







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

DIRECT TESTIMONY

OF

DANE A. WATSON, PE CDP

PARTNER,

ALLIANCE CONSULTING GROUP

ON BEHALF OF

ATMOS ENERGY CORPORATION

Filed: May 13, 2013

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OF DANE A. WATSON, WITNESS FOR  
ATMOS ENERGY CORPORATION**

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Dane A. Watson, and my business address is 1410 Avenue K, Suite  
4 1105B, Plano, Texas 75074. I am a Partner of Alliance Consulting Group.  
5 Alliance Consulting Group provides consulting and expert services to the utility  
6 industry.

7 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

8 A. I hold a Bachelor of Science degree in Electrical Engineering from the University  
9 of Arkansas at Fayetteville and a Master's Degree in Business Administration  
10 from Amberton University.

11 **Q. DO YOU HOLD ANY SPECIAL CERTIFICATION AS A**  
12 **DEPRECIATION EXPERT?**

13 A. Yes. The Society of Depreciation Professionals (“the Society”) has established  
14 national standards for depreciation professionals. The Society administers an  
15 examination and has certain required qualifications to become certified in this  
16 field. I met all requirements and have become a Certified Depreciation  
17 Professional (“CDP”).

18 **Q. PLEASE OUTLINE YOUR EXPERIENCE IN THE FIELD OF**  
19 **DEPRECIATION.**

20 A. Since graduation from college in 1985, I have worked in the area of depreciation  
21 and valuation. I founded Alliance Consulting Group in 2004 and am responsible  
22 for conducting depreciation, valuation and certain accounting-related studies for  
23 utilities in various industries. My duties relate to preparing depreciation studies

1 and include (1) assembling and analyzing historical and simulated data, (2)  
2 conducting field reviews, (3) determining service life and net salvage estimates,  
3 (4) calculating annual depreciation, (5) presenting recommended depreciation  
4 rates to utility management for its consideration, and (6) supporting such rates  
5 before regulatory bodies.

6 My prior employment from 1985 to 2004 was with Texas Utilities  
7 ("TXU"). During my tenure with TXU, I was responsible for, among other  
8 things, conducting valuation and depreciation studies for the domestic TXU  
9 companies. During that time, I served as Manager of Property Accounting  
10 Services and Records Management in addition to my depreciation responsibilities.

11 I have twice been Chair of the Edison Electric Institute ("EEI") Property  
12 Accounting and Valuation Committee and have been Chairman of EEI's  
13 Depreciation and Economic Issues Subcommittee. I am a Registered Professional  
14 Engineer ("PE") in the State of Texas and a Certified Depreciation Professional. I  
15 am a Senior Member of the Institute of Electrical and Electronics Engineers  
16 ("IEEE") and have held numerous offices on the Executive Board of the Dallas  
17 Section of IEEE. I am also Past President of the Society of Depreciation  
18 Professionals.

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
20 **COMMISSIONS?**

21 A. Yes. I have testified before numerous state and federal agencies in my 27 year  
22 career in performing depreciation studies. I have conducted depreciation studies,  
23 filed written testimony and/or testified before the Commissions provided in

1 Attachment DAW-1.

2

3

**II. PURPOSE OF DIRECT TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
5 **PROCEEDING?**

6 A. I sponsor and support the depreciation studies performed for Atmos Energy  
7 Corporation – Kentucky (“Kentucky” or “Atmos Energy” or “Company”), its  
8 Kentucky Mid-States General Office (“KY Mid-States General Office”) and the  
9 Shared Services Unit (“SSU”). In addition, I sponsor and support the Company’s  
10 request to implement Vintage Group Amortization for its Kentucky General  
11 Amortized Plant Assets in FERC Accounts 391-399 (excludes Accounts 390,392  
12 and 396). This request has been taken into account to develop new depreciation  
13 rates that are representative of Atmos Energy’s actual operations.

14 **Q. ARE YOU SPONSORING ANY ATTACHMENTS OR EXHIBITS IN THIS**  
15 **PROCEEDING?**

16 A. Yes. I am sponsoring the following attachments and exhibits:

- 17 • DAW Attachment 1 – List of Regulatory Appearances
- 18 • DAW-1 – Atmos Energy Corporation – Kentucky Depreciation Rate  
19 Study at September 30, 2012
- 20 • DAW-2 – Atmos Energy Corporation – Kentucky Mid-States General  
21 Office Depreciation Rate Study at September 30, 2012
- 22 • DAW-3 – Shared Services Unit Depreciation Rate Study at September 30,  
23 2010



1 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR**  
2 **SUPERVISION AND CONTROL?**

3 A. Yes.

4 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

5 A. The Atmos Energy Kentucky, KY Mid-States General Office and SSU  
6 depreciation studies and analyses that I have performed support establishing  
7 depreciation rates at the level recommended in my testimony. The Kentucky  
8 depreciation rate study is attached to my testimony as Exhibit DAW-1. The  
9 Kentucky study shows that an increase in the annual depreciation expense for  
10 Atmos Energy's assets of approximately \$1.1 million per year is needed to ensure  
11 that the appropriate amount of depreciation expense is collected by the Company.  
12 This amount was determined by comparing the depreciation expense between the  
13 current rates and the proposed rates as shown in Appendix A of Exhibit DAW-1.  
14 Changes in various accounts in the Distribution and General Plant functions are  
15 the drivers for the increase. The KY Mid-States General Office depreciation rate  
16 study is attached as Exhibit DAW-2, and reflects an unallocated increase in the  
17 annual depreciation expense of approximately \$4 thousand. The SSU  
18 depreciation rate study is attached as Exhibit DAW-3.

19 **Q. DO THE DEPRECIATION STUDIES YOU SPONSOR IN THIS CASE**  
20 **REFLECT THE MOST CURRENT DATA AVAILABLE FOR THE**  
21 **ATMOS KENTUCKY AND KENTUCKY MID-STATES GENERAL**  
22 **OFFICE ASSETS?**

1 A. Yes. The data used reflects the most recent experience and future expectations for  
2 life and net salvage characteristics for assets in Atmos Energy's Kentucky and  
3 KY Mid-States General Office as of September 30, 2012.

4 **Q. ARE YOU RECOMMENDING ANY CHANGE IN DEPRECIATION**  
5 **RATES FOR ASSETS BOOKED AT THE ATMOS ENERGY**  
6 **CORPORATE LEVEL?**

7 A. Yes. Atmos Energy updated the depreciation study for its SSU, which contains  
8 changes in depreciation rates for those accounts booked at an Atmos Energy  
9 Corporate level. That study is included as Exhibit DAW-3 and is as of September  
10 30, 2010.

11

12 **III. ATMOS ENERGY KENTUCKY GAS DEPRECIATION STUDY**

13 **Q. DID YOU PREPARE THE GAS DEPRECIATION STUDY?**

14 A. Yes. The Atmos Energy Kentucky Gas Depreciation Study is attached to my  
15 testimony as Exhibit DAW-1. The study in Exhibit DAW-1 analyzes the life and  
16 net salvage percentage for Atmos Energy's gas assets at September 30, 2012.

17 **Q. WHAT PROPERTY IS INCLUDED IN THE DEPRECIATION STUDY?**

18 A. There are five general classes, or functional groups, of depreciable property: the  
19 Production Plant, Storage Plant, Transmission Plant, Distribution Plant and  
20 General Plant property. The Production Plant functional group assets currently  
21 being utilized are related to field and tributary lines and field measuring and  
22 regulating equipment. The Storage Plant functional group primarily consists of  
23 facilities that store natural gas for use as needed. The Transmission Plant

1 functional group primarily consists of high and intermediate pressure transmission  
2 assets that deliver gas to various receipt points or city gates. The Distribution  
3 Plant functional group primarily consists of lines and associated facilities used to  
4 distribute and meter gas within the areas served by Atmos Energy. General Plant  
5 property, both depreciated and amortized, is not location specific but is used to  
6 support the overall distribution of gas to its customers.

7 **Q. WHAT TYPES OF ASSETS ARE CLASSIFIED IN THE GENERAL**  
8 **PLANT DEPRECIATED AND AMORTIZED FUNCTIONS?**

9 A. The General Plant functional group has been split into two groups, depreciated  
10 and amortized. The General Plant Depreciated functional group contains facilities  
11 and equipment associated with the overall operation of the business, such as  
12 office buildings, warehouses, service centers, transportation and power operated  
13 equipment. The General Plant Amortized functional group contains assets  
14 associated with the overall operation of the business, such as office and computer  
15 equipment, stores, tools, and other miscellaneous equipment. All General Plant is  
16 used in overall operations of the business rather than with a specific Underground  
17 Storage or Transmission classification.

18 **Q. PLEASE DESCRIBE THE COMPANY'S REQUEST TO IMPLEMENT**  
19 **VINTAGE GROUP AMORTIZATION FOR ITS GENERAL AMORTIZED**  
20 **PLANT ASSETS IN FERC ACCOUNTS 391-399 (EXCLUDES**  
21 **ACCOUNTS 392 AND 396).**

22 A. Consistent with Federal Energy Regulatory Commission ("FERC") Rule AR-15,  
23 this depreciation study develops depreciation expense for Vintage Group

1 Amortization in Accounts 391 through 399 (excluding Accounts 390, 392 and  
2 396). This process provides for the amortization of general plant over the same  
3 life as recommended in this study (with a separate amortization to allocate deficit  
4 or excess reserve). At the end of the amortized life, property will be retired from  
5 the books.

6 **Q. WILL THE IMPLEMENTATION OF VINTAGE GROUP**  
7 **AMORTIZATION AFFECT THE ANNUAL DEPRECIATION EXPENSE**  
8 **ACCRUED BY THE COMPANY?**

9 A. No. Implementation of this approach will not affect the total annual expense  
10 accrued by the Company. This approach simply provides for the timely  
11 retirement of assets and the simplification of accounting for general property.

12 **Q. HAVE OTHER REGULATORY AUTHORITIES APPROVED THE**  
13 **IMPLEMENTATION OF VINTAGE GROUP AMORTIZATION IN**  
14 **OTHER RATE PROCEEDINGS?**

15 A. Yes. Both the FERC and several state public utility commissions have approved  
16 this approach. Most recently, Atmos Energy received authorization for Vintage  
17 Group Amortization in Colorado Docket No. 09AL-507G, in Texas GUD 10000  
18 and GUD 10170, and in its 2012 Trans-Louisiana Annual Filing as supported by  
19 Docket No. U-28814. Atmos also plans to seek approval, where applicable, in its  
20 other jurisdictions with each depreciation study filing.

21 **Q. WHAT IS THE CAUSE OF THE INCREASE IN DEPRECIATION**  
22 **EXPENSE IN GENERAL PLANT AMORTIZED?**

1 A. Even though there was little change in lives for these accounts, expense related to  
2 General Plant Amortized accounts has increased slightly. The increased expense  
3 in General Plant Amortized is due primarily to the depreciation reserve position.  
4 The change to amortization had no material effect on the depreciation rates  
5 recommended for these accounts.

6 **Q. WHAT DEFINITION OF DEPRECIATION HAVE YOU USED FOR THE**  
7 **PURPOSES OF CONDUCTING A DEPRECIATION STUDY AND**  
8 **PREPARING YOUR TESTIMONY?**

9 A. The term "depreciation," as used herein, is considered in the accounting sense;  
10 that is, a system of accounting that distributes the cost of assets, less net salvage  
11 (if any), over the estimated useful life of the assets in a systematic and rational  
12 manner. Depreciation is a process of allocation, not valuation. Depreciation  
13 expense is systematically allocated to accounting periods over the life of the  
14 properties. The amount allocated to any one accounting period does not  
15 necessarily represent the loss or decrease in value that will occur during that  
16 particular period. Thus, depreciation is considered an expense or cost, rather than  
17 a loss or decrease in value. The Company accrues depreciation based on the  
18 original cost of all property included in each depreciable plant account. On  
19 retirement, the full cost of depreciable property, less the net salvage amount, if  
20 any, is charged to the depreciation reserve.

21 **Q. PLEASE DESCRIBE YOUR DEPRECIATION STUDY APPROACH.**

22 A. I conducted the depreciation studies in four phases as shown in my Exhibit DAW-  
23 1. The four phases are: Data Collection, Analysis, Evaluation, and Calculation.

1 During the initial phase of the study, I collected historical data to be used in the  
2 analysis. After the data was assembled, I performed analyses to determine the life  
3 and net salvage percentage for the different property groups being studied. As  
4 part of this process, I conferred with field personnel, engineers, and managers  
5 responsible for the installation, operation, and removal of the assets to gain their  
6 input into the operation, maintenance, and salvage of the assets. The information  
7 obtained from field personnel, engineers, and managerial personnel, combined  
8 with the study results, was then evaluated to determine how the results of the  
9 historical asset activity analysis, in conjunction with the Company's expected  
10 future plans should be applied. Using all of these resources, I then calculated the  
11 depreciation rate for each function.

12 **Q. WHAT DEPRECIATION METHODOLOGY DID YOU USE?**

13 A. The straight-line (method), Equal Life Group ("ELG") (procedure), and  
14 remaining-life (technique) depreciation system were employed to calculate annual  
15 and accrued depreciation in this study. This methodology is consistent with the  
16 existing approved rates.

17 **Q. HOW ARE THE DEPRECIATION RATES DETERMINED USING THE**  
18 **ELG PROCEDURE?**

19 A. In this system, the annual depreciation expense for each group is computed by  
20 dividing the original cost of the asset less allocated depreciation reserve less  
21 estimated net salvage by its respective equal life group remaining life. The  
22 resulting annual accrual amounts of all depreciable property within a function  
23 were accumulated, and the total was divided by the original cost of all functional

1           depreciable property to determine the depreciation rate. The calculated remaining  
2           lives and annual depreciation accrual rates were based on attained ages of plant in  
3           service and the estimated service life and salvage characteristics of each  
4           depreciable group. The computations of the annual depreciation rates are shown  
5           in Appendix B of my Exhibit DAW-1.

6   **Q.   HAVE INDUSTRY AND DEPRECIATION EXPERTS DESCRIBED THE**  
7           **ELG PROCEDURE AS A MORE THEORETICALLY CORRECT**  
8           **DEPRECIATION PROCEDURE?**

9   A.   Yes. The ELG procedure has been recognized as the more theoretically correct  
10          depreciation procedure. This conclusion was first reached by Mr. Robley  
11          Winfrey (who helped design the current depreciation system we use today)  
12          approximately 60 years ago. Specifically, Mr. Winfrey, the founding father of  
13          modern depreciation systems, has stated that the ELG procedure is the “only  
14          mathematically correct [depreciation] procedure.” Similarly, Dr. W. Chester  
15          Fitch and Dr. Frank K. Wolf (who literally wrote the book on depreciation and  
16          trained many of the depreciation professional working today, including myself),  
17          are also in agreement with Mr. Winfrey on the validity of the ELG method. I  
18          would note again that a number of regulatory commissions have approved the use  
19          of the ELG procedure.

20   **Q.   WHAT TIME PERIOD DID YOU USE TO DEVELOP THE PROPOSED**  
21          **DEPRECIATION RATES?**

22   A.   The account level depreciation rates were developed based on the depreciable  
23          property recorded on the Company’s books at September 30, 2012.

1 Q. PLEASE SUMMARIZE THE DEPRECIATION STUDY RESULTS WITH  
2 RESPECT TO DEPRECIATION RATES.

3 A. Exhibit DAW-1, Appendix A shows the approved and proposed annual  
4 depreciation rates and accrual for each account. Based on this comparison there is  
5 an overall increase in annual depreciation expense of \$1.1 million. This is  
6 comprised of an increase of approximately \$4.5 thousand for Production Plant; a  
7 decrease of (\$31.5) thousand for Storage Plant; an increase of \$141 thousand for  
8 Transmission Plant; an increase of \$702 thousand for Distribution Plant; and an  
9 increase of \$325 thousand for General Plant (depreciated and amortized).

10 Q. WHAT FACTORS INFLUENCE THE DEPRECIATION RATES FOR AN  
11 ACCOUNT?

12 A. The primary factors that influence the depreciation rate for an account are: (1) the  
13 remaining investment to be recovered in the account, (2) the depreciable life of  
14 the account, and (3) the net salvage for the account.

15 Q. DO YOU HAVE AN INITIAL OBSERVATION ABOUT ATMOS  
16 ENERGY'S DEPRECIATION EXPENSE IN GENERAL?

17 A. Yes. Atmos Energy's depreciation expense is increasing from previously  
18 approved levels.

19 Q. WHY IS ATMOS ENERGY'S DEPRECIATION EXPENSE  
20 INCREASING?

21 A. Minor adjustments in life and net salvage factors for various accounts influenced  
22 the depreciation expense change as discussed later and in Exhibit DAW-1. The



1 minor adjustments in life and net salvage also impact the reserve position, which  
2 is contributing to the change in each function as described above.

3 **Q. WHAT METHOD DID YOU USE TO ANALYZE HISTORICAL DATA TO**  
4 **DETERMINE LIFE CHARACTERISTICS?**

5 A. Accounts were analyzed using both the retirement rate method (actuarial method)  
6 and simulated plant record balances analysis (SPR method) to estimate the life of  
7 property. In much the same manner as human mortality is analyzed by actuaries,  
8 depreciation analysts use models of property mortality characteristics that have  
9 been validated in research and empirical applications. Further detail is found in  
10 the life analysis section of Exhibit DAW-1.

11 **Q. HOW DID YOU DETERMINE THE AVERAGE SERVICE LIVES FOR**  
12 **EACH ASSET GROUP?**

13 A. The establishment of appropriate average service lives for each account was  
14 determined by using either the Actuarial or the SPR balances analysis methods.  
15 Graphs illustrating the chosen Iowa Curves used to determine the average service  
16 lives for analyzed accounts are found in the Life Analysis section of my Exhibit  
17 DAW-1. A summary of the depreciable life for each account is shown in Exhibit  
18 DAW-1, Appendix C.

19 **Q. PLEASE DESCRIBE SOME OF THE CHANGES IN THE AVERAGE**  
20 **SERVICE LIVES FOR THE VARIOUS ACCOUNTS?**

21 A. The detailed analysis of each account is described fully in Exhibit DAW-1.  
22 Examples of some of the changes in average service lives are:

- 1           • The two largest decreases were a change in life of 25 years for Accounts  
2           36700 – Transmission Cathodic Protection and Account 37600 –  
3           Distribution Cathodic Protection which were previously modeled as part  
4           of the overall 367 and 376 Mains accounts. The life of these two accounts  
5           were changed to reflect the actual expected life of the anodes, rectifiers,  
6           and leak clamps which are the assets that make up the accounts that are  
7           installed with the mains but have a much lower life expectancy than mains  
8           and no current mechanism to properly record retirements.
- 9           • The largest increases were changes in life of 17 years in the Storage  
10          Function, which relate to the rights and wells. Account 356 – Purification  
11          Equipment increased by 16 years. Account 35103 – Measuring and  
12          Regulating increased by 15 years. Finally, Account 390 Structures &  
13          Improvements increased by 25 years.
- 14          • Overall, 16 accounts experienced some level of decrease in average  
15          service life while 34 accounts experienced a lengthening of average  
16          service life and the remaining 18 remained unchanged..

17   **Q.   WHAT IS NET SALVAGE?**

18   A.   While discussed more fully in the study itself, net salvage is the difference  
19       between the gross salvage (what the asset was sold for) and the removal cost (cost  
20       to remove and dispose of the asset). Salvage and removal cost percentages are  
21       calculated by dividing the current cost of salvage or removal by the original  
22       installed cost of the asset. Some plant assets can experience significant negative  
23       removal cost percentages due to the amount of removal cost and the timing of the

1 addition versus the retirement. For example, a Distribution asset in FERC  
2 Account 376 with a current installed cost of \$500 (2012) would have had an  
3 installed cost of \$30<sup>1</sup> in 1957. A removal cost of \$50 for the asset calculated  
4 (incorrectly) on current installed cost would only have a negative 10 percent  
5 removal cost (\$50/\$500). However, a correct removal cost calculation would  
6 show a negative 166.6 percent removal cost for that asset (\$50/\$30). Inflation  
7 from the time of installation of the asset until the time of its removal must be  
8 taken into account in the calculation of the removal cost percentage because the  
9 depreciation rate, which includes the removal cost percentage, will be applied to  
10 the original installed cost of assets.

11 **Q. HOW DID YOU DETERMINE THE NET SALVAGE PERCENTAGES**  
12 **FOR EACH ASSET GROUP?**

13 A. Using the normal or traditional approach, the net salvage as a percent of  
14 retirements for various bands (i.e. groupings of years such as the five-year or 10-  
15 year average) for each account is shown in my Exhibit DAW-1. The historical  
16 experience, input from company experts and judgment were used to select a net  
17 salvage percentage that represents the future expectations for each account.

18 **Q. PLEASE DESCRIBE SOME OF THE CHANGES IN THE NET SALVAGE**  
19 **PERCENTAGES FOR THE VARIOUS ACCOUNTS?**

20 A. The detailed analysis of each account is described fully in Exhibit DAW-1.  
21 Examples of some of the changes in net salvage are:

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<sup>1</sup>Using the Handy-Whitman Bulletin No. 176, G-2, line 44,  $\$30 = \$500 \times 47/787$ .

- 1           • The largest increase (i.e. less negative) in net salvage was in Account  
2           36700 – Transmission Cathodic Protection and Account 37600 –  
3           Distribution Cathodic Protection. Due to the nature of the assets, as  
4           explained above, they will not be retired and removed but are consumed.  
5           The existing net salvage rates were modeled with the actual mains. Net  
6           salvage moved from an aggregate negative 20 percent to zero percent  
7           specifically for cathodic protection assets.
- 8           • The largest decrease (i.e. more negative or less positive) is in Account 382  
9           – Meter Installations and Account 383 House Regulators. This change is  
10          due to the increase in cost of removal being recorded for retiring a meter  
11          and regulator, which caused net salvage to change from negative 25  
12          percent to negative 50 percent. Also of note is the change in Account 378  
13          – Measuring and Regulating Equipment, which moved from a negative 5  
14          percent to a negative 25 percent based on historical experience.
- 15          • Overall, 12 accounts experienced some level of increase (less negative) in  
16          net salvage while 20 accounts experienced a decrease (more negative or  
17          less positive) in net salvage, 35 accounts remained unchanged, and 1  
18          account where no comparison could be made.

19   **Q.    IS THIS APPROACH TO NET SALVAGE THE MOST APPROPRIATE**  
20   **FOR SETTING DEPRECIATION RATES IN A REGULATED SETTING?**

21   A.    Yes. The utilized approach matches the costs of assets to the customers’ use of  
22   the assets on a straight-line basis and is a conservative estimate of the future cash  
23   flow requirements needed to remove the Company’s assets at the end of their

1 lives. This method has been and is still used by nearly all utilities across the  
2 country for many years and it is backed by sound depreciation theory.

3  
4 **IV. KY MID-STATES GENERAL OFFICE DEPRECIATION STUDY**

5 **Q. DID ALLIANCE PREPARE A 2012 DEPRECIATION STUDY FOR**  
6 **ATMOS KENTUCKY MID-STATES GENERAL OFFICE?**

7 A. Yes. We have conducted a study as of September 30, 2012. The study  
8 recommendations and results are attached to my direct testimony as Exhibit  
9 DAW-2.

10 **Q. ARE THE STEPS DESCRIBED ABOVE FOR THE KENTUCKY**  
11 **DEPRECIATION STUDY THE SAME FOR THE KY MID-STATES**  
12 **GENERAL OFFICE ASSETS?**

13 A. Yes. The same approach and methods were used for both studies with the  
14 exception of the implementation of Vintage Group Amortization.

15 **Q. WHAT PROPERTY IS INCLUDED IN THE KY MID-STATES GENERAL**  
16 **OFFICE DEPRECIATION STUDY?**

17 A. For KY Mid-States General Office, there is one general class of depreciable  
18 property which is related to general office activities. These assets include office  
19 buildings and leasehold improvements, office furniture, communications  
20 equipment, transportation equipment, computer software and hardware and other  
21 miscellaneous general office assets.

22 **Q. WHAT TIME PERIOD WAS USED TO DEVELOP THE PROPOSED**  
23 **DEPRECIATION RATES?**

1 A. The depreciation rates were developed based on the depreciable property recorded  
2 on KY Mid-States General Office books at September 30, 2012.

3 **Q. WHAT ARE THE RESULTS OF THE KY MID-STATES GENERAL**  
4 **OFFICE DEPRECIATION STUDY?**

5 A. The 2012 KY Mid-States General Office Depreciation Study is found in Exhibit  
6 DAW-2. The annual depreciation expense is approximately \$118 thousand per  
7 year, which is an unallocated increase of approximately \$4 thousand in annual  
8 depreciation expense. More details related to the study and results are found in  
9 Exhibit DAW-2.

10 **Q. WHAT ARE THE PRIMARY FORCES AFFECTING THE**  
11 **DEPRECIATION RATES RECOMMENDED IN THIS STUDY?**

12 A. Generally, depreciation rates are affected by three separate factors – changes in  
13 average service life, changes in net salvage, and the effect of reserve position.  
14 The KY Mid-States General Office depreciation rates have all three of these  
15 affecting the rates. However, due to the age and reserve position of the assets,  
16 numerous accounts are considered fully depreciated at this time.

17 **Q. ARE THERE ANY GENERAL OBSERVATIONS REGARDING THE**  
18 **LIFE AND NET SALVAGE PARAMETERS BEING RECOMMENDED IN**  
19 **THE STUDY YOU WOULD LIKE TO EXPLAIN?**

20 A. Yes. There is significant investment, over half, in the KY Mid-States General  
21 Office related to technology-based assets which generally have shorter life  
22 expectations than gas operational assets. Due to the book reserve and age of  
23 assets numerous accounts are considered fully depreciated. Additionally,

1 Account 39908 – Application Software was excluded due to its fully accrued  
2 status and expectation for little to no future additions. However, we have  
3 provided a whole life rate (1-net salvage/life), for all fully accrued accounts, to be  
4 applied should a depreciable balance exist prior to the next depreciation study  
5 when remaining life rates can be appropriately calculated. The proposed rates for  
6 all accounts are shown on Appendix A and Appendix B. A comparison of the  
7 mortality characteristics (average service life, curve, salvage and cost of removal)  
8 for each account is shown on Appendix C. Accounts 390, 392 and 396 are the  
9 only accounts experiencing or expected to incur any level of net salvage.  
10 Detailed discussions for each account can be found in Exhibit DAW-2.

11 **Q. WHAT ASSETS WERE ANALYZED FOR THE 2012 KY MID-STATES**  
12 **GENERAL OFFICE DEPRECIATION STUDY?**

13 A. The KY Mid-States General Office assets perform a common service to all of  
14 Atmos' KY Mid-States Division, including its regulated utility operations across  
15 multiple states, Kentucky being one of the states. The assets used to perform  
16 these common services were analyzed during the depreciation study. As  
17 previously stated these assets include, but are not limited to, office buildings,  
18 furniture and equipment, communication equipment, and any computer hardware  
19 or software utilized. The top three largest investments in KY Mid-States General  
20 Office are PC Hardware, Miscellaneous Equipment and Application Software.

21 **Q. WHAT DEPRECIATION RATES DOES THE COMPANY PROPOSE TO**  
22 **USE FOR KY MID-STATES GENERAL OFFICE ASSETS?**

23 A. The Company proposes to utilize the depreciation rates recommended in my

**ATMOS ENERGY CORPORATION  
KENTUCKY PROPERTIES  
DEPRECIATION RATE STUDY  
EXECUTIVE SUMMARY**

Atmos Energy Corporation (“Atmos” or “Company”) engaged Alliance Consulting Group to conduct a depreciation study of the Company’s Kentucky Properties (“Kentucky”) natural gas operations depreciable assets as of fiscal year end September 30, 2012.

The existing depreciation rates were based on the straight-line method, equal life group (“ELG”) procedure, and remaining-life technique and the same method, procedure and technique are retained in this study. This study recommends an increase of \$1.1 million in annual depreciation expense when compared to the depreciation rates currently in effect. Life estimates showed the following changes: 34 accounts have an increase in life, 16 accounts have a decrease in life, 14 accounts remained unchanged and there are four accounts for which no comparison is possible. Net salvage showed the following changes: 20 accounts have a decrease in net salvage (more negative), 12 accounts have an increase in net salvage (more positive or less negative), 32 accounts remained unchanged and there are four accounts for which no comparison is possible.

The depreciation study we conducted analyzed and developed depreciation recommendations at an account level resulting in annual depreciation accrual amounts and depreciation rates at that level. The depreciation study also reflects implementation of Vintage Group Amortization for certain General Plant accounts based on Accounting Release 15 (“AR-15”) issued by the Federal Energy Regulatory Authority (“FERC”). Appendix A demonstrates the change in depreciation expense.



1 depreciation study, which can be found in Exhibit DAW-2 on Appendix A and  
2 Appendix B.

3 **Q. HAS ALLIANCE QUANTIFIED THE DEPRECIATION EXPENSE FOR**  
4 **KY MID-STATES GENERAL OFFICE AS A RESULT OF THE**  
5 **DEPRECIATION STUDY IT PERFORMED?**

6 A. Yes. Based on September 30, 2012 plant balances, the annual depreciation  
7 expense related to KY Mid-States General Office is approximately \$118  
8 thousand, which is an unallocated increase over existing by only \$4 thousand in  
9 annual expense. The individual account depreciation rates and resulting annual  
10 depreciation expense can be found on Appendix A in Exhibit DAW-2.

11  
12 **V. SHARED SERVICES UNIT DEPRECIATION STUDY**

13 **Q. DID ALLIANCE PREPARE A 2010 DEPRECIATION STUDY FOR**  
14 **ATMOS SHARED SERVICES?**

15 A. Yes. We have conducted a study as of September 30, 2010. The study  
16 recommendations and results are attached to my direct testimony as Exhibit  
17 DAW-3.

18 **Q. ARE THE STEPS DESCRIBED ABOVE FOR THE KENTUCKY AND KY**  
19 **MID-STATES GENERAL OFFICE DEPRECIATION STUDIES THE**  
20 **SAME FOR THE SHARED SERVICES ASSETS?**

21 A. Yes. The same approach and methods were used for all the studies. I would note  
22 that consistent with the KY Mid-States General Office, Shared Services Unit did  
23 not implement Vintage Group Amortization.

1 Q. WHAT PROPERTY IS INCLUDED IN THE SHARED SERVICES UNIT  
2 DEPRECIATION STUDY?

3 A. For Shared Services, there is one general class of depreciable property which is  
4 related to general office activities. These assets include office buildings and  
5 leasehold improvements, office furniture, communications equipment,  
6 transportation equipment, computer software and hardware and other  
7 miscellaneous general office assets.

8 Q. WHAT TIME PERIOD WAS USED TO DEVELOP THE PROPOSED  
9 DEPRECIATION RATES?

10 A. The depreciation rates were developed based on the depreciable property recorded  
11 on Shared Services' books at September 30, 2010.

12 Q. WHAT ARE THE RESULTS OF THE ATMOS ENERGY SHARED  
13 SERVICES UNIT DEPRECIATION STUDY?

14 A. The 2010 Atmos Shared Services Unit Depreciation Study is found in Exhibit  
15 DAW-3. The unallocated annual depreciation and amortization expense for  
16 Atmos Energy SSU is approximately \$19.8 million per year. More details related  
17 to the study and results are found in Exhibit DAW-3.

18 Q. WHAT ARE THE PRIMARY FORCES AFFECTING THE  
19 DEPRECIATION RATES RECOMMENDED IN THIS STUDY?

20 A. Generally, depreciation rates are affected by three separate factors – changes in  
21 average service life, changes in net salvage, and the effect of reserve position.  
22 The SSU's depreciation rates only have two of these affecting the rates- average  
23 service life and reserve position.

1 Q. ARE THERE ANY GENERAL OBSERVATIONS REGARDING THE  
2 LIFE AND NET SALVAGE PARAMETERS BEING RECOMMENDED IN  
3 THE STUDY YOU WOULD LIKE TO EXPLAIN?

4 A. Yes. There is significant investment in the SSU related to technology-based  
5 assets which generally have shorter life expectations than gas distribution assets.  
6 Discussions with Company personnel indicated the Company has moved from a  
7 mainframe environment to a server environment. Four accounts (399.04, 399.05,  
8 399.09 and 399.24) are fully depreciated with the assets in the accounts expected  
9 to retire soon. No analysis or depreciation rates are provided for those four  
10 accounts in the 2010 Shared Services Unit Depreciation Study. The net salvage  
11 analyses for all Shared Services accounts indicate no salvage or cost of removal is  
12 being experienced, therefore a zero percent net salvage rate is recommended for  
13 each account in the SSU study. Detailed discussions for each account can be  
14 found in Exhibit DAW-3.

15 Q. WHAT ASSETS WERE ANALYZED FOR THE 2010 SHARED SERVICES  
16 UNIT DEPRECIATION STUDY?

17 A. The SSU assets perform a common service to all of Atmos Energy's divisions,  
18 including its regulated utility operations across multiple states, Kentucky being  
19 one of the states. The assets used to perform these common services were  
20 analyzed during the depreciation study. As previously stated these assets include,  
21 but are not limited to, office buildings, furniture and equipment, communication  
22 equipment, and any computer hardware or software utilized. The top three largest  
23 investments in SSU are the application software, server hardware, and

1 communication equipment. These assets are primarily located in the Company's  
2 home office in Dallas, Texas and the customer service centers in Amarillo, Texas  
3 and Waco, Texas.

4 **Q. WHAT DEPRECIATION RATES DOES THE COMPANY PROPOSE TO**  
5 **USE FOR SHARED SERVICES ASSETS?**

6 A. The Company proposes to utilize the depreciation rates proposed in the Alliance  
7 depreciation study, which can be found in Exhibit DAW-3 on Appendix A.

8 **Q. HAS ALLIANCE QUANTIFIED THE DEPRECIATION EXPENSE FOR**  
9 **SHARED SERVICES AS A RESULT OF THE IMPLEMENTATION OF**  
10 **THE PROPOSED DEPRECIATION RATES?**

11 A. Yes. Based on September 30, 2010 plant balances, the unallocated annual  
12 depreciation expense related to Shared Services is approximately \$19.8 million  
13 which can be found on Appendix A in Exhibit DAW-3. The direct impact to  
14 Atmos Energy Kentucky customers is addressed by Witness Mr. Josh Densman.

15 **Q. HAS THE COMPANY REQUESTED APPROVAL OF THE PROPOSED**  
16 **SHARED SERVICES DEPRECIATION RATES IN ANY OTHER**  
17 **STATES?**

18 A. Yes. The Company has made filings and received approval of the SSU  
19 depreciation rates shown in DAW-3 in Mississippi, Kansas, Texas, Tennessee,  
20 Virginia and Louisiana since the study's completion in June 2011. The SSU  
21 depreciation rates have been recently filed in the Company's Colorado  
22 jurisdiction and are pending approval.

23

1 **Q. WHEN WILL THE COMPANY CONDUCT ANOTHER SHARED**  
2 **SERVICES DEPRECIATION STUDY?**

3 A. The Company has plans to perform a depreciation study on Shared Services assets  
4 about every four years. The Company's objective is to have reasonable  
5 depreciation rates in place that recognize the expense of those assets over their  
6 useful lives. It is important that the depreciation rates be as reasonable as  
7 possible, so the cost can be assessed to the proper generation of customer.

8

9

**VI. CONCLUSION**

10 **Q. WHAT ACCOUNT DEPRECIATION RATES ARE YOU PROPOSING,**  
11 **AND HOW DO THEY COMPARE WITH THE CURRENT RATES?**

12 A. The current depreciation rates and the rates I am now proposing related to  
13 Kentucky are found in Appendix A of my Exhibit DAW-1. The proposed rates  
14 for KY Mid-States General Office are in Appendix A of my Exhibit DAW-2.  
15 Finally, the proposed rates for SSU are in Appendix A of my Exhibit DAW-3.  
16 Detailed calculations and comparisons of these rates are found in my studies,  
17 Exhibit DAW-1, DAW-2, and Exhibit DAW-3.

18 **Q. MR. WATSON, DO YOU HAVE ANY CONCLUDING REMARKS?**

19 A. Yes. The depreciation studies and analysis performed under my supervision fully  
20 support setting depreciation rates at the level I have indicated in my testimony.  
21 The Company should continue to periodically review the annual depreciation  
22 rates for its property. In this way, all customers are charged for their appropriate  
23 share of the capital expended for their benefit. The depreciation study for Atmos

1 Energy's Kentucky and KY Mid-States General Office depreciable property as of  
2 September 30, 2012 and the SSU depreciable property as of September 30, 2010  
3 describes the extensive analysis performed and the resulting rates that are now  
4 appropriate for Company property. The Company's depreciation rates should be  
5 set at my recommended amounts in order to recover the Company's total  
6 investment in property over the estimated remaining life of the assets.

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 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, Dane A. Watson, 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.

Dane A. Watson  
Dane A. Watson

STATE OF TEXAS  
COUNTY OF COLLIN

SUBSCRIBED AND SWORN to before me by Dane A. Watson on this the 2nd day of May, 2013.



Karri L. Alba  
Notary Republic  
My Commission Expires: 1/12/17

**List of Appearances Before Regulatory Bodies**  
**Dane A. Watson**

Attachment DAW-1

<b>Asset Location</b>	<b>Commission</b>	<b>Docket (If Applicable)</b>	<b>Company</b>	<b>Year</b>	<b>Description</b>
New Mexico	New Mexico Public Regulation Commission	12-00350-UT	Southwestern Public Service - NM	2012	Electric Depreciation Study
Texas	Texas Public Utility Commission	40824	Southwestern Public Service - TX	2012	Electric Depreciation Study
Alaska	Regulatory Commission of Alaska	U-12-141	Interior Telephone Company	2012	Telecommunications Utility
Michigan	Michigan Public Service Commission	U-17104	Michigan Gas Utilities Corporation	2012	Gas Depreciation Study
North Carolina	North Carolina Utilities Commission	E-2 Sub 1025	Progress Energy Carolina	2012	Electric Depreciation Study
Texas	Texas Public Utility Commission	40606	Wind Energy Transmission Texas	2012	Electric Depreciation Study
Texas	Texas Public Utility Commission	40604	Crosss Texas Transmission	2012	Electric Depreciation Study
Minnesota	Minnesota Public Utilities Commission	12-858	Northern States Power	2012	Electric, Gas and Common Transmission, Distribution and General
Texas	Railroad Commission of Texas	10170	Atmos Mid-Tex	2012	Gas Depreciation Study
Texas	Railroad Commission of Texas	10174	Atmos West Texas	2012	Gas Depreciation Study
Texas	Railroad Commission of Texas	10182	CenterPoint Beaumont/ East Texas	2012	Gas Depreciation Study
Kansas	Kansas Corporation Commission	12-KCPE-764-RTS	Kansas City Power and Light	2012	Electric Depreciation Study
Nevada	Public Utility Commission of Nevada	12-04005	Southwest Gas	2012	Gas Depreciation Study
Texas	Railroad Commission of Texas	10147, 10170	Atmos Mid-Tex	2012	Gas Depreciation Study
Kansas	Kansas Corporation Commission	12-ATMG-564-RTS	Atmos Kansas	2012	Gas Depreciation Study
Texas	Texas Public Utility Commission	40020	Lone Star Transmission	2012	Electric Depreciation Study
Michigan	Michigan Public Service Commission	U-16938	Consumers Energy Company	2011	Gas Depreciation Study
Colorado	Public Utilities Commission of Colorado	11AL-947E	Public Service of Colorado	2011	Electric Depreciation Study
Texas	Texas Public Utility Commission	39896	Entergy Texas	2011	Electric Depreciation Study
MultiState	FERC	ER12-212	American Transmission Company	2011	Electric Depreciation Study
California	California Public Utilities Commission	A1011015	Southern California Edison	2011	Electric Depreciation Study
MultiState			Atmos Energy	2011	Shared Services Depreciation Study
Texas	Texas Commission on Environmental Quality	Matter 37050-R	Southwest Water Company	2011	WasteWater Depreciation Study
Texas	Texas Commission on Environmental Quality	Matter 37049-R	Southwest Water Company	2011	Water Depreciation Study
Michigan	Michigan Public Service Commission	U-16536	Consumers Energy Company	2011	Wind Depreciation Rate Study
Texas	Public Utility Commission of Texas	38929	Oncor	2011	Electric Depreciation Study
Texas	Railroad Commission of Texas	10038	CenterPoint South TX	2010	Gas Depreciation Study
Alaska	Regulatory Commission of Alaska	U-10-070	Inside Passage Electric Cooperative	2010	Electric Depreciation Study
Texas	Public Utility Commission of Texas	36633	City Public Service of San Antonio	2010	Electric Depreciation Study
Texas	Texas Railroad Commission	10000	Atmos Pipeline Texas	2010	Gas Depreciation Study
Multi State – SE US	FERC	RP10-21-000	Florida Gas Transmission	2010	Gas Depreciation Study
Maine/ New Hampshire	FERC	10-896	Granite State Gas Transmission	2010	Gas Depreciation Study
Texas	Public Utility Commission of Texas	38480	Texas New Mexico Power	2010	Electric Depreciation Study
Texas	Public Utility Commission of Texas	38339	CenterPoint Electric	2010	Electric Depreciation Study
California	California Public Utility Commission	A10071007	California American Water	2009-2010	Water and Waste Water Depreciation Study
Texas	Texas Railroad Commission	10041	Atmos Amarillo	2010	Gas Depreciation Study
Georgia	Georgia Public Service Commission	31647	Atlanta Gas Light	2010	Gas Depreciation Study
Texas	Public Utility Commission of Texas	38147	Southwestern Public Service	2010	Electric Technical Update
Alaska	Regulatory Commission of Alaska	U-09-015	Alaska Electric Light and Power	2009-2010	Electric Depreciation Study



**List of Appearances Before Regulatory Bodies**  
Dane A. Watson

Attachment DAW-1

<b>Asset Location</b>	<b>Commission</b>	<b>Docket (If Applicable)</b>	<b>Company</b>	<b>Year</b>	<b>Description</b>
Alaska	Regulatory Commission of Alaska	U-10-043	Utility Services of Alaska	2009-2010	Water Depreciation Study
Tennessee	Tennessee Regulatory Authority	09-000183	AGL – Chattanooga Gas	2009	Gas Depreciation Study
Michigan	Michigan Public Service Commission	U-16055	Consumers Energy/DTE Energy	2009-2010	Ludington Pumped Storage Depreciation Study
Michigan	Michigan Public Service Commission	U-16054	Consumers Energy	2009-2010	Electric Depreciation Study
Michigan	Michigan Public Service Commission	U-15963	Michigan Gas Utilities Corporation	2009	Gas Depreciation Study
Michigan	Michigan Public Service Commission	U-15989	Upper Peninsula Power Company	2009	Electric Depreciation Study
Texas	Railroad Commission of Texas	9869	Atmos Energy	2009	Shared Services Depreciation Study
Mississippi	Mississippi Public Service Commission	09-UN-334	CenterPoint Energy Mississippi	2009	Gas Depreciation Study
Texas	Railroad Commission of Texas	9902	CenterPoint Energy Houston	2009	Gas Depreciation Study
Wyoming	Wyoming Public Service Commission	30022-148-GR10	Source Gas	2009-2010	Gas Depreciation Study
Colorado	Colorado Public Utilities Commission	09AL-299E	Public Service of Colorado	2009	Electric Depreciation Study
Louisiana	Louisiana Public Service Commission	U-30689	Cleco	2008	Electric Depreciation Study
Texas	Public Utility Commission of Texas	35763	SPS	2008	Electric Production, Transmission, Distribution and General Plant Depreciation Study
Wisconsin	Wisconsin	05-DU-101	WE Energies	2008	Electric, Gas, Steam and Common Depreciation Studies
North Dakota	North Dakota Public Service Commission	PU-07-776	Northern States Power	2008	Net Salvage
New Mexico	New Mexico Public Regulation Commission	07-00319-UT	SPS	2008	Testimony – Depreciation
Multiple States	Railroad Commission of Texas	9762	Atmos Energy	2007-2008	Shared Services Depreciation Study
Colorado	Colorado Public Utilities Commission	10AL-963G	Public Service of Colorado	2007-2008	Gas Depreciation Study
Minnesota	Minnesota Public Utilities Commission	E015/D-08-422	Minnesota Power	2007-2008	Electric Depreciation Study
Texas	Public Utility Commission of Texas	35717	Oncor	2008	Electric Depreciation Study
Texas	Public Utility Commission of Texas	34040	Oncor	2007	Electric Depreciation Study
Michigan	Michigan Public Service Commission	U-15629	Consumers Energy	2006-2009	Gas Depreciation Study
Colorado	Colorado Public Utilities Commission	06-234-EG	Public Service of Colorado	2006	Electric Depreciation Study
Arkansas	Arkansas Public Service Commission	06-161-U	CenterPoint Energy – Arkla Gas	2006	Gas Distribution Depreciation Study and Removal Cost Study
Texas, New Mexico	Public Utility Commission of Texas	32766	Xcel Energy	2005-2006	Electric Production, Transmission, Distribution and General Plant Depreciation Study
Texas	Railroad Commission of Texas	9670/9676	Atmos Energy Corp	2005-2006	Gas Distribution Depreciation Study

**ATMOS ENERGY CORPORATION  
KENTUCKY PROPERTIES**

**DEPRECIATION RATE STUDY**

**As of September 30, 2012**



<http://www.utilityalliance.com>

**ATMOS ENERGY CORPORATION**  
**KENTUCKY PROPERTIES**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2012**  
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## PURPOSE

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on Atmos' books at September 30, 2012. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of Atmos' property on a straight-line basis. Non-depreciable property and property which is amortized such as intangible assets were excluded from this study.

Atmos Energy provides local gas distribution service to approximately 190,000 customers in Kentucky. Its assets currently consist of various production, storage, transmission, and distribution assets, including over 2,489 miles of steel and 1,125 miles of plastic gas distribution mains, located across the service area. It has a number of receipt points or city gates, throughout the system where gas enters the distribution system and is then delivered to customers for burner tip consumption.

## STUDY RESULTS

The existing and current study of annual depreciation expense results from the use of Iowa Curve dispersion patterns with the straight-line method, equal life group ("ELG") procedure and remaining-life technique, and consideration of net salvage in the development of the study recommended depreciation rates. Detailed information for each of these factors will follow in this report.

Overall depreciation rates for Kentucky depreciable property are shown in Appendix A. The recommended rates translate into an annual depreciation accrual of approximately \$14 million based on Kentucky's depreciable investment at September 30, 2012. The annual equivalent depreciation expense calculated by the same method using the currently approved rates was \$12.9 million. The primary driver for the increase in the annual depreciation expense when compared to the existing is related to the Distribution and General Plant Functions.

Consistent with FERC Rule AR-15, this depreciation study develops depreciation expense for Vintaged Group Amortization in Accounts 391 through 399, excluding 392, 396, and 397.05. This process provides for the amortization of general plant over the same life as recommended in this study (with a separate three-year amortization to allocate any deficit or excess reserves). Implementation of this approach provides for the timely retirement of assets, at the end of the amortized life property will be retired from the books and simplifies accounting for general property. The FERC and numerous other Public Utility Commissions around the country have approved this approach since the early 1990's.

Appendix A presents a comparison of the composite existing rates versus the recommended study rates. Appendix B presents the development of the depreciation rates and annual accruals. Appendix C presents the mortality and net salvage parameters by account. Appendix D shows net salvage history by plant account.

## GENERAL DISCUSSION

### Definition

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

### Basis of Depreciation Estimates

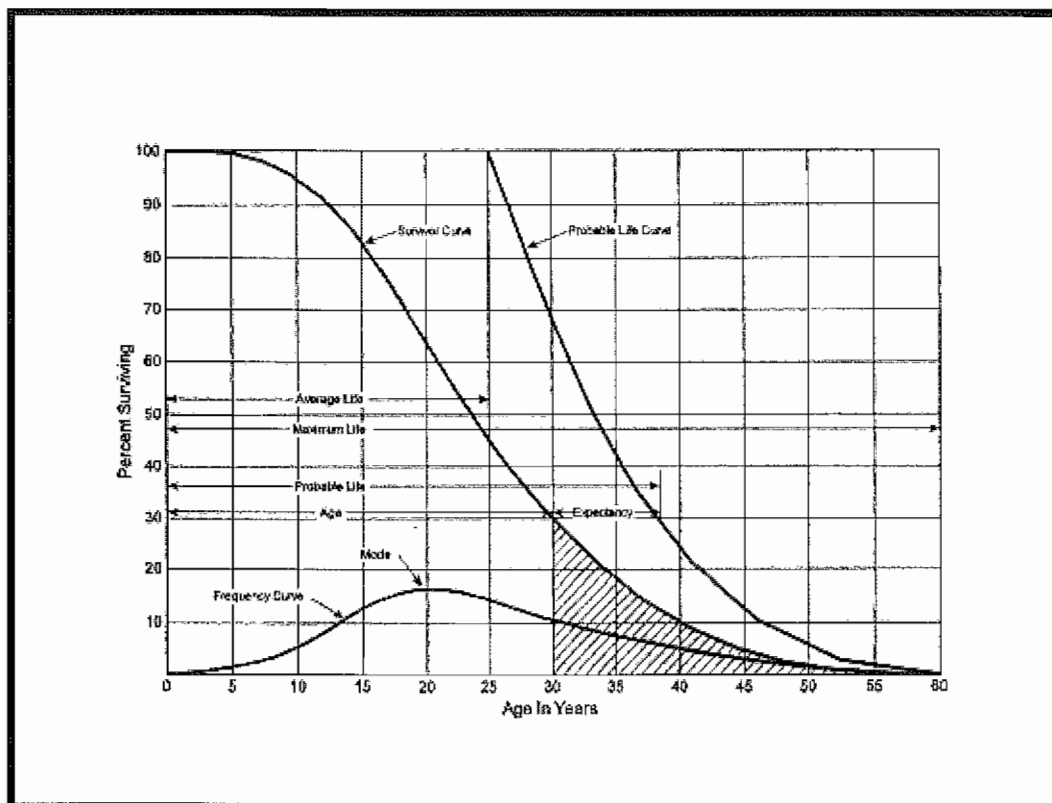
Annual and accrued depreciation were calculated in this study by the straight-line, broad group, remaining-life depreciation system. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset group less allocated depreciation reserve less estimated net salvage by its respective average remaining life. The resulting annual accrual amounts of all depreciable property within a function were accumulated and the total was divided by the original cost of all functional depreciable property to determine the depreciation rate. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group, and were computed in a direct weighting by multiplying each vintage or account balance times its remaining life and dividing by the plant investment in service as of September 30, 2012. The computations of the annual depreciation rates are shown in Appendix B and remaining life calculations are provided in the workpapers.

A variety of life estimation approaches were incorporated into the life analyses.

Both Simulated Plant Record (SPR) analysis and Actuarial Analysis are commonly used mortality analysis techniques for gas utility property. Historically, Atmos has used SPR analysis to evaluate lives of most asset groups. The SPR balances approach was used with each account within a function where sufficient activity occurred within the account. Where vintage information is available, actuarial analysis was performed. For the accounts using actuarial analysis experience bands varied depending on the amount of data. Judgment was used to a greater or lesser degree on all accounts. Each approach used in this study is more fully described in a later section.

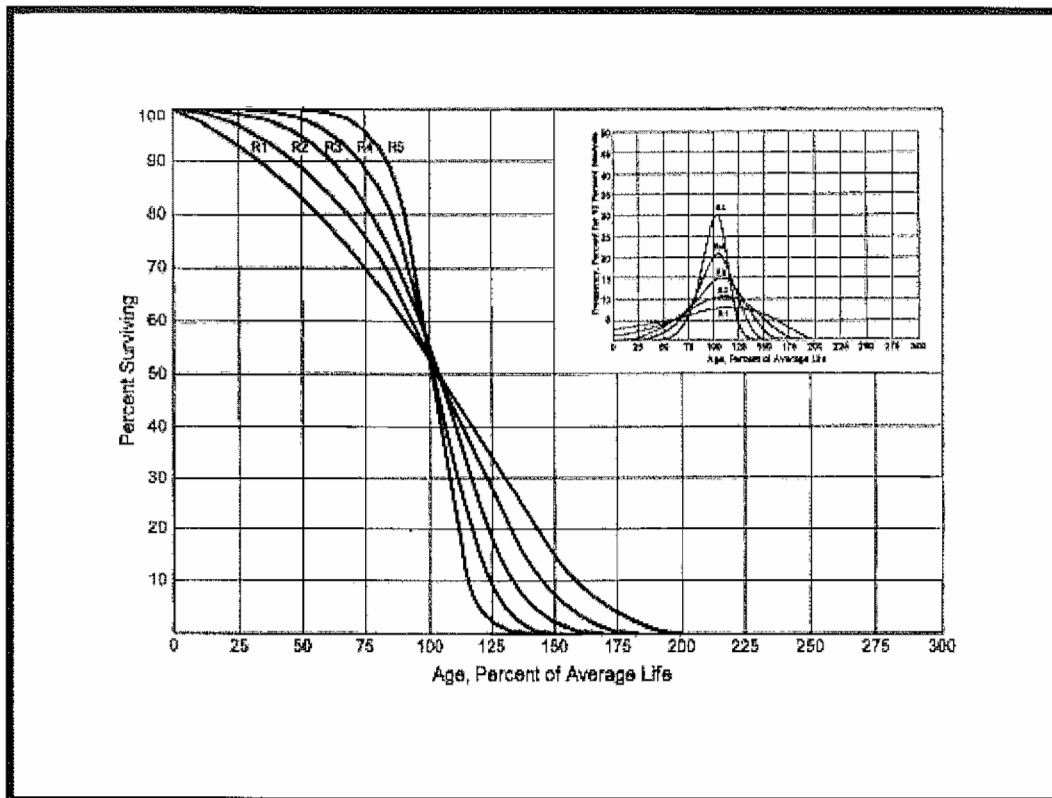
## Survivor Curves

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.





There are four families in the lowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of "R" moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency)

while a "1" indicates a large dispersion about the mode (i.e., low mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique average service life. The blending of judgment concerning current conditions and future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

### **Actuarial Analysis**

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Consistent with the prior study some accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. Matching data in observed life tables for each experience and placement band to an Iowa Curve requires visual examination. As stated in Depreciation Systems by Wolf and Fitch, "the analyst must decide which points or sections of the

curve should be given the most weight. Points at the end of the curve are often based on fewer exposures and may be given less weight than those points based on larger samples” (page 46). Some analysts chose to use mathematical fitting as a tool to narrow the population of curves using a least squares technique. Use of the least squares approach does not imply a statistical validity, however, because the underlying data does not meet criteria for independence between vintages and the same average price for property units through time. Thus, Depreciation Systems cautions, “... the results of mathematical fitting should be checked visually and the final determination of best fit made by the analyst” (page 48). This study uses the visual matching approach to match Iowa Curves, since mathematical fitting produces theoretically possible curve matches. Visual examination and experienced judgment allow the depreciation professional to make the final determination as to the best curve type.

Detailed information for each account is shown later in this study and in workpapers.

### **Simulated Plant Record Procedure (“SPR”)**

The SPR - Balances approach is one of the commonly accepted approaches to analyze mortality characteristics of utility property. SPR was applied to all accounts due to the unavailability of sufficient vintaged transactional data. In this method, an Iowa Curve and average service life are selected as a starting point of the analysis and its survivor factors are applied to the actual annual additions to give a sequence of annual balance totals. These simulated balances are compared with the actual balances by using both graphical and statistical analysis. Through multiple comparisons, the mortality characteristics (as defined by an average life and Iowa Curve) that are the best match to the property in the account can be found. The Conformance Index (CI) is one measure used to evaluate SPR analyses. CIs are also used to evaluate the "goodness of fit" between the actual data and the Iowa Curve being referenced. The sum of squares difference (SSD) is a summation of

the difference between the calculated balances and the actual balances for the band or test year being analyzed. This difference is squared and then summed to arrive at the SSD, where n is the number of years in the test band.

$$SSD = \sum_i^n (\text{Calculated Balance}_i - \text{Observed Balance}_i)^2$$

This calculation can then be used to develop other calculations, which the analyst feels might give a better indication for the “goodness of fit” for the representative curve under consideration. The residual measure (RM) is the square root of the average squared differences as developed above. The residual measure is calculated as follows:

$$RM = \sqrt{\left( \frac{SSD}{n} \right)}$$

The conformance index (CI) is developed from the residual measure and the average observed plant balances for the band or test year being analyzed. The calculation of conformance index is shown below:

$$CI = \frac{\sum_i^n \text{Balances}_i / n}{RM}$$

The retirement experience index (REI) gives an indication of the maturity of the account and is the percent of the property retired from the oldest vintage in the band at the end of the test year. Retirement indices range from 0 percent to 100 percent and a REI of 100 percent indicates that a complete curve was used. A retirement index less than 100 percent indicates that the survivor curve was truncated at that point. The originator of the SPR method, Alex Bauhan, suggests ranges of value for the CI and REI. The relationship for CI proposed by Bauhan is shown below<sup>1</sup>:

---

<sup>1</sup> Public Utility Depreciation Practices, p. 96.

CI	Value
Over 75	Excellent
50 to 75	Good
25 to 50	Fair
Under 25	Poor

The relationship for REI proposed by Bauhan<sup>2</sup> is shown below:

REI	Value
Over 75	Excellent
50 to 75	Good
33 to 50	Fair
17 to 33	Poor
17 and below	Valueless

Depreciation analysts have used these measures in analyzing SPR results for nearly 60 years, since the SPR method was developed. Both the CI and REI statistics provide the analyst with important information with which to make a comparison between a band of simulated or calculated balances and the observed or actual balances in the account being studied. It is important to understand that observing the pattern of best-fitting curves over various bands, as well as considering other company and asset-specific information, is important in the ultimate decision for the most appropriate live and curve combination that will reflect future retirements of each account.

Statistics are useful in analyzing mortality characteristics of accounts, as well as determining a range of service lives to be analyzed using the detailed graphical method. However, these statistics boil all the information down to one, or at most, a few numbers for comparison. Visual matching through comparison between actual and calculated balances expands the analysis by permitting the analyst to view many points of data at a time. The goodness of fit should be visually compared to plots of other Iowa Curve dispersions and average lives for the selection of the appropriate curve and life. Detailed information for each account is shown later in this study and in workpapers.

### **Judgment**

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis (potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. In these cases, it is rare for one factor to individually have a, substantial impact on the analysis. However, individual factors may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing upon which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for the Storage, Transmission, Distribution and General accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the SPR balance methods. The appropriateness of lives and curves depends not only on statistical analyses,

but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

### **Equal Life Group Depreciation**

Atmos agreed that the continued use of the ELG depreciation procedure was appropriate. In addition to being approved by this Commission for the Company's currently authorized rates, the Railroad Commission of Texas has approved the use of ELG in five separate proceedings for Atmos Mid-Tex assets (GUD Dockets 9145-9148, 9400, 9670, 9762, and 9869). The ELG procedure has also been repeatedly approved for use by Atmos Energy's Pipeline Texas assets (GUD 8664, 8976, 9400, and 10000). The ELG procedure was recently approved for Atmos West Texas Division in GUD Docket 10041. ELG was also approved for CenterPoint gas assets in two dockets, CenterPoint Houston (GUD 9902) and CenterPoint South Texas (GUD 10038). This study uses the ELG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ELG groups are defined by their respective account dispersion, life, and net salvage estimates. A straight-line rate for each ELG group is computed and accumulated across each vintage. The resulting rate for each ELG group is designed to recover all retirements less net salvage as each vintage retires. The ELG procedure recovers net book cost over the life of each ELG group rather than averaging many components. It also closely matches the concept of component or item accounting found in all accounting textbooks.

### **Theoretical Depreciation Reserve**

The Company's book depreciation reserves were reallocated within each function by plant account based on the theoretical reserves for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each vintage. The equal life group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within the vintage is retired. Estimated average service lives and dispersion determine the amount within each equal life group. The equal life group-remaining-life theoretical reserve ratio (RRELG) is calculated as:

$$RRELG = 1 - \frac{(ELG \text{ Remaining Life})}{(ELG \text{ Life})} * (1 - \text{Net Salvage Ratio})$$



## DETAILED DISCUSSION

### Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of depreciation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis section, the salvage analysis section, and also in workpapers.

Phase 2 was where the SPR analysis was performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables for life analysis. These tables were visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

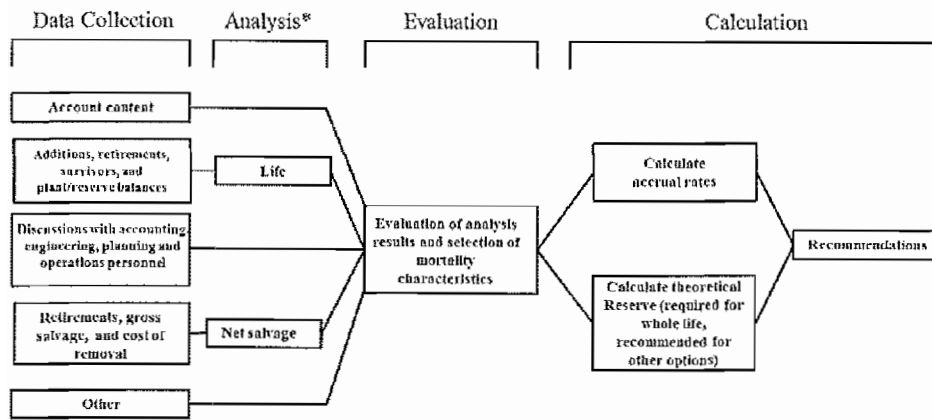
Phase 3 was the evaluation process which synthesized analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 was further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allowed the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in the final report. The calculation of accrual rates is found in Appendix A. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1<sup>3</sup> documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analysis, evaluation of statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

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<sup>3</sup>Public Utility Finance & Accounting, A Reader

### Book Depreciation Study Flow Diagram



Source: Public Utility Finance & Accounting: A Reader (Modified)

\*Although not specifically noted, the mathematical analysis may need some level of input from other sources (for example, to determine analysis bands for life and adjustments to data used in all analysis).

Figure 1

## KENTUCKY DEPRECIATION STUDY PROCESS

**Depreciation Rate Calculation**

Annual depreciation expense amounts for the depreciable accounts of the Company were calculated by the straight line, equal life group, remaining life system. With this approach, remaining lives were calculated according to standard ELG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense. These calculations are shown in Appendix B.

**Remaining Life Calculation**

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using either the retirement rate actuarial or the SPR methods. After establishment of appropriate average service lives and retirement dispersion, remaining life was computed for each account. Theoretical depreciation reserve with zero net salvage was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the General Discussion section. The difference between plant balance and theoretical reserve was then spread over the ELG depreciation accruals. Remaining life is shown for each account in Appendix B.

**Calculation Process**

Annual depreciation expense amounts for all accounts were calculated by the straight line, remaining life procedure.

In a whole life representation, the annual accrual rate is computed by the following equation,

$$\text{Annual Accrual Rate} = \frac{(100\% - \text{Net Salvage Percent})}{\text{Average Service Life}}$$

Use of the remaining life depreciation system adds a self-correcting mechanism, which accounts for any differences between theoretical and book depreciation reserve over the remaining life of the group. With the straight line, remaining life, equal life group system using Iowa Curves, composite remaining lives were calculated according to standard broad group expectancy techniques, noted in the formula below:

$$\text{Composite Remaining Life} = \frac{\sum \text{Original Cost} - \text{Theoretical Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the composite remaining life to yield the annual depreciation expense as noted in this equation.

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost} - \text{Book Reserve} - (\text{Original Cost}) * (1 - \text{Net Salvage \%})}{\text{Composite Remaining Life}}$$

Where the net salvage percent represents future net salvage.

Within a group, the sum of the group annual depreciation expense amounts, as a percentage of the depreciable original cost investment summed, gives the annual depreciation rate as shown below:

$$\text{Annual Depreciation Rate} = \frac{\sum \text{Annual Depreciation Expense}}{\sum \text{Original Cost}}$$

These calculations are shown in Appendix B. The calculations of the theoretical depreciation reserve values and the corresponding remaining life

calculations are shown in workpapers. Book depreciation reserves were allocated from a functional level to individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

### **Life Analysis**

The simulated plant record method SPR semi-actuarial analysis method was applied to most accounts for Kentucky. For each account where used, a simulated plant record method analysis was performed at intervals for the overall band and at various (usually 10 and/or 5-year) intervals within the overall balance period. In addition to reviewing the SPR analysis for each band and account, where possible, a graphical comparison between actual and simulated balances was performed.

The retirement rate actuarial analysis method was applied to those accounts where vintage retirement detail is available. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. The observed life table, a selected placement and experience bands, is shown in Appendix C. The remainder of placement and experience band analyses performed is contained in the workpapers.

For each account on the overall band (i.e. placement from earliest vintage year through 2012 and experience band from earliest available experience year through 2012, most recently approved survivor curves were used as a starting point. Then using the same life, various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S. or R) as an obviously better match than others. The next step would be to determine the most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. Generally, the goal of visual matching was to minimize the differential

between the observed life table and lowa curve in top and mid-range of the plots. When adequate activity is present a graph of the observed life table versus the proposed life and curve is provided for each account where the actuarial life analysis was used.

These results are used in conjunction with all other factors that may influence asset lives.

**Production Plant – FERC Accounts 325.20 – 336.00**

The Company does not have active production operations. The assets in the Production function are used to either support other functions, will be transferred, or are fully depreciated and expected to retire.

**Account 325.20 & 325.40 Production Leaseholds and Rights of Way (50 R5)**

There is approximately \$86 thousand in this account. The existing life is 50 R5. This study recommends retaining the 50 year life and R5 dispersion.

**Account 331.00 Producing Gas Wells (50 R5)**

There is approximately \$3 thousand in this account. This account is fully accrued. There is no existing life. This study recommends a 50 year life and R5 dispersion.

**Account 332.01 & 332.02 Field and Tributary Lines (50 R5)**

There is approximately \$575 thousand in this account. These accounts are fully accrued. This study recommends a 50 year life and R5 dispersion.

**Account 334.00 Field Measuring and Regulating (50 R5)**

There is approximately \$192 thousand in this account. There is no existing life. This study recommends a 50 year life and R5 dispersion.



**Account 336.00 Purification Equipment (50 R5)**

There is approximately \$44 thousand in this account. The existing life is 50 R5. This study recommends retaining the 50 year life and R5 dispersion.

**Storage Plant – FERC Accounts 350.20 – 356.00**

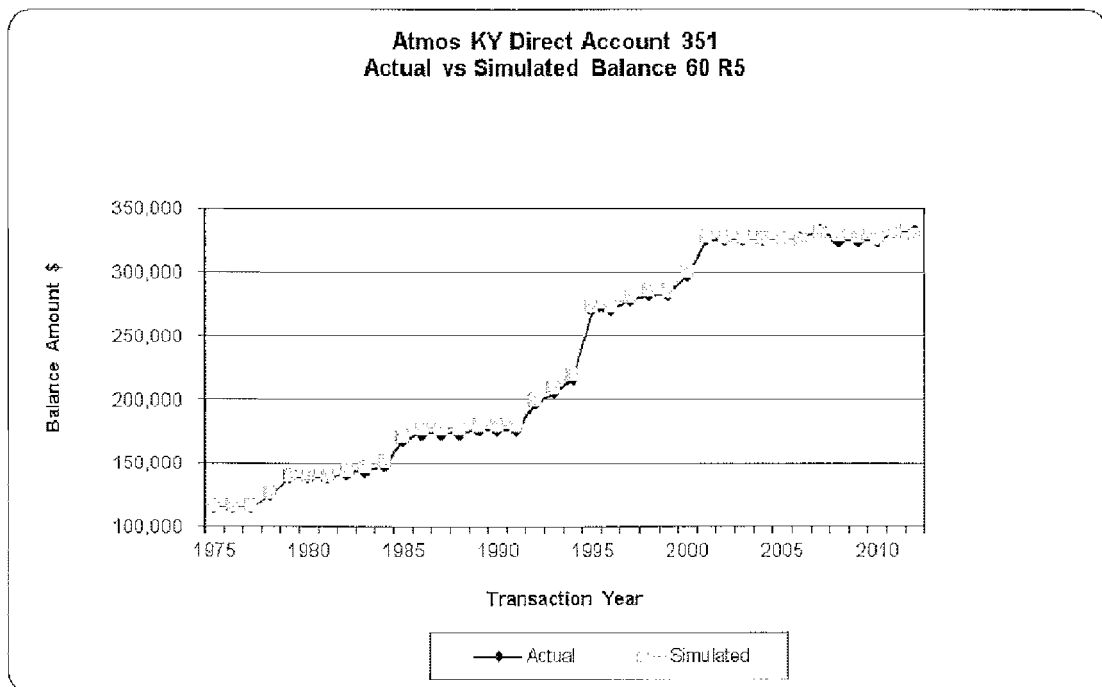
There are 5 storage fields with old gas wells. There are approximately 55 wells between the 5 fields. One well, Bon Harbor was recently retired (around 2009-2010).

