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May 13, 2013

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

Re: Atmos Energy Corporation
Case No. 2013-00148

Dear Mr. Derouen:

Atmos Energy Corporation submits its petition for adjustment of rates. I certify that the electronic documents are true and correct copies of the original documents.

If you have any questions about this filing, please contact me.

Submitted By:

Douglas Walther
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And

John N. Hughes

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Attorneys for Atmos Energy Corporation

PETITION

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 5:001are 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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Attorneys for Atmos
Energy Corporation

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.

John N. Hughes

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 italized 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.
	(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)	Additional notice requirements. In addition to the notice requirements established in subsection (4) of this section: (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: 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: 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: 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.
	waiver is granted is sufficient to allow the commission to effectively and efficiently review the rate application; (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 (c) The expense to the utility in providing the information that is the subject of the waiver request.		

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 A. Martin

Mark Martin

SUBSCRIBED, ACKNOWLEDGED AND SWORN to before me by

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

Pearl Ann Simon
Notary Public - State of KY at Large
Notary ID: 408674

My Commission expires: Sept. 26, 2013

REQUEST:

(12) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(a) The prepared testimony of each witness the utility proposes to use to support its application, which shall include testimony from the utility's 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;

RESPONSE:

Please see the Direct Testimony of witnesses Josh Densman, Mark Martin, Earnest Napier, Paul Raab, Jason Schneider, James Vander Weide, Greg Waller and Dane Watson.

TESTIMONY

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

APPLICATION OF ATMOS ENERGY	)	
	)	
CORPORATION FOR AN ADJUSTMENT	)	**Case No. 2013-00148**
	)	
OF RATES AND TARIFF MODIFICATIONS	)	

TESTIMONY OF MARK A. MARTIN

I. INTRODUCTION

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

A. My name is Mark A. Martin. I am Vice President – Rates and Regulatory Affairs for the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos Energy" or the "Company"). My business address is 3275 Highland Pointe Drive, Owensboro, Kentucky, 42303.

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

A. I am responsible for Rates and Regulatory Affairs matters in Kentucky. I graduated from Eastern Illinois University in 1995 with a degree in Accounting. I have been with United Cities Gas Company and subsequently Atmos Energy Corporation since September 1995. I have served in a variety of positions of increasing responsibility in both Gas Supply and Rates prior to assuming my current responsibility in 2007.

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

A. Yes. I filed testimony in Case No. 2010-00146.

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

A. Yes, I have filed testimony before the Georgia Public Service Commission, the Illinois Commerce Commission, the Missouri Public Service Commission, and South Carolina Public Service Commission.

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

A. Yes. I am sponsoring the following filing requirements:

FR 10(1)(b)	Application Supported by a Fully Forecasted Test Period
FR 14(2)(a)	Certified Copy of Articles of Incorporation
FR 16(1)(b)(1)	Statement of Reasons
FR 16(1)(b)(2)	Certificate of Good Standing
FR 16(1)(b)(3)	Compliance with KRS 365.015
FR 16(1)(b)(4)	Proposed Tariff in compliance with 807 KAR 5:011
FR 16(1)(b)(5)	Present and Proposed Tariffs in Comparative Form
FR 16(1)(b)(6)	Statement on Customer Notice
FR 16(2) & 16(2)(a)	Notice of Intent
FR 16(2)(c)	Electronic transmittal of Notice to Attorney General
FR 16(3) & 16(3)(b)	Manner of Notification
FR 16(4)(a)	Typical Bill Comparison Under Present and Proposed Rates for All Customer Classes

FR 16(4)(b)	Requested Change in Dollars and Percentages for All Customer Classes
FR 16(4)(c)	Typical Bill Comparison Under Present and Proposed Rates for All Customer Classes
FR 16(4)(d)	Commission may Order Rates that Differ from the Notice
FR 16(4)(e)	Guidelines for Intervention
FR 16(4)(f)	Written Comments Guidelines
FR 16(4)(g)	Guidelines for Intervenors to obtain Application & Testimony
FR 16(4)(h)	Application & Other Case Related Documents can be found on the Commission's Website
FR 16(5)(a)	Publisher Affidavits
FR 16(5)(c)	Verification of Mailed Notice
FR 16(6)(a)	Notice to Customers Posted in Utility Places of Business
FR 16(6)(b)	Notice Requirements on Company's Website
FR 16(8)	Notice of Publication in Newspapers of General Circulation
FR 16(12)(a)	Statement of Officer in Charge of Kentucky Operations
FR 16(12)(e)	Statement of Attestation
FR 16(12)(h)	Financial Forecast for each of 3 Forecasted Years
FR 16(12)(i)	Most Recent FERC or FCC Audit Reports
FR 16(12)(w)	Incumbent Local Exchange Carriers
FR 16(13)(l)	Narrative Description and Explanation of All Proposed Tariff Changes

FR 16(13)(m)	Revenue Summary for Both the Base Period and Forecasted Period
FR 16(13)(n)	Typical Bill Comparison Under Present and Proposed Rates for All Customer Classes
FR 16(15)	Request for Waiver of Certain Filing Requirements

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

A. Yes.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My direct testimony has eight primary purposes. First, I will briefly describe the Company's operations in Kentucky and the recent history of its rate proceedings before this Commission. Second, I will provide an overview of the Company's customer base and market trends since 2009. Third, I will describe the principal factors requiring the Company to file this rate application and address the Company's efforts to achieve improvements to its efficiency and productivity. Fourth, I will introduce the other witnesses who will be providing support for the requested rate increase. Fifth, I will describe the methods used to forecast Company's revenues and volumes as they relate to the base period and test period in this case. Sixth, I will present the test period forecast of revenues and volumes. Seventh, I will present the rates and various tariff changes proposed by the

Company. Finally, I will discuss Case No. 2010-00146, which involved customer choice as well as transportation eligibility thresholds.

III. <u>ATMOS ENERGY'S OPERATIONS IN KENTUCKY</u>

Q. CAN YOU PROVIDE THE COMMISSION WITH A GENERAL DESCRIPTION AND BACKGROUND OF THE COMPANY'S OPERATIONS IN KENTUCKY?

A. Yes. We have a Kentucky-based work force of approximately 220 employees providing safe and reliable service to a customer base of approximately 173,000 residential, commercial and industrial consumers. Our utility plant in Kentucky includes over 3,900 miles of transmission and distribution lines.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF ATMOS ENERGY'S CORPORATE STRUCTURE AND HOW IT ENABLES THE COMPANY TO BE AN EFFICIENT, LOW COST PROVIDER OF NATURAL GAS.

A. Atmos Energy is one of the largest pure natural gas distribution companies in the United States, delivering natural gas to approximately 3.0 million residential, commercial, industrial and public-authority customers in 8 states. Atmos Energy 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 Owensboro, Kentucky and Franklin, Tennessee (Kentucky/Mid-States division). In addition, Atmos Energy has an operating division consisting of a regulated intrastate pipeline that functions only within the state of Texas.

Atmos Energy's corporate offices are located in Dallas, Texas and provide services such as accounting, legal, human resources, rate administration, procurement, information technology and customer support centers. These centralized services are shared with the other Atmos Energy operating divisions in order to avoid having to staff and maintain these functions at each division level. These centralized services are the technical and administrative services that would be required if each division was a stand-alone company. Atmos Energy believes that this structure provides it with an economic advantage and enables it to be a low-cost, high-quality provider of natural gas.

IV. OVERVIEW OF SERVICE AREA AND CUSTOMER BASE

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

A. Our primary objective is to meet or exceed the 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.

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

A. Atmos Energy currently serves 173,200 customers throughout its service area extending from western to central Kentucky. Residential class customers account for the vast majority of meters, at approximately 153,900. Atmos Energy's natural gas deliveries totaled 40.4 Bcf during the 12-month period ending December 2012.

The Company is somewhat unique in its level of throughput to industrial class customers, with industrial sales and transportation volumes accounting for more than 67% 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 replacement or extension of pipelines.

Q. HAS THE COMPANY EXPERIENCED GROWTH IN RECENT YEARS?

A. No. Core markets of residential, commercial and public authority sales have not exhibited growth in recent years. Residential customers also continue to exhibit a decline in average, weather normalized usage, which the Company first noted in its 1999 comprehensive rate case filing.

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.

V. PRINCIPAL FACTORS FOR THIS RATE APPLICATION

Q. WHY DID THE COMPANY FILE THIS CASE?

A. The Company is requesting that the Commission approve new distribution rates that will provide revenues equal to our cost of service, including a reasonable return on investment. As the Commission is aware, the actual costs of the natural gas consumed by our customers are collected through a gas cost adjustment mechanism. The purpose of this case is to establish new distribution rates which exclude those pass-through gas costs.

Q. WHEN DID THE COMPANY'S CURRENT RATES BECOME EFFECTIVE?

A. The Company's current base distribution rates were established by the Commission in Case No. 2009-00354, by the Order dated May 28, 2010.

Q. ARE THE DISTRIBUTION RATES CURRENTLY IN EFFECT PROVIDING SUFFICIENT REVENUES?

A. No. Although Atmos Energy operates very efficiently and is proud to have the lowest distribution charges for residential customers of the major natural gas providers in Kentucky, our current rates are not providing a fair return on the Company's investments.

At current rates, the Company's calculated rate of return on rate base for the test year is only 5.32%. The decline in return is primarily due to capital investment not recovered through the PRP mechanism and the increase costs of doing business.

Q. WHAT RATE OF RETURN ON RATE BASE IS ATMOS ENERGY REQUESTING IN THIS RATE APPLICATION?

A. Atmos Energy is asking the Commission to approve new rate schedules that would increase revenues to provide an overall rate of return on rate base of 8.53% on the test year rate base of $252,914,292.

Q. WHAT IS THE AMOUNT OF THE RATE INCREASE THAT ATMOS ENERGY IS SEEKING IN THIS RATE APPLICATION?

A. Atmos Energy is seeking approval to increase its rates to recover approximately $13,367,575 in additional revenues. For an average residential customer, the total bill increase would be $4.50 per month.

Q. PURSUANT TO 807 KAR 5:001(16)(12)(e)(3), PLEASE EXPLAIN HOW THE COMPANY WORKS TO ACHIEVE IMPROVEMENTS IN ITS EFFICIENCY AND PRODUCTIVIY.

A. Since our most recent rate filing in 2009, Atmos Energy has undertaken substantial investments in technology and process improvements to ensure that it provides the best and most efficient customer service possible. The improvements include the centralization of our dispatching and back office functions and implementation of our new customer service system (CSS) which went live on May 1, 2013. Each of these investments will enable the Company to be more productive and provide the best possible service. The centralization of dispatch has facilitated customer service improvements through the streamlining of service orders and employee work order schedules while the centralization of the back office has allowed for more efficient and consistent processing of customer payments and billing exceptions. These processes provide ratepayers with many benefits including, but not limited to:

- Enhanced ability to respond quickly to leaks and other safety related events;
- Faster response to service requests and more convenient customer appointment windows;
- More efficient use of labor, equipment and materials;
- Enhancements to the Company's ability to monitor quality of customer service;

Q. PLEASE DESCRIBE THE COMPANY'S NEW CUSTOMER SERVICE SYSTEM (CSS) PROJECT IN MORE DETAIL.

A. The Company began planning for the replacement of its legacy billing and customer service systems in 2010. The former system ("Banner and Advantage") was implemented in 1996 and has required numerous capital enhancements in recent years to 1) stabilize and extend the life of the "CIS" environment, and 2) build additional functionality that has become necessary as regulatory rules evolved over time. The facts that the Banner and Advantage systems are no longer supported by the original vendor and are not scalable for additional functionality has required the Company to make annual capital investments to keep the system in a functional state. The avoidance of these expenditures, combined with the Company's desire to achieve components of it customer service vision not enabled by the legacy systems, led to the decision to replace the legacy systems with new technologies.

The Company selected SAP as the primary software platform and Accenture as its systems integrator after a thorough and rigorous vetting process. The Company chose SAP for the following reasons: superior product design to drive business process improvements; it is an industry leader preferred by large utilities with complex jurisdictional requirements; it has an integrated training delivery system; and it will provide long-term product support to address future industry trends. The Company chose Accenture to assist in the planning and implementation of SAP because it is an experienced SAP implementer and operator as well as its experience in working with large multi-jurisdictional companies.

The complete solution consists of four main components:

(1) SAP Customer Relationship Management & Billing for Utilities ("CR&B") provides for all customer account maintenance, billing, payments, collections and customer service order creation functionality;

(2) "Click Schedule" is used to schedule all work orders and dispatch the orders to Service Technicians;

(3) "Syclo Work Manager" is a mobile application that service technicians use in their vehicles to process the field work; and

(4) "Business Warehouse / Business Objects" is a financial and customer information reporting tool.

All of these are shared service assets that are used by all utility distribution areas. After a nearly one-year planning and vendor selection process, the full project team began work on January 4th, 2011. The Company went live on the system May 1, 2013.

Q. WHAT BENEFITS DOES THE COMPANY EXPECT FROM ITS NEW CSS SYSTEM?

A. The Company is focusing on enhancing customer service processes and improving the experience its customers have each time they interact with the Company. Toward that goal, there are many customer service processes that will be enabled by the new customer systems. Some of the more visible changes to customers will include the ability to schedule appointments for service calls to their home; a more automated process for web self service requests such as change of billing address, budget billing enrollment, etc., and streamlined conversations with customer service agents for several high volume call types.

Additionally, the Company anticipates that agents will have better information available to them and will be able to answer customer questions more quickly and accurately. This should reduce the number of repeat calls as well as call times. For example, the redesigned "New Customer Move In" call flow reduces the number of screens agents typically access from 25 in the current system to five in the new SAP CR&B system. The Company expects this call type's average length will be reduced by up to 45 seconds after the stabilization period. The Company is also looking for opportunities to automate manually intensive activities for employees in the back office departments. Eventually this should reduce peak staffing levels needed to provide excellent customer service during high volume periods.

VI. INTRODUCTION OF WITNESSES

Q. PLEASE IDENTIFY THE OTHER WITNESSES SPONSORING TESTIMONY IN THIS PROCEEDING?

A. In addition to my testimony, Atmos Energy will present the direct testimony and exhibits of 7 witnesses.

Josh Densman, Vice President of Finance for the Kentucky/Mid-States Division, is presenting testimony concerning the Operating and Maintenance (O&M) expense budgeting process used by the Company; the control and the monitoring of O&M variances by the Company; the forecasted test year budget for O&M, depreciation expense, and taxes other than income taxes incurred directly by the Company's Kentucky operations as well as allocated to Kentucky from the Kentucky / Mid-States General Office and Shared Services Unit.

Gregory K. Waller, Manager of Rates and Regulatory Affairs for Atmos Energy Corporation, is responsible for the calculation of Company's revenue deficiency and rate base. He is also sponsoring the Company's capital structure and cost of debt for use in setting rates in this proceeding.

Earnest B. Napier, Vice President Technical Services of the KY/Mid-States Division provides testimony regarding the Company's capital expenses and the engineering and operational aspects of the pipe replacement program.

Jason Schneider, Director of Accounting Services for Atmos Energy Corporation, is filing testimony regarding the historic books and records of the Company and the integrity of the financial information in this case. He also provides testimony concerning the Company's Cost Allocation Manual (CAM), which describes the methodology for shared services cost allocations.

Dr. James Vander Weide testifies regarding the Company's cost of capital and recommends a rate of return that is appropriate to be used in setting rates for Atmos Energy in this proceeding.

Paul Raab, of Paul H. Raab Economic Consulting, presents the Company's class cost of service study.

Dane Watson, of the Alliance Consulting Group, presents the Company's depreciation study and corresponding depreciation rates.

VII. <u>PROCESS OF FORECASTING OF REVENUES AND VOLUMES</u>

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 distribution margin, which is that portion of revenues excluding purchased gas costs. Purchased gas costs, which are 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.

Q. WHAT 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 August 2012 through July 2013.

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

A. The forecasted test period for this case is December 1, 2013 to November 30, 2014. 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. 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 as well as by rate classification for the 12-month period ending December 2012. 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 December 1, 2013 to November 30, 2014.

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 twelve months ending December 31, 2012. This data was gathered from billing system reports for that period. Exhibit MAM-1 attached hereto provides the actual monthly billing units and volumes by class of service for the stated reference period.

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.

Then, forward-looking adjustments were considered to account for: 1) net customer growth or losses, and 2) changes in firm residential, commercial and public authority class consumption attributable to long-standing conservation and energy efficiency trends.

A summary of annualized adjustments for each of these steps is shown on Exhibit MAM-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 MAM-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 originally in Case No. 1999-070, with the composite calculated weighting weather data from Paducah, Lexington and Louisville, KY, Evansville, IN and Nashville, TN. The composite normal heating degree days were based upon the same process of weighting of the five weather stations, applying the National Oceanic and Atmospheric Administration ("NOAA") normal HDDs as reported for the 30-year period of 1981 to 2010. Exhibit MAM-4 attached hereto summarizes the monthly weather adjustment to the reference period resulting from the 19.4% warmer than normal period. Pages 2-4 of Exhibit MAM-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 billing units for the entire 12 month period.

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 ten 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.

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 not exhibited growth in recent years. If not for the Company's acquisition of the municipality of Livermore in January 2011, residential customer counts would have shown a modest decline. For purposes of the Case, we have assumed zero residential customer growth from the reference period to the test year. Despite modest recent losses in commercial customer counts, we have assumed 0 net commercial and public authority customer changes 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 Cases 1999-070, 2006-00464 and 2009-00354, Atmos Energy noted the long-standing trend of declining customer usage. The trend-line for the past ten years shows an average decline of approximately 0.9 Mcf per year per residential customer. For purposes of forecasting future periods, we have assumed an annualized rate of decline of 0.9 Mcf per year per residential customer. Based on similar analyses of commercial and public authority usage trends, we have included annualized rates of decline of 2.9 Mcf and 23 Mcf per customer respectively for those classes of firm sales.

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

A. We forecast the transaction-based service charges to remain flat, equal to the experience in the twelve month reference period ending December 2012.

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. Based upon the correlation for the past few years, we estimate late payment fees at a ratio equal to 0.82% of the total projected residential, commercial and public authority class revenues.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS EXISTING SERVICE CHARGES AND LATE PAYMENT FEES?

A. No. The Company believes that its existing charges adequately cover the cost of service to perform these functions and are in line with its charges in other jurisdictions. However, the Company will be proposing a new service charge. The new service charge is a door tag fee and will be discussed later in my testimony.

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 Company's seasonal plans for storage injections and withdrawals, we modeled the forward periods to estimate the gas costs to be recovered through future 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.

VIII. 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 IN THIS CASE?

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 MAM-2 attached hereto summarizes each step of the process and applies current rates to the derived billing determinants. Exhibit MAM-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 $65.1 million. At this level of revenue, the Company would earn a 4.51% return on shareholder equity, well below investor expectations of 10.70% as set forth in the testimony of Dr. Vander Weide. An additional distribution margin of approximately $13.3 million is required to achieve the rate of return proposed in this case.

IX. 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, continue to 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 tariff and rate design proposals are as follows:

1) Maintain 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.
2) Seek permanency of the Company's Weather Normalization Adjustment (WNA) mechanism.
3) Establish a Margin Loss Rider (MLR) and a System Development Rider (SDR).

4) Expand 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) Establish a new Service Charge, a Door Tag Fee.

6) Incorporate revisions to 807 KAR 5:006 into our tariff.

Q. HOW DID YOU DETERMINE THE MANNER IN WHICH THE REVENUE DEFICIENCY WOULD BE SPREAD TO CLASSES AND TO FIXED AND VARIABLE BILLING COMPONENTS?

A. Company witness Raab provided a Class Cost of Service study required pursuant to the Minimum Filing Requirements in this Case. In his study, he determines that all classes contribute adequate amounts to the Company's cost of service with the lone exception being residential sales. While Mr. Raab's analysis is utilized as one point of reference, the Company believes that each class (commercial, public authority, industrial sales and transportation) can bear some portion of the requested increase.

With respect to the balance of the increase to be borne between the fixed or variable components, I have chosen to increase both fixed and variable components, with a slightly greater share to variable charges when compared to currents rates including the PRP surcharge.

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 $4.50, a 8.98% increase over current rates. Commercial class customers average monthly charges increase $14.42, a 8.07% increase over current rates, and the industrial sales and transportation class average monthly charges increase $287, a 8.85% increase over current rates. The test year revenues at proposed rates are summarized on Exhibit MAM-6 attached hereto (in a format comparable to Exhibit MAM-2) and Exhibit MAM-7 provides the proposed monthly revenues (in a format comparable to Exhibit MAM-5).

Q. PLEASE DISCUSS THE HISTORY OF THE COMPANY'S WNA MECHANISM.

A. The Company's WNA mechanism was initially approved as a pilot program as part of the settlement in Case No. 1999-00070 and began on November 1, 2000. In Case No. 2005-00268, the Company sought and received approval for an additional five year extension. In Case No. 2010-00243, the Company sought another five year extension; however, the Final Order only granted the Company a one year extension and the opportunity for additional extensions until more current weather data was available. Staff's concern in Case No. 2010-00243 was the Company's continued use of normal Heating Degree Days (HDD) for the period 1971-2000. In Case No. 2011-00205, the Company sought and received approval for an additional three years; however, the Company was ordered to calculate its WNA mechanism using HDD data for the period 1981-2010. The Company utilized this same period for the basis of normal weather in this Case.

Q. WHY DOES THE COMPANY WANT TO MAKE ITS WNA MECHANISM PERMANENT?

A. The Company believes that its WNA mechanism has worked effectively since its inception. The WNA mechanism was initially proposed to separate or "decouple" impacts of weather-related volume on the Company's margin recovery. During periods of colder than normal weather, the WNA lowers the Company's distribution charge and softens the impact of colder weather on consumers. Conversely, warmer than normal weather increases the distribution charge. Accordingly, the WNA, for weather-related volumes, help stabilize the consumers' billings and the Company's revenues.

Q. DO OTHER KENTUCKY LDCS HAVE PERMANENT WNA MECHANISMS?

A. Yes. The Company is aware that LG&E received such approval in Case No. 2009-00172, Delta in Case No. 2001-00197 and Columbia in Case No. 1997-00299.

Q. WOULD THE COMPANY BE OPEN TO ADOPTING A DIFFERENT PERIOD FOR DEFINING NORMAL WEATHER IN THIS CASE?

A. Yes. The Company believes that it is extremely important to use the same normal heating degree-day (NHDD) basis that is utilized for its WNA mechanism as is used for the determination of distribution commodity rates in its rate case. The Company has historically used the 30-year NHDD data published by the National

Oceanic and Atmospheric Association (NOAA), but the Company is open to working with the Commission to implement a different static data set of normals if the Commission prefers such.

Q. IS THE COMPANY PROPOSING A CHANGE IN ITS WNA CALCULATION IN THIS PROCEEDING?

A. No. While the Company is open to using a different period for normal weather if that is Staff's preference, it would be the Company's recommendation that whatever data set is used remains in effect until the Company's next rate case. As mentioned earlier, the Company believes that it is extremely important to use the same normal heating degree-day (NHDD) basis that is utilized for its WNA mechanism as is used for the determination of distribution commodity rates in its rate case. The Company mentioned in Case No. 2011-00205 that it would proposed a different data set in its next rate case, but that case dealt with using 1971-2000 normals versus 1981-2010 normals. The Company advocated for the continued use of the 1971-2000 normals since that data set was used in setting rates in Case No. 2009-00354. As mentioned earlier, the Order in Case No. 2011-00205 required to the Company to use the 1981-2010 normals for its WNA calculations. On a going forward basis, the Company would prefer that the appropriate data set be determined in rate case proceedings.

Q. PLEASE EXPLAIN THE PURPOSE OF THE COMPANY'S PROPOSED MARGIN LOSS RIDER (MLR).

A. The purpose of the MLR is intended to allow the Company to recover 50% of any lost margin related to (1) the Company's existing Economic Development Rider,

(2) discounts pursuant to the Alternative Fuel Responsive Flex Provisions or (3) negotiated rates with bypass candidates. The MLR is intended to enhance the Company's system utilization while encouraging industrial development and job growth within the Company's service areas. Margin recovery associated with discounted service that is already reflected in the Company's base rates would be prohibited under the MLR.

Q. WHICH CLASS OF CUSTOMERS WOULD THE MLR BE CHARGED?

A. The MLR would be applicable to tariff sales service customers under the Company's Rate Schedules G-1 and G-2.

Q. PLEASE EXPLAIN HOW THE MLR WOULD BE CALCULATED.

A. The calculation of lost margin would be the difference between existing tariff rates and the negotiated special contract rates. The difference would then be divided by two. The quotient would be collected over estimated sales volumes as used in the Correction Factor of the Gas Cost Adjustment Rider. A balancing adjustment would also be calculated on an annual basis and be used to reconcile the difference between the amount of revenues actually billed through the MLR and the revenues which should have been billed. The balance adjustment amounts calculated would include interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding twelve-month period.

Q. HAS THE COMMISSION PREVIOUSLY APPROVED A MLR FOR THE COMPANY?

A. Yes. The Commission initially approved a MLR tariff for the Company in Case No. 99-070. That tariff expired in 2007.

Q. PLEASE EXPLAIN THE PURPOSE OF THE COMPANY'S PROPOSED SYSTEM DEVELOPMENT RIDER.

A. The purpose of the SDR is intended to allow the Company to recover any specific investment related to economic development initiatives for overall system improvement and/or reliability and that cannot be directly assigned to a customer or a group of customers. The SDR is intended to encourage industrial development, infrastructure investment and job growth within the Company's service areas.

Q. WHICH CLASS OF CUSTOMERS WOULD THE SDR BE CHARGED?

A. The SDR would be applicable to tariff sales service customers under the Company's Rate Schedules G-1 and G-2. All customers receiving service under tariff Rate Schedule G-1 and G-2 would be assessed an adjustment to their applicable rate schedule that would enable the Company to recover any capital investment related to economic development initiatives. The allocation to G-1 residential, G-1 non-residential and G-2 would be in proportion to their relative base revenue share approved in the most recently approved general rate case.

Q. PLEASE EXPLAIN HOW THE SDR WOULD BE CALCULATED.

A. The SDR would be calculated in the same manner as the Company's approved Pipe Replacement Program. The SDR would be filed on or around August 1st of each year. The filing would reflect any infrastructure investment for the upcoming fiscal year ending each September as well as a balancing adjustment for the preceding fiscal year. Such adjustments to the SDR would become effective with meter readings on and after the first billing cycle of October.

Q. HAS THE COMPANY PROPOSED SIMILAR RIDERS AS THE MLR AND SDR IN THE PAST?

A. Yes. The Company proposed the MLR and SDR in February 2012 in Case No. 2012-00066. The Company's proposed riders are nearly identical to those proposed in Case No. 2012-00066. The only difference is that in Case No. 2012-00066, the Company proposed to recover 100% of the lost margin in the MLR while the Company is only proposing to recover 50% of the lost margin in this Case.

Q. DID THE COMMISSION APPROVE THE MLR AND THE SDR IN CASE NO. 2012-00066?

A. No. The Final Order in Case No. 2012-00066 seemed to indicate that public notice, as required under KRS 278.180, was necessary for approval and implementation of the MLR and SDR.

Q. WHY SHOULD THE COMMISSION APPROVE THE COMPANY'S PROPOSED MLR AND SDR RIDERS?

A. The Company believes that its proposed MLR and SDR riders help delay the time and cost associated with a general rate proceeding. Also, the competition for customers that will bring new jobs and capital investment is more competitive than ever. The Company believes that all customers will share in the benefits of increased industrial development and job creation and as a result should not be considered as being adversely affected by the MLR and SDR riders. If the

Commission prefers an alternative to the MLR and SDR riders, the Company would be amendable to a rate stabilization mechanism.

Q. DOES THE COMPANY CURRENTLY OFFER NGV SERVICE?

A. No. However, the Company's existing Transportation Services (both T-3 and T-4) have special provisions which allow sale for resale if the gas delivered is used as a motor vehicle fuel.

Q. WHAT IS THE COMPANY'S PROPOSAL RELATED TO NGV AND ITS INTERRUPTIBLE SALES SERVICE?

A. The Company proposes to insert the same language from its T-3 and T-4 tariffs into its G-1 and G-2 tariffs which states that "no gas delivered under this rate schedule and applicable contract shall be available for resale to anyone other than an end-user for use as a motor vehicle fuel".

Q. WHY IS THE COMPANY MAKING THIS PROPOSAL?

A. The Company has an existing G-1 customer that will be switching to T-4 service who will be offering NGV as a motor vehicle fuel, but the Company anticipates other sales customers that do not qualify for transportation service and would like to offer NGV as a motor vehicle fuel. As NGV becomes more prevalent, the Company anticipates additional opportunities and does not want its tariff to be an impediment to those opportunities.

Q. PLEASE EXPLAIN THE PROPOSED DOOR TAG FEE.

A. The Company is proposing to establish a door tag fee of $10.00. Once a customer becomes delinquent, the Company sends the customer a letter after five or ten days depending on their credit rating notifying the customer of their delinquent status. Often the Company will make a trip to the customer's premise and leave a door tag notifying the customer of possible disconnection. The proposed fee, while nominal, is designed to help offset the cost of dispatching an employee to the customer's premise to leave the door tag.

Q. PLEASE DISCUSS ANY OTHER PROPOSED TARIFF CHANGES.

A. During 2012, the Company participated in the Commission's review and revisions to 807 KAR 5:001, 5:006 and 5:007. The Company is proposing to incorporate the changes to 807 KAR 5:006 into its tariff schedules. Please refer to proposed Sheet Nos. 70-72 and 74-77 for the incorporation of those revisions.

X. DISCUSSION OF COMMISSION'S ORDER IN CASE 2010-00146

Q. PLEASE DISCUSS THE ORIGINATION OF CASE 2010-00146.

A. During its 2010 Regular Session, the Kentucky General Assembly passed House Joint Resolution 141 directing the Kentucky Public Service Commission to investigate natural gas retail competition programs and to submit a written report of its findings to the Legislative Research Commission no later than January 1, 2011.

Q. DID CASE NO 2010-00146 ONLY ADDRESS RETAIL CHOICE PROGRAMS?

A. No. The parties to this Case also addressed the eligibility threshold for Transportation service.

Q. DID THE FINAL ORDER ADDRESS TRANSPORTATION THRESHOLDS?

A. Yes. The last paragraph on page 23 of the report attached to the Final Order in Case No. 2010-00146 states that "The Commission believes that existing transportation thresholds bear further examination, and the Commission will evaluate each LDC's tariffs and rate design in each LDC's next general rate proceeding.

Q. DOES THE COMPANY CURRENTLY OFFER TRANSPORTATION SERVICE?

A. Yes. The Company has an existing transportation tariff which allows a business to choose from whom they buy gas. The Company was one of the first local natural gas companies in the Nation to offer transportation service when such service was introduced in the early to mid 1980s. The Company also offers a pooling service in which a marketer can pool transporters together in offering pricing options.

The Company has established a volumetric eligibility threshold of 9,000 Mcf per year for a customer to subscribe to transportation service. The Company believes that the existing volumetric threshold is the appropriate level at which customers could achieve savings by using transportation service. While no formal studies have been done, it is somewhat intuitive that there is a point of diminishing returns depending on a customer's usage in which savings can be achieved under transportation service. In addition, there are also up-front costs, such as electronic flow metering (EFM), monthly administration fees and potential cashout obligations which may make transportation service cost prohibitive. The Company also has approximately thirty (30) customers that qualify for transportation service but choose to stay on sales service which further indicates the existing eligibility threshold is at an appropriate level.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS TRANSPORTATION SERVICE?

A. No. As stated earlier, the Company believes that its existing eligibility threshold is at an appropriate level.

VI. CONCLUSION

DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2013-00148
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Mark A. Martin, 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. 2013-00148, 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.

Mark A. Martin

Mark A. Martin

COMMONWEALTH OF KENTUCKY

COUNTY OF DAVIESS

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 6th day of May, 2013.

Pearl Ann Simon

Notary Republic – State of KY at Large

My Commission Expires: Sept. 26, 2013

Notary ID: 403674

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY DATA
TWELVE MONTHS ENDED DECEMBER 31, 2012

Line No.	Class of Customers	Jan-12 (a)	Feb-12 (b)	Mar-12 (c)	Apr-12 (d)	May-12 (e)	Jun-12 (f)	Jul-12 (g)	Aug-12 (h)	Sep-12 (i)	Oct-12 (j)	Nov-12 (k)	Dec-12 (l)	Number Of Bills (m)	Mcf (n)	Rate (o)	Total Revenue (p)
1	RESIDENTIAL (Rate G-1)																
2	FIRM BILLS	156,468	156,643	156,660	155,122	155,085	152,852	151,960	151,511	150,823	151,649	151,892	156,152	1,846,837		$14.28	$26,372,832
3	Sales: 1-300	1,766,342	1,653,701	1,186,992	390,860	317,706	187,557	153,499	173,896	146,388	306,999	857,775	1,215,197		8,356,911	1.1000	9,192,602
4	Sales: 301-15000	4,083	3,409	1,123	203	75	74	37	42	40	136	1,035	2,372		12,627	0.7700	9,723
5	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.5000	0
6	CLASS TOTAL (Mcf/month)	1,770,425	1,657,110	1,188,115	391,062	317,781	187,631	153,536	173,937	146,428	307,135	858,810	1,217,569	1,846,837	8,369,538		$35,575,157
7																	
8	FIRM COMMERCIAL (Rate G-1)																
9	FIRM BILLS	17,761	17,746	17,816	17,427	17,426	17,100	16,908	16,837	16,769	17,007	17,258	17,705	207,762		35.70	$7,417,103
10	Sales: 1-300	647,310	615,374	451,310	189,802	161,273	137,683	109,814	123,007	84,752	174,934	320,125	452,479		3,467,863	1.1000	3,814,650
11	Sales: 301-15000	70,356	65,986	39,582	12,592	9,855	12,963	22,330	41,684	67,956	39,657	27,984	39,226		450,172	0.7700	346,632
12	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.5000	0
13	CLASS TOTAL (Mcf/month)	717,666	681,360	490,892	202,394	171,128	150,646	132,144	164,691	152,707	214,591	348,109	491,705	207,762	3,918,035		$11,578,386
14																	
15	FIRM INDUSTRIAL (Rate G-1)																
16	FIRM BILLS	208	204	204	197	202	201	189	184	194	211	196	192	2,382		$35.70	$85,037
17	Sales: 1-300	41,246	32,984	31,547	16,569	13,095	9,891	6,944	10,151	8,091	11,306	22,470	29,214		233,509	1.1000	256,860
18	Sales: 301-15000	74,671	49,940	24,545	8,612	5,137	4,950	3,725	6,512	7,958	7,930	19,249	26,812		240,041	0.7700	184,831
19	Sales: Over 15000	3,337	0	0	0	0	0	0	0	0	0	0	0		3,337	0.5000	1,669
20	CLASS TOTAL (Mcf/month)	119,254	82,924	56,092	25,181	18,233	14,841	10,670	16,663	16,049	19,236	41,718	56,026	2,382	476,887		$528,397
21																	
22	FIRM PUBLIC AUTHORITY (Rate G-1)																
23	FIRM BILLS	1,580	1,581	1,578	1,571	1,582	1,575	1,585	1,574	1,565	1,571	1,546	1,596	18,904		$35.70	$674,873
24	Sales: 1-300	132,729	129,140	98,951	47,244	38,138	26,129	23,944	24,738	27,426	41,133	77,691	104,054		771,318	1.1000	848,450
25	Sales: 301-15000	45,940	39,493	22,872	7,222	6,391	3,541	1,417	5,233	3,212	12,880	17,723	30,384		196,309	0.7700	151,158
26	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.5000	0
27	CLASS TOTAL (Mcf/month)	178,668	168,633	121,824	54,466	44,528	29,670	25,361	29,972	30,638	54,013	95,415	134,439	18,904	967,627		$1,674,480
28																	
25	INTERRUPTIBLE COMMERCIAL (G-2)																
26	INT BILLS	3	3	3	3	4	2	2	2	3	4	4	4	37		344.07	$12,731
27	Sales: 1-15000	1,917	1,947	1,629	680	59	47	42	30	3,228	1,665	5,732	4,838		21,815	0.6870	14,987
28	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4670	0
29	CLASS TOTAL (Mcf/month)	1,917	1,947	1,629	680	59	47	42	30	3,228	1,665	5,732	4,838	37	21,815		$27,718
30																	
31	INTERRUPTIBLE INDUSTRIAL (G-2)																
32	INT BILLS	9	9	8	9	9	8	6	10	7	9	8	9	101		344.07	$34,751
33	Sales: 1-15000	12,876	11,922	12,035	13,335	16,790	27,539	27,230	30,769	32,104	31,778	34,850	21,764		272,991	0.6870	187,545
34	Sales: Over 15000	0	0	0	0	0	14,373	49,146	52,245	54,086	54,136	15,434	7,873		247,293	0.4670	115,486
35	CLASS TOTAL (Mcf/month)	12,876	11,922	12,035	13,335	16,790	41,912	76,376	83,014	86,190	85,914	50,284	29,637	101	520,284		$337,782
36																	
37	TRANSPORTATION (T-4)																
38	TRANSPORTATION BILLS	119	119	121	121	121	121	123	123	124	124	123	124	1,463		328.33	$480,347
39	Trans Admin Fee	$5,900	$5,900	$5,950	$5,950	$5,950	$5,950	$6,050	$6,050	$6,100	$6,100	$6,050	$6,050				72,000
40	EFM Fee	$5,325	$5,325	$5,325	$5,325	$5,325	$5,325	$5,475	$5,475	$5,475	$5,475	$5,475	$5,175				64,500
41	Parking Fee	$346	$336	$126	$125	$163	$128	$82	$45	$57	$72	$88	$224				1,791
42	Firm Transport: 1-300	35,514	35,517	35,137	34,807	33,813	33,690	33,132	33,565	34,155	36,245	36,586	36,653		418,814	1.1930	499,645
43	Firm Transport: 301-15000	518,266	479,662	400,100	365,325	348,918	327,880	308,835	336,457	330,171	418,414	469,786	476,937		4,780,751	0.8351	3,992,405
44	Firm Transport: Over 1500	56,879	43,659	35,513	25,909	25,936	25,735	18,750	32,393	31,579	41,703	51,597	80,563		470,216	0.5423	254,998
45	CLASS TOTAL (Mcf/month)	610,659	558,838	470,750	426,041	408,667	387,305	360,717	402,415	395,905	496,362	557,969	594,153	1,463	5,669,781		$5,365,686

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY DATA
TWELVE MONTHS ENDED DECEMBER 31, 2012

Line No.	Class of Customers	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
46	TRANSPORTATION (T-3)																
47	TRANSPORTATION BILLS	64	64	64	64	66	66	66	66	66	66	65	65	782		329.24	$257,466
48	Trans Admin Fee	$3,200	$3,200	$3,200	$3,200	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300	$3,250	$3,250				39,100
49	EFM Fee	$2,550	$2,625	$2,625	$2,625	$2,625	$2,625	$2,625	$2,625	$2,625	$2,625	$2,550	$2,550				31,275
50	Parking Fee	$548	$518	$440	$320	$420	$429	$322	$450	$339	$313	$202	$258				4,558
51	Interrupt Transport 1-15000	444,777	421,495	389,189	369,518	394,954	378,227	362,369	381,407	376,699	439,233	452,458	424,698		4,835,024	0.6822	3,298,453
52	Interrupt Transport Over 15000	277,361	244,305	194,625	166,441	189,966	158,090	139,951	163,234	146,445	202,415	182,689	165,000		2,230,522	0.4440	990,352
53	CLASS TOTAL (Mcf/month)	722,138	665,800	583,814	535,959	584,920	536,317	502,320	544,641	523,144	641,648	635,147	589,698	782	7,065,546		$4,621,203
54																	
55	Pooling Fees	$8,587	$14,095	$9,426	$8,549	$5,503	$10,043	$5,946	$5,529	$3,497	$1,022	$4,258	$7,393				$83,849
56																	
57	SPECIAL CONTRACTS																
58	TRANSPORTATION BILLS	18	18	18	18	18	18	18	18	18	18	18	18	216		300.00	$64,800
59	Trans Admin Fee	$875	$875	$875	$875	$875	$875	$875	$850	$850	$850	$850	$850				10,375
60	EFM Fee	$800	$800	$800	$800	$800	$800	$800	$825	$825	$825	$825	$825				9,725
61	Parking Fee	$2,181	$1,375	$1,074	$1,125	$1,588	$1,845	$3,641	$954	$1,221	$585	$919	$847				17,352
62	Transported Volumes	1,303,342	1,154,553	1,101,545	1,112,398	1,164,351	1,076,180	1,039,956	1,134,314	1,060,003	1,098,888	1,063,713	1,068,175		13,377,418	Various	
63	Charges for Transport Volumes	$130,888	$119,468	$113,421	$114,370	$117,340	$112,814	$106,204	$113,661	$105,245	$112,171	$107,729	$111,556				1,364,868
64	CLASS TOTAL (Mcf/month)	1,303,342	1,154,553	1,101,545	1,112,398	1,164,351	1,076,180	1,039,956	1,134,314	1,060,003	1,098,888	1,063,713	1,068,175	216	13,377,418		$1,467,120

ATMOS ENERGY CORPORATION - KENTUCKY
SUMMARY OF REVENUE AT PRESENT RATES
TEST YEAR ENDING NOVEMBER 30, 2014

Line No.	Description	Block (Mcf)	Reference Period - Twelve Months Ending 12/31/2012 Number of Bills, Units	Volumes As Metered	Contract Adj. Bills and Volumes	Weather Adj. Volumes (NOAA 1991-2010)	Total Volumes	Forward-looking Adjustments To Test Year Customer Growth Forecast	Conservation & Efficiency Adjustments	Total Test Year Volumes	Present Margin	Present Revenue
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)	(k)
1	Sales											
2	Firm Sales (G-1)	Customer Chrg	1,846,837					0			$14.28	$26,372,832
3		Customer Chrg	229,048		14						35.70	8,177,513
4		0 - 300		12,829,601	14,168	2,126,265	14,970,035	0	(405,617)	14,564,418	1.1000	16,020,860
5		301 - 15,000		899,149	(19,980)	63,611	942,780		(21,671)	921,109	0.7700	709,254
6		Over 15,000		3,337	0	0	3,337		0	3,337	0.5000	1,669
7	Interruptible Sales (G-2)	Customer Chrg	138		(9)						344.07	44,385
8		0 - 15,000		294,806	(91,038)		203,768			203,768	0.6870	139,989
9		Over 15,000		247,293	(239,420)		7,873			7,873	0.4670	3,677
10												
11	Transportation											
12	Customer Charges (T-4)	Customer Chrg	1,463		(5)						328.33	478,705
13	Customer Charges (T-3)	Customer Chrg	782		9						329.24	260,429
14	Customer Charges (SpK)	Customer Chrg	216		0						300.00	64,800
15	Transp. Adm. Fee	Customer Chrg	2,430		4						50.00	121,675
16	Parked Volumes [1]			237,004	0						0.10	23,700
17	EFM Charges										Various	105,800
18	Firm Transportation (T-4)	0 - 300		418,814	867		419,681			419,681	1.1930	500,679
19		301 - 15,000		4,780,751	157,210		4,937,961			4,937,961	0.8351	4,123,691
20		Over 15,000		470,216	232,590		702,806			702,806	0.5423	381,132
21	Interruptible Transportation (T-3)	0 - 15,000		4,835,024	14,460		4,849,484			4,849,484	0.6822	3,308,318
22		Over 15,000		2,230,522	6,578		2,237,100			2,237,100	0.4440	993,272
23	Total Special Contracts [2]			13,377,418	90,000		13,467,418			13,467,418	Various	1,372,968
24	Total Tariff		2,078,484	40,386,931	165,435	2,189,876	42,742,242	0	(427,287)	42,314,955		63,205,346
25												
26	Other Revenues											778,251
27	Late Payment Fees											1,126,126
28	Total Gross Profit											65,109,725
29												
30	Gas Costs											90,265,243
31												
32	Total Revenue											$ 155,374,968
33												
34	[1] Parked Volumes not included in Total Deliveries.											
35	[2] Based on confidential information.											

EXHIBIT MAM-3

ATMOS ENERGY CORPORATION - KENTUCKY
VOLUME AND CONTRACT ADJUSTMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012

Line No.	Class of Customers	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	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		$14.28	$0
3	Sales: 1-300	4,083	3,409	1,123	203	75	74	37	42	40	136	1,035	2,372		12,627	1.1000	13,890
4	Sales: 301-15000	(4,083)	(3,409)	(1,123)	(203)	(75)	(74)	(37)	(42)	(40)	(136)	(1,035)	(2,372)		(12,627)	0.7700	(9,723)
5	Sales: Over 15000						0								0	0.5000	0
6	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$4,167
7																	
8	FIRM COMMERCIAL (Rate G-1)																
9	FIRM BILLS															35.70	$0
10	Sales: 1-300															1.1000	0
11	Sales: 301-15000															0.7700	0
12	Sales: Over 15000															0.5000	0
13	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
14																	
15	FIRM INDUSTRIAL (Rate G-1)																
16	FIRM BILLS	0	0	1	1	1	1	2	2	2	2	1	1	14		35.70	$500
17	Sales: 1-300	0	(47)	102	26	(4)	(5)	0	300	300	367	202	300		1,541	1.1000	1,695
18	Sales: 301-15000	(3,143)	(2,495)	(932)	(693)	(322)	(168)	0	87	86	0	0	227		(7,353)	0.7700	(5,662)
19	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.5000	0
20	CLASS TOTAL (Mcf/month)	(3,143)	(2,542)	(830)	(667)	(326)	(173)	0	387	386	367	202	527	14	(5,812)		($3,467)
21																	
22	FIRM PUBLIC AUTHORITY (Rate G-1)																
23	FIRM BILLS													0		35.70	$0
24	Sales: 1-300														0	1.1000	0
25	Sales: 301-15000														0	0.7700	0
26	Sales: Over 15000														0	0.5000	0
27	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
28																	
25	INTERRUPTIBLE COMMERCIAL (G-2)																
26	INT BILLS													0		344.07	$0
27	Sales: 1-15000														0	0.6870	0
28	Sales: Over 15000														0	0.4670	0
29	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
30																	
31	INTERRUPTIBLE INDUSTRIAL (G-2)																
32	INT BILLS	(2)	(2)	(2)	(2)	(1)	0	0	0	0	0	0	0	(9)		344.07	($3,097)
33	Sales: 1-15000	0	0	(540)	(493)	(5)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	0		(91,038)	0.6870	(62,543)
34	Sales: Over 15000	0	0	0	0	0	(14,373)	(49,146)	(52,245)	(54,086)	(54,136)	(15,434)	0		(239,420)	0.4670	(111,809)
35	CLASS TOTAL (Mcf/month)	0	0	(540)	(493)	(5)	(29,373)	(64,146)	(67,245)	(69,086)	(69,136)	(30,434)	0	(9)	(330,458)		($177,449)
36																	

ATMOS ENERGY CORPORATION - KENTUCKY
VOLUME AND CONTRACT ADJUSTMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012

Line No.	Class of Customers	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
37	TRANSPORTATION (T-4)																
38	TRANSPORTATION BILLS	1	1	0	0	0	0	(1)	(1)	(1)	(2)	(1)	(1)	(5)		328.33	($1,642)
39	Trans Admin Fee	$50	$50	$0	$0	$0	$0	($50)	($50)	($50)	($100)	($50)	($50)				(250)
40	EFM Fee	$75	$75	$0	$0	$0	$0	($75)	($75)	($75)	($150)	($75)	($75)				(375)
41	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
42	Firm Transport: 1-300	300	347	198	274	304	305	8	0	0	(367)	(202)	(300)		867	1.1930	1,034
43	Firm Transport: 301-15000	17,643	17,195	15,632	15,393	15,022	14,868	14,700	14,613	14,614	14,570	2,987	(227)		157,210	0.8351	131,286
44	Firm Transport: Over 1500	35,000	30,000	25,000	20,000	15,000	15,000	15,000	15,000	15,000	20,000	25,000	2,590		232,590	0.5423	126,134
45	CLASS TOTAL (Mcf/month)	53,143	47,542	40,830	35,667	30,326	30,173	29,708	29,613	29,614	34,203	27,785	2,063	(5)	390,667		$256,187
46																	
47	TRANSPORTATION (T-3)																
48	TRANSPORTATION BILLS	2	2	2	2	1	0	0	0	0	0	0	0	9		329.24	$2,963
49	Trans Admin Fee	$100	$100	$100	$100	$50	$0	$0	$0	$0	$0	$0	$0				450
50	EFM Fee	$150	$150	$150	$150	$75	$0	$0	$0	$0	$0	$0	$0				675
38	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
39	Interrupt Transport: 1-15000	2,000	2,000	2,540	2,493	5	2,000	0	0	2,000	1,422	0	0		14,460	0.6822	9,865
40	Interrupt Transport: Over 15000	0	0	0	0	2,000	0	0	0	0	578	2,000	2,000		6,578	0.4440	2,921
41	CLASS TOTAL (Mcf/month)	2,000	2,000	2,540	2,493	2,005	2,000	0	0	2,000	2,000	2,000	2,000	9	21,038		$16,873
42																	
43	SPECIAL CONTRACTS																
44	TRANSPORTATION BILLS	0	0	0	0	0	0	0	0	0	0	0	0	0		300.00	$0
45	Trans Admin Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
46	EFM Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
47	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
48	Transported Volumes	15,000	15,000	15,000	15,000	(55,000)	(5,000)	15,000	15,000	15,000	15,000	15,000	15,000		90,000	Various	
49	Charges for Transport Volumes	$1,200	$1,200	$1,200	$1,200	($3,700)	($200)	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200				8,100
50	CLASS TOTAL (Mcf/month)	15,000	15,000	15,000	15,000	(55,000)	(5,000)	15,000	15,000	15,000	15,000	15,000	15,000	0	90,000		$8,100

ATMOS ENERGY CORPORATION - KENTUCKY
WEATHER ADJUSTMENT - BASE NOAA 1981-2010
TWELVE MONTHS ENDED DECEMBER 31, 2012

Line No.	Class of Customers	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	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		$14.28	$0
3	Sales: 1-300	169,641	239,213	159,368	516,979	114,692	20,236	10,453	(10,454)	21,833	71,308	(36,448)	259,023		1,535,844	1.1000	1,689,428
4	Sales: 301-15000														0	0.7700	0
5	Sales: Over 15000														0	0.5000	0
6	CLASS TOTAL (Mcf/month)	169,641	239,213	159,368	516,979	114,692	20,236	10,453	(10,454)	21,833	71,308	(36,448)	259,023	0	1,535,844		$1,689,428
7																	
8	FIRM COMMERCIAL (Rate G-1)																
9	FIRM BILLS													0		35.70	$0
10	Sales: 1-300	17,722	36,469	48,868	179,479	64,329	12,478	13,783	(12,388)	(1,901)	3,779	18,323	85,297		466,238	1.1000	512,862
11	Sales: 301-15000	1,926	3,911	4,286	11,908	3,931	1,175	2,803	(4,198)	(1,523)	857	1,602	7,394		34,072	0.7700	26,235
12	Sales: Over 15000														0	0.5000	0
13	CLASS TOTAL (Mcf/month)	19,648	40,380	53,154	191,387	68,260	13,653	16,586	(16,586)	(3,424)	4,636	19,925	92,691	0	500,310		$539,097
14																	
15	FIRM PUBLIC AUTHORITY (Rate G-1)																
16	FIRM BILLS													0		35.70	$0
17	Sales: 1-300	18,762	23,628	18,509	40,740	8,422	2,005	2,268	(1,982)	(2,382)	(3,477)	(1,866)	19,556		124,183	1.1000	136,601
18	Sales: 301-15000	6,494	7,226	4,278	6,228	1,412	272	134	(420)	(279)	(1,089)	(426)	5,709		29,539	0.7700	22,745
19	Sales: Over 15000														0	0.5000	0
20	CLASS TOTAL (Mcf/month)	25,256	30,854	22,787	46,968	9,834	2,277	2,402	(2,402)	(2,661)	(4,566)	(2,292)	25,265	0	153,722		$159,346

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended DECEMBER 31, 2012
(Weather Basis: 30-years ending 2010)

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	Jan-12	774	927	0.0122	11.3201	1.0790	12.3991	156,468	1,940,066	1,770,425	169,641	944	1,975,368
2	Feb-12	753	903	0.0122	11.0270	1.0790	12.1060	156,643	1,896,323	1,657,110	239,213	735	1,577,219
3	Mar-12	440	616	0.0122	7.5223	1.0790	8.6013	156,660	1,347,483	1,188,115	159,368	538	1,199,979
4	Apr-12	143	391	0.0122	4.7747	1.0790	5.8537	155,122	908,041	391,062	516,979	247	636,175
5	May-12	107	140	0.0122	1.7096	1.0790	2.7886	155,085	432,473	317,781	114,692	68	296,544
6	Jun-12	8	23	0.0122	0.2809	1.0790	1.3599	152,852	207,867	187,631	20,236	1	167,036
7	Jul-12	0	0	0.0122	0.0000	1.0790	1.0790	151,980	163,989	153,536	10,453	0	164,224
8	Aug-12	0	0	0.0122	0.0000	1.0790	1.0790	151,511	163,483	173,937	(10,454)	0	163,717
9	Sep-12	0	3	0.0122	0.0366	1.0790	1.1156	150,823	168,261	146,428	21,833	36	229,373
10	Oct-12	164	116	0.0122	1.4165	1.0790	2.4955	151,649	378,443	307,135	71,308	228	586,696
11	Nov-12	425	355	0.0122	4.3351	1.0790	5.4141	151,892	822,362	858,810	(36,448)	510	1,111,447
12	Dec-12	538	686	0.0122	8.3771	1.0790	9.4561	156,152	1,476,592	1,217,569	259,023	853	1,797,606
13													
14	Total	3,352	4,160			1.0790		153,903	9,905,383	8,369,538	1,535,844	4,160	9,905,384
15	Average Usage / Customer								64.36	54.38			

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended DECEMBER 31, 2012

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	Jan-12	774	927	0.0353	32.7167	8.7964	41.5131	17,761	737,314	717,666	19,648	944	748,686
2	Feb-12	753	903	0.0353	31.8696	8.7964	40.6660	17,748	721,740	681,360	40,380	735	617,099
3	Mar-12	440	616	0.0353	21.7405	8.7964	30.5369	17,816	544,046	490,892	53,154	538	495,475
4	Apr-12	143	391	0.0353	13.7996	8.7964	22.5960	17,427	393,781	202,394	191,387	247	305,505
5	May-12	107	140	0.0353	4.9410	8.7964	13.7374	17,426	239,388	171,128	68,260	68	195,294
6	Jun-12	8	23	0.0353	0.8117	8.7964	9.6081	17,100	164,299	150,646	13,653	1	151,167
7	Jul-12	0	0	0.0353	0.0000	8.7964	8.7964	16,908	148,730	132,144	16,586	0	148,872
8	Aug-12	0	0	0.0353	0.0000	8.7964	8.7964	16,837	148,105	164,691	(16,586)	0	148,247
9	Sep-12	0	3	0.0353	0.1059	8.7964	8.9023	16,769	149,283	152,707	(3,424)	36	168,975
10	Oct-12	164	116	0.0353	4.0940	8.7964	12.8904	17,007	219,227	214,591	4,636	228	286,727
11	Nov-12	425	355	0.0353	12.5290	8.7964	21.3254	17,258	368,034	348,109	19,925	510	462,886
12	Dec-12	538	686	0.0353	24.2110	8.7964	33.0074	17,705	584,396	491,705	92,691	853	689,409
13													
14	Total	3,352	4,160			8.7964		17,314	4,418,343	3,918,035	500,310	4,160	4,418,342
15	Average Usage / Customer								255.20	226.30			

Note 1 - Adjusted for volume and contract adjustments, if any.

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended DECEMBER 31, 2012

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	Jan-12	774	927	0.1203	111.5499	17.5160	129.0659	1,580	203,924	178,668	25,256	944	207,220
2	Feb-12	753	903	0.1203	108.6619	17.5160	126.1779	1,581	199,487	168,633	30,854	735	167,577
3	Mar-12	440	616	0.1203	74.1259	17.5160	91.6419	1,578	144,611	121,824	22,787	538	129,839
4	Apr-12	143	391	0.1203	47.0507	17.5160	64.5667	1,571	101,434	54,466	46,968	247	74,234
5	May-12	107	140	0.1203	16.8468	17.5160	34.3628	1,582	54,362	44,528	9,834	68	40,668
6	Jun-12	8	23	0.1203	2.7677	17.5160	20.2837	1,575	31,947	29,670	2,277	1	27,786
7	Jul-12	0	0	0.1203	0.0000	17.5160	17.5160	1,585	27,763	25,361	2,402	0	27,771
8	Aug-12	0	0	0.1203	0.0000	17.5160	17.5160	1,574	27,570	29,972	(2,402)	0	27,579
9	Sep-12	0	3	0.1203	0.3610	17.5160	17.8770	1,565	27,977	30,638	(2,661)	36	34,203
10	Oct-12	164	116	0.1203	13.9588	17.5160	31.4748	1,571	49,447	54,013	(4,566)	228	70,641
11	Nov-12	425	355	0.1203	42.7187	17.5160	60.2347	1,546	93,123	95,415	(2,292)	510	121,996
12	Dec-12	538	686	0.1203	82.5493	17.5160	100.0653	1,596	159,704	134,439	25,265	853	191,836
13													
14	Total	3,352	4,160			17.5160		1,575	1,121,349	967,627	153,722	4,160	1,121,350
15	Average Usage / Customer								711.82	614.24			

Note 1 - Adjusted for volume and contract adjustments.

EXHIBIT MAM-5

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TEST YEAR ENDING NOVEMBER 30, 2014

Line No.	Class of Customers	Rate	Dec-13 (a)	Jan-14 (b)	Feb-14 (c)	Mar-14 (d)	Apr-14 (e)	May-14 (f)	Jun-14 (g)	Jul-14 (h)	Aug-14 (i)	Sep-14 (j)	Oct-14 (k)	Nov-14 (l)	Total Billing Units (m)
1	RESIDENTIAL (Rate G-1)														
2	FIRM BILLS	$14.28	156,152	156,468	156,643	156,660	155,122	155,085	152,852	151,980	151,511	150,823	151,649	151,892	1,846,837
3	Sales: 1-300	1.1000	1,457,478	1,891,683	1,848,889	1,312,060	882,288	417,117	197,501	154,625	154,148	158,847	364,413	798,603	9,637,652
4	Sales: 301-15000	0.7700	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Sales: Over 15000	0.5000	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CLASS TOTAL (Mcf/month)		1,457,478	1,891,683	1,848,889	1,312,060	882,288	417,117	197,501	154,625	154,148	158,847	364,413	798,603	9,637,652
7	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
8	Gas Costs		$8,359,199	$10,849,533	$10,585,987	$7,512,322	$5,051,623	$2,442,882	$1,156,682	$905,575	$910,701	$938,463	$2,152,940	$4,648,846	$55,514,753
9															
10	FIRM COMMERCIAL (Rate G-1)														
11	FIRM BILLS	35.70	17,705	17,761	17,748	17,816	17,427	17,426	17,100	16,908	16,837	16,769	17,007	17,258	207,762
12	Sales: 1-300	1.1000	530,185	644,857	632,180	486,471	360,599	222,479	149,673	123,597	110,619	82,813	176,529	330,795	3,850,797
13	Sales: 301-15000	0.7700	45,962	70,089	67,789	42,666	23,924	13,595	14,092	25,133	37,486	66,401	40,018	28,917	476,072
14	Sales: Over 15000	0.5000	0	0	0	0	0	0	0	0	0	0	0	0	0
15	CLASS TOTAL (Mcf/month)		576,147	714,946	699,969	529,137	384,523	236,074	163,765	148,730	148,105	149,214	216,547	359,712	4,326,869
16	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
17	Gas Costs		$3,304,426	$4,100,491	$4,007,738	$3,029,623	$2,201,622	$1,382,588	$959,104	$871,050	$875,000	$881,552	$1,279,353	$2,093,963	$24,986,511
18															
19	FIRM INDUSTRIAL (Rate G-1)														
20	FIRM BILLS	$35.70	193	208	204	205	198	203	202	191	186	196	213	197	2,396
21	Sales: 1-300	1.1000	29,514	41,246	32,937	31,649	16,595	13,091	9,886	6,944	10,451	8,391	11,673	22,672	235,050
22	Sales: 301-15000	0.7700	27,039	71,528	47,445	23,613	7,919	4,815	4,782	3,725	6,599	8,044	7,930	19,249	232,688
23	Sales: Over 15000	0.5000	0	3,337	0	0	0	0	0	0	0	0	0	0	3,337
24	CLASS TOTAL (Mcf/month)		56,553	116,111	80,382	55,262	24,514	17,907	14,668	10,670	17,050	16,435	19,603	41,920	471,075
25	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
26	Gas Costs		$324,356	$665,940	$460,234	$316,408	$140,358	$104,872	$85,904	$62,488	$100,731	$97,096	$115,816	$244,027	$2,718,229
27															
28	FIRM PUBLIC AUTHORITY (Rate G-1)														
25	FIRM BILLS	$35.70	1,596	1,580	1,581	1,578	1,571	1,582	1,575	1,585	1,574	1,565	1,571	1,546	18,904
26	Sales: 1-300	1.1000	119,641	141,815	143,006	109,900	82,260	43,431	26,156	24,337	21,128	23,257	35,110	70,878	840,919
27	Sales: 301-15000	0.7700	34,935	49,084	43,734	25,403	12,674	7,278	3,544	1,440	4,470	2,724	10,994	16,169	212,349
28	Sales: Over 15000	0.5000	0	0	0	0	0	0	0	0	0	0	0	0	0
29	CLASS TOTAL (Mcf/month)		154,576	190,899	186,740	135,303	94,834	50,709	29,700	25,777	25,598	25,981	46,104	87,047	1,053,268
30	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
31	Gas Costs		$886,553	$1,094,879	$1,069,197	$774,690	$542,981	$296,982	$173,941	$150,965	$151,232	$153,495	$272,381	$506,720	$6,074,016
32															
33	INTERRUPTIBLE COMMERCIAL (G-2)														
34	INT BILLS	344.07	4	3	3	3	3	4	2	2	2	3	4	4	37
35	Sales: 1-15000	0.6870	4,838	1,917	1,947	1,629	680	59	47	42	30	3,228	1,665	5,732	21,816
36	Sales: Over 15000	0.4670	0	0	0	0	0	0	0	0	0	0	0	0	0
37	CLASS TOTAL (Mcf/month)		4,838	1,917	1,947	1,629	680	59	47	42	30	3,228	1,665	5,732	21,816
38	Gas Charge per Mcf		$4.53	$4.53	$4.50	$4.50	$4.50	$4.63	$4.63	$4.63	$4.68	$4.68	$4.68	$4.60	
39	Gas Costs		$21,910	$8,681	$8,763	$7,332	$3,060	$273	$219	$195	$142	$15,116	$7,796	$26,346	$99,834
40															
41	INTERRUPTIBLE INDUSTRIAL (G-2)														
42	INT BILLS	344.07	9	7	7	6	7	8	8	6	10	7	9	8	92
43	Sales: 1-15000	0.6870	21,764	12,876	11,922	11,495	12,842	16,785	12,539	12,230	15,769	17,104	16,778	19,850	181,954
44	Sales: Over 15000	0.4670	7,873	0	0	0	0	0	0	0	0	0	0	0	7,873
45	CLASS TOTAL (Mcf/month)		29,637	12,876	11,922	11,495	12,842	16,785	12,539	12,230	15,769	17,104	16,778	19,850	189,827
46	Gas Charge per Mcf		$4.53	$4.53	$4.50	$4.50	$4.50	$4.63	$4.63	$4.63	$4.68	$4.68	$4.68	$4.60	
47	Gas Costs		$134,210	$58,308	$53,656	$51,732	$57,798	$77,738	$58,075	$56,643	$73,843	$60,096	$78,569	$91,232	$871,900
48															

EXHIBIT MAM-5

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TEST YEAR ENDING NOVEMBER 30, 2014

Line No.	Class of Customers	Rate	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Total Billing Units
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
49	TRANSPORTATION (T-4)														
50	TRANSPORTATION BILLS	328.33	123	120	120	121	121	121	121	122	122	123	122	122	1,458
51	Trans Admin Fee		$6,000	$5,950	$5,950	$5,950	$5,950	$5,950	$5,950	$6,000	$6,000	$6,050	$6,000	$6,000	$71,750
52	EFM Fee		$5,100	$5,400	$5,400	$5,325	$5,325	$5,325	$5,325	$5,400	$5,400	$5,400	$5,325	$5,400	$64,125
53	Parking Fee		$224	$346	$336	$126	$125	$163	$128	$82	$45	$57	$72	$88	$1,791
54	Firm Transport: 1-300	1.1930	36,353	35,814	35,864	35,335	35,081	34,117	33,995	33,140	33,565	34,155	35,878	36,384	419,682
55	Firm Transport: 301-15000	0.8351	476,710	536,109	496,857	415,732	380,718	363,940	342,748	323,535	351,070	344,785	432,984	472,773	4,937,962
56	Firm Transport: Over 1500	0.5423	83,153	91,879	73,659	60,513	45,909	40,936	40,735	33,750	47,393	46,579	61,703	76,597	702,807
57	CLASS TOTAL (Mcf/month)		596,216	663,802	606,380	511,580	461,708	438,993	417,478	390,425	432,028	425,519	530,565	585,754	6,060,448
58															
59	TRANSPORTATION (T-3)														
60	TRANSPORTATION BILLS	329.24	65	66	66	66	66	67	66	66	66	66	66	65	791
61	Trans Admin Fee		$3,250	$3,300	$3,300	$3,300	$3,300	$3,350	$3,300	$3,300	$3,300	$3,300	$3,300	$3,250	$39,550
62	EFM Fee		$2,550	$2,700	$2,775	$2,775	$2,775	$2,700	$2,625	$2,625	$2,625	$2,625	$2,625	$2,550	$31,950
63	Parking Fee		$258	$548	$518	$440	$320	$420	$429	$322	$450	$339	$313	$202	$4,558
64	Interrupt Transport: 1-15000	0.6822	424,698	446,777	423,495	391,729	372,011	394,959	380,227	362,369	381,407	378,699	440,655	452,458	4,849,485
65	Interrupt Transport: Over 15000	0.4440	167,000	277,361	244,305	194,625	166,441	191,966	158,090	139,951	163,234	146,445	202,993	184,689	2,237,100
66	CLASS TOTAL (Mcf/month)		591,698	724,138	667,800	586,354	538,452	586,925	538,317	502,320	544,641	525,144	643,648	637,147	7,086,585
67															
68	SPECIAL CONTRACTS														
69	TRANSPORTATION BILLS	300.00	18	18	18	18	18	18	18	18	18	18	18	18	216
70	Trans Admin Fee		$850	$875	$875	$875	$875	$875	$875	$875	$850	$850	$850	$850	$10,375
71	EFM Fee		$825	$800	$800	$800	$800	$800	$800	$800	$825	$825	$825	$825	$9,725
72	Parking Fee		$847	$2,181	$1,375	$1,074	$1,125	$1,588	$1,845	$3,641	$954	$1,221	$585	$919	$17,352
73	Transported Volumes	Various	1,083,175	1,318,342	1,169,553	1,116,545	1,127,398	1,109,351	1,071,180	1,054,956	1,149,314	1,075,003	1,113,888	1,078,713	13,467,418
74	Charges for Transport Volumes		$112,756	$132,088	$120,668	$114,621	$115,570	$113,640	$112,614	$107,404	$114,861	$106,445	$113,371	$108,929	$1,372,968
75	CLASS TOTAL (Mcf/month)		1,083,175	1,318,342	1,169,553	1,116,545	1,127,398	1,109,351	1,071,180	1,054,956	1,149,314	1,075,003	1,113,888	1,078,713	13,467,418
76															
77	OTHER REVENUE														
78	Service Charges		$64,443	$61,917	$60,753	$49,210	$47,570	$49,815	$48,845	$44,569	$56,408	$64,896	$124,826	$104,999	$778,251
79	Late Payment Fees		$146,365	$180,463	$176,810	$134,462	$99,838	$63,821	$45,620	$41,913	$41,858	$42,037	$59,092	$93,848	$1,126,126
80															
81	**TOTAL GROSS PROFIT**		$6,646,917	$7,517,228	$7,333,403	$6,315,199	$5,486,089	$4,738,791	$4,281,194	$4,133,745	$4,198,196	$4,171,606	$4,758,376	$5,528,980	$65,109,726
82	Gas Costs		$13,030,653	$16,777,832	$16,185,575	$11,692,108	$7,997,442	$4,305,335	$2,433,925	$2,046,916	$2,111,649	$2,165,817	$3,906,855	$7,611,134	$90,265,243
83	**TOTAL REVENUE**		$19,677,570	$24,295,061	$23,518,978	$18,007,307	$13,483,531	$9,044,127	$6,715,120	$6,180,662	$6,309,845	$6,337,423	$8,665,230	$13,140,114	$155,374,969

ATMOS ENERGY CORPORATION - KENTUCKY
SUMMARY OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING NOVEMBER 30, 2014

Line No.	Description	Block (Mcf)	Reference Period - Twelve Months Ending 12/31/2012: Number of Bills, Units (a)	Volumes As Metered (b)	Contract Adj. Bills and Volumes (c)	Weather Adj. Volumes (NOAA 1991-2010) (d)	Total Volumes (e)	Forward-looking Adjustments To Test Year: Customer Growth Forecast (f)	Conservation & Efficiency Adjustments (g)	Total Test Year Volumes (i)	Proposed Margin (j)	Proposed Revenue (k)
1	Sales											
2	Firm Sales (G-1)	Customer Chrg	1,846,837					0			$16.00	$29,549,392
3		Customer Chrg	229,048		14						40.00	9,162,480
4		0 - 300		12,829,601	14,168	2,126,265	14,970,035	0	(405,617)	14,564,418	1.6320	23,769,130
5		301 - 15,000		899,149	(19,980)	63,611	942,780		(21,671)	921,109	0.8800	810,576
6		Over 15,000		3,337	0	0	3,337		0	3,337	0.6200	2,069
7	Interruptible Sales (G-2)	Customer Chrg	138		(9)						350.00	45,150
8		0 - 15,000		294,606	(91,038)		203,768			203,768	0.7920	161,334
9		Over 15,000		247,293	(239,420)		7,873			7,873	0.5310	4,181
10												
11	Transportation											
12	Customer Charges (T-4)	Customer Chrg	1,463		(5)						350.00	510,300
13	Customer Charges (T-3)	Customer Chrg	782		9						350.00	276,850
14	Customer Charges (SpK)	Customer Chrg	216		0						300.00	64,800
15	Transp. Adm. Fee	Customer Chrg	2,430		4						50.00	121,675
16	Parked Volumes [1]			237,004	0						0.10	23,700
17	EFM Charges										Various	105,800
18	Firm Transportation (T-4)	0 - 300		418,814	867		419,681			419,681	1.6320	684,919
19		301 - 15,000		4,780,751	157,210		4,937,961			4,937,961	0.8800	4,345,406
20		Over 15,000		470,216	232,590		702,806			702,806	0.6200	435,740
21	Interruptible Transportation (T-3)	0 - 15,000		4,835,024	14,460		4,849,484			4,849,484	0.7920	3,840,791
22		Over 15,000		2,230,522	6,578		2,237,100			2,237,100	0.5310	1,187,900
23	Total Special Contracts [2]			13,377,418	90,000		13,467,418			13,467,418	Various	1,372,968
24	Total Tariff		2,078,484	40,386,931	165,435	2,189,876	42,742,242	0	(427,287)	42,314,955		76,475,211
25												
26	Other Revenues											778,251
27	Late Payment Fees											1,126,126
28	Total Gross Profit											78,379,588
29												
30	Gas Costs											90,265,243
31												
32	Total Revenue											$ 168,644,831
33												
34	[1] Parked Volumes not included in Total Deliveries.											
35	[2] Based on confidential information.											

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TEST YEAR ENDING NOVEMBER 30, 2014
PROPOSED RATES

Line No.	Class of Customers	Rate	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	RESIDENTIAL (Rate G-1)														
2	FIRM BILLS	$16.00	156,152	156,468	156,643	156,660	155,122	155,085	152,852	151,980	151,511	150,823	151,649	151,892	1,846,837
3	Sales: 1-300	1.6320	1,457,478	1,891,683	1,848,889	1,312,060	882,288	417,117	197,501	154,625	154,148	158,847	364,413	798,603	9,637,652
4	Sales: 301-15000	0.8800	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Sales: Over 15000	0.6200	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CLASS TOTAL (Mcf/month)		1,457,478	1,891,683	1,848,889	1,312,060	882,288	417,117	197,501	154,625	154,148	158,847	364,413	798,603	9,637,652
7	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
8	Gas Costs		$8,359,199	$10,849,533	$10,585,987	$7,512,322	$5,051,623	$2,442,882	$1,156,682	$905,575	$910,701	$938,463	$2,152,940	$4,648,846	$55,514,753
9															
10	FIRM COMMERCIAL (Rate G-1)														
11	FIRM BILLS	40.00	17,705	17,761	17,748	17,816	17,427	17,426	17,100	16,908	16,837	16,769	17,007	17,258	207,762
12	Sales: 1-300	1.6320	530,185	644,857	632,180	486,471	360,599	222,479	149,673	123,597	110,619	82,813	176,529	330,795	3,850,797
13	Sales: 301-15000	0.8800	45,962	70,089	67,789	42,666	23,924	13,595	14,092	25,133	37,486	66,401	40,018	28,917	476,072
14	Sales: Over 15000	0.6200	0	0	0	0	0	0	0	0	0	0	0	0	0
15	CLASS TOTAL (Mcf/month)		576,147	714,946	699,969	529,137	384,523	236,074	163,765	148,730	148,105	149,214	216,547	359,712	4,326,869
16	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
17	Gas Costs		$3,304,426	$4,100,491	$4,007,738	$3,029,623	$2,201,622	$1,382,588	$959,104	$871,050	$875,000	$881,552	$1,279,353	$2,093,963	$24,986,511
18															
19	FIRM INDUSTRIAL (Rate G-1)														
20	FIRM BILLS	$40.00	193	208	204	205	198	203	202	191	186	196	213	197	2,396
21	Sales: 1-300	1.6320	29,514	41,246	32,937	31,649	16,595	13,091	9,886	6,944	10,451	8,391	11,673	22,672	235,050
22	Sales: 301-15000	0.8800	27,039	71,528	47,445	23,613	7,919	4,815	4,782	3,725	6,599	8,044	7,930	19,249	232,688
23	Sales: Over 15000	0.6200	0	3,337	0	0	0	0	0	0	0	0	0	0	3,337
24	CLASS TOTAL (Mcf/month)		56,553	116,111	80,382	55,262	24,514	17,907	14,668	10,670	17,050	16,435	19,603	41,920	471,075
25	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
26	Gas Costs		$324,356	$665,940	$460,234	$316,408	$140,358	$104,872	$85,904	$62,488	$100,731	$97,096	$115,816	$244,027	$2,718,229
27															
28	FIRM PUBLIC AUTHORITY (Rate G-1)														
25	FIRM BILLS	$40.00	1,596	1,580	1,581	1,578	1,571	1,582	1,575	1,585	1,574	1,565	1,571	1,546	18,904
26	Sales: 1-300	1.6320	119,641	141,815	143,006	109,900	82,260	43,431	26,156	24,337	21,128	23,257	35,110	70,878	840,919
27	Sales: 301-15000	0.8800	34,935	49,084	43,734	25,403	12,574	7,278	3,544	1,440	4,470	2,724	10,994	16,169	212,349
28	Sales: Over 15000	0.6200	0	0	0	0	0	0	0	0	0	0	0	0	0
29	CLASS TOTAL (Mcf/month)		154,576	190,899	186,740	135,303	94,834	50,709	29,700	25,777	25,598	25,981	46,104	87,047	1,053,268
30	Gas Charge per Mcf		$5.74	$5.74	$5.73	$5.73	$5.73	$5.86	$5.86	$5.86	$5.91	$5.91	$5.91	$5.82	
31	Gas Costs		$886,553	$1,094,879	$1,069,197	$774,690	$542,981	$296,982	$173,941	$150,965	$151,232	$153,495	$272,381	$506,720	$6,074,016
32															
33	INTERRUPTIBLE COMMERCIAL (G-2)														
34	INT BILLS	350.00	4	3	3	3	3	4	2	2	2	3	4	4	37
35	Sales: 1-15000	0.7920	4,838	1,917	1,947	1,629	680	59	47	42	30	3,228	1,665	5,732	21,816
36	Sales: Over 15000	0.5310	0	0	0	0	0	0	0	0	0	0	0	0	1
37	CLASS TOTAL (Mcf/month)		4,838	1,917	1,947	1,629	680	59	47	42	30	3,228	1,665	5,732	21,817
38	Gas Charge per Mcf		$4.53	$4.53	$4.50	$4.50	$4.50	$4.63	$4.63	$4.63	$4.68	$4.68	$4.68	$4.60	
39	Gas Costs		$21,910	$8,681	$8,763	$7,332	$3,060	$273	$219	$195	$142	$15,116	$7,796	$26,346	$99,834
40															
41	INTERRUPTIBLE INDUSTRIAL (G-2)														
42	INT BILLS	350.00	9	7	7	6	7	8	8	6	10	7	9	8	92
43	Sales: 1-15000	0.7920	21,764	12,876	11,922	11,495	12,842	16,785	12,539	12,230	15,769	17,104	16,778	19,850	181,954
44	Sales: Over 15000	0.5310	7,873	0	0	0	0	0	0	0	0	0	0	0	7,874
45	CLASS TOTAL (Mcf/month)		29,637	12,876	11,922	11,495	12,842	16,785	12,539	12,230	15,769	17,104	16,778	19,850	189,827
46	Gas Charge per Mcf		$4.53	$4.53	$4.50	$4.50	$4.50	$4.63	$4.63	$4.63	$4.68	$4.68	$4.68	$4.60	
47	Gas Costs		$134,210	$58,308	$53,656	$51,732	$57,798	$77,738	$58,075	$56,643	$73,843	$80,096	$78,569	$91,232	$871,900
48															

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TEST YEAR ENDING NOVEMBER 30, 2014
PROPOSED RATES

Line No.	Class of Customers	Rate	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
49	TRANSPORTATION (T-4)														
50	TRANSPORTATION BILLS	350.00	123	120	120	121	121	121	121	122	122	123	122	122	1,458
51	Trans Admin Fee		$6,000	$5,950	$5,950	$5,950	$5,950	$5,950	$5,950	$6,000	$6,000	$6,050	$6,000	$6,000	$71,750
52	EFM Fee		$5,100	$5,400	$5,400	$5,325	$5,325	$5,325	$5,325	$5,400	$5,400	$5,400	$5,325	$5,400	$64,125
53	Parking Fee		$224	$346	$336	$126	$125	$163	$128	$82	$45	$57	$72	$88	$1,791
54	Firm Transport: 1-300	1.6320	36,353	35,814	35,864	35,335	35,081	34,117	33,995	33,140	33,565	34,155	35,878	36,384	419,683
55	Firm Transport: 301-15000	0.8800	476,710	536,109	496,857	415,732	380,718	363,940	342,748	323,535	351,070	344,785	432,984	472,773	4,937,962
56	Firm Transport: Over 1500	0.6200	83,153	91,879	73,659	60,513	45,909	40,936	40,735	33,750	47,393	46,579	61,703	76,597	702,807
57	CLASS TOTAL (Mcf/month)		596,216	663,802	606,380	511,580	461,708	436,993	417,478	390,425	432,028	425,519	530,565	585,754	6,060,448
58															
59	TRANSPORTATION (T-3)														
60	TRANSPORTATION BILLS	350.00	65	66	66	66	66	67	66	66	66	66	66	65	791
61	Trans Admin Fee		$3,250	$3,300	$3,300	$3,300	$3,300	$3,350	$3,300	$3,300	$3,300	$3,300	$3,300	$3,250	$39,550
62	EFM Fee		$2,550	$2,700	$2,775	$2,775	$2,775	$2,700	$2,625	$2,625	$2,625	$2,625	$2,625	$2,550	$31,950
63	Parking Fee		$258	$548	$518	$440	$320	$420	$429	$322	$450	$339	$313	$202	$4,558
64	Interrupt Transport: 1-15000	0.7920	424,698	446,777	423,495	391,729	372,011	394,959	380,227	362,369	381,407	378,699	440,655	452,458	4,849,485
65	Interrupt Transport: Over 15000	0.5310	167,000	277,361	244,305	194,625	166,441	191,966	158,090	139,951	163,234	146,445	202,993	184,689	2,237,101
66	CLASS TOTAL (Mcf/month)		591,698	724,138	667,800	586,354	538,452	586,925	538,317	502,320	544,641	525,144	643,648	637,147	7,086,585
67															
68	SPECIAL CONTRACTS														
69	TRANSPORTATION BILLS	300.00	18	18	18	18	18	18	18	18	18	18	18	18	216
70	Trans Admin Fee		$850	$875	$875	$875	$875	$875	$875	$875	$850	$850	$850	$850	$10,375
71	EFM Fee		$825	$800	$800	$800	$800	$800	$800	$800	$825	$825	$825	$825	$9,725
72	Parking Fee		$847	$2,181	$1,375	$1,074	$1,125	$1,588	$1,845	$3,641	$954	$1,221	$585	$919	$17,352
73	Transported Volumes	Various	1,083,175	1,318,342	1,169,553	1,116,545	1,127,398	1,109,351	1,071,180	1,054,956	1,149,314	1,075,003	1,113,888	1,078,713	13,467,418
74	Charges for Transport Volumes		$112,756	$132,088	$120,668	$114,621	$115,570	$113,640	$112,614	$107,404	$114,861	$106,445	$113,371	$108,929	$1,372,968
75	CLASS TOTAL (Mcf/month)		1,083,175	1,318,342	1,169,553	1,116,545	1,127,398	1,109,351	1,071,180	1,054,956	1,149,314	1,075,003	1,113,888	1,078,713	13,467,418
76															
77	OTHER REVENUE														
78	Service Charges		$64,443	$61,917	$60,753	$49,210	$47,570	$49,815	$48,845	$44,569	$56,408	$64,896	$124,826	$104,999	$778,251
79	Late Payment Fees		$158,514	$195,143	$191,249	$145,742	$108,509	$69,677	$50,079	$46,052	$45,929	$46,028	$64,445	$101,930	$1,223,298
80															
81	**TOTAL GROSS PROFIT**		$8,272,505	$9,479,002	$9,249,293	$7,826,666	$6,659,666	$5,567,581	$4,930,421	$4,736,632	$4,801,835	$4,763,227	$5,536,577	$6,653,355	$78,476,760
82	Gas Costs		$13,030,653	$16,777,832	$16,185,575	$11,692,108	$7,997,442	$4,305,335	$2,433,925	$2,046,916	$2,111,649	$2,165,817	$3,906,855	$7,611,134	$90,265,243
83	**TOTAL REVENUE**		$21,303,159	$26,256,834	$25,434,869	$19,518,774	$14,657,108	$9,872,916	$7,364,346	$6,783,548	$6,913,484	$6,929,044	$9,443,432	$14,264,490	$168,742,003

DENSMAN, J. C.

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

APPLICATION OF ATMOS ENERGY CORPORATION FOR AN ADJUSTMENT OF RATES AND TARIFF MODIFICATIONS	)))))	Case No. 2013-00148

TESTIMONY OF JOSHUA C. DENSMAN

I. INTRODUCTION

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

A. My name is Joshua C. Densman. I am Vice President of Finance for the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos Energy" or the "Company"). My business address is 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067.

Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. I have a Bachelor of Business Administration from Baylor University. I have worked for Atmos Energy since 2005. I started with the Company as a Rate Analyst in the Rate Administration Department in Dallas, Texas. In 2008, I assumed the position of Senior Financial Analyst of Atmos Energy's Kentucky/Mid-States Division ("Division"). I became Vice President of Finance for the Division in September, 2012.

Q. WHAT ARE YOUR RESPONSIBILITIES AT ATMOS?

A. I am responsible for monitoring and analyzing the financial performance of the

Division, and implementing necessary actions based on those results. I also direct the development of the Division's annual budget. Other responsibilities include establishing and maintaining policy, procedures, and controls to ensure compliance with Corporate Accounting policies, Generally Accepted Accounting Principles (GAAP), and regulatory requirements.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION (THE "COMMISSION")?

A. No. I have, however, filed testimony before the Tennessee Regulatory Authority in Docket No. 12-00064. Since 2008 I have also been responsible for providing support in filings before the regulatory agencies in the Division. These responsibilities included the review and analysis of accounting, billing, and engineering data for accuracy and appropriate information in the States of Tennessee, Virginia, and Kentucky.

Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

A. Yes. I am sponsoring Exhibit JCD-1, which is an Operating & Maintenance (O&M) comparison by cost element.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS IN THIS PROCEEDING?

A. Yes. I am sponsoring the following filing requirements:

FR 16(11)(a)	Forecasted financial data presented as pro forma adjustments to the base period
FR 16(11)(b)	Forecasted adjustments limited to twelve (12) months immediately following the suspension period

FR 16(12)(c)	Description of all factors used in preparation of the forecast test period – income statement, operation and maintenance expenses, employee and labor expenses
FR 16(12)(d)	Annual and monthly budget for the 12 month period preceding filing date, the base period and the forecast period.
FR 16(12)(h)(9)	Employee Level
FR 16(12)(h)(10)	Labor cost changes
FR 16(12)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast
FR 16(12)(o)	Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available
FR 16(13)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase
FR 16(13)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and individual account
FR 16(13)(d)	Summary of jurisdictional adjustments to operating income

FR 16(13)(f)	Summary schedules for the base and forecast periods of various expenses
FR 16(13)(g)	Analysis of payroll costs
FR 16(13)(i)	Comparative income statements, revenue and sales statistics most recent five years, base period, forecast period and two (2) years beyond
FR 16(13)(k)	Comparative financial data and earnings measures

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

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will describe:

1. The O&M budgeting process used by Atmos Energy
2. The process of control and monitoring of O&M variances
3. The forecasted test year budget for O&M, depreciation expense, and taxes other than income taxes

II. O&M BUDGETING PROCESS

Q. WHAT ARE THE OBJECTIVES OF THE COMPANY'S O&M BUDGETING PROCESS?

A. The objectives of the Company's O&M budgeting process are to: (1) formalize the process of identifying the anticipated costs of operating and maintaining Atmos Energy's systems each year; (2) ensure that all policies and procedures associated with the annual budgeting process are consistently adhered to by the functional managers and officers; (3) assess the appropriateness of routine maintenance requirements and non-capital expenditures proposed by the functional managers and officers to ensure that the amounts are adequate to deliver safe, reliable and efficient natural gas service to the Company's customers; and (4) ensure that the O&M budget properly reflects our strategic operational and financial plans. These objectives are applicable to the Company as a whole as well as to its various division, state and local level operations.

Q. CAN YOU DESCRIBE THE COMPANY'S O&M BUDGETING PROCESS?

A. Yes. O&M costs are budgeted on a fiscal year basis, which begins on October 1 of each year (consistent with the seasonal operations of our business) and runs through September 30 of the following year. Preparation of operating and construction budgets for a fiscal year formally begins in late May of each year and culminates with completion of final budgets in late August, just prior to the beginning of the fiscal year. Budget preparation is based on meeting the four objectives described above. Budgets are approved at multiple levels beginning with supervisors/managers up through division leadership. Additional reviews are performed by corporate executive operations management and their staff. High level reviews of the division budgets are also performed by the Company's senior executives who are presiding members of the Company's Management Committee. The Board of Directors must review and approve the total Company budget before finalization and implementation. This approval typically occurs in September of each year.

Q. WHAT ROLE DOES THE O&M BUDGETING PROCESS PLAY IN THE COMPANY'S FINANCIAL PLANNING?

A. Atmos Energy's Planning and Budgeting Department is responsible for financial planning at the enterprise level. That department receives direction from the Board of Directors concerning forward-looking financial objectives for the Company. Planning and Budgeting is responsible, with significant input and collaboration from division leadership, for translating those enterprise targets into a financial plan for each division and rate jurisdiction. It is the collaboration between Planning and Budgeting and division leadership that ensures that all four of the objectives described above are met each year. Spending targets are established as a result of this collaboration.

Q. WHAT IS YOUR ROLE IN THIS PROCESS?

A. My role is to facilitate the budget process within the Division that confirms the operational feasibility of the targets and produces an O&M budget consistent with the Company's processes and goals described above. My department communicates certain budget guidelines such as average wage increase percentages and anticipated benefits rates to managers and supervisors (cost center owners). Each cost center owner is responsible for building his or her department's budget and submitting it for review by me and approval along the appropriate approval chain. My department provides support to and often asks for clarifying information from cost center owners as needed to explain significant variances from the prior year. In addition, we budget several items on behalf of the entire Division such as bill print fees, insurance costs, bad debt provision, etc. An iterative process involving Division leadership (including myself), my department and the cost center owners ultimately produces an O&M budget that meets the needs of our operations, ensures that we operate safely, reliably and efficiently, and allows our Division to contribute to the financial success of Atmos Energy. This process is used to develop the direct O&M budget for Kentucky, as well as the Division's general office O&M budget. A portion of the Division's general office O&M budget, as hereinafter discussed, is allocated to Kentucky in accordance with the allocation methods addressed in the direct testimony of Company witness Mr. Jason Schneider.

Q. ARE YOU FAMILIAR WITH THE COMPANY'S SHARED SERVICES GROUP?

A. Yes. The Company's Shared Services Unit (often referred to as SSU) provides central support functions to the Division, including Kentucky, such as accounting, legal, tax, information technology, customer support (call center, billing, collections), etc.

Q. ARE YOU INVOLVED WITH THE PREPARATION OF THE SSU O&M BUDGET?

A. Only insofar as the amounts budgeted by SSU departments that impact the O&M budgets for the Division and for Kentucky, as well as interfacing with appropriate SSU department heads with respect to any additional services that may be required from SSU for the Division or for Kentucky.

Q. SO FAR YOU HAVE DESCRIBED THE O&M BUDGETING PROCESS. CAN YOU EXPLAIN HOW THE BUDGET IS PREPARED WITHIN THE PARAMETERS OF THIS PROCESS?

A. Yes. The O&M budget is prepared by type of cost element, such as labor, benefits, transportation, rents, office supplies, etc. Within each cost element we budget expenses at the sub-account level. The prior year's actual costs, year-to-date actual costs and budgeted costs for the remainder of the fiscal year are used as guidelines for budgeting by functional managers and officers. The budgets are prepared using a web-based software tool called PlanIt. This tool allows cost center owners to enter their budgets and my department and Division management to review budgets using a number of standard and ad hoc reports.

Q. ARE THESE BUDGETS PREPARED BY FERC ACCOUNT?

A. No. In our experience, FERC accounts do not provide a sufficient level of detail to enable us to understand the costs within each account. For budgeting purposes (and subsequent managing of expenses), we need individualized expense types that relate to the operation of each cost center. FERC accounts do not provide that level of detail. However, when we spend, we do identify our expenditures by FERC account as well as expense type. This provides a timely analysis of the type of charges being expensed by FERC account.

Q. HOW DOES ATMOS CONVERT ITS O&M BUDGET BY COST ELEMENT INTO FERC ACCOUNTS?

A. To convert our budget and forecast to FERC accounts, prior year actual expenditures were downloaded from the general ledger by FERC account and cost element. A calculation was then made to determine within each cost element type the percentage of spending attributable to each FERC account. Each percentage factor was then applied to the fiscal year 2013 budget and test period forecast by cost type to develop a budget and test period forecast by FERC account.

III. O&M CONTROL AND MONITORING

Q. DOES THE COMPANY EMPLOY ANY METHODOLOGY TO MONITOR AND CONTROL O&M ACCORDING TO BUDGETED LEVELS?

A. Yes. Atmos Energy utilizes variance monitoring to ensure financial quality control of O&M expenses by formalizing the analysis of variances by cost type and cost center. On a quarterly basis, we present our Division's actual to budget variances with explanation to the Company's Management Committee, SSU department heads, select Board of Directors members and external auditors at a formal Quarterly Performance Review. The goal is to keep all levels of management informed of our O&M spending in comparison to budgeted amounts, in order to allow management to react to unanticipated events on a timely basis.

Q. ARE O&M VARIANCES EVALUATED MORE FREQUENTLY THAN ON A QUARTERLY BASIS?

A. Yes. My department conducts a thorough review of O&M actual to budget variances each month.

Q. PLEASE DESCRIBE YOUR MONTHLY VARIANCE REVIEW PROCESS.

A. We begin by examining, at the Division level, significant variances by cost type (labor, benefits, materials, rents, etc.). Significant variances are researched until an explanation is found. Reasonable explanations could include events that affected the entire Division or a particular cost center or region. In some cases, clarifying information is sought from cost center owners to explain unusual variances or transactions. For some cost types, clarifying analysis is provided by SSU departments. If errors are found, they are most often corrected in the current month's business. Occasionally, however, errors are discovered after the books are closed, and, depending on materiality, they are corrected in the following month's business.

Q. DOES ANYONE ELSE WITHIN THE DIVISION HAVE THE ABILITY TO MONITOR OR REVIEW O&M VARIANCES?

A. In addition to the research conducted by my department, each cost center owner has the ability to run variance reports throughout the monthly closing process. Because cost center owners are held accountable for significant variances to budget, they conduct their own research and often contact my department when they find errors or have questions about the expenses that were charged to their cost centers.

Q. WHAT CONTROLS AND REPORTING ARE INVOLVED IN THE MONTHLY CLOSE PROCESS REGARDING O&M VARIANCES?

A. Once the monthly books are closed, the SSU Financial Reporting department in Dallas publishes (electronically) the monthly Atmos Energy Financial Package. This package details the financial performance for Atmos Energy at the corporate and division level. For each division, the report includes a comparative income statement, operating statistics (volumes, total spending) page, O&M detail page, balance sheet highlights page and financial highlights page. The financial highlights page reports the Division's monthly and year-to-date (YTD) performance versus budget for net income, gross profit, O&M and capital spending. I provide narrative comments on this page to describe our monthly and YTD variances. Once complete, this Financial Package is available to all Atmos Energy officers and Board members for review and is an official Sarbanes Oxley control document of the Company. Once the package is complete, I complete an online questionnaire generated by our Sarbanes Oxley Compliance Tool certifying that my department has conducted a thorough review of the Division's financial performance and the Financial Package and addressed all matters therein. The Company's external auditors look for this certification as evidence of Sarbanes Oxley compliance.

After meeting the Financial Package control requirement, my department publishes (electronically) detailed O&M reports that include monthly and YTD variances for each cost center and these reports are then made available to each cost center owner and their respective managers (managers, Division Vice Presidents, and the Division President). This activity ensures that each cost center owner receives the same information in the same format each month in a timely fashion in order to make operational decisions and manage our operations effectively and efficiently.

Q. HAS THE O&M VARIANCE MONITORING AND CONTROL PROCESS YOU HAVE DESCRIBED ENABLED KENTUCKY TO OPERATE REASONABLY WITHIN ITS BUDGET EACH YEAR?

A. Yes. As the table below demonstrates, actual O&M expenditures over the past five years have tracked closely to overall budgeted amounts.

Dollars in thousands

Fiscal Year	Actual $	Budget $	Over/(Under) $	Variance %
2012	$23,540	$22,362	$1,178	5.3%
2011	$22,238	$21,635	$603	2.8%
2010	$21,311	$22,487	$(1,176)	(5.2%)
2009	$24,329	$23,445	$884	3.8%
2008	$22,334	$22,268	$66	0.3%

Q. DO YOU HAVE AN OPINION REGARDING THE SIGNIFICANCE OF THE HISTORICAL DATA REFLECTED IN THE TABLE ABOVE?

A. Overall, I believe that these results indicate that we have been successful in our annual budgets in projecting and managing our O&M expense to the extent those expenses are within our control.

Q. WHY IS THAT IMPORTANT?

A. This data demonstrates that the Company's budgeting and control processes I have described form a reasonable basis for purposes of the Company's forecasted test period O&M budget in this rate proceeding.

IV. <u>FORECASTED TEST PERIOD O&M BUDGET</u>

Q. WHAT IS THE FORECASTED TEST PERIOD USED IN THIS RATE APPLICATION?

A. The forecasted test period is December 1, 2013 through November 30, 2014.

Q. HOW WAS THE FORECASTED TEST PERIOD BUDGET DEVELOPED?

A. The basis for the forecasted test period is our FY2013 budget. Consistent with our normal annual budgeting timelines, this budget was prepared during the summer of 2012 and approved by the Board of Directors in September of 2012. This budget was prepared in the manner I described earlier. The forecasted test period includes the last ten months of FY2014 and the first two months of FY2015. I will describe the methodology used for the projection period in detail below. The FY2013 O&M budget and forecasted test period projection were converted into FERC account detail using the method described above.

