

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS	)	
ENERGY CORPORATION FOR AN ADJUSTMENT	)	CASE NO.
OF RATES; APPROVAL OF TARIFF REVISIONS;	)	2024-00276
AND OTHER GENERAL RELIEF	)	

ORDER

On August 29, 2025, Atmos Energy Corporation (Atmos) filed a petition, pursuant to KRS 278.400, requesting rehearing of the Order entered August 11, 2025, denying rates as proposed by Atmos and establishing an alternative rate increase. On September 2, 2025, the Attorney General filed a response opposing Atmos’s request. The rehearing request is now before the Commission for a decision on the merits.

LEGAL STANDARD

KRS 278.400, which establishes the standard of review for petitions for rehearing, limits rehearing to new evidence not readily discoverable at the time of the original hearing, to correct any material errors or omissions, or to correct findings that are unreasonable or unlawful. A Commission Order is deemed unreasonable only when “the evidence presented leaves no room for difference of opinion among reasonable minds.”<sup>1</sup> An order can only be unlawful if it violates a state or federal statute or constitutional provision.<sup>2</sup>

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<sup>1</sup> *Energy Regulatory Comm’n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

<sup>2</sup> *Public Service Comm’n v. Conway*, 324 S.W.3d 373, 377 (Ky. 2010); *Public Service Comm’n v. Jackson County Rural Elec. Coop. Corp.*, 50 S.W.3d 764, 766 (Ky. App. 2000); *National Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 509 (Ky. App. 1990).

By limiting rehearing to correct material errors or omissions, and findings that are unreasonable or unlawful, or to weigh new evidence not readily discoverable at the time of the original hearings, KRS 278.400 is intended to provide closure to Commission proceedings. Rehearing does not present parties with the opportunity to relitigate a matter fully addressed in the original Order.

### ARGUMENTS

Atmos's rehearing petition is limited to the issue of whether the Commission erred in calculating Atmos's revenue requirement by using a capital structure involving a 53.5 percent common equity ratio instead of Atmos's actual, multi-jurisdictional, company-wide 60.88 percent common equity ratio. The difference in these ratios results in a direct decrease of \$4,071,796 in revenue requirement compared to the amount Atmos requested.<sup>3</sup>

Atmos argued that it was entitled to rehearing on this issue because use of a "hypothetical" capital structure instead of its actual capital structure was a material error requiring correction. Atmos noted that the U.S. Supreme Court established that a utility is entitled to "[r]ates which enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed," and "[f]rom the investor or company point of view, it is important that there be enough revenue not only for operating expenses, but also for the capital costs of the business."<sup>4</sup> Atmos acknowledged that the utility bears the burden of proof to establish

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<sup>3</sup> Aug. 11, 2025 Order at Appendix A; Appendix attached hereto recalculated the final Order revenue requirement reduction based on application of additional revenue requirement reductions.

<sup>4</sup> *Fed. Power Com. v. Hope Nat. Gas Co.*, 320 U.S. 591, 605 (1944).

the reasonableness of the rates it proposes in pursuit of meeting these objectives.<sup>5</sup> However, Atmos argued that (1) Commission precedent primarily has refused to adopt hypothetical capital structures, (2) that capital structure is a management decision subject to a presumption of reasonableness or other heightened level of deference, and (3) that the record did not include evidence that Atmos's actual capital structure was unreasonable.

Atmos argued that the Commission has typically rejected use of a hypothetical capital structure.<sup>6</sup> Atmos also acknowledged that in its previous rate case, the Commission imposed a hypothetical capital structure with a lower equity ratio than that of the utility's actual capital structure.<sup>7</sup>

Atmos also argued that capital structure is a management decision and that "[m]anagement decisions are generally presumed to be reasonable."<sup>8</sup> Atmos added that subsequent Commission precedent further specified the level of deference owed to such decisions:

(1) [T]he questioned outlays represent 'inefficiency' or 'improvidence' or (2) managerial discretion has been abused, or (3) the action taken has been 'arbitrary' or 'inimical to the public interest,' or (4) there has been 'economic waste,' or (5)

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<sup>5</sup> Petition at 3, quoting KRS 278.190(3), which states "[a]t any hearing involving the rate or charge sought to be increased, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility."

