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May 24, 2016

Aaron Greenwell  
Acting Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Atmos Energy Corporation  
Case No. 2015-00343

Dear Mr. Gardner:

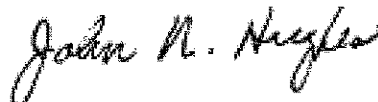
Atmos Energy Corporation submits the updated response to MFR No. 16(7)(e). I certify that the electronic documents are true and correct copies of the original documents.

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

Submitted By:

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Attorneys for Atmos Energy Corporation



**Case No. 2015-00343**  
**Atmos Energy Corporation, Kentucky Division**  
**Forecasted Test Period Filing Requirements**  
**Question No. FR 16(7)(o) (Supplement 5)**  
**Page 1 of 1**

**SUPPLEMENTAL RESPONSE (5/24/2016)**

**REQUEST:**

Section 16. Applications for General Adjustments of Existing Rates.

- (7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:
- (o) Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available;

**SUPPLEMENTAL RESPONSE:**

Please see supplemental attachment FR\_16(7)(o)\_Att1 for the monthly report for March 2016 and supplemental attachment FR\_16(7)(o)\_Att2 for the monthly report for April 2016. Beginning March 2015 the Company only provides narrative explanations for each quarter, although budget variance reports are still submitted monthly. The narrative comments are only required quarterly now as a result of management's discussion in reviewing the financial information published internally. The purpose is to provide the information in a more efficient and effective manner.

**ATTACHMENTS:**

ATTACHMENT 1 - Atmos Energy Corporation, FR\_16(7)(o)\_Att1\_Suppl5 - Budget Variance Report Mar'16.pdf, 3 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, FR\_16(7)(o)\_Att2\_Suppl5 - Budget Variance Report Apr'16.pdf, 2 Pages.

Respondent: Greg Waller



**Atmos Energy Corporation**  
Regulated Distribution Operations  
Financial Results and Statistical Highlights  
KY/Mid-States

For the Period Ended March 31, 2016

Financial Results in \$MM's	QTD					YTD				
	Actual	Budget	Fav/ Unfav	%		Actual	Budget	Fav/ Unfav	%	
Net Income	16.4	16.5	(0.1)	(0.6%)	●	25.8	25.9	(0.1)	(0.4%)	●
Gross Profit	55.8	56.3	(0.5)	(0.9%)	●	99.2	100.4	(1.2)	(1.2%)	●
O&M - Direct BU	8.0	8.0	0.0	0.0%	●	16.0	16.0	0.0	0.0%	●
Cap Rate	56.9%	56.3%	0.6%		●	57.1%	56.3%	0.8%		●
<b>Capital Spending Activities</b>										
Capital Spending	25.3	22.5	2.8	12.4%	●	51.1	49.2	1.9	3.9%	●

Statistical Information and Indicators (in thousands except Headcount)	Act	Bud	Inc/Dec	%		FY15	Inc/Dec	%	
	Customer Base Charge <sup>(1)</sup>	336	333	3.0	0.9%	●	333	3.0	0.9%
Employee Headcount <sup>(2)</sup>	397	400	(3)	-0.8%	●	Sep-15 392	5	1.3%	●
Direct O&M <sup>(3)</sup> per Customer Base Charge	\$ 87.2	\$ 96.0	\$ (8.8)	-9.2%	●	\$ 103.7	\$ (16.5)	-15.9%	●
Direct O&M <sup>(3)</sup> per Headcount	\$ 73.8	\$ 79.9	\$ (6.1)	-7.7%	●	\$ 88.1	\$ (14.3)	-16.2%	●

(1) Customer Base Charge is rolling 12-month average.

(2) Employee headcount is as of period end.

(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information in \$MM's (as of period indicated)	KY	TN	VA
March 31, 2016	\$ 314.4	\$ 247.9	\$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9



**Atmos Energy Corporation**  
Regulated Distribution Operations  
Financial Results and Statistical Highlights  
KY/Mid-States

For the Period Ended March 31, 2016

**Quarter-to-Date**

- **Gross Profit:** Primary driver is transportation variance of (\$374k) due to special contracts in Kentucky and Tennessee. Forefeited discounts are (\$199k) less than budget due to lower natural gas prices.

- **O&M:** O&M was on budget QTD. Labor was over slightly due to overtime and PTO accrual. Benefits were over due to the Tennessee pension reg asset expense (offsetting entry in Amortization). Materials were under due to timing. Miscellaneous was over due to newspaper notifications for Tennessee and Kentucky rate cases. Vehicles were under budget due to lower leases and fuel costs.