Q. WHAT ARE THE COMPONENTS OF O&M FOR THE FORECASTED TEST PERIOD?

A. The forecasted test period O&M is comprised of three parts: expenses incurred and booked directly in Kentucky (rate division 009), allocated expenses from the Division General Office (rate division 091), and allocated expenses from SSU (comprised of rate divisions 002 and 012). I will describe the methodology used for the projection for each of the three components.

Q. WHAT COMPRISES THE BASE PERIOD LEVEL OF COST FILED IN THIS RATE APPLICATION?

A. The base period level of cost is August 1, 2012 through July 31, 2013. It is composed of seven months of actual results up through February 2013 and five months of our FY2013 budget.

Q. WHAT IS THE DIRECT O&M FOR THE BASE PERIOD?

A. $13,892,232.

Q. WHAT IS THE DIRECT O&M BUDGET FOR THE FORECASTED TEST PERIOD?

A. $13,685,601.

Q. WHAT IS THE DIFFERENCE BETWEEN THE BASE PERIOD O&M AND TEST PERIOD O&M?

A. The difference is a decrease of $206,631 and reflects adjustments I have made for labor and benefits, rent, other O&M and bad debt.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR LABOR AND BENEFITS.

A. The labor forecast for the forecasted test period is based on the Company's approved FY2013 budget. As part of the normal budgeting process, each employee's total salary, expected capital / expense ratio and expected standby and overtime amounts are included. While there is always a normal level of position vacancy at any given point in time, we strive to fill open positions in a timely manner when and if filling the position is justified by current workload. The base period level of total labor expenditures represents a fully staffed level minus the normal level of vacancies and employee levels are projected to remain relatively constant from the base period to the test period. Base pay increases go into effect each October 1 and averaged 3.0% for the increases that went into effect October 1, 2012. These increases are captured as part of the FY2013 budget. An adjustment was made as part of the forecast to account for an average wage increase of 3.0% to become effective October 1, 2013. The 3.0% is consistent with the average level of increases from the past several years. Overall, labor is projected to increase $300,755 from the base period to the test period. Labor capitalization rates are forecasted by analyzing annual historical patterns and considering known capital and expense initiatives that may alter anticipated rates. The labor capitalization rate in the FY13 budget and test period averages 54% for the year.

Benefits are projected as a fixed benefit load percentage of labor expense plus an amount for workers' comp insurance. The test period benefits expense of $3,161,528 is $294,340 higher than the base period.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO RENT.

A. Unlike other O&M categories that are likely to increase with normal inflation, our building rents are driven by leases already in place and can therefore be projected with a high level of accuracy. The rent portion of the O&M category "Rent, Utilities and Maintenance" was budgeted by reviewing actual lease amounts. Overall, direct Rent, Utilities and Maintenance is projected to increase $1,303 from the base period.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO OTHER O&M.

A. Other O&M consists of all expenses except labor, benefits, rent and bad debt. For the purpose of this rate filing, they are forecasted using a standard inflation factor of 2.70% for the test period. The 2.70% inflation factor is the average inflation rate for the Midwest region over the last three years as reported by the U.S. Department of Labor. One exception, insurance, is escalated at 5%. Increases in the Company's insurance premiums in recent years have been higher than normal inflation levels.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO BAD DEBT

A. Our goal is to keep bad debt no higher than 0.50% of residential, commercial and public authority revenues during any given year. We work vigorously to collect bad debts and reduce the impact of bad debt expense on customers. To arrive at the bad debt projection of $324,479 we simply calculated 0.50% of residential, commercial and public authority revenues from the revenue projection in the direct testimony of Company witness Mr. Mark Martin. This projection is $3,492 lower than the base period.

Q. WHAT IS THE AMOUNT OF THE DIVISION'S GENERAL OFFICE O&M ALLOCATED TO KENTUCKY FOR THE BASE PERIOD?

A. $4,466,231.

Q. WHAT IS THE AMOUNT OF THE DIVISION'S GENERAL OFFICE O&M BUDGET ALLOCATED TO KENTUCKY FOR THE FORECASTED TEST PERIOD?

A. $6,215,385.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE GENERAL OFFICE BASE PERIOD AND FORECASTED TEST PERIOD AMOUNTS.

A. The difference is $1,749,154 and reflects adjustments I have made for labor and benefits, rent and other O&M. The budgeting process and forecast methodologies are identical for both direct O&M and General Office O&M. Therefore, the categories of adjustments made to forecast General Office O&M are also the same as direct.

Q. WHAT IS THE AMOUNT OF SHARED SERVICES O&M ALLOCATED TO KENTUCKY FOR THE BASE PERIOD?

A. $6,410,613.

Q. WHAT IS THE AMOUNT OF THE SHARED SERVICES O&M BUDGET ALLOCATED TO KENTUCKY FOR THE FORECASTED TEST PERIOD?

A. $6,855,965.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE SHARED SERVICES BASE PERIOD AND FORECASTED TEST PERIOD AMOUNTS.

A. The difference is $445,352. The SSU budget is prepared in a fashion consistent with that of the Division. Once the SSU department heads complete, submit and get approval for their budgets, the appropriate level of expenses are allocated to the Kentucky rate jurisdiction per the methodologies described in Mr. Jason Schneider's testimony.

Q. HOW DO YOU MONITOR SHARED SERVICES BILLINGS TO THE DIVISION?

A. Shared Services expense billings are reviewed as part of our monthly close process described earlier. It is my responsibility to contact Accounting in Dallas and obtain an explanation for any significant variances.

Q. WHAT IS THE TOTAL FORECASTED TEST PERIOD O&M THAT RESULTS FROM THE SUM OF THE DIRECT, GENERAL OFFICE AND SSU COMPONENTS?

A. $26,756,951.

Q. DO THE FORECASTED O&M AMOUNTS DISCUSSED IN YOUR TESTIMONY INCLUDE THE RATEMAKING ADJUSTMENTS QUANTIFIED ON SCHEDULE C-2?

A. No. Schedule C-2 contains five ratemaking adjustments.

<u>Adjustment for Owensboro Country Club Expenses</u>

The first adjustment removes $1,531 of Owensboro Country Club expenses from test year distribution operating expense. It is quantified on Schedule F.2.2.

<u>Adjustment for Sales and Promotional Advertising Expenses</u>

The second adjustment removes $72,801 of sales and promotional advertising from test year sales expense. It is quantified on Schedule F.4.

<u>Adjustment for Rate Case Expenses</u>

The third adjustment adds $105,667 to test year administrative and general expense to account for a three-year amortization of the expected expenses pertaining to this case. It is quantified on Schedule F.6.

Adjustment for Expense Report Exclusion

The fourth adjustment removes $61,908 of certain expense report items from test year administrative and general expense. The Company's goal is to ensure that its Kentucky rates rest upon a sound foundation of unquestionable costs. The Company is committed to achieving that goal even if it means foregoing recovery of a certain amount of legitimate business expense in an effort to ensure that there can be no question about what remains. The expense report exclusion adjustment is made to exclude certain cost items of which the Company does not intend to seek recovery from its customers in this case. The excluded amounts are quantified on Schedule F.8 and occur in Kentucky as well as the Division General Office and SSU.

Adjustment for Rental Expense

The fifth adjustment removes certain lease expenses related to properties in Danville and Paducah, Kentucky due to the fact the Company will be purchasing properties in these areas moving forward. These expenses are quantified on Schedule F.9.

Q. DO YOU BELIEVE THAT THE FORECASTED TEST PERIOD O&M BUDGET YOU HAVE PRESENTED IS THE MOST REASONABLE ESTIMATE OF COSTS FOR THE TEST PERIOD USED IN THIS PROCEEDING?

A. Yes. It is the best estimate we have of the Kentucky jurisdiction's future operating and maintenance expenses.

V. DEPRECIATION EXPENSE AND TAXES OTHER THAN INCOME TAX

Q. WHAT IS THE DEPRECIATION EXPENSE FOR THE BASE PERIOD?

A. The amount of depreciation expense for the base period is $14,736,199.

Q. WHAT IS THE DEPRECIATION EXPENSE FOR THE FORECASTED TEST PERIOD?

A. The amount of depreciation expense for the forecasted test period is $16,518,181.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE BASE PERIOD AND FORECASTED TEST PERIOD DEPRECIATION AMOUNTS.

A. Depreciation Rates for the forecasted period are those determined by Company Witness Mr. Dane Watson. For depreciation methodology please refer to Mr. Watson's testimony. The depreciation rates are applied to the applicable categories of plant for the Kentucky jurisdiction as well as the General Office and Shared Services division, resulting in total depreciation expense of $16,518,181. The amounts allocated from the General Office and SSU to Kentucky are based upon the cost allocation methodology more fully described in Mr. Jason Schneider's testimony.

Q. WHAT IS THE EXPENSE LEVEL FOR TAXES, OTHER THAN INCOME TAXES FOR THE BASE PERIOD?

A. $4,346,957.

Q. WHAT IS THE LEVEL OF TAXES, OTHER THAN INCOME TAXES FOR THE FORECASTED TEST PERIOD?

A. $4,662,683.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE BASE PERIOD AND FORECASTED TEST PERIOD BUDGETS.

A. The difference is an increase of $315,726. The components are itemized by type of tax on Schedule C.2.3 F. For all months of the forecasted period (December 1, 2013 – November 30, 2014) payroll taxes have been escalated from FY2013 actuals for the period (December 1, 2012 – February 28, 2013) and approved budgeted amounts for the period (March 1, 2013 – September 30, 2013), to account for planned base pay increases. For the period (October 1, 2014 – November 30, 2014) the amounts have been escalated from actuals from the period (October 1, 2012 – November 30, 2012), to account for planned base pay increases over a two year period. The monthly charge for the Public Service Commission Assessment through June 2014 is based on the estimated payment based on revenues for calendar year 2013. The monthly ad valorem accrual reflects actuals from the period (August 1, 2012 – February 28, 2013) and remaining base period months reflects budgeted FY2013 monthly payments of $261,668. The Company's FY2014 budget is not yet constructed but the Company's tax department has estimated these monthly ad valorem payments using FY2013 budget as base. The monthly accrual has been escalated approximately 5% each calendar year, as these payments are made on a calendar basis. That monthly accrual has been escalated by 5% for the second half of the test period. The DOT transmission user tax has been held constant from the base period. The amount of taxes allocated from the Division General Office and SSU is based on the allocation methodologies discussed in the Cost Allocation Manual attached to Mr. Jason Schneider's testimony.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2013-00148
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Joshua C. Densman, 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. 2013-00148, 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.

Joshua C. Densman

Joshua C. Densman

STATE OF Tennessee

COUNTY OF Williamson

SUBSCRIBED AND SWORN to before me by Joshua C. Densman on this the 2nd day of May, 2013.

Pamela Pleasant

Notary Republic

My Commission Expires: May 3, 2016

PAMELA PLEASANT STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY, TENN.

O&M by Cost Element

	Kentucky			SSU			Division General Office			Total		
	Base	Test	Difference	Base	Test	Difference	Base	Test	Difference	Base	Test	Difference
Labor	5,038,595	5,339,350	300,755	3,077,651	3,543,588	465,937	883,870	1,271,963	388,093	9,000,116	10,154,900	1,154,785
Employee Welfare	95,062	101,270	6,207	1,306,604	1,404,658	98,055	520,555	514,953	(5,602)	1,922,220	2,020,881	98,661
Benefits	2,867,188	3,161,528	294,340	1,337,487	1,402,740	65,253	524,146	961,725	437,579	4,728,821	5,525,993	797,172
Insurance	102,547	83,798	(18,748)	834,460	835,949	1,490	113,874	184,694	70,821	1,050,880	1,104,442	53,562
Rent, Maint., & Utilities	606,308	607,611	1,303	390,355	434,195	43,840	169,601	190,738	21,137	1,166,265	1,232,544	66,280
Vehicles & Equip	892,150	969,821	77,671	5,134	5,840	706	33,447	47,739	14,292	930,730	1,023,400	92,669
Materials & Supplies	569,915	548,293	(21,622)	36,054	42,112	6,058	105,196	137,641	32,445	711,165	728,046	16,881
Information Technologies	19,811	9,217	(10,594)	702,662	807,521	104,858	51,816	68,005	16,188	774,290	884,742	110,452
Telecom	170,791	152,640	(18,151)	117,721	131,674	13,953	208,859	291,317	82,458	497,371	575,631	78,260
Marketing	127,925	127,338	(587)	22,400	23,806	1,405	128,862	152,751	23,889	279,187	303,894	24,707
Directors & Shareholders &PR	173	-	(173)	236,878	280,098	43,220	-	-	-	237,051	280,098	43,047
Dues & Donations	43,002	42,502	(500)	16,933	21,102	4,169	107,642	139,778	32,136	167,577	203,382	35,805
Print & Postages	13,884	14,979	1,095	12,386	14,610	2,224	8,145	12,006	3,861	34,415	41,595	7,179
Travel & Entertainment	237,783	240,543	2,760	140,950	163,977	23,026	187,700	261,046	73,346	566,434	665,566	99,132
Training	9,331	10,050	720	59,569	65,377	5,808	28,155	37,685	9,530	97,055	113,112	16,057
Outside Services	2,579,306	1,845,319	(733,987)	613,951	657,892	43,941	1,461,481	1,909,884	448,403	4,654,738	4,413,095	(241,643)
Provision for Bad Debt	327,970	324,479	(3,492)	-	0	-	(104)	-	104	327,867	324,479	(3,388)
Miscellaneous	190,491	106,866	(83,625)	(2,500,583)	(2,979,175)	(478,593)	(67,014)	33,460	100,474	(2,377,105)	(2,838,849)	(461,744)
Total O&M Expenses	**13,892,232**	**13,685,601**	**(206,631)**	**6,410,613**	**6,855,965**	**445,352**	**4,466,231**	**6,215,385**	**1,749,154**	**24,769,077**	**26,756,951**	**1,987,874**
RateMaking Adjustments:												
Advertising Adjustments		(72,801)	(72,801)			-			-		(72,801)	(72,801)
Club Expenses		(1,531)	(1,531)								(1,531)	(1,531)
Expense Report Exclusions		(16,474)	(16,474)		(17,182)	(17,182)		(28,252)	(28,252)		(61,908)	(61,908)
Leases		(28,687)	(28,687)								(28,687)	(28,687)
Rate Case Amortization		105,667	105,667			-			-	-	105,667	105,667
Grand Total	**13,892,232**	**13,671,774**	**(220,459)**	**6,410,613**	**6,838,783**	**428,170**	**4,466,231**	**6,187,133**	**1,720,902**	**24,769,077**	**26,697,690**	**1,928,613**

WALLER, G. K.

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

APPLICATION OF ATMOS ENERGY	)	
	)	
CORPORATION FOR AN ADJUSTMENT	)	**Case No. 2013-00148**
	)	
OF RATES AND TARIFF MODIFICATIONS	)	

<u>TESTIMONY OF GREGORY K. WALLER</u>

I. <u>INTRODUCTION</u>

Q. PLEASE STATE YOUR NAME, JOB TITLE AND BUSINESS ADDRESS.

A. My name is Gregory K. Waller. I am Manager, Rates and Regulatory Affairs with Atmos Energy Corporation ("Atmos Energy" or "Company"). My business address is 5420 LBJ Freeway, Ste. 1600, Dallas, Texas 75240.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND PROFESSIOANL EXPERIENCE?

A. I received a Bachelor of Arts degree in economics from Dartmouth College in 1994 and an MBA degree from the University of Texas in 2000. I worked as a management consultant from 1994 to 2003 at Harbor Research in Boston, MA (1994-1996) and Towers Perrin in Dallas, TX (1997-2003). I joined Atmos Energy in 2003 in the Planning and Budgeting Department in Dallas. In November of 2005 I became Vice President of Finance for the Kentucky/Mid-States Division, which includes the Company's regulated Kentucky operations. I assumed my current role in Dallas, TX in July 2012.

Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER REGULATORY COMMISSION?

A. Yes. I testified before the Tennessee Regulatory Authority in 2006 and the Georgia Public Service Commission in 2008, 2009 and 2011. I also submitted direct testimony in the Company's rate proceedings in Kentucky (2006 and 2009), Tennessee (2007, 2008 and 2012), and Virginia (2008 and 2009).

Q. WHAT IS THE SCOPE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am responsible for the calculation of the Company's revenue deficiency, rate base and proposed capital structure and embedded cost of debt in this rate proceeding and in that regard I am sponsoring the following Filing Requirements (FR):

FR 16 (11) (c)	Capitalization and net investment rate base
FR 16 (11) (f)	Reconciliation of the rate base and capitalization
FR 16 (12) (h)	(1) Operating Income Statement; (2) Balance Sheet; (3) Statement of Cash Flows; (4) Revenue Requirements; (11) Capital Structure Requirements; and (12) Rate Base
FR 16 (13) (a)	Derivation of the requested revenue increase (Schedule A)
FR 16 (13) (b)	Rate base summary for the base and test period (Schedule B)
FR 16 (13) (e)	Jurisdictional federal and state income tax summaries
FR 16 (13) (h)	Computation of gross revenue conversion factor

FR 16 (13) (i)	Comparative income statements, revenue and sales statistics
FR 16 (13) (j)	Cost of capital summary
FR 16 (13) (k)	Comparative financial data

Q. ARE YOU SPONSORING ANY SCHEDULES IN CONNECTION WITH YOUR TESTIMONY?

A. Attached to my testimony is Exhibit GKW-1 which provides the composite factors used to allocate common costs for the purpose of the test period in this rate proceeding.

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

A. Yes.

Q. WHAT IS THE SOURCE OF THE DATA USED TO COMPLETE THE FILING REQUIREMENTS THAT YOU ARE SPONSORING?

A. The source of the data includes the accounting books and records of the Company which are being sponsored by Company witness Mr. Jason Schneider along with information provided by the following witnesses to this proceeding: Mr. Earnest Napier (capital budget additions); Mr. Josh Densman (operating expense forecast); Mr. Mark Martin (revenue, gas cost and margin forecast; sales statistics); and Dr. James Vander Weide (cost of equity).

The detail concerning how this information was derived is found in the testimony of these witnesses. The data and information provided by these witnesses is the best available information and was developed consistent with sound ratemaking practices. Further, the methods that I used to determine the Company's revenue requirement and rate base in this docket are consistent with the Company's approach in prior cases before this Commission and with past Commission practice.

II. REVENUE DEFICIENCY

Q. WHAT IS THE AMOUNT OF ATMOS ENERGY'S REVENUE DEFICIENCY?

A. The amount of revenue deficiency Atmos Energy seeks to recover in its proposed rates is $13,367,575 as shown on line 8 of Schedule A. This deficiency is based on the forecasted test period twelve months ended November 30, 2014, an average rate base of $252,914,292 and a required rate of return on rate base of 8.53%. The required return and projected capital structure are presented in FR 16 (13) (j).

Q. WHAT IS THE SOURCE OF FORECASTED TEST PERIOD ADJUSTED OPERATING INCOME OF $13,460,079 SHOWN ON SCHEDULE A, LINE 2?

A. The forecasted test period adjusted operating income is determined in Schedule C using inputs discussed in the testimony of Company witnesses Mark Martin and Josh Densman.

III. RATE BASE

Q. HOW DID YOU DETERMINE THE LEVEL OF RATE BASE FOR THE TEST PERIOD?

A. The test period rate base of $252,914,292 is summarized in Schedule B-1, and detailed in Schedules B-2 through B-6. Each component of the test period rate base is a thirteen month average forecasted amount, unless noted otherwise. The components of rate base are: net plant in service, construction work in progress, cash working capital calculated using the 1/8 operation and maintenance expense method, plus an allowance for other working capital items consisting of materials and supplies, gas stored underground, and prepayments, less customer advances for construction and deferred income taxes.

Q. HOW WAS THE TEST YEAR GROSS PLANT IN SERVICE PROJECTED?

A. I began with actual per books gross plant as of February 2013 including allocations of shared plant as discussed by Mr. Schneider in his testimony. I used the capital spending projection for March - September 2013. For the months of fiscal year 2014 (October 2013 through September 2014) and the months of October and November 2014, I added plant additions in amounts 5% greater than the previous year's forecast to reflect the expected growth in spending consistent with the company's five year plan. Projected plant retirements were generally based on the level of retirements recorded in fiscal years 2012 and 2013. Routine retirements in each forecasted month of fiscal 2013 and 2014 were projected to continue at the same level in the same month in future years. The notable exceptions to this methodology are: 1) the handling of the Company's legacy billing system, which will be retired at the same time the Company's new Customer Service System (CSS) is placed in service in May 2013, and 2) incremental investments in system improvements, structures and wireless meter reading, the merits of which are discussed in the testimony of Mr. Napier.

Q. HOW WAS THE TEST YEAR ACCUMULATED DEPRECIATION PROJECTED?

A. I began with actual per books accumulated depreciation as of February 2013 including allocations as discussed by Mr. Schneider in his testimony. For the months of March 2013 through the end of the test year, I added budgeted or projected depreciation and deducted the same retirements that were projected for gross plant.

Q. HOW DID YOU DETERMINE THE AMOUNT OF TEST YEAR CONSTRUCTION WORK IN PROGRESS TO INCLUDE IN RATE BASE?

A. I began with actual per books construction work in progress as of February 2013 including allocations. I reduced that amount to exclude the allowance for funds used during construction on projects on which it was recorded. I concluded that the February 2013 construction work in progress balances were reasonable estimates of future construction work in progress balances through the forecasted test year. By leaving the amount of construction work in progress level through the end of the test year I in effect assumed that projected capital projects would be closed to gross plant at the same rate at which capital costs were incurred and booked to construction work in progress. The notable exception to this methodology is the handling of the Company's new billing system, which will be removed from CWIP and placed into plant in service in May 2013.

Q. HOW WAS THE TEST YEAR AMOUNT OF MATERIAL AND SUPPLIES DETERMINED?

A. I calculated the 13 month average amount of materials and supplies in the forecasted test period using actual amounts booked in the prior year through January 2013. The Company does not anticipate a significant change in the amount of materials and supplies in the test year. The calculation method maintains the historic level of materials and supplies while smoothing out any historic month to month fluctuations.

Q. HOW WAS THE AMOUNT OF GAS IN STORAGE DETERMINED?

A. The projected amount of gas in storage is discussed in Mr. Martin's testimony.

Q. HOW WAS THE TEST YEAR AMOUNT OF PREPAYMENTS DETERMINED?

A. I calculated the 13 month average amount of prepayments in the forecasted period based on actual amounts booked in prior fiscal years. The number of historical periods used in the calculation varied from 1 to 4 years as determinations were made as to when the average balances became representative of the Company's expectations for the current period. The Company has no expectation that these amounts will change materially in the test year.

Q. HOW DID YOU PROJECT THE AMOUNT OF TEST YEAR CUSTOMER ADVANCES FOR CONSTRUCTION?

A. I calculated the amount of customer advances in the forecasted test period based on the average of actual amounts booked in the base period from July 2012 to February 2013. The Company does not anticipate a significant change in the amount of customer advances in the test year. The calculation method maintains the historic level of customer advances while smoothing out any historic month to month fluctuations.

Q. DOES THE COMPANY'S RATE FILING REFLECT A PROJECTION OF ACCUMULATED DEFERRED INCOME TAX (ADIT)?

A. Yes. The Company's income tax department provided a projection of ADIT for purposes of this filing.

Q. WERE ANY ITEMS EXCLUDED FROM THE ADIT PROJECTION?

A. Yes. Beginning April 1, 2013, within the base period, the projection excludes any estimated amount for over/under recovery of gas cost in order to normalize the tax effect of over/under recovery of gas cost to zero. In addition, the base and test period forecast excludes the net operating loss carry forward balance attributable to the Company's unregulated business.

Q. DID YOU INCLUDE CUMULATIVE PIPE REPLACEMENT PROGRAM (PRP) INVESTMENT IN THE TEST YEAR RATE BASE AND REVENUE REQUIREMENT?

A. Yes, as required by the PRP tariff, the impact of the Company's Pipe Replacement Program (PRP) investment is included throughout the filing and reflected in the total revenue requirement of $13,367,575 proposed by the Company.

Q. HOW DO YOU PROPOSE TO HANDLE THE AUGUST 2013 PRP FILING TO AVOID OVER-RECOVERY OF FISCAL YEAR 2014 PRP INVESTMENT?

A. The Company's annual August PRP filing normally includes PRP investment that is forecasted to be spent between October 1 and September 30 following the August filing. The forecasted test period rate base in this case includes actual and forecasted PRP investment that the Company will make thorough September 30, 2014. The amount of PRP investment forecasted to be spent from October 1, 2013 to September 30, 2014 is $20 million, which is built into the rate base and revenue requirement of this proceeding.

The Company plans to file its August 2013 PRP filing as scheduled. That filing will include the typical project-level detail for the annual PRP plan and will total the same $20 million that is included in this proceeding. The PRP surcharge rate schedule that results from the August filing will become effective on October 1 as scheduled and will be replaced by the rate schedule that results from this proceeding at the time the Commission authorizes the Company to implement rates from this proceeding. Because the rates resulting from this proceeding are based upon the Company's cumulative cost of service, including the $20 million of forecasted PRP investment from October 1, 2013 – September 30, 2014, the Company ensures that it earns a return on that $20 million of PRP investment once and only once. Furthermore, by only including PRP investment through

September 30, 2014 (two months short of the end of the test period in this proceeding) the Company can make its August 2014 PRP filing (which will include PRP investment forecasted for October 1, 2014 to September 30, 2015) as scheduled and not disrupt the annual timeline for PRP filings.

IV. CAPITAL STRUCTURE AND COST OF DEBT

Q. HOW IS ATMOS ENERGY ORGANIZED?

A. Atmos Energy conducts its utility operations in eight states through unincorporated operating divisions. The Company division for which rates are sought to be adjusted in this proceeding is commonly referred to as the Kentucky/Mid-States Division.

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

A. No. These divisions, including the Kentucky/Mid-States Division, are not separate legal entities. Instead, these unincorporated divisions collectively comprise the legal entity that is Atmos Energy Corporation. Therefore, all debt or equity funding of the operations performed by the utility divisions must be (and is) issued by Atmos Energy Corporation 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 16 (13) (j). As shown in that FR, long-term debt comprises 48.2% and equity is 51.8% 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 MARCH 31, 2013?

A. As reported on the Company's quarterly report on Form 10-Q filed with the Securities and Exchange Commission for the quarter ended March 31, 2013, Atmos Energy's capital structure and ratios excluding short term debt were as follows ($ in thousands):

Long-Term Debt	Shareholders' Equity	Total
$2,455,514	$2,543,470	$4,998,984
49.1%	50.9%	100%

Q. PLEASE SUMMARIZE YOUR DISCUSSION ON CAPITAL STRUCTURE.

A. Atmos Energy's actual capital structure excluding short term debt as of March 31, 2013 consisted of 49.1% long-term debt and 50.9% shareholders' equity. The long-term debt percentage is projected to fall to 48.2% for the forward-looking test period because the Company will continue to increase shareholders' equity by issuing common stock from its various stock plans and by generating earnings in excess of dividends paid. The 48.2% long-term debt and 51.8% shareholders' equity capital structure advocated by the Company in this proceeding is consistent with stated strategy and is realistic and achievable.

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

A. As shown in FR 16 (13) (j), the Company's weighted average cost of long-term debt for the base period in this case is 6.39%. However, I do not recommend that the Commission adopt 6.39% 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 November 30, 2014, which is the end of the forecasted test period used in this proceeding. FR 16 (13) (j) shows that at November 30, 2014, the Company's projected cost of long-term debt capital will be 6.19% based on the components of total long term debt that are forecasted to be in place at that time. I recommend that the Commission adopt that as the weighted average cost of long-term debt capital for use in this proceeding. This weighted average cost 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.

V. CONCLUSION

Q. DID YOU PREPARE A RECONCILIATION OF TEST YEAR RATE BASE AND CAPITALIZATION?

A. Yes. To comply with section 16(11)(f) of 807 KAR 5001, I prepared the reconciliation in Schedule FR 16(11)(f). It shows the differences between the test year average rate base and test year end capital that result from using 13 month averages in rate base, certain balance sheet items not being included in rate base and amounts included in rate base for particular categories that differ from the amount included on the balance sheet.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2013-00148
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Gregory K. Waller, 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. 2013-00148, 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.

Gregory K. Waller

Gregory K. Waller

STATE OF Texas

COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Gregory K. Waller on this the 8th day of May, 2013.

NOTARY PUBLIC
STATE OF TEXAS
PAMELA L. PERRY
My Commission Expires
October 29, 2016

Pamela L. Perry

Notary Republic

My Commission Expires: 10-29-16

ATMOS ENERGY CORPORATION
Allocation of Atmos Corporate (Co. # 10) Cost Based on 12 Month Period Ended 9/30/12

TEST PERIOD ALLOCATION FACTORS

Component	Total	West Tex Div	CO/KS Div	LA Div 007	LA Div 077	Kentucky/ MidStates Div	Mississippi Div	Mid-Tex Div	Atmos P/L	AEM	UCG Storage	WKG Storage	TLGP	Remaining non reg
Gross Direct PP&E	7,202,161,629	503,797,717	465,694,921	178,307,236	494,319,819	838,070,385	435,562,797	2,909,762,764	1,280,759,006	34,833,511	8,527,188	14,323,414	23,453,871	14,749,000
Number of Customers	3,029,054	297,023	240,328	73,346	270,431	326,604	248,848	1,570,999	350	1,118			7	0
Total O&M Expense *	341,235,989	27,206,253	23,712,916	10,289,511	22,111,378	37,120,535	31,477,148	98,525,278	62,992,567	21,890,853	378,612	368,688	1,288,914	3,873,339
(* before Allocations)														
Gross Direct PP&E	100.00%	6.99%	6.47%	2.48%	6.86%	11.64%	6.05%	40.40%	17.78%	0.48%	0.12%	0.20%	0.33%	0.20%
Number of Customers	100.00%	9.81%	7.93%	2.42%	8.93%	**10.78%**	8.22%	51.86%	0.01%	0.04%	0.00%	0.00%	0.00%	0.00%
Total O&M Expense	100.00%	7.96%	6.95%	3.02%	6.48%	10.88%	9.22%	28.87%	18.46%	6.42%	0.11%	0.11%	0.38%	1.14%
Total Composite Factor for FY 2013 and Test Period	100.00%	8.25%	7.12%	2.64%	7.42%	**11.10%**	7.83%	40.38%	12.08%	2.31%	0.08%	0.10%	0.24%	0.45%

Atmos Energy Corporation
Atmos Energy Mid States Div
Development of Test Period Allocation Factors
Cost Based on 12 Month Period Ended 9/30/12

Div #	Division Name	Sept ' 12 Direct Property Plant & Equipment	Percent of MidStates Property	YE Sept '12 Total O &M w/o 922	Percent of MidStates O&M	YE Sept '12 Avg Number of Customers	**Customer Factor**	**Composite Factor**
		(1)	(2)	(3)	(4)	(5)	(6)	**(7)**
Test Period								
09	**KENTUCKY**	370,136,905	**44.49%**	13,360,391	**52.48%**	173,235	**53.04%**	**50.00%**
93	TENNESSEE	392,712,163	47.20%	9,172,088	36.03%	130,871	40.07%	41.10%
96	VIRGINIA	69,120,221	8.31%	2,925,759	11.49%	22,498	6.89%	8.90%
	Total	831,969,289	100%	25,458,238	100%	326,604	100%	100%

NAPIER, E. B.

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

APPLICATION OF ATMOS ENERGY CORPORATION FOR AN ADJUSTMENT OF RATES AND TARIFF MODIFICATIONS	)))))	**DOCKET NO. 2013-00148**

<u>TESTIMONY OF EARNEST B. NAPIER, P.E.</u>

I. <u>INTRODUCTION</u>

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

A. My name is Earnest B. Napier. I am Vice President Technical Services of the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos Energy" or "Company"). My business address is 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067-6226.

II. <u>SUMMARY OF TESTIMONY</u>

Q. PLEASE BRIEFLY SUMMARIZE THE TESTIMONY YOU INTEND TO GIVE IN THIS MATTER.

A. In my testimony, I will describe Atmos Energy's budgeting process for capital expenditures ("Capex"). My testimony will describe how the Company decides upon and prioritizes its capital expenditures. Specifically, I will discuss the Company's budget for capital expenditures relating to Kentucky for the test period and as forecast for future years.

III. <u>WITNESS QUALIFICATIONS</u>

Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree in Civil Engineering from The University of Tennessee in 1982. I am a Registered Professional Engineer in the states of Tennessee, Missouri and Kansas. I have been employed in the utility industry since 1977, predominantly in the natural gas distribution field. I have been employed by Atmos Energy Corporation for over thirty (30) years. During my time at Atmos Energy Corporation, I have held several different engineering related positions. I was named Vice President Technical Services for the Kentucky/Mid-States Division in July of 2007.

Q. WHAT ARE YOUR RESPONSIBILITIES AS THE VICE PRESIDENT TECHNICAL SERVICES?

A. I have overall responsibility for decision-making related to technical operations. This includes engineering and system design, safety, compliance, procurement, environmental, measurement, communications, technological infrastructure, and storage operations. I also sponsor Atmos Energy's Compliance Committee and am a member of the Atmos Energy's Utility Operations Council, which sets the Company's standard practices and procedures for construction, maintenance and service. In addition, I participate in the development of the Division's (including Kentucky) annual capital budget and monitoring capital budgetary compliance. In this regard, it is my role to ensure that the Company's investment in new plant and equipment in Kentucky is targeted toward meeting the important goals of public safety, system reliability and efficiency.

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

A. Yes. I submitted testimony before the Commission in Docket No. 2009-00354.

Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE ANY OTHER REGULATORY COMMISSIONS OR AUTHORITIES?

A. Yes, I have submitted written and / or oral testimony before the Georgia Public Service Commission in Docket Numbers 27163, 27168, 29554 and 30442. I have also submitted written and / or oral testimony before the Tennessee Regulatory Authority in Docket Numbers 07-00251 and 12-00064.

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

A. I am sponsoring the following filing requirements:

FR 16(12)(b)	Kentucky's most recent capital construction budget containing four fiscal years of construction expenditures.
FR 16(12)(c)	A complete description of all factors used in preparing Kentucky's capital construction budget.
FR 16(12)(f)	Detailed information for each major construction project constituting more than five percent (5%) of the annual construction budget within the three (3) year forecast.
FR 16(12)(g)	Detailed information for the aggregate of construction projects constituting less than five percent (5%) of the

annual construction budget within the three (3) year forecast.

FR 16(12)(t) List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with this application.

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

A. Yes.

IV. CAPITAL BUDGETING PROCESS

Q. WHAT ARE THE OBJECTIVES OF THE COMPANY'S CAPITAL BUDGETING PROCESS?

A. The objectives of the Company's capital budgeting process are to:

(1) Formalize the process of identifying construction needs and prioritizing capital expenditures;

(2) Assess the economic feasibility of individual construction projects;

(3) Determine overall capital requirements for the planning periods;

(4) Reassess long term system maintenance requirements annually; and

(5) Review past construction projects and work practices, and apply procedural improvements as appropriate.

Q. PLEASE DESCRIBE THE PLANNING AND BUDGET PROCESS FOR THE COMPANY'S CAPITAL CONSTRUCTION PROGRAM.

A. The Company plans its capital expenditures over five fiscal years, with a focused emphasis on the first year of that five-year period. We normally begin this process during our third fiscal quarter (April-June) of each year, some 4 to 5 months prior to the beginning of the next fiscal year. The process is initiated within the Division by a request from my office for a "bottom-up" submission of projects from our operations supervisors and operations managers in Kentucky. All proposed projects, vehicles, and equipment must be identified at a high level by need and cost, and all budgets are prepared based upon meeting the five objectives described above. The proposed projects, vehicles, and equipment are reviewed by Kentucky/Mid-States Division's regional vice presidents of operations for collaborative agreements between the regional vice presidents, operations managers, and myself.

After review, additional information is requested for projects that are determined to be the most eligible for funding and more detailed documentation is requested from the operations and technical services managers on those particular projects. The process is largely complete by late June when projects are entered into the Atmos Energy capital budget system (PlanIt), although finalization of capital expenditures is not completed until late August. During this time, the agreed-to projects have been further substantiated to ensure they meet the appropriate financial criteria and the stated objectives.

The final proposed budget must be reviewed by the Division's senior management, including the Division President. Additional reviews are performed by corporate executive operations management and their staff. High level reviews of the division budgets are also performed by the Company's senior executives who are presiding members of the Company's Management Committee. The Capex budget for Kentucky is not officially approved until it, as part of the Company's total Capex budget, is presented to the Company's Board of Directors in September of each year. Upon this approval, all approved projects are transferred into the Atmos Energy capital tracking system (POWERPLANT) and are ready for appropriation.

Q. HOW DOES ATMOS PRIORITIZE ITS CAPITAL EXPENDITURES?

A. Our priorities for capital expenditure, listed in order of importance, are:

1. Public Safety
2. System Capacity and Reliability
3. Customer Growth
4. Facilities Maintenance
5. Public Works, and
6. Support of Long Term Technological Programs.

Q. WHAT FINANCIAL CRITERIA ARE THE MOST SIGNIFICANT IN APPROVING A PROJECT DURING THE CAPITAL BUDGETING PROCESS?

A. We begin work with an overall capital spending goal which we try to work within, although variations are permitted if justified. We also use key investment criteria to evaluate projects. Any expenditure above targeted levels must be justified. Individual projects, and our construction program as a whole, are assessed on the basis of their return on investment, return on equity, cost of capital, cash flow, new business forecasts, and various capital overheads such as labor, benefits, and inflation.

Q. MUST ALL PROJECTS MEET THE SAME FINANCIAL CRITERIA?

A. No. We separate projects into growth and non-growth capital expenditures. Growth projects are revenue-producing investments for which we can identify a stream of revenues, cash flow, return, payback and other standard investment criteria. Non-growth capital expenditures involve system integrity, equipment, structures, pipeline integrity, system maintenance and reliability projects which are evaluated on a cost/benefit basis. We endeavor to keep our annual non-growth capital expenditures below the level of depreciation. Since these expenditures do not have an associated stream of revenues, our goal is to fund these expenditures through internal financial cash flow. Obviously, there are certain non-growth expenditures which do not impact public safety that can be scheduled into our five-year investment program to ensure that we properly maintain our system while still operating within overall cash flow constraints. Expenditures which impact public safety have always had and will continue to have the highest priority. We take our obligation to build and operate a safe and reliable gas system very seriously. Finally, there are also a number of projects we must fund over which we have little control as to timing, such as public works projects and highway relocations.

Q. HOW CAN THE COMPANY JUSTIFY ADDITIONAL EXPENDITURES BEYOND ITS REGULAR CAPITAL BUDGET PROJECTIONS?

A. The Kentucky/Mid-States Division can secure additional funding through Atmos Energy if we can demonstrate that we have potential investments which compare more favorably to competing expenditures in other Atmos Energy business units and are, therefore, more worthy of immediate funding from a purely financial standpoint. Expenditures that impact public safety or compliance projects have the highest priority and are considered mandatory capital projects. Unbudgeted expenditures greater than twenty-five thousand dollars must be reviewed by the Division's senior management, including the Division President. If applicable, high-level reviews of unbudgeted expenditures also are performed by the Company's senior executives, who are presiding members of the Company's Management Committee.

Q. HOW IS THE SHARED SERVICES CAPITAL BUDGET DEVELOPED?

A. The Shared Services ("SSU")[1] capital budget is developed using similar methods and processes employed for the Division's Capital expenditure budget which I have previously described.

V. <u>CONTROL & MONITORING OF CAPITAL EXPENDITURES</u>

Q. WHAT ARE THE GOALS OF THE COMPANY'S PROCESS OF CONTROLLING AND MONITORING CAPITAL EXPENDITURE VARIANCES?

A. Variances from budgeted amounts are inherent in the process of making capital expenditures. Our variance monitoring process exists to institute financial quality

[1] Atmos Energy's Shared Services includes the Shared Services General Office (Division 02) and the Shared Services Customer Service Organization (Division 12).

control by formalizing the analysis of variances by responsibility center in a process that identifies year-to-date spending variances by project. These reports are received and reviewed every month at the business unit level and on a quarterly basis at the corporate level. The goal is to keep all levels of management informed of spending by category or project relative to budgeted levels and to ensure that corrective action is initiated on a timely basis. This supports decision-making related to the cost and appropriate management of current and future capital projects.

Q. PLEASE DESCRIBE THE COMPANY'S PROCESS FOR CONTROLLING AND MONITORING CAPITAL EXPENDITURE VARIANCES.

A. The Company's process for controlling and monitoring capital expenditure variances is utilized by each operating division as well as by Shared Services. At the division level the Company's capital budgeting system maintains projects in two broad categories – Blanket Functionals and Specific Projects. The Blanket Functionals include total capital authorizations of a similar type such as new services, leak repair, short main replacements, small integrity/reliability projects, etc. Specific projects are uniquely identified such as a specific highway relocation project, replacement of work equipment, or some larger significant integrity/reliability project.

Once a project has been entered in the capital budget system a request for authorization may be submitted. Projects are then monitored to ensure they stay within budgeted levels. If during the course of a project, field management identifies that the costs of the project will exceed approved amounts, a request for supplemental funding may be submitted. All expenditures above authorized appropriation, as well as expenditures for unbudgeted projects or variances on budgeted and approved projects, must be approved at the appropriate levels within the Company.

Each month, various project variance reports are published. Each budget center manager is responsible and held accountable for managing their overall approved capital budget.

VI. TEST PERIOD CAPITAL PROJECTION

Q. WHAT IS THE FORECASTED TEST PERIOD USED IN THIS RATE APPLICATION?

A. The forecasted test period is December 1, 2013 through November 30, 2014. This represents 10 months of Kentucky's fiscal year 2014 (FY2014) and 2 months of Kentucky's fiscal year 2015 (FY2015).

Q. WHAT IS THE FORECASTED TEST PERIOD CAPITAL PROJECTION?

A. The forecasted test period capital projection is $44.22 million which is comprised of three components – the direct capital spending for Kentucky for the forecasted test period, the amount allocated to Kentucky resulting from capital spending by the Kentucky/Mid-States Division's general office and the amount allocated to Kentucky resulting from capital spending by the SSU during the forecasted test period. The amounts which are projected to be closed to plant and comprising additions to SSU rate base are sponsored by Company witness Mr. Gregory

Waller. The methodology for allocating SSU and the Division general office rate base amounts to Kentucky is described in the testimony of Company witness Mr. Jason Schneider.

a. <u>Kentucky Direct Capital</u>

Q. WHAT KEY PRIORITIES ARE MET THROUGH THE KENTUCKY DIRECT CAPITAL BUDGET?

A. System improvement, pipeline integrity, and system integrity investments focus on customer safety and system reliability and are our highest priorities for capital budgeting. The next priority is public improvements and state and local public works projects such as highway relocations. The next priority is customer growth. Atmos Energy continues to build good working relationships with developers, economic development boards, and growing communities to meet the needs of the customer and to accommodate customer growth on its system. Next in order of priority, a modern fleet of vehicles and equipment (backhoes, safety equipment, ditchers, first responder equipment, air compressors, welding machines, etc.) allows us to maintain our system and continue to provide a reliable level of service to our customers. To enhance the level of customer service provided in the field, we also continue to make investments in new technology. Technology is a strategic investment that will enable us to continue improving our business processes, hold down operating costs, and meet the changing expectations of our customers.

Q. HOW WAS KENTUCKY'S DIRECT CAPITAL BUDGET FOR THE FORECAST PERIOD DEVELOPED?

A. We relied upon the FY2013 capital projections as a baseline for projecting detailed FY2014 through FY2015 capital expenditures for purposes of the test period in this rate application. I also prepared fiscal year capital budget estimates for FY2016.

Q, WHAT IS KENTUCKY'S FY2013 DIRECT CAPITAL PROJECTION?

A. Kentucky's FY2013 direct capital projection is $33.85 million.

Q. WHAT IS KENTUCKY'S ESTIMATED FY2014 DIRECT CAPITAL PROJECTION?

A. The FY2014 direct capital projection for Kentucky is $43.87 million.

Q. WHAT IS KENTUCKY'S FY2015 DIRECT CAPITAL PROJECTION AS FORECASTED IN THE FIVE YEAR PLANNING PROCESS?

A. Kentucky's FY2015 direct capital budget is forecasted at $46.06 million.

Q. HOW DID YOU ADJUST KENTUCKY'S FY2013 CAPITAL PROJECTIONS IN ORDER TO PREPARE THE ESTIMATED FY2014 CAPITAL BUDGET?

A. The projected cost of capital projects for FY2013 was used as a baseline. Five percent was added to FY2013 capital projection to develop the estimated FY2014 capital budget. Additional known capital projects were also included in the FY2014 estimated capital budget.

Q. WHAT SIGNIFICANT CAPITAL PROJECTS ARE INCLUDED IN THE FY2014 ESTIMATED CAPITAL BUDGET THAT ARE NOT A PART OF THE 2013 KENTUCKY DIRECT CAPITAL BUDGET?

A. There are two significant capital projects we have budgeted for in FY2014 that are not part of the 2013 Kentucky direct capital budget. One project is the Wireless Meter Reading project (WMR) and the other is the Hopkinsville System Improvement project. Both of these projects will improve safety and reliability.

Q. PLEASE DESCRIBE THE WIRELESS METER READING (WMR) PROJECT.

A. The WMR project involves the installation of 20,000 endpoints in certain Atmos Energy locations within Kentucky. Atmos Energy will implement installation targeting locations where the Company is utilizing contract meter readers, locations where there will be a reduction in our work force due to retirements and relocation, and areas where meter reading is costly due to time per read. By targeting these high-cost locations Atmos Energy aims to reduce O&M expenses over time in several ways through the WMR project. The automated process of WMR allows the human error factor to be removed, and the more accurate readings result in fewer calls to the call center, fewer re-read requests and fewer billing adjustments resulting from manual meter reading errors. Additionally, the meter reading position experiences the highest number of worker's compensation injuries of any position in the Company. Reducing this exposure lowers the Company's lost time injuries and worker's compensation expenses. Over time, as vacancies in other positions occur, the meter readers are trained to perform these duties thereby reducing the total number of employees needed in an operation.

Q. PLEASE DESCRIBE THE HOPKINSVILLE SYSTEM IMPROVEMENT PROJECT.

A. The project involves the system improvement of 12,000 feet of line stretching from Town Border Station #1 (TBS #1) to and along Pembroke Road to increase the maximum allowable operating pressure of the line. The area of Pembroke Road is currently home to two industrial parks, Commerce Industrial Park and Hopkinsville Industrial Park, as well as an ethanol plant currently served by Atmos Energy. The current line has very limited additional capacity and can increase its load by no more than approximately 20 Mcf/hr. Several companies have expressed interest in potentially locating to these industrial parks or expanding existing plant facilities. These economic development plans are limited, in part, by the availability of gas. Atmos Energy currently has excess capacity at TBS #1, and this system improvement will benefit current and prospective industries in these existing industrial parks by expanding the availability of gas to this area. Atmos Energy anticipates capital expenditure of $1.65 million during the forecasted test period for the project.

Q. IS THE BARE STEEL PIPE REPLACEMENT PROGRAM ("PRP") ESTABLISHED IN DOCKET NO. 2009-00354 COMPLETE?

A. No, it is not complete.

Q. PLEASE DESCRIBE THE RESULTS OF THE PRP SINCE ITS IMPLEMENTATION.

A. Since beginning the bare steel replacement program in mid-2011, Atmos Energy has completed replacement of 12 miles of high pressure main, 28 miles of distribution main and associated appurtenances. Additionally, Atmos Energy has retired or replaced over 2000 service lines and associated meter sets. These replacements target aging bare steel infrastructure and enhance the safety and reliability of gas supply for the communities Atmos Energy services. The meter sets have been replaced with new meters or regulators and relocated to accessible location for meter reading or emergency response. The new service lines have been installed with excess-flow devices which add an enhanced level of safety for our customers. In several instances, entire low pressure systems have been eliminated which improves service reliability. Atmos Energy has invested in new technology that allows detailed mapping of these replacement projects showing service detail and ensuring locatability using wireless marking devices. Atmos Energy has completed infrastructure renewal in many of our service territories including: Bowling Green, Russellville, Horse Cave, Cave City, Glasgow, Mayfield, Hopkinsville, Owensboro, Marion, Madisonville, Princeton, Campbellsville, Harrodsburg and Lancaster. Our local operations have coordinated much of this work with our community beautification/enhancement programs to eliminate need for future maintenance. With a strong commitment to safety these construction activities have been incident free and with minimal disruption to the communities Atmos Energy services.

Q. IS THE PRP INCLUDED IN THE FY2014 KENTUCKY DIRECT CAPITAL BUDGET?

A. Yes.

Q. WHAT LEVEL OF CAPITAL EXPENDITURE RELATED TO THE PRP IS ATMOS ENERGY REQUESTING DURING THE TEST PERIOD?

A. For the partial year replacement in FY2011, our budget was $3.4 million. For FY2012 our budget was $17.9 million. For FY2013 our budget is $17.3 million. For FY2014 Atmos Energy requests a budget of $20 million for the PRP program.

Q. WHY IS ATMOS ENERGY REQUESTING THIS INCREASE IN CAPITAL EXPENDITURE RELATED TO PRP?

A. Atmos Energy continually monitors and evaluates the capital requirements and individual project costs to meet our goal of replacing bare steel facilities in Kentucky within 15 years. During the first two years of the program we have implemented new technologies within our construction process to enhance reliability, system integrity, and public safety related to our construction practices. Our near-term project spend and plans to add additional Atmos Energy PRP-specific crews within the Owensboro and Bowling Green areas supports a $20 million spend. Atmos Energy is committed to complete replacement of bare steel facilities within the 15 year program timeframe

Q. DOES ATMOS ENERGY EXPECT TO MAINTAIN THE PROPOSED TEST YEAR PRP SPENDING THROUGH THE REMAINDER OF THE PRP PROGRAM?

A. We expect to request an increase in total spending by 5% a year to adjust for inflation from our FY2014 budget number.

b. Kentucky/Mid-States General Office Capital

Q. HOW WAS THE KENTUCKY/MID-STATES GENERAL OFFICE CAPITAL BUDGET DEVELOPED?

A. The capital budget for the Kentucky/Mid-States Division general office was developed in conjunction with Kentucky's capital budget as well as the capital budgets for all other rate divisions within the Division as part of the Division's total capital budget. The budgeting processes I have described herein applied to all rate division capital budgets which roll up into the Division's total capital budget, including Kentucky and the Division general office.

Q. WHAT IS THE PORTION OF THE DIVISION'S FY2013 CAPITAL PROJECTION ALLOCATED TO KENTUCKY?

A. The portion of the approved FY2013 Division's general office capital projection allocated to Kentucky is $444,944.

Q. WHAT ABOUT SUBSEQUENT FISCAL YEARS?

A. Those forecasted amounts are $546,460 for FY2014 and $573,783 for FY2015.

c. SSU Capital

Q. WHAT IS THE SHARED SERVICES FY2013 CAPITAL PROJECTION ATTRIBUTABLE TO KENTUCKY?

A. The portion of the FY2013 Shared Services capital projection allocated to Kentucky is $1.38 million.

Q. WHAT ABOUT SUBSEQUENT FISCAL YEARS?

A. Those forecasted amounts are $1.39 million for FY2014 and $1.45 million for

FY2015.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2013-00148
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Earnest B. Napier, 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. 2013-00148, 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.

Earnest B. Napier

STATE OF Tennessee

COUNTY OF Williamson

SUBSCRIBED AND SWORN to before me by Earnest B. Napier on this the 2nd day of May, 2013.

Pamela Pleasant

Notary Republic

My Commission Expires: MAY 3, 2016

PAMELA PLEASANT STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY, TENN.

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

APPLICATION OF ATMOS ENERGY	)	
	)	
CORPORATION FOR AN ADJUSTMENT	)	**Case No. 2013-00148**
	)	
OF RATES AND TARIFF MODIFICATIONS	)	

TESTIMONY OF JASON L. SCHNEIDER

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jason L. Schneider. My business address is 5430 LBJ Freeway, Suite 600, Dallas, Texas 75240.

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

A. I am the Director of Accounting Services for Atmos Energy Corporation (hereinafter "Atmos Energy" or the "Company").

Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

A. I am primarily responsible for directing various accounting activities and policies within the Company. My primary duties include the oversight of general accounting, fixed assets accounting, accounts payable, payroll, and cost allocations. I also serve on an internal committee which is responsible for the oversight and monitoring of Sarbanes-Oxley (SOX) compliance. In addition, I work with both our internal and external auditors on implementing, testing, maintaining and modifying the Company's accounting controls, as well as interfacing between the auditors and the Company.

I am also responsible for ensuring effective financial and internal controls for the Company's accounting processes, system and procedures. I have knowledge of the Company's accounting activities, which include compiling, processing, reporting and analyzing financial information to satisfy the requirements of internal management, internal independent auditors, external independent auditors and regulatory agencies.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I earned a Bachelor of Science degree in Accounting Control Systems from the University of North Texas in 2000. I also earned a Master of Business Administration degree in Accounting from the University of North Texas in 2003. I have worked in various industries for over 15 years in a variety of accounting and finance staff and management roles.

I have worked in the energy industry for almost 9 years in various accounting and finance positions. I joined Atmos Energy in 2004 in the Plant Accounting group and assumed my current role in March 2011. Before assuming my current role, I was the Manager of Plant Accounting and reported directly to the previous Director of Accounting Services. In addition to my other duties as Manager of Plant Accounting, I worked closely with the Director of Accounting Services in maintaining the Company's Cost Allocation Manual ("CAM") to ensure it was aligned with Atmos Energy's recordkeeping practices.

Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?

A. Yes. I am licensed by the State of Texas as a Certified Public Accountant.

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

A. I have not previously testified before the Kentucky Public Service Commission. However, I have testified before the Kansas Corporation Commission in Docket No. 12-ATMG-564-RTS and the Tennessee Regulatory Authority in Docket No. 12-00064.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to authenticate the historic books and records of the Company and demonstrate the integrity of the financial information that has been filed in this case. I am also providing testimony concerning the CAM which describes the methodology for shared services cost allocations.

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

A. Yes, I am sponsoring the following specific filing requirements of Section 16 of 807 K.A.R. 5:001[1]:

FR 16(12)(k) Most recent FERC Form 1 (electric), FERC Form 2, or the Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone);

[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.

FR 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;
FR 16(12)(m)	Current chart of accounts if more detailed than Uniform System of Accounts chart;
FR 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;
FR 16(12)(q)	Independent auditors annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls; and
FR 16(12)(r)	Quarterly reports to stockholders for the most recent five quarters.[2]
FR 16(12)(u)	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;
	Method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period;
	Explain how allocator for both base and forecasted test period was determined; and

[2] Other than its quarterly report on Form 10-Q filed with the Securities and Exchange Commission, the Company does not publish quarterly reports to shareholders. Accordingly, no information is actually provided pursuant to FR 16(12)(r) because the Forms 10-Q are provided pursuant to FR 16(12)(p).

	All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable;
FR 16(13)(i)	Comparative income statements, revenue and sales statistics most recent five years, base period, forecast period and two (2) years beyond
FR 16(13)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period and forecast period

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

A. Yes.

III. AUTHENTICATION OF BOOKS AND RECORDS

Q. ARE THE BOOKS AND RECORDS OF THE COMPANY PREPARED UNDER YOUR DIRECTION?

A. Yes, for the areas under my direction (which do not include gas accounting or taxation).

Q. HOW DOES ATMOS MAINTAIN AND UTILIZE ITS BOOKS AND RECORDS IN THE REGULAR COURSE OF BUSINESS?

A. Atmos Energy maintains its books and records in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) and Generally Accepted Accounting Principles (GAAP). The USOA is the prescribed methodology for maintaining utility records in all of the state jurisdictions which regulate the Company's natural gas utility operations, which currently include Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee, Texas and Virginia. Atmos Energy's accounting organization utilizes integrated computerized business systems to efficiently process, record and maintain transactions generated in the regular course of business. Financial transactions are created and entered into the system at or near the time of the transaction by the responsible personnel in various divisions having personal knowledge, or acting in reliance on information transmitted by persons having personal knowledge of the transactions, as well as of the applicable accounting procedures and requirements. Reports are generated by the system in the regular course of business to assist in management's review of the results of operations and to assist in the analysis of the cost data of gas operations.

Q. AS DIRECTOR OF ACCOUNTING SERVICES, HOW DO YOU ASSURE YOURSELF THAT TRANSACTIONS ARE RECORDED PROPERLY?

A. As Director of Accounting Services, I have personal knowledge of the organizational business processes and staffing in the Controllership function. The Controller's organization is staffed with highly qualified accounting managers and staff, with many accounting positions filled by CPAs. The managers in the organization are charged with the responsibility to inspect, review and revise, if appropriate, the work of the accountants they supervise. To fill certain management positions, an individual is required to have an accounting degree as well as significant accounting experience. We have established and maintained controls that ensure the accuracy of our books and records. These controls help identify any necessary adjustments to accounting entries which are then recorded to the original books and records in a timely manner.

Additionally, Atmos contracts with KPMG for internal audit services. This group periodically performs reviews of those controls.

Q. WHAT TYPES OF REGULAR AUDITS ARE CONDUCTED TO AUTHENTICATE ATMOS ENERGY'S BOOKS AND RECORDS?

A. Atmos Energy's books and records are audited annually by the independent public accounting firm of Ernst & Young LLP. In addition, Ernst & Young LLP also performs reviews of Atmos Energy's quarterly financial statements. These audits and reviews are conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Q. ARE THE COSTS RECORDED ON THE COMPANY'S BOOKS AND RECORDS SUPPORTED BY UNDERLYING INVOICES OR OTHER RECORDS?

A. Yes. In order for an item to be recorded in the Company's general ledger, there must be an invoice or other underlying supporting documentation. The former, for example, may be in the form of a billing invoice received from a vendor. The latter, for example, may be in the form of an employee's timesheet. The manager of a specific cost center or project is responsible for reviewing, coding and approving invoices or other underlying supporting documentation that are charged to that particular manager's cost center or project.

Q. WHAT DO YOU MEAN BY COST CENTERS?

A. As described in the Company's CAM, a cost center is a designation generally utilized for the assignment of departmental cost responsibility and internal management reporting. Employees with responsibility for these functional areas are delegated a certain level of authority to conduct the business of the Company.

Q. HOW ARE THESE AUTHORITY LEVELS DETERMINED OR DELEGATED WITHIN THE COMPANY?

A. The Board of Directors initially delegates authority to the chief executive officer of the Company who then authorizes the controller to further delegate authority to others throughout the Company as necessary. The Controller's approval of authority limits is generally based on a review of the needs and recommendations from those requesting authority limit changes. Approved authority limits are maintained in a secure table within the Company's accounting system.

Q. DOES THE COMPANY HAVE IN PLACE ANY PROCESS OR SYSTEM FOR THE REVIEW AND VALIDATION OF INVOICES?

A. Yes. Most invoices are scanned into an accounts payable processing system called "Markview" when they are received by the Company. Once scanned, an image of the invoice is routed electronically to the appropriate cost center owner. The cost center owner reviews and electronically codes and approves the invoice within the established approval hierarchy. As a part of this process, the cost center owner is responsible for ensuring the cost is valid, just and reasonable. If the amount of the invoice exceeds the authority limit of the initial approver, it is automatically escalated through the approval hierarchy to a person with the appropriate level of authority. A similar review process is performed at each level within the approval hierarchy. Once final approval has been obtained, the invoice is submitted to the accounts payable department for final payment.

Q. DOES THE COMPANY HAVE IN PLACE ANY PROCESS OR SYSTEM FOR THE REVIEW AND VALIDATION OF COSTS THAT ARE NOT PROCESSED THOUGH MARKVIEW?

A. Yes. Certain invoices and other requests for payment that are not presented as an invoice are processed outside of Markview. Examples of these types of documents include, but are not limited to tax returns, contracts for certain outside services or certain wire transfer requests. The process for the review, coding and approval of these costs is the same, except that the process may be manual in nature rather than electronic. The Company employee in charge of this documentation is responsible for ensuring the cost is valid, just and reasonable. Coding and approvals are performed within the approval hierarchy. Once final approval has been obtained, the documentation is submitted to the accounts payable department for final payment.

Q. ARE THERE ANY OTHER ACCOUNTING CONTROLS OR PROCESSES IN PLACE TO ENSURE THE ACCURACY OF THE COMPANY'S BOOKS AND RECORDS?

A. Yes. The Company executes a series of detective monitoring controls designed to identify and explain material and/or unusual costs that have been recorded in the general ledger. Occasionally, errors are found and they are typically corrected in the following month's reporting period, unless they are material. If material, these errors are corrected in the current month.

Additionally, the Chief Executive Officer and Chief Financial Officer must certify the Company's annual and quarterly financial statements and must attest to and report on the Company's system of internal control. To facilitate this effort, the

Company outsources its internal audit function to KPMG to conduct tests of the Company's system of internal control. These tests are developed to ensure the system of internal control has been designed effectively and that the controls are functioning as designed as of the end of the Company's fiscal year.

Q. PLEASE DESCRIBE THE PROCESS USED TO TEST INTERNAL CONTROLS.

A. The Company maintains a SOX steering committee, which is responsible for the oversight and monitoring of Sarbanes-Oxley compliance. This committee is comprised of myself, the Vice President and Controller, the Director of Financial Reporting, the Director of Information Technology and the Vice President of Finance for the Company's non-regulated activities.

During the first quarter of the fiscal year, the Director of Financial Reporting and I meet with the internal auditors to review our listing of key controls to assess whether changes to that list should be made based upon changes in the risk profile or organization of the company. A key control is defined as a control necessary to mitigate the risks and ensure financial reporting is reasonable and materially correct. The internal audit group will develop a testing plan based upon these key controls, which is reviewed and approved by the SOX steering committee. The key controls are tested throughout the year. If issues arise, they are individually addressed by a steering committee member who has knowledge of the affected areas. The SOX steering committee meets regularly to assess the progress and review the results of the testing. During this process, all findings are discussed and the steering committee will determine whether the finding should be considered a control deficiency, a significant deficiency or a material weakness. A control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements in financial reporting on a timely basis. A significant deficiency is a control deficiency which adversely affects the Company's ability to report external financial data reliably, with more than a remote likelihood that an inconsequential misstatement of the Company's financial statements will not be prevented or detected. A material weakness is a significant deficiency that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

At the end of the fiscal year, the steering committee makes recommendations regarding the effectiveness of the Company's internal control structure to be included in the internal auditor's final report to the audit committee.

Q. PLEASE SUMMARIZE THE RESULTS OF TESTING FOR THE MOST RECENTLY COMPLETED FISCAL YEAR.

A. The most recent fiscal year available is fiscal 2012. A total of 217 key controls related to the Company's natural gas distribution operations were tested. We identified two control deficiencies. No significant deficiencies or material weaknesses were identified.

Q. ARE THE COMPANY'S TESTS OF INTERNAL CONTROL SUBJECT TO EXAMINATION BY AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM?

A. Yes. As a publicly traded company, Atmos is required to have an independent registered public accounting firm audit management's public assertions regarding the

Company's system of internal control. Ernst & Young, LLP ("EY") serves as the Company's independent registered public accounting firm.

Q. CAN YOU SUMMARIZE THE PROCESS USED BY EY TO PERFORM ITS ATTEST FUNCTION?

A. Yes. EY will perform independent tests regarding the design of the Company's internal control function and the effectiveness of the controls as of the end of the fiscal year. They will rely, in part, on the work performed by the internal auditors in completing their audit procedures. Upon completion of their work, EY will issue an audit report summarizing their findings, which is included in the Company's annual report on Form 10-K.

Q. DID EY'S MOST RECENT REPORT DIFFER FROM THE FINDINGS OF MANAGEMENT?

A. No. EY issued an unqualified audit report for fiscal 2012, which means that they agreed with management's assertions.

Q. ARE THERE OTHER TYPES OF REGULAR AUDITS AND REVIEWS THAT ARE CONDUCTED OF ATMOS'S BOOKS AND RECORDS?

A. In addition to the audit of internal control, EY also conducts an annual audit of Atmos Energy's books and records. In addition, EY performs reviews of Atmos Energy's quarterly financial statements. These audits and reviews are conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Q. HOW DOES THE ACCOUNTING SYSTEM ALLOW FOR THE SEPARATE RECORDING AND TRACKING OF COSTS FOR ATMOS ENERGY'S UTILITY DIVISIONS?

A. Direct costs are charged directly to the natural gas distribution division which has incurred the costs. In addition, technical and support services are provided to the distribution divisions by centralized shared services departments primarily located at the Atmos Energy headquarters in Dallas. These centralized functions include, but are not limited to, accounting, human resources, legal, treasury, risk management, etc. The costs for these shared services are allocated to the operating divisions.

Q. WERE THE BOOKS AND RECORDS OF THE COMPANY PROVIDED TO COMPANY WITNESSES FOR UTILIZATION IN THEIR ANALYSIS FOR RATEMAKING PURPOSES?

A. Yes.

IV. <u>COST ALLOCATION MANUAL</u>

Q. WHAT IS THE COST ALLOCATION MANUAL?

A. The Cost Allocation Manual (CAM), contained in Exhibit JLS-1, describes and documents the process whereby allocations are made within the books and records of the Company. These include allocations of various common expenses which are incurred for the benefit of two or more of the Company's rate divisions and are therefore allocable to those rate divisions. Additionally, the CAM also describes and documents the processes whereby allocations are made between Atmos Energy and its affiliates and between affiliates.

Q. ARE YOU RESPONSIBLE FOR OVERSIGHT OF THE CAM?

A. Yes. I coordinate and oversee the updating and filing of the CAM.

Q. PLEASE DESCRIBE THE HISTORY OF THE CAM.

A. Although the Company had been utilizing the allocation methodology described in the CAM for many years prior, the CAM was formally documented in response to 807 K.A.R. 5:080, and was first filed with the Commission in April of 2001. Atmos Energy is required to update the CAM each year. The Company has used the CAM to document its allocation processes in the regular course of business since it was first filed.

Q. ARE THE ALLOCATIONS DESCRIBED IN THE CAM USED IN EVERY JURISDICTION IN WHICH ATMOS ENERGY OPERATES?

A. Yes. The CAM is uniformly applied in all eight states in which Atmos Energy has regulated utility operations for the allocation of common costs among Atmos Energy's various operating divisions, including Kentucky.

Q. DOES THE CAM DESCRIBE HOW TO ALLOCATE BALANCE SHEET AMOUNTS?

A. No. The CAM describes how to allocate expense items from Atmos' income statement. Investment or balance sheet items are not allocated within Atmos Energy's books and records. Investment amounts are allocated only for ratemaking purposes in the context of a rate filing or certain regulatory reports.

Q. IN YOUR OPINION, DOES THE COMPANY'S ALLOCATION PROCESS UNIFORMLY AND CONSISTENTLY ALLOCATE COMMON OR SHARED SERVICES COSTS?

A. Yes, the allocation process described in the CAM operates fairly and reasonably in allocating those costs on a uniform basis, both as between Atmos Energy's various operating divisions and affiliates and between the various regulatory jurisdictions in which the Company operates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2013-00148
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Jason L. Schneider, 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. 2013-00148, 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.

Jason L. Schneider

Jason L. Schneider

STATE OF Texas

COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Jason L. Schneider on this the 6th day of May, 2013.

PAMELA L. PERRY
My Commission Expires
October 29, 2016

Pamela L. Perry

Notary Republic

My Commission Expires: 10-29-16

ATMOS ENERGY CORPORATION
COST ALLOCATION MANUAL
April 1, 2013

TABLE OF CONTENTS

1. Introduction:

a. Corporate Structure

Atmos Energy Corporation (Atmos or the Company) operates its Regulated Operations through seven operating divisions in 8 states. The seven operating divisions and their service areas are:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas
Atmos Energy Kentucky/Mid-States Division	Kentucky, Tennessee, Virginia
Atmos Energy Louisiana Division	Louisiana
Atmos Energy Mid-Tex Division	Texas, including the Dallas/Fort Worth metropolitan area
Atmos Energy Mississippi Division	Mississippi
Atmos Energy West Texas Division	West Texas
Atmos Pipeline – Texas Division	Intrastate pipeline business in Texas

These operating divisions are not subsidiaries or separate legal entities. Therefore, by definition, they cannot be considered affiliates of Atmos.

Technical and support services are provided to the operating divisions by centralized shared services departments primarily located at the Atmos headquarters in Dallas. These centralized functions currently include, but are not limited to, accounting, gas supply, human resources, information technology, legal, rates and customer support. The costs for these shared services are allocated to the operating divisions. In addition, for operating divisions that operate in more than one rate jurisdiction, costs from an operating division's general office are allocated to separate rate divisions within the operating division.

In addition to its regulated businesses, Atmos also has Nonregulated Operations, which are operated through Atmos Energy Holdings, Inc., a wholly-owned subsidiary of Atmos, and its various wholly-owned subsidiaries. These subsidiaries are separate legal entities and are considered affiliates of Atmos.

The Company's current legal entity organization chart is contained in Appendix A.

Note that the descriptions contained herein do not address tariffed services.

b. Accounting:

Atmos' account coding structure enables it to capture the costs for allocable activities. Expenses, assets, and liabilities for Atmos' shared services and other operating division general office divisions are coded to applicable location codes and cost centers as necessary, and are then allocated to the appropriate rate divisions based upon the methodologies described herein. Allocations recorded in the books and records of the Company, are primarily for management control purposes and may not reflect the allocation methodology used for rate making purposes.

Atmos' account coding structure is as follows:

XXX.	XXXX.	XXXX.	XXXXX.	XXXXXX.	XXXX.
Company 3 digit	Cost Center 4 digit	FERC Account 4 digits	Sub-Account 5 digits	Service Area 6 digits	Future Use 4 digits

Within the above coding structure, "Company" and "Cost Center" are primarily utilized for internal management responsibility reporting purposes for Atmos' operating divisions. The terms "Company" and "Cost Center" are defined in the glossary beginning below. Utilization of the "Company" or "Cost Center" fields is not suitable for meaningful financial or regulatory reporting purposes.

The FERC account field contains the three-digit FERC USOA account plus one extension digit which in some cases is utilized by the FERC USOA.

The first three digits of the Service Area field are the primary coding utilized for cost allocations within Atmos and is generally referred to as "rate division number". This portion of the field denotes Atmos' various rate divisions as well as the Company's various shared services and operating division general office divisions. These codes are the primary source of information for regulatory reporting and rate activity. The remaining three digits represent "town" location which is utilized only for some accounts. Atmos Pipeline-Texas uses the final three digits of the service area to represent the actual storage or compressor facility; however, this is used for O&M expenses only.

c. Glossary of Terms:

The following terms are defined for purposes of this document only:

Affiliate - One or more of Atmos' subsidiaries.

Below the Line - Amounts which are generally not included in an analysis of costs from which gas service rates are derived.

Company - In general terms, it refers to Atmos Energy Corporation. Within the context of the account coding string, this term represents an operating division, wholly-owned subsidiary or other legal entity controlled by Atmos.

Composite Factor - The Company's general allocation factor which is derived for each applicable area based upon the simple average of gross plant in service, average number of customers and direct operation and maintenance expenses for each applicable area.

Corporate Headquarters - The headquarters of Atmos Energy Corporation located in Dallas, Texas.

Cost Centers - Account coding which denotes an area of cost responsibility. This coding is used primarily for management purposes.

Customer Factor - The Company's general allocation factor which is derived based on the average number of customers of the Operating Divisions that receive allocable costs for the services provided.

Direct Charges - Those charges which may originate in a shared services department or operating division general office division or a rate division which are booked directly to the applicable rate division.

FERC USOA - The Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Municipal Jurisdiction - For Atmos' operations in Texas, each municipality which it serves has original jurisdiction over rates.

Non-regulated Operations – Represents the Company's natural gas marketing and nonregulated pipeline, storage and midstream operations controlled by Atmos Energy Holdings, Inc., a wholly-owned subsidiary of Atmos Energy Corporation.

Operating Division - An unincorporated division of Atmos Energy Corporation that contains at least one rate division that is responsible for the management of the Company's Regulated Operations. Operating divisions are not subsidiaries or separate legal entities. As such, they do not have separate equity or debt structures. Additionally, the divisions do not keep separate books and records.
Operating divisions with multiple rate divisions have one operating division general office rate division in addition to rate divisions corresponding to regulatory jurisdictional areas.

Operating Division General Office - Administrative offices that are located outside of shared service offices which serve as the base of operations and central office for each "operating division."

Rate Division – Often referred to as an operating rate division, it denotes Atmos' regulatory jurisdictions that are defined by state boundaries, geographic boundaries within states or municipal boundaries within the State of Texas. The term also denotes Atmos' various shared services and operating division general office divisions. These divisions are the primary source for regulatory reporting and rate activity for an area in which rates have been set by a regulatory authority such as the Colorado Public Utilities Commission. Rate divisions are identifiable in the Company's account coding string. As such, costs are accumulated within the general ledger and represent the sum of direct costs plus costs allocated to the rate division.

Regulated Operations – Represents the Company's six regulated natural gas distribution operating divisions operating in 8 states and the Company's regulated intrastate pipeline operations in the State of Texas.

Service Area - The portion of the Company's account coding structure of which the first three digits denote rate division. The last three digits of this code denote "town" which is used only in certain instances. Atmos Pipeline-Texas uses the final three digits of the service area to represent the actual storage or compressor facility; however, this is used for O&M expenses only.

<u>Shared Services</u> - The Company's functions that serve multiple rate divisions. These services include departments such as legal, billing, call center, accounting, information technology, human resources, gas supply, rates administration among others. Shared Services is comprised of Shared Services – General Office and Shared Services – Customer Support

<u>Shared Services – Customer Support</u> – Shared Services functions that include billing, customer call center functions and customer support related services.

<u>Shared Services – General Office</u> – Shared Services functions that include all other functions not encompassed by Shared Services – Customer Support.

The following are divisions of Atmos Energy Corporation:

<u>Atmos Energy Colorado-Kansas Division</u> is a regulated operating division that serves approximately 170 communities throughout Colorado and Kansas, including the cities of Olathe, Kansas, a suburb of Kansas City and Greeley, Colorado, located near Denver.

<u>Atmos Energy Kentucky/Mid-States Division</u> is a regulated operating division that operates Kentucky, Tennessee and Virginia. The service areas in these states are primarily rural; however, this division serves Franklin, Tennessee, and other suburban areas of Nashville.

<u>Atmos Energy Louisiana Division</u> is a regulated operating division that serves nearly 300 communities, including the suburban areas of New Orleans, the metropolitan area of Monroe and western Louisiana. Direct sales of natural gas to industrial customers in Louisiana, who use gas for fuel or in manufacturing processes, and sales of natural gas for vehicle fuel are exempt from regulation and are recognized in our natural gas marketing segment.

<u>Atmos Energy Mid-Tex Division</u> is a regulated operating division that serves approximately 550 incorporated and unincorporated communities in the north-central, eastern and western parts of Texas, including the Dallas/Fort Worth Metroplex. The governing body of each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, except with respect to sales of natural gas for vehicle fuel and agricultural use. The Railroad Commission of Texas (RRC) has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality.

<u>Atmos Energy Mississippi Division</u> is a regulated operating division that serves about 110 communities throughout the northern half of the state, including the Jackson metropolitan area.

<u>Atmos Energy West Texas Division</u> is a regulated operating division that serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas. Like our Mid-Tex Division, each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, with the RRC having exclusive appellate jurisdiction over the municipalities and exclusive original jurisdiction over rates and services provided to customers not located within the limits of a municipality.

Atmos Pipeline – Texas Division is a regulated pipeline and storage division that transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. These operations include one of the largest intrastate pipeline operations in Texas with a heavy concentration in the established natural gas-producing areas of central, northern and eastern Texas, extending into or near the major producing areas of the Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. Nine basins located in Texas are believed to contain a substantial portion of the nation's remaining onshore natural gas reserves. This pipeline system provides access to all of these basins.

The following are affiliates of Atmos Energy Corporation:

Blueflame Insurance Services, LTD is a wholly-owned subsidiary of Atmos Energy Corporation that was created to provide cost-effective property insurance coverage for Atmos Energy and its subsidiaries. It was chartered in Bermuda effective December 16, 2003, and became operational as of January 1, 2004. It is incorporated under Bermuda's insurance law and regulations and is fully capitalized under the requirements of applicable Bermuda law.

Atmos Energy Services, LLC was established on April 1, 2004 to provide natural gas management services to Atmos Energy's natural gas distribution operations, other than the Mid-Tex Division. These services include aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to Atmos Energy's natural gas distribution service areas at competitive prices. AES provided these services through December 31, 2006. Effective January 1, 2007, the gas supply department within shared services began providing these services. However, AES continues to provide limited services to the natural gas distribution operations of Atmos Energy. The revenues AES receives are equal to the costs incurred to provide these services.

Phoenix Gas Gathering Company is a wholly owned subsidiary of Atmos Gathering Company, LLC, and was created to develop, own and operate a non-regulated natural gas gathering system located in Kentucky.

Atmos Gathering Company, LLC is a wholly owned subsidiary of Atmos Pipeline and Storage, LLC and was created to conduct our non-regulated natural gas gathering operations.

Atmos Energy Holdings, Inc. is the parent company of Atmos Energy Corporation's non-utility operations.

Atmos Energy Marketing, LLC provides a variety of non-regulated natural gas marketing services to municipalities, natural gas utility systems and industrial natural gas customers in 22 states primarily located in the southeastern and Midwestern states and to our Kentucky, Louisiana and Mid-States utility divisions.

Atmos Exploration and Production, Inc. holds some insignificant Kentucky production interests which the Company succeeded to when it acquired Western Kentucky Gas Company in 1989. This subsidiary is functionally inactive as the Company does not actively engage in the exploration and production business.

Atmos Pipeline and Storage, LLC owns or has an interest in underground storage fields in Kentucky and Louisiana. The utility divisions of Atmos Energy also use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods.

Atmos Power Systems, Inc. constructs gas-fired electric peaking power generating plant and associated facilities and may enter into agreements to either lease or sell these plants. Since 2001, 2 sales-type lease transactions have been executed.

Egasco, LLC was, several years ago, engaged in the marketing and sale of natural gas to large-volume commercial and agricultural customers in West Texas. Egasco no longer serves any customers.

Fort Necessity Gas Storage, LLC is a wholly owned subsidiary of Atmos Pipeline and Storage, LLC, and was created in 2009 to construct and operate a non-regulated salt-cavern gas storage project in Louisiana. In March 2011, we recorded a $19.3 million charge to substantially write off our investment in Fort Necessity.

Trans Louisiana Gas Storage, Inc. owns a minority interest in a salt dome storage facility in Louisiana. This facility is used to serve utility and non-utility customers.

Trans Louisiana Gas Pipeline, Inc. owns and operates an intrastate pipeline system in Louisiana. This facility is used to serve utility and non-utility customers.

UCG Storage, Inc. owns certain storage field interests in Kentucky which are used to serve utility customers.

WKG Storage, Inc. owns certain storage field interests in Kentucky which are used to serve utility and non-utility customers.

Service: **Capitalized overhead (general)**

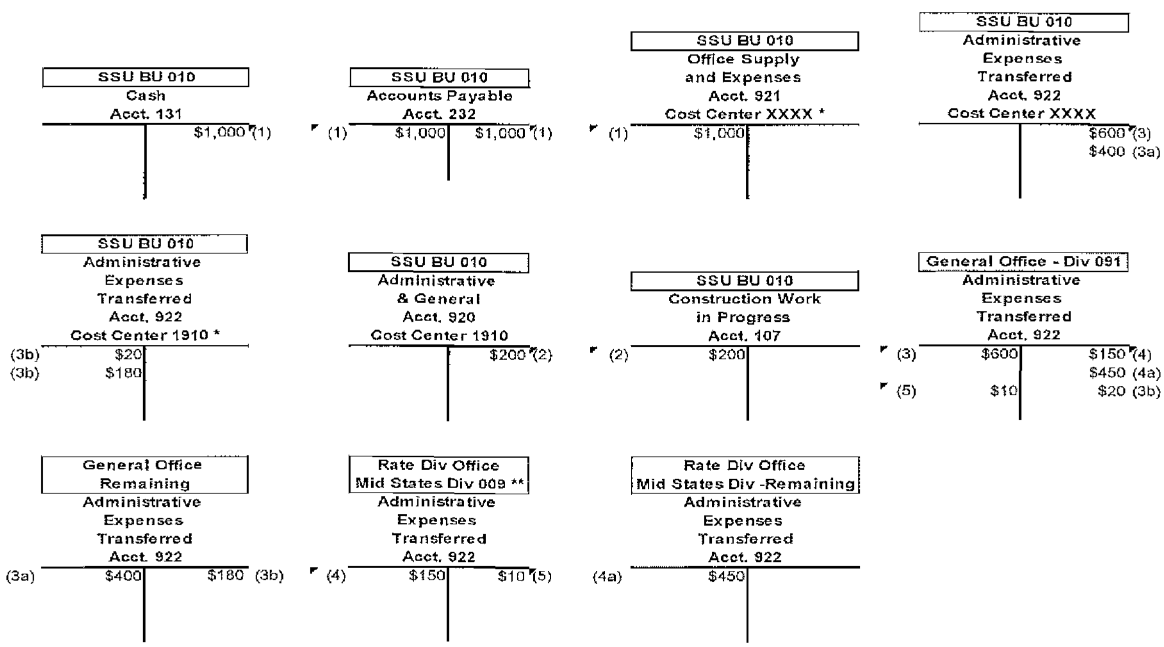
Description: Overhead related to capital expenditures

Current Provider of Service:
Shared Services
Atmos Pipeline – Texas Division
Louisiana Division operating division general office
Kentucky/Mid-States Division operating division general office
Colorado-Kansas Division operating division general office
Mid-Tex Division
Mississippi Division
West Texas Division

Current Use of Service: Rate divisions

Basis for allocation: Capitalized overhead costs are accumulated by operating division (and state level for multiple state divisions). Each operating division (and state) sets an application rate at the beginning of the year based on projected expenditures. As expenditures for CWIP and RWIP are recorded overhead is applied at the application rate. Periodically, the application rate is reviewed. Shared services overhead is allocated to operating divisions based on operating division capital expenditures. At the end of each quarter, the amount that has accumulated in the OH project is cleared to all eligible projects that incurred charges during that quarter, on a prorate basis

General Ledger Entries: Example Only



* Cap rate = 20%
** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity
(1) Purchase Office Supplies
(2) Capitalize Overhead is calculated based on cost center capitalization percentage
(3) Allocating Shared Services Expenses to General Offices - 60% Allocation rate for illustration purposes only
(3a) Allocation to remaining general offices
(3b) Allocate capitalization credits to business units
(4) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
(4a) Allocation to remaining division offices
(5) Allocating Shared Services Capitalization Credit to Rate Division Office - 50% Allocation rate for illustration purposes only

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service:	**Stores overhead**
Description:	Overhead related to inventory warehousing is allocated to materials as issued.
Current Provider of Service	Shared Services Operating division general office
Current Use of Service	Atmos Pipeline – Texas Division West Texas Division rate divisions Louisiana Division rate divisions Kentucky/Mid-States Division rate divisions Mid-Tex Division rate division Colorado-Kansas Division rate divisions Mississippi Division rate division
Basis for allocation	Overhead costs associated with inventory items, including rent, labor and supervision are accumulated by operating division. Each operating division sets an application rate at the beginning of the year based on projected overhead and materials activity. As materials are issued from the warehouse, the overhead assigned is also allocated to the same account. Periodically, the balance in the undistributed stores overhead account is compared to the materials on hand balance and a new rate is determined. Shared Services stores overhead is allocated monthly to the operating divisions based on number of meters.

General Ledger Entries: Example Only

SSU BU 010
Cash
Acct. 131

		$100	(1)
		$2	(3a)

SSU BU 010
Inventory

(1)	$100	$100	(2)

Rate Div Office
Mid States Div 009 **
Construction Work in Progress
Acct. 107

(2)	$100		
(3b)	$2		

SSU BU 010
Stores Expense Undistributed
Acct. 163

(3a)	$2	$2	(3b)

SSU BU 010
Accounts Payable
Acct. 232

(3a)	$2	$2	(3a)

** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity

1 Purchase Inventory - Material
2 Issue Inventory to Capital Project
3a Incurring Inventory Expense
3b Apply Inventory Storage Rate
Assume 2%

Service: **Expenses in Shared Services – Customer Support cost centers**

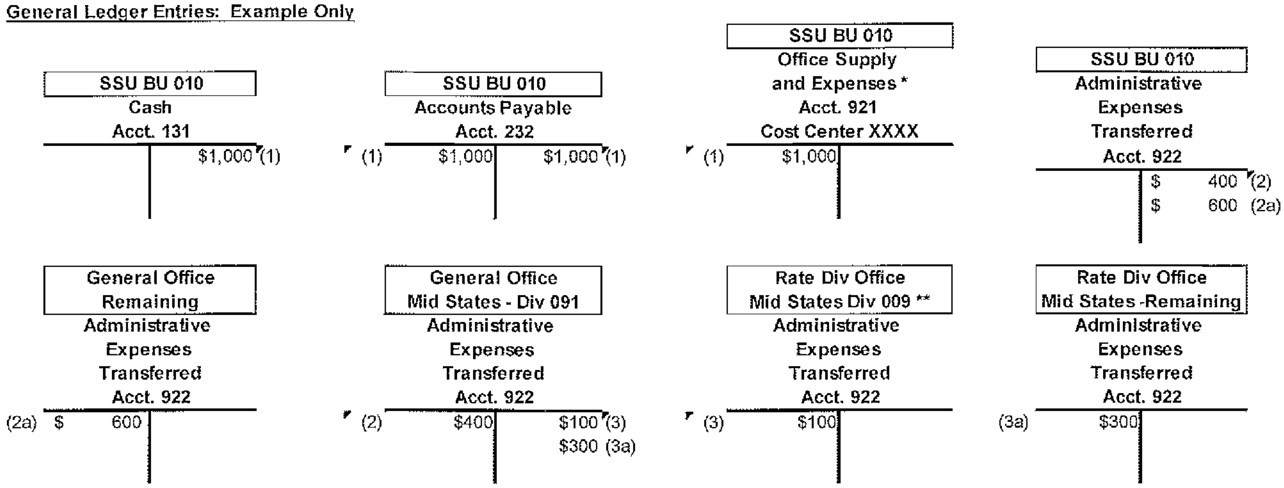
Description: Includes all expenses for Customer Support. (Division 012)

Current Provider Of Service: Shared Services

Current Use of Service:
West Texas Rate Divisions
Mid-Tex Division
Louisiana Rate Divisions
Kentucky/Mid-States Rate Divisions
Colorado-Kansas Rate Divisions
Mississippi Division

Basis for allocation: Costs are allocated to the applicable operating division general office in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. From the operating division general office Divisions Customer Support charges are allocated to rate divisions using the average number of customers in each rate division.

General Ledger Entries: Example Only



* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity
(1) Purchase Office Supplies - Shared Services
(2) Allocating Shared Services Expenses to General Offices - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining general offices
(3) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
(3a) Allocation to remaining division offices

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages: West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service:	**O&M Expenses in Shared Services – General Office cost centers**
Description:	Includes O&M expenses in Shared Services – General Office. (Division 002)
Current Provider Of Service	Shared Services
Current Use of Service	Atmos Energy Marketing, LLC Trans Louisiana Gas Pipeline Atmos Gathering Company, LLC WKG StorageWest Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division Trans Louisiana Gas Storage Atmos Power Systems, Inc
Basis for allocation	Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Services departments. Shared Services departments, which provide services to the Company's affiliates, utilize a composite factor. The computation includes the affiliates. Shared Service departments that do not provide services to the Company's affiliates utilize a composite factor that does not include the Company's affiliates. In Shared Service departments where appropriate costs are allocated to the applicable utility division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. Other allocation methods used as appropriate include composite not including affiliates or Atmos Pipeline –Texas, composite not including affiliates, Atmos Pipeline-Texas or Mid States, composite using only West Texas, COKS, and MS utility divisions, composite using West Texas, Mid Tex, and Atmos Pipeline-Texas or Overhead rate. From each operating division general office charges are allocated to rate divisions using the composite rate for each rate division.

See page 12 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

SSU BU 010
Cash
Acct. 131

Debit	Credit
	$1,000 (1)

SSU BU 010
Accounts Payable
Acct. 232

Debit	Credit
(1) $1,000	$1,000 (1)

SSU BU 010
Office Supply
and Expenses *
Acct. 921
Cost Center XXXX

Debit	Credit
(1) $1,000	

SSU BU 010
Administrative
Expenses
Transferred
Acct. 922

Debit	Credit
	$ 300 (2)
	$ 700 (2a)

General Office Remaining
Administrative
Expenses
Transferred
Acct. 922

Debit	Credit
(2a) $ 700	

General Office Mid States - Div 091
Administrative
Expenses
Transferred
Acct. 922

Debit	Credit
(2) $300	$150 (3)
	$150 (3a)

Rate Div Office Mid States Div 009 **
Administrative
Expenses
Transferred
Acct. 922

Debit	Credit
(3) $150	

Rate Div Office Mid States -Remaining
Administrative
Expenses
Transferred
Acct. 922

Debit	Credit
(3a) $150	

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity

(1) Purchase Office Supplies - Shared Services
(2) Allocating Shared Services Expenses to General Offices - 30% Allocation rate for illustration purposes only
(2a) Allocation to remaining general offices
(3) Allocating Shared Services Expenses to Rate Division Office - 50% Allocation rate for illustration purposes only
(3a) Allocation to remaining division offices

Note: Operating Divisions Mississippi, Mid-Tex and Atmos Pipeline – Texas have 1 rate division. There is no allocation to remaining division offices (3a).

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service:	**SSU – Customer Support taxes other than income taxes**
Description:	Includes all taxes other than income tax charged in Shared Services – Customer Support.
Current Provider Of Services	Shared Services
Current Use of Service	West Texas Rate Divisions Louisiana Rate Divisions Kentucky/Mid-States Rate Divisions Mid-Tex Division Colorado-Kansas Rate Divisions Mississippi Division
Basis for allocation	Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. If needed number of customers in rate divisions is used to allocated from the operation division general office to rate divisions.

General Ledger Entries: Example Only

SSU BU 010
Cash
Acct. 131

Debit	Credit
	$1,000 (1)

SSU BU 010
Accounts Payable
Acct. 232

Debit	Credit
(1) $1,000	$1,000 (1)

SSU BU 010
Taxes Other than Income Taxes
Acct. 408.1

Debit	Credit
(1) $1,000	$400 (2)
	$600 (2a)

General Office Remaining
Taxes Other than Income Taxes
Acct. 408.1

Debit	Credit
(2a) $600	

General Office Mid States -Div 091
Taxes Other than Income Taxes
Acct. 408.1

Debit	Credit
(2) $400	$100 (3)
	$300 (3a)

Rate Div Office Mid States -Div 009**
Taxes Other than Income Taxes
Acct. 408.1

Debit	Credit
(3) $100	

Rate Div Office Mid States - Remaining
Taxes Other than Income Taxes
Acct. 408.1

Debit	Credit
(3a) $300	

** Many rate division offices exist in addtion to Div 009.

Flow of Activity
(1) Taxes Other than Income Taxes incurred
(2) Allocating Shared Services Expenses to General Offices - 40% to Mid States BU - for illustration purposes
(2a) Allocating to remaining division offices
(3) Allocating Shared Services Expenses to Rate Division Office - 25% for Kentucky Rate Division Office - for illustration purposes only
(3a) Allocating Shared Services Expenses to remaining Rate Division Offices

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service:	**SSU – General Office taxes other than income taxes**
Description:	Includes all taxes other than income tax charged in Shared Services – General Office.
Current Provider Of Services	Shared Services
Current Use of Service	Atmos Energy Marketing, LLC Atmos Power Systems, Inc. WKG Storage, Inc. Atmos Gathering Company, LLC Trans Louisiana Gas Pipeline, Inc. West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Costs are allocated to the applicable operating divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each operating division unit as a percentage of the total Direct Property Plant and Equipment in all of the operating divisions. The number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. The total direct O&M expense in each operating division as a percentage of the total direct O&M expense in all operating divisions. If needed, allocation from operating division general offices to rate division uses the composite rate.

See page 13 for General Ledger Entry – Example Only.

Service:	**SSU – Customer Support depreciation**
Description:	Includes all depreciation charged in Shared Services – Customer Support.
Current Provider Of Services	Shared Services
Current Use of Service	West Texas Rate Divisions Louisiana Rate Divisions Kentucky/Mid-States Rate Divisions Mid-Tex Division Colorado-Kansas Rate Divisions Mississippi Division
Basis for allocation	Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. If needed number of customers in rate divisions is used to allocated from the operation division general office to rate divisions.

General Ledger Entries: Example Only

SSU BU 010
Depreciation Exp
Acct. 403

	Debit	Credit	
(1)	$5,000	$200	(2)
		$4,800	(2a)

SSU BU 010
Depreciation Exp
Acct. 108

Debit	Credit	
	$5,000	(1)

Rate Div Office
Mid States -Div 009**
Depreciation Exp
Acct. 403

	Debit	Credit
(2)	$200	
(2a)	$4,800	

** Many rate division offices exist in addtion to Div 009.

Flow of Activity

(1) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(2) Current Month Depreciation Expense is allocated to the various utility rate divisions using the following allocation factors:
   i. For SSU division 002 - General - Allocated using the composite factor
   ii. For SSU division 012 - Call Center - Allocated using the customer factor.
(2a) Allocation to remaining Rate Divisions

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service:	**SSU – General Office depreciation**
Description:	Includes all depreciation charged in Shared Services – General Office.
Current Provider Of Services	Shared Services
Current Use of Service	Atmos Energy Marketing, LLC Atmos Power Systems, Inc. WKG Storage, Inc. Atmos Gathering Company, LLC Trans Louisiana Gas Pipeline, Inc. West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Costs are allocated to the applicable operating divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: (1) The percentage of Gross Direct Property Plant and Equipment in each operating division unit as a percentage of the total Direct Property Plant and Equipment in all of the operating divisions. (2) The number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. (3) The total direct O&M expense in each operating division as a percentage of the total direct O&M expense in all operating divisions. If needed, allocation from operating division general offices to rate division uses the composite rate.

See page 15 for General Ledger Entry – Example Only.

Service:	**West Texas Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level**
Description:	Allocation of operating division general office expenses to rate division levels
Current Provider of Service	West Texas Division operating division general office
Current Use of Service	West Texas Division rate divisions
Basis for allocation	Costs are allocated to the applicable operating divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

(1) The percentage of Gross Direct Property Plant and Equipment in each division as a percentage of the total Direct Property Plant and Equipment in the West Texas Division rate divisions.

(2) The number of customers in each rate division as a percentage of the total number of customers in the West Texas Division rate divisions.

(3) The total direct O&M expense in each municipal rate division as a percentage of the total direct O&M expense in the West Texas Division rate divisions.

See Page 18 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

General Office West Texas - Div 010 — Cash — Acct. 131

		$500	(1)
		$400	(5)

General Office West Texas - Div 010 — Accounts Payable — Acct. 232

(1)	$500	$500	(1)
(5)	$400	$400	(5)

General Office West Texas - Div 010 — Office Supply and Expenses * — Acct. 921

(1)	$500		

General Office West Texas - Div 010 — Administrative Expenses Transferred — Acct. 922

		$200	(2)
		$300	(2a)

Rate Div Office West Texas Div 020 — Administrative Expenses Transferred — Acct. 922**

(2)	$200		

Rate Div Office West Texas -Remaining — Administrative Expenses Transferred — Acct. 922

(2a)	$300		

General Office West Texas - Div 010 — Depreciation Exp — Acct. 403

(3)	$100	$15	(4)
		$85	(4a)

West Texas - Div 010 — Accumulated Depreciation — Acct. 108

		$100	(3)

Rate Div Office West Texas Div 020 — Depreciation Exp — Acct. 403**

(4)	$15		

General Office West Texas - Div 010 — Taxes Other than Income Taxes — Acct. 408.1

(5)	$400	$100	(6)
		$300	(6a)

Rate Div Office West Texas Div 020 — Taxes Other than Income Taxes — Acct. 408.1**

(6)	$ 100		

Rate Div Office West Texas -Remaining — Taxes Other and Depreciation — Acct. 408.1 and 403

(4a)	$85		
(6a)	$300		

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist in addition to Div 020.

