

Atmos Energy Corporation
1555 Blake Street, Suite 400
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Karen P. Wilkes, Vice President Regulatory &
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May 8, 2013

ADVICE LETTER NO. 497

The Public Utilities Commission of the State of Colorado
1560 Broadway, Suite 250
Denver, Colorado 80202

The accompanying tariff sheets issued by Atmos Energy Corporation (“Atmos Energy” or the “Company”) are being sent to you for filing in compliance with the requirements of the Public Utilities Law. Atmos Energy requests an effective date for the attached tariff sheets of June 10, 2013. The following tariff sheets are attached to this Advice Letter:

Colorado P.U.C. No. 7 – Gas

Colorado P.U.C. Sheet Number	Title of Sheet	Cancels Colo. P.U.C. Sheet Number
Fifth Revised Sheet No. 2	Index	Fourth Revised Sheet No. 2
Fourteenth Revised Sheet No. 9	Cost Adjustment & Rate Component Summary	Thirteenth Revised Sheet No. 9
Eighth Revised Sheet No. 11	Transportation Service Cost Adjustment & Rate Component Summary	Seventh Revised Sheet No. 11
Fourth Revised Sheet No. 15	General Service Rates	Third Revised Sheet No. 15
Second Revised Sheet No. 17	Irrigation Service	First Revised Sheet No. 17
Third Revised Sheet No. 23	Firm Transportation Service	Second Revised Sheet No. 23
Third Revised Sheet No. 27	Multi-Year Rate Plan	Second Revised Sheet No. 27
Third Revised Sheet No. 28	Multi-Year Rate Plan	Second Revised Sheet No. 28
Third Revised Sheet No. 29	Multi-Year Rate Plan	Second Revised Sheet No. 29
Third Revised Sheet No. 30	Earnings Sharing Adjustment	Second Revised Sheet No. 30
Third Revised Sheet No. 31	Earnings Sharing Adjustment	Second Revised Sheet No. 31
First Revised Sheet No. R18	Natural Gas Service Standards	Original Sheet No. R18
Fourth Revised Sheet No. R25	Service Line and Main Extension Policy	Third Revised Sheet No. R25

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The purpose of this Advice Letter is to increase base rates for all natural gas sales and transportation services by implementing a Multi-Year Rate Plan (“MYP”) in the Company’s Colorado P.U.C. No. 7 – Gas Tariff. Under the MYP, Atmos Energy will implement three stepped rate increases on June 10, 2013, July 1, 2014, and July 1, 2015. Each stepped rate increase will be applied to the base rates for gas sales and gas transportation services under all rate schedules in the tariff.

For the initial step, proposed to become effective June 10, 2013, the Company is seeking a net increase in annual gas base rate revenues of \$4,118,341 (4.8%), based on total rate base revenue requirements of \$89,782,544 using the forecasted test year (“FTY”) of twelve months ending June 30, 2014, an overall return on rate base (“RORB”) of 8.44 percent and a return on equity (“ROE”) of 10.50 percent.

For the second step, proposed to become effective July 1, 2014, the Company is seeking an additional \$2,934,511 (3.3%) increase in its annual gas base rate revenues, based on total base rate revenue requirements of \$92,409,912 using the FTY of the twelve months ending June 30, 2015, a RORB of 8.46 percent and a ROE of 10.5 percent. The revenue deficiency reflected in the 2015 FTY revenue requirement is \$2,934,511.

For the third step, proposed to become effective July 1, 2015, the Company is seeking an additional \$3,486,757 (3.8%) increase in its annual gas base rate revenues, based on total base rate revenue requirements of \$95,540,137 using the FTY of the twelve months ending June 30, 2016, a RORB of 8.47 percent and a ROE of 10.5 percent. The revenue deficiency reflected in the 2016 FTY revenue requirement is \$3,486,757.

While the Company is seeking approval of the MYP in this advice letter, the Company is only requesting specific approval of the tariff sheets proposed to take effect on June 10, 2013. If the Commission approves the MYP, the Company anticipates making subsequent compliance filings containing an appropriate advice letter and updated tariffs, on not less than 30-days notice to the Commission and the public, for each of the subsequent two stepped rate increases with effective dates of July 1, 2014 and July 1, 2015, respectively.

The proposed change in rates will be made through an adjustment to the rates listed on the tariff sheets and will affect all of the Company's customers. If approved, the tariffs would be applied to complete billing cycles that commence on or after the effective dates listed in the filing.

By this Advice Letter the Company is also proposing to: (1) move the recovery of Atmos Energy's Advanced Metering Infrastructure costs from a surcharge into base rates; (2) move the recovery of uncollectable gas costs from the Gas Cost Adjustment ("GCA") into base rates; (3) provide a vehicle for the timely recovery of investments associated with Atmos Energy's System Safety and Integrity Program; (4) transition over time to a state-wide GCA rate such that all Atmos Energy customers would pay the same rate for gas costs and eliminate the current regional differences in gas rates; (5) establish new Main and Service allowances; and (6) establish new depreciation rates.

Under the MYP, Atmos Energy commits, with certain limited exceptions, that its next general rate case will not be filed before November 1, 2015 and that the rate changes in that case will not be proposed to be put into effect before July 1, 2016.

During the term of the MYP, the Company will operate under an Earnings Sharing mechanism that provides for the annual sharing of gas earnings with customers driven by achievement of certain threshold return on equity ("ROE") results.

