



March 30, 2011

RECEIVED

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PUBLIC SERVICE
COMMISSION

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: Case No. 2009-00354; Pipe Replacement Program (PRP) Filing

Dear Mr. DeRouen,

Atmos Energy Corporation (Company) herewith submits an original and ten copies of the PRP filing required per the above referenced case. In Case No. 2009-00354, the Company agreed to file a tariff sheet and all supporting exhibits within 60 days prior to an effective date. The attached filing contains two parts:

1. Second Revised Sheet No. 44 to be effective June 1, 2011.
2. Nine exhibits which support the rates itemized on Sheet No. 44.

The attached filing is the Company's initial PRP filing and only covers the months of June through September. The Company will make another filing on or around August 1, 2011 with new rates to be effective October 1, 2011. All subsequent filings will be filed annually on or around August 1st of each year.

Please feel free to contact me at 270.685.8024 if you have any questions and/or need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Martin".

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Chris Felan
Dennis Howard

ATMOS ENERGY CORPORATION

| Pipe Replacement Program Rider | | | | |
|--|-------------------------|------------|------------------------------|-----|
| <p>4. Pipe Replacement Rider Rates The charges for the respective gas service schedules for the revenue month beginning June 1, 2011 per billing period are:</p> | | | | |
| | <u>Monthly Customer</u> | | <u>Distribution</u> | |
| | <u>Charge</u> | | <u>Charge per Mcf</u> | |
| Rate G-1 (Residential) | \$ 0.48 | | \$0.00 | (I) |
| Rate G-1 (Non-Residential) | \$ 1.55 | | \$0.00 | (I) |
| Rate G-2 | \$ 9.39 | | \$0.0053 per 1000 cubic feet | (I) |
| Rate T-3 | \$ 6.46 | 1-15000 | \$0.0053 per 1000 cubic feet | (I) |
| | | Over 15000 | \$0.0035 per 1000 cubic feet | (I) |
| Rate T-4 | \$ 6.61 | 1-300 | \$0.0093 per 1000 cubic feet | (I) |
| | | 301-1500 | \$0.0065 per 1000 cubic feet | (I) |
| | | Over 1500 | \$0.0042 per 1000 cubic feet | (I) |

ISSUED: March 30, 2011

EFFECTIVE: June 1, 2011

(Issued by Authority of Kentucky Public Service Commission Order in Case No. 2009-00354).

ISSUED BY: Mark A. Martin -Vice President of Rates & Regulatory Affairs, Kentucky/Mid-States Division

**Atmos Energy Corporation
Pipe Replacement Program Filing
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**ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
DEFICIENCY**

Deficiency

| Line No. | Description | Total |
|-------------|---|---------------------|
| 1 | Project Additions | \$ 3,266,748 |
| 2 | Project Retirements | (313,089) |
| 3 | Net Change to Gross Plant | \$ 2,953,659 |
| 4 | | |
| 5 | Cost of Removal to Accumulated Depr. | 140,320 |
| 6 | Retirements from Accumulated Depr. | 313,089 |
| 7 | Depreciation Accrual to Accumulated Depr. | (37,939) |
| 8 | Net Change to Accumulated Depreciation | 415,470 |
| 9 | | |
| 10 | Net Change to Net Plant | \$ 3,369,129 |
| 11 | | |
| 12 | Accumulated Deferred Income Taxes | (26,568) |
| 13 | Net Change to Rate Base | \$ 3,342,561 |
| 14 | | |
| 15 | Rate of Return | 8.74% |
| 16 | Required Operating Income | \$ 292,000 |
| 17 | | |
| 18 | Depreciation & Amortization Expense | 37,939 |
| 19 | O&M Savings | (622) |
| 20 | Ad Valorem Tax Increase at | 25,845 |
| 21 | Income Taxes on Cost of Service Items | (24,570) |
| 22 | Income Taxes on Adjusted Interest Expense | (43,413) |
| 23 | Operating Income at Present Rates | \$ (4,822) |
| 24 | | |
| 25 | Deficiency | \$ 287,179 |
| 26 | Tax Factor | 61.100% |
| 27 | Total Proposed Rate Adjustment | \$ 470,014 |