Flow of Activity
(1) Purchase Office Supplies - West Texas Division General Office
(2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices
(3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(4) Allocation from Division 010 - West Texas General Office to West Texas Rate Divisions
(4a) Allocation to remaining division offices
(5) Taxes Other than Income Taxes incurred
(6) Allocating General Office Expenses to Rate Division Office - 25% to West Texas Rate Division Office - for illustration purposes only
(6a) Allocation to remaining division offices

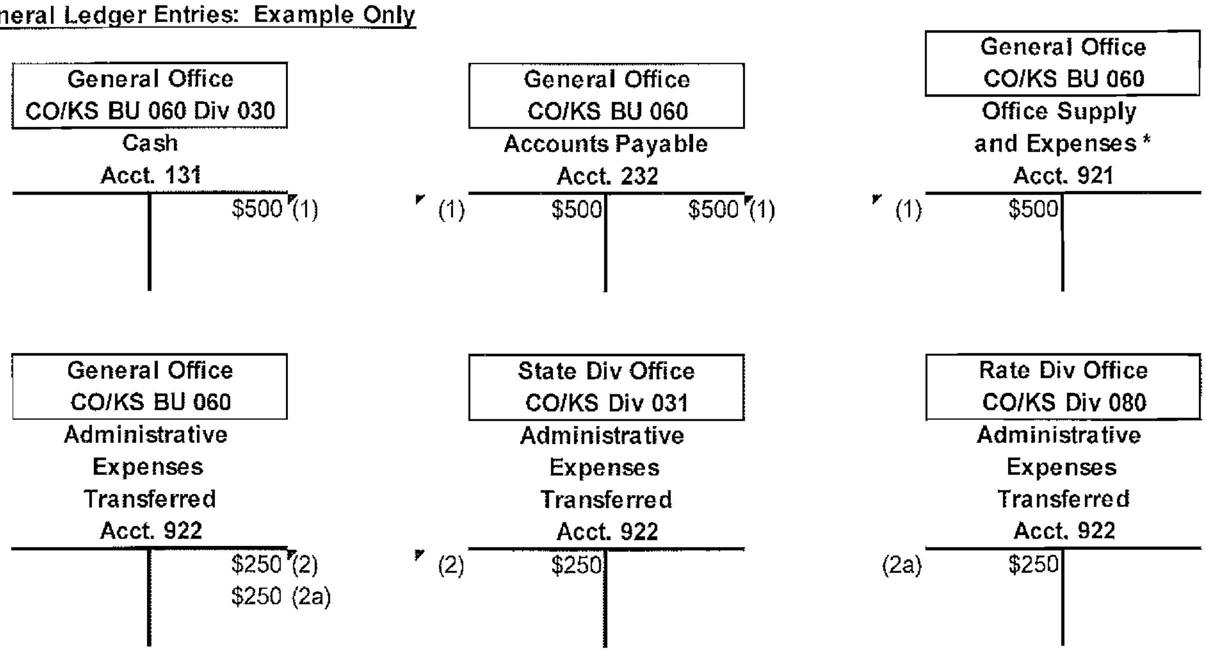
Service:	**Colorado-Kansas Division operating division general office expenses to state regional office division level.**
Description:	Allocation of division general office expenses to state regional office division levels.
Current Provider of Service	Colorado-Kansas Division operating division general office
Current Use of Service	Colorado-Kansas Operating Division state office divisions.
Basis for allocation	Costs are allocated to the applicable state regional office divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

(1) The percentage of Gross Direct Property Plant and Equipment in each state as a percentage of the total Direct Property Plant and Equipment in Colorado-Kansas Division.

(2) The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division.

(3) The total direct O&M expense in each state as a percentage of the total direct O&M expense in Colorado-Kansas Division.

General Ledger Entries: Example Only



* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

Flow of Activity

(1) Purchase Office Supplies - Colorado/Kansas Division General Office

(2) Allocating General Office Expenses to State Division Office - 50% Allocation rate for illustration purposes only

(2a) Allocation to remaining state office

Service:	**Colorado-Kansas Division state regional office division level expenses to rate division level**
Description:	Allocation of state regional office division level expenses to rate division levels.
Current Provider of Service	Colorado-Kansas Division regional division office
Current Use of Service	Colorado-Kansas Division rate divisions
Basis for allocation	Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

(1) The percentage of Gross Direct Property Plant and Equipment in each state rate division as a percentage of the total Direct Property Plant and Equipment in each state.

(2) The number of customers in each state rate division as a percentage of the total number of customers in each state.

(3) The total direct O&M expense in each state rate division as a percentage of the total direct O&M expense in each state.

General Ledger Entries: Example Only

State Div Office CO/KS BU 060 Div 030 — Cash Acct. 131

	$500 (1)

State Div Office CO/KS BU 060 — Accounts Payable Acct. 232

(1) $500	$500 (1)

State Div Office CO/KS BU 060 — Office Supply and Expenses * Acct. 921

(1) $500	

State Div Office CO/KS BU 060 — Administrative Expenses Transferred Acct. 922

	$200 (2)
	$300 (2a)

Rate Div Office CO/KS Div 033 ** — Administrative Expenses Transferred Acct. 922

(2) $200	

Rate Div Office CO/KS - Remaining — Administrative Expenses Transferred Acct. 922

(2a) $300	

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist within the state in addition to Div 033.

Flow of Activity

(1) Purchase Office Supplies - Colorado/Kansas State Division Office
(2) Allocating State Divisoin Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices

Service:	**Kentucky/Mid-States Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level**
Description:	Allocation of operating division general office expenses to rate division levels
Current Provider Of Service	Kentucky/Mid-States Division operating division general office
Current Use of Service	Kentucky/Mid-States Division rate divisions
Basis for allocation	Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

(1) The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Kentucky/Mid-States Division.

(2) The number of customers in each rate division as a percentage of the total number of customers in Kentucky/Mid-States Division.

(3) The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Kentucky/Mid-States Division.

See Page 22 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

General Office Mid States - Div 091 — Cash — Acct. 131

Ref	Debit	Credit	Ref
		$500	(1)
		$400	(5)

General Office Mid States - Div 091 — Accounts Payable — Acct. 232

Ref	Debit	Credit	Ref
(1)	$500	$500	(1)
(5)	$400	$400	(5)

General Office Mid States - Div 091 — Office Supply and Expenses * — Acct. 921

Ref	Debit	Credit	Ref
(1)	$500		

General Office Mid States - Div 091 — Administrative Expenses Transferred — Acct. 922

Ref	Debit	Credit	Ref
		$200	(2)
		$300	(2a)

Rate Div Office Mid States Div 009 ** — Administrative Expenses Transferred — Acct. 922

Ref	Debit	Credit	Ref
(2)	$200		

Rate Div Office Mid States -Remaining — Administrative Expenses Transferred — Acct. 922

Ref	Debit	Credit	Ref
(2a)	$300		

General Office Mid States - Div 091 — Depreciation Exp — Acct. 403

Ref	Debit	Credit	Ref
(3)	$100	$15	(4)
		$85	(4a)

Mid States - Div 091 — Accumulated Depreciation — Acct. 108

Ref	Debit	Credit	Ref
		$100	(3)

Rate Div Office Mid States Div 009 ** — Depreciation Exp — Acct. 403

Ref	Debit	Credit	Ref
(4)	$15		

General Office Mid States - Div 091 — Taxes Other than Income Taxes — Acct. 408.1

Ref	Debit	Credit	Ref
(5)	$400	$100	(6)
		$300	(6a)

Rate Div Office Mid States Div 009 ** — Taxes Other than Income Taxes — Acct. 408.1

Ref	Debit	Credit	Ref
(6)	$ 100		

Rate Div Office Mid States -Remaining — Taxes Other and Depreciation — Acct. 408.1 and 403

Ref	Debit	Credit	Ref
(4a)	$85		
(6a)	$300		

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist in addition to Div 009.

Flow of Activity

(1) Purchase Office Supplies - Mid States Division General Office
(2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices
(3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(4) Allocation from Division 091 - Mid States General Office to Mid States Rate Divisions - Allocated using the composite factor.
(4a) Allocation to remaining division offices
(5) Taxes Other than Income Taxes incurred
(6) Allocating General Office Expenses to Rate Division Office - 25% to Mid States Rate Division Office - for illustration purposes only
(6a) Allocation to remaining division offices

Service:	**Louisiana Division operating division general office O&M, deprecation and taxes other than income taxes, to rate division level**
Description:	Allocation of operating division general office expenses to rate division levels
Current Provider of Service	Louisiana Division operating division general office
Current Use of Service	Louisiana Division rate divisions
Basis for allocation	Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

(1) The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Louisiana Division.

(2) The number of customers in each rate division as a percentage of the total number of customers in Louisiana Division.

(3) The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Louisiana Division.

See Page 24 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

General Office LA - Div 107 — Cash — Acct. 131

	Debit	Credit	
		$500	(1)
		$400	(5)

General Office LA - Div 107 — Accounts Payable — Acct. 232

	Debit	Credit	
(1)	$500	$500	(1)
(5)	$400	$400	(5)

General Office LA - Div 107 — Office Supply and Expenses * — Acct. 921

	Debit	Credit	
(1)	$500		

General Office LA - Div 107 — Administrative Expenses Transferred — Acct. 922

	Debit	Credit	
		$200	(2)
		$300	(2a)

Rate Div Office LA Div 007 — Administrative Expenses Transferred — Acct. 922

	Debit	Credit	
(2)	$200		

Rate Div Office LA Div 007 — Administrative Expenses Transferred — Acct. 922

	Debit	Credit	
(2a)	$300		

General Office LA - Div 107 — Depreciation Exp — Acct. 403

	Debit	Credit	
(3)	$100	$15	(4)
		$85	(4a)

LA - Div 107 — Accumulated Depreciation — Acct. 108

	Debit	Credit	
		$100	(3)

Rate Div Office LA Div 007 — Depreciation Exp — Acct. 403

	Debit	Credit	
(4)	$15		
(4a)	$85		

General Office LA - Div 107 — Taxes Other than Income Taxes — Acct. 408.1

	Debit	Credit	
(5)	$400.00	$100	(6)
		$300	(6a)

Rate Div Office LA Div 007 — Taxes Other than Income Taxes — Acct. 408.1

	Debit	Credit	
(6)	$ 100		

Rate Div Office LA Div 007 — Taxes Other and Depreciation — Acct. 408.1 and 403

	Debit	Credit	
(4a)	$85		
(6a)	$300		

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

Flow of Activity

(1) Purchase Office Supplies - LA Division General Office
(2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices
(3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(4) Allocation from Division 107 - LA General Office to LA Rate Divisions - Allocated using the composite factor.
(4a) Allocation to remaining division offices
(5) Taxes Other than Income Taxes incurred
(6) Allocating General Office Expenses to Rate Division Office - 25% to LA Rate Division Office - for illustration purposes only
(6a) Allocation to remaining division offices

Description of Relationship between Mid-Tex and Atmos Pipeline – Texas:

Mid-Tex performs operations and maintenance and capital services for the Atmos Pipeline – Texas ("APT") Division.

Services are provided on an ongoing basis throughout the Mid-Tex and APT service areas. The field operations include, but are not limited to, services related to pipeline integrity, measurement, compliance work, painting, right of way mowing and reclamation, leak surveys, patrolling, regulator maintenance, fence replacements, line repairs and line replacements. Additionally, Technical and Support Services are provided to APT by centralized departments primarily located at the Mid-Tex headquarters in Dallas. These centralized functions include, but are not limited to, compliance monitoring and reporting, engineering, gas measurement, finance, marketing and human resources.

APT employs outside contractor labor services and purchases materials and supplies for field operations and construction in addition to the services provided by Mid-Tex. These services and materials are direct charged to APT and are not allocated from Mid-Tex.

APT employs some pipeline only personnel, this labor and the related benefit cost is primarily charged directly to APT and not allocated from Mid-Tex.

Service:	**Mid-Tex/Atmos Pipeline – Texas Division - Intracompany Labor**
Description:	Mid-Tex employees' labor supporting APT operations
Current Provider Of Service	Mid-Tex
Current Use of Service	Atmos Pipeline – Texas
Basis for allocation	Mid-Tex direct Company and/or contractor actual labor Mid-Tex Non Supervisory employees who charge time to APT generally record their time through the time reporting system. Mid-Tex Supervisory employees who charge time to APT generally record their time using the operational split through the time reporting system. The Operational Split is calculated annually based on the expected allocation of Mid-Tex Non Supervisory labor and contractor labor between the Mid-Tex and APT divisions.

General Ledger Entry: Supervisory employee (Example Only)

Mid-Tex BU 080
Cash
Acct. 131

	$1,000 (1)

Mid-Tex BU 080
Accounts Payable
Acct. 232

(1) $1,000	$1,000 (2)

Mid-Tex BU 080
O&M Labor
Acct. 853
Cost Center 4XXX

(2) $200	

Mid-Tex BU 080
Construction work
In Progress
Acct. 107
Cost Center 4XXX

(2) $ 400	

APT BU 180
Construction work
In Progress
Acct. 107
Cost Center 9XXX

(2) $ 250	

APT BU 180
O&M Labor
Acct. 853
Cost Center 9XXX

(2) $150	

Flow of Activity:
(1) Pay Mid-Tex Supervisory employee
(2) Allocate labor to Mid-Tex and APT – for illustration purposes, this employee's time is charged 60% to Mid-Tex and 40% to APT. The APT portion is 63% capital.

General Ledger Entry: Non Supervisory employee (Example Only)

Mid-Tex BU 080
Cash
Acct. 131

	$800 (1)

Mid-Tex BU 080
Accounts Payable
Acct. 232

(1) $800	$800 (2)

Mid-Tex BU 080
O&M Labor
Acct. 853
Cost Center 4XXX

(2) $400	

APT BU 180
Construction work
In Progress
Acct. 107
Cost Center 9XXX

(2) $ 100	

APT BU 180
O&M Labor
Acct. 853
Cost Center 9XXX

(2) $300	

Flow of Activity:
(1) Pay Mid-Tex employee labor
(2) Direct charge labor to Mid-Tex and APT – for illustration purposes, this employee's time for this payroll cycle was 50% Mid-Tex and 50% APT. The APT portion was 25% capital and 75% expense.

Service: **Mid-Tex/Atmos Pipeline – Texas Division - Non Labor Expenses**

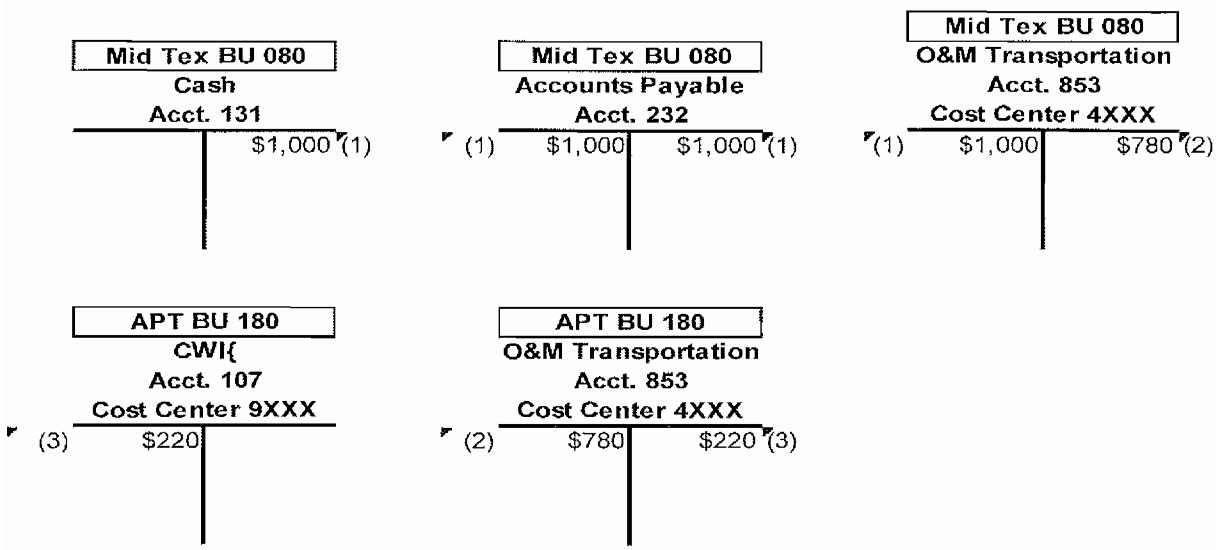
Description: Allocation of including but not liminted to rents, heavy equipment, utilities, telecom, transportation (vehicles), uniforms, insurance, printing and postage.

Current Provider Of Service: Mid-Tex

Current Use of Service: Atmos Pipeline – Texas Division

Basis for allocation: Factors are primarily based on direct employee labor and contractor labor. The vehicle allocation is based on Company labor only. Allocations vary based on the cost center and sub account.

General Ledger Entries: Transportation Expense (Example Only)



Flow of Activity

- (1) $1000 in transportation expense
- (2) $780 is allocated from Mid-Tex O&M to APT O&M
- (3) A portion of the cost is capitalized, for illustration purposes only (22%)

Service: **Benefits cost allocation**

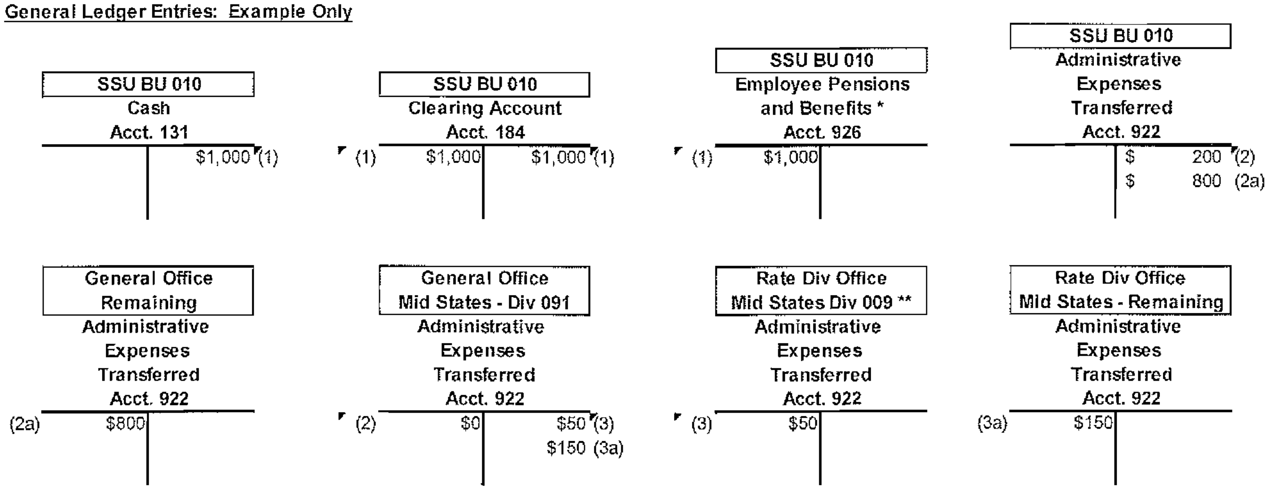
Description: Accumulates fringe benefits (workers compensation, basic life insurance, SFAS/106, medical/dental insurance, long term disability, 401(k), pension cost etc.) and allocates to the rate jurisdictions and/or subsidiaries.

Current Provider of Service: Shared Services

Current Use of Service:
Atmos Pipeline – Texas Division
Atmos Power Systems, Inc.
UCG Storage, Inc.
Atmos Energy Services, LLC
Atmos Energy Marketing, LLC
West Texas Division
Louisiana Division
Kentucky/Mid-States Division
Mid-Tex Division
Colorado-Kansas Division
Mississippi Division

Basis for allocation: An allocation of fringe benefits from Shared Services to the divisions and subsidiaries is calculated based on the ratio of employees for each division or subsidiary to total employees that receive their benefits from Atmos Energy Corporation. Fringe benefits components are accumulated by each operating division general office. Benefit expenses are allocated to rate jurisdictions by multiplying each rate jurisdiction's labor dollars by that particular operating division's benefits load percentage. The load percentage is calculated using total budgeted benefits divided by total labor.

General Ledger Entries: Example Only



* Many O&M expense accounts exist in addition to 926 that get cleared out of account 922.
** Many rate division offices exist within the state in addition to Div 009.

Flow of Activity
(1) Benefit costs incurred
(2) Allocating Shared Services Expenses to Mid States General Office - 20% Allocation rate for illustration purposes only
(2a) Allocation to remaining general offices
(3) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
(3a) Allocation to remaining division offices

Service: **Intercompany labor**

Description: To the extent operating division employees provide labor services to an affiliate, the labor costs for the services will be charged to the appropriate affiliate.

Current Provider of Service:
Atmos Pipeline – Texas Division
Louisiana Division
Colorado-Kansas Division
Kentucky/Mid-States Division
Mid-Tex Division
Mississippi Division
West Texas Division

Current Use of Service:
UCG Storage, Inc.
Atmos Energy Marketing, LLC
WKG Storage, Inc.
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.

Basis for allocation: Labor charges are captured through direct time sheet entries and transferred to the appropriate subsidiary receiving the labor services.

General Ledger Entries: Example Only

SSU BU 010
Cash
Acct. 131

		$500	(2a)

SSU BU 010
A/R from Assoc Co.
Acct. 146

(2b)	$500		

SSU BU 010
Accounts Payable
Acct. 232

(2a)	$500	$500	(2b)

Atmos Energy Services
AES BU 301
Mains & Services Exp
Acct. 8740

(1)	$500		

Mid States BU 050-Div 002
A/R from Assoc Co.
Acct. 146

		$500	(2b)

Mid States BU 050-Div 091
Accounts Payable
Acct. 232

(2b)	$500	$500	(1)

Flow of Activity

(1) Employee X is a Kentucky Employee. He worked on a special project in March for Atmos subsidiary, AES (Atmos Energy Services). Time is captured through a direct time sheet entry.
(2a) Salary is paid to employee x
(2b) JE is made to relieve payable in operating division.
Intercompany Entry generated by Oracle to keep Operating Divisions in sync.

Service:	**Adjustments to Uncollectible Accounts Expense**
Description:	Allocation of additional expense amounts booked to adjust the Provision for Uncollectibles (Account 144)
Current Provider of Service	West Texas Division rate divisions Louisiana Division rate divisions Kentucky/Mid-States Division rate divisions Colorado-Kansas Division rate divisions Mid-Tex Division rate division Mississippi Division rate division
Current Use of Service	West Texas Division rate divisions Louisiana Division rate divisions Kentucky/Mid-States Division rate divisions Colorado-Kansas Division rate divisions Mid-Tex Division rate division Mississippi Division rate division
Basis of Intra-company Allocations	Costs are allocated to the rate divisions in total based on Sales Revenue.

General Ledger Entries: Example Only

Rate Division *
Accumulated Provision for Uncollectible Accounts
Acct. 144 sub aaaaa

(2) $ 250	$ 1,000 (1)

Rate Division
Customer Accounts - Uncollectible Accounts
Acct. 904

(1) $ 1,000	

Rate Division
Cistpmer Accpimts Receivable
Acct. 142 sub bbbbb

	$ 250 (2)

* Each rate division has a different allocation rate.

Flow of Activity
(1) Monthly allocated costs.
(2) Write off of uncollectible accounts as needed.

Service:	**Intra-company labor allocation – other than operating division general office labor**
Description:	Certain employee activities cross multiple rate divisions within an operating division. The costs associated with such activities include labor, benefits and associated taxes.
Current Provider of Service	Atmos Pipeline – Texas Division West Texas Division Louisiana Division Kentucky/Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division
Current Use of Service	Atmos Pipeline – Texas Division West Texas Division Louisiana Division Kentucky/Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division
Basis of Intra-company Allocations	Labor associated with cross-jurisdictional activities is charged to each jurisdiction based on the level of employee activity. The costs are captured either through direct time sheet entries or fixed labor distribution percentages.

General Ledger Entries: Example Only

SSU BU 010
Cash
Acct. 131
Credit: $500 (2a)

SSU BU 010
A/R from Assoc Co.
Acct. 146
Debit: (2b) $500

SSU BU 010
Accounts Payable
Acct. 232
Debit: (2a) $500 | Credit: $500 (2b)

Kentucky Division
Mid-States BU 050-Div 009
Mains & Services Exp
Acct. 8740
Debit: (1) $250

Tennessee Division
Mid-States BU 050-Div 093
Mains & Services Exp
Acct. 8740
Debit: (1) $250

Mid-States BU 050-Div 002
A/R from Assoc Co.
Acct. 146
Credit: $500 (2b)

Mid-States BU 050-Div 091
Accounts Payable
Acct. 232
Debit: (2b) $500 | Credit: $500 (1)

Flow of Activity

(1) Employee x lives in Kentucky and works 50% in Kentucky and 50% in Tennessee every month.
Time is captured through fixed labor distribution
(2a) Salary is paid to employee x
(2b) JE is made to relieve payable in operating division.
Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service:	**Other income and interest expense(All below the line accounts)**
Description:	Allocation of Shared Services' other income and interest expense(All below the line accounts)
Current Provider of Service	Shared Services
Current Use of Service	West Texas Division Louisiana Division Kentucky/Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division Atmos Pipeline – Texas Division
Basis for allocation	Interest Expense, Interest Income and Other Non-Operating Income in shared services are allocated to each utility division based on the budget allocation percentages. The budget allocation is based on net investment by business unit as of the latest month available when the budget is prepared, with normalizing or averaging adjustments to working capital. Net investment is defined as total assets less liabilities (excluding long-term debt, notes payable and current maturities.) The allocation factors are the same for the fiscal year. The allocation stays in the account the charge was originally booked in. Headquarter allocation of below the line accounts to rate divisions follows the same process as described above.

See page 33 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

SSU BU 010 — Cash — Acct. 131

$1,000	

SSU BU 010 — Accounts Receivable — Acct. 143

(1) $1,000	$1,000 (1)

SSU BU 010 — Interest and Dividend Income — Acct. 419

(2) $20	$1,000 (1)

Div 033 — Interest and Dividend Income — Acct. 419

	$20

SSU BU 010 — Cash — Acct. 131

	$2,000 (3)

SSU BU 010 — Accounts Receivable — Acct. 143

(3) $2,000	$2,000 (3)

SSU BU 010 — Other Deductions * — Acct. 426.5

(3) $2,000	$40 (4)

Div 033 — Other Deductions — Acct. 426.5

(4) $40	

SSU BU 010 — Cash — Acct. 131

	$3,000 (5)

SSU BU 010 — Accounts Receivable — Acct. 143

(5) $3,000	$3,000 (5)

SSU BU 010 — Interest Expense — Acct. 431 (Short Term)

(5) $600	$12 (6)

Div 033 — Interest Expense — Acct. 431 (Short Term)

(6) $ 12	

SSU BU 010 — Interest Expense — Acct. 431 (Long Term)

(5) $2,400	$48 (6)

Div 033 — Interest Expense — Acct. 431 (Long Term)

(6) $ 48	

* Includes various accounts but cleared out of account 426.5

Flow of Activity

(1) Interest and Dividend Income generated
(2) Allocating Shared Services Income and Dividend Income to Div 33 only - Assume 2% allocation rate
(3) Other Income and Expenses generated
(4) Allocating Shared Services Other Deductions to Div 33 only - Assume 2% allocation rate
(5) Interest Expense generated
(6) Allocating Shared Services Interest Expense to Div 33 only - Assume 2% allocation rate

Service: **Gas supply services between the operating divisions and an affiliate**

Description: Atmos Energy Services LLC provides gas supply administrative services to the operating divisions.

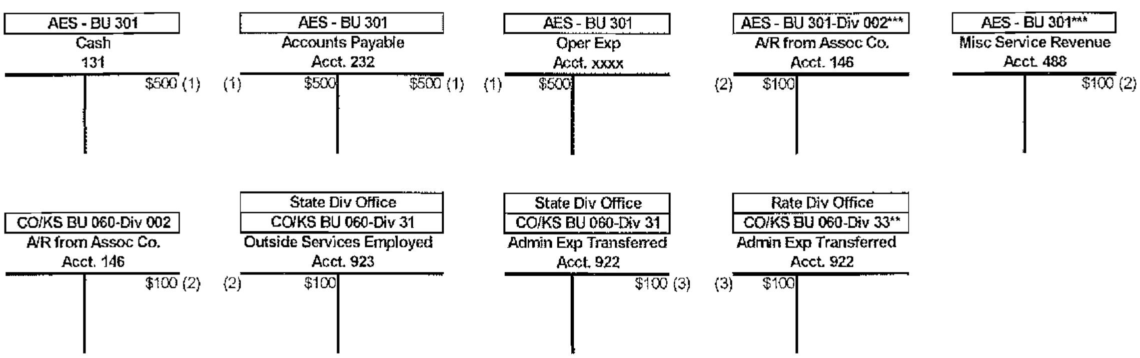
Current Provider of Service: Atmos Energy Services, LLC

Current Use of Service:
West Texas Division
Louisiana Division
Mid-States Division
Colorado-Kansas Division
Mississippi Division

Basis for allocation: Costs are charged directly to a specific service area in Atmos Energy Services LLC related to each of the operating divisions (i.e. Colorado costs accumulated in Atmos Energy Services LLC are billed directly to the operating division for Colorado). These costs are billed to the operating divisions on a monthly basis at cost with no profit component.

Administrative charges are allocated to each region based on total throughput volumes from the prior fiscal year (October 1 to September 30).

General Ledger Entries: Example Only



** Many rate division offices exist within the state in addition to Div 033.
*** For this example, this amount represents the portion of the billings attributed to the CO/KS division 31 state office

Flow of Activity
(1) Atmos Energy Services (AES), a subsidiary of Atmos Energy Corporation incurred operating expense
(2) AES, bills various Atmos operating divisions for their use of gas supply services
(3) Allocation from division 31 - Colorado Operating Division to Colorado rate divisions - Allocated using the composite factor.

Service:	**Gas cost between state jurisdictions for contiguous systems**
Description:	Gas costs that apply to contiguous systems that cross state jurisdictional boundaries are allocated between those rate jurisdictions.
Current Provider of Service	West Texas Division Colorado-Kansas Division Kentucky/Mid-States Division
Current Use of Service	West Texas Division Colorado-Kansas Division Kentucky/Mid-States Division
Basis of Allocations	Allocations are based upon throughput for the West Texas Division and the Colorado-Kansas Division's Southeast Colorado/Southwest Kansas operations. For the Colorado-Kansas Division's Kansas system and for the Kentucky/Mid-States Division, demand costs are allocated based on peak-day requirements. Commodity costs are allocated based upon throughput.

Atmos Energy Corporation
General Ledger Entries: Gas Costs between state jurisdictions for contiguous systems (Example Only)

SSU BU 010
Cash
Acct. 131

		$1,000	(1)

SSU BU 010
Accounts Payable
Acct. 232

(1)	$1,000	$1,000	(2)

Various BU's & Svc Areas
Natural Gas City Gate Purchase
Acct. 804

(2)	$1,000	

(1) Gas cost incurred
(2) Gas cost paid

Service:	**Gas storage services between an operating division and an affiliate**
Description:	To the extent an operating division stores gas in a storage field owned by an affiliate, a rental fee for the use of the storage field shall be charged by the affiliate.
Current Provider of Service	UCG Storage, Inc. WKG Storage, Inc.
Current Use of Service	Kentucky/Mid-States Division
Basis for allocation	The annual demand charge between UCG Storage, Inc. and Atmos Energy Corporation (Tennessee operations only) is calculated based on fiscal year plant in service, gas inventory, actual operational costs incurred, and application of revenue and cost of capital conversion factors based on prior regulatory approval. In the calculation of the demand charge, costs not specifically related to a designated area are allocated to each affiliate based on the percentage of total plant servicing that affiliate. The annual demand charge between WKG Storage, Inc. and Atmos Energy Corporation (Kentucky operation only) is based on services provided at actual cost, market rate or as otherwise provided under tariff or contract.

General Ledger Entries: Example Only

WKG Storage BU 233
Other Gas Revenues
Acct. 495

Debit	Credit
	$100 (1)

KY/Mid-State BU 050, Div 009
Transportation to City Gate
Acct. 8580

Debit	Credit
(1) $100	

WKG Storage BU 233, Div 002
A/R from Assoc Co.
Acct. 146

Debit	Credit
(2) $100	

KY/Mid-State BU 050, Div 002
A/R from Assoc Co.
Acct. 146

Debit	Credit
	$100 (2)

Flow of Activity - East Diamond Storage Facility

1 Monthly demand charge for the East Diamond Storage Facility
2 Intercompany Entry generated by Oracle to keep Operating Divisions in sync

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UCG Storage BU 232
Other Gas Revenues
Acct. 495

Debit	Credit
	$100 (1)

KY/Mid-State BU 050, Div 009
Other gas supply expenses
Acct. 813

Debit	Credit
(1) $100	

WKG Storage BU 232, Div 002
A/R from Assoc Co.
Acct. 146

Debit	Credit
(2) $100	

KY/Mid-State BU 050, Div 002
A/R from Assoc Co.
Acct. 146

Debit	Credit
	$100 (2)

Flow of Activity - Barnsley Storage Facility

1 Monthly demand charge for the Barnsley Storage Facility
2 Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service: **Working capital funds management**

Description: Funds are invested on behalf of or provided to affiliates based on operations.

Current Provider of Service:	Atmos Energy Corporation	Atmos Energy Holdings, Inc.	Atmos Energy Holdings, Inc.
Current Use of Service:	Atmos Energy Holdings, Inc.	Atmos Energy Marketing Services, LLC	Atmos Energy Corporation
Interest Income/Expense Calculation (See Below)	A	A	B

Basis for allocation: Interest income or expense is recognized each month at the subsidiaries' level based on the average outstanding balance of each respective inter-company receivable/payable balance and Atmos' average effective rate of short term debt net of commitment fees plus 75 to 300 basis points (A) or the lowest commercial paper rate outstanding. If there is not commercial paper outstanding the rate on the Royal Bank of Scotland facility is used (B).

Atmos Energy Corporation
General Ledger Entries: Working Capital Funds Management (Example Only)

SSU BU 010
Interest and Dividend Income
Acct. 419

	$500 (1)

Various Affiliates
Interest and Dividend Income
Acct. 419

	$500 (1)

Various Affiliates
Other Interest Expense
Acct. 431

(1) $1,000	

(1) Interest Income and/or expense is recognized each month at the subsidiaries' level

Service:	**Gas storage services provided between affiliates**
Description:	To the extent an affiliate stores gas in a storage field owned by another affiliate, a fee for the use of the storage field shall be charged.
Current Provider of Service	Trans Louisiana Gas Storage, Inc.
Current Use of Service	Trans Louisiana Gas Pipeline, Inc.
Basis for allocation	The fee to the affiliate utilizing the storage service is based on services provided at actual cost, market rate or as otherwise provided under tariff.

General Ledger Entries: Example Only

BU 234
Accounts Receivable from Associated Company
Acct. 146

$100	

BU 234
Revenue Transportation - Industrial
Acct. 4896

	$100

BU 303
Accounts Receivable from Associated Company
Acct. 146

	$100

BU 303
Other Gas Supply Expense
Acct. 813

	$100

Service:	**AEM – Salaries and FICA Cost Allocation**
Description:	Salaries and FICA cost allocations between affiliates.
Current Provider of Service	Atmos Energy Marketing, LLC
Current Use of Service	Atmos Energy Services, LLC Atmos Energy Marketing, LLC Trans Louisiana Gas Pipeline, Inc. Atmos Power Systems, Inc.
Basis for allocation	Costs are allocated based on each individual employee's calculated allocation rate between companies. The individual employee's calculated allocation rates are then added up to arrive at a Company-wide allocation rate.

Atmos Energy Corporation
General Ledger Entries: AEM - Salaries & Fica Cost Allocation (Example Only)

Atmos Energy Marketing, LLC BU 212
Cash
Acct. 131

		$200 (3)
		$200 (3)
		$600 (4)

Atmos Energy Marketing, LLC BU 212
Accounts Payable
Net Payroll Accrual
Acct. 232

(2)	$200	$800 (1)
(4)	$600	

Atmos Energy Marketing, LLC BU 212
A&G-Administrative & general salaries
Non-project Labor
Acct. 920

	(1)	$800	$800 (6)
Alloc to Var. States	(6)	$500	
Alloc to TLGP	(6)	$100	
Alloc to New Orleans I	(6)	$50	
Alloc to AES	(6)	$50	

Atmos Energy Marketing, LLC BU 212
Clearing Account
Employer FICA Clearing
Acct 184

(2)	$200	$200 (5)

Atmos Energy Marketing, LLC BU 212
Accounts Payable
Empr Fica-Accrual
Acct. 236

(3)	$200	$200 (2)

Atmos Energy Marketing, LLC BU 212
Accounts Payable
Emp Fica-Accrual
Acct. 241

(3)	$200	$200 (2)

Atmos Energy Marketing, LLC BU 212
Taxes other than Income Taxes
Fica Load
Acct. 408

	(5)	$200	$200 (6)
Alloc to Var. States	(6)	$40	
Alloc to TLGP	(6)	$40	
Alloc to New Orleans I	(6)	$40	
Alloc to AES	(6)	$40	

BU 303 (TLGP), 221 (APS)
A&G-Administrative & general salaries
Non-project Labor
Acct. 920

(6)	$100	

BU 303 (TLGP), 221 (APS)
Taxes other than Income Taxes
Fica Load
Acct. 408

(6)	$40	

(1) Payroll Accrual
(2) Fica Accrual
(3) Payment of Fica (Employer and Employee)
(4) Payment of Payroll
(5) Employer Fica Tax Load
(6) Allocation of Payroll and Fica

Service:	**AEM – Operation and Maintenance cost allocation**
Description:	O&M expense cost allocations between affiliates.
Current Provider of Service	Atmos Energy Marketing, LLC
Current Use of Service	Atmos Energy Services, LLC
Basis for allocation	Costs are allocated based on each individual employee's calculated allocation rate between companies. The individual employee's calculated allocation rates are then added up to arrive at a Company-wide allocation rate.

Atmos Energy Corporation
General Ledger Entries: Affiliates - O&M Expense Allocation (Example Only)

Labor & Benefits

Atmos Energy Marketing, LLC BU 212
Administrative Expenses Transferred - CR
Acct. 922

Debit	Credit
	$1,000 (1)

Atmos Energy Holdings, Inc. BU 312
Administrative Expenses Transferred - CR
Acct. 922

Debit	Credit
(1) $1,000	$1,000 (1)

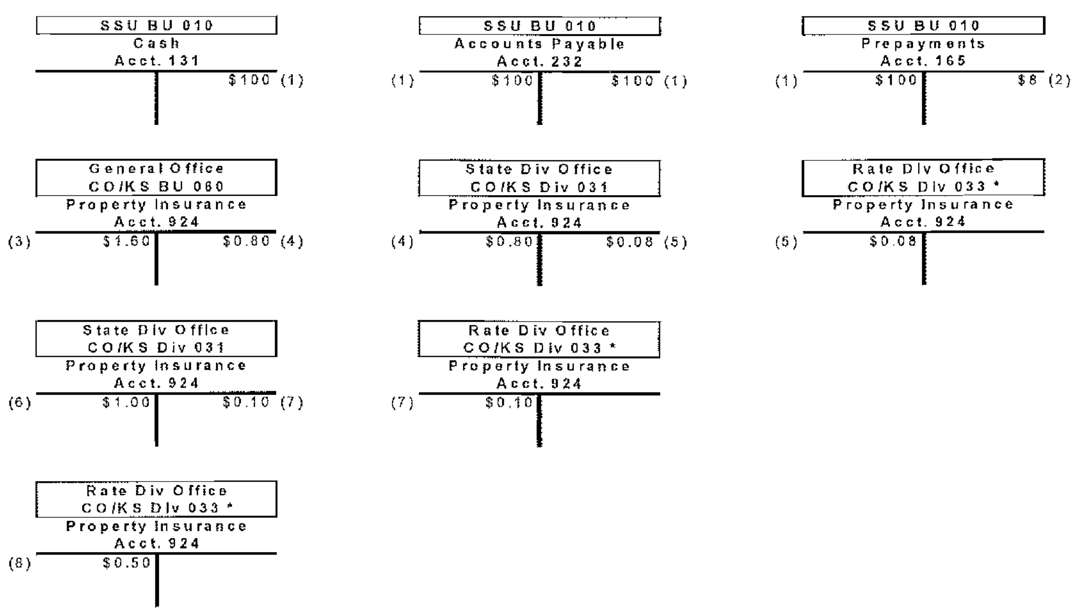
Atmos Energy Services, LLC BU 301
Administrative Expenses Transferred - CR
Acct. 922 - Multiple Svc Areas for different state

Debit	Credit
(1) $1,000	

(1) Labor and Benefits Billing from AEM (212) to AES (301)

Service:	**Property Insurance**
Description:	Blueflame Insurance Services, LTD provides a direct property insurance policy. The policy covers the property against all risks of direct physical loss or damage.
Current Provider of Service	Blueflame Insurance Services, LTD
Current Use of Service	Kentucky/Mid-States Division Colorado-Kansas Division Shared Services Louisiana Division Mississippi Division Mid-Tex Division West Texas Division Atmos Pipeline – Texas Division Atmos Energy Marketing, LLC Atmos Exploration & Production, Inc. Atmos Energy Services, LLC Atmos Power Systems, Inc. Trans Louisiana Gas Pipeline, Inc. Trans Louisiana Gas Storage, Inc. UCG Storage, Inc. WKG Storage, Inc. Atmos Gathering Company, LLC
Basis for allocation	Atmos Energy Corporation is invoiced by Blueflame Insurance Services. Costs are allocated based on the property value of each affiliate at a rate division level.

General Ledger Entries: Example Only



* Many rate division offices exist within the state in addition to Div 033.

Flow of Activity

(1) Property Insurance incurred
(2) Amortized on a monthly basis to General Office
(3) Allocating Shared Services Expenses to General Office - 20% Allocation rate for illustration purposes only
(4) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
(5) Allocating Shared Services Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only
(6) Amortized on a monthly basis to State Division Office
(7) Allocating State Division Office to Rate Division Office
(8) Amortized on a monthly basis to Rate Division Office

Service:	**AES Retail Services**
Description:	AES Retail services monthly revenue
Current Provider Of Services	Atmos Energy Services, LLC
Current Use of Service	West Texas Rate Divisions Kentucky/Mid-States Rate Divisions Colorado-Kansas Rate Divisions
Basis for allocation	1. Revenue for retail services is tracked in Atmos Energy Services, LLC by service areas which represent corresponding service areas at the utility level. Some of the revenue is reclassed to utility levels on a one to one basis. I.e. Colorado retail services post to service area 813 within Atmos Energy Services, LLC books and is simply reclassed to Colorado/Kansas Division, service area 030 (Colorado operating division general office). 2. Revenue balance in Atmos Energy Services, LLC service area 055001 (Retail – AES) is allocated to the above referenced divisions based on the net income of Atmos Energy Services, LLC service areas 811-813 as a percentage of their combined net income.

General Ledger Entries: Example Only

BU 301
Service areas 811-813
Revenues from Non-utility Operations Acct. 417

	Debit	Credit	
(1)	$600	$600	(1)
(1)	$300	$300	(1)
(1)	$100	$100	(1)

General Office
Revenues from Non-utility Operations Acct. 417

	Debit	Credit	
		$600	(1)
		$300	(1)
		$100	(1)

BU 301
Service area 055
Revenues from Non-utility Operations Acct. 417

	Debit	Credit	
(2)	$2,000	$2,000	(2)

General Office
Revenues from Non-utility Operations Acct. 417

	Debit	Credit	
(2)	$1,000		West Texas
(2)	$750		Colorado
(2)	$250		Kansas

Flow of Activity

(1) Revenues from Non-utility Operations incurred and reclassed to General Offices
(2) Revenues from Non-utility Operations incurred are allocated to General Offices

Service:	**Intercompany Interest on Notes Payable**
Description:	Intercompany Interest on Notes Payable
Current Provider Of Services	Shared Services
Current Use of Service	Atmos Energy Holdings, Inc.
Basis for allocation	Interest expense is recognized monthly at the subsidiaries' level based on the monthly rate from the Short Term Debt report plus 3%. Interest income is recognized monthly at the subsidiaries' level based on the monthly rate from Short Term Debt report.

General Ledger Entries: Example Only

Shared Services

Accounts Receivable from Associated Company
Acct. 146

Debit	Credit
	$1,000 (1)

Shared Services

Interest on Debt to Associated Companies
Acct. 431

Debit	Credit
(1) $1,000	

Atmos Energy Holdings, Inc.

Accounts Receivable from Associated Company
Acct. 146

Debit	Credit
(1) $1,000	

Atmos Energy Holdings, Inc.

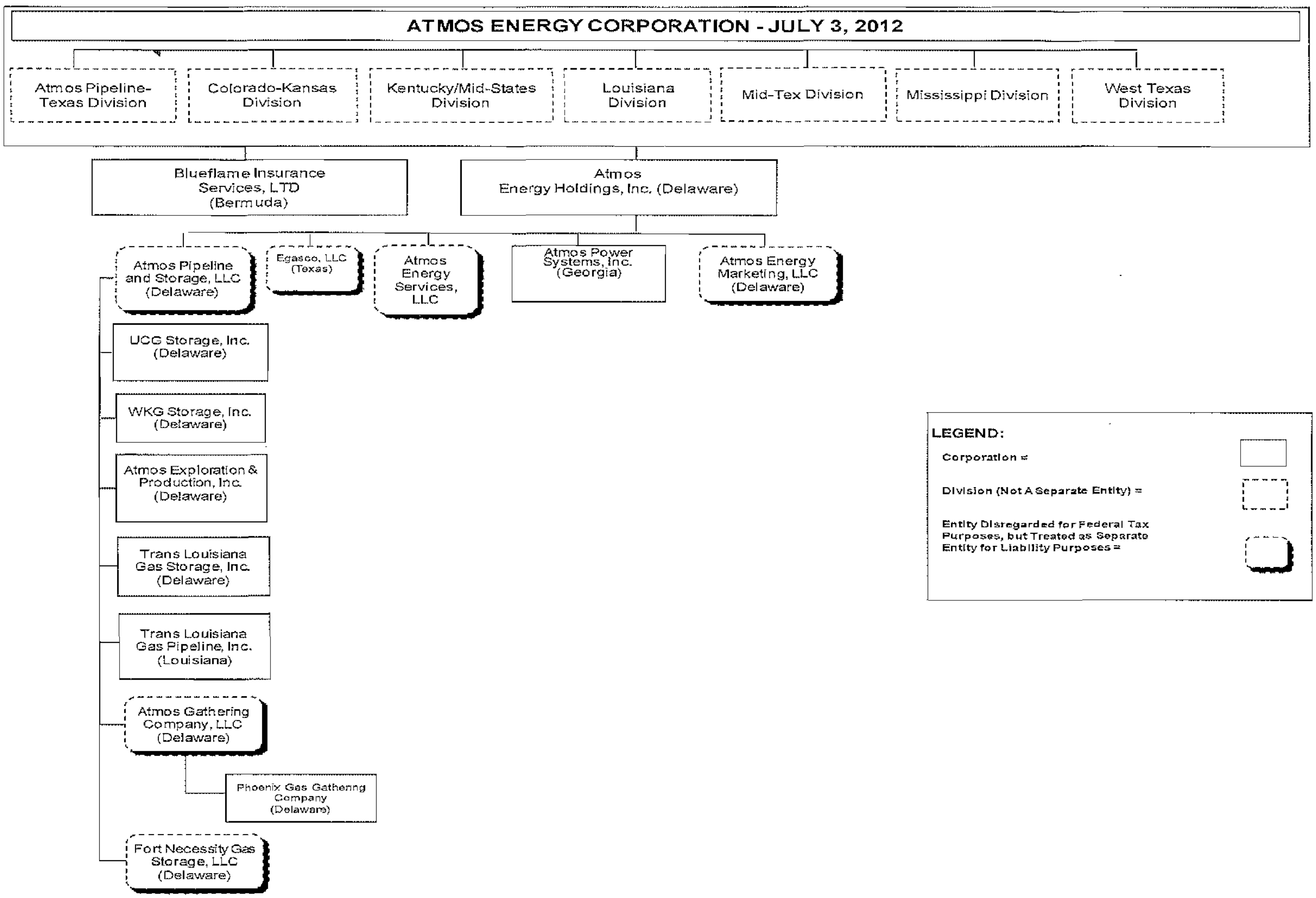
Interest and Dividend Income
Acct. 419

Debit	Credit
	$1,000 (1)

Flow of Activity

(1) Intercompany Interest on Notes Payable is recognized each month at the subsidiary level.

Appendix A


ATMOS ENERGY CORPORATION - JULY 3, 2012
Atmos Pipeline-Texas Division
Colorado-Kansas Division
Kentucky/Mid-States Division
Louisiana Division
Mid-Tex Division
Mississippi Division
West Texas Division
Blueflame Insurance Services, LTD (Bermuda)
Atmos Energy Holdings, Inc. (Delaware)
Atmos Pipeline and Storage, LLC (Delaware)
Egasco, LLC (Texas)
Atmos Energy Services, LLC
Atmos Power Systems, Inc. (Georgia)
Atmos Energy Marketing, LLC (Delaware)
UCG Storage, Inc. (Delaware)
WKG Storage, Inc. (Delaware)
Atmos Exploration & Production, Inc. (Delaware)
Trans Louisiana Gas Storage, Inc. (Delaware)
Trans Louisiana Gas Pipeline, Inc. (Louisiana)
Atmos Gathering Company, LLC (Delaware)
Phoenix Gas Gathering Company (Delaware)
Fort Necessity Gas Storage, LLC (Delaware)
LEGEND:
Corporation =
Division (Not A Separate Entity) =
Entity Disregarded for Federal Tax Purposes, but Treated as Separate Entity for Liability Purposes =

VANDER WEIDE, J. H.

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

APPLICATION OF ATMOS ENERGY	)	
	)	
CORPORATION FOR AN ADJUSTMENT	)	Case No. 2013-00148
	)	
OF RATES AND TARIFF MODIFICATIONS	)	

JAMES H. VANDER WEIDE, PH.D.

RATE OF RETURN

ATMOS ENERGY CORPORATION
RATE OF RETURN

TABLE OF CONTENTS

I. WITNESS IDENTIFICATION

Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. My name is James H. Vander Weide. I am Research Professor of Finance and Economics at Duke University, the Fuqua School of Business. I am also President of Financial Strategy Associates, a firm that provides strategic and financial consulting services to business clients. My business address is 3606 Stoneybrook Drive, Durham, North Carolina.

Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PRIOR ACADEMIC EXPERIENCE?

A. I graduated from Cornell University with a Bachelor's Degree in Economics and from Northwestern University with a Ph.D. in Finance. After joining the faculty of the School of Business at Duke University, I was named Assistant Professor, Associate Professor, and then Professor. I have published research in the areas of finance and economics and taught courses in corporate finance, investment management, and management of financial institutions at Duke for more than thirty-five years. My research publications and teaching experience are described in Appendix 1. I am now retired from my teaching duties at Duke.

Q. HAVE YOU PREVIOUSLY TESTIFIED ON FINANCIAL OR ECONOMIC ISSUES?

A. As an expert on financial and economic theory and practice, I have participated in more than 400 regulatory and legal proceedings before the public service commissions of forty-three states and four Canadian provinces, the Federal Energy Regulatory Commission, the National Energy Board (Canada), the

Federal Communications Commission, the Canadian Radio-Television and Telecommunications Commission, the U.S. Congress, the National Telecommunications and Information Administration, the insurance commissions of five states, the Iowa State Board of Tax Review, the National Association of Securities Dealers, and the North Carolina Property Tax Commission. In addition, I have prepared expert testimony in proceedings before the U.S. District Court for the District of Nebraska; the U.S. District Court for the District of New Hampshire; the U.S. District Court for the District of Northern Illinois; the U.S. District Court for the Eastern District of North Carolina; the Montana Second Judicial District Court, Silver Bow County; the U.S. District Court for the Northern District of California; the Superior Court, North Carolina; the U.S. Bankruptcy Court for the Southern District of West Virginia; and the U. S. District Court for the Eastern District of Michigan.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I have been asked by Atmos Energy Corporation ("Atmos Energy" or "the Company") to prepare an independent appraisal of its cost of equity capital and to recommend a rate of return on equity that is fair, that allows Atmos Energy to attract capital on reasonable terms, and that allows Atmos Energy to maintain its financial integrity.

Q. HOW DO YOU ESTIMATE ATMOS ENERGY'S COST OF EQUITY?

A. I estimate Atmos Energy's cost of equity by applying several standard cost of equity estimation techniques, including the discounted cash flow ("DCF") model, the risk premium method, and the Capital Asset Pricing Model ("CAPM") to proxy groups of comparable risk utilities.

Q. WHY DO YOU APPLY YOUR COST OF EQUITY METHODS TO PROXY GROUPS OF UTILITIES RATHER THAN SOLELY TO ATMOS ENERGY?

A. I apply my cost of equity methods to proxy groups of utilities because standard cost of equity methodologies such as the DCF, risk premium, and CAPM require inputs of quantities that are not easily measured. Since these inputs can only be estimated, there is naturally some degree of uncertainty surrounding the estimate of the cost of equity for each company. However, the uncertainty in the estimate of the cost of equity for an individual company can be greatly reduced by applying cost of equity methodologies to one or more samples of comparable companies. Intuitively, unusually high estimates for some individual companies are offset by unusually low estimates for other individual companies. Thus, financial economists invariably apply cost of equity methodologies to one or more groups of comparable companies. In utility regulation, the practice of using comparable companies is further supported by the United States Supreme Court standard that the utility should be allowed to earn a return on its investment that is commensurate with returns being earned on other investments of similar risk (*see Bluefield Water Works and Improvement Co. v. Public Service Comm'n.* 262 U.S.

679, 692 (1923) and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 561, 603 (1944)).

Q. WHAT COST OF EQUITY DO YOU FIND FOR YOUR COMPARABLE COMPANIES IN THIS PROCEEDING?

A. I find that the cost of equity for my comparable companies is in the range of 10.0 percent to 11.3 percent, with an average result of 10.7 percent.

Q. WHAT IS YOUR RECOMMENDATION REGARDING ATMOS ENERGY'S FAIR RATE OF RETURN ON COMMON EQUITY?

A. I conservatively recommend that Atmos Energy be allowed a fair rate of return on common equity equal to 10.7 percent.

Q. WHY IS YOUR RECOMMENDED RETURN ON EQUITY CONSERVATIVE?

A. My recommended return on equity is conservative because the financial risk of my comparable companies, which is based on the equity ratio resulting from the market values of their equity and debt, is less than the financial risk implied by the lower equity ratio in Atmos Energy's ratemaking capital structure, which is based on its book values of equity and debt.

Q. DO YOU HAVE AN EXHIBIT TO ACCOMPANY YOUR TESTIMONY?

A. Yes. I sponsor Exhibit JVW-1, consisting of nine schedules and five appendices that were prepared by me or under my direction and supervision.

III. ECONOMIC AND LEGAL PRINCIPLES

Q. HOW DO ECONOMISTS DEFINE THE REQUIRED RATE OF RETURN, OR COST OF CAPITAL, ASSOCIATED WITH PARTICULAR INVESTMENT DECISIONS SUCH AS THE DECISION TO INVEST IN NATURAL GAS DISTRIBUTION FACILITIES?

A. Economists define the cost of capital as the return investors expect to receive on alternative investments of comparable risk.

Q. HOW DOES THE COST OF CAPITAL AFFECT A FIRM'S INVESTMENT DECISIONS?

A. The goal of a firm is to maximize the value of the firm. This goal can be accomplished by accepting all investments in plant and equipment with an expected rate of return greater than or equal to the cost of capital. Thus, a firm should continue to invest in plant and equipment only so long as the return on its investment is greater than or equal to its cost of capital.

Q. HOW DOES THE COST OF CAPITAL AFFECT INVESTORS' WILLINGNESS TO INVEST IN A COMPANY?

A. The cost of capital measures the return investors can expect on investments of comparable risk. The cost of capital also measures the investor's required rate of return on investment because rational investors will not invest in a particular investment opportunity if the expected return on that opportunity is less than the cost of capital. Thus, the cost of capital is a hurdle rate for both investors and the firm.

Q. DO ALL INVESTORS HAVE THE SAME POSITION IN THE FIRM?

A. No. Debt investors have a fixed claim on a firm's assets and income that must be paid prior to any payment to the firm's equity investors. Since the firm's equity investors have a residual claim on the firm's assets and income, equity investments are riskier than debt investments. Thus, the cost of equity exceeds the cost of debt.

Q. WHAT IS THE ECONOMIC DEFINITION OF THE COST OF EQUITY?

A. As I noted above, the cost of equity is the return investors expect to receive on alternative equity investments of comparable risk. Since the return on an equity investment of comparable risk is not a contractual return, the cost of equity is more difficult to measure than the cost of debt. However, as I have already noted, the cost of equity is greater than the cost of debt. The cost of equity, like the cost of debt, is both forward looking and market based.

Q. HOW DO ECONOMISTS MEASURE THE PERCENTAGES OF DEBT AND EQUITY IN A FIRM'S CAPITAL STRUCTURE?

A. Economists measure the percentages of debt and equity in a firm's capital structure by first calculating the market value of the firm's debt and the market value of its equity. Economists then calculate the percentage of debt by the ratio of the market value of debt to the combined market value of debt and equity, and the percentage of equity by the ratio of the market value of equity to the combined market values of debt and equity. For example, if a firm's debt has a market value of $25 million and its equity has a market value of $75 million, then its total market capitalization is $100 million, and its capital structure contains 25 percent debt and 75 percent equity.

Q. WHY DO ECONOMISTS MEASURE A FIRM'S CAPITAL STRUCTURE IN TERMS OF THE MARKET VALUES OF ITS DEBT AND EQUITY?

A. Economists measure a firm's capital structure in terms of the market values of its debt and equity because: (1) the weighted average cost of capital is defined as the return investors expect to earn on a portfolio of the company's debt and equity securities; (2) investors measure the expected return and risk on their portfolios using market value weights, not book value weights; and (3) market values are the best measures of the amounts of debt and equity investors have invested in the company on a going forward basis.

Q. WHY DO INVESTORS MEASURE THE EXPECTED RETURN AND RISK ON THEIR INVESTMENT PORTFOLIOS USING MARKET VALUE WEIGHTS RATHER THAN BOOK VALUE WEIGHTS?

A. Investors measure the expected return and risk on their investment portfolios using market value weights because market values are the best measure of the amounts the investors currently have invested in each security in the portfolio. From the point of view of investors, the historical cost or book value of their investment is irrelevant for the purpose of assessing the current risk and required return on their portfolios because if they were to sell their investments, they would receive market value, not historical cost. Thus, the return can only be measured in terms of market values.

Q. IS THE ECONOMIC DEFINITION OF THE WEIGHTED AVERAGE COST OF CAPITAL CONSISTENT WITH REGULATORS' TRADITIONAL DEFINITION OF THE AVERAGE COST OF CAPITAL?

A. No. The economic definition of the weighted average cost of capital is based on the market costs of debt and equity, the market value percentages of debt and equity in a company's capital structure, and the future expected risk of investing in the company. In contrast, regulators have traditionally defined the weighted average cost of capital using the embedded cost of debt and the book values of debt and equity in a company's capital structure.

Q. ARE THESE ECONOMIC PRINCIPLES REGARDING THE FAIR RETURN FOR CAPITAL RECOGNIZED IN ANY SUPREME COURT CASES?

A. Yes. These economic principles, relating to the supply of and demand for capital, are recognized in two United States Supreme Court cases: (1) *Bluefield Water Works and Improvement Co. v. Public Service Comm'n.*; and (2) *Federal Power Comm'n v. Hope Natural Gas Co.* In the *Bluefield Water Works* case, the Court states:

> A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties, but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return...should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties. [*Bluefield Water Works and Improvement Co. v. Public Service Comm'n.* 262 U.S. 679, 692 (1923)].

The Court clearly recognizes here that: (1) a regulated firm cannot remain financially sound unless the return it is allowed an opportunity to earn on the value of its property is at least equal to the cost of capital (the principle relating to the demand for capital); and (2) a regulated firm will not be able to attract capital if it does not offer investors an opportunity to earn a return on their investment equal to the return they expect to earn on other investments of the same risk (the principle relating to the supply of capital).

In the *Hope Natural Gas* case, the Court reiterates the financial soundness and capital attraction principles of the *Bluefield* case:

> From 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. These include service on the debt and dividends on the stock... By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. [*Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944)]

IV. BUSINESS AND FINANCIAL RISKS IN THE NATURAL GAS DISTRIBUTION INDUSTRY

Q. ARE THE RETURNS ON INVESTMENT OPPORTUNITIES, SUCH AS AN INVESTMENT IN ATMOS ENERGY, KNOWN WITH CERTAINTY AT THE TIME AN INVESTMENT IS MADE?

A. No. The return on an investment in a company depends on the company's expected future cash flows over the life of the investment. Since the company's expected future cash flows are uncertain at the time the investment is made, the return on the investment is also uncertain.

Q. AS YOU DISCUSS ABOVE, INVESTORS REQUIRE A RETURN ON INVESTMENT THAT IS EQUAL TO THE RETURN THEY EXPECT TO RECEIVE ON OTHER INVESTMENTS OF SIMILAR RISK. DOES THE REQUIRED RETURN ON AN INVESTMENT DEPEND ON THE RISK OF THAT INVESTMENT?

A. Yes. Since investors are averse to risk, they require a higher rate of return on investments with greater risk

Q. WHAT FUNDAMENTAL RISK DO INVESTORS FACE WHEN THEY INVEST IN A COMPANY SUCH AS ATMOS ENERGY?

A. Investors face the fundamental risk that their realized, or actual, return on investment will be less than their required return on investment

Q. HOW DO INVESTORS MEASURE INVESTMENT RISK?

A. Investors generally measure investment risk by estimating the probability, or likelihood, of earning less than the required return on investment. For investments or projects with potential returns distributed symmetrically about the expected, or mean, return, investors can also measure investment risk by estimating the variance, or volatility, of the potential return on investment.

Q. DO INVESTORS DISTINGUISH BETWEEN BUSINESS AND FINANCIAL RISK?

A. Yes. Business risk is the underlying risk that investors will earn less than their required return on investment when the investment is financed entirely with equity. Financial risk is the additional risk of earning less than the required return when the investment is financed with both fixed-cost debt and equity.

Q. WHAT ARE THE PRIMARY DETERMINANTS OF A NATURAL GAS UTILITY'S BUSINESS RISK?

A. The business risk of investing in natural gas utilities such as Atmos Energy is caused by: (1) demand uncertainty; (2) operating expense uncertainty; (3) investment cost uncertainty; (4) high operating leverage; and (5) regulatory uncertainty.

Q. HOW DOES DEMAND UNCERTAINTY AFFECT A NATURAL GAS UTILITY'S BUSINESS RISK?

A. Demand uncertainty affects a natural gas utility's business risk through its impact on the variability of the company's revenues and its return on investment. The greater the uncertainty in demand, the greater is the uncertainty in the company's revenues and its return on investment.

Q. WHAT CAUSES THE DEMAND FOR NATURAL GAS DISTRIBUTION SERVICES TO BE UNCERTAIN?

A. Demand uncertainty is caused by the sensitivity of demand to: (1) the state of the economy and population growth; (2) fluctuations in temperatures during the peak heating season: (3) changes in rates; (4) customer efforts to conserve energy; (5) the ability of customers to switch to alternative sources of energy such as electricity or propane; (6) customer use of more efficient appliances; and (7) potential service interruptions due to accidents or natural disasters.

Q. WHY ARE A NATURAL GAS UTILITY'S OPERATING EXPENSES UNCERTAIN?

A. Operating expense uncertainty arises as a result of variability in (1) purchased gas costs; (2) pipeline capacity costs; (3) employee-related costs such as salaries and wages, pensions, and insurance; (4) maintenance and materials costs; (5) customer billing and accounting expenses; and (6) bad debt expenses.

Q. WHY ARE A NATURAL GAS UTILITY'S INVESTMENT COSTS UNCERTAIN?

A. The natural gas utility business requires large investments in the storage and distribution facilities required to deliver natural gas to customers. The future amounts of required investment in storage and distribution facilities are uncertain due to uncertainty regarding: (1) long-run demand; (2) costs of complying with environmental, health, and safety laws and regulations; (3) costs to maintain and replace aging plant and equipment; and (4) costs required to assure adequate natural gas supply to meet forecasted demand.

Q. YOU NOTE ABOVE THAT HIGH OPERATING LEVERAGE CONTRIBUTES TO THE BUSINESS RISK OF UTILITIES. WHAT IS OPERATING LEVERAGE?

A. Operating leverage is the increased sensitivity of a company's earnings to sales variability that arises when some of the company's costs are fixed.

Q. HOW DO ECONOMISTS MEASURE OPERATING LEVERAGE?

A. Economists typically measure operating leverage by the ratio of a company's fixed expenses to its operating margin (revenues minus variable expenses).

Q. WHAT IS THE DIFFERENCE BETWEEN FIXED AND VARIABLE EXPENSES?

A. Fixed expenses are expenses that do not vary with output, and variable expenses are expenses that vary directly with output. For natural gas utilities, fixed expenses include the fixed component of operating and maintenance costs, depreciation and amortization, and taxes.

Q. DO NATURAL GAS UTILITIES TYPICALLY EXPERIENCE HIGH OPERATING LEVERAGE?

A. Yes. As noted above, operating leverage increases when a firm's commitment to fixed costs rises in relation to its operating margin on sales. The relatively high degree of fixed costs in the natural gas utility business arises primarily from: (1) the average natural gas utility's large investment in fixed plant and equipment; and (2) the relative "fixity" of a natural gas utility's operating and maintenance costs. High operating leverage causes the average natural gas utility's operating income to be highly sensitive to demand and revenue fluctuations.

Q. HOW DOES OPERATING LEVERAGE AFFECT A COMPANY'S BUSINESS RISK?

A. Operating leverage affects a company's business risk through its impact on the variability of the company's profits or income. Generally speaking, the higher a company's operating leverage, the higher is the variability of the company's operating profits.

Q. DOES REGULATION CREATE UNCERTAINTY FOR NATURAL GAS UTILITIES?

A. Yes. Rates for natural gas distribution services are generally set by state regulatory authorities in a manner that provides natural gas distribution companies an opportunity to recover prudently incurred operating expenses and earn a fair rate of return on their prudently incurred investment in property, plant, and equipment. Investors' perceptions of the business and financial risks of natural gas utilities are strongly influenced by their views of the quality of regulation. Investors are aware that regulators in some jurisdictions may be unwilling at times to set rates that allow companies an opportunity to recover their cost of service in a timely manner and earn a fair and reasonable return on investment. Investors are also aware that, even if a company presently has an opportunity to earn a fair return on its investment in property, plant, and equipment, there is no assurance that they will continue to have such an opportunity in the future. If investors perceive that regulators may not provide an opportunity to earn a fair rate of return on investment, investors may demand a higher rate of return for natural gas utilities operating in such jurisdictions. If investors perceive that regulators are likely to continue to provide an opportunity for a company to earn a fair rate of return on investment, investors will view the risk of earning a less than fair return as minimal.

Natural gas distribution companies are also subject to environmental laws and regulations that currently impose significant costs and potential liabilities. The cost of complying with future environmental regulations is highly uncertain.

Q. YOU NOTE THAT FINANCIAL LEVERAGE INCREASES THE RISK OF INVESTORS IN NATURAL GAS UTILITIES SUCH AS ATMOS ENERGY. HOW DO ECONOMISTS MEASURE FINANCIAL LEVERAGE?

A. Economists generally measure financial leverage by the percentages of debt and equity in a company's market value capital structure. Companies with a high percentage of debt compared to equity are considered to have high financial leverage.

Q. WHY DOES HIGH FINANCIAL LEVERAGE AFFECT THE RISK OF INVESTING IN A NATURAL GAS UTILITY'S STOCK?

A. High financial leverage is a source of additional risk to utility stock investors because it increases the percentage of the firm's costs that are fixed, and the presence of higher fixed costs increases the variability of the equity investors' return on investment.

Q. CAN THE RISK OF INVESTING IN ATMOS ENERGY BE DISTINGUISHED FROM THE RISKS OF INVESTING IN COMPANIES IN OTHER INDUSTRIES?

A. Yes. The risks of investing in natural gas utilities such as Atmos Energy can be distinguished from the risks of investing in companies in many other industries in several ways. First, the risks of investing in natural gas utilities are increased because of the greater capital intensity of the natural gas utility business and the fact that most investments in natural gas facilities are largely irreversible once they are made. Second, unlike returns in competitive industries, the returns from investment in natural gas utilities are largely asymmetric. That is, there is little opportunity for natural gas utilities to earn more than the required return, and a significant chance that the utilities will earn less than the required return.

V. COST OF EQUITY ESTIMATION METHODS

Q. WHAT METHODS DO YOU USE TO ESTIMATE THE COST OF COMMON EQUITY CAPITAL FOR ATMOS ENERGY?

A. I review the results of three generally accepted methods for estimating the cost of common equity. These are the Discounted Cash Flow ("DCF"), the risk premium method, and the Capital Asset Pricing Model ("CAPM"). The DCF method assumes that the current market price of a firm's stock is equal to the discounted value of all expected future cash flows. The risk premium method assumes that the investor's required return on an equity investment is equal to the interest rate on a long-term bond plus an additional equity risk premium to compensate the investor for the risks of investing in equities compared to bonds. The CAPM assumes that the investor's required rate of return on equity is equal to a risk-free rate of interest plus the product of a company-specific risk factor, beta, and the expected risk premium on the market portfolio.

VI. DISCOUNTED CASH FLOW ("DCF") APPROACH

Q. PLEASE DESCRIBE THE DCF MODEL.

A. The DCF model is derived from the assumption that investors value an asset on the basis of the future cash flows they expect to receive from owning the asset. Thus, investors value an investment in a bond because they expect to receive a sequence of semi-annual coupon payments over the life of the bond and a terminal payment equal to the bond's face value at the time the bond matures. Likewise, investors value an investment in a firm's stock because they expect to receive a sequence of dividend payments and, perhaps, expect to sell the stock at a higher price sometime in the future.

A second fundamental principle of the DCF approach is that investors value a dollar received in the future less than a dollar received today. A future dollar is valued less than a current dollar because investors could invest a current dollar in an interest earning account and increase their wealth. This principle is called the time value of money.

Applying the two fundamental DCF principles noted above to an investment in a bond leads to the conclusion that investors value their investment in the bond on the basis of the present value of the bond's future cash flows. Thus, the price of the bond should reflect the timing, magnitude, and relative risk of the expected cash flows. Algebraically this can be expressed as:

EQUATION 1

$$P_B = \frac{C}{(1+i)} + \frac{C}{(1+i)^2} + \cdots + \frac{C+F}{(1+i)^n}$$

where:

P_B	=	Bond price;
C	=	Cash value of the constant coupon payment (assumed for notational convenience to occur annually rather than semi-annually);
F	=	Face value of the bond;
i	=	The rate of interest investors could earn by investing their money in an alternative bond of equal risk; and
n	=	The number of periods before the bond matures.

Applying these same principles to an investment in a firm's stock suggests that the price of the stock should be equal to:

EQUATION 2

$$P_s = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \cdots + \frac{D_n + P_n}{(1+k)^n}$$

where:

P_S	=	Current price of the firm's stock;
$D_1, D_2...D_n$	=	Expected annual dividend per share on the firm's stock;
P_n	=	Price per share of stock at the time the investor expects to sell the stock; and
k	=	Return the investor expects to earn on alternative investments of the same risk, i.e., the investor's required rate of return.

Equation (2) is frequently called the annual discounted cash flow model of stock valuation. Assuming that dividends grow at a constant annual rate, *g*, this equation can be solved for *k*, the cost of equity. The resulting cost of equity equation is $k = D_1/P_s + g$, where *k* is the cost of equity, D_1 is the expected next period annual dividend, P_s is the current price of the stock, and *g* is the constant annual growth rate in earnings, dividends, and book value per share. The term D_1/P_s is called the dividend yield component of the annual DCF model, and the term *g* is called the growth component of the annual DCF model. As in the case of the price of a bond, the price of a stock is related to the timing, magnitude, and relative risk of the expected cash flows.

Q. ARE YOU RECOMMENDING THAT THE ANNUAL DCF MODEL BE USED TO ESTIMATE ATMOS ENERGY'S COST OF EQUITY?

A. No. The DCF model assumes that a company's stock price is equal to the present discounted value of all expected future dividends. The annual DCF model is only a correct expression for the present discounted value of future dividends if dividends are paid annually at the end of each year. Since the companies in my proxy group all pay dividends quarterly, the current market price that investors are willing to pay reflects the expected quarterly receipt of dividends. Therefore, a quarterly DCF model must be used to estimate the cost of equity for these firms. The quarterly DCF model differs from the annual DCF model in that it expresses a company's price as the present discounted value of a quarterly stream of dividend payments. A complete analysis of the implications of the quarterly payment of dividends on the DCF model is provided in Exhibit JVW-1, Appendix 2. For the reasons cited there, I employed the quarterly DCF model throughout my calculations.

Q. PLEASE DESCRIBE THE QUARTERLY DCF MODEL YOU USED.

A. The quarterly DCF model I used is described on Exhibit JVW-1 Schedule 1 and in Appendix 2. The quarterly DCF equation shows that the cost of equity is: the sum of the future expected dividend yield and the growth rate, where the dividend in the dividend yield is the equivalent future value of the four quarterly dividends at the end of the year, and the growth rate is the expected growth in dividends or earnings per share.

Q. IN APPENDIX 2, YOU DEMONSTRATE THAT THE QUARTERLY DCF MODEL PROVIDES THE THEORETICALLY CORRECT VALUATION OF STOCKS WHEN DIVIDENDS ARE PAID QUARTERLY. DO INVESTORS, IN PRACTICE, RECOGNIZE THE ACTUAL TIMING AND MAGNITUDE OF CASH FLOWS WHEN THEY VALUE STOCKS AND OTHER SECURITIES?

A. Yes. In valuing long-term government or corporate bonds, investors recognize that interest is paid semi-annually. Thus, the price of a long-term government or corporate bond is simply the present value of the semi-annual interest and principal payments on these bonds. Likewise, in valuing mortgages, investors recognize that interest is paid monthly. Thus, the value of a mortgage loan is simply the present value of the monthly interest and principal payments on the loan. In valuing stock investments, stock investors correctly recognize that dividends are paid quarterly. Thus, a firm's stock price is the present value of the stream of quarterly dividends expected from owning the stock.

Q. WHEN VALUING BONDS, MORTGAGES, OR STOCKS, WOULD INVESTORS ASSUME THAT CASH FLOWS ARE RECEIVED ONLY AT THE END OF THE YEAR, WHEN, IN FACT, THE CASH FLOWS ARE RECEIVED SEMI-ANNUALLY, QUARTERLY, OR MONTHLY?

A. No. Assuming that cash flows are received at the end of the year when they are received semi-annually, quarterly, or monthly would lead investors to make serious mistakes in valuing investment opportunities. No rational investor would make the mistake of assuming that dividends or other cash flows are paid annually when, in fact, they are paid more frequently.

Q. HOW DO YOU ESTIMATE THE GROWTH COMPONENT OF THE QUARTERLY DCF MODEL?

A. I use the average analysts' estimates of future earnings per share (EPS) growth reported by I/B/E/S Thomson Reuters (I/B/E/S).

Q. WHAT ARE THE ANALYSTS' ESTIMATES OF FUTURE EPS GROWTH?

A. As part of their research, financial analysts working at Wall Street firms periodically estimate EPS growth for each firm they follow. The EPS forecasts for each firm are then published. Investors who are contemplating purchasing or selling shares in individual companies review the forecasts. These estimates represent five-year forecasts of EPS growth.

Q. WHAT IS I/B/E/S?

A. I/B/E/S is a division of Thomson Reuters that reports analysts' EPS growth forecasts for a broad group of companies. The forecasts are expressed in terms of a mean forecast and a standard deviation of forecast for each firm. Investors use the mean forecast as an estimate of future firm performance.

Q. WHY DO YOU USE THE I/B/E/S GROWTH ESTIMATES?

A. I use the I/B/E/S growth rates because they: (1) are widely circulated in the financial community, (2) include the projections of reputable financial analysts who develop estimates of future EPS growth, (3) are reported on a timely basis to investors, and (4) are widely used by institutional and other investors.

Q. WHY DO YOU RELY ON ANALYSTS' PROJECTIONS OF FUTURE EPS GROWTH IN ESTIMATING THE INVESTORS' EXPECTED GROWTH RATE RATHER THAN LOOKING AT HISTORICAL GROWTH RATES?

A. I rely on analysts' projections of future EPS growth because there is considerable empirical evidence that investors use analysts' forecasts to estimate future earnings growth.

Q. HAVE YOU PERFORMED ANY STUDIES CONCERNING THE USE OF ANALYSTS' FORECASTS AS AN ESTIMATE OF INVESTORS' EXPECTED GROWTH RATE, *G*?

A. Yes, I prepared a study in conjunction with Willard T. Carleton, Professor Emeritus of Finance at the University of Arizona, on why analysts' forecasts are the best estimate of investors' expectation of future long-term growth. This study is described in a paper entitled "Investor Growth Expectations and Stock Prices: the Analysts versus History," published in the Spring 1988 edition of *The Journal of Portfolio Management*.

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR STUDY.

A. First, we performed a correlation analysis to identify the historically oriented growth rates which best described a firm's stock price. Then we did a regression study comparing the historical growth rates with the average analysts' forecasts. In every case, the regression equations containing the average of analysts' forecasts statistically outperformed the regression equations containing the historical growth estimates. These results are consistent with those found by Cragg and Malkiel, the early major research in this area (John G. Cragg and Burton G. Malkiel, *Expectations and the Structure of Share Prices*, University of Chicago Press, 1982). These results are also consistent with the hypothesis that investors use analysts' forecasts, rather than historically oriented growth calculations, in making stock buy and sell decisions. They provide overwhelming evidence that the analysts' forecasts of future growth are superior to historically oriented growth measures in predicting a firm's stock price.

Q. HAS YOUR STUDY BEEN UPDATED?

A. Yes. Researchers at State Street Financial Advisors updated my study using data through year-end 2003. Their results continue to confirm that analysts' growth forecasts are superior to historically-oriented growth measures in predicting a firm's stock price.

Q. WHAT PRICE DO YOU USE IN YOUR DCF MODEL?

A. I use a simple average of the monthly high and low stock prices for each firm for the three-month period ending February 2013. These high and low stock prices were obtained from Thomson Reuters.

Q. WHY DO YOU USE THE THREE-MONTH AVERAGE STOCK PRICE IN APPLYING THE DCF METHOD?

A. I use the three-month average stock price in applying the DCF method because stock prices fluctuate daily, while financial analysts' forecasts for a given company are generally changed less frequently, often on a quarterly basis. Thus, to match the stock price with an earnings forecast, it is appropriate to average stock prices over a three-month period.

Q. DO YOU INCLUDE AN ALLOWANCE FOR FLOTATION COSTS IN YOUR DCF ANALYSIS?

A. Yes. I include a five percent allowance for flotation costs in my DCF calculations.

Q. PLEASE EXPLAIN YOUR INCLUSION OF FLOTATION COSTS.

A. All firms that have sold securities in the capital markets have incurred some level of flotation costs, including underwriters' commissions, legal fees, printing expense, etc. These costs are withheld from the proceeds of the stock sale or are paid separately, and must be recovered over the life of the equity issue. Costs vary depending upon the size of the issue, the type of registration method used and other factors, but in general these costs range between three and five percent of the proceeds from the issue [see Lee, Inmoo, Scott Lochhead, Jay Ritter, and Quanshui Zhao, "The Costs of Raising Capital," *The Journal of Financial Research*, Vol. XIX No 1 (Spring 1996), 59-74, and Clifford W. Smith, "Alternative Methods for Raising Capital," *Journal of Financial Economics* 5 (1977) 273-307]. In addition to these costs, for large equity issues (in relation to outstanding equity shares), there is likely to be a decline in price associated with the sale of shares to the public. On average, the decline due to market pressure has been estimated at two to three percent [see Richard H. Pettway, "The Effects of New Equity Sales Upon Utility Share Prices," *Public Utilities Fortnightly*, May 10, 1984, 35—39]. Thus, the total flotation cost, including both issuance expense and market pressure, could range anywhere from five to eight percent of the proceeds of an equity issue. I believe a combined five percent allowance for flotation costs is a conservative estimate that should be used in applying the DCF model in this proceeding.

Q. IS A FLOTATION COST ADJUSTMENT ONLY APPROPRIATE IF A COMPANY ISSUES STOCK DURING THE TEST YEAR?

A. No. As described in Exhibit JVW-1, Appendix 3, a flotation cost adjustment is required whether or not a company issued new stock during the test year. Previously incurred flotation costs have not been recovered in previous rate cases; rather, they are a permanent cost associated with past issues of common stock.

Just as an adjustment is made to the embedded cost of debt to reflect previously incurred debt issuance costs (regardless of whether additional bond issuances were made in the test year), so should an adjustment be made to the cost of equity regardless of whether additional stock was issued during the test year.

Q. HOW DO YOU APPLY THE DCF APPROACH TO OBTAIN THE COST OF EQUITY CAPITAL FOR ATMOS ENERGY?

A. I apply the DCF approach to the publicly-traded natural gas distribution companies ("LDCs") shown on Exhibit JVW-1 Schedule 1 and the publicly-traded water utilities shown on Exhibit JVW-1 Schedule 2.

Q. HOW DO YOU SELECT YOUR PROXY GROUP OF NATURAL GAS DISTRIBUTION COMPANIES?

A. I select all the companies in Value Line's natural gas industry groups that: (1) are in the business of natural gas distribution; (2) paid dividends during every quarter of the last two years; (3) did not decrease dividends during any quarter of the past two years; (4) have an I/B/E/S long-term earnings growth forecast; and (5) are not the subject of a merger offer that has not been completed. In addition, all of the LDCs included in my group have an investment grade bond rating and a Value Line Safety Rank of 1, 2, or 3. The LDCs in my DCF proxy group and the average DCF result are shown on Exhibit _JVW-1 Schedule 1.

Q. WHY DO YOU ELIMINATE COMPANIES THAT HAVE EITHER DECREASED OR ELIMINATED THEIR DIVIDEND IN THE PAST TWO YEARS?

A. The DCF model requires the assumption that dividends will grow at a constant rate into the indefinite future. If a company has either decreased or eliminated its dividend in recent years, an assumption that the company's dividend will grow at the same rate into the indefinite future is questionable.

Q. WHY DO YOU ELIMINATE COMPANIES THAT DO NOT HAVE AT LEAST TWO ANALYSTS' LONG-TERM GROWTH FORECASTS?

A. As noted above, my studies indicate that the analysts' growth forecasts best approximate the growth forecasts used by investors in making stock buy and sell decisions; and thus, the average of the analysts' growth forecasts is the best available estimate of the growth term in the DCF Model. In my opinion, the DCF result is more reliable if there are at least two analysts' long-term growth estimates.

Q. WHY DO YOU ELIMINATE COMPANIES THAT ARE BEING ACQUIRED IN TRANSACTIONS THAT ARE NOT YET COMPLETED?

A. A merger announcement generally increases the target company's stock price, but not the acquiring company's stock price. Analysts' growth forecasts for the target company, on the other hand, are necessarily related to the company as it currently exists. The use of a stock price that includes the growth-enhancing prospects of potential mergers in conjunction with growth forecasts that do not include the growth-enhancing prospects of potential mergers produces DCF results that tend to distort a company's cost of equity.

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR APPLICATION OF THE DCF METHOD TO THE NATURAL GAS DISTRIBUTION COMPANY PROXY GROUP.

A. My application of the DCF method to the natural gas distribution company proxy group produces a market-weighted average result of 10.0 percent, as shown on Exhibit JVW-1 Schedule 1.

Q. YOU NOTE ABOVE THAT YOU ALSO APPLY YOUR DCF METHOD TO A PROXY GROUP OF WATER UTILITIES. WHY DO YOU APPLY YOUR DCF MODEL TO A PROXY GROUP OF WATER UTILITIES?

A. I apply my DCF model to a proxy group of water utilities because: (1) the sample of publicly-traded natural gas distribution companies with sufficient information to estimate the cost of equity is relatively small; (2) the water utilities are a reasonable proxy for the risk of investing in natural gas distribution companies; (3) natural gas distribution companies are frequently used as proxies for water utilities in water cases; and (4) it is useful to examine the cost of equity results for a group of companies of similar risk in order to test the reasonableness of the results obtained by applying cost of equity methodologies to the group of publicly-traded natural gas distribution companies. Financial theory does not require that companies be in exactly the same industry to be comparable in risk.

Q. HOW ARE THE WATER UTILITIES SIMILAR TO ATMOS ENERGY?

A. Like Atmos Energy, the water utilities are regulated public utilities that: (1) invest primarily in a capital-intensive physical network that connects the customer to the source of supply; and (2) sell their products and services at regulated rates to customers whose demand is primarily dependent on weather and the state of the economy.

Q. DOES YOUR WATER UTILITY PROXY GROUP MEET THE STANDARDS OF THE *HOPE* AND *BLUEFIELD* CASES YOU CITE ABOVE?

A. Yes. The *Hope* and *Bluefield* standard states that a public utility should be allowed to earn a return on its investment that is commensurate with the returns investors are able to earn on investments having similar risk. The water utilities are a group of companies that meet the standards of the *Hope* and *Bluefield* cases because they are a reasonable proxy for the risk of investing in Atmos Energy.

Q. HOW DO YOU SELECT YOUR GROUP OF PUBLICLY-TRADED WATER COMPANIES?

A. I select all the water companies included in the Value Line Investment Survey Standard and Plus editions that: (1) pay dividends; (2) did not decrease dividends during any quarter of the past two years; (3) have an I/B/E/S long-term growth forecast; and (4) are not the subject of a merger that has not been completed.

Q. PLEASE SUMMARIZE THE RESULT OF YOUR APPLICATION OF THE DCF MODEL TO YOUR WATER COMPANY PROXY GROUP.

A. As shown in Exhibit JVW-1, Schedule 2, my application of the DCF model to the Value Line water companies produces a market-weighted average DCF result of 11.0 percent and a simple average DCF result of 10.6 percent. Because American Water Works represents approximately fifty percent of the market capitalization of all the water companies in the group, I use the midpoint of market-weighted and simple average results, 10.8 percent, as the cost of equity estimate from the DCF model applied to the water utilities.

VII. <u>RISK PREMIUM APPROACH</u>

Q. PLEASE DESCRIBE THE RISK PREMIUM APPROACH TO ESTIMATING ATMOS ENERGY'S COST OF EQUITY.

A. The risk premium method is based on the principle that investors expect to earn a return on an equity investment that reflects a "premium" over the interest rate they expect to earn on an investment in bonds. This equity risk premium compensates equity investors for the additional risk they bear in making equity investments versus bond investments.

Q. HOW DO YOU MEASURE THE REQUIRED RISK PREMIUM ON AN EQUITY INVESTMENT IN ATMOS ENERGY?

A. I use two methods to estimate the required risk premium on an equity investment in Atmos Energy. The first is called the ex ante risk premium method, and the second is called the ex post risk premium method.

A. Ex Ante Risk Premium Approach

Q. PLEASE DESCRIBE YOUR EX ANTE RISK PREMIUM APPROACH FOR MEASURING THE REQUIRED RISK PREMIUM ON AN EQUITY INVESTMENT IN ATMOS ENERGY.

A. My ex ante risk premium method is based on studies of the DCF expected return on a comparable group of natural gas distribution companies, which I compared to the interest rate on Moody's A-rated utility bonds. Specifically, for each month in my study period, I calculate the risk premium using the equation,

$$RP_{PROXY} = DCF_{PROXY} - I_A$$

where:

RP_{PROXY}	=	the required risk premium on an equity investment in the proxy group of companies;
DCF_{PROXY}	=	average DCF estimated cost of equity on a portfolio of proxy companies; and
I_A	=	the yield to maturity on an investment in A-rated utility bonds.

I then perform a regression analysis to determine if there is a relationship between the calculated risk premium and interest rates. Finally, I use the results of the regression analysis to estimate the investors' required risk premium. To estimate the cost of equity, I then add the required risk premium to the forecasted yield on A-rated utility bonds.[1] A detailed description of my ex ante risk premium studies is contained in Appendix 4, and the underlying DCF results and interest rates are displayed in Exhibit JVW-1 Schedule 3.2

Q. WHY DO YOU APPLY YOUR EX ANTE RISK PREMIUM STUDY ONLY TO LDCS RATHER THAN TO BOTH LDCS AND WATER COMPANIES?

A. I apply my ex ante risk premium approach only to LDCs rather than to both LDCs and water utilities because there is sufficient data to apply the DCF method to the

[1] One could use the yield to maturity on other debt investments to measure the interest rate component of the risk premium approach as long as one uses the yield on the same debt investment to measure the expected risk premium component of the risk premium approach. I chose to use the yield on A-rated utility bonds because it is a frequently-used benchmark for utility bond yields.

LDCs over a relatively long period of time. In contrast, there are few water utilities with consistent data extending back for a reasonably long study period.

Q. WHAT ESTIMATED RISK PREMIUM DO YOU OBTAIN FROM YOUR EX ANTE RISK PREMIUM METHOD?

A. As described in Appendix 4, my analyses produce an estimated risk premium over the yield on A-rated utility bonds equal to 4.8 percent.

Q. WHAT COST OF EQUITY RESULT DO YOU OBTAIN FROM YOUR EX ANTE RISK PREMIUM STUDY?

A. To estimate the cost of equity using the ex ante risk premium method, one may add the estimated risk premium over the yield on A-rated utility bonds to the forecasted yield to maturity on A-rated utility bonds. I obtain the forecasted yield to maturity on A-rated utility bonds, 6.55 percent, by averaging forecast data from Value Line and the U.S. Energy Information Administration ("EIA"). My analyses produce an estimated risk premium over the yield on A-rated utility bonds equal to 4.8 percent. Adding an estimated risk premium of 4.8 percent to the 6.55 percent forecasted yield to maturity on A-rated utility bonds produces a cost of equity estimate of 11.3 percent using the ex ante risk premium method (see Appendix 4).

Q. HOW DO YOU OBTAIN THE EXPECTED YIELD ON A-RATED UTILITY BONDS?

A. As noted above, I obtain the expected yield to maturity on A-rated utility bonds, 6.55 percent, by averaging forecast data from Value Line and the EIA. Value Line Selection & Opinion (Feb. 22, 2013) projects an AAA-rated Corporate bond yield equal to 5.8 percent. The February 2013 average spread between A-rated utility bonds and Aaa-rated Corporate bonds is twenty-eight basis points (A-rated utility, 4.18 percent, less Aaa-rated Corporate, 3.90 percent, equals twenty-eight basis points). Adding twenty-eight basis points to the 5.80 percent Value Line AAA Corporate bond forecast equals a forecast yield of 6.08 percent for the A-rated utility bonds. The EIA at January 2013 forecasts a AA-rated utility bond yield equal to 6.78 percent. The average spread between AA-rated utility and A-rated utility bonds at February 2013 is twenty-three basis points (4.18 percent less 3.95 percent). Adding twenty-three basis points to EIA's 6.78 percent AA-utility bond yield forecast equals a forecast yield for A-rated utility bonds equal to 7.01 percent. The average of the forecasts (6.08 percent using Value Line data and 7.01 percent using EIA data) is 6.55 percent.

Q. WHY DO YOU USE A FORECASTED YIELD TO MATURITY ON A-RATED UTILITY BONDS RATHER THAN A CURRENT YIELD TO MATURITY?

A. I use a forecasted yield to maturity on A-rated utility bonds rather than a current yield to maturity because the fair rate of return standard requires that a company have an opportunity to earn its required return on its investment during the forward-looking period during which rates will be in effect. Because current interest rates are depressed as a result of the Federal Reserve's extraordinary efforts to keep interest rates low in an effort to stimulate the economy, current interest rates at this time are likely a poor indicator of future interest rates. Economists project that future interest rates will be higher than current interest rates as the Federal Reserve allows interest rates to rise in order to prevent inflation. Thus, the use of forecasted interest rates is consistent with the fair rate of return standard, whereas the use of current interest rates at this time is not.

B. Ex Post Risk Premium Approach

Q. PLEASE DESCRIBE YOUR EX POST RISK PREMIUM APPROACH FOR MEASURING THE REQUIRED RISK PREMIUM ON AN EQUITY INVESTMENT IN ATMOS ENERGY.

A. I first perform a study of the comparable returns received by bond and stock investors over the seventy-five years of my study. I estimate the returns on stock and bond portfolios, using stock price and dividend yield data on the S&P 500 and bond yield data on Moody's A-rated Utility Bonds. My study consists of making an investment of one dollar in the S&P 500 and Moody's A-rated utility bonds at the beginning of 1937, and reinvesting the principal plus return each year to 2012. The return associated with each stock portfolio is the sum of the annual dividend yield and capital gain (or loss) which accrued to this portfolio during the year(s) in which it was held. The return associated with the bond portfolio, on the other hand, is the sum of the annual coupon yield and capital gain (or loss) which accrued to the bond portfolio during the year(s) in which it was held. The resulting annual returns on the stock and bond portfolios purchased in each year from 1937 to 2012 are shown on Exhibit _JVW-1 Schedule 4. The average annual return on an investment in the S&P 500 stock portfolio is 11.0 percent, while the average annual return on an investment in the Moody's A-rated utility bond portfolio is 6.7 percent. The risk premium on the S&P 500 stock portfolio is, therefore, 4.3 percent.

I also conduct a second study using stock data on the S&P Utilities rather than the S&P 500. As shown on Exhibit JVW-1 Schedule 5, the S&P Utility stock portfolio shows an average annual return of 10.6 percent per year. Thus, the return on the S&P Utility stock portfolio exceeds the return on the Moody's A-rated utility bond portfolio by 3.8 percent (apparent discrepancy due to rounding).

Q. WHY IS IT APPROPRIATE TO PERFORM YOUR EX POST RISK PREMIUM ANALYSIS USING BOTH THE S&P 500 AND THE S&P UTILITY STOCK INDICES?

A. I perform my ex post risk premium analysis on both the S&P 500 and the S&P Utilities because I believe utilities today face risks that are somewhere in between the average risk of the S&P Utilities and the S&P 500 over the years 1937 to 2012. Thus, I use the average of the two historically-based risk premiums as my estimate of the required risk premium in my ex post risk premium method.

Q. WOULD YOUR STUDY PROVIDE A DIFFERENT EX POST RISK PREMIUM IF YOU STARTED WITH A DIFFERENT TIME PERIOD?

A. Yes, the ex post risk premium results vary somewhat depending on the historical time period chosen. My policy is to go back as far in history as I can get reliable data. I believe it is most meaningful to begin after the passage and implementation of the Public Utility Holding Company Act of 1935. This Act significantly changed the structure of the public utility industry. Because the Public Utility Holding Company Act of 1935 was not implemented until the beginning of 1937, I feel that numbers taken from before this date are not comparable to those taken after. (The repeal of the 1935 Act does not have a material impact on the structure of the public utility industry; thus, the Act's repeal does not have any impact on my choice of time period.)

Q. WHY IS IT NECESSARY TO EXAMINE THE YIELD FROM DEBT INVESTMENTS IN ORDER TO DETERMINE THE INVESTORS' REQUIRED RATE OF RETURN ON EQUITY CAPITAL?

A. As previously explained, investors expect to earn a return on their equity investment that exceeds currently available bond yields because the return on equity, as a residual return, is less certain than the yield on bonds; and investors must be compensated for this uncertainty. Investors' expectations concerning the amount by which the return on equity will exceed the bond yield may be influenced by historical differences in returns to bond and stock investors. Thus, we can estimate investors' expected returns from an equity investment from information about past differences between returns on stocks and bonds. In interpreting this information, investors would also recognize that risk premiums increase when interest rates are low.

Q. HAS THERE BEEN ANY SIGNIFICANT TREND IN THE EX POST EQUITY RISK PREMIUM OVER THE 1937 TO 2012 TIME PERIOD OF YOUR STUDY?

A. No. Statisticians test for trends in data series by regressing the data observations against time. I have performed such a time series regression on my two data sets of historical risk premiums. As shown below in TABLE 1 and TABLE 2, there is no statistically significant trend in my risk premium data. Indeed, the coefficient on the time variable is insignificantly different from zero (if there were a trend, the coefficient on the time variable should be significantly different from zero).

TABLE 1
REGRESSION OUTPUT FOR RISK PREMIUM ON S&P 500

LINE NO.		INTERCEPT	TIME	ADJUSTED R SQUARE	F
1	Coefficient	3.013	(0.002)	0.024	2.83
2	T Statistic	1.706	(1.682)		

TABLE 2
REGRESSION OUTPUT FOR RISK PREMIUM ON S&P UTILITIES

LINE NO.		INTERCEPT	TIME	ADJUSTED R SQUARE	F
1	Coefficient	1.990	(0.001)	0.008	1.56
2	T Statistic	1.275	(1.251)		

Q. IS YOUR CONCLUSION THAT THERE IS NO SIGNIFICANT TREND IN THE EQUITY RISK PREMIUM SUPPORTED IN THE FINANCIAL LITERATURE?

A. Yes. Ibbotson® SBBI® 2012 Valuation Edition Yearbook Stocks, Bonds, Bills, and Inflation® ("Ibbotson® SBBI®") published by Morningstar, Inc., contains an analysis of "trends" in historical risk premium data. Ibbotson® SBBI® uses correlation analysis to determine if there is any pattern or "trend" in risk premiums over time. This analysis also demonstrates that there are no trends in risk premiums over time.

