







**BEFORE THE PUBLIC SERVICE COMMISSION**

**COMMONWEALTH OF KENTUCKY**

**APPLICATION OF ATMOS ENERGY )  
CORPORATION FOR AN ADJUSTMENT )  
OF RATES AND TARIFF MODIFICATIONS )**

**Case No. 2015-00343**

**TESTIMONY OF DANE A. WATSON**



1 **I. POSITION AND QUALIFICATIONS**

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

3 A. My name is Dane A. Watson, and my business address is 1410 Avenue K, Suite  
4 1105B, Plano, Texas 75074. I am Managing Partner of Alliance Consulting  
5 Group. Alliance Consulting Group provides consulting and expert services to the  
6 utility industry.

7 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

8 A. I hold a Bachelor of Science degree in Electrical Engineering from the University  
9 of Arkansas at Fayetteville and a Master's Degree in Business Administration  
10 from Amberton University.

11 **Q. DO YOU HOLD ANY SPECIAL CERTIFICATION AS A**  
12 **DEPRECIATION EXPERT?**

13 A. Yes. The Society of Depreciation Professionals ("the Society") has established  
14 national standards for depreciation professionals. The Society administers an  
15 examination and has certain required qualifications to become certified in this  
16 field. I met all requirements and have become a Certified Depreciation  
17 Professional ("CDP").

18 **Q. PLEASE OUTLINE YOUR EXPERIENCE IN THE FIELD OF**  
19 **DEPRECIATION.**

20 A. Since graduation from college in 1985, I have worked in the area of depreciation  
21 and valuation. I founded Alliance Consulting Group in 2004 and am responsible  
22 for conducting depreciation, valuation and certain accounting-related studies for  
23 utilities in various industries. My duties relate to preparing depreciation studies

1 and include (1) assembling and analyzing historical and simulated data, (2)  
2 conducting field reviews, (3) determining service life and net salvage estimates,  
3 (4) calculating annual depreciation, (5) presenting recommended depreciation  
4 rates to utility management for its consideration, and (6) supporting such rates  
5 before regulatory bodies.

6 My prior employment from 1985 to 2004 was with Texas Utilities  
7 ("TXU"). During my tenure with TXU, I was responsible for, among other  
8 things, conducting valuation and depreciation studies for the domestic TXU  
9 companies. During that time, I served as Manager of Property Accounting  
10 Services and Records Management in addition to my depreciation responsibilities.

11 I have twice been Chair of the Edison Electric Institute ("EEI") Property  
12 Accounting and Valuation Committee and have been Chairman of EEI's  
13 Depreciation and Economic Issues Subcommittee. I am a Registered Professional  
14 Engineer ("PE") in the State of Texas and a Certified Depreciation Professional. I  
15 am a Senior Member of the Institute of Electrical and Electronics Engineers  
16 ("IEEE") and have held numerous offices on the Executive Board of the Dallas  
17 Section of IEEE. I am also Past President of the Society of Depreciation  
18 Professionals.

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
20 **COMMISSIONS?**

21 A. Yes. I have testified before numerous state and federal agencies in my 30 year  
22 career in performing depreciation studies. I have conducted depreciation studies,  
23 filed written testimony and/or testified before the Commissions provided in

1 Exhibit DAW-1.

2 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE**  
3 **KENTUCKY PUBLIC SERVICE COMMISSION?**

4 A. Yes. I provided written testimony on behalf of Atmos Energy in Case No. 2013-  
5 00148.

6

7

**II. PURPOSE OF DIRECT TESTIMONY**

8 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
9 **PROCEEDING?**

10 A. I sponsor and support the depreciation studies performed for Atmos Energy  
11 Corporation – Kentucky (“Kentucky” or “Atmos Energy” or “Company”), its  
12 Kentucky Mid-States General Office (“KY Mid-States General Office”) and the  
13 Shared Services Unit (“SSU”).

14 **Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?**

15 A. Yes. I am sponsoring the following exhibits:

- 16 • DAW-1 – List of Experience (Studies Performed, Filed Testimony and/or  
17 Regulatory Appearances);
- 18 • DAW-2 – Atmos Energy Corporation – Kentucky Depreciation Rate  
19 Study at September 30, 2014;
- 20 • DAW-3 – Atmos Energy Corporation – Kentucky Mid-States General  
21 Office Depreciation Rate Study at September 30, 2014; and
- 22 • DAW-4 - Shared Services Unit Depreciation Rate Study at September 30,  
23 2014

1 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR**  
2 **SUPERVISION AND CONTROL?**

3 A. Yes.

4 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

5 A. The Atmos Energy Kentucky, KY Mid-States General Office and SSU  
6 depreciation studies and analyses that I have performed support establishing  
7 depreciation rates at the level recommended in my testimony. The Kentucky  
8 depreciation rate study is attached to my testimony as Exhibit DAW-2. The  
9 Kentucky study shows that a decrease in the annual depreciation expense for  
10 Atmos Energy's assets of approximately \$1.6 million per year is needed to ensure  
11 that the appropriate amount of depreciation expense is collected by the Company.  
12 This amount was determined by comparing the depreciation expense between the  
13 current rates and the proposed rates as shown in Appendix A of Exhibit DAW-2.  
14 Changes in various accounts in the Distribution Plant function are the drivers for  
15 the decrease. The KY Mid-States General Office depreciation rate study is  
16 attached as Exhibit DAW-3. The SSU depreciation rate study is attached as  
17 Exhibit DAW-4. Both KY Mid-States General Office and SSU results will be  
18 allocated to Kentucky customers by the approved factors. Those results will be  
19 provided by Company Witness Mr. Greg Waller.

20 **Q. DO THE DEPRECIATION STUDIES YOU SPONSOR IN THIS CASE**  
21 **REFLECT THE MOST CURRENT DATA AVAILABLE?**

1 A. Yes. The data used reflects the most recent experience and future expectations for  
2 life and net salvage characteristics for assets in Atmos' Kentucky, KY Mid-States  
3 General Office, and SSU as of September 30, 2014.

4

5 **III. ATMOS KENTUCKY GAS DEPRECIATION STUDY**

6 **Q. DID YOU PREPARE THE GAS DEPRECIATION STUDY?**

7 A. Yes. The Atmos Kentucky Gas Depreciation Study is attached to my testimony  
8 as Exhibit DAW-2. The study in Exhibit DAW-2 analyzes the life and net  
9 salvage percentage for Atmos Energy's gas assets at September 30, 2014.

10 **Q. WHAT PROPERTY IS INCLUDED IN THE DEPRECIATION STUDY?**

11 A. There are four general classes, or functional groups, of depreciable property:  
12 Storage Plant, Transmission Plant, Distribution Plant and General Plant property.  
13 The Storage Plant functional group primarily consists of facilities that store  
14 natural gas for use as needed. The Transmission Plant functional group primarily  
15 consists of high and intermediate pressure transmission assets that deliver gas to  
16 various receipt points or city gates. The Distribution Plant functional group  
17 primarily consists of lines and associated facilities used to distribute and meter  
18 gas within the areas served by Atmos Energy. General Plant property, both  
19 depreciated and amortized, is not location specific but is used to support the  
20 overall distribution of gas to its customers.

21 **Q. WHAT DEFINITION OF DEPRECIATION HAVE YOU USED FOR THE**  
22 **PURPOSES OF CONDUCTING A DEPRECIATION STUDY AND**  
23 **PREPARING YOUR TESTIMONY?**

1 A. The term "depreciation," as used herein, is considered in the accounting sense;  
2 that is, a system of accounting that distributes the cost of assets, less net salvage  
3 (if any), over the estimated useful life of the assets in a systematic and rational  
4 manner. Depreciation is a process of allocation, not valuation. Depreciation  
5 expense is systematically allocated to accounting periods over the life of the  
6 properties. The amount allocated to any one accounting period does not  
7 necessarily represent the loss or decrease in value that will occur during that  
8 particular period. Thus, depreciation is considered an expense or cost, rather than  
9 a loss or decrease in value. The Company accrues depreciation based on the  
10 original cost of all property included in each depreciable plant account. On  
11 retirement, the full cost of depreciable property, less the net salvage amount, if  
12 any, is charged to the depreciation reserve.

13 **Q. PLEASE DESCRIBE YOUR DEPRECIATION STUDY APPROACH.**

14 A. I conducted the depreciation studies in four phases as shown in my Exhibits  
15 DAW-2. The four phases are: Data Collection, Analysis, Evaluation, and  
16 Calculation. During the initial phase of the study, I collected historical data to be  
17 used in the analysis. After the data was assembled, I performed analyses to  
18 determine the life and net salvage percentage for the different property groups  
19 being studied. As part of this process, I conferred with field personnel, engineers,  
20 and managers responsible for the installation, operation, and removal of the assets  
21 to gain their input into the operation, maintenance, and salvage of the assets. The  
22 information obtained from field personnel, engineers, and managerial personnel,  
23 combined with the study results, was then evaluated to determine how the results

1 of the historical asset activity analysis, in conjunction with the Company's  
2 expected future plans should be applied. Using all of these resources, I then  
3 calculated the depreciation rate for each function.

4 **Q. WHAT DEPRECIATION METHODOLOGY DID YOU USE?**

5 A. The straight-line (method), Equal Life Group ("ELG") (procedure), and  
6 remaining-life (technique) depreciation system were employed to calculate annual  
7 and accrued depreciation in this study. This methodology is consistent with the  
8 existing approved rates.

9 **Q. HOW ARE THE DEPRECIATION RATES DETERMINED USING THE**  
10 **ELG PROCEDURE?**

11 A. In this system, the annual depreciation expense for each group is computed by  
12 dividing the original cost of the asset less allocated depreciation reserve less  
13 estimated net salvage by its respective equal life group remaining life. The  
14 resulting annual accrual amounts of all depreciable property within a function  
15 were accumulated, and the total was divided by the original cost of all functional  
16 depreciable property to determine the depreciation rate. The calculated remaining  
17 lives and annual depreciation accrual rates were based on attained ages of plant in  
18 service and the estimated service life and salvage characteristics of each  
19 depreciable group. The computations of the annual depreciation rates are shown  
20 in Appendix B of my Exhibit DAW-2.

21 **Q. HAVE INDUSTRY AND DEPRECIATION EXPERTS DESCRIBED THE**  
22 **ELG PROCEDURE AS A MORE THEORETICALLY CORRECT**  
23 **DEPRECIATION PROCEDURE?**

1 A. Yes. The ELG procedure has been recognized as the more theoretically correct  
2 depreciation procedure. This conclusion was first reached by Mr. Robley  
3 Winfrey (who helped design the current depreciation system we use today)  
4 approximately 60 years ago. Specifically, Mr. Winfrey, the founding father of  
5 modern depreciation systems, has stated that the ELG procedure is the “only  
6 mathematically correct [depreciation] procedure.” Similarly, Dr. W. Chester  
7 Fitch and Dr. Frank K. Wolf (who literally wrote the book on depreciation and  
8 trained many of the depreciation professional working today, including myself),  
9 are also in agreement with Mr. Winfrey on the validity of the ELG method. I  
10 would note again that a number of regulatory commissions have approved the use  
11 of the ELG procedure.

12 **Q. WHAT TIME PERIOD DID YOU USE TO DEVELOP THE PROPOSED**  
13 **DEPRECIATION RATES?**

14 A. The account level depreciation rates were developed based on the depreciable  
15 property recorded on the Company’s books at September 30, 2014.

16 **Q. PLEASE SUMMARIZE THE DEPRECIATION STUDY RESULTS WITH**  
17 **RESPECT TO DEPRECIATION RATES.**

18 A. Exhibit DAW-2, Appendix A shows the approved and proposed annual  
19 depreciation rates and accrual for each account. Based on this comparison there is  
20 an overall decrease in annual depreciation expense of \$1.6 million. This is  
21 comprised of an increase of approximately \$16 thousand for Storage Plant; a  
22 decrease of \$60 thousand for Transmission Plant; a decrease of \$1.8 million for  
23 Distribution Plant; and an increase of \$48 thousand for General Plant (depreciated

1 and amortized). There is an additional \$151 thousand being accrued for the  
2 General Plant reserve deficit over a three year period.

3 **Q. WHAT FACTORS INFLUENCE THE DEPRECIATION RATES FOR AN**  
4 **ACCOUNT?**

5 A. The primary factors that influence the depreciation rate for an account are: (1) the  
6 remaining investment to be recovered in the account, (2) the depreciable life of  
7 the account, and (3) the net salvage for the account.

8 **Q. DO YOU HAVE AN INITIAL OBSERVATION ABOUT ATMOS**  
9 **ENERGY'S DEPRECIATION EXPENSE IN GENERAL?**

10 A. Yes. Atmos Energy's depreciation expense is decreasing from previously  
11 approved levels.

12 **Q. WHY IS ATMOS ENERGY'S DEPRECIATION EXPENSE**  
13 **DECREASING?**

14 A. Adjustments in life and net salvage factors for various accounts were  
15 recommended as discussed later and in Exhibit DAW-2. The largest decrease in  
16 annual depreciation expense is due to the change in net salvage for Transmission  
17 and Distribution Mains and Distribution Services accounts. For Mains and  
18 Services, a Time and Motion Study was performed to determine a uniform  
19 removal cost allocation for replacement activities. The results of this study were  
20 input as a pro forma to the net salvage analysis. This pro forma adjustment had  
21 the effect of decreasing (less negative) the negative net salvage percentages for  
22 Mains and Services assets from the existing levels. The adjustments in life and

1 net salvage impact the reserve position, which is contributing to the change in  
2 each function as described above.

3 **Q. WHAT METHOD DID YOU USE TO ANALYZE HISTORICAL DATA TO**  
4 **DETERMINE LIFE CHARACTERISTICS?**

5 A. Accounts were analyzed using both the retirement rate method (actuarial method)  
6 and simulated plant record balances analysis (SPR method) to estimate the life of  
7 property. In much the same manner as human mortality is analyzed by actuaries,  
8 depreciation analysts use models of property mortality characteristics that have  
9 been validated in research and empirical applications. Further detail is found in  
10 the life analysis section of Exhibit DAW-2.

11 **Q. HOW DID YOU DETERMINE THE AVERAGE SERVICE LIVES FOR**  
12 **EACH ASSET GROUP?**

13 A. The establishment of appropriate average service lives for each account was  
14 determined by using either the Actuarial or the SPR balances analysis methods.  
15 Graphs illustrating the chosen Iowa Curves used to determine the average service  
16 lives for analyzed accounts are found in the Life Analysis section of my Exhibit  
17 DAW-2. A summary of the depreciable life for each account is shown in Exhibit  
18 DAW-2, Appendix C.

19 **Q. PLEASE DESCRIBE SOME OF THE CHANGES IN THE AVERAGE**  
20 **SERVICE LIVES FOR THE VARIOUS ACCOUNTS?**

21 A. The detailed analysis of each account is described fully in Exhibit DAW-2.  
22 Examples of some of the changes in average service lives are:

- 23 • There were no decreases in life.

- 1           • The largest increases in life were 20, 15, and 10 years for right of way  
2           (land rights) in Storage, Transmission, and Distribution functions,  
3           respectively. Also in the Storage Function, Accounts 35301 and 35302 –  
4           Field Lines and Tributary Lines, each increased by 10 years.
- 5           • There are 58 accounts of which 51 had no change and 7 had an increase in  
6           life.

7   **Q.   WHAT IS NET SALVAGE?**

8   A.   While discussed more fully in the study itself, net salvage is the difference  
9       between the gross salvage (what the asset was sold for) and the removal cost (cost  
10       to remove and dispose of the asset). Salvage and removal cost percentages are  
11       calculated by dividing the current cost of salvage or removal by the original  
12       installed cost of the asset. Some plant assets can experience significant negative  
13       removal cost percentages due to the amount of removal cost and the timing of the  
14       addition versus the retirement. For example, a Distribution asset in FERC  
15       Account 376 with an installed cost of \$500 (2014) would have had an installed  
16       cost of \$25.56<sup>1</sup> in 1954. A removal cost of \$50 for the asset calculated  
17       (incorrectly) on current installed cost would only have a negative 10 percent  
18       removal cost (\$50/\$500). However, a correct removal cost calculation would  
19       show a negative 195 percent removal cost for that asset (\$50/\$25.56). Inflation  
20       from the time of installation of the asset until the time of its removal must be  
21       taken into account in the calculation of the removal cost percentage because the

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<sup>1</sup> Using the Handy-Whitman Bulletin No. 181, G-2, line 44,  $\$25.56 = \$500 \times 39/763$ .

1 depreciation rate, which includes the removal cost percentage, will be applied to  
2 the original installed cost of assets.

3 **Q. HOW DID YOU DETERMINE THE NET SALVAGE PERCENTAGES**  
4 **FOR EACH ASSET GROUP?**

5 A. Using the approach described above, the net salvage as a percent of retirements  
6 for various bands (i.e. groupings of years such as the five-year or 10-year  
7 average) for each account is shown in my Exhibit DAW-2 on Appendix D. The  
8 historical experience, input from company experts and judgment were used to  
9 select a net salvage percentage that represents the future expectations for each  
10 account. Specific to this study is the inclusion of a pro forma adjustment due to  
11 the Time and Motion Study recently completed. Atmos will be implementing the  
12 results of the Time and Motion Study across all its jurisdictions beginning in  
13 October 2015.

14 **Q. PLEASE DESCRIBE SOME OF THE CHANGES IN THE NET SALVAGE**  
15 **PERCENTAGES FOR THE VARIOUS ACCOUNTS?**

16 A. The detailed analysis of each account is described fully in Exhibit DAW-2.  
17 Examples of some of the changes in net salvage are:

- 18 • The largest increases (i.e. less negative) of 10 percent or more in net  
19 salvage were in Account 38000 – Distribution Services, which moved  
20 from a negative 55 percent to a negative 20 percent; Distribution Accounts  
21 376.01 and 376.02 Mains moved from negative 20 percent to negative 5  
22 percent; Account 385 Distribution Industrial M&R moved from negative  
23 25 percent to negative 12 percent; and Account 367 Transmission Mains

1 moved from negative 30 percent to negative 20. The increases (less  
2 negative) in net salvage for Mains and Services accounts are due to the pro  
3 forma adjustment reflected as a result of the recently completed Time and  
4 Motion Study.

- 5 • The largest decrease (i.e. more negative or less positive) is in Account  
6 369.00 and 369.01 – Transmission M&R Equipment, which caused net  
7 salvage to change from negative 9 percent to negative 19 percent and  
8 Account 379,00 and 379.05 – M&R Equipment City Gate, which moved  
9 from a negative 13 percent to a negative 19 percent based on historical  
10 experience.
- 11 • Overall, 6 accounts experienced some level of increase (less negative) in  
12 net salvage while 4 accounts experienced a decrease (more negative or  
13 less positive) in net salvage, and 48 accounts remained unchanged.

14  
15 **IV. KY MID-STATES GENERAL OFFICE DEPRECIATION STUDY**

16 **Q. DID ALLIANCE PREPARE A 2014 DEPRECIATION STUDY FOR**  
17 **ATMOS KENTUCKY MID-STATES GENERAL OFFICE?**

18 **A.** Yes. We have conducted a study as of September 30, 2014. The study  
19 recommendations and results are attached to my direct testimony as Exhibit  
20 DAW-3.

21 **Q. ARE THE STEPS DESCRIBED ABOVE FOR THE KENTUCKY**  
22 **DEPRECIATION STUDY THE SAME FOR THE KY MID-STATES**  
23 **GENERAL OFFICE ASSETS?**

1 A. Yes. The same approach and methods were used.

2 **Q. WHAT PROPERTY IS INCLUDED IN THE KY MID-STATES GENERAL**  
3 **OFFICE DEPRECIATION STUDY?**

4 A. For KY Mid-States General Office, there is one general class of depreciable  
5 property which is related to general office activities. These assets include office  
6 buildings and leasehold improvements, office furniture, communications  
7 equipment, transportation equipment, computer software and hardware and other  
8 miscellaneous general office assets.

9 **Q. WHAT TIME PERIOD WAS USED TO DEVELOP THE PROPOSED**  
10 **DEPRECIATION RATES?**

11 A. The depreciation rates were developed based on the depreciable property recorded  
12 on KY Mid-States General Office books at September 30, 2014.

13 **Q. WHAT ARE THE RESULTS OF THE KY MID-STATES GENERAL**  
14 **OFFICE DEPRECIATION STUDY?**

15 A. The 2014 KY Mid-States General Office Depreciation Study is found in Exhibit  
16 DAW-3. The annual depreciation expense, before allocation, is approximately  
17 \$101 thousand per year compared to the existing annual depreciation expense of  
18 \$313 thousand per year. More details related to the study and results are found in  
19 Exhibit DAW-3.

20 **Q. WHAT ARE THE PRIMARY FORCES AFFECTING THE**  
21 **DEPRECIATION RATES RECOMMENDED IN THIS STUDY?**

22 A. Generally, depreciation rates are affected by three separate factors – changes in  
23 average service life, changes in net salvage, and the effect of reserve position.

1 The KY Mid-States General Office depreciation rates have all three of these  
2 affecting the rates. However, due to the age and reserve position of the assets,  
3 numerous accounts are considered fully depreciated at this time.

4 **Q. DO YOU HAVE ANY GENERAL OBSERVATIONS REGARDING THE**  
5 **RECOMMENDATIONS IN THE STUDY YOU WOULD LIKE TO**  
6 **EXPLAIN?**

7 A. Yes. There is significant investment, over half, in the KY Mid-States General  
8 Office related to technology-based assets, which generally have shorter life  
9 expectations than gas operational assets. There are accounts that are either near  
10 fully depreciated or are fully depreciated. For those accounts we provide a whole  
11 life rate, which can be applied to any future additions. The proposed rates for all  
12 accounts are shown on Exhibit DAW-3 Appendix A and Appendix B. A  
13 comparison of the mortality characteristics (average service life, curve, salvage  
14 and cost of removal) for each account is shown on Exhibit DAW-3 Appendix C.  
15 Accounts 390, 392 and 396 are the only accounts experiencing or expected to  
16 incur any level of net salvage. Detailed discussions for each account can be  
17 found in Exhibit DAW-3.

18 **Q. WHAT ASSETS WERE ANALYZED FOR THE 2014 KY MID-STATES**  
19 **GENERAL OFFICE DEPRECIATION STUDY?**

20 A. The KY Mid-States General Office assets perform a common service to all of  
21 Atmos' KY Mid-States Division, including its regulated utility operations across  
22 multiple states, Kentucky being one of the states. The assets used to perform  
23 these common services were analyzed during the depreciation study. As

1 previously stated these assets include, but are not limited to, office buildings,  
2 furniture and equipment, communication equipment, and any computer hardware  
3 or software utilized. The top three largest investments in KY Mid-States General  
4 Office are Miscellaneous Equipment, PC Hardware, and Application Software.

5 **Q. WHAT DEPRECIATION RATES DOES THE COMPANY PROPOSE TO**  
6 **USE FOR KY MID-STATES GENERAL OFFICE ASSETS?**

7 A. The Company proposes to utilize the depreciation rates recommended in my  
8 depreciation study, which can be found in Exhibit DAW-3 on Appendix A and  
9 Appendix B.

10 **Q. HAS ALLIANCE QUANTIFIED THE DEPRECIATION EXPENSE FOR**  
11 **KY MID-STATES GENERAL OFFICE AS A RESULT OF THE**  
12 **DEPRECIATION STUDY IT PERFORMED?**

13 A. Yes. Based on September 30, 2014 plant balances and before allocation, the  
14 annual depreciation expense related to KY Mid-States General Office is  
15 approximately \$101 thousand. The individual account depreciation rates and  
16 resulting annual depreciation expense can be found on Appendix A and Appendix  
17 B in Exhibit DAW-3. The allocation and direct impact to Kentucky customers is  
18 addressed by Company Witness Mr. Greg Waller.

19  
20 **V. SHARED SERVICES UNIT DEPRECIATION STUDY**

21 **Q. DID ALLIANCE PREPARE A 2014 DEPRECIATION STUDY FOR**  
22 **ATMOS SHARED SERVICES?**

23 A. Yes. We have conducted a study as of September 30, 2014. The study

1 recommendations and results are attached to my direct testimony as Exhibit  
2 DAW-4.

3 **Q. ARE THE STEPS DESCRIBED ABOVE FOR THE KENTUCKY AND KY**  
4 **MID-STATES GENERAL OFFICE DEPRECIATION STUDIES THE**  
5 **SAME FOR THE SHARED SERVICES ASSETS?**

6 A. Yes. The same approach and methods were used for all the studies.

7 **Q. WHAT PROPERTY IS INCLUDED IN THE SHARED SERVICES UNIT**  
8 **DEPRECIATION STUDY?**

9 A. For Shared Services, there is one general class of depreciable property which is  
10 related to general office activities. These assets include office buildings and  
11 leasehold improvements, office furniture, communications equipment,  
12 transportation equipment, computer software and hardware and other  
13 miscellaneous general office assets.

14 **Q. WHAT TIME PERIOD WAS USED TO DEVELOP THE PROPOSED**  
15 **DEPRECIATION RATES?**

16 A. The depreciation rates were developed based on the depreciable property recorded  
17 on Shared Services' books at September 30, 2014.

18 **Q. WHAT ARE THE RESULTS OF THE ATMOS SHARED SERVICES**  
19 **UNIT DEPRECIATION STUDY?**

20 A. The 2014 Atmos Shared Services Unit Depreciation Study is found in Exhibit  
21 DAW-4. The annual depreciation expense, before allocation, is approximately  
22 \$21.8 million per year. More details related to the study and results are found in  
23 Exhibit DAW-4.

1 **Q. WHAT ARE THE PRIMARY FORCES AFFECTING THE**  
2 **DEPRECIATION RATES RECOMMENDED IN THIS STUDY?**

3 A. Generally, depreciation rates are affected by three separate factors – changes in  
4 average service life, changes in net salvage, and the effect of reserve position.  
5 The SSU's depreciation rates only have two of these affecting the rates- average  
6 service life and reserve position.

7 **Q. ARE THERE ANY GENERAL OBSERVATIONS REGARDING THE**  
8 **LIFE AND NET SALVAGE PARAMETERS BEING RECOMMENDED IN**  
9 **THE STUDY YOU WOULD LIKE TO EXPLAIN?**

10 A. Yes. There is significant investment in the SSU related to technology-based  
11 assets which generally have shorter life expectations than gas distribution assets.  
12 The net salvage analyses for all Shared Services accounts indicate no salvage or  
13 cost of removal is being experienced, therefore a zero percent net salvage rate is  
14 recommended for each account in the SSU study. Detailed discussions for each  
15 account can be found in Exhibit DAW-4.

16 **Q. WHAT ASSETS WERE ANALYZED FOR THE 2014 SHARED SERVICES**  
17 **UNIT DEPRECIATION STUDY?**

18 A. The SSU assets perform a common service to all of Atmos' divisions, including  
19 its regulated utility operations across multiple states, Kentucky being one of the  
20 states. The assets used to perform these common services were analyzed during  
21 the depreciation study. As previously stated these assets include, but are not  
22 limited to, office buildings, furniture and equipment, communication equipment,  
23 and any computer hardware or software utilized. The top three largest

1 investments in SSU are the application software, server hardware, and server  
2 software equipment. These assets are primarily located in the Company's home  
3 office in Dallas, Texas and the customer service centers in Amarillo, Texas and  
4 Waco, Texas.

5 **Q. WHAT DEPRECIATION RATES DOES THE COMPANY PROPOSE TO**  
6 **USE FOR SHARED SERVICES ASSETS?**

7 A. The Company proposes to utilize the depreciation rates proposed in the Alliance  
8 depreciation study, which can be found in Exhibit DAW-4 on Appendix A.

9 **Q. HAS ALLIANCE QUANTIFIED THE DEPRECIATION EXPENSE FOR**  
10 **SHARED SERVICES AS A RESULT OF THE PROPOSED**  
11 **DEPRECIATION RATES?**

12 A. Yes. Based on September 30, 2014 plant balances and before allocation, annual  
13 depreciation expense related to Shared Services is approximately \$21.8 million.  
14 This can be found on Appendix A in Exhibit DAW-4. The allocation and direct  
15 impact to Atmos Kentucky customers is addressed by Company Witness Mr.  
16 Greg Waller.

17 **Q. HAS THE COMPANY REQUESTED APPROVAL OF THE PROPOSED**  
18 **SHARED SERVICES DEPRECIATION RATES IN ANY OTHER**  
19 **STATES?**

20 A. Yes. The Company has made a filing and received approval of the SSU  
21 depreciation rates shown in Exhibit DAW-4 per Colorado Proceeding No. 15AL-  
22 0299G dated October 23, 2015. The SSU Study has also been filed in Kansas.  
23 The SSU depreciation rates will be filed for approval in Tennessee and Louisiana

1 soon and Atmos will make filings in each of its other jurisdictions according to  
2 regulatory requirements.

3 **Q. WHEN WILL THE COMPANY CONDUCT ANOTHER SHARED**  
4 **SERVICES DEPRECIATION STUDY?**

5 A. The Company has plans to perform a depreciation study on Shared Services assets  
6 approximately every four years. The Company's objective is to have reasonable  
7 depreciation rates in place that recognize the expense of those assets over their  
8 useful lives. It is important that the depreciation rates be as reasonable as  
9 possible, so the cost can be assessed to the appropriate generation of customer.

10  
11 **VI. CONCLUSION**

12 **Q. WHAT ACCOUNT DEPRECIATION RATES ARE YOU PROPOSING,**  
13 **AND HOW DO THEY COMPARE WITH THE CURRENT RATES?**

14 A. The current depreciation rates and the rates I am now proposing related to  
15 Kentucky are found in Appendix A of my Exhibit DAW-2. The proposed rates  
16 for KY Mid-States General Office are in Appendix A of my Exhibit DAW-3.  
17 Finally, the proposed rates for SSU are in Appendix A of my Exhibit DAW-4.  
18 Detailed calculations and comparisons of these rates are found in my studies,  
19 Exhibit DAW-2, DAW-3, and Exhibit DAW-4.

20 **Q. MR. WATSON, DO YOU HAVE ANY CONCLUDING REMARKS?**

21 A. Yes. The depreciation studies and analysis performed under my supervision fully  
22 support setting depreciation rates at the level I have indicated in my testimony.  
23 The Company should continue to periodically review the annual depreciation

1 rates for its property. In this way, all customers are charged for their appropriate  
2 share of the capital expended for their benefit. The depreciation studies for  
3 Atmos Energy's Kentucky, KY Mid-States General Office, and SSU depreciable  
4 property as of September 30, 2014 describe the extensive analysis performed and  
5 the resulting rates that are now appropriate for Company property. The  
6 Company's depreciation rates should be set at my recommended amounts in order  
7 to recover the Company's total investment in property over the estimated  
8 remaining life of the assets.

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes, it does.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF )  
RATE APPLICATION OF ) Case No. 2015-00343  
ATMOS ENERGY CORPORATION )

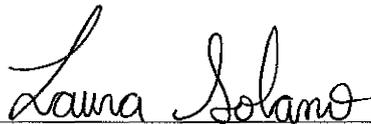
CERTIFICATE AND AFFIDAVIT

The Affiant, Dane A. Watson, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2015-00343, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

  
\_\_\_\_\_  
Dane A. Watson

STATE OF TEXAS  
COUNTY OF COLLIN

SUBSCRIBED AND SWORN to before me by Dane A. Watson on this the 12th day of November, 2015.

  
\_\_\_\_\_  
Notary Public  
My Commission Expires: 5/12/2019



Dane Watson Testimony Appearances  
11/13/2015

Asset Location	Commission	Docket (If Applicable)	Company	Year	Description
Atmos Energy Corporation	Tennessee Regulatory Authority	14-00146	Atmos Tennessee	2015	Natural Gas Depreciation Study
New Mexico	New Mexico Public Regulation Commission	15-00261-UT	Public Service Company of New Mexico	2015	Electric Depreciation Study
Kansas	Kansas Corporation Commission	16-ATMG-079-RTS	Atmos Kansas	2015	Gas Depreciation Study
Texas	Public Utility Commission of Texas	44704	Entergy Texas	2015	Electric Depreciation Study
Alaska	Regulatory Commission of Alaska	U-15-089	Fairbanks Water and Wastewater	2015	Water and Waste Water Depreciation Study
Arkansas	Arkansas Public Service Commission	15-031-U	Source Gas Arkansas	2015	Underground Storage Gas Depreciation Study
New Mexico	New Mexico Public Regulation Commission	15-00139-UT	SPS NM	2015	Electric Depreciation Study
Texas	Public Utility Commission of Texas	44746	Wind Energy Transmission Texas	2015	Electric Depreciation Study
Colorado	Colorado Public Utilities Commission	15-AL-0299G	Atmos Colorado	2015	Gas Depreciation Study
Arkansas	Arkansas Public Service Commission	15-011-U	Source Gas Arkansas	2015	Gas Depreciation Study
Texas	Railroad Commission of Texas	GUD 10432	CenterPoint- Texas Coast Division	2015	Gas Depreciation Study
Kansas	Kansas Corporation Commission	15-KCPE-116-RTS	Kansas City Power and Light	2015	Electric Depreciation Study
Alaska	Regulatory Commission of Alaska	U-14-120	Alaska Electric Light and Power	2014-2015	Electric Depreciation Study
Texas	Public Utility Commission of Texas	43950	Cross Texas Transmission	2014	Electric Depreciation Study
New Mexico	New Mexico Public Regulation Commission	14-00332-UT	Public Service of New Mexico	2014	Electric Depreciation Study
Texas	Public Utility Commission of Texas	43695	Xcel Energy	2014	Electric Depreciation Study
Multi State -- SE US	FERC	RP15-101	Florida Gas Transmission	2014	Gas Transmission Depreciation Study
California	California Public Utilities Commission	A.14-07-006	Golden State Water	2014	Water and Waste Water Depreciation Study
Michigan	Michigan Public Service Commission	U-17653	Consumers Energy Company	2014	Electric and Common Depreciation Study
Colorado	Public Utilities Commission of Colorado	14AL-0660E	Public Service of Colorado	2014	Electric Depreciation Study
Wisconsin	Wisconsin	05-DU-102	WE Energies	2014	Electric, Gas, Steam and Common Depreciation Studies
Texas	Public Utility Commission of Texas	42469	Lone Star Transmission	2014	Electric Depreciation Study
Nebraska	Nebraska Public Service Commission	NG-0079	Source Gas Nebraska	2014	Gas Depreciation Study
Alaska	Regulatory Commission of Alaska	U-14-055	TDX North Slope Generating	2014	Electric Depreciation Study
Alaska	Regulatory Commission of Alaska	U-14-054	Sand Point Generating LLC	2014	Electric Depreciation Study
Alaska	Regulatory Commission of Alaska	U-14-045	Matanuska Electric Coop	2014	Electric Generation Depreciation Study
Texas, New Mexico	Public Utility Commission of Texas	42004	Xcel Energy	2013-2014	Electric Plant Depreciation Study
New Jersey	Board of Public Utilities	GR13111137	South Jersey Gas	2013	Gas Depreciation Study
Various	FERC	RP14-247-000	Sea Robin	2013	Gas Depreciation Study
Arkansas	Arkansas Public Service Commission	13-078-U	Arkansas Oklahoma Gas	2013	Gas Depreciation Study
Arkansas	Arkansas Public Service Commission	13-079-U	Source Gas Arkansas	2013	Gas Depreciation Study
California	California Public Utilities Commission	Proceeding No.: A.13-11-003	Southern California Edison	2013	Electric Depreciation Study
North Carolina/South Carolina	FERC	ER13-1313	Progress Energy Carolina	2013	Electric Depreciation Study
Wisconsin	Public Service Commission of Wisconsin	4220-DU-108	Northern States Power- Wisconsin	2013	Electric, Gas and Common
Texas	Public Utility Commission of Texas	41474	Sharyland	2013	Electric Depreciation Study
Kentucky	Kentucky Public Service Commission	2013-00148	Atmos Energy Corporation	2013	Gas Depreciation Study
Minnesota	Minnesota Public Utilities Commission	13-252	Allete Minnesota Power	2013	Electric Depreciation Study
New Hampshire	New Hampshire Public Service Commission	DE 13-063	Liberty Utilities	2013	Electric Distribution and General
Texas	Railroad Commission of Texas	10235	West Texas Gas	2013	Gas Depreciation Study
Alaska	Regulatory Commission of Alaska	U-12-154	Alaska Telephone Company	2012	Telecommunications Utility
New Mexico	New Mexico Public Regulation Commission	12-00350-UT	SPS	2012	Electric Depreciation Study
Colorado	Colorado Public Utilities Commission	12AL-1269ST	Public Service of Colorado	2012	Gas and Steam Depreciation Study
Colorado	Colorado Public Utilities Commission	12AL-1268G	Public Service of Colorado	2012	Gas and Steam Depreciation Study
Alaska	Regulatory Commission of Alaska	U-12-149	Municipal Power and Light City of Anchorage	2012	Electric Depreciation Study
Texas	Texas Public Utility Commission	40824	Xcel Energy	2012	Electric Depreciation Study
South Carolina	Public Service Commission of South Carolina	Docket 2012-384-E	Progress Energy Carolina	2012	Electric Depreciation Study
Alaska	Regulatory Commission of Alaska	U-12-141	Interior Telephone Company	2012	Telecommunications Utility
Michigan	Michigan Public Service Commission	U-17104	Michigan Gas Utilities Corporation	2012	Gas Depreciation Study
North Carolina	North Carolina Utilities Commission	E-2 Sub 1025	Progress Energy Carolina	2012	Electric Depreciation Study
Texas	Texas Public Utility Commission	40606	Wind Energy Transmission Texas	2012	Electric Depreciation Study
Texas	Texas Public Utility Commission	40604	Cross Texas Transmission	2012	Electric Depreciation Study
Minnesota	Minnesota Public Utilities Commission	12-858	Minnesota Northern States Power	2012	Electric, Gas and Common

Dane Watson Testimony Appearances  
11/13/2015

Asset Location	Commission	Docket (If Applicable)	Company	Year	Description
Texas	Railroad Commission of Texas	10170	Atmos Mid-Tex	2012	Gas Depreciation Study
Texas	Railroad Commission of Texas	10174	Atmos West Texas	2012	Gas Depreciation Study
Texas	Railroad Commission of Texas	10182	CenterPoint Beaumont/ East Texas	2012	Gas Depreciation Study
Kansas	Kansas Corporation Commission	12-KCPE-764-RTS	Kansas City Power and Light	2012	Electric Depreciation Study
Nevada	Public Utility Commission of Nevada	12-04005	Southwest Gas	2012	Gas Depreciation Study
Texas	Railroad Commission of Texas	10147, 10170	Atmos Mid-Tex	2012	Gas Depreciation Study
Kansas	Kansas Corporation Commission	12-ATMG-564-RTS	Atmos Kansas	2012	Gas Depreciation Study
Texas	Texas Public Utility Commission	40020	Lone Star Transmission	2012	Electric Depreciation Study
Michigan	Michigan Public Service Commission	U-16938	Consumers Energy Company	2011	Gas Depreciation Study
Colorado	Public Utilities Commission of Colorado	11AL-947E	Public Service of Colorado	2011	Electric Depreciation Study
Texas	Texas Public Utility Commission	39896	Entergy Texas	2011	Electric Depreciation Study
MultiState	FERC	ER12-212	American Transmission Company	2011	Electric Depreciation Study
California	California Public Utilities Commission	A1011015	Southern California Edison	2011	Electric Depreciation Study
Michigan	Michigan Public Service Commission	U-16536	Consumers Energy Company	2011	Wind Depreciation Rate Study
Texas	Public Utility Commission of Texas	38929	Oncor	2011	Electric Depreciation Study
Texas	Railroad Commission of Texas	10038	CenterPoint South TX	2010	Gas Depreciation Study
Alaska	Regulatory Commission of Alaska	U-10-070	Inside Passage Electric Cooperative	2010	Electric Depreciation Study
Texas	Public Utility Commission of Texas	35633	City Public Service of San Antonio	2010	Electric Depreciation Study
Texas	Texas Railroad Commission	10000	Atmos Pipeline Texas	2010	Gas Depreciation Study
Multi State -- SE US	FERC	RP10-21-000	Florida Gas Transmission	2010	Gas Depreciation Study
Maine/ New Hampshire	FERC	10-896	Granite State Gas Transmission	2010	Gas Depreciation Study
Texas	Public Utility Commission of Texas	38480	Texas New Mexico Power	2010	Electric Depreciation Study
Texas	Public Utility Commission of Texas	38339	CenterPoint Electric	2010	Electric Depreciation Study
California	California Public Utility Commission	A10071007	California American Water	2009-2010	Water and Waste Water Depreciation Study
Texas	Texas Railroad Commission	10041	Atmos Amarillo	2010	Gas Depreciation Study
Georgia	Georgia Public Service Commission	31647	Atlanta Gas Light	2010	Gas Depreciation Study
Texas	Public Utility Commission of Texas	38147	Southwestern Public Service	2010	Electric Technical Update
Alaska	Regulatory Commission of Alaska	U-09-015	Alaska Electric Light and Power	2009-2010	Electric Depreciation Study
Alaska	Regulatory Commission of Alaska	U-10-043	Utility Services of Alaska	2009-2010	Water Depreciation Study
Michigan	Michigan Public Service Commission	U-16055	Consumers Energy/DTE Energy	2009-2010	Ludington Pumped Storage Depreciation Study
Michigan	Michigan Public Service Commission	U-16054	Consumers Energy	2009-2010	Electric Depreciation Study
Michigan	Michigan Public Service Commission	U-15963	Michigan Gas Utilities Corporation	2009	Gas Depreciation Study
Michigan	Michigan Public Service Commission	U-15989	Upper Peninsula Power Company	2009	Electric Depreciation Study
Texas	Railroad Commission of Texas	9869	Atmos Energy	2009	Shared Services Depreciation Study
Mississippi	Mississippi Public Service Commission	09-UN-334	CenterPoint Energy Mississippi	2009	Gas Depreciation Study
Texas	Railroad Commission of Texas	9902	CenterPoint Energy Houston	2009	Gas Depreciation Study
Colorado	Colorado Public Utilities Commission	09AL-299E	Public Service of Colorado	2009	Electric Depreciation Study
Louisiana	Louisiana Public Service Commission	U-30689	Cleco	2008	Electric Depreciation Study
Texas	Public Utility Commission of Texas	35763	SPS	2008	Electric Plant Depreciation Study
Wisconsin	Wisconsin	05-DU-101	WE Energies	2008	Electric, Gas, Steam and Common Depreciation Studies
North Dakota	North Dakota Public Service Commission	PU-07-776	Northern States Power	2008	Net Salvage
New Mexico	New Mexico Public Regulation Commission	07-00319-UT	SPS	2008	Testimony -- Depreciation
Multiple States	Railroad Commission of Texas	9762	Atmos Energy	2007-2008	Shared Services Depreciation Study
Minnesota	Minnesota Public Utilities Commission	E015/D-08-422	Minnesota Power	2007-2008	Electric Depreciation Study
Texas	Public Utility Commission of Texas	35717	Oncor	2008	Electric Depreciation Study
Texas	Public Utility Commission of Texas	34040	Oncor	2007	Electric Depreciation Study
Michigan	Michigan Public Service Commission	U-15629	Consumers Energy	2006-2009	Gas Depreciation Study
Colorado	Colorado Public Utilities Commission	06-234-EG	Public Service of Colorado	2006	Electric Depreciation Study
Arkansas	Arkansas Public Service Commission	06-161-U	CenterPoint Energy -- Arkda Gas	2006	Gas Distribution & Removal Cost Studies
Texas, New Mexico	Public Utility Commission of Texas	32766	Xcel Energy	2005-2006	Electric Plant Depreciation Study
Texas	Railroad Commission of Texas	9670/9676	Atmos Energy Corp	2005-2006	Gas Distribution Depreciation Study

**ATMOS ENERGY CORPORATION  
KENTUCKY PROPERTIES**

**DEPRECIATION RATE STUDY**

**As of September 30, 2014**



<http://www.utilityalliance.com>

**ATMOS ENERGY CORPORATION  
KENTUCKY PROPERTIES  
DEPRECIATION RATE STUDY  
EXECUTIVE SUMMARY**

Atmos Energy Corporation (“Atmos” or “Company”) engaged Alliance Consulting Group to conduct a depreciation study of the Company’s Kentucky Properties (“Kentucky”) natural gas operations depreciable assets as of fiscal year end September 30, 2014.

The existing depreciation rates were based on the straight-line method, equal life group (“ELG”) procedure, and remaining-life technique and the same method, procedure and technique are retained in this study. This study recommends a decrease of \$1.6 million in annual depreciation expense when compared to the depreciation rates currently in effect. Life estimates showed the following changes: 7 accounts have an increase in life; no accounts have a decrease in life, and 51 accounts remained unchanged. Net salvage showed the following changes: 4 accounts have a decrease in net salvage (more negative), 6 accounts have an increase in net salvage (more positive or less negative), and 48 accounts remained unchanged.

The depreciation study we conducted analyzed and developed depreciation recommendations at an account level resulting in annual depreciation accrual amounts and depreciation rates at that level. The depreciation study also reflects the continuation of Vintage Group Amortization for certain General Plant accounts. Appendix A demonstrates the change in depreciation expense.

**ATMOS ENERGY CORPORATION**  
**KENTUCKY PROPERTIES**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2014**  
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## PURPOSE

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on Atmos' books at September 30, 2014. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of Atmos' property on a straight-line basis. Non-depreciable property and property which is amortized such as intangible assets were excluded from this study.

Atmos Energy provides local gas distribution service to over 174,000 customers in Kentucky. Its assets currently consist of various storage, transmission, and distribution plant, including approximately 2,484 miles of steel and 1,437 miles of plastic gas distribution mains, located across the service area. It has a number of receipt points or city gates, throughout the system where gas enters the distribution system and is then delivered to customers for burner tip consumption.

## STUDY RESULTS

The existing and current study of annual depreciation expense results from the use of lowa Curve dispersion patterns with the straight-line method, equal life group ("ELG") procedure and remaining-life technique, and consideration of net salvage in the development of the study recommended depreciation rates. Detailed information for each of these factors will follow in this report.

Overall depreciation rates for Kentucky depreciable property are shown in Appendix A. The recommended rates translate into an annual depreciation accrual of approximately \$14.7 million based on Kentucky's depreciable investment at September 30, 2014. The annual equivalent depreciation expense calculated by the same method using the currently approved rates was \$16.4 million. The primary driver for the decrease in the annual depreciation expense when compared to the existing is related to the Distribution Plant Function.

Consistent with the prior study and FERC Rule AR-15, this depreciation study continues the use of Vintaged Group Amortization in Accounts 391 through 399, excluding 392, 396, and 397.05. This process provides for the amortization of general plant with a separate amortization to allocate any deficit or excess reserves. This approach provides for the timely retirement of assets, at the end of the amortized life property will be retired from the books and simplifies accounting for general property.

Appendix A presents a comparison of the composite existing rates versus the recommended study rates. Appendix B presents the development of the depreciation rates and annual accruals. Appendix C presents the mortality and net salvage parameters by account. Appendix D shows net salvage history by plant account.

## GENERAL DISCUSSION

### Definition

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

### Basis of Depreciation Estimates

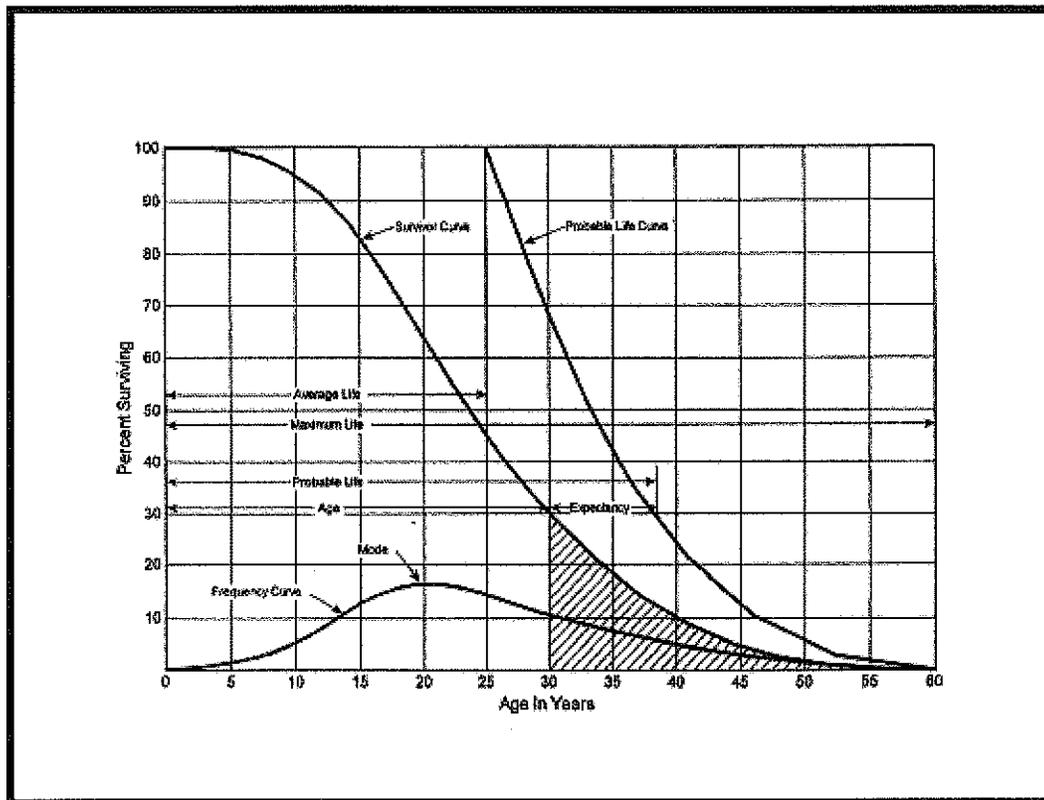
The straight-line, equal life group, remaining-life depreciation system was employed to calculate annual and accrued depreciation in this study. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset, less allocated depreciation reserve, less estimated net salvage, by its respective equal life group remaining lives. The resulting annual accrual amounts of all depreciable property within an account were accumulated, and the total was divided by the original cost of assets in the account to determine the depreciation rate. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group. The computations of the annual depreciation rates are shown in Appendix B and in the study workpapers.

A variety of life estimation approaches were incorporated into the life analyses. Both Simulated Plant Record (SPR) analysis and Actuarial Analysis are commonly used mortality analysis techniques for gas utility property. Historically, Atmos has used SPR analysis to evaluate lives of most asset groups. The SPR balances

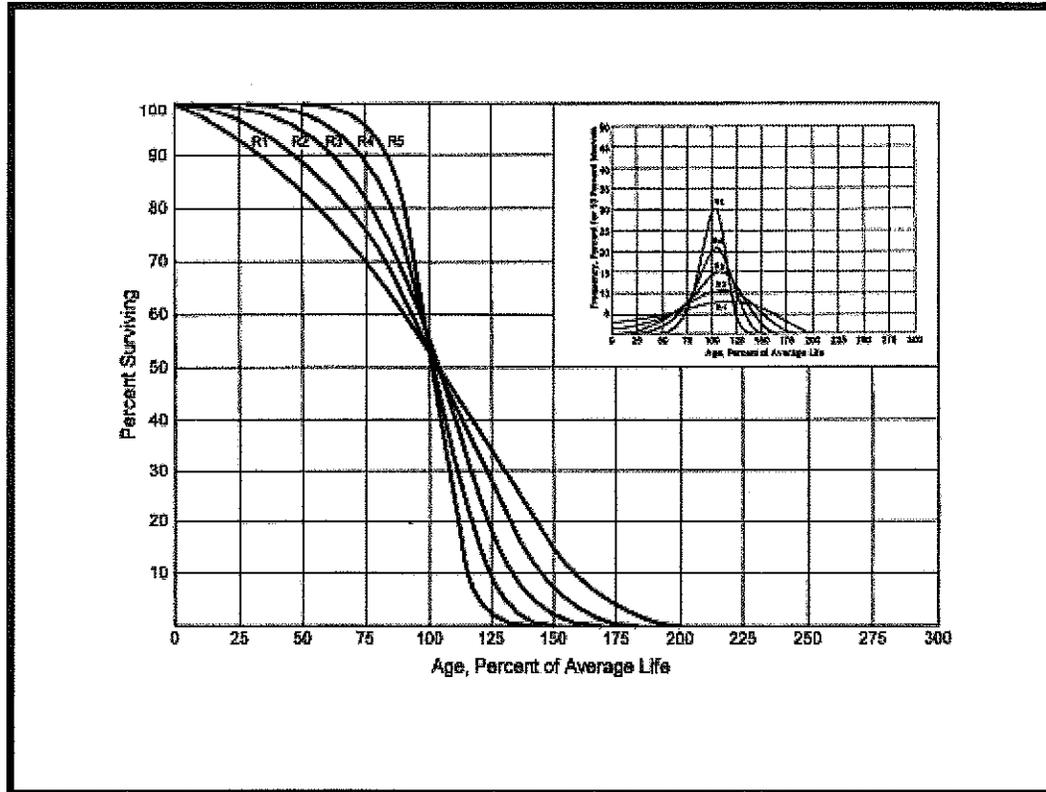
approach was used with each account within a function where sufficient activity occurred within the account. Where vintage information is available, actuarial analysis was performed. For the accounts using actuarial analysis experience bands varied depending on the amount of data. Judgment was used to a greater or lesser degree on all accounts. Each approach used in this study is more fully described in a later section.

**Survivor Curves**

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.



There are four families in the Iowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of "R" moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency) while a "1" indicates a large dispersion about the mode (i.e., low mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a

moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique average service life. The blending of judgment concerning current conditions and future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

### **Actuarial Analysis**

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Consistent with the prior study some accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. Matching data in observed life tables for each experience and placement band to an Iowa Curve requires visual examination. As stated in Depreciation Systems by Wolf and Fitch, "the analyst must decide which points or sections of the curve should be given the most weight. Points at the end of the curve are often based on fewer exposures and may be given less weight than those points based on larger samples" (page 46). Some analysts chose to use mathematical fitting as a

tool to narrow the population of curves using a least squares technique. Use of the least squares approach does not imply a statistical validity, however, because the underlying data does not meet criteria for independence between vintages and the same average price for property units through time. Thus, Depreciation Systems cautions, "... the results of mathematical fitting should be checked visually and the final determination of best fit made by the analyst" (page 48). This study uses the visual matching approach to match Iowa Curves, since mathematical fitting produces theoretically possible curve matches. Visual examination and experienced judgment allow the depreciation professional to make the final determination as to the best curve type.

Detailed information for each account is shown later in this study and in workpapers.

#### **Simulated Plant Record Procedure ("SPR")**

The SPR - Balances approach is one of the commonly accepted approaches to analyze mortality characteristics of utility property. SPR was applied to all accounts due to the unavailability of sufficient vintaged transactional data. In this method, an Iowa Curve and average service life are selected as a starting point of the analysis and its survivor factors are applied to the actual annual additions to give a sequence of annual balance totals. These simulated balances are compared with the actual balances by using both graphical and statistical analysis. Through multiple comparisons, the mortality characteristics (as defined by an average life and Iowa Curve) that are the best match to the property in the account can be found. The Conformance Index (CI) is one measure used to evaluate SPR analyses. CIs are also used to evaluate the "goodness of fit" between the actual data and the Iowa Curve being referenced. The sum of squares difference (SSD) is a summation of the difference between the calculated balances and the actual balances for the band or test year being analyzed. This difference is squared and then summed to arrive at the SSD, where  $n$  is the number of years in the test band.

$$SSD = \sum_i^n (\text{Calculated Balance}_i - \text{Observed Balance}_i)^2$$

This calculation can then be used to develop other calculations, which the analyst feels might give a better indication for the “goodness of fit” for the representative curve under consideration. The residual measure (RM) is the square root of the average squared differences as developed above. The residual measure is calculated as follows:

$$RM = \sqrt{\left(\frac{SSD}{n}\right)}$$

The conformance index (CI) is developed from the residual measure and the average observed plant balances for the band or test year being analyzed. The calculation of conformance index is shown below:

$$CI = \frac{\sum_i^n \text{Balances}_i / n}{RM}$$

The retirement experience index (REI) gives an indication of the maturity of the account and is the percent of the property retired from the oldest vintage in the band at the end of the test year. Retirement indices range from 0 percent to 100 percent and a REI of 100 percent indicates that a complete curve was used. A retirement index less than 100 percent indicates that the survivor curve was truncated at that point. The originator of the SPR method, Alex Bauhan, suggests ranges of value for the CI and REI. The relationship for CI proposed by Bauhan is shown below<sup>1</sup>:

CI	Value
Over 75	Excellent
50 to 75	Good
25 to 50	Fair
Under 25	Poor

<sup>1</sup> Public Utility Depreciation Practices, p. 96.

The relationship for REI proposed by Bauhan<sup>2</sup> is shown below:

REI	Value
Over 75	Excellent
50 to 75	Good
33 to 50	Fair
17 to 33	Poor
17 and below	Valueless

Depreciation analysts have used these measures in analyzing SPR results for nearly 60 years, since the SPR method was developed. Both the CI and REI statistics provide the analyst with important information with which to make a comparison between a band of simulated or calculated balances and the observed or actual balances in the account being studied. It is important to understand that observing the pattern of best-fitting curves over various bands, as well as considering other company and asset-specific information, is important in the ultimate decision for the most appropriate live and curve combination that will reflect future retirements of each account.

Statistics are useful in analyzing mortality characteristics of accounts, as well as determining a range of service lives to be analyzed using the detailed graphical method. However, these statistics boil all the information down to one, or at most, a few numbers for comparison. Visual matching through comparison between actual and calculated balances expands the analysis by permitting the analyst to view many points of data at a time. The goodness of fit should be visually compared to plots of other Iowa Curve dispersions and average lives for the selection of the appropriate curve and life. Detailed information for each account is shown later in this study and in workpapers.

### **Judgment**

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and

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<sup>2</sup> Public Utility Depreciation Practices, p. 97.

procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis (potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. In these cases, it is rare for one factor to individually have a substantial impact on the analysis. However, individual factors may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing upon which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for the Storage, Transmission, Distribution and General accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the SPR balance methods. The appropriateness of lives and curves depends not only on statistical analyses, but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

### **Equal Life Group Depreciation**

Atmos agreed that the continued use of the ELG depreciation procedure was appropriate. In addition to being approved by this Commission for the Company's currently authorized rates, the Railroad Commission of Texas has repeatedly approved the use of ELG for Atmos and other Companies. This study uses the ELG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ELG groups are defined by their respective account dispersion, life, and net salvage estimates. A straight-line rate for each ELG group is computed and accumulated across each vintage. The resulting rate for each ELG group is designed to recover all retirements less net salvage as each vintage retires.

The ELG procedure recovers net book cost over the life of each ELG group rather than averaging many components. It also closely matches the concept of component or item accounting found in all accounting textbooks.

### **Theoretical Depreciation Reserve**

The Company's book depreciation reserves were reallocated within each function by plant account based on the theoretical reserves for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each vintage. The equal life group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within

the vintage is retired. Estimated average service lives and dispersion determine the amount within each equal life group. The equal life group-remaining-life theoretical reserve ratio (RRELG) is calculated as:

$$RRELG = 1 - \frac{(ELG \text{ Remaining Life})}{(ELG \text{ Life})} * (1 - \text{Net Salvage Ratio})$$

## DETAILED DISCUSSION

### Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of depreciation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis section, the salvage analysis section, and also in workpapers.

