April 1, 2016

James Gardner  
Acting Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Atmos Energy Corporation  
Case No. 2016-00070

Dear Mr. Gardner:

Atmos Energy Corporation submits its responses to the Commission’s Second Data Requests. 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:

Mark R. Hutchinson  
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And

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Attorneys for Atmos Energy Corporation
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF AN  )
INVESTIGATION OF AN INCREASE  )  Case No. 2016-00070
IN R & D RIDER PROPOSED BY  )
ATMOS ENERGY  )

AFFIDAVIT

The Affiant, Mark A. Martin, being duly sworn, deposes and states that the attached responses to Commission Staff’s first second for information are true and correct to the best of his knowledge and belief.

Mark A. Martin

STATE OF KENTUCKY
COUNTY OF DAVIESS

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 28th day of March, 2016.

Notary Public - State of KY at Large
My Commission Expires: _Sept. 26, 2017
Notary ID: 496385
REQUEST:

Refer to Atmos's responses to the Attorney General's Initial Request for Information ("AG's First Request"), Item 4, Attachment 1, and Item 9.

a. Confirm that Atmos's distribution systems operating in Tennessee, Kansas, and Colorado do not contribute annually to the Gas Technology Institute ("GTI"), and state the reason for the lack of contribution in each of those jurisdictions.

b. State whether Atmos intends to pursue GTI funding in the three states currently not contributing and to increase funding levels in other states.

c. State how the GTI funding level was determined for each Atmos local distribution system shown on Attachment 1.

d. State whether each Atmos local distribution system shown in Attachment 1 recovers 100 percent of its GTI funding from its ratepayers.

RESPONSE:

a) Confirmed. Staff is correct that the Company's distribution systems in Tennessee, Kansas, and Colorado do not contribute annually to GTI. The Company has attempted to receive approval for ratepayer-funded contribution programs in Tennessee and Kansas, but unfortunately those regulatory bodies did not support the concept. The Company is unable, at this time, to confirm whether such R&D funding has been sought in Colorado.

b) The Company is unable to pursue GTI funding in Tennessee and Kansas as a result of the regulatory bodies not allowing the funding; however, the Company is not opposed to pursuing GTI funding should these bodies allow the funding in the future. While the Company does not have a GTI funding program in Colorado at this time, the Company is also not opposed to potentially considering a GTI funding program in the future.

c) For Mississippi, please see Attachment 1 for the MPSC Order dated January 14, 1999 approving the GRI (now GTI) surcharge, specifically paragraphs 4 and 5. The $0.00174/Ccf surcharge approved in Mississippi is the same FERC surcharge in
effect in 1998 when the FERC allowed the interstate pipelines to cease collecting R&D in their wholesale gas costs to LDCs and other customers. In recognition of the value of R&D funding to Mississippi ratepayers, the MPSC chose to continue collecting through the PGA mechanism the R&D surcharge already being collected from Mississippi ratepayers through FERC tariffs. That surcharge remains in effect today.

In Louisiana, the R&D surcharge was implemented in 2008 for a three-year period, and the surcharge was renewed in 2011 by the LPSC for another three-year period, finding that the R&D surcharge improves operational efficiencies and helps to minimize the cost of natural gas service. In 2014, the LPSC once again renewed the R&D surcharge for another three-year period. Attachment 2 is the latest Order by the LPSC authorizing the three-year renewal and Attachment 3 is the initial Order authorizing the R&D surcharge.

In Virginia, GTI funding through base rates was implemented in 2005. Attachment 4 is the Virginia Hearing Examiner's Report approving GTI funding on page 4, and Attachment 5 is the Final Order adopting the Hearing Examiner's report by the Virginia State Corporation Commission.

For the Texas distribution operations, it is noteworthy that these customer bases did not historically contribute to GTI when those fees were collected through FERC approved rates since these operations are served by intrastate pipelines. There is no explicit regulatory affirmation of the GTI funding for Mid-Tex and West Texas; however, these charges are included in the Company's general cost of service and recovered through the annual Rate Review Mechanisms in each operation.

d) 100% of GTI funding for each of the distribution systems in Staff 1-04_Att1 is from ratepayers.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_2-01_Att1 - MPSC Order.pdf, 5 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_2-01_Att2 - LPSC Order.pdf, 6 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, Staff_2-01_Att3 - LPSC Order.pdf, 10 Pages.
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ATTACHMENT 4 - Atmos Energy Corporation, Staff_2-01_Att4 - VA Hearing Examiner Report.pdf, 30 Pages.

ATTACHMENT 5 - Atmos Energy Corporation, Staff_2-01_Att5 - VA SCC Final Order.pdf, 31 Pages.

Respondent: Mark Martin
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSISSIPPI

NOTICE FILE NO. 98-UN-0776

IN RE: NOTICE OF INTENT TO CHANGE
(1) SIXTH REVISED PURCHASE
GAS ADJUSTMENT RIDER AND
(2) PLANNED METHOD OF
CALCULATION UNDER THE
SIXTH REVISED PURCHASE GAS
ADJUSTMENT RIDER TO
PROVIDE FOR THE
CONTINUATION OF THE
CURRENTLY ASSESSED
RESEARCH AND DEVELOPMENT
SURCHARGES

MISSISSIPPI VALLEY GAS COMPANY
UTILITY I.D. NO. GC-123-0081-00

ORDER

By Notice filed October 27, 1998, the above described matter came on for
consideration upon the request of Mississippi Valley Gas Company. Upon the sworn
allegations of the Notice, and upon the recommendation of the Public Utilities Staff, the
Commission finds as follows, to wit:

1. Petitioner is a public utility as defined in §77-3-3(d)(ii) of the Mississippi Code of
1972, as Amended, and is engaged in the business of providing natural gas service to and
for the public for compensation in Mississippi. Petitioner has its principle place of business
at 711 West Capitol Street, Jackson, Mississippi. Petitioner’s mailing address is Post
Office Box 3348, Jackson, Mississippi 39207.

2. Petitioner is the holder of certificates of public convenience and necessity
authorizing its operations in specified areas of Mississippi and is rendering service in accordance with its service rules and regulations and in accordance with a schedule of rates and charges, both of which constitute its tariffs that have been previously approved by order of this Commission.

3.

By a notice filing on October 27, 1998, MVG advised this Commission of its intent to change its (1) Sixth Revised Purchase Gas Adjustment Rider and (2) its Planned Method of Calculation Under the Sixth Revised Purchase Gas Adjustment Rider to provide for the continuation of currently assessed research and development surcharges all as more fully set forth in its filing. By order dated November 16, 1998, this Commission temporarily suspended such change pending further investigation by the Public Utilities Staff. That investigation has now been completed and the Commission is of the opinion that the Suspension Order can be and should be lifted.

4.

The Gas Research Institute ("GRI") is a national, non-profit cooperative enterprise performing research and development activities designed to increase gas supply, enhance public safety, and improve energy efficiency in the use of natural gas. Historically, a substantial part of GRI's funding has been derived from surcharges levied on interstate pipeline services. These surcharges were, and are, authorized for inclusion in wholesale gas service costs by the Federal Energy Regulatory Commission ("FERC"). Since the surcharges were contained in FERC approved wholesale gas rates, they have been, and are, included in the costs recovered by Petitioner in its Purchased Gas Adjustment Rider
and are, therefore, ultimately borne by the gas consuming public. The current FERC approved surcharge is 0.174¢ per ccf. This surcharge recovers approximately $1.23 per year from Petitioner's average residential customer. Currently, and in the past, all sums raised by the surcharge have gone to the support of GRI sponsored research and development activities.

5.

Because of the deregulation of natural gas at the wellhead and the increasingly competitive nature of Interstate pipeline operations, the historical method of supporting consumer benefitting research and development activities through a GRI surcharge collected by Interstate pipelines is no longer sustainable. On April 29, 1998, the Federal Energy Regulatory Commission approved a broadly supported natural gas industry Settlement Agreement that provides for GRI funding for a seven-year transition from traditional FERC approved surcharge funding in 1998 to funding based on voluntary industry and government revenues after 2004. Under the settlement, the current FERC surcharge will be phased out and future ratepayer support for research and development activities will be dependent upon state approved surcharges.

6.

Pursuant to the FERC Settlement Agreement, Petitioner proposes to amend its Sixth Revised Purchased Gas Adjustment Rider (and the Planned Method of Calculation for same) so as to phase in a research and development surcharge equal to and offsetting the planned reduction in the FERC approved surcharge. As a consequence, the rate paid by Petitioner's customers to support research and development will neither increase nor
decrease when compared to historical levels of funding.

7.

Petitioner further proposes that effective State control over the expenditure of the research and development surcharge funds be established. Petitioner proposes (1) that all funds generated by the research and development surcharge be accounted for as funds reserved for the benefit of the ratepayers of Mississippi Valley Gas Company and (2) that the expenditure of same be under the direction and control of Petitioner's management for and on behalf of Petitioner's ratepayers. Expenditures will be subject to MPSC oversight and approval and all benefits derived therefrom will inure to the direct and exclusive benefit of Petitioner's ratepayers.

8.

Attached to the filing as Exhibits "A" and "B" and incorporated by reference were sample tariffs implementing the proposed changes to the Purchased Gas Adjustment Rider and the Planned Method of Calculation.

9.

The Commission finds that the proposed changes do not involve any revenue adjustments since they are designed to maintain the current level of ratepayer supported research and development funding. The Commission further finds that the proposed changes have no effect on Petitioner's net income since all revenue and expenses will be accounted for as proposed in Exhibit "C" to the filing. The Commission finds that the proposed changes are just and reasonable and are consistent with public convenience and necessity and are in the public interest.
IT IS THEREFORE ORDERED:

A.

That this Commission's prior Order dated November 16, 1998 suspending the operation of these tariff changes be, and the same is hereby lifted,

B.

The changes proposed in Notice Filing No. 98-UN-0776 be, and they are hereby approved effective March 1, 1999, and

C.

Petitioner is directed to file compliance tariffs within 30 days from the date of this Order.

SO ORDERED, this the 14th day of January, 1999.

MISSISSIPPI PUBLIC SERVICE COMMISSION

BO ROBINSON, CHAIRMAN

GEORGE BYARS, VICE CHAIRMAN

NIELSEN COCHRAN, COMMISSIONER

ATTEST: A True Copy

BRIAN U. RAY
EXECUTIVE SECRETARY
LOUISIANA PUBLIC SERVICE COMMISSION

GENERAL ORDER NO. R-30479-B

LOUISIANA PUBLIC SERVICE COMMISSION
EX PARTE


(Decided at the Open Session dated September 10, 2014)

General Background

In its General Order dated October 28, 2008 ("the 2008 General Order"), the Louisiana Public Service Commission ("Commission") authorized the creation of the Louisiana Research and Development Committee ("RDC"), a coalition of representatives from the Commission Staff and all Group I gas utility companies (as defined in the Commission’s General Order dated March 24, 1999)1 under the jurisdiction of the Commission. The RDC is comprised of one member from each Group I gas utility company and is chaired by a Commission Staff member, and each Group I gas utility company is required to separately become a member of Utilization Technology Development ("UTD"), a collaborative research and development ("R&D") funding program that is dedicated to developing or increasing the efficiency of gas end use equipment, while reducing the environmental impact of gas-consuming equipment. Additionally, each Group I gas utility company is required to become a member of Operations Technology Development ("OTD"), an R&D funding program focused on pipeline and distribution operations, with projects that reduce operational costs while enhancing reliability and safety.2

The RDC is tasked with reviewing proposals for R&D projects and selecting projects that have a reasonable chance to benefit Louisiana gas utility customers within a reasonable amount of time. Proposals are submitted to the RDC by Gas Technology Institute3 ("GTI"), the managing entity for UTD and OTD. Approved proposals are then submitted by GTI to the full UTD membership and OTD membership, where the Louisiana funds are supplemented by funding from other OTD and UTD members for the projects selected. The selected projects are

1 Section II(b) of that General Order defines Group I gas utility companies as, "all local gas distribution companies serving in excess of 25,000 jurisdictional customers."
2 Both UTD and OTD are stand alone, 501c(6) not-for-profit companies controlled by their respective members.
3 GTI is a not-for-profit 501c(3) corporation designated to perform R&D programs for the benefit of natural gas consumers and jurisdictional gas local distribution companies ("LDCs") nationwide. It is subject to the rules and regulations of public utility commissions across the country where R&D surcharges are collected from jurisdictional gas LDCs.
funded through UTD and OTD, as applicable, by an R&D charge of ninety cents ($0.90) per meter per year ("R&D charge"). The R&D charge is submitted by the Group I gas utilities to UTD and to OTD, and the Group I gas utilities may recover the R&D charge through their respective rates or via other recovery mechanisms at the discretion of the Group I gas utility.