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
SURCHARGE SUMMARY

| Line No. | Tariff Schedule | Customer Charge | Volumetric Charge |
|----------|----------------------------|-----------------|-------------------|
| 1 | RESIDENTIAL (Rate G-1) | \$ 0.48 | 0.0000 |
| 2 | NON-RESIDENTIAL (Rate G-1) | \$ 1.55 | 0.0000 |
| 3 | INTERRUPTIBLE (Rate G-2) | \$ 9.39 | |
| 4 | | | 0.0053 |
| 5 | | | 0.0000 |
| 6 | TRANSPORTATION (T-3) | \$ 6.46 | |
| 7 | | | 0.0053 |
| 8 | | | 0.0035 |
| 9 | TRANSPORTATION (T-4) | \$ 6.61 | |
| 10 | | | 0.0093 |
| 11 | | | 0.0065 |
| 12 | | | 0.0042 |

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
RATE DESIGN

| Line No. | Class of Customers | Rate | Total | Total Dollars | Ratio | Customer / Volumetric Charge Ratio | Revenue increase by Class | Customer Counts | Customer Charge | Volumetric Charge |
|----------|-----------------------------------|---------|------------|---------------|---------|------------------------------------|---------------------------|-----------------|-------------------------------|-------------------|
| | | | | | 60.83% | | \$ 285,910 | 600,190 | \$ 0.48 | |
| 1 | <u>RESIDENTIAL (Rate G-1)</u> | | | | | | | | | |
| 2 | FIRM BILLS | \$12.50 | 1,826,839 | \$22,835,488 | | 67.47% | | | | |
| 3 | Sales: 1-300 | 1.1000 | 10,009,211 | \$11,010,132 | | 32.53% | | | | |
| 4 | Sales: 301-15000 | 0.7700 | 0 | \$0 | | 0.00% | | | | |
| 5 | Sales: Over 15000 | 0.5000 | 0 | \$0 | | 0.00% | | | | |
| 6 | <u>CLASS TOTAL (Mcf/month)</u> | | 10,009,211 | \$33,845,620 | | | | | | |
| 7 | | | | | 24.35% | | \$ 114,437 | 73,624 | \$ 1.55 | |
| 8 | <u>NON-RESIDENTIAL (Rate G-1)</u> | | | | | | | | | |
| 9 | FIRM BILLS | 30.00 | 229,956 | \$6,898,680 | | 50.92% | | | | |
| 10 | Sales: 1-300 | 1.1000 | 5,359,600 | \$5,895,560 | | 43.52% | | | | |
| 11 | Sales: 301-15000 | 0.7700 | 977,389 | \$752,589 | | 5.56% | | | | |
| 12 | Sales: Over 15000 | 0.5000 | 0 | \$0 | | 0.00% | | | | |
| 13 | <u>CLASS TOTAL (Mcf/month)</u> | | 6,336,989 | \$13,546,830 | | | | | | |
| 14 | | | | | 0.35% | | \$ 1,664 | 44 | \$ 9.39 | |
| 15 | <u>INTERRUPTIBLE (G-2)</u> | | | | | | | | | |
| 16 | INT BILLS | 300.00 | 163 | \$48,900 | | 24.82% | | | | 0.0053 |
| 17 | Sales: 1-15000 | 0.6300 | 235,076 | \$148,098 | | 75.18% | | | | - |
| 18 | Sales: Over 15000 | 0.4100 | 0 | \$0 | | 0.00% | | | | |
| 19 | <u>CLASS TOTAL (Mcf/month)</u> | | 235,077 | \$196,998 | | | | | | |
| 20 | | | | | 6.74% | | 31,695 | 291 | \$ 6.46 | |
| 21 | <u>TRANSPORTATION (T-3)</u> | | | | | | | | | |
| 22 | TRANSPORTATION BILLS | 300.00 | 742 | \$222,600 | | 5.93% | | | | 0.0053 |
| 23 | Interrupt Transport: 1-15000 | 0.6300 | 4,388,043 | \$2,764,467 | | 73.68% | | | | 0.0035 |
| 24 | Interrupt Transport: Over 15000 | 0.4100 | 1,865,617 | \$764,903 | | 20.39% | | | | |
| 25 | <u>CLASS TOTAL (Mcf/month)</u> | | 6,253,660 | \$3,751,970 | | | | | | |
| 26 | | | | | 7.72% | | 36,308 | 541 | \$ 6.61 | |
| 27 | <u>TRANSPORTATION (T-4)</u> | | | | | | | | | |
| 28 | TRANSPORTATION BILLS | 300.00 | 1,410 | \$423,000 | | 9.841% | | | | 0.0093 |
| 29 | Firm Transport: 1-300 | 1.1000 | 422,154 | \$464,370 | | 10.804% | | | | 0.0065 |
| 30 | Firm Transport: 301-15000 | 0.7700 | 4,214,899 | \$3,245,473 | | 75.509% | | | | 0.0042 |
| 31 | Firm Transport: Over 1500 | 0.5000 | 330,591 | \$165,295 | | 3.846% | | | | |
| 32 | <u>CLASS TOTAL (Mcf/month)</u> | | 4,967,642 | \$4,298,137 | | | | | | |
| 33 | | | | 55,639,554 | 100.00% | | \$ 470,014 | 674,690 | | |
| 34 | Total Revenue | | | | | | | | | |
| 35 | | | | | | | | | | |
| 36 | | | | | | | | | | |
| 37 | | | | | | | | | | |
| | | | | | | | | | KY Revenue Requirement | \$ 470,014 |