Phase 2 was where the SPR analysis was performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables for life analysis. These tables were visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

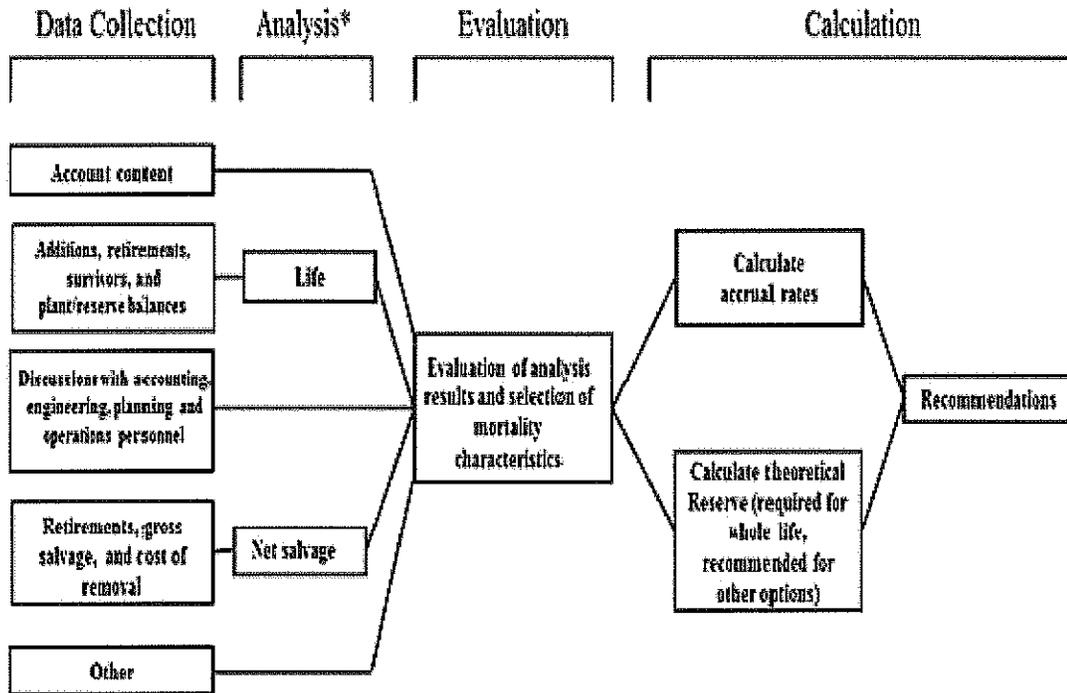
Phase 3 was the evaluation process which synthesized analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 was further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allowed the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in the final report. The calculation of accrual rates is found in Appendix A. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1<sup>3</sup> documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analysis, evaluation of statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

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<sup>3</sup>Public Utility Finance & Accounting, A Reader

### Book Depreciation Study Flow Diagram



Source: Introduction to Depreciation for Public Utilities and Other Industries, AIA EEI, 2013.

\*Although not specifically noted, the mathematical analysis may need some level of input from other sources (for example, to determine analysis bands for life and adjustments to data used in all analysis).

Figure 1

### KENTUCKY DEPRECIATION STUDY PROCESS

### **Depreciation Rate Calculation**

Annual depreciation expense amounts for the depreciable accounts of the Company were calculated by the straight line, equal life group, remaining life system. With this approach, remaining lives were calculated according to standard ELG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense. These calculations are shown in Appendix B.

### **Remaining Life Calculation**

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using either the retirement rate actuarial or the SPR methods. After establishment of appropriate average service lives and retirement dispersion, remaining life was computed for each account. Theoretical depreciation reserve with zero net salvage was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the General Discussion section. The difference between plant balance and theoretical reserve was then spread over the ELG depreciation accruals. Remaining life is shown for each account in Appendix B.

### **Calculation Process**

Annual depreciation expense amounts for all accounts were calculated by the straight line, remaining life procedure.

In a whole life representation, the annual accrual rate is computed by the following equation,

$$\text{Annual Accrual Rate} = \frac{(100\% - \text{Net Salvage Percent})}{\text{Average Service Life}}$$

Use of the remaining life depreciation system adds a self-correcting mechanism, which accounts for any differences between theoretical and book depreciation reserve over the remaining life of the group. With the straight line, remaining life, equal life group system using Iowa Curves, composite remaining lives were calculated according to standard broad group expectancy techniques, noted in the formula below:

$$\text{Composite Remaining Life} = \frac{\sum \text{Original Cost} - \text{Theoretical Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the composite remaining life to yield the annual depreciation expense as noted in this equation.

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost} - \text{Book Reserve} - (\text{Original Cost}) * (1 - \text{Net Salvage \%})}{\text{Composite Remaining Life}}$$

Where the net salvage percent represents future net salvage.

Within a group, the sum of the group annual depreciation expense amounts, as a percentage of the depreciable original cost investment summed, gives the annual depreciation rate as shown below:

$$\text{Annual Depreciation Rate} = \frac{\sum \text{Annual Depreciation Expense}}{\sum \text{Original Cost}}$$

These calculations are shown in Appendix B. The calculations of the theoretical depreciation reserve values and the corresponding remaining life

calculations are shown in workpapers. Book depreciation reserves were allocated from a functional level to individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

### **Life Analysis**

The simulated plant record method SPR semi-actuarial analysis method was applied to most accounts for Kentucky. For each account where used, a simulated plant record method analysis was performed at intervals for the overall band and at various (usually 10 and/or 5-year) intervals within the overall balance period. In addition to reviewing the SPR analysis for each band and account, where possible, a graphical comparison between actual and simulated balances was performed.

The retirement rate actuarial analysis method was applied to those accounts where vintage retirement detail is available. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. The observed life table, a selected placement and experience bands, is shown in Appendix C. The remainder of placement and experience band analyses performed is contained in the workpapers.

For each account on the overall band (i.e. placement from earliest vintage year through 2014 and experience band from earliest available experience year through 2014, most recently approved survivor curves were used as a starting point. Then using the same life, various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S, or R) as an obviously better match than others. The next step would be to determine the most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. Generally, the goal of visual matching was to minimize the differential

between the observed life table and lowa curve in top and mid-range of the plots. When adequate activity is present a graph of the observed life table versus the proposed life and curve is provided for each account where the actuarial life analysis was used.

These results are used in conjunction with all other factors that may influence asset lives.

### **Storage Plant – FERC Accounts 350.20 – 356.00**

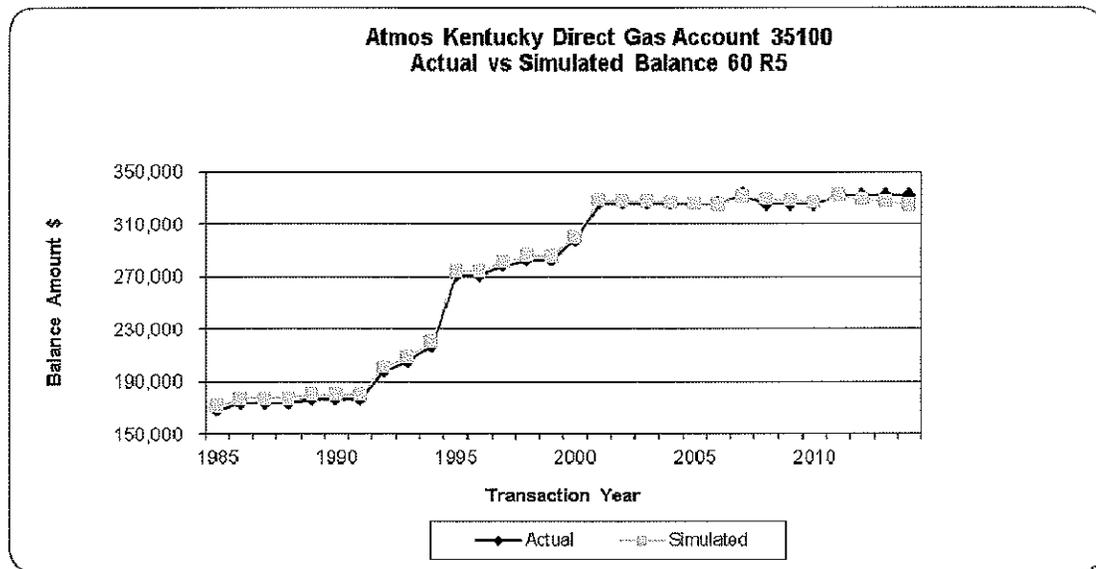
There are 5 storage fields with old gas wells. There are approximately 55 wells between the 5 fields. One well, Bon Harbor was retired (around 2009-2010).

#### **Account 350.20 Rights-of-Way (70 R5)**

This account includes the cost of rights of way used in connection with storage plant operations. There is approximately \$5 thousand in this account. The existing life is 50 R5. This study recommends moving to a 70 year life and R5 dispersion.

**Account 351.00-351.04 Structures & Improvements, Compressor Station Equipment, Measuring & Regulating Stations, and Other Structures (60 R5)**

These accounts include the cost of structures and improvements, compressor station equipment, measuring and regulating stations, fencing and other structures used in connection with storage plant operations. There is approximately \$331 thousand in total for these accounts. The accounts were analyzed together but for rate calculation purposes each account depreciation rate has been calculated separately. Based upon the analysis and discussions with Company personnel, this study recommends retaining the 60 R5. A comparison of actual versus simulated balances is shown below for the 60 R5.



**Account 351.00 Structures & Improvements (60 R5)**

This account includes the cost of structures and improvements used in connection with storage plant operations. There is approximately \$18 thousand in this account. The existing life is 60 R5. Based on the combined SPR analysis as described above, retaining the 60 year life and R5 dispersion is recommended. See graph of the combined account actual versus simulated balances shown above.

**Account 351.02 Compressor Station Equipment (60 R5)**

This account includes the cost of compressor station equipment used in connection with storage plant operations. There is approximately \$153 thousand in this account. The existing life is 60 R5. Retention of the 60 year life and R5 dispersion is recommended. See graph of the combined account actual versus simulated balances shown above.

**Account 351.03 Measuring and Regulating Station (60 R5)**

This account life analysis was combined with all other 351 accounts. There is approximately \$23 thousand in this account. The existing life is 60 R5. Retention of the 60 year life and R5 dispersion is recommended. See graph of the combined account actual versus simulated balances shown above.

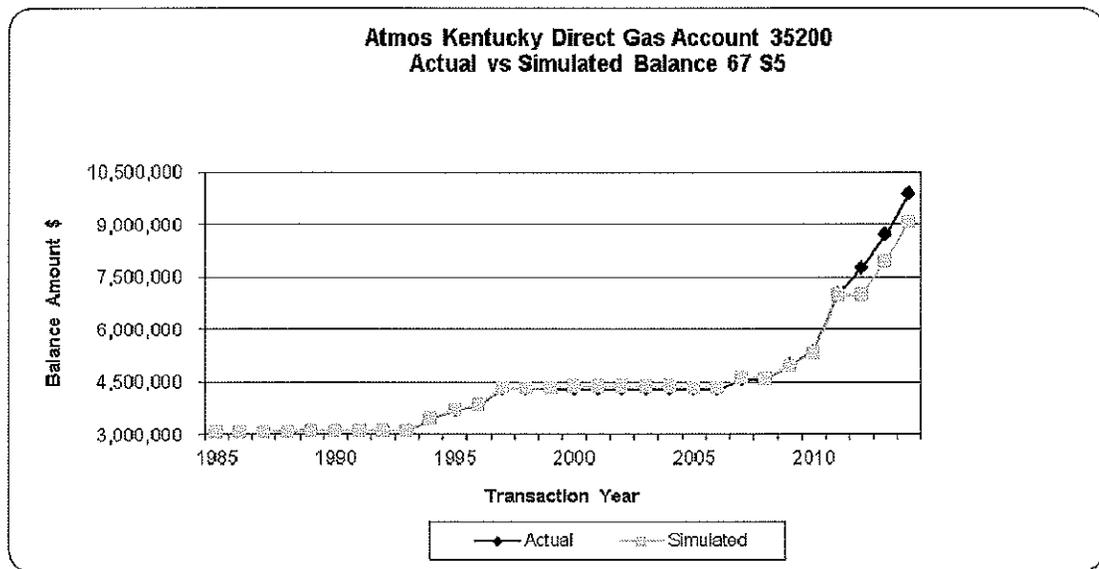
**Account 351.04 Other Structures (60 R5)**

This account includes the cost of other structures used in connection with storage plant operations. There is approximately \$137 thousand in this account. The existing life is 60 R5. Retention of the 60 year life and R5 dispersion is recommended. See graph of the combined account actual versus simulated balances shown above.

**Accounts 352.00, 352.01, 352.02 Wells, Well Construction, and Well Equipment (67 S5)**

These accounts include the cost of wells, well construction, and well equipment used in connection with storage plant operations. There is approximately \$8 million total for the accounts combined in this account. The existing life is 67 S5.

There are approximately 55 wells spread across 5 storage fields. The accounts were analyzed together but for rate calculation purposes, the depreciation rate for each account has been calculated separately. Based upon the analysis and discussions with Company personnel, this study recommends retaining the 67 S5. A comparison of actual versus simulated balances is shown below for the 67 S5.



**Account 352.03 Cushion Gas (50 SQ)**

This account includes the cost of cushion gas used in connection with storage plant operations. There is approximately \$1.7 million in this account. The existing life is 50 SQ and is retained in this study. No graph is provided.

**Account 352.10 Storage Leaseholds (67 S5)**

This account includes the cost of storage leaseholds used in connection with storage plant operations. There is approximately \$178 thousand in this account. The existing life is 67 S5. Consistent with the life of the underlying assets, wells, this study recommends retaining the 67 year life and S5 dispersion. No graph is provided.

**Account 352.11 Storage Rights (67 S5)**

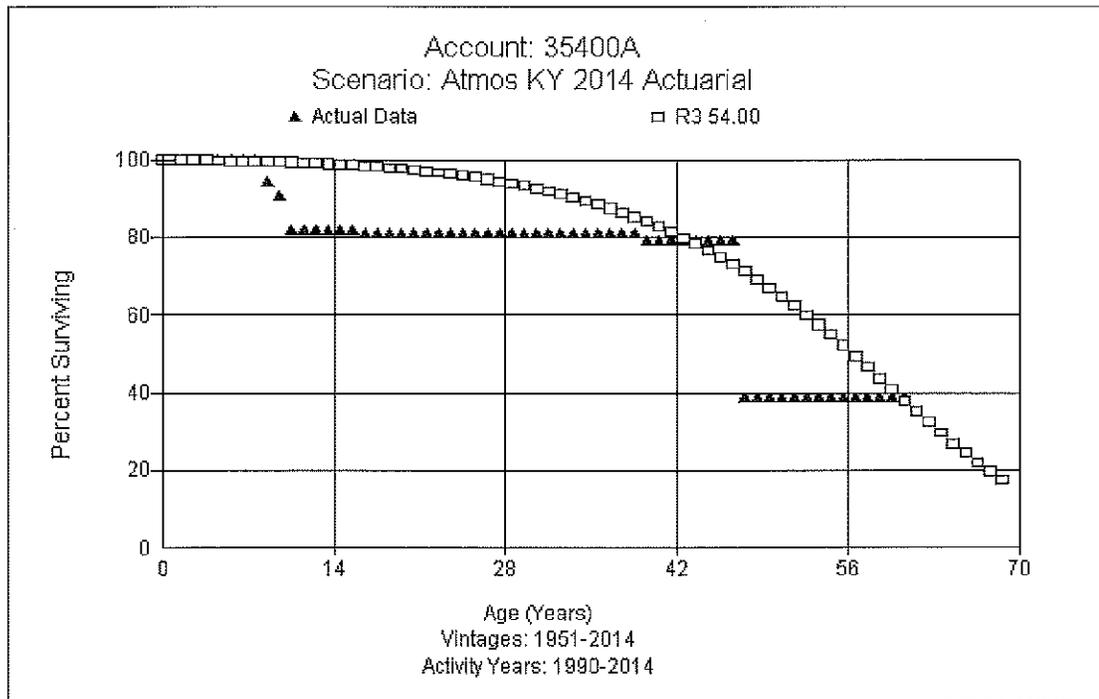
This account includes the cost of storage rights used in connection with storage plant operations. There is approximately \$55 thousand in this account. The existing life is 67 S5. Consistent with the life of the underlying assets, wells, this study recommends retaining the 67 year life and S5 dispersion. No graph is provided.

**Account 353.01 & 353.02 Storage Field and Tributary Lines (60 S1)**

These accounts include the cost of field and tributary lines used in connection with storage plant operations. There is approximately \$388 thousand in this account. The existing life is 50 S1. The current average age of investment is approximately 46 years. This study recommends increasing the life to 60 years while retaining the S1 dispersion. No graph is provided.

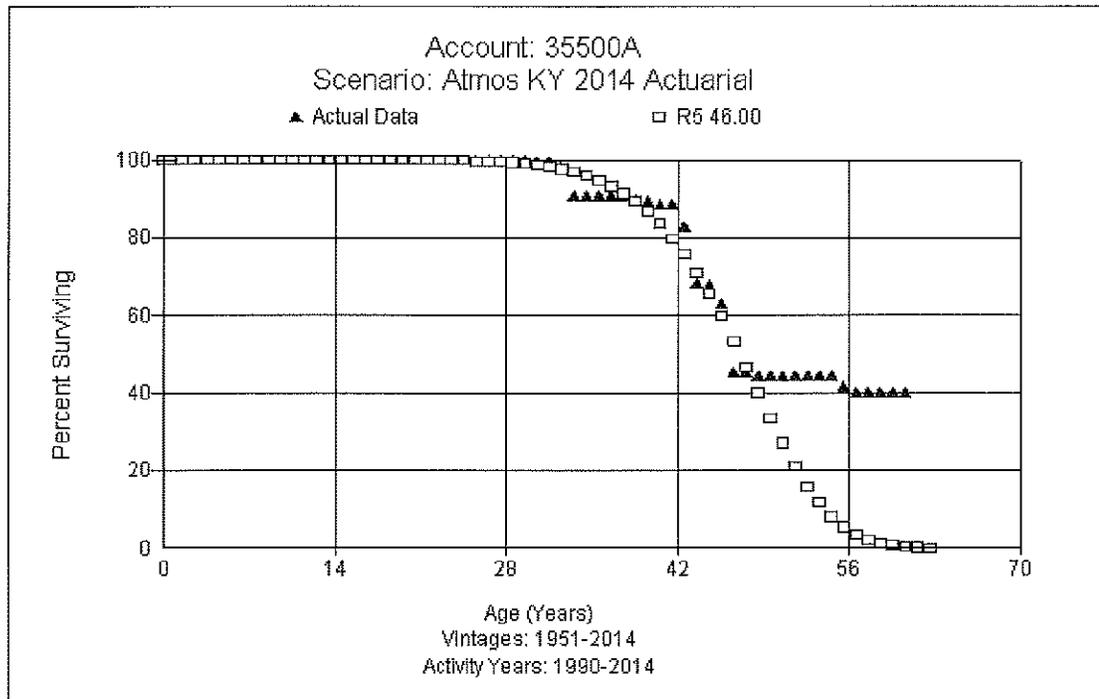
**Account 354.00 Compressor Station Equipment (54 R3)**

This account includes the cost of compressor station equipment used in connection with storage plant operations. There is approximately \$923 thousand in this account. The existing life is 51 R3. The current average age of investment is 21 years. Different experience bands yield different age indications. The more recent bands indicate a much lower life than what would be expected for these assets. Based on a full placement (1951-2014) and a mid-experience band (1990-2014), a slightly longer life and steeper dispersion than existing is indicated, which is more consistent with the life expectations for these assets. Based on the fuller band, this study recommends increasing the life slightly to 54 years and maintaining the R3 dispersion. A graph of the observed life table and recommendation is shown below for the 54 R3.



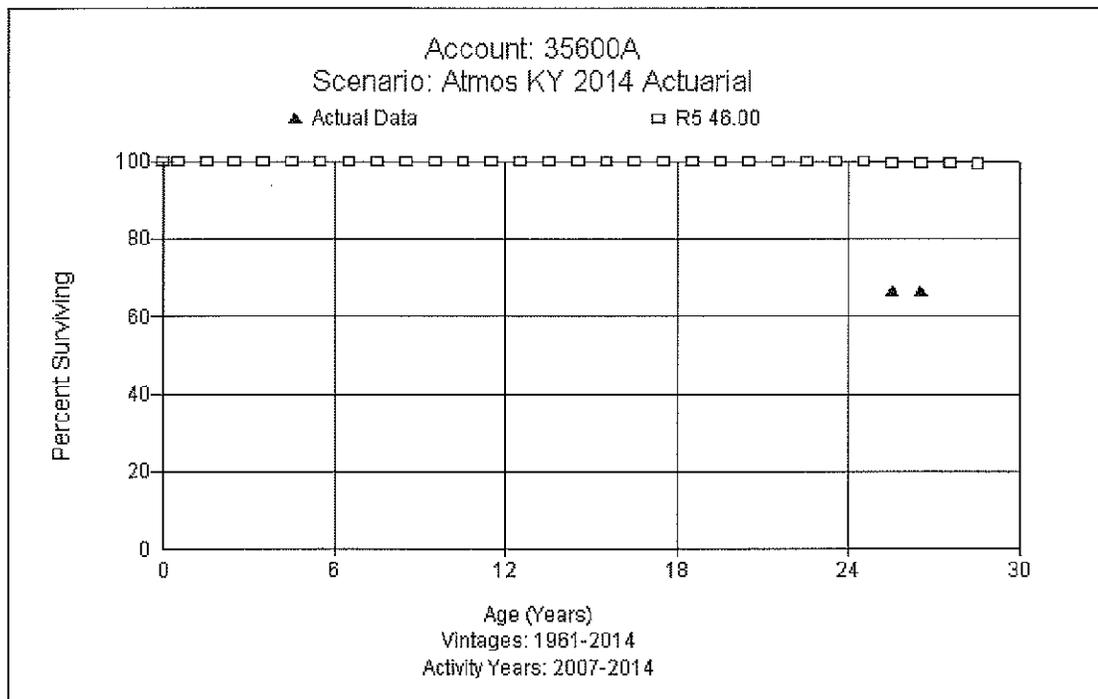
**Account 355.00 Measuring and Regulating (46 R5)**

This account includes the cost of measuring and regulating equipment used in connection with storage plant operations. There is approximately \$241 thousand in this account. The existing life is 45 R5. The actuarial life analysis supports Company personnel statements that lives range between 40-50 years. Based on a full placement (1951-2014) and experience band (1990-2014), this study recommends increasing the life to 46 years and maintaining the R5 dispersion. A graph of the observed life table and recommendation is shown below for the 46 R5.



**Account 356.00 Purification Equipment (46 R5)**

This account includes the cost of purification equipment and currently includes 5 dehydrator plants, tanks, and piping used in connection with storage plant operations. There is approximately \$415 thousand in this account. The existing life is 46 R5. Both the actuarial analysis and discussions with Company personnel indicated a longer life than the existing 30 years is expected. Company planned and retired 2 dehydrator plants that are approaching 50 years. The average age of retirements is 41 years. Based on the analysis and company input, this study recommends retaining the 46 year life and R5 dispersion. A graph of the observed life table and recommendation is shown below for the 46 R5.



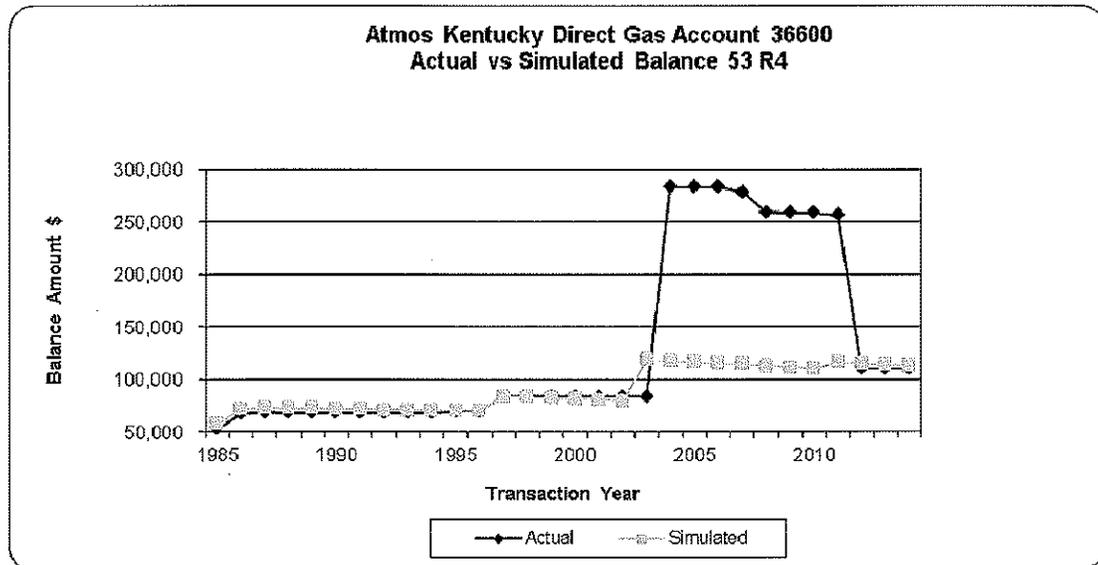
**Transmission Plant – FERC Accounts 365.20 – 369.01**

**Account 365.20 Rights-of-Way (70 R5)**

This account includes the cost of rights of way used in connection with transmission operations. There is approximately \$868 thousand in this account. The existing life is 55 R5. This study recommends moving to a 70 year life and R5 dispersion. No graph is provided.

**Account 366.02 & 366.03 Meas. & Reg. Station Structures & Other Structures (53 R4)**

These accounts include the cost of measuring and regulating station structures and other structures used in connection with transmission operations. There is approximately \$110 thousand total for the accounts combined in this account. The existing life is 53 R4. The current average age of investment is 25 years. Based on the combined SPR analysis, best fits were indicated with life ranging from 53 to 57 years. Discussions with Company personnel indicated assets are generally small metal buildings with fencing that could last around 50 years. Based on the analysis indications, this study recommends retaining the 53 year life and R4 dispersion. A comparison of actual versus simulated balances is shown below for the 53 R4.

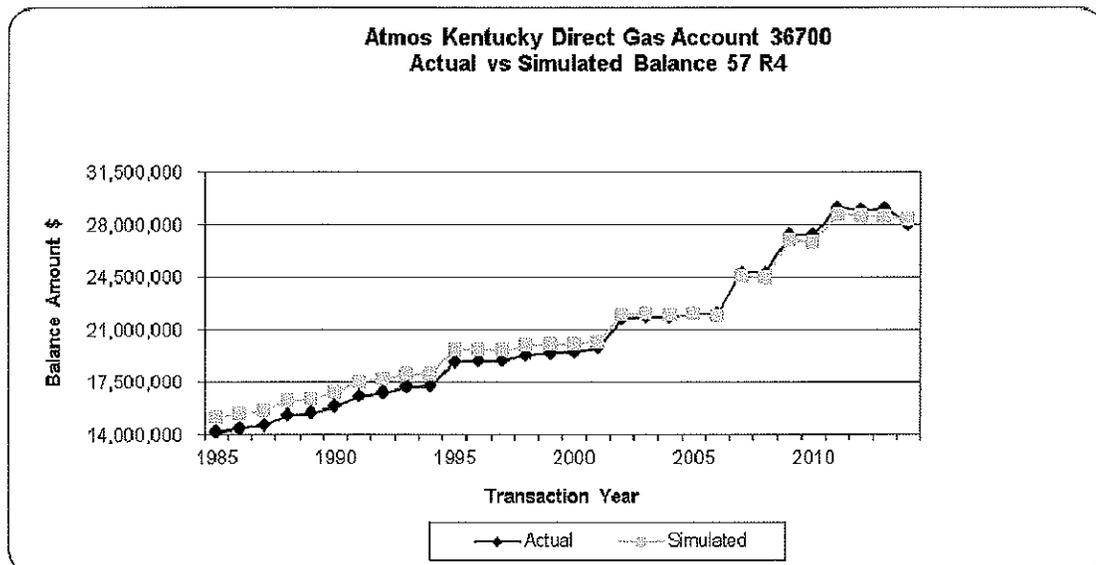


**Account 367.00 Mains – Cathodic Protection (20 SQ)**

This account includes the cost of cathodic protection for mains such as anodes, rectifiers, leak clamps, and other related equipment used in connection with transmission operations. There is approximately \$186 thousand in this account. The existing life is 20 SQ. Discussions with Company personnel indicated the assets have a life range of 18 to 25 years. This study recommends retaining the 20 year life and the SQ dispersion to reflect the actual expected life of the anodes, rectifiers, and leak clamps that are installed with the mains but have a much lower life expectancy and no current mechanism to properly record retirements. No graph is provided.

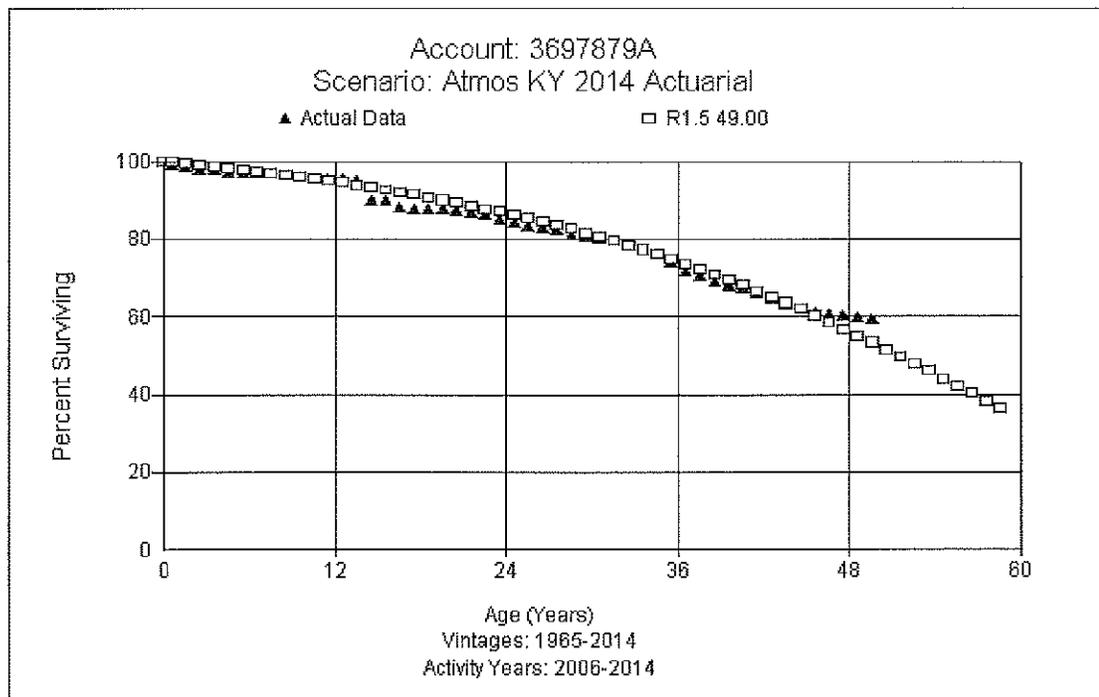
**Account 367.01 Mains Steel (57 R4)**

This account includes the cost of steel mains used in connection with transmission operations. There is approximately \$28 million in this account. The existing life is 57 R4. Any new steel put in the ground now will be high pressure steel pipe classified as distribution. Slightly less than 25% of the pipe, in transmission, will be replaced and moved to distribution under the PRP program. Based upon the SPR analysis best fit indications the life remains close to the existing. This study recommends retention of the existing 57 R4. A comparison of actual versus simulated balances is shown below for the 57 R4.



**Account 369.00 & 369.01 Measuring and Reg. Station (49 R1.5)**

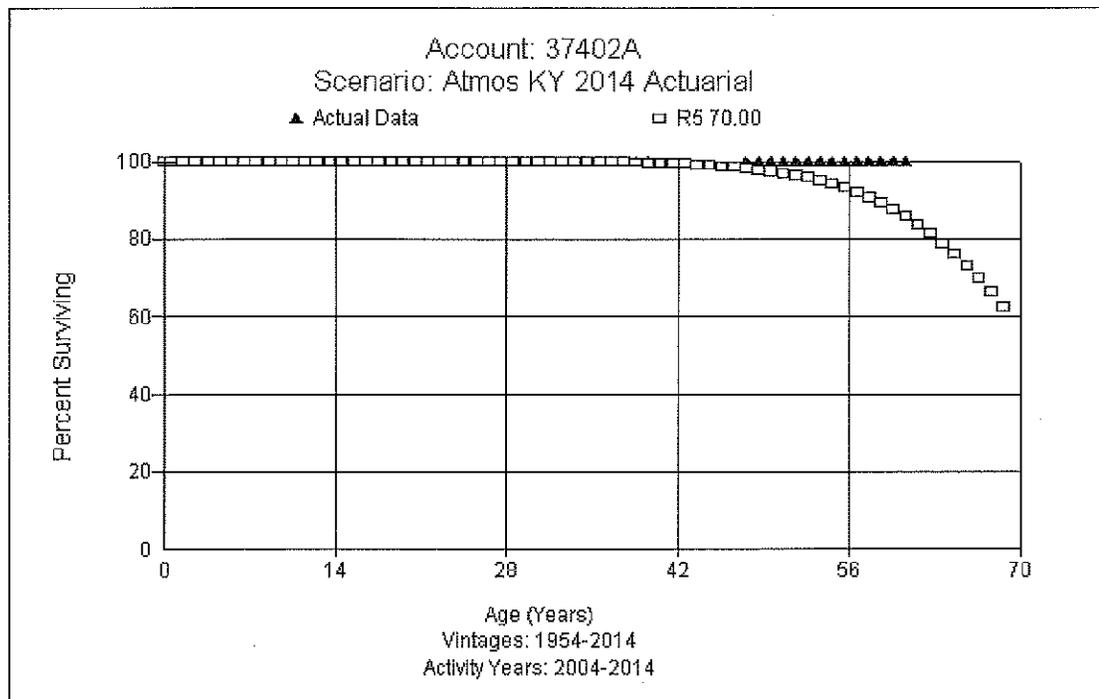
These accounts include the cost of measuring and regulating station equipment used in connection with transmission operations. There is approximately \$2.9 million total for the accounts combined in this account. The existing life is 49 R2. The current average age of the investment is 24 years. The combined analysis of Measuring & Regulating Equipment for Transmission and Distribution functions indicated the 49 R1.5 to be a good fit across the bands. Company personnel indicated in discussions that equipment has changed over the years from lives of 60-70 years to 40-50 years. Some newer generations are more technology driven and are expected to have a 30-40 year life. Giving consideration to the various generations still in service, this study recommends maintaining the life of 49 years and moving to the R1.5 dispersion. As more of the older assets are retired and replaced, the life is expected to decline. A graph of the combined accounts observed life table and recommendation is shown below for the 49 R1.5.



**Distribution Plant – FERC Accounts 374.02-385**

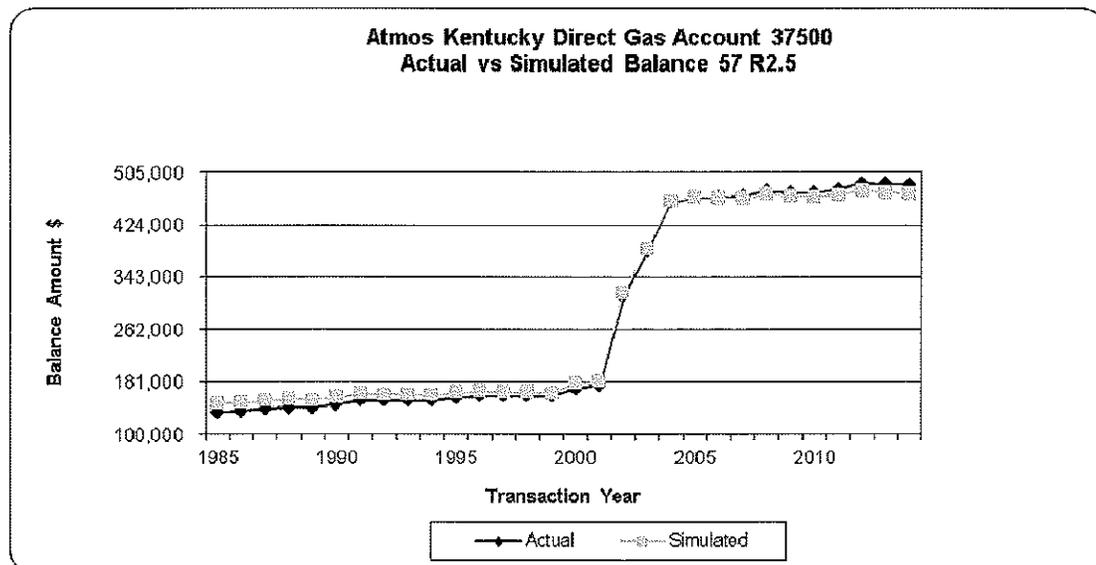
**Account 374.02 Land Rights (70 R5)**

This account includes the cost of land rights used in connection with distribution operations. There is approximately \$253 thousand in this account. The existing life is 60 R5. This study recommends increasing life to 70 years based on judgment, while retaining the R5 dispersion. A graph of the account observed life table and recommendation is shown below for the R5 70.



**Account 375.00, 375.01, 375.02, & 375.03 Structures and Improvements (57 R2.5)**

These accounts include the cost of border station and regulating station structures, fences, and other miscellaneous related assets used in connection with distribution operations. There is approximately \$487 thousand total for the accounts combined in this account. The existing life is 57 R2.5. There have been no recent retirements recorded. This study recommends retaining the 57 year life and the R2.5 dispersion based on the statistical analysis and judgment. A comparison of actual versus simulated balances is shown below for the 57 R2.5.

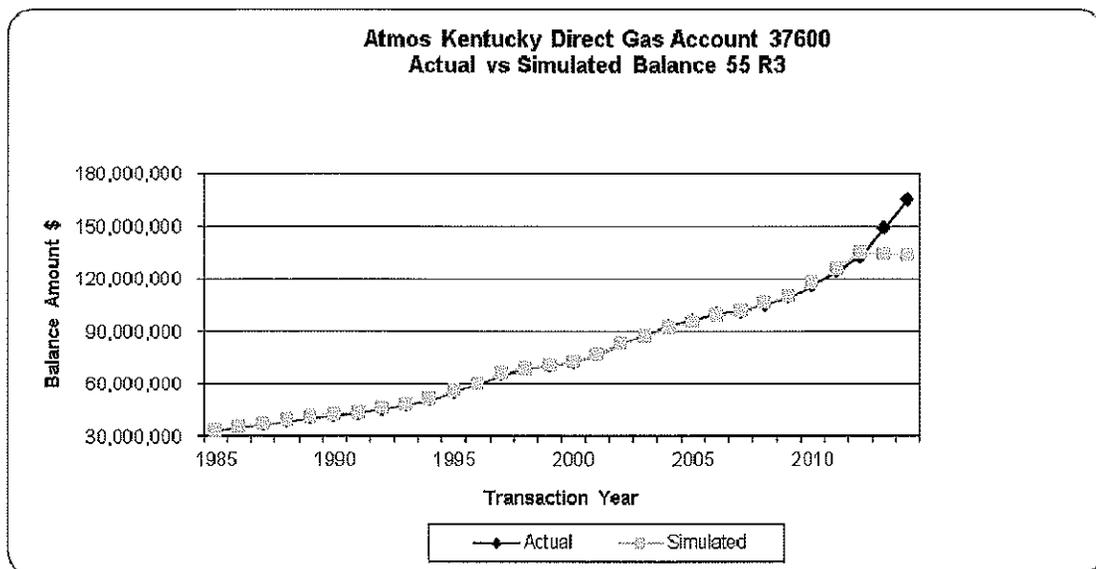


**Account 376.00 Mains - Cathodic Protected (20 SQ)**

This account includes the cost of anodes, rectifiers and leak clamps for distribution mains. There is approximately \$21 million in this account. The existing life is the 20 SQ dispersion pattern based on the composite 376 account. This study recommends retaining the 20 year life with the SQ dispersion to reflect the actual expected life of the anodes, rectifiers, and leak clamps that are installed with the mains but have a much lower life expectancy and no current mechanism to properly record retirements. No graph is provided.

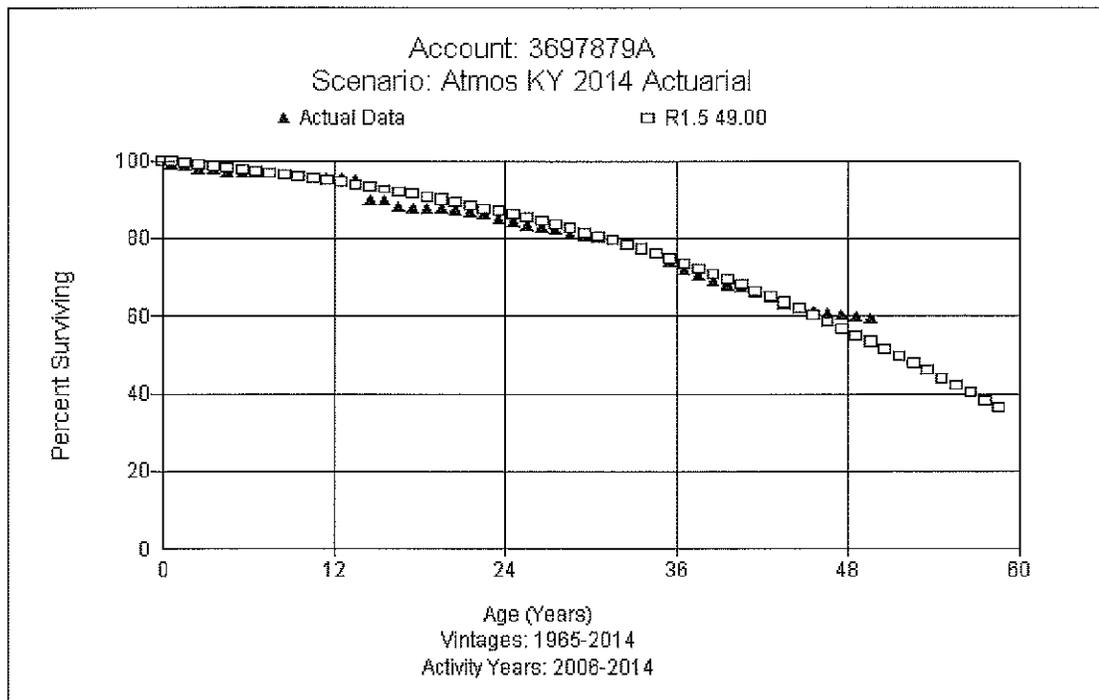
**Account 376.01 & 376.02 Mains - Steel and Plastic (55 R3)**

These accounts include the cost of steel and plastic mains. There is approximately \$144 million total for the accounts combined in this account. The existing life is the 55 R3 dispersion pattern. This account consists of approximately 2,485 miles of steel and 1,437 miles of plastic pipe. Plastic pipe was first installed in the early 1980's and with a few exceptions is the type of pipe that will be installed. Since most of the pipe is in public easements, road moves are one of the primary triggers for retirements and is expected to increase with projected increase in road work in the future. The Commission approved a Pipe Replacement Program (PRP) in 2010, which is a 15 year program. Our life analysis indications suggested the life of mains to be decreasing slightly. However, discussions with Company personnel indicated this should be temporary and likely the result of the PRP. The Company expects the decrease in life of mains will reverse once the PRP is complete. Based on all these factors, this study recommends retaining the existing 55 R3. A comparison of actual versus simulated balances is shown below for the 55 R3.



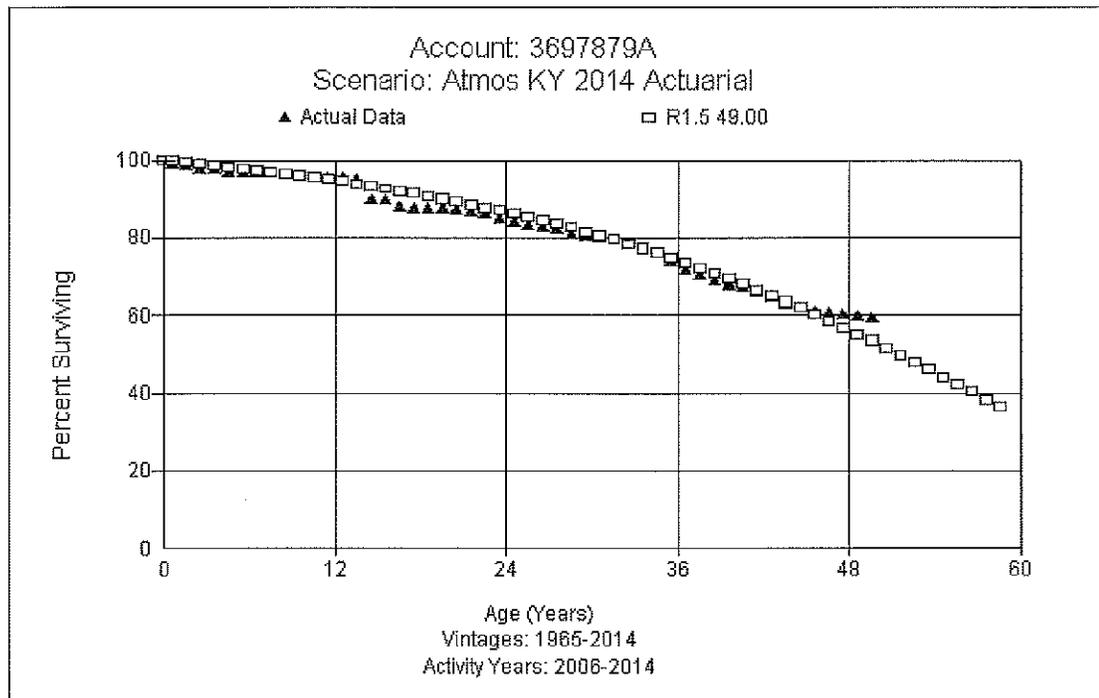
**Account 378.00 M&R Station Equipment (49 R1.5)**

This account consists of various measuring equipment, regulator station and valves used in distribution operations. There is approximately \$5.2 million of investment in this account. The existing life is 49 years with the R2 dispersion. Due to similarities, a combined analysis was performed for all measuring and regulating equipment in Transmission and Distribution functions. Discussions with Company personnel indicated lives of the assets have changed over the years from 60-70 year life expectancy, recent past generation to be 40-50 year life expectancy, to the most current generation, more technology driven, to be 30-40 year life expectancy. Based on the combined analysis the 49 R1.5 was a good fit. This study recommends retaining the 49 year life while moving to a dispersion pattern of R1.5. A graph of the combined accounts observed life table and recommendation is shown below for the R1.5 49.



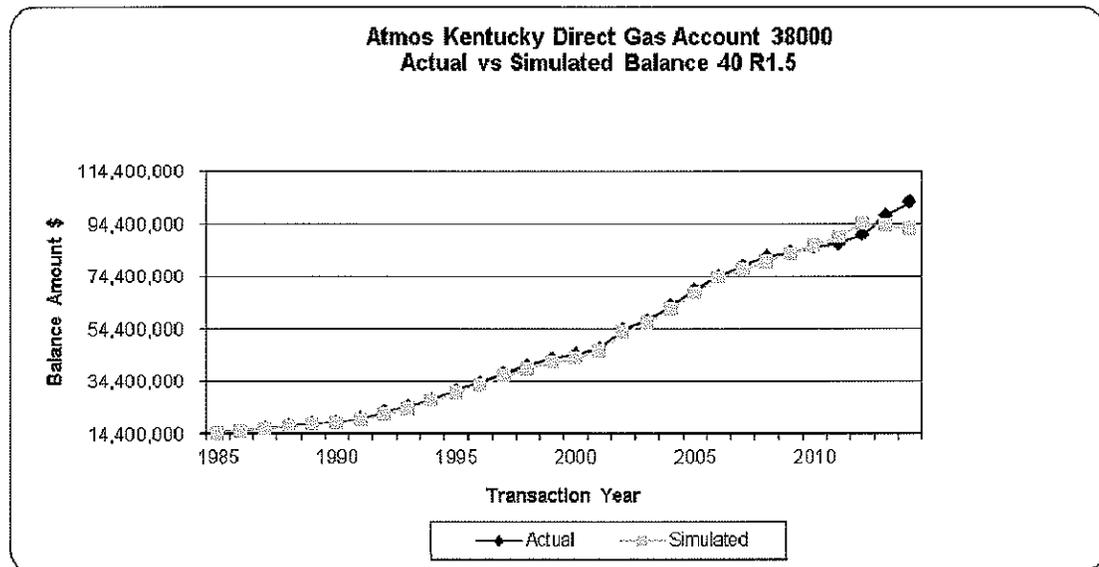
**Account 379.00 & 379.05 M&R – City Gate Equipment (49 R1.5)**

These accounts include the cost of measuring and regulating stations and other related equipment for city gate. There is approximately \$4.1 million total for the accounts combined in this account. The existing life is 49 R2. Due to similarities, a combined analysis was performed for all measuring and regulating equipment in Transmission and Distribution functions. Discussions with Company personnel indicated lives of the assets have changed over the years from 60-70 year life expectancy, recent past generation to be 40-50 year life expectancy, to the most current generation, more technology driven, to be 30-40 year life expectancy. Based on the combined analysis the 49 R1.5 was a good fit. This study recommends retaining the 49 year life while moving to a dispersion pattern of R1.5. A graph of the combined accounts observed life table and recommendation is shown below for the R1.5 49.



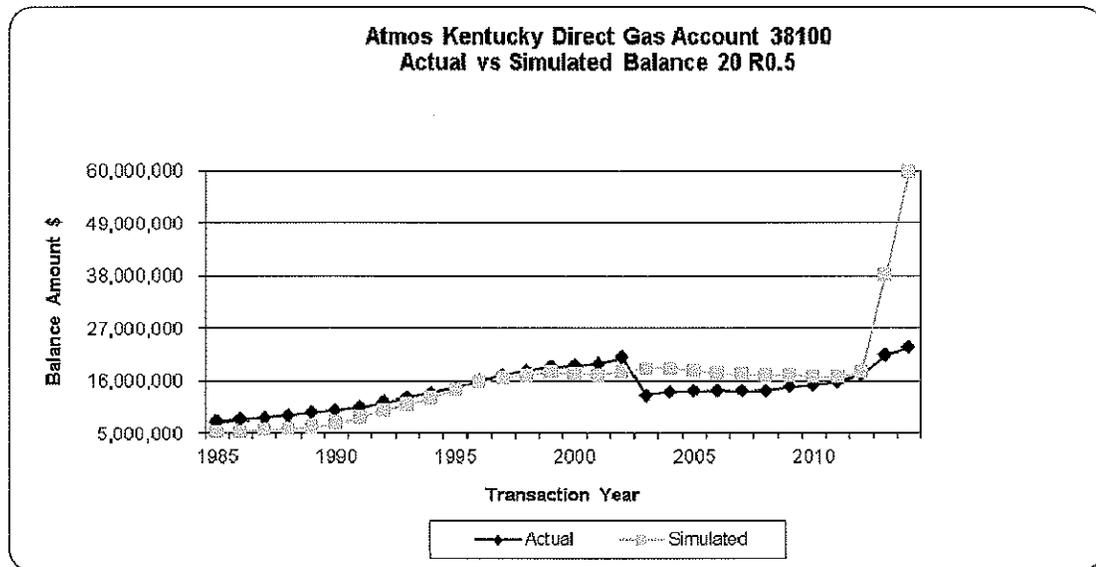
**Account 380.00 Services (40 R1.5)**

This account consists of all types of services used in distribution operations. There is approximately \$103 million of investment in this account. The existing life is 40 years with the R1.5 dispersion. The current average age of investment is 12.70 years. The SPR analysis indicated best fits with excellent Retirement Experience Index (REI) to be around 37 to 38 years. Discussions with Company personnel indicated PRP is causing more replacement in services, which could contribute to lowering the life. In the past few years Atmos changed the designation from customer owned to Atmos owned from main to the meter. Based on the analysis, temporary impact from the PRP, and input from Company personnel, this study recommends retaining the 40 year life and R1.5 dispersion. A comparison of actual versus simulated balances is shown below for the 40 R1.5.



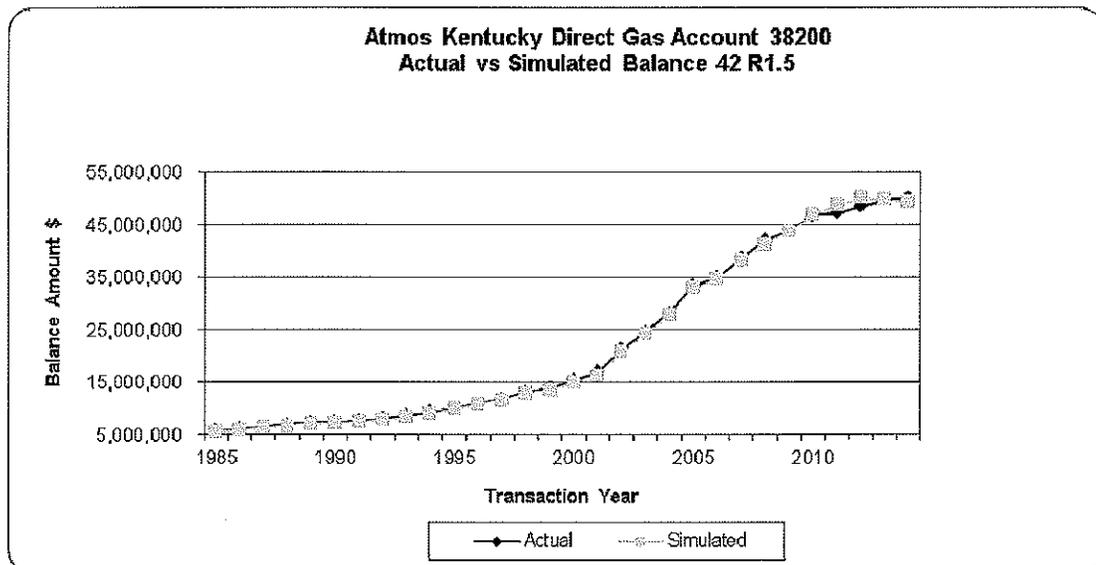
**Account 381.00 Meters (20 R0.5)**

This account includes the cost of meters. The balance is \$23 million and the existing life is 20 R0.5. The current average age of investment is 11 years. This account is undergoing many changes due to the introduction of technology meters. Currently, there are about 600 AMR meters installed. Non-compatible meters have been replaced over the past 6-7 years, with about 1,600-2,000 obsolete meters pulled each year. Company requested approval for 20,000 AMR meters to be implemented each year. New meters are not as durable (plastic) and cost less so meters are no longer repaired but retired. Company has been performing military sampling of meters since 1999. Without sampling, meters would be changed out every 10 years. The SPR analysis suggests the life to be 20 years and less. Based on indications and future plans to implement more AMR meters which are expected to have a life around 20 years, this study recommends retaining the 20 R0.5. A comparison of actual versus simulated balances is shown below for the 20 R0.5.



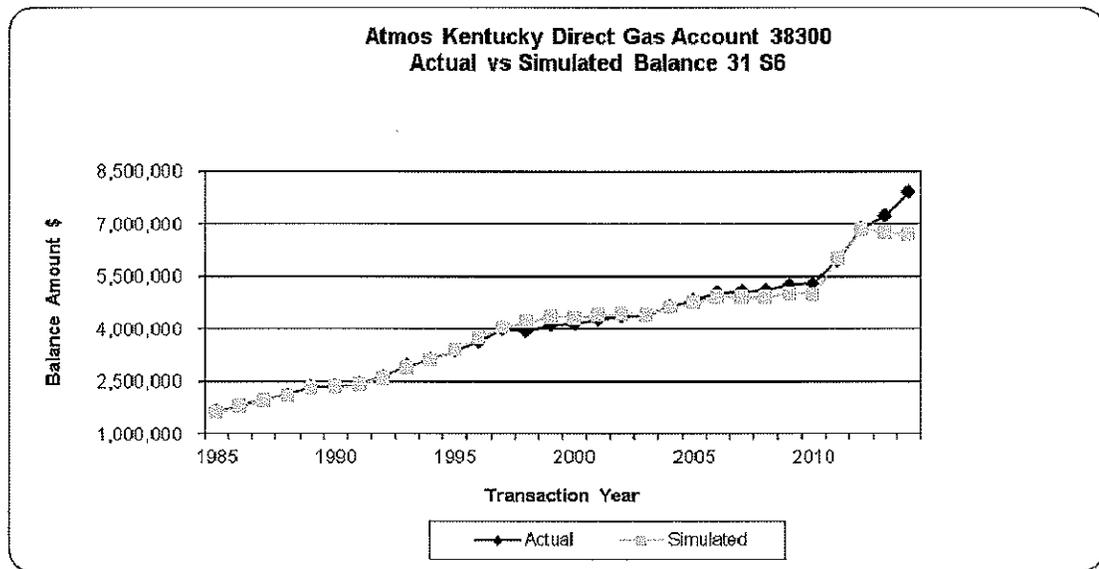
**Account 382.00 Meter Installations (42 R1.5)**

This account includes the cost of meter installations. This account has a balance of \$50 million. The existing life is 42 R1.5. The current average age of investment is approximately 11 years. The SPR analysis best fits range from 38 to 46 years old. Discussions with Company personnel indicated these are not retired when a meter is and would expect to see longer life, which is consistent with the analysis indications. Based on the analysis and Company input, this study recommends retaining the 42 R1.5. A comparison of actual versus simulated balances is shown below for the 42 R1.5.



**Account 383.00 House Regulators (31 S6)**

This account includes the cost of house regulators. There is approximately \$7.9 million in this account. The existing life is a 31 S6. Similar to the meter installation, these assets are evaluated when a meter is being replaced but are not always replaced. Discussions with Company personnel indicated they would expect a longer life than meters, but less than meter installations. The SPR analysis indicates best fits are in the range of 31 to 32 years with steep dispersion pattern, which is a slight increase from existing. Based on the analysis and Company input, this study recommends retaining the 31 S6. A comparison of actual versus simulated balances is shown below for the 31 S6.

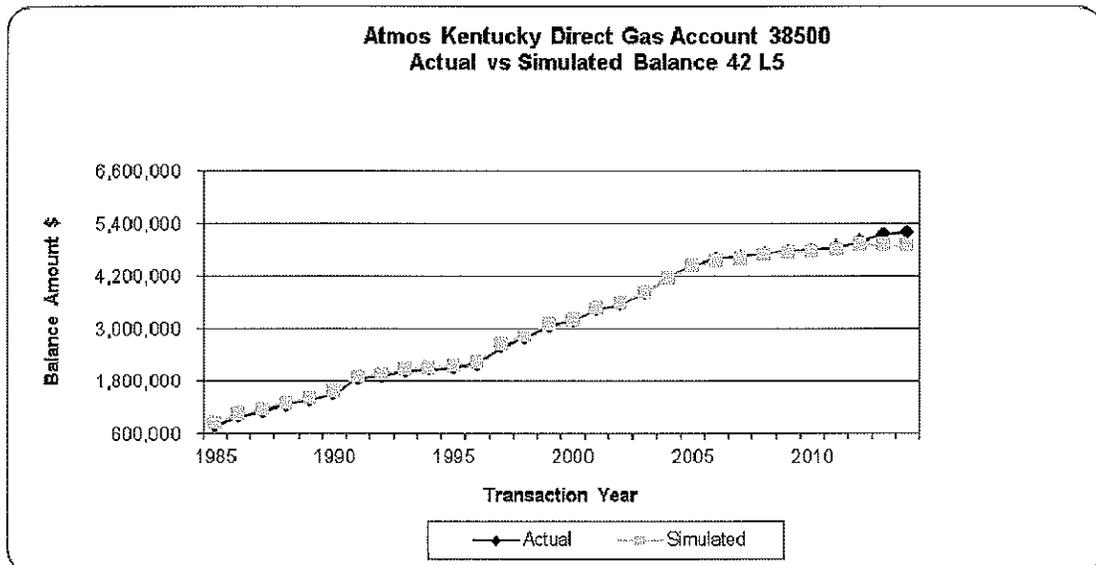


**Account 384.00 House Regulator Installations (42 R1.5)**

This account includes the cost of house regulators installations. There is approximately \$154 thousand in this account. The existing life is a 42 R1.5. This account has limited retirement activity being recorded. Discussions with Company personnel indicated retirements are often recorded to 382 and/or 383. Similar to meter installations, these are not expected to be retired each time house regulator is retired and replaced so a longer life is reasonable. Company is moving to installation of pre-built meter loops (consists of meter installation, house regulator, and house regulator installation), which will eventually merge life expectations into one. For now, due to the lack of retirements recorded into this account, the same parameters, 42 R1.5, for Account 382 Meter Installations is being recommended. No graph is provided.

**Account 385.00 Industrial Measuring (42 L5)**

This account includes the cost of regulator installations, regulator stations, valves and pressure recorders for industrial customers. There is approximately \$5 million in this account. The existing life is a 42 L5. This equipment is more expensive and heavy duty due to its use with industrial customers. These are tested on site and more frequently and only replaced if it fails. Company personnel would expect a slightly longer life, which is indicated in the analysis. This study recommends retaining the 42 L5. A comparison of actual versus simulated balances is shown below for the 42 L5.



