BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF)

RATE APPLICATION BY) CASE NO. 20060-00464

ATMOS ENERGY/KENTUCKY DIVISION)

FILING REQUIREMENTS

VOLUME 3 OF 9

FILED IN SUPPORT OR PROPOSED

CHANGE IN RATES

DECEMBER 2006

Atmos Energy
Case No. 2006-00464
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Volume 3

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COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2006-00464
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Laurie M. Sherwood, 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. 2006-00464, 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.

Affiant further states that she will be present and available for cross examination and for such additional direct examination as may be appropriate at any hearing in Case No. 2006-00464 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as her direct testimony in such case.

STATE OF Texas
COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Laurie M. Sherwood on this the 18 day of December, 2006.

Notary Public
My Commission Expires: 3\24\2010

Shirley Smith
Notary Public
State of Texas
Comm. Expires 3/24/2010

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No. 2006-00464**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF LAURIE M. SHERWOOD

I. POSITION AND QUALIFICATIONS

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

A. My name is Laurie M. Sherwood. I am the Vice President, Corporate Development and Treasurer of Atmos Energy Corporation ("Atmos", "Atmos Energy" or "the Company"). My business address is 5430 LBJ Freeway, Suite 700, Dallas, Texas 75240.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND DESCRIBE YOUR WORK EXPERIENCE.

A. I earned a Bachelor of Business Administration degree with a double major in Management and Finance from Texas A & M University in 1982 and a Master of Business Administration degree from Southern Methodist University in 1988. From August 1982 to April 1999, I was employed by Oryx Energy Company and its former parent, Sunoco Inc., in various financial positions, most recently as Manager, Corporate Finance.

I joined Atmos in May 1999 as Assistant Treasurer. I was named Vice President and Treasurer in September 2000 and became Vice President, Corporate Development and Treasurer in February 2001.

Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

A. I am responsible for the corporate treasury, procurement, risk management, business insurance and payment processing functions of the Company. My duties include planning, scheduling and administering the Company's financial requirements, including the sale and issuance of debt and equity securities. In addition to long-term financings, I am responsible for the Company's bank relations and short-term borrowing and investing activities. As a result of these activities, I am in frequent contact with financial institutions, security analysts and commercial and investment bankers. I also oversee the Company's merger, acquisition and divestment activities. I am also ultimately responsible for oversight of the Company's risk management group which develops the Company's risk management policies and is responsible for the procurement and maintenance of adequate levels of insurance coverage for general liability, casualty and other risks at a reasonable cost.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION OR OTHER REGULATORY ENTITIES?

A. No. However, I have testified before the Georgia Public Service Commission, the Illinois Commerce Commission, the Louisiana Public Service Commission, the Missouri Public Service Commission, the Mississippi Public Service Commission, the Railroad Commission of Texas and the Tennessee Regulatory Authority.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to sponsor the Company's proposed capital structure and embedded cost of debt in this rate proceeding. I am also providing testimony as to certain affiliate costs, namely the property insurance costs charged to the Company by Blueflame Insurance Services, Ltd. ("Blueflame"), the Company's wholly-owned insurance captive.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS IN THIS CASE, AND, IF SO WHICH REQUIREMENTS?

A. I am sponsoring the following specific filing requirements of Section 10 of 807 K.A.R. 5:001[1]:

FR 10(8)(c)	13-month average capitalization for the forecasted test period;
FR 10(9)(h)(11)	Capital structure requirements;
FR 10(9)(u)	Amounts charged the Company's Kentucky utility operations, Kentucky/Mid-States Division and Shared Services[2] by Blueflame; and
FR 10(10)(j)	Cost of capital summary.

Q. DO YOU ADOPT THESE FILING REQUIREMENTS AND MAKE THEM PART OF YOUR TESTIMONY?

A. Yes.

III. CAPITAL STRUCTURE AND EMBEDDED COST OF DEBT

Q. CAN YOU DESCRIBE THE ORGANIZATIONAL STRUCTURE OF THE COMPANY?

A. Yes. As described more particularly in the direct testimony of Mr. Cagle, Atmos Energy is a corporation which conducts its utility operations in twelve states through unincorporated divisions. The Company's division for which rates are sought to be adjusted in this proceeding is commonly referred to as the Kentucky/Mid-States Division. The Company also has a number of wholly-owned subsidiaries, of which Blueflame is one.

Q. DO THE COMPANY'S UNINCORPORATED DIVISIONS ISSUE THEIR OWN DEBT OR EQUITY?

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[1] This regulation prescribes numerous filing requirements (FRs). The FR abbreviations used are to the applicable subparts of Section 10 of 807 K.A.R. 5:001.

[2] The charges from Blueflame to the Company's Shared Services (SSU) are part of the allocated common costs more particularly described in the testimony of Company witness James C. Cagle, who describes the allocation process and the allocated amounts. The charges from Blueflame to the Kentucky/Mid-States Division general office are also allocated to Kentucky per the allocation process described in Mr. Cagle's testimony.

A. No. These divisions, including the Kentucky/Mid-States Division, are not separate legal entities and actually comprise part of the Company itself. Therefore, all debt or equity is issued by the Company as a whole on a consolidated basis.

Q. WHAT CAPITAL STRUCTURE SHOULD BE USED IN THIS PROCEEDING?

A. Although this proceeding only affects the rates which may be charged by the Company for its regulated utility operations in Kentucky, the appropriate capital structure for each of the Atmos utility operating divisions, including its Kentucky/Mid-States Division, is equivalent to the consolidated capital structure for Atmos as a whole. This is because Atmos provides the debt and equity capital that supports the assets serving Kentucky customers. The capital structure that is appropriate for the Company's Kentucky operations in this proceeding is set forth in FR 10(10)(j). As shown in that FR, long-term debt comprises 51.8% and equity is 48.2% of the Company's 13-month average capital structure for the forward-looking test period.

Q. HOW DOES THIS RECOMMENDED CAPITAL STRUCTURE COMPARE TO THE ACTUAL CAPITAL RATIOS AS OF SEPTEMBER 30, 2006?

A. Atmos Energy's capital structure and ratios at September 30, 2006 were as follows ($ in thousands):

L-T Debt	S-T Debt	Total Debt	Shareholder Equity	Total
$2,183,548	$382,416	$2,565,964	$1,648,098	$4,214,062
51.8%	9.1%	60.9%	39.1%	100.0%

Q. ARE THE DEBT COMPONENTS OF THE COMPANY'S CAPITAL STRUCTURE AS OF SEPTEMBER 30, 2006 HIGHER THAN THE CAPITAL STRUCTURE THAT YOU BELIEVE TO BE APPROPRIATE FOR THIS PROCEEDING?

A. Yes. The Company's capital structure as of September 30, 2006 contained approximately 60.9% total debt, but this included seasonally elevated levels of short-term debt incurred to finance purchases of natural gas in preparation for the fall and winter heating season. The Company's practice is not to use short-term debt to finance additions to utility plant.

Q. DOES THE COMPANY HAVE ANY PLANS TO REDUCE THE DEBT COMPONENT OF ITS CAPITAL STRUCTURE?

A. Atmos Energy's objective is to reduce its debt over the next several years to a level representing 50 – 55% of total capitalization. This level is consistent with the Company's actual capital structure immediately prior to its acquisition of the operations of TXU Gas Company in fiscal year 2005, as discussed in more detail below, and is also consistent with the objective of maintaining a solid investment grade credit rating on Atmos Energy's debt.

Q. CAN YOU EXPLAIN THE EVENTS WHICH CULMINATED IN THE COMPANY'S CAPITAL STRUCTURE AS OF SEPTEMBER 30, 2006?

A. Yes. On September 30, 2004, debt comprised approximately 43.3% of the Company's capital structure. On October 1, 2004, Atmos completed the acquisition of the operations of TXU Gas Company for approximately $1.9 billion in cash. In order to permanently finance the acquisition, Atmos issued 9.9 million shares of common stock in a public offering in July 2004, followed by another offering of 16.1 million shares of common stock in October 2004, yielding combined net proceeds of approximately $617 million. The remainder of the purchase price was financed with long-term debt.

This acquisition, combined with warm winter weather and higher than expected natural gas prices, increased Atmos Energy's ratio of debt to total capitalization to approximately 59.3% as of its next fiscal year end on September 30, 2005. The Company's debt ratio as of September 30, 2006 was slightly higher, at 60.9% of total capitalization, due to continuing high natural gas prices and the extremely warm winter weather that Atmos continued to experience across its service territory (particularly in Texas, where over half of the Company's utility customers are located) during fiscal year 2006.

Q. WHY IS THE COMPANY'S CAPITAL STRUCTURE AT SEPTEMBER 30, 2006 NOT APPROPRIATE FOR USE IN SETTING RATES IN THIS PROCEEDING?

A. Because, as explained below, the September 30, 2006 capital structure does not accurately depict the Company's recent historical capitalization ratios and the Company's near-term objectives for its permanent consolidated capital structure, nor does it depict the Company's current capital structure after giving effect to its recent equity offering.

Q. WHAT IS THE COMPANY'S OBJECTIVE FOR ITS PERMANENT CONSOLIDATED CAPITAL STRUCTURE AND HOW DOES ATMOS PLAN TO ACHIEVE IT?

A. As the Company has repeatedly stated, including in its 2005 Annual Report to Shareholders, Atmos Energy intends to return its capital structure to one comprising 50 – 55% debt. The Company plans to fund future spending requirements by utilizing internally generated cash flows, credit facilities, and its access to the public debt and equity capital markets. In addition, Atmos will continue to increase shareholders' equity by issuing common stock from its various stock plans and by generating earnings in excess of dividends paid. Because Atmos Energy's current temporary capital structure contains a higher percentage of debt than both its permanent target capital structure and its actual capital structure immediately prior to the TXU Gas acquisition, it is not the appropriate capital structure to be applied to the Kentucky operations for use in this proceeding.

Q. HAS THE COMPANY UNDERTAKEN ANY RECENT ACTION TO MOVE TOWARD ITS STATED CAPITALIZATION OBJECTIVE?

A. Yes. The Company recently filed an application for and obtained the approval from the Commission for the implementation of a $900 million universal shelf offering for issuances of long-term debt, equity and hybrid securities.[3] Under the universal shelf, the Company issued 6,325,000 shares of stock as of December 13, 2006 which

[3] *See In the Matter of the Application of Atmos Energy Corporation for an Order Authorizing the Implementation of a $900,000,000 Universal Shelf Registration,* Case No. 2006-00387.

yielded net proceeds of approximately $191.86 million.[4] The net proceeds from this equity issuance were used to pay down short-term debt outstanding under the Company's commercial paper program.

Q. WHAT IS THE COMPANY'S CAPITAL STRUCTURE AFTER GIVING EFFECT TO THE RECENT ISSUANCE OF EQUITY?

A. After giving effect to this equity issuance, the Company's capital structure from September 30, 2006 (as adjusted) is as follows:

L-T Debt	S-T Debt	Total Debt	Shareholder Equity	Total
$2,183,548	$190,552	$2,734,100	$4,214,062	$4,214,062
51.8%	4.5%	56.3%	43.7%	100.0%

Q. WHY DIDN'T THE COMPANY ISSUE MORE EQUITY IN CONNECTION WITH THIS RECENT OFFERING IN ORDER TO MORE QUICKLY MOVE TOWARD ITS CONSOLIDATED CAPITALIZATION OBJECTIVE?

A. The issuance of large blocks of equity by the Company is subject to a number of factors including, but not limited to, current stock price, dilution and investor confidence. When the stock price is higher, the Company will typically yield higher net proceeds from the issuance of fewer shares. When more shares are issued, the dilutive effect upon existing shares can be more pronounced. Therefore, when large equity issuances are contemplated, a reasonable balance between the number of shares to be issued and dilution must be achieved in order to avoid depressing the stock price and maintaining investor confidence. The level of the recent equity issuance struck such a balance, and the Company will continue to monitor market conditions to determine if and when further large-block equity issuances are warranted. The universal shelf recently approved by the Commission provides the Company with the ability and flexibility to respond to favorable market conditions, not only in the form of further equity issuances, but also with respect to further debt and hybrid security issuances.

[4] The prospectus for this equity issuance is sponsored by Company witness Daniel M. Meziere as FR 10(9)(j).

Q. WHY HAVE YOU NOT INCLUDED ANY SHORT-TERM DEBT IN THE CAPITAL STRUCTURE FOR THE FORECAST PERIOD IN THIS RATE PROCEEDING?

A. The Company has not historically used short-term debt as a permanent form of capital. The Company has in the past used short-term debt as the means to finance purchased gas costs during the heating season and the level of short-term debt typically reduces to zero during the warmer months. As already explained hereinabove, the increase in the Company's short-term debt level to that reflected as of September 30, 2006, was driven largely by the acquisition of TXU Gas and higher purchased gas costs during the following two winter periods. That level has since been reduced by 50% and the Company reasonably anticipates that its level of short-term debt will continue to decline.

Q. PLEASE SUMMARIZE YOUR DISCUSSION ON CAPITAL STRUCTURE.

A. Although Atmos Energy's temporary capital structure as of September 30, 2006 included approximately 60.9% debt, this level is the result of the acquisition of the operations of TXU Gas Company in the Company's fiscal year 2005 and the extremely warm winter weather and high natural gas prices prevailing during fiscal years 2005 and 2006. On September 30, 2004, just prior to completion of the acquisition, Atmos Energy's capital structure contained approximately 43.3% debt. Atmos will use internally generated cash flow and ongoing additions to shareholders equity to return its capital structure to near its permanent target of 50 – 55% debt. Moreover, the Company's recent implementation of its universal shelf and equity issuance thereunder, coupled with the Company's historically demonstrated ability to improve its capitalization ratio after consummating large acquisitions[5], illustrates that the capital structure advocated by the Company for purposes of this proceeding, although forecasted, is realistic, achievable and entirely appropriate. Therefore, the capital structure that I have proposed of 51.8% long-term debt and 48.2% shareholders' equity is appropriate for use in this proceeding.

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[5] *See* Direct Testimony of Company witness Dr. Don Murry.

Q. WHAT RATES DO YOU PROPOSE FOR THE EMBEDDED COST OF DEBT CAPITAL IN SETTING RATES IN THIS CASE?

A. As shown in Exhibit LMS-1 attached to my testimony, the Company's weighted average cost of long-term debt was 6.09% as of September 30, 2006. However, I do not recommend that the Commission adopt 6.09% as the weighted average cost of long-term debt capital for use in this proceeding because it does not reflect what the cost will be as of June 30, 2008, which is the end of the forecasted test period used in this proceeding. Exhibit LMS-2 attached to my testimony shows that at June 30, 2008, the Company's projected cost of long-term debt capital will be 6.10% and I recommend that the Commission adopt that as the weighted average cost of long-term debt capital for use in this proceeding.

Although the Company does not believe that it is appropriate to include short-term debt in the Company's capital structure herein, should the Commission find to the contrary, then I recommend that the Commission adopt the Company's projected cost of short-term debt at June 30, 2008. As shown on Exhibit LMS-1, the Company's weighted average cost of short-term debt at September 30, 2006 was 5.58%. However, as shown in Exhibit LMS-3 attached to my testimony, the projected weighted average cost of short-term debt capital at June 30, 2008 will be 6.32%.

The calculations supporting these recommended costs of debt are shown on my Exhibits LMS-2 and LMS-3. These weighted average costs of debt will permit Atmos Energy to raise the required debt capital to support its operations and to continue to provide safe, reliable and efficient natural gas service to its Kentucky customers.

IV. PROPERTY INSURANCE

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY REGARDING PROPERTY INSURANCE?

A. As more fully explained hereinafter, the Company obtains property insurance for its utility and other assets through its captive insurance carrier, Blueflame. As part of the filing requirements of 807 K.A.R. 5:001, Section 10, the Company is required by FR 10(9)(u) to provide a detailed description of the method of calculation and amounts allocated or charged to it by Blueflame with respect to the Kentucky utility operations and Atmos Shared Services, the method and amounts allocated during the base period and method and estimated amounts to be allocated during the forecasted test period, an explanation of how the allocator for both the base and forecasted test period was determined, and all facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during the base period is reasonable. My testimony explains the purpose of and relationship of Blueflame and the Company, why the Company uses Blueflame for property insurance coverage, how insurance premiums are determined for the utility divisions and Shared Services (although the allocation of Shared Services costs and Kentucky/Mid-States Division general office costs is described by Mr. Cagle in his direct testimony) and that Blueflame's services are provided at cost.

Q. PLEASE BRIEFLY DESCRIBE BLUEFLAME AND EXPLAIN HOW ITS FITS INTO THE COMPANY'S CORPORATE STRUCTURE?

A. Blueflame was chartered in Bermuda effective December 16, 2003 and was operational as of January 1, 2004. Blueflame is a wholly-owned subsidiary of the Company and is incorporated under Bermuda's well-developed insurance law and regulations and is fully capitalized under the requirements of applicable Bermuda law. The insurance services provided by Blueflame are provided to the Company at cost and without markup. Blueflame does not provide insurance services to any entity other than Atmos and its affiliates.

Q. DOES THE COMPANY MANAGE THE OPERATIONS OF BLUEFLAME?

A. Blueflame is managed by Aon Risk Manager – Bermuda, a third-party risk manager, but the direction and philosophy of Blueflame is determined by the Company's risk management group. Premiums and claims are directed to Blueflame by the Company and reinsurance terms and conditions are negotiated by Atmos.

Q. PLEASE DESCRIBE THE COMPANY'S PROPERTY RISK MANAGEMENT PROGRAM AND BLUEFLAME'S ROLE UNDER THE PROGRAM.

A. Blueflame, as Atmos' captive insurance carrier, provides cost-effective property insurance coverage for Atmos and its utility assets through the Program. Over the last several years, affordable property insurance in the commercial insurance market has become increasingly difficult to obtain and traditional commercial carriers have lost interest in writing property insurance coverage for energy companies and utilities. In fact, many commercial carriers simply will no longer write coverage for the energy industry. Assuming that coverage can be found, it is too costly and the levels of coverage offered, coupled with high deductible requirements, are simply inadequate for a utility with the size, diversity and geographic complexity such as Atmos. As a result, Blueflame was created for the purpose of providing affordable property coverage to Atmos under the Program.

Blueflame provides property insurance coverage for Atmos' utility operations through three loss levels aggregating $255,000,000. The first loss level, after satisfaction of a $100,000 deductible, is insured directly by Blueflame for losses up to $1,000,000. The second loss level is insured through Blueflame pursuant to reinsurance arrangements Blueflame has made with United Insurance Company, for losses over $1,000,000 and up to $5,000,000. The third loss level is insured through Blueflame pursuant to reinsurance arrangements with OIL Co. for losses greater than $5,000,000 and up to $255,000,000.

Q. WHY DID THE COMPANY CREATE BLUEFLAME AND ASSIGN IT A KEY ROLE IN THE ADMINISTRATION OF THE PROGRAM?

A. There were several reasons for the Company to form Blueflame. Each of these reasons either allows for more comprehensive coverage or reduces expenses for the Company and its customers. As I stated previously, the availability of adequate and cost-effective coverage through the commercial insurance market has become scarce and increasingly difficult to obtain over the last several years.

Another reason which prompted the Company to form Blueflame is that it places a legal entity between the Company and the insurance marketplace, which enables the Company to take advantage of the third-party commercial market. In short, Blueflame is the Company's gateway to the reinsurance market which it cannot access without a captive insurer. The reinsurance (third-party commercial insurance) market is a vital component for any insurance coverage since the re-insurers have the ability to spread the insurance coverage risk over an extremely large international base.

Blueflame was also formed because it works exclusively for the Company and its customers. Blueflame does not have divided loyalties which can pose a problem with brokers and agents who have shareholders that must be satisfied.

Q. ARE THERE OTHER FACTORS THAT INFLUENCED THE COMPANY'S DECISION TO FORM BLUEFLAME?

A. Yes, there are other factors that influenced the decision to form Blueflame. One such factor was our concern about the creditworthiness of commercial insurance companies. Another factor involves the benefits to Atmos and its customers resulting from the use of Blueflame to the second loss level ($1,000,000 to $5,000,000 per occurrence) through the Program.

Part of the function of the Company's risk management group is to keep abreast of the financial stability and security of the commercial insurance companies to which the Company pays or has paid premiums. By using Blueflame, the Company's concerns regarding the financial viability of commercial insurance companies for property coverage is effectively eliminated since we know the financial viability of Blueflame.

With respect to the second factor, if the Company self-insured to the level of $5,000,000 of property loss, it would not be able to shed this risk of loss to the third-party commercial insurance market as Blueflame is able to do. The ability to transfer risk is a major advantage in having a captive as opposed to straight self-insurance, and the captive ensures that the Company's risk is covered through premium payments instead of the Company being in the position of waiting for an undetermined loss situation occurring in the future.

Q. DOES BLUEFLAME PROVIDE PROPERTY COVERAGE FOR THE COMPANY'S KENTUCKY UTILITY OPERATIONS?

A. Yes. All of the Company's Kentucky property, plant and equipment is covered through insurance provided by Blueflame through the Program. In addition, Blueflame provides property insurance through the Program for the property, plant and equipment of Shared Services and the Kentucky/Mid-States Division.

Q. EXPLAIN HOW THE COST OF OBTAINING THE INSURANCE COVERAGE THROUGH BLUEFLAME IS DETERMINED.

A. The services provided by Blueflame are provided at cost and without markup. The amount of the annual premiums for coverage paid to Blueflame by Atmos are determined using a number of factors. The administrative fees, cost of reinsurance premiums and projected losses are determined and used as a budgeting guideline. The administrative fees and cost of reinsurance premiums are costs paid by Blueflame directly to non-affiliated third parties and which are then charged back to Atmos by Blueflame without mark-up. Values of insured property are updated annually and a premium factor is assigned based upon exposure, loss history and projected losses. Periodic surveys in the commercial market will also be conducted and a risk factor per hundred dollars of value assigned and coverage limits renewed based upon the final pricing factor.

Q. HOW ARE THE CHARGES TO KENTUCKY FROM BLUEFLAME DETERMINED?

A. Each utility division's and subsidiary's annual gross plant balance is the basis for apportioning the property insurance costs from Blueflame. In other words, each division or subsidiary pays the same insurance rates charged by Blueflame and the actual amount of the premium charged is based upon the same factor, gross plant balance. If a particular utility division's gross plant is greater than that of another utility division, then the division having the greater amount of plant will bear more of the total premium cost charged to the Company by Blueflame.

Q. DO THE PREMIUMS CHARGED TO KENTUCKY INCLUDE INSURANCE COVERAGE FOR THE KENTUCKY/MID-STATES DIVISION GENERAL OFFICE PLANT?

A. No. Premiums are charged to the Kentucky/Mid-States General Office based upon the general office's gross plant balance. The general office's premiums then become part of the total costs of the general office which are allocated to the rate divisions within the Kentucky/Mid-States Division as more particularly described in Mr. Cagle's testimony.

Q. DO THE PREMIUMS CHARGED TO KENTUCKY INCLUDE INSURANCE COVERAGE FOR THE COMPANY'S SHARED SERVICES PLANT?

A. No. Premiums are charged to the Company's Shared Services in the same manner as to the utility divisions and subsidiaries – gross plant balance. The Shared Services premiums then become part of the total Shared Services costs which are allocated in accordance with the procedures and methodology described in the direct testimony of Company witnesses Daniel Meziere and James Cagle.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT LMS-1

Atmos Energy Corporation

Consolidated & Utility Long-Term Debt Outstanding w/ calculation of Effective Interest Rates
as of September 30, 2006

Atmos Energy Corp., Consolidated:

Line	Debt Series (a)	Year Issued (b)	Outstanding 9/30/2006	End Int Rate	Annual Int at 9/30/2006
1	9.76% Sr Note J Hancock due 2004/ RET 2013	1989	$0	9.76%	0
2	9.57% Sr Note Var Annuity Life due 2006/RET 2013	1991	-	9.57%	0
3	7.95% Sr Note Var Annuity Life due 2006/RET 2013	1992	-	7.95%	0
4	8.07% Sr Note Var Annuity Life due 2006/RET 2013	1994	-	8.07%	0
5	8.26% Sr Note NY Life due 2014/RET 2013	1994	-	8.26%	0
6	9.40% First Mortgage Bond J due May 2021/RET 2005	1991	-	9.40%	0
7	10% Senior Notes due Dec 2011	1991	2,303,308	10.00%	230,331
8	7.38% Senior Notes due May 2011	2001	350,000,000	7.38%	25,812,500
9	6.75% Debentures Unsecured due July 2028	1998	150,000,000	6.75%	10,125,000
10	5.125% Senior Notes due Feb 2013	2003	250,000,000	5.13%	12,812,500
11	10.43% First Mortgage Bond P due 2017 (eff 2012)	1987	8,750,000	10.43%	912,625
12	9.75% First Mortgage Bond Q due Apr 2020/RET 2005	1990	-	9.75%	0
13	9.32% First Mortgage Bond T due June 2021/RET 2005	1991	-	9.32%	0
14	8.77% First Mortgage Bond U due May 2022/RET 2005	1992	-	8.77%	0
15	7.50% First Mortgage Bond V due Dec 2007/RET 2005	1992	-	7.50%	0
16	6.67% MTN A1 due Dec 2025	1995	10,000,000	6.67%	667,000
17	6.27% MTN A2 due Dec 2010	1995	10,000,000	6.27%	627,000
18	2.465% Sr Note 3Yr Floating due 10/15/2007	2004	300,000,000	5.88%	17,646,000
19	4.00% Sr Note due 10/15/2009	2004	400,000,000	4.00%	16,000,000
20	4.95% Sr Note due 10/15/2014	2004	500,000,000	4.95%	24,750,000
21	5.95% Sr Note due 10/15/2034	2004	200,000,000	5.95%	11,900,000
22					
23	Subtotal -- Utility Long-Term Debt		$ 2,181,053,308		$ 121,482,956
24					
25					
26	United Cities Propane Gas, Inc.				
27	Baxter, KY -- Harlan LP due 03/05		-	7.50%	-
28	Evensville, TN -- E-Con due 06/08		-	7.00%	-
29	Pulaski -- Ingas, Ingram & Carvell 06/08		200,000	8.00%	16,000
30	Boone, NC -- High Country, Kirby 02/04		-	7.50%	-
31	Total Propane		$200,000		$16,000
32					
33	United Cities Gas Storage, Inc.				
34	Nations Bk Sr Sec Notes #18 #26 03/07	1991	-	7.45%	-
35					
36	Atmos Leasing, Inc.				
37	Industrial Develop Revenue Bond 07/13	1991	916,666	7.90%	72,417
38	Atmos Power Sys - Wells Fargo 05/08	2003	1,960,913	5.65%	110,792
39	US Bancorp - 04/09	2004	2,747,620	5.29%	145,349
40	**Total Long-Term Debt**		$ 2,186,878,506		$ 121,827,513
41	Less Unamortized Debt Discount		$ 3,330,494		
42	Annualized Amortization of Debt Exp. & Debt Dsct.				$ 11,084,796
43			$ 2,183,548,011		$ 132,912,309
44	Effective Avg Cost of Consol Debt			**6.09%**	end of period
45	Utility Only			**6.09%**	end of period
	Note: includes current maturities		$ 2,183,548,011		
			$ 0		

EXHIBIT LMS-2

[redacted]

Atmos Energy Corporation, KY
Case No. 2006-00464
AVERAGE ANNUALIZED LONG-TERM DEBT
as of June 30, 2008

EXHIBIT LMS-2

Data:_____Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).________________

Schedule J-3
Sheet 2 of 2
Witness:

Line No.	ISSUE (A)	13 Mth Average Amount OUTSTANDING (B)	Interest Rate (C)	EFFECTIVE ANNUAL Cost (D)	COMPOSITE Interest Rate (E=D/B)
1	First Mortgage Bonds	$6,730,769	10.43%	$702,019	
2	Unsecured Note	1,151,654	10.00%	115,165	
3	Unsecured Note	1,151,654	10.00%	115,165	
4	Debentures	150,000,000	6.75%	10,125,000	
5	7.375% Sr Note 2001-2011	350,000,000	7.38%	25,812,500	
6	5.125% Sr Note 2003-2013	250,000,000	5.13%	12,812,500	
7	Medium Term Notes	10,000,000	6.670%	667,000	
8	Medium Term Notes	10,000,000	6.270%	627,000	
9	Unsecured Notes	300,000,000	6.02%	18,060,000	
10	Unsecured Notes	400,000,000	4.00%	16,000,000	
11	Unsecured Notes	500,000,000	4.95%	24,750,000	
12	Unsecured Notes	200,000,000	5.95%	11,900,000	
13	Columbus IDB	760,530	7.90%	60,082	
14	Wells Fargo Equipmt Lease	978,435	5.65%	55,282	
15	US Bancorp	1,462,137	5.59%	81,733	
16	Pulaski	69,231	8.00%	5,538	
17					
18	Amortization of debt discount			11,074,648	
19	Unamortized Debt Discount	(2,775,329)			
20	Total LONG-TERM DEBT	$2,179,529,081		$132,963,633	6.10%
21					
22					

EXHIBIT LMS-3

[redacted]

EXHIBIT LMS-3

Atmos Energy Corporation, KY
Case No. 2006-00464
AVERAGE ANNUALIZED SHORT-TERM DEBT
as of June 30, 2008

Schedule J-2
Sheet 2 of 2
Witness:

Data:_____Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).________________

	ISSUE (A)	Amount OUTSTANDING (B) $000	Interest Rate (C)	EFFECTIVE ANNUAL Cost (D) $000	COMPOSITE Interest Rate (E=D/B)
	Average SHORT-TERM DEBT (1)	182,917	5.58%	10,207	
2	COMMITMENT FEE (2)			496	
3	COMMITMENT FEE (3)			860	
4	Total SHORT-TERM DEBT	182,917		11,563	6.32%

NOTES:
(1) Interest Rate is the forecasted average rate for 2007.

(2) Commitment fees associated with $900 million line of credit totalling .10% on the unused portion.

(3) Arrangement and administration fee for $900 million line of credit equals .096% of total line. ($900,000,000 X 0.096%) amortized over a one year period including miscellaneous expenses.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2006-00464
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Donald A. Murry, 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. 2006-00464, 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.

Affiant further states that he will be present and available for cross examination and for such additional direct examination as may be appropriate at any hearing in Case No. 2006-00464 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

Donald A Murry

STATE OF GA
COUNTY OF FULTON

SUBSCRIBED AND SWORN to before me by Donald A. Murry on this the 19 day of December, 2006.

Notary Public
My Commission Expires:

ANN PERKINS
MY COMMISSION EXPIRES
OCT. 31, 2009
GWINNETT CO. GA
NOTARY PUBLIC

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No. 2006-00464**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF DONALD A. MURRY

I. POSITION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME.

A. My name is Donald A. Murry.

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

A. I am a Vice President and economist with C. H. Guernsey & Company. I work out of the Oklahoma City office at 5555 North Grand Boulevard, 73112, and the Tallahassee office. I am also a Professor Emeritus of Economics on the faculty of the University of Oklahoma.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I have a B. S. in Business Administration, and a M.A. and a Ph.D. in Economics from the University of Missouri - Columbia.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.

A. From 1964 to 1974, I was an Assistant and Associate Professor and Director of Research on the faculty of the University of Missouri - St– Louis. For the period 1974-98, I was a

Professor of Economics at the University of Oklahoma, and since 1998, I have been Professor Emeritus at the University of Oklahoma. Until 1978, I also served as Director of the University of Oklahoma's Center for Economic and Management Research. In each of these positions, I directed and performed academic and applied research projects related to energy and regulatory policy. During this time, I also served on several state and national committees associated with energy policy and regulatory matters, published, and presented a number of papers in the field of regulatory economics in the energy industries.

Q. WHAT IS YOUR EXPERIENCE IN REGULATORY MATTERS?

A. I have consulted for private and public utilities, state and federal agencies, and other industrial clients regarding energy economics and finance and other regulatory matters in the United States, Canada and other countries. In 1971-72, I served as Chief of the Economic Studies Division, Office of Economics of the Federal Power Commission. From 1978 to early 1981, I was Vice President and Corporate Economist for Stone & Webster Management Consultants, Inc. I am now a Vice President with C. H. Guernsey & Company. In all of these positions, I have directed and performed a wide variety of applied research projects and conducted other projects related to regulatory matters. I have assisted both private and public companies and government officials in areas related to the regulatory, financial and competitive issues associated with the restructuring of the utility industry in the United States and other countries.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE OR BEEN AN EXPERT WITNESS IN PROCEEDINGS BEFORE REGULATORY BODIES?

A. Yes, I have appeared before the U.S. District Court-Western District of Louisiana, U.S. District Court-Western District of Oklahoma, District Court-Fourth Judicial District of Texas, U.S. Senate Select Committee on Small Business, Federal Power Commission, Federal Energy Regulatory Commission, Interstate Commerce Commission, Alabama Public Service Commission, Alaska Public Utilities Commission, Arkansas Public Service Commission, Colorado Public Utilities Commission, Florida Public Service Commission, Georgia Public Service Commission, Illinois Commerce Commission, Iowa Commerce Commission, Kansas Corporation Commission, Kentucky Public Service Commission, Louisiana Public Service Commission, Maryland Public Service Commission, Mississippi Public Service Commission, Missouri Public Service Commission, Nebraska Public Service Commission, New Mexico Public Service Commission, New York Public Service Commission, Power Authority of the State of New York, Nevada Public Service Commission, North Carolina Utilities Commission, Oklahoma Corporation Commission, South Carolina Public Service Commission, Tennessee Public Service Commission, Tennessee Regulatory Authority, The Public Utility Commission of Texas, the Railroad Commission of Texas, the State Corporation Commission of Virginia, and the Public Service Commission of Wyoming.

II. PURPOSE OF TESTIMONY

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

A. Atmos Energy Corporation ("Atmos Energy") retained me to analyze the current cost of capital and to recommend a rate of return and capital structure that are appropriate for the Kentucky operating division in this proceeding. In this testimony, I refer to the Kentucky operating division of Atmos Energy as "Atmos" or the "Company."

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. Yes. I am sponsoring an exhibit that I have attached to my testimony which includes Schedules DAM-1 through DAM-29.

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

A. Yes, it was.

III. SUMMARY OF TESTIMONY

Q. PLEASE SUMMARIZE YOUR TESTIMONY IN THIS CASE.

A. My testimony is an explanation of my analysis and my recommended allowed return for the Company in this proceeding. I began my analysis with a study of the current economic environment, taking note of the recent economic expansion, the associated inflation and the Federal Reserve's recent action to raise interest rates. Of course, because rates are being set for the future, reputable forecasts of economic activity and interest rates are important. Rising interest rates mean that the capital costs of regulated utilities are increasing generally.

To assess the capital costs of Atmos, I studied the capital structure, cost of debt, and cost of common stock appropriate for setting rates in this case. Atmos Energy's capital structure has more debt than historical levels, and its common equity ratio is also much lower than other, typical gas distribution utilities. It is a highly leveraged, risky capital structure. This highly leveraged, low equity capital structure is the result of a very large debt issue used to finance an acquisition, and for this reason, it is temporary. The Atmos Energy management has announced its intention to return the common equity level to its historical levels. These historical levels of equity will be similar to the equity ratios of most other gas distribution companies. For example, Atmos Energy's management has set a target of a 50 to 55 percent total debt to total capitalization in its capital structure. I am recommending a projected capital structure of 51.80 percent long-term debt and 48.20 percent common equity.

Atmos Energy's appropriate cost of debt for this proceeding is the embedded cost of projected long-term debt of Atmos Energy of 6.10 percent at September 30, 2008.

To measure the cost of common stock equity, I identified indicators of financial and business risks, which included financial statistics of Atmos Energy. I compared these statistics to similar statistics for a group of comparable natural gas distribution utilities. For example, *Value Line* predicts a return on common stock for a group of comparable local gas distribution companies ("LDCs") of 11.9 percent in 2006. In comparison, *Value Line* forecasts a return of only 9.0 percent for Atmos Energy in 2006. Therefore, despite its low-equity capital structure, Atmos Energy's common stock earnings are significantly lower than the average of a group of comparable gas distribution companies according to *Value Line*. I also studied the total return on capital of Atmos Energy, which includes debt costs. I determined that Atmos Energy's total return was lower than the average total return of the comparable companies.

For my market analyses of the cost of common stock I used the Discounted Cash Flow ("DCF") and Capital Asset Pricing Model ("CAPM") methods. I applied similar analyses to Atmos Energy and each of the comparable natural gas distribution utilities. Focusing on the most relevant earnings growth DCF and CAPM results for Atmos Energy, I identified a cost of equity range of 10.87 percent to 12.39 percent from the DCF and 11.13 percent to 11.82 percent for the CAPM.

I also evaluated several specific business risk factors from reputable published sources, including key statistics that revealed the relative financial circumstances of Atmos Energy. For example, I noted the historically low common stock earnings of Atmos, which is important given current market risks. Among the risks that are currently important to LDCs generally and Atmos specifically, is how high gas costs impact customer demand and expose the company margins to certain risks. Together, declining customer sales and forecasted rising interest rates squeeze the LDCs' margins.

Using the background information of economic expansion, the rising interest rates, returns to alternative investments and the risk factors, I determined a recommended allowed return for the Company in this proceeding. I am recommending an allowed return for the Company in this proceeding of 11.50 to 12.0 percent. This common equity return results in a recommended return on total capital of 8.70 percent to 8.94 percent.

Finally, I compared the After-Tax Interest Coverage for Atmos Energy at my recommended return level to the average After-Tax Interest Coverage for the comparable LDCs. My recommended allowed return will result in an after tax coverage of just 2.83 times at a 12.0 percent allowed return on common equity. This compares to an average coverage of 3.55 times for the comparable LDCs and confirms that my allowed return is very conservative.

IV. UTILITY REGULATION

Q. DID THE POLICIES AND PROCEDURES OF UTILITY REGULATION AFFECT YOUR COST OF CAPITAL TESTIMONY IN ANY WAY?

A. Yes. I based my analysis and recommendations on my interpretation of the role of regulation in the natural gas distribution industry. Due to the nature of the industry, analysts have recognized the likely presence of market power in a franchised utility market. Economies of scale at the distribution or retail level of utility service indicate that the duplication of facilities by more than one firm may be economically inefficient. This is the principal economic rationale for utility regulation, and I used this as a guide for my analysis and recommendations in this proceeding. Consequently, I predicated my analysis on the objective to set an allowed return in a regulatory proceeding that is sufficient to allow a utility to recover the costs of providing service but not higher than necessary to attract and maintain invested capital that provides utility service. As an economist, I believe that these analytical objectives are consistent with the legal standard of a "fair rate of return" in regulation.

Q. WHAT DID YOU MEAN BY USING THE TERM "LEGAL STANDARD" WHEN YOU REFERRED TO THE CONCEPT OF A "FAIR RATE OF RETURN?"

A. The term "fair rate of return," as I use it, is consistent with the return that meets the standards set by the United States Supreme Court decision in *Bluefield Water Works and Improvement Company vs. Public Service Commission, 262 U.S. 679 (1923) ("Bluefield")*, as further modified in *Federal Power Commission vs. Hope Natural Gas Company, 320 U.S. 591 (1944) ("Hope")*. My understanding of these decisions is that they characterize a "fair rate of return" as one that provides earnings to investors similar to returns on alternative investments in companies of equivalent risk.

Q. CAN YOU EXPLAIN FURTHER WHY THE CONCEPT OF A "FAIR RATE OF RETURN" IS IMPORTANT IN RATEMAKING?

A. The term "fair rate of return" is one that is sufficient to enable the company to operate successfully and provide utility services, attract capital, maintain its financial integrity, and compensate investors for the associated risks of investment. This interpretation, I believe, is consistent with the regulatory standard discussed previously.

V. ECONOMIC ENVIRONMENT

Q. WHAT ARE THE IMPORTANT ECONOMIC FACTORS WHEN DETERMINING THE COST OF CAPITAL IN THIS PROCEEDING?

A. The key factors in the current economic environment that affect investors are the expectations regarding inflation and interest rates. Inflationary pressures are a cause of tighter federal monetary policy, which leads generally to higher interest rates. Higher interest rates, in turn, lead to higher costs of capital for regulated utilities. In the case of a regulated utility such as Atmos, the regulatory environment is also a critical component of the business environment. Anticipated regulatory actions, as well as forecasts of inflation and interest rates, affect investors' expectations of utility returns and their evaluations of the risks and returns on alternative investments. For these reasons, I reviewed both the current and forecasted levels of inflation and interest rates and noted recent regulatory decisions.

Q. PLEASE EXPLAIN THE CURRENT ECONOMIC ENVIRONMENT AND THE REASONS THAT IT IS IMPORTANT TO YOUR ANALYSIS OF THE COST OF CAPITAL.

A. Economic activity is expected to continue to expand at a moderate pace. The consensus forecast, as provided by *Blue Chip Financial Forecasts ("Blue Chip")*, predicts real Gross Domestic Product ("GDP") growth of 2.3 percent for the fourth quarter of 2006 and 2.65 percent for the first half of 2007. This is an increase from the 2.2 percent real GDP growth experienced in the third quarter of 2006 but is lower than the 4.1 percent rate of growth experienced in the first half of 2006. Manufacturing activity is generally positive nationwide according to the Federal Reserve's Beige Book released November 29th. Labor markets remain tight with moderate wage growth while health care and post-retirement costs continue to be a concern. The unemployment rate dropped to 4.4 percent in October—the lowest level in five years—while initial jobless claims fell again in November. Consumer spending, which accounts for two-thirds of economic activity, has been increasing, albeit slowly, and retailers remain confident regarding holiday sales. Housing markets and residential construction activity have softened, at least in part because of rising interest rates. For example, housing starts fell 14 percent in October to the lowest level in six years, and housing lowered the third quarter GDP by 1.1 percent. Schedule DAM-1 summarizes recent trends of GDP growth, unemployment and the Consumer Price Index ("CPI"). Together these statistics reveal recent inflationary pressures.

Q. YOU MENTIONED THAT YOU USED INFORMATION AND FORECASTS FROM *BLUE CHIP FINANCIAL FORECASTS* IN YOUR ANALYSIS. CAN YOU EXPLAIN WHY YOU USED *BLUE CHIP?*

A. *Blue Chip Financial Forecasts* is a much respected publication that reports the consensus forecasts of financial forecasters. These consensus forecasts, and the predictions of the individual forecasters embodied in them, are available to knowledgeable investors. Consequently, these forecasts, which are from reliable sources, are very likely to affect investors' decisions.

Q. YOU MENTIONED INFLATION AS A FACTOR THAT YOU CONSIDERED. HOW ARE THE LEVELS OF RECENT AND FORECASTED INFLATION RATES IMPORTANT TO YOUR ANALYSIS?

A. The economy is showing signs of increasing inflation after several years of stable prices. The consensus forecast for October-over-October core CPI growth (which excludes food and energy costs) is 2.7 percent. This is above the "tolerance zone" expressed by Fed Chairman Bernanke and other Fed officials. The Fed stated, in its December 12, 2006 press release:

> Readings on core inflation have been elevated, and the high level of resource utilization has the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand. Nonetheless, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.

The core Consumer Price Index increased 2.7 percent in October 2006 on a year-over-year basis—down from the 2.9 percent rate in September, which was the highest rate in a decade. The 2.7 percent rate for core inflation for 2006 is significantly above the 1.5 percent rate of three years ago and reveals a broadening of inflationary pressures in the economy. Core CPI inflation increased at an average annualized rate of 3.8 percent over each of the last six quarters. As shown in Schedule DAM-2, *Blue Chip* is forecasting an increase in the CPI of between 2.4 and 2.6 percent in 2007. Traders expect inflation to increase at an average rate of 2.44 percent as indicated by the differences in yields between Treasury notes and Treasury inflation-indexed bonds. Increasing inflationary pressures are troubling to the financial markets and have the full attention of federal policymakers. At a recent conference in Frankfurt, Dallas Federal Reserve President Richard Fisher cautioned, "We have no tolerance for continued inflation above two percent."

Q. HOW HAS THE ECONOMIC ACTIVITY AFFECTED INTEREST RATES?

A. The state of the economy and economic expectations provide an important background for my cost of capital analysis because increasing inflationary pressures almost certainly lead to actions by the Federal Reserve to increase interest rates. For example, the Federal Open Market Committee ("FOMC") raised interest rates 17 times between June 2004 and June 2006. Although the FOMC recently has forgone raising short-term rates, it has indicated it will remain vigilant regarding inflation concerns.

Q. CAN YOU SUMMARIZE WHAT YOU FOUND TO BE THE SIGNIFICANT INTEREST RATE DEVELOPMENTS?

A. As the economy expands, the Federal Reserve has signaled it will raise interest rates as necessary to control inflation. Inflation has remained stubbornly elevated based on the Fed's preferred measure—the core personal consumption expenditures price index. The core personal consumption expenditures price index rose 2.4 percent in October, which is well above the Fed's stated goal of 1 percent to 2 percent. October's 2.4 percent reading is only slightly below the August 2006 reading of 2.5 percent, which was the highest level in over a decade.

Q. DID YOU STUDY THE RECENT AND FORECASTED BOND RATES?

A. Yes. As shown on Schedule DAM-3, the yields on 10-year Treasury Notes bottomed out in 2003 but have been increasing ever since. The Baa-corporate rate continued to slide into 2005. Currently, the 10-year Treasury notes and Baa-corporate rate are about 4.29

percent and 6.06 percent, respectively. Most significantly, for the purposes of setting an allowed return in this proceeding analysts expect long-term bond rates to continue rising. The *Blue Chip* forecasts for the Baa-corporate rate and the 30-year Treasury rate are for continued increases to 6.8 percent and 5.0 percent respectively into 2008. I have shown these growth estimates in Schedule DAM-4.

Q. PLEASE EXPLAIN THE IMPORTANCE OF THE ECONOMIC ENVIRONMENT TO THIS PROCEEDING.

A. The rates set in this proceeding will be in effect during a period of rising inflation and interest rates. Rising inflation and interest rates erode earnings and adversely affect the cost of a utility's debt and equity. Utilities such as Atmos are particularly sensitive to the effects of increasing inflation and increasing interest rates because they are capital intensive with large interest payment obligations. The rising costs erode utility margins. That is, rising inflation and rising interest rates increase the risk that common stockholders will not achieve their anticipated returns on investment.

VI. SELECTION OF COMPARABLE COMPANIES

Q. YOU STATED THAT YOU COMPARED YOUR ANALYTICAL RESULTS FOR ATMOS ENERGY TO SIMILAR CALCULATIONS FOR A GROUP OF COMPARABLE NATURAL GAS DISTRIBUTION COMPANIES. WHAT CRITERIA DID YOU USE TO SELECT THE UTILITIES THAT YOU IDENTIFIED AS COMPARABLE TO ATMOS ENERGY FOR YOUR ANALYSIS?

A. Using criteria that were similar to the characteristics of Atmos Energy, I selected a group of local gas distribution utilities for comparative analysis. I first selected the comparable companies from a group of gas distribution companies reported by *Value Line.* Second, because of the importance of size in determining the cost of capital of a utility, I limited the group of distribution companies to firms with a market capitalization of at least $1 billion. Third, as a measure of financial health and similar investor expectations, I excluded companies that do not pay a dividend. Finally, I limited this group to companies that are primarily gas distributors.

Q. YOU USED SELECTION CRITERIA SIMILAR TO ATMOS ENERGY WHEN SELECTING A GROUP OF COMPANIES TO STUDY. WHY DID YOU DO THIS?

A. Methodologically, it is important to determine the risks and the associated costs of common stock equity of gas distribution utilities that are similar to Atmos Energy. Holding some key characteristics constant in selecting companies for comparison is important analytically. If the companies are not comparable, one would need to measure the cost of the risk differential between Atmos Energy and the comparable companies in order to make the analytical comparison. As I described this methodology, the regulatory objective is to determine the cost of investing in securities of equivalent risks. For this reason, I selected a group of companies that were very similar to Atmos Energy in many respects.

Q. WHAT COMPANIES DID YOU SELECT AS COMPARABLE TO ATMOS ENERGY AND SUITABLE FOR YOUR ANALYSIS?

A. I selected a group of seven natural gas companies that are similar in many respects to Atmos Energy. This group includes AGL Resources, New Jersey Resources, NICOR, Inc., Northwest Natural Gas, Piedmont Natural Gas, Southwest Gas, and WGL Holdings, Inc.

VII. CAPITAL STRUCTURE

Q. WHAT IS THE CURRENT CAPITAL STRUCTURE FOR ATMOS ENERGY IN THIS PROCEEDING?

A. I have illustrated the projected capital structure in Schedule DAM-5. The Long-Term Debt is 51.80 percent of total capital, and the Common Equity is 48.20 percent of total capital. From my experience in observing current capital structures, this is a very low common equity ratio for an LDC in the current market.

Q. IS THE CURRENT CAPITAL STRUCTURE OF ATMOS ENERGY THE CAPITAL STRUCTURE THAT YOU ARE RECOMMENDING FOR RATEMAKING IN THIS PROCEEDING?

A. No. The common equity ratio in this current capital structure is too low for ratemaking for Atmos because it is a temporary capital structure. The common equity ratio is lower than the Company's historical common equity ratio, and it is lower than the projected common equity ratio. This current common equity ratio is unusually low simply because Atmos Energy made a recent, large acquisition with debt. Atmos Energy has announced plans to issue common stock over time to return the common equity ratio to more normal levels for an LDC, and it has recently closed a major common stock offering.

Q. WHAT IS THE COMMON EQUITY RATIO THAT YOU ARE RECOMMENDING FOR ATMOS IN THIS PROCEEDING?

A. I am recommending using Atmos Energy's capital structure for the forecasted test period, 48.20 percent common equity and 51.80 percent debt, as the appropriate capital structure for this proceeding. As Schedule DAM-6 shows, Atmos Energy's forecasted common equity ratio is lower than its historical common equity ratio as recently as 2004. Moreover, even Atmos Energy's announced forecasted test-period common equity ratio is still lower than the typical common equity ratios of comparable utilities. For example, *Value Line* data show that Atmos Energy's common equity was 56.8 percent as recently as 2004, which was prior to the recent acquisition.

Also, *Value Line* data show the actual common stock equity of 43.0 percent in 2006 for Atmos Energy, is significantly lower than the average of the comparable gas distribution utilities, which is 54.1 percent. Atmos Energy's current common equity ratio is temporary, inconsistent with the industry average and inappropriate for setting rates for the future.

For example, in Atmos' annual 10-K Report for the Fiscal Year 2006, the Company stated, as follows (at 52):

> Within three to five years, we intend to reduce our capitalization ratio to a target range of 50 to 55 percent through cash flow generated from operations, continued issuance of new common stock under our Direct Stock Purchase Plan and Retirement Savings Plan, and access to the equity capital markets.

The common equity that the Company will be moving towards during the period that these rates will be in effect is the appropriate capital structure for ratemaking.

Q. YOU DID NOT INCLUDE ANY SHORT-TERM DEBT IN THIS CAPITAL STRUCTURE. WHY DID YOU NOT INCLUDE SHORT-TERM DEBT IN THIS CAPITAL STRUCTURE?

A. I did not include short-term debt because it is not part of Atmos Energy's permanent capital structure. Atmos Energy does not use short-term debt to support its long-term assets that provide utility serve to its customers. Atmos Energy's short-term debt fluctuates greatly and even disappears for months at a time. It is obvious the Atmos Energy uses short-term debt to support such variable operating expenses as the cost of purchased gas.

Q. ARE YOU AWARE OF EVIDENCE THAT ATMOS ENERGY WILL ISSUE COMMON STOCK SUFFICIENT TO RETURN TO ITS PRIOR COMMON EQUITY LEVELS?

A. Following other acquisitions, Atmos Energy has issued common stock over time and brought its common equity ratio back to these same levels. In addition, as Schedule DAM-7 shows, at least some financial analysts believe that this will be the case in this instance also. As this schedule shows, *Value Line* predicts that Atmos Energy's common stock outstanding will grow at a rate that is many times faster than any of the comparable LDCs that I studied. At the time of this testimony, Atmos Energy issued a press release announcing that it has closed a significant common stock offering of approximately $191.5 million for the stated purpose of paying down outstanding debt.

VIII. COST OF LONG-TERM DEBT

Q. YOU SAID THAT YOU DETERMINED THE COST OF LONG-TERM DEBT OF ATMOS ENERGY. WHAT DID YOU DETERMINE IS THE WEIGHTED AVERAGE COST OF LONG-TERM DEBT APPROPRIATE FOR SETTING RATES IN THIS PROCEEDING?

A. Atmos Energy's embedded weighted average cost of long-term debt is 6.10 percent. I have illustrated this calculation in Schedule DAM-8.

IX. FINANCIAL RISK

Q. ONE OF THE FACTORS THAT YOU MENTIONED INVESTIGATING WAS ATMOS ENERGY'S "FINANCIAL RISK." WHAT IS FINANCIAL RISK TO THE COMMON STOCKHOLDERS?

A. Financial risk is the risk to a company's common stockholders as a result of its use of financial leverage. This risk results from using fixed income securities to finance the firm. Since the return to common stockholders is the available income after a company has paid debt holders, the return to common stockholders is a residual return. This means it is less certain than the contractual return to debt holders. In general, the lower the common stock equity ratio, the greater the relative prior obligation owed to debt holders. Consequently, all things being equal, the risk faced by common stockholders is greater if the common equity ratio is smaller. Firms must compensate common stock investors for this risk.

Q. IS FINANCIAL RISK AN IMPORTANT CONSIDERATION IN THIS PROCEEDING?

A. Yes. Financial risk is an important determinant of required return. As I noted previously, the common equity of Atmos Energy which is appropriate for this proceeding is 48.20 percent. Also, as I noted earlier, the average for the comparable companies is 54.1 percent, which represents a less risky capital structure for the common stock investors. Consequently, even at my recommended capital structure, financial risk is a very significant factor for setting an allowed return in this proceeding. As a corollary to this high risk common equity ratio, for ratemaking purposes, this is also relevant because common equity is the highest cost component of permanent capital.

Q. DID YOU REVIEW ANY OTHER MEASURES OF FINANCIAL RISK REPORTED BY THIRD PARTIES?

A. Yes, I reviewed *Value Line's* measure of "Financial Strength" and Standard & Poor's (S&P's) Bond Ratings and S&P's "Business Position" ratings. Notably, these measures by independent financial analysts are consistent with my observations when I compared Atmos Energy's financial risk to that of the comparable companies. Atmos Energy's "Financial Strength" according to *Value Line* is B+. By comparison, the median rating for the group of comparable companies is A. Only Southwest Gas, an LDC with recent financial difficulties, has a ranking lower than Atmos Energy's. The Standard & Poor's credit rating is BBB for Atmos Energy. The median credit rating for the comparable companies is A+. Likewise, Standard & Poor's "Business Position" measures Atmos Energy as a "4" and the median for the comparable LDCs as a "3". That is, in all of these measures by independent financial analysts, Atmos Energy is relatively higher risk. I have illustrated these comparisons in Schedule DAM-9.

X. BUSINESS RISK

Q. YOU ALSO STATED THAT YOU INVESTIGATED THE "BUSINESS RISK" OF ATMOS. WHAT IS BUSINESS RISK?

A. Business risk is the exposure to common stockholders' returns that occurs because of business operations. Currently, for LDCs, business risk is heightened due to declining sales which threaten margins because of competition from other fuels and rising gas costs. Also, another risk to LDC investors is the effect of rising inflation and interest rates, which increase costs and can narrow margins.

Q. WHY ARE HIGH GAS COSTS A BUSINESS RISK TO INVESTORS?

A. High gas costs lead to increases in working capital and short-term debt required to pay suppliers. Since high costs lead to lower consumption and rising bad debt expenses, an LDCs' accounts receivables and short-term debt also increase.

Q. DID YOU CONSIDER BUSINESS RISK IN YOUR ANALYSIS IN THIS PROCEEDING?

A. Yes. Atmos Energy's division in Kentucky has the business risk of LDCs operating in the U. S. retail natural gas market. An important risk for common stock investors to consider is whether the recovery of incurred operating costs will be timely. The current high gas costs are an important business risk for all LDCs in the current markets.

Q. DID YOU REVIEW ANY STATISTICS THAT DEMONSTRATED INVESTORS' AWARENESS OF THESE CURRENT BUSINESS RISKS FOR GAS DISTRIBUTION COMPANIES?

A. As I illustrate in Schedule DAM-10, *Value Line* shows that the common stock of Atmos Energy and the comparable LDCs may be relatively "safe" since investing in these companies is not "timely." As this schedule shows, where a rank of "1" indicates an investment is most timely relative to all common stock investments and a rank of "5" indicates least timely, the LDCs are ranked less than the average at 3.6.

XI. FINANCIAL STATISTICS

Q. YOU EARLIER MENTIONED THAT YOU REVIEWED KEY FINANCIAL STATISTICS OF ATMOS ENERGY. WHAT FINANCIAL STATISTICS DID YOU REVIEW THAT WERE RELEVANT TO YOUR RECOMMENDATION?

A. I reviewed earnings, dividend histories and forecasted dividends for Atmos Energy and the comparable LDCs. These provide important information for setting an allowed return in this proceeding.

Q. YOU OBSERVED THAT ATMOS ENERGY HAD A VERY LOW COMMON EQUITY RATIO, INDICATING A HIGH LEVEL OF FINANCIAL RISK. DID YOU FIND THAT ATMOS ENERGY'S RETURN TO COMMON EQUITY WAS RELATIVELY HIGH TO COMPENSATE FOR THIS FINANCIAL RISK?

A. No. Although the common equity ratio of Atmos Energy is very low relative to the comparable LDCs, its return to common stock is not higher than the average return to the group as a whole. In fact, as I illustrate in Schedule DAM-11, in each of the last five yeas, Atmos Energy's return to common stock has been lower than the average for the comparable group. As this schedule shows, *Value Line* is predicting that Atmos Energy will earn only 9.0 percent on common stock equity in 2006 as compared to the average of the comparable companies at 11.9 percent. *Value Line* is forecasting that every one of the comparable companies will have common returns in 2006 greater than Atmos Energy.

Q. DID YOU ALSO COMPARE ATMOS' RETURN TO TOTAL CAPITAL TO THAT OF THE COMPARABLE LDCS?

A. Yes. Atmos Energy's very low common equity ratio and low return on common stock resulted in a very low total cost of capital. Atmos Energy's return to total capital of 5.5 percent, as estimated by *Value Line* for 2006, is lower than all of the comparable companies, except Southwest Gas. The average for the comparable group of LDCs is 7.9 percent. I illustrated this return in Schedule DAM-12.

Q. DID YOU DETERMINE WHETHER ATMOS ENERGY'S LOW COMMON STOCK EARNINGS HAVE HAMPERED ITS ABILITY TO MAINTAIN ITS DIVIDEND?