With respect to the Earnings Sharing mechanism, the Company proposes a sharing mechanism based on the Company's actual earnings year over year. The Company has requested an ROE of 10.5%. Any earnings in excess of an ROE of 10.7% will be returned to customers such that a maximum ROE of 10.7% is achieved year over year. If the Company earns an ROE less than 10%, customers will be assessed a surcharge such that a minimum 10% ROE is achieved year over year.

The impacts of the Company's filing on average customer rates statewide during the term of the MYP are as follows (please note that the average monthly bill calculations for residential and commercial customers reflect forecasted declines in customer usage over time):

TOTAL PROPOSED MONTHLY BILL IMPACTS ON CUSTOMERS (STATEWIDE) 6/10/2013-6/30/2016

	Average Monthly Bill Present/Beginning of Period Rates	Average Monthly Bill Proposed Rates	Change	Percentage Change
Residential:				
6/10/2013 – 6/30/2014	\$45.70	\$49.32	\$ 3.62	7.93%
7/1/2014 – 6/30/2015	\$49.03	\$50.67	\$ 1.64	3.34%
7/1/2015 – 6/30/2016	\$50.36	\$52.31	\$ 1.96	3.89%
Commercial:				
6/10/2013 – 6/30/2014	\$ 203.43	\$ 203.77	\$ 0.34	0.17%
7/1/2014 – 6/30/2015	\$ 202.47	\$ 208.51	\$ 6.04	2.98%
7/1/2015 – 6/30/2016	\$ 207.11	\$ 214.26	\$ 7.15	3.45%
Irrigation:				
6/10/2013 – 6/30/2014	\$ 725.08	\$ 730.78	\$ 5.70	0.79%
7/1/2014 – 6/30/2015	\$ 730.78	\$ 749.70	\$18.92	2.59%
7/1/2015 – 6/30/2016	\$ 749.70	\$ 772.43	\$22.72	3.03%

The impacts of the Company’s filing on average customer rates region by region during the term of the MYP are as follows (please note that the average monthly bill calculations for residential and commercial customers reflect forecasted declines in customer usage over time):

TOTAL PROPOSED MONTHLY BILL IMPACTS ON CUSTOMERS 6/10/2013-6/30/2014

	Average Monthly Bill Present Rates	Average Monthly Bill Proposed Rates	Percentage Change
Northeast:			
Residential	\$ 45.77	\$ 49.50	8.15%
Commercial	\$ 210.63	\$ 210.98	0.17%
Irrigation	\$ 242.27	\$ 243.11	0.35%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
Northwest/Central:			
Residential	\$ 52.91	\$ 56.19	6.20%
Commercial	\$ 251.07	\$ 251.23	0.06%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
Southeast:			
Residential	\$ 41.87	\$ 45.70	9.15%
Commercial	\$ 137.79	\$ 138.47	0.49%
Irrigation	\$ 828.54	\$ 835.28	0.81%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)

Southwest:			
Residential	\$ 39.80	\$ 43.34	8.89%
Commercial	\$ 166.89	\$ 167.24	0.21%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)

TOTAL PROPOSED MONTHLY BILL IMPACTS ON CUSTOMERS 7/1/2014-6/30/2015

	Average Monthly Bill Beginning of Period Rates	Average Monthly Bill Proposed Rates	Percentage Change
Northeast:			
Residential	\$ 48.97	\$ 50.57	3.27%
Commercial	\$ 208.12	\$ 214.09	2.87%
Irrigation	\$ 243.11	\$ 250.26	2.94%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
Northwest/Central:			
Residential	\$ 55.81	\$ 57.57	3.15%
Commercial	\$ 251.99	\$ 258.95	2.76%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
Southeast:			
Residential	\$ 45.68	\$ 47.25	3.44%
Commercial	\$ 137.24	\$ 141.72	3.26%
Irrigation	\$ 835.28	\$ 856.73	2.57%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
Southwest:			
Residential	\$ 43.51	\$ 45.20	3.88%
Commercial	\$ 165.60	\$ 171.62	3.64%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)

TOTAL PROPOSED MONTHLY BILL IMPACTS ON CUSTOMERS 7/1/2015-6/30/2016

	Average Monthly Bill Beginning of Period Rates	Average Monthly Bill Proposed Rates	Percentage Change
<i>Northeast:</i>			
Residential	\$ 50.01	\$ 51.91	3.80%
Commercial	\$ 211.04	\$ 218.06	3.33%
Irrigation	\$ 250.26	\$ 258.68	3.36%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
<i>Northwest/Central:</i>			
Residential	\$ 57.15	\$ 59.24	3.66%
Commercial	\$ 259.71	\$ 268.05	3.21%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
<i>Southeast:</i>			
Residential	\$ 47.23	\$ 49.12	4.00%
Commercial	\$ 140.36	\$ 145.64	3.76%
Irrigation	\$ 856.73	\$ 882.52	3.01%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)
<i>Southwest:</i>			
Residential	\$ 45.38	\$ 47.40	4.45%
Commercial	\$ 169.94	\$ 177.04	4.18%
Transportation	(Customer Specific)	(Customer Specific)	(Customer Specific)

Atmos has filed the testimony and exhibits of the following individuals in support of the rate increase and tariff changes requested by the Company in this filing: Ms. Karen P. Wilkes, Mr. Joe T. Christian, Mr. John M. Willis, Ms. Ann E. Bulkley, Mr. William H. Meckling, Mr. Thomas H. Petersen, Mr. Ryan C. Hockin, Mr. Jason L. Schneider, Mr. John C. Johnson, and Mr. Jared N. Geiger.

Please send copies of all notices, pleadings, correspondence and other documents and material related to this filing to the following individuals:

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