<sup>6</sup> Petition at 5, citing Case No. 2004-00426, *The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of Its 2004 Compliance Plan for Recovery by Environmental Surcharge* (Ky. PSC Jun. 20, 2005), Order at 20; Case No. 2004-00103, *Adjustment of the Rates of Kentucky-American Water Company* (Ky. PSC Feb. 28, 2005), Order at 68–70

<sup>7</sup> Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC May 19, 2022), Order at 38.

<sup>8</sup> Case No. 2010-00476, *Application of Water Service Corp. of Kentucky for an Adjustment of Rates* (Ky. PSC Nov. 23, 2011), Order at 11, citing *Pa Pub. Util. Comm'n v. Phila. Elec. Co.*, 561 A.2d 1224 (Pa. 1989); *West Ohio Gas Co. v. Ohio Pub. Util. Comm'n*, 294 U.S. 63 (1935)

such outlays were not legitimate operating expenses because they were in excess of just and reasonable charges.<sup>9</sup>

Atmos claimed that this shifts the burden of proof to the party challenging “the presumption of managerial good faith,”<sup>10</sup> which it claimed in this case is the Attorney General.<sup>11</sup>

Lastly, Atmos argued that evidence in the record was insufficient to rebut the presumption of managerial decision reasonableness.<sup>12</sup> Atmos characterized the evidence as limited to the comparison of Atmos’s capital structure to comparable utilities, which Atmos claimed should not be considered, and further alleged that those utilities were not comparable.<sup>13</sup> Atmos contrasted those peer companies by arguing that, unlike those other natural gas distribution companies (LDCs), Atmos has no state-specific subsidiaries—instead it funds its operations on a consolidated basis and allocates shared expenses to these different states for ratemaking purposes.<sup>14</sup>

The Attorney General filed a response to Atmos’s rehearing petition, arguing that regulated utilities such as Atmos are exposed to less risk than non-regulated businesses and therefore can carry more debt without sacrificing the utility’s financial strength.<sup>15</sup> The Attorney General also stated that common equity is the most expensive capital, and

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<sup>9</sup> Case No. 2002-00022, *Proposed Adjustment of the Wholesale Water Service Rates of the City of Pikeville* (Ky. PSC Oct. 18, 2002), Order at 9, citing *Pa. Publ. Util. Comm’n v. Phila. Elec. Co.*, 561 A.2d 1224 (Pa. 1989).

<sup>10</sup> Petition at 4, citing Case No. 2002-00022, Oct. 18, 2002 Order at 9,

<sup>11</sup> Petition at 7.

<sup>12</sup> Petition at 6.

<sup>13</sup> Petition at 7.

<sup>14</sup> Petition at 8.

<sup>15</sup> Attorney General’s Response (filed Sept. 3, 2025) at 2.

increased equity unreasonably increases the cost to ratepayers.<sup>16</sup> The Attorney General quoted Case No. 2020-00290, in which the Commission stated:

The Commission agrees with Ms. Nelson that the current capital structure deviates from standard utility practices and is inappropriate for ratemaking purposes. As noted by Ms. Nelson, David Parcell's text, the *Cost of Capital Manual*, states that there are circumstances where a hypothetical capital structure is used for a utility such as when the current capital structure is deemed substantially different from the typical. Ms. Nelson further notes that in *The Regulation of Public Utilities* by Charles F. Phillip, a hypothetical capital structure is used only when the utility's actual capitalization is clearly out of line as compared to others.<sup>17</sup>

The Attorney General asserted that the Commission's findings and rulings are reasoned and based on irrefutable factual evidence, much of it coming from Atmos.<sup>18</sup> The Attorney General also argued that Atmos failed to present new evidence to support its motion.<sup>19</sup> Thus, the Attorney General requested that the Commission deny Atmos's request for rehearing.<sup>20</sup>

### DISCUSSION AND FINDINGS

The Commission must examine whether it made a material error by approving a hypothetical capital structure based on application of the "fair, just and reasonable" rate standard in KRS 278.030(1), Commission precedent, and the facts and circumstances of the case. The Commission finds that it did not make a material error by applying a 53.5

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<sup>16</sup> Attorney General's Response at 2.

<sup>17</sup> Attorney General's Response at 3, n. 5 *quoting* Case No. 2020-00290, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Rates and Approval of Construction* (Ky. PSC Aug. 2, 2021), Order at 62.

