existing or future customers receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or its successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier.

(8) "Customer rate relief property" means:

(A) all rights and interests of an issuing

financing entity or any successor under a financing order, including the right to impose, bill, collect, and receive customer rate relief charges authorized in the financing order and to obtain periodic adjustments to those customer rate relief charges as provided in the financing order and in accordance with Section 104.370; and

(B) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified by Paragraph (A), regardless of whether the revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money, or proceeds.

(9) "Financing costs" means any of the following:

(A) interest and acquisition, defeasance, or redemption premiums that are payable on customer rate relief bonds;

(B) a payment required under an ancillary agreement or credit agreement or an amount required to fund or replenish reserve or other accounts established under the terms of an indenture, ancillary agreement, or other financing document pertaining to customer rate relief bonds;

(C) issuance costs or ongoing costs related to supporting, repaying, servicing, or refunding customer rate relief bonds, including servicing fees, accounting or auditing fees, trustee fees, legal fees or expenses, consulting fees, administrative fees, printing fees, financial advisor fees or expenses, Securities and Exchange Commission registration fees,

issuer fees, bond administrative expenses, placement and underwriting fees, capitalized interest, overcollateralization funding requirements including amounts to fund or replenish any reserve established for a series of customer rate relief bonds, rating agency fees, stock exchange listing and compliance fees, filing fees, and any other bond administrative expenses; and

(D) the costs to the railroad commission of acquiring professional or consulting services for the purpose of evaluating extraordinary costs under this subchapter.

(10) "Financing order" means an order adopted under Section 104.366 approving the issuance of customer rate relief bonds and the creation of customer rate relief property and associated customer rate relief charges for the recovery of regulatory assets, including extraordinary costs, related financing costs, and other costs authorized by the financing order.

(11) "Financing party" means a holder of customer rate relief bonds, including a trustee, a pledgee, a collateral agent, any party under an ancillary agreement, or other person acting for the holder's benefit.

(12) "Gas utility" means:

(A) an operator of natural gas distribution pipelines that delivers and sells natural gas to the public and that is subject to the railroad commission's jurisdiction under Section 102.001; or

(B) an operator that transmits, transports, delivers, or sells natural gas or synthetic natural gas to operators of natural gas distribution pipelines and whose rates for

those services are established by the railroad commission in a rate proceeding filed under this chapter.

(13) "Issuing financing entity" means a special purpose nonmember, nonstock, nonprofit public corporation established by the authority under Section 1232.1072, Government Code.

(14) "Nonbypassable" means a charge that:

(A) must be paid by all existing or future customers receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or the gas utility's successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier; and

(B) may not be offset by any credit.

(15) "Normalized market pricing" means the average monthly pricing at the Henry Hub for the three months immediately preceding the month during which extraordinary costs were incurred, plus contractual adders to the index price and other non-indexed gas procurement costs.

(16) "Regulatory asset" includes extraordinary costs:

(A) recorded by a gas utility in the utility's books and records in accordance with the uniform system of accounts prescribed for natural gas companies subject to the provisions of the Natural Gas Act (15 U.S.C. Section 717 et seq.) by the Federal Energy Regulatory Commission and generally accepted accounting principles; or

(B) classified as a receivable or financial asset under international financial reporting standards under the

railroad commission's authorization in the Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event issued February 13, 2021.

(17) "Servicer" means, with respect to each issuance of customer rate relief bonds, the entity identified by the railroad commission in the financing order as servicer responsible for collecting customer rate relief charges from participating gas utilities, remitting all collected funds to the applicable issuing financing entity or the bond trustee, calculating true-up adjustments, and performing any other duties as specified in the financing order.

(18) "Winter Storm Uri" means the North American winter storm that occurred in February 2021.

Sec. 104.363. EXTRAORDINARY COSTS. For the purposes of this subchapter, extraordinary costs are the reasonable and necessary costs related to Winter Storm Uri, including carrying costs, placed in a regulatory asset and approved by the railroad commission in a regulatory asset determination under Section 104.365.

Sec. 104.364. JURISDICTION AND POWERS OF RAILROAD COMMISSION AND OTHER REGULATORY AUTHORITIES. (a) The railroad commission may authorize the issuance of customer rate relief bonds if the requirements of Section 104.366 are met.

(b) The railroad commission may assess to a gas utility costs associated with administering this subchapter. Assessments must be recovered from rate-regulated customers as part of gas

cost.

(c) The railroad commission has exclusive, original jurisdiction to issue financing orders that authorize the creation of customer rate relief property. Customer rate relief property must be created and vested in an issuing financing entity and does not constitute property of the railroad commission or any gas utility.

(d) Except as provided by Subsection (c), this subchapter does not limit or impair a regulatory authority's plenary jurisdiction over the rates, charges, and services rendered by gas utilities in this state under Chapter 102.

Sec. 104.365. REGULATORY ASSET DETERMINATION. (a) The railroad commission, on application of a gas utility to recover a regulatory asset, shall determine the regulatory asset amount to be recovered by the gas utility. A gas utility may request recovery of a regulatory asset under this subchapter only if the regulatory asset is related to Winter Storm Uri.

(b) A gas utility desiring to participate in the customer rate relief bond process under a financing order by requesting recovery of a regulatory asset must file an application with the railroad commission on or before the 60th day after the effective date of the Act enacting this subchapter.

(c) If the railroad commission does not make a final determination regarding the regulatory asset amount to be recovered by a gas utility before the 151st day after the gas utility files the application, the railroad commission is considered to have approved the regulatory asset amount requested by the gas utility.

(d) The regulatory asset determination is not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as authorized by Section 104.370.

(e) The regulatory asset determination is not subject to rehearing by the railroad commission and may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the order is signed by the railroad commission.

(f) The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(g) All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and limited to whether the financing order:

(1) complies with the constitution and laws of this state and the United States; and

(2) is within the authority of the railroad commission to issue under this subchapter.

(h) The railroad commission shall establish a schedule, filing requirements, and a procedure for determining the prudence of the costs included in a gas utility's regulatory asset.

(i) To the extent a gas utility subject to this subchapter receives insurance proceeds, governmental grants, or other sources

of funding that compensate or otherwise reimburse or indemnify the gas utility for extraordinary costs following the issuance of customer rate relief bonds, the gas utility may record the amount in a regulatory liability account and that amount shall be reviewed in a future proceeding. If an audit conducted under a valid gas purchase agreement identifies a change of greater than five percent to the total amount of the gas supply costs incurred during the event for which regulatory asset recovery was approved, the gas utility may record the amount in a regulatory asset or regulatory liability account and that amount shall be reviewed for recovery in a future proceeding.

Sec. 104.366. FINANCING ORDERS AND ISSUANCE OF CUSTOMER RATE RELIEF BONDS. (a) If the railroad commission determines that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to be made to gas utilities, the railroad commission, after the final resolution of all applications filed under Section 104.365, may request the authority to direct an issuing financing entity to issue customer rate relief bonds. Before making the request, the railroad commission must issue a financing order that complies with this section.

(b) To make the determination described by Subsection (a), the railroad commission must find that the proposed structuring, expected pricing, and proposed financing costs of the customer rate relief bonds are reasonably expected to provide benefits to customers by:

(1) considering customer affordability; and

(2) comparing:

(A) the estimated monthly costs to customers resulting from the issuance of customer rate relief bonds; and

(B) the estimated monthly costs to customers that would result from the application of conventional recovery methods.

(c) The financing order must:

(1) include a finding that the use of the securitization financing mechanism is in the public interest and consistent with the purposes of this subchapter;

(2) detail the total amount of the regulatory asset determinations to be included in the customer rate relief bond issuance;

(3) authorize the recovery of any tax obligation of the gas utilities arising or resulting from:

(A) receipt of customer rate relief bond proceeds; or

(B) collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the railroad commission determines reasonable;

(4) authorize the issuance of customer rate relief bonds through an issuing financing entity;

(5) include a statement of:

(A) the aggregated regulatory asset determination to be included in the principal amount of the customer rate relief bonds, not to exceed $10 billion for any separate bond issue;

(B) the maximum scheduled final maturity of the customer rate relief bonds, not to exceed 30 years, except that the legal final maturity may be longer based on rating agency and market considerations; and

(C) the maximum interest rate that the customer rate relief bonds may bear, not to exceed the maximum net effective interest rate allowed by law;

(6) provide for the imposition, collection, and mandatory periodic formulaic adjustment of customer rate relief charges in accordance with Section 104.370 by all gas utilities and successors of gas utilities for which a regulatory asset determination has been made under Section 104.365 to ensure that the customer rate relief bonds and all related financing costs will be paid in full and on a timely basis by customer rate relief charges;

(7) authorize the creation of customer rate relief property in favor of the issuing financing entity and pledge of customer rate relief property to the payment of the customer rate relief bonds;

(8) direct the issuing financing entity to disperse the proceeds of customer rate relief bonds, net of bond issuance costs, reserves, and any capitalized interest, to gas utilities for which a regulatory asset determination has been made under Section 104.365 and include the amounts to be distributed to each participating gas utility;

(9) provide that customer rate relief charges be collected and allocated among customers of each gas utility for

which a regulatory determination has been made under Section 104.365 through uniform monthly volumetric charges to be paid by customers as a component of the gas utility's gas cost or in another manner that the railroad commission determines reasonable; and

(10) reflect the commitment made by a gas utility receiving proceeds that the proceeds are in lieu of recovery of those costs through the regular ratemaking process or other mechanism to the extent the costs are reimbursed to the gas utility by customer rate relief bond financing proceeds.

(d) The financing order may provide for a centralized servicer to coordinate with participating gas utilities who bill and collect customer rate relief charges and to provide certain collection and forecast data required for calculating true-up adjustments. The financing order may not provide for the railroad commission, the authority, the issuing financing entity, or a participating utility to act as servicer.

(e) The principal amount determined by the railroad commission must be increased to include an amount sufficient to:

(1) pay the financing costs associated with the issuance, including all bond administrative expenses to be paid from the proceeds of the bonds;

(2) reimburse the authority and the railroad commission for any costs incurred for the issuance of the customer rate relief bonds and related bond administrative expenses;

(3) provide for any applicable bond reserve fund; and

(4) capitalize interest for the period determined necessary by the railroad commission.

(f) The authority, consistent with this subchapter and the terms of the financing order, shall:

(1) direct an issuing financing entity to issue customer rate relief bonds at the railroad commission's request, in accordance with the requirements of Chapter 1232, Government Code, and other provisions of Title 9, Government Code, that apply to bond issuance by a state agency;

(2) determine the methods of sale, types of bonds, bond forms, interest rates, principal amortization, amount of reserves or capitalized interest, and other terms of the customer rate relief bonds that in the authority's judgment best achieve the economic goals of the financing order and effect the financing at the lowest practicable cost; and

(3) reimburse the railroad commission, the authority, or any issuing financing entity for bond administrative expenses and other costs authorized under this subchapter.

(g) To the extent authorized in the applicable financing order, an issuing financing entity may enter into credit agreements or ancillary agreements in connection with the issuance of customer rate relief bonds.

(h) The financing order becomes effective in accordance with its terms. The financing order, together with the customer rate relief property and the customer rate relief charges authorized by the financing order, is irrevocable and not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as provided under Subsection (j) and authorized by Section 104.370.

(i) The railroad commission shall issue a financing order under this section not later than the 90th day following the date of the conclusion of all proceedings filed under Section 104.365.

(j) A financing order is not subject to rehearing by the railroad commission. A financing order may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the financing order is signed by the railroad commission.

(k) The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(l) All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and is limited to whether the financing order:

(1) complies with the constitution and laws of this state and the United States; and

(2) is within the authority of the railroad commission to issue under this subchapter.

(m) The railroad commission shall transmit a financing order to the authority after all appeals under this section have been exhausted.

(n) The authority shall direct an issuing financing entity to issue customer rate relief bonds as soon as practicable and not

later than the 180th day after receipt of a financing order issued under this section, except that the authority may cause the issuance after the 180th day if necessary based on bond market conditions, the receipt of necessary approvals, and the timely receipt of necessary financial disclosure information from each participating gas utility.

