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June 27, 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. Greenwell:

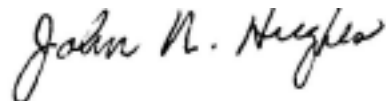
Atmos Energy Corporation submits its testimony in support of the Settlement Agreement entered into with the Attorney General. Proposed tariffs and the proof of revenue associated with the settlement are also attached. I certify that the electronic documents are true and correct copies of the original documents.

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

Submitted By:

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Attorneys for Atmos Energy Corporation

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

**APPLICATION OF ATMOS ENERGY )  
CORPORATION FOR AN ADJUSTMENT ) Case No. 2015-00343  
OF RATES AND TARIFF MODIFICATIONS )**

**TESTIMONY OF GARY L. SMITH IN SUPPORT  
OF PROPOSED SETTLEMENT**

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

A. My name is Gary L. Smith. I am Director of Rates and Regulatory Affairs for Atmos Energy Corporation ("Atmos Energy" or "the Company"). My business address is 5420 LBJ Freeway, Dallas, Texas 75240.

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

A. In this role, I am responsible for leading and directing the rates and regulatory activities in Atmos Energy's eight-state service area. I am responsible for planning and implementing strategies to assure that the Company's tariffs and services are meeting the goals and balancing the interests of our customers, regulators and shareholders.

Through May 2007, I served as Vice President-Marketing and Regulatory Affairs for the Company's Kentucky/Mid-States Division, where I was responsible for rates and regulatory affairs, as well as for directing the marketing plans and strategies for natural gas utility markets in Kentucky. I am a 1983 graduate of the University of Kentucky,

with a Bachelor of Science degree in Civil Engineering. I have worked for Atmos Energy or its predecessor, Western Kentucky Gas Company, since 1984.

**Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?**

A. Yes.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. To explain the terms of the proposed settlement agreement with the Attorney General (“Settlement Agreement”) and to provide support for its reasonableness.

**Q. EXPLAIN THE PROCESS OF THE SETTLEMENT WITH THE ATTORNEY GENERAL.**

A. Atmos Energy contacted the Attorney General’ Office of Rate Intervention approximately the first week of June to see if there was a possibility of settling some or all of the issues in the case. After a request by the Attorney General to include the Commission Staff in the discussion, a settlement conference was held at the Commission’s office on June 16<sup>th</sup>.

As a result of the discussions at that meeting, Atmos Energy and the Attorney General continued to discuss possible resolutions to the outstanding issues. After a number of discussions, the Settlement Agreement filed on Friday, June 24<sup>th</sup> was approved by the parties.

**Q. WHAT ARE THE SIGNIFICANT POINTS OF THE SETTLEMENT AGREEMENT?**

A. First, the Settlement Agreement is a “blackbox” revenue settlement. The parties agreed to a \$500,000 additional annual revenue increase for Atmos Energy. That increase in revenue is not based on any specific adjustment proposed by Atmos Energy or the Attorney General. The original revenue request by Atmos Energy was an annual increase of approximately \$3.3 million. The original revenue reduction proposed by the Attorney General was approximately \$7.9 million. The settlement rates are attached as Exhibit 1 to the Settlement Agreement. A

reconciliation of the rate increase amount is provided as Exhibit GLS-S1 (by service type) and Exhibit GLS-S2 (by customer class). The proposed tariffs are also attached to this testimony as Exhibit GLS-S3.

**Q. WHAT OTHER TERMS WERE AGREED TO?**

A. Atmos Energy's proposed tariff revisions to the transportation tariff cash-out mechanism and its modification to the Economic Development Rider were accepted. Its Weather Normalization Adjustment Rider (WNA) was accepted with a modification to use a twenty (20) year data period for future rate filings for determination of normal NOAA heating degree days.

Atmos Energy's proposed depreciation rates were accepted. These rates are attached as Exhibit 2 to the Settlement Agreement.