<sup>18</sup> Attorney General's Response at 4.

<sup>19</sup> Attorney General's Response at 4.

<sup>20</sup> Attorney General's Response at 4.

percent common equity ratio for ratemaking purposes. The key facts supporting this determination are that a higher common equity ratio directly results in a higher revenue requirement and hence higher rates, without evidence of any additional benefit to ratepayers. The 60.88 percent common equity ratio requested by Atmos would result in an additional \$4,071,796 in revenue requirement to be borne by ratepayers.<sup>21</sup> Even accepting Atmos's evidence of expected debt savings from its requested equity ratio in a light most favorable to Atmos, the \$1,286,828<sup>22</sup> in claimed savings does not offset the added cost and is therefore unreasonable.

Regarding the Commission's previous use of a capital structure other than the actual structure for ratemaking purposes, the Commission has rejected use of a hypothetical capital structure in some cases and adopted it in others.<sup>23</sup> Consideration of capital structure falls within the Commission's broader mandate in which it is charged with enforcing the provisions of KRS Chapter 278,<sup>24</sup> which among other things, prohibits a utility from charging rates that are not fair, just, and reasonable.<sup>25</sup> Further, as mentioned in the final Order, a utility, in making decisions regarding whether to raise capital through

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<sup>21</sup> See calculation attached hereto as an Appendix, recalculated (decreased) based on other adjustments to revenue requirement.

<sup>22</sup> Rebuttal Testimony of Joe T. Christian (Christian Rebuttal Testimony) at 6–7 and Exhibit JTC-R-2. See calculation attached hereto as an Appendix, recalculated (increased) based on other adjustments to revenue requirement to \$1,286,828.

<sup>23</sup> See Case No. 2004-00426, *The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of Its 2004 Compliance Plan for Recovery by Environmental Surcharge* (Ky. PSC Jun. 20, 2005), Order at 20, rejecting such use; See also 2020-00290, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Rates and Approval of Construction* (Ky. PSC Aug. 2, 2021), Order at 101, adopting a hypothetical capital structure; Case No. 2021-00214, May 19, 2022 Order at 38, adopting a hypothetical capital structure due to Atmos's unreasonably high level of equity.

<sup>24</sup> KRS 278.040(1).

<sup>25</sup> KRS 278.030(1).

debt or equity issuances, or by retaining capital, controls its capital structure. Thus, use of a capital structure other than the actual structure is warranted when necessary to ensure fair, just and reasonable rates under KRS 278.030.

Atmos does not use separate corporate structures to distinguish its regulated Kentucky operations from its regulated and unregulated business operations in other states. Since Atmos does not have a separate, actual capital structure for its Kentucky operations, it seeks to use the capital structure of the larger corporate entity, of which its Kentucky operations constitute only a small portion, and notably includes regulated and unregulated businesses in other states. Thus, the use of the actual capital structure of Atmos's corporate entity for Kentucky ratemaking purposes would not necessarily represent the cost to serve Kentucky customers.

Furthermore, the Commission has repeatedly expressed its concerns and admonished Atmos for its high equity ratio and put Atmos on notice that the Commission may make adjustments to Atmos's common equity ratio, for ratemaking purposes, and may further transition it down to the average common equity ratio of its peers.<sup>26</sup> Atmos made the decision not to reduce its equity ratio, and therefore, should have been prepared to justify the reasonableness of that decision in this matter, but failed to do so. In fact, as discussed in the final Order and in more detail below, based on the Atmos's Kentucky allocated costs, and accepting Atmos's estimate of the value of credit rating-related

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<sup>26</sup> Case No. 2021-00214, May 19, 2022 Order at 38; Case No. 2023-00001, *Electronic Application of Atmos Energy Corporation for an Order Authorizing the Implementation of a \$5,000,000,000 Universal Shelf Registration* (Ky. PSC Mar. 9, 2023), Order at 6–7; Case No. 2024-00313, *Electronic Application of Atmos Energy Corporation for an Order Authorizing the Implementation of a \$8,000,000,000 Universal Shelf Registration* (Ky. PSC Nov. 26, 2024), Order at 6–7.

savings, its revenue requirement is still significantly lower with the Commission-approved equity ratio.