**Account 350.20 Rights-of-Way (50 R5)**

This account includes the cost of rights of way used in connection with storage plant operations. There is approximately \$5 thousand in this account. The existing life is 50 R5. This study recommends retaining the 50 year life and R5 dispersion.

**Account 351.00-351.04 Structures & Improvements, Compressor Station Equipment, Measuring & Regulating Stations, and Other Structures (60 R5)**

These accounts include the cost of structures and improvements, compressor station equipment, measuring and regulating stations, fencing and other structures used in connection with storage plant operations. There is approximately \$332 thousand in total for these accounts. The accounts were analyzed together but for rate calculation purposes each account depreciation rate has been calculated separately. Based on the combined SPR analysis, the best ranked curves indicated an increased life with a steeper dispersion pattern. Based upon the analysis and discussions with Company personnel, this study recommends increasing the life to 60 years and moving to the steeper R5 dispersion. A comparison of actual versus simulated balances is shown below for the 60 R5.



**Account 351.00 Structures & Improvements (60 R5)**

This account includes the cost of structures and improvements used in connection with storage plant operations. There is approximately \$18 thousand in this account. The existing life is 50 R2. Based on the combined SPR analysis as described above, an increase to 60 years with the steeper R5 dispersion is recommended. See graph of the combined account actual versus simulated balances shown above.

**Account 351.02 Compressor Station Equipment (60 R5)**

This account includes the cost of compressor station equipment used in connection with storage plant operations. There is approximately \$153 thousand in this account. The existing life is 50 R2. Based on the combined SPR analysis as described above, an increase to 60 years with the steeper R5 dispersion is recommended. See graph of the combined account actual versus simulated balances shown above.

**Account 351.03 Measuring and Regulating Station (60 R5)**

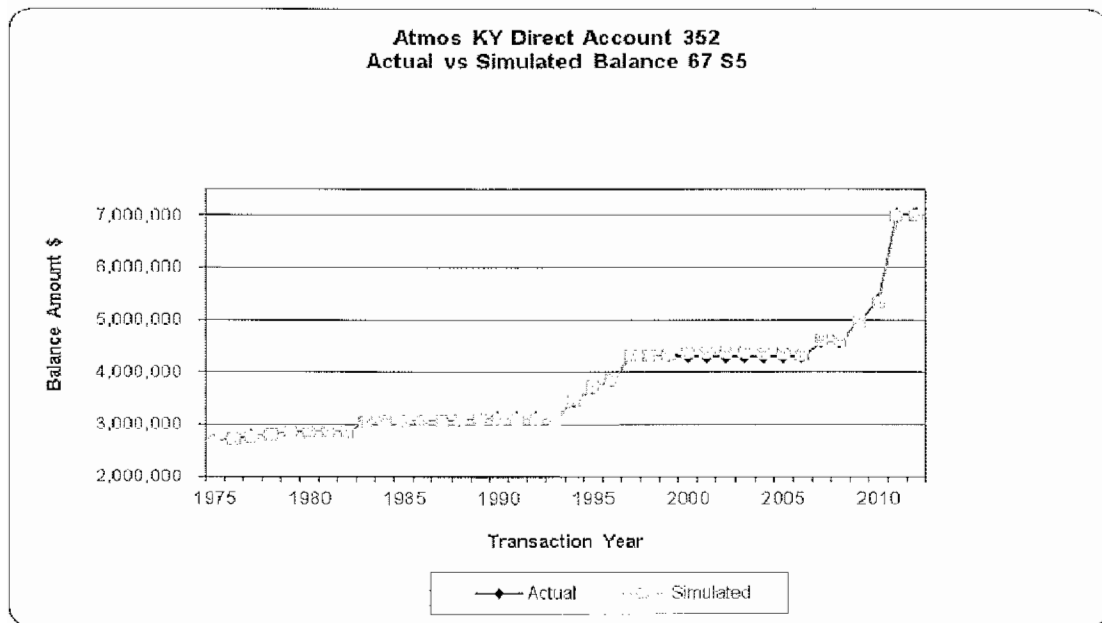
This account life analysis was combined with all other 351 accounts. There is approximately \$23 thousand in this account. The existing life is 45 R4. The current average age of the investment is nearly 38 years old. This account is nearly fully accrued. Consistent with the combined analysis described above, this study recommends increasing the life to 60 years and moving to the R5 dispersion. See graph of the combined account actual versus simulated balances shown above.

**Account 351.04 Other Structures (60 R5)**

This account includes the cost of other structures used in connection with storage plant operations. There is approximately \$137 thousand in this account. The existing life is 50 R2. This study recommends increasing life to 60 years and moving to the steeper R5 dispersion. See graph of the combined account actual versus simulated balances shown above.

**Accounts 352.00, 352.01, 352.02 Wells, Well Construction, and Well Equipment (67 S5)**

These accounts include the cost of wells, well construction, and well equipment used in connection with storage plant operations. There is approximately \$5.1 million total for the accounts combined in this account. The existing life is 50 R3. There are approximately 55 wells spread across 5 storage fields. The accounts were analyzed together but for rate calculation purposes, the depreciation rate for each account has been calculated separately. Based on the combined SPR analysis, the best ranked curves indicated an increased life with a steeper dispersion pattern. Based upon the analysis and discussions with Company personnel, this study recommends increasing the life to 67 years and moving to the steeper S5 dispersion. A comparison of actual versus simulated balances is shown below for the 67 S5.



**Account 352.03 Cushion Gas (50 SQ)**

This account includes the cost of cushion gas used in connection with storage plant operations. There is approximately \$1.7 million in this account. The existing life is 50 SQ and is retained in this study. No graph is provided.

**Account 352.10 Storage Leaseholds (67 S5)**

This account includes the cost of storage leaseholds used in connection with storage plant operations. There is approximately \$178 thousand in this account. The existing life is 50 R5. Consistent with the increased life of the underlying assets, wells, this study recommends increasing life to 67 years and moving to the S5 dispersion. No graph is provided.

**Account 352.11 Storage Rights (67 S5)**

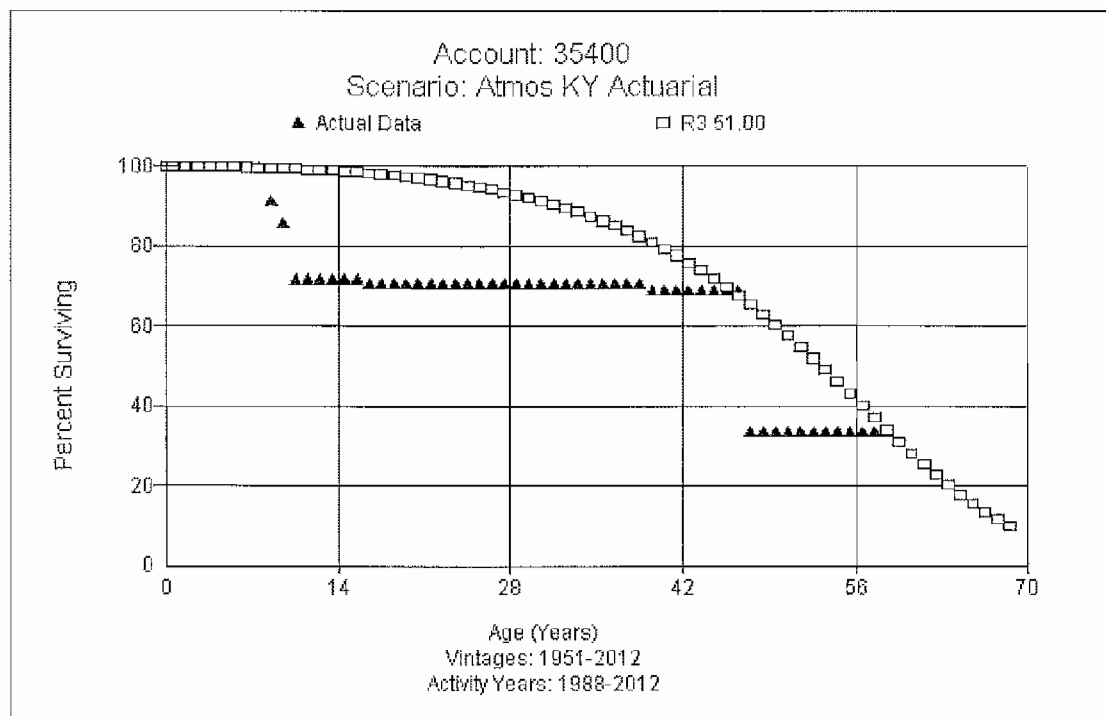
This account includes the cost of storage rights used in connection with storage plant operations. There is approximately \$55 thousand in this account. The existing life is 50 R5. Consistent with the increased life of the underlying assets, wells, this study recommends increasing life to 67 years and moving to the S5 dispersion. No graph is provided.

**Account 353.01 & 353.02 Storage Field and Tributary Lines (50 S1)**

These accounts include the cost of field and tributary lines used in connection with storage plant operations. There is approximately \$388 thousand in this account. The existing life is 40 S1. The current average age of investment is approximately 44 years. There have been no retirements recorded, so based on judgment, this study recommends increasing life to 50 years while retaining the S1 dispersion. No graph is provided.

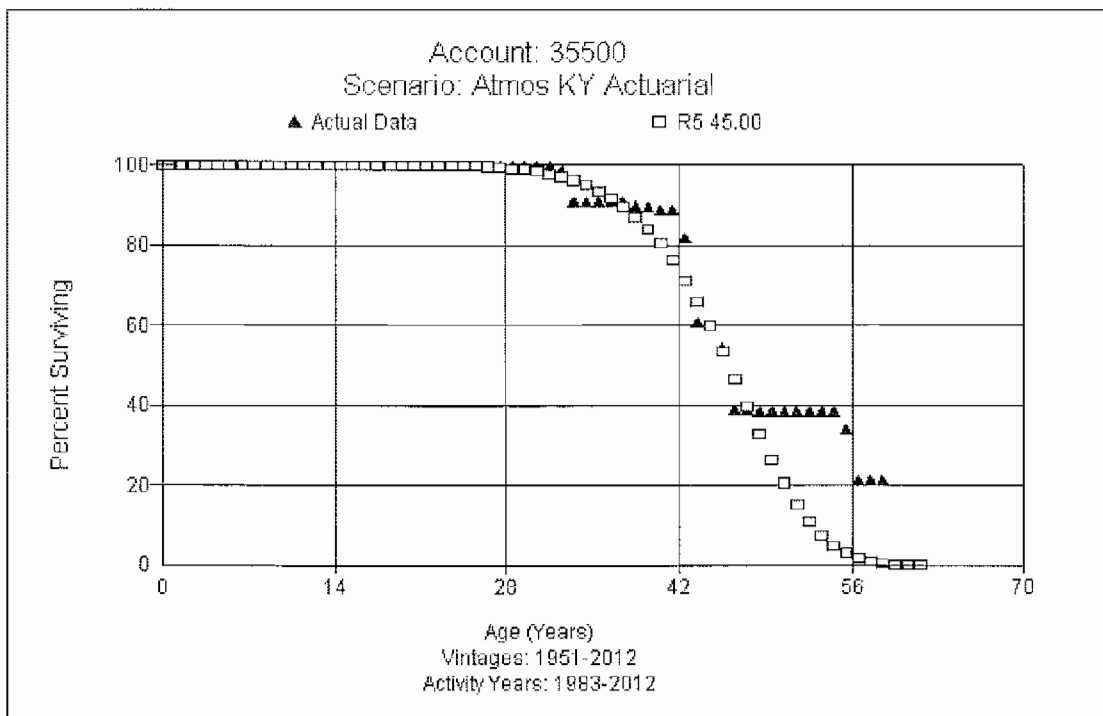
**Account 354.00 Compressor Station Equipment (51 R3)**

This account includes the cost of compressor station equipment used in connection with storage plant operations. There is approximately \$923 thousand in this account. The existing life is 50 R1.5. The current average age of investment is 19 years. Different experience bands yield different age indications. The more recent bands indicate a much lower life than what would be expected for these assets. Based on a full placement (1951-2012) and a mid-experience band (1988-2012), a slightly longer life and steeper dispersion than existing is indicated, which is more consistent with the life expectations for these assets. Based on the fuller band, this study recommends increasing the life slightly to 51 years and moving to the R3 dispersion. A graph of the observed life table and recommendation is shown below for the 51 R3.



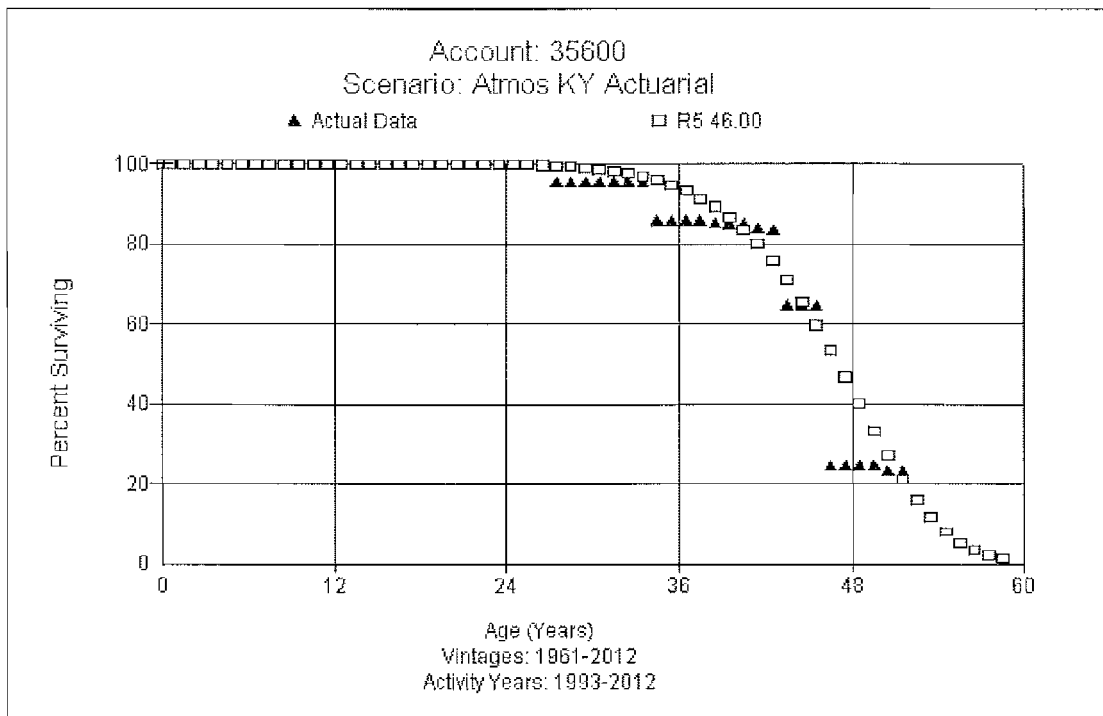
**Account 355.00 Measuring and Regulating (45 R5)**

This account includes the cost of measuring and regulating equipment used in connection with storage plant operations. There is approximately \$241 thousand in this account. The existing life is 50 R2. The actuarial life analysis supports Company personnel statements that lives range between 40-50 years. Based on a full placement (1951-2012) and experience band (1983-2012), this study recommends reducing the life to 45 years and moving to a steeper R5 dispersion. A graph of the observed life table and recommendation is shown below for the 45 R5.



**Account 356.00 Purification Equipment (46 R5)**

This account includes the cost of purification equipment and currently includes 5 dehydrator plants, tanks, and piping used in connection with storage plant operations. There is approximately \$164 thousand in this account. The existing life is 30 R4. Both the actuarial analysis and discussions with Company personnel indicated a longer life than the existing 30 years is expected. Company has plans to retire 2 dehydrator plants in 2013 that are approaching 50 years. Based on the analysis and company input, this study recommends increasing the life to 46 years and moving to the R5 dispersion. A graph of the observed life table and recommendation is shown below for the 46 R5.



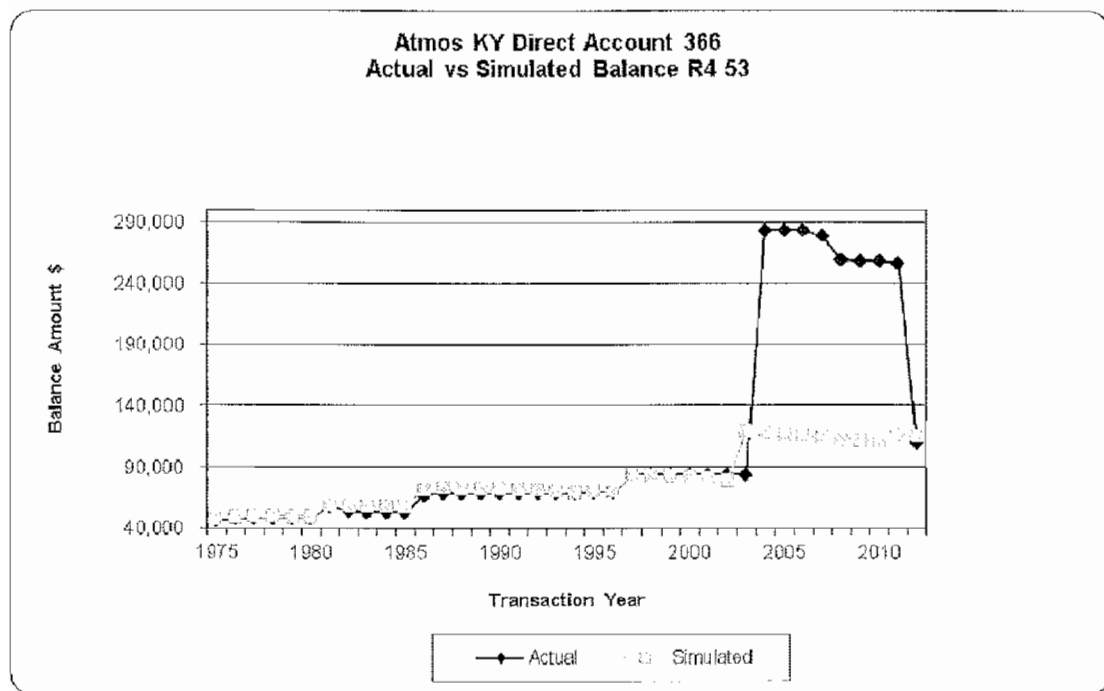


**Transmission Plant – FERC Accounts 365.20 – 369.01****Account 365.20 Rights-of-Way (55 R5)**

This account includes the cost of rights of way used in connection with transmission operations. There is approximately \$868 thousand in this account. The existing life is 55 R5. This study recommends retaining the 55 year life and R5 dispersion. No graph is provided.

**Account 366.02 & 366.03 Meas. & Reg. Station Structures & Other Structures (53 R4)**

These accounts include the cost of measuring and regulating station structures and other structures used in connection with transmission operations. There is approximately \$110 thousand in this account. The existing life is 50 R3. The current average age of investment is 23 years. Based on the combined SPR analysis, best fits were indicated with life ranging from 53 to 57 years. Discussions with Company personnel indicated assets are generally small metal buildings with fencing that could last around 50 years. Based on the analysis indications, this study recommends increasing the life slightly to 53 years and moving to the R4 dispersion. A comparison of actual versus simulated balances is shown below for the 53 R4.

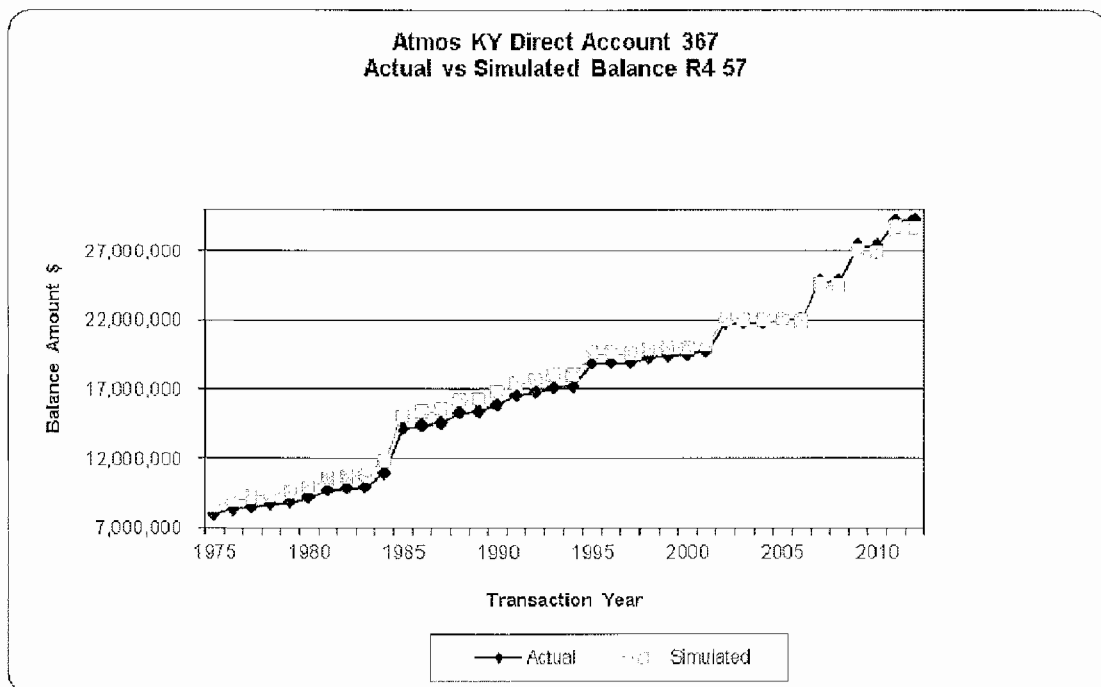


**Account 367.00 Mains – Cathodic Protection (20 SQ)**

This account includes the cost of cathodic protection for mains such as anodes, rectifiers, leak clamps, and other related equipment used in connection with transmission operations. There is approximately \$406 thousand in this account. The existing life is 55 R1. Discussions with Company personnel indicated the assets have a life range of 18 to 25 years. This study recommends changing to a 20 year life with the SQ dispersion to reflect the actual expected life of the anodes, rectifiers, and leak clamps that are installed with the mains but have a much lower life expectancy and no current mechanism to properly record retirements. No graph is provided.

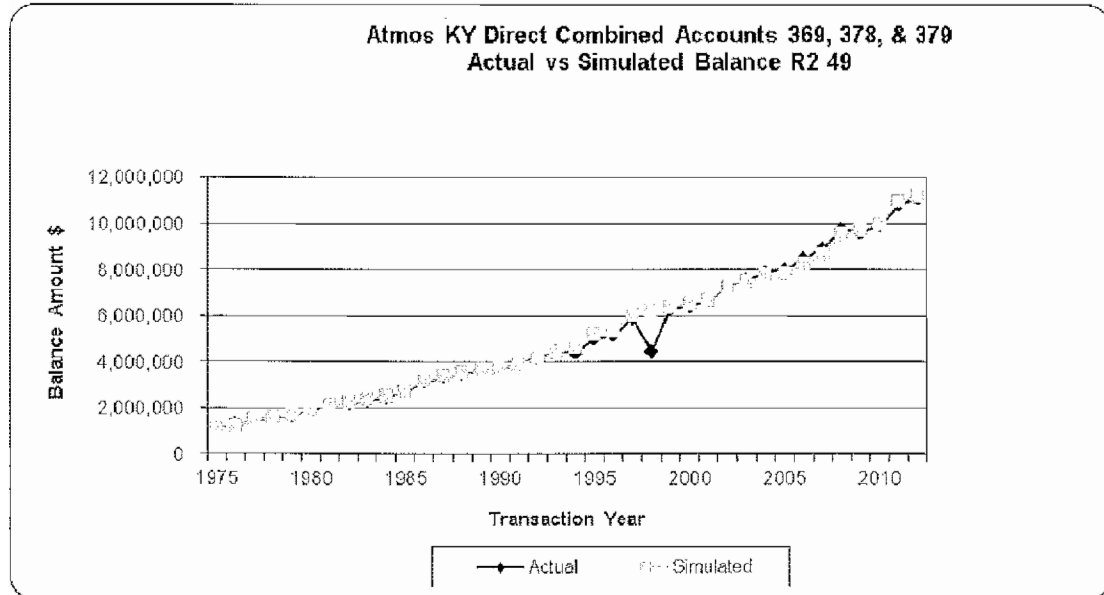
### Account 367.01 Mains Steel (57 R4)

This account includes the cost of steel mains used in connection with transmission operations. There is approximately \$29 million in this account. The existing life is 55 R1. Any new steel put in the ground now will be high pressure steel pipe classified as distribution. Slightly less than 25% of the pipe, in transmission, will be replaced and moved to distribution under the PRP program. Based upon the SPR analysis best fit indications, a slight increase in life and steeper dispersion were reflected. This study recommends increasing life to 57 years and moving to the R4 dispersion. A comparison of actual versus simulated balances is shown below for the 57 R4.



### Account 369.00 & 369.01 Measuring and Reg. Station (49 R2)

These accounts include the cost of measuring and regulating station equipment used in connection with transmission operations. There is approximately \$2.8 million in this account. The existing life is 45 R0.5. The current average age of the investment is 22 years. The combined analysis of Measuring & Regulating Equipment for Transmission and Distribution functions indicated the 49 R2 to be the best fit across the bands. Company personnel indicated in discussions that equipment has changed over the years from lives of 60-70 years to 40-50 years. Some newer generations are more technology driven and are expected to have a 30-40 year life. Giving consideration to the various generations still in service, this study recommends increasing the life to 49 years and moving to the R2 dispersion. As more of the older assets are retired and replaced, the life is expected to decline. A comparison of actual versus simulated balances is shown below for the 49 R2.



## **Distribution Plant – FERC Accounts 374.02-385**

### **Account 374.02 Land Rights (60 R5)**

This account includes the cost of land rights used in connection with distribution operations. This account has not been depreciated in the past. There is approximately \$253 thousand in this account. The existing life is 55 R5. This study recommends increasing life to 60 years based on judgment, while retaining the R5 dispersion.

### **Account 375.00, 375.01, 375.02, & 375.03 Structures and Improvements (57 R2.5)**

These accounts include the cost of border station and regulating station structures, fences, and other miscellaneous related assets used in connection with distribution operations. There is approximately \$488 thousand in this account. The existing life is 50 L0. There have been no recent retirements recorded. This study recommends increasing life to 57 years with the R2.5 dispersion based on the statistical analysis and judgment.

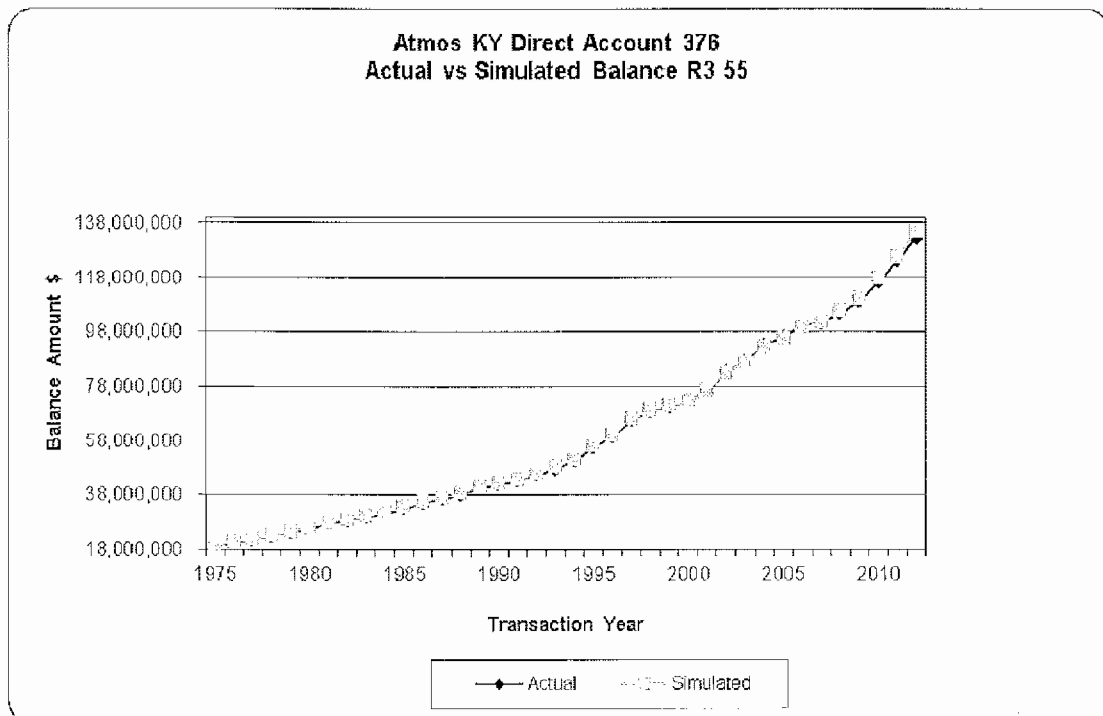
### **Account 376.00 Mains - Cathodic Protected (20 SQ)**

This account includes the cost of anodes, rectifiers and leak clamps for distribution mains. There is approximately \$11 million in this account. The existing life is the 55 R0.5 dispersion pattern based on the composite 376 account. This study recommends changing to a 20 year life with the SQ dispersion to reflect the actual expected life of the anodes, rectifiers, and leak clamps that are installed with the mains but have a much lower life expectancy and no current mechanism to properly record retirements. No graph is provided.

### **Account 376.01 & 376.02 Mains - Steel and Plastic (55 R3)**

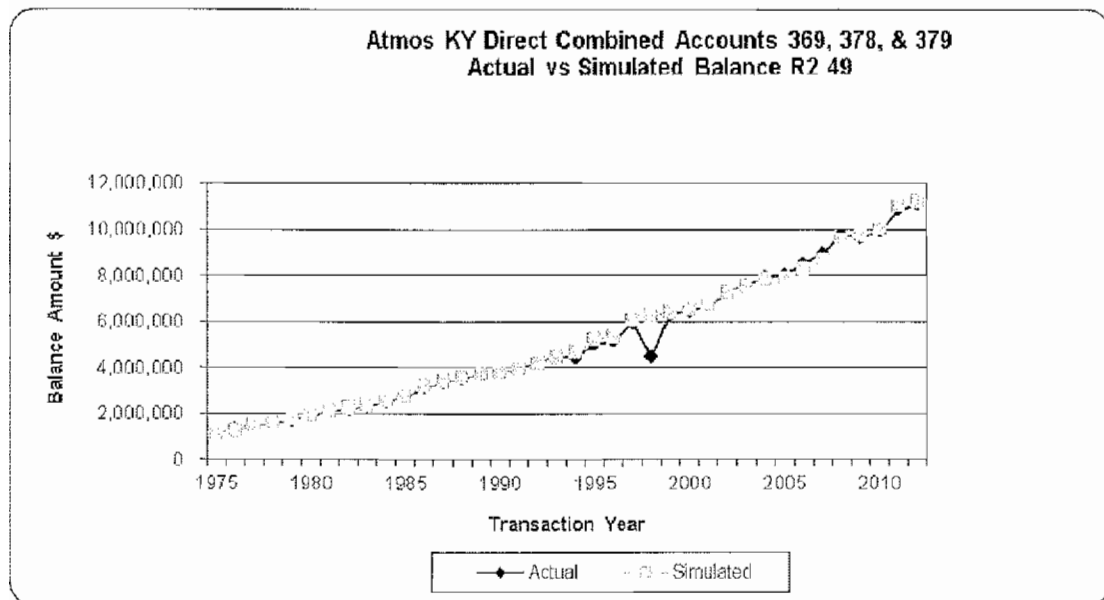
These accounts include the cost of steel and plastic mains. There is approximately \$121 million in this account. The existing life is the 55 R0.5

dispersion pattern. This account consists of 2,489 miles of steel and 1,229 miles of plastic pipe. Plastic pipe was first installed in the early 1980's and with a few exceptions is the type of pipe that will be installed. Since most of the pipe is in public easements, road moves are one of the primary triggers for retirements and is expected to increase with projected increase in road work in the future. The Commission approved a Pipe Replacement Program (PRP) in 2010, which is a 15 year program. Our life analysis indications suggested the life of mains to be decreasing slightly. However, discussions with Company personnel indicated this should be temporary and likely the result of the PRP. The Company expects the decrease in life of mains will reverse once the PRP is complete. Based on all these factors, this study recommends retaining the approved 55 year life while changing the dispersion pattern to R3. A comparison of actual versus simulated balances is shown below for the 55 R3.



**Account 378.00 M&R Station Equipment (49 R2)**

This account consists of various measuring equipment, regulator station and valves used in distribution operations. There is approximately \$4.8 million of investment in this account. The existing life is 50 years with the R1 dispersion. Due to the similarity and cross over for these assets, a combined SPR analysis was performed for all measuring and regulating equipment in Transmission and Distribution functions. Discussions with Company personnel indicated lives of the assets have changed over the years from 60-70 year life expectancy, recent past generation to be 40-50 year life expectancy, to the most current generation, more technology driven, to be 30-40 year life expectancy. Based on the combined SPR analysis the 49 R2 was consistently the best fit across the bands. This study recommends reducing the life by one year moving to 49 years and dispersion pattern to R2. A comparison of actual versus simulated balances is shown below for the 49 R2.



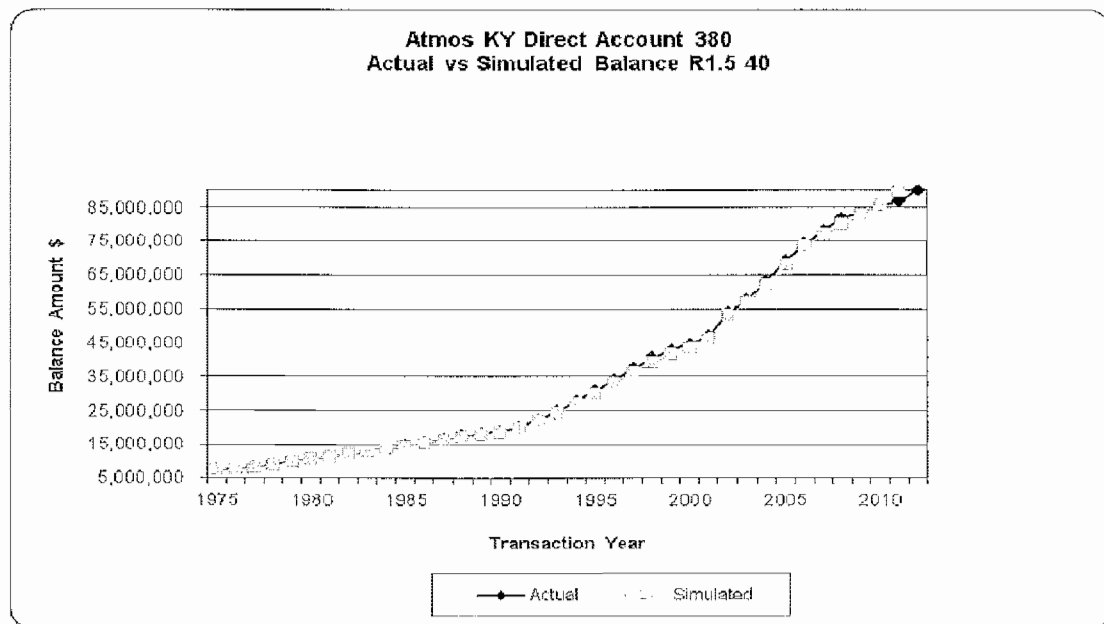


**Account 379.00 & 379.05 M&R – City Gate Equipment (49 R2)**

These accounts include the cost of measuring and regulating stations and other related equipment for city gate. There is approximately \$3.3 million in plant in these accounts. The existing life is 50 R1. See detailed discussion and graph for Account 378.00 above. The study recommendation is a 49 R2.

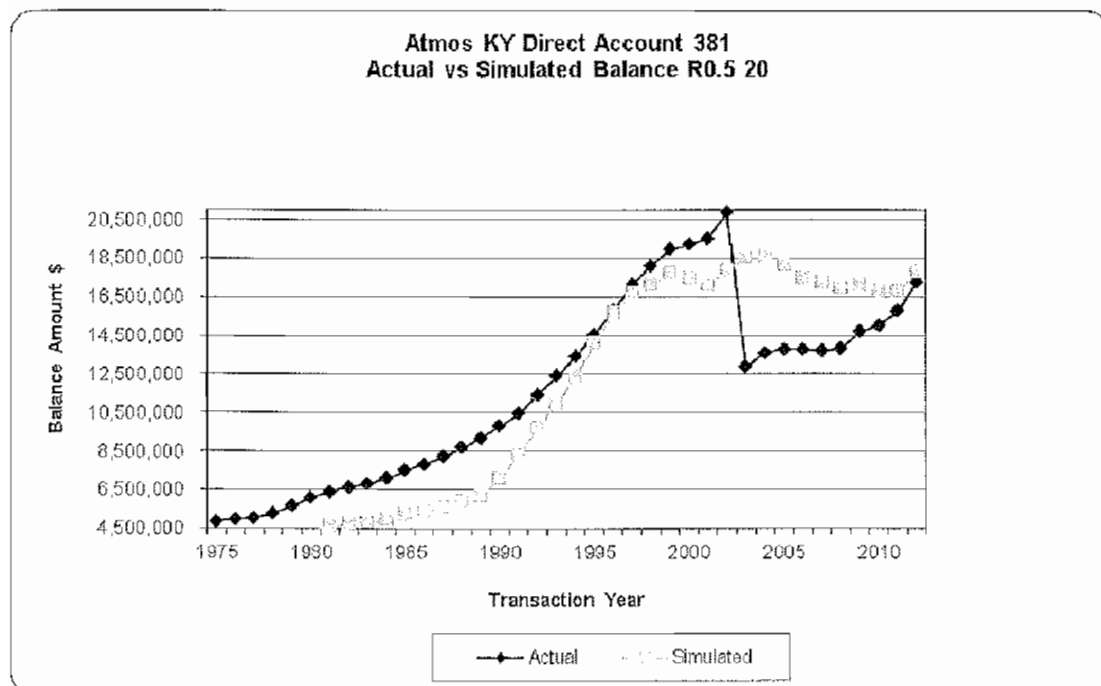
### Account 380.00 Services (40 R1.5)

This account consists of all types of services used in distribution operations. There is approximately \$90 million of investment in this account. The existing life is 40 years with a R1.5 dispersion. The current average age of investment is 12.50 years. The SPR analysis indicated best fits with excellent Retirement Experience Index (REI) to be around 37 to 38 years. Discussions with Company personnel indicated PRP is causing more replacement in services, which could contribute to lowering the life. In the past few years Atmos changed the designation from customer owned to Atmos owned from main to the meter. Based on the analysis, temporary impact from the PRP, and input from Company personnel, this study recommends retaining the 40 year life and R1.5 dispersion. A comparison of actual versus simulated balances is shown below for the 40 R1.5.



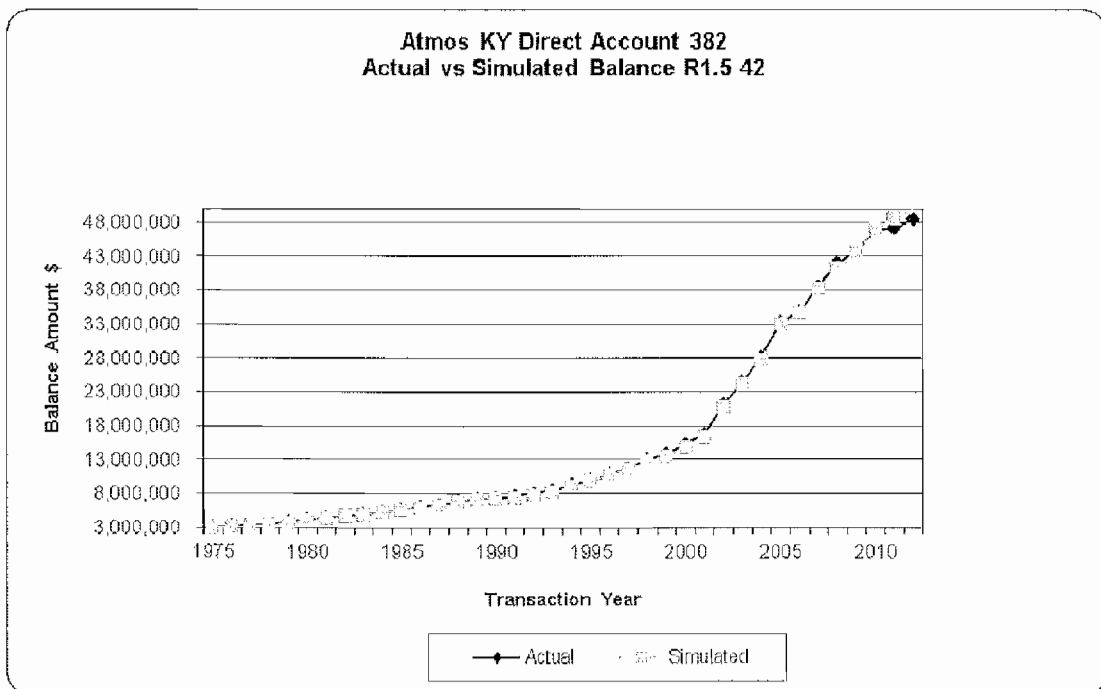
### Account 381.00 Meters (20 R0.5)

This account includes the cost of meters. The balance is \$17 million and the existing life is 25 R0.5. The current average age of investment is 13 years. This account is undergoing many changes due to the introduction of technology meters. Currently, there are about 600 AMR meters installed. Non-compatible meters have been replaced over the past 6-7 years, with about 1,600-2,000 obsolete meters pulled each year. Company is requesting approval for 20,000 AMR meters to be implemented each year. New meters are not as durable (plastic) and cost less so meters are no longer repaired but retired. Company has been performing military sampling of meters since 1999. Without sampling, meters would be changed out every 10 years. The SPR analysis suggests the life to be 20 years and less. Based on indications and future plans to implement more AMR meters which are expected to have a life around 20 years, this study recommends reducing the life to 20 years while retaining the R0.5 dispersion. A comparison of actual versus simulated balances is shown below for the 20 R0.5.



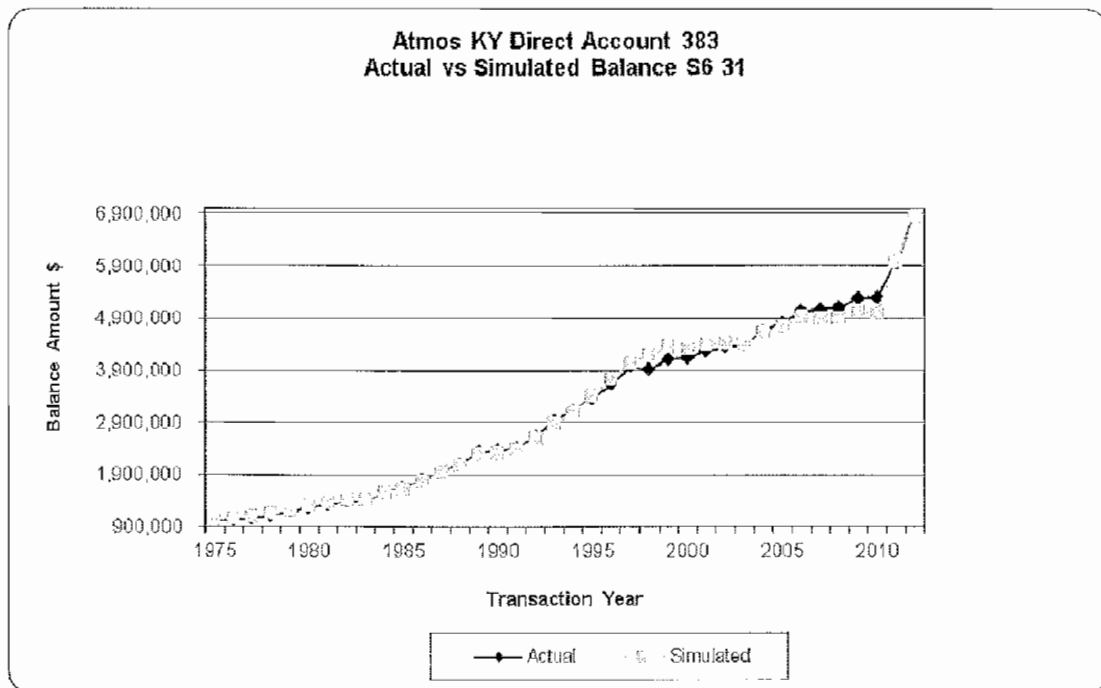
**Account 382.00 Meter Installations (42 R1.5)**

This account includes the cost of meter installations. This account has a balance of \$48 million. The existing life is 40 R1. The current average age of investment is approximately 10 years. The SPR analysis best fits range from 38 to 46 years old. Discussions with Company personnel indicated these are not retired when a meter is and would expect to see longer life, which is consistent with the analysis indications. Based on the analysis and Company input, this study recommends increasing the life to 42 years with the R1.5. A comparison of actual versus simulated balances is shown below for the 42 R1.5.



### Account 383.00 House Regulators (31 S6)

This account includes the cost of house regulators. There is approximately \$6.9 million in this account. The existing life is a 30 S6. Similar to the meter installation, these assets are evaluated when a meter is being replaced but are not always replaced. Discussions with Company personnel indicated they would expect a longer life than meters, but less than meter installations. The SPR analysis indicates best fits are in the range of 31 to 32 years with steep dispersion pattern, which is a slight increase from existing. Based on the analysis and Company input, this study recommends increasing the life to 31 years and retaining the S6 dispersion pattern. A comparison of actual versus simulated balances is shown below for the 31 S6.

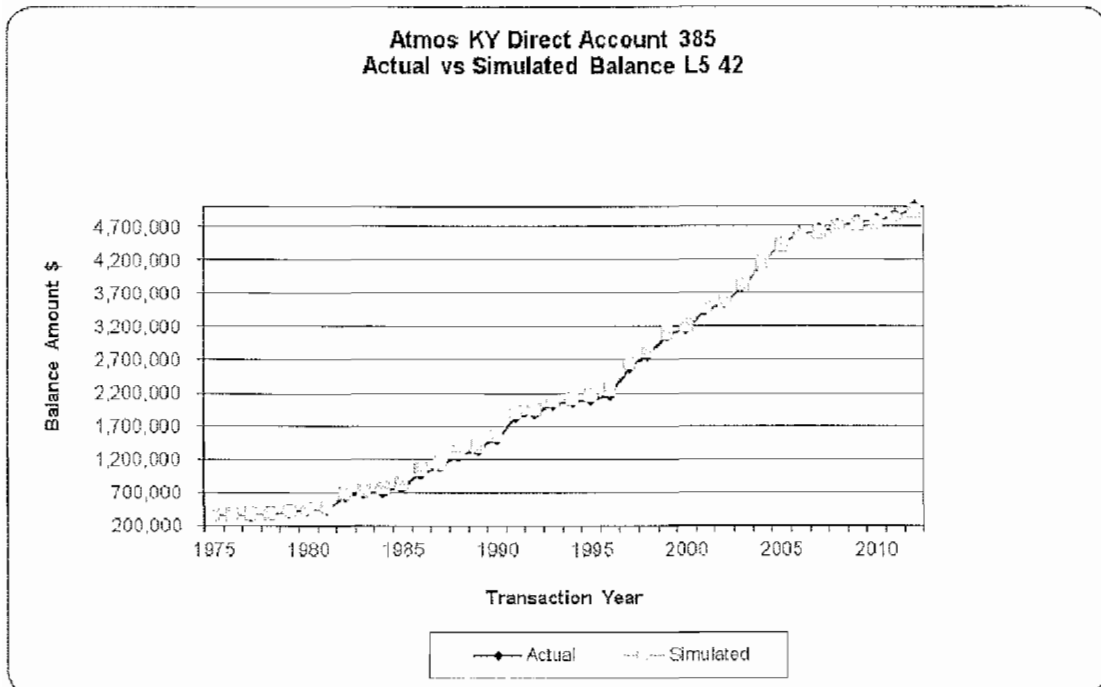


**Account 384.00 House Regulator Installations (42 R1.5)**

This account includes the cost of house regulators installations. There is approximately \$154 thousand in this account. The existing life is a 35 R2. This account has limited retirement activity being recorded. Discussions with Company personnel indicated retirements are often recorded to 382 and/or 383. Similar to meter installations, these are not expected to be retired each time house regulator is retired and replaced so a longer life is reasonable. Company is moving to installation of pre-built meter loops (consists of meter installation, house regulator, and house regulator installation), which will eventually merge life expectations into one. For now, due to the lack of retirements recorded into this account, the same parameters, 42 R1.5, for Account 382 Meter Installations is being recommended. No graph is provided.

**Account 385.00 Industrial Measuring (42 L5)**

This account includes the cost of regulator installations, regulator stations, valves and pressure recorders for industrial customers. There is approximately \$5 million in this account. The existing life is a 40 L5. This equipment is more expensive and heavy duty due to its use with industrial customers. These are tested on site and more frequently and only replaced if it fails. Company personnel would expect a slightly longer life, which is indicated in the analysis. This study recommends increasing the life to 42 years while retaining the L5 dispersion pattern. A comparison of actual versus simulated balances is shown below for the 42 L5.



## **General Plant – FERC Accounts 390-399.08**

### **Account 390.00, 390.02, 390.03, & 390.04 Structures and Improvements (40 R2)**

These accounts include the cost of buildings, roof, heating/cooling equipment, and carpet. Consistent with the prior study and currently approved rates, all Account 390's, except 390.09, will be combined to calculate a depreciation rate to be applied to each account. There is approximately \$2.4 million in these accounts. The current life is a 15 L2. The life analysis for these accounts were performed using the actuarial analysis. However, no retirements had been recorded. Based on the plans to own some buildings (not all being leased) and judgment, this study recommends increasing the life to 40 years with an R2 dispersion pattern for this account. No graph is provided.

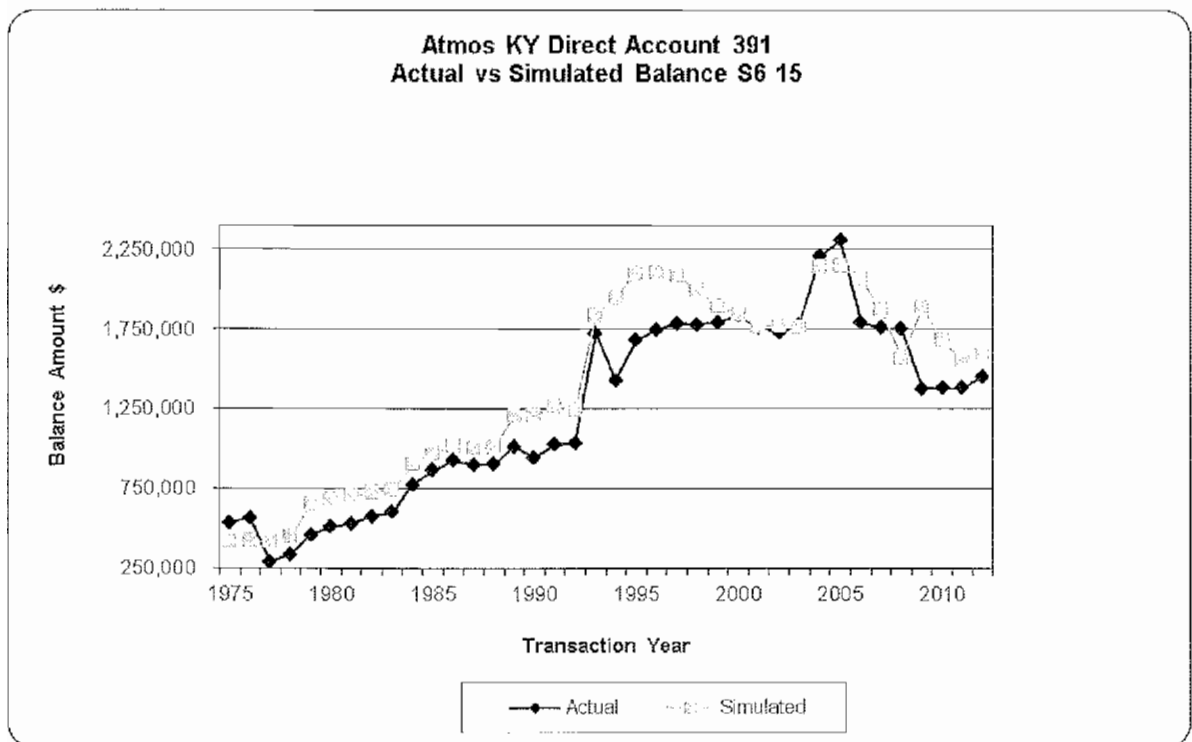
### **Account 390.09 Improvements - Leased (20 R3)**

This account includes the cost of improvements to leased buildings. There is approximately \$1.2 million in this account. The current life is a 25 R4. The life analysis for this account was performed using the actuarial analysis. However, no retirements had been recorded. Based on the current plans to own buildings and the lease term for major lease buildings being 20 years, this study recommends reducing the life to 20 years with an R3 dispersion pattern for this account, which is consistent with the lease terms.



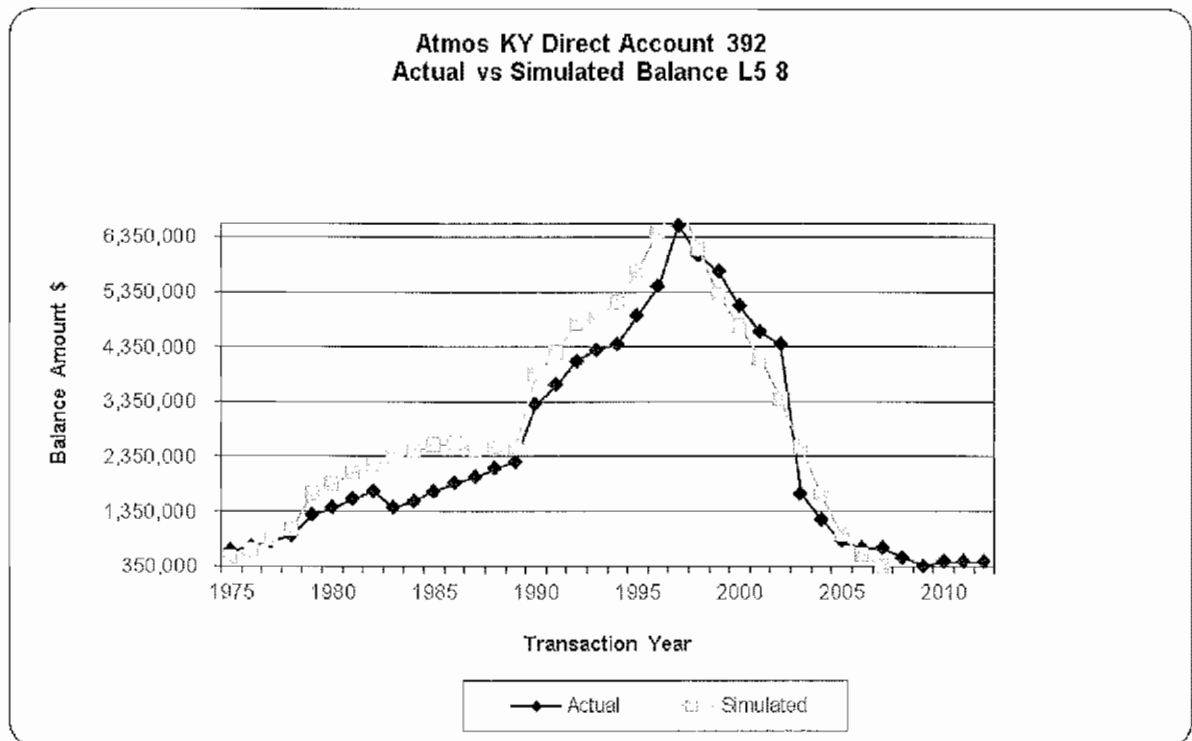
**Account 391.00 & 391.03 Office Furniture, Equipment and Machines (15 SQ)**

These accounts consist of miscellaneous office furniture such as desks, chairs, filing cabinets, tables, copiers, and other office equipment used for general utility service. There is approximately \$1.4 million in this account. The existing life is an 18 L0. This study recommends reducing the life to 15 years based on the S6 dispersion pattern. These accounts are proposed to implement vintage group amortization, so the SQ dispersion pattern will be used for rate calculation purposes. A comparison of actual versus simulated balances is shown below for the 15 S6



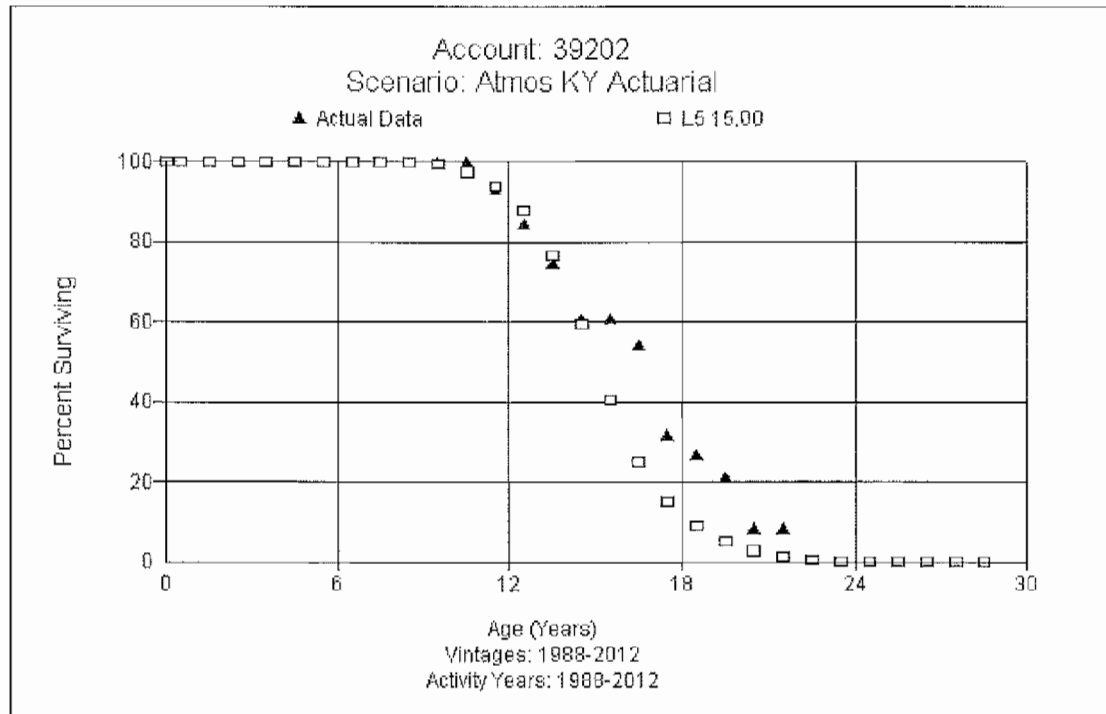
**Account 392.00 Transportation Equipment (8 L5)**

This account consists of various types of transportation equipment such as cars, trucks, tractor, and trailers. There is approximately \$395 thousand in this account. Current parameters are 8 S5. This study recommends using an 8 L5 which is reflective of the assets, policy and expectations. A comparison of actual versus simulated balances is shown below for the 8 L5 curve.



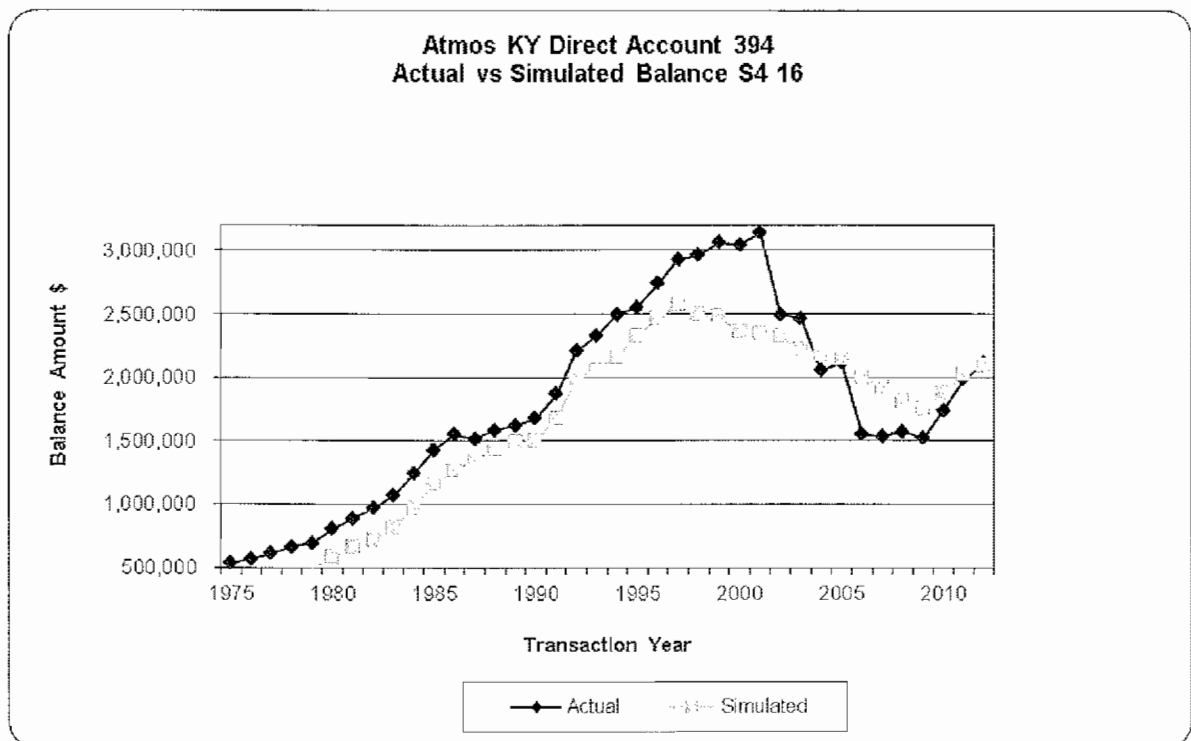
**Account 392.02 Trailers (15 L5)**

This account consists of working trailers used in general plant. There is approximately \$33 thousand in this account. Current parameters are 8 S5. This study recommends using a 15 L5 which is reflective of the assets, policy and expectations. A graph of the observed life table and recommendation is shown below for the 15 L5 curve.



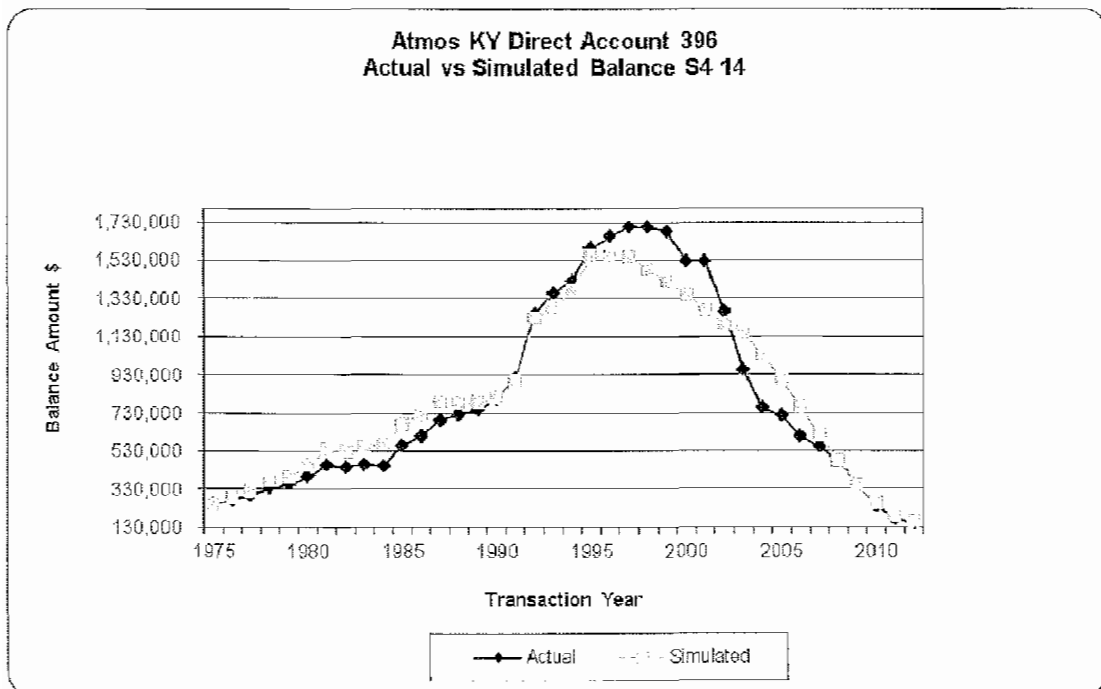
**Account 394.00 Tools, Shop, and Garage Equipment (16 SQ)**

This account consists of various tools used in the shop and garages such as boring equipment, leak detectors, pipe locators, fusion, tapping, and plugging equipment. There is approximately \$2.1 million in this account. The current life is 20 years with the S6 dispersion. Based on the analysis, type of equipment and discussions with Company personnel, this study recommends moving to a 16 year life based on the S4 dispersion. This account is proposed to implement vintage group amortization, so the SQ dispersion pattern will be used for rate calculation purposes. A comparison of actual versus simulated balances is shown below for the 16 S4 curve.



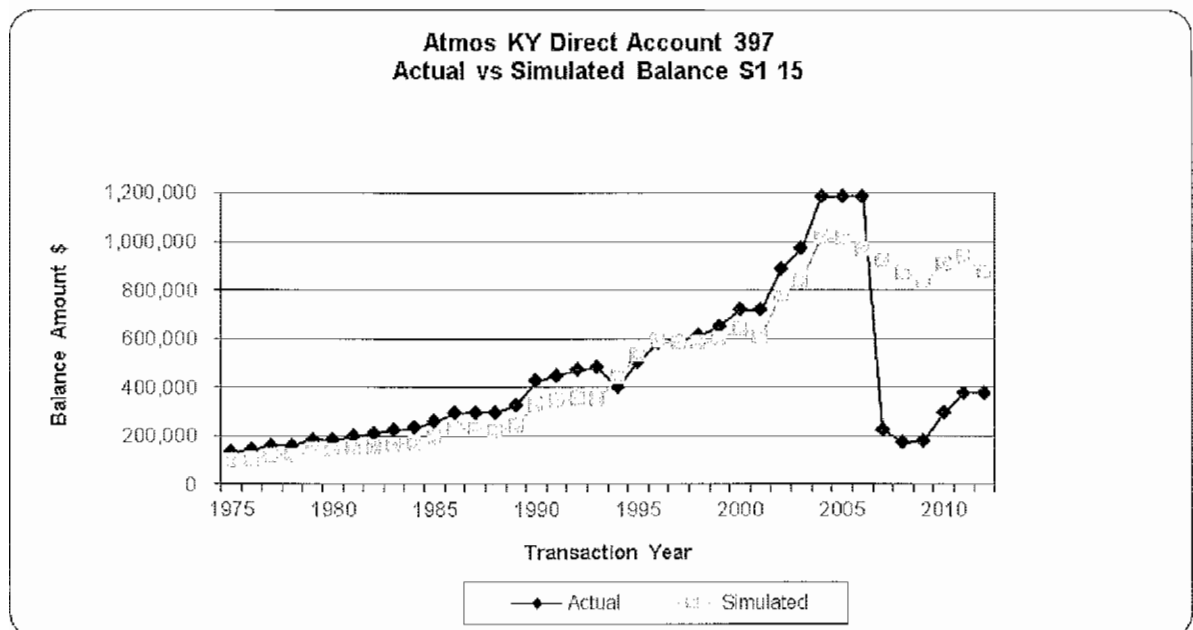
**Account 396.03, 396.04, & 396.05 Ditchers, Backhoes and Welders (14 S4)**

These accounts consist of power operated equipment including ditchers, backhoes, and welders. There is approximately \$150 thousand in this account. The current life is 15 years with the L5 dispersion. Based on the analysis, type of equipment and discussions with Company personnel, this study recommends decreasing the life to 14 years with the S4 dispersion. A comparison of actual versus simulated balances is shown below for the 14 S4 curve.



