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NEWS RELEASE

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PSC Approves Atmos Energy Gas Rate Settlement

Revenue increase is \$3.55 million less than requested

FRANKFORT, Ky. (May 28, 2010) – The Kentucky Public Service Commission (PSC) today approved a settlement granting Atmos Energy Corp. an annual revenue increase of \$5.95 million (3 percent), which is \$3.55 million less than the amount sought by the utility.

Under the settlement, the monthly customer charge will increase to \$12.50 from the current \$9.35. The gas delivery charge will fall from the current \$1.19 per 1,000 cubic feet to \$1.10 per 1,000 cubic feet.

For a typical residential customer using an average of 5,000 cubic feet per month, the settlement will increase the average monthly bill by \$2.70, or \$32.40 per year.

The settlement applies only to Atmos Energy's base rate, which covers the utility's cost of operating and maintaining its system, as well as any profit margin. The commodity cost of the gas itself, which is adjusted quarterly to reflect market prices, is determined separately and is passed through to consumers on a dollar-for-dollar basis by Atmos Energy, with no additional profit for the utility.

In an order issued today, the PSC ruled that the settlement produced rates that are "fair, just and reasonable" and should be approved. The new rates take effect Tuesday, June 1.

Atmos Kentucky negotiated the settlement with the Kentucky Office of Attorney General. The PSC conducted a public hearing on the settlement on May 11.

Atmos Energy serves about 172,300 customers in 38 counties in western and central Kentucky.

Atmos Kentucky originally sought to increase its annual revenue from gas operations by \$9.5 million (4.8 percent). The proposal would have shifted more of a customer's bill to the fixed monthly charge, by increasing it to \$13.50.

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PSC Approves Atmos Energy Gas Rate Settlement – Page 2

In addition to reducing the revenue increase for Atmos Kentucky, the settlement agreement accepted Atmos Energy's proposal to fund a program to speed replacement of aging gas mains. The PSC made two changes to the settlement provisions.

Rather than including the charges in the base rates, the proposal will be funded through a separate charge that will be identified as a distinct line item on customer bills. The initial amount of the charge will be established as of June 1, 2011, rather than April 1, 2011.

The PSC said it does not have the legal authority to accept or reject a provision of the settlement that calls for Atmos Energy to pay \$50,000 to the Office of Attorney General as a reimbursement for litigation costs. Because the money is coming from shareholder funds, it will not affect rates.

Today's order, Atmos Energy's application and other documents in the case are available on the Web site. The case number is 2009-00354.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.