Regarding the burden of proof, KRS 278.190(3) places the burden of proof on the applicant where the utility seeks a rate increase. Upon review of the administrative record, Atmos's arguments regarding the shifting of the burden of proof appear novel, especially in light of Atmos's two post-hearing briefs that did not argue that its burden of proof should be shifted to another party or lessened,<sup>27</sup> even though the issue of Atmos's capital structure was plainly raised by the Attorney General throughout this case. In its rehearing petition, Atmos pointed to two prior Commission orders in Case No. 2010-00476 and Case No. 2002-00022 to support its argument that capital structure is a management decision subject to a presumption of reasonableness. However, neither of those cases indicated that such a presumption would justify reversal in this case.

The managerial decision in Case No. 2002-00022 involved contracting with a third-party operation management company.<sup>28</sup> While the Commission in that case did indicate that management decisions are presumed to be reasonable, the Commission noted that the presumption may be rebutted after which a utility must "demonstrate that its actions were reasonable and prudent."<sup>29</sup> The Commission, in Case No. 2002-00022, then simply

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<sup>27</sup> Atmos's Post-Hearing Brief (filed May 30, 2025); Atmos's Post-Hearing Reply Brief (filed June 13, 2025).

<sup>28</sup> Case No. 2002-00022, Oct. 18, 2002 Order at 9.

<sup>29</sup> Case No. 2002-00022, Oct. 18, 2002 Order at 9. The Commission in that case stated that the presumption may be rebutted by a showing that:

(1) [T]he questioned outlays represent 'inefficiency' or 'improvidence' or (2) managerial discretion has been abused, or (3) the action taken has been 'arbitrary' or 'inimical to the public interest,' or (4) there has been 'economic waste,' or (5) such outlays were not legitimate operating expenses because they were in excess of just and reasonable charges.



looked at the evidence presented in the case and found “no evidence to suggest that Pikeville acted unreasonably in its decision.”<sup>30</sup> Case No. 2010-00476 addressed the reasonableness of an expense stemming from a non-arms-length transaction, and found that under those circumstances, “the presumption of reasonableness does not follow.”<sup>31</sup>

Neither of the Commission cases relied on by Atmos pertained to capital structure. Moreover, the Commission notes that those cases were based on decisions from other jurisdictions, which did not pertain to capital structure decisions. Specifically, the court in *Pa Pub. Util. Comm’n*, on which the Commission relied, applied an abuse of discretion standard to maintenance decisions considered managerial that resulted in outages and resultant energy replacement costs, finding that management abused its discretion and could not recover the expense.<sup>32</sup> In *West Ohio Gas Co.*, the U.S. Supreme Court applied a presumption of managerial good faith, and ruled that there was no evidence of bad faith in deciding to extend a transmission line.<sup>33</sup> Conversely, in Case No. 2020-00290, which was cited by the Attorney General and is more relevant to this case, the Commission indicated that a hypothetical capital structure may be used where a utility’s capital structure is substantially different from the typical or is clearly out of line with comparable capital structures.<sup>34</sup>

The Commission is bound by KRS 278.190(3), which places the burden of proof on the applicant in a case in which the utility seeks a rate increase. The Commission

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<sup>30</sup> Case No. 2002-00022, Oct. 18, 2002 Order at 9–11.

<sup>31</sup> Case No. 2010-00476, Nov. 23, 2011 Order at 11.

<sup>32</sup> *Pa Pub. Util. Comm’n*, 561 A.2d at 1228.

<sup>33</sup> *West Ohio Gas Co.*, 294 U.S. at 72.

<sup>34</sup> Case No. 2020-00290, Aug. 2, 2021 Order at 62.

cannot find that either the legislature or prior Commissions intended capital structure to be considered a managerial decision subject to a level of deference necessitating overriding the plain language of KRS 278.190(3). The Commission also questions whether costs a utility seeks to recover as part of a proposed rate increase may be presumed to be reasonable given the burden expressed in KRS 278.190(3), notwithstanding the previous decisions of the Commission.<sup>35</sup> However, even if a presumption of reasonableness could otherwise apply to expenses included in a proposed rate case and would specifically apply to a utility's capital structure, the Commission does not find that a presumption should be applied in this case, because the capital structure that Atmos seeks to use in this matter, which includes billions of dollars to fund capital expenditures of regulated and unregulated business operations in other states, is, in effect, a pro-rata allocation of the overall capital structure of all of Atmos's operating units to Kentucky. Such an allocation would not be entitled to a presumption of reasonableness under the cases cited by Atmos.<sup>36</sup>

More importantly, even if a presumption of managerial discretion applied to Atmos's proposed capital structure, the evidence of the unreasonableness of Atmos's proposed capital structure is sufficient to rebut any presumed reasonableness. As explained in the final Order, the evidence presented by both Atmos and the Attorney

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<sup>35</sup> Due process considerations would apply but there has been no question that Atmos was afforded due process on this issue.