**Jurisdiction**

The Commission exercises jurisdiction in this proceeding pursuant to Article 4, Section 21 of the Louisiana Constitution, La. R.S. 45:1163(A)(1), and La. R.S. 33:4510. Louisiana Constitution, Article 4, Section 21 provides in pertinent part:

> The Commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

La. R.S. 45:1163 provides:

> A. (1) The Commission shall exercise all necessary power and authority over any street, railway, gas, electric light, heat, power, waterworks, or other local public utility for the purpose of fixing and regulating the rates charged or to be charged by and service furnished by such public utilities.

**Committee Review of R&D Charge-funded Programs**

The 2008 General Order established the R&D charge for a period of three (3) years, at which time the RDC was required to review the results of the R&D charge and determine if it should be continued or whether it should be cancelled. On August 25, 2011, Staff filed a Report and Recommendation into the official record of Docket No. R-30479, in which Staff recommended that all provisions of the 2008 Order be continued and remain in effect for a period of three years. After that time, Staff recommended that the RDC and Staff review the results of the R&D funding mechanism created by the 2008 Order so as to determine if that funding mechanism should be continued or whether it should be cancelled. Staff's recommendation was then approved by the Commission at the September 7, 2011 Business and Executive Session, and the provisions of the 2008 Order were renewed until October 28, 2014. The Commission's decision was memorialized as General Order No. R-30479-A, dated September 16, 2011 ("the 2011 Order").

The RDC continued to hold annual meetings to review the general progress of natural gas.
R&D programs that both are directly funded by the RDC, and to which RDC members have access through UTD and OTD. These meetings were held on August 16, 2012, August 14, 2013, and July 11, 2014.

At the July 11, 2014 meeting, the member representatives of the RDC discussed the value and benefit of OTD and UTD membership to Louisiana customers. RDC member representatives observed that the program provides a high value of benefits versus costs, including access to information and initiatives that the Group I utility companies could not attain on their own. The member representatives therefore unanimously agreed that the program goals and objectives are being met, and that the Commission should authorize the renewal of both the RDC and the R&D charge. The member representatives also discussed the possibility of eliminating the three-year sunset provision created by the 2008 Order and renewed by the 2011 Order. The member representatives agreed that the program has sufficiently proven its value for six years, and so both the RDC and the R&D charge of ninety cents ($0.90) per meter per year should be authorized to continue on this merit without renewal every three years and without an annual update meeting.

Staff Review

Staff reviewed the positions of the RDC member representatives, as well as examples cited at RDC’s 2012, 2013, and 2014 annual meetings as producing benefits for LPSC-jurisdictional ratepayers. Since R&D clearly enables the identification of new applications for using natural gas, Staff determined that R&D is critical to maintaining both the competitiveness of natural gas as a resource and the viability of the LPSC-jurisdictional entities supplying gas to Louisiana customers. The funds collected pursuant to the R&D charge are pooled with other available, similar R&D dollars that are collected in other jurisdictions, and then invested in projects deemed important and meaningful by LPSC-jurisdictional utility companies. As a result, the monies collected via the R&D charge are leveraged many times over, allowing the three Group I natural gas utilities to fund, participate in, and access bleeding edge technology that would be unaffordable individually. The funding is leveraged over 20 to 1 by research funding from private donations, government agencies, and other gas utilities located across the nation, which increases the effectiveness of Louisiana’s contribution. This pooling of funds consequently allows the different Group I gas utility companies to accomplish many deliverables.

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that could never have been accomplished by any one system. Moreover, the R&D charge has not only helped to further innovation in natural gas technologies deployed nationwide, but has also resulted in direct, quantifiable benefits to Louisiana businesses.

Staff therefore concluded that investment in R&D improves operational efficiencies and helps to minimize the cost of natural gas service. Staff also determined that the programs selected for funding by the RDC are producing and will continue to produce economic advantages to LPSC-jurisdictional ratepayers, and that those programs increase convenience to customers and system reliability. Moreover, when considering the comparatively low cost to ratepayers – ninety cents ($0.90) per meter per year, or about seven and one-half cents ($0.075) per month – Staff contended that the benefits provided to the ratepayers more than outweigh the cost imposed.

To that end, Staff filed a Report and Recommendation on August 25, 2014 in which Staff asserted that the programs financed by the R&D charge are in the public interest. Staff observed that the benefits created by the R&D charge have remained consistent since the charge was first authorized in 2008, and that the RDC as an organization has functioned cohesively, efficiently, and effectively. As such, Staff concurred with the member representatives that the RDC and the R&D charge should continue to operate for an indefinite period, subject to the Commission’s authority to revisit this determination.

Commission Consideration

Staff’s recommendation was considered by the Commission at its September 10, 2014 Business and Executive Session in Baton Rouge, Louisiana. Commissioner Skrmetta made a motion to adopt Staff’s Recommendation and Commissioner Holloway seconded. On substitute motion of Commissioner Angelle, seconded by Commissioner Skrmetta, and unanimously adopted, the Commission voted to adopt Staff’s Recommendation and continue the Louisiana Research and Development Committee (“RDC”) and the research and development charge that were created by the General Order dated October 28, 2008 and extended by General Order No. R-30479-A (September 16, 2011), subject to the following modifications: (a) the three (3) year sunset provision included in those General Orders shall remain in effect; (b) the RDC and the R&D charge shall therefore continue in effect until October 28, 2017, at which time the Staff and the members of the RDC will again review the results of the R&D charge in order to determine if

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it should be continued or whether it should be cancelled; and (c) the RDC shall continue to conduct and attend meetings in order to carry out its duties, and shall provide annual reports to the Commission and to Staff.

IT IS ACCORDINGLY THEREFORE ORDERED:

1) That all provisions of the General Order dated October 28, 2008 and renewed by General Order No. R-30479-A are hereby continued for a period of three years;

2) That compliance with the provisions of the General Order dated October 28, 2008, General Order No. R-30479-A dated September 16, 2011, and with this Order is mandatory for all Group I gas utilities, as defined in the Commission's General Order dated March 24, 1999;

3) That the R&D funding mechanism created by the General Order dated October 28, 2008 will continue in effect for an additional period of three years until October 28, 2017. At the end of that time, the Staff and the members of the RDC will again review the results of the R&D funding mechanism in order to determine if it should be continued or whether it should be cancelled;

4) That the RDC shall continue to conduct and attend meetings in order to carry out its duties, and shall provide annual reports to the Commission and to Staff;

5) That if the R&D funding mechanism is discontinued after October 28, 2017, any funds remaining in the RDC escrow account will be remitted back to the utilities and ultimately refunded to Group I gas utility customers; and

"This space is intentionally left blank."

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Page 5
6) That this Order shall be effective immediately.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
December 23, 2014

/S/ ERIC F. SKRMETTA
DISTRICT I
CHAIRMAN ERIC F. SKRMETTA

/S/ CLYDE C. HOLLOWAY
DISTRICT IV
VICE CHAIRMAN CLYDE C. HOLLOWAY

/S/ FOSTER L. CAMPBELL
DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

/S/ LAMBERT C. BOISSIERE
DISTRICT III
COMMISSIONER LAMBERT C. BOISSIERE, III

/S/ SCOTT A. ANGELLE
DISTRICT II
COMMISSIONER SCOTT A. ANGELLE

EVE KAHAO GONZALEZ
SECRETARY
LOUISIANA PUBLIC SERVICE COMMISSION

GENERAL ORDER

LOUISIANA PUBLIC SERVICE COMMISSION
EX PARTE


(Decided at the October 15, 2008 Business and Executive Session)

General Background

At the December 4, 2007 Business and Executive Session, Mr. Ronald Edelstein, who is the Director of Regulatory and Government Relations for the Gas Technology Institute ("GTI"), made a presentation to the Louisiana Public Service Commission ("Commission" or "LPSC") regarding funding mechanisms for jurisdictional gas utilities for research and development programs. Following the presentation, the Commission directed the Staff to investigate the matter further.

Thereafter, notice of this rule making was published on January 25, 2008. Specifically, the notice sought comments from jurisdictional gas utilities regarding the feasibility a funding mechanism for research and development programs for natural gas utilities in Louisiana. Timely interventions were submitted by: CenterPoint Energy-Arkla and CenterPoint Energy Entex ("CenterPoint"); Atmos Energy Corporation; and Entergy Gulf States Louisiana, L.L.C. ("EGSL"). A Motion for Untimely Intervention was submitted by GTI, which was ultimately granted by the Commission Staff.

Jurisdiction

The Commission exercises jurisdiction in this proceeding pursuant to Article 4, Section 21 of the Louisiana Constitution, La. R.S. 45:1163(A)(1), and La. R.S. 33:4510. Louisiana Constitution, Article 4, Section 21 provides in pertinent part:
The Commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

La. R.S. 45:1163 provides:

A. (1) The Commission shall exercise all necessary power and authority over any street, railway, gas, electric light, heat, power, waterworks, or other local public utility for the purpose of fixing and regulating the rates charged or to be charged by and service furnished by such public utilities.

Analysis of comments and data responses

In addition to initial comments submitted by the parties, the Staff issued a set of data requests to the parties. Substantive comments were initially provided primarily by GTI; responses to the data requests were submitted by EGSL, CenterPoint and GTI.

A. General Comments of GTI:

GTI provided a summary of its efforts in the research and development ("R&D") area related to natural gas usage and the need for further R&D. For example, GTI helped develop a fully condensing furnace at 90% efficiency. With respect to gas-fired hot water systems, GTI states that while the efficiency off-the-shelf tank-based equipment ranges from 50 – 55% (annual fuel use efficiency), more efficient tankless gas water heaters are available which provide an efficiency rating of 80%; however, costs related to these new heaters are high. Thus, GTI asserts that R&D is needed to develop a range of reliable, cost-effective, and high-efficiency tankless and tank-based gas water heaters. GTI asserts that development in this area would drive down costs of high efficiency gas water heaters, making them available to a wider range of customers (including commercial and low-income customers).

GTI discussed the need for more efficient water-heating devices; typical boilers in the 1960's
- 1980's provide 50 to 75% efficiency, while newer condensing boilers run from 80 to 85% efficiency. Finally, GTI stated that R&D is needed in the area of gas operations to provide better software, sensors and hardware to detect plastic pipe, enhance system integrity, provide quicker and more accurate leak detection and pinpointing, etc.

GTI stated that R&D was formerly funded through a FERC-approved recovery mechanism from 1977 through 2004; however, that mechanism was phased out as a result of increased competition between and amongst industry sectors. Currently, individual public service commissions have authorized R&D funding mechanisms in 22 states.

GTI submitted that a R&D funding mechanism is feasible for the State of Louisiana. To begin, the plan would be voluntary, with gas utilities choosing what R&D project to devote funds. GTI notes that the R&D would not have to be conducted by it. Instead, the choice of what programs to fund would be decided by the utility.

As set forth in GTI's comments, for the 22 States with R&D funding mechanisms, collection amounts range from $0.90 to $2.00 per residential customer per year. GTI suggested a charge of $0.90 per residential customer per year for Louisiana.

B. Responses to Data Requests:

On April 4, 2008, the Staff submitted data requests to the parties to determine whether jurisdictional gas utilities within the State of Louisiana are currently spending money on R&D and, if so, whether the costs were being recovered in rates. The Staff also asked for the parties' opinion regarding GTI's proposed charge of $0.90 per residential ratepayer per year. Finally, the Staff asked for comments regarding the following ratepayer protections, if the Commission decided to implement a R&D funding mechanism:
a. Any money collected, as a result of the R&D surcharge, but not ultimately spent on R&D will be refunded to customers on an annual basis.

b. The surcharge, if approved, should be implemented as a pilot program for a period not to exceed of 3 years. At the end of the 3-year period, the Staff and parties will review the results of the R&D program in order to determine if it should be continued or whether it should be cancelled.

Both GTI and EGSL provided comments. In particular, EGSL stated that it would agree to a $0.90 charge to residential customers under a R&D funding mechanism. EGSL also recommended that, “all monies collected would be managed centrally by a newly created Louisiana Gas R&D Committee comprised of one member from each Louisiana gas LDC and chaired by a LPSC staff member. The committee would decide which projects to fund and the results would be shared with all Louisiana gas LDCs.”

C. **Policy question of allowing current recovery of R&D costs:**

   (1) **R&D costs do not squarely fall into a recoverable cost or expense:**

   A utility’s revenue requirement is the sum of the utility’s operating expenses and its rate of return times the amount of its rate base. Operating expenses include “maintenance, depreciation, and taxes, incurred to produce revenues;” rate base is “the value of the property, plant and equipment (less accumulated depreciation) which provide the service, and on which a return should be earned.”