**General Plant – FERC Accounts 390-399.08****Account 390.00, 390.02, 390.03, & 390.04 Structures and Improvements (40 R2)**

These accounts include the cost of buildings, roof, heating/cooling equipment, and carpet. Consistent with the prior study and currently approved rates, all Account 390's, except 390.09, will be combined to calculate a depreciation rate to be applied to each account. There is approximately \$3 million total for the accounts combined in this account. The current life is a 40 R2. The life analysis for this account was performed using the actuarial analysis. However, no retirements had been recorded. Based on the plans to own some buildings (not all being leased) and judgment, this study recommends retaining the life of 40 years and the R2 dispersion pattern for this account. No graph is provided.

**Account 390.09 Improvements - Leased (20 R3)**

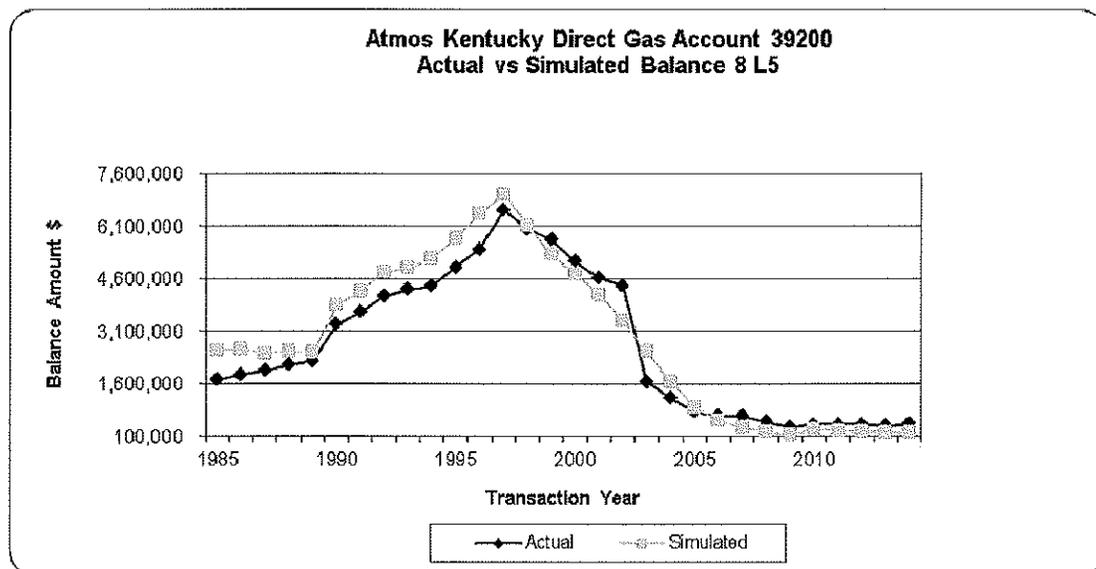
This account includes the cost of improvements to leased buildings. There is approximately \$1.3 million in this account. The current life is a 20 R3. The life analysis for this account was performed using the actuarial analysis. However, no retirements had been recorded. Based on the current plans to own buildings and the lease term for major lease buildings being 20 years, this study recommends retaining the life of 20 years and the R3 dispersion pattern for this account, which is consistent with the lease terms.

**Account 391.00 & 391.03 Office Furniture, Equipment and Machines (15 SQ)**

These accounts consist of miscellaneous office furniture such as desks, chairs, filing cabinets, tables, copiers, and other office equipment used for general utility service. There is approximately \$1.5 million in this account. The existing life is 15 SQ and uses vintage group amortization and is retained. No graph is provided.

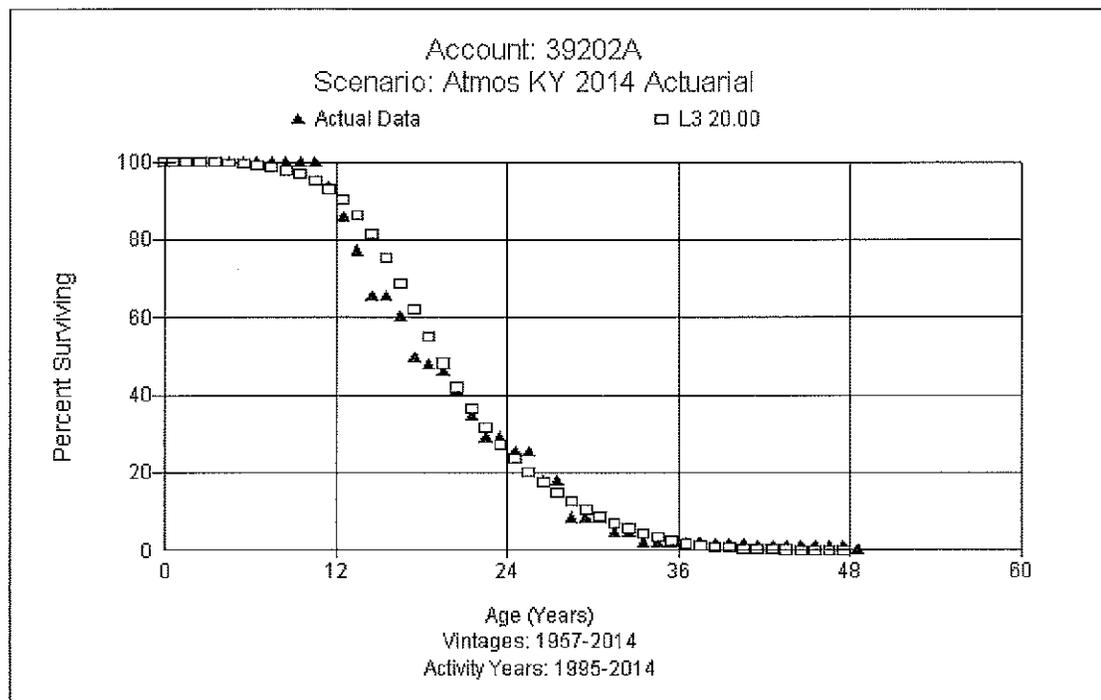
**Account 392.00 Transportation Equipment (8 L5)**

This account consists of various types of transportation equipment such as cars, trucks, tractor, and trailers. There is approximately \$418 thousand in this account. Current parameters are 8 L5. This study recommends retaining the 8 L5 which is reflective of the assets, policy and expectations. A comparison of actual versus simulated balances is shown below for the 8 L5 curve.



**Account 392.02 Trailers (20 L3)**

This account consists of working trailers used in general plant. There is approximately \$33 thousand in this account. Current parameters are 15 L5. This study recommends using a 20 L3 which is reflective of the assets, policy and expectations. A graph of the observed life table and recommendation is shown below for the 20 L3 curve.

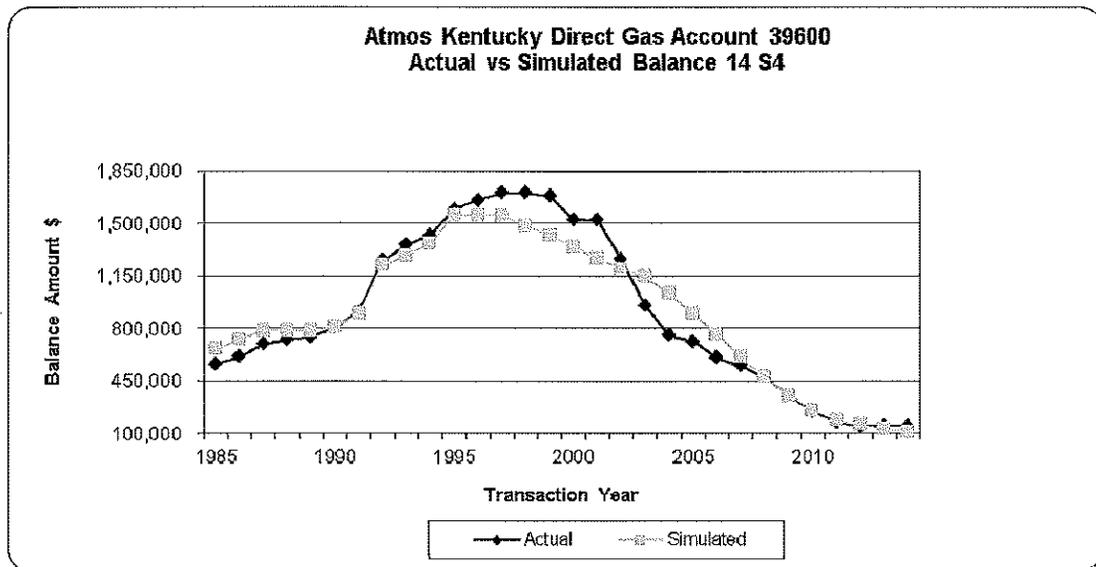


**Account 394.00 Tools, Shop, and Garage Equipment (16 SQ)**

This account consists of various tools used in the shop and garages such as boring equipment, leak detectors, pipe locators, fusion, tapping, and plugging equipment. There is approximately \$1.7 million in this account. The existing life is 16 SQ and uses vintage group amortization and is retained. No graph is provided.

**Account 396.03, 396.04, & 396.05 Ditchers, Backhoes and Welders (14 S4)**

These accounts consist of power operated equipment including ditchers, backhoes, and welders. There is approximately \$150 thousand total for the accounts combined in this account. The current life is 14 years with the S4 dispersion. Based on the analysis and type of equipment, this study recommends retaining the 14 year life and the S4 dispersion. A comparison of actual versus simulated balances is shown below for the 14 S4 curve.



**Accounts 397.00 Communication Equipment (15 SQ)**

This account consists of all communication equipment including mobile and fixed radio systems along with telephone, telemetering and other miscellaneous communication equipment. There is \$332 thousand in this account. The existing life is 15 SQ and uses vintage group amortization and is retained. No graph is provided.

**Accounts 397.05 Telemetering (15 S1)**

This account consists of all telemetering equipment including ITRON, mobile and fixed radio systems. There is no balance in this account. The existing life is a 15 S1 and is retained for future additions.

**Account 398.00 Miscellaneous Equipment (20 SQ)**

This account consists of kitchen, audio/video equipment, television, and other miscellaneous equipment used in general utility service. There is approximately \$3.7 million in this account. The existing life is a 20 SQ and uses vintage group amortization and is retained. No graph is provided.

**Account 399.01 Server Hardware (10 SQ)**

This account consists of server hardware computer equipment. There is no balance in this account. The existing life is 10 SQ and uses vintage group amortization and is retained. No graph is provided.

**Account 399.02 Server Software (7 SQ)**

This account consists of server software. There is no balance in this account. The existing life is 7 SQ and uses vintage group amortization and is retained. No graph is provided.

**Account 399.03 – Network Hardware (10 SQ)**

This account consists of network hardware computer equipment. There is approximately \$82 thousand in this account. The existing life is 10 SQ and uses vintage group amortization and is retained. No graph is provided.

**Account 399.06 – PC Hardware (5 SQ)**

This account consists of personal computer hardware, laptops, mobile data terminals (MDT), printers, monitors, and projectors. There is approximately \$1 million in this account. The existing life is 5 SQ and uses vintage group amortization and is retained. No graph is provided.

**Account 399.07 PC Software (7 SQ)**

This account consists of software for personal computers. There is approximately \$14 thousand in this account. The existing life is 7 SQ and uses vintage group amortization and is retained. No graph is provided.

**Account 399.08 Application Software (15 SQ)**

This account consists of large application software. The balance in this account is \$123 thousand. The existing life is 15 SQ and uses vintage group amortization and is retained. No graph is provided.

### **Salvage Analysis**

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset). Salvage and removal cost percentages are calculated by dividing the current cost of salvage or removal by the original installed cost of the asset. Some plant assets can experience significant negative removal cost percentages due to the timing of the original addition versus the retirement. For example, a Distribution asset in FERC Account 376 Steel Mains with a current installed cost of \$500 (2014) would have had an installed cost of \$33.68<sup>4</sup> in 1959. A removal cost of \$50 for the asset calculated (incorrectly) on current installed cost would only have a negative 10 percent removal cost ( $\$50/\$500$ ). However, a correct removal cost calculation would show a negative 163 percent removal cost for that asset ( $\$50/\$33.68$ ). Inflation from the time of installation of the asset until the time of its removal must be taken into account in the calculation of the removal cost percentage because the depreciation rate, which includes the removal cost percentage, will be applied to the original installed cost of assets.

The net salvage analysis uses the history of the individual accounts to estimate the future net salvage that Kentucky can expect in its operations. As a result, the analysis not only looks at the historical experience but also takes into account recent and expected changes in operations that could reasonably lead to different future expectations for net salvage than were experienced in the past. Generally, recent experience is more heavily weighted in making net salvage recommendations than experience older than 10 years.

### **Salvage Characteristics**

For each account, data for retirements, gross salvage, and cost of removal

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<sup>4</sup> Using the Handy-Whitman Bulletin No. 180, G-2, line 44,  $\$33.68 = \$500 \times 52/772$ .

were derived from 1996-2014. Moving averages, which remove timing differences between retirement and salvage and removal cost, were analyzed over periods varying from one to 19 years, which were evaluated in making the net salvage recommendations for the study. However, for purposes of printing in this report, we have limited it to a period of 10 years in Appendix D. A discussion for each account provides the recommended net salvage factor, the existing net salvage factor if known, and any specific considerations given to support the recommendations.

### **Storage Plant – FERC Accounts 350.20 – 356.00**

#### **Account 350.20 Rights-of-Way (0%)**

This account includes any salvage and removal cost related to rights of way used in connection with storage plant operations. The existing net salvage is zero percent. No net salvage is expected, a zero percent net salvage is retained.

#### **Account 351.00-351.02 Structures & Improvements and Compressor Station Equipment (-5%)**

These accounts include any salvage and removal cost related to structures and improvements and compressor station equipment used in connection with storage plant operations. The existing net salvage is negative 5 percent. Some salvage was recorded due to retirement of a building and the sale of a garage door. This is not expected to reoccur. Overall cost of removal is expected to exceed any salvage in the future. This study recommends retention of the existing negative 5 percent net salvage.

#### **Account 351.03 Measuring and Regulating Station (-5%)**

This account includes any salvage and removal cost related to measuring and regulating station equipment used in connection with storage plant operations. The existing net salvage is negative 5 percent and is retained.

**Account 351.04 Other Structures (-5%)**

This account includes any salvage and removal cost related to other structures used in connection with storage plant operations. The existing net salvage is negative 5 percent. Cost of removal is expected to exceed any salvage. Consistent with other structure accounts a negative 5 percent is recommended.

**Account 352.00, 352.01, 352.02 Wells, Well Construction and Well Equipment (-30%)**

These accounts include any salvage and removal cost related to wells, well construction, and well equipment used in connection with storage plant operations. The existing net salvage for accounts 352.00 and 352.01 is negative 30 percent while the existing salvage for account 352.02 is negative 50 percent. The Company has approximately 55 wells across 5 storage fields. One well, Bon Harbor, was recently retired. Company estimates it would cost approximately \$10 thousand per well to retire. Based on the combined analysis and the overall indications, this study recommends a negative 30 percent for all three accounts.

**Account 352.03 Cushion Gas (0%)**

This account includes any salvage and removal cost related to cushion gas used in connection with storage plant operations. Currently there is no net salvage recorded for this account and a zero percent net salvage is retained.

**Account 352.10 Storage Leaseholds (0%)**

This account includes any salvage and removal cost related to storage leaseholds used in connection with storage plant operations. There is no salvage or cost of removal recorded or expected. This study recommends retaining the approved zero percent net salvage for this account.

**Account 352.11 Storage Rights (0%)**

This account includes any salvage and removal cost related to storage rights used in connection with storage plant operations. The existing net salvage is zero percent and is retained.

**Account 353.01, 353.02 Storage Field and Tributary Lines (-5%)**

These accounts include any salvage and removal cost related to field and tributary lines used in connection with storage plant operations. Currently, the net salvage for these accounts is negative 5 percent and is retained.

**Account 354.00 Compressor Station Equipment (0%)**

This account includes any salvage and removal cost related to compressor station equipment used in connection with storage plant operations. Currently, the net salvage is zero percent. Some salvage and cost of removal was recorded but the overall indications net to zero percent and gross salvage levels are not likely to be repeated. This study recommends retention of zero percent.

**Account 355.00 Measuring and Regulating (-4%)**

This account includes any salvage and removal cost related to measuring and regulating equipment used in connection with storage plant operations. The existing net salvage is negative 4 percent. There has been some activity with no salvage and some cost of removal. Based on the overall analysis indications, this study recommends retaining a negative 4 percent net salvage for this account.

**Account 356.00 Purification Equipment (-3%)**

This account includes any salvage and removal cost related to purification equipment used in connection with storage plant operations. The existing net salvage is negative 3 percent and is retained.

**Transmission Plant – FERC Accounts 365.20 – 369.01****Account 365.20 Rights-of-Way (0%)**

This account includes any salvage and removal cost related to rights of way used in connection with transmission operations. The existing net salvage is zero percent and is retained.

**Account 366.02 & 366.03 Meas. & Reg. Station Structures & Other Structures (-6%)**

These accounts include any salvage and removal cost related to measuring and regulating station structures and other structures used in connection with transmission operations. The existing net salvage is negative 6 percent. The combined account analysis indicates some salvage and cost of removal recorded for these two accounts. Salvage in 2008 was for a fence and is not likely to reoccur. Based on the overall analysis indications and expectations that cost of removal will exceed any salvage, this study recommends retention of negative 6 percent net salvage for these accounts.

**Account 367.00 Mains – Cathodic Protection (0%)**

This account includes any salvage and removal cost related to cathodic protection mains used in connection with transmission operations. These assets generally do not incur cost of removal and there is no salvage. Currently the net salvage for this account is zero percent and is retained.

**Account 367.01 Mains – Steel (-20%)**

This account includes any salvage and removal cost related to steel mains used in connection with transmission operations. Currently, the net salvage for this account is negative 30 percent. The Company recently completed a separate Time and Motion Study to evaluate the costs related to retirement activities for its Mains and Services. The results of this study are factored into the net salvage analysis for

this account. The current analysis indicates a continued pattern of negative net salvage with a range of negative 20 to negative 19 percent for the five and ten year averages. Based on the indications in the time and motion study, this study recommends moving to negative 20 percent net salvage at this time.

**Account 369.00 & 369.01 Measuring and Reg. Station (-19%)**

These accounts include any salvage and removal cost related to measuring and regulating station equipment used in connection with transmission operations. The existing net salvage for these accounts is negative 9 percent. Using the combined analysis, overall indications suggest there is no salvage and some cost of removal will be incurred. Based on the overall indications in the combined analysis, this study recommends moving to negative 19 percent net salvage for this account.

**Distribution Plant – FERC Accounts 374.02-387**

**Account 374.02 Land Rights (0%)**

This account includes any salvage and removal cost related to land rights used in connection with distribution operations. Existing net salvage is zero percent. Very small salvage was recorded, but not expected to occur in the future. This study recommends retaining the zero percent net salvage for this account.

**Account 375.00, 375.01, 375.02, & 375.03 Structures and Improvements (All) (-10%)**

These accounts consist of any salvage and removal cost related to buildings, border station and regulating station structures, fences, and other miscellaneous related assets used in connection with distribution operations. The existing net salvage is negative 10 percent. The combined analysis indicates no salvage and some cost of removal being incurred. The overall indications suggest a negative 50

percent, but this is not reasonable to expect for all assets in the future. This study recommends retaining the existing negative 10 percent net salvage for this account.

**Account 376.00 Mains - Cathodic Protected (0%)**

This account consists of any salvage and removal cost related to cathodic protected mains. The existing net salvage is zero percent. The existing is due to the combined analysis with mains. This study has segregated anodes, rectifiers and leak clamps in this account and there is no salvage or cost of removal expected. Therefore, this study recommends a zero percent net salvage for this account.

**Account 376.01 Mains - Steel (-5%)**

This account consists of any salvage and removal cost related to steel mains. The existing net salvage is negative 20 percent. The Company recently completed a separate Time and Motion Study to evaluate the costs related to retirement activities for its Mains and Services. The results of this study are factored into the net salvage analysis for this account. The current analysis indicates a continued pattern of negative net salvage with an overall negative 6 percent for the most recent full moving average. More recent moving averages are around negative 2 and negative 3 percent. Based on the combined analysis for both steel and plastic, this study recommends using negative 5 percent net salvage for both steel and plastic mains at this time.

**Account 376.02 Mains - Plastic (-5%)**

This account consists of any salvage and removal cost related to plastic mains. The existing net salvage is negative 20 percent. The Company recently completed a separate Time and Motion Study to evaluate the costs related to retirement activities for its Mains and Services. The results of this study are factored into the net salvage analysis for this account. The current analysis indicates a continued pattern of negative net salvage with an overall negative 6 percent for the most recent full moving average. More recent net salvage (5 and 10 year) moving

averages are around negative 2 to negative 3 percent. Based on the combined analysis for both steel and plastic and long and short term indications, this study recommends using negative 5 percent net salvage for both steel and plastic mains at this time.

**Account 378.00 M&R Station Equipment (-19%)**

This account includes any salvage and removal cost related to measuring equipment, regulator station and valves used in distribution operations. The existing net salvage is negative 25 percent. Consistent with the life analysis, a combined analysis was run for all measuring and regulating equipment in the transmission and distribution functions. Based on that combined analysis, the overall indications are negative 19 percent, which is the recommendation of this study.

**Account 379.00 & 379.05 M&R – City Gate Equipment (-19%)**

These accounts include any salvage and removal cost related to station equipment used in measuring and regulating gas at the city gate. The existing net salvage is negative 13 percent. Consistent with the life analysis, a combined analysis was run for all measuring and regulating equipment in the transmission and distribution functions. Based on that combined analysis, the overall indications are negative 19 percent, which is the recommendation of this study.

**Account 380.00 Services (-20%)**

This account includes any salvage and removal cost related to all types of services related to distribution operations. The existing net salvage is negative 55 percent. Consistent negative net salvage indications are shown in every year except one, 2009, which may be a result of timing differences. The Company recently completed a separate Time and Motion Study to evaluate the costs related to retirement activities for its Mains and Services. The results of this study are factored into the net salvage analysis for this account. The current analysis indicates a continued pattern of negative net salvage with an overall negative 20

percent for the most recent full moving average. More recent (5 and 10 year) moving averages range from negative 5 to negative 6 percent. Based on the results of that study and the overall indications, this study recommends moving to a negative 20 percent net salvage for this account.

**Account 381.00 Meters (-50%)**

This account includes any salvage and removal cost related to meters. The existing net salvage is negative 50 percent. Looking to the future where meter loop will be installed and removed as one unit, a combined analysis for accounts 381 and 382 and all four accounts 381-384 were made. Both combined analysis overall indications suggest more negative than the existing negative 50%, to be reasonable. Based on future expectations and the combined overall indications, this study recommends maintaining a negative 50 percent net salvage for this account at this time.

**Account 382.00 Meter Installations (-50%)**

This account includes any salvage and removal cost related to meter installations. The existing net salvage is negative 50 percent. Individually, this account has very high negative net salvage, (negative 171%). The combined analysis overall indications suggest a more negative net salvage than the existing, but is more reasonable for future expectations. Based on these factors and the combined overall indications, this study recommends retaining a negative 50 percent net salvage for this account.

**Account 383.00 House Regulators (0%)**

This account includes any salvage and removal cost related to house regulators. The existing net salvage is zero percent. A combined analysis was performed and used for Accounts 381 and 382. However, this account and Account 384 have been treated differently in the past. Until the Company actually

implements the one meter loop asset and the experience can be evaluated, it is our recommendation to retain the existing zero percent net salvage.

**Account 384.00 House Regulator Installations (0%)**

This account includes any salvage and removal cost related to house regulator installations. The existing net salvage is zero percent. Very little activity is recorded. See discussions for Accounts 381, 382, and 383. This study recommends retaining the zero percent net salvage for this account.

**Account 385.00 Industrial Measuring (-12%)**

This account includes any salvage and removal cost related to meters, regulator installations, regulator stations, valves and pressure recorders for industrial customers. The existing net salvage is negative 25 percent. The more recent analysis indicates more negative net salvage is being incurred. 2012 is much more negative and 2014 was positive but may be the result of timing differences. The overall net salvage indications across the most recent year are almost negative 12 percent, which is the recommendation in this study.

**General Plant – FERC Accounts 390-399.08**

**Account 390.00, 390.02, 390.03, & 390.04 Structures and Improvements (-10%)**

These accounts include the gross salvage and cost or removal for costs of structures and improvements used for utility service. The existing net salvage is negative 10 percent. The combined analysis indicates a negative 10 percent, which is reasonable for these types of assets. Based upon the analysis, this study recommends retaining a negative 10 percent net salvage for these accounts at this time.

**Account 390.09 Improvements – Leased (0%)**

This account includes the gross salvage and cost or removal for costs of

improvements to leased structures used for utility service. The existing net salvage is zero percent. Some salvage was recorded in 2008 but is not likely to reoccur at those levels. This study recommends retaining zero percent net salvage for this account at this time.

**Account 391.00 & 391.03 Office Furniture & Equipment and Office Machines (0%)**

These accounts include the gross salvage and cost or removal for office furniture, equipment and office machines used for utility service. The existing net salvage is zero percent. No significant salvage or cost of removal is expected. This study recommends retaining zero percent net salvage for this account at this time.

**Account 392.00 Transportation Equipment (10%)**

This account consists of gross salvage and cost of removal for cars, trucks, and other transportation equipment that can be licensed on roadways. The existing net salvage is 10 percent. No cost of removal is expected nor recorded. Overall analysis indicates positive 10 percent, which is the recommendation of this study.

**Account 392.02 Working Trailers (14%)**

This account consists of gross salvage and cost of removal for working trailers. The existing net salvage is 14 percent. Overall indications would suggest more salvage is being received than existing. Based upon the overall analysis indications, this study recommends retention of the 14 percent net salvage for this account at this time.

**Account 394.00 Tools, Shop, and Garage Equipment (0%)**

This account includes the gross salvage and cost or removal for tools, shop, and garage equipment used for utility service. The existing net salvage is 1 percent. The overall analysis indications indicate a zero percent, but due to the type of assets no salvage at end of life is expected. This study recommends retaining a zero

percent net salvage for this account at this time.

**Account 396.03, 396.04, and 396.05 Power Operated Equipment and Backhoes (8%)**

These accounts include the gross salvage and cost or removal for ditchers, backhoes, welders, and other power operated equipment that cannot be licensed on roadways. The existing net salvage is 8 percent. A combined analysis was performed, which indicated some positive net salvage is being recorded. Based on the overall indications and more recent activity, this study recommends retaining the 8 percent net salvage for this account at this time.

**Accounts 397.00 Communication Equipment (0%)**

This account includes the gross salvage and cost or removal for telephone communication equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Accounts 397.05 Telemetering Equipment (0%)**

This account includes the gross salvage and cost or removal for telemetering equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 398.00 Miscellaneous Equipment (0%)**

This account includes the gross salvage and cost or removal for miscellaneous equipment. The existing net salvage is zero percent. Small negative net salvage is indicated, but these assets typically will not produce any gross salvage or removal cost at end of life. This study recommends retaining zero percent net salvage for this account.

**Account 399.01 Server Hardware (0%)**

This account consists of gross salvage and cost of removal for server hardware computer equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 399.02 Server Software (0%)**

This account consists of gross salvage and cost of removal for server software. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 399.03 Network Hardware (0%)**

This account consists of gross salvage and cost of removal for network hardware computer equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 399.06 PC Hardware (0%)**

This account consists of gross salvage and cost of removal for personal computer hardware, laptop, printers, monitors, and projectors. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining a zero percent net salvage for this account.

**Account 399.07 PC Software (0%)**

This account consists of gross salvage and cost of removal for software for personal computers. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 399.08 Application Software (0%)**

This account consists of gross salvage and cost of removal for large application software. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**APPENDIX A**  
**Comparison of Depreciation Rates**

**Atmos Energy Corporation - Kentucky Properties**  
**Comparison of Depreciation Expense**  
**Existing vs Proposed Depreciation Accrual Rates**  
**As of September 30, 2014**

Account (a)	Description (b)	Plant Balance (c)	Existing		Proposed		Change in Depreciation Expense [h]
			Annual Accrual Rate (d)	Annual Accrual (e)	Annual Accrual Rate [f]	Annual Accrual [g]	
<b>STORAGE PLANT</b>							
35020	Rights-Of-Way	\$ 4,681.58	0.12%	\$ 5.44	0.25%	\$ 11.78	\$ 6.33
35100	Structures & Improvements	17,916.19	1.66%	296.58	1.67%	299.64	3.06
35102	Compressor Station Equipment	153,261.30	1.13%	1,730.62	1.26%	1,931.44	200.82
35103	M&R Station Equipment	23,138.38	0.70%	162.57	0.92%	212.60	50.03
35104	Other Structures	137,442.53	1.18%	1,618.75	1.30%	1,787.00	168.24
35200	Wells	5,870,417.93	1.89%	110,872.46	1.93%	113,193.46	2,321.01
35201	Well Construction	1,699,998.54	1.43%	24,385.02	1.51%	25,740.01	1,354.99
35202	Well Equipment	424,750.24	0.64%	2,732.65	0.93%	3,937.04	1,204.39
35203	Cushion Gas	1,694,832.96	1.76%	29,876.23	1.80%	30,472.58	596.35
35210	Storage Leaseholds	178,530.09	0.07%	127.25	0.35%	630.45	503.20
35211	Storage Rights	54,614.27	0.71%	386.53	0.88%	480.44	93.91
35301	Storage Field Lines	178,496.90	0.22%	386.25	0.81%	1,438.48	1,052.23
35302	Storage Tributary Lines	209,458.21	0.22%	453.25	0.81%	1,688.00	1,234.75
35400	Compressor Station Equipment	923,446.05	1.66%	15,304.93	1.80%	16,654.90	1,349.97
35500	M&R Equipment	240,883.03	0.98%	2,365.65	0.51%	1,223.21	(1,142.44)
35600	Purification Equipment	414,663.45	0.41%	1,713.07	2.05%	8,481.41	6,768.34
	<b>Total Storage</b>	<u>12,226,531.65</u>	<u>1.57%</u>	<u>192,417.25</u>	<u>1.70%</u>	<u>208,182.42</u>	<u>15,765.17</u>
<b>TRANSMISSION PLANT</b>							
36520	Rights-Of-Way	867,772.00	1.53%	13,316.67	1.33%	11,525.96	(1,790.71)
36602	M&R Station Structures	49,001.72	1.84%	903.49	1.78%	874.32	(29.16)
36603	Other Structures	60,826.29	1.84%	1,121.51	1.78%	1,085.30	(36.20)
36700	Mains - Cathodic Protection	185,508.80	5.00%	9,275.44	5.00%	9,275.44	-
36701	Mains - Steel	27,845,816.36	2.11%	587,411.33	1.89%	527,060.11	(60,351.22)
36900	M&R Station Equipment	615,021.88	2.11%	12,973.97	2.14%	13,157.64	183.67
36901	M&R Station Equipment	2,273,521.01	2.05%	46,537.22	2.14%	48,639.22	2,102.00
	<b>Total Transmission</b>	<u>31,897,468.06</u>	<u>2.11%</u>	<u>671,539.62</u>	<u>1.92%</u>	<u>611,618.00</u>	<u>(59,921.62)</u>

**Atmos Energy Corporation - Kentucky Properties**  
**Comparison of Depreciation Expense**  
**Existing vs Proposed Depreciation Accrual Rates**  
**As of September 30, 2014**

Account	Description	Plant Balance	Existing		Proposed		Change in Depreciation Expense
			Annual Accrual Rate	Annual Accrual	Annual Accrual Rate	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>DISTRIBUTION PLANT</b>							
37402	Land Rights	333,416.21	1.72%	5,748.86	1.46%	4,852.29	(896.56)
37500	Structures & Improvements	336,167.54	2.17%	7,299.68	2.06%	6,930.64	(369.04)
37501	Structures & Improvements	99,818.13	2.17%	2,167.49	2.06%	2,057.91	(109.58)
37502	Land Rights	46,591.01	2.17%	1,011.70	2.06%	960.55	(51.15)
37503	Improvements	4,005.08	2.17%	86.97	2.06%	82.57	(4.40)
37600	Mains - Cathodic Protection	20,715,876.26	5.00%	1,035,793.81	5.00%	1,035,793.81	-
37601	Mains - Steel	83,874,801.30	2.45%	2,052,797.08	2.09%	1,757,111.41	(295,685.65)
37602	Mains - Plastic	60,719,621.91	2.45%	1,486,084.73	2.09%	1,272,028.53	(214,056.20)
37800	M&R Station Equipment	5,234,987.30	3.07%	160,490.62	2.89%	151,266.42	(9,224.20)
37900	M&R Station Equipment	2,717,835.64	2.64%	71,809.52	2.86%	77,861.81	6,052.29
37905	M&R Station Equipment - City	1,395,942.13	2.64%	36,883.00	2.86%	39,991.60	3,108.59
38000	Services	102,590,800.63	4.61%	4,730,146.70	3.47%	3,559,713.32	(1,170,433.38)
38100	Meters	22,987,935.79	8.03%	1,845,746.48	8.30%	1,907,793.64	62,047.16
38200	Meter Installations	50,095,568.21	4.41%	2,207,726.88	4.13%	2,070,337.29	(137,389.60)
38300	House Regulators	7,896,127.45	3.31%	261,452.85	3.14%	247,996.53	(13,456.32)
38400	House Regulator Installations	154,276.36	2.53%	3,896.66	2.35%	3,627.39	(269.27)
38500	Industrial M&R	5,196,745.91	3.18%	165,335.06	2.71%	140,609.78	(24,725.28)
	<b>Total Distribution</b>	<b>364,400,516.86</b>	<b>3.86%</b>	<b>14,074,478.08</b>	<b>3.37%</b>	<b>12,279,015.51</b>	<b>(1,795,462.57)</b>
<b>GENERAL PLANT - DEPRECIATED</b>							
39000	Structures & Improvements	2,139,227.33	3.77%	80,545.53	3.76%	80,456.72	(88.81)
39002	Structures - Brick	173,114.85	3.77%	6,518.07	3.76%	6,510.88	(7.19)
39003	Improvements	725,021.86	3.77%	27,298.30	3.76%	27,268.20	(30.10)
39004	Air Conditioning Equipment	7,461.49	3.77%	280.94	3.76%	280.63	(0.31)
39009	Improvements - Leased	1,279,375.74	14.41%	184,331.83	18.71%	239,309.46	54,977.63
39200	Transportation Equipment	417,941.26	16.93%	70,753.54	15.14%	63,292.42	(7,461.12)
39202	Transportation - Trailers	33,191.91	25.88%	8,590.57	9.95%	3,302.66	(5,287.91)
39603	Power Operated -Ditchers	53,703.66	15.58%	8,367.79	19.47%	10,458.69	2,090.90
39604	Power Operated - Backhoes	62,747.29	15.58%	9,776.92	19.47%	12,219.92	2,443.00
39605	Power Operated - Welders	33,235.94	15.58%	5,178.63	19.47%	6,472.64	1,294.01
	<b>Total General Depreciated</b>	<b>4,925,021.33</b>	<b>8.16%</b>	<b>401,642.11</b>	<b>9.13%</b>	<b>449,572.22</b>	<b>47,930.11</b>
	<b>Total Depreciated Plant</b>	<b>413,449,537.90</b>	<b>3.71%</b>	<b>15,340,077.06</b>	<b>3.28%</b>	<b>13,548,388.15</b>	<b>(1,791,688.92)</b>

**Atmos Energy Corporation - Kentucky Properties  
Comparison of Depreciation Expense  
Existing vs Proposed Depreciation Accrual Rates  
As of September 30, 2014**

Account (a)	Description (b)	Plant Balance (c)	Existing		Proposed		Change in Depreciation Expense [h]
			Annual Accrual Rate (d)	Annual Accrual (e)	Annual Accrual Rate [f]	Annual Accrual [g]	
<b>GENERAL PLANT - AMORTIZED</b>							
39100	Office Furniture & Equipment	1,450,410.05	6.67%	96,694.00	6.67%	96,694.00	(1) -
39400	Tools, Shop, & Garage	1,738,369.71	6.25%	108,648.11	6.25%	108,648.11	(1) -
39700	Communication Equipment	332,721.76	6.67%	22,181.45	6.67%	22,181.45	(1) -
39800	Miscellaneous Equipment	3,668,753.31	5.00%	183,437.67	5.00%	183,437.67	(1) -
39903	Network Hardware	82,165.27	10.00%	8,216.53	10.00%	8,216.53	(1) -
39906	PC Hardware	1,021,622.05	20.00%	204,324.41	20.00%	204,324.41	(1) -
39907	PC Software	13,751.77	14.29%	1,964.54	14.29%	1,964.54	(1) -
39908	Application Software	123,514.83	6.67%	8,234.32	6.67%	8,234.32	(1) -
	<b>Total General Amortized</b>	<b>8,431,308.75</b>	<b>7.52%</b>	<b>633,701.02</b>	<b>7.52%</b>	<b>633,701.02</b>	<b>-</b>
	<b>Total General Depreciated &amp; Amortized</b>	<b>13,356,330.08</b>	<b>7.75%</b>	<b>1,035,343.13</b>	<b>8.11%</b>	<b>1,083,273.24</b>	<b>47,930.11</b>
	<b>TOTAL PLANT IN STUDY</b>	<b>\$ 421,880,846.65</b>	<b>3.79%</b>	<b>\$ 15,973,778.09</b>	<b>3.36%</b>	<b>\$ 14,182,089.17</b>	<b>\$ (1,791,688.92)</b>
	<b>Annual Amortization for Deficit</b>			<b>409,938.57</b>		<b>561,201.60</b>	<b>151,263.03</b>
	<b>TOTAL DEPRECIATION STUDY</b>			<b>\$ 16,383,716.65</b>		<b>\$ 14,743,290.77</b>	<b>\$ (1,640,425.88)</b>

(1) General Plant - Amortization rate and amount does not include deficit/surplus amount.

**APPENDIX B**  
**Calculation of Equal Life Group**

**ATMOS ENERGY - KENTUCKY PROPERTIES  
COMPUTATION OF DEPRECIATION ACCRUAL RATE  
AT SEPTEMBER 30, 2014**

Using Equal Life Group		Plant In Service	Allocated	Net	Net Salvage	Unaccrued	Remaining	Annual	Annual
Account	Description	09/30/2014	Book Depreciation	Salvage %	Amount	Balance	Life	Accrual	Accrual
			09/30/2014					Amount	Rate
<b>STORAGE PLANT</b>									
35020	Rights-Of-Way	\$ 4,681.58	\$ 4,489.58	0%	\$ -	\$ 192.00	16.30	\$ 11.78	0.25%
35100	Structures And Improvements	17,916.19	4,801.21	-5%	(895.81)	14,010.79	46.76	299.64	1.67%
35102	Compressor Station Equipment	153,261.30	106,869.72	-5%	(7,663.07)	54,054.65	27.99	1,931.44	1.26%
35103	Measuring And Reg. Station	23,138.38	19,902.19	-5%	(1,156.92)	4,393.11	20.66	212.60	0.92%
35104	Other Structures	137,442.53	93,318.67	-5%	(6,872.13)	50,995.99	28.54	1,787.00	1.30%
35200	Wells	5,870,417.93	692,694.72	-30%	(1,761,125.38)	6,938,848.59	61.30	113,193.46	1.93%
35201	Well Construction	1,699,998.54	1,323,427.96	-30%	(509,999.56)	886,570.14	34.44	25,740.01	1.51%
35202	Well Equipment	424,750.24	468,302.73	-30%	(127,425.07)	83,872.58	21.30	3,937.04	0.93%
35203	Cushion Gas	1,694,832.96	613,056.50	0%	0.00	1,081,776.46	35.50	30,472.58	1.80%
35210	Storage Leaseholds An	178,530.09	168,277.06	0%	0.00	10,253.03	16.26	630.45	0.35%
35211	Storage Rights	54,614.27	42,652.15	0%	0.00	11,962.12	24.90	480.44	0.88%
35300	Storage Field Lines	387,955.11	335,918.65	-5%	(19,997.76)	71,434.22	22.85	3,126.48	0.81%
35400	Compressor Station Equipment	923,446.05	428,968.84	-5%	(46,172.30)	540,649.51	32.46	16,654.90	1.80%
35500	Measuring And Regulating	240,883.03	200,648.71	0%	0.00	40,234.32	32.89	1,223.21	0.51%
35600	Purification Equipment	414,663.45	152,275.44	-4%	(16,586.54)	278,974.55	32.89	8,481.41	2.05%
	<b>Total Storage</b>	<b>12,226,531.85</b>	<b>4,655,604.12</b>		<b>(2,497,294.53)</b>	<b>10,068,222.06</b>		<b>208,182.42</b>	<b>1.70%</b>
<b>TRANSMISSION PLANT</b>									
36520	Rights-Of-Way	867,772.00	369,967.75	0%	0.00	497,804.25	43.19	11,525.96	1.33%
36500	Meas. & Reg. Sta. Structures	109,828.01	60,885.35	-6%	(6,589.68)	55,532.34	28.34	1,959.63	1.78%
36700	Mains - Cathodic Protection	185,508.80	105,285.07	0%	0.00	80,223.73	8.65	9,275.44	5.00%
36701	Mains - Steel	27,845,816.38	17,001,621.84	-20%	(5,569,163.27)	16,413,357.79	31.14	527,060.11	1.89%
36900	Measuring And Reg. Station	2,888,542.89	1,839,130.44	-19%	(548,823.15)	1,598,235.60	25.86	61,796.86	2.14%
	<b>Total Transmission</b>	<b>31,897,468.06</b>	<b>19,376,890.46</b>		<b>(6,124,576.10)</b>	<b>18,645,153.70</b>		<b>611,818.00</b>	<b>1.92%</b>
<b>DISTRIBUTION PLANT</b>									
37402	Land Rights	333,416.21	63,226.00	0%	0.00	270,190.21	55.68	4,852.29	1.46%
37500	Structures & Improvements	486,581.76	192,453.88	-10%	(48,658.18)	342,766.05	34.17	10,031.68	2.06%
37600	Mains - Cathodic Protection	20,715,876.26	10,316,480.37	0%	0.00	10,399,395.89	10.04	1,035,793.81	5.00%
37601-02	Mains - Steel & Plastic	144,594,423.21	37,389,112.41	-5%	(7,229,721.16)	114,435,031.96	37.78	3,029,139.94	2.09%
37800	Meas. And Reg. Sta. Equipment	5,234,987.30	1,775,607.95	-19%	(994,647.59)	4,454,026.93	29.44	151,266.42	2.89%
37900	Measuring & Regulating Station Equipment	4,113,777.77	1,537,683.42	-19%	(781,817.78)	3,357,712.12	28.49	117,853.41	2.86%
38000	Services	102,590,800.63	39,951,886.46	-20%	(20,518,160.13)	83,157,074.29	23.36	3,559,713.32	3.47%
38100	Meters	22,987,935.79	15,270,627.19	-50%	(11,493,967.90)	19,211,276.50	10.07	1,907,793.64	8.30%
38200	Meter Installations	50,095,568.21	21,893,772.49	-50%	(25,047,784.11)	53,249,579.83	25.72	2,070,337.29	4.13%
38300	House Regulators	7,896,127.45	3,294,552.98	0%	0.00	4,601,574.47	18.55	247,996.53	3.14%
38400	House Regulator Installations	154,276.36	77,530.14	0%	0.00	76,746.22	21.16	3,627.39	2.35%
38500	Industrial Measuring	5,196,745.91	2,512,458.15	-12%	(623,809.51)	3,307,897.27	23.53	140,609.78	2.71%
	<b>Total Distribution</b>	<b>364,400,516.86</b>	<b>134,275,391.45</b>		<b>(66,738,166.34)</b>	<b>296,863,291.75</b>		<b>12,279,015.51</b>	<b>3.37%</b>
<b>GENERAL PLANT DEPRECIATED</b>									
39000	Structures & Improvements	3,044,825.53	334,947.65	-10%	(304,482.55)	3,014,360.43	26.32	114,516.43	3.76%
39009	Improvements - Leased	1,279,375.74	555,484.86	0%	0.00	723,890.88	3.02	239,309.46	18.71%
39200	Transportation Equipment	417,941.26	84,941.51	10%	41,794.13	291,205.63	4.60	63,292.42	15.14%
39202	Wkg Trailers	33,191.91	10,959.23	14%	4,646.87	17,585.81	5.32	3,302.66	9.95%
39800	Power Operated Equipment	149,886.89	57,612.55	8%	11,974.95	80,099.39	2.75	29,151.24	19.47%
	<b>Total General Depreciated</b>	<b>4,925,021.33</b>	<b>1,043,945.80</b>		<b>(246,066.61)</b>	<b>4,127,142.13</b>		<b>449,572.22</b>	<b>9.13%</b>
	<b>Total Study Depreciated</b>	<b>413,449,537.90</b>	<b>159,351,831.83</b>		<b>(75,606,103.57)</b>	<b>329,703,809.64</b>		<b>13,548,388.15</b>	<b>3.28%</b>

## Appendix B

**ATMOS ENERGY - KENTUCKY PROPERTIES  
COMPUTATION OF DEPRECIATION ACCRUAL RATE  
AT SEPTEMBER 30, 2014**

<b>GENERAL PLANT - AMORTIZED</b>		<b>Plant</b>	<b>Reserve</b>	<b>Theoretical</b>	<b>Reserve</b>	<b>Reserve Recovery</b>	<b>Amortize</b>
<b>Account</b>	<b>Description</b>	<b>Balance</b>	<b>09/30/2014</b>	<b>Reserve</b>	<b>(Deficit)/Surplus</b>	<b>Period (Yrs)</b>	<b>Reserve</b>
		<b>09/30/2014</b>	<b>09/30/2014</b>	<b>09/30/2014</b>			<b>Deficit/Surplus</b>
39100	Office Furniture and Equipment - All	1,450,410.05	349,735.04	711,116.96	(361,381.92)	3.00	120,460.64
39400	Tools, Shop, and Garage Equipment	1,738,369.71	296,595.98	603,069.19	(306,473.21)	3.00	102,157.74
39700	Communication Equipment	332,721.76	72,563.02	147,542.52	(74,979.51)	3.00	24,993.17
39800	Miscellaneous Equipment	3,668,753.31	644,544.79	1,310,554.20	(666,009.41)	3.00	222,003.14
39903	Network Hardware	82,165.27	2,020.49	4,108.26	(2,087.77)	3.00	695.92
39906	PC Hardware	1,021,622.05	231,106.22	469,908.74	(238,802.52)	3.00	79,600.84
39907	PC Software	13,751.77	5,314.00	10,804.96	(5,490.96)	3.00	1,830.32
39908	Application Software	123,514.83	27,464.85	55,844.34	(28,379.49)	3.00	9,459.83
	<b>Total General Amortized</b>	<b>8,431,308.75</b>	<b>1,629,344.39</b>	<b>3,312,949.19</b>	<b>(1,683,604.80)</b>		<b>561,201.60</b>

## After Retirements of Assets With Age &gt; Average Service Life

<b>Account</b>	<b>Description</b>	<b>Plant</b>	<b>Reserve</b>	<b>Annual</b>	<b>Accrual</b>	<b>Total</b>	<b>Annual</b>
		<b>Balance</b>	<b>09/30/2014</b>	<b>Amortization (2)</b>	<b>For Reserve</b>	<b>Amortization</b>	<b>Amortization</b>
		<b>09/30/2014</b>	<b>09/30/2014</b>		<b>Deficit/Surplus</b>		<b>%</b>
3910C	Office Furniture and Equipment - All	1,450,410.05	349,735.04	96,694.00			6.67%
3910C	Office Furniture and Equipment - All				120,460.64		(3)
3910C	Total					217,154.64	
39400	Tools, Shop, and Garage Equipment	1,738,369.71	296,595.98	108,648.11			6.25%
39400	Tools, Shop, and Garage Equipment				102,157.74		(3)
39400	Total					210,805.84	
39700	Communication Equipment	332,721.76	72,563.02	22,181.45			6.67%
39700	Communication Equipment				24,993.17		(3)
39700	Total					47,174.62	
39800	Miscellaneous Equipment	3,668,753.31	644,544.79	183,437.67			5.00%
39800	Miscellaneous Equipment				222,003.14		(3)
39800	Total					405,440.80	
39903	Network Hardware	82,165.27	2,020.49	8,216.53			10.00%
39903	Network Hardware				695.92		(3)
39903	Total					8,912.45	
39906	PC Hardware	1,021,622.05	231,106.22	204,324.41			20.00%
39906	PC Hardware				79,600.84		(3)
39906	Total					283,925.25	
39907	PC Software	13,751.77	5,314.00	1,964.54			14.29%
39907	PC Software				1,830.32		(3)
39907	Total					3,794.86	
39908	Application Software	123,514.83	27,464.85	8,234.32			6.67%
39908	Application Software				9,459.83		(3)
39908	Total					17,694.15	
	<b>Total General Amortized After Ret</b>	<b>8,431,308.75</b>	<b>1,629,344.39</b>	<b>633,701.02</b>	<b>561,201.60</b>	<b>1,194,902.62</b>	
	<b>Total Study Depreciated and Amortized</b>	<b>\$ 421,880,846.65</b>	<b>\$ 160,981,176.22</b>	<b>\$ 14,182,089.17</b>	<b>\$ 561,201.60</b>	<b>\$ 14,743,290.77</b>	

**APPENDIX C**  
**Mortality Characteristics**

Appendix C

**Atmos Energy Corporation  
Kentucky Properties  
Existing and Proposed Parameters  
Depreciation Study as of September 30, 2014**

Account	Description	EXISTING PARAMETERS				PROPOSED PARAMETERS			
		Iowa ASL Curve	Gross Salvage	Cost of Removal	Net Salvage	Iowa ASL Curve	Gross Salvage	Cost of Removal	Net Salvage
<b><u>STORAGE PLANT</u></b>									
35020	Rights-Of-Way	50 R5	0%	0%	0%	70 R5	0%	0%	0%
35100	Structures & Improvements	60 R5	0%	5%	-5%	60 R5	0%	5%	-5%
35102	Compressor Station Equipment	60 R5	0%	5%	-5%	60 R5	0%	5%	-5%
35103	M&R Station Equipment	60 R5	0%	5%	-5%	60 R5	0%	5%	-5%
35104	Other Structures	60 R5	0%	5%	-5%	60 R5	0%	5%	-5%
35200	Wells	67 S5	0%	30%	-30%	67 S5	0%	30%	-30%
35201	Well Construction	67 S5	0%	30%	-30%	67 S5	0%	30%	-30%
35202	Well Equipment	67 S5	0%	30%	-30%	67 S5	0%	30%	-30%
35203	Cushion Gas	50 SQ	0%	0%	0%	50 SQ	0%	0%	0%
35210	Storage Leaseholds	67 S5	0%	0%	0%	67 S5	0%	0%	0%
35211	Storage Rights	67 S5	0%	0%	0%	67 S5	0%	0%	0%
35301	Storage Field Lines	50 S1	0%	5%	-5%	60 S1	0%	5%	-5%
35302	Storage Tributary Lines	50 S1	0%	5%	-5%	60 S1	0%	5%	-5%
35400	Compressor Station Equipment	51 R3	0%	0%	0%	54 R3	0%	0%	0%
35500	M&R Equipment	45 R5	0%	4%	-4%	46 R5	0%	4%	-4%
35600	Purification Equipment	46 R5	0%	3%	-3%	46 R5	0%	3%	-3%
<b><u>TRANSMISSION PLANT</u></b>									
36520	Rights-Of-Way	55 R5	0%	0%	0%	70 R5	0%	0%	0%
36602	M&R Station Structures	53 R4	0%	6%	-6%	53 R4	0%	6%	-6%
36603	Other Structures	53 R4	0%	6%	-6%	53 R4	0%	6%	-6%
36700	Mains - Cathodic Protection	20 SQ	0%	0%	0%	20 SQ	0%	0%	0%
36701	Mains - Steel	57 R4	0%	30%	-30%	57 R4	0%	20%	-20%
36900	M&R Station Equipment	49 R2	0%	9%	-9%	49 R1.5	0%	19%	-19%
36901	M&R Station Equipment	49 R2	0%	9%	-9%	49 R1.5	0%	19%	-19%

## Appendix C

**Atmos Energy Corporation**  
**Kentucky Properties**  
**Existing and Proposed Parameters**  
**Depreciation Study as of September 30, 2014**

Account	Description	EXISTING PARAMETERS				PROPOSED PARAMETERS			
		Iowa ASL Curve	Gross Salvage	Cost of Removal	Net Salvage	Iowa ASL Curve	Gross Salvage	Cost of Removal	Net Salvage
<b><u>DISTRIBUTION PLANT</u></b>									
37402	Land Rights	60 R5	0%	0%	0%	70 R5	0%	0%	0%
37500	Structures & Improvements	57 R2.5	0%	10%	-10%	57 R2.5	0%	10%	-10%
37501	Structures & Improvements	57 R2.5	0%	10%	-10%	57 R2.5	0%	10%	-10%
37502	Land Rights	57 R2.5	0%	10%	-10%	57 R2.5	0%	10%	-10%
37503	Improvements	57 R2.5	0%	10%	-10%	57 R2.5	0%	10%	-10%
37600	Mains - Cathodic Protection	20 SQ	0%	0%	0%	20 SQ	0%	0%	0%
37601	Mains - Steel	55 R3	0%	20%	-20%	55 R3	0%	5%	-5%
37602	Mains - Plastic	55 R3	0%	20%	-20%	55 R3	0%	5%	-5%
37800	M&R Station Equipment	49 R2	0%	25%	-25%	49 R1.5	0%	19%	-19%
37900	M&R Station Equipment	49 R2	0%	13%	-13%	49 R1.5	0%	19%	-19%
37905	M&R Station Equipment - City	49 R2	0%	13%	-13%	49 R1.5	0%	19%	-19%
38000	Services	40 R1.5	0%	55%	-55%	40 R1.5	0%	20%	-20%
38100	Meters	20 R0.5	0%	50%	-50%	20 R0.5	0%	50%	-50%
38200	Meter Installations	42 R1.5	0%	50%	-50%	42 R1.5	0%	50%	-50%
38300	House Regulators	31 S6	0%	0%	0%	31 S6	0%	0%	0%
38400	House Regulator Installations	42 R1.5	0%	0%	0%	42 R1.5	0%	0%	0%
38500	Industrial M&R	42 L5	0%	25%	-25%	42 L5	0%	12%	-12%
<b><u>GENERAL PLANT - DEPRECIATED</u></b>									
39000	Structures & Improvements	40 R2	0%	10%	-10%	40 R2	0%	10%	-10%
39002	Structures - Brick	40 R2	0%	10%	-10%	40 R2	0%	10%	-10%
39003	Improvements	40 R2	0%	10%	-10%	40 R2	0%	10%	-10%
39004	Air Conditioning Equipment	40 R2	0%	10%	-10%	40 R2	0%	10%	-10%
39009	Improvements - Leased	20 R3	0%	0%	0%	20 R3	0%	0%	0%
39200	Transportation Equipment	8 L5	10%	0%	10%	8 L5	10%	0%	10%
39202	Wkg Trailers	15 L5	14%	0%	14%	20 L3	14%	0%	14%
39603	Ditchers	14 S4	8%	0%	8%	14 S4	8%	0%	8%
39604	Backhoes	14 S4	8%	0%	8%	14 S4	8%	0%	8%
39605	Welders	14 S4	8%	0%	8%	14 S4	8%	0%	8%

Appendix C

Atmos Energy Corporation  
Kentucky Properties  
Existing and Proposed Parameters  
Depreciation Study as of September 30, 2014

Account	Description	EXISTING PARAMETERS				PROPOSED PARAMETERS			
		Iowa ASL Curve	Gross Salvage	Cost of Removal	Net Salvage	Iowa ASL Curve	Gross Salvage	Cost of Removal	Net Salvage
<b>GENERAL PLANT - AMORTIZED</b>									
39100	Office Furniture & Equipment	15 SQ	0%	0%	0%	15 SQ	0%	0%	0%
39400	Tools, Shop, & Garage	16 SQ	0%	0%	0%	16 SQ	0%	0%	0%
39700	Communication Equipment	15 SQ	0%	0%	0%	15 SQ	0%	0%	0%
39800	Miscellaneous Equipment	20 SQ	0%	0%	0%	20 SQ	0%	0%	0%
39903	Network Hardware	10 SQ	0%	0%	0%	10 SQ	0%	0%	0%
39906	PC Hardware	5 SQ	0%	0%	0%	5 SQ	0%	0%	0%
39907	PC Software	7 SQ	0%	0%	0%	7 SQ	0%	0%	0%
39908	Application Software	15 SQ	0%	0%	0%	15 SQ	0%	0%	0%

**APPENDIX D**  
**Net Salvage**







ATMOS ENERGY - KENTUCKY DIVISION  
 Depreciation Study as of September 30, 2014  
 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
35301	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2011	3.50	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
35301	2012	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
35301	2013	0.00	0.00	15,227.00	(15,227.00)	NA	NA	-422972.22%	-422972.22%	-422972.22%	-422972.22%	-422972.22%	-422972.22%	-422972.22%	-422972.22%
35301	2014	0.00	0.00	0.00	0.00	NA	NA	NA	-422972.22%	-422972.22%	-422972.22%	-422972.22%	-422972.22%	-422972.22%	-422972.22%
35400	1996	0.00	0.00	0.00	0.00	NA									
35400	1997	0.00	0.00	0.00	0.00	NA	NA								
35400	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
35400	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
35400	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
35400	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
35400	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
35400	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
35400	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35400	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35400	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35400	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35400	2008	29,359.45	0.00	6,316.66	(6,316.66)	-21.51%	-21.51%	-21.51%	-21.51%	-21.51%	-21.51%	-21.51%	-21.51%	-21.51%	-21.51%
35400	2009	18,288.00	16,500.00	3,263.56	13,236.44	72.38%	72.38%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%
35400	2010	0.00	0.00	0.00	0.00	NA	72.38%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%
35400	2011	0.00	0.00	0.00	0.00	NA	NA	72.38%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%	14.52%
35400	2012	98,736.80	0.00	6,771.68	(6,771.68)	-6.86%	-6.86%	-6.86%	5.52%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
35400	2013	0.00	0.00	0.00	0.00	NA	-6.86%	-6.86%	-6.86%	5.52%	0.10%	0.10%	0.10%	0.10%	0.10%
35400	2014	0.00	0.00	0.00	0.00	NA	NA	-6.86%	-6.86%	-6.86%	5.52%	0.10%	0.10%	0.10%	0.10%
35500	1996	0.00	0.00	0.00	0.00	NA									
35500	1997	0.00	0.00	0.00	0.00	NA	NA								
35500	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
35500	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
35500	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
35500	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
35500	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
35500	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
35500	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35500	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35500	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35500	2007	46,368.72	0.00	1,951.61	(1,951.61)	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2008	0.00	0.00	0.00	0.00	NA	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2009	0.00	0.00	0.00	0.00	NA	NA	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2010	0.00	0.00	0.00	0.00	NA	NA	NA	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2011	1,598.80	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	-4.07%	-4.07%	-4.07%	-4.07%	-4.07%	-4.07%
35500	2012	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	-4.07%	-4.07%	-4.07%	-4.07%	-4.07%
35500	2013	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	-4.07%	-4.07%	-4.07%	-4.07%	-4.07%
35500	2014	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	-4.07%	-4.07%	-4.07%
35600	1996	0.00	0.00	0.00	0.00	NA									
35600	1997	0.00	0.00	0.00	0.00	NA	NA								
35600	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
35600	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						