The parties agreed that Atmos Energy's proposed adjustments to rate base for Accumulated Deferred Income Taxes (ADIT) and Net Operating Loss Carryforward (NOLC) are deemed accepted for purposes of this Settlement Agreement, but the issue may be raised by the parties in Atmos Energy's next general rate proceeding.

For the purpose of Atmos Energy's Pipeline Replacement Program ("PRP") filings until the next general rate application, the return on equity, capital structure and cost of debt shall remain as stated in Case No. 2013-00148.

And finally, Atmos Energy agreed to the filing a lead/lag study in its next general rate case unless the Commission finds such a study unnecessary. Such a finding by the Commission will not be a basis to void the Settlement Agreement by either party.

**Q. EXPLAIN HOW THIS SETTLEMENT AGREEMENT IS REASONABLE AND IN THE PUBLIC INTEREST.**

A. Atmos Energy believes that the “blackbox” revenue increase provides a basis for it to operate in a financially responsible manner. The length of time for the need for another rate filing will depend on a number of factors, but for the immediate period, the revenue is sufficient. Added to the revenue increase, the approval of the tariff changes, the continuation of the PRP Rider and the adoption of the depreciation rates results in a total package that warrants approval.

The alternative of the uncertainty of the outcome of the hearing on all issues, the time, delay and expense of getting final rates approved all factored into the decision to accept the settlement.

For the average residential customer, the revenue increase and associated tariff changes represents a reasonable outcome with an impact of an approximately 0.1% increase on the average residential monthly bill, thus I conclude that the Settlement Agreement is a reasonable outcome from the customer’s perspective.

**Q. SHOULD THE COMMISSION ACCEPT THIS SETTLEMENT AGREEMENT?**

A. Yes, both parties have spent a great deal of time resolving a number of contentious issues. Both sides have made a good faith effort to conclude the case. I think this is a reasonable compromise and reflects a fair outcome for all.