(o) The issuing financing entity shall deliver customer rate relief bond proceeds net of upfront financing costs in accordance with the applicable financing order.

(p) For the benefit of the authority, the issuing financing entity, holders of customer rate relief bonds, and all other financing parties, the railroad commission shall guarantee in a financing order that the railroad commission will take all actions in the railroad commission's powers to enforce the provisions of the financing order to ensure that customer rate relief charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the customer rate relief bonds and all related financing costs and bond administrative expenses.

(q) The railroad commission shall make periodic reports to the public regarding each financing.

Sec. 104.367. PROPERTY RIGHTS. (a) Customer rate relief bonds are the limited obligation solely of the issuing financing entity and are not a debt of a gas utility or a debt or a pledge of the faith and credit of this state or any political subdivision of this state.

(b) Customer rate relief bonds are nonrecourse to the credit or any assets of this state or the authority. A trust fund created

in connection with the issuance of customer rate relief bonds is not subject to Subtitle B, Title 9, Property Code.

(c) The rights and interests of an issuing financing entity or the successor under a financing order, including the right to receive customer rate relief charges authorized in the financing order, are only contract rights until pledged in connection with the issuance of the customer rate relief bonds, at which time the rights and interests become customer rate relief property.

(d) Customer rate relief property created under a financing order is vested ab initio in the issuing financing entity. Customer rate relief property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, notwithstanding that the imposition and collection of customer rate relief charges depends on further acts of the gas utility or others that have not yet occurred. The financing order remains in effect, and the customer rate relief property continues to exist, for the same period as the pledge of the state described by Section 104.374.

(e) All revenue and collections resulting from customer rate relief charges constitute proceeds only of a property right arising from the financing order.

(f) An amount owed by an issuing financing entity under an ancillary agreement or a credit agreement is payable from and secured by a pledge and interest in the customer rate relief property to the extent provided in the documents evidencing the ancillary agreement or credit agreement.

Sec. 104.368. PROPERTY INTEREST NOT SUBJECT TO SETOFF, COUNTERCLAIM, SURCHARGE, OR DEFENSE. The interest of an issuing

financing entity or pledgee in customer rate relief property, including the revenue and collections arising from customer rate relief charges, is not subject to setoff, counterclaim, surcharge, or defense by the gas utility or any other person or in connection with the bankruptcy of the gas utility, the authority, or any other entity. A financing order remains in effect and unabated notwithstanding the bankruptcy of the gas utility, the authority, an issuing financing entity, or any successor or assignee of the gas utility, authority, or issuing financing entity.

Sec. 104.369. CUSTOMER RATE RELIEF CHARGES NONBYPASSABLE. A financing order must include terms ensuring that the imposition and collection of the customer rate relief charges authorized in the order are nonbypassable.

Sec. 104.370. TRUE-UP MECHANISM. (a) A financing order must include a formulaic true-up charge adjustment mechanism that requires that the customer rate relief charges be reviewed and adjusted at least annually by the servicer or replacement servicer, including a subservicer or replacement subservicer, at time periods and frequencies provided in the financing order, to:

(1) correct any overcollections or undercollections of the preceding 12 months; and

(2) ensure the expected recovery of amounts sufficient to provide for the timely payment of customer rate relief bond principal and interest payments and other financing costs.

(b) True-up charge adjustments must become effective not later than the 30th day after the date the railroad commission receives a true-up charge adjustment letter from the servicer or

replacement servicer notifying the railroad commission of the pending adjustment.

(c) Any administrative review of true-up charge adjustments must be limited to notifying the servicer of mathematical or clerical errors in the calculation. The servicer may correct the error and refile a true-up charge adjustment letter, with the adjustment becoming effective as soon as practicable but not later than the 30th day after the date the railroad commission receives the refiled letter.

Sec. 104.371. SECURITY INTERESTS; ASSIGNMENT; COMMINGLING; DEFAULT. (a) Customer rate relief property does not constitute an account or general intangible under Section 9.106, Business & Commerce Code. The creation, granting, perfection, and enforcement of liens and security interests in customer rate relief property that secures customer rate relief bonds are governed by Chapter 1208, Government Code.

(b) The priority of a lien and security interest perfected under this section is not impaired by any later adjustment of customer rate relief charges under a mechanism adopted under Section 104.370 or by the commingling of funds arising from customer rate relief charges with other funds. Any other security interest that may apply to those funds is terminated when the funds are transferred to a segregated account for the issuing financing entity or a financing party. If customer rate relief property has been transferred to a trustee or another pledgee of the issuing financing entity, any proceeds of that property must be held in trust for the financing party.

(c) If a default or termination occurs under the customer rate relief bonds, a district court of Travis County, on application by or on behalf of the financing parties, shall order the sequestration and payment to the financing parties of revenue arising from the customer rate relief charges.

Sec. 104.372. BOND PROCEEDS IN TRUST. (a) The issuing financing entity may deposit proceeds of customer rate relief bonds issued by the issuing financing entity under this subchapter with a trustee selected by the issuing financing entity or the proceeds may be held by the comptroller in a dedicated trust fund outside the state treasury in the custody of the comptroller.

(b) Bond proceeds, net of the financing costs and reserves described by Subdivisions (2) and (3), including investment income, must be held in trust for the exclusive benefit of the railroad commission's policy of reimbursing gas utility costs and applied in accordance with the financing order. The issuing financing entity shall deliver the net proceeds, as provided in the applicable financing order, to:

(1) reimburse each gas utility the regulatory asset amount determined to be reasonable for that gas utility in the financing order;

(2) pay the financing costs of issuing the bonds; and

(3) provide bond reserves or fund any capitalized interest, as applicable.

(c) On full payment of the customer rate relief bonds and any related financing costs, any customer rate relief charges or other amounts held as security for the bonds shall be used to

provide credits to gas utility customers as provided in the financing order.

Sec. 104.373. REPAYMENT OF CUSTOMER RATE RELIEF BONDS. (a) As long as any customer rate relief bonds or related financing costs remain outstanding, uniform monthly volumetric customer rate relief charges must be paid by all current and future customers that receive service from a gas utility for which a regulatory asset determination has been made under Section 104.365. A gas utility and its successors, assignees, or replacements shall continue to bill and collect customer rate relief charges from the gas utility's current and future customers until all customer rate relief bonds and financing costs are paid in full.

(b) The authority shall report to the railroad commission the amount of the outstanding customer rate relief bonds issued by the issuing financing entity under this subchapter and the estimated amount of annual bond administrative expenses.

(c) All revenue collected from the customer rate relief charges shall be remitted promptly by the applicable servicers to the issuing financing entity or the bond trustee for the customer rate relief bonds to pay bond obligations and ongoing financing costs, including bond administrative expenses, to ensure timely payment of bond obligations and financing costs.

(d) Customer rate relief property, including customer rate relief charges, may be applied only as provided by this subchapter.

(e) Bond obligations are payable only from sources provided for payment by this subchapter.

Sec. 104.374. PLEDGE OF STATE. (a) Customer rate relief

bonds issued under this subchapter and any related ancillary agreements or credit agreements are not a debt or pledge of the faith and credit of this state or a state agency or political subdivision of this state. A customer rate relief bond, ancillary agreement, or credit agreement is payable solely from customer rate relief charges as provided by this subchapter.

(b) Notwithstanding Subsection (a), this state, including the railroad commission and the authority, pledges for the benefit and protection of the financing parties and the gas utility that this state will not take or permit any action that would impair the value of customer rate relief property, or, except as permitted by Section 104.370, reduce, alter, or impair the customer rate relief charges to be imposed, collected, and remitted to financing parties until the principal, interest and premium, and contracts to be performed in connection with the related customer rate relief bonds and financing costs have been paid and performed in full. Each issuing financing entity shall include this pledge in any documentation relating to customer rate relief bonds.

(c) Before the date that is two years and one day after the date that an issuing financing entity no longer has any payment obligation with respect to customer rate relief bonds, the issuing financing entity may not wind up or dissolve the financing entity's operations, may not file a voluntary petition under federal bankruptcy law, and neither the board of the issuing financing entity nor any public official nor any organization, entity, or other person may authorize the issuing financing entity to be or to become a debtor under federal bankruptcy law during that period.

The state covenants that it will not limit or alter the denial of authority under this subsection, and the provisions of this subsection are hereby made a part of the contractual obligation that is subject to the state pledge made in this section.

Sec. 104.375. TAX EXEMPTION. (a) The sale or purchase of or revenue derived from services performed in the issuance or transfer of customer rate relief bonds issued under this subchapter is exempt from taxation by this state or a political subdivision of this state.

(b) A gas utility's receipt of customer rate relief charges is exempt from state and local sales and use taxes and utility gross receipts taxes and assessments, and is excluded from revenue for purposes of franchise tax under Section 171.1011, Tax Code.

Sec. 104.376. RECOVERABLE TAX EXPENSE. A tax obligation of the gas utility arising from receipt of customer rate relief bond proceeds or from the collection or remittance of customer rate relief charges is an allowable expense under Section 104.055.

Sec. 104.377. ISSUING FINANCING ENTITY OR FINANCING PARTY NOT PUBLIC UTILITY. An issuing financing entity or financing party may not be considered to be a public utility or person providing natural gas service solely by virtue of the transactions described by this subchapter.

Sec. 104.378. NO PERSONAL LIABILITY. A commissioner of the railroad commission, a railroad commission employee, a member of the board of directors of the authority, an employee of the authority, or a director, officer, or employee of any issuing financing entity is not personally liable for a result of an

exercise of a duty or responsibility established under this subchapter.

Sec. 104.379. CATASTROPHIC WEATHER EVENT STUDY. (a) The railroad commission shall conduct a study on measures to mitigate catastrophic weather events, including measures to:

(1) establish natural gas storage capacity to ensure a reliable gas supply, including location, ownership, and other pertinent factors regarding gas storage capacity;

(2) assess the advantages and disadvantages of requiring local distribution companies to use hedging tactics to avoid volatile customer rates; and

(3) assess the advantages and disadvantages of prohibiting spot market purchases during a catastrophic weather event that contribute to volatile customer rates.

(b) Not later than December 1, 2022, the railroad commission shall report the railroad commission's findings to the governor, the lieutenant governor, and the speaker of the house of representatives.

(c) This section expires August 31, 2023.

Sec. 104.380. SEVERABILITY. After the date customer rate relief bonds are issued under this subchapter, if any provision in this title or portion of this title or related provisions in Title 9, Government Code, are held to be invalid or are invalidated, superseded, replaced, repealed, or expire for any reason, that occurrence does not affect the validity or continuation of this subchapter or any other provision of this title or related provisions in Title 9, Government Code, that are relevant to the

issuance, administration, payment, retirement, or refunding of customer rate relief bonds or to any actions of a gas utility, its successors, an assignee, a collection agent, or a financing party, which shall remain in full force and effect.

SECTION 6. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2021.

President of the Senate

Speaker of the House

I certify that H.B. No. 1520 was passed by the House on April 20, 2021, by the following vote: Yeas 139, Nays 5, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1520 on May 28, 2021, by the following vote: Yeas 130, Nays 12, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 1520 was passed by the Senate, with amendments, on May 26, 2021, by the following vote: Yeas 29, Nays 2.

Secretary of the Senate

APPROVED: _____

Date

_____

Governor

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department

NOTICE TO GAS UTILITIES

Procedure for Gas Utilities to File an Application for Regulatory Asset Determination Pursuant to H.B. No. 1520, Texas Utilities Code, chapter 104, subchapter I, and Participate in Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter Weather Event

Background

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 ("February 2021 Winter Weather Event" or "Winter Storm Uri").

On February 13, 2021, the Commission issued a *Notice to Local Distribution Companies* (the "Regulatory Asset NTO") authorizing each natural gas utility local distribution company "to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply." The Regulatory Asset NTO only authorized the ability to record extraordinary expenses related to the February 2021 Winter Weather Event and deferred the Commission's determination regarding the reasonableness, necessity, and accuracy of the extraordinary expenses recorded in the regulatory asset account.

