

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**Application of Atmos Energy Corporation)
for an Adjustment of Rates) Case No. 2013-00148
and Tariff Modifications)**

PETITION FOR ADJUSTMENT OF RATES

AND TARIFF MODIFICATIONS

Atmos Energy Corporation (“Atmos Energy”), by counsel, pursuant to KRS 278.180 and KRS 278.190 submits the attached revised tariffs and proposes that certain gas rates and revised tariff provisions for its Kentucky division become effective on June 13, 2013. This Application and the attached supporting exhibits contain the facts on which the relief being requested is based, a request for the relief sought and references to the particular provisions of law requiring or providing for the relief sought as specified in 807 KAR 5:001.

1. Atmos Energy is a utility as defined by KRS 278.010 (3)(b) and is subject to the jurisdiction of the Public Service Commission ("Commission"), pursuant to KRS 278.040. Atmos Energy delivers natural gas to approximately 3.1 million residential,

commercial, industrial and public-authority customers in eight states. It has six gas utility operating divisions. They are located in Denver, Colorado (Kansas and Colorado division); Baton Rouge, Louisiana (Louisiana division); Jackson, Mississippi (Mississippi division); Lubbock, Texas (West Texas division); Dallas, Texas (Mid-Tex division); and Franklin, Tennessee (Kentucky/Mid-States).

2. The President of the Atmos Energy Kentucky/Mid-States Division is J. Kevin Akers. The Vice President – Rates and Regulatory Affairs for the Kentucky/Mid-States Division is Mark Martin. Atmos Energy's corporate office address is:

Atmos Energy Corporation
5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, TX 75240
P.O. Box 650205
Dallas, Texas 75265-0205

Atmos Energy's Kentucky/Mid-States Division office location is:

3275 Highland Pointe Dr.
Owensboro, KY 42303
270 685 8000
Mark.Martin@Atmosenergy.com

. Atmos Energy's articles of incorporation are filed as FR 14(2)(a) in Volume 2. Its current Certificate of Good Standing is filed as FR 16(1)(b)(2) in Volume 2.

3. Atmos Energy serves approximately 173,000 customers in central and western Kentucky. The customer base includes residential,

commercial and industrial customers.

4. Atmos Energy's Annual Reports including the 2012 report are on file with the Commission as required by 807 KAR 5:006§4(1).

5. Notice of Intent to file a rate application was delivered to the Executive Director and the Attorney General on April 11, 2013. A copy of that notice is filed as FR 16(2)(c) in Volume 3.

6. In this application, Atmos Energy gives notice of an approximately \$13.4 million increase in its total revenues. The proposed effective date of the rate is June 13, 2013. The actual increases by amount and percentage for each customer class are listed in the schedule attached as FR 16(4)(a)(b) and (c) in Volume 3.

7. Pursuant to KRS 278.192(1), this filing is based upon a fully forecasted test year using a base period of August, 2012 through July, 2013 and a forecasted period of December, 2013 through November, 2014. As required by KRS 278.192(2), within 45 days after the end of base period, the actual results for the estimated months will be filed.

8. Because of declining return on equity and inadequate revenue to continue to provide the quality of service required by the Commission and demanded by our customers, it is necessary to seek additional revenue. Revised rates are necessary to allow Atmos Energy the opportunity to recover its reasonable operating costs and to earn a reasonable return on its investment. The rate increase is needed to provide sufficient revenue for

Atmos Energy to maintain its facilities and provide the level of service mandated by the Commission and the public. This revenue is also necessary for the attraction of additional capital. The existing rates are inadequate for these purposes and thus fail to meet the fair, just and reasonable standard. A more detailed explanation of the need for the rate adjustment is provided in the testimony filed as FR 16(12)(a), Volume 1.

9. In addition to the adjustment of distribution rates, Atmos Energy is proposing several rate design elements and a new service charge:

- 1) Permanent approval of the Company's Weather Normalization Adjustment (WNA) mechanism;
- 2) Maintenance of the general balance of fixed and variable elements in our distribution rates to 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) Establishment of a Margin Loss Rider (MLR) and a System Development Rider (SDR);
- 4) Expansion of our General Firm Sales Service (Rate G-1) and our Interruptible Sales Service (Rate G-2) to allow for Natural Gas Vehicle (NGV) Service;
- 5) Establishment of a new Service Charge - a Door Tag Fee.

10. The company is also proposing several tariff language changes to incorporate revisions to 807 KAR 5:006 into the tariff.