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

A. Yes.

**ATMOS ENERGY CORPORATION - KENTUCKY  
SUMMARY OF REVENUE AT PROPOSED RATES  
TEST YEAR ENDING MAY, 31 2017**

Line No.	Description	Block (Mcf)	Reference Period - Twelve Months Ending 08/31/2015				Forward-looking Adjustments To Test Year		Total Test Year Volumes (l)	Current Rates (j)	Current Revenue (k)	Proposed Rates (l)	Proposed Revenue (m)	Revenue Change (n)	
			Number of Bills, Units (a)	Volumes As Metered (b)	Contract Adj. Bills and Volumes (c)	Weather Adj. Volumes (NOAA 1996-2015) <sup>3</sup> (d)	Total Volumes (e)	Customer Growth Forecast (f)							Conservation & Efficiency Adjustments (g)
1	<u>Sales</u>														
2	Firm Sales (G-1)	Customer Chrg	1,865,637					8,400		\$18.65	\$34,950,790	\$17.50	\$32,795,648	(\$2,155,143)	
3		Customer Chrg	228,871		(2)					48.44	11,086,414	44.50	10,184,671	(\$901,744)	
4		0 - 300		16,904,416	2,143	(1,063,396)	15,843,163	51,512	0	1.3180	20,949,182	1.5340	24,382,431	\$3,433,250	
5		301 - 15,000		1,298,067	(3,225)	(67,181)	1,227,661		0	0.8800	1,080,342	0.9500	1,166,278	\$85,936	
6		Over 15,000		0	0	0	0		0	0.6200	0	0.7400	0	\$0	
7	Interruptible Sales (G-2)	Customer Chrg	125		12					395.56	54,192	375.00	51,375	(\$2,817)	
8		0 - 15,000		316,552	(11,394)		305,158			0.8077	246,476	0.8500	259,384	\$12,908	
9		Over 15,000		156,226	(132,606)		23,620			0.5419	12,800	0.6405	15,129	\$2,329	
10															
11	<u>Transportation</u>														
12	Customer Charges (T-4)	Customer Chrg	1,451		25					390.12	575,817	375.00	553,500	(\$22,317)	
13	Customer Charges (T-3)	Customer Chrg	833		19					388.79	331,249	375.00	319,500	(\$11,749)	
14	Customer Charges (SpK)	Customer Chrg	204		(24)					350.00	63,000	350.00	63,000	\$0	
15	Transp. Adm. Fee	Customer Chrg	2,464		20					50.00	124,200	50.00	124,200	\$0	
16	Parked Volumes [1]			963,991	0					0.10	96,399	0.10	96,399	\$0	
17	EFM Charges									Various	122,200	Various	122,200	\$0	
18	Firm Transportation (T-4)	0 - 300		420,823	7,787		428,610			1.4401	617,241	1.5340	657,488	\$40,246	
19		301 - 15,000		5,646,929	154,293		5,801,222			0.9615	5,577,875	0.9500	5,511,161	(\$66,714)	
20		Over 15,000		1,191,778	(49,741)		1,142,037			0.6774	773,616	0.7400	845,107	\$71,492	
21	Economic Dev Rider (EDR)	301 - 15,000		0	13,254		13,254			0.6600	8,748	0.7125	9,443	\$696	
22		Over 15,000		92,773	97,741		190,514			0.4650	88,589	0.5550	105,735	\$17,146	
23	Interruptible Transportation (T-3)	0 - 15,000		5,094,467	287,624		5,382,091			0.8770	4,720,094	0.8500	4,574,777	(\$145,316)	
24		Over 15,000		2,598,494	64,284		2,662,778			0.5884	1,566,779	0.6405	1,705,509	\$138,731	
25	Total Special Contracts [2]			15,377,684	(996,628)		14,381,056			Various	1,456,880	Various	1,456,880	\$0	
26	Special Contract Reformatations										989,646		989,646	\$0	
27	Total Tariff		2,097,121	49,098,209	(566,468)	(1,130,577)	47,401,164	59,912	0	47,452,676	85,492,527		85,989,461	\$496,934	
28															
29	Other Revenues										795,825		795,825	\$0	
30	Late Payment Fees										1,140,818		1,143,930	\$3,112	
31	Total Gross Profit										87,929,170		87,929,216	\$500,046	
32															
33	Gas Costs										79,377,461		79,377,461	\$0	
34															
35	Total Revenue										\$ 166,806,631		\$ 167,306,677	\$ 500,046	
36															

37 [1] Parked Volumes not included in Total Deliveries.  
 38 [2] Based on confidential information.  
 39 [3] Twenty year average for period of September 1996 - August 2015

ATMOS ENERGY CORPORATION - KENTUCKY  
 BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS  
 TEST YEAR ENDING MAY 31, 2017  
PROOF OF RATES - BY CLASS