H.B. 1520

On June 16, 2021, H.B. 1520 (87th Regular Session), *relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments*, became effective. H.B. 1520 authorizes the Commission to issue a Financing Order directing the Texas Public Finance Authority ("TFPA") to issue bonds for the purposes of reducing the costs that customers would otherwise experience due to extraordinary costs that gas utilities incurred to secure gas supply and to provide service during Winter Storm Uri. The new law provides securitization financing ("customer rate relief bonds") for gas utilities that choose to participate to recover those extraordinary costs, thereby (1) providing rate relief to customers by extending the period during which these extraordinary costs would otherwise be recovered; and (2) supporting the financial strength and stability of gas utility companies.

H.B. 1520 requires that the Commission undertake two specific actions. First, Texas Utilities Code section 104.365, as added by H.B. 1520, requires the Commission to determine the regulatory asset amount to be recovered by a gas utility upon application by the gas utility within 150 days after the date of the application. Second, section 104.366 authorizes the Commission, after it has issued all of the regulatory asset determinations and determined that customer rate relief bonds are the most cost-

effective method of funding regulatory asset reimbursements, to issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the customer rate relief bonds.

Procedure for Filing Applications for Regulatory Asset Determination

The Commission expects to convene one or more proceeding(s) to issue the regulatory asset determinations and Financing Order if the statutory requirements are met.

Gas utilities as defined in Tex. Util. Code § 104.362(12) desiring to participate in securitization pursuant to H.B. 1520 are encouraged to file an *Application for Regulatory Asset Determination* **on Friday, July 30, 2021** in accordance with Tex. Util. Code § 104.365(b). Before a gas utility may file its application, the company must be set up to file its documents through the Commission's Case Administration Service Electronic System ("CASES"). The company must contact Gas Services at (512) 463-7167 or MOS@rrc.texas.gov before filing its application to be fully authorized to file its application through CASES and be assigned a case number for this filing.

After each *Application for Regulatory Asset Determination* has been received, the Commission's Hearings Division may consolidate the cases into one or multiple proceeding(s). An Administrative Law Judge will be assigned and will make pre-hearing rulings, issue a procedural schedule, issue a protective order, if applicable, and issue any other necessary rulings as may arise. The procedural schedule deadlines will be expedited as the Commission expects to complete the regulatory asset determinations within the deadline set forth in H.B. 1520.

Information to be Included in an Application for Regulatory Asset Determination

Due to the expedited nature of the regulatory asset review and determination, the Commission directs each applicant to propose for recovery only extraordinary gas procurement costs incurred during the February 2021 Winter Weather Event in its application. Such costs may include taxes, any financing and other costs incurred to secure and pay for natural gas volumes purchased during the 2021 Winter Weather Event, and the gas utility's legal and consulting expenses relating to its gas procurement costs and this proceeding. Other extraordinary costs associated with the 2021 Winter Weather Event, such as overtime, equipment charges, or similar non-fuel related expenses, may be recorded in a separate regulatory asset, which will be reviewed for reasonableness in each gas utility's subsequent rate proceeding, as applicable.

The Commission requires each gas utility to include in its application pre-filed testimony, supporting documentation, and evidence of, at a minimum, the following information:

1. The gas utility's total gas costs incurred for February 2021.

2. The gas utility's total gas costs recovered for February 2021.

3. The gas utility's total volumes (Mcf) for February 2021.

4. The gas utility's total gas costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15).

5. The total extraordinary costs proposed by the gas utility to be approved in a regulatory asset determination, including the following:

    a. The gas utility's proposed extraordinary gas procurement costs for February 2021, calculated as the lesser of: 1) the difference between the gas utility's total gas

procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021; or 2) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15);

b. The gas utility's financing costs or any other costs incurred to secure and pay for natural gas volumes that are included in extraordinary gas cost;
c. The gas utility's estimate of its legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520;
d. Carrying costs included in the proposed regulatory asset, including the basis for the carrying costs and the calculation of the carrying costs; and
e. The gas utility's expected tax obligation if securitization financing is authorized.

6. Support and evidence for the reasonableness, necessity, and prudence of all costs included in the gas utility's regulatory asset, including:

    a. General ledger entries (by FERC account) associated with the regulatory asset and supporting documentation for each entry, including but not limited to:

        i. Invoices

            1. Gas Purchases (FERC accounts 800-804);
            2. Transportation (FERC account 858);
            3. Other Gas Supply Expenses (FERC accounts 805-813);
            4. Imbalances or other penalties and fees incurred;
            5. Adjustments;
            6. Meter Statements;
            7. Proof of Payment/Payment Arrangements;
            8. Gas Withdrawn from Storage (FERC account 808.1); and
            9. Gas Delivered to Storage (FERC account 808.2).

        ii. Contracts

            1. Gas Purchase (including penalties, if applicable);
            2. Spot Purchases (Confirmation Agreements); and
            3. Transportation.

        iii. Customer Bills

            1. One or more residential bill(s); and
            2. One or more commercial bill(s).

    b. Invoices and supporting documentation of the gas utility's legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520. Include a summary spreadsheet that ties to supporting documentation.

7. The information required in Paragraph 6(a)(i)-(iii) above for January, February, and March 2021.

8. Evidence as to how securitization would provide tangible and quantifiable benefits to utility customers, greater than would be achieved absent the issuance of customer rate relief bonds.

9. Evidence that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to the gas utility including:

    a. Evidence that proposed structuring, expected pricing, and proposed financing costs of customer rate relief bonds are reasonably expected to provide benefits to customers by considering customer affordability and comparing:

        i. The estimated monthly costs to customers resulting from issuance of customer rate relief bonds; and
        ii. The estimated monthly costs to customers that would result from the application of conventional recovery methods.

    b. Include an Excel worksheet that models this comparison and provides for sensitivity analysis using key variables.

10. Evidence of how a securitization financing mechanism would be in the public interest and is consistent with the purposes of subchapter I, chapter 104, Texas Utilities Code.

11. Evidence and detail of any expected tax obligation arising or resulting from receipt of customer rate relief bond proceeds; or collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the Commission may determine as reasonable.

12. Normalized volumes by customer class for the year ending December 31, 2020 and total customer count by customer class as of December 31, 2020.

13. A statement of commitment that if the gas utility receives proceeds pursuant to a securitization, those proceeds are in lieu of recovery of costs through the regular ratemaking process or other mechanism.

14. Any other information the gas utility deems pertinent to its application.

Additionally, gas utilities are encouraged to file proposed procedural schedules with their applications that anticipate expedited timelines. Gas utilities are likewise encouraged to file proposed protective orders to the extent the gas utility will be filing information it deems confidential and/or proprietary. Gas utilities should not upload any documents through the CASES Online Portal that are considered confidential. Any files containing potentially confidential information should be delivered to the RRC using previously established processes in accordance with RRC rules. To the extent applicable, gas utilities shall disclose the terms of the contracts and related transaction confirmations related to gas procurement costs to be securitized pursuant to the terms of the governing protective order. Gas utilities may adopt portions of other gas utilities' testimony, as necessary.

Please Forward to the Appropriate Section of Your Company

DATA FOR PARTICIPATING GAS UTILITIES

	Amount to be Recovered			Customer Count and Usage Information				
				Residential Customers		Commercial Customers		
Gas Utility	**Regulatory Asset**	**Purchased Gas Costs**	**3-year Amortization**	**Count**	**Annual Mcf**	**Count**	**Annual Mcf**	**Total Mcf**
	(000s)	(000s)	(000s)					
Atmos Energy	2,038,998	2,026,592	2,345,177	1,885,414	105,174,336	149,107	60,487,264	172,953,731
CenterPoint Energy								
Entex	1,131,471	1,132,892	1,251,066	1,688,270	68,498,910	94,829	18,413,319	94,547,960
Arkla	9,808	9,880	10,903	12,887	931,741	1,635	134,996	1,066,737
Texas Gas Service	290,104	302,560	329,909	628,837	26,024,086	34,276	10,587,407	40,271,506
CoServe Gas, Ltd.	69,045	63,428	69,560	134,758	10,100,382	2,911	1,478,698	11,860,868
Universal Natural Gas, LLC	32,443	33,845	35,219	17,959	893,452	271	138,022	1,031,474
SiEnergy, LP	18,742	19,421	20,935	31,531	1,475,688	183	68,989	1,557,021
EPCOR Gas Texas	11,360	11,360	11,360	4,708	243,716	125	46,700	292,203
Bluebonnet Natural Gas	1,980	1,927	2,277	587	17,428	12	1,580	62,433
AgriTexGas, LP	1,326	1,291	1,291	2,468	216,435	73	27,272	1,369,496
Natgas Inc.	971	971	971	997	44,724	101	24,888	78,456
Corix Utilities (Texas) Inc.	285	216	236	240	7,508	23	2,952	10,460
Totals	**3,606,534**	**3,604,383**	**4,078,905**	**4,408,656**	**213,628,406**	**283,546**	**91,412,087**	**325,102,345**
Average Use per Month (Mcf)					**4.04**		**26.87**	

Source: Schedules A and H of Participating Gas Utilities' Applications.

ANNUAL COST OF CUSTOMER RATE RELIEF BONDS

Bond Principal (000s):

Total Regulatory Asset		3,606,534
Underwriting Expenses @	0.40%	15,319
Issuance Expenses @	0.30%	11,489
Debt Service Reserve Funding	50.0%	196,366
Bond Principal		**3,829,707**

Annual Costs (000s):

Year	Interest Rate	Principal Payment	Interest Expense	Bond Costs	Operation & Admin. @ 0.60%	Annual Costs
1	0.19%	347,300	40,370	387,670	22,978	410,649
2	0.32%	350,773	39,723	390,496	22,978	413,475
3	0.50%	354,281	38,585	392,865	22,978	415,844
4	0.74%	357,824	36,819	394,643	22,978	417,621
5	0.96%	361,402	34,165	395,567	22,978	418,545
6	1.18%	365,016	30,713	395,729	22,978	418,707
7	1.36%	368,666	26,420	395,086	22,978	418,065
8	1.50%	372,353	21,407	393,760	22,978	416,738
9	1.62%	376,076	15,840	391,916	22,978	414,894
10	1.69%	576,203	9,742	389,579	22,978	412,558
Total		3,829,892				

ANNUAL COST OF RATE BASE INCLUSION

Rate of Return:

Source	% of Total	Component Cost	Weighted Cost	Tax Factor	Weighted Cost
Debt	41.0%	4.75%	1.95%	1.0000	1.95%
Equity	59.0%	9.50%	5.61%	1.2658	7.09%
Total	**100.0%**				**9.04%**

Annual Costs (000s):

Year	Regulatory Asset	Average Accumulated Amortization	Average Unamortized Balance	Return and Income Taxes	Amortization Expense	Annual Costs
1	3,606,534	180,327	3,426,207	309,813	360,653	670,466
2	3,606,534	540,980	3,065,554	277,201	360,653	637,854
3	3,606,534	901,633	2,704,900	244,589	360,653	605,242
4	3,606,534	1,262,287	2,344,247	211,977	360,653	572,630
5	3,606,534	1,622,940	1,983,594	179,365	360,653	540,019
6	3,606,534	1,983,594	1,622,940	146,753	360,653	507,407
7	3,606,534	2,344,247	1,262,287	114,141	360,653	474,795
8	3,606,534	2,704,900	901,633	81,530	360,653	442,183
9	3,606,534	3,065,554	540,980	48,918	360,653	409,571
10	3,606,534	3,426,207	180,327	16,306	360,653	376,959

COST-EFFECTIVENESS OF CRR BONDS VERSUS ALTERNATIVE METHODS

Annual Costs (000s):