11. Atmos Energy is providing notice of this filing to its customers and interested parties by publication in newspapers of general

circulation and posting in each of Atmos Energy local offices for public inspection as well as posting on its website. A copy of the notice is in contained in FR 16 (3) Volume 3.

12. Atmos Energy requests that the Commission allow the proposed rate changes to take effect without delay.

13. Atmos Energy also requests a deviation pursuant to 807 KAR 5:006(28) from any rule, regulation or other requirement that might otherwise delay or impede the review and approval of this petition.

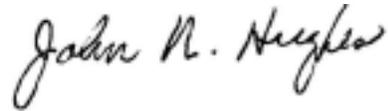
14. All filing requirements of 807 KAR 5:001 are listed in the table attached to this application.

15. Based on the information provided and in compliance with all filing requirements of KRS Chapter 278 and 807 KAR 5:001, Atmos Energy requests that the Commission issue an order approving the proposed rates and the proposed tariff revisions and granting all other appropriate relief.

Submitted by:

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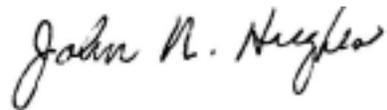


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CERTIFICATE

In accordance with the requirements of 807 KAR 5:001, I certify that this electronic filing is a true and accurate copy of the documents to be filed in paper medium; that the electronic filing has been transmitted to the Commission on May 13, 2013; that an original of the filing will be delivered to the Commission within two days of May 13, 2013; and that no party has been excused from participation by electronic means.



Law/Regulation	Filing Requirement	Witness	Volume No.
Section 16(12)(a)	Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program;	Densman, Martin, Napier, Raab, Schneider, Vander Weide, Waller, Watson	1, 2
Section 14(2)(a)	If the applicant is a corporation, a certified copy of its articles of incorporation and all amendments, if any, shall be annexed to the application, or a written statement attesting that its articles and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.	Martin	2
Section 16(1)(b)(1)	A statement of the reason the adjustment is required.	Martin, Waller	2
Section 16(1)(b)(2)	If applicant is incorporated or is a limited partnership, a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.	Martin	2
Section 16(1)(b)(3)	A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.	Martin	2
Section 16(1)(b)(4)	The proposed tariff in form complying with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.	Martin	2
Section 16(1)(b)(5)	Proposed tariff changes shown either by providing present and proposed tariffs in comparative form or indicating additions by italicized inserts or underscoring and striking over deletions in a copy of the current tariff.	Martin	3
Section 16(1)(b)(6)	A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of the notice.	Martin	3
Section 16(2)(a)-(c)	Notice of intent. A utility with gross annual revenues greater than \$5,000,000 shall notify the commission in writing of intent to file a rate application at least thirty (30) days, but not more than sixty (60) days, prior to filing its application. (a) The notice of intent shall state if the rate application will be supported by a historical test period or a fully forecasted test period. (b) Upon filing the notice of intent, an application may be made to the commission for permission to use an abbreviated form of newspaper notice of proposed rate increases provided the notice includes a coupon that may be used to obtain a copy from the applicant of the full schedule of increases or rate changes. (c) The applicant shall also transmit by electronic mail a copy of the notice in a portable document format to the Attorney General's Office of Rate Intervention at rateintervention@ag.ky.gov .	Martin	3
Section 16(3)(b)(3)	Publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made by the date the application is filed.	Martin	3
Section 16(4)(a)-(h)	Notice Requirements. Each notice shall contain the following information:	Martin	3

Law/Regulation	Filing Requirement	Witness	Volume No.
	<ul style="list-style-type: none"> (a) The present rates and proposed rates for each customer class to which the proposed rates will apply; (b) The amount of the change requested in both dollar amounts and percentage change for customer classification to which the proposed rate change will apply; (c) The amount of the average usage and the effect upon the average bill for each customer class to which the proposed rate change will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer class for the proposed rate change in basic local service; (d) A statement that the rates contained in this notice are the rates proposed by (name of utility) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice; (e) A statement that a corporation, association, or person may within thirty (30) days after the initial publication or mailing of notice of the proposed rate changes, submit a written request to intervene to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602 that establishes the grounds for the request including the status and interest of the party, and states that intervention may be granted beyond the thirty (30) day period for good cause shown; (f) A statement that written comments regarding the proposed rate may be submitted to the Public Service Commission by mail or through the Public Service Commission's Web site; (g) A statement that a person may examine this filing and any other documents the utility has filed with the Public Service Commission at the offices of (the name of the utility) located at (the utility's address) and on the utility's Web site at (the utility's Web site address), if the utility maintains a public Web site; and (h) A statement that this filing and any other related documents can be found on the Public Service Commission's Web site at http://psc.ky.gov/. 		
Section 16(5)(a)	If the notice is published, an affidavit from the publisher verifying the notice was published, including the dates of the publication with an attached copy of the published notice, shall be filed with the commission no later than forty-five (45) days of the filed date of the application.	Martin	3
Section 16(6)(a)&(b)	<p>Additional notice requirements. In addition to the notice requirements established in subsection (4) of this section:</p> <ul style="list-style-type: none"> (a) A utility shall post a sample copy of the required notification at its place of business no later than the date on which the application is filed and shall not remove the notification until issuance of a final order from the commission establishing the utility's approved rates; and (b) A utility that maintains a public web site shall, within 	Martin	3