Q. WHY IS IT SIGNIFICANT THAT HISTORICAL RISK PREMIUMS HAVE NO TREND OR OTHER STATISTICAL PATTERN OVER TIME?

A. The significance of this evidence is that the average historical risk premium is a reasonable estimate of the future expected risk premium. As noted in Ibbotson® SBBI®:

> The significance of this evidence is that the realized equity risk premium next year will not be dependent on the realized equity risk premium from this year. That is, there is no discernible pattern in the realized equity risk premium—it is virtually impossible to forecast next year's realized risk premium based on the premium of the previous year. For example, if this year's difference between the riskless rate and the return on the stock market is higher than last year's, that does not imply that next year's will be higher than this year's. It is as likely to be higher as it is lower. The best estimate of the expected value of a variable that has behaved randomly in the past is the average (or arithmetic mean) of its past values. [Ibbotson® SBBI®, page 58.]

Q. WHAT CONCLUSIONS DO YOU DRAW FROM YOUR EX POST RISK PREMIUM ANALYSES ABOUT THE REQUIRED RETURN ON AN EQUITY INVESTMENT IN ATMOS ENERGY?

A. My studies provide strong evidence that investors today require an equity return of approximately 3.8 to 4.3 percentage points above the expected yield on A-rated utility bonds. As discussed above, the forecast yield on A-rated utility bonds is 6.55 percent. Adding a 3.8 to 4.3 percentage point risk premium to a yield of 6.55 percent on A-rated utility bonds, I obtain an expected return on equity in the range 10.4 percent to 10.9 percent, with a midpoint of 10.6 percent. Adding a twenty-two-basis-point allowance for flotation costs, I obtain an estimate of 10.8 percent as the ex post risk premium cost of equity for Atmos Energy. (I determine the flotation cost allowance by calculating the difference in my DCF results with and without a flotation cost allowance.).

VIII. CAPITAL ASSET PRICING MODEL

Q. WHAT IS THE CAPM?

A. The CAPM is an equilibrium model of the security markets in which the expected or required return on a given security is equal to the risk-free rate of interest, plus the company equity "beta," times the market risk premium:

Cost of equity = Risk-free rate + Equity beta x Market risk premium

The risk-free rate in this equation is the expected rate of return on a risk-free government security, the equity beta is a measure of the company's risk relative to the market as a whole, and the market risk premium is the premium investors require to invest in the market basket of all securities compared to the risk-free security.

Q. HOW DO YOU USE THE CAPM TO ESTIMATE THE COST OF EQUITY FOR YOUR PROXY COMPANIES?

A. The CAPM requires an estimate of the risk-free rate, the company-specific risk factor or beta, and the expected return on the market portfolio. For my estimate of the risk-free rate, I use the forecasted yield to maturity on 20-year Treasury bonds of 5.25 percent, using data from Value Line and EIA. I use the 20-year Treasury bond to estimate the risk-free rate because SBBI® estimates the risk premium using 20-year Treasury bonds, and one should use the same maturity to estimate the risk-free rate as is used to estimate the risk premium on the market portfolio.

For my estimate of the company-specific risk, or beta, I use the average 0.72 Value Line beta for my proxy natural gas distribution companies. For my estimate of the expected risk premium on the market portfolio, I use two approaches. First, I estimate the risk premium on the market portfolio using historical risk premium data reported by SBBI®. Second, I estimate the risk premium on the market portfolio from the difference between the DCF cost of equity for the S&P 500 and the forecasted yield to maturity on 20-year Treasury bonds.

Q. HOW DO YOU OBTAIN THE FORECASTED YIELD TO MATURITY ON 20-YEAR TREASURY BONDS?

A. As noted above, I use data from Value Line and EIA to obtain a forecasted yield to maturity on 20-year Treasury bonds. Value Line forecasts a yield on 10-year Treasury notes equal to 4.2 percent. The current spread between the average February 2013 yield on 10-year Treasury notes (1.98 percent) and 20-year Treasury bonds (2.78 percent) is eighty basis points. Adding eighty basis points to Value Line's 4.2 percent forecasted yield on 10-year Treasury notes produces a forecasted yield of 5.0 percent for 20-year Treasury bonds (see Value Line Investment Survey, Selection & Opinion, Feb. 22, 2013). EIA forecasts a yield of 4.7 percent on 10-year Treasury notes. Adding the eighty basis point spread between 10-year Treasury notes and 20-year Treasury bonds to the EIA forecast of 4.7 percent for 10-year Treasury notes produces an EIA forecast for 20-year Treasury bonds equal to 5.5 percent. The average of the forecasts is 5.25 percent (5.0 percent using Value Line data and 5.5 percent using EIA data).

Q. HOW DO YOU ESTIMATE THE EXPECTED RISK PREMIUM ON THE MARKET PORTFOLIO USING HISTORICAL RISK PREMIUM DATA REPORTED BY SBBI®?

A. I estimate the expected risk premium on the market portfolio by calculating the difference between the arithmetic mean return on the S&P 500 from 1926 to 2012 (11.77 percent) and the average income return on 20-year U.S. Treasury bonds over the same period (5.15 percent) (see Ibbotson® SBBI® 2012 Valuation Yearbook, published by Morningstar®). Thus, my historical risk premium method produces a risk premium of 6.6 percent (11.77 – 5.15 = 6.62).

Q. WHY DO YOU RECOMMEND THAT THE RISK PREMIUM ON THE MARKET PORTFOLIO BE ESTIMATED USING THE ARITHMETIC MEAN RETURN ON THE S&P 500?

A. As explained in SBBI®, the arithmetic mean return is the best approach for calculating the return investors expect to receive in the future:

> The equity risk premium data presented in this book are arithmetic average risk premia as opposed to geometric average risk premia. The arithmetic average equity risk premium can be demonstrated to be most appropriate when discounting future cash flows. For use as the expected equity risk premium in either the CAPM or the building block approach, the arithmetic mean or the simple difference of the arithmetic means of stock market returns and riskless rates is the relevant number. This is because both the CAPM and the building block approach are additive models, in which the cost of capital is the sum of its parts. The geometric average is more appropriate for reporting past performance, since it represents the compound average return. [SBBI, p. 56.]

A discussion of the importance of using arithmetic mean returns in the context of CAPM or risk premium studies is contained in Exhibit JVW-1 Schedule 6.

Q. WHY DO YOU RECOMMEND THAT THE RISK PREMIUM ON THE MARKET PORTFOLIO BE ESTIMATED USING THE INCOME RETURN ON 20-YEAR TREASURY BONDS RATHER THAN THE TOTAL RETURN ON THESE BONDS?

A. As discussed above, the CAPM requires an estimate of the risk-free rate of interest. When Treasury bonds are issued, the income return on the bond is risk free, but the total return, which includes both income and capital gains or losses, is not. Thus, the income return should be used in the CAPM because it is only the income return that is risk free.

Q. WHAT CAPM RESULT DO YOU OBTAIN WHEN YOU ESTIMATE THE EXPECTED RETURN ON THE MARKET PORTFOLIO FROM THE ARITHMETIC MEAN DIFFERENCE BETWEEN THE RETURN ON THE MARKET AND THE YIELD ON 20-YEAR TREASURY BONDS?

A. Using a risk-free rate equal to 5.25 percent, a gas utility beta equal to 0.72, a risk premium on the market portfolio equal to 6.6 percent, and a flotation cost allowance equal to twenty-two basis points, I obtain an historical CAPM estimate of the cost of equity equal to 10.2 percent ($5.25 + 0.72 \times 6.6 + 0.22 = 10.2$) (see Exhibit JVW-1 Schedule 7).

Q. HOW DOES YOUR DCF-BASED CAPM DIFFER FROM YOUR HISTORICAL CAPM?

A. As noted above, my DCF-based CAPM differs from my historical CAPM only in the method I use to estimate the risk premium on the market portfolio. In the historical CAPM, I use historical risk premium data to estimate the risk premium on the market portfolio. In the DCF-based CAPM, I estimate the risk premium on the market portfolio from the difference between the DCF cost of equity for the S&P 500 and the forecasted yield to maturity on 20-year Treasury bonds.

Q. WHAT RISK PREMIUM DO YOU OBTAIN WHEN YOU CALCULATE THE DIFFERENCE BETWEEN THE DCF-RETURN ON THE S&P 500 AND THE RISK-FREE RATE?

A. Using this method, I obtain a risk premium on the market portfolio equal to 7.2 percent (see Exhibit JVW-1 Schedule 8).

Q. WHAT CAPM RESULT DO YOU OBTAIN WHEN YOU ESTIMATE THE EXPECTED RETURN ON THE MARKET PORTFOLIO BY APPLYING THE DCF MODEL TO THE S&P 500?

A. Using a risk-free rate of 5.25 percent, a utility beta of 0.72, a risk premium on the market portfolio of 7.2 percent, and a flotation cost allowance of twenty-two basis points, I obtain a CAPM result of 10.6 percent.

Q. CAN A REASONABLE APPLICATION OF THE CAPM PRODUCE HIGHER COST OF EQUITY RESULTS THAN YOU HAVE JUST REPORTED?

A. Yes. The CAPM tends to underestimate the cost of equity for small market capitalization companies such as many of the natural gas and water utilities.

Q. DOES THE FINANCE LITERATURE SUPPORT AN ADJUSTMENT TO THE CAPM EQUATION TO ACCOUNT FOR A COMPANY'S SIZE AS MEASURED BY MARKET CAPITALIZATION SUPPORTED IN THE FINANCE LITERATURE?

A. Yes. For example, Ibbotson® SBBI® supports such an adjustment. Their estimates of the size premium required to be added to the basic CAPM cost of equity are shown below in TABLE 3.

TABLE 3
IBBOTSON® ESTIMATES OF PREMIUMS FOR COMPANY SIZE[2]

DECILE	SMALLEST MKT. CAP. ($MILLIONS)	LARGEST MKT. CAP. ($MILLIONS)	PREMIUM
Large-Cap (No Adjustment)	>6,896.389		--
Mid-Cap (3-5)	1,621.096	6,896.389	1.14%
Low-Cap (6-8)	422.999	1,620.860	1.88%
Micro-Cap (9-10)	1.028	422.811	3.89%

Q. ARE THERE OTHER REASONS TO BELIEVE THAT THE CAPM MAY PRODUCE COST OF EQUITY ESTIMATES AT THIS TIME THAT ARE UNREASONABLY LOW?

A. Yes. There is considerable evidence in the finance literature that the CAPM tends to underestimate the cost of equity for companies whose equity beta is less than 1.0 and to overestimate the cost of equity for companies whose equity beta is greater than 1.0.[3]

Q. CAN YOU BRIEFLY SUMMARIZE THE EVIDENCE THAT THE CAPM UNDERESTIMATES THE REQUIRED RETURNS FOR SECURITIES OR PORTFOLIOS WITH BETAS LESS THAN 1.0 AND OVERESTIMATES

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[2] 2012 Ibbotson® SBBI® Valuation Yearbook.

[3] *See*, for example, Fischer Black, Michael C. Jensen, and Myron Scholes, "The Capital Asset Pricing Model: Some Empirical Tests," in *Studies in the Theory of Capital Markets*, M. Jensen, ed. New York: Praeger, 1972; Eugene Fama and James MacBeth, "Risk, Return, and Equilibrium: Empirical Tests," *Journal of Political Economy* 81 (1973), pp. 607-36; Robert Litzenberger and Krishna Ramaswamy, "The Effect of Personal Taxes and Dividends on Capital Asset Prices: Theory and Empirical Evidence," *Journal of Financial Economics* 7 (1979), pp. 163-95.; Rolf Banz, "The Relationship between Return and Market Value of Common Stocks," *Journal of Financial Economics* (March 1981), pp. 3-18; and Eugene Fama and Kenneth French, "The Cross-Section of Expected Returns," *Journal of Finance* (June 1992), pp. 427-465.

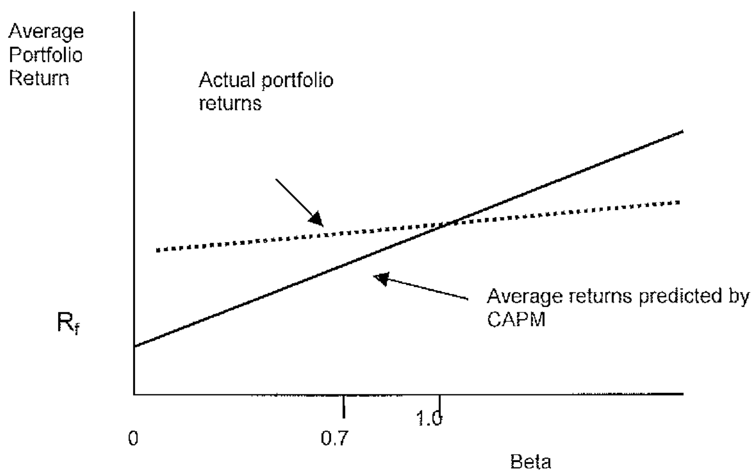
REQUIRED RETURNS FOR SECURITIES OR PORTFOLIOS WITH BETAS GREATER THAN 1.0?**

A. Yes. The CAPM conjectures that security returns increase with increases in security betas in line with the equation

$$ER_i = R_f + \beta_i \left[ER_m - R_f\right],$$

where ER_i is the expected return on security or portfolio i, R_f is the risk-free rate, $ER_m - R_f$ is the expected risk premium on the market portfolio, and β_i is a measure of the risk of investing in security or portfolio i. If the CAPM correctly predicts the relationship between risk and return in the marketplace, then the realized returns on portfolios of securities and the corresponding portfolio betas should lie on the solid straight line with intercept R_f and slope $[R_m - R_f]$ shown below.

FIGURE 1
AVERAGE RETURNS COMPARED TO BETA
FOR PORTFOLIOS FORMED ON PRIOR BETA



Financial scholars have found that the relationship between realized returns and betas is inconsistent with the relationship posited by the CAPM. As described in

Fama and French (1992) and Fama and French (2004), the actual relationship between portfolio betas and returns is shown by the dotted line in the figure above. Although financial scholars disagree on the reasons why the return/beta relationship looks more like the dotted line in the figure than the solid line, they generally agree that the dotted line lies above the solid line for portfolios with betas less than 1.0 and below the solid line for portfolios with betas greater than 1.0. Thus, in practice, scholars generally agree that the CAPM underestimates portfolio returns for companies with betas less than 1.0, and overestimates portfolio returns for portfolios with betas greater than 1.0.

Q. DO YOU HAVE ADDITIONAL EVIDENCE THAT THE CAPM TENDS TO UNDERESTIMATE THE COST OF EQUITY FOR UTILITIES WITH AVERAGE BETAS LESS THAN 1.0?

A. Yes. As shown in Schedule 9, over the period 1937 to 2012, investors in the S&P Utilities Stock Index have earned a risk premium over the yield on long-term Treasury bonds equal to 5.21 percent, while investors in the S&P 500 have earned a risk premium over the yield on long-term Treasury bonds equal to 5.67 percent. According to the CAPM, investors in utility stocks should expect to earn a risk premium over the yield on long-term Treasury securities equal to the average utility beta times the expected risk premium on the S&P 500. Thus, the ratio of the risk premium on the utility portfolio to the risk premium on the S&P 500 should equal the utility beta. However, the average utility beta at the time of my studies is approximately 0.72, whereas the historical ratio of the utility risk premium to the S&P 500 risk premium is 0.92 ($5.21 \div 5.67 = 0.92$). In short, the current 0.72 measured beta significantly underestimates the cost of equity for utilities, providing further support for the conclusion that the CAPM underestimates the cost of equity for utilities at this time.

Q. WHAT CONCLUSIONS DO YOU DRAW FROM YOUR REVIEW OF THE CAPM LITERATURE AND THE EVIDENCE THAT UTILITY BETAS ARE SIGNIFICANTLY LESS THAN THE HISTORICAL RATIO OF THE UTILITY RISK PREMIUM TO THE S&P 500 RISK PREMIUM?

A. I conclude that the CAPM underestimates the cost of equity for companies with betas significantly less than 1.0 and is less reliable the further the estimated beta is from 1.0. I also conclude that stock market activity can greatly affect betas. The significant volatility in the stock market in recent years has led to a steep drop in utility betas. The drop in utility betas is important because the further the beta is from 1.0, the less reliable are the results of applying the CAPM to low beta companies such as utilities. Given that the average beta for my group of utilities is 0.72, I conclude that the cost of equity model results from applying the CAPM should be given less weight for the purpose of estimating the cost of equity.

IX. FAIR RATE OF RETURN ON EQUITY

Q. WHAT IS THE FAIR RATE OF RETURN ON EQUITY?

A. As discussed above, the fair rate of return on equity is a forward-looking return on equity that provides the regulated company with an opportunity to earn a return on its investment over the period in which rates are in effect that is commensurate with returns that investors expect to earn on other investments of similar risk.

Because the fair rate of return is a forward-looking return, the estimate of the fair return requires consideration of investors' expectations for a reasonably long period into the future.

Q. BASED ON YOUR APPLICATION OF SEVERAL COST OF EQUITY METHODS TO YOUR PROXY COMPANY GROUPS, WHAT IS YOUR CONCLUSION REGARDING THE FAIR RATE OF RETURN ON EQUITY FOR YOUR COMPARABLE COMPANIES?

A. Based on my application of several cost of equity methods, I conclude that the fair rate of return on equity for my comparable companies is in the range 10.0 percent to 11.3 percent, with an average equal to either 10.6 percent or 10.7 percent, depending on whether the results of the CAPM studies are included in the average (see Table 4). Recognizing the evidence that the CAPM underestimates the cost of equity for companies with betas significantly less than 1.0, I conclude that the fair rate of return on equity for my comparable companies is 10.7 percent.

TABLE 4
COST OF EQUITY MODEL RESULTS

METHOD	MODEL RESULT
DCF—LDC	10.0%
DCF—Water	10.8%
Ex Ante Risk Premium	11.3%
Ex Post Risk Premium	10.8%
CAPM-Historical	10.2%
CAPM-DCF Based	10.6%
Average	10.6%
Average w/o CAPM	10.7%

Q. DOES THE COST OF EQUITY FOR ATMOS ENERGY DEPEND ON ITS RATEMAKING CAPITAL STRUCTURE?

A. Yes. My analyses are based on the average market value capital structure of my proxy companies, which has more than 60 percent equity. If Atmos Energy's ratemaking, or book value capital structure, is used to set rates, the cost of equity for Atmos Energy will necessarily be higher than the cost of equity for the proxy group because the financial risk associated with Atmos Energy's book value capital structure is significantly higher than the financial risk reflected in the cost of equity estimate for my proxy companies.

Q. WHAT FAIR RATE OF RETURN ON EQUITY DO YOU RECOMMEND FOR ATMOS ENERGY?

A. I recommend a fair rate of return on equity of 10.7 percent for Atmos Energy. My recommendation is conservative in that it does not reflect the higher financial risk implicit in Atmos Energy's rate making capital structure compared to the average financial risk implicit in the average market value capital structure of the comparable companies.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF RATE APPLICATION OF ATMOS ENERGY CORPORATION	)))	Case No. 2013-00148

CERTIFICATE AND AFFIDAVIT

The Affiant, James H. Vander Weide, 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. 2013-00148, 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.

James H. Vander Weide

James H. Vander Weide

STATE OF NORTH CAROLINA

COUNTY OF DURHAM

SUBSCRIBED AND SWORN to before me by James H. Vander Weide on this the 6th day of May, 2013.

SANDRA W BUMPASS
Notary Public
Durham County, NC

Sandra W. Bumpass

Notary Republic

My Commission Expires: 05-11-2013

LIST OF SCHEDULES AND APPENDICES

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 1
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR NATURAL GAS DISTRIBUTION COMPANIES

LINE	COMPANY	D_0	P_0	I/B/E/S GROWTH	MODEL RESULT
1	AGL Resources	1.88	40.483	3.80%	9.0%
2	Atmos Energy	1.40	36.508	5.93%	10.3%
3	Laclede Group	1.70	39.588	5.30%	10.2%
4	New Jersey Resources	1.60	41.120	4.00%	8.3%
5	NiSource Inc.	0.96	25.953	6.70%	11.0%
6	Northwest Nat. Gas	1.82	44.962	4.50%	9.0%
7	Piedmont Natural Gas	1.20	31.939	5.57%	9.9%
8	South Jersey Inds.	1.77	52.558	6.00%	9.7%
9	WGL Holdings Inc.	1.68	40.557	5.25%	9.8%
10	Market-weighted. Average				10.0%

Notes:

d_0	=	Most recent quarterly dividend.
d_1, d_2, d_3, d_4	=	Next four quarterly dividends, calculated by multiplying the last four quarterly dividends per *Value Line* and Yahoo Finance, by the factor (1 + g).
P_0	=	Average of the monthly high and low stock prices during the three months ending February 2013 per Thomson Reuters.
FC	=	Flotation costs expressed as a percent of gross proceeds.
g	=	Average of I/B/E/S and Value Line forecasts of future earnings growth February 2013.
k	=	Cost of equity using the quarterly version of the DCF model shown by the formula below:

$$k = \frac{d_1(1+k)^{.75} + d_2(1+k)^{.50} + d_3(1+k)^{.25} + d_4}{P_0(1-FC)} + g$$

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 2
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR WATER UTILITIES

LINE	COMPANY	D_0	P_0	VALUE LINE EPS GROWTH	I/B/E/S GROWTH	AVE GROWTH	MODEL RESULT
1	Amer. States Water	1.42	49.452	5.50%	6.00%	5.75%	8.9%
2	Amer. Water Works	1.00	38.155	9.00%	8.50%	8.75%	11.8%
3	Aqua America	0.70	26.672	7.00%	7.30%	7.15%	10.1%
4	California Water	0.64	18.973	6.00%	5.00%	5.50%	9.3%
5	Conn. Water Services	0.97	29.923	7.50%	6.10%	6.80%	10.6%
6	Middlesex Water	0.75	19.345	7.00%	2.70%	4.85%	9.3%
7	SJW Corp.	0.73	26.213	8.00%	14.00%	11.00%	14.4%
8	Average						10.6%
9	Market-weighted Average						11.0%
10	Average Line 8 and 9						10.8%

Notes:

d_0	=	Most recent quarterly dividend.
d_1, d_2, d_3, d_4	=	Next four quarterly dividends, calculated by multiplying the last four quarterly dividends per *Value Line* and Yahoo Finance by the factor (1 + g).
P_0	=	Average of the monthly high and low stock prices during the three months ending February 2013 from Thomson Reuters.
FC	=	Flotation costs expressed as a percent of gross proceeds.
g	=	I/B/E/S forecast of future earnings growth February 2013.
k	=	Cost of equity using the quarterly version of the DCF model shown by the formula below:

$$k = \frac{d_1(1+k)^{.75} + d_2(1+k)^{.50} + d_3(1+k)^{.25} + d_4}{P_0(1-FC)} + g$$

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 3
COMPARISON OF DCF EXPECTED RETURN
ON AN EQUITY INVESTMENT IN NATURAL GAS DISTRIBUTION COMPANIES
TO THE INTEREST RATE ON A-RATED UTILITY BONDS

LINE	DATE	DCF	BOND YIELD	RISK PREMIUM
1	Jun-98	0.1154	0.0703	0.0451
2	Jul-98	0.1186	0.0703	0.0483
3	Aug-98	0.1234	0.0700	0.0534
4	Sep-98	0.1273	0.0693	0.0580
5	Oct-98	0.1260	0.0696	0.0564
6	Nov-98	0.1211	0.0703	0.0508
7	Dec-98	0.1185	0.0691	0.0494
8	Jan-99	0.1195	0.0697	0.0498
9	Feb-99	0.1243	0.0709	0.0534
10	Mar-99	0.1257	0.0726	0.0531
11	Apr-99	0.1260	0.0722	0.0538
12	May-99	0.1221	0.0747	0.0474
13	Jun-99	0.1208	0.0774	0.0434
14	Jul-99	0.1222	0.0771	0.0451
15	Aug-99	0.1220	0.0791	0.0429
16	Sep-99	0.1226	0.0793	0.0433
17	Oct-99	0.1233	0.0806	0.0427
18	Nov-99	0.1240	0.0794	0.0446
19	Dec-99	0.1280	0.0814	0.0466
20	Jan-00	0.1301	0.0835	0.0466
21	Feb-00	0.1344	0.0825	0.0519
22	Mar-00	0.1344	0.0828	0.0516
23	Apr-00	0.1316	0.0829	0.0487
24	May-00	0.1292	0.0870	0.0422
25	Jun-00	0.1295	0.0836	0.0459
26	Jul-00	0.1317	0.0825	0.0492
27	Aug-00	0.1290	0.0813	0.0477
28	Sep-00	0.1257	0.0823	0.0434
29	Oct-00	0.1260	0.0814	0.0446
30	Nov-00	0.1251	0.0811	0.0440
31	Dec-00	0.1239	0.0784	0.0455
32	Jan-01	0.1261	0.0780	0.0481
33	Feb-01	0.1261	0.0774	0.0487
34	Mar-01	0.1275	0.0768	0.0507
35	Apr-01	0.1227	0.0794	0.0433
36	May-01	0.1302	0.0799	0.0503
37	Jun-01	0.1304	0.0785	0.0519
38	Jul-01	0.1338	0.0778	0.0560
39	Aug-01	0.1327	0.0759	0.0568
40	Sep-01	0.1268	0.0775	0.0493
41	Oct-01	0.1268	0.0763	0.0505
42	Nov-01	0.1268	0.0757	0.0511
43	Dec-01	0.1254	0.0783	0.0471
44	Jan-02	0.1236	0.0766	0.0470
45	Feb-02	0.1241	0.0754	0.0487

LINE	DATE	DCF	BOND YIELD	RISK PREMIUM
46	Mar-02	0.1189	0.0776	0.0413
47	Apr-02	0.1159	0.0757	0.0402
48	May-02	0.1162	0.0752	0.0410
49	Jun-02	0.1170	0.0741	0.0429
50	Jul-02	0.1242	0.0731	0.0511
51	Aug-02	0.1234	0.0717	0.0517
52	Sep-02	0.1260	0.0708	0.0552
53	Oct-02	0.1250	0.0723	0.0527
54	Nov-02	0.1221	0.0714	0.0507
55	Dec-02	0.1216	0.0707	0.0509
56	Jan-03	0.1219	0.0706	0.0513
57	Feb-03	0.1232	0.0693	0.0539
58	Mar-03	0.1195	0.0679	0.0516
59	Apr-03	0.1162	0.0664	0.0498
60	May-03	0.1126	0.0636	0.0490
61	Jun-03	0.1114	0.0621	0.0493
62	Jul-03	0.1127	0.0657	0.0470
63	Aug-03	0.1139	0.0678	0.0461
64	Sep-03	0.1127	0.0656	0.0471
65	Oct-03	0.1123	0.0643	0.0480
66	Nov-03	0.1089	0.0637	0.0452
67	Dec-03	0.1071	0.0627	0.0444
68	Jan-04	0.1059	0.0615	0.0444
69	Feb-04	0.1039	0.0615	0.0424
70	Mar-04	0.1037	0.0597	0.0440
71	Apr-04	0.1041	0.0635	0.0406
72	May-04	0.1045	0.0662	0.0383
73	Jun-04	0.1036	0.0646	0.0390
74	Jul-04	0.1011	0.0627	0.0384
75	Aug-04	0.1008	0.0614	0.0394
76	Sep-04	0.0976	0.0598	0.0378
77	Oct-04	0.0974	0.0594	0.0380
78	Nov-04	0.0962	0.0597	0.0365
79	Dec-04	0.0970	0.0592	0.0378
80	Jan-05	0.0990	0.0578	0.0412
81	Feb-05	0.0979	0.0561	0.0418
82	Mar-05	0.0979	0.0583	0.0396
83	Apr-05	0.0988	0.0564	0.0424
84	May-05	0.0981	0.0553	0.0427
85	Jun-05	0.0976	0.0540	0.0436
86	Jul-05	0.0966	0.0551	0.0415
87	Aug-05	0.0969	0.0550	0.0419
88	Sep-05	0.0980	0.0552	0.0428
89	Oct-05	0.0990	0.0579	0.0411
90	Nov-05	0.1049	0.0588	0.0461
91	Dec-05	0.1045	0.0580	0.0465
92	Jan-06	0.0982	0.0575	0.0407
93	Feb-06	0.1124	0.0582	0.0542
94	Mar-06	0.1127	0.0598	0.0529
95	Apr-06	0.1100	0.0629	0.0471
96	May-06	0.1056	0.0642	0.0414
97	Jun-06	0.1049	0.0640	0.0409

LINE	DATE	DCF	BOND YIELD	RISK PREMIUM
98	Jul-06	0.1087	0.0637	0.0450
99	Aug-06	0.1041	0.0620	0.0421
100	Sep-06	0.1053	0.0600	0.0453
101	Oct-06	0.1030	0.0598	0.0432
102	Nov-06	0.1033	0.0580	0.0453
103	Dec-06	0.1035	0.0581	0.0454
104	Jan-07	0.1013	0.0596	0.0417
105	Feb-07	0.1018	0.0590	0.0428
106	Mar-07	0.1018	0.0585	0.0433
107	Apr-07	0.1007	0.0597	0.0410
108	May-07	0.0967	0.0599	0.0368
109	Jun-07	0.0970	0.0630	0.0340
110	Jul-07	0.1006	0.0625	0.0381
111	Aug-07	0.1021	0.0624	0.0397
112	Sep-07	0.1014	0.0618	0.0396
113	Oct-07	0.1080	0.0611	0.0469
114	Nov-07	0.1083	0.0597	0.0486
115	Dec-07	0.1084	0.0616	0.0468
116	Jan-08	0.1113	0.0602	0.0511
117	Feb-08	0.1139	0.0621	0.0518
118	Mar-08	0.1147	0.0621	0.0526
119	Apr-08	0.1167	0.0629	0.0538
120	May-08	0.1069	0.0627	0.0442
121	Jun-08	0.1062	0.0638	0.0424
122	Jul-08	0.1086	0.0640	0.0446
123	Aug-08	0.1123	0.0637	0.0486
124	Sep-08	0.1130	0.0649	0.0481
125	Oct-08	0.1213	0.0756	0.0457
126	Nov-08	0.1221	0.0760	0.0461
127	Dec-08	0.1162	0.0654	0.0508
128	Jan-09	0.1131	0.0639	0.0492
129	Feb-09	0.1155	0.0630	0.0524
130	Mar-09	0.1198	0.0642	0.0556
131	Apr-09	0.1146	0.0648	0.0498
132	May-09	0.1225	0.0649	0.0576
133	Jun-09	0.1208	0.0620	0.0588
134	Jul-09	0.1145	0.0597	0.0548
135	Aug-09	0.1109	0.0571	0.0538
136	Sep-09	0.1109	0.0553	0.0556
137	Oct-09	0.1146	0.0555	0.0592
138	Nov-09	0.1148	0.0564	0.0584
139	Dec-09	0.1123	0.0579	0.0544
140	Jan-10	0.1198	0.0577	0.0621
141	Feb-10	0.1167	0.0587	0.0580
142	Mar-10	0.1074	0.0584	0.0490
143	Apr-10	0.0934	0.0582	0.0352
144	May-10	0.0970	0.0552	0.0418
145	Jun-10	0.0953	0.0546	0.0407
146	Jul-10	0.1050	0.0526	0.0524
147	Aug-10	0.1038	0.0501	0.0537
148	Sep-10	0.1034	0.0501	0.0533
149	Oct-10	0.1050	0.0510	0.0540

LINE	DATE	DCF	BOND YIELD	RISK PREMIUM
150	Nov-10	0.1041	0.0536	0.0505
151	Dec-10	0.1029	0.0557	0.0472
152	Jan-11	0.1019	0.0557	0.0462
153	Feb-11	0.1004	0.0568	0.0436
154	Mar-11	0.1014	0.0556	0.0458
155	Apr-11	0.1031	0.0555	0.0476
156	May-11	0.1018	0.0532	0.0486
157	Jun-11	0.1020	0.0526	0.0494
158	Jul-11	0.1035	0.0527	0.0508
159	Aug-11	0.1179	0.0469	0.0710
160	Sep-11	0.1155	0.0448	0.0707
161	Oct-11	0.1150	0.0452	0.0698
162	Nov-11	0.1120	0.0425	0.0695
163	Dec-11	0.1092	0.0435	0.0657
164	Jan-12	0.1078	0.0434	0.0644
165	Feb-12	0.1081	0.0436	0.0645
166	Mar-12	0.1081	0.0448	0.0633
167	Apr-12	0.1131	0.0440	0.0691
168	May-12	0.1201	0.0420	0.0781
169	Jun-12	0.1011	0.0408	0.0603
170	Jul-12	0.0977	0.0393	0.0584
171	Aug-12	0.1023	0.0400	0.0623
172	Sep-12	0.1038	0.0402	0.0636
173	Oct-12	0.1011	0.0391	0.0620
174	Nov-12	0.1032	0.0384	0.0648
175	Dec-12	0.1023	0.0400	0.0623
176	Jan-13	0.1013	0.0415	0.0598
177	Feb-13	0.0982	0.0418	0.0564

Notes: A-rated utility bond yield information from the Mergent Bond Record. DCF results are calculated using a quarterly DCF model as follows:

D_0	=	Latest quarterly dividend per *Value Line* and Yahoo Finance.
P_0	=	Average of the monthly high and low stock prices for each month from Thomson Reuters.
FC	=	Flotation costs expressed as a percent of gross proceeds.
g	=	I/B/E/S forecast of future earnings growth for each month.
k	=	Cost of equity using the quarterly version of the DCF model shown by the formula below:

$$k = \left[\frac{d_0 (1+g)^{\frac{1}{4}}}{P_0 (1 - FC)} + (1+g)^{\frac{1}{4}} \right]^4 - 1$$

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 4
COMPARATIVE RETURNS ON S&P 500 STOCK INDEX AND MOODY'S A-RATED BONDS 1937 – 2012

LINE NO.	YEAR	S&P 500 STOCK PRICE	STOCK DIVIDEND YIELD	STOCK RETURN	A-RATED BOND PRICE	BOND RETURN	RISK PREMIUM
1	2012	1,300.58	0.0214		$94.36		
2	2011	1,282.62	0.0185	3.25%	$77.36	27.14%	-23.89%
3	2010	1,123.58	0.0203	16.18%	$75.02	8.44%	7.74%
4	2009	865.58	0.0310	32.91%	$68.43	15.48%	17.43%
5	2008	1,378.76	0.0206	-35.16%	$72.25	0.24%	-35.40%
6	2007	1,424.16	0.0181	-1.38%	$72.91	4.59%	-5.97%
7	2006	1,278.72	0.0183	13.20%	$75.25	2.20%	11.01%
8	2005	1,181.41	0.0177	10.01%	$74.91	5.80%	4.21%
9	2004	1,132.52	0.0162	5.94%	$70.87	11.34%	-5.40%
10	2003	895.84	0.0180	28.22%	$62.26	20.27%	7.95%
11	2002	1,140.21	0.0138	-20.05%	$57.44	15.35%	-35.40%
12	2001	1,335.63	0.0116	-13.47%	$56.40	8.93%	-22.40%
13	2000	1,425.59	0.0118	-5.13%	$52.60	14.82%	-19.95%
14	1999	1,248.77	0.0130	15.46%	$63.03	-10.20%	25.66%
15	1998	963.35	0.0162	31.25%	$62.43	7.38%	23.87%
16	1997	766.22	0.0195	27.68%	$56.62	17.32%	10.36%
17	1996	614.42	0.0231	27.02%	$60.91	-0.48%	27.49%
18	1995	465.25	0.0287	34.93%	$50.22	29.26%	5.68%
19	1994	472.99	0.0269	1.05%	$60.01	-9.65%	10.71%
20	1993	435.23	0.0288	11.56%	$53.13	20.48%	-8.93%
21	1992	416.08	0.0290	7.50%	$49.56	15.27%	-7.77%
22	1991	325.49	0.0382	31.65%	$44.84	19.44%	12.21%
23	1990	339.97	0.0341	-0.85%	$45.60	7.11%	-7.96%
24	1989	285.41	0.0364	22.76%	$43.06	15.18%	7.58%
25	1988	250.48	0.0366	17.61%	$40.10	17.36%	0.25%
26	1987	264.51	0.0317	-2.13%	$48.92	-9.84%	7.71%
27	1986	208.19	0.0390	30.95%	$39.98	32.36%	-1.41%
28	1985	171.61	0.0451	25.83%	$32.57	35.05%	-9.22%
29	1984	166.39	0.0427	7.41%	$31.49	16.12%	-8.72%
30	1983	144.27	0.0479	20.12%	$29.41	20.65%	-0.53%
31	1982	117.28	0.0595	28.96%	$24.48	36.48%	-7.51%
32	1981	132.97	0.0480	-7.00%	$29.37	-3.01%	-3.99%
33	1980	110.87	0.0541	25.34%	$34.69	-3.81%	29.16%
34	1979	99.71	0.0533	16.52%	$43.91	-11.89%	28.41%
35	1978	90.25	0.0532	15.80%	$49.09	-2.40%	18.20%
36	1977	103.80	0.0399	-9.06%	$50.95	4.20%	-13.27%
37	1976	96.86	0.0380	10.96%	$43.91	25.13%	-14.17%
38	1975	72.56	0.0507	38.56%	$41.76	14.75%	23.81%
39	1974	96.11	0.0364	-20.86%	$52.54	-12.91%	-7.96%

LINE NO.	YEAR	S&P 500 STOCK PRICE	STOCK DIVIDEND YIELD	STOCK RETURN	A-RATED BOND PRICE	BOND RETURN	RISK PREMIUM
40	1973	118.40	0.0269	-16.14%	$58.51	-3.37%	-12.77%
41	1972	103.30	0.0296	17.58%	$56.47	10.69%	6.89%
42	1971	93.49	0.0332	13.81%	$53.93	12.13%	1.69%
43	1970	90.31	0.0356	7.08%	$50.46	14.81%	-7.73%
44	1969	102.00	0.0306	-8.40%	$62.43	-12.76%	4.36%
45	1968	95.04	0.0313	10.45%	$66.97	-0.81%	11.26%
46	1967	84.45	0.0351	16.05%	$78.69	-9.81%	25.86%
47	1966	93.32	0.0302	-6.48%	$86.57	-4.48%	-2.00%
48	1965	86.12	0.0299	11.35%	$91.40	-0.91%	12.26%
49	1964	76.45	0.0305	15.70%	$92.01	3.68%	12.02%
50	1963	65.06	0.0331	20.82%	$93.56	2.61%	18.20%
51	1962	69.07	0.0297	-2.84%	$89.60	8.89%	-11.73%
52	1961	59.72	0.0328	18.94%	$89.74	4.29%	14.64%
53	1960	58.03	0.0327	6.18%	$84.36	11.13%	-4.95%
54	1959	55.62	0.0324	7.57%	$91.55	-3.49%	11.06%
55	1958	41.12	0.0448	39.74%	$101.22	-5.60%	45.35%
56	1957	45.43	0.0431	-5.18%	$100.70	4.49%	-9.67%
57	1956	44.15	0.0424	7.14%	$113.00	-7.35%	14.49%
58	1955	35.60	0.0438	28.40%	$116.77	0.20%	28.20%
59	1954	25.46	0.0569	45.52%	$112.79	7.07%	38.45%
60	1953	26.18	0.0545	2.70%	$114.24	2.24%	0.46%
61	1952	24.19	0.0582	14.05%	$113.41	4.26%	9.79%
62	1951	21.21	0.0634	20.39%	$123.44	-4.89%	25.28%
63	1950	16.88	0.0665	32.30%	$125.08	1.89%	30.41%
64	1949	15.36	0.0620	16.10%	$119.82	7.72%	8.37%
65	1948	14.83	0.0571	9.28%	$118.50	4.49%	4.79%
66	1947	15.21	0.0449	1.99%	$126.02	-2.79%	4.79%
67	1946	18.02	0.0356	-12.03%	$126.74	2.59%	-14.63%
68	1945	13.49	0.0460	38.18%	$119.82	9.11%	29.07%
69	1944	11.85	0.0495	18.79%	$119.82	3.34%	15.45%
70	1943	10.09	0.0554	22.98%	$118.50	4.49%	18.49%
71	1942	8.93	0.0788	20.87%	$117.63	4.14%	16.73%
72	1941	10.55	0.0638	-8.98%	$116.34	4.55%	-13.52%
73	1940	12.30	0.0458	-9.65%	$112.39	7.08%	-16.73%
74	1939	12.50	0.0349	1.89%	$105.75	10.05%	-8.16%
75	1938	11.31	0.0784	18.36%	$99.83	9.94%	8.42%
76	1937	17.59	0.0434	-31.36%	$103.18	0.63%	-31.99%
77	Average			11.0%		6.7%	4.3%

Note: See Appendix 5 for an explanation of how stock and bond returns are derived and the source of the data presented.

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 5
COMPARATIVE RETURNS ON S&P UTILITY STOCK INDEX AND MOODY'S A-RATED BONDS 1937 – 2012

LINE NO.	YEAR	S&P UTILITY STOCK PRICE	STOCK DIVIDEND YIELD	STOCK RETURN	A-RATED BOND PRICE	BOND RETURN	RISK PREMIUM
1	2012				$94.36		
2	2011			19.99%	$77.36	27.14%	-7.15%
3	2010			7.04%	$75.02	8.44%	-1.40%
4	2009			10.71%	$68.43	15.48%	-4.77%
5	2008			-25.90%	$72.25	0.24%	-26.14%
6	2007			16.56%	$72.91	4.59%	11.96%
7	2006			20.76%	$75.25	2.20%	18.56%
8	2005			16.05%	$74.91	5.80%	10.25%
9	2004			22.84%	$70.87	11.34%	11.50%
10	2003			23.48%	$62.26	20.27%	3.21%
11	2002			-14.73%	$57.44	15.35%	-30.08%
11	2001	307.70	0.0287	-17.90%	$56.40	8.93%	-26.83%
12	2000	239.17	0.0413	32.78%	$52.60	14.82%	17.96%
13	1999	253.52	0.0394	-1.72%	$63.03	-10.20%	8.48%
14	1998	228.61	0.0457	15.47%	$62.43	7.38%	8.09%
15	1997	201.14	0.0492	18.58%	$56.62	17.32%	1.26%
16	1996	202.57	0.0454	3.83%	$60.91	-0.48%	4.31%
17	1995	153.87	0.0584	37.49%	$50.22	29.26%	8.23%
18	1994	168.70	0.0496	-3.83%	$60.01	-9.65%	5.82%
19	1993	159.79	0.0537	10.95%	$53.13	20.48%	-9.54%
20	1992	149.70	0.0572	12.46%	$49.56	15.27%	-2.81%
21	1991	138.38	0.0607	14.25%	$44.84	19.44%	-5.19%
22	1990	146.04	0.0558	0.33%	$45.60	7.11%	-6.78%
23	1989	114.37	0.0699	34.68%	$43.06	15.18%	19.51%
24	1988	106.13	0.0704	14.80%	$40.10	17.36%	-2.55%
25	1987	120.09	0.0588	-5.74%	$48.92	-9.84%	4.10%
26	1986	92.06	0.0742	37.87%	$39.98	32.36%	5.51%
27	1985	75.83	0.0860	30.00%	$32.57	35.05%	-5.04%
28	1984	68.50	0.0925	19.95%	$31.49	16.12%	3.83%
29	1983	61.89	0.0948	20.16%	$29.41	20.65%	-0.49%
30	1982	51.81	0.1074	30.20%	$24.48	36.48%	-6.28%
31	1981	52.01	0.0978	9.40%	$29.37	-3.01%	12.41%
32	1980	50.26	0.0953	13.01%	$34.69	-3.81%	16.83%
33	1979	50.33	0.0893	8.79%	$43.91	-11.89%	20.68%
34	1978	52.40	0.0791	3.96%	$49.09	-2.40%	6.36%
35	1977	54.01	0.0714	4.16%	$50.95	4.20%	-0.04%
36	1976	46.99	0.0776	22.70%	$43.91	25.13%	-2.43%
37	1975	38.19	0.0920	32.24%	$41.76	14.75%	17.49%
38	1974	48.60	0.0713	-14.29%	$52.54	-12.91%	-1.38%
39	1973	60.01	0.0556	-13.45%	$58.51	-3.37%	-10.08%
40	1972	60.19	0.0542	5.12%	$56.47	10.69%	-5.57%
41	1971	63.43	0.0504	-0.07%	$53.93	12.13%	-12.19%
42	1970	55.72	0.0561	19.45%	$50.46	14.81%	4.64%

LINE NO.	YEAR	S&P UTILITY STOCK PRICE	STOCK DIVIDEND YIELD	STOCK RETURN	A-RATED BOND PRICE	BOND RETURN	RISK PREMIUM
43	1969	68.65	0.0445	-14.38%	$62.43	-12.76%	-1.62%
44	1968	68.02	0.0435	5.28%	$66.97	-0.81%	6.08%
45	1967	70.63	0.0392	0.22%	$78.69	-9.81%	10.03%
46	1966	74.50	0.0347	-1.72%	$86.57	-4.48%	2.76%
47	1965	75.87	0.0315	1.34%	$91.40	-0.91%	2.25%
48	1964	67.26	0.0331	16.11%	$92.01	3.68%	12.43%
49	1963	63.35	0.0330	9.47%	$93.56	2.61%	6.86%
50	1962	62.69	0.0320	4.25%	$89.60	8.89%	-4.64%
51	1961	52.73	0.0358	22.47%	$89.74	4.29%	18.18%
52	1960	44.50	0.0403	22.52%	$84.36	11.13%	11.39%
53	1959	43.96	0.0377	5.00%	$91.55	-3.49%	8.49%
54	1958	33.30	0.0487	36.88%	$101.22	-5.60%	42.48%
55	1957	32.32	0.0487	7.90%	$100.70	4.49%	3.41%
56	1956	31.55	0.0472	7.16%	$113.00	-7.35%	14.51%
57	1955	29.89	0.0461	10.16%	$116.77	0.20%	9.97%
58	1954	25.51	0.0520	22.37%	$112.79	7.07%	15.30%
59	1953	24.41	0.0511	9.62%	$114.24	2.24%	7.38%
60	1952	22.22	0.0550	15.36%	$113.41	4.26%	11.10%
61	1951	20.01	0.0606	17.10%	$123.44	-4.89%	21.99%
62	1950	20.20	0.0554	4.60%	$125.08	1.89%	2.71%
63	1949	16.54	0.0570	27.83%	$119.82	7.72%	20.10%
64	1948	16.53	0.0535	5.41%	$118.50	4.49%	0.92%
65	1947	19.21	0.0354	-10.41%	$126.02	-2.79%	-7.62%
66	1946	21.34	0.0298	-7.00%	$126.74	2.59%	-9.59%
67	1945	13.91	0.0448	57.89%	$119.82	9.11%	48.79%
68	1944	12.10	0.0569	20.65%	$119.82	3.34%	17.31%
69	1943	9.22	0.0621	37.45%	$118.50	4.49%	32.96%
70	1942	8.54	0.0940	17.36%	$117.63	4.14%	13.22%
71	1941	13.25	0.0717	-28.38%	$116.34	4.55%	-32.92%
72	1940	16.97	0.0540	-16.52%	$112.39	7.08%	-23.60%
73	1939	16.05	0.0553	11.26%	$105.75	10.05%	1.21%
74	1938	14.30	0.0730	19.54%	$99.83	9.94%	9.59%
75	1937	24.34	0.0432	-36.93%	$103.18	0.63%	-37.55%
76	Average			10.6%		6.7%	3.8%

See Appendix 5 for an explanation of how stock and bond returns are derived and the source of the data presented. Standard & Poor's discontinued its S&P Utilities Index in December 2001 and replaced its utilities stock index with separate indices for electric and natural gas utilities. In this study, the stock returns beginning in 2002 are based on the total returns for the EEI Index of U.S. shareholder-owned electric utilities, as reported by EEI on its website.
http://www.eei.org/whatwedo/DataAnalysis/IndusFinanAnalysis/Pages/QtrlyFinancialUpdates.aspx

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 6
USING THE ARITHMETIC MEAN TO ESTIMATE
THE COST OF EQUITY CAPITAL

Consider an investment that in a given year generates a return of 30 percent with probability equal to .5 and a return of -10 percent with a probability equal to .5. For each one dollar invested, the possible outcomes of this investment at the end of year one are:

Ending Wealth	Probability
\$1.30	0.50
\$0.90	0.50

At the end of year two, the possible outcomes are:

Ending Wealth			Probability	Value x Probability
(1.30) (1.30)	=	\$1.69	0.25	0.4225
(1.30) (.9)	=	\$1.17	0.50	0.5850
(.9) (.9)	=	\$0.81	0.25	0.2025
Expected Wealth	=			\$1.21

The expected value of this investment at the end of year two is \$1.21. In a competitive capital market, the cost of equity is equal to the expected rate of return on an investment. In the above example, the cost of equity is that rate of return which will make the initial investment of one dollar grow to the expected value of \$1.21 at the end of two years. Thus, the cost of equity is the solution to the equation:

$$1(1+k)^2 = 1.21 \text{ or}$$

$$k = (1.21/1)^{.5} - 1 = 10\%.$$

The arithmetic mean of this investment is:

$$(30\%)\ (.5) + (-10\%)\ (.5) = 10\%.$$

Thus, the arithmetic mean is equal to the cost of equity capital.

The geometric mean of this investment is:

$$[(1.3)\ (.9)]^{.5} - 1 = .082 = 8.2\%.$$

Thus, the geometric mean is not equal to the cost of equity capital.

The lesson is obvious: for an investment with an uncertain outcome, the arithmetic mean is the best measure of the cost of equity capital.

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 7
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY USING THE IBBOTSON® SBBI® 6.6 PERCENT RISK PREMIUM

LINE			
1	Risk-free Rate	5.25%	Long-term Treasury bond yield forecast
2	Beta	0.72	Average beta natural gas companies
3	Risk Premium	6.62%	Long-horizon SBBI® risk premium
4	Beta x Risk Premium	4.8%	
5	Flotation	0.22%	
6	CAPM cost of equity	10.2%	

Ibbotson SBBI® risk premium from Ibbotson® SBBI® Stocks, Bonds, Bills, and Inflation® Valuation Yearbook; Value Line beta for comparable companies from Value Line Investment Analyzer. Treasury bond yield forecast from data in Value Line Selection & Opinion, Feb. 22, 2013, and Energy Information Administration, January 2013, determined as follows. Value Line forecasts a yield on 10-year Treasury notes equal to 4.2 percent. The current spread between the average February 2013 yield on 10-year Treasury notes (1.98 percent) and 20-year Treasury bonds (2.78 percent) is eighty basis points. Adding eighty basis points to Value Line's 4.2 percent forecasted yield on 10-year Treasury notes produces a forecasted yield of 5.0 percent for 20-year Treasury bonds (see Value Line Investment Survey, Selection & Opinion, Feb. 22, 2013). EIA forecasts a yield of 4.7 percent on 10-year Treasury notes. Adding the eighty basis point spread between 10-year Treasury notes and 20-year Treasury bonds to the EIA forecast of 4.7 percent for 10-year Treasury notes produces an EIA forecast for 20-year Treasury bonds equal to 5.5 percent. The average of the forecasts is 5.25 percent (5.0 percent using Value Line data and 5.5 percent using EIA data).

COMPARABLE COMPANY BETAS

LINE	COMPANY	VALUE LINE BETA	MARKET CAP $ (MIL)
1	AGL Resources	0.75	4,736
2	Atmos Energy	0.70	3,518
3	Laclede Group	0.55	928
4	New Jersey Resources	0.65	1,885
5	NiSource Inc.	0.80	8,691
6	Northwest Nat. Gas	0.60	1,229
7	Piedmont Natural Gas	0.65	2,465
8	South Jersey Inds.	0.65	1,763
9	WGL Holdings Inc.	0.65	2,185
10	Market-weighted Average	0.72	

Data from Value Line February 2013.

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 8
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY USING DCF ESTIMATE OF THE EXPECTED RATE OF RETURN ON THE MARKET PORTFOLIO

LINE NO.	FACTOR	VALUE	DESCRIPTION
1	Risk-free Rate	5.25%	Long-term Treasury bond yield forecast
2	Beta	0.72	Average beta natural gas companies
3	DCF S&P 500	12.4%	DCF Cost of Equity S&P 500 (see following)
4	Risk Premium	7.2%	
5	Beta * Risk Premium	5.18%	
6	Flotation cost	0.22%	
7	Cost of Equity	10.6%	

Value Line beta for comparable companies from Value Line Investment Analyzer. Treasury bond yield forecast from data in Value Line Selection & Opinion, Feb. 22, 2013, and Energy Information Administration, January 2013, determined as follows. Value Line forecasts a yield on 10-year Treasury notes equal to 4.2 percent. The current spread between the average February 2013 yield on 10-year Treasury notes (1.98 percent) and 20-year Treasury bonds (2.78 percent) is eighty basis points. Adding eighty basis points to Value Line's 4.2 percent forecasted yield on 10-year Treasury notes produces a forecasted yield of 5.0 percent for 20-year Treasury bonds (see Value Line Investment Survey, Selection & Opinion, Feb. 22, 2013). EIA forecasts a yield of 4.7 percent on 10-year Treasury notes. Adding the eighty basis point spread between 10-year Treasury notes and 20-year Treasury bonds to the EIA forecast of 4.7 percent for 10-year Treasury notes produces an EIA forecast for 20-year Treasury bonds equal to 5.5 percent. The average of the forecasts is 5.25 percent (5.0 percent using Value Line data and 5.5 percent using EIA data).

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 8 (CONTINUED)
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY USING DCF ESTIMATE OF THE EXPECTED RATE OF RETURN ON THE MARKET PORTFOLIO
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS FOR S&P 500 COMPANIES

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
1	3M	97.46	2.54	9.83%	12.7%
2	ABBOTT LABORATORIES	32.81	0.56	11.73%	13.6%
3	ACCENTURE CLASS A	70.78	1.62	11.22%	13.8%
4	ADT	46.55	0.50	11.10%	12.3%
5	AIR PRDS.& CHEMS.	85.96	2.56	8.94%	12.2%
6	AIRGAS	93.40	1.60	12.48%	14.4%
7	ALLERGAN	99.76	0.20	12.89%	13.1%
8	ALLSTATE	42.92	1.00	8.25%	10.8%
9	ALTERA	33.96	0.40	12.00%	13.3%
10	AMERICAN EXPRESS	59.39	0.80	10.94%	12.4%
11	AMERISOURCEBERGEN	44.76	0.84	12.00%	14.1%
12	AMGEN	87.14	1.88	9.93%	12.3%
13	ASSURANT	37.27	0.84	9.67%	12.2%
14	AT&T	34.55	1.80	5.50%	11.1%
15	AUTOMATIC DATA PROC.	58.99	1.74	9.20%	12.5%
16	AVERY DENNISON	37.08	1.08	10.13%	13.4%
17	BAKER HUGHES	43.76	0.60	9.64%	11.2%
18	BALL	44.89	0.52	10.30%	11.6%
19	BAXTER INTL.	67.05	1.80	8.78%	11.7%
20	BEAM	60.50	0.90	11.73%	13.4%
21	BOEING	75.39	1.94	10.67%	13.5%
22	BOSTON PROPERTIES	105.74	2.60	9.47%	12.2%
23	CARDINAL HEALTH	43.27	1.10	10.50%	13.3%
24	CBS 'B'	40.10	0.48	12.02%	13.4%
25	CH ROBINSON WWD.	62.84	1.40	12.19%	14.7%
26	CINTAS	42.41	0.64	10.30%	12.0%
27	CISCO SYSTEMS	20.48	0.56	8.40%	11.4%
28	CITIGROUP	40.55	0.04	12.44%	12.6%
29	CLOROX	77.54	2.56	8.00%	11.6%
30	COCA COLA	37.26	1.12	8.95%	12.3%
31	COCA COLA ENTS.	33.54	0.80	10.27%	12.9%
32	COLGATE-PALM.	108.58	2.48	9.70%	12.2%
33	CONAGRA FOODS	31.64	1.00	8.80%	12.3%
34	COSTCO WHOLESALE	101.50	1.10	13.04%	14.3%
35	CUMMINS	111.18	2.00	9.67%	11.7%
36	DANAHER	58.18	0.10	12.87%	13.1%
37	DARDEN RESTAURANTS	46.78	2.00	6.60%	11.2%
38	DEERE	88.92	2.04	10.00%	12.5%
39	DELL	11.98	0.32	8.43%	11.4%
40	DENTSPLY INTL.	40.97	0.25	10.83%	11.5%
41	DISCOVER FINANCIAL SVS.	39.19	0.56	10.67%	12.3%
42	DOW CHEMICAL	32.10	1.28	6.62%	10.9%
43	EMERSON ELECTRIC	54.83	1.64	9.13%	12.4%

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
44	EQUIFAX	55.70	0.88	12.89%	14.7%
45	EXPEDIA	62.83	0.52	13.46%	14.4%
46	FAMILY DOLLAR STORES	61.00	0.84	12.86%	14.4%
47	FEDEX	98.15	0.56	12.76%	13.4%
48	FIDELITY NAT.INFO.SVS.	36.21	0.88	11.88%	14.6%
49	FLUOR	60.77	0.64	10.80%	12.0%
50	FMC	58.78	0.54	11.12%	12.1%
51	FORD MOTOR	12.75	0.40	10.53%	14.0%
52	GAP	32.31	0.60	9.37%	11.4%
53	GARMIN	39.30	1.80	6.62%	11.6%
54	GENERAL MILLS	42.08	1.32	7.93%	11.4%
55	HASBRO	37.79	1.60	6.88%	11.5%
56	HONEYWELL INTL.	66.33	1.64	10.42%	13.2%
57	HUMANA	70.69	1.04	10.50%	12.1%
58	ILLINOIS TOOL WORKS	62.16	1.52	8.43%	11.1%
59	INGERSOLL-RAND	50.19	0.84	10.93%	12.8%
60	INTERNATIONAL BUS.MCHS.	197.54	3.40	9.86%	11.8%
61	INTERPUBLIC GP.	11.72	0.30	8.44%	11.2%
62	INTUIT	61.83	0.68	13.43%	14.7%
63	J M SMUCKER	89.16	2.08	8.43%	11.0%
64	JOHNSON CONTROLS	30.53	0.76	11.57%	14.4%
65	JOY GLOBAL	62.94	0.70	12.67%	13.9%
66	KROGER	27.16	0.60	9.80%	12.2%
67	LIMITED BRANDS	46.84	1.20	11.17%	14.0%
68	LINEAR TECH.	35.81	1.04	9.48%	12.7%
69	LOCKHEED MARTIN	90.11	4.60	7.90%	13.5%
70	LYONDELLBASELL INDS.CL.A	57.74	1.60	9.54%	12.6%
71	M&T BANK	101.43	2.80	8.10%	11.1%
72	MARATHON PETROLEUM	69.20	1.40	8.90%	11.1%
73	MARSH & MCLENNAN	35.22	0.92	11.68%	14.6%
74	MATTEL	37.58	1.44	10.03%	14.3%
75	MCDONALDS	91.94	3.08	8.89%	12.6%
76	MEAD JOHNSON NUTRITION	71.82	1.36	10.80%	12.9%
77	MICROSOFT	27.30	0.92	8.38%	12.1%
78	MONSANTO	97.32	1.50	11.08%	12.8%
79	MURPHY OIL	60.39	1.25	12.30%	14.6%
80	NABORS INDS.	15.58	0.16	10.93%	12.1%
81	NASDAQ OMX GROUP	27.37	0.52	10.25%	12.4%
82	NIKE 'B'	52.97	0.84	10.37%	12.1%
83	NOBLE ENERGY	105.56	1.00	12.23%	13.3%
84	NORDSTROM	53.90	1.20	11.39%	13.9%
85	NORFOLK SOUTHERN	66.35	2.00	10.45%	13.8%
86	NUCOR	44.78	1.47	7.88%	11.5%
87	NVIDIA	12.42	0.30	10.60%	13.3%
88	OMNICOM GP.	52.77	1.60	9.03%	12.4%
89	ORACLE	34.31	0.24	11.97%	12.8%
90	PATTERSON COMPANIES	35.24	0.56	12.00%	13.8%
91	PERKINELMER	33.08	0.28	11.95%	12.9%
92	PERRIGO	106.81	0.36	11.72%	12.1%
93	PRAXAIR	110.38	2.40	12.07%	14.5%
94	PREC.CASTPARTS	186.40	0.12	14.40%	14.5%
95	PRINCIPAL FINL.GP.	29.69	0.92	11.07%	14.6%
96	PROCTER & GAMBLE	72.39	2.25	7.93%	11.3%

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
97	QUEST DIAGNOSTICS	58.51	1.20	10.82%	13.1%
98	RALPH LAUREN CL.A	160.63	1.60	13.13%	14.3%
99	REYNOLDS AMERICAN	43.28	2.36	7.30%	13.3%
100	ROCKWELL AUTOMATION	86.10	1.88	10.62%	13.1%
101	ROCKWELL COLLINS	58.89	1.20	9.65%	11.9%
102	ROSS STORES	57.05	0.68	12.80%	14.2%
103	SEALED AIR	18.80	0.52	9.77%	12.8%
104	ST.JUDE MEDICAL	38.58	1.00	9.41%	12.3%
105	STRYKER	59.32	1.06	8.85%	10.8%
106	TARGET	61.05	1.44	11.53%	14.2%
107	TE CONNECTIVITY	38.30	0.84	10.14%	12.6%
108	TESORO	46.43	0.80	12.79%	14.7%
109	THE HERSHEY COMPANY	76.71	1.68	9.40%	11.8%
110	THERMO FISHER SCIENTIFIC	68.71	0.60	11.42%	12.4%
111	TIFFANY & CO	61.37	1.28	10.15%	12.5%
112	TJX COS.	43.80	0.46	12.03%	13.2%
113	TOTAL SYSTEM SERVICES	22.43	0.40	10.32%	12.3%
114	TRAVELERS COS.	76.09	1.84	10.05%	12.7%
115	UNITED PARCEL SER.'B'	78.30	2.48	9.90%	13.4%
116	UNITEDHEALTH GP.	54.65	0.85	10.94%	12.7%
117	US BANCORP	32.90	0.78	9.69%	12.3%
118	V F	152.90	3.48	11.67%	14.2%
119	VALERO ENERGY	39.21	0.80	10.16%	12.4%
120	VERIZON COMMUNICATIONS	44.12	2.06	6.33%	11.4%
121	WAL MART STORES	69.72	1.88	8.88%	11.8%
122	WALT DISNEY	52.34	0.75	11.24%	12.8%
123	WELLS FARGO & CO	34.66	1.00	9.33%	12.5%
124	WYNN RESORTS	117.73	4.00	10.90%	14.7%
125	XILINX	36.55	0.88	8.53%	11.2%
126	YUM! BRANDS	65.20	1.34	11.70%	14.0%
127	Market-weighted Average				12.4%

Notes: In applying the DCF model to the S&P 500, I included in the DCF analysis only those companies in the S&P 500 group which pay a dividend, have a positive growth rate, and have at least three analysts' long-term growth estimates. To be conservative, I also eliminated those 25% of companies with the highest and lowest DCF results.

D_0 = Current dividend per Thomson Reuters.
P_0 = Average of the monthly high and low stock prices during the three months ending February 2013 per Thomson Reuters.
g = I/B/E/S forecast of future earnings growth February 2013.
k = Cost of equity using the quarterly version of the DCF model shown below:

$$k = \left[\frac{d_0 (1+g)^{\frac{1}{4}}}{P_0}\right]^4 - 1$$

ATMOS ENERGY
EXHIBIT__(JVW-1)
SCHEDULE 9
COMPARISON OF RISK PREMIA ON
S&P500 AND S&P UTILITIES 1937 – 2012

YEAR	S&P UTILITIES STOCK RETURN	SP500 STOCK RETURN	10-YR. TREASURY BOND YIELD	UTILITIES RISK PREMIUM	MARKET RISK PREMIUM
2011	0.1999	0.0325	0.0278	0.1721	0.0047
2010	0.0704	0.1618	0.0322	0.0382	0.1296
2009	0.1071	0.3291	0.0326	0.0745	0.2965
2008	-0.2590	-0.3519	0.0367	-0.2957	-0.3886
2007	0.1656	-0.0127	0.0463	0.1193	-0.0590
2006	0.2076	0.1320	0.0479	0.1597	0.0841
2005	0.1605	0.1001	0.0429	0.1176	0.0572
2004	0.2284	0.0594	0.0427	0.1857	0.0167
2003	0.2348	0.2822	0.0401	0.1947	0.2421
2002	-0.1473	-0.2005	0.0461	-0.1934	-0.2466
2001	-0.1790	-0.1347	0.0502	-0.2292	-0.1849
2000	0.3278	-0.0513	0.0603	0.2675	-0.1116
1999	-0.0172	0.1546	0.0564	-0.0736	0.0982
1998	0.1547	0.3125	0.0526	0.1021	0.2599
1997	0.1858	0.2768	0.0635	0.1223	0.2133
1996	0.0383	0.2702	0.0644	-0.0261	0.2058
1995	0.3749	0.3493	0.0658	0.3091	0.2835
1994	-0.0383	0.0105	0.0708	-0.1091	-0.0603
1993	0.1095	0.1156	0.0587	0.0508	0.0569
1992	0.1246	0.0750	0.0701	0.0545	0.0049
1991	0.1425	0.3165	0.0786	0.0639	0.2379
1990	0.0033	-0.0085	0.0855	-0.0822	-0.0940
1989	0.3468	0.2276	0.0850	0.2618	0.1426
1988	0.1480	0.1761	0.0884	0.0596	0.0877
1987	-0.0574	-0.0213	0.0838	-0.1412	-0.1051
1986	0.3787	0.3095	0.0768	0.3019	0.2327
1985	0.3000	0.2583	0.1062	0.1938	0.1521
1984	0.1995	0.0741	0.1244	0.0751	-0.0503
1983	0.2016	0.2012	0.1110	0.0906	0.0902
1982	0.3020	0.2896	0.1300	0.1720	0.1596
1981	0.0940	-0.0700	0.1391	-0.0451	-0.2091
1980	0.1301	0.2534	0.1146	0.0155	0.1388
1979	0.0879	0.1652	0.0944	-0.0065	0.0708
1978	0.0396	0.1580	0.0841	-0.0445	0.0739
1977	0.0416	-0.0906	0.0742	-0.0326	-0.1648
1976	0.2270	0.1096	0.0761	0.1509	0.0335
1975	0.3224	0.3856	0.0799	0.2425	0.3057
1974	-0.1429	-0.2086	0.0756	-0.2185	-0.2842

YEAR	S&P UTILITIES STOCK RETURN	SP500 STOCK RETURN	10-YR. TREASURY BOND YIELD	UTILITIES RISK PREMIUM	MARKET RISK PREMIUM
1973	-0.1345	-0.1614	0.0684	-0.2029	-0.2298
1972	0.0512	0.1758	0.0621	-0.0109	0.1137
1971	-0.0007	0.1381	0.0616	-0.0623	0.0765
1970	0.1945	0.0708	0.0735	0.1210	-0.0027
1969	-0.1438	-0.0840	0.0667	-0.2105	-0.1507
1968	0.0528	0.1045	0.0565	-0.0037	0.0480
1967	0.0022	0.1605	0.0507	-0.0485	0.1098
1966	-0.0172	-0.0648	0.0492	-0.0664	-0.1140
1965	0.0134	0.1135	0.0428	-0.0294	0.0707
1964	0.1611	0.1570	0.0419	0.1192	0.1151
1963	0.0947	0.2082	0.0400	0.0547	0.1682
1962	0.0425	-0.0284	0.0395	0.0030	-0.0679
1961	0.2247	0.1894	0.0388	0.1859	0.1506
1960	0.2252	0.0618	0.0412	0.1840	0.0206
1959	0.0500	0.0757	0.0433	0.0067	0.0324
1958	0.3688	0.3974	0.0332	0.3356	0.3642
1957	0.0790	-0.0518	0.0365	0.0425	-0.0883
1956	0.0716	0.0714	0.0318	0.0398	0.0396
1955	0.1016	0.2840	0.0282	0.0734	0.2558
1954	0.2237	0.4552	0.0240	0.1997	0.4312
1953	0.0962	0.0270	0.0281	0.0681	-0.0011
1952	0.1536	0.1405	0.0248	0.1288	0.1157
1951	0.1710	0.2039	0.0241	0.1469	0.1798
1950	0.0460	0.3230	0.0205	0.0255	0.3025
1949	0.2783	0.1610	0.0193	0.2590	0.1417
1948	0.0541	0.0928	0.0215	0.0326	0.0713
1947	-0.1041	0.0199	0.0185	-0.1226	0.0014
1946	-0.0700	-0.1203	0.0174	-0.0874	-0.1377
1945	0.5789	0.3818	0.0173	0.5616	0.3645
1944	0.2065	0.1879	0.0209	0.1856	0.1670
1943	0.3745	0.2298	0.0207	0.3538	0.2091
1942	0.1736	0.2087	0.0211	0.1525	0.1876
1941	-0.2838	-0.0898	0.0199	-0.3037	-0.1097
1940	-0.1652	-0.0965	0.0220	-0.1872	-0.1185
1939	0.1126	0.0189	0.0235	0.0891	-0.0046
1938	0.1954	0.1836	0.0255	0.1699	0.1581
1937	-0.3693	-0.3136	0.0269	-0.3962	-0.3405
Risk Premium 1937—2012				0.0521	0.0567
RP Utilities/RP SP500				0.92	

APPENDIX 1
QUALIFICATIONS OF JAMES H. VANDER WEIDE, PH.D.

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James H. Vander Weide is Research Professor of Finance and Economics at Duke University, the Fuqua School of Business. Dr. Vander Weide is also founder and President of Financial Strategy Associates, a consulting firm that provides strategic, financial, and economic consulting services to corporate clients, including cost of capital and valuation studies.

Educational Background and Prior Academic Experience

Dr. Vander Weide holds a Ph.D. in Finance from Northwestern University and a Bachelor of Arts in Economics from Cornell University. He joined the faculty at Duke University and was named Assistant Professor, Associate Professor, Professor, and then Research Professor of Finance and Economics.

Since joining the faculty at Duke, Dr. Vander Weide has taught courses in corporate finance, investment management, and management of financial institutions. He has also taught courses in statistics, economics, and operations research, and a Ph.D. seminar on the theory of public utility pricing. In addition, Dr. Vander Weide has been active in executive education at Duke and Duke Corporate Education, leading executive development seminars on topics including financial analysis, cost of capital, creating shareholder value, mergers and acquisitions, real options, capital budgeting, cash management, measuring corporate performance, valuation, short-run financial planning, depreciation policies, financial strategy, and competitive strategy. Dr. Vander Weide has designed and served as Program Director for several executive education programs, including the Advanced Management Program, Competitive Strategies in Telecommunications, and the Duke Program for Manager Development for managers from the former Soviet Union.

Publications

Dr. Vander Weide has written a book entitled *Managing Corporate Liquidity: An Introduction to Working Capital Management* published by John Wiley and Sons, Inc. He has also written a chapter titled, "Financial Management in the Short Run" for *The Handbook of Modern Finance*; a chapter titled "Principles for Lifetime Portfolio Selection: Lessons from Portfolio Theory" for *The Handbook of Portfolio Construction: Contemporary Applications of*

Markowitz Techniques; and written research papers on such topics as portfolio management, capital budgeting, investments, the effect of regulation on the performance of public utilities, and cash management. His articles have been published in *American Economic Review, Financial Management, International Journal of Industrial Organization, Journal of Finance, Journal of Financial and Quantitative Analysis, Journal of Bank Research, Journal of Portfolio Management, Journal of Accounting Research, Journal of Cash Management, Management Science, Atlantic Economic Journal, Journal of Economics and Business,* and *Computers and Operations Research.*

Professional Consulting Experience

Dr. Vander Weide has provided financial and economic consulting services to firms in the telecommunications, electric, gas, insurance, and water industries for more than twenty-five years. He has testified on the cost of capital, competition, risk, incentive regulation, forward-looking economic cost, economic pricing guidelines, depreciation, accounting, valuation, and other financial and economic issues in more than 400 regulatory and legal proceedings before the public service commissions of forty-three states and four Canadian provinces, the Federal Energy Regulatory Commission, the National Energy Board (Canada), the Federal Communications Commission, the Canadian Radio-Television and Telecommunications Commission, the U.S. Congress, the National Telecommunications and Information Administration, the insurance commissions of five states, the Iowa State Board of Tax Review, the National Association of Securities Dealers, and the North Carolina Property Tax Commission. In addition, he has testified as an expert witness in telecommunications-related proceedings before the United States District Court for the District of New Hampshire, United States District Court for the Northern District of California, United States District Court for the Northern District of Illinois, Montana Second Judicial District Court Silver Bow County, the United States Bankruptcy Court for the Southern District of West Virginia, and United States District Court for the Eastern District of Michigan. He also testified as an expert before the United States Tax Court, United States District Court for the Eastern District of North Carolina; United States District Court for the District of Nebraska, and Superior Court of North Carolina. Dr. Vander Weide has testified in thirty states on issues relating to the pricing of unbundled network elements and universal service cost studies and has consulted with Bell Canada, Deutsche Telekom, and Telefónica on similar issues. He has also provided expert testimony on issues related to electric and natural gas restructuring. He has worked for Bell Canada/Nortel on a special task force to study the effects of vertical integration in the Canadian telephone industry and has worked for Bell Canada as an expert witness on the cost of capital. Dr. Vander Weide has provided consulting and expert witness testimony to the following companies:

Electric, Gas, Water, Oil Companies

Alcoa Power Generating, Inc.
Alliant Energy and subsidiaries
AltaLink, L.P.
Ameren
American Water Works
Atmos Energy and subsidiaries
BP p.l.c.
Central Illinois Public Service
Centurion Pipeline L.P.
Citizens Utilities
Consolidated Natural Gas and subsidiaries
Dominion Resources and subsidiaries
Duke Energy and subsidiaries
Empire District Electric Company
EPCOR Distribution & Transmission Inc.
EPCOR Energy Alberta Inc.
FortisAlberta Inc.
Hope Natural Gas
Interstate Power Company
Iberdrola Renewables
Iowa Southern
Iowa-American Water Company
Iowa-Illinois Gas and Electric
Kentucky Power Company
Kentucky-American Water Company
Newfoundland Power Inc.
Kinder Morgan Energy Partners
Maritimes & Northeast Pipeline
MidAmerican Energy and subsidiaries
National Fuel Gas
Nevada Power Company
NICOR
North Carolina Natural Gas
North Shore Gas
Northern Natural Gas Company
NOVA Gas Transmission Ltd.
PacifiCorp
Peoples Energy and its subsidiaries
PG&E
Progress Energy
PSE&G
Public Service Company of North Carolina
Sempra Energy/San Diego Gas and Electric
South Carolina Electric and Gas
Southern Company and subsidiaries
Tennessee-American Water Company
The Peoples Gas, Light and Coke Co.
TransCanada
Trans Québec & Maritimes Pipeline Inc.
Union Gas
United Cities Gas Company
Virginia-American Water Company
Xcel Energy

TELECOMMUNICATIONS COMPANIES	
ALLTEL and subsidiaries	Phillips County Cooperative Tel. Co.
Ameritech (now AT&T new)	Pine Drive Cooperative Telephone Co.
AT&T (old)	Roseville Telephone Company (SureWest)
Bell Canada/Nortel	SBC Communications (now AT&T new)
BellSouth and subsidiaries	Sherburne Telephone Company
Centel and subsidiaries	Siemens
Cincinnati Bell (Broadwing)	Southern New England Telephone
Cisco Systems	Sprint/United and subsidiaries
Citizens Telephone Company	Telefónica
Concord Telephone Company	Tellabs, Inc.

TELECOMMUNICATIONS COMPANIES	
Contel and subsidiaries	The Stentor Companies
Deutsche Telekom	U S West (Qwest)
GTE and subsidiaries (now Verizon)	Union Telephone Company
Heins Telephone Company	United States Telephone Association
JDS Uniphase	Valor Telecommunications (Windstream)
Lucent Technologies	Verizon (Bell Atlantic) and subsidiaries
Minnesota Independent Equal Access Corp.	Woodbury Telephone Company
NYNEX and subsidiaries (Verizon)	
Pacific Telesis and subsidiaries	

INSURANCE COMPANIES
Allstate
North Carolina Rate Bureau
United Services Automobile Association (USAA)
The Travelers Indemnity Company
Gulf Insurance Company

Other Professional Experience

Dr. Vander Weide conducts in-house seminars and training sessions on topics such as creating shareholder value, financial analysis, competitive strategy, cost of capital, real options, financial strategy, managing growth, mergers and acquisitions, valuation, measuring corporate performance, capital budgeting, cash management, and financial planning. Among the firms for whom he has designed and taught tailored programs and training sessions are ABB Asea Brown Boveri, Accenture, Allstate, Ameritech, AT&T, Bell Atlantic/Verizon, BellSouth, Progress Energy/Carolina Power & Light, Contel, Fisons, GlaxoSmithKline, GTE, Lafarge, MidAmerican Energy, New Century Energies, Norfolk Southern, Pacific Bell Telephone, The Rank Group, Siemens, Southern New England Telephone, TRW, and Wolseley Plc. Dr. Vander Weide has also hosted a nationally prominent conference/workshop on estimating the cost of capital. In 1989, at the request of Mr. Fuqua, Dr. Vander Weide designed the Duke Program for Manager Development for managers from the former Soviet Union, the first in the United States designed exclusively for managers from Russia and the former Soviet republics.

Early in his career, Dr. Vander Weide helped found University Analytics, Inc., which was one of the fastest growing small firms in the country. As an officer at University Analytics, he designed cash management models, databases, and software packages that are still used by most major U.S. banks in consulting with their corporate clients. Having sold his interest in University Analytics, Dr. Vander Weide now concentrates on strategic and financial consulting, academic research, and executive education.

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APPENDIX 2
THE QUARTERLY DCF MODEL

The simple DCF Model assumes that a firm pays dividends only at the end of each year. Since firms in fact pay dividends quarterly and investors appreciate the time value of money, the annual version of the DCF Model generally underestimates the value investors are willing to place on the firm's expected future dividend stream. In this appendix, we review two alternative formulations of the DCF Model that allow for the quarterly payment of dividends.

When dividends are assumed to be paid annually, the DCF Model suggests that the current price of the firm's stock is given by the expression:

$$P_0 = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \ldots + \frac{D_n + P_n}{(1+k)^n} \quad \textbf{(1)}$$

where

P_0	=	current price per share of the firm's stock,
$D_1, D_2, \ldots, D_n$	=	expected annual dividends per share on the firm's stock,
P_n	=	price per share of stock at the time investors expect to sell the stock, and
k	=	return investors expect to earn on alternative investments of the same risk, i.e., the investors' required rate of return.

Unfortunately, expression (1) is rather difficult to analyze, especially for the purpose of estimating k. Thus, most analysts make a number of simplifying assumptions. First, they assume that dividends are expected to grow at the constant rate g into the indefinite future. Second, they assume that the stock price at time n is simply the present value of all dividends expected in periods subsequent to n. Third, they assume that the investors' required rate of return, k, exceeds the expected dividend growth rate g. Under the above simplifying assumptions, a firm's stock price may be written as the following sum:

$$P_0 = \frac{D_0(1+g)}{(1+k)} + \frac{D_0(1+g)^2}{(1+k)^2} + \frac{D_0(1+g)^3}{(1+k)^3} + \ldots, \qquad \textbf{(2)}$$

where the three dots indicate that the sum continues indefinitely.

As we shall demonstrate shortly, this sum may be simplified to:

$$P_0 = \frac{D_0(1+g)}{(k-g)}$$

First, however, we need to review the very useful concept of a geometric progression.

Geometric Progression

Consider the sequence of numbers 3, 6, 12, 24,..., where each number after the first is obtained by multiplying the preceding number by the factor 2. Obviously, this sequence of numbers may also be expressed as the sequence 3, 3 x 2, 3 x 2^2, 3 x 2^3, etc. This sequence is an example of a geometric progression.

Definition: A geometric progression is a sequence in which each term after the first is obtained by multiplying some fixed number, called the common ratio, by the preceding term.

A general notation for geometric progressions is: a, the first term, r, the common ratio, and n, the number of terms. Using this notation, any geometric progression may be represented by the sequence:

$$a, ar, ar^2, ar^3, \ldots, ar^{n-1}.$$

In studying the DCF Model, we will find it useful to have an expression for the sum of n terms of a geometric progression. Call this sum S_n. Then

$$S_n = a + ar + \ldots + ar^{n-1}. \qquad \textbf{(3)}$$

However, this expression can be simplified by multiplying both sides of equation (3) by r and then subtracting the new equation from the old. Thus,

$$rS_n = ar + ar^2 + ar^3 + \ldots + ar^n$$

and

$$S_n - rS_n = a - ar^n \quad ,$$

or

$$(1 - r)\, S_n = a\,(1 - r^n) \quad .$$

Solving for S_n, we obtain:

$$S_n = \frac{a(1 - r^n)}{(1 - r)} \qquad \textbf{(4)}$$

as a simple expression for the sum of n terms of a geometric progression. Furthermore, if $|r| < 1$, then S_n is finite, and as n approaches infinity, S_n approaches $a \div (1\text{-}r)$. Thus, for a geometric progression with an infinite number of terms and $|r| < 1$, equation (4) becomes:

$$S = \frac{a}{1 - r} \qquad \textbf{(5)}$$

<u>Application to DCF Model</u>

Comparing equation (2) with equation (3), we see that the firm's stock price (under the DCF assumption) is the sum of an infinite geometric progression with the first term

$$a = \frac{D_0(1 + g)}{(1 + k)}$$

and common factor

$$r = \frac{(1 + g)}{(1 + k)}$$

Applying equation (5) for the sum of such a geometric progression, we obtain

$$S = a \bullet \frac{1}{(1 - r)} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1}{1 - \frac{1+g}{1+k}} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1+k}{k - g} = \frac{D_0(1+g)}{k - g}$$

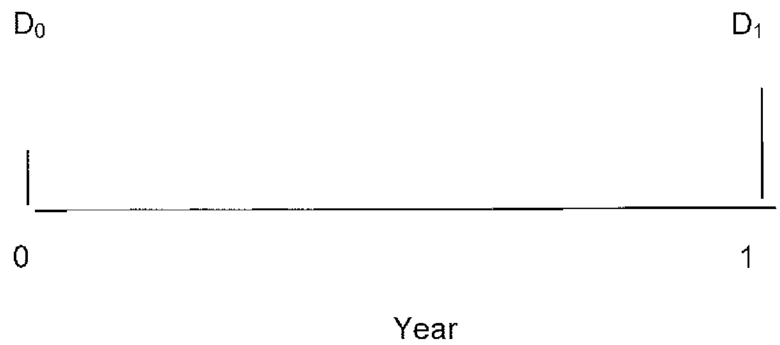
as we suggested earlier.

Quarterly DCF Model

The Annual DCF Model assumes that dividends grow at an annual rate of g% per year (see Figure 1).

Figure 1

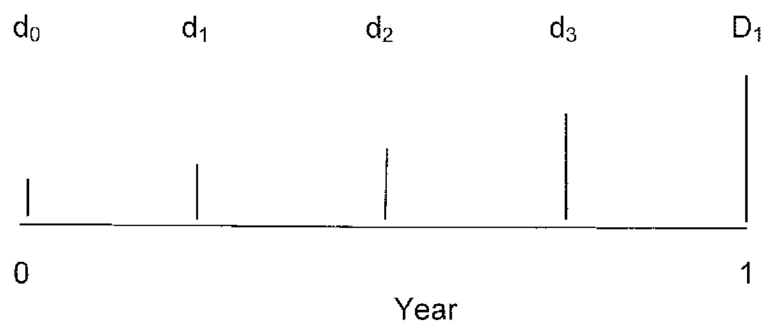
Annual DCF Model



$D_0 = 4d_0$ $\qquad$ $D_1 = D_0(1 + g)$

Figure 2

Quarterly DCF Model (Constant Growth Version)



$d_1 = d_0(1+g)^{.25}$ $\qquad$ $d_2 = d_0(1+g)^{.50}$

$d_3 = d_0(1+g)^{.75}$ $\qquad$ $d_4 = d_0(1+g)$

In the Quarterly DCF Model, it is natural to assume that quarterly dividend payments differ from the preceding quarterly dividend by the factor $(1 + g)^{.25}$, where *g* is expressed in terms of percent per year and the decimal .25 indicates that the growth has only occurred for one quarter of the year. (See Figure 2.) Using this assumption, along with the assumption of constant growth and $\boldsymbol{k} > \boldsymbol{g}$, we obtain a new expression for the firm's stock price, which takes account of the quarterly payment of dividends. This expression is:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}}} + \frac{d_0(1+g)^{\frac{2}{4}}}{(1+k)^{\frac{2}{4}}} + \frac{d_0(1+g)^{\frac{3}{4}}}{(1+k)^{\frac{3}{4}}} + \ldots \quad \textbf{(6)}$$

where d_0 is the last quarterly dividend payment, rather than the last annual dividend payment. (We use a lower case d to remind the reader that this is not the annual dividend.)

Although equation (6) looks formidable at first glance, it too can be greatly simplified using the formula [equation (4)] for the sum of an infinite geometric progression. As the reader can easily verify, equation (6) can be simplified to:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}} - (1+g)^{\frac{1}{4}}} \qquad \textbf{(7)}$$

Solving equation (7) for k, we obtain a DCF formula for estimating the cost of equity under the quarterly dividend assumption:

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0} + (1+g)^{\frac{1}{4}} \right]^4 - 1 \qquad \textbf{(8)}$$

An Alternative Quarterly DCF Model

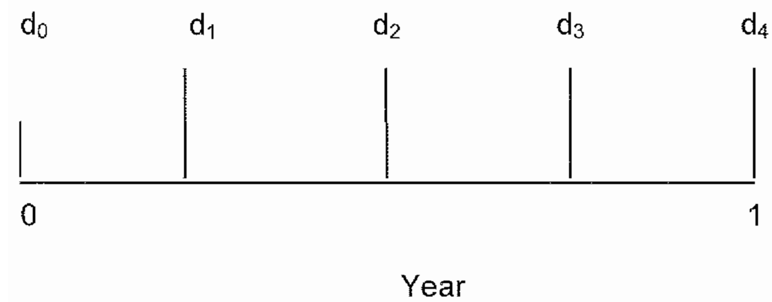
Although the constant growth Quarterly DCF Model [equation (8)] allows for the quarterly timing of dividend payments, it does require the assumption that the firm increases its dividend payments each quarter. Since this assumption is difficult for some analysts to accept, we now discuss a second Quarterly DCF Model that allows for constant quarterly dividend payments within each dividend year.

Assume then that the firm pays dividends quarterly and that each dividend payment is constant for four consecutive quarters. There are four cases to consider, with each case distinguished by varying assumptions about where we are evaluating the firm in relation to the time of its next dividend increase. (See Figure 3.)

Figure 3

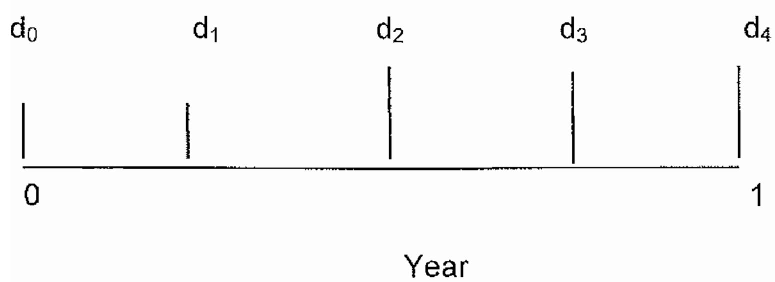
Quarterly DCF Model (Constant Dividend Version)

Case 1



$d_1 = d_2 = d_3 = d_4 = d_0(1+g)$

Case 2

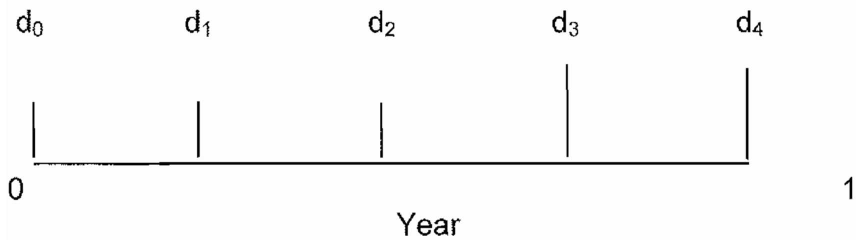


$d_1 = d_0$

$d_2 = d_3 = d_4 = d_0(1+g)$

Figure 3 (continued)

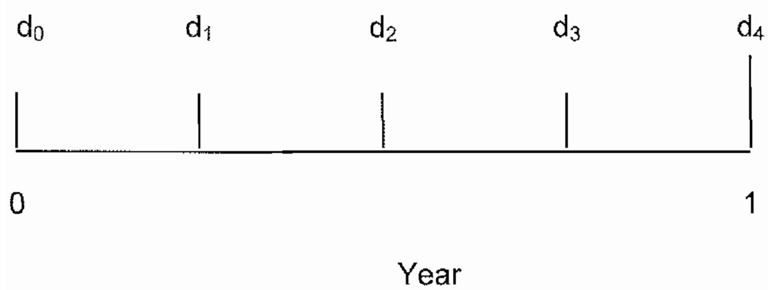
Case 3



$$d_1 = d_2 = d_0$$

$$d_3 = d_4 = d_0(1+g)$$

Case 4



$$d_1 = d_2 = d_3 = d_0$$

$$d_4 = d_0(1+g)$$

If we assume that the investor invests the quarterly dividend in an alternative investment of the same risk, then the amount accumulated by the end of the year will in all cases be given by

$$D_1^* = d_1\,(1+k)^{3/4} + d_2\,(1+k)^{1/2} + d_3\,(1+k)^{1/4} + d_4$$

where d_1, d_2, d_3 and d_4 are the four quarterly dividends. Under these new assumptions, the firm's stock price may be expressed by an Annual DCF Model of the form (2), with the exception that

$$D_1^* = d_1\,(1 + k)^{3/4} + d_2\,(1 + k)^{1/2} + d_3\,(1 + k)^{1/4} + d_4 \qquad \textbf{(9)}$$

is used in place of $D_0(1+g)$. But, we already know that the Annual DCF Model may be reduced to

$$P_0 = \frac{D_0(1+g)}{k - g}$$

Thus, under the assumptions of the second Quarterly DCF Model, the firm's cost of equity is given by

$$k = \frac{D_1^*}{P_0} + g \quad \textbf{(10)}$$

with D_1^* given by (9).

Although equation (10) looks like the Annual DCF Model, there are at least two very important practical differences. First, since D_1^* is always greater than $D_0(1+g)$, the estimates of the cost of equity are always larger (and more accurate) in the Quarterly Model (10) than in the Annual Model. Second, since D_1^* depends on k through equation (9), the unknown "k" appears on both sides of (10), and an iterative procedure is required to solve for k.

APPENDIX 3
ADJUSTING FOR FLOTATION COSTS IN DETERMINING
A PUBLIC UTILITY'S
ALLOWED RATE OF RETURN ON EQUITY

Introduction

Regulation of public utilities is guided by the principle that utility revenues should be sufficient to allow recovery of all prudently incurred expenses, including the cost of capital. As set forth in the 1944 *Hope Natural Gas* Case [*Federal Power Comm'n v. Hope Natural Gas Co.* 320 U. S. 591 (1944) at 603], the U. S. Supreme Court states:

> From 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. These include service on the debt and dividends on the stock....By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks.

Since the flotation costs arising from the issuance of debt and equity securities are an integral component of capital costs, this standard requires that the company's revenues be sufficient to fully recover flotation costs.

Despite the widespread agreement that flotation costs should be recovered in the regulatory process, several issues still need to be resolved. These include:

1. How is the term "flotation costs" defined? Does it include only the out-of-pocket costs associated with issuing securities (e. g., legal fees, printing costs, selling and underwriting expenses), or does it also include the reduction in a security's price that frequently accompanies flotation (i. e., market pressure)?
2. What should be the time pattern of cost recovery? Should a company be allowed to recover flotation costs immediately, or should flotation costs be recovered over the life of the issue?
3. For the purposes of regulatory accounting, should flotation costs be included as an expense? As an addition to rate base? Or as an additional element of a firm's allowed rate of return?
4. Do existing regulatory methods for flotation cost recovery allow a firm ***full*** recovery of flotation costs?

In this paper, I review the literature pertaining to the above issues and discuss my own views regarding how this literature applies to the cost of equity for a regulated firm.

Definition of Flotation Cost

The value of a firm is related to the future stream of net cash flows (revenues minus expenses measured on a cash basis) that can be derived from its assets. In the process of acquiring assets, a firm incurs certain expenses which reduce its value. Some of these expenses or costs are directly associated with revenue production in one period (e. g., wages, cost of goods sold), others are more properly associated with revenue production in many periods (e. g., the acquisition cost of plant and equipment). In either case, the word "cost" refers to any item that reduces the value of a firm.

If this concept is applied to the act of issuing new securities to finance asset purchases, many items are properly included in issuance or flotation costs. These include: (1) compensation received by investment bankers for underwriting services, (2) legal fees, (3) accounting fees, (4) engineering fees, (5) trustee's fees, (6) listing fees, (7) printing and engraving expenses, (8) SEC registration fees, (9) Federal Revenue Stamps, (10) state taxes, (11) warrants granted to underwriters as extra compensation, (12) postage expenses, (13) employees' time, (14) market pressure, and (15) the offer discount. The finance literature generally divides these flotation cost items into three categories, namely, underwriting expenses, issuer expenses, and price effects.

Magnitude of Flotation Costs

The finance literature contains several studies of the magnitude of the flotation costs associated with new debt and equity issues. These studies differ primarily with regard to the time period studied, the sample of companies included, and the source of data. The flotation cost studies generally agree, however, that for large issues, underwriting expenses represent approximately one and one-half percent of the proceeds of debt issues and three to five percent of the proceeds of seasoned equity issues. They also agree that issuer expenses represent approximately 0.5 percent of both debt and equity issues, and that the announcement of an equity issue reduces the company's stock price by at least two to three percent of the proceeds from the stock issue. Thus, total flotation costs represent approximately two percent[4] of the proceeds from debt issues, and five and one-half to eight and one-half percent of the proceeds of equity issues.

Lee *et. al.* [14] is an excellent example of the type of flotation cost studies found in the finance literature. The Lee study is a comprehensive recent study of the underwriting and issuer costs associated with debt and equity issues for both utilities and non-utilities. The results of the Lee *et. al.* study are reproduced in Tables 1 and 2. Table 1 demonstrates that the total underwriting and issuer expenses for the 1,092 debt issues in their study averaged 2.24 percent of the proceeds of the issues, while the total underwriting and issuer costs for the 1,593 seasoned equity issues in their study averaged 7.11 percent of the proceeds of the new issue. Table 1 also demonstrates that the total underwriting and issuer costs of seasoned equity offerings, as a percent of proceeds, decline with the size of the issue. For issues above $60 million, total underwriting and issuer costs amount to from three to five percent of the amount of the proceeds.

Table 2 reports the total underwriting and issuer expenses for 135 utility debt issues and 136 seasoned utility equity issues. Total underwriting and issuer expenses for utility bond offerings averaged 1.47 percent of the amount of the proceeds and for seasoned utility equity offerings averaged 4.92 percent of the amount of the proceeds. Again, there are some economies of scale associated with larger equity offerings. Total underwriting and issuer expenses for equity offerings in excess of 40 million dollars generally range from three to four percent of the proceeds.

The results of the Lee study for large equity issues are consistent with results of earlier studies by Bhagat and Frost [4], Mikkelson and Partch [17], and Smith [24]. Bhagat and Frost found that total underwriting and issuer expenses average approximately four and one-half percent of the amount of proceeds from negotiated utility offerings during the period 1973 to 1980, and approximately three and one-half percent of the amount of the proceeds from competitive utility offerings over the

[4] The two percent flotation cost on debt only recognizes the cost of newly-issued debt. When interest rates decline, many companies exercise the call provisions on higher cost debt and reissue debt at lower rates. This process involves reacquisition costs that are not included in the academic studies. If reacquisition costs were included in the academic studies, debt flotation costs could increase significantly.

same period. Mikkelson and Partch found that total underwriting and issuer expenses average five and one-half percent of the proceeds from seasoned equity offerings over the 1972 to 1982 period. Smith found that total underwriting and issuer expenses for larger equity issues generally amount to four to five percent of the proceeds of the new issue.

The finance literature also contains numerous studies of the decline in price associated with sales of large blocks of stock to the public. These articles relate to the price impact of: (1) initial public offerings; (2) the sale of large blocks of stock from one investor to another; and (3) the issuance of seasoned equity issues to the general public. All of these studies generally support the notion that the announcement of the sale of large blocks of stock produces a decline in a company's share price. The decline in share price for initial public offerings is significantly larger than the decline in share price for seasoned equity offerings; and the decline in share price for public utilities is less than the decline in share price for non-public utilities. A comprehensive study of the magnitude of the decline in share price associated specifically with the sale of new equity by public utilities is reported in Pettway [19], who found the market pressure effect for a sample of 368 public utility equity sales to be in the range of two to three percent. This decline in price is a real cost to the utility, because the proceeds to the utility depend on the stock price on the day of issue.