   Funds spent on R&D do not squarely fit in either operating expenses or rate base. As a matter of policy, the Commission must decide whether current ratepayers can reasonably benefit from current R&D activities. If R&D activities are reasonably likely to cause benefits to flow to ratepayers, then customers could be charged for R&D costs.

   (2) **FERC precedent regarding benefit and recovery of R&D costs:**

   -4- General Order
As GTI stated in its comments, previously FERC authorized surcharges to provide funds for R&D activities. Under those procedures, FERC could provide advance approval of R&D cost recovery to utilities by approving an R&D organization's annual budget. *Process Gas Consumers Group v. Federal Energy Regulatory Commission*, 866 F.2d 470, 275 U.S.App.D.C. 269. Through this approach, multiple R&D organizations submitted budgets and research plans, which were reviewed, and some approved, by the FERC. To enable FERC to make an intelligent assessment of research initiatives submitted for advance approval under these procedures, the regulations required jurisdictional companies and research organizations to include in their submissions, *inter alia,* "[e]vidence that the project or program ... has a reasonable chance of benefiting the ratepayer in a reasonable period of time" and that "whatever achievements may result ... will accrue to the benefit of the sponsoring jurisdictional company[ies] and their customers." 18 C.F.R. § 154.38(d)(5)(iii)(d) & (e) (1988).

In *Process Gas Consumers Group*, the United States Court of Appeals (District of Columbia) reviewed a FERC-approval of one particular R&D organization’s budget (Gas Research Institute ("GRI")). The decision, while disapproving the review performed by the FERC, provides helpful guidance on how to determine whether a project or program has a “reasonable chance of benefiting the ratepayer in a reasonable period of time”. *Process Gas Consumers Group*, 866 F.2d 470, at 472.

For example, the Court of Appeals cited its decision in *Public Util. Comm’n of Colorado v. FERC*, 660 F.2d 821 (D.C.Cir.1981), *cert. denied*, 456 U.S. 944, 102 S.Ct. 2009, 72 L.Ed.2d 466 (1982) as supporting the notion that projects should not be limited to production or transportation of

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1 FERC required RD & D organizations annually to submit not only their proposed expenditures for the coming year but also a five-year projection of research initiatives and expenditures. FERC required this latter out-year information to assess more thoroughly the overall objectives of organizational programs. The FERC Staff would perform a comprehensive review of the submittal along with comments from the public. *See* 18 C.F.R. § 154.38(d)(5)(iii) (1988)
natural gas, but also include conservation. In particular, in *Colorado* the Court addressed a fuel conservation project by GRI and held

"Since the probable effect of successful GRI projects in that case would have been a reduction in gas prices (occasioned by reduced consumer demand or enhanced natural gas supplies), we thought it clear that the ratepayers being “taxed” to support GRI’s research efforts would be benefited. In other words, because the subject research was designed to “assur[e] ... an adequate and reliable supply [of natural gas] at reasonable prices,” the research was within FERC’s jurisdiction to approve. Thus, FERC, consistent with the Natural Gas Act, may authorize ratepayer financing of end-item research that has as its “broad goal” the purpose of “keeping consumer rates down.” *Process Gas Consumers Group*, 866 F.2d 470, at 474.

In addition, the Court stated that, “when considering whether a proposed research project ‘has a reasonable chance of benefiting the ratepayer in a reasonable period of time,’ 18 C.F.R. § 154.38(d)(5)(iii)(d), the Commission need not undertake scientific ‘peer review’ or otherwise attempt to determine with precision whether the efficiency gains from an end-use application will outweigh the costs to ratepayers of the research. It is enough for the Commission rationally to conclude that the research contemplated is by its nature likely to benefit ratepayers if successful.” *Id.*

Moreover, while the Court acknowledged that, “RD & D financing is one of those unusual settings in which it is appropriate for FERC to authorize ‘the charging to current ratepayers of expenditures incurred by a jurisdictional company’ even though the fruits of those expenditures may flow to future ratepayers.” *Id.* However, the Court clarified that it would be improper, for instance, in the case of projects that would ultimately increase demand and increase rates, to charge existing ratepayers with a cost that not only brings no benefit to them but, rather, may or will imply future detriment. *Id.*, 476.
The LPSC believes that in order to allow R&D funds to be recovered from gas utility ratepayers, the projects to be funded must be determined to have a “reasonable chance of benefiting the ratepayer in a reasonable period of time.” That determination should be made by Commission or its Staff with input from jurisdictional gas utilities.

**Commission Action**

This matter was considered by the Commission at its October 15, 2008 Business and Executive Session. On motion of Commissioner Boissiere, seconded by Commissioner Field, and unanimously adopted, the Commission voted to adopt the Proposed General Order.

**IT IS THEREFORE ORDERED THAT:**

1. Compliance with the provisions of this Order is mandatory for all Group I gas utilities, as defined in the Commission’s General Order dated March 24, 1999.

2. A Research and Development funding mechanism (R&D funding mechanism) is hereby authorized for the Group I gas utilities under the jurisdiction of the Louisiana Public Service Commission.

3. A Research and Development charge (“R&D”) of $0.90 per meter per year is hereby authorized for all Group I gas utilities.

4. The R&D charge, as authorized by this Order, is determined to be in the public interest and is authorized for recovery by the Group I gas utilities through its rates or via other recovery mechanism at the discretion of the Group I gas utility.

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2 Section II(b), on page 3 of the Commission’s General Order dated March 24, 1999, defines all Group I gas utilities as, “all local gas distribution companies serving in excess of 25,000 jurisdictional customers.”
(5) A gas utility research and development committee ("RDC") shall be formed within 60 days from the implementation of this Order. The RDC will be comprised of one member from each Louisiana Group I gas utility and chaired by a LPSC Staff member.

i. With oversight by the RDC, each Group I gas utility will separately become a member of Utilization Technology Development ("UTD") and Operations Technology Development ("OTD").

ii. The RDC will review proposals for R&D projects and select projects that have a reasonable chance to benefit Louisiana gas utility customers within a reasonable amount of time. The selected R&D projects will be funded through the UTD and OTD, as applicable, with collections from the R&D charge.

iii. The RDC will conduct and attend meetings in order to carry out its duties.

iv. The RDC may collaborate and work with the Louisiana Gas Association, as necessary, in order to carry out its duties.

(6) Group I gas utilities will remit the R&D charge collections to Gas Technology, Inc. ("GTI"), which is the managing entity for OTD and UTD. GTI will, among other duties:

i. Submit all R&D proposals offered to the RDC for review and submit approved proposals to its full OTD membership and UTD membership so as to leverage Louisiana funding.
ii. Circulate all OTD and UTD R&D proposals to the RDC for consideration.

iii. Receive all R&D funds and place the funds into an escrow account and remit funds to any R&D projects selected by the RDC, as set forth in Section 5(ii) above.

(7) GTI is authorized to receive a 10% fee for UTD for its services and a 5% fee for OTD for its services, including administrative, R&D project management, contracting and licensing negotiations, planning and project closeout services. On average, the total fee will be approximately 7.5%; however, the fee is subject to modification based upon decisions by the OTD and UTD boards. If the fee is changed by the OTD and/or UTD, GTI will provide notice to the RDC and the Commission Staff will provide an update to the Commission.

(8) The R&D funding mechanism will be in effect for a period of three years. At the end of three years, the Staff and parties will review the results of the R&D funding mechanism in order to determine if it should be continued or whether it should be cancelled.

(9) If the R&D funding mechanism is discontinued after three years, any funds remaining in the RDC escrow account will be remitted back to the utilities and ultimately refunded to Group I gas utility customers.
BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
October 28, 2008

/S/ JACK “JAY” A. BLOSSMAN
DISTRICT I
CHAIRMAN JACK “JAY” A. BLOSSMAN

/S/ LAMBERT C. BOISSIERE, III
DISTRICT III
VICE CHAIRMAN LAMBERT C. BOISSIERE, III

/S/ JAMES M. FIELD
DISTRICT II
COMMISSIONER JAMES M. FIELD

LAWRENCE C. ST. BLANC
SECRETARY

/S/ FOSTER L. CAMPBELL
DISTRICT IV
COMMISSIONER FOSTER L. CAMPBELL

/S/ E. PAT MANUEL
DISTRICT IV
COMMISSIONER E. PAT MANUEL

-10- General Order
APPLICATION OF

ATMOS ENERGY CORPORATION

For an increase in rates

REPORT OF HOWARD P. ANDERSON, JR., HEARING EXAMINER

December 16, 2004

On February 27, 2004, Atmos Energy Corporation ("Atmos" or the "Company") filed a rate application, supporting testimony, and exhibits with the State Corporation Commission ("Commission") for an increase of approximately 2.13% in overall revenues. Atmos also proposes to initiate a Weather Normalization Adjustment ("WNA"), to make changes to its Purchased Gas Adjustment ("PGA") rider, and to include funding for the Gas Technology Institute ("GTI") in its cost of service.

On March 24, 2004, the Commission issued an Order for Notice and Hearing suspending the Company's rates for a period of 150 days, to and through July 26, 2004; establishing a procedural schedule and hearing date for October 26, 2004; and assigning this matter to a Hearing Examiner to conduct all further proceedings.

On October 19, 2004, the Company filed a Motion to Suspend Filing of Rebuttal Testimony and Limit Hearing ("Motion to Suspend"). The Company stated that Staff and the parties were able to reach a compromise on all but one issue, and they needed additional time to further discuss the remaining issue. By Hearing Examiner's Ruling of October 21, 2004, the Motion to Suspend was granted and the hearing scheduled for October 26, 2004, was retained to receive comments from public witnesses. No public witnesses appeared at the hearing on October 26, 2004.

By Hearing Examiner's Ruling of October 29, 2004, an evidentiary hearing was scheduled for November 4, 2004. Counsel appearing were Richard D. Gary, Esquire, for the Company; D. Mathias Roussy, Jr., Esquire, for the Office of Attorney General ("Consumer Counsel"); and Robert M. Gillespie, Esquire, and Sherry H. Bridewell, Esquire, for Commission Staff. Proof of Service was marked as Exhibit 1 and made a part of the record. A transcript of the proceedings is filed with this Report.

At the hearing, the Company, Consumer Counsel, and Staff offered a Stipulation in which they proposed to enter the prefiled testimony into the record without cross-examination of the witnesses. The Stipulation results in an annual revenue requirement of $371,735 based on an authorized Return on Equity ("ROE") range of 9.5% to 10.5%, with a midpoint of 10.0% used for purposes of designing rates. For purposes of the Company's future earnings tests, Staff and the parties agree that a 10.0% ROE benchmark will be utilized for determining overearnings and will continue to be used until there is a change in the authorized ROE range.

The Stipulation (Ex. No. 20) is attached as Appendix 1 to this Report.
Affiliate Expenses

Atmos Energy Services ("AES"), an affiliate of Atmos, provides administrative services related to gas supply procurement, system load management, regulatory support and compliance, and gas supply accounting administration. Atmos seeks to recover administrative fees involved in the gas procurement service provided by AES. Atmos has unbundled its energy management services by assigning the administrative services to AES and using competitive bidding for commodity procurement and asset management services.

On April 28, 2004, the Commission approved the Company’s arrangement with AES in an Order Granting Authority. Therein the Commission stated: “Atmos should bear the burden of proving, in any rate proceeding, that no market exists for the energy administrative services obtained from AES or, if a market exists, that Atmos is paying AES the lower of cost or market.”

For purposes of the Stipulation, Staff and the parties agreed that there has not been sufficient examination of the market availability and costs for the services provided in the aggregate to Atmos by AES. However, Staff and the parties have agreed that a revenue requirement of $53,500 for the cost of services provided by AES is appropriate in this proceeding. Atmos agrees to engage Mr. Patrick Baryenbruch to review the costs and market availability of AES’ services based on 2004 information. Mr. Baryenbruch’s study will be filed with Staff and Consumer Counsel around mid-year 2005. Staff and Consumer Counsel reserve all rights to challenge the results of the Baryenbruch study and to submit other evidence regarding the issues addressed therein, but such challenges would not affect retroactively the rates determined in this proceeding.

Weather Normalization Adjustment

Staff and the parties have agreed to use a thirty-year rolling average heating degree days in both the WNA and the weather adjustment used to determine revenue requirement. The agreed upon WNA is similar to that adopted by the Commission for Roanoke Gas Company in Case No. PUE-2002-00373, and will consist of two calculations based on an eastern portion of Company’s service territory (Blacksburg, Christiansburg, Dublin, Pulaski and Radford) and a western portion (Abingdon, Chilhowie, Marion and Meadowview). The WNA agreed to by Staff and the parties will produce an additional annual revenue requirement of $143,005.

