

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 18A-0165G

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY CORPORATION FOR AN ORDER APPROVING SYSTEM SAFETY AND INTEGRITY COSTS RECOVERED THROUGH THE SYSTEM SAFETY AND INTEGRITY RIDER FOR THE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (“Stipulation”) is entered into by and between Atmos Energy Corporation (“Atmos Energy” or the “Company”) and Trial Staff of the Colorado Public Utilities Commission (“Staff”), each of which is a “Settling Party” and collectively are the “Settling Parties.” The Settling Parties submit this Stipulation in resolution of all issues which were or could have been raised between the Settling Parties in this Proceeding and respectfully request that the Colorado Public Utilities Commission (“Commission”) approve this Stipulation for the purpose of resolving the issues in this Proceeding between the Settling Parties.

Procedural Background

1. On March 15, 2018, Atmos Energy filed an Application requesting an order from the Commission approving the system safety and integrity costs incurred through December 31, 2017 that have been reflected in the Company’s System Safety and Integrity Rider (“SSIR”). The Application was filed pursuant to the SSIR filing and review process established by the Commission in Proceeding No. 15AL-0299G and continued in Proceeding No. 17AL-0429G.¹ Attachments to the Application describe the four system safety and integrity projects Atmos

¹ The SSIR process consists of two filings: an advice letter filing of the SSIR Cost Recovery Request on November 1st (“SSIR November Filing”); and the SSIR Cost Prudency Review and True-up Report approximately 16 months later, on March 15th (“SSIR March Filing”)

completed in 2017, including: a comparison of estimated activities and actual activities; an explanation of the revenue requirement calculations for the 2017 SSIR; and a “true-up” that matches final costs with revenues calculated.

2. Through a series of negotiations, the Settling Parties arrived at this Stipulation which resolves all of the issues that were or could have been raised by the Settling Parties in this Proceeding.

Settlement Terms and Conditions

3. The Settling Parties agree that the Commission should approve Atmos Energy’s 2017 actual SSIR costs as set forth in the Application, Atmos Energy’s pre-filed testimony, and Atmos Energy’s supplemental direct testimony. Additionally, the Settling Parties agree to specific modifications to future SSIR filings as detailed below.

4. In order to provide additional detail in support of the Application and this Stipulation, Atmos Energy agreed to file Supplemental Direct Testimony of Eric Boutwell and an attachment in electronic format detailing the SSIR costs that were incurred from January 1, 2017 through December 31, 2017.

A. Modification to Future Revenue Requirement in the SSIR Mechanism

5. In an effort to more closely align the revenue requirement with the initiation of SSIR projects, Atmos Energy agrees to modify future SSIR filings to only reflect dollars in the revenue requirement with projects that have already been initiated.² Hence, a project that has not

² For example, if a project is projected to start actual activity in March, but does not start until April, the actual revenue requirement shown for January through March will not include any actual costs.

yet reached a point of “excavation to begin installation” will not be included in the actual revenue requirement used to determine the reconciliation in the SSIR March Filings.³

6. The Settling Parties agree that the Company may continue to include material purchases in the revenue requirement in the month in which those purchases occur. However, no purchases would be reflected in the revenue requirement before January 1st of the effective SSIR calendar year.⁴

B. Improvements to the Company’s Integrity Data

7. In order to improve the Company’s locational records for its pipeline assets, Atmos Energy agrees to file an application in a new proceeding on or before November 1, 2018 to seek Commission approval of a project designed to improve the Company’s integrity data systems.⁵

8. The Settling Parties agree that the intent of this application is for the Company to incorporate existing integrity data and legacy records into a more functional and accurate format that is easily accessible and usable by operating, engineering, and maintenance/construction personnel in both office and field environments. This new format shall include, but need not be limited to, the Company’s existing Geospatial Information Systems (“GIS”) software and hardware.

³ This provision does not impact the current procedure for SSIR November Filings that estimate total costs for projects, does not limit the ability of the Company to account for projects under GAAP, and does not limit the ability of the Company to recover the total prudently incurred SSIR costs.

⁴ For example, if materials were purchased in December 2017 for a Project projected to begin in February 2018, those materials could not be included in revenue requirement until January 2018.

⁵ The application may propose an amendment to an existing mechanism or be a “stand-alone” application.

9. The Settling Parties agree to work together to develop a specific statement defining the scope of this project, which will form the basis of the Company's application.

10. The Company may seek approval to place this project's expenses in a regulatory asset.

11. The application required by this section will propose that any annual filings associated with this project will be made at the same time as the current SSIR filings and will be managed on a calendar year basis.

C. Future SSIR November Filing Requirements

12. For future SSIR November Filings, in addition to the information currently required by Tariff, Atmos Energy agrees to submit current and detailed individual project information, including: a fully formed, detailed, and accurate project scope⁶; project cost with a +/- 10% accuracy; estimated date of start of field construction; and total anticipated length of construction (in days).

13. Atmos Energy agrees to work with Staff to develop an agreed-upon revenue requirement presentation before the next SSIR November Filing.

D. Future SSIR March Filing Requirements

⁶ Expected accuracy of pipe lengths at +/- 5 percent.