Law/Regulation	Filing Requirement	Witness	Volume No.
	seven (7) days of filing an application, post a copy of the public notice as well as a hyperlink to its filed application on the commission's Web site and shall not remove the notification until issuance of a final order from the commission establishing the utility's approved rates.		
Section 16(8)	Notice of hearing scheduled by the commission upon application by a utility for a general adjustment in rates shall be advertised by the utility by newspaper publication in the areas that will be affected in compliance with KRS 424.300.	Martin	3
Section 16(11)(a)	Financial data for forecasted period presented as pro forma adjustments to base period.	Densman	3
Section 16(11)(b)	Forecasted adjustments shall be limited to the 12 months immediately following the suspension period.	Densman	3
Section 16(11)(c)	Capitalization and net investment rate base shall be based on a 13 month average for the forecasted period.	Waller	3
Section 16(11)(f)	The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.	Waller	3
Section 16(12)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures	Napier	3
Section 16(12)(c)	Complete description, which may be in pre-filed testimony form, of all factors used to prepare forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported;	All	3
Section 10(9)(d)	Annual and monthly budget for the 12 months preceding filing date, base period and forecasted period;	Densman	3
Section 16(12)(e)	Attestation signed by utility's chief officer in charge of Kentucky operations providing: 1. That forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; and 2. That forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any differences; and 3. That productivity and efficiency gains are included in the forecast;	Martin	3
Section 16(12)(f)	For each major construction project constituting 5% or more of annual construction budget within 3 year forecast, following information shall be filed: 1. Date project began or estimated starting date; 2. Estimated completion date; 3. Total estimated cost of construction by year exclusive and inclusive of Allowance for Funds Used During Construction ("AFUDC") or Interest During Construction Credit; and 4. Most recent available total costs incurred exclusive and inclusive of AFUDC or Interest During Construction Credit;	Napier	3

Law/Regulation	Filing Requirement	Witness	Volume No.
Section 16(12)(g)	For all construction projects constituting less than 5% of annual construction budget within 3 year forecast, file aggregate of information requested in paragraph (f) 3 and 4 of this subsection;	Napier	3
Section 16(12)(h)	Financial forecast for each of 3 forecasted years included in capital construction budget supported by underlying assumptions made in projecting results of operations and including the following information:	Densman	3
	1. Operating income statement (exclusive of dividends per share or earnings per share);	Densman	3
	2. Balance sheet;	Densman	3
	3. Statement of cash flows;	Densman	3
	4. Revenue requirements necessary to support the forecasted rate of return;	Waller	3
	5. Load forecast including energy and demand (electric);	Martin	3
	6. Access line forecast (telephone);	N/A	3
	7. Mix of generation (electric);	N/A	3
	8. Mix of gas supply (gas);	Martin	3
	9. Employee level;	Densman	3
	10. Labor cost changes;	Densman	3
	11. Capital structure requirements;	Waller	3
	12. Rate base;	Waller	3
	13. Gallons of water projected to be sold (water);	N/A	3
	14. Customer forecast (gas, water);	Martin	3
	15. MCF sales forecasts (gas);	Martin	3
	16. Toll and access forecast of number of calls and number of minutes (telephone); and	N/A	3
	17. A detailed explanation of other information provided, if applicable;	N/A	3
Section 16(12)(i)	Most recent FERC or FCC audit reports;	Waller	3
Section 16(12)(j)	Prospectuses of most recent stock or bond offerings;	Waller	3
Section 16(12)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or the Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone);	Schneider	3
Section 16(12)(l)	The annual report to shareholders or members and the statistical supplements covering the most recent two (2) years from the application filing date;	Schneider	3
Section 16(12)(m)	Current chart of accounts if more detailed than Uniform System of Accounts chart;	Schneider	4
Section 16(12)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast;	Densman	4
Section 16(12)(o)	Complete monthly budget variance reports, with narrative explanations, for the 12 months prior to base period, each month of base period, and subsequent months, as available;	Densman	4
Section 16(12)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters;	Waller	5, 6, 7, 8, 9
Section 16(12)(q)	Independent auditor's annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls;	Schneider	9