A. Atmos Energy's dividend growth has been only 1.65 percent over the past five years. This is relatively low, as Schedule DAM-13 shows; however, the reason for this low growth is not clear from these data. The average for the comparable gas distribution utilities is twice that amount, or 3.17 percent, over the same period.

Q. GIVEN THE RELATIVELY LOW RETURN ON COMMON STOCK AND RELATIVE FLAT DIVIDEND GROWTH, HOW DOES ATMOS ENERGY'S DIVIDEND PAYOUT RATIO COMPARE TO THE PAYOUT RATIOS OF THE COMPARABLE COMPANIES?

A. As Schedule DAM-14 shows, Atmos Energy's dividend payout has averaged 74.2 percent over the most recent five-year period. This dividend payout was somewhat higher than the payouts of the comparable companies, which was 65.4 percent for the same period. Of course, maintaining earnings sufficient to support a stable dividend is important to many utility investors.

Q. IN YOUR ANALYSIS OF DIVIDENDS AND EARNINGS, DID YOU EVALUATE THE RELATIVE MARKET ACCEPTANCE OF THE COMMON STOCK OF ATMOS ENERGY AND THE OTHER GAS DISTRIBUTION COMPANIES THAT YOU ANALYZED IN YOUR COMPARATIVE ANALYSIS?

A. Yes, I reviewed the common stock price earnings ("P/E") ratios of Atmos Energy and the comparable companies. This comparison showed that, at present, Atmos Energy's market price earnings ratio of 15.6 times is slightly lower than the average for the comparable

LDCs. Perhaps, a more relevant statistic for this proceeding is *Value Line's* prediction of a decline in Atmos Energy's price earnings ratio to 13.0 times by the 2009-2011 period. I have shown these comparisons in Schedule DAM-15.

XII. COST OF COMMON STOCK

Q. YOU ALSO STATED PREVIOUSLY THAT YOU CALCULATED THE COST OF COMMON STOCK EQUITY FOR ATMOS. EXPLAIN THE METHODS YOU USED.

A. I used two generally accepted market-based methods for estimating the cost of common stock in regulatory proceedings. These are the Discounted Cash Flow analysis, which is probably the most commonly referenced method in regulatory proceedings, and the Capital Asset Pricing Model. I applied each of these methods to estimate the cost of common stock of Atmos and also for each of the comparable companies. Of course, just mechanically applying either of these methods is a sterile analysis. So, when interpreting the results in this case, I investigated the assumptions underlying the methods to make sure conditions satisfied these assumptions. I also reviewed academic literature related to the use of these two techniques. In this way, I interpreted the results taking into account the relative strengths and weaknesses of these methods. Then, to put them into perspective, I evaluated these calculations within the context of current market conditions.

XIII. DISCOUNTED CASH FLOW METHOD

Q. YOU MENTIONED THAT YOU USED THE DCF METHOD FOR DETERMINING COST OF COMMON STOCK. CAN YOU DEFINE THE DCF METHODOLOGY FOR MEASURING COST OF COMMON EQUITY?

A. Yes. The DCF calculation of the investor's required rate of return can be expressed by the following formula:

$$K = D/P + g$$

Where: K = cost of common equity
D = dividend per share
P = price per share and
g = rate of growth of dividends, or alternatively, common stock earnings.

In this expression K is the capitalization rate required to convert the stream of future returns into a current value.

Q. YOU MENTIONED THE UNDERLYING ASSUMPTIONS OF THE COST OF CAPITAL MODELS. WHAT ASSUMPTIONS UNDERLYING THE DCF METHOD ARE IMPORTANT WHEN ESTIMATING THE COST OF COMMON STOCK EQUITY IN PRACTICE?

A. As an example of underlying assumptions of the DCF, David Parcell stated in *The Cost of Capital—A Practitioner's Guide,*[1] that the general DCF model has the following four key assumptions:

1. Investors evaluate common stocks in the classical economic framework.
2. Investors discount the expected cash flows at the same rate (K) in every future period.
3. K corresponds only to the specific steam[sic] of future cash flows.
4. Dividends, rather than earnings, constitute the source of value.

These key assumptions are important; when not realized in practice, they can lead to incorrect measures of the cost of common equity. In turn, this may lead to misinterpretation of the results using the DCF method.

[1] Parcell, David, *The Cost of Capital—A Practitioner's Guide,* Society of Utility and Regulatory Analysts, 1997, pp. 8-5, 8-6.

XIV. STRENGTHS OF THE DCF

Q. WHAT ARE THE STRENGTHS OF THE DCF THAT YOU THINK ARE IMPORTANT TO YOUR ANALYSIS?

A. The DCF's principal strength is that it is theoretically sound; it relates an investor's expected return in the form of dividends and capital gains to the value that the investor is willing to pay for those returns. The DCF implies that an investor is willing to pay a market price that is equal to the present value of an anticipated stream of earnings. In this way, one can estimate the opportunity cost of investors' funds. This is also consistent with the regulatory objective of setting an allowed return equal to the returns on investments of equivalent risk.

On a more practical basis, the DCF relates known market price information and the company's dividend and earnings performance to determine the value that investors place on anticipated returns. Another advantage in using the DCF, to measure the cost of capital for ratemaking, is that regulatory proceedings commonly use it, and participants in proceedings generally understand it.

XV. WEAKNESSES OF THE DCF

Q. YOU ARE USING THE DCF TO ESTIMATE THE COST OF COMMON EQUITY IN A UTILITY RATE PROCEEDING. ARE YOU AWARE OF ANY IMPORTANT WEAKNESSES OF THE DCF METHOD THAT MAY BE IMPORTANT IN THIS APPLICATION?

A. The DCF can have both conceptual and data problems that may lead to misinterpretation of the calculated results. Either or both can create problems in a ratemaking proceeding.

Q. WHAT CONCEPTUAL PROBLEMS WITH THE DCF MAY BE IMPORTANT WHEN YOU USE IT TO ESTIMATE THE COST OF CAPITAL IN A RATE PROCEEDING?

A. I believe that an important problem with the DCF method in a rate proceeding is that participants may misinterpret and misapply its results. For example, if an assumption, such as dividends being the sole source of value expectations of an investor, does not materialize, then analysts may fail to take this into account. Obviously, this is a strong assumption; many investors seek capital gains potential that measured dividends may not reflect.

Perhaps even more important, the DCF estimates the marginal cost of common stock equity of a company, and often, analysts using it do not recognize the theoretical significance of this characteristic. That is, the DCF provides an estimate of the minimal return necessary to attract marginal, or incremental, investment in the common stock equity. However, the method does not account for any other factors that may affect the ability of the company to earn that return, and this is obviously important in a regulatory setting.

Q. WHY IS THE MARGINAL COST NATURE OF THE DCF SIGNIFICANT IN A REGULATORY SETTING?

A. The DCF cost of capital is the cost of incremental investment. If regulators set this as the allowed return, this provides no cushion so that the realized return will be sufficient to attract and maintain capital. Analysts interpreting the results of the DCF calculations may not recognize this. Consequently, the DCF-based calculations may be misleading. In fact, this misunderstanding of the DCF results can virtually assure that a regulated company will not have the opportunity to earn its allowed return.

Q. TO YOUR KNOWLEDGE, HAVE REGULATORY COMMISSIONS RECOGNIZED THESE LIMITATIONS OF THE DCF, WHEN USED IN RATE PROCEEDINGS TO DETERMINE THE COST OF COMMON EQUITY?

A. Yes. Regulatory bodies have recognized the difficulties of relying on the raw, unadjusted DCF calculations. In one example addressing these factors directly, the Indiana commission, in a 1990 decision, recognized that the assumptions underlying the DCF model rarely, if ever, hold true.[2] This commission stated that an "...unadjusted DCF result is almost always well below what any informed financial analyst would regard as defensible and therefore requires an upward adjustment based largely on the expert witness' judgment."[3]

Q. IN YOUR EXPERIENCE, IS IT COMMON FOR REGULATORS AND ANALYSTS TO RECOGNIZE THE MARGINAL COST NATURE OF THE DCF AND ATTEMPT TO COMPENSATE FOR IT?

A. Yes, it is. Regulators and analysts often apply adjustments to compensate for the marginal cost nature of the DCF adjustment, and they do so in a variety of ways. Although these various adjustments may differ greatly in their approaches, each addresses the inadequacy of the marginal cost estimates of the cost of capital in some manner. For example, I have observed such practices as applying a "flotation"

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[2] Phillips, Charles F., Jr. and Robert G. Brown, *Chapter 9: The Rate of Return,* The Regulation of Public Utilities: Theory and Practice, (1993: Public Utility Reports, Arlington, VA) p. 423.

[3] Ibid, *In re Indiana Michigan Power Company,* 116 PUR4th 1, 17 (Ind. 1990).

adjustment, a "market pressure" adjustment or an adjustment to common equity to reflect the market values of debt and equity.

Q. HOW DOES A FLOTATION ADJUSTMENT ADDRESS THE MARGINAL COST NATURE OF THE DCF?

A. The flotation adjustment specifically recognizes that the measurement of the market-based DCF estimate of the cost of capital does not always incorporate the costs of issuing common stock. That is, the DCF does not account for fees incurred when issuing securities, like legal fees, investment banker fees and the publication costs of a prospectus. The flotation adjustment attempts to bring the market-measured cost of capital to the level of the level of the true cost of capital of the utility.

Q. RECOGNIZING THE MARGINAL COST NATURE OF THE DCF AND THE NEED OF A REGULATED UTILITY TO BE ACTIVE IN THE FINANCIAL MARKETS, DO YOU RECOMMEND CALCULATING A FLOTATION ADJUSTMENT?

A. No, I believe an analyst should focus on the high end of the DCF results to compensate for its marginal cost nature. This will provide adequate compensation for issuing new securities.

Q. WHAT IS THE RATIONALE OF A "MARKET PRESSURE" ADJUSTMENT TO THE MARGINAL COST NATURE OF THE DCF?

A. Market pressure is the measured impact of an issuance of common stock on the prices of common stock of the regulated utility. The DCF measured cost of common stock does not account for the price impact of new issues. Consequently, the marginal cost of common stock, if set as the allowed return, will fail to provide a reasonable probability that the utility will achieve its allowed return.

Q. DO YOU RECOMMEND APPLYING A MARKET PRESSURE ADJUSTMENT TO THE DCF RESULTS IN SELECTING A RECOMMENDED ALLOWED RETURN IN RATEMAKING?

A. No. Again, in most circumstances, I believe looking to the higher end of the DCF market-based results will supply a reasonable return on common stock for a regulated utility. This should also provide an adequate return to compensate for the impact of newly issued securities on market prices and the associated effect upon DCF calculations.

Q. PLEASE EXPLAIN THE ADJUSTMENT TO THE COST OF EQUITY TO REFLECT MARKET VALUES FOR DEBT AND EQUITY?

A. Regulatory convention dictates that one use the book values in ratemaking capital structures. Some analysts adjust the capital structure for ratemaking to compensate for the difference between book values and market values. Market values reflect investors' perceptions of risks and returns and form the basis for determining the marginal cost of capital, or in other words, the cost of attracting the next dollar of investment. The proposed adjustment compensates for the marginal cost measure of capital.

Q. DO YOU RECOMMEND ADJUSTING THE CAPITAL STRUCTURE FOR THE MARKET VALUE OF SECURITIES IN RATEMAKING?

A. Although the concern about the differential between market value and book value is theoretically sound, I believe that adjusting the capital structure is unnecessary as long as the allowed return is set at a sufficient level to attract capital.

XVI. DATA FOR THE DCF ANALYSIS

Q. HAVE ANALYSTS PERFORMED STUDIES REGARDING WHICH DATA USED IN A DCF ANALYSIS ARE MOST LIKELY TO CAPTURE INVESTORS' EXPECTATIONS ABOUT THE FUTURE RETURNS?

A. Yes. As early as 1982, published academic studies showed that analysts' forecasts were superior to historically trended growth rates as predictors of growth rates for DCF analyses.

Q. CAN YOU CITE SOME OF THE STUDIES THAT DEMONSTRATED THAT INVESTORS LOOK TO ANALYSTS' FORECASTS WHEN MAKING INVESTMENT DECISIONS?

A. Yes. A number of authors have addressed the merits of analysts' forecasts in a DCF analysis of the cost of capital. For example, a well-known financial textbook, by Brigham and Gapenski, explains why analysts' growth rate forecasts are the best source for growth measures in a DCF analysis. They state:

> Analysts' growth rate forecasts are usually for five years into the future, and the rates provided represent the average growth rate over the five-year horizon. Studies have shown that analysts' forecasts represent the best source for growth for DCF cost of capital estimates.[4]

Research reported in the academic literature supports this position also. For example, Vander Weide and Carleton found:

> ...overwhelming evidence that the consensus analysts' forecast of future growth is superior to historically oriented growth measures in predicting the firm's stock price....Our results are consistent with the hypothesis that investors use analysts'

[4] Brigham, Eugene F., Louis C. Gapenski, and Michael C. Ehrhardt, "Chapter 10: The Cost of Capital," Financial Management Theory and Practice, Ninth Edition (1999: Harcourt Asia, Singapore), p. 381.

> forecasts, rather than historically oriented growth calculations, in making stock buy-and-sell decisions.[5]

As to the use of the DCF in utility regulatory proceedings, Timme and Eisemann examined the effectiveness of using analysts' forecasts rather than historical growth rates. They concluded:

> The results show that all financial analysts' forecasts contain a significant amount of information used by investors in the determination of share prices not found in the historical growth rate....The results provide additional evidence that the historical growth rates are poor proxies for investor expectations; hence they should not be used to estimate utilities' cost of capital.[6]

Q. ARE YOU AWARE OF ANY OTHER EMPIRICAL INFORMATION THAT FOCUSES ON THE IMPORTANCE OF COMMON STOCK EARNINGS?

A. Yes. In an "event analysis", a colleague and I compared the market reactions to dividends announcements and common stock earnings announcements for a group of electric utilities. Specifically, we looked at announcements that were likely to be a surprise to the market. We looked at the price impact of both earnings announcements and dividend announcements that exceeded *Value Line's* projected levels. Among these companies, there were 8 dividend announcements and 19 common stock announcements that exceeded analysts' expectations from September 2001 to December 2003. By developing ratios of a utility's common stock price to the Dow Jones Utility Index, we statistically isolated the impact of these announcements, and linked them to contemporaneous price changes. As Schedule DAM-16 shows, the impact on market prices of the unexpected

[5] Vander Weide, James H. and Willard T. Carleton, "Investor Growth Expectations: Analysts vs. History," *The Journal of Portfolio Management,* Spring 1988, pp. 78-82.
[6] Timme, Stephen G. and Peter C. Eisemann, "On the Use of Consensus Forecasts of Growth in the Constant Growth Model: The Case of Electric Utilities," *Financial Management*, Winter 1989, pp. 23-35.

earnings per share announcement in these cases is dramatic and obvious, and the impact of unexpected dividend announcements is seemingly less so.

Q. WHEN DEVELOPING YOUR DCF ANALYSIS, DID YOU ALSO REVIEW HISTORICAL COMMON STOCK EARNINGS AND DIVIDEND INFORMATION?

A. Yes. I reviewed the dividend and earnings history of the companies studied. In recent years, as I have illustrated in Schedule DAM-17, the dividends have grown more slowly than earnings per share. Also as this schedule shows, this lower dividend growth rate is likely to continue at least for the next few years. This is not surprising, however, in light of the increased competition in the gas distribution industry. Under increasingly competitive pressures, prudent boards of directors are likely to conserve cash and refrain from increasing the dividend rate. This is likely to affect dividends, even as earnings grow. One might expect this earnings-dividend relationship to change as a consequence of the recent tax reduction on dividends, but the data that I reviewed of the comparable LDCs does not show this impact.

Q. ARE YOU AWARE OF ANY OTHER EVIDENCE THAT SUPPORTS THE HIGHER EARNINGS PER SHARE GROWTH RATES?

A. The general economic conditions discussed previously foreshadowed the higher growth rate forecasts. For example, *Value Line* projects an inflation rate of 2.2 percent and an economic growth in the economy of 3.5 percent. When one combines them, they imply a nominal growth in the economy of approximately 5.7 percent. Some analysts use this growth rate as a check on financial analysts' earnings forecasts.

Q. HOW DID YOU DETERMINE COMMON STOCK PRICES FOR YOUR DCF ANALYSIS?

A. Of course, I was interested in current market valuations. However, recognizing that rates from this proceeding will be in effect for a number of years, I also recognized prices over a longer time period. I obtained common stock prices for the past year reported by the *Wall Street Journal*, and I also selected current prices from a recent two-week period as reported by *YAHOO! Finance.*

XVII. DCF CALCULATIONS

Q. PLEASE EXPLAIN THE FINDINGS FROM YOUR DCF ANALYSIS.

A. The combined historical and forecasted dividend growth rates and the common stock prices for the past year produced very low estimates for both Atmos Energy and the comparable companies. In fact, the results are so low that they are not credible; I show these DCF calculations in Schedule DAM-18. For the comparable companies, the average higher DCF cost of common return is only 7.38 percent. For Atmos Energy, despite the low common equity ratio, the higher DCF common equity return estimate is even a lower 6.71 percent. This is close to the forecasted Baa rate of 6.8 percent discussed previously, which, of course, is a lower risk investment instrument. Consequently, these DCF results are not reasonable for setting rates for an LDC such as Atmos. They simply are not credible estimates of the cost of common equity for ratemaking purposes for a gas distribution company. Using current prices for Atmos results in a high–end estimate of only 5.68 percent for Atmos Energy. This further confirms that these DCF estimates are not credible for ratemaking purposes.

Q. WHAT RESULTS DID YOUR DCF ANALYSIS PRODUCE WHEN YOU USED FORECASTED RETURNS?

A. Combining the historical and forecasted earnings per share growth rates shows sharply higher DCF results. For Atmos Energy, they range from 11.25 percent to 12.39 percent. Using current price levels, the DCF estimates for Atmos are 11.31 percent to 11.36 percent. I show these calculations in Schedules DAM-20 and DAM-21. The high-end projected-earnings per share growth rate DCF estimates for Atmos are 12.01 percent, using prices over the past year, and 10.98 percent, using recent prices. I have illustrated these calculations in Schedules DAM-22 and DAM-23.

XVIII. CAPITAL ASSET PRICING MODEL

Q. YOU STATED THAT YOU USED THE CAPITAL ASSET PRICING MODEL IN YOUR ANALYSIS. WHAT IS THE CAPITAL ASSET PRICING MODEL?

A. The Capital Asset Pricing Model is a risk premium method that measures the cost of capital based on an investor's ability to diversify by combining securities of various risks into an investment portfolio. It measures the risk differential, or premium, between a given portfolio and the market as a whole. The diversification of investments reduces the investor's total risk. However, some risk is non-diversifiable, e.g., market risk, and investors remain exposed to that risk. The theoretical expression of the CAPM model is:

$$K = R_F + \beta\,(R_M - R_F)$$

Where:
- K = the required return
- R_F = the risk-free rate
- R_M = the required overall market return
- β = beta, a measure of a given security's risk relative to that of the overall market.

In this expression, the value of market risk is the differential between the market rate and the "risk-free" rate. Beta is the measure of the volatility, as a measure of risk, of a given security relative to the risk of the market as a whole. By estimating the risk differential between an individual security and the market as a whole, an analyst can measure the relative cost of that security compared to the market as a whole.

XIX. STRENGTHS OF THE CAPM

Q. WHAT, IN YOUR OPINION ARE THE STRENGTHS OF THE CAPM METHOD?

A. Since it is a risk premium method, the CAPM method provides a longer-term perspective, and it is not as volatile as the more price and earnings sensitive DCF analysis. As a risk premium method, it takes current debt costs as a basis, for measuring the cost of common stock. In this way, the CAPM links the incremental cost of capital of an individual company with the risk differential between that company and the market as a whole. Although it is a less refined calculation, it is a good tool for assessing the general level of the cost of a security. For example, the CAPM results for companies from the same industry with similar financial characteristics are likely to have very similar cost of capital estimates.

XX. WEAKNESSES OF THE CAPM

Q. WHAT PROBLEMS DO YOU PERCEIVE TO BE IMPORTANT WHEN ONE USES THE CAPM IN A RATEMAKING PROCEEDING?

A. The cost of capital calculations for a company are sensitive to the beta used in the analysis. This beta is a single measure of risk, so, consequently, the CAPM will not incorporate any risks not included in the measures of market volatility. Also, a number of analysts have shown that the CAPM overestimates the cost of capital of companies with betas greater than one and underestimates the cost of capital of companies with betas less than one. In regulation, this is important because most utilities have beta estimates less than one. For example, Atmos Energy currently has a beta of 0.75. In addition, analysts have shown that the standard CAPM method will underestimate the cost of capital of smaller companies.

Q. PLEASE EXPLAIN THE CAPM METHODOLOGY THAT YOU USED IN YOUR ANALYSIS.

A. I applied two different, but complementary, approaches to estimate a CAPM cost of capital. One of these methods examines the historical risk premium of common stock over high grade corporate bonds. The other integrates the risk premium of common stocks to long-term government bonds in recent markets. This second method requires an adjustment for the bias because of company size that I mentioned previously. The financial literature has recognized this bias as an empirical problem for a long time, but correcting for this bias is a recent analytical development.

Q. YOU STATED THAT THE FINANCIAL LITERATURE RECOGNIZES THAT THE CAPM METHOD MAY REQUIRE AN ADJUSTMENT FOR A COMPANY'S SIZE. WHAT IS THE NATURE OF THIS RECOGNIZED BIAS?

A. R. W. Banz[7] and M. R. Reinganum[8] in the 1980s, for example, is a good reference pointing out this size bias. Reinganum examined the relationship between the size of the

[7] Banz, R.W., "The Relationship Between Return and Market Value of Common Stock," *Journal of Financial Economics*, March 1981, pp. 3-18.
[8] Reinganum, M. R., "Misspecification of Capital Asset Pricing: Empirical Anomalies Based on Earnings, Yields, and Market Values," *Journal of Financial Economics*, March 1981, pp. 19-46.

firm and its price-earnings ratio, finding that small firms experienced average returns greater than those of large firms that had equivalent risk as measured by the beta. Of course, the beta is the distinguishing measure of risk in the CAPM. Banz confirmed that beta does not explain all of the returns associated with smaller companies; hence, the CAPM would understate their cost of common equity. In the same time frame, Fama and French confirmed that the Banz analysis consistently rejected the central CAPM hypothesis that beta sufficed to explain expected the return of investors[9].

Q. WHAT DID YOU MEAN WHEN YOU SAID THAT THE CAPM METHOD REQUIRES AN ADJUSTMENT?

A. Although repeated studies showed that the CAPM method possesses a bias that understates the expected returns of small companies, this remained only an empirical observation without a clear remedy. However, now Ibbotson Associates, which is the common source of data for the risk premium used in CAPM analyses, has developed an adjustment for this bias. Ibbotson Associates discusses the problem as follows:

> One of the most remarkable discoveries of modern finance is that of the relationship between firm size and return. The relationship cuts across the entire size spectrum but is most evident among smaller companies, which have higher returns on average than larger ones. Many studies have looked at the effect of firm size on return. [10]

To account for this empirical bias against smaller companies, Ibbotson Associates has prescribed quantitative adjustments to the CAPM, which it publishes in the same data source used by many analysts to estimate the risk premium in their CAPM analyses.

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[9] Fama, Eugene F., and Kenneth R. French, "The CAPM is Wanted, Dead or Alive," *The Journal of Finance*, Vol. LI, No. 5, pp. 1947-1958.

[10] Chapter 7: Firm Size and Return, "Ibbotson Associates' Stocks, Bonds, Bills, and Inflation: 2006 Yearbook Valuation Edition," edited by James Harrington and Michael Barad, p. 129.

Q. DID YOU APPLY THE ADJUSTMENT RECOMMENDED BY IBBOTSON ASSOCIATES IN YOUR ANALYSIS?

A. Yes. In my CAPM analysis, I followed the method recommended by Ibbotson Associates to compensate for this inherent data bias.

Q. HAVE ANY REGULATORY COMMISSIONS ACCEPTED THIS SIZE ADJUSTMENT TO THE CAPM IN RATE PROCEEDINGS WHEN DETERMINING THE COST OF COMMON EQUITY?

A. Yes. The Minnesota Public Utilities Commission has done so in an Interstate Power and Light Company case. The Commission observed:

> The Administrative Law Judge takes comfort from the fact that Ibbotson Associates is a widely-recognized statistical reporting firm that has a national reputation. He considers it to be in the same general category as Standard & Poor's or Moody's. There is no indication that the report in question was prepared for IPL, or the utility industry, to bolster arguments in rate cases. Instead, it appears that the report in question is part of an almanac-type yearbook that Ibbotson prepares without any particular focus on the utility industry. The Administrative Law Judge understands and shares the concerns of the Staff concerning the methodology used, and thinks the issue is worthy of pursuit in some other forum. But for purposes of this case, the Administrative Law Judge accepts the principal conclusion of the study – that size of a firm is a factor in determining risk and return.[11]

XXI. CAPM RESULTS

Q. WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?

A. The results of my two CAPM analyses for Atmos are 11.13 percent and 11.82 percent. For the comparable companies, these results are 12.49 percent and 12.93 percent. I illustrate these calculations in Schedules DAM-24 and DAM-25. The CAPM apparently does not account for the obvious higher financial risk of Atmos Energy. However, as I

[11] *In the Matter of the Petition of Interstate Power and Light Company for Authority to Increase its Electric Rates in Minnesota,* Docket No. E-001/GR-03-767, p. 7.

noted earlier, analysts have shown that the beta as a market measure of risk does not account for all of the risks associated with an individual common stock. Notably, Atmos Energy has a relatively low beta of 0.75, which surely does not capture the financial risk of the recent, temporary decrease in common stock equity.

XXII. INTERPRETING THE DCF AND CAPM RESULTS

Q. HAVE YOU PREPARED A SUMMARY OF THE RESULTS OF YOUR DCF AND CAPM ANALYSES?

A. Yes. I have summarized these results in Schedule DAM-26.

Q. HOW DID YOU INTEGRATE YOUR DCF AND CAPM CALCULATIONS INTO YOUR OVERALL ANALYSIS?

A. The recent and forecasted interest rates and returns on alternative investments provide a perspective for interpreting the DCF and CAPM calculations.

Q. HOW ARE INTEREST RATES IMPORTANT TO YOUR INTERPRETATION OF THE DCF AND CAPM RESULTS?

A. Significantly, the levels of interest rates are a measure of the return that investors in utility equities might expect from alternative investments. Consequently, forecasted rising interest rates mean that investors will require higher returns from their common stock investments. Relatively speaking, if the risk premium between common stock and debt remains relatively constant, the returns to common stock investments must increase to attract and maintain capital. This is an important consideration when establishing an allowed return.

Q. YOU STATED THAT YOU LOOKED AT ALTERNATIVE RETURNS ALSO. WHAT DID THIS REVIEW SHOW?

A. I reviewed the recent returns of non-regulated firms to determine the level of returns of these alternative investments as well as to gauge their relative performance during the recent period of economic growth. With rising interest rates and a growing economy, the earnings of the industrial sector, which already experiences returns higher than the LDCs, also continued to grow. For example, from 2003 through 2006, a period when short-term interest rates grew by approximately four percent, the common stock returns for a number of U.S. industries grew by equivalent amounts or more. Using the *Value Line* measures of industry returns, I compared the growth in common stock earnings over the same period for a group of U. S. industries. I show this comparison in Schedule DAM-27. I note that, over this period, the return to common stock for Atmos *declined* by 0.3 percent.

XXIII. RECOMMENDED RETURN

Q. WHAT LOGICAL STEPS DID YOU FOLLOW WHEN YOU DETERMINED A RECOMMENDED ALLOWED RETURN ON COMMON STOCK FOR ATMOS ENERGY?

A. As I noted, I recommend using Atmos' projected common equity ratio of 48.20 percent and long-term debt ratio of 51.80 percent as the appropriate capital structure for ratemaking in this proceeding. My recommended allowed return on equity assumes this common equity ratio. Rising interest rates and Atmos Energy's low common equity returns and a relatively high dividend payout ratio indicate the significance of the returns allowed in this proceeding. Focusing on the forecasted earnings per share growth rates, the relevant DCF results for Atmos Energy were in the broad range of 10.87 percent to 12.39 percent. The two CAPM analyses provided return on common equity estimates of 11.13 to 11.82 percent for Atmos Energy and a higher 12.49 percent and 12.93 percent for the comparable companies. Consequently, these market-based measures of the cost of common equity ranged overall from 10.9 percent to 12.9 percent, centering on approximately 12.0 percent.

Q. **WHAT IS YOUR RECOMMENDED RETURN ON COMMON STOCK EQUITY FOR ATMOS IN THIS PROCEEDING?**

A. I am recommending a recommended allowed return for Atmos in this proceeding in the range of 11.5 percent to 12.0 percent, with a midpoint of this range of 11.75 percent.

Q. **WHAT IS THE TOTAL COST OF CAPITAL THAT YOU ARE RECOMMENDING FOR ATMOS IN THE PROCEEDING?**

A. My recommended allowed return on common equity at a cost of debt of 6.10 percent will result in a total cost of capital in the range of 8.70 percent to 8.94 percent. I illustrate these calculations in Schedule DAM-28.

XXIV. FINANCIAL INTEGRITY TEST

Q. **YOU STATED PREVIOUSLY THAT YOU TESTED THE ADEQUACY AND APPROPRIATENESS OF YOUR RETURN RECOMMENDATION. HOW DID YOU DO THIS?**

A. I compared Atmos Energy's After-Tax Interest Coverage ratio at my recommended allowed return to similar ratios maintained by the comparable LDCs in current markets. The After-Tax Interest Coverage is a measure that implies the likelihood that a company will have sufficient funds available to meet its fixed interest obligations so it is a measure of financial integrity of my recommended return. The higher the coverage ratio the greater the likelihood that the allowed return will provide funds to meet the fixed interest obligations.

Q. WHAT DID YOUR CALCULATION OF THE AFTER-TAX INTEREST COVERAGE REVEAL?

A. The After-Tax Interest Coverage ratio for Atmos at the high end of my recommended allowed return on common equity range of 12.0 percent is 2.83 times. By comparison, the average After-Tax Interest Coverage of the comparable companies is 3.55 times. Consequently, my recommendation is conservative at the common stock equity target of 48.20 percent. At the low end of my recommended allowed return on common equity, the After-Tax Interest coverage will be even less. This coverage is 2.75 times. Although this is lower than the coverage of all but two of the comparable LDCs, I believe that, at the 48.20 percent common equity for ratemaking and 51.80 percent long-term debt, this recommended return is sufficient to raise the additional common equity as proposed by the Company. I show this comparison in Schedule DAM-29.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

EXHIBIT

Atmos Energy Corporation

Comparable Gas Companies

Comparison of After-Tax Times Interest Earned Ratios

Atmos Energy Corp.	@11.50% ROE	2.75
	@11.75% ROE	2.79
	@12.00% ROE	2.83
AGL Resources		2.95
New Jersey Resources		4.56
NICOR, Inc.		5.91
Northwest Natural Gas		2.77
Piedmont Natural Gas		3.54
Southwest Gas		1.50
WGL Holdings, Inc.		3.62
Comparable Companies' Average		3.55

Source : Value Line Investment Survey

Atmos Energy Corporation

Projected Cost of Capital

	Percent of Total	Embedded Cost Low	Middle	High	Weighted Cost of Capital Low	Middle	High
Long Term Debt	51.80%	6.10%	6.10%	6.10%	3.16%	3.16%	3.16%
Common Equity	48.20%	11.50%	11.75%	12.00%	5.54%	5.66%	5.78%
Total Capital	100.00%				8.70%	8.82%	8.94%

Source:
Atmos Energy Corporation Work Papers

Atmos Energy Corporation

Recent Increase in Returns on Common Equity

By Industry Group

Industry	2003	Earnings 2004	2005	2006	Percent Increase 2003-2006
Atmos	9.30%	7.60%	8.50%	9.00%	-0.30%
Building Materials	13.50%	15.30%	16.00%	16.00%	2.50%
Cement & Aggregates	9.40%	14.50%	19.50%	22.50%	13.10%
Chemical/Diversified	15.20%	16.20%	19.70%	19.50%	4.30%
Healthcare Information	12.50%	16.10%	15.10%	15.50%	3.00%
Household Products	33.50%	34.60%	39.80%	18.50%	-15.00%
Insurance (Life)	9.30%	9.60%	10.80%	11.00%	1.70%
Machinery	11.90%	16.50%	19.20%	20.00%	8.10%
Railroad	8.60%	9.30%	11.50%	11.50%	2.90%
Tire & Rubber	0.30%	6.80%	18.90%	17.00%	16.70%
Three Month Treasury Security*	1.03%	1.40%	3.22%	5.04%	4.01%

* The Week Ending December 1 is used for the 2006 Three Month Treasury Security

Sources: Value Line Investment Survey
Federal Reserve

Atmos Energy Corporation

Comparable Gas Companies

Summary of Discounted Cash Flow and Capital Asset Pricing Analysis

	Comparable Gas Companies		Atmos Energy Corporation	
	Low	High	Low	High
Capital Asset Pricing Model				
Size Adjusted Capital Asset Pricing Model		12.49%		11.13%
Historical Capital Asset Pricing Model		12.93%		11.82%
52-Week Discounted Cash Flow				
Using Earnings Growth Rates	9.55%	10.44%	11.25%	12.39%
Using Projected Growth Rates	7.10%	9.81%	10.87%	12.01%
Current Discounted Cash Flow				
Using Earnings Growth Rates	9.61%	9.66%	11.31%	11.36%
Using Projected Growth Rates	7.16%	9.00%	10.93%	10.98%

Sources: Schedules DAM-20 through DAM-25

Atmos Energy Corporation

Comparable Gas Companies

Historical Capital Asset Pricing Model

	Market Total Returns	Long-Term Corporate Bonds Return	Risk Premium	Beta	Adjusted Risk Premium	Aaa Corporate Bonds Return	Cost of Equity
Atmos Energy Corp.	14.85%	6.20%	8.65%	0.75	6.49%	5.33%	11.82%
AGL Resources	14.85%	6.20%	8.65%	0.95	8.22%	5.33%	13.55%
New Jersey Resources	14.85%	6.20%	8.65%	0.80	6.92%	5.33%	12.25%
NICOR, Inc.	14.85%	6.20%	8.65%	1.20	10.38%	5.33%	15.71%
Northwest Natural Gas	14.85%	6.20%	8.65%	0.75	6.49%	5.33%	11.82%
Piedmont Natural Gas	14.85%	6.20%	8.65%	0.80	6.92%	5.33%	12.25%
Southwest Gas	14.85%	6.20%	8.65%	0.85	7.35%	5.33%	12.68%
WGL Holdings, Inc.	14.85%	6.20%	8.65%	0.80	6.92%	5.33%	12.25%
Comparable Companies' Average	14.85%	6.20%	8.65%	0.88	7.60%	5.33%	12.93%

Sources :
Value Line Investment Survey
Ibbotson Associates 2006 SBBI Yearbook: Valuation Edition
Federal Reserve Statistical Release

Atmos Energy Corporation

Comparable Gas Companies

Size Adjusted Capital Asset Pricing Model

	Risk Free Return	Beta	Equity Risk Premium	Adjusted Equity Risk Premium	Size Premium	Cost of Equity
Atmos Energy Corp.	4.78%	0.75	7.10%	5.33%	1.02%	11.13%
AGL Resources	4.78%	0.95	7.10%	6.75%	1.02%	12.55%
New Jersey Resources	4.78%	0.80	7.10%	5.68%	1.81%	12.27%
NICOR, Inc.	4.78%	1.20	7.10%	8.52%	1.02%	14.32%
Northwest Natural Gas	4.78%	0.75	7.10%	5.33%	1.81%	11.92%
Piedmont Natural Gas	4.78%	0.80	7.10%	5.68%	1.02%	11.48%
Southwest Gas	4.78%	0.85	7.10%	6.04%	1.81%	12.63%
WGL Holdings, Inc.	4.78%	0.80	7.10%	5.68%	1.81%	12.27%
Comparable Companies' Average	4.78%	0.88	7.10%	6.24%	1.47%	12.49%

Sources :
Value Line Investment Survey
Ibbotson Associates 2006 SBBI Yearbook: Valuation Edition
Federal Reserve Statistical Release

Atmos Energy Corporation

Comparable Gas Companies

Projected Growth Rate DCF Using Current Share Prices

	Share Prices		Current	Current Yields		EPS Estimates		Cost of Capital	
	Low	High	Dividend	Low	High	Value Line	S&P	Low	High
Atmos Energy Corp.	32.20	32.59	1.28	3.93%	3.98%	7.00%	6.00%	10.93%	10.98%
AGL Resources	38.47	39.00	1.58	4.05%	4.11%	4.50%	4.00%	8.05%	8.61%
New Jersey Resources	51.32	51.94	1.50	2.89%	2.92%	4.50%	5.00%	7.39%	7.92%
NICOR, Inc.	48.92	49.53	1.92	3.88%	3.92%	4.00%	4.00%	7.88%	7.92%
Northwest Natural Gas	40.68	41.35	1.42	3.43%	3.49%	7.00%	5.00%	8.43%	10.49%
Piedmont Natural Gas	27.57	28.04	1.00	3.57%	3.63%	6.00%	4.00%	7.57%	9.63%
Southwest Gas	37.38	38.04	0.82	2.16%	2.19%	9.00%	3.00%	5.16%	11.19%
WGL Holdings, Inc.	32.82	33.29	1.38	4.15%	4.20%	1.50%	3.00%	5.65%	7.20%
Comparable Companies' Averages	39.60	40.17	1.37	3.45%	3.50%	5.21%	4.00%	7.16%	9.00%

Sources:
Value Line Investment Survey
Standard & Poor's Earnings Guide
Yahoo! FINANCE

Atmos Energy Corporation

Comparable Gas Companies

Projected Growth Rate DCF Using 52-Week Share Prices

	Share Prices		2006	52 Week Yields		EPS Estimates		Cost of Capital	
	Low	High	Dividend	Low	High	Value Line	S&P	Low	High
Atmos Energy Corp.	25.55	33.09	1.28	3.87%	5.01%	7.00%	6.00%	10.87%	12.01%
AGL Resources	33.74	40.00	1.58	3.95%	4.68%	4.50%	4.00%	7.95%	9.18%
New Jersey Resources	41.49	53.16	1.50	2.82%	3.62%	4.50%	5.00%	7.32%	8.62%
NICOR, Inc.	38.72	49.92	1.92	3.85%	4.96%	4.00%	4.00%	7.85%	8.96%
Northwest Natural Gas	32.83	42.15	1.42	3.37%	4.33%	7.00%	5.00%	8.37%	11.33%
Piedmont Natural Gas	23.21	28.38	1.00	3.52%	4.31%	6.00%	4.00%	7.52%	10.31%
Southwest Gas	26.04	38.96	0.82	2.10%	3.15%	9.00%	3.00%	5.10%	12.15%
WGL Holdings, Inc.	27.04	33.55	1.38	4.11%	5.10%	1.50%	3.00%	5.61%	8.10%
Comparable Companies' Averages	31.87	40.87	1.37	3.39%	4.31%	5.21%	4.00%	7.10%	9.81%

Sources:
Value Line Investment Survey
Wall Street Journal
Standard & Poor's Earnings Guide

Atmos Energy Corporation

Comparable Gas Companies

Earnings Growth Rate DCF Using Current Share Prices

	Share Prices Low	Share Prices High	Current Dividend	Current Yields Low	Current Yields High	2000-02 EPS	2009-11E EPS	Growth Rate	Cost of Capital Low	Cost of Capital High
Atmos Energy Corp.	32.20	32.59	1.28	3.93%	3.98%	1.32	2.50	7.38%	11.31%	11.36%
AGL Resources	38.47	39.00	1.58	4.05%	4.11%	1.54	2.95	7.52%	11.57%	11.62%
New Jersey Resources	51.32	51.94	1.50	2.89%	2.92%	1.94	3.30	6.06%	8.95%	8.98%
NICOR, Inc.	48.92	49.53	1.92	3.88%	3.92%	2.94	2.80	-0.55%	3.32%	3.37%
Northwest Natural Gas	40.68	41.35	1.42	3.43%	3.49%	1.76	2.85	5.48%	8.91%	8.97%
Piedmont Natural Gas	27.57	28.04	1.00	3.57%	3.63%	0.99	1.75	6.53%	10.10%	10.16%
Southwest Gas	37.38	38.04	0.82	2.16%	2.19%	1.17	2.25	7.50%	9.66%	9.70%
WGL Holdings, Inc.	32.82	33.29	1.38	4.15%	4.20%	1.60	2.35	4.34%	8.48%	8.54%
Comparable Companies' Averages	39.60	40.17	1.37	3.45%	3.50%	1.71	2.61	5.27%	8.71%	8.76%
Comparable Companies' Averages without NICOR Inc.									9.61%	9.66%

Sources:
Value Line Investment Survey
Yahoo! FINANCE

Atmos Energy Corporation

Comparable Gas Companies

Earnings Growth Rate DCF Using 52-Week Share Prices

	Share Prices		2006	52 Week Yields		2000-02	2009-11E	Growth	Cost of Capital	
	Low	High	Dividend	Low	High	EPS	EPS	Rate	Low	High
Atmos Energy Corp.	25.55	33.09	1.28	3.87%	5.01%	1.32	2.50	7.38%	11.25%	12.39%
AGL Resources	33.74	40.00	1.58	3.95%	4.68%	1.54	2.95	7.52%	11.47%	12.20%
New Jersey Resources	41.49	53.16	1.50	2.82%	3.62%	1.94	3.30	6.06%	8.88%	9.68%
NICOR, Inc.	38.72	49.92	1.92	3.85%	4.96%	2.94	2.80	-0.55%	3.29%	4.41%
Northwest Natural Gas	32.83	42.15	1.42	3.37%	4.33%	1.76	2.85	5.48%	8.85%	9.80%
Piedmont Natural Gas	23.21	28.38	1.00	3.52%	4.31%	0.99	1.75	6.53%	10.06%	10.84%
Southwest Gas	26.04	38.96	0.82	2.10%	3.15%	1.17	2.25	7.50%	9.61%	10.65%
WGL Holdings, Inc.	27.04	33.55	1.38	4.11%	5.10%	1.60	2.35	4.34%	8.45%	9.44%
Comparable Companies' Averages	31.87	40.87	1.37	3.39%	4.31%	1.71	2.61	5.27%	8.66%	9.57%
Comparable Companies' Averages without NICOR Inc.									9.55%	10.44%

Sources:
Value Line Investment Survey
Wall Street Journal

Atmos Energy Corporation

Comparable Gas Companies

Dividend Growth Rate DCF Using Current Share Prices

	Share Prices		Current	Current Yields		2000-02	2009-11E	Growth	Cost of Capital	
	Low	High	Dividend	Low	High	DPS	DPS	Rate	Low	High
Atmos Energy Corp.	32.20	32.59	1.28	3.93%	3.98%	1.16	1.35	1.70%	5.63%	5.68%
AGL Resources	38.47	39.00	1.58	4.05%	4.11%	1.08	1.75	5.51%	9.56%	9.62%
New Jersey Resources	51.32	51.94	1.50	2.89%	2.92%	1.17	1.70	4.21%	7.09%	7.13%
NICOR, Inc.	48.92	49.53	1.92	3.88%	3.92%	1.75	2.02	1.59%	5.46%	5.51%
Northwest Natural Gas	40.68	41.35	1.42	3.43%	3.49%	1.25	1.70	3.48%	6.91%	6.97%
Piedmont Natural Gas	27.57	28.04	1.00	3.57%	3.63%	0.76	1.17	4.91%	8.48%	8.54%
Southwest Gas	37.38	38.04	0.82	2.16%	2.19%	0.82	0.82	0.00%	2.16%	2.19%
WGL Holdings, Inc.	32.82	33.29	1.38	4.15%	4.20%	1.26	1.48	1.83%	5.98%	6.04%
Comparable Companies' Averages	39.60	40.17	1.37	3.45%	3.50%	1.16	1.52	3.07%	6.52%	6.57%

Sources:
Value Line Investment Survey
Yahoo! FINANCE

Atmos Energy Corporation

Comparable Gas Companies

Dividend Growth Rate DCF Using 52-Week Share Prices

	Share Prices		2006	52 Week Yields		2000-02	2009-11E	Growth	Cost of Capital	
	Low	High	Dividend	Low	High	DPS	DPS	Rate	Low	High
Atmos Energy Corp.	25.55	33.09	1.28	3.87%	5.01%	1.16	1.35	1.70%	5.57%	6.71%
AGL Resources	33.74	40.00	1.58	3.95%	4.68%	1.08	1.75	5.51%	9.46%	10.19%
New Jersey Resources	41.49	53.16	1.50	2.82%	3.62%	1.17	1.70	4.21%	7.03%	7.82%
NICOR, Inc.	38.72	49.92	1.92	3.85%	4.96%	1.75	2.02	1.59%	5.43%	6.54%
Northwest Natural Gas	32.83	42.15	1.42	3.37%	4.33%	1.25	1.70	3.48%	6.84%	7.80%
Piedmont Natural Gas	23.21	28.38	1.00	3.52%	4.31%	0.76	1.17	4.91%	8.43%	9.22%
Southwest Gas	26.04	38.96	0.82	2.10%	3.15%	0.82	0.82	0.00%	2.10%	3.15%
WGL Holdings, Inc.	27.04	33.55	1.38	4.11%	5.10%	1.26	1.48	1.83%	5.95%	6.94%
Comparable Companies' Averages	31.87	40.87	1.37	3.39%	4.31%	1.16	1.52	3.07%	6.46%	7.38%

Sources:
Value Line Investment Survey
Wall Street Journal

Atmos Energy Corporation

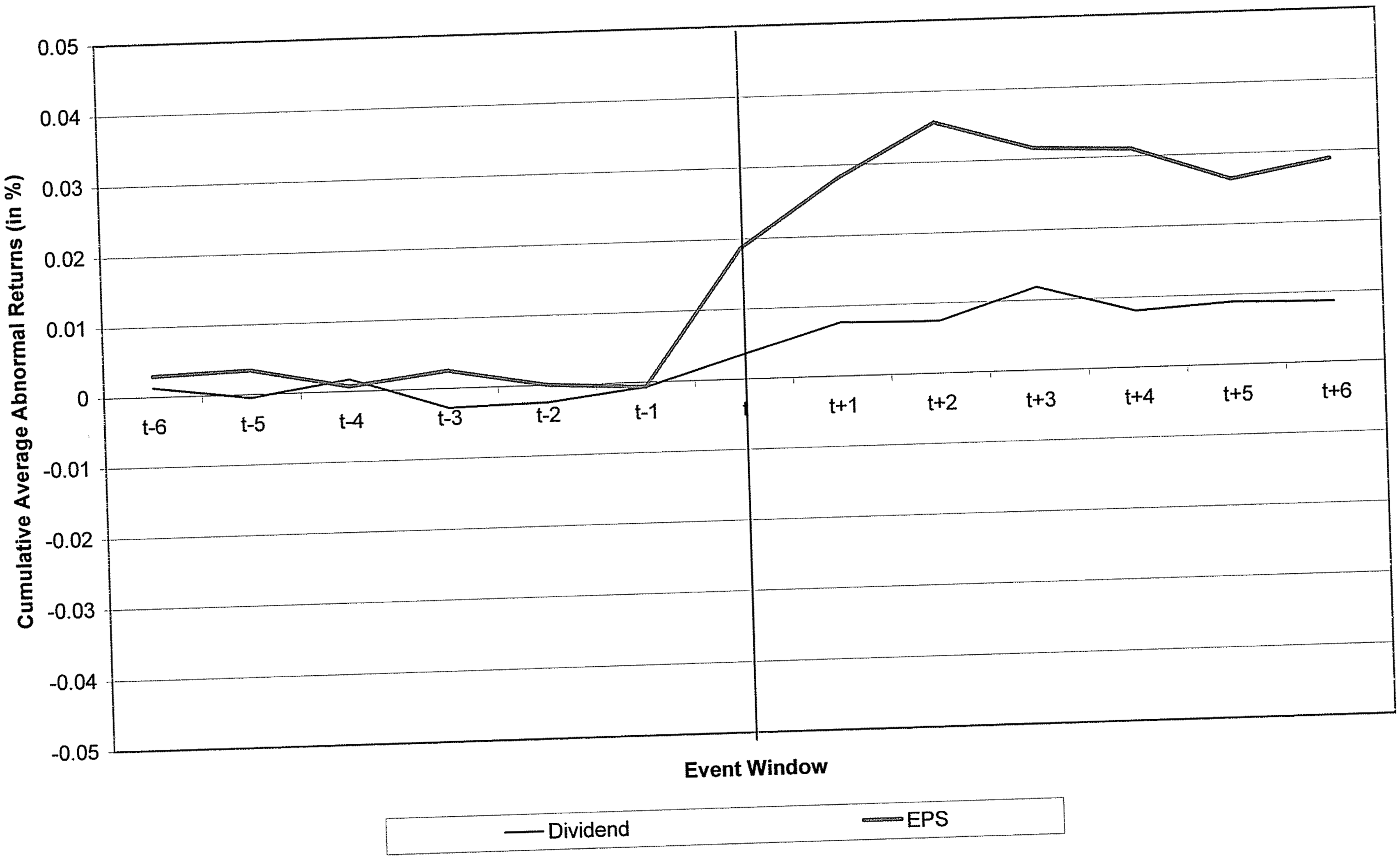
Comparable Gas Companies

Discounted Cash Flow Growth Rate Summary

	2001 TO 2010 Estimate			Value Line Five Year Historical			Projections Value Line		S & P
	EPS	DPS	Book Value	EPS	DPS	Book Value	EPS	DPS	EPS
Atmos Energy Corp.	7.38%	1.70%	6.70%	6.5%	2.0%	8.5%	7.0%	2.0%	6.0%
AGL Resources	7.52%	5.51%	8.38%	13.5%	2.0%	8.5%	4.5%	6.5%	4.0%
New Jersey Resources	6.06%	4.21%	6.72%	8.5%	3.0%	7.0%	4.5%	4.5%	5.0%
NICOR, Inc.	-0.55%	1.59%	3.27%	-3.5%	3.5%	1.5%	4.0%	1.5%	4.0%
Northwest Natural Gas	5.48%	3.48%	3.68%	5.0%	1.0%	3.5%	7.0%	4.0%	5.0%
Piedmont Natural Gas	6.53%	4.91%	4.47%	5.0%	5.0%	6.5%	6.0%	5.5%	4.0%
Southwest Gas	7.50%	0.00%	3.68%	-0.5%	0.0%	3.0%	9.0%	0.0%	3.0%
WGL Holdings, Inc.	4.34%	1.83%	3.31%	6.0%	1.5%	3.0%	1.5%	2.0%	3.0%
Comparable Companies' Averages	5.27%	3.07%	4.79%	4.86%	2.29%	4.71%	5.21%	3.43%	4.00%

Sources:
Value Line Investment Survey
Standard & Poor's Earnings Guide

Stock Price Responses to Positive Dividend and EPS Announcements Greater than Expected (Cumulative Average Abnormal Returns)



Atmos Energy Corporation

Comparable Gas Companies

Comparison of Average Annual P/E Ratio

Company	2002	2003	2004	2005	Current	Forecast '09-'11
Atmos Energy Corp.	15.2	13.4	15.9	16.1	15.6	13.0
AGL Resources	12.5	12.5	13.1	14.3	14.2	15.0
New Jersey Resources	14.7	14.0	15.3	16.8	20.6	17.0
NICOR, Inc.	13.1	15.8	15.9	17.3	17.2	16.0
Northwest Natural Gas	17.2	15.8	16.7	17.0	16.7	15.0
Piedmont Natural Gas	18.4	16.7	16.6	17.9	18.9	19.0
Southwest Gas	19.9	19.2	14.3	20.6	17.6	18.0
WGL Holdings, Inc.	23.1	11.1	14.2	14.7	14.4	14.0
Comparable Companies' Averages	17.0	15.0	15.2	16.9	17.1	16.3

Source: Value Line Investment Survey

Atmos Energy Corporation

Comparable Gas Companies

Comparison of Dividend Payout Ratios

Company	2002	2003	2004	2005	2006E	Five Year Average
Atmos Energy Corp.	82%	70%	77%	73%	69%	74.2%
AGL Resources	52%	53%	49%	52%	57%	52.6%
New Jersey Resources	56%	51%	49%	50%	52%	51.6%
NICOR, Inc.	63%	88%	84%	81%	75%	78.2%
Northwest Natural Gas	79%	72%	69%	63%	62%	69.0%
Piedmont Natural Gas	83%	74%	66%	68%	72%	72.6%
Southwest Gas	70%	72%	49%	65%	44%	60.0%
WGL Holdings, Inc.	112%	56%	65%	62%	74%	73.8%
Comparable Companies' Averages	73.6%	66.6%	61.6%	63.0%	62.3%	65.4%

Source: Value Line Investment Survey

Atmos Energy Corporation

Comparable Gas Companies

Comparison of Dividends per Share

Company	2002	2003	2004	2005	2006E	Growth '02-'06
Atmos Energy Corp.	1.18	1.20	1.22	1.24	1.26	1.65%
AGL Resources	1.08	1.11	1.15	1.30	1.50	8.54%
New Jersey Resources	1.20	1.24	1.30	1.36	1.45	4.82%
NICOR, Inc.	1.84	1.86	1.86	1.86	1.86	0.18%
Northwest Natural Gas	1.26	1.27	1.30	1.32	1.38	2.19%
Piedmont Natural Gas	0.80	0.82	0.85	0.91	0.96	4.90%
Southwest Gas	0.82	0.82	0.82	0.82	0.82	0.00%
WGL Holdings, Inc.	1.27	1.28	1.30	1.32	1.35	1.54%
Comparable Companies' Averages	1.18	1.20	1.23	1.27	1.33	3.17%

Source: Value Line Investment Survey

Atmos Energy Corporation

Comparable Gas Companies

Comparison of Returns on Total Capital

Company	2002	2003	2004	2005	2006E
Atmos Energy Corp.	6.8%	6.2%	5.8%	5.3%	5.5%
AGL Resources	8.1%	8.9%	6.3%	7.9%	8.0%
New Jersey Resources	8.7%	10.7%	10.1%	11.2%	10.5%
NICOR, Inc.	12.2%	8.3%	8.8%	9.4%	10.0%
Northwest Natural Gas	5.9%	5.7%	5.9%	6.5%	7.0%
Piedmont Natural Gas	7.8%	8.6%	7.8%	8.2%	8.5%
Southwest Gas	4.3%	4.2%	5.0%	4.3%	5.5%
WGL Holdings, Inc.	5.3%	9.1%	8.2%	8.5%	6.0%
Comparable Companies Averages	7.5%	7.9%	7.4%	8.0%	7.9%

Source: Value Line Investment Survey

Atmos Energy Corporation

Comparable Gas Companies

Comparison of Returns on Common Equity

	2002	2003	2004	2005	2006E	Five Year Average
Atmos Energy Corp.	10.4%	9.3%	7.6%	8.5%	9.0%	9.0%
AGL Resources	14.5%	14.0%	11.0%	12.9%	13.0%	13.1%
New Jersey Resources	15.7%	15.6%	15.3%	17.0%	16.0%	15.9%
NICOR, Inc.	17.5%	12.3%	13.1%	12.5%	13.0%	13.7%
Northwest Natural Gas	8.5%	9.0%	8.9%	9.9%	10.0%	9.3%
Piedmont Natural Gas	10.6%	11.8%	11.1%	11.5%	12.0%	11.4%
Southwest Gas	6.5%	6.1%	8.3%	6.4%	9.5%	7.4%
WGL Holdings, Inc.	7.2%	14.0%	11.7%	12.0%	10.0%	11.0%
Comparable Companies' Averages	11.5%	11.8%	11.3%	11.7%	11.9%	11.7%

Source: Value Line Investment Survey

Atmos Energy Corporation

Comparable Gas Companies

Comparison of Value Line's Safety and Timeliness Rank

	Safety Rank	Timeliness Rank
Atmos Energy Corp.	2	3
AGL Resources	2	4
New Jersey Resources	1	4
NICOR, Inc.	3	3
Northwest Natural Gas	1	3
Piedmont Natural Gas	2	4
Southwest Gas	3	3
WGL Holdings, Inc.	1	4
Comparable Companies' Average	1.9	3.6

Source: Value Line Investment Survey

Atmos Energy Corp.