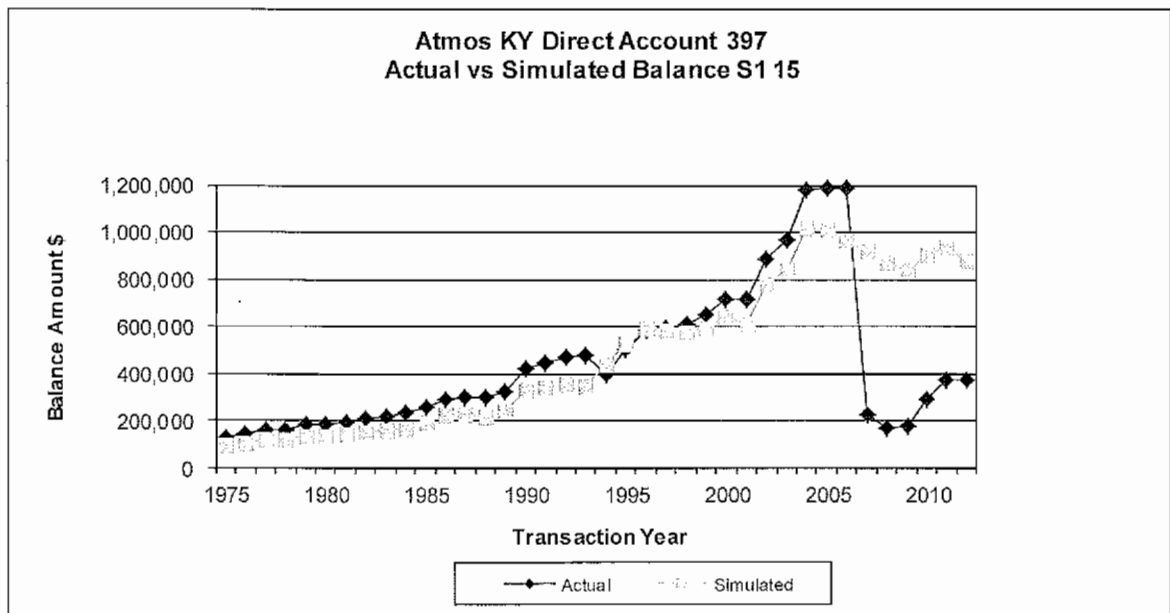
### Accounts 397.00 Communication Equipment (15 SQ)

This account consists of all communication equipment including mobile and fixed radio systems along with telephone, telemetering and other miscellaneous communication equipment. There is \$378 thousand in this account. The existing life is a 20 S2. The average age of investment is 6 years. The SPR analysis indicated a best fit for lives around 10-11 years old. However, discussions with Company personnel indicated lives range from 10-15 years depending on the assets. Based upon the analysis, type of assets, expected use, discussions with Company personnel and judgment, this study recommends moving to a 15 S1 dispersion pattern at this time. This account is proposed to implement vintage group amortization, so the SQ dispersion pattern will be used for rate calculation purposes. A comparison of actual versus simulated balances is shown below for the 15 S1.



### Accounts 397.05 Telemetering (15 S1)

This account consists of all telemetering equipment including ITRON, mobile and fixed radio systems. There is approximately \$420 thousand in this account. The existing life is a 20 S2. The combined SPR analysis for all 397 accounts indicated a best fit to be a life between 10-11 years. The segregated and limited experience of the actuarial analysis indicated a shorter life also. Giving consideration to both analyses, the current average age of investment, type of assets, discussions with Company personnel and judgment, the study recommends reducing the life from the current 20 years but only moving to 15 years at this time with the S1 dispersion pattern for this account. A comparison of actual versus simulated balances is shown below for the Combined 397 Accounts, 15 S1.



**Account 398.00 Miscellaneous Equipment (20 SQ)**

This account consists of kitchen, audio/video equipment, television, and other miscellaneous equipment used in general utility service. There is approximately \$3.3 million in this account. The existing life is a 20 R5. The average age of investment is approximately 7 years. The actuarial analysis indicated best curve fits with a life shorter than 20 years. However, based on discussions with Company personnel and judgment, this study recommends retaining the 20 year life with the R5 dispersion pattern. This account is proposed to implement vintage group amortization, so the SQ dispersion pattern will be used for rate calculation purposes. No graph is provided.

**Account 399.01 Server Hardware (10 SQ)**

This account consists of server hardware computer equipment. There is approximately \$176 thousand in this account. The existing life is 10 SQ. There have been no retirements so no indication of change from existing. This study recommends retention of the 10 SQ. This account is proposed to implement vintage group amortization. No graph is provided.

**Account 399.02 Server Software (7 SQ)**

This account consists of server software. There is \$113 thousand in this account. The existing life is 7 SQ. There have been no retirements so there is no indicator of change from existing. This study recommends retaining the 7 SQ. This account is proposed to implement vintage group amortization. No graph is provided.

**Account 399.03 – Network Hardware (10 SQ)**

This account consists of network hardware computer equipment. There is approximately \$511 thousand in this account. The existing life is 10 SQ. There have been no retirements so there is no indicator of change from existing. This study recommends retaining the 10 SQ for this account. This account is proposed to implement vintage group amortization. No graph is provided.



**Account 399.06 – PC Hardware (5 SQ)**

This account consists of personal computer hardware, laptops, mobile data terminals (MDT), printers, monitors, and projectors. There is approximately \$3.1 million in this account. The existing life is 10 L1. The average age of investment is 7 years. The actuarial analysis indicated a life closer to 10 years. However, discussions with Company personnel indicated the Company has a policy to retire and replace PC and laptops every 4 years (25% a year). Retirements subsequent to the study date verify the retirement of some of the older assets influencing a longer life indication in the analysis. Based on these factors, this study recommends moving to a 5 year life based on the R2 dispersion pattern. This account is proposed to implement vintage group amortization so the SQ dispersion pattern will be used for rate calculation purposes. No graph is provided.

**Account 399.07 PC Software (7 SQ)**

This account consists of software for personal computers. There is approximately \$247 thousand in this account. The existing life is 5 S1.5. The current average age of investment is nearly 12 years old. Based on the retirements subsequent to the study in Account 399.07 and discussion with Company personnel this study recommends increasing the life slightly to 7 years based on the R1.5 dispersion pattern for this account. This account is proposed to implement vintage group amortization so the SQ dispersion pattern will be used for rate calculation purposes. No graph is provided.

**Account 399.08 Application Software (15 SQ)**

This account consists of large application software. The balance in this account is \$411 thousand. The existing life is 8 R5. The current average age of investment is nearly 11 years. Much of the software contained in this account will be retired and not replaced as it is now maintained by the Shared Services Unit. Some small local application software could be recorded into this account. Based

on all these factors, this study recommends moving to a 15 year life based on the R2.5 dispersion pattern for this account. The account is proposed to implement group amortization so the SQ dispersion pattern will be used for rate calculation purposes. No graph is provided.

### **Salvage Analysis**

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset). Salvage and removal cost percentages are calculated by dividing the current cost of salvage or removal by the original installed cost of the asset. Some plant assets can experience significant negative removal cost percentages due to the timing of the original addition versus the retirement. For example, a Distribution asset in FERC Account 376 Steel Mains with a current installed cost of \$500 (2012) would have had an installed cost of \$30<sup>4</sup> in 1957. A removal cost of \$50 for the asset calculated (incorrectly) on current installed cost would only have a negative 10 percent removal cost ( $\$50/\$500$ ). However, a correct removal cost calculation would show a negative 166.6 percent removal cost for that asset ( $\$50/\$30$ ). Inflation from the time of installation of the asset until the time of its removal must be taken into account in the calculation of the removal cost percentage because the depreciation rate, which includes the removal cost percentage, will be applied to the original installed cost of assets.

The net salvage analysis uses the history of the individual accounts to estimate the future net salvage that Kentucky can expect in its operations. As a result, the analysis not only looks at the historical experience but also takes into account recent and expected changes in operations that could reasonably lead to different future expectations for net salvage than were experienced in the past. Generally, recent experience is more heavily weighted in making net salvage recommendations than experience older than 10 years.

### **Salvage Characteristics**

For each account, data for retirements, gross salvage, and cost of removal

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<sup>4</sup> Using the Handy-Whitman Bulletin No. 176, G-2, line 44,  $\$30 = \$500 \times 47/787$ ,

were derived from 1992-2012. Moving averages, which remove timing differences between retirement and salvage and removal cost, were analyzed over periods varying from one to 19 years, which were evaluated in making the net salvage recommendations for the study. However, for purposes of printing in this report, we have limited it to a period of 10 years in Appendix D. A discussion for each account provides the recommended net salvage factor, the existing net salvage factor if known, and any specific considerations given to support the recommendations.

### **Production Plant – FERC Accounts 325.20 – 336.00**

#### **Account 325.20 & 325.40 Production Leaseholds and Rights of Way (0%)**

There is no existing net salvage. No salvage or cost of removal is expected. A zero percent net salvage is retained for this study.

#### **Account 331.00 Producing Gas Wells (0%)**

Currently, there is a zero percent net salvage and is retained for this study.

#### **Account 332.00, 332.01, & 332.02 Field and Tributary Lines (0%)**

There is no existing net salvage. At time of retirement cost of removal is expected to exceed any salvage. However, there has been no activity to support a change, so zero percent net salvage is retained for this study.

#### **Account 334.00 Field Measuring and Regulating (-45%)**

There is no existing net salvage rate. Only one year has retirement and cost of removal recorded. Based on the overall analysis and expectations that cost of removal will exceed salvage a negative 45 percent net salvage is recommended for this study.

#### **Account 336.00 Purification Equipment (0%)**

The existing net salvage is negative 5 percent. While some salvage or cost

of removal could be recorded, none has been recorded in recent years so a zero percent net salvage is recommended for this study.

### **Storage Plant – FERC Accounts 350.10 – 356.00**

#### **Account 350.20 Rights-of-Way (0%)**

This account includes any salvage and removal cost related to rights of way used in connection with storage plant operations. The existing net salvage is zero percent. No net salvage is expected, a zero percent net salvage is retained.

#### **Account 351.00-351.02 Structures & Improvements and Compressor Station Equip (-5%)**

These accounts include any salvage and removal cost related to structures and improvements and compressor station equipment used in connection with storage plant operations. The existing net salvage is negative 5 percent. Some salvage was recorded due to retirement of a building and the sale of a garage door. This is not expected to reoccur. Overall cost of removal is expected to exceed any salvage in the future. This study recommends retention of the existing negative 5 percent net salvage.

#### **Account 351.03 Measuring and Regulating Station (-5%)**

This account includes any salvage and removal cost related to measuring and regulating station equipment used in connection with storage plant operations. The existing net salvage is negative 5 percent and is retained.

#### **Account 351.04 Other Structures (-5%)**

This account includes any salvage and removal cost related to other structures used in connection with storage plant operations. The existing net salvage is 5 percent. Cost of removal is expected to exceed any salvage. Consistent with other structure accounts a negative 5 percent is recommended.

**Account 352.00, 352.01, 352.02 Wells, Well Construction and Well Equipment. (-30%)**

These accounts include any salvage and removal cost related to wells, well construction, and well equipment used in connection with storage plant operations. The existing net salvage for accounts 352.00 and 352.01 is negative 40 percent while the existing salvage for account 352.02 is negative 50 percent. The Company has approximately 55 wells across 5 storage fields. One well, Bon Harbor, was recently retired. Company estimates it would cost approximately \$10 thousand per well to retire. Based on the combined analysis and the overall indications, this study recommends a negative 30 percent for all three accounts.

**Account 352.03 Cushion Gas (0%)**

This account includes any salvage and removal cost related to cushion gas used in connection with storage plant operations. Currently there is no net salvage recorded for this account and a zero percent net salvage is retained.

**Account 352.10 Storage Leaseholds (0%)**

This account includes any salvage and removal cost related to storage leaseholds used in connection with storage plant operations. There is no salvage or cost of removal recorded or expected. This study recommends retaining the approved zero percent net salvage for this account.

**Account 352.11 Storage Rights (0%)**

This account includes any salvage and removal cost related to storage rights used in connection with storage plant operations. The existing net salvage is zero percent and is retained.

**Account 353.01, 353.02 Storage Field and Tributary Lines (-5%)**

These accounts include any salvage and removal cost related to field and tributary lines used in connection with storage plant operations. Currently, the net salvage for these accounts is negative 5 percent and is retained.

**Account 354.00 Compressor Station Equipment (0%)**

This account includes any salvage and removal cost related to compressor station equipment used in connection with storage plant operations. Currently, the net salvage is zero percent. Some salvage and cost of removal was recorded but the overall indications net to zero percent and gross salvage levels are not likely to be repeated. This study recommends retention of zero percent.

**Account 355.00 Measuring and Regulating (-4%)**

This account includes any salvage and removal cost related to measuring and regulating equipment used in connection with storage plant operations. The existing net salvage is zero percent. There has been some activity with no salvage and some cost of removal. Based on the overall analysis indications, this study recommends moving to a negative 4 percent net salvage for this account.

**Account 356.00 Purification Equipment (-3%)**

This account includes any salvage and removal cost related to purification equipment used in connection with storage plant operations. The existing net salvage is zero percent. Overall analysis indicates no salvage and some cost of removal recorded with retirement of asset. Based on these indications, this study recommends moving to a negative 3 percent net salvage for this account.

**Transmission Plant – FERC Accounts 365.20 – 369.01****Account 365.20 Rights-of-Way (0%)**

This account includes any salvage and removal cost related to rights of way used in connection with transmission operations. The existing net salvage is zero percent and is retained.

**Account 366.02 & 366.03 Meas. & Reg. Station Structures & Other Structures (-6%)**

These accounts include any salvage and removal cost related to measuring and regulating station structures and other structures used in connection with transmission operations. The existing net salvage is 0 percent. The combined account analysis indicates some salvage and cost of removal recorded for these two accounts. Salvage in 2008 was for a fence and is not likely to reoccur. Based on the overall analysis indications and expectations that cost of removal will exceed any salvage, this study recommends a negative 6 percent net salvage for these accounts.

**Account 367.00 Mains – Cathodic Protection (0%)**

This account includes any salvage and removal cost related to cathodic protection mains used in connection with transmission operations. Currently the net salvage for this account is negative 20 percent. The existing net salvage was based on the combined analysis with mains. However, these assets do not incur cost of removal and there is no salvage. Based upon the segregation this study recommends a zero percent net salvage for this account.

**Account 367.01 Mains – Steel (-30%)**

This account includes any salvage and removal cost related to steel mains used in connection with transmission operations. Currently, the net salvage for this account is negative 20 percent. Evaluating both the combined 367 account analysis



as well as segregated activity from 2006-2012, the overall analysis supports a negative 30 percent. However, we are recommending a move toward those indications, which is a negative 30 percent for this account

**Account 369.00 & 369.01 Measuring and Reg. Station (-9%)**

These accounts include any salvage and removal cost related to measuring and regulating station equipment used in connection with transmission operations. The existing net salvage for these accounts is negative 2 percent. Using the combined analysis, overall indications suggest there is no salvage and some cost of removal will be incurred. Based on the overall indications, this study recommends a negative 9 percent net salvage for this account.

**Distribution Plant – FERC Accounts 374.02-387**

**Account 374.02 Land Rights (0%)**

This account includes any salvage and removal cost related to land rights used in connection with distribution operations. Existing net salvage is zero percent. Very small salvage was recorded, but not expected to occur in the future. This study recommends retaining the zero percent net salvage for this account.

**Account 375.00, 375.01, 375.02, & 375.03 Structures and Improvements (All)  
(-10%)**

These accounts consist of any salvage and removal cost related to buildings, border station and regulating station structures, fences, and other miscellaneous related assets used in connection with distribution operations. The existing net salvage is negative 10 percent. The combined analysis indicates no salvage and some cost of removal being incurred. The overall indications suggest a negative 50 percent, but this is not reasonable to expect for all assets in the future. Based upon the combined analysis and more recent indications, this study recommends retaining the existing negative 10 percent net salvage for this account.

**Account 376.00 Mains - Cathodic Protected (0%)**

This account consists of any salvage and removal cost related to cathodic protected mains. The existing net salvage is negative 20 percent. The existing is due to the combined analysis with mains. This study has segregated anodes, rectifiers and leak clamps in this account and there is no salvage or cost of removal expected. Therefore, this study recommends a zero percent net salvage for this account.

**Account 376.01 Mains - Steel (-20%)**

This account consists of any salvage and removal cost related to steel mains. The existing net salvage is negative 20 percent. This study has performed segregated analysis and a combined analysis for mains. The segregated steel mains (2006-2012) and combined mains analysis are consistent with the existing negative 20 percent and is retained.

**Account 376.02 Mains - Plastic (-20%)**

This account consists of any salvage and removal cost related to plastic mains. The existing net salvage is negative 20 percent. This study has performed segregated analysis and a combined analysis for mains. The segregated plastic

mains (2006-2012) indicates much more negative net salvage factors that range from negative 56 to negative 79 percent. The higher range is due to activity in 2006.

The net salvage expectations for plastic mains are the same as steel. Based on these facts, the combined analysis is the basis for the recommendation, which is a negative 20 percent and same as existing.

**Account 378.00 M&R Station Equipment (-25%)**

This account includes any salvage and removal cost related to measuring equipment, regulator station and valves used in distribution operations. The existing net salvage is negative 5 percent. Retirement and cost of removal is being recorded every year since 2006. Overall indications suggest an increase in cost of removal; overall analysis indications are negative 25 percent, which is the recommendation of this study.

**Account 379.00 & 379.05 M&R – City Gate Equipment (-13%)**

These accounts include any salvage and removal cost related to station equipment used in measuring and regulating gas at the city gate. The existing net salvage is negative 15 percent. A combined analysis was performed, which indicated cost of removal continues to be incurred and is expected. For consistency, based on the overall indications in the analysis, this study recommends a change from the existing negative 15 percent to a negative 13 percent net salvage factor at this time.

**Account 380.00 Services (-55%)**

This account includes any salvage and removal cost related to all types of services related to distribution operations. The existing net salvage is negative 55 percent. Consistent negative net salvage indications are shown in every year except one, 2009, which may be a result of timing differences. Based on the overall indications and consistency with the existing negative 55 percent, this study recommends retaining the negative 55 percent net salvage for this account.

**Account 381.00 Meters (-50%)**

This account includes any salvage and removal cost related to meters. The existing net salvage is negative 25 percent. Looking to the future where meter loop will be installed and removed as one unit, a combined analysis for all four accounts 381-384 was made. The combined analysis overall indications suggest a more negative, negative 50%, to be reasonable. Based on future expectations and the combined overall indications, this study recommends moving to a negative 50 percent net salvage for this account.

**Account 382.00 Meter Installations (-50%)**

This account includes any salvage and removal cost related to meter installations. The existing net salvage is negative 25 percent. Individually, this account has very high negative net salvage, (negative 176%). The combined analysis overall indications suggest a more negative net salvage, (negative 50%), than the existing, but is more reasonable for future expectations. Based on these factors and the combined overall indications, this study recommends moving to a negative 50 percent net salvage for this account.

**Account 383.00 House Regulators (0%)**

This account includes any salvage and removal cost related to house regulators. The existing net salvage is zero percent. A combined analysis was performed and used for Accounts 381 and 382. However, this account and Account 384 have been treated differently in the past. Until the Company actually implements the one meter loop asset and the experience can be evaluated, it is our recommendation to retain the existing zero percent net salvage.

**Account 384.00 House Regulator Installations (0%)**

This account includes any salvage and removal cost related to house regulator installations. The existing net salvage is zero percent. Very little activity is recorded. See discussions for Accounts 381, 382, and 383. This study recommends retaining the zero percent net salvage for this account.

**Account 385.00 Industrial Measuring (-25%)**

This account includes any salvage and removal cost related to meters, regulator installations, regulator stations, valves and pressure recorders for industrial customers. The existing net salvage is negative 15 percent. The more recent analysis indicates more negative net salvage is being incurred. 2012 is much more negative but may be the result of timing difference. The overall net salvage indications across the years are fairly consistent with a negative 25 percent. This study recommends moving to a negative 25 percent net salvage for this account.

**General Plant – FERC Accounts 390-399.08****Account 390.00, 390.02, 390.03, & 390.04 Structures and Improvements (-10%)**

These accounts include the gross salvage and cost or removal for costs of structures and improvements used for utility service. The existing net salvage is zero percent. The combined analysis indicates a negative 10 percent, which is reasonable for these types of assets. Based upon the analysis, this study recommends moving to a negative 10 percent net salvage for this account at this time.

**Account 390.09 Improvements – Leased (0%)**

This account includes the gross salvage and cost or removal for costs of improvements to leased structures used for utility service. The existing net salvage is zero percent. Some salvage was recorded in 2008 but is not likely to reoccur at those levels. This study recommends retaining zero percent net salvage for this

account at this time.

**Account 391.00 & 391.03 Office Furniture & Equipment and Office Machines (0%)**

These accounts include the gross salvage and cost or removal for office furniture, equipment and office machines used for utility service. The existing net salvage is zero percent. No significant salvage or cost of removal is expected. This study recommends retaining 0 percent net salvage for this account at this time.

**Account 392.00 Transportation Equipment (10%)**

This account consists of gross salvage and cost of removal for cars, trucks, and other transportation equipment that can be licensed on roadways. The existing net salvage is 10 percent. No cost of removal is expected nor recorded. Overall analysis indicates positive 6 percent. Expectations are for positive net salvage so this study recommends retaining 10 percent net salvage for this account at this time.

**Account 392.02 Working Trailers (14%)**

This account consists of gross salvage and cost of removal for working trailers. The existing net salvage is 10 percent. Overall indications would suggest more salvage is being received than existing. Based upon the overall analysis indications, this study recommends moving to 14 percent net salvage for this account at this time.

**Account 394.00 Tools, Shop, and Garage Equipment (0%)**

This account includes the gross salvage and cost or removal for tools, shop, and garage equipment used for utility service. The existing net salvage is 1 percent. The overall analysis indications indicate a zero percent, but due to the type of assets no salvage at end of life is expected. This study recommends moving to a zero percent net salvage for this account at this time.

**Account 396.03, 396.04, and 396.05 Power Operated Equipment and Backhoes (8%)**

These accounts include the gross salvage and cost or removal for ditchers, backhoes, welders, and other power operated equipment that cannot be licensed on roadways. The existing net salvage is 5 percent. A combined analysis was performed, which indicated some positive net salvage is being recorded. Based on the overall indications and more recent activity, this study recommends moving to 8 percent net salvage for this account at this time.

**Accounts 397.00 Communication Equipment (0%)**

This account includes the gross salvage and cost or removal for telephone communication equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Accounts 397.05 Telemetry Equipment (0%)**

This account includes the gross salvage and cost or removal for telemetry equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 398.00 Miscellaneous Equipment (0%)**

This account includes the gross salvage and cost or removal for miscellaneous equipment. The existing net salvage is zero percent. Small negative net salvage is indicated, but these assets typically will not produce any gross salvage or removal cost at end of life. This study recommends retaining zero percent net salvage for this account.

**Account 399.01 Server Hardware (0%)**

This account consists of gross salvage and cost of removal for server

hardware computer equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 399.02 Server Software (0%)**

This account consists of gross salvage and cost of removal for server software. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 399.03 Network Hardware (0%)**

This account consists of gross salvage and cost of removal for network hardware computer equipment. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**Account 399.06 PC Hardware (0%)**

This account consists of gross salvage and cost of removal for personal computer hardware, laptop, printers, monitors, and projectors. The existing net salvage is 2 percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends moving to a zero percent net salvage for this account.

**Account 399.07 PC Software (0%)**

This account consists of gross salvage and cost of removal for software for personal computers. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.



**Account 399.08 Application Software (0%)**

This account consists of gross salvage and cost of removal for large application software. The existing net salvage is zero percent. Typically, these assets do not produce any gross salvage or removal cost. This study recommends retaining zero percent net salvage for this account.

**APPENDIX A**  
**Comparison of Depreciation Rates**

## Appendix A

Atmos Energy Corporation - Kentucky Properties  
Comparison of Depreciation Expense  
Existing vs Proposed Depreciation Accrual Rates  
As of September 30, 2012

Account	Description	Plant Balance	Existing		Proposed		Change in Depreciation Expense
			Annual Accrual Rate	Annual Accrual	Annual Accrual Rate	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>PRODUCTION PLANT</b>							
32520	Producing Leaseholds	\$ 2,352.50	5.89%	\$ 138.56	2.22%	\$ 52.26	\$ (86.31)
32540	Rights-Of-Way	83,422.32	2.29%	1,910.37	2.07%	1,729.30	(181.07)
33100	Producing Gas Wells -	3,492.47	0.00%	-	0.00%	-	-
33200	Field Lines	-	0.00%	-	0.00%	-	-
33201	Field Lines	47,162.67	0.00%	-	0.00%	-	-
33202	Tributary Lines	528,218.00	0.00%	-	0.00%	-	-
33400	Field Measuring And Regulating	192,384.43	0.00%	-	3.17%	6,096.59	6,096.59
33600	Purification Equipment	44,369.30	5.26%	2,333.83	2.28%	1,009.77	(1,324.05)
	<b>Total Production</b>	<b>901,401.69</b>	<b>0.49%</b>	<b>4,382.76</b>	<b>0.99%</b>	<b>8,887.92</b>	<b>4,505.16</b>
<b>STORAGE PLANT</b>							
35020	Rights-Of-Way	4,681.58	0.92%	43.07	0.12%	5.44	(37.63)
35100	Structures And Improvements	17,916.19	0.60%	107.50	1.66%	296.58	189.09
35102	Compressor Station Equipment	153,261.30	0.60%	919.57	1.13%	1,730.62	811.06
35103	Measuring And Reg. Station	23,138.38	1.93%	446.80	0.70%	162.57	(284.24)
35104	Other Structures	137,442.53	0.60%	824.66	1.18%	1,618.75	794.10
35200	Wells	2,823,449.28	2.11%	59,574.78	1.89%	53,325.46	(6,249.32)
35201	Well Construction	1,867,595.35	2.11%	39,406.26	1.43%	26,789.05	(12,617.21)
35202	Well Equipment	455,308.80	2.71%	12,338.87	0.64%	2,929.25	(9,409.62)
35203	Cushion Gas	1,694,832.96	2.38%	40,337.02	1.76%	29,876.23	(10,460.80)
35210	Storage Leaseholds	178,530.09	0.30%	535.59	0.07%	127.25	(408.34)
35211	Storage Rights	54,614.27	0.44%	240.30	0.71%	386.53	146.23
35301	Storage Field Lines	178,496.90	1.35%	2,409.71	0.22%	386.25	(2,023.46)
35302	Storage Tributary Lines	209,458.21	1.35%	2,827.69	0.22%	453.25	(2,374.44)
35400	Compressor Station Equipment	923,446.05	0.60%	5,540.68	1.66%	15,304.93	9,764.26
35500	Measuring And Regulating	240,883.03	0.12%	289.06	0.98%	2,365.65	2,076.59
35600	Purification Equipment	163,979.47	1.30%	2,131.73	0.41%	677.44	(1,454.30)
	<b>Total Storage</b>	<b>9,127,034.39</b>	<b>1.84%</b>	<b>167,973.28</b>	<b>1.49%</b>	<b>136,435.25</b>	<b>(31,538.03)</b>
<b>TRANSMISSION PLANT</b>							
36520	Rights-Of-Way	867,772.00	1.65%	14,318.24	1.53%	13,316.67	(1,001.56)
36602	Meas. & Reg. Sta. Structures	49,001.72	2.05%	1,004.54	1.84%	903.49	(101.05)
36603	Other Structures	60,826.29	2.05%	1,246.94	1.84%	1,121.51	(125.43)
36700	Mains - Cathodic Protection	145,030.54	1.69%	2,451.02	5.00%	7,251.53	4,800.51
36701	Mains - Steel	28,873,488.58	1.69%	487,961.96	2.11%	609,090.21	121,128.25
36900	Measuring And Reg. Station	578,023.10	1.48%	8,554.74	2.11%	12,193.48	3,638.73
36901	Measuring And Reg. Station	2,276,827.39	1.48%	33,697.05	2.05%	46,604.90	12,907.85
	<b>Total Transmission</b>	<b>32,850,969.62</b>	<b>1.67%</b>	<b>549,234.47</b>	<b>2.10%</b>	<b>690,481.78</b>	<b>141,247.31</b>

## Appendix A

Atmos Energy Corporation - Kentucky Properties  
Comparison of Depreciation Expense  
Existing vs Proposed Depreciation Accrual Rates  
As of September 30, 2012

Account (a)	Description (b)	Plant Balance (c)	Existing		Proposed		Change in Depreciation Expense (h)
			Annual Accrual Rate (d)	Annual Accrual (e)	Annual Accrual Rate (f)	Annual Accrual (g)	
<b>DISTRIBUTION PLANT</b>							
37402	Land Rights	253,400.60	1.86%	4,713.25	1.72%	4,369.20	(344.05)
37500	Structures & Improvements	336,204.06	3.18%	10,691.29	2.17%	7,300.47	(3,390.82)
37501	Structures & Improvements	101,506.50	3.18%	3,227.91	2.17%	2,204.15	(1,023.75)
37502	Land Rights	46,591.01	3.18%	1,481.59	2.17%	1,011.70	(469.90)
37503	Improvements	4,005.08	3.18%	127.36	2.17%	86.97	(40.39)
37600	Mains - Cathodic Protection	10,623,435.63	2.27%	241,151.99	5.00%	531,171.78	290,019.79
37601	Mains - Steel	80,352,131.86	2.27%	1,823,993.39	2.45%	1,966,581.35	142,587.96
37602	Mains - Plastic	40,784,063.10	2.27%	925,798.23	2.45%	998,171.13	72,372.89
37800	Measuring & Regulating Equipment	4,849,478.92	1.92%	93,110.00	3.07%	148,671.97	55,561.97
37900	Measuring & Regulating Equipment	1,963,783.66	2.43%	47,719.94	2.64%	51,886.27	4,166.33
37905	Measuring & Regulating Eq - City	1,415,372.62	2.43%	34,393.55	2.64%	37,396.39	3,002.83
38000	Services	89,981,672.27	4.41%	3,968,191.75	4.61%	4,148,778.52	180,586.78
38100	Meters	17,237,107.43	8.06%	1,389,310.86	8.03%	1,384,001.19	(5,309.67)
38200	Meter Installations	48,425,894.44	4.60%	2,227,591.14	4.41%	2,134,143.85	(93,447.29)
38300	House Regulators	6,868,568.87	2.90%	199,188.50	3.31%	227,428.81	28,240.32
38400	House Regulator Installations	154,276.36	2.02%	3,116.38	2.53%	3,896.66	780.28
38500	Industrial Measuring	4,985,573.96	2.61%	130,123.48	3.18%	158,616.60	28,493.12
	<b>Total Distribution</b>	<b>308,383,066.37</b>	<b>3.60%</b>	<b>11,103,930.62</b>	<b>3.83%</b>	<b>11,805,717.03</b>	<b>701,786.41</b>
<b>GENERAL PLANT - DEPRECIATED</b>							
39000	Structures & Improvements	1,496,980.24	9.91%	148,350.74	3.77%	56,363.84	(91,986.90)
39002	Structures - Brick	178,755.36	9.91%	17,714.66	3.77%	6,730.44	(10,984.21)
39003	Improvements	725,021.86	9.91%	71,849.67	3.77%	27,298.30	(44,551.37)
39004	Air Conditioning Equipment	7,461.49	9.91%	739.43	3.77%	280.94	(458.50)
39009	Improvements - Leased	1,279,375.74	2.36%	30,193.27	14.41%	184,331.83	154,138.56
39200	Transportation Equipment	395,444.28	59.79%	236,436.14	16.93%	66,945.01	(169,491.12)
39202	Transportation - Trailers	33,191.91	59.79%	19,845.44	25.88%	8,590.57	(11,254.88)
39603	Power Operated -Ditchers	53,703.66	20.76%	11,148.88	15.58%	8,367.79	(2,781.09)
39604	Power Operated - Backhoes	62,747.29	20.76%	13,026.34	15.58%	9,776.92	(3,249.42)
39605	Power Operated - Welders	33,235.94	20.76%	6,899.78	15.58%	5,178.63	(1,721.15)
39705	Communication -Telemetry	419,861.44	5.43%	22,798.48	12.81%	53,771.72	30,973.24
	<b>Total General Depreciated</b>	<b>4,685,779.21</b>	<b>12.36%</b>	<b>579,002.82</b>	<b>9.13%</b>	<b>427,635.98</b>	<b>(151,366.84)</b>

## Appendix A

Atmos Energy Corporation - Kentucky Properties  
Comparison of Depreciation Expense  
Existing vs Proposed Depreciation Accrual Rates  
As of September 30, 2012

Account	Description	Plant Balance	Existing		Proposed		Change in Depreciation Expense
			Annual Accrual Rate	Annual Accrual	Annual Accrual Rate	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>GENERAL PLANT - AMORTIZED</b>							
39100	Office Furniture And Equipment	1,397,715.74	6.22%	86,937.92	(1)	142,035.80	55,097.88
39103	Office Machines	-	6.22%	-	(1)	-	-
39400	Tools Shop And Garage	1,638,070.20	6.63%	108,604.05	(1)	149,924.50	41,320.44
39700	Communication Equipment	332,721.76	5.43%	18,066.79	(1)	31,774.71	13,707.92
39701	Communication Equipment	-	5.43%	-	(1)	-	-
39702	Communication Equipment	-	5.43%	-	(1)	-	-
39800	Miscellaneous Equipment	3,329,292.90	4.26%	141,827.88	(1)	272,817.94	130,990.06
39901	Servers Hardware	-	2.71%	-	(1)	-	-
39902	Servers Software	-	14.29%	-	(1)	-	-
39903	Network Hardware	52,296.63	5.22%	2,729.88	(1)	9,362.66	6,632.77
39906	PC Hardware	1,067,746.56	0.61%	6,513.25	(1)	251,595.05	245,081.79
39907	PC Software	13,751.77	19.16%	2,634.84	(1)	2,603.83	(31.01)
39908	Application Software	411,709.84	17.49%	72,008.05	(1)	55,320.18	(16,687.87)
	<b>Total General Amortized</b>	<b>8,243,305.40</b>	<b>5.33%</b>	<b>439,322.67</b>	<b>11.11%</b>	<b>915,434.65</b>	<b>476,111.98</b>
	<b>TOTAL PLANT IN STUDY</b>	<b>\$ 364,191,556.68</b>	<b>3.53%</b>	<b>\$ 12,843,846.62</b>	<b>3.84%</b>	<b>\$ 13,984,592.62</b>	<b>\$ 1,140,746.00</b>

(1) General Plant - Amortized proposed accrual includes ongoing amortization (1/Life) plus fixed (Deficit)/Surplus accrual

**APPENDIX B**

**Calculation of Equal life Group**

## Appendix B-1

ATMOS ENERGY - KENTUCKY PROPERTIES  
COMPUTATION OF DEPRECIATION ACCRUAL RATE  
AT SEPTEMBER 30, 2012

Account Description	Plant In Service 09/30/2012	Allocated Book Depreciation 09/30/2012	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual Accrual Amount	Annual Accrual Rate
<b>PRODUCTION PLANT</b>								
32520 Producing Leaseholds	\$ 2,352.50	\$ 1,722.92	0%	0.00	\$ 629.58	12.05	\$ 52.26	2.22%
32540 Rights-Of-Way	83,422.32	19,901.14	0%	0.00	63,521.18	36.73	1,728.30	2.07%
33100 Producing Gas Wells	3,492.47	3,492.47	0%	0.00	0.00	5.25	0.00	0.00%
33201 Field Lines	47,162.67	47,162.67	0%	0.00	0.00	14.99	0.00	0.00%
33202 Tributary Lines	528,218.00	528,218.00	0%	0.00	0.00	14.74	0.00	0.00%
33400 Field Measuring And Regulating	192,384.43	181,817.42	-45%	(86,572.99)	117,140.00	19.21	6,096.59	3.17%
33600 Purification Equipment	44,369.30	30,567.03	0%	0.00	13,802.27	13.67	1,009.77	2.28%
<b>Total Production</b>	<b>901,401.69</b>	<b>792,661.65</b>		<b>(86,572.99)</b>	<b>195,093.03</b>		<b>8,667.92</b>	<b>0.99%</b>
<b>STORAGE PLANT</b>								
35020 Rights-Of-Way	4,681.58	4,584.19	0%	0.00	97.39	17.89	5.44	0.12%
35100 Structures And Improvements	17,916.19	4,351.16	-5%	(885.81)	14,480.84	48.76	295.58	1.66%
35102 Compressor Station Equipment	153,261.30	109,533.71	-5%	(7,663.07)	51,390.65	29.69	1,730.62	1.13%
35103 Measuring And Reg. Station	23,138.38	20,665.18	-5%	(1,156.92)	3,630.11	22.33	162.57	0.70%
35104 Other Structures	137,442.53	95,119.70	-5%	(6,872.13)	49,194.96	30.39	1,618.75	1.18%
35200 Wells	2,823,449.28	490,797.65	-30%	(847,034.78)	3,179,686.51	59.63	53,326.46	1.89%
35201 Well Construction	1,867,696.35	1,420,342.03	-30%	(560,276.61)	1,007,531.93	37.61	26,789.05	1.43%
35202 Well Equipment	455,908.80	524,591.39	-30%	(136,592.64)	67,310.05	22.98	2,929.25	0.64%
35203 Cushion Gas	1,694,832.96	574,474.39	0%	0.00	1,120,358.57	37.60	29,876.23	1.76%
35210 Storage Leaseholds An	178,630.09	176,234.34	0%	0.00	2,295.75	16.04	127.26	0.07%
35211 Storage Rights	54,614.27	44,303.67	0%	0.00	10,310.60	26.67	386.53	0.71%
35300 Storage Field Lines	367,955.11	392,922.44	-5%	(19,397.76)	14,430.43	17.19	839.50	0.22%
35400 Compressor Station Eq	923,446.05	441,528.53	0%	0.00	481,917.52	31.49	15,304.93	1.66%
35500 Measuring And Regulating	240,863.03	209,140.66	-4%	(9,635.32)	41,377.89	17.49	2,366.65	0.98%
35600 Purification Equipment	163,979.47	159,105.04	-3%	(4,919.38)	9,793.82	14.46	677.44	0.41%
<b>Total Storage</b>	<b>9,127,034.39</b>	<b>4,667,693.98</b>		<b>(1,594,446.41)</b>	<b>6,053,786.82</b>		<b>136,435.25</b>	<b>1.49%</b>
<b>TRANSMISSION PLANT</b>								
36520 Rights-Of-Way	867,772.00	390,488.62	0%	0.00	477,283.36	35.84	13,316.67	1.53%
36600 Meas. & Reg. Sta. Structures	109,828.01	55,426.66	-6%	(6,599.68)	60,991.03	30.12	2,024.99	1.84%
36700 Mains - Cathodic Protection	145,030.54	89,049.52	0%	0.00	55,981.02	7.72	7,251.53	5.00%
36701 Mains - Steel	28,873,488.58	17,544,872.60	-30%	(8,662,046.57)	19,990,662.56	32.82	609,090.21	2.11%
36900 Measuring And Reg. Station	2,854,850.49	1,582,010.06	-9%	(286,936.54)	1,529,776.98	26.18	58,436.58	2.05%
<b>Total Transmission</b>	<b>32,850,969.62</b>	<b>19,661,847.45</b>		<b>(8,825,572.80)</b>	<b>22,114,694.97</b>		<b>680,119.99</b>	<b>2.10%</b>
<b>DISTRIBUTION PLANT</b>								
37402 Land Rights	253,400.60	42,898.23	0%	0.00	210,502.37	48.18	4,369.20	1.72%
37500 Structures & Improvements	488,306.65	162,998.44	-10%	(48,830.67)	374,136.87	35.29	10,603.29	2.17%
37600 Mains - Cathodic Protection	10,623,436.63	5,115,094.55	0%	0.00	5,508,341.08	10.37	531,171.78	5.00%
37601-02 Mains - Steel & Plastic	121,136,194.96	36,519,207.78	-20%	(24,227,238.99)	108,844,226.17	36.71	2,964,752.48	2.45%
37800 Meas. And Reg. Sta. Equipment	4,849,478.92	1,493,663.91	-25%	(1,212,369.73)	4,568,184.74	30.73	148,671.97	3.07%
37900 Meas & Reg Station Equipment	3,379,156.28	1,214,998.07	-13%	(439,290.32)	2,603,448.52	29.16	89,262.66	2.64%
38000 Services	89,881,672.27	41,743,910.65	-55%	(49,489,919.75)	97,727,681.37	23.56	4,148,778.52	4.61%
38100 Meters	17,237,107.43	12,428,485.04	-50%	(8,618,553.72)	13,427,176.11	9.70	1,384,001.19	8.03%
38200 Meter Installations	48,425,894.44	17,059,562.65	-50%	(24,212,947.22)	55,679,278.01	26.04	2,134,143.65	4.41%
38300 House Regulators	6,668,668.87	2,653,139.49	0%	0.00	4,215,429.38	18.54	227,429.81	3.31%
38400 House Regulator Installations	154,276.36	67,910.02	0%	0.00	86,366.34	22.16	3,896.66	2.53%
38500 Industrial Measuring	4,885,573.96	2,337,602.85	-26%	(1,246,393.49)	3,894,364.60	24.55	158,616.60	3.18%
<b>Total Distribution</b>	<b>308,383,066.37</b>	<b>120,839,471.66</b>		<b>(109,485,543.55)</b>	<b>297,039,138.57</b>		<b>11,605,717.03</b>	<b>3.83%</b>
<b>GENERAL PLANT DEPRECIATED</b>								
39000 Structures & Improvements	2,408,218.95	278,060.48	-10%	(240,821.90)	2,370,980.37	26.15	90,673.52	3.77%
39009 Improvements - Leased	1,279,375.74	578,861.75	0%	0.00	700,513.99	3.80	184,331.83	14.41%
39200 Transportation Equipment	395,444.28	123,730.33	10%	39,544.43	232,169.52	3.47	66,945.01	16.93%
39202 Wkg Trailers	33,191.91	13,876.55	14%	4,646.87	14,668.49	1.71	8,590.57	25.88%
39600 Power Operated Equipment	149,666.89	58,321.91	8%	11,974.95	78,390.03	3.36	23,323.34	15.58%
39705 Communication - Telemetry	419,861.44	168,180.90	0%	0.00	251,680.54	4.68	53,771.72	12.81%
<b>Total General Depreciated</b>	<b>4,685,779.21</b>	<b>1,222,031.92</b>		<b>(184,655.65)</b>	<b>3,648,402.94</b>		<b>427,635.98</b>	<b>9.13%</b>
<b>Total Study Depreciated</b>	<b>355,948,251.28</b>	<b>147,183,926.68</b>		<b>(120,285,791.73)</b>	<b>329,051,116.33</b>		<b>13,068,796.18</b>	<b>3.67%</b>

**ATMOS ENERGY - KENTUCKY PROPERTIES  
COMPUTATION OF DEPRECIATION ACCRUAL RATE  
AT SEPTEMBER 30, 2012**

Account	Description	Plant Balance	Allocated Reserve	Theoretical Reserve	Reserve Deficit/Excess	Reserve Recovery Period	Amortize Reserve Difference	Assets Greater Than ASL	RL
<b>GENERAL PLANT AMORTIZED</b>									
39100	Office Furniture And Equipment	1,453,652.16	337,116.48	561,390.23	(244,273.75)	5	48,854.75	55,936.44	9.36
39400	Tools Shop And Garage	2,110,125.44	745,697.73	983,423.27	(237,725.54)	5	47,545.11	472,055.24	11.01
39700	Communication Equipment	377,662.90	100,154.46	148,120.76	(47,966.30)	5	9,593.26	44,941.14	10.35
39800	Miscellaneous Equipment	3,329,292.90	619,213.68	1,150,980.13	(531,766.45)	5	106,353.29	-	13.09
39901	Servers Hardware	175,990.09	175,990.09	175,990.09	-	5	-	175,990.09	0.00
39902	Servers Software	113,472.72	113,472.72	113,472.72	-	5	-	113,472.72	0.00
39903	Network Hardware	511,781.46	483,271.99	503,935.97	(20,664.98)	5	4,133.00	459,484.83	1.50
39906	Pc Hardware	3,101,878.56	2,253,101.52	2,443,330.19	(190,228.67)	5	38,045.73	2,034,132.00	1.36
39907	Pc Software	247,331.13	237,258.77	240,455.25	(3,196.47)	5	639.29	233,579.36	3.50
39908	Application Software	411,709.84	160,420.23	299,784.50	(139,364.27)	5	27,872.85	-	4.08
<b>Total General Amortized</b>		<b>11,832,897.22</b>	<b>5,225,697.67</b>	<b>6,640,884.10</b>	<b>(1,415,186.43)</b>		<b>283,037.29</b>	<b>3,569,591.82</b>	

After Retirements of Assets With Age > Average Service Life									
Account	Description	Plant Balance	Allocated Reserve	Proposed Life	Annual Amortization (2)	Accrual For Reserve Deficiency	Total Amortization	Accrual Rate	
39100	Office Furniture And Equipment	1,397,715.74	281,180.04	15	93,181.05			6.67%	
39100	Office Furniture And Equipment					48,854.75		(3)	
39100 Total							142,035.80		
39103	Office Machines			15				6.67%	
39103	Office Machines							(3)	
39103 Total									
39400	Tools Shop And Garage	1,638,070.20	273,642.49	16	102,379.39			6.25%	
39400	Tools Shop And Garage					47,545.11		(3)	
39400 Total							149,924.50		
39700	Communication Equipment	332,721.76	55,213.32	15	22,181.45			6.67%	
39700	Communication Equipment					9,593.26		(3)	
39700 Total							31,774.71		
39701	Communication Equipment			15				6.67%	
39701	Communication Equipment							(3)	
39701 Total									
39702	Communication Equipment			15				6.67%	
39702	Communication Equipment							(3)	
39702 Total									
39800	Miscellaneous Equipment	3,329,292.90	619,213.68	20	166,464.65			5.00%	
39800	Miscellaneous Equipment					106,353.29		(3)	
39800 Total							272,817.94		
39901	Servers Hardware	-	-	10	-			10.00%	
39901	Servers Hardware					-		(3)	
39901 Total									
39902	Servers Software	-	-	7	-			14.29%	
39902	Servers Software					-		(3)	
39902 Total									
39903	Network Hardware	52,296.63	23,787.16	10	5,229.86			10.00%	
39903	Network Hardware					4,133.00		(3)	
39903 Total							9,362.86		
39906	Pc Hardware	1,067,746.56	218,969.52	5	213,549.31			20.00%	
39906	Pc Hardware					38,045.73		(3)	
39906 Total							251,595.05		
39907	Pc Software	13,751.77	3,679.41	7	1,964.54			14.29%	
39907	Pc Software					639.29		(3)	
39907 Total							2,603.83		
39908	Application Software	411,709.84	160,420.23	15	27,447.32			6.67%	
39908	Application Software					27,872.85		(3)	
39908 Total									
<b>Total General Amortized</b>		<b>8,243,305.40</b>	<b>1,636,105.85</b>		<b>632,397.37</b>	<b>283,037.29</b>	<b>915,434.65</b>	<b>11.11%</b>	
<b>Total General Depreciated &amp; Amortized</b>		<b>12,929,084.61</b>	<b>2,858,137.77</b>						
<b>TOTAL PLANT STUDY</b>		<b>\$ 354,191,556.66</b>	<b>\$ 146,820,032.53</b>						

(1) Annual Amortization is 1/life of asset group

(2) Annual Amortization is 1/life of asset group (excluding Deficit/Surplus Accrual).

(3) Amortization of Reserve (Deficit)/Surplus will be a fixed dollar amount over a five (5) year period.



**APPENDIX C**  
**Mortality Characteristics**



**APPENDIX D**  
**Net Salvage**

ATMOS ENERGY - KENTUCKY PROPERTIES  
 Depreciation Study as of September 30, 2012  
 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
33400	1997	-			-	NA	NA								
33400	1998	-			-	NA	NA	NA							
33400	1999	-			-	NA	NA	NA	NA						
33400	2000	-			-	NA	NA	NA	NA	NA					
33400	2001	-			-	NA	NA	NA	NA	NA	NA				
33400	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
33400	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
33400	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
33400	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
33400	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
33400	2007	6,084.38	-	206.91	(206.91)	-3.4%	-3.4%	-3.4%	-3.4%	-3.4%	-3.40%	-3.40%	-3.40%	-3.40%	-3.40%
33400	2008	-	-	2,552.05	(2,552.05)	NA	-45.3%	-45.3%	-45.3%	-45.3%	-45.34%	-45.34%	-45.34%	-45.34%	-45.34%
33400	2009	-			-	NA	NA	-45.3%	-45.3%	-45.3%	-45.34%	-45.34%	-45.34%	-45.34%	-45.34%
33400	2010	-			-	NA	NA	NA	-45.3%	-45.3%	-45.34%	-45.34%	-45.34%	-45.34%	-45.34%
33400	2011	-			-	NA	NA	NA	NA	-45.3%	-45.34%	-45.34%	-45.34%	-45.34%	-45.34%
33400	2012	-			-	NA	NA	NA	NA	NA	-45.34%	-45.34%	-45.34%	-45.34%	-45.34%
35100	1996	-			-	NA									
35100	1997	-			-	NA	NA								
35100	1998	589.00	619.00	-	619.00	105.1%	105.1%	105.1%							
35100	1999	-			-	NA	105.1%	105.1%	105.1%						
35100	2000	-			-	NA	NA	105.1%	105.1%	105.1%					
35100	2001	-			-	NA	NA	NA	105.1%	105.1%	105.09%				
35100	2002	-			-	NA	NA	NA	NA	105.1%	105.09%	105.09%			
35100	2003	-			-	NA	NA	NA	NA	NA	105.09%	105.09%	105.09%		
35100	2004	-			-	NA	NA	NA	NA	NA	NA	105.09%	105.09%	105.09%	
35100	2005	-			-	NA	NA	NA	NA	NA	NA	105.09%	105.09%	105.09%	105.09%
35100	2006	-			-	NA	NA	NA	NA	NA	NA	NA	105.09%	105.09%	105.09%
35100	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	105.09%	105.09%
35100	2008	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	105.09%
35100	2009	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35100	2010	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35100	2011	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35100	2012	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35104	1996	-			-	NA									
35104	1997	-			-	NA	NA								
35104	1998	-			-	NA	NA	NA							
35104	1999	-			-	NA	NA	NA	NA						
35104	2000	-			-	NA	NA	NA	NA	NA					
35104	2001	-			-	NA	NA	NA	NA	NA	NA				
35104	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
35104	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
35104	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35104	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35104	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35104	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35104	2008	7,111.58		-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
35104	2009	-	14,000.00	-	14,000.00	NA	196.9%	196.9%	196.9%	196.9%	196.86%	196.86%	196.86%	196.86%	196.86%
35104	2010	-			-	NA	NA	196.9%	196.9%	196.9%	196.86%	196.86%	196.86%	196.86%	196.86%
35104	2011	-			-	NA	NA	NA	196.9%	196.9%	196.86%	196.86%	196.86%	196.86%	196.86%
35104	2012	-			-	NA	NA	NA	NA	196.9%	196.86%	196.86%	196.86%	196.86%	196.86%

Appendix D

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
35200	1996	-			-	NA									
35200	1997	-			-	NA									
35200	1998	1,565.00	-	-	-	0.0%	0.0%	0.0%							
35200	1999	15,727.00	-	30.00	(30.00)	-0.2%	-0.2%	-0.2%	-0.2%						
35200	2000	59,273.00	-	29,992.00	(29,992.00)	-50.6%	-40.0%	-39.2%	-39.2%	-39.2%					
35200	2001	-			-	NA	-50.6%	-40.0%	-39.2%	-39.2%	-39.21%				
35200	2002	-			-	NA	NA	-50.6%	-40.0%	-39.2%	-39.21%	-39.21%			
35200	2003	-			-	NA	NA	NA	-50.6%	-40.0%	-39.21%	-39.21%	-39.21%		
35200	2004	-			-	NA	NA	NA	NA	-50.6%	-40.03%	-39.21%	-39.21%	-39.21%	
35200	2005	-			-	NA	NA	NA	NA	NA	-50.60%	-40.03%	-39.21%	-39.21%	-39.21%
35200	2006	-			-	NA	NA	NA	NA	NA	NA	-50.60%	-40.03%	-39.21%	-39.21%
35200	2007	-			-	NA	NA	NA	NA	NA	NA	NA	-50.60%	-40.03%	-39.21%
35200	2008	-			-	NA	NA	NA	NA	NA	NA	NA	NA	-50.60%	-40.03%
35200	2009	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-50.60%
35200	2010	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35200	2011	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35200	2012	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35201	1996	-			-	NA									
35201	1997	-			-	NA	NA								
35201	1998	-			-	NA	NA	NA							
35201	1999	-			-	NA	NA	NA	NA						
35201	2000	-			-	NA	NA	NA	NA	NA					
35201	2001	-			-	NA	NA	NA	NA	NA	NA				
35201	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
35201	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
35201	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35201	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35201	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35201	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35201	2008	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35201	2009	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35201	2010	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35201	2011	9,187.28		-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
35201	2012	-			-	NA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
35202	1996	-			-	NA									
35202	1997	-			-	NA	NA								
35202	1998	-			-	NA	NA	NA							
35202	1999	-			-	NA	NA	NA	NA						
35202	2000	-			-	NA	NA	NA	NA	NA					
35202	2001	-			-	NA	NA	NA	NA	NA	NA				
35202	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
35202	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
35202	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35202	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35202	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35202	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35202	2008	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35202	2009	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35202	2010	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35202	2011	22,030.17		-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
35202	2012	-	2,250.00	5,060.70	(2,810.70)	NA	-12.8%	-12.8%	-12.8%	-12.8%	-12.76%	-12.76%	-12.76%	-12.76%	-12.76%

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
352 Combin	1996	-	-	-	-	NA									
352 Combin	1997	-	-	-	-	NA									
352 Combin	1998	1,565.00	-	-	-	0.0%	0.0%								
352 Combin	1999	15,727.00	-	30.00	(30.00)	-0.2%	-0.2%	-0.2%	-0.2%						
352 Combin	2000	59,273.00	-	29,992.00	(29,992.00)	-50.6%	-40.0%	-39.2%	-39.2%	-39.2%					
352 Combin	2001	-	-	-	-	NA	-50.6%	-40.0%	-39.2%	-39.2%	-39.21%				
352 Combin	2002	-	-	-	-	NA	NA	-50.6%	-40.0%	-39.2%	-39.21%	-39.21%			
352 Combin	2003	-	-	-	-	NA	NA	NA	-50.6%	-40.0%	-39.21%	-39.21%	-39.21%		
352 Combin	2004	-	-	-	-	NA	NA	NA	NA	-50.6%	-40.03%	-39.21%	-39.21%	-39.21%	
352 Combin	2005	-	-	-	-	NA	NA	NA	NA	NA	-50.60%	-40.03%	-39.21%	-39.21%	-39.21%
352 Combin	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	-50.60%	-40.03%	-39.21%	-39.21%
352 Combin	2007	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	-50.60%	-40.03%	-39.21%
352 Combin	2008	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	-50.60%	-40.03%
352 Combin	2009	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-50.60%
352 Combin	2010	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
352 Combin	2011	31,217.45	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
352 Combin	2012	-	2,250.00	5,060.70	(2,810.70)	NA	-9.0%	-9.0%	-9.0%	-9.0%	-9.00%	-9.00%	-9.00%	-9.00%	-9.00%
35301	1996	-			-	NA									
35301	1997	-			-	NA	NA								
35301	1998	-			-	NA	NA	NA							
35301	1999	-			-	NA	NA	NA	NA						
35301	2000	-			-	NA	NA	NA	NA	NA					
35301	2001	-			-	NA	NA	NA	NA	NA	NA				
35301	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
35301	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
35301	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35301	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2008	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2009	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2010	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35301	2011	3.60			-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
35301	2012	-			-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
35400	1996	-			-	NA									
35400	1997	-			-	NA	NA								
35400	1998	-			-	NA	NA	NA							
35400	1999	-			-	NA	NA	NA	NA						
35400	2000	-			-	NA	NA	NA	NA	NA					
35400	2001	-			-	NA	NA	NA	NA	NA	NA				
35400	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
35400	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
35400	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35400	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35400	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35400	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35400	2008	29,359.45	-	6,316.66	(6,316.66)	-21.5%	-21.5%	-21.5%	-21.5%	-21.5%	-21.51%	-21.51%	-21.51%	-21.51%	-21.51%
35400	2009	18,288.00	16,500.00	3,263.56	13,236.44	72.4%	14.5%	14.5%	14.5%	14.5%	14.52%	14.52%	14.52%	14.52%	14.52%
35400	2010	-			-	NA	72.4%	14.5%	14.5%	14.5%	14.52%	14.52%	14.52%	14.52%	14.52%
35400	2011	-			-	NA	NA	72.4%	14.5%	14.5%	14.52%	14.52%	14.52%	14.52%	14.52%
35400	2012	98,736.60	-	6,771.68	(6,771.68)	-6.9%	-6.9%	-6.9%	5.5%	0.1%	0.10%	0.10%	0.10%	0.10%	0.10%

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-	-	-	-	NA									
35500	1996	-	-	-	-	NA									
35500	1997	-	-	-	-	NA	NA								
35500	1998	-	-	-	-	NA	NA	NA							
35500	1999	-	-	-	-	NA	NA	NA	NA						
35500	2000	-	-	-	-	NA	NA	NA	NA	NA					
35500	2001	-	-	-	-	NA	NA	NA	NA	NA	NA				
35500	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA			
35500	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA		
35500	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35500	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35500	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35500	2007	46,368.72	-	1,951.61	(1,951.61)	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2008	-	-	-	-	NA	-4.2%	-4.2%	-4.2%	-4.2%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2009	-	-	-	-	NA	NA	-4.2%	-4.2%	-4.2%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2010	-	-	-	-	NA	NA	NA	-4.2%	-4.2%	-4.21%	-4.21%	-4.21%	-4.21%	-4.21%
35500	2011	1,598.80	-	-	-	0.0%	0.0%	0.0%	0.0%	-4.1%	-4.07%	-4.07%	-4.07%	-4.07%	-4.07%
35500	2012	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	-4.07%	-4.07%	-4.07%	-4.07%	-4.07%
35600	1996	-	-	-	-	NA									
35600	1997	-	-	-	-	NA	NA								
35600	1998	-	-	-	-	NA	NA	NA							
35600	1999	-	-	-	-	NA	NA	NA	NA						
35600	2000	-	-	-	-	NA	NA	NA	NA	NA					
35600	2001	-	-	-	-	NA	NA	NA	NA	NA	NA				
35600	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA			
35600	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA		
35600	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
35600	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35600	2007	78,270.05	-	2,205.12	(2,205.12)	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2008	-	-	-	-	NA	-2.8%	-2.8%	-2.8%	-2.8%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2009	-	-	-	-	NA	NA	-2.8%	-2.8%	-2.8%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2010	-	-	-	-	NA	NA	NA	-2.8%	-2.8%	-2.82%	-2.82%	-2.82%	-2.82%	-2.82%
35600	2011	869.16	-	-	-	0.0%	0.0%	0.0%	0.0%	-2.8%	-2.79%	-2.79%	-2.79%	-2.79%	-2.79%
35600	2012	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	-2.79%	-2.79%	-2.79%	-2.79%	-2.79%

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-	-	-	-	NA	-	-	-	-	-	-	-	-	-
36602	1996	-	-	-	-	NA	-	-	-	-	-	-	-	-	-
36602	1997	-	-	-	-	NA	NA	-	-	-	-	-	-	-	-
36602	1998	-	-	-	-	NA	NA	NA	-	-	-	-	-	-	-
36602	1999	-	-	-	-	NA	NA	NA	NA	-	-	-	-	-	-
36602	2000	-	-	-	-	NA	NA	NA	NA	NA	-	-	-	-	-
36602	2001	-	-	-	-	NA	NA	NA	NA	NA	NA	-	-	-	-
36602	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	-	-	-
36602	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	-	-
36502	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
36602	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2007	-	-	19.54	(19.54)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36602	2008	16,176.74	-	-	-	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.12%	-0.12%	-0.12%	-0.12%	-0.12%
36602	2009	508.68	14,000.00	-	14,000.00	2752.2%	83.9%	83.8%	83.8%	83.8%	83.79%	83.79%	83.79%	83.79%	83.79%
36602	2010	-	-	14,567.15	(14,567.15)	NA	-111.5%	-3.4%	-3.5%	-3.5%	-3.52%	-3.52%	-3.52%	-3.52%	-3.52%
36602	2011	2,018.91	-	-	-	0.0%	-721.5%	-22.4%	-3.0%	-3.1%	-3.14%	-3.14%	-3.14%	-3.14%	-3.14%
36602	2012	-	-	-	-	NA	0.0%	-721.5%	-22.4%	-3.0%	-3.14%	-3.14%	-3.14%	-3.14%	-3.14%
36603	1996	-	-	-	-	NA	-	-	-	-	-	-	-	-	-
36603	1997	-	-	-	-	NA	NA	-	-	-	-	-	-	-	-
36603	1998	-	-	-	-	NA	NA	NA	-	-	-	-	-	-	-
36603	1999	-	-	-	-	NA	NA	NA	NA	-	-	-	-	-	-
36603	2000	-	-	-	-	NA	NA	NA	NA	NA	-	-	-	-	-
36603	2001	-	-	-	-	NA	NA	NA	NA	NA	NA	-	-	-	-
36603	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	-	-	-
36603	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	-	-
36603	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
36603	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2007	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36603	2008	3,199.70	0.00	842.33	(842.33)	-26.3%	-26.3%	-26.3%	-26.3%	-26.3%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%
36603	2009	-	-	-	-	NA	-26.3%	-26.3%	-26.3%	-26.3%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%
36603	2010	-	-	-	-	NA	NA	-26.3%	-26.3%	-26.3%	-26.33%	-26.33%	-26.33%	-26.33%	-26.33%
36603	2011	114.07	-	0.00	-	0.0%	0.0%	0.0%	-25.4%	-25.4%	-25.42%	-25.42%	-25.42%	-25.42%	-25.42%
36603	2012	-	-	-	-	NA	0.0%	0.0%	0.0%	-25.4%	-25.42%	-25.42%	-25.42%	-25.42%	-25.42%
366 Combin	1996	-	-	-	-	NA	-	-	-	-	-	-	-	-	-
366 Combin	1997	-	-	-	-	NA	NA	-	-	-	-	-	-	-	-
366 Combin	1998	-	-	-	-	NA	NA	NA	-	-	-	-	-	-	-
366 Combin	1999	-	-	-	-	NA	NA	NA	NA	-	-	-	-	-	-
366 Combin	2000	-	-	-	-	NA	NA	NA	NA	NA	-	-	-	-	-
366 Combin	2001	-	-	-	-	NA	NA	NA	NA	NA	NA	-	-	-	-
366 Combin	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	-	-	-
366 Combin	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	-	-
366 Combin	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
366 Combin	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
366 Combin	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
366 Combin	2007	-	-	19.54	(19.54)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
366 Combin	2008	19,376.44	-	842.33	(842.33)	-4.3%	-4.4%	-4.4%	-4.4%	-4.4%	-4.45%	-4.45%	-4.45%	-4.45%	-4.45%
366 Combin	2009	508.68	14,000.00	-	14,000.00	2752.2%	68.2%	68.1%	68.1%	68.1%	66.07%	66.07%	66.07%	66.07%	66.07%
366 Combin	2010	-	-	14,567.15	(14,567.15)	NA	-111.5%	-7.1%	-7.2%	-7.2%	-7.19%	-7.19%	-7.19%	-7.19%	-7.19%
366 Combin	2011	2,132.98	-	-	-	0.0%	-682.9%	-21.5%	-5.4%	-5.5%	-6.49%	-6.49%	-6.49%	-6.49%	-6.49%
366 Combin	2012	-	-	-	-	NA	0.0%	-682.9%	-21.5%	-6.4%	-6.49%	-6.49%	-6.49%	-6.49%	-6.49%



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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-	-	-	-	NA									
36700	1996	8,002.00	0.00	12.00	(12.00)	-0.1%									
36700	1997	0.00	0.00	333.00	(333.00)	NA	-4.3%								
36700	1998	2,611.00	0.00	0.00	-	0.0%	-12.8%	-3.3%							
36700	1999	883.00	0.00	0.00	-	0.0%	0.0%	-9.5%	-3.0%						
36700	2000	7,957.00	0.00	0.00	-	0.0%	0.0%	0.0%	-2.9%	-1.6%					
36700	2001	6,910.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	-1.8%	-1.31%				
36700	2002	2,750.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	-1.58%	-1.19%			
36700	2003	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	-1.58%	-1.19%		
36700	2004	-	-	-	-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	-1.58%	-1.19%	-1.19%
36700	2005	22,519.00	0.00	28,499.08	(28,499.08)	-126.6%	-126.6%	-126.6%	-112.8%	-88.6%	-71.01%	-69.48%	-65.32%	-66.08%	-55.86%
36700	2006	-	-	-	-	NA	-126.6%	-126.6%	-126.6%	-112.8%	-88.56%	-71.01%	-69.48%	-65.32%	-66.08%
36700	2007	11,633.55	0.00	625.29	(625.29)	-5.4%	-5.4%	-85.3%	-85.3%	-85.3%	-78.92%	-66.47%	-66.47%	-55.31%	-52.70%
36700	2008	-	-	-	-	NA	-5.4%	-5.4%	-85.3%	-85.3%	-85.28%	-78.92%	-66.47%	-56.26%	-55.31%
36700	2009	-	-	-	-	NA	NA	-5.4%	-85.3%	-85.3%	-85.28%	-85.28%	-78.92%	-66.47%	-56.26%
36700	2010	-	-	-	-	NA	NA	NA	-5.4%	-5.4%	-85.28%	-85.28%	-85.28%	-78.92%	-66.47%
36700	2011	2,632.04	0.00	313.66	(313.66)	-11.9%	-11.9%	-11.9%	-11.9%	-6.6%	-6.58%	-80.03%	-80.03%	-80.03%	-74.46%
36700	2012	-	-	-	-	NA	-11.9%	-11.9%	-11.9%	-11.9%	-6.58%	-6.58%	-80.03%	-80.03%	-80.03%
36701	1996	-	-	-	-	NA									
36701	1997	-	-	-	-	NA	NA								
36701	1998	-	-	-	-	NA	NA	NA							
36701	1999	-	-	-	-	NA	NA	NA	NA						
36701	2000	-	-	-	-	NA	NA	NA	NA	NA					
36701	2001	-	-	-	-	NA	NA	NA	NA	NA	NA				
36701	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA			
36701	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA		
36701	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
36701	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36701	2006	2,765.11	0.00	5,223.87	(5,223.87)	-188.9%	-188.9%	-188.9%	-188.9%	-188.9%	-188.92%	-188.92%	-188.92%	-188.92%	-188.92%
36701	2007	32,746.54	0.00	7,085.52	(7,085.52)	-21.6%	-34.7%	-34.7%	-34.7%	-34.7%	-34.66%	-34.66%	-34.66%	-34.66%	-34.66%
36701	2008	5,150.74	0.00	19,867.43	(19,867.43)	-385.7%	-71.1%	-79.1%	-79.1%	-79.1%	-79.13%	-79.13%	-79.13%	-79.13%	-79.13%
36701	2009	193,189.22	0.00	4,538.26	(4,538.26)	-2.3%	-12.3%	-13.5%	-15.7%	-15.7%	-15.70%	-15.70%	-15.70%	-15.70%	-15.70%
36701	2010	13,352.93	0.00	546.98	(546.98)	-4.1%	-2.5%	-11.8%	-13.1%	-15.1%	-15.07%	-15.07%	-15.07%	-15.07%	-15.07%
36701	2011	205,128.55	0.00	80,449.24	(80,449.24)	-39.2%	-37.1%	-20.8%	-25.3%	-25.0%	-26.02%	-26.02%	-26.02%	-26.02%	-26.02%
36701	2012	9,558.36	0.00	71,136.41	(71,136.41)	-744.2%	-70.8%	-66.7%	-37.2%	-41.4%	-39.99%	-40.89%	-40.89%	-40.89%	-40.89%
367 Comb	1996	8,002.00	-	12.00	(12.00)	-0.1%									
367 Comb	1997	-	-	333.00	(333.00)	NA	-4.3%								
367 Comb	1998	2,611.00	-	-	-	0.0%	-12.8%	-3.3%							
367 Comb	1999	883.00	-	-	-	0.0%	0.0%	-9.5%	-3.0%						
367 Comb	2000	7,957.00	-	-	-	0.0%	0.0%	0.0%	-2.9%	-1.8%					
367 Comb	2001	6,910.00	-	-	-	0.0%	0.0%	0.0%	0.0%	-1.8%	-1.31%				
367 Comb	2002	2,750.00	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	-1.58%	-1.19%			
367 Comb	2003	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	-1.58%	-1.19%		
367 Comb	2004	-	-	-	-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	-1.58%	-1.19%	-1.19%
367 Comb	2005	22,519.00	-	28,499.08	(28,499.08)	-126.6%	-126.6%	-126.6%	-112.8%	-88.6%	-71.01%	-69.48%	-65.32%	-66.08%	-55.86%
367 Comb	2006	2,765.11	-	5,223.87	(5,223.87)	-188.9%	-133.4%	-133.4%	-133.4%	-120.3%	-96.51%	-78.61%	-77.02%	-72.69%	-73.40%
367 Comb	2007	44,380.09	-	7,710.81	(7,710.81)	-17.4%	-27.4%	-59.5%	-59.5%	-59.5%	-57.22%	-52.23%	-47.47%	-47.00%	-45.64%
367 Comb	2008	5,150.74	-	19,867.43	(19,867.43)	-385.7%	-55.7%	-62.7%	-81.9%	-81.9%	-81.94%	-79.03%	-72.57%	-66.32%	-65.69%
367 Comb	2009	193,189.22	-	4,538.26	(4,538.26)	-2.3%	-12.3%	-13.2%	-15.2%	-24.6%	-24.57%	-24.57%	-24.32%	-23.71%	-23.05%
367 Comb	2010	13,352.93	-	546.98	(546.98)	-4.1%	-2.5%	-11.8%	-12.8%	-14.6%	-23.60%	-23.60%	-23.60%	-23.37%	-22.81%
367 Comb	2011	207,760.59	-	80,762.90	(80,762.90)	-38.9%	-36.8%	-20.7%	-25.2%	-24.5%	-25.43%	-30.08%	-30.08%	-30.08%	-29.92%
367 Comb	2012	9,558.36	-	71,136.41	(71,136.41)	-744.2%	-69.9%	-66.1%	-37.0%	-41.2%	-38.99%	-39.86%	-43.77%	-43.77%	-43.77%