**ATMOS ENERGY CORPORATION
 KENTUCKY PIPE REPLACEMENT PROGRAM
 SURCHARGE CALCULATION OF FORCASTED ACTIVITY
 AS OF JUNE 2011 THROUGH SEPTEMBER 2011
 CUSTOMERS**

| Line No. | Tariff | Description | | Jun | Jul | Aug | Sep | Total |
|-----------------|---------------|--------------------------------|------------------------|------------|------------|------------|------------|--------------|
| 1 | G-1 | Residential | Fiscal 2011 Bud | 151,942 | 150,326 | 149,335 | 148,586 | 600,190 |
| 2 | G-1 | Commercial Firm | Fiscal 2011 Bud | 16,812 | 16,620 | 16,635 | 16,492 | 66,559 |
| 3 | G-1 | Public Authority | Fiscal 2011 Bud | 1,599 | 1,570 | 1,578 | 1,571 | 6,317 |
| 4 | G-1 | Industrial Firm | Fiscal 2011 Bud | 187 | 187 | 187 | 187 | 748 |
| 5 | | | | | | | | |
| 6 | G-2 | Commercial Interruptible | Fiscal 2011 Bud | 3 | 3 | 3 | 3 | 12 |
| 7 | G-2 | Industrial Interruptible | Fiscal 2011 Bud | 8 | 8 | 8 | 8 | 32 |
| 8 | G-2 | Public Authority Interruptible | Fiscal 2011 Bud | | | | | - |
| 9 | | | | | | | | |
| 10 | T-3 | Transportation Interruptible | Fiscal 2011 Bud | 73 | 73 | 73 | 73 | 291 |
| 11 | T-4 | Transportation Firm | Fiscal 2011 Bud | 135 | 135 | 135 | 135 | 541 |
| 12 | | | | 208 | 208 | 208 | 208 | 674,690 |

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
DEPRECIATION EXPENSE

| Line No. | Description | Mains | Services | Meters | Total |
|-------------|--|--------------|------------|-----------|------------------|
| 1 | Net Change to Gross Plant | \$ 2,542,931 | \$ 389,886 | \$ 20,842 | |
| 2 | Depreciation Rates | 2.27% | 4.41% | 4.60% | |
| 3 | | | | | |
| 4 | Proforma Annual Depreciation Expense | \$ 57,725 | \$ 17,194 | \$ 959 | \$ 75,877 |
| 5 | | | | | |
| 6 | Test Year Depreciation Expense (Half-Year Convention) | | | | <u>\$ 37,939</u> |
| 7 | | | | | |
| 8 | End of Test Year Accumulated Depreciation on Test Year Additions | | | | <u>\$ 37,939</u> |

**ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
DEFERRED INCOME TAXES**

| Line No. | Description | Mains | Services | Meters | Total |
|----------|---|--------------|------------|-----------|--------------------|
| 1 | Net Change to Gross Plant | \$ 2,542,931 | \$ 389,886 | \$ 20,842 | |
| 2 | Tax Depreciation Rates - Year 1 | 5.00% | 5.00% | 5.00% | |
| 3 | | | | | |
| 4 | 2011 Tax Depreciation Expense | \$ 127,147 | \$ 19,494 | \$ 1,042 | |
| 5 | 2011 Book Depreciation Expense | 57,725 | 17,194 | 959 | |
| 6 | 2011 Book - Tax Difference | (69,422) | (2,300) | (83) | <u>\$ (71,806)</u> |
| 7 | | | | | |
| 8 | 2011 Deferred Taxes at 37% | | | | <u>\$ (26,568)</u> |
| 9 | | | | | |
| 10 | | | | | |
| 11 | <u>Tax Rates</u> | | | | |
| 12 | Ad Valorem Tax Rate | 0.875% | | | |
| 13 | Income Tax Rate | 38.90% * | | | |
| 14 | State Tax Rate | 6.00% | | | |
| 15 | Federal Tax Rate | 35.00% | | | |
| 16 | | | | | |
| 17 | <u>*2010 ** Composite Tax Rate Calculation: 6.00% + 35%(100% - 6.00%) = 38.900%</u> | | | | |

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
RATE OF RETURN

| Line No. | Description | Percent | Cost | Weighted Cost |
|-------------|-------------|--------------|--------|------------------|
| 1 | Debt | 48.6% | 6.87% | 3.34% |
| 2 | Equity | <u>51.4%</u> | 10.50% | <u>5.40%</u> |
| 3 | | 100.0% | | 8.74% |

ATMOS ENERGY CORPORATION
 KENTUCKY PIPE REPLACEMENT PROGRAM
 SURCHARGE CALCULATION OF FORCASTED ACTIVITY
 AS OF JUNE 2011 THROUGH SEPTEMBER 2011
 O&M SAVINGS

| | | | |
|-----------------|---|-----------------|----------|
| <u>Line No.</u> | | | |
| 1 | Current Year Retired Footage | 42,153 | feet |
| 2 | Total Footage to be Retired | 1,320,000 | feet |
| 3 | | | |
| 4 | ANNUAL TIME SAVINGS FOR LEAK SURVEYING MAIN 2011 | | |
| 5 | | | |
| 6 | Current Year Retired Footage | 42,153 | feet |
| 7 | Feet / Mile | 5280 | feet |
| 8 | 2.11 Hours / Mile | 2.11 | hours |
| 9 | Previous Years Leak Surveying Main Time Savings | 0 | hours |
| 10 | | | |
| 11 | Current Year Time Savings for Main Leak Survey | 2.53 | hours |
| 12 | Total Dollars Save for Main Leak Survey | \$88.44 | dollars |
| 13 | <hr style="border: 2px solid black;"/> | | |
| 14 | | | |
| 15 | ANNUAL TIME SAVINGS FOR LEAK SURVEYING SERVICES 2011 | | |
| 16 | | | |
| 17 | 1.5 Minutes / Service | 1.5 | minutes |
| 18 | 60 Minutes / Hour | 60 | minutes |
| 19 | Current Years Renewed Bare Steel Services | 641 | services |
| 20 | Previous Years Leak Surveying Services Time Savings | 0 | minutes |
| 21 | | | |
| 22 | Current Year Time Savings for Service Line Leak Survey | 2.4 | hours |
| 23 | Total Dollars Save for Service Line Leak Survey | \$84.00 | dollars |
| 24 | <hr style="border: 2px solid black;"/> | | |
| 25 | | | |
| 26 | ANNUAL TIME SAVINGS FOR LEAK REVALUATION 2011 | | |
| 27 | | | |
| 28 | 30 Minutes / Revaluation | 30 | minutes |
| 29 | 60 Minutes / Hour | 60 | minutes |
| 30 | Current Years Grade 3 Leaks | 804 | services |
| 31 | Previous Years Leak Revaluation Time Savings | | minutes |
| 32 | | | |
| 33 | Current Year Time Savings for Leak Revaluation | 12.84 | hours |
| 34 | Total Dollars Save for Leak Revaluation | \$449.31 | dollars |
| 35 | <hr style="border: 2px solid black;"/> | | |
| 36 | Total O&M Savings by Cost Center for 2011 | \$621.75 | dollars |
| 37 | Total O&M Savings Cast Iron and Bare Steel Program | \$621.75 | |