Line No.	Class of Customers	Bills	Volumes	Present Rates			Proposed Rates			Revenue Change
				Cust Charge	Distr Charge	Revenue	Cust Charge	Distr Charge	Revenue	
1	<u>RESIDENTIAL (Rate G-1)</u>									
2	FIRM BILLS	1,874,037		\$18.65		\$34,950,790	\$17.50		\$32,795,648	(\$2,155,143)
3	Sales: 1-300		10,338,433		\$1.3180	\$13,626,055	\$1.5340		\$15,859,156	\$2,233,102
4	Sales: 301-15000		0		\$0.8800	\$0	\$0.9500		\$0	\$0
5	Sales: Over 15000		0		\$0.6200	\$0	\$0.7400		\$0	\$0
6	CLASS TOTAL (Mcf)		10,338,433							
7	Gas Costs					\$47,250,746			\$47,250,746	\$0
8	Total Revenue					\$95,827,591			\$95,905,550	\$77,959
9										
10	<u>FIRM COMMERCIAL (Rate G-1)</u>									
11	FIRM BILLS	207,856		\$48.44		\$10,068,545	\$44.50		\$9,249,592	(\$818,953)
12	Sales: 1-300		4,436,347		\$1.3180	\$5,847,105	\$1.5340		\$6,805,356	\$958,251
13	Sales: 301-15000		656,561		\$0.8800	\$577,774	\$0.9500		\$623,733	\$45,959
14	Sales: Over 15000		0		\$0.6200	\$0	\$0.7400		\$0	\$0
15	CLASS TOTAL (Mcf)		5,092,908							
16	Gas Costs					\$23,301,116			\$23,301,116	\$0
17	Total Revenue					\$39,794,539			\$39,979,797	\$185,257
18										
19	<u>FIRM INDUSTRIAL (Rate G-1)</u>									
20	FIRM BILLS	2,366		\$48.44		\$114,609	\$44.50		\$105,287	(\$9,322)
21	Sales: 1-300		275,016		\$1.3180	\$362,472	\$1.5340		\$421,875	\$59,404
22	Sales: 301-15000		331,031		\$0.8800	\$291,307	\$0.9500		\$314,480	\$23,172
23	Sales: Over 15000		0		\$0.6200	\$0	\$0.7400		\$0	\$0
24	CLASS TOTAL (Mcf)		606,048							
25	Gas Costs					\$2,769,062			\$2,769,062	\$0
26	Total Revenue					\$3,537,450			\$3,610,703	\$73,254
27										
28	<u>FIRM PUBLIC AUTHORITY (Rate G-1)</u>									
29	FIRM BILLS	18,647		\$48.44		\$903,261	\$44.50		\$829,792	(\$73,469)
30	Sales: 1-300		844,879		\$1.3180	\$1,113,550	\$1.5340		\$1,296,044	\$182,494
31	Sales: 301-15000		240,068		\$0.8800	\$211,260	\$0.9500		\$228,065	\$16,805
32	Sales: Over 15000		0		\$0.6200	\$0	\$0.7400		\$0	\$0
33	CLASS TOTAL (Mcf)		1,084,947							
34	Gas Costs					\$4,962,235			\$4,962,235	\$0
35	Total Revenue					\$7,190,306			\$7,316,135	\$125,829
36										
37	<u>INTERRUPTIBLE COMMERCIAL (G-2)</u>									
38	INT BILLS	31		\$395.56		\$12,262	375.00		\$11,625	(\$637)
39	Sales: 1-15000		13,141		\$0.8077	\$10,614	\$0.8500		\$11,170	\$556
40	Sales: Over 15000		1		\$0.5419	\$0	\$0.6405		\$0	\$0
41	CLASS TOTAL (Mcf)		13,142							
42	Gas Costs					\$43,128			\$43,128	\$0
43	Total Revenue					\$66,005			\$65,924	(\$81)
44										
45	<u>INTERRUPTIBLE INDUSTRIAL (G-2)</u>									
46	INT BILLS	106		\$395.56		\$41,929	\$375.00		\$39,750	(\$2,179)
47	Sales: 1-15000		292,018		\$0.8077	\$235,863	\$0.8500		\$248,216	\$12,352
48	Sales: Over 15000		23,621		\$0.5419	\$12,800	\$0.6405		\$15,129	\$2,329
49	CLASS TOTAL (Mcf)		315,639							
50	Gas Costs					\$1,051,174			\$1,051,174	\$0
51	Total Revenue					\$1,341,767			\$1,354,269	\$12,502

ATMOS ENERGY CORPORATION - KENTUCKY  
 BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS  
 TEST YEAR ENDING MAY 31, 2017  
PROOF OF RATES - BY CLASS