Law/Regulation	Filing Requirement	Witness	Volume No.
Section 16(12)(r)	Quarterly reports to the stockholders for the most recent 5 quarters;	Waller	9
Section 16(12)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style;	Watson	9
Section 16(12)(t)	List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with application. Include each software, program, or model; its use; identify the supplier of each; briefly describe software, program, or model; specifications for computer hardware and operating system required to run program	Napier	9
Section 16(12)(u)	If the utility had any amounts charged or allocated to it by an affiliate or general or home office or paid any monies to an affiliate or general or home office during the base period or during the previous three (3) calendar years, the utility shall file: <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment; 2. Method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; 3. Explain how allocator for both base and forecasted test period was determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable. 	Schneider	9
Section 16(12)(v)	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;	Raab	9
Section 16(12)(w)	Incumbent local exchange carriers with fewer than 50,000 access lines shall not be required to file cost of service studies, except as specifically directed by the commission. Local exchange carriers with more than 50,000 access lines shall file: <ol style="list-style-type: none"> 1. A jurisdictional separations study consistent with 47 C.F.R. Part 36; and 2. Service specific cost studies to support the pricing of all services that generate annual revenue greater than \$1,000,000 except local exchange access: <ol style="list-style-type: none"> a. Based on current and reliable data from a single time period; and b. Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A	9
Section 16(13)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase;	Densman	9

Law/Regulation	Filing Requirement	Witness	Volume No.
Section 16(13)(b)	Jurisdictional rate base summary for both base and forecasted periods with supporting schedules which include detailed analyses of each component of the rate base;	Waller	9
Section 16(13)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and by individual account;	Densman	9
Section 16(13)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors;	Densman	9
Section 16(13)(e)	Jurisdictional federal and state income tax summary for both base and forecasted periods with all supporting schedules of the various components of jurisdictional income taxes;	Waller	9
Section 16(13)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases;	Densman	9
Section 16(13)(g)	Analyses of payroll costs including schedules for wages and salaries, employees benefits, payroll taxes straight time and overtime hours, and executive compensation by title;	Densman	9
Section 16(13)(h)	Computation of gross revenue conversion factor for forecasted period;	Waller	9
Section 16(13)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period;	Densman, Schneider	9
Section 16(13)(j)	Cost of capital summary for both base and forecasted periods with supporting schedules providing details on each component of the capital structure	Waller	9
Section 16(13)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period, and forecast period;	Densman, Schneider	9
Section 16(13)(l)	Narrative description and explanation of all proposed tariff changes;	Martin	9
Section 16(13)(m)	Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes; and	Martin	9
Section 16(13)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Martin	9
Section 16(15)	A request for waiver of provisions of these filing requirements shall establish the specific reasons for the request. The commission shall grant the request for waiver upon good cause shown by the utility. In determining if good cause has been shown, the commission shall consider: (a) If other information that the utility would provide if the	Martin	9

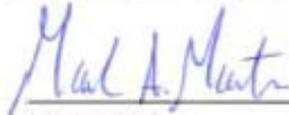
Law/Regulation	Filing Requirement	Witness	Volume No.
	<p>waiver is granted is sufficient to allow the commission to effectively and efficiently review the rate application;</p> <p>(b) If the information that is the subject of the waiver request is normally maintained by the utility or reasonably available to it from the information that it maintains; and</p> <p>(c) The expense to the utility in providing the information that is the subject of the waiver request.</p>		

Commonwealth of Kentucky

County of Daviess

VERIFICATION

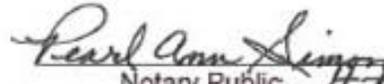
I, Mark Martin, after being duly sworn, state that I am Vice President of Rates & Regulatory Affairs of the Kentucky/Mid-States, a division of Atmos Energy Corporation and that I am authorized to submit this application on behalf of the Company and that the information and statements contained in the Application are true of my own knowledge except as to those matters stated on information and belief, and as to those matters I believe them to be true.



Mark Martin

SUBSCRIBED, ACKNOWLEDGED AND SWORN to before me by

Mark A. Martin on this the 8th day of May, 2013.


Notary Public - State of KY at Large
Notary ID: 403674

My Commission expires: Sept. 26, 2013