ATMOS ENERGY - KENTUCKY DIVISION  
 Depreciation Study as of September 30, 2014  
 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
35600	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2007	78,270.05	0.00	2,205.12	(2,205.12)	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2008	0.00	0.00	0.00	0.00	NA	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2009	0.00	0.00	0.00	0.00	NA	NA	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2010	0.00	0.00	0.00	0.00	NA	NA	NA	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2011	869.16	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	-2.79%	-2.79%	-2.79%	-2.79%	-2.79%	-2.79%
35600	2012	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	-2.79%	-2.79%	-2.79%	-2.79%	-2.79%
35600	2013	10,502.64	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-2.46%	-2.46%	-2.46%	-2.46%
35600	2014	0.00	0.00	886.37	(886.37)	NA	-8.44%	-8.44%	-7.79%	-7.79%	-7.79%	-7.79%	-3.45%	-3.45%	-3.45%
36602	1996	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	1997	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	1998	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2007	0.00	0.00	19.54	(19.54)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2008	16,176.74	0.00	0.00	0.00	0.00%	-0.12%	-0.12%	-0.12%	-0.12%	-0.12%	-0.12%	-0.12%	-0.12%	-0.12%
36602	2009	508.68	14,000.00	0.00	14,000.00	2752.22%	83.91%	83.79%	83.79%	83.79%	83.79%	83.79%	83.79%	83.79%	83.79%
36602	2010	0.00	0.00	14,567.15	(14,567.15)	NA	-111.49%	-3.40%	-3.52%	-3.52%	-3.52%	-3.52%	-3.52%	-3.52%	-3.52%
36602	2011	2,018.91	0.00	0.00	0.00	0.00%	-721.54%	-22.44%	-3.03%	-3.14%	-3.14%	-3.14%	-3.14%	-3.14%	-3.14%
36602	2012	0.00	0.00	0.00	0.00	NA	0.00%	-721.54%	-22.44%	-3.03%	-3.14%	-3.14%	-3.14%	-3.14%	-3.14%
36602	2013	0.00	0.00	0.00	0.00	NA	NA	0.00%	-721.54%	-22.44%	-3.03%	-3.14%	-3.14%	-3.14%	-3.14%
36602	2014	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	-721.54%	-22.44%	-3.03%	-3.14%	-3.14%	-3.14%
36603	1996	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	1997	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	1998	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2008	3,199.70	0.00	842.33	(842.33)	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%
36603	2009	0.00	0.00	0.00	0.00	NA	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%
36603	2010	0.00	0.00	0.00	0.00	NA	NA	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%
36603	2011	114.07	0.00	0.00	0.00	0.00%	0.00%	0.00%	-25.42%	-25.42%	-25.42%	-25.42%	-25.42%	-25.42%	-25.42%
36603	2012	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	-25.42%	-25.42%	-25.42%	-25.42%	-25.42%	-25.42%
36603	2013	0.00	0.00	69.57	(69.57)	NA	NA	-60.99%	-60.99%	-60.99%	-27.52%	-27.52%	-27.52%	-27.52%	-27.52%
36603	2014	0.00	0.00	0.00	0.00	NA	NA	NA	-60.99%	-60.99%	-60.99%	-27.52%	-27.52%	-27.52%	-27.52%

ATMOS ENERGY - KENTUCKY DIVISION  
 Depreciation Study as of September 30, 2014  
 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
366 Combine	1996	0.00	0.00	0.00	0.00	NA									
366 Combine	1997	0.00	0.00	0.00	0.00	NA	NA								
366 Combine	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
366 Combine	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
366 Combine	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
366 Combine	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
366 Combine	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
366 Combine	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
366 Combine	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
366 Combine	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
366 Combine	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
366 Combine	2007	0.00	0.00	19.54	(19.54)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
366 Combine	2008	19,376.44	0.00	842.33	(842.33)	-4.35%	-4.45%	-4.45%	-4.45%	-4.45%	-4.45%	-4.45%	-4.45%	-4.45%	-4.45%
366 Combine	2009	508.68	14,000.00	0.00	14,000.00	2752.22%	66.17%	66.07%	66.07%	66.07%	66.07%	66.07%	66.07%	66.07%	66.07%
366 Combine	2010	0.00	0.00	14,567.15	(14,567.15)	NA	-111.49%	-7.08%	-7.19%	-7.19%	-7.19%	-7.19%	-7.19%	-7.19%	-7.19%
366 Combine	2011	2,132.98	0.00	0.00	0.00	0.00%	-682.95%	-21.47%	-6.40%	-6.49%	-6.49%	-6.49%	-6.49%	-6.49%	-6.49%
366 Combine	2012	0.00	0.00	0.00	0.00	NA	0.00%	-682.95%	-21.47%	-6.40%	-6.49%	-6.49%	-6.49%	-6.49%	-6.49%
366 Combine	2013	0.00	0.00	69.57	(69.57)	NA	NA	-3.26%	-686.21%	-24.10%	-6.72%	-6.81%	-6.81%	-6.81%	-6.81%
366 Combine	2014	0.00	0.00	0.00	0.00	NA	NA	NA	-3.25%	-686.21%	-24.10%	-6.72%	-6.81%	-6.81%	-6.81%
36700	1996	8,002.00	0.00	12.00	(12.00)	-0.15%									
36700	1997	0.00	0.00	333.00	(333.00)	NA	-4.31%								
36700	1998	2,611.00	0.00	0.00	0.00	0.00%	-12.75%	-3.25%							
36700	1999	883.00	0.00	0.00	0.00	0.00%	0.00%	-9.53%	-3.00%						
36700	2000	7,957.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	-2.91%	-1.77%					
36700	2001	6,910.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	-1.81%	-1.31%				
36700	2002	2,750.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	-1.58%	-1.19%			
36700	2003	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	0.00%	-1.58%	-1.19%		
36700	2004	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	-1.58%	-1.19%	
36700	2005	22,519.00	0.00	28,499.08	(28,499.08)	-126.56%	-126.56%	-126.56%	-112.78%	-88.56%	-71.01%	-69.48%	-65.32%	-66.08%	-55.86%
36700	2006	0.00	0.00	0.00	0.00	NA	-126.56%	-126.56%	-112.78%	-112.78%	-88.56%	-71.01%	-69.48%	-65.32%	-66.08%
36700	2007	11,633.55	0.00	625.29	(625.29)	-5.37%	-5.37%	-85.28%	-85.28%	-85.28%	-78.92%	-66.47%	-56.26%	-55.31%	-52.70%
36700	2008	0.00	0.00	0.00	0.00	NA	-5.37%	-5.37%	-85.28%	-85.28%	-85.28%	-78.92%	-66.47%	-56.26%	-55.31%
36700	2009	0.00	0.00	0.00	0.00	NA	NA	-5.37%	-85.28%	-85.28%	-85.28%	-78.92%	-66.47%	-56.26%	-55.31%
36700	2010	0.00	0.00	0.00	0.00	NA	NA	NA	-5.37%	-85.28%	-85.28%	-85.28%	-78.92%	-66.47%	-55.31%
36700	2011	2,632.04	0.00	313.66	(313.66)	-11.92%	-11.92%	-11.92%	-11.92%	-6.58%	-6.58%	-80.03%	-80.03%	-80.03%	-74.45%
36700	2012	0.00	0.00	0.00	0.00	NA	-11.92%	-11.92%	-11.92%	-6.58%	-6.58%	-80.03%	-80.03%	-80.03%	-80.03%
36700	2013	14,934.31	0.00	0.00	0.00	0.00%	0.00%	-1.79%	-1.79%	-1.79%	-1.79%	-3.22%	-3.22%	-56.92%	-56.92%
36700	2014	252,543.59	0.00	1,189.08	(1,189.08)	-0.47%	-0.44%	-0.44%	-0.56%	-0.56%	-0.56%	-0.56%	-0.76%	-0.76%	-10.07%
36701	1996	0.00	0.00	0.00	0.00	NA									
36701	1997	0.00	0.00	0.00	0.00	NA	NA								
36701	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
36701	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
36701	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
36701	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
36701	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
36701	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
36701	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
36701	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36701	2006	2,765.11	0.00	5,223.87	(5,223.87)	-188.92%	-188.92%	-188.92%	-188.92%	-188.92%	-188.92%	-188.92%	-188.92%	-188.92%	-188.92%
36701	2007	32,746.54	0.00	7,085.52	(7,085.52)	-21.64%	-34.66%	-34.66%	-34.66%	-34.66%	-34.66%	-34.66%	-34.66%	-34.66%	-34.66%
36701	2008	5,150.74	0.00	19,867.43	(19,867.43)	-385.72%	-71.12%	-79.13%	-79.13%	-79.13%	-79.13%	-79.13%	-79.13%	-79.13%	-79.13%
36701	2009	193,169.22	0.00	4,538.26	(4,538.26)	-2.35%	-12.30%	-13.63%	-15.70%	-15.70%	-15.70%	-15.70%	-15.70%	-15.70%	-15.70%
36701	2010	13,352.93	0.00	546.98	(546.98)	-4.10%	-2.46%	-11.79%	-13.11%	-15.07%	-15.07%	-15.07%	-15.07%	-15.07%	-15.07%
36701	2011	205,128.55	0.00	80,449.24	(80,449.24)	-39.22%	-37.07%	-20.78%	-25.29%	-25.02%	-26.02%	-26.02%	-26.02%	-26.02%	-26.02%
36701	2012	9,558.36	0.00	71,136.41	(71,136.41)	-744.23%	-70.61%	-66.71%	-37.19%	-41.40%	-39.99%	-40.89%	-40.89%	-40.89%	-40.89%





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37500	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%
37500	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%
37500	2007	0.00	0.00	41.51	(41.51)	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%	-73.88%
37500	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%
37500	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	-73.88%
37500	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37500	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37500	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37500	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37500	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	1996	0.00	0.00	0.00	0.00	NA									
37501	1997	0.00	0.00	0.00	0.00	NA	NA								
37501	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
37501	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
37501	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
37501	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
37501	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
37501	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
37501	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
37501	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2009	2,802.98	0.00	368.76	(368.76)	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%
37501	2010	0.00	0.00	0.00	0.00	NA	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%
37501	2011	0.00	0.00	0.00	0.00	NA	NA	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%
37501	2012	0.00	0.00	0.00	0.00	NA	NA	NA	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%
37501	2013	1,005.61	0.00	1,098.55	(1,098.55)	-109.24%	-109.24%	-109.24%	-109.24%	-38.53%	-38.53%	-38.53%	-38.53%	-38.53%	-38.53%
37501	2014	682.76	0.00	774.33	(774.33)	-113.41%	-110.93%	-110.93%	-110.93%	-110.93%	-49.91%	-49.91%	-49.91%	-49.91%	-49.91%
375 Combine	1996	0.00	0.00	0.00	0.00	NA									
375 Combine	1997	0.00	0.00	0.00	0.00	NA	NA								
375 Combine	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
375 Combine	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
375 Combine	2000	4,190.00	0.00	3,054.00	(3,054.00)	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%					
375 Combine	2001	0.00	0.00	0.00	0.00	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%				
375 Combine	2002	0.00	0.00	0.00	0.00	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%			
375 Combine	2003	0.00	0.00	0.00	0.00	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%		
375 Combine	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%	
375 Combine	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%
375 Combine	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%
375 Combine	2007	0.00	0.00	41.51	(41.51)	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%	-73.88%
375 Combine	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%
375 Combine	2009	2,802.98	0.00	368.76	(368.76)	-13.16%	-13.16%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%	-49.54%
375 Combine	2010	0.00	0.00	0.00	0.00	NA	-13.16%	-13.16%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%
375 Combine	2011	0.00	0.00	0.00	0.00	NA	NA	-13.16%	-13.16%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%
375 Combine	2012	0.00	0.00	0.00	0.00	NA	NA	NA	-13.16%	-13.16%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%
375 Combine	2013	1,005.61	0.00	1,098.55	(1,098.55)	-109.24%	-109.24%	-109.24%	-109.24%	-38.53%	-38.53%	-39.62%	-39.62%	-39.62%	-39.62%
375 Combine	2014	682.76	0.00	774.33	(774.33)	-113.41%	-110.93%	-110.93%	-110.93%	-110.93%	-49.91%	-49.91%	-50.83%	-50.83%	-50.83%
37600	1996	55,351.00	67,854.62	4,609.00	63,245.62	114.26%									
37600	1997	197,090.00	0.00	251,775.00	(251,775.00)	-127.75%	-74.68%								
37600	1998	121,727.00	6,321.00	2,709.00	3,612.00	2.87%	-77.84%	-49.42%							
37600	1999	143,866.00	0.00	25,600.00	(25,600.00)	-17.82%	-8.29%	-59.19%	-40.65%						
37600	2000	67,723.00	0.00	80,330.00	(80,330.00)	-118.62%	-50.11%	-30.72%	-66.76%	-49.67%					



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37601&02	1997	0.00	0.00	0.00	0.00	NA	NA								
37601&02	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
37601&02	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
37601&02	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
37601&02	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
37601&02	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
37601&02	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
37601&02	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
37601&02	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37601&02	2006	294,566.20	0.00	471,692.10	(471,692.10)	-160.13%	-160.13%	-160.13%	-160.13%	-160.13%	-160.13%	-160.13%	-160.13%	-160.13%	-160.13%
37601&02	2007	1,395,452.86	0.00	102,867.85	(102,867.85)	-7.37%	-34.00%	-34.00%	-34.00%	-34.00%	-34.00%	-34.00%	-34.00%	-34.00%	-34.00%
37601&02	2008	1,003,594.83	0.00	136,711.27	(136,711.27)	-13.62%	-9.99%	-26.41%	-26.41%	-26.41%	-26.41%	-26.41%	-26.41%	-26.41%	-26.41%
37601&02	2009	198,241.35	0.00	18,047.43	(18,047.43)	-9.10%	-12.68%	-9.92%	-25.22%	-25.22%	-25.22%	-25.22%	-25.22%	-25.22%	-25.22%
37601&02	2010	1,162,564.84	18,212.80	287,733.05	(269,520.25)	-23.18%	-21.13%	-17.94%	-14.02%	-24.64%	-24.64%	-24.64%	-24.64%	-24.64%	-24.64%
37601&02	2011	460,165.09	0.00	167,556.79	(167,556.79)	-36.41%	-26.93%	-24.99%	-20.85%	-16.46%	-25.84%	-25.84%	-25.84%	-25.84%	-25.84%
37601&02	2012	1,357,006.99	0.00	306,137.61	(306,137.61)	-22.56%	-26.07%	-24.94%	-23.95%	-21.47%	-17.95%	-25.08%	-25.08%	-25.08%	-25.08%
37601&02	2013	2,015,789.02	0.00	515,986.06	(515,986.06)	-25.60%	-24.38%	-25.82%	-25.21%	-24.59%	-22.82%	-19.98%	-25.21%	-25.21%	-25.21%
37601&02	2014	1,938,370.25	0.00	505,222.30	(505,222.30)	-26.06%	-25.63%	-24.99%	-25.90%	-25.45%	-24.99%	-23.59%	-21.22%	-25.38%	-25.38%
376 Combine	1996	55,351.00	67,854.62	4,609.00	63,245.62	114.26%									
376 Combine	1997	197,090.00	0.00	251,775.00	(251,775.00)	-127.75%	-74.68%								
376 Combine	1998	121,727.00	6,321.00	2,709.00	3,612.00	2.97%	-77.84%	-49.42%							
376 Combine	1999	143,666.00	0.00	25,600.00	(25,600.00)	-17.82%	-8.29%	-59.19%	-40.65%						
376 Combine	2000	67,723.00	0.00	80,330.00	(80,330.00)	-118.62%	-50.11%	-30.72%	-66.78%	-49.67%					
376 Combine	2001	180,309.00	0.00	100,246.00	(100,246.00)	-55.60%	-72.80%	-52.64%	-39.45%	-63.95%	-51.07%				
376 Combine	2002	112,370.00	0.00	20,416.00	(20,416.00)	-18.17%	-41.23%	-44.95%	-35.63%	-57.69%	-46.86%				
376 Combine	2003	112,104.00	0.00	42,202.00	(42,202.00)	-37.65%	-27.90%	-40.23%	-51.47%	-43.62%	-35.94%	-55.29%	-45.81%		
376 Combine	2004	63,595.00	0.00	50,731.00	(50,731.00)	-79.77%	-52.89%	-39.35%	-45.60%	-54.83%	-47.01%	-39.42%	-56.85%	-47.86%	
376 Combine	2005	305,582.00	0.00	32,095.27	(32,095.27)	-10.50%	-22.44%	-25.98%	-31.74%	-38.73%	-35.68%	-31.43%	-45.99%	-39.47%	
376 Combine	2006	254,283.35	0.00	480,039.53	(480,039.53)	-188.78%	-91.47%	-90.28%	-82.26%	-73.77%	-70.58%	-73.55%	-67.09%	-60.83%	-69.29%
376 Combine	2007	1,685,615.82	0.00	252,567.19	(252,567.19)	-14.98%	-37.77%	-34.06%	-35.31%	-35.42%	-34.66%	-36.05%	-38.06%	-37.06%	-35.47%
376 Combine	2008	1,005,487.72	0.00	137,821.70	(137,821.70)	-13.71%	-14.51%	-29.55%	-27.76%	-28.76%	-29.05%	-28.70%	-30.01%	-31.59%	-31.09%
376 Combine	2009	299,254.85	0.00	22,346.75	(22,346.75)	-7.47%	-12.28%	-13.80%	-27.52%	-26.05%	-27.00%	-27.32%	-27.05%	-28.33%	-29.83%
376 Combine	2010	1,183,296.41	18,212.80	288,042.06	(269,829.26)	-22.80%	-19.71%	-17.28%	-16.35%	-26.25%	-25.24%	-26.23%	-26.05%	-27.07%	
376 Combine	2011	478,764.03	0.00	167,621.58	(167,621.58)	-35.01%	-26.32%	-23.44%	-20.14%	-18.27%	-27.11%	-26.14%	-26.78%	-27.01%	-26.83%
376 Combine	2012	2,054,640.24	0.00	330,762.17	(330,762.17)	-16.10%	-19.67%	-20.67%	-19.69%	-18.49%	-17.61%	-23.66%	-23.30%	-23.79%	-24.00%
376 Combine	2013	2,024,335.14	0.00	522,491.56	(522,491.56)	-25.81%	-20.92%	-22.40%	-22.48%	-21.74%	-20.59%	-19.51%	-24.30%	-23.85%	-24.23%
376 Combine	2014	3,130,768.62	0.00	540,401.32	(540,401.32)	-17.26%	-20.62%	-19.33%	-20.31%	-20.64%	-20.21%	-19.57%	-18.92%	-22.48%	-22.19%
37800	1996	0.00	0.00	39.00	(39.00)	NA									
37800	1997	0.00	0.00	0.00	0.00	NA	NA								
37800	1998	375.00	0.00	23.00	(23.00)	-6.13%	-6.13%	-16.53%							
37800	1999	917.00	0.00	0.00	0.00	0.00%	-1.78%	-1.78%	-4.80%						
37800	2000	0.00	0.00	0.00	0.00	NA	0.00%	-1.78%	-1.78%	-4.80%					
37800	2001	0.00	0.00	0.00	0.00	NA	NA	0.00%	-1.78%	-1.78%	-4.80%				
37800	2002	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	-1.78%	-1.78%	-4.80%			
37800	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.00%	-1.78%	-1.78%	-4.80%		
37800	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	0.00%	-1.78%	-1.78%	-4.80%	
37800	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	0.00%	-1.78%	-1.78%	-4.80%	
37800	2006	12,626.52	0.00	7,595.24	(7,595.24)	-60.15%	-60.15%	-60.15%	-60.15%	-60.15%	-60.15%	-60.15%	-60.15%	-60.15%	-60.15%
37800	2007	24,754.08	0.00	53,949.01	(53,949.01)	-217.94%	-164.64%	-164.64%	-164.64%	-164.64%	-164.64%	-164.64%	-164.64%	-160.70%	-159.20%
37800	2008	42,840.62	0.00	8,927.04	(8,927.04)	-20.84%	-93.02%	-87.85%	-87.85%	-87.85%	-87.85%	-87.85%	-87.85%	-87.85%	-86.85%
37800	2009	77,929.56	0.00	12,615.95	(12,615.95)	-16.19%	-17.84%	-51.88%	-52.54%	-52.54%	-52.54%	-52.54%	-52.54%	-52.54%	-52.54%
37800	2010	40,104.33	(5,555.50)	(51,950.73)	46,395.23	115.69%	28.62%	15.45%	-15.67%	-18.51%	-18.51%	-18.51%	-18.51%	-18.51%	-18.51%
37800	2011	6,999.33	0.00	16,667.76	(16,667.76)	-238.13%	63.11%	13.69%	4.88%	-23.76%	-26.00%	-26.00%	-26.00%	-26.00%	-26.00%
37800	2012	18,827.60	0.00	2,730.58	(2,730.58)	-14.50%	-75.11%	40.96%	10.00%	2.92%	-22.93%	-25.03%	-25.03%	-25.03%	-25.03%
37800	2013	8,476.32	0.00	12,585.69	(12,585.69)	-148.46%	-56.10%	-93.24%	19.37%	1.18%	-3.65%	-27.77%	-29.53%	-29.53%	-29.53%

**ATMOS ENERGY - KENTUCKY DIVISION**  
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**NET SALVAGE HISTORY**

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
37800	2014	57,926.47	0.00	4,840.61	(4,840.61)	-8.36%	-26.24%	-23.65%	-39.93%	7.23%	-1.45%	-4.73%	-23.72%	-25.31%	-25.31%
37900	1996	0.00	0.00	0.00	0.00	NA									
37900	1997	0.00	0.00	0.00	0.00	NA	NA								
37900	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
37900	1999	1,547.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%						
37900	2000	12,823.00	0.00	2,112.00	(2,112.00)	-16.47%	-14.70%	-14.70%	-14.70%	-14.70%					
37900	2001	0.00	0.00	0.00	0.00	NA	-16.47%	-14.70%	-14.70%	-14.70%	-14.70%				
37900	2002	0.00	0.00	0.00	0.00	NA	NA	-14.70%	-14.70%	-14.70%		-14.70%			
37900	2003	0.00	0.00	0.00	0.00	NA	NA	NA	-16.47%	-14.70%	-14.70%	-14.70%	-14.70%		
37900	2004	302.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%	-14.39%
37900	2005	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%
37900	2006	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%
37900	2007	0.00	0.00	502.42	(502.42)	NA	NA	NA	-166.36%	-166.36%	-166.36%	-166.36%	-19.92%	-17.82%	-17.82%
37900	2008	737.89	0.00	867.44	(867.44)	-117.56%	-185.65%	-185.65%	-185.65%	-131.73%	-131.73%	-131.73%	-131.73%	-25.12%	-22.59%
37900	2009	17,655.19	0.00	9.46	(9.46)	-0.05%	-4.77%	-7.50%	-7.50%	-7.50%	-7.38%	-7.38%	-7.38%	-7.38%	-11.08%
37900	2010	12,988.61	0.00	144.68	(144.68)	-1.11%	-0.50%	-3.26%	-4.86%	-4.86%	-4.86%	-4.81%	-4.81%	-4.81%	-4.81%
37900	2011	58,535.80	0.00	682.55	(682.55)	-1.17%	-1.16%	-0.94%	-1.90%	-2.45%	-2.45%	-2.45%	-2.45%	-2.45%	-2.45%
37900	2012	0.00	0.00	7.46	(7.46)	NA	NA	-1.15%	-0.93%	-1.89%	-2.45%	-2.45%	-2.45%	-2.44%	-2.44%
37900	2013	0.00	0.00	11,474.75	(11,474.75)	NA	NA	-20.76%	-17.19%	-13.80%	-14.65%	-15.21%	-15.21%	-15.21%	-15.16%
37900	2014	9,769.19	0.00	1,891.08	(1,891.08)	-19.35%	-136.82%	-136.74%	-20.56%	-17.45%	-14.35%	-15.11%	-15.61%	-15.61%	-15.61%
37905	1996	0.00	0.00	0.00	0.00	NA									
37905	1997	0.00	0.00	0.00	0.00	NA	NA								
37905	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
37905	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
37905	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
37905	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
37905	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
37905	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
37905	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
37905	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37905	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37905	2007	0.00	0.00	1,427.19	(1,427.19)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37905	2008	24,696.22	0.00	945.85	(945.85)	-3.83%	-9.61%	-9.61%	-9.61%	-9.61%	-9.61%	-9.61%	-9.61%	-9.61%	-9.61%
37905	2009	123,047.90	0.00	6,102.71	(6,102.71)	-4.96%	-4.77%	-5.74%	-5.74%	-5.74%	-5.74%	-5.74%	-5.74%	-5.74%	-5.74%
37905	2010	5,467.88	0.00	7,060.85	(7,060.85)	-129.13%	-10.24%	-9.21%	-10.14%	-10.14%	-10.14%	-10.14%	-10.14%	-10.14%	-10.14%
37905	2011	24,565.78	0.00	16,849.25	(16,849.25)	-68.59%	-79.61%	-19.61%	-17.41%	-18.22%	-18.22%	-18.22%	-18.22%	-18.22%	-18.22%
37905	2012	9,710.15	0.00	2,478.88	(2,478.88)	-25.53%	-56.39%	-66.40%	-19.96%	-17.83%	-18.60%	-18.60%	-18.60%	-18.60%	-18.60%
37905	2013	10,272.40	0.00	18,042.42	(18,042.42)	-175.64%	-102.70%	-83.89%	-88.83%	-29.20%	-26.03%	-26.75%	-26.75%	-26.75%	-26.75%
37905	2014	9,156.09	0.00	1,267.64	(1,267.64)	-14.06%	-99.48%	-74.84%	-71.98%	-77.26%	-26.44%	-25.50%	-26.19%	-26.19%	-26.19%
379 Combine	1996	0.00	0.00	0.00	0.00	NA									
379 Combine	1997	0.00	0.00	0.00	0.00	NA	NA								
379 Combine	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
379 Combine	1999	1,547.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%						
379 Combine	2000	12,823.00	0.00	2,112.00	(2,112.00)	-16.47%	-14.70%	-14.70%	-14.70%	-14.70%					
379 Combine	2001	0.00	0.00	0.00	0.00	NA	-16.47%	-14.70%	-14.70%	-14.70%	-14.70%				
379 Combine	2002	0.00	0.00	0.00	0.00	NA	NA	-14.70%	-14.70%	-14.70%		-14.70%			
379 Combine	2003	0.00	0.00	0.00	0.00	NA	NA	NA	-16.47%	-14.70%	-14.70%	-14.70%	-14.70%		
379 Combine	2004	302.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%	-14.39%
379 Combine	2005	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%
379 Combine	2006	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%
379 Combine	2007	0.00	0.00	1,929.61	(1,929.61)	NA	NA	NA	-638.94%	-638.94%	-638.94%	-638.94%	-30.79%	-27.55%	-27.55%
379 Combine	2008	25,434.11	0.00	1,813.29	(1,813.29)	-7.13%	-14.72%	-14.72%	-14.72%	-14.54%	-14.54%	-14.54%	-14.54%	-15.18%	-14.60%
379 Combine	2009	140,703.09	0.00	6,112.17	(6,112.17)	-4.34%	-4.77%	-5.93%	-5.93%	-5.93%	-5.92%	-5.92%	-5.92%	-5.92%	-6.68%

ATMOS ENERGY - KENTUCKY DIVISION  
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 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
379 Combine	2010	18,456.49	0.00	7,205.53	(7,205.53)	-39.04%	-8.37%	-8.20%	-9.24%	-9.24%	-9.24%	-9.23%	-9.23%	-9.23%	-9.23%
379 Combine	2011	83,101.58	0.00	17,531.80	(17,531.80)	-21.10%	-24.36%	-12.73%	-12.20%	-12.92%	-12.92%	-12.92%	-12.91%	-12.91%	-12.91%
379 Combine	2012	9,710.15	0.00	2,471.42	(2,471.42)	-25.45%	-21.55%	-24.45%	-13.22%	-12.67%	-13.36%	-13.36%	-13.36%	-13.35%	-13.35%
379 Combine	2013	10,272.40	0.00	29,517.17	(29,517.17)	-287.34%	-160.08%	-48.04%	-46.67%	-23.96%	-22.47%	-23.14%	-23.14%	-23.14%	-23.12%
379 Combine	2014	18,927.28	0.00	3,178.72	(3,178.72)	-16.79%	-111.97%	-90.38%	-43.19%	-42.65%	-23.48%	-22.12%	-22.75%	-22.75%	-22.75%
369378379	1996	-	-	230.00	(230.00)	NA									
369378379	1997	-	-	-	0.00	NA	NA								
369378379	1998	13,898.00	-	100.00	(100.00)	-0.72%	-0.72%	-2.37%							
369378379	1999	2,464.00	-	-	0.00	0.00%	-0.61%	-0.61%	-2.02%						
369378379	2000	12,823.00	-	2,112.00	(2,112.00)	-16.47%	-13.82%	-7.58%	-7.58%	-8.37%					
369378379	2001	2,183.00	-	-	0.00	0.00%	-14.07%	-12.09%	-7.05%	-7.05%	-7.79%				
369378379	2002	-	-	-	0.00	NA	0.00%	-14.07%	-12.09%	-7.05%	-7.05%	-7.79%			
369378379	2003	-	-	-	0.00	NA	NA	0.00%	-14.07%	-12.09%	-7.05%	-7.05%	-7.79%		
369378379	2004	302.00	-	-	0.00	0.00%	0.00%	0.00%	0.00%	-13.80%	-11.88%	-6.98%	-6.98%	-7.71%	
369378379	2005	-	-	-	0.00	NA	0.00%	0.00%	0.00%	0.00%	-13.80%	-11.88%	-6.98%	-6.98%	-7.71%
369378379	2006	12,626.52	-	7,595.24	(7,595.24)	-60.15%	-60.15%	-58.75%	-58.75%	-58.75%	-50.26%	-34.75%	-31.93%	-22.14%	-22.14%
369378379	2007	24,754.08	-	57,129.82	(57,129.82)	-230.79%	-173.15%	-173.15%	-171.76%	-171.76%	-171.76%	-162.36%	-126.85%	-121.19%	-96.94%
369378379	2008	102,611.29	-	27,327.02	(27,327.02)	-26.63%	-66.31%	-65.76%	-65.76%	-65.61%	-65.61%	-64.61%	-60.63%	-59.69%	
369378379	2009	353,848.54	-	21,867.53	(21,867.53)	-6.18%	-10.78%	-22.10%	-23.07%	-23.07%	-23.05%	-23.05%	-23.05%	-22.95%	-22.79%
369378379	2010	58,580.82	(5,555.60)	(44,745.20)	39,189.70	66.92%	4.20%	-1.94%	-12.44%	-13.53%	-13.52%	-13.52%	-13.52%	-13.47%	
369378379	2011	152,240.43	-	34,199.56	(34,199.56)	-22.46%	2.37%	-2.99%	-6.62%	-14.64%	-15.46%	-15.46%	-15.45%	-15.45%	-15.45%
369378379	2012	28,669.87	-	5,202.00	(5,202.00)	-18.14%	-21.78%	-0.09%	-3.72%	-7.10%	-14.78%	-15.56%	-15.56%	-15.56%	-15.56%
369378379	2013	19,553.28	-	43,715.62	(43,715.62)	-223.57%	-101.44%	-41.46%	-16.96%	-10.74%	-13.02%	-20.30%	-20.97%	-20.97%	-20.96%
369378379	2014	79,355.57	-	8,019.33	(8,019.33)	-10.11%	-62.31%	-44.63%	-32.57%	-15.35%	-10.66%	-12.72%	-19.31%	-19.93%	-19.93%
38000	1996	176,565.00	0.00	27,636.00	(27,636.00)	-15.65%									
38000	1997	215,379.00	154.00	29,621.00	(29,467.00)	-13.68%	-14.57%								
38000	1998	0.00	0.00	16,139.00	(16,139.00)	NA	-21.17%	-18.69%							
38000	1999	340,026.00	0.00	253,715.00	(253,715.00)	-74.62%	-79.36%	-53.89%	-44.67%						
38000	2000	436,424.00	0.00	559,854.00	(559,854.00)	-128.28%	-104.78%	-106.86%	-86.63%	-75.90%					
38000	2001	1,081,065.00	0.00	450,538.00	(450,538.00)	-41.68%	-66.58%	-68.05%	-68.92%	-63.18%	-59.45%				
38000	2002	353,920.00	0.00	282,498.00	(282,498.00)	-79.82%	-51.06%	-69.09%	-69.94%	-70.67%	-65.61%	-62.22%			
38000	2003	573,781.00	0.00	600,977.00	(600,977.00)	-104.74%	-96.23%	-66.41%	-77.45%	-77.11%	-77.69%	-73.09%	-69.90%		
38000	2004	127,032.00	0.00	479,035.00	(479,035.00)	-377.10%	-154.11%	-129.18%	-84.89%	-92.25%	-90.19%	-90.75%	-85.44%	-81.71%	
38000	2005	540,726.00	0.00	257,365.70	(257,365.70)	-47.60%	-110.28%	-107.72%	-101.53%	-77.35%	-84.49%	-83.52%	-83.99%	-79.86%	-76.91%
38000	2006	1,319,885.85	0.00	760,811.91	(760,811.91)	-57.64%	-54.72%	-75.33%	-81.91%	-81.66%	-70.84%	-76.50%	-76.37%	-76.70%	-73.98%
38000	2007	163,701.52	0.00	351,967.59	(351,967.59)	-215.01%	-75.01%	-67.68%	-65.95%	-89.91%	-88.75%	-76.52%	-81.43%	-80.96%	-81.29%
38000	2008	70,172.83	0.00	23,861.28	(23,861.28)	-34.00%	-160.70%	-73.15%	-66.56%	-84.31%	-88.51%	-87.53%	-75.81%	-80.72%	-80.30%
38000	2009	2,051,975.52	0.00	6.68	(6.68)	0.00%	-1.12%	-16.44%	-31.52%	-33.62%	-43.83%	-51.04%	-53.00%	-51.05%	-56.07%
38000	2010	1,905,040.23	0.00	2,062,318.57	(2,062,318.57)	-108.26%	-52.12%	-51.80%	-58.18%	-58.05%	-57.12%	-63.69%	-67.18%	-67.81%	-64.36%
38000	2011	3,127,618.96	0.00	957,930.89	(957,930.89)	-30.63%	-60.01%	-42.63%	-45.55%	-46.40%	-48.12%	-48.09%	-52.58%	-55.61%	-56.45%
38000	2012	2,788,516.67	0.00	1,345,462.43	(1,345,462.43)	-48.25%	-38.93%	-55.82%	-44.22%	-44.15%	-46.91%	-48.15%	-48.13%	-51.58%	-53.99%
38000	2013	1,104,233.03	0.00	1,326,141.76	(1,326,141.76)	-120.10%	-68.63%	-51.70%	-63.77%	-51.85%	-51.74%	-54.12%	-54.49%	-54.21%	-57.31%
38000	2014	1,010,606.37	0.00	900,316.42	(900,316.42)	-89.09%	-105.28%	-72.85%	-56.40%	-56.35%	-54.98%	-54.87%	-57.01%	-57.07%	-56.71%
38100	1996	796,549.00	359,733.00	3,981.00	355,752.00	44.66%									
38100	1997	165,892.00	20,205.00	109.00	20,096.00	12.11%	39.05%								
38100	1998	5,818.00	38,534.00	0.00	38,534.00	662.32%	34.14%	42.80%							
38100	1999	292,116.00	0.00	26,537.00	(26,537.00)	-9.08%	4.03%	6.92%	30.77%						
38100	2000	0.00	0.00	0.00	0.00	NA	-9.08%	4.03%	30.77%	30.77%					
38100	2001	0.00	0.00	0.00	0.00	NA	NA	-9.08%	4.03%	6.92%	30.77%				
38100	2002	0.00	0.00	0.00	0.00	NA	NA	NA	-9.08%	4.03%	6.92%	30.77%			
38100	2003	9,244,466.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%	0.33%	3.69%		
38100	2004	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	-0.28%	0.13%	0.33%	3.69%	
38100	2005	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	0.00%	-0.28%	0.13%	0.33%	3.69%

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
38100	2006	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	-0.28%	0.13%	0.33%
38100	2007	588,405.23	0.00	52,883.71	(52,883.71)	-8.99%	-8.99%	-8.99%	-8.99%	-0.54%	-0.54%	-0.54%	-0.54%	-0.78%	-0.40%
38100	2008	257,366.09	0.00	5,632.13	(5,632.13)	-2.19%	-6.92%	-6.92%	-6.92%	-6.92%	-0.58%	-0.58%	-0.58%	-0.58%	-0.82%
38100	2009	25,930.63	0.00	61,850.47	(61,850.47)	-238.52%	-23.82%	-13.81%	-13.81%	-13.81%	-13.81%	-1.19%	-1.19%	-1.19%	-1.19%
38100	2010	0.00	0.00	0.00	0.00	NA	-238.52%	-23.82%	-13.81%	-13.81%	-13.81%	-13.81%	-13.81%	-1.19%	-1.19%
38100	2011	28,202.94	0.00	0.00	0.00	0.00%	0.00%	-114.26%	-21.66%	-13.38%	-13.38%	-13.38%	-13.38%	-1.19%	-1.19%
38100	2012	303,636.12	0.00	186,922.64	(186,922.64)	-61.56%	-56.33%	-56.33%	-69.53%	-41.36%	-25.53%	-25.53%	-25.53%	-25.53%	-2.94%
38100	2013	24,129.65	0.00	31,850.45	(31,850.45)	-132.00%	-66.75%	-61.46%	-61.46%	-73.48%	-44.78%	-27.62%	-27.62%	-27.62%	-27.62%
38100	2014	723,288.65	0.00	31,182.85	(31,182.85)	-4.31%	-8.43%	-23.78%	-23.16%	-23.16%	-28.21%	-23.30%	-18.98%	-18.98%	-18.98%
38200	1996	50,071.00	0.00	61,106.00	(61,106.00)	-122.04%									
38200	1997	61,875.00	0.00	106,958.00	(106,958.00)	-172.86%	-150.13%								
38200	1998	0.00	0.00	9,625.00	(9,625.00)	NA	-188.42%	-158.73%							
38200	1999	10,925.00	0.00	7,540.00	(7,540.00)	-69.02%	-157.12%	-170.50%	-150.75%						
38200	2000	79,200.00	0.00	414,823.00	(414,823.00)	-523.77%	-468.64%	-479.32%	-354.57%	-296.95%					
38200	2001	57,297.00	0.00	161,169.00	(161,169.00)	-281.29%	-421.98%	-421.98%	-402.35%	-334.51%	-293.49%				
38200	2002	250,858.00	0.00	1,139,462.00	(1,139,462.00)	-454.23%	-422.07%	-442.86%	-432.61%	-435.03%	-399.77%	-372.52%			
38200	2003	312,393.00	0.00	536,125.00	(536,125.00)	-171.82%	-297.48%	-295.99%	-321.77%	-317.89%	-319.24%	-307.52%	-296.23%		
38200	2004	203,956.00	0.00	521,798.00	(521,798.00)	-255.84%	-204.89%	-286.41%	-286.06%	-306.89%	-304.05%	-305.10%	-296.72%	-288.20%	
38200	2005	110,580.00	0.00	157,057.38	(157,057.38)	-142.06%	-215.84%	-193.80%	-268.23%	-269.03%	-288.92%	-286.58%	-287.52%	-280.99%	-273.99%
38200	2006	527,452.65	0.00	943,844.31	(943,844.31)	-178.94%	-172.55%	-187.01%	-234.72%	-236.54%	-251.30%	-250.01%	-250.01%	-250.63%	-247.65%
38200	2007	57,689.42	0.00	118,098.97	(118,098.97)	-204.72%	-181.48%	-175.22%	-193.50%	-187.86%	-233.53%	-235.33%	-249.62%	-248.39%	-248.99%
38200	2008	0.00	0.00	10,247.87	(10,247.87)	NA	-222.46%	-183.24%	-176.69%	-194.63%	-188.70%	-234.23%	-236.01%	-250.26%	-249.03%
38200	2009	1,027,944.08	0.00	6.68	(6.68)	0.00%	-1.00%	-11.82%	-66.47%	-71.32%	-102.11%	-102.11%	-137.57%	-140.80%	-152.34%
38200	2010	475,356.72	0.00	4,428,392.75	(4,428,392.75)	-931.59%	-294.58%	-295.26%	-291.91%	-263.38%	-257.28%	-257.18%	-247.32%	-264.82%	-265.13%
38200	2011	1,816,947.23	0.00	964,264.66	(964,264.66)	-53.07%	-235.25%	-162.42%	-162.73%	-163.44%	-165.54%	-164.89%	-169.29%	-169.45%	-184.38%
38200	2012	583,219.78	0.00	314,535.00	(314,535.00)	-53.93%	-53.28%	-198.47%	-146.21%	-146.47%	-147.32%	-151.04%	-150.82%	-155.28%	-156.28%
38200	2013	164,052.93	0.00	0.00	0.00	0.00%	-42.09%	-49.87%	-187.76%	-140.31%	-140.56%	-141.46%	-145.71%	-145.63%	-150.15%
38200	2014	0.00	0.00	8,717.20	(8,717.20)	NA	-5.31%	-43.26%	-50.21%	-186.05%	-140.53%	-140.78%	-141.67%	-145.90%	-145.81%
381-382 C	1996	846,620.00	359,733.00	65,087.00	294,646.00	34.80%									
381-382 C	1997	227,767.00	20,205.00	107,067.00	(86,862.00)	-38.14%	19.34%								
381-382 C	1998	5,818.00	38,534.00	9,625.00	28,909.00	496.89%	-24.81%	21.91%							
381-382 C	1999	303,041.00	0.00	34,077.00	(34,077.00)	-11.25%	-1.67%	-17.15%	14.65%						
381-382 C	2000	79,200.00	0.00	414,823.00	(414,823.00)	-523.77%	-117.44%	-108.23%	-82.30%	-14.51%					
381-382 C	2001	57,297.00	0.00	161,169.00	(161,169.00)	-281.29%	-421.98%	-138.80%	-130.49%	-99.24%	-24.57%				
381-382 C	2002	250,858.00	0.00	1,139,462.00	(1,139,462.00)	-454.23%	-422.07%	-442.86%	-253.41%	-247.14%	-195.62%	-85.44%			
381-382 C	2003	9,556,859.00	0.00	536,125.00	(536,125.00)	-5.61%	-17.08%	-18.62%	-22.64%	-22.31%	-22.01%	-22.36%	-18.09%		
381-382 C	2004	203,956.00	0.00	521,798.00	(521,798.00)	-255.84%	-10.84%	-21.95%	-23.42%	-27.33%	-26.86%	-26.57%	-26.82%	-22.29%	
381-382 C	2005	110,580.00	0.00	157,057.38	(157,057.38)	-142.06%	-215.84%	-12.31%	-23.26%	-24.71%	-28.57%	-28.07%	-27.78%	-28.00%	-23.43%
381-382 C	2006	527,452.65	0.00	943,844.31	(943,844.31)	-178.94%	-172.55%	-192.73%	-20.76%	-30.97%	-32.31%	-35.92%	-35.24%	-34.97%	-35.03%
381-382 C	2007	646,094.65	0.00	170,982.68	(170,982.68)	-26.46%	-95.00%	-99.05%	-120.54%	-21.09%	-30.71%	-31.98%	-35.58%	-34.76%	-35.50%
381-382 C	2008	257,366.09	0.00	15,880.00	(15,880.00)	-6.17%	-20.68%	-79.02%	-83.54%	-103.67%	-20.75%	-30.17%	-31.41%	-34.74%	-34.15%
381-382 C	2009	1,053,874.71	0.00	61,857.15	(61,857.15)	-5.87%	-5.93%	-12.71%	-47.99%	-52.00%	-66.85%	-19.48%	-28.14%	-29.28%	-32.35%
381-382 C	2010	475,356.72	0.00	4,428,392.75	(4,428,392.75)	-931.59%	-293.63%	-252.22%	-192.26%	-189.89%	-188.17%	-192.38%	-53.27%	-60.96%	-61.92%
381-382 C	2011	1,845,150.17	0.00	964,264.66	(964,264.66)	-52.26%	-232.39%	-161.64%	-150.63%	-131.87%	-137.04%	-137.15%	-141.88%	-63.15%	-59.69%
381-382 C	2012	886,855.90	0.00	501,457.64	(501,457.64)	-56.54%	-53.65%	-183.77%	-139.77%	-132.16%	-118.94%	-124.50%	-124.83%	-129.28%	-53.34%
381-382 C	2013	188,182.58	0.00	31,850.45	(31,850.45)	-16.93%	-49.61%	-51.28%	-174.52%	-134.58%	-127.55%	-115.35%	-121.06%	-121.44%	-125.87%
381-382 C	2014	723,288.65	0.00	39,900.05	(39,900.05)	-5.52%	-7.81%	-31.87%	-42.20%	-144.84%	-116.53%	-111.30%	-102.28%	-108.40%	-108.96%
38300	1996	143,491.00	0.00	0.00	0.00	0.00%									
38300	1997	0.00	0.00	0.00	0.00	NA	0.00%								
38300	1998	264,277.00	0.00	0.00	0.00	0.00%	0.00%	0.00%							
38300	1999	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%						
38300	2000	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%					
38300	2001	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	0.00%	0.00%				



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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
38500	1998	14,263.00	0.00	10.00	(10.00)	-0.07%	-0.17%	3.02%							
38500	1999	6,054.00	0.00	0.00	0.00	0.00%	-0.05%	-0.12%	2.55%						
38500	2000	681.00	0.00	1,698.00	(1,698.00)	-249.34%	-25.21%	-8.13%	-7.44%	-1.76%					
38500	2001	16,167.00	0.00	7,896.00	(7,896.00)	-48.84%	-56.94%	-41.89%	-25.84%	-24.44%	-15.37%				
38500	2002	0.00	0.00	0.00	0.00	NA	-48.84%	-56.94%	-41.89%	-25.84%	-24.44%	-15.37%			
38500	2003	0.00	0.00	0.00	0.00	NA	NA	-48.84%	-56.94%	-41.89%	-25.84%	-24.44%	-15.37%		
38500	2004	0.00	0.00	0.00	0.00	NA	NA	NA	-48.84%	-56.94%	-41.89%	-25.84%	-24.44%	-15.37%	
38500	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	-48.84%	-56.94%	-41.89%	-25.84%	-24.44%	-15.37%
38500	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	-48.84%	-56.94%	-41.89%	-25.84%	-24.44%	-15.37%
38500	2007	11,825.65	0.00	3,573.10	(3,573.10)	-30.21%	-30.21%	-30.21%	-30.21%	-30.21%	-30.21%	-40.97%	-45.92%	-37.92%	-26.90%
38500	2008	30,185.21	0.00	0.00	0.00	0.00%	-8.51%	-8.51%	-8.51%	-8.51%	-8.51%	-8.51%	-19.71%	-22.37%	-20.28%
38500	2009	3,375.49	0.00	9,908.55	(9,908.55)	-293.54%	-29.52%	-29.70%	-29.70%	-29.70%	-29.70%	-29.70%	-29.70%	-34.73%	-37.08%
38500	2010	10,244.48	0.00	1,623.46	(1,623.46)	-15.85%	-84.67%	-26.33%	-27.15%	-27.15%	-27.15%	-27.15%	-27.15%	-27.15%	-32.04%
38500	2011	8,965.63	0.00	3,423.04	(3,423.04)	-38.18%	-26.27%	-66.21%	-28.34%	-28.68%	-28.68%	-28.68%	-28.68%	-28.68%	-28.68%
38500	2012	6,250.67	0.00	6,610.76	(6,610.76)	-105.76%	-65.94%	-45.79%	-74.79%	-35.54%	-35.48%	-35.48%	-35.48%	-35.48%	-35.48%
38500	2013	14,688.61	0.00	4,225.95	(4,225.95)	-28.77%	-51.75%	-47.68%	-39.56%	-59.26%	-34.99%	-34.33%	-34.33%	-34.33%	-34.33%
38500	2014	7,819.11	0.00	(20,568.02)	20,568.02	263.05%	72.61%	33.84%	16.72%	9.77%	-10.17%	-6.41%	-9.42%	-9.42%	-9.42%
39000	1996	0.00	0.00	0.00	0.00	NA									
39000	1997	0.00	0.00	0.00	0.00	NA	NA								
39000	1998	1,718.00	0.00	0.00	0.00	0.00%	0.00%	0.00%							
39000	1999	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%						
39000	2000	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%					
39000	2001	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	0.00%	0.00%				
39000	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.00%	0.00%	0.00%			
39000	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%		
39000	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	
39000	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
39000	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
39000	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
39000	2008	0.00	0.00	273.72	(273.72)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39000	2009	0.00	0.00	441.53	(441.53)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39000	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39000	2011	200.77	0.00	0.00	0.00	0.00%	0.00%	-219.92%	-356.25%	-356.25%	-356.25%	-356.25%	-356.25%	-356.25%	-356.25%
39000	2012	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	-219.92%	-356.25%	-356.25%	-356.25%	-356.25%	-356.25%	-356.25%
39000	2013	5,256.31	0.00	829.53	(829.53)	-15.78%	-15.78%	-15.20%	-15.20%	-23.29%	-28.31%	-28.31%	-28.31%	-28.31%	-28.31%
39000	2014	0.00	0.00	0.00	0.00	NA	-15.78%	-15.78%	-15.20%	-15.20%	-23.29%	-28.31%	-28.31%	-28.31%	-28.31%
39002	1996	0.00	0.00	0.00	0.00	NA									
39002	1997	0.00	0.00	0.00	0.00	NA	NA								
39002	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
39002	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39002	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39002	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39002	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39002	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39002	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39002	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39002	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39002	2007	6,777.28	0.00	32.40	(32.40)	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%
39002	2008	5,677.04	1,993.50	7,673.52	(5,680.02)	-100.05%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%
39002	2009	0.00	0.00	0.00	0.00	NA	-100.05%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%
39002	2010	2,388.33	0.00	1,209.73	(1,209.73)	-50.65%	-50.65%	-85.42%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%
39002	2011	0.00	0.00	0.00	0.00	NA	-50.65%	-50.65%	-85.42%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%
39002	2012	0.00	0.00	0.00	0.00	NA	NA	-50.65%	-50.65%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%
39002	2013	0.00	0.00	0.00	0.00	NA	NA	NA	-50.65%	-50.65%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%
39002	2014	5,640.51	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	-15.07%	-15.07%	-50.27%	-33.79%	-33.79%	-33.79%





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39103	2007	481.61	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39103	2008	425.55	209.05	0.10	208.95	49.10%	23.04%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%
39103	2009	92,409.59	0.00	0.00	0.00	0.00%	0.23%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2010	407.52	0.00	0.00	0.00	0.00%	0.00%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2011	1,388.59	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2012	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2013	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2014	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	0.00%	0.00%	0.22%	0.22%	0.22%	0.22%
39200	1996	623,819.00	189,432.51	1,191.00	188,241.51	30.18%									
39200	1997	131,611.00	40,503.00	615.00	39,888.00	30.31%	30.20%								
39200	1998	550,378.00	127,968.00	8.00	127,960.00	23.25%	24.61%	27.27%							
39200	1999	291,792.00	77,749.00	275.00	77,474.00	26.55%	24.39%	25.19%	27.14%						
39200	2000	810,884.00	101,794.00	0.00	101,794.00	12.55%	16.26%	18.59%	19.45%	22.23%					
39200	2001	549,771.00	7,561.00	0.00	7,561.00	1.38%	8.04%	11.31%	14.29%	15.19%	18.35%				
39200	2002	216,646.00	35,292.00	0.00	35,292.00	16.29%	6.59%	9.17%	11.88%	14.47%	15.29%	18.21%			
39200	2003	2,732,280.00	79,320.00	0.00	79,320.00	2.90%	3.89%	3.49%	5.20%	6.55%	8.34%	8.88%	11.13%		
39200	2004	559,510.00	0.00	0.00	0.00	0.00%	2.41%	3.27%	3.01%	4.60%	5.84%	7.52%	8.03%	10.17%	
39200	2005	394,260.00	67,019.33	4,646.18	62,373.15	15.82%	6.54%	3.84%	4.53%	4.14%	5.44%	6.55%	8.05%	8.52%	10.49%
39200	2006	82,381.07	0.00	0.00	0.00	0.00%	13.09%	6.02%	3.76%	4.44%	4.07%	5.36%	6.45%	7.95%	8.41%
39200	2007	0.00	0.00	0.00	0.00	NA	0.00%	13.09%	6.02%	3.76%	4.44%	4.07%	5.36%	6.45%	7.95%
39200	2008	151,445.91	3,885.02	0.00	3,885.02	2.57%	2.57%	1.66%	10.55%	5.58%	3.71%	4.37%	4.02%	5.26%	6.35%
39200	2009	117,142.14	0.00	0.00	0.00	0.00%	1.45%	1.45%	1.11%	8.89%	5.08%	3.61%	4.25%	3.92%	5.17%
39200	2010	63,503.63	13,432.00	(131.26)	13,563.26	21.36%	7.51%	5.25%	5.25%	4.21%	9.87%	5.83%	3.68%	4.50%	4.15%
39200	2011	2,672.17	0.00	0.00	0.00	0.00%	20.50%	7.40%	5.21%	5.21%	4.18%	9.84%	5.82%	3.88%	4.50%
39200	2012	0.00	0.00	0.00	0.00	NA	0.00%	20.50%	7.40%	5.21%	4.18%	9.84%	5.82%	3.88%	4.50%
39200	2013	37,101.32	0.00	170.62	(170.62)	-0.46%	-0.46%	-0.43%	12.97%	6.08%	4.65%	4.65%	3.80%	9.39%	5.66%
39200	2014	97,648.39	7,291.18	198.32	7,092.86	7.26%	5.14%	5.14%	5.04%	10.20%	6.44%	5.19%	5.19%	4.42%	9.17%
39201	1996	0.00	0.00	0.00	0.00	NA									
39201	1997	0.00	0.00	0.00	0.00	NA	NA								
39201	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
39201	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39201	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39201	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39201	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39201	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39201	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39201	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39201	2006	21,372.22	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2007	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2008	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2009	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2010	21,940.52	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2011	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2012	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2013	0.00	0.00	0.00	0.00	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39202	1996	0.00	0.00	0.00	0.00	NA									
39202	1997	0.00	0.00	0.00	0.00	NA	NA								
39202	1998	0.00	0.00	0.00	0.00	NA	NA	NA							
39202	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39202	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39202	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39202	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			

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39202	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39202	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39202	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39202	2006	27,841.74	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39202	2007	9,991.49	3,500.00	0.00	3,500.00	35.03%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%
39202	2008	9,529.38	1,545.59	(10,474.57)	12,020.16	126.14%	79.51%	32.77%	32.77%	32.77%	32.77%	32.77%	32.77%	32.77%	32.77%
39202	2009	39,259.65	0.00	0.00	0.00	0.00%	24.64%	26.40%	17.92%	17.92%	17.92%	17.92%	17.92%	17.92%	17.92%
39202	2010	25,154.17	0.00	0.00	0.00	0.00%	0.00%	16.26%	18.49%	13.89%	13.89%	13.89%	13.89%	13.89%	13.89%
39202	2011	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	16.26%	18.49%	13.89%	13.89%	13.89%	13.89%	13.89%
39202	2012	1,504.94	0.00	104.96	(104.96)	-6.97%	-6.97%	-0.39%	-0.16%	15.79%	18.04%	13.61%	13.61%	13.61%	13.61%
39202	2013	0.00	0.00	0.00	0.00	NA	-6.97%	-6.97%	-0.39%	-0.16%	15.79%	18.04%	13.61%	13.61%	13.61%
39202	2014	0.00	0.00	0.00	0.00	NA	NA	-6.97%	-6.97%	-0.39%	-0.16%	15.79%	18.04%	13.61%	13.61%
39400	1996	35,537.00	4,400.00	0.00	4,400.00	12.38%									
39400	1997	12,767.00	0.00	0.00	0.00	0.00%	9.11%								
39400	1998	0.00	0.00	0.00	0.00	NA		9.11%							
39400	1999	4,300.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	8.36%						
39400	2000	25,384.00	10,742.00	0.00	10,742.00	42.32%	36.19%	36.19%	25.30%	19.42%					
39400	2001	18,601.00	0.00	0.00	0.00	0.00%	24.42%	22.25%	22.25%	17.59%	15.68%				
39400	2002	764,651.00	0.00	0.00	0.00	0.00%	0.00%	1.33%	1.32%	1.32%	1.30%	1.76%			
39400	2003	61,408.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	1.23%	1.23%	1.23%	1.21%	1.64%		
39400	2004	517,271.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.77%	0.77%	0.77%	0.76%	1.05%	
39400	2005	43,563.00	200.00	5.69	194.31	0.45%	0.03%	0.03%	0.01%	0.01%	0.76%	0.76%	0.76%	0.76%	1.03%
39400	2006	578,945.54	0.00	0.00	0.00	0.00%	0.03%	0.02%	0.02%	0.01%	0.01%	0.54%	0.54%	0.54%	0.54%
39400	2007	96,024.71	155.09	(367.06)	522.15	0.54%	0.08%	0.10%	0.06%	0.06%	0.03%	0.03%	0.54%	0.54%	0.54%
39400	2008	42,541.38	169.69	(79.32)	249.01	0.59%	0.56%	0.11%	0.13%	0.08%	0.07%	0.05%	0.05%	0.54%	0.54%
39400	2009	169,280.66	7,500.00	3,805.20	3,694.80	2.18%	1.86%	1.45%	0.50%	0.50%	0.32%	0.31%	0.20%	0.20%	0.66%
39400	2010	91,719.05	0.00	2,128.74	(2,128.74)	-2.32%	0.60%	0.60%	0.58%	0.24%	0.25%	0.16%	0.16%	0.11%	0.11%
39400	2011	76,934.17	0.00	123.21	(123.21)	-0.16%	-1.34%	0.43%	0.44%	0.46%	0.21%	0.22%	0.15%	0.14%	0.10%
39400	2012	106,303.90	21,457.91	1,222.32	20,235.59	19.04%	10.98%	6.54%	4.88%	4.50%	3.85%	1.93%	1.88%	1.31%	1.27%
39400	2013	95,483.59	0.00	201.50	(201.50)	-0.21%	9.93%	7.14%	4.80%	3.98%	3.73%	3.28%	1.77%	1.73%	1.23%
39400	2014	590,143.20	132.00	721.69	(589.69)	-0.10%	-0.12%	2.46%	2.22%	1.79%	1.85%	1.80%	1.71%	1.17%	1.16%
39600	1996	1,106.00	7,500.00	0.00	7,500.00	678.12%									
39600	1997	0.00	1,900.00	356.00	1,544.00	NA	817.72%								
39600	1998	1,515.00	520.00	0.00	520.00	34.32%	136.24%	364.90%							
39600	1999	22,556.00	0.00	0.00	0.00	0.00%	2.16%	8.57%	37.99%						
39600	2000	153,880.00	54,000.00	0.00	54,000.00	35.09%	30.61%	30.64%	31.51%	35.50%					
39600	2001	1,617.00	0.00	0.00	0.00	0.00%	34.73%	30.33%	30.36%	31.22%	35.18%				
39600	2002	278,879.00	22,479.00	0.00	22,479.00	8.06%	8.01%	17.61%	16.74%	16.80%	17.13%	18.72%			
39600	2003	357,777.00	0.00	0.00	0.00	0.00%	3.53%	3.52%	9.65%	9.39%	9.43%	9.62%	10.53%		
39600	2004	204,050.00	0.00	0.00	0.00	0.00%	0.00%	2.67%	2.67%	7.68%	7.51%	7.55%	7.70%	8.42%	
39600	2005	42,281.00	12,485.86	0.00	12,485.86	29.53%	5.07%	2.07%	3.96%	3.95%	8.57%	8.38%	8.42%	8.57%	9.26%
39600	2006	0.00	0.00	0.00	0.00	NA	29.53%	5.07%	2.07%	3.96%	3.95%	8.57%	8.38%	8.42%	8.57%
39600	2007	0.00	0.00	0.00	0.00	NA	NA	29.53%	5.07%	2.07%	3.95%	3.95%	8.57%	8.38%	8.42%
39600	2008	0.00	0.00	0.00	0.00	NA	NA	NA	29.53%	5.07%	2.07%	3.96%	3.95%	8.57%	8.38%
39600	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	29.53%	5.07%	2.07%	3.96%	3.95%	8.57%
39600	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	29.53%	5.07%	2.07%	3.96%	3.95%
39600	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	29.53%	5.07%	2.07%	3.96%
39600	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	29.53%	5.07%	2.07%
39600	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	29.53%	5.07%
39600	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	29.53%
39603	1996	0.00	0.00	0.00	0.00	NA									
39603	1997	0.00	0.00	0.00	0.00	NA	NA								
39603	1998	0.00	0.00	0.00	0.00	NA	NA	NA							

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39603	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2006	62,479.06	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2007	51,615.98	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2008	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2009	327.09	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2010	89,252.12	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2011	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2012	50,877.76	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2013	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2014	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39604	1996	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	1997	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	1998	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2006	28,350.00	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39604	2007	4,183.79	172.91	(408.60)	581.51	13.90%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%
39604	2008	78,139.70	14,944.71	461.27	14,483.44	18.54%	18.30%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%
39604	2009	120,659.85	0.00	0.00	0.00	0.00%	7.29%	7.42%	6.51%	6.51%	6.51%	6.51%	6.51%	6.51%	6.51%
39604	2010	8,958.43	18,718.90	0.00	18,718.90	208.95%	14.44%	15.98%	15.94%	14.06%	14.06%	14.06%	14.06%	14.06%	14.06%
39604	2011	0.00	0.00	0.00	0.00	NA	208.95%	14.44%	15.98%	15.94%	14.06%	14.06%	14.06%	14.06%	14.06%
39604	2012	0.00	0.00	0.00	0.00	NA	NA	208.95%	14.44%	15.98%	15.94%	14.06%	14.06%	14.06%	14.06%
39604	2013	0.00	0.00	0.00	0.00	NA	NA	NA	208.95%	14.44%	15.98%	15.94%	14.06%	14.06%	14.06%
39604	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	208.95%	14.44%	15.98%	15.94%	14.06%	14.06%
39605	1996	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	1997	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	1998	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	1999	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2000	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2006	25,466.74	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39605	2007	3,362.06	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
39605	2008	3,599.50	1,027.00	0.00	1,027.00	28.53%	14.75%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%
39605	2009	4,087.50	0.00	0.00	0.00	0.00%	13.36%	9.29%	2.81%	2.81%	2.81%	2.81%	2.81%	2.81%	2.81%
39605	2010	6,737.88	300.00	0.00	300.00	4.45%	2.77%	9.20%	7.46%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%
39605	2011	3,111.94	0.00	0.00	0.00	0.00%	3.05%	2.15%	7.57%	6.35%	2.86%	2.86%	2.86%	2.86%	2.86%
39605	2012	4,978.01	0.00	0.00	0.00	0.00%	0.00%	2.02%	1.59%	5.89%	5.13%	2.58%	2.58%	2.58%	2.58%
39605	2013	0.00	0.00	0.00	0.00	NA	0.00%	0.00%	2.02%	1.59%	5.13%	2.58%	2.58%	2.58%	2.58%
39605	2014	0.00	0.00	0.00	0.00	NA	NA	0.00%	0.00%	2.02%	1.58%	5.89%	5.13%	2.58%	2.58%









**ATMOS ENERGY CORPORATION**  
**KENTUCKY MID-STATES GENERAL OFFICE**  
**PROPERTY**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2014**



<http://www.utilityalliance.com>

**ATMOS ENERGY CORPORATION  
KENTUCKY MID-STATES GENERAL OFFICE PROPERTY  
DEPRECIATION RATE STUDY  
EXECUTIVE SUMMARY**

Atmos Energy Corporation (“Atmos” or “Company”) engaged Alliance Consulting Group to conduct a depreciation study of the Company’s Kentucky Mid-States General Office (“KY Mid-States”) depreciable assets as of fiscal year end September 30, 2014. KY Mid-States General Office provides support to Atmos Energy Corporation’s regulated utility divisions which at the year ended September 30, 2014 were:

- Kentucky;
- Tennessee; and
- Virginia

The depreciation rates are based on the straight-line method, equal life group (“ELG”) procedure, and remaining-life technique. This study results in an annual depreciation expense accrual of \$101 thousand when applied to depreciable plant balances as of September 30, 2014.