In addition to the price decline associated with the announcement of a new equity issue, the finance literature recognizes that there is also a price decline associated with the actual issuance of equity securities. In particular, underwriters typically sell seasoned new equity securities to investors at a price lower than the closing market price on the day preceding the issue. The Rules of Fair Practice of the National Association of Securities Dealers require that underwriters not sell shares at a price above the offer price. Since the offer price represents a binding constraint to the underwriter, the underwriter tends to set the offer price slightly below the market price on the day of issue to compensate for the risk that the price received by the underwriter may go down, but can not increase. Smith provides evidence that the offer discount tends to be between 0.5 and 0.8 percent of the proceeds of an equity issue. I am not aware of any similar studies for debt issues.

In summary, the finance literature provides strong support for the conclusion that total underwriting and issuer expenses for public utility debt offerings represent approximately two percent of the amount of the proceeds, while total underwriting and issuer expenses for public utility equity offerings represent at least four to five percent of the amount of the proceeds. In addition, the finance literature supports the conclusion that the cost associated with the decline in stock price at the announcement date represents approximately two to three percent as a result of a large public utility equity issue.

TIME PATTERN OF FLOTATION COST RECOVERY

Although flotation costs are incurred only at the time a firm issues new securities, there is no reason why an issuing firm ought to recognize the expense only in the current period. In fact, if assets purchased with the proceeds of a security issue produce revenues over many years, a sound argument can be made in favor of recognizing flotation expenses over a reasonably lengthy period of time. Such recognition is certainly consistent with the generally accepted accounting principle that the time pattern of expenses match the time pattern of revenues, and it is also consistent with the normal treatment of debt flotation expenses in both regulated and unregulated industries.

In the context of a regulated firm, it should be noted that there are many possible time patterns for the recovery of flotation expenses. However, if it is felt that flotation expenses are most appropriately recovered over a period of years, then it should be recognized that investors must also be compensated for the passage of time. That is to say, the value of an investor's capital will be reduced if the expenses are merely distributed over time, without any allowance for the time value of money.

ACCOUNTING FOR FLOTATION COST IN A REGULATORY SETTING

In a regulatory setting, a firm's revenue requirements are determined by the equation:

Revenue Requirement = Total Expenses + Allowed Rate of Return x Rate Base

Thus, there are three ways in which an issuing firm can account for and recover its flotation expenses: (1) treat flotation expenses as a current expense and recover them immediately; (2) include flotation expenses in rate base and recover them over time; and (3) adjust the allowed rate of return upward and again recover flotation expenses over time. Before considering methods currently being used to recover flotation expenses in a regulatory setting, I shall briefly consider the advantages and disadvantages of these three basic recovery methods.

Expenses. Treating flotation costs as a current expense has several advantages. Because it allows for recovery at the time the expense occurs, it is not necessary to compute amortized balances over time and to debate which interest rate should be applied to these balances. A firm's stockholders are treated fairly, and so are the firm's customers, because they pay neither more nor less than the actual flotation expense. Since flotation costs are relatively small compared to the total revenue requirement, treatment as a current expense does not cause unusual rate hikes in the year of flotation, as would the introduction of a large generating plant in a state that does not allow Construction Work in Progress in rate base.

On the other hand, there are two major disadvantages of treating flotation costs as a current expense. First, since the asset purchased with the acquired funds will likely generate revenues for many years into the future, it seems unfair that current ratepayers should bear the full cost of issuing new securities, when future ratepayers share in the benefits. Second, this method requires an estimate of the underpricing effect on each security issue. Given the difficulties involved in measuring the extent of underpricing, it may be more accurate to estimate the average underpricing allowance for many securities than to estimate the exact figure for one security.

Rate Base. In an article in *Public Utilities Fortnightly*, Bierman and Hass [5] recommend that flotation costs be treated as an intangible asset that is included in a firm's rate base along with the assets acquired with the stock proceeds. This approach has many advantages. For ratepayers, it provides a better match between benefits and expenses: the future ratepayers who benefit from the financing costs contribute the revenues to recover these costs. For investors, if the allowed rate of return is equal to the investors' required rate of return, it is also theoretically fair since they are compensated for the opportunity cost of their investment (including both the time value of money and the investment risk).

Despite the compelling advantages of this method of cost recovery, there are several disadvantages that probably explain why it has not been used in practice. First, a firm will only recover the proper amount for flotation expenses if the rate base is multiplied by the appropriate cost of capital. To the extent that a commission under or over estimates the cost of capital, a firm will under or over recover its flotation expenses. Second, it is may be both legally and psychologically difficult for commissioners to include an intangible asset in a firm's rate base. According to established legal doctrine, assets are to be included in rate base only if they are "used and useful" in the public service. It is unclear whether intangible assets such as flotation expenses meet this criterion.

Rate of Return. The prevailing practice among state regulators is to treat flotation expenses as an additional element of a firm's cost of capital or allowed rate of return. This method is similar to the second method above (treatment in rate base) in that some part of the initial flotation cost is amortized over time. However, it has a disadvantage not shared by the rate base method. If flotation cost is included in rate base, it is fairly easy to keep track of the flotation cost on each new equity issue and see how it is recovered over time. Using the rate of return method, it is not possible to track the flotation cost for specific issues because the flotation cost for a specific issue is never recorded. Thus, it is not clear to participants whether a current allowance is meant to recover (1) flotation costs actually incurred in a test period, (2) expected future flotation costs, or (3) past flotation costs. This confusion never arises in the treatment of debt flotation costs. Because the exact costs are recorded and explicitly amortized over time, participants recognize that current allowances for debt flotation costs are meant to recover some fraction of the flotation costs on all past debt issues.

EXISTING REGULATORY METHODS

Although most state commissions prefer to let a regulated firm recover flotation expenses through an adjustment to the allowed rate of return, there is considerable controversy about the magnitude of the required adjustment. The following are some of the most frequently asked questions: (1) Should an adjustment to the allowed return be made every year, or should the adjustment be made only in those years in which new equity is raised? (2) Should an adjusted rate of return be applied to the entire rate base, or should it be applied only to that portion of the rate base financed with paid-in capital (as opposed to retained earnings)? (3) What is the appropriate formula for adjusting the rate of return?

This section reviews several methods of allowing for flotation cost recovery. Since the regulatory methods of allowing for recovery of debt flotation costs is well known and widely accepted, I will begin my discussion of flotation cost recovery procedures by describing the widely accepted procedure of allowing for debt flotation cost recovery.

Debt Flotation Costs

Regulators uniformly recognize that companies incur flotation costs when they issue debt securities. They typically allow recovery of debt flotation costs by making an adjustment to both the cost of debt and the rate base (see Brigham [6]). Assume that: (1) a regulated company issues \$100 million in bonds that mature in 10 years; (2) the interest rate on these bonds is seven percent; and (3) flotation costs represent four percent of the amount of the proceeds. Then the cost of debt for regulatory purposes will generally be calculated as follows:

$$\begin{aligned}\text{Cost of Debt} &= \frac{\text{Interest expense} + \text{Amortization of flotation costs}}{\text{Principal value - Unamortized flotation costs}}\\ &= \frac{\$7{,}000{,}000 + \$400{,}000}{\$100{,}000{,}000 - \$4{,}000{,}000}\\ &= 7.71\%\end{aligned}$$

Thus, current regulatory practice requires that the cost of debt be adjusted upward by approximately 71 basis points, in this example, to allow for the recovery of debt flotation costs. This example does not include losses on reacquisition of debt. The flotation cost allowance would increase if losses on reacquisition of debt were included.

The logic behind the traditional method of allowing for recovery of debt flotation costs is simple. Although the company has issued $100 million in bonds, it can only invest $96 million in rate base because flotation costs have reduced the amount of funds received by $4 million. If the company is not allowed to earn a 71 basis point higher rate of return on the $96 million invested in rate base, it will not generate sufficient cash flow to pay the seven percent interest on the $100 million in bonds it has issued. Thus, proper regulatory treatment is to increase the required rate of return on debt by 71 basis points.

Equity Flotation Costs

The finance literature discusses several methods of recovering equity flotation costs. Since each method stems from a specific model, (i. e., set of assumptions) of a firm and its cash flows, I will highlight the assumptions that distinguish one method from another.

Arzac and Marcus. Arzac and Marcus [2] study the proper flotation cost adjustment formula for a firm that makes continuous use of retained earnings and external equity financing and maintains a constant capital structure (debt/equity ratio). They assume at the outset that underwriting expenses and underpricing apply only to new equity obtained from external sources. They also assume that a firm has previously recovered all underwriting expenses, issuer expenses, and underpricing associated with previous issues of new equity.

To discuss and compare various equity flotation cost adjustment formulas, Arzac and Marcus make use of the following notation:

k	=	an investors' required return on equity
r	=	a utility's allowed return on equity base
S	=	value of equity in the absence of flotation costs
S_f	=	value of equity net of flotation costs
K_t	=	equity base at time t
E_t	=	total earnings in year t
D_t	=	total cash dividends at time t
b	=	$(E_t\text{-}D_t) \div E_t$ = retention rate, expressed as a fraction of earnings
h	=	new equity issues, expressed as a fraction of earnings
m	=	equity investment rate, expressed as a fraction of earnings, $m = b + h < 1$
f	=	flotation costs, expressed as a fraction of the value of an issue.

Because of flotation costs, Arzac and Marcus assume that a firm must issue a greater amount of external equity each year than it actually needs. In terms of the above notation, a firm issues $hE_t \div (1\text{-}f)$ to obtain hE_t in external equity funding. Thus, each year a firm loses:

Equation 3

$$L = \frac{hE_t}{1-f} - hE_t = \frac{f}{1-f} \times hE_t$$

due to flotation expenses. The present value, V, of all future flotation expenses is:

Equation 4

$$V = \sum_{t=1}^{\infty} \frac{fhE_t}{(1-f)(1+k)^t} = \frac{fh}{1-f} \times \frac{rK_0}{k-mr}$$

To avoid diluting the value of the initial stockholder's equity, a regulatory authority needs to find the value of r, a firm's allowed return on equity base, that equates the value of equity net of flotation costs to the initial equity base ($S_f = K_0$). Since the value of equity net of flotation costs equals the value of equity in the absence of flotation costs minus the present value of flotation costs, a regulatory authority needs to find that value of *r* that solves the following equation:

$$S_f = S - L.$$

This value is:

Equation 5

$$r = \frac{k}{1 - \frac{fh}{1-f}}$$

To illustrate the Arzac-Marcus approach to adjusting the allowed return on equity for the effect of flotation costs, suppose that the cost of equity in the absence of flotation costs is 12 percent. Furthermore, assume that a firm obtains external equity financing each year equal to 10 percent of its earnings and that flotation expenses equal 5 percent of the value of each issue. Then, according to Arzac and Marcus, the allowed return on equity should be:

$$r = \frac{.12}{1 - \frac{(.05).(.1)}{.95}} = .1206 = 12.06\%$$

Summary. With respect to the three questions raised at the beginning of this section, it is evident that Arzac and Marcus believe the flotation cost adjustment should be applied each year, since continuous external equity financing is a fundamental assumption of their model. They also believe that the adjusted rate of return should be applied to the entire equity-financed portion of the rate base because their model is based on the assumption that the flotation cost adjustment mechanism will be applied to the entire equity financed portion of the rate base. Finally, Arzac and Marcus recommend a flotation cost adjustment formula, Equation (3), that implicitly excludes recovery of financing costs associated with financing in previous periods and includes only an allowance for the fraction of equity financing obtained from external sources.

Patterson. The Arzac-Marcus flotation cost adjustment formula is significantly different from the conventional approach (found in many introductory textbooks) which recommends the adjustment equation:

Equation 6

$$r = \frac{D_t}{P_{t-1}(1-f)} + g$$

where P_{t-1} is the stock price in the previous period and g is the expected dividend growth rate. Patterson [18] compares the Arzac-Marcus adjustment formula to the conventional approach and reaches the conclusion that the Arzac-Marcus formula effectively expenses issuance costs as they are incurred, while the conventional approach effectively amortizes them over an assumed infinite life of the equity issue. Thus, the conventional formula is similar to the formula for the recovery of debt flotation costs: it is not meant to compensate investors for the flotation costs of future issues, but instead is meant to compensate investors for the flotation costs of previous issues. Patterson argues that the conventional approach is more appropriate for rate making purposes because the plant purchased with external equity funds will yield benefits over many future periods.

Illustration. To illustrate the Patterson approach to flotation cost recovery, assume that a newly organized utility sells an initial issue of stock for $100 per share, and that the utility plans to finance all new investments with retained earnings. Assume also that: (1) the initial dividend per share is six dollars; (2) the expected long-run dividend growth rate is six percent; (3) the flotation cost is five percent of the amount of the proceeds; and (4) the payout ratio is 51.28 percent. Then, the investor's required rate of return on equity is [k = (D/P) + g = 6 percent + 6 percent = 12 percent]; and the flotation-cost-adjusted cost of equity is [6 percent (1/.95) + 6 percent = 12.316 percent].

The effects of the Patterson adjustment formula on the utility's rate base, dividends, earnings, and stock price are shown in Table 3. We see that the Patterson formula allows earnings and dividends to grow at the expected six percent rate. We also see that the present value of expected future dividends, $100, is just sufficient to induce investors to part with their money. If the present value of expected future dividends were less than $100, investors would not have been willing to invest $100 in the firm. Furthermore, the present value of future dividends will only equal $100 if the firm is allowed to earn the 12.316 percent flotation-cost-adjusted cost of equity on its entire rate base.

Summary. Patterson's opinions on the three issues raised in this section are in stark contrast to those of Arzac and Marcus. He believes that: (1) a flotation cost adjustment should be applied in every year, regardless of whether a firm issues any new equity in each year; (2) a flotation cost adjustment should be applied to the entire equity-financed portion of the rate base, including that portion financed by retained earnings; and (3) the rate of return adjustment formula should allow a firm to recover an appropriate fraction of all previous flotation expenses.

CONCLUSION

Having reviewed the literature and analyzed flotation cost issues, I conclude that:

Definition of Flotation Cost: A regulated firm should be allowed to recover both the total underwriting and issuance expenses associated with issuing securities and the cost of market pressure.

Time Pattern of Flotation Cost Recovery. Shareholders are indifferent between the alternatives of immediate recovery of flotation costs and recovery over time, as long as they are fairly compensated for the opportunity cost of their money. This opportunity cost must include both the time value of money and a risk premium for equity investments of this nature.

Regulatory Recovery of Flotation Costs. The Patterson approach to recovering flotation costs is the only rate-of-return-adjustment approach that meets the *Hope* case criterion that a regulated company's revenues must be sufficient to allow the company an opportunity to recover all prudently incurred expenses, including the cost of capital. The Patterson approach is also the only rate-of-return-adjustment approach that provides an incentive for investors to invest in the regulated company.

Implementation of a Flotation Cost Adjustment. As noted earlier, prevailing regulatory practice seems to be to allow the recovery of flotation costs through an adjustment to the required rate of return. My review of the literature on this subject indicates that there are at least two recommended methods of making this adjustment: the Patterson approach and the Arzac-Marcus approach. The Patterson approach assumes that a firm's flotation expenses on new equity issues are treated in the same manner as flotation expenses on new bond issues, i. e., they are amortized over future time periods. If this assumption is true (and I believe it is), then the flotation cost adjustment should be applied to a firm's entire equity base, including retained earnings. In practical terms, the Patterson approach produces an increase in a firm's cost of equity of approximately thirty basis points. The Arzac-Marcus approach assumes that flotation costs on new equity issues are recovered entirely in the year in which the securities are sold. Under the Arzac-Marcus assumption, a firm should not be allowed any adjustments for flotation costs associated with previous flotations. Instead, a firm should be allowed only an adjustment on future security sales as they occur. Under reasonable assumptions about the rate of new equity sales, this method produces an increase in the cost of equity of approximately six basis points. Since the Arzac-Marcus approach does not allow the company to recover the entire amount of its flotation cost, I recommend that this approach be rejected and the Patterson approach be accepted.

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Table 1

Direct Costs as a Percentage of Gross Proceeds
for Equity (IPOs and SEOs) and Straight and Convertible Bonds
Offered by Domestic Operating Companies 1990—1994[5]

Equities

	IPOs				SEOs			
Proceeds ($ in millions)	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs
2-9.99	337	9.05%	7.91%	16.96%	167	7.72%	5.56%	13.28%
10-19.99	389	7.24%	4.39%	11.63%	310	6.23%	2.49%	8.72%
20-39.99	533	7.01%	2.69%	9.70%	425	5.60%	1.33%	6.93%
40-59.99	215	6.96%	1.76%	8.72%	261	5.05%	0.82%	5.87%
60-79.99	79	6.74%	1.46%	8.20%	143	4.57%	0.61%	5.18%
80-99.99	51	6.47%	1.44%	7.91%	71	4.25%	0.48%	4.73%
100-199.99	106	6.03%	1.03%	7.06%	152	3.85%	0.37%	4.22%
200-499.99	47	5.67%	0.86%	6.53%	55	3.26%	0.21%	3.47%
500 and up	10	5.21%	0.51%	5.72%	9	3.03%	0.12%	3.15%
Total/Average	**1,767**	**7.31%**	**3.69%**	**11.00%**	**1,593**	**5.44%**	**1.67%**	**7.11%**

Bonds

	Convertible Bonds				Straight Bonds			
Proceeds ($ in millions)	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs
2-9.99	4	6.07%	2.68%	8.75%	32	2.07%	2.32%	4.39%
10-19.99	14	5.48%	3.18%	8.66%	78	1.36%	1.40%	2.76%
20-39.99	18	4.16%	1.95%	6.11%	89	1.54%	0.88%	2.42%
40-59.99	28	3.26%	1.04%	4.30%	90	0.72%	0.60%	1.32%
60-79.99	47	2.64%	0.59%	3.23%	92	1.76%	0.58%	2.34%
80-99.99	13	2.43%	0.61%	3.04%	112	1.55%	0.61%	2.16%
100-199.99	57	2.34%	0.42%	2.76%	409	1.77%	0.54%	2.31%
200-499.99	27	1.99%	0.19%	2.18%	170	1.79%	0.40%	2.19%
500 and up	3	2.00%	0.09%	2.09%	20	1.39%	0.25%	1.64%
Total/Average	**211**	**2.92%**	**0.87%**	**3.79%**	**1,092**	**1.62%**	**0.62%**	**2.24%**

Notes:

Closed-end funds and unit offerings are excluded from the sample. Rights offerings for SEOs are also excluded. Bond offerings do not include securities backed by mortgages and issues by Federal agencies. Only firm commitment offerings and non-shelf-registered offerings are included.
Gross Spreads as a percentage of total proceeds, including management fee, underwriting fee, and selling concession.
Other Direct Expenses as a percentage of total proceeds, including management fee, underwriting fee, and selling concession.
Total Direct Costs as a percentage of total proceeds (total direct costs are the sum of gross spreads and other direct expenses).

[5] Inmoo Lee, Scott Lochhead, Jay Ritter, and Quanshui Zhao, "The Costs of Raising Capital," *Journal of Financial Research* Vol 19 No 1 (Spring 1996) pp. 59—74.

Table 2

Direct Costs of Raising Capital 1990—1994
Utility versus Non-Utility Companies[6]

Equities

Non-Utilities	IPOs			SEOs		
Proceeds ($ in millions)	No. of Issues	Gross Spreads	Total Direct Costs	No. Of Issues	Gross Spreads	Total Direct Costs
2-9.99	332	9.04%	16.97%	154	7.91%	13.76%
10-19.99	388	7.24%	11.64%	278	6.42%	9.01%
20-39.99	528	7.01%	9.70%	399	5.70%	7.07%
40-59.99	214	6.96%	8.71%	240	5.17%	6.02%
60-79.99	78	6.74%	8.21%	131	4.68%	5.31%
80-99.99	47	6.46%	7.88%	60	4.35%	4.84%
100-199.99	101	6.01%	7.01%	137	3.97%	4.36%
200-499.99	44	5.65%	6.49%	50	3.27%	3.48%
500 and up	10	5.21%	5.72%	8	3.12%	3.25%
Total/Average	1,742	7.31%	11.01%	1,457	5.57%	7.32%
Utilities Only						
2-9.99	5	9.40%	16.54%	13	5.41%	7.68%
10-19.99	1	7.00%	8.77%	32	4.59%	6.21%
20-39.99	5	7.00%	9.86%	26	4.17%	4.96%
40-59.99	1	6.98%	11.55%	21	3.69%	4.12%
60-79.99	1	6.50%	7.55%	12	3.39%	3.72%
80-99.99	4	6.57%	8.24%	11	3.68%	4.11%
100-199.99	5	6.45%	7.96%	15	2.83%	2.98%
200-499.99	3	5.88%	7.00%	5	3.19%	3.48%
500 and up	0			1	2.25%	2.31%
Total/Average	25	7.15%	10.14%	136	4.01%	4.92%

[6] Lee *et al, op. cit.*

Table 2 (continued)
Direct Costs of Raising Capital 1990—1994
Utility versus Non-Utility Companies[7]

Bonds

Non- Utilities	Convertible Bonds			Straight Bonds		
Proceeds ($ in millions)	No. of Issues	Gross Spreads	Total Direct Costs	No. of Issues	Gross Spreads	Total Direct Costs
2-9.99	4	6.07%	8.75%	29	2.07%	4.53%
10-19.99	12	5.54%	8.65%	47	1.70%	3.28%
20-39.99	16	4.20%	6.23%	63	1.59%	2.52%
40-59.99	28	3.26%	4.30%	76	0.73%	1.37%
60-79.99	47	2.64%	3.23%	84	1.84%	2.44%
80-99.99	12	2.54%	3.19%	104	1.61%	2.25%
100-199.99	55	2.34%	2.77%	381	1.83%	2.38%
200-499.99	26	1.97%	2.16%	154	1.87%	2.27%
500 and up	3	2.00%	2.09%	19	1.28%	1.53%
Total/Average	203	2.90%	3.75%	957	1.70%	2.34%
Utilities Only						
2-9.99	0			3	2.00%	3.28%
10-19.99	2	5.13%	8.72%	31	0.86%	1.35%
20-39.99	2	3.88%	5.18%	26	1.40%	2.06%
40-59.99	0			14	0.63%	1.10%
60-79.99	0			8	0.87%	1.13%
80-99.99	1	1.13%	1.34%	8	0.71%	0.98%
100-199.99	2	2.50%	2.74%	28	1.06%	1.42%
200-499.99	1	2.50%	2.65%	16	1.00%	1.40%
500 and up	0			1	3.50%	na[8]
Total/Average	8	3.33%	4.66%	135	1.04%	1.47%

Notes:
Total proceeds raised in the United States, excluding proceeds from the exercise of over allotment options.
Gross spreads as a percentage of total proceeds (including management fee, underwriting fee, and selling concession).
Other direct expenses as a percentage of total proceeds (including registration fee and printing, legal, and auditing costs).

[7] Lee *et al, op. cit.*

[8] Not available because of missing data on other direct expenses.

Table 3
Illustration of Patterson Approach to Flotation Cost Recovery

Time Period	Rate Base	Earnings @ 12.32%	Earnings @ 12.00%	Dividends	Amortization Initial FC
0	95.00				
1	100.70	11.70	11.40	6.00	0.3000
2	106.74	12.40	12.08	6.36	0.3180
3	113.15	13.15	12.81	6.74	0.3371
4	119.94	13.93	13.58	7.15	0.3573
5	127.13	14.77	14.39	7.57	0.3787
6	134.76	15.66	15.26	8.03	0.4015
7	142.84	16.60	16.17	8.51	0.4256
8	151.42	17.59	17.14	9.02	0.4511
9	160.50	18.65	18.17	9.56	0.4782
10	170.13	19.77	19.26	10.14	0.5068
11	180.34	20.95	20.42	10.75	0.5373
12	191.16	22.21	21.64	11.39	0.5695
13	202.63	23.54	22.94	12.07	0.6037
14	214.79	24.96	24.32	12.80	0.6399
15	227.67	26.45	25.77	13.57	0.6783
16	241.33	28.04	27.32	14.38	0.7190
17	255.81	29.72	28.96	15.24	0.7621
18	271.16	31.51	30.70	16.16	0.8078
19	287.43	33.40	32.54	17.13	0.8563
20	304.68	35.40	34.49	18.15	0.9077
21	322.96	37.52	36.56	19.24	0.9621
22	342.34	39.77	38.76	20.40	1.0199
23	362.88	42.16	41.08	21.62	1.0811
24	384.65	44.69	43.55	22.92	1.1459
25	407.73	47.37	46.16	24.29	1.2147
26	432.19	50.21	48.93	25.75	1.2876
27	458.12	53.23	51.86	27.30	1.3648
28	485.61	56.42	54.97	28.93	1.4467
29	514.75	59.81	58.27	30.67	1.5335
30	545.63	63.40	61.77	32.51	1.6255
Present Value@12%		195.00	190.00	100.00	5.00

APPENDIX 4
EX ANTE RISK PREMIUM APPROACH

My ex ante risk premium method is based on studies of the DCF expected return on proxy companies compared to the interest rate on Moody's A-rated utility bonds. Specifically, for each month in my study period, I calculate the risk premium using the equation,

$$RP_{PROXY} = DCF_{PROXY} - I_A$$

where:

RP_{PROXY}	=	the required risk premium on an equity investment in the proxy group of companies,
DCF_{PROXY}	=	average DCF estimated cost of equity on a portfolio of proxy companies; and
I_A	=	the yield to maturity on an investment in A-rated utility bonds.

For my ex ante risk premium analysis, I begin with my comparable group of natural gas companies shown in Schedule 2. Previous studies have shown that the ex ante risk premium tends to vary inversely with the level of interest rates, that is, the risk premium tends to increase when interest rates decline, and decrease when interest rates go up. To test whether my studies also indicate that the ex ante risk premium varies inversely with the level of interest rates, I perform a regression analysis of the relationship between the ex ante risk premium and the yield to maturity on A-rated utility bonds, using the equation,

$$RP_{PROXY} = a + (b \times I_A) + e$$

where:

RP_{PROXY} = risk premium on proxy company group;

I_A = yield to maturity on A-rated utility bonds;

e = a random residual; and

a, b = coefficients estimated by the regression procedure.

Regression analysis assumes that the statistical residuals from the regression equation are random. My examination of the residuals reveals that there is a significant probability that the residuals are serially correlated (non-zero serial correlation indicates that the residual in one time period tends to be correlated with the residual in the previous time period). Therefore, I make adjustments to my data to correct for the possibility of serial correlation in the residuals.

The common procedure for dealing with serial correlation in the residuals is to estimate the regression coefficients in two steps. First, a multiple regression analysis is used to estimate the serial correlation coefficient, *r*. Second, the estimated serial correlation coefficient is used to transform the original variables into new variables whose serial correlation is approximately zero. The regression coefficients are then re-estimated using the transformed variables as inputs in the regression equation. Based on my knowledge of the statistical relationship between the yield to maturity on A-rated utility bonds and the required risk premium, my estimate of the ex ante risk premium on an investment in my proxy natural gas company group as compared to an investment in A-rated utility bonds is given by the equation:

$$\begin{array}{lccc} RP_{PROXY} & = & 8.46 & -0.563 \times I_A. \\ & & (11.56) & (-4.97) \end{array}$$ [9]

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[9] The t-statistics are shown in parentheses.

Using a 6.55 percent forecasted yield to maturity on A-rated utility bonds at February 2013, [10] the regression equation produces an ex ante risk premium based on the natural gas proxy group equal to 4.77 percent (8.46 – .563 x 6.55= 4.77).

To estimate the cost of equity using the ex ante risk premium method, one may add the estimated risk premium over the yield on A-rated utility bonds to the forecasted yield to maturity on A-rated utility bonds. As described above, my analyses produce an estimated risk premium over the yield on A-rated utility bonds equal to 4.77 percent. Adding an estimated risk premium of 4.77 percent to the 6.55 percent forecasted yield to maturity on A-rated utility bonds produces a cost of equity estimate of 11.3 percent using the ex ante risk premium method.

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10 Value Line Selection & Opinion (Feb. 22, 2013) projects a AAA-rated Corporate bond yield equal to 5.8 percent. The February 2013 average spread between A-rated utility bonds and Aaa-rated Corporate bonds is twenty-eight basis points (A-rated utility, 4.18 percent, less Aaa-rated Corporate, 3.90 percent, equals twenty-eight basis points). Adding twenty-eight basis points to the 5.80 percent Value Line AAA Corporate bond forecast equals a forecast yield of 6.08 percent for the A-rated utility bonds. The U.S. Energy Information Administration (EIA) at January 2013 forecasts an AA-rated utility bond yield equal to 6.78 percent. The average spread between AA-rated utility and A-rated utility bonds at February 2013 is twenty-three basis points (4.18 percent less 3.95 percent). Adding twenty-three basis points to EIA's 6.78 percent AA-utility bond yield forecast equals a forecast yield for A-rated utility bonds equal to 7.01 percent. The average of the forecasts (6.08 percent using Value Line data and 7.01 percent using EIA data) is 6.55 percent.

APPENDIX 5
RISK PREMIUM APPROACH

Source

Stock price and yield information is obtained from Standard & Poor's Security Price publication. Standard & Poor's derives the stock dividend yield by dividing the aggregate cash dividends (based on the latest known annual rate) by the aggregate market value of the stocks in the group. The bond price information is obtained by calculating the present value of a bond due in 30 years with a $4.00 coupon and a yield to maturity of a particular year's indicated Moody's A-rated utility bond yield. The values shown on Schedules 4 and 5 are the January values of the respective indices. Standard & Poor's discontinued its S&P Utilities Index in December 2001, replacing its utilities stock index with separate indices for electric and natural gas utilities. Thus, to continue my study, I based the stock returns beginning in 2002 on the total returns for the EEI Index of U.S. shareholder-owned electric utilities, as reported by EEI on its website.
http://www.eei.org/whatwedo/DataAnalysis/IndusFinanAnalysis/Pages/QtrlyFinancialUpdates.aspx

Calculation of Stock and Bond Returns

Sample calculation of "Stock Return" column:

$$\text{StockReturn}(2011) = \left[\frac{\text{StockPrice}(2012) - \text{StockPrice}(2011) + \text{Dividend}(2011)}{\text{StockPrice}(2011)}\right]$$

where Dividend (2011) = Stock Price (2011) x Stock Div. Yield (2011)

Sample calculation of "Bond Return" column:

$$\text{Bond Return}(2011) = \left[\frac{\text{Bond Price}(2012) - \text{Bond Price}(2011) + \text{Interest}\ (2011)}{\text{Bond Price}(2011)}\right]$$

where Interest = $4.00.

RAAB, P. H.

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

APPLICATION OF ATMOS ENERGY	)	
	)	
CORPORATION FOR AN ADJUSTMENT	)	**Case No. 2013-00148**
	)	
OF RATES AND TARIFF MODIFICATIONS	)	

DIRECT TESTIMONY OF PAUL H. RAAB

I. INTRODUCTION

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

A. My name is Paul H. Raab and my business address is 5313 Portsmouth Road, Bethesda, MD 20816. I am an independent economic consultant.

Q. ON WHOSE BEHALF ARE YOU APPEARING TODAY?

A. I am appearing on behalf of Atmos Energy Corporation, Kentucky/Mid-States Division ("Atmos Energy" or "Company").

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I have a B.A. in Economics from Rutgers University and an M.A. from the State University of New York at Binghamton with a concentration in Econometrics. While attending Rutgers, I studied as a Henry Rutgers Scholar.

Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.

A. I have been providing consulting services to the utility industry for over thirty-five years, having assisted electric, gas, telephone, and water utilities;

Commissions; and intervenor clients in a variety of areas. I am trained as a quantitative economist so that most of this assistance has been in the form of mathematical and economic analysis and information systems development. My particular areas of focus are planning issues, costing and rate design analysis, and depreciation and life analysis. I began my career with the professional services firm that is now known as Ernst & Young, where I was employed for ten years.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE COMMISSIONS IN REGULATORY PROCEEDINGS?

A. Yes. I have previously provided expert testimony before this Commission in Docket Nos. 9613, 97-083 and 2009-00354 as well as the state regulatory authorities of Alaska, the District of Columbia, Georgia, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, West Virginia, and Wisconsin. In addition, I have presented expert testimony before the Federal Energy Regulatory Commission, the Pennsylvania House Consumer Affairs Committee, the Michigan House Economic Development and Energy Committee, the Province of Saskatchewan, and the United States Tax Court. Details on the subject matter of the testimony presented are provided in Exhibit PHR-1.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present the Company's class cost of service

("CCOSS") study. This study is used to guide the Company in assigning the required revenue increase across customer classes and in designing rates.

III. IDENTIFICATION OF EXHIBITS

Q. DO YOU SPONSOR ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?

A. Yes, I sponsor two exhibits. Exhibit PHR-1 is a summary of my qualifications and experience. Exhibit PHR-2 is a copy of the Company's class cost of service study.

The above-designated exhibits were prepared by me or under my direction and supervision.

IV. ORGANIZATION OF TESTIMONY

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized into one additional section, Section V, which describes the class cost of service study.

V. CLASS COST OF SERVICE

a. Background

Q. WHAT IS A CLASS COST OF SERVICE ANALYSIS?

A. A class cost of service analysis is the process by which the costs that a utility incurs to serve particular classes of customers are linked to the classes of customers that caused those costs to be incurred.

Q. WHY IS IT NECESSARY TO ALLOCATE COSTS TO THE DIFFERENT CUSTOMER CLASSES?

A. It is a generally accepted utility ratemaking principle that rates should be based on costs. This statement applies not only to the overall level of costs incurred by the utility, but also to the costs that the utility incurs to serve individual services, classes of customers, and segments of the utility's business. Adherence to this principle is complicated by the fact that many of the costs incurred to provide different types of service are "joint" costs and many are "common" costs, neither of which has a theoretically precise method by which they can be assigned to the different products produced as a result of the incurrence of these costs.

Joint costs occur when the provision of one service is an automatic by-product of another (e.g., the delivery of natural gas at different times of the year). Common costs are incurred when several outputs are produced using the same facilities or inputs (e.g., administrative and general expenses).

Thus, cost of service studies are the primary method used to allocate the common and joint costs incurred by the utility in serving different customer classes. They are used for five purposes:

1. To attribute costs to different categories of customers based on how those customers cause costs to be incurred;
2. To determine how costs will be recovered from customers within each customer class;
3. To calculate the costs of individual types of service based on the costs each service requires the utility to expend;

4. To determine the revenue requirement for the monopoly services offered by a utility operating in both monopoly and competitive markets; and
5. To separate costs between different regulatory jurisdictions.

Q. HOW ARE THE COSTS INCURRED BY THE UTILITY ALLOCATED TO THE DIFFERENT CUSTOMER CLASSES?

A. These costs are allocated to the different customer classes in three steps: functionalization, classification, and allocation.

Q. PLEASE DESCRIBE THE FUNCTIONALIZATION PROCESS.

A. Functionalization is the process whereby the capital and operating costs incurred by the utility to provide service are categorized by function. The typical functions of a natural gas utility are transmission, distribution, customer service and facilities, and administrative and general. The transmission function includes those assets and expenses associated with the delivery of natural gas from the field to the distribution system. The assets and expenses involved in the delivery of natural gas to ultimate customers, except those that can be directly assigned to a particular customer, are included in the distribution function. Those distribution costs that can be directly assigned to a particular customer (e.g., service drops and meters) plus the meter reading and other customer service functions such as billing and collections are included in the customer service and facilities function. The administrative and general function includes management costs that cannot be directly assigned to the other major cost functions.

Q. WHY DOES ONE FUNCTIONALIZE COSTS?

A. Costs are functionalized so that they can be more easily classified, which is the next step in the cost of service analysis.

Q. HOW WAS THE FUNCTIONALIZATION PROCESS PERFORMED FOR ATMOS ENERGY?

A. The Company's accounting processes follow the FERC Uniform System of Accounts. In large measure, this system of accounts records costs by the function for which they were incurred. Thus, the costs that I work with in the cost of service analysis are already grouped by function.

Q. PLEASE DESCRIBE THE CLASSIFICATION PROCESS.

A. The classification process recognizes that the utility's costs are incurred for a number of purposes: to meet customers' peak demands (demand-related costs), to provide energy (energy- or commodity-related costs), and because there are customers on the system (customer-related costs). The classification process groups the utility's costs by the purpose for which they were incurred. The cost of odorant is the best 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, metering costs are primarily driven by the number of customers on the system and would be classified as customer-related costs.

Q. HOW WERE THE COMPANY'S COSTS CLASSIFIED IN THIS STUDY?

A. In general, I followed the classifications that are generally accepted by utilities and state commissions, and relied upon the suggested classification of the National Association of Regulatory Utility Commissioners ("NARUC"). Moreover, the classifications used in the class cost of service study are intended to be the same as those utilized by the Company in its last general rate case filing. My testimony below explains the specific classification factors employed.

Q. PLEASE DESCRIBE THE ALLOCATION PROCESS.

A. The allocation process is one in which the functionalized and classified costs from above are assigned to specific customer classes. It is assumed that the load characteristics of the customers within each of the major customer classes are relatively homogeneous with respect to their usage characteristics. Thus, costs can be allocated to customer classes based on these characteristics. Those costs that have been classified as demand-related costs in the classification process above are allocated among the customer classes on the basis of demands imposed on the system during the peak day. Commodity- or energy-related costs are allocated on the basis of the energy that the system must supply to meet the needs of these customers. Customer-related costs are allocated to the different customer classes based on the number of customers.

Q. HOW ARE THESE COSTS ALLOCATED TO THE COMPANY'S DIFFERENT CUSTOMER CLASSES?

A. First, customers are divided into groups or classes. These classes are populated with customers having similar natural gas demand characteristics. The customers within each class can therefore be billed pursuant to a single rate schedule containing a customer charge and an energy charge since their load profiles are sufficiently similar. Next, costs are examined to determine why the utility incurred them and how customers' usage characteristics impact the utility's cost incurrence decisions. Finally, a demand characteristic is associated with each cost incurred; each customer class' contribution to that cost provides the basis for the allocation of the associated cost.

Q. WHAT ARE THESE "USAGE CHARACTERISTICS" THAT CUSTOMERS PLACE ON THE SYSTEM?

A. The customer's request for service is a cost causative demand characteristic that necessarily 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, answers to questions and a monthly billing. Hence, the very existence of this customer-utility relationship causes the incurrence of cost. 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 or Dth) and referred to as the customer's energy use or usage, is an important cost causative characteristic as well. 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 strongly driven by two primary factors, the physical connection to the system and the rate at which energy is used. As described above, the physical connection to the system involves investments (a regulator, a service line and metering facilities) and establishes a commitment on the part of the company to provide monthly billing, even if no customer usage occurs. Likewise, the rate at which energy is used serves as the link to the incurrence and magnitude of demand related utility costs.

Q. WHY HAVE YOU EMPHASIZED THE PHYSICAL CONNECTION TO THE SYSTEM AND 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, it is a capital-intensive enterprise. Second, the system must be sized so that it has the capability to deliver natural gas to customers during extremely cold conditions (the "design day"), even though this intensity of usage only occurs a few days out of the year, if at all. This combination of capital intensity and sizing to meet peak day demands dictates the prominence of the physical connection and the "rate of use" customer demand characteristic when discussing the cause of cost incurrence.

Q. WHAT IS THE SIGNIFICANCE OF THE DESIGN DAY DEMAND?

A. It is necessary first and foremost to safely and reliably meet the simultaneous loads of all customers. Furthermore, transmission plant is built to meet the highest simultaneous peak established by customers. Therefore, the class contribution to the coincident design day demand is the appropriate cost causative factor to be used in the allocation of capital cost carrying charges of facilities to customer classes.

Q. WHAT ARE THE GENERAL PRINCIPLES THAT SHOULD GUIDE AN ANALYST IN PREPARING A CLASS COST OF SERVICE STUDY?

A. Allocation of costs among customer classes establishes the basis to measure existing revenue levels from such classes against the costs incurred by the Company to serve them. It also provides a basis for establishing actual tariff prices that will equitably recover the costs associated with providing service while minimizing inter-class subsidies that may otherwise occur. In brief, using the class cost of service analysis, the analyst allocates costs to cost causers. The costs that a utility incurs to serve customers are the transmission facilities to transmit the natural gas to town border stations, distribution facilities to distribute the natural gas to homes and businesses, general facilities that provide support to the first two functional groups and the related costs of operation.

Some analysts utilize energy use in a class cost of service to distribute capital costs to classes. These analysts rationalize this allocation methodology by pointing out that these facilities serve year-round load. This methodology gives no weight to the critical point that these facilities were sized and built to meet the highest demand that occurs during the winter period for Atmos Energy.

During the five winter months of November through March (the winter heating season), Atmos Energy can be expected to distribute over 75 percent of its total residential volumes. This vividly illustrates that the use of a design day allocation methodology links cost incurrence and the cost causer for demand-related fixed costs.

Energy-related costs such as odorant vary with the actual throughput and should be spread to the various classes based on test year throughput. Costs such as services, regulators, meters, operation and maintenance of these facilities, customer accounting and other similar costs can he directly linked to given customer classes and should be allocated to and collected from those classes.

b. The Classification Study

Q. PLEASE DESCRIBE THE CLASSIFICATION STUDY.

A. The classification study I prepared for the Company follows the general guidelines established above. It is easiest to present the details associated with this process by introducing the specific studies I have conducted. Exhibit PHR-2 contains the complete cost of service study (including the classifications developed) for Atmos Energy. The first five pages of the study contain summaries of the completed cost of service for total and customer-, demand-, and commodity-related costs. Pages 6 through 19 of the study contain summaries of the cost classifications employed. Pages 6 through 18 contain classification schedules for Gross Plant in Service, Reserve for Depreciation and Amortization, Other Rate Base, O&M Expense, Depreciation Expense, and Taxes Other Than Income and Net Deductions for Income Tax, respectively. Page 19 summarizes the classifications developed.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF GROSS PLANT IN SERVICE.

A. As shown on pages 6-8 of the study, a majority of gross plant in service categories are classified as either 100% customer-related or 100% demand-related, pursuant to the methodology outlined previously in my testimony. There are two notable exceptions to this general rule. First, investments in storage facilities are classified as 50% demand and 50% commodity, consistent with the classification used in the Company's last base rate proceeding. The second exception is investments in distribution mains, which are classified as approximately 85% customer and 15% demand, in accordance with the results of a zero-intercept study.

General Plant, which includes investments in property that cannot otherwise be included in other plant accounts, is classified in the same way as all production, storage, transmission and distribution plant.

Q. WHY DID YOU EMPLOY THESE PARTICULAR CLASSIFICATIONS?

A. As stated earlier, the classification process follows the classifications that have been previously accepted by this Commission in the Company's last base rate proceeding.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION.

A. As shown on pages 9-11 of the class cost of service study, the classifications of the Reserves for Depreciation and Amortization follow the same classifications as employed for Gross Plant in Service, since the same factors that influence Gross Plant in Service also affect the Reserves for Depreciation of those plant categories.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF OTHER RATE BASE ITEMS.

A. Other Rate Base items include materials and supplies, gas storage inventory, prepayments, cash working capital, customer advances and accumulated deferred income taxes. Materials and supplies, prepayments and cash working capital are classified in the same way as operations and maintenance expenditures. Gas storage inventories are classified as 100% commodity-related. Customer advances are classified as customer-related cost and accumulated deferred income taxes are classified according to net plant, since they would appear to be largely driven by these investments.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF OPERATIONS AND MAINTENANCE (O&M) EXPENSES.

A. As can be seen on pages 13-14 of the study, I have generally classified O&M expenses in accordance with the NARUC classification models. For example, other gas supply expenses have been classified as 100% commodity-related. Underground storage O&M expenses are classified in the same way as investments in storage plant, i.e., 50% demand-related and 50% commodity-related.

Transmission O&M expense is classified as entirely demand-related. Distribution O&M expense classification relies on customers for those expenses related to services, regulators and meters and composite classification factors for many of the other accounts that make up distribution O&M expenses. These composite factors are generated within the class cost of service model. A&G expenses are also classified based on composite classification factors. Customer accounts expenses, customer service and information expenses and sales expenses are all classified as customer-related.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF DEPRECIATION AND AMORTIZATION EXPENSE.

A. Functionalized depreciation and amortization expense is shown on pages 15-17 of the class cost of service study. Functionalized depreciation expense is classified the same as gross plant.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF TAXES, OTHER THAN INCOME TAXES.

A. Taxes other than income taxes fall into two categories, ad valorem and payroll-related. Ad valorem taxes are classified on the basis of plant while the various payroll-related taxes, most notably FICA taxes, are classified on the basis of total O&M expenses. Total O&M expenses are also used to classify the DOT transmission user tax and other taxes. The Public Service Commission Assessment is classified as commodity-related. Finally, while not a tax, the taxes other than income taxes schedule includes a classification of interest expense, a deduction to income taxes. Income taxes are computed elsewhere in the program. These classifications are shown on Page 18 of the class cost of service study.

c. The Allocation Study

Q. PLEASE DESCRIBE THE ALLOCATION STUDY.

A. The allocation schedules of the cost of service study begin on page 20 of the class cost of service study. Each allocation section consists of 4 subsections. The first subsection shows the allocation of the functionalized cost item's customer component, the second subsection shows the allocation of the item's demand component, the third the commodity component, and the fourth the total allocated costs. Thus, for example, pages 20-22 contain the allocation of gross plant customer-related costs, pages 23-25 gross plant demand-related costs, pages 26-28 gross plant commodity-related costs and pages 29-31 total allocated gross plant.

Each line lists the functionalized cost item, the allocation factor used, the total company classified costs for that item, and the amount allocated of that cost item to each of the rate classes. These pages continue through page 71 of the exhibit. The allocation of revenue follows on page 72. Page 73 shows the classification factors used in the study, while pages 74 and 75 show the allocation factors used.

Q. PLEASE DESCRIBE THE PRIMARY ALLOCATION FACTORS THAT YOU HAVE USED IN YOUR STUDY.

A. There are three types of allocation factors used in this study. As is the case with the classification study discussed above, these allocation factors are related to customers on the system, demands placed on the system, and energy demanded from the system.

Q. PLEASE DESCRIBE THE ALLOCATORS OF CUSTOMER-RELATED COSTS THAT YOU USE.

A. Six primary allocators are used to assign customer-related costs to customer classes: the number of bills, customer-weighted meter investments, and direct assignment to the four individual customer classes. I used these different allocators because different customer-related costs are more appropriately allocated with each.

Q. CAN YOU PROVIDE AN EXAMPLE?

A. Certainly. The number of customers by class is used to allocate such expense items as sales and customer service and information costs. Meter investments are the best allocator for investment in meters. Industrial measuring and regulating station expenses are most appropriately assigned directly to industrial and transport customers.

Q. PLEASE DESCRIBE THE ALLOCATORS OF DEMAND-RELATED COSTS THAT YOU USE.

A. The two demand allocators used are a class' design day peak, since design day forms the basis for planning decisions made by the Company and winter volumes, used to allocate storage expenses.

Q. PLEASE DESCRIBE THE ALLOCATORS OF COMMODITY-RELATED COSTS THAT YOU USE.

A. The primary allocator for commodity-related costs is total throughput.

Q. PLEASE SUMMARIZE YOUR ALLOCATION STUDY.

A. The results are summarized on the first page of the class cost of service study. While this exhibit shows that all classes are making positive contributions to rate of return, the residential class is providing less than the system average rate of return. All other classes are providing a return greater than the system average return. In other words, these classes are subsidizing the residential class.

The exhibit also shows the amount by which each class's revenues must increase in order to achieve rate of return parity in the section entitled Equalized ROR (lines 38-47).

Q. WHY ARE THESE AMOUNTS OF INTEREST TO THE COMMISSION?

A. One of the primary purposes of a class cost of service analysis is to identify interclass subsidies that may exist between the different classes of a natural gas distribution system so that steps can be taken to eliminate them. The equal class rates of return increase identifies for the Commission the extent to which rates need to be adjusted so that all identified subsidies can be eliminated.

Q. WOULD YOU RECOMMEND THAT THE COMMISSION ADOPT A CLASS REVENUE DISTRIBUTION THAT RESULTS IN EQUAL CLASS RATES OF RETURN?

A. I do believe that equal class rates of return should be an objective of any rate design study. Consistent with this objective, my class cost of service study indicates that the Residential class should certainly receive a larger increase than the other customers on the Atmos Energy system.

Q. DOES THE REVENUE INCREASE ALLOCATION ADVOCATED BY COMPANY WITNESS MARK MARTIN MOVE THE CLASSES CLOSER TO AN EQUALIZED RATE OF RETURN?

A. In general, yes. This can be seen in lines 49 to 58 of page 1 of Exhibit PHR-2. I have input the revenue increases by class that are proposed by Witness Martin. The relative return by class (line 57) has generally been moved closer to 1 for each class based on Mr. Smith's proposed allocation of the requested increase.

Q. DOES THE STUDY PROVIDE ANY OTHER SUPPORT FOR MR. SMITH'S RATE DESIGNS?

A. Yes. Mr. Martin proposes customer charges that range from $16.00/month for residential customers to $350/month for interruptible and transportation customers. The levels of these charges are well below the customer-related costs developed in the study and shown on page 2, line 33 of Exhibit PHR-2.

Q. DOES THAT COMPLETE YOUR DIRECT TESTIMONY AT THIS TIME?

A. Yes, it does.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2013-00148
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Paul H. Raab, 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. 2013-00148, 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.

Paul H. Raab

Paul H. Raab

STATE OF Maryland

COUNTY OF Montgomery

SUBSCRIBED AND SWORN to before me by Paul H. Raab on this the 3rd day of May, 2013.

Sharad Lamichhane

Notary Republic

My Commission Expires: 2/27/2017

SHARAD LAMICHHANE
NOTARY PUBLIC
MONTGOMERY CO., MARYLAND
Commission Expires FEBRUARY 27, 2017

PAUL H. RAAB

Mr. Raab's consulting focus is on the regulated public utility industry. His experience includes mathematical and economic analyses and system development and his areas of expertise include regulatory change management, load forecasting, supply-side and demand-side planning, management audits, mergers and acquisitions, costing and rate design, and depreciation and life analysis.

PROFESSIONAL EXPERIENCE

Mr. Raab has directed or has had a key role in numerous engagements in the areas listed above. Representative clients are provided for each of these areas in the subsections below.

Regulatory Change Management. Mr. Raab has recently been assisting both electric and natural gas utilities as they prepare to operate in an environment that is significantly different from the one they operate in today. This work has involved the development of unbundled cost of service studies; the development of strategies that will allow companies to prosper in a restructured industry; retail access program development, implementation, and evaluation; and the development of innovative ratemaking approaches to accompany changes in the regulatory structure. Representative clients for whom he has performed such work include:

- Texas Gas Service
- Virginia Natural Gas
- UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc.
- The Peoples Natural Gas Company d/b/a Dominion Peoples
- National Fuel Gas Distribution Corporation
- Columbia Gas of Pennsylvania, Inc.
- Aquila
- Kansas Corporation Commission
- Atmos Energy Corporation
- Electric Cooperatives' Association
- Cleco
- Washington Gas
- Western Resources
- Kansas Gas Service
- Mid Continent Market Center.

Load Forecasting. Mr. Raab has broad experience in the review and development of forecasts of sales forecasts for electric and natural gas utilities. This work has also included the development of elasticity of demand measures that have been used for attrition adjustments and revenue requirement reconciliations. Representative clients for whom he has performed such work include:

- Washington Gas Energy Services
- Central Louisiana Electric Company
- Washington Gas
- Saskatchewan Public Utilities Review Commission
- Union Gas Limited
- Nova Scotia Power Corporation
- Cajun Electric Power Cooperative
- Cincinnati Gas & Electric
- Commonwealth Edison Company
- Cleveland Electric Illuminating
- Public Service of Indiana
- Atlantic City Electric Company
- Detroit Edison Company
- Sierra Pacific Power
- Connecticut Natural Gas Corporation
- Appalachian Power Company
- Missouri Public Service Company
- Empire District Electric Company
- Public Service Company of Oklahoma
- Wisconsin Electric Power Company
- Northern States Power Company
- Iowa State Commerce Commission
- Missouri Public Service Commission.

Supply Side Planning. Mr. Raab has assisted clients to determine the most appropriate supply-side resources to meet future demands. This assistance has included the determination of optimal sizes and types of capacity to install, determination of production costs including and excluding the resource, and an assessment of system reliability changes as a result of different resource additions. Much of this work for the following clients has been done in conjunction with litigation:

- Enstar Natural Gas
- AGL Resources
- Washington Gas
- Soyland Electric Cooperative
- Houston Lighting and Power
- City of Farmington, New Mexico
- Big Rivers Electric Cooperative
- City of Redding, California
- Brown & Root
- Kentucky Joint Committee on Electric Power Planning Coordination
- Sierra Pacific Power.

Demand Side Planning. Demand Side Planning involves the forecasting of future demands; the design, development, implementation, and evaluation of demand side management programs; the determination of future supply side costs; and the integration of cost effective demand side management programs into an Integrated Least Cost Resource Plan. Mr. Raab has performed such work for the following clients:

- UGI Utilities
- Dominion Peoples Gas
- National Fuel Gas Distribution Corporation
- Columbia Gas of Pennsylvania
- Kansas Gas Service
- Atmos Energy Corporation
- Black Hills Gas Company
- Oklahoma Natural Gas Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- Montana-Dakota Utilities.

Management Audits. Mr. Raab has been involved in a number of management audits. Consistent with his other experience, the focus of his efforts has been in the areas of load forecasting, demand- and supply-side planning, integrated resource planning, sales and marketing, and rates. Representative commission/utility clients are as follows:

- Public Utilities Commission of Ohio/East Ohio Gas
- Kentucky Public Service Commission/Louisville Gas & Electric
- New Hampshire Public Service Commission/Public Service Company of New Hampshire
- New Mexico Public Service Commission/Public Service of New Mexico
- New York Public Service Commission/New York State Electric & Gas
- Missouri Public Service Commission/Laclede Gas Company
- New Jersey Board of Public Utilities/Jersey Central Power & Light
- New Jersey Board of Public Utilities/New Jersey Natural Gas
- Pennsylvania Public Utilities Commission/ Pennsylvania Power & Light
- California Public Utilities Commission/San Diego Gas & Electric Company.

Mergers and Acquisitions. Mr. Raab has been involved in a number of merger and acquisition studies throughout his career. Many of these were conducted as confidential studies and cannot be listed. Those in which his involvement was publicly known are:

- ONEOK, Inc./Southwest Gas Corporation
- Western Resources
- Constellation.

Costing and Rate Design Analysis. Mr. Raab has prepared generic rate design studies for the National Governor's Conference, the Electricity Consumer's Resource Council, the Tennessee Valley Industrial Committee, the State Electricity Commission of Western Australia, and the State Electricity Commission of Victoria. These generic studies addressed advantages and disadvantages of alternative costing approaches in the electric utility industry; the strengths and weaknesses of commonly encountered costing methodologies; future tariff policies to promote equity, efficiency, and fairness criteria; and the advisability of changing tariff policies. Mr. Raab has performed specific costing and rate design studies for the following companies:

- New Mexico Gas
- SEMCO Gas
- Enstar Natural Gas
- Atmos Energy Corporation
- Southern Maryland Electric Cooperative, Inc.
- Comcast Cable Communications, Inc.
- Cable Television Association of Georgia
- Devon Energy
- Aquila
- Oklahoma Natural Gas
- Semco Energy Gas Company
- Laclede Gas
- Western Resources
- Kansas Gas Service Company
- Central Louisiana Electric Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- KPL Gas Service Company
- Allegheny Power Systems
- Northern States Power
- Interstate Power Company
- Iowa-Illinois Gas & Electric Company
- Arkansas Power and Light
- Iowa Power & Light
- Iowa Public Service Company
- Southern California Edison
- Pacific Gas & Electric
- New York State Electric & Gas
- Middle South Utilities
- Missouri Public Service Company
- Empire District Electric Company
- Sierra Pacific Power
- Commonwealth Edison Company
- South Carolina Electric & Gas
- State Electricity Commission of Western Australia

- State Electricity Commission of Victoria, Australia
- Public Service Company of New Mexico
- Tennessee Valley Authority.

Depreciation and Life Analysis. Mr. Raab has extensive experience in depreciation and life analysis studies for the electric, gas, rail, and telephone industries and has taught a course on depreciation at George Washington University, Washington, DC. Representative clients in this area include:

- Champaign Telephone Company
- Plains Generation & Transmission Cooperative
- CSX Corporation (Includes work for Seaboard Coast Line, Louisville & Nashville, Baltimore & Ohio, Chesapeake & Ohio, and Western Maryland Railroads)
- Lea County Electric Cooperative, Inc.
- North Carolina Electric Membership Cooperative
- Alberta Gas Trunk Lines (NOVA)
- Federal Communications Commission.

TESTIMONY

The following table summarizes Mr. Raab's testimony experience.

Jurisdiction	Docket Number	Subject
Alaska	U-09-69, U-09-70	Rate Design
District of Columbia	834	Demand Side Planning
	905	Costing/Rate Design
	917	Costing/Rate Design
	921	Demand Side Planning
	922	Rate Design
	934	Rate Design
	989	Rate Design
	1016	Rate Design
	1053	Costing/Rate Design
	1054	Rate Design
	1079	Rate Design
	1093	Costing/Rate Design
Georgia	18300-U	Costing/Rate Design
Indiana	36818	Capacity Planning
Iowa	RPU-05-2	Costing/Rate Design

Jurisdiction	Docket Number	Subject
Kansas	174,155-U	Retail Competition
	176,716-U	Costing/Rate Design
	98-KGSG-822-TAR	Rate Design
	99-KGSG-705-GIG	Restructuring
	01-KGSG-229-TAR	Rate Design
	02-KGSG-018-TAR	Rate Design
	02-WSRE-301-RTS	Cost of Service
	03-KGSG-602-RTS	Cost of Service/Rate Design
	03-AQLG-1076-TAR	Rate Design
	01-KGSG-229-TAR	Rate Design
	05-AQLG-367-RTS	Cost of Service/Rate Design
	06-KGSG-1209-RTS	Cost of Service/Rate Design
	07-AQLG-431-RTS	Rate Design
	08-WSEE-1041-RTS	Cost of Service
	10-KCPE-415-RTS	Cost of Service/Rate Design
	10-KGSG-421-TAR	Demand Side Planning
	10-KCPE-795-TAR	Demand Side Planning
	12-WSEE-112-RTS	Cost of Service/Rate Design
	12-KGSG-835-RTS	Cost of Service/Rate Design
	12-GIMX-337-GIV	Demand Side Planning
	12-KG&E-718-CON	Cost of Service
	13-KG&E-451-CON	Cost of Service
Kentucky	9613	Capacity Planning
	97-083	Management Audit
	2009-00354	Cost of Service
Louisiana	U-21453	Restructuring/Market Power
Maryland	8251	Costing/Rate Design
	8259	Demand Side Planning
	8315	Costing/Rate Design
	8720	Demand Side Planning
	8791	Costing/Rate Design
	8920	Costing/Rate Design
	8959	Costing/Rate Design
	9092	Costing/Rate Design
	9104	Costing/Rate Design
	9106	Costing/Rate Design
	9180	Capacity Planning
	9267	Costing/Rate Design

Jurisdiction	Docket Number	Subject
Michigan	U-6949	Load Forecasting
	U-13575	Costing/Rate Design
	U-16169	Costing/Rate Design
Missouri	GR-2002-356	Rate Design
Montana	D2005.4.48	Costing/Rate Design
Nebraska	NG-0001, NG-0002, NG-0003	Rate Design
	NG-0041	Rate Design
Nevada	81-660	Load Forecasting
New Jersey	OAL# PUC 1876-82 BPU# 822-0116	Load Forecasting
New Mexico	2087	Capacity Planning
	11-00042-UT	Rate Design
New York	27546	Costing/Rate Design
Ohio	81-1378-EL-AIR	Load Forecasting
Oklahoma	27068	Load Forecasting
	PUD 200400610	Costing/Rate Design
	PUD 200700449	Demand Side Planning
	PUD 200800348	Costing/Rate Design
	PUD 200900110	Costing/Rate Design
	PUD 201000354	Demand Side Planning
	PUD 201100170	Demand Side Planning
	PUD 201200029	Demand Side Planning
	PUD 201300007	Demand Side Planning
	PUD 201300029	Demand Side Planning
Pennsylvania	R-0061346	Costing/Rate Design
	M-2009-2092222, M-2009-2112952, M-2009-2112956	Demand Side Planning
	M-2009-2093216	Demand Side Planning
	M-2009-2093217	Demand Side Planning
	M-2009-2093218	Demand Side Planning
	M-2010-2210316	Demand Side Planning
	R-2010-2214415	Demand Side Planning
	M-2012-2334387	Demand Side Planning
	M-2012-2334388	Demand Side Planning

Jurisdiction	Docket Number	Subject
Tennessee	PURPA Hearings	Costing/Rate Design
Texas	GUD No. 9762	Costing/Rate Design
	GUD No. 10170	Costing/Rate Design
	GUD No. 10174	Costing/Rate Design
US Tax Court	4870	Life Analysis
	4875	Life Analysis
Virginia	PUE900013	Demand Side Planning
	PUE920041	Costing/Rate Design
	PUE940030	Costing/Rate Design
	PUE940031	Costing/Rate Design
	PUE950131	Capacity Planning
	PUE980813	Costing/Rate Design
	PUE-2002-00346	Costing/Rate Design
	PUE-2003-00603	Costing/Rate Design
	PUE-2006-00059	Costing/Rate Design
	PUE-2008-00060	Demand Side Planning
	PUE-2009-00064	Demand Side Planning
	PUE-2012-00118	Demand Side Planning
	PUE-2012-00138	Demand Side Planning
West Virginia	79-140-E-42T	Capacity Planning
	90-046-E-PC	Demand Side Planning
Wisconsin	05-EP-2	Capacity Planning

In addition, Mr. Raab has presented expert testimony before the Federal Energy Regulatory Commission, the Pennsylvania House Consumer Affairs Committee, the Michigan House Economic Development and Energy Committee and the Province of Saskatchewan. He is a member of the Advisory Board of the Expert Evidence Report, published by The Bureau of National Affairs, Inc.

EDUCATION

Mr. Raab holds a B.A. (with high distinction) in Economics from Rutgers University and an M.A. from SUNY at Binghamton with a concentration in Econometrics. While attending Rutgers, he studied as a Henry Rutgers Scholar.

PUBLICATIONS AND PRESENTATIONS

Mr. Raab has published in a number of professional journals and spoken at a number of industry conferences. His publications/ presentations include:

- "Natural Gas as an Electric DSM Tool," American Gas Association Membership Services Committee Meeting, Williamsburg, VA, September 15, 2009.
- "Electric-to-Gas Fuel Switching," NARUC Summer Meeting, Seattle, WA, July 20, 2009.
- "The Future of Fuel in Virginia: Natural Gas," The Twenty-Seventh National Regulatory Conference, Williamsburg, VA, May 19, 2009.
- "Revenue Decoupling for Natural Gas Utilities," Energy Bar Association Midwest Energy Conference, Chicago, IL, March 6, 2008.
- "Responses to Arrearage Problems from High Natural Gas Bills," American Gas Association Rate and Regulatory Issues Seminar, Phoenix, AZ, April 8, 2004.
- "Factors Influencing Cooperative Power Supply," National Rural Utilities Cooperative Finance Corporation Independent Borrower's Conference, Boston, MA, July 3, 1997.
- "Current Status of LDC Unbundling," American Gas Association Unbundling Conference: Regulatory and Competitive Issues, Arlington, VA, June 19, 1997.
- "Balancing, Capacity Assignment, and Stranded Costs," American Gas Association Rate and Strategic Planning Committee Spring Meeting, Phoenix, AZ, March 26, 1997.
- "Gas Industry Restructuring and Changes: The Relationship of Economics and Marketing" (with Jed Smith), National Association of Business Economists, 38th Annual Meeting, Boston, MA September 10, 1996.
- "Improving Corporate Performance By Better Forecasting," 1996 Peak Day Demand and Supply Planning Seminar, San Francisco, CA, April 11, 1996.
- "Natural Gas Price Elasticity Estimation," AGA Forecasting Review, Vol. 6, No. 1, November 1995.

- "Assessing Price Competitiveness," Competitive Analysis & Benchmarking for Power Companies, Washington, DC, November 13, 1995.

- "Avoided Cost Concepts and Management Considerations," Workshop on Avoided Costs in a Post 636 Gas Industry: Is It Time to Unbundle Avoided Cost? Sponsored by the Gas Research Institute and Wisconsin Center for Demand-Side Research, Milwaukee, WI, June 29, 1994.

- "Estimating Implied Long- and Short-Run Price Elasticities of Natural Gas Consumption," Atlantic Economic Conference, Philadelphia, PA, October 10, 1993.

- "Program Evaluation and Marginal Cost," The Natural Gas Least Cost Planning Conference, Washington, DC, April 7, 1992.

- "The New Environmentalism & Least Cost Planning," Institute for Environmental Negotiation, University of Virginia, May 15, 1991.

- "Development of Conditional Demand Estimates of Gas Appliances," AGA Forecasting Review, Vol. 1, No. 1, October 1988.

- "The Feasibility Study: Forecasting and Sensitivities," Municipal Wastewater Treatment Facilities, The Energy Bureau, Inc., November 18, 1985.

- "The Development of a Gas Sales End-Use Forecasting Model," Third International Forecasting Symposium, The International Institute of Forecasting, July 1984.

- "New Forecasting Guidelines for REC's - A Seminar," (Chairman), Kansas City, Missouri, June 1984.

- "A Method and Application of Estimating Long Run Marginal Cost for an Electric Utility," Advances in Microeconomics, Volume II, 1983.

- "Forecasting Under Public Scrutiny," Forecasting Energy and Demand Requirements, University of Wisconsin - Extension, October 25, 1982.

- "Forecasting Public Utilities," The Journal of Business Forecasting, Vol. 1, No. 4, Summer, 1982.

- "Are Utilities Underforecasting," Electric Ratemaking, Vol. 1. No. 1, February, 1982.

- "A Polynomial Spline Function Technique for Defining and Forecasting Electric Utility Load Duration Curves," First International Forecasting

Symposium, Montreal, Canada, May, 1981.

- "Time-of-Use Rates and Marginal Costs," ELCON Legal Seminar, March 20, l980.

- "The Ernst & Whinney Forecasting Model," Forecasting Energy & Demand Requirements, University of Wisconsin - Extension, October 8, l979.

- "Marginal Cost in Electric Utilities - A Multi-Technology Multi-Period Analysis" (with Frederick McCoy), ORSA/Tims Joint National Meeting, Los Angeles, California, November 13-15, 1978.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

SUMMARY OF RESULTS

		Total Company $	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
Operating Revenues		155,374,969	93,601,821	45,256,302	3,258,958	13,255,887
Operating Expenses:						
Operating & Maintenance		116,962,934	77,269,043	34,444,102	2,830,124	2,419,665
Depreciation & Amortization		16,518,181	12,321,105	2,971,705	186,120	1,039,251
Taxes Other Than Income		4,662,683	3,263,311	896,296	60,426	442,650
Total Operating Expenses		138,143,797	92,853,459	38,312,104	3,076,669	3,901,566
Income Before Taxes		17,231,172	748,363	6,946,199	182,289	9,354,321
Interest Expense		7,536,846	5,463,274	1,294,202	79,583	699,787
Income Taxes:						
State Income Taxes	6.00%	581,660	(282,695)	339,120	6,162	519,272
Federal Income Taxes	35.00%	3,189,433	(1,551,206)	1,859,507	33,790	2,847,342
Total Deferred Income Taxes		0	0	0	0	0
Amortization of ITC		0	0	0	0	0
Total Income Taxes		3,771,093	(1,834,101)	2,198,627	39,953	3,366,614
Net Income		13,460,079	2,582,463	4,747,572	142,337	5,987,707
Total Rate Base		252,914,292	183,331,353	43,429,599	2,670,569	23,482,772
Rate of Return		5.3220%	1.4086%	10.9317%	5.3298%	25.4983%
Relative Rate of Return		1.00	0.26	2.05	1.00	4.79
Equalized ROR:						
Net Income Increase		8,113,510	13,055,701	(1,043,027)	65,463	(3,984,627)
Uncollectibles/PSC Fees	0.6622%	88,520	142,441	(11,360)	932	(43,473)
Income Taxes		5,165,557	8,312,058	(664,055)	54,411	(2,536,857)
Gross Revenue After Increase		168,742,556	115,112,022	43,539,840	3,399,765	6,690,930
Revenue Increase		13,367,588	21,510,200	(1,718,462)	140.806	(6,564,957)
Rate of Return		8.5300%	8.5300%	8.5300%	8.5300%	8.5300%
Relative Rate of Return		1.00	1.00	1.00	1.00	1.00
Percent Increase		8.5465%	22.8284%	-3.7719%	4.2920%	-49.1969%
Proposed Rate Levels:						
Net Income Increase		8,113,176	5,076,925	2,168,253	98,646	769,351
Uncollectibles/PSC Fees		88,517	55,390	23,656	1,076	8,394
Income Taxes		5,165,344	3,232,281	1,380,443	62,804	489,816
Gross Revenue After Increase		168,742,006	101,966,418	48,830,654	3,421,485	14,523,448
Revenue Increase		13,367,037	8,364,597	3,572,352	162,527	1,267,561
Rate of Return		8.5299%	4.1779%	15.9242%	9.0237%	28.7745%
Relative Rate of Return		1.00	0.49	1.67	1.06	3.37
Percent Increase		8.5461%	8.8772%	7.6410%	4.9541%	9.4989%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

SUMMARY OF CUSTOMER COSTS

				Total Company $	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1	Rate Base			204,262,608	164,067,811	34,250,608	1,847,372	4,096,817
2								
3	Return @ Realized ROR			10,870,840	2,937,361	3,790,419	98,486	4,044,575
4	O&M Expenses			24,970,472	21,039,755	3,059,552	82,570	788,595
5	Depreciation Expense			14,636,238	11,527,614	2,613,522	153,774	341,327
6	Taxes, Other			3,044,886	2,469,915	479,263	23,601	72,107
7								
8	Interest Expense			6,087,026	4,889,221	1,020,668	55,052	122,085
9								
10	Income Taxes:							
11								
12	State Income Taxes	6.00%		469,769	(191,672)	271,989	4,265	385,187
13	Federal Income Taxes	35.00%		2,575,900	(1,051,001)	1,491,404	23,388	2,112,110
14	Deferred Income Taxes			0	0	0	0	0
15	Amortization of ITC			0	0	0	0	0
16								
17	Total Income Taxes			3,045,669	(1,242,673)	1,763,393	27,653	2,497,297
18								
19	Total Customer-Related Costs @ Realized ROR			56,568,105	36,731,972	11,706,149	386,084	7,743,901
20	Total Demand-Related Costs @ Realized ROR			6,097,743	1,092,260	1,687,813	105,614	3,212,056
21	Total Fixed Costs			62,665,848	37,824,232	13,393,961	491,698	10,955,957
22								
23	Total Customers			2,078,493	1,846,837	226,666	2,396	2,594
24	Customer Costs ($/customer/month)		$	30.15	$ 20.48	$ 59.09	$ 205.22	$ 4,223.58
25								
26								
27	Incremental Return @ Equalized ROR			6,552,760	11,057,623	(868,842)	59,095	(3,695,116)
28	Uncollectibles/PSC Fees			71,492	120,641	(9,479)	645	(40,315)
29	Incremental Income Taxes			4,171,888	7,039,960	(553,158)	37,623	(2,352,537)
30								
31	Total Customer-Related Costs @ Equalized ROR			67,364,246	54,950,196	10,274,669	483,447	1,655,933
32	Customers			2,078,493	1,846,837	226,666	2,396	2,594
33	Dollars/Customer/Month		$	32.41	$ 29.75	$ 45.33	$ 201.77	$ 638.37
34								
35								
36	Incremental Return @ Proposed Rates			6,552,490	6,007,590	1,163,650	67,439	(686,189)
37	Uncollectibles/PSC Fees			71,490	86,977	4,070	700	(20,257)
38	Incremental Income Taxes			4,171,888	7,039,960	(553,158)	37,623	(2,352,537)
39								
40	Total Customer-Related Costs @ Proposed Rates			67,363,974	49,866,499	12,320,710	491,847	4,684,918
41	Customers			2,078,493	1,846,837	226,666	2,396	2,594
42	Dollars/Customer/Month		$	32.41	$ 27.00	$ 54.36	$ 205.28	$ 1,806.06

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

SUMMARY OF DEMAND COSTS

			Total Company $	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1	Rate Base		32,672,290	13,980,031	6,283,535	565,651	11,843,073
2							
3	Return @ Realized ROR		1,738,817	(182,798)	649,132	30,131	1,242,352
4	O&M Expenses		1,541,583	659,622	296,477	26,689	558,794
5	Depreciation Expense		1,779,300	761,338	342,195	30,805	644,962
6	Taxes, Other		550,882	235,715	105,946	9,537	199,684
7							
8	Interest Expense		973,634	416,605	187,249	16,856	352,924
9							
10	Income Taxes:						
11							
12	State Income Taxes	6.00%	75,141	(58,861)	45,357	1,304	87,342
13	Federal Income Taxes	35.00%	412,021	(322,756)	248,706	7,148	478,923
14	Deferred Income Taxes		0	0	0	0	0
15	Amortization of ITC		0	0	0	0	0
16							
17	Total Income Taxes		487,162	(381,617)	294,063	8,451	566,265
18							
19	Total Demand-Related Costs @ Realized ROR		6,097,743	1,092,260	1,687,813	105,614	3,212,056
20							
21							
22	Incremental Return @ Equalized ROR		1,048,130	1,375,295	(113,147)	18,119	(232,138)
23	Uncollectibles/PSC Fees		11,435	15,005	(1,234)	198	(2,533)
23	Incremental Income Taxes		667,303	875,597	(72,036)	11,536	(147,793)
24							
25	Total Demand-Related Costs @ Equalized ROR		7,824,611	3,358,157	1,501,396	135,466	2,829,592
26							
27							
28	Incremental Return @ Proposed Rates		1,048,086	(489,986)	637,608	21,201	879,263
29	Uncollectibles/PSC Fees		11,435	2,571	3,770	218	4,876
29	Incremental Income Taxes		667,303	875,597	(72,036)	11,536	(147,793)
30							
31	Total Demand-Related Costs @ Proposed Rates		7,824,568	1,480,442	2,257,155	138,569	3,948,402

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

SUMMARY OF COMMODITY COSTS

				Total Company $		Residential		Commercial & Public Authority		Firm Industrial		Interruptible & Transportation
1	Rate Base			15,979,394		5,283,510		2,895,456		257,545		7,542,882
2												
3	Return @ Realized ROR			850,422		(172,099)		308,021		13,720		700,781
4	O&M Expenses			90,450,879		55,569,666		31,088,073		2,720,864		1,072,276
5	Depreciation Expense			102,643		32,152		15,989		1,541		52,962
6	Taxes, Other			1,066,915		557,681		311,087		27,287		170,859
7												
8	Interest Expense			476,186		157,449		86,285		7,675		224,778
9												
10	Income Taxes:											
11												
12	State Income Taxes	6.00%		36,750		(32,361)		21,774		594		46,743
13	Federal Income Taxes	35.00%		201,512		(177,449)		119,397		3,255		256,309
14	Deferred Income Taxes			0		0		0		0		0
15	Amortization of ITC			0		0		0		0		0
16												
17	Total Income Taxes			238,262		(209,810)		141,171		3,849		303,053
18												
19	Total Commodity-Related Costs			92,709,121		55,777,589		31,864,341		2,767,260		2,299,930
20	Total Throughput			42,314,959		9,637,652		5,380,137		471,075		26,826,095
21	Commodity Costs ($/Mcf)		$	2.19093	$	5.78747	$	5.92259	$	5.87435	$	0.08573
22												
23												
24	Incremental Return @ Equalized ROR			512,620		622,783		(61,039)		8,249		(57,373)
25	Uncollectibles/PSC Fees			5,593		6,795		(666)		90		(626)
25	Incremental Income Taxes			326,365		396,502		(38,861)		5,252		(36,527)
26												
27	Total Commodity-Related Costs @ Equalized ROR			93,553,699		56,803,668		31,763,775		2,780,851		2,205,405
28	Total Throughput			42,314,959		9,637,652		5,380,137		471,075		26,826,095
29	Commodity Costs ($/Mcf)		$	2.21	$	5.89	$	5.90	$	5.90	$	0.08
30												
31												
32	Incremental Return @ Proposed Rates			512,599		(440,679)		366,995		10,006		576,276
33	Uncollectibles/PSC Fees			5,593		(294)		2,187		102		3,598
33	Incremental Income Taxes			326,365		396,502		(38,861)		5,252		(36,527)
34												
35	Total Commodity-Related Costs @ Proposed Rates			93,553,678		55,733,118		32,194,662		2,782,620		2,843,278
36	Total Throughput			42,314,959		9,637,652		5,380,137		471,075		26,826,095
37	Commodity Costs ($/Mcf)		$	2.21	$	5.78	$	5.98	$	5.91	$	0.11

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

TOTAL COST OF SERVICE

		Total Company $	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1	Rate Base	252,914,292	183,331,353	43,429,599	2,670,569	23,482,772
2						
3	Return @ Realized ROR	13,460,079	2,582,463	4,747,572	142,337	5,987,707
4	O&M Expenses	116,962,934	77,269,043	34,444,102	2,830,124	2,419,665
5	Depreciation Expense	16,518,181	12,321,105	2,971,705	186,120	1,039,251
6	Taxes, Other	4,662,683	3,263,311	896,296	60,426	442,650
7						
8	Interest Expense	7,536,846	5,463,274	1,294,202	79,583	699,787
9						
10	Income Taxes:					
11						
12	State Income Taxes	581,660	(282,895)	339,120	6,162	519,272
13	Federal Income Taxes	3,189,433	(1,551,206)	1,859,507	33,790	2,847,342
14	Deferred Income Taxes	0	0	0	0	0
15	Amortization of ITC	0	0	0	0	0
16						
17	Total Income Taxes	3,771,093	(1,834,101)	2,198,627	39,953	3,366,614
18						
19	Total Cost of Service @ Realized ROR	155,374,969	93,601,821	45,258,302	3,258,958	13,255,887
20						
21						
22	Incremental Return @ Equalized ROR	8,113,510	13,055,701	(1,043,027)	85,463	(3,984,627)
23	Uncollectibles/PSC Fees	88,520	142,441	(11,380)	932	(43,473)
24	Incremental Income Taxes	5,165,557	8,312,058	(664,055)	54,411	(2,536,857)
25						
26	Total Cost of Service @ Equalized ROR	168,742,556	115,112,022	43,539,840	3,399,765	6,690,930
27						
28						
29	Incremental Return @ Proposed Rates	8,113,176	5,076,925	2,168,253	98,646	769,351
30	Uncollectibles/PSC Fees	88,517	89,253	10,027	1,020	(11,782)
30	Incremental Income Taxes	5,165,344	8,312,058	(664,055)	54,411	(2,536,857)
31						
32	Total Cost of Service @ Proposed Rates	168,742,006	107,080,058	46,772,528	3,413,036	11,476,598

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF GROSS PLANT IN SERVICE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Intangible Plant:						
2								
3	30100	Organization	8,330	5.4	P, S, T & D Plant	6,909	1,315	106
4	30200	Franchises & Consents	119,853	5.4	P, S, T & D Plant	99,409	18,917	1,526
5	30300	Misc Intangible Plant	-	99.0	-	-	-	-
6								
7		Total Intangible Plant:	128,182			106,318	20,232	1,632
8								
9		Production Plant:						
10								
11	32520	Producing Leaseholds	2,353	2.0	Demand	-	2,353	-
12	32540	Rights of Ways	83,422	2.0	Demand	-	83,422	-
13	33100	Production Gas Wells Equipment	3,492	2.0	Demand	-	3,492	-
14	33201	Field Lines	47,163	2.0	Demand	-	47,163	-
15	33202	Tributary Lines	528,218	2.0	Demand	-	528,218	-
16	33400	Field Meas. & Reg. Sta. Equip	192,384	2.0	Demand	-	192,384	-
17	33600	Purification Equipment	44,369	2.0	Demand	-	44,369	-
18								
19		Total Production Plant	901,402			0	901,402	0
20								
21		Storage Plant:						
22								
23	35010	Land	261,127	3.5	Storage (50/50)	-	130,563	130,563
24	35020	Rights of Way	4,682	3.5	Storage (50/50)	-	2,341	2,341
25	35100	Structures and Improvements	17,916	3.5	Storage (50/50)	-	8,958	8,958
26	35102	Compression Station Equipment	153,261	3.5	Storage (50/50)	-	76,631	76,631
27	35103	Meas. & Reg. Sta. Structues	23,138	3.5	Storage (50/50)	-	11,569	11,569
28	35104	Other Structures	137,443	3.5	Storage (50/50)	-	68,721	68,721
29	35200	Wells \ Rights of Way	4,442,222	3.5	Storage (50/50)	-	2,221,111	2,221,111
30	35201	Well Construction	1,340,863	3.5	Storage (50/50)	-	670,431	670,431
31	35202	Well Equipment	455,309	3.5	Storage (50/50)	-	227,654	227,654
32	35203	Cushion Gas	1,694,833	3.5	Storage (50/50)	-	847,416	847,416
33	35210	Leaseholds	178,530	3.5	Storage (50/50)	-	89,265	89,265
34	35211	Storage Rights	54,614	3.5	Storage (50/50)	-	27,307	27,307
35	35301	Field Lines	178,497	3.5	Storage (50/50)	-	89,248	89,248
36	35302	Tributary Lines	209,458	3.5	Storage (50/50)	-	104,729	104,729
37	35400	Compressor Station Equipment	923,446	3.5	Storage (50/50)	-	461,723	461,723
38	35500	Meas & Reg. Equipment	240,883	3.5	Storage (50/50)	-	120,442	120,442
39	35600	Purification Equipment	163,979	3.5	Storage (50/50)	-	81,990	81,990
40								
41		Total Storage Plant	10,480,201			0	5,240,101	5,240,101
42								
43		Transmission:						
44								
45	36510	Land & Land Rights	26,970	2.0	Demand	-	26,970	-
46	36520	Rights of Way	867,772	2.0	Demand	-	867,772	-
47	36602	Structures & Improvements	49,002	2.0	Demand	-	49,002	-
48	36603	Other Structues	60,826	2.0	Demand	-	60,826	-
49	36700	Mains Cathodic Protection	406,035	2.0	Demand	-	406,035	-
50	36701	Mains - Steel	27,830,935	2.0	Demand	-	27,830,935	-
51	36900	Meas. & Reg. Equipment	578,023	2.0	Demand	-	578,023	-
52	36901	Meas. & Reg. Equipment	2,274,016	2.0	Demand	-	2,274,016	-
53								
54		Total Transmission Plant	32,093,579			0	32,093,579	0
55								
56		Distribution:						
57								
58	37400	Land & Land Rights	531,819	4.0	Mains	455,023	76,796	-
59	37401	Land	37,326	4.0	Mains	31,936	5,390	-
60	37402	Land Rights	253,401	4.0	Mains	216,809	36,592	-
61	37403	Land Other	2,784	4.0	Mains	2,382	402	-
62	37500	Structures & Improvements	343,073	4.0	Mains	293,532	49,540	-
63	37501	Structures & Improvements T.B.	101,507	4.0	Mains	86,849	14,658	-
64	37502	Land Rights	46,591	4.0	Mains	39,863	6,728	-
65	37503	Improvements	4,005	4.0	Mains	3,427	578	-
66	37600	Mains Cathodic Protection	11,318,115	4.0	Mains	9,683,755	1,634,361	-
67	37601	Mains - Steel	97,584,394	4.0	Mains	83,492,995	14,091,399	-
68	37602	Mains - Plastic	65,722,013	4.0	Mains	56,231,611	9,490,402	-
69	37800	Meas & Reg. Sta. Equip - General	5,367,160	4.0	Mains	4,592,130	775,030	-
70	37900	Meas & Reg. Sta. Equip - City Gate	2,272,991	4.0	Mains	1,944,766	328,225	-
71	37905	Meas & Reg. Sta. Equipment T.b.	1,394,628	4.0	Mains	1,193,241	201,387	-
72	38000	Services	98,853,417	1.0	Customer	98,853,417	-	-
73	38100	Meters	22,574,136	1.0	Customer	22,574,136	-	-
74	38200	Meter Installaitons	49,157,106	1.0	Customer	49,157,106	-	-
75	38300	House Regulators	7,239,801	1.0	Customer	7,239,801	-	-
76	38400	House Reg. Installations	154,276	1.0	Customer	154,276	-	-
77	38500	Ind. Meas. & Reg. Sta. Equipment	5,045,015	1.0	Customer	5,045,015	-	-
78	38600	Other Prop. On Cust. Prem	-	99.0	-	-	-	-
79								
80		Total Distribution Plant	368,003,558			341,292,072	26,711,487	0

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF GROSS PLANT IN SERVICE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
81								
82		General:						
83								
84	38900	Land & Land Rights	786,216	5.4	P, S, T & D Plant	652,110	124,094	10,012
85	39000	Structures & Improvements	3,619,684	5.4	P, S, T & D Plant	3,002,268	571,320	46,096
86	39001	Structures Frame	-	5.4	P, S, T & D Plant	-	-	-
87	39002	Structures-Brick	178,755	5.4	P, S, T & D Plant	148,265	28,214	2,276
88	39003	Improvements	725,022	5.4	P, S, T & D Plant	601,354	114,435	9,233
89	39004	Air Conditioning Equipment	7,461	5.4	P, S, T & D Plant	6,189	1,178	95
90	39009	Improvement to leased Premises	1,279,376	5.4	P, S, T & D Plant	1,061,150	201,933	16,293
91	39100	Office Furniture & Equipment	1,475,298	5.4	P, S, T & D Plant	1,223,654	232,857	18,788
92	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
93	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
94	39200	Transportation Equipment	395,444	5.4	P, S, T & D Plant	327,993	62,416	5,036
95	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
96	39202	Trailers	33,192	5.4	P, S, T & D Plant	27,530	5,239	423
97	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
98	39400	Tools, Shop & Garage Equipment	2,197,415	5.4	P, S, T & D Plant	1,822,598	346,833	27,984
99	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
100	39603	Ditchers	53,704	5.4	P, S, T & D Plant	44,543	8,476	684
101	39604	Backhoes	62,747	5.4	P, S, T & D Plant	52,044	9,904	799
102	39605	Welders	33,236	5.4	P, S, T & D Plant	27,567	5,246	423
103	39700	Communication Equipment	376,277	5.4	P, S, T & D Plant	312,095	59,390	4,792
104	39701	Communication Equipment - Mobile Radi	-	5.4	P, S, T & D Plant	-	-	-
105	39702	Communication Equipment - Fixed Radic	-	5.4	P, S, T & D Plant	-	-	-
106	39705	Communication Equip. - Telemetering	66,316	5.4	P, S, T & D Plant	55,004	10,467	845
107	39800	Miscellaneous Equipment	2,521,971	5.4	P, S, T & D Plant	2,091,794	398,060	32,117
108	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
109	39901	Other Tangible Property - Servers - H	175,990	5.4	P, S, T & D Plant	145,971	27,778	2,241
110	39902	Other Tangible Property - Servers - S	73,566	5.4	P, S, T & D Plant	61,018	11,611	937
111	39903	Other Tangible Property - Network - F	-	5.4	P, S, T & D Plant	-	-	-
112	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
113	39905	Other Tangible Property - MF - Hardwa	-	5.4	P, S, T & D Plant	-	-	-
114	39906	Other Tang. Property - PC Hardware	195,649	5.4	P, S, T & D Plant	162,277	30,881	2,492
115	39907	Other Tang. Property - PC Software	-	5.4	P, S, T & D Plant	-	-	-
116	39908	Other Tang. Property - Mainframe S/W	-	5.4	P, S, T & D Plant	-	-	-
117	39909	Other Tang. Property - Application Sc	-	5.4	P, S, T & D Plant	-	-	-
118	39924	Other Tang. Property - General Start	-	5.4	P, S, T & D Plant	-	-	-
119								
120		Total General Plant	14,257,320			11,825,423	2,250,333	181,564
121								
122		TOTAL DIRECT PLANT	425,864,243			353,223,813	67,217,133	5,423,297
123								
124		CWIP w/o AFUDC	7,949,586	5.4	P, S, T & D Plant	6,593,611	1,254,739	101,236
125								
126		Kentucky Mid-States General Office:						
127								
128		Intangible Plant:						
129								
130	30100	Organization	92,661	5.4	P, S, T & D Plant	76,856	14,625	1,180
131	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
132	30300	Misc Intangible Plant	554,814	5.4	P, S, T & D Plant	460,178	87,570	7,065
133								
134		Total Intangible Plant:	647,474			537,034	102,195	8,245
135								
136		General:						
137								
138	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
139	39001	Structures Frame	89,675	5.4	P, S, T & D Plant	74,379	14,154	1,142
140	39004	Air Conditioning Equipment	2,886	5.4	P, S, T & D Plant	2,393	455	37
141	39009	Improvement to leased Premises	19,418	5.4	P, S, T & D Plant	16,106	3,065	247
142	39100	Office Furniture & Equipment	44,069	5.4	P, S, T & D Plant	36,552	6,956	561
143	39200	Transportation Equipment	2,055	5.4	P, S, T & D Plant	1,704	324	26
144	39300	Stores Equipment	2,081	5.4	P, S, T & D Plant	1,726	328	26
145	39400	Tools, Shop & Garage Equipment	71,284	5.4	P, S, T & D Plant	59,125	11,251	908
146	39600	Power Operated Equipment	9,768	5.4	P, S, T & D Plant	8,102	1,542	124
147	39700	Communication Equipment	19,000	5.4	P, S, T & D Plant	15,759	2,999	242
148	39800	Miscellaneous Equipment	412,511	5.4	P, S, T & D Plant	342,149	65,110	5,253
149	39900	Other Tangible Property	38,499	5.4	P, S, T & D Plant	31,932	6,077	490
150	39901	Other Tangible Property - Servers - H/W	172,108	5.4	P, S, T & D Plant	142,752	27,165	2,192
151	39902	Other Tangible Property - Servers - S/W	4,137	5.4	P, S, T & D Plant	3,431	653	53
152	39903	Other Tangible Property - Network - H/W	108,270	5.4	P, S, T & D Plant	89,802	17,089	1,379
153	39906	Other Tang. Property - PC Hardware	341,887	5.4	P, S, T & D Plant	283,571	53,962	4,354
154	39907	Other Tang. Property - PC Software	-	5.4	P, S, T & D Plant	-	-	-
155	39908	Other Tang. Property - Mainframe S/W	-	5.4	P, S, T & D Plant	-	-	-
156								
157		Total General Plant	1,337,649			1,109,484	211,130	17,035
158								
159		CWIP w/o AFUDC	169,180	5.4	P, S, T & D Plant	140,323	26,703	2,154
160								

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF GROSS PLANT IN SERVICE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
161		Shared Services General Office:						
162								
163		General:						
164								
165	39000	Structures & Improvements	6,927	5.4	P, S, T & D Plant	5,745	1,093	88
166	39005	G-Structures & Improvements	128,243	5.4	P, S, T & D Plant	106,369	20,242	1,633
167	39009	Improvement to leased Premises	516,609	5.4	P, S, T & D Plant	428,490	81,540	6,579
168	39100	Office Furniture & Equipment	530,191	5.4	P, S, T & D Plant	439,755	83,684	6,752
169	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
170	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
171	39104	G-Office Furniture & Equip.	893	5.4	P, S, T & D Plant	741	141	11
172	39200	Transportation Equipment	5,503	5.4	P, S, T & D Plant	4,564	869	70
173	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
174	39400	Tools, Shop & Garage Equipment	14,142	5.4	P, S, T & D Plant	11,729	2,232	180
175	39500	Laboratory Equipment	2,347	5.4	P, S, T & D Plant	1,947	370	30
176	39700	Communication Equipment	158,860	5.4	P, S, T & D Plant	131,763	25,074	2,023
177	39800	Miscellaneous Equipment	21,546	5.4	P, S, T & D Plant	17,871	3,401	274
178	39900	Other Tangible Property	9,006	5.4	P, S, T & D Plant	7,470	1,422	115
179	39901	Other Tangible Property - Servers - H/W	1,668,562	5.4	P, S, T & D Plant	1,383,952	263,361	21,249
180	39902	Other Tangible Property - Servers - S/W	858,974	5.4	P, S, T & D Plant	712,457	135,578	10,939
181	39903	Other Tangible Property - Network - H/W	201,953	5.4	P, S, T & D Plant	167,505	31,876	2,572
182	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
183	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
184	39906	Other Tang. Property - PC Hardware	145,811	5.4	P, S, T & D Plant	120,940	23,014	1,857
185	39907	Other Tang. Property - PC Software	53,910	5.4	P, S, T & D Plant	44,714	8,509	687
186	39908	Other Tang. Property - Mainframe S/W	5,761,472	5.4	P, S, T & D Plant	4,778,727	909,373	73,371
187	39909	Other Tang. Property - Application Software	145,121	5.4	P, S, T & D Plant	120,368	22,905	1,848
188	39924	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
189								
190		Total General Plant	10,230,069			8,485,108	1,614,683	130,278
191								
192		CWIP w/o AFUDC	357,845	5.4	P, S, T & D Plant	296,807	56,481	4,557
193								
194		Shared Services Customer Support:						
195								
196		General:						
197								
198	38900	Land	164,345	5.4	P, S, T & D Plant	136,312	25,940	2,093
199	38910	CKV-Land & Land Rights	14,993	5.4	P, S, T & D Plant	12,435	2,366	191
200	39000	Structures & Improvements	755,564	5.4	P, S, T & D Plant	626,686	119,256	9,622
201	39009	Improvement to leased Premises	259,245	5.4	P, S, T & D Plant	215,025	40,918	3,301
202	39010	CKV-Structures & Improvements	82,629	5.4	P, S, T & D Plant	68,535	13,042	1,052
203	39100	Office Furniture & Equipment	65,363	5.4	P, S, T & D Plant	54,214	10,317	832
204	39700	Communication Equipment	118,380	5.4	P, S, T & D Plant	98,188	18,685	1,508
205	39710	CKV-Communication Equipment	2,158	5.4	P, S, T & D Plant	1,790	341	27
206	39800	Miscellaneous Equipment	5,452	5.4	P, S, T & D Plant	4,522	861	69
207	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
208	39901	Other Tangible Property - Servers - H/W	332,188	5.4	P, S, T & D Plant	275,526	52,432	4,230
209	39902	Other Tangible Property - Servers - S/W	154,557	5.4	P, S, T & D Plant	128,194	24,395	1,968
210	39903	Other Tangible Property - Network - H/W	110,823	5.4	P, S, T & D Plant	91,920	17,492	1,411
211	39906	Other Tang. Property - PC Hardware	71,420	5.4	P, S, T & D Plant	59,237	11,273	910
212	39907	Other Tang. Property - PC Software	28,967	5.4	P, S, T & D Plant	24,026	4,572	369
213	39908	Other Tang. Property - Mainframe S/W	5,586,709	5.4	P, S, T & D Plant	4,633,774	881,789	71,146
214	39910	CKV-Other Tangible Property	945	5.4	P, S, T & D Plant	784	149	12
215	39916	CKV-Oth Tang Prop-PC Hardware	1,541	5.4	P, S, T & D Plant	1,278	243	20
216	39917	CKV-Oth Tang Prop-PC Software	719	5.4	P, S, T & D Plant	597	114	9
217	39924	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
218								
219		Total General Plant	7,755,998			6,433,044	1,224,183	98,771
220								
221		CWIP w/o AFUDC	65,180	5.4	P, S, T & D Plant	54,062	10,288	830
222								
223		TOTAL PLANT IN SERVICE	445,835,433			369,788,482	70,369,325	5,677,626
224								
225		TOTAL CWIP W/O AFUDC	8,541,792			7,084,803	1,348,211	108,778