14. In an effort to improve SSIR management and ensure that Atmos Energy's SSIR March Filings provide the Commission with the necessary information, Atmos Energy agrees to the following modifications to its future SSIR March Filings:

- a. The Company will not refile attachments previously filed in the SSIR November Filing. Atmos Energy will incorporate those prior attachments by reference as necessary.
- b. Atmos Energy agrees to only file the Distribution Integrity Management Plan if modifications have occurred since the SSIR November Filing. If so, those modifications will only be provided in redline format.
- c. The Company will include an attestation of the actual costs underlying the actual revenue requirement by an appropriate Company Division or Corporate officer.
- d. The Company will include detailed cost evidence similar to that attached to the Supplemental Direct Testimony filed in this proceeding.
- e. Atmos Energy agrees to provide additional detail and explanation if the variance of actual project costs from projected project costs equals or exceeds +/- 10 percent.
- f. Atmos Energy agrees to integrate the SSIR 5-Year Plan in a clear and transparent manner that demonstrates the Company's ability to advance

towards a goal of significant progress in completing the task of remediation of risk for bare steel and PVC pipe.

- g. Atmos Energy agrees to work with Staff to provide additional information that the Company has or that it can reasonably create.

General Terms and Conditions

15. The Settling Parties agree that this Stipulation is in the public interest and will be supported by the Settling Parties' testimony and/or statements of counsel in this proceeding. The Settling Parties agree to support this Stipulation as being in the public interest in proceedings before the Commission and to advocate in good faith that the Commission approve this Stipulation in its entirety.

16. The Settling Parties agree that this Stipulation represents a compromise in the positions of both Settling Parties and has been negotiated as a comprehensive settlement. As such, the Settling Parties acknowledge that their support and advocacy of the Stipulation is based upon the Stipulation as a whole and not based upon its individual components viewed in isolation. Additionally, evidence of conduct or statements made in the negotiation and discussion phases of this Stipulation will not be admissible as evidence in any proceeding before the Commission or any court.

17. The Settling Parties agree that all negotiations relating to this Stipulation are privileged and confidential, and that no party will be bound by any position asserted in the negotiations, except to the extent expressly stated in this Stipulation.

18. The Settling Parties agree that except as otherwise expressly noted in this Stipulation: (a) the execution of this Stipulation will not be deemed to constitute an

acknowledgment of any Settling Party of the validity or invalidity of any particular method, theory or principle of ratemaking or regulation, and no Settling Party will be deemed to have agreed that any principle, method or theory of regulation employed in arriving at this Stipulation is appropriate for resolving any issue in any other proceeding; (b) the execution of the Stipulation will not constitute the basis of estoppel or waiver in future proceedings by any Settling Party; and (c) no Settling Party will be deemed to be bound by any position asserted by any other Settling Party, and no finding of fact or conclusion of law other than those expressly stated will be deemed to be implicit in this Stipulation. Any specific reservation of future litigation rights contained in the Stipulation should not be deemed to waive the applicability of this general reservation of litigation rights in future proceedings as to all matters contained in the Stipulation.

19. The Settling Parties acknowledge that their support and advocacy of the Stipulation may be compromised by material alterations thereto. In the event the Commission rejects or materially alters the Stipulation, the Settling Parties agree that within seven days of such Commission Decision any Settling Party may provide notice to the other Settling Parties of its objection to the Stipulation as modified. Upon such objection, the Settling Parties will no longer be bound by its terms and will not be deemed to have waived any of their respective procedural or due process rights under Colorado law. If a Settling Party objects to the Stipulation as modified, it may withdraw from the Stipulation.

20. If the Commission chooses to adopt and approve the Stipulation, this Stipulation resolves all disputed matters relative to this proceeding between the Settling Parties. Any disputed matters will be deemed resolved to the extent that the Stipulation is not compromised by material alterations.

21. Except as otherwise expressly provided in this Stipulation, the issuance of a Decision approving this Stipulation will not be deemed to work as an estoppel upon the Settling Parties or the Commission, or otherwise establish, or create any limitation on or precedent of the Commission, in future proceedings.

22. This Stipulation will not become effective and will be given no force and effect until the issuance of a final written Commission decision that accepts and approves this Stipulation.

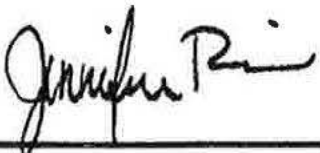
23. This Stipulation may be executed in one or more counterparts and each counterpart will have the same force and effect as an original document and as if all the Settling Parties had signed the same document. Any signature page of this Stipulation may be detached from any counterpart of this Stipulation without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of the Stipulation identical in form hereto but having attached to it one or more signature page(s). The Settling Parties agree that “pdf” signature pages exchanged by e-mail will satisfy the requirements for execution.

BASED ON THE FOREGOING, the Settling Parties respectfully request that the Commission issue a Decision approving this Stipulation and adopting the terms and conditions of this Stipulation.

DATED this 3rd day of August, 2018.

RESPECTFULLY SUBMITTED,

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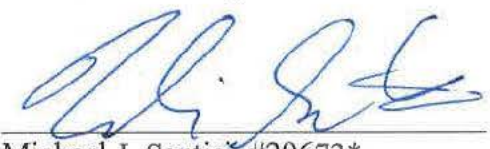
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