		Alternative Methods		
Year	Securitized Customer Rate Relief Bonds	Purchased Gas Cost Recovery	3-Year Amortization Charge	Inclusion in Rate Base
1	410,649	3,604,383	1,359,635	670,466
2	413,475	-	1,359,635	637,854
3	415,844	-	1,359,635	605,242
4	417,621	-	-	572,630
5	418,545	-	-	540,019
6	418,707	-	-	507,407
7	418,065	-	-	474,795
8	416,738	-	-	442,183
9	414,894	-	-	409,571
10	412,558	-	-	376,959
Present Value (000s):				
5%	3,288,460	3,517,517	3,794,060	4,247,288
10%	2,677,498	3,436,644	3,546,244	3,537,836
15%	2,235,224	3,361,104	3,329,047	3,014,656
20%	1,906,571	3,290,336	3,137,405	2,618,813
Savings from Securitized CRR Bonds (000s):				
5%		229,058	505,600	958,828
10%		759,147	868,746	860,338
15%		1,125,881	1,093,824	779,433
20%		1,383,765	1,230,834	712,242

COST-EFFECTIVENESS OF 15-YEAR CRR BONDS VERSUS ALTERNATIVE METHODS

Annual Costs (000s):

		Alternative Methods		
Year	Securitized Customer Rate Relief Bonds	Purchased Gas Cost Recovery	3-Year Amortization Charge	Inclusion in Rate Base
1	299,731	3,604,383	1,359,635	555,684
2	301,568	-	1,359,635	533,942
3	303,107	-	1,359,635	512,201
4	304,262	-	-	490,460
5	304,863	-	-	468,719
6	304,968	-	-	446,977
7	304,551	-	-	425,236
8	303,688	-	-	403,495
9	302,490	-	-	381,754
10	300,972	-	-	360,012
11	299,267	-	-	338,271
12	297,347	-	-	316,530
13	295,210	-	-	294,789
14	292,878	-	-	273,047
15	290,322	-	-	251,306

Present Value (000s):

5%	3,201,153	3,517,517	3,794,060	4,500,302
10%	2,404,656	3,436,644	3,546,244	3,517,305
15%	1,892,157	3,361,104	3,329,047	2,862,128
20%	1,546,461	3,290,336	3,137,405	2,405,230

Savings from Securitized CRR Bonds:

5%	316,365	592,907	1,299,149
10%	1,031,988	1,141,588	1,112,650
15%	1,468,948	1,436,891	969,971
20%	1,743,876	1,590,944	858,770

AFFORDABILITY OF CRR BONDS VERSUS CONVENTIONAL METHODS

		Conventional Methods		
	Securitized Customer Rate Relief Bonds	**Purchased Gas Cost Recovery**	**3-Year Amortization Charge**	**Inclusion in Rate Base**
Extraordinary Winter Storm Uri Costs:				
1st-year Costs (a)	$ 410,648,713	$ 3,604,382,693	$ 1,359,634,943	$ 670,466,009
Total Mcf (b)	325,102,345	325,102,345	325,102,345	325,102,345
Cost per Mcf	**$ 1.26**	**$ 11.09**	**$ 4.18**	**$ 2.06**
Residential Customers:				
Average Mcf Use per Month (b)	4.04	4.04	4.04	4.04
Monthly Cost -- Residential	**$ 5.10**	**$ 44.77**	**$ 16.89**	**$ 8.33**
Savings from CRR Bonds:				
Per Month		$ 39.67	$ 11.79	$ 3.23
First Year		$ 476.03	$ 141.45	$ 38.73
Commercial Customers:				
Average Mcf Use per Month (b)	26.87	26.87	26.87	26.87
Monthly Cost -- Commercial	**$ 33.94**	**$ 297.86**	**$ 112.36**	**$ 55.41**
Savings from CRR Bonds:				
Per Month		$ 263.92	$ 78.42	$ 21.47
First Year		$ 3,167.08	$ 941.07	$ 257.65

(a) Schedule BHF-4.
(b) Schedule BHF-1.

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

AFFIDAVIT OF BRUCE H. FAIRCHILD

BEFORE ME, the undersigned authority, on this day personally appeared Bruce H. Fairchild who having been placed under oath by me did depose as follows:

1. "My name is Bruce H. Fairchild. I am over the age of eighteen (18) and fully competent to make this affidavit. I am a principal in Financial Concepts and Applications, Inc. The facts stated herein are true and correct based upon my personal knowledge.

2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

Bruce H. Fairchild

SUBSCRIBED AND SWORN TO BEFORE ME by the said Bruce H. Fairchild on this 22nd day of July 2021.

Notary Public in and for the State of Texas

STEPHANIE TANNER
Notary Public, State of Texas
Notary ID 12852238-8
My Commission Exp. 02-09-2023

CASE NO. 00007062

ATMOS ENERGY CORP., MID-TEX DIVISION AND WEST TEXAS DIVISION, APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

PROTECTIVE ORDER

This Protective Order shall govern the use of all information deemed confidential or highly sensitive confidential information by a party providing information to the Railroad Commission of Texas ("Commission") or responding to discovery requests, including information whose confidentiality may be under dispute in this docket and all dockets consolidated herewith. This order may be modified by the Examiner *sua sponte*, or on advice of the Open Records Coordinator, Office of General Counsel, and the Railroad Commission of Texas.

1. Designation of Protected Materials

Any party or person producing or filing a document, including, but not limited to, records stored or encoded on a computer disk or other similar electronic storage medium, in this proceeding may designate that document, or any portion of it, as confidential by typing or stamping on its face **"PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN CASE NO. 00007062"** (hereinafter referred to as "protected materials"). The documents shall be consecutively Bates Stamped when necessary.

2. Materials Excluded from Protected Materials Designation

Protected materials shall not include any information or document contained in the public files of the Commission or any other federal or state agency, court, or local government authority subject to the Public Information Act or under the Federal Freedom of Information Act provided however, that any party or person may assert any privilege or exception available under these Acts. Protected materials also shall not include materials that at the time of or prior to disclosure in these proceedings, is or was publicly disclosed, on a non-confidential basis. The disclosure of materials to a party, its customers, or their respective employees, agents, consultants, or counsel in the normal course of business shall not preclude a claim that such materials are protected materials hereunder. Protected materials disclosed by someone other than an employee, agent, or consultant of the originating party in violation of this Protective Order shall not lose their status as protected material as a result of such disclosure.

3. Definition of "reviewing party."

A "reviewing party" is defined for purposes of this Protective Order as a party expressly admitted or that has had a Motion to Intervene granted in Case No. 00007062.

4. Definition of "producing party."

A "producing party" is defined for purposes of this Protective Order as a party expressly admitted or that has had a Motion to Intervene granted in Case No. 00007062, which has had discovery propounded upon it in any form as provided by applicable law.

5. Access to Protected Materials

A reviewing party shall be permitted access to protected materials only through its authorized representatives. "Authorized representatives" of a party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the party and directly engaged in these proceedings, provided that such person has signed the certification required by Paragraph 8.

6. Designation of Highly Sensitive Protected Materials

The term "highly sensitive protected materials" is a subset of "protected materials." The term refers to, but is not limited to, documents and information, the provision of which to the reviewing party or its authorized representatives would: (1) expose the producing party or any of its affiliates to an unreasonable risk of harm, or (2) would result in disclosure of information that would be subject to a privilege against disclosure, a contractual confidentiality agreement or other Protective Agreement or agreement. Highly sensitive protected materials further include, but are not limited to, business operations or financial information that is commercially sensitive. Documents so classified by a producing party shall bear the designation "HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO THE PROTECTIVE ORDER ISSUED IN CASE NO. 00007062."

7. Restrictions on Copies and Inspection of Highly Sensitive Protected Materials

Highly sensitive protected materials shall be made available for inspection only at the address specified pursuant to Paragraph 9. Additionally, only one copy of highly sensitive protected materials shall be provided to counsel of any party to Case No. 00007062 upon written request following completion of the certifications required by Paragraph 8 herein. A party may make one additional copy of reproduced highly sensitive protected materials for use in this proceeding pursuant to this Protective Order. No additional copies of such highly sensitive protected materials may be made, except that additional copies may be made in order to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. A record of any copies that are made of highly sensitive protected material shall be kept and a copy of the record shall be sent to the producing party upon request. The record shall include information on the location and the person in possession of the copy. The authorized representatives for the purpose of access to highly sensitive protected materials must be persons who are: (1) counsel for the reviewing party, (2) consultants for the reviewing party working under the direction of the reviewing party's counsel, (3) permanent non-elected employees of municipalities that are parties in Case No. 00007062, who have primary responsibility for utility regulation. The authorized representatives for the Commission's Director of Gas Services or the State of Texas for the purpose of access to these materials shall consist of its respective counsel of record in this docket and associated attorneys, paralegals, economists,

statisticians, accountants, consultants, or other persons employed or retained by those agencies and directly engaged in this docket. Limited notes may be made of highly sensitive protected materials, and such notes shall themselves be treated as highly sensitive protected material unless such notes are restricted to a description of the document and a general characterization of its subject matter in a manner that does not include any substantive information contained in such highly sensitive protected materials.

8. Required Certification

Each person who inspects the protected materials shall, before such inspection, agree in writing to follow certification set forth in Exhibit A to this Order:

> I certify my understanding that the protected materials are provided to me pursuant to the terms and restrictions of the Protective Order in Case No. 00007062, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the protected materials, any notes, memoranda, or any other form of information regarding or derived from the protected materials shall not be disclosed to anyone other than in accordance with the Protective Order and shall be used only for the purpose of the proceeding in Case No. 00007062. I acknowledge that the obligations imposed by this certification are pursuant to a ruling issued by the Examiners in this docket. However, if the information contained in the protected materials is obtained from independent sources that did not obtain such information from documents obtained in this docket, the understanding stated herein shall not apply.

In addition, reviewing parties who are permitted access to highly sensitive protected material under the terms of this ruling shall, before inspection of such materials, agree in writing to the following certification set forth in Exhibit A to this Protective Order:

> I certify that I am eligible to have access to highly sensitive protected materials under the terms of the Protective Order in Case No. 00007062.

A copy of each signed certification shall be provided to counsel for the party asserting confidentiality. Except for highly sensitive protected materials, any authorized representative may disclose protected materials to any other person who is an authorized representative, provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. An authorized representative may disclose highly sensitive protected material to other reviewing representatives who are permitted access to such materials and have executed the additional certification required for persons who receive access to highly sensitive protected material. In the event that any authorized representative to whom protected materials are disclosed ceases to be engaged in these proceedings, access to protected materials by that person shall be terminated and all notes or memoranda or other information derived from the protected material shall be returned to the party on whose behalf that person was acting. Any person who has agreed to either or both of the foregoing certifications shall continue to be bound by the provisions of this Protective Order, even if no longer engaged in these proceedings. Parties who assert confidentiality shall maintain a list of persons who sign a certification pursuant to this Paragraph.

9. Voluminous Materials

(a) Voluminous protected materials which exceed eight linear feet shall be made available for inspections in its normal repository between the hours of 9:30 a.m. and 5:00 p.m., Monday through Friday (except holidays) in accordance with the Texas Rules of Civil Procedure. A party shall notify the other parties of the address at which the voluminous data will be produced simultaneously with the production of such data. For purposes of this Protective Order voluminous materials or data shall mean responses to a particular question or subpart that consist of one hundred pages or more in the aggregate.

(b) Except for highly sensitive protected materials as provided for in Paragraph 7, and for protected materials that are voluminous, the party asserting confidentiality shall provide a party one copy of the protected materials upon receipt of the signed certifications described in Paragraph 8. Except as provided above for highly sensitive protected materials, parties may take notes regarding the information contained in protected materials made available for inspection pursuant to Paragraph 9(a). Only one copy of such protected materials shall be reproduced for each party. Parties shall make a diligent, good-faith effort to limit the amount of copying requested to only that which is appropriate for purposes of this proceeding. Notwithstanding the foregoing provisions of this Paragraph 9(b), a party may make further copies of reproduced protected materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the documents produced and the number of copies made, and upon request, the party shall provide the party asserting confidentiality with a copy of that record.

10. Availability for Purposes of this Filing

All protected materials shall be made available to the parties solely for the purposes of this proceeding. Protected materials, as well as a party's notes, memoranda, or other information regarding, or derived from the protected materials are to be treated confidentially by the parties and shall not be disclosed or used by the party except as permitted and provided in this Protective Order. Information derived from or describing the protected materials shall be maintained in a secure place and shall not be placed in the public or general files of the party except in accordance with the provisions of this Protective Order. A party must take all reasonable precautions to ensure that the protected materials, including notes and analysis made from protected materials, are not viewed or taken by any person other than an authorized representative of the party.