Line No.	Class of Customers	Bills	Volumes	Present Rates			Proposed Rates			Revenue Change
				Cust Charge	Distr Charge	Revenue	Cust Charge	Distr Charge	Revenue	
52										
53	<u>TRANSPORTATION (T-4)</u>									
54	TRANSPORTATION BILLS	1,476		\$390.12		\$575,817	375.00	\$553,500	(\$22,317)	
55	Trans Admin Fee					\$72,600		\$72,600	\$0	
56	EFM Fee					\$73,000		\$73,000	\$0	
57	Parking Fee					\$913		\$913	\$0	
58	Firm Transport: 1-300		428,610		\$1.4401	\$617,241	\$1.5340	\$657,488	\$40,246	
59	Firm Transport: 301-15000		5,801,222		\$0.9615	\$5,577,875	\$0.9500	\$5,511,161	(\$66,714)	
60	Firm Transport: Over 15000		1,142,037		\$0.6774	\$773,616	\$0.7400	\$845,107	\$71,492	
61	<b>CLASS TOTAL (Mcf)</b>		<b>7,371,869</b>							
62	Total Revenue					\$7,691,062		\$7,713,769	\$22,707	
63										
64	<u>ECONOMIC DEV RIDER (EDR)</u>									
65	Firm Transport: 1-300		0		\$0.9885	\$0	\$1.1505	\$0	\$0	
66	Firm Transport: 301-15000		13,254		\$0.6600	\$8,748	\$0.7125	\$9,443	\$696	
67	Firm Transport: Over 15000		190,514		\$0.4650	\$88,589	\$0.5550	\$105,735	\$17,146	
68	<b>CLASS TOTAL (Mcf)</b>		<b>203,768</b>							
69	Total Revenue					\$97,337		\$115,179	\$17,842	
70										
71	<u>TRANSPORTATION (T-3)</u>									
72	TRANSPORTATION BILLS	852		\$388.79		\$331,249	\$375.00	\$319,500	(\$11,749)	
73	Trans Admin Fee					\$42,600		\$42,600	\$0	
74	EFM Fee					\$40,800		\$40,800	\$0	
75	Parking Fee					\$3,684		\$3,684	\$0	
76	Interrupt Transport: 1-15000		5,382,092		\$0.8770	\$4,720,095	\$0.8500	\$4,574,778	(\$145,316)	
77	Interrupt Transport: Over 15000		2,662,779		\$0.5884	\$1,566,779	\$0.6405	\$1,705,510	\$138,731	
78	<b>CLASS TOTAL (Mcf)</b>		<b>8,044,870</b>							
79	Total Revenue					\$6,705,206		\$6,686,871	(\$18,335)	
80										
81	<u>SPECIAL CONTRACTS</u>									
82	TRANSPORTATION BILLS	180		\$350.00		\$63,000	\$350.00	\$63,000	\$0	
83	Trans Admin Fee					\$9,000		\$9,000	\$0	
84	EFM Fee					\$8,400		\$8,400	\$0	
85	Parking Fee					\$91,803		\$91,803	\$0	
86	Transported Volumes		14,381,056							
87	Charges for Transport Volumes [1]					\$2,446,525		\$2,446,525	\$0	
88	<b>CLASS TOTAL (Mcf)</b>		<b>14,381,056</b>							
89	Total Revenue					\$2,618,728		\$2,618,728	\$0	
90										
91	<u>OTHER REVENUE</u>									
92	Service Charges					\$795,825		\$795,825	\$0	
93	Late Payment Fees [2]					\$1,140,818		\$1,143,930	\$3,112	
94										
95	<b>TOTAL GROSS PROFIT</b>					<b>\$87,429,173</b>		<b>\$87,929,220</b>	<b>\$500,047</b>	
96	Gas Costs					\$79,377,461		\$79,377,461	\$0	
97	<b>TOTAL REVENUE</b>		<b>47,452,680 Mcf</b>			<b>\$166,806,634</b>		<b>\$167,306,681</b>	<b>\$500,047</b>	

[1] - Based on Confidential Information. Includes all transportation charges and contract reformations in both present and proposed rates.

[2] - Increase due solely to higher total revenues.