Comparable Gas Companies

Comparison of Standard and Poor's and Value Line Financial Ratings

Company	Value Line Financial Strength	S&P Rating	S&P Business Position
Atmos Energy Corp.	B+	BBB	4
AGL Resources	B++	A-	4
New Jersey Resources	A	A+	2
NICOR, Inc.	A	AA	3
Northwest Natural Gas	A	AA-	1
Piedmont Natural Gas	B++	A	2
Southwest Gas	B	BBB-	3
WGL Holdings, Inc.	A	AA-	3
Comparable Companies' Median	A	A+	3.0

Sources: Value Line Investment Survey
www.standardandpoors.com

Atmos Energy Corporation

Schedule DAM - 8

Embedded Costs of Long - Term Debt

As of June 30, 2008

Debt Series	13 Month Average Amount Outstanding	Interest Rate	Effective Interest Cost
First Mortgage Bonds	$6,730,769	10.430%	$702,019
Unsecured Note	$1,151,654	10.000%	$115,165
Unsecured Note	$1,151,654	10.000%	$115,165
Debentures	$150,000,000	6.750%	$10,125,000
7.375% Sr Note 2001-2011	$350,000,000	7.375%	$25,812,500
5.125% Sr Note 2003-2013	$250,000,000	5.125%	$12,812,500
Medium Term Notes	$10,000,000	6.670%	$667,000
Medium Term Notes	$10,000,000	6.270%	$627,000
Unsecured Notes	$300,000,000	6.020%	$18,060,000
Unsecured Notes	$400,000,000	4.000%	$16,000,000
Unsecured Notes	$500,000,000	4.950%	$24,750,000
Unsecured Notes	$200,000,000	5.950%	$11,900,000
Columbus IDB	$760,530	7.900%	$60,082
Wells Fargo Equip. Lease	$978,435	5.650%	$55,282
US Bancorp	$1,462,137	5.590%	$81,733
Pulaski	$69,231	8.000%	$5,538
Total Long-Term Debt Outstanding	$2,182,304,410		$121,888,985
Less Unamortized Debt Discount	$2,775,329		
Amortization of Debt Discount			$11,074,648
Total	$2,179,529,081		$132,963,633
Embedded Cost of Long-Term Debt			6.10%

Atmos Energy Corporation

Comparable Gas Companies

Comparison of Common Shares Outstanding

Company	2002	2003	2004	2005	2006E	Forecast '09-'11	Growth 06-'11
Atmos Energy Corp.	41.68	51.48	62.80	80.54	82.00	100.00	21.95%
AGL Resources	56.70	64.50	76.70	77.70	77.90	78.30	0.51%
New Jersey Resources	27.67	27.23	27.74	27.55	28.10	28.50	1.42%
NICOR, Inc.	44.01	44.04	44.10	44.18	44.50	44.90	0.90%
Northwest Natural Gas	25.59	25.94	27.55	27.58	27.75	28.00	0.90%
Piedmont Natural Gas	66.18	67.31	76.67	76.70	75.00	72.50	-3.33%
Southwest Gas	33.29	34.23	36.79	39.33	41.50	45.00	8.43%
WGL Holdings, Inc.	48.56	48.63	48.67	48.65	48.70	48.80	0.21%

Source: Value Line Investment Survey

Atmos Energy Corporation

Comparable Gas Companies

Comparison of Common Equity Ratios

Company	2002	2003	2004	2005	2006E	Forecast '09-'11
Atmos Energy Corp.	46.1%	49.8%	56.8%	42.3%	43.0%	45.0%
AGL Resources	41.7%	49.7%	46.0%	48.1%	49.0%	51.5%
New Jersey Resources	49.4%	61.9%	59.7%	58.0%	58.0%	63.0%
NICOR, Inc.	64.5%	60.3%	60.1%	62.5%	64.0%	68.0%
Northwest Natural Gas	51.5%	50.3%	54.0%	53.0%	53.0%	53.0%
Piedmont Natural Gas	56.1%	57.8%	56.4%	58.6%	56.5%	58.0%
Southwest Gas	34.1%	34.0%	35.8%	36.2%	39.3%	43.5%
WGL Holdings, Inc.	52.4%	54.3%	57.2%	58.6%	59.0%	59.0%
Comparable Companies' Averages	50.0%	52.6%	52.7%	53.6%	54.1%	56.6%

Source: Value Line Investment Survey

Schedule DAM - 5

Atmos Energy Corporation

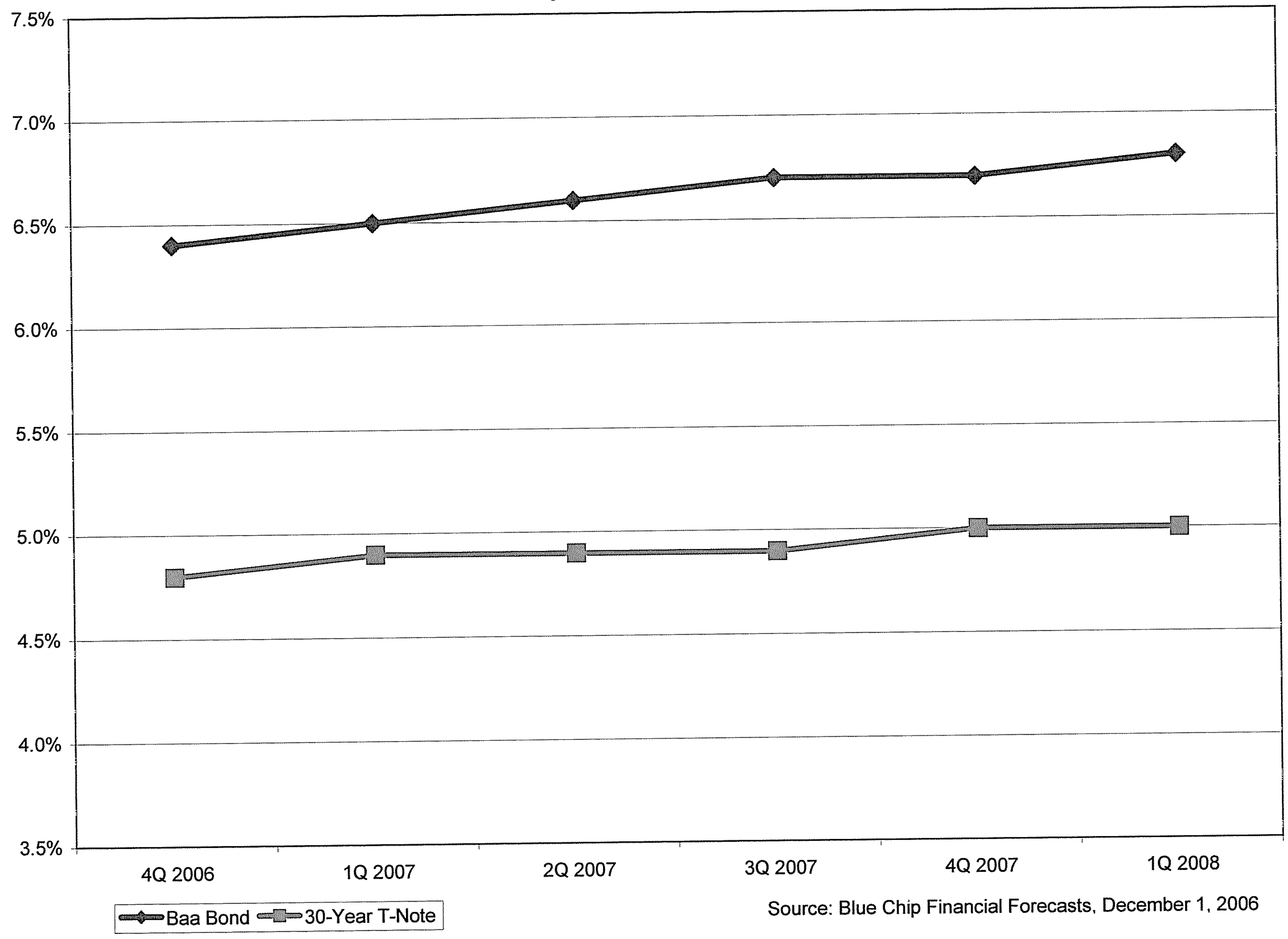
Projected Capital Structure

	Percent of Total
Long Term Debt	51.80%
Common Equity	48.20%
Total	100.00%

Source :
Atmos Energy Corporation Work Papers

Schedule DAM - 4

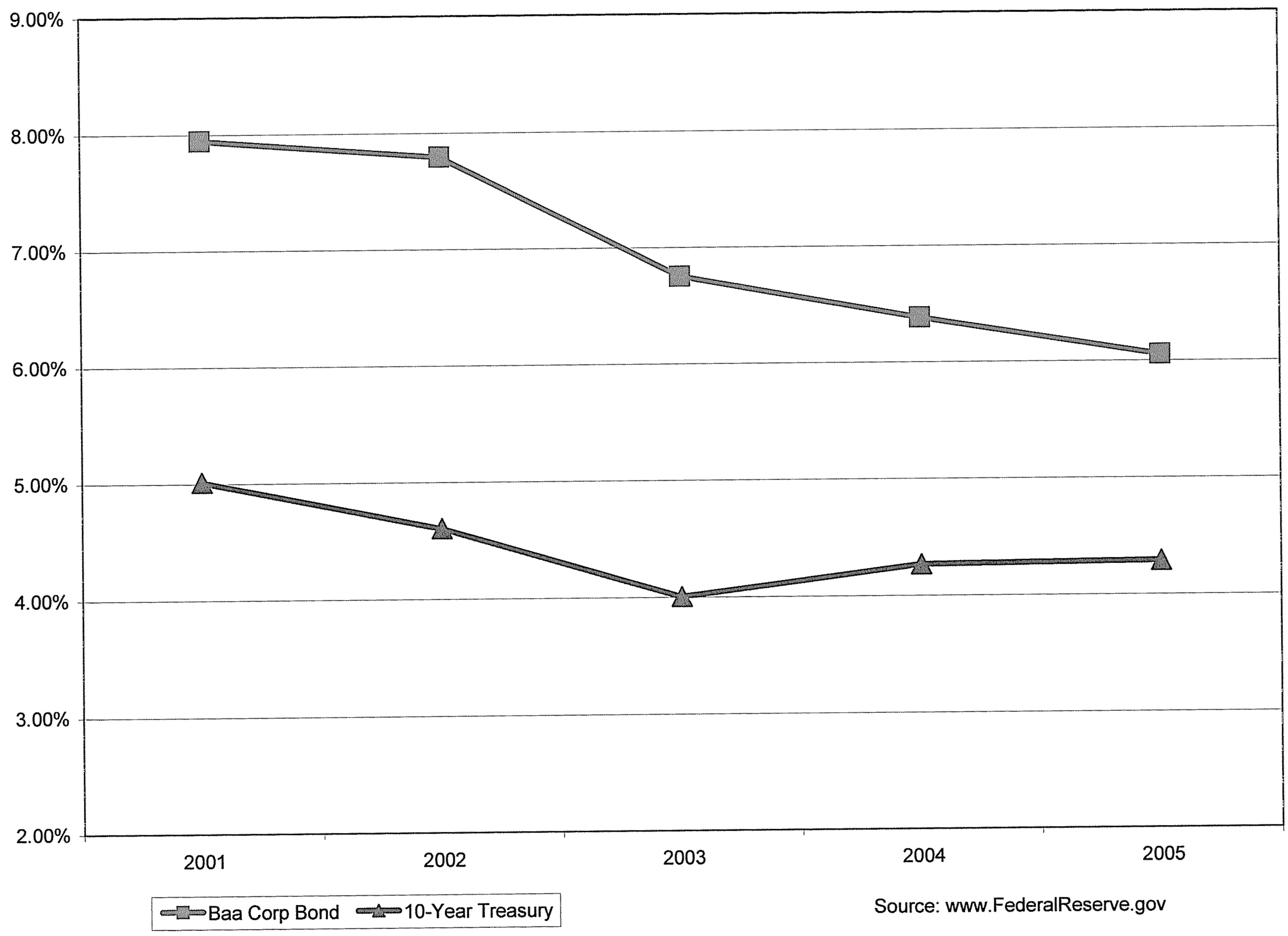
Atmos Energy Corporation
Blue Chip Interest Rate Forecasts



Source: Blue Chip Financial Forecasts, December 1, 2006

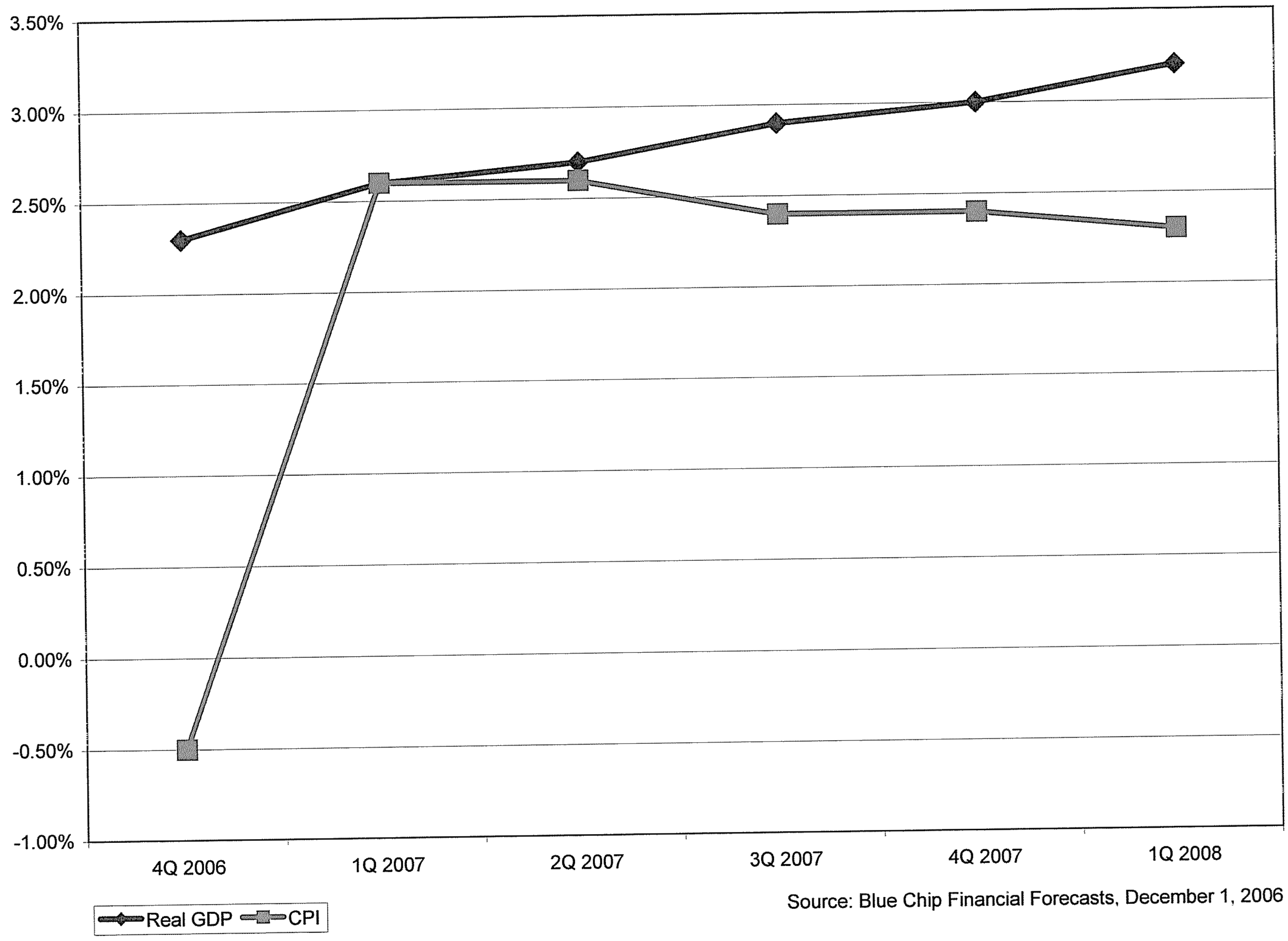
Schedule DAM - 3

Atmos Energy Corporation
History of Long-Term Interest Rates



Source: www.FederalReserve.gov

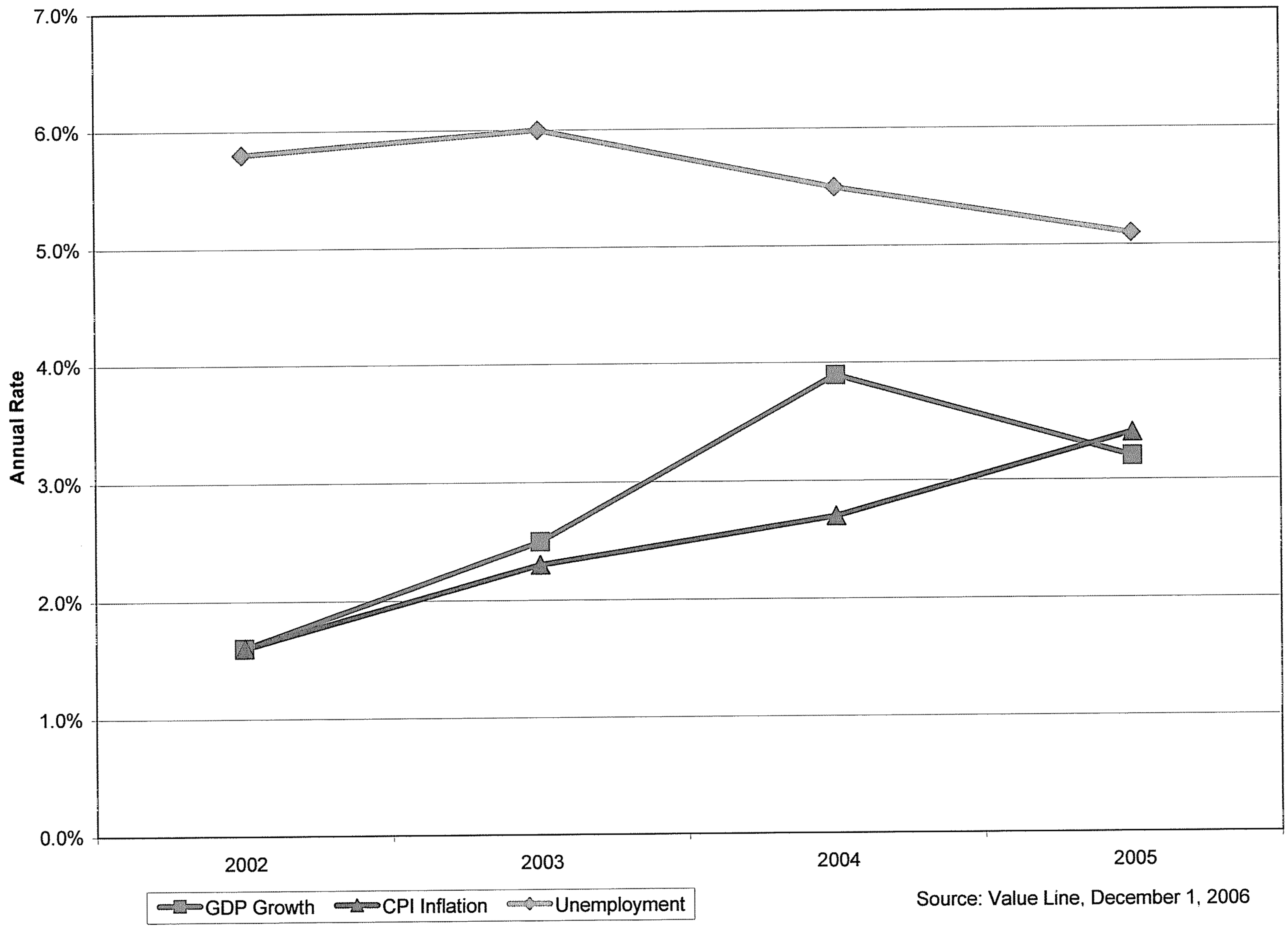
Atmos Energy Corporation
Blue Chip Economic Forecasts



Source: Blue Chip Financial Forecasts, December 1, 2006

Schedule DAM - 2

Atmos Energy Corporation
Historical Economic Statistics
2002 to 2005



Source: Value Line, December 1, 2006

Schedule DAM - 1

Atmos Energy Corporation

List of Schedules

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE RATE APPLICATION OF ATMOS ENERGY CORPORATION	)))	Case No. 2006-00464

CERTIFICATE AND AFFIDAVIT

The Affiant, Bernard L. Uffelman, being duly sworn, deposes and states that the prepared testimony, exhibit, and class cost of service study and worksheets attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2006-00464, 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.

Affiant further states that he will be present and available for cross examination and for such additional direct examination as may be appropriate at any hearing in Case No. 2006-00464 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

B L Uffelman

STATE OF TEXAS
COUNTY OF TRAVIS

SUBSCRIBED AND SWORN to before me by Bernard L. Uffelman on this the 5th day of December, 2006.

DEBORAH RYAN
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
12-07-2009

Deborah Ryan
Notary Public
My Commission Expires: 12/07/09

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
RATE APPLICATION BY	)	Case No. 2006-00464
ATMOS ENERGY CORPORATION KENTUCKY DIVISION	)	

DIRECT TESTIMONY

OF

BERNARD L. UFFELMAN

ON BEHALF OF

ATMOS ENERGY CORPORATION

DIRECT TESTIMONY

OF

BERNARD L. UFFELMAN

ATMOS ENERGY CORPORATION

Case No. 2006-00464

Q. Please state your name and business address.

A. My name is Bernard L. Uffelman. My business address is 400 West 15th Street, Suite 1700, Austin, Texas 78701.

Q. Please summarize your educational background.

A. I received a Bachelor of Science degree in accounting from Southern Illinois University and a Master of Business Administration degree in finance from Illinois State University. I am a certified public accountant ("CPA") and a member of the American Institute of Certified Public Accountants ("AICPA") and the Texas Society of Certified Public Accountants. I am a licensed CPA in Illinois and Texas.

Q. By whom and in what capacity are you employed?

A. I am a partner in the firm of Deloitte & Touche LLP ("Deloitte & Touche").

Q. What are your primary responsibilities as a partner with Deloitte & Touche?

A. My primary responsibilities as partner and U.S. Regulatory Services Leader for Deloitte & Touche's Energy & Resources practice include regulatory accounting, revenue requirements development, regulatory and litigation support, cost allocation, affiliate transactions and codes of conduct, financial and business planning, and strategic services.

Q. Please summarize your professional work experience.

A. I have been associated with the regulated utilities industry for over 35 years. My experience includes that as an employee of major investor-owned electric and gas utilities, Chief Accountant of the Illinois Commerce Commission, Director of Accounting for the Public Utility Commission of Texas, and consultant to public utility commissions, interveners and utilities. As a staff member of the Illinois and Texas Commissions, I have advised commissioners on accounting, financial and tax policy and have recommended ratemaking treatment for complex regulatory issues.

I am contributing author to <u>Accounting for Public Utilities</u> (Matthew Bender & Co., Inc.) and have co-authored other industry publications. I have moderated and participated in panel discussions on various industry topics, and have presented papers on various utility issues in numerous forums. I am a past member of the National Association of Regulatory Utility Commissioners' ("NARUC") Staff Subcommittee on Accounts. I served as Chairman of the Natural Gas, Telecommunications and Electric Industries Committee of the Texas Society of Certified Public Accountants. I served on the Public Utilities Advisory Committee for the University of Texas Regulatory Institute, Graduate School of Business and as an instructor for the Institute. I currently serve on the Advisory Council for the Center for Public Utilities at New Mexico State University.

I have conducted utility regulatory and ratemaking training sessions for the staffs of several state public utility commissions, and presented white papers on utility issues before several regulatory bodies including the NARUC.

Q. Have you previously testified as an expert witness before regulatory bodies?

A. Yes. I have presented testimony regarding utility matters before the Alaska, Arizona, California, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Nevada, New Jersey, New Mexico, New York, Oklahoma, Oregon and Texas public utility commissions. I also have testified on utility matters before the Illinois Legislature; the Texas Railroad Commission; the Supreme Court of the State of New York; the Circuit Courts for Baltimore, Maryland and Cook County, Illinois; the US District Court for Colorado; the King County, Seattle, Washington Franchise Authority; the City Council of Garland, Texas; and the Board of Water and Power Commissioners, the Commerce, Energy and Natural Resources Committee, and the City Council of the City of Los Angeles, California. A listing of the regulatory jurisdictions and proceedings in which I have testified and the issues addressed are shown in my resume, included as Exhibit No. ____ (BLU-1) of my testimony.

Q. What is the purpose of your testimony?

A. Deloitte & Touche was engaged by Atmos Energy Corporation to prepare a class cost of service ("CCOS") study on behalf of Atmos Energy Corporation's Kentucky Division ("Company"). I am sponsoring the Company's CCOS in accordance with Kentucky

Public Service Commission ("KPSC" or "Commission") filing requirement 807 KAR 5:001 Section 10(9)v. The CCOS study is attached as Exhibit BLU-2 to my testimony.

Q. Do you adopt this filing requirement and make it a part of your testimony?

A. Yes.

Class Cost of Service Study

Q. Are you sponsoring any exhibits and/or worksheets that summarize the Company's Kentucky jurisdictional CCOS study?

A. Yes. The CCOS study attached to my direct testimony is comprised of seventeen pages which represent the CCOS study and thirteen worksheets that provide supporting computations and other information used in the CCOS study. For the most part, the CCOS study and related worksheets include Company financial and operating information for the historical twelve month period September 1, 2005 through August 31, 2006. The thirteen-month (August 1, 2005 through August 31, 2006) average balances for prepayments, materials and supplies, gas in storage, and customer advances for construction were included in rate base in the CCOS study. The meter analysis and weighting factors used to allocate the Company's meter investment (i.e., Cust – M), as well as certain other weighting factors used to develop customer allocation factors (i.e., Cust – B, Cust – C, Cust – D, and Cust - E) in the Company's last rate proceeding KPSC Case No. 99-070, were used in the current CCOS study in this rate proceeding.

Q. What is a CCOS Study?

A. A CCOS study is an analytical analysis or study performed to assign or allocate a utility's costs of providing service (i.e., revenue requirement) on a cost causative basis to the classes of customers receiving utility services. The objective in completing a CCOS study is to determine the rate of return on rate base that the Company is earning from each customer class, which provides an indication as to the extent that the Company's service rates reflect the cost of providing services to each of the customer classes. A CCOS study is used as a basis or starting point for the determination of customer class cost responsibility and rate design, which is discussed more fully in the testimony of Company witness Gary Smith.

Q. How are the costs incurred by a utility apportioned to the different customer classes?

A. The costs of providing utility services are apportioned to customer classes based on a three step process of functionalization, classification, and allocation as depicted for the Company by the following diagram (Figure 1). This is a standard approach utilized in preparing embedded CCOS studies for gas utilities.

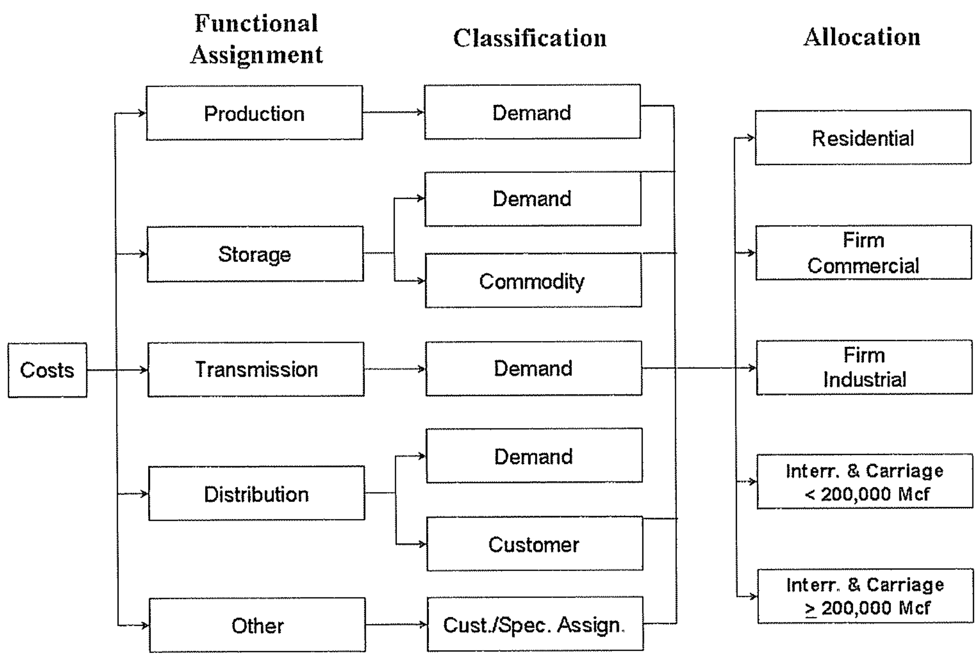


Figure 1

Q. Please briefly describe the functionalization process.

A. Functionalization is the process whereby the investment in net plant, construction work in progress, and other rate base items (e.g., materials and supplies, prepayments, cash working capital, contributions in aid of construction, and accumulated deferred federal and state income taxes), and operating costs (e.g., operations and maintenance ("O&M"), customer accounts, customer service, sales, general and administrative, depreciation and amortization, and taxes) incurred by the utility to provide service are categorized by function.

Q. Why are costs functionalized?

A. Costs are functionalized to facilitate allocation on the basis of cost responsibility and to group costs that may not be closely related to the major utility functions, including common costs (e.g., customer accounts and services, sales, general and administrative, and general plant), which must be allocated.

Q. What functions were used in the Company's CCOS study?

A. The functions included in the CCOS study are Production, Storage, Transmission, Distribution; and other functions including: Customer Accounts, Customer Service, Sales, Administrative and General and General Plant. Production costs are the capital and operating costs related to producing, purchasing, or manufacturing gas. Storage costs include those capital and operating costs associated with the storage of gas to be consumed by customers. Transmission costs include those capital and operating costs incurred by the Company to transport gas from the production and storage fields and/or natural gas pipelines to the distribution system. Distribution costs are those capital and operating costs incurred to deliver natural gas to the customer. Distribution costs include capital and operating costs associated with distribution mains, compressors, customer services, meters, and regulators. The Administrative and General function includes those management costs that cannot be directly assigned to the other major gas functions previously discussed. General plant costs are those capital costs incurred by a utility that cannot be directly assigned to the production, storage, transmission and distribution function that must be allocated.

Q. How were the administrative and general expenses and general plant costs allocated in the Company's CCOS study?

A. The administrative and general expenses were allocated to the production, storage, transmission, and distribution functions based on the proportion of non-gas O&M expense recorded to each of these functions during the twelve month period ended August 31, 2006. General plant costs were allocated to the production, storage, transmission, and distribution functions based on the August 31, 2006 gross plant balances for each of these functions.

Q. How were the capital and operating costs functionalized in the Company's CCOS study?

A. The functionalization of capital and operating costs reflects the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") functionalization of the Company's plant investment and costs as reported for the twelve month period ended August 31, 2006.

Q. Please describe the classification process.

A. The classification process provides a method of aggregating costs so that the service characteristics that caused the costs to be incurred can serve as a basis of allocation. The classification process recognizes that the utility's costs are incurred for a number of purposes including but not limited to: meeting customers' peak demands (i.e., demand-related costs), providing energy (i.e., energy or commodity-related costs), and serving customers on the system (i.e., customer-related costs). The classification process groups the utility's costs according to the purpose for which they were incurred. The cost of odorant is an example of a cost that is incurred in direct proportion to the amount of natural gas that flows through the system and is therefore classified as an energy-related cost. On the other hand, meter and installation costs are primarily driven by the number of meters/number of customers on the system and would be classified as customer-related costs.

Q. How were the Company's functionalized capital and operating costs classified in the CCOS study?

A. Production costs were classified as demand-related costs in the study. Storage costs were classified as both demand-related and commodity-related. Transmission costs were classified as demand-related. Distribution costs were classified as demand and customer-related, with a direct assignment of industrial measuring equipment. The costs of distribution mains were classified as demand and customer-related, based on a distribution mains analysis included in the CCOS study. Customer installations, meters, customer accounts, and customer service costs were classified as customer-related.

Q. What types of analyses are used to determine the customer and demand components of distribution mains?

A. There are two commonly used methods to determine the customer and demand components of distribution mains. The first method is referred to as a "minimum size" method. The second is referred to as the "zero-intercept" method. Both methods are based on the theory that there is a zero or minimum size distribution main necessary to connect the customer to the gas system. Under the minimum size method, all distribution mains are priced at the historic unit cost of the smallest main installed in the system, and assigned as customer-related costs. The remaining book costs of distribution mains are allocated on demand. The zero-intercept or zero-inch main method assigns the cost of a theoretical main of zero-inch diameter to the customer classification and allocates all remaining main costs on demand.

Q. Which method was used in the Company's CCOS study?

A. The zero-intercept or zero-inch linear regression analysis was used.

Q. Has the Commission accepted the use of the zero-intercept analysis by the Company in prior KPSC gas rate proceedings?

A. Yes. The Company has used this methodology to determine the customer and demand-related components for distribution mains in prior KPSC rate proceedings, and the Commission specifically approved this method in the rate order issued in the Company's 1990 rate proceeding.

Q. Please describe the allocation process.

A. The allocation process is one in which the functionalized and classified costs of providing utility services are assigned or allocated to specific customer classes. The load characteristics of the customers within each of the major customer classes are assumed to be relatively homogeneous with respect to their usage characteristics. Thus costs can be allocated to these customer classes based on these characteristics. Those costs that have been classified as demand-related costs in the classification process described above are allocated among the customer classes on the basis of the peak period or design-day demands imposed on the system. Energy-related costs are allocated on the basis of the gas commodity supplied to customers. Customer-related costs are allocated to the different customer classes based on the number of customers.

Q. How are the functionalized and classified costs allocated to the Company's different customer classes?

A. Customers are divided into rate groups or classes based on their load and consumption. Each of the customer rate classes includes customers having similar gas load and consumption characteristics. The customers within each class can therefore be billed pursuant to the Company's tariffs or special contract provisions (i.e., interruptible and carriage customers). The Company's CCOS study identifies five classes of customers to which the costs of providing service are assigned or allocated. The Company's customer classes include: residential, commercial, firm industrial, interruptible and carriage customers using less than 200,000 Mcf per year, and large interruptible and carriage customers using 200,000 or more Mcf per year.

Q. Why does the CCOS study use these five customer rate classes?

A. These customer rate classes are the same rate classes used in the CCOS study filed in the Company's last rate proceeding in KPSC Case No. 99-070. These customer classes represent the Company's current rate classes and reflect the Company's current rate design and tariff options. Each of the five customer rate classes represents different customer load and consumption characteristics.

Q. How does each of the five rate classes compare in relation to such characteristics as annual use per customer, seasonality of use and load factor?

A. Page 2 of the CCOS study provides information for the five rate classes related to annual use per customer, seasonality of use, and load factor. Average annual use per customer varies from 66.8 Mcf for the residential class to 647,438 Mcf for the large interruptible and carriage class. Winter season volumes as a percent of annual volumes varies from 78.1% for the residential class to .6% for the large interruptible and carriage class. Average class load factors vary from 16.3% for the residential customer class to 55.8% for the large interruptible and carriage customer class. The interruptible and carriage customers may be curtailed under system peak load conditions and therefore have lower priority service than firm customers.

Q. What is the next step in a CCOS study, once the different customer classes have been identified?

A. The next step in the process of assigning and allocating functionalized and classified costs to customer classes is to examine the costs in the context of why the utility incurred the costs in providing services to its customers and how its customers' consumption characteristics impact the utility's cost incurrence decisions. An allocation method is associated with each cost incurred and each customer class contribution to that cost provides the basis for the allocation of the associated cost.

Q. Can you provide some examples of customer characteristics that cause a utility to incur costs?

A. Yes. The customer's request for service is a cost causative characteristic or cost driver that results in an immediate investment in a regulator, a service line and metering facilities and establishes a commitment on the part of the Company to provide, among other things, customer service including responses to customer questions and a monthly customer billing. Hence, the very existence of this customer-utility relationship causes the incurrence of certain costs. The amount of natural gas taken from the utility system, usually expressed volumetrically (Mcf) or in terms of the energy content of the natural gas itself (therms) and referred to as the customer's energy use or usage, is a cost causative characteristic that results in costs being incurred. Additionally, as my testimony will describe in more detail, the magnitude of costs incurred to serve a customer is also driven by the customer's potential rate of energy use, usually expressed in design day usage and referred to as the customer's demand.

Q. How do such demands affect cost incurrence?

A. Cost incurrence is primarily driven by two factors, energy use and the rate at which energy is used. Odorant expense incurred for each customer or customer class for example is closely correlated to the total energy use of each customer or customer class during the year. Similarly, the rate at which energy is used, as measured by the class contribution to total energy usage during the year, serves as the causal link to the incurrence and magnitude of demand-related utility costs.

Q. Why have you emphasized the rate at which energy is used when describing cost causative customer utilization factors?

A. There are two very important factors that drive a natural gas utility's cost incurrence. First, a natural gas utility is a capital intensive enterprise. Second, the natural gas system must be sized so that it has the capability to deliver natural gas to customers during extremely cold conditions (i.e., the "design day"), even though this intense rate of usage may occur only a few days a year, if at all. This combination of capital intensity and sizing to meet peak demands dictates the prominence of the "rate of use" customer demand characteristic of cost incurrence.

Q. What is the significance of the design-day demand?

A. It is critical that gas utility infrastructure be sufficient to meet the simultaneous load (i.e., design-day demand) of all customers. Furthermore, transmission plant is built to meet the highest peak demand established by customers. Therefore, the class contribution to the design-day demand is an appropriate cost causative factor to be used in the allocation of certain costs to customer classes.

Q. Briefly describe the methodology used to develop the Company's CCOS study you are sponsoring in this proceeding.

A. The methodology used to develop the CCOS study for this proceeding is consistent with the cost functionalization, classification, and customer class allocation processes described above, and is consistent with the methodology used to develop the CCOS study filed in the Company's last Kentucky rate proceeding, KPSC Case No. 99-070.

As mentioned previously in my testimony, the CCOS study includes Kentucky jurisdictional capital costs and operating expenses as reported on the Company's books and records for the twelve month period ended August 31, 2006 as functionalized by the FERC USOA. The 13 month average balances (i.e., August 1, 2005 through August 31, 2006) of certain rate base components including materials and supplies, gas stored underground, prepayments, and contributions in aid of construction were included in the CCOS study. The total cash working capital allowance included in rate base in the CCOS study is computed based on the traditional 45 days/360 days or 1/8th of O&M expense for the twelve months ended August 31, 2006, excluding cost of gas.

In addition, the revenues included in the Company's CCOS study are those revenues recorded during the twelve month period ended August 31, 2006 adjusted to reflect the effect of normal weather on revenues net of gas costs. Revenues are included net of the gas cost recoveries embedded in rates. Gas costs and the associated revenues recoverable through the Gas Cost Adjustment ("GCA") mechanism were excluded from the study.

Q. Briefly describe how the Company's CCOS study is organized.

A. The Company's Kentucky jurisdictional CCOS study consists of 17 pages and is organized as follows:

Page 1 – Presents the rate of return on rate base at present rates for each customer class for the 12 months ended August 31, 2006;

Page 2 – Presents comparative information by customer class for average annual usage, winter season usage as a percentage of total annual usage, and customer load factor;

Page 3 - Presents the rate base as functionalized to the Storage, Distribution, Transmission and Production functions;

Page 4 – Presents the classification of the functionalized rate base to Customer, Demand, Commodity, and Direct components;

Page 5 – Presents the rate base as allocated to the customer classes;

Pages 6 through 13 – Present the classification of the revenue requirement components (i.e., operating expenses, depreciation, property and other taxes, return, and income taxes) to customer, demand, commodity and direct components, and then the allocation of storage, distribution, transmission and production costs to the customer classes;

Pages 14 and 15 - Present the derivation of the cost allocation factors used to allocate costs in the CCOS study;

Page 16 – Presents the computation of revenues at present rates net of gas costs, by rate class using rates in effect during the twelve month period ended August 31, 2006; and

Page 17 – Summarizes monthly customer costs by rate class.

Q. Briefly describe the information contained in worksheets 1 through 13 supporting the Company's CCOS study.

A. The information shown on sheets 1 through 13 include detailed supporting information used in the CCOS study including: trial balance containing capital cost and operating expense information for the twelve month period ended August 31, 2006 as well as functional allocations of costs, support for classifications, computations of revenues at present rates, distribution mains study, and the Company's 1998 meter analysis used to develop certain weighted customer allocation factors used to allocate the Company's investment in meters.

CCOS Study Results

Q. Please summarize the Company's CCOS study results.

A. Page 1 of the CCOS presents the computation of the rate of return on rate base in total and for each customer class. A return on rate base is calculated for each customer class by subtracting utility operating costs including depreciation and taxes, but excluding gas costs recovered through the GCA clause, from operating margins (i.e., base rate gas revenues excluding gas costs recovered in base rates), and adding industrial electronic flow measurement revenues and other revenues including forfeited discounts and service charge revenues. Dividing the resulting class returns by the class rate base amounts produces the class rates of return.

As shown on page 1 of the CCOS study, the total rate of return on rate base at present rates is 6.72%. The residential, commercial, industrial, and large interruptible and carriage class customers have lower rates of return on rate base of 6.24%, 5.08%, 6.01%, and 3.68% respectively, as compared to the total rate of return on rate base while the small interruptible and carriage class customers have a higher rate of return of 25.92%.

Q. You mentioned that the CCOS study was based on financial and operating data for the 12 months ended August 31, 2006. Would the results of the study differ if the study had been performed on the base year (i.e., April 1, 2006 through March 31, 2007) or the forecasted period (i.e., July 1, 2007 through June 30, 2008) in this case?

A. Yes. Although the cost of providing services to customers during the test year and the forecasted period are projected to be higher for all classes of customers, a study prepared on the basis of the cost allocation methodologies used in the CCOS study should result in similar cost relationships between customer classes. It should also be noted that the CCOS study contains five months (i.e., April 1, 2006 through August 31, 2006) of the Company's base year actual financial and operating information. Therefore, the implications of the CCOS study on rate design should be similar.

Q. Mr. Uffelman, does this conclude your direct testimony?
A. Yes, it does.

EXHIBIT BLU-1

Deloitte.

Deloitte & Touche LLP

Bernard L. Uffelman

Partner
U.S. Regulatory Services Leader
Energy & Resources
Deloitte & Touche LLP
Austin, Texas
(512) 691-2305
buffelman@deloitte.com

Professional Experience

Mr. Uffelman is a Partner and U.S. Regulatory Services Leader for Deloitte & Touche's Energy & Resources Practice. Mr. Uffelman has been associated with the regulated utilities industry for over 35 years, including experience as an employee of major investor-owned utilities. Mr. Uffelman also served as Chief Accountant of the Illinois Commerce Commission and Director of Accounting for the Public Utility Commission of Texas. His primary responsibilities include regulatory accounting, revenue requirements development, regulatory and litigation support, financial and business planning, and strategic services. Mr. Uffelman has testified on utility industry issues before public utility commissions and courts in 20 states and in over 60 different proceedings.

Major Projects

- Managed the accounting divisions of two state public utility regulatory commissions. Directed the staff's review of rate filing packages of electric, gas, telephone, and water utilities. Managed the preparation of staff's case in such areas as accounting, tax, rate of return, depreciation, fuel, cost allocation, rate design, forecasted test periods, and financial integrity. Presented testimony as a commission witness in rate cases and other dockets. Recommended accounting, financial and tax policy to commissioners and prescribed ratemaking treatment for complex regulatory issues.

- Participated as a member of a multi-disciplinary team of consultants and attorneys in developing the regulatory strategy and approach for the combination of two large multi-state electric utilities. Addressed the affiliate transaction and cost allocation issues associated with the merger of two electric registered public utility holding companies. Testified to the regulatory treatment for the gain resulting from the sale of a utility's jurisdictional operations. Testified to the proper accounting and ratemaking treatment for production maintenance costs of a large public power association. Developed the price-cap ratemaking methodology for privatization of a government owned island electric utility. Reviewed internal controls related to an electric utility's fuel procurement, trading operations and fuel adjustment clause filings.

- Testified to a gas company's rate case revenue requirement levels and proposed ratemaking for adoption of Statement of Financial Accounting Standards No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions." Testified to the reasonableness of a gas company's and a water utility's postretirement benefits. Presented a seminar on SFAS 106 to the parties to Hawaii Public Utilities Commission Docket No. 7243.

- Managed the review of a State Uniform System of Accounts (USOA) and recommended changes to comply with the FERC USOA. Worked with utilities to modify their accounting systems to track specific costs as required by public utility commissions. Represented the NARUC accounting committee in developing a USOA for the cellular telecommunications industry. Assisted utilities with regulatory filings with the FERC.

- Testified to deferred accounting treatment (DAT) for plant costs until such time as the generating unit was recognized as plant in service for cost of service and ratemaking purposes. Reviewed the DAT used by a large municipal power agency and the effects of the accounting deferrals on the agency's future rates. Participated in the analysis and implementation of a phase-in plan to rate base a major electric generating station. Chaired the revenue requirements committee of a major electric utility's rate moderation task force responsible for moderating the rate effect of rate basing the utility's three nuclear generating units. Participated as a commission staff member in the prudency reviews of nuclear generating stations. Analyzed and testified to the financial impact on shareholders and rate payers of deregulating a utility's nuclear generating facilities.

- Assisted Cable TV operators to respond with reply comments to the FCC's Notice of Proposed Rule making regarding re-regulation of cable service and cost-of-service standards resulting from the Cable Television Act of 1992. Assisted operators with calculating permitted rates for regulated cable programming services and equipment charges. Testified in Cable TV franchise renewal and late fee proceedings.

- Conducted a national survey and analysis of state commission cost allocation issues and transfer pricing policies. Analyzed the appropriate capital structure to support the utility related operations of a major electric utility's fuel subsidiary. Analyzed and testified to an electric utility's financial reorganization plan and the prudence of its coal contracts. Performed affiliate transaction and cost allocation reviews for major electric, gas, and water utilities. Testified to affiliate transactions, cost allocations, transfer pricing, and accounting control systems for several major electric and gas utilities. Testified to the reasonable and prudently incurred costs of a major gas distribution company's customer information system.

- Responded to a public utility commission's request for information regarding the effects of the Tax Reform Act of 1986 on a major electric utility. Conducted a nationwide survey of U.S. public utility regulators to determine the predominant practice of each of the nation's public utility regulatory commissions regarding the use of certain non-traditional approaches to the calculation of federal income taxes for ratemaking purposes. Testified to the continued use and application of the traditional "stand-alone" method (as opposed to a consolidated effective tax rate method) for computing the income tax component of cost of service. Responded to a public utility commission's request for comments regarding the commission's rules on depreciation methods.

- Directed the review of the outside customer accounts collection function for a large multi-state gas distribution company including the review of the use of third party collection agencies. Directed the regulatory and ratemaking assessment related to the acquisition of water and wastewater properties by a major real estate developer. Testified on behalf of a major real estate developer in support of the developer's request to finance water and wastewater utility plant additions. Reviewed a major gas and electric utility's legal services function and made recommendations as to the appropriate use of in-house and outside counsel to achieve cost reductions. Analyzed the financial and regulatory effects of an innovative marketing/financing arrangement for a major electric utility. Performed an analysis and comparison of a major utility's present and projected electric rates to those of other utilities.

- Provided litigation support in electric, gas, and water contract rate disputes. Provided litigation support in an electric utility property tax dispute and a mining company lignite contract dispute. Prepared rate filing packages for major electric and gas distribution companies. These filings included revenue requirements, cost of service studies, testimony, exhibits and financial statements. Conducted a management audit of a large southwestern electric utility. Testified to the reliability of a company's GRC filings for ratemaking purposes. Prepared and testified to lead-lag studies for major electric and gas utilities.

- Assisted a Regional Bell Operating Company (RBOC) in responding to a state commission mandated regulatory audit. Regulatory assistance included direct and reply testimony responding to various issues raised by the audit. Managed the review of internal controls to prevent customer "slamming" for a large long-distance reseller and assisted the Company in obtaining an operating license to provide local service.

- Directed the accounting, budgeting, and financial functions associated with project accounting as a member of the project construction team of a major electric utility. Directed the cash accounting and cash management functions of a major utility, including investments, borrowings, and commercial bank relations. Supervised internal audits of a major electric and gas utility, prepared audit reports and conducted management audit conferences.

Mr. Uffelman has provided client services to a number of regulated and non-regulated entities including:

AGL Resources
Amerada Hess
American Electric Power Co., Inc.
American Water
AT&T Broadband/Tele-Communications, Inc.
Austin Energy
Big Rivers Electric Corporation
Brazos River Authority
Cablevision Systems Corporation
Cayman Island Government
Centel (Electric Utility Business)
Chugach Electric Association, Inc.
Citizens Utilities Company
City of Garland, Texas
City Utilities, Springfield, Missouri
CLECO Corporation
Commonwealth Edison
Corning Natural Gas Corporation
Duquesne Light Company
Edison Electric Institute
Elizabethtown Gas Company
El Paso Electric Company
Japanese Ministry of Economics
KKR Group
Los Angeles DWP
Lower Colorado River Authority
MidAmerican Energy Company
Mirant
NARUC
National Cable Television Association
New York Power Authority
OGE Energy Corp.
ONEOK Inc. (KGS and ONG)
Pacific Gas and Electric Company
PacifiCorp
Progress Energy Florida
Public Service Electric and Gas Company
Reliant Energy
Robson Communities Utilities
SBC
Sempra Energy
Sierra Pacific Resources
Southern Company
Southwest Gas Corporation

ENSERCH (Lone Star Gas)
Energy East
Entergy
EXCEL Communications, Inc.
FPL Group Inc.
Great Plains Energy
Hawaiian Electric Company
Indianapolis Water Company
Tennessee Valley Authority
Texas-New Mexico Power Company
The Carlyle Group
Texas Utilities Company
United Water Resources
Waste Management, Inc.
Xcel Energy

Testimony

- Testified before the Alaska, Arizona, California, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Nevada, New Jersey, New Mexico, New York, Oklahoma, Oregon and Texas public utility commissions. Testified before the Illinois Legislature; the Texas Railroad Commission; the Supreme Court of the State of New York; the Circuit Courts for Baltimore, Maryland and Cook County, Illinois; the US District Court for Colorado; the King County, Seattle, Washington franchise authority; the City Council of Garland, Texas; and the Board of Water and Power Commissioners, the Commerce, Energy and Natural Resources Committee, and the City Council of the City of Los Angeles, California.

Certifications and Memberships

- Certified Public Accountant and member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants
- Licensed Certified Public Accountant in Illinois and Texas
- Completed the National Association of Regulatory Utility Commissioners (NARUC) Annual Regulatory Studies Program
- Served as a member of the NARUC Staff Subcommittee on Accounts
- Served as Chairman of the Texas Society of Certified Public Accountants Natural Gas, Telecommunications, and Electric Industries Committee
- Served on the University of Texas Regulatory Institute Advisory Committee and as an instructor for the University of Texas Regulatory Institute
- Serves on the Advisory Council for the Center for Public Utilities at New Mexico State University
- Moderated and participated in panel discussions on numerous industry topics

Education

- Illinois State University (MBA - Finance)
- Southern Illinois University (BS - Accounting)

Presentations

- *Rate Case Training*, Public Utility Commission of Texas, Austin, Texas, February 14, 2006
- *Rate Case Challenges*, Southeastern Electric Exchange, Baltimore, Maryland, June 30, 2005

- *FERC Update*, Southeast Public Utility Accounting Workshop, Tampa, Florida, March 29-30, 2004
- *Regulatory Compliance Infrastructure Assessment for the Energy Industry*, Deloitte & Touche Energy Conference, Washington, D.C., June 18-20, 2003
- *Ratemaking Overview*, Sierra Pacific Power Company and Nevada Power Company, Las Vegas and Reno, Nevada, June 26-27, 2001
- *Public Utility Training*, California Public Utilities Commission, San Francisco, California, November 9, 2000
- *Shared Service Organizations*, EEI/AGA Accounting Committees, Savannah, Georgia, May 23, 2000
- *Utility Regulatory and Litigation Services Practice*, Deloitte & Touche LLP Strategic Planning Group Meeting, Atlanta, Georgia, June 2-3, 1999
- *Energy Without Boundaries – But Not Without Rules*, Deloitte & Touche LLP Utilities/Energy Conference, Toronto, Ontario, July 13-15, 1998
- *Affiliate Transactions - Recent Developments*, Southeast Public Utility Accounting Workshop, Pinehurst, North Carolina, April 27-29, 1998
- *Stranded Cost Identification and Measurement*, EEI/AGA Accounting Committees, Albuquerque, New Mexico, December 9, 1997
- *Tax Implications of Electric Utility Industry Restructuring*, The Council of State Governments – West, San Francisco, California, August 21, 1997
- *Regulatory and Litigation Services*, Deloitte & Touche LLP National Energy/Utilities Conference, Los Angeles, California, July 28, 1997
- *Tax Implications of U.S. Electric Utility Industry Restructuring*, German Delegation on Energy Restructuring, Sponsored by the United States Department of Energy and the State Department, Houston, Texas, March 3, 1997
- *Tax Implications of Electric Utility Industry Restructuring*, National Association of Regulatory Utility Commissioners, Winter Committee Meetings, Washington, DC, February 26, 1997
- *Electric Utility Industry Restructuring*, NJUA Accounting and Tax Committee, Jamesburg, New Jersey, September 27, 1996
- *Managing Potentially Stranded Costs (PSC) in the Electric Utility Industry*, EXNET Utility & Telecommunications Accounting and Tax Conference, Washington, DC, May 7, 1996
- *Electric Utility Stranded Costs*, EXNET Utility & Telecommunications Accounting and Tax Conference, Washington, DC, May 4, 1995
- *Overview of the Utility Ratemaking Process in Texas*, Deloitte & Touche LLP Utility Training Seminar, Dallas, Texas, October 3, 1994
- *FERC Accounting Training Seminar*, ONEOK Inc., Tulsa, Oklahoma, May 24, 1994

- *President Clinton's Energy Tax*, Midwest Gas Association, Inc. Accounting and Finance Conference, Minneapolis, Minnesota, April 15-16, 1993

- *SFAS No. 106 - Employers' Accounting for Postretirement Benefits, Other Than Pensions*, Public Utilities Roundtable, Dallas, Texas, November 30, 1992

- *SFAS No. 106 - Employers' Accounting for Postretirement Benefits Other Than Pensions*, American Gas Association Rate Committee Meeting, Houston, Texas, September 20, 1992

- *FERC Accounting Training Seminar*, City of College Station, Texas, June 9, 1992

- *Seminar on SFAS No. 106 - Employers' Accounting for Postretirement, Benefits Other Than Pensions*, Parties to Hawaii Public Utilities Commission Docket No. 7243, May 7, 1992

- *Affiliate Transactions and Cross Subsidy Issues*, Public Utilities Reports, Inc. and The Management Exchange, 10th Annual Utility and Telecommunications Accounting and Tax Conference, Washington, DC, May 2, 1991

- *Regulatory Accounting and The Ratemaking Process*, National Cable TV Association (NCTA) Annual Convention, New Orleans Convention Center, New Orleans, Louisiana, March 26, 1991

- *Fundamental Issues in Utility Ratemaking*, University of Texas Regulatory Institute, Management Development Program, Austin, Texas, June 12-14, 1990

- *Fundamentals of Utility Regulation*, University of Texas Regulatory Institute, Management Development Program, Austin, Texas, June 13-15, 1989

- *Phase-Ins: Bridging the Gap Between Traditional Ratemaking and Market Forces*, TSCPA Public Utilities Accounting and Ratemaking Conference, Dallas, Texas, April 17, 1986

- *Rate Moderation Plans and Regulatory Responsibility*, 10th Annual Public Utilities Conference, University of Texas at Dallas, Dallas, Texas, July 18, 1985

- *Promoting Stable and Efficient Utility Operations - Management Audits of Public Utilities*, Joint Committee on Public Utility Regulation of the Illinois Legislature, Chicago, Illinois, February 14, 1985

Publications

- *Cost Allocation and Affiliate Transactions: A Survey and Analysis of State Cost Allocation Issues and Transfer Pricing Policies*, June 1999. Mr. Uffelman co-authored this Deloitte & Touche report on behalf of the Edison Electric Institute.

- *Federal, State and Local Tax Implications of Electric Utility Industry Restructuring*, October 1996. Mr. Uffelman co-authored Deloitte & Touche's analysis for The National Council on Competition and the Electric Industry.

- *Survey of Federal Income Taxes in Regulation*, March 1994. Mr. Uffelman co-authored this report on how public utility regulatory commissions determine federal income tax expense for ratemaking purposes.

- *Accounting for Public Utilities* published by Matthew Bender and updated annually. Mr. Uffelman is a contributing author on this work which provides a basic, but comprehensive, analysis of accounting for public utilities.

Testimony

Alaska
Alaska Public Utilities Commission

- APUC Docket No. U-93-1, Rate Case; direct testimony on behalf of Chugach Electric Association, Inc., January 1993; Rebuttal testimony on behalf of Chugach Electric Association, Inc., February 1993; testified to the proper accounting and ratemaking treatment for production maintenance costs.

Regulatory Commission of Alaska

- RCA Docket No. U-02-47, Revenue Requirements Study; prefiled testimony on behalf of Waste Management of Alaska, Inc., March 2003; testified to the functioning of WMA's revenue requirements models and the input of test year data, both financial and statistical, into the models for each of WMA's regulated service areas; prefiled reply testimony on behalf of Waste Management of Alaska, Inc., May 2004

Arizona - Arizona Corporation Commission

- ACC Docket No. E-1032-93-111, Rate Case; rebuttal testimony on behalf of Citizens Utilities Company's Arizona Gas Division, January 1994, regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions."

- ACC Docket No. E-1032-92-073, Application for approval of the accounting method used to record AFUDC. Direct testimony on behalf of Citizens Utilities Company, May 1994.

- ACC Docket No. U-1551-93-272, Rate Case; rebuttal testimony, May 1994 on behalf of Southwest Gas Corporation regarding the prudence of costs associated with the development of the Company's customer information system.

- ACC Docket No. U-2199-94-439, Application for approval of financing and accounting orders. Direct testimony on behalf of Pima Utility Company (Robson Communities), December 1994; rebuttal testimony on behalf of Pima Utility Company (Robson Communities), May 1995.

- ACC Docket No. U-2492-94-448, Application for approval of financing and accounting orders. Direct testimony on behalf of SaddleBrooke Development Company (Robson Communities), December 1994. Rebuttal testimony on behalf of SaddleBrooke Development Company (Robson Communities), May 1995.

- ACC Docket No. U-2849, Application of SaddleBrooke Utility Company for a rate increase. Direct testimony (cost of capital) on behalf of SaddleBrooke Utility Company, (Robson Communities), November 1995.

- ACC Docket No. E-1032-95-433, Application of Citizens Utilities Company, Arizona Electric Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, July 1996. Rejoinder testimony on behalf of Citizens Utilities Company, August 1996. (Accounting method used to record AFUDC)

- ACC Docket No. E-1032-95-473, Application of Citizens Utilities Company, Northern Arizona Gas Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, August 1996. Rejoinder testimony on behalf of Citizens Utilities Company, September 1996. (Accounting method used to record AFUDC)

- ACC Docket No. E-1032-95-417, Application of Citizens Utilities Company, Maricopa Water/Wastewater Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, September 1996. Rejoinder testimony on behalf of Citizens Utilities Company, October 1996. (Accounting method used to record AFUDC)

- ACC Docket No. U-1944-92-261, Application of Lago Del Oro Water Company (Robson Communities) for financing authorization. Rebuttal testimony on behalf of Robson Communities, December 1996. (Capital structure and use of Advances and Contributions in Aid of Construction)

- ACC Docket No. U-2849-97-383, Application of SaddleBrooke Utility Company (Robson Communities) for a rate increase; direct testimony (cost of capital) on behalf of SaddleBrooke Utility Company, June 1997.

- ACC Docket No. G-01551A-00-0309, Earnings Determination; supplemental testimony, May 2001, on behalf of Southwest Gas Corporation regarding the appropriateness of the inclusion of certain items in the rate case test year.

California
California Public Utilities Commission

- Order Instituting Rulemaking/Investigation on the Commission's Own Motion to Assess and Revise the New Regulatory Framework for Pacific Bell and Verizon California Inc. (R. 01-09-001/I. 01-09-002)

- Direct testimony on behalf of SBC Pacific Bell in Phase 2A, May 2002, in response to Overland Consulting's regulatory audit of Pacific Bell relating to various issues including depreciation reserve deficiency amortization and postretirement benefits other than pensions; reply testimony on behalf of SBC Pacific Bell in Phase 2A, May 2002.

- Direct testimony on behalf of SBC Pacific Bell in Phase 2B, June 2002, relating to local competition costs, software buy-out agreement, local number portability costs, and contingent liabilities; reply testimony on behalf of SBC Pacific Bell in Phase 2B, July 2002.

- California-American Water Company Compliance Filing Regarding Review By Deloitte & Touche LLP In CPUC Case Nos. A.05-02-012 And A.05-02-013; direct testimony on behalf of California-American Water Company regarding the reliability of the Company's General Rate Case filings for ratemaking purposes, April 2005; rebuttal testimony on behalf of California-American Water Company, July 2005.