- **Capital Spending:** Kentucky capital spend is ahead of budget due to Shelbyville Aiken Rd 12 Inch Phase II project. We completed Phase 1 of the 12 inch project (replacing 8" line) and were able to get a start on the bores for Phase II of this replacement putting us \$1,909k ahead of QTD budget.

Tennessee capital spend variance is primarily driven by the timing of WMR endpoints purchase in Murfreesboro (\$666k). Order time on endpoints is 4 to 6 weeks. We ordered the endpoints anticipating the invoice and delivery would occur in April. Actual delivery and invoicing was late March.

**Year-to-Date**

- **Gross Profit:** Primary driver is weather/consumption variance of (\$823k) due to 21% less HDD than normal. Forefeited discounts are (\$262k) less than budget due to lower natural gas prices.

- **O&M:** O&M was on budget YTD. Labor was over due to overtime, severance pay and PTO accrual. Benefits were over due to the Tennessee pension reg asset expense (offsetting entry in Amortization). Materials were under budget due to timing of purchases. Miscellaneous was over due to newspaper adds for Tennessee and Kentucky rate case notifications. Vehicles were under due to lower leases and fuel costs.

- **Capital Spending:** Kentucky capital spend is ahead of budget due to Shelbyville Aiken Rd 12 Inch Phase II project. We completed Phase 1 of the 12 inch project (replacing 8" line) and were able to get a start on the bores for Phase II of this replacement putting us \$1,236k ahead of YTD budget.

Tennessee capital spend variance is primarily driven by the timing of WMR endpoints purchase in Murfreesboro (\$666k). Order time on endpoints is 4 to 6 weeks. We ordered the endpoints anticipating the invoice and delivery would occur in April. Actual delivery and invoicing was late March.



**Atmos Energy Corporation**  
 Regulated Distribution Operations  
 Income Statement - Comparative  
 KY/Mid-States

CASE NO. 2015-00343  
 FR\_16(7)(o)  
 ATTACHMENT 1  
 (SUPPLEMENT 05-24-16)

For the Period Ended March 31, 2016

<i>in \$thousands</i>	QTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2015	Actual	Budget	Fav/ Unfav	FY2015
<b>Gross profit:</b>								
Delivered gas	\$ 46,616	\$ 46,516	\$ 100	\$ 45,850	\$ 82,079	\$ 82,785	\$ (706)	\$ 81,581
Transportation	8,187	8,561	(374)	8,302	15,321	15,458	(137)	15,379
Other revenue	999	1,220	(221)	1,334	1,848	2,120	(272)	2,350
<b>Total gross profit</b>	<b>55,802</b>	<b>56,297</b>	<b>(495)</b>	<b>55,486</b>	<b>99,248</b>	<b>100,363</b>	<b>(1,115)</b>	<b>99,310</b>
<b>Operating expenses:</b>								
Direct BU O&M	7,974	7,982	8	9,300	16,027	16,041	14	17,750
Direct SSU Charges	954	1,058	104	1,050	1,813	1,992	179	1,967
SSU Allocations	4,131	3,846	(285)	4,030	7,638	7,842	204	7,594
Provision for bad debts	227	225	(2)	388	401	403	2	563
<b>Total O&amp;M expense</b>	<b>13,286</b>	<b>13,111</b>	<b>(175)</b>	<b>14,768</b>	<b>25,879</b>	<b>26,278</b>	<b>399</b>	<b>27,874</b>
Depreciation & amortization	8,178	8,445	267	7,799	16,366	16,785	419	15,524
Taxes, other than income	3,877	3,941	64	3,564	7,625	7,662	37	6,761
<b>Total operating expenses</b>	<b>25,341</b>	<b>25,497</b>	<b>156</b>	<b>26,131</b>	<b>49,870</b>	<b>50,725</b>	<b>855</b>	<b>50,159</b>
<b>Operating income</b>	<b>30,461</b>	<b>30,800</b>	<b>(339)</b>	<b>29,355</b>	<b>49,378</b>	<b>49,638</b>	<b>(260)</b>	<b>49,151</b>
<b>Other income (expense):</b>								
Interest, net	3,491	3,637	146	3,337	6,977	7,192	215	6,729
Miscellaneous income (expense), net	(176)	(276)	(100)	(173)	(390)	(587)	(197)	(56)
<b>Total other income (expense)</b>	<b>3,315</b>	<b>3,361</b>	<b>46</b>	<b>3,164</b>	<b>6,587</b>	<b>6,605</b>	<b>18</b>	<b>6,673</b>
<b>Income (loss) before income taxes</b>	<b>27,146</b>	<b>27,439</b>	<b>(293)</b>	<b>26,191</b>	<b>42,791</b>	<b>43,033</b>	<b>(242)</b>	<b>42,478</b>
Provision/(Benefit) for income taxes	10,755	10,931	176	10,326	16,954	17,144	190	16,901
<b>Net income (loss)</b>	<b>\$ 16,391</b>	<b>\$ 16,508</b>	<b>\$ (117)</b>	<b>\$ 15,865</b>	<b>\$ 25,837</b>	<b>\$ 25,889</b>	<b>\$ (52)</b>	<b>\$ 25,577</b>