<sup>36</sup> See Case No. 2010-00476, (Ky. PSC Nov. 23, 2011), Order at 11 (indicating that allocations of affiliate transactions would not be subject to a presumption of reasonableness); see also KRS 278.2209 ("In any formal commission proceeding in which cost allocation is at issue, a utility shall provide sufficient information to document that its cost allocation procedures and affiliate transaction pricing are consistent with the provisions of this chapter."); KRS 278.2211(1)(b)(indicating that the Commission may "[o]rder that the costs attached to any transaction be disallowed from rates" if a utility has failed to provide sufficient evidence of its compliance).

General clearly indicates that Atmos's proposed capital structure contains a significantly higher equity share than comparable utilities. Atmos argued that the estimated benefit to ratepayers in the form of preventing a hypothetical downgrade of its credit rating and resulting increased interest rates was about \$1.14 million annually in revenue requirement savings compared to using the Attorney General's recommended structure.<sup>37</sup> However, the reduced equity ratio approved by the Commission resulted in an approximately \$4.07 million annual decrease in revenue requirement as compared to Atmos's proposed equity ratio.<sup>38</sup> Atmos witness, Joe Christian, was asked about the difference between the cost and the savings at the hearing and referred to looking to "the long term" instead of focusing on short-term revenue requirement benefits.<sup>39</sup> However, Mr. Christian was not able to provide a tangible benefit to ratepayers beyond the estimated annual savings compared to the significantly higher cost to ratepayers of a higher equity ratio.<sup>40</sup> Thus, even assuming Atmos's alleged marginal debt cost from reducing the equity ratio, the

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<sup>37</sup> Christian Rebuttal Testimony at 6–7 and Exhibit JTC-R-2. See calculation attached hereto as an Appendix, recalculated (increased) based on other adjustments to revenue requirement to \$1,286,828.

<sup>38</sup> See calculation attached hereto as an Appendix, recalculated (decreased) based on other adjustments to revenue requirement. The Attorney General's testimony estimated savings of about \$5.375 million as a result of the change in equity ratio. However, when multiple adjustments are being made at the same time, the order in which the adjustments are made may affect the extent to which a change in the revenue requirement is attributed to a particular adjustment. The workpapers of the Attorney General's witnesses reflected the change in the equity ratio before any change in the return on equity and after any rate base changes proposed by the Attorney General's witnesses. See Attorney General Direct Testimony, AG\_Recommended\_Atmos\_Revenue\_Requirement.xlsx (filed January 27, 2025). There is nothing unreasonable about the order in which the Attorney General made the adjustments, and there has been no dispute in this matter that reducing the equity share of the capital structure will reduce the overall rate of return. However, the Commission believes that the number calculated in the Appendix to this order more accurately isolates the savings attributed solely to the change in the equity ratio, because it reflects the effects of the change in the equity ratio after the change in the return on equity and after changes to rate base accepted in this matter.

<sup>39</sup> Hearing Testimony of Joe T. Christian (Christian Hearing Testimony), May 6, 2025 Hearing Video Transcript (HVT) at 17:07:11.

<sup>40</sup> Christian Hearing Testimony, May 6, 2025 HVT at 17:07:36.

undisputed evidence would indicate that the cost of Atmos's equity ratio significantly outweighs any potential benefit, and would therefore, rebut any presumption of reasonableness.