City of Los Angeles

- Direct testimony on behalf of the Los Angeles Department of Water and Power regarding Water System Rate Proposal (Proposed Amendments to Water Rates Ordinance No. 170435) to the Board of Water and Power Commissioners; the Commerce, Energy and Natural Resources Committee of the City Council; and the City Council, April 2004.

Colorado - US District Court for Colorado

- Civil Action No. 01-BB-1546(PAC) Western Retail Energy Company, Plaintiff, v. TXU Energy Services Company, Defendant; expert report and testimony on behalf of TXU Energy Services regarding natural gas pricing, June 2002

Georgia - Georgia Public Service Commission

- Docket No. 14311-U, Atlanta Gas Light Company, Rate Case; direct testimony on behalf of AGL regarding AGL's cash working capital requirement and lead-lag study, January 2002

Hawaii - Hawaii Public Utilities Commission

- Parties to HPUC Docket No. 7243; seminar on SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions," May 1992.

Illinois
Illinois Commerce Commission

- Docket Nos. 87-0043, 87-0044, 87-0057, 87-0096, consolidated ; Commonwealth Edison Company, Rate Case; direct testimony regarding spin-off of nuclear generation assets, April 1987, on behalf of:
  - The People of the State of Illinois, by Neil F. Hartigan, Attorney General
  - The Governor of the State of Illinois, James R. Thompson, by the Governor's Office of Consumer Services
  - The People of Cook County, by Richard M. Daley, Cook County State's Attorney
  - William G. Shephard, Small Business Utility Advocate

- Approximately twelve cases as ICC Staff witness. (Mr. Uffelman testified in approximately twelve cases as a Staff witness of the Illinois Commerce Commission. Mr. Uffelman does not have copies of his testimony which he filed on behalf of the ICC Staff, but copies can be obtained from the ICC.)

Joint Committee on Public Utility Regulation of the Illinois Legislature

- Direct testimony regarding "Management Audits of Public Utilities" on behalf of the Illinois Commerce Commission, February 1985.

Circuit Court of Cook County, Illinois

- Case No. 95CH11993; BOE AND DEBRA CHMIL, Plaintiff, v. TELE-COMMUNICATIONS, INC., ET AL., Defendant; direct testimony on behalf of Defendant, August 1998

Indiana - Indiana Utility Regulatory Commission

- IURC Cause No. 39713, Rate Case; direct testimony on behalf of Indianapolis Water Company, June 1993, regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Iowa - Iowa Utilities Board

- IUB Docket Nos. RPU-01-3 and RPU-01-___ ; direct testimony on behalf of MidAmerican Energy Company, June 2001; issues related to the prior flow-through of Iowa state income taxes

Kansas - Kansas State Corporation Commission

- KSCC Docket No. 175,456-U; rebuttal testimony on behalf of Centel Corporation (CENTEL), August 1991; sale and transfer of the Electrical Utility Operations and Business of CENTEL to UtiliCorp United, Inc. (UTILICORP).

- KSCC Docket No. 03-KGSG-602-RTS; rebuttal testimony on behalf of Kansas Gas Service, a Division of ONEOK, Inc. August 2003, regarding the allocation of ONEOK's A&G and corporate overhead costs to KGS.

- KSCC Docket No. 06-KGSG-1209-RTS; rebuttal testimony on behalf of Kansas Gas Service, a Division of ONEOK, Inc. October 2006, regarding the allocation of ONEOK's A&G and corporate overhead costs to KGS.

Kentucky - Kentucky Public Service Commission

- KPSC Case 9613 Rebuttal, November 1986; rebuttal testimony on behalf of Big Rivers Electric Corporation regarding financial reorganization plan and prudence of coal contracts.

Louisiana - Louisiana Public Service Commission

- LPSC Docket No. U-24064; Red Simpson, Inc. et al. v. Cleco Corporation; in re: Alleged acts of prohibited subsidization of non-regulated affiliates, violation of General Orders and unfair competition through predatory pricing; direct testimony on behalf of Cleco Corporation, June 2000; rebuttal testimony on behalf of Cleco Corporation, September 2000

Maryland - Circuit Court For Baltimore, Maryland

- Case No. 95311038/CL204287; LOUIS BURCH, ET AL., Plaintiff, v. UNITED CABLE TELEVISION OF BALTIMORE LIMITED PARTNERSHIP, Defendant; direct testimony on behalf of Defendant, June 1997

Nevada
Public Service Commission of Nevada

- PSCN Docket Nos. 93-3003, et al. Rate Case Rehearing Issues; Direct testimony, April 1994 on behalf of Southwest Gas Corporation and rebuttal testimony, July 1994 on behalf of Southwest Gas Corporation relating to the prudence of costs associated with the development of the Company's customer information system.

Nevada Public Utilities Commission

- NPUC Docket No. 04-3011, Rate Case; direct testimony, March 2004 on behalf of Southwest Gas Corporation relating to cash working capital; rebuttal testimony, June 2004 on behalf of Southwest Gas Corporation relating to cash working capital.

New Jersey - New Jersey Board of Public Utilities

- NJBPU Docket No. GR 02040245, Rate Case; direct testimony, April 2002 on behalf of NUI Utilities Inc. d/b/a Elizabethtown Gas Company, regarding cash working capital requirement and lead-lag study; supplemental testimony, July 2002 on behalf of NUI Utilities Inc. d/b/a Elizabethtown Gas Company, regarding cash working capital requirement and lead-lag study; rebuttal testimony, September 2002 on behalf of NUI Utilities Inc. d/b/a Elizabethtown Gas Company, regarding cash working capital requirement and lead-lag study.

New Mexico - New Mexico Public Service Commission

- Docket No. 2162, Rate Case, El Paso Electric Company; direct testimony, November 1987 on behalf of EPE; testified to EPE's cost allocation study as to compliance with the NMPSC's Order of January 16, 1987, approving the stipulation in Case No. 2074 relating to the Company's general diversification plan.

New York
New York Public Service Commission

- NYPSC Case No. 91-G-1199 Rate Case; on behalf of Corning Natural Gas Corporation, November 1991; direct testimony regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Supreme Court of The State of New York

- Village of Bergen et al, Petitioners, v. Power Authority of the State of New York, Respondent Index No. 081556; testimony on behalf of the New York Power Authority (NYPA) January 1999, regarding the allocation of overhead costs as one of the components of the rate charged by NYPA.

Oklahoma - Oklahoma Corporation Commission

- Cause No. PUD 200400610, Application of Oklahoma Natural Gas Company, a Division of ONEOK, Inc., for a Review and Change or Modification in its Rates, Charges, Tariffs, and Terms and Conditions of Service. Rebuttal testimony, June 2005, on behalf of Oklahoma Natural Gas related to the continued use of the Distrigas Method by ONEOK for allocating corporate administrative and general expenses to the various ONEOK business units.

- Cause No. PUD 200500151, application of Oklahoma Gas and Electric Company ("OG&E") for an Order of the Commission authorizing Applicant to Modify its Rates, Charges, and Tariffs for retail Electric Service in Oklahoma. Rebuttal testimony, September 2005, on behalf of OG&E related to the continued use of the Distrigas Method by OGE Energy Corp. ("OGE") for allocating corporate administrative and general expenses to the various OGE business units.

Oregon - Public Utility Commission of Oregon

- PUCO Case UE 170, Pacific Power & Light, Request for a General Rate Increase. Rebuttal testimony, June 2005, on behalf of PacifiCorp related to the continued use and application of the traditional "stand-alone" method (as opposed to a consolidated effective tax rate method) for computing the income tax expense component of cost of service.

Texas
Texas Public Utility Commission

- PUCT Docket No. 6350, El Paso Electric Company Rate Case. Direct testimony on behalf of the PUCT Staff, October 1985 on various issues including deferred accounting treatment, nuclear plant phase-in plan, nuclear decommissioning costs and cash working capital.

- PUCT Docket No. 7460, El Paso Electric Company Rate Case. Rebuttal testimony on behalf of EPE, August 1987 supporting the Company's deferred tax study and position.

- PUCT Docket No. 9165, El Paso Electric Company Rate Case. Direct testimony on behalf of EPE, November 1989 regarding the accuracy and reliability of the Company's rate case data and information.

- PUCT Docket No. 9945, El Paso Electric Company Rate Case. Direct testimony on behalf of EPE, July 1991 regarding reasonableness and necessity of rate case fees and expenses.

- PUCT Docket No. 10060, Brazos River Authority Rate Case. Direct testimony on behalf of BRA, February 1991 relating to BRA's accounting and indirect cost allocation system, and revenue requirement determination.

- PUCT Docket No. 10200, Texas-New Mexico Power Company Rate Case. Prudence rebuttal testimony on behalf of TNP, December 1991 relating to plant in service balance for ratemaking purposes. Revenue requirements rebuttal testimony on behalf of TNP, January 1992 regarding plant in service balance, capital structure and deferred accounting treatment.

- PUCT Docket No. 16705, Entergy Gulf States, Inc.'s Transition to Competition Plan. Direct testimony on behalf of EGSI, November 1996 regarding affiliate transactions and depreciation expense accounting. Supplemental direct testimony on behalf of EGSI, April 1997, regarding affiliate transactions and regulatory accounting issues associated with EGSI's transition to competition plan. Rebuttal testimony on behalf of EGSI, October 1997, associated with EGSI's transition to competition plan.

Railroad Commission of Texas

- RCT Docket No. GUD8664, Lone Star Pipeline Company and Lone Star Gas Company - Transmission Rate Case. Rebuttal testimony on behalf of Lone Star Gas Company on the issues of cash working capital and postretirement benefits other than pensions, January 1997.

City of Garland, Texas

- Testimony before the Garland City Council, April 1995, regarding the review of selected financial and rate-making practices of the Texas Municipal Power Agency (TMPA).

- ***Washington - King County, Seattle, Washington***
- Renewal of King County Cable Television Franchises of TCI Cablevision of Washington, Inc. Rebuttal testimony on behalf of TCI Cablevision of Washington, Inc., October 1995 regarding reasonableness of TCI's compensation for franchise.

Employment History of Bernard L. Uffelman

Deloitte & Touche LLP – Austin, Texas	
• U.S. Regulatory Services Leader, Energy & Resources	June 1997 to present
• Partner, Public Utility Services	July 1994 to June 1997
KPMG Peat Marwick – Austin, Texas	
• Partner in Charge – National Utility Consulting	October 1993 to July 1994
• Partner, National Utility Consulting	July 1993 to October 1993
• Director, National Utility Consulting	October 1990 to July 1993
FINANCO, Inc. – Austin, Texas	
• Principal & Shareholder	November 1988 to October 1990
Peat Marwick Main & Co. – Austin, Texas	
• Senior Manager – National Utilities Industry Practice	May 1986 to November 1988
Texas Public Utility Commission – Austin, Texas	
• Director of Accounting	April 1985 to May 1986
Illinois Commerce Commission – Springfield, Illinois	
• Chief Accountant	September 1982 to April 1985
Houston Lighting and Power Company	
• Project Controller	1982
Illinois Commerce Commission – Springfield, Illinois	
• Accountant	1980 to 1982
Central Louisiana Electric Company – Lafayette, Louisiana	
• Manager of Regulatory Accounting	1979 to 1980
Illinois Power Company – Decatur, Illinois	
• Rate Administrator	1977 to 1979
• Cash Accountant	1972 to 1977
• Internal Auditor	1969 to 1972

EXHIBIT BLU-2

Atmos Energy Kentucky
Case No. 2006-00464
Forecasted Test Period Filing Requirements

FR 10(9)(v)

Description of Filing Requirement:

If gas, electric or water utility with annual gross revenues greater than $5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from single time period; and

Response:

Please see attached cost of service study as discussed in Mr. Uffelman's testimony.

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
RATE OF RETURN AT PRESENT RATES
TWELVE MONTHS ENDED AUGUST 31, 2006

Line No.	Cost Item	Total (a)	Firm Residential (b)	Firm Commercial (c)	Firm Industrial (d)	Interr. & Carriage (e)	Large Int. & Carr. (f)
1	Total Operating Margins	$ 50,616,116	$ 28,623,831	$ 11,637,208	$ 693,379	$ 5,610,647	$ 4,051,050
2							
3	O & M Expense	$ 19,762,869	$ 10,794,331	$ 4,804,661	$ 322,075	$ 1,336,780	$ 2,505,022
4							
5	Deprec. & Amortization	$ 11,638,071	$ 7,149,959	$ 3,031,059	$ 127,912	$ 526,130	$ 803,010
6							
7	Property & Other Taxes	$ 3,620,029	$ 2,197,307	$ 942,883	$ 43,299	$ 171,525	$ 265,016
8							
9	Interest	$ 6,315,594	$ 3,780,870	$ 1,675,251	$ 93,639	$ 313,972	$ 451,861
10							
11	Pre-Tax Expenses	$ 41,336,563	$ 23,922,467	$ 10,453,854	$ 586,925	$ 2,348,408	$ 4,024,909
12							
13	Taxable Income	$ 9,279,553	$ 4,701,365	$ 1,183,354	$ 106,454	$ 3,262,240	$ 26,141
14							
15	Income Taxes	$ 3,670,063	$ 1,859,390	$ 468,017	$ 42,103	$ 1,290,216	$ 10,339
16							
17	Return	$ 11,925,084	$ 6,622,845	$ 2,390,588	$ 157,990	$ 2,285,996	$ 467,663
18							
19	Rate Base	$ 177,402,053	$ 106,202,873	$ 47,057,010	$ 2,630,286	$ 8,819,321	$ 12,692,562
20							
21	Rate Of Return	6.72%	6.24%	5.08%	6.01%	25.92%	3.68%

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
RATE CLASS COMPARISONS

Line No.	Description	Firm Residential (a)	Firm Commercial (b)	Firm Industrial (c)	Interr. & Carriage (d)	Large Int. & Carr. (e)
1	Average Annual Use Per Customer (Mcf	66.8	314.1	3,270.5	46,015.5	647,438.3
2	Winter Season as a % of Annual Use	78.1%	71.4%	66.5%	8.4%	0.6%
3	Class Load Factor Average Day / Design Day	16.3%	18.9%	24.2%	45.8%	55.8%

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
RATE BASE - AUGUST 31, 2006

Line No.	Item	Total (a)	Storage (b)	Distribution (c)	Transmission (d)	Production (e)	Notes (f)
1	Gas Plant	$ 298,500,757	$ 7,391,646	$ 261,302,448	$ 28,807,276	$ 999,387	[1]
2	Construction in Progress	$ 4,180,331	$ 103,672	$ 3,659,462	$ 403,402	$ 13,795	[2]
3	Material & Supplies	$ 91,516	$ -	$ 86,940	$ 4,576	$ -	[3][5]
4	Gas Stored Underground	$ 35,482,537	$ 35,482,537	$ -	$ -	$ -	[3]
5	Prepayments	$ 688,685	$ 17,079	$ 602,875	$ 66,458	$ 2,273	[1][3]
6	Cash Working Capital Allowance	$ 2,470,359	$ 55,089	$ 1,849,558	$ 565,712	$ -	[4]
7							
8		$ 341,414,185	$ 43,050,023	$ 267,501,283	$ 29,847,424	$ 1,015,455	
9							
10	Deduct:						
11	Reserves:						
12	Deprec. & Amort.	$ 129,917,266	$ 4,434,186	$ 106,086,845	$ 18,596,921	$ 799,314	[2]
13	Deferred Income Taxes	$ 30,374,702	$ 753,293	$ 26,590,014	$ 2,931,159	$ 100,236	[1]
14	Customer Advances Const.	$ 3,717,903	$ -	$ 3,532,008	$ 185,895	$ -	[3][5]
15							
16	Total Rate Base Deductions	$ 164,009,871	$ 5,187,479	$ 136,208,867	$ 21,713,975	$ 899,551	
17							
18							
19	Rate Base	$ 177,404,314	$ 37,862,544	$ 131,292,416	$ 8,133,449	$ 115,904	

Notes
[1] Allocated By Gross Plant Percentage, See Sheet 1
[2] Identified Where Possible, Residual Allocated By Gross Plant Percentage, See Sheet 1
[3] 13 month avg. balance ended 8/31/2006
[4] One Eighth O & M, Spread By O & M Percentage, Not Including Cost Of Gas, See Sheet 1
[5] 95% Distribution, 5% Transmission

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
RATE BASE - CLASSIFICATION

Line No.	Item	Total	Customer	Demand	Commodity	Direct	Notes
		(a)	(b)	(c)	(d)	(e)	(f)
1	Storage	$ 37,862,544	$ -	$18,931,272	$18,931,272	$ -	[1]
2							
3	Distribution	$ 131,292,416	$82,202,182	$46,582,549	$ -	$2,507,685	[2]
4							
5	Transmission	$ 8,133,449	$ -	$ 8,133,449	$ -	$ -	[3]
6							
7	Production	$ 115,904	$ -	$ 115,904	$ -	$ -	[3]
8							
9							
10	Total Rate Base	$ 177,404,313	$82,202,182	$73,763,174	$18,931,272	$2,507,685	

Notes
[1] 50% Demand, 50% Commodity
[2] Based On Distribution Plant Accounts, See Sheet 2
[3] 100 % Demand

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Allocation of RATE BASE to Classes of Service

Line No.	Item	Alloc. Factor [2]	Total	Firm Residential	Firm Commercial	Firm Industrial	Interr. & Carriage	Large Int. & Carr.
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Storage	Design-B	$ 18,931,272	$ 12,150,090	$ 6,167,808	$ 569,831	$ 35,969	$ 7,574
2		Winter	$ 18,931,272	$ 11,152,412	$ 5,982,282	$ 660,701	$ 969,281	$ 166,596
3			$ 37,862,544	$ 23,302,502	$12,150,090	$ 1,230,532	$ 1,005,250	$ 174,170
4	Distribution [1]							
5	Mains	Cust-A	$ 11,253,479	$ 9,980,711	$ 1,245,760	$ 13,504	$ 11,253	$ 2,251
6		Design-A	$ 43,643,190	$ 18,373,783	$ 9,326,550	$ 859,771	$ 5,280,826	$ 9,802,261
7								
8	Services	Cust-D	$ 40,706,521	$ 28,832,429	$11,874,092	$ -	$ -	$ -
9								
10	Meters	Cust-M	$ 7,636,583	$ 5,205,095	$ 2,143,589	$ 158,077	$ 129,822	$ -
11								
12	Other	Cust-C	$ 22,605,599	$ 14,609,999	$ 7,294,827	$ 83,641	$ 341,345	$ 273,528
13		Design-A	$ 2,939,359	$ 1,237,470	$ 628,141	$ 57,905	$ 355,662	$ 660,180
14								
15	Direct - Other	Cust-E	$ 2,507,685	$ -	$ -	$ -	$ 1,390,762	$ 1,116,923
16								
17	Total Distribution		$ 131,290,155	$ 78,239,487	$32,512,959	$ 1,172,898	$ 7,509,670	$ 11,855,142
18								
19	Transmission	A&P	$ 8,133,449	$ 4,595,399	$ 2,360,327	$ 223,670	$ 300,124	$ 653,929
20								
21	Production	A&P	$ 115,904	$ 65,486	$ 33,635	$ 3,187	$ 4,277	$ 9,319
22								
23	Total Rate Base		$ 177,402,053	$ 106,202,873	$47,057,010	$ 2,630,286	$ 8,819,321	$ 12,692,562

Note [1] Distribution Rate Base As Classified on Page 4 is Allocated between Mains, Services, etc. By Applying the Percent Of Total Classification In Distribution Accounts shown On Sheet 2.

[2] Allocation Factors Derived On Page 14

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
STORAGE - CLASSIFICATION

Line No.	Item	Total (a)	Customer (b)	Demand (c)	Commodity (d)	Direct (e)	Notes (f)
1	Accts. 818 & 819	$ 67,836	$ -	$ -	$ 67,836	$ -	[1][3]
2							
3	All Other Accounts	$ 187,649	$ -	$ 93,825	$ 93,824	$ -	[2][3]
4							
5	Admin. & General	$ 185,687	$ -	$ 92,844	$ 92,843	$ -	[2][5]
6							
7	Depre. & Amortization	$ 51,344	$ -	$ 25,672	$ 25,672	$ -	[4][5]
8							
9	Property & Other Taxes	$ 89,777	$ -	$ 44,889	$ 44,888	$ -	[4][6]
10							
11	Return	$ 3,051,721	$ -	$ 1,525,861	$ 1,525,860	$ -	[4][7]
12							
13	Income Taxes	$ 1,113,982	$ -	$ 556,991	$ 556,991	$ -	[4][8]
14							
15							
16	Revenue Requirement	$ 4,747,996	$ -	$ 2,340,082	$ 2,407,914	$ -	

Notes
[1] Compressor Station Expense Fuel Accounts, 100 % Commodity
[2] 50 % Demand, 50% Commodity
[3] Total From Sheet 3
[4] Classified Based On Rate Base Classification Percentage Table, Sheet 2
[5] Allocated To Functions On Sheet 1
[6] Total From Sheet 3; Allocated To Functions By Gross Plant Pct., Sheet 1
[7] Rate Of Return From Sheet 3; Applied To Functional Rate Base, Page 3
[8] Total From Sheet 3; Allocated To Functions By Rate Base Pct., Sheet 1

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Allocation of STORAGE COSTS to Classes of Service

Line No.	Item	Alloc. Factor (a)	Total (b)	Firm Residential (c)	Firm Commercial (d)	Firm Industrial (e)	Interr. & Carriage (f)	Large Int. & Carr. (g)
1	Accts. 818 & 819	Winter	$ 67,836	$ 39,962	$ 21,436	$ 2,367	$ 3,473	$ 598
2								
3	All Other Accounts	Design-B	$ 93,825	$ 60,217	$ 30,568	$ 2,824	$ 178	$ 38
4		Winter	$ 93,824	$ 55,272	$ 29,648	$ 3,274	$ 4,804	$ 826
5								
6	Admin. & General	Design-B	$ 92,844	$ 59,587	$ 30,249	$ 2,795	$ 176	$ 37
7		Winter	$ 92,843	$ 54,694	$ 29,338	$ 3,240	$ 4,754	$ 817
8								
9	Depr. & Amortization	Rb-Dem	$ 25,672	$ 12,676	$ 6,444	$ 597	$ 2,080	$ 3,875
10		Rb-Com	$ 25,672	$ 15,123	$ 8,112	$ 896	$ 1,314	$ 227
11								
12	Property & Other Tax	Rb-Dem	$ 44,889	$ 22,165	$ 11,268	$ 1,043	$ 3,637	$ 6,776
13		Rb-Com	$ 44,888	$ 26,444	$ 14,185	$ 1,567	$ 2,298	$ 395
14								
15	Return	Rb-Dem	$1,525,861	$ 753,428	$ 383,031	$ 35,463	$ 123,637	$ 230,302
16		Rb-Com	$1,525,860	$ 898,884	$ 482,172	$ 53,252	$ 78,124	$ 13,428
17								
18	Income Taxes	Rb-Dem	$ 556,991	$ 275,027	$ 139,819	$ 12,945	$ 45,132	$ 84,068
19		Rb-Com	$ 556,991	$ 328,123	$ 176,009	$ 19,439	$ 28,518	$ 4,902
20								
21								
22	Revenue Requirement		$4,747,996	$2,601,602	$1,362,279	$ 139,702	$ 298,125	$ 346,289

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
DISTRIBUTION - CLASSIFICATION

Line No.	Item	Total (a)	Customer (b)	Demand (c)	Commodity (d)	Direct (e)	Notes (f)
1	Accts. 876 & 890	$ 174,440	$ -	$ -	$ -	$ 174,440	[1][5]
2	98% Of Accts. 901 - 910	$ 3,449,389	$ 3,449,389	$ -	$ -	$ -	[2][5]
3	64% of Accts. 911 - 916	$ 115,736	$ -	$ -	$ 115,736	$ -	[3][5]
4	Admin. & General	$ 6,227,290	$ 2,075,763	$ 2,075,763	$ 2,075,764	$ -	[4][8]
5	98% Of Accts. 878,879, 880,892,893,894	$ 1,236,077	$ 1,236,077	$ -	$ -	$ -	[5][12]
6	Other Accts. 870 Through 894	$ 3,592,429	$ 736,303	$ 2,856,126	$ -	$ -	[6][5]
7	Depre. & Amortization	$ 10,946,884	$ 6,853,845	$ 3,883,954	$ -	$ 209,085	[7][8]
8	Property & Other Taxes	$ 3,168,973	$ 1,984,094	$ 1,124,352	$ -	$ 60,527	[7][9]
9	Return	$ 10,582,169	$ 6,625,496	$ 3,754,554	$ -	$ 202,119	[7][10]
10	Income Taxes	$ 3,863,439	$ 2,418,899	$ 1,370,748	$ -	$ 73,792	[7][11]
11	Revenue Requirement	$ 43,356,826	$ 25,379,866	$ 15,065,497	$ 2,191,500	$ 719,963	

Notes
[1] O/M - Meas. And Reg. Station Accounts - Industrial, Direct Assigned
[2] Customer Accounts Expenses, 100 % Customer
[3] Sales Expenses Accounts, 100 % Commodity
[4] 1/3 To Each: Customer, Demand, Commodity
[5] Total From Sheet 3
[6] Used Plant Allocator, Sheet 3
[7] Classified Based On Rate Base Classification Percentage Table, Sheet 2
[8] Allocated To Functions On Sheet 1
[9] Total From Sheet 3; Allocated To Functions By Gross Plant Pct., Sheet 1
[10] Rate Of Return From Sheet 3; Applied To Functional Rate Base, Page 3
[11] Total From Sheet 3; Allocated To Functions By Rate Base Pct., Sheet 1

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Allocation of DISTRIBUTION COSTS to Classes of Service

Line No.	Item	Alloc. Factor (a)	Total (b)	Firm Residential (c)	Firm Commercial (d)	Firm Industrial (e)	Interr. & Carriage (f)	Large Int. & Carr. (g)
1	Accts. 876 & 890 Direct	Cust-E	$ 174,440	$ -	$ -	$ -	$ 96,744	$ 77,696
2								
3	98% Of Accts. 901 - 910	Cust-B	$ 3,449,389	$ 2,259,005	$ 1,127,605	$ 32,079	$ 26,560	$ 4,140
4								
5	64% Of Accts. 911 - 916	Vol-A	$ 115,736	$ 27,048	$ 15,856	$ 1,875	$ 21,758	$ 49,199
6								
7	Admin. & General	Cust-A	$ 2,075,763	$ 1,840,994	$ 229,787	$ 2,491	$ 2,076	$ 415
8		Vol-A	$ 2,075,764	$ 485,106	$ 284,380	$ 33,627	$ 390,244	$ 882,407
9		Design-A	$ 2,075,763	$ 873,896	$ 443,591	$ 40,893	$ 251,167	$ 466,216
10								
11	98% Of Accts 878,879,							
12	880,892,893,894	Cust-B	$ 1,236,077	$ 809,507	$ 404,074	$ 11,496	$ 9,518	$ 1,482
13								
14	Other Accts 870 Through	Cust-B	$ 736,303	$ 482,205	$ 240,697	$ 6,848	$ 5,670	$ 883
15	894	Design-A	$ 2,856,126	$ 1,202,429	$ 610,354	$ 56,266	$ 345,591	$ 641,486
16								
17	Depre. & Amortization	Rb-Cus	$ 6,853,845	$ 4,888,433	$ 1,880,913	$ 21,280	$ 40,224	$ 22,995
18		Rb-Dem	$ 3,883,954	$ 1,917,790	$ 974,973	$ 90,269	$ 314,708	$ 586,214
19		Rb-Dir	$ 209,085	$ -	$ -	$ -	$ 115,959	$ 93,126
20								
21	Property & Other Taxes	Rb-Cus	$ 1,984,094	$ 1,415,134	$ 544,498	$ 6,160	$ 11,644	$ 6,658
22		Rb-Dem	$ 1,124,352	$ 555,174	$ 282,241	$ 26,132	$ 91,104	$ 169,701
23		Rb-Dir	$ 60,527	$ -	$ -	$ -	$ 33,568	$ 26,959
24								
25	Return	Rb-Cus	$ 6,625,496	$ 4,725,566	$ 1,818,246	$ 20,571	$ 38,884	$ 22,229
26		Rb-Dem	$ 3,754,554	$ 1,853,896	$ 942,490	$ 87,261	$ 304,223	$ 566,684
27		Rb-Dir	$ 202,119	$ -	$ -	$ -	$ 112,095	$ 90,024
28								
29	Income Taxes	Rb-Cus	$ 2,418,899	$ 1,725,254	$ 663,823	$ 7,510	$ 14,196	$ 8,116
30		Rb-Dem	$ 1,370,748	$ 676,838	$ 344,093	$ 31,858	$ 111,069	$ 206,890
31		Rb-Dir	$ 73,792	$ -	$ -	$ -	$ 40,925	$ 32,867
32								
33								
34	Revenue Requirement		$ 43,356,826	$25,738,275	$10,807,621	$ 476,616	$2,377,927	$3,956,387

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
TRANSMISSION - CLASSIFICATION

Line No.	Item	Total (a)	Customer (b)	Demand (c)	Commodity (d)	Direct (e)	Notes (f)
1	Accts. 850 - 867	$ 2,460,502	$ -	$ 2,460,502	$ -	$ -	[1]
2							
3	2% Of Accts. 878,879,						
4	880,892,893,894	$ 25,226	$ 25,226	$ -	$ -	$ -	[1]
5							
6	Admin. & General	$ 1,905,111	$ -	$ 1,905,111	$ -	$ -	[3]
7							
8	36% Of Accts. 911 - 916	$ 65,101	$ -	$ -	$ 65,101	$ -	[1]
9							
10	2% Of Accts. 901 - 910	$ 70,396	$ 70,396	$ -	$ -	$ -	[1]
11							
12	Depre. & Amortization	$ 558,158	$ -	$ 558,158	$ -	$ -	[2][3]
13							
14	Property & Other Taxes	$ 349,333	$ -	$ 349,333	$ -	$ -	[2][4]
15							
16	Return	$ 655,556	$ -	$ 655,556	$ -	$ -	[2][5]
17							
18	Income Taxes	$ 239,083	$ -	$ 239,083	$ -	$ -	[2][6]
19							
20							
21	Revenue Requirement	$ 6,328,466	$ 95,622	$ 6,167,743	$ 65,101	$ -	

Notes
[1] Total From Sheet 3
[2] Classified Based On Rate Base Classification Percentage Table, Sheet 2
[3] Allocated To Functions On Sheet 1
[4] Total From Sheet 3; Allocated To Functions By Gross Plant Pct., Sheet 1
[5] Rate Of Return From Sheet 3; Applied To Functional Rate Base, Page 3
[6] Total From Sheet 3; Allocated To Functions By Rate Base Pct., Sheet 1

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Allocation of TRANSMISSION COSTS to Classes of Service

Line No.	Item	Alloc. Factor (a)	Total (b)	Firm Residential (c)	Firm Commercial (d)	Firm Industrial (e)	Interr. & Carriage (f)	Large Int. & Carr. (g)
1	Accts 850-865	A&P	$2,460,502	$1,390,184	$ 714,038	$ 67,664	$ 90,793	$ 197,823
2								
3	2% Of Accts 878,879,							
4	880,892,893,894	Cust-B	$ 25,226	$ 16,521	$ 8,246	$ 235	$ 194	$ 30
5								
6	Admin. & General	A&P	$1,905,111	$1,076,388	$ 552,863	$ 52,391	$ 70,299	$ 153,170
7								
8	36% Of Accts. 911 - 916	Vol-A	$ 65,101	$ 15,214	$ 8,919	$ 1,055	$ 12,239	$ 27,674
9								
10	2% Of Accts. 901 - 910	Cust-B	$ 70,396	$ 46,102	$ 23,012	$ 655	$ 542	$ 85
11								
12	Depre. & Amortization	Rb-Dem	$ 558,158	$ 275,603	$ 140,112	$ 12,972	$ 45,226	$ 84,244
13								
14	Property & Other Taxes	Rb-Dem	$ 349,333	$ 172,491	$ 87,692	$ 8,119	$ 28,306	$ 52,725
15								
16	Return	Rb-Dem	$ 655,556	$ 323,696	$ 164,561	$ 15,236	$ 53,118	$ 98,945
17								
18	Income Taxes	Rb-Dem	$ 239,083	$ 118,053	$ 60,016	$ 5,557	$ 19,372	$ 36,085
19								
20								
21	Revenue Requirement		$6,328,466	$3,434,252	$1,759,460	$ 163,884	$ 320,089	$ 650,781

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
PRODUCTION - CLASSIFICATION

Line No.	Item	Total	Customer	Demand	Commodity	Direct	Notes
		(a)	(b)	(c)	(d)	(e)	(f)
1	Depre. & Amortization	$ 81,685	$ -	$ 81,685	$ -	$ -	[1][2][3]
2							
3	Property & Other Taxes	$ 11,946	$ -	$ 11,946	$ -	$ -	[2][4]
4							
5	Return	$ 9,342	$ -	$ 9,342	$ -	$ -	[2][5]
6							
7	Income Taxes	$ 3,653	$ -	$ 3,653	$ -	$ -	[2][6]
8							
9							
10	Revenue Requirement	$106,626	$ -	$106,626	$ -	$ -	

NOTES
[1] Total From Sheet 1
[2] Classified Based On Rate Base Classification Percentage Table, Sheet 2
[3] Allocated To Functions On Sheet 1
[4] Total From Sheet 3; Allocated To Functions By Gross Plant Pct., Sheet 1
[5] Rate Of Return From Sheet 3; Applied To Functional Rate Base, Page 3
[6] Total From Sheet 3; Allocated To Functions By Rate Base Pct., Sheet 1

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Allocation of PRODUCTION COSTS to Classes of Service

Line No.	Item	Alloc. Factor (a)	Total (b)	Firm Residential (c)	Firm Commercial (d)	Firm Industrial (e)	Interr. & Carriage (f)	Large Int. & Carr. (g)
1	Depre. & Amortization	Rb-Dem	$ 81,685	$ 40,334	$ 20,505	$ 1,898	$ 6,619	$ 12,329
2								
3	Property & Other Taxes	Rb-Dem	$ 11,946	$ 5,899	$ 2,999	$ 278	$ 968	$ 1,802
4								
5	Return	Rb-Dem	$ 9,342	$ 4,613	$ 2,345	$ 217	$ 757	$ 1,410
6								
7	Income Taxes	Rb-Dem	$ 3,653	$ 1,804	$ 917	$ 85	$ 296	$ 551
8								
9								
10	Revenue Requirement		$ 106,626	$ 52,650	$ 26,766	$ 2,478	$ 8,640	$ 16,092

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Derivation of COST ALLOCATORS at Normalized Volumes

Line No.	Item	Total	Firm Residential	Firm Commercial	Firm Industrial	Interr. & Carriage	Large Int. & Carr.	Cost Allocator
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Annual Volume-Mcf							
2	Total	44,050,212	10,293,738	6,036,512	715,420	8,282,786	18,721,756	
3		0.9999	0.2337	0.1370	0.0162	0.1880	0.4250	Vol-A
4	Regular Sales	17,888,214	10,293,738	6,036,512	701,093	760,202	96,669	
5		0.9999	0.5754	0.3375	0.0392	0.0425	0.0053	Sales
6	LVS Sales	68,647	0	0	0	68,647	0	
7		1.0000	0.0000	0.0000	0.0000	1.0000	0.0000	LVS
8	Total Sales	17,956,861	10,293,738	6,036,512	701,093	828,849	96,669	
9		1.0000	0.5732	0.3362	0.0390	0.0462	0.0054	TotSales
10	Sales & Stand-by [1]	18,474,580	10,293,738	6,036,512	715,420	1,149,880	279,030	
11		1.0000	0.5572	0.3267	0.0387	0.0622	0.0152	W/Gas
12								
13	Winter Period-Mcf [2]							
14	Total	13,641,411	8,035,973	4,311,039	475,624	698,886	119,889	
15		1.0000	0.5891	0.3160	0.0349	0.0512	0.0088	Winter
16								
17	Design Day-Mcf [3]							
18	G-1	268,831	172,546	87,574	8,093	498	120	
19	G-2/T-3/T-4	140,977				49,097	91,880	
20	Total	409,808	172,546	87,574	8,093	49,595	92,000	
21	Not Curtailed	1.0000	0.4210	0.2137	0.0197	0.1210	0.2246	Design-A
22	Curtailed	1.0000	0.6418	0.3258	0.0301	0.0019	0.0004	Design-B
23								
24	No. Of Customers							
25	12 Month Average	173,639	153,995	19,217	219	180	29	
26	Percent	1.0000	0.8869	0.1107	0.0012	0.0010	0.0002	Cust-A
27	Wt., R/C/I=1:4:10 [4]	1.0000	0.6549	0.3269	0.0093	0.0077	0.0012	Cust-B
28	Wt., 1:4:4:20:100	0.9999	0.6463	0.3227	0.0037	0.0151	0.0121	Cust-C
29								
30	Excl. Industrial	173,211	153,995	19,217				
31	Wt., 1:3.3	1.0000	0.7083	0.2917				Cust-D
32								
33	Large Customers [5]	209		0	0	180	29	
34	Weighted, 1:1:5	1.0000		0.0000	0.0000	0.5546	0.4454	Cust-E
35								
36	Meter Investment		153,995	19,217	219	180		
37	Wt., 1:3.3:21.4	1.0000	0.6816	0.2807	0.0207	0.0170		Cust-M
38								
39	Average & Peak [6]	1.0000	0.5650	0.2902	0.0275	0.0369	0.0804	A&P
40	Avg & Peak for Gas [7]	1.0001	0.6259	0.3260	0.0317	0.0133	0.0032	A&P/Gas
41	Load Factor [8]	0.1883						

Notes [1] Total sales volumes plus transportation volumes with sales stand-by rights
[2] Sales and Standby November Through March
[3] Daily Contract Demands For Rate 1 Industrial, G-2 And Large G-2 Customers And Estimated Design Day Use For Other Customers
[4] Number of Customers are weighted: Residential/Commercial/Industrial = 1/4/10
[5] G-1 Customers With 240 Mcf Daily Contract Demand Plus G-2 & Large G-2 Customers
[6] Vol-A Times Load Factor Plus Design-B Times One Minus Load Factor
[7] W/Gas Times Load Factor Plus Design-B Times One Minus Load Factor
[8] Normalized Annual Sales & Standby Volumes Divided By Annualized Design Day System Requirements

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Derivation of COST ALLOCATORS from Rate Base

Line No.	Cost Component	Cost Allocator	Total	Firm Residential	Firm Commercial	Firm Industrial	Interr. & Carriage	Large Int. & Carr.
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Customer		$ 82,199,922	$ 58,628,234	$22,558,268	$ 255,222	$ 482,420	$ 275,780
2		Rb-Cus	1.00000	0.71324	0.27443	0.00310	0.00587	0.00335
3								
4	Demand		$ 73,763,173	$ 36,422,228	$18,516,461	$1,714,364	$ 5,976,858	$11,133,263
5		Rb-Dem	1.00000	0.49377	0.25103	0.02324	0.08103	0.15093
6								
7	Commodity		$ 18,931,272	$ 11,152,412	$ 5,982,282	$ 660,701	$ 969,281	$ 166,596
8		Rb-Com	1.00000	0.58910	0.31600	0.03490	0.05120	0.00880
9								
10	Direct		$ 2,507,685	$ -	$ -	$ -	$ 1,390,762	$ 1,116,923
11		Rb-Dir	1.00000	0.00000	0.00000	0.00000	0.55460	0.44540
12								
13								
14	TOTAL		$177,402,053	$106,202,873	$47,057,010	$2,630,286	$ 8,819,321	$12,692,562
15								
16		Rb-Total	1.00000	0.59866	0.26526	0.01483	0.04971	0.07155

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY ANALYSIS
TWELVE MONTHS ENDED AUGUST 31, 2006

Line No.	Class of Customers	Number Of Bills (a)	Mcf (b)	Rate (c)	Total Revenue (d)	Sales & Standby Winter Volumes	wna adjustment total	wna adjustment winter	Weather Adjusted Volumes	Weather Adjusted Revenue
1	RESIDENTIAL (Rate G-1)									
2	FIRM BILLS	1,847,935		$7.50	$13,859,513					$13,859,513
3	Sales: 1-300		9,530,164	1.1900	11,340,896	7,311,922	719,909	697,273	10,250,074	12,197,588
4	Sales: 301-1500		43,664	0.6590	28,775	26,778			43,664	28,775
5	Sales: Over 1500		0	0.4300	0					0
6	CLASS TOTAL	1,847,935	9,573,828		$25,229,184	7,338,700	719,909	697,273	10,293,738	$26,085,876
7										
8										
9	FIRM COMMERCIAL (Rate G-1)									
10	FIRM BILLS	230,602		$20.00	$4,612,040					$4,612,040
11	Sales: 1-300		4,856,779	1.1900	5,779,567	3,378,160	285,253	273,607	5,142,032	6,119,018
12	Sales: 301-15000		838,197	0.6590	552,372	605,614	55,883	53,258	894,080	589,199
13	Sales: Over 1500		400	0.4300	172	400			400	172
14	CLASS TOTAL	230,602	5,695,376		$10,944,151	3,984,174	341,136	326,865	6,036,512	$11,320,429
15										
16	FIRM INDUSTRIAL									
17	FIRM BILLS	2,625		$20.00	$52,499				0	$52,499
18	Trans Admin Fee	45		50.00	2,250				0	$2,250
19	Parking Fee		793	0.1000	79				793	$79
20	Firm Sales: 1-300		305,032	1.1900	362,988	193,152			305,032	$362,988
21	Firm Sales: 301-15000		396,061	0.6590	261,004	281,406			396,061	$261,004
22	Firm Sales: Over 1500		0	0.4300	0	0			0	$0
23	Firm Transport: 1-300		3,169	1.1900	3,771	120			3,169	$3,771
24	Firm Transport: 301-15000		11,158	0.6590	7,353	947			11,158	$7,353
25	Firm Transport: Over 1500		0	0.4300	0	0			0	$0
26	CLASS TOTAL	2,625	715,420		$689,945	475,624			715,420	$689,945
27										
28	INTERRUPTIBLE CUSTOMERS									
25	Bills	2,109		$220.00	$463,980				0	$463,980
26	Trans Admin Fee	1,882		$50.00	94,100				0	$94,100
	Overrun Revenues				14,207					$14,207
	EFM Fee	1,318		Various	145,960				0	$145,960
29	Parking Fee		272,175	0.1000	27,217				272,175	$27,217
30	Firm Sales: 1-300		5,468	1.1900	6,507	2,973			5,468	$6,507
31	Firm Sales: 301-15000		4,118	0.6590	2,714	3,963			4,118	$2,714
32	Firm Sales: Over 1500		0	0.4300	0	0			0	$0
33	Firm Transport: 1-300		8,029	1.1900	9,555	3,906			8,029	$9,555
34	Firm Transport: 301-15000		75,254	0.6590	49,592	33,315			75,254	$49,592
35	Firm Transport: Over 1500		0	0.4300	0	0			0	$0
36	Firm LVS: 1-300		0	1.1900	0	0			0	$0
37	Firm LVS: 301-15000		0	0.6590	0	0			0	$0
38	Firm LVS: Over 1500		0	0.4300	0	0			0	$0
39	T-4 Firm Carriage: 1-300		329,514	1.1900	392,122				329,514	$392,122
40	T-4 Firm Carriage: 301-15000		3,275,044	0.6590	2,158,254				3,275,044	$2,158,254
41	T-4 Firm Carriage: Over 1500		39,406	0.4300	16,945				39,406	$16,945
42	Interrupt Sales: 1-15000		561,881	0.5300	297,797	263,267			561,881	$297,797
43	Interrupt Sales: Over 15000		188,735	0.3591	67,775	98,206			188,735	$67,775
44	Interrupt Transport: 1-15000		237,748	0.5300	126,006	253,320			237,748	$126,006
45	Interrupt Transport: Over 15000		-	0.3591	0	79			0	$0
46	Interrupt LVS: 1-15000		68,647	0.5300	36,383	39,857			68,647	$36,383
47	Interrupt LVS: Over 15000		0	0.3591	0	0			0	$0
48	T-3 Interr Carriage: 1-15000		2,895,489	0.5300	1,534,609				2,895,489	$1,534,609
49	T-3 Interr Carriage: Over 15000		50,541	0.3591	18,149				50,541	$18,149
50	T-4 Overrun: 1-300			1.1900	0				0	$0
51	T-4 Overrun: 301-15000			0.6590	0				0	$0
52	T-4 Over Run: Over 1500			0.4300	0				0	$0
53	Special Contracts	51	542,912	Various	145,913				542,912	$145,913
54	CLASS TOTAL	2,160	8,282,786		$5,607,785	698,886			8,282,786	$5,607,785
55										
56										
57	LARGE INTERRUPTIBLE CUSTOMERS									
[illegible]	Bills	179		$220.00	39,380				0	39,380
	Trans Admin Fee	179		50.00	8,950				0	8,950
[illegible]	Overrun Revenues				11,082					11,082
61	EFM Fee	132		Various	17,220				0	17,220
62	Parking Fee		189,910	0.1000	18,991				189,910	18,991
63	Firm Sales: 1-300		0	1.1900	0				0	0
64	Firm Sales: 301-15000		0	0.6590	0				0	0
65	Firm Sales: Over 1500		0	0.4300	0				0	0
66	Firm Transport: 1-300		0	1.1900	0	0			0	0

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY ANALYSIS
TWELVE MONTHS ENDED AUGUST 31, 2006

Line No.	Class of Customers	Number Of Bills (a)	Mcf (b)	Rate (c)	Total Revenue (d)	Sales & Standby Winter Volumes	wna adjustment total	wna adjustment winter	Weather Adjusted Volumes	Weather Adjusted Revenue
67	Firm Transport: 301-15000		0	0.6590	0	0			0	0
68	Firm Transport: Over 1500		0	0.4300	0	0			0	0
69	Firm LVS: 1-300		0	1.1900	0				0	0
70	Firm LVS: 301-15000		0	0.6590	0				0	0
71	Firm LVS: Over 1500		0	0.4300	0				0	0
72	T-4: 1-300		28,500	1.1900	33,915	0			28,500	33,915
73	T-4: 301-15000		1,097,209	0.6590	723,061	0			1,097,209	723,061
74	T-4: Over 1500		531,460	0.4300	228,528	0			531,460	228,528
75	Interrupt Sales: 1-15000		60,000	0.5300	31,800	30,000			60,000	31,800
76	Interrupt Sales: Over 15000		36,669	0.3591	13,168	18,619			36,669	13,168
77	Interrupt Transport: 1-15000		120,000	0.5300	63,600	45,000			120,000	63,600
78	Interrupt Transport: Over 15000		62,361	0.3591	22,394	26,270			62,361	22,394
79	Interrupt LVS: 1-15000		0	0.5300	0				0	0
80	Interrupt LVS: Over 15000		0	0.3591	0				0	0
81	T-3 Interr Carriage: 1-15000		1,374,300	0.5300	728,379	0			1,374,300	728,379
82	T-3 Interr Carriage: Over 15000		1,695,149	0.3591	608,728	0			1,695,149	608,728
83	T-4 OVerrun: 1-300			1.1900	0				0	0
84	T-4 Overrun: 301-15000			0.6590	0				0	0
85	T-4 Over Run: Over 1500			0.4300	0				0	0
86	Special Contracts	168	13,716,108	Various	1,501,282	0			13,716,108	1,501,282
87	CLASS TOTAL	347	18,721,756		$4,050,478	119,889			18,721,756	$4,050,478
88										
89										
90										
91	TOTAL REVENUES	2,083,669	42,989,167		$46,521,544	12,617,273			44,050,212	$47,754,514

ATMOS ENERGY CORPORATION - KENTUCKY
CLASS COST OF SERVICE STUDY
Monthly Customer Cost

Line No.	Customer Cost	Total (a)	Firm Residential (b)	Firm Commercial (c)	Firm Industrial (d)	Interr. & Carriage (e)	Large Int. & Carr. (f)
1	O &M Expense	$ 7,767,594	$ 5,454,334	$2,033,421	$ 53,804	$ 141,304	$ 84,731
2							
3	Depreciation & Amortization	$ 7,062,930	$ 4,888,433	$1,880,913	$ 21,280	$ 156,183	$ 116,121
4							
5	Property & Other Taxes	$ 2,044,621	$ 1,415,134	$ 544,498	$ 6,160	$ 45,212	$ 33,617
6							
7	Income Taxes	$ 2,492,691	$ 1,725,254	$ 663,823	$ 7,510	$ 55,121	$ 40,983
8							
9	Return	$ 6,827,615	$ 4,725,566	$1,818,246	$ 20,571	$ 150,979	$ 112,253
10							
11							
12	Total	$26,195,451	$18,208,721	$6,940,901	$ 109,325	$ 548,799	$ 387,705
13							
14							
15	Number Of Customers	173,639	153,995	19,217	219	180	29
16							
17	Customer Cost Per Customer						
18	Per Month	$ 12.57	$ 9.85	$ 30.10	$ 41.65	$ 254.07	$1,117.31

ATMOS ENERGY CORPORATION - KENTUCKY
FUNCTIONAL ALLOCATIONS

Line No.		Total (a)	Storage (c)	Distribution (d)	Transmission (e)	Production (f)	Sub Total (g)	Intangible (h)	General Plant (i)	Shared Services Allocated In (j)
	RATE BASE ITEMS									
1	Gas Plant [1]	$ 298,500,757	$ 6,700,993	$ 236,923,526	$ 26,119,858	$ 907,486	$ 270,651,863	$ 128,182	$ 15,278,293	$ 12,442,418
2	Gross Plant Pct. (Grsplt%)		2.48%	87.54%	9.65%	0.33%	100.00%			
3	Other Alloc By Grsplt%		$ 690,653	$ 24,378,922	$ 2,687,418	$ 91,901	$ 27,848,894			
4	With Alloc By Grsplt%	$ 298,500,757	$ 7,391,646	$ 261,302,448	$ 28,807,276	$ 999,387	$ 298,500,757			
5	In Progress	$ 3,256,086	$ 80,751	$ 2,850,378	$ 314,212	$ 10,745	$ 3,256,086	$ -	$ -	$ 924,245
6	With Alloc By Grsplt%	$ 4,180,331	$ 103,672	$ 3,659,462	$ 403,402	$ 13,795	$ 4,180,331			
7	Reserve For Depreciation	$ 129,917,266	$ 4,110,854	$ 94,673,742	$ 17,338,794	$ 756,290	$ 116,879,680	$ 128,182	$ 6,705,439	$ 6,203,965
8	With Alloc By Grsplt%	$ 129,917,266	$ 4,434,186	$ 106,086,845	$ 18,596,921	$ 799,314	$ 129,917,266			
9										
10	Net Rate Base	$ 177,404,314	$ 37,862,544	$ 131,292,416	$ 8,133,449	$ 115,904				
11	Rate Base Percentage	100.00%	21.34%	74.01%	4.58%	0.07%				
11	EXPENSES									
12	Deprec. & Amort. Expense	$ 11,638,071	$ -	$ 9,134,536	$ 358,373	$ 74,854	$ 9,567,763	$ -	$ 1,071,256	$ 999,052
13	With Alloc By Grsplt%	$ 11,638,071	$ 51,344	$ 10,946,884	$ 558,158	$ 81,685	$ 11,638,071			
14	Admin.& General Expense [2]	$ 8,318,088	$ 185,687	$ 6,227,290	$ 1,905,111	$ -				
15	Other Non-Gas O&M	$ 11,444,781	$ 255,485	$ 8,568,071	$ 2,621,225	$ -				
16	Operation & Maintenance	$ 19,762,869	$ 441,172	$ 14,795,361	$ 4,526,336	$ -				
17	O&M Percentage	100.00%	2.23%	74.87%	22.90%	0.00%				

[1] See Sheet 10
[2] Administrative And General Expenses Allocated To Functions In Proportion To Other Non-Gas O&M

ATMOS ENERGY CORPORATION - KENTUCKY
SUPPORT FOR CLASSIFICATIONS

Line No.		Category		Total (a)		Customer (b)	Demand (c)	Commodity (d)	Direct (e)	
	ACCT.	DISTRIBUTION PLANT ACCOUNT								
1	37400	Land & Land Right Grp	$	98,315	$	20,151	$ 78,164			
2	37401	Land	$	51,571	$	10,570	$ 41,001			
3	37402	Land Rights	$	244,565	$	50,126	$ 194,439			
4	37403	Land Other	$	2,784	$	571	$ 2,213			
5	37500	Structures & Improvement	$	312,033	$	63,954	$ 248,079			
6	37501	Struct. & Improv. - T	$	105,699	$	21,664	$ 84,035			
7	37502	Land Rights	$	46,591	$	9,549	$ 37,042			
8	37503	Improvements	$	4,005	$	821	$ 3,184			
9	37600	Mains - Cathodic Prot	$	9,948,689	$	2,039,081	$ 7,909,608			
10	37601	Mains - Steel	$	63,736,706	$	13,063,458	$ 50,673,248			
11	37602	Mains - Plastic	$	25,366,130	$	5,199,035	$ 20,167,095			
12	37800	Meas. And Reg. Sta. E	$	2,939,387	$	602,456	$ 2,336,931			
13	37900	Meas & Reg Station Eq	$	1,225,729	$	251,225	$ 974,504			
14	37905	Meas & Reg Sta Eq - C	$	1,636,212	$	335,357	$ 1,300,855			
15	38000	Services	$	73,454,633	$	73,454,633				
16	38100	Meters	$	13,775,694	$	13,775,694				
17	38200	Meter Installations	$	34,297,992	$	34,297,992				
18	38300	House Regulators Insta	$	4,986,161	$	4,986,161				
19	38400	House Regulators Relief	$	154,276	$	154,276				
20	38500	Industrial Measuring	$	4,530,661					$ 4,530,661	
21	38600	Other Prop On Customer	$	5,693	$	5,693				
	TOTAL DISTRIBUTION PLANT		$	236,923,526	$	148,342,467	$ 84,050,398	$ -	$ 4,530,661	$ 236,923,526
		Percent Of Total		100.00%		62.61%	35.48%	0.00%	1.91%	

PERCENT OF TOTAL CLASSIFICATION IN ACCOUNTS:

		Customer	Demand	Direct
37600 37601 37602	Mains Total	13.69%	93.69%	
38000	Services	49.52%	0.00%	
38100	Meters	9.29%	0.00%	
	All Others	27.50%	6.31%	100.00%
	Total	100.00%	100.00%	100.00%

RATE BASE - CLASSIFICATION PERCENTAGE

	Total	Customer	Demand	Commodity	Direct
Storage	100.00%	0.00%	50.00%	50.00%	0.00%
Distribution	100.00%	62.61%	35.48%	0.00%	1.91%
Transmission	100.00%	0.00%	100.00%	0.00%	0.00%
Production	100.00%	0.00%	100.00%	0.00%	0.00%
Total Rate Base	100.00%	46.34%	41.58%	10.67%	1.41%

ATMOS ENERGY CORPORATION - KENTUCKY
MISCELLANEOUS INPUTS

line no.	O&M To Functions - Detail	Per Books (a)	Adjustments (b)	Total (c)
1	Storage: 818 & 819	$ 67,836		$ 67,836
2	Storage: Other Accounts	$ 187,649		$ 187,649
3	Transmission	$ 2,460,502		$ 2,460,502
4	Distribution: 878,879,880,892,893,894	$ 1,261,303		$ 1,261,303
5	Distribution: 876 & 890	$ 174,440		$ 174,440
6	Distribution: Other Accounts	$ 3,592,429		$ 3,592,429
7	Customer Accts & Services: 901 - 910	$ 3,519,785		$ 3,519,785
8	Sales Expenses: 911 - 916	$ 180,837		$ 180,837
9	A&G Expenses	$ 8,318,088		$ 8,318,088
10				
11	Total Non-Gas O&M And A&G	$ 19,762,869		$ 19,762,869
12				
13				
14				
15	Plant Allocator (From Sheet 6)			
16	Demand	0.7950		
17	Customer	0.2050		
18				
19	Interest Expense	$ 6,315,594		
20				
21	Combined Income Tax Rate	0.3955		
22	Income Taxes	$ 5,220,157		
23				
24	Property & Other Taxes	$ 3,620,029		
25				
26				
27	Proposed after tax return on Rate Base			
28	Equity return	4.50%		
29	Debt return	3.56%		
30	Proposed Rate Of Return On Rate Base	8.06%		
31				
32				
33	Pretax return on Rate Base			
34	Equity return	7.44%		
35	Debt return	3.56%		
36	Total return	11.00%		
37				
38				

lt	54.12%	6.00%	0.0325
st	4.94%	6.37%	0.0031
eq	40.94%	11.00%	0.045
	100.00%		8.060%

ATMOS ENERGY CORPORATION - KENTUCKY
TOTALS FROM PAGES 6 THROUGH 13 OF STUDY

Line No.	Classification	(a) Total	(b) Customer	(c) Demand	(d) Commodity	(e) Direct	
1	O & M	$ 19,762,869	$ 7,593,154	$ 9,484,171	$2,511,104	$ 174,440	
2	Depreciation & Amort	$ 11,638,071	$ 6,853,845	$ 4,549,469	$ 25,672	$ 209,085	
3	Property & Other Taxes	$ 3,620,029	$ 1,984,094	$ 1,530,520	$ 44,888	$ 60,527	
4	Return	$ 14,298,788	$ 6,625,496	$ 5,945,313	$1,525,860	$ 202,119	
5	Income Taxes	$ 5,220,157	$ 2,418,899	$ 2,170,475	$ 556,991	$ 73,792	
6	Revenue Requirement	$ 54,539,914	$25,475,488	$ 23,679,948	$4,664,515	$ 719,963	
7			(1)			(1)	
8	(1) Sum of Customer and Customer Direct Assigment Revenue Requirements equals Total shown on page 17						
9							
10							
11							
12			Firm	Firm	Firm	Interr. &	Large
13	Allocation To Classes	Total	Residential	Commercial	Industrial	Carriage	Int. & Carr.
14							
15	O & M	$ 19,762,869	$10,794,331	$ 4,804,661	$ 322,075	$1,336,780	$ 2,505,022
16	Depreciation & Amort	$ 11,638,071	$ 7,149,959	$ 3,031,059	$ 127,912	$ 526,130	$ 803,010
17	Property & Other Taxes	$ 3,620,029	$ 2,197,307	$ 942,883	$ 43,299	$ 171,525	$ 265,016
18	Return	$ 14,298,788	$ 8,560,082	$ 3,792,846	$ 212,000	$ 710,838	$ 1,023,022
19	Income Taxes	$ 5,220,157	$ 3,125,099	$ 1,384,677	$ 77,394	$ 259,508	$ 373,479
20	Revenue Requirement	$ 54,539,914	$31,826,778	$ 13,956,125	$ 782,680	$3,004,782	$ 4,969,549