<b>Volumes (Mmcft):</b>								
Residential	9,292	10,891	(1,599)	11,880	12,636	15,402	(2,766)	16,926
Commercial	5,418	6,066	(648)	6,688	7,734	9,059	(1,325)	9,875
Industrial	1,028	1,263	(235)	988	1,519	2,042	(523)	1,646
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	506	623	(117)	680	730	931	(201)	1,003
Unbilled	(19)	(1,050)	1,031	(541)	1,267	1,466	(199)	1,642
<b>Total Gas Distribution volumes</b>	<b>16,225</b>	<b>17,793</b>	<b>(1,568)</b>	<b>19,695</b>	<b>23,886</b>	<b>28,900</b>	<b>(5,014)</b>	<b>31,092</b>
<b>Transportation volumes</b>	<b>12,691</b>	<b>12,654</b>	<b>37</b>	<b>12,540</b>	<b>22,533</b>	<b>23,539</b>	<b>(1,006)</b>	<b>23,461</b>
<b>Total Throughput</b>	<b>28,916</b>	<b>30,447</b>	<b>(1,531)</b>	<b>32,235</b>	<b>46,419</b>	<b>52,439</b>	<b>(6,020)</b>	<b>54,553</b>



**Atmos Energy Corporation**  
Regulated Distribution Operations  
Financial Results and Statistical Highlights  
KY/Mid-States  
For the Period Ended April 30, 2016

Financial Results in \$MM's	MTD					YTD				
	Actual	Budget	Fav/ Unfav	%		Actual	Budget	Fav/ Unfav	%	
Net Income	\$ 1.2	\$ 2.3	\$ (1.1)	(47.8%)	●	\$ 27.1	\$ 28.2	\$ (1.1)	(3.9%)	●
Gross Profit	11.6	13.0	(1.4)	(10.8%)	●	110.8	113.3	(2.5)	(2.2%)	●
O&M - Direct BU	3.0	2.6	(0.4)	(15.4%)	●	19.0	18.7	(0.3)	(1.6%)	●
Cap Rate	57.5%	56.2%	1.3%		●	57.2%	56.3%	0.9%		●
<b>Capital Spending Activities</b>										
Capital Spending	\$ 6.6	\$ 9.0	\$ (2.4)	(26.7%)	●	\$ 57.7	\$ 58.2	\$ (0.5)	(0.9%)	●

Statistical Information and Indicators (in thousands except Headcount)	Act	Bud	Inc/Dec	%		FY2015	Inc/Dec	%	
	Customer Base Charge <sup>(1)</sup>	336	334	2	0.6%	●	333	3	0.9%
Employee Headcount <sup>(2)</sup>	394	400	(6)	-1.5%	●	Sep-15 392	2	0.5%	●
Direct O&M <sup>(3)</sup> per Customer Base Charge	\$ 100.4	\$ 95.6	\$ 4.8	5.1%	●	\$ 90.0	\$ 10.4	11.6%	●
Direct O&M <sup>(3)</sup> per Headcount	\$ 85.7	\$ 79.8	\$ 5.8	7.3%	●	\$ 76.5	\$ 9.2	12.0%	●

(1) Customer Base Charge is rolling 12-month average.  
(2) Employee headcount is as of period end.  
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information in \$MM's (as of period indicated)	KY	TN	VA
March 31, 2016	\$ 288.1	\$ 247.9	\$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9