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
2011 PROJECT DETAILS

| Projects | Project Description | No. of services | Installation | | | Cost of Removal | | | Retirements | | |
|---|--|-----------------|------------------|----------------|---------------|-----------------|---------------|--------------|----------------|---------------|---------------|
| | | | Main | Services | Meters | Main | Services | Meters | Main | Services | Meters |
| PRP.2609.KIRKWOOD 6 | Costs are for the replacement of (3)miles of 6" bare steel. | - | 1,109,798 | | | 4,020 | | | | | |
| PRP.2635.HWY 641 REPLACEMENT | 5,000 feet of 4" bare steel replacement/duo to relocation of highway 641. | 15 | 289,152 | | | 4,020 | | | | | |
| | Contractor | | | 5,250 | | | | 2,250 | | | |
| | Material | | | 2,138 | 1,112 | | | | | | |
| | Overhead | | | 2,515 | 380 | | | 765 | | | |
| PRP.2636.ALLEN STREET REPLACEMENT | Replace 3,264' 4" steel with 4" PE includes contract labor for 106 svc. | 106 | 224,663 | | | 4,020 | | | | | |
| | Contractor | | | 37,100 | | | | 15,900 | | | |
| | Material | | | 15,105 | 7,855 | | | | | | |
| | Overhead | | | 17,775 | 2,675 | | | 5,415 | | | |
| PRP.2636.FREDERICA STREET REPLACEMENT | Replace 1749' of 8" & 6" Steel Main with 4" PE includes contract labor for 10 svc - Going from LP to IP. | 10 | 177,853 | | | 4,020 | | | | | |
| | Contractor | | | 3,500 | | | | 1,500 | | | |
| | Material | | | 1,425 | 740 | | | | | | |
| | Overhead | | | 1,675 | 250 | | | 510 | | | |
| PRP.2638.Bare main replacment | 5000' of Bare main replacement and replacement fo 375 services | 125 | 137,393 | | | 4,020 | | | | | |
| | Contractor | | | 43,750 | | | | 18,750 | | | |
| | Material | | | 17,815 | 9,265 | | | | | | |
| | Overhead | | | 20,930 | 3,150 | | | 6,375 | | | |
| PRP.2735.GLASGOW.SYSINT 2 | GLASGOW SYSINT 2" BARE STEEL REPLACEMENT PRITCHERSVILLE RD 3000' | 14 | 83,201 | | | 4,020 | | | | | |
| | Contractor | | | 4,900 | | | | 2,100 | | | |
| | Material | | | 1,995 | 1,040 | | | | | | |
| | Overhead | | | 2,350 | 355 | | | 715 | | | |
| PRP.2735.GLASGOW.SYST.INTG.HA PPY VALLEY RD | REPLACE 1300'OF 6" BARE STEEL ON HAPPY VALLEY RD | 29 | 155,325 | | | 4,020 | | | | | |
| | Contractor | | | 10,150 | | | | 4,350 | | | |
| | Material | | | 4,135 | 2,150 | | | | | | |
| | Overhead | | | 4,865 | 730 | | | 1,480 | | | |
| PRP.2737. 2000 FT DANVILLE BARE STEEL | REPLACE 2000 FT OF BARE STEEL, COMPLETES DANVILLE SYSTEM OF ALL BARE STEEL WITH PLASTIC PIPE. | 20 | 32,448 | | | 4,020 | | | | | |
| | Contractor | | | 7,000 | | | | 3,000 | | | |
| | Material | | | 2,850 | 1,480 | | | | | | |
| | Overhead | | | 3,355 | 505 | | | 1,020 | | | |
| PRP.2738.5000ft bare steel Cville | replace 5000 ft bare steel and convert from L.P. to I.P. (Gowdy St.) | 100 | 204,695 | | | 4,020 | | | | | |
| | Contractor | | | 35,000 | | | | 15,000 | | | |
| | Material | | | 14,250 | 7,410 | | | | | | |
| | Overhead | | | 16,770 | 2,525 | | | 5,110 | | | |
| Total specific budgeted projects & bare steel functional | | | 2,414,528 | 276,598 | 41,622 | 36,180 | 84,240 | - | | | |
| Non specific bare steel functional | | | 376,400 | 148,400 | 9,200 | 5,000 | 9,300 | 5,600 | | | |
| Total budgeted 2011 projects | | | 2,790,928 | 424,998 | 50,822 | 41,180 | 93,540 | 5,600 | 247,997 | 35,112 | 29,980 |