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33400	1996	-			-	NA									
36900	1996	0.00	0.00	191.00	(191.00)	NA									
36900	1997	-			-	NA	NA								
36900	1998	13,523.00	0.00	77.00	(77.00)	-0.6%	-0.6%	-2.0%							
36900	1999	-			-	NA	-0.6%	-0.6%	-2.0%						
36900	2000	-			-	NA	NA	-0.6%	-0.6%	-2.0%					
36900	2001	2,183.00	0.00	0.00	-	0.0%	0.0%	0.0%	-0.5%	-0.5%	-1.71%				
36900	2002	-			-	NA	0.0%	0.0%	0.0%	-0.5%	-0.49%	-1.71%			
36900	2003	-			-	NA	NA	0.0%	0.0%	0.0%	-0.49%	-0.49%	-1.71%		
36900	2004	-			-	NA	NA	NA	0.0%	0.0%	0.00%	-0.49%	-0.49%	-1.71%	
36900	2005	-			-	NA	NA	NA	NA	0.0%	0.00%	0.00%	-0.49%	-0.49%	-1.71%
36900	2006	-			-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	-0.49%	-0.49%
36900	2007	0.00	0.00	1,251.20	(1,251.20)	NA	NA	NA	NA	NA	NA	-57.32%	-57.32%	-57.32%	-8.46%
36900	2008	-			-	NA	NA	NA	NA	NA	NA	NA	-57.32%	-57.32%	-57.32%
36900	2009	-			-	NA	NA	NA	NA	NA	NA	NA	NA	-57.32%	-57.32%
36900	2010	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-57.32%
36900	2011	62,139.52		0.00	-	0.0%	0.0%	0.0%	0.0%	-2.0%	-2.01%	-2.01%	-2.01%	-2.01%	-2.01%
36900	2012	-			-	NA	0.0%	0.0%	0.0%	0.0%	-2.01%	-2.01%	-2.01%	-2.01%	-2.01%
36901	1996	-			-	NA									
36901	1997	-			-	NA	NA								
36901	1998	-			-	NA	NA	NA							
36901	1999	-			-	NA	NA	NA	NA						
36901	2000	-			-	NA	NA	NA	NA	NA					
36901	2001	-			-	NA	NA	NA	NA	NA	NA				
36901	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
36901	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
36901	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
36901	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36901	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36901	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
36901	2008	34,336.56	0.00	16,586.69	(16,586.69)	-48.3%	-48.3%	-48.3%	-48.3%	-48.3%	-48.31%	-48.31%	-48.31%	-48.31%	-48.31%
36901	2009	135,215.89	0.00	3,139.41	(3,139.41)	-2.3%	-11.6%	-11.6%	-11.6%	-11.6%	-11.63%	-11.63%	-11.63%	-11.63%	-11.63%
36901	2010	-			-	NA	-2.3%	-11.6%	-11.6%	-11.6%	-11.63%	-11.63%	-11.63%	-11.63%	-11.63%
36901	2011	-			-	NA	NA	-2.3%	-11.6%	-11.6%	-11.63%	-11.63%	-11.63%	-11.63%	-11.63%
36901	2012	132.12		0.00	-	0.0%	0.0%	0.0%	-2.3%	-11.6%	-11.63%	-11.63%	-11.63%	-11.63%	-11.63%
369 Combin	1996	-	-	191.00	(191.00)	NA									
369 Combin	1997	-	-	-	-	NA	NA								
369 Combin	1998	13,523.00	-	77.00	(77.00)	-0.6%	-0.6%	-2.0%							
369 Combin	1999	-	-	-	-	NA	-0.6%	-0.6%	-2.0%						
369 Combin	2000	-	-	-	-	NA	NA	-0.6%	-0.6%	-2.0%					
369 Combin	2001	2,183.00	-	-	-	0.0%	0.0%	0.0%	-0.5%	-0.5%	-1.71%				
369 Combin	2002	-	-	-	-	NA	0.0%	0.0%	0.0%	-0.5%	-0.49%	-1.71%			
369 Combin	2003	-	-	-	-	NA	NA	0.0%	0.0%	0.0%	-0.49%	-0.49%	-1.71%		
369 Combin	2004	-	-	-	-	NA	NA	NA	0.0%	0.0%	0.00%	-0.49%	-0.49%	-1.71%	
369 Combin	2005	-	-	-	-	NA	NA	NA	NA	0.0%	0.00%	0.00%	-0.49%	-0.49%	-1.71%
369 Combin	2006	-	-	-	-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	-0.49%	-0.49%
369 Combin	2007	-	-	1,251.20	(1,251.20)	NA	NA	NA	NA	NA	NA	-57.32%	-57.32%	-57.32%	-8.46%
369 Combin	2008	34,336.56	-	16,586.69	(16,586.69)	-48.3%	-52.0%	-52.0%	-52.0%	-52.0%	-51.95%	-51.95%	-48.84%	-48.84%	-48.84%
369 Combin	2009	135,215.89	-	3,139.41	(3,139.41)	-2.3%	-11.6%	-12.4%	-12.4%	-12.4%	-12.37%	-12.37%	-12.37%	-12.21%	-12.21%
369 Combin	2010	-	-	-	-	NA	-2.3%	-11.6%	-12.4%	-12.4%	-12.37%	-12.37%	-12.37%	-12.21%	-12.21%
369 Combin	2011	62,139.52	-	-	-	0.0%	0.0%	-1.6%	-8.5%	-9.1%	-9.05%	-9.05%	-9.05%	-9.05%	-9.05%
369 Combin	2012	132.12	-	-	-	0.0%	0.0%	0.0%	-1.6%	-8.5%	-9.05%	-9.05%	-9.05%	-9.05%	-9.05%

Appendix D

ATMOS ENERGY - KENTUCKY PROPERTIES  
 Depreciation Study as of September 30, 2012  
 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
37402	1996	-			-	NA									
37402	1997	-			-	NA	NA								
37402	1998	-			-	NA	NA	NA							
37402	1999	-			-	NA	NA	NA	NA						
37402	2000	-			-	NA	NA	NA	NA	NA					
37402	2001	-			-	NA	NA	NA	NA	NA	NA				
37402	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
37402	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
37402	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
37402	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37402	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37402	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37402	2008	16.80	8.25	0.00	8.25	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%
37402	2009	-			-	NA	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%
37402	2010	-			-	NA	NA	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%
37402	2011	-			-	NA	NA	NA	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%
37402	2012	-			-	NA	NA	NA	NA	49.1%	49.1%	49.1%	49.1%	49.1%	49.1%
37500	1996	-			-	NA									
37500	1997	-			-	NA	NA								
37500	1998	-			-	NA	NA	NA							
37500	1999	-			-	NA	NA	NA	NA						
37500	2000	4,190.00	0.00	3,054.00	(3,054.00)	-72.9%	-72.9%	-72.9%	-72.9%	-72.9%					
37500	2001	-			-	NA	-72.9%	-72.9%	-72.9%	-72.9%	-72.89%				
37500	2002	-			-	NA	NA	-72.9%	-72.9%	-72.9%	-72.89%	-72.89%			
37500	2003	-			-	NA	NA	NA	-72.9%	-72.9%	-72.89%	-72.89%	-72.89%		
37500	2004	-			-	NA	NA	NA	NA	-72.9%	-72.89%	-72.89%	-72.89%	-72.89%	
37500	2005	-			-	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%
37500	2006	-			-	NA	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%
37500	2007	0.00	0.00	41.51	(41.51)	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%	-73.88%
37500	2008	-			-	NA	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%
37500	2009	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-73.88%
37500	2010	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37500	2011	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37500	2012	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	1996	-			-	NA									
37501	1997	-			-	NA	NA								
37501	1998	-			-	NA	NA	NA							
37501	1999	-			-	NA	NA	NA	NA						
37501	2000	-			-	NA	NA	NA	NA	NA					
37501	2001	-			-	NA	NA	NA	NA	NA	NA				
37501	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
37501	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
37501	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
37501	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2007	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2008	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37501	2009	2,802.98	0.00	368.76	(368.76)	-13.2%	-13.2%	-13.2%	-13.2%	-13.2%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%
37501	2010	-			-	NA	-13.2%	-13.2%	-13.2%	-13.2%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%
37501	2011	-			-	NA	NA	-13.2%	-13.2%	-13.2%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%
37501	2012	-			-	NA	NA	NA	-13.2%	-13.2%	-13.16%	-13.16%	-13.16%	-13.16%	-13.16%

**ATMOS ENERGY - KENTUCKY PROPERTIES**  
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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-	-	-	-	NA									
375 Combin	1996	-	-	-	-	NA									
375 Combin	1997	-	-	-	-	NA	NA								
375 Combin	1998	-	-	-	-	NA	NA	NA							
375 Combin	1999	-	-	-	-	NA	NA	NA	NA						
375 Combin	2000	4,190.00	-	3,054.00	(3,054.00)	-72.9%	-72.9%	-72.9%	-72.9%	-72.9%					
375 Combin	2001	-	-	-	-	NA	-72.9%	-72.9%	-72.9%	-72.9%	-72.89%				
375 Combin	2002	-	-	-	-	NA	NA	-72.9%	-72.9%	-72.9%	-72.89%	-72.89%			
375 Combin	2003	-	-	-	-	NA	NA	NA	-72.9%	-72.9%	-72.89%	-72.89%	-72.89%		
375 Combin	2004	-	-	-	-	NA	NA	NA	NA	-72.9%	-72.89%	-72.89%	-72.89%	-72.89%	
375 Combin	2005	-	-	-	-	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%	-72.89%
375 Combin	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	-72.89%	-72.89%	-72.89%	-72.89%
375 Combin	2007	-	-	41.51	(41.51)	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%	-73.88%
375 Combin	2008	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	-73.88%	-73.88%
375 Combin	2009	2,802.98	-	368.76	(368.76)	-13.2%	-13.2%	-14.6%	-14.6%	-14.6%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%
375 Combin	2010	-	-	-	-	NA	-13.2%	-13.2%	-14.6%	-14.6%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%
375 Combin	2011	-	-	-	-	NA	NA	-13.2%	-13.2%	-14.6%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%
375 Combin	2012	-	-	-	-	NA	NA	NA	-13.2%	-13.2%	-14.64%	-14.64%	-14.64%	-14.64%	-14.64%
37600	1996	55,351.00	67,854.62	4,609.00	63,245.62	114.3%									
37600	1997	197,090.00	0.00	251,775.00	(251,775.00)	-127.7%	-74.7%								
37600	1998	121,727.00	6,321.00	2,709.00	3,612.00	3.0%	-77.8%	-49.4%							
37600	1999	143,566.00	0.00	25,600.00	(25,600.00)	-17.8%	-8.3%	-59.2%	-40.7%						
37600	2000	67,723.00	0.00	80,330.00	(80,330.00)	-118.6%	-50.1%	-30.7%	-66.8%	-49.7%					
37600	2001	180,309.00	0.00	100,246.00	(100,246.00)	-55.6%	-72.8%	-52.8%	-39.5%	-63.9%	-51.07%				
37600	2002	112,370.00	0.00	20,416.00	(20,416.00)	-18.2%	-41.2%	-55.8%	-45.0%	-35.6%	-57.69%	-46.86%			
37600	2003	112,104.00	0.00	42,202.00	(42,202.00)	-37.6%	-27.9%	-40.2%	-51.5%	-43.6%	-35.94%	-55.29%	-45.81%		
37600	2004	63,595.00	0.00	50,731.00	(50,731.00)	-79.8%	-52.9%	-39.3%	-45.6%	-54.8%	-47.01%	-39.42%	-56.85%	-47.86%	
37600	2005	305,582.00	0.00	32,095.27	(32,095.27)	-10.5%	-22.4%	-26.0%	-24.5%	-31.7%	-38.73%	-35.68%	-31.43%	-45.99%	-39.47%
37600	2006	(40,282.85)	0.00	8,347.43	(8,347.43)	20.7%	-15.2%	-27.7%	-30.2%	-27.8%	-34.63%	-41.72%	-38.09%	-33.40%	-48.12%
37600	2007	290,162.96	0.00	149,699.34	(149,699.34)	-51.6%	-63.2%	-34.2%	-38.9%	-36.7%	-35.98%	-39.43%	-44.35%	-41.26%	-37.29%
37600	2008	1,892.89	0.00	1,110.43	(1,110.43)	-58.7%	-51.6%	-63.2%	-34.3%	-39.0%	-38.77%	-36.03%	-39.47%	-44.37%	-41.29%
37600	2009	101,013.50	0.00	4,299.32	(4,299.32)	-4.3%	-5.3%	-39.5%	-46.3%	-29.7%	-34.11%	-34.59%	-32.64%	-36.31%	-40.98%
37600	2010	20,731.57	0.00	309.01	(309.01)	-1.5%	-3.8%	-4.6%	-37.6%	-43.8%	-28.84%	-33.20%	-33.78%	-31.97%	-35.68%
37600	2011	18,608.94	0.00	64.79	(64.79)	-0.3%	-1.0%	-3.3%	-4.1%	-36.0%	-41.78%	-28.08%	-32.40%	-33.07%	-31.37%
37600	2012	697,633.25	0.00	24,624.56	(24,624.56)	-3.5%	-3.4%	-3.4%	-3.5%	-3.6%	-15.94%	-17.29%	-15.81%	-18.58%	-19.95%
37601	1996	-	-	-	-	NA									
37601	1997	-	-	-	-	NA	NA								
37601	1998	-	-	-	-	NA	NA	NA							
37601	1999	-	-	-	-	NA	NA	NA	NA						
37601	2000	-	-	-	-	NA	NA	NA	NA	NA					
37601	2001	-	-	-	-	NA	NA	NA	NA	NA	NA				
37601	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA			
37601	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA		
37601	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
37601	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37601	2006	244,942.41	0.00	351,638.67	(351,638.67)	-143.6%	-143.6%	-143.6%	-143.6%	-143.6%	-143.56%	-143.56%	-143.56%	-143.56%	-143.56%
37601	2007	1,361,933.19	0.00	95,989.92	(95,989.92)	-7.0%	-27.9%	-27.9%	-27.9%	-27.9%	-27.86%	-27.86%	-27.86%	-27.86%	-27.86%
37601	2008	963,544.19	0.00	128,492.44	(128,492.44)	-13.3%	-9.7%	-22.4%	-22.4%	-22.4%	-22.41%	-22.41%	-22.41%	-22.41%	-22.41%
37601	2009	180,458.40	0.00	15,880.40	(15,880.40)	-8.8%	-12.6%	-9.6%	-21.5%	-21.5%	-21.52%	-21.52%	-21.52%	-21.52%	-21.52%
37601	2010	1,118,381.61	18,212.80	267,326.95	(249,114.15)	-22.3%	-20.4%	-17.4%	-13.5%	-21.7%	-21.74%	-21.74%	-21.74%	-21.74%	-21.74%
37601	2011	402,026.97	0.00	131,713.87	(131,713.87)	-32.8%	-25.0%	-23.3%	-19.7%	-15.4%	-22.78%	-22.78%	-22.78%	-22.78%	-22.78%
37601	2012	1,204,856.02	0.00	186,641.93	(186,641.93)	-15.5%	-19.8%	-20.8%	-20.1%	-18.4%	-15.44%	-21.17%	-21.17%	-21.17%	-21.17%

Appendix D

ATMOS ENERGY - KENTUCKY PROPERTIES  
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 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-	-	-	-	NA	-	-	-	-	-	-	-	-	-
37602	1996	-	-	-	-	NA	-	-	-	-	-	-	-	-	-
37602	1997	-	-	-	-	NA	NA	-	-	-	-	-	-	-	-
37602	1998	-	-	-	-	NA	NA	NA	-	-	-	-	-	-	-
37602	1999	-	-	-	-	NA	NA	NA	NA	-	-	-	-	-	-
37602	2000	-	-	-	-	NA	NA	NA	NA	NA	-	-	-	-	-
37602	2001	-	-	-	-	NA	NA	NA	NA	NA	NA	-	-	-	-
37602	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	-	-	-
37602	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	-	-
37602	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
37602	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37802	2006	49,623.79	0.00	120,053.43	(120,053.43)	-241.9%	-241.9%	-241.9%	-241.9%	-241.9%	-241.93%	-241.93%	-241.93%	-241.93%	-241.93%
37802	2007	33,519.67	0.00	6,877.93	(6,877.93)	-20.5%	-152.7%	-152.7%	-152.7%	-152.7%	-152.67%	-152.67%	-152.67%	-152.67%	-152.67%
37602	2008	40,050.64	0.00	8,218.83	(8,218.83)	-20.5%	-20.5%	-109.7%	-109.7%	-109.7%	-109.71%	-109.71%	-109.71%	-109.71%	-109.71%
37602	2009	17,782.95	0.00	2,167.03	(2,167.03)	-12.2%	-18.0%	-18.9%	-97.4%	-97.4%	-97.40%	-97.40%	-97.40%	-97.40%	-97.40%
37602	2010	44,183.23	0.00	20,406.10	(20,406.10)	-46.2%	-36.4%	-30.2%	-27.8%	-85.2%	-85.18%	-85.18%	-85.18%	-85.18%	-85.18%
37602	2011	58,128.12	0.00	35,842.92	(35,842.92)	-61.7%	-55.0%	-48.6%	-41.6%	-38.0%	-79.56%	-79.56%	-79.56%	-79.56%	-79.56%
37602	2012	152,150.97	0.00	119,495.68	(119,495.68)	-78.5%	-73.9%	-69.1%	-65.3%	-59.6%	-55.81%	-79.17%	-79.17%	-79.17%	-79.17%
376 Combin	1996	55,351.00	67,854.62	4,609.00	63,245.62	114.3%	-	-	-	-	-	-	-	-	-
378 Combin	1997	197,090.00	-	251,775.00	(251,775.00)	-127.7%	-74.7%	-	-	-	-	-	-	-	-
376 Combin	1998	121,727.00	6,321.00	2,709.00	3,612.00	3.0%	-77.8%	-49.4%	-	-	-	-	-	-	-
376 Combin	1999	143,666.00	-	25,600.00	(25,600.00)	-17.8%	-8.3%	-59.2%	-40.7%	-	-	-	-	-	-
378 Combin	2000	67,723.00	-	80,330.00	(80,330.00)	-118.6%	-50.1%	-30.7%	-66.8%	-49.7%	-	-	-	-	-
376 Combin	2001	180,309.00	-	100,246.00	(100,246.00)	-55.6%	-72.8%	-52.6%	-39.5%	-63.9%	-51.07%	-	-	-	-
376 Combin	2002	112,370.00	-	20,416.00	(20,416.00)	-18.2%	-41.2%	-55.8%	-45.0%	-35.6%	-57.69%	-46.86%	-	-	-
376 Combin	2003	112,104.00	-	42,202.00	(42,202.00)	-37.6%	-27.9%	-40.2%	-51.5%	-43.6%	-35.94%	-55.29%	-45.81%	-	-
376 Combin	2004	63,595.00	-	50,731.00	(50,731.00)	-79.8%	-52.9%	-39.3%	-45.6%	-54.8%	-47.01%	-39.42%	-56.85%	-47.86%	-
376 Combin	2005	305,582.00	-	32,095.27	(32,095.27)	-10.5%	-22.4%	-26.0%	-24.5%	-31.7%	-38.73%	-35.68%	-31.43%	-45.99%	-39.47%
378 Combin	2006	254,283.35	-	480,039.53	(480,039.53)	-188.8%	-91.5%	-90.3%	-82.3%	-73.8%	-70.58%	-73.55%	-67.09%	-60.83%	-69.29%
378 Combin	2007	1,685,615.82	-	252,567.19	(252,567.19)	-15.0%	-37.8%	-34.1%	-35.3%	-35.4%	-34.66%	-36.05%	-38.06%	-37.06%	-35.47%
376 Combin	2008	1,005,487.72	-	137,821.70	(137,821.70)	-13.7%	-14.5%	-29.8%	-27.8%	-28.8%	-29.05%	-28.70%	-30.01%	-31.59%	-31.09%
376 Combin	2009	299,254.85	-	22,346.75	(22,346.75)	-7.5%	-12.3%	-13.8%	-27.5%	-26.1%	-27.00%	-27.32%	-27.05%	-28.33%	-29.83%
376 Combin	2010	1,183,296.41	18,212.80	288,042.06	(269,829.26)	-22.8%	-19.7%	-17.3%	-16.4%	-26.3%	-25.24%	-25.96%	-26.23%	-26.05%	-27.07%
376 Combin	2011	478,764.03	-	167,621.68	(167,621.68)	-35.0%	-26.3%	-23.4%	-20.1%	-18.3%	-27.11%	-26.14%	-26.78%	-27.01%	-26.83%
376 Combin	2012	2,054,640.24	-	330,762.17	(330,762.17)	-16.1%	-19.7%	-20.7%	-19.7%	-18.5%	-17.61%	-23.86%	-23.30%	-23.79%	-24.00%
37800	1996	0.00	0.00	39.00	(39.00)	NA	-	-	-	-	-	-	-	-	-
37800	1997	-	-	-	-	NA	NA	-	-	-	-	-	-	-	-
37800	1998	375.00	0.00	23.00	(23.00)	-6.1%	-6.1%	-16.5%	-	-	-	-	-	-	-
37800	1999	917.00	0.00	0.00	-	0.0%	-1.8%	-1.8%	-4.8%	-	-	-	-	-	-
37800	2000	-	-	-	-	NA	0.0%	-1.8%	-1.8%	-4.8%	-	-	-	-	-
37800	2001	-	-	-	-	NA	NA	0.0%	-1.8%	-1.8%	-4.80%	-	-	-	-
37800	2002	-	-	-	-	NA	NA	NA	0.0%	-1.8%	-1.78%	-4.80%	-	-	-
37800	2003	-	-	-	-	NA	NA	NA	NA	0.0%	-1.78%	-1.78%	-4.80%	-	-
37800	2004	-	-	-	-	NA	NA	NA	NA	0.00%	-1.78%	-1.78%	-4.80%	-	-
37800	2005	-	-	-	-	NA	NA	NA	NA	NA	0.00%	-1.78%	-1.78%	-4.80%	-4.80%
37800	2006	12,626.52	0.00	7,595.24	(7,595.24)	-60.2%	-60.2%	-60.2%	-60.2%	-60.2%	-60.15%	-60.15%	-56.08%	-54.73%	-54.73%
37800	2007	24,754.08	0.00	53,949.01	(53,949.01)	-217.9%	-164.6%	-164.6%	-164.6%	-164.6%	-164.64%	-164.64%	-164.64%	-160.70%	-159.20%
37800	2008	42,840.62	0.00	8,927.04	(8,927.04)	-20.8%	-93.0%	-87.8%	-87.8%	-87.8%	-87.85%	-87.85%	-87.85%	-87.85%	-86.85%
37800	2009	77,929.56	0.00	12,615.95	(12,615.95)	-16.2%	-17.8%	-51.9%	-52.5%	-52.5%	-52.54%	-52.54%	-52.54%	-52.54%	-52.54%
37800	2010	40,104.33	(5,555.50)	(51,950.79)	46,395.23	115.7%	28.6%	15.4%	-15.7%	-18.5%	-18.51%	-18.51%	-18.51%	-18.51%	-18.51%
37800	2011	6,999.33	0.00	16,667.76	(16,667.76)	-238.1%	63.1%	13.7%	4.9%	-23.8%	-26.00%	-26.00%	-26.00%	-26.00%	-26.00%
37800	2012	18,827.60	0.00	2,730.58	(2,730.58)	-14.5%	-75.1%	40.9%	10.0%	2.9%	-22.93%	-25.03%	-25.03%	-25.03%	-25.03%

Appendix D

ATMOS ENERGY - KENTUCKY PROPERTIES  
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 NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-	-	-	-	NA									
37900	1996	-	-	-	-	NA									
37900	1997	-	-	-	-	NA	NA								
37900	1998	-	-	-	-	NA	NA	NA							
37900	1999	1,547.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%						
37900	2000	12,823.00	0.00	2,112.00	(2,112.00)	-16.5%	-14.7%	-14.7%	-14.7%	-14.7%					
37900	2001	-	-	-	-	NA	-16.5%	-14.7%	-14.7%	-14.7%	-14.70%				
37900	2002	-	-	-	-	NA	NA	-16.5%	-14.7%	-14.7%	-14.70%	-14.70%			
37900	2003	-	-	-	-	NA	NA	NA	-16.5%	-14.7%	-14.70%	-14.70%	-14.70%		
37900	2004	302.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	-16.1%	-14.39%	-14.39%	-14.39%	-14.39%	
37900	2005	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%
37900	2006	-	-	-	-	NA	NA	0.0%	0.0%	0.0%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%
37900	2007	0.00	0.00	502.42	(502.42)	NA	NA	NA	-166.4%	-166.4%	-166.36%	-166.36%	-166.36%	-17.82%	-17.82%
37900	2008	737.89	0.00	867.44	(867.44)	-117.6%	-185.6%	-185.6%	-185.6%	-131.7%	-131.73%	-131.73%	-131.73%	-25.12%	-22.59%
37900	2009	17,655.19	0.00	9.46	(9.46)	-0.1%	-4.8%	-7.5%	-7.5%	-7.5%	-7.38%	-7.38%	-7.38%	-7.38%	-11.08%
37900	2010	12,988.61	0.00	144.68	(144.68)	-1.1%	-0.5%	-3.3%	-4.9%	-4.9%	-4.86%	-4.81%	-4.81%	-4.81%	-4.81%
37900	2011	58,535.80	0.00	682.55	(682.55)	-1.2%	-1.2%	-0.9%	-1.9%	-2.5%	-2.45%	-2.45%	-2.45%	-2.45%	-2.45%
37900	2012	0.00	0.00	(7.46)	7.46	NA	-1.2%	-1.1%	-0.9%	-1.9%	-2.45%	-2.45%	-2.45%	-2.44%	-2.44%
37905	1996	-	-	-	-	NA									
37905	1997	-	-	-	-	NA	NA								
37905	1998	-	-	-	-	NA	NA	NA							
37905	1999	-	-	-	-	NA	NA	NA	NA						
37905	2000	-	-	-	-	NA	NA	NA	NA	NA					
37905	2001	-	-	-	-	NA	NA	NA	NA	NA	NA				
37905	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA			
37905	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA		
37905	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
37905	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37905	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37905	2007	0.00	0.00	1,427.19	(1,427.19)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37905	2008	24,696.22	0.00	945.85	(945.85)	-3.8%	-9.6%	-9.6%	-9.6%	-9.6%	-9.61%	-9.61%	-9.61%	-9.61%	-9.61%
37905	2009	123,047.90	0.00	6,102.71	(6,102.71)	-5.0%	-4.8%	-5.7%	-5.7%	-5.7%	-5.74%	-5.74%	-5.74%	-5.74%	-5.74%
37905	2010	5,467.83	0.00	7,060.85	(7,060.85)	-129.1%	-10.2%	-9.2%	-10.1%	-10.1%	-10.14%	-10.14%	-10.14%	-10.14%	-10.14%
37905	2011	24,565.78	0.00	16,849.25	(16,849.25)	-68.6%	-79.6%	-19.6%	-17.4%	-18.2%	-18.22%	-18.22%	-18.22%	-18.22%	-18.22%
37905	2012	9,710.15	0.00	2,478.88	(2,478.88)	-25.5%	-56.4%	-66.4%	-20.0%	-17.8%	-18.60%	-18.60%	-18.60%	-18.60%	-18.60%
379 Combin	1996	-	-	-	-	NA									
379 Combin	1997	-	-	-	-	NA	NA								
379 Combin	1998	-	-	-	-	NA	NA	NA							
379 Combin	1999	1,547.00	-	-	-	0.0%	0.0%	0.0%	0.0%						
379 Combin	2000	12,823.00	-	2,112.00	(2,112.00)	-16.5%	-14.7%	-14.7%	-14.7%	-14.7%					
379 Combin	2001	-	-	-	-	NA	-16.5%	-14.7%	-14.7%	-14.7%	-14.70%				
379 Combin	2002	-	-	-	-	NA	NA	-16.5%	-14.7%	-14.7%	-14.70%	-14.70%			
379 Combin	2003	-	-	-	-	NA	NA	NA	-16.5%	-14.7%	-14.70%	-14.70%	-14.70%		
379 Combin	2004	302.00	-	-	-	0.0%	0.0%	0.0%	0.0%	-16.1%	-14.39%	-14.39%	-14.39%	-14.39%	
379 Combin	2005	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	-16.09%	-14.39%	-14.39%	-14.39%	-14.39%
379 Combin	2006	-	-	-	-	NA	NA	0.0%	0.0%	0.0%	0.00%	-16.09%	-14.39%	-14.39%	-14.39%
379 Combin	2007	-	-	1,929.61	(1,929.61)	NA	NA	NA	-638.9%	-638.9%	-638.94%	-638.94%	-30.79%	-27.55%	-27.55%
379 Combin	2008	25,434.11	-	1,813.29	(1,813.29)	-7.1%	-14.7%	-14.7%	-14.7%	-14.5%	-14.54%	-14.54%	-14.54%	-15.18%	-14.60%
379 Combin	2009	140,703.09	-	6,112.17	(6,112.17)	-4.3%	-4.8%	-5.9%	-5.9%	-5.9%	-5.92%	-5.92%	-5.92%	-5.92%	-6.88%
379 Combin	2010	18,456.49	-	7,205.53	(7,205.53)	-39.0%	-8.4%	-8.2%	-9.2%	-9.2%	-9.24%	-9.23%	-9.23%	-9.23%	-9.23%
379 Combin	2011	83,101.58	-	17,531.80	(17,531.80)	-21.1%	-24.4%	-12.7%	-12.2%	-12.9%	-12.92%	-12.92%	-12.91%	-12.91%	-12.91%
379 Combin	2012	9,710.15	-	2,471.42	(2,471.42)	-25.5%	-21.6%	-24.5%	-13.2%	-12.7%	-13.36%	-13.36%	-13.36%	-13.35%	-13.35%

## Appendix D

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NET SALVAGE HISTORY

Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
38000	1996	176,565.00	0.00	27,636.00	(27,636.00)	-15.7%									
38000	1997	215,379.00	154.00	29,621.00	(29,467.00)	-13.7%	-14.6%								
38000	1998	0.00	0.00	16,139.00	(16,139.00)	NA	NA	-18.7%							
38000	1999	340,026.00	0.00	253,715.00	(253,715.00)	-74.6%	-79.4%	-53.9%	-44.7%						
38000	2000	436,424.00	0.00	559,854.00	(559,854.00)	-128.3%	-104.8%	-106.9%	-86.6%	-75.9%					
38000	2001	1,081,065.00	0.00	450,538.00	(450,538.00)	-41.7%	-66.6%	-68.1%	-68.9%	-63.2%	-59.45%				
38000	2002	353,920.00	0.00	282,498.00	(282,498.00)	-79.8%	-51.1%	-69.1%	-69.9%	-70.7%	-65.61%	-62.22%			
38000	2003	573,781.00	0.00	600,977.00	(600,977.00)	-104.7%	-95.2%	-66.4%	-77.5%	-77.1%	-77.69%	-73.09%	-69.90%		
38000	2004	127,032.00	0.00	479,035.00	(479,035.00)	-377.1%	-154.1%	-128.2%	-84.9%	-92.3%	-90.19%	-90.75%	-85.44%	-81.71%	
38000	2005	540,726.00	0.00	257,365.70	(257,365.70)	-47.6%	-110.3%	-107.7%	-101.5%	-77.4%	-84.49%	-83.52%	-83.99%	-79.86%	-76.91%
38000	2006	1,319,885.85	0.00	760,811.91	(760,811.91)	-57.6%	-54.7%	-75.3%	-81.9%	-81.7%	-70.84%	-76.50%	-76.37%	-76.70%	-73.98%
38000	2007	163,701.52	0.00	351,967.59	(351,967.59)	-215.0%	-75.0%	-67.7%	-86.0%	-89.9%	-88.75%	-76.52%	-81.43%	-80.96%	-81.29%
38000	2008	70,172.83	0.00	23,861.28	(23,861.28)	-34.0%	-160.7%	-73.2%	-66.6%	-84.3%	-88.51%	-87.53%	-75.81%	-80.72%	-80.30%
38000	2009	2,051,975.52	0.00	6.68	(6.68)	0.0%	-1.1%	-16.4%	-31.5%	-33.6%	-43.83%	-51.04%	-53.00%	-51.05%	-56.07%
38000	2010	1,905,040.23	0.00	2,062,318.57	(2,062,318.57)	-108.3%	-52.1%	-51.8%	-58.2%	-58.0%	-57.12%	-63.69%	-67.18%	-67.81%	-64.36%
38000	2011	3,127,618.96	0.00	957,930.89	(957,930.89)	-30.6%	-60.0%	-42.6%	-42.5%	-46.4%	-48.12%	-48.09%	-52.58%	-55.61%	-56.45%
38000	2012	2,788,516.67	0.00	1,345,462.43	(1,345,462.43)	-48.3%	-38.9%	-55.8%	-44.2%	-44.1%	-46.91%	-48.15%	-48.13%	-51.58%	-53.99%
38100	1996	796,549.00	359,733.00	3,981.00	355,752.00	44.7%									
38100	1997	165,892.00	20,205.00	109.00	20,096.00	12.1%	39.1%								
38100	1998	5,818.00	38,534.00	0.00	38,534.00	662.3%	34.1%	42.8%							
38100	1999	292,116.00	0.00	26,537.00	(26,537.00)	-9.1%	4.0%	6.9%	30.8%						
38100	2000	-			-	NA	-9.1%	4.0%	6.9%	30.8%					
38100	2001	-			-	NA	NA	-9.1%	4.0%	6.9%	30.77%				
38100	2002	-			-	NA	NA	NA	-9.1%	4.0%	6.92%	30.77%			
38100	2003	9,244,466.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	-0.3%	0.13%	0.33%	3.69%		
38100	2004	-			-	NA	0.0%	0.0%	0.0%	0.0%	-0.28%	0.13%	0.33%	3.69%	
38100	2005	-			-	NA	NA	0.0%	0.0%	0.0%	-0.28%	0.13%	0.33%	3.69%	
38100	2006	-			-	NA	NA	NA	0.0%	0.0%	0.00%	-0.28%	0.13%	0.33%	3.69%
38100	2007	588,405.23	0.00	52,883.71	(52,883.71)	-9.0%	-9.0%	-9.0%	-9.0%	-0.5%	-0.54%	-0.54%	-0.54%	-0.78%	-0.40%
38100	2008	257,366.09	0.00	5,632.13	(5,632.13)	-2.2%	-6.9%	-6.9%	-6.9%	-6.9%	-0.58%	-0.58%	-0.58%	-0.58%	-0.82%
38100	2009	25,930.63	0.00	61,850.47	(61,850.47)	-238.5%	-23.8%	-13.8%	-13.8%	-13.8%	-13.81%	-1.19%	-1.19%	-1.19%	-1.19%
38100	2010	-			-	NA	-238.5%	-23.8%	-13.8%	-13.8%	-13.81%	-13.81%	-1.19%	-1.19%	-1.19%
38100	2011	28,202.94	0.00	0.00	-	0.0%	0.0%	-114.3%	-21.7%	-13.4%	-13.38%	-13.38%	-13.38%	-1.19%	-1.19%
38100	2012	303,636.12	0.00	186,922.64	(186,922.64)	-61.6%	-56.3%	-56.3%	-69.5%	-41.4%	-25.53%	-25.53%	-25.53%	-25.53%	-2.94%
38200	1996	50,071.00	0.00	61,106.00	(61,106.00)	-122.0%									
38200	1997	61,875.00	0.00	106,958.00	(106,958.00)	-172.9%	-150.1%								
38200	1998	0.00	0.00	9,625.00	(9,625.00)	NA	-188.4%	-158.7%							
38200	1999	10,925.00	0.00	7,540.00	(7,540.00)	-69.0%	-157.1%	-170.5%	-150.8%						
38200	2000	79,200.00	0.00	414,823.00	(414,823.00)	-523.8%	-468.8%	-479.3%	-354.6%	-297.0%					
38200	2001	57,297.00	0.00	161,169.00	(161,169.00)	-281.3%	-422.0%	-395.8%	-402.4%	-334.5%	-293.49%				
38200	2002	250,858.00	0.00	1,139,462.00	(1,139,462.00)	-454.2%	-422.1%	-442.9%	-432.6%	-435.0%	-399.77%	-372.52%			
38200	2003	312,393.00	0.00	536,125.00	(536,125.00)	-171.6%	-297.5%	-296.0%	-321.8%	-317.9%	-319.24%	-307.52%	-296.23%		
38200	2004	203,956.00	0.00	521,798.00	(521,798.00)	-255.8%	-204.9%	-296.4%	-286.1%	-306.9%	-304.05%	-305.10%	-296.72%	-288.20%	
38200	2005	110,560.00	0.00	157,057.38	(157,057.38)	-142.1%	-215.8%	-193.8%	-268.2%	-268.0%	-288.92%	-286.58%	-286.58%	-273.99%	
38200	2006	527,452.65	0.00	943,844.31	(943,844.31)	-178.9%	-172.6%	-192.7%	-187.0%	-234.7%	-236.54%	-251.30%	-250.01%	-250.63%	-247.65%
38200	2007	57,689.42	0.00	118,098.97	(118,098.97)	-204.7%	-181.5%	-175.2%	-193.5%	-187.9%	-233.53%	-235.33%	-249.62%	-248.39%	-248.99%
38200	2008	0.00	0.00	10,247.87	(10,247.87)	NA	-222.5%	-183.2%	-176.7%	-194.6%	-188.70%	-234.23%	-236.01%	-250.26%	-249.03%
38200	2009	1,027,944.08	0.00	6.68	(6.68)	0.0%	-1.0%	-11.8%	-66.5%	-71.3%	-90.84%	-102.11%	-137.57%	-140.80%	-152.34%
38200	2010	475,356.72	0.00	4,428,392.75	(4,428,392.75)	-931.6%	-294.6%	-295.3%	-291.9%	-263.4%	-257.28%	-257.16%	-247.32%	-264.82%	-265.13%
38200	2011	1,816,947.23	0.00	964,264.66	(964,264.66)	-53.1%	-235.3%	-162.4%	-162.7%	-163.4%	-165.54%	-164.89%	-169.29%	-169.45%	-184.38%
38200	2012	583,219.78	0.00	314,535.00	(314,535.00)	-53.9%	-53.3%	-198.5%	-146.2%	-146.5%	-147.32%	-151.04%	-150.82%	-155.28%	-156.28%





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33400	1996	-			-	NA									
381-384	1996	990,111.00	359,733.00	65,087.00	294,846.00	29.8%									
381-384	1997	230,431.00	20,205.00	107,067.00	(86,862.00)	-37.7%	17.0%								
381-384	1998	270,095.00	38,534.00	9,625.00	28,909.00	10.7%	-11.6%	15.9%							
381-384	1999	303,041.00	-	34,077.00	(34,077.00)	-11.2%	-0.9%	-11.5%	11.3%						
381-384	2000	79,200.00	-	414,823.00	(414,823.00)	-523.8%	-117.4%	-64.4%	-57.4%	-11.3%					
381-384	2001	57,297.00	-	161,169.00	(161,169.00)	-281.3%	-422.0%	-138.8%	-81.9%	-71.1%	-19.34%				
381-384	2002	250,858.00	-	1,139,462.00	(1,139,462.00)	-454.2%	-422.1%	-442.9%	-253.4%	-179.1%	-151.77%	-69.36%			
381-384	2003	9,556,927.00	-	536,125.00	(536,125.00)	-5.6%	-17.1%	-18.8%	-22.6%	-22.3%	-21.46%	-21.81%	-17.46%		
381-384	2004	203,956.00	-	521,798.00	(521,798.00)	-255.8%	-10.8%	-21.9%	-23.4%	-27.3%	-26.86%	-25.92%	-26.16%	-21.53%	
381-384	2005	114,614.00	-	157,057.38	(157,057.38)	-137.0%	-213.1%	-12.3%	-23.3%	-24.7%	-28.55%	-28.06%	-27.09%	-27.31%	-22.63%
381-384	2006	527,452.65	-	943,844.31	(943,844.31)	-178.9%	-171.5%	-191.8%	-20.8%	-31.0%	-32.30%	-35.91%	-35.23%	-34.14%	-34.21%
381-384	2007	647,867.07	-	172,435.59	(172,435.59)	-26.6%	-95.0%	-98.7%	-120.2%	-21.1%	-30.71%	-31.97%	-35.38%	-34.76%	-33.73%
381-384	2008	269,518.75	-	20,329.80	(20,329.80)	-7.5%	-21.0%	-78.7%	-83.0%	-103.0%	-20.77%	-30.17%	-31.41%	-34.74%	-34.15%
381-384	2009	1,053,874.71	-	64,998.05	(64,998.05)	-6.2%	-6.4%	-13.1%	-48.1%	-52.0%	-66.75%	-19.53%	-28.17%	-29.31%	-32.38%
381-384	2010	475,356.72	-	4,429,185.95	(4,429,185.95)	-931.8%	-293.9%	-251.0%	-191.6%	-189.3%	-187.39%	-191.63%	-53.28%	-60.95%	-61.91%
381-384	2011	2,265,783.29	-	998,363.28	(998,363.28)	-44.1%	-198.0%	-144.7%	-135.6%	-120.6%	-126.51%	-126.74%	-131.48%	-51.90%	-58.46%
381-384	2012	894,133.66	-	655,424.05	(655,424.05)	-73.3%	-52.3%	-167.3%	-131.1%	-124.4%	-113.10%	-118.76%	-119.09%	-123.42%	-53.09%
38500	1996	16,570.00	1,028.00	3.00	1,025.00	6.2%									
38500	1997	2,204.00	0.00	18.00	(18.00)	-0.8%	5.4%								
38500	1998	14,263.00	0.00	10.00	(10.00)	-0.1%	-0.2%	3.0%							
38500	1999	6,054.00	0.00	0.00	-	0.0%	0.0%	-0.1%	2.6%						
38500	2000	681.00	0.00	1,698.00	(1,698.00)	-249.3%	-25.2%	-8.1%	-7.4%	-1.8%					
38500	2001	16,167.00	0.00	7,896.00	(7,896.00)	-48.8%	-56.9%	-41.9%	-25.8%	-24.4%	-15.37%				
38500	2002	-	-	-	-	NA	-48.8%	-56.9%	-41.9%	-25.8%	-24.44%	-15.37%			
38500	2003	0.00	-	-	-	NA	NA	NA	-48.8%	-56.9%	-41.9%	-25.84%	-15.37%		
38500	2004	-	-	-	-	NA	NA	NA	-48.8%	-56.9%	-41.89%	-25.84%	-24.44%	-15.37%	
38500	2005	-	-	-	-	NA	NA	NA	NA	-48.8%	-56.94%	-41.89%	-25.84%	-24.44%	-15.37%
38500	2006	-	-	-	-	NA	NA	NA	NA	NA	-48.84%	-56.94%	-25.84%	-24.44%	-15.37%
38500	2007	11,825.65	0.00	3,573.10	(3,573.10)	-30.2%	-30.2%	-30.2%	-30.2%	-30.2%	-30.21%	-40.97%	-45.92%	-37.92%	-26.90%
38500	2008	30,185.21	0.00	0.00	-	0.0%	-8.5%	-8.5%	-8.5%	-8.5%	-8.51%	-8.51%	-19.71%	-22.37%	-20.28%
38500	2009	3,375.49	0.00	9,908.55	(9,908.55)	-293.5%	-29.5%	-29.7%	-29.7%	-29.7%	-29.70%	-29.70%	-29.70%	-34.73%	-37.08%
38500	2010	10,244.48	0.00	1,623.46	(1,623.46)	-15.8%	-84.7%	-26.3%	-27.2%	-27.2%	-27.15%	-27.15%	-27.15%	-27.15%	-32.04%
38500	2011	8,965.63	0.00	3,423.04	(3,423.04)	-38.2%	-26.3%	-66.2%	-28.3%	-28.7%	-28.68%	-28.68%	-28.68%	-28.68%	-28.68%
38500	2012	6,250.67	0.00	6,610.76	(6,610.76)	-105.8%	-65.9%	-45.8%	-74.8%	-36.5%	-35.48%	-35.48%	-35.48%	-35.48%	-35.48%
39000	1996	-	-	-	-	NA									
39000	1997	-	-	-	-	NA	NA								
39000	1998	1,718.00	0.00	0.00	-	0.0%	0.0%	0.0%							
39000	1999	-	-	-	-	NA	0.0%	0.0%	0.0%						
39000	2000	-	-	-	-	NA	NA	0.0%	0.0%	0.0%					
39000	2001	-	-	-	-	NA	NA	NA	0.0%	0.0%	0.00%				
39000	2002	-	-	-	-	NA	NA	NA	NA	0.0%	0.00%	0.00%			
39000	2003	-	-	-	-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%		
39000	2004	-	-	-	-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	
39000	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
39000	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
39000	2007	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
39000	2008	0.00	0.00	273.72	(273.72)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39000	2009	0.00	0.00	441.53	(441.53)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39000	2010	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39000	2011	200.77	0.00	-	-	0.0%	0.0%	-219.9%	-356.3%	-356.3%	-356.25%	-356.25%	-356.25%	-356.25%	-356.25%
39000	2012	-	-	-	-	NA	0.0%	0.0%	-219.9%	-356.3%	-356.25%	-356.25%	-356.25%	-356.25%	-356.25%

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33400	1996	-			-	NA									
39002	1996				-	NA									
39002	1997				-	NA	NA								
39002	1998				-	NA	NA	NA							
39002	1999				-	NA	NA	NA	NA						
39002	2000				-	NA	NA	NA	NA	NA					
39002	2001				-	NA	NA	NA	NA	NA	NA				
39002	2002				-	NA	NA	NA	NA	NA	NA	NA			
39002	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39002	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39002	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39002	2006				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39002	2007	6,777.28	0.00	32.40	(32.40)	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%
39002	2008	5,677.04	1,993.50	7,673.52	(5,680.02)	-100.1%	-45.9%	-45.9%	-45.9%	-45.9%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%
39002	2009				-	NA	-100.1%	-45.9%	-45.9%	-45.9%	-45.87%	-45.87%	-45.87%	-45.87%	-45.87%
39002	2010	2,388.33	0.00	1,209.73	(1,209.73)	-50.7%	-50.7%	-85.4%	-46.6%	-46.6%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%
39002	2011				-	NA	-50.7%	-50.7%	-85.4%	-46.6%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%
39002	2012				-	NA	NA	-50.7%	-50.7%	-85.4%	-46.64%	-46.64%	-46.64%	-46.64%	-46.64%
39003	1996				-	NA									
39003	1997				-	NA	NA								
39003	1998				-	NA	NA	NA							
39003	1999				-	NA	NA	NA	NA						
39003	2000				-	NA	NA	NA	NA	NA					
39003	2001				-	NA	NA	NA	NA	NA	NA				
39003	2002				-	NA	NA	NA	NA	NA	NA	NA			
39003	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39003	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39003	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39003	2006				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39003	2007	23,304.50	0.00	111.32	(111.32)	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%
39003	2008	3,448.82	1,694.20	0.81	1,693.39	49.1%	5.9%	5.9%	5.9%	5.9%	5.91%	5.91%	5.91%	5.91%	5.91%
39003	2009				-	NA	49.1%	5.9%	5.9%	5.9%	5.91%	5.91%	5.91%	5.91%	5.91%
39003	2010	2,511.27	0.00	110.28	(110.28)	-4.4%	-4.4%	26.6%	5.0%	5.0%	5.03%	5.03%	5.03%	5.03%	5.03%
39003	2011				-	NA	-4.4%	-4.4%	26.6%	5.0%	5.03%	5.03%	5.03%	5.03%	5.03%
39003	2012				-	NA	NA	-4.4%	-4.4%	26.6%	5.03%	5.03%	5.03%	5.03%	5.03%
39004	1996				-	NA									
39004	1997				-	NA	NA								
39004	1998				-	NA	NA	NA							
39004	1999				-	NA	NA	NA	NA						
39004	2000				-	NA	NA	NA	NA	NA					
39004	2001				-	NA	NA	NA	NA	NA	NA				
39004	2002				-	NA	NA	NA	NA	NA	NA	NA			
39004	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39004	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39004	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2006				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2007				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2008	2,310.00	1,134.76	0.52	1,134.24	49.1%	49.1%	49.1%	49.1%	49.1%	49.10%	49.10%	49.10%	49.10%	49.10%
39004	2009				-	NA	49.1%	49.1%	49.1%	49.1%	49.10%	49.10%	49.10%	49.10%	49.10%
39004	2010				-	NA	NA	49.1%	49.1%	49.1%	49.10%	49.10%	49.10%	49.10%	49.10%
39004	2011				-	NA	NA	NA	49.1%	49.1%	49.10%	49.10%	49.10%	49.10%	49.10%
39004	2012				-	NA	NA	NA	NA	49.1%	49.10%	49.10%	49.10%	49.10%	49.10%

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33400	1996	-			-	NA									
390 Combin	1996	-	-	-	-	NA									
390 Combin	1997	-	-	-	-	NA									
390 Combin	1998	1,718.00	-	-	-	0.0%	0.0%	0.0%							
390 Combin	1999	-	-	-	-	NA	0.0%	0.0%	0.0%						
390 Combin	2000	-	-	-	-	NA	NA	0.0%	0.0%	0.0%					
390 Combin	2001	-	-	-	-	NA	NA	NA	0.0%	0.0%	0.00%				
390 Combin	2002	-	-	-	-	NA	NA	NA	NA	0.0%	0.00%	0.00%			
390 Combin	2003	-	-	-	-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%		
390 Combin	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	
390 Combin	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
390 Combin	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
390 Combin	2007	30,081.78	-	143.72	(143.72)	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.48%	-0.48%	-0.48%	-0.48%	-0.45%
390 Combin	2008	11,435.86	4,822.46	7,948.57	(3,126.11)	-27.3%	-7.9%	-7.9%	-7.9%	-7.9%	-7.88%	-7.88%	-7.88%	-7.88%	-7.88%
390 Combin	2009	-	-	441.53	(441.53)	NA	-31.2%	-8.9%	-8.9%	-8.9%	-8.94%	-8.94%	-8.94%	-8.94%	-8.94%
390 Combin	2010	4,899.60	-	1,320.01	(1,320.01)	-26.9%	-36.0%	-29.9%	-10.8%	-10.8%	-10.84%	-10.84%	-10.84%	-10.84%	-10.84%
390 Combin	2011	200.77	-	-	-	0.0%	-25.9%	-34.5%	-29.6%	-10.8%	-10.79%	-10.79%	-10.79%	-10.79%	-10.79%
390 Combin	2012	-	-	-	-	NA	0.0%	-25.9%	-34.5%	-29.6%	-10.79%	-10.79%	-10.79%	-10.79%	-10.79%
39009	1996	-			-	NA									
39009	1997	-			-	NA	NA								
39009	1998	-			-	NA	NA	NA							
39009	1999	-			-	NA	NA	NA	NA						
39009	2000	-			-	NA	NA	NA	NA	NA					
39009	2001	-			-	NA	NA	NA	NA	NA	NA				
39009	2002	-			-	NA	NA	NA	NA	NA	NA	NA			
39009	2003	-			-	NA	NA	NA	NA	NA	NA	NA	NA		
39009	2004	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39009	2005	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2006	-			-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2007	7,867.30	0.00	37.60	(37.60)	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%
39009	2008	59,961.62	13,843.97	136.83	13,707.14	22.9%	20.2%	20.2%	20.2%	20.2%	20.15%	20.15%	20.15%	20.15%	20.15%
39009	2009	455.00	0.00	221.75	(221.75)	-48.7%	22.3%	19.7%	19.7%	19.7%	19.69%	19.69%	19.69%	19.69%	19.69%
39009	2010	33,228.62	0.00	10,386.89	(10,386.89)	-31.3%	-31.5%	3.3%	3.0%	3.0%	3.02%	3.02%	3.02%	3.02%	3.02%
39009	2011	-			-	NA	-31.3%	-31.5%	3.3%	3.0%	3.02%	3.02%	3.02%	3.02%	3.02%
39009	2012	-			-	NA	NA	-31.3%	-31.5%	3.3%	3.02%	3.02%	3.02%	3.02%	3.02%
39100	1996	14,396.00	0.00	0.00	-	0.0%									
39100	1997	0.00	2,809.00	0.00	2,809.00	NA	19.5%								
39100	1998	6,356.00	1,342.00	0.00	1,342.00	21.1%	65.3%	20.0%							
39100	1999	1,465.00	0.00	0.00	-	0.0%	17.2%		18.7%						
39100	2000	13,341.00	0.00	0.00	-	0.0%	0.0%	6.3%	19.6%	11.7%					
39100	2001	72,169.00	0.00	28.00	(28.00)	0.0%	0.0%	0.0%	1.4%	4.4%	3.83%				
39100	2002	94,992.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.7%	2.19%	2.03%			
39100	2003	15,380.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.65%	2.02%	1.89%		
39100	2004	38,289.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	0.54%	1.70%	1.61%	
39100	2005	548,104.13	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.17%	0.52%	0.51%
39100	2006	66,372.83	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.15%	0.48%
39100	2007	18,622.22	671.60	7.01	664.59	3.6%	0.8%	0.1%	0.1%	0.1%	0.09%	0.07%	0.07%	0.07%	0.23%
39100	2008	905,386.11	0.00	4,119.31	(4,119.31)	-0.5%	-0.4%	-0.3%	-0.2%	-0.2%	-0.22%	-0.20%	-0.20%	-0.20%	-0.20%
39100	2009	7,148.71	0.00	3,381.68	(3,381.68)	-47.3%	-0.8%	-0.7%	-0.7%	-0.4%	-0.43%	-0.43%	-0.40%	-0.39%	-0.39%
39100	2010	240.18		0.00	-	0.0%	-45.8%	-0.8%	-0.7%	-0.7%	-0.44%	-0.43%	-0.43%	-0.40%	-0.39%
39100	2011	22,501.95		0.00	-	0.0%	0.0%	-11.3%	-0.8%	-0.7%	-0.67%	-0.44%	-0.43%	-0.42%	-0.40%
39100	2012	-			-	NA	0.0%	0.0%	-11.3%	-0.8%	-0.72%	-0.67%	-0.44%	-0.43%	-0.42%

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
39103	1996				-	NA									
39103	1997				-	NA	NA								
39103	1998				-	NA	NA	NA							
39103	1999				-	NA	NA	NA	NA						
39103	2000				-	NA	NA	NA	NA	NA					
39103	2001				-	NA	NA	NA	NA	NA	NA				
39103	2002				-	NA	NA	NA	NA	NA	NA	NA			
39103	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39103	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39103	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39103	2006	806.28		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39103	2007	481.51		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39103	2008	425.55	209.05	0.10	208.95	49.1%	23.0%	12.2%	12.2%	12.2%	12.20%	12.20%	12.20%	12.20%	12.20%
39103	2009	92,409.59		0.00	-	0.0%	0.2%	0.2%	0.2%	0.2%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2010	407.52		0.00	-	0.0%	0.0%	0.2%	0.2%	0.2%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2011	1,388.59		0.00	-	0.0%	0.0%	0.0%	0.2%	0.2%	0.22%	0.22%	0.22%	0.22%	0.22%
39103	2012				-	NA	0.0%	0.0%	0.0%	0.2%	0.22%	0.22%	0.22%	0.22%	0.22%
39200	1996	623,819.00	189,432.51	1,191.00	188,241.51	30.2%									
39200	1997	131,611.00	40,503.00	615.00	39,888.00	30.3%	30.2%								
39200	1998	550,378.00	127,968.00	8.00	127,968.00	23.2%	24.6%	27.3%							
39200	1999	291,792.00	77,749.00	275.00	77,474.00	26.6%	24.4%	25.2%	27.1%						
39200	2000	810,884.00	101,794.00	0.00	101,794.00	12.6%	16.3%	18.6%	19.4%	22.2%					
39200	2001	549,771.00	7,561.00	0.00	7,561.00	1.4%	8.0%	11.3%	14.3%	15.2%	18.35%				
39200	2002	216,646.00	35,292.00	0.00	35,292.00	16.3%	5.6%	9.2%	11.9%	14.5%	15.29%	18.21%			
39200	2003	2,732,280.00	79,320.00	0.00	79,320.00	2.9%	3.9%	3.5%	5.2%	6.6%	8.34%	8.88%	11.13%		
39200	2004	559,510.00	0.00	0.00	-	0.0%	2.4%	3.3%	3.0%	4.6%	5.84%	7.52%	8.03%	10.17%	
39200	2005	394,260.00	67,019.33	4,646.18	62,373.15	15.8%	6.5%	3.8%	4.5%	4.1%	5.44%	6.55%	8.05%	8.52%	10.49%
39200	2006	82,381.07		0.00	-	0.0%	13.1%	6.0%	3.8%	4.4%	4.07%	5.36%	6.45%	7.95%	
39200	2007				-	NA	0.0%	13.1%	6.0%	3.8%	4.44%	4.07%	5.36%	6.45%	7.95%
39200	2008	151,445.91	3,885.02	0.00	3,885.02	2.6%	2.6%	1.7%	10.5%	5.6%	3.71%	4.37%	4.02%	5.28%	6.35%
39200	2009	117,142.14		0.00	-	0.0%	1.4%	1.4%	1.1%	8.9%	5.08%	3.61%	4.25%	3.92%	5.17%
39200	2010	63,503.63	13,432.00	(131.26)	13,563.26	21.4%	7.5%	5.3%	5.3%	4.2%	9.87%	5.83%	3.88%	4.50%	4.15%
39200	2011	2,672.17		0.00	-	0.0%	20.5%	7.4%	5.2%	5.2%	4.18%	9.84%	5.82%	3.88%	4.50%
39200	2012				-	NA	0.0%	20.5%	7.4%	5.2%	5.21%	4.18%	9.84%	5.82%	3.88%
39201	1996				-	NA									
39201	1997				-	NA	NA								
39201	1998				-	NA	NA	NA							
39201	1999				-	NA	NA	NA	NA						
39201	2000				-	NA	NA	NA	NA	NA					
39201	2001				-	NA	NA	NA	NA	NA	NA				
39201	2002				-	NA	NA	NA	NA	NA	NA	NA			
39201	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39201	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39201	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39201	2006	21,372.22		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2007				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2008				-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2009				-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2010	21,940.52		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2011				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39201	2012				-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
35400	1996	-			-	NA									
39202	1996				-	NA									
39202	1997				-	NA	NA								
39202	1998				-	NA	NA	NA							
39202	1999				-	NA	NA	NA	NA						
39202	2000				-	NA	NA	NA	NA	NA					
39202	2001				-	NA	NA	NA	NA	NA	NA				
39202	2002				-	NA	NA	NA	NA	NA	NA	NA			
39202	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39202	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39202	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39202	2006	27,841.74		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39202	2007	9,991.49	3,500.00	0.00	3,500.00	35.0%	9.3%	9.3%	9.3%	9.3%	9.25%	9.25%	9.25%	9.25%	9.25%
39202	2008	9,529.38	1,545.59	(10,474.57)	12,020.16	126.1%	79.5%	32.8%	32.8%	32.8%	32.77%	32.77%	32.77%	32.77%	32.77%
39202	2009	39,259.65		0.00	-	0.0%	24.6%	26.4%	17.9%	17.9%	17.92%	17.92%	17.92%	17.92%	17.92%
39202	2010	25,154.17		0.00	-	0.0%	0.0%	16.3%	18.5%	13.9%	13.89%	13.89%	13.89%	13.89%	13.89%
39202	2011				-	NA	0.0%	0.0%	16.3%	18.5%	13.89%	13.89%	13.89%	13.89%	13.89%
39202	2012	1,504.94	0.00	104.96	(104.96)	-7.0%	-7.0%	-0.4%	-0.2%	15.8%	18.04%	13.61%	13.61%	13.61%	13.61%
39400	1996	35,537.00	4,400.00	0.00	4,400.00	12.4%									
39400	1997	12,767.00	0.00	0.00	-	0.0%	9.1%								
39400	1998				-	NA	0.0%	9.1%							
39400	1999	4,300.00	0.00	0.00	-	0.0%	0.0%	0.0%	8.4%						
39400	2000	25,384.00	10,742.00	0.00	10,742.00	42.3%	36.2%	36.2%	25.3%	19.4%					
39400	2001	18,601.00	0.00	0.00	-	0.0%	24.4%	22.2%	22.2%	17.6%	15.68%				
39400	2002	764,651.00	0.00	0.00	-	0.0%	0.0%	1.3%	1.3%	1.3%	1.30%	1.76%			
39400	2003	61,408.00	0.00	0.00	-	0.0%	0.0%	0.0%	1.2%	1.2%	1.23%	1.21%	1.64%		
39400	2004	517,271.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.8%	0.77%	0.77%	0.76%	1.05%	
39400	2005	43,563.00	200.00	5.69	194.31	0.4%	0.0%	0.0%	0.0%	0.0%	0.76%	0.76%	0.76%	0.76%	1.03%
39400	2006	578,945.54		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.01%	0.54%	0.54%	0.54%	0.54%
39400	2007	96,024.71	155.09	(367.06)	522.15	0.5%	0.1%	0.1%	0.1%	0.1%	0.03%	0.03%	0.54%	0.54%	0.54%
39400	2008	42,541.38	169.69	(79.32)	249.01	0.6%	0.6%	0.1%	0.1%	0.1%	0.07%	0.05%	0.05%	0.54%	0.54%
39400	2009	169,280.66	7,500.00	3,805.20	3,694.80	2.2%	1.9%	1.5%	0.5%	0.5%	0.32%	0.31%	0.20%	0.20%	0.66%
39400	2010	91,719.05	0.00	2,128.74	(2,128.74)	-2.3%	0.6%	0.6%	0.6%	0.2%	0.25%	0.16%	0.16%	0.11%	0.11%
39400	2011	76,934.17		123.21	(123.21)	-0.2%	-1.3%	0.4%	0.4%	0.5%	0.21%	0.22%	0.15%	0.14%	0.10%
39400	2012	106,303.90	21,457.91	1,222.32	20,235.69	19.0%	11.0%	6.5%	4.9%	4.5%	3.85%	1.93%	1.88%	1.31%	1.27%
39600	1996	1,106.00	7,500.00	0.00	7,500.00	678.1%									
39600	1997	0.00	1,900.00	356.00	1,544.00	NA	817.7%								
39600	1998	1,515.00	520.00	0.00	520.00	34.3%	136.2%	364.9%							
39600	1999	22,556.00	0.00	0.00	-	0.0%	2.2%	8.6%	38.0%						
39600	2000	153,880.00	54,000.00	0.00	54,000.00	35.1%	30.6%	30.6%	31.5%	35.5%					
39600	2001	1,617.00	0.00	0.00	-	0.0%	34.7%	30.3%	30.4%	31.2%	35.18%				
39600	2002	278,879.00	22,479.00	0.00	22,479.00	8.1%	8.0%	17.6%	16.7%	16.8%	18.72%	17.13%			
39600	2003	357,777.00	0.00	0.00	-	0.0%	3.5%	3.5%	9.7%	9.4%	9.43%	9.62%	10.53%		
39600	2004	204,050.00	0.00	0.00	-	0.0%	0.0%	2.7%	2.7%	7.7%	7.51%	7.55%	7.70%	8.42%	
39600	2005	42,281.00	12,485.86	0.00	12,485.86	29.5%	5.1%	2.1%	4.0%	4.0%	8.57%	8.38%	8.42%	8.57%	9.26%
39600	2006				-	NA	29.5%	5.1%	2.1%	4.0%	3.95%	8.57%	8.38%	8.42%	8.57%
39600	2007				-	NA	NA	29.5%	5.1%	2.1%	3.96%	3.95%	8.57%	8.38%	8.42%
39600	2008				-	NA	NA	NA	29.5%	5.1%	2.07%	3.96%	3.95%	8.57%	8.38%
39600	2009				-	NA	NA	NA	NA	29.5%	5.07%	2.07%	3.96%	3.95%	8.57%
39600	2010				-	NA	NA	NA	NA	NA	29.53%	5.07%	2.07%	3.96%	3.95%
39600	2011				-	NA	NA	NA	NA	NA	NA	29.53%	5.07%	2.07%	3.96%
39600	2012				-	NA	NA	NA	NA	NA	NA	NA	29.53%	5.07%	2.07%

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33400	1996	-			-	NA									
39603	1996				-	NA									
39603	1997				-	NA	NA								
39603	1998				-	NA	NA	NA							
39603	1999				-	NA	NA	NA	NA						
39603	2000				-	NA	NA	NA	NA	NA					
39603	2001				-	NA	NA	NA	NA	NA	NA				
39603	2002				-	NA	NA	NA	NA	NA	NA	NA			
39603	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39603	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39603	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39603	2006	62,479.06		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2007	51,615.98		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2008				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2009	327.09		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2010	89,252.12		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2011				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39603	2012	50,877.76		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39604	1996				-	NA									
39604	1997				-	NA	NA								
39604	1998				-	NA	NA	NA							
39604	1999				-	NA	NA	NA	NA						
39604	2000				-	NA	NA	NA	NA	NA					
39604	2001				-	NA	NA	NA	NA	NA	NA				
39604	2002				-	NA	NA	NA	NA	NA	NA	NA			
39604	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39604	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39604	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39604	2006	28,350.00		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39604	2007	4,183.79	172.91	(408.60)	581.51	13.9%	1.8%	1.8%	1.8%	1.8%	1.79%	1.79%	1.79%	1.79%	1.79%
39604	2008	78,139.70	14,944.71	461.27	14,483.44	18.5%	18.3%	13.6%	13.6%	13.6%	13.61%	13.61%	13.61%	13.61%	13.61%
39604	2009	120,659.85		0.00	-	0.0%	7.3%	7.4%	6.5%	6.5%	6.51%	6.51%	6.51%	6.51%	6.51%
39604	2010	8,958.43	18,718.90	0.00	18,718.90	209.0%	14.4%	16.0%	15.9%	14.1%	14.06%	14.06%	14.06%	14.06%	14.06%
39604	2011				-	NA	209.0%	14.4%	16.0%	15.9%	14.06%	14.06%	14.06%	14.06%	14.06%
39604	2012				-	NA	NA	209.0%	14.4%	16.0%	15.94%	14.06%	14.06%	14.06%	14.06%
39605	1996				-	NA									
39605	1997				-	NA	NA								
39605	1998				-	NA	NA	NA							
39605	1999				-	NA	NA	NA	NA						
39605	2000				-	NA	NA	NA	NA	NA					
39605	2001				-	NA	NA	NA	NA	NA	NA				
39605	2002				-	NA	NA	NA	NA	NA	NA	NA			
39605	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39605	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39605	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39605	2006	25,466.74		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39605	2007	3,362.06		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39605	2008	3,599.50	1,027.00	0.00	1,027.00	28.5%	14.8%	3.2%	3.2%	3.2%	3.17%	3.17%	3.17%	3.17%	3.17%
39605	2009	4,087.50		0.00	-	0.0%	13.4%	9.3%	2.8%	2.8%	2.81%	2.81%	2.81%	2.81%	2.81%
39605	2010	6,737.88	300.00	0.00	300.00	4.5%	2.8%	9.2%	7.5%	3.1%	3.07%	3.07%	3.07%	3.07%	3.07%
39605	2011	3,111.94		0.00	-	0.0%	3.0%	2.2%	7.6%	6.3%	2.86%	2.86%	2.86%	2.86%	2.86%
39605	2012	4,978.01		0.00	-	0.0%	0.0%	2.0%	1.6%	5.9%	5.13%	2.58%	2.58%	2.58%	2.58%