**Atmos Energy Corporation**  
Regulated Distribution Operations  
Income Statement - Comparative

KY/Mid-States  
For the Period Ended April 30, 2016

<i>in \$thousands</i>	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2015	Actual	Budget	Fav/ Unfav	FY2015
<b>Gross profit:</b>								
Delivered gas	\$ 9,085	\$ 9,909	\$ (824)	\$ 9,284	\$ 91,163	\$ 92,693	\$ (1,530)	\$ 90,864
Transportation	2,252	2,722	(470)	2,169	17,573	18,180	(607)	17,548
Other revenue	237	336	(99)	443	2,086	2,458	(372)	2,794
<b>Total gross profit</b>	<b>11,574</b>	<b>12,967</b>	<b>(1,393)</b>	<b>11,896</b>	<b>110,822</b>	<b>113,331</b>	<b>(2,509)</b>	<b>111,206</b>
<b>Operating expenses:</b>								
Direct BU O&M	3,012	2,631	(381)	(1,445)	19,039	18,671	(368)	16,305
Direct SSU Charges	338	306	(32)	321	2,151	2,299	148	2,288
SSU Allocations	1,174	1,249	75	1,228	8,812	9,092	280	8,822
Provision for bad debts	44	48	4	45	445	452	7	608
<b>Total O&amp;M expense</b>	<b>4,568</b>	<b>4,234</b>	<b>(334)</b>	<b>149</b>	<b>30,447</b>	<b>30,514</b>	<b>67</b>	<b>28,023</b>
Depreciation & amortization	2,763	2,831	68	2,629	19,129	19,616	487	18,153
Taxes, other than income	1,315	1,309	(6)	1,180	8,940	8,971	31	7,941
<b>Total operating expenses</b>	<b>8,646</b>	<b>8,374</b>	<b>(272)</b>	<b>3,958</b>	<b>58,516</b>	<b>59,101</b>	<b>585</b>	<b>54,117</b>
<b>Operating income</b>	<b>2,928</b>	<b>4,593</b>	<b>(1,665)</b>	<b>7,938</b>	<b>52,306</b>	<b>54,230</b>	<b>(1,924)</b>	<b>57,089</b>
<b>Other income (expense):</b>								
Interest, net	1,166	1,200	34	1,123	8,143	8,391	248	7,852
Miscellaneous income (expense), net	(244)	(483)	(239)	(553)	(633)	(1,069)	(436)	(609)
<b>Total other income (expense)</b>	<b>922</b>	<b>717</b>	<b>(205)</b>	<b>570</b>	<b>7,510</b>	<b>7,322</b>	<b>(188)</b>	<b>7,243</b>
<b>Income (loss) before income taxes</b>	<b>2,006</b>	<b>3,876</b>	<b>(1,870)</b>	<b>7,368</b>	<b>44,796</b>	<b>46,908</b>	<b>(2,112)</b>	<b>49,846</b>
Provision/(Benefit) for income taxes	770	1,544	774	3,329	17,722	18,688	966	20,231
<b>Net income (loss)</b>	<b>\$ 1,236</b>	<b>\$ 2,332</b>	<b>\$ (1,096)</b>	<b>\$ 4,039</b>	<b>\$ 27,074</b>	<b>\$ 28,220</b>	<b>\$ (1,146)</b>	<b>\$ 29,615</b>

<b>Volumes (Mmcf) :</b>								
Residential	1,403	1,752	(349)	1,510	14,039	17,153	(3,114)	18,437
Commercial	883	1,061	(178)	967	8,617	10,121	(1,504)	10,842
Industrial	252	282	(30)	178	1,770	2,324	(554)	1,824
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	85	127	(42)	98	815	1,058	(243)	1,101
Unbilled	(1,095)	(962)	(133)	(1,098)	172	504	(332)	544
<b>Total Gas Distribution volumes</b>	<b>1,528</b>	<b>2,260</b>	<b>(732)</b>	<b>1,655</b>	<b>25,413</b>	<b>31,160</b>	<b>(5,747)</b>	<b>32,748</b>
<b>Transportation volumes</b>	<b>3,384</b>	<b>4,070</b>	<b>(686)</b>	<b>3,353</b>	<b>25,917</b>	<b>27,608</b>	<b>(1,691)</b>	<b>26,815</b>
<b>Total Throughput</b>	<b>4,912</b>	<b>6,330</b>	<b>(1,418)</b>	<b>5,008</b>	<b>51,330</b>	<b>58,768</b>	<b>(7,438)</b>	<b>59,563</b>