ATMOS ENERGY CORPORATION - KENTUCKY
REVENUE AT PRESENT RATES

Line No.	Cost Item	Total	Firm Residential	Firm Commercial	Firm Industrial	Interr. & Carriage	Large Int. & Carr.
		(a)	(b)	(c)	(d)	(e)	(f)
1							
2	Revenue:						
3							
4	Gas Operating Margins	$47,591,334	$26,085,876	$11,320,429	$689,945	$5,461,825	$4,033,258
5							
6	EFM Revenue	$ 163,180	$ -	$ -	$ -	$145,960	$ 17,220
7							
8	Other Revenue	$ 2,861,602	$ 2,537,955	$ 316,779	$ 3,434	$ 2,862	$ 572
9							
10	Total Operating Margins	$50,616,116	$28,623,831	$11,637,208	$ 693,379	$ 5,610,647	$ 4,051,050

ATMOS ENERGY CORPORATION - KENTUCKY
DISTRIBUTION MAINS STUDY
Test Year Ended August 31, 2006

Line No.	(1) Discription	(2) X	(3) W Feet		(4) W*Y Gross Cost of Plant		(5) Y Unit Cost	(6) Y*W^0.5	(7) W^0.5	(8) X*W^0.5	(9) Est Y
1	Distribution Main Pipe, Steel, X<=1in.	0.5	729,055	$	2,385,319	$	3.2718	$ 2,793.6130	853.8472	426.9236	$2.00
2	Distribution Main Pipe, Steel, 1 in<X<=2 in	2	8,593,162	$	32,051,561	$	3.7299	$ 10,933.8392	2,931.4096	5,862.8191	$4.51
3	Distribution Main Pipe, Steel, 2 in<X<=3 in	3	425,462	$	1,420,679	$	3.3391	$ 2,178.0386	652.2745	1,956.8234	$6.18
4	Distribution Main Pipe, Steel, 3 in<X<=4 in	4	2,953,926	$	23,007,868	$	7.7889	$ 13,386.7939	1,718.6989	6,874.7957	$7.85
5	Distribution Main Pipe, Steel, 4 in<X<=6 in	6	54,823	$	1,985,771	$	36.2215	$ 8,481.0121	234.1431	1,404.8587	$11.19
6	Distribution Main Pipe, Steel, 6 in<X<=8 in	8	846,187	$	9,689,153	$	11.4504	$ 10,533.0137	919.8842	7,359.0739	$14.53
7	Distribution Main Pipe, Steel, 8 in<X<=12 in	12	15,479	$	873,814	$	56.4516	$ 7,023.3987	124.4146	1,492.9756	$21.22
8	Distribution Main Pipe, PE, X<=1 in	0.5	6,432	$	99,003	$	15.3923	$ 1,234.4577	80.1998	40.0999	$2.00
9	Distribution Main Pipe, PE, 1in<X<=2 in	2	3,069,456	$	18,231,590	$	5.9397	$ 10,406.2403	1,751.9863	3,503.9726	$4.51
10	Distribution Main Pipe, PE, 2 in<X<=3 in	3	59,968	$	599,506	$	9.9971	$ 2,448.1240	244.8836	734.6509	$6.18
11	Distribution Main Pipe, PE, 3 in<X<=4 in	4	678,253	$	7,738,972	$	11.4102	$ 9,396.9606	823.5612	3,294.2447	$7.85
12	Distribution Main Pipe, PE, 4 in<X<=6 in	6	25,302	$	968,289	$	38.2693	$ 6,087.3432	159.0660	954.3961	$11.19
13	**Total**	51.00	17,457,505	$	99,051,525						

Least Square Regression Summary

Regression Statistics	
Multiple R	0.929392477
R Square	0.863770376
Adjusted R Square	0.750147414
Standard Error	3269.482447
Observations	12

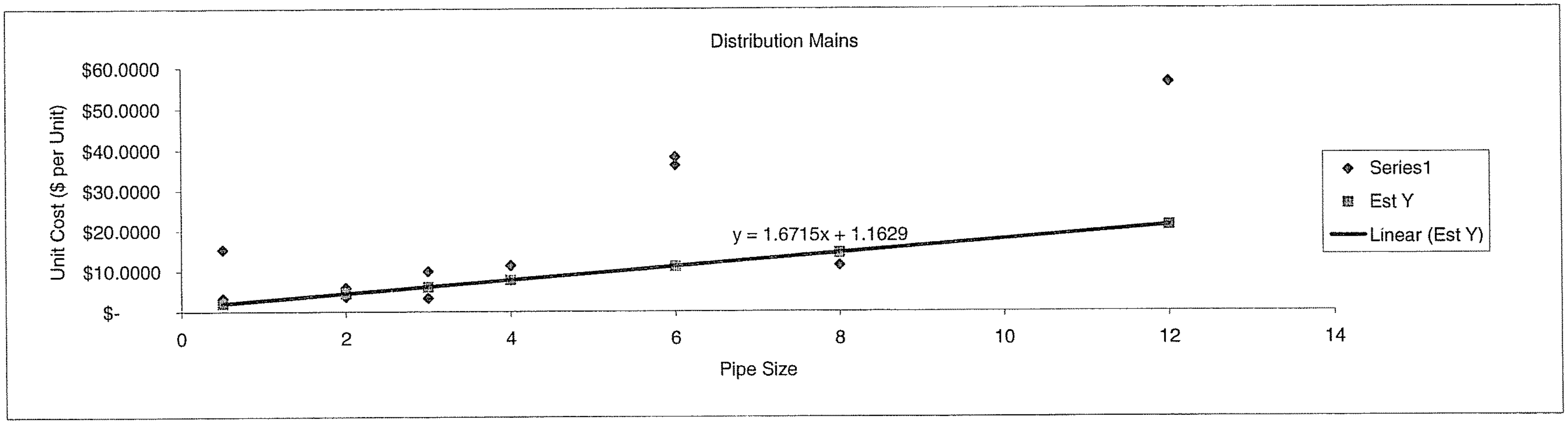
	Regression Minimum	
Demand	$78,749,951	79.50%
Customer	$20,301,573	20.50%

ANOVA

	df	SS	MS	F	Significance F
Regression	2	677773787.6	338886893.8	31.70273664	8.41628E-05
Residual	10	106895154.7	10689515.47		
Total	12	784668942.4			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Zero Intercept	1.16291379	1.578357365	0.736787382	0.478180976	-2.353885561	4.679713141	-2.353885561	4.679713141
Size Coefficient	1.671477389	0.507906435	3.290915952	0.008137421	0.539791333	2.803163445	0.539791333	2.803163445

Trendline for Estimated Unit Cost



ATMOS ENERGY CORPORATION - KENTUCKY
METER ANALYSIS
September 1998

Meters	Type	Number	Investment	Invest/Meter
(a)	(b)	(c)	(d)	(e)
Group A	Meters with Capacity of 250 CFH or Less (Class 1)	178,703	$12,771,575.58	$71.47
Group B	Meters with Capacity of Greater Than 250 CFH and Less Than or Equal to 450 CFH (Class 2)	5,412	$783,564.00	$144.78
Group C	Meters with Capacity of Greater Than 450 CFH			
	(Class 3)	1,335	$972,082.36	$728.15
	(Class 4)	682	$627,292.63	$919.78
	(Class 5)	483	$284,647.21	$589.33
	(Class 6)	356	$389,827.03	$1,095.02
	(Class 7)	287	$163,227.72	$568.74
	(Class 8)	195	$264,219.70	$1,354.97
	(Class 9)	733	$1,119,758.42	$1,527.64
	(Classes 3 - 9)	4,071	$3,821,055.07	$938.60
Total		188,186	$17,376,194.65	$92.34

Number of Customers:

Residential	154,661
Commercial	19,084
Industrial & Interr. < 1,000 Contract Demand	352
Sub-total	174,097
Industrial & Interr. > 1,000 Contract Demand	30
Total	174,127

Assumptions

1. All Residential Meters are in Group A
2. All Industrial Meters are in Group C
3. The average value for Industrial Meters is based on Class 9 Meters
4. Commercial Meters fall into all three Groups
5. Customers with Daily Contract Demands in excess of 1,000 do not have meter investment in Account 381
6. Meters in Inventory are in proportion to Meters in use

ATMOS ENERGY CORPORATION - KENTUCKY

METER ANALYSIS

September 1994

Analysis:	(a)	(b)	(c)	(d)
Meters		188,186		
Net Customers		174,097		
Ratio of Meters to Customers		108.09%		

Meter Allocation:

	Total	Residential	Commercial	Indus/Inter.
Net Customers	174,097	154,661	19,084	352
Meters				
Group A	178,703	167,173	11,530	
Group B	5,412		5,412	
Group C	4,071		3,691	380
Total	188,186	167,173	20,633	380

Meters - Gross Plant Value:

	Total Meters	Total Investment	Invest. Per Meter
Group A	178,703	$12,771,575.58	$71.47
Group B	5,412	$783,564.00	$144.78
Group C -Comm.	3,691	$3,240,551.87	$877.96
Group C -Ind./Inter.	380	$580,503.20	$1,527.64
Total	188,186	$17,376,194.65	$92.34

Gross Plant Value Allocation:

	Total	Residential	Commercial	Industrial
Group A	$12,771,903.41	$11,947,854.31	$824,049.10	
Group B	$783,549.36		$783,549.36	
Group C -Comm.	$3,240,550.36		$3,240,550.36	
Group C -Ind./Inter.	$580,503.20			$580,503.20
Total	$17,376,506.33	$11,947,854.31	$4,848,148.82	$580,503.20
Meters	188,186	167,173	20,633	380
Investment/Meter		$71.47	$234.97	$1,527.64
Relative Investment		1.0	3.3	21.4

ATMOS ENERGY CORPORATION - KENTUCKY
GAS PLANT AND ACCUMULATED DEPRECIATION
AS OF AUGUST 31, 2006

End Month	Account	Description	Plant in Service	Reserve	Net Book Value	
08/2006	30100	Organization Grp	$ 8,329.72	$ (8,329.72)	$ -	Intangible Plant
08/2006	30200	Franch & Consent Grp	$ 119,852.69	$ (119,852.69)	$ -	Intangible Plant
		Total Intangible Plant	**$ 128,182.41**	**$ (128,182.41)**	**$ -**	
08/2006	32520	Producing Leaseholds	$ 2,352.50	$ -	$ 2,352.50	Production Plant
08/2006	32540	Rights-Of-Way	$ 83,422.32	$ -	$ 83,422.32	Production Plant
08/2006	33100	Producing Gas Wells -	$ 3,492.47	$ (3,492.47)	$ -	Production Plant
08/2006	33201	Field Lines	$ 47,162.67	$ (47,162.67)	$ -	Production Plant
08/2006	33202	Tributary Lines	$ 528,218.00	$ (529,956.16)	$ (1,738.16)	Production Plant
08/2006	33400	Field Measuring And R	$ 198,468.81	$ (198,468.81)	$ -	Production Plant
08/2006	33600	Purification Equipmen	$ 44,369.30	$ -	$ 44,369.30	Production Plant
		Total Production Plant	**$ 907,486.07**	**$ (779,080.11)**	**$ 128,405.96**	
08/2006	35010	Land	$ 261,126.69	$ -	$ 261,126.69	Underground Storage Plant
08/2006	35020	Rights-Of-Way	$ 4,681.58	$ (4,681.58)	$ -	Underground Storage Plant
08/2006	35100	Structures And Improv	$ 4,700.19	$ (1,664.60)	$ 3,035.59	Underground Storage Plant
08/2006	35102	Compressor Station Eq	$ 159,811.30	$ (115,808.42)	$ 44,002.88	Underground Storage Plant
08/2006	35103	Measuring And Reg. St	$ 23,138.38	$ (23,948.15)	$ (809.77)	Underground Storage Plant
08/2006	35104	Other Structures	$ 144,554.11	$ (130,597.59)	$ 13,956.52	Underground Storage Plant
08/2006	35200	Rights Of Way	$ 62,814.28	$ (35,490.82)	$ 27,323.46	Underground Storage Plant
08/2006	35201	Well Construction	$ 2,113,527.20	$ (1,735,738.84)	$ 377,788.36	Underground Storage Plant
08/2006	35202	Well Equipment	$ 531,953.88	$ (556,380.94)	$ (24,427.06)	Underground Storage Plant
08/2006	35203	Cushion Gas Grp	**$ 1,694,832.96**	**$ -**	**$ 1,694,832.96**	Storage Cushion Gas
08/2006	35210	Storage Leaseholds An	$ 178,530.09	$ (178,619.35)	$ (89.26)	Underground Storage Plant
08/2006	35211	Storage Rights	$ 54,614.27	$ (51,066.37)	$ 3,547.90	Underground Storage Plant
08/2006	35301	Storage Field Lines	$ 178,500.50	$ (182,870.52)	$ (4,370.02)	Underground Storage Plant
08/2006	35302	Storage Tributary Lin	$ 209,458.21	$ (214,586.19)	$ (5,127.98)	Underground Storage Plant
08/2006	35400	Compressor Station Eq	$ 546,780.23	$ (474,051.57)	$ 72,728.66	Underground Storage Plant
08/2006	35500	Measuring And Regulat	$ 288,850.55	$ (285,577.69)	$ 3,272.86	Underground Storage Plant
08/2006	35600	Purification Equipmen	$ 243,118.68	$ (243,645.44)	$ (526.76)	Underground Storage Plant
		Total UG Storage Plant	**$ 6,700,993.10**	**$ (4,234,728.07)**	**$ 2,466,265.03**	
08/2006	36510	Land & Land Rights	$ 26,970.37	$ (15.94)	$ 26,954.43	Transmission Plant
08/2006	36520	Rights-Of-Way	$ 812,196.48	$ (330,710.26)	$ 481,486.22	Transmission Plant
08/2006	36602	Meas. & Reg. Sta. Str	$ 214,065.34	$ (13,260.60)	$ 200,804.74	Transmission Plant
08/2006	36603	Other Structures	$ 69,172.41	$ (60,444.62)	$ 8,727.79	Transmission Plant
08/2006	36700	Mains - Cathodic Prot	$ 406,111.00	$ (260,288.85)	$ 145,822.15	Transmission Plant
08/2006	36701	Mains - Steel	$ 21,639,120.18	$ (15,253,520.34)	$ 6,385,599.84	Transmission Plant
08/2006	36900	Measuring And Reg. St	$ 185,854.30	$ (40,539.83)	$ 145,314.47	Transmission Plant
08/2006	36901	Measuring And Reg. St	$ 2,766,368.18	$ (1,902,492.53)	$ 863,875.65	Transmission Plant
		Total Transmission Plant	**$ 26,119,858.26**	**$ (17,861,272.97)**	**$ 8,258,585.29**	
08/2006	37400	Land & Land Right Grp	$ 98,315.11	$ (57,144.57)	$ 41,170.54	Distribution Plant
08/2006	37401	Land	$ 51,571.11	$ -	$ 51,571.11	Distribution Plant
08/2006	37402	Land Rights	$ 244,565.06	$ (21,907.76)	$ 222,657.30	Distribution Plant
08/2006	37403	Land Other	$ 2,783.89	$ -	$ 2,783.89	Distribution Plant
08/2006	37500	Structures & Improvem	$ 312,032.84	$ (25,246.84)	$ 286,786.00	Distribution Plant
08/2006	37501	Struct. & Improv. - T	$ 105,699.05	$ (78,969.08)	$ 26,729.97	Distribution Plant

08/2006	37502	Land Rights	$ 46,591.01	$ (37,535.38)	$ 9,055.63	Distribution Plant
08/2006	37503	Improvements	$ 4,005.08	$ (169.78)	$ 3,835.30	Distribution Plant
08/2006	37600	Mains - Cathodic Prot	$ 9,948,689.07	$ (1,816,654.00)	$ 8,132,035.07	Distribution Plant
08/2006	37601	Mains - Steel	$ 63,736,705.67	$ (37,908,262.97)	$ 25,828,442.70	Distribution Plant
08/2006	37602	Mains - Plastic	$ 25,366,130.01	$ (7,903,109.09)	$ 17,463,020.92	Distribution Plant
08/2006	37800	Meas. And Reg. Sta. E	$ 2,939,387.45	$ (1,391,760.56)	$ 1,547,626.89	Distribution Plant
08/2006	37900	Meas & Reg Station Eq	$ 1,225,729.32	$ (123,588.70)	$ 1,102,140.62	Distribution Plant
08/2006	37905	Meas & Reg Sta Eq - C	$ 1,636,212.41	$ (1,193,326.59)	$ 442,885.82	Distribution Plant
08/2006	38000	Services	$ 73,454,632.51	$ (35,654,827.39)	$ 37,799,805.12	Distribution Plant
08/2006	38100	Meters	$ 13,775,694.16	$ (1,359,077.29)	$ 12,416,616.87	Distribution Plant
08/2006	38200	Meter Installations	$ 34,297,992.08	$ (5,296,961.96)	$ 29,001,030.12	Distribution Plant
08/2006	38300	House Regulators	$ 4,986,160.60	$ (2,548,513.47)	$ 2,437,647.13	Distribution Plant
08/2006	38400	House Regulator Insta	$ 154,276.36	$ (96,390.46)	$ 57,885.90	Distribution Plant
08/2006	38500	Industrial Measuring	$ 4,530,660.52	$ (2,010,647.26)	$ 2,520,013.26	Distribution Plant
08/2006	38600	Other Prop On Custome	$ 5,692.66	$ (2,502.85)	$ 3,189.81	Distribution Plant
		Total Distribution Plt.	**$ 236,923,525.97**	**$ (97,526,596.00)**	**$ 139,396,929.97**	
08/2006	38900	Land & Land Rights	$ 71,393.02	$ (28,459.44)	$ 42,933.58	General Plant
08/2006	39002	Structure-Brick Grp	$ 193,598.01	$ (96,649.61)	$ 96,948.40	General Plant
08/2006	39003	Improvements Grp	$ 774,268.56	$ (82,901.23)	$ 691,367.33	General Plant
08/2006	39004	Air Condition Eq Grp	$ 12,128.69	$ (5,059.22)	$ 7,069.47	General Plant
08/2006	39009	Imprvement-Leased Grp	$ 1,382,342.72	$ (1,092,173.79)	$ 290,168.93	General Plant
08/2006	39100	Office Furniture And	$ 1,689,601.35	$ (575,882.51)	$ 1,113,718.84	General Plant
08/2006	39103	Office Machines	$ 95,112.76	$ 28,810.61	$ 123,923.37	General Plant
08/2006	39200	Transp Equip-Group	$ 535,438.21	$ 683,330.48	$ 1,218,768.69	General Plant
08/2006	39201	Wkg Trucks - Group	$ 21,940.52	$ (26,913.27)	$ (4,972.75)	General Plant
08/2006	39202	Wkg Trailers - Group	$ 118,631.54	$ (118,543.37)	$ 88.17	General Plant
08/2006	39400	Tools Shop And Garage	$ 1,549,132.44	$ (103,074.12)	$ 1,446,058.32	General Plant
08/2006	39603	Ditchers - Group	$ 239,375.91	$ 147,888.89	$ 387,264.80	General Plant
08/2006	39604	Backhoes - Group	$ 274,689.06	$ (10,808.09)	$ 263,880.97	General Plant
08/2006	39605	Welders - Group	$ 40,326.11	$ 511.67	$ 40,837.78	General Plant
08/2006	39700	Communication Equipme	$ 1,141,093.90	$ (623,103.16)	$ 517,990.74	General Plant
08/2006	39701	Communication Equip.	$ 3,338.23	$ 18,944.98	$ 22,283.21	General Plant
08/2006	39702	Communication Equip.	$ 41,432.45	$ (5,903.93)	$ 35,528.52	General Plant
08/2006	39705	Communication Equip.	$ 312,235.71	$ (84,848.19)	$ 227,387.52	General Plant
08/2006	39800	Miscellaneous Equipme	$ 2,431,827.92	$ (828,352.35)	$ 1,603,475.57	General Plant
08/2006	39901	Servers Hardware	$ 175,990.09	$ (175,990.09)	$ -	General Plant
08/2006	39902	Servers Software	$ 113,472.72	$ (118,460.96)	$ (4,988.24)	General Plant
08/2006	39903	Network Hardware	$ 511,781.46	$ (471,696.87)	$ 40,084.59	General Plant
08/2006	39906	Pc Hardware	$ 2,783,909.01	$ (2,783,909.01)	$ -	General Plant
08/2006	39907	Pc Software	$ 242,978.74	$ (194,423.17)	$ 48,555.57	General Plant
08/2006	39908	Application Software	$ 522,253.87	$ (359,831.33)	$ 162,422.54	General Plant
		Total General Plant	**$ 15,278,293.00**	**$ (6,907,497.08)**	**$ 8,370,795.92**	
			$ 286,058,338.81	$ (127,437,356.64)	$ 158,620,982.17	
		RWIP	$ -	$ 3,724,055.41		
		Total 101 & 108	$ 286,058,338.81	$ (123,713,301.23)		

Allocation of RWIP		$ 3,724,055
Production AD as Percentage of Total AD- I	0.61%	$ 22,790
Storage AD as Percentage of Total AD	3.33%	$ 123,875
Transmission AD as Percentage of Total AD	14.03%	$ 522,479
Distribution AD as Percentage of Total AD	76.61%	$ 2,852,854
General Plt. AD and Percentage toTotal AD	5.43%	$ 202,059
Total	100.00%	$ 3,724,055

Adjusted Production AD

Adjusted 8/06 Accum. Depreciation Book Balances

Intangible Plant (Fully Depreciated- Not Adjusted)	$	(128,182)
Production Plant	$	(756,290)
UG Storage Plant	$	(4,110,854)
Transmission Plant	$	(17,338,794)
Distribution Plant	$	(94,673,742)
General Plant	$	(6,705,439)
Total Accum. Depreciation as adjusted for RWIP	$	(123,713,301)

ATMOS ENERGY CORPORATION
TRIAL BALANCE FERC
O&M EXPENSES
TWELVE MONTHS ENDED AUGUST 31, 2006

Currency: USD
Service Area: 009DIV (KY Division), 002DIV (Dallas Atmos Rate Division), 012DIV (Call Center Division)
091DIV (Brentwood Division), 088DIV (Central Region Division), 090DIV (Eastern Region Division)

Line No.	Div Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
1	009 7520	02005	-	-	-	-	-	-	-	-	-	-	-	-	-
2	009 7520	07499	-	-	-	-	-	-	250	(250)	-	-	-	-	-
3		**Total Production Exp. 752**	-	-	-	-	-	-	250	(250)	-	-	-	-	-
4															
5	009 8140	01000	$ -	$ 193	$ 195	$ 195	$ 1,073	$ 1,950	$ 2,926	$ 1,950	$ 1,950	$ 1,463	$ 1,463	$ 1,950	$ 15,308
6	009 8140	01008	-	58	20	20	546	527	(683)	-	293	(49)	73	561	1,366
7	009 8140	02005	-	-	20	-	-	-	-	-	-	-	-	-	20
8	009 8140	04580	-	-	-	-	-	667	-	-	-	-	-	-	667
9	009 8140	04581	-	-	-	-	-	(2,200)	-	-	-	-	-	-	(2,200)
10	009 8140	07590	(488)	(305)	(269)	(391)	(269)	(306)	(269)	(269)	(321)	(269)	(286)	(269)	(3,711)
11	009 8150	05419	-	-	-	125	-	-	-	-	-	-	-	-	125
12	009 8160	01000	3,447	1,260	2,813	3,583	2,799	3,558	5,179	5,217	4,096	4,153	3,542	3,894	43,541
13	009 8160	01008	(355)	(197)	747	666	(112)	455	(1,271)	441	334	438	(128)	778	1,796
14	009 8160	02005	53	10	127	157	77	52	730	1,230	44	28	8	21	2,537
15	009 8160	04302	-	-	-	-	-	-	-	-	-	-	-	-	-
16	009 8160	04307	-	-	-	-	-	-	-	-	-	-	-	-	-
17	009 8160	04580	-	-	-	-	-	-	-	-	-	-	-	-	-
18	009 8160	04581	-	-	-	-	-	-	-	-	-	-	-	-	-
19	009 8160	06111	-	-	-	-	-	-	260	-	-	-	-	-	260
20	009 8160	07590	(800)	(351)	(246)	(532)	(246)	(375)	(246)	(246)	(389)	(246)	(307)	(246)	(4,230)
21	009 8160	09911	-	-	-	-	-	-	-	-	-	-	-	-	-
22	009 8170	01000	1,676	748	2,663	1,637	2,084	3,150	5,120	1,168	2,656	2,746	3,983	2,360	29,991
23	009 8170	01008	(527)	(55)	841	(247)	431	640	(1,037)	(561)	770	311	818	(536)	846
24	009 8170	02005	-	-	-	-	24	1,414	85	-	-	-	-	-	1,523
25	009 8170	04590	354	122	28	(50)	23	36	68	41	42	50	92	98	904
26	009 8170	04599	(321)	(110)	(22)	39	(18)	(28)	(52)	-	-	-	-	-	(512)
27		**Total UG Storage Expense Accts. 814,815,816,817**	$ 3,039	$ 1,373	$ 6,917	$ 5,202	$ 6,412	$ 9,540	$ 10,810	$ 8,971	$ 9,475	$ 8,625	$ 9,258	$ 8,609	**$ 88,231**
28															
29	009 8180	01000	$ 4,345	$ 2,045	$ 4,297	$ 3,397	$ 3,371	$ 2,415	$ 6,504	$ 3,333	$ 2,444	$ 1,985	$ 3,346	$ 2,066	$ 39,548
30	009 8180	01008	328	(111)	1,105	(20)	324	(574)	(365)	(251)	144	15	848	(394)	1,049
31	009 8180	02005	3,037	59	1,073	914	3,756	1,269	527	372	328	709	256	694	12,994
32	009 8180	04302	-	-	-	-	-	-	-	-	-	-	-	-	-
33	009 8180	04307	-	-	-	-	-	-	-	-	-	-	-	-	-
34	009 8180	04582	-	-	-	-	-	-	-	-	-	-	-	-	-
35	009 8180	04590	312	244	224	257	190	227	245	194	235	252	229	285	2,894
36	009 8180	04599	(283)	(220)	(177)	(198)	(147)	(175)	(189)	-	(330)	(190)	(170)	(232)	(2,311)
37	009 8180	05111	-	-	-	-	-	-	-	-	-	-	-	-	-
38	009 8180	06111	69	630	66	515	1,238	4	-	-	-	-	-	206	2,728
39	009 8190	04590	393	9,607	7,741	3,878	4,066	3,519	2,813	1,547	395	67	2,826	346	37,198
40	009 8190	04599	(340)	(8,595)	(6,457)	(2,965)	(3,109)	(2,662)	(2,136)	-	-	-	-	-	(26,264)
41		**Total UG Storage Expense Accts. 81**	$ 7,861	$ 3,659	$ 7,872	$ 5,778	$ 9,689	$ 4,023	$ 7,399	$ 5,195	$ 3,216	$ 2,838	$ 7,335	$ 2,971	**$ 67,836**
42															
43	009 8200	01000	$ 617	$ 458	$ 289	$ 1,033	$ 1,230	$ 1,677	$ 2,571	$ 1,183	$ 1,248	$ 908	$ 1,464	$ 1,510	$ 14,188
44	009 8200	01008	(148)	35	(22)	401	222	268	(578)	(133)	204	(46)	352	251	806
45	009 8200	02001	-	-	-	-	-	-	28	-	-	-	-	-	28
46	009 8200	02004	-	-	-	-	-	-	10	-	-	-	-	-	10
47	009 8200	02005	-	-	-	-	-	-	776	592	-	-	-	16	1,384
48	009 8200	04590	247	77	45	205	463	619	277	280	62	78	22	56	2,431
49	009 8200	04599	(256)	(90)	(11)	(53)	(102)	(113)	(60)	-	-	-	-	-	(685)
50	009 8210	01000	41	133	236	1,498	1,987	3,223	3,919	1,084	41	92	481	721	13,456
51	009 8210	01008	7	33	55	655	443	742	(1,281)	(382)	(254)	29	219	240	506
52	009 8210	02005	-	-	2,211	137	650	-	33	-	-	-	1,152	(3)	4,180
53	009 8210	04302	-	-	-	-	-	-	-	-	-	-	-	-	-
54	009 8210	04307	-	-	-	-	-	-	-	-	-	-	-	-	-
55	009 8210	04590	273	250	313	1,575	916	1,468	874	957	369	161	123	98	7,377
56	009 8210	04599	(106)	(152)	(261)	(1,213)	(675)	(1,087)	(674)	-	-	-	-	-	(4,168)
57	009 8210	06111	-	-	-	140	-	-	460	-	-	-	-	-	600
58	009 8240	04302	-	-	-	-	-	-	-	-	-	-	-	-	-
59	009 8240	04307	-	-	-	-	-	-	-	-	-	-	-	-	-
60	009 8240	04590	9	80	28	88	138	97	97	58	30	26	26	20	697
61	009 8240	04599	(8)	(72)	(24)	(67)	(106)	(75)	(75)	-	-	-	-	-	(427)
62	009 8250	04580	(4)	(172)	(284)	(721)	(679)	(469)	-	(2,052)	(2,311)	(819)	(314)	(294)	(8,119)
63	009 8250	04581	15	802	502	964	934	609	-	2,722	3,121	1,159	1,309	470	12,607

Line No.	Div Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
64	009 8250	04582	136	-	(6)	417	46	-	-	-	-	-	-	5	598
65	009 8250	04590	1,048	1,421	3,338	8,447	13,247	7,663	9,234	4,543	1,876	3,146	1,502	777	56,242
66	009 8250	04599	(821)	(1,113)	(2,287)	(5,664)	(8,092)	(4,899)	(5,610)	-	-	-	-	-	(28,486)
67	009 8250	07590	20	36	174	432	619	523	565	390	99	64	30	16	2,968
68	009 8260	04580	(461)	-	-	-	-	-	-	-	-	-	-	-	(461)
69	009 8260	04581	509	-	-	-	-	-	-	-	-	-	-	-	509
70	009 8260	07443	-	-	-	-	-	-	-	-	-	-	-	-	-
71	009 8260	07444	-	-	-	-	-	-	-	-	-	-	-	-	-
72	009 8310	02005	-	-	-	-	-	-	148	-	-	-	-	326	474
73	009 8310	06111	-	-	-	-	355	-	-	-	-	-	-	-	355
74	009 8320	01000	-	-	-	-	-	-	-	-	-	-	-	-	-
75	009 8340	01000	178	-	-	936	1,887	150	242	81	295	-	-	-	3,769
76	009 8340	01008	30	(30)	-	468	665	(1,043)	(49)	(20)	98	(118)	-	-	1
77	009 8340	02005	49	54	-	682	82	-	71	8	-	-	-	-	946
78	009 8350	01000	-	-	-	-	-	-	-	-	50	-	-	-	50
79	009 8350	01008	(125)	-	-	-	-	-	-	-	20	(20)	-	-	(125)
80	009 8350	02005	-	-	-	-	101	-	-	-	41	-	-	-	142
81	009 8350	04595	-	-	4,512	-	-	4,508	1,306	-	-	6,334	-	-	16,660
82	009 8360	01000	-	-	-	-	-	-	-	-	-	-	-	-	-
83	009 8360	02005	-	-	-	-	-	-	-	-	-	-	-	-	-
84	009 8400	01000	-	-	-	-	-	-	-	-	-	-	-	-	-
85	009 8400	05010	-	-	-	-	-	-	27	10	-	-	-	-	37
86	009 8400	05111	-	-	-	-	-	-	-	-	-	18	-	-	18
87	009 8400	05411	133	-	-	162	-	-	-	-	-	-	-	-	295
88	009 8400	05413	1	-	-	117	-	-	-	-	-	-	-	-	118
89	009 8400	05414	338	-	-	-	-	-	-	-	-	-	-	-	338
90	009 8400	05419	75	-	-	-	-	-	-	-	-	-	-	-	75
91	009 8400	07590	-	-	-	-	-	-	-	-	-	-	24	-	24
92	009 8410	05421	-	-	-	-	-	-	-	-	-	-	-	-	-
93		**Total Storage Exp. Acct.s 820,821,824,825,826,831,832,834-836,840,841**	$ 1,797	$ 1,750	$ 8,808	$ 10,639	$ 14,331	$ 13,861	$ 12,311	$ 9,321	$ 4,989	$ 11,012	$ 6,390	$ 4,209	**$ 99,418**
94		**Total Storage -Accts Other Than 818-819**													**$ 187,649**
95		**Storage Accts. 818-819**													**$ 67,836**
96		**Total - All Storage Accounts**													**$ 255,485**
97															
98	009 8500	01000	$ 3,557	$ 3,346	$ 2,676	$ 3,054	$ 3,158	$ 3,119	$ 5,465	$ 3,834	$ 3,834	$ 3,590	$ 3,590	$ 3,017	$ 42,240
99	009 8500	01008	(309)	411	67	457	368	(23)	(961)	48	575	261	180	137	1,211
100	009 8500	04201	-	-	-	-	-	-	-	-	-	-	-	-	-
101	009 8500	05010	-	-	-	-	-	137	-	-	-	-	-	-	137
102	009 8500	05411	-	84	-	62	-	-	4	5	-	-	-	1	156
103	009 8500	05413	-	123	-	1	-	-	-	274	-	-	-	-	398
104	009 8500	05414	-	203	-	142	-	-	16	51	-	-	10	17	439
105	009 8500	05415	-	-	-	-	-	-	-	-	-	-	-	-	-
106	009 8500	05419	-	117	-	126	-	66	53	384	570	-	4	1	1,321
107	009 8500	09911	-	-	-	(350)	-	-	-	(350)	-	(350)	-	(175)	(1,225)
108	009 8560	01000	9,767	9,476	7,137	9,803	11,595	13,237	14,470	10,324	12,567	9,532	11,957	10,271	130,136
109	009 8560	01006	-	-	2,042	-	817	2,042	-	-	-	-	-	-	4,901
110	009 8560	01008	(2,591)	1,215	12	2,046	2,056	985	(5,530)	169	2,446	(261)	1,810	613	2,970
111	009 8560	01013	-	-	2,042	-	817	2,042	-	-	-	-	-	-	4,901
112	009 8560	01014	-	-	(2,042)	-	(817)	(2,042)	-	-	-	-	-	-	(4,901)
113	009 8560	02005	1,143	730	2,972	869	912	1,127	3,281	5,424	1,785	1,260	3,343	601	23,447
114	009 8560	03003	-	-	-	-	-	-	-	-	-	-	-	(9)	(9)
115	009 8560	03004	-	-	-	-	-	-	-	-	-	-	-	32	32
116	009 8560	04302	-	-	119	-	-	-	-	-	-	-	-	-	119
117	009 8560	04307	-	-	(59)	-	-	-	-	-	-	-	-	-	(59)
118	009 8560	04590	2,235	2,096	1,508	1,549	1,380	1,468	1,225	3,009	1,249	1,851	1,107	1,640	20,317
119	009 8560	04599	(1,497)	(1,372)	(794)	(802)	(681)	(700)	(646)	-	(1,997)	(896)	(639)	(1,070)	(11,094)
120	009 8560	05010	-	26	314	374	73	-	-	-	-	-	-	-	787
121	009 8560	05411	-	131	195	1,474	109	132	250	81	279	-	118	-	2,769
122	009 8560	05413	-	-	-	713	-	252	-	-	-	-	-	-	965
123	009 8560	05414	-	-	621	762	-	409	99	-	-	-	142	-	2,033
124	009 8560	05419	-	-	30	88	-	4	11	1	-	-	4	-	138
125	009 8560	05427	-	-	-	-	-	-	-	-	-	-	-	-	-
126	009 8560	06111	-	1,647	1,291	4,041	153	8,677	2,079	3,145	1,193	1,452	1,332	2,253	27,263
127	009 8560	07590	-	-	-	-	-	-	-	39	64	-	-	-	103
128	009 8560	09911	-	-	-	-	-	-	-	-	-	-	-	-	-
129	009 8570	01000	6,358	9,620	8,152	7,175	7,441	4,372	6,475	4,929	6,617	5,289	4,878	4,363	75,669
130	009 8570	01008	(1,790)	1,826	375	327	877	(1,841)	(1,544)	153	1,414	(3)	39	371	204
131	009 8570	02005	6,528	463	(2,477)	37	5	(231)	143	48	400	1,007	1,641	14	7,578
132	009 8570	04590	660	330	329	383	353	320	315	370	503	411	424	499	4,897
133	009 8570	04599	(541)	(225)	(209)	(231)	(215)	(189)	(195)	-	-	-	-	-	(1,805)
134	009 8570	05010	-	-	-	-	-	-	-	-	-	-	-	-	-
135	009 8570	05411	133	-	155	257	109	28	175	47	166	-	91	-	1,161
136	009 8570	05413	1	-	-	117	-	-	-	-	-	-	-	-	118
137	009 8570	05414	338	-	97	-	-	-	53	-	-	-	76	-	564

Line No.	Div	Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
138	009 8570	05419		75	-	-	-	-	2	11	1	-	-	2	-	91
139	009 8570	06111		-	-	-	-	-	-	208	-	-	-	-	-	208
140	009 8570	07590		-	-	-	-	-	223	9	-	-	-	-	-	232
141	009 8590	05414		-	-	-	-	-	-	324	-	-	-	-	-	324
142	009 8590	06111		-	-	-	-	-	-	-	-	-	-	-	-	-
143	009 8600	04585		-	-	-	-	-	-	-	-	15	-	-	-	15
144	009 8600	04599		-	-	-	-	-	-	-	-	(9)	-	-	-	(9)
145	009 8620	02005		-	-	-	3,042	-	-	-	-	-	-	-	-	3,042
146	009 8630	01000		22,895	11,817	9,144	3,085	902	1,060	2,902	2,473	1,590	-	98	1,942	57,908
147	009 8630	01008		(5,898)	(271)	113	(2,116)	(1,001)	95	(152)	135	18	(636)	54	1,305	(8,354)
148	009 8630	02005		90	381	288	-	-	940	265	2,383	-	52	-	-	4,399
149	009 8630	04302		-	120	-	-	-	-	-	-	-	-	-	-	120
150	009 8630	04307		-	(60)	-	-	-	-	-	-	-	-	-	-	(60)
151	009 8650	01000		3,041	2,069	2,083	1,562	1,563	2,879	2,344	1,563	1,563	1,761	1,563	1,563	23,554
152	009 8650	01008		(811)	114	212	(52)	156	790	(1,337)	-	234	255	(21)	234	(226)
153	009 8650	02002		-	-	-	-	-	-	-	-	-	-	-	-	-
154	009 8650	02005		1,063	1,363	719	1,145	3,575	257	253	1,462	2,749	576	164	648	13,974
155	009 8650	04302		12	508	246	-	3,472	-	-	-	-	-	-	-	4,238
156	009 8650	04307		(11)	(482)	(234)	-	(3,299)	-	-	-	-	-	-	-	(4,026)
157	009 8650	05111		-	-	44	-	-	-	-	-	-	-	-	-	44
158	009 8650	05411		-	-	52	36	-	378	71	-	71	-	53	65	726
159	009 8650	05413		-	-	17	7	-	7	1	-	12	-	13	99	156
160	009 8650	05414		-	-	58	-	-	-	-	-	26	-	-	-	84
161	009 8650	05419		-	-	1	1	-	-	-	-	-	-	-	-	2
162	009 8650	06111		3,889	-	-	-	-	-	-	-	-	-	-	-	3,889
163	009 8650	07590		-	-	-	-	-	-	-	-	-	-	-	-	-
164	009 8700	01000		88,403	75,970	79,550	84,836	88,021	88,610	123,882	84,735	89,722	82,893	79,210	58,957	1,024,789
165	009 8700	01001		774,281	510,821	475,872	439,701	440,433	440,994	658,984	431,355	462,445	459,627	503,704	568,785	6,167,002
166	009 8700	01002		(759,835)	(490,235)	(466,071)	(432,496)	(430,481)	(423,637)	(637,824)	(417,285)	(434,046)	(426,169)	(546,653)	(558,789)	(6,023,521)
167	009 8700	01004		-	-	-	-	-	-	-	-	-	-	-	-	-
168	009 8700	01006		-	-	-	-	-	-	-	3,746	-	-	-	-	3,746
169	009 8700	01008		(24,197)	8,057	9,029	10,598	10,395	353	(32,519)	(400)	15,641	5,558	2,119	(2,296)	2,338
170	009 8700	01010		6,998	-	-	-	-	-	38,935	-	-	10,509	-	-	56,442
171	009 8700	01011		445,051	286,797	275,887	272,953	285,465	246,770	358,257	253,991	249,540	270,769	356,938	323,478	3,625,896
172	009 8700	01012		(459,498)	(300,420)	(285,688)	(280,507)	(295,417)	(264,127)	(379,416)	(268,061)	(259,078)	(277,998)	(365,875)	(333,475)	(3,769,560)
173	009 8700	01014		-	-	-	-	-	-	-	(3,746)	-	-	-	-	(3,746)
174	009 8700	02005		26	155	493	166	32	-	1,508	(380)	992	51	513	-	3,556
175	009 8700	03001		-	-	-	-	-	-	-	-	-	-	-	-	-
176	009 8700	03003		-	(50)	(10)	-	-	163	(339)	-	-	(8)	-	(52)	(296)
177	009 8700	03004		-	126	19	-	-	(538)	559	-	-	19	-	99	284
178	009 8700	04001		-	135	60	41	4	102	-	6	19	12	-	849	1,228
179	009 8700	04021		-	89	-	-	-	-	20	-	-	-	-	-	109
180	009 8700	04036		-	-	-	-	-	-	-	-	-	-	-	-	-
181	009 8700	04040		501	-	-	-	695	-	-	-	-	-	-	-	1,196
182	009 8700	04044		-	-	-	128	75	-	-	-	-	-	-	-	203
183	009 8700	04201		8,128	335	335	335	1,345	1,111	5,671	335	1,596	357	1,366	4,069	24,983
184	009 8700	04212		207	(207)	18	201	89	173	2,497	29	107	1,524	199	85	4,922
185	009 8700	04302		-	-	-	-	-	-	-	-	-	-	-	-	-
186	009 8700	04307		(758)	(840)	(532)	(366)	(2,705)	(53)	(1,055)	(1,956)	(535)	(802)	(1,990)	(874)	(12,466)
187	009 8700	04580		-	-	-	-	-	-	-	-	-	-	-	-	-
188	009 8700	04581		-	-	-	-	-	-	-	-	-	-	-	-	-
189	009 8700	04582		-	-	-	-	-	-	-	-	8	-	-	-	8
190	009 8700	04590		3,403	3,007	3,209	3,639	3,784	3,033	1,533	3,363	3,924	4,338	5,011	4,621	42,865
191	009 8700	04592		-	-	-	-	-	-	-	-	-	-	-	-	-
192	009 8700	04599		(2,964)	(2,590)	(2,255)	(2,409)	(2,429)	(1,972)	(722)	(2,163)	(2,604)	(2,763)	(3,298)	(3,257)	(29,426)
193	009 8700	05010		6,395	8,722	5,941	5,478	5,018	5,406	5,842	6,744	10,227	3,908	6,184	10,151	80,016
194	009 8700	05111		641	627	385	1,587	1,008	740	1,284	659	581	113	542	157	8,324
195	009 8700	05310		11,387	4,088	5,165	9,644	5,871	12,583	8,510	7,929	9,124	8,131	7,843	11,207	101,482
196	009 8700	05312		3,487	-	-	1,957	3,473	-	-	4,423	1,378	-	-	4,252	18,970
197	009 8700	05314		1,530	-	-	793	1,835	-	-	1,708	455	-	-	1,716	8,037
198	009 8700	05316		1,639	945	2,087	1,208	66	403	4,197	7,583	8,825	865	186	2,605	30,609
199	009 8700	05323		5,237	408	2,524	5,364	3,179	1,056	4,849	3,265	3,699	3,133	3,170	1,070	36,954
200	009 8700	05331		13,235	6,569	9,589	16,690	6,042	8,657	8,161	14,933	6,540	16,725	7,082	11,596	125,819
201	009 8700	05364		29,389	18,660	29,138	22,476	19,117	15,397	25,450	18,491	18,420	19,404	23,271	23,180	262,393
202	009 8700	05380		1,440	-	717	1,505	-	3,238	685	583	1,300	583	583	583	11,217
203	009 8700	05390		-	-	-	-	-	-	-	-	344	448	300	200	1,292
204	009 8700	05399		(34,798)	(15,470)	(23,146)	(25,182)	(17,244)	(18,402)	(22,338)	(26,552)	(22,879)	(22,974)	(21,346)	(34,634)	(284,965)
205	009 8700	05411		5,120	4,986	2,676	3,275	5,020	4,999	4,854	8,692	7,442	5,023	3,770	5,328	61,185
206	009 8700	05412		-	-	294	-	-	-	-	-	-	-	-	377	671
207	009 8700	05413		3,774	3,213	4,337	2,061	2,533	4,444	4,164	4,071	7,527	4,311	5,792	2,177	48,404
208	009 8700	05414		2,396	2,830	4,043	2,655	1,284	2,647	5,366	7,866	3,944	2,469	4,910	4,136	44,546
209	009 8700	05415		-	-	-	-	-	40	-	-	-	160	-	-	200
210	009 8700	05416		75	-	-	143	17	186	133	-	133	633	71	-	1,391
211	009 8700	05417		-	-	64	-	-	-	-	-	-	-	-	-	64
212	009 8700	05419		(289)	686	9,981	456	2,602	1,552	1,368	1,196	20,140	18,250	9,794	25,576	91,312
213	009 8700	05420		-	-	3,106	-	-	-	-	-	2,673	2,281	815	2,458	11,333
214	009 8700	05421		188	560	201	9,263	213	1,244	1,975	388	198	4,590	-	309	19,129
215	009 8700	05422		-	-	-	-	2,533	-	-	-	152	-	-	5,062	7,747

Line No.	Div Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
216	009 8700	05424	-	-	-	-	-	-	-	-	-	-	-	-	-
217	009 8700	05425	-	-	-	175	275	-	-	-	-	1,505	-	-	1,955
218	009 8700	05426	451	576	1,557	755	583	1,181	33,066	1,449	682	2,875	1,484	25	44,686
219	009 8700	05427	-	280	-	-	-	(210)	-	-	1,927	1,452	568	5,900	9,917
220	009 8700	05429	-	-	-	-	-	-	-	-	-	-	-	-	-
221	009 8700	06111	-	15	196	-	1,369	193	60	100	-	358	123	138	2,552
222	009 8700	06112	15,178	19,002	-	17,975	-	-	17,375	17,958	17,402	-	32,604	14,652	152,146
223	009 8700	07120	8,320	-	-	-	-	-	1,740	-	-	-	-	-	10,060
224	009 8700	07499	1	26	719	-	-	-	273	1,457	498	-	13	260	3,247
225	009 8700	07510	-	-	-	275	-	-	-	-	-	250	-	-	525
226	009 8700	07520	-	-	-	-	-	-	-	-	-	-	-	-	-
227	009 8700	07590	200	1,616	1,504	1,355	2,139	(6,079)	5,291	642	355	5,141	903	834	13,901
228	009 8700	09911	-	(1,487)	-	-	(5,190)	-	-	(13,623)	-	-	(3,081)	-	(23,381)
229		**Total Transmission Accts. 850,856,857,859,860,862,863,865,870**	$ 203,079	$ 193,808	$ 188,290	$ 215,912	$ 174,927	$ 170,279	$ 282,415	$ 193,533	$ 266,752	$ 232,702	$ 148,858	$ 189,947	**$ 2,460,502**
230															
231	009 8710	01000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 52.00	$ -	$ -	$ 52.00
232	009 8710	01008	-	-	-	-	-	-	-	-	-	26	(26)	-	-
233	009 8710	02005	-	-	-	-	-	-	-	-	-	-	-	-	-
234	009 8710	04590	18	18	-	18	18	18	18	18	18	18	18	36	216
235	009 8710	04599	(10)	(9)	-	(8)	(9)	(7)	(7)	-	-	-	-	-	(50)
236	009 8710	07590	-	-	-	-	63	-	-	-	-	-	-	-	63
237	009 8710	09911	-	(215)	-	-	-	-	-	-	-	-	-	-	(215)
238	009 8711	01000	-	399	-	-	-	-	-	200	-	-	-	-	599
239	009 8711	01008	-	120	(120)	-	-	-	-	50	(50)	-	-	-	-
240	009 8711	02005	-	-	-	-	-	-	-	1,184	-	-	-	(500)	684
241	009 8720	01000	-	-	-	-	-	-	-	-	-	-	-	-	-
242	009 8740	01000	154,318	91,884	92,460	96,991	102,506	103,647	150,911	97,544	107,926	101,380	96,597	86,239	1,282,403
243	009 8740	01006	-	-	-	19,754	1,893	1,358	36,642	251	-	2,990	2,510	-	65,398
244	009 8740	01008	(34,824)	1,846	9,419	1,634	21,749	1,006	(42,329)	5,278	18,847	6,025	2,553	8,619	(177)
245	009 8740	01014	-	-	-	(19,754)	(1,893)	(1,358)	(36,642)	(251)	-	(2,990)	(2,510)	-	(65,398)
246	009 8740	02001	4,537	2,536	1,030	4,276	1,930	578	1,875	1,823	1,903	1,401	2,107	2,233	26,229
247	009 8740	02004	1,588	-	1,248	1,497	676	202	656	638	666	490	-	1,519	9,180
248	009 8740	02005	22,461	4,270	11,260	8,966	9,384	21,412	9,823	15,751	3,986	3,203	11,357	25,386	147,259
249	009 8740	03001	1,802	1,846	2,023	2,151	-	5,827	2,811	-	5,322	2,385	2,013	1,608	27,788
250	009 8740	03003	(79,919)	(82,206)	(79,606)	2,054	(61,613)	(63,523)	(81,426)	(66,438)	(68,751)	(71,640)	(60,827)	(81,419)	(795,314)
251	009 8740	03004	145,790	153,407	157,727	(4,005)	129,951	138,315	172,733	142,975	142,683	148,661	108,551	131,010	1,567,798
252	009 8740	04001	-	-	264	-	254	-	-	-	-	-	-	-	518
253	009 8740	04040	-	-	-	-	-	-	-	-	-	15	-	-	15
254	009 8740	04044	-	-	-	-	-	-	-	-	-	50	-	-	50
255	009 8740	04302	15,103	16,007	10,247	7,328	47,210	996	21,109	39,115	13,966	15,851	39,782	17,399	244,113
256	009 8740	04304	-	-	-	-	-	-	-	-	-	-	-	-	-
257	009 8740	04306	-	-	-	(17)	-	-	-	-	-	-	-	-	(17)
258	009 8740	04307	(13,316)	(14,689)	(9,584)	(6,534)	(44,648)	(880)	(18,788)	(37,070)	(12,712)	(14,996)	(37,203)	(14,658)	(225,078)
259	009 8740	04413	-	-	-	-	-	-	-	1,020	-	-	-	-	1,020
260	009 8740	04582	-	-	322	87	47	153	189	-	-	-	165	-	963
261	009 8740	04590	7,866	7,916	5,918	7,216	5,988	8,471	7,223	6,229	5,943	6,340	7,376	8,497	84,983
262	009 8740	04593	12	(1,600)	-	-	-	-	-	-	-	-	-	-	(1,588)
263	009 8740	04599	(4,343)	(4,176)	(3,102)	(3,524)	(3,007)	(4,057)	(3,680)	-	-	-	-	-	(25,889)
264	009 8740	05010	503	2,130	1,474	1,256	1,794	1,718	1,470	1,429	2,375	1,522	1,223	1,797	18,691
265	009 8740	05111	215	79	46	68	195	65	151	60	38	96	94	129	1,236
266	009 8740	05310	-	-	-	-	-	-	-	-	-	-	-	-	-
267	009 8740	05316	35	-	-	-	-	-	-	-	-	-	-	-	35
268	009 8740	05331	11	11	11	11	63	-	11	11	-	21	132	11	293
269	009 8740	05364	285	-	-	31	-	-	16	-	259	29	85	-	705
270	009 8740	05399	(189)	(6)	(5)	(20)	(30)	-	(13)	(5)	(129)	(25)	(120)	(7)	(549)
271	009 8740	05411	184	330	81	901	256	396	242	399	453	849	375	329	4,795
272	009 8740	05413	402	1	174	30	6	-	131	-	129	106	-	129	1,108
273	009 8740	05414	130	252	32	-	117	226	178	-	243	846	25	75	2,124
274	009 8740	05415	-	-	-	395	-	-	-	-	-	-	-	-	395
275	009 8740	05417	51	-	-	-	-	-	-	-	-	-	36	36	123
276	009 8740	05419	24	10	170	14	144	14	112	-	149	127	10	93	867
277	009 8740	05420	-	-	-	-	-	-	32	-	-	-	-	-	32
278	009 8740	05421	103	1,857	127	-	-	210	350	-	-	-	-	-	2,647
279	009 8740	05425	-	-	-	-	-	-	-	-	-	-	14	-	14
280	009 8740	05427	-	140	-	-	-	-	-	-	-	-	-	-	140
281	009 8740	05429	-	-	-	-	-	-	-	-	-	-	-	-	-
282	009 8740	06111	-	15,808	-	14,629	-	-	72	15,477	426	754	15,633	972	63,771
283	009 8740	07120	196	-	977	-	75	143	807	41	699	-	188	126	3,252
284	009 8740	07443	-	194	-	-	-	-	-	-	-	-	116	-	310
285	009 8740	07444	-	(90)	-	-	-	-	-	-	-	-	(59)	-	(149)
286	009 8740	07499	41	186	340	163	65	(15)	-	-	-	-	132	-	912
287	009 8740	07590	(607)	(2,870)	(2,715)	201	195	962	(696)	(1,692)	(311)	(3,806)	(1,609)	338	(12,610)
288	009 8740	09911	(193)	(712)	(1,849)	(5,995)	(521)	(258)	(407)	(703)	-	(1,014)	(10,100)	(5,043)	(26,795)
289	009 8750	01000	15,029	12,610	11,156	15,644	10,154	9,345	14,587	8,183	8,771	11,231	9,256	8,349	134,315
290	009 8750	01008	(1,068)	1,278	679	3,359	(1,729)	(486)	(3,176)	(385)	1,463	2,107	(525)	753	2,270

Line No.	Div Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
291	009 8750	02001	85	138	20	256	40	27	101	47	46	35	148	88	1,031
292	009 8750	02004	30	-	56	90	14	9	35	17	16	12	-	83	362
293	009 8750	02005	216	252	18	3,651	43	(2,353)	180	3,040	249	1,463	630	-	7,409
294	009 8750	04302	-	-	-	-	-	55	-	-	-	-	-	-	55
295	009 8750	04307	-	-	-	-	-	(52)	-	-	-	-	-	-	(52)
296	009 8750	04590	62	64	56	51	46	54	49	48	52	65	71	73	691
297	009 8750	04599	(35)	(32)	(23)	(24)	(22)	(19)	(20)	-	-	-	-	-	(175)
298	009 8750	05010	-	21	-	-	-	-	-	-	-	-	-	-	21
299	009 8750	05111	-	8	-	-	-	-	-	-	-	-	-	-	8
300	009 8750	05323	-	-	-	-	169	-	-	-	-	-	-	-	169
301	009 8750	05364	71	-	26	80	19	-	-	-	-	-	-	-	196
302	009 8750	05399	(24)	-	(13)	-	(9)	-	-	-	-	-	-	-	(46)
303	009 8750	05411	172	19	-	51	-	138	21	69	66	6	33	-	575
304	009 8750	05413	-	-	-	1	-	-	-	-	559	3	-	-	563
305	009 8750	05414	2,202	191	-	-	-	246	62	71	247	62	-	-	3,081
306	009 8750	05419	5	-	-	99	3	-	-	-	111	36	9	-	263
307	009 8750	05421	-	226	-	-	-	-	-	-	-	-	-	-	226
308	009 8750	06111	-	-	-	-	-	2,000	1,697	-	-	-	-	-	3,697
309	009 8750	07443	-	-	-	-	-	-	-	-	61	-	-	-	61
310	009 8750	07444	-	-	-	-	-	-	-	-	(24)	-	-	-	(24)
311	009 8750	07590	3	-	-	23	-	-	-	297	352	486	491	327	1,979
312		**Total Distribution Accts. 871,872**	$ 239,022	$ 209,449	$ 210,344	$ 153,095	$ 221,586	$ 224,583	$ 237,110	$ 234,721	$ 236,047	$ 214,292	$ 188,751	$ 194,627	$ 2,563,627
313															
314	009 8760	01000	$ 17,470	$ 12,966	$ 10,748	$ 9,954	$ 10,973	$ 12,126	$ 16,310	$ 11,741	$ 11,153	$ 11,282	$ 10,659	$ 11,633	$ 147,015
315	009 8760	01008	(3,235)	978	409	678	1,607	691	(4,557)	217	1,526	1,180	221	2,280	1,995
316	009 8760	02001	894	1,209	296	820	501	(501)	460	350	527	319	495	380	5,750
317	009 8760	02004	313	-	527	287	176	(175)	161	123	184	112	-	306	2,014
318	009 8760	02005	346	98	-	472	9	28	480	723	949	88	253	199	3,645
319	009 8760	05111	-	-	-	-	13	65	5	-	16	44	8	-	151
320	009 8760	05411	19	-	39	78	-	364	75	-	75	6	53	65	774
321	009 8760	05413	-	-	13	6	-	5	1	-	9	3	10	75	122
322	009 8760	05414	23	-	44	-	-	40	-	-	45	62	350	-	564
323	009 8760	05419	5	-	1	100	-	-	-	19	15	36	9	-	185
324	009 8760	07443	-	-	-	-	-	-	-	-	-	94	-	-	94
325	009 8760	07444	-	-	-	-	-	-	-	-	-	(41)	-	-	(41)
326	009 8760	07499	-	-	-	-	-	-	-	-	-	-	-	-	-
327	009 8760	07590	-	-	-	-	-	180	-	-	-	-	-	-	180
328		**Total Distribution Acct. 876**	$ 15,835	$ 15,251	$ 12,077	$ 12,395	$ 13,279	$ 12,823	$ 12,935	$ 13,173	$ 14,499	$ 13,185	$ 12,058	$ 14,938	$ 162,448
329															
330	009 8770	01000	$ 7,262	$ 3,657	$ 6,760	$ 5,267	$ 5,933	$ 3,793	$ 4,325	$ 3,155	$ 6,527	$ 4,781	$ 3,178	$ 4,193	$ 58,831
331	009 8770	01008	(588)	(113)	1,607	(70)	926	(1,284)	(1,555)	68	1,822	(220)	(643)	1,187	1,137
332	009 8770	02001	1,175	604	190	1,182	699	362	573	411	821	448	876	484	7,825
333	009 8770	02004	411	-	278	414	245	127	201	144	287	157	-	476	2,740
334	009 8770	02005	6,238	349	69	2,705	-	(3,609)	4,377	264	27	856	-	415	11,691
335	009 8770	04001	-	-	6	-	-	-	-	-	-	-	-	-	6
336	009 8770	04302	9	-	-	-	-	-	-	-	-	-	-	-	9
337	009 8770	04307	(9)	-	-	-	-	-	-	-	-	-	-	-	(9)
338	009 8770	04582	-	-	-	1,960	-	-	1,470	-	-	-	400	-	3,830
339	009 8770	04590	324	540	1,279	58	188	1,082	727	1,213	450	90	90	130	6,171
340	009 8770	04599	(177)	(286)	(563)	(632)	(90)	(391)	(802)	-	-	-	-	-	(2,941)
341	009 8770	05010	-	-	-	-	-	-	-	159	30	-	-	-	189
342	009 8770	05364	-	-	-	-	-	-	-	-	-	-	-	-	-
343	009 8770	05399	-	-	-	-	-	-	-	-	-	-	-	-	
344	009 8770	05414	-	-	-	-	-	750	-	-	-	-	-	-	750
345	009 8770	05421	-	-	-	-	-	-	-	-	-	-	14,788	4,544	19,332
346	009 8770	06111	-	-	2,626	-	-	2,000	-	-	21,471	546	-	873	27,516
347	009 8770	07590	-	-	-	-	-	-	-	-	-	826	327	-	1,153
348		**Total Distribution Acct. 877**	$ 14,645	$ 4,751	$ 12,252	$ 10,884	$ 7,901	$ 2,830	$ 9,316	$ 5,414	$ 31,435	$ 7,484	$ 19,016	$ 12,302	$ 138,230
349															
350	009 8780	00000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
351	009 8780	01000	103,256	81,333	89,162	93,806	81,179	86,925	113,753	72,443	76,412	81,523	64,162	48,880	992,834
352	009 8780	01008	(24,591)	7,191	11,265	11,238	1,805	3,448	(33,196)	(848)	12,454	10,197	(5,472)	(1,073)	(7,582)
353	009 8780	02001	2,724	1,294	407	1,829	1,056	432	873	934	986	863	934	1,357	13,689
354	009 8780	02004	953	-	595	640	370	151	306	327	345	302	-	802	4,791
355	009 8780	02005	42	40	105	203	101	-	170	49	40	11	(197)	11	575
356	009 8780	03003	-	-	-	-	-	-	-	-	-	-	-	-	-
357	009 8780	03004	-	-	-	-	-	-	-	-	-	-	-	-	-
358	009 8780	04302	9	-	-	-	-	-	-	-	47	-	-	-	56
359	009 8780	04307	(8)	-	-	-	-	-	-	-	(45)	-	-	-	(53)
360	009 8780	04582	-	-	-	-	-	-	-	-	325	-	-	-	325
361	009 8780	04590	1,544	990	967	1,464	1,423	1,511	2,150	1,405	1,112	1,228	1,242	1,187	16,223
362	009 8780	04599	(820)	(527)	(459)	(685)	(661)	(634)	(1,059)	-	-	-	-	-	(4,845)
363	009 8780	05010	654	405	401	584	1,438	896	910	1,318	1,118	628	906	879	10,137
364	009 8780	05111	-	-	110	3	-	-	-	-	355	-	-	-	468
365	009 8780	05411	314	422	180	471	132	152	173	446	449	453	10	135	3,337
366	009 8780	05413	971	372	121	30	-	-	12	-	1	-	-	-	1,507
367	009 8780	05414	122	667	26	-	37	235	223	509	697	224	-	73	2,813