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2Joint Application of Atmos Energy Corporation and Atmos Energy Services, LLC, For authority to enter into a services agreement pursuant to Chapter 4 of Title 56 of the Code of Virginia, Case No. PUE-2004-00016.
3Order Granting Authority at 4.
4Stipulation, Attachment A.
5The Roanoke WNA uses a banded range approach, and a WNA adjustment is made only if the deviation of actual weather from normal weather is outside the specified range. The Roanoke method is simple to administer and easy for Staff to review in that only one annual calculation is required. Application of Roanoke Gas Company, For a general increase in rates, 2003 S.C.C. Ann. Rep. 392.
6Attachment A to the Stipulation.
**Purchased Gas Adjustment**

The Company, in its application, proposed four changes to the PGA Rider: (1) to include interest on the Actual Gas Cost ("ACA") balances; (2) to include within the ACA the gas cost portion of uncollectible accounts that are written-off; (3) to provide the option to allow the Company to project billing determinants, sales volumes, and supplier rates in its PGA calculations; and (4) to permit the Company to remove the credit for Company use gas from the ACA. Staff does not oppose the Company’s changes to its PGA rider.

**Meter Reading**

Pursuant to the Stipulation, the Company may implement a practice of bi-monthly meter reading during the months of May through October, but no customer may receive two estimated bills in succession. In addition, monthly meter readings will be required during the months of November through April. Actual meter reads will be performed to initiate new customers and to close out accounts.

**Door Tag Charge**

In its application, the Company proposed a new $15 door tag charge to recover the cost of hand delivering a disconnect notice for nonpayment of a bill. Currently, this cost of service is spread to all customers through the Company’s base rates. Pursuant to the Stipulation, the Company has agreed to withdraw its proposed door tag charge.

**Activation and Closure Procedures**

Pursuant to the Stipulation, the Company will implement an account activation charge of $40 for both new service and for reconnection of customers whose service has been disconnected for nonpayment. Further, the $40 account activation charge shall apply also to those customers that require a reconnection where the service has been previously disconnected at the customer’s request.

**Soft Close**

In its application, the Company proposed a soft close procedure wherein the gas would remain on at an unoccupied premises for a period of 45 days or until consumption of 50 Ccf of gas, whichever occurs first. The soft close option would be offered to the customer requesting termination of service. If a customer chooses the soft close option the customer is given a list of

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7Ex. 4, at 3.
6Generally, when a property is sold or tenants change at a rental property, the gas service remains on when the transfer of property is immediate, and the new occupants request continuance of the gas service. However, in cases where the property remains unoccupied for a period of time, the gas service is shut off until new occupants move in and request service. "Soft close" is a procedure wherein the gas flow to an unoccupied property is not shut off. The gas company takes a final meter read and leaves the gas service on until new occupants request service.
9A single pilot light would consume approximately 5 Ccf of natural gas per month.
safety steps to follow. Staff expressed concern over safety issues involving gas flow into an unoccupied premises.10

Staff and the parties agreed that the Company may implement a soft close procedure subject to certain conditions for a period of 45 days or until 50 Ccf of gas is consumed, whichever occurs first. As set forth in Attachment C of the Stipulation, the terminating customer is advised to:

1. lower the thermostats,

2. check the operating status of all appliances and ensure all settings are in the “off” position, and

3. ensure that all gas lines are properly capped and plugged if appliances are removed from the structure.

The Company then performs a final meter read and leaves a door tag stating that the gas service is on in the structure.

**Funding for the Gas Technology Institute**

The GTI performs various types of research benefiting local distribution companies, such as improving operational efficiencies in gas appliances, reducing operation and maintenance costs, and improving safety. Through December 31, 2004, GTI is funded through an interstate pipeline surcharge which is then flowed through the Company’s PGA. This cost recovery mechanism has been approved by the Federal Energy Regulatory Commission (“FERC”). However, FERC and GTI agreed in 1998 to phase out mandatory funding via the interstate pipeline surcharge effective December 31, 2004.

The Company proposed to continue GTI funding through base rates at the existing volumetric rate applied to the most recent three-year average throughput. Staff agrees that continued GTI funding through base rates is in the public interest. However, FERC-approved funding via the interstate pipeline surcharge continues through December 31, 2004, while the Company’s interim rates provide funding through base rates that began on July 27, 2004. The result is a five-month overlap in funding. Pursuant to the Stipulation, the Company has agreed to refund the five-month overcollection through the PGA mechanism.

**Refunds**

The Company will refund the difference between the interim rates that went into effect on July 27, 2004, and those set forth in this Stipulation. The refunds, along with interest at the Commission-determined rate, will be initiated as credits to customers’ bills, commencing within ninety (90) days of the Commission’s Final Order in this case.

10Ex. 18, at 4.
Transportation Service Eligibility

Pursuant to the Stipulation, the Company has agreed to amend its transportation schedules to allow transportation customers that do not meet the present minimum of 1,000 Ccf per day to qualify for transportation service as long as their annual usage exceeds 100,000 Ccf.

Filing Moratorium

In consideration for the compromises set forth in the Stipulation, the Company has agreed not to file an application for an increase in rates prior to July 1, 2006, except under the conditions set forth in § 56-245 of the Code of Virginia.

FINDINGS AND RECOMMENDATIONS

Based on the evidence, I FIND that:

1. The use of a test year ending September 30, 2003, is proper in this proceeding;

2. The Company’s test year operating revenues, after all adjustments, were $44,084,281;

3. The Company’s test year operating deductions, after all adjustments, were $41,719,260;

4. The Company’s current rates produce a return on adjusted rate base of 7.66%;

5. A reasonable return on equity for the Company is in the range of 9.50% to 10.50% and the midpoint of 10.00% should be used to calculate rates;

6. The Company’s adjusted test year rate base is $30,671,821;

7. The Company requires an additional $371,735 in gross annual revenues to earn a return on rate base of 8.41% and a return on common equity of 10.00%;

8. The Company shall refund with interest, excess revenues collected under interim rates;

9. The Stipulation agreed upon by Staff and the parties is reasonable and should be adopted; and

10. A WNA, as set forth in the Stipulation, should be adopted in this proceeding.
In accordance with the above findings, I RECOMMEND the Commission enter an order that:

1. **ADOPTS** the Stipulation and the findings contained in this Report;

2. **GRANTS** the Company an increase in annual gross revenues of $371,735, as set forth in the Stipulation;

3. **DIRECTS** the Company to refund with interest, excess revenues that have been collected under interim rates;

4. **GRANTS** the Company authority to implement a weather normalization adjustment as outlined in the Stipulation; and

5. **DISMISSES** this case from the Commission’s docket of active cases and passes the papers herein to the file for ended causes.

**COMMENTS**

The parties and Staff have agreed to waive the comment period.

Respectfully submitted,

Howard P. Anderson, Jr.
Hearing Examiner

Document Control Center is requested to mail or deliver a copy of the above Report on December 16, 2004 to: C. M. Browder, Esquire, Office of the Attorney General, Division of Consumer Counsel, 900 E. Main St., 2nd Fl., Richmond, VA 23219; Richard D. Gary, Esquire, and D. Z. Grabill, Esquire, Riverfront Plaza, East Tower, 951 E. Byrd St., Richmond, VA 23219-4074; and D. M. Roussy, Jr., Esquire, Office of the Attorney General, Ins. & Utilities Regulatory Section, 900 E. Main St., 2nd Fl., Richmond, VA 23219.
COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF

ATMOS ENERGY CORPORATION
Case No. PUE-2003-00507
For an increase in rates

STIPULATION

This Stipulation represents the agreement between Atmos Energy Corporation ("Atmos" or "Company"), the Applicant in this general rate case, the Staff of the State Corporation Commission ("Staff") and the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel") (collectively, "Stipulating Participants"), by counsel, on the application of Atmos for an increase in rates. The Stipulating Participants hereby agree as follows:

1. Atmos' Application, Amended Application and all of its pre-filed direct testimony and accompanying exhibits shall be made a part of the record without cross-examination.

2. The Staff's and the Consumer Counsel's direct testimony and exhibits shall be made a part of the record without cross-examination.

3. The Stipulating Participants agree that the revenue requirement shall be based on an authorized Return on Equity ("ROE") range of 9.5% to 10.5%. The Stipulating Participants agree further that for purposes of designing rates, an ROE of 10.0% shall be used.

4. The Stipulating Participants agree that, for purposes of the Company's future earnings tests, a 10.0% ROE benchmark will be utilized for determining overearnings and such benchmark shall continue until there is a change in the authorized ROE range.
5. The Stipulating Participants agree to an updated short-term debt rate of 1.537% and an updated cost of Atmos' long term debt from 7.167% to 7.412% to reflect updated lines of credit fees.

6. For purposes of this Stipulation, the Stipulating Participants agree, there has not been sufficient examination of the market availability and costs for the services provided in the aggregate to Atmos by Atmos Energy Services ("AES"). The Stipulating Participants agree that a revenue requirement of $53,500 for the cost of services provided by AES is appropriate in this case as shown on Attachment A. Atmos agrees to engage Mr. Patrick Baryenbruch to review the costs and market availability of AES' services based on 2004 information. Mr. Baryenbruch's study will be filed with the Staff and Consumer Counsel approximately mid-year 2005. Staff and Consumer Counsel reserve all rights to challenge the results of the Baryenbruch study and to submit other evidence regarding the issues addressed therein but such challenges shall not affect retroactively the rates determined in this proceeding.

7. The Stipulating Participants agree to a modification of the Staff customer growth rate adjustment as shown on the revenue requirement calculation on Attachment A.

8. The stipulating Parties agree that the 30 year rolling average heating degree days are appropriate for use in both the Weather Normalization Adjustment ("WNA") discussed below and the weather adjustment used to determine revenue requirement. Utilizing the 30 year rolling average heating degree days will produce an additional annual revenue requirement in the amount of $143,005, as shown on Attachment A.

9. The Company agrees to refund the five-month overcollection of Gas Technology Institute funding through the Purchased Gas Adjustment ("PGA") mechanism.
10. The Company agrees to continue use of the Average Life Group methodology for purposes of accruing depreciation expense, and the date of the implementation of revised depreciation rates resulting from the depreciation study provided with the Company's rate application shall be October 1, 2003, the date of the study.

11. The Company agrees to implement the use of direct charges or allocations whenever practical.

12. This Stipulation shall result in an annual revenue requirement of $371,735 as shown on Attachment A, which revises Staff witness Taylor's Statement V.

13. The Stipulating Participants agree that the Company shall file tariffs prepared in conformance with this Stipulation with the Commission for its review and approval.

14. The Stipulating Participants agree that the Company has a legitimate right to require all owners or bona fide lessees of a residence to make application for service and be jointly responsible for making timely payments. The tariff provision to implement this process is shown on Attachment B to this Stipulation.

15. The Company agrees to withdraw its proposed door tag fee of $15. The Stipulating Participants agree that the Company shall implement an account activation charge of $40 for both new service and for the reconnection of an existing customer whose service has been disconnected for nonpayment of a bill. Furthermore, this $40 account activation charge shall apply to those customers that require a reconnection where the service has been previously disconnected at the customer's request. The Stipulating Participants agree that the Company shall implement a "soft close" procedure as set forth in tariff language attached to this Stipulation as Attachment C and that gas will remain on at a premise for 45 days or until 50 Ccf of gas consumption, which ever occurs first. The Company will submit revised "soft close" operating
and maintenance procedures to the Division of Utility and Railroad Safety. The Stipulating Participants agree that the Company shall implement a meter-read only turn-on charge of $20. The Stipulating Participants agree that no change is required in the existing returned check charge of $20.

16. The Company agrees to withdraw its request to recover certain newly instituted federal, state and local taxes (including franchise fees) as a line item on a customer's bill.

17. The Stipulating Participants agree that the Company may recover third party vendor fees from those customers electing that particular payment option. In addition, the Stipulating Participants agree that the Company may implement the following four changes to the Company's PGA Rider:

A. the Company may include interest on the Actual Gas Cost ("ACA") balances;

B. the Company may include within the ACA the gas cost portion of uncollectible accounts that are written-off;

C. the Company will have the option to project billing determinants, sales volumes and supplier rates in its PGA calculations; and

D. the Company may remove the credit for Company use from the ACA.

18. The Stipulating Participants agree that the Company may implement a practice of bi-monthly meter reading during the months of May through October, but no customer may receive two estimated bills in succession. In addition, monthly meter reading will be required during the months of November through April. Actual meter reads will be performed to initiate new customers and to close out accounts.

19. The Stipulating Participants agree that the Company shall change the eligibility of Rate Schedule 630 and Rate Schedule 640, applicable to transportation service, to allow
customers whose daily usage would not qualify for this service under the current minimum of 1,000 Ccf per day to qualify as long as their annual usage exceeds 100,000 Ccf. In addition, the Stipulating Participants agree that the Company shall amend Rate Schedule 640, applicable to Industrial and Optional Gas Service, to address "capacity release" of the Company's contracted-for upstream pipeline capacity.