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Intangible Plant:						
2								
3	30100	Organization	8,330	5.4	P, S, T & D Plant	6,909	1,315	106
4	30200	Franchises & Consents	119,853	5.4	P, S, T & D Plant	99,409	18,917	1,526
5	30300	Misc Intangible Plant	-	99.0	-	-	-	-
6								
7		Total Intangible Plant:	128,182			106,318	20,232	1,632
8								
9		Production Plant:						
10								
11	32520	Producing Leaseholds	904	2.0	Demand	-	904	-
12	32540	Rights of Ways	12,963	2.0	Demand	-	12,963	-
13	33100	Production Gas Wells Equipment	3,492	2.0	Demand	-	3,492	-
14	33201	Field Lines	47,163	2.0	Demand	-	47,163	-
15	33202	Tributary Lines	529,956	2.0	Demand	-	529,956	-
16	33400	Field Meas. & Reg. Sta. Equip	191,854	2.0	Demand	-	191,854	-
17	33600	Purification Equipment	15,287	2.0	Demand	-	15,287	-
18								
19		Total Production Plant	801,619			0	801,619	0
20								
21		Storage Plant:						
22								
23	35010	Land	-	3.5	Storage (50/50)	-	-	-
24	35020	Rights of Way	4,682	3.5	Storage (50/50)	-	2,341	2,341
25	35100	Structures and Improvements	5,641	3.5	Storage (50/50)	-	2,821	2,821
26	35102	Compression Station Equipment	122,115	3.5	Storage (50/50)	-	61,058	61,058
27	35103	Meas. & Reg. Sta. Structues	24,295	3.5	Storage (50/50)	-	12,148	12,148
28	35104	Other Structures	141,034	3.5	Storage (50/50)	-	70,517	70,517
29	35200	Wells \ Rights of Way	589,836	3.5	Storage (50/50)	-	294,918	294,918
30	35201	Well Construction	1,182,091	3.5	Storage (50/50)	-	591,046	591,046
31	35202	Well Equipment	573,862	3.5	Storage (50/50)	-	286,931	286,931
32	35203	Cushion Gas	270,382	3.5	Storage (50/50)	-	135,191	135,191
33	35210	Leaseholds	178,619	3.5	Storage (50/50)	-	89,310	89,310
34	35211	Storage Rights	53,699	3.5	Storage (50/50)	-	26,849	26,849
35	35301	Field Lines	187,422	3.5	Storage (50/50)	-	93,711	93,711
36	35302	Tributary Lines	219,931	3.5	Storage (50/50)	-	109,966	109,966
37	35400	Compressor Station Equipment	388,075	3.5	Storage (50/50)	-	194,037	194,037
38	35500	Meas & Reg. Equipment	240,238	3.5	Storage (50/50)	-	120,119	120,119
39	35600	Purification Equipment	163,999	3.5	Storage (50/50)	-	82,000	82,000
40								
41		Total Storage Plant	4,345,921			0	2,172,961	2,172,961
42								
43		Transmission:						
44								
45	36510	Land & Land Rights	16	2.0	Demand	-	16	-
46	36520	Rights of Way	434,585	2.0	Demand	-	434,585	-
47	36602	Structures & Improvements	(1,441)	2.0	Demand	-	(1,441)	-
48	36603	Other Structues	60,585	2.0	Demand	-	60,585	-
49	36700	Mains Cathodic Protection	303,101	2.0	Demand	-	303,101	-
50	36701	Mains - Steel	17,004,632	2.0	Demand	-	17,004,632	-
51	36900	Meas. & Reg. Equipment	242,952	2.0	Demand	-	242,952	-
52	36901	Meas. & Reg. Equipment	1,805,542	2.0	Demand	-	1,805,542	-
53								
54		Total Transmission Plant	19,849,972			0	19,849,972	0
55								
56		Distribution:						
57								
58	37400	Land & Land Rights	57,145	4.0	Mains	48,893	8,252	-
59	37401	Land	(7,250)	4.0	Mains	(6,203)	(1,047)	-
60	37402	Land Rights	57,120	4.0	Mains	48,871	8,248	-
61	37403	Land Other	-	4.0	Mains	-	-	-
62	37500	Structures & Improvements	101,365	4.0	Mains	86,728	14,637	-
63	37501	Structures & Improvements T.B.	98,146	4.0	Mains	83,974	14,173	-
64	37502	Land Rights	46,641	4.0	Mains	39,906	6,735	-
65	37503	Improvements	1,092	4.0	Mains	934	158	-
66	37600	Mains Cathodic Protection	2,463,162	4.0	Mains	2,107,476	355,686	-
67	37601	Mains - Steel	43,447,799	4.0	Mains	37,173,842	6,273,957	-
68	37602	Mains - Plastic	13,236,019	4.0	Mains	11,324,709	1,911,310	-
69	37800	Meas & Reg. Sta. Equip - General	1,727,152	4.0	Mains	1,477,747	249,404	-
70	37900	Meas & Reg. Sta. Equip - City Gate	397,966	4.0	Mains	340,499	57,467	-
71	37905	Meas & Reg. Sta. Equipment T.b.	1,207,742	4.0	Mains	1,033,341	174,401	-
72	38000	Services	47,464,180	1.0	Customer	47,464,180	-	-
73	38100	Meters	8,831,960	1.0	Customer	8,831,960	-	-
74	38200	Meter Installaitons	10,090,016	1.0	Customer	10,090,016	-	-
75	38300	House Regulators	3,231,320	1.0	Customer	3,231,320	-	-
76	38400	House Reg. Installations	122,845	1.0	Customer	122,845	-	-
77	38500	Ind. Meas. & Reg. Sta. Equipment	2,894,605	1.0	Customer	2,894,605	-	-
78	38600	Other Prop. On Cust. Prem	-	99.0	-	-	-	-
79								
80		Total Distribution Plant	135,489,023			126,395,642	9,073,380	0

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
81								
82		General:						
83								
84	38900	Land & Land Rights	25,654	5.4	P, S, T & D Plant	21,278	4,049	327
85	39000	Structures Frame	612,960	5.4	P, S, T & D Plant	508,406	96,748	7,806
86	39002	Improvements	179,032	5.4	P, S, T & D Plant	148,494	28,258	2,280
87	39003	Air Conditioning Equipment	538,256	5.4	P, S, T & D Plant	446,445	84,957	6,855
88	39004	Improvement to leased Premises	7,480	5.4	P, S, T & D Plant	6,204	1,181	95
89	39009	Office Furniture & Equipment	1,277,363	5.4	P, S, T & D Plant	1,059,481	201,615	16,267
90	39100	Remittance Processing Equip	280,045	5.4	P, S, T & D Plant	232,277	44,201	3,566
91	39103	Transportation Equipment	(107,598)	5.4	P, S, T & D Plant	(89,245)	(16,983)	(1,370)
92	39200	Trucks	403,130	5.4	P, S, T & D Plant	334,367	63,629	5,134
93	39201	Trailers	4,973	5.4	P, S, T & D Plant	4,125	785	63
94	39202	Stores Equipment	48,607	5.4	P, S, T & D Plant	40,316	7,672	619
95	39400	Power Operated Equipment	385,061	5.4	P, S, T & D Plant	319,380	60,777	4,904
96	39603	Backhoes	(161,532)	5.4	P, S, T & D Plant	(133,979)	(25,496)	(2,057)
97	39604	Welders	(13,233)	5.4	P, S, T & D Plant	(10,976)	(2,089)	(169)
98	39605	Communication Equipment	21,395	5.4	P, S, T & D Plant	17,745	3,377	272
99	39700	Communication Equipment - Mobile Rad	(215,752)	5.4	P, S, T & D Plant	(178,950)	(34,054)	(2,748)
100	39701	Communication Equipment - Fixed Radi	(22,087)	5.4	P, S, T & D Plant	(18,320)	(3,486)	(281)
101	39702	Communication Equip. - Telemetering	(34,136)	5.4	P, S, T & D Plant	(28,313)	(5,388)	(435)
102	39705	Miscellaneous Equipment	(122,518)	5.4	P, S, T & D Plant	(101,620)	(19,338)	(1,560)
103	39800	Other Tangible Property	581,115	5.4	P, S, T & D Plant	481,993	91,721	7,400
104	39900	Other Tangible Property - Servers -	-	5.4	P, S, T & D Plant	-	-	-
105	39901	Other Tangible Property - Servers -	175,990	5.4	P, S, T & D Plant	145,971	27,778	2,241
106	39902	Other Tangible Property - Network -	78,554	5.4	P, S, T & D Plant	65,155	12,399	1,000
107	39903	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
108	39904	Other Tangible Property - MF - Hardw	-	5.4	P, S, T & D Plant	-	-	-
109	39905	Other Tang. Property - PC Hardware	-	5.4	P, S, T & D Plant	-	-	-
110	39906	Other Tang. Property - PC Software	(2,045,235)	5.4	P, S, T & D Plant	(1,696,376)	(322,814)	(26,046)
111	39907	Other Tang. Property - Mainframe S/W	-	5.4	P, S, T & D Plant	-	-	-
112	39908	Other Tang. Property - Application S	-	5.4	P, S, T & D Plant	-	-	-
113		AR 15 general plant amortization	119,747	5.4	P, S, T & D Plant	99,321	18,900	1,525
114		Retirement Work in Progress	(4,706,121)	5.4	P, S, T & D Plant	(3,903,390)	(742,800)	(59,932)
115								
116		Total General Plant	(2,688,852)			(2,230,210)	(424,400)	(34,242)
117								
118		TOTAL DIRECT RESERVE FOR DEPRECIATION	157,905,864			124,271,750	31,493,763	2,140,351
119								
120		Kentucky Mid-States General Office:						
121								
122		Intangible Plant:						
123								
124	30100	Organization	-	5.4	P, S, T & D Plant	-	-	-
125	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
126	30300	Misc Intangible Plant	-	5.4	P, S, T & D Plant	-	-	-
127								
128		Total Intangible Plant:	0			0	0	0
129								
130		General:						
131								
132	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
133	39001	Structures Frame	24,929	5.4	P, S, T & D Plant	20,677	3,935	317
134	39004	Air Conditioning Equipment	2,886	5.4	P, S, T & D Plant	2,393	455	37
135	39009	Improvement to leased Premises	24,544	5.4	P, S, T & D Plant	20,358	3,874	313
136	39100	Office Furniture & Equipment	35,136	5.4	P, S, T & D Plant	29,143	5,546	447
137	39200	Transportation Equipment	3,829	5.4	P, S, T & D Plant	3,176	604	49
138	39300	Stores Equipment	1,785	5.4	P, S, T & D Plant	1,481	282	23
139	39400	Tools, Shop & Garage Equipment	31,963	5.4	P, S, T & D Plant	26,511	5,045	407
140	39600	Power Operated Equipment	7,737	5.4	P, S, T & D Plant	6,417	1,221	99
141	39700	Communication Equipment	(6,551)	5.4	P, S, T & D Plant	(5,434)	(1,034)	(83)
142	39800	Miscellaneous Equipment	222,014	5.4	P, S, T & D Plant	184,145	35,042	2,827
143	39900	Other Tangible Property	38,499	5.4	P, S, T & D Plant	31,932	6,077	490
144	39901	Other Tangible Property - Servers -	101,983	5.4	P, S, T & D Plant	84,587	16,097	1,299
145	39902	Other Tangible Property - Servers -	5,759	5.4	P, S, T & D Plant	4,777	909	73
146	39903	Other Tangible Property - Network -	108,270	5.4	P, S, T & D Plant	89,802	17,089	1,379
147	39906	Other Tang. Property - PC Hardware	(360,590)	5.4	P, S, T & D Plant	(299,084)	(56,914)	(4,592)
148	39907	Other Tang. Property - PC Software	-	5.4	P, S, T & D Plant	-	-	-
149	39908	Other Tang. Property - Mainframe S/W	521,687	5.4	P, S, T & D Plant	432,702	82,342	6,644
150		Retirement Work in Progress	24,381	5.4	P, S, T & D Plant	20,222	3,848	310
151								
152		Total General Plant	788,261			653,806	124,417	10,038
153								

Atmos Energy Corporation, Kentucky/Mid-States Division
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CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
154		Shared Services General Office:						
155								
156		General:						
157								
158	39000	Structures & Improvements	367	5.4	P, S, T & D Plant	304	58	5
159	39005	G-Structures & Improvements	41,632	5.4	P, S, T & D Plant	34,530	6,571	530
160	39009	Improvement to leased Premises	508,868	5.4	P, S, T & D Plant	422,069	80,318	6,480
161	39100	Office Furniture & Equipment	336,303	5.4	P, S, T & D Plant	278,940	53,081	4,283
162	39102	Remittance Processing Equip	325	5.4	P, S, T & D Plant	270	51	4
163	39103	Office Machines	160	5.4	P, S, T & D Plant	133	25	2
164	39104	G-Office Furniture & Equip.	111	5.4	P, S, T & D Plant	92	18	1
165	39200	Transportation Equipment	4,472	5.4	P, S, T & D Plant	3,709	706	57
166	39300	Stores Equipment	42	5.4	P, S, T & D Plant	35	7	1
167	39400	Tools, Shop & Garage Equipment	3,633	5.4	P, S, T & D Plant	3,014	573	46
168	39500	Laboratory Equipment	328	5.4	P, S, T & D Plant	272	52	4
169	39700	Communication Equipment	63,904	5.4	P, S, T & D Plant	53,004	10,086	814
170	39800	Miscellaneous Equipment	6,284	5.4	P, S, T & D Plant	5,212	992	80
171	39900	Other Tangible Property	4,450	5.4	P, S, T & D Plant	3,691	702	57
172	39901	Other Tangible Property - Servers -	569,058	5.4	P, S, T & D Plant	471,992	89,818	7,247
173	39902	Other Tangible Property - Servers -	318,108	5.4	P, S, T & D Plant	263,848	50,209	4,051
174	39903	Other Tangible Property - Network -	118,878	5.4	P, S, T & D Plant	98,600	18,763	1,514
175	39904	Other Tang. Property - CPU	952	5.4	P, S, T & D Plant	790	150	12
176	39905	Other Tangible Property - MF - Hardw	855	5.4	P, S, T & D Plant	709	135	11
177	39906	Other Tang. Property - PC Hardware	128,525	5.4	P, S, T & D Plant	106,602	20,286	1,637
178	39907	Other Tang. Property - PC Software	47,912	5.4	P, S, T & D Plant	39,740	7,562	610
179	39908	Other Tang. Property - Mainframe S/W	3,980,772	5.4	P, S, T & D Plant	3,301,764	628,313	50,694
180	39909	Other Tang. Property - Application S	151,394	5.4	P, S, T & D Plant	125,570	23,896	1,928
181	39924	Other Tang. Property - General Start	0	5.4	P, S, T & D Plant	0	0	0
182		Retirement Work in Progress	(9)	5.4	P, S, T & D Plant	(7)	(1)	(0)
183								
184		Total General Plant	6,287,324			5,214,884	992,372	80,068
185								
186		Shared Services Customer Support:						
187								
188		General:						
189								
190	38900	Land	-	5.4	P, S, T & D Plant	-	-	-
191	38910	CKV-Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
192	39000	Structures & Improvements	179,456	5.4	P, S, T & D Plant	148,846	28,325	2,285
193	39009	Improvement to leased Premises	211,810	5.4	P, S, T & D Plant	175,681	33,431	2,697
194	39010	CKV-Structures & Improvements	23,673	5.4	P, S, T & D Plant	19,635	3,737	301
195	39100	Office Furniture & Equipment	8,591	5.4	P, S, T & D Plant	7,125	1,356	109
196	39700	Communication Equipment	(354,256)	5.4	P, S, T & D Plant	(293,830)	(55,915)	(4,511)
197	39710	CKV-Communication Equipment	629	5.4	P, S, T & D Plant	522	99	8
198	39800	Miscellaneous Equipment	203	5.4	P, S, T & D Plant	169	32	3
199	39900	Other Tangible Property	(59)	5.4	P, S, T & D Plant	(49)	(9)	(1)
200	39901	Other Tangible Property - Servers -	(130,340)	5.4	P, S, T & D Plant	(108,108)	(20,573)	(1,660)
201	39902	Other Tangible Property - Servers -	(236,463)	5.4	P, S, T & D Plant	(196,129)	(37,323)	(3,011)
202	39903	Other Tangible Property - Network -	5,533	5.4	P, S, T & D Plant	4,589	873	70
203	39906	Other Tang. Property - PC Hardware	(6,303)	5.4	P, S, T & D Plant	(5,228)	(995)	(80)
204	39907	Other Tang. Property - PC Software	15,615	5.4	P, S, T & D Plant	12,951	2,465	199
205	39908	Other Tang. Property - Mainframe S/W	2,190,316	5.4	P, S, T & D Plant	1,816,710	345,713	27,893
206	39910	CKV-Other Tangible Property	212	5.4	P, S, T & D Plant	176	33	3
207	39916	CKV-Oth Tang Prop-PC Hardware	811	5.4	P, S, T & D Plant	673	128	10
208	39917	CKV-Oth Tang Prop-PC Software	232	5.4	P, S, T & D Plant	192	37	3
209	39924	Other Tang. Property - General Start	8	5.4	P, S, T & D Plant	7	1	0
210		Retirement Work in Progress	(1,356)	5.4	P, S, T & D Plant	(1,125)	(214)	(17)
211								
212		Total General Plant	1,908,312			1,582,808	301,202	24,302
213								
214		TOTAL RESERVE FOR DEPRECIATION	166,889,761			131,723,248	32,911,754	2,254,759

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF OTHER RATE BASE

		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1	Rate Base Additions:						
2							
3	Materials and Supplies - KY Direct	(9,437)	9.1	Allocated O&M Expenses	(2,015)	(124)	(7,298)
4	Materials and Supplies - KY Mid-States GO	68,287	9.1	Allocated O&M Expenses	14,579	900	52,809
5	Materials and Supplies - Shared Services GO	0	9.1	Allocated O&M Expenses	0	0	0
6	Materials and Supplies - Shared Services CS	0	9.1	Allocated O&M Expenses	-	-	-
7	Gas Storage Inventory	9,415,216	3.0	Commodity	-	-	9,415,216
8	Prepayments - KY Direct	229,654	9.1	Allocated O&M Expenses	49,029	3,027	177,598
9	Prepayments - KY Mid-States GO	4,955	9.1	Allocated O&M Expenses	1,058	65	3,832
10	Prepayments - Shared Services GO	748,194	9.1	Allocated O&M Expenses	159,732	9,861	578,600
11	Prepayments - Shared Services CS	271,559	9.1	Allocated O&M Expenses	57,975	3,579	210,005
12	Cash Working Capital	3,337,211	9.1	Allocated O&M Expenses	712,463	43,985	2,580,764
13							
14	Total Rate Base Additions	14,065,640			992,821	61,293	13,011,526
15							
16							
17	Rate Base Deductions:						
18							
19	Customer Advances - KY Direct	(2,745,576)	1.0	Customer	(2,745,576)	-	-
20	Customer Advances - KY Mid-States GO	0	1.0	Customer	-	-	-
21	Customer Advances - Shared Services GO	0	1.0	Customer	-	-	-
22	Customer Advances - Shared Services CS	0	1.0	Customer	-	-	-
23	ADIT - KY Direct	(71,043,224)	5.7	Net Plant	(60,580,898)	(9,589,593)	(872,732)
24	ADIT - KY Mid-States GO	20,040,473	5.7	Net Plant	17,089,172	2,705,114	246,186
25	ADIT - Shared Services GO	(1,541,599)	5.7	Net Plant	(1,314,572)	(208,089)	(18,938)
26	ADIT - Shared Services CS	6,651,113	5.7	Net Plant	5,671,623	897,784	81,706
27							
28	Total Rate Base Deductions	(48,638,812)			(41,880,251)	(6,194,785)	(563,776)
29							
30							
31	TOTAL OTHER RB	(34,573,172)			(40,887,429)	(6,133,492)	12,447,749
32							
33	Interest on Customer Deposits	0	1.0	Customer	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF O&M EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Production & Gathering:						
2		Operation						
3	7500	Op., Sup., & Eng.	0	99.0	-	-	-	-
4	7510	Production Maps & Records	0	99.0	-	-	-	-
5	7530	Field Lines Expenses	0	99.0	-	-	-	-
6	7540	Field Compressor Station Expense	0	99.0	-	-	-	-
7	7550	Field Compressor Sta. Fuel & Pwr.	0	99.0	-	-	-	-
8	7560	Field Meas. & Regul. Station Exp	0	99.0	-	-	-	-
9	7570	Purification Expense	0	99.0	-	-	-	-
10	7590	Other Expenses	0	99.0	-	-	-	-
11		Maintenance						
12	7610	Maint. Sup., & Eng.	0	99.0	-	-	-	-
13	7620	Structures and Improvements	0	99.0	-	-	-	-
14	7640	Field Line Maintenance	0	99.0	-	-	-	-
15	7650	Compressor Station Equip. Maint.	0	99.0	-	-	-	-
16	7660	Meas. & Regul. Station Equip Maint	0	99.0	-	-	-	-
17	7670	Purification Equipment Maintenance	0	99.0	-	-	-	-
18	7680	Other Equipment Maintenance	0	99.0	-	-	-	-
19	7690	Gas Processed By Others	0	99.0	-	-	-	-
20		Total Production & Gathering	0			0	0	0
21								
22		Other Gas Supply Expenses:						
23		Operation						
24	8001	Intercompany Gas Well-head Purchases	2,392,628	3.0	Commodity	-	-	2,392,628
25	8010	Natural gas field line purchases	1,391,896	3.0	Commodity	-	-	1,391,896
26	8040	Natural Gas City Gate Purchases	45,614,740	3.0	Commodity	-	-	45,614,740
27	8045	Transportation to City Gate	0	3.0	Commodity	-	-	-
28	8050	Transmission-Operation supervision and engineering	(14,067)	3.0	Commodity	-	-	(14,067)
29	8051	Other Gas Purchases / Gas Cost Adjustments	56,021,426	3.0	Commodity	-	-	56,021,426
30	8052	PGA for Commercial	26,327,213	3.0	Commodity	-	-	26,327,213
31	8053	PGA for Industrial	5,265,345	3.0	Commodity	-	-	5,265,345
32	8054	PGA for Public Authority	6,496,020	3.0	Commodity	-	-	6,496,020
33	8057	PGA for Transportation Sales	0	3.0	Commodity	-	-	-
34	8058	Unbilled PGA Costs	(3,827,283)	3.0	Commodity	-	-	(3,827,283)
35	8059	PGA Offset to Unrecovered Gas Cost	(103,417,562)	3.0	Commodity	-	-	(103,417,562)
36	8060	Exchange Gas	7,289,206	3.0	Commodity	-	-	7,289,206
37	8081	Gas Withdrawn From Storage - Debit	26,869,335	3.0	Commodity	-	-	26,869,335
38	8082	Gas Delivered to Storage	(15,161,906)	3.0	Commodity	-	-	(15,161,906)
39	8110	Gas used for products extraction-Credit	0	3.0	Commodity	-	-	-
40	8120	Gas Used for Other Utility Operations	(17,621)	3.0	Commodity	-	-	(17,621)
41	8130	Other Gas Supply Expenses	(5)	3.0	Commodity	-	-	(5)
42	8580	Transmission and compression of gas by others	35,035,880	3.0	Commodity	-	-	35,035,880
43		Maintenance						
44	8350	Maint. Of Purch. Gas Meas. Sta.	0	3.0	Commodity	-	-	-
45		Total Other Gas Supply Expenses	90,265,244			0	0	90,265,244
46								
47		Underground Storage:						
48		Operation						
49	8140	Op., Sup., & Eng.	(1,062)	3.5	Storage (50/50)	-	(531)	(531)
50	8150	Maps & Records	0	3.5	Storage (50/50)	-	-	-
51	8160	Wells Expense	169,618	3.5	Storage (50/50)	-	84,809	84,809
52	8170	Lines Expense	60,954	3.5	Storage (50/50)	-	30,477	30,477
53	8180	Compressor Station Expense	24,924	3.5	Storage (50/50)	-	12,462	12,462
54	8190	Compressor Station Fuel & Power	777	3.5	Storage (50/50)	-	388	388
55	8200	Meas. & Regul. Station Expenses	4,790	3.5	Storage (50/50)	-	2,395	2,395
56	8210	Purification Expenses	34,456	3.5	Storage (50/50)	-	17,228	17,228
57	8240	Other	223	3.5	Storage (50/50)	-	111	111
58	8250	Storage Well Royalties	13,900	3.5	Storage (50/50)	-	6,950	6,950
59		Maintenance						
60	8300	Maint. Sup., & Eng.	10,314	3.5	Storage (50/50)	-	5,157	5,157
61	8310	Structures and Improvements	0	3.5	Storage (50/50)	-	-	-
62	8320	Reservoirs & Wells Maintenance	0	3.5	Storage (50/50)	-	-	-
63	8330	Line Maintenance	0	3.5	Storage (50/50)	-	-	-
64	8340	Compressor Station Equip Maint	5,064	3.5	Storage (50/50)	-	2,532	2,532
65	8350	Meas. & Regul. Station Equip Maint	0	3.5	Storage (50/50)	-	-	-
66	8360	Purification Equipment Maintenance	736	3.5	Storage (50/50)	-	368	368
67	8370	Other Equipment Maintenance	0	3.5	Storage (50/50)	-	-	-
68		Total Underground Storage Expense	324,693			0	162,346	162,346
69								
70		Transmission:						
71		Operation						
72	8500	Op., Sup., & Eng.	0	2.0	Demand	-	-	-
73	8510	System Control & Load Dispatching	0	2.0	Demand	-	-	-
74	8520	Communication Systems Expense	0	2.0	Demand	-	-	-
75	8530	Compressor Station Labor Expense	0	2.0	Demand	-	-	-
76	8540	Compressor Station Fuel Gas	0	2.0	Demand	-	-	-
77	8550	Compressor Station Fuel & Power	0	2.0	Demand	-	-	-
78	8560	Mains Expense	499,729	2.0	Demand	-	499,729	-
79	8570	Meas. & Regul. Station Expenses	103,068	2.0	Demand	-	103,068	-
80	8580	LDC Payment	0	2.0	Demand	-	-	-
81	8580	LDC Payment - A&G	0	2.0	Demand	-	-	-
82	8590	Other Expenses	0	2.0	Demand	-	-	-
83	8600	Rents	0	2.0	Demand	-	-	-
84		Maintenance						
85	8610	Maint. Sup., & Eng.	0	2.0	Demand	-	-	-
86	8620	Structures and Improvements	0	2.0	Demand	-	-	-
87	8630	Mains	20,015	2.0	Demand	-	20,015	-
88	8640	Compressor Station Equip Maint	0	2.0	Demand	-	-	-
89	8650	Meas. & Regul. Station Equip Maint	979	2.0	Demand	-	979	-
90	8660	Communication Equipment Maintenance	0	2.0	Demand	-	-	-
91	8670	Other Equipment Maintenance	0	2.0	Demand	-	-	-
92		Total Transmission Expense	623,792			0	623,792	0
93								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF O&M EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
94		Distribution:						
95		Operation						
96	8700	Supervision and Engineering	1,386,160	10.0	Composite of Accts. 871-879 & 886-893	1,269,141	113,552	3,467
97	8710	Distribution Load Dispatching	293	3.0	Commodity	-	-	293
98	8711	Odorization	3,303	3.0	Commodity	-	-	3,303
99	8720	Compressor Station Labor & Expenses	0	3.0	Commodity	-	-	-
100	8740	Mains & Services	2,874,065	4.1	Mains & Services	2,586,856	287,209	-
101	8750	Measuring and Regulating Station Exp. - Gen	266,973	12.0	Composite of Accts. 374-379	228,422	38,551	-
102	8760	Measuring and Regulating Station Exp. - Ind.	23,764	1.0	Customer	23,764	-	-
103	8770	Measuring and Regulating Sta. Exp. - City Gate	77,553	12.0	Composite of Accts. 374-379	66,354	11,199	-
104	8780	Meters and House Regulator Expense	818,400	1.0	Customer	818,400	-	-
105	8790	Customer Installations Expense	20,364	1.0	Customer	20,364	-	-
106	8800	Other Expense	139,277	10.0	Composite of Accts. 871-879 & 886-893	127,519	11,409	348
107	8810	Rents	428,101	10.0	Composite of Accts. 871-879 & 886-893	391,961	35,069	1,071
108		Maintenance						
109	8850	Maintenance Supervision and Engineering	2,748	10.0	Composite of Accts. 871-879 & 886-893	2,516	225	7
110	8860	Maintenance of Structures and Improvements	4,337	12.0	Composite of Accts. 374-379	3,710	626	-
111	8870	Maintenance of Mains	36,400	12.0	Composite of Accts. 374-379	31,144	5,256	-
112	8890	Maintenance of compressor station equipment	6,958	3.0	Commodity	-	-	6,958
113	8900	Maint. of Measuring and Regulating Station Equip. - General	6,189	12.0	Composite of Accts. 374-379	5,295	894	-
114	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	4,695	1.0	Customer	4,695	-	-
115	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	13,741	12.0	Composite of Accts. 374-379	11,757	1,984	-
116	8930	Maintenance of Services	48,651	1.0	Customer	48,651	-	-
117	8940	Maintenance of Meters and House Regulators	14,595	1.0	Customer	14,595	-	-
118	8950	Maintenance of Other Equipment	0	10.0	Composite of Accts. 871-879 & 886-893	-	-	-
119		Total Distribution	6,176,566			5,655,144	505,976	15,446
120								
121		Customer Accounts:						
122	9010	Supervision	(202)	1.0	Customer	(202)	-	-
123	9020	Meter Reading Expense	1,321,394	1.0	Customer	1,321,394	-	-
124	9030	Customer Records and Collection Expenses	357,551	1.0	Customer	357,551	-	-
125	9040	Uncollectible Accounts	324,479	1.0	Customer	324,479	-	-
126	9050	Miscellaneous Customer Accounts Expenses	0	1.0	Customer	-	-	-
127		Total Customer Accounts	2,003,223			2,003,223	0	0
128								
129		Customer Service and Information:						
130	9070	Supervision	0	1.0	Customer	-	-	-
131	9080	Customer Assistance Expenses	0	1.0	Customer	-	-	-
132	9090	Informational and Instructional Advertising Expenses	133,918	1.0	Customer	133,918	-	-
133	9100	Miscellaneous Customer Service and Informational Expenses	0	1.0	Customer	-	-	-
134		Total Customer Service and Information	133,918			133,918	0	0
135								
136		Sales:						
137	9110	Supervision	218,372	1.0	Customer	218,372	-	-
138	9120	Demonstrating and Selling Expenses	13,909	1.0	Customer	13,909	-	-
139	9130	Advertising Expenses	10,934	1.0	Customer	10,934	-	-
140	9160	Miscellaneous Sales Expenses	0	1.0	Customer	-	-	-
141		Total Sales	243,215			243,215	0	0
142								
143		Administrative & General						
144		Operation						
145	9200	Administrative and General Salaries	394,702	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	363,838	25,091	773
146	9210	Office Supplies and Expenses	(1,391)	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	(1,300)	(88)	(3)
147	9220	Administrative Expenses Transferred - Customer Support	13,071,350	1.0	Customer	13,071,350	-	-
148	9220	Administrative Expenses Transferred - General	158,905	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	148,492	10,101	311
149	9230	Outside Services Employed	74,698	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	69,803	4,748	146
150	9240	Property Insurance	18,686	5.7	Net Plant	15,934	2,522	230
151	9250	Injuries and Damages	3,269,740	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	3,055,481	207,852	6,408
152	9260	Employee Pensions and Benefits	2,840	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	2,654	181	6
153	9270	Franchise Requirements	111,840	1.0	Customer	111,840	-	-
154	9280	Regulatory Commission Expenses	105,667	1.0	Customer	105,667	-	-
155	930.1	General Advertising Expenses	-	1.0	Customer	-	-	-
156	930.2	Miscellaneous General Expense	(22,371)	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	(20,905)	(1,422)	(44)
157	9310	Rents	7,618	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	7,119	484	15
158		Maintenance						
159	9320	Maintenance of General Plant	0	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	-	-	-
160		Total A&G	17,192,284			16,934,973	249,468	7,842
161								
162		TOTAL O&M EXPENSE	116,962,934			24,970,472	1,541,583	90,450,879

Atmos Energy Corporation, Kentucky/Mid-States Division
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CLASSIFICATION OF DEPRECIATION EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Intangible Plant:						
2								
3	30100	Organization	-	5.4	P, S, T & D Plant	-	-	-
4	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
5	30300	Misc Intangible Plant	-	99.0	-	-	-	-
6								
7		Total Intangible Plant:	0			0	0	0
8								
9		Production Plant:						
10								
11	32520	Producing Leaseholds	51	2.0	Demand	-	51	-
12	32540	Rights of Ways	1,699	2.0	Demand	-	1,699	-
13	33100	Production Gas Wells Equipment	-	2.0	Demand	-	-	-
14	33201	Field Lines	-	2.0	Demand	-	-	-
15	33202	Tributary Lines	-	2.0	Demand	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	3,001	2.0	Demand	-	3,001	-
17	33600	Purification Equipment	996	2.0	Demand	-	996	-
18								
19		Total Production Plant	5,747			0	5,747	0
20								
21		Storage Plant:						
22								
23	35010	Land	-	3.5	Storage (50/50)	-	-	-
24	35020	Rights of Way	-	3.5	Storage (50/50)	-	-	-
25	35100	Structures and Improvements	293	3.5	Storage (50/50)	-	146	146
26	35102	Compression Station Equipment	1,704	3.5	Storage (50/50)	-	852	852
27	35103	Meas. & Reg. Sta. Structues	-	3.5	Storage (50/50)	-	-	-
28	35104	Other Structures	-	3.5	Storage (50/50)	-	-	-
29	35200	Wells \ Rights of Way	82,144	3.5	Storage (50/50)	-	41,072	41,072
30	35201	Well Construction	19,039	3.5	Storage (50/50)	-	9,519	9,519
31	35202	Well Equipment	-	3.5	Storage (50/50)	-	-	-
32	35203	Cushion Gas	29,356	3.5	Storage (50/50)	-	14,678	14,678
33	35210	Leaseholds	-	3.5	Storage (50/50)	-	-	-
34	35211	Storage Rights	382	3.5	Storage (50/50)	-	191	191
35	35301	Field Lines	-	3.5	Storage (50/50)	-	-	-
36	35302	Tributary Lines	-	3.5	Storage (50/50)	-	-	-
37	35400	Compressor Station Equipment	15,086	3.5	Storage (50/50)	-	7,543	7,543
38	35500	Meas & Reg. Equipment	1,742	3.5	Storage (50/50)	-	871	871
39	35600	Purification Equipment	110	3.5	Storage (50/50)	-	55	55
40								
41		Total Storage Plant	149,856			0	74,928	74,928
42								
43		Transmission:						
44								
45	36510	Land & Land Rights	-	2.0	Demand	-	-	-
46	36520	Rights of Way	13,066	2.0	Demand	-	13,066	-
47	36602	Structures & Improvements	887	2.0	Demand	-	887	-
48	36603	Other Structues	734	2.0	Demand	-	734	-
49	36700	Mains Cathodic Protection	19,980	2.0	Demand	-	19,980	-
50	36701	Mains - Steel	578,413	2.0	Demand	-	578,413	-
51	36900	Meas. & Reg. Equipment	12,003	2.0	Demand	-	12,003	-
52	36901	Meas. & Reg. Equipment	45,879	2.0	Demand	-	45,879	-
53								
54		Total Transmission Plant	670,963			0	670,963	0
55								
56		Distribution:						
57								
58	37400	Land & Land Rights	-	4.0	Mains	-	-	-
59	37401	Land	-	4.0	Mains	-	-	-
60	37402	Land Rights	4,289	4.0	Mains	3,670	619	-
61	37403	Land Other	-	4.0	Mains	-	-	-
62	37500	Structures & Improvements	7,321	4.0	Mains	6,264	1,057	-
63	37501	Structures & Improvements T.B.	2,168	4.0	Mains	1,855	313	-
64	37502	Land Rights	-	4.0	Mains	-	-	-
65	37503	Improvements	86	4.0	Mains	73	12	-
66	37600	Mains Cathodic Protection	556,692	4.0	Mains	476,305	80,388	-
67	37601	Mains - Steel	2,345,591	4.0	Mains	2,006,883	338,709	-
68	37602	Mains - Plastic	1,564,702	4.0	Mains	1,338,755	225,946	-
69	37800	Meas & Reg. Sta. Equip - General	161,845	4.0	Mains	138,474	23,371	-
70	37900	Meas & Reg. Sta. Equip - City Gate	58,890	4.0	Mains	50,386	8,504	-
71	37905	Meas & Reg. Sta. Equipment T.b.	36,252	4.0	Mains	31,017	5,235	-
72	38000	Services	4,473,918	1.0	Customer	4,473,918	-	-
73	38100	Meters	1,773,300	1.0	Customer	1,773,300	-	-
74	38200	Meter Installaitons	2,132,918	1.0	Customer	2,132,918	-	-
75	38300	House Regulators	235,602	1.0	Customer	235,602	-	-
76	38400	House Reg. Installations	3,841	1.0	Customer	3,841	-	-
77	38500	Ind. Meas. & Reg. Sta. Equipment	157,854	1.0	Customer	157,854	-	-
78	38600	Other Prop. On Cust. Prem	-	99.0	-	-	-	-
79								
80		Total Distribution Plant	13,515,271			12,831,117	684,154	0

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF DEPRECIATION EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
81								
82		General:						
83								
84	38900	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
85	39000	Structures Frame	131,359	5.4	P, S, T & D Plant	108,953	20,733	1,673
86	39002	Improvements	-	5.4	P, S, T & D Plant	-	-	-
87	39003	Air Conditioning Equipment	26,900	5.4	P, S, T & D Plant	22,311	4,246	343
88	39004	Improvement to leased Premises	-	5.4	P, S, T & D Plant	-	-	-
89	39009	Office Furniture & Equipment	30,239	5.4	P, S, T & D Plant	25,081	4,773	385
90	39100	Remittance Processing Equip	96,791	5.4	P, S, T & D Plant	80,281	15,277	1,233
91	39103	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
92	39200	Trucks	-	5.4	P, S, T & D Plant	-	-	-
93	39201	Trailers	-	5.4	P, S, T & D Plant	-	-	-
94	39202	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
95	39400	Power Operated Equipment	135,043	5.4	P, S, T & D Plant	112,009	21,315	1,720
96	39603	Backhoes	8,234	5.4	P, S, T & D Plant	6,830	1,300	105
97	39604	Welders	9,621	5.4	P, S, T & D Plant	7,980	1,519	123
98	39605	Communication Equipment	5,096	5.4	P, S, T & D Plant	4,227	804	65
99	39700	Communication Equipment - Mobile Radios	24,702	5.4	P, S, T & D Plant	20,488	3,899	315
100	39701	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
101	39702	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
102	39705	Miscellaneous Equipment	8,360	5.4	P, S, T & D Plant	6,934	1,320	106
103	39800	Other Tangible Property	125,081	5.4	P, S, T & D Plant	103,746	19,742	1,593
104	39900	Other Tangible Property - Servers - H/W	-	5.4	P, S, T & D Plant	-	-	-
105	39901	Other Tangible Property - Servers - S/W	-	5.4	P, S, T & D Plant	-	-	-
106	39902	Other Tangible Property - Network - H/W	-	5.4	P, S, T & D Plant	-	-	-
107	39903	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
108	39904	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
109	39905	Other Tang. Property - PC Hardware	-	5.4	P, S, T & D Plant	-	-	-
110	39906	Other Tang. Property - PC Software	41,450	5.4	P, S, T & D Plant	34,380	6,542	528
111	39907	Other Tang. Property - Mainframe S/W	-	5.4	P, S, T & D Plant	-	-	-
112	39908	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
113		AR 15 general plant amortization	255,335	5.4	P, S, T & D Plant	211,782	40,301	3,252
114								
115								
116		Total General Plant	898,212			745,002	141,771	11,439
117								
118		TOTAL DIRECT DEPRECIATION EXPENSE	15,240,048			13,576,119	1,577,563	86,366
119								
120		Kentucky Mid-States General Office:						
121								
122		Intangible Plant:						
123								
124	30100	Organization	-	5.4	P, S, T & D Plant	-	-	-
125	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
126	30300	Misc Intangible Plant	-	5.4	P, S, T & D Plant	-	-	-
127								
128		Total Intangible Plant:	0			0	0	0
129								
130		General:						
131								
132	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
133	39001	Structures Frame	2,696	5.4	P, S, T & D Plant	2,236	425	34
134	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
135	39009	Improvement to leased Premises	-	5.4	P, S, T & D Plant	-	-	-
136	39100	Office Furniture & Equipment	2,095	5.4	P, S, T & D Plant	1,738	331	27
137	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
138	39300	Stores Equipment	162	5.4	P, S, T & D Plant	134	26	2
139	39400	Tools, Shop & Garage Equipment	4,710	5.4	P, S, T & D Plant	3,907	743	60
140	39600	Power Operated Equipment	605	5.4	P, S, T & D Plant	502	96	8
141	39700	Communication Equipment	1,370	5.4	P, S, T & D Plant	1,136	216	17
142	39800	Miscellaneous Equipment	20,721	5.4	P, S, T & D Plant	17,186	3,270	264
143	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
144	39901	Other Tangible Property - Servers - H/W	16,430	5.4	P, S, T & D Plant	13,628	2,593	209
145	39902	Other Tangible Property - Servers - S/W	-	5.4	P, S, T & D Plant	-	-	-
146	39903	Other Tangible Property - Network - H/W	-	5.4	P, S, T & D Plant	-	-	-
147	39906	Other Tang. Property - PC Hardware	65,546	5.4	P, S, T & D Plant	54,366	10,346	835
148	39907	Other Tang. Property - PC Software	-	5.4	P, S, T & D Plant	-	-	-
149	39908	Other Tang. Property - Mainframe S/W	-	5.4	P, S, T & D Plant	-	-	-
150								
151								
152		Total General Plant	114,335			94,833	18,046	1,456

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF DEPRECIATION EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
153								
154		Shared Services General Office						
155								
156		General:						
157								
158	39000	Structures & Improvements	225	5.4	P, S, T & D Plant	187	36	3
159	39005	G-Structures & Improvements	4,283	5.4	P, S, T & D Plant	3,553	676	55
160	39009	Improvement to leased Premises	20,929	5.4	P, S, T & D Plant	17,359	3,303	267
161	39100	Office Furniture & Equipment	21,361	5.4	P, S, T & D Plant	17,718	3,372	272
162	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
163	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
164	39104	G-Office Furniture & Equip.	36	5.4	P, S, T & D Plant	30	6	0
165	39200	Transportation Equipment	1,594	5.4	P, S, T & D Plant	1,322	252	20
166	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
167	39400	Tools, Shop & Garage Equipment	1,246	5.4	P, S, T & D Plant	1,034	197	16
168	39500	Laboratory Equipment	230	5.4	P, S, T & D Plant	191	36	3
169	39700	Communication Equipment	8,744	5.4	P, S, T & D Plant	7,252	1,380	111
170	39800	Miscellaneous Equipment	371	5.4	P, S, T & D Plant	307	58	5
171	39900	Other Tangible Property	1,246	5.4	P, S, T & D Plant	1,034	197	16
172	39901	Other Tangible Property - Servers -	142,944	5.4	P, S, T & D Plant	118,562	22,562	1,820
173	39902	Other Tangible Property - Servers -	75,232	5.4	P, S, T & D Plant	62,399	11,874	958
174	39903	Other Tangible Property - Network -	17,633	5.4	P, S, T & D Plant	14,625	2,783	225
175	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
176	39905	Other Tangible Property - MF - Hardw	-	5.4	P, S, T & D Plant	-	-	-
177	39906	Other Tang. Property - PC Hardware	12,779	5.4	P, S, T & D Plant	10,599	2,017	163
178	39907	Other Tang. Property - PC Software	3,650	5.4	P, S, T & D Plant	3,028	576	46
179	39908	Other Tang. Property - Mainframe S/W	376,695	5.4	P, S, T & D Plant	312,441	59,456	4,797
180	39909	Other Tang. Property - Application S	-	5.4	P, S, T & D Plant	-	-	-
181	39924	Other Tang. Property - General Start	-	5.4	P, S, T & D Plant	-	-	-
182								
183								
184		Total General Plant	689,199			571,641	108,781	8,777
185								
186		Shared Services Customer Support:						
187								
188		General:						
189								
190	38900	Land	-	5.4	P, S, T & D Plant	-	-	-
191	38910	CKV-Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
192	39000	Structures & Improvements	25,234	5.4	P, S, T & D Plant	20,930	3,983	321
193	39009	Improvement to leased Premises	10,518	5.4	P, S, T & D Plant	8,724	1,660	134
194	39010	CKV-Structures & Improvements	2,760	5.4	P, S, T & D Plant	2,289	436	35
195	39100	Office Furniture & Equipment	2,634	5.4	P, S, T & D Plant	2,185	416	34
196	39700	Communication Equipment	6,558	5.4	P, S, T & D Plant	5,440	1,035	84
197	39710	CKV-Communication Equipment	120	5.4	P, S, T & D Plant	99	19	2
198	39800	Miscellaneous Equipment	91	5.4	P, S, T & D Plant	76	14	1
199	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
200	39901	Other Tangible Property - Servers - H/W	28,635	5.4	P, S, T & D Plant	23,750	4,520	365
201	39902	Other Tangible Property - Servers - S/W	13,570	5.4	P, S, T & D Plant	11.255	2,142	173
202	39903	Other Tangible Property - Network - H/W	9,438	5.4	P, S, T & D Plant	7,828	1,490	120
203	39906	Other Tang. Property - PC Hardware	6,134	5.4	P, S, T & D Plant	5,087	968	78
204	39907	Other Tang. Property - PC Software	1,922	5.4	P, S, T & D Plant	1,594	303	24
205	39908	Other Tang. Property - Mainframe S/W	366,672	5.4	P, S, T & D Plant	304,128	57,874	4,669
206	39910	CKV-Other Tangible Property	130	5.4	P, S, T & D Plant	108	21	2
207	39916	CKV-Oth Tang Prop-PC Hardware	135	5.4	P, S, T & D Plant	112	21	2
208	39917	CKV-Oth Tang Prop-PC Software	48	5.4	P, S, T & D Plant	40	8	1
209	39924	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
210								
211								
212		Total General Plant	474,598			393,645	74,909	6,044
213								
214		TOTAL DEPRECIATION EXPENSE	16,518,181			14,636,238	1,779,300	102,643

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

CLASSIFICATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX

		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1	Taxes Other Than Income						
2							
3	Non Revenue Related:						
4	Payroll Related	366,438	9.1	Allocated O&M Expenses	78,231	4,830	283,378
5	Property Related	3,403,337	5.4	P, S, T & D Plant	2,822,824	537,172	43,341
6	DOT transmission User Tax	52,950	9.1	Allocated O&M Expenses	11,304	698	40,948
7	Other	620,764	9.1	Allocated O&M Expenses	132,527	8,182	480,055
8	Total Non Revenue Related:	4,443,489			3,044,886	550,882	847,721
9							
10	Revenue Related:						
11	State Gross Receipts - Tax	0	99.0	-	-	-	-
12	Local Gross Receipts - Tax	0	99.0	-	-	-	-
13	Public Service Commission Assessment	219,194	3.0	Commodity	-	-	219,194
14	Total Revenue Related:	219,194			0	0	219,194
15							
16	Total Taxes, Other Than Income	4,662,683			3,044,886	550,882	1,066,915
17							
18							
19	Interest Expense	7,536,846	13.0	Rate Base	6,087,026	973,634	476,186

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

SUMMARY OF CLASSIFICATION

		Test Year	Classif.	Classif.	Customer	Demand	Commodity
1							
2							
3							
4		Test Year	Classif.	Classif.	Customer	Demand	Commodity
5		$	Factor	Basis	$	$	$
6							
7	Operating Revenues	155,374,969			56,568,105	6,097,743	92,709,121
8							
9	Operating Expenses:						
10							
11	Operating & Maintenance	116,962,934			24,970,472	1,541,583	90,450,879
12	Depreciation & Amortization	16,518,181			14,636,238	1,779,300	102,643
13	Taxes Other Than Income	4,662,683			3,044,886	550,882	1,066,915
14							
15	Total Operating Expenses	138,143,797			42,651,596	3,871,764	91,620,437
16							
17	Income Before Taxes	17,231,172			13,916,509	2,225,979	1,088,684
18							
19	Interest Expense	7,536,846			6,087,026	973,634	476,186
20							
21	Income Taxes:						
22							
23	State Income Taxes	581,660	6.00%		469,769	75,141	36,750
24	Federal Income Taxes	3,189,433	35.00%		2,575,900	412,021	201,512
25	Total Deferred Income Taxes	0			0	0	0
26	Amortization of ITC	0			0	0	0
27							
28	Total Income Taxes	3,771,093			3,045,669	487,162	238,262
29							
30	Net Income	13,460,079			10,870,840	1,738,817	850,422
31							
32	Total Rate Base	252,914,292			204,262,608	32,672,290	15,979,394
33							
34	Rate of Return	5.3220%			5.3220%	5.3220%	5.3220%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF PLANT IN SERVICE

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1		Intangible Plant:							
2									
3	30100	Organization	6.2	P, S, T & D Plant - Customer	6,909	5,587	1,106	56	159
4	30200	Franchises & Consents	6.2	P, S, T & D Plant - Customer	99,409	80,392	15,920	805	2,292
5	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
6									
7		Total Intangible Plant:			106,318	85,979	17,026	861	2,452
8									
9		Production Plant:							
10									
11	32530	Producing Leaseholds	99.0	-	0	-	-	-	-
12	32540	Rights of Ways	99.0	-	0	-	-	-	-
13	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
14	33201	Field Lines	99.0	-	0	-	-	-	-
15	33202	Tributary Lines	99.0	-	0	-	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
17	33600	Purification Equipment	99.0	-	0	-	-	-	-
18									
19		Total Production Plant			0	0	0	0	0
20									
21		Storage Plant:							
22									
23	35010	Land	99.0	-	0	-	-	-	-
24	35020	Rights of Way	99.0	-	0	-	-	-	-
25	35100	Structures and Improvements	99.0	-	0	-	-	-	-
26	35102	Compression Station Equipment	99.0	-	0	-	-	-	-
27	35103	Meas. & Reg. Sta. Structues	99.0	-	0	-	-	-	-
28	35104	Other Structures	99.0	-	0	-	-	-	-
29	35200	Wells \ Rights of Way	99.0	-	0	-	-	-	-
30	35201	Well Construction	99.0	-	0	-	-	-	-
31	35202	Well Equipment	99.0	-	0	-	-	-	-
32	35203	Cushion Gas	99.0	-	0	-	-	-	-
33	35210	Leaseholds	99.0	-	0	-	-	-	-
34	35211	Storage Rights	99.0	-	0	-	-	-	-
35	35301	Field Lines	99.0	-	0	-	-	-	-
36	35302	Tributary Lines	99.0	-	0	-	-	-	-
37	35400	Compressor Station Equipment	99.0	-	0	-	-	-	-
38	35500	Meas & Reg. Equipment	99.0	-	0	-	-	-	-
39	35600	Purification Equipment	99.0	-	0	-	-	-	-
40									
41		Total Storage Plant			0	0	0	0	0
42									
43		Transmission:							
44									
45	36510	Land & Land Rights	99.0	-	0	-	-	-	-
46	36520	Rights of Way	99.0	-	0	-	-	-	-
47	36602	Structures & Improvements	99.0	-	0	-	-	-	-
48	36603	Other Structues	99.0	-	0	-	-	-	-
49	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
50	36701	Mains - Steel	99.0	-	0	-	-	-	-
51	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
52	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
53									
54		Total Transmission Plant			0	0	0	0	0
55									
56		Distribution:							
57									
58	37400	Land & Land Rights	2.0	Customers	455,023	404,309	49,622	525	568
59	37401	Land	2.0	Customers	31,936	28,377	3,483	37	40
60	37402	Land Rights	2.0	Customers	216,809	192,645	23,644	250	271
61	37403	Land Other	2.0	Customers	2,382	2,116	260	3	3
62	37500	Structures & Improvements	2.0	Customers	293,532	260,817	32,011	338	366
63	37501	Structures & Improvements T.B.	2.0	Customers	86,849	77,169	9,471	100	108
64	37502	Land Rights	2.0	Customers	39,863	35,420	4,347	46	50
65	37503	Improvements	2.0	Customers	3,427	3,045	374	4	4
66	37600	Mains Cathodic Protection	2.0	Customers	9,683,755	8,604,463	1,056,043	11,163	12,086
67	37601	Mains - Steel	2.0	Customers	83,492,995	74,187,381	9,105,166	96,247	104,201
68	37602	Mains - Plastic	2.0	Customers	56,231,611	49,964,383	6,132,229	64,821	70,178
69	37800	Meas & Reg. Sta. Equip - General	2.0	Customers	4,592,130	4,080,320	500,786	5,294	5,731
70	37900	Meas & Reg. Sta. Equip - City Gate	2.0	Customers	1,944,766	1,728,014	212,083	2,242	2,427
71	37905	Meas & Reg. Sta. Equipment T.b.	2.0	Customers	1,193,241	1,060,249	130,127	1,376	1,489
72	38000	Services	2.0	Customers	98,853,417	87,835,826	10,780,267	113,954	123,371
73	38100	Meters	4.0	Meter Investment	22,574,136	13,562,204	7,593,305	704,186	714,441
74	38200	Meter Installaitons	4.0	Meter Investment	49,157,106	29,532,854	16,535,069	1,533,426	1,555,757
75	38300	House Regulators	4.0	Meter Investment	7,239,801	4,349,564	2,435,266	225,841	229,130
76	38400	House Reg. Installations	4.0	Meter Investment	154,276	92,687	51,894	4,813	4,883
77	38500	Ind. Meas. & Reg. Sta. Equipment	5.0	Direct to I & T	5,045,015	-	-	-	5,045,015
78	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
79									
80		Total Distribution Plant			341,292,072	276,001,844	54,655,444	2,764,665	7,870,119

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF PLANT IN SERVICE

81								
82		General:						
83								
84	38900	Land & Land Rights	6.2 P, S, T & D Plant - Customer	652,110	527,359	104,431	5,282	15,038
85	39000	Structures & Improvements	6.2 P, S, T & D Plant - Customer	3,002,268	2,427,925	480,791	24,320	69,232
86	39001	Structures Frame	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
87	39002	Structures-Brick	6.2 P, S, T & D Plant - Customer	148,265	119,901	23,744	1,201	3,419
88	39003	Improvements	6.2 P, S, T & D Plant - Customer	601,354	486,313	96,302	4,871	13,867
89	39004	Air Conditioning Equipment	6.2 P, S, T & D Plant - Customer	6,189	5,005	991	50	143
90	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	1,061,150	858,149	169,936	8,596	24,470
91	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	1,223,654	989,565	195,959	9,912	28,217
92	39102	Remittance Processing Equip	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
93	39103	Office Machines	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
94	39200	Transportation Equipment	6.2 P, S, T & D Plant - Customer	327,993	265,247	52,526	2,657	7,563
95	39201	Trucks	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
96	39202	Trailers	6.2 P, S, T & D Plant - Customer	27,530	22,264	4,409	223	635
97	39300	Stores Equipment	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
98	39400	Tools, Shop & Garage Equipment	6.2 P, S, T & D Plant - Customer	1,822,598	1,473,929	291,876	14,764	42,029
99	39600	Power Operated Equipment	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
100	39603	Ditchers	6.2 P, S, T & D Plant - Customer	44,543	36,022	7,133	361	1,027
101	39604	Backhoes	6.2 P, S, T & D Plant - Customer	52,044	42,088	8,335	422	1,200
102	39605	Welders	6.2 P, S, T & D Plant - Customer	27,567	22,293	4,415	223	636
103	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	312,095	252,390	49,980	2,528	7,197
104	39701	Communication Equipment - Mobile Radic	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
105	39702	Communication Equipment - Fixed Radic	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
106	39705	Communication Equip. - Telemetering	6.2 P, S, T & D Plant - Customer	55,004	44,482	8,808	446	1,268
107	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	2,091,794	1,691,628	334,986	16,945	48,236
108	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
109	39901	Other Tangible Property - Servers - H,	6.2 P, S, T & D Plant - Customer	145,971	118,046	23,376	1,182	3,366
110	39902	Other Tangible Property - Servers - S,	6.2 P, S, T & D Plant - Customer	61,018	49,345	9,772	494	1,407
111	39903	Other Tangible Property - Network - H,	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
112	39904	Other Tang. Property - CPU	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
113	39905	Other Tangible Property - MF - Hardwa	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
114	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	162,277	131,233	25,988	1,315	3,742
115	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
116	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
117	39909	Other Tang. Property - Application Sof	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
118	39924	Other Tang. Property - General Startup	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
119								
120		Total General Plant		11,825,423	9,563,183	1,893,756	95,793	272,692
121								
122		TOTAL DIRECT PLANT		353,223,813	285,651,006	56,566,225	2,861,319	8,145,263
123								
124		CWIP w/o AFUDC	6.2 P, S, T & D Plant - Customer	6,593,611	5,332,233	1,055,919	53,412	152,047
125								
126		Kentucky Mid-States General Office:						
127								
128		Intangible Plant:						
129								
130	30100	Organization	6.2 P, S, T & D Plant - Customer	76,856	62,153	12,308	623	1,772
131	30200	Franchises & Consents	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
132	30300	Misc Intangible Plant	6.2 P, S, T & D Plant - Customer	460,178	372,145	73,694	3,728	10,612
133								
134		Total Intangible Plant		537,034	434,297	86,002	4,350	12,384
135								
136		General:						
137								
138	37400	Land & Land Rights	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
139	39001	Structures Frame	6.2 P, S, T & D Plant - Customer	74,379	60,150	11,911	603	1,715
140	39004	Air Conditioning Equipment	6.2 P, S, T & D Plant - Customer	2,393	1,936	383	19	55
141	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	16,106	13,025	2,579	130	371
142	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	36,552	29,559	5,854	296	843
143	39200	Transportation Equipment	6.2 P, S, T & D Plant - Customer	1,704	1,378	273	14	39
144	39300	Stores Equipment	6.2 P, S, T & D Plant - Customer	1,726	1,396	276	14	40
145	39400	Tools, Shop & Garage Equipment	6.2 P, S, T & D Plant - Customer	59,125	47,814	9,468	479	1,363
146	39600	Power Operated Equipment	6.2 P, S, T & D Plant - Customer	8,102	6,552	1,297	66	187
147	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	15,759	12,744	2,524	128	363
148	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	342,149	276,695	54,793	2,772	7,890
149	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	31,932	25,824	5,114	259	736
150	39901	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	142,752	115,443	22,861	1,156	3,292
151	39902	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	3,431	2,775	549	28	79
152	39903	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	89,802	72,623	14,381	727	2,071
153	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	283,571	229,323	45,412	2,297	6,539
154	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
155	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
156								
157		Total General Plant		1,109,484	897,236	177,676	8,987	25,584
158								
159		CWIP w/o AFUDC	6.2 P, S, T & D Plant - Customer	140,323	113,479	22,472	1,137	3,236

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ALLOCATION OF PLANT IN SERVICE

160								
161		Shared Services General Office:						
162								
163		General:						
164								
165	39000	Structures & Improvements	6.2 P, S, T & D Plant - Customer	5,745	4,646	920	47	132
166	39005	G-Structures & Improvements	6.2 P, S, T & D Plant - Customer	106,369	86,020	17,034	862	2,453
167	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	428,490	346,518	68,620	3,471	9,881
168	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	439,755	355,628	70,424	3,562	10,141
169	39102	Remittance Processing Equip	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
170	39103	Office Machines	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
171	39104	G-Office Furniture & Equip.	6.2 P, S, T & D Plant - Customer	741	599	119	6	17
172	39200	Transportation Equipment	6.2 P, S, T & D Plant - Customer	4,564	3,691	731	37	105
173	39300	Stores Equipment	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
174	39400	Tools, Shop & Garage Equipment	6.2 P, S, T & D Plant - Customer	11,729	9,486	1,878	95	270
175	39500	Laboratory Equipment	6.2 P, S, T & D Plant - Customer	1,947	1,574	312	16	45
176	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	131,763	106,556	21,101	1,067	3,038
177	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	17,871	14,452	2,862	145	412
178	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	7,470	6,041	1,196	61	172
179	39901	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	1,383,952	1,119,198	221,630	11,211	31,914
180	39902	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	712,457	576,162	114,095	5,771	16,429
181	39903	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	167,505	135,461	26,825	1,357	3,863
182	39904	Other Tang. Property - CPU	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
183	39905	Other Tangible Property - MF - Hardware	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
184	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	120,940	97,804	19,368	980	2,789
185	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	44,714	36,160	7,161	362	1,031
186	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	4,778,727	3,864,542	765,278	38,710	110,196
187	39909	Other Tang. Property - Application Software	6.2 P, S, T & D Plant - Customer	120,368	97,341	19,276	975	2,776
188	39924	Other Tang. Property - General Startup Costs	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
189								
190		Total General Plant		8,485,108	6,861,881	1,358,828	68,734	195,665
191								
192		CWIP w/o AFUDC	6.2 P, S, T & D Plant - Customer	296,807	240,027	47,531	2,404	6,844
193								
194		Shared Services Customer Support:						
195								
196		General:						
197								
198	38900	Land	6.2 P, S, T & D Plant - Customer	136,312	110,235	21,829	1,104	3,143
199	38910	CKV-Land & Land Rights	6.2 P, S, T & D Plant - Customer	12,435	10,056	1,991	101	287
200	39000	Structures & Improvements	6.2 P, S, T & D Plant - Customer	626,686	506,799	100,359	5,077	14,451
201	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	215,025	173,890	34,435	1,742	4,958
202	39010	CKV-Structures & Improvements	6.2 P, S, T & D Plant - Customer	68,535	55,424	10,975	555	1,580
203	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	54,214	43,843	8,682	439	1,250
204	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	98,188	79,404	15,724	795	2,264
205	39710	CKV-Communication Equipment	6.2 P, S, T & D Plant - Customer	1,790	1,447	287	14	41
206	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	4,522	3,657	724	37	104
207	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
208	39901	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	275,526	222,817	44,124	2,232	6,354
209	39902	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	128,194	103,670	20,529	1,038	2,956
210	39903	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	91,920	74,335	14,720	745	2,120
211	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	59,237	47,905	9,486	480	1,366
212	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	24,026	19,430	3,848	195	554
213	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	4,633,774	3,747,318	742,065	37,536	106,854
214	39910	CKV-Other Tangible Property	6.2 P, S, T & D Plant - Customer	784	634	126	6	18
215	39916	CKV-Oth Tang Prop-PC Hardware	6.2 P, S, T & D Plant - Customer	1,278	1,034	205	10	29
216	39917	CKV-Oth Tang Prop-PC Software	6.2 P, S, T & D Plant - Customer	597	482	96	5	14
217	39924	Other Tang. Property - General Startup Costs	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
218								
219		Total General Plant		6,433,044	5,202,383	1,030,205	52,111	148,345
220								
221		CWIP w/o AFUDC	6.2 P, S, T & D Plant - Customer	54,062	43,720	8,658	438	1,247
222								
223		TOTAL PLANT IN SERVICE - CUSTOMER		369,788,482	299,046,803	59,218,936	2,995,502	8,527,240
224								
225		TOTAL CWIP W/O AFUDC - CUSTOMER		7,084,803	5,729,458	1,134,580	57,391	163,374

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ALLOCATION OF PLANT IN SERVICE

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
226		Intangible Plant:							
227									
228	30100	Organization	6.4	P, S, T & D Plant - Demand	1,315	563	253	23	477
229	30200	Franchises & Consents	6.4	P, S, T & D Plant - Demand	18,917	8,094	3,638	328	6,857
230	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
231									
232		Total Intangible Plant:			20,232	8,657	3,891	350	7,334
233									
234		Production Plant:							
235									
236	32520	Producing Leaseholds	3.0	Peak Day	2,353	1,007	452	41	853
237	32540	Rights of Ways	3.0	Peak Day	83,422	35,695	16,044	1,444	30,239
238	33100	Production Gas Wells Equipment	3.0	Peak Day	3,492	1,494	672	60	1,266
239	33201	Field Lines	3.0	Peak Day	47,163	20,180	9,070	817	17,096
240	33202	Tributary Lines	3.0	Peak Day	528,218	226,017	101,587	9,145	191,469
241	33400	Field Meas. & Reg. Sta. Equip	3.0	Peak Day	192,384	82,319	36,999	3,331	69,736
242	33600	Purification Equipment	3.0	Peak Day	44,369	18,985	8,533	768	16,083
243									
244		Total Production Plant			901,402	365,698	173,358	15,606	326,741
245									
246		Storage Plant:							
247									
248	35010	Land	3.0	Peak Day	130,563	55,866	25,110	2,260	47,327
249	35020	Rights of Way	3.0	Peak Day	2,341	1,002	450	41	848
250	35100	Structures and Improvements	3.0	Peak Day	8,958	3,833	1,723	155	3,247
251	35102	Compression Station Equipment	3.0	Peak Day	76,631	32,789	14,738	1,327	27,777
252	35103	Meas. & Reg. Sta. Structues	3.0	Peak Day	11,569	4,950	2,225	200	4,194
253	35104	Other Structures	3.0	Peak Day	68,721	29,405	13,216	1,190	24,910
254	35200	Wells \ Rights of Way	3.0	Peak Day	2,221,111	950,383	427,164	38,454	805,110
255	35201	Well Construction	3.0	Peak Day	670,431	286,868	128,937	11,607	243,018
256	35202	Well Equipment	3.0	Peak Day	227,654	97,410	43,782	3,941	82,520
257	35203	Cushion Gas	3.0	Peak Day	847,416	362,598	162,975	14,671	307,172
258	35210	Leaseholds	3.0	Peak Day	89,265	38,195	17,167	1,545	32,357
259	35211	Storage Rights	3.0	Peak Day	27,307	11,684	5,252	473	9,898
260	35301	Field Lines	3.0	Peak Day	89,248	38,188	17,164	1,545	32,351
261	35302	Tributary Lines	3.0	Peak Day	104,729	44,812	20,142	1,813	37,962
262	35400	Compressor Station Equipment	3.0	Peak Day	461,723	197,565	88,799	7,994	167,366
263	35500	Meas & Reg. Equipment	3.0	Peak Day	120,442	51,536	23,163	2,085	43,658
264	35600	Purification Equipment	3.0	Peak Day	81,990	35,082	15,768	1,419	29,720
265									
266		Total Storage Plant			5,240,101	2,242,168	1,007,776	90,721	1,899,435
267									
268		Transmission:							
269									
270	36510	Land & Land Rights	3.0	Peak Day	26,970	11,540	5,187	467	9,776
271	36520	Rights of Way	3.0	Peak Day	867,772	371,308	166,890	15,024	314,551
272	36602	Structures & Improvements	3.0	Peak Day	49,002	20,967	9,424	848	17,762
273	36603	Other Structues	3.0	Peak Day	60,826	26,027	11,698	1,053	22,048
274	36700	Mains Cathodic Protection	3.0	Peak Day	406,035	173,737	78,089	7,030	147,180
275	36701	Mains - Steel	3.0	Peak Day	27,830,935	11,908,481	5,352,446	481,834	10,088,175
276	36900	Meas. & Reg. Equipment	3.0	Peak Day	578,023	247,328	111,165	10,007	209,522
277	36901	Meas. & Reg. Equipment	3.0	Peak Day	2,274,016	973,021	437,339	39,370	824,287
278									
279		Total Transmission Plant			32,093,579	13,732,408	6,172,237	555,632	11,633,301
280									
281		Distribution:							
282									
283	37400	Land & Land Rights	3.0	Peak Day	76,796	32,860	14,769	1,330	27,837
284	37401	Land	3.0	Peak Day	5,390	2,306	1,037	93	1,954
285	37402	Land Rights	3.0	Peak Day	36,592	15,657	7,037	634	13,264
286	37403	Land Other	3.0	Peak Day	402	172	77	7	146
287	37500	Structures & Improvements	3.0	Peak Day	49,540	21,198	9,528	858	17,957
288	37501	Structures & Improvements T.B.	3.0	Peak Day	14,658	6,272	2,819	254	5,313
289	37502	Land Rights	3.0	Peak Day	6,728	2,879	1,294	116	2,439
290	37503	Improvements	3.0	Peak Day	578	247	111	10	210
291	37600	Mains Cathodic Protection	3.0	Peak Day	1,634,361	699,321	314,320	28,295	592,424
292	37601	Mains - Steel	3.0	Peak Day	14,091,399	6,029,519	2,710,058	243,963	5,107,859
293	37602	Mains - Plastic	3.0	Peak Day	9,490,402	4,060,815	1,825,194	164,306	3,440,087
294	37800	Meas & Reg. Sta. Equip - General	3.0	Peak Day	775,030	331,625	149,054	13,418	280,933
295	37900	Meas & Reg. Sta. Equip - City Gate	3.0	Peak Day	328,225	140,443	63,124	5,683	118,975
296	37905	Meas & Reg. Sta. Equipment T.b.	3.0	Peak Day	201,387	86,171	38,731	3,487	72,999
297	38000	Services	99.0	-	0	-	-	-	-
298	38100	Meters	99.0	-	0	-	-	-	-
299	38200	Meter Installaitons	99.0	-	0	-	-	-	-
300	38300	House Regulators	99.0	-	0	-	-	-	-
301	38400	House Reg. Installations	99.0	-	0	-	-	-	-
302	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
303	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
304									
305		Total Distribution Plant			26,711,487	11,429,484	5,137,153	462,453	9,682,397

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ALLOCATION OF PLANT IN SERVICE

306								
307		General:						
308								
309	38900	Land & Land Rights	6.4 P, S, T & D Plant - Demand	124,094	53,098	23,866	2,148	44,982
310	39000	Structures & Improvements	6.4 P, S, T & D Plant - Demand	571,320	244,460	109,876	9,891	207,092
311	39001	Structures Frame	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
312	39002	Structures-Brick	6.4 P, S, T & D Plant - Demand	28,214	12,072	5,426	488	10,227
313	39003	Improvements	6.4 P, S, T & D Plant - Demand	114,435	48,965	22,008	1,981	41,481
314	39004	Air Conditioning Equipment	6.4 P, S, T & D Plant - Demand	1,178	504	226	20	427
315	39009	Improvement to leased Premises	6.4 P, S, T & D Plant - Demand	201,933	86,404	38,836	3,496	73,197
316	39100	Office Furniture & Equipment	6.4 P, S, T & D Plant - Demand	232,857	99,636	44,783	4,031	84,406
317	39102	Remittance Processing Equip	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
318	39103	Office Machines	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
319	39200	Transportation Equipment	6.4 P, S, T & D Plant - Demand	62,416	26,707	12,004	1,081	22,624
320	39201	Trucks	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
321	39202	Trailers	6.4 P, S, T & D Plant - Demand	5,239	2,242	1,008	91	1,899
322	39300	Stores Equipment	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
323	39400	Tools, Shop & Garage Equipment	6.4 P, S, T & D Plant - Demand	346,833	148,405	66,703	6,005	125,720
324	39600	Power Operated Equipment	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
325	39603	Ditchers	6.4 P, S, T & D Plant - Demand	8,476	3,627	1,630	147	3,073
326	39604	Backhoes	6.4 P, S, T & D Plant - Demand	9,904	4,238	1,905	171	3,590
327	39605	Welders	6.4 P, S, T & D Plant - Demand	5,246	2,245	1,009	91	1,902
328	39700	Communication Equipment	6.4 P, S, T & D Plant - Demand	59,390	25,412	11,422	1,028	21,528
329	39701	Communication Equipment - Mobile Radic	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
330	39702	Communication Equipment - Fixed Radios	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
331	39705	Communication Equip. - Telemetering	6.4 P, S, T & D Plant - Demand	10,467	4,479	2,013	181	3,794
332	39800	Miscellaneous Equipment	6.4 P, S, T & D Plant - Demand	398,060	170,325	76,555	6,892	144,289
333	39900	Other Tangible Property	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
334	39901	Other Tangible Property - Servers - H/	6.4 P, S, T & D Plant - Demand	27,778	11,886	5,342	481	10,069
335	39902	Other Tangible Property - Servers - S/	6.4 P, S, T & D Plant - Demand	11,611	4,968	2,233	201	4,209
336	39903	Other Tangible Property - Network - H/	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
337	39904	Other Tang. Property - CPU	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
338	39905	Other Tangible Property - MF - Hardwa:	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
339	39906	Other Tang. Property - PC Hardware	6.4 P, S, T & D Plant - Demand	30,881	13,213	5,939	535	11,194
340	39907	Other Tang. Property - PC Software	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
341	39908	Other Tang. Property - Mainframe S/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
342	39909	Other Tang. Property - Application Sof	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
343	39924	Other Tang. Property - General Startur	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
344								
345		Total General Plant		2,250,333	962,887	432,784	38,960	815,702
346								
347		TOTAL DIRECT PLANT		67,217,133	28,761,302	12,927,199	1,163,722	24,364,909
348								
349		CWIP w/o AFUDC	6.4 P, S, T & D Plant - Demand	1,254,739	536,886	241,311	21,723	454,819
350								
351		Kentucky Mid-States General Office:						
352								
353		Intangible Plant:						
354								
355	30100	Organization	6.4 P, S, T & D Plant - Demand	14,625	6,258	2,813	253	5,301
356	30200	Franchises & Consents	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
357	30300	Misc Intangible Plant	6.4 P, S, T & D Plant - Demand	87,570	37,470	16,841	1,516	31,742
358								
359		Total Intangible Plant:		102,195	43,728	19,654	1,769	37,044
360								
361		General:						
362								
363	37400	Land & Land Rights	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
364	39001	Structures Frame	6.4 P, S, T & D Plant - Demand	14,154	6,056	2,722	245	5,131
365	39004	Air Conditioning Equipment	6.4 P, S, T & D Plant - Demand	455	195	88	8	165
366	39009	Improvement to leased Premises	6.4 P, S, T & D Plant - Demand	3,065	1,311	589	53	1,111
367	39100	Office Furniture & Equipment	6.4 P, S, T & D Plant - Demand	6,956	2,976	1,338	120	2,521
368	39200	Transportation Equipment	6.4 P, S, T & D Plant - Demand	324	139	62	6	118
369	39300	Stores Equipment	6.4 P, S, T & D Plant - Demand	328	141	63	6	119
370	39400	Tools, Shop & Garage Equipment	6.4 P, S, T & D Plant - Demand	11,251	4,814	2,164	195	4,078
371	39600	Power Operated Equipment	6.4 P, S, T & D Plant - Demand	1,542	660	297	27	559
372	39700	Communication Equipment	6.4 P, S, T & D Plant - Demand	2,999	1,283	577	52	1,087
373	39800	Miscellaneous Equipment	6.4 P, S, T & D Plant - Demand	65,110	27,860	12,522	1,127	23,601
374	39900	Other Tangible Property	6.4 P, S, T & D Plant - Demand	6,077	2,600	1,169	105	2,203
375	39901	Other Tangible Property - Servers - H/W	6.4 P, S, T & D Plant - Demand	27,165	11,624	5,224	470	9,847
376	39902	Other Tangible Property - Servers - S/W	6.4 P, S, T & D Plant - Demand	653	279	126	11	237
377	39903	Other Tangible Property - Network - H/W	6.4 P, S, T & D Plant - Demand	17,089	7,312	3,287	296	6,194
378	39906	Other Tang. Property - PC Hardware	6.4 P, S, T & D Plant - Demand	53,962	23,090	10,378	934	19,560
379	39907	Other Tang. Property - PC Software	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
380	39908	Other Tang. Property - Mainframe S/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
381								
382		Total General Plant		211,130	90,340	40,605	3,655	76,531
383								
384		CWIP w/o AFUDC	6.4 P, S, T & D Plant - Demand	26,703	11,426	5,136	462	9,679

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF PLANT IN SERVICE

385									
386		Shared Services General Office:							
387									
388		General:							
389									
390	39000	Structures & Improvements	6.4	P, S, T & D Plant - Demand	1,093	468	210	19	396
391	39005	G-Structures & Improvements	6.4	P, S, T & D Plant - Demand	20,242	8,661	3,893	350	7,337
392	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	81,540	34,890	15,682	1,412	29,557
393	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	83,684	35,807	16,094	1,449	30,334
394	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
395	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
396	39104	G-Office Furniture & Equip.	6.4	P, S, T & D Plant - Demand	141	60	27	2	51
397	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	869	372	167	15	315
398	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
399	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	2,232	955	429	39	809
400	39500	Laboratory Equipment	6.4	P, S, T & D Plant - Demand	370	159	71	6	134
401	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	25,074	10,729	4,822	434	9,089
402	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	3,401	1,455	654	59	1,233
403	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	1,422	608	273	25	515
404	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	263,361	112,689	50,650	4,560	95,463
405	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	135,578	58,012	26,074	2,347	49,144
406	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	31,876	13,639	6,130	552	11,554
407	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
408	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
409	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	23,014	9,848	4,426	398	8,342
410	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	8,509	3,641	1,636	147	3,084
411	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	909,373	389,109	174,891	15,744	329,630
412	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	22,905	9,801	4,405	397	8,303
413	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
414									
415		Total General Plant			1,614,683	690,901	310,536	27,955	585,291
416									
417		CWIP w/o AFUDC	6.4	P, S, T & D Plant - Demand	56,481	24,168	10,862	978	20,473
418									
419		Shared Services Customer Support:							
420									
421		General:							
422									
423	38900	Land	6.4	P, S, T & D Plant - Demand	25,940	11,099	4,989	449	9,403
424	38910	CKV-Land & Land Rights	6.4	P, S, T & D Plant - Demand	2,366	1,013	455	41	858
425	39000	Structures & Improvements	6.4	P, S, T & D Plant - Demand	119,256	51,028	22,935	2,065	43,228
426	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	40,918	17,508	7,869	708	14,832
427	39010	CKV-Structures & Improvements	6.4	P, S, T & D Plant - Demand	13,042	5,580	2,508	226	4,727
428	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	10,317	4,414	1,984	179	3,740
429	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	18,685	7,995	3,593	323	6,773
430	39710	CKV-Communication Equipment	6.4	P, S, T & D Plant - Demand	341	146	66	6	123
431	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	861	368	165	15	312
432	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
433	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	52,432	22,435	10,084	908	19,005
434	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	24,395	10,438	4,692	422	8,843
435	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	17,492	7,485	3,364	303	6,341
436	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	11,273	4,823	2,168	195	4,086
437	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	4,572	1,956	879	79	1,657
438	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	881,789	377,306	169,586	15,266	319,632
439	39910	CKV-Other Tangible Property	6.4	P, S, T & D Plant - Demand	149	64	29	3	54
440	39916	CKV-Oth Tang Prop-PC Hardware	6.4	P, S, T & D Plant - Demand	243	104	47	4	88
441	39917	CKV-Oth Tang Prop-PC Software	6.4	P, S, T & D Plant - Demand	114	49	22	2	41
442	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
443									
444		Total General Plant			1,224,183	523,812	235,435	21,194	443,743
445									
446		CWIP w/o AFUDC	6.4	P, S, T & D Plant - Demand	10,288	4,402	1,979	178	3,729
447									
448		TOTAL PLANT IN SERVICE - DEMAND			70,369,325	30,110,082	13,533,429	1,218,296	25,507,518
449									
450		TOTAL CWIP W/O AFUDC - DEMAND			1,348,211	576,881	259,288	23,341	488,700

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ALLOCATION OF PLANT IN SERVICE

Commodity

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
451		Intangible Plant							
452									
453	30100	Organization	6.6	P, S, T & D Plant - Commodity	106	33	17	2	55
454	30200	Franchises & Consents	6.6	P, S, T & D Plant - Commodity	1,526	478	238	23	788
455	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
456									
457		Total Intangible Plant			1,632	511	254	25	842
458									
459		Production Plant:							
460									
461	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
462	32540	Rights of Ways	99.0	-	0	-	-	-	-
463	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
464	33201	Field Lines	99.0	-	0	-	-	-	-
465	33202	Tributary Lines	99.0	-	0	-	-	-	-
466	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
467	33600	Purification Equipment	99.0	-	0	-	-	-	-
468									
469		Total Production Plant			0	0	0	0	0
470									
471		Storage Plant:							
472									
473	35010	Land	1.5	Winter Volumes	130,563	40,898	20,338	1,960	67,368
474	35020	Rights of Way	1.5	Winter Volumes	2,341	733	365	35	1,208
475	35100	Structures and Improvements	1.5	Winter Volumes	8,958	2,806	1,395	134	4,622
476	35102	Compression Station Equipment	1.5	Winter Volumes	76,631	24,004	11,937	1,150	39,540
477	35103	Meas. & Reg. Sta. Structues	1.5	Winter Volumes	11,569	3,624	1,802	174	5,969
478	35104	Other Structures	1.5	Winter Volumes	68,721	21,526	10,705	1,032	35,459
479	35200	Wells \ Rights of Way	1.5	Winter Volumes	2,221,111	695,746	345,980	33,340	1,146,045
480	35201	Well Construction	1.5	Winter Volumes	670,431	210,007	104,432	10,063	345,928
481	35202	Well Equipment	1.5	Winter Volumes	227,654	71,311	35,462	3,417	117,465
482	35203	Cushion Gas	1.5	Winter Volumes	847,416	265,447	132,001	12,720	437,248
483	35210	Leaseholds	1.5	Winter Volumes	89,265	27,962	13,905	1,340	46,059
484	35211	Storage Rights	1.5	Winter Volumes	27,307	8,554	4,254	410	14,090
485	35301	Field Lines	1.5	Winter Volumes	89,248	27,956	13,902	1,340	46,050
486	35302	Tributary Lines	1.5	Winter Volumes	104,729	32,806	16,314	1,572	54,038
487	35400	Compressor Station Equipment	1.5	Winter Volumes	461,723	144,631	71,922	6,931	238,239
488	35500	Meas & Reg. Equipment	1.5	Winter Volumes	120,442	37,727	18,761	1,808	62,145
489	35600	Purification Equipment	1.5	Winter Volumes	81,990	25,683	12,771	1,231	42,305
490									
491		Total Storage Plant			5,240,101	1,641,421	816,246	78,656	2,703,778
492									
493		Transmission:							
494									
495	36510	Land & Land Rights	99.0	-	0	-	-	-	-
496	36520	Rights of Way	99.0	-	0	-	-	-	-
497	36602	Structures & Improvements	99.0	-	0	-	-	-	-
498	36603	Other Structues	99.0	-	0	-	-	-	-
499	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
500	36701	Mains - Steel	99.0	-	0	-	-	-	-
501	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
502	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
503									
504		Total Transmission Plant			0	0	0	0	0
505									
506		Distribution:							
507									
508	37400	Land & Land Rights	99.0	-	0	-	-	-	-
509	37401	Land	99.0	-	0	-	-	-	-
510	37402	Land Rights	99.0	-	0	-	-	-	-
511	37403	Land Other	99.0	-	0	-	-	-	-
512	37500	Structures & Improvements	99.0	-	0	-	-	-	-
513	37501	Structures & Improvements T.B.	99.0	-	0	-	-	-	-
514	37502	Land Rights	99.0	-	0	-	-	-	-
515	37503	Improvements	99.0	-	0	-	-	-	-
516	37600	Mains Cathodic Protection	99.0	-	0	-	-	-	-
517	37601	Mains - Steel	99.0	-	0	-	-	-	-
518	37602	Mains - Plastic	99.0	-	0	-	-	-	-
519	37800	Meas & Reg. Sta. Equip - General	99.0	-	0	-	-	-	-
520	37900	Meas & Reg. Sta. Equip - City Gate	99.0	-	0	-	-	-	-
521	37905	Meas & Reg. Sta. Equipment T.b.	99.0	-	0	-	-	-	-
522	38000	Services	99.0	-	0	-	-	-	-
523	38100	Meters	99.0	-	0	-	-	-	-
524	38200	Meter Installaitons	99.0	-	0	-	-	-	-
525	38300	House Regulators	99.0	-	0	-	-	-	-
526	38400	House Reg. Installations	99.0	-	0	-	-	-	-
527	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
528	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-

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ALLOCATION OF PLANT IN SERVICE

529									
530		Total Distribution Plant			0	0	0	0	0
531									
532		General:							
533									
534	38900	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	10,012	3,136	1,560	150	5,166
535	39000	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	46,096	14,439	7,180	692	23,785
536	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
537	39002	Structures-Brick	6.6	P, S, T & D Plant - Commodity	2,276	713	355	34	1,175
538	39003	Improvements	6.6	P, S, T & D Plant - Commodity	9,233	2,892	1,438	139	4,764
539	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	95	30	15	1	49
540	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	16,293	5,104	2,538	245	8,407
541	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	18,788	5,885	2,927	282	9,694
542	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
543	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
544	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	5,036	1,577	784	76	2,598
545	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
546	39202	Trailers	6.6	P, S, T & D Plant - Commodity	423	132	66	6	218
547	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
548	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	27,984	8,766	4,359	420	14,439
549	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
550	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	684	214	107	10	353
551	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	799	250	124	12	412
552	39605	Welders	6.6	P, S, T & D Plant - Commodity	423	133	66	6	218
553	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	4,792	1,501	746	72	2,472
554	39701	Communication Equipment - Mobile Radic	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
555	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
556	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	845	265	132	13	436
557	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	32,117	10,060	5,003	482	16,572
558	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
559	39901	Other Tangible Property - Servers - H/	6.6	P, S, T & D Plant - Commodity	2,241	702	349	34	1,156
560	39902	Other Tangible Property - Servers - S/	6.6	P, S, T & D Plant - Commodity	937	293	146	14	483
561	39903	Other Tangible Property - Network - H/	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
562	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
563	39905	Other Tangible Property - MF - Hardwa:	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
564	39906	Other Tang. Property - PC Hardware	6.8	P, S, T & D Plant - Commodity	2,492	780	388	37	1,286
565	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
566	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
567	39909	Other Tang. Property - Application Sol	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
568	39924	Other Tang. Property - General Startu	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
569									
570		Total General Plant			181,564	56,874	28,282	2,725	93,683
571									
572		TOTAL DIRECT PLANT			5,423,297	1,698,806	844,782	81,406	2,798,303
573									
574		CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	101,236	31,712	15,770	1,520	52,236
575									
576		Kentucky Mid-States General Office:							
577									
578		Intangible Plant:							
579									
580	30100	Organization	6.6	P, S, T & D Plant - Commodity	1,180	370	184	18	609
581	30200	Franchises & Consents	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
582	30300	Misc Intangible Plant	6.6	P, S, T & D Plant - Commodity	7,065	2,213	1,101	106	3,646
583									
584		Total Intangible Plant			8,245	2,583	1,284	124	4,254
585									
586		General:							
587									
588	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
589	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	1,142	358	178	17	589
590	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	37	12	6	1	19
591	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	247	77	39	4	128
592	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	561	176	87	8	290
593	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	26	8	4	0	14
594	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	26	8	4	0	14
595	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	908	284	141	14	468
596	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	124	39	19	2	64
597	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	242	76	38	4	125
598	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	5,253	1,646	818	79	2,711
599	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	490	154	76	7	253
600	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	2,192	687	341	33	1,131
601	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	53	17	8	1	27
602	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	1,379	432	215	21	711
603	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	4,354	1,364	678	65	2,247
604	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
605	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
606									
607		Total General Plant			17,035	5,336	2,653	256	8,790
608									
609		CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	2,154	675	336	32	1,112

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF PLANT IN SERVICE

610									
611		Shared Services General Office:							
612									
613		General:							
614									
615	39000	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	88	28	14	1	46
616	39005	G-Structures & Improvements	6.6	P, S, T & D Plant - Commodity	1,633	512	254	25	843
617	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	6,579	2,061	1,025	99	3,395
618	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	6,752	2,115	1,052	101	3,484
619	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
620	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
621	39104	G-Office Furniture & Equip.	6.6	P, S, T & D Plant - Commodity	11	4	2	0	6
622	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	70	22	11	1	36
623	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
624	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	160	56	28	3	93
625	39500	Laboratory Equipment	6.6	P, S, T & D Plant - Commodity	30	9	5	0	15
626	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	2,023	634	315	30	1,044
627	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	274	86	43	4	142
628	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	115	36	18	2	59
629	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	21,249	6,656	3,310	319	10,964
630	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	10,939	3,427	1,704	164	5,644
631	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	2,572	806	401	39	1,327
632	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
633	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
634	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	1,857	582	289	28	958
635	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	687	215	107	10	354
636	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	73,371	22,983	11,429	1,101	37,858
637	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	1,848	579	288	28	954
638	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
639									
640		Total General Plant			130,278	40,809	20,293	1,956	67,221
641									
642		CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	4,557	1,427	710	68	2,351
643									
644		Shared Services Customer Support:							
645									
646		General:							
647									
648	38900	Land	6.6	P, S, T & D Plant - Commodity	2,093	656	326	31	1,080
649	38910	CKV-Land & Land Rights	6.6	P, S, T & D Plant - Commodity	191	60	30	3	99
650	39000	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	9,622	3,014	1,499	144	4,965
651	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	3,301	1,034	514	50	1,703
652	39010	CKV-Structures & Improvements	6.6	P, S, T & D Plant - Commodity	1,052	330	164	16	543
653	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	832	261	130	12	429
654	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	1,508	472	235	23	778
655	39710	CKV-Communication Equipment	6.6	P, S, T & D Plant - Commodity	27	9	4	0	14
656	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	69	22	11	1	36
657	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
658	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	4,230	1,325	659	63	2,183
659	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	1,968	617	307	30	1,016
660	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	1,411	442	220	21	728
661	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	910	285	142	14	469
662	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	369	116	57	6	190
653	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	71,146	22,286	11,082	1,068	36,710
664	39910	CKV-Other Tangible Property	6.6	P, S, T & D Plant - Commodity	12	4	2	0	6
665	39916	CKV-Oth Tang Prop-PC Hardware	6.6	P, S, T & D Plant - Commodity	20	6	3	0	10
666	39917	CKV-Oth Tang Prop-PC Software	6.6	P, S, T & D Plant - Commodity	9	3	1	0	5
667	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
668									
669		Total General Plant			98,771	30,939	15,385	1,483	50,964
670									
671		CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	830	260	129	12	428
672									
673		TOTAL PLANT IN SERVICE - COMMODITY			5,677,626	1,778,473	884,399	85,223	2,929,532
674									
675		TOTAL CWIP W/O AFUDC - COMMODITY			108,778	34,074	16,944	1,633	56,127

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF PLANT IN SERVICE

Total Plant in Service

Line. No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
676		Intangible Plant:							
677									
678	30100	Organization			8,330	6,183	1,376	80	691
679	30200	Franchises & Consents			119,853	88,964	19,796	1,156	9,937
680	30300	Misc Intangible Plant			0	-	-	-	-
681									
682		Total Intangible Plant:			128,182	95,147	21,171	1,236	10,628
683									
684		Production Plant:							
685									
686	32520	Producing Leaseholds			2,353	1,007	452	41	853
687	32540	Rights of Ways			83,422	35,695	16,044	1,444	30,239
688	33100	Production Gas Wells Equipment			3,492	1,494	672	60	1,266
689	33201	Field Lines			47,163	20,180	9,070	817	17,096
690	33202	Tributary Lines			528,218	226,017	101,587	9,145	191,469
691	33400	Field Meas. & Reg. Sta. Equip			192,384	82,319	36,999	3,331	69,736
692	33600	Purification Equipment			44,369	18,985	8,533	768	16,083
693									
694		Total Production Plant			901,402	385,698	173,358	15,606	326,741
695									
696		Storage Plant:							
697									
698	35010	Land			261,127	96,764	45,448	4,220	114,695
699	35020	Rights of Way			4,682	1,735	815	76	2,056
700	35100	Structures and Improvements			17,916	6,639	3,118	290	7,869
701	35102	Compression Station Equipment			153,261	56,793	26,674	2,477	67,317
702	35103	Meas. & Reg. Sta. Structues			23,138	8,574	4,027	374	10,163
703	35104	Other Structures			137,443	50,931	23,921	2,221	60,369
704	35200	Wells \ Rights of Way			4,442,222	1,646,129	773,145	71,793	1,951,155
705	35201	Well Construction			1,340,863	496,876	233,370	21,670	588,946
706	35202	Well Equipment			455,309	168,721	79,244	7,359	199,985
707	35203	Cushion Gas			1,694,833	628,045	294,976	27,391	744,421
708	35210	Leaseholds			178,530	66,157	31,072	2,885	78,416
709	35211	Storage Rights			54,614	20,238	9,505	883	23,988
710	35301	Field Lines			178,497	66,145	31,066	2,885	78,401
711	35302	Tributary Lines			209,458	77,618	36,455	3,385	92,000
712	35400	Compressor Station Equipment			923,446	342,196	160,721	14,924	405,605
713	35500	Meas & Reg. Equipment			240,883	89,263	41,924	3,893	105,803
714	35600	Purification Equipment			163,979	60,765	28,540	2,650	72,025
715									
716		Total Storage Plant			10,460,201	3,883,589	1,824,022	169,377	4,603,213
717									
718		Transmission:							
719									
720	36510	Land & Land Rights			26,970	11,540	5,187	467	9,776
721	36520	Rights of Way			867,772	371,308	166,890	15,024	314,551
722	36602	Structures & Improvements			49,002	20,967	9,424	848	17,762
723	36603	Other Structues			60,826	26,027	11,698	1,053	22,048
724	36700	Mains Cathodic Protection			406,035	173,737	78,089	7,030	147,180
725	36701	Mains - Steel			27,830,935	11,908,481	5,352,446	481,834	10,088,175
726	36900	Meas. & Reg. Equipment			578,023	247,328	111,165	10,007	209,522
727	36901	Meas. & Reg. Equipment			2,274,016	973,021	437,339	39,370	824,287
728									
729		Total Transmission Plant			32,093,579	13,732,408	6,172,237	555,632	11,633,301
730									
731		Distribution:							
732									
733	37400	Land & Land Rights			531,819	437,169	64,391	1,854	28,405
734	37401	Land			37,326	30,683	4,519	130	1,994
735	37402	Land Rights			253,401	208,302	30,681	883	13,534
736	37403	Land Other			2,784	2,288	337	10	149
737	37500	Structures & Improvements			343,073	282,015	41,538	1,196	18,324
738	37501	Structures & Improvements T.B.			101,507	83,441	12,290	354	5,422
739	37502	Land Rights			46,591	38,299	5,641	162	2,488
740	37503	Improvements			4,005	3,292	485	14	214
741	37600	Mains Cathodic Protection			11,318,116	9,303,784	1,370,363	39,459	604,510
742	37601	Mains - Steel			97,584,394	80,216,900	11,815,224	340,210	5,212,060
743	37602	Mains - Plastic			65,722,013	54,025,197	7,957,423	229,128	3,510,265
744	37800	Meas & Reg. Sta. Equip - General			5,367,160	4,411,944	649,839	18,712	286,664
745	37900	Meas & Reg. Sta. Equip - City Gate			2,272,991	1,868,457	275,207	7,924	121,402
746	37905	Meas & Reg. Sta. Equipment T.b.			1,394,628	1,146,420	168,857	4,862	74,488
747	38000	Services			98,853,417	87,835,826	10,780,267	113,954	123,371
748	38100	Meters			22,574,136	13,562,204	7,593,305	704,186	714,441
749	38200	Meter Installaitons			49,157,106	29,532,854	16,535,069	1,533,426	1,555,757
750	38300	House Regulators			7,239,801	4,349,564	2,435,266	225,841	229,130
751	38400	House Reg. Installations			154,276	92,687	51,894	4,813	4,883
752	38500	Ind. Meas. & Reg. Sta. Equipment			5,045,015	-	-	-	5,045,015
753	38600	Other Prop. On Cust. Prem			0	-	-	-	-
754									
755		Total Distribution Plant			368,003,558	287,431,328	59,792,597	3,227,117	17,552,516

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF PLANT IN SERVICE

756							
757		General:					
758							
759	38900	Land & Land Rights	786,216	583,593	129,856	7,581	65,185
760	39000	Structures & Improvements	3,619,684	2,686,824	597,848	34,903	300,109
761	39001	Structures Frame	0	-	-	-	-
762	39002	Structures-Brick	178,755	132,687	29,524	1,724	14,821
763	39003	Improvements	725,022	538,170	119,749	6,991	60,112
764	39004	Air Conditioning Equipment	7,461	5,539	1,232	72	619
765	39009	Improvement to leased Premises	1,279,376	949,657	211,309	12,337	106,073
766	39100	Office Furniture & Equipment	1,475,298	1,095,087	243,669	14,226	122,317
767	39102	Remittance Processing Equip	0	-	-	-	-
768	39103	Office Machines	0	-	-	-	-
769	39200	Transportation Equipment	395,444	293,531	65,314	3,813	32,786
770	39201	Trucks	0	-	-	-	-
771	39202	Trailers	33,192	24,638	5,482	320	2,752
772	39300	Stores Equipment	0	-	-	-	-
773	39400	Tools, Shop & Garage Equipment	2,197,415	1,631,100	362,938	21,189	182,188
774	39600	Power Operated Equipment	0	-	-	-	-
775	39603	Ditchers	53,704	39,863	8,870	518	4,453
776	39604	Backhoes	62,747	46,576	10,364	605	5,202
777	39605	Welders	33,236	24,670	5,489	320	2,756
778	39700	Communication Equipment	376,277	279,303	62,148	3,628	31,197
779	39701	Communication Equipment - Mobile Radios	0	-	-	-	-
780	39702	Communication Equipment - Fixed Radios	0	-	-	-	-
781	39705	Communication Equip. - Telemetering	66,316	49,225	10,953	639	5,498
782	39800	Miscellaneous Equipment	2,521,971	1,872,013	416,543	24,318	209,097
783	39900	Other Tangible Property	0	-	-	-	-
784	39901	Other Tangible Property - Servers - H/W	175,990	130,634	29,068	1,697	14,591
785	39902	Other Tangible Property - Servers - S/W	73,566	54,607	12,151	709	6,099
786	39903	Other Tangible Property - Network - H/W	0	-	-	-	-
787	39904	Other Tang. Property - CPU	0	-	-	-	-
788	39905	Other Tangible Property - MF - Hardware	0	-	-	-	-
789	39906	Other Tang. Property - PC Hardware	195,649	145,227	32,315	1,887	16,221
790	39907	Other Tang. Property - PC Software	0	-	-	-	-
791	39908	Other Tang. Property - Mainframe S/W	0	-	-	-	-
792	39909	Other Tang. Property - Application Software	0	-	-	-	-
793	39924	Other Tang. Property - General Startup Costs	0	-	-	-	-
794							
795		Total General Plant	14,257,320	10,582,944	2,354,822	137,478	1,182,077
796							
797		TOTAL DIRECT PLANT	425,864,243	316,111,114	70,338,207	4,106,446	35,308,475
798							
799		CWIP w/o AFUDC	7,949,586	5,900,830	1,313,000	76,655	659,101
800							
801		Kentucky Mid-States General Office:					
802							
803		Intangible Plant					
804							
805	30100	Organization	92,661	68,780	15,304	893	7,683
806	30200	Franchises & Consents	0	-	-	-	-
807	30300	Misc Intangible Plant	554,814	411,828	91,636	5,350	46,000
808							
809		Total Intangible Plant	647,474	480,608	106,941	6,243	53,682
810							
811		General:					
812							
813	37400	Land & Land Rights	0	-	-	-	-
814	39001	Structures Frame	89,675	66,564	14,811	865	7,435
815	39004	Air Conditioning Equipment	2,886	2,142	477	28	239
816	39009	Improvement to leased Premises	19,418	14,414	3,207	187	1,610
817	39100	Office Furniture & Equipment	44,069	32,712	7,279	425	3,654
818	39200	Transportation Equipment	2,055	1,525	339	20	170
819	39300	Stores Equipment	2,081	1,544	344	20	173
820	39400	Tools, Shop & Garage Equipment	71,284	52,913	11,774	687	5,910
821	39600	Power Operated Equipment	9,768	7,250	1,613	94	810
822	39700	Communication Equipment	19,000	14,103	3,138	183	1,575
823	39800	Miscellaneous Equipment	412,511	306,200	68,133	3,978	34,201
824	39900	Other Tangible Property	38,499	28,577	6,359	371	3,192
825	39901	Other Tangible Property - Servers - H/W	172,108	127,753	28,426	1,660	14,270
826	39902	Other Tangible Property - Servers - S/W	4,137	3,071	683	40	343
827	39903	Other Tangible Property - Network - H/W	108,270	80,367	17,882	1,044	8,977
828	39906	Other Tang. Property - PC Hardware	341,887	253,777	56,468	3,297	28,346
829	39907	Other Tang. Property - PC Software	0	-	-	-	-
830	39908	Other Tang. Property - Mainframe S/W	0	-	-	-	-
831							
832		Total General Plant	1,337,649	992,912	220,934	12,898	110,905
833							
834		CWIP w/o AFUDC	169,180	125,580	27,943	1,631	14,027