FOR ENTIRE SERVICE AREA

P.S.C. KY NO. 2

NINTH REVISED SHEET NO. 4

CANCELLING

EIGHTH REVISED SHEET NO. 4

ATMOS ENERGY CORPORATION  
NAME OF UTILITY

**Current Rate Summary**

Case No. 2015-00343

**Firm Service**

## Base Charge:

Residential (G-1)	-	\$17.50	per meter per month	(I, -)
Non-Residential (G-1)	-	44.50	per meter per month	(I, -)
Transportation (T-4)	-	375.00	per delivery point per month	(I, -)
Transportation Administration Fee	-	50.00	per customer per meter	

**Rate per Mcf<sup>2</sup>****Sales (G-1)****Transportation (T-4)**

First	300 <sup>1</sup>	Mcf	@	5.2206	per Mcf	@	1.5340	per Mcf	(R, I)
Next	14,700 <sup>1</sup>	Mcf	@	4.6366	per Mcf	@	0.9500	per Mcf	(R, I)
Over	15,000	Mcf	@	4.4266	per Mcf	@	0.7400	per Mcf	(R, I)

**Interruptible Service**

Base Charge	-	\$375.00	per delivery point per month	(I, -)
Transportation Administration Fee	-	50.00	per customer per meter	

**Rate per Mcf<sup>2</sup>****Sales (G-2)****Transportation (T-3)**

First	15,000 <sup>1</sup>	Mcf	@	3.3255	per Mcf	@	0.8500	per Mcf	(R, I)
Over	15,000	Mcf	@	3.1160	per Mcf	@	0.6405	per Mcf	(R, 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.

DATE OF ISSUE November 23, 2015  
MONTH / DATE / YEAR

DATE EFFECTIVE August 15, 2016  
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin  
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO 2015-00343 DATED N/A

**FOR ENTIRE SERVICE AREA**

**P.S.C. KY NO. 2**

**NINTH REVISED SHEET NO. 6**

**CANCELLING**

**EIGHTH REVISED SHEET NO. 6**

**ATMOS ENERGY CORPORATION**

NAME OF UTILITY

**Current Transportation**

**Case No. 2015-00343**

The Transportation Rates (T-3 and T-4) for each respective service net monthly rate is as follows:

**System Lost and Unaccounted gas percentage:** 1.16%

				<u>Simple Margin</u>	<u>Non- Commodity</u>	<u>Gross Margin</u>			
<b><u>Transportation Service</u><sup>1</sup></b>									
<b><u>Firm Service (T-4)</u></b>									
First	300	Mcf	@	\$1.5340 +	\$0.0000 =	\$1.5340	per Mcf	(l)	
Next	14,700	Mcf	@	0.9500 +	0.0000 =	0.9500	per Mcf	(l)	
All over	15,000	Mcf	@	0.7400 +	0.0000 =	0.7400	per Mcf	(l)	
<b><u>Interruptible Service (T-3)</u></b>									
First	15,000	Mcf	@	\$0.8500 +	\$0.0000 =	\$0.8500	per Mcf	(l)	
All over	15,000	Mcf	@	0.6405 +	0.0000 =	0.6405	per Mcf	(l)	

<sup>1</sup> Excludes standby sales service.

DATE OF ISSUE November 23, 2015  
MONTH / DATE / YEAR

DATE EFFECTIVE August 15, 2016  
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin  
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO 2015-00343 DATED N/A

**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 8

Cancelling

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

\$17.50 per meter for residential service

\$44.50 per meter for non-residential service

(I)

(I)

## b) Distribution Charge

First<sup>1</sup> 300 Mcf @ \$1.5340 per 1,000 cubic feetNext<sup>1</sup> 14,700 Mcf @ 0.9500 per 1,000 cubic feet

Over 15,000 Mcf @ 0.7400 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 &amp; Development Rider (R&amp;D), referenced on Sheet No. 37.