20. The Company agrees to adopt a WNA method similar to that adopted by the Commission for Roanoke Gas Company in Case No. PUE-2002-00373. The WNA will consist of two calculations divided into an eastern portion of the service territory (Blacksburg, Christiansburg, Dublin, Pulaski and Radford) and western portion of the service territory (Abingdon, Chilhowie, Marion and Meadowview). The agreed upon tariff language is attached to this Stipulation as Attachment D. The agreed upon WNA includes the following features:

A. Atmos will use the same weather stations as it uses for weather revenue normalization;

B. WNA customer billing credits or charges shall be over a 12-month period with a true-up provision; and

C. A band for customer billing credits or charges expected to be triggered approximately 50% of the years.

21. The Stipulating Participants agree to a rate design as shown on Attachment E to collect the increased revenue requirement. The annual revenue increase from the stipulated rate design is shown on Attachment F, which includes Company witness Petersen's revised Schedule 21, Workpaper 32-1 and Schedule 32.

22. The Stipulating Participants agree that the Company shall refund the difference between the rates that went into effect on July 27, 2004, and those set forth in this Stipulation.
These refunds, along with interest at the Commission-determined rate, will be initiated as credits to customers' bills commencing within 90 days of the Commission's Final Order in this case.

23. In consideration for the compromises set forth in this Stipulation, the Company agrees not to file an application for an increase in rates by which rates would become effective prior to July 1, 2006 ("filing moratorium"), except under the conditions set forth in Va. Code § 56-245.

24. The Stipulating Participants agree that this Stipulation represents a compromise for the purposes of settlement in this case only and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. None of the Participants to this Stipulation necessarily agree or disagree with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Stipulation other than as specified herein, except that the Participants agree that the resolution of the issues herein, taken as a whole, and the disposition of all other matters set forth in the Stipulation are in the public interest. This Stipulation is conditioned on and subject to acceptance by the Commission and is non-severable and of no force or effect and may not be used for any other purpose unless accepted in its entirety by the Commission, except that this paragraph shall remain in effect in any event.

In the event the Hearing Examiner does not recommend acceptance of the Stipulation by the Commission or the Commission does not accept the terms of the Stipulation in its entirety, then each of the signatories to the Stipulation retains the right to terminate the Stipulation. In the event of an action by the Hearing Examiner or Commission to modify the terms of the Stipulation, the signatories to the Stipulation may by unanimous consent elect to modify the Stipulation to address the issues raised by the Commission or Hearing Examiner. Should the
Stipulation terminate, it shall be considered void, and the signatories to the Stipulation reserve their rights to participate fully in all relevant proceedings in the captioned case notwithstanding their agreement on the terms of the Stipulation.

Respectfully submitted this ___ day of November 2004.

ATMOS ENERGY CORPORATION

By____________________
Counsel

STAFF OF THE STATE CORPORATION COMMISSION

By____________________
Counsel

ATTORNEY GENERAL, DIVISION OF CONSUMER COUNSEL

By____________________
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State Corporation Commission

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D. Mathias Roussy, Jr.
Insurance and Utilities Regulatory Section
Office of the Attorney General
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Richmond, VA 23219
ATTACHMENT A
### ATMOS ENERGY CORPORATION

**RECONCILIATION OF COMPANY AND STAFF
REVENUE REQUIREMENTS
CASE NO. PUE-2003-00507**

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<td>Customer Growth</td>
<td>15,396</td>
<td>232,735</td>
</tr>
<tr>
<td>AES Fees</td>
<td>53,500</td>
<td>286,235</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>37,856</td>
<td>324,091</td>
</tr>
<tr>
<td>ROE</td>
<td>47,644</td>
<td>371,735</td>
</tr>
<tr>
<td><strong>Revenue Requirement Per Stipulation</strong></td>
<td></td>
<td>371,735</td>
</tr>
</tbody>
</table>
Atmos Energy Corporation
Consolidated Capital Structure
Updated per Stipulation
As of September 30, 2003

<table>
<thead>
<tr>
<th>Component</th>
<th>Net Amount</th>
<th>Weight (%)</th>
<th>Cost Rate (%)</th>
<th>Weighted Cost (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Debt</td>
<td>$73,609</td>
<td>4.115%</td>
<td>1.537%</td>
<td>0.063%</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>854,245</td>
<td>47.758%</td>
<td>7.412%</td>
<td>3.540%</td>
</tr>
<tr>
<td>Common Equity</td>
<td>857,517</td>
<td>47.941%</td>
<td>9.500%</td>
<td>4.554%</td>
</tr>
<tr>
<td>Inv. Tax Credits</td>
<td>3,322</td>
<td>0.188%</td>
<td>8.458%</td>
<td>0.016%</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>$1,788,693</td>
<td>100.000%</td>
<td>8.709%</td>
<td>8.173%</td>
</tr>
</tbody>
</table>

Notes:
1. 12-month daily average balance outstanding, adjusted to remove MVG credit facility.
2. Net amount outstanding, end of test period.
3. Proxy rate of interest on 30 day commercial paper for the most recent three months (July, August & September).
4. Cost of long-term debt reflects the inclusion of line of credit fees totaling $2,692,966.
**ATMOS ENERGY CORPORATION**  
**RECONCILIATION OF COMPANY AND STAFF**  
**REVENUE REQUIREMENTS**  
**CASE NO. PUE-2003-00507**

<table>
<thead>
<tr>
<th>Description</th>
<th>Change in Revenue Requirement</th>
<th>Total Revenue Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Requirement Per Company Schedule 15</td>
<td></td>
<td>949,111</td>
</tr>
<tr>
<td>Per Book Differences</td>
<td>(85,158)</td>
<td>863,953</td>
</tr>
<tr>
<td><strong>Previously Approved Adjustments</strong></td>
<td></td>
<td></td>
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<tr>
<td>Revenue Annualization and Weather Normalization</td>
<td>41,378</td>
<td>905,331</td>
</tr>
<tr>
<td>Customer Growth, Migration, Pulled Meters</td>
<td>(100,252)</td>
<td>805,079</td>
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<tr>
<td>Uncollectible Expense</td>
<td>22,537</td>
<td>827,616</td>
</tr>
<tr>
<td>Payroll and Benefits</td>
<td>(18,936)</td>
<td>808,680</td>
</tr>
<tr>
<td>Overallocated Expenses</td>
<td>(277,906)</td>
<td>530,774</td>
</tr>
<tr>
<td>AES Fees</td>
<td>(127,548)</td>
<td>403,228</td>
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<tr>
<td>Advertising and Jobbing and Service</td>
<td>4,484</td>
<td>407,712</td>
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<tr>
<td>Depreciation</td>
<td>(149,476)</td>
<td>258,236</td>
</tr>
<tr>
<td>Capitalized Overhead</td>
<td>(41,507)</td>
<td>216,729</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>85,513</td>
<td>302,242</td>
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<tr>
<td>Taxes Other Than Income Taxes</td>
<td>63,592</td>
<td>365,834</td>
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<tr>
<td>Other Deductions</td>
<td>(16,958)</td>
<td>348,876</td>
</tr>
<tr>
<td>Updated Rate Base</td>
<td>131,132</td>
<td>480,008</td>
</tr>
<tr>
<td>Changes in Capital Structure and Cost Rates</td>
<td>10,771</td>
<td>490,779</td>
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<tr>
<td>Change in Return On Equity From 12.00% to 9.80%</td>
<td>(416,445)</td>
<td>74,334</td>
</tr>
<tr>
<td><strong>Staff Revenue Requirement as Filed</strong></td>
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<td>74,334</td>
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<tr>
<td><strong>Revisions Per Stipulation</strong></td>
<td></td>
<td></td>
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<tr>
<td>Weather Normalization</td>
<td>143,005</td>
<td>217,339</td>
</tr>
<tr>
<td>Customer Growth</td>
<td>15,396</td>
<td>232,735</td>
</tr>
<tr>
<td>AES Fees</td>
<td>53,500</td>
<td>286,235</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>37,856</td>
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</tr>
<tr>
<td>ROE</td>
<td>47,644</td>
<td>371,735</td>
</tr>
</tbody>
</table>

**Revenue Requirement Per Stipulation**                                         | 371,735
Atmos Energy Corporation  
Consolidated Capital Structure  
Updated per Stipulation  
As of September 30, 2003

<table>
<thead>
<tr>
<th>Component</th>
<th>Net Amount Outstanding</th>
<th>Weight (%)</th>
<th>Cost Rate (%)</th>
<th>Weighted Cost (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Debt (1)</td>
<td>$73,609</td>
<td>41.15%</td>
<td>1.537%</td>
<td>0.063%</td>
</tr>
<tr>
<td>Long-Term Debt (2)</td>
<td>854,245</td>
<td>47.758%</td>
<td>7.412%</td>
<td>3.540%</td>
</tr>
<tr>
<td>Common Equity</td>
<td>857,517</td>
<td>47.941%</td>
<td>9.500%</td>
<td>10.000%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10.500%</td>
<td>4.554% 4.794% 5.034%</td>
</tr>
<tr>
<td>Inv. Tax Credits</td>
<td>3,322</td>
<td>0.186%</td>
<td>8.458%</td>
<td>8.709% 8.959%</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>$1,788,693</td>
<td>100.000%</td>
<td></td>
<td>8.173% 8.413% 8.654%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Component</th>
<th>Net Amount Outstanding</th>
<th>Weight (%)</th>
<th>Cost Rate (%)</th>
<th>Weighted Cost (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt</td>
<td>$854,245</td>
<td>49.904%</td>
<td>7.412%</td>
<td>3.699%</td>
</tr>
<tr>
<td>Common Equity</td>
<td>857,517</td>
<td>50.096%</td>
<td>9.500%</td>
<td>10.000%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10.500%</td>
<td>4.759% 5.010% 5.260%</td>
</tr>
<tr>
<td></td>
<td>$1,711,762</td>
<td>100.000%</td>
<td></td>
<td>8.458% 8.709% 8.959%</td>
</tr>
</tbody>
</table>

Notes:  
1. 12-month daily average balance outstanding, adjusted to remove MVG credit facility.  
2. net amount outstanding, end of test period.  
3. proxy rate of interest on 30 day commercial paper for the most recent three months (July, August & September).  
4. cost of long-term debt reflects the inclusion of line of credit fees totaling $2,882,966.
GENERAL RULES AND REGULATIONS

1. Definitions

Except where the context indicates a different meaning or intent, the following terms, when used herein or in the Company's rate schedules incorporating these General Rules and Regulations, shall have the meanings defined below:

1.1 "Company"

Atmos Energy Corporation.

1.2 "Customer"

Any individual, partnership, firm, organization, or governmental agency receiving service at one location though one or more active meters are billed under one rate classification, contract or rate structure.

The Company may, prior to initiating service and at other reasonable times, require Customer to establish that Customer is the owner or bona fide lessee of the premises and to require all owners and bona fide lessees to have the service in their names. All such persons shall be deemed Customers under this section.
ATTACHMENT C
When a customer requests termination of gas service, this option is presented. Upon choosing this option, the customer is given a list of safety steps they are requested to follow to reduce the possibility of danger and to minimize the gas used. These steps are:

(a) Lower all thermostats.

(b) Check operating status of appliances and ensure all settings are in the off position.

(c) All gas lines must be properly capped and plugged if appliances are removed from the structure.

A final meter read is performed and a final bill issued. A door tag is left notifying anyone approaching that gas service is "ON". The gas service will remain on until either 45 days or 50 Ccf of consumption occurs, whichever comes first. If the technician discovers that a tenant has moved into the location without notifying the Company, field personnel will leave a door tag with a 48-hour notice for the new tenant to contact the Company to transfer service into their name. If no contact is made within the 48-hour period, a disconnect order is issued. A read charge of $20.00 will be assessed where gas service has remained on in accordance with 5.3 and only a meter read is required.

5.4 Restoration of Service; Reconnection Charge; Returned Check Charge

Service which is discontinued by the Company for Customer's nonpayment of bills, failure to comply with applicable service regulations, or at Customer's request including turn on from a seasonal off, may be restored upon payment by Customer of all indebtedness for gas service and a charge of $40.00 for reconnection during regular office hours.

When the Customer pays by check which is returned to the Company marked NSF (Not Sufficient Funds) the Customer will be assessed a charge of $20.00 additional cost.

The Company may require that service be on a cash payment basis if more than one of such Customer's checks is returned marked NSF in a twelve month period. Cash will be deemed to be U.S. currency, U.S. postal money order, or certified check.

6. Extension and Installation of Company Facilities

The Company will, upon written application, extend its gas mains to serve bona fide applicants of a permanent and established character in accordance with the provisions of this Service Regulation. Gas main extensions shall be made only along public streets, roads and highways and upon private property across which satisfactory rights of way or easements have been provided without cost to the Company. All gas mains constructed pursuant to this service regulation shall be owned, operated and maintained by the Company.