**ATMOS ENERGY - KENTUCKY PROPERTIES**  
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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
33400	1996	-	-	-	-	NA									
396 Combin	1996	1,106.00	7,500.00	-	7,500.00	678.1%									
396 Combin	1997	-	1,900.00	356.00	1,544.00	NA	817.7%								
396 Combin	1998	1,515.00	520.00	-	520.00	34.3%	136.2%	364.9%							
396 Combin	1999	22,556.00	-	-	-	0.0%	2.2%	8.6%	38.0%						
396 Combin	2000	153,860.00	54,000.00	-	54,000.00	35.1%	30.6%	30.6%	31.5%	35.5%					
396 Combin	2001	1,617.00	-	-	-	0.0%	34.7%	30.3%	30.4%	31.2%	35.18%				
396 Combin	2002	278,879.00	22,479.00	-	22,479.00	8.1%	8.0%	17.6%	16.7%	16.8%	17.13%	18.72%			
396 Combin	2003	357,777.00	-	-	-	0.0%	3.5%	3.5%	9.7%	9.4%	9.43%	9.62%	10.53%		
396 Combin	2004	204,050.00	-	-	-	0.0%	0.0%	2.7%	2.7%	7.7%	7.51%	7.55%	7.70%	8.42%	
396 Combin	2005	42,281.00	12,485.86	-	12,485.86	29.5%	5.1%	2.1%	4.0%	4.0%	8.57%	8.38%	8.42%	8.57%	9.26%
396 Combin	2006	116,295.80	-	-	-	0.0%	7.9%	3.4%	1.7%	3.5%	3.49%	7.70%	7.56%	7.59%	7.72%
396 Combin	2007	59,161.83	172.91	(408.60)	581.51	1.0%	0.3%	6.0%	3.1%	1.7%	3.36%	3.35%	7.38%	7.24%	7.28%
396 Combin	2008	81,739.20	15,971.71	461.27	15,510.44	19.0%	11.4%	6.3%	9.5%	5.7%	3.32%	4.48%	4.47%	8.11%	7.97%
396 Combin	2009	125,074.44	-	-	-	0.0%	7.5%	6.1%	4.2%	6.7%	4.55%	2.90%	4.04%	4.03%	7.39%
396 Combin	2010	104,948.43	19,018.90	-	19,018.90	18.1%	8.3%	11.1%	9.5%	7.2%	8.99%	6.49%	4.36%	5.11%	5.11%
396 Combin	2011	3,111.94	-	-	-	0.0%	17.6%	8.2%	11.0%	9.4%	7.16%	8.94%	6.46%	4.35%	5.10%
396 Combin	2012	55,855.77	-	-	-	0.0%	0.0%	11.6%	6.6%	9.3%	8.17%	6.43%	8.09%	6.01%	4.14%
39700	1996	2,141.00	0.00	0.00	-	0.0%									
39700	1997	1,536.00	0.00	0.00	-	0.0%	0.0%								
39700	1998	-	-	-	-	NA	0.0%	0.0%							
39700	1999	2,345.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%						
39700	2000	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%					
39700	2001	-	-	-	-	NA	NA	0.0%	0.0%	0.0%	0.00%				
39700	2002	38,139.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39700	2003	4,941.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39700	2004	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39700	2005	32,436.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2006	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2007	919,963.60	-	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2008	48,953.27	0.00	(2,227.94)	2,227.94	4.6%	0.2%	0.2%	0.2%	0.2%	0.22%	0.21%	0.21%	0.21%	0.21%
39700	2009	7,200.16	-	0.00	-	0.0%	4.0%	0.2%	0.2%	0.2%	0.22%	0.22%	0.21%	0.21%	0.21%
39700	2010	12,519.18	-	0.00	-	0.0%	0.0%	3.2%	0.2%	0.2%	0.22%	0.22%	0.22%	0.21%	0.21%
39700	2011	-	-	-	-	NA	0.0%	0.0%	3.2%	0.2%	0.23%	0.22%	0.22%	0.22%	0.21%
39700	2012	-	-	-	-	NA	NA	0.0%	0.0%	3.2%	0.23%	0.23%	0.22%	0.22%	0.22%
39701	1996	-	-	-	-	NA									
39701	1997	-	-	-	-	NA	NA								
39701	1998	-	-	-	-	NA	NA	NA							
39701	1999	-	-	-	-	NA	NA	NA	NA						
39701	2000	-	-	-	-	NA	NA	NA	NA	NA					
39701	2001	-	-	-	-	NA	NA	NA	NA	NA	NA				
39701	2002	-	-	-	-	NA	NA	NA	NA	NA	NA	NA			
39701	2003	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA		
39701	2004	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39701	2005	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2006	-	-	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2007	1,198.22	-	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39701	2008	2,140.01	0.00	20.19	20.19	(20.19)	-0.9%	-0.6%	-0.6%	-0.6%	-0.60%	-0.60%	-0.60%	-0.60%	-0.60%
39701	2009	-	-	-	-	NA	-0.9%	-0.6%	-0.6%	-0.6%	-0.60%	-0.60%	-0.60%	-0.60%	-0.60%
39701	2010	-	-	-	-	NA	NA	-0.9%	-0.6%	-0.6%	-0.60%	-0.60%	-0.60%	-0.60%	-0.60%
39701	2011	-	-	-	-	NA	NA	NA	-0.9%	-0.6%	-0.60%	-0.60%	-0.60%	-0.60%	-0.60%
39701	2012	-	-	-	-	NA	NA	NA	NA	-0.9%	-0.60%	-0.60%	-0.60%	-0.60%	-0.60%

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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
39702	1996				-	NA									
39702	1997				-	NA	NA								
39702	1998				-	NA	NA	NA							
39702	1999				-	NA	NA	NA	NA						
39702	2000				-	NA	NA	NA	NA	NA					
39702	2001				-	NA	NA	NA	NA	NA	NA				
39702	2002				-	NA	NA	NA	NA	NA	NA	NA			
39702	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39702	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39702	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2006				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2007	38,600.11		0.00	-	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2008	2,832.34	0.00	23.87	(23.87)	-0.8%	-0.1%	-0.1%	-0.1%	-0.1%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%
39702	2009				-	NA	NA	-0.1%	-0.1%	-0.1%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%
39702	2010				-	NA	NA	NA	-0.1%	-0.1%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%
39702	2011				-	NA	NA	NA	NA	-0.1%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%
39702	2012				-	NA	NA	NA	NA	NA	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%
39705	1996				-	NA									
39705	1997				-	NA	NA								
39705	1998				-	NA	NA	NA							
39705	1999				-	NA	NA	NA	NA						
39705	2000				-	NA	NA	NA	NA	NA					
39705	2001				-	NA	NA	NA	NA	NA	NA				
39705	2002				-	NA	NA	NA	NA	NA	NA	NA			
39705	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39705	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39705	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39705	2006				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39705	2007	230,512.22		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39705	2008	15,407.88		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39705	2009				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39705	2010				-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39705	2011				-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39705	2012				-	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
397 Combin	1996	2,141.00	-	-	-	0.0%									
397 Combin	1997	1,536.00	-	-	-	0.0%	0.0%								
397 Combin	1998	-	-	-	-	NA	0.0%	0.0%							
397 Combin	1999	2,345.00	-	-	-	0.0%	0.0%	0.0%	0.0%						
397 Combin	2000	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%					
397 Combin	2001	-	-	-	-	NA	NA	0.0%	0.0%	0.0%	0.00%				
397 Combin	2002	38,139.00	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
397 Combin	2003	4,941.00	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
397 Combin	2004	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
397 Combin	2005	32,436.00	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
397 Combin	2006	-	-	-	-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
397 Combin	2007	1,190,274.15	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
397 Combin	2008	69,333.50	-	(2,183.88)	2,183.88	3.1%	0.2%	0.2%	0.2%	0.2%	0.17%	0.16%	0.16%	0.16%	0.16%
397 Combin	2009	7,200.16	-	-	-	0.0%	2.9%	0.2%	0.2%	0.2%	0.17%	0.17%	0.16%	0.16%	0.16%
397 Combin	2010	12,519.18	-	-	-	0.0%	0.0%	2.5%	0.2%	0.2%	0.17%	0.17%	0.17%	0.16%	0.16%
397 Combin	2011	-	-	-	-	NA	0.0%	0.0%	2.5%	0.2%	0.17%	0.17%	0.17%	0.17%	0.16%
397 Combin	2012	-	-	-	-	NA	NA	0.0%	0.0%	2.5%	0.17%	0.17%	0.17%	0.17%	0.17%



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Account	TY	Retirements	Salvage	COR	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %
33400	1996	-			-	NA									
39800	1996				-	NA									
39800	1997				-	NA	NA								
39800	1998				-	NA	NA	NA							
39800	1999				-	NA	NA	NA	NA						
39800	2000				-	NA	NA	NA	NA	NA					
39800	2001				-	NA	NA	NA	NA	NA	NA				
39800	2002				-	NA	NA	NA	NA	NA	NA	NA			
39800	2003				-	NA	NA	NA	NA	NA	NA	NA	NA		
39800	2004				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39800	2005				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39800	2006				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39800	2007				-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39800	2008	125,948.40	2,665.16	157.29	2,507.87	2.0%	2.0%	2.0%	2.0%	2.0%	1.99%	1.99%	1.99%	1.99%	1.99%
39800	2009	27,604.50	0.00	1,112.60	(1,112.60)	-4.0%	0.9%	0.9%	0.9%	0.9%	0.91%	0.91%	0.91%	0.91%	0.91%
39800	2010	154,966.61	2,236.00	3,717.65	(1,481.65)	-1.0%	-1.4%	0.0%	0.0%	0.0%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%
39800	2011	45,141.29	0.00	191.70	(191.70)	-0.4%	-0.8%	-1.2%	-0.1%	-0.1%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%
39800	2012	131,827.69	0.00	562.83	(562.83)	-0.4%	-0.4%	-0.7%	-0.9%	-0.2%	-0.17%	-0.17%	-0.17%	-0.17%	-0.17%
39906	1996				-	NA									
39906	1997				-	NA	NA								
39906	1998				-	NA	NA	NA							
39906	1999				-	NA	NA	NA	NA						
39906	2000				-	NA	NA	NA	NA	NA					
39906	2001				-	NA	NA	NA	NA	NA	NA				
39906	2002	190,623.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39906	2003	158,354.00	2,788.00	0.00	2,788.00	1.8%	0.8%	0.8%	0.8%	0.8%	0.80%	0.80%	0.80%		
39906	2004	176,848.00	0.00	0.00	-	0.0%	0.8%	0.5%	0.5%	0.5%	0.53%	0.53%	0.53%	0.53%	
39906	2005				-	NA	0.0%	0.8%	0.5%	0.5%	0.53%	0.53%	0.53%	0.53%	0.53%
39906	2006				-	NA	NA	0.0%	0.8%	0.5%	0.53%	0.53%	0.53%	0.53%	0.53%
39906	2007				-	NA	NA	NA	0.0%	0.8%	0.53%	0.53%	0.53%	0.53%	0.53%
39906	2008				-	NA	NA	NA	NA	0.0%	0.83%	0.53%	0.53%	0.53%	0.53%
39906	2009	130,183.59		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.60%	0.42%	0.42%	0.42%
39906	2010	764,870.51	0.00	2,695.80	(2,695.80)	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.30%	-0.25%	0.01%	0.01%	0.01%
39906	2011				-	NA	-0.4%	-0.3%	-0.3%	-0.3%	-0.30%	-0.30%	-0.25%	0.01%	0.01%
39906	2012	399,769.11		0.00	-	0.0%	0.0%	-0.2%	-0.2%	-0.2%	-0.21%	-0.21%	-0.21%	-0.18%	0.01%
39907	1996				-	NA									
39907	1997				-	NA	NA								
39907	1998				-	NA	NA	NA							
39907	1999	185,509.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%						
39907	2000				-	NA	0.0%	0.0%	0.0%	0.0%					
39907	2001				-	NA	NA	0.0%	0.0%	0.0%	0.00%				
39907	2002				-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%			
39907	2003	54,807.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39907	2004				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39907	2005				-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2006				-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2007	9,399.38		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2008				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2009				-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2010				-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2011				-	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2012				-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%

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33400	1996	-			-	NA									
39908	1996				-	NA									
39908	1997				-	NA	NA								
39908	1998				-	NA	NA	NA							
39908	1999	55,783.00	0.00	0.00	-	0.0%	0.0%	0.0%	0.0%						
39908	2000				-	NA	0.0%	0.0%	0.0%	0.0%					
39908	2001				-	NA	NA	0.0%	0.0%		0.00%				
39908	2002				-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%			
39908	2003				-	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%		
39908	2004				-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	
39908	2005				-	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
39908	2006				-	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
39908	2007	(176,149.83)		0.00	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2008				-	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2009				-	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2010				-	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2011				-	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2012				-	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%

**ATMOS ENERGY CORPORATION**  
**KENTUCKY MID-STATES GENERAL OFFICE**  
**PROPERTY**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2012**



**ATMOS ENERGY CORPORATION**  
**KENTUCKY MID-STATES GENERAL OFFICE PROPERTY**  
**DEPRECIATION RATE STUDY**  
**EXECUTIVE SUMMARY**

Atmos Energy Corporation (“Atmos” or “Company”) engaged Alliance Consulting Group to conduct a depreciation study of the Company’s Kentucky Mid-States General Office (“KY Mid-States”) depreciable assets as of fiscal year end September 30, 2012. KY Mid-States General Office provides support to Atmos Energy Corporation’s regulated utility divisions which at the year ended September 30, 2012 were:

- Kentucky;
- Tennessee;
- Virginia; and
- Georgia

The depreciation rates are based on the straight-line method, equal life group (“ELG”) procedure, and remaining-life technique. This study results in an annual depreciation expense accrual of \$118 thousand when applied to depreciable plant balances as of September 30, 2012.

The depreciation study conducted analyzed and developed depreciation recommendations at an account level. The resulting annual depreciation accrual amounts and depreciation rates contained in this study are at the account level. The Company will accrue depreciation expense based on the account level depreciation rates developed in this study. Appendix A demonstrates the annual depreciation expense.

**ATMOS ENERGY CORPORATION**  
**KENTUCKY MID-STATES GENERAL OFFICE PROPERTY**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2012**  
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## **PURPOSE**

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on KY Mid-States' books at September 30, 2012. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of KY Mid-States' property on a straight-line basis. Non-depreciable property and property which is amortized, such as intangibles were excluded from this study.

KY Mid-States is a division of Atmos Corporation dedicated to providing various support services to its operating companies in the Mid States Region. As of the study date, KY Mid-States supported regulated gas utility divisions operating in 4 different states, Kentucky, Tennessee, Virginia, and Georgia. KY Mid-States serves over 300,000 customers across these states, with approximately 190,000 in the Kentucky jurisdiction.

## STUDY RESULTS

The existing and current study annual depreciation expense results from the use of Iowa Curve dispersion patterns with average service life, the equal life group ("ELG") procedure and remaining-life technique, and consideration of net salvage in the development of the study recommended depreciation rates. Detailed information for each of these factors will follow in this report.

Overall depreciation rates for KY Mid-States depreciable property are shown in Appendix A. These rates translate into an annual depreciation accrual of \$118 thousand based on KY Mid-States' depreciable investment at September 30, 2012.

Appendix A presents the recommended study annual accrual rates and amounts. Appendix B presents the development of the depreciation rates and annual accruals. Appendix C presents the recommended study mortality and net salvage parameters by account. Appendix D shows net salvage history by plant account.

## GENERAL DISCUSSION

### **Definition**

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

### **Basis of Depreciation Estimates**

The straight-line, equal life group ("ELG"), remaining-life depreciation system was employed to calculate annual and accrued depreciation in this study. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset less allocated depreciation reserve less estimated net salvage by its respective equal life group remaining life. The resulting annual accrual amounts of all depreciable property within a function were accumulated, and the total was divided by the original cost of all functional depreciable property to determine the depreciation rate. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group. The computations of the annual depreciation rates are shown in Appendix B and remaining life calculations are provided in the workpapers.

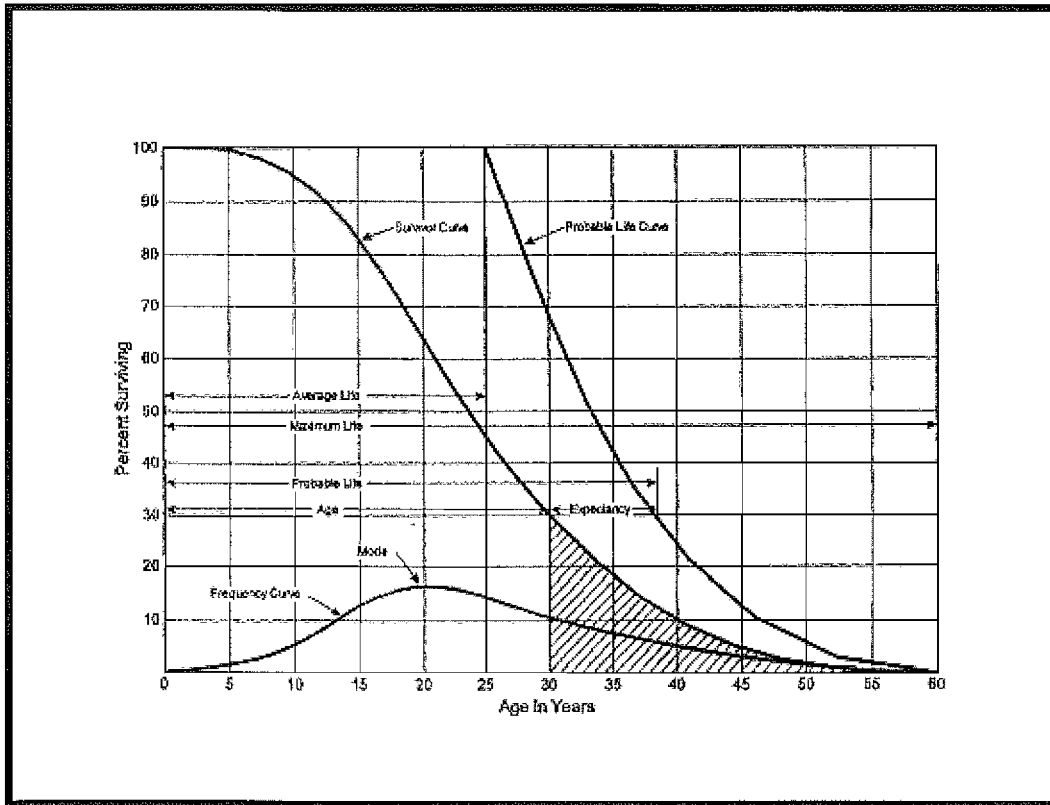
Actuarial analysis was used with each account within a function where



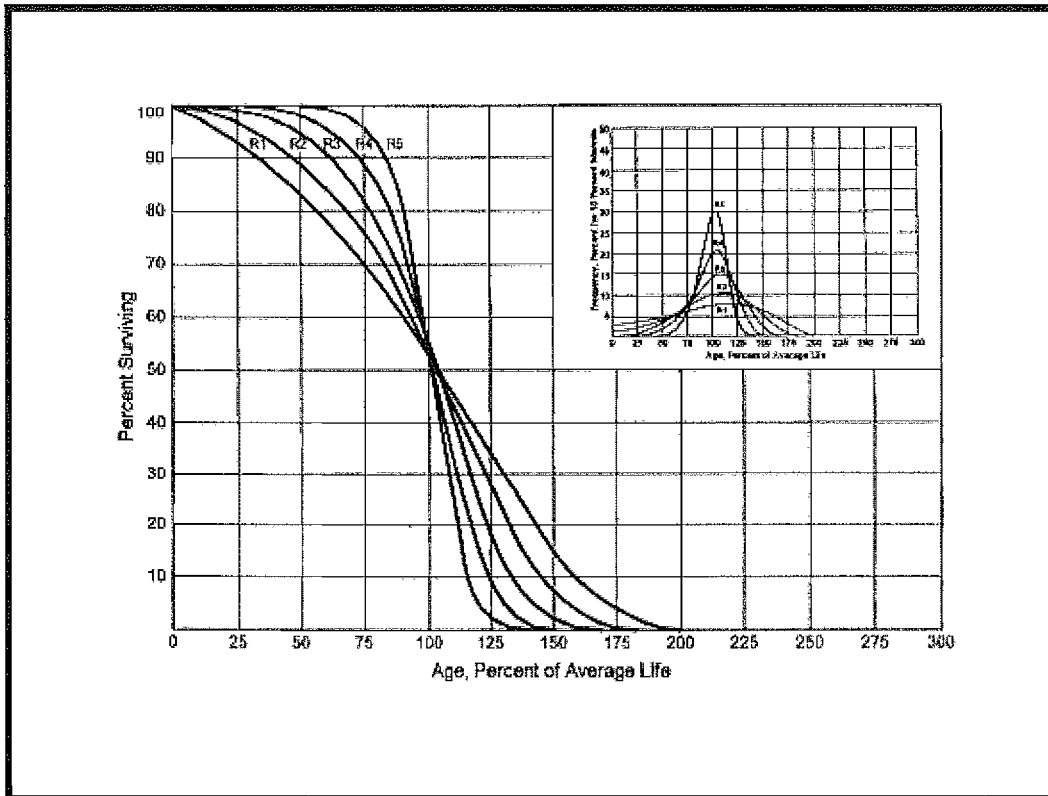
sufficient data was available, and judgment was used to some degree on all accounts.

### **Survivor Curves**

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.



There are four families in the Iowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of "R" moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency) while a "1" indicates a large dispersion about the mode (i.e., low mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique

average service life. The blending of judgment concerning current conditions and future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

### **Actuarial Analysis**

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Where data was available, accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. The results from these analyses for those accounts which had data sufficient to be analyzed using this method are shown in the Life Analysis section of this report.

## **Judgment**

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis (potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. Individually, no one factor in these cases may have a substantial impact on the analysis, but overall, may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for KY Mid-States' accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the Retirement Rate actuarial methods. The appropriateness of lives and curves depends not only on statistical analyses, but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

### **Equal Life Group Depreciation**

Atmos agreed that the continued use of the ELG depreciation procedure was appropriate. This study uses the ELG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ELG groups are defined by their respective account dispersion, life, and net salvage estimates. A straight-line rate for each ELG group is computed and accumulated across each vintage. The resulting rate for each ELG group is designed to recover all retirements less net salvage as each vintage retires. The ELG procedure recovers net book cost over the life of each ELG group rather than averaging many components. It also closely matches the concept of component or item accounting found in all accounting textbooks.

### **Theoretical Depreciation Reserve**

The Company's book depreciation reserves were reallocated based on the theoretical reserves for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each

vintage. The equal life group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within the vintage is retired. Estimated average service lives and dispersion determine the amount within each equal life group. The equal life group-remaining-life theoretical reserve ratio (RRELG) is calculated as:

$$RRELG = 1 - \frac{(ELG \text{ Remaining Life})}{(ELG \text{ Life})} * (1 - \text{Net Salvage Ratio})$$

## DETAILED DISCUSSION

### Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of deprecation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis and salvage analysis sections and also in workpapers.



Phase 2 is where the actuarial analysis is performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables for life analysis. These tables are visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

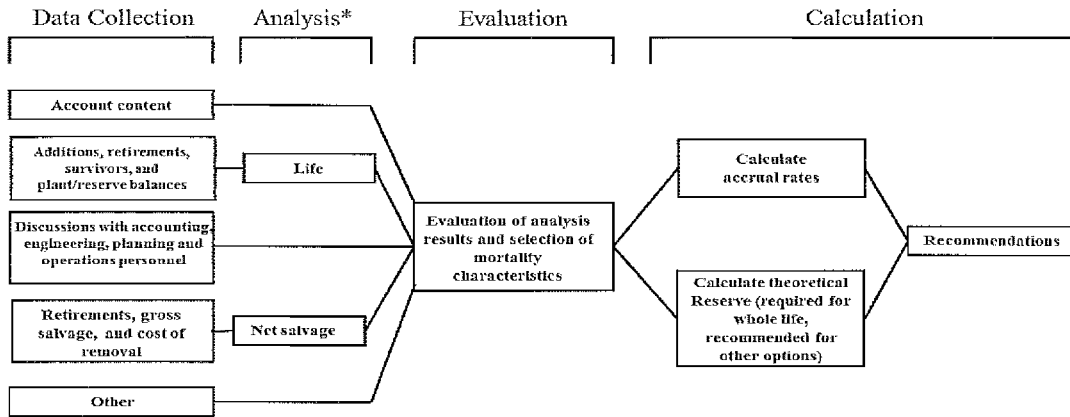
Phase 3 is the evaluation process which synthesizes analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 is further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allow the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in a final report. The calculation of accrual rates is found in Appendix B. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1<sup>1</sup> documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analyses, evaluation of statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

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<sup>1</sup>Public Utility Finance & Accounting, A Reader

### Book Depreciation Study Flow Diagram



Source: Public Utility Finance & Accounting: A Reader (Modified)

\*Although not specifically noted, the mathematical analysis may need some level of input from other sources (for example, to determine analysis bands for life and adjustments to data used in all analysis).

Figure 1

## ATMOS KENTUCKY MID-STATES DEPRECIATION STUDY PROCESS

### **Depreciation Rate Calculation**

Annual depreciation expense amounts for the depreciable property accounts of KY Mid-States were calculated by the straight line, equal life group, and remaining-life system. With this approach, remaining lives were calculated according to standard ELG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense. These calculations are shown in Appendix B.

### **Remaining Life Calculation**

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using the actuarial methods. After establishment of appropriate average service lives and retirement dispersions, remaining lives were computed for each account. The theoretical depreciation reserve with zero net salvage (used in calculating remaining life) was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the general discussion section. The difference between plant balance and theoretical reserve was then spread over the ELG depreciation accruals. After accumulating the ELG accruals across each vintage, the annual accrual was divided into the net balance to compute remaining life. Details of the theoretical reserve computations, ELG accruals, and remaining life are found by account within each division in the study workpapers.

### **Calculation Process**

Annual depreciation expense amounts for all accounts were calculated by the straight line, remaining life procedure.

In a whole life representation, the annual accrual rate is computed by the

following equation,

$$\text{Annual Accrual Rate} = \frac{(100\% - \text{Net Salvage Percent})}{\text{Average Service Life}}$$

Use of the remaining life depreciation system adds a self-correcting mechanism, which accounts for any differences between theoretical and book depreciation reserve over the remaining life of the group. With the straight line, remaining life, average life group system using Iowa Curves, composite remaining lives were calculated according to standard broad group expectancy techniques, noted in the formula below:

$$\text{Composite Remaining Life} = \frac{\sum \text{Original Cost} - \text{Theoretical Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the composite remaining life to yield the annual depreciation expense as noted in this equation where the net salvage percent represents future net salvage.

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost} - \text{Book Reserve} - (\text{Original Cost}) * (1 - \text{Net Salvage \%})}{\text{Composite Remaining Life}}$$

Within a group, the sum of the group annual depreciation expense amounts, as a percentage of the depreciable original cost investment summed, gives the annual depreciation rate as shown below:

$$\text{Annual Depreciation Rate} = \frac{\sum \text{Annual Depreciation Expense}}{\sum \text{Original Cost}}$$

These calculations are shown in Appendix B. The calculations of the theoretical depreciation reserve values and the corresponding remaining life calculations are shown in workpapers. Book depreciation reserves were allocated to individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

## LIFE AND NET SALVAGE

The retirement rate actuarial analysis method was applied to all accounts for KY Mid-States. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. A selected curve for each account is shown in the Life Analysis Section of this report. The observed life tables for all analyzed placement and experience bands are provided in workpapers.

For the overall band (i.e. placement from earliest vintage year which varied for each account through 2012) for each account, various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S, or R) as a better match than others. The next step would be to determine the most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed, for instance 1998-2012, 2003-2012, etc. Next placement bands of varying width were plotted with each experience band discussed above. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. The goal of visual matching was to minimize the differential between the observed life table and Iowa curve in top and mid-range of the plots. These results are used in conjunction with all other factors that may influence asset lives.

## NET SALVAGE CONSIDERATIONS

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset).

The net salvage analysis, for each account, is shown in Appendix D. Moving averages for intervals are also included in Appendix D. The assets of KY Mid-States generally do not incur cost of removal and salvage has declined in over the years. In this study a 0 percent net salvage is recommended for each account, with the exception of Accounts 390, 392, and 396.

### Account Life and Net Salvage Analysis

#### **390.01 – Structures - Frame**

This account includes the cost of buildings and improvements. The account balance is \$180 thousand. The existing life is 45 years with a SQ curve and a net salvage of 0 percent. The average age of the investment is approximately 10 years. Based on discussions with Company personnel, judgment and type of assets this study recommends a 40 year life with the R2 dispersion pattern. No graph is provided. A negative 10 percent net salvage is recommended at this time.

**390.04 – Air Conditioning Equipment**

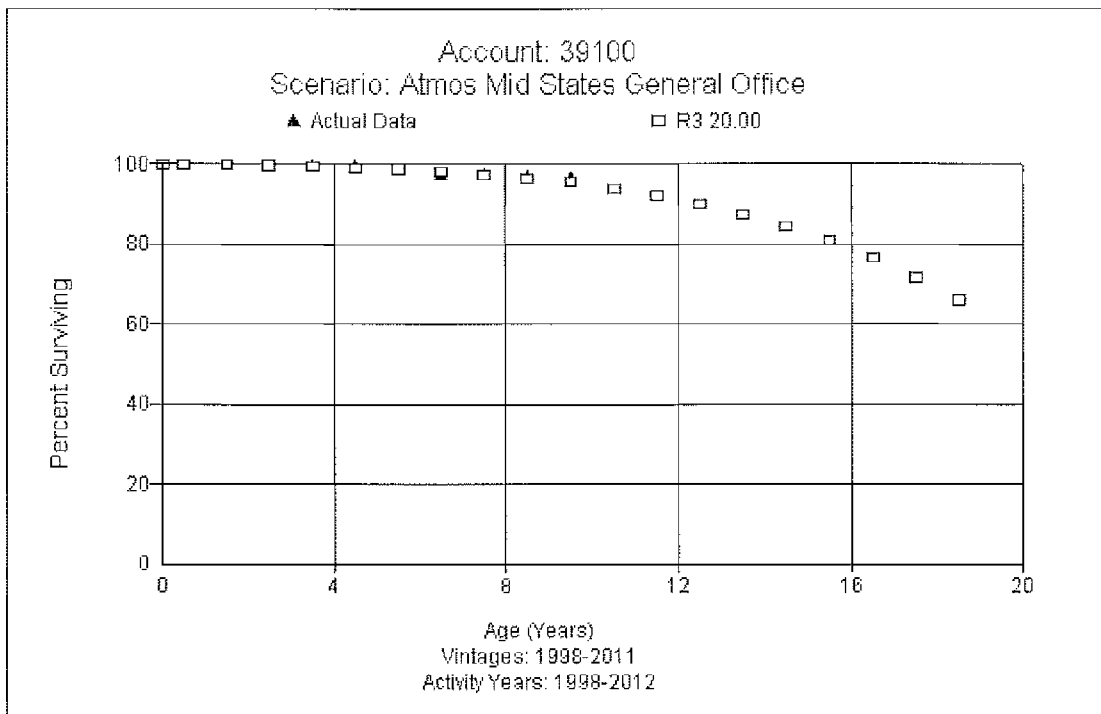
This account includes the cost of air conditioning equipment. The account balance is \$5 thousand. The existing life is 45 years with a SQ curve and a net salvage of 0 percent. Based on the type of assets and shorter life expectation, this account has been segregated and this study recommends a 15 year life with the R2 dispersion pattern. No graph is provided. A negative 10 percent net salvage is recommended as some cost of removal is expected at time of retirement. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

**390.09 – Improvements to Leased Premises**

This account includes the cost of improvements to leased premises. The balance is \$39 thousand. The current life and curve is 45 SQ. Assets in this account are tied to the lease term, which is about 20 years. The current average age of investment is nearing 14 years. The 20 R3 dispersion pattern is recommended. No graph is provided. No salvage or removal cost is currently expected for these improvements, therefore a 0 percent net salvage is recommending for this account.

**391.00 – Office Furniture and Equipment**

This account consists of modular furniture, desks, chairs, bookcases, credenzas, file cabinets, office machines and other miscellaneous equipment. The balance is \$63 thousand. Currently, there are no existing parameters available. An expected life range for the assets in this account is 20 to 25 years. This study recommends a 20 R3 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is no cost of removal and salvage has declined to a negligible level. A 0 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.



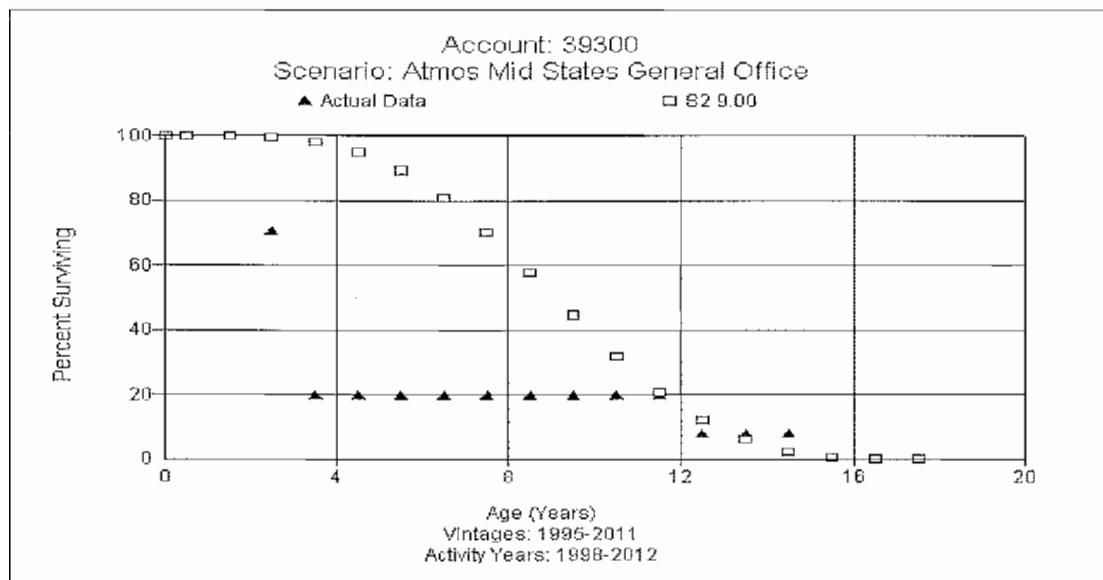


**392.00 – Transportation Equipment**

This account consists of trailers. The balance is \$4 thousand. Currently, there are no existing parameters available. This study recommends a 15 L3 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. Recently, there has been no net salvage. No cost of removal is anticipated but some salvage is expected at time of retirement. A positive 5 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

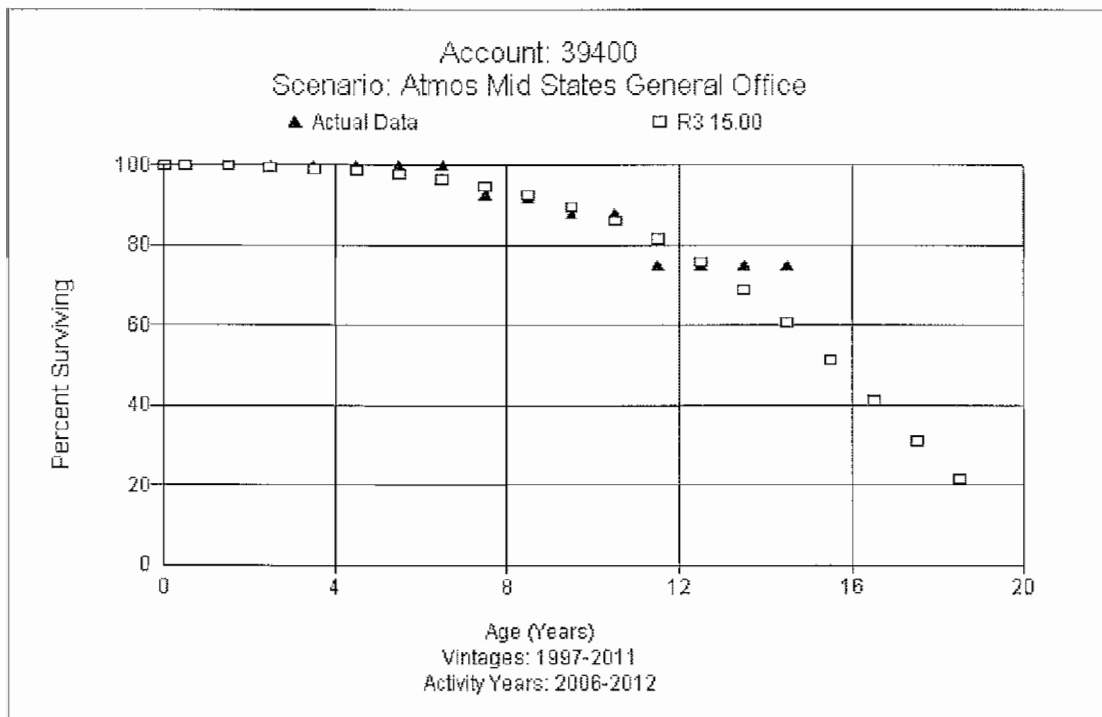
### 393.00 – Stores Equipment

This account consists of stores equipment which is primarily shelving and bins. The balance is \$4 thousand. The existing dispersion is 20 R5. The current average age of investment is nearing 15 years and is depreciated. The analysis indicates a lower life and based on the type of assets this study recommends a 9 S2 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. Currently there is no net salvage. A 0 percent net salvage rate is recommended for this account.



**394.00 – Tools, Shop & Garage Equipment**

This account consists of various small tools and equipment used in an office. The balance is \$143 thousand in this account. The existing dispersion is 25 R3. The average age of investment is 9 years. Due to the type and use of the assets and the analysis, this study recommends moving the life downward to a 15 year life and R3 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is generally little or no salvage and no cost of removal related to the equipment in the account. This study recommends a 0 percent net salvage rate for this account.

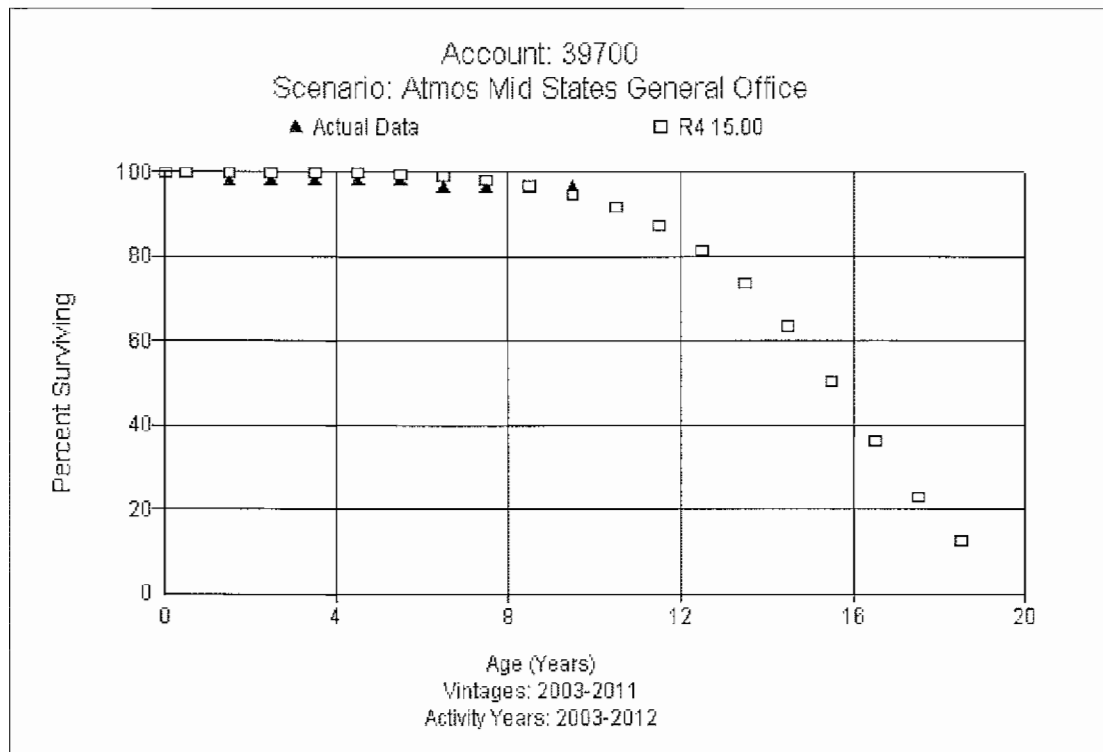


**396.00 – Power Operated Equipment**

This account consists of various power operated equipment, such as forklifts used in an office. The balance is \$20 thousand in this account. Currently, there are no existing parameters available. The average age of investment is 8 years. Due to the type and use of the assets and the analysis, this study recommends a 15 year life and L3 dispersion pattern. No graph is provided. Some salvage is expected at the end of life and no cost of removal so this study recommends a positive 5 percent net salvage rate for this account.

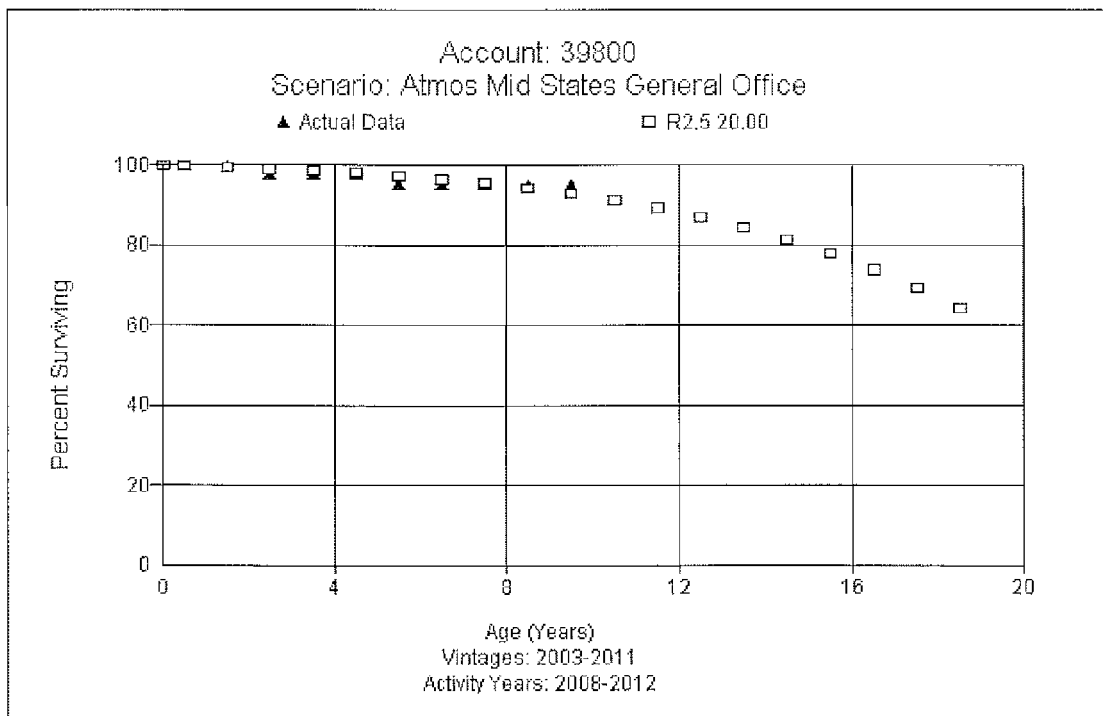
### 397.00 – Communications Equipment

The communications equipment account includes telephone, satellite dish, and radio equipment. The balance is \$318 thousand in this account. Assets in this account have a life range between 10 and 15 years. The current average age of investment is 10 years. The existing parameters are 15 R4. This study recommends retaining the current 15 year life and R4 dispersion. A graph of the observed life table and the recommended life and curve are shown below. There has been no recent salvage and removal cost experience. This study recommends a 0 percent net salvage rate for this account.



**Account 398.00 - Miscellaneous Equipment**

This account consists of various small office equipment items, such as kitchen appliances, televisions and audio/video equipment that are not homogeneous with other plant accounts. The balance is \$826 thousand. Currently the life is 20 years with the R2 dispersion. The current average age of investment is 10 years. Retirements of assets, as a group, in this account are demonstrating that a 20 year average service life with the R2.5 dispersion for assets in this account is appropriate. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a 0 percent net salvage rate for this account.



**Account 399.00 – Other Tangible Property**

The other tangible property account holds some computer hardware and communication equipment. The account balance is \$77 thousand. Currently there are no existing parameters. Since there is no retirement activity, based on discussions with Company personnel, type of assets and use, we are recommending a 10 year life with the SQ dispersion for this account. No graph of the observed life table is provided. This study recommends a zero percent net salvage rate for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

**Account 399.01 – Servers Hardware**

This account consists of assets various server hardware and equipment. The balance is \$344 thousand. There have been no retirements and the average age of the investment is 5 years. Based on discussions with Company personnel, future expectations and operation plans, this study recommends a 10 year average service life with the SQ dispersion pattern for this account. No graph is provided. No salvage or cost of removal is expected and a 0 percent net salvage rate is recommended for this account.

**Account 399.02 – Servers Software**

This account consists of server software and licenses. The balance is \$8 thousand. There have been no retirements. Based on discussions with Company personnel, future expectations and operation plans, this study recommends a 7 year average service life with the SQ dispersion pattern for this account. No graph is provided. No salvage or cost of removal is expected and a 0 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

**Account 399.03 – Network Hardware**

This account consists of assets related to networking activities such as

routers, switches and miscellaneous networking equipment. The balance is \$252 thousand. Based on discussions with Company personnel, future expectations and operation plans, this study recommends a 10 year average service life with the SQ dispersion, which is similar to server hardware account. No graph is provided. No salvage or cost of removal is expected and a 0 percent net salvage rate is recommended for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

#### **Account 399.06 – PC Hardware**

This account consists of costs for computer hardware, desktop and laptop computers, monitors and printers. The balance is \$1.1 million. The existing life is 8 years with the R4 dispersion. Discussions with Company personnel indicated assets in this account are generally retired around 4 years of age supported by a 25% retire and replace budget projection for the PC and laptop assets. Based on the analysis; overall indications are for a much longer life. Because some assets may have a slightly longer life, using judgment, this study recommends a 5 year life with the R2 dispersion. The Company is expecting to retire and replace a large part of the balance after the study date, therefore a graph of the observed life table and the recommended life and curve is not provided. This study recommends a 0 percent net salvage rate for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

#### **Account 399.07 – PC Software**

The PC software account holds booked investment and retirement activity for software assets including operating system software such as Windows, Microsoft Office, and other related application software. The balance is \$128 thousand. There are no existing parameters. Based on discussions with Company personnel, future expectations and operation plans, this study recommends a 7 year average service life with the R1.5 dispersion. Since no retirements had been recorded, no graph of



the observed life table and the recommended life and curve is provided. This study recommends a 0 percent net salvage rate for this account. However, this account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

#### **Account 399.08 – Application Software**

The applications software account holds booked investment and retirement activity for software assets including billing system software, electronic mapping and training software applications. The balance is \$739 thousand. There are no existing parameters. There have been no retirements recorded and the account is considered fully depreciated. Based on discussions with Company personnel, future expectations and operation plans, this account is not expected to be an active account. However, there may be some smaller application software used in a more local environment so this study recommends a 15 year average service life with the R2.5 dispersion for this account. No graph of the observed life table and the recommended life and curve is provided. This study recommends a 0 percent net salvage rate for this account. However, this account is fully accrued at this time and only if a depreciable balance exists will the calculated rate be applied.

**APPENDIX A**

**Comparison of Annual Rate and Accrual**

## Appendix A

**Atmos Energy Corporation**  
**Kentucky Mid-States General Office Property**  
**Comparison of Depreciation Expense**  
**Existing vs Proposed Depreciation Accrual Rates**  
**Depreciation Study as of September 30, 2012**

Account (a)	Description (b)	Plant Balance (c)	Existing		Proposed		Change in Depreciation Expense (h)
			Annual Accrual Rate (d)	Annual Accrual (e)	Annual Accrual Rate (f)	Annual Accrual (g)	
<b>GENERAL PLANT DEPRECIABLE</b>							
39001	Structures - Frame	\$ 179,338.52	2.21%	\$ 3,963.38	3.13%	\$ 5,612.03	\$ 1,648.65
39009	Improvements - Leased	38,834.00	2.21%	858.23	5.12%	1,988.84	1,130.61
39300	Stores Equipment	4,161.06	7.26%	302.09	8.10%	337.17	35.07
39400	Tools, Shop, & Garage	142,558.63	4.38%	6,244.07	6.88%	9,813.33	3,569.26
39600	Power Operated Equipment	19,534.24	9.00%	1,758.08	6.45%	1,259.82	(498.26)
39700	Communication Equipment	317,544.81	6.10%	19,370.23	6.93%	22,004.26	2,634.02
39800	Miscellaneous Equipment	825,694.94	6.18%	51,027.95	5.23%	43,181.26	(7,846.69)
39901	Servers Hardware	344,193.54	9.00%	30,977.42	9.94%	34,229.81	3,252.39
	<b>Total Depreciable Plant</b>	<u>1,871,859.74</u>		<u>114,501.45</u>		<u>118,426.51</u>	<u>3,925.06</u>
<b>GENERAL PLANT FULLY DEPRECIATED</b>							
39004	Air Conditioning Equipment	5,771.00	2.21%		6.67%	*	
39100	Office Furniture And Equipment	63,449.84	9.00%		5.00%	*	
39200	Transportation Equipment	4,109.69	9.00%		6.67%	*	
39900	Other Tangible Equipment	76,993.22	9.00%		10.00%	*	
39902	Servers Software	8,273.14	9.00%		14.29%	*	
39903	Network Hardware	251,698.15	9.00%		10.00%	*	
39906	Pc Hardware	1,111,896.19	12.78%		20.00%	*	
39907	Pc Software	128,631.48	9.00%		14.29%	*	
39908	Application Software	739,110.68	9.00%		6.67%		
	<b>Total Fully Depreciated Plant</b>	<u>2,389,933.39</u>		<u>-</u>		<u>-</u>	<u>-</u>
	<b>Total KY Mid States Depreciated</b>	<u>\$ 4,261,793.13</u>		<u>\$ 114,501.45</u>		<u>\$ 118,426.51</u>	<u>\$ 3,925.06</u>

\*Denotes: Accounts are fully depreciated. A whole life rate (1-net salvage/life), shown above, will be applied when a depreciable base exists until the next study.

**APPENDIX B**  
**Annual Accrual Rate Calculations**

## Appendix B

Atmos Energy Corporation  
Kentucky Mid-States General Office  
Computation of Depreciation Accrual Rate  
Depreciation Study as of September 30, 2012

Account	Description	Plant In Service 09/30/2012	Allocated Book Depreciation 09/30/2012	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual Accrual Amount	Annual Accrual Rate
<b>GENERAL PLANT DEPRECIATED</b>									
39001	Structures & Improvements	179,338.52	55,168.45	-10%	(17,933.85)	142,103.92	25.32	5,612.03	3.13%
39009	Improvements - Leased	38,834.00	24,470.34	0%	0.00	14,363.66	7.22	1,988.84	5.12%
39300	Stores Equipment	4,161.06	3,823.89	0%	0.00	337.17	0.76	337.17	8.10%
39400	Tools, Shop, & Garage	142,558.63	83,155.90	0%	0.00	59,402.73	6.05	9,813.33	6.88%
39600	Power Operated Equipment	19,534.24	8,040.40	5%	976.71	10,517.13	8.35	1,259.82	6.45%
39700	Communication Equipment	317,544.81	201,421.21	0%	0.00	116,123.60	5.28	22,004.26	6.93%
39800	Miscellaneous Equipment	825,694.94	394,205.75	0%	0.00	431,489.19	9.99	43,181.26	5.23%
39901	Servers Hardware	344,193.54	158,800.68	0%	0.00	185,392.86	5.42	34,229.81	9.94%
	<b>Total Depreciated Plant</b>	<u>1,871,859.74</u>	<u>929,086.61</u>		<u>(16,957.14)</u>	<u>959,730.27</u>		<u>118,426.51</u>	
<b>GENERAL PLANT FULLY DEPRECIATED</b>									
39004	Air Conditioning	5,771.00	6,348.10						5.00%
39100	Office Furniture And Equipment	63,449.84	63,449.84						5.00%
39200	Transportation Equipment	4,109.69	4,109.69						11.11%
39900	Other Tangible Equipment	76,993.22	76,993.22						10.00%
39902	Servers Software	8,273.14	8,273.14						10.00%
39903	Network Hardware	251,698.15	251,698.15						20.00%
39906	PC Hardware	1,111,896.19	1,111,896.19						14.29%
39907	PC Software	128,631.48	128,631.48						6.67%
39908	Application Software	739,110.68	1,782,414.25						6.67%
	<b>Total Plant Fully Depreciated</b>	<u>2,389,933.39</u>	<u>3,433,814.06</u>		<u>-</u>	<u>-</u>		<u>-</u>	
	<b>Total Plant in Study</b>	<u>\$ 4,261,793.13</u>	<u>\$ 4,362,900.67</u>		<u>\$ (16,957.14)</u>	<u>\$ 959,730.27</u>		<u>\$ 118,426.51</u>	

\*Denotes: Accounts are fully depreciated. A whole life rate (1-net salvage/life), shown above, will be applied when a depreciable base exists until the next study.

**APPENDIX C**

**Comparison of Mortality Characteristics**



**APPENDIX D**  
**Net Salvage Analysis**

















**ATMOS ENERGY CORPORATION**  
**SHARED SERVICES UNIT**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2010**



<http://www.utilityalliance.com>



**ATMOS ENERGY CORPORATION - SHARED SERVICES UNIT**  
**DEPRECIATION RATE STUDY**  
**EXECUTIVE SUMMARY**

Atmos Energy Corporation (“Atmos” or “Company”) engaged Alliance Consulting Group to conduct a depreciation study of the Company’s Shared Services Unit (“SSU” or “Shared Services”) operations depreciable assets as of fiscal year end September 30, 2010. SSU provides support to Atmos Energy Corporation’s regulated utility divisions.

The regulated natural gas utility divisions during the year ended September 30, 2010 were:

- Atmos Colorado-Kansas Division
- Atmos Louisiana Division
- Atmos Kentucky Mid-States (Kentucky, Tennessee, Virginia, Iowa, Illinois, Missouri and Georgia) Division
- Atmos Mississippi Division
- Atmos Mid-Tex Division
- Atmos West Texas Division

The depreciation rates are based on the straight-line method, equal life group (“ELG”) procedure, and remaining-life technique. This study results in an annual depreciation expense accrual of \$19.8 million when applied to depreciable plant balances as of September 30, 2010.

The depreciation study we conducted analyzed and developed depreciation recommendations at an account level. The resulting annual depreciation accrual amounts and depreciation rates contained in this study are at the account level. The Company will accrue depreciation expense based on the account level depreciation rates developed in this study. Appendix A demonstrates the annual depreciation expense.

**ATMOS ENERGY CORPORATION**  
**ATMOS SHARED SERVICES UNIT**  
**DEPRECIATION RATE STUDY**  
**As of September 30, 2010**  
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## **PURPOSE**

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on Shared Services' books at September 30, 2010. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of Shared Services' property on a straight-line basis. Non-depreciable property and property which is amortized, such as intangible software were excluded from this study.

Shared Services is a division of Atmos Corporation dedicated to providing various support services to its operating companies. As of the study date, Shared Services supported regulated gas utility divisions operating in 12 different states.

## STUDY RESULTS

The existing and current study annual depreciation expense results from the use of Iowa Curve dispersion patterns with average service life, the equal life group ("ELG") procedure and remaining-life technique, and consideration of net salvage in the development of the study recommended depreciation rates. Detailed information for each of these factors will follow in this report.

Overall depreciation rates for Shared Services depreciable property are shown in Appendix A. These rates translate into an annual depreciation accrual of \$19.8 million based on Shared Services' depreciable investment at September 30, 2010.

Appendix A presents the recommended study annual accrual rates and amounts. Appendix B presents the development of the depreciation rates and annual accruals. Appendix C presents the recommended study mortality and net salvage parameters by account. Appendix D shows net salvage history by plant account.

## GENERAL DISCUSSION

### Definition

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

### Basis of Depreciation Estimates

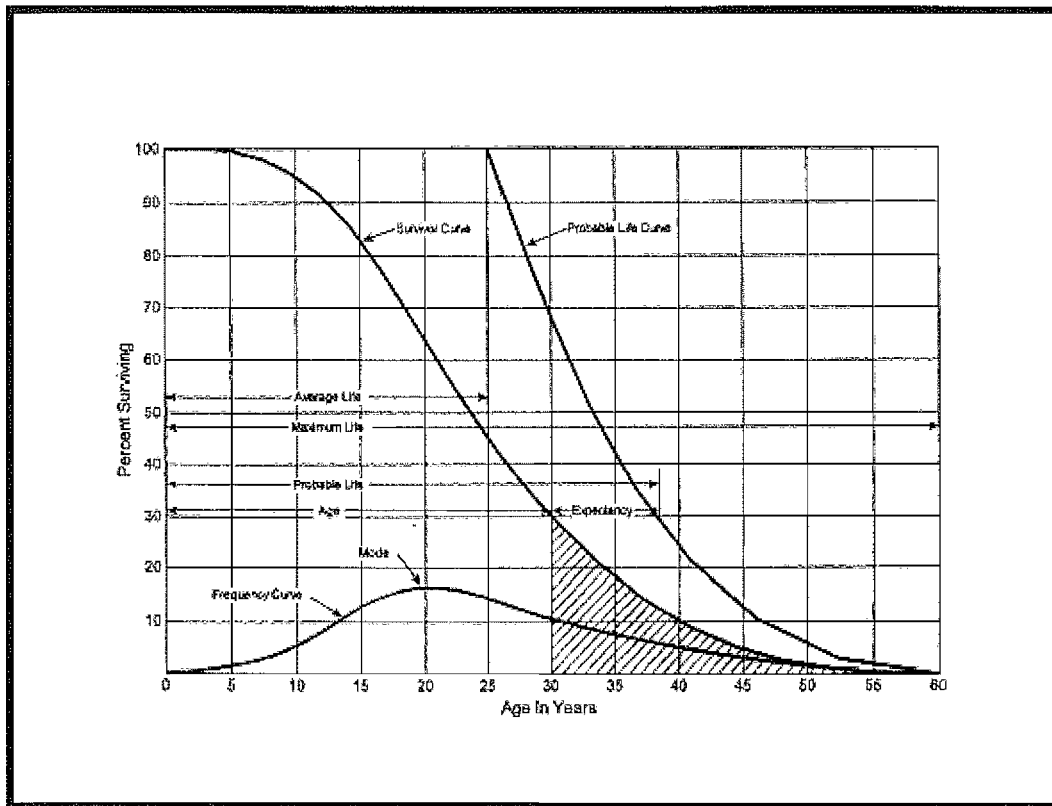
The straight-line, equal life group ("ELG"), remaining-life depreciation system was employed to calculate annual and accrued depreciation in this study. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset less allocated depreciation reserve less estimated net salvage by its respective equal life group remaining life. The resulting annual accrual amounts of all depreciable property within a function were accumulated, and the total was divided by the original cost of all functional depreciable property to determine the depreciation rate. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group. The computations of the annual depreciation rates are shown in Appendix B and remaining life calculations are provided in the workpapers.

Actuarial analysis was used with each account within a function where

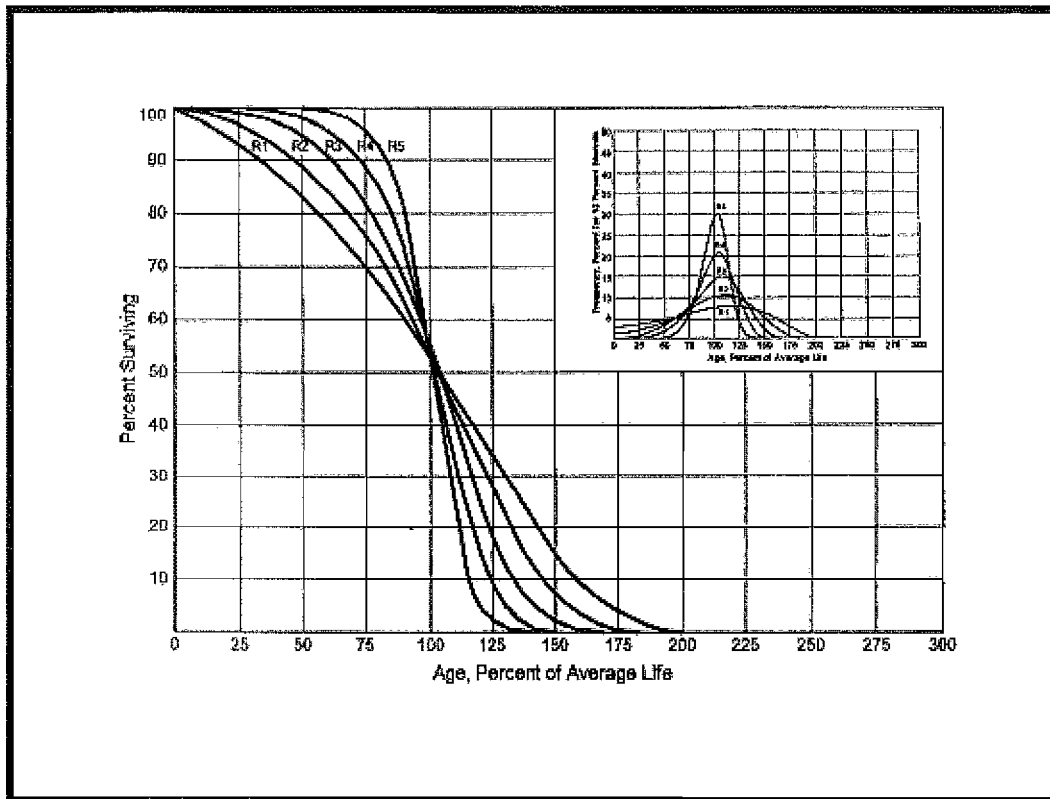
sufficient data was available, and judgment was used to some degree on all accounts.

### **Survivor Curves**

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.



There are four families in the Iowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of "R" moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency) while a "1" indicates a large dispersion about the mode (i.e., low mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique average service life. The blending of judgment concerning current conditions and



future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

### **Actuarial Analysis**

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Where data was available, accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. The results from these analyses for those accounts which had data sufficient to be analyzed using this method are shown in the Life Analysis section of this report.

## **Judgment**

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis (potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. Individually, no one factor in these cases may have a substantial impact on the analysis, but overall, may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for Shared Services' accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the Retirement Rate actuarial methods. The appropriateness of lives and curves depends not only on statistical analyses, but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

### **Equal Life Group Depreciation**

Atmos agreed that the continued use of the ELG depreciation procedure was appropriate. This study uses the ELG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ELG groups are defined by their respective account dispersion, life, and net salvage estimates. A straight-line rate for each ELG group is computed and accumulated across each vintage. The resulting rate for each ELG group is designed to recover all retirements less net salvage as each vintage retires. The ELG procedure recovers net book cost over the life of each ELG group rather than averaging many components. It also closely matches the concept of component or item accounting found in all accounting textbooks.

### **Theoretical Depreciation Reserve**

The Company's book depreciation reserves were reallocated based on the theoretical reserves for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each

vintage. The equal life group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within the vintage is retired. Estimated average service lives and dispersion determine the amount within each equal life group. The equal life group-remaining-life theoretical reserve ratio (RRELG) is calculated as:

$$RRELG = 1 - \frac{(ELG \text{ Remaining Life})}{(ELG \text{ Life})} * (1 - \text{Net Salvage Ratio})$$

## DETAILED DISCUSSION

### Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of depreciation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis and salvage analysis sections and also in workpapers.

Phase 2 is where the actuarial analysis is performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables for life analysis. These tables are visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

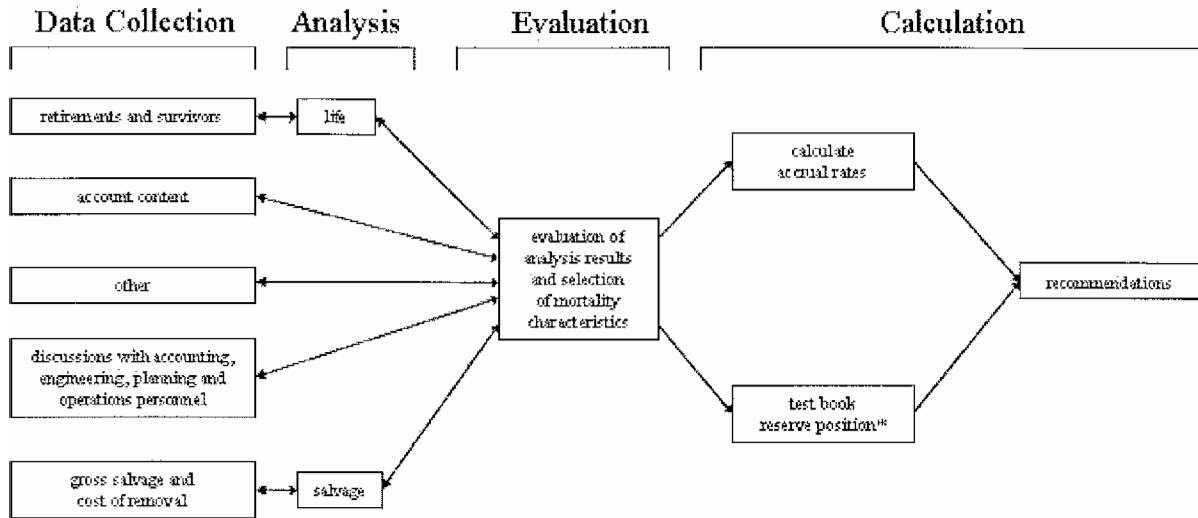
Phase 3 is the evaluation process which synthesizes analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 is further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allow the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in a final report. The calculation of accrual rates is found in Appendix B. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1<sup>1</sup> documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analyses, evaluation of statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

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<sup>1</sup>Public Utility Finance & Accounting, A Reader

### Book Depreciation Study Flow Diagram



Source: Public Utility Finance & Accounting  
A Reader

\* not required if remaining life rates are calculated

Figure 1

### SHARED SERVICES DEPRECIATION STUDY PROCESS

### **Depreciation Rate Calculation**

Annual depreciation expense amounts for the depreciable property accounts of Shared Services were calculated by the straight line, equal life group, and remaining-life system. With this approach, remaining lives were calculated according to standard ELG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense. These calculations are shown in Appendix B.

### **Remaining Life Calculation**

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using the actuarial methods. After establishment of appropriate average service lives and retirement dispersions, remaining lives were computed for each account. The theoretical depreciation reserve with zero net salvage (used in calculating remaining life) was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the general discussion section. The difference between plant balance and theoretical reserve was then spread over the ELG depreciation accruals. After accumulating the ELG accruals across each vintage, the annual accrual was divided into the net balance to compute remaining life. Details of the theoretical reserve computations, ELG accruals, and remaining life are found by account within each division in the study workpapers.

### **Calculation Process**

Annual depreciation expense amounts for all accounts were calculated by the straight line, remaining life procedure.

In a whole life representation, the annual accrual rate is computed by the



following equation,

$$\text{Annual Accrual Rate} = \frac{(100\% - \text{Net Salvage Percent})}{\text{Average Service Life}}$$

Use of the remaining life depreciation system adds a self-correcting mechanism, which accounts for any differences between theoretical and book depreciation reserve over the remaining life of the group. With the straight line, remaining life, average life group system using Iowa Curves, composite remaining lives were calculated according to standard broad group expectancy techniques, noted in the formula below:

$$\text{Composite Remaining Life} = \frac{\sum \text{Original Cost} - \text{Theoretical Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the composite remaining life to yield the annual depreciation expense as noted in this equation where the net salvage percent represents future net salvage.

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost} - \text{Book Reserve} - (\text{Original Cost}) * (1 - \text{Net Salvage \%})}{\text{Composite Remaining Life}}$$

Within a group, the sum of the group annual depreciation expense amounts, as a percentage of the depreciable original cost investment summed, gives the annual depreciation rate as shown below:

$$\text{Annual Depreciation Rate} = \frac{\sum \text{Annual Depreciation Expense}}{\sum \text{Original Cost}}$$

These calculations are shown in Appendix B. The calculations of the theoretical depreciation reserve values and the corresponding remaining life calculations are shown in workpapers. Book depreciation reserves were allocated to individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

## LIFE ANALYSIS

The retirement rate actuarial analysis method was applied to all accounts for Shared Services. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. A selected curve for each account is shown in the Life Analysis Section of this report. The observed life tables for all analyzed placement and experience bands are provided in workpapers.