## g) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.

<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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Issued by Authority of an Order of the Public Service Commission in  
Case No. 2015-00343

ISSUED BY /s/ Mark A. Martin  
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**First Revised SHEET No. 11**

**Cancelling**

**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: \$375.00 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	\$0.8500 per 1,000 cubic feet	(I)
Over 15,000 Mcf	0.6405 per 1,000 cubic feet	(I)

- c) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15
- d) Research & Development Rider (R&D), referenced on Sheet No. 37.
- e) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.

<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

First Revised SHEET No. 14

Cancelling

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:

$$WNA_i = R_i \frac{[(HSF)_i (NDD - ADD)]}{(BL_i + [(HSF)_i \times ADD])}$$

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
- $HSF_i$  = heat sensitive factor for the  $i$ th schedule or classification
- $NDD$  = normal billing cycle heating degree days (based upon NOAA 20-year normal for the period of September 1996 through August 2015)
- $ADD$  = actual billing cycle heating degree days
- $BL_i$  = base load for the  $i$  th schedule or classification

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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**Third Revised SHEET No. 39**

**Cancelling**

**Second Revised SHEET No. 39**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Pipeline Replacement Program Rider**

**4. Pipe Replacement Rider Rates**

The charges for the respective gas service schedules for the revenue month beginning October 1, 2015 per billing period are: (T)

	<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 15000	\$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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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**First Revised SHEET No. 40**

**Cancelling**

**Original SHEET No. 40**

**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 at least twice the length of the discount period. The discount period shall not extend beyond four (4) years. (T)

**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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**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 45

Cancelling

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                                                                                                        | -      | \$375.00 | per delivery point     | (I)                  |
| b) | Transportation Administration Fee-                                                                                 |        | 50.00    | per customer per month |                      |
| c) | <u>Distribution Charge for</u>                                                                                     |        |          |                        |                      |
|    | <u>Interruptible Service</u>                                                                                       |        |          |                        |                      |
|    | First <sup>1</sup>                                                                                                 | 15,000 | Mcf      | @                      | \$0.8500 per Mcf (I) |
|    | Over                                                                                                               | 15,000 | Mcf      | @                      | 0.6405 per Mcf (I)   |
| 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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**PSC KY. No. 2**

**First Revised SHEET No. 47**

**Cancelling**

**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).

- b) "Cash out" Method

(T)

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**PSC KY. No. 2**

**First Revised SHEET No. 48**

**Cancelling**

**Original SHEET No. 48**

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Interruptible Transportation Service**  
**Rate T-3**

<u>Imbalance volumes</u>	<u>Cash Out Price</u>		
	<u>For Positive Imbalances</u>	<u>For Negative Imbalances</u>	
0% up to 5% <sup>1</sup> of Dth <sub>Customer</sub>	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price	(D)
5% up to 10% <sup>1</sup> of Dth <sub>Customer</sub>	@ 85% of Index Price <sup>2</sup>	@ 115% of Index Price	(T)
10% up to 15% <sup>1</sup> of Dth <sub>Customer</sub>	@ 70% of Index Price <sup>2</sup>	@ 130% of Index Price	(T)
15% up to 20% <sup>1</sup> of Dth <sub>Customer</sub>	@ 60% of Index Price <sup>2</sup>	@ 140% of Index Price	(T,N)
20% and over <sup>1</sup> of Dth <sub>Customer</sub>	@ 50% of Index Price <sup>2</sup>	@ 150% of Index Price	(T,N)

<sup>1</sup> Not to exceed Imbalance volumes

<sup>2</sup> The index price will equal the effective "Cash out" index price determined as follows.