All non-voluminous protected materials may be reviewed only during the "reviewing period," which period shall commence upon issuance of this Protective Order and continue until conclusion of the plenary jurisdiction of the Commission in this proceeding. The "reviewing period" shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof, may be reviewed while this proceeding or any appeals hereof are pending.

11. Treatment of Protected Materials

(a) If a party tenders for filing any written testimony, exhibit, brief, or other submission that quotes from protected materials or discloses the confidential content of protected materials, the confidential portion of such testimony, exhibit, brief, or other submission shall be sealed and

shall be filed and served in accordance with the appropriate procedures utilized by the Commission. The Examiners may subsequently, on their own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation, or reference to protected materials is such that the written testimony, exhibit, brief, or other submission should remain under seal.

(b) Any party or person giving testimony in this proceeding may designate those portions of his or her testimony deemed to be confidential materials in accordance with Paragraph 1 of this Protective Order by advising the Examiner of such fact. In that event, the Examiner shall, on a case-by-case basis, devise procedures which are fair to all parties without unduly burdening the record in this docket.

(c) All protected materials filed with the Commission, the Examiner, any other judicial or administrative body in support of or as part of a motion, other pleading, brief, or other document, shall be filed and served in sealed envelopes or other appropriate containers.

12. Changes to Protective Order

Nothing herein restricts the party seeking protected material and the party producing the protected material from agreeing to other procedures/methods for handling of protected material, including highly sensitive protected material. In addition, each party shall have the right to seek changes in this Protective Order as appropriate from the Examiners, the Commission, or the courts. Nothing herein shall prevent any party from opposing efforts to seek changes to this ruling.

13. Judicial Findings

In the event that the Examiner at any time in the course of this proceeding finds that all or part of the protected materials are not confidential, by finding, for example, that such materials have entered the public domain, those materials shall nevertheless be subject to the protection afforded by this ruling for three full working days, unless otherwise ordered, from the latest of (i) the date of receipt by the party asserting confidentiality of the Examiner's order, or (ii) the date of a final and appealable Commission order denying an appeal filed within the three full working day period from the Examiner's order; or (iii) approval of such order by operation of law following the filing of such an appeal. Neither the party asserting confidentiality, nor any reviewing party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.

14. Disclosure of Protected Materials

(a) During the pendency of Case No. 00007062 at the Commission, in the event that a party wishes to disclose protected materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as protected materials by alleging, for example, that such information or material has entered the public domain, such party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such protected materials. In the event that the party asserting confidentiality wishes to contest such proposed disclosure or request for change in designation, that party shall file with the Commission its objection to such proposal, with supporting sworn affidavits, if any, within five working days

after receiving such notice of proposed disclosure or request for change in designation. Failure of that party to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Upon the request of either the producing party or reviewing party or upon the Examiner's own initiative, the Examiner may conduct a prehearing conference. If either the producing or reviewing party wishes to submit materials in question for an in camera inspection, it shall do so at the time of filing its written notice or objection to disclosure. Responses to such an objection, with supporting affidavits, if any, shall be filed within five working days after receipt of the objection. The Examiner will determine whether the proposed disclosure or change in designation is appropriate. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the Examiner determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such Examiner's ruling. As long as the periods set out in this Protective Order for filing the pleadings described above for consideration by the Examiner and for challenging the determination of the Examiner or the Commission have not expired and while a challenge is pending, the protected materials shall maintain the confidential treatment and status provided for in this Protective Order.

(b) All protected materials shall be afforded the confidential treatment and status provided for in this Protective Order during the period an appeal on an Examiner's ruling is pending before the Commission and during the periods for challenging the various orders.

(c) All notices, applications, responses, or other correspondence shall be made in a manner that protects protected materials from unauthorized disclosure.

15. Objection to Protected Materials

Nothing in this ruling shall be construed as precluding any party from objecting to the use of protected materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this ruling shall be construed as an agreement by any party that the protected materials are entitled to confidential classification.

16. Acts upon Conclusion of Proceeding

Following the conclusion of these proceedings, each party must, no later than thirty days following receipt of the notice described below, destroy or return to the party asserting confidentiality all copies of the protected materials provided by that party pursuant to this Protective Order and all copies reproduced by a reviewing party, and counsel for each party must provide to the party asserting confidentiality a verified certification that, to the best of his or her knowledge, information, and belief, all copies of notes, memorandum, and other documents regarding or derived from the protected materials (including copies of protected materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of protected materials. Promptly following the conclusion of this proceeding, counsel for the party asserting confidentiality will send a written notice to all parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each party from retaining two copies of any filed testimony, exhibit, brief, application for rehearing, or other

pleading which refers to protected materials provided that any such protected materials retained by counsel shall remain subject to the provisions of this ruling. As used in this Paragraph, "conclusion of this proceeding" refers to the exhaustion of available appeals, or the running of the time for making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then "the conclusion of these proceedings" is extended by the remand to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the "conclusion of this proceeding" is extended by the remand to the exhaustion of available appeals of the remand or the running of time for making such appeals of the remand, as provided by applicable law.

17. Compliance with Legal Requirements

This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act, and any other applicable law, provided that parties subject to those acts will give the party asserting confidentiality notice, if possible, under those acts, prior to disclosure pursuant to those acts.

18. Effect of Court Order

If required by order of a government or judicial body, the party may release to such body the confidential information required by such order, provided, however, the party agrees that prior to such disclosure, it shall promptly notify the party asserting confidentiality of the order and allow such party sufficient time to contest release of the confidential information; provided, further, the party shall use its best efforts to prevent such confidential information from being disclosed.

The term "best efforts" as used in the preceding paragraph requires that the party's attempt to ensure that disclosure is not made by its employees or authorized representatives unless such disclosure is pursuant to a final order of a governmental or judicial body or written opinion of the Attorney General which was sought in compliance with V.T.C.A., Government Code §552.301 (Public Information). The party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the reviewing party will either proceed under the provisions of §552.301 of the Texas Government Code or intends to comply with the final governmental or court order.

19. Effect of Violation of Court Order

In the event of a breach of the provisions contained in Paragraph 18, the party asserting confidentiality will not have an adequate remedy in money or damages, and accordingly, shall in addition to any other available legal or equitable remedies, be entitled to an injunction against such

breach. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief.

Signed this _____ day of _____, 2021.

_____
Name
Administrative Law Judge

EXHIBIT A

CERTIFICATIONS

Certification for protected materials only:

I certify my understanding that the protected materials are provided to me pursuant to the terms and restrictions of the Protective Order in Case No. 00007062, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the protected materials, any notes, memoranda, or any other form of information regarding or derived from the protected materials shall not be disclosed to anyone other than in accordance with the Protective Order and shall be used only for the purpose of the proceeding in Case No. 00007062. I acknowledge that the obligations imposed by this certification are pursuant to a ruling issued by the Examiners in this docket. However, if the information contained in the protected materials is obtained from independent sources that did not obtain such information from documents obtained in this docket, the understanding stated herein shall not apply.

Signature	Party Represented
Printed Name	Date

Additional certification for highly sensitive protected materials:

I certify that I am eligible to have access to highly sensitive protected materials under the terms of the Protective Order in Case No. 00007062.

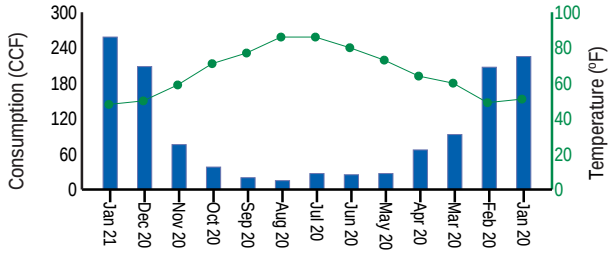
Signature	Party Represented
Printed Name	Date

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
SHADY SHORES TX 76208-5142

DUE DATE	TOTAL DUE
02/11/21	$265.35

Gas Usage Trend



Account Summary
Billing Date: 1/27/21

Previous Balance	215.35
Payment(s)	-215.35
Current Charges	265.35

Total Amount Due $265.35
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
Leave the area immediately! From a safe distance, call 911 and Atmos Energy at 1-866-322-8667.

CUSTOMER CHARGE EXPLANATION
The customer charge on your bill reflects a basic charge of $20.25 and a Conservation and Energy Efficiency surcharge of $0.05 for a net customer charge of $20.30. For more information about your bill, visit **www.atmosenergy.com/rrm**.

Go paperless with E-Bill and sign up for other billing and payment options at www.atmosenergy.com.

For instructions on reading your Atmos Energy bill, please visit www.atmosenergy.com/yourbill.

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	02/11/2021	$265.35

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

SHADY SHORES TX 76208-5142

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

68

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Need help paying your utility bills?

-Installment plans:

You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:

Funds are available through local energy assistance agencies. You may qualify, even if you have not in the past.



To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service From	Date of Service To	Meter Reading Previous	Meter Reading Present
	12/24/20	1/27/21	6987	7245
	Read Difference:			258.00
	Actual Usage in CCF:			258.00

Your Charges:

PREVIOUS BALANCE		215.35
Payment Received 01/03/2021		-215.35
CURRENT GAS CHARGE TOTAL		248.49
Residential R023		
Customer Charge	20.30	
Rider WNA 258.000 @ 0.03112837	8.03	
Consump Chrg 258.000 @ 0.26651	68.76	
Rider GCR 258.000 @ 0.5868	151.40	
TAX/FEE CHARGE TOTAL		16.86
Rider FF @ 0.04596	11.42	
Reimbursement of MGRT	2.81	
City Sales Tax	2.63	
CURRENT CHARGES		265.35

TOTAL AMOUNT DUE 265.35

SMELL GAS? ACT FAST!



LEAVE the area immediately.
CALL 911 and call us at **866-322-8667** from a safe distance.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

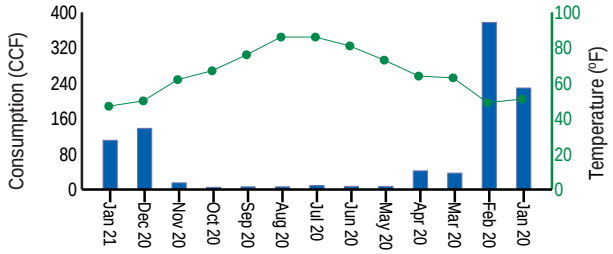
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
HUTCHINS TX 75141-0455

DUE DATE	TOTAL DUE
02/11/21	$131.86

Gas Usage Trend



Account Summary
Billing Date: 1/27/21

Previous Balance	150.23
Payment(s)	-150.23
Current Charges	131.86

Total Amount Due $131.86
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
Leave the area immediately! From a safe distance, call 911 and Atmos Energy at 1-866-322-8667.

CUSTOMER CHARGE EXPLANATION
The customer charge on your bill reflects a base charge of $54.50 and a Conservation and Energy Efficiency surcharge of $0.02 for a net customer charge of $54.52. For more information about your bill, visit **www.atmosenergy.com/rrm**.

Go paperless with E-Bill and sign up for other billing and payment options at www.atmosenergy.com.

For instructions on reading your Atmos Energy bill, please visit www.atmosenergy.com/yourbill.

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	02/11/2021	$131.86

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

HUTCHINS TX 75141-0455

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

68

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Need help paying your utility bills?

-Installment plans:
You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:
Funds are available through local energy assistance agencies. You may qualify, even if you have not in the past.