The depreciation study conducted analyzed and developed depreciation recommendations at an account level. The resulting annual depreciation accrual amounts and depreciation rates contained in this study are at the account level. The Company will accrue depreciation expense based on the account level depreciation rates developed in this study. Appendix A demonstrates the annual depreciation expense.

**ATMOS ENERGY CORPORATION**  
**KENTUCKY MID-STATES GENERAL OFFICE PROPERTY**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2014**  
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## PURPOSE

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on KY Mid-States' books at September 30, 2014. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of KY Mid-States' property on a straight-line basis. Non-depreciable property and property which is amortized, such as intangibles were excluded from this study.

KY Mid-States is a division of Atmos Corporation dedicated to providing various support services to its operating companies in the Mid States Region. As of the study date, KY Mid-States supported regulated gas utility divisions operating in 4 different states, Kentucky, Tennessee, and Virginia. KY Mid-States serves over 300,000 customers across these states, with approximately 174,000 in the Kentucky jurisdiction.

## STUDY RESULTS

The existing and current study annual depreciation expense results from the use of Iowa Curve dispersion patterns with average service life, the equal life group ("ELG") procedure and remaining-life technique, and consideration of net salvage in the development of the study recommended depreciation rates. Detailed information for each of these factors will follow in this report.

Overall depreciation rates for KY Mid-States depreciable property are shown in Appendix A. These rates translate into an annual depreciation accrual of \$101 thousand based on KY Mid-States' depreciable investment at September 30, 2014.

Appendix A presents the recommended study annual accrual rates and amounts. Appendix B presents the development of the depreciation rates and annual accruals. Appendix C presents the recommended study mortality and net salvage parameters by account. Appendix D shows net salvage history by plant account.

## GENERAL DISCUSSION

### Definition

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

### Basis of Depreciation Estimates

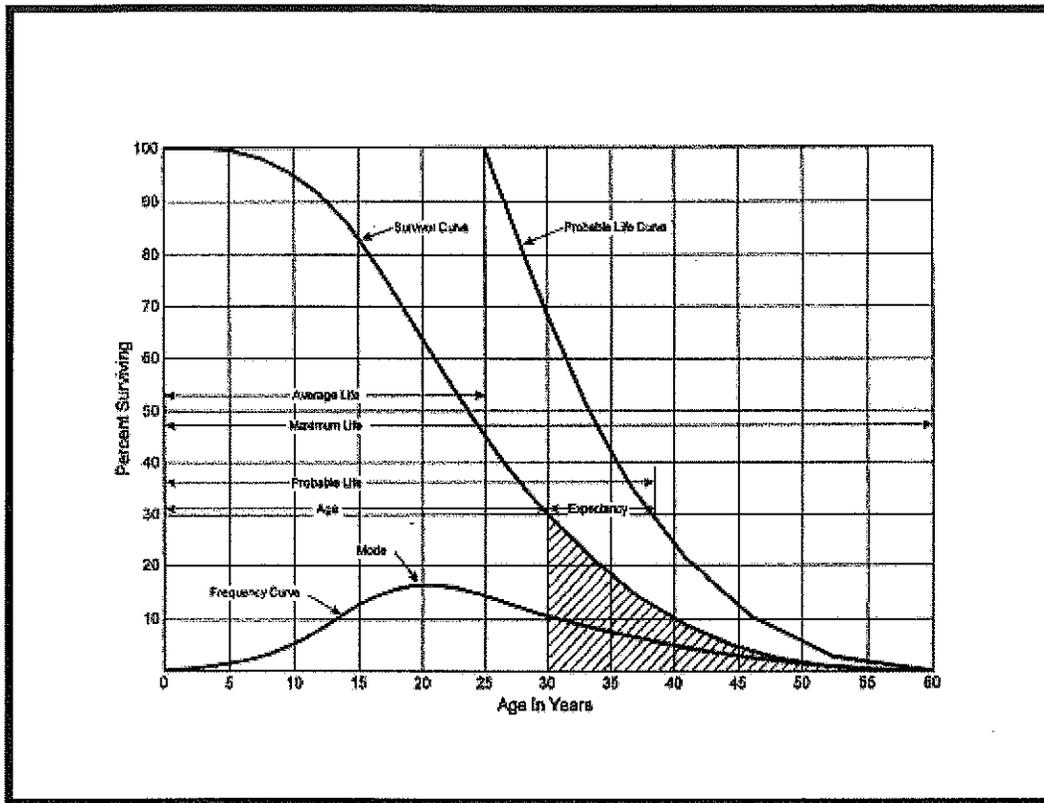
The straight-line, equal life group ("ELG"), remaining-life depreciation system was employed to calculate annual and accrued depreciation in this study. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset less allocated depreciation reserve less estimated net salvage by its respective equal life group remaining life. The resulting annual accrual amounts of all depreciable property within a function were accumulated, and the total was divided by the original cost of all functional depreciable property to determine the depreciation rate. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group. The computations of the annual depreciation rates are shown in Appendix B and remaining life calculations are provided in the workpapers.

Actuarial analysis was used with each account within a function where

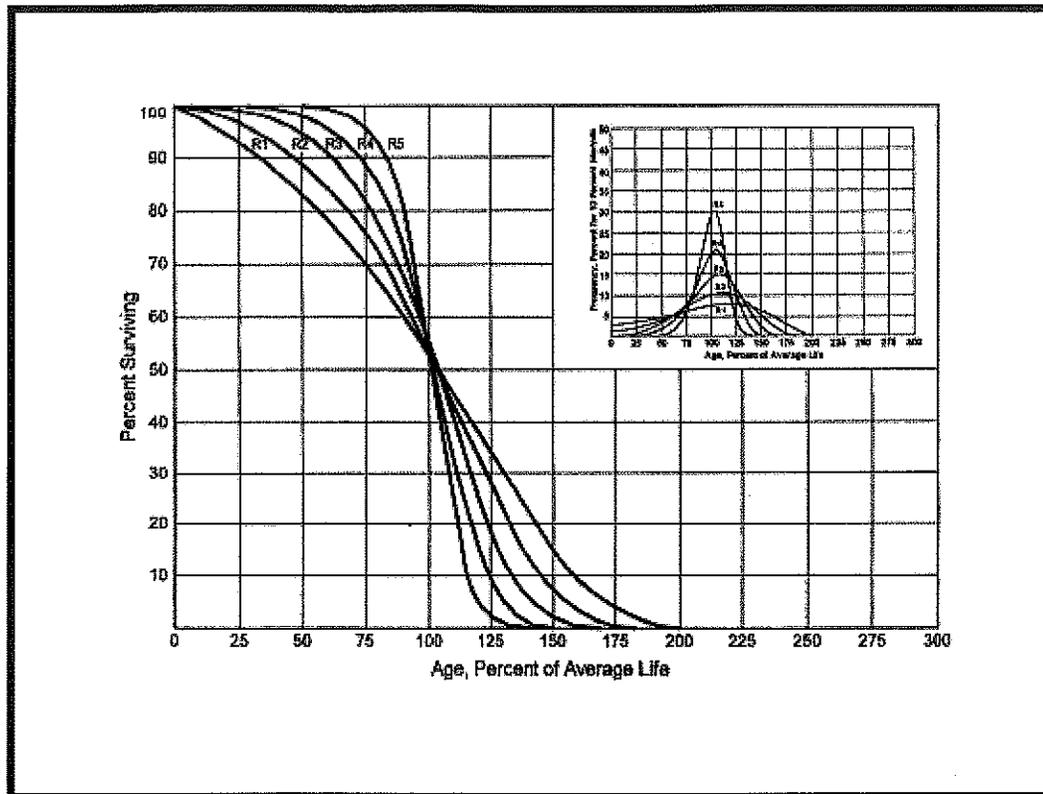
sufficient data was available, and judgment was used to some degree on all accounts.

### **Survivor Curves**

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.



There are four families in the Iowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of "R" moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency) while a "1" indicates a large dispersion about the mode (i.e., low mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique

average service life. The blending of judgment concerning current conditions and future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

### **Actuarial Analysis**

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Where data was available, accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. The results from these analyses for those accounts which had data sufficient to be analyzed using this method are shown in the Life Analysis section of this report.

### **Judgment**

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis (potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. Individually, no one factor in these cases may have a substantial impact on the analysis, but overall, may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for KY Mid-States' accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the Retirement Rate actuarial methods. The appropriateness of lives and curves depends not only on statistical analyses, but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

### **Equal Life Group Depreciation**

Atmos agreed that the continued use of the ELG depreciation procedure was appropriate. This study uses the ELG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ELG groups are defined by their respective account dispersion, life, and net salvage estimates. A straight-line rate for each ELG group is computed and accumulated across each vintage. The resulting rate for each ELG group is designed to recover all retirements less net salvage as each vintage retires. The ELG procedure recovers net book cost over the life of each ELG group rather than averaging many components. It also closely matches the concept of component or item accounting found in all accounting textbooks.

### **Theoretical Depreciation Reserve**

The Company's book depreciation reserves were used for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each vintage. The equal life

group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within the vintage is retired. Estimated average service lives and dispersion determine the amount within each equal life group. The equal life group-remaining-life theoretical reserve ratio (RRELG) is calculated as:

$$RRELG = 1 - \frac{(ELG \text{ Remaining Life})}{(ELG \text{ Life})} * (1 - \text{Net Salvage Ratio})$$

## DETAILED DISCUSSION

### Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of depreciation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis and salvage analysis sections and also in workpapers.

Phase 2 is where the actuarial analysis is performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables for life analysis. These tables are visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

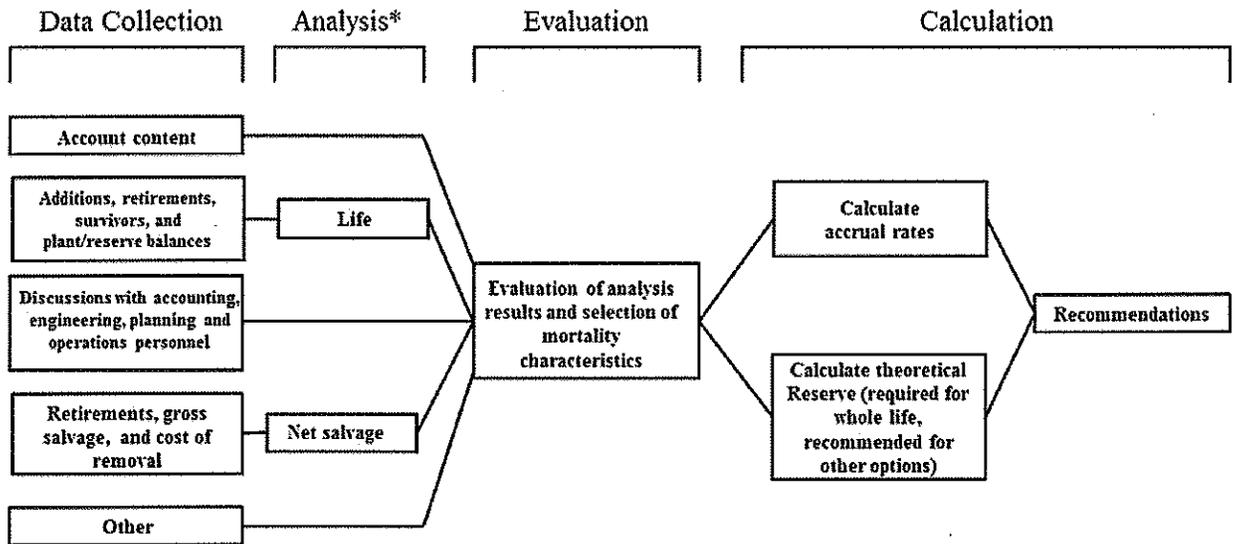
Phase 3 is the evaluation process which synthesizes analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 is further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allow the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in a final report. The calculation of accrual rates is found in Appendix B. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1<sup>1</sup> documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analyses, evaluation of statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

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<sup>1</sup> Public Utility Finance & Accounting, A Reader

### Book Depreciation Study Flow Diagram



Source: Introduction to Depreciation for Public Utilities and Other Industries, AGA EEI, 2013.

\*Although not specifically noted, the mathematical analysis may need some level of input from other sources (for example, to determine analysis bands for life and adjustments to data used in all analysis).

Figure 1

## **ATMOS KENTUCKY MID-STATES DEPRECIATION STUDY PROCESS**

### **Depreciation Rate Calculation**

Annual depreciation expense amounts for the depreciable property accounts of KY Mid-States were calculated by the straight line, equal life group, and remaining-life system. With this approach, remaining lives were calculated according to standard ELG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense. These calculations are shown in Appendix B.

### **Remaining Life Calculation**

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using the actuarial methods. After establishment of appropriate average service lives and retirement dispersions, remaining lives were computed for each account. The theoretical depreciation reserve with zero net salvage (used in calculating remaining life) was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the general discussion section. The difference between plant balance and theoretical reserve was then spread over the ELG depreciation accruals. After accumulating the ELG accruals across each vintage, the annual accrual was divided into the net balance to compute remaining life. Details of the theoretical reserve computations, ELG accruals, and remaining life are found by account within each division in the study workpapers.

### **Calculation Process**

Annual depreciation expense amounts for all accounts were calculated by the straight line, remaining life procedure.

In a whole life representation, the annual accrual rate is computed by the

following equation,

$$\text{Annual Accrual Rate} = \frac{(100\% - \text{Net Salvage Percent})}{\text{Average Service Life}}$$

Use of the remaining life depreciation system adds a self-correcting mechanism, which accounts for any differences between theoretical and book depreciation reserve over the remaining life of the group. With the straight line, remaining life, average life group system using Iowa Curves, composite remaining lives were calculated according to standard broad group expectancy techniques, noted in the formula below:

$$\text{Composite Remaining Life} = \frac{\sum \text{Original Cost} - \text{Theoretical Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the book depreciation reserve, was divided by the composite remaining life to yield the annual depreciation expense as noted in this equation where the net salvage percent represents future net salvage.

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost} - \text{Book Reserve} - (\text{Original Cost}) * (1 - \text{Net Salvage \%})}{\text{Composite Remaining Life}}$$

Within a group, the sum of the group annual depreciation expense amounts, as a percentage of the depreciable original cost investment summed, gives the annual depreciation rate as shown below:

$$\text{Annual Depreciation Rate} = \frac{\sum \text{Annual Depreciation Expense}}{\sum \text{Original Cost}}$$

These calculations are shown in Appendix B. The calculations of the theoretical depreciation reserve values and the corresponding remaining life calculations are shown in workpapers. Book depreciation reserves of individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

## LIFE AND NET SALVAGE

The retirement rate actuarial analysis method was applied to all accounts for KY Mid-States. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. A selected curve for each account is shown in the Life Analysis Section of this report. The observed life tables for all analyzed placement and experience bands are provided in workpapers.

For the overall band (i.e. placement from earliest vintage year which varied for each account through 2014) for each account, various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S, or R) as a better match than others. The next step would be to determine the most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed, for instance 1998-2014, 2003-2014, etc. Next placement bands of varying width were plotted with each experience band discussed above. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. The goal of visual matching was to minimize the differential between the observed life table and Iowa curve in top and mid-range of the plots. These results are used in conjunction with all other factors that may influence asset lives.

## NET SALVAGE CONSIDERATIONS

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset).

The net salvage analysis, for each account, is shown in Appendix D. Moving averages for intervals are also included in Appendix D. The assets of KY Mid-States generally do not incur cost of removal and salvage has declined in over the years. In this study a 0 percent net salvage is recommended for each account, with the exception of Accounts 390, 392, and 396.

### Account Life and Net Salvage Analysis

#### **390.01 – Structures - Frame**

This account includes the cost of buildings and improvements. The account balance is \$180 thousand. The existing life is 40 years with a R2 curve and a net salvage of negative 10 percent. The average age of the investment is approximately 10 years. Based on discussions with Company personnel, judgment and type of assets this study recommends retaining the 40 year life with the R2 dispersion pattern. No graph is provided. A negative 10 percent net salvage is recommended at this time.

**390.04 – Air Conditioning Equipment**

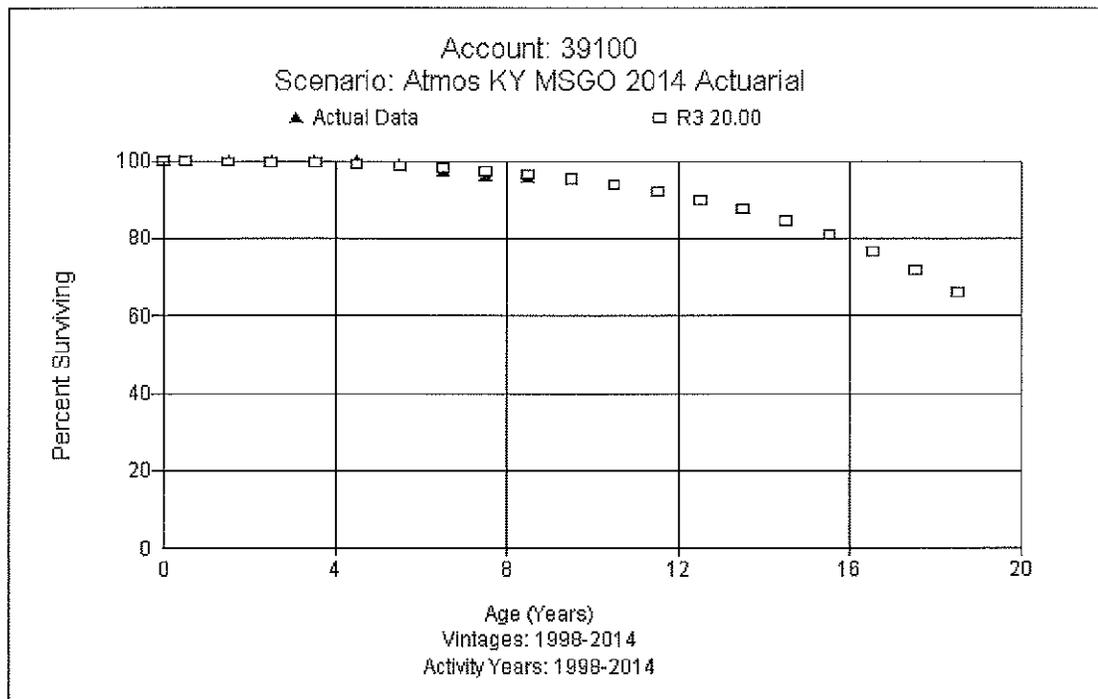
This account includes the cost of air conditioning equipment. The account balance is \$6 thousand. The existing life is 15 years with an R2 curve and a net salvage of negative 10 percent. A negative 10 percent net salvage is recommended as some cost of removal is expected at time of retirement. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

**390.09 – Improvements to Leased Premises**

This account includes the cost of improvements to leased premises. The balance is \$39 thousand. The current life and curve is 20 R3. Assets in this account are tied to the lease term, which is about 20 years. The current average age of investment is nearing 16 years. The 20 R3 dispersion pattern is recommended. No graph is provided. No salvage or removal cost is currently expected for these improvements, therefore a 0 percent net salvage is recommending for this account. This account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

**391.00 – Office Furniture and Equipment**

This account consists of modular furniture, desks, chairs, bookcases, credenzas, file cabinets, office machines and other miscellaneous equipment. The balance is \$42 thousand. The current life and curve is 20 R3. An expected life range for the assets in this account is 20 to 25 years. This study recommends retention of the 20 R3 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is no cost of removal and salvage has declined to a negligible level. A 0 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

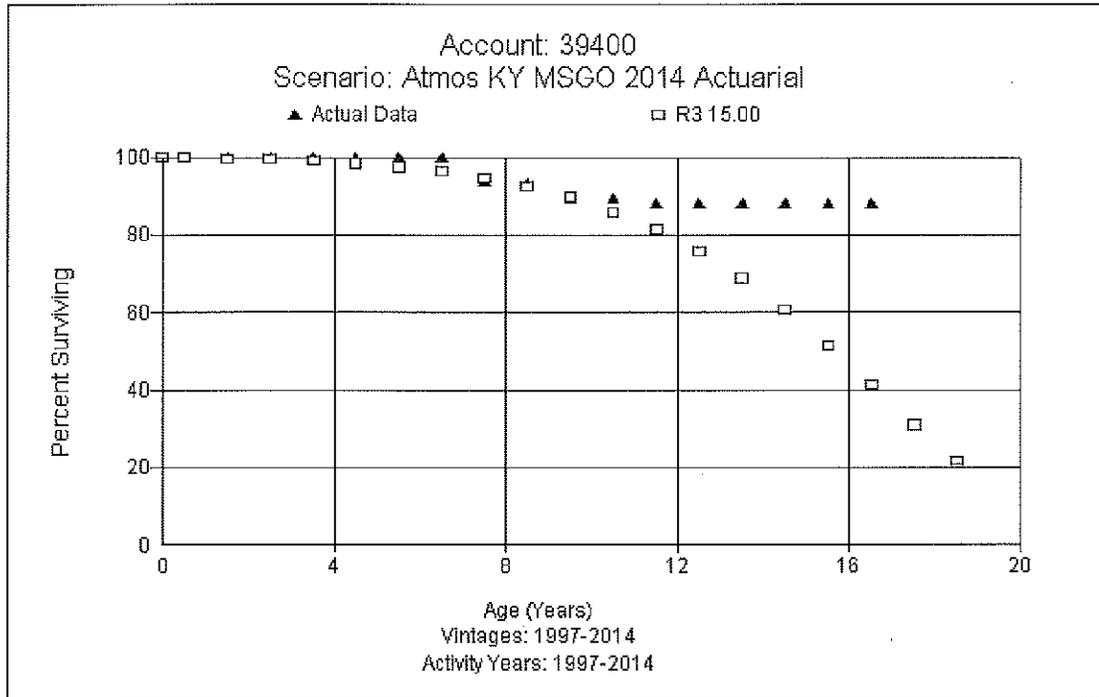


**392.00 – Transportation Equipment**

This account consists of trailers. The balance is \$4 thousand. The current life and curve is 15 L3. This study recommends retention of this dispersion pattern. There has been no net salvage in recent experience. No cost of removal is anticipated but some salvage is expected at time of retirement. A positive 5 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied. No graph is shown.

**394.00 – Tools, Shop & Garage Equipment**

This account consists of various small tools and equipment used in an office. The balance is \$148 thousand in this account. The existing dispersion is 15 R3. The average age of investment is 10.85 years. Due to the type and use of the assets and the analysis, this study recommends retention of the 15 year life and R3 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is generally little or no salvage and no cost of removal related to the equipment in the account. This study recommends a 0 percent net salvage rate for this account.

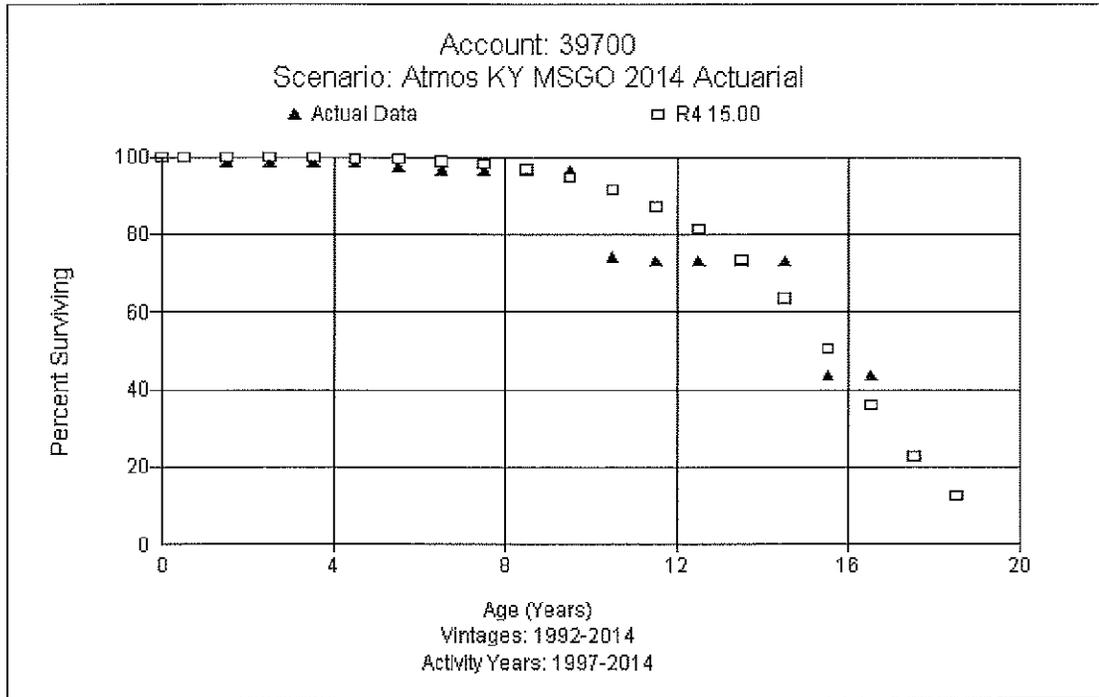


**396.00 – Power Operated Equipment**

This account consists of various power operated equipment, such as forklifts used in an office. The balance is \$20 thousand in this account. The current life and curve is 15 L3. The average age of investment is 9.72 years. Due to the type and use of the assets and the analysis, this study recommends retention of the 15 year life and L3 dispersion pattern. No graph is provided. The current net salvage is positive 5 percent and this study recommends retention of the positive 5 percent net salvage rate for this account.

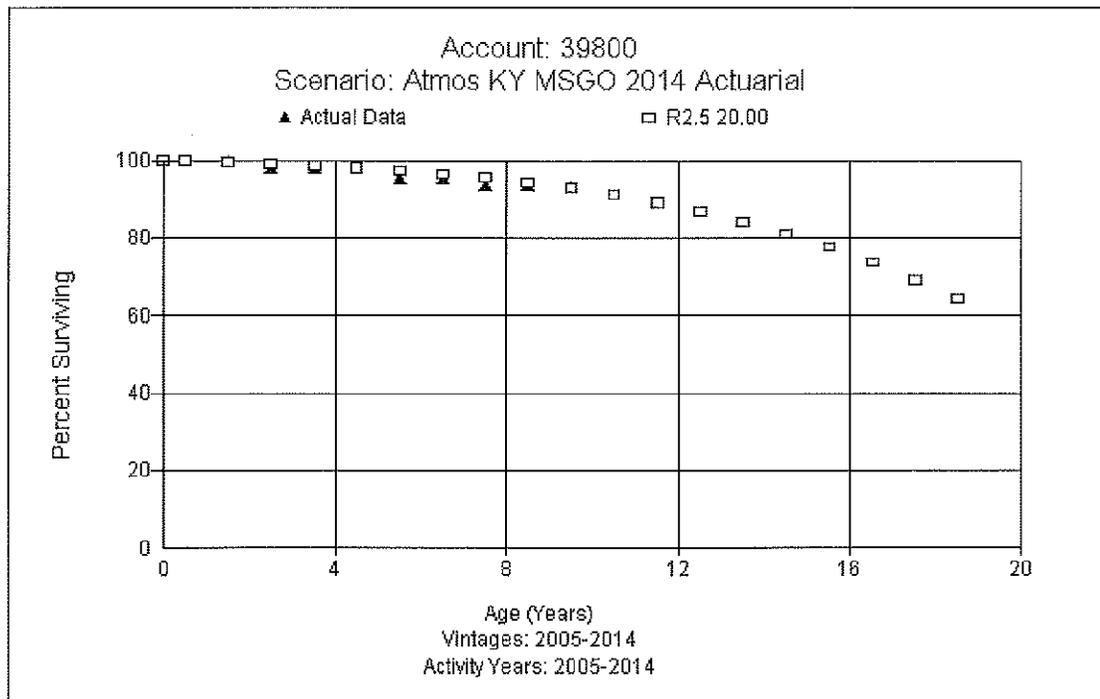
**397.00 – Communications Equipment**

The communications equipment account includes telephone, satellite dish, and radio equipment. The balance is \$226 thousand in this account. Assets in this account have a life range between 10 and 15 years. The current average age of investment is 11.67 years. The existing parameters are 15 R4. This study recommends retaining the current 15 year life and R4 dispersion. A graph of the observed life table and the recommended life and curve are shown below. There has been no recent salvage and removal cost experience. This study recommends a 0 percent net salvage rate for this account.



**Account 398.00 - Miscellaneous Equipment**

This account consists of various small office equipment items, such as kitchen appliances, televisions and audio/video equipment that are not homogeneous with other plant accounts. The balance is \$818 thousand. Currently the life is 20 years with the R2.5 dispersion. The current average age of investment is 12 years. Retirements of assets, as a group, in this account are demonstrating that a 20 year average service life with the R2.5 dispersion for assets in this account is appropriate. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a 0 percent net salvage rate for this account.



**Account 399.00 – Other Tangible Property**

The other tangible property account holds some computer hardware and communication equipment. The account balance is \$77 thousand. The current life and curve is 10 SQ. Since there is no retirement activity, we are recommending retention of the 10 year life and SQ dispersion for this account. No graph of the observed life table is provided. This study recommends a 0 percent net salvage rate for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

**Account 399.01 – Servers Hardware**

This account consists of assets various server hardware and equipment. The balance is \$344 thousand. The current life and curve is 10 SQ. This study recommends retention of the 10 year average service life with the SQ dispersion pattern for this account. No graph is provided. No salvage or cost of removal is expected and a 0 percent net salvage rate is recommended for this account.

**Account 399.02 – Servers Software**

This account consists of server software and licenses. The balance is \$8 thousand. There have been no retirements. The current life and curve is 7 SQ. This study recommends retention of the 7 year average service life with the SQ dispersion pattern for this account. No graph is provided. No salvage or cost of removal is expected and a 0 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

**Account 399.03 – Network Hardware**

This account consists of assets related to networking activities such as routers, switches and miscellaneous networking equipment. The balance is \$209 thousand. This study recommends a 10 year average service life with the SQ dispersion, which is similar to server hardware account. No graph is provided. No

salvage or cost of removal is expected and a 0 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

#### **Account 399.06 – PC Hardware**

This account consists of costs for computer hardware, desktop and laptop computers, monitors and printers. The balance is \$722 thousand. The existing life is 5 years with the R2 dispersion. Company personnel indicated assets in this account are expected to be retired around 4 years of age supported by a 25% retire and replace budget projection for the PC and laptop assets. Based on the analysis; overall indications are for a much longer life. Current average age of survivors is 6.68 years. Because some assets may have a slightly longer life, using judgment, this study recommends a 7 year life with the R2 dispersion, no graph is provided. This study recommends a 0 percent net salvage rate for this account.

#### **Account 399.07 – PC Software**

The PC software account holds booked investment and retirement activity for software assets including operating system software such as Windows, Microsoft Office, and other related application software. The balance is \$40 thousand. The existing life is 7 years with the R1.5 dispersion. This study recommends a 9 year average service life with the R1.5 dispersion. This study recommends a 0 percent net salvage rate for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

#### **Account 399.08 – Application Software**

The applications software account holds booked investment and retirement activity for software assets including billing system software, electronic mapping and training software applications. The balance is \$877 thousand. The existing life is 15 years with the R2.5 dispersion. Past history had larger application software assets with longer life expectations, those have all been

retired. There may be some smaller application software used in a more local environment so this study recommends a 12 year average service life with the R2.5 dispersion for this account. No graph of the observed life table and the recommended life and curve is provided. This study recommends a 0 percent net salvage rate for this account.

**APPENDIX A**

**Comparison of Annual Rate and Accrual**

**Atmos Energy Corporation  
Kentucky Mid-States General Office Property  
Comparison of Depreciation Expense  
Existing vs Proposed Depreciation Accrual Rates  
As of September 30, 2014**

Account	Description	Plant Balance	Existing		Proposed		Change in Depreciation Expense
			Annual Accrual Rate	Annual Accrual	Annual Accrual Rate	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>GENERAL PLANT DEPRECIABLE</b>							
39001	Structures - Frame	\$ 179,338.52	3.13%	\$ 5,612.03	2.68%	\$ 4,806.27	\$ (805.76)
39400	Tools Shop And Garage	148,475.91	6.88%	10,220.66	3.40%	5,054.61	(5,166.05)
39600	Power Operated Equipmnt	19,534.24	6.45%	1,259.82	4.36%	851.56	(408.26)
39700	Communication Equipment	225,613.58	6.93%	15,633.89	3.13%	7,070.41	(8,563.48)
39800	Miscellaneous Equipment	817,796.10	5.23%	42,768.17	3.47%	28,372.14	(14,396.04)
39901	Servers Hardware	344,193.54	9.94%	34,229.81	6.30%	21,697.98	(12,531.83)
39906	Pc Hardware	722,502.99	20.00%	144,500.60	4.37%	31,587.97	(112,912.62)
39908	Application Software	877,020.90	6.67%	58,497.29	0.17%	1,474.81	(57,022.48)
	<b>Total Depreciable Plant</b>	<b>3,334,475.78</b>	<b>9.38%</b>	<b>312,722.27</b>	<b>3.03%</b>	<b>100,915.75</b>	<b>(211,806.52)</b>
<b>GENERAL PLANT FULLY DEPRECIATED</b>							
39004	Air Conditioning Equipment	5,771.00	6.67%		7.33%	*	
39009	Improvements - Leased	38,834.00	5.12%		5.00%	*	
39100	Office Furniture And Equipment	41,784.00	5.00%		5.00%	*	
39200	Transportation Equipment	4,109.69	6.67%		6.67%	*	
39900	Other Tangible Equipment	76,993.22	10.00%		10.00%	*	
39902	Servers Software	8,273.14	14.29%		14.29%	*	
39903	Network Hardware	209,357.66	10.00%		10.00%	*	
39907	Pc Software	39,816.30	14.29%		11.11%	*	
	<b>Total Fully Depreciated Plant</b>	<b>424,939.01</b>		<b>-</b>		<b>-</b>	
	<b>Total Mid States Depreciated</b>	<b>\$ 3,759,414.79</b>		<b>\$ 312,722.27</b>		<b>\$ 100,915.75</b>	<b>\$ (211,806.52)</b>

\*Denotes: Accounts are fully depreciated. A whole life rate (1-net salvage/life), shown above, will be applied when a depreciable base exists until the next study.

**APPENDIX B**  
**Annual Accrual Rate Calculations**

**ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE  
COMPUTATION OF DEPRECIATION ACCRUAL RATE  
AT SEPTEMBER 30, 2014**

Using Equal Life Group		Plant In Service	Book Depreciation	Net	Net Salvage	Unaccrued	Remaining	Annual	Annual
Account	Description	09/30/2014	09/30/2014	Salvage %	Amount	Balance	Life	Accrual	Accrual
								Amount	Rate
<b><u>GENERAL PLANT DEPRECIATED</u></b>									
39001	Structures & Improvements	179,338.52	80,733.56	-10%	(17,933.85)	116,538.81	24.25	4,806.27	2.68%
39400	Tools Shop And Garage	148,475.91	122,366.50	0%	0.00	26,109.41	5.17	5,054.61	3.40%
39600	Power Operated Equipment	19,534.24	12,421.03	5%	976.71	6,136.50	7.21	851.56	4.36%
39700	Communication Equipment	225,613.58	194,714.25	0%	0.00	30,899.33	4.37	7,070.41	3.13%
39800	Miscellaneous Equipment	817,796.10	569,409.34	0%	0.00	248,386.76	8.75	28,372.14	3.47%
39901	Servers Hardware	344,193.54	261,470.13	0%	0.00	82,723.41	3.81	21,697.98	6.30%
39906	Pc Hardware	722,502.99	630,622.06	0%	0.00	91,880.93	2.91	31,587.97	4.37%
39908	Application Software	877,020.90	864,372.04	0%	0.00	12,648.86	8.58	1,474.81	0.17%
<b>Total Depreciated Plant</b>		<b>3,334,476.78</b>	<b>2,736,108.91</b>		<b>(16,957.14)</b>	<b>615,324.01</b>		<b>100,915.75</b>	
<b><u>GENERAL PLANT FULLY DEPRECIATED</u></b>									
39004	Air Conditioning	5,771.00	6,348.10	-10%				0.00 *	7.33%
39009	Improvements - Leased	38,834.00	38,834.00	0%				0.00 *	5.00%
39100	Office Furniture And Equipment	41,784.00	41,784.00	0%				0.00 *	5.00%
39200	Transportation Equipment	4,109.69	3,904.21	5%				0.00 *	6.33%
39900	Other Tangible Equipment	76,993.22	76,993.22	0%				0.00 *	10.00%
39902	Servers Software	8,273.14	8,273.14	0%				0.00 *	14.29%
39903	Network Hardware	209,357.66	209,357.66	0%				0.00 *	10.00%
39907	Pc Software	39,816.30	39,816.30	0%				0.00 *	11.11%
<b>Total Plant Depreciated</b>		<b>424,939.01</b>	<b>425,310.63</b>						

\*Denotes: Accounts are fully depreciated. A whole life rate (1-net salvage/life), shown above, will be applied when a depreciable base exists until the next study.

**APPENDIX C**  
**Comparison of Mortality Characteristics**



**APPENDIX D**  
**Net Salvage Analysis**





**ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION**  
**Depreciation Study as of September 30, 2014**  
**Net Salvage History**

<u>Account</u>	<u>TY</u>	<u>Retirements</u>	<u>Salvage</u>	<u>COR</u>	<u>Net Salvage</u>	<u>Net Salv. %</u>	<u>2-yr Net Salv. %</u>	<u>3-yr Net Salv. %</u>	<u>4-yr Net Salv. %</u>	<u>5-yr Net Salv. %</u>	<u>6-yr Net Salv. %</u>	<u>7-yr Net Salv. %</u>	<u>8-yr Net Salv. %</u>	<u>9-yr Net Salv. %</u>	<u>10-yr Net Salv. %</u>
39200	2014	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39300	1998	29,077.00	0.00	0.00	-	0.0%									
39300	1999	0.00	0.00	0.00	-	NA	0.0%								
39300	2000	0.00	0.00	0.00	-	NA	NA	0.0%							
39300	2001	0.00	0.00	0.00	-	NA	NA	NA	0.0%						
39300	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	0.0%					
39300	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	0.00%				
39300	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	0.00%			
39300	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	0.00%		
39300	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	
39300	2007	6,537.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2008	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2009	0.00	0.00	0.00	-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2010	0.00	0.00	0.00	-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2013	4,161.06	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2014	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39400	1998	0.00	0.00	0.00	-	NA									
39400	1999	0.00	0.00	0.00	-	NA	NA								
39400	2000	0.00	0.00	0.00	-	NA	NA	NA							
39400	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39400	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	NA					
39400	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA				
39400	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA			
39400	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA		
39400	2006	15,243.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39400	2007	1,249.00	48.41	0.00	48.41	3.9%	0.3%	0.3%	0.3%	0.3%	0.29%	0.29%	0.29%	0.29%	0.29%
39400	2008	0.00	0.00	0.00	-	NA	3.9%	0.3%	0.3%	0.3%	0.29%	0.29%	0.29%	0.29%	0.29%
39400	2009	1,641.15	0.00	0.00	-	0.0%	0.0%	1.7%	0.3%	0.3%	0.27%	0.27%	0.27%	0.27%	0.27%
39400	2010	0.00	0.00	0.00	-	NA	0.0%	0.0%	1.7%	0.3%	0.27%	0.27%	0.27%	0.27%	0.27%
39400	2011	0.00	0.00	0.00	-	NA	NA	0.0%	0.0%	1.7%	0.27%	0.27%	0.27%	0.27%	0.27%
39400	2012	0.00	0.00	0.00	-	NA	NA	NA	0.0%	0.0%	1.67%	0.27%	0.27%	0.27%	0.27%
39400	2013	(419.03)	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	1.96%	0.27%	0.27%	0.27%
39400	2014	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	1.96%	0.27%	0.27%
39500	1998	0.00	0.00	0.00	-	NA									
39500	1999	0.00	0.00	0.00	-	NA	NA								
39500	2000	0.00	0.00	0.00	-	NA	NA	NA							
39500	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39500	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	NA					

**ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION**  
**Depreciation Study as of September 30, 2014**  
**Net Salvage History**

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
39500	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA			
39500	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA		
39500	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39500	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2007	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2008	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2009	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2010	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2013	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2014	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	1998	0.00	0.00	0.00	-	NA									
39600	1999	0.00	0.00	0.00	-	NA	NA								
39600	2000	0.00	0.00	0.00	-	NA	NA	NA							
39600	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39600	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	NA					
39600	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA				
39600	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA			
39600	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA		
39600	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39600	2007	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2008	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2009	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2010	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2013	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2014	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39700	1998	0.00	0.00	0.00	-	NA									
39700	1999	0.00	0.00	0.00	-	NA	NA								
39700	2000	3,194.00	0.00	0.00	-	0.0%	0.0%	0.0%							
39700	2001	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%						
39700	2002	0.00	0.00	0.00	-	NA	NA	0.0%	0.0%	0.0%					
39700	2003	0.00	0.00	0.00	-	NA	NA	NA	0.0%	0.0%	0.00%				
39700	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	0.0%	0.00%	0.00%			
39700	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%		
39700	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	
39700	2007	3,184.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2008	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2009	2,751.76	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2010	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%





**ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION**  
**Depreciation Study as of September 30, 2014**  
**Net Salvage History**

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
39901	2008	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2009	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2010	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2013	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2014	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	1998	0.00	0.00	0.00	-	NA									
39902	1999	0.00	0.00	0.00	-	NA	NA								
39902	2000	0.00	0.00	0.00	-	NA	NA	NA							
39902	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39902	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	NA					
39902	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA				
39902	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA			
39902	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA		
39902	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39902	2007	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2008	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2009	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2010	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2013	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2014	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	1998	0.00	0.00	0.00	-	NA									
39903	1999	0.00	0.00	0.00	-	NA	NA								
39903	2000	0.00	0.00	0.00	-	NA	NA	NA							
39903	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39903	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	NA					
39903	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA				
39903	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA			
39903	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA		
39903	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39903	2007	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2008	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2009	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2010	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2013	42,340.49	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39903	2014	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

**ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION**  
**Depreciation Study as of September 30, 2014**  
**Net Salvage History**

<u>Account</u>	<u>TY</u>	<u>Retirements</u>	<u>Salvage</u>	<u>COR</u>	<u>Net Salvage</u>	<u>Net Salv. %</u>	<u>2-yr Net Salv. %</u>	<u>3-yr Net Salv. %</u>	<u>4-yr Net Salv. %</u>	<u>5-yr Net Salv. %</u>	<u>6-yr Net Salv. %</u>	<u>7-yr Net Salv. %</u>	<u>8-yr Net Salv. %</u>	<u>9-yr Net Salv. %</u>	<u>10-yr Net Salv. %</u>
39906	1998	0.00	0.00	0.00	-	NA									
39906	1999	0.00	0.00	0.00	-	NA	NA								
39906	2000	0.00	0.00	0.00	-	NA	NA	NA							
39906	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39906	2002	1,693,996.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%					
39906	2003	3,923.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39906	2004	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39906	2005	0.00	0.00	0.00	-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39906	2006	0.00	0.00	0.00	-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39906	2007	41,174.00	0.00	147.66	(147.66)	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%
39906	2008	0.00	0.00	0.00	-	NA	-0.4%	-0.4%	-0.4%	-0.4%	-0.33%	-0.01%	-0.01%	-0.01%	-0.01%
39906	2009	24,631.70	0.00	0.00	-	0.0%	0.0%	-0.2%	-0.2%	-0.2%	-0.22%	-0.21%	-0.01%	-0.01%	-0.01%
39906	2010	48,092.94	0.00	0.00	-	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.13%	-0.13%	-0.13%	-0.01%	-0.01%
39906	2011	1,431.13	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.13%	-0.13%	-0.13%	-0.12%	-0.01%
39906	2012	3,062.70	0.00	90.89	(90.89)	-3.0%	-2.0%	-0.2%	-0.1%	-0.1%	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%
39906	2013	643,291.29	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	-0.03%	-0.03%	-0.03%	-0.03%
39906	2014	1,326.41	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	-0.01%	-0.03%	-0.03%	-0.03%
39907	1998	0.00	0.00	0.00	-	NA									
39907	1999	0.00	0.00	0.00	-	NA	NA								
39907	2000	0.00	0.00	0.00	-	NA	NA	NA							
39907	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39907	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	NA					
39907	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA				
39907	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA			
39907	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA		
39907	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39907	2007	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2008	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2009	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2010	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2013	88,815.18	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2014	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	1998	0.00	0.00	0.00	-	NA									
39908	1999	0.00	0.00	0.00	-	NA	NA								
39908	2000	0.00	0.00	0.00	-	NA	NA	NA							
39908	2001	0.00	0.00	0.00	-	NA	NA	NA	NA						
39908	2002	0.00	0.00	0.00	-	NA	NA	NA	NA	NA					
39908	2003	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA				
39908	2004	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA			

**ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION**  
**Depreciation Study as of September 30, 2014**  
**Net Salvage History**

<u>Account</u>	<u>TY</u>	<u>Retirements</u>	<u>Salvage</u>	<u>COR</u>	<u>Net Salvage</u>	<u>Net Salv. %</u>	<u>2- yr Net Salv. %</u>	<u>3- yr Net Salv. %</u>	<u>4- yr Net Salv. %</u>	<u>5- yr Net Salv. %</u>	<u>6- yr Net Salv. %</u>	<u>7- yr Net Salv. %</u>	<u>8- yr Net Salv. %</u>	<u>9- yr Net Salv. %</u>	<u>10- yr Net Salv. %</u>
39908	2005	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2006	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2007	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2008	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2009	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2010	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2011	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2012	0.00	0.00	0.00	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2013	707,722.30	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2014	0.00	0.00	0.00	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

**ATMOS ENERGY CORPORATION  
SHARED SERVICES UNIT**

**DEPRECIATION RATE STUDY**

**As of September 30, 2014**



<http://www.utilityalliance.com>

**ATMOS ENERGY CORPORATION - SHARED SERVICES UNIT  
DEPRECIATION RATE STUDY  
EXECUTIVE SUMMARY**

Atmos Energy Corporation (“Atmos” or “Company”) engaged Alliance Consulting Group to conduct a depreciation study of the Company’s Shared Services Unit (“SSU” or “Shared Services”) operations depreciable assets as of fiscal year end September 30, 2014. SSU provides support to Atmos Energy Corporation’s regulated utility divisions.

The regulated natural gas utility divisions during the year ended September 30, 2014 were:

- Atmos Colorado-Kansas Division
- Atmos Louisiana Division
- Atmos Kentucky Mid-States (Kentucky, Tennessee, and Virginia) Division
- Atmos Mississippi Division
- Atmos Mid-Tex Division
- Atmos West Texas Division
- Atmos Pipeline Texas Division

The depreciation rates are based on the straight-line method, equal life group (“ELG”) procedure, and remaining-life technique. This study results in an annual depreciation expense accrual of \$21.7 million when applied to depreciable plant balances as of September 30, 2014.

The depreciation study we conducted analyzed and developed depreciation recommendations at an account level. The resulting annual depreciation accrual amounts and depreciation rates contained in this study are at the account level. The Company will accrue depreciation expense based on the account level depreciation rates developed in this study. Appendix A demonstrates the annual depreciation expense.

**ATMOS ENERGY CORPORATION**  
**ATMOS SHARED SERVICES UNIT**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2014**  
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## **PURPOSE**

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on Shared Services' books at September 30, 2014. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of Shared Services' property on a straight-line basis. Non-depreciable property and property which is amortized, such as intangibles were excluded from this study.

Shared Services is a division of Atmos Corporation dedicated to providing various support services to its operating companies. As of the study date, Shared Services supported regulated gas utility divisions operating in eight different states.

## STUDY RESULTS

The existing and current study annual depreciation expense results from the use of Iowa Curve dispersion patterns with average service life, the equal life group ("ELG") procedure and remaining-life technique, and consideration of net salvage in the development of the study recommended depreciation rates. Detailed information for each of these factors will follow in this report.

Overall depreciation rates for Shared Services depreciable property are shown in Appendix A. These rates translate into an annual depreciation accrual of \$21.7 million based on Shared Services' depreciable investment at September 30, 2014.

Appendix A presents the recommended study annual accrual rates and amounts. Appendix B presents the development of the depreciation rates and annual accruals. Appendix C presents the recommended study mortality and net salvage parameters by account. Appendix D shows net salvage history by plant account.

## GENERAL DISCUSSION

### **Definition**

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

### **Basis of Depreciation Estimates**

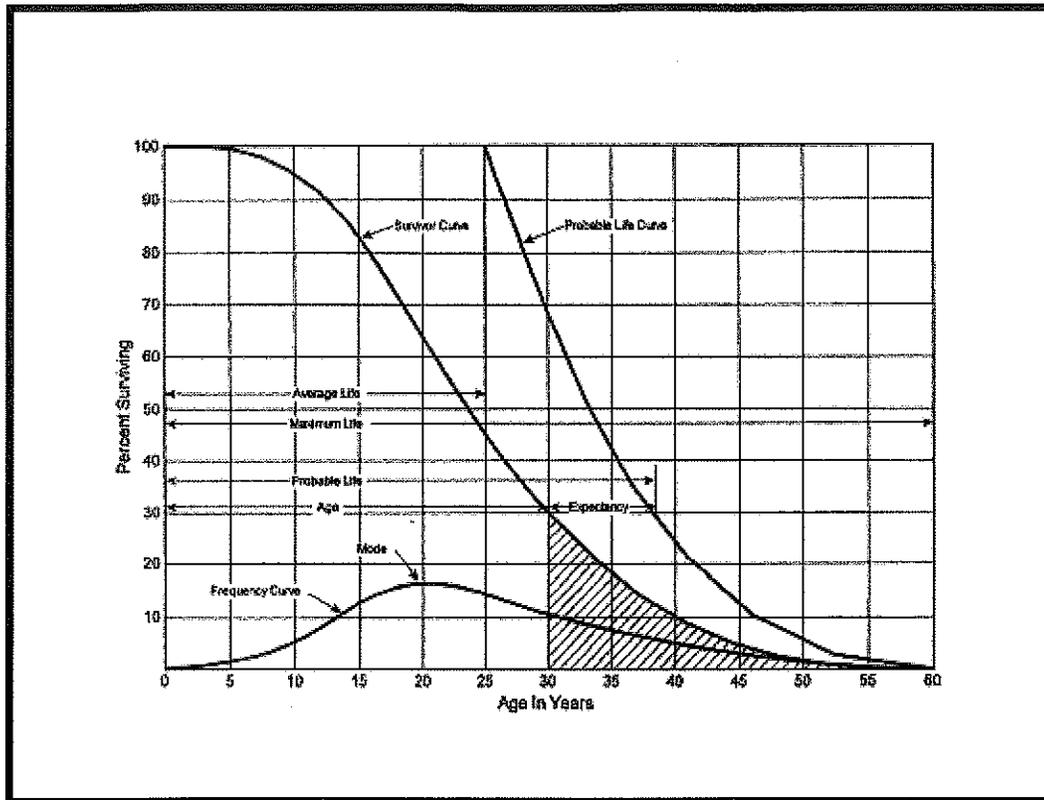
The straight-line, equal life group ("ELG"), remaining-life depreciation system was employed to calculate annual and accrued depreciation in this study. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset less allocated depreciation reserve less estimated net salvage by its respective equal life group remaining life. The resulting annual accrual amounts of all depreciable property within a function were accumulated, and the total was divided by the original cost of all functional depreciable property to determine the depreciation rate. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group. The computations of the annual depreciation rates are shown in Appendix B and remaining life calculations are provided in the workpapers.

Actuarial analysis was used with each account within a function where

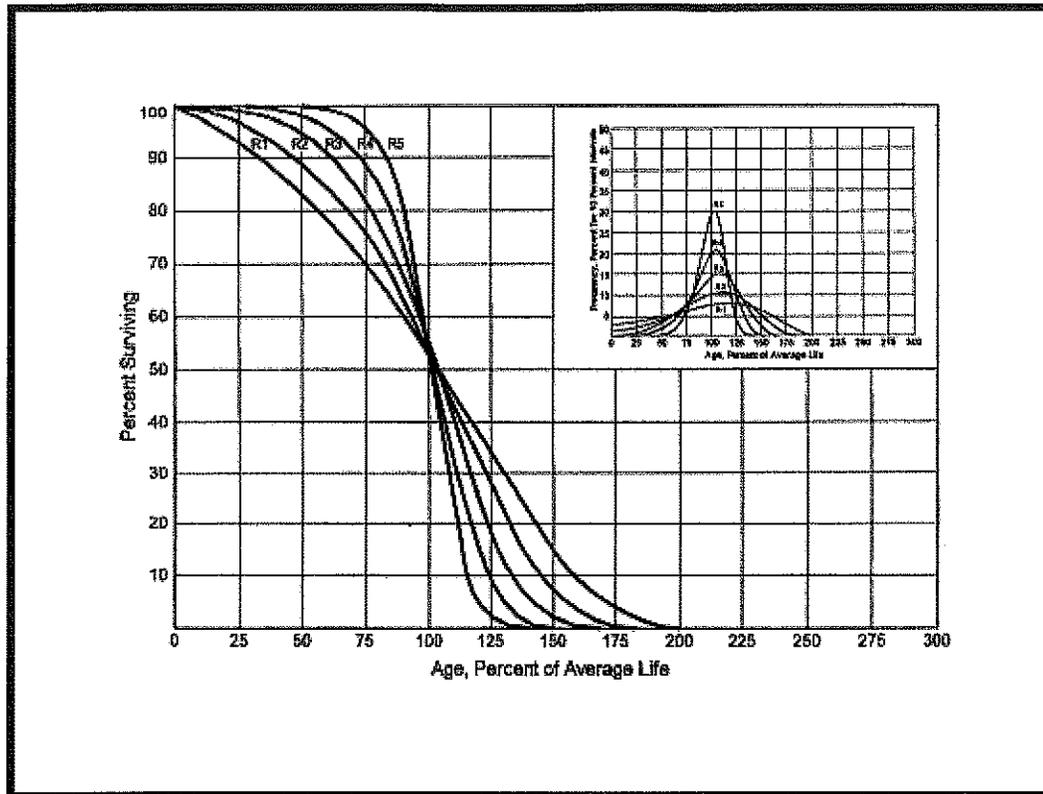
sufficient data was available, and judgment was used to some degree on all accounts.

### **Survivor Curves**

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.



There are four families in the Iowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of "R" moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency) while a "1" indicates a large dispersion about the mode (i.e., low mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique average service life. The blending of judgment concerning current conditions and

future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

### **Actuarial Analysis**

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Where data was available, accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. The results from these analyses for those accounts which had data sufficient to be analyzed using this method are shown in the Life Analysis section of this report.

### Judgment

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis (potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. Individually, no one factor in these cases may have a substantial impact on the analysis, but overall, may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for Shared Services' accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the Retirement Rate actuarial methods. The appropriateness of lives and curves depends not only on statistical analyses, but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

### **Equal Life Group Depreciation**

Atmos agreed that the continued use of the ELG depreciation procedure was appropriate. This study uses the ELG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ELG groups are defined by their respective account dispersion, life, and net salvage estimates. A straight-line rate for each ELG group is computed and accumulated across each vintage. The resulting rate for each ELG group is designed to recover all retirements less net salvage as each vintage retires. The ELG procedure recovers net book cost over the life of each ELG group rather than averaging many components. It also closely matches the concept of component or item accounting found in all accounting textbooks.

### **Theoretical Depreciation Reserve**

The Company's book depreciation reserves were reallocated based on the theoretical reserves for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each

vintage. The equal life group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within the vintage is retired. Estimated average service lives and dispersion determine the amount within each equal life group. The equal life group-remaining-life theoretical reserve ratio (RRELG) is calculated as:

$$RRELG = 1 - \frac{(ELG \text{ Remaining Life})}{(ELG \text{ Life})} * (1 - \text{Net Salvage Ratio})$$

## DETAILED DISCUSSION

### Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of depreciation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis and salvage analysis sections and also in workpapers.