For the overall band (i.e. placement from earliest vintage year which varied for each account through 2010) for each account, various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S, or R) as a better match than others. The next step would be to determine the most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed, for instance 1950-2010, 1989-2010, etc. Next placement bands of varying width were plotted with each experience band discussed above. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. The goal of visual matching was to minimize the differential between the observed life table and Iowa curve in top and mid range of the plots. These results are used in conjunction with all other factors that may influence asset lives.

## NET SALVAGE CONSIDERATIONS

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset).

### Net Salvage Characteristics

The net salvage analysis, for each account, is shown in Appendix D. Moving averages for intervals are also included in Appendix D. The assets of Shared Services generally do not incur cost of removal and salvage has declined in recent years. In this study a 0 percent net salvage is recommended for each account.

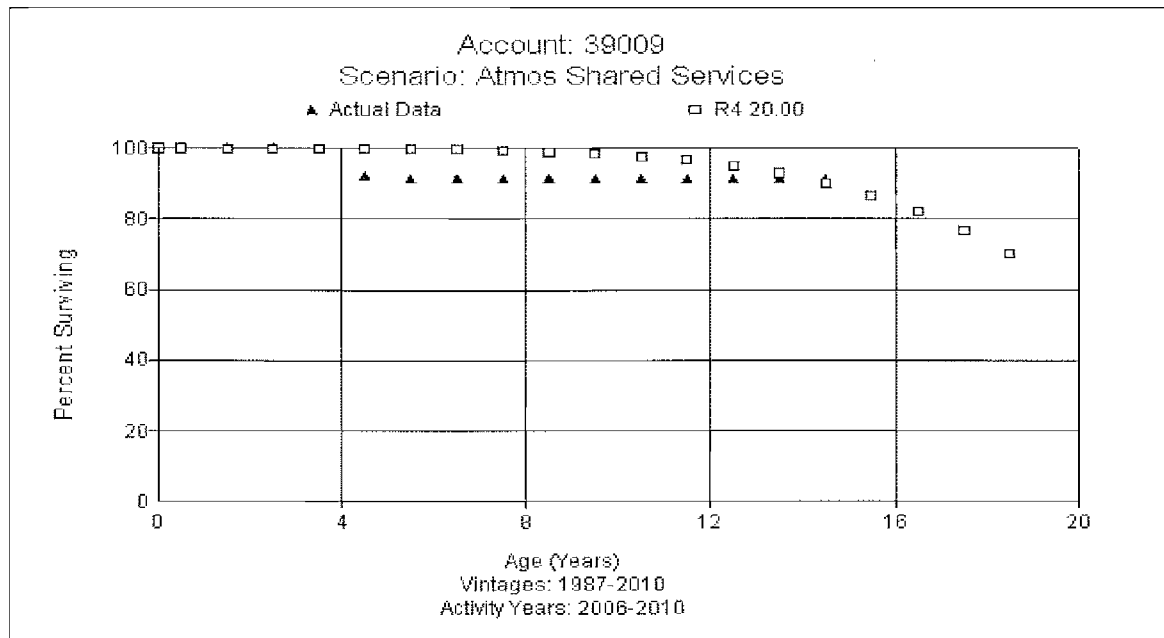
### Account Life and Net Salvage Analysis

#### **39000 – Structures & Improvements**

This account includes the cost of buildings and improvements. The account balance is \$8.6 million. Costs associated with the Greenville operations center have been recorded in this account and the costs associated with the Charles K. Vaughn training center will be recorded in fiscal year 2011. The average age of investment is 1.5 years, so based on judgment and type of assets this study recommends a 40 year life with the R2 dispersion pattern. No graph is provided. A zero percent net salvage is recommended at this time.

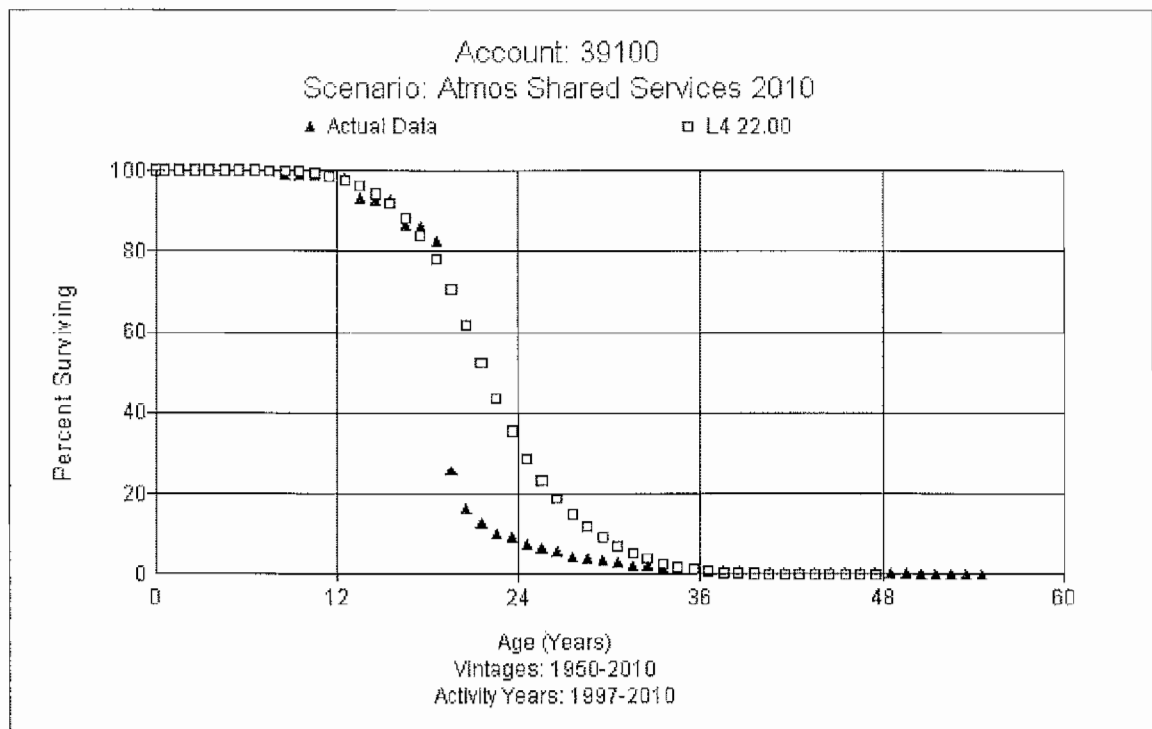
**39009 – Improvements to Leased Premises**

This account includes the cost of improvements to leased premises such as the Dallas office and call centers. The balance is \$12.7 million. Assets in this account are tied to the lease term, which is about 20 years. This study recommends moving from a 12 year life to a 20 R4 at this time. A graph of the observed life table and the recommended life and curve are shown below. No salvage or removal cost is currently expected for these improvements, therefore a zero percent net salvage is recommending for this account.



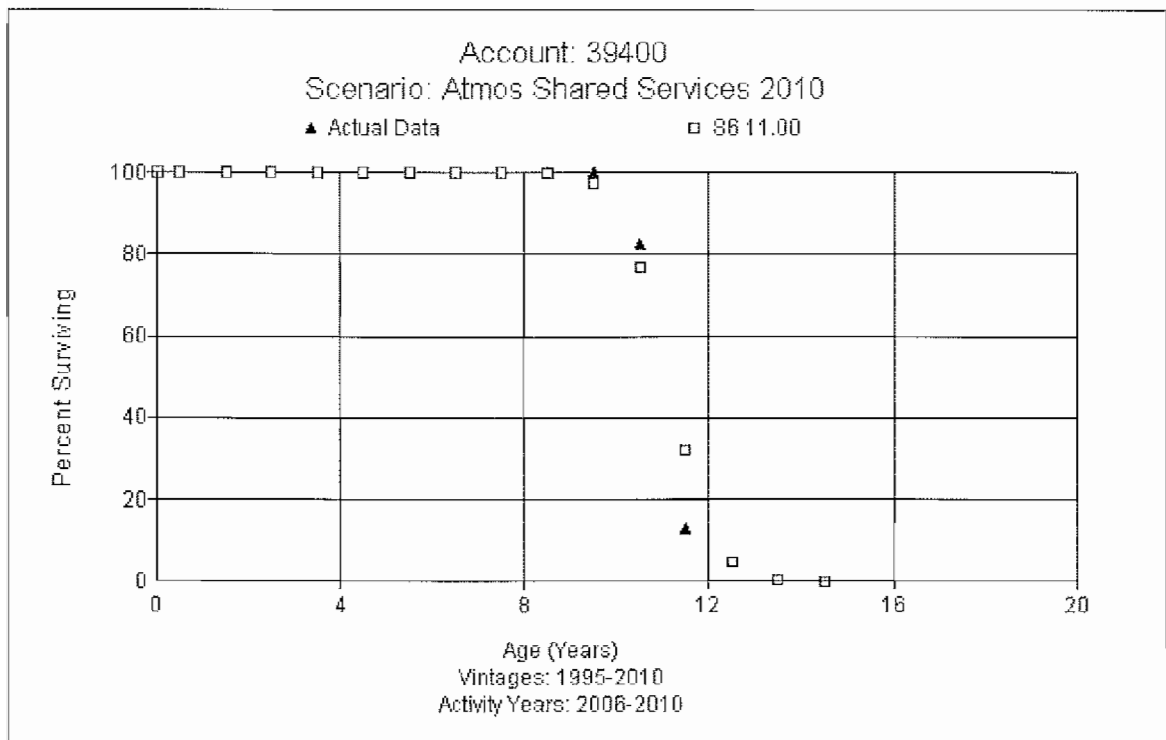
### 39100 – Office Furniture and Equipment

This account consists of modular furniture, desks, chairs, bookcases, credenzas, file cabinets, office machines and other miscellaneous equipment. The balance is \$11.9 million. An expected life range for the assets in this account is 20 to 25 years. This study recommends a 22 L4 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is no cost of removal and salvage has declined to a negligible level. A zero percent net salvage rate is recommended for this account.



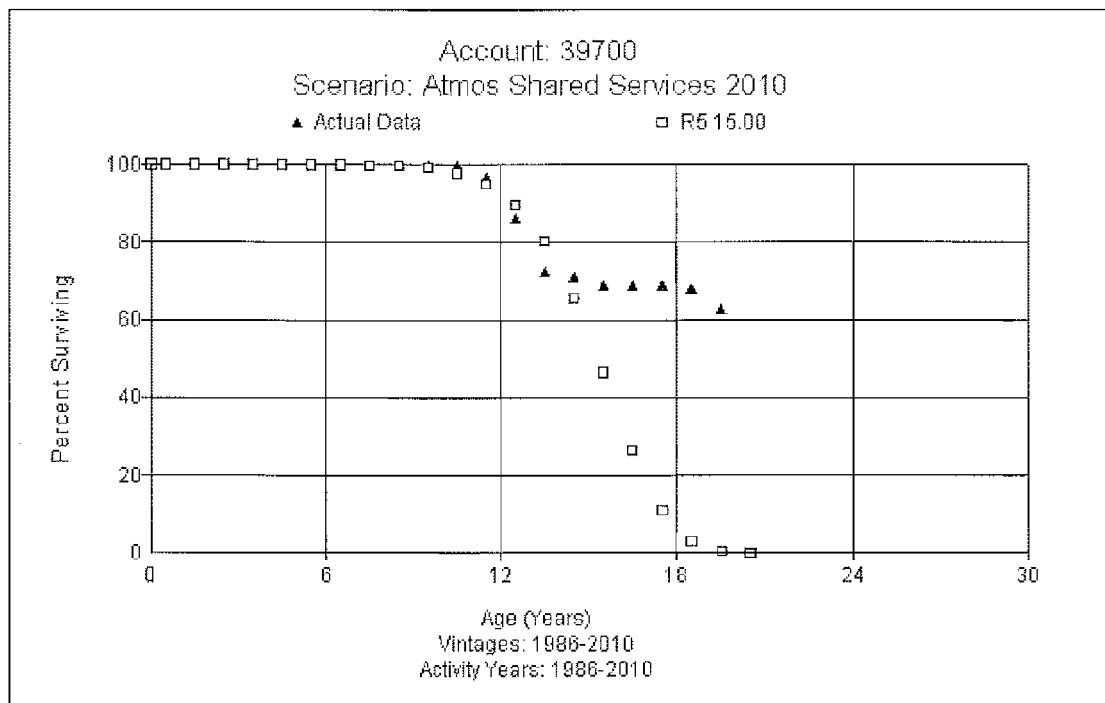
**39400 – Tools, Shop & Garage Equipment**

This account consists of various small tools and equipment used in an office. The balance is \$83 thousand in this account. The average age of investment is 1.5 years. Due to the type and use of the assets and the analysis, this study recommends an 11 S6 life and dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is generally little or no salvage and no cost of removal related to the equipment in the account. This study recommends a zero percent net salvage rate for this account.



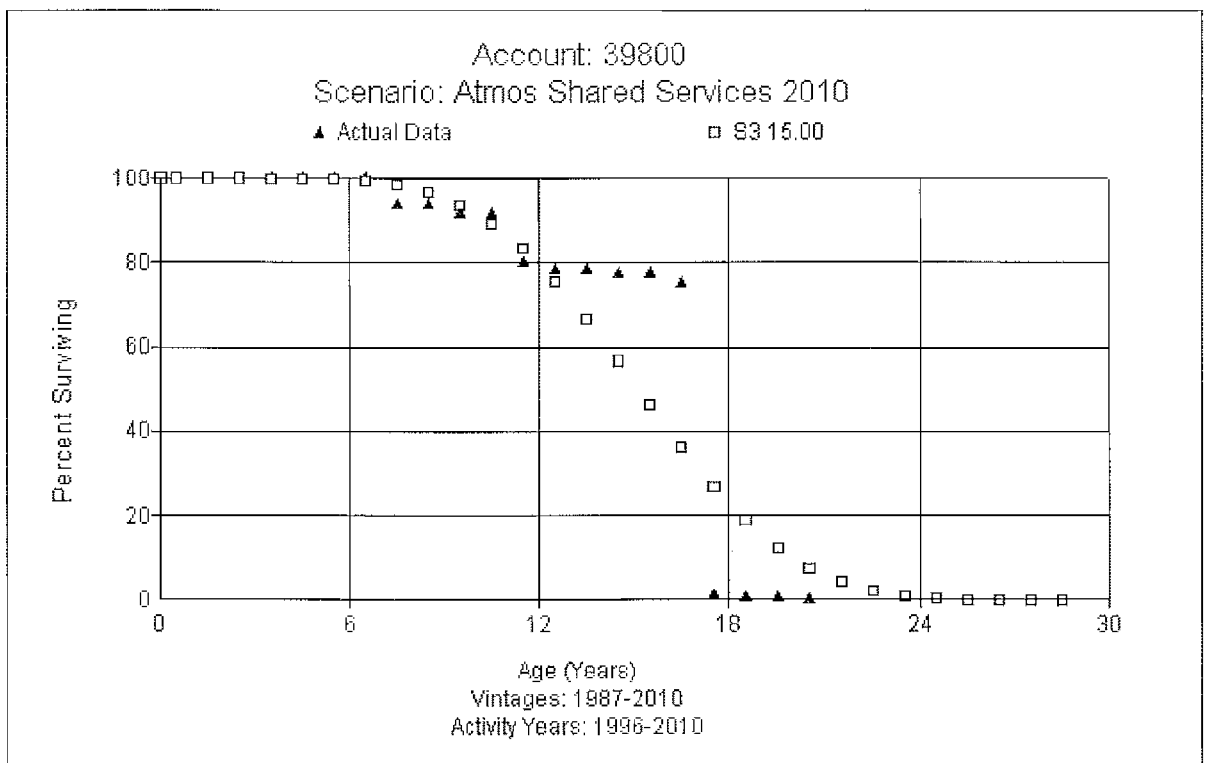
### 39700 – Communications Equipment

The communications equipment account includes communication, computer hardware, telephone, and radio equipment. It is used to account for the initial setup of the telephone and related telecom equipment and its attendant computer software. The balance is \$27.5 million in this account. Assets in this account have a life range between 10 and 15 years. A 15 year life with the R5 dispersion is recommended based on the fit using actuarial analysis and the type of assets and use. A graph of the observed life table and the recommended life and curve are shown below. There has been no recent salvage and removal cost experience. This study recommends a zero percent net salvage rate for this account.



**Account 39800 - Miscellaneous Equipment**

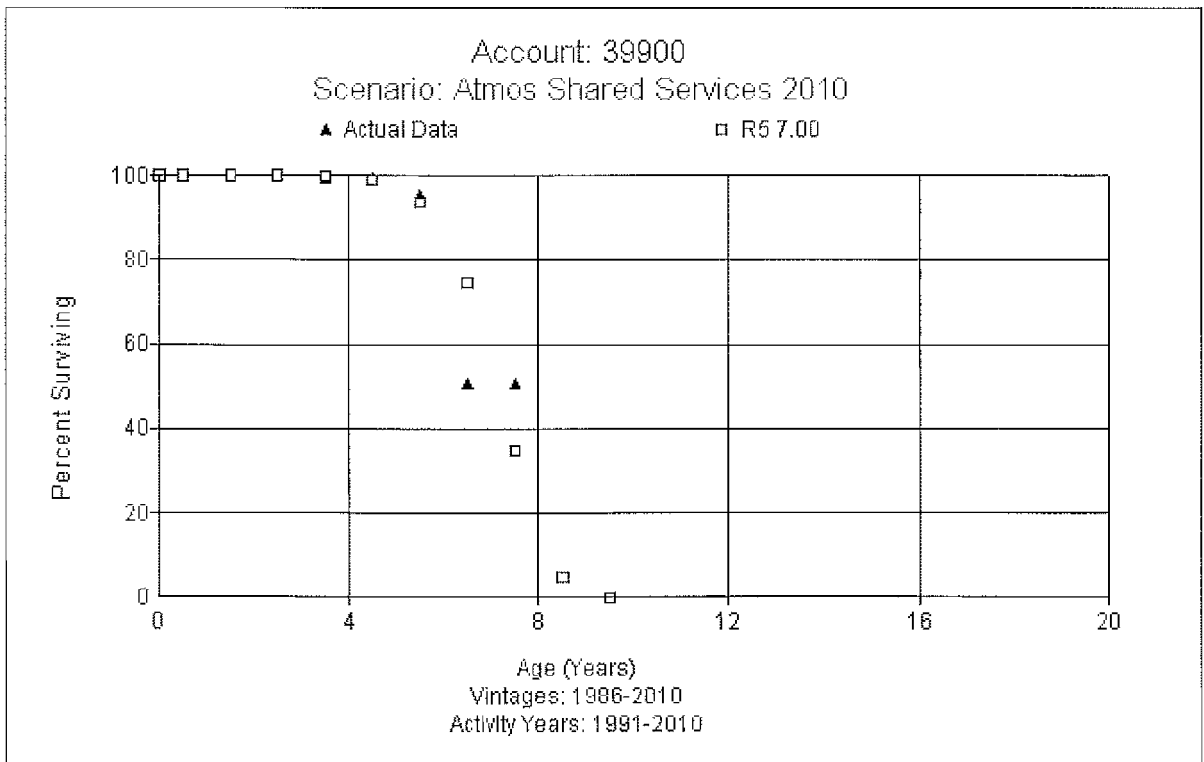
This account consists of various small office equipment items, such as kitchen appliances, televisions and audio/video equipment that are not homogeneous with other plant accounts. The balance is \$214 thousand. Retirements of assets, as a group, in this account are demonstrating that a 15 year average service life with an S3 dispersion for assets in this account is appropriate. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.





**Account 39900 – Other Tangible Property**

The other tangible property account holds some computer hardware and communication equipment. The account balance is \$162 thousand. The average age of the investment is 1.5 years and average age of retirements is 7.34 years. The recommended life is also 7 years with the R5 dispersion for this account. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



**Account 39901 – Servers Hardware**

This account consists of assets such as the HP 9000 RP 8420 servers, Oracle server, EMC DMX 3 disk array, Banner server, Markview servers and other server hardware and equipment. The balance is \$31.1 million. There have been no retirements and average age of the investment is 5.46 years. Based on discussions with Company personnel and future expectations and operation plans, this study recommends a 10 year average service life with the SQ dispersion pattern for this account. No graph is provided. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.

**Account 39902 – Servers Software**

This account consists of assets such as the Banner, Oracle, VMWare, Appwork scheduling, Witness, Networker, and other server attendant software for billing and software licenses. The balance is \$19.6 million. There have been no retirements and the average age of investment is 5.55 years. Based on discussions with Company personnel and future expectations and operation plans, this study recommends a 10 year average service life with the SQ dispersion pattern for this account. No graph is provided. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.

**Account 39903 – Network Hardware**

This account consists of assets related to networking activities such as routers, switches and miscellaneous networking equipment. The balance is \$4.2 million. The average age of retirements is 7.50 years and the average age of investment is 4.80 years. Based on discussions with Company personnel and future expectations and operation plans, this study recommends a 10 year average service life with the SQ dispersion, which is similar to server hardware and software accounts. No graph is provided. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.

**Account 39904 – CPU**

This account consists of costs for an IBM 9762-R22 mainframe. The balance is \$1.1 million. This account is fully depreciated and was not analyzed in this study.

**Account 39905 – Main Frame Hardware**

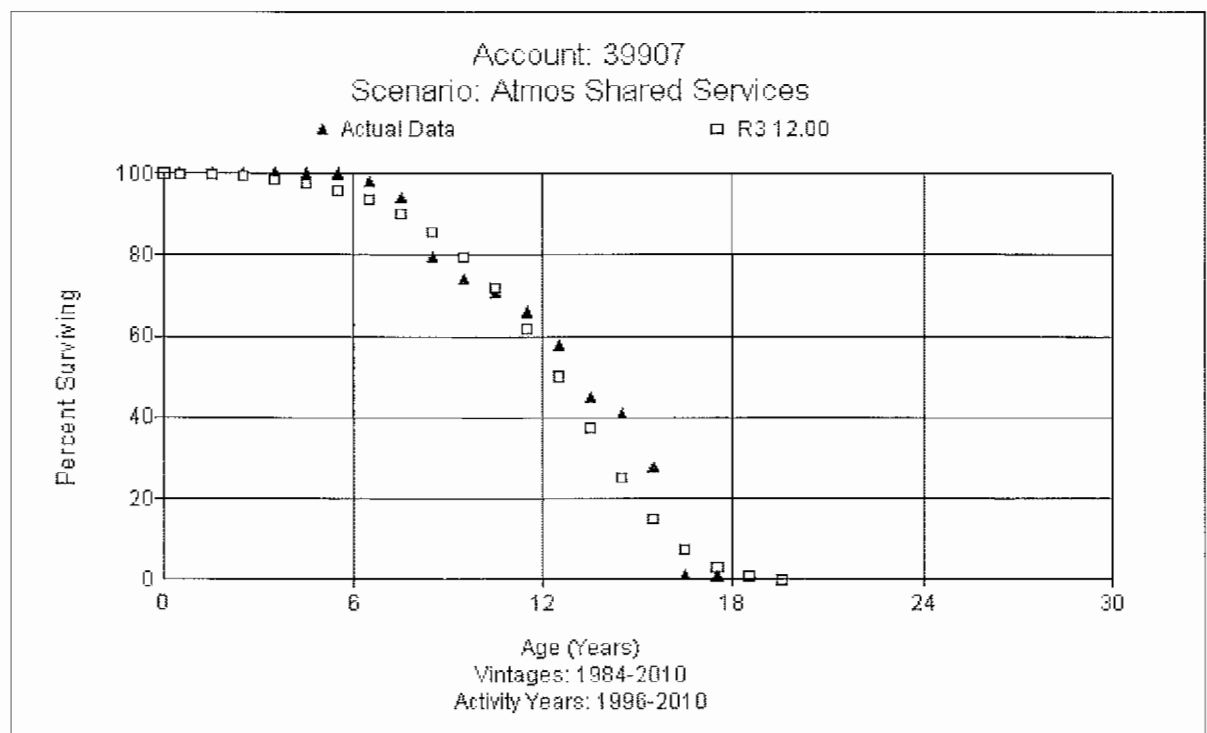
This account consists of costs for an upgraded CPU, disk storage, arrays, remote access server and other related mainframe equipment. The balance is \$1.2 million. This account is fully depreciated and was not analyzed in this study.

**Account 39906 – PC Hardware**

This account consists of costs for computer hardware, desktop and laptop computers, PC's for the call center, servers, and some costs associated with software licenses for PC's and servers.. The balance is \$9.6 million. The average age of investment is 5.85 years and average age of retirements is 6.55 years. The life indications in the actuarial analysis suggest a life of 9 years. The Company recently performed an inventory of these assets and note that approximately one-third of these assets should have already been retired. These retirements will be processed in 2011 and are not reflected in the data used in the life analysis. Due to the delayed retirements included in the data analysis, the observed 9 year life is not an accurate assessment of the life of these assets. However, based on discussions with Company personnel regarding current practices, future expectations and operational plans, the life of many of the remaining assets in this account will likely exceed a normal PC life expectation of 3 to 5 years. Therefore, using judgment, this study recommends a 7 year life with the S3 dispersion. Due to the processing of retirements outside of the study date, a graph of the observed life table and the recommended life and curve is not provided. This study recommends a zero percent net salvage rate for this account.

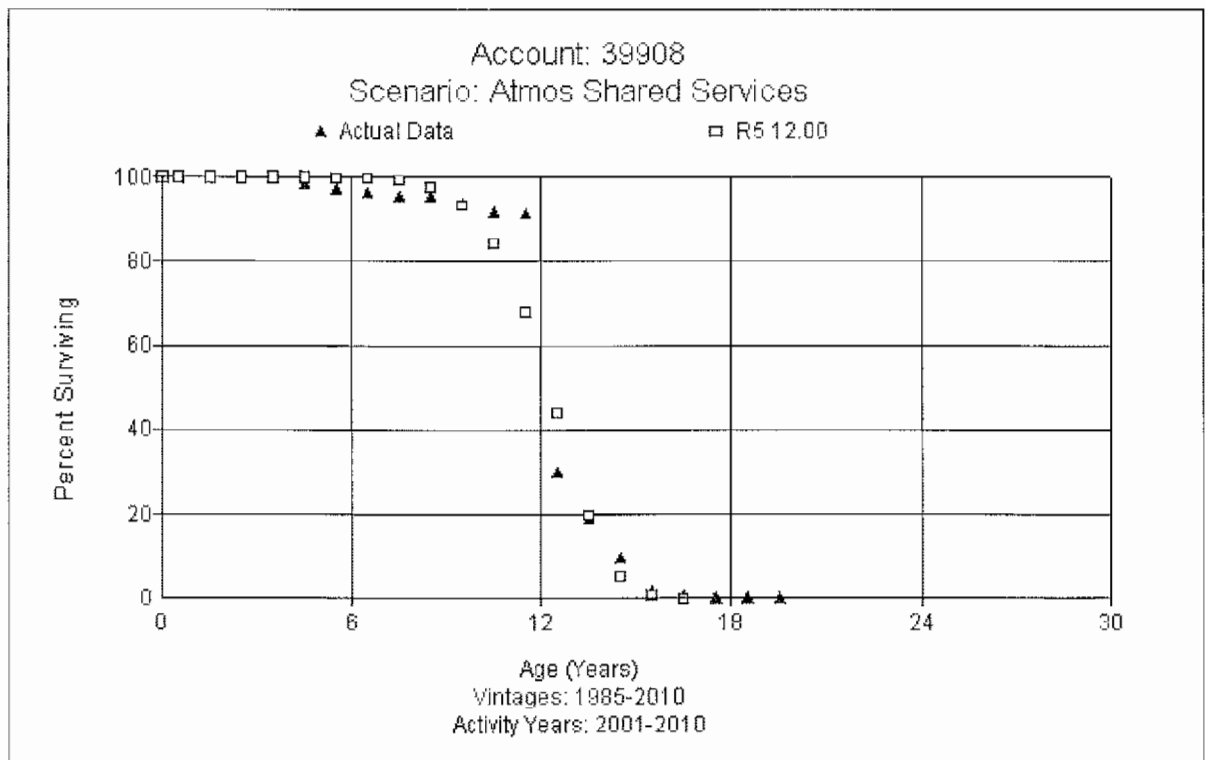
### Account 39907 – PC Software

The PC software account holds booked investment and retirement activity for software assets including operating system software such as Windows 2000 or Windows XP, Microsoft Office, call center, Verizon dialer software, Genesys upgrade, MS Project and other related application software. The balance is \$4.8 million. The average age of investment is 6.54 years and average age of retirements is 9.52 years. Based on discussions with Company personnel regarding current practice, future expectations and operational plans, the life of many of the software assets in this account will likely exceed normal PC software life expectations. There has been retirement activity in this account and the life indications in the actuarial analysis confirm a longer life than what is typically expected. This study recommends using a 12 year average service life with the R3 dispersion. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



**Account 39908 – Application Software**

The applications software account holds booked investment and retirement activity for software assets including billing system software, electronic mapping and training software applications, Oracle upgrade, Banner, Data Mart System, PowerPlant System, Advantage System application and the Waco Call Center IT build. The balance is \$167.7 million. The average age of investment is 7.16 years and average age of retirements is 9.05 years. Based on discussions with Company personnel and future expectations and operation plans this study recommends a 12 year average service life with the R5 dispersion for this account. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



**Account 39909 – Main Frame Software**

This account consists of costs related to Oracle, assembler language, security control package, natural VSAM and other related software. The balance is \$2.6 million. This account is fully depreciated and was not analyzed in this study.

**Account 39924 – General Startup Cost**

This account holds the costs related to the CIS System and supportive assets. The balance is \$23.2 million. This activity accounts for one vintage investment in 1999. This account is considered fully depreciated and was not analyzed in this study.

**APPENDIX A**  
**Annual Rate and Accrual**

## Appendix A

**Atmos Energy Corporation - Shared Services Unit**  
**At September 30, 2010**  
**Depreciation Study Annual Depreciation Rates and Accruals**

Account	Description	Plant Balance	Annual	
			Accrual Rate	Accrual Amount
(a)	(b)	(c)	(d)	(e)
39000	Structures & Improvements	8,601,087.60	3.34%	287,326.17
39009	Improvement. to Leased Premises	12,690,502.89	4.06%	514,830.04
39100	Office Furniture & Equipment	11,972,180.63	4.03%	482,120.63
39400	Tools, Shop, & Garage Equipment	83,933.49	8.88%	7,450.68
39700	Communication Equipment	27,526,596.22	5.54%	1,526,160.50
39800	Miscellaneous Equipment	214,283.04	1.72%	3,675.77
39900	Other Tangible Property	162,267.97	13.84%	22,456.94
39901	Servers - Hardware	31,101,165.15	8.62%	2,680,840.65
39902	Servers - Software	19,569,699.13	8.78%	1,719,191.49
39903	Network - Hardware	4,166,729.38	8.72%	363,489.92
39906	PC Hardware	9,583,849.86	8.78%	841,383.02
39907	PC Software	4,824,824.46	6.64%	320,346.67
39908	Application Software	167,785,375.80	6.57%	11,024,831.77
	Total Depreciable Plant	<u>\$ 298,282,495.62</u>	6.64%	<u>\$ 19,794,104.25</u>

Note: The following accounts are fully depreciated and were not analyzed in the study.

39904	CPU	1,095,465.10
39905	Main Frame Hardware	1,159,964.38
39909	Mainframe Software	2,575,367.35
39924	General Startup Cost	23,172,325.96
		<u>28,003,122.79</u>
	<b>Total Plant</b>	<u>\$ 326,285,618.41</u>



**APPENDIX B**  
**Remaining Life Calculations**

## Appendix B

Atmos Energy - Shared Services  
At September 30, 2010  
Depreciation Accrual Calculation of Remaining Life  
With Reserve Reallocation

Account	Description	Plant Balance	Allocated Book Reserve	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual Accrual Amount	Accrual Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
39000	Structures & Improvements	8,601,087.60	516,954.06	0	0	8,084,133.54	28.14	287,326.17	3.34%
39009	Improv. to Leased Premises	12,690,502.89	7,748,705.42	0	0	4,941,797.47	9.60	514,830.04	4.06%
39100	Office Furniture & Equipment	11,972,180.63	6,312,368.27	0	0	5,659,812.36	11.74	482,120.63	4.03%
39400	Tools, Shop, & Garage Equip.	83,933.49	13,679.16	0	0	70,254.33	9.43	7,450.68	8.88%
39700	Communication Equipment	27,526,596.22	16,038,475.59	0	0	11,488,120.63	7.53	1,526,160.50	5.54%
39800	Miscellaneous Equipment	214,283.04	201,310.26	0	0	12,972.78	3.53	3,675.77	1.72%
39900	Other Tangible Property	162,267.97	42,221.51	0	0	120,046.46	5.35	22,456.94	13.84%
39901	Servers - Hardware	31,101,165.15	17,778,530.61	0	0	13,322,634.54	4.97	2,680,840.65	8.62%
39902	Servers - Software	19,569,699.13	10,898,084.75	0	0	8,671,614.38	5.04	1,719,191.49	8.78%
39903	Network - Hardware	4,166,729.38	2,066,171.06	0	0	2,100,558.32	5.78	363,489.92	8.72%
39904	CPU	1,095,465.10	1,095,465.10	0	0	-			0.00%
39905	Main Frame Hardware	1,159,964.38	1,159,964.38	0	0	-			0.00%
39906	PC Hardware	9,583,849.86	7,503,090.92	0	0	2,080,758.94	2.47	841,383.02	8.78%
39907	PC Software	4,824,824.46	3,012,312.13	0	0	1,812,512.33	5.66	320,346.67	6.64%
39908	Application Software	167,785,375.80	110,309,082.09	0	0	57,476,293.71	5.21	11,024,831.77	6.57%
39909	Mainframe Software	2,575,367.35	2,575,367.35	0	0	-			0.00%
39924	General Startup Cost	23,172,325.96	23,172,325.96	0	0	-			0.00%
	Total Depreciable Plant	<u>326,285,618.41</u>	<u>210,444,108.63</u>		<u>-</u>	<u>115,841,509.78</u>		<u>19,794,104.25</u>	<u>6.07%</u>

**APPENDIX C**  
**Mortality Characteristics**

## Appendix C

**Atmos Energy - Shared Services Unit  
At September 30, 2010  
Mortality Characteristics**

<u>Account</u>	<u>Description</u>	<u>Plant</u>	<u>Proposed</u>		
		<u>Balance</u> <u>9/30/2010</u>	<u>Life</u>	<u>Curve</u>	<u>Net</u> <u>Salvage</u>
39000	Structures & Improvements	8,601,087.60	40	R2	0
39009	Improv. to Leased Premises	12,690,502.89	20	R4	0
39100	Office Furniture & Equipment	11,972,180.63	22	L4	0
39400	Tools, Shop, & Garage Equip.	83,933.49	11	S6	0
39700	Communication Equipment	27,526,596.22	15	R5	0
39800	Miscellaneous Equipment	214,283.04	15	S3	0
39900	Other Tangible Property	162,267.97	7	R5	0
39901	Servers - Hardware	31,101,165.15	10	SQ	0
39902	Servers - Software	19,569,699.13	10	SQ	0
39903	Network - Hardware	4,166,729.38	10	SQ	0
39906	PC Hardware	9,583,849.86	7	S3	0
39907	PC Software	4,824,824.46	12	R3	0
39908	Application Software	167,785,375.80	12	R5	0
	<b>Total Depreciable Plant</b>	<b>\$ 298,282,495.62</b>			

Note: The following accounts are fully depreciated and were not analyzed in the study.

39904	CPU	1,095,465.10
39905	Main Frame Hardware	1,159,964.38
39909	Mainframe Software	2,575,367.35
39924	General Startup Cost	23,172,325.96
		<u>28,003,122.79</u>
	<b>Total Plant</b>	<b>\$ 326,285,618.41</b>

**APPENDIX D**  
**Net Salvage Analysis**



**ATMOS ENERGY - SHARED SERVICES  
NET SALVAGE HISTORY AS ADJUSTED**

Acct	Activity Year	Retirement	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2-yr Net Salv. %	3-yr Net Salv. %	4-yr Net Salv. %	5-yr Net Salv. %	6-yr Net Salv. %	7-yr Net Salv. %	8-yr Net Salv. %	9-yr Net Salv. %	10-yr Net Salv. %	11-yr Net Salv. %	12-yr Net Salv. %	13-yr Net Salv. %	14-yr Net Salv. %	15-yr Net Salv. %	16-yr Net Salv. %	17-yr Net Salv. %	18-yr Net Salv. %	
39200000	2007	18,885	-	-	0	0.0%																		
39200000	2008	0	-	-	0	NA	0.0%																	
39200000	2009	0	-	-	0	NA	NA	0.0%																
39200000	2010	0	-	-	0	NA	NA	NA	0.0%															
39300000	2007	0	-	-	0	NA																		
39300000	2008	0	-	-	0	NA	NA																	
39300000	2009	0	-	-	0	NA	NA	NA																
39300000	2010	0	-	-	0	NA	NA	NA	NA															
39400000	2007	7,683	-	-	0	0.0%																		
39400000	2008	0	-	-	0	NA	0.0%																	
39400000	2009	0	-	-	0	NA	NA	0.0%																
39400000	2010	0	-	-	0	NA	NA	NA	0.0%															
39500000	2007	0	-	-	0	NA																		
39500000	2008	0	-	-	0	NA	NA																	
39500000	2009	0	-	-	0	NA	NA	NA																
39500000	2010	0	-	-	0	NA	NA	NA	NA															
39700000	1993	8,091	-	-	0	0.0%																		
39700000	1994	0	-	-	0	NA	0.0%																	
39700000	1995	0	-	-	0	NA	NA	0.0%																
39700000	1996	0	-	-	0	NA	NA	NA	0.0%															
39700000	1997	0	-	-	0	NA	NA	NA	NA	0.0%														
39700000	1998	0	-	-	0	NA	NA	NA	NA	NA	0.00%													
39700000	1999	0	-	-	0	NA	NA	NA	NA	NA	0.00%													
39700000	2000	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%												
39700000	2001	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%											
39700000	2002	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%										
39700000	2003	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%									
39700000	2004	34,015	26,609	3,107	23,502	69.1%	69.1%	69.1%	69.1%	69.1%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%
39700000	2005	0	-	-	0	NA	69.1%	69.1%	69.1%	69.1%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%	69.09%
39700000	2006	792,668	-	-	0	0.0%	0.0%	2.8%	2.8%	2.8%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%
39700000	2007	0	-	-	0	NA	0.0%	0.0%	2.8%	2.8%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%
39700000	2008	16,530	-	-	0	0.0%	0.0%	0.0%	0.0%	2.8%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%
39700000	2009	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%
39700000	2010	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.79%	2.76%
39800000	1996	149,090	9,000	-	9,000	6.0%																		
39800000	1997	0	-	-	0	NA	6.0%																	
39800000	1998	0	-	-	0	NA	NA	6.0%																
39800000	1999	0	-	-	0	NA	NA	NA	6.0%															
39800000	2000	0	-	-	0	NA	NA	NA	NA	6.0%														
39800000	2001	0	-	-	0	NA	NA	NA	NA	NA	6.04%													
39800000	2002	0	-	-	0	NA	NA	NA	NA	NA	6.04%													
39800000	2003	56,637	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	4.37%											
39800000	2004	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	4.37%										
39800000	2005	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	4.37%									
39800000	2006	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%	4.37%								
39800000	2007	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.37%							
39800000	2008	419,274	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.44%						
39800000	2009	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.44%					
39800000	2010	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.44%				









**Case No. 2013-00148**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 14(2)(a)**  
**Page 1 of 1**

**REQUEST:**

2. Article of Incorporation.

- (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.

**RESPONSE:**

Please see attachment FR\_14(2)(a)\_Att1 for the Atmos Energy Corporation's articles of incorporation and amendments. Please see the Company's response to FR 16(1)(b)(2) for a certificate of authorization and good standing for Atmos Energy Corporation issued by the Secretary of State for the Commonwealth of Kentucky.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_14(2)(a)\_Att1 - Articles of Incorporation and Amendments.pdf, 36 Pages.

RESTATED ARTICLES OF INCORPORATION  
OF ATMOS ENERGY CORPORATION  
(As Amended Effective February 3, 2010)

**FILED**  
In the Office of the  
Secretary of State of Texas  
MAY 06 2010

**Corporations Section**

A After being proposed by the Board of Directors of Atmos Energy Corporation (the "Corporation") and submitted to the Corporation's shareholders in accordance with the provisions of Sections 21.052 and 21.054 of the Texas Business Organizations Code and the Texas For-profit Corporation Law, an amendment to Section 2 of Article VI of the Restated Articles of Incorporation was adopted by the shareholders of the Corporation at the Annual Meeting of Shareholders held on February 3, 2010, in conformity with the provisions of the Texas Business Organizations Code, the Texas For-profit Corporation Law and the Articles of Incorporation of the Corporation, so that Section 2 of Article VI of the Restated Articles of Incorporation is hereby amended to read as follows:

"2. Election and Term All directors elected at the 2010 annual meeting of shareholders shall be elected for terms of three years and until their successors shall be elected and qualified. Beginning with the 2011 annual meeting of shareholders, and at each annual meeting of shareholders thereafter, all directors elected at the annual meeting of shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders. Directors shall be elected by a majority vote of the shares of the Common Stock entitled to vote in the election of directors and represented in person or by proxy at a meeting of shareholders at which a quorum is present. Each director who is serving as a director immediately following the 2011 annual meeting of shareholders, or is thereafter elected a director, shall hold office until the expiration of the term for which he or she was elected, and until his or her successor shall be elected and shall qualify, or until his or her earlier death, resignation, retirement, removal or disqualification from office."

B The number of shares of the Corporation outstanding as of the record date was 92,931,979 and the number of shares entitled to vote on the amendment was 92,931,979. The number of shares voting for the amendment to Section 2 of Article VI of the Restated Articles of Incorporation of the Corporation was 79,072,204, the number of shares voting against such amendment was 1,757,120, and the number of shares abstaining was 928,315.

C The Restated Articles of Incorporation reflect an accurate copy of the Restated Articles of Incorporation of the Corporation and all amendments thereto, as filed with the Secretary of State and in effect as of the date of such filing, with no other changes in any provision thereof, except for (i) the amendment discussed above, (ii) a change in the reference in Articles II and VII below from the Texas Business Corporation Act to the Texas Business Organizations Code, which superseded the Texas Business Corporation Act on January 1, 2010, (iii) a change in the reference in Article VI below to the current number of directors from twelve (12) to thirteen (13) and the names and street addresses of the directors currently serving, and (iv) a change in the title of the Chief Executive Officer. With all such changes accurately reflected below in the Restated Articles of Incorporation.

**ARTICLE I.**

The name of the corporation shall be Atmos Energy Corporation (the "Corporation")

**ARTICLE II**

The purposes for which the Corporation is organized are the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Organizations Code and the Texas Not-for-profit Corporation Law as defined therein, including, but not limited to, the transportation and distribution of natural gas by pipeline as a public utility, except that with respect to the Commonwealth of Virginia, the Corporation may only conduct such business as is permitted to be conducted by a public service company engaged in the transportation and distribution of natural gas by pipeline

**ARTICLE III.**

The Corporation is incorporated in the State of Texas and the Commonwealth of Virginia. The post office address of the registered office of the Corporation in the State of Texas is 211 F. 7<sup>th</sup> Street, Suite 620, Austin, Texas 78701-3218, and the registered agent for service of the Corporation at the same address is Corporation Service Company, d/b/a CSC-Lawyers Incorporating Service Company. The post office address of the registered office of the Corporation in the Commonwealth of Virginia is Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, and the registered agent for service of the Corporation at the same address is Allen C. Goolsby, III, such registered agent being a resident of the Commonwealth of Virginia and a member of the Virginia State Bar.

**ARTICLE IV.**

The period of the Corporation's duration shall be perpetual.

**ARTICLE V.**

The Corporation shall not commence business until it has received for the shares consideration of the value of One Thousand Dollars (\$1,000) consisting of money, labor done or property actually received.

**ARTICLE VI.**

Number of Directors The number of directors constituting the present board of directors is thirteen (13), however, thereafter the number of directors constituting the Board of Directors shall be fixed by the Bylaws of the Corporation. No director shall be removed during his term of office except for cause and by the affirmative vote of the holders of seventy-five percent (75%) of the shares then entitled to vote at an election of directors. The names and street addresses of the persons who are to serve as directors until the next annual meeting of the shareholders or until their successors are duly elected and qualified are as follows:

<u>Name</u>	<u>Street Address</u>
Robert W. Best	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard W. Cardin	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Kim R. Cocklin	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard W. Douglas	5430 LBJ Freeway, Suite 160, Dallas, TX 75240

Ruben F. Esquivel	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard K. Gordon	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Robert C. Gable	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Dr. Thomas C. Meredith	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Phillip L. Nichol	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Nancy K. Quinn	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Stephen R. Springer	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Charles K. Vaughan	5430 LBJ Freeway, Suite 160, Dallas, TX 75240
Richard Ware II	5430 LBJ Freeway, Suite 160, Dallas, TX 75240

2 Election and Term All directors elected at the 2010 annual meeting of shareholders shall be elected for terms of three years and until their successors shall be elected and qualified. Beginning with the 2011 annual meeting of shareholders, and at each annual meeting of shareholders thereafter, all directors elected at the annual meeting of shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders. Directors shall be elected by a majority vote of the shares of the Common Stock entitled to vote in the election of directors and represented in person or by proxy at a meeting of shareholders at which a quorum is present. Each director who is serving as a director immediately following the 2011 annual meeting of shareholders, or is thereafter elected a director, shall hold office until the expiration of the term for which he or she was elected, and until his or her successor shall be elected and shall qualify, or until his or her earlier death, resignation, retirement, removal or disqualification from office.

## ARTICLE VII.

### 1 Capitalization

The aggregate number of shares which the Corporation shall have the authority to issue is Two Hundred Million (200,000,000) shares of Common Stock having no par value.

### 2 Designation and Statement of Preferences, Limitations and Relative Rights of Common Stock

2.01 Subject to the provisions of law, including the Texas Business Organizations Code and the Texas Not-for-profit Corporation Law as defined therein, and the Virginia Stock Corporation Act, and to the conditions set forth in any law, including by resolution of the Board of Directors of the Corporation, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of any funds legally available therefor.

2.02 The holders of the Common Stock shall exclusively possess full voting power for the election of directors and for all other purposes. In the exercise of its voting power, the Common Stock shall be entitled to one vote for each share held.

### 3 Provisions Applicable to All Classes of Stock

3.01 Subject to applicable law, the Board of Directors may in its discretion issue from time to time authorized but unissued shares for such consideration as it may determine. The

shareholders shall have no pre-emptive rights, as such holders, to purchase any shares or securities of any class which may at any time be sold or offered for sale by the Corporation

3.02 At each election for directors every shareholder entitled to vote at any meeting shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected. Cumulative voting of shares of stock in the election of directors or otherwise is hereby expressly prohibited.

3.03 The Corporation shall be entitled to treat the person in whose name any share or other security is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such shares or other security on the part of any other person, whether or not the Corporation shall have notice thereof.

#### 4 Provisions Applicable to Certain Business Combinations

4.01 The affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of "Voting Stock" (as hereinafter defined) held by stockholders other than a "Substantial Shareholder" (as hereinafter defined) shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) of the Corporation with any Substantial Shareholder, provided, however, that the seventy-five percent (75%) voting requirement shall not be applicable if either

(i) The "Continuing Directors" (as hereinafter defined) of the Corporation by the affirmative vote of at least a majority (a) have expressly approved in advance the acquisition of the outstanding shares of Voting Stock that caused such Substantial Shareholder to become a Substantial Shareholder, or (b) have expressly approved such Business Combination either in advance of or subsequent to such Substantial Shareholder's having become a Substantial Shareholder, or

(ii) The cash or fair market value (as determined by at least a majority of the Continuing Directors) of the property, securities or other consideration to be received per share by holders of Voting Stock of the Corporation in the Business Combination is not less than the "Highest Per Share Price" or the "Highest Equivalent Price" (as these terms are hereinafter defined) paid by the Substantial Shareholder in acquiring any of its holdings of the Corporation's Voting Stock.

4.02 For purposes of this paragraph 4 of Article VII

(i) The term "Business Combination" shall include, without limitation (a) any merger or consolidation of the Corporation, or any entity controlled by or under common control with the Corporation, with or into any Substantial Shareholder, or any entity controlled by or under common control with the Substantial Shareholder, (b) any merger or consolidation of a Substantial Shareholder, or any entity controlled by or under common control with the Corporation, (c) any sale, lease, exchange, transfer or other disposition of all or substantially all of the property and assets of the Corporation, or any entity controlled by or under common control with the Corporation, to a Substantial Shareholder, or any entity controlled by or under common control

with the Substantial Shareholder, (d) any purchase, lease, exchange, transfer or other acquisition of all or substantially all of the property and assets of a Substantial Shareholder or any entity controlled by or under common control with the Corporation, (e) any recapitalization of the Corporation that would have the effect of increasing the voting power of a Substantial Shareholder, and (f) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination

(ii) The term "Substantial Shareholder" shall mean and include any individual, corporation, partnership or other person or entity which, together with its "Affiliates" and "Associates" (as those terms are defined in Rule 12b-2 of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") as in effect at the date of the adoption hereof), "Beneficially Owns" (as defined in Rule 13d-3 of the Exchange Act) an aggregate of 10 percent or more of the outstanding Voting Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity

(iii) Without limitation, any share of Voting Stock of the Corporation that any Substantial Shareholder has the right to acquire at any time (notwithstanding that Rule 13d-3 of the Exchange Act deems such shares to be beneficially owned only if such right may be exercised within 60 days) pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed to be Beneficially Owned by the Substantial Shareholder and to be outstanding for purposes of clause (ii) above

(iv) For the purposes of subparagraph 4.01(ii) of this paragraph 4 of Article VII, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by its existing stockholders other than Substantial Shareholders or other parties to such Business Combination in the event of a Business Combination in which the Corporation is the surviving corporation

(v) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares

(vi) The term "Continuing Director" shall mean a Director who was a member of the Board of Directors of the Corporation immediately prior to the time that the Substantial Shareholder involved in a Business Combination became a Substantial Shareholder

(vii) A Substantial Shareholder shall be deemed to have acquired a share of the Voting Stock of the Corporation at the time when such Substantial Shareholder became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Substantial Shareholder under the foregoing definition of Substantial Shareholder, if the price is paid by such Substantial Shareholder for such shares is not determinable by a majority of the Continuing Directors, the



price so paid shall be deemed to be the higher of (a) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (b) the market price of the shares in question at the time when the Substantial Shareholder became the Beneficial Owner thereof.

(vii) The terms "Highest Per Share Price" and "Highest Equivalent Price" as used in this paragraph 4 of Article VII shall mean the highest price that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Corporation issued and outstanding, the Highest Equivalent Price shall mean with respect to each class and series of capital stock of the Corporation the amount determined by a majority of the Continuing Directors, on whatever basis they believe is appropriate, to be the highest per share price equivalent to the highest price that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of any class or series of capital stock of the Corporation. In determining the Highest Per Share Price and Highest Equivalent Price, all purchases by the Substantial Shareholder shall be taken into account regardless of whether the shares were purchased before or after the Substantial Shareholder became a Substantial Shareholder. The Highest Per Share Price and the Highest Equivalent Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by the Substantial Shareholder with respect to the shares of capital stock of the Corporation acquired by the Substantial Shareholder. In the case of any Business Combination with a Substantial Shareholder, the Continuing Directors shall determine the Highest Per Share Price or the Highest Equivalent Price for each class and series of the capital stock of the Corporation.

4.03 The provisions set forth in this paragraph 4 of Article VII may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock (as defined in this Article VII) of the Corporation at a meeting of the shareholders duly called for the consideration of such amendment, alteration, change or repeal, provided, however, that if there is a Substantial Shareholder (as defined in this Article VII), such action must also be approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock held by the shareholders other than the Substantial Shareholder.

#### ARTICLE VIII.

The power to alter, amend or repeal the Corporation's bylaws, and to adopt new bylaws, is hereby vested in the Board of Directors, subject, however, to repeal or change by the affirmative vote of the holders of seventy-five percent (75%) of the outstanding shares entitled to vote thereon.

#### ARTICLE IX.

The Corporation shall indemnify, to the fullest extent permitted by law, any person who was, is, or is threatened to be made a named defendant or respondent in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such action, suit, or proceeding, and any inquiry or investigation that

could lead to such an action, suit, or proceeding, by reason of the fact that such person is or was a director or officer of the Corporation, or, while such person was a director of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorney's fees) actually incurred by such person in connection with such action, suit, or proceeding. In addition to the foregoing, the Corporation shall, upon request of any such person described above and to the fullest extent permitted by law, pay or reimburse the reasonable expenses incurred by such person in any action, suit, or proceeding described above in advance of the final disposition of such action, suit, or proceeding.

#### ARTICLE X

No director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for an act or omission in such director's capacity as a director, except for liability for (i) a breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (iii) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office, (iv) an act or omission for which the liability of a director is expressly provided by statute, or (v) an act related to an unlawful stock repurchase or payment of a dividend. If the laws of the State of Texas or the Commonwealth of Virginia are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of a director of the Corporation, then the liability of a director of the Corporation shall thereupon automatically be eliminated or limited to the fullest extent permitted by the laws of the State of Texas and the Commonwealth of Virginia. Any repeal or modification of this Article X by the shareholders of the Corporation shall not adversely affect any right or protection of a director existing at the time of such repeal or modification with respect to such events or circumstances occurring or existing prior to such time.

ATMOS ENERGY CORPORATION

By Robert W. Best  
Robert W. Best  
Chairman of the Board and  
Chief Executive Officer



COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 10, 2010

The State Corporation Commission has found the accompanying articles submitted on behalf of  
Atmos Energy Corporation

to comply with the requirements of law, and confirms payment of all required fees. Therefore, it  
is ORDERED that this

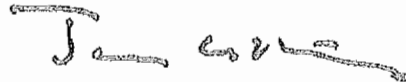
CERTIFICATE OF RESTATEMENT

be issued and admitted to record with the articles of restatement in the Office of the Clerk of the  
Commission, effective May 10, 2010.

The corporation is granted the authority conferred on it by law in accordance with the articles,  
subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By



James C. Dimitri  
Commissioner

10-05-07-0624  
AMENACPT  
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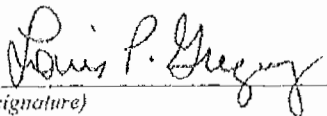
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ARTICLES OF RESTATEMENT OF  
RESTATED ARTICLES OF INCORPORATION  
OF ATMOS ENERGY CORPORATION

The undersigned, on behalf of the corporation set forth below, pursuant to Section 13.1-711 of the Virginia Stock Corporation Act, states as follows:

1. The name of the corporation is Atmos Energy Corporation (the "Corporation").
2. The Amended and Restated Articles of Incorporation of the Corporation (the "Articles of Incorporation") are restated in their entirety to read as set forth in Exhibit A attached hereto (the "Restated Articles of Incorporation"). The Restated Articles of Incorporation do not contain a new amendment to the Articles of Incorporation.
3. The Restated Articles of Incorporation were adopted by the Corporation on May 5, 2010.
4. The Restated Articles of Incorporation were duly adopted by the board of directors of the Corporation. Shareholder approval was not required because the Restated Articles of Incorporation do not contain a new amendment to the Articles of Incorporation.

Executed in the name of the Corporation by:

  
(signature) *LS*

May 6, 2010  
(date)

Louis P. Gregory  
(printed name)

Sr. Vice President & General Counsel  
(corporate title)

0488598-4  
(corporation's SCC ID#)

(972) 934-9227  
(telephone number)

Exhibit A

Restated Articles of Incorporation of the Corporation

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RESTATED ARTICLES OF INCORPORATION  
OF ATMOS ENERGY CORPORATION  
(As Amended Effective February 3, 2010)

ARTICLE I.

The name of the corporation shall be Atmos Energy Corporation (the "Corporation").

ARTICLE II.

The purposes for which the Corporation is organized are the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Organizations Code and the Texas For-profit Corporation Law as defined therein, including, but not limited to, the transportation and distribution of natural gas by pipeline as a public utility, except that with respect to the Commonwealth of Virginia, the Corporation may only conduct such business as is permitted to be conducted by a public service company engaged in the transportation and distribution of natural gas by pipeline.

ARTICLE III.

The Corporation is incorporated in the State of Texas and the Commonwealth of Virginia. The post office address of the registered office of the Corporation in the State of Texas is 211 E. 7<sup>th</sup> Street, Suite 620, Austin, Texas 78701-3218, and the registered agent for service of the Corporation at the same address is Corporation Service Company, d/b/a CSC-Lawyers Incorporating Service Company. The post office address of the registered office of the Corporation in the Commonwealth of Virginia is Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, and the registered agent for service of the Corporation at the same address is Allen C. Goolsby, III, such registered agent being a resident of the Commonwealth of Virginia and a member of the Virginia State Bar.

ARTICLE IV.

The period of the Corporation's duration shall be perpetual.

ARTICLE V.

The Corporation shall not commence business until it has received for the shares consideration of the value of One Thousand Dollars (\$1,000) consisting of money, labor done or property actually received.

ARTICLE VI.

1. Number of Directors. The number of directors constituting the Board of Directors shall be fixed by the Bylaws of the Corporation. No director shall be removed during his term of office except for cause and by the affirmative vote of the holders of seventy-five percent (75%) of the shares then entitled to vote at an election of directors.

2. Election and Term. All directors elected at the 2010 annual meeting of shareholders shall be elected for terms of three years and until their successors shall be elected and qualified. Beginning with the 2011 annual meeting of shareholders, and at each annual meeting of

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shareholders thereafter, all directors elected at the annual meeting of shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders. Directors shall be elected by a majority vote of the shares of the Common Stock entitled to vote in the election of directors and represented in person or by proxy at a meeting of shareholders at which a quorum is present. Each director who is serving as a director immediately following the 2011 annual meeting of shareholders, or is thereafter elected a director, shall hold office until the expiration of the term for which he or she was elected, and until his or her successor shall be elected and shall qualify, or until his or her earlier death, resignation, retirement, removal or disqualification from office."

ARTICLE VII.

1. Capitalization.

The aggregate number of shares which the Corporation shall have the authority to issue is Two Hundred Million (200,000,000) shares of Common Stock having no par value.

2. Designation and Statement of Preferences, Limitations and Relative Rights of Common Stock.

2.01 Subject to the provisions of law, including the Texas Business Organizations Code and the Texas For-profit Corporation Law as defined therein and the Virginia Stock Corporation Act, and to the conditions set forth in any law, including by resolution of the Board of Directors of the Corporation, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of any funds legally available therefor.

2.02 The holders of the Common Stock shall exclusively possess full voting power for the election of directors and for all other purposes. In the exercise of its voting power, the Common Stock shall be entitled to one vote for each share held.

3. Provisions Applicable to All Classes of Stock.

3.01 Subject to applicable law, the Board of Directors may in its discretion issue from time to time authorized but unissued shares for such consideration as it may determine. The shareholders shall have no pre-emptive rights, as such holders, to purchase any shares or securities of any class which may at any time be sold or offered for sale by the Corporation.

3.02 At each election for directors every shareholder entitled to vote at any meeting shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected. Cumulative voting of shares of stock in the election of directors or otherwise is hereby expressly prohibited.

3.03 The Corporation shall be entitled to treat the person in whose name any share or other security is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such shares or other security on the part of any other person, whether or not the Corporation shall have notice thereof.



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4. Provisions Applicable to Certain Business Combinations.

4.01 The affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of "Voting Stock" (as hereinafter defined) held by stockholders other than a "Substantial Shareholder" (as hereinafter defined) shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) of the Corporation with any Substantial Shareholder; provided, however, that the seventy-five percent (75%) voting requirement shall not be applicable if either:

(i) The "Continuing Directors" (as hereinafter defined) of the Corporation by the affirmative vote of at least a majority (a) have expressly approved in advance the acquisition of the outstanding shares of Voting Stock that caused such Substantial Shareholder to become a Substantial Shareholder, or (b) have expressly approved such Business Combination either in advance of or subsequent to such Substantial Shareholder's having become a Substantial Shareholder; or

(ii) The cash or fair market value (as determined by at least a majority of the Continuing Directors) of the property, securities or other consideration to be received per share by holders of Voting Stock of the Corporation in the Business Combination is not less than the "Highest Per Share Price" or the "Highest Equivalent Price" (as these terms are hereinafter defined) paid by the Substantial Shareholder in acquiring any of its holdings of the Corporation's Voting Stock.

4.02 For purposes of this paragraph 4 of Article VII:

(i) The term "Business Combination" shall include, without limitation: (a) any merger or consolidation of the Corporation, or any entity controlled by or under common control with the Corporation, with or into any Substantial Shareholder, or any entity controlled by or under common control with the Substantial Shareholder, (b) any merger or consolidation of a Substantial Shareholder, or any entity controlled by or under common control with the Corporation, (c) any sale, lease, exchange, transfer or other disposition of all or substantially all of the property and assets of the Corporation, or any entity controlled by or under common control with the Corporation, to a Substantial Shareholder, or any entity controlled by or under common control with the Substantial Shareholder, (d) any purchase, lease, exchange, transfer or other acquisition of all or substantially all of the property and assets of a Substantial Shareholder or any entity controlled by or under common control with the Corporation, (e) any recapitalization of the Corporation that would have the effect of increasing the voting power of a Substantial Shareholder, and (f) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination.

(ii) The term "Substantial Shareholder" shall mean and include any individual, corporation, partnership or other person or entity which, together with its "Affiliates" and "Associates" (as those terms are defined in Rule 12b-2 of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") as in effect at the date of the adoption hereof), "Beneficially Owns" (as defined in Rule 13d-3 of the

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Exchange Act) an aggregate of 10 percent or more of the outstanding Voting Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity.

(iii) Without limitation, any share of Voting Stock of the Corporation that any Substantial Shareholder has the right to acquire at any time (notwithstanding that Rule 13d-3 of the Exchange Act deems such shares to be beneficially owned only if such right may be exercised within 60 days) pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed to be Beneficially Owned by the Substantial Shareholder and to be outstanding for purposes of clause (ii) above.

(iv) For the purposes of subparagraph 4.01(ii) of this paragraph 4 of Article VII, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by its existing stockholders other than Substantial Shareholders or other parties to such Business Combination in the event of a Business Combination in which the Corporation is the surviving corporation.

(v) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

(vi) The term "Continuing Director" shall mean a Director who was a member of the Board of Directors of the Corporation immediately prior to the time that the Substantial Shareholder involved in a Business Combination became a Substantial Shareholder.

(vii) A Substantial Shareholder shall be deemed to have acquired a share of the Voting Stock of the Corporation at the time when such Substantial Shareholder became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Substantial Shareholder under the foregoing definition of Substantial Shareholder, if the price is paid by such Substantial Shareholder for such shares is not determinable by a majority of the Continuing Directors, the price so paid shall be deemed to be the higher of (a) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (b) the market price of the shares in question at the time when the Substantial Shareholder became the Beneficial Owner thereof.

(viii) The terms "Highest Per Share Price" and "Highest Equivalent Price" as used in this paragraph 4 of Article VII shall mean the highest price that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Corporation issued and outstanding, the Highest Equivalent Price shall mean with respect to each class and series of capital stock of the Corporation the amount determined by a majority of the Continuing Directors, on whatever basis they believe is appropriate, to be the highest per share price equivalent to the highest price

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that can be determined to have been paid at any time by the Substantial Shareholder for any share or shares of any class or series of capital stock of the Corporation. In determining the Highest Per Share Price and Highest Equivalent Price, all purchases by the Substantial Shareholder shall be taken into account regardless of whether the shares were purchased before or after the Substantial Shareholder became a Substantial Shareholder. The Highest Per Share Price and the Highest Equivalent Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by the Substantial Shareholder with respect to the shares of capital stock of the Corporation acquired by the Substantial Shareholder. In the case of any Business Combination with a Substantial Shareholder, the Continuing Directors shall determine the Highest Per Share Price or the Highest Equivalent Price for each class and series of the capital stock of the Corporation.

4.03 The provisions set forth in this paragraph 4 of Article VII may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock (as defined in this Article VII) of the Corporation at a meeting of the shareholders duly called for the consideration of such amendment, alteration, change or repeal; provided, however, that if there is a Substantial Shareholder (as defined in this Article VII), such action must also be approved by the affirmative vote of the holders of not less than seventy-five percent (75%) of the outstanding shares of Voting Stock held by the shareholders other than the Substantial Shareholder.

#### ARTICLE VIII.

The power to alter, amend or repeal the Corporation's bylaws, and to adopt new bylaws, is hereby vested in the Board of Directors, subject, however, to repeal or change by the affirmative vote of the holders of seventy-five percent (75%) of the outstanding shares entitled to vote thereon.

#### ARTICLE IX.

The Corporation shall indemnify, to the fullest extent permitted by law, any person who was, is, or is threatened to be made a named defendant or respondent in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit, or proceeding, by reason of the fact that such person is or was a director or officer of the Corporation, or, while such person was a director of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, venture, proprietor, trustee, employee, agent, or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorney's fees) actually incurred by such person in connection with such action, suit, or proceeding. In addition to the foregoing, the Corporation shall, upon request of any such person described above and to the fullest extent permitted by law, pay or reimburse the reasonable expenses incurred by such person in any action, suit, or proceeding described above in advance of the final disposition of such action, suit, or proceeding.

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ARTICLE X.

No director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for an act or omission in such director's capacity as a director, except for liability for (i) a breach of the director's duty of loyalty to the Corporation or its shareholders; (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; (iv) an act or omission for which the liability of a director is expressly provided by statute; or (v) an act related to an unlawful stock repurchase or payment of a dividend. If the laws of the State of Texas or the Commonwealth of Virginia are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of a director of the Corporation, then the liability of a director of the Corporation shall thereupon automatically be eliminated or limited to the fullest extent permitted by the laws of the State of Texas and the Commonwealth of Virginia. Any repeal or modification of this Article X by the shareholders of the Corporation shall not adversely affect any right or protection of a director existing at the time of such repeal or modification with respect to such events or circumstances occurring or existing prior to such time.

ATMOS ENERGY CORPORATION

By: Robert W. Best

Robert W. Best  
Chairman of the Board and  
Chief Executive Officer

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 10, 2010

The State Corporation Commission has found the accompanying articles submitted on behalf of  
Atmos Energy Corporation

to comply with the requirements of law, and confirms payment of all required fees. Therefore, it  
is ORDERED that this

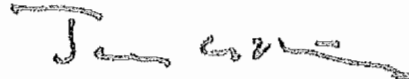
CERTIFICATE OF RESTATEMENT

be issued and admitted to record with the articles of restatement in the Office of the Clerk of the  
Commission, effective May 10, 2010.

The corporation is granted the authority conferred on it by law in accordance with the articles,  
subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By



James C. Dimitri  
Commissioner

10-05-07-0624  
AMENACPT  
CIS0368

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# Commonwealth of Virginia



## State Corporation Commission

*I Certify the Following from the Records of the Commission:*

The foregoing is a true copy of the certificate of restatement of Atmos Energy Corporation issued May 10, 2010.

Nothing more is hereby certified.



*Signed and Sealed at Richmond on this Date:  
May 13, 2010*

*Joel H. Peck*  
Joel H. Peck, Clerk of the Commission



**Form 503**  
**(Revised 01/06)**  
  
Return in duplicate to:  
Secretary of State  
P.O. Box 13697  
Austin, TX 78711-3697  
512 463-5555  
FAX: 512 463-5709  
**Filing Fee: \$25**



**FILED**  
In the Office of the  
**Secretary of State of Texas**  
JAN 04 2007  
**Corporations Section**

**Assumed Name Certificate**

**Assumed Name**

The assumed name under which the business or professional service is, or is to be, conducted or rendered is: Atmos Energy, Triangle Division

**Entity Information**

The name of the entity filing the assumed name is:

Atmos Energy Corporation

State the name of the entity as currently shown in the records of the secretary of state or on its certificate of formation, if not filed with the secretary of state.

The filing entity is a: (Select the appropriate entity type below.)

- For-profit Corporation
- Nonprofit Corporation
- Cooperative Association
- Limited Liability Company
- Other
- Professional Corporation
- Professional Limited Liability Company
- Professional Association
- Limited Partnership

Specify type of entity if there is no check box applicable.

The file number, if any, issued to the filing entity by the secretary of state is: 54895300

The state, country, or other jurisdiction of formation is: Texas

The registered or similar office of the entity in the jurisdiction of formation is:

701 Brazos Street, Austin, Texas 78701

The entity is required to maintain a registered office and agent in Texas. The address of its registered office in Texas and the name of the registered agent at such address is:

Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company

701 Brazos Street, Austin, Texas 78701

The address of the principal office of the entity (if not the same as the registered office) is:

5430 LBJ Freeway, Suite 1800, Dallas, Texas 75240

The entity is not required to maintain a registered office and agent in Texas. Its office address is:



in Texas is: N/A

The entity is not incorporated, organized or associated under the laws of Texas. The address of the principal place of business in this state is: N/A

The office address of the entity is: N/A

**Period of Duration**

The period during which the assumed name will be used is 10 years from the date of filing with the secretary of state.