Although a change in the equity share of the capital structure could increase debt rates, the evidence does not support a finding that the equity ratio approved in the final Order would result in a change in Atmos's credit rating or its cost of debt as alleged by Atmos. As noted in the final Order, in Atmos's 2013 and 2017 rate cases, it maintained equity ratios of 49.16 percent and 52.57 percent, respectively. However, testimony from Atmos's witness indicated that Atmos has been an A rated company since at least 2014,<sup>41</sup> which would indicate that a debt ratio in the range approved herein would not result in a downgrade of Atmos's credit rating. That inference is further supported by common equity ratios of the utilities in the proxy groups identified by Atmos and the Attorney Generals witnesses. Moreover, when Atmos computed the debt rate change it alleged would arise from the Attorney General's proposed change in the equity ratio, it identified about \$21 million in alleged savings achieved by the higher equity ratio, but its calculation included alleged savings on debt issued in 2014 and 2017 when Atmos's equity ratio was in line with or lower than that approved herein.<sup>42</sup> Thus, for those reasons and the reasons discussed in the final Order, the evidence does not support a finding that reducing

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<sup>41</sup> See Christian Rebuttal Testimony at 6-7 ("Attached to my testimony as Exhibit JTC-R-2 Interest Savings is a comparison of the savings that have been achieved since 2014 as a result of being 'A' rated by the debt rating agencies as compared to a 'B' rated company."); see also Christian Rebuttal Testimony at 6-7, Exhibit JTC-R-2 (indicating that debt issued on January 11, 2013 was prior to its upgrade and that debt issued on October 15, 2014 was issued after its upgrade).

<sup>42</sup> See Christian Rebuttal Testimony at 6-7, Exhibit JTC-R-2.


Atmos's equity ratio to 53.5 percent would negatively affect its credit rating or its debt cost.

In summary, the cost to ratepayers of Atmos's high equity ratio is not in dispute. Even if Atmos's debt savings estimate was accepted, the cost to ratepayers of the high equity ratio would be a net \$2,774,968 increase when factoring in the estimated debt cost savings, which would be unreasonable. For that reason, even assuming a presumption of reasonableness applied to capital structure decisions, the proposed capital structure results in an irrefutable mathematical determination indicating that the capital structure is unreasonable. More concerning, Atmos's estimate of the debt savings is not supported by the record, which further supports a finding that the proposed capital structure is unreasonable. Additionally, as noted by the Attorney General, Atmos failed to present any new evidence that was not available prior to the final Order to justify rehearing. Thus, having reviewed the record and being otherwise sufficiently advised, the Commission finds that Atmos's petition for a rehearing should be denied.


IT IS THEREFORE ORDERED that:

1. Atmos's petition for rehearing is denied.
2. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

   
Executive Director



## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00276 DATED SEP 18 2025

#### I. Atmos Requested Capital Ratio

	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	0.19%	17.14%	0.03%	0.03%
Long Term Debt	38.93%	4.11%	1.60%	1.62%
Common Equity	60.88%	9.75%	5.94%	8.01%
Total Capital	<u>100.00%</u>		<u>7.57%</u>	<u>9.66%</u>

#### II. Atmos Approved Capital Ratio

	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	0.19%	17.14%	0.03%	0.03%
Long Term Debt	46.31%	4.11%	1.90%	1.92%
Common Equity	53.50%	9.75%	5.22%	7.04%
Total Capital	<u>100.00%</u>		<u>7.15%</u>	<u>8.99%</u>

Change in Grossed Up Weighted Avg Cost of Capital	-0.67%
Adjusted Rate Base	<u>\$ 610,402,201</u>
Revenue Requirement Effect of Adjustment	<u>\$ (4,071,796)</u>

## I. Atmos Approved Capital Structure

	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	0.19%	17.14%	0.03%	0.03%
Long Term Debt	46.31%	4.11%	1.90%	1.92%
Common Equity	53.50%	9.75%	5.22%	7.04%
Total Capital	<u>100.00%</u>		<u>7.15%</u>	<u>8.99%</u>

## II. Atmos Cost of Capital Adjusted to Reflect Alleged Debt Rate Change

	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	0.19%	17.14%	0.03%	0.03%
Long Term Debt	46.31%	4.56%	2.11%	2.13%
Common Equity	53.50%	9.75%	5.22%	7.04%
Total Capital	<u>100.00%</u>		<u>7.36%</u>	<u>9.20%</u>

Change in Grossed Up Weighted Avg Cost of Capital	0.21%
Adjusted Rate Base	<u>\$ 610,402,201</u>
Revenue Requirement Effect of Adjustment	<u>\$ 1,296,828</u>



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