Phase 2 is where the actuarial analysis is performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables for life analysis. These tables are visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

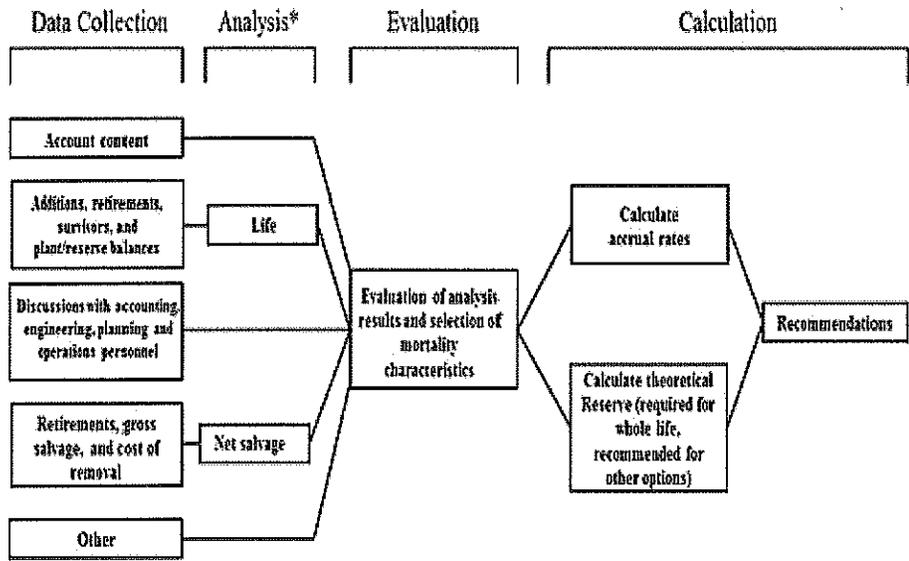
Phase 3 is the evaluation process which synthesizes analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 is further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allow the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in a final report. The calculation of accrual rates is found in Appendix B. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1<sup>1</sup> documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analyses, evaluation of statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

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<sup>1</sup> Public Utility Finance & Accounting; A Reader

### Book Depreciation Study Flow Diagram



Source: Introduction to Depreciation for Public Utilities and Other Industries, AGA EEI, 2013.

\*Although not specifically noted, the mathematical analysis may need some level of input from other sources (for example, to determine analysis bands for life and adjustments to data used in all analysis).

Figure 1

## SHARED SERVICES DEPRECIATION STUDY PROCESS

### **Depreciation Rate Calculation**

Annual depreciation expense amounts for the depreciable property accounts of Shared Services were calculated by the straight line, equal life group, and remaining-life system. With this approach, remaining lives were calculated according to standard ELG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense. These calculations are shown in Appendix B.

### **Remaining Life Calculation**

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using the actuarial methods. After establishment of appropriate average service lives and retirement dispersions, remaining lives were computed for each account. The theoretical depreciation reserve with zero net salvage (used in calculating remaining life) was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the general discussion section. The difference between plant balance and theoretical reserve was then spread over the ELG depreciation accruals. After accumulating the ELG accruals across each vintage, the annual accrual was divided into the net balance to compute remaining life. Details of the theoretical reserve computations, ELG accruals, and remaining life are found by account within each division in the study workpapers.

### **Calculation Process**

Annual depreciation expense amounts for all accounts were calculated by the straight line, remaining life procedure.

In a whole life representation, the annual accrual rate is computed by the

following equation,

$$\text{Annual Accrual Rate} = \frac{(100\% - \text{Net Salvage Percent})}{\text{Average Service Life}}$$

Use of the remaining life depreciation system adds a self-correcting mechanism, which accounts for any differences between theoretical and book depreciation reserve over the remaining life of the group. With the straight line, remaining life, average life group system using lowa Curves, composite remaining lives were calculated according to standard broad group expectancy techniques, noted in the formula below:

$$\text{Composite Remaining Life} = \frac{\sum \text{Original Cost} - \text{Theoretical Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the composite remaining life to yield the annual depreciation expense as noted in this equation where the net salvage percent represents future net salvage.

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost} - \text{Book Reserve} - (\text{Original Cost}) * (1 - \text{Net Salvage \%})}{\text{Composite Remaining Life}}$$

Within a group, the sum of the group annual depreciation expense amounts, as a percentage of the depreciable original cost investment summed, gives the annual depreciation rate as shown below:

$$\text{Annual Depreciation Rate} = \frac{\sum \text{Annual Depreciation Expense}}{\sum \text{Original Cost}}$$

These calculations are shown in Appendix B. The calculations of the theoretical depreciation reserve values and the corresponding remaining life calculations are shown in workpapers. Book depreciation reserves were allocated to individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

## LIFE ANALYSIS

The retirement rate actuarial analysis method was applied to all accounts for Shared Services. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. A selected curve for each account is shown in the Life Analysis Section of this report. The observed life tables for all analyzed placement and experience bands are provided in workpapers.

For the overall band (i.e. placement from earliest vintage year which varied for each account through 2014) for each account, various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S, or R) as a better match than others. The next step would be to determine the most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed, for instance 1950-2014, 1985-2014, etc. Next placement bands of varying width were plotted with each experience band discussed above. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. The goal of visual matching was to minimize the differential between the observed life table and Iowa curve in top and mid range of the plots. These results are used in conjunction with all other factors that may influence asset lives.

## NET SALVAGE CONSIDERATIONS

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset).

### Net Salvage Characteristics

The net salvage analysis, for each account, is shown in Appendix D. Moving averages for intervals are also included in Appendix D. The assets of Shared Services generally do not incur cost of removal and salvage has declined in recent years. In this study a zero percent net salvage is recommended for each account, with the exception of Account 392, Transportation Equipment.

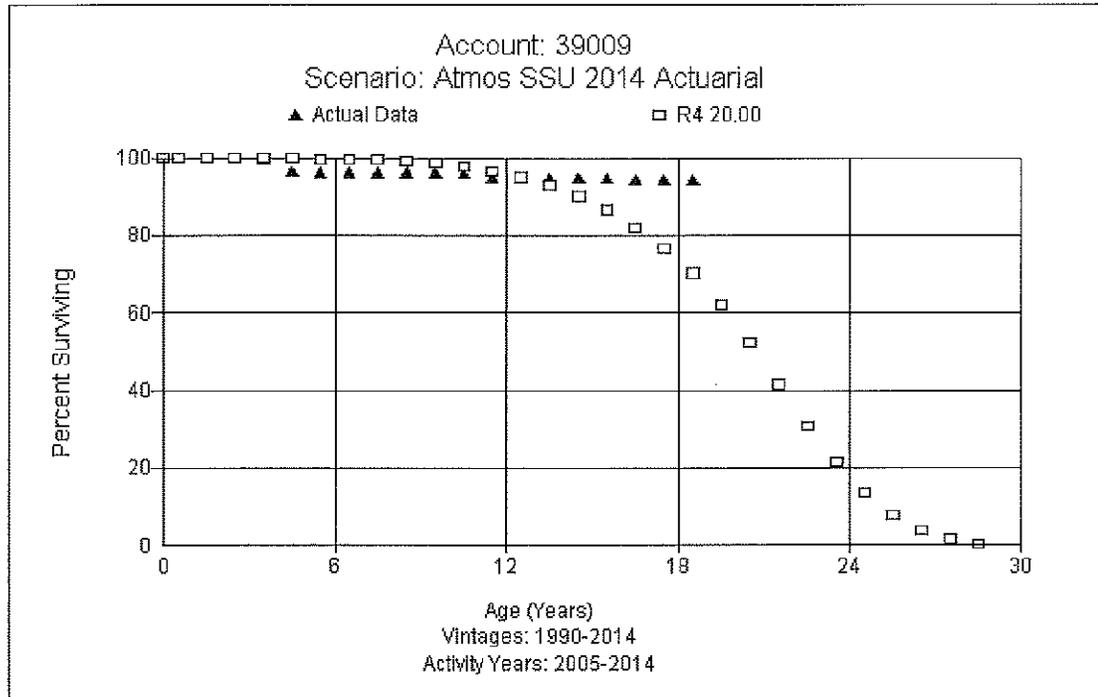
### Account Life and Net Salvage Analysis

#### **39000 – Structures & Improvements**

This account includes the cost of buildings and improvements including the Greenville operations center and the Charles K. Vaughn training center. The account balance is \$33.5 million. The average age of investment is 4.47 years. Due to the young age of the surviving investment, no curve fits were possible. Based on judgment and type of assets this study recommends a 40 year life with the R2 dispersion pattern. No graph is provided. Little to no salvage is expected. However, some cost of removal at end of life is expected for some of the assets but none has been recorded. Therefore, a zero percent net salvage is recommended at this time.

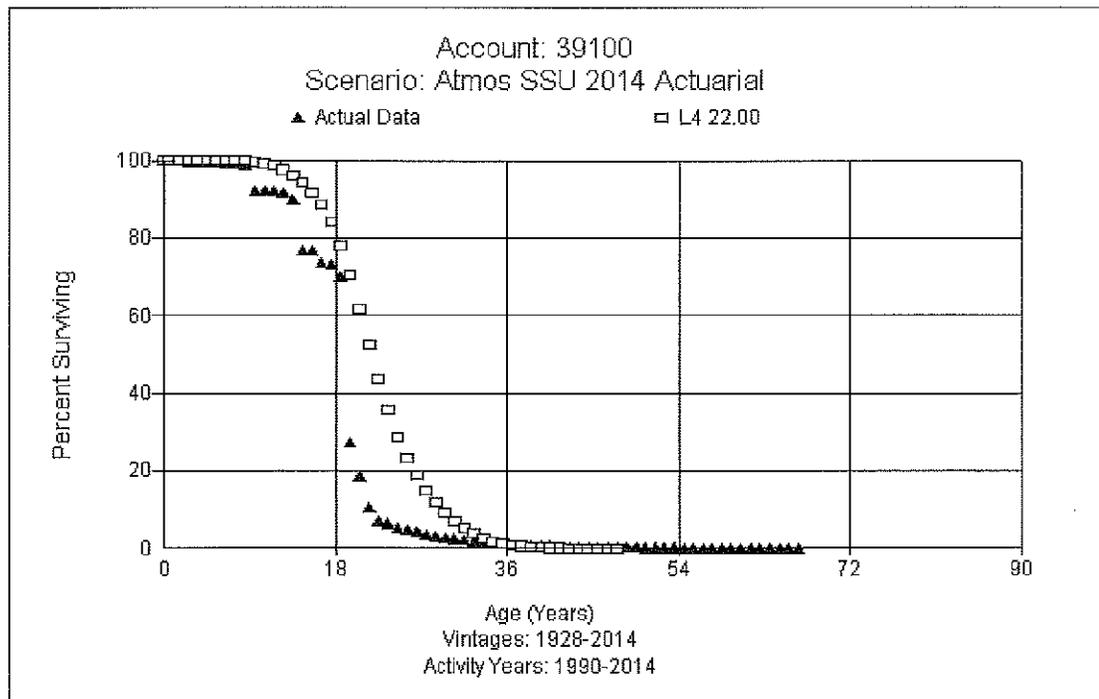
**39009 – Improvements to Leased Premises**

This account includes the cost of improvements to leased premises such as the Dallas office and call centers. The balance is \$13.1 million. Assets in this account are tied to the lease term, which is about 20 years. This study recommends retaining the 20 R4 at this time. A graph of the observed life table and the recommended life and curve are shown below. No salvage or removal cost is currently expected for these improvements, therefore a zero percent net salvage is recommending for this account.



### 39100 – Office Furniture and Equipment

This account consists of modular furniture, desks, chairs, bookcases, credenzas, file cabinets, office machines and other miscellaneous equipment. The balance is \$12.8 million. The currently approved dispersion pattern is 22 L4. An expected life range for the assets in this account is 20 to 25 years. However, the current study analysis indicates a shorter life. Discussions with Company personnel indicated some offices had been renovated and more retirements were made than would typically occur. Based on the Company input, the analysis, and future expectations, this study recommends retaining the existing 22 L4 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is no cost of removal and salvage has declined to a negligible level. A zero percent net salvage rate is recommended for this account.



**39200 – Transportation Equipment**

This account consists of all transportation equipment. The balance is \$103 thousand. The currently approved dispersion pattern is unknown. Depending on the type and mix of assets, this account can range from 5-15 years. No curve fits were possible. The current average age of investment is 4.33 years. Only one retirement has been recorded. The Company leases most of its vehicles and surviving assets are golf carts, a trailer, and other miscellaneous equipment. Based on the surviving assets, this study recommends a 10 L2. No graph is provided. There is no cost of removal and salvage has declined to a negligible level. However, some salvage is expected and a 10 percent net salvage rate is recommended for this account.

**39400 – Tools, Shop & Garage Equipment**

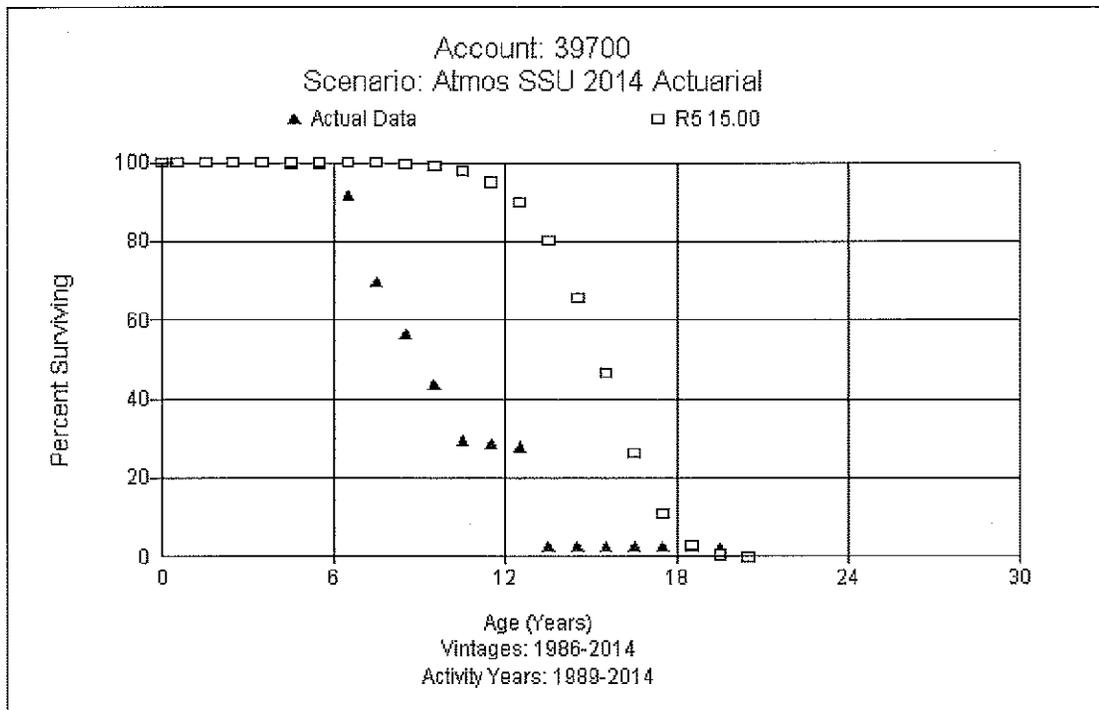
This account consists of various small tools and equipment used in an office. The balance is \$264 thousand in this account. The average age of investment is 3.59 years. Due to the type and use of the assets and the analysis, this study recommends retention of the 11 S6 life and dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is generally little or no salvage and no cost of removal related to the equipment in the account. This study recommends a zero percent net salvage rate for this account.

**39500 – Laboratory Equipment**

This account consists of laboratory equipment. The balance is \$24 thousand in this account. The average age of investment is 3.01 years. Assets are young, 3.01 years and no retirement activity has been recorded so no curve fits were made. Based on the type and use of the assets, this study recommends a 10 R2. No graph is provided. There is generally little or no salvage and no cost of removal related to the equipment in the account. This study recommends a zero percent net salvage rate for this account.

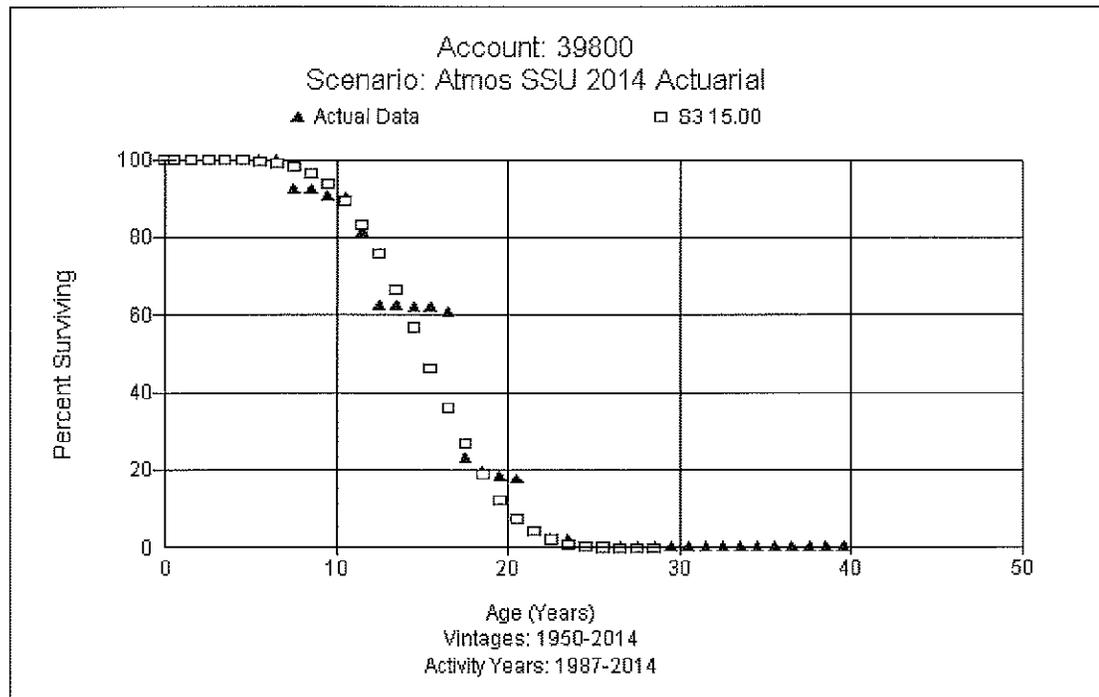
**39700 – Communications Equipment**

The communications equipment account includes communication, computer hardware, telephone, and radio equipment. The balance is \$4.7 million in this account. The current average age of assets is 6.46 years. Within 6-9 months, all switches for call center will be split between Greenville Data center (primary) and Lincoln (backup). All were replaced within last 3 years (as well as Lincoln telephone switch). Call center switches were 10-15 years old at retirement. A 15 year life is reasonable and the Company will replace pieces under O&M in the interim. Based on the analysis, the best fits were indicating a life between 7-9 years, which is due to large level of retirements in last few years. Based on all the information and judgment, a 15 year life with the R5 dispersion is recommended. A graph of the observed life table and the recommended life and curve are shown below. There has been no recent salvage and removal cost experience. This study recommends a zero percent net salvage rate for this account.



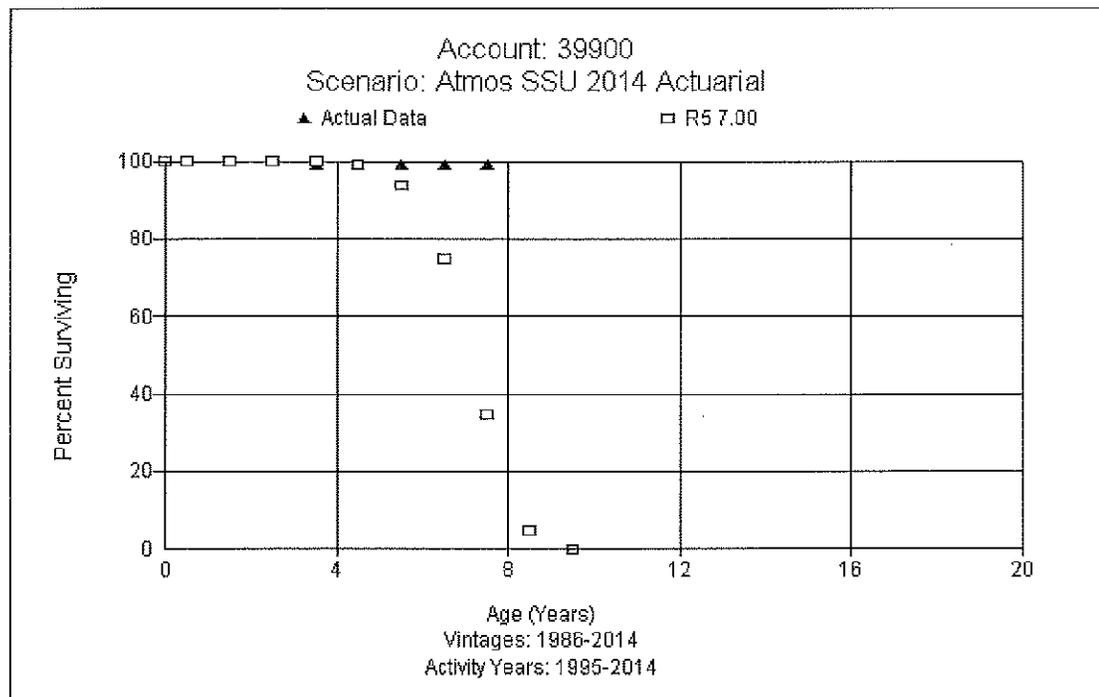
**Account 39800 - Miscellaneous Equipment**

This account consists of various small office equipment items, such as kitchen appliances, televisions and audio/video equipment that are not homogeneous with other plant accounts. The balance is \$510 thousand. The majority of the fits, except the most recent bands, indicated a life around 15 years. The 15 year average service life with the S3 dispersion for assets in this account is a good fit and is recommended. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



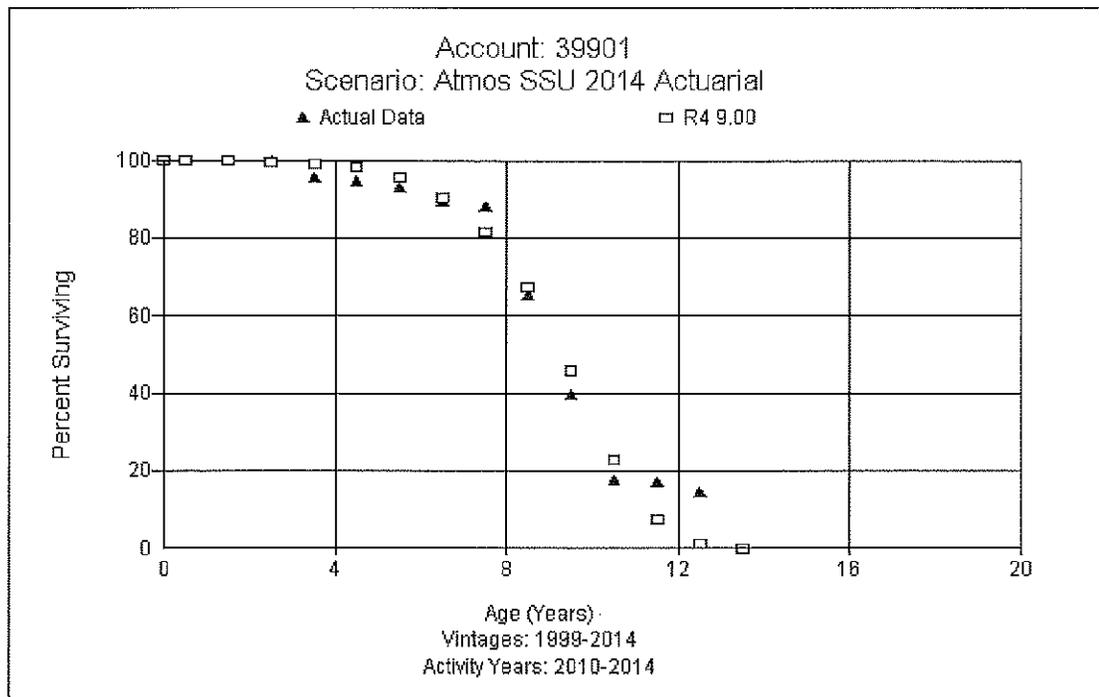
**Account 39900 – Other Tangible Property**

The other tangible property account holds some computer hardware and communication equipment. The account balance is \$889 thousand. The average age of the investment is 2.31 years and average age of retirements is 7.34 years. Best fits indicate a 7 year life, which is consistent with the expectations for this type of asset. The study recommends a 7 year life with the R5 dispersion for this account. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



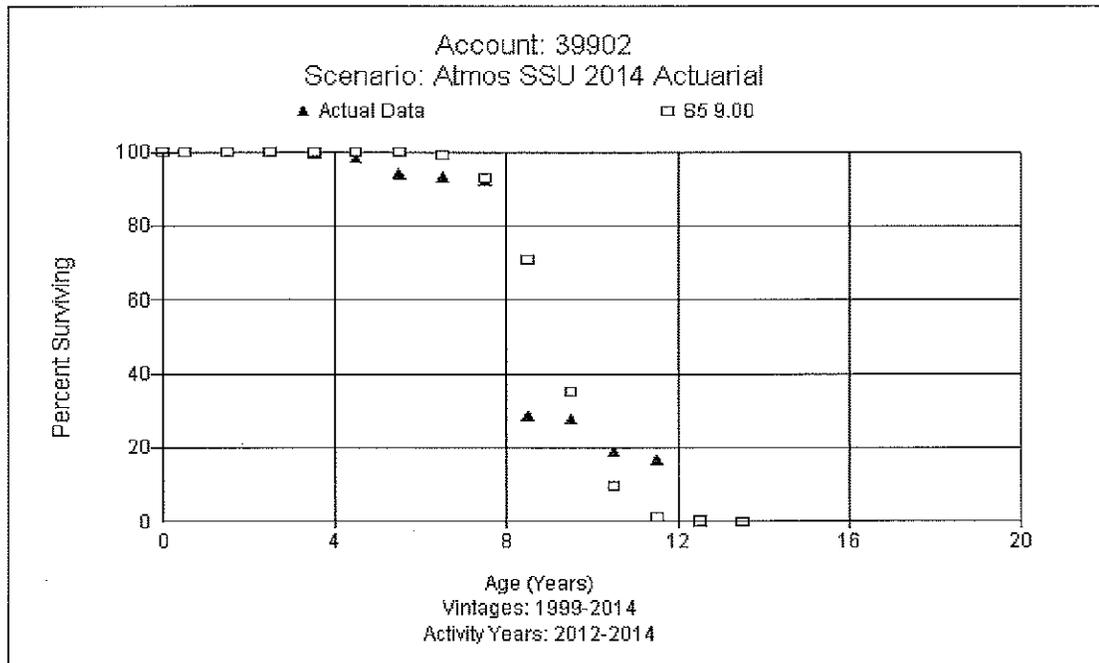
**Account 39901 – Servers Hardware**

This account consists of assets such as the HP 9000 RP 8420 servers, Oracle server, EMC DMX 3 disk array, Banner server, Markview servers and other server hardware and equipment. The balance is \$38 million. Discussions with Company personnel indicated some older equipment may stay for an extended time – but newer assets are replaced closer to a 7 years cycle. Based on the analysis and Company input, this study recommends the R4 9 for this account. A graph of the observed life table and the recommended life and curve are shown below. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.



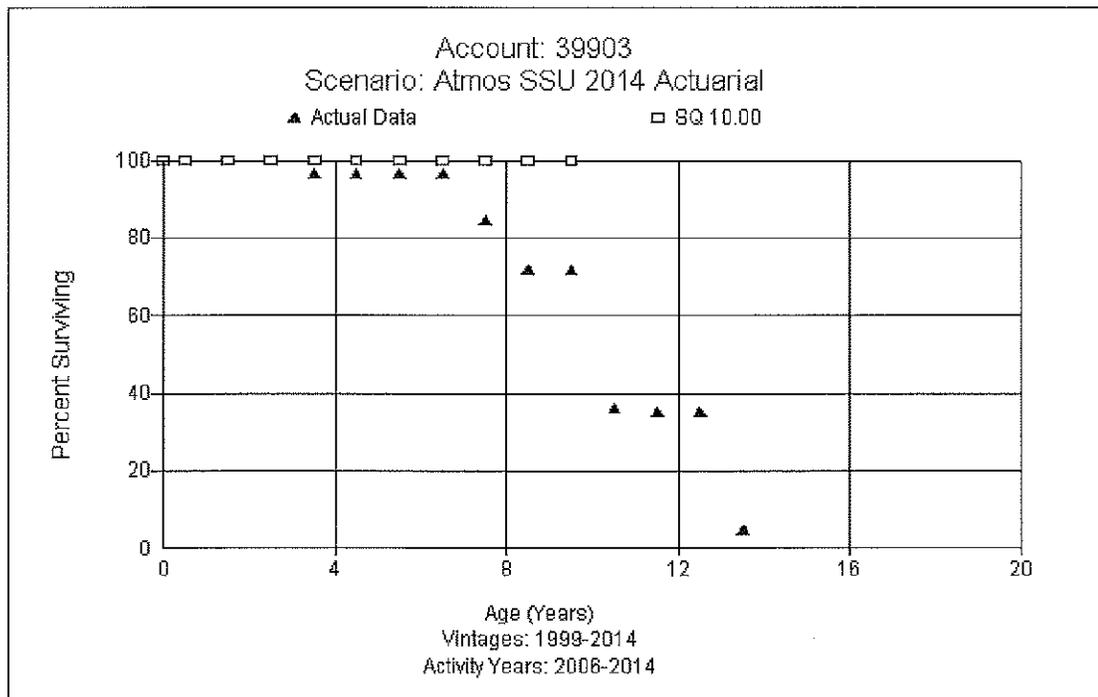
**Account 39902 – Servers Software**

This account consists of assets such as the Banner, Oracle, VMWare, Appwork scheduling, Witness, Networker, and other server attendant software for billing and software licenses. The balance is \$18.1 million. The average age of investment is 4.84 years. The average age of retirements is 11.75 years. The Company lengthened the lives of some assets due to the CSS project but now is in “catch-up” mode. Based on discussions with Company personnel software is not necessarily tied to servers. They purchase data center licenses but when a server is replaced, they don’t necessarily have to replace software. In 2014 purchased Windows server 2012 to replace the 2003 version. Technology changes are a driver for retirement and replacement. Although the Company believes a 7 year life is reasonable, based on all the information, this study recommends a 9 year average service life with and S5 dispersion pattern for this account. A graph of the observed life table and the recommended life and curve are shown below. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.



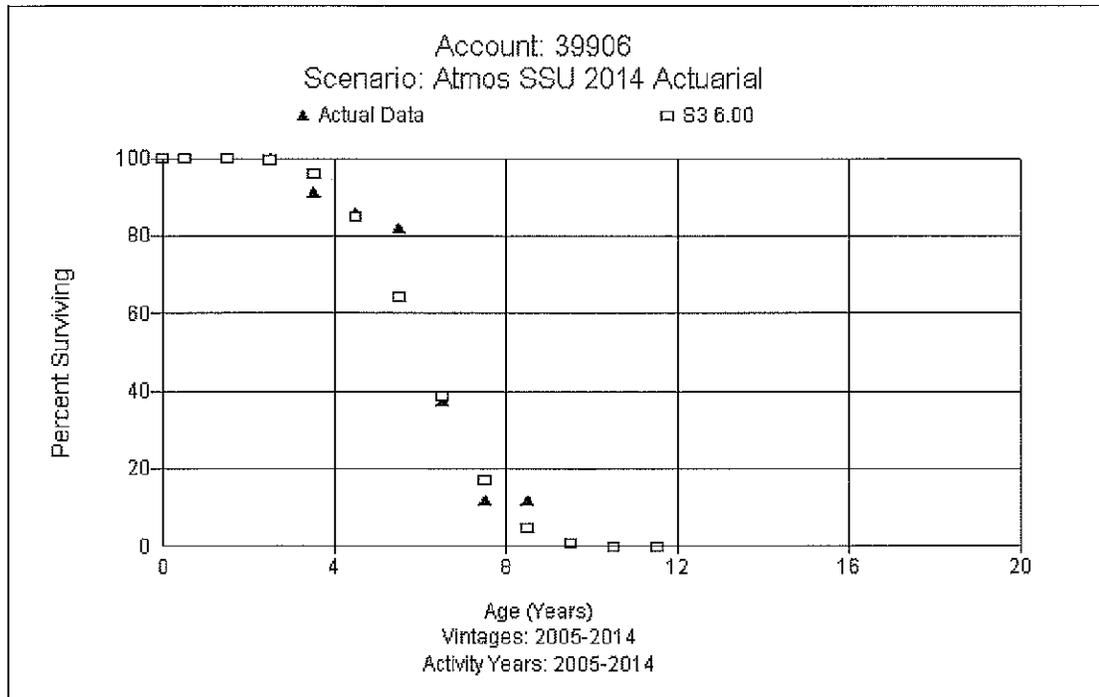
**Account 39903 – Network Hardware**

This account consists of assets related to networking activities such as routers, switches and miscellaneous networking equipment. The balance is \$4 million. The average age of retirements is 8.78 years and the average age of investment is 6.33 years. Based on discussions with Company personnel 10 years is reasonable. Currently, there is a major effort to replace all network hardware. The Company may upgrade firmware more frequently as part of expense or no charge due to maintenance contract. The analysis indicates best fits between 10-13 years. Based on all the information, this study recommends the 10 SQ, which is slightly longer than server hardware. A graph of the observed life table and the recommended life and curve are shown below. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.



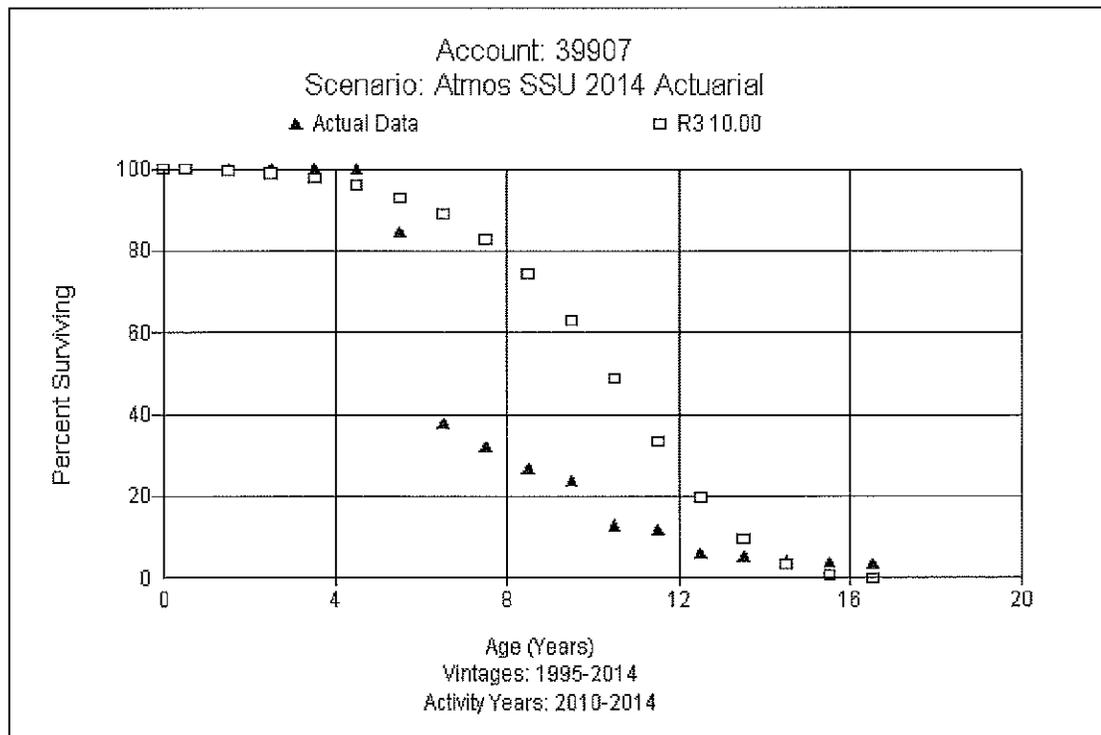
**Account 39906 – PC Hardware**

This account consists of costs for computer hardware, desktop and laptop computers, PC's for the call center, servers, and some costs associated with software licenses for PC's and servers. The balance is \$3.8 million. The average age of investment is 4.45 years and average age of retirements is 7.35 years. The life indications in the actuarial analysis suggest a life between 6-7 years. Based on discussions with Company personnel, they are holding closer to a refresh cycle. There may be some delays in retiring off the books but the analysis should see a shorter life than in the past. The average pcs/person has decreased from 1.5 to 1.2 per person. Therefore, using the most recent bands, Company input, and judgment, this study recommends a 6 year life with the S3 dispersion. A graph of the observed life table and the recommended life and curve are shown below. Generally, the Company will pay a third party to pick up old PCs but at a nominal cost. This study recommends a zero percent net salvage rate for this account.



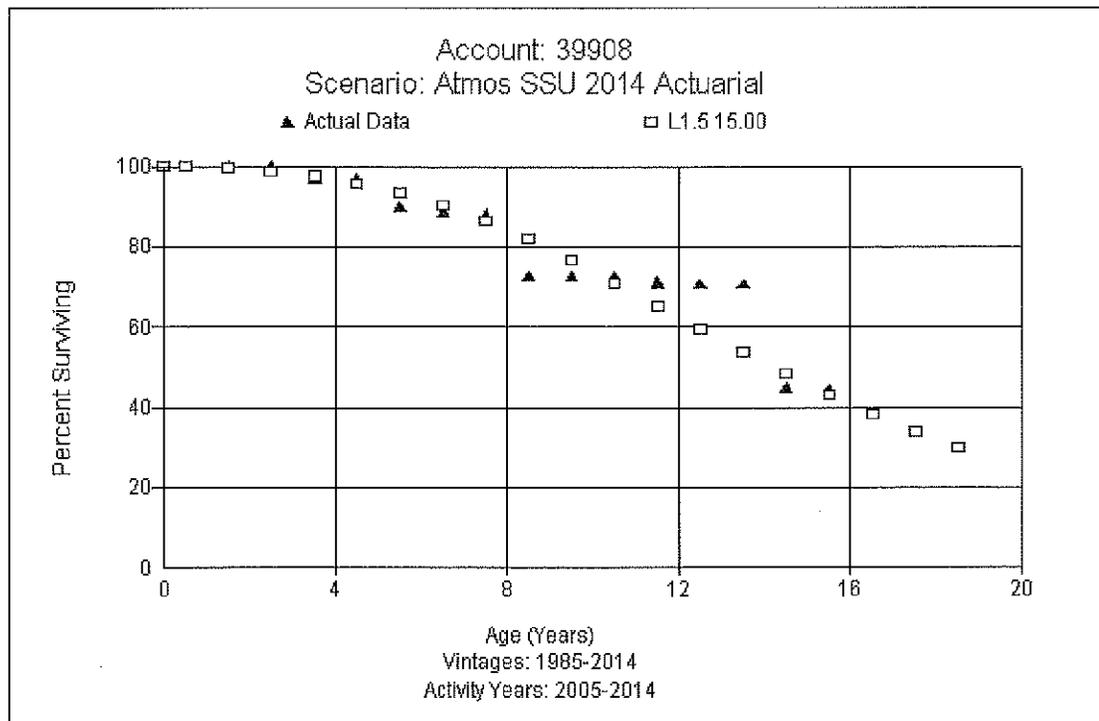
**Account 39907 – PC Software**

The PC software account holds booked investment and retirement activity for software assets including operating system software such as Windows 2000 or Windows XP, Microsoft Office, call center, Verizon dialer software, Genesys upgrade, MS Project and other related application software. The balance is \$1.6 million. The average age of investment is 7.46 years and average age of retirements is 9.12 years. Based on discussions with Company personnel the PC Software should be tied to the PC Hardware although a few software assets may have longer life e.g., Office. The Company indicated 10 years is probably at the top of the live range. There has been retirement activity in this account and the majority of the life indications in the actuarial analysis are between 9-10 years. Based on the analysis, Company input, type of assets, and judgment, this study recommends using a 10 year average service life with the R3 dispersion. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



**Account 39908 – Application Software**

The applications software account holds booked investment and retirement activity for software assets including billing system software, electronic mapping and training software applications, Oracle upgrade, Banner, Data Mart System, PowerPlant System, Advantage System application and the Waco Call Center IT build. The balance is \$205 million. The average age of investment is 6.55 years and average age of retirements is 10.14 years. Based on discussions with Company personnel, a new CSS application is in service. A 15-20 year life for the large enterprise systems is reasonable. Smaller systems would have a shorter life. Oracle Financial 2012 was put in last year. When upgraded, the Company will capitalize upgrades but not retire original platform. Based on the analysis, numerous fits are around 12 years. Based on all the information and judgment, this study recommends a 15 year average service life with the L1.5 dispersion for this account. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



**Account 39909 – Main Frame Software**

This account consists of costs related to Oracle, assembler language, security control package, natural VSAM and other related software. The balance is \$1.0 million and is fully depreciated. The assets will be retired and not replaced due to the use of server technology in place.

**APPENDIX A**  
**Annual Rate and Accrual**

## Appendix A

**Atmos Energy - Shared Services**  
**At September 30, 2014**  
**Depreciation Study Annual Depreciation Rates and Accruals**

Account	Description	Plant Balance 09/30/2014	Accrual Rate	Annual
				Accrual Amount
(a)	(b)	(c)	(d)	(e)
<b><u>DIVISION 002 - SSU GENERAL OFFICE</u></b>				
39000	Structure & Improvements	\$ 1,309,245.93	3.01%	\$ 39,432.12
39005	Structure & Improvements	9,199,400.51	3.01%	277,069.34
39009	Improvements - Leased	8,856,029.45	3.25%	287,646.34
39100	Office Furniture & Equipment	10,496,896.14	3.96%	416,169.19
39104	Office Furniture & Equipment	63,740.85	3.96%	2,527.13
39200	Transportation Equipment	103,415.63	8.34%	8,621.95
39400	Tools, Shop, & Garage Equipment	264,475.83	8.37%	22,130.70
39500	Laboratory Equipment	23,632.07	10.05%	2,374.04
39700	Communication Equipment	2,448,692.24	5.85%	143,284.81
39800	Miscellaneous Equipment	481,520.80	5.29%	25,465.39
39900	Other Tangible Equipment	168,103.30	13.06%	21,957.94
39901	Servers-Hardware	29,891,192.11	9.48%	2,835,048.87
39902	Servers-Software	16,346,607.65	8.93%	1,460,379.34
39903	Network Hardware	3,560,450.29	6.99%	248,985.80
39906	Pc Hardware	2,696,309.27	10.49%	282,780.48
39907	Pc Software	1,029,795.48	6.63%	68,226.99
39908	Application Software	95,314,476.75	6.52%	6,210,612.92
<b>Total SSU General Office</b>		<b>182,253,984.30</b>	<b>6.78%</b>	<b>12,352,713.36</b>
<b><u>DIVISION 012 - SSU CUSTOMER SUPPORT</u></b>				
39000	Structure & Improvements	12,583,274.85	3.01%	378,985.53
39009	Improvements - Leased	4,298,434.33	3.25%	139,614.36
39010	CKV-Structures & Improvements	10,419,806.71	3.01%	313,825.77
39100	Office Furniture & Equipment	2,303,598.12	3.96%	91,330.48
39103	Office Machines	4,057.89	3.96%	160.88
39700	Communication Equipment	1,962,784.81	5.85%	114,852.02
39710	CKV-Communication Equipment	271,621.22	5.85%	15,893.87
39800	Miscellaneous Equipment	28,617.03	5.29%	1,513.42
39900	Other Tangible Equipment	629,166.46	13.06%	82,182.80
39901	Servers-Hardware	7,924,716.14	9.48%	751,624.67
39902	Servers-Software	1,786,301.86	8.93%	159,585.30
39903	Network Hardware	494,406.42	6.99%	34,574.33
39906	Pc Hardware	872,782.54	10.49%	91,534.70
39907	Pc Software	499,710.36	6.63%	33,107.28
39908	Application Software	109,873,866.14	6.52%	7,159,290.76
39910	CKV-Other Tangible Equipment	91,992.46	13.06%	12,016.21
39916	CKV-Pc Hardware	194,015.41	10.49%	20,347.73
39917	CKV-Pc Software	90,540.56	6.63%	5,998.58
<b>Total Customer Support</b>		<b>154,329,693.31</b>	<b>6.10%</b>	<b>9,406,438.72</b>
<b>Total Plant in Study</b>		<b>\$ 336,583,677.61</b>	<b>6.46%</b>	<b>\$ 21,759,152.08</b>

## Notes:

1. Accounts 39101, 39102, and 39103 are combined with Account 39100.
2. Account 39809 is combined with Account 39800.

**APPENDIX B**  
**Remaining Life Calculations**

Appendix B

**Atmos Energy - Shared Services**  
**At September 30, 2014**  
**Calculation of Depreciation Accrual Remaining Life**  
**With Reserve Reallocation**

Account	Description	Plant Balance	Allocated Book Reserve	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual	
								Accrual Amount	Accrual Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
39000	Structures & Improvements	\$ 33,511,728.00	\$ 5,387,689.67	0%	\$ -	\$ 28,124,038.33	27.86	\$ 1,009,312.76	3.01%
39009	Improvements - Leased	13,154,463.78	10,101,312.09	0%	-	3,053,151.69	7.15	427,260.70	3.25%
39100	Office Furniture & Equipment	12,868,293.00	6,988,475.63	0%	-	5,879,817.37	11.52	510,187.68	3.96%
39200	Transportation Equipment	103,415.63	51,767.92	10%	10,341.56	41,306.14	4.79	8,621.95	8.34%
39400	Tools Shop And Garage	264,475.83	102,156.77	0%	-	162,319.06	7.33	22,130.70	8.37%
39500	Laboratory Equipment	23,632.07	9,147.89	0%	-	14,484.18	6.10	2,374.04	10.05%
39700	Communication Equipment	4,683,098.27	2,379,742.87	0%	-	2,303,355.40	8.41	274,030.70	5.85%
39800	Miscellaneous Equipmeent	510,137.83	287,538.91	0%	-	222,598.92	8.25	26,978.82	5.29%
39900	Other Tangible Equipment	889,262.22	380,313.34	0%	-	508,948.88	4.38	116,156.96	13.06%
39901	Servers-Hardware	37,815,908.25	21,091,805.13	0%	-	16,724,103.12	4.66	3,586,673.55	9.48%
39902	Servers-Software	18,132,909.51	11,337,185.90	0%	-	6,795,723.61	4.19	1,619,964.65	8.93%
39903	Network Hardware	4,054,856.71	3,012,739.55	0%	-	1,042,117.16	3.68	283,560.13	6.99%
39906	PC Hardware	3,763,107.22	2,877,983.27	0%	-	885,123.95	2.24	394,662.92	10.49%
39907	PC Software	1,620,046.40	1,182,030.73	0%	-	438,015.67	4.08	107,332.85	6.63%
39908	Application Software	205,188,342.89	94,601,556.77	0%	-	110,586,786.12	8.27	13,369,903.68	6.52%
	<b>Total Depreciable Plant</b>	<b>\$ 336,583,677.61</b>	<b>\$ 159,791,446.44</b>		<b>\$ 10,341.56</b>	<b>\$ 176,781,889.61</b>		<b>\$ 21,759,152.08</b>	<b>6.46%</b>

**APPENDIX C**  
**Mortality Characteristics**

## Appendix C

**Atmos Energy - Shared Services Unit  
Depreciation Study as of September 30, 2014  
Proposed Depreciation Mortality Characteristics**

<u>Account</u>	<u>Description</u>	<u>ASL</u>	<u>Curve</u>	<u>Gross Salvage</u>	<u>Cost of Removal</u>	<u>Net Salvage</u>
<b><u>DIVISION 002 - SSU GENERAL OFFICE</u></b>						
39000	Structure & Improvements	40	R2	0%	0%	0%
39005	Structure & Improvements	40	R2	0%	0%	0%
39009	Improvements - Leased	20	R4	0%	0%	0%
39100	Office Furniture & Equipment	22	L4	0%	0%	0%
39101	Office Furniture & Equipment	22	L4	0%	0%	0%
39102	Remittance Processing	22	L4	0%	0%	0%
39103	Office Machines	22	L4	0%	0%	0%
39104	Office Furniture & Equipment	22	L4	0%	0%	0%
39200	Transportation Equipment	10	L2	10%	0%	10%
39400	Tools, Shop, & Garage Equipment	11	S6	0%	0%	0%
39500	Laboratory Equipment	10	R2	0%	0%	0%
39700	Communication Equipment	15	R5	0%	0%	0%
39800	Miscellaneous Equipment	15	S3	0%	0%	0%
39809	Inserters	15	S3	0%	0%	0%
39900	Other Tangible Equipment	7	R5	0%	0%	0%
39901	Servers-Hardware	9	R4	0%	0%	0%
39902	Servers-Software	9	S5	0%	0%	0%
39903	Network Hardware	10	SQ	0%	0%	0%
39906	Pc Hardware	6	S3	0%	0%	0%
39907	Pc Software	10	R3	0%	0%	0%
39908	Application Software	15	L1.5	0%	0%	0%
<b>Total SSU General Office</b>						
<b><u>DIVISION 012 - SSU CUSTOMER SUPPORT</u></b>						
39000	Structure & Improvements	40	R2	0%	0%	0%
39009	Improvements - Leased	20	R4	0%	0%	0%
39010	CKV-Structures & Improvements	40	R2	0%	0%	0%
39100	Office Furniture & Equipment	22	L4	0%	0%	0%
39101	Office Furniture & Equipment	22	L4	0%	0%	0%
39102	Remittance Processing	22	L4	0%	0%	0%
39103	Office Machines	22	L4	0%	0%	0%
39700	Communication Equipment	15	R5	0%	0%	0%
39710	CKV-Communication Equipment	15	R5	0%	0%	0%
39800	Miscellaneous Equipment	15	S3	0%	0%	0%
39900	Other Tangible Equipment	7	R5	0%	0%	0%
39901	Servers-Hardware	9	R4	0%	0%	0%
39902	Servers-Software	9	S5	0%	0%	0%
39903	Network Hardware	10	SQ	0%	0%	0%
39906	Pc Hardware	6	S3	0%	0%	0%
39907	Pc Software	10	R3	0%	0%	0%
39908	Application Software	15	L1.5	0%	0%	0%
39910	CKV-Other Tangible Equipment	7	R5	0%	0%	0%
39916	CKV-Pc Hardware	6	S3	0%	0%	0%
39917	CKV-Pc Software	10	R3	0%	0%	0%
<b>Total Customer Support</b>						

**APPENDIX D**  
**Net Salvage Analysis**



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Acct	Activity Year	Retirement	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
39100	1995	852	-	-	0	0.0%	0.0%	0.2%							
39100	1996	92,361	-	-	0	0.0%	0.0%	0.0%	0.1%						
39100	1997	0	-	(5,108)	5,108	NA	5.5%	5.5%	5.1%	2.9%					
39100	1998	6,852	-	-	0	0.0%	74.5%	5.1%	5.1%	4.7%	2.77%				
39100	1999	0	-	-	0	NA	0.0%	74.5%	5.1%	5.1%	4.73%	2.77%			
39100	2000	0	-	-	0	NA	NA	0.0%	74.5%	5.1%	5.10%	4.73%	2.77%		
39100	2001	0	-	-	0	NA	NA	NA	0.0%	74.5%	5.15%	5.10%	4.73%	2.77%	
39100	2002	0	-	-	0	NA	NA	NA	NA	0.0%	74.55%	5.15%	5.10%	4.73%	2.77%
39100	2003	0	-	-	0	NA	NA	NA	NA	NA	0.00%	74.55%	5.15%	5.10%	4.73%
39100	2004	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	74.55%	5.15%	5.10%
39100	2005	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%	74.55%	5.15%
39100	2006	1,420,965	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.36%
39100	2007	75,094	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2008	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2009	225,893	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2010	95,413	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2011	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2012	788,808	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2013	1,602,991	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2014	1,163	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39101	2007	0	-	-	0	NA									
39101	2008	0	-	-	0	NA	NA								
39101	2009	0	-	-	0	NA	NA	NA							
39101	2010	0	-	-	0	NA	NA	NA	NA						
39101	2011	0	-	-	0	NA	NA	NA	NA	NA					
39101	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39101	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39101	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		
39102	2007	0	-	-	0	NA									
39102	2008	0	-	-	0	NA	NA								
39102	2009	0	-	-	0	NA	NA	NA							
39102	2010	25,380	-	-	0	0.0%	0.0%	0.0%	0.0%						
39102	2011	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%					
39102	2012	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%				
39102	2013	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%			



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39400	2007	7,683	-	-	0	0.0%									
39400	2008	0	-	-	0	NA	0.0%								
39400	2009	0	-	-	0	NA	NA	0.0%							
39400	2010	0	-	-	0	NA	NA	NA	0.0%						
39400	2011	0	-	-	0	NA	NA	NA	NA	0.0%					
39400	2012	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39400	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39400	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39500	2007	0	-	-	0	NA									
39500	2008	0	-	-	0	NA	NA								
39500	2009	0	-	-	0	NA	NA	NA							
39500	2010	0	-	-	0	NA	NA	NA	NA						
39500	2011	0	-	-	0	NA	NA	NA	NA	NA					
39500	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39500	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39500	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		
39700	1993	8,091	-	-	0	0.0%									
39700	1994	0	-	-	0	NA	0.0%								
39700	1995	0	-	-	0	NA	NA	0.0%							
39700	1996	0	-	-	0	NA	NA	NA	0.0%						
39700	1997	0	-	-	0	NA	NA	NA	NA	0.0%					
39700	1998	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39700	1999	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39700	2000	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39700	2001	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	
39700	2002	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
39700	2003	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39700	2004	34,015	26,609	3,107	23,502	69.1%	69.1%	69.1%	69.1%	69.1%	69.09%	69.09%	69.09%	69.09%	69.09%
39700	2005	0	-	-	0	NA	69.1%	69.1%	69.1%	69.1%	69.09%	69.09%	69.09%	69.09%	69.09%
39700	2006	792,568	-	-	0	0.0%	0.0%	2.8%	2.8%	2.8%	2.84%	2.84%	2.84%	2.84%	2.84%
39700	2007	0	-	-	0	NA	0.0%	0.0%	2.8%	2.8%	2.84%	2.84%	2.84%	2.84%	2.84%
39700	2008	16,530	-	-	0	0.0%	0.0%	0.0%	0.0%	2.8%	2.79%	2.79%	2.79%	2.79%	2.79%
39700	2009	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	2.79%	2.79%	2.79%	2.79%	2.79%



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39900	1995	0	-	-	0	NA	0.0%								
39900	1996	0	-	-	0	NA	NA	0.0%							
39900	1997	0	-	-	0	NA	NA	NA	0.0%						
39900	1998	0	-	-	0	NA	NA	NA	NA	0.0%					
39900	1999	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39900	2000	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39900	2001	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39900	2002	8,143	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39900	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2006	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2007	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2008	224,866	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2009	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2010	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2011	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2011	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2012	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
39900	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
39901	2007	0	-	-	0	NA									
39901	2008	0	-	-	0	NA	NA								
39901	2009	0	-	-	0	NA	NA	NA							
39901	2010	0	-	-	0	NA	NA	NA	NA						
39901	2011	0	-	-	0	NA	NA	NA	NA	NA					
39901	2012	10,873,205	-	(129)	129	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39901	2013	3,585,984	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39901	2014	452,050	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39902	2007	0	-	-	0	NA									
39902	2008	0	-	-	0	NA	NA								
39902	2009	0	-	-	0	NA	NA	NA							
39902	2010	0	-	-	0	NA	NA	NA	NA						
39902	2011	0	-	-	0	NA	NA	NA	NA	NA					
39902	2012	6,624,796	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				

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39902	2013	1,467,368	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39902	2014	497,701	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39903	2006	11,472	-	-	0	0.0%									
39903	2007	0	-	-	0	NA	0.0%								
39903	2008	0	-	-	0	NA	NA	0.0%							
39903	2009	0	-	-	0	NA	NA	NA	0.0%						
39903	2010	0	-	-	0	NA	NA	NA	NA	0.0%					
39903	2011	0	-	-	0	NA	NA	NA	NA	NA					
39903	2012	886,044	-	1,278	(1,278)	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.14%				
39903	2013	110,059	-	-	0	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.13%	-0.13%			
39903	2014	237,149	-	-	0	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.10%	-0.10%	-0.10%		
39904	2007	0	-	-	0	NA									
39904	2008	0	-	-	0	NA	NA								
39904	2009	0	-	-	0	NA	NA	NA							
39904	2010	0	-	-	0	NA	NA	NA	NA						
39904	2011	0	-	-	0	NA	NA	NA	NA	NA					
39904	2012	1,095,465	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39904	2013	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39904	2014	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39905	2007	0	-	-	0	NA									
39905000	2008	0	-	-	0	NA	NA								
39905000	2009	0	-	-	0	NA	NA	NA							
39905000	2010	0	-	-	0	NA	NA	NA	NA						
39905000	2011	0	-	-	0	NA	NA	NA	NA	NA					
39905000	2012	1,159,964	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39905000	2013	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39905000	2014	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39906	1994	97,832	-	-	0	0.0%									
39906	1995	0	-	-	0	NA	0.0%								
39906	1996	116,913	-	-	0	0.0%	0.0%	0.0%							
39906	1997	0	-	-	0	NA	0.0%	0.0%	0.0%						

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39906	1998	0	-	-	0	NA	NA	0.0%	0.0%	0.0%					
39906	1999	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%				
39906	2000	2,832	3,000	45	2,955	104.3%	104.3%	104.3%	104.3%	2.5%	2.47%	1.36%			
39906	2001	0	-	-	0	NA	104.3%	104.3%	104.3%	104.3%	2.47%	2.47%	1.36%		
39906	2002	6,189,732	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	
39906	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	0.05%
39906	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	0.05%
39906	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	0.05%
39906	2006	2,632,955	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.03%	0.03%	0.03%	0.03%
39906	2007	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.03%	0.03%	0.03%
39906	2008	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.03%	0.03%
39906	2009	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.03%
39906	2010	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2011	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2011	2,825,516	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2012	4,649,967	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2013	217,744	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2014	162,562	250	-	250	0.2%	0.1%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	1994	38,759	-	-	0	0.0%									
39907	1995	0	-	-	0	NA	0.0%								
39907	1996	0	-	-	0	NA	NA	0.0%							
39907	1997	0	-	-	0	NA	NA	NA	0.0%						
39907	1998	0	-	-	0	NA	NA	NA	NA	0.0%					
39907	1999	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39907	2000	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39907	2001	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39907	2002	861,539	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39907	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2006	16,495	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2007	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2008	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2009	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2010	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2011	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2011	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%

**ATMOS ENERGY - SHARED SERVICES UNIT**  
**Depreciation Study as of September 30, 2014**  
**Net Salvage Analysis**

Acct	Activity Year	Retirement	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
39907	2012	2,918,743	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2013	366,151	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2014	599,561	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	1995	5,256	-	-	0	0.0%									
39908	1996	0	-	-	0	NA	0.0%								
39908	1997	0	-	-	0	NA	NA	0.0%							
39908	1998	0	-	-	0	NA	NA	NA	0.0%						
39908	1999	0	-	-	0	NA	NA	NA	NA	0.0%					
39908	2000	8,032,596	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39908	2001	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39908	2002	9,573,067	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39908	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39908	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2006	731,136	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2007	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2008	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2009	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2010	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2011	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2011	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
39908	2012	2,603,072	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2013	60,097,599	-	206	(206)	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2014	-68,545	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39909	2007	0	-	-	0	NA									
39909	2008	0	-	-	0	NA	NA								
39909	2009	0	-	-	0	NA	NA	NA							
39909	2010	0	-	-	0	NA	NA	NA	NA						



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 14(2)**  
**Page 1 of 1**

**REQUEST:**

Section 14. Applications.

- (2) If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state if it is authorized to transact business in Kentucky.

**RESPONSE:**

Please see attachment FR\_14(2)\_Att1 for the Atmos Energy Corporation's articles of incorporation and amendments. Please see attachment FR\_14(2)\_Att2 for a certificate of authorization and good standing for Atmos Energy Corporation issued by the Secretary of State for the Commonwealth of Kentucky.

**ATTACHMENTS:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_14(2)\_Att1 - Articles of Incorporation and Amendments.pdf, 36 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, FR\_14(2)\_Att2 - Certificate of Authorization - KY 11-04-15.pdf, 1 Page.