OR

The period during which the assumed name will be used is \_\_\_\_\_ years from the date of filing with the secretary of state (not to exceed 10 years).

OR

The assumed name will be used until \_\_\_\_\_ (not to exceed 10 years).  
mm/dd/yyyy

**County or Counties in which Assumed Name Used**

The county or counties where business or professional services are being or are to be conducted or rendered under the assumed name are:

All counties

All counties with the exception of the following counties: \_\_\_\_\_

Only the following counties: \_\_\_\_\_

**Execution**

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument. If the undersigned is acting in the capacity of an attorney in fact for the entity, the undersigned certifies that the entity has duly authorized the undersigned in writing to execute this document.

Date: December 29 2006

Louis P. Grevy  
Senior Vice President and General Counsel

Signature and title of authorized person(s) (see instructions)



Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



**John Steen**  
Secretary of State

## Office of the Secretary of State

### Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Articles of Incorporation for ATMOS ENERGY CORPORATION (file number 54895300), a Domestic For-Profit Corporation, was filed in this office on February 06, 1981.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on March 25, 2013.



A handwritten signature in black ink, appearing to read "John Steen".

John Steen  
Secretary of State



Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



John Steen  
Secretary of State

## Office of the Secretary of State

### Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that ATMOS ENERGY CORPORATION, a Domestic For-Profit Corporation (file number 54895300) has filed the following assumed name certificate(s) with this office:

<b>Assumed Name</b>	<b>Filed</b>	<b>Status</b>
ENERGAS COMPANY	October 03, 1988	Expired
WESTERN KENTUCKY GAS COMPANY	November 04, 1992	Expired
UNITED CITIES GAS COMPANY	July 29, 1997	Expired
ENERGAS COMPANY	May 20, 1999	Expired
Atmos Pipeline - Texas	September 27, 2004	Active
Atmos Energy - Lone Star Division	September 29, 2004	Active
Atmos Energy Corporation, Mid-Tex Division	November 18, 2004	Active
Atmos Energy, West Texas Division	August 31, 2005	Active
Atmos Energy, Triangle Division	January 04, 2007	Active

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on March 25, 2013.

*Come visit us on the internet at <http://www.sos.state.tx.us/>*

Phone: (512) 463-5555  
Prepared by: SOS-WEB

Fax: (512) 463-5709  
TID: 10246

Dial: 7-1-1 for Relay Services  
Document: 472608290003

Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



**John Steen**  
Secretary of State

**Office of the Secretary of State**



A handwritten signature in black ink, appearing to read "John Steen".

John Steen  
Secretary of State



### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

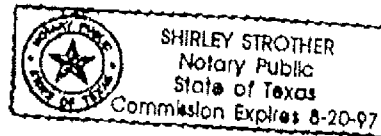
STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:  
8-20-97

Shirley Strother  
Notary Public, State of Texas



A TRUE COPY:  
TESTE: William H. Howard  
DEPUTY CLERK  
CIRCUIT COURT, RADFORD, VA.



### ASSUMED NAME CERTIFICATE

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SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

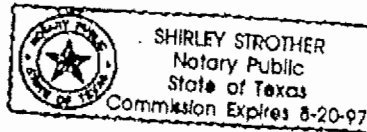
STATE OF TEXAS §  
  §  
COUNTY OF DALLAS §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:  
8-20-97

Shirley Strother  
Notary Public, State of Texas



VIRGINIA

In the Clerk's Office of the Circuit Court for the City of Bristol. This instrument with the certificate of acknowledgement thereto annexed is admitted to record at 1:34 o'clock P. M. August 15, 1997.  
Teste: Mabel T. Lammie Clerk  
By: Angela H. Williams 8-15-97 Dep. Clerk

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

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2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

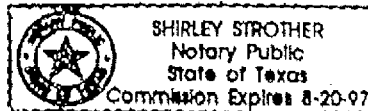
By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires: 8-20-97  
Shirley Strother  
Notary Public, State of Texas



VIRGINIA In the Office of the Clerk of the Montgomery County  
15th day of August, 1997 this Assumed Name Certificate  
instrument was filed for record in the office of the Clerk of the County  
annexed admitted to record at 2:30 P.M.  
Topic:

By: Al James Duhrke CLERK  
Al James Duhrke D.C.

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

1. The name of the corporation is Atmos Energy Corporation.
2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.

3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name, United Cities Gas Company.  
 SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

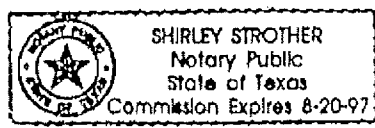
By: Glen A. Blanscet  
 Glen A. Blanscet, Vice President

STATE OF TEXAS       §  
                                   §  
 COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires: 8-20-97  
Shirley Strother  
 Notary Public, State of Texas



VIRGINIA: IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF PULASKI COUNTY. THIS INSTRUMENT, WITH THE CERTIFICATE OF ACKNOWLEDGMENT THERETO ANNEXED, IS ADMITTED TO RECORD AT 10:00 AM CLOCK 8/5, 1997  
 TESTE: R. Glenwood Parkhill, CLERK

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

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2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
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SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

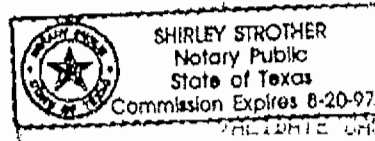
I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:

8-20-97

Shirley Strother  
Notary Public, State of Texas



A COPY, TESTE:  
JIMMY L. WARREN, CLERK OF THE  
CIRCUIT COURT OF SMYTH COUNTY  
BY: Debbie Sammons  
DEPUTY CLERK

VALIDATE CASE PAPERS  
RCPT : 9700000589E  
DATE : 08/15/97 TIME: 12:16  
CASE : 173CFNS70815002  
ACCT : UNITED CITIES GAS CO  
AMT. : \$18.00

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

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SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

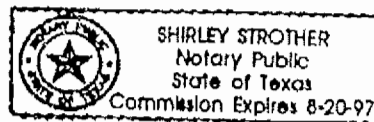
STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:  
8-20-97

Shirley Strother  
Notary Public, State of Texas



**FILED**

AUG 15 1997  
Steve R. Barrett  
DEPUTY CLERK  
CIRCUIT COURT

### ASSUMED NAME CERTIFICATE

(Pursuant to §§59.1-69 and 59.1-70 of the Code of Virginia)

It is hereby certified that:

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2. The corporation was incorporated under the laws of the Commonwealth of Virginia and is authorized to transact business in the said Commonwealth. The corporation was also incorporated under the laws of the State of Texas and is authorized to transact business in said State.
3. The corporation intends to transact business in the Cities of Bristol and Radford and the Counties of Montgomery, Pulaski, Smyth, Washington and Wythe which will do business under the name United Cities Gas Company.

SIGNED on this 29 day of July, 1997.

ATMOS ENERGY CORPORATION

By: Glen A. Blanscet  
Glen A. Blanscet, Vice President

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

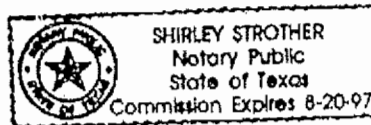
I, a Notary Public in and for the State and County aforesaid, do certify that Glen A. Blanscet, whose name as Vice President of Atmos Energy Corporation is signed to the writing above, bearing date on the 29 day of July, 1997, has acknowledged the same before me in the County aforesaid.

GIVEN under my hand and official seal this 29 day of July, 1997.

My Commission Expires:

8-20-97

Shirley Strother  
Notary Public, State of Texas



VALIDATE CASE FAPERE  
RCPT : 97000006022  
DATE : 08/20/97 TIME: 09:30  
CASE : 197CGM970820002  
ACCT : ATMOS ENERGY CORPORA  
AMT. :       \$10.00

TESTE : Lynn A. Beckwith, DC

# Commonwealth of Virginia



## State Corporation Commission

*I Certify the Following from the Records of the Commission:*

The foregoing is a true copy of an assumed or fictitious name certificate on file in the Clerk's Office of the Commission certifying that Atmos Energy Corporation conducts business under the assumed or fictitious name of United Cities Gas Company.

Nothing more is hereby certified.



*Signed and Sealed at Richmond on this Date:  
March 27, 2013*

*Joel H. Peck*  
Joel H. Peck, Clerk of the Commission





**Case No. 2013-00148**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(1)(b)(1)**  
**Page 1 of 2**

**REQUEST:**

- (1) Each application requesting a general adjustment in existing rates shall:
  - (b) Include:
    1. A statement of the reason the adjustment is required;

**RESPONSE:**

1. 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.
2. At current rates, the Company's calculated rate of return on rate base for the test year is only 5.32%. Two primary factors contribute to the current revenue deficiency. First, because of changes in the market, our authorized rates will not produce in the coming year a level of revenues equal to that authorized in our previous rate case. Second, the cost of providing service has increased. Consequently, we are seeking timely and adequate rate relief in order to maintain the current high-quality, safe and reliable service our customers expect.
3. Atmos Energy has experienced a decline in both the amount of natural gas used by our customers and in our customer base. Our industrial and transportation customers have especially been affected by the recession. As more fully described by Company witness Mr. Mark Martin, in Cases 1999-070, 2006-00464 and 2009-00354, Atmos Energy noted the long-standing trend of declining customer usage.
4. Although Atmos Energy operates very efficiently and is proud to be a low cost provider of natural gas in Kentucky, our current rates are not providing a fair return on the Company's investments. Thus, even if our costs of providing service were as low today as the Commission determined to be appropriate in Docket No. 2009-00354 our existing rates would cause the Company to under recover.
5. 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.

**Case No. 2013-00148**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(1)(b)(1)**  
**Page 2 of 2**

6. 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.



**Case No. 2013-00148**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(1)(b)(2)**  
**Page 1 of 1**

**REQUEST:**

- (1) Each application requesting a general adjustment in existing rates shall:
  - (b) Include:
    2. If the utility 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;

**RESPONSE:**

Please see attachment FR\_16(1)(b)(2)\_Att1 for a Certificate of Authorization from the Secretary of State for the Commonwealth of Kentucky.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(1)(b)(2)\_Att1 - Certificate of Authorization.pdf, 1 Page.

**Commonwealth of Kentucky**  
**Alison Lundergan Grimes, Secretary of State**

Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Authorization**

Authentication number: 137402  
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**ATMOS ENERGY CORPORATION**

, a corporation organized under the laws of the state of Texas, is authorized to transact business in the Commonwealth of Kentucky, and received the authority to transact business in Kentucky on December 14, 1987.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that an application for certificate of withdrawal has not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 4<sup>th</sup> day of April, 2013, in the 221<sup>st</sup> year of the Commonwealth.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
137402/0237484



**Case No. 2013-00148**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(1)(b)(3)**  
**Page 1 of 1**

**REQUEST:**

- (1) Each application requesting a general adjustment in existing rates shall:
  - (b) Include:
    - 3. A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that a certificate is not necessary;

**RESPONSE:**

A certificate of assumed name is not necessary as Atmos Energy Corporation does not operate under an assumed name in Kentucky.





**Case No. 2013-00148**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**MFR FR 16(1)(b)(4)**  
**Page 1 of 1**

**REQUEST:**

- (1) Each application requesting a general adjustment in existing rates shall:
  - (b) Include:
    - 4. New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed;

**RESPONSE:**

Please see attachment FR\_16(1)(b)(4)\_Att1 for the proposed tariffs.

**ATTACHMENT:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(1)(b)(4)\_Att1 - Tariffs.pdf, 90 Pages.

PSC KY. No. 2

ATMOS ENERGY CORPORATION

OF

5430 LBJ Freeway

Dallas, Texas 75240

RATES – CHARGES – RULES - REGULATIONS

FOR FURNISHING

NATURAL GAS

AT

ENTIRE SERVICE AREA

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

DATE OF ISSUE May 13, 2013  
Month/Date/Year

DATE EFFECTIVE June 13, 2013  
Month/Date/Year

ISSUED BY /s/ Mark A. Martin  
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

Original SHEET No. 1

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Rate Book Index**

**General Information**

	<b><u>Sheet No.</u></b>
Rate Book Index	1 to 2
Towns and Communities	3
System Map	-
Current Rate Summary	4
Current Gas Cost Adjustment (GCA)	5
Current General Transportation Rates	6
Computer Billing Rate Codes	7

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Interruptible Sales Service (G-2)	10 to 13	(T)
Weather Normalization Adjustment (WNA)	14	(D,T)
Gas Cost Adjustment (GCA)	15 to 17	(T)
Experimental Performance Based Rate Mechanism (PBR)	18 to 29	(T)
Demand Side Management (DSM)	30 to 36	(D,T)
Research & Development Rider (R & D)	37	(T)
Pipeline Replacement Rider (PRP)	38 to 39	(T)
Economic Development Rider (EDR)	40 to 41	(T)
Margin Loss Rider (MLR)	42	(N)
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TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 2**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Rate Book Index**

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TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 3**

**ATMOS ENERGY CORPORATION**

(NAME OF UTILITY)

**Towns and Communities in Service Area**

Adairville	Dennis	Hartford	Mosleyville	Sebree
Aetnaville	Depoy	Hawesville	Munfordsville	Sedalia
Alton	Dermont	Heath	Niagara	Shelby City
Anthoston	Dixon	Hendron	Nortonville	Shelbyville
Anton	Earlington	Herbert	Oak Ridge	Slaughters
Auburn	Eddyville	Hickory	Oakdale	Smiths Grove
Baskett	Elkton	Hill-n-dale	Oakland	Sorgho
Beadlestown	Ellmitch	Hiseville	Oklahoma	So. Henderson
Beaver Dam	Empire	Hopkinsville	Owensboro	So. Highland
Beda	Epley	Horse Cave	Paducah	So. Union
Beulah	Epperson	Hustonville	Park City	Spottsville
Boston	Evergreen	Junction City	Perryville	Springfield
Bowling Green	Farmdale	Knottsville	Philpot	St. Charles
Bremen	Fearsville	Lake City	Pleasant Hill	St. Joseph
Briartown	Feliciana	Lancaster	Pleasant Ridge	Stanford
Browns Valley	Finley	Lawrenceburg	Plum Springs	Stanley
Buck Creek	Fordsville	Lebanan	Poole	Stringtown
Buford	Franklin	Livermore	Powderly	Summersville
Burgin	Fredonia	Livia	Princeton	Sutherland
Cadiz	Fruit Hill	Logantown	Pritchardsville	Symsonia
Calhoun	Gilbertsville	Lone Oak	Pryorsburg	Thurston
Calvert City	Gishton	Luzerne	Reidland	Utica
Calvary	Glasgow	Maceo	Reidville	Waddy
Campbellsville	Glenville	Madisonville	Reynolds Sta.	Water Valley
Carbondale	Grahamville	Mannington	Robards	West Louisville
Cave City	Grand Rivers	Marion	Rocky Hill	Whitesville
Central City	Greensberg	Masonville	Rome	Wingo
Charleston	Greenville	Mayfield	Rowletts	Woodburn
Cloverport	Habit	McGowan	Rumsey	Woodlawn
Crayne	Hanson	Memphis Junc.	Russellville	Woodsonville
Crofton	Hardeman	Midland	Sacramento	Yelvington
Danville	Hardinsburg	Milledgeville	Salmons	Zion
Dawson Springs	Harned	Moreland	Saloma	
Deanfield	Harrodsburg	Mortons Gap	Schochoh	

(T)

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TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**P.S.C. KY NO. 2**

**Original SHEET NO. 4**

**ATMOS ENERGY CORPORATION**  
NAME OF UTILITY

**Current Rate Summary**

Case No. 2013-00148

**Firm Service**

Base Charge:

Residential (G-1)	-	\$16.00	per meter per month	(I)
Non-Residential (G-1)	-	40.00	per meter per month	(I)
Transportation (T-4)	-	350.00	per delivery point per month	(I)
Transportation Administration Fee	-	50.00	per customer per meter	

<u>Rate per Mcf</u> <sup>2</sup>		<u>Sales (G-1)</u>	<u>Transportation (T-4)</u>	
First	300 <sup>1</sup> Mcf	@ 7.5535 per Mcf	@ 1.6320 per Mcf	(I, I)
Next	14,700 <sup>1</sup> Mcf	@ 6.8015 per Mcf	@ 0.8800 per Mcf	(I, I)
Over	15,000 Mcf	@ 6.5415 per Mcf	@ 0.6200 per Mcf	(I, I)

**Interruptible Service**

Base Charge	-	\$350.00	per delivery point per month	(I)
Transportation Administration Fee	-	50.00	per customer per meter	

<u>Rate per Mcf</u> <sup>2</sup>		<u>Sales (G-2)</u>	<u>Transportation (T-3)</u>	
First	15,000 <sup>1</sup> Mcf	@ 5.5306 per Mcf	@ 0.7920 per Mcf	(I, I)
Over	15,000 Mcf	@ 5.2696 per Mcf	@ 0.5310 per Mcf	(I, I)

<sup>1</sup> All gas consumed by the customer (sales, transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

<sup>2</sup> DSM, PRP and R&D Riders may also apply, where applicable.

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TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO 2013-00148 DATED N/A

**FOR ENTIRE SERVICE AREA**

**P.S.C. KY NO. 2**

**Original SHEET NO. 5**

**ATMOS ENERGY CORPORATION**  
NAME OF UTILITY

<b>Current Gas Cost Adjustments</b>			
<b>2013-00123</b>			
<b><u>Applicable</u></b>			
For all Mcf billed under General Sales Service (G-1) and Interruptible Sales Service (G-2).			
Gas Charge = GCA			
GCA = EGC + CF + RF + PBRRF			
<b><u>Gas Cost Adjustment Components</u></b>	<b><u>G - 1</u></b>	<b><u>G-2</u></b>	
EGC (Expected Gas Cost Component)	5.5580	4.3751	(1, 1)
CF (Correction Factor)	0.2817	0.2817	(1, 1)
RF (Refund Adjustment)	(0.0805)	(0.0805)	(1, 1)
PBRRF (Performance Based Rate Recovery Factor)	<u>0.1623</u>	<u>0.1623</u>	(-, -)
GCA (Gas Cost Adjustment)	<u><u>\$5.9215</u></u>	<u><u>\$4.7386</u></u>	(1, 1)

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BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO 2013-00123 DATED N/A

**FOR ENTIRE SERVICE AREA**

**P.S.C. KY NO. 2**

**Original SHEET NO. 6**

**ATMOS ENERGY CORPORATION**  
NAME OF UTILITY

**Current Transportation**

**Case No. 2013-00148**

The Transportation Rates (T-3 and T-4) for each respective service net monthly rate is as follows:

**System Lost and Unaccounted gas percentage:** 0.84%

				<u>Simple Margin</u>	<u>Non- Commodity</u>	<u>Gross Margin</u>	
<b>Transportation Service <sup>1</sup></b>							
<b><u>Firm Service (T-4)</u></b>							
First	300	Mcf	@	\$1.6320 +	\$0.0000 =	\$1.6320	per Mcf (l)
Next	14,700	Mcf	@	0.8800 +	0.0000 =	0.8800	per Mcf (l)
All over	15,000	Mcf	@	0.6200 +	0.0000 =	0.6200	per Mcf (l)
<b><u>Interruptible Service (T-3)</u></b>							
First	15,000	Mcf	@	\$0.7920 +	\$0.0000 =	\$0.7920	per Mcf (l)
All over	15,000	Mcf	@	0.5310 +	0.0000 =	0.5310	per Mcf (l)

<sup>1</sup> Excludes standby sales service.

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BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO 2013-00148 DATED N/A



**FOR ENTIRE SERVICE AREA**

**PSC KY, No. 2**

**Original SHEET No. 7**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Computer Billing Rate Codes**

Billing Codes as shown on sample bill format in Rules and Regulations.

<b><u>Billing Codes</u></b>	<b><u>Rate Description</u></b>	
KYCM_GSI	Interruptible Sales Service (G-2) – Commercial	(T)
KYND_GSI	Interruptible Sales Service (G-2) – Industrial	(T) (D)
KYCM_GSF	General Sales Service (G-1) – Commercial	(T)
KYND_GSF	General Sales Service (G-1) – Industrial	(T)
KYPA_GSF	General Sales Service (G-1) – Public Authority	(T)
KYRS_GSFP	General Sales Service (G-1) – Public Housing Residential	(T)
KYRS_GSF	General Sales Service (G-1) – Residential	(T) (D) (D)

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ISSUED BY \_\_\_\_\_ /s/ Mark A. Martin \_\_\_\_\_  
Signature of Officer

TITLE \_\_\_\_\_ Vice President – Rates and Regulatory Affairs \_\_\_\_\_

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 8**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**General Firm Sales Service**

**Rate G-1**

**1. Applicable**

Entire Service Area of The Company.

**2. Availability of Service**

Available for any use for individually metered service, other than auxiliary or standby service (except for hospitals or other uses of natural gas in facilities requiring emergency power, however, the rated input to such emergency power generators is not to exceed the rated input of all other gas burning equipment otherwise connected multiplied by a factor equal to 0.15) at locations where suitable service is available from the existing distribution system and an adequate supply of gas to reader service is assured by the supplier(s) of natural gas to the Company.

**3. Net Monthly Rate**

a) Base Charge

\$16.00 per meter for residential service  
\$40.00 per meter for non-residential service

(I)

(I)

b) Distribution Charge

First<sup>1</sup> 300 Mcf @ \$1.6320 per 1,000 cubic feet  
Next<sup>1</sup> 14,700 Mcf @ 0.8800 per 1,000 cubic feet  
Over 15,000 Mcf @ 0.6200 per 1,000 cubic feet

(I)

(I)

(I)

c) Weather Normalization Adjustment.

d) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15.

e) Demand Side Management Cost Recovery Mechanism (DSM), referenced on Sheet No. 36.

f) Research & Development Rider (R&D), referenced on Sheet No. 37.

g) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.

h) Margin Loss Rider (MLR), referenced on Sheet No. 42.

i) System Development Rider (SDR), referenced on Sheet No. 44.

(T)

(T)

<sup>1</sup> All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

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Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 9**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**General Firm Sales Service**

**Rate G-1**

**4. Net Monthly Bill**

The Net Monthly Bill shall be equal to the sum of the Base Charge, Distribution Charge, the Gas Cost Adjustment (GCA) Rider, and other riders applicable by class of service.

**5. Service Period**

Open order. However, the Company may require a special written contract for large use or abnormal service requirements. This contract shall include provisions for load limitations and for curtailment or interruptions as necessary, at the discretion of the Company, to prevent the load adversely affecting firm service customers in the area

**6. Late Payment Charge**

A penalty may be assessed if a customer fails to pay a bill for services by the due date shown on the customer's bill. The penalty may be assessed only once on any bill for rendered services. Any payment received shall first be applied to the bill for services rendered. Additional penalty charges shall not be assessed on unpaid penalty charges.

**7. Rules and Regulations**

Service furnished under this schedule is subject to the Company's Rules and Regulations and to applicable rate and rider schedules. 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.

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Signature of Officer

TITLE Vice President -- Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

Original SHEET No. 10

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Sales Service**  
**Rate G-2**

**1. Applicable**

Entire Service Area of The Company.

**2. Availability of Service**

- a) Available on an individually metered service basis to commercial and industrial customers with an expected demand of at least 9,000 Mcf per year for any use as approved by the Company on a strictly interruptible basis, subject to suitable service being available from the existing transmission and/or distribution facilities and when an adequate supply of gas is available to the Company under its purchase contracts with its pipeline supplier.
- b) The supply of gas provided for herein shall be sold primarily on an interruptible basis, however, in certain cases and under certain conditions the contract may include High Priority service to be billed under "General Sales Service Rate G-1" limited to use and volume which, in the Company's judgment, requires and justifies such combination service.
- c) The contract for service under this rate schedule shall include interruptible service or a combination of High Priority service and Interruptible service, however, the Company reserves the right to limit the volume of High Priority service available to any one customer.

**3. Delivery Volumes**

- a) The volume of gas to be sold and purchases under this rate schedule shall be set forth in a written contract, specifying a maximum daily interruptible sales service volume and shall be subject to revision in accordance with the Company's approved curtailment plan.
- b) High Priority Service  
The volume for High Priority service shall be established on a High Priority Daily Contract Demand basis which shall be the maximum quantity the Company is obligated to deliver and which the customer may receive in any one day, subject to other provisions of this rate schedule and the related contract.
- c) Interruptible Service  
The volume for Interruptible service shall be established on an Interruptible Daily Contract Demand basis which shall be the maximum quantity the Company is obligated to deliver and which the customer may receive subject to other provisions of this rate schedule and the related contract.

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TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 11**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Sales Service**

**Rate G-2**

d) Revision of Delivery Volumes

The Daily Contract Demand for High Priority service and the Daily Contract Demand for Interruptible service shall be subject to revision as necessary so as to coincide with the customer's normal operating conditions and actual load with consideration given to any anticipated changes in customer's utilization, subject to the Company's contractual obligations with other customers or its suppliers, and subject to system capacity and availability of the gas if an increased volume is involved.

**4. Net Monthly Rate**

- a) Base Charge: \$350.00 per delivery point per month (I)  
Minimum Charge: The Base Charge plus any Transportation Fee and EFM facilities charge and any Pipe Replacement Rider.

b) Distribution Charge

High Priority Service

The volume of gas used each day up to, but not exceeding the effective High Priority Daily Contract Demand shall be totaled for the month and billed at the "General Firm Sales Service Rate G-1".

Interruptible Service

Gas used per month in excess of the High Priority Service shall be billed as follows:

First<sup>1</sup> 15,000 Mcf \$0.7920 per 1,000 cubic feet (I)  
Over 15,000 Mcf 0.5310 per 1,000 cubic feet (I)

- c) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15 (T)  
d) Research & Development Rider (R&D), referenced on Sheet No. 37. (T)  
e) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39. (T)  
f) Margin Loss Rider (MLR), referenced on Sheet No. 42. (T)  
g) System Development Rider (SDR), referenced on Sheets Nos. 44. (T)

<sup>1</sup> All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 12**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Sales Service**

**Rate G-2**

**5. Standby or Auxiliary Equipment and Fuel**

It shall be the responsibility of the customer to provide and maintain such stand-by, auxiliary equipment and fuel, as the customer may, in its discretion, require to protect its fuel requirements and best interest and to assure continuous operation during any period of interruption of gas deliveries.

**6. Alternative Fuel Responsive Flex Provision**

Notwithstanding any other provision of this tariff, the Company may, periodically, flex the otherwise applicable rate on a customer specific basis if, a customer presents sufficient reliable and persuasive information to satisfactorily prove to the Company that alternative fuel, usable by the customer's facility, is readily available, in both advantageous price and adequate quantity, to completely or materially displace the gas service that would otherwise be facilitated by this tariff. The customer shall submit the appropriate information by affidavit on a form on file with the Commission and provided by the Company. The Company may require additional information to evaluate the merit of the flex request.

Pursuant to this Section, the Company may flex the otherwise applicable transportation rate to allow the delivered cost of gas to approximate the customer's total cost, including handling and storage charges, of available alternative fuel. The minimum flexed rate shall be the non-commodity component of the customer's otherwise applicable rate.

The Company will not flex for volumes which, if delivered, would exceed either (1) the current operable alternative fuel fired capability of the customer's facilities, or (2) the energy equivalent of the quantity of alternative fuel available to the customer, whichever is less. The Company reserves the right to confirm, to its satisfaction, the customer's alternative fuel capability and the reasonableness of the represented price and quantity of available alternative fuel.

**7. Curtailment**

All curtailments or interruptions shall be in accordance with and subject to the Company's "Curtailment Order" as contained in Section 35 of its Rules and Regulations as filed with and approved by the Public Service Commission and for any causes due to force majeure (which includes acts of God, strikes, lockouts, civil commotion, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, etc.); and for any other necessary or expedient reason at the discretion of the Company.

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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 13**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Sales Service**

**Rate G-2**

**8. Penalty for Unauthorized Overruns**

- a) In the event a customer fails in part or in whole to comply with a Company Curtailment Order either as to time or volume of gas used or uses a greater quantity of gas than its allowed volume under terms of the Curtailment Order, the Company may, at its sole discretion, apply a penalty rate of up to \$15.00 per Mcf.
- b) In addition to other tariff penalty provisions, the customer shall be responsible for any incremental charges assessed by the interstate pipeline(s) or suppliers resulting from the customer's failure to comply with terms of a Company Curtailment Order.
- c) The payment of penalty charges shall not be considered as giving any customer the right to take unauthorized volumes of gas nor shall such penalty charges be considered as a substitute for any other remedy available to the Company.

**9. Special Provisions**

- a) A written contract with a minimum term of one year shall be required.
- b) The Rules and Regulations and Orders of the Public Service Commission and of the Company and the Company's general terms and conditions applicable to industrial and commercial sales, shall apply to this rate schedule and all contracts there under.
- c) No gas delivered under this rate schedule and applicable contract shall be available for resale (T) to anyone other than an end-user for use as a motor vehicle fuel.

**10. Late Payment Charge**

A penalty may be assessed if a customer fails to pay a bill for services by the due date shown on the customer's bill. The penalty may be assessed only once on any bill for rendered services. Any payment received shall first be applied to the bill for service rendered. Additional penalty charges shall not be assessed on unpaid penalty charges.

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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 14**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Weather Normalization Adjustment Rider**

**WNA**

**1. Applicable**

Applicable to Rate G-1 Sales Service, excluding industrial class only.

The distribution charge per Mcf for gas service as set forth in G-1 Sales Service shall be adjusted by an amount herein under described as the Weather Normalization Adjustment (WNA). The WNA shall be applicable to Rate G-1 Sales Service, excluding Industrial Sales Service.

The WNA shall apply to all residential, commercial and public authority bills based on meters read during the months of November through April. The WNA shall increase or decrease accordingly by month. The WNA will not be billed to reflect meters read during the months of May through October. Customer base loads and heating sensitivity factors will be determined by class and computed annually.

**2. Computation of Weather Normalizing Adjustment**

The WNA shall be computed by using the following formula:

$$WNA_i = R_i \frac{HSP_i(NDD - ADD)}{(BL_i + HSP_i \times ADD)}$$

Where:

- $i$  = any rate schedule or billing classification within a rate schedule that contains more than one billing classification
- $WNA_i$  = Weather Normalization Adjustment Factor for the  $i$ th rate schedule or classification expressed as a rate per Mcf
- $R_i$  = weighted average rate (distribution charge) of temperature sensitive sales for the  $i$ th schedule or classification
- $HSP_i$  = heat sensitive factor for the  $i$ th schedule or classification
- $NDD$  = normal billing cycle heating degree days (based upon NOAA 30-year normal for the period of 1981-2010)
- $ADD$  = actual billing cycle heating degree days
- $BL_i$  = base load for the  $i$  th schedule or classification

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**ATMOS ENERGY CORPORATION**  
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**Gas Cost Adjustment  
Rider GCA**

**1. Applicable**

Gas Tariffs in effect for the entire Service Area of the Company as designated in the particular tariff.

**2. Gas Cost Adjustment**

The Company shall file a Quarterly Report with the Commission which shall contain an updated Gas Cost Adjustment (GCA) at least thirty (30) days prior to the beginning of each quarter. The quarterly GCA shall become effective in the months of February, May, August, and November. The GCA shall become effective for meter readings on and after the first day of the quarter. The Company may make out of time filings when warranted.

**3. Determination of GCA**

The amount computed under each of the rate schedules to which this GCA is applicable shall be increased or decreased at a rate per Mcf calculated for each billing quarter in accordance with the following formula as applicable to each rate class:

$$GCA = EGC + CF + RF$$

Where:

EGC - is the weighted average Expected Gas Cost per Mcf of gas supply which is reasonably expected to be experienced during the quarter the GCA will be applied for billings.

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(NAME OF UTILITY)

**Gas Cost Adjustment  
Rider GCA**

EGC is composed of the following:

- 1) Expected commodity costs of all current purchases at reasonably expected prices, including all related variable delivery costs and FERC authorized charges billed to the Company on a commodity basis.
- 2) Expected non-commodity costs including pipeline demand charges, gas supplier reservation charges, and FERC authorized charges billed to the Company on a non-commodity basis.
- 3) The cost of other gas sources for system supply (no-notice supply, Company storage, withdrawals, etc.).

Less:

- 4) The cost of gas purchases expected to be injected into underground storage.
- 5) Projected recovery of non-commodity costs and Lost and Unaccounted for costs from transportation transactions.
- 6) The cost of Company-use volume

CF - is the Correction Factor per Mcf which compensates for the difference between the expected gas cost and the actual gas cost for prior periods plus any gas cost which is uncollectible.

CF shall be calculated as:

$CF = (a/b) + (c/b)$ , where

a = difference between the expected gas cost and the actual gas cost for prior periods

b = total expected annual customer sales volumes

c = net uncollectible gas cost (i.e. uncollectible gas cost less subsequently collected gas cost)

The Company shall file an updated Correction Factor (CF) in its January, April, July, and October GCA filings, to become effective in February, May, August, and November respectively. The net uncollectible gas costs (c) will be reported on an annual basis and included in the February quarterly GCA filing.

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**Gas Cost Adjustment  
Rider GCA**

RF - is the sum of any Refund Factors filed in the current and three preceding quarterly filings. The current Refund Factor reflects refunds received from suppliers during the reporting period. The Refund Factor will be determined by dividing the refunds received plus estimated interest<sup>1</sup>, by the annual sales used in the quarterly filing less transported volumes. After a refund factor has remained in effect for twelve months, the difference in the amount received and the amount refunded plus the accrued interest<sup>1</sup> will be rolled into the next refund calculation. The refund account will be operated independently of the CF and only added as a component to the GCA in order to obtain a net GCA. In the event of any large or unusual refunds, the Company may apply to the Commission for the right to depart from the refund procedure herein set forth.

<sup>1</sup> At a rate equal to the average of the "3-Month Commercial Paper Rates" for the immediately preceding 12-month period less ½ of 1% to cover the costs of refunding as stated in the KPSC Order from Case No. 7157-KK. These monthly rates are reported in both the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

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**ATMOS ENERGY CORPORATION**  
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**PBR**

**Experimental Performance Based Rate Mechanism**

**Applicable**

To all gas sold.

**Rate Mechanism**

The amount computed under each of the rate schedules to which this Performance Based Rate Mechanism is applicable shall be increased or decreased by the Performance Based Rate Recovery Factor (PBRRF) at a rate per 1,000 cubic feet (Mcf) of monthly gas consumption. Demand costs and commodity costs shall be accumulated separately and included in the pipeline suppliers Demand Component and the Gas Supply Cost Component of the Gas Cost Adjustment (GCA), respectively. The PBRRF shall be determined for each 12-month period ended October 31 during the effective term of these experimental performance based ratemaking mechanisms, which 12-month period shall be defined as the PBR period.

The PBRRF shall be computed in accordance with the following formula:

$$\text{PBRRF} = (\text{CSPBR} + \text{BA}) / \text{ES}$$

Where:

ES = Expected Mcf sales, as reflected in the Company's GCA filing for the upcoming 12-month period beginning February 1.

CSBPR = Company Share of Performance Based Ratemaking Mechanism savings or expenses. The CSPBR shall be calculated as follows:

$$\text{CSPBR} = \text{TPBRR} \times \text{ACSP}$$

Where:

ACSP = Applicable Company Sharing Percentage

TPBRR = Total Performance Based Ratemaking Results. The TPBRR shall be savings or expenses created during the PBR period. TPBRR shall be calculated as follows:

$$\text{TPBRR} = (\text{GAIF} + \text{TIF} + \text{OSSIF})$$

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**ATMOS ENERGY CORPORATION**  
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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

**GAIF**

GAIF = Gas Acquisition Index Factor. The GAIF shall be computed as follows.

$$\text{GAIF} = \text{GAIFBL} + \text{GAIFSL} + \text{GAIFAM}$$

Where:

GAIFBL represents the Gas Acquisition Index Factor for Base Load system supply natural gas purchases.

GAIFSL represents the Gas Acquisition Index Factor for Swing Load system supply natural gas purchases

GAIFAM represents the Gas Acquisition Index Factor for Asset Management, representing the portion of fixed discounts provided by the supplier for asset management rights, if any, not directly tied to per unit natural gas purchases

**GAIFBL**

The GAIFBL shall be calculated by comparing the Total Annual Benchmark Gas Commodity Costs for Base Load (TABGCCBL) system supply natural gas purchases for the PBR period to the Total Annual Actual Gas Commodity Costs for Base Load (TAAGCCBL) system supply natural gas purchases during the same period to determine if any shared expenses or shared savings exist.

TABGCCBL represents the Total Annual Benchmark Gas Commodity Costs for Base Load gas purchases and equals the annual sum of the monthly Benchmark Gas Commodity Costs of gas purchased for Base Load (BGCCBL) system supply.

BGCCBL represents Benchmark Gas Commodity Costs for Base Load gas purchases and shall be calculated on a monthly basis and accumulated for the PBR period. BGCCBL shall be calculated as follows:

$$\text{BGCCBL} = \text{Sum} [(\text{APVBL}_i - \text{PEFDCQBL}) \times \text{SAIBL}_i] + (\text{PEFDCQBL} \times \text{DAIBL})$$

Where:

APVBL is the Actual Purchased Volumes of natural gas for Base Load system supply for the month. The APVBL shall include purchases necessary to cover retention volumes required by the pipeline as fuel.

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

"i" represents each supply area.

PEFDCQBL are the Base Load Purchases in Excess of Firm Daily Contract Quantities delivered to WKG's city gate. Firm Daily Contract Quantities are the maximum daily contract quantities which Company can deliver to its city gate under its various firm transportation agreements and arrangements.

SAIBL is the Supply Area Index factor for Base Load to be established for each supply area in which Company has firm transportation entitlements used to transport its natural gas purchases and for which price postings are available. The five supply areas are TGT-SL (Texas Gas Transmission-Zone SL), TGT-1 (Texas Gas Transmission-Zone 1), TGPL-0 (Tennessee Gas Pipeline-Zone 0), and TGPL-1 (Tennessee Gas Pipeline-Zone 1), and TGC-ELA (Trunkline Gas Company-ELA).

The monthly SAIBL for TGT-SL, TGT-1, TGPL-0, TGPL-1, and TGC-ELA shall be calculated using the following formula:

$$\text{SAIBL} = [I(1) + I(2)] / 2$$

Where:

"I" represents each index reflective of both supply area prices and price changes throughout the month in these various supply areas.

The indices for each supply zone are as follows:

SAIBL (TGT-SL)

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Texas Gas Zone SL.

I (2) is the New York Mercantile Exchange Settled Closing Price.

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

**SAIBL (TGT-1)**

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Texas Gas Zone 1.  
I (2) is the New York Mercantile Exchange Settled Closing Price.

**SAIBL (TGPL-0)**

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Tennessee Zone 0.  
I (2) is the New York Mercantile Exchange Settled Closing Price.

**SAIBL (TGPL-1)**

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Tennessee Zone 1.  
I (2) is the New York Mercantile Exchange Settled Closing Price.

**SAIBL (TGC-ELA)**

I (1) is the Inside FERC – Gas Market Report first-of-the-month posting for Trunkline Louisiana.  
I (2) is the New York Mercantile Exchange Settled Closing Price.

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

DAIBL is the Delivery Area Index factor for Base Load to be established for purchases made by Company when Company has fully utilized its pipeline quantity entitlements on a daily basis and which are for delivery to Company's city gate from Texas Gas Transmission's Zone 2, 3 or 4, Tennessee Gas Pipeline's Zone 2, or Trunkline Gas Company's Zone 1B.

The monthly DAIBL for TGT-2, 3, 4, TGPL-2, and TGC-1B shall be calculated using the following:

$$\text{DAIBL} = [I(1) + I(2)] / 2$$

DAIBL (TGT-2, 3, & 4), (TGPL-2) and (TGC-1B)

I (1) is the average of the daily high and low Gas Daily postings for the Daily Price Survey for Dominion – South Point-Appalachia.

I (2) is the Inside FERC – Gas Market Report first-of-the month posting for Prices of Spot Gas delivered to Pipeline for Dominion Transmission Inc. – Appalachia.

TAAGCCBL represents Company's Total Annual Actual Gas Commodity Costs for Base Load deliveries of natural gas purchased for system supply and is equal to the total monthly actual gas commodity costs.

To the extent that TAAGCCBL exceeds TABGCCBL for the PBR period, then the GAIFBL Shared Expenses shall be computed as follows:

$$\text{GAIFBL Shared Expenses} = \text{TAAGCCBL} - \text{TABGCCBL}$$

To the extent that TAAGCCBL is less than TABGCCBL for the PBR period, then the GAIFBL Shared Savings shall be computed as follows:

$$\text{GAIFBL Shared Savings} = \text{TABGCCBL} - \text{TAAGCCBL}$$

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

GAIFSL

The GAIFSL shall be calculated by comparing the Total Annual Benchmark Gas Commodity Costs for Swing Load (TABGCCSL) system supply natural gas purchases for swing load for the PBR period to the Total Annual Actual Gas Commodity Costs for Swing Load (TAAGCCSL) system supply natural gas purchases for during the same period to determine if any shared expenses or shared savings exist.

TABGCCSL represents the Total Annual Benchmark Gas Commodity Costs for Swing Load gas purchases and equals the monthly Benchmark Gas Commodity Costs of gas purchased for Swing Load system supply (BGCCSL).

BGCCSL represents Benchmark Gas Commodity Costs for Swing Load gas purchases and shall be calculated on a monthly basis and accumulated for the PBR period. BGCCSL shall be calculated as follows:

$$\text{BGCCSL} = \text{Sum } [(\text{APVSL}_i - \text{PEFDCQSL}) \times \text{SAISL}_i] + (\text{PEFDCQSL} \times \text{DAISL})$$

Where:

APVSL is the Actual Purchased Volumes of natural gas for Swing Load system supply for the month. The APVSL shall include purchases necessary to cover retention volumes required by the pipeline as fuel.

"i" represents each supply area.

PEFDCQSL are the Purchases in Excess of Firm Daily Contract Quantities delivered to WKG's city gate. Firm Daily Contract Quantities are the maximum daily contract quantities which Company can deliver to its city gate under its various firm transportation agreements and arrangements.

SAISL is the Supply Area Index factor for Swing Load to be established for each supply area in which Company has firm transportation entitlements used to transport its natural gas purchases and for which price postings are available. The five supply areas are TGT-SL (Texas Gas Transmission-Zone SL), TGT-1 (Texas Gas Transmission-Zone 1), TGPL-0 (Tennessee Gas Pipeline-Zone 0), and TGPL-1 (Tennessee Gas Pipeline-Zone 1), and TGC-ELA (Trunkline Gas Company-ELA).

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

The monthly SAISL for TGT-SL, TGT-1, TGPL-0, TGPL-1, and TGC-ELA shall be calculated using the following formula:

$$\text{SAISL}_i = I(i)$$

Where:

"I" represents each index reflective of both supply area prices and price changes throughout the month in these various supply areas.

"i" represents each supply area.

The index for each supply zone is as follows:

**SAISL (TGT-SL)**

I (1) is the average of the daily high and low Gas Daily postings for Louisiana-Onshore South Texas Gas Zone SL averaged for the month.

**SAISL (TGT-1)**

I (2) is the average of the daily high and low Gas Daily postings for East Texas – North Louisiana Area - Texas Gas Zone 1 averaged for the month.

**SAISL (TGPL-0)**

I (3) is the average of the daily high and low Gas Daily postings for Texas South – Corpus Christi – Tennessee, Zone 0.

**SAISL (TGPL-1)**

I (4) is the average of the daily high and low Gas Daily postings for Louisiana-Onshore South – 500 leg and – 800 leg average for the month.

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

**SAISL (TGC-ELA)**

I (5) is the average of the daily high and low Gas Daily postings for Louisiana-Onshore South, Trunkline ELA.

DAISL is the Delivery Area Index factor for Swing Load to be established for purchases made by Company when Company has fully utilized its pipeline quantity entitlements on a daily basis and which are for delivery to Company's city gate from Texas Gas Transmission's Zone 2, 3 or 4, Tennessee Gas Pipeline's Zone 2, or Trunkline Gas Company's Zone 1B.

The monthly DAISL for TGT-2, 3, 4, TGPL-2, and TGC-1B shall be calculated using the following:

$$\text{DAISL} = I(1)$$

**DAISL (TGT-2, 3, & 4), (TGPL-2) and (TGC-1B)**

I (1) is the average of the daily high and low Gas Daily postings the Daily Price Survey for Dominion – South Point.

TAAGCCSL represents Company's Total Annual Actual Gas Commodity Costs for Swing Load deliveries to Company's city gate and is equal to the total monthly actual gas commodity costs.

To the extent that TAAGCCSL exceeds TABGCCSL for the PBR period, then the GAIFSL Shared Expenses shall be computed as follows:

$$\text{GAIFSL Shared Expenses} = \text{TAAGCCSL} - \text{TABGCCSL}$$

To the extent that TAAGCCSL is less than TABGCCSL for the PBR period, then the GAIFSL Shared Savings shall be computed as follows:

$$\text{GAIFSL Shared Savings} = \text{TABGCCSL} - \text{TAAGCCS}$$

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

**TIF**

TIF = Transportation Index Factor. The Transportation Index Factor shall be calculated by comparing the Total Annual Benchmark Transportation Costs (TABTC) of natural gas transportation services during the PBR period to the Total Annual Actual Transportation Costs (TAATC) applicable to the same period to determine if any shared expenses or shared savings exist.

The Total Annual Benchmark Transportation Costs (TABTC) are calculated as follows:

$$\text{TABTC} = \text{Annual Sum of Monthly BTC}$$

Where:

BTC is the Benchmark Transportation Costs which include both pipeline demand and volumetric costs associated with natural gas pipeline transportation services. The BTC shall be accumulated for the PBR period and shall be calculated as follows:

$$\text{BTC} = \text{Sum [ BM (TGT) + BM (TGPL) + BM (TGC) + BM (PPL) ]}$$

Where:

BM (TGT) is the benchmark associated with Texas Gas Transmission Corporation.

BM (TGPL) is the benchmark associated with Tennessee Gas Pipeline Company.

BM (TGC) is the benchmark associated with Trunkline Gas Company.

BM (PPL) is the benchmark associated with a proxy pipeline. This benchmark, which will be determined at the time of purchase, will be used to benchmark purchases of transportation capacity from non-traditional sources.

The benchmark associated with each pipeline shall be calculated as follows:

$$\text{BM (TGT)} = (\text{TPDR} \times \text{DQ}) + (\text{TPCR} \times \text{AV}) + \text{S\&DB}$$

$$\text{BM (TGPL)} = (\text{TPDR} \times \text{DQ}) + (\text{TPCR} \times \text{AV}) + \text{S\&DB}$$

$$\text{BM (TGC)} = (\text{TPDR} \times \text{DQ}) + (\text{TPCR} \times \text{AV}) + \text{S\&DB}$$

$$\text{BM (PPL)} = (\text{TPDR} \times \text{DQ}) + (\text{TPCR} \times \text{AV}) + \text{S\&DB}$$

Where:

TPDR is the applicable Tariffed Pipeline Demand Rate.

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**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

DQ is the Demand Quantities contracted for by the Company from the applicable transportation provider.

TPCR is the applicable Tariffed Pipeline Commodity Rate.

AV is the Actual Volumes delivered at Company's city gate by the applicable transportation provider for the month.

S&DB represents Surcharges, Direct Bills and other applicable amounts approved by the Federal Energy Regulatory Commission (FERC). Such amounts are limited to FERC approved charges such as surcharges, direct bills, cashouts, take-or-pay amounts, Gas Supply Realignment and other Order 636 transition costs.

The Total Annual Actual Transportation Costs (TAATC) paid by Company for the PBR period shall include both pipeline demand and volumetric costs associated with natural gas pipeline transportation services as well as all applicable FERC approved surcharges, direct bills included in S&DB, less actual capacity release credits. Such costs shall exclude labor related or other expenses typically classified as operating and maintenance expenses.

To the extent that TAATC exceeds TABTC for the PBR period, then the TIF Shared Expenses shall be computed as follows:

$$\text{TIF Shared Expenses} = \text{TAATC} - \text{TABTC}$$

To the extent that the TAATC is less than TABTC for the PBR period, then the TIF Shared Savings shall be computed as follows:

$$\text{TIF Shared Savings} = \text{TABTC} - \text{TAATC}$$

Should one of the Company's pipeline transporters file a rate change effective during any PBR period and bill such proposed rates subject to refund, the period over which the benchmark comparison is made for the relevant transportation costs will be extended for one or more 12 month periods, until the FERC has approved final settled rates, which will be used as the appropriate benchmark. Company will not share in any of the savings or expenses related to the affected pipeline until final settled rates are approved.

**OSSIF**

OSSIF = Off-System Sales Index Factor. The Off-System Sales Index Factor shall be equal to the Net Revenue from Off-System Sales (NR).

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(NAME OF UTILITY)

**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

Net Revenue is calculated as follows:

$$NR = OSREV - OOPC$$

Where:

OSREV is the total revenue associated with off-system sales and storage service transactions.

OOPC is the out-of-pocket costs associated with off-system sales and storage service transactions and shall be determined as follows:

$$OOPC = OOPC(GC) + OOPC(TC) + OOPC(SC) + OOPC(UGSC) + \text{Other Costs}$$

Where:

OOPC (GC) is the Out-of-Pocket Gas Costs associated with off-system sales transactions. For off-system sales utilizing Company's firm supply contracts, the OOPC (GC) shall be the incremental costs to purchase the gas available under Company's firm supply contracts. For off-system sales not using Company's firm supply contracts, the OOPC (GC) shall be the incremental costs to purchase the gas from other entities.

OOPC (TC) is the Out-of-Pocket Transportation Costs associated with off-system sales transactions. For off-system sales utilizing Company's firm transportation agreements, the OOPC (TC) shall be the incremental cost to use the transportation available under Company's firm supply contracts. For off-system sales not using Company's firm transportation agreements, the OOPC (TC) shall be the incremental costs to purchase the transportation from other entities.

OOPC (SC) is the Out-of-Pocket Storage Costs associated with off-system sales of storage. If this is gas in Company's own storage or gas stored with Tennessee Gas Pipeline it shall be priced at the average price of the gas in Company's storage during the month of sale. If this is gas from the storage component of Texas Gas's No-Notice Service, this gas shall be priced at the replacement costs.

OOPC (UGSC) is the Out-of-Pocket Underground Storage Costs associated with off-system sales of storage services. For the off-systems sales of storage services utilizing Company's on-system storage, the OOPC (UGSC) shall include incremental storage losses, odorization, and other fuel-related costs such as purification, dehydration, and compression. Such costs shall exclude labor-related expenses.

Other Costs represent all other incremental costs and include, but are not limited to, costs such as applicable sales taxes and excise fees. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses.

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TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 29**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**PBR**

**Experimental Performance Based Rate Mechanism (Continued)**

**ACSP**

ACSP = Applicable Company Sharing Percentage. The ACSP shall be determined based on the PTAGSC.

Where:

PTAGSC = Percentage of Total Actual Gas Supply Costs. The PTAGSC shall be the TPBRR stated as a Percentage of Total Actual Gas Supply Costs and shall be calculated as follows:

$$PTAGSC = TPBRR / TAGSC$$

Where:

TAGSC = Total Actual Gas Supply Costs. The TAGSC shall be calculated as follows:

$$TAGSC = TAAGCCBL + TAAGCCSL + TAATC$$

If the absolute value of the PTAGSC is less than or equal to 2.0%, then the ACSP of 30% shall be applied to TPBRR to determine CSPBR. If the absolute value of the PTAGSC is greater than 2.0%, then the ACSP of 30% shall be applied to the amount of TPBRR that is equal to 2.0% of TAGSC to determine a portion of CSPBR, and the ACSP of 50% shall be applied to the amount of TPBRR that is in excess of 2.0% of TAGSC to determine a portion of CSPBR. These two portions are added together to produce the total CSPBR.

**BA**

BA = Balance Adjustment. The BA is used to reconcile the difference between the amount of revenues billed or credited through the CSPBR and previous application of the BA and revenues which should have been billed or credited, as follows:

1. For the CSPBR, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the CSPBR and the actual amount used to establish the CSPBR for the period.
2. For the BA, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the BA and the actual amount used to establish the BA for the period.

**Annual Reports**

Atmos Energy shall file annual reports to the Kentucky Public Service Commission, describing activities and financial results under the PBR program. These reports shall be filed by August 31 of each calendar year, commencing in 2007.

**Review**

Within 90 days of the end of the fourth year of the five year extension, the Company will file an evaluation report on the results of the PBR mechanism for the first four years of the extension period. In that report and assessment, the Company will make any recommended modifications to the PBR mechanism.

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**ATMOS ENERGY CORPORATION**

(NAME OF UTILITY)

**Demand-Side Management Low-Income Weatherization Program**

**DSM**

**Applicable**

Applicable to Rate G-1 Sales Service, residential class only.

**Purpose**

The Company offers a low-income weatherization program in order to improve efficiency and household safety for eligible customers. The program does not rehabilitate homes and does not include home additions, paint, carpet or lead-based paint and asbestos abatements. The program may include, but not be limited to, the replacement of doors and windows, caulking, window stripping, installation of insulation, and/or the maintenance/replacement of natural gas appliances.

**Eligibility Requirements**

1. Atmos' Kentucky customers with an income at or below 150 percent of the federal poverty level may be eligible for home-weatherization assistance.
2. Verification of all sources of personal and household income for the purpose of determining eligibility.
3. Verification of ownership of the residence to be weatherized or a landlord agreement.
4. Copies of energy and heating bills or print outs from respective utility providers.
5. Qualified homeowners can earn up to \$3,000 in weatherization improvements.

**Term**

This program is effective until April 30, 2015 or by order of the Public Service Commission.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Demand-Side Management Low-Income Weatherization Program**

**DSM**

**Terms and Conditions**

1. Community Action of Kentucky (CAK), in cooperation with the Kentucky Housing Corporation, administers the state's Low-Income Weatherization Program.
2. Atmos Energy only funds a portion of the state's Low-Income Weatherization Program.
3. To apply, customers need to contact their local CAK office.
4. Eligible customers must permit residence to be inspected by State Monitoring staff.
5. Eligible customers must permit full access to residence and its immediate surroundings by weatherization staff and any subcontractors during all phases of work related to the weatherization of the residence.
6. If work is cancelled by customer prior to completion, the customer would be responsible to pay the cost of expended materials.
7. All work is required to be performed by qualified local contractors and is inspected to ensure completeness and quality of work.
8. Funding for this program is limited. Eligible applications will be processed pending available funds.

**Remittance of Funds**

The Company will not remit any funds to the local help agency until the following occur:

1. Validation of the existence of the customer. The existing customer must be in good payment standing.
2. Validation of the correctness and accuracy of the help agency invoice.
3. The Company will perform random audits to ensure that the weatherization measures were completed and accurately reflect the measures itemized on the help agency invoice.

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**ATMOS ENERGY CORPORATION**  
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**Demand-Side Management Rebate Program**

**DSM**

**Applicable**

Applicable to Rate G-1 Sales Service, residential and commercial classes only.

**High Efficiency Equipment Rebates**

Under this Program, Kentucky customers may qualify for rebates to purchase ENERGY STAR® rated natural gas equipment. The following are the terms and conditions for qualifying for a rebate under this Program:

1. Applicant must be a current or future Atmos Energy customer located in Kentucky and served (or will be served) under the General Firm (G-1) Sales Service.
2. The rebate applies for natural gas equipment upgrades in an existing home or business served by Atmos Energy or installation of natural gas equipment in a newly built home or business that will have service by Atmos.
3. A recent Atmos Energy bill showing the customer's name and address must be included with the attached rebate form (not required for new construction).
4. A separate rebate form is required for each rebate requested (for example, a qualifying water heater and furnace must be submitted under separate forms for each).
5. Rebate checks are issued in approximately 8-10 weeks after all required paperwork has been submitted.
6. Any and all equipment associated with the rebate must be installed in compliance with required local, state and federal codes. Any test or inspections that may be required for the verification of such are the responsibility of the customer or installing contractor.
7. Funding for this program is limited. Eligible rebate applications will be processed pending available funds.

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**Demand-Side Management Rebate Program**

**DSM**

8. High efficiency ENERGY STAR® natural gas heating and water heating equipment is included within the program.
9. The type of equipment qualifying, the required efficiency level, BTU Input and corresponding rebate amounts are as follows:

Equipment Type	Efficiency Level	BTU Input	Rebate Amount
Forced Air Furnace	90-93% AFUE	30,000 or greater	\$250.00
Forced Air Furnace	94-95% AFUE	30,000 or greater	\$325.00
Forced Air Furnace	96% AFUE or greater	30,000 or greater	\$400.00
Boiler	85% AFUE or greater	30,000 or greater	\$250.00
Programmable Thermostat			\$25.00
Tank Water Heater	0.62-0.66 EF	40 gallon or greater	\$200.00
Tank Water Heater	0.67 EF or greater	40 gallon or greater	\$300.00
Tankless Water Heater	0.82 EF or greater	n/a	\$400.00

10. For new or existing commercial cooking customers, the Company is offering a \$500 rebate to change their current fryer, griddle, oven, or steamer to an ENERGY STAR® model.

**Term**

This program is effective until April 30, 2015 of by order of the Public Service Commission

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**ATMOS ENERGY CORPORATION**  
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**Demand-Side Management Cost Recovery Mechanism**

**DSM**

**1. Applicable**

Applicable to Rate G-1 Sales Service, residential and commercial classes only.

The Distribution Charge under Residential and Commercial Rate G-1 Sales Service, shall be increased or decreased for nine annual periods beginning January 2012 and continuing through December 31, 2016 by the DSM Cost Recovery Component (DSMRC) at a rate per Mcf in accordance with the following formula:

$$\text{DSMRC} = \text{DCRC} + \text{DLSA} + \text{DIA} + \text{DBA}$$

Where:

**DCRC** = DSM Cost Recovery-Current. The DCRC shall include all actual costs, direct and indirect, under this program which has been approved by the Commission. This includes all direct costs associated with the program including rebates paid under the program, the cost of educational supplies, and customer awareness related to conservation/efficiency. In addition, indirect costs shall include the costs of planning, developing, implementing, monitoring, and evaluating DSM programs. In addition, all costs incurred by or on behalf of the program, including but not limited to costs for consultants, and administrative expenses, will be recovered through the DCRC.

**DLSA** = DSM Lost Sales Adjustment. To effectively promote and execute the program, the Company shall recover the annual lost sales attributable to customer conservation/efficiency created as a result of the Program. This aligns the Company's interest with that of its customers by reducing the correlation between volume and revenue for those customers who elect to participate in the program. The lost sales are the estimated conservation, per participant, times the base rate for the applicable customer. The goal is to make the Company whole for promoting the program. Lost sales are based on the cumulative lost sales since the program inception and will reset when the Company completes a general rate case.

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**Demand-Side Management Cost Recovery Mechanism**

**DSM**

DIA = DSM Incentive Adjustment. As a result of the program, the customers who participate in the program will save on their gas bills due to decreased usage, which results in decreased commodity charges. As an incentive for the Company to devote the necessary monetary and physical resources to promote and administer the program, the Company will earn a fifteen percent (15%) incentive based on the net resource savings of the Program participants.

Net resource savings are defined as Program benefits less utility Program costs and participant costs where Program benefits will be calculated on the basis of the present value of Atmos' avoided commodity costs over the expected life of the Program. For the purpose of calculating the Program benefits, a specific measure's life as defined in DEER (Database for Energy Efficient Resources), EnergyStar or NEEP is assumed with future gas costs over a corresponding period based on projection of the Company's Gas Cost Adjustment (GCA) at the time of filing with escalation factors determined by NYMEX futures prices on the cost of gas at Henry Hub. The present value is the weighted average cost of capital as stated in the Company's most recent rate case.

DBA = DSM Balance Adjustment. The DBA shall be calculated on a calendar year basis and be used to reconcile the difference between the amount of revenues actually billed through the DSMRC and the revenues which should have been billed.

The DBA for the upcoming twelve-month period shall be calculated as the sum of the balance adjustments for the DCRC, DLSA and DIA. For the DCRC, DLSA and DIA, the balance adjustment shall be the difference between the amount billed in a twelve-month period and the actual cost of the DSM Program during the same twelve-month period.

The balance adjustment amounts calculated will include interest to be calculated at a rate equal to the average of "3-month Commercial Paper Rate" for the immediately preceding twelve-month period.

The Company will file modifications to the DSMRC on an annual basis at least two months prior to the beginning of the effective upcoming twelve-month period for billing. This annual filing shall include detailed calculations of the DCRC, DLSA, DIA and the DBA, as well as data on the total cost of the DSM Program over the twelve-month period. The calculations plus interest shall be divided by the expected Mcf sales for the upcoming twelve-month period to determine the DSMRC.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Demand-Side Management Cost Recovery Mechanism**

**DSM**

DSM Cost Recovery Component (DSMRC-R):

DSM Cost Recovery – Current:	\$0.1103 per Mcf
DSM Lost Sales Adjustment	\$0.0012 per Mcf
DSM Incentive Adjustment	\$0.0128 per Mcf
DSM Balance Adjustment:	<u>(\$0.0229) per Mcf</u>
DSMRC Residential Rate G-1	\$0.1014 per Mcf

DSM Cost Recovery Component (DSMRC-C):

DSM Cost Recovery – Current:	\$0.0845 per Mcf
DSM Lost Sales Adjustment	\$0.0000 per Mcf
DSM Incentive Adjustment	\$0.0122 per Mcf
DSM Balance Adjustment:	<u>(\$0.0176) per Mcf</u>
DSMRC Residential Rate G-1	\$0.0791 per Mcf

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**ATMOS ENERGY CORPORATION**  
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**Research & Development Rider**

**R & D Unit Charge**

**1. Applicable:**

This rider applies to the distribution charge applicable to all gas transported by the Company other than Rate T-3 and T-4 Transportation Service.

**2. R&D Unit Charge:**

The intent of the Research & Development Unit Charge is to maintain the Company's level of contribution per Mcf as of December 31, 1998.

R&D Unit Charge @ \$0.0035 per 1,000 cubic feet

**3. Waiver Provision:**

The R&D Unit Charge may be reduced or waived for one or more classifications of service or rate schedules at any time by the Company by filing notice with the Commission. Any such waiver shall not increase the R&D Unit Charge to the remaining classifications of service or rate schedules without Commission approval.

**4. Remittance of Funds:**

All funds collected under this rider will be remitted to Gas Technology Institute, or similar research or commercialization organization. The amounts so remitted shall be reported to the Commission annually.

**5. Reports to the Commission:**

A statement setting forth the manner in which the funds remitted have been invested in research and development will be filed with the Commission annually.

**6. Termination of this Rider:**

Participation in the R&D funding program is voluntary on the part of the Company. This rider may be terminated at any time by the Company by filing a notice of rescission with the Commission.

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**ATMOS ENERGY CORPORATION**  
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**Pipeline Replacement Program Rider**  
**PRP**

**1. Applicable**

Applicable to all customers receiving service under the Company's Rate Schedules G-1, G-2, T-3 and T-4.

**2. Calculation of Pipe Replacement Rider Revenue Requirement**

The PRP Revenue Requirement includes the following:

- a) PRP-related Plant In-Service not included in base gas rates minus the associated PRP-related accumulated depreciation and accumulated deferred income taxes;
- b) Retirement and removal of plant related PRP construction;
- c) The rate of return on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes;
- d) Depreciation expense on the PRP related Plant In-Service less retirement and removals;
- e) Reduction for savings in Operating and Maintenance expenses; and,
- f) Adjustment for ad valorem taxes.

**3. Pipe Replacement Program Factors**

All customers receiving service under tariff Rate Schedules G-1, G-2, T-3 and T-4 shall be assessed an adjustment to their applicable rate schedule that will enable the Company to complete the pipe replacement program. The allocation to G-1 residential, G-1 non-residential, G-2, T-3 and T-4 will be in proportion to their relative base revenue share approved in Case No. 2009-00354.

The PRP Rider will be filed annually on or around August 1st of each year. The filing will reflect the anticipated impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions during the upcoming fiscal year ending each September as well as a balancing adjustment for the preceding fiscal year. Such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of October.

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**Pipeline Replacement Program Rider**

**4. Pipe Replacement Rider Rates**

The charges for the respective gas service schedules for the revenue month beginning October 1, 2012 per billing period are:

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$0.00		\$0.00	(R)
Rate G-1 (Non-Residential)	\$0.00		\$0.00	(R)
Rate G-2	\$0.00		\$0.0000 per 1000 cubic feet	(R)
Rate T-3	\$0.00	1-15000	\$0.0000 per 1000 cubic feet	(R)
		Over 1500	\$0.0000 per 1000 cubic feet	(R)
Rate T-4	\$0.00	1-300	\$0.0000 per 1000 cubic feet	(R)
		301-15000	\$0.0000 per 1000 cubic feet	(R)
		Over 15000	\$0.0000 per 1000 cubic feet	(R)

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Economic Development Rider  
EDR**

**1. Applicable:**

This Rider may apply to any customer with an expected demand of at least 9,000 Mcf per year. Existing customers served under another rate schedule to be eligible for service under this rate schedule must contract for sufficient natural gas demand to produce an increase in consumption of 4,500 Mcf per year.

**2. Purpose:**

This Rider is intended to allow the Company to offer incentive or discount type rates designed to enhance the Company's system utilization while encouraging industrial development and job growth within the Company's service areas. Under the terms of this Rider, qualifying customers are required to enter into a Special Contract with the Company. The Special Contract shall be subject to approval by the Kentucky Public Service Commission (Commission). This Rider is available for load associated with initial permanent service to new establishments, expansion of existing establishments or new customers in existing establishments. This Rider may also be available for existing customers that are experiencing financial hardship, if certain conditions can be met.

**3. Term:**

Any Special Contract shall extend for a period twice the length of the discount period. The discount period shall not extend beyond four (4) years.

**4. Gas Cost Adjustment:**

For G-1 and G-2 customers, bills for service are subject to the cost of purchased gas in accordance with the Gas Cost Adjustment (GCA) Rider approved by the Kentucky Public Service Commission.

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**ATMOS ENERGY CORPORATION**  
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**Economic Development Rider**

**EDR**

**5. Discount Terms:**

Contract Year	Tariff Margin Discounted by:
1	25%
2	25%
3	25%
4	25%
After 4 <sup>th</sup> Year	0%

**6. Special Terms and Conditions:**

- a. The Company may discount or waive gas main extension costs.
- b. The Special Contract shall include, but not be limited to, the applicable rate discount and other discount provisions, the number of jobs and capital investment to be created, customer-specific fixed costs associated with serving the customer, minimum bill, a current marginal cost-of-service study, provision for the recovery of EDR customer-specific fixed costs, estimated load, estimated load factor, and contract length.
- c. The Special Contract shall contain additional load that would be subject to suitable service being available from existing facilities.
- d. The Company will file annual reports that detail revenues received from EDR customers and the marginal costs associated with serving those individual customers as well as replicating Appendix A to the Commission's Order in Administrative Case No. 327.
- e. A Special Contract designed to retain load of an existing customer shall be accompanied by an affidavit of the customer stating that, without the rate discount, operations will cease or be severely restricted. In addition, the utility must demonstrate the financial hardship experienced by the customer.
- f. For new industrial customers, an EDR should apply on to load which exceeds a minimum base level. For existing industrial customers, an EDR shall apply only to new load which exceeds an incremental usage level above a normalized base load.
- g. The major objectives of the EDR are job creation and capital investment. However, job creation and capital investment requirements shall not be imposed on EDR customers.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Margin Loss Rider**

**MLR**

**1. Applicable:**

Applicable to tariff sales service under the Company's Rate Schedules G-1, and G-2.

**2. Purpose:**

This Rider is intended to allow the Company to recover half of any lost margin related to (1) the Economic Development Rider, (2) discounts pursuant to the Alternative Fuel Responsive Flex Provisions or (3) negotiated rates with bypass candidates. This Rider 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 is prohibited from this Rider.

**3. Calculation of Margin Loss Rider:**

The calculation of lost margin will be the difference between existing tariff rates and the negotiated special contract rates. The difference will be collected over estimated sales volumes as used in the Correction Factor of the Gas Cost Adjustment Rider.

**4. MLR Unit Charge:**

Current	\$0.00 per Mcf
Balancing Adjustment	\$0.00 per Mcf
Total	\$0.00 per Mcf

**5. Balancing Adjustment**

The Balancing Adjustment shall be calculated on an annual basis and be used to reconcile the difference between the amount of revenues actually billed through this Rider and the revenues which should have been billed.

The balance adjustment amounts calculated will include interest to be calculated at a rate equal to the average of "3-month Commercial Paper Rate" for the immediately preceding twelve-month period.

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**ATMOS ENERGY CORPORATION**  
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**System Development Rider**  
**SDR**

**1. Applicable:**

Applicable to tariff sales service under the Company's Rate Schedules G-1, and G-2.