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF PLANT IN SERVICE

835							
836		Shared Services General Office:					
837							
838		General:					
839							
840	39000	Structures & Improvements	6,927	5,142	1,144	67	574
841	39005	G-Structures & Improvements	128,243	95,193	21,181	1,237	10,633
842	39009	Improvement to leased Premises	516,609	383,469	85,326	4,981	42,832
843	39100	Office Furniture & Equipment	530,191	393,551	87,569	5,112	43,958
844	39102	Remittance Processing Equip	0	-	-	-	-
845	39103	Office Machines	0	-	-	-	-
846	39104	G-Office Furniture & Equip.	893	663	147	9	74
847	39200	Transportation Equipment	5,503	4,085	909	53	456
848	39300	Stores Equipment	0	-	-	-	-
849	39400	Tools, Shop & Garage Equipment	14,142	10,497	2,336	136	1,172
850	39500	Laboratory Equipment	2,347	1,742	388	23	195
851	39700	Communication Equipment	158,860	117,919	26,238	1,532	13,171
852	39800	Miscellaneous Equipment	21,546	15,993	3,559	208	1,786
853	39900	Other Tangible Property	9,006	6,685	1,488	87	747
854	39901	Other Tangible Property - Servers - H/W	1,668,562	1,238,543	275,589	16,089	138,341
855	39902	Other Tangible Property - Servers - S/W	858,974	637,600	141,873	8,283	71,218
856	39903	Other Tangible Property - Network - H/W	201,953	149,906	33,356	1,947	16,744
857	39904	Other Tang. Property - CPU	0	-	-	-	-
858	39905	Other Tangible Property - MF - Hardware	0	-	-	-	-
859	39906	Other Tang. Property - PC Hardware	145,811	108,233	24,083	1,406	12,089
860	39907	Other Tang. Property - PC Software	53,910	40,016	8,904	520	4,470
861	39908	Other Tang. Property - Mainframe S/W	5,761,472	4,276,633	951,598	55,556	477,685
862	39909	Other Tang. Property - Application Software	145,121	107,721	23,969	1,399	12,032
863	39924	Other Tang. Property - General Startup Costs	0	-	-	-	-
864							
865		Total General Plant	10,230,069	7,593,590	1,689,658	98,645	848,177
866							
867		CWIP w/o AFUDC	357,845	265,622	59,104	3,451	29,669
868							
869		Shared Services Customer Support:					
870							
871		General:					
872							
873	38900	Land	164,345	121,990	27,144	1,585	13,626
874	38910	CKV-Land & Land Rights	14,993	11,129	2,476	145	1,243
875	39000	Structures & Improvements	755,564	560,841	124,793	7,286	62,644
876	39009	Improvement to leased Premises	259,245	192,433	42,818	2,500	21,494
877	39010	CKV-Structures & Improvements	82,629	61,334	13,648	797	6,851
878	39100	Office Furniture & Equipment	65,363	48,518	10,796	630	5,419
879	39700	Communication Equipment	118,380	87,872	19,552	1,141	9,815
880	39710	CKV-Communication Equipment	2,158	1,602	356	21	179
881	39800	Miscellaneous Equipment	5,452	4,047	900	53	452
882	39900	Other Tangible Property	0	-	-	-	-
883	39901	Other Tangible Property - Servers - H/W	332,188	246,577	54,866	3,203	27,542
884	39902	Other Tangible Property - Servers - S/W	154,557	114,725	25,528	1,490	12,814
885	39903	Other Tangible Property - Network - H/W	110,823	82,262	18,304	1,069	9,188
886	39906	Other Tang. Property - PC Hardware	71,420	53,013	11,796	689	5,921
887	39907	Other Tang. Property - PC Software	28,967	21,502	4,784	279	2,402
888	39908	Other Tang. Property - Mainframe S/W	5,586,709	4,146,910	922,733	53,870	463,195
889	39910	CKV-Other Tangible Property	945	701	156	9	78
890	39916	CKV-Oth Tang Prop-PC Hardware	1,541	1,144	255	15	128
891	39917	CKV-Oth Tang Prop-PC Software	719	534	119	7	60
892	39924	Other Tang. Property - General Startup Costs	0	-	-	-	-
893							
894		Total General Plant	7,755,998	5,757,133	1,281,026	74,788	643,051
895							
896		CWIP w/o AFUDC	65,180	48,382	10,766	629	5,404
897							
898		TOTAL PLANT IN SERVICE	445,835,433	330,935,358	73,636,764	4,299,021	36,964,290
899							
900		TOTAL CWIP W/O AFUDC	8,541,792	6,340,413	1,410,812	82,365	708,201

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period, Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1		Intangible Plant:							
2									
3	30100	Organization	6.2	P, S, T & D Plant - Customer	6,909	5,587	1,106	56	159
4	30200	Franchises & Consents	6.2	P, S, T & D Plant - Customer	99,409	80,392	15,920	805	2,292
5	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
6									
7		Total Intangible Plant			106,318	85,979	17,026	861	2,452
8									
9		Production Plant:							
10									
11	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
12	32540	Rights of Ways	99.0	-	0	-	-	-	-
13	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
14	33201	Field Lines	99.0	-	0	-	-	-	-
15	33202	Tributary Lines	99.0	-	0	-	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
17	33600	Purification Equipment	99.0	-	0	-	-	-	-
18									
19		Total Production Plant			0	0	0	0	0
20									
21		Storage Plant:							
22									
23	35010	Land	99.0	-	0	-	-	-	-
24	35020	Rights of Way	99.0	-	0	-	-	-	-
25	35100	Structures and Improvements	99.0	-	0	-	-	-	-
26	35102	Compression Station Equipment	99.0	-	0	-	-	-	-
27	35103	Meas. & Reg. Sta. Structues	99.0	-	0	-	-	-	-
28	35104	Other Structures	99.0	-	0	-	-	-	-
29	35200	Wells \ Rights of Way	99.0	-	0	-	-	-	-
30	35201	Well Construction	99.0	-	0	-	-	-	-
31	35202	Well Equipment	99.0	-	0	-	-	-	-
32	35203	Cushion Gas	99.0	-	0	-	-	-	-
33	35210	Leaseholds	99.0	-	0	-	-	-	-
34	35211	Storage Rights	99.0	-	0	-	-	-	-
35	35301	Field Lines	99.0	-	0	-	-	-	-
36	35302	Tributary Lines	99.0	-	0	-	-	-	-
37	35400	Compressor Station Equipment	99.0	-	0	-	-	-	-
38	35500	Meas & Reg. Equipment	99.0	-	0	-	-	-	-
39	35600	Purification Equipment	99.0	-	0	-	-	-	-
40									
41		Total Storage Plant			0	-	-	-	-
42									
43		Transmission:							
44									
45	36510	Land & Land Rights	99.0	-	0	-	-	-	-
46	36520	Rights of Way	99.0	-	0	-	-	-	-
47	36602	Structures & Improvements	99.0	-	0	-	-	-	-
48	36603	Other Structues	99.0	-	0	-	-	-	-
49	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
50	36701	Mains - Steel	99.0	-	0	-	-	-	-
51	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
52	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
53									
54		Total Transmission Plant			0	-	-	-	-
55									
56		Distribution:							
57									
58	37400	Land & Land Rights	2.0	Customers	48,893	43,443	5,332	56	61
59	37401	Land	2.0	Customers	(6,203)	(5,512)	(677)	(7)	(8)
60	37402	Land Rights	2.0	Customers	48,871	43,424	5,330	56	61
61	37403	Land Other	2.0	Customers	0	-	-	-	-
62	37500	Structures & Improvements	2.0	Customers	86,728	77,062	9,458	100	108
63	37501	Structures & Improvements T.B.	2.0	Customers	83,974	74,614	9,158	97	105
64	37502	Land Rights	2.0	Customers	39,906	35,458	4,352	46	50
65	37503	Improvements	2.0	Customers	934	830	102	1	1
66	37600	Mains Cathodic Protection	2.0	Customers	2,107,476	1,872,590	229,827	2,429	2,630
67	37601	Mains - Steel	2.0	Customers	37,173,842	33,030,675	4,053,921	42,852	46,394
68	37602	Mains - Plastic	2.0	Customers	11,324,709	10,062,527	1,234,994	13,055	14,133
69	37800	Meas & Reg. Sta. Equip - General	2.0	Customers	1,477,747	1,313,047	161,153	1,703	1,844
70	37900	Meas & Reg. Sta. Equip - City Gate	2.0	Customers	340,499	302,549	37,132	393	425
71	37905	Meas & Reg. Sta. Equipment T.b.	2.0	Customers	1,033,341	918,172	112,689	1,191	1,290
72	38000	Services	2.0	Customers	47,464,180	42,174,115	5,176,114	54,715	59,236
73	38100	Meters	4.0	Meter Investment	8,831,960	5,306,109	2,970,823	275,508	279,520
74	38200	Meter Installaitons	4.0	Meter Investment	10,090,016	6,061,931	3,393,998	314,752	319,336
75	38300	House Regulators	4.0	Meter Investment	3,231,320	1,941,329	1,086,925	100,799	102,267
76	38400	House Reg. Installations	4.0	Meter Investment	122,845	73,804	41,322	3,832	3,888
77	38500	Ind. Meas. & Reg. Sta. Equipment	5.0	Direct to I & T	2,894,605	-	-	-	2,894,605
78	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
79									
80		Total Distribution Plant			126,395,842	103,326,167	18,531,952	811,578	3,725,946

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

81								
82		General:						
83								
84	38900	Land & Land Rights	6.2 P, S, T & D Plant - Customer	21,278	17,208	3,408	172	491
85	39000	Structures Frame	6.2 P, S, T & D Plant - Customer	508,406	411,147	81,418	4,118	11,724
86	39002	Improvements	6.2 P, S, T & D Plant - Customer	148,494	120,087	23,780	1,203	3,424
87	39003	Air Conditioning Equipment	6.2 P, S, T & D Plant - Customer	446,445	361,038	71,495	3,616	10,295
88	39004	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	6,204	5,018	994	50	143
89	39009	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	1,059,481	856,799	169,668	8,582	24,431
90	39100	Remittance Processing Equip	6.2 P, S, T & D Plant - Customer	232,277	187,842	37,197	1,882	5,356
91	39103	Transportation Equipment	6.2 P, S, T & D Plant - Customer	(89,245)	(72,172)	(14,292)	(723)	(2,058)
92	39200	Trucks	6.2 P, S, T & D Plant - Customer	334,367	270,402	53,546	2,709	7,710
93	39201	Trailers	6.2 P, S, T & D Plant - Customer	4,125	3,336	661	33	95
94	39202	Stores Equipment	6.2 P, S, T & D Plant - Customer	40,316	32,604	6,456	327	930
95	39400	Power Operated Equipment	6.2 P, S, T & D Plant - Customer	319,380	258,282	51,146	2,587	7,365
96	39603	Backhoes	6.2 P, S, T & D Plant - Customer	(133,979)	(108,349)	(21,456)	(1,085)	(3,090)
97	39604	Welders	6.2 P, S, T & D Plant - Customer	(10,976)	(8,876)	(1,758)	(89)	(253)
98	39605	Communication Equipment	6.2 P, S, T & D Plant - Customer	17,745	14,351	2,842	144	409
99	39700	Communication Equipment - Mobile Radios	6.2 P, S, T & D Plant - Customer	(178,950)	(144,717)	(28,658)	(1,450)	(4,127)
100	39701	Communication Equipment - Fixed Radios	6.2 P, S, T & D Plant - Customer	(18,320)	(14,815)	(2,934)	(148)	(422)
101	39702	Communication Equip. - Telemetering	6.2 P, S, T & D Plant - Customer	(28,313)	(22,897)	(4,534)	(229)	(653)
102	39705	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	(101,620)	(82,180)	(16,274)	(823)	(2,343)
103	39800	Other Tangible Property	6.2 P, S, T & D Plant - Customer	481,993	389,787	77,188	3,904	11,115
104	39900	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
105	39901	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	145,971	118,046	23,376	1,182	3,366
106	39902	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	65,155	52,691	10,434	528	1,502
107	39903	Other Tang. Property - CPU	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
108	39904	Other Tangible Property - MF - Hardware	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
109	39905	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
110	39906	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	(1,696,376)	(1,371,854)	(271,662)	(13,742)	(39,118)
111	39907	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
112	39908	Other Tang. Property - Application Software	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
113		AR 15 general plant amortization	6.2 P, S, T & D Plant - Customer	99,321	80,321	15,906	805	2,290
114		Retirement Work in Progress	6.2 P, S, T & D Plant - Customer	(3,903,390)	(3,156,659)	(625,100)	(31,620)	(90,011)
115								
116		Total General Plant		(2,230,210)	(1,803,564)	(357,152)	(18,066)	(51,428)
117								
118		TOTAL DIRECT RESERVE FOR DEPRECIATION		124,271,750	101,608,582	18,191,826	794,374	3,676,969
119								
120		Kentucky Mid-States General Office:						
121								
122		Intangible Plant:						
123								
124	30100	Organization	99.0 -	0	-	-	-	-
125	30200	Franchises & Consents	99.0 -	0	-	-	-	-
126	30300	Misc Intangible Plant	99.0 -	0	-	-	-	-
127								
128		Total Intangible Plant:						
129								
130		General:						
131								
132	37400	Land & Land Rights	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
133	39001	Structures Frame	6.2 P, S, T & D Plant - Customer	20,677	16,721	3,311	167	477
134	39004	Air Conditioning Equipment	6.2 P, S, T & D Plant - Customer	2,393	1,936	383	19	55
135	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	20,358	16,463	3,260	165	469
136	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	29,143	23,568	4,667	236	672
137	39200	Transportation Equipment	6.2 P, S, T & D Plant - Customer	3,176	2,568	509	26	73
138	39300	Stores Equipment	6.2 P, S, T & D Plant - Customer	1,481	1,197	237	12	34
139	39400	Tools, Shop & Garage Equipment	6.2 P, S, T & D Plant - Customer	26,511	21,440	4,246	215	611
140	39600	Power Operated Equipment	6.2 P, S, T & D Plant - Customer	6,417	5,190	1,028	52	148
141	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	(5,434)	(4,394)	(870)	(44)	(125)
142	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	184,145	148,917	29,489	1,492	4,246
143	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	31,932	25,824	5,114	259	736
144	39901	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	84,587	68,406	13,546	685	1,951
145	39902	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	4,777	3,863	765	39	110
146	39903	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	89,802	72,623	14,381	727	2,071
147	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	(299,084)	(241,868)	(47,896)	(2,423)	(6,897)
148	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
149	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	432,702	349,925	69,294	3,505	9,978
150		Retirement Work in Progress	6.2 P, S, T & D Plant - Customer	20,222	16,354	3,238	164	466
151								
152		Total General Plant		653,806	528,731	104,702	5,296	15,077
153								
154		Shared Services General Office:						
155								
156		General:						
157								
158	39000	Structures & Improvements	6.2 P, S, T & D Plant - Customer	304	246	49	2	7
159	39005	G-Structures & Improvements	6.2 P, S, T & D Plant - Customer	34,530	27,925	5,530	280	796
160	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	422,069	341,326	67,591	3,419	9,733
161	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	278,940	225,578	44,670	2,260	6,432
162	39102	Remittance Processing Equip	6.2 P, S, T & D Plant - Customer	270	218	43	2	6
163	39103	Office Machines	6.2 P, S, T & D Plant - Customer	133	108	21	1	3
164	39104	G-Office Furniture & Equip.	6.2 P, S, T & D Plant - Customer	92	74	15	1	2
165	39200	Transportation Equipment	6.2 P, S, T & D Plant - Customer	3,709	3,000	594	30	86
166	39300	Stores Equipment	6.2 P, S, T & D Plant - Customer	35	28	6	0	1
167	39400	Tools, Shop & Garage Equipment	6.2 P, S, T & D Plant - Customer	3,014	2,437	483	24	69
168	39500	Laboratory Equipment	6.2 P, S, T & D Plant - Customer	272	220	44	2	6
169	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	53,004	42,864	8,488	429	1,222
170	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	5,212	4,215	835	42	120
171	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	3,691	2,985	591	30	85
172	39901	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	471,992	381,699	75,586	3,823	10,884
173	39902	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	263,848	213,373	42,253	2,137	6,084
174	39903	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	98,600	79,738	15,790	799	2,274
175	39904	Other Tang. Property - CPU	6.2 P, S, T & D Plant - Customer	790	639	126	6	18
176	39905	Other Tangible Property - MF - Hardware	6.2 P, S, T & D Plant - Customer	709	574	114	6	16
177	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	106,602	86,209	17,072	864	2,458
178	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	39,740	32,137	6,364	322	916
179	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	3,301,764	2,670,127	528,754	26,746	76,138
180	39909	Other Tang. Property - Application Software	6.2 P, S, T & D Plant - Customer	125,570	101,548	20,109	1,017	2,896
181	39924	Other Tang. Property - General Startup Costs	6.2 P, S, T & D Plant - Customer	0	0	0	0	0
182		Retirement Work in Progress	6.2 P, S, T & D Plant - Customer	(7)	(6)	(1)	(0)	(0)
183								
184		Total General Plant		5,214,884	4,217,260	835,126	42,244	120,254

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

185								
186		Shared Services Customer Support						
187								
188		General						
189								
190	38900	Land	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
191	38910	CKV-Land & Land Rights	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
192	39000	Structures & Improvements	6.2 P, S, T & D Plant - Customer	148,846	120,371	23,837	1,206	3,432
193	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	175,681	142,073	28,134	1,423	4,051
194	39010	CKV-Structures & Improvements	6.2 P, S, T & D Plant - Customer	19,635	15,879	3,144	159	453
195	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	7,125	5,762	1,141	58	164
196	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	(293,830)	(237,620)	(47,055)	(2,380)	(6,776)
197	39710	CKV-Communication Equipment	6.2 P, S, T & D Plant - Customer	522	422	84	4	12
198	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	169	136	27	1	4
199	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	(49)	(40)	(8)	(0)	(1)
200	39901	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	(108,108)	(87,426)	(17,313)	(876)	(2,493)
201	39902	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	(196,129)	(158,609)	(31,409)	(1,589)	(4,523)
202	39903	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	4,589	3,711	735	37	106
203	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	(5,228)	(4,227)	(837)	(42)	(121)
204	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	12,951	10,474	2,074	105	299
205	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	1,816,710	1,469,168	290,933	14,716	41,893
206	39910	CKV-Other Tangible Property	6.2 P, S, T & D Plant - Customer	176	142	28	1	4
207	39916	CKV-Oth Tang Prop-PC Hardware	6.2 P, S, T & D Plant - Customer	673	544	108	5	16
208	39917	CKV-Oth Tang Prop-PC Software	6.2 P, S, T & D Plant - Customer	192	156	31	2	4
209	39924	Other Tang. Property - General Startup Costs	6.2 P, S, T & D Plant - Customer	7	6	1	0	0
210		Retirement Work in Progress	6.2 P, S, T & D Plant - Customer	(1,125)	(910)	(180)	(9)	(26)
211								
212		Total General Plant		1,582,808	1,280,012	253,475	12,822	36,499
213								
214		TOTAL RESERVE FOR DEPRECIATION - CUSTOMER		131,723,248	107,634,585	19,385,129	854,735	3,848,799

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
215		Intangible Plant:							
216									
217	30100	Organization	6.4	P, S, T & D Plant - Demand	1,315	563	253	23	477
218	30200	Franchises & Consents	6.4	P, S, T & D Plant - Demand	18,917	8,094	3,638	328	6,857
219	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
220									
221		Total Intangible Plant:			20,232	8,657	3,891	350	7,334
222									
223		Production Plant:							
224									
225	32520	Producing Leaseholds	3.0	Peak Day	904	387	174	16	328
226	32540	Rights of Ways	3.0	Peak Day	12,963	5,547	2,493	224	4,699
227	33100	Production Gas Wells Equipment	3.0	Peak Day	3,492	1,494	672	60	1,266
228	33201	Field Lines	3.0	Peak Day	47,163	20,180	9,070	817	17,096
229	33202	Tributary Lines	3.0	Peak Day	529,956	226,761	101,921	9,175	192,099
230	33400	Field Meas. & Reg. Sta. Equip	3.0	Peak Day	191,854	82,092	36,897	3,322	69,543
231	33600	Purification Equipment	3.0	Peak Day	15,287	6,541	2,940	265	5,541
232									
233		Total Production Plant			801,619	343,002	154,167	13,878	290,571
234									
235		Storage Plant:							
236									
237	35010	Land	3.0	Peak Day	0	-	-	-	-
238	35020	Rights of Way	3.0	Peak Day	2,341	1,002	450	41	848
239	35100	Structures and Improvements	3.0	Peak Day	2,821	1,207	542	49	1,022
240	35102	Compression Station Equipment	3.0	Peak Day	61,058	26,126	11,743	1,057	22,132
241	35103	Meas. & Reg. Sta. Structues	3.0	Peak Day	12,148	5,198	2,336	210	4,403
242	35104	Other Structures	3.0	Peak Day	70,517	30,173	13,562	1,221	25,561
243	35200	Wells \ Rights of Way	3.0	Peak Day	294,918	126,191	56,719	5,106	106,902
244	35201	Well Construction	3.0	Peak Day	591,046	252,900	113,670	10,233	214,243
245	35202	Well Equipment	3.0	Peak Day	286,931	122,774	55,183	4,968	104,007
246	35203	Cushion Gas	3.0	Peak Day	135,191	57,846	26,000	2,341	49,004
247	35210	Leaseholds	3.0	Peak Day	89,310	38,214	17,176	1,546	32,373
248	35211	Storage Rights	3.0	Peak Day	26,849	11,488	5,164	465	9,732
249	35301	Field Lines	3.0	Peak Day	93,711	40,098	18,022	1,622	33,968
250	35302	Tributary Lines	3.0	Peak Day	109,966	47,053	21,149	1,904	39,860
251	35400	Compressor Station Equipment	3.0	Peak Day	194,037	83,026	37,317	3,359	70,335
252	35500	Meas & Reg. Equipment	3.0	Peak Day	120,119	51,397	23,101	2,080	43,541
253	35600	Purification Equipment	3.0	Peak Day	82,000	35,086	15,770	1,420	29,723
254									
255		Total Storage Plant			2,172,961	929,780	417,904	37,620	787,656
256									
257		Transmission:							
258									
259	36510	Land & Land Rights	3.0	Peak Day	16	7	3	0	6
260	36520	Rights of Way	3.0	Peak Day	434,585	185,953	83,579	7,524	157,529
261	36602	Structures & Improvements	3.0	Peak Day	(1,441)	(617)	(277)	(25)	(522)
262	36603	Other Structues	3.0	Peak Day	60,585	25,924	11,652	1,049	21,961
263	36700	Mains Cathodic Protection	3.0	Peak Day	303,101	129,693	58,292	5,248	109,868
264	36701	Mains - Steel	3.0	Peak Day	17,004,632	7,276,052	3,270,331	294,399	6,163,850
265	36900	Meas. & Reg. Equipment	3.0	Peak Day	242,952	103,956	46,724	4,206	88,065
266	36901	Meas. & Reg. Equipment	3.0	Peak Day	1,805,542	772,567	347,242	31,259	654,474
267									
268		Total Transmission Plant			19,849,972	8,493,534	3,817,547	343,660	7,195,230
269									
270		Distribution:							
271									
272	37400	Land & Land Rights	3.0	Peak Day	8,252	3,531	1,587	143	2,991
273	37401	Land	3.0	Peak Day	(1,047)	(448)	(201)	(18)	(380)
274	37402	Land Rights	3.0	Peak Day	8,248	3,529	1,586	143	2,990
275	37403	Land Other	3.0	Peak Day	0	-	-	-	-
276	37500	Structures & Improvements	3.0	Peak Day	14,637	6,263	2,815	253	5,306
277	37501	Structures & Improvements T.B.	3.0	Peak Day	14,173	6,064	2,726	245	5,137
278	37502	Land Rights	3.0	Peak Day	6,735	2,882	1,295	117	2,441
279	37503	Improvements	3.0	Peak Day	158	67	30	3	57
280	37600	Mains Cathodic Protection	3.0	Peak Day	355,686	152,193	68,406	6,158	128,929
281	37601	Mains - Steel	3.0	Peak Day	6,273,957	2,684,541	1,206,607	108,620	2,274,188
282	37602	Mains - Plastic	3.0	Peak Day	1,911,310	817,824	367,583	33,090	692,813
283	37800	Meas & Reg. Sta. Equip - General	3.0	Peak Day	249,404	106,717	47,965	4,318	90,404
284	37900	Meas & Reg. Sta. Equip - City Gate	3.0	Peak Day	57,467	24,589	11,052	995	20,831
285	37905	Meas & Reg. Sta. Equipment T.b.	3.0	Peak Day	174,401	74,624	33,541	3,019	63,217
286	38000	Services	99.0	-	0	-	-	-	-
287	38100	Meters	99.0	-	0	-	-	-	-
288	38200	Meter Installaitons	99.0	-	0	-	-	-	-
289	38300	House Regulators	99.0	-	0	-	-	-	-
290	38400	House Reg. Installations	99.0	-	0	-	-	-	-
291	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
292	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
293									
294		Total Distribution Plant			9,073,380	3,882,377	1,744,993	157,066	3,288,925

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF RESERVE FOR DEPRECIATION

295									
296		General:							
297									
298	38900	Land & Land Rights	6.4	P, S, T & D Plant - Demand	4,049	1,733	779	70	1,468
299	39000	Structures Frame	6.4	P, S, T & D Plant - Demand	96,748	41,397	18,607	1,675	35,069
300	39002	Improvements	6.4	P, S, T & D Plant - Demand	28,258	12,091	5,435	489	10,243
301	39003	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	84,957	36,352	16,339	1,471	30,795
302	39004	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	1,181	505	227	20	428
303	39009	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	201,615	86,268	38,775	3,491	73,082
304	39100	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	44,201	18,913	8,501	765	16,022
305	39103	Transportation Equipment	6.4	P, S, T & D Plant - Demand	(16,983)	(7,267)	(3,266)	(294)	(6,156)
306	39200	Trucks	6.4	P, S, T & D Plant - Demand	63,629	27,226	12,237	1,102	23,064
307	39201	Trailers	6.4	P, S, T & D Plant - Demand	785	336	151	14	285
308	39202	Stores Equipment	6.4	P, S, T & D Plant - Demand	7,672	3,283	1,475	133	2,781
309	39400	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	60,777	26,006	11,689	1,052	22,030
310	39603	Backhoes	6.4	P, S, T & D Plant - Demand	(25,496)	(10,909)	(4,903)	(441)	(9,242)
311	39604	Welders	6.4	P, S, T & D Plant - Demand	(2,089)	(894)	(402)	(36)	(757)
312	39605	Communication Equipment	6.4	P, S, T & D Plant - Demand	3,377	1,445	649	58	1,224
313	39700	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	(34,054)	(14,571)	(6,549)	(590)	(12,344)
314	39701	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	(3,486)	(1,492)	(670)	(60)	(1,264)
315	39702	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	(5,388)	(2,305)	(1,036)	(93)	(1,953)
316	39705	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	(19,338)	(8,274)	(3,719)	(335)	(7,010)
317	39800	Other Tangible Property	6.4	P, S, T & D Plant - Demand	91,721	39,246	17,640	1,588	33,247
318	39900	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
319	39901	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	27,778	11,886	5,342	481	10,069
320	39902	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	12,399	5,305	2,385	215	4,494
321	39903	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
322	39904	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
323	39905	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
324	39906	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	(322,814)	(138,128)	(62,084)	(5,589)	(117,014)
325	39907	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
326	39908	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
327		AR 15 general plant amortization	6.4	P, S, T & D Plant - Demand	18,900	8,087	3,635	327	6,851
328		Retirement Work in Progress	6.4	P, S, T & D Plant - Demand	(742,800)	(317,834)	(142,855)	(12,860)	(269,251)
329									
330		Total General Plant			(424,400)	(181,595)	(81,621)	(7,348)	(153,837)
331									
332		TOTAL DIRECT RESERVE FOR DEPRECIATION			31,403,763	13,475,755	6,056,881	545,248	11,415,879
333									
334		Kentucky Mid-States General Office:							
335									
336		Intangible Plant:							
337									
338	30100	Organization	99.0	-	0	-	-	-	-
339	30200	Franchises & Consents	99.0	-	0	-	-	-	-
340	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
341									
342		Total Intangible Plant							
343									
344		General:							
345									
346	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
347	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	3,935	1,684	757	68	1,426
348	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	455	195	88	8	165
349	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	3,874	1,658	745	67	1,404
350	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	5,546	2,373	1,067	96	2,010
351	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	604	259	116	10	219
352	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	282	121	54	5	102
353	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	5,045	2,159	970	87	1,829
354	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	1,221	523	235	21	443
355	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	(1,034)	(442)	(199)	(18)	(375)
356	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	35,042	14,994	6,739	607	12,702
357	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	6,077	2,600	1,169	105	2,203
358	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	16,097	6,888	3,096	279	5,835
359	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	909	389	175	16	329
360	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	17,089	7,312	3,287	296	6,194
361	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	(56,914)	(24,353)	(10,946)	(985)	(20,630)
362	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
363	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	82,342	35,233	15,836	1,426	29,847
364		Retirement Work in Progress	6.4	P, S, T & D Plant - Demand	3,848	1,647	740	67	1,395
365									
366		Total General Plant			124,417	53,236	23,928	2,154	45,099
367									
368		Shared Services General Office:							
369									
370		General:							
371									
372	39000	Structures & Improvements	6.4	P, S, T & D Plant - Demand	58	25	11	1	21
373	39005	G-Structures & Improvements	6.4	P, S, T & D Plant - Demand	6,571	2,812	1,264	114	2,382
374	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	80,318	34,367	15,447	1,391	29,114
375	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	53,081	22,713	10,209	919	19,241
376	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	51	22	10	1	19
377	39103	Office Machines	6.4	P, S, T & D Plant - Demand	25	11	5	0	9
378	39104	G-Office Furniture & Equip.	6.4	P, S, T & D Plant - Demand	18	8	3	0	6
379	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	706	302	136	12	256
380	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	7	3	1	0	2
381	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	573	245	110	10	208
382	39500	Laboratory Equipment	6.4	P, S, T & D Plant - Demand	52	22	10	1	19
383	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	10,086	4,316	1,940	175	3,656
384	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	992	424	191	17	360
385	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	702	301	135	12	255
386	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	89,816	38,432	17,274	1,555	32,557
387	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	50,209	21,484	9,656	869	18,200
388	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	18,763	8,029	3,609	325	6,801
389	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	150	64	29	3	54
390	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	135	58	26	2	49
391	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	20,286	8,680	3,901	351	7,353
392	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	7,562	3,236	1,454	131	2,741
393	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	628,313	268,847	120,837	10,878	227,751
394	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	23,896	10,225	4,596	414	8,662
395	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	0	0	0	0
396		Retirement Work in Progress	6.4	P, S, T & D Plant - Demand	(1)	(1)	(0)	(0)	(1)
397									
398		Total General Plant			992,372	424,623	190,853	17,181	359,716

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

399								
400		Shared Services Customer Support:						
401								
402		General:						
403								
404	38900	Land	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
405	38910	CKV-Land & Land Rights	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
406	39000	Structures & Improvements	6.4 P, S, T & D Plant - Demand	28,325	12,120	5,447	490	10,267
407	39009	Improvement to leased Premises	6.4 P, S, T & D Plant - Demand	33,431	14,305	6,430	579	12,118
408	39010	CKV-Structures & Improvements	6.4 P, S, T & D Plant - Demand	3,737	1,599	719	65	1,354
409	39100	Office Furniture & Equipment	6.4 P, S, T & D Plant - Demand	1,356	580	261	23	492
410	39700	Communication Equipment	6.4 P, S, T & D Plant - Demand	(55,915)	(23,925)	(10,754)	(968)	(20,268)
411	39710	CKV-Communication Equipment	6.4 P, S, T & D Plant - Demand	99	42	19	2	36
412	39800	Miscellaneous Equipment	6.4 P, S, T & D Plant - Demand	32	14	6	1	12
413	39900	Other Tangible Property	6.4 P, S, T & D Plant - Demand	(9)	(4)	(2)	(0)	(3)
414	39901	Other Tangible Property - Servers - H/W	6.4 P, S, T & D Plant - Demand	(20,573)	(8,803)	(3,957)	(356)	(7,457)
415	39902	Other Tangible Property - Servers - S/W	6.4 P, S, T & D Plant - Demand	(37,323)	(15,970)	(7,178)	(646)	(13,529)
416	39903	Other Tangible Property - Network - H/W	6.4 P, S, T & D Plant - Demand	873	374	168	15	317
417	39906	Other Tang. Property - PC Hardware	6.4 P, S, T & D Plant - Demand	(995)	(426)	(191)	(17)	(361)
418	39907	Other Tang. Property - PC Software	6.4 P, S, T & D Plant - Demand	2,465	1,055	474	43	893
419	39908	Other Tang. Property - Mainframe S/W	6.4 P, S, T & D Plant - Demand	345,713	147,926	66,488	5,985	125,314
420	39910	CKV-Other Tangible Property	6.4 P, S, T & D Plant - Demand	33	14	6	1	12
421	39916	CKV-Oth Tang Prop-PC Hardware	6.4 P, S, T & D Plant - Demand	128	55	25	2	46
422	39917	CKV-Oth Tang Prop-PC Software	6.4 P, S, T & D Plant - Demand	37	16	7	1	13
423	39924	Other Tang. Property - General Startup Costs	6.4 P, S, T & D Plant - Demand	1	1	0	0	0
424		Retirement Work in Progress	6.4 P, S, T & D Plant - Demand	(214)	(92)	(41)	(4)	(76)
425								
426		Total General Plant		301,202	128,880	57,927	5,215	109,180
427								
428		TOTAL RESERVE FOR DEPRECIATION - DEMAND		32,911,754	14,082,494	6,329,589	569,797	11,929,874

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

Commodity

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
429		Intangible Plant:							
430									
431	30100	Organization	6.6	P, S, T & D Plant - Commodity	106	33	17	2	55
432	30200	Franchises & Consents	6.6	P, S, T & D Plant - Commodity	1,526	478	238	23	788
433	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
434									
435		Total Intangible Plant:			1,632	511	254	25	842
436									
437		Production Plant:							
438									
439	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
440	32540	Rights of Ways	99.0	-	0	-	-	-	-
441	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
442	33201	Field Lines	99.0	-	0	-	-	-	-
443	33202	Tributary Lines	99.0	-	0	-	-	-	-
444	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
445	33600	Purification Equipment	99.0	-	0	-	-	-	-
446									
447		Total Production Plant			0	0	0	0	0
448									
449		Storage Plant:							
450									
451	35010	Land	1.5	Winter Volumes	0	-	-	-	-
452	35020	Rights of Way	1.5	Winter Volumes	2,341	733	365	35	1,208
453	35100	Structures and Improvements	1.5	Winter Volumes	2,821	884	439	42	1,455
454	35102	Compression Station Equipment	1.5	Winter Volumes	61,058	19,126	9,511	916	31,504
455	35103	Meas. & Reg. Sta. Structues	1.5	Winter Volumes	12,148	3,805	1,892	182	6,268
456	35104	Other Structures	1.5	Winter Volumes	70,517	22,089	10,984	1,058	36,385
457	35200	Wells \ Rights of Way	1.5	Winter Volumes	294,918	92,381	45,939	4,427	152,171
458	35201	Well Construction	1.5	Winter Volumes	591,046	185,141	92,067	8,872	304,967
459	35202	Well Equipment	1.5	Winter Volumes	286,931	89,879	44,695	4,307	148,050
460	35203	Cushion Gas	1.5	Winter Volumes	135,191	42,348	21,059	2,029	69,756
461	35210	Leaseholds	1.5	Winter Volumes	89,310	27,976	13,912	1,341	46,082
462	35211	Storage Rights	1.5	Winter Volumes	26,849	8,410	4,182	403	13,854
463	35301	Field Lines	1.5	Winter Volumes	93,711	29,354	14,597	1,407	48,353
464	35302	Tributary Lines	1.5	Winter Volumes	109,966	34,446	17,129	1,651	56,740
465	35400	Compressor Station Equipment	1.5	Winter Volumes	194,037	60,781	30,225	2,913	100,119
466	35500	Meas & Reg. Equipment	1.5	Winter Volumes	120,119	37,626	18,711	1,803	61,979
467	35600	Purification Equipment	1.5	Winter Volumes	82,000	25,686	12,773	1,231	42,310
468									
469		Total Storage Plant			2,172,961	680,663	338,480	32,617	1,121,200
470									
471		Transmission:							
472									
473	36510	Land & Land Rights	99.0	-	0	-	-	-	-
474	36520	Rights of Way	99.0	-	0	-	-	-	-
475	36602	Structures & Improvements	99.0	-	0	-	-	-	-
476	36603	Other Structues	99.0	-	0	-	-	-	-
477	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
478	36701	Mains - Steel	99.0	-	0	-	-	-	-
479	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
480	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
481									
482		Total Transmission Plant			0	-	-	-	-
483									
484		Distribution:							
485									
486	37400	Land & Land Rights	99.0	-	0	-	-	-	-
487	37401	Land	99.0	-	0	-	-	-	-
488	37402	Land Rights	99.0	-	0	-	-	-	-
489	37403	Land Other	99.0	-	0	-	-	-	-
490	37500	Structures & Improvements	99.0	-	0	-	-	-	-
491	37501	Structures & Improvements T.B.	99.0	-	0	-	-	-	-
492	37502	Land Rights	99.0	-	0	-	-	-	-
493	37503	Improvements	99.0	-	0	-	-	-	-
494	37600	Mains Cathodic Protection	99.0	-	0	-	-	-	-
495	37601	Mains - Steel	99.0	-	0	-	-	-	-
496	37602	Mains - Plastic	99.0	-	0	-	-	-	-
497	37800	Meas & Reg. Sta. Equip - General	99.0	-	0	-	-	-	-
498	37900	Meas & Reg. Sta. Equip - City Gate	99.0	-	0	-	-	-	-
499	37905	Meas & Reg. Sta. Equipment T.b.	99.0	-	0	-	-	-	-
500	38000	Services	99.0	-	0	-	-	-	-
501	38100	Meters	99.0	-	0	-	-	-	-
502	38200	Meter Installaitons	99.0	-	0	-	-	-	-
503	38300	House Regulators	99.0	-	0	-	-	-	-
504	38400	House Reg. Installations	99.0	-	0	-	-	-	-
505	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
506	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
507									
508		Total Distribution Plant			0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

509								
510		General:						
511								
512	38900	Land & Land Rights	6.6 P, S, T & D Plant - Commodity	327	102	51	5	169
513	39000	Structures Frame	6.6 P, S, T & D Plant - Commodity	7,806	2,445	1,216	117	4,028
514	39002	Improvements	6.6 P, S, T & D Plant - Commodity	2,280	714	355	34	1,176
515	39003	Air Conditioning Equipment	6.6 P, S, T & D Plant - Commodity	6,855	2,147	1,068	103	3,537
516	39004	Improvement to leased Premises	6.6 P, S, T & D Plant - Commodity	95	30	15	1	49
517	39009	Office Furniture & Equipment	6.6 P, S, T & D Plant - Commodity	16,267	5,096	2,534	244	8,393
518	39100	Remittance Processing Equip	6.6 P, S, T & D Plant - Commodity	3,566	1,117	556	54	1,840
519	39103	Transportation Equipment	6.6 P, S, T & D Plant - Commodity	(1,370)	(429)	(213)	(21)	(707)
520	39200	Trucks	6.6 P, S, T & D Plant - Commodity	5,134	1,608	800	77	2,649
521	39201	Trailers	6.6 P, S, T & D Plant - Commodity	63	20	10	1	33
522	39202	Stores Equipment	6.6 P, S, T & D Plant - Commodity	619	194	96	9	319
523	39400	Power Operated Equipment	6.6 P, S, T & D Plant - Commodity	4,904	1,536	764	74	2,530
524	39603	Backhoes	6.6 P, S, T & D Plant - Commodity	(2,057)	(644)	(320)	(31)	(1,061)
525	39604	Welders	6.6 P, S, T & D Plant - Commodity	(169)	(53)	(26)	(3)	(87)
526	39605	Communication Equipment	6.6 P, S, T & D Plant - Commodity	272	85	42	4	141
527	39700	Communication Equipment - Mobile Radios	6.6 P, S, T & D Plant - Commodity	(2,748)	(861)	(428)	(41)	(1,418)
528	39701	Communication Equipment - Fixed Radios	6.6 P, S, T & D Plant - Commodity	(281)	(88)	(44)	(4)	(145)
529	39702	Communication Equip. - Telemetering	6.6 P, S, T & D Plant - Commodity	(435)	(136)	(68)	(7)	(224)
530	39705	Miscellaneous Equipment	6.6 P, S, T & D Plant - Commodity	(1,560)	(489)	(243)	(23)	(805)
531	39800	Other Tangible Property	6.6 P, S, T & D Plant - Commodity	7,400	2,318	1,153	111	3,816
532	39900	Other Tangible Property - Servers - H/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
533	39901	Other Tangible Property - Servers - S/W	6.6 P, S, T & D Plant - Commodity	2,241	702	349	34	1,156
534	39902	Other Tangible Property - Network - H/W	6.6 P, S, T & D Plant - Commodity	1,000	313	156	15	516
535	39903	Other Tang. Property - CPU	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
536	39904	Other Tangible Property - MF - Hardware	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
537	39905	Other Tang. Property - PC Hardware	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
538	39906	Other Tang. Property - PC Software	6.6 P, S, T & D Plant - Commodity	(26,046)	(8,159)	(4,057)	(391)	(13,439)
539	39907	Other Tang. Property - Mainframe S/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
540	39908	Other Tang. Property - Application Software	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
541		AR 15 general plant amortization	6.6 P, S, T & D Plant - Commodity	1,525	478	238	23	787
542		Retirement Work in Progress	6.6 P, S, T & D Plant - Commodity	(59,932)	(18,773)	(9,335)	(900)	(30,923)
543								
544		Total General Plant		(34,242)	(10,726)	(5,334)	(514)	(17,668)
545								
546		TOTAL DIRECT RESERVE FOR DEPRECIATION		2,140,351	670,448	333,401	32,127	1,104,375
547								
548		Kentucky Mid-States General Office:						
549								
550		Intangible Plant:						
551								
552	30100	Organization	99.0 -	0	-	-	-	-
553	30200	Franchises & Consents	99.0 -	0	-	-	-	-
554	30300	Misc Intangible Plant	99.0 -	0	-	-	-	-
555								
556		Total Intangible Plant						
557								
558		General:						
559								
560	37400	Land & Land Rights	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
561	39001	Structures Frame	6.6 P, S, T & D Plant - Commodity	317	99	49	5	164
562	39004	Air Conditioning Equipment	6.6 P, S, T & D Plant - Commodity	37	12	6	1	19
563	39009	Improvement to leased Premises	6.6 P, S, T & D Plant - Commodity	313	98	49	5	161
564	39100	Office Furniture & Equipment	6.6 P, S, T & D Plant - Commodity	447	140	70	7	231
565	39200	Transportation Equipment	6.6 P, S, T & D Plant - Commodity	49	15	8	1	25
566	39300	Stores Equipment	6.6 P, S, T & D Plant - Commodity	23	7	4	0	12
567	39400	Tools, Shop & Garage Equipment	6.6 P, S, T & D Plant - Commodity	407	128	63	6	210
568	39600	Power Operated Equipment	6.6 P, S, T & D Plant - Commodity	99	31	15	1	51
569	39700	Communication Equipment	6.6 P, S, T & D Plant - Commodity	(83)	(26)	(13)	(1)	(43)
570	39800	Miscellaneous Equipment	6.6 P, S, T & D Plant - Commodity	2,827	886	440	42	1,459
571	39900	Other Tangible Property	6.6 P, S, T & D Plant - Commodity	490	154	76	7	253
572	39901	Other Tangible Property - Servers - H/W	6.6 P, S, T & D Plant - Commodity	1,299	407	202	19	670
573	39902	Other Tangible Property - Servers - S/W	6.6 P, S, T & D Plant - Commodity	73	23	11	1	38
574	39903	Other Tangible Property - Network - H/W	6.6 P, S, T & D Plant - Commodity	1,379	432	215	21	711
575	39906	Other Tang. Property - PC Hardware	6.6 P, S, T & D Plant - Commodity	(4,592)	(1,438)	(715)	(69)	(2,369)
576	39907	Other Tang. Property - PC Software	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
577	39908	Other Tang. Property - Mainframe S/W	6.6 P, S, T & D Plant - Commodity	6,644	2,081	1,035	100	3,428
578		Retirement Work in Progress	6.6 P, S, T & D Plant - Commodity	310	97	48	5	160
579								
580		Total General Plant		10,038	3,144	1,564	151	5,180
581								
582		Shared Services General Office:						
583								
584		General:						
585								
586	39000	Structures & Improvements	6.6 P, S, T & D Plant - Commodity	5	1	1	0	2
587	39005	G-Structures & Improvements	6.6 P, S, T & D Plant - Commodity	530	166	83	8	274
588	39009	Improvement to leased Premises	6.6 P, S, T & D Plant - Commodity	6,480	2,030	1,009	97	3,344
589	39100	Office Furniture & Equipment	6.6 P, S, T & D Plant - Commodity	4,283	1,342	667	64	2,210
590	39102	Remittance Processing Equip	6.6 P, S, T & D Plant - Commodity	4	1	1	0	2
591	39103	Office Machines	6.6 P, S, T & D Plant - Commodity	2	1	0	0	1
592	39104	G-Office Furniture & Equip.	6.6 P, S, T & D Plant - Commodity	1	0	0	0	1
593	39200	Transportation Equipment	6.6 P, S, T & D Plant - Commodity	57	18	9	1	29
594	39300	Stores Equipment	6.6 P, S, T & D Plant - Commodity	1	0	0	0	0
595	39400	Tools, Shop & Garage Equipment	6.6 P, S, T & D Plant - Commodity	46	14	7	1	24
596	39500	Laboratory Equipment	6.6 P, S, T & D Plant - Commodity	4	1	1	0	2
597	39700	Communication Equipment	6.6 P, S, T & D Plant - Commodity	814	255	127	12	420
598	39800	Miscellaneous Equipment	6.6 P, S, T & D Plant - Commodity	80	25	12	1	41
599	39900	Other Tangible Property	6.6 P, S, T & D Plant - Commodity	57	18	9	1	29
600	39901	Other Tangible Property - Servers - H/W	6.6 P, S, T & D Plant - Commodity	7,247	2,270	1,129	109	3,739
601	39902	Other Tangible Property - Servers - S/W	6.6 P, S, T & D Plant - Commodity	4,051	1,269	631	61	2,090
602	39903	Other Tangible Property - Network - H/W	6.6 P, S, T & D Plant - Commodity	1,514	474	236	23	781
603	39904	Other Tang. Property - CPU	6.6 P, S, T & D Plant - Commodity	12	4	2	0	6
604	39905	Other Tangible Property - MF - Hardware	6.6 P, S, T & D Plant - Commodity	11	3	2	0	6
605	39906	Other Tang. Property - PC Hardware	6.6 P, S, T & D Plant - Commodity	1,637	513	255	25	845
606	39907	Other Tang. Property - PC Software	6.6 P, S, T & D Plant - Commodity	610	191	95	9	315
607	39908	Other Tang. Property - Mainframe S/W	6.6 P, S, T & D Plant - Commodity	50,694	15,880	7,897	761	26,157
608	39909	Other Tang. Property - Application Software	6.6 P, S, T & D Plant - Commodity	1,928	604	300	29	995
609	39924	Other Tang. Property - General Startup Costs	6.6 P, S, T & D Plant - Commodity	0	0	0	0	0
610		Retirement Work in Progress	6.6 P, S, T & D Plant - Commodity	(0)	(0)	(0)	(0)	(0)
611								
612		Total General Plant		80,068	25,081	12,472	1,202	41,313

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

613								
614		Shared Services Customer Support:						
615								
616		General:						
617								
618	38900	Land	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
619	38910	CKV-Land & Land Rights	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
620	39000	Structures & Improvements	6.6 P, S, T & D Plant - Commodity	2,285	716	356	34	1,179
621	39009	Improvement to leased Premises	6.6 P, S, T & D Plant - Commodity	2,697	845	420	40	1,392
622	39010	CKV-Structures & Improvements	6.6 P, S, T & D Plant - Commodity	301	94	47	5	156
623	39100	Office Furniture & Equipment	6.6 P, S, T & D Plant - Commodity	109	34	17	2	56
624	39700	Communication Equipment	6.6 P, S, T & D Plant - Commodity	(4,511)	(1,413)	(703)	(68)	(2,328)
625	39710	CKV-Communication Equipment	6.6 P, S, T & D Plant - Commodity	8	3	1	0	4
626	39800	Miscellaneous Equipment	6.6 P, S, T & D Plant - Commodity	3	1	0	0	1
627	39900	Other Tangible Property	6.6 P, S, T & D Plant - Commodity	(1)	(0)	(0)	(0)	(0)
628	39901	Other Tangible Property - Servers - H/W	6.6 P, S, T & D Plant - Commodity	(1,660)	(520)	(259)	(25)	(856)
629	39902	Other Tangible Property - Servers - S/W	6.6 P, S, T & D Plant - Commodity	(3,011)	(943)	(469)	(45)	(1,554)
630	39903	Other Tangible Property - Network - H/W	6.6 P, S, T & D Plant - Commodity	70	22	11	1	36
631	39906	Other Tang. Property - PC Hardware	6.6 P, S, T & D Plant - Commodity	(80)	(25)	(13)	(1)	(41)
632	39907	Other Tang. Property - PC Software	6.6 P, S, T & D Plant - Commodity	199	62	31	3	103
633	39908	Other Tang. Property - Mainframe S/W	6.6 P, S, T & D Plant - Commodity	27,893	8,737	4,345	419	14,392
634	39910	CKV-Other Tangible Property	6.6 P, S, T & D Plant - Commodity	3	1	0	0	1
635	39916	CKV-Oth Tang Prop-PC Hardware	6.6 P, S, T & D Plant - Commodity	10	3	2	0	5
636	39917	CKV-Oth Tang Prop-PC Software	6.6 P, S, T & D Plant - Commodity	3	1	0	0	2
637	39924	Other Tang. Property - General Startup Costs	6.6 P, S, T & D Plant - Commodity	0	0	0	0	0
638		Retirement Work in Progress	6.6 P, S, T & D Plant - Commodity	(17)	(5)	(3)	(0)	(9)
639								
640		Total General Plant		24,302	7,612	3,785	365	12,539
641								
642		TOTAL RESERVE FOR DEPRECIATION - COMMODITY		2,254,759	706,286	351,222	33,845	1,163,407

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF RESERVE FOR DEPRECIATION

Total Reserve for Depreciation

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
643		Intangible Plant							
644									
645	30100	Organization			8,330	6,183	1,376	80	691
646	30200	Franchises & Consents			119,853	88,964	19,796	1,156	9,937
647	30300	Misc Intangible Plant			0	-	-	-	-
648									
649		Total Intangible Plant			128,182	95,147	21,171	1,236	10,628
650									
651		Production Plant							
652									
653	32520	Producing Leaseholds			904	387	174	16	328
654	32540	Rights of Ways			12,963	5,547	2,493	224	4,699
655	33100	Production Gas Wells Equipment			3,492	1,494	672	60	1,266
656	33201	Field Lines			47,163	20,180	9,070	817	17,096
657	33202	Tributary Lines			529,956	226,761	101,921	9,175	192,099
658	33400	Field Meas. & Reg. Sta. Equip			191,854	82,092	36,897	3,322	69,543
659	33600	Purification Equipment			15,287	6,541	2,940	265	5,541
660									
661		Total Production Plant			801,619	343,002	154,167	13,878	290,571
662									
663		Storage Plant:							
664									
665	35010	Land			0	-	-	-	-
666	35020	Rights of Way			4,682	1,735	815	76	2,056
667	35100	Structures and Improvements			5,641	2,090	982	91	2,478
668	35102	Compression Station Equipment			122,115	45,252	21,254	1,974	53,637
669	35103	Meas. & Reg. Sta. Structues			24,295	9,003	4,228	393	10,671
670	35104	Other Structures			141,034	52,262	24,546	2,279	61,946
671	35200	Wells \ Rights of Way			589,836	218,572	102,658	9,533	259,073
672	35201	Well Construction			1,182,091	438,041	205,737	19,104	519,209
673	35202	Well Equipment			573,862	212,653	99,877	9,275	252,057
674	35203	Cushion Gas			270,382	100,194	47,059	4,370	118,760
675	35210	Leaseholds			178,619	66,190	31,088	2,887	78,455
676	35211	Storage Rights			53,699	19,899	9,346	868	23,586
677	35301	Field Lines			187,422	69,452	32,620	3,029	82,321
678	35302	Tributary Lines			219,931	81,499	38,278	3,554	96,600
679	35400	Compressor Station Equipment			388,075	143,807	67,542	6,272	170,454
680	35500	Meas & Reg. Equipment			240,238	89,024	41,812	3,883	105,519
681	35600	Purification Equipment			163,999	60,772	28,543	2,650	72,033
682									
693		Total Storage Plant			4,345,921	1,610,444	756,384	70,237	1,908,857
684									
685		Transmission:							
686									
687	36510	Land & Land Rights			16	7	3	0	6
688	36520	Rights of Way			434,585	185,953	83,579	7,524	157,529
689	36602	Structures & Improvements			(1,441)	(617)	(277)	(25)	(522)
690	36603	Other Structues			60,585	25,924	11,652	1,049	21,961
691	36700	Mains Cathodic Protection			303,101	129,693	58,282	5,248	109,868
692	36701	Mains - Steel			17,004,632	7,276,052	3,270,331	294,399	6,163,850
693	36900	Meas. & Reg. Equipment			242,952	103,956	46,724	4,206	88,065
694	36901	Meas. & Reg. Equipment			1,805,542	772,567	347,242	31,259	654,474
695									
696		Total Transmission Plant			19,849,972	8,493,534	3,817,547	343,660	7,195,230
697									
698		Distribution:							
699									
700	37400	Land & Land Rights			57,145	46,974	6,919	199	3,052
701	37401	Land			(7,250)	(5,960)	(878)	(25)	(387)
702	37402	Land Rights			57,120	46,954	6,916	199	3,051
703	37403	Land Other			0	-	-	-	-
704	37500	Structures & Improvements			101,365	83,325	12,273	353	5,414
705	37501	Structures & Improvements T.B.			98,146	80,679	11,883	342	5,242
706	37502	Land Rights			46,641	38,340	5,647	163	2,491
707	37503	Improvements			1,092	898	132	4	58
708	37600	Mains Cathodic Protection			2,463,162	2,024,783	298,232	8,587	131,559
709	37601	Mains - Steel			43,447,799	35,715,216	5,260,528	151,473	2,320,582
710	37602	Mains - Plastic			13,236,019	10,880,351	1,602,577	46,145	706,946
711	37800	Meas & Reg. Sta. Equip - General			1,727,152	1,419,764	209,118	6,021	92,249
712	37900	Meas & Reg. Sta. Equip - City Gate			397,966	327,138	48,184	1,387	21,256
713	37905	Meas & Reg. Sta. Equipment T.b.			1,207,742	992,795	146,230	4,211	64,506
714	38000	Services			47,464,190	42,174,115	5,176,114	54,715	59,236
715	38100	Meters			8,831,960	5,306,109	2,970,823	275,508	279,520
716	38200	Meter Installaitons			10,090,016	6,061,931	3,393,998	314,752	319,336
717	38300	House Regulators			3,231,320	1,941,329	1,086,925	100,799	102,267
718	38400	House Reg. Installations			122,845	73,804	41,322	3,832	3,888
719	38500	Ind. Meas. & Reg. Sta. Equipment			2,894,605	-	-	-	2,894,605
720	38600	Other Prop. On Cust. Prem			0	-	-	-	-

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ALLOCATION OF RESERVE FOR DEPRECIATION

721							
722		Total Distribution Plant	135,469,023	107,208,544	20,276,944	968,665	7,014,870
723							
724		General:					
725							
726	38900	Land & Land Rights	25,654	19,043	4,237	247	2,127
727	39000	Structures Frame	612,960	454,989	101,240	5,911	50,821
728	39002	Improvements	179,032	132,892	29,570	1,726	14,844
729	39003	Air Conditioning Equipment	538,256	399,537	88,901	5,190	44,627
730	39004	Improvement to leased Premises	7,480	5,553	1,236	72	620
731	39009	Office Furniture & Equipment	1,277,363	948,163	210,977	12,317	105,906
732	39100	Remittance Processing Equip	280,045	207,872	46,254	2,700	23,219
733	39103	Transportation Equipment	(107,598)	(79,868)	(17,772)	(1,038)	(8,921)
734	39200	Trucks	403,130	299,236	66,583	3,887	33,424
735	39201	Trailers	4,973	3,691	821	48	412
736	39202	Stores Equipment	48,607	36,080	8,028	469	4,030
737	39400	Power Operated Equipment	385,061	285,824	63,599	3,713	31,925
738	39603	Backhoes	(161,532)	(119,902)	(26,680)	(1,558)	(13,393)
739	39604	Welders	(13,233)	(9,823)	(2,186)	(128)	(1,097)
740	39605	Communication Equipment	21,395	15,881	3,534	206	1,774
741	39700	Communication Equipment - Mobile Radios	(215,752)	(160,146)	(35,635)	(2,080)	(17,888)
742	39701	Communication Equipment - Fixed Radios	(22,087)	(16,395)	(3,648)	(213)	(1,831)
743	39702	Communication Equip. - Telemetering	(34,136)	(25,338)	(5,638)	(329)	(2,830)
744	39705	Miscellaneous Equipment	(122,518)	(90,943)	(20,236)	(1,181)	(10,158)
745	39800	Other Tangible Property	581,115	431,351	95,980	5,603	48,180
746	39900	Other Tangible Property - Servers - H/W	0	-	-	-	-
747	39901	Other Tangible Property - Servers - S/W	175,990	130,634	29,068	1,697	14,591
748	39902	Other Tangible Property - Network - H/W	78,554	58,309	12,974	757	6,513
749	39903	Other Tang. Property - CPU	0	-	-	-	-
750	39904	Other Tangible Property - MF - Hardware	0	-	-	-	-
751	39905	Other Tang. Property - PC Hardware	0	-	-	-	-
752	39906	Other Tang. Property - PC Software	(2,045,235)	(1,518,140)	(337,803)	(19,721)	(169,571)
753	39907	Other Tang. Property - Mainframe S/W	0	-	-	-	-
754	39908	Other Tang. Property - Application Software	0	-	-	-	-
755		AR 15 general plant amortization	119,747	88,886	19,778	1,155	9,928
756		Retirement Work in Progress	(4,706,121)	(3,493,267)	(777,290)	(45,379)	(390,165)
757							
758		Total General Plant	(2,688,852)	(1,995,885)	(444,106)	(25,928)	(222,933)
759							
760		TOTAL DIRECT RESERVE FOR DEPRECIATION	157,905,864	115,754,786	24,582,107	1,371,749	16,197,223
761							
762		Kentucky Mid-States General Office:					
763							
764		Intangible Plant:					
765							
766	30100	Organization	0	-	-	-	-
767	30200	Franchises & Consents	0	-	-	-	-
768	30300	Misc Intangible Plant	0	-	-	-	-
769							
770		Total Intangible Plant:					
771							
772		General:					
773							
774	37400	Land & Land Rights	0	-	-	-	-
775	39001	Structures Frame	24,929	18,504	4,117	240	2,067
776	39004	Air Conditioning Equipment	2,886	2,142	477	28	239
777	39009	Improvement to leased Premises	24,544	18,219	4,054	237	2,035
778	39100	Office Furniture & Equipment	35,136	26,081	5,803	339	2,913
779	39200	Transportation Equipment	3,829	2,842	632	37	317
780	39300	Stores Equipment	1,785	1,325	295	17	148
781	39400	Tools, Shop & Garage Equipment	31,963	23,726	5,279	308	2,650
782	39600	Power Operated Equipment	7,737	5,743	1,278	75	641
783	39700	Communication Equipment	(6,551)	(4,863)	(1,082)	(63)	(543)
784	39800	Miscellaneous Equipment	222,014	164,797	36,669	2,141	18,407
785	39900	Other Tangible Property	38,499	28,577	6,359	371	3,192
786	39901	Other Tangible Property - Servers - H/W	101,983	75,700	16,844	983	8,455
787	39902	Other Tangible Property - Servers - S/W	5,759	4,275	951	56	477
788	39903	Other Tangible Property - Network - H/W	108,270	80,367	17,882	1,044	8,977
789	39906	Other Tang. Property - PC Hardware	(380,590)	(287,660)	(59,557)	(3,477)	(29,897)
790	39907	Other Tang. Property - PC Software	0	-	-	-	-
791	39908	Other Tang. Property - Mainframe S/W	521,687	387,239	86,165	5,030	43,253
792		Retirement Work in Progress	24,381	18,098	4,027	235	2,021
793							
794		Total General Plant	786,261	585,112	130,194	7,601	65,355
795							
796		Shared Services General Office:					
797							
798		General:					
799							
800	39000	Structures & Improvements	367	272	61	4	30
801	39005	G-Structures & Improvements	41,632	30,902	6,876	401	3,452
802	39009	Improvement to leased Premises	508,868	377,723	84,048	4,907	42,190
803	39100	Office Furniture & Equipment	336,303	249,632	55,546	3,243	27,883
804	39102	Remittance Processing Equip	325	241	54	3	27
805	39103	Office Machines	160	119	26	2	13
806	39104	G-Office Furniture & Equip.	111	82	18	1	9
807	39200	Transportation Equipment	4,472	3,320	739	43	371
808	39300	Stores Equipment	42	31	7	0	3
809	39400	Tools, Shop & Garage Equipment	3,633	2,697	600	35	301
810	39500	Laboratory Equipment	328	244	54	3	27
811	39700	Communication Equipment	63,904	47,435	10,555	616	5,298
812	39800	Miscellaneous Equipment	6,284	4,665	1,038	61	521
813	39900	Other Tangible Property	4,450	3,303	735	43	369
814	39901	Other Tangible Property - Servers - H/W	569,058	422,401	93,989	5,487	47,181
815	39902	Other Tangible Property - Servers - S/W	318,108	236,126	52,541	3,067	26,374
816	39903	Other Tangible Property - Network - H/W	118,878	88,241	19,635	1,146	9,856
817	39904	Other Tang. Property - CPU	952	707	157	9	79
818	39905	Other Tangible Property - MF - Hardware	855	635	141	8	71
819	39906	Other Tang. Property - PC Hardware	128,525	95,401	21,228	1,239	10,656
820	39907	Other Tang. Property - PC Software	47,912	35,564	7,913	462	3,972
821	39908	Other Tang. Property - Mainframe S/W	3,980,772	2,954,853	657,487	38,385	330,046
822	39909	Other Tang. Property - Application Software	151,394	112,377	25,005	1,460	12,552
823	39924	Other Tang. Property - General Startup Costs	0	0	0	0	0
824		Retirement Work in Progress	(9)	(7)	(1)	(0)	(1)
825							
826		Total General Plant	6,287,324	4,666,964	1,038,451	60,626	521,283

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ALLOCATION OF RESERVE FOR DEPRECIATION

827							
828		Shared Services Customer Support:					
829							
830		General:					
831							
832	38900	Land	0	-	-	-	-
833	38910	CKV-Land & Land Rights	0	-	-	-	-
834	39000	Structures & Improvements	179,456	133,207	29,640	1,730	14,879
835	39009	Improvement to leased Premises	211,810	157,223	34,984	2,042	17,561
836	39010	CKV-Structures & Improvements	23,673	17,572	3,910	228	1,963
837	39100	Office Furniture & Equipment	8,591	6,377	1,419	83	712
838	39700	Communication Equipment	(354,256)	(262,958)	(58,511)	(3,416)	(29,371)
839	39710	CKV-Communication Equipment	629	467	104	6	52
840	39800	Miscellaneous Equipment	203	151	34	2	17
841	39900	Other Tangible Property	(59)	(44)	(10)	(1)	(5)
842	39901	Other Tangible Property - Servers - H/W	(130,340)	(96,749)	(21,528)	(1,257)	(10,807)
843	39902	Other Tangible Property - Servers - S/W	(236,463)	(175,522)	(39,056)	(2,280)	(19,605)
844	39903	Other Tangible Property - Network - H/W	5,533	4,107	914	53	459
845	39906	Other Tang. Property - PC Hardware	(6,303)	(4,678)	(1,041)	(61)	(523)
846	39907	Other Tang. Property - PC Software	15,615	11,591	2,579	151	1,295
847	39908	Other Tang. Property - Mainframe S/W	2,190,316	1,625,831	361,765	21,120	181,599
848	39910	CKV-Other Tangible Property	212	157	35	2	18
849	39916	CKV-Oth Tang Prop-PC Hardware	811	602	134	8	67
850	39917	CKV-Oth Tang Prop-PC Software	232	172	38	2	19
851	39924	Other Tang. Property - General Startup Costs	8	6	1	0	1
852		Retirement Work in Progress	(1,356)	(1,007)	(224)	(13)	(112)
853							
854		Total General Plant	1,908,312	1,416,504	315,188	18,401	158,218
855							
856		TOTAL RESERVE FOR DEPRECIATION	166,889,761	122,423,365	26,065,939	1,458,377	16,942,079

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ALLOCATION OF OTHER RATE BASE

Customer

		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1	Rate Base Additions:							
2								
3	Materials and Supplies - KY Direct	7.2	Allocated O&M Expenses - Cust	(2,015)	(1,697)	(247)	(7)	(64)
4	Materials and Supplies - KY Mid-States GO	7.2	Allocated O&M Expenses - Cust	14,579	12,284	1,786	48	460
5	Materials and Supplies - Shared Services GO	7.2	Allocated O&M Expenses - Cust	0	0	0	0	0
6	Materials and Supplies - Shared Services CS	7.2	Allocated O&M Expenses - Cust	0	-	-	-	-
7	Gas Storage Inventory	99.0	-	0	-	-	-	-
8	Prepayments - KY Direct	7.2	Allocated O&M Expenses - Cust	49,029	41,311	6,007	162	1,548
9	Prepayments - KY Mid-States GO	7.2	Allocated O&M Expenses - Cust	1,058	891	130	3	33
10	Prepayments - Shared Services GO	7.2	Allocated O&M Expenses - Cust	159,732	134,588	19,571	528	5,045
11	Prepayments - Shared Services CS	7.2	Allocated O&M Expenses - Cust	57,975	48,849	7,104	192	1,831
12	Cash Working Capital	7.2	Allocated O&M Expenses - Cust	712,463	600,311	87,296	2,356	22,500
13								
14	Total Rate Base Additions			992,821	836,537	121,647	3,283	31,354
15								
16								
17	Rate Base Deductions:							
18								
19	Customer Advances - KY Direct	2.0	Customers	(2,745,576)	(2,439,571)	(299,413)	(3,165)	(3,427)
20	Customer Advances - KY Mid-States GO	2.0	Customers	0	-	-	-	-
21	Customer Advances - Shared Services GO	2.0	Customers	0	-	-	-	-
22	Customer Advances - Shared Services CS	2.0	Customers	0	-	-	-	-
23	ADIT - KY Direct	9.2	Allocated Net Plant - Cust	(60,580,898)	(48,717,186)	(10,124,011)	(543,204)	(1,196,498)
24	ADIT - KY Mid-States GO	9.2	Allocated Net Plant - Cust	17,089,172	13,742,556	2,855,867	153,231	337,518
25	ADIT - Shared Services GO	9.2	Allocated Net Plant - Cust	(1,314,572)	(1,057,136)	(219,686)	(11,787)	(25,963)
26	ADIT - Shared Services CS	9.2	Allocated Net Plant - Cust	5,671,623	4,560,935	947,817	50,855	112,017
27								
28	Total Rate Base Deductions			(41,880,251)	(33,910,402)	(6,839,427)	(354,069)	(776,353)
29								
30								
31	TOTAL OTHER RB - CUSTOMER			(40,887,429)	(33,073,865)	(6,717,780)	(350,786)	(744,998)
32								
33	Interest on Customer Deposits	2.0	Customers	0	-	-	-	-

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ALLOCATION OF OTHER RATE BASE

Demand

	Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
Rate Base Additions:							
Materials and Supplies - KY Direct	7.4	Allocated O&M Expenses - Demand	(124)	(53)	(24)	(2)	(45)
Materials and Supplies - KY Mid-States GO	7.4	Allocated O&M Expenses - Demand	900	385	173	16	326
Materials and Supplies - Shared Services GO	7.4	Allocated O&M Expenses - Demand	0	0	0	0	0
Materials and Supplies - Shared Services CS	7.4	Allocated O&M Expenses - Demand	0	-	-	-	-
Gas Storage Inventory	99.0	-	0	-	-	-	-
Prepayments - KY Direct	7.4	Allocated O&M Expenses - Demand	3,027	1,295	582	52	1,097
Prepayments - KY Mid-States GO	7.4	Allocated O&M Expenses - Demand	65	28	13	1	24
Prepayments - Shared Services GO	7.4	Allocated O&M Expenses - Demand	9,861	4,220	1,897	171	3,575
Prepayments - Shared Services CS	7.4	Allocated O&M Expenses - Demand	3,579	1,531	688	62	1,297
Cash Working Capital	7.4	Allocated O&M Expenses - Demand	43,985	18,820	8,459	762	15,944
Total Rate Base Additions			61,293	26,226	11,788	1,061	22,218
Rate Base Deductions:							
Customer Advances - KY Direct	99.0	-	0	-	-	-	-
Customer Advances - KY Mid-States GO	99.0	-	0	-	-	-	-
Customer Advances - Shared Services GO	99.0	-	0	-	-	-	-
Customer Advances - Shared Services CS	99.0	-	0	-	-	-	-
ADIT - KY Direct	9.4	Allocated Net Plant - Demand	(9,589,593)	(4,103,257)	(1,844,271)	(166,023)	(3,476,042)
ADIT - KY Mid-States GO	9.4	Allocated Net Plant - Demand	2,705,114	1,157,482	520,247	46,833	980,551
ADIT - Shared Services GO	9.4	Allocated Net Plant - Demand	(208,089)	(89,038)	(40,020)	(3,603)	(75,428)
ADIT - Shared Services CS	9.4	Allocated Net Plant - Demand	897,784	384,150	172,662	15,543	325,429
Total Rate Base Deductions			(6,194,785)	(2,650,665)	(1,191,381)	(107,250)	(2,245,489)
TOTAL OTHER RB - DEMAND			(6,133,492)	(2,624,438)	(1,179,593)	(106,188)	(2,223,272)
Interest on Customer Deposits	3.0	Peak Day	0	-	-	-	-

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ALLOCATION OF OTHER RATE BASE

Line	Description	Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
74								
75	Commodity							
76								
77								
81	Rate Base Additions:							
82								
83	Materials and Supplies - KY Direct	7.6	Allocated O&M Expenses - Comm	(7,298)	(4,483)	(2,508)	(220)	(87)
84	Materials and Supplies - KY Mid-States GO	7.6	Allocated O&M Expenses - Comm	52,809	32,444	18,150	1,589	626
85	Materials and Supplies - Shared Services GO	7.6	Allocated O&M Expenses - Comm	0	0	0	0	0
86	Materials and Supplies - Shared Services CS	7.6	Allocated O&M Expenses - Comm	0	-	-	-	-
87	Gas Storage Inventory	1.0	Mcf	9,415,216	2,144,409	1,197,098	104,816	5,968,893
88	Prepayments - KY Direct	7.6	Allocated O&M Expenses - Comm	177,598	109,110	61,041	5,342	2,105
89	Prepayments - KY Mid-States GO	7.6	Allocated O&M Expenses - Comm	3,832	2,354	1,317	115	45
90	Prepayments - Shared Services GO	7.6	Allocated O&M Expenses - Comm	578,600	355,471	198,866	17,405	6,859
91	Prepayments - Shared Services CS	7.6	Allocated O&M Expenses - Comm	210,005	129,019	72,179	6,317	2,490
92	Cash Working Capital	7.6	Allocated O&M Expenses - Comm	2,580,764	1,585,525	887,011	77,632	30,594
93								
94	Total Rate Base Additions			13,011,526	4,353,848	2,433,154	212,997	6,011,527
95								
96								
97	Rate Base Deductions:							
98								
99	Customer Advances - KY Direct	99.0	-	0	-	-	-	-
100	Customer Advances - KY Mid-States GO	99.0	-	0	-	-	-	-
101	Customer Advances - Shared Services GO	99.0	-	0	-	-	-	-
102	Customer Advances - Shared Services CS	99.0	-	0	-	-	-	-
103	ADIT - KY Direct	9.6	Allocated Net Plant - Comm	(872,732)	(273,377)	(135,945)	(13,100)	(450,311)
104	ADIT - KY Mid-States GO	9.6	Allocated Net Plant - Comm	246,188	77,116	38,348	3,695	127,027
105	ADIT - Shared Services GO	9.6	Allocated Net Plant - Comm	(18,938)	(5,932)	(2,950)	(284)	(9,771)
106	ADIT - Shared Services CS	9.6	Allocated Net Plant - Comm	81,706	25,594	12,727	1,226	42,158
107								
108	Total Rate Base Deductions			(563,776)	(176,599)	(87,819)	(8,462)	(290,896)
109								
110								
111	TOTAL OTHER RB - COMMODITY			12,447,749	4,177,250	2,345,335	204,534	5,720,630
112								
113	Interest on Customer Deposits	1.0	Mcf	0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF OTHER RATE BASE

Line	Description	Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
114								
115	Total Other Rate Base							
116								
117								
118		Allocation	Allocation	Total		Commercial &	Firm	Interruptible &
119		Factor	Basis	Company	Residential	Public Authority	Industrial	Transportation
120								
121	Rate Base Additions:							
122								
123	Materials and Supplies - KY Direct			(9,437)	(6,234)	(2,779)	(228)	(195)
124	Materials and Supplies - KY Mid-States GO			68,287	45,113	20,110	1,652	1,413
125	Materials and Supplies - Shared Services GO			0	0	0	0	0
126	Materials and Supplies - Shared Services CS			0	-	-	-	-
127	Gas Storage Inventory			9,415,216	2,144,409	1,197,098	104,816	5,968,893
128	Prepayments - KY Direct			229,654	151,716	67,630	5,557	4,751
129	Prepayments - KY Mid-States GO			4,955	3,274	1,459	120	103
130	Prepayments - Shared Services GO			748,194	494,278	220,334	18,104	15,478
131	Prepayments - Shared Services CS			271,559	179,400	79,971	6,571	5,618
132	Cash Working Capital			3,337,211	2,204,657	982,766	80,750	69,038
133								
134	Total Rate Base Additions			14,065,640	5,216,611	2,566,589	217,341	6,065,099
135								
136								
137	Rate Base Deductions:							
138								
139	Customer Advances - KY Direct			(2,745,576)	(2,439,571)	(299,413)	(3,165)	(3,427)
140	Customer Advances - KY Mid-States GO			0	-	-	-	-
141	Customer Advances - Shared Services GO			0	-	-	-	-
142	Customer Advances - Shared Services CS			0	-	-	-	-
143	ADIT - KY Direct			(71,043,224)	(53,093,819)	(12,104,226)	(722,327)	(5,122,850)
144	ADIT - KY Mid-States GO			20,040,473	14,977,154	3,414,463	203,760	1,445,097
145	ADIT - Shared Services GO			(1,541,599)	(1,152,107)	(262,655)	(15,674)	(111,163)
146	ADIT - Shared Services CS			6,651,113	4,970,678	1,133,206	67,625	479,605
147								
148	Total Rate Base Deductions			(48,638,812)	(36,737,665)	(8,118,627)	(469,781)	(3,312,738)
149								
150								
151	TOTAL OTHER RB			(34,573,172)	(31,521,054)	(5,552,038)	(252,440)	2,752,360
152								
153	Interest on Customer Deposits			0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1		Production & Gathering:							
2		Operation							
3	7500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
4	7510	Production Maps & Records	99.0	-	0	-	-	-	-
5	7530	Field Lines Expenses	99.0	-	0	-	-	-	-
6	7540	Field Compressor Station Expense	99.0	-	0	-	-	-	-
7	7550	Field Compressor Sta. Fuel & Pwr.	99.0	-	0	-	-	-	-
8	7560	Field Meas. & Regul. Station Exp	99.0	-	0	-	-	-	-
9	7570	Purification Expense	99.0	-	0	-	-	-	-
10	7590	Other Expenses	99.0	-	0	-	-	-	-
11		Maintenance							
12	7610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
13	7620	Structures and Improvements	99.0	-	0	-	-	-	-
14	7640	Field Line Maintenance	99.0	-	0	-	-	-	-
15	7650	Compressor Station Equip. Maint.	99.0	-	0	-	-	-	-
16	7660	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
17	7670	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
18	7680	Other Equipment Maintenance	99.0	-	0	-	-	-	-
19	7690	Gas Processed By Others	99.0	-	0	-	-	-	-
20		Total Production & Gathering			0	0	0	0	0
21									
22		Other Gas Supply Expenses:							
23		Operation							
24	8001	Intercompany Gas Well-head Purchases	99.0	-	0	-	-	-	-
25	8010	Natural gas field line purchases	99.0	-	0	-	-	-	-
26	8040	Natural Gas City Gate Purchases	99.0	-	0	-	-	-	-
27	8045	Transportation to City Gate	99.0	-	0	-	-	-	-
28	8050	Transmission-Operation supervision and engineering	99.0	-	0	-	-	-	-
29	8051	Other Gas Purchases / Gas Cost Adjustments	99.0	-	0	-	-	-	-
30	8052	PGA for Commercial	99.0	-	0	-	-	-	-
31	8053	PGA for Industrial	99.0	-	0	-	-	-	-
32	8054	PGA for Public Authority	99.0	-	0	-	-	-	-
33	8057	PGA for Transportation Sales	99.0	-	0	-	-	-	-
34	8058	Unbilled PGA Costs	99.0	-	0	-	-	-	-
35	8059	PGA Offset to Unrecovered Gas Cost	99.0	-	0	-	-	-	-
36	8060	Exchange Gas	99.0	-	0	-	-	-	-
37	8081	Gas Withdrawn From Storage - Debit	99.0	-	0	-	-	-	-
38	8082	Gas Delivered to Storage	99.0	-	0	-	-	-	-
39	8110	Gas used for products extraction-Credit	99.0	-	0	-	-	-	-
40	8120	Gas Used for Other Utility Operations	99.0	-	0	-	-	-	-
41	8130	Other Gas Supply Expenses	99.0	-	0	-	-	-	-
42	8580	Transmission and compression of gas by others	99.0	-	0	-	-	-	-
43		Maintenance							
44	8350	Maint. Of Purch. Gas Meas. Sta.	99.0	-	0	-	-	-	-
45		Total Other Gas Supply Expenses			0	0	0	0	0
46									
47		Underground Storage:							
48		Operation							
49	8140	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
50	8150	Maps & Records	99.0	-	0	-	-	-	-
51	8160	Wells Expense	99.0	-	0	-	-	-	-
52	8170	Lines Expense	99.0	-	0	-	-	-	-
53	8180	Compressor Station Expense	99.0	-	0	-	-	-	-
54	8190	Compressor Station Fuel & Power	99.0	-	0	-	-	-	-
55	8200	Meas. & Regul. Station Expenses	99.0	-	0	-	-	-	-
56	8210	Purification Expenses	99.0	-	0	-	-	-	-
57	8220	Exploration & Development	99.0	-	0	-	-	-	-
58	8230	Gas Losses	99.0	-	0	-	-	-	-
59		Maintenance							
60	8300	Maint. Sup., & Eng	99.0	-	0	-	-	-	-
61	8310	Structures and Improvements	99.0	-	0	-	-	-	-
62	8320	Reservoirs & Wells Maintenance	99.0	-	0	-	-	-	-
63	8330	Line Maintenance	99.0	-	0	-	-	-	-
64	8340	Compressor Station Equip Maint	99.0	-	0	-	-	-	-
65	8350	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
66	8360	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
67	8370	Other Equipment Maintenance	99.0	-	0	-	-	-	-
68		Total Underground Storage Expense			0	0	0	0	0
69									
70		Transmission:							
71		Operation							
72	8500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
73	8510	System Control & Load Dispatching	99.0	-	0	-	-	-	-
74	8520	Communication Systems Expense	99.0	-	0	-	-	-	-
75	8530	Compressor Station Labor Expense	99.0	-	0	-	-	-	-
76	8540	Compressor Station Fuel Gas	99.0	-	0	-	-	-	-
77	8550	Compressor Station Fuel & Power	99.0	-	0	-	-	-	-
78	8560	Mains Expense	99.0	-	0	-	-	-	-
79	8570	Meas. & Regul. Station Expenses	99.0	-	0	-	-	-	-
80	8580	LDC Payment	99.0	-	0	-	-	-	-
81	8580	LDC Payment - A&G	99.0	-	0	-	-	-	-
82	8590	Other Expenses	99.0	-	0	-	-	-	-
83	8600	Rents	99.0	-	0	-	-	-	-
84		Maintenance							
85	8610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
86	8620	Structures and Improvements	99.0	-	0	-	-	-	-
87	8630	Mains	99.0	-	0	-	-	-	-
88	8640	Compressor Station Equip Maint	99.0	-	0	-	-	-	-
89	8650	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
90	8660	Communication Equipment Maintenance	99.0	-	0	-	-	-	-
91	8670	Other Equipment Maintenance	99.0	-	0	-	-	-	-
92		Total Transmission Expense			0	0	0	0	0
93									
94		Distribution:							
95		Operation							
96	8700	Supervision and Engineering	10.2	Composite of Accts. 871-879 & 886-893 - Cust	1,269,141	954,625	189,020	9,560	115,936
97	8710	Distribution Load Dispatching	99.0	-	0	-	-	-	-
98	8711	Odorization	99.0	-	0	-	-	-	-
99	8720	Compressor Station Labor & Expenses	11.2	Composite of Accts. 376 & 380 - Cust	0	-	-	-	-
100	8740	Mains & Services	12.2	Composite of Accts. 374-379 - Cust	2,586,856	2,298,541	282,105	2,982	3,228
101	8750	Measuring and Regulating Station Exp. - Gen	5.0	Direct to I & T	228,422	-	-	-	228,422
102	8760	Measuring and Regulating Station Exp. - Ind.	5.0	Direct to I & T	23,764	-	-	-	23,764
103	8770	Measuring and Regulating Sta. Exp. - City Gate	5.0	Direct to I & T	66,354	-	-	-	66,354
104	8780	Meters and House Regulator Expense	13.2	Composite of Accts. 381-383 - Cust	818,400	491,682	275,287	25,529	25,901
105	8790	Customer Installations Expense	2.0	Customers	20,364	18,094	2,221	23	26
106	8800	Other Expense	10.2	Composite of Accts. 871-879 & 886-893 - Cust	127,519	95,918	18,992	961	11,649
107	8810	Rents	10.2	Composite of Accts. 871-879 & 886-893 - Cust	391,961	294,826	58,377	2,952	35,808
108		Maintenance							
109	8850	Maintenance Supervision and Engineering	10.2	Composite of Accts. 871-879 & 886-893 - Cust	2,516	1,892	375	19	230
110	8860	Maintenance of Structures and Improvements	12.2	Composite of Accts. 374-379 - Cust	3,710	3,297	405	4	5
111	8870	Maintenance of Mains	12.2	Composite of Accts. 374-379 - Cust	31,144	27,673	3,396	36	39
112	8890	Maintenance of compressor station equipment	99.0	-	0	-	-	-	-
113	8900	Maint. of Measuring and Regulating Station Equip. - General	12.2	Composite of Accts. 374-379 - Cust	5,295	4,705	577	6	7
114	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	5.0	Direct to I & T	4,695	-	-	-	4,695
115	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	12.2	Composite of Accts. 374-379 - Cust	11,757	10,446	1,282	14	15
116	8930	Maintenance of Services	14.2	Account 380 - Cust	48,651	43,229	5,306	56	61
117	8940	Maintenance of Meters and House Regulators	13.2	Composite of Accts. 381-383 - Cust	14,595	8,768	4,909	455	462
118	8950	Maintenance of Other Equipment	10.2	Composite of Accts. 871-879 & 886-893 - Cust	0	-	-	-	-
119		Total Distribution			5,655,144	4,253,696	842,251	42,598	516,599

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

120								
121		Customer Accounts						
122	9010	Supervision	2.0 Customers	(202)	(179)	(22)	(0)	(0)
123	9020	Meter Reading Expense	2.0 Customers	1,321,384	1,174,120	144,102	1,523	1,649
124	9030	Customer Records and Collection Expenses	2.0 Customers	357,561	317,701	38,992	412	446
125	9040	Uncollectible Accounts	2.0 Customers	324,479	288,314	35,365	374	405
126	9050	Miscellaneous Customer Accounts Expenses	2.0 Customers	0	-	-	-	-
127		Total Customer Accounts		2,003,223	1,779,956	218,458	2,309	2,500
128								
129		Customer Service and Information:						
130	9070	Supervision	2.0 Customers	0	-	-	-	-
131	9080	Customer Assistance Expenses	2.0 Customers	0	-	-	-	-
132	9090	Informational and Instructional Advertising Expenses	2.0 Customers	133,919	118,992	14,604	154	167
133	9100	Miscellaneous Customer Service and Informational Expenses	2.0 Customers	0	-	-	-	-
134		Total Customer Service and Information		133,918	118,992	14,604	154	167
135								
136		Sales:						
137	9110	Supervision	2.0 Customers	218,372	194,034	23,814	252	273
138	9120	Demonstrating and Selling Expenses	2.0 Customers	13,909	12,359	1,517	16	17
139	9130	Advertising Expenses	2.0 Customers	10,934	9,715	1,192	13	14
140	9160	Miscellaneous Sales Expenses	2.0 Customers	0	-	-	-	-
141		Total Sales		243,215	216,108	26,523	280	304
142								
143		Administrative & General:						
144		Operation						
145	9200	Administrative and General Salaries	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	368,838	289,613	51,397	2,212	25,617
146	9210	Office Supplies and Expenses	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	(1,300)	(1,021)	(181)	(8)	(90)
147	9220	Administrative Expenses Transferred - Customer Support	2.0 Customers	13,071,350	11,614,498	1,425,471	15,068	16,313
148	9220	Administrative Expenses Transferred - General	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	148,492	116,596	20,692	890	10,313
149	9230	Outside Services Employed	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	69,803	54,809	9,727	419	4,848
150	9240	Property Insurance	9.2 Allocated Net Plant - Cust	15,934	12,813	2,663	143	315
151	9250	Injuries and Damages	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	3,055,481	2,399,170	425,779	18,321	212,212
152	9260	Employee Pensions and Benefits	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	2,654	2,084	370	16	184
153	9270	Franchise Requirements	2.0 Customers	111,840	99,375	12,197	129	140
154	9280	Regulatory Commission Expenses	2.0 Customers	105,667	93,890	11,523	122	132
155	930.1	General Advertising Expenses	2.0 Customers	0	-	-	-	-
156	930.2	Miscellaneous General Expense	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	(20,905)	(16,415)	(2,913)	(125)	(1,452)
157	9310	Rents	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	7,119	5,590	992	43	494
158		Maintenance						
159	9320	Maintenance of General Plant	17.2 Composite of Accts. 870-902, 905-916, 924 & 926-930.1 - Cust	0	-	-	-	-
160		Total A&G		16,934,973	14,671,003	1,957,716	37,228	269,026
161								
162		TOTAL O&M EXPENSE - CUSTOMER		24,970,472	21,039,755	3,059,552	62,570	788,595

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
163		Production & Gathering:							
164		Operation							
165	7500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
166	7510	Production Maps & Records	99.0	-	0	-	-	-	-
167	7530	Field Lines Expenses	99.0	-	0	-	-	-	-
168	7540	Field Compressor Station Expense	99.0	-	0	-	-	-	-
169	7550	Field Compressor Sta. Fuel & Pwr	99.0	-	0	-	-	-	-
170	7560	Field Meas. & Regul. Station Exp	99.0	-	0	-	-	-	-
171	7570	Purification Expense	99.0	-	0	-	-	-	-
172	7590	Other Expenses	99.0	-	0	-	-	-	-
173		Maintenance							
174	7610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
175	7620	Structures and Improvements	99.0	-	0	-	-	-	-
176	7640	Field Line Maintenance	99.0	-	0	-	-	-	-
177	7650	Compressor Station Equip. Maint	99.0	-	0	-	-	-	-
178	7660	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
179	7670	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
180	7680	Other Equipment Maintenance	99.0	-	0	-	-	-	-
181	7690	Gas Processed By Others	99.0	-	0	-	-	-	-
182		Total Production & Gathering			0	0	0	0	0
183									
184		Other Gas Supply Expenses							
185		Operation							
186	8001	Intercompany Gas Well-head Purchases	99.0	-	0	-	-	-	-
187	8010	Natural gas field line purchases	99.0	-	0	-	-	-	-
188	8040	Natural Gas City Gate Purchases	99.0	-	0	-	-	-	-
189	8045	Transportation to City Gate	99.0	-	0	-	-	-	-
190	8050	Transmission-Operation supervision and engineering	99.0	-	0	-	-	-	-
191	8051	Other Gas Purchases / Gas Cost Adjustments	99.0	-	0	-	-	-	-
192	8052	PGA for Commercial	99.0	-	0	-	-	-	-
193	8053	PGA for Industrial	99.0	-	0	-	-	-	-
194	8054	PGA for Public Authority	99.0	-	0	-	-	-	-
195	8057	PGA for Transportation Sales	99.0	-	0	-	-	-	-
196	8058	Unbilled PGA Costs	99.0	-	0	-	-	-	-
197	8059	PGA Offset to Unrecovered Gas Cost	99.0	-	0	-	-	-	-
198	8060	Exchange Gas	99.0	-	0	-	-	-	-
199	8081	Gas Withdrawn From Storage - Debit	99.0	-	0	-	-	-	-
200	8082	Gas Delivered to Storage	99.0	-	0	-	-	-	-
201	8110	Gas used for products extraction-Credit	99.0	-	0	-	-	-	-
202	8120	Gas Used for Other Utility Operations	99.0	-	0	-	-	-	-
203	8130	Other Gas Supply Expenses	99.0	-	0	-	-	-	-
204	8580	Transmission and compression of gas by others	99.0	-	0	-	-	-	-
205		Maintenance							
206	8350	Maint. Of Purch. Gas Meas. Sta	99.0	-	0	-	-	-	-
207		Total Other Gas Supply Expenses			0	0	0	0	0
208									
209		Underground Storage:							
210		Operation							
211	8140	Op., Sup., & Eng.	3.0	Peak Day	(531)	(227)	(102)	(9)	(193)
212	8150	Maps & Records	3.0	Peak Day	0	-	-	-	-
213	8160	Wells Expense	3.0	Peak Day	84,809	36,289	16,310	1,468	30,742
214	8170	Lines Expense	3.0	Peak Day	30,477	13,041	5,861	528	11,047
215	8180	Compressor Station Expense	3.0	Peak Day	12,462	5,332	2,397	216	4,517
216	8190	Compressor Station Fuel & Power	3.0	Peak Day	388	166	75	7	141
217	8200	Meas. & Regul. Station Expenses	3.0	Peak Day	2,395	1,025	461	41	868
218	8210	Purification Expenses	3.0	Peak Day	17,228	7,372	3,313	298	6,245
219	8220	Exploration & Development	3.0	Peak Day	111	48	21	2	40
220	8230	Gas Losses	3.0	Peak Day	6,950	2,974	1,337	120	2,519
221		Maintenance							
222	8300	Maint. Sup., & Eng.	3.0	Peak Day	5,157	2,207	992	89	1,869
223	8310	Structures and Improvements	3.0	Peak Day	0	-	-	-	-
224	8320	Reservoirs & Wells Maintenance	3.0	Peak Day	0	-	-	-	-
225	8330	Line Maintenance	3.0	Peak Day	0	-	-	-	-
226	8340	Compressor Station Equip Maint	3.0	Peak Day	2,532	1,083	487	44	916
227	8350	Meas. & Regul. Station Equip Maint	3.0	Peak Day	0	-	-	-	-
228	8360	Purification Equipment Maintenance	3.0	Peak Day	368	158	71	6	133
229	8370	Other Equipment Maintenance	3.0	Peak Day	0	-	-	-	-
230		Total Underground Storage Expense			162,346	69,466	31,222	2,611	58,847
231									
232		Transmission:							
233		Operation							
234	8500	Op., Sup., & Eng	3.0	Peak Day	0	-	-	-	-
235	8510	System Control & Load Dispatching	3.0	Peak Day	0	-	-	-	-
236	8520	Communication Systems Expense	3.0	Peak Day	0	-	-	-	-
237	8530	Compressor Station Labor Expense	3.0	Peak Day	0	-	-	-	-
238	8540	Compressor Station Fuel Gas	3.0	Peak Day	0	-	-	-	-
239	8550	Compressor Station Fuel & Power	3.0	Peak Day	0	-	-	-	-
240	8560	Mains Expense	3.0	Peak Day	499,729	213,827	96,108	8,652	181,142
241	8570	Meas. & Regul. Station Expenses	3.0	Peak Day	103,088	44,102	19,822	1,784	37,360
242	8590	LDC Payment	3.0	Peak Day	0	-	-	-	-
243	8580	LDC Payment - A&G	3.0	Peak Day	0	-	-	-	-
244	8590	Other Expenses	3.0	Peak Day	0	-	-	-	-
245	8600	Rents	3.0	Peak Day	0	-	-	-	-
246		Maintenance							
247	8610	Maint. Sup., & Eng.	3.0	Peak Day	0	-	-	-	-
248	8620	Structures and Improvements	3.0	Peak Day	0	-	-	-	-
249	8630	Mains	3.0	Peak Day	20,015	8,564	3,849	347	7,255
250	8640	Compressor Station Equip Maint	3.0	Peak Day	0	-	-	-	-
251	8650	Meas. & Regul. Station Equip Maint	3.0	Peak Day	979	419	168	17	355
252	8660	Communication Equipment Maintenance	3.0	Peak Day	0	-	-	-	-
253	8670	Other Equipment Maintenance	3.0	Peak Day	0	-	-	-	-
254		Total Transmission Expense			623,792	266,912	119,963	10,800	226,112
255									
256		Distribution:							
257		Operation							
258	8700	Supervision and Engineering	10.4	Composite of Accts. 871-879 & 886-893 - Demand	113,552	48,687	21,838	1,966	41,161
259	8710	Distribution Load Dispatching	99.0	-	0	-	-	-	-
260	8711	Odorization	99.0	-	0	-	-	-	-
261	8720	Compressor Station Labor & Expenses	11.4	Composite of Accts. 376 & 380 - Demand	0	-	-	-	-
262	8740	Mains & Services	12.4	Composite of Accts. 374-379 - Demand	287,209	122,893	55,236	4,972	104,109
263	8750	Measuring and Regulating Station Exp. - Gen	12.4	Composite of Accts. 374-379 - Demand	38,551	16,496	7,414	667	13,974
264	8760	Measuring and Regulating Station Exp. - Ind.	99.0	-	0	-	-	-	-
265	8770	Measuring and Regulating Sta. Exp. - City Gate	12.4	Composite of Accts. 374-379 - Demand	11,199	4,792	2,154	194	4,059
266	8780	Meters and House Regulator Expense	13.4	Composite of Accts. 381-383 - Demand	0	-	-	-	-
267	8790	Customer Installations Expense	99.0	-	0	-	-	-	-
268	8800	Other Expense	10.4	Composite of Accts. 871-879 & 886-893 - Demand	11,409	4,882	2,194	198	4,136
269	8810	Rents	10.4	Composite of Accts. 871-879 & 886-893 - Demand	35,069	15,006	6,745	607	12,712
270		Maintenance							
271	8850	Maintenance Supervision and Engineering	10.4	Composite of Accts. 871-879 & 886-893 - Demand	229	96	43	4	82
272	8860	Maintenance of Structures and Improvements	12.4	Composite of Accts. 374-379 - Demand	626	268	120	11	227
273	8870	Maintenance of Mains	12.4	Composite of Accts. 374-379 - Demand	5,256	2,249	1,011	91	1,905
274	8890	Maintenance of compressor station equipment	99.0	-	0	-	-	-	-
275	8900	Maint. of Measuring and Regulating Station Equip. - General	12.4	Composite of Accts. 374-379 - Demand	894	382	172	15	324
276	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	99.0	-	0	-	-	-	-
277	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	12.4	Composite of Accts. 374-379 - Demand	1,984	849	382	34	719
278	8930	Maintenance of Services	14.4	Account 380 - Demand	0	-	-	-	-
279	8940	Maintenance of Meters and House Regulators	13.4	Composite of Accts. 381-383 - Demand	0	-	-	-	-
280	8950	Maintenance of Other Equipment	10.4	Composite of Accts. 871-879 & 886-893 - Demand	0	-	-	-	-
281		Total Distribution			505,976	216,500	97,309	8,760	183,406