To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service		Meter Reading	
	From	To	Previous	Present
	12/30/20	1/27/21	3914	4025
	Read Difference:			111.00
	Actual Usage in CCF:			111.00

Your Charges:

PREVIOUS BALANCE		150.23
Payment Received 01/18/2021		-150.23
CURRENT GAS CHARGE TOTAL		122.85
Commercial C023		
Customer Charge	54.52	
Rider WNA 111.000 @ 0.00922994	1.02	
Consump Chrg 111.000 @ 0.11728	13.02	
Rider GCR 111.000 @ 0.4891	54.29	
TAX/FEE CHARGE TOTAL		9.01
Rider FF @ 0.06187	7.60	
Reimbursement of MGRT	1.41	
CURRENT CHARGES		131.86

TOTAL AMOUNT DUE 131.86

SMELL GAS? ACT FAST!



LEAVE the area immediately.
CALL 911 and call us at **866-322-8667** from a safe distance.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

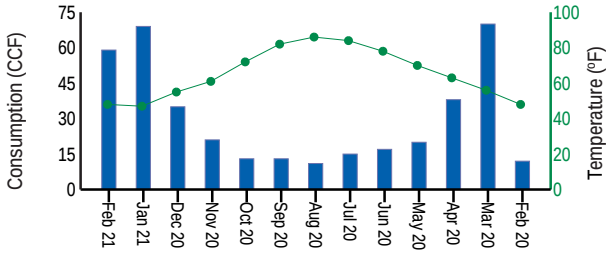
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
DALLAS TX 75228-2952

DUE DATE	TOTAL DUE
03/01/21	$99.93

Gas Usage Trend



Account Summary
Billing Date: 2/12/21

Previous Balance	84.38
Payment(s)	-60.00
Past Due Balance	24.38
Current Charges	75.55

Past Due Balance:	$24.38
Current Charges:	$75.55

(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
If you suspect a natural gas leak, take these precautions:
SMELL for a "rotten egg" or skunk-like odor.
LISTEN for an unusual hissing, roaring or blowing sound near pipelines or appliances.
LOOK for blowing dirt, a bubbling creek or pond or dead vegetation.
LEAVE the area immediately.
DO NOT smoke, use a phone or cell phone, turn on or off any lights or appliances or operate any vehicle or equipment that could cause sparks.
If you suspect a gas leak, don't wait! Leave the area immediately and call 911 and Atmos Energy at 1-866-322-8667.

For more information about your bill, go to **www.atmosenergy.com**.

Go paperless with E-Bill and sign up for other billing and payment options at www.atmosenergy.com.

For instructions on reading your Atmos Energy bill, please visit www.atmosenergy.com/yourbill.

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	03/01/2021	$99.93

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

DALLAS TX 75228-2952

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

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Need help paying your utility bills?

-Installment plans:

You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:

Funds are available through local energy assistance agencies. You may qualify, even if you have not in the past.



To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service From	Date of Service To	Meter Reading Previous	Meter Reading Present
	1/15/21	2/11/21	1640	1699
	Read Difference:			59.00
	Actual Usage in CCF:			59.00

Your Charges:

PREVIOUS BALANCE		84.38
Payment Received 02/07/2021		-60.00
CURRENT GAS CHARGE TOTAL		69.57
Residential R022		
Customer Charge	23.50	
Rider WNA 59.000 @ 0.00402864	0.24	
Consump Chrg 59.000 @ 0.19003	11.21	
Rider GCR 59.000 @ 0.5869	34.62	
TAX/FEE CHARGE TOTAL		5.98
Rider FF @ 0.05376	3.74	
Reimbursement of MGRT	1.49	
City Sales Tax	0.75	
CURRENT CHARGES		75.55

TOTAL AMOUNT DUE 99.93

PROTECT YOUR FAMILY FROM CARBON MONOXIDE

- Have your gas appliances inspected periodically by a licensed plumber or qualified contractor to ensure that they are venting and operating properly.
- Install carbon monoxide detectors that are Underwriters Laboratories listed, carrying the UL mark and confirm that they are working properly and pursuant to manufacturer's specifications.
- If you suspect carbon monoxide problems with your appliances, call your local appliance repair company.



CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

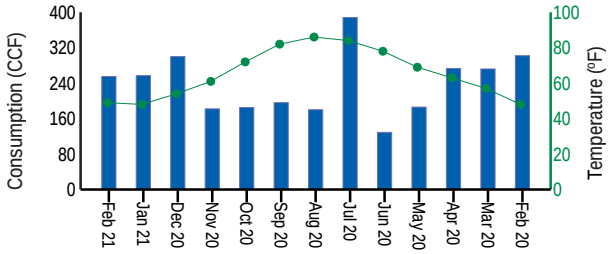
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
DALLAS TX 75214-5313

DUE DATE	TOTAL DUE
03/01/21	$217.70

Gas Usage Trend



Account Summary
Billing Date: 2/12/21

Previous Balance	218.53
Payment(s)	-218.53
Current Charges	217.70

Total Amount Due $217.70
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
If you suspect a natural gas leak, take these precautions:
SMELL for a "rotten egg" or skunk-like odor.
LISTEN for an unusual hissing, roaring or blowing sound near pipelines or appliances.
LOOK for blowing dirt, a bubbling creek or pond or dead vegetation.
LEAVE the area immediately.
DO NOT smoke, use a phone or cell phone, turn on or off any lights or appliances or operate any vehicle or equipment that could cause sparks.
If you suspect a gas leak, don't wait! Leave the area immediately and call 911 and Atmos Energy at 1-866-322-8667.

For more information about your bill, go to **www.atmosenergy.com**.

Go paperless with E-Bill and sign up for other billing and payment options at www.atmosenergy.com.

For instructions on reading your Atmos Energy bill, please visit www.atmosenergy.com/yourbill.

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	03/01/2021	$217.70

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

DALLAS TX 75214-6645

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

568

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Need help paying your utility bills?

-Installment plans:

You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:

Funds are available through local energy assistance agencies. You may qualify, even if you have not in the past.



To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service From	Date of Service To	Meter Reading Previous	Meter Reading Present
	1/16/21	2/10/21	17404	17659
	Read Difference:			255.00
	Estimated Usage in CCF:			255.00

Your Charges:

PREVIOUS BALANCE		218.53
Payment Received 02/02/2021		-218.53
CURRENT GAS CHARGE TOTAL		200.46
Commercial C022		
Customer Charge	50.00	
Rider WNA 255.000 @ 0.0033095	0.84	
Consump Chrg 255.000 @ 0.09402	23.98	
Rider GCR 255.000 @ 0.4927	125.64	
TAX/FEE CHARGE TOTAL		17.24
Rider FF @ 0.05376	10.78	
Reimbursement of MGRT	4.30	
City Sales Tax	2.16	
CURRENT CHARGES		217.70

TOTAL AMOUNT DUE 217.70

PROTECT YOUR FAMILY FROM CARBON MONOXIDE

- Have your gas appliances inspected periodically by a licensed plumber or qualified contractor to ensure that they are venting and operating properly.
- Install carbon monoxide detectors that are Underwriters Laboratories listed, carrying the UL mark and confirm that they are working properly and pursuant to manufacturer's specifications.
- If you suspect carbon monoxide problems with your appliances, call your local appliance repair company.



CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

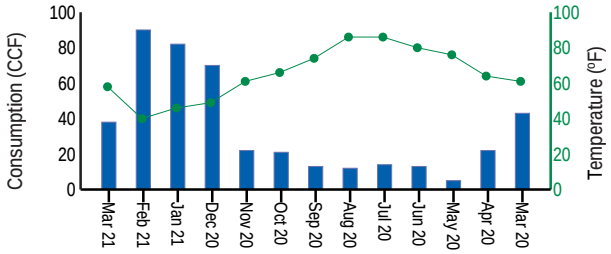
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
SAN ANGELO TX 76904-0709

DUE DATE	TOTAL DUE
04/08/21	$59.85

Gas Usage Trend



Account Summary
Billing Date: 3/24/21

Previous Balance	94.59
Payment(s)	-94.59
Current Charges	59.85

Total Amount Due $59.85
(see reverse for billing details)

Important Messages from Your Natural Gas Company

IMMEDIATE ASSISTANCE AVAILABLE
Additional funds are available to help people in need pay their utility bills. Visit **atmosenergy.com/assistance** or call toll-free 1-888-286-6700 to find an energy assistance agency near you.

CUSTOMER CHARGE EXPLANATION
The customer charge on your bill reflects a basic charge of $18.85, a Conservation and Energy Efficiency surcharge of $0.05, a 2018 GRIP surcharge of $2.84, and a 2019 GRIP surcharge of $4.71 for a net customer charge of $26.45. The Gas Reliability Infrastructure Programs Surcharge (GRIP) is a surcharge to recover the costs of utility plant projects that have been completed since the last rate case pursuant to Texas Utilities Code Sec. 104.301. This surcharge will appear on your bill until it is rolled into regular rates following the next rate case. For more information about your bill, visit **www.atmosenergy.com/bill**.

Go paperless with E-Bill and sign up for other billing and payment options at www.atmosenergy.com.

For instructions on reading your Atmos Energy bill, please visit www.atmosenergy.com/yourbill.

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700

Need help paying your utility bills?
Installment plans and financial assistance are available if you are struggling to pay your bill.
To find an energy assistance agency near you, visit atmosenergy.com/assistance.
Call 888.286.6700 to set up an installment plan that works for you.

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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	04/08/2021	$59.85

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

SAN ANGELO TX
76904-0709

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

258

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QUESTIONS ABOUT YOUR BILL AFTER THE HISTORIC WINTER STORM?

WE'RE HERE TO HELP.

Atmos Energy understands your concerns regarding the recent extreme weather and its effect on your natural gas bill. We want to assure you that bills in the near-term will not include any of the unusually high gas prices from the historic winter storms. Atmos Energy is working with regulators to find solutions that will minimize the impact to you. February and March bills may still be higher than recent months based on the amount of gas used during the bitterly cold weather.

Visit **atmosenergy.com/winterstorm** to learn more.

Your Billing Detail Information:

Meter Serial #	Date of Service From	Date of Service To	Meter Reading Previous	Meter Reading Present
	2/24/21	3/24/21	4200	4238
	Read Difference:			38.00
	Actual Usage in CCF:			38.00

Your Charges:

PREVIOUS BALANCE		94.59
Payment Received 03/08/2021		-94.59
CURRENT GAS CHARGE TOTAL		55.94
Residential R021		
Customer Charge	26.45	
Rider WNA 38.000 @ 0.0406335	1.54	
Consump Chrg 38.000 @ 0.14846	5.64	
Rider GCR 38.000 @ 0.5869	22.31	
TAX/FEE CHARGE TOTAL		3.91
Rider FF @ 0.03300	1.85	
Reimbursement of MGRT	1.18	
City Sales Tax	0.88	
CURRENT CHARGES		59.85

TOTAL AMOUNT DUE 59.85

We're investing in our natural gas pipelines. From the ground up.

Visit atmosenergy.com/safety to learn about upgrades in your area.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

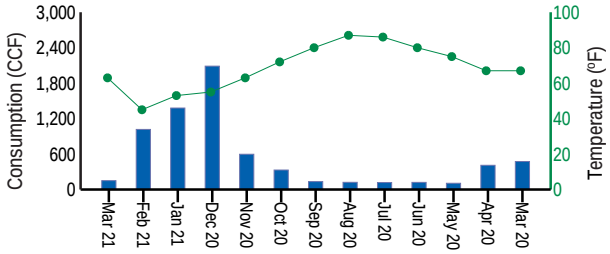
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
AUSTIN TX 78728-0000

DUE DATE	TOTAL DUE
04/20/21	$158.48

Gas Usage Trend



Account Summary
Billing Date: 3/24/21

Previous Balance	638.19
Payment(s)	-638.19
Current Charges	158.48

Total Amount Due $158.48
(see reverse for billing details)

Important Messages from Your Natural Gas Company

IMMEDIATE ASSISTANCE AVAILABLE
Additional funds are available to help people in need pay their utility bills. Visit **atmosenergy.com/assistance** or call toll-free 1-888-286-6700 to find an energy assistance agency near you.