Respondent: Mark Martin

RESTATED ARTICLES OF INCORPORATION  
OF ATMOS ENERGY CORPORATION  
(As Amended Effective February 3, 2010)

**FILED**  
In the Office of the  
Secretary of State of Texas

MAY 06 2010

**Corporations Section**

A After being proposed by the Board of Directors of Atmos Energy Corporation (the "Corporation") and submitted to the Corporation's shareholders in accordance with the provisions of Sections 21.052 and 21.054 of the Texas Business Organizations Code and the Texas For-profit Corporation Law, an amendment to Section 2 of Article VI of the Restated Articles of Incorporation was adopted by the shareholders of the Corporation at the Annual Meeting of Shareholders held on February 3, 2010, in conformity with the provisions of the Texas Business Organizations Code, the Texas For-profit Corporation Law and the Articles of Incorporation of the Corporation, so that Section 2 of Article VI of the Restated Articles of Incorporation is hereby amended to read as follows:

"2 Election and Term All directors elected at the 2010 annual meeting of shareholders shall be elected for terms of three years and until their successors shall be elected and qualified. Beginning with the 2011 annual meeting of shareholders, and at each annual meeting of shareholders thereafter, all directors elected at the annual meeting of shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders. Directors shall be elected by a majority vote of the shares of the Common Stock entitled to vote in the election of directors and represented in person or by proxy at a meeting of shareholders at which a quorum is present. Each director who is serving as a director immediately following the 2011 annual meeting of shareholders, or is thereafter elected a director, shall hold office until the expiration of the term for which he or she was elected, and until his or her successor shall be elected and shall qualify, or until his or her earlier death, resignation, retirement, removal or disqualification from office."

B The number of shares of the Corporation outstanding as of the record date was 92,931,979 and the number of shares entitled to vote on the amendment was 92,931,979. The number of shares voting for the amendment to Section 2 of Article VI of the Restated Articles of Incorporation of the Corporation was 79,072,204, the number of shares voting against such amendment was 1,757,120, and the number of shares abstaining was 928,315.

C The Restated Articles of Incorporation reflect an accurate copy of the Restated Articles of Incorporation of the Corporation and all amendments thereto, as filed with the Secretary of State and in effect as of the date of such filing, with no other changes in any provision thereof, except for (i) the amendment discussed above, (ii) a change in the reference in Articles II and VII below from the Texas Business Corporation Act to the Texas Business Organizations Code, which superseded the Texas Business Corporation Act on January 1, 2010, (iii) a change in the reference in Article VI below to the current number of directors from twelve (12) to thirteen (13) and the names and street addresses of the directors currently serving, and (iv) a change in the title of the Chief Executive Officer, with all such changes accurately reflected below in the Restated Articles of Incorporation.

**ARTICLE I.**

The name of the corporation shall be Atmos Energy Corporation (the "Corporation")

**ARTICLE II**

The purposes for which the Corporation is organized are the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Organizations Code and the Texas Not-for-profit Corporation Law as defined therein, including, but not limited to, the transportation and distribution of natural gas by pipeline as a public utility, except that with respect to the Commonwealth of Virginia, the Corporation may only conduct such business as is permitted to be conducted by a public service company engaged in the transportation and distribution of natural gas by pipeline

**ARTICLE III.**

The Corporation is incorporated in the State of Texas and the Commonwealth of Virginia. The post office address of the registered office of the Corporation in the State of Texas is 211 F 7<sup>th</sup> Street, Suite 620, Austin, Texas 78701-3218, and the registered agent for service of the Corporation at the same address is Corporation Service Company, d/b/a CSC-Lawyers Incorporating Service Company. The post office address of the registered office of the Corporation in the Commonwealth of Virginia is Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, and the registered agent for service of the Corporation at the same address is Allen C Goolsby, III, such registered agent being a resident of the Commonwealth of Virginia and a member of the Virginia State Bar.

**ARTICLE IV.**

The period of the Corporation's duration shall be perpetual.

**ARTICLE V.**

The Corporation shall not commence business until it has received for the shares consideration of the value of One Thousand Dollars (\$1,000) consisting of money, labor done or property actually received.

**ARTICLE VI.**

1. Number of Directors. The number of directors constituting the present board of directors is thirteen (13), however, thereafter the number of directors constituting the Board of Directors shall be fixed by the Bylaws of the Corporation. No director shall be removed during his term of office except for cause and by the affirmative vote of the holders of seventy-five percent (75%) of the shares then entitled to vote at an election of directors. The names and street addresses of the persons who are to serve as directors until the next annual meeting of the shareholders or until their successors are duly elected and qualified are as follows:

<u>Name</u>	<u>Street Address</u>
Robert W Best	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard W Cardin	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Kim R Cocklin	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard W Douglas	5430 LBJ Freeway, Suite 160, Dallas, TX 75240

Ruben F. Esquivel	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard K. Gordon	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Robert C. Gable	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Dr. Thomas C. Meredith	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Phillip E. Nichol	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Nancy K. Quinn	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Stephen R. Springer	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Charles K. Vaughan	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard Ware II	5430 LBJ Freeway, Suite 160, Dallas, TX 75240

2        Election and Term All directors elected at the 2010 annual meeting of shareholders shall be elected for terms of three years and until their successors shall be elected and qualified. Beginning with the 2011 annual meeting of shareholders, and at each annual meeting of shareholders thereafter, all directors elected at the annual meeting of shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders. Directors shall be elected by a majority vote of the shares of the Common Stock entitled to vote in the election of directors and represented in person or by proxy at a meeting of shareholders at which a quorum is present. Each director who is serving as a director immediately following the 2011 annual meeting of shareholders, or is thereafter elected a director, shall hold office until the expiration of the term for which he or she was elected, and until his or her successor shall be elected and shall qualify, or until his or her earlier death, resignation, retirement, removal or disqualification from office.

## ARTICLE VII.

### 1        Capitalization

The aggregate number of shares which the Corporation shall have the authority to issue is Two Hundred Million (200,000,000) shares of Common Stock having no par value.

### 2        Designation and Statement of Preferences, Limitations and Relative Rights of Common Stock

2.01        Subject to the provisions of law, including the Texas Business Organizations Code and the Texas For-profit Corporation Law as defined therein, and the Virginia Stock Corporation Act, and to the conditions set forth in any law, including by resolution of the Board of Directors of the Corporation, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of any funds legally available therefor.

2.02        The holders of the Common Stock shall exclusively possess full voting power for the election of directors and for all other purposes. In the exercise of its voting power, the Common Stock shall be entitled to one vote for each share held.

### 3        Provisions Applicable to All Classes of Stock

3.01        Subject to applicable law, the Board of Directors may in its discretion issue from time to time authorized but unissued shares for such consideration as it may determine. The

shareholders shall have no pre-emptive rights, as such holders, to purchase any shares or securities of any class which may at any time be sold or offered for sale by the Corporation

3.02 At each election for directors every shareholder entitled to vote at any meeting shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected. Cumulative voting of shares of stock in the election of directors or otherwise is hereby expressly prohibited.

3.03 The Corporation shall be entitled to treat the person in whose name any share or other security is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such shares or other security on the part of any other person, whether or not the Corporation shall have notice thereof.

#### 4 Provisions Applicable to Certain Business Combinations

4.01 The affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of "Voting Stock" (as hereinafter defined) held by stockholders other than a "Substantial Shareholder" (as hereinafter defined) shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) of the Corporation with any Substantial Shareholder, provided, however, that the seventy-five percent (75%) voting requirement shall not be applicable if either:

(i) The "Continuing Directors" (as hereinafter defined) of the Corporation by the affirmative vote of at least a majority (a) have expressly approved in advance the acquisition of the outstanding shares of Voting Stock that caused such Substantial Shareholder to become a Substantial Shareholder, or (b) have expressly approved such Business Combination either in advance of or subsequent to such Substantial Shareholder's having become a Substantial Shareholder, or

(ii) The cash or fair market value (as determined by at least a majority of the Continuing Directors) of the property, securities or other consideration to be received per share by holders of Voting Stock of the Corporation in the Business Combination is not less than the "Highest Per Share Price" or the "Highest Equivalent Price" (as these terms are hereinafter defined) paid by the Substantial Shareholder in acquiring any of its holdings of the Corporation's Voting Stock.

4.02 For purposes of this paragraph 4 of Article VII:

(i) The term "Business Combination" shall include, without limitation (a) any merger or consolidation of the Corporation, or any entity controlled by or under common control with the Corporation, with or into any Substantial Shareholder, or any entity controlled by or under common control with the Substantial Shareholder, (b) any merger or consolidation of a Substantial Shareholder, or any entity controlled by or under common control with the Corporation, (c) any sale, lease, exchange, transfer or other disposition of all or substantially all of the property and assets of the Corporation, or any entity controlled by or under common control with the Corporation, to a Substantial Shareholder, or any entity controlled by or under common control

with the Substantial Shareholder, (d) any purchase, lease, exchange, transfer or other acquisition of all or substantially all of the property and assets of a Substantial Shareholder or any entity controlled by or under common control with the Corporation, (e) any recapitalization of the Corporation that would have the effect of increasing the voting power of a Substantial Shareholder, and (f) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination

(ii) The term "Substantial Shareholder" shall mean and include any individual, corporation, partnership or other person or entity which, together with its "Affiliates" and "Associates" (as those terms are defined in Rule 12b-2 of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") as in effect at the date of the adoption hereof), "Beneficially Owns" (as defined in Rule 13d-3 of the Exchange Act) an aggregate of 10 percent or more of the outstanding Voting Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity

(iii) Without limitation, any share of Voting Stock of the Corporation that any Substantial Shareholder has the right to acquire at any time (notwithstanding that Rule 13d-3 of the Exchange Act deems such shares to be beneficially owned only if such right may be exercised within 60 days) pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed to be Beneficially Owned by the Substantial Shareholder and to be outstanding for purposes of clause (ii) above

(iv) For the purposes of subparagraph 4.01(ii) of this paragraph 4 of Article VII, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by its existing stockholders other than Substantial Shareholders or other parties to such Business Combination in the event of a Business Combination in which the Corporation is the surviving corporation

(v) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares

(vi) The term "Continuing Director" shall mean a Director who was a member of the Board of Directors of the Corporation immediately prior to the time that the Substantial Shareholder involved in a Business Combination became a Substantial Shareholder

(vii) A Substantial Shareholder shall be deemed to have acquired a share of the Voting Stock of the Corporation at the time when such Substantial Shareholder became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Substantial Shareholder under the foregoing definition of Substantial Shareholder, if the price is paid by such Substantial Shareholder for such shares is not determinable by a majority of the Continuing Directors, the

price so paid shall be deemed to be the higher of (a) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (b) the market price of the shares in question at the time when the Substantial Shareholder became the Beneficial Owner thereof

(vii) The terms "Highest Per Share Price" and "Highest Equivalent Price" as used in this paragraph 4 of Article VII shall mean the highest price that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Corporation issued and outstanding, the Highest Equivalent Price shall mean with respect to each class and series of capital stock of the Corporation the amount determined by a majority of the Continuing Directors, on whatever basis they believe is appropriate, to be the highest per share price equivalent to the highest price that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of any class or series of capital stock of the Corporation. In determining the Highest Per Share Price and Highest Equivalent Price, all purchases by the Substantial Shareholder shall be taken into account regardless of whether the shares were purchased before or after the Substantial Shareholder became a Substantial Shareholder. The Highest Per Share Price and the Highest Equivalent Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by the Substantial Shareholder with respect to the shares of capital stock of the Corporation acquired by the Substantial Shareholder. In the case of any Business Combination with a Substantial Shareholder, the Continuing Directors shall determine the Highest Per Share Price or the Highest Equivalent Price for each class and series of the capital stock of the Corporation.

4.03 The provisions set forth in this paragraph 4 of Article VII may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock (as defined in this Article VII) of the Corporation at a meeting of the shareholders duly called for the consideration of such amendment, alteration, change or repeal, provided, however, that if there is a Substantial Shareholder (as defined in this Article VII), such action must also be approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock held by the shareholders other than the Substantial Shareholder.

#### ARTICLE VIII.

The power to alter, amend or repeal the Corporation's bylaws, and to adopt new bylaws, is hereby vested in the Board of Directors, subject, however, to repeal or change by the affirmative vote of the holders of seventy-five percent (75%) of the outstanding shares entitled to vote thereon.

#### ARTICLE IX.

The Corporation shall indemnify, to the fullest extent permitted by law, any person who was, is, or is threatened to be made a named defendant or respondent in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such action, suit, or proceeding, and any inquiry or investigation that

could lead to such an action, suit, or proceeding, by reason of the fact that such person is or was a director or officer of the Corporation, or, while such person was a director of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorney's fees) actually incurred by such person in connection with such action, suit, or proceeding. In addition to the foregoing, the Corporation shall, upon request of any such person described above and to the fullest extent permitted by law, pay or reimburse the reasonable expenses incurred by such person in any action, suit, or proceeding described above in advance of the final disposition of such action, suit, or proceeding.

#### ARTICLE X

No director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for an act or omission in such director's capacity as a director, except for liability for (i) a breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (iii) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office, (iv) an act or omission for which the liability of a director is expressly provided by statute, or (v) an act related to an unlawful stock repurchase or payment of a dividend. If the laws of the State of Texas or the Commonwealth of Virginia are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of a director of the Corporation, then the liability of a director of the Corporation shall thereupon automatically be eliminated or limited to the fullest extent permitted by the laws of the State of Texas and the Commonwealth of Virginia. Any repeal or modification of this Article X by the shareholders of the Corporation shall not adversely affect any right or protection of a director existing at the time of such repeal or modification with respect to such events or circumstances occurring or existing prior to such time.

AIMOS ENERGY CORPORATION

By Robert W. Best  
Robert W. Best  
Chairman of the Board and  
Chief Executive Officer



COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 10, 2010

The State Corporation Commission has found the accompanying articles submitted on behalf of  
Atmos Energy Corporation

to comply with the requirements of law, and confirms payment of all required fees. Therefore, it  
is ORDERED that this

CERTIFICATE OF RESTATEMENT

be issued and admitted to record with the articles of restatement in the Office of the Clerk of the  
Commission, effective May 10, 2010.

The corporation is granted the authority conferred on it by law in accordance with the articles,  
subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By



James C. Dimitri  
Commissioner

10-05-07-0624  
AMENACPT  
CIS0368



Exhibit A

Restated Articles of Incorporation of the Corporation

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RESTATED ARTICLES OF INCORPORATION  
OF ATMOS ENERGY CORPORATION  
(As Amended Effective February 3, 2010)

ARTICLE I.

The name of the corporation shall be Atmos Energy Corporation (the "Corporation").

ARTICLE II.

The purposes for which the Corporation is organized are the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Organizations Code and the Texas For-profit Corporation Law as defined therein, including, but not limited to, the transportation and distribution of natural gas by pipeline as a public utility, except that with respect to the Commonwealth of Virginia, the Corporation may only conduct such business as is permitted to be conducted by a public service company engaged in the transportation and distribution of natural gas by pipeline.

ARTICLE III.

The Corporation is incorporated in the State of Texas and the Commonwealth of Virginia. The post office address of the registered office of the Corporation in the State of Texas is 211 E. 7<sup>th</sup> Street, Suite 620, Austin, Texas 78701-3218, and the registered agent for service of the Corporation at the same address is Corporation Service Company, d/b/a CSC-Lawyers Incorporating Service Company. The post office address of the registered office of the Corporation in the Commonwealth of Virginia is Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, and the registered agent for service of the Corporation at the same address is Allen C. Goolsby, III, such registered agent being a resident of the Commonwealth of Virginia and a member of the Virginia State Bar.

ARTICLE IV.

The period of the Corporation's duration shall be perpetual.

ARTICLE V.

The Corporation shall not commence business until it has received for the shares consideration of the value of One Thousand Dollars (\$1,000) consisting of money, labor done or property actually received.

ARTICLE VI.

1. Number of Directors. The number of directors constituting the Board of Directors shall be fixed by the Bylaws of the Corporation. No director shall be removed during his term of office except for cause and by the affirmative vote of the holders of seventy-five percent (75%) of the shares then entitled to vote at an election of directors.

2. Election and Term. All directors elected at the 2010 annual meeting of shareholders shall be elected for terms of three years and until their successors shall be elected and qualified. Beginning with the 2011 annual meeting of shareholders, and at each annual meeting of

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shareholders thereafter, all directors elected at the annual meeting of shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders. Directors shall be elected by a majority vote of the shares of the Common Stock entitled to vote in the election of directors and represented in person or by proxy at a meeting of shareholders at which a quorum is present. Each director who is serving as a director immediately following the 2011 annual meeting of shareholders, or is thereafter elected a director, shall hold office until the expiration of the term for which he or she was elected, and until his or her successor shall be elected and shall qualify, or until his or her earlier death, resignation, retirement, removal or disqualification from office.”

ARTICLE VII.

1. Capitalization.

The aggregate number of shares which the Corporation shall have the authority to issue is Two Hundred Million (200,000,000) shares of Common Stock having no par value.

2. Designation and Statement of Preferences, Limitations and Relative Rights of Common Stock.

2.01 Subject to the provisions of law, including the Texas Business Organizations Code and the Texas For-profit Corporation Law as defined therein and the Virginia Stock Corporation Act, and to the conditions set forth in any law, including by resolution of the Board of Directors of the Corporation, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of any funds legally available therefor.

2.02 The holders of the Common Stock shall exclusively possess full voting power for the election of directors and for all other purposes. In the exercise of its voting power, the Common Stock shall be entitled to one vote for each share held.

3. Provisions Applicable to All Classes of Stock.

3.01 Subject to applicable law, the Board of Directors may in its discretion issue from time to time authorized but unissued shares for such consideration as it may determine. The shareholders shall have no pre-emptive rights, as such holders, to purchase any shares or securities of any class which may at any time be sold or offered for sale by the Corporation.

3.02 At each election for directors every shareholder entitled to vote at any meeting shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected. Cumulative voting of shares of stock in the election of directors or otherwise is hereby expressly prohibited.

3.03 The Corporation shall be entitled to treat the person in whose name any share or other security is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such shares or other security on the part of any other person, whether or not the Corporation shall have notice thereof.

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4. Provisions Applicable to Certain Business Combinations.

4.01 The affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of "Voting Stock" (as hereinafter defined) held by stockholders other than a "Substantial Shareholder" (as hereinafter defined) shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) of the Corporation with any Substantial Shareholder; provided, however, that the seventy-five percent (75%) voting requirement shall not be applicable if either:

(i) The "Continuing Directors" (as hereinafter defined) of the Corporation by the affirmative vote of at least a majority (a) have expressly approved in advance the acquisition of the outstanding shares of Voting Stock that caused such Substantial Shareholder to become a Substantial Shareholder, or (b) have expressly approved such Business Combination either in advance of or subsequent to such Substantial Shareholder's having become a Substantial Shareholder; or

(ii) The cash or fair market value (as determined by at least a majority of the Continuing Directors) of the property, securities or other consideration to be received per share by holders of Voting Stock of the Corporation in the Business Combination is not less than the "Highest Per Share Price" or the "Highest Equivalent Price" (as these terms are hereinafter defined) paid by the Substantial Shareholder in acquiring any of its holdings of the Corporation's Voting Stock.

4.02 For purposes of this paragraph 4 of Article VII:

(i) The term "Business Combination" shall include, without limitation: (a) any merger or consolidation of the Corporation, or any entity controlled by or under common control with the Corporation, with or into any Substantial Shareholder, or any entity controlled by or under common control with the Substantial Shareholder, (b) any merger or consolidation of a Substantial Shareholder, or any entity controlled by or under common control with the Corporation, (c) any sale, lease, exchange, transfer or other disposition of all or substantially all of the property and assets of the Corporation, or any entity controlled by or under common control with the Corporation, to a Substantial Shareholder, or any entity controlled by or under common control with the Substantial Shareholder, (d) any purchase, lease, exchange, transfer or other acquisition of all or substantially all of the property and assets of a Substantial Shareholder or any entity controlled by or under common control with the Corporation, (e) any recapitalization of the Corporation that would have the effect of increasing the voting power of a Substantial Shareholder, and (f) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination.

(ii) The term "Substantial Shareholder" shall mean and include any individual, corporation, partnership or other person or entity which, together with its "Affiliates" and "Associates" (as those terms are defined in Rule 12b-2 of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") as in effect at the date of the adoption hereof), "Beneficially Owns" (as defined in Rule 13d-3 of the

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Exchange Act) an aggregate of 10 percent or more of the outstanding Voting Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity.

(iii) Without limitation, any share of Voting Stock of the Corporation that any Substantial Shareholder has the right to acquire at any time (notwithstanding that Rule 13d-3 of the Exchange Act deems such shares to be beneficially owned only if such right may be exercised within 60 days) pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed to be Beneficially Owned by the Substantial Shareholder and to be outstanding for purposes of clause (ii) above.

(iv) For the purposes of subparagraph 4.01(ii) of this paragraph 4 of Article VII, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by its existing stockholders other than Substantial Shareholders or other parties to such Business Combination in the event of a Business Combination in which the Corporation is the surviving corporation.

(v) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

(vi) The term "Continuing Director" shall mean a Director who was a member of the Board of Directors of the Corporation immediately prior to the time that the Substantial Shareholder involved in a Business Combination became a Substantial Shareholder.

(vii) A Substantial Shareholder shall be deemed to have acquired a share of the Voting Stock of the Corporation at the time when such Substantial Shareholder became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Substantial Shareholder under the foregoing definition of Substantial Shareholder, if the price is paid by such Substantial Shareholder for such shares is not determinable by a majority of the Continuing Directors, the price so paid shall be deemed to be the higher of (a) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (b) the market price of the shares in question at the time when the Substantial Shareholder became the Beneficial Owner thereof.

(viii) The terms "Highest Per Share Price" and "Highest Equivalent Price" as used in this paragraph 4 of Article VII shall mean the highest price that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Corporation issued and outstanding, the Highest Equivalent Price shall mean with respect to each class and series of capital stock of the Corporation the amount determined by a majority of the Continuing Directors, on whatever basis they believe is appropriate; to be the highest per share price equivalent to the highest price

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that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of any class or series of capital stock of the Corporation. In determining the Highest Per Share Price and Highest Equivalent Price, all purchases by the Substantial Shareholder shall be taken into account regardless of whether the shares were purchased before or after the Substantial Shareholder became a Substantial Shareholder. The Highest Per Share Price and the Highest Equivalent Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by the Substantial Shareholder with respect to the shares of capital stock of the Corporation acquired by the Substantial Shareholder. In the case of any Business Combination with a Substantial Shareholder, the Continuing Directors shall determine the Highest Per Share Price or the Highest Equivalent Price for each class and series of the capital stock of the Corporation.

4.03 The provisions set forth in this paragraph 4 of Article VII may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock (as defined in this Article VII) of the Corporation at a meeting of the shareholders duly called for the consideration of such amendment, alteration, change or repeal; provided, however, that if there is a Substantial Shareholder (as defined in this Article VII), such action must also be approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock held by the shareholders other than the Substantial Shareholder.

#### ARTICLE VIII.

The power to alter, amend or repeal the Corporation's bylaws, and to adopt new bylaws, is hereby vested in the Board of Directors, subject, however, to repeal or change by the affirmative vote of the holders of seventy-five percent (75%) of the outstanding shares entitled to vote thereon.

#### ARTICLE IX.

The Corporation shall indemnify, to the fullest extent permitted by law, any person who was, is, or is threatened to be made a named defendant or respondent in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit, or proceeding, by reason of the fact that such person is or was a director or officer of the Corporation, or, while such person was a director of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorney's fees) actually incurred by such person in connection with such action, suit, or proceeding. In addition to the foregoing, the Corporation shall, upon request of any such person described above and to the fullest extent permitted by law, pay or reimburse the reasonable expenses incurred by such person in any action, suit, or proceeding described above in advance of the final disposition of such action, suit, or proceeding.

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ARTICLE X.

No director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for an act or omission in such director's capacity as a director, except for liability for (i) a breach of the director's duty of loyalty to the Corporation or its shareholders; (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; (iv) an act or omission for which the liability of a director is expressly provided by statute; or (v) an act related to an unlawful stock repurchase or payment of a dividend. If the laws of the State of Texas or the Commonwealth of Virginia are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of a director of the Corporation, then the liability of a director of the Corporation shall thereupon automatically be eliminated or limited to the fullest extent permitted by the laws of the State of Texas and the Commonwealth of Virginia. Any repeal or modification of this Article X by the shareholders of the Corporation shall not adversely affect any right or protection of a director existing at the time of such repeal or modification with respect to such events or circumstances occurring or existing prior to such time.

ATMOS ENERGY CORPORATION

By: Robert W. Best  
Robert W. Best  
Chairman of the Board and  
Chief Executive Officer

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 10, 2010

The State Corporation Commission has found the accompanying articles submitted on behalf of  
**Atmos Energy Corporation**

to comply with the requirements of law, and confirms payment of all required fees. Therefore, it  
is ORDERED that this

**CERTIFICATE OF RESTATEMENT**

be issued and admitted to record with the articles of restatement in the Office of the Clerk of the  
Commission, effective May 10, 2010.

The corporation is granted the authority conferred on it by law in accordance with the articles,  
subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By



James C. Dimitri  
Commissioner

10-05-07-0624  
AMENACPT  
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# Commonwealth of Virginia

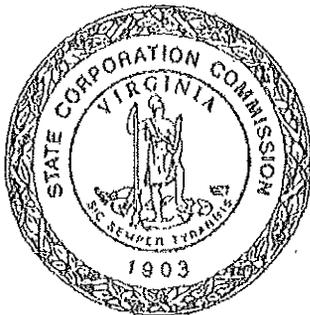


## State Corporation Commission

*I Certify the Following from the Records of the Commission:*

The foregoing is a true copy of the certificate of restatement of Atmos Energy Corporation, issued May 10, 2010.

Nothing more is hereby certified.



*Signed and Sealed at Richmond on this Date:  
May 13, 2010*

*Joel H. Peck*  
Joel H. Peck, Clerk of the Commission



**Form 503**  
**(Revised 01/06)**  
Return in duplicate to:  
Secretary of State  
P.O. Box 13697  
Austin, TX 78711-3697  
512 463-5555  
FAX: 512 463-5709  
**Filing Fee: \$25**



**FILED**  
In the Office of the  
Secretary of State of Texas

JAN 04 2007

**Assumed Name Certificate Corporations Section**

**Assumed Name**

The assumed name under which the business or professional service is, or is to be, conducted or rendered is: Atmos Energy, Triangle Division

**Entity Information**

The name of the entity filing the assumed name is:

Atmos Energy Corporation

State the name of the entity as currently shown in the records of the secretary of state or on its certificate of formation, if not filed with the secretary of state.

The filing entity is a: (Select the appropriate entity type below.)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> For-profit Corporation | <input type="checkbox"/> Professional Corporation               |
| <input type="checkbox"/> Nonprofit Corporation             | <input type="checkbox"/> Professional Limited Liability Company |
| <input type="checkbox"/> Cooperative Association           | <input type="checkbox"/> Professional Association               |
| <input type="checkbox"/> Limited Liability Company         | <input type="checkbox"/> Limited Partnership                    |
| <input type="checkbox"/> Other                             |   |

Specify type of entity if there is no check box applicable.

The file number, if any, issued to the filing entity by the secretary of state is: 54895300

The state, country, or other jurisdiction of formation is: Texas

The registered or similar office of the entity in the jurisdiction of formation is:

701 Brazos Street, Austin, Texas 78701

The entity is required to maintain a registered office and agent in Texas. The address of its registered office in Texas and the name of the registered agent at such address is:

Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company

701 Brazos Street, Austin, Texas 78701

The address of the principal office of the entity (if not the same as the registered office) is:

5430 LBJ Freeway, Suite 1800, Dallas, Texas 75240

The entity is not required to maintain a registered office and agent in Texas. Its office address in

in Texas is: N/A

The entity is not incorporated, organized or associated under the laws of Texas. The address of the principal place of business in this state is: N/A

The office address of the entity is: N/A

**Period of Duration**

The period during which the assumed name will be used is 10 years from the date of filing with the secretary of state.

OR

The period during which the assumed name will be used is \_\_\_\_\_ years from the date of filing with the secretary of state (not to exceed 10 years).

OR

The assumed name will be used until \_\_\_\_\_ (not to exceed 10 years).  
*mm/dd/yyyy*

**County or Counties in which Assumed Name Used**

The county or counties where business or professional services are being or are to be conducted or rendered under the assumed name are:

All counties

All counties with the exception of the following counties: \_\_\_\_\_

Only the following counties: \_\_\_\_\_

**Execution**

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument. If the undersigned is acting in the capacity of an attorney in fact for the entity, the undersigned certifies that the entity has duly authorized the undersigned in writing to execute this document.

Date: December<sup>29</sup> 2006

Louis P. Gregory  
Senior Vice President and General Counsel

Signature and title of authorized person(s) (see instructions)



Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



CASE NO. 2015-00343  
FR 14(2)  
ATTACHMENT 1  
John Steen  
Secretary of State

## Office of the Secretary of State

### Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Articles of Incorporation for ATMOS ENERGY CORPORATION (file number 54895300), a Domestic For-Profit Corporation, was filed in this office on February 06, 1981.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on March 25, 2013.



A handwritten signature in black ink, appearing to read "John Steen".

John Steen  
Secretary of State



Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



## Office of the Secretary of State

### Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that ATMOS ENERGY CORPORATION, a Domestic For-Profit Corporation (file number 54895300) has filed the following assumed name certificate(s) with this office:

<b>Assumed Name</b>	<b>Filed</b>	<b>Status</b>
ENERGAS COMPANY	October 03, 1988	Expired
WESTERN KENTUCKY GAS COMPANY	November 04, 1992	Expired
UNITED CITIES GAS COMPANY	July 29, 1997	Expired
ENERGAS COMPANY	May 20, 1999	Expired
Atmos Pipeline - Texas	September 27, 2004	Active
Atmos Energy - Lone Star Division	September 29, 2004	Active
Atmos Energy Corporation, Mid-Tex Division	November 18, 2004	Active
Atmos Energy, West Texas Division	August 31, 2005	Active
Atmos Energy, Triangle Division	January 04, 2007	Active

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on March 25, 2013.

Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



**Office of the Secretary of State**



A handwritten signature in black ink, appearing to read "John Steen".

John Steen  
Secretary of State



### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

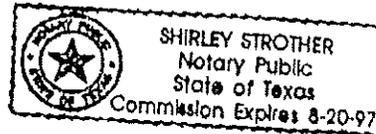
STATE OF TEXAS        §  
                                 §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:  
8-20-97

Shirley Strother  
Notary Public, State of Texas



A TRUE COPY:  
TESTE: Clifford Howard  
DEPUTY CLERK  
CIRCUIT COURT, RADFORD, VA.

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Almos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

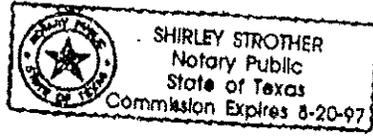
STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:  
8-20-97

Shirley Strother  
Notary Public, State of Texas



VIRGINIA

In the Clerk's Office of the Circuit Court for the City of Bristol, This instrument with the certificate of acknowledgement thereto annexed is admitted to record at 1:34 o'clock P M., August 15, 1997.  
Teste: Mabel T. Lammie Clerk  
By: Angela H. Williams 8-15-97 Dep. Clerk

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

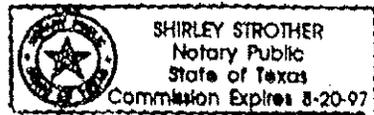
STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:  
8-20-97

Shirley Strother  
Notary Public, State of Texas



VIRGINIA In the Office of the Clerk of the Circuit Court of Montgomery County  
15A day of August, 1997 this foregoing  
instrument was this day presented to me with certificate  
annexed admitted to record at 2:30 o'clock P.M.

Total:  
By Alfred M. Burke D.C.  
ALFRED M. BURKE, CLERK

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.

3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name, United Cities Gas Company.  
 SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

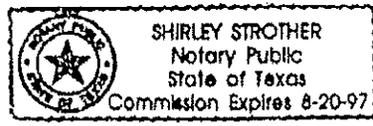
By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

STATE OF TEXAS        §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires: 8-20-97  
Shirley Strother  
Notary Public, State of Texas



VIRGINIA: IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF PULASKI COUNTY. THIS INSTRUMENT, WITH THE CERTIFICATE OF ACKNOWLEDGMENT THERETO ANNEXED, IS ADMITTED TO RECORD AT 10:00 AM CLOCK 8-15, 1997  
TESTE: R. Glenwood Finkbeill, CLERK

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

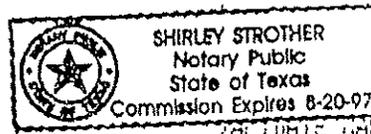
By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires: 8-20-97  
Shirley Strother  
Notary Public, State of Texas



A COPY, TESTE:  
JIMMY L. WARREN, CLERK OF THE  
CIRCUIT COURT OF SMYTH COUNTY  
BY: Debbie Lammear  
DEPUTY CLERK

VALIDATE CASE PAPERS  
RCPT : 9700000589E  
DATE : 08/15/97 TIME: 12:16  
CASE : 173CFN970815002  
ACCT : UNITED CITIES GAS CO  
AMT. : \$10.00

## ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

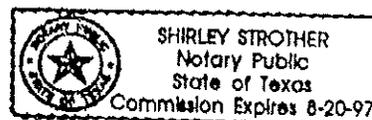
I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:

8-20-97

Shirley Strother  
Notary Public, State of Texas



**FILED**

AUG 15 1997

Steve R. Barrett  
DEPUTY CLERK  
CIRCUIT COURT

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.  
SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

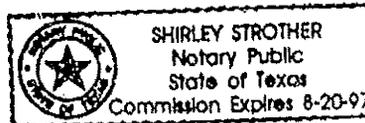
By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires: 8-20-97  
Shirley Strother  
Notary Public, State of Texas



VALIDATE CASE FAPERE  
RCPT : 97000006022  
DATE : 08/20/97 TIME: 09:30  
CASE : 197CGM970820002  
ACCT : ATMOS ENERGY CORPORA  
AMT. : \$10.00

TESTE : Yvona A. Coe, Not. DC

# Commonwealth of Virginia



## State Corporation Commission

*I Certify the Following from the Records of the Commission:*

The foregoing is a true copy of an assumed or fictitious name certificate on file in the Clerk's Office of the Commission certifying that Atmos Energy Corporation conducts business under the assumed or fictitious name of United Cities Gas Company.

Nothing more is hereby certified.



*Signed and Sealed at Richmond on this Date:  
March 27, 2013*

*Joel H. Peck*  
\_\_\_\_\_  
*Joel H. Peck, Clerk of the Commission*

**Commonwealth of Kentucky**  
**Alison Lundergan Grimes, Secretary of State**

Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Authorization**

Authentication number: 169699

Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**ATMOS ENERGY CORPORATION**

, a corporation organized under the laws of the state of Texas, is authorized to transact business in the Commonwealth of Kentucky, and received the authority to transact business in Kentucky on December 14, 1987.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that an application for certificate of withdrawal has not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 4<sup>th</sup> day of November, 2015, in the 224<sup>th</sup> year of the Commonwealth.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
169699/0237484



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(1)(b)1**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (1) Each application requesting a general adjustment of existing rates shall:
- (b) Include:
1. A statement of the reason the adjustment is required;

**RESPONSE:**

1. The Company is requesting that the Commission approve new distribution rates that will provide revenues equal to our cost of service, including a reasonable return on investment. As the Commission is aware, the actual costs of the natural gas consumed by our customers are collected through a gas cost adjustment mechanism. The purpose of this case is to establish new distribution rates.
2. At current rates, the Company's calculated rate of return on rate base for the test year is only 7.52%. Two primary factors contribute to the current revenue deficiency. First, because of changes in the market, our authorized rates will not produce in the coming year a level of revenues equal to that authorized in our previous rate case. Second, the cost of providing service has increased. Consequently, we are seeking timely and adequate rate relief in order to maintain the current high-quality, safe and reliable service our customers expect.
3. Although Atmos Energy operates very efficiently and is proud to be a low cost provider of natural gas in Kentucky, our current rates are not providing a fair return on the Company's investments. Thus, even if our costs of providing service were as low today as the Commission determined to be appropriate in Docket No. 2013-00148 our existing rates would cause the Company to under recover.
4. Atmos Energy is asking the Commission to approve new rate schedules that would increase revenues to provide an overall rate of return on rate base of 8.12% on the test year rate base of \$335,832,639.
5. Atmos Energy is seeking approval to increase its rates to recover approximately \$3,307,688 in additional revenues. For an average residential customer, the total bill increase would be \$1.05 per month.

Respondent: Mark Martin



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(1)(b)2**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (1) Each application requesting a general adjustment of existing rates shall:
  - (b) Include:
    2. A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that a certificate is not necessary;

**RESPONSE:**

A certificate of assumed name is not necessary as Atmos Energy Corporation does not operate under an assumed name in Kentucky.

Respondent: Mark Martin



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(1)(b)3**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (1) Each application requesting a general adjustment of existing rates shall:
  - (b) Include:
    - 3. New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed;

**RESPONSE:**

Please see attachment FR\_16(1)(b)3\_Att1 for the proposed tariffs.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(1)(b)3\_Att1 - Proposed Tariffs.pdf, 14 Pages.

Respondent: Mark Martin

**FOR ENTIRE SERVICE AREA**

**P.S.C. KY NO. 2**

**NINTH REVISED SHEET NO. 4**

**CANCELLING**

**EIGHTH REVISED SHEET NO. 4**

**ATMOS ENERGY CORPORATION**

NAME OF UTILITY

**Proposed Rate Summary**

Case No. 2015-00343

**Firm Service**

Base Charge:

Residential (G-1)	-	\$18.25	per meter per month	(1, -)
Non-Residential (G-1)	-	45.00	per meter per month	(1, -)
Transportation (T-4)	-	375.00	per delivery point per month	(1, -)
Transportation Administration Fee	-	50.00	per customer per meter	

**Rate per Mcf<sup>2</sup>**

			<b><u>Sales (G-1)</u></b>		<b><u>Transportation (T-4)</u></b>	
First	300 <sup>1</sup>	Mcf	@ 5.6635	per Mcf	@ 1.5800	per Mcf (1, 1)
Next	14,700 <sup>1</sup>	Mcf	@ 5.0935	per Mcf	@ 1.0100	per Mcf (1, 1)
Over	15,000	Mcf	@ 4.8063	per Mcf	@ 0.7228	per Mcf (1, 1)

**Interruptible Service**

Base Charge	-	\$375.00	per delivery point per month	(1, -)
Transportation Administration Fee	-	50.00	per customer per meter	

**Rate per Mcf<sup>2</sup>**

			<b><u>Sales (G-2)</u></b>		<b><u>Transportation (T-3)</u></b>	
First	15,000 <sup>1</sup>	Mcf	@ 3.6517	per Mcf	@ 0.8900	per Mcf (1, 1)
Over	15,000	Mcf	@ 3.3617	per Mcf	@ 0.6000	per Mcf (1, 1)

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

<sup>2</sup> DSM, PRP and R&D Riders may also apply, where applicable.

DATE OF ISSUE November 23, 2015  
 MONTH / DATE / YEAR

DATE EFFECTIVE December 23, 2015  
 MONTH / DATE / YEAR

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

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
 IN CASE NO 2015-00343 DATED N/A

**FOR ENTIRE SERVICE AREA**

P.S.C. KY NO. 2

NINTH REVISED SHEET NO. 6

CANCELLING

EIGHTH REVISED SHEET NO. 6

**ATMOS ENERGY CORPORATION**

NAME OF UTILITY

**Proposed Transportation**

Case No. 2015-00343

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

System Lost and Unaccounted gas percentage: 1.16%

				<u>Simple Margin</u>	<u>Non- Commodity</u>	<u>Gross Margin</u>	
<b><u>Transportation Service <sup>1</sup></u></b>							
<b><u>Firm Service (T-4)</u></b>							
First	300	Mcf	@	\$1.5800 +	\$0.0000 =	\$1.5800	per Mcf (l)
Next	14,700	Mcf	@	1.0100 +	0.0000 =	1.0100	per Mcf (l)
All over	15,000	Mcf	@	0.7228 +	0.0000 =	0.7228	per Mcf (l)
<b><u>Interruptible Service (T-3)</u></b>							
First	15,000	Mcf	@	\$0.8900 +	\$0.0000 =	\$0.8900	per Mcf (l)
All over	15,000	Mcf	@	0.6000 +	0.0000 =	0.6000	per Mcf (l)

<sup>1</sup> Excludes standby sales service.

DATE OF ISSUE November 23, 2015  
MONTH / DATE / YEAR

DATE EFFECTIVE December 23, 2015  
MONTH / DATE / YEAR

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

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
 IN CASE NO 2015-00343 DATED N/A

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 8

Cancelling

Original SHEET No. 8

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**General Firm Sales Service**

**Rate G-1**

**1. Applicable**

Entire Service Area of The Company.

**2. Availability of Service**

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

**3. Net Monthly Rate**

a) Base Charge

\$18.25 per meter for residential service

\$45.00 per meter for non-residential service

(I)

(I)

b) Distribution Charge

First<sup>1</sup> 300 Mcf @ \$1.5800 per 1,000 cubic feet

Next<sup>1</sup> 14,700 Mcf @ 1.0100 per 1,000 cubic feet

Over 15,000 Mcf @ 0.7228 per 1,000 cubic feet

(I)

(I)

(I)

c) Weather Normalization Adjustment.

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

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

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

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

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

DATE OF ISSUE November, 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 11

Cancelling

Original SHEET No. 11

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Sales Service**  
**Rate G-2**

d) Revision of Delivery Volumes

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

**4. Net Monthly Rate**

- a) Base Charge: \$375.00 per delivery point per month (I)  
Minimum Charge: The Base Charge plus any Transportation Fee and EFM facilities charge and any Pipe Replacement Rider.

b) Distribution Charge

High Priority Service

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

Interruptible Service

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

First <sup>1</sup> 15,000 Mcf	\$0.8900 per 1,000 cubic feet	(I)
Over 15,000 Mcf	0.6000 per 1,000 cubic feet	(I)

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

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

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DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**First Revised SHEET No. 14**

**Cancelling**

**Original SHEET No. 14**

**ATMOS ENERGY CORPORATION**  
 (NAME OF UTILITY)

**Weather Normalization Adjustment Rider**  
**WNA**

**1. Applicable**

Applicable to Rate G-1 Sales Service, excluding industrial class only.

The distribution charge per Mcf for gas service as set forth in G-1 Sales Service shall be adjusted by an amount herein under described as the Weather Normalization Adjustment (WNA). The WNA shall be applicable to Rate G-1 Sales Service, excluding Industrial Sales Service.

The WNA shall apply to all residential, commercial and public authority bills based on meters read during the months of November through April. The WNA shall increase or decrease accordingly by month. The WNA will not be billed to reflect meters read during the months of May through October. Customer base loads and heating sensitivity factors will be determined by class and computed annually.

**2. Computation of Weather Normalizing Adjustment**

The WNA shall be computed by using the following formula:

$$WNA_i = R_i \frac{(HSF_i)(NDD - ADD)}{(BL_i + (HSF_i) \times ADD)}$$

Where:

$i$  = any rate schedule or billing classification within a rate schedule that contains more than one billing classification

$WNA_i$  = Weather Normalization Adjustment Factor for the  $i$ th rate schedule or classification expressed as a rate per Mcf

$R_i$  = weighted average rate (distribution charge) of temperature sensitive sales for the  $i$ th schedule or classification

$HSF_i$  = heat sensitive factor for the  $i$ th schedule or classification

$NDD$  = normal billing cycle heating degree days (based upon NOAA 10-year normal for the period of September 2006 through August 2015)

$ADD$  = actual billing cycle heating degree days

$BL_i$  = base load for the  $i$ th schedule or classification

(T)

DATE OF ISSUE November 23, 2015  
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 Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
 Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 37

Cancelling

Original SHEET No. 37

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Research & Development Rider**  
**R & D Unit Charge**

**1. Applicable:**

This rider applies to the distribution charge applicable to all gas transported by the Company other than Rate T-3 and T-4 Transportation Service.

**2. R&D Unit Charge:**

The intent of the Research & Development Unit Charge is to maintain the Company's level of contribution per Mcf as of December 31, 1998.

R&D Unit Charge @ \$0.0174 per 1,000 cubic feet (1)

**3. Waiver Provision:**

The R&D Unit Charge may be reduced or waived for one or more classifications of service or rate schedules at any time by the Company by filing notice with the Commission. Any such waiver shall not increase the R&D Unit Charge to the remaining classifications of service or rate schedules without Commission approval.

**4. Remittance of Funds:**

All funds collected under this rider will be remitted to Gas Technology Institute, or similar research or commercialization organization. The amounts so remitted shall be reported to the Commission annually.

**5. Reports to the Commission:**

A statement setting forth the manner in which the funds remitted have been invested in research and development will be filed with the Commission annually.

**6. Termination of this Rider:**

Participation in the R&D funding program is voluntary on the part of the Company. This rider may be terminated at any time by the Company by filing a notice of rescission with the Commission.

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Month/Date/Year

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Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Third Revised SHEET No. 39**

**Cancelling**

**Second Revised SHEET No. 39**

**ATMOS ENERGY CORPORATION**  
 (NAME OF UTILITY)

**Pipeline Replacement Program Rider**

**4. Pipe Replacement Rider Rates**

The charges for the respective gas service schedules for the revenue month beginning October 1, 2015 per billing period are:

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$0.00		\$0.00	(R)
Rate G-1 (Non-Residential)	\$0.00		\$0.00	(R)
Rate G-2	\$0.00		\$0.0000 per 1000 cubic feet	(R)
Rate T-3	\$0.00	1-15000	\$0.0000 per 1000 cubic feet	(R,R)
		Over 15000	\$0.0000 per 1000 cubic feet	(R)
Rate T-4	\$0.00	1-300	\$0.0000 per 1000 cubic feet	(R,R)
		301-15000	\$0.0000 per 1000 cubic feet	(R)
		Over 15000	\$0.0000 per 1000 cubic feet	(R)

DATE OF ISSUE November 23, 2015  
 Month/Date/Year

DATE EFFECTIVE December 23, 2015  
 Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
 Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**First Revised SHEET No. 40**

**Cancelling**

**Original SHEET No. 40**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Economic Development Rider**

**EDR**

**1. Applicable:**

This Rider may apply to any customer with an expected demand of at least 9,000 Mcf per year. Existing customers served under another rate schedule to be eligible for service under this rate schedule must contract for sufficient natural gas demand to produce an increase in consumption of 4,500 Mcf per year.

**2. Purpose:**

This Rider is intended to allow the Company to offer incentive or discount type rates designed to enhance the Company's system utilization while encouraging industrial development and job growth within the Company's service areas. Under the terms of this Rider, qualifying customers are required to enter into a Special Contract with the Company. The Special Contract shall be subject to approval by the Kentucky Public Service Commission (Commission). This Rider is available for load associated with initial permanent service to new establishments, expansion of existing establishments or new customers in existing establishments. This Rider may also be available for existing customers that are experiencing financial hardship, if certain conditions can be met.

**3. Term:**

Any Special Contract shall extend for a period at least twice the length of the discount period. The discount period shall not extend beyond four (4) years. (T)

**4. Gas Cost Adjustment:**

For G-1 and G-2 customers, bills for service are subject to the cost of purchased gas in accordance with the Gas Cost Adjustment (GCA) Rider approved by the Kentucky Public Service Commission.

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 45

Cancelling

Original SHEET No. 45

**ATMOS ENERGY CORPORATION**  
 (NAME OF UTILITY)

**Interruptible Transportation Service**  
**Rate T-3**

**1. Applicable**

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

**2. Availability of Service**

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

**3. Net Monthly Rate**

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

- a) Base Charge - \$375.00 per delivery point (I)
- b) Transportation Administration Fee- 50.00 per customer per month
- c) Distribution Charge for Interruptible Service
  - First<sup>1</sup> 15,000 Mcf @ \$0.8900 per Mcf (I)
  - Over 15,000 Mcf @ 0.6000 per Mcf (I)
- d) Applicable Non-Commodity Components (Sheet No. 6) as calculated in the Company's Gas Cost Adjustment (GCA) filing.
- e) Electronic Flow Measurement ("EFM") facilities charge, if applicable.
- f) Pipe Replacement Program (PRP) Rider.

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

DATE OF ISSUE November 23, 2015  
 Month/Date/Year

DATE EFFECTIVE December 23, 2015  
 Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
 Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 47

Cancelling

Original SHEET No. 47

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Transportation Service**  
**Rate T-3**

**6. Imbalances**

The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.

$$\text{Imbalance} = \text{Dth}_{\text{Customer}} - \text{Dth}_{\text{Company}}$$

Where:

1. "Dth<sub>Customer</sub>" are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in the Company's current Transportation tariff.
2. "Dth<sub>Company</sub>" are the volumes the Company delivered into customer's facilities, however, the Company will adjust the Imbalance, if at the Company's request, the customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.

The Imbalance volumes will be resolved by use of the following procedure:

- a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b)

If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked volumes from the customer at the rates described in the following "Cash out" method in item (b).

- b) "Cash out" Method

(T)

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 48

Cancelling

Original SHEET No. 48

**ATMOS ENERGY CORPORATION**  
 (NAME OF UTILITY)

**Interruptible Transportation Service  
 Rate T-3**

<u>Imbalance volumes</u>	<u>Cash Out Price</u>		
	<u>For Positive Imbalances</u>	<u>For Negative Imbalances</u>	
0% up to 5% <sup>1</sup> of Dth Customer	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price	(D)
5% up to 10% <sup>1</sup> of Dth Customer	@ 85% of Index Price <sup>2</sup>	@ 115% of Index Price	(T)
10% up to 15% <sup>1</sup> of Dth Customer	@ 70% of Index Price <sup>2</sup>	@ 130% of Index Price	(T)
15% up to 20% <sup>1</sup> of Dth Customer	@ 60% of Index Price <sup>2</sup>	@ 140% of Index Price	(T,N)
20% and over <sup>1</sup> of Dth Customer	@ 50% of Index Price <sup>2</sup>	@ 150% of Index Price	(T,N)

<sup>1</sup> Not to exceed Imbalance volumes

<sup>2</sup> The index price will equal the effective "Cash out" index price determined as follows.

- c) If the volume of gas delivered to the Customer's point of delivery is greater than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (negative imbalance), the Company will sell the difference in gas volumes to the Customer based on the highest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report," plus the highest applicable pipeline fuel and transportation charges (T)
- d) If the volume of gas delivered to the Customer's point of delivery is less than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (positive imbalance), the Company will buy the difference in gas volumes from the Customer based on a price equal to the lowest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report", plus the lowest applicable pipeline fuel and transportation charges (T,N)
- e) In addition to other tariff provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) and/or suppliers resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into Company's facilities. (T)
- f) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth Company", on a monthly basis at \$0.10 per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to Customer in the month following delivery to the Company on the Customer's account. (T)

**1. Curtailment**

- a) The Company shall have the right at any time without liability to the customer to curtail or to discontinue the delivery of gas entirely to the customer for any period of time when such curtailment or discontinuance is necessary to protect the requirements of domestic and commercial customers; to avoid an increased maximum daily demand in the Company's gas purchases; to avoid excessive peak load and demands upon the gas transmission or distribution system; to relieve

DATE OF ISSUE November 23, 2015  
 Month/Date/Year

DATE EFFECTIVE December 23, 2015  
 Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
 Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 52

Cancelling

Original SHEET No. 52

**ATMOS ENERGY CORPORATION**  
 (NAME OF UTILITY)

<b>Firm Transportation Service</b>	
<b>Rate T-4</b>	
<b>1. <u>Applicable</u></b>	
Entire Service Area of the Company to any customer for that portion of the customer's firm requirements not included under one of the Company's sales tariffs.	
<b>2. <u>Availability of Service</u></b>	
a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require firm transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.	
b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.	
<b>3. <u>Net Monthly Rate</u></b>	
In addition to any and all charges assessed by other parties, there will be applied:	
a) Base Charge	- \$375.00 per delivery point (I)
b) Transportation Administration Fee	- 50.00 per customer per month (I)
c) <u>Distribution Charge for Firm Service</u>	
First <sup>1</sup> 300 Mcf	@ \$1.5800 per Mcf (I)
Next <sup>1</sup> 14,700 Mcf	@ 1.0100 per Mcf (I)
Over 15,000 Mcf	@ 0.7228 per Mcf (I)
d) Applicable Non-Commodity Components as calculated in the Company's Gas Cost Adjustment (GCA) filing.	
e) Electronic Flow Measurement ("EFM") facilities charges, if applicable.	
f) Pipe Replacement Program (PRP) Ride.	
<sup>1</sup> All gas consumed by the customer (sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.	

DATE OF ISSUE November 23, 2015  
 Month/Date/Year

DATE EFFECTIVE December 23, 2015  
 Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
 Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**First Revised SHEET No. 54**

**Cancelling**

**Original SHEET No. 54**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Firm Transportation Service**

**Rate T-4**

**6. Imbalances**

The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.

$$\text{Imbalance} = \text{Dth}_{\text{Customer}} - \text{Dth}_{\text{Company}}$$

Where

1.  $\text{Dth}_{\text{Customer}}$  'are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in The Company's current Transportation tariff Sheet No. 6.
2.  $\text{Dth}_{\text{Company}}$  'are the volumes the Company delivered into customer's facilities, however, the Company will adjust the Imbalance, if at the Company's request, customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.

The Imbalance volumes will be resolved by use of the following procedure:

- a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b).

If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked" volumes from the customer at the rates described in the following "Cash out" method in item (b).

(b) "Cash out" Method

(T)

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 55

Cancelling

Original SHEET No. 55

**ATMOS ENERGY CORPORATION**  
 (NAME OF UTILITY)

**Firm Transportation Service  
 Rate T-4**

Imbalance volumes	Cash Out Price	
	For Positive Imbalances	For Negative Imbalances
0% up to 5% <sup>1</sup> of Dth Customer	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price
5% up to 10% <sup>1</sup> of Dth Customer	@ 85% of Index Price <sup>2</sup>	@ 115% of Index Price
10% up to 15% <sup>1</sup> of Dth Customer	@ 70% of Index Price <sup>2</sup>	@ 130% of Index Price
15% up to 20% <sup>1</sup> of Dth Customer	@ 60% of Index Price <sup>2</sup>	@ 140% of Index Price
20% and over <sup>1</sup> of Dth Customer	@ 50% of Index Price <sup>2</sup>	@ 150% of Index Price

<sup>1</sup> Not to exceed Imbalance volumes

<sup>2</sup> The index price will equal the effective "Cash out" index price determined as follows.

- c) If the volume of gas delivered to the Customer's point of delivery is greater than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (negative imbalance), the Company will sell the difference in gas volumes to the Customer based on the highest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report," plus the highest applicable pipeline fuel and transportation charges
- d) If the volume of gas delivered to the Customer's point of delivery is less than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (positive imbalance), the Company will buy the difference in gas volumes from the Customer based on a price equal to the lowest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report", plus the lowest applicable pipeline fuel and transportation charges
- e) In addition to other tariff provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) and/or suppliers resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into Company's facilities.
- f) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth Company", on a monthly basis at \$0.10 per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to Customer in the month following delivery to the Company on the Customer's account.

DATE OF ISSUE November 23, 2015  
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DATE EFFECTIVE December 23, 2015  
 Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
 Case No. 2015-00343

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

TITLE Vice President – Rates and Regulatory Affairs



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(1)(b)4**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (1) Each application requesting a general adjustment of existing rates shall:
  - (b) Include:
    4. New or revised tariff sheets, if applicable, identified in compliance with 807 KAR 5:011, shown either by providing:
      - a. The present and proposed tariffs in comparative form on the same sheet side by side or on facing sheets side by side; or
      - b. A copy of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions; and

**RESPONSE:**

Please see attachment FR\_16(1)(b)4\_Att1 for the present versus proposed tariffs.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(1)(b)4\_Att1 - Present vs Proposed Tariffs.pdf, 14 Pages.

Respondent: Mark Martin

PRESENT

FOR ENTIRE SERVICE AREA  
P.S.C. KY NO. 2  
EIGHTH REVISED SHEET NO. 4  
CANCELLING  
SEVENTH REVISED SHEET NO. 4

ATMOS ENERGY CORPORATION  
NAME OF UTILITY

Current Rate Summary  
Case No. 2015-00327

Firm Service

Base Charge:  
Residential (G-1) - \$18.00 per meter per month  
Non-Residential (G-1) - 40.00 per meter per month  
Transportation (T-4) - 350.00 per delivery point per month  
Transportation Administration Fee - 50.00 per customer per meter

Rate per Mcf <sup>2</sup>	Sales (G-1)	Transportation (T-4)	
First 300 <sup>1</sup> Mcf	@ 5.4015 per Mcf	@ 1.3180 per Mcf	(R, -)
Next 14,700 <sup>1</sup> Mcf	@ 4.9635 per Mcf	@ 0.8800 per Mcf	(R, -)
Over 15,000 Mcf	@ 4.7035 per Mcf	@ 0.6200 per Mcf	(R, -)

Interruptible Service

Base Charge - \$350.00 per delivery point per month  
Transportation Administration Fee - 50.00 per customer per meter

Rate per Mcf <sup>2</sup>	Sales (G-2)	Transportation (T-3)	
First 15,000 <sup>1</sup> Mcf	@ 3.5517 per Mcf	@ 0.7900 per Mcf	(R, -)
Over 15,000 Mcf	@ 3.2917 per Mcf	@ 0.5300 per Mcf	(R, -)

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

<sup>2</sup> DSM, PRP and R&D Riders may also apply, where applicable.

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
P.S.C. KY NO. 2  
NINTH REVISED SHEET NO. 4  
CANCELLING  
EIGHTH REVISED SHEET NO. 4

ATMOS ENERGY CORPORATION  
NAME OF UTILITY

Proposed Rate Summary  
Case No. 2015-00343

Firm Service

Base Charge:  
Residential (G-1) - \$18.25 per meter per month (R, -)  
Non-Residential (G-1) - 45.00 per meter per month (R, -)  
Transportation (T-4) - 375.00 per delivery point per month (R, -)  
Transportation Administration Fee - 50.00 per customer per meter

Rate per Mcf <sup>2</sup>	Sales (G-1)	Transportation (T-4)	
First 300 <sup>1</sup> Mcf	@ 5.6635 per Mcf	@ 1.5800 per Mcf	(R, 0)
Next 14,700 <sup>1</sup> Mcf	@ 5.0935 per Mcf	@ 1.0100 per Mcf	(R, 0)
Over 15,000 Mcf	@ 4.8063 per Mcf	@ 0.7228 per Mcf	(R, 0)

Interruptible Service

Base Charge - \$375.00 per delivery point per month (R, -)  
Transportation Administration Fee - 50.00 per customer per meter

Rate per Mcf <sup>2</sup>	Sales (G-2)	Transportation (T-3)	
First 15,000 <sup>1</sup> Mcf	@ 3.6517 per Mcf	@ 0.8900 per Mcf	(R, 0)
Over 15,000 Mcf	@ 3.3617 per Mcf	@ 0.6000 per Mcf	(R, 0)

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

<sup>2</sup> DSM, PRP and R&D Riders may also apply, where applicable.

DATE OF ISSUE September 30, 2015  
MONTH / DATE / YEAR

DATE EFFECTIVE November 1, 2015  
MONTH / DATE / YEAR

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

TITLE Vice President - Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2015-00327 DATED October 20, 2015

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Brent Kelley*

EFFECTIVE  
**11/1/2015**  
PURSUANT TO 807 KAR 5:011 SECTION 8 (1)

DATE OF ISSUE November 23, 2015  
MONTH / DATE / YEAR

DATE EFFECTIVE December 23, 2015  
MONTH / DATE / YEAR

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

TITLE Vice President - Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2015-00343 DATED N/A

PRESENT

FOR ENTIRE SERVICE AREA  
P.S.C. KY NO. 2  
EIGHTH REVISED SHEET NO. 6  
CANCELLING  
SEVENTH REVISED SHEET NO. 6

ATMOS ENERGY CORPORATION  
NAME OF UTILITY

Current Transportation					
Case No. 2015-00327					
The Transportation Rates (T-3 and T-4) for each respective service net monthly rate is as follows:					
System Lost and Unaccounted gas percentage:			1.16%		
			<u>Simple Margin</u>	<u>Non-Commodity</u>	<u>Gross Margin</u>
<u>Transportation Service <sup>1</sup></u>					
<u>Firm Service (T-4)</u>					
First	300	Mcf @	\$1.3180 +	\$0.0000 =	\$1.3180 per Mcf (-)
Next	14,700	Mcf @	0.8800 +	0.0000 =	0.8800 per Mcf (-)
All over	15,000	Mcf @	0.6200 +	0.0000 =	0.6200 per Mcf (-)
<u>Interruptible Service (T-3)</u>					
First	15,000	Mcf @	\$0.7900 +	\$0.0000 =	\$0.7900 per Mcf (-)
All over	15,000	Mcf @	0.5300 +	0.0000 =	0.5300 per Mcf (-)
<sup>1</sup> Excludes standby sales service.					