6.1 Free Extension Allowance

Gas mains will be extended by the Company to supply new Customers, without additional charge for any extension, provided the length of such extension meets the requirements stated below:

(a) Residential Customers

(1) In determining the free length allowance for a new customer, the free length allowance, if any, will be determined on an individual feasibility basis considering the required investment, character and economic life of the load, and other appropriate information.

Issued by: Thomas R. Blose, Jr., President, Mid-States Division
Date Issued: Effective Date:
ATTACHMENT D
WEATHER NORMALIZATION ADJUSTMENT

APPLICABILITY

The Weather Normalization Adjustment will become effective on July 1, 2005 for the eight month period of August 1, 2004 through March 31, 2005 and will be applicable for each twelve month period thereafter. The Weather Normalization Adjustment is applicable to service delivered under the terms of rate schedules 610 and 620 throughout the entire service area of the Company when the annual heating degree days from April to March in a given period are outside the upper or lower band of heating degree days based on the most recent 30-year average of heating degree days. A separate Weather Normalization Adjustment will be calculated for customers in each rate schedule in each weather zone. The East weather zone shall include all customers in and adjacent to Blacksburg, Radford, Pulaski and Wytheville. The West weather zone shall include all customers in and adjacent to Bristol, Marion and Abingdon. For the East weather zone, the upper and lower band is defined as 4.36% above and/or below the most recent 30-year average. For the West zone, the upper and lower band is defined as 5.63% above and/or below the most recent 30-year average.

2. CALCULATION OF ADJUSTMENT

The Weather Normalization Adjustment Factor will be calculated for each customer class and weather zone as follows:

(1) Ccf Volume Adj. = (HDD Normal - HDD Actual) * M * (Annual no. of bills /12)

(2) Total Revenue Adjustment = Volume Adj. * Non-Gas Commodity Margin

(3) Adjustment Factor Per Ccf = Total Rev Adj. / Most Recent 12 Months Actual Ccf

(4) Any residual balance (positive or negative) as a result of actual Weather Normalization Adjustment revenue collected compared to the total revenue adjustment set forth in (2) above shall be added to the following year’s revenue adjustment amount.

Note: M will be the slope of the regression equation for the adjustment period for each rate schedule and weather zone.

Note: HDD Normal is defined as the HDD value corresponding to the top or bottom of the appropriate band, whichever is applicable.

3. BILLING

All adjustments, if applicable, will be included as an adjustment factor per Ccf as set forth in (3) above and will be effective for the 12 month period of August through July for the preceding Weather Normalization Adjustment period.

4. LATE PAYMENT CHARGE

Any late payment penalties applicable to a customer’s bill will also apply to Weather Normalization Adjustment amounts.

5. TAXES

Weather Normalization Adjustments will be subject to any effective tax based upon revenue receipts levied by governing bodies.
<table>
<thead>
<tr>
<th>CLASS</th>
<th>PRESENT RATE</th>
<th>STIPULATED RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RATE</td>
<td>RATE</td>
</tr>
<tr>
<td>Residential (610)</td>
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</tr>
<tr>
<td>Customer Charge</td>
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<td>$6.60</td>
</tr>
<tr>
<td>Commodity Charge</td>
<td>0.1494</td>
<td>0.1494</td>
</tr>
<tr>
<td>Small Commercial (620)</td>
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</tr>
<tr>
<td>Customer Charge</td>
<td>$12.50</td>
<td>$14.50</td>
</tr>
<tr>
<td>Commodity Charge</td>
<td>0.1121</td>
<td>0.1121</td>
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<tr>
<td>Large Commercial (630)</td>
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<tr>
<td>Customer Charge</td>
<td>$165.00</td>
<td>$167.00</td>
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<tr>
<td>Commodity Charge</td>
<td>0.0768</td>
<td>0.0768</td>
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<tr>
<td>Industrial and Optional</td>
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</tr>
<tr>
<td>(640)</td>
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<td></td>
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<tr>
<td>Customer Charge</td>
<td>$350.00</td>
<td>$435.00</td>
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<tr>
<td>Demand Charge</td>
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<td>0.0103</td>
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<tr>
<td>Commodity Charge</td>
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<td>0.0356</td>
</tr>
<tr>
<td>Optional and Transport</td>
<td></td>
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</tr>
<tr>
<td>(650)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Charge</td>
<td>$283.00</td>
<td>$325.00</td>
</tr>
<tr>
<td>Commodity Charge</td>
<td>0.0354</td>
<td>0.0356</td>
</tr>
</tbody>
</table>
**ATMOS ENERGY CORPORATION-VIRGINIA**

**PROPOSED JURISDICTIONAL OTHER REVENUES**

**FOR TEST YEAR ENDED September 30, 2003**

**CASE NUMBER PUE-2003-00507**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Rate Code</th>
<th>Description</th>
<th>2003 Amount</th>
<th>New Charges or Increase in Annual Revenue</th>
<th>Additional Annual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Door Tags</td>
<td>4,101 $</td>
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</tr>
<tr>
<td>2</td>
<td></td>
<td>New Customer</td>
<td>426 $</td>
<td>40.00 $</td>
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<tr>
<td>3</td>
<td></td>
<td>Reconnect Delinquencies (1)</td>
<td>1,215 $</td>
<td>10.00 $</td>
<td>12,150 $</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Read and Run</td>
<td>2,589 $</td>
<td>20.00 $</td>
<td>51,780 $</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Meter Activation</td>
<td>740 $</td>
<td>40.00 $</td>
<td>29,600 $</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Turn On-Expect to be read &amp; run</td>
<td>1,110 $</td>
<td>20.00 $</td>
<td>22,200 $</td>
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<tr>
<td>7</td>
<td></td>
<td>Estimated NSF Checks</td>
<td>1,200 $</td>
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</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>132,770 $</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Current Revenue</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
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<tr>
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<td></td>
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</tr>
<tr>
<td>13</td>
<td></td>
<td>TOTAL JURISDICTIONAL OTHER REVENUES</td>
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</table>
## ATMOS ENERGY CORPORATION-VIRGINIA
### PRESENT AND PROPOSED REVENUES
### FOR TEST YEAR ENDED September 30, 2003
### CASE NUMBER PUE-2003-00507

**SCHEDULE 32**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Rate Code</th>
<th>Description</th>
<th>ADJUSTED Number of Bills</th>
<th>CURRENT Customer/Commodity Charge</th>
<th>SETTLED Customer/Commodity Charge</th>
<th>SETTLED Customer Revenues</th>
<th>SETTLED INCR IN Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>(b)</td>
<td></td>
<td>(c)</td>
<td>(d)</td>
<td>(e)</td>
<td>(f)</td>
<td>(g)</td>
</tr>
<tr>
<td>1</td>
<td>610</td>
<td>Residential</td>
<td>206,841</td>
<td>$8.00</td>
<td>1,241,046</td>
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<td>1,365,151</td>
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<tr>
<td>2</td>
<td>620</td>
<td>Small Com. and Ind.</td>
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<td>3</td>
<td>630</td>
<td>Large Com. and Ind.</td>
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<td>$165.00</td>
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<td>$167.00</td>
<td>121,576</td>
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<td>4</td>
<td>640</td>
<td>Industrial Firm &amp; Interruptible</td>
<td>95</td>
<td>$350.00</td>
<td>33,250</td>
<td>$435.00</td>
<td>41,325</td>
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<td>5</td>
<td>650</td>
<td>Optional Gas Service</td>
<td>212</td>
<td>$283.00</td>
<td>59,996</td>
<td>$325.00</td>
<td>68,900</td>
</tr>
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<td>6</td>
<td>665</td>
<td>Transportation</td>
<td>79</td>
<td>$283.00</td>
<td>22,357</td>
<td>$325.00</td>
<td>25,675</td>
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<tr>
<td>7</td>
<td>692.3</td>
<td>Cogeneration and Gas A/C</td>
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<td>363</td>
<td>$14.50</td>
<td>421</td>
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<td>9</td>
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<td>Industrial Firm &amp; Interruptible -</td>
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<tr>
<td>10</td>
<td>640</td>
<td>commodity</td>
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<td>11</td>
<td>650</td>
<td>Optional Gas Service</td>
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<td>$0.0356</td>
<td>376,505</td>
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<tr>
<td>12</td>
<td>665</td>
<td>Transportation</td>
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<td>320,528</td>
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<td>$0.0356</td>
<td>2,484</td>
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<td>$1,126,892</td>
<td>6,331</td>
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<tr>
<td>16</td>
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<td>Juris. Other Revenues Increase</td>
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<tr>
<td>17</td>
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APPLICATION OF
ATMOS ENERGY CORPORATION

For an increase in rates

FINAL ORDER

On February 27, 2004, Atmos Energy Corporation ("Atmos" or the "Company") filed a rate application, supporting testimony, and exhibits with the State Corporation Commission ("Commission") for an increase in rates. Atmos' application sought to increase the Company's annual revenues by $949,111, an increase of approximately 2.13% in overall revenues. The Company filed financial and operating data for the twelve months ended September 30, 2003 ("test year"), in support of its application. The Company's proposed $949,111 increase to annual revenues was based in part upon a proposal to increase Atmos' authorized return on common equity from 11% to 12%.

The Company's February 27, 2004, application proposed to initiate a Weather Normalization Adjustment ("WNA") to protect the Company and its customers from unanticipated fluctuations in gas margins due to weather changes. The Company also proposed changes to its Purchased Gas Adjustment ("PGA") rider (as noted in the attached Stipulation) to (a) include interest on the Actual Gas Cost Adjustment ("ACA") balances; (b) include within the ACA the cost of gas for uncollectible accounts written off by the Company; (c) permit the Company to project billing determinants, sales volumes, and supplier rates in its PGA computations; and (d) remove the credit for Company use from the ACA.
On March 24, 2004, the Commission entered its Order for Notice and Hearing. In that Order, the Commission docketed the application, suspended the Company's proposed rates for a period of 150 days to and through July 26, 2004; appointed a Hearing Examiner to the case; set the case for hearing on October 26, 2004, before a Hearing Examiner; established a procedural schedule for the filing of testimony by the Company, Staff, and respondents; and provided for the participation of public witnesses. The March 24, 2004, Order for Notice and Hearing prescribed the notice for the Company's application to be published throughout the Company's service territories within the Commonwealth of Virginia and provided for the service of the Order on local officials in the city, counties, and towns in Virginia in which the Company provides service.

On August 11, 2004, the Company filed certain revisions to its accounting adjustments and supporting schedules to its application, together with additional testimony and a Motion to Amend its application.

On August 12, 2004, the Hearing Examiner granted the Company's Motion to Amend its application.

On October 19, 2004, the Company, by counsel, filed a Motion to suspend the date for filing the Company's rebuttal testimony and to limit the October 26, 2004, hearing to the presentation of the testimony of public witnesses.

On October 21, 2004, the Hearing Examiner entered a Ruling that suspended the filing date for Atmos' rebuttal testimony and provided that the October 26, 2004, hearing would be convened for the sole purpose of receiving testimony from public witnesses.

On October 26, 2004, the matter was heard by Howard P. Anderson, Jr., Hearing Examiner. Counsel appearing included Richard D. Gary, Esquire, and D. Zachary Grabill,
Esquire, counsel for the Company; C. Meade Browder, Jr., Senior Assistant Attorney General, and D. Mathias Roussy, Jr., Assistant Attorney General, counsel for the Division of Consumer Counsel, Office of the Attorney General ("AG"); and Robert M. Gillespie, Esquire, and Sherry H. Bridewell, Esquire, counsel for the Commission Staff. During the October 26, 2004, hearing, proof of the Company's notice and service were received into the record as Exhibit 1.

No public witnesses appeared. At the conclusion of the hearing, the case was continued generally.

On October 29, 2004, the Hearing Examiner entered a Ruling, wherein he noted that the case participants had reached an agreement concerning the issues in controversy and desired to schedule the case for hearing. The Hearing Examiner directed that a hearing on the application be reconvened at 10:00 a.m. on November 4, 2004, in the Commission's second floor courtroom.

On November 4, 2004, the case was reconvened before the Hearing Examiner. Counsel appearing included Richard D. Gary, Esquire, and D. Zachary Grabill, Esquire, counsel for the Company; C. Meade Browder, Jr., Senior Assistant Attorney General, and D. Mathias Roussy, Jr., Assistant Attorney General, counsel for the AG; and Robert M. Gillespie, Esquire, and Sherry H. Bridewell, Esquire, counsel for the Commission Staff. By agreement of counsel, the respective prefiled testimonies of the Company, Staff, and AG were identified and received into the record as exhibits in the case without cross-examination and without the witnesses taking the stand. A Stipulation, identified as Exhibit 20, purporting to resolve all of the issues in the proceeding was received into evidence. The case participants waived the right to file comments to the Hearing Examiner's Report in the event that the Hearing Examiner recommended that the Commission accept the Stipulation received into evidence in the proceeding.
On December 16, 2004, the Report of Howard P. Anderson, Jr., Hearing Examiner ("Examiner's Report") was issued. The Examiner's Report discusses the features of the Stipulation that was submitted by the parties and recommends its adoption. The Examiner noted that the parties and Staff have agreed to waive the right to file comments responsive to his Report.