- c) If the volume of gas delivered to the Customer's point of delivery is greater than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (negative imbalance), the Company will sell the difference in gas volumes to the Customer based on the highest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report," plus the highest applicable pipeline fuel and transportation charges (T)
- d) If the volume of gas delivered to the Customer's point of delivery is less than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (positive imbalance), the Company will buy the difference in gas volumes from the Customer based on a price equal to the lowest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report", plus the lowest applicable pipeline fuel and transportation charges (T,N)
- e) In addition to other tariff 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 Company's facilities. (T)
- f) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth Company", on a monthly basis at \$0.10 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 Customer in the month following delivery to the Company on the Customer's account. (T)

**1. 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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ISSUED BY /s/ Mark A. Martin  
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TITLE Vice President – Rates and Regulatory Affairs

**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**First Revised SHEET No. 52**

**Cancelling**

**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 - \$375.00 per delivery point (I)
- b) Transportation Administration Fee - 50.00 per customer per month
- c) Distribution Charge for Firm Service
  - First<sup>1</sup> 300 Mcf @ \$1.5340 per Mcf (I)
  - Next<sup>1</sup> 14,700 Mcf @ 0.9500 per Mcf (I)
  - Over 15,000 Mcf @ 0.7400 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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**FOR ENTIRE SERVICE AREA**

**PSC KY. No. 2**

**First Revised SHEET No. 54**

**Cancelling**

**Original SHEET No. 54**

**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.

$$\text{Imbalance} = Dth_{\text{Customer}} - Dth_{\text{Company}}$$

Where

1.  $Dth_{\text{Customer}}$  '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.  $Dth_{\text{Company}}$  '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).

(b) "Cash out" Method

(T)

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**FOR ENTIRE SERVICE AREA**

PSC KY. No. 2

First Revised SHEET No. 55

Cancelling

Original SHEET No. 55

**ATMOS ENERGY CORPORATION**  
(NAME OF UTILITY)

**Firm Transportation Service**  
**Rate T-4**

<u>Imbalance volumes</u>	<u>Cash Out Price</u>	
	<u>For Positive Imbalances</u>	<u>For Negative Imbalances</u>
0% up to 5% <sup>1</sup> of Dth Customer	@ 100% of Index Price <sup>2</sup>	@ 100% of Index Price
5% up to 10% <sup>1</sup> of Dth Customer	@ 85% of Index Price <sup>2</sup>	@ 115% of Index Price
10% up to 15% <sup>1</sup> of Dth Customer	@ 70% of Index Price <sup>2</sup>	@ 130% of Index Price
15% up to 20% <sup>1</sup> of Dth Customer	@ 60% of Index Price <sup>2</sup>	@ 140% of Index Price
20% and over <sup>1</sup> of Dth Customer	@ 50% of Index Price <sup>2</sup>	@ 150% 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 determined as follows.

- c) If the volume of gas delivered to the Customer's point of delivery is greater than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (negative imbalance), the Company will sell the difference in gas volumes to the Customer based on the highest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report," plus the highest applicable pipeline fuel and transportation charges
- d) If the volume of gas delivered to the Customer's point of delivery is less than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (positive imbalance), the Company will buy the difference in gas volumes from the Customer based on a price equal to the lowest average weekly index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in Natural Gas Week "Gas Price Report", plus the lowest applicable pipeline fuel and transportation charges
- e) In addition to other tariff 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 Company's facilities.
- f) Customer may, by written agreement with the Company, arrange to "park" positive imbalance volumes, up to 10% of "Dth Company", on a monthly basis at \$0.10 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 Customer in the month following delivery to the Company on the Customer's account.

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TITLE Vice President – Rates and Regulatory Affairs

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF )  
RATE APPLICATION OF ) Case No. 2015-00343  
ATMOS ENERGY CORPORATION )

CERTIFICATE AND AFFIDAVIT

The Affiant, Gary L. Smith, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared settlement testimony of this affiant in Case No. 2015-00343, 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 settlement testimony.

  
\_\_\_\_\_  
Gary L. Smith

STATE OF Kentucky  
COUNTY OF Franklin

SUBSCRIBED AND SWORN to before me by Gary L. Smith on this the 27 day of June, 2016.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 3-12-19

ID: 528633