Line No.	Div Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
368	009 8780	05419	36	202	-	18	-	-	43	17	142	-	47	83	588
369	009 8780	06111	2,654	-	21,294	5,523	-	2,385	225	356	2,837	9,057	1,267	10,078	55,676
370	009 8780	07499	-	-	-	-	-	-	-	86	-	-	-	-	86
371	009 8780	07590	-	-	-	-	-	-	-	-	-	-	-	-	-
372	009 8790	01000	10,413	7,635	6,877	8,118	5,653	6,943	10,464	8,428	7,230	5,799	3,513	5,727	86,800
373	009 8790	01008	(2,023)	555	460	1,308	(667)	774	(2,422)	363	785	8	(967)	2,077	251
374	009 8790	02005	9	129	559	55	-	268	1,687	124	252	33	32	-	3,148
375	009 8790	05010	-	14	-	-	-	-	-	-	-	-	-	-	14
376	009 8790	05111	-	-	-	-	-	-	-	-	-	-	-	-	-
377	009 8790	07590	-	-	-	-	25	-	-	-	-	-	-	-	25
378	009 8800	01000	3,048	2,735	3,332	2,745	3,127	4,388	4,067	2,896	2,696	2,579	2,532	2,462	36,607
379	009 8800	01008	(813)	312	512	40	504	756	(1,955)	46	354	211	103	331	401
380	009 8800	02005	4,414	1,438	1,610	324	163	98	305	954	218	41	23	367	9,955
381	009 8800	04582	-	-	423	-	-	-	-	-	60	-	61	-	544
382	009 8800	04590	-	-	-	-	-	-	-	-	-	-	-	-	-
383	009 8800	04599	-	-	(287)	-	-	-	-	-	(34)	-	(33)	-	(354)
384	009 8800	05010	(2,469)	22	265	3,605	9	(9)	174	34	-	-	266	-	1,897
385	009 8800	05111	827	4,204	871	679	641	298	551	369	489	3,903	524	705	14,061
386	009 8800	05411	51	-	40	17	-	8	1	24	6	-	36	2	185
387	009 8800	05413	4	-	30	2	-	8	1	48	16	-	50	-	159
388	009 8800	05414	45	-	-	95	-	37	10	210	32	-	89	-	518
389	009 8800	05419	10	-	2	1	-	3	6	9	-	-	-	1	32
390	009 8800	05420	-	-	-	-	-	-	-	-	-	-	-	-	-
391	009 8800	05421	-	-	-	-	-	-	-	-	-	-	-	-	-
392	009 8800	07443	-	-	(106)	-	-	-	-	323	-	-	-	-	217
393	009 8800	07444	-	-	72	-	-	-	-	(132)	-	-	-	-	(60)
394	009 8800	07499	-	-	-	-	88	-	-	63	-	-	-	-	151
395	009 8800	07510	-	-	-	-	280	-	-	-	-	-	-	-	280
396	009 8800	07590	-	-	-	-	-	-	-	20	-	-	-	-	20
397		**Total Distribution Accts. 878,879,**	$ 101,376	$ 109,433	$ 138,834	$ 132,113	$ 96,703	$ 109,073	$ 97,472	$ 90,621	$ 109,379	$ 117,060	$ 69,128	$ 74,084	**$ 1,245,476**
398															
399	009 8810	02005	$ 69	$ -	$ 74	$ 276	$ 134	$ -	$ -	$ 276	$ 108	$ -	$ -	$ -	$ 937
400	009 8810	04065	-	394	-	-	-	-	-	-	-	-	-	-	394
401	009 8810	04580	(54,722)	(53,375)	(46,469)	(45,227)	(67,921)	(44,444)	(40,641)	(40,878)	(31,231)	(49,517)	(34,442)	(60,496)	(569,363)
402	009 8810	04581	84,362	84,600	75,726	80,687	116,577	78,859	83,793	84,864	68,613	96,506	65,689	93,686	1,013,962
403	009 8810	04582	28,225	12,669	17,678	17,660	23,241	14,551	18,072	22,906	18,884	16,224	16,339	22,331	228,780
404	009 8810	04585	-	452	223	-	-	-	127	-	372	-	-	-	1,174
405	009 8810	04590	556	928	45	420	710	95	402	378	433	934	47	593	5,541
406	009 8810	04599	(20,160)	(8,868)	(10,173)	(10,169)	(15,259)	(8,452)	(9,125)	-	(24,015)	(9,028)	(10,274)	(15,875)	(141,398)
407	009 8810	04798	-	-	-	-	-	314	-	-	-	-	-	-	314
408	009 8810	05010	(6,386)	133	80	-	-	(366)	27	-	-	-	82	-	(6,430)
409	009 8810	05111	-	-	-	-	-	-	14	-	-	-	-	-	14
410	009 8810	05419	-	-	-	-	-	-	-	-	-	-	-	-	-
411	009 8810	07499	-	-	-	-	-	-	-	-	-	-	643	-	643
412	009 8810	07590	-	-	-	-	167	-	-	-	150	276	268	-	861
413	009 8850	01000	22,037	19,185	20,452	23,521	24,273	24,684	33,759	21,782	22,716	24,682	21,099	11,463	269,653
414	009 8850	01001	-	-	-	-	-	-	-	-	-	-	-	-	-
415	009 8850	01008	(5,876)	2,083	2,425	3,580	2,803	247	(9,184)	(181)	3,641	3,254	(736)	(3,580)	(1,524)
416	009 8850	02001	163	-	-	-	-	-	-	-	-	-	-	-	163
417	009 8850	02004	57	-	-	-	-	-	-	-	-	-	-	-	57
418	009 8850	05010	-	28	10	-	-	-	-	-	-	-	-	9	47
419	009 8850	05111	139	600	152	291	227	101	119	198	101	223	125	709	2,985
420	009 8850	05411	634	375	384	1,144	987	831	961	1,310	930	1,403	653	423	10,035
421	009 8850	05413	275	1,192	295	236	362	233	290	1,380	378	877	612	-	6,130
422	009 8850	05414	336	100	283	188	161	583	653	747	487	844	660	328	5,370
423	009 8850	05419	100	346	249	128	302	269	176	241	98	229	108	15	2,261
424	009 8850	07590	-	-	100	-	-	-	-	94	-	-	-	-	194
425	009 8860	02005	-	21	-	-	-	-	-	-	-	-	-	-	21
426	009 8860	04582	3,870	666	2,638	1,396	1,260	730	719	1,179	1,460	857	1,617	807	17,199
427	009 8860	04599	(2,268)	(377)	(1,395)	(680)	(602)	(358)	(368)	-	-	-	-	-	(6,048)
428	009 8860	07120	-	-	-	-	-	-	-	-	-	-	-	-	-
429	009 8870	01000	1,077	613	1,138	-	245	2,132	471	590	1,023	160	199	1,012	8,660
430	009 8870	01006	-	-	-	4,610	3,633	-	-	5,249	71	-	-	-	13,563
431	009 8870	01008	(1,740)	5	271	(2,760)	273	3,312	(1,201)	(1,243)	1,545	(301)	30	599	(1,210)
432	009 8870	01014	-	-	-	(4,610)	(3,633)	-	-	(5,249)	(71)	-	-	-	(13,563)
433	009 8870	02001	83	52	19	146	10	77	91	40	142	34	113	32	839
434	009 8870	02004	29	-	25	51	4	27	32	14	50	12	-	51	295
435	009 8870	02005	-	-	-	32	-	-	-	-	-	-	-	-	32
436	009 8870	05010	-	-	-	-	-	-	-	-	-	-	-	-	-
437	009 8870	06111	-	-	-	-	6,000	-	-	-	-	-	-	-	6,000
438	009 8870	07590	-	-	99	-	343	-	210	59	-	-	-	-	711
439	009 8890	01000	-	-	-	-	-	-	-	3,217	2,188	2,833	3,217	2,187	13,642
440	009 8890	01008	-	-	-	-	-	-	-	804	71	541	353	(239)	1,530
441	009 8890	02001	-	-	-	-	-	-	-	-	-	-	(527)	(527)	(1,054)
442	009 8890	02004	-	-	-	-	-	-	-	-	-	-	-	(369)	(369)
443	009 8890	02005	-	-	-	-	-	-	-	32	58	30	15	417	552
444	009 8890	04582	-	-	-	-	-	-	-	-	-	-	-	-	-

Line No.	Div Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
445	009 8890	04599	-	-	-	-	-	-	-	-	-	-	-	-	-
446	009 8890	07590	-	-	-	-	-	-	-	-	-	2,329	-	-	2,329
447		**Total Distribution Accts. 881,885,**	$ 50,860	$ 61,822	$ 64,329	$ 70,920	$ 94,297	$ 73,425	$ 79,397	$ 97,809	$ 68,202	$ 93,402	$ 65,890	$ 53,576	**$ 873,929**
448															
449	009 8900	02005	$ -	$ 538	$ 4,431	$ 2,178	$ (3,660)	$ (2,178)	$ 72	$ 758	$ -	$ 11	$ -	$ 924	$ 3,074
450	009 8900	04302	-	-	-	-	3,415	-	-	-	(3,415)	-	-	-	-
451	009 8900	04307	-	-	-	-	(3,244)	-	-	-	3,244	-	-	-	-
452	009 8900	06111	-	-	-	-	-	2,055	-	-	-	-	-	-	2,055
453	009 8900	07590	-	-	247	-	-	-	-	-	-	3,228	3,388	-	6,863
454		**Total Distribution Acct. 890**	$ -	$ 538	$ 4,678	$ 2,178	$ (3,489)	$ (123)	$ 72	$ 758	$ (171)	$ 3,239	$ 3,388	$ 924	**$ 11,992**
455															
456	009 8910	01000	$ 1,146	$ 1,497	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,643
457	009 8910	01008	(1,175)	258	(449)	-	-	-	-	-	-	-	-	-	(1,366)
458	009 8910	02005	72	4,954	2,978	2,210	-	(2,120)	-	-	-	-	-	-	8,094
459	009 8910	04302	-	129	30	-	-	-	-	-	90	180	-	90	519
460	009 8910	04307	-	(123)	(29)	-	-	-	-	-	(86)	(171)	-	(86)	(495)
461	009 8910	06111	-	-	-	-	-	2,000	-	-	-	-	-	-	2,000
462	009 8910	07590	-	-	-	-	-	-	-	1,250	-	800	-	620	2,670
463		**Total Distribution Acct. 891**	$ 43	$ 6,715	$ 2,530	$ 2,210	$ -	$ (120)	$ -	$ 1,250	$ 4	$ 809	$ -	$ 624	**$ 14,065**
464															
465	009 8920	01000	$ 1,016	$ 526	$ 600	$ 241	$ 325	$ 495	$ 155	$ 548	$ 532	$ 216	$ 75	$ 80	$ 4,809
466	009 8920	01006	-	-	-	-	-	-	-	10,085	-	-	-	-	10,085
467	009 8920	01008	(600)	(12)	82	(120)	74	102	(271)	(2,410)	2,597	(105)	(67)	15	(715)
468	009 8920	01014	-	-	-	-	-	-	-	(10,085)	-	-	-	-	(10,085)
469	009 8920	02005	225	-	-	-	-	-	-	-	-	-	-	-	225
470	009 8920	05411	-	-	-	-	-	-	-	-	-	-	-	-	-
471	009 8920	05413	-	-	-	-	-	-	-	-	-	-	-	-	-
472	009 8920	05414	-	-	-	-	-	-	-	-	-	-	-	-	-
473	009 8920	07590	-	-	-	-	-	-	-	-	-	-	-	-	-
474	009 8930	01000	-	-	608	84	-	-	-	-	172	110	-	-	974
475	009 8930	01008	-	-	243	(201)	(42)	-	-	-	69	(14)	(55)	-	-
476	009 8930	04590	12	25	14	25	-	12	12	12	17	16	16	29	190
477	009 8930	04599	(11)	(22)	(11)	(20)	-	(9)	(10)	-	-	-	-	-	(83)
478	009 8940	01000	-	-	-	-	-	-	-	-	-	-	-	-	-
479	009 8940	02001	-	-	128	-	-	-	-	-	-	-	-	-	128
480	009 8940	02004	-	-	45	-	-	-	-	-	-	-	-	-	45
481	009 8940	02005	776	751	692	1,255	307	1,026	1,896	479	910	1,388	287	439	10,206
482	009 8940	04302	18	38	-	-	-	-	-	-	12	-	8	-	76
483	009 8940	04307	(17)	(36)	-	-	-	-	-	-	(11)	-	(8)	-	(72)
484	009 8940	07590	-	-	-	-	-	-	-	-	-	44	-	-	44
485		**Total Distribution Accts. 892-894**	$ 1,419	$ 1,270	$ 2,401	$ 1,264	$ 664	$ 1,626	$ 1,782	$ (1,371)	$ 4,298	$ 1,655	$ 256	$ 563	**$ 15,827**
486															
487	009 8950	02005	$ -	$ -	$ -	$ 2,278	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,278
488	009 8950	04582	-	500	-	-	-	-	-	-	-	-	-	-	500
489	009 8950	04599	-	(200)	-	-	-	-	-	-	-	-	-	-	(200)
490		**Total Dstribution Acct. 895**	$ -	$ 300	$ -	$ 2,278	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 2,578**
491															
492		**Total Distribution Accts. 876,890**													**$ 174,440**
493		**Total Distribution Accts. 878,879,880,892,893,894**													**$ 1,261,303**
494		**Total Distribution- All Other Accts.**													**$ 3,592,429**
495															
496															
497	009 9010	05010	$ 370	$ 1,009	$ 802	$ 51	$ 105	$ 450	$ 122	$ 263	$ 25	$ 90	$ -	$ 1,124	$ 4,411
498	009 9020	01000	60,004	57,474	69,927	73,769	74,932	76,468	102,766	68,046	42,204	54,440	45,210	37,145	762,385
499	009 9020	01008	(21,269)	7,242	10,728	8,914	8,075	922	(28,753)	(116)	(130)	10,338	(2,354)	1,136	(5,267)
500	009 9020	02001	-	-	-	-	-	-	-	-	-	-	-	-	-
501	009 9020	02004	-	-	-	-	-	-	-	-	-	-	-	-	-
502	009 9020	02005	530	90	-	104	395	84	1,154	63	-	104	-	16	2,540
503	009 9020	04590	-	-	3	43	-	-	-	-	-	-	4	13	63
504	009 9020	04599	-	-	(1)	(21)	-	-	-	-	-	-	-	-	(22)
505	009 9020	05010	-	-	-	-	-	-	-	-	-	99	-	-	99
506	009 9020	05111	-	-	29	6	-	-	-	14	-	-	-	-	49
507	009 9020	05411	36	-	-	-	-	-	-	-	-	-	73	-	109
508	009 9020	05413	603	-	-	240	-	-	-	-	-	-	157	-	1,000
509	009 9020	05414	306	-	-	-	-	-	-	-	-	-	-	-	306
510	009 9020	05419	-	-	-	-	52	-	-	-	-	-	28	-	80
511	009 9020	06111	-	-	-	-	-	-	-	-	-	-	1,843	3,225	5,068
512	009 9020	07590	-	-	-	-	-	-	-	-	-	-	-	-	-
513	009 9030	01000	12,828	5,566	4,561	5,114	8,235	13,019	26,530	18,666	22,273	12,864	7,522	5,127	142,305
514	009 9030	01008	(3,476)	(468)	155	733	2,384	2,870	(3,389)	245	4,243	(2,477)	(2,295)	(548)	(2,023)
515	009 9030	02005	-	-	-	-	-	-	-	-	-	-	-	-	-
516	009 9030	04021	-	-	-	-	-	-	-	-	-	-	-	-	-
517	009 9030	04590	526	691	327	566	537	153	125	229	231	516	228	1,274	5,403
518	009 9030	04599	(383)	(457)	(219)	(340)	(333)	(85)	(77)	-	-	-	-	-	(1,894)
519	009 9030	05010	576	709	752	2,069	437	435	606	448	2,800	1,048	609	217	10,706
520	009 9030	05111	-	7	153	9	2	-	-	106	-	45	-	12	334
521	009 9030	05415	-	-	-	-	-	125	-	-	-	136	-	-	261

Line No.	Div Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
522	009 9030	05420	-	-	-	-	-	-	-	-	-	-	-	-	-
523	009 9030	06112	25,383	13,742	20,241	27,340	24,042	47,136	25,054	20,946	12,181	24,187	26,933	3,248	270,433
524	009 9030	06116	65,688	71,222	72,767	72,946	95,322	106,761	80,846	85,254	83,928	83,476	74,693	77,137	970,040
525	009 9030	07499	-	-	149	-	322	-	33	-	-	-	38	-	542
526	009 9030	07590	-	-	-	-	-	105	-	-	-	-	-	-	105
527	009 9040	09927	115,241	112,231	69,555	206,239	151,942	183,177	99,380	12,079	16,884	23,328	21,686	24,910	1,036,652
528	009 9070	01000	8,608	7,848	8,737	9,538	9,538	9,538	14,307	9,538	9,538	9,538	9,538	5,487	111,753
529	009 9070	01008	(2,296)	920	1,140	1,274	954	-	(3,338)	-	1,431	954	477	(1,405)	111
530	009 9070	04040	-	-	-	-	-	-	-	-	-	-	-	1,782	1,782
531	009 9070	04044	21	1	-	214	-	31	2	-	-	-	-	-	269
532	009 9070	04046	-	-	-	33	-	-	-	-	-	-	-	-	33
533	009 9070	05010	59	60	2	38	-	-	-	-	-	209	156	-	524
534	009 9070	05111	-	-	-	-	-	-	-	-	-	-	-	56	56
535	009 9070	05411	335	50	577	314	762	317	441	911	368	427	309	291	5,102
536	009 9070	05413	732	493	288	720	744	329	901	665	335	449	589	773	7,018
537	009 9070	05414	771	119	810	279	662	125	768	638	427	114	568	296	5,577
538	009 9070	05419	-	4	350	186	-	-	365	432	619	-	7	-	1,963
539	009 9070	05421	-	-	-	-	-	-	-	-	-	1,840	-	-	1,840
540	009 9070	07590	8	-	-	-	-	-	-	-	-	-	-	-	8
541	009 9080	01000	11,192	9,104	9,179	9,179	9,180	9,180	13,769	9,180	9,180	9,180	9,180	3,636	111,139
542	009 9080	01008	(2,985)	866	940	918	918	-	(3,213)	-	1,377	918	459	(2,504)	(2,306)
543	009 9080	04044	-	-	-	-	-	1,452	-	-	-	-	-	-	1,452
544	009 9080	04046	-	-	-	-	-	-	-	-	-	-	-	-	-
545	009 9080	05010	-	-	-	-	-	-	-	-	-	46	-	-	46
546	009 9080	05111	-	-	-	-	-	-	-	-	-	-	-	-	-
547	009 9080	05411	72	236	226	213	1,088	1,055	315	186	337	259	317	117	4,421
548	009 9080	05413	1,430	1,038	1,237	1,793	948	1,253	1,883	1,455	1,552	1,205	1,364	740	15,898
549	009 9080	05414	124	73	365	121	793	22	373	72	444	217	458	381	3,443
550	009 9080	05417	-	-	-	-	-	-	-	-	-	-	-	-	-
551	009 9080	05419	-	48	58	280	25	17	105	106	10	-	63	121	833
552	009 9090	04021	884	-	-	606	195	2,865	1,613	1,471	-	3,408	5,317	-	16,359
553	009 9090	04040	-	50	-	3,700	839	550	-	-	-	150	-	-	5,289
554	009 9090	04044	-	123	-	-	-	-	-	-	-	-	-	-	123
555	009 9090	04046	-	-	-	-	-	-	-	-	550	-	-	-	550
556	009 9090	05010	13	-	35	-	170	49	-	-	87	32	-	-	386
557	009 9090	07499	-	-	-	-	-	-	-	-	-	-	-	-	-
558	009 9090	07590	-	-	1,208	-	-	-	-	-	1,332	72	-	1,260	3,872
559	009 9100	04021	-	-	-	-	-	-	-	-	-	-	-	-	-
560	009 9100	04040	100	-	-	-	-	1,890	6	-	1,348	-	-	598	3,942
561	009 9100	04044	-	-	-	-	-	-	1,000	-	100	18	-	-	1,118
562	009 9100	04046	1,183	63	37	28	8,579	64	104	61	296	2,183	63	63	12,724
563	009 9100	07590	-	-	-	-	-	-	-	-	-	775	-	-	775
564	**Total Customer Accts. Expense - Ac**		$ 277,214	$ 290,154	$ 275,118	$ 427,216	$ 401,844	$ 460,357	$ 333,798	$ 230,958	$ 213,970	$ 240,188	$ 203,240	$ 165,728	**$ 3,519,785**
565															
566	009 9110	04017	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
567	009 9110	04021	-	-	-	-	-	-	-	-	-	-	-	-	-
568	009 9110	04040	1,609	6,922	28	2,016	5,266	1,932	-	-	500	1,000	653	1,955	21,881
569	009 9110	04044	-	-	-	100	-	-	-	-	-	-	-	-	100
570	009 9110	04046	4,644	3,119	3,006	742	2,569	2,160	2,696	2,698	6,326	461	747	1,302	30,470
571	009 9110	05010	-	-	-	-	-	-	-	-	-	-	-	-	-
572	009 9110	05419	-	-	-	-	-	-	-	-	-	-	-	-	-
573	009 9120	01000	5,848	3,899	3,929	3,929	3,929	3,929	5,894	3,929	3,929	3,929	3,929	1,649	48,722
574	009 9120	01008	(1,560)	195	402	393	393	-	(1,375)	-	589	393	196	(1,007)	(1,381)
575	009 9120	04001	-	-	-	-	-	-	-	-	-	-	-	-	-
576	009 9120	04017	-	-	-	-	-	-	-	-	-	-	-	-	-
577	009 9120	04021	2,295	24	-	-	382	883	1,648	2,551	1,650	250	2,540	1,150	13,373
578	009 9120	04040	-	109	1,564	955	515	1,816	1,035	1,015	2,398	584	-	805	10,796
579	009 9120	04044	-	-	-	-	-	-	-	-	-	-	-	-	-
580	009 9120	04046	5,180	6,086	7,355	2,183	1,827	4,309	1,400	6,690	3,909	7,557	3,787	5,880	56,163
581	009 9120	05010	-	-	51	5	10	-	-	-	-	19	-	74	159
582	009 9120	05414	-	112	-	-	-	-	-	-	-	-	-	-	112
583	009 9120	07499	-	30	-	-	-	-	-	-	-	-	-	-	30
584	009 9130	04044	-	-	-	-	-	-	-	-	-	-	-	-	-
585	009 9130	07520	-	-	-	-	473	-	-	-	(473)	-	-	-	-
586	009 9160	04040	-	-	-	-	-	-	-	-	-	8	37	65	110
587	009 9160	04046	-	-	-	62	-	-	-	41	-	-	73	-	176
588	009 9160	05010	-	-	-	-	-	-	-	-	-	-	-	-	-
589	009 9160	05411	-	-	-	-	-	-	-	-	-	-	126	-	126
590	**Total Sales Expense - Accts. 911-9**		$ 18,016	$ 20,496	$ 16,335	$ 10,385	$ 15,364	$ 15,029	$ 11,298	$ 16,924	$ 18,828	$ 14,201	$ 12,088	$ 11,873	**$ 180,837**
591															
592	009 9210	04001	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 513	$ -	$ 513
593	009 9210	04070	-	-	-	-	-	-	-	-	-	-	-	1,284	1,284
594	009 9210	05111	-	-	-	7	-	-	-	-	-	-	-	-	7
595	009 9210	05415	-	-	-	-	-	-	-	-	-	-	-	-	-
596	009 9210	07119	109	102	-	211	-	344	-	107	-	-	-	-	873
597	009 9210	07499	1,454	-	889	1,961	299	738	1,913	-	315	2,281	156	451	10,457
598	009 9210	07590	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	-	(16,500)

Line No.	Div	Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
599	009	9210	07592	-	-	-	-	-	-	-	-	-	-	-	(1,048)	(1,048)
600	009	9220	41101	61,451	56,805	59,179	57,142	60,386	50,919	(58,194)	58,540	55,760	61,215	53,836	57,890	574,929
601	009	9220	41103	72,439	127,334	127,023	167,825	183,664	133,389	148,400	193,543	146,207	133,596	114,253	153,316	1,700,989
602	009	9220	41105	(307)	292	(292)	26	-	-	-	-	-	-	-	-	(281)
603	009	9220	41106	3,416	3,779	3,240	3,579	2,157	2,608	3,356	3,301	3,574	3,117	(1,100)	3,059	34,086
604	009	9220	41107	17,427	15,005	18,036	25,337	23,037	13,336	14,855	20,705	25,098	24,189	21,782	20,677	239,484
605	009	9220	41108	41,931	70,325	98,751	95,333	64,815	79,125	76,615	64,076	62,780	59,045	55,744	60,219	828,759
606	009	9220	41109	86,514	45,016	50,683	64,476	58,801	56,939	61,468	51,582	62,922	57,494	52,462	60,642	708,999
607	009	9220	41111	7,755	13,833	12,870	14,647	14,012	14,997	14,821	15,263	19,589	14,272	14,140	13,943	170,142
608	009	9220	41112	11,475	8,519	18,037	10,681	12,430	12,474	20,126	21,456	14,017	12,189	16,826	11,745	169,975
609	009	9220	41113	9,875	10,670	16,115	14,964	9,805	9,884	12,591	12,960	13,426	12,413	12,589	13,705	148,997
610	009	9220	41114	16,301	12,856	11,988	14,045	12,520	16,324	42,189	7,056	5,670	9,665	7,808	9,295	165,717
611	009	9220	41115	3,883	2,792	4,050	2,901	3,998	2,319	3,007	2,696	5,408	4,489	3,218	3,537	42,298
612	009	9220	41116	8,026	6,561	7,074	6,887	7,008	7,203	7,732	7,000	9,214	8,397	7,762	9,256	92,120
613	009	9220	41117	6,756	6,186	5,112	6,509	4,265	4,073	7,156	6,428	5,107	6,848	6,051	4,982	69,473
614	009	9220	41119	18,977	14,216	12,874	17,654	11,433	24,867	15,045	15,701	18,299	11,267	33,559	19,401	213,293
615	009	9220	41120	23,450	19,330	19,136	32,813	24,221	29,281	24,476	24,573	25,668	24,639	18,719	29,091	295,397
616	009	9220	41121	38,073	40,142	38,549	44,459	39,450	30,468	39,679	67,896	44,872	55,485	44,744	49,674	533,491
617	009	9220	41122	8,630	-	-	-	-	-	-	-	-	-	-	-	8,630
618	009	9220	41123	(127,018)	(129,373)	(129,373)	(129,373)	(129,373)	(129,373)	(129,373)	(129,373)	(129,373)	(129,373)	(129,373)	(129,373)	(1,550,121)
619	009	9220	41125	686	-	-	-	-	-	-	-	-	570	-	-	1,256
620	009	9220	41127	11	-	-	-	-	-	-	-	-	-	-	-	11
621	009	9230	04146	-	214	-	-	214	-	-	857	-	1,748	2,352	1,155	6,540
622	009	9230	05111	-	-	-	-	-	-	-	-	-	-	-	-	-
623	009	9230	05430	32,660	25,437	27,745	30,370	30,256	28,183	32,428	24,839	25,296	21,501	20,750	23,383	322,848
624	009	9230	06111	583	-	127	141	555	423	-	847	94	456	-	456	3,682
625	009	9230	06121	10,835	-	11,517	6,659	3,000	15,394	9,047	2,297	-	12,642	-	14,745	86,136
626	009	9240	04069	-	-	-	-	-	-	-	-	172,192	26,475	26,475	26,475	251,617
627	009	9240	04070	15,898	14,805	14,805	14,805	28,009	28,009	28,009	28,213	(143,979)	48,671	7,395	7,395	92,035
628	009	9240	04072	(9,097)	(7,987)	(7,537)	(7,081)	(13,442)	(13,182)	(13,641)	(13,623)	(14,096)	(37,930)	(20,068)	(22,300)	(179,984)
629	009	9250	01201	(22,782)	9,927	8,902	4,387	12,695	8,300	11,277	8,103	9,324	5,944	9,859	10,781	76,717
630	009	9250	01221	-	8,750	9,553	9,743	9,923	9,519	9,427	8,613	10,001	9,110	7,497	6,246	98,382
631	009	9250	01290	-	-	38	-	15	38	-	-	-	-	-	-	91
632	009	9250	02005	-	-	-	-	-	-	-	-	25	-	-	-	25
633	009	9250	04070	-	-	-	-	-	-	-	-	-	-	2,351	-	2,351
634	009	9250	07115	54,100	-	-	-	-	-	-	-	-	-	-	-	54,100
635	009	9250	07120	668	1,381	40	729	487	530	162	281	877	520	127	351	6,153
636	009	9250	07443	-	-	-	-	-	88	-	-	-	-	-	-	88
637	009	9250	07444	-	-	-	-	-	(37)	-	-	-	-	-	-	(37)
638	009	9250	07499	176	120	-	170	-	700	-	65	36	-	-	-	1,267
639	009	9250	07590	-	-	-	-	34	-	-	-	-	-	-	-	34
640	009	9260	01200	165,062	181,578	198,260	202,191	205,933	197,550	195,642	178,736	207,558	189,048	155,578	129,615	2,206,751
641	009	9260	01201	(122,727)	18,557	75,382	(74,055)	24,111	2,425	(10,441)	20,298	16,707	33,521	20,348	(7,564)	(3,438)
642	009	9260	01290	-	-	788	-	315	788	-	-	-	-	-	-	1,891
643	009	9260	02005	49	-	9	-	-	32	-	-	-	-	-	-	90
644	009	9260	05010	60	87	-	-	-	-	-	-	-	-	-	-	147
645	009	9260	05111	12	-	257	9	-	-	-	-	-	243	-	110	631
646	009	9260	05411	-	-	-	-	-	-	-	-	-	-	-	-	-
647	009	9260	05413	-	-	-	-	-	-	-	-	-	-	-	285	285
648	009	9260	05414	-	-	-	-	-	-	-	-	-	-	-	-	-
649	009	9260	05416	14	-	-	-	-	-	-	-	-	-	-	-	14
650	009	9260	05419	-	-	-	-	-	-	-	-	-	-	-	-	-
651	009	9260	05421	-	350	-	-	-	-	-	-	-	-	-	-	350
652	009	9260	05426	-	-	-	-	-	-	-	-	-	-	-	-	-
653	009	9260	05427	-	-	-	-	-	-	-	-	-	-	-	-	-
654	009	9260	06111	-	-	-	-	-	-	-	-	-	-	-	-	-
655	009	9260	07421	4,999	11,185	8,839	4,813	10,491	6,233	6,233	6,233	6,475	6,233	6,233	6,299	84,266
656	009	9260	07443	4,055	14,559	29,526	7,399	(2,635)	3,688	2,837	983	2,717	4,514	563	374	68,580
657	009	9260	07444	(1,957)	(7,371)	(15,473)	(3,345)	802	(1,041)	(1,192)	(536)	(1,225)	(2,144)	(299)	(208)	(33,989)
658	009	9260	07450	(9,934)	(8,897)	(4,866)	3,457	(3,562)	773	(3,630)	(4,145)	(5,177)	(7,111)	(4,674)	(6,095)	(53,861)
659	009	9260	07451	12,837	13,153	7,865	(4,693)	6,509	338	6,586	7,624	9,261	15,575	8,323	8,323	91,701
660	009	9260	07452	-	42,000	60,000	82,000	93,000	79,000	67,000	67,662	-	-	-	-	490,662
661	009	9260	07454	-	(22,000)	(31,000)	(42,000)	(48,000)	(41,000)	(35,000)	(55,708)	-	-	-	-	(274,708)
662	009	9260	07489	10,400	8,872	8,872	8,872	8,872	8,872	8,872	8,872	8,872	8,872	8,872	9,526	108,646
663	009	9260	07499	7,035	5,108	7,376	6,389	5,355	11,100	2,861	3,148	5,896	7,834	966	7,584	70,652
664	009	9260	07590	-	-	-	-	-	-	267	54	-	-	239	137	697
665	009	9270	07590	746	11,363	495	-	39,681	661	480	74,856	204	565	22,525	-	151,576
666	009	9280	07590	1	168	-	-	-	-	-	-	-	-	-	-	169
667	009	9290	07443	-	-	62	-	-	-	-	-	-	-	-	-	62
668	009	9290	07444	-	-	(25)	-	-	-	-	-	-	-	-	-	(25)
669	009	9302	01006	-	-	-	-	-	-	-	-	-	-	-	-	-
670	009	9302	04021	-	-	-	-	-	-	-	-	85	-	-	-	85
671	009	9302	04146	-	184	795	69	-	-	253	-	-	-	-	-	1,301
672	009	9302	05415	-	-	-	-	-	-	-	-	-	-	-	495	495
673	009	9302	07510	2,862	13,362	9,092	4,907	6,641	4,901	3,997	9,927	2,925	7,769	8,945	2,755	78,083
674	009	9302	07520	1,890	-	-	4,000	3,285	1,025	35	-	850	-	-	-	11,085
675	009	9302	07590	-	-	500	-	-	2,280	-	-	862	-	1,113	-	4,755
676	009	9310	04580	-	-	-	-	-	-	-	-	-	-	-	-	-

Line No.	Div	Acct	Sub	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total
677	009	9310	04581	-	-	-	-	-	-	-	-	-	-	-	-	-
678	009	9320	04201	36	6,808	5,072	5,072	6,108	6,087	6,087	6,499	(10,542)	4,811	4,811	4,811	45,660
679	009	9320	07510	-	-	-	-	-	200	-	-	-	-	-	-	200
680			**Total Admin & General Expense - Ac**	$ 468,295	$ 664,603	$ 799,457	$ 715,592	$ 830,080	$ 720,292	$ 631,958	$ 827,005	$ 692,291	$ 729,165	$ 622,470	$ 616,880	**$ 8,318,088**

ATMOS ENERGY CORPORATION
TRIAL BALANCE FERC
DEPRECIATION & TAX
TWELVE MONTHS ENDED AUGUST 31, 2006

Currency: USD
Service Area: 009DIV (KY Division), 002DIV (Dallas Atmos Rate Division), 012DIV (Call Center Division)
091DIV (Brentwood Division), 088DIV (Central Region Division), 090DIV (Eastern Region Division)

Line No.	Div Acct	Sub Acct	Account Description	Activity SEP-05	Activity OCT-05	Activity NOV-05	Activity DEC-05	Activity JAN-06	Activity FEB-06	Activity MAR-06	Activity APR-06	Activity MAY-06	Activity JUN-06	Activity JUL-06	Activity AUG-06	Total	
			Depreciation and Amortization Expense														
1	009 4030	30002	Nat. Gas Prod.	$ 6,258	$ 8,358	$ 8,355	$ 8,354	$ 8,354	$ 8,354	$ 8,354	$ 8,354	$ 8,354	$ 8,354	$ 8,354	$ (14,949)	$ **74,854**	Production
2	009 4030	30003	UG Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	009 4030	30004	Transmission	29,799	29,870	29,870	29,870	29,869	29,869	29,869	29,869	29,872	29,872	29,872	29,872	**358,373**	Transmission
4	009 4030	30005	Distribution	773,787	745,045	748,552	751,028	751,043	752,872	757,202	759,372	763,721	773,156	778,430	780,328	**9,134,536**	Distribution
5	009 4030	30007	General Plt	125,698	103,899	105,845	105,840	77,298	64,151	64,214	64,337	76,189	104,722	85,016	61,361	1,038,570	
6	009 4030	30009	Amort UG Storage & Land	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	009 4030	30010	Amort Lease Improv.	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	009 4030	30031	Vehicle Depreciation	2,564	2,521	2,363	2,235	5,681	(146)	2,870	5,681	(624)	2,313	2,685	3,090	31,233	
9	009 4030	30032	Vehicle Depr. - Capitalized	(2,564)	(2,521)	(2,354)	(2,225)	(2,727)	(2,841)	(2,861)	(2,739)	(2,301)	(2,305)	(2,678)	(3,085)	(31,201)	
10	009 4030	30041	Heavy Eq. Depreciation	1,461	1,461	1,461	1,461	1,543	1,543	1,557	1,557	1,233	1,233	1,233	1,233	16,976	
11	009 4030	30042	Heavy Eq. Depr. - Capitalized	(1,242)	(1,242)	(1,242)	(1,242)	(1,312)	(1,312)	(1,323)	(1,323)	(1,048)	(1,048)	(1,048)	(1,048)	(14,430)	
12	009 4030	30061	Tools & Shop Depreciation	5,727	5,789	5,792	5,793	5,793	5,793	5,792	5,792	3,899	3,924	3,925	3,925	61,944	
13	009 4030	30062	Tools & Shop Depr - Capitalized	(3,277)	(3,123)	(2,949)	(2,770)	(2,780)	(2,726)	(2,821)	(2,797)	(1,948)	(1,980)	(2,175)	(2,490)	(31,836)	
14			Total General Plant (Line 5 thru Lir	128,367	106,784	108,916	109,092	83,496	64,462	67,428	70,508	75,400	106,859	86,958	62,986	**1,071,256**	General Plt.
15	009 4030	41124	Billing for Taxes Other & Depr.	120,470	69,884	71,327	75,988	76,057	78,250	76,050	78,579	87,315	87,670	88,030	89,432	**999,052**	Allocated In.
16	009 4042	30009	Amort UG Storage & Land	-	-	-	-	-	-	-	-	-	-	-	-	-	
17	009 4043	30010	Amort Lease Improv.	-	-	-	-	-	-	-	-	-	-	-	-	-	
			Total Depreciation and Amortization	$ 1,058,681	$ 959,941	$ 967,020	$ 974,332	$ 948,819	$ 933,807	$ 938,903	$ 946,682	$ 964,662	$ 1,005,911	$ 991,644	$ 947,669	$ **11,638,071**	11,638,071
			Property and Other Taxes														
18	009 4081	01210	Fica Load	$ 37,475	$ 30,659	$ 51,676	$ 43,381	$ 14,870	$ 55,841	$ 60,441	$ 36,818	$ 20,168	$ 35,608	$ 24,577	$ 24,089	$ 435,603	
19	009 4081	01211	Futa Load	17	23	37	33	3,674	2,825	684	56	13	16	26	26	7,430	
20	009 4081	01212	Suta Load	11	33	26	24	2,454	2,033	668	58	9	11	29	20	5,376	
21	009 4081	01213	Fica Load Accrual	(9,972)	2,952	11,473	1,020	(12,769)	24,583	(23,431)	(869)	(1,137)	9,737	(4,287)	3,345	645	
22	009 4081	01214	Futa Load Accrual	1	4	8	2	2,188	(509)	(1,581)	(100)	(9)	3	6	4	17	
23	009 4081	01215	Suta Load Accrual	(1)	8	-	2	1,460	(253)	(1,108)	(97)	(11)	2	10	(2)	10	
24	009 4081	01290	Benefit Load Projects	-	-	163	-	65	163	-	-	-	-	-	-	391	
25	009 4081	30101	Ad Valorem - Accrual	216,804	216,804	222,500	211,108	216,804	216,804	216,804	216,804	216,804	216,804	216,804	216,804	2,601,648	
26	009 4081	30108	DOT Transm. User Tax	-	-	-	-	-	38,152	-	-	-	-	-	-	38,152	
27	009 4081	30112	PSC Assesment	27,645	27,645	27,645	27,645	27,645	27,645	27,645	27,645	27,645	27,645	33,470	33,470	343,390	
28	009 4081	41124	Billing for Taxes Other & Depr.	14,338	12,700	17,004	11,582	22,365	17,296	17,358	14,341	10,286	16,494	9,649	8,907	172,320	
29	009 4081	41129	not available	-	-	-	-	-	-	-	-	5,444	-	5,071	4,532	15,047	
			Total Property and Other Taxes	$ 286,318	$ 290,828	$ 330,532	$ 294,797	$ 278,756	$ 384,580	$ 297,480	$ 294,656	$ 279,212	$ 306,320	$ 285,355	$ 291,195	$ **3,620,029**	

040 KENTUCKY DIVISION
ANALYSIS OF MAINS BY SIZE AND TYPE
AS OF AUGUST 31, 2006

Description	**Pipe Size**	**Pipe Size**	**Cost of Plant**	**Quantity (Feet)**	**Unit Cost ($ per Foot)**
Distribution Main Pipe, Steel, X<=1in.	0.5	0.5000	$ 2,385,318.58	729,055	3.27180
Distribution Main Pipe, Steel, 1 in<X<=2 in	2.0	2.0000	32,051,560.82	8,593,162	3.72989
Distribution Main Pipe, Steel, 2 in<X<=3 in	3.0	3.0000	1,420,679.03	425,462	3.33914
Distribution Main Pipe, Steel, 3 in<X<=4 in	4.0	4.0000	23,007,868.38	2,953,926	7.78891
Distribution Main Pipe, Steel, 4 in<X<=6 in	6.0	6.0000	1,985,770.62	54,823	36.22149
Distribution Main Pipe, Steel, 6 in<X<=8 in	8.0	8.0000	9,689,153.22	846,187	11.45037
Distribution Main Pipe, Steel, 8 in<X<=12 in	12.0	12.0000	873,813.55	15,479	56.45155
Distribution Main Pipe, PE, X<=1 in	0.5	0.5000	99,003.20	6,432	15.39229
Distribution Main Pipe, PE, 1in<X<=2 in	2	2.0000	18,231,590.44	3,069,456	5.93968
Distribution Main Pipe, PE, 2 in<X<=3 in	3	3.0000	599,505.54	59,968	9.99709
Distribution Main Pipe, PE, 3 in<X<=4 in	4	4.0000	7,738,971.89	678,253	11.41016
Distribution Main Pipe, PE, 4 in<X<=6 in	6	6.0000	968,289.48	25,302	38.26929
Total			$ 99,051,524.75		

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2006-00464
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Gary L. Smith, 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. 2006-00464, 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.

Affiant further states that he will be present and available for cross examination and for such additional direct examination as may be appropriate at any hearing in Case No. 2006-00464 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

Gary L Smith

STATE OF Kentucky
COUNTY OF Daviess

SUBSCRIBED AND SWORN to before me by Gary L. Smith on this the 18th day of December, 2006.

Jacqueline S Purcell
Notary Public
My Commission Expires: 11/15/2007

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No. 2006-00464**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF GARY L. SMITH

I. INTRODUCTION

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

A. My name is Gary L. Smith. I am Vice President – Marketing and Regulatory Affairs for Atmos Energy Corporation's Kentucky/Mid-States operations. My business address is 2401 New Hartford Road, Owensboro, Kentucky 42303.

Q. PLEASE BRIEFLY DESCRIBE YOUR CURRENT RESPONSIBILITIES, AND PROFESSIONAL AND EDUCATIONAL BACKGROUND.

A. I am responsible for rates and regulatory affairs as well as directing the marketing plans and strategies for natural gas utility services to residential, commercial, and industrial sales and transportation markets in the Kentucky/Mid-States division. I am a 1983 graduate of the University of Kentucky, with a Bachelor of Science degree in Civil Engineering. I have been employed by Atmos Energy Corporation ("Atmos Energy" or the "Company") or its predecessor, Western Kentucky Gas Company, since 1984, initially as Project Engineer. After serving in a variety of technical and supervisory engineering positions, I transferred into the Industrial Marketing department in 1990. I became Director of Large Volume Sales in 1991, was named Vice President – Marketing in 1998, and named to my current position in 2003. I also serve on numerous corporate-wide committees, including the role of chair of Atmos Energy's Utility Marketing Council, a group responsible for corporate-wide market development policies. I am active in civic and community organizations and associations relating to the natural gas industry. I am immediate past-chairman of the Utilization Technology Development, NFP Corporation and previously served as chair of the Strategic Marketing Committee for the American Gas Association ("AGA").

Q. HAVE YOUR EVER SUBMITTED TESTIMONY BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. Yes, I have served as witness in a number of Cases in recent years, including an application for approval of a third party gas supply agreement (KPSC Case No. 2006-00194), an extension of the Company's performance based ratemaking ("PBR") tariff (KPSC Case No. 2005-00321), an extension of the Company's WNA mechanism (KPSC Case No. 2005-00268), an extension of a demand-side management ("DSM") program (KPSC Case No. 2005-00515), annual hedging plans (KPSC Case Nos. 2006-00177, 2005-00175 and 2004-00142), and an extension of the margin loss recovery mechanism (KPSC Case No. 2003-00305). In the Kentucky division's most recent comprehensive rate case (KPSC Case No. 1999-070), I served as witness responsible for revenues and rate design. In 1997, I participated as a witness in a hearing on the matter of "Petitions of Western Kentucky Gas Company for Approval and Confidential Treatment of a Special Contract Submitted to the Kentucky Public Service Commission", KPSC Case Numbers 1996-096, 1996-113, 1996-185, 1996-278, 1996-295 and 1996-424.

Q. HAVE YOU TESTIFIED ON MATTERS BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes, before the Georgia Public Service Commission ("GPSC"), the Tennessee Regulatory Authority ("TRA"), and the Missouri Public Service Commission ("MPSC").

Q. PLEASE BRIEFLY DESCRIBE THE MATTERS ON WHICH YOU TESTIFIED.

A. In 2005, I participated in GPSC Docket No. 20298-U as witness regarding the Weather Normalization Adjustment ("WNA") mechanism in a comprehensive rate case for Atmos Energy's Georgia operations. In 2006, I served as witness rebutting an intervention group's proposal for a transportation customer storage service in TRA Docket No. 05-00258. Also in 2006, I participated in MPSC Case No. GR-2006-0387 as witness regarding rate design and WNA in a comprehensive rate case for the Company's Missouri operations.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS IN THIS CASE, AND, IF SO, WHICH REQUIREMENTS?

A. I am sponsoring the following filing requirements:

FR 10(1)(b)7	Proposed Tariff in compliance with 807 KAR 5:011
FR 10(1)(b)8a	Present and Proposed Tariffs in Comparative Form
FR 10(9)(c)	Factors Used in Preparing the Utility's Forecast Period (Revenues/ Volumes)
FR 10(9)(h)1	Operating Income Statement (Revenues)
FR 10(9)(h)8	Mix of Gas Supply
FR 10(9)(h)14	Customer Forecast
FR 10(9)(h)15	Mcf Sales Forecast
FR 10(9)(i)	Most Recent FERC or FCC Audit Reports
FR 10(10)(c)	Operating Income Summary for Both the Base Period and Forecasted Period (Revenue)
FR 10(10)(k)	Comparative Financial Data for Ten (10) Most Recent Calendar Years, the Base Period and Forecasted Period (Sales Volumes)
FR 10(10)(l)	Narrative Description and Explanation of All Proposed Tariff Changes
FR 10(10)(m)	Revenue Summary for Both the Base Period and Forecasted Period
FR 10(10)(n)	Typical Bill Comparison Under Present and Proposed Rates for All Customer Classes

Q. DO YOU ADOPT THESE FILING REQUIREMENTS AND MAKE THEM PART OF YOUR TESTIMONY?

A. Yes.

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

A. My testimony has four primary purposes: (1) to provide an overview of Atmos Energy's service area in Kentucky, its customer base, and market trends we have experienced since 2000; (2) to describe the methods used to forecast Atmos Energy's revenues and volumes as they relate to the base period and test period in this case; (3) to present the test period forecast of revenues and volumes; and, (4) to present the rates and various tariff changes we propose, including an experimental Customer Rate Stabilization Mechanism which would refresh rates annually going forward to assure customers that rates are appropriate.

II. OVERVIEW OF SERVICE AREA AND CUSTOMER BASE

Q. PLEASE DESCRIBE THE MAKEUP OF ATMOS ENERGY'S CURRENT CUSTOMER BASE IN KENTUCKY.

A. Atmos Energy currently serves 173,000 customers throughout its service area extending from western to central Kentucky. Residential class customers account for the vast majority of meters, at approximately 153,800. Atmos Energy's natural gas deliveries totaled 43 Bcf per year during the 12-month period ending September 2006.

The Company is somewhat unique in its level of throughput to industrial class customers, with industrial sales and transportation volumes accounting for more than 64% of Atmos Energy's annual throughput during that 12-month period. The region served by Atmos Energy is somewhat economically dependent on the well-being of these industries, as is Atmos Energy through its requirements for operating margin under current rate designs.

Although the industrial class accounts for the majority of total annual deliveries, it is important to note that it is the residential class that primarily drives Atmos Energy's growth capital investment, constituting the vast majority of the Company's annual funding requirements for the extension of pipelines.

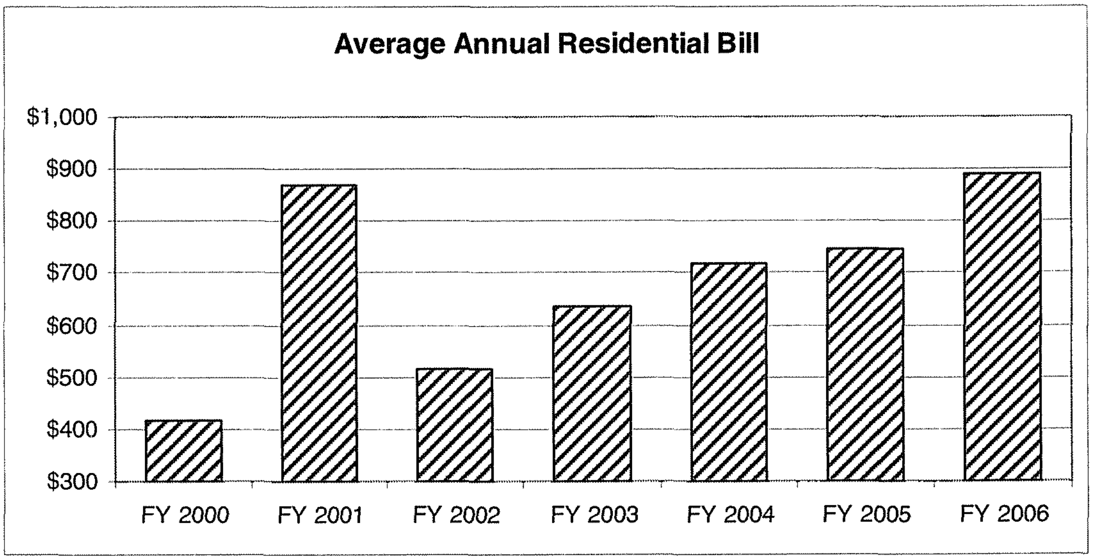
Q. WHAT ARE THE COMPANY'S PRIMARY OBJECTIVES IN ITS KENTUCKY OPERATIONS?

A. Our primary objective is to meet or exceed expectations of our customers, shareholders, employees, regulators and other key stakeholders. The Company is very proud of its tradition as a low-cost, efficient provider of natural gas service. Our distribution charges, particularly for residential customers, are the lowest among the major utilities in Kentucky. And, our pass-through gas costs are also typically lowest or second lowest in the state. We strive to provide excellent customer service, provide safe and reliable delivery of natural gas service, be a good corporate citizen in the communities we serve, and for this state in which we have operated since 1934. Our history of efficient operations has resulted in keeping customer costs as low as we can, which has been vitally important in this era of higher and much more volatile gas costs throughout the US.

Q. PLEASE QUANTIFY THE IMPACT OF HIGHER GAS COSTS IN THE COMPANY'S KENTUCKY OPERATIONS.

A. Gas supply prices, which are not regulated and are subject to national pressures of supply and demand, first rose sharply in the winter of 2000-2001. Thereafter, prices have shown great volatility, as the balance of supply and demand remain fragile. Prices again rose dramatically in the winter of 2005-2006, due largely to hurricane damage affecting supply areas in the Gulf region. The experience for the average Atmos Energy residential customer in Kentucky is shown in the chart below. Chart GLS-1 below depicts the average actual annual residential bill, without adjustment for volume variances due to weather.

Chart GLS-1

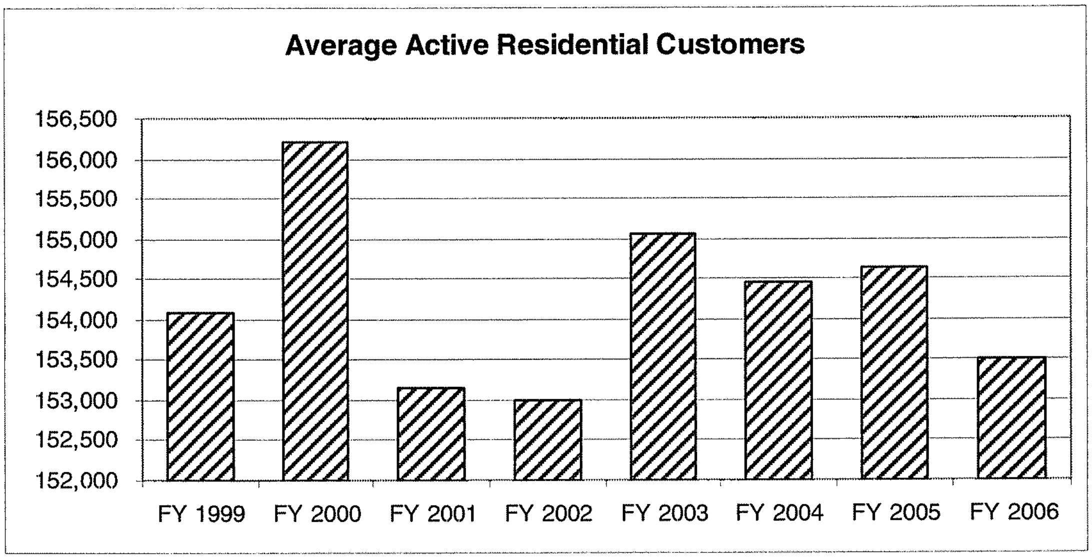


Q. WHAT HAVE BEEN THE CONSEQUENCES OF HIGHER PASS-THROUGH GAS COSTS FOR ATMOS ENERGY?

A. There have been numerous consequences of the unavoidable higher gas costs we have incurred and passed through to customers. For the Company, certain expenses, such as bad debt write-offs, increase proportionately with higher bills. However, I will concentrate primarily on the impacts seen from the "revenue" perspective rather than the expense perspective.

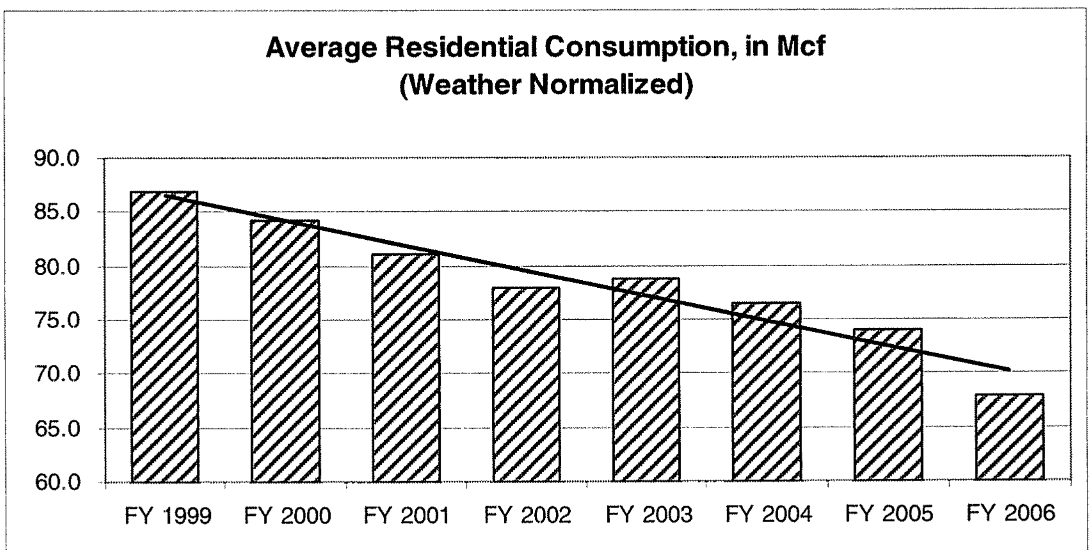
Core markets of residential, commercial and public authority sales have exhibited profound reactions to the escalating and volatile gas costs experienced since the winter of 2000-2001. Active customer counts have, overall, been flat. Although Atmos Energy invests capital to extend service to approximately 1800 new customers each year, we are losing existing customers at the same rate, perhaps due to price competition with electricity or due to general affordability issues related to the cost of gas. The graph below, Chart GLS-2, shows the average active residential customers for each fiscal year from 1999 through 2006. As the chart indicates, the average number of active residential customers has dropped almost 3000 since the price of natural gas first spiked in the winter of 2000-2001.