As the Hearing Examiner noted, the Stipulation results in an increase in annual revenue of $371,735, based upon an authorized Return on Equity ("ROE") range from 9.5% to 10.5%, with a midpoint of 10.0% used for the designing of rates. For purposes of the Company's future earnings tests, Staff and the parties agree that a 10.0% ROE benchmark will be used for determining overearnings and will continue to be used until there is a change in the authorized ROE range.

The Stipulation also contains an agreement by the Company not to file an application for an increase in rates prior to July 1, 2006, except under emergency conditions as set out in § 56-245 of the Code of Virginia. The Report recommends adoption of this rate increase moratorium, and we concur.

As outlined in the Stipulation, the Staff and parties agreed to a WNA similar to the one adopted by the Commission for Roanoke Gas Company in Case No. PUE-2002-00373. As with Roanoke Gas, the proposed WNA protects customer bills and company revenues from the drastic changes that result from the volatility of gas prices during extremely cold weather. The Examiner's Report recommends adoption of the proposed WNA described in the Stipulation, and we concur.

The Stipulation provides for a revenue requirement of $53,500 for the cost of services that an affiliate, Atmos Energy Services ("AES"), furnishes to Atmos. When the Commission
approved the affiliate arrangement between Atmos and AES, it stated: "... Atmos should bear the burden of proving, in any rate proceeding, that no market exists for the energy administrative services obtained from AES or, if a market exists, that Atmos is paying AES the lower of cost or market." See, Joint Application of Atmos Energy Corporation and Atmos Energy Services, LLC. For authority to enter into a services agreement pursuant to Chapter 4 of Title 56 of the Code of Virginia, Case No. PUE-2004-00016, Order Granting Authority at 4, April 28, 2004.

The Staff and parties recognized that there has not yet been sufficient examination of the market availability and costs for the services furnished by AES but agreed that the designated amount was appropriate for this rate proceeding. Atmos agreed to fund a study, based upon 2004 information, to review the costs and market availability of such services. Such study will be filed with Staff and Consumer Counsel around mid-year 2005. Staff and Consumer Counsel have reserved the right to challenge the results of such a study and to submit additional evidence regarding the issues in the study, but no challenge can affect retroactively the rates determined in this proceeding. We agree that the amount of $53,500 is appropriate for services furnished to Atmos by AES for purposes of determining Atmos' overall revenue requirement in this case. In future rate proceedings, these costs will be reevaluated based upon the study to be submitted by Atmos and any other pertinent evidence. Atmos must prove the reasonableness of the entire amount. No presumption will be accorded the figure used in this case.

Other matters covered by the Stipulation and discussed in the Examiner's Report include Atmos' four proposed changes to its PGA rider; the use of bi-monthly meter readings; imposing no fee for hand delivering a door tag containing a notice of disconnect for nonpayment; implementation of a $40 charge for account activation or reconnection; implementing a procedure for "soft close;" providing that the Company will submit a "soft close" operating and
maintenance procedure to the Division of Utility and Railroad Safety; continued funding for the Gas Technology Institute by means of base-rate recovery as of January 1, 2005, rather than the PGA mechanism, which expires at the end of 2004; and amending Atmos' criteria for customers to qualify for transportation service. The Commission agrees with the Examiner's Report on each of these matters and adopts the Stipulation in its entirety. The terms of the Stipulation are incorporated into the Order by attachment hereto.

Upon consideration of the Examiner's Report and the foregoing discussion of issues, the Commission finds as follows:

1. The use of a test year ending September 30, 2003, is proper in this proceeding;
2. Atmos' test year operating revenues, after all adjustments, were $44,084,281;
3. The Company's test year operating deductions, after all adjustments, were $41,719,260;
4. The Company's current rates produce a return on adjusted rate base of 7.66%;
5. A reasonable return on equity for the Company is in the range of 9.50% to 10.50%, and the midpoint of 10.00% shall be used to calculate rates;
6. The Company's adjusted test year rate base is $30,671,821;
7. The Company requires an additional $371,735 in gross annual revenues to earn a return on rate base of 8.41% and a return on common equity of 10.00%;
8. The Company shall refund with interest excess revenues collected under interim rates;
9. The Stipulation agreed upon by Staff and the parties is reasonable and is adopted;
and
10. A WNA, as set forth in the Stipulation, is adopted in this proceeding.
Accordingly, IT IS ORDERED THAT:

(1) The Company's application for a general increase in rates is granted to the extent found above and is otherwise denied.

(2) Pursuant to § 56-238 of the Code of Virginia, the rates, charges, and tariff provisions found just and reasonable above are fixed and substituted for the rates, charges, terms, and conditions which took effect on an interim basis, subject to refund with interest, on July 27, 2004.

(3) The Company shall submit to the Commission's Division of Energy Regulation revised tariff sheets incorporating the stipulated rates, charges, terms, and conditions in accordance with the provisions of this Order and the Stipulation attached hereto.

(4) Atmos shall forthwith submit revised "soft close" operating and maintenance procedures to the Division of Utility and Railroad Safety.

(5) The Company shall use the rates and charges prescribed in Ordering Paragraph (2) to recalculate all bills rendered which were calculated using, in whole or in part, the rates and charges which took effect on July 27, 2004. Where application of the rates prescribed by this Order results in a reduced bill, the difference in all bills shall be refunded with interest within ninety (90) days of the entry of this Order, as directed in the Ordering Paragraphs below.

(6) The refunds with interest directed in Ordering Paragraph (5) for current customers may be made by a credit to the customers' accounts and shown on bills. The bills shall show the refunds as a separate item or items. For former customers, refunds with interest which exceed $1.00 shall be made by check mailed to the last known address of such customers. The Company may set off the credit or refund against any undisputed outstanding balance. No setoff shall be permitted against any disputed portion of an outstanding balance.
(7) The Company shall maintain a record of former customers due a refund of $1.00 or less and shall promptly make the refund by check upon request. For any refunds not paid or claimed, the Company shall comply with § 55-210.6:2 of the Code of Virginia.

(8) The refund amounts calculated as directed in Ordering Paragraph (5) shall bear interest at a rate for each calendar quarter, which shall be the arithmetic mean, to the nearest one-hundredth of one percent of the "Bank prime loan" values published in Federal Reserve Statistical Release H.15 (519), Selected Interest Rates, for the three months of the preceding calendar quarter. The interest shall be computed from the date payments were due as shown on bills to the date of the bill showing the credit to current customers or the date of the refund check mailed to former customers.

(9) On or before June 1, 2005, the Company shall submit to the Divisions of Public Utility Accounting and Energy Regulation a report showing that all refunds have been made pursuant to this Order and listing the expenses of refunding and the accounts charged.

(10) The Company shall not recover the interest paid or the expenses incurred to make refunds in rates and charges subject to the Commission's jurisdiction.

(11) There being nothing further to come before the Commission, this matter is dismissed, and the record developed herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Richard D. Gary, Esquire, and D. Zachary Grabill, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; C. Meade Browder, Jr., Senior Assistant Attorney General, and D. Mathias Roussy, Jr., Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and the Commission's Office of General Counsel and
COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

APPLICATION OF  
ATMOS ENERGY CORPORATION  
For an increase in rates  

STIPULATION

This Stipulation represents the agreement between Atmos Energy Corporation ("Atmos" or "Company"), the Applicant in this general rate case, the Staff of the State Corporation Commission ("Staff") and the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel") (collectively, "Stipulating Participants"), by counsel, on the application of Atmos for an increase in rates. The Stipulating Participants hereby agree as follows:

1. Atmos' Application, Amended Application and all of its pre-filed direct testimony and accompanying exhibits shall be made a part of the record without cross-examination.

2. The Staffs and the Consumer Counsel's direct testimony and exhibits shall be made a part of the record without cross-examination.

3. The Stipulating Participants agree that the revenue requirement shall be based on an authorized Return on Equity ("ROE") range of 9.5% to 10.5%. The Stipulating Participants agree further that for purposes of designing rates, an ROE of 10.0% shall be used.

4. The Stipulating Participants agree that, for purposes of the Company's future earnings tests, a 10.0% ROE benchmark will be utilized for determining overearnings and such benchmark shall continue until there is a change in the authorized ROE range.
5. The Stipulating Participants agree to an updated short-term debt rate of 1.537% and an updated cost of Atmos' long term debt from 7.167% to 7.412% to reflect updated lines of credit fees.

6. For purposes of this Stipulation, the Stipulating Participants agree, there has not been sufficient examination of the market availability and costs for the services provided in the aggregate to Atmos by Atmos Energy Services ("AES"). The Stipulating Participants agree that a revenue requirement of $53,500 for the cost of services provided by AES is appropriate in this case as shown on Attachment A. Atmos agrees to engage Mr. Patrick Baryenbruch to review the costs and market availability of AES' services based on 2004 information. Mr. Baryenbruch's study will be filed with the Staff and Consumer Counsel approximately mid-year 2005. Staff and Consumer Counsel reserve all rights to challenge the results of the Baryenbruch study and to submit other evidence regarding the issues addressed therein but such challenges shall not affect retroactively the rates determined in this proceeding.

7. The Stipulating Participants agree to a modification of the Staff customer growth rate adjustment as shown on the revenue requirement calculation on Attachment A.

8. The stipulating Parties agree that the 30 year rolling average heating degree days are appropriate for use in both the Weather Normalization Adjustment ("WNA") discussed below and the weather adjustment used to determine revenue requirement. Utilizing the 30 year rolling average heating degree days will produce an additional annual revenue requirement in the amount of $143,005, as shown on Attachment A.

9. The Company agrees to refund the five-month overcollection of Gas Technology Institute funding through the Purchased Gas Adjustment ("PGA") mechanism.

10. The Company agrees to continue use of the Average Life Group methodology for purposes of accruing depreciation expense, and the date of the implementation of revised
depreciation rates resulting from the depreciation study provided with the Company's rate application shall be October 1, 2003, the date of the study.

11. The Company agrees to implement the use of direct charges or allocations whenever practical.

12. This Stipulation shall result in an annual revenue requirement of $371,735 as shown on Attachment A, which revises Staff witness Taylor's Statement V.

13. The Stipulating Participants agree that the Company shall file tariffs prepared in conformance with this Stipulation with the Commission for its review and approval.

14. The Stipulating Participants agree that the Company has a legitimate right to require all owners or bona fide lessees of a residence to make application for service and be jointly responsible for making timely payments. The tariff provision to implement this process is shown on Attachment B to this Stipulation.

15. The Company agrees to withdraw its proposed door tag fee of $15. The Stipulating Participants agree that the Company shall implement an account activation charge of $40 for both new service and for the reconnection of an existing customer whose service has been disconnected for nonpayment of a bill. Furthermore, this $40 account activation charge shall apply to those customers that require a reconnection where the service has been previously disconnected at the customer's request. The Stipulating Participants agree that the Company shall implement a "soft close" procedure as set forth in tariff language attached to this Stipulation as Attachment C and that gas will remain on at a premise for 45 days or until 50 Ccf of gas consumption, which ever occurs first. The Company will submit revised "soft close" operating and maintenance procedures to the Division of Utility and Railroad Safety. The Stipulating Participants agree that the Company shall implement a meter-read only turn-on charge of $20.
The Stipulating Participants agree that no change is required in the existing returned check charge of $20.

16. The Company agrees to withdraw its request to recover certain newly instituted federal, state and local taxes (including franchise fees) as a line item on a customer's bill.

17. The Stipulating Participants agree that the Company may recover third party vendor fees from those customers electing that particular payment option. In addition, the Stipulating Participants agree that the Company may implement the following four changes to the Company's PGA Rider:

A. the Company may include interest on the Actual Gas Cost ("ACA") balances;

B. the Company may include within the ACA the gas cost portion of uncollectible accounts that are written-off;

C. the Company will have the option to project billing determinants, sales volumes and supplier rates in its PGA calculations; and

D. the Company may remove the credit for Company use from the ACA.

18. The Stipulating Participants agree that the Company may implement a practice of bi-monthly meter reading during the months of May through October, but no customer may receive two estimated bills in succession. In addition, monthly meter reading will be required during the months of November through April. Actual meter reads will be performed to initiate new customers and to close out accounts.