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

282									
283		Customer Accounts:							
284	9010	Supervision	99.0	-	0	-	-	-	-
285	9020	Meter Reading Expense	99.0	-	0	-	-	-	-
286	9030	Customer Records and Collection Expenses	99.0	-	0	-	-	-	-
287	9040	Uncollectible Accounts	99.0	-	0	-	-	-	-
288	9050	Miscellaneous Customer Accounts Expenses	99.0	-	0	-	-	-	-
289		Total Customer Accounts			0	-	-	-	-
290									
291		Customer Service and Information:							
292	9070	Supervision	99.0	-	0	-	-	-	-
293	9080	Customer Assistance Expenses	99.0	-	0	-	-	-	-
294	9090	Informational and Instructional Advertising Expenses	99.0	-	0	-	-	-	-
295	9100	Miscellaneous Customer Service and Informational Expenses	90.0	-	0	-	-	-	-
296		Total Customer Service and Information			0	-	-	-	-
297									
298		Sales:							
299	9110	Supervision	99.0	-	0	-	-	-	-
300	9120	Demonstrating and Selling Expenses	99.0	-	0	-	-	-	-
301	9130	Advertising Expenses	99.0	-	0	-	-	-	-
302	9160	Miscellaneous Sales Expenses	99.0	-	0	-	-	-	-
303		Total Sales			0	-	-	-	-
304									
305		Administrative & General:							
306		Operation							
307	9200	Administrative and General Salaries	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	25,091	10,730	4,825	434	9,095
308	9210	Office Supplies and Expenses	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	(88)	(38)	(17)	(2)	(32)
309	9220	Administrative Expenses Transferred - Customer Support	99.0	-	0	-	-	-	-
310	9220	Administrative Expenses Transferred - General	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	10,101	4,322	1,943	175	3,662
311	9230	Outside Services Employed	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	4,748	2,032	913	82	1,721
312	9240	Property Insurance	9.4	Allocated Net Plant - Demand	2,522	1,079	485	44	914
313	9250	Injuries and Damages	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	207,852	88,937	39,974	3,599	75,342
314	9260	Employee Pensions and Benefits	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	181	77	35	3	65
315	9270	Franchise Requirements	99.0	-	0	-	-	-	-
316	9280	Regulatory Commission Expenses	90.0	-	0	-	-	-	-
317	930.1	General Advertising Expenses	89.0	-	0	-	-	-	-
318	930.2	Miscellaneous General Expense	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	(1,422)	(608)	(273)	(25)	(515)
319	9310	Rents	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	484	207	93	8	176
320		Maintenance							
321	9320	Maintenance of General Plant	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	0	-	-	-	-
322		Total A&G			249,468	106,744	47,978	4,319	90,427
323									
324		TOTAL O&M EXPENSE - DEMAND			1,541,583	659,622	296,477	26,689	558,794

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

Commodity

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
325		Production & Gathering:							
326		Operation							
327	7500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
328	7510	Production Maps & Records	99.0	-	0	-	-	-	-
329	7530	Field Lines Expenses	99.0	-	0	-	-	-	-
330	7540	Field Compressor Station Expense	99.0	-	0	-	-	-	-
331	7550	Field Compressor Sta. Fuel & Pwr.	99.0	-	0	-	-	-	-
332	7560	Field Meas. & Regul. Station Exp	99.0	-	0	-	-	-	-
333	7570	Purification Expense	99.0	-	0	-	-	-	-
334	7590	Other Expenses	99.0	-	0	-	-	-	-
335		Maintenance							
336	7610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
337	7620	Structures and Improvements	99.0	-	0	-	-	-	-
338	7640	Field Line Maintenance	99.0	-	0	-	-	-	-
339	7650	Compressor Station Equip. Maint.	99.0	-	0	-	-	-	-
340	7660	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
341	7670	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
342	7680	Other Equipment Maintenance	99.0	-	0	-	-	-	-
343	7690	Gas Processed By Others	99.0	-	0	-	-	-	-
344		Total Production & Gathering			0	0	0	0	0
345									
346		Other Gas Supply Expenses:							
347		Operation							
348	8001	Intercompany Gas Well-head Purchases	18.4	Gas Costs	2,392,628	1,471,475	823,291	72,049	25,812
349	8010	Natural gas field line purchases	18.4	Gas Costs	1,391,896	856,021	478,944	41,914	15,016
350	8040	Natural Gas City Gate Purchases	18.4	Gas Costs	45,614,740	28,053,244	15,695,801	1,373,601	492,093
351	8045	Transportation to City Gate	18.4	Gas Costs	0	-	-	-	-
352	8050	Transmission-Operation supervision and engineering	18.4	Gas Costs	(14,067)	(8,652)	(4,841)	(424)	(152)
353	8051	Other Gas Purchases / Gas Cost Adjustments	18.4	Gas Costs	56,021,426	34,453,396	19,276,689	1,686,979	604,361
354	8052	PGA for Commercial	18.4	Gas Costs	26,327,213	16,191,339	9,059,061	792,794	284,019
355	8053	PGA for Industrial	18.4	Gas Costs	5,265,345	3,238,208	1,811,778	158,556	56,803
356	8054	PGA for Public Authority	18.4	Gas Costs	6,496,020	3,995,078	2,235,248	195,615	70,079
357	8057	PGA for Transportation Sales	18.4	Gas Costs	0	-	-	-	-
358	8058	Unbilled PGA Costs	18.4	Gas Costs	(3,827,283)	(2,353,794)	(1,316,949)	(115,251)	(41,289)
359	8059	PGA Offset to Unrecovered Gas Cost	18.4	Gas Costs	(103,417,652)	(63,602,205)	(35,585,460)	(3,114,224)	(1,115,672)
360	8060	Exchange Gas	18.4	Gas Costs	7,289,206	4,482,890	2,508,179	219,501	78,635
361	8081	Gas Withdrawn From Storage - Debit	18.4	Gas Costs	26,869,335	16,524,746	9,245,602	809,119	289,867
362	8082	Gas Delivered to Storage	18.4	Gas Costs	(15,161,906)	(9,324,631)	(5,217,135)	(456,572)	(163,567)
363	8110	Gas used for products extraction-Credit	18.4	Gas Costs	0	-	-	-	-
364	8120	Gas Used for Other Utility Operations	18.4	Gas Costs	(17,621)	(10,837)	(6,063)	(531)	(190)
365	8130	Other Gas Supply Expenses	18.4	Gas Costs	(5)	(3)	(2)	(0)	(0)
366	8580	Transmission and compression of gas by others	18.4	Gas Costs	35,035,860	21,547,203	12,055,669	1,055,039	377,968
367		Maintenance							
368	8350	Maint. Of Purch. Gas Meas. Sta.	18.4	Gas Costs	0	-	-	-	-
369		Total Other Gas Supply Expenses			90,265,244	55,513,478	31,059,814	2,718,167	973,785
370									
371		Underground Storage							
372		Operation							
373	8140	Op., Sup., & Eng.	1.5	Winter Volumes	(531)	(166)	(83)	(8)	(274)
374	8150	Maps & Records	1.5	Winter Volumes	0	-	-	-	-
375	8160	Wells Expense	1.5	Winter Volumes	84,809	26,566	13,211	1,273	43,760
376	8170	Lines Expense	1.5	Winter Volumes	30,477	9,547	4,747	457	15,725
377	8180	Compressor Station Expense	1.5	Winter Volumes	12,462	3,904	1,941	187	6,430
378	8190	Compressor Station Fuel & Power	1.5	Winter Volumes	388	122	61	6	200
379	8200	Meas. & Regul. Station Expenses	1.5	Winter Volumes	2,395	750	373	36	1,236
380	8210	Purification Expenses	1.5	Winter Volumes	17,228	5,396	2,684	259	8,889
381	8220	Exploration & Development	1.5	Winter Volumes	111	35	17	2	57
382	8230	Gas Losses	1.5	Winter Volumes	6,950	2,177	1,083	104	3,586
383		Maintenance							
384	8300	Maint. Sup., & Eng	1.5	Winter Volumes	5,157	1,615	803	77	2,661
385	8310	Structures and Improvements	1.5	Winter Volumes	0	-	-	-	-
386	8320	Reservoirs & Wells Maintenance	1.5	Winter Volumes	0	-	-	-	-
387	8330	Line Maintenance	1.5	Winter Volumes	0	-	-	-	-
388	8340	Compressor Station Equip Maint	1.5	Winter Volumes	2,532	793	394	38	1,306
389	8350	Meas. & Regul. Station Equip Maint	1.5	Winter Volumes	0	-	-	-	-
390	8360	Purification Equipment Maintenance	1.5	Winter Volumes	368	115	57	6	190
391	8370	Other Equipment Maintenance	1.5	Winter Volumes	0	-	-	-	-
392		Total Underground Storage Expense			162,346	50,854	25,289	2,437	83,767
393									
394		Transmission:							
395		Operation							
396	8500	Op., Sup., & Eng	99.0	-	0	-	-	-	-
397	8510	System Control & Load Dispatching	99.0	-	0	-	-	-	-
398	8520	Communication Systems Expense	99.0	-	0	-	-	-	-
399	8530	Compressor Station Labor Expense	99.0	-	0	-	-	-	-
400	8540	Compressor Station Fuel Gas	99.0	-	0	-	-	-	-
401	8550	Compressor Station Fuel & Power	99.0	-	0	-	-	-	-
402	8560	Mains Expense	99.0	-	0	-	-	-	-
403	8570	Meas. & Regul. Station Expenses	99.0	-	0	-	-	-	-
404	8580	LDC Payment	99.0	-	0	-	-	-	-
405	8580	LDC Payment - A&G	99.0	-	0	-	-	-	-
406	8590	Other Expenses	99.0	-	0	-	-	-	-
407	8600	Rents	99.0	-	0	-	-	-	-
408		Maintenance							
409	8610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
410	8620	Structures and Improvements	99.0	-	0	-	-	-	-
411	8630	Mains	99.0	-	0	-	-	-	-
412	8640	Compressor Station Equip Maint	99.0	-	0	-	-	-	-
413	8650	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
414	8660	Communication Equipment Maintenance	99.0	-	0	-	-	-	-
415	8670	Other Equipment Maintenance	99.0	-	0	-	-	-	-
416		Total Transmission Expense			0	0	0	0	0
417									
418		Distribution:							
419		Operation							
420	8700	Supervision and Engineering	10.6	Composite of Accts. 871-879 & 886-893 - Comm	3,467	790	441	39	2,198
421	8710	Distribution Load Dispatching	1.0	Mcf	293	67	37	3	186
422	8711	Odorization	1.0	Mcf	3,303	752	420	37	2,094
423	8720	Compressor Station Labor & Expenses	99.0	-	0	-	-	-	-
424	8740	Mains & Services	99.0	-	0	-	-	-	-
425	8750	Measuring and Regulating Station Exp. - Gen	99.0	-	0	-	-	-	-
426	8760	Measuring and Regulating Station Exp. - Ind.	99.0	-	0	-	-	-	-
427	8770	Measuring and Regulating Sta. Exp. - City Gate	99.0	-	0	-	-	-	-
428	8780	Meters and House Regulator Expense	99.0	-	0	-	-	-	-
429	8790	Customer Installations Expense	99.0	-	0	-	-	-	-
430	8800	Other Expense	10.6	Composite of Accts. 871-879 & 886-893 - Comm	348	79	44	4	221
431	8810	Rents	10.6	Composite of Accts. 871-879 & 886-893 - Comm	1,071	244	136	12	679
432		Maintenance							
433	8850	Maintenance Supervision and Engineering	10.6	Composite of Accts. 871-879 & 886-893 - Comm	7	2	1	0	4
434	8860	Maintenance of Structures and Improvements	12.2	Composite of Accts. 374-379 - Cust	0	-	-	-	-
435	8870	Maintenance of Mains	12.6	Composite of Accts. 374-379 - Comm	0	-	-	-	-
436	8890	Maintenance of compressor station equipment	1.0	Mcf	6,958	1,585	885	77	4,411
437	8900	Maint. of Measuring and Regulating Station Equip. - General	12.2	Composite of Accts. 374-379 - Cust	0	-	-	-	-
438	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	5.0	Direct to I & T	0	-	-	-	-
439	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	12.2	Composite of Accts. 374-379 - Cust	0	-	-	-	-
440	8930	Maintenance of Services	14.2	Account 380 - Cust	0	-	-	-	-
441	8940	Maintenance of Meters and House Regulators	13.2	Composite of Accts. 381-383 - Cust	0	-	-	-	-
442	8950	Maintenance of Other Equipment	10.2	Composite of Accts. 871-879 & 886-893 - Cust	0	-	-	-	-
443		Total Distribution			15,446	3,518	1,964	172	9,792

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

444									
445		Customer Accounts:							
446	9010	Supervision	99.0	-	0	-	-	-	-
447	9020	Meter Reading Expense	99.0	-	0	-	-	-	-
448	9030	Customer Records and Collection Expenses	99.0	-	0	-	-	-	-
449	9040	Uncollectible Accounts	99.0	-	0	-	-	-	-
450	9050	Miscellaneous Customer Accounts Expenses	99.0	-	0	-	-	-	-
451		Total Customer Accounts			0	-	-	-	-
452									
453		Customer Service and Information:							
454	9070	Supervision	99.0	-	0	-	-	-	-
455	9080	Customer Assistance Expenses	99.0	-	0	-	-	-	-
456	9090	Informational and Instructional Advertising Expenses	99.0	-	0	-	-	-	-
457	9100	Miscellaneous Customer Service and Informational Expenses	99.0	-	0	-	-	-	-
458		Total Customer Service and Information			0	-	-	-	-
459									
460		Sales:							
461	9110	Supervision	99.0	-	0	-	-	-	-
462	9120	Demonstrating and Selling Expenses	99.0	-	0	-	-	-	-
463	9130	Advertising Expenses	99.0	-	0	-	-	-	-
464	9160	Miscellaneous Sales Expenses	99.0	-	0	-	-	-	-
465		Total Sales			0	-	-	-	-
466									
467		Administrative & General:							
468		Operation							
469	9200	Administrative and General Salaries	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	773	177	99	9	489
470	9210	Office Supplies and Expenses	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	(3)	(1)	(0)	(0)	(2)
471	9220	Administrative Expenses Transferred - Customer Support	99.0	-	0	-	-	-	-
472	9220	Administrative Expenses Transferred - General	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	311	71	40	3	197
473	9230	Outside Services Employed	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	148	34	19	2	93
474	9240	Property Insurance	9.6	Allocated Net Plant - Comm	230	72	36	3	118
475	9250	Injuries and Damages	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	6,408	1,467	817	72	4,051
476	9260	Employee Pensions and Benefits	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	6	1	1	0	4
477	9270	Franchise Requirements	99.0	-	0	-	-	-	-
478	9280	Regulatory Commission Expenses	99.0	-	0	-	-	-	-
479	930.1	General Advertising Expenses	99.0	-	0	-	-	-	-
480	930.2	Miscellaneous General Expense	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	(44)	(10)	(6)	(0)	(28)
481	9310	Rents	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	15	3	2	0	9
482		Maintenance							
483	9320	Maintenance of General Plant	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	0	-	-	-	-
484		Total A&G			7,842	1,815	1,007	69	4,932
485									
486		TOTAL O&M EXPENSE - COMMODITY			90,450,879	55,569,666	31,068,073	2,720,864	1,072,276

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

Total O&M Expenses

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
487		Production & Gathering:							
488		Operation							
489	7500	Op., Sup., & Eng.			0	0	0	0	0
490	7510	Production Maps & Records			0	0	0	0	0
491	7530	Field Lines Expenses			0	0	0	0	0
492	7540	Field Compressor Station Expense			0	0	0	0	0
493	7550	Field Compressor Sta. Fuel & Pwr.			0	0	0	0	0
494	7560	Field Meas. & Regul. Station Exp			0	0	0	0	0
495	7570	Purification Expense			0	0	0	0	0
496	7590	Other Expenses			0	0	0	0	0
497		Maintenance							
498	7610	Maint. Sup., & Eng.			0	0	0	0	0
499	7620	Structures and Improvements			0	0	0	0	0
500	7640	Field Line Maintenance			0	0	0	0	0
501	7650	Compressor Station Equip. Maint.			0	0	0	0	0
502	7660	Meas. & Regul. Station Equip Maint			0	0	0	0	0
503	7670	Purification Equipment Maintenance			0	0	0	0	0
504	7680	Other Equipment Maintenance			0	0	0	0	0
505	7690	Gas Processed By Others			0	0	0	0	0
506		Total Production & Gathering			0	0	0	0	0
507									
508		Other Gas Supply Expenses:							
509		Operation							
510	8001	Intercompany Gas Well-head Purchases			2,392,620	1,471,475	823,291	72,049	25,812
511	8010	Natural gas field line purchases			1,391,896	856,021	478,944	41,914	15,016
512	8040	Natural Gas City Gate Purchases			45,614,740	28,053,244	15,695,801	1,373,601	492,093
513	8045	Transportation to City Gate			0	0	0	0	0
514	8050	Transmission-Operation supervision and engineering			(14,067)	(8,652)	(4,841)	(424)	(152)
515	8051	Other Gas Purchases / Gas Cost Adjustments			56,021,426	34,453,396	19,276,689	1,686,979	604,361
516	8052	PGA for Commercial			26,327,213	16,191,339	9,059,061	792,794	284,019
517	8053	PGA for Industrial			5,265,345	3,238,208	1,811,778	158,556	56,803
518	8054	PGA for Public Authority			6,496,020	3,995,078	2,235,248	195,615	70,079
519	8057	PGA for Transportation Sales			0	0	0	0	0
520	8058	Unbilled PGA Costs			(3,827,283)	(2,353,794)	(1,316,949)	(115,251)	(41,289)
521	8059	PGA Offset to Unrecovered Gas Cost			(103,417,562)	(63,602,205)	(35,585,460)	(3,114,224)	(1,115,672)
522	8060	Exchange Gas			7,289,206	4,482,890	2,508,179	219,501	78,636
523	8081	Gas Withdrawn From Storage - Debit			26,869,335	16,524,746	9,245,602	809,119	289,867
524	8082	Gas Delivered to Storage			(15,161,906)	(9,324,631)	(5,217,135)	(456,572)	(163,567)
525	8110	Gas used for products extraction-Credit			0	0	0	0	0
526	8120	Gas Used for Other Utility Operations			(17,621)	(10,837)	(6,063)	(531)	(190)
527	8130	Other Gas Supply Expenses			(5)	(3)	(2)	(0)	(0)
528	8580	Transmission and compression of gas by others			35,035,860	21,547,203	12,055,689	1,055,039	377,968
529		Maintenance							
530	8350	Maint. Of Purch. Gas Meas. Sta.			0	0	0	0	0
531		Total Other Gas Supply Expenses			90,265,244	55,513,478	31,059,614	2,718,167	973,785
532									
533		Underground Storage:							
534		Operation							
535	8140	Op., Sup., & Eng.			(1,062)	(394)	(185)	(17)	(467)
536	8150	Maps & Records			0	0	0	0	0
537	8160	Wells Expense			169,618	62,854	29,521	2,741	74,501
538	8170	Lines Expense			60,954	22,587	10,609	985	26,773
539	8180	Compressor Station Expense			24,924	9,236	4,338	403	10,947
540	8190	Compressor Station Fuel & Power			777	288	135	13	341
541	8200	Meas. & Regul. Station Expenses			4,790	1,775	834	77	2,104
542	8210	Purification Expenses			34,456	12,768	5,997	557	15,134
543	8220	Exploration & Development			223	82	39	4	98
544	8230	Gas Losses			13,900	5,151	2,419	225	6,105
545		Maintenance							
546	8300	Maint. Sup., & Eng.			10,314	3,822	1,795	167	4,530
547	8310	Structures and Improvements			0	0	0	0	0
548	8320	Reservoirs & Wells Maintenance			0	0	0	0	0
549	8330	Line Maintenance			0	0	0	0	0
550	8340	Compressor Station Equip Maint			5,064	1,877	881	82	2,224
551	8350	Meas. & Regul. Station Equip Maint			0	0	0	0	0
552	8360	Purification Equipment Maintenance			736	273	128	12	323
553	8370	Other Equipment Maintenance			0	0	0	0	0
554		Total Underground Storage Expense			324,693	120,320	56,511	5,248	142,615
555									
556		Transmission:							
557		Operation							
558	8500	Op., Sup., & Eng.			0	0	0	0	0
559	8510	System Control & Load Dispatching			0	0	0	0	0
560	8520	Communication Systems Expense			0	0	0	0	0
561	8530	Compressor Station Labor Expense			0	0	0	0	0
562	8540	Compressor Station Fuel Gas			0	0	0	0	0
563	8550	Compressor Station Fuel & Power			0	0	0	0	0
564	8560	Mains Expense			499,729	213,827	96,108	8,652	181,142
565	8570	Meas. & Regul. Station Expenses			103,068	44,102	19,822	1,784	37,360
566	8580	LDC Payment			0	0	0	0	0
567	8580	LDC Payment - A&G			0	0	0	0	0
568	8590	Other Expenses			0	0	0	0	0
569	8600	Rents			0	0	0	0	0
570		Maintenance							
571	8610	Maint. Sup., & Eng.			0	0	0	0	0
572	8620	Structures and Improvements			0	0	0	0	0
573	8630	Mains			20,016	8,564	3,849	347	7,256
574	8640	Compressor Station Equip Maint			0	0	0	0	0
575	8650	Meas. & Regul. Station Equip Maint			979	419	188	17	355
576	8660	Communication Equipment Maintenance			0	0	0	0	0
577	8670	Other Equipment Maintenance			0	0	0	0	0
578		Total Transmission Expense			623,792	266,912	119,968	10,800	226,112
579									
580		Distribution:							
581		Operation							
582	8700	Supervision and Engineering			1,386,160	1,004,002	211,299	11,564	159,294
583	8710	Distribution Load Dispatching			293	67	37	3	186
584	8711	Odorization			3,303	752	420	37	2,094
585	8720	Compressor Station Labor & Expenses			0	0	0	0	0
586	8740	Mains & Services			2,874,065	2,421,434	337,341	7,954	107,336
587	8750	Measuring and Regulating Station Exp. - Gen			266,973	16,496	7,414	667	242,396
588	8760	Measuring and Regulating Station Exp. - Ind.			23,764	0	0	0	23,764
589	8770	Measuring and Regulating Sta. Exp. - City Gate			77,553	4,792	2,154	194	70,413
590	8780	Meters and House Regulator Expense			818,400	491,582	275,267	25,629	25,901
591	8780	Customer Installations Expense			20,364	18,094	2,221	23	25
592	8800	Other Expense			139,277	100,879	21,231	1,162	16,005
593	8810	Rents			428,101	310,075	65,257	3,572	49,196
594		Maintenance							
595	8850	Maintenance Supervision and Engineering			2,748	1,990	419	23	316
596	8860	Maintenance of Structures and Improvements			4,337	3,565	525	15	232
597	8870	Maintenance of Mains			36,400	29,922	4,407	127	1,944
598	8890	Maintenance of compressor station equipment			8,958	1,585	885	77	4,411
599	8900	Maint. of Measuring and Regulating Station Equip. - General			6,189	5,087	749	22	331
600	8910	Maint. of Measuring and Regulating Station Equip. - Industrial			4,695	0	0	0	4,695
601	8920	Maint. of Measuring and Regulating Station Equip. - City Gate			13,741	11,295	1,664	48	734
602	8930	Maintenance of Services			48,651	43,229	5,306	56	61
603	8940	Maintenance of Meters and House Regulators			14,595	8,768	4,909	455	462
604	8950	Maintenance of Other Equipment			0	0	0	0	0
605		Total Distribution			6,176,566	4,473,714	941,524	51,530	709,797

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF O&M EXPENSES

606							
607		Customer Accounts:					
608	9010	Supervision	(202)	(179)	(22)	(0)	(0)
609	9020	Meter Reading Expense	1,321,394	1,174,120	144,102	1,523	1,649
610	9030	Customer Records and Collection Expenses	357,551	317,701	38,992	412	446
611	9040	Uncollectible Accounts	324,479	288,314	35,385	374	405
612	9050	Miscellaneous Customer Accounts Expenses	0	0	0	0	0
613		Total Customer Accounts	2,003,223	1,779,956	218,458	2,309	2,500
614							
615		Customer Service and Information:					
616	9070	Supervision	0	0	0	0	0
617	9080	Customer Assistance Expenses	0	0	0	0	0
618	9090	Informational and Instructional Advertising Expenses	133,918	118,992	14,604	154	167
619	9100	Miscellaneous Customer Service and Informational Expenses	0	0	0	0	0
620		Total Customer Service and Information	133,918	118,992	14,604	154	167
621							
622		Sales:					
623	9110	Supervision	218,372	194,034	23,814	252	273
624	9120	Demonstrating and Selling Expenses	13,909	12,359	1,517	16	17
625	9130	Advertising Expenses	10,934	9,715	1,192	13	14
626	9160	Miscellaneous Sales Expenses	0	0	0	0	0
627		Total Sales	243,215	216,108	26,523	280	304
628							
629		Administrative & General:					
630		Operation					
631	9200	Administrative and General Salaries	394,702	300,526	56,321	2,655	35,201
632	9210	Office Supplies and Expenses	(1,391)	(1,059)	(198)	(9)	(124)
633	9220	Administrative Expenses Transferred - Customer Support	13,071,350	11,614,498	1,426,471	15,068	16,313
634	9220	Administrative Expenses Transferred - General	158,905	120,990	22,675	1,069	14,172
635	9230	Outside Services Employed	74,698	56,875	10,659	502	6,662
636	9240	Property Insurance	18,686	13,965	3,184	100	1,347
637	9250	Injuries and Damages	3,259,740	2,489,574	466,570	21,991	291,605
638	9260	Employee Pensions and Benefits	2,840	2,163	405	19	253
639	9270	Franchise Requirements	111,840	99,375	12,197	129	140
640	9280	Regulatory Commission Expenses	105,687	93,890	11,523	122	132
641	930.1	General Advertising Expenses	0	0	0	0	0
642	930.2	Miscellaneous General Expense	(22,371)	(17,033)	(3,192)	(150)	(1,995)
643	9310	Rents	7,618	5,800	1,087	51	679
644		Maintenance					
645	9320	Maintenance of General Plant	0	0	0	0	0
646		Total A&G	17,192,284	14,779,562	2,006,701	41,635	364,385
647							
648		TOTAL O&M EXPENSE	116,962,934	77,269,043	34,444,102	2,830,124	2,419,665

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
1		Intangible Plant:							
2									
3	30100	Organization	99.0	-	0	-	-	-	-
4	30200	Franchises & Consents	99.0	-	0	-	-	-	-
5	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
6									
7		Total Intangible Plant:			0	-	-	-	-
8									
9		Production Plant:							
10			99.0	-	0	-	-	-	-
11	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
12	32540	Rights of Ways	99.0	-	0	-	-	-	-
13	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
14	33201	Field Lines	99.0	-	0	-	-	-	-
15	33202	Tributary Lines	99.0	-	0	-	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
17	33600	Purification Equipment	99.0	-	0	-	-	-	-
18									
19		Total Production Plant			0	-	-	-	-
20									
21		Storage Plant:							
22									
23	35010	Land	99.0	-	0	-	-	-	-
24	35020	Rights of Way	99.0	-	0	-	-	-	-
25	35100	Structures and Improvements	99.0	-	0	-	-	-	-
26	35102	Compression Station Equipment	99.0	-	0	-	-	-	-
27	35103	Meas. & Reg. Sta. Structues	99.0	-	0	-	-	-	-
28	35104	Other Structures	99.0	-	0	-	-	-	-
29	35200	Wells \ Rights of Way	99.0	-	0	-	-	-	-
30	35201	Well Construction	99.0	-	0	-	-	-	-
31	35202	Well Equipment	99.0	-	0	-	-	-	-
32	35203	Cushion Gas	99.0	-	0	-	-	-	-
33	35210	Leaseholds	99.0	-	0	-	-	-	-
34	35211	Storage Rights	99.0	-	0	-	-	-	-
35	35301	Field Lines	99.0	-	0	-	-	-	-
36	35302	Tributary Lines	99.0	-	0	-	-	-	-
37	35400	Compressor Station Equipment	99.0	-	0	-	-	-	-
38	35500	Meas & Reg. Equipment	99.0	-	0	-	-	-	-
39	35600	Purification Equipment	99.0	-	0	-	-	-	-
40									
41		Total Storage Plant			0	-	-	-	-
42									
43		Transmission:							
44									
45	36510	Land & Land Rights	99.0	-	0	-	-	-	-
46	36520	Rights of Way	99.0	-	0	-	-	-	-
47	36602	Structures & Improvements	99.0	-	0	-	-	-	-
48	36603	Other Structues	99.0	-	0	-	-	-	-
49	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
50	36701	Mains - Steel	99.0	-	0	-	-	-	-
51	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
52	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
53									
54		Total Transmission Plant			0	-	-	-	-
55									
56		Distribution:							
57									
58	37400	Land & Land Rights	2.0	Customers	0	-	-	-	-
59	37401	Land	2.0	Customers	0	-	-	-	-
60	37402	Land Rights	2.0	Customers	3,670	3,261	400	4	5
61	37403	Land Other	2.0	Customers	0	-	-	-	-
62	37500	Structures & Improvements	2.0	Customers	6,264	5,566	683	7	8
63	37501	Structures & Improvements T.B.	2.0	Customers	1,855	1,648	202	2	2
64	37502	Land Rights	2.0	Customers	0	-	-	-	-
65	37503	Improvements	2.0	Customers	73	65	8	0	0
66	37600	Mains Cathodic Protection	2.0	Customers	476,305	423,219	51,942	549	594
67	37601	Mains - Steel	2.0	Customers	2,006,883	1,783,208	218,857	2,313	2,505
68	37602	Mains - Plastic	2.0	Customers	1,338,755	1,189,546	145,995	1,543	1,671
69	37800	Meas & Reg. Sta. Equip - General	2.0	Customers	138,474	123,041	15,101	160	173
70	37900	Meas & Reg. Sta. Equip - City Gate	2.0	Customers	50,386	44,770	5,495	58	63
71	37905	Meas & Reg. Sta. Equipment T.B.	2.0	Customers	31,017	27,560	3,383	36	39
72	38000	Services	2.0	Customers	4,473,918	3,975,283	487,894	5,157	5,584
73	38100	Meters	4.0	Meter Investment	1,773,300	1,065,372	596,488	55,317	56,123
74	38200	Meter Installaitons	4.0	Meter Investment	2,132,918	1,281,425	717,454	66,535	67,504
75	38300	House Regulators	4.0	Meter Investment	235,602	141,546	79,250	7,349	7,456
76	38400	House Reg. Installations	4.0	Meter Investment	3,841	2,308	1,292	120	122
77	38500	Ind. Meas. & Reg. Sta. Equipment	5.0	Direct to I & T	157,854	-	-	-	157,854
78	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
79									
80		Total Distribution Plant			12,831,117	10,067,819	2,324,445	139,152	299,702

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

81									
82		General:							
83									
84	38900	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
85	39000	Structures Frame	6.2	P, S, T & D Plant - Customer	108,953	88,110	17,448	883	2,512
86	39002	Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
87	39003	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	22,311	18,043	3,573	181	514
88	39004	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
89	39009	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	25,081	20,283	4,017	203	578
90	39100	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	80,281	64,923	12,856	650	1,851
91	39103	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
92	39200	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
93	39201	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
94	39202	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
95	39400	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	112,009	90,581	17,937	907	2,583
96	39603	Backhoes	6.2	P, S, T & D Plant - Customer	6,830	5,523	1,094	55	157
97	39604	Welders	6.2	P, S, T & D Plant - Customer	7,980	6,453	1,278	65	184
98	39605	Communication Equipment	6.2	P, S, T & D Plant - Customer	4,227	3,418	677	34	97
99	39700	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	20,488	16,569	3,281	166	472
100	39701	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
101	39702	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
102	39705	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	6,934	5,608	1,110	56	160
103	39800	Other Tangible Property	6.2	P, S, T & D Plant - Customer	103,746	83,899	16,614	840	2,392
104	39900	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
105	39901	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
106	39902	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
107	39903	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
108	39904	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
109	39905	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
110	39906	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	34,380	27,803	5,506	278	793
111	39907	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
112	39908	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
113		AR 15 general plant amortization	6.2	P, S, T & D Plant - Customer	211,782	171,268	33,915	1,716	4,884
114									
115									
116		Total General Plant			745,002	602,481	119,307	6,035	17,180
117									
118		TOTAL DIRECT DEPRECIATION EXPENSE			13,576,119	10,670,299	2,443,752	145,187	316,881
119									
120		Kentucky Mid-States General Office:							
121									
122		Intangible Plant:							
123									
124	30100	Organization	99.0	-	0	-	-	-	-
125	30200	Franchises & Consents	99.0	-	0	-	-	-	-
126	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
127									
128		Total Intangible Plant:			0	-	-	-	-
129									
130		General:							
131									
132	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
133	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	2,236	1,808	358	18	52
134	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
135	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
136	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	1,738	1,406	278	14	40
137	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
138	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	134	109	21	1	3
139	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	3,907	3,159	626	32	90
140	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	502	406	80	4	12
141	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	1,136	919	182	9	26
142	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	17,186	13,899	2,752	139	396
143	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
144	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	13,628	11,021	2,182	110	314
145	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
146	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
147	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	54,366	43,965	8,706	440	1,254
148	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
149	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
150									
151									
152		Total General Plant			94,833	76,691	15,187	768	2,187
153									
154		Shared Services General Office:							
155									
156		General:							
157									
158	39000	Structures & Improvements	6.2	P, S, T & D Plant - Customer	187	151	30	2	4
159	39005	G-Structures & Improvements	6.2	P, S, T & D Plant - Customer	3,553	2,873	569	29	82
160	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	17,359	14,038	2,780	141	400
161	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	17,718	14,328	2,837	144	409
162	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
163	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
164	39104	G-Office Furniture & Equip.	6.2	P, S, T & D Plant - Customer	30	24	5	0	1
165	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	1,322	1,069	212	11	30
166	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
167	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	1,034	836	166	8	24
168	29500	Laboratory Equipment	6.2	P, S, T & D Plant - Customer	191	154	31	2	4
169	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	7,252	5,865	1,161	59	167
170	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	307	249	49	2	7
171	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	1,034	836	166	8	24
172	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	118,562	95,881	18,987	960	2,734
173	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	62,399	50,462	9,993	505	1,439
174	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	14,625	11,827	2,342	118	337
175	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
176	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
177	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	10,599	8,572	1,697	86	244
178	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	3,028	2,448	485	25	70
179	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	312,441	252,670	50,035	2,531	7,205
180	39909	Other Tang. Property - Application Softwar	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
181	39924	Other Tang. Property - General Startup Cos	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
182									
183									
184		Total General Plant			571,641	462,284	91,544	4,631	13,182

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

185								
186		Shared Services Customer Support:						
187								
188		General:						
189								
190	38900	Land	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
191	38910	CKV-Land & Land Rights	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
192	39000	Structures & Improvements	6.2 P, S, T & D Plant - Customer	20,930	16,926	3,352	170	483
193	39009	Improvement to leased Premises	6.2 P, S, T & D Plant - Customer	8,724	7,055	1,397	71	201
194	39010	CKV-Structures & Improvements	6.2 P, S, T & D Plant - Customer	2,289	1,851	367	19	53
195	39100	Office Furniture & Equipment	6.2 P, S, T & D Plant - Customer	2,185	1,767	350	18	50
196	39700	Communication Equipment	6.2 P, S, T & D Plant - Customer	5,440	4,399	871	44	125
197	39710	CKV-Communication Equipment	6.2 P, S, T & D Plant - Customer	99	80	16	1	2
198	39800	Miscellaneous Equipment	6.2 P, S, T & D Plant - Customer	76	61	12	1	2
199	39900	Other Tangible Property	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
200	39901	Other Tangible Property - Servers - H/W	6.2 P, S, T & D Plant - Customer	23,750	19,207	3,803	192	548
201	39902	Other Tangible Property - Servers - S/W	6.2 P, S, T & D Plant - Customer	11,255	9,102	1,802	91	260
202	39903	Other Tangible Property - Network - H/W	6.2 P, S, T & D Plant - Customer	7,828	6,330	1,254	63	181
203	39906	Other Tang. Property - PC Hardware	6.2 P, S, T & D Plant - Customer	5,087	4,114	815	41	117
204	39907	Other Tang. Property - PC Software	6.2 P, S, T & D Plant - Customer	1,594	1,289	255	13	37
205	39908	Other Tang. Property - Mainframe S/W	6.2 P, S, T & D Plant - Customer	304,128	245,947	48,704	2,464	7,013
206	39910	CKV-Other Tangible Property	6.2 P, S, T & D Plant - Customer	108	87	17	1	2
207	39916	CKV-Oth Tang Prop-PC Hardware	6.2 P, S, T & D Plant - Customer	112	91	18	1	3
208	39917	CKV-Oth Tang Prop-PC Software	6.2 P, S, T & D Plant - Customer	40	32	6	0	1
209	39924	Other Tang. Property - General Startup Costs	6.2 P, S, T & D Plant - Customer	0	-	-	-	-
210								
211								
212		Total General Plant		393,645	318,340	63,039	3,189	9,077
213								
214		TOTAL DEPRECIATION EXPENSE - CUSTOMER		14,636,238	11,527,614	2,613,522	153,774	341,327

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
215		Intangible Plant							
216									
217	30100	Organization	99.0	-	0	-	-	-	-
218	30200	Franchises & Consents	99.0	-	0	-	-	-	-
219	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
220									
221		Total Intangible Plant			0	-	-	-	-
222									
223		Production Plant:							
224			3.0	Peak Day	0	-	-	-	-
225	32520	Producing Leaseholds	3.0	Peak Day	51	22	10	1	19
226	32540	Rights of Ways	3.0	Peak Day	1,699	727	327	29	616
227	33100	Production Gas Wells Equipment	3.0	Peak Day	0	-	-	-	-
228	33201	Field Lines	3.0	Peak Day	0	-	-	-	-
229	33202	Tributary Lines	3.0	Peak Day	0	-	-	-	-
230	33400	Field Meas. & Reg. Sta. Equip	3.0	Peak Day	3,001	1,284	577	52	1,088
231	33600	Purification Equipment	3.0	Peak Day	996	426	191	17	361
232									
233		Total Production Plant			5,747	2,459	1,105	100	2,083
234									
235		Storage Plant:							
236									
237	35010	Land	3.0	Peak Day	0	-	-	-	-
238	35020	Rights of Way	3.0	Peak Day	0	-	-	-	-
239	35100	Structures and Improvements	3.0	Peak Day	146	63	28	3	53
240	35102	Compression Station Equipment	3.0	Peak Day	852	365	164	15	309
241	35103	Meas. & Reg. Sta. Structues	3.0	Peak Day	0	-	-	-	-
242	35104	Other Structures	3.0	Peak Day	0	-	-	-	-
243	35200	Wells \ Rights of Way	3.0	Peak Day	41,072	17,574	7,899	711	14,888
244	35201	Well Construction	3.0	Peak Day	9,519	4,073	1,831	165	3,451
245	35202	Well Equipment	3.0	Peak Day	0	-	-	-	-
246	35203	Cushion Gas	3.0	Peak Day	14,678	6,280	2,823	254	5,320
247	35210	Leaseholds	3.0	Peak Day	0	-	-	-	-
248	35211	Storage Rights	3.0	Peak Day	191	82	37	3	69
249	35301	Field Lines	3.0	Peak Day	0	-	-	-	-
250	35302	Tributary Lines	3.0	Peak Day	0	-	-	-	-
251	35400	Compressor Station Equipment	3.0	Peak Day	7,543	3,228	1,451	131	2,734
252	35500	Meas & Reg. Equipment	3.0	Peak Day	871	373	168	15	316
253	35600	Purification Equipment	3.0	Peak Day	55	24	11	1	20
254									
255		Total Storage Plant			74,928	32,061	14,410	1,297	27,160
256									
257		Transmission:							
258									
259	36510	Land & Land Rights	3.0	Peak Day	0	-	-	-	-
260	36520	Rights of Way	3.0	Peak Day	13,066	5,591	2,513	226	4,736
261	36602	Structures & Improvements	3.0	Peak Day	887	380	171	15	322
262	36603	Other Structues	3.0	Peak Day	734	314	141	13	266
263	36700	Mains Cathodic Protection	3.0	Peak Day	19,960	8,549	3,843	346	7,242
264	36701	Mains - Steel	3.0	Peak Day	578,413	247,495	111,240	10,014	209,664
265	36900	Meas. & Reg. Equipment	3.0	Peak Day	12,003	5,136	2,308	208	4,351
266	36901	Meas. & Reg. Equipment	3.0	Peak Day	45,879	19,631	8,823	794	16,630
267									
268		Total Transmission Plant			670,963	287,096	129,040	11,616	243,211
269									
270		Distribution:							
271									
272	37400	Land & Land Rights	3.0	Peak Day	0	-	-	-	-
273	37401	Land	3.0	Peak Day	0	-	-	-	-
274	37402	Land Rights	3.0	Peak Day	619	265	119	11	225
275	37403	Land Other	3.0	Peak Day	0	-	-	-	-
276	37500	Structures & Improvements	3.0	Peak Day	1,057	452	203	18	383
277	37501	Structures & Improvements T.B.	3.0	Peak Day	313	134	60	5	113
278	37502	Land Rights	3.0	Peak Day	0	-	-	-	-
279	37503	Improvements	3.0	Peak Day	12	5	2	0	4
280	37600	Mains Cathodic Protection	3.0	Peak Day	80,388	34,397	15,460	1,392	29,139
281	37601	Mains - Steel	3.0	Peak Day	338,709	144,929	65,140	5,864	122,775
282	37602	Mains - Plastic	3.0	Peak Day	225,946	96,679	43,454	3,912	81,901
283	37800	Meas & Reg. Sta. Equip - General	3.0	Peak Day	23,371	10,000	4,495	405	8,471
284	37900	Meas & Reg. Sta. Equip - City Gate	3.0	Peak Day	8,504	3,639	1,635	147	3,082
285	37905	Meas & Reg. Sta. Equipment T.b.	3.0	Peak Day	5,235	2,240	1,007	91	1,898
286	38000	Services	99.0	-	0	-	-	-	-
287	38100	Meters	99.0	-	0	-	-	-	-
288	38200	Meter Installaitons	99.0	-	0	-	-	-	-
289	38300	House Regulators	99.0	-	0	-	-	-	-
290	38400	House Reg. Installations	99.0	-	0	-	-	-	-
291	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
292	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
293									
294		Total Distribution Plant			684,154	292,740	131,576	11,845	247,993

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

295								
296		General:						
297								
298	38900	Land & Land Rights	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
299	39000	Structures Frame	6.4 P, S, T & D Plant - Demand	20,733	8,872	3,987	359	7,515
300	39002	Improvements	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
301	39003	Air Conditioning Equipment	6.4 P, S, T & D Plant - Demand	4,246	1,817	817	74	1,539
302	39004	Improvement to leased Premises	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
303	39009	Office Furniture & Equipment	6.4 P, S, T & D Plant - Demand	4,773	2,042	918	83	1,730
304	39100	Remittance Processing Equip	6.4 P, S, T & D Plant - Demand	15,277	6,537	2,938	264	5,538
305	39103	Transportation Equipment	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
306	39200	Trucks	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
307	39201	Trailers	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
308	39202	Stores Equipment	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
309	39400	Power Operated Equipment	6.4 P, S, T & D Plant - Demand	21,315	9,120	4,099	369	7,726
310	39603	Backhoes	6.4 P, S, T & D Plant - Demand	1,300	556	250	23	471
311	39604	Welders	6.4 P, S, T & D Plant - Demand	1,519	650	292	26	550
312	39605	Communication Equipment	6.4 P, S, T & D Plant - Demand	804	344	155	14	292
313	39700	Communication Equipment - Mobile Radios	6.4 P, S, T & D Plant - Demand	3,899	1,668	750	67	1,413
314	39701	Communication Equipment - Fixed Radios	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
315	39702	Communication Equip - Telemetering	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
316	39705	Miscellaneous Equipment	6.4 P, S, T & D Plant - Demand	1,320	565	254	23	478
317	39800	Other Tangible Property	6.4 P, S, T & D Plant - Demand	19,742	8,448	3,797	342	7,156
318	39900	Other Tangible Property - Servers - H/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
319	39901	Other Tangible Property - Servers - S/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
320	39902	Other Tangible Property - Network - H/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
321	39903	Other Tang. Property - CPU	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
322	39904	Other Tangible Property - MF - Hardware	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
323	39905	Other Tang. Property - PC Hardware	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
324	39906	Other Tang. Property - PC Software	6.4 P, S, T & D Plant - Demand	6,542	2,799	1,258	113	2,371
325	39907	Other Tang. Property - Mainframe S/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
326	39908	Other Tang. Property - Application Software	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
327		AR 15 general plant amortization	6.4 P, S, T & D Plant - Demand	40,301	17,244	7,751	698	14,608
328								
329								
330		Total General Plant		141,771	60,662	27,265	2,454	51,389
331								
332		TOTAL DIRECT DEPRECIATION EXPENSE		1,577,563	675,018	303,397	27,312	571,836
333								
334		Kentucky Mid-States General Office						
335								
336		Intangible Plant						
337								
338	30100	Organization	99.0 -	0	-	-	-	-
339	30200	Franchises & Consents	99.0 -	0	-	-	-	-
340	30300	Misc Intangible Plant	99.0 -	0	-	-	-	-
341								
342		Total Intangible Plant		0	-	-	-	-
343								
344		General:						
345								
346	37400	Land & Land Rights	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
347	39001	Structures Frame	6.4 P, S, T & D Plant - Demand	425	182	82	7	154
348	39004	Air Conditioning Equipment	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
349	39009	Improvement to leased Premises	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
350	39100	Office Furniture & Equipment	6.4 P, S, T & D Plant - Demand	331	142	64	6	120
351	39200	Transportation Equipment	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
352	39300	Stores Equipment	6.4 P, S, T & D Plant - Demand	26	11	5	0	9
353	39400	Tools, Shop & Garage Equipment	6.4 P, S, T & D Plant - Demand	743	318	143	13	269
354	39600	Power Operated Equipment	6.4 P, S, T & D Plant - Demand	96	41	18	2	35
355	39700	Communication Equipment	6.4 P, S, T & D Plant - Demand	216	93	42	4	78
356	39800	Miscellaneous Equipment	6.4 P, S, T & D Plant - Demand	3,270	1,399	629	57	1,185
357	39900	Other Tangible Property	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
358	39901	Other Tangible Property - Servers - H/W	6.4 P, S, T & D Plant - Demand	2,593	1,110	499	45	940
359	39902	Other Tangible Property - Servers - S/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
360	39903	Other Tangible Property - Network - H/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
361	39906	Other Tang. Property - PC Hardware	6.4 P, S, T & D Plant - Demand	10,346	4,427	1,990	179	3,750
362	39907	Other Tang. Property - PC Software	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
363	39908	Other Tang. Property - Mainframe S/W	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
364								
365								
366		Total General Plant		18,046	7,722	3,471	312	6,541
367								
368		Shared Services General Office:						
369								
370		General:						
371								
372	39000	Structures & Improvements	6.4 P, S, T & D Plant - Demand	36	15	7	1	13
373	39005	G-Structures & Improvements	6.4 P, S, T & D Plant - Demand	676	289	130	12	245
374	39009	Improvement to leased Premises	6.4 P, S, T & D Plant - Demand	3,303	1,413	635	57	1,197
375	39100	Office Furniture & Equipment	6.4 P, S, T & D Plant - Demand	3,372	1,443	648	58	1,222
376	39102	Remittance Processing Equip	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
377	39103	Office Machines	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
378	39104	G-Office Furniture & Equip.	6.4 P, S, T & D Plant - Demand	6	2	1	0	2
379	39200	Transportation Equipment	6.4 P, S, T & D Plant - Demand	252	108	48	4	91
380	39300	Stores Equipment	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
381	39400	Tools, Shop & Garage Equipment	6.4 P, S, T & D Plant - Demand	197	84	38	3	71
382	39500	Laboratory Equipment	6.4 P, S, T & D Plant - Demand	36	16	7	1	13
383	39700	Communication Equipment	6.4 P, S, T & D Plant - Demand	1,380	591	265	24	500
384	39800	Miscellaneous Equipment	6.4 P, S, T & D Plant - Demand	58	25	11	1	21
385	39900	Other Tangible Property	6.4 P, S, T & D Plant - Demand	197	84	38	3	71
386	39901	Other Tangible Property - Servers - H/W	6.4 P, S, T & D Plant - Demand	22,562	9,654	4,339	391	8,178
387	39902	Other Tangible Property - Servers - S/W	6.4 P, S, T & D Plant - Demand	11,874	5,081	2,284	206	4,304
388	39903	Other Tangible Property - Network - H/W	6.4 P, S, T & D Plant - Demand	2,783	1,191	535	48	1,009
389	39904	Other Tang. Property - CPU	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
390	39905	Other Tangible Property - MF - Hardware	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
391	39906	Other Tang. Property - PC Hardware	6.4 P, S, T & D Plant - Demand	2,017	863	388	35	731
392	39907	Other Tang. Property - PC Software	6.4 P, S, T & D Plant - Demand	576	247	111	10	209
393	39908	Other Tang. Property - Mainframe S/W	6.4 P, S, T & D Plant - Demand	59,456	25,441	11,435	1,029	21,552
394	39909	Other Tang. Property - Application Softwar	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
395	39924	Other Tang. Property - General Startup Cos	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
396								
397								
398		Total General Plant		108,781	46,546	20,921	1,883	39,431

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

399								
400		Shared Services Customer Support:						
401								
402		General:						
403								
404	38900	Land	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
405	38910	CKV-Land & Land Rights	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
406	39000	Structures & Improvements	6.4 P, S, T & D Plant - Demand	3,963	1,704	766	69	1,444
407	39009	Improvement to leased Premises	6.4 P, S, T & D Plant - Demand	1,660	710	319	29	602
408	39010	CKV-Structures & Improvements	6.4 P, S, T & D Plant - Demand	436	186	84	8	158
409	39100	Office Furniture & Equipment	6.4 P, S, T & D Plant - Demand	416	178	80	7	151
410	39700	Communication Equipment	6.4 P, S, T & D Plant - Demand	1,035	443	199	18	375
411	39710	CKV-Communication Equipment	6.4 P, S, T & D Plant - Demand	19	8	4	0	7
412	39800	Miscellaneous Equipment	6.4 P, S, T & D Plant - Demand	14	6	3	0	5
413	39900	Other Tangible Property	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
414	39901	Other Tangible Property - Servers - H/W	6.4 P, S, T & D Plant - Demand	4,520	1,934	869	78	1,636
415	39902	Other Tangible Property - Servers - S/W	6.4 P, S, T & D Plant - Demand	2,142	916	412	37	776
416	39903	Other Tangible Property - Network - H/W	6.4 P, S, T & D Plant - Demand	1,490	637	286	26	540
417	39906	Other Tang. Property - PC Hardware	6.4 P, S, T & D Plant - Demand	968	414	186	17	351
418	39907	Other Tang. Property - PC Software	6.4 P, S, T & D Plant - Demand	303	130	58	5	110
419	39908	Other Tang. Property - Mainframe S/W	6.4 P, S, T & D Plant - Demand	57,874	24,764	11,130	1,002	20,978
420	39910	CKV-Other Tangible Property	6.4 P, S, T & D Plant - Demand	21	9	4	0	7
421	39916	CKV-Oth Tang Prop-PC Hardware	6.4 P, S, T & D Plant - Demand	21	9	4	0	8
422	39917	CKV-Oth Tang Prop-PC Software	6.4 P, S, T & D Plant - Demand	8	3	1	0	3
423	39924	Other Tang. Property - General Startup Costs	6.4 P, S, T & D Plant - Demand	0	-	-	-	-
424								
425								
426		Total General Plant		74,909	32,053	14,407	1,297	27,153
427								
428		TOTAL DEPRECIATION EXPENSE - DEMAND		1,779,300	761,338	342,195	30,805	644,962

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

Commodity

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
429		Intangible Plant:							
430									
431	30100	Organization	99.0	-	0	-	-	-	-
432	30200	Franchises & Consents	99.0	-	0	-	-	-	-
433	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
434									
435		Total Intangible Plant:			0	-	-	-	-
436									
437		Production Plant:							
438			99.0	-	0	-	-	-	-
439	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
440	32540	Rights of Ways	99.0	-	0	-	-	-	-
441	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
442	33201	Field Lines	99.0	-	0	-	-	-	-
443	33202	Tributary Lines	99.0	-	0	-	-	-	-
444	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
445	33600	Purification Equipment	99.0	-	0	-	-	-	-
446									
447		Total Production Plant			0	-	-	-	-
448									
449		Storage Plant							
450									
451	35010	Land	1.5	Winter Volumes	0	-	-	-	-
452	35020	Rights of Way	1.5	Winter Volumes	0	-	-	-	-
453	35100	Structures and Improvements	1.5	Winter Volumes	146	46	23	2	76
454	35102	Compression Station Equipment	1.5	Winter Volumes	852	267	133	13	440
455	35103	Meas. & Reg. Sta. Structures	1.5	Winter Volumes	0	-	-	-	-
456	35104	Other Structures	1.5	Winter Volumes	0	-	-	-	-
457	35200	Wells \ Rights of Way	1.5	Winter Volumes	41,072	12,865	6,398	617	21,192
458	35201	Well Construction	1.5	Winter Volumes	9,519	2,982	1,483	143	4,912
459	35202	Well Equipment	1.5	Winter Volumes	0	-	-	-	-
460	35203	Cushion Gas	1.5	Winter Volumes	14,678	4,598	2,286	220	7,574
461	35210	Leaseholds	1.5	Winter Volumes	0	-	-	-	-
462	35211	Storage Rights	1.5	Winter Volumes	191	60	30	3	98
463	35301	Field Lines	1.5	Winter Volumes	0	-	-	-	-
464	35302	Tributary Lines	1.5	Winter Volumes	0	-	-	-	-
465	35400	Compressor Station Equipment	1.5	Winter Volumes	7,543	2,363	1,175	113	3,892
466	35500	Meas & Reg. Equipment	1.5	Winter Volumes	871	273	136	13	450
467	35609	Purification Equipment	1.5	Winter Volumes	55	17	9	1	28
468									
469		Total Storage Plant			74,928	23,471	11,671	1,125	38,661
470									
471		Transmission							
472									
473	36510	Land & Land Rights	99.0	-	0	-	-	-	-
474	36520	Rights of Way	99.0	-	0	-	-	-	-
475	36602	Structures & Improvemente	99.0	-	0	-	-	-	-
476	36603	Other Structues	99.0	-	0	-	-	-	-
477	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
478	36701	Mains - Steel	99.0	-	0	-	-	-	-
479	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
480	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
481									
482		Total Transmission Plant			0	-	-	-	-
483									
484		Distribution:							
485									
486	37400	Land & Land Rights	99.0	-	0	-	-	-	-
487	37401	Land	99.0	-	0	-	-	-	-
488	37402	Land Rights	99.0	-	0	-	-	-	-
489	37403	Land Other	99.0	-	0	-	-	-	-
490	37500	Structures & Improvements	99.0	-	0	-	-	-	-
491	37501	Structures & Improvements T.B.	99.0	-	0	-	-	-	-
492	37502	Land Rights	99.0	-	0	-	-	-	-
493	37503	Improvements	99.0	-	0	-	-	-	-
494	37600	Mains Cathodic Protection	99.0	-	0	-	-	-	-
495	37601	Mains - Steel	99.0	-	0	-	-	-	-
496	37602	Mains - Plastic	99.0	-	0	-	-	-	-
497	37800	Meas & Reg. Sta. Equip - General	99.0	-	0	-	-	-	-
498	37900	Meas & Reg. Sta. Equip - City Gate	99.0	-	0	-	-	-	-
499	37905	Meas & Reg. Sta. Equipment T.b.	99.0	-	0	-	-	-	-
500	38000	Services	99.0	-	0	-	-	-	-
501	38100	Meters	99.0	-	0	-	-	-	-
502	38200	Meter Installaitons	99.0	-	0	-	-	-	-
503	38300	House Regulators	99.0	-	0	-	-	-	-
504	38400	House Reg. Installations	99.0	-	0	-	-	-	-
505	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
506	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
507									
508		Total Distribution Plant			0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

509								
510		General:						
511								
512	36900	Land & Land Rights	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
513	39000	Structures Frame	6.6 P, S, T & D Plant - Commodity	1,673	524	261	25	863
514	39002	Improvements	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
515	39003	Air Conditioning Equipment	6.6 P, S, T & D Plant - Commodity	343	107	53	5	177
516	39004	Improvement to leased Premises	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
517	39009	Office Furniture & Equipment	6.6 P, S, T & D Plant - Commodity	385	121	60	6	199
518	39100	Remittance Processing Equip	6.6 P, S, T & D Plant - Commodity	1,233	386	192	19	636
519	39103	Transportation Equipment	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
520	39200	Trucks	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
521	39201	Trailers	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
522	39202	Stores Equipment	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
523	39400	Power Operated Equipment	6.6 P, S, T & D Plant - Commodity	1,720	539	268	26	887
524	39603	Backhoes	6.6 P, S, T & D Plant - Commodity	105	33	16	2	54
525	39604	Welders	6.6 P, S, T & D Plant - Commodity	123	38	19	2	63
526	39605	Communication Equipment	6.6 P, S, T & D Plant - Commodity	65	20	10	1	33
527	39700	Communication Equipment - Mobile Radios	6.6 P, S, T & D Plant - Commodity	315	99	49	5	162
528	39701	Communication Equipment - Fixed Radios	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
529	39702	Communication Equip. - Telemetering	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
530	39705	Miscellaneous Equipment	6.6 P, S, T & D Plant - Commodity	106	33	17	2	55
531	39800	Other Tangible Property	6.6 P, S, T & D Plant - Commodity	1,593	499	248	24	822
532	39900	Other Tangible Property - Servers - H/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
533	39901	Other Tangible Property - Servers - S/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
534	39902	Other Tangible Property - Network - H/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
535	39903	Other Tang. Property - CPU	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
536	39904	Other Tangible Property - MF - Hardware	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
537	39905	Other Tang. Property - PC Hardware	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
538	39906	Other Tang. Property - PC Software	6.6 P, S, T & D Plant - Commodity	528	165	82	8	272
539	39907	Other Tang. Property - Mainframe S/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
540	39908	Other Tang. Property - Application Software	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
541		AR 15 general plant amortization	6.6 P, S, T & D Plant - Commodity	3,252	1,019	507	49	1,678
542								
543								
544		Total General Plant		11,439	3,583	1,782	172	5,902
545								
546		TOTAL DIRECT DEPRECIATION EXPENSE		86,366	27,054	13,453	1,296	44,563
547								
548		Kentucky Mid-States General Office:						
549								
550		Intangible Plant:						
551								
552	30100	Organization	99.0 -	0	-	-	-	-
553	30200	Franchises & Consents	99.0 -	0	-	-	-	-
554	30300	Misc Intangible Plant	99.0 -	0	-	-	-	-
555								
556		Total Intangible Plant:		0	-	-	-	-
557								
558		General:						
559								
560	37400	Land & Land Rights	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
561	39001	Structures Frame	6.6 P, S, T & D Plant - Commodity	34	11	5	1	18
562	39004	Air Conditioning Equipment	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
563	39009	Improvement to leased Premises	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
564	39100	Office Furniture & Equipment	6.6 P, S, T & D Plant - Commodity	27	8	4	0	14
565	39200	Transportation Equipment	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
566	39300	Stores Equipment	6.6 P, S, T & D Plant - Commodity	2	1	0	0	1
567	39400	Tools, Shop & Garage Equipment	6.6 P, S, T & D Plant - Commodity	60	19	9	1	31
568	39600	Power Operated Equipment	6.6 P, S, T & D Plant - Commodity	8	2	1	0	4
569	39700	Communication Equipment	6.6 P, S, T & D Plant - Commodity	17	5	3	0	9
570	39800	Miscellaneous Equipment	6.6 P, S, T & D Plant - Commodity	264	83	41	4	136
571	39900	Other Tangible Property	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
572	39901	Other Tangible Property - Servers - H/W	6.6 P, S, T & D Plant - Commodity	209	66	33	3	108
573	39902	Other Tangible Property - Servers - S/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
574	39903	Other Tangible Property - Network - H/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
575	39906	Other Tang. Property - PC Hardware	6.6 P, S, T & D Plant - Commodity	835	261	130	13	431
576	39907	Other Tang. Property - PC Software	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
577	39908	Other Tang. Property - Mainframe S/W	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
578								
579								
580		Total General Plant		1,456	456	227	22	751
581								
582		Shared Services General Office:						
583								
584		General:						
585								
586	39000	Structures & Improvements	6.6 P, S, T & D Plant - Commodity	3	1	0	0	1
587	39005	G-Structures & Improvements	6.6 P, S, T & D Plant - Commodity	55	17	8	1	28
588	39009	Improvement to leased Premises	6.6 P, S, T & D Plant - Commodity	267	83	42	4	138
589	39100	Office Furniture & Equipment	6.6 P, S, T & D Plant - Commodity	272	85	42	4	140
590	39102	Remittance Processing Equip	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
591	39103	Office Machines	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
592	39104	G-Office Furniture & Equip.	6.6 P, S, T & D Plant - Commodity	0	0	0	0	0
593	39200	Transportation Equipment	6.6 P, S, T & D Plant - Commodity	20	6	3	0	10
594	39300	Stores Equipment	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
595	39400	Tools, Shop & Garage Equipment	6.6 P, S, T & D Plant - Commodity	16	5	2	0	8
596	39500	Laboratory Equipment	6.6 P, S, T & D Plant - Commodity	3	1	0	0	2
597	39700	Communication Equipment	6.6 P, S, T & D Plant - Commodity	111	35	17	2	57
598	39800	Miscellaneous Equipment	6.6 P, S, T & D Plant - Commodity	5	1	1	0	2
599	39900	Other Tangible Property	6.6 P, S, T & D Plant - Commodity	16	5	2	0	8
600	39901	Other Tangible Property - Servers - H/W	6.6 P, S, T & D Plant - Commodity	1,820	570	284	27	939
601	39902	Other Tangible Property - Servers - S/W	6.6 P, S, T & D Plant - Commodity	958	300	149	14	494
602	39903	Other Tangible Property - Network - H/W	6.6 P, S, T & D Plant - Commodity	225	70	35	3	116
603	39904	Other Tang. Property - CPU	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
604	39905	Other Tangible Property - MF - Hardware	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
605	39906	Other Tang. Property - PC Hardware	6.6 P, S, T & D Plant - Commodity	163	51	25	2	84
606	39907	Other Tang. Property - PC Software	6.6 P, S, T & D Plant - Commodity	46	15	7	1	24
607	39908	Other Tang. Property - Mainframe S/W	6.6 P, S, T & D Plant - Commodity	4,797	1,503	747	72	2,475
608	39909	Other Tang. Property - Application Softwar	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
609	39924	Other Tang. Property - General Startup Cos	6.6 P, S, T & D Plant - Commodity	0	-	-	-	-
610								
611								
612		Total General Plant		8,777	2,749	1,367	132	4,529

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

613									
614		Shared Services Customer Support:							
615									
616		General:							
617									
618	38900	Land	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
619	38910	CKV-Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
620	39000	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	321	101	50	5	166
621	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	134	42	21	2	69
622	39010	CKV-Structures & Improvements	6.6	P, S, T & D Plant - Commodity	35	11	5	1	18
623	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	34	11	5	1	17
624	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	84	26	13	1	43
625	39710	CKV-Communication Equipment	6.6	P, S, T & D Plant - Commodity	2	0	0	0	1
626	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	1	0	0	0	1
627	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
628	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	365	114	57	5	188
629	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	173	54	27	3	89
630	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	120	38	19	2	62
631	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	78	24	12	1	40
632	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	24	8	4	0	13
633	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	4,669	1,463	727	70	2,409
634	39910	CKV-Other Tangible Property	6.6	P, S, T & D Plant - Commodity	2	1	0	0	1
635	39916	CKV-Oth Tang Prop-PC Hardware	6.6	P, S, T & D Plant - Commodity	2	1	0	0	1
636	39917	CKV-Oth Tang Prop-PC Software	6.6	P, S, T & D Plant - Commodity	1	0	0	0	0
637	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
638									
639									
640		Total General Plant			6,044	1,893	941	91	3,119
641									
642		TOTAL DEPRECIATION EXPENSE - COMMODITY			102,643	32,152	15,969	1,541	52,962

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

Total Depreciation Expense

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
643		Intangible Plant:							
644									
645	30100	Organization			0	-	-	-	-
646	30200	Franchises & Consents			0	-	-	-	-
647	30300	Misc Intangible Plant			0	-	-	-	-
648									
649		Total Intangible Plant			0	-	-	-	-
650									
651		Production Plant:							
652					0	-	-	-	-
653	32520	Producing Leaseholds			51	22	10	1	19
654	32540	Rights of Ways			1,699	727	327	29	616
655	33100	Production Gas Wells Equipment			0	-	-	-	-
656	33201	Field Lines			0	-	-	-	-
657	33202	Tributary Lines			0	-	-	-	-
658	33400	Field Meas. & Reg. Sta. Equip			3,001	1,284	577	52	1,088
659	33600	Purification Equipment			996	426	191	17	361
660									
661		Total Production Plant			5,747	2,459	1,105	100	2,083
662									
663		Storage Plant							
664									
665	35010	Land			0	-	-	-	-
666	35020	Rights of Way			0	-	-	-	-
667	35100	Structures and Improvements			293	108	51	5	129
668	35102	Compression Station Equipment			1,704	632	297	28	749
669	35103	Meas. & Reg. Sta. Structues			0	-	-	-	-
670	35104	Other Structures			0	-	-	-	-
671	35200	Wells \ Rights of Way			82,144	30,440	14,297	1,328	36,080
672	35201	Well Construction			19,039	7,055	3,314	308	8,362
673	35202	Well Equipment			0	-	-	-	-
674	35203	Cushion Gas			29,356	10,878	5,109	474	12,894
675	35210	Leaseholds			0	-	-	-	-
676	35211	Storage Rights			382	141	66	6	168
677	35301	Field Lines			0	-	-	-	-
678	35302	Tributary Lines			0	-	-	-	-
679	35400	Compressor Station Equipment			15,086	5,590	2,626	244	6,626
680	35500	Meas & Reg. Equipment			1,742	646	303	28	765
681	35600	Purification Equipment			110	41	19	2	48
682									
683		Total Storage Plant			149,856	55,531	26,082	2,422	65,821
684									
685		Transmission:							
686									
687	36510	Land & Land Rights			0	-	-	-	-
688	36520	Rights of Way			13,066	5,591	2,513	226	4,736
689	36602	Structures & Improvements			887	380	171	15	322
690	36603	Other Structues			734	314	141	13	266
691	36700	Mains Cathodic Protection			19,980	8,549	3,843	346	7,242
692	36701	Mains - Steel			578,413	247,495	111,240	10,014	209,664
693	36900	Meas. & Reg. Equipment			12,003	5,136	2,308	208	4,351
694	36901	Meas. & Reg. Equipment			45,879	19,631	8,823	794	16,630
695									
696		Total Transmission Plant			670,963	287,096	129,040	11,616	243,211
697									
698		Distribution:							
699									
700	37400	Land & Land Rights			0	-	-	-	-
701	37401	Land			0	-	-	-	-
702	37402	Land Rights			4,289	3,526	519	15	229
703	37403	Land Other			0	-	-	-	-
704	37500	Structures & Improvements			7,321	6,018	886	26	391
705	37501	Structures & Improvements T.B.			2,168	1,782	262	8	116
706	37502	Land Rights			0	-	-	-	-
707	37503	Improvements			86	70	10	0	5
708	37600	Mains Cathodic Protection			556,692	457,615	67,403	1,941	29,733
709	37601	Mains - Steel			2,345,591	1,928,137	283,997	8,177	125,280
710	37602	Mains - Plastic			1,564,702	1,286,225	189,449	5,455	83,572
711	37800	Meas & Reg. Sta. Equip - General			161,845	133,041	19,596	564	8,644
712	37900	Meas & Reg. Sta. Equip - City Gate			58,890	48,409	7,130	205	3,145
713	37905	Meas & Reg. Sta. Equipment T.b.			36,252	29,800	4,389	126	1,936
714	38000	Services			4,473,918	3,975,283	487,894	5,157	5,584
715	38100	Meters			1,773,300	1,065,372	596,468	55,317	56,123
716	38200	Meter Installaitons			2,132,918	1,281,425	717,454	66,535	67,504
717	38300	House Regulators			235,602	141,546	79,250	7,349	7,456
718	38400	House Reg. Installations			3,841	2,308	1,292	120	122
719	38500	Ind. Meas. & Reg. Sta. Equipment			157,854	-	-	-	157,854
720	38600	Other Prop. On Cust. Prem			0	-	-	-	-
721									
722		Total Distribution Plant			13,515,271	10,360,559	2,456,021	150,996	547,694

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF DEPRECIATION EXPENSE

723							
724		General:					
725							
726	38900	Land & Land Rights	0	-	-	-	-
727	39000	Structures Frame	131,359	97,505	21,696	1,267	10,891
728	39002	Improvements	0	-	-	-	-
729	39003	Air Conditioning Equipment	26,900	19,967	4,443	259	2,230
730	39004	Improvement to leased Premises	0	-	-	-	-
731	39009	Office Furniture & Equipment	30,239	22,446	4,994	292	2,507
732	39100	Remittance Processing Equip	96,791	71,846	15,987	933	8,025
733	39103	Transportation Equipment	0	-	-	-	-
734	39200	Trucks	0	-	-	-	-
735	39201	Trailers	0	-	-	-	-
736	39202	Stores Equipment	0	-	-	-	-
737	39400	Power Operated Equipment	135,043	100,240	22,304	1,302	11,196
738	39603	Backhoes	8,234	6,112	1,360	79	683
739	39604	Welders	9,621	7,141	1,589	93	798
740	39605	Communication Equipment	5,096	3,783	842	49	423
741	39700	Communication Equipment - Mobile Radios	24,702	18,336	4,080	238	2,048
742	39701	Communication Equipment - Fixed Radios	0	-	-	-	-
743	39702	Communication Equip. - Telemetering	0	-	-	-	-
744	39705	Miscellaneous Equipment	8,360	6,206	1,381	81	693
745	39800	Other Tangible Property	125,081	92,846	20,659	1,206	10,371
746	39900	Other Tangible Property - Servers - H/W	0	-	-	-	-
747	39901	Other Tangible Property - Servers - S/W	0	-	-	-	-
748	39902	Other Tangible Property - Network - H/W	0	-	-	-	-
749	39903	Other Tang. Property - CPU	0	-	-	-	-
750	39904	Other Tangible Property - MF - Hardware	0	-	-	-	-
751	39905	Other Tang. Property - PC Hardware	0	-	-	-	-
752	39906	Other Tang. Property - PC Software	41,450	30,768	6,846	400	3,437
753	39907	Other Tang. Property - Mainframe S/W	0	-	-	-	-
754	39908	Other Tang. Property - Application Software	0	-	-	-	-
755		AR 15 general plant amortization	255,335	189,531	42,173	2,462	21,170
756							
757							
758		Total General Plant	898,212	666,726	148,354	8,661	74,471
759							
760		TOTAL DIRECT DEPRECIATION EXPENSE	15,240,048	11,372,371	2,760,602	173,795	933,281
761							
762		Kentucky Mid-States General Office:					
763							
764		Intangible Plant:					
765							
766	30100	Organization	0	-	-	-	-
767	30200	Franchises & Consents	0	-	-	-	-
768	30300	Misc Intangible Plant	0	-	-	-	-
769							
770		Total Intangible Plant	0	-	-	-	-
771							
772		General:					
773							
774	37400	Land & Land Rights	0	-	-	-	-
775	39001	Structures Frame	2,696	2,001	445	26	224
776	39004	Air Conditioning Equipment	0	-	-	-	-
777	39009	Improvement to leased Premises	0	-	-	-	-
778	39100	Office Furniture & Equipment	2,095	1,555	346	20	174
779	39200	Transportation Equipment	0	-	-	-	-
780	39300	Stores Equipment	162	120	27	2	13
781	39400	Tools, Shop & Garage Equipment	4,710	3,496	778	45	391
782	39600	Power Operated Equipment	605	449	100	6	50
783	39700	Communication Equipment	1,370	1,017	226	13	114
784	39800	Miscellaneous Equipment	20,721	15,381	3,422	200	1,718
785	39900	Other Tangible Property	0	-	-	-	-
786	39901	Other Tangible Property - Servers - H/W	16,430	12,196	2,714	158	1,362
787	39902	Other Tangible Property - Servers - S/W	0	-	-	-	-
788	39903	Other Tangible Property - Network - H/W	0	-	-	-	-
789	39906	Other Tang. Property - PC Hardware	65,546	48,654	10,826	632	5,434
790	39907	Other Tang. Property - PC Software	0	-	-	-	-
791	39908	Other Tang. Property - Mainframe S/W	0	-	-	-	-
792							
793							
794		Total General Plant	114,335	84,869	18,884	1,102	9,480
795							
796		Shared Services General Office:					
797							
798		General:					
799							
800	39000	Structures & Improvements	225	167	37	2	19
801	39005	G-Structures & Improvements	4,283	3,179	707	41	355
802	39009	Improvement to leased Premises	20,929	15,535	3,457	202	1,735
803	39100	Office Furniture & Equipment	21,361	15,856	3,528	206	1,771
804	39102	Remittance Processing Equip	0	-	-	-	-
805	39103	Office Machines	0	-	-	-	-
806	39104	G-Office Furniture & Equip.	36	27	6	0	3
807	39200	Transportation Equipment	1,594	1,183	263	15	132
808	39300	Stores Equipment	0	-	-	-	-
809	39400	Tools, Shop & Garage Equipment	1,246	925	206	12	103
810	39500	Laboratory Equipment	230	171	38	2	19
811	39700	Communication Equipment	8,744	6,490	1,444	84	725
812	39800	Miscellaneous Equipment	371	275	61	4	31
813	39900	Other Tangible Property	1,246	925	206	12	103
814	39901	Other Tangible Property - Servers - H/W	142,944	106,105	23,610	1,378	11,852
815	39902	Other Tangible Property - Servers - S/W	75,232	55,843	12,426	725	6,237
816	39903	Other Tangible Property - Network - H/W	17,633	13,089	2,912	170	1,462
817	39904	Other Tang. Property - CPU	0	-	-	-	-
818	39905	Other Tangible Property - MF - Hardware	0	-	-	-	-
819	39906	Other Tang. Property - PC Hardware	12,779	9,486	2,111	123	1,060
820	39907	Other Tang. Property - PC Software	3,650	2,710	603	35	303
821	39908	Other Tang. Property - Mainframe S/W	376,695	279,613	62,217	3,632	31,232
822	39909	Other Tang. Property - Application Software	0	-	-	-	-
823	39924	Other Tang. Property - General Startup Costs	0	-	-	-	-
824							
825							
826		Total General Plant	680,199	511,579	113,832	6,646	57,142

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF DEPRECIATION EXPENSE

827							
828		Shared Services Customer Support:					
829							
830		General:					
831							
832	38900	Land	0	-	-	-	-
833	38910	CKV-Land & Land Rights	0	-	-	-	-
834	39000	Structures & Improvements	25,234	18,731	4,168	243	2,092
835	39009	Improvement to leased Premises	10,518	7,807	1,737	101	872
836	39010	CKV-Structures & Improvements	2,760	2,049	456	27	229
837	39100	Office Furniture & Equipment	2,634	1,955	435	25	218
838	39700	Communication Equipment	6,558	4,868	1,083	63	544
839	39710	CKV-Communication Equipment	120	89	20	1	10
840	39800	Miscellaneous Equipment	91	68	15	1	8
841	39900	Other Tangible Property	0	-	-	-	-
842	39901	Other Tangible Property - Servers - H/W	28,635	21,255	4,729	276	2,374
843	39902	Other Tangible Property - Servers - S/W	13,570	10,073	2,241	131	1,125
844	39903	Other Tangible Property - Network - H/W	9,438	7,005	1,559	91	782
845	39906	Other Tang. Property - PC Hardware	6,134	4,553	1,013	59	509
846	39907	Other Tang. Property - PC Software	1,922	1,427	317	19	159
847	39908	Other Tang. Property - Mainframe S/W	366,672	272,174	60,562	3,536	30,401
848	39910	CKV-Other Tangible Property	130	96	21	1	11
849	39916	CKV-Oth Tang Prop-PC Hardware	135	100	22	1	11
850	39917	CKV-Oth Tang Prop-PC Software	48	35	8	0	4
851	39924	Other Tang. Property - General Startup Costs	0	-	-	-	-
852							
853							
854		Total General Plant	474,598	352,286	78,387	4,576	39,349
855							
856		TOTAL DEPRECIATION EXPENSE	16,518,181	12,321,105	2,971,705	186,120	1,039,251

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period. Twelve Months Ended November 30, 2014

ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX

1								
2	Customer							
3								
4		Allocation	Allocation	Total		Commercial &	Firm	Interruptible &
5		Factor	Basis	Company	Residential	Public Authority	Industrial	Transportation
6								
7	Taxes Other Than Income							
8								
9	Non Revenue Related.							
10	Payroll Related	7.2	Allocated O&M Expenses - Cust	78,231	65,916	9,585	259	2,471
11	Property Related	6.2	P, S, T & D Plant - Customer	2,822,824	2,282,809	452,055	22,867	65,094
12	DOT transmission User Tax	7.2	Allocated O&M Expenses - Cust	11,304	9,525	1,385	37	357
13	Other	7.2	Allocated O&M Expenses - Cust	132,527	111,665	16,238	438	4,185
14	Total Non Revenue Related:			3,044,886	2,469,915	479,263	23,601	72,107
15								
16	Revenue Related:							
17	State Gross Receipts - Tax	99.0	-	0	-	-	-	-
18	Local Gross Receipts - Tax	99.0	-	0	-	-	-	-
19	Public Service Commission Assessment	99.0	-	0	-	-	-	-
20	Total Revenue Related:			0	-	-	-	-
21								
22	Total Taxes, Other Than Income			3,044,886	2,469,915	479,263	23,601	72,107
23								
24								
25	Interest Expense	19.2	Rate Base - Cust	6,087,026	4,889,221	1,020,668	55,052	122,085

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX

Demand

	Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
Taxes Other Than Income							
Non Revenue Related:							
Payroll Related	7.4	Allocated O&M Expenses - Demand	4,830	2,067	929	84	1,751
Property Related	6.4	P, S, T & D Plant - Demand	537,172	229,849	103,309	9,300	194,715
DOT transmission User Tax	7.4	Allocated O&M Expenses - Demand	698	299	134	12	253
Other	7.4	Allocated O&M Expenses - Demand	8,182	3,501	1,574	142	2,966
Total Non Revenue Related:			550,882	235,715	105,946	9,537	199,684
Revenue Related:							
State Gross Receipts - Tax	99.0	-	0	-	-	-	-
Local Gross Receipts - Tax	99.0	-	0	-	-	-	-
Public Service Commission Assessment	99.0	-	0	-	-	-	-
Total Revenue Related:			0	-	-	-	-
Total Taxes, Other Than Income			550,882	235,715	105,946	9,537	199,684
Interest Expense	19.4	Rate Base - Demand	973,634	416,605	187,249	16,856	352,924

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX

Commodity

	Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
Taxes Other Than Income							
Non Revenue Related:							
Payroll Related	7.6	Allocated O&M Expenses - Comm	283,378	174,097	97,397	8,524	3,359
Property Related	6.6	P, S, T & D Plant - Commodity	43,341	13,576	6,751	651	22,363
DOT transmission User Tax	7.6	Allocated O&M Expenses - Comm	40,948	25,157	14,074	1,232	485
Other	7.6	Allocated O&M Expenses - Comm	480,055	294,928	164,995	14,441	5,691
Total Non Revenue Related.			847,721	507,758	283,218	24,847	31,899
Revenue Related:							
State Gross Receipts - Tax	99.0	-	0	-	-	-	-
Local Gross Receipts - Tax	99.0	-	0	-	-	-	-
Public Service Commission Assessment	1.0	Mcf	219,194	49,924	27,869	2,440	138,961
Total Revenue Related:			219,194	49,924	27,869	2,440	138,961
Total Taxes, Other Than Income			1,066,915	557,681	311,087	27,287	170,859
Interest Expense	19.6	Rate Base - Comm	476,186	157,449	86,285	7,675	224,778

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX

80								
81	Total Taxes Other							
82								
83								
84								
85		Allocation	Allocation	Total		Commercial &	Firm	Interruptible &
86		Factor	Basis	Company	Residential	Public Authority	Industrial	Transportation
87								
88	Taxes Other Than Income							
89								
90	Non Revenue Related:							
91	Payroll Related			366,438	242,080	107,911	8,867	7,581
92	Property Related			3,403,337	2,526,234	562,115	32,817	282,171
93	DOT transmission User Tax			52,950	34,980	15,593	1,281	1,095
94	Other			620,764	410,094	182,807	15,020	12,842
95	Total Non Revenue Related:			4,443,489	3,213,388	868,426	57,985	303,689
96								
97	Revenue Related.							
98	State Gross Receipts - Tax			0	-	-	-	-
99	Local Gross Receipts - Tax			0	-	-	-	-
100	Public Service Commission Assessment			219,194	49,924	27,869	2,440	138,961
101	Total Revenue Related:			219,194	49,924	27,860	2,440	138,961
102								
103	Total Taxes, Other Than Income			4,662,683	3,263,311	896,296	60,426	442,650
104								
105								
106	Interest Expense			7,536,846	5,463,274	1,294,202	79,583	699,787

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION OF REVENUES

1								
2								
3	Total Revenues							
4								
5								
6								
7		Allocation	Allocation	Total		Commercial &	Firm	Interruptible &
8		Factor	Basis	Company	Residential	Public Authority	Industrial	Transportation
9	Rate Schedule Revenue							
10								
11	Base Revenues	Input		83,205,353	36,974,250	13,782,948	524,930	11,923,225
12	Base Revenue Increase	Input		0	-	-	-	-
13	Rider GCR	Input		90,267,316	55,514,753	31,060,527	2,718,229	973,807
14	Rider FF and Rider Tax	Input		0	-	-	-	-
15								
16	Total Rate Schedule Revenue			153,472,669	92,489,003	44,843,475	3,243,159	12,897,032
17								
18	Other Revenue:							
19								
20	Forfeited Discounts	18.2	Base Revenues	1,126,126	658,768	245,570	9,353	212,435
21	Misc. Service Revenues	18.2	Base Revenues	778,251	455,266	169,710	6,463	146,811
22	Revenue From Transportation of Gas of Others	18.2	Base Revenues	0	-	-	-	-
23	NTB	18.2	Base Revenues	(2,078)	(1,215)	(453)	(17)	(392)
24								
25	Total Non-Rate Revenue			1,902,300	1,112,819	414,827	15,799	358,855
26								
27	TOTAL REVENUE			155,374,969	93,601,821	45,258,302	3,258,958	13,255,887

			Total Company	Customer	Demand	Commodity
Atmos Energy Corporation, Kentucky/Mid-States Division						
Kentucky Jurisdiction Case No. 2013-00148						
Forecasted Test Period: Twelve Months Ended November 30, 2014						
CLASSIFICATION FACTORS						
	Input	Values	1	1	0	0
1.0	Customer	%	100.0000%	100.0000%	0.0000%	0.0000%
	Input	Values	1	0	1	0
2.0	Demand	%	100.0000%	0.0000%	100.0000%	0.0000%
	Input	Values	1	0	0	1
3.0	Commodity	%	100.0000%	0.0000%	0.0000%	100.0000%
	Input	Values	100	0	50	50
3.5	Storage (50/50)	%	100.0000%	0.0000%	50.0000%	50.0000%
	Input	Values	87,962,005	75,260,100	12,701,905	0
4.0	Mains	%	100.0000%	85.5598%	14.4402%	0.0000%
	Internally Generated	Values	166,866,780	150,191,571	16,675,209	0
4.1	Mains & Services	%	100.0000%	90.0069%	9.9931%	0.0000%
	Internally Generated	Values	411,478,740	341,292,072	64,946,568	5,240,101
5.4	P, S, T & D Plant	%	100.0000%	82.9428%	15.7837%	1.2735%
	Internally Generated	Values	287,487,464	245,150,037	38,805,782	3,531,645
5.7	Net Plant	%	100.0000%	85.2733%	13.4983%	1.2285%
	Internally Generated	Values	116,962,934	24,970,472	1,541,583	90,450,879
9.1	Allocated O&M Expenses	%	100.0000%	21.3490%	1.3180%	77.3329%
	Internally Generated	Values	4,220,281	3,864,007	345,720	10,554
10.0	Composite of Accts. 871-879 & 886-893	%	100.0000%	91.5581%	8.1919%	0.2501%
	Internally Generated	Values	122,145,709	104,507,602	17,638,106	-
12.0	Composite of Accts. 374-379	%	100.0000%	85.5598%	14.4402%	0.0000%
	Internally Generated	Values	252,914,292	204,262,608	32,672,290	15,979,394
13.0	Rate Base	%	100.0000%	80.7636%	12.9183%	6.3181%
	Internally Generated	Values	7,999,244	7,475,070	508,498	15,676
17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	%	100.0000%	93.4472%	6.3568%	0.1960%
		Values	0	0	0	0
99.0	-	%	0.0000%	0.0000%	0.0000%	0.0000%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION FACTORS

			Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
	Input	Value	42,314,959	9,637,852	5,380,137	471,075	26,826,095
1.0	Mcf	%	100.0000%	22.7760%	12.7145%	1.1133%	63.3962%
	Input	Value	23,332,458	7,308,713	3,634,476	350,228	12,039,041
1.5	Winter Volumes	%	100.0000%	31.3242%	15.5769%	1.5010%	51.5978%
	Input	Value	2,078,493	1,846,837	226,666	2,396	2,594
2.0	Customers	%	100.0000%	88.8546%	10.9053%	0.1153%	0.1248%
	Input	Value	273,558	117,052	52,611	4,736	99,160
3.0	Peak Day	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Input	Value	11,657,334	7,003,552	3,921,199	363,643	368,939
4.0	Meter Investment	%	100.0000%	60.0785%	33.6372%	3.1194%	3.1649%
	Input	Value	1	1	-	-	-
4.2	Direct to Residential	%	100.0000%	100.0000%	0.0000%	0.0000%	0.0000%
	Input	Value	1	-	1	-	-
4.4	Direct to Commercial & Public Authority	%	100.0000%	0.0000%	100.0000%	0.0000%	0.0000%
	Input	Value	1	-	-	1	-
4.6	Direct to Industrial	%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%
	Input	Value	1	-	-	-	1
5.0	Direct to I & T	%	100.0000%	0.0000%	0.0000%	0.0000%	100.0000%
	Internally Generated	Value	411,478,740	305,433,023	67,962,214	3,967,732	34,115,771
6.0	P, S, T & D Plant	%	100.0000%	74.2281%	16.5166%	0.9643%	8.2910%
	Internally Generated	Value	341,292,072	276,001,844	54,655,444	2,764,665	7,870,119
6.2	P, S, T & D Plant - Customer	%	100.0000%	80.8697%	16.0143%	0.8101%	2.3060%
	Internally Generated	Value	64,946,566	27,789,758	12,490,525	1,124,412	23,541,873
6.4	P, S, T & D Plant - Demand	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	5,240,101	1,641,421	816,246	78,656	2,703,778
6.6	P, S, T & D Plant - Commodity	%	100.0000%	31.3242%	15.5769%	1.5010%	51.5978%
	Internally Generated	Value	116,962,934	77,269,043	34,444,102	2,830,124	2,419,665
7.0	Allocated O&M Expenses	%	100.0000%	66.0628%	29.4487%	2.4197%	2.0687%
	Internally Generated	Value	24,970,472	21,039,755	3,059,552	82,570	788,595
7.2	Allocated O&M Expenses - Cust	%	100.0000%	84.2585%	12.2527%	0.3307%	3.1581%
	Internally Generated	Value	1,541,583	659,622	296,477	26,689	558,794
7.4	Allocated O&M Expenses - Demand	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	90,450,879	55,569,666	31,088,073	2,720,864	1,072,276
7.6	Allocated O&M Expenses - Comm	%	100.0000%	61.4363%	34.3701%	3.0081%	1.1855%
	Input	Value	34,046,761	24,135,338	9,911,423	0	0
8.0	Customer Deposit Balances	%	100.0000%	70.8888%	29.1112%	0.0000%	0.0000%
	Internally Generated	Value	287,487,464	214,852,406	48,981,637	2,923,009	20,730,412
9.0	Allocated Net Plant	%	100.0000%	74.7345%	17.0378%	1.0167%	7.2109%
	Internally Generated	Value	245,150,037	197,141,676	40,968,387	2,198,158	4,841,815
9.2	Allocated Net Plant - Cust	%	100.0000%	80.4167%	16.7116%	0.8967%	1.9750%
	Internally Generated	Value	38,805,782	16,604,469	7,463,128	671,840	14,066,345
9.4	Allocated Net Plant - Demand	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	3,531,645	1,106,261	550,121	53,011	1,822,252
9.6	Allocated Net Plant - Comm	%	100.0000%	31.3242%	15.5769%	1.5010%	51.5978%
	Internally Generated	Value	4,220,281	3,056,768	643,318	35,209	484,985
10.0	Composite of Accts. 871-879 & 886-893	%	100.0000%	72.4304%	15.2435%	0.8343%	11.4918%
	Internally Generated	Value	3,864,007	2,906,436	575,487	29,106	352,978
10.2	Composite of Accts. 871-879 & 886-893 - Cust	%	100.0000%	75.2182%	14.8935%	0.7533%	9.1350%
	Internally Generated	Value	345,720	147,929	66,489	5,985	125,317
10.4	Composite of Accts. 871-879 & 886-893 - Demand	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	10,554	2,404	1,342	117	6,691
10.6	Composite of Accts. 871-879 & 886-893 - Comm	%	100.0000%	22.7760%	12.7145%	1.1133%	63.3962%
	Internally Generated	Value	166,866,780	140,587,242	19,585,825	461,830	6,231,882
11.0	Composite of Accts. 376 & 380	%	100.0000%	84.2512%	11.7374%	0.2768%	3.7346%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2013-00148
Forecasted Test Period: Twelve Months Ended November 30, 2014

ALLOCATION FACTORS

			Total Company	Residential	Commercial & Public Authority	Firm Industrial	Interruptible & Transportation
	Internally Generated	Value	150,191,571	133,452,146	16,378,849	173,135	187,442
11.2	Composite of Accts. 376 & 380 - Cust	%	100.0000%	88.8546%	10.9053%	0.1153%	0.1248%
	Internally Generated	Value	16,675,209	7,135,096	3,206,976	288,696	6,044,440
11.4	Composite of Accts. 376 & 380 - Demand	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	0	0	0	0	0
11.6	Composite of Accts. 376 & 380 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	122,145,709	100,406,937	14,789,033	425,838	6,523,900
12.0	Composite of Accts. 374-379	%	100.0000%	82.2026%	12.1077%	0.3486%	5.3411%
	Internally Generated	Value	104,507,602	92,859,830	11,396,873	120,472	130,428
12.2	Composite of Accts. 374-379 - Cust	%	100.0000%	88.8546%	10.9053%	0.1153%	0.1248%
	Internally Generated	Value	17,638,106	7,547,107	3,392,161	305,366	6,393,472
12.4	Composite of Accts. 374-379 - Demand	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	0	0	0	0	0
12.6	Composite of Accts. 374-379 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	56,817,747	34,135,253	19,111,894	1,772,394	1,798,206
13.0	Composite of Accts. 381-383	%	100.0000%	60.0785%	33.6372%	3.1194%	3.1649%
	Internally Generated	Value	56,817,747	34,135,253	19,111,894	1,772,394	1,798,206
13.2	Composite of Accts. 381-383 - Cust	%	100.0000%	60.0785%	33.6372%	3.1194%	3.1649%
	Internally Generated	Value	0	0	0	0	0
13.4	Composite of Accts. 381-383 - Demand	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	0	0	0	0	0
13.6	Composite of Accts. 381-383 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	51,369,238	45,661,711	5,604,153	59,239	64,135
14.0	Account 380	%	100.0000%	88.8546%	10.9053%	0.1153%	0.1248%
	Internally Generated	Value	51,369,238	45,661,711	5,604,153	59,239	64,135
14.2	Account 380 - Cust	%	100.0000%	88.8546%	10.9053%	0.1153%	0.1248%
	Internally Generated	Value	0	0	0	0	0
14.4	Account 380 - Demand	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	0	0	0	0	0
14.6	Account 380 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Input	Value	218,503	0.81264	0.14803	0.03934	218,502
16.0	GUD 9400 Allocation Factors	%	100.0000%	0.0004%	0.0001%	0.0000%	99.9995%
	Internally Generated	Value	7,999,244	6,090,610	1,141,439	53,800	713,396
17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	%	100.0000%	76.1398%	14.2693%	0.6726%	8.9183%
	Internally Generated	Value	7,475,070	5,869,440	1,041,645	44,821	519,165
17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	%	100.0000%	78.5202%	13.9349%	0.5996%	6.9453%
	Internally Generated	Value	508,498	217,579	97,794	8,804	184,321
17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Dema	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	15,676	3,590	2,000	175	9,911
17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comr	%	100.0000%	22.9012%	12.7564%	1.1189%	63.2235%
	Internally Generated	Value	1,494,490,936	961,319,271	488,286,164	44,490,351	395,150
18.0	Revenues	%	100.0000%	64.3242%	32.6724%	2.9770%	0.0264%
	Internally Generated	Value	63,205,353	36,974,250	13,782,948	524,930	11,923,225
18.2	Base Revenues	%	100.0000%	58.4986%	21.8066%	0.8305%	18.8643%
	Internally Generated	Value	90,267,316	55,514,753	31,060,527	2,718,229	973,807
18.4	Gas Costs	%	100.0000%	61.5004%	34.4095%	3.0113%	1.0788%
	Internally Generated	Value	252,914,292	183,331,353	43,429,599	2,670,569	23,482,772
19.0	Rate Base	%	100.0000%	72.4875%	17.1717%	1.0559%	9.2849%
	Internally Generated	Value	204,262,608	164,067,811	34,250,608	1,847,372	4,096,817
19.2	Rate Base - Cust	%	100.0000%	80.3220%	16.7679%	0.9044%	2.0057%
	Internally Generated	Value	32,672,290	13,980,031	6,283,535	565,651	11,843,073
19.4	Rate Base - Demand	%	100.0000%	42.7886%	19.2320%	1.7313%	36.2481%
	Internally Generated	Value	15,979,394	5,283,510	2,895,456	257,545	7,542,882
19.6	Rate Base - Comm	%	100.0000%	33.0645%	18.1199%	1.6117%	47.2038%
		Value	0	0	0	0	0
99.0	-	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%