**2. Purpose:**

This Rider 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. This Rider is intended to encourage industrial development, infrastructure investment and job growth within the Company's service areas.

**3. Calculation of System Development Rider Revenue Requirement**

The SDR revenue requirement includes the following:

- a. SDR-related Plant In-Service not included in base gas rates minus the associated SDR-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to SDR construction;
- c. The rate of return on the net rate base will be the overall rate of return on capital authorized for the Company's Pipe Replacement Program Rider.
- d. Depreciation expense on the SDR related Plant In-Service less retirements and removals.
- e. Adjustment for ad valorem taxes.

**4. System Development Rates:**

All customers receiving service under tariff Rate Schedules G-1 and G-2 shall be assessed an adjustment to their applicable rate schedule that will 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 will be in proportion to their relative base revenue share approved in the most recently approved general rate case.

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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 44**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**System Development Rider**

**SDR**

The SDR will be filed annually on or around August 1st of each year. The filing will reflect any infrastructure investment for the upcoming fiscal year ending each September as well as a balancing adjustment for the preceding fiscal year. Such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of October.

**5. System Development Rider Rates:**

The charges for the respective gas service schedules for the revenue month beginning October 1, 2012 per billing period are:

	<u>Monthly Customer Charge</u>	<u>Distribution Charge per Mcf</u>
Rate G-1 (Residential)	\$0.00	\$0.00
Rate G-1 (Non-Residential)	\$0.00	\$0.00
Rate G-2	\$0.00	\$0.00 per 1000 cubic feet

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PSC KY. No. 2

Original SHEET No. 45

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Transportation Service**

**Rate T-3**

**1. Applicable**

Entire service area of the Company to any customer for that portion of the customer's interruptible requirements not included under one of the Company's sales tariffs.

**2. Availability of Service**

- a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require interruptible transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
- b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.

**3. Net Monthly Rate**

In addition to any and all charges assessed by other parties, there will be applied:

- a) Base Charge - \$350.00 per delivery point (1)
- b) Transportation Administration Fee - 50.00 per customer per month (1)
- c) Distribution Charge for Interruptible Service
  - First<sup>1</sup> 15,000 Mcf @ \$0.7920 per Mcf (1)
  - Over 15,000 Mcf @ 0.5310 per Mcf (1)
- d) Applicable Non-Commodity Components (Sheet No. 6) as calculated in the Company's Gas Cost Adjustment (GCA) filing.
- e) Electronic Flow Measurement ("EFM") facilities charge, if applicable.
- f) Pipe Replacement Program (PRP) Rider.

<sup>1</sup>All gas consumed by the customer (Sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

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**Original SHEET No. 46**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Transportation Service**

**Rate T-3**

**4. Net Monthly Bill**

The Net Monthly Bill shall be equal to the sum of the Base Charge, the Transportation Administration Fee, and applicable Distribution Charge and Non-Commodity Component, applicable Pipe Replacement Program charges, and any applicable Electronic Flow Measurement (“EFM”) facilities charges (see Subsection 8 “Special Provisions” of this tariff.)

**5. Nominated Volume**

Definition: “Nominated Volume” or “Nomination” – The level of daily volume in Dth as requested by the customer to be transported and delivered by the Company. Such volume nominated by the Customer shall include an allowance for the Company’s system Lost and Unaccounted gas percentage as stated in the Company’s current Transportation tariff. The volumes delivered by the Customer to the Company for redelivery to the Customer’s facilities will be reduced to cover the related system Lost and Unaccounted gas quantities.

Such nomination request shall be made by the customer to the Company on a periodic basis prior to the nomination deadline of the respective interstate transporter. Such nomination may be adjusted prospectively from time to time during the billing period as may become necessary. However, the Company retains the right to limit the number of nomination adjustments during the billing period. Daily nominations shall not exceed the Customer’s Maximum Daily Quantity (MDQ). Maximum Daily Quantity means the maximum daily volume of gas, as determined by the Company based on Customer’s historical metered volumes, which a Customer under this Rate Schedule will be allowed to nominate and have delivered into the Company’s system for the Customer’s account. In the event historical data is not available, the Company will determine the MDQ based on data provided by the customer. Once historical data becomes available the MDQ will be revised.

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**Original SHEET No. 47**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Transportation Service**

**Rate T-3**

**6. Imbalances**

The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.

$$\text{Imbalance} = \text{Dth}_{\text{Customer}} - \text{Dth}_{\text{Company}}$$

Where:

1. "Dth<sub>Customer</sub>" are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in the Company's current Transportation tariff.
2. "Dth<sub>Company</sub>" are the volumes the Company delivered into customer's facilities, however, the Company will adjust the Imbalance, if at the Company's request, the customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.

The Imbalance volumes will be resolved by use of the following procedure:

- a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b)

If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked" volumes from the customer at the rates described in the following "Cash out" method in item (b).

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**Original SHEET No. 48**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Transportation Service**

**Rate T-3**

b) "Cash out" Method

<u>Imbalance volumes</u>		<u>Negative Imbalances Cash-Out Price</u>		<u>Negative Imbalances Cash-Out Price</u>
First <sup>1</sup>	5% of Dth <sub>Customer</sub>	@ 100% of Index Price <sup>2</sup>	@	100% of Index Price
Next <sup>1</sup>	5% of Dth <sub>Customer</sub>	@ 110% of Index Price <sup>2</sup>	@	90% of Index Price
Over <sup>1</sup>	10% of Dth <sub>Customer</sub>	@ 120% of Index Price <sup>2</sup>	@	80% of Index Price

<sup>1</sup> Not to exceed Imbalance volumes

<sup>2</sup> The index price will equal the effective "Cash out" index price in effect for the transporting pipeline or as filed with the Commission by the Company.

c) Customer will be reimbursed for all pipeline transportation commodity charges applying to cash out volumes. However, the reimbursement will not exceed pipeline transportation commodity charges the Company would have incurred to transport the "Cash Out" volumes.

d) In addition to other tariff penalty provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) and/or suppliers resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into customer's facilities.

e) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth<sub>Company</sub>", on a monthly basis at \$0.10/Dth per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to the Customer in the month following delivery to the Company on the Customer's account.

**7. Curtailment**

a) The Company shall have the right at any time without liability to the customer to curtail or to discontinue the delivery of gas entirely to the customer for any period of time when such curtailment or discontinuance is necessary to protect the requirements of domestic and commercial customers; to avoid an increased maximum daily demand in the Company's gas purchases; to avoid excessive peak load and demands upon the gas transmission or distribution system; to relieve

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**Interruptible Transportation Service**

**Rate T-3**

system capacity constraints; to comply with any restriction or curtailment of any governmental agency having jurisdiction over the Company or its supplier or to comply with any restriction or curtailment as may be imposed by the Company's supplier; to protect and insure the operation of the Company's underground storage system; for any causes due to force majeure (which includes acts of God; strikes, lockouts, civil commotion, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, etc.); and for any other necessary or expedient reason at the discretion of the Company.

- b) All curtailments or interruptions shall be in accordance with and subject to the Company's "Curtailment Order" as contained in Section 35 of its Rules and Regulations as filed with and approved by the Public Service Commission.
- c) In the event a customer fails in part or in whole to comply with a Company Curtailment Order either as to time or volume of gas used or uses a greater quantity of gas than its allowed volume under terms of the Curtailment Order, the Company may, at its sole discretion, apply a penalty rate of up to \$15.00 per Dth. In addition to other tariff penalty provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) or supplier(s) resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into customer's facilities.

**8. Special Provisions**

It will be the responsibility of the customer to pay all costs for additional facilities and/or equipment which will be required as a result of receiving service under this Interruptible Transportation Service Rate T-3. Electronic flow measurement ("EFM") equipment is required to be installed, maintained, and operated by the Company to obtain transportation service. The customer is responsible for providing the electric and communications support services related to the EFM equipment. Customers required to install EFM may elect the optional monthly EFM facilities charge. NOTE: Customers utilizing this service as of July 1, 2007, whose contractual requirements with the Company are less than 100 Mcf/day, are not required to have EFM equipment; however, such customers may, at their option, elect to install EFM equipment under the same provisions set forth above.

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.

Refer to Transportation Pooling for the option of participating in a Transportation Pooling Service.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Transportation Service**

**Rate T-3**

**11. Alternative Fuel Responsive Provision**

Notwithstanding any other provision of this tariff, the Company may, periodically, flex the applicable Distribution Charge on a customer specific basis if, a customer presents sufficient reliable and persuasive information to satisfactorily prove to the Company that alternative fuel, usable by the customer's facility, is readily available, in both advantageous price and adequate quantity, to completely or materially displace the gas service that would otherwise be facilitated by this tariff. The customer shall submit the appropriate information by affidavit on a form on file with the Commission and provided by the Company. The Company may require additional information to evaluate the merit of the flex request.

Pursuant to this Section, the Company may flex the otherwise applicable transportation rate to allow the delivered cost of gas to approximate the customer's total cost, including handling and storage charges, of available alternative fuel. The minimum flexed rate shall be the non-commodity component of the customer's otherwise applicable rate.

The Company will not flex for volumes which, if delivered, would exceed either (1) the current operable alternative fuel fired capability of the customer's facilities, or (2) the energy equivalent of the quantity of alternative fuel available to the customer, whichever is less. The Company reserves the right to confirm, to its satisfaction, the customer's alternative fuel capability and the reasonableness of the represented price and quantity of available alternative fuel.

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**Original SHEET No. 52**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Firm Transportation Service**

**Rate T-4**

**1. Applicable**

Entire Service Area of the Company to any customer for that portion of the customer's firm requirements not included under one of the Company's sales tariffs.

**2. Availability of Service**

- a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require firm transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
- b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.

**3. Net Monthly Rate**

In addition to any and all charges assessed by other parties, there will be applied:

- a) Base Charge - \$350.00 per delivery point (I)
- b) Transportation Administration Fee - 50.00 per customer per month (I)
- c) Distribution Charge for Firm Service

First <sup>1</sup>	300 Mcf	@	\$1.6320	per Mcf	(I)
Next <sup>1</sup>	14,700 Mcf	@	0.8800	per Mcf	(I)
Over	15,000 Mcf	@	0.6200	per Mcf	(I)
- d) Applicable Non-Commodity Components as calculated in the Company's Gas Cost Adjustment (GCA) filing.
- e) Electronic Flow Measurement ("EFM") facilities charges, if applicable.
- f) Pipe Replacement Program (PRP) Ride.

<sup>1</sup> All gas consumed by the customer (sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

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**Original SHEET No. 53**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Firm Transportation Service**

**Rate T-4**

**4. Net Monthly Bill**

The Net Monthly Bill shall be equal to the sum of the Base Charge, the Transportation Administration Fee, and applicable Distribution Charge and Non-Commodity Component, applicable Pipe Replacement Program charges, and any applicable Electronic Flow Measurement (“EFM”) facilities charges (see subsection 8 “Special Provisions” of this tariff.)

**5. Nominated Volume**

Definition: “Nominated Volume” or “Nomination” – The level of daily volume in Dth as requested by the customer to be transported and delivered by the Company. Such volume nominated by the Customer shall include an allowance for the Company’s system Lost and Unaccounted gas percentage as stated in the Company’s current Transportation tariff Sheet No. 6. The volumes delivered by the Customer to the Company for redelivery to the Customer’s facilities will be reduced to cover the related system Lost and Unaccounted gas quantities.

Such nomination request shall be made by the customer to the Company on a periodic basis prior to the nomination deadline of the respective interstate transporter. Such nomination may be adjusted prospectively from time to time during the billing period as may become necessary. However, the Company retains the right to limit the number of nomination adjustments during the billing period. Daily nominations shall not exceed the Customer’s Maximum Daily Quantity (MDQ). Maximum Daily Quantity means the maximum daily volume of gas, as determined by the Company based on Customer’s historical metered volumes, which a Customer under this Rate Schedule will be allowed to nominate and have delivered into the Company’s system for the Customer’s account. In the event historical data is not available, the Company will determine the MDQ based on data provided by the customer. Once historical data becomes available the MDQ will be revised.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Firm Transportation Service**

**Rate T-4**

**6. Imbalances**

The Company will calculate, on a monthly basis, the customer's Imbalance resulting from the differences that occur between the volume that the customer had nominated into the Company's facilities and the volume the Company delivered to the customer's facilities plus an allowance for system Lost and Unaccounted gas quantities.

$$\text{Imbalance} = \text{Dth}_{\text{Customer}} - \text{Dth}_{\text{Company}}$$

Where

1. "Dth<sub>Customer</sub>" are the total volumes that the customer had delivered to the Company's Facilities. Such volumes nominated by the Customer shall include an allowance for the Company's system Lost and Unaccounted gas percentage as stated in The Company's current Transportation tariff Sheet No. 6.
2. "Dth<sub>Company</sub>" are the volumes the Company delivered into customer's facilities, however, the Company will adjust the Imbalance, if at the Company's request, customer did not take deliveries of the volumes the customer had delivered to the Company's facilities.

The Imbalance volumes will be resolved by use of the following procedure:

- a) If the Imbalance is negative and the Imbalance volumes were approved by the Company, then the customer will be billed for the Imbalance volumes at the rates described in the following "cash out" method in item b).

If the Imbalance is positive, then the Company will purchase the Imbalance volumes in excess of "parked" volumes from the customer at the rates described in the following "Cash out" method in item (b).

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Firm Transportation Service**  
**Rate T-4**

b) "Cash out" Method

<u>Imbalance volumes</u>		<u>Negative Imbalances</u>	<u>Negative Imbalances</u>
		<u>Cash-Out Price</u>	<u>Cash-Out Price</u>
First <sup>1</sup>	5% of Dth <sub>Customer</sub>	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price
Next <sup>1</sup>	5% of Dth <sub>Customer</sub>	@ 110% of Index Price <sup>2</sup>	@ 90% of Index Price
Over <sup>1</sup>	10% of Dth <sub>Customer</sub>	@ 120% of Index Price <sup>2</sup>	@ 80% of Index Price

<sup>1</sup> Not to exceed Imbalance volumes

<sup>2</sup> The index price will equal the effective "Cash out" index price in effect for the transporting pipeline or as filed with the Commission by the Company.

- c) Customer will be reimbursed for all pipeline transportation commodity charges applying to cash out volumes. However, the reimbursement will not exceed pipeline transportation commodity charges the Company would have incurred to transport the "Cash Out" volumes.
- d) In addition to other tariff penalty provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) or supplier(s) resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into customer's facilities.
- e) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth<sub>Company</sub>", on a monthly basis at \$0.10/Dth per month. The parking service will be provided on a "best efforts" basis by the Company. Parked volumes will be deemed "first through the meter" delivered to the Customer in the month following delivery to the Company on the Customer's account.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Firm Transportation Service**

**Rate T-4**

**7. Curtailment**

- a) All curtailments or interruptions shall be in accordance with and subject to the Company's "Curtailment Order" as contained in Section 35 of its Rules and Regulations as filed with and approved by the Public Service Commission and for any causes due to force majeure (which includes acts of God; strikes, lockouts, civil commotion, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, etc.); and for any other necessary or expedient reason at the discretion of the Company.
- b) In the event a customer fails in part or in whole to comply with a Company Curtailment Order either as to time or volume of gas used or uses a greater quantity of gas than its allowed volume under terms of the Curtailment Order, the Company may, at its sole discretion, apply a penalty rate of up to \$15.00 per Dth. In addition to other tariff penalty provisions, the customer shall be responsible for any incremental charges assessed by the pipeline(s) or supplier(s) resulting from the customer's failure to match volumes that the customer had delivered to the Company's facilities with volumes the Company delivered into customer's facilities.

**8. Special Provisions**

It will be the responsibility of the customer to pay all costs for additional facilities and/or equipment which will be required as a result of receiving service under this Firm Transportation Service Rate T-4. Electronic flow measurement ("EFM") equipment is required to be installed, maintained, and operated by the Company to obtain transportation service. The customer is responsible for providing the electric and communications support services related to the EFM equipment. Customers required to install EFM may elect the optional monthly EFM facilities charges. NOTE: Customers utilizing this service as of July 1, 2007, whose contractual requirements with the Company are less than 100 Mcf/day, are not required to have EFM equipment; however, such customers may, at their option, elect to install EFM equipment under the same provisions set forth above.

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.

Refer to Transportation Pooling for the option of participating in a Transportation Pooling Service.

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**ATMOS ENERGY CORPORATION**

(NAME OF UTILITY)

**Firm Transportation Service**

**Rate T-4**

**9. Terms and Conditions**

- a) Specific details relating to volume, delivery point and similar matters may be covered by a separate written contract or amendment with the customer.
- b) The Company will not be obligated to deliver a total supply of gas to the customer in excess of the customer's maximum daily transportation volumes. The Company has no obligation under this tariff to provide any sales gas to the customer.
- c) It shall be the customer's responsibility to make all necessary arrangements, including obtaining any regulatory approval required, to deliver gas under this Firm Transportation Service Rate to the facilities of the Company.
- d) The Company reserves the right to refuse to accept gas that does not meet the Company's quality specifications.
- e) The Rules and Regulations and Orders of the Kentucky Public Service Commission and of the Company and the Company's General Terms and Conditions applicable to the Company's Sales Tariff Rates shall likewise apply to these Transportation Service Rates and all contracts and amendments there under.
- f) In the event the customer loses its gas supply, it may be allowed a reasonable time in which to secure replacement volumes (up to the contract daily transportation quantity), subject to provisions of Section 5 of this tariff.

A "reasonable time" will be, except when precluded by operational constraints, matched to the make-up grace period by the respective interstate pipeline transporter.

- g) The customer will be solely responsible to correct, or cause to be corrected, any imbalances it has caused on the applicable pipeline's system.

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**Firm Transportation Service**

**Rate T-4**

**10. Late Payment Charge**

A penalty may be assessed if a customer fails to pay a bill for services by the due date shown on the customer's bill. The penalty may be assessed only once on any bill for rendered services. Any payment received shall first be applied to the bill for service rendered. Additional penalty charges shall not be assessed on unpaid penalty charges.

**11. Alternative Fuel Responsive Flex Provision**

Notwithstanding any other provision of this tariff, the Company may, periodically, flex the applicable Distribution Charge on a customer specific basis if, a customer presents sufficient reliable and persuasive information to satisfactorily prove to the Company that alternative fuel, usable by the customer's facility, is readily available, in both advantageous price and adequate quantity, to completely or materially displace the gas service that would otherwise be facilitated by this tariff. The customer shall submit the appropriate information by affidavit on a form on file with the Commission and provided by the Company. The Company may require additional information to evaluate the merit of the flex request.

Pursuant to this Section, the Company may flex the otherwise applicable transportation rate to allow the delivered cost of gas to approximate the customer's total cost, including handling and storage charges, of available alternative fuel. The minimum flexed rate shall be the non-commodity component of the customer's otherwise applicable rate.

The Company will not flex for volumes which, if delivered, would exceed either (1) the current operable alternative fuel fired capability of the customer's facilities, or (2) the energy equivalent of the quantity of alternative fuel available to the customer, whichever is less. The Company reserves the right to confirm, to its satisfaction, the customer's alternative fuel capability and the reasonableness of the represented price and quantity of available alternative fuel.

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(NAME OF UTILITY)

**Alternate Receipt Point Service**

**Rate T-5**

**1. Applicable**

Entire service area of the Company to any customer, subject to limitations noted below, for that portion of the customer's Rate T-2 transportation or carriage service (Rate T-3 or Rate T-4) requirements.

**2. Availability of Service**

- a) Available, subject to restrictions noted below, to any customer utilizing transportation or carriage services, on an individual service at the same premise, who has purchased its own supply of natural gas and requests delivery to the Company at a receipt point other than the Company's interconnection with the pipeline, or supplier immediately upstream of customer's premises, or the receipt point designated as the primary receipt point in such customer's contract with the Company.
- b) The alternate receipt point through which service is requested must be physically accessible via the Company's existing pipeline system upstream of the delivery point to the customer's facilities.
- c) The Company shall determine the portions of its system to which access may be granted to a specific Alternate Receipt Point.
- d) Access to certain alternate receipt points may be limited or restricted altogether by the Company.
- e) Availability of service is contingent upon the Company's determination that such service is available through existing facilities.
- f) The Company may decline to initiate service to a customer under this tariff, if in the Company's judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.

**3. Net monthly Rate**

In addition to any and all charges assessed by other parties, and in addition to the charges applicable to Customer associated with their Rate T-2 transportation or Rate T-4 carriage service requirements, the following supplemental administrative charge will be applied during months in which volumes are received and transported from the Alternate Receipt Point:

- a) Administrative Charge @ \$50.00 per month

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TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 60**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Alternate Receipt Point Service**

**Rate T-5**

The administrative fee is waived if, during the month, the Alternate Receipt Point represents the only point of receipt utilized by the customer.

**4. Imbalances**

- a) Volumes delivered by the Company under the Alternate Receipt Point service may be subjected to imbalance restrictions additional to those specified in the transportation (Rate T-3 or Rate T-4) tariffs.
- b) Parking allowances for volumes delivered under the Alternate Receipt Point service may be limited or restricted altogether, at the Company's judgment.

**5. Terms and Conditions**

- a) Volumes under the Alternate Receipt Point service are received for redelivery by the Company on a strictly interruptible basis.
- b) The Company is not responsible for any costs incurred by the customer in its arrangement for gas supply or capacity to the Alternate Receipt Point.
- c) Specific details relating to volume, receipt point(s) and similar matters shall be covered by a separate written contract or amendment with the customer.
- d) Other than provisions referenced herein, or as more specifically set forth in the contract or amendment with the customer, all provisions of the customer's transportation (Rate T-3 or Rate T-4) tariffs shall apply.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Transportation Pooling Service**

**Rate T-6**

**1. Applicable**

Entire service area of the Company to any customer, subject to limitations noted below, for that portion of the customer's transportation service (Rate T-3 or Rate T-4) requirements.

**2. Terms and Conditions**

- a) For the purpose of this section, a Pool Manager is defined as an entity which has been appointed by a customer or group of customers served under this rate schedule to perform the functions and responsibilities of requesting information, nominating supply, and other related duties. The Pool Manager shall have all of the rights under this Transportation Pooling Service and the companion rate schedules (i.e. T-3, T-4) as does a Customer transporting gas supply.
- b) The Pool Manager will be responsible for arranging for volumes of transportation gas to meet the daily and monthly requirements of customers in the pool. The cash out provisions and/or any daily scheduling provisions of rate schedule T-4 shall be applied against the aggregate volume of all customers in a specific pool. The Pool Manager will be responsible for the payment of any monthly cash out payments, scheduling fees and any penalties incurred by a specific pool.
- c) The Company, at its sole discretion, shall establish pooling areas by Connecting Pipeline, Pipeline zone, Company receipt point, geographic area, operational area, companion rate schedule (i.e. T-3 and T-4), administrative or other appropriate parameters.
- d) No customer shall participate in a Pool that does not individually meet the availability conditions of this rate schedule or the applicable T-3 or T-4 tariffs, and no customer shall participate in more than one pool concurrently. Customers must have EFM and must utilize the Company's electronic nomination system to qualify for this pooling service.
- e) To receive service hereunder, the Pool Manager shall enter into a Pool Management Agreement with Company and shall submit an Agency Authorization Form for each member of the pool, signed by both Customer and its Pool Manager.
- f) The Pool Manager shall submit a signed Pool Management Agreement and an Agency Authorization Form for each member of the pool at least 30 days prior to the beginning of a billing period when service under this rate schedule shall commence. A customer who terminates service under this rate schedule or who desires to change Pool Managers shall likewise provide Company with a written notice at least 30 days prior to the end of a billing period.

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**Transportation Pooling Service**

**Rate T-6**

- g) The Pool Manager shall upon request of the Company agree to maintain a cash deposit, a surety bond, an irrevocable letter of credit, or such other financial instrument satisfactory to Company in order to assure the Pool Manager's performance of its obligations under the Pool Management Agreement. In determining the level of the deposit, bond, or other surety to be required of the Pool Manager, the Company shall consider such factors, including, but not limited to, the following: the volume of natural gas to be transported on behalf of the Pool members, the general credit worthiness of the Pool Manager, and the Pool Managers prior credit record with the Company, if any. In the event that the Pool Manager defaults on its obligations under this rate schedule or the Pool Management Agreement, the company shall have the right to use such cash deposit, or proceeds from such bond, irrevocable letter of credit, or other financial instrument to satisfy the Pool Manager's obligation hereunder. Specific terms and conditions regarding credit requirements shall be included in the Pool Management Agreement. Such credit requirements shall be administered by the Company in a non-discriminatory manner, and such credit requirements may change as the requirements of the pool change.
- h) The Pool Manager shall notify the Company in writing of any changes in the composition of the pool at least 30 days prior to the beginning of the first billing period that would apply to the modified pool.
- i) The Pool Management Agreement will be terminated by the Company upon 30 days written notice if a Pool Manager fails to meet any condition of this rate schedule. The Pool Management Agreement will also be terminated by the Company upon 30 days written notice if the Pool Manager has payments in arrears. Written notice of termination of the Pool Management Agreement shall be provided both to the Pool Manager and to the individual members of the pool by the Company.
- j) Company shall directly bill the Pool Manager for the monthly cash out charges, penalties, or other payments contained in this rate schedule. The monthly bill will be due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.
- k) Company shall directly bill the individual customers in the pool for all charges as specified in their contract in accordance with the tariff under which their service is provided.

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**Special Charges**

<u>Service</u>	<u>After Hours</u>	<u>Regular</u>
Meter Set*	\$44.00	\$34.00
Turn-on*	28.00	23.00
Read	14.00	12.00
Reconnect Delinquent Service	47.00	39.00
Seasonal Charge	73.00	65.00
Special Meter Reading Charge	N/A	No Charge
Meter Test Charge	N/A	20.00
Returned Check Charge	N/A	25.00
Door Tag Fee	N/A	10.00
Late Payment Charge (Rate G-1 only)		5%
Optional Facilities Charge for Electronic Flow Measurement ("EFM") equipment		
- Class 1 EFM equipment (less than \$7,500, including installation costs)		75.00 per mo.
- Class 2 EFM equipment (more than \$7,500, including installation costs)		175.00 per mo.
* Waived for qualified low income applicants ("LIHEAP participants")		

(T)

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**Original SHEET No. 64**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Rules and Regulations**

**1. Commission's Rules and Regulations**

All gas service rendered by the Company shall be in accordance with the Kentucky Public Service Commission (Commission) law and the acts, rules, regulations and forms which have been adopted by the Public Service Commission of Kentucky and all amendments and modification which may be made by the Commission. In the event of a conflict between Commission law or regulations and a following Company rule the Commission regulation will control, unless the Company rule was approved by the Commission.

**2. Company's Rules and Regulations**

In addition to the Rules and Regulations prescribed by the Commission, all gas service rendered shall also be in accordance with the following Company Rules and Regulations adopted by the Company. The following rules are part of the Contract between the Company and each Customer.

**3. Application for Service**

Applications for service may be made at the Company's local office either in person, or by telephone. The application for service is not complete until the applicant has fulfilled all applicable tariff eligibility requirements and complied with these rules. A separate application or contract shall be made for each class of service at each separate location.

In cases where unusual circumstances or equipment expense is necessary to furnish the service, the Company may require a contract for a minimum period of one (1) year.

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**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Rules and Regulations**

**4. Billings**

a) The following is an example of the monthly bills sent to the Company's residential customers:

**ATMOS energy**  
Emergency Telephone: 24/7 1-866-322-8667  
Customer Service: 8:00 AM - 8:00 PM Sat Sun (Central) 1-888-286-6700 Atmosenergy.com

Customer Number: [Redacted]  
Customer Name: [Redacted]  
Service Address: [Redacted]  
Billing Date: 01/29/13  
PAST DUE AFTER: 02/11/13

Class of Service	Rate	From	To	Present Reading	Preceding Reading	Units Consumed	Rate	Amount
RESIDENTIAL		12/29/12	1/27/13	1191	1130	61	245.00	245.00

**IMPORTANT MESSAGES:**  
YOUR SAFETY IS IMPORTANT! **FLUE** - Clean and have gas discharge your gas meter and flue. When removed, always use a broom, not a shovel, to remove snow from your gas meter. This will protect the meter and help us read it accurately. In case of an emergency, we will need to locate your meter quickly, so never pile snow onto the meter. Also, check that all your chimneys and vent pipes are clear to prevent carbon monoxide buildup.  
**CALL US IMMEDIATELY IF YOU SMELL GAS** - If you suspect a gas leak, don't walk toward the leak, and from a safe distance call us anytime at 1-866-322-8667 or 911.  
**BEWARE OF CARBON MONOXIDE** - Carbon monoxide (CO) is a potentially deadly gas produced by improperly working appliances. Have your heating equipment checked regularly for safety and efficiency. Also, install approved CO detectors in sleeping rooms.

**BILLING INFORMATION:**

PREVIOUS BALANCE	104.43
Payment Received 01/09/2013	104.43
<b>CURRENT GAS CHARGE TOTAL</b>	<b>167.51</b>
RESIDENTIAL	
Customer Charge	12.50
Distribution Charge: 245.00 @ 0.1014 \$/cu ft	24.80
Gas Cost Charge: @ 0.4013 \$/cu ft	11.20
School Fee: @ 0.0500	4.01
<b>OTHER CHARGE TOTAL</b>	<b>1.70</b>
HP Charge - Fixed	
<b>CURRENT CHARGES</b>	<b>169.29</b>
<b>TOTAL AMOUNT DUE</b>	<b>169.29</b>

YOUR ACCOUNT WILL AUTOMATICALLY BE DRAFTED ON THE DUE DATE

**ATMOS energy**  
Customer Number: [Redacted]  
To update your mailing address or donate to energy assistance, check item and complete the form on the back.

PRIOR AMOUNT DUE	TOTAL AMOUNT DUE	PAST DUE AFTER
0.00	169.29	02/11/13

Amount Enclosed, \$ \_\_\_\_\_

**ATMOS ENERGY**  
PO Box 790311  
ST LOUIS, MO 63129-0311  
1-866-322-8667

\*\*\* PAID BY BANK DRAFT \*\*\*

- 1. Class of Service
- 2. Present and last Preceding Meter Reading
- 3. Date of Present Reading
- 4. Number of Units Consumed
- 5. Meter Constant if Any- Not Applicable to Residential Service
- 6. Net Amount for Service Rendered
- 7. Gross Amount of Bill - Not Applicable to Residential Service
- 8. Date After Which a Penalty May Apply

Note: Large Volume Commercial and Industrial Billing Will Display the Above Information but May be Presented in Different Format.

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(NAME OF UTILITY)

**Rules and Regulations**

- b) A conversion factor will be shown on the billing form when the basis of measurement for meter registration is different from the billing basis of measurement.
- c) The Company will read customer meters at least every two months, except during the months of November through April during which time meters will be read monthly unless prevented by reasons beyond the Company's control. However, customer-read meters shall be read by the Company at least once during each calendar year. Records shall be kept by the Company to insure that this information is available to Commission staff and any customer requesting this information. If, due to reasons beyond its control, the Company is unable to read a meter in accordance with this subsection, the Company shall record the date and time the attempt was made, if applicable, and the reason the Company was unable to read the meter.
- d) The gas consumed shall be measured by a meter or meters to be installed by the Company upon the customer's premises at a point most accessible or convenient for the Company. Except where multiple meters were installed at the Company's option each meter on the customer's premises shall be considered separately in calculating the amount of any bills. Meters include all measuring instruments and equipment.
- e) Monthly consumption of unmetered gas used for an outdoor gas light, as approved by the Company, will be calculated to be 2,000 cubic feet per month per mantle for upright mantles and for each pair of inverted mantles. On special models of gas lights where gas consumption is greater than those referred to above, the Company shall estimate the monthly consumption to the closest 100 cubic feet and bill customers that equal amount each month. Such consumption shall be billed under the appropriate rate applicable to the customer.
- f) Bills for gas service will be rendered monthly unless otherwise specified. Bills are due upon rendition and the past due date will be shown on the bill.
- g) When the Company is unable to read the meter after a reasonable effort, or where the meter fails to operate, the customer will be billed on an estimated basis at the average of three (3) immediately preceding months, or similar months of utilization, and the billing adjusted as necessary when the meter is read.

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**Rules and Regulations**

**5. Deposits**

- a) The Company may require from any customer a minimum cash deposit or other guaranty to secure payment of bills, except from those customers qualifying for service reconnection under Section 12 of these Rules and Regulations. The amount of a cash deposit shall not exceed two-twelfths (2/12) of the estimated annual bill of a customer who is to be billed on a monthly basis, three-twelfths (3/12) where bills are rendered bimonthly, or four-twelfths (4/12) where bills are rendered quarterly. If actual usage data is available for the customer at the same or similar premises, the deposit amount shall be calculated using the customer's average bill for the most recent twelve (12) month period. If actual usage data is not available, the deposit amount shall be based on the average bills of similar customers and premises in the system.
- b) A deposit will be required from a customer or applicant who:
1. Lacks a satisfactory credit or payment history.
  2. Was previously terminated due to non-payment for natural gas service.
  3. Is not the property owner (a renter of the premises to be served).
  4. Is requesting service for a mobile home.
- c) If a customer has been late on two (2) or more payments in the last twelve (12) months and does not have a deposit on file with the Company, the Company may require that a deposit be made.
- d) If a substantial change in usage has occurred, the Company may require that an additional deposit be made. No additional or subsequent deposit shall be required of residential customers whose payment record is satisfactory, unless the customer's classification of service changes.
- e) The Company will issue to every customer from whom a deposit is collected a receipt of deposit. The receipt will show the name of the customer, location of the service or customer, account number, date, and amount of deposit. If the deposit amount changes, the Company will issue a new receipt of deposit to the customer.

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**Rules and Regulations**

- f) Except for Winter Hardship Reconnections (as provided by Section 12 of these Rules and Regulations) customer service may be refused or discontinued if payment of requested deposit is not made.
- g) Interest will accrue on all deposits at a rate prescribed by law, beginning on the date of deposit. Interest accrued will be refunded to the customer or credited to the customer's bill on an annual basis, except that the Company will not be required to refund or credit interest on deposits if the customer's bill is delinquent on the anniversary of the deposit date. If interest is paid or credited to the customer's bill prior to twelve (12) months from the date of deposits, the payment or credit shall be on a prorated basis. Upon termination of service, the deposit, any principal amounts, and interest earned and owing will be credited to the final bill with any remainder refunded to the customer.

When a deposit is required from a customer it will be held for twelve (12) months, or until service is discontinued, unless one of the following has occurred: (a) service has been terminated for non-payment of services or (b) the customer has been late on two (2) or more payments in the last twelve (12) months.

**6. Special Charges**

The Company may make special nonrecurring charges, approved by the Commission, to recover (T) customer-specific costs incurred to benefit specific customers. Listed below are the special charges included in the Company's tariff and a short description of the related service performed or action taken by the Company. See the Special Charges, Sheet No. 63 for the amount of the charge.

- a) Meter Set. A meter set charge may be assessed for a new service or re-set, or temporary service.
- b) Turn On. A turn on charge may be assessed for connecting service which has been terminated or idle at a given premises for reasons other than nonpayment of bills or violation of the Company or Commission regulations.
- c) Read. A read charge may be assessed for the establishment of new service where only a meter read is required.

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**Rules and Regulations**

- d) Reconnect Delinquent Service. A reconnect delinquent service charge may be assessed to reconnect a service which has been terminated for nonpayment of bills or violation of the Company or Commission regulations. Customers qualifying for service reconnection under Section 12 of these Rules and Regulations shall be exempt from reconnect charges.
- e) Seasonal Charge. A seasonal charge may be assessed when the customer's service has been disconnected at his request and at any time subsequently within (12) months is reconnected at the same or any other premises.
- f) After Hours Charge. An additional charge shall be applied to any special service activity, including reconnects for delinquent service, initiated at the customer's request outside normal business hours such as at night, on weekends or holidays. The Company shall advise the customer of the applicable after hours charge upon initiation of the service request and offer the customer the alternative to perform the requested activity during normal business hours, including reconnects for delinquent service, as a means to avoid the after hours charge.
- g) Special Meter Reading Charge. This charge may be assessed when a customer requests that a meter be reread and the second reading shows that the original reading was correct. No charge shall be assessed if the original reading was incorrect. This charge may also be assessed when a customer who reads his own meter fails to read the meter for three (3) consecutive months, and it is necessary for a Company representative to make a trip to read the meter.  
  
(No such charge may be assessed until the amount of the charge is approved or otherwise accepted by the Commission).
- h) Meter Resetting Charge. A charge may be assessed for resetting a meter if the meter has been removed at the customer's request.
- i) Meter Test Charge. This charge may be assessed if a customer requests the meter be tested pursuant to Section 13 and 807 KAR 5:006, section 18, and the tests show the meter is not more than two (2) percent fast. No charge shall be made if the test shows the meter is more than two (2) percent fast.
- j) Returned Check Charge. A returned check charge may be assessed if a check accepted for payment of a Company bill is not honored by the customer's financial institution.

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- k) Late Payment Charge. A late payment charge may be assessed if a customer fails to pay a bill for services by the due date shown on the customer's bill. The penalty may be assessed only once on any bill for rendered services. Any payment received will first be applied to the bill for services rendered. Additional penalty charges will not be assessed on unpaid penalty charges.
- l) Door Tag Fee. A charge may be assessed when the Company and the Customer agree to an appointment time for a service call at the Customer's premise, but the Customer fails to appear and the service order cannot be completed. (No such charge may be assessed until the amount of the charge is approved or otherwise accepted by the Commission.) (T)

**7. Customer Complaints to The Company**

Upon complaint to the Company by a customer at the Company's office, by telephone or in writing, the Company shall make a prompt and complete investigation and advise the customer of its finding. The Company shall keep a record of all written complaints concerning its service. This record shall include: (T)

- (a) The customer's name and address; (T)  
(b) The date and nature of the complaint; and (T)  
(c) The disposition of the complaint (T)

Records shall be maintained for two (2) years from the date of resolution of the complaint. If a written complaint or a complaint made in person at the Company's office is not resolved, the Company shall provide written notice to the customer of his or her right to file a complaint with the Commission, and shall provide the customer with the mailing address, Web site address and telephone number of the Commission. If a telephonic is not resolved, the Company shall provide at least oral notice to the customer of his or her right to file a complaint with the Commission and the mailing address, Web site address and telephone number of the Commission. (T)

**8. Bill Adjustments**

- a) If upon periodic test, request test, or complaint test, a meter in service is found to be more than two (2) percent fast, additional tests shall be made to determine the average error of the meter. The test will be made in accordance with Commission regulations applicable to the type of meter involved.

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(NAME OF UTILITY)

**Rules and Regulations**

- b) If test results on a customer's meter show an average error greater than two (2) percent fast or slow, or if a customer has been incorrectly billed for any other reason, except in an instance where the Company has filed a verified complaint with the appropriate law enforcement agency alleging fraud or theft by a customer, the Company will immediately determine the period during which the error has existed and will recompute and adjust the customer's bill. The adjustment will provide either a refund to the customer or collect an additional amount of revenue from the underbilled customer. The Company will readjust the account based upon the period during which the error is known to have existed. If the period during which the error existed cannot be determined with reasonable precision, the time period will be estimated using such data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of similar customer loads shall be used for comparison purposes in calculating the time period. If the customer and the Company are unable to agree on an estimate of the time period during which the error existed, the Commission will determine the issue. In all instances of customer overbilling the customer's account will be credited or the overbilled amount refunded at the discretion of the customer within thirty (30) days after the final meter test results. The Company will not require customer repayment of any underbilling to be made over a period shorter than a period equal to the underbilling period.
- c) The Company will monitor customers' usage at least quarterly by comparing the volume against a high and low parameter. This parameter is based on the customer's usage from last month and the same billing period last year adjusted for weather conditions. (T)

The above procedures are designed to draw the Company's attention to unusual deviations in a customer's usage and provide reasonable means by which the Company can determine the reasons for the unusual deviation. If a customer's usage is unduly high and the deviation is not otherwise explained, the Company will test the customer's meter to determine whether the meter shows an average error greater than two (2) percent fast or slow.

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**Rules and Regulations**

d) If the Company's procedure for monitoring usage indicates that an investigation of a customer's usage is necessary, the Company shall notify the customer in writing: (T)

1. Within ten (10) days of removing the meter from service, that a usage investigation is being conducted and the reasons for the investigation; and (T)
2. Within ten (10) days upon completion of the investigation of the findings of the investigation. (T)

If knowledge of a serious situation requires more expeditious notice, the Company shall notify the customer by the most expedient means available. If the meter shows an average meter error greater than two (2) percent fast or slow, the Company shall maintain the meter in question at a secure location under the Company's control, for a period of six (6) months from the date the customer is notified of the finding of the investigation and the time frame the meter will be secured by the Company or if the customer has filed a formal complaint pursuant to KRS 278.260, the meter shall be maintained until the proceeding is resolved. If a meter is tested and it is found necessary to make a refund or back bill a customer, the customer shall be notified in substantially the following form: (T)

On \_\_\_\_\_, (date) \_\_\_\_\_, the meter bearing identification No. \_\_\_\_\_ installed in your building located at \_\_\_\_\_ (Street and Number) in \_\_\_\_\_ (city) was tested at \_\_\_\_\_ (on premises or elsewhere) and found to register \_\_\_\_\_ (percent fast or slow). The meter was tested on \_\_\_\_\_ (Periodic, Request, Complaint) test. Based upon these test results the utility will \_\_\_\_\_ (charge or credit) your account in the sum of \$ \_\_\_\_\_, which has been noted on your regular bill. If you desire a cash refund, rather than a credit to your account, of any amount overbilled, you shall notify this office in writing within seven (7) days of this notice. (T)

e) If the Company's procedure for monitoring usage indicates that an investigation of a customer's usage is necessary, the Company will notify the customer in writing either during or immediately after the investigation of the reason for the investigation and of the findings of the investigation. If knowledge of a serious situation requires more expeditious notice, the Company will notify the customer by the most expedient means available.

**9. Customer Request for Termination of Service**

a) Any customer desiring service termination or changed from one address to another shall give the Company at least three (3) working days notice in person, in writing, or by telephone, provided such notice does not violate contractual obligations or tariff provisions. The customer shall not be responsible for charges for service beyond the three (3) day notice period if the customer provides reasonable access to the meter during the notice period. If the customer notifies the Company of his request for termination by telephone, the burden of proof is on the customer to prove that service termination was requested if a dispute arises.

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- b) Upon request that service be reconnected at any premises subsequent to the initial installation or connection to its service lines, the Company may charge the applicant a reconnect fee, as set out in the Miscellaneous Charges Rate, Sheet No. 63. (T)
- c) The Company may "soft close" the account of any residential customer requesting service termination. Soft close is the closing of a residential customer's account in order to cease billing without physically disconnecting service to the premises in order to facilitate initiating service for the next residential customer at the same premises. The Company will advise the customer that service may be left on and will instruct the customer to lower all gas appliance thermostats. The Company will also advise the customer that if any gas appliances are to be removed, the line servicing the required appliance must be properly plugged or capped and that a qualified plumber should be contacted. The Company will continue to meter and read consumption at a premises under soft close in the normal manner as provided under Section 4 of these Rules and Regulations. Neither the customer terminating service nor the customer initiating service shall be liable for any gas metered while the premises is under soft close. Within 30 days of service under soft close, the account shall be physically disconnected, unless the Company enters into an agreement with a party responsible for the premises (such as a landlord, homeowner, real estate agent, etc.) moving the account to that party's name.

**10. Partial Payment and Budget Payment Plans**

- a) The Company will negotiate and accept reasonable partial payment plans at the request of residential customers who have received a termination notice for failure to pay as provided in Section 11 of these Rules and Regulations, except that the Company is not required to negotiate a partial payment plan with a customer who is delinquent under a previous partial payment plan. Partial payment plans will be mutually agreed upon and subject to the conditions in this subsection and Section 11 of these Rules and Regulations. Partial payment plans which extend for a period longer than thirty (30) days shall be in writing and will advise customers that service may be terminated without additional notice if the customer fails to meet the obligations of the plan.
- b) The Company has a budget plan available for the convenience of its customers. The plan is designed to help equalize payment for gas service over a period of twelve months. The budget payment plan amount will be determined based on historical or estimated usage and billing amounts. Levelizing adjustments will be made as frequently as each month. A customer may elect to enter the plan at any time during the year.

To be accepted as a budget customer, the account balance must be paid in total before the customer is put on budget billing. It is understood that this budget billing plan will continue until the customer notifies the Company in writing or by telephone to discontinue the plan or the customer defaults in payment of such plan.

- c) For customers presenting certificates under the provision of Section 11 (c) and Section 12 of these Rules and Regulations, the Company will negotiate partial payment plans based upon the customer's ability to pay, requiring the accounts to become current not later than the following October 15. Such plans may include, but are not limited to, budget payment plans and plans that defer payment of a portion of the arrearage until after the end of the heating season through a schedule of unequal payments.

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**11. Company's Refusal or Termination of Service**

- a) The Company may refuse or terminate service to a customer only under the following conditions, except as provided in subsections (b) and (c) of this section:
- 1) The Company may terminate service for failure to comply with applicable tariffed rules or Commission regulations pertaining to that service. However, the Company will not terminate or refuse service to any customer for noncompliance with its tariffed rules or Commission regulations without first having made a reasonable effort to obtain customer compliance. After such effort by the Company, service may be terminated or refused only after the customer has been given at least ten (10) days written termination notice.
  - 2) If a dangerous condition relating to the Company's service, which could subject any person to imminent harm or result in substantial damage to the property of the Company or others, is found to exist on the customer's premises, the service will be refused or terminated without advance notice. The Company will notify the customer immediately in writing and, if possible, orally of the reasons for termination or refusal. However, if the dangerous condition, such as gas piping or a gas-fired appliance, can be effectively isolated or secured from the rest of the system, the Company may discontinue service only to the affected piping or appliance.
  - 3) When a customer refuses or neglects to provide reasonable access to the premises for installation, operation, meter reading, maintenance or removal of utility property, the Company may terminate or refuse service. Such action will be taken only when corrective action negotiated between the Company and the customer has failed to resolve the situation and after the customer has been given at least ten (10) days written notice of termination.
  - 4) Except as provided in Section 16 of these Rules and Regulations, the Company will not be required to furnish new service to any person contracting for service who is indebted to the Company for service furnished or other tariffed charges until that person contracting for service has paid his indebtedness.
  - 5) The Company may refuse or terminate service to a customer if the customer does not comply with state, municipal or other codes, rules and regulations applying to such service. The Company may terminate service only after ten (10) days written notice is provided, unless ordered to terminate immediately by a governmental official.

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- 6) Company may terminate service at point of delivery for nonpayment of charges incurred for utility service at that point of delivery. Failure to receive a bill does not exempt the person contracting for service from those provisions. However, the Company will not terminate service to any person contracting for service for nonpayment of bills for any tariffed charge without first having mailed or otherwise delivered an advance termination notice. (T)

When the Company is proposing to terminate customer service for nonpayment it will mail or otherwise deliver to that customer ten (10) days written notice of intent to terminate. Under no circumstances will service be terminated before twenty-seven (27) days after the mailing date of the original unpaid bill. The termination notice to residential customers will include written notification to the customer of the existence of local, state, and federal programs providing for the payment of utility bills under certain conditions, and of the address and telephone number of the Department of Community-Based Services of the Cabinet for Health and Family Service (or its designee) to contact for possible assistance. (T)

- 7) The Company may terminate service to a customer without advance notice if it has evidence that a customer has obtained unauthorized service by illegal use or theft. Within twenty-four (24) hours after such termination, the Company will send written notification to the customer of the reasons for termination or refusal of service upon which the Company relies, and of the customer's right to challenge the termination by filing a formal complaint with the Commission. This right of termination is separate from and in addition to any other legal remedies which the Company may pursue for illegal use or theft of service. The Company will not be required to restore service until the customer has complied with all tariffed rules of the Company and laws and regulations of the Commission.
- 8) The termination notice requirements of this subsection shall not apply if termination notice requirements to a particular customer or customers are otherwise dictated by the terms of a special contract between the Company and the customer which has been approved by the Commission.
- 9) The Company reserves the right to refuse or to defer full service to an applicant where the existing mains are inadequate to serve the applicant's requirements without adversely affecting the service to customers already connected and being served.

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- b) The Company will not terminate service to a customer if the following exist:
- 1) If following receipt of a termination notice for nonpayment, but prior to the actual termination of service, there is delivered to the Company payment of the amount in arrears, service will not be terminated.
  - 2) Service will not be terminated for nonpayment if the customer and the Company have entered into a partial payment plan in accordance with Section 14 of these Rules and Regulations and the customer is meeting the requirements of the plan. (T)
  - 3) Service will not be terminated for thirty (30) days beyond the termination date if a physician, registered nurse or public health officer certifies in writing that termination of service will aggravate a debilitating illness or infirmity currently suffered by a resident living at the affected premises. The Company may refuse to grant consecutive extensions for medical certificates past the original thirty (30) days unless the certificate is accompanied by an agreed partial payment plan in accordance with Section 14 of this administrative regulation. The Company will not require a new deposit from a customer to avoid termination of service for a thirty (30) day period who presents to the Company a medical certificate certified in writing by a physician, registered nurse or public health officer. For customers presenting certificates under the provisions Section 15(3) and 16 of this administrative regulation, the Company will negotiate partial payment plans based upon the customer's ability to pay, requiring accounts to become current not later than the following October 15. The plans may include, but are not limited to, budget payment plans and plans that defer payment of a portion of the arrearage until after the end of the heating season through a schedule of unequal payments. (T)
- c) The Company will not terminate service for thirty (30) days beyond the termination date if the Kentucky Cabinet for Health and Family Service (or its designee) certifies in writing that the customer is eligible for the Cabinet's Energy Assistance Program or household income is at or below 130 percent of the poverty level, and the customer presents the certificate to the Company. Customers eligible for the certification from the Cabinet for Health and Family Service will have been issued a termination notice between November 1 and March 31. Certificates will be presented to the Company during the initial ten (10) day termination notice period. As a condition of the thirty (30) day extension, the customer shall exhibit good faith in paying his indebtedness by making a present payment in accordance with his ability to do so. In addition, the customer shall agree to a repayment plan in accordance with Section 14 of this administrative regulation which will permit the customer to become current in the payment of his bill as soon as possible but not later than October 15. The Company will not require a new deposit from a customer to avoid termination of service for a thirty (30) period who presents a certificate to the Company certified by the Cabinet for Health and Family Services (or its designee) that the customer is eligible for the Cabinet's Energy Assistance Program or whose household income is at or below 130 percent of the poverty level. (T)

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**12. Winter Hardship Reconnection**

- a) Notwithstanding the provisions of Section 14(4) of this administrative regulation to the contrary, the Company will reconnect service to a residential customer who has been disconnected for nonpayment of bills pursuant to Section 15(1)(f) of this administrative regulation prior to application for reconnection, and who applies for reconnection during the months from November 1 through March 31 if the customer or his agent: (T)
- 1) Presents a certificate of need from the Cabinet for Health and Family Services (or its designee), including a certificate that a referral for weatherization services has been made in accordance with subsection (c) of this section. (T)
  - 2) Pays one-third (1/3) of his outstanding bill or \$200, whichever is less.
  - 3) Agrees to a repayment schedule which would cause the customer to be current in the payment of his bill, as soon as possible but no later than October 15. However, if, at the time of application for reconnection, the customer has an outstanding bill in excess of \$600 and agrees to a repayment plan that would pay current charges and makes a good faith reduction in the outstanding bill consistent with his ability to pay, then such plan will be accepted. In addition to payment of current charges, repayment schedules shall provide an option to the customer to select either one (1) payment of arrearages per month or more than one (1) payment of arrearages per month. (T)
  - 4) The Company will not require a new deposit from a customer whose service is reconnected due to paragraphs 1, 2 or 3 of this subsection.
- b) A customer who is eligible for energy assistance under the Cabinet for Health and Family Services' guidelines or is certified as being in genuine financial need, which is defined as any household with gross income at or below 130 percent of the poverty level, may obtain a certificate of need from the Cabinet (or its designee) to be used in obtaining a service reconnection from the utility. (T)
- c) Customers obtaining a certificate of need under this section will agree to accept referral to and utilize weatherization services which are administered by the Cabinet for Health and Family Services. The provisions and acceptance of weatherization services is contingent on the availability of funds and other program guidelines. Weatherization services include, but are not limited to, weather stripping, insulation, and caulking. (T)
- d) Customers who are current in their payment plans under this section will not be disconnected

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**13. Request Tests**

- a) The Company will make a test of any meter upon written request of any customer if the request is not made more frequently than once each twelve (12) months. The customer will be given the opportunity to be present at the requested test. If the test shows that the meter was not more than two (2) percent fast, the Company may make a reasonable charge for the test. The amount of the charge will be equal to the reconnect charge shown on Miscellaneous Charges Rate.
- b) After having first obtained a test from the Company, any customer of the Company may request a meter test by the Commission upon written application. Such request shall not be made more frequently on one (1) meter than once each twelve (12) months.

**14. Access to Property**

The Company shall at all reasonable hours have access to meters, service connections and other property owned by it and located on customer's premises for purposes of installation, maintenance, meter reading, operation, replacement or removal of its property at the time service is to be terminated. Any employee of the Company whose duties require them to enter a customer's premises will wear a distinguishing uniform or other insignia, identifying him as an employee of the Company, or show a badge or other identification which will identify him as an employee of the Company.

**15. Service Lines**

When Company initiates service to a new Residential or Commercial Customer, Company will install, own, operate and maintain the service line at the premises of Residential and Commercial Customers, if such premises are not connected to a Company main by a service line. With respect to Residential and Commercial Customers that occupy premises already connected to a Company main by a service line, Company shall be responsible for operating and maintaining the service line from the main to the meter. The Company will own the service line from the main to the property line while the Customer will own the service line from the property line to the meter ("customer-owned service line"). When the Company determines that replacement of customer-owned service line is necessary, Company shall be responsible for installing and maintaining the service line from the main to the meter and shall thereafter own the service line from the main to the meter. If it becomes necessary for Company to replace a service line, Company shall use its best efforts to replace the line, during normal working hours and as soon as practical, after Company is made aware of the need for the replacement of the service line.

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**16. Assignment of Contract**

The benefits and obligations of any service application or contract shall begin when the Company commences to supply gas service. It shall insure to and be binding upon the successors and assigns, survivors and executors or administrators, as the case may be, of the original parties thereto, respectively, for the full term thereof. However, no application, agreement or contract for service may be assigned or transferred without the written consent or approval of the Company.

When the gas supply has been disconnected for non-payment of bills or other violation of the Company's Rules and Regulations the service will not be restored at the same location, or connected at another location, for the same or related occupants under a different contract or name when it is evident the change of name is a subterfuge designed to defraud or penalize the Company.

**17. Renewal of Contract**

If, upon the expiration of any service contract for a specified term, the customer continues to use the service, the contract (unless otherwise provided therein) will be automatically renewed and extended for successive periods of one year each, subject to termination at the end of any year upon thirty (30) days written notice by either Party.

**18. Turning Off Gas Service and Restoring Same**

The gas service may be turned off at the meter when justified by the customer or his agent or any constituted authorities but no person, unless in the employ of the Company or having permission from the Company, shall turn the gas on or restore service.

**19. Special Rules for Customers Serviced from Transmission Mains**

In addition to the Standard Rules and Regulations the following special Rules and Regulations shall apply to all customers served directly from a high pressure transmission main which is the property of the Company or one of its suppliers:

- a) All service connections to a high pressure transmission line shall be subject to the special requirements, consent and approval of the owner of said line. In case the connection is to a line not the property of the Company, proper approval must be obtained from both the owner and the Company.

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- b) An applicant may be required to execute a special form application and service contract or agreement acceptable to both the owner of the transmission line and the Company prior to the time the tap or connection is made. If the transmission line is owned by the Company only the approval and acceptance of the Company is necessary.
- c) All meters, regulators, equipment and connections necessary to serve the customer from a high pressure transmission line shall be installed on the customer's premises at or as near the transmission line as is practical.
- d) Suitable site or location for the equipment owned by the Company or the owner of the line will be provided and furnished by the customer without any expense to the Company or owner of the line. The Company or owner of the line will have the right of ingress, egress and regress to and from this location at any time without any expense or charges from the customer.
- e) The customer's piping extending from the outlet of the meter shall be installed and maintained by the customer at his expense.
- f) The customer shall notify the Company promptly of any leaks in the transmission line or equipment, also, of any hazards or damages to same.
- g) Customers may be required to send in monthly meter readings to the Company on suitable forms provided by the Company.

**20. Owners Consent**

In case the customer is not the owner of the premises where service is to be provided, it will be the customer's responsibility to obtain from the property owner or owners the necessary consent to install and maintain in or on said premises all such piping and other equipment as are required or necessary for supplying gas service to the customer whether the piping and equipment be the property of the customer or the Company.

The Company will not require a prospective customer to obtain easements or rights-of-way on property not owned by the prospective customer as a condition for providing service. The cost of obtaining easements or rights-of-way will be included in the total per foot cost of an extension, and will be apportioned according to Section 29 in these Rules and Regulations.

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**21. Customer's Equipment and Installation**

- a) In addition to the customer-owned service line, if any, the customer shall furnish, install and maintain at his expense the necessary piping downstream from the meter, including but not limited to house piping, connections and appliances. It shall also be the responsibility of the customer to install and maintain same in accordance with the requirements and specification of all local, state and national codes and regulations applicable to his specific usage and occupancy.
- b) All of the piping, connections and appliances shall be suitable for the purposes thereof and shall be maintained by the customer at his expense at all time in a good, safe and serviceable condition.
- c) The Company will inspect the condition of the meter and service connection before making service connections to a new customer so that prior or fraudulent use of the facilities will not be attributed to the new customer. The new customer will be afforded the opportunity to be present at such inspections. The Company will not be required to render service to any customer until any defects in the customer-owned portion of the service facilities have been corrected.
- d) The Company will not assume any responsibility and will not be held liable in any way for the making of any periodic inspection of the customer's piping downstream of the meter including but not limited to house piping, connections and appliances, or for the customer's failure to properly and safely install, operate and maintain same.

**22. Company's Equipment and Installation**

The Company will furnish, install and maintain at its expense the necessary meter, regulator and connections. The Company's equipment will be located at or near the main, service connection, property line, near or in the building, at the discretion or judgment of the Company. Whenever practical, in the judgment of the Company, the location will be as near the supply main as possible and outside of buildings. A suitable site or location for the meter, regulator and connections shall be provided by the customer at no cost to the Company. The title to this equipment shall remain in the Company, with the right to install, operate, maintain and remove same, and no charge shall be made by the customer for use of the premises as occupied or used.

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**23. Protection of Company's Property**

All meters, piping and other appliances and equipment furnished by or at the expense of the Company, which may at any time be in or on customer's premises shall, unless otherwise expressly provided herein, be and remain the property of the Company. The customer shall protect such property from loss or damage.

**24. Customer's Liability**

The customer shall assume all responsibility for the gas service in or on the customer's premises, at and from the point of delivery of gas, and for all piping, appliances and equipment used in connection therewith which are not the property of the Company. The customer will protect and save the Company harmless from all claims for injury or damage to persons or property occurring on the customer's premises or at and from the point of delivery of gas occasioned by such gas or gas service and equipment, except where said injury or damage will be shown to have been caused solely by the negligence of the Company.

**25. Notice of Escaping Gas or Unsafe Conditions**

Immediate notice must be given by the customer to the Company if any escaping gas or unsafe conditions are detected or any defects or improper installations are discovered in piping and equipment of either the Company or the customer which are on the customer's premises.

No flames or lights are to be taken near any escape of gas and the gas must be shut-off at the meter cock or valve until the hazard is eliminated and the gas service is not to be turned on again except by a Company employee.

The Company will not be responsible or assume any liability for any injury, loss or damage which may arise from the carelessness or negligence of the customer or his agent or representatives.

**26. Special Provisions – Large Volume Customers**

Industrial, Commercial or other customers using large volumes of gas on a varying basis shall install and maintain at their expense adequate piping and suitable regulating and control equipment to provide reasonable and practical limitation of intermittence or fluctuation in the pressure, volume or flow of gas. The customer shall so regulate and control their operations and use of gas so as not to interfere with gas service being furnished to them or to any other customers, or with the proper and accurate metering of gas at their or any other location.

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**27. Exclusive Service**

Except in cases where the customer has a special contract with the Company for reserve or auxiliary service, no other fuel service shall be used by the customer on the same installation in conjunction with the Company's service connection, either by means of valves or any other connection.

The customer shall not sell the gas purchased from the Company to any other customer, company, or person. The customer shall not deliver gas purchased from the Company to any connection wherein said gas is to be used off of customer's premises or by persons over whom customer has no control.

**28. Point of Delivery Gas**

The point of delivery of gas supplied by the Company shall be at the point where the gas passes from the pipes of the Company's service connection into the customer-owned service line, if any, or the outlet of the meter, whichever is nearest the delivery main of the Company.

**29. Distribution Main Extensions**

- a) The Company will extend an existing distribution main up to one hundred (100) feet for each single customer provided the following criteria is met:
- 1) The existing main is of sufficient capacity to properly supply the additional customer(s);
  - 2) Provided that the customer(s) contracts to use gas on a continuous basis for one (1) year or more; and,
  - 3) Provided the potential consumption and revenue will be of such amount and permanence as to warrant the capital expenditures involved to make the investment economically feasible.

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- b) Whenever an extension exceeds one hundred (100) feet per customer, the Company will enter into an agreement with the customer(s) or subscriber(s). The agreement will provide for the extension on a cost per foot basis with the additional amount to be deposited with the Company by the customer(s) or subscriber(s). The agreement will contain provisions for a proportionate and equitable refund in the event other customers are connected to the extension within a ten (10) year period. Refunds shall be made only after the customer(s) has used gas service for a minimum continuous period of one (1) year. The Company reserves the right to determine the length of the extension, to specify the pipe size and location of the extension, and to construct the extension in accordance with its standard practices. Title to all extensions covered by agreements shall be and remain in the Company and in no case shall the amount of any refunds exceed the original deposit. Any further or lateral extension shall be treated as a new and separate extension.
- c) Nothing contained herein shall be construed as to prohibit the Company from making at its expense greater extensions to its distribution mains or the granting of more favorable and/or different terms in addition to those herein prescribed should its judgment so dictate, provided like extensions are made for other customers or subscribers under similar conditions.

**30. Service Line Extensions**

When the length of a service line is 100 feet or less, and the customer has agreed to use natural gas as its major source of energy, Company will assess no charge for the service line installation. A customer's major source of energy is defined as its primary energy source for heating the premises. If the Customer will not be using natural gas as its major energy source, the Customer may be required to contribute a portion of the cost of the service line in the form of a contribution in aid of construction. This amount will vary depending upon the installed appliances but will not exceed the Company's annual average cost of a service line. When the length of a service line exceeds the 100 feet, Company may require Customer to contribute toward the cost of the service line installation an amount equal to the estimated cost per foot for each lineal foot of service line beyond the 100 feet.

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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Original SHEET No. 85**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Rules and Regulations**

**31. Municipal Franchise Fees**

As to service within any county, city, town, urban county or other taxing district (herein referred to as the "franchise area") with respect to which the Company is required to pay to the county, city, town, urban county or other taxing district franchise fees or other payments made in consideration for the Company's use of public streets, properties and rights-of-way located within the applicable franchise area (herein collectively referred to as "franchise fees") based in any manner on a percentage of the amount of revenues received by the Company from service in such area, such franchise fees shall be recovered from the customers receiving service in that franchise area in accordance with provisions of this Section 31.

The charge to customers for the franchise fees shall be determined by multiplying the applicable franchise fee percentage times the customer's bill as otherwise determined under the Company's applicable tariff rate. The charge shall be added to each customer billing for all applicable classes of service in the franchise area. The amount of this charge shall be listed as a separate item on each customer's bill, shall show the amount of the charge and shall designate the unit of government to which the payment is due.

**32. Continuous or Uniform Service**

The Company will endeavor to supply gas continuously and without interruption, however, the Company shall not be responsible in damages or otherwise for any failure to supply gas or for any interruptions of the supply when such a failure is without willful fault or neglect on its part.

The Company cannot and does not guarantee either a sufficient or an adequate supply, or uniform pressure of the gas supplied. The Company shall not be liable for any damage or loss resulting from inadequate or interrupted supply or from any pressure variations when such conditions are not due to willful fault or neglect on its part.

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**33. Measurement Base**

The rates of the Company are based upon gas delivered to the customer on a basis of four (4) ounces per square inch above an assumed atmospheric pressure of fourteen and four tenths (14.4) pounds per square inch, or fourteen and sixty-five hundredths (14.65) pounds per square inch absolute pressure, at an assumed temperature of sixty (60) degrees Fahrenheit. However, the Company reserves the right to correct as necessary the actual temperature to sixty (60) degrees Fahrenheit basis. All gas measured at pressures higher than the standard pressure for low pressure distribution systems shall be corrected to a pressure base of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute.

**34. Character of Service**

The Company will normally supply natural gas having a heating value of approximately one thousand (1,000) Btu per cubic foot and specific gravity of approximately six tenths (0.6). However, when it is necessary to supplement the supply of natural gas the Company reserves the right, at its discretion, to supply an interchangeable mixture of vaporized liquefied petroleum gas and air, or a combination of same with natural gas.

**35. Curtailment Order**

In cases of impairment of gas supply or distribution system capacity, or partial or total interruptions and when it appears that the Company is, or will be, unable to supply the requirements of all of its customers in any system or segment thereof, the Company shall curtail gas service to its customers in the manner set forth below.

a) Definitions:

Residential – Service to customers for residential purposes including housing complexes and apartments.

Commercial – Service to customers engaged primarily in the sale of goods or services including institutions and local and federal agencies for uses other than those involving manufacturing.

Industrial – Service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product, including the generation of electric power for sale.

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b) Priorities of Curtailment:

Sales Service

The Company may curtail or discontinue sales service in whole or in part on a daily, monthly or seasonal basis in any purchase zone in accordance with the following priorities, starting with Priority 8 and proceeding in descending numerical order.

High Priority

- Priority 1. Residential and services essential to the public health where no alternate fuel exists (Rate G-1).
- Priority 2. Small commercials less than 50 Mcf per day (Rate G-1).
- Priority 3. Large commercials over 50 Mcf per day not included under lower priorities (Rates G-1).
- Priority 4. Industrials served under Rate G-1.

Low Priority

- Priority 5. Customers served under Rates G-2 other than boilers included in Priority 6.
- Priority 6. Boiler loads shall be curtailed in the following order (Rates G-2).
  - A – Boilers over 3,000 Mcf per day.
  - B – Boilers between 1,500 Mcf and 3,000 Mcf per day.
  - C – Boilers between 300 Mcf and 1,500 Mcf per day.
- Priority 7. Imbalance sales service under Rate T-3 and Rate T-4.
- Priority 8. Flex sales transactions.

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The Company and a customer may agree, by contract, to a lower curtailment priority than would otherwise apply under the foregoing curtailment sequence.

If the gas supply is inadequate to fulfill only the partial requirements of a priority category then curtailment to customers in that category will be administered on a continuing basis.

Transportation Service

Transportation services will be curtailed under the following conditions:

- 1 – Due to capacity constraints on the Company’s system.
- 2 – Due to capacity constraints on the transporter’s system.
- 3 – During temporary gas supply emergency on the Company’s system.
- 4 –When the Company is unable to confirm that the customer’s gas supply is actually being delivered to the system.

a) Penalty for Unauthorized Overruns

In the event a customer fails in part or in whole to comply with a Company Curtailment Order either as to time or volume of gas used or uses a greater quantity of gas than its allowed volume under terms of the Curtailment Order, the Company may, at its sole discretion, apply a penalty rate of up to \$15.00 per Mcf.

In addition to other tariff penalty provisions, the customer shall be responsible for any penalty(s) assessed by the interstate pipeline(s) or suppliers resulting from the customer’s failure to comply with terms of a Company Curtailment Order.

The payment of penalty charges shall not be considered as giving any customer the right to take unauthorized volumes of gas, nor shall such penalty charges be considered as a substitute for any other remedy available to the Company

b) Discontinuance of Service

The Company shall have the right, after reasonable notice to discontinue the gas supply of any customer that fails to comply with a valid curtailment order

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**36. General Rules**

No agent, representative or employee of the Company has the authority to make any promise, agreement or representative, not incorporated in or provided for by the Rules and Regulations of the Public Service Commission of Kentucky or of this Company. Neither, has any agent, representative or employee of the Company any right or power to amend, modify, alter or waive any of the said Rules and Regulations, except as herein provided.

The Company reserves the right to amend or modify its Rules and the Regulations or to adopt such additional Rules and Regulations as the Company deems necessary in the proper conduct of its business, subject to the approval of the Public Service Commission of Kentucky.

These Rules and Regulations or Terms and Conditions of Service replace and supersede all previous Rules and Regulations or Terms and Conditions under which the Company has previously supplied gas service.

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