19. The Stipulating Participants agree that the Company shall change the eligibility of Rate Schedule 630 and Rate Schedule 640, applicable to transportation service, to allow customers whose daily usage would not qualify for this service under the current minimum of 1,000 Ccf per day to qualify as long as their annual usage exceeds 100,000 Ccf. In addition, the
Stipulating Participants agree that the Company shall amend Rate Schedule 640, applicable to Industrial and Optional Gas Service, to address "capacity release" of the Company's contracted-for upstream pipeline capacity.

20. The Company agrees to adopt a WNA method similar to that adopted by the Commission for Roanoke Gas Company in Case No. PUE-2002-00373. The WNA will consist of two calculations divided into an eastern portion of the service territory (Blacksburg, Christiansburg, Dublin, Pulaski and Radford) and western portion of the service territory (Abingdon, Chilhowie, Marion and Meadowview). The agreed upon tariff language is attached to this Stipulation as Attachment D. The agreed upon WNA includes the following features:

A. Atmos will use the same weather stations as it uses for weather revenue normalization;

B. WNA customer billing credits or charges shall be over a 12-month period with a true-up provision; and

C. A band for customer billing credits or charges expected to be triggered approximately 50% of the years.

21. The Stipulating Participants agree to a rate design as shown on Attachment E to collect the increased revenue requirement. The annual revenue increase from the stipulated rate design is shown on Attachment F, which includes Company witness Petersen's revised Schedule 21, Workpaper 32-1 and Schedule 32.

22. The Stipulating Participants agree that the Company shall refund the difference between the rates that went into effect on July 27, 2004, and those set forth in this Stipulation. These refunds, along with interest at the Commission-determined rate, will be initiated as credits to customers' bills commencing within 90 days of the Commission's Final Order in this case.
23. In consideration for the compromises set forth in this Stipulation, the Company agrees not to file an application for an increase in rates by which rates would become effective prior to July 1, 2006 ("filing moratorium"), except under the conditions set forth in Va. Code § 56-245.

24. The Stipulating Participants agree that this Stipulation represents a compromise for the purposes of settlement in this case only and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. None of the Participants to this Stipulation necessarily agree or disagree with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Stipulation other than as specified herein, except that the Participants agree that the resolution of the issues herein, taken as a whole, and the disposition of all other matters set forth in the Stipulation are in the public interest. This Stipulation is conditioned on and subject to acceptance by the Commission and is non-severable and of no force or effect and may not be used for any other purpose unless accepted in its entirety by the Commission, except that this paragraph shall remain in effect in any event.

In the event the Hearing Examiner does not recommend acceptance of the Stipulation by the Commission or the Commission does not accept the terms of the Stipulation in its entirety, then each of the signatories to the Stipulation retains the right to terminate the Stipulation. In the event of an action by the Hearing Examiner or Commission to modify the terms of the Stipulation, the signatories to the Stipulation may by unanimous consent elect to modify the Stipulation to address the issues raised by the Commission or Hearing Examiner. Should the Stipulation terminate, it shall be considered void, and the signatories to the Stipulation reserve their rights to participate fully in all relevant proceedings in the captioned case notwithstanding their agreement on the terms of the Stipulation.
Respectfully submitted this 4th day of November 2004.

ATMOS ENERGY CORPORATION

By

Counsel

STAFF OF THE STATE CORPORATION COMMISSION

By

Counsel

ATTORNEY GENERAL, DIVISION OF CONSUMER COUNSEL

By

Counsel

Richard D. Gary
D. Zachary Grabill
Hunton & Williams LLP
Riverfront Plaza, East Tower
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Richmond, VA 23219-4074
Counsel for Atmos Energy Corporation

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Sherry H. Bridewell
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Tyler Building, 10th Floor
1300 East Main Street
Richmond, VA 23219
Counsel for the Staff of the State Corporation Commission
C. Meade Browder
D. Mathias Roussy, Jr.
Insurance and Utilities Regulatory Section
Office of the Attorney General
900 East Main Street
Richmond, VA 23219
<table>
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<tr>
<th>Description</th>
<th>Change In Revenue Requirement</th>
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<td>Revenue Requirement Per Company Schedule 15</td>
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<tr>
<td>Per Book Differences</td>
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<td>Previously Approved Adjustments</td>
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<td>Advertising and Jobbing and Service</td>
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<td>Changes in Capital Structure and Cost Rates</td>
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<td>Change in Return On Equity From 12.00% to 9.80%</td>
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<td><strong>Revenue Requirement as Filed</strong></td>
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Revenue Requirement Per Stipulation: 371,735
Atmos Energy Corporation  
Consolidated Capital Structure  
Updated per Stipulation  
As of September 30, 2003

<table>
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<tr>
<th>Component</th>
<th>Net Amount</th>
<th>Weight (%)</th>
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<th>Weighted Cost (%)</th>
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<td>8.709% 8.959%</td>
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<td>8.173% 8.413% 8.654%</td>
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<th>Component</th>
<th>Net Amount</th>
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<th>Cost Rate (%)</th>
<th>Weighted Cost (%)</th>
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<td>49.904%</td>
<td>7.412%</td>
<td>3.699%</td>
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<td>9.500%</td>
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<td>$1,711,762</td>
<td>100.000%</td>
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<td>8.458% 8.709% 8.959%</td>
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Notes:  
1. 12-month daily average balance outstanding, adjusted to remove MVG credit facility.  
2. net amount outstanding, end of test period.  
3. proxy rate of interest on 30 day commercial paper for the most recent three months (July, August & September).  
4. cost of long-term debt reflects the inclusion of line of credit fees totaling $2,692,966.
1. Definitions

Except where the context indicates a different meaning or intent, the following terms, when used herein or in the Company's rate schedules incorporating these General Rules and Regulations, shall have the meanings defined below:

1.1 "Company"

Atmos Energy Corporation.

1.2 "Customer"

Any individual, partnership, firm, organization, or governmental agency receiving service at one location though one or more active meters are billed under one rate classification, contract or rate structure.

The Company may, prior to initiating service and at other reasonable times, require Customer to establish that Customer is the owner or bona fide lessee of the premises and to require all owners and bona fide lessees to have the service in their names. All such persons shall be deemed Customers under this section.
ATTACHMENT C
GENERAL RULES AND REGULATIONS (Continued)

When a customer requests termination of gas service, this option is presented. Upon choosing this option, the customer is given a list of safety steps they are requested to follow to reduce the possibility of danger and to minimize the gas used. These steps are:

(a) Lower all thermostats.
(b) Check operating status of appliances and ensure all settings are in the off position.
(c) All gas lines must be properly capped and plugged if appliances are removed from the structure.

A final meter read is performed and a final bill issued. A door tag is left notifying anyone approaching the gas service is "ON". The gas service will remain on until either 45 days or 50 Ccf of consumption occurs, whichever comes first. If the technician discovers that a tenant has moved into the location without notifying the Company, field personnel will leave a door tag with a 48-hour notice for the new tenant to contact the Company to transfer service into their name. If no contact is made within the 48-hour period, a disconnect order is issued. A read charge of $20.00 will be assessed where gas service has remained on in accordance with 5.3 and only a meter read is required.

5.4 Restoration of Service; Reconnection Charge; Returned Check Charge

Service which is discontinued by the Company for Customer's nonpayment of bills, failure to comply with applicable service regulations, or at Customer's request including turn on from a seasonal off, may be restored upon payment by Customer of all indebtedness for gas service and a charge of $40.00 for reconnection during regular office hours.

When the Customer pays by check which is returned to the Company marked NSF (Not Sufficient Funds) the Customer will be assessed a charge of $20.00 additional cost.

The Company may require that service be on a cash payment basis if more than one of such Customer's checks is returned marked NSF in a twelve month period. Cash will be deemed to be U.S. currency, U.S. postal money order, or certified check.

6. Extension and Installation of Company Facilities

The Company will, upon written application, extend its gas mains to serve bona fide applicants of a permanent and established character in accordance with the provisions of this Service Regulation. Gas main extensions shall be made only along public streets, roads and highways and upon private property across which satisfactory rights of way or easements have been provided without cost to the Company.

All gas mains constructed pursuant to this service regulation shall be owned, operated and maintained by the Company.

6.1 Free Extension Allowance

Gas mains will be extended by the Company to supply new Customers, without additional charge for any extension, provided the length of such extension meets the requirements stated below:

(a) Residential Customers

(1) In determining the free length allowance for a new customer, the free length allowance, if any, will be determined on an individual feasibility basis considering the required investment, character and economic life of the load, and other appropriate information.
WEATHER NORMALIZATION ADJUSTMENT

APPLICABILITY

The Weather Normalization Adjustment will become effective on July 1, 2005 for the eight month period of August 1, 2004 through March 31, 2005 and will be applicable for each twelve month period, thereafter. The Weather Normalization Adjustment is applicable to service delivered under the terms of rate schedules 610 and 620 throughout the entire service area of the Company when the annual heating degree days from April to March in a given period are outside the upper or lower band of heating degree days based on the most recent 30-year average of heating degree days. A separate Weather Normalization Adjustment will be calculated for customers in each rate schedule in each weather zone. The East weather zone shall include all customers in and adjacent to Blacksburg, Radford, Pulaski and Wytheville. The West weather zone shall include all customers in and adjacent to Bristol, Marion and Abingdon. For the East weather zone, the upper and lower band is defined as 4.36% above and/or below the most recent 30-year average. For the West zone, the upper and lower band is defined as 5.63% above and/or below the most recent 30-year average.

2. CALCULATION OF ADJUSTMENT

The Weather Normalization Adjustment Factor will be calculated for each customer class and weather zone as follows:

(1) \text{Volume Adj.} = (\text{HDD Normal} - \text{HDD Actual}) \times M \times (\text{Annual no. of bills} / 12)

(2) \text{Total Revenue Adjustment} = \text{Volume Adj.} \times \text{Non-Gas Commodity Margin}

(3) \text{Adjustment Factor Per Ccf} = \text{Total Rev Adj.} / \text{Most Recent 12 Months Actual Ccf}

(4) Any residual balance (positive or negative) as a result of actual Weather Normalization Adjustment revenue collected compared to the total revenue adjustment set forth in (2) above shall be added to the following year's revenue adjustment amount.

Note: M will be the slope of the regression equation for the adjustment period for each rate schedule and weather zone.

Note: HDD Normal is defined as the HDD value corresponding to the top or bottom of the appropriate band, whichever is applicable.

3. BILLING

All adjustments, if applicable, will be included as an adjustment factor per Ccf as set forth in (3) above and will be effective for the 12 month period of August through July for the preceding Weather Normalization Adjustment period.

4. LATE PAYMENT CHARGE

Any late payment penalties applicable to a customer's bill will also apply to Weather Normalization Adjustment amounts.

5. TAXES

Weather Normalization Adjustments will be subject to any effective tax based upon revenue receipts levied by governing bodies.
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<thead>
<tr>
<th>CLASS</th>
<th>PRESENT RATE</th>
<th>STIPULATED RATE</th>
<th>CHANGE</th>
<th>PERCENT</th>
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ATMOS ENERGY CORPORATION-VIRGINIA
PROPOSED JURISDICTIONAL OTHER REVENUES
FOR TEST YEAR ENDED September 30, 2003
CASE NUMBER PUE-2003-00507

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<th>Line No.</th>
<th>Description</th>
<th>2003 New Charges</th>
<th>Additional Annual Revenue</th>
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<td>(c)</td>
<td>(d)</td>
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<td>Read and Run</td>
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<td>Meter Activation</td>
<td>740 $</td>
<td>40.00</td>
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<td>6</td>
<td>Turn On-Expect to be read &amp; run</td>
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<tr>
<td>7</td>
<td>Estimated NSF Checks</td>
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<th>Additional Annual Revenue</th>
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132,770
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<th>CURRENT Customer Revenues</th>
<th>SETTLED Customer Revenues</th>
<th>SETTLED INCR IN Revenues</th>
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REQUEST:

Refer to Atmos's responses to AG's First Request, Item 6, Attachment 1, and Item 9.b. State whether Atmos is similarly concerned that the contribution of Atmos West Texas is low, given its throughput relative to the other Atmos distribution systems. If not, explain why, and if so, state what action Atmos plans to increase its contribution.

RESPONSE:

The initial goal of the R&D Rider was to mimic amounts collect through FERC-approved interstate pipelines rates through the late 1990s. When the surcharge was initially sought in Kentucky, the Company was unaware that GTI charges were waived by an upstream interstate pipeline. The Company's R&D unit charge, therefore, was below the FERC-approved maximum rate of $0.0174/Mcf. For the West Texas distribution operations, it is noteworthy that this customer base did not historically contribute to GTI when those fees were collected through FERC-approved rates since these operations are served by intrastate pipelines.

Respondent: Mark Martin