DATE OF ISSUE September 30, 2015  
MONTH/DATE/YEAR

DATE EFFECTIVE November 1, 2015  
MONTH/DATE/YEAR

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

TITLE Vice President - Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO 2015-00327 DATED October 20, 2015

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Beant Harley*

EFFECTIVE  
**11/1/2015**  
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
P.S.C. KY NO. 2  
NINTH REVISED SHEET NO. 6  
CANCELLING  
EIGHTH REVISED SHEET NO. 6

ATMOS ENERGY CORPORATION  
NAME OF UTILITY

Proposed Transportation					
Case No. 2015-00343					
The Transportation Rates (T-3 and T-4) for each respective service net monthly rate is as follows:					
System Lost and Unaccounted gas percentage:			1.16%		
			<u>Simple Margin</u>	<u>Non-Commodity</u>	<u>Gross Margin</u>
<u>Transportation Service <sup>1</sup></u>					
<u>Firm Service (T-4)</u>					
First	300	Mcf @	\$1.5800 +	\$0.0000 =	\$1.5800 per Mcf (0)
Next	14,700	Mcf @	1.0100 +	0.0000 =	1.0100 per Mcf (0)
All over	15,000	Mcf @	0.7228 +	0.0000 =	0.7228 per Mcf (0)
<u>Interruptible Service (T-3)</u>					
First	15,000	Mcf @	\$0.8900 +	\$0.0000 =	\$0.8900 per Mcf (0)
All over	15,000	Mcf @	0.6000 +	0.0000 =	0.6000 per Mcf (0)
<sup>1</sup> Excludes standby sales service.					

DATE OF ISSUE November 23, 2015  
MONTH/DATE/YEAR

DATE EFFECTIVE December 23, 2015  
MONTH/DATE/YEAR

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

TITLE Vice President - Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO 2015-00343 DATED N/A

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 8

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 8  
Cancelling  
Original SHEET No. 8

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

General Firm Sales Service  
Rate G-1

General Firm Sales Service  
Rate G-1

1. Applicable

Entire Service Area of The Company.

1. Applicable

Entire Service Area of The Company.

2. Availability of Service

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

2. Availability of Service

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

3. Net Monthly Rate

a) Base Charge

\$16.00 per meter for residential service  
\$40.00 per meter for non-residential service

a) Base Charge

\$18.25 per meter for residential service  
\$45.00 per meter for non-residential service

b) Distribution Charge

First<sup>1</sup> 300 Mcf @ \$1.3180 per 1,000 cubic feet  
Next<sup>1</sup> 14,700 Mcf @ 0.8800 per 1,000 cubic feet  
Over 15,000 Mcf @ 0.6200 per 1,000 cubic feet

b) Distribution Charge

First<sup>1</sup> 300 Mcf @ \$1.5800 per 1,000 cubic feet  
Next<sup>1</sup> 14,700 Mcf @ 1.0100 per 1,000 cubic feet  
Over 15,000 Mcf @ 0.7228 per 1,000 cubic feet

c) Weather Normalization Adjustment.

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

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

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

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

c) Weather Normalization Adjustment.

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

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

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

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

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

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

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION  
JEFF R. DEROUEN  
EXECUTIVE DIRECTOR  
TARIFF BRANCH  
*Jeff R. Derouen*  
EFFECTIVE  
5/1/2014  
PURSUANT TO 407 KAR 5:011 SECTION 9 (1)

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 11

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Interruptible Sales Service Rate G-2	
<p>d) <u>Revision of Delivery Volumes</u> The Daily Contract Demand for High Priority service and the Daily Contract Demand for Interruptible service shall be subject to revision as necessary so as to coincide with the customer's normal operating conditions and actual load with consideration given to any anticipated changes in customer's utilization, subject to the Company's contractual obligations with other customers or its suppliers, and subject to system capacity and availability of the gas if an increased volume is involved.</p>	
<p><b>4. Net Monthly Rate</b></p>	
a) Base Charge:	\$350.00 per delivery point per month
Minimum Charge:	The Base Charge plus any Transportation Fee and BFM facilities charge and any Pipe Replacement Rider.
b) Distribution Charge	
<p><u>High Priority Service</u> The volume of gas used each day up to, but not exceeding the effective High Priority Daily Contract Demand shall be totaled for the month and billed at the "General Firm Sales Service Rate G-1".</p>	
<p><u>Interruptible Service</u> Gas used per month in excess of the High Priority Service shall be billed as follows:</p>	
First <sup>1</sup> 15,000 Mcf	\$0.7900 per 1,000 cubic feet
Over 15,000 Mcf	0.5300 per 1,000 cubic feet
c) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15	
d) Research & Development Rider (R&D), referenced on Sheet No. 37.	
e) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.	
<p><sup>1</sup> All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.</p>	

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Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Brent Hatley*

EFFECTIVE  
**5/1/2014**

PURSUANT TO 907 KAR 501.1 SECTION 9 (1)

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 11  
Cancelling  
Original SHEET No. 11

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Interruptible Sales Service Rate G-2	
<p>d) <u>Revision of Delivery Volumes</u> The Daily Contract Demand for High Priority service and the Daily Contract Demand for Interruptible service shall be subject to revision as necessary so as to coincide with the customer's normal operating conditions and actual load with consideration given to any anticipated changes in customer's utilization, subject to the Company's contractual obligations with other customers or its suppliers, and subject to system capacity and availability of the gas if an increased volume is involved.</p>	
<p><b>4. Net Monthly Rate</b></p>	
a) Base Charge:	\$375.00 per delivery point per month
Minimum Charge:	The Base Charge plus any Transportation Fee and EFM facilities charge and any Pipe Replacement Rider.
b) Distribution Charge	
<p><u>High Priority Service</u> The volume of gas used each day up to, but not exceeding the effective High Priority Daily Contract Demand shall be totaled for the month and billed at the "General Firm Sales Service Rate G-1".</p>	
<p><u>Interruptible Service</u> Gas used per month in excess of the High Priority Service shall be billed as follows:</p>	
First <sup>1</sup> 15,000 Mcf	\$0.8900 per 1,000 cubic feet
Over 15,000 Mcf	0.6000 per 1,000 cubic feet
c) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15	
d) Research & Development Rider (R&D), referenced on Sheet No. 37.	
e) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.	
<p><sup>1</sup> All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.</p>	

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 14

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Weather Normalization Adjustment Rider  
WNA

1. Applicable

Applicable to Rate G-1 Sales Service, excluding industrial class only.

The distribution charge per Mcf for gas service as set forth in G-1 Sales Service shall be adjusted by an amount herein under described as the Weather Normalization Adjustment (WNA). The WNA shall be applicable to Rate G-1 Sales Service, excluding Industrial Sales Service.

The WNA shall apply to all residential, commercial and public authority bills based on meters read during the months of November through April. The WNA shall increase or decrease accordingly by month. The WNA will not be billed to reflect meters read during the months of May through October. Customer base loads and heating sensitivity factors will be determined by class and computed annually.

2. Computation of Weather Normalizing Adjustment

The WNA shall be computed by using the following formula:

$$WNA_i = R_i \frac{[HSP]_i (NBD - ADD)}{[BL_i + [HSP]_i \times ADD]}$$

Where:

- $i$  == any rate schedule or billing classification within a rate schedule that contains more than one billing classification
- $WNA_i$  == Weather Normalization Adjustment Factor for the  $i$ th rate schedule or classification expressed as a rate per Mcf
- $R_i$  == weighted average rate (distribution charge) of temperature sensitive sales for the  $i$ th schedule or classification
- $HSP_i$  == heat sensitive factor for the  $i$ th schedule or classification
- $NBD$  == normal billing cycle heating degree days (based upon NOAA 30-year normal for the period of 1981-2010)
- $ADD$  == actual billing cycle heating degree days
- $BL_i$  == base load for the  $i$ th schedule or classification

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION  
JEFF R. DEROUEN  
EXECUTIVE DIRECTOR  
TARIFF BRANCH  
*Brent Kerley*  
EFFECTIVE  
5/1/2014  
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 14  
Cancelling  
Original SHEET No. 14

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Weather Normalization Adjustment Rider  
WNA

1. Applicable

Applicable to Rate G-1 Sales Service, excluding industrial class only.

The distribution charge per Mcf for gas service as set forth in G-1 Sales Service shall be adjusted by an amount herein under described as the Weather Normalization Adjustment (WNA). The WNA shall be applicable to Rate G-1 Sales Service, excluding Industrial Sales Service.

The WNA shall apply to all residential, commercial and public authority bills based on meters read during the months of November through April. The WNA shall increase or decrease accordingly by month. The WNA will not be billed to reflect meters read during the months of May through October. Customer base loads and heating sensitivity factors will be determined by class and computed annually.

2. Computation of Weather Normalizing Adjustment

The WNA shall be computed by using the following formula:

$$WNA_i = R_i \frac{[HSP]_i (NBD - ADD)}{[BL_i + [HSP]_i \times ADD]}$$

Where:

- $i$  == any rate schedule or billing classification within a rate schedule that contains more than one billing classification
- $WNA_i$  == Weather Normalization Adjustment Factor for the  $i$ th rate schedule or classification expressed as a rate per Mcf
- $R_i$  == weighted average rate (distribution charge) of temperature sensitive sales for the  $i$ th schedule or classification
- $HSP_i$  == heat sensitive factor for the  $i$ th schedule or classification
- $NBD$  == normal billing cycle heating degree days (based upon NOAA 10-year normal for the period of September 2006 through August 2015)
- $ADD$  == actual billing cycle heating degree days
- $BL_i$  == base load for the  $i$ th schedule or classification

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

(T)

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 37

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Research & Development Rider  
R & D Unit Charge

- Applicable:**  
This rider applies to the distribution charge applicable to all gas transported by the Company other than Rate T-3 and T-4 Transportation Service.
- R&D Unit Charge:**  
The intent of the Research & Development Unit Charge is to maintain the Company's level of contribution per Mof as of December 31, 1998.  
  
R&D Unit Charge @ \$0.0035 per 1,000 cubic feet
- Waiver Provision:**  
The R&D Unit Charge may be reduced or waived for one or more classifications of service or rate schedules at any time by the Company by filing notice with the Commission. Any such waiver shall not increase the R&D Unit Charge to the remaining classifications of service or rate schedules without Commission approval.
- Remittance of Funds:**  
All funds collected under this rider will be remitted to Gas Technology Institute, or similar research or commercialization organization. The amounts so remitted shall be reported to the Commission annually.
- Reports to the Commission:**  
A statement setting forth the manner in which the funds remitted have been invested in research and development will be filed with the Commission annually.
- Termination of this Rider:**  
Participation in the R&D funding program is voluntary on the part of the Company. This rider may be terminated at any time by the Company by filing a notice of rescission with the Commission.

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2013-00148

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

TITLE Vice President -- Rates and Regulatory Affairs

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH
<i>Brent Kistler</i>
EFFECTIVE 5/1/2014
PURSUANT TO 807 KAR 6:011 SECTION 9 (1)

PROPOSED

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 37  
Cancelling  
Original SHEET No. 37

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Research & Development Rider  
R & D Unit Charge

- Applicable:**  
This rider applies to the distribution charge applicable to all gas transported by the Company other than Rate T-3 and T-4 Transportation Service.
- R&D Unit Charge:**  
The intent of the Research & Development Unit Charge is to maintain the Company's level of contribution per Mof as of December 31, 1998.  
  
R&D Unit Charge @ \$0.0174 per 1,000 cubic feet
- Waiver Provision:**  
The R&D Unit Charge may be reduced or waived for one or more classifications of service or rate schedules at any time by the Company by filing notice with the Commission. Any such waiver shall not increase the R&D Unit Charge to the remaining classifications of service or rate schedules without Commission approval.
- Remittance of Funds:**  
All funds collected under this rider will be remitted to Gas Technology Institute, or similar research or commercialization organization. The amounts so remitted shall be reported to the Commission annually.
- Reports to the Commission:**  
A statement setting forth the manner in which the funds remitted have been invested in research and development will be filed with the Commission annually.
- Termination of this Rider:**  
Participation in the R&D funding program is voluntary on the part of the Company. This rider may be terminated at any time by the Company by filing a notice of rescission with the Commission.

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President -- Rates and Regulatory Affairs

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Second Revised SHEET No. 39  
Cancelling  
First Revised SHEET No. 39

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Pipeline Replacement Program Rider			
<b>4. Pipe Replacement Rider Rates</b>			
The charges for the respective gas service schedules for the revenue month beginning October 1, 2015 per billing period are:			
	<u>Monthly Customer Charge</u>	<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$2.65	\$0.00	(T)
Rate G-1 (Non-Residential)	\$8.44	\$0.00	(T)
Rate G-2	\$45.56	1-15000 \$0.0177 per 1000 cubic feet Over 15000 \$0.0119 per 1000 cubic feet	(T,R)
Rate T-3	\$38.79	1-15000 \$0.0870 per 1000 cubic feet Over 15000 \$0.0584 per 1000 cubic feet	(T,R)
Rate T-4	\$40.12	1-300 \$0.1221 per 1000 cubic feet 301-15000 \$0.0815 per 1000 cubic feet Over 15000 \$0.0574 per 1000 cubic feet	(T,R)

DATE OF ISSUE July 31, 2015  
Month/Date/Year

DATE EFFECTIVE October 1, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2015-00272

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Beant Halley*  
EFFECTIVE

10/1/2015  
PURSUANT TO 807 KAR 8:011 SECTION 9 (1)

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Third Revised SHEET No. 39  
Cancelling  
Second Revised SHEET No. 39

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Pipeline Replacement Program Rider			
<b>4. Pipe Replacement Rider Rates</b>			
The charges for the respective gas service schedules for the revenue month beginning October 1, 2015 per billing period are:			
	<u>Monthly Customer Charge</u>	<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$0.00	\$0.00	(R)
Rate G-1 (Non-Residential)	\$0.00	\$0.00	(R)
Rate G-2	\$0.00	\$0.0000 per 1000 cubic feet	(R)
Rate T-3	\$0.00	1-15000 \$0.0000 per 1000 cubic feet Over 15000 \$0.0000 per 1000 cubic feet	(R,R)
Rate T-4	\$0.00	1-300 \$0.0000 per 1000 cubic feet 301-15000 \$0.0000 per 1000 cubic feet Over 15000 \$0.0000 per 1000 cubic feet	(R,R)

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 40

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Economic Development Rider  
EDR

- 1. Applicable:**  
This Rider may apply to any customer with an expected demand of at least 9,000 Mcf per year. Existing customers served under another rate schedule to be eligible for service under this rate schedule must contract for sufficient natural gas demand to produce an increase in consumption of 4,500 Mcf per year.
- 2. Purpose:**  
This Rider is intended to allow the Company to offer incentive or discount type rates designed to enhance the Company's system utilization while encouraging industrial development and job growth within the Company's service areas. Under the terms of this Rider, qualifying customers are required to enter into a Special Contract with the Company. The Special Contract shall be subject to approval by the Kentucky Public Service Commission (Commission). This Rider is available for load associated with initial permanent service to new establishments, expansion of existing establishments or new customers in existing establishments. This Rider may also be available for existing customers that are experiencing financial hardship, if certain conditions can be met.
- 3. Term:**  
Any Special Contract shall extend for a period twice the length of the discount period. The discount period shall not extend beyond four (4) years.
- 4. Gas Cost Adjustment:**  
For G-1 and G-2 customers, bills for service are subject to the cost of purchased gas in accordance with the Gas Cost Adjustment (GCA) Rider approved by the Kentucky Public Service Commission.

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2013-00148

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

TITLE Vice President -- Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION  
JEFF R. DEROUEN  
EXECUTIVE DIRECTOR  
TARIFF BRANCH  
*Benit Kibbey*  
EFFECTIVE  
**5/1/2014**  
PURSUANT TO 807 KAR 8:011 SECTION 9 (1)

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 40  
Cancelling  
Original SHEET No. 40

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Economic Development Rider  
EDR

- 1. Applicable:**  
This Rider may apply to any customer with an expected demand of at least 9,000 Mcf per year. Existing customers served under another rate schedule to be eligible for service under this rate schedule must contract for sufficient natural gas demand to produce an increase in consumption of 4,500 Mcf per year.
- 2. Purpose:**  
This Rider is intended to allow the Company to offer incentive or discount type rates designed to enhance the Company's system utilization while encouraging industrial development and job growth within the Company's service areas. Under the terms of this Rider, qualifying customers are required to enter into a Special Contract with the Company. The Special Contract shall be subject to approval by the Kentucky Public Service Commission (Commission). This Rider is available for load associated with initial permanent service to new establishments, expansion of existing establishments or new customers in existing establishments. This Rider may also be available for existing customers that are experiencing financial hardship, if certain conditions can be met.
- 3. Term:**  
Any Special Contract shall extend for a period at least twice the length of the discount period. The discount period shall not extend beyond four (4) years.
- 4. Gas Cost Adjustment:**  
For G-1 and G-2 customers, bills for service are subject to the cost of purchased gas in accordance with the Gas Cost Adjustment (GCA) Rider approved by the Kentucky Public Service Commission.

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

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Case No. 2015-00343

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

TITLE Vice President -- Rates and Regulatory Affairs

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 45

PROPOSED

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 45  
Cancelling  
Original SHEET No. 45

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Interruptible Transportation Service	
Rate T-3	
<b>1. Applicable</b>	
Entire service area of the Company to any customer for that portion of the customer's interruptible requirements not included under one of the Company's sales tariffs.	
<b>2. Availability of Service</b>	
a)	Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require interruptible transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
b)	The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.
<b>3. Net Monthly Rate</b>	
In addition to any and all charges assessed by other parties, there will be applied:	
a)	Base Charge - \$350.00 per delivery point (1)
b)	Transportation Administration Fee - 50.00 per customer per month
c) <u>Distribution Charge for Interruptible Service</u>	
First <sup>1</sup>	15,000 Mcf @ \$0.7900 per Mcf (1)
Over	15,000 Mcf @ 0.5300 per Mcf (1)
d)	Applicable Non-Commodity Components (Sheet No. 6) as calculated in the Company's Gas Cost Adjustment (GCA) filing.
e)	Electronic Flow Measurement ("EFM") facilities charge, if applicable.
f)	Pipe Replacement Program (PRP) Rider.
<sup>1</sup> All gas consumed by the customer (Sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.	

Interruptible Transportation Service	
Rate T-3	
<b>1. Applicable</b>	
Entire service area of the Company to any customer for that portion of the customer's interruptible requirements not included under one of the Company's sales tariffs.	
<b>2. Availability of Service</b>	
a)	Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require interruptible transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
b)	The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.
<b>3. Net Monthly Rate</b>	
In addition to any and all charges assessed by other parties, there will be applied:	
a)	Base Charge - \$375.00 per delivery point (1)
b)	Transportation Administration Fee - 50.00 per customer per month
c) <u>Distribution Charge for Interruptible Service</u>	
First <sup>1</sup>	15,000 Mcf @ \$0.8900 per Mcf (1)
Over	15,000 Mcf @ 0.6000 per Mcf (1)
d)	Applicable Non-Commodity Components (Sheet No. 6) as calculated in the Company's Gas Cost Adjustment (GCA) filing.
e)	Electronic Flow Measurement ("EFM") facilities charge, if applicable.
f)	Pipe Replacement Program (PRP) Rider.
<sup>1</sup> All gas consumed by the customer (Sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.	

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Brent Lindsey*

EFFECTIVE  
**5/1/2014**

PURSUANT TO 807 KAR 80:11 SECTION 9 (1)

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Original SHEET No. 47

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Interruptible Transportation Service

Rate T-3

**6. Imbalances**

The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.

$$\text{Imbalance} = D_{th \text{ Customer}} - D_{th \text{ Company}}$$

Where:

1. "D<sub>th Customer</sub>" are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in the Company's current Transportation tariff.
2. "D<sub>th Company</sub>" are the volumes the Company delivered into customer's facilities, however, the Company will adjust the imbalance, if at the Company's request, the customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.

The Imbalance volumes will be resolved by use of the following procedure:

- a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b)

If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked" volumes from the customer at the rates described in the following "Cash out" method in item (b).

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
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Issued by Authority of an Order of the Public Service Commission in  
Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Benit Kirby*

EFFECTIVE  
**5/1/2014**

PURSUANT TO 807 KAR 80:11 SECTION 9 (1)

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

First Revised SHEET No. 47

Cancelling

Original SHEET No. 47

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Interruptible Transportation Service

Rate T-3

**6. Imbalances**

The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.

$$\text{Imbalance} = D_{th \text{ Customer}} - D_{th \text{ Company}}$$

Where:

1. "D<sub>th Customer</sub>" are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in the Company's current Transportation tariff.
2. "D<sub>th Company</sub>" are the volumes the Company delivered into customer's facilities, however, the Company will adjust the imbalance, if at the Company's request, the customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.

The Imbalance volumes will be resolved by use of the following procedure:

- a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b)

If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked" volumes from the customer at the rates described in the following "Cash out" method in item (b).

- b) "Cash out" Method

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

(1)

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 48

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Interruptible Transportation Service			
Rate T-3			
b) "Cash out" Method			
	Negative Imbalances	Positive Imbalances	
	Cash-Out Price	Cash-Out Price	
<u>Imbalance volumes</u>			
First <sup>1</sup>	5% of Dth <sub>Customer</sub> @ 100% of Index Price <sup>2</sup>	@ 100% of Index Price	
Next <sup>1</sup>	5% of Dth <sub>Customer</sub> @ 110% of Index Price <sup>2</sup>	@ 90% of Index Price	
Oyer <sup>1</sup>	10% of Dth <sub>Customer</sub> @ 120% of Index Price <sup>2</sup>	@ 80% of Index Price	
<sup>1</sup> Not to exceed imbalance volumes			
<sup>2</sup> The index price will equal the effective "Cash out" index price in effect for the transporting pipeline or as filed with the Commission by the Company.			
c) Customer will be reimbursed for all pipeline transportation commodity charges applying to cash out volumes. However, the reimbursement will not exceed pipeline transportation commodity charges the Company would have incurred to transport the "Cash Out" volumes.			
d) In addition to other tariff provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) and/or suppliers resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into customer's facilities.			
e) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth <sub>Company</sub> ", on a monthly basis at \$0.10/Dth per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to the Customer in the month following delivery to the Company on the Customer's account.			
<b>7. Curtailment</b>			
a) The Company shall have the right at any time without liability to the customer to curtail or to discontinue the delivery of gas entirely to the customer for any period of time when such curtailment or discontinuance is necessary to protect the requirements of domestic and commercial customers; to avoid an increased maximum daily demand in the Company's gas purchases; to avoid excessive peak load and demands upon the gas transmission or distribution system; to relieve			

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Brent Kallay*

EFFECTIVE  
**5/1/2014**

PURSUANT TO 807 KAR 8:011 SECTION 9 (1)

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 48  
Cancelling  
Original SHEET No. 48

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Interruptible Transportation Service			
Rate T-3			
		Cash Out Price	
		For Positive Imbalances	For Negative Imbalances
<u>Imbalance volumes</u>			
0% up to 5% <sup>1</sup> of Dth <sub>Customer</sub>	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price	
5% up to 10% <sup>1</sup> of Dth <sub>Customer</sub>	@ 85% of Index Price <sup>2</sup>	@ 115% of Index Price	
10% up to 15% <sup>1</sup> of Dth <sub>Customer</sub>	@ 70% of Index Price <sup>2</sup>	@ 130% of Index Price	
15% up to 20% <sup>1</sup> of Dth <sub>Customer</sub>	@ 60% of Index Price <sup>2</sup>	@ 140% of Index Price	
20% and over <sup>1</sup> of Dth <sub>Customer</sub>	@ 50% of Index Price <sup>2</sup>	@ 150% of Index Price	
<sup>1</sup> Not to exceed imbalance volumes			
<sup>2</sup> The index price will equal the effective "Cash out" index price determined as follows.			
c) If the volume of gas delivered to the Customer's point of delivery is greater than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (negative imbalance), the Company will sell the difference in gas volumes to the Customer based on the highest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report," plus the highest applicable pipeline fuel and transportation charges			
d) If the volume of gas delivered to the Customer's point of delivery is less than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (positive imbalance), the Company will buy the difference in gas volumes from the Customer based on a price equal to the lowest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report", plus the lowest applicable pipeline fuel and transportation charges			
e) In addition to other tariff provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) and/or suppliers resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into Company's facilities.			
f) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth <sub>Company</sub> ", on a monthly basis at \$0.10 per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to Customer in the month following delivery to the Company on the Customer's account.			
<b>1. Curtailment</b>			
a) The Company shall have the right at any time without liability to the customer to curtail or to discontinue the delivery of gas entirely to the customer for any period of time when such curtailment or discontinuance is necessary to protect the requirements of domestic and commercial customers; to avoid an increased maximum daily demand in the Company's gas purchases; to avoid excessive peak load and demands upon the gas transmission or distribution system; to relieve			

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

PRESENT

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 52

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Firm Transportation Service	
Rate T-4	
<b>1. Applicable</b>	
Entire Service Area of the Company to any customer for that portion of the customer's firm requirements not included under one of the Company's sales tariffs.	
<b>2. Availability of Service</b>	
a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require firm transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.	
b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.	
<b>3. Net Monthly Rate</b>	
In addition to any and all charges assessed by other parties, there will be applied:	
a) Base Charge	- \$350.00 per delivery point (1)
b) Transportation Administration Fee	- 50.00 per customer per month (1)
c) <b>Distribution Charge for Firm Service</b>	
First <sup>1</sup>	300 Mcf @ \$1.3180 per Mcf (1)
Next <sup>1</sup>	14,700 Mcf @ 0.8800 per Mcf (1)
Over	15,000 Mcf @ 0.6200 per Mcf (1)
d) Applicable Non-Commodity Components as calculated in the Company's Gas Cost Adjustment (GCA) filing.	
e) Electronic Flow Measurement ("EFM") facilities charges, if applicable.	
f) Pipe Replacement Program (PRP) Ride.	
<sup>1</sup> All gas consumed by the customer (sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.	

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION  
JEFF R. DEROUEN  
EXECUTIVE DIRECTOR  
TARIFF BRANCH  
*Brent Kelley*  
EFFECTIVE  
**5/1/2014**  
PURSUANT TO 807 KAR 8:011 SECTION 9 (1)

PROPOSED

CASE NO. 2015-00343  
FR\_16(1)(b)4  
ATTACHMENT 1

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 52  
Cancelling  
Original SHEET No. 52

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Firm Transportation Service	
Rate T-4	
<b>1. Applicable</b>	
Entire Service Area of the Company to any customer for that portion of the customer's firm requirements not included under one of the Company's sales tariffs.	
<b>2. Availability of Service</b>	
a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require firm transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.	
b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.	
<b>3. Net Monthly Rate</b>	
In addition to any and all charges assessed by other parties, there will be applied:	
a) Base Charge	- \$375.00 per delivery point (1)
b) Transportation Administration Fee	- 50.00 per customer per month (1)
c) <b>Distribution Charge for Firm Service</b>	
First <sup>1</sup>	300 Mcf @ \$1.5800 per Mcf (1)
Next <sup>1</sup>	14,700 Mcf @ 1.0100 per Mcf (1)
Over	15,000 Mcf @ 0.7228 per Mcf (1)
d) Applicable Non-Commodity Components as calculated in the Company's Gas Cost Adjustment (GCA) filing.	
e) Electronic Flow Measurement ("EFM") facilities charges, if applicable.	
f) Pipe Replacement Program (PRP) Ride.	
<sup>1</sup> All gas consumed by the customer (sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.	

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Firm Transportation Service	
Rate T-4	
<b>6. Imbalances</b>	
The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.	
$\text{Imbalance} = \text{Dth}_{\text{Customer}} - \text{Dth}_{\text{Company}}$	
Where	
1. $\text{Dth}_{\text{Customer}}$	'are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in The Company's current Transportation tariff Sheet No. 6.
2. $\text{Dth}_{\text{Company}}$	'are the volumes the Company delivered into customer's facilities, however, the Company will adjust the Imbalance, if at the Company's request, customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.
The Imbalance volumes will be resolved by use of the following procedure:	
a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b).	
If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked" volumes from the customer at the rates described in the following "Cash out" method in item (b).	

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION  
JEFF R. DEROUEN  
EXECUTIVE DIRECTOR  
TARIFF BRANCH  
*Brent Kelley*  
EFFECTIVE  
**5/1/2014**  
PURSUANT TO 807 KAR 9:011 SECTION 9 (1)

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Firm Transportation Service	
Rate T-4	
<b>6. Imbalances</b>	
The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.	
$\text{Imbalance} = \text{Dth}_{\text{Customer}} - \text{Dth}_{\text{Company}}$	
Where	
1. $\text{Dth}_{\text{Customer}}$	'are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in The Company's current Transportation tariff Sheet No. 6.
2. $\text{Dth}_{\text{Company}}$	'are the volumes the Company delivered into customer's facilities, however, the Company will adjust the Imbalance, if at the Company's request, customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.
The Imbalance volumes will be resolved by use of the following procedure:	
a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b).	
If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked" volumes from the customer at the rates described in the following "Cash out" method in item (b).	
(b) "Cash out" Method	

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs

(1)

PRESENT

PROPOSED

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
Original SHEET No. 55

FOR ENTIRE SERVICE AREA  
PSC KY. No. 2  
First Revised SHEET No. 55  
Cancelling  
Original SHEET No. 55

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

ATMOS ENERGY CORPORATION  
(NAME OF UTILITY)

Firm Transportation Service			
Rate T-4			
b) "Cash out" Method			
	Negative Imbalances	Positive Imbalances	(T)
	Cash-Out Price	Cash-Out Price	
Imbalance volumes			
First <sup>1</sup> 5% of Dth Customer	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price	
Next <sup>1</sup> 5% of Dth Customer	@ 110% of Index Price <sup>2</sup>	@ 90% of Index Price	
Over <sup>1</sup> 10% of Dth Customer	@ 120% of Index Price <sup>2</sup>	@ 80% of Index Price	
<sup>1</sup> Not to exceed Imbalance volumes			
<sup>2</sup> The index price will equal the effective "Cash out" index price in effect for the transporting pipeline or as filed with the Commission by the Company.			
c) Customer will be reimbursed for all pipeline transportation commodity charges applying to cash out volumes. However, the reimbursement will not exceed pipeline transportation commodity charges the Company would have incurred to transport the "Cash Out" volumes.			
d) In addition to other tariff provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) or supplier(s) resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into customer's facilities.			
e) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth Company", on a monthly basis at \$0.10/Dth per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to the Customer in the month following delivery to the Company on the Customer's account.			

Firm Transportation Service			
Rate T-4			
	Cash Out Price		(D)
	For Positive Imbalances	For Negative Imbalances	(T)
Imbalance volumes			(T)
0% up to 5% <sup>1</sup> of Dth Customer	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price	(T,N)
5% up to 10% <sup>1</sup> of Dth Customer	@ 85% of Index Price <sup>2</sup>	@ 115% of Index Price	(T,N)
10% up to 15% <sup>1</sup> of Dth Customer	@ 70% of Index Price <sup>2</sup>	@ 130% of Index Price	(T,N)
15% up to 20% <sup>1</sup> of Dth Customer	@ 60% of Index Price <sup>2</sup>	@ 140% of Index Price	(T,N)
20% and over <sup>1</sup> of Dth Customer	@ 50% of Index Price <sup>2</sup>	@ 150% of Index Price	(T,N)
<sup>1</sup> Not to exceed Imbalance volumes			
<sup>2</sup> The index price will equal the effective "Cash out" index price determined as follows.			
c) If the volume of gas delivered to the Customer's point of delivery is greater than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (negative imbalance), the Company will sell the difference in gas volumes to the Customer based on the highest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report," plus the highest applicable pipeline fuel and transportation charges			
d) If the volume of gas delivered to the Customer's point of delivery is less than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (positive imbalance), the Company will buy the difference in gas volumes from the Customer based on a price equal to the lowest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report", plus the lowest applicable pipeline fuel and transportation charges			
e) In addition to other tariff provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) and/or suppliers resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into Company's facilities.			
f) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth Company", on a monthly basis at \$0.10 per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to Customer in the month following delivery to the Company on the Customer's account.			

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE January 24, 2014  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2013-00148

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

TITLE Vice President - Rates and Regulatory Affairs

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

*Brent Hatley*

EFFECTIVE  
5/1/2014

PURSUANT TO 607 KAR 6:011 SECTION 9 (1)

DATE OF ISSUE November 23, 2015  
Month/Date/Year

DATE EFFECTIVE December 23, 2015  
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in Case No. 2015-00343

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

TITLE Vice President - Rates and Regulatory Affairs



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(1)(b)5**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (1) Each application requesting a general adjustment of existing rates shall:
  - (b) Include:
    - 5. A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.

**RESPONSE:**

The customer notice has been prepared in compliance with FR 17 and a copy is attached to the Company's response to FR 17(4)(a)-(j).

Respondent: Mark Martin



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(2)(a)-(c)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (2) Notice of intent. A utility with gross annual revenues greater than \$5,000,000 shall notify the commission in writing of intent to file a rate application at least thirty (30) days, but not more than sixty (60) days, prior to filing its application.
- (a) The notice of intent shall state if the rate application will be supported by a historical test period or a fully forecasted test period.
  - (b) Upon filing the notice of intent, an application may be made to the commission for permission to use an abbreviated form of newspaper notice of proposed rate increases provided the notice includes a coupon that may be used to obtain a copy from the applicant of the full schedule of increases or rate changes.
  - (c) Upon filing the notice of intent with the commission, the applicant shall mail to the Attorney General's Office of Rate Intervention a copy of the notice of intent or send by electronic mail in a portable document format, to [rateintervention@ag.ky.gov](mailto:rateintervention@ag.ky.gov).

**RESPONSE:**

- a) Please see attachment FR\_16(2)(a)-(c)\_Att1 for a copy of the Notice of Intent, which was filed with the Commission on October 19, 2015.
- b) Not applicable
- c) A copy of the notice was electronically mailed to the Attorney General's Office on October 19, 2015.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(2)(a)-(c)\_Att1 - Notice of Intent.pdf, 1 Page.

Respondent: Mark Martin

JOHN N. HUGHES  
ATTORNEY AT LAW  
PROFESSIONAL SERVICE CORPORATION  
124 WEST TODD STREET  
FRANKFORT, KENTUCKY 40601

TELEPHONE: (502) 227-7270

[JNHUGHES@JOHNNHUGHESPSC.COM](mailto:JNHUGHES@JOHNNHUGHESPSC.COM)

October 19, 2015

RECEIVED

OCT 19 2015

PUBLIC SERVICE  
COMMISSION

Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Atmos Energy Corporation

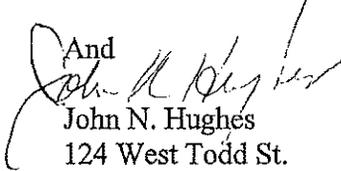
Dear Mr. Derouen:

Atmos Energy Corporation gives notice that it intends to file a general rate case no sooner than 30 days from today based on a future test year. A PDF copy of this notice has been served on the Attorney General's Office of Rate Intervention at [rateintervention@ag.ky.gov](mailto:rateintervention@ag.ky.gov).

Submitted By:

Mark R. Hutchinson  
Wilson, Hutchinson and Poteat  
611 Frederica St.  
Owensboro, KY 42301  
270 926 5011  
[randy@whplawfirm.com](mailto:randy@whplawfirm.com)

And

  
John N. Hughes  
124 West Todd St.  
Frankfort, KY 40601  
502 227 7270  
[jnhughes@johnnhughespsc.com](mailto:jnhughes@johnnhughespsc.com)

Attorneys for Atmos Energy Corporation



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(6)(a)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (6) All applications requesting a general adjustment in rates supported by a fully forecasted test period shall comply with the requirements established in this subsection.
  - (a) The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.

**RESPONSE:**

Please see the Company's response to FR 16(8)(d).

Respondent: Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(6)(b)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (6) All applications requesting a general adjustment in rates supported by a fully forecasted test period shall comply with the requirements established in this subsection.
  - (b) Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.

**RESPONSE:**

This requirement has been satisfied throughout the filing.

Respondent: Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(6)(c)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (6) All applications requesting a general adjustment in rates supported by a fully forecasted test period shall comply with the requirements established in this subsection.
  - (c) Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.

**RESPONSE:**

The capitalization and net investment rate base are based on a thirteen (13) month average for the forecasted period.

Respondent: Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(6)(f)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (6) All applications requesting a general adjustment in rates supported by a fully forecasted test period shall comply with the requirements established in this subsection.
  - (f) The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.

**RESPONSE:**

Please see attachment FR\_16(6)(f)\_Att1.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(6)(f)\_Att1.xlsx, 1 Page.

Respondent: Greg Waller

Atmos Energy Corporation, KY  
Case No. 2015-00343  
Reconciliation of Forecasted Test Year Rate Base to Kentucky Capital  
Forecasted test year ended May 31, 2017

Line No.	Description	Test Period Rate Base as filed 13 mo avg	Rate Base May 31, 2017	Adj from 13 month average	Remove Rate Making Adjustments	May 31, 2017 Balance Sheet
1	Gross Plant	552,599,040	569,988,682	17,389,642	2,473,926	572,462,609
2	Accumulated Deprec.	(179,617,428)	(185,995,468)	(6,378,040)	-	(185,995,468)
3	CWIP	14,731,739	14,731,739	-	-	14,731,739
4				-	-	-
5	Cash Working Capital	3,184,324	3,184,324	-	(3,184,324)	-
6	Other Working Capital (Inv. & Prepaids)	8,254,621	2,572,720	(5,681,901)	-	2,572,720
7	Regulatory Assets	368,199	234,455	(133,744)	(234,455)	-
8				-	-	-
9				-	-	-
10	Customer Advances	(1,767,642)	(1,767,642)	-	-	(1,767,642)
11	Deferred inc. tax	(61,920,212)	(56,358,885)	5,561,328	(12,101,700)	(68,460,585)
12						
13	Total	<u>335,832,639</u>	<u>346,589,924</u>	<u>10,757,285</u>	<u>(13,046,552)</u>	<u>333,543,372</u>
14						
15	Assets not in Rate Base					
16	Cash & temporary investments					1,279,649
17	Gas plant acquisition					1,069,858
18	Account receivable					12,320,065
19	Other current assets (except inv. & prepaids)					(241,013.86)
20	Deferred debits					6,152,296
21	Liabilities & Deferrals not in Rate Base					
22	Current Liabilities (excl. Notes Payable)					(35,801,732)
23	Deferred Credits (excl. Customer Advances)					<u>(13,725,763.95)</u>
24						
25	Total Capitalization (net of intercompany balances)					<u>304,596,731</u>



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(b)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (b) The utility's most recent capital construction budget containing at a minimum a three (3) year forecast of construction expenditures;

**RESPONSE:**

Please see attachment FR\_16(7)(b)\_Att1 for Atmos Energy Kentucky's capital budget for Fiscal Years 2017, 2018 and 2019.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(b)\_Att1 - Capital Budget.xlsx, 1 Page.

Respondent: Greg Waller





**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(c)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (c) A complete description, which may be filed in written testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported;

**RESPONSE:**

Please see the Direct Testimony of Gary Smith and Greg Waller.

Respondents: Gary Smith and Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(d)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (d) The utility's annual and monthly budget for the twelve (12) months preceding the filing date, the base period, and forecasted period;

**RESPONSE:**

Please see the Company's responses to FR 16(7)(n) and FR 16(8)(c).

Respondent: Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(e)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (e) A statement of attestation signed by the utility's chief officer in charge of Kentucky operations, which shall provide:
1. That the forecast is reasonable, reliable, made in good faith, and that all basic assumptions used in the forecast have been identified and justified;
  2. That the forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, or an identification and explanation for differences that exist, if applicable; and
  3. That productivity and efficiency gains are included in the forecast;

**RESPONSE:**

Please see attachment FR\_16(7)(e)\_Att1 for a notarized attestation signed by Mark A. Martin, Vice President - Rates and Regulatory Affairs for the Kentucky/Mid-States Division.

**ATTACHMENT:**

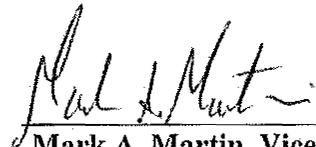
ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(e)\_Att1 - Statement of Attestation.pdf, 1 Page.

Respondent: Mark Martin

**Atmos Energy Corp.; Kentucky/Mid-States Division  
Kentucky Jurisdiction Case No. 2015-00343  
Forecasted Test Period Filing Requirements**

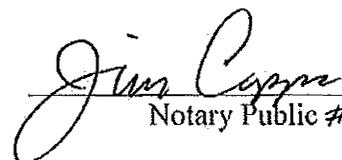
**STATEMENT OF ATTESTATION  
OF THE OFFICER IN CHARGE OF KENTUCKY OPERATIONS**

1. The forecast presented in this rate application is reasonable, reliable, and made in good faith, and all basic assumptions used in the forecast have been identified and justified; and
2. The forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, and any differences that exist have been identified and explained; and
3. All productivity gains have been included in the forecast.

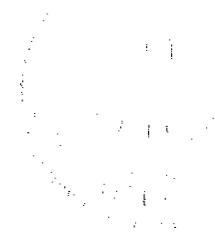
  
Mark A. Martin, Vice President

COMMONWEALTH OF KENTUCKY )  
COUNTY OF DA VISS )

SUBSCRIBED AND SWORN TO before me by Mark Martin, on this 14 day of November, 2015.

  
Notary Public # 462861

MY Commission expires: March 19, 2016





**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(f)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (f) For each major construction project that constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast, the following information shall be filed:
1. The date the project was started or estimated starting date;
  2. The estimated completion date;
  3. The total estimated cost of construction by year exclusive and inclusive of allowance for funds used during construction ("AFUDC") or interest during construction credit; and
  4. The most recent available total costs incurred exclusive and inclusive of AFUDC or interest during construction credit;

**RESPONSE:**

There is only one capital project that will constitute more than 5% of fiscal year 2016 annual spending. The Shelbyville 8" lateral will begin in October 2015 with an estimated completion date in December 2016. This project is for the general reinforcement of the Shelbyville distribution system. Our existing infrastructure to the east and north of Shelbyville is currently operating at capacity. The details of this project are laid out in the chart below. The estimated construction cost of \$7.76 million does not account for AFUDC. AFUDC is estimated to be \$38,931 for this project. This is the only applicable project within the three year forecast.

Fiscal Year	Estimated Start Date	Estimated End Date	Estimated Construction Cost
2016	10/1/2015	12/31/2016	\$7,762,489

Respondent: Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(g)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (g) For all construction projects that constitute less than five (5) percent of the annual construction budget within the three (3) year forecast, the utility shall file an aggregate of the information requested in paragraph (f)3 and 4 of this subsection;

**RESPONSE:**

Please see the Company's response to FR 16(7)(b).

Respondent: Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)1**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
1. Operating income statement (exclusive of dividends per share or earnings per share);

**RESPONSE:**

Please see the Company's response to FR\_16(8)(i)\_Att1 for the forecast Operating Income Statements for fiscal years 2017 - 2019. For further information concerning O&M forecasts, please see the Direct Testimony of Greg Waller. For further information concerning revenue forecast, please see the Direct Testimony of Gary Smith.

Respondents: Gary Smith and Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)2**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
2. Balance sheet;

**RESPONSE:**

Please see attachment FR\_16(7)(h)2\_Att1.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)2\_Att1 - Balance Sheet.xlsx,  
1 Page.

Respondent: Greg Waller

**Atmos Energy Corporation**  
**Fully Allocated Balance Sheet**  
**Kentucky**  
**(000)**

FR 16 (7)(h)2

	Base	Test			
	2/29/2016	5/31/2017	2017	2018	2019
<b><u>ASSETS</u></b>					
<b>Property, Plant, &amp; Equipment:</b>					
Utility Plant In Service	517,753	571,059	605,983	684,284	770,442
Non-Utility Plant	2,474	2,474	2,474	2,474	2,474
Construction Work In Progress	14,905	14,732	14,732	14,732	14,732
Accumulated Depreciation	(172,026)	(185,995)	(194,157)	(217,024)	(242,629)
<b>Net Plant</b>	<b>363,107</b>	<b>402,269</b>	<b>429,031</b>	<b>484,465</b>	<b>545,020</b>
<b>Current Assets:</b>					
Cash & Temporary Cash Investments	1,280	1,280	1,280	1,280	1,280
Account Receivable, less Allowance for Doubtful Accounts	12,320	12,320	12,320	12,320	12,320
Inventories	492	217	217	217	217
Gas Stored Underground	(778)	795	795	795	795
Other Current Assets	1,320	1,320	1,320	1,320	1,320
<b>Total Current Assets</b>	<b>14,634</b>	<b>15,931</b>	<b>15,931</b>	<b>15,931</b>	<b>15,931</b>
<b>Def'd Charges &amp; Other Assets</b>	<b>6,152</b>	<b>6,152</b>	<b>6,152</b>	<b>6,152</b>	<b>6,152</b>
<b>TOTAL ASSETS</b>	<b>383,892</b>	<b>424,352</b>	<b>451,115</b>	<b>506,549</b>	<b>567,103</b>
<b><u>LIABILITIES &amp; SHAREHOLDERS' EQUITY</u></b>					
Kentucky Division capital account - net	278,576	304,597	329,724	374,890	419,715
<b>Current Liabilities:</b>					
Accounts Payable	11,912	11,912	11,912	11,912	11,912
Accrued Taxes	4,811	4,811	4,811	4,811	4,811
Customers' Deposits	3,539	3,539	3,539	3,539	3,539
Other Current Liabilities	15,540	15,540	15,540	15,540	15,540
<b>Total Current Liabilities</b>	<b>35,802</b>	<b>35,802</b>	<b>35,802</b>	<b>35,802</b>	<b>35,802</b>
Deferred Income Taxes	54,021	68,461	69,786	79,737	95,145
<b>Def'd Cr. and Other Liabilities</b>	<b>15,493</b>	<b>15,493</b>	<b>15,803</b>	<b>16,119</b>	<b>16,442</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>383,892</b>	<b>424,352</b>	<b>451,115</b>	<b>506,549</b>	<b>567,103</b>



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)3**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 3. Statement of cash flows;

**RESPONSE:**

Please see attachment FR\_16(7)(h)3\_Att1.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)3\_Att1 - Statement of Cash Flows.xlsx, 1 Page.

Respondent: Greg Waller

**Atmos Energy Corporation**  
**Fully Allocated Cash Flow**  
**Kentucky**  
**(000)**

FR 16 (7)(h)3

	Base	Test			
	2/29/2016	5/31/2017	2017	2018	2019
<b><u>Cash Flow</u></b>					
<b>Cash Flow from Operations</b>					
Net Income	16,440	19,121	17,007	14,339	11,448
Add: Deferred income taxes	9,737	10,450	9,679	9,951	15,407
Depreciation	18,253	19,444	21,765	22,867	25,604
Cash flow from Operartions	44,430	49,016	48,451	47,158	52,460
<b>Effect of Balance Sheet Accounts</b>					
Changes in current assets	-	-	-	-	-
Changes in current liabilities	-	-	-	-	-
Changes in deferred debits	-	-	-	-	-
Changes in deferred credits	-	-	-	-	-
Total Cash Flow from change in Balance Sheet Accounts	-	-	-	-	-
<b>Operating Cash Flow</b>	44,430	49,016	48,451	47,158	52,460
<b>Cash flow from Investing Activities</b>					
Capital Expenditures net of retirements	(62,194)	(68,068)	(71,146)	(78,301)	(86,159)
Total Cash from Investments	(62,194)	(68,068)	(71,146)	(78,301)	(86,159)
<b>Free Cash Flow</b>	(17,764)	(19,052)	(22,695)	(31,143)	(33,699)
<b>Cash From Financing</b>					
Total Cash From Financing	17,390	19,052	22,695	31,143	33,699
Total Increase/(Decr) in Cash	(374)	-	-	-	-
Beginning Cash	1,653	1,280	1,280	1,280	1,280
<b>Ending Cash</b>	1,280	1,280	1,280	1,280	1,280



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)4**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 4. Revenue requirements necessary to support the forecasted rate of return;

**RESPONSE:**

Please see attachment FR\_16(7)(h)4\_Att1.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)4\_Att1 - Revenue Requirements.xlsx, 1 Page.

Respondent: Greg Waller

Atmos Energy Corporation, Kentucky/Mid-States Division  
Kentucky Jurisdiction Case 2015-00343  
Revenue Requirements Necessary to Support the Forecasted Rate of Return  
Forecasted Test Period: Twelve Months Ended May 31, 2017

Data:  Base Period  Forecasted Period  
Type of Filing:  Original  Updated  Revised  
Workpaper Reference No(s).

FR 16(7)(h)4

Witness: G. Waller

Line No.	Description	Supporting Schedule Reference	Base Jurisdictional Revenue Requirement		Forecasted Jurisdictional Revenue Requirement		
			(c)	(d)	2017 (e)	2018 (f)	2019 (g)
1	Rate Base	B-1	\$ 296,786,302	\$ 335,832,639	366,830,665	412,514,055	457,968,742
2	Adjusted Operating Income	C-1	\$ 22,059,589	\$ 25,262,560	22,663,208	21,660,132	19,044,203
3	Earned Rate of Return (line 2 divided by line 1)	J-1.1	7.43%	7.52%	6.18%	5.25%	4.16%
4	Required Rate of Return	J-1	7.99%	8.12%	8.12%	8.12%	8.12%
5	Required Operating Income (line 1 times line 4)	C-1	\$ 23,713,226	\$ 27,269,610	\$ 29,786,650	\$ 33,496,141	\$ 37,187,062
6	Operating Income Deficiency (line 5 minus line 2)	C-1	\$ 1,653,637	\$ 2,007,050	\$ 7,123,442	\$ 11,836,009	\$ 18,142,859
7	Gross Revenue Conversion Factor	H	1.64812	1.64804	1.648035	1.648035	1.648035
8	<b>Revenue Deficiency (line 6 times line 7)</b>		<b>\$ 2,725,391</b>	<b>\$ 3,307,688</b>	<b>\$ 11,739,682</b>	<b>\$ 19,506,157</b>	<b>\$ 29,900,066</b>
9	Revenue Increase Requested	C-1		\$ 3,307,688	\$ 11,739,682	\$ 19,506,157	\$ 29,900,066
10	Adjusted Operating Revenues	C-1		\$ 166,804,655	\$ 167,254,826	\$ 170,139,330	\$ 171,977,064
11	Revenue Requirements (line 9 plus line 10)	C-1		\$ 170,112,343	\$ 178,994,508	\$ 189,645,487	\$ 201,877,130



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)5**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
5. Load forecast including energy and demand (electric);

**RESPONSE:**

Not applicable.



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)6**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
6. Access line forecast (telephone);

**RESPONSE:**

Not applicable.



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)7**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 7. Mix of generation (electric);

**RESPONSE:**

Not applicable.



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(h)8**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
8. Mix of gas supply (gas);

**RESPONSE:**

Please see attachment FR\_16(7)(h)8\_Att1.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)8\_Att1 - Gas Supply.xls, 1 Page.

Respondent: Gary Smith

FR 16(7)(h)8

Atmos Energy Corporation  
Case No. 2015-00343  
MCF SALES FORECAST / SUPPLY REQUIREMENTS - Total Company  
For the THREE FORECASTED YEARS, Fiscal Years 2017-2019  
All Volumes in Mcf at Standard Conditions, or in mmBtu (as noted)

Line No.	Description	2017	2018	2019	Comments
		(a)	(b)	(c)	(d)
1	Sales Volumes-				
2					
3	Total Sales Volumes (Mcf)-	17,450,378	17,476,845	17,503,311	Reference the Testimony of Mr. Gary L. Smith for underlying assumptions. Also, see Exhibit FR 16(7)(h)15.
4					
5					
6	Total Supply Requirements (Mcf)-	17,450,378	17,476,845	17,503,311	
7					
8	Provision for L&U (Mcf)-	202,424	202,731	203,038	
9					
10	Total Supply Requirements (mmBtu)-	<u>17,829,330</u>	<u>17,856,372</u>	<u>17,883,412</u>	



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(h)9**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
9. Employee level;

**RESPONSE:**

Please see attachment FR\_16(7)(h)9\_Att1 for the employee level and labor.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)9\_Att1 - Employee Level and Labor.pdf, 1 Page.

Respondent: Greg Waller

Atmos Energy Corporation, Kentucky/Mid-States Division  
Kentucky Jurisdiction Case No. 2015-00343  
Payroll Analysis by Employee Classifications/Payroll Distribution/Total Company  
Base Period: Twelve Months Ended February 29, 2016  
Forecasted Test Period: Twelve Months Ended May 31, 2017

Data:  Base Period  Forecasted Period  
Type of Filing:  Original  Updated  
Workpaper Reference No(s).

FR 16(7)(h)9  
FR 16(7)(h)10  
Witness: G. Waller

Line No.	Description	Base Period	Forecasted Period	2017	2018	2019
1	Total Labor Dollars (excluding Shared Services and KY/Mid-States General Office)	11,673,908	12,056,488	12,418,183	12,790,728	13,174,450
2	Average Employee Levels (KY Operations Only Div 009)	218	218	218	218	218



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)10**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 10. Labor cost changes;

**RESPONSE:**

Please see the Company's response to FR 16(7)(h)9.

Respondent: Greg Waller



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)11**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
11. Capital structure requirements;

**RESPONSE:**

Please see attachment FR\_16(7)(h)11\_Att1.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)11\_Att1 - Capital Structure.xlsx, 1 Page.

Respondent: Greg Waller

**ATMOS ENERGY CORPORATION - KENTUCKY**

Capital Structure Summary  
Forcasted Years 2017 - 2019

MFR 16(7)(h)11

	FY 2017	FY 2018	FY 2019
Common Stock	563,646	568,364	589,839
Treasury Stock			
Common Stock Subscribed			
Additional Paid-in Capital	2,841,143,078	2,902,047,073	3,183,188,861
Retained Earnings	1,241,900,505	1,409,872,699	1,609,920,818
Accum. Other Comprehensive Income	(109,330,199)	(109,330,199)	(109,330,199)
Current Year Net Income	370,849,908	420,497,545	461,912,857
Dividends	(202,877,714)	(220,449,426)	(241,688,085)
Equity	<u>4,142,249,224</u>	<u>4,403,206,056</u>	<u>4,904,594,091</u>
Long-Term debt (including curr mat.)	2,876,048,717	2,876,323,253	3,256,555,714
Short Term Notes Payable - daily avg	<u>516,528,806</u>	<u>524,297,662</u>	<u>643,992,346</u>
Total Capitalization excl STD	<u>7,534,826,747</u>	<u>7,803,826,971</u>	<u>8,805,142,151</u>
Equity %	55.0%	56.4%	55.7%
LTD %	38.2%	36.9%	37.0%
STD %	6.9%	6.7%	7.3%
Total	100.0%	100.0%	100.0%



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)12**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 12. Rate base;

**RESPONSE:**

Please see attachment FR\_16(7)(h)12\_Att1.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)12\_Att1 - Rate Base.xlsx, 1 Page.

Respondent: Greg Waller

**Atmos Energy Corporation**  
**Rate Base**  
**Kentucky**  
**(000)**

FR 16 (7)(h)12

	Base	Test	2017	2018	2019
	2/29/2016	5/31/2017			
	\$	\$			
1 Plant in Service	489,110	552,599	605,983	684,284	770,442
2 Construction Work in Progress	14,482	14,732	14,732	14,732	14,732
3					
4 Accumulated Depreciation	(168,658)	(179,617)	(194,157)	(217,024)	(242,629)
5 Net Property Plant and Equipment	334,934	387,713	426,557	481,991	542,546
6					
7					
8 Cash Working Capital Allowance	3,331	3,184	3,280	3,378	3,480
9 Other Working Capital (Inv. & Prepaids)	9,754	8,255	8,502	8,757	9,020
10 Customer Advances	(1,768)	(1,768)	(1,821)	(1,875)	(1,932)
11 Regulatory Assets	33	368	98	0	0
12 Deferred Income Taxes	(49,498)	(61,920)	(69,786)	(79,737)	(95,145)
13					
14 Rate Base	296,787	335,833	366,831	412,514	457,969

The projected amounts above (2017 through 2019) use projected balances as of September 30.



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)13**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 13. Gallons of water projected to be sold (water);

**RESPONSE:**

Not applicable.



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(h)14**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
14. Customer forecast (gas, water);

**RESPONSE:**

Please see attachment FR\_16(7)(h)14\_Att1 for the customer forecast. Also, please reference the Direct Testimony of Gary Smith.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)14\_Att1 - Customer Forecast.xls, 1 Page.

Respondent: Gary Smith

FR 16(7)(h)14

Atmos Energy Corporation  
Case No. 2015-00343  
CUSTOMER FORECAST - Total Company  
For the THREE FORECASTED YEARS, Fiscal Years 2017-2019

Line No.	Description	2017	2018	2019	Comments
		(a)	(b)	(c)	(d)
1	Average Sales Customers-				
2					
3	Residential	156,303	156,703	157,103	Growth rate 400 per year, see Testimony of Mr. Gary Smith for underlying assumptions.
4					
5					
6	Commercial	17,324	17,324	17,324	Growth rate 0 per year, see Testimony of Mr. Gary Smith for underlying assumptions.
7					
8					
9	Industrial	206	206	206	Growth rate 0 per year, see Testimony of Mr. Gary Smith for underlying assumptions.
10					
11					
12	Public Authority	1,554	1,554	1,554	Growth rate 0 per year, see Testimony of Mr. Gary Smith for underlying assumptions.
13					
14					
15	Total Sales Customers-	175,387	175,787	176,187	
16					
17					
18	Average Transportation Customers-	194	194	194	Growth rate 0 per year, see Testimony of Mr. Gary Smith for underlying assumptions.
19					
20					
21	Total Annual Average Customers	175,581	175,981	176,381	



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(h)15**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
15. Sales volume forecasts in cubic feet (gas);

**RESPONSE:**

Please see attachment FR\_16(7)(h)15\_Att1 for the Mcf sales forecast. Also, please reference the Direct Testimony of Gary Smith.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(h)(15)\_Att1 - Sales Forecast.xls, 1 Page.

Respondents: Gary Smith

FR 16(7)(h)15

Atmos Energy Corporation  
 Case No. 2015-00343  
 MCF SALES FORECAST - Total Company  
 For the THREE FORECASTED YEARS, Fiscal Years 2017-2019  
 All Volumes in Mcf at Standard Conditions

Line No.	Description	2017	2018	2019	Comments
		(a)	(b)	(c)	(d)
1	Sales Volumes-				
2					
3	Residential	10,338,382	10,364,849	10,391,315	Reference the Testimony of Mr. Gary Smith for underlying assumptions.
4					
5					
6	Commercial	5,105,607	5,105,607	5,105,607	Reference the Testimony of Mr. Gary Smith for underlying assumptions.
7					
8					
9	Industrial	921,685	921,685	921,685	Reference the Testimony of Mr. Gary Smith for underlying assumptions.
10					
11					
12	Public Authority	1,084,704	1,084,704	1,084,704	Reference the Testimony of Mr. Gary Smith for underlying assumptions.
13					
14					
15	Total Sales Volumes-	17,450,378	17,476,845	17,503,311	
16					
17					
18	Transportation Volumes-	30,001,562	30,001,562	30,001,562	Reference the Testimony of Mr. Gary Smith for underlying assumptions.
19					
20					
21	Total Volumes	<u>47,451,940</u>	<u>47,478,407</u>	<u>47,504,873</u>	



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)16**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 16. Toll and access forecast of number of calls and number of minutes (telephone); and

**RESPONSE:**

Not applicable.



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(h)17**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
  - (h) A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:
    - 17. A detailed explanation of other information provided, if applicable;

**RESPONSE:**

Not applicable.



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(7)(i)**  
**Page 1 of 1**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (i) The most recent Federal Energy Regulatory Commission or Federal Communications Commission audit reports;

**RESPONSE:**

Neither the Federal Energy Regulatory Commission nor the Federal Communications Commission regulates the Company's local gas distribution operations in Kentucky.

Respondent: Greg Waller