CUSTOMER CHARGE EXPLANATION
The customer charge on your bill reflects a basic charge of $40.00 plus a Conservation and Energy Efficiency surcharge of $0.02, a 2018 GRIP surcharge of $8.74, and a 2019 GRIP surcharge of $14.54 for a net customer charge of $63.30. The Gas Reliability Infrastructure Programs Surcharge (GRIP) is a surcharge to recover the costs of utility plant projects that have been completed since the last rate case pursuant to the Texas Utilities Code Sec. 104.301. This surcharge will appear on your bill until it is rolled into regular rates following the next rate case. For more information about your bill, visit **www.atmosenergy.com/bill**.

Go paperless with E-Bill and sign up for other billing and payment options at www.atmosenergy.com.

For instructions on reading your Atmos Energy bill, please visit www.atmosenergy.com/yourbill.

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700

Need help paying your utility bills?
Installment plans and financial assistance are available if you are struggling to pay your bill.
To find an energy assistance agency near you, visit atmosenergy.com/assistance.
Call 888.286.6700 to set up an installment plan that works for you.

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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	04/20/2021	$158.48

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

AUSTIN TX 78728-4483

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

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QUESTIONS ABOUT YOUR BILL AFTER THE HISTORIC WINTER STORM?

WE'RE HERE TO HELP.

Atmos Energy understands your concerns regarding the recent extreme weather and its effect on your natural gas bill. We want to assure you that bills in the near-term will not include any of the unusually high gas prices from the historic winter storms. Atmos Energy is working with regulators to find solutions that will minimize the impact to you. February and March bills may still be higher than recent months based on the amount of gas used during the bitterly cold weather.

Visit **atmosenergy.com/winterstorm** to learn more.

Your Billing Detail Information:

Meter Serial #	Date of Service From	Date of Service To	Meter Reading Previous	Meter Reading Present
	2/24/21	3/24/21	38802	38952
	Read Difference:			150.00
	Actual Usage in CCF:			150.00

Your Charges:

PREVIOUS BALANCE		638.19
Payment Received 03/18/2021		-638.19
CURRENT GAS CHARGE TOTAL		158.48
Commercial C024		
Customer Charge	63.30	
Rider WNA 150.000 @ 0.02857516	4.29	
Consump Chrg 150.000 @ 0.10494	15.74	
Rider GCR 150.000 @ 0.501	75.15	
CURRENT CHARGES		158.48

TOTAL AMOUNT DUE 158.48

We're investing in our natural gas pipelines. From the ground up.

Visit atmosenergy.com/safety to learn about upgrades in your area.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

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Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

_____ One-time Contribution

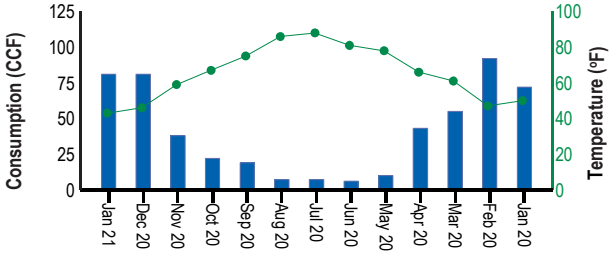
ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
STANTON TX 79782

DUE DATE	TOTAL DUE
02/11/21	$64.25

TO BE DRAFTED ON 02/11/2021

Gas Usage Trend



Account Summary
Billing Date: 1/27/21

Previous Balance	62.34
Payment(s)	-62.34
Current Charges	64.25

Total Amount Due **$64.25**
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
Leave the area immediately! From a safe distance, call 911 and Atmos Energy at 1-866-322-8667.

SURCHARGE EXPLANATION
The Gas Reliability Infrastructure Programs Surcharge (GRIP) is a surcharge to recover the costs of utility plant projects that have been completed since the last rate case pursuant to Texas Utilities Code Sec. 104.301. This is a monthly fixed amount and will appear on your bill until this surcharge is rolled into regular rates following the next rate case settlement. Your GRIP surcharge reflects a 2018 GRIP surcharge of $2.63 and a 2019 GRIP surcharge of $2.73, for a net GRIP surcharge of $5.36. For more information about your bill, go to **www.atmosenergy.com/bill**.

Go paperless with E-Bill and sign up for other billing and payment options at **www.atmosenergy.com**.

*For instructions on reading your Atmos Energy bill, please visit **www.atmosenergy.com/yourbill.***

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	02/11/2021	$64.25

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

STANTON TX 79782

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

6

*** PAID BY BANK DRAFT ***

Need help paying your utility bills?

-Installment plans:

You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:

Funds are available through local energy assistance agencies. You may qualify, even if you have not in the past.



To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service From	Date of Service To	Meter Reading Previous	Meter Reading Present
	12/30/20	1/27/21	3360	3441
	Read Difference:			81.00
	Actual Usage in CCF:			81.00

Your Charges:

PREVIOUS BALANCE		**62.34**
Payment Received 01/13/2021		**-62.34**
CURRENT GAS CHARGE TOTAL		**64.25**
Residential 21LO		
Customer Charge	16.10	
Commodity Charge 81.000 @ 0.21224 / CCF	17.19	
Gas Cost @ 0.322 / CCF	26.08	
Rider WNA 81.000 @ 0.00598517-	-0.48	
GRIP Surcharge	5.36	
CURRENT CHARGES		**64.25**

TOTAL AMOUNT DUE 64.25

SMELL GAS? ACT FAST!



LEAVE the area immediately.
CALL 911 and call us at **866-322-8667** from a safe distance.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

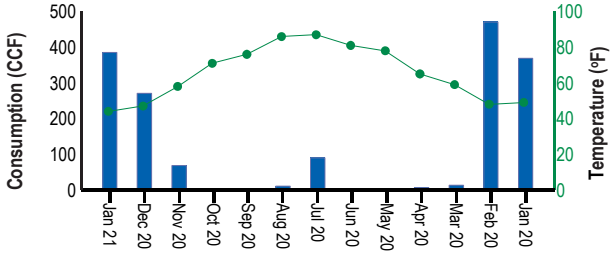
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
BIG SPRING TX 79720-0000

DUE DATE	TOTAL DUE
02/11/21	$272.59

Gas Usage Trend



Account Summary
Billing Date: 1/27/21

Previous Balance	200.02
Payment(s)	-200.02
Current Charges	272.59

Total Amount Due **$272.59**
(see reverse for billing details)

Important Messages from Your Natural Gas Company

BEWARE OF CARBON MONOXIDE
Carbon monoxide (CO) is an odorless, colorless toxic gas produced by improperly working appliances and automobile exhaust. Have your heating equipment checked regularly for safety and efficiency. Install Underwriters Laboratories listed CO detectors in your home and confirm that they are working properly and pursuant to manufacturer's specifications. Visit **www.atmosenergy.com/COsafety** for more information.

For more information about your bill, go to **www.atmosenergy.com**.

Go paperless with E-Bill and sign up for other billing and payment options at **www.atmosenergy.com**.

*For instructions on reading your Atmos Energy bill, please visit **www.atmosenergy.com/yourbill.***

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	02/11/2021	$272.59

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

BIG SPRING TX 79721-1662

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Need help paying your utility bills?

-Installment plans:
You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:
Funds are available through local energy assistance agencies. You may qualify, even if you have not in the past.



To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service		Meter Reading	
	From	To	Previous	Present
	12/24/20	1/25/21	4716	5101
	Read Difference:			385.00
	Estimated Usage in CCF:			385.00

Your Charges:

PREVIOUS BALANCE		**200.02**
Payment Received 01/12/2021		**-200.02**
CURRENT GAS CHARGE TOTAL		**238.26**
Commercial 05MI		
Customer Charge	51.50	
Commodity Charge 385.000 @ 0.16254 / CCF	62.58	
Gas Cost @ 0.322 / CCF	123.97	
Rider WNA 385.000 @ 0.00053638	0.21	
TAX/FEE CHARGE TOTAL		**34.33**
Reimbursement of MGRT	5.03	
Rider FF @ 0.03500	8.52	
State Sales Tax	15.74	
City Sales Tax	5.04	
CURRENT CHARGES		**272.59**

TOTAL AMOUNT DUE **272.59**

SMELL GAS? ACT FAST!



LEAVE the area immediately.
CALL 911 and call us at **866-322-8667** from a safe distance.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

_____ One-time Contribution

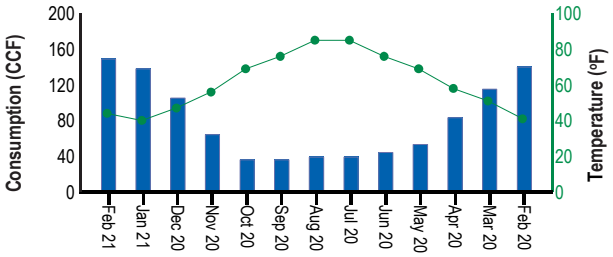
ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
LUBBOCK TX 79424-2400

DUE DATE	TOTAL DUE
03/01/21	$107.02

TO BE CHARGED ON 02/17/2021

Gas Usage Trend



Account Summary
Billing Date: 2/12/21

Previous Balance	95.30
Payment(s)	-95.30
Current Charges	107.02

Total Amount Due **$107.02**
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
If you suspect a gas leak, don't wait! Leave the area immediately and call 911 and Atmos Energy at 1-866-322-8667.

SURCHARGE EXPLANATION
The Gas Reliability Infrastructure Programs Surcharge (GRIP) is a surcharge to recover the costs of utility plant projects that have been completed since the last rate case pursuant to Texas Utilities Code Sec. 104.301. This is a monthly fixed amount and will appear on your bill until this surcharge is rolled into regular rates following the next rate case settlement. Your GRIP surcharge reflects a 2014 GRIP surcharge of $2.11, a 2015 GRIP surcharge of $1.60, a 2016 GRIP surcharge of $2.13, a 2017 GRIP surcharge of $2.18, a 2018 GRIP surcharge of $2.77, and a 2019 GRIP surcharge of $2.88, for a net GRIP surcharge of $13.67. For more information about your bill, go to **www.atmosenergy.com/bill**.

Go paperless with E-Bill and sign up for other billing and payment options at **www.atmosenergy.com**.

*For instructions on reading your Atmos Energy bill, please visit **www.atmosenergy.com/yourbill.***

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	03/01/2021	$107.02

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

LUBBOCK TX 79423-5196

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Need help paying your utility bills?

-Installment plans:

You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:

Funds are available through local energy assistance agencies. You may qualify, even if you have not in the past.



To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service		Meter Reading	
	From	To	Previous	Present
	1/16/21	2/12/21	4099	4248
	Read Difference:			149.00
	Actual Usage in CCF:			149.00

Your Charges:

PREVIOUS BALANCE		**95.30**
Payment Received 01/20/2021		**-95.30**
CURRENT GAS CHARGE TOTAL		**98.31**
Residential 16LI		
Customer Charge	14.00	
Commodity Charge 149.000 @ 0.11738 / CCF	17.49	
Gas Cost @ 0.347 / CCF	51.70	
Rider WNA 149.000 @ 0.00975428	1.45	
GRIP Surcharge	13.67	
TAX/FEE CHARGE TOTAL		**8.71**
Reimbursement of MGRT	2.11	
Rider FF @ 0.05000	5.02	
City Sales Tax	1.58	
CURRENT CHARGES		**107.02**

TOTAL AMOUNT DUE **107.02**

PROTECT YOUR FAMILY FROM CARBON MONOXIDE

- Have your gas appliances inspected periodically by a licensed plumber or qualified contractor to ensure that they are venting and operating properly.
- Install carbon monoxide detectors that are Underwriters Laboratories listed, carrying the UL mark and confirm that they are working properly and pursuant to manufacturer's specifications.
- If you suspect carbon monoxide problems with your appliances, call your local appliance repair company.



CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

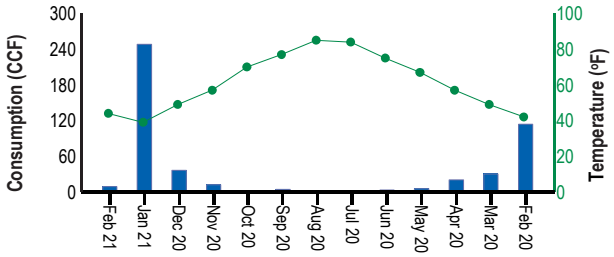
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
BROWNFIELD TX 79316-9700

DUE DATE	TOTAL DUE
03/01/21	$66.51

Gas Usage Trend



Account Summary
Billing Date: 2/12/21

Previous Balance	177.31
Payment(s)	-177.31
Current Charges	66.51

Total Amount Due **$66.51**
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SURCHARGE EXPLANATION
The Gas Reliability Infrastructure Programs Surcharge (GRIP) is a surcharge to recover the costs of utility plant projects that have been completed since the last rate case pursuant to Texas Utilities Code Sec. 104.301. This is a monthly fixed amount and will appear on your bill until this surcharge is rolled into regular rates following the next rate case settlement. Your GRIP surcharge reflects a 2018 GRIP surcharge of $7.36 and a 2019 GRIP surcharge of $7.44, for a net GRIP surcharge of $14.80. For more information about your bill, go to **www.atmosenergy.com/bill**.

Go paperless with E-Bill and sign up for other billing and payment options at **www.atmosenergy.com**.

*For instructions on reading your Atmos Energy bill, please visit **www.atmosenergy.com/yourbill.***

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700



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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	03/01/2021	$66.51

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

PLAINVIEW TX 79072-6602

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

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Need help paying your utility bills?

-Installment plans:

You can set up an installment plan that will spread out the payment of your balance over time.

-Financial Assistance:

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To find an energy assistance agency near you, visit atmosenergy.com/assistance. Call 888-286-6700 to set up an installment plan that works for you.

Your Billing Detail Information:

Meter Serial #	Date of Service		Meter Reading	
	From	To	Previous	Present
	1/14/21	2/10/21	88576	88585
	Read Difference:			9.00
	Actual Usage in CCF:			9.00

Your Charges:

PREVIOUS BALANCE		**177.31**
Payment Received 02/01/2021		**-177.31**
CURRENT GAS CHARGE TOTAL		**62.31**
Commercial 21LO		
Customer Charge	43.25	
Commodity Charge 9.000 @ 0.11722 / CCF	1.05	
Gas Cost @ 0.347 / CCF	3.12	
Rider WNA 9.000 @ 0.0098582	0.09	
GRIP Surcharge	14.80	
TAX/FEE CHARGE TOTAL		**4.20**
State Sales Tax	3.89	
County Sales Tax	0.31	
CURRENT CHARGES		**66.51**

TOTAL AMOUNT DUE **66.51**

PROTECT YOUR FAMILY FROM CARBON MONOXIDE

- Have your gas appliances inspected periodically by a licensed plumber or qualified contractor to ensure that they are venting and operating properly.
- Install carbon monoxide detectors that are Underwriters Laboratories listed, carrying the UL mark and confirm that they are working properly and pursuant to manufacturer's specifications.
- If you suspect carbon monoxide problems with your appliances, call your local appliance repair company.



CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

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Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

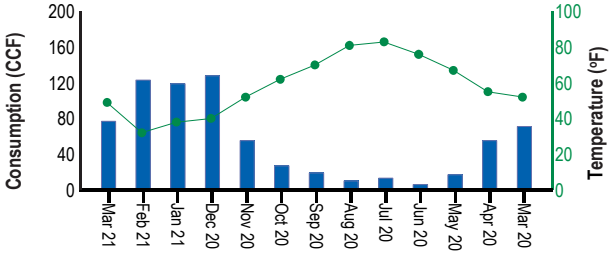
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
AMARILLO TX 79104-3316

DUE DATE	TOTAL DUE
04/08/21	$67.60

Gas Usage Trend



Account Summary
Billing Date: 3/24/21

Previous Balance	6.64
Payment(s)	-6.64
Current Charges	67.60

Total Amount Due **$67.60**
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
If you suspect a gas leak, don't wait! Leave the area immediately and call 911 and Atmos Energy at 1-866-322-8667.

SURCHARGE EXPLANATION
The Gas Reliability Infrastructure Programs Surcharge (GRIP) is a surcharge to recover the costs of utility plant projects that have been completed since the last rate case pursuant to Texas Utilities Code Sec. 104.301. This is a monthly fixed amount and will appear on your bill until this surcharge is rolled into regular rates following the next rate case settlement. Your GRIP surcharge reflects a 2014 GRIP surcharge of $2.11, a 2015 GRIP surcharge of $1.60, a 2016 GRIP surcharge of $2.13, a 2017 GRIP surcharge of $2.18, a 2018 GRIP surcharge of $2.77, and a 2019 GRIP surcharge of $2.88, for a net GRIP surcharge of $13.67. For more information about your bill, go to **www.atmosenergy.com/bill**.

Go paperless with E-Bill and sign up for other billing and payment options at **www.atmosenergy.com**.

*For instructions on reading your Atmos Energy bill, please visit **www.atmosenergy.com/yourbill.***

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700

Need help paying your utility bills?
Installment plans and financial assistance are available if you are struggling to pay your bill.
To find an energy assistance agency near you, visit atmosenergy.com/assistance.
Call 888.286.6700 to set up an installment plan that works for you.

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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	04/08/2021	$67.60

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

AMARILLO TX
79104-3316

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

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QUESTIONS ABOUT YOUR BILL AFTER THE HISTORIC WINTER STORM?

WE'RE HERE TO HELP.

Atmos Energy understands your concerns regarding the recent extreme weather and its effect on your natural gas bill. We want to assure you that bills in the near-term will not include any of the unusually high gas prices from the historic winter storms. Atmos Energy is working with regulators to find solutions that will minimize the impact to you. February and March bills may still be higher than recent months based on the amount of gas used during the bitterly cold weather.

Visit **atmosenergy.com/winterstorm** to learn more.

Your Billing Detail Information:

Meter Serial #	Date of Service		Meter Reading	
	From	To	Previous	Present
	2/24/21	3/24/21	3461	3538
	Read Difference:			77.00
	Actual Usage in CCF:			77.00

Your Charges:

PREVIOUS BALANCE		**6.64**
Payment Received 03/01/2021		**-6.64**
CURRENT GAS CHARGE TOTAL		**61.64**
Residential 03TI		
Customer Charge	14.00	
Commodity Charge 77.000 @ 0.09205 / CCF	7.09	
Gas Cost @ 0.347 / CCF	26.72	
Rider WNA 77.000 @ 0.0020159	0.16	
GRIP Surcharge	13.67	
TAX/FEE CHARGE TOTAL		**5.96**
Reimbursement of MGRT	1.32	
Rider FF @ 0.05263	3.31	
City Sales Tax	1.33	
CURRENT CHARGES		**67.60**

TOTAL AMOUNT DUE **67.60**

We're investing in our natural gas pipelines. From the ground up.

Visit atmosenergy.com/safety to learn about upgrades in your area.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

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You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

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Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

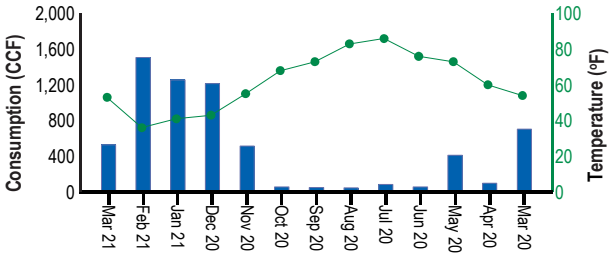
_____ One-time Contribution

ATMOS energy®
www.atmosenergy.com

Account Number:
Customer Name:
Service Address:
LUBBOCK TX 79404-3755

DUE DATE	TOTAL DUE
04/08/21	$360.23

Gas Usage Trend



Account Summary
Billing Date: 3/24/21

Previous Balance	837.11
Payment(s)	-837.11
Current Charges	360.23

Total Amount Due **$360.23**
(see reverse for billing details)

Important Messages from Your Natural Gas Company

SMELL GAS? ACT FAST!
If you suspect a gas leak, don't wait! Leave the area immediately and call 911 and Atmos Energy at 1-866-322-8667.

SURCHARGE EXPLANATION
The Gas Reliability Infrastructure Programs Surcharge (GRIP) is a surcharge to recover the costs of utility plant projects that have been completed since the last rate case pursuant to Texas Utilities Code Sec. 104.301. This is a monthly fixed amount and will appear on your bill until this surcharge is rolled into regular rates following the next rate case settlement. Your GRIP surcharge reflects a 2014 GRIP surcharge of $5.82, a 2015 GRIP surcharge of $4.39, a 2016 GRIP surcharge of $5.89, a 2017 GRIP surcharge of $6.08, a 2018 GRIP surcharge of $7.73, and a 2019 GRIP surcharge of $7.86, for a net GRIP surcharge of $37.77. For more information about your bill, go to **www.atmosenergy.com/bill**.

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*For instructions on reading your Atmos Energy bill, please visit **www.atmosenergy.com/yourbill.***

CONTACT US:
Emergency Phone 24/7: 1-866-322-8667
Customer Service M-F 7am - 6pm CST: 1-888-286-6700

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Call 888.286.6700 to set up an installment plan that works for you.

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Keep this portion for your records

ATMOS energy®

Return this portion with your check or money order and include your account number. If paying in person, please bring the bill.

Account Number	Due Date	Total Amount Due
	04/08/2021	$360.23

Amount Enclosed: $_____

☐ To update your mailing address or donate to energy assistance check here and complete the form on the back.

ATMOS ENERGY
PO Box 740353
Cincinnati Ohio 45274-0353

ABILENE TX 79604-0929

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QUESTIONS ABOUT YOUR BILL AFTER THE HISTORIC WINTER STORM?

WE'RE HERE TO HELP.

Atmos Energy understands your concerns regarding the recent extreme weather and its effect on your natural gas bill. We want to assure you that bills in the near-term will not include any of the unusually high gas prices from the historic winter storms. Atmos Energy is working with regulators to find solutions that will minimize the impact to you. February and March bills may still be higher than recent months based on the amount of gas used during the bitterly cold weather.

Visit **atmosenergy.com/winterstorm** to learn more.

Your Billing Detail Information:

Meter Serial #	Date of Service From	Date of Service To	Meter Reading Previous	Meter Reading Present
	2/23/21	3/23/21	9377	9852
	Read Difference:			475.00
	Pressure Factor:			1.108824
	Actual Usage in CCF:			526.69

Your Charges:

PREVIOUS BALANCE		**837.11**
Payment Received 03/17/2021		**-837.11**
CURRENT GAS CHARGE TOTAL		**310.27**
Commercial 16LI		
Customer Charge	31.25	
Commodity Charge 526.691 @ 0.1064 / CCF	56.04	
Gas Cost @ 0.347 / CCF	182.76	
Rider WNA 526.691 @ 0.00464968	2.45	
GRIP Surcharge	37.77	
TAX/FEE CHARGE TOTAL		**49.96**
Reimbursement of MGRT	6.66	
Rider FF @ 0.05000	15.85	
State Sales Tax	20.80	
County Sales Tax	1.66	
City Sales Tax	4.99	
CURRENT CHARGES		**360.23**

TOTAL AMOUNT DUE **360.23**

We're investing in our natural gas pipelines. From the ground up.

Visit atmosenergy.com/safety to learn about upgrades in your area.

CHANGE OF MAILING ADDRESS:

Address/P.O. Box

City, State, Zip Code

Telephone Number

Cell Phone Number

To change account name, please call 1-888-286-6700

Help Your Neighbors in Need. Contribute to Sharing the Warmth

You can help the elderly, the disabled and families in need keep their homes warm and secure by donating to Atmos Energy's Sharing the Warmth program.

All donations are distributed to a local area non-profit energy assistance agency(s) that serves your community. Visit www.atmosenergy.com/share to find agencies near you.

Please indicate the contribution amount below to be billed monthly on your Atmos Energy statement.

Thank you for sharing the warmth with those in need in your community.

_____ $1 _____ $20

_____ $5 _____ Other

_____ $10 _____ Round-up

_____ One-time Contribution

Exhibit G

The documents relating to Exhibit G are being provided electronically. Confidential materials will be provided upon execution of the Protective Order issued in this proceeding.

Testimony Workpapers

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