Chart GLS-2



Active customers have also reacted to higher gas bills by heightening their conservation efforts. Chart GLS-3 below shows the average weather adjusted residential usage for the same period.

Chart GLS-3



Again, the chart clearly demonstrates that the average residential consumption has dropped sharply in the last several years. Remarkably, conservation efforts of residential and commercial customers have lowered our annual distribution charges by more than $4.3 million when comparing our test year in this case to the 1999 rate case test year.

Basically, I believe the experiences of the past seven years have demonstrated that our customers do have choices – ranging from conservation to suspension of service altogether. I will describe more fully the impact of these and other consequences later in this testimony, as it relates to revenue forecasts and rate design. However, I conclude that it is more important than ever that the Company's interests be aligned with those of our customers.

Q. HOW HAS ATMOS ENERGY ADDRESSED THE CHALLENGES OF HIGHER PASS-THROUGH GAS COSTS?

A. Unfortunately, higher market gas supply prices are unavoidable. However, the Company tries its best to secure reliable supply at low and stable prices. Atmos Energy's Kentucky operations are fortunate to have underground storage fields, depleted gas production reservoirs, which were developed several years ago. Storage enables the Company to improve its load factor on the interstate pipelines and shift gas supply purchases from winter to summer, often at prices lower than the winter market prices. In 2004, the Company added to its storage capabilities through a contract for service from the East Diamond storage field. Now, the Company can supply nearly 2/3 of its customers' winter sales requirements from storage, including contract interstate pipeline storage services. Additionally, Atmos Energy has sought and received Commission approval, every winter since 2001-2002, to hedge a portion of its winter supply requirements which would otherwise have to be purchased on the market.

In addition to our ongoing efforts to keep gas costs as low as we can, again, the Company seeks to operate efficiently. Our low distribution charges are certainly indicative of that and are a great value to our customers.

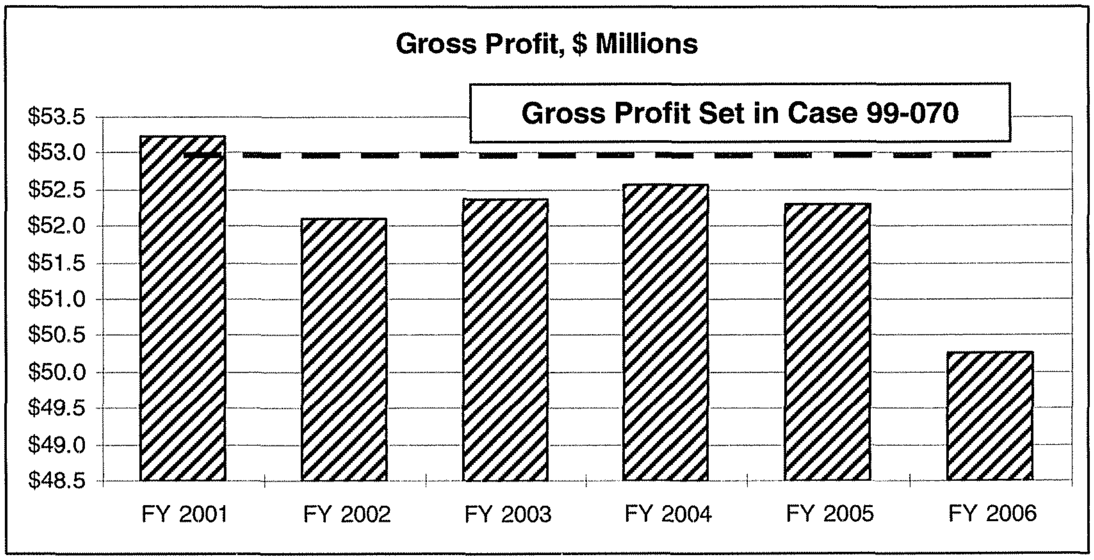
Q. ARE THERE ANY NEGATIVE CONSEQUENCES OF LOW DISTRIBUTION CHARGES FOR THE COMPANY?

A. Yes. The chief challenge our low distribution rates cause is related to the profitability of extending service to new customers. A new residential customer using 68 Mcf per year, under Atmos Energy's current rates, would generate $171 per year in distribution revenues. The average distribution revenue for the other four major gas utilities in Kentucky would be more than 60% greater for the same customer.

Q. WHAT HAS BEEN ATMOS ENERGY'S OVERALL PERFORMANCE IN REGARD TO GROSS PROFITS SINCE THE 1999 RATE CASE?

A. We have been rather fortunate to have sustained relatively steady service volumes and margins from our large industrial market despite the higher gas costs incurred by those customers. Continued core market declining usage trends and customer losses, however, have prevented the Company from attaining the revenue requirement authorized in Case 1999-070 since FY 2001. Chart GLS-4 below graphs our gross profits, as reported in financial statistics compared to the revenue requirement set in Case 1999-070.

Chart GLS-4



III. PROCESS OF FORECASTING OF REVENUES AND VOLUMES

Q. PLEASE DESCRIBE YOUR ROLE IN THE FORECASTING OF REVENUES AND VOLUMES FOR ATMOS ENERGY'S BUDGETS.

A. For the past several years, I have had primary responsibilities for forecasting the volumes and revenues in Atmos Energy's annual budget for Kentucky operations. The process of developing these forecasts has become increasingly more refined over time; however, market factors related to higher and more volatile gas costs have made the accuracy of revenue forecasts more difficult in recent years.

Q. PLEASE DESCRIBE THE GOALS OF FORECASTING REVENUE AND VOLUMES.

A. The goal of revenue forecasting, fundamentally, is to provide an assessment of expected revenues for business planning purposes. The primary emphasis of the "revenue" budgeting process is the estimate of the Company's gross margin, that portion of revenues excluding purchased gas costs. Purchased gas costs, recovered through the Company's Gas Cost Adjustment mechanism, are calculated only as a final step in the process, to forecast gross revenues.

Revenue forecasting is an essential element of Atmos Energy's financial planning and affects our level of operating and maintenance expenses, capital investment, and cash flow requirements. Volumetric forecasts utilized in the budget are also utilized for gas supply planning purposes.

Q. WHAT TYPES OF FACTORS ARE CONSIDERED IN ATMOS ENERGY'S REVENUE AND GROWTH FORECASTING PROCESS?

A. The forecast process can be segregated into two steps. The first step is an analysis of revenue trends over recent years to determine a baseline reference. The second step is consideration of factors and issues expected to affect the budget period.

First, the analysis of historical revenue trends quantifies the net customer additions and Mcf requirements, by customer class. Using heating degree day ("HDD") data for the respective periods, the Mcf requirements are "weather-normalized" for each customer class. The HDD is a measure of the difference between average daily temperature and a 65 degree Fahrenheit base. Upon completing the analysis of historic data, customer growth and class usage trends may be identified.

Second, consideration is given to any factors that could either continue or alter historical trends. These factors include: gas supply price outlook and consideration of its impact on the market, changing local economic conditions that could influence customer growth, and major industrial additions or plant closings.

Considered individually, these factors may have either a positive or negative affect upon historical revenue streams.

Q. WHAT TIME PERIOD TYPICALLY FORMS THE BASIS FOR REVENUE AND VOLUME FORECASTS?

A. Forecasts are typically prepared for Atmos Energy's fiscal year, which runs from October 1 to the following September 30.

Q. WHAT IS THE BASE PERIOD FOR THIS CASE?

A. The base period is April 2006 through March 2007.

Q. WHAT IS THE FORECASTED TEST PERIOD FOR THIS CASE?

A. The forecasted test period for this case is July 1, 2007 to June 30, 2008. This period is largely determined by the date of our filing.

Q. DID THE COMPANY UTILIZE ITS TYPICAL REVENUE BUDGETING PROCESS TO DEVELOP THE BASE PERIOD AND FORECASTED TEST PERIOD REVENUES?

A. No. Although the simple two-step process of historical review and consideration of forward-looking factors is the same, the annual budget process is not developed at the level necessary for determining rate design billing determinants. For example, the typical annual revenue budget is based upon financial statistics reported to the customer class level; not to the rate classification / billing block level of detail. Also, the fiscal year 2007 (FY 2007) budget was prepared several months ago and relied upon now-dated information. In order to build rate case quality billing data, Atmos Energy produced bill frequency reports to isolate correct determinants of bills rendered and volumes delivered by customer class and by rate classification for the 12-month period ending September 30, 2006. This 12-month period serves as a "reference period" upon which forward-looking adjustments may be applied, ultimately resulting in a forecast of billing determinants for the test year period of July 1, 2007 to June 30, 2008.

Q. HOW WAS THE DATA FOR THE REFERENCE PERIOD GATHERED?

A. The unadjusted data for the reference period reflects the actual billing units and margins for all services during the fiscal year 2006 (FY 2006). This data was gathered from billing system reports for the period. Exhibit GLS-1 attached hereto provides the actual monthly billing units and volumes by class of service for the reference period ending September 30, 2006.

Q. WHAT STEPS WERE TAKEN TO FORECAST THE FUTURE TEST YEAR FROM THE BASELINE REFERENCE PERIOD?

A. First, the Company assessed appropriate pro-forma adjustments to the reference period to: 1) reflect known and measurable service contract changes, load changes, new plant and plant closings, and 2) adjust firm residential, commercial and public authority volumes to correlate to normal HDD's, as currently defined. Then, forward-looking adjustments were considered to account for: 1) net customer growth, 2) changes in firm residential, commercial and public authority classes attributable to long-standing conservation and energy efficiency trends, and 3) to incorporate an adjustment to adopt an updated basis for normal HDD's. A summary of annualized adjustments for each of these steps is shown on Exhibit GLS-2 attached hereto.

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO THE REFERENCE PERIOD, INCLUDING KEY ASSUMPTIONS, FOR INDUSTRIAL SALES AND TRANSPORTATION SERVICES.

A. Historical volume requirements for each transportation customer were reviewed, with adjustments made to account for expected changes by service type for future periods. For example, usage for a new customer added midway through the reference period would not be representative of its forecast test period requirements. Adjustments were also made for plant closings, expansions or reductions, and contract changes altering a customer's service type or rate schedule. These adjustments ensured that known, measurable and anticipated changes in industrial sales and transportation were reflected in our test period forecast. Exhibit GLS-3 attached hereto summarizes the impact of industrial contract and volume changes, by service type.

Q. PLEASE DESCRIBE THE PROCESS EMPLOYED TO DETERMINE THE ADJUSTMENT FOR WEATHER VARIANCES DURING THE REFERENCE PERIOD.

A. Adjusting for variances from normal weather is a common practice. The methodology for determining composite degree days was based on a process instituted in Case No. 1999-070, with the composite calculated weighting weather data from Paducah, Lexington and Louisville, KY and Evansville, IN and Nashville, TN. The composite normal heating degree days were based upon the same weighting of the five weather stations, applying the National Oceanic and Atmospheric Administration ("NOAA") normal HDDs as reported for the 30-year period of 1961 to 1990. Exhibit GLS-4 attached hereto summarizes the monthly weather adjustment to the reference period resulting from the 11.6% warmer than normal period. Pages 2-4 of Exhibit GLS-4 provide details of the calculations of the respective weather adjustment for the weather sensitive residential, commercial and public authority classes.

Q. HOW ARE WEATHER NORMALIZATION ADJUSTMENT ("WNA") REVENUES FACTORED INTO THE WEATHER ADJUSTMENT?

A. For this purpose, WNA revenues are ignored. The weather adjustment calculates the normalized volumes associated with normal weather, which will be priced out to demonstrate weather normalized revenues. Actual WNA revenues compensate for only a portion of those variances; those occurring during the WNA billing months of November 1 through April 30 each winter. The weather adjustment is intended to normalize the entire 12 month period.

In a latter stage of this process, we will incorporate a calculation to weather adjust to a new benchmark which is a new composite of the five weather stations updated for NOAA's calculations of the normal HDD's for the 30-year period of 1971-2000. This updated weather basis is proposed in conjunction with this case for purposes of rate design, validation of revenues produced in the test year, and to be incorporated into the existing WNA mechanism going forward.

Q. PLEASE DESCRIBE IN DETAIL THE HISTORICAL DATA CONSIDERED IN THE REVENUE AND VOLUME FORECASTING PROCESS.

A. To assess key historical trends necessary for the forecast, financial statistics for more than five years were analyzed, noting the numbers of active customers served during that time and the total volumetric requirements by customer class. Actual sales volumes each year were adjusted for variances from normal weather, based on the current HDD composite and normal basis, as is reported in the Company's financial statistics.

Based on the historical data, trends were noted for the customer count, net annual growth and weather normalized adjusted volumes per customer for residential, commercial and public authority classes.

Q. PLEASE DISCUSS THE HISTORICAL TRENDS OBSERVED AND THE ASSUMPTIONS USED IN THE DEVELOPMENT OF THE FORECAST TEST PERIOD BUDGET STARTING WITH NET CUSTOMER GROWTH.

A. As stated earlier, core markets of residential, commercial and public authority sales have been affected by the higher and volatile gas costs experienced since the winter of 2000-2001. Active customer counts have, overall, been flat. Although Atmos Energy adds about 1800 new customers each year, we are losing existing customers at the same rate. Based upon the historical data shown previously in Chart GLS-2 above, we have assumed 0 net customer growth from the reference period to the test year.

Q. WHAT IS THE ASSUMPTION FOR FUTURE DECLINING USE TRENDS AS IT RELATES TO THE TEST YEAR?

A. In Case 1999-070, Atmos Energy noted the long-standing trend of declining customer usage. Chart GLS-3, shown earlier in testimony, demonstrates that the trend has continued since that case. The trend-line shows an average decline of nearly 2.3 Mcf per year per residential customer during the seven year period. However, the decline is much sharper in reaction to the unprecedented high gas costs in the winter of 2000-2001 and in response to the Company's alert to customers about impending higher gas costs entering last winter. The single year decline from FY 2005 to FY 2006 was slightly greater than 6 Mcf per residential customer. Nevertheless, since gas supply prices have moderated for the winter of 2006-2007, we assumed that weather adjusted volumes would not decline further during FY 2007, and then resume the longer term trend of decline thereafter. Therefore, for the portion of the test year beyond FY 2007, we have incorporated an annualized rate of decline of 2.0 Mcf per year per residential customer. Based on similar analyses of commercial and public authority usage trends, we have included annualized rates of decline for the portion of the test year beyond FY 2007 of 5 Mcf and 10 Mcf per customer respectively for those classes of firm sales.

Q. WHAT ARE THE DIFFERENCES BETWEEN THE EXISTING BASIS FOR NORMAL HDD'S AND THE PROPOSED UPDATED BASIS?

A. NOAA publishes their updated "30-year" normals every ten years. When Atmos Energy's current rates were established, the "1961-1990" data was the most current 30-year normal basis available. We believe it is appropriate to reset the basis to the more current period of 1971-2000 in this case and to adjust the WNA mechanism to correct on the same basis on which rates are determined. We also felt it was appropriate to evaluate the respective weighting of the five first order stations in and around Atmos Energy's service area utilized for purposes of determining a system composite. Geographic proximity to communities we serve and the respective number of weather-sensitive customers (residential, commercial and public authority classes) in those communities established the respective weighting of each station. The resulting pro-rata allocation of data from each station, and the NOAA normal HDD's under the current and proposed basis is shown in Chart GLS-5 below:

Chart GLS-5

	NOAA Normal (1961-1990)		NOAA Normal (1971-2000)	
NOAA First Order Weather Station	**Weighting Percentage**	**Normal HDDs**	**Weighting Percentage**	**Normal HDDs**
Paducah, KY	37.9%	4,279	36.3%	4,265
Evansville, IN	22.2%	4,760	22.9%	4,617
Nashville, TN	21.5%	3,729	22.4%	3,677
Louisville, KY	2.8%	4,514	3.7%	4,352
Lexington, KY	15.6%	4,783	14.7%	4,713
Annual HDD Composite	100.0%	4,337	100.0%	4,283

Q. WHY IS AN ADJUSTMENT FOR THE DIFFERENT WEATHER BASIS NECESSARY FOR THE TEST YEAR?

A. The new weather basis is incorporated for purposes of the test year period only, and beyond, since that is the time when the WNA mechanism would be altered to adjust to this new basis. In the comparison of present and proposed revenues, the present revenues would include WNA revenue since the new basis is warmer than normal according to the 1961-1990 basis.

Q. WHAT WERE THE ASSUMPTIONS FOR SERVICE CHARGES AND THE LATE PAYMENT FEES?

A. Total transactional service charges for recent years, by month, were reviewed. These charges are somewhat stable from year to year, so we basically forecast the transaction-based charges to remain flat based on the experience of recent years. Late payment fees were first adopted in Case 1999-070, beginning in mid-2000. Since that time, we have observed that late payment fee revenue is proportionate to the total revenues billed for residential, commercial and public authority classes. For FY 2007 and beyond, we estimated late payment fees at a ratio equal to 0.87% of the total projected residential, commercial and public authority class revenues.

Q. HOW WERE GAS COSTS PROJECTED FOR THE TEST YEAR?

A. Based upon the sales volumes projected, projected gas supply prices as stated in current NYMEX futures, and applying the current seasonal plans for storage injections and withdrawals, we modeled the forward periods to estimate the gas costs to be recovered through future Gas Cost Adjustments ("GCAs"). This method was first created in conjunction with Case 1999-070, and has been refined over time to simulate interstate pipeline demand and commodity costs, retention and other items recoverable through the GCA. This model was also utilized in the determination of storage cost balances for forward periods.

IV. TEST PERIOD FORECASTS OF REVENUES AND VOLUMES

Q. WAS THE FORECASTING PROCESS PREVIOUSLY DESCRIBED THE BEST METHOD TO USE FOR THE DEVELOPMENT OF THE TEST YEAR VOLUME AND REVENUE FORECAST?

A. Yes. The method of developing the forecast ensures a solid bridge of logical and measurable adjustments, building upon the actual performance of a recent, reference period. Again, Exhibit GLS-2 attached hereto summarizes each step of the process and applies current rates to the derived billing determinants. Exhibit GLS-5 summarizes the billing determinants for each month of the test year.

Q. AFTER ADJUSTMENTS FROM THE REFERENCE PERIOD, WHAT IS THE PROJECTED FINANCIAL PERFORMANCE OF THE COMPANY IN THE FORECASTED TEST YEAR?

A. Atmos Energy's forecast of total gross profit for the forecasted period is $50.07 million. At this level of revenue, the Company would earn a 5.18% return on shareholder equity, well below investor expectations of 11.75% as set forth in the testimony of Dr. Don Murray. An additional gross profit of $10.4 million is required to achieve the rate of return proposed in this case.

V. ORGANIZATIONAL CHANGES AFFECTING GAS SUPPLY

Q. ARE YOU FAMILIAR WITH THE COMPANY'S GAS SUPPLY PROCUREMENT AND MANAGEMENT FUNCTION?

A. Yes. Until several years ago, the Company's gas supply procurement and management function was performed by a group within the Company's Shared Services ("SSU"). With the then impending retirement of certain key managers within the gas supply group and for other reasons, the Company opted to utilize Atmos Energy Services, LLC ("AES"), an affiliate of the Company, to perform these functions. AES began performing gas supply procurement and management services for the Kentucky jurisdictional utility operations in May 2004

Q. WHAT SERVICES HAS AES PERFORMED FOR THE COMPANY'S KENTUCKY UTILITY OPERATIONS?

A. The same services previously performed by the former SSU gas supply department. Such services have included gas supply procurement, pipeline capacity procurement and management, storage services management, financial hedging and all other functions relating to gas supply procurement and management.

Q. HAS KENTUCKY RECEIVED CHARGES FROM AES FOR THE SERVICES PERFORMED?

A. Yes. The Company's Kentucky jurisdictional utility operations receive charges monthly from AES based upon AES' fully distributed costs. The monthly charges from AES to Kentucky are part of Kentucky's operating and maintenance expense ("O&M"). These charges are not part of the costs included with nor are they recovered as part of the Company's purchased gas costs.

Q. DOES AES PERFORM THESE FUNCTIONS FOR EVERY UTILITY DIVISION OF THE COMPANY?

A. No. When the Company purchased TXU Gas Company in 2004, the Company acquired a group of employees as part of that acquisition who perform the gas supply procurement and management function for what is now the Mid-Tex Division (the former TXU Gas natural gas distribution operations). Since the acquisition closed October 1, 2004, the Mid-Tex Division has performed its own gas supply procurement and management while AES has performed that function for the Company's other distribution utility divisions.

Q. WILL AES CONTINUE TO PERFORM THESE FUNCTIONS FOR KENTUCKY?

A. No. Effective January 1, 2007, the gas supply procurement and management function for all of the Company's utility divisions, including Kentucky, will be consolidated into SSU under Mr. Mark Bergeron, the Company's newly named Vice President of Gas Supply and Services, who will report directly to Mr. Kim Cocklin, the Company's Senior Vice President of Utility Operations. AES personnel will become SSU personnel working within the Gas Supply and Services Department. The personnel performing the gas supply procurement and management functions within the Mid-Tex Division will also become SSU personnel working within the Gas Supply and Services Department.

Q. WHY IS THE GAS SUPPLY PROCUREMENT AND MANAGEMENT FUNCTION BEING CONSOLIDATED INTO SSU?

A. Primarily due to growth of the Company's gas supply requirements since the acquisition of TXU Gas. For example, for the Company's fiscal year ending September 30, 2004, immediately prior to the TXU Gas acquisition, the Company's total cost of purchased gas for its utility operations was approximately \$1.135 billion.[1] Two years later, for the Company's fiscal year ending September 30, 2006, the Company's total cost of purchased gas for its utility operations was approximately \$2.726 billion.[2] Due to the magnitude of these costs, the Company made the decision to consolidate the gas supply procurement

[1] *See* Atmos Energy Corporation Form 10-K for the year ended September 30, 2004, p. 26.
[2] *See* Atmos Energy Corporation Form 10-K for the year ended September 30, 2006, p. 34.

and management function to provide consistency in gas supply strategy and processes for all of the Company's utility divisions and to expand the Company's purchasing power in securing commodity as well as transportation and storage capacity.

Q. WILL THIS CONSOLIDATION BE BENEFICIAL TO RATEPAYERS?

A. Yes. The consolidation will enable the Company to more fully optimize vendor relationships from an enterprise standpoint instead of a division level standpoint. The Company had already made some movement in that direction after the acquisition of TXU Gas, but the consolidation will enable the Company to move more easily toward that goal. For example, in the summer of 2005, the Company negotiated an enterprise level agreement with BP Energy that facilitates both physical commodity purchases and well as financial hedging for every utility division of the Company. Under this agreement, and based upon the Company's combined purchasing power after the acquisition of TXU Gas, BP extended an aggregate credit line to the Company that is currently set at $140 million. This credit line may increase as the Company's long-term debt rating continues to improve. A higher credit line facilitates more physical commodity purchases, financial hedge positions, or combination thereof, without the necessity of posting collateral instruments, such as letters of credit, which entail additional transaction costs. The consolidation of the gas supply function within SSU means that the function is still singularly focused upon sourcing the Company's gas commodity, transportation and storage requirements in a manner that keeps costs to customers low, but with the added benefit of an enterprise optimization strategy which may keeps costs even lower.

Q. HOW HAVE THE COSTS ASSOCIATED WITH THE GAS SUPPLEMENT PROCUREMENT AND MANAGEMENT FUNCTION BEEN REFLECTED IN THIS RATE FILING?

A. For the forecasted test period, and as described in the testimony of Mr. Greg Waller, all AES charges have been removed from O&M. Inasmuch as the function will be part of SSU during the forecasted test period, the allocated costs from SSU to Kentucky include the forecasted costs for the new SSU cost centers under which these functions will perform. The Company's allocation of SSU costs is more particularly described in the direct testimony of Mr. Dan Meziere and Mr. James Cagle.

VI. PROPOSED RATES AND RATE STRUCTURES

Q. WHAT ARE THE PRIMARY RATE DESIGN OBJECTIVES OF ATMOS ENERGY IN THIS CASE?

A. As stated earlier in my testimony, Atmos Energy's primary objective is to meet or exceed expectations of our customers, shareholders, employees, regulators and other key stakeholders. More specifically, we wish to retain our heritage as a low-cost efficient natural gas service provider and provide excellent customer service, safe and reliable delivery of natural gas, and be a good corporate citizen in the Kentucky communities we serve. Our rate design should support these objectives.

To that end, Atmos Energy is proposing certain rate design features which remove avoidable uncertainties for customers, shareholders and regulators inherent to our traditional rate structures.

Atmos Energy's rate design proposals are as follows:

1) Introduce an experimental 5-year Customer Rate Stabilization mechanism to provide greater assurance that Atmos Energy's earnings going forward are appropriate and, thus, neither too high nor too low.
2) Rebalance the fixed and variable elements in our distribution rates to more accurately reflect the underlying cost characteristics of our service; mitigate the depletion in revenue caused by declining residential and commercial customer usage; and better align the interests of the Company and customers.
3) Remove the gas cost portion of bad debt write-offs from base expenses to recovery through the GCA. Gas costs have varied dramatically from year to year, due both to price and weather-driven customer volumes. Since bad debt

write off expenses tend to track the level of gas costs, setting a static expense level for bad debt gas costs in this Case introduces unnecessary recovery risks for our customers and the Company.

4) Update charges for transactional services to reflect their imbedded costs, and
5) Incorporate a pooling service which would simplify certain administrative aspects of supply balancing for our transportation customers.

Q. PLEASE EXPLAIN THE OBJECTIVE OF THE PROPOSED CUSTOMER RATE STABILIZATION MECHANISM.

A. First of all, we propose this future mechanism because we believe it supports the company's historic legacy and long term goal of having the lowest rates in Kentucky and the lowest total cost to the customer while maintaining excellent customer service and a safe reliable system.

The Customer Rate Stabilization ("CRS") mechanism would, in essence, provide assurance to the customer, Commission, Attorney General's office and the Company that the rates in place are appropriate, or that those rates would be decreased or increased to the correct amount, assuring that the customer only pays the most current and appropriate rate. We propose that the CRS mechanism would begin a five-year experimental program, beginning with a filing by March 31, 2008 to review past earnings and forward-looking revenue requirements and adjust rates as warranted. This mechanism would provide a structure for regular, consistent and financially transparent rate review that would be conducted at a very low cost.

Q. WHY DOES THE COMPANY BELIEVE THE CRS MECHANISM IS NECESSARY?

A. We believe the CRS mechanism will provide benefits to the customer by avoiding the costly and resource-intensive process to review adjustments through the traditional rate case process replacing it instead with a simple, straightforward and financially transparent process that would ensure that the customer pays only the appropriate rate. The process would eliminate suspicions that the Company's earnings are too high or not.

Q. PLEASE DESCRIBE THE FILING PROCESS FOR THE PROPOSED CRS MECHANISM.

A. The mechanism is described in full on the Company proposed tariff sheets 42.1-42.4. By March 15 of each year, the Company will file numerous financial schedules, as more specifically identified in the proposed tariff, relating to the preceding calendar year (which is called the "Evaluation Period"). Accounting and pro-forma adjustments to the historical period would be applied and identified consistent with treatment in a full rate proceeding. Based upon this analysis of the Evaluation Period, a deficiency or sufficiency is calculated. In all calculations within the CRS mechanism, the benchmark return on common equity is set to equal the return established in the latest general rate Order.

Typical forward-looking known and measurable adjustments would be applied to bridge to the "Rate Effective Period", which is the twelve-month period beginning the following May 1. The tariff includes examples of the O&M expense categories subject to adjustment and specifies the treatment of capital additions, depreciation and amortization expense and taxes. Based upon this analysis of the Rate Effective Period, a deficiency or sufficiency is also calculated.

The net deficiency or sufficiency resulting from the analyses of the Evaluation Period and Rate Effective Period would be applied to the pro-forma billing determinants for the 12-month period beginning May 1.

Q. WOULD TESTIMONY BE REQUIRED OF THE COMPANY RELATING TO THE ANNUAL FILING?

A. We do not propose submittal of testimony, but we do suggest that the Company's Chief Officer in charge of Kentucky operations attest that the schedules filed are in compliance with the provisions of the CRS tariff and that the information is true and correct to the best of his/her knowledge.

Q. WHAT ARE THE SAFEGUARDS TO ENSURE THAT THE ADJUSTMENTS OR PROJECTIONS DO NOT RESULT IN A HIGHER THAN APPROPRIATE RETURN FOR THE COMPANY?

A. First, evaluation procedures are proposed to allow review by both the Commission and the Office of the Attorney General prior to the CRS rates going into effect. Secondly, and perhaps most important, the annual review of the preceding calendar year (the Evaluation Period) incorporates a safeguard against returns for the Company either greater than or lower than the authorized return on equity. In essence, this feature instills a true-up which would correct for any variances in the projections employed in the preceding filing. In our design of this mechanism, we seek to provide assurance to the customer, Commission, Attorney General's office and the Company that the rates in place are appropriate.

Q. WHAT ARE THE BENEFITS OF THE PROPOSED CRS MECHANISM TO THE COMPANY, TO CUSTOMERS AND TO REGULATORS?

A. Again, evaluation procedures are proposed to allow review by both the Commission and the Office of the Attorney General. The filing is made no less than 45 days in advance of the Rate Effective Period and the Company would be prepared to provide supplemental information as may be requested by the Commission or Attorney General to assess the proposed adjustment. This process affords scheduled monitoring and assessment of the Company's earnings.

The customers will benefit, as stated previously, by the additional assurance that the Company's earnings are reasonable and appropriate and that their rates are appropriate. Secondly, the mechanism should eliminate resource-intensive rate cases that would otherwise be necessary for the Company to sustain reasonable earnings and timely recovery of capital investments. Costs of rate proceedings are ultimately borne by our customers, and we believe this mechanism will support our objectives of maintaining low costs and efficient service for the benefit of our customers.

For the Company, again, we wish to retain our position as a low-cost, efficient natural gas service provider and, simultaneously, to earn a reasonable return for our shareholders. We believe this mechanism will instill greater trust that our earnings are reasonable, will provide for timely return on capital investments in

Kentucky operations, and will reduce the costs associated with the alternative rate cases for the Company and its regulators. We seek to provide the best combination of price, service and safety, and giving the customer the best value. We believe the Customer Rate Stabilization mechanism strengthens our position to meet these goals.

Q. PLEASE EXPLAIN THE OBJECTIVE OF REBALANCING THE FIXED AND VARIABLE ELEMENTS OF DISTRIBUTION CHARGES.

A. During the traditional process of rate design, a utility's authorized revenue requirement is distributed to a fixed monthly customer charge component and a volumetric-dependent distribution component for each customer class. The vast predominance of non-gas costs borne by a utility, and correspondingly its revenue requirements, are fixed and are basically unaffected by the volumes sold or transported. Thus, as annual volumes rise above the weather-normalized rate case volumes upon which the revenue requirements were divided, the utility over-recovers it authorized non-gas cost revenues. Alternatively, lower annual volumes lead to non-gas revenues below the established revenue requirement. Of course, the WNA mechanism utilized by the Company addresses the affects of volume variances relating to weather. However, as noted earlier, core market consumption, on a weather-normalized basis, has shown a long term declining trend.

Q. WHAT IS THE IMPACT OF THE TREND OF DECLINING, WEATHER NORMALIZED, CONSUMPTION PATTERNS?

A. Declining weather-normalized consumption creates significant financial challenges to gas utilities operating under traditional rate making models. Again, in traditional rate making processes, the Company's revenue requirements are determined, based upon reasonable operating costs, which are predominately fixed or unaffected by varying sales volumes, and a fair return. A portion of the authorized revenue requirement is spread over a base period volume, normalized for weather, to calculate volumetric distribution rates. Those base period volumes must be sustained for the Company to have a reasonable opportunity to achieve the authorized revenues on an ongoing basis. As I stated earlier in testimony, conservation efforts of residential and commercial customers have lowered our annual distribution charges by more than $4.3 million when comparing our test year in this case to the 1999 rate case test year. Clearly, the trend of declining volume per customer undermines the Company's "reasonable" opportunity.

Q. ARE THERE ANY RATE MECHANISMS TO COMPENSATE FOR THE TREND OF DECLINING CONSUMPTION PATTERNS?

A. Yes, a number of mechanisms address the financial impact of declining consumption patterns which impact the utility under traditional rate making processes. Through participation in industry specific seminars, Atmos Energy's relationship with the AGA, and research of gas utility company filings before other state commissions, the Company has examined several different ways that gas utilities have addressed non-weather related volume changes. They include:

1. Higher Fixed Monthly Customer Charges
2. 100% Fixed Rate Monthly Customer Charge
3. Declining Block Commodity Rates
4. Decoupling Mechanisms

Q. HOW RECENT OR NEW ARE THESE VARIOUS RATE MECHANISMS?

A. The history and impact of moving toward higher monthly customer charges is difficult to track for other gas utility companies, but the Company has requested and received higher customer charges in all of its rate cases in the past several years in an effort to address these concerns. Atlanta Gas Light ("AGL") is the only gas utility of which Atmos Energy is aware that currently has 100% fixed rate monthly customer charge. AGL received this rate design in connection with its unbundling election in Georgia in 2001. In Atmos Energy's rate case currently pending before the Missouri Public Service Commission, the Commission Staff has proposed that a flat monthly Delivery Charge be implemented for Atmos thereby eliminating the fixed and volumetric components of the bill. California, prior to its 1996 deregulation, encouraged decoupling tariffs in both gas and electric utilities. Decoupling refers to rate mechanisms that break the link between the volume of gas sold and the utility's opportunity to achieve its authorized revenue requirements. Since deregulation, Southwest Gas, in California, has received approval (2004) to decouple its rates. Baltimore Gas and Electric (1999), in Maryland, Northwest Natural Gas, in Oregon, (2002), and Piedmont (2005), in North Carolina, have also recently decoupled rates.

Q. DO DECOUPLING MECHANISMS DEPRIVE CUSTOMERS OF THE BENEFIT OF THEIR CONSERVATION EFFORTS?

A. No. Decoupling mechanisms apply only to the non-gas portion of the customer's bill and only to the distribution charges retained by the utility for its costs of distribution service and operations. The customer realizes the most significant portion of the avoided, or conserved, Ccf - the gas charge. For this reason, many groups, including the National Association of Regulatory Utility Commissioners ("NARUC") endorse decoupling rate mechanisms so that utilities interests can fully align with customers in regard to conservation efforts.

Q. IS ATMOS ENERGY PROPOSING A RATE MECHANISM TO ADDRESS THE IMPACT OF THESE NON-WEATHER RELATED VOLUME CHANGES IN THIS CASE?

A. No, not at this time. Despite Atmos Energy's interest in and endorsement of decoupling mechanisms, we are not proposing such a rate design in Kentucky in this case. Instead, we do propose to rebalance the fixed and variable elements in our distribution rates. Our proposal would increase the residential monthly customer charge from the current level of $7.50 to $13.00, while lowering the volumetric distribution margin from $1.19 per Mcf to $0.91 per Mcf. Realignment of fixed and variable elements is also proposed for commercial, public authority and industrial class customers. We believe this rate structure is more reflective of the underlying fixed cost-nature of natural gas distribution and operations. Lowering the volumetric component lowers the financial impact of declining usage on the Company's opportunity to recover its authorized revenue requirement, better aligning the financial interests of the Company with the conservation efforts of our customers.

Q. HOW DOES THE COMPANY PROPOSE TO ALLOCATE THE INCREASE TO VARIOUS CUSTOMER CLASSES?

A. I have reviewed the exhibit in Mr. Bernard Uffleman's testimony which shows the computed rate of return by customer class, based upon his Class Cost-of-Service study. If you combine the two Interruptible/Carriage groups, then the indicated return ranges from 5.1% for commercial, 6.0% for industrial, 6.2% for residential and 12.8% for the Interruptible/Carriage customers. Generally, this indicated to me that class responsibilities are in reasonably good balance. In the development of proposed rate structures, therefore, I did not endeavor to shift revenue responsibilities between classes, but the level of increase on the transportation market would perhaps be more moderate than the other classes. The proposed rate structures and charges for each of Atmos Energy's sales and transportation services are noted in FR 10(1)(b)7.

Q. PLEASE EXPLAIN WHY THE COMPANY IS PROPOSING THAT THE GAS COST COMPONENT OF UNCOLLECTIBLES SHOULD BE RECOVERED THROUGH THE GCA AS OPPOSED TO BASE RATES.

A. Historically, prior to our 1999 rate case, gas prices were relatively stable over time. Uncollectibles expenses, in the context of a rate case, based upon test period uncollectibles expense or an average of such expenses over several years were generally considered to be a representative level of expense that the Company would experience on a going-forward basis. However, with the gas supply price volatility of recent years, averaging or projecting the appropriate level of uncollectibles to be included in the Company's base rates is certain to produce a result that is either too high or too low. Neither scenario benefits the consumer or the Company. For deficiency calculation purposes, the Company has included approximately $1 million for recovery of uncollectible expense. The calculation of this amount is explained in the testimony of Company witness Greg Waller. If the Company's proposal to recover these costs through the GCA is not accepted and actual uncollectibles are higher than calculated in this proceeding, then the Company will not have the opportunity to recover the excess uncollectible amount without filing another general rate case and including the higher amount in base rates. On the other hand, if uncollectibles are lower than calculated in this proceeding then customers will not have the opportunity to benefit from the lower amount and will pay more than the actual uncollectible amount because base rates are not set retroactively.

Q. DOES THE COMPANY HAVE THIS TYPE OF RECOVERY IN OTHER JURISDICTIONS?

A. Yes. The Company is currently allowed recovery of the gas cost portion of bad debt in Tennessee, Virginia, Kansas and its service area in Amarillo, Texas. These authorizations for moving recovery of these costs from base rates to the GCA have all come in recent years, since gas cost volatility has become an increasing challenge.

Q. WHY SHOULD THE UNCOLLECTIBLE PORTION OF GAS COSTS BE TREATED DIFFERENTLY THAN OTHER EXPENSES TRADITIONALLY INCLUDED IN THE COMPANY'S COST OF SERVICE?

A. There is a clear distinction between the uncollectible portion of gas costs and other expenses included in a company's cost of service. The total bad debt expense is directly related to the total billings for residential, commercial and public authority accounts, which is largely driven by gas costs. As I have stated previously, gas costs have exhibited much greater volatility in recent years due to national market issues beyond our local control. Providing for recovery of these gas costs through the GCA seems logical and eliminates the risk for customers and the Company that the level of expense set in base rates is too high or too low in future periods.

Q. WOULD ALLOWING RECOVERY OF THESE COSTS THROUGH THE GCA CREATE A DISINCENTIVE FOR COMPANY TO AGGRESSIVELY PURSUE THE RECOVERY OF BAD DEBTS?

A. Absolutely not. Allowing recovery of the gas cost portion of bad debt does not create an incentive for the utility to deemphasize the collection of bad debts for two reasons. First, the Company would continue to have $185,313 included in its base rates related to margin portion of uncollectible accounts. If collection efforts became lax and more write-offs were to occur, the Company would be exposed to incremental margin losses above those included in our base rates. Second, pursuant to the Company's proposal, when less than 100% of a written-off account is subsequently collected, priority is given to the gas cost portion and therefore the Company will still experience the loss of margin. Therefore, the Company would retain every incentive to remain vigilant and maintain tight collection practices.

Q. HOW DOES GIVING PRIORITY TO THE GAS COST PORTION OF BAD DEBT IMPACT THE COMPANY AND THE CUSTOMER?

A. I will explain it with a brief example. Assume for purposes of the example that the Company has written off an account totaling $1,000. Of this amount, $200 is margin and $800 is gas cost. Subsequent to the account being written off, the customer agrees to pay $800 to have service restored. The Company would then put the customer on a payment plan for the remaining $200. Pursuant to the Company's proposal, when the customer pays the $800, priority would be given to the gas cost that had been written off, and thus this amount would be credited back to the PGA in its entirety for the PGA customer's benefit. The Company would still be at risk for the $200 of associated margin.

Q. PLEASE SUMMARIZE YOUR TESTIMONY ON THE ISSUE OF RECOVERY OF THE GAS COST COMPONENT OF BAD DEBT THROUGH THE PGA.

A. The historical practice of addressing the gas cost component of uncollectibles in base rates no longer makes sense in this era of volatile gas costs. There is no reasonable mechanism to predict on a going forward basis what these uncollectibles will be based on past experience. We believe the Company's GCA is intended to provide recovery of 100% of the costs it prudently incurs in procuring gas for its customers, no more, no less. Therefore, the Company believes that it should be authorized to recover the gas cost component of uncollectibles through its GCA mechanism.

Q. ATMOS ENERGY PROPOSES CERTAIN CHANGES TO SERVICE CHARGES IN THIS FILING. PLEASE DESCRIBE EACH OF THE RATE CHANGES SET FORTH IN THE TARIFFS.

A. Our intent is to ensure that our service charges are fair and equitable. To achieve this, Company witness Mr. Robert Cook prepared a study to identify the costs to provide each service (reference Exhibit RRC-1) and we have set the price for such services at or above that cost. In this way we ensure that the service cost is assigned to the cost causer so that other customers do not have to subsidize those causing the cost. We also want to send the correct price signals to customers to avoid incurring unnecessary costs and keep the overall cost of service to all customers lower. As such, our service charges have been designed to promote efficient usage of services and discourage unnecessary churn of customers' service being turned off and on.

Based upon Mr. Cook's study, we are proposing to increase the charges for Meter Sets (from $28.00 to $34.00), Turn On (From $20.00 to $23.00), and Turn On from Non-Pay (from $34.00 to $39.00). The service charges for Turn on from Seasonal Off and for Read and Run are proposed to remain the same as current charges. The charge for Return Checks is proposed to increase from $23.00 to $25.00, based upon an analysis of such charges imposed by local banking institutions. Finally, the optional monthly Electronic Flow Metering ("EFM") charges for transportation customers is proposed to be lowered from $105.00 per month to $75.00 per month for class 1 equipment and from $245.00 per month to $175 per month for Class 2 equipment, based upon lower costs of technology available today.

Q. WHAT IS THE RESULTING EFFECT OF ATMOS ENERGY'S PROPOSED RATES COMPARED TO CURRENT RATES FOR THE

AVERAGE RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS RESPECTIVELY?

A. Using the test year volumes and gas costs as the basis for comparison, the annual impact of Atmos Energy's proposed rates is as follows. The average monthly charges for a residential customer under G-1 service increases $3.90, a 5.6% increase over current rates. Commercial class customers average monthly charges increase $9.65, a 3.6% increase over current rates, and the industrial sales and transportation class average monthly charges increase $207, a 4.7% increase over current rates. The test year revenues at proposed rates are summarized on Exhibit GLS-6 attached hereto (in a format comparable to Exhibit GLS-2) and Exhibit GLS-7 provides the proposed monthly revenues (in a format comparable to Exhibit GLS-5).

Q. ARE THERE ANY CHANGES IN THE PROPOSED TARIFF IN ADDITION TO THOSE RELATED TO THE SUBJECTS NOTED ABOVE?

A. Yes. First, I want to address proposals by the Company to discontinue certain service options which are not widely utilized, are uneconomic, and create unnecessary administrative challenges. We proposed to discontinue the Large Volume Sales ("LVS") services, which, at this time has one subscriber. The LVS service option excludes the favorable benefits of storage supply available to other sales customers, and thus is uneconomic compared to the rates available through General Sales Service. Administratively, the Company must compute a unique gas cost charge for the LVS service each month and submit that documentation to the Commission. We propose to discontinue this service six months from the date of the Order in this Case. Similarly, we propose to eliminate the High Load Factor ("HLF") sales option since only one customer currently subscribes to that service. Again, we propose to discontinue this service six months from the date of the Order in this Case to enable the customer to make a thoughtful choice of tariff services thereafter.

Q. PLEASE CONTINUE TO DESCRIBE OTHER TARIFF CHANGES PROPOSED IN THIS CASE.

A. There are a number of tariff language changes that are proposed for purposes of improved clarity and consistency. All of these changes, as well as changes resulting from the rate and service changes described previously, can be readily distinguished on the side-by-side tariff comparisons in FR 10(1)(b)8a. A few examples of the tariff changes include:

- standardization of curtailment/unauthorized overrun language in each of the tariffs subject to these provisions.
- introduction of a new Transportation/Carriage Pooling Service, which is intended to simplify handling of monthly imbalances for customers interested in participating with other customers in a pool. Pooling Managers could assist transporters through this service, aggregating the net imbalances among similarly situated customers participating in their pool.
- add the requirement for all new transporters to install EFM pursuant to terms of the tariffs. When the requirement for EFM was first introduced, certain smaller transportation customers were exempted from those requirements. We now have 12 carriage transporters under T-3 or T-4 service without EFM and 7 T-2 transporters without EFM. Our proposal would "grandfather" these exceptions. We believe the customers may choose to install EFM by their own election, due to its administrative benefits, or if the lower monthly charge proposed in this Case is approved.
- modify the Gas Research Institute Rider to reflect changes in the Research & Development organizational structure since implementing that tariff.

VII. CONCLUSION

Q. DO YOU BELIEVE THAT THE FORECASTS YOU HAVE PREPARED FOR THE TEST PERIOD REVENUE BUDGET AND PRESENTED IN THIS CASE REPRESENTS THE MOST REASONABLE BASIS OF REVENUES AND VOLUMES FOR THE SETTING OF RATES IN THIS PROCEEDING?

A. Yes. These are the very best estimates we have of Atmos Energy's future revenues and volumes and I believe these are the projections to be relied upon in the setting of rates.

Q. ARE THE RATES AND RATES STRUCTURES PROPOSED BY ATMOS ENERGY THOSE RATES WHICH WILL, IN TOTAL, BEST SERVE THE NEEDS OF ATMOS ENERGY'S RATEPAYERS AND SHAREHOLDERS IN CONTINUING OR IMPROVING THE HIGH QUALITY AND EFFICIENT SERVICE ATMOS ENERGY'S CUSTOMERS NOW ENJOY?

A. Yes. Our proposal is the best overall rate design to sustain Atmos Energy financially in the years ahead and are the rates consistent with the highest quality and most efficient service we can provide.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY DATA
TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Line No.	Class of Customers	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	RESIDENTIAL (Rate G-1)																
2	FIRM BILLS	150,852	153,727	156,196	157,980	157,844	158,249	157,183	153,710	152,011	149,616	149,653	148,757	1,845,778		$7.50	$13,843,335
3	Sales: 1-300	237,869	620,202	1,678,449	1,890,825	1,600,313	1,522,133	848,864	357,427	224,517	170,792	186,376	167,460		9,505,227	1.1900	11,311,220
4	Sales: 301-15000	2,212	3,170	5,386	8,451	5,201	4,572	576	2,833	4,915	3,755	3,261	310		44,640	0.6590	29,418
5	Sales: Over 15000														0	0.4300	0
6	CLASS TOTAL (Mcf/month)	240,081	623,372	1,683,835	1,899,275	1,605,513	1,526,705	849,441	360,260	229,432	174,547	189,636	167,770	1,845,778	9,549,867		$25,183,973
7	WNA Revenue		$48,860	($249,524)	$423,730	$480,059	$126,216	$26,673									$807,154
8	CLASS TOTAL (Rev Incl. WNA)																$25,991,127
9																	
10	FIRM COMMERCIAL (Rate G-1)																
11	FIRM BILLS	17,352	17,687	18,031	18,080	18,112	18,054	17,950	17,686	16,539	17,281	17,075	17,207	211,054		$20.00	$4,221,080
12	Sales: 1-300	153,243	249,364	616,429	694,270	602,482	559,434	337,245	175,859	141,722	120,176	129,414	124,189		3,903,829	1.1900	4,645,556
13	Sales: 301-15000	34,824	26,583	95,533	99,514	81,138	63,630	31,008	16,949	17,976	14,414	14,005	20,819		516,392	0.6590	340,302
14	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4300	0
15	CLASS TOTAL (Mcf/month)	188,067	275,947	711,962	793,784	683,620	623,064	368,253	192,808	159,698	134,590	143,419	145,008	211,054	4,420,220		$9,206,938
16	WNA Revenue		$15,392	($89,665)	$154,454	$153,566	$42,788	$10,098									$271,241
17	CLASS TOTAL (Rev Incl. WNA)																$9,478,179
18																	
19	FIRM INDUSTRIAL (Rate G-1)																
20	FIRM BILLS	213	219	225	204	220	230	218	208	186	246	207	214	2,590		$20.00	$51,800
21	Sales: 1-300	17,586	31,203	47,376	39,229	43,307	38,137	23,085	17,195	13,167	12,138	11,890	14,091		308,403	1.1900	367,000
22	Sales: 301-15000	18,594	34,257	80,859	62,935	67,171	48,704	20,319	19,093	18,397	13,607	14,525	17,873		416,336	0.6590	274,365
23	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4300	0
24	CLASS TOTAL (Mcf/month)	36,180	65,460	128,235	102,164	110,478	86,842	43,404	36,289	31,564	25,745	26,414	31,965	2,590	724,739		$693,165
25																	
26	FIRM PUBLIC AUTHORITY (Rate G-1)																
27	FIRM BILLS	1,607	1,634	1,638	1,642	1,638	1,634	1,629	1,623	1,649	1,625	1,607	1,614	19,540		$20.00	$390,800
28	Sales: 1-300	38,234	73,734	144,841	161,013	140,611	135,981	87,129	46,466	33,617	26,366	26,374	28,094		942,460	1.1900	1,121,527
25	Sales: 301-15000	9,608	20,371	56,960	67,466	48,821	45,598	19,553	12,377	12,434	8,485	7,389	7,972		317,034	0.6590	208,926
26	Sales: Over 15000	0	0	0	0	0	400	0	0	0	0	0	0		400	0.4300	172
27	CLASS TOTAL (Mcf/month)	47,841	94,105	201,801	228,479	189,433	181,979	106,683	58,844	46,051	34,851	33,763	36,066	19,540	1,259,894		$1,721,425
28	WNA Revenue		$4,862	($22,948)	$45,518	$43,546	$12,716	$5,460									$84,292
29	CLASS TOTAL (Rev Incl. WNA)																$1,805,717
30																	
31	INTERRUPTIBLE COMMERCIAL (G-2)																
32	INT BILLS	5	5	6	6	6	5	6	4	4	4	4	4	59		$220.00	$12,980
33	Sales: 1-15000	5,237	6,448	6,846	5,040	4,378	3,943	3,616	2,251	2,176	1,787	2,185	2,016		45,922	0.5300	24,339
34	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.3591	0
35	CLASS TOTAL (Mcf/month)	5,237	6,448	6,846	5,040	4,378	3,943	3,616	2,251	2,176	1,787	2,185	2,016	59	45,922		$37,319
36																	
37	INTERRUPTIBLE INDUSTRIAL (G-2)																
38	INT BILLS	12	9	15	12	14	13	15	14	12	14	12	12	154		$220.00	$33,880
39	Sales: 1-15000	52,534	48,303	88,634	48,222	44,389	37,064	21,162	47,137	26,631	36,085	38,421	19,889		508,473	0.5300	269,491
40	Sales: Over 15000	18,329	10,229	83,614	9,733	11,551	1,699	0	13,846	0	11,557	3,460	6,916		170,933	0.3591	61,382
41	CLASS TOTAL (Mcf/month)	70,863	58,532	172,248	57,955	55,940	38,763	21,162	60,983	26,631	47,641	41,881	26,806	154	679,406		$364,753
42																	
43	FIRM OVERRUN																
44	Sales: 1-300	300	0	0	0	0	0	394	0	133	93	16	40		976	1.3090	1,278
45	Sales: 301-15000	1,022	2,477	64	773	243	1,776	475	194	283	150	152	901		8,510	0.7249	6,169
46	Sales: Over 15000	9	828	0	6,825	0	1,614	0	3,392	0	0	370	616		13,654	0.4730	6,458
47	CLASS TOTAL (Mcf/month)	1,331	3,305	64	7,598	243	3,390	869	3,586	416	243	538	1,557		23,140		$13,905
48																	

EXHIBIT GLS-1

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY DATA
TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Line No.	Class of Customers	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
49	INTERRUPTIBLE OVERRUN																
50	Sales: 1-15000	726	908	2,522	1,522	92	226	228	338	1,215	4,072	3,480	116		15,445	0.5830	9,004
51	Sales: Over 15000	2,169	1,626	255	124	0	0	0	0	0	0	0	640		4,814	0.3950	1,902
52	CLASS TOTAL (Mcf/month)	2,895	2,534	2,777	1,646	92	226	228	338	1,215	4,072	3,480	756		20,259		$10,906
53																	
54	TRANSPORTATION (T-2/G-1)																
55	TRANSPORTATION BILLS	4	4	4	4	4	4	3	4	3	4	3	3	44		$20.00	$880
56	Trans Admin Fee	$200	$200	$200	$200	$200	$200	$150	$200	$150	$200	$150	$150				2,200
57	EFM Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
58	Parking Fee	$0	$0	$12	$23	$21	$3	$9	$6	$4	$2	$0	$3				83
59	Firm Transport: 1-300	1,086	780	1,086	1,086	1,068	1,086	1,080	1,086	1,080	1,116	1,039	1,080		12,673	1.1900	15,081
60	Firm Transport: 301-15000	4,940	6,442	9,429	8,743	9,062	9,104	6,492	6,870	6,414	7,360	7,084	5,829		87,769	0.6590	57,840
61	Firm Transport: Over 1500	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4300	0
62	CLASS TOTAL (Mcf/month)	6,026	7,222	10,515	9,829	10,130	10,190	7,572	7,956	7,494	8,476	8,123	6,909	44	100,442		$76,083
63																	
64	TRANSPORTATION (T-2/G-2)																
65	TRANSPORTATION BILLS	10	10	10	10	10	10	10	10	10	9	10	10	119		$220.00	$26,180
66	Trans Admin Fee	$500	$500	$500	$500	$500	$500	$500	$500	$500	$450	$500	$500				5,950
67	EFM Fee	$700	$700	$700	$700	$700	$700	$700	$700	$700	$700	$700	$700				8,400
68	Parking Fee	$0	$0	$41	$60	$71	$164	$157	$135	$125	$113	$219	$456				1,539
69	Interrupt Transport: 1-15000	21,399	28,746	37,475	51,263	48,911	48,993	38,885	41,875	37,571	25,973	28,202	31,982		441,275	0.5300	233,876
70	Interrupt Transport: Over 15000	0	0	0	8,780	7,230	10,260	9,255	5,052	6,318	9,427	5,452	2,408		64,182	0.3591	23,048
71	CLASS TOTAL (Mcf/month)	21,399	28,746	37,475	60,043	56,141	59,253	48,140	46,927	43,889	35,400	33,654	34,390	119	505,457		$298,992
72																	
73	TRANSPORTATION (T-4)																
74	TRANSPORTATION BILLS	101	101	101	101	100	101	101	101	101	102	106	103	1,219		$220.00	$268,180
75	Trans Admin Fee	$5,000	$5,000	$5,000	$5,000	$4,950	$5,000	$5,000	$5,000	$5,000	$5,050	$5,200	$5,050				60,250
76	EFM Fee	$8,330	$8,330	$8,330	$8,330	$8,330	$8,330	$8,435	$8,330	$8,435	$8,655	$8,750	$8,645				101,230
77	Parking Fee	$1,416	$1,547	$1,336	$1,513	$1,292	$1,299	$2,254	$2,093	$1,911	$1,502	$1,402	$1,456				19,021
78	Firm Transport: 1-300	30,872	30,878	30,755	30,455	30,140	31,355	30,505	29,554	27,934	28,027	28,841	29,152		358,468	1.1900	426,577
79	Firm Transport: 301-15000	363,979	387,472	476,236	446,426	428,047	425,765	325,001	330,726	300,411	268,513	309,531	307,841		4,369,948	0.6590	2,879,796
80	Firm Transport: Over 1500	46,528	50,692	80,054	76,781	65,742	77,400	32,750	37,646	31,905	13,293	30,106	28,067		570,964	0.4300	245,515
81	CLASS TOTAL (Mcf/month)	441,379	469,042	587,045	553,662	523,929	534,520	388,256	397,926	360,250	309,833	368,478	365,060	1,219	5,299,380		$4,000,568
82																	
83	TRANSPORTATION (T-3)																
84	TRANSPORTATION BILLS	62	62	61	61	61	61	60	62	62	62	63	62	739		$220.00	$162,580
85	Trans Admin Fee	$3,100	$3,100	$3,050	$3,050	$3,050	$3,050	$3,000	$3,100	$3,100	$3,100	$3,150	$3,100				36,950
86	EFM Fee	$4,585	$4,585	$4,480	$4,480	$4,480	$4,480	$4,375	$4,480	$4,480	$4,480	$4,480	$4,585				53,970
87	Parking Fee	$1,438	$1,376	$1,768	$1,834	$1,947	$2,103	$2,651	$2,842	$3,009	$2,616	$2,325	$2,368				26,276
88	Interrupt Transport: 1-15000	377,024	382,113	374,125	358,863	346,249	373,505	329,757	361,514	358,942	316,042	336,385	343,424		4,257,943	0.5300	2,256,710
89	Interrupt Transport: Over 15000	141,933	135,493	157,851	160,425	142,320	177,623	151,286	156,655	131,738	133,756	147,515	138,863		1,775,458	0.3591	637,567
90	CLASS TOTAL (Mcf/month)	518,957	517,606	531,976	519,288	488,569	551,128	481,043	518,169	490,680	449,798	483,900	482,287	739	6,033,401		$3,174,053
91																	
92	SPECIAL CONTRACTS																
93	TRANSPORTATION BILLS	19	19	18	18	18	18	18	18	18	18	18	18	218		$220.00	$47,960
94	Trans Admin Fee	$950	$950	$900	$900	$900	$900	$900	$900	$900	$900	$900	$900				10,900
95	EFM Fee	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,665				21,135
96	Parking Fee	$1,350	$2,404	$1,829	$2,370	$1,876	$3,022	$2,782	$2,411	$2,373	$2,123	$2,126	$2,653				27,318
97	Transported Volumes	1,159,266	1,087,051	1,247,097	1,319,718	1,244,238	1,292,504	1,160,585	1,262,699	1,142,360	1,104,462	1,160,648	1,151,428		14,332,055	Various	
98	Charges for Transport Volumes	$125,626	$124,142	$137,239	$142,836	$135,167	$139,260	$124,383	$134,301	$121,881	$117,339	$122,774	$123,866				1,548,812
99	CLASS TOTAL (Mcf/month)	1,159,266	1,087,051	1,247,097	1,319,718	1,244,238	1,292,504	1,160,585	1,262,699	1,142,360	1,104,462	1,160,648	1,151,428	218	14,332,055		$1,656,126

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EXHIBIT GLS-2

ATMOS ENERGY CORPORATION - KENTUCKY
SUMMARY OF REVENUE AT PRESENT RATES
TEST YEAR ENDING JUNE 30, 2007

Line No.	Description	Block (Mcf)	Reference Period - Twelve Months Ending 9/30/2006: Number of Bills, Units	Volumes As Metered	Contract Adj. Bills and Volumes	Weather Adj. Volumes (NOAA 61-90)	Total Volumes	Forward-looking Adjustments To Test Year: Customer Growth Forecast	Conservation & Efficiency Adjustments	Weather Adj to reflect NOAA 71-00	Total Test Year Volumes	Present Margin	Present Revenue
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Sales												
2	Firm Sales (G-1, LVS-1)	Customer Chrg	1,845,778					0				$7.50	$13,843,335
3		Customer Chrg	233,228		(60)			0				20.00	4,663,360
4		0 - 300		14,659,919	24,937	1,338,029	16,022,885	0	(385,927)	(156,393)	15,480,564	1.1900	18,421,872
5		301 - 15,000		1,294,402	(194,636)	54,007	1,153,773	0	(13,153)	(7,399)	1,133,221	0.6590	746,793
6		Over 15,000		400	0	0	400	0	(400)	0	0	0.4300	0
7	Interruptible Sales (G-2, LVS-2)	Customer Chrg	213		(6)			0				220.00	45,540
8		0 - 15,000		554,395	(47,421)		506,974	0			506,974	0.5300	268,696
9		Over 15,000		170,933	(56,643)		114,290	0			114,290	0.3591	41,042
10	Overrun (T-4)	0 - 300		976	(976)		0				0	1.3090	0
11		301 - 15,000		8,510	(8,510)		0				0	0.7249	0
12		Over 15,000		13,654	(13,654)							0.4730	0
13	Overrun (T-3)	0 - 15,000		15,445	(15,445)		0				0	0.5830	0
14		Over 15,000		4,814	(4,814)		0				0	0.3950	0
15	Transportation												
16	Customer Charges (T2/G1)	Customer Chrg	[1]									20.00	
17	Customer Charges (T2/G2,T4,T3)	Customer Chrg	2,295		13			0				220.00	507,760
18	Transp. Adm. Fee	Customer Chrg	2,325		13			0				50.00	116,900
19	Parked Volumes [2]			742,360	0							0.10	74,236
20	EFM Charges											Various	184,735
21	Firm Transport (G-1) [1]	0 - 300		12,673	0		12,673	0			12,673	1.1900	15,081
22		301 - 15,000		87,769	0		87,769	0			87,769	0.6590	57,840
23		Over 15,000		0	0		0	0			0	0.4300	0
24	Interruptible Transport (G-2)	0 - 15,000		441,275	0		441,275	0			441,275	0.5300	233,876
25		Over 15,000		64,182	0		64,182	0			64,182	0.3591	23,048
26	Firm Carriage (T-4)	0 - 300		358,468	15,767		374,235	0			374,235	1.1900	445,339
27		301 - 15,000		4,369,948	92,112		4,462,060	0			4,462,060	0.6590	2,940,497
28		Over 15,000		570,964	1,823		572,787	0			572,787	0.4300	246,298
29	Interruptible Carriage (T-3)	0 - 15,000		4,257,943	(151,541)		4,106,402	0			4,106,402	0.5300	2,176,393
30		Over 15,000		1,775,458	116,049		1,891,507	0			1,891,507	0.3591	679,240
31	Total Special Contracts [3]			14,332,055	45,174		14,377,229	0			14,377,229	Various	1,532,153
32	Total Tariff		2,081,514	42,994,183	(184,125)	1,392,036	44,188,440	0	(399,480)	(163,792)	43,625,167		47,264,034
33													
34	WNA Basis Adjustment									$190,984			190,984
35	Other Revenues												865,237
36	Late Payment Fees												1,750,462
37	Total Gross Profit												50,070,717
38													
39	Gas Costs												176,628,089
40													
41	Total Revenue												$ 226,698,806
42													
43	[1] Number of Bills included in G-1 Sales.												
44	[2] Parked Volumes not included in Total Deliveries.												
45	[3] Based on confidential information. Number of Bills included in T2/G2, T3 & T4.												

ATMOS ENERGY CORPORATION - KENTUCKY
VOLUME AND CONTRACT ADJUSTMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Line No.	Class of Customers	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	RESIDENTIAL (Rate G-1)																
2	FIRM BILLS													0		$7.50	$0
3	Sales: 1-300	2,212	3,170	5,386	8,451	5,201	4,572	576	2,833	4,915	3,755	3,261	310		44,640	1.1900	53,122
4	Sales: 301-15000	(2,212)	(3,170)	(5,386)	(8,451)	(5,201)	(4,572)	(576)	(2,833)	(4,915)	(3,755)	(3,261)	(310)		(44,640)	0.6590	(29,418)
5	Sales: Over 15000														0	0.4300	0
6	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$23,704
7																	
8	FIRM COMMERCIAL (Rate G-1)																
9	FIRM BILLS	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(23)		$20.00	($460)
10	Sales: 1-300	(600)	(600)	(454)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(300)		(6,754)	1.1900	(8,037)
11	Sales: 301-15000	(1,761)	(917)	(617)	(1,511)	(2,044)	(2,226)	(1,986)	(1,951)	(1,928)	(1,732)	(1,395)	(458)		(18,526)	0.6590	(12,209)
12	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4300	0
13	CLASS TOTAL (Mcf/month)	(2,361)	(1,517)	(1,071)	(2,111)	(2,644)	(2,826)	(2,586)	(2,551)	(2,528)	(2,332)	(1,995)	(758)	(23)	(25,280)		($20,705)
14																	
15	FIRM INDUSTRIAL (Rate G-1)																
16	FIRM BILLS	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0	0	2	2	(5)		$20.00	($100)
17	Sales: 1-300	(800)	(300)	(300)	(300)	(300)	(300)	(500)	(590)	(290)	(290)	310	310		(3,350)	1.1900	(3,987)
18	Sales: 301-15000	(3,720)	(3,987)	(6,920)	(8,691)	(10,426)	(10,561)	(9,150)	(6,011)	(6,253)	(4,324)	(15)	436		(69,622)	0.6590	(45,881)
19	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4300	0
20	CLASS TOTAL (Mcf/month)	(4,520)	(4,287)	(7,220)	(8,991)	(10,726)	(10,861)	(9,650)	(6,601)	(6,543)	(4,614)	295	746	(5)	(72,972)		($49,967)
21																	
22																	
23	FIRM PUBLIC AUTHORITY (Rate G-1)																
24	FIRM BILLS	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(2)	0	(32)		$20.00	($640)
25	Sales: 1-300	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(600)	0		(9,600)	1.1900	(11,424)
26	Sales: 301-15000	(4,702)	(6,339)	(7,312)	(7,288)	(6,729)	(6,396)	(5,188)	(5,572)	(4,705)	(4,249)	(3,369)	0		(61,848)	0.6590	(40,758)
27	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4300	0
28	CLASS TOTAL (Mcf/month)	(5,602)	(7,239)	(8,212)	(8,188)	(7,629)	(7,296)	(6,088)	(6,472)	(5,605)	(5,149)	(3,969)	0	(32)	(71,448)		($52,822)
25																	
26	INTERRUPTIBLE COMMERCIAL (G-2)																
27	INT BILLS	(1)	(1)	(1)	(1)	(1)	(1)	0	0	0	0	0	0	(6)		$220.00	($1,320)
28	Sales: 1-15000	(2,138)	(2,600)	(2,014)	(1,150)	(47)	(1,115)	0	0	0	0	0	0		(9,064)	0.5300	(4,804)
29	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.3591	0
30	CLASS TOTAL (Mcf/month)	(2,138)	(2,600)	(2,014)	(1,150)	(47)	(1,115)	0	0	0	0	0	0	(6)	(9,064)		($6,124)
31																	
32	INTERRUPTIBLE INDUSTRIAL (G-2)																
33	INT BILLS	0	0	0	0	0	0	0	0	0	0	0	0	0		$220.00	$0
34	Sales: 1-15000	0	(5,358)	(13,607)	(5,981)	0	0	0	(6,871)	0	0	(6,540)	0		(38,357)	0.5300	(20,329)
35	Sales: Over 15000	0	(642)	(38,393)	(1,019)	0	0	0	(13,129)	0	0	(3,460)	0		(56,643)	0.3591	(20,341)
36	CLASS TOTAL (Mcf/month)	0	(6,000)	(52,000)	(7,000)	0	0	0	(20,000)	0	0	(10,000)	0	0	(95,000)		($40,670)
37																	
38	FIRM OVERRUN																
39	FIRM BILLS													0			$0
40	Sales: 1-300	(300)	0	0	0	0	0	(394)	0	(133)	(93)	(16)	(40)		(976)	1.3090	(1,278)
41	Sales: 301-15000	(1,022)	(2,477)	(64)	(773)	(243)	(1,776)	(475)	(194)	(283)	(150)	(152)	(901)		(8,510)	0.7249	(6,169)
42	Sales: Over 15000	(9)	(828)	0	(6,825)	0	(1,614)	0	(3,392)	0	0	(370)	(616)		(13,654)	0.4730	(6,458)
43	CLASS TOTAL (Mcf/month)	(1,331)	(3,305)	(64)	(7,598)	(243)	(3,390)	(869)	(3,586)	(416)	(243)	(538)	(1,557)	0	(23,140)		($13,905)
44																	

EXHIBIT GLS-3

ATMOS ENERGY CORPORATION - KENTUCKY
VOLUME AND CONTRACT ADJUSTMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Line No.	Class of Customers	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
45	INTERRUPTIBLE OVERRUN																
46	INT BILLS													0			$0
47	Sales: 1-15000	(726)	(908)	(2,522)	(1,522)	(92)	(226)	(228)	(338)	(1,215)	(4,072)	(3,480)	(116)		(15,445)	0.5830	(9,004)
48	Sales: Over 15000	(2,169)	(1,626)	(255)	(124)	0	0	0	0	0	0	0	(640)		(4,814)	0.3950	(1,902)
49	CLASS TOTAL (Mcf/month)	(2,895)	(2,534)	(2,777)	(1,646)	(92)	(226)	(228)	(338)	(1,215)	(4,072)	(3,480)	(756)	0	(20,259)		($10,906)
50																	
51	TRANSPORTATION (T-2/G-1)																
52	TRANSPORTATION BILLS													0		$20.00	$0
53	Trans Admin Fee																0
54	EFM Fee																0
55	Parking Fee																0
56	Firm Transport: 1-300														0	1.1900	0
57	Firm Transport: 301-15000														0	0.6590	0
58	Firm Transport: Over 1500														0	0.4300	0
59	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
60																	
61	TRANSPORTATION (T-2/G-2)																
62	TRANSPORTATION BILLS													0		$220.00	$0
63	Trans Admin Fee																0
64	EFM Fee																0
65	Parking Fee																0
66	Interrupt Transport: 1-15000														0	0.5300	0
67	Interrupt Transport: Over 15000														0	0.3591	0
68	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
69																	
70	TRANSPORTATION (T-4)																
71	TRANSPORTATION BILLS	3	2	4	4	4	4	4	5	4	4	1	(1)	38		$220.00	$8,360
72	Trans Admin Fee	$150	$100	$200	$200	$200	$200	$200	$250	$200	$200	$50	($50)				1,900
73	EFM Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
74	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
75	Firm Transport: 1-300	1,200	600	1,054	1,200	1,200	1,200	1,756	2,075	2,075	2,029	1,119	259		15,767	1.1900	18,762
76	Firm Transport: 301-15000	(1,667)	(1,444)	(2,730)	8,627	6,114	14,211	17,100	15,148	14,959	12,293	6,790	2,710		92,112	0.6590	60,701
77	Firm Transport: Over 1500	9	828	0	0	0	0	0	0	0	0	370	616		1,823	0.4300	784
78	CLASS TOTAL (Mcf/month)	(458)	(16)	(1,677)	9,827	7,314	15,411	18,856	17,223	17,034	14,322	8,279	3,585	38	109,701		$90,508
79																	
80	TRANSPORTATION (T-3)																
81	TRANSPORTATION BILLS	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(13)		$220.00	($2,860)
82	Trans Admin Fee	($50)	($100)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)				(650)
83	EFM Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
84	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
85	Interrupt Transport: 1-15000	(14,371)	(22,989)	(29,961)	(26,691)	(26,319)	(20,449)	(5,967)	(3,620)	(4,843)	1,064	2,405	200		(151,541)	0.5300	(80,317)
86	Interrupt Transport: Over 15000	18,969	24,626	18,638	18,124	23,000	3,000	3,000	3,000	3,000	0	0	688		116,049	0.3591	41,673
87	CLASS TOTAL (Mcf/month)	4,598	1,637	(11,323)	(8,567)	(3,319)	(17,449)	(2,967)	(620)	(1,843)	1,064	2,405	888	(13)	(35,492)		($42,154)
88																	
89	SPECIAL CONTRACTS																
90	TRANSPORTATION BILLS	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)		$220.00	($2,640)
91	Trans Admin Fee	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)				(600)
92	EFM Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
93	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
94	Transported Volumes	32,620	33,366	34,337	(14,412)	(12,692)	(17,228)	(6,897)	(301)	(2,038)	177	(486)	(1,272)		45,174	Various	
95	Charges for Transport Volumes	$1,619	$327	($1,299)	($4,730)	($4,208)	($4,051)	($1,663)	($948)	($749)	($280)	($290)	($388)				(16,659)
96	CLASS TOTAL (Mcf/month)	32,620	33,366	34,337	(14,412)	(12,692)	(17,228)	(6,897)	(301)	(2,038)	177	(486)	(1,272)	(12)	45,174		($19,899)

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EXHIBIT GLS-4

ATMOS ENERGY CORPORATION - KENTUCKY
WEATHER ADJUSTMENT - BASIS NOAA 1961-1990
TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Line No.	Class of Customers	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Number Of Bills (a)	Mcf (b)	Rate (c)	Total Revenue (d)
1	RESIDENTIAL (Rate G-1)																
2	FIRM BILLS													0		$7.50	$0
3	Sales: 1-300	142,587	263,573	(207,688)	135,082	451,938	(82,887)	91,709	113,414	14,456	7,522	(7,522)	13,254		935,438	1.1900	1,113,171
4	Sales: 301-15000														0	0.6590	0
5	Sales: Over 15000														0	0.4300	0
6	CLASS TOTAL (Mcf/month)	142,587	263,573	(207,688)	135,082	451,938	(82,887)	91,709	113,414	14,456	7,522	(7,522)	13,254	0	935,438		$1,113,171
7																	
8																	
9																	
10	FIRM COMMERCIAL (Rate G-1)																
11	FIRM BILLS													0		$20.00	$0
12	Sales: 1-300	22,017	115,657	(74,366)	31,542	139,124	(12,114)	50,651	53,036	(4,167)	4,886	(4,922)	(6,158)		315,185	1.1900	375,070
13	Sales: 301-15000	4,769	11,933	(11,458)	4,456	18,282	(1,331)	4,366	4,539	(474)	518	(482)	(1,012)		34,107	0.6590	22,476
14	Sales: Over 15000														0	0.4300	0
15	CLASS TOTAL (Mcf/month)	26,786	127,590	(85,824)	35,998	157,406	(13,445)	55,017	57,575	(4,641)	5,404	(5,404)	(7,170)	0	349,292		$397,547
16																	
17																	
18																	
19	FIRM INDUSTRIAL (Rate G-1)																
20	FIRM BILLS													0		$20.00	$0
21	Sales: 1-300														0	1.1900	0
22	Sales: 301-15000														0	0.6590	0
23	Sales: Over 15000														0	0.4300	0
24	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
25																	
26	FIRM PUBLIC AUTHORITY (Rate G-1)																
27	FIRM BILLS													0		$20.00	$0
28	Sales: 1-300	9,231	20,346	(12,258)	13,487	45,548	(2,662)	12,056	9,112	(2,537)	174	(176)	(4,915)		87,406	1.1900	104,013
25	Sales: 301-15000	1,213	3,920	(4,228)	5,069	13,722	(1,172)	2,008	1,360	(600)	29	(27)	(1,394)		19,900	0.6590	13,114
26	Sales: Over 15000														0	0.4300	0
27	CLASS TOTAL (Mcf/month)	10,444	24,266	(16,486)	18,556	59,270	(3,834)	14,064	10,472	(3,137)	203	(203)	(6,309)	0	107,306		$117,127

EXHIBIT GLS-4

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended September 30, 2006

Line No.	Month	Lagged Actual HDDs	Lagged Normal HDDs	X Coefficient	Product	Constant	Normalized Usage per Customer	No. of Customers	Normalized Volumes	Actual Volumes	Weather Adjustment	Normal HDDs	Normalized Including Unbilled
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	Residential - Class 1 Rate 1												
1	Oct-05	60	109	0.0121	1.3198	1.2169	2.5367	150,852	382,668	240,081	142,587	239	621,215
2	Nov-05	296	376	0.0121	4.5527	1.2169	5.7696	153,727	886,945	623,372	263,573	516	1,149,565
3	Dec-05	853	680	0.0121	8.2337	1.2169	9.4506	156,196	1,476,147	1,683,835	(207,688)	859	1,817,879
4	Jan-06	760	963	0.0121	11.6604	1.2169	12.8773	157,980	2,034,357	1,899,275	135,082	1,006	2,120,330
5	Feb-06	752	976	0.0121	11.8178	1.2169	13.0347	157,844	2,057,451	1,605,513	451,938	797	1,718,354
6	Mar-06	561	653	0.0121	7.9068	1.2169	9.1237	158,249	1,443,818	1,526,705	(82,887)	555	1,258,242
7	Apr-06	420	394	0.0121	4.7707	1.2169	5.9876	157,183	941,150	849,441	91,709	247	662,539
8	May-06	112	154	0.0121	1.8647	1.2169	3.0816	153,710	473,674	360,260	113,414	90	355,181
9	Jun-06	22	32	0.0121	0.3875	1.2169	1.6044	152,011	243,888	229,432	14,456	0	185,309
10	Jul-06	0	0	0.0121	0.0000	1.2169	1.2169	149,616	182,069	174,547	7,522	0	182,390
11	Aug-06	0	0	0.0121	0.0000	1.2169	1.2169	149,653	182,114	189,636	(7,522)	0	182,435
12	Sep-06	3	0	0.0121	0.0000	1.2169	1.2169	148,757	181,024	167,770	13,254	28	231,865
13													
14	Total	3,839	4,337			1.2169		153,815	10,485,305	9,549,867	935,438	4,337	10,485,304
15	Average Usage / Customer								68.17	62.09			

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Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended September 30, 2006

Line No.	Month	Lagged Actual HDDs	Lagged Normal HDDs	X Coefficient	Product	Constant	Normalized Usage per Customer	No. of Customers	Normalized Volumes	Actual Volume (1)	Weather Adjustment	Normal HDDs	Normalized Including Unbilled
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	Commercial - Class 2 Rate 1												
1	Oct-05	60	109	0.0393	4.2804	7.9670	12.2474	17,350	212,492	185,706	26,786	239	301,294
2	Nov-05	296	376	0.0393	14.7653	7.9670	22.7323	17,685	402,020	274,430	127,590	516	499,630
3	Dec-05	853	680	0.0393	26.7031	7.9670	34.6701	18,029	625,067	710,891	(85,824)	859	752,374
4	Jan-06	760	963	0.0393	37.8164	7.9670	45.7834	18,078	827,672	791,674	35,998	1,006	858,856
5	Feb-06	752	976	0.0393	38.3269	7.9670	46.2939	18,110	838,382	680,976	157,406	797	711,628
6	Mar-06	561	653	0.0393	25.6429	7.9670	33.6099	18,054	606,793	620,238	(13,445)	555	537,726
7	Apr-06	420	394	0.0393	15.4721	7.9670	23.4391	17,948	420,684	365,667	55,017	247	317,322
8	May-06	112	154	0.0393	6.0475	7.9670	14.0145	17,684	247,832	190,257	57,575	90	203,543
9	Jun-06	22	32	0.0393	1.2566	7.9670	9.2236	16,537	152,530	157,171	(4,641)	0	131,851
10	Jul-06	0	0	0.0393	0.0000	7.9670	7.9670	17,279	137,661	132,257	5,404	0	137,767
11	Aug-06	0	0	0.0393	0.0000	7.9670	7.9670	17,073	136,020	141,424	(5,404)	0	136,124
12	Sep-06	3	0	0.0393	0.0000	7.9670	7.9670	17,206	137,080	144,250	(7,170)	28	156,118
13													
14	Total	3,839	4,337			7.9670		17,586	4,744,233	4,394,941	349,292	4,337	4,744,233
15	Average Usage / Customer								269.77	249.91			

Note 1 - Adjusted for volume and contract adjustments.

EXHIBIT GLS-4

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended September 30, 2006

Line No.	Month	Lagged Actual HDDs	Lagged Normal HDDs	X Coefficient	Product	Constant	Normalized Usage per Customer	No. of Customers	Normalized Volumes	Actual Volume (1)	Weather Adjustment	Normal HDDs	Normalized Including Unbilled
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	Public Authority - Class 4 Rate 1												
1	Oct-05	60	109	0.1322	14.4077	18.4369	32.8446	1,604	52,683	42,239	10,444	239	80,267
2	Nov-05	296	376	0.1322	49.7001	18.4369	68.1370	1,631	111,132	86,866	24,266	516	141,352
3	Dec-05	853	680	0.1322	89.8831	18.4369	108.3200	1,635	177,103	193,589	(16,486)	859	215,847
4	Jan-06	760	963	0.1322	127.2904	18.4369	145.7273	1,639	238,847	220,291	18,556	1,006	248,231
5	Feb-06	752	976	0.1322	129.0087	18.4369	147.4456	1,635	241,074	181,804	59,270	797	202,444
6	Mar-06	561	653	0.1322	86.3142	18.4369	104.7511	1,631	170,849	174,683	(3,834)	555	149,762
7	Apr-06	420	394	0.1322	52.0793	18.4369	70.5162	1,626	114,659	100,595	14,064	247	83,088
8	May-06	112	154	0.1322	20.3559	18.4369	38.7928	1,620	62,844	52,372	10,472	90	49,153
9	Jun-06	22	32	0.1322	4.2298	18.4369	22.6667	1,646	37,309	40,446	(3,137)	0	30,355
10	Jul-06	0	0	0.1322	0.0000	18.4369	18.4369	1,622	29,905	29,702	203	0	29,913
11	Aug-06	0	0	0.1322	0.0000	18.4369	18.4369	1,605	29,591	29,794	(203)	0	29,599
12	Sep-06	3	0	0.1322	0.0000	18.4369	18.4369	1,614	29,757	36,066	(6,309)	28	35,741
13													
14	Total	3,839	4,337			18.4369		1,626	1,295,753	1,188,447	107,306	4,337	1,295,752
15	Average Usage / Customer								797.06	731.05			

Note 1 - Adjusted for volume and contract adjustments.

EXHIBIT GLS-5

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED JUNE 30, 2007

Line No.	Class of Customers	Rate	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Total Billing Units	Total Revenue & Incl. WNA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	RESIDENTIAL (Rate G-1)															
2	FIRM BILLS	$7.50	149,616	149,653	148,757	150,852	153,727	156,196	157,980	157,844	158,249	157,183	153,710	152,011	1,845,778	13,843,335
3	Sales: 1-300	1.1900	182,069	182,114	195,453	383,321	870,317	1,437,666	1,926,668	1,921,300	1,350,741	921,241	469,929	234,696	10,075,515	11,989,863
4	Sales: 301-15000	0.6590	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Sales: Over 15000	0.4300	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CLASS TOTAL (Mcf/month)		182,069	182,114	195,453	383,321	870,317	1,437,666	1,926,668	1,921,300	1,350,741	921,241	469,929	234,696	10,075,515	25,833,198
7	WNA Revenue/Weather Basis Adjustment		$0	$0	($17,170)	($13,092)	($11,184)	($7,014)	$54,663	$87,674	$59,163	($9,265)	($11,200)	$3,775		$25,969,548
8	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88		
9	Gas Costs		$1,840,718	$1,877,595	$2,015,120	$3,952,040	$8,972,968	$14,822,336	$19,863,947	$19,808,603	$13,926,140	$9,497,995	$4,642,899	$2,318,796	$103,539,157	
10																
11	FIRM COMMERCIAL (Rate G-1)															
12	FIRM BILLS	20.00	17,279	17,073	17,206	17,350	17,685	18,029	18,078	18,110	18,054	17,948	17,684	16,537	211,033	4,220,660
13	Sales: 1-300	1.1900	124,462	123,892	122,380	176,714	361,289	532,007	693,500	699,568	518,603	383,102	229,193	135,854	4,100,564	4,879,671
14	Sales: 301-15000	0.6590	13,199	12,128	20,113	38,276	37,275	81,977	97,980	91,931	56,983	33,027	19,613	15,449	517,951	341,330
15	Sales: Over 15000	0.4300	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16	CLASS TOTAL (Mcf/month)		137,661	136,020	142,493	214,990	398,564	613,984	791,480	791,499	575,586	416,129	248,806	151,303	4,618,515	9,441,661
17	WNA Revenue/Weather Basis Adjustment		$0	$0	($6,036)	($5,075)	($4,616)	($3,076)	$18,605	$30,395	$20,364	($3,929)	($4,648)	$715		$9,484,360
18	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88		
19	Gas Costs		$1,391,753	$1,402,366	$1,469,103	$2,216,547	$4,109,195	$6,330,175	$8,160,159	$8,160,355	$5,934,292	$4,290,290	$2,458,203	$1,494,874	$47,417,311	
20																
21	FIRM INDUSTRIAL (Rate G-1)															
22	FIRM BILLS	$20.00	246	209	216	211	218	224	203	219	229	217	207	186	2,585	51,700
23	Sales: 1-300	1.1900	11,848	12,200	14,401	16,786	30,903	47,076	38,929	43,007	37,837	22,585	16,605	12,877	305,053	363,013
24	Sales: 301-15000	0.6590	9,283	14,510	18,309	14,874	30,270	73,939	54,244	56,745	38,143	11,169	13,082	12,144	346,714	228,484
25	Sales: Over 15000	0.4300	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	CLASS TOTAL (Mcf/month)		21,131	26,709	32,711	31,660	61,173	121,015	93,173	99,752	75,981	33,754	29,688	25,021	651,767	643,198
27	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88		
28	Gas Costs		$213,633	$275,374	$337,249	$326,410	$630,694	$1,247,664	$960,611	$1,028,443	$783,360	$348,008	$293,313	$247,208	$6,691,968	
25																
26	FIRM PUBLIC AUTHORITY (Rate G-1)															
27	FIRM BILLS	$20.00	1,622	1,605	1,614	1,604	1,631	1,635	1,639	1,635	1,631	1,626	1,620	1,646	19,508	390,160
28	Sales: 1-300	1.1900	25,640	25,598	24,511	47,499	93,066	130,417	167,252	176,078	126,255	97,929	55,278	29,909	999,432	1,189,324
29	Sales: 301-15000	0.6590	4,265	3,993	6,956	6,241	17,929	44,983	62,862	53,049	36,641	16,315	8,256	7,066	268,556	176,978
30	Sales: Over 15000	0.4300	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	CLASS TOTAL (Mcf/month)		29,905	29,591	31,467	53,740	110,995	175,400	230,114	229,127	162,896	114,244	63,534	36,975	1,267,988	1,756,462
32	WNA Revenue/Weather Basis Adjustment		$0	$0	($1,834)	($1,646)	($1,405)	($895)	$5,339	$8,838	$5,897	($1,175)	($1,415)	$232		$1,768,398
33	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88		
34	Gas Costs		$302,340	$305,083	$324,425	$554,059	$1,144,358	$1,808,374	$2,372,475	$2,362,299	$1,679,458	$1,177,856	$627,716	$365,313	$13,023,756	
35																
36	INTERRUPTIBLE COMMERCIAL (G-2)															
37	INT BILLS	220.00	4	4	4	4	4	5	5	5	4	6	4	4	53	11,660
38	Sales: 1-15000	0.5300	1,787	2,185	2,016	3,099	3,848	4,832	3,890	4,331	2,828	3,616	2,251	2,176	36,858	19,535
39	Sales: Over 15000	0.3591	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40	CLASS TOTAL (Mcf/month)		1,787	2,185	2,016	3,099	3,848	4,832	3,890	4,331	2,828	3,616	2,251	2,176	36,859	31,195
41	Gas Charge per Mcf		$9.06	$9.25	$9.25	$9.25	$9.32	$9.32	$9.32	$9.26	$9.26	$9.26	$8.83	$8.83		
42	Gas Costs		$16,192	$20,209	$18,649	$28,669	$35,862	$45,030	$36,252	$40,103	$26,186	$33,481	$19,876	$19,215	$339,723	
43																
44	INTERRUPTIBLE INDUSTRIAL (G-2)															
45	INT BILLS	220.00	14	12	12	12	9	15	12	14	13	15	14	12	154	33,880
46	Sales: 1-15000	0.5300	36,085	31,881	19,889	52,534	42,945	75,027	42,241	44,389	37,064	21,162	40,266	26,631	470,117	249,162
47	Sales: Over 15000	0.3591	11,557	0	6,916	18,329	9,587	45,221	8,714	11,551	1,699	0	717	0	114,290	41,042
48	CLASS TOTAL (Mcf/month)		47,641	31,881	26,806	70,863	52,532	120,248	50,955	55,940	38,763	21,162	40,983	26,631	584,407	324,083
49	Gas Charge per Mcf		$9.06	$9.25	$9.25	$9.25	$9.32	$9.32	$9.32	$9.26	$9.26	$9.26	$8.83	$8.83		
50	Gas Costs		$431,630	$294,898	$247,953	$655,484	$489,602	$1,120,713	$474,899	$518,005	$358,947	$195,956	$361,883	$235,155	$5,385,126	
51																

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EXHIBIT GLS-5

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED JUNE 30, 2007

Line No.	Class of Customers	Rate	Jul-07 (a)	Aug-07 (b)	Sep-07 (c)	Oct-07 (d)	Nov-07 (e)	Dec-07 (f)	Jan-08 (g)	Feb-08 (h)	Mar-08 (i)	Apr-08 (j)	May-08 (k)	Jun-08 (l)	Total Billing Units (m)	Total Revenue & Incl. WNA (n)
52	TRANSPORTATION (T-2/G-1)															
53	TRANSPORTATION BILLS	$20.00	4	3	3	4	4	4	4	4	4	3	4	3	44	880
54	Trans Admin Fee		$200	$150	$150	$200	$200	$200	$200	$200	$200	$150	$200	$150	$2,200	2,200
55	EFM Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
56	Parking Fee		$2	$0	$3	$0	$0	$12	$23	$21	$3	$9	$6	$4	$83	83
57	Firm Transport: 1-300	1.1900	1,116	1,039	1,080	1,086	780	1,086	1,086	1,068	1,086	1,080	1,086	1,080	12,674	15,082
58	Firm Transport: 301-15000	0.6590	7,360	7,084	5,829	4,940	6,442	9,429	8,743	9,062	9,104	6,492	6,870	6,414	87,770	57,840
59	Firm Transport: Over 1500	0.4300	0	0	0	0	0	0	0	0	0	0	0	0	0	0
60	CLASS TOTAL (Mcf/month)		8,476	8,123	6,909	6,026	7,222	10,515	9,829	10,130	10,190	7,572	7,956	7,494	100,442	76,085
61	Gas Charge per Mcf		$1.26	$1.26	$1.26	$1.26	$1.20	$1.20	$1.20	$1.26	$1.26	$1.26	$1.26	$1.26		
62	Gas Costs		$10,680	$10,235	$8,705	$7,593	$8,666	$12,618	$11,795	$12,764	$12,839	$9,541	$10,025	$9,442	$124,903	
63																
64	TRANSPORTATION (T-2/G-2)															
65	TRANSPORTATION BILLS	220.00	9	10	10	10	10	10	10	10	10	10	10	10	119	26,180
66	Trans Admin Fee		$450	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$5,950	5,950
67	EFM Fee		$700	$700	$700	$700	$700	$700	$700	$700	$700	$700	$700	$700	$8,400	8,400
68	Parking Fee		$113	$219	$456	$0	$0	$41	$60	$71	$164	$157	$135	$125	$1,539	1,539
69	Interrupt Transport: 1-15000	0.5300	25,973	28,202	31,982	21,399	28,746	37,475	51,263	48,911	48,993	38,885	41,875	37,571	441,276	233,876
70	Interrupt Transport: Over 15000	0.3591	9,427	5,452	2,408	0	0	0	8,780	7,230	10,260	9,255	5,052	6,318	64,182	23,048
71	CLASS TOTAL (Mcf/month)		35,400	33,654	34,390	21,399	28,746	37,475	60,043	56,141	59,253	48,140	46,927	43,889	505,458	298,992
72	Gas Charge per Mcf		$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21		
73	Gas Costs		$7,434	$7,067	$7,222	$4,494	$6,037	$7,870	$12,609	$11,790	$12,443	$10,109	$9,855	$9,217	$106,146	
74																
75	TRANSPORTATION (T-4)															
76	TRANSPORTATION BILLS	220.00	106	107	102	104	103	105	105	104	105	105	106	105	1,257	276,540
77	Trans Admin Fee		$5,250	$5,250	$5,000	$5,150	$5,100	$5,200	$5,200	$5,150	$5,200	$5,200	$5,250	$5,200	$62,150	62,150
78	EFM Fee		$8,655	$8,750	$8,645	$8,330	$8,330	$8,330	$8,330	$8,330	$8,330	$8,435	$8,330	$8,435	$101,230	101,230
79	Parking Fee		$1,502	$1,402	$1,456	$1,416	$1,547	$1,336	$1,513	$1,292	$1,299	$2,254	$2,093	$1,911	$19,021	19,021
80	Firm Transport: 1-300	1.1900	30,056	29,960	29,411	32,072	31,478	31,809	31,655	31,340	32,555	32,261	31,629	30,009	374,236	445,341
81	Firm Transport: 301-15000	0.6590	280,806	316,321	310,551	362,312	386,028	473,506	455,053	434,161	439,976	342,101	345,874	315,370	4,462,060	2,940,498
82	Firm Transport: Over 1500	0.4300	13,293	30,476	28,683	46,537	51,520	80,054	76,781	65,742	77,400	32,750	37,646	31,905	572,787	246,299
83	CLASS TOTAL (Mcf/month)		324,155	376,757	368,645	440,921	469,026	585,368	563,489	531,243	549,931	407,112	415,149	377,284	5,409,081	4,091,077
84																
85	TRANSPORTATION (T-3)															
86	TRANSPORTATION BILLS	220.00	61	62	61	61	60	60	60	60	60	59	61	61	726	159,720
87	Trans Admin Fee		$3,050	$3,100	$3,050	$3,050	$3,000	$3,000	$3,000	$3,000	$3,000	$2,950	$3,050	$3,050	$36,300	36,300
88	EFM Fee		$4,480	$4,480	$4,585	$4,585	$4,585	$4,480	$4,480	$4,480	$4,480	$4,375	$4,480	$4,480	$53,970	53,970
89	Parking Fee		$2,616	$2,325	$2,368	$1,438	$1,376	$1,768	$1,834	$1,947	$2,103	$2,651	$2,842	$3,009	$26,276	26,276
90	Interrupt Transport: 1-15000	0.5300	317,106	338,790	343,624	362,653	359,124	344,164	332,172	319,930	353,056	323,790	357,894	354,099	4,106,403	2,176,393
91	Interrupt Transport: Over 15000	0.3591	133,756	147,515	139,551	160,902	160,119	176,489	178,549	165,320	180,623	154,286	159,655	134,738	1,891,507	679,240
92	CLASS TOTAL (Mcf/month)		450,862	486,305	483,175	523,555	519,243	520,653	510,721	485,250	533,679	478,076	517,549	488,837	5,997,909	3,131,900
93																
94	SPECIAL CONTRACTS															
95	TRANSPORTATION BILLS	220.00	17	17	17	18	18	17	17	17	17	17	17	17	206	45,320
96	Trans Admin Fee		$850	$850	$850	$900	$900	$850	$850	$850	$850	$850	$850	$850	$10,300	10,300
97	EFM Fee		$1,770	$1,770	$1,665	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$1,770	$21,135	21,135
98	Parking Fee		$2,123	$2,126	$2,653	$1,350	$2,404	$1,829	$2,370	$1,876	$3,022	$2,782	$2,411	$2,373	$27,318	27,318
99	Transported Volumes	Various	1,104,639	1,160,162	1,150,156	1,191,886	1,120,417	1,281,434	1,305,306	1,231,546	1,275,276	1,153,688	1,262,398	1,140,322	14,377,229	
100	Charges for Transport Volumes		$117,059	$122,485	$123,477	$127,245	$124,469	$135,940	$138,105	$130,959	$135,209	$122,720	$133,352	$121,132	$1,532,153	1,532,153
101	CLASS TOTAL (Mcf/month)		1,104,639	1,160,162	1,150,156	1,191,886	1,120,417	1,281,434	1,305,306	1,231,546	1,275,276	1,153,688	1,262,398	1,140,322	14,377,229	1,636,226
102																
103	OTHER REVENUE															
104	Service Charges		$49,125	$53,141	$61,917	$108,510	$108,496	$81,735	$68,500	$74,614	$74,035	$54,877	$71,650	$58,637	$865,237	
105	Late Payment Fees		$47,343	$47,730	$49,598	$78,001	$151,044	$235,748	$308,653	$308,509	$223,088	$158,543	$88,449	$53,756	$1,750,462	
106																
107	**TOTAL GROSS PROFIT**		$2,714,041	$2,761,735	$2,784,536	$3,284,857	$4,282,966	$5,502,940	$6,356,183	$6,332,476	$5,274,428	$4,273,330	$3,441,709	$2,870,571	$49,879,772	$50,070,763
108	Gas Costs		$4,214,379	$4,192,829	$4,428,426	$7,745,296	$15,397,383	$25,394,780	$31,892,748	$31,942,361	$22,733,664	$15,563,235	$8,423,769	$4,699,221	$176,628,089	
109	**TOTAL REVENUE**		$6,928,419	$6,954,564	$7,212,963	$11,030,152	$19,680,349	$30,897,720	$38,248,931	$38,274,837	$28,008,092	$19,836,565	$11,865,477	$7,569,792	$226,507,861	$226,698,852

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EXHIBIT GLS-6

ATMOS ENERGY CORPORATION - KENTUCKY
SUMMARY OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING JUNE 30, 2007

			Reference Period - Twelve Months Ending 9/30/2006					Forward-looking Adjustments to Test Year					
Line No.	Description	Block (Mcf)	Number of Bills, Units	Volumes As Metered	Contract Adj. Bills and Volumes	Weather Adj. Volumes (NOAA 61-90)	Total Volumes	Customer Growth Forecast	Conservation & Efficiency Adjustments	Weather Adj to reflect NOAA 71-00	Total Test Year Volumes	Proposed Margin	Proposed Revenue
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Sales												
2	Firm Sales (G-1, LVS-1)	Customer Chrg	1,845,778					0				$13.00	$23,995,114
3		Customer Chrg	233,228		(60)			0				35.00	8,160,880
4		0 - 300		14,659,919	24,937	1,338,029	16,022,885	0	(385,927)	(156,393)	15,480,564	0.9100	14,087,314
5		301 - 15,000		1,294,402	(194,636)	54,007	1,153,773	0	(13,153)	(7,399)	1,133,221	0.7650	866,914
6		Over 15,000		400	0	0	400	0	(400)	0	0	0.4999	0
7	Interruptible Sales (G-2, LVS-2)	Customer Chrg	213		(6)			0				300.00	62,100
8		0 - 15,000		554,395	(47,421)		506,974	0			506,974	0.6140	311,282
9		Over 15,000		170,933	(56,643)		114,290	0			114,290	0.4000	45,716
10	Overrun (T-4)	0 - 300		976	(976)		0				0	1.0010	0
11		301 - 15,000		8,510	(8,510)		0				0	0.8415	0
12		Over 15,000		13,654	(13,654)							0.5499	0
13	Overrun (T-3)	0 - 15,000		15,445	(15,445)		0				0	0.6754	0
14		Over 15,000		4,814	(4,814)		0				0	0.4400	0
15	Transportation												
16	Customer Charges (T2/G1)	Customer Chrg	[1]									35.00	
17	Customer Charges (T2/G2,T4,T3)	Customer Chrg	2,295		13			0				300.00	692,400
18	Transp. Adm. Fee	Customer Chrg	2,325		13			0				50.00	116,900
19	Parked Volumes [2]			742,360	0							0.10	74,236
20	EFM Charges											Various	132,075
21	Firm Transport (G-1) [1]	0 - 300		12,673	0		12,673	0			12,673	0.9100	11,532
22		301 - 15,000		87,769	0		87,769	0			87,769	0.7650	67,143
23		Over 15,000		0	0		0	0			0	0.4999	0
24	Interruptible Transport (G-2)	0 - 15,000		441,275	0		441,275	0			441,275	0.6140	270,943
25		Over 15,000		64,182	0		64,182	0			64,182	0.4000	25,673
26	Firm Carriage (T-4)	0 - 300		358,468	15,767		374,235	0			374,235	0.9100	340,553
27		301 - 15,000		4,369,948	92,112		4,462,060	0			4,462,060	0.7650	3,413,476
28		Over 15,000		570,964	1,823		572,787	0			572,787	0.4999	286,336
29	Interruptible Carriage (T-3)	0 - 15,000		4,257,943	(151,541)		4,106,402	0			4,106,402	0.6140	2,521,331
30		Over 15,000		1,775,458	116,049		1,891,507	0			1,891,507	0.4000	756,603
31	Total Special Contracts [3]			14,332,055	45,174		14,377,229	0			14,377,229	Various	1,532,153
32	Total Tariff		2,081,514	42,994,183	(184,125)	1,392,036	44,188,440	0	(399,480)	(163,792)	43,625,167		57,770,674
33													
34	WNA Basis Adjustment												0
35	Other Revenues												961,148
36	Late Payment Fees												1,748,800
37	Total Gross Profit												60,480,623
38													
39	Gas Costs												176,628,089
40													
41	Total Revenue												$ 235,359,911
42													

43 [1] Number of Bills included in G-1 Sales.
44 [2] Parked Volumes not included in Total Deliveries.
45 [3] Based on confidential information. Number of Bills included in T2/G2, T3 & T4.
46

EXHIBIT GLS-7

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED JUNE 30, 2007
PROPOSED RATES

Line No.	Class of Customers	Rate	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	RESIDENTIAL (Rate G-1)		$2,110,691	$2,111,213	$2,111,703	$2,309,898	$2,790,439	$3,338,824	$3,807,008	$3,800,355	$3,286,411	$2,881,708	$2,425,865	$2,189,716	$33,163,833
2	FIRM BILLS	$13.00	149,616	149,653	148,757	150,852	153,727	156,196	157,980	157,844	158,249	157,183	153,710	152,011	1,845,778
3	Sales: 1-300	0.9100	182,069	182,114	195,453	383,321	870,317	1,437,666	1,926,668	1,921,300	1,350,741	921,241	469,929	234,696	10,075,515
4	Sales: 301-15000	0.9100	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Sales: Over 15000	0.9100	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CLASS TOTAL (Mcf/month)		182,069	182,114	195,453	383,321	870,317	1,437,666	1,926,668	1,921,300	1,350,741	921,241	469,929	234,696	10,075,515
7	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88	
8	Gas Costs		$1,840,718	$1,877,595	$2,015,120	$3,952,040	$8,972,968	$14,822,336	$19,863,947	$19,808,603	$13,926,140	$9,497,995	$4,642,899	$2,318,796	$103,539,157
9															
10	FIRM COMMERCIAL (Rate G-1)		$728,123	$719,575	$728,962	$797,341	$976,263	$1,177,854	$1,338,770	$1,340,784	$1,147,411	$1,002,068	$842,510	$714,241	$11,513,901
11	FIRM BILLS	35.00	17,279	17,073	17,206	17,350	17,685	18,029	18,078	18,110	18,054	17,948	17,684	16,537	211,033
12	Sales: 1-300	0.9100	124,462	123,892	122,380	176,714	361,289	532,007	693,500	699,568	518,603	383,102	229,193	135,854	4,100,564
13	Sales: 301-15000	0.7650	13,199	12,128	20,113	38,276	37,275	81,977	97,980	91,931	56,983	33,027	19,613	15,449	517,951
14	Sales: Over 15000	0.4999	0	0	0	0	0	0	0	0	0	0	0	0	0
15	CLASS TOTAL (Mcf/month)		137,661	136,020	142,493	214,990	398,564	613,984	791,480	791,499	575,586	416,129	248,806	151,303	4,618,515
16	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88	
17	Gas Costs		$1,391,753	$1,402,366	$1,469,103	$2,216,547	$4,109,195	$6,330,175	$8,160,159	$8,160,355	$5,934,292	$4,290,290	$2,458,203	$1,494,874	$47,417,311
18															
19	FIRM INDUSTRIAL (Rate G-1)		$26,493	$29,517	$34,672	$34,039	$58,908	$107,242	$84,027	$90,211	$71,627	$36,692	$32,364	$27,518	$633,310
20	FIRM BILLS	$35.00	246	209	216	211	218	224	203	219	229	217	207	186	2,585
21	Sales: 1-300	0.9100	11,848	12,200	14,401	16,786	30,903	47,076	38,929	43,007	37,837	22,585	16,605	12,877	305,053
22	Sales: 301-15000	0.7650	9,283	14,510	18,309	14,874	30,270	73,939	54,244	56,745	38,143	11,169	13,082	12,144	346,714
23	Sales: Over 15000	0.4999	0	0	0	0	0	0	0	0	0	0	0	0	0
24	CLASS TOTAL (Mcf/month)		21,131	26,709	32,711	31,660	61,173	121,015	93,173	99,752	75,981	33,754	29,688	25,021	651,767
25	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88	
26	Gas Costs		$213,633	$275,374	$337,249	$326,410	$630,694	$1,247,664	$960,611	$1,028,443	$783,360	$348,008	$293,313	$247,208	$6,691,968
27															
28	FIRM PUBLIC AUTHORITY (Rate G-1)		$83,365	$82,524	$84,116	$104,138	$155,491	$210,316	$257,654	$258,038	$200,007	$158,506	$113,319	$90,233	$1,797,708
25	FIRM BILLS	$35.00	1,622	1,605	1,614	1,604	1,631	1,635	1,639	1,635	1,631	1,626	1,620	1,646	19,508
26	Sales: 1-300	0.9100	25,640	25,598	24,511	47,499	93,066	130,417	167,252	176,078	126,255	97,929	55,278	29,909	999,432
27	Sales: 301-15000	0.7650	4,265	3,993	6,956	6,241	17,929	44,983	62,862	53,049	36,641	16,315	8,256	7,066	268,556
28	Sales: Over 15000	0.4999	0	0	0	0	0	0	0	0	0	0	0	0	0
29	CLASS TOTAL (Mcf/month)		29,905	29,591	31,467	53,740	110,995	175,400	230,114	229,127	162,896	114,244	63,534	36,975	1,267,988
30	Gas Charge per Mcf		$10.11	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$10.31	$9.88	$9.88	
31	Gas Costs		$302,340	$305,083	$324,425	$554,059	$1,144,358	$1,808,374	$2,372,475	$2,362,299	$1,679,458	$1,177,856	$627,716	$365,313	$13,023,756
32															
33	INTERRUPTIBLE COMMERCIAL (G-2)		$2,297	$2,541	$2,438	$3,103	$3,563	$4,467	$3,888	$4,159	$2,936	$4,020	$2,582	$2,536	$38,531
34	INT BILLS	300.00	4	4	4	4	4	5	5	5	4	6	4	4	53
35	Sales: 1-15000	0.6140	1,787	2,185	2,016	3,099	3,848	4,832	3,890	4,331	2,828	3,616	2,251	2,176	36,858
36	Sales: Over 15000	0.4000	0	0	0	0	0	0	0	0	0	0	0	0	0
37	CLASS TOTAL (Mcf/month)		1,787	2,185	2,016	3,099	3,848	4,832	3,890	4,331	2,828	3,616	2,251	2,176	36,859
38	Gas Charge per Mcf		$9.06	$9.25	$9.25	$9.25	$9.32	$9.32	$9.32	$9.26	$9.26	$9.26	$8.83	$8.83	
39	Gas Costs		$16,192	$20,209	$18,649	$28,669	$35,862	$45,030	$36,252	$40,103	$26,186	$33,481	$19,876	$19,215	$339,723
40															
41	INTERRUPTIBLE INDUSTRIAL (G-2)		$30,979	$23,175	$18,579	$43,188	$32,903	$68,655	$33,022	$36,075	$27,337	$17,493	$29,210	$19,952	$380,567
42	INT BILLS	300.00	14	12	12	12	9	15	12	14	13	15	14	12	154
43	Sales: 1-15000	0.6140	36,085	31,881	19,889	52,534	42,945	75,027	42,241	44,389	37,064	21,162	40,266	26,631	470,117
44	Sales: Over 15000	0.4000	11,557	0	6,916	18,329	9,587	45,221	8,714	11,551	1,699	0	717	0	114,290
45	CLASS TOTAL (Mcf/month)		47,641	31,881	26,806	70,863	52,532	120,248	50,955	55,940	38,763	21,162	40,983	26,631	584,407
46	Gas Charge per Mcf		$9.06	$9.25	$9.25	$9.25	$9.32	$9.32	$9.32	$9.26	$9.26	$9.26	$8.83	$8.83	
47	Gas Costs		$431,630	$294,898	$247,953	$655,484	$489,602	$1,120,713	$474,899	$518,005	$358,947	$195,956	$361,883	$235,155	$5,385,126
48															

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED JUNE 30, 2007
PROPOSED RATES

Line No.	Class of Customers	Rate	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
49	TRANSPORTATION (T-2/G-1)		$6,988	$6,620	$5,700	$5,107	$5,978	$8,553	$8,040	$8,265	$8,296	$6,213	$6,590	$6,148	$82,498
50	TRANSPORTATION BILLS	$35.00	4	3	3	4	4	4	4	4	4	3	4	3	44
51	Trans Admin Fee		$200	$150	$150	$200	$200	$200	$200	$200	$200	$150	$200	$150	$2,200
52	EFM Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
53	Parking Fee		$2	$0	$3	$0	$0	$12	$23	$21	$3	$9	$6	$4	$83
54	Firm Transport: 1-300	0.9100	1,116	1,039	1,080	1,086	780	1,086	1,086	1,068	1,086	1,080	1,086	1,080	12,674
55	Firm Transport: 301-15000	0.7650	7,360	7,084	5,829	4,940	6,442	9,429	8,743	9,062	9,104	6,492	6,870	6,414	87,770
56	Firm Transport: Over 1500	0.4999	0	0	0	0	0	0	0	0	0	0	0	0	0
57	CLASS TOTAL (Mcf/month)		8,476	8,123	6,909	6,026	7,222	10,515	9,829	10,130	10,190	7,572	7,956	7,494	100,442
58	Gas Charge per Mcf		$1.26	$1.26	$1.26	$1.26	$1.20	$1.20	$1.20	$1.26	$1.26	$1.26	$1.26	$1.26	
59	Gas Costs		$10,680	$10,235	$8,705	$7,593	$8,666	$12,618	$11,795	$12,764	$12,839	$9,541	$10,025	$9,442	$124,903
60															
61	TRANSPORTATION (T-2/G-2)		$23,481	$23,715	$25,056	$17,139	$21,650	$27,050	$39,047	$36,994	$38,350	$31,735	$31,867	$29,720	$345,804
62	TRANSPORTATION BILLS	300.00	9	10	10	10	10	10	10	10	10	10	10	10	119
63	Trans Admin Fee		$450	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$5,950
64	EFM Fee		$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$6,000
65	Parking Fee		$113	$219	$456	$0	$0	$41	$60	$71	$164	$157	$135	$125	$1,539
66	Interrupt Transport: 1-15000	0.6140	25,973	28,202	31,982	21,399	28,746	37,475	51,263	48,911	48,993	38,885	41,875	37,571	441,276
67	Interrupt Transport: Over 15000	0.4000	9,427	5,452	2,408	0	0	0	8,780	7,230	10,260	9,255	5,052	6,318	64,182
68	CLASS TOTAL (Mcf/month)		35,400	33,654	34,390	21,399	28,746	37,475	60,043	56,141	59,253	48,140	46,927	43,889	505,458
69	Gas Charge per Mcf		$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	
70	Gas Costs		$7,434	$7,067	$7,222	$4,494	$6,037	$7,870	$12,609	$11,790	$12,443	$10,109	$9,855	$9,217	$106,146
71															
72	TRANSPORTATION (T-4)		$293,540	$329,486	$321,905	$373,334	$393,208	$475,183	$459,468	$437,109	$448,848	$352,416	$357,288	$329,151	$4,570,936
73	TRANSPORTATION BILLS	300.00	106	107	102	104	103	105	105	104	105	105	106	105	1,257
74	Trans Admin Fee		$5,250	$5,250	$5,000	$5,150	$5,100	$5,200	$5,200	$5,150	$5,200	$5,200	$5,250	$5,200	$62,150
75	EFM Fee		$6,175	$6,250	$6,175	$5,950	$5,950	$5,950	$5,950	$5,950	$5,950	$6,025	$5,950	$6,025	$72,300
76	Parking Fee		$1,502	$1,402	$1,456	$1,416	$1,547	$1,336	$1,513	$1,292	$1,299	$2,254	$2,093	$1,911	$19,021
77	Firm Transport: 1-300	0.9100	30,056	29,960	29,411	32,072	31,478	31,809	31,655	31,340	32,555	32,261	31,629	30,009	374,236
78	Firm Transport: 301-15000	0.7650	280,806	316,321	310,551	362,312	386,028	473,506	455,053	434,161	439,976	342,101	345,874	315,370	4,462,060
79	Firm Transport: Over 1500	0.4999	13,293	30,476	28,683	46,537	51,520	80,054	76,781	65,742	77,400	32,750	37,646	31,905	572,787
80	CLASS TOTAL (Mcf/month)		324,155	376,757	368,645	440,921	469,026	585,368	563,489	531,243	549,931	407,112	415,149	377,284	5,409,081
81															
82	TRANSPORTATION (T-3)		$275,372	$294,248	$293,798	$313,093	$310,201	$307,880	$301,407	$288,712	$315,328	$286,948	$311,001	$298,871	$3,596,860
83	TRANSPORTATION BILLS	300.00	61	62	61	61	60	60	60	60	60	59	61	61	726
84	Trans Admin Fee		$3,050	$3,100	$3,050	$3,050	$3,000	$3,000	$3,000	$3,000	$3,000	$2,950	$3,050	$3,050	$36,300
85	EFM Fee		$3,200	$3,200	$3,275	$3,275	$3,275	$3,200	$3,200	$3,200	$3,200	$3,125	$3,200	$3,200	$38,550
86	Parking Fee		$2,616	$2,325	$2,368	$1,438	$1,376	$1,768	$1,834	$1,947	$2,103	$2,651	$2,842	$3,009	$26,276
87	Interrupt Transport: 1-15000	0.6140	317,106	338,790	343,624	362,653	359,124	344,164	332,172	319,930	353,056	323,790	357,894	354,099	4,106,403
88	Interrupt Transport: Over 15000	0.4000	133,756	147,515	139,551	160,902	160,119	176,489	178,549	165,320	180,623	154,286	159,655	134,738	1,891,507
89	CLASS TOTAL (Mcf/month)		450,862	486,305	483,175	523,555	519,243	520,653	510,721	485,250	533,679	478,076	517,549	488,837	5,997,910
90															
91	SPECIAL CONTRACTS		$126,407	$131,835	$133,280	$136,170	$134,449	$144,995	$147,700	$140,060	$145,456	$132,727	$142,988	$130,730	$1,646,796
92	TRANSPORTATION BILLS	300.00	17	17	17	18	18	17	17	17	17	17	17	17	206
93	Trans Admin Fee		$850	$850	$850	$900	$900	$850	$850	$850	$850	$850	$850	$850	$10,300
94	EFM Fee		$1,275	$1,275	$1,200	$1,275	$1,275	$1,275	$1,275	$1,275	$1,275	$1,275	$1,275	$1,275	$15,225
95	Parking Fee		$2,123	$2,126	$2,653	$1,350	$2,404	$1,829	$2,370	$1,876	$3,022	$2,782	$2,411	$2,373	$27,318
96	Transported Volumes	Various	1,104,639	1,160,162	1,150,156	1,191,886	1,120,417	1,281,434	1,305,306	1,231,546	1,275,276	1,153,688	1,262,398	1,140,322	14,377,229
97	Charges for Transport Volumes		$117,059	$122,485	$123,477	$127,245	$124,469	$135,940	$138,105	$130,959	$135,209	$122,720	$133,352	$121,132	$1,532,153
98	CLASS TOTAL (Mcf/month)		1,104,639	1,160,162	1,150,156	1,191,886	1,120,417	1,281,434	1,305,306	1,231,546	1,275,276	1,153,688	1,262,398	1,140,322	14,377,229
99															
100	OTHER REVENUE														
101	Service Charges		$54,218	$58,496	$68,835	$121,744	$121,754	$90,940	$75,245	$82,484	$82,107	$60,796	$79,762	$64,767	$961,148
102	Late Payment Fees		$47,343	$47,730	$49,816	$78,173	$151,193	$235,843	$307,970	$307,405	$222,345	$158,668	$88,599	$53,715	$1,748,800
103															
104	**TOTAL GROSS PROFIT**		$3,809,297	$3,860,675	$3,878,861	$4,336,466	$5,156,001	$6,197,802	$6,863,245	$6,830,652	$5,996,459	$5,129,990	$4,463,945	$3,957,298	$60,480,692
105	Gas Costs		$4,214,379	$4,192,829	$4,428,426	$7,745,296	$15,397,383	$25,394,780	$31,892,748	$31,942,361	$22,733,664	$15,563,235	$8,423,769	$4,699,221	$176,628,089
106	**TOTAL REVENUE**		$8,023,676	$8,053,504	$8,307,287	$12,081,762	$20,553,383	$31,592,582	$38,755,992	$38,773,013	$28,730,124	$20,693,225	$12,887,714	$8,656,519	$237,108,781