

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY            )  
CORPORATION FOR AN ADJUSTMENT        )  
OF RATES                                        )     CASE NO. 2006-00464

O R D E R

Atmos Energy Corporation ("Atmos") is the largest natural gas distribution company in the United States, delivering natural gas to approximately 3,100,000 customers in 12 states.<sup>1</sup> Atmos has six gas utility operating divisions.<sup>2</sup> In Kentucky, Atmos distributes natural gas to approximately 173,000 customers in all or portions of 38 counties in central and western Kentucky.

BACKGROUND

On November 1, 2006, Atmos filed a notice of its intent to file an application for approval of an increase in its gas rates, utilizing a forward-looking test period ending June 30, 2008. On December 28, 2006, Atmos tendered for filing its application seeking an increase in gas revenues of \$10,405,936, an increase of 4.6 percent. Atmos's application included new rates to be effective February 1, 2007 and proposals to revise, add, and delete several tariffs applicable to its gas service.

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<sup>1</sup> Primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee, and Texas. Limited service areas are in Georgia, Illinois, Iowa, Missouri, and Virginia.

<sup>2</sup> The Kentucky operating division was consolidated with the Mid-States operating division effective October 1, 2006.

A review of the application revealed that it did not meet the minimum filing requirements set forth in 807 KAR 5:001, Section 10, and a notice of the filing deficiencies was issued. Atmos subsequently submitted additional information on January 16, 2007 to cure the filing deficiencies. The January 16, 2007 filing included revised tariffs with a proposed effective date of February 16, 2007. The Commission found in its February 9, 2007 Order that the additional information satisfied the minimum filing requirements as of January 16, 2007. It also found that an investigation would be necessary to determine the reasonableness of Atmos's request and the proposed rates were suspended for 6 months from their revised February 16, 2007 effective date, pursuant to KRS 278.190(2), up to and including August 15, 2007.

Atmos's last increase in gas rates was authorized on December 21, 1999 in Case No. 1999-00070.<sup>3</sup>

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), requested and was granted full intervention.

On February 9, 2007, the Commission issued a procedural schedule to investigate Atmos's rate application. The schedule provided for discovery, intervenor testimony, rebuttal testimony by Atmos, a public hearing, and an opportunity for the parties to file post-hearing briefs.

On June 29, 2007, Atmos and the AG entered into and filed with the Commission a unanimous Joint Settlement Stipulation and Recommendation ("Joint Settlement"), which addressed and resolved all issues pending in the rate case. At the July 10, 2007

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<sup>3</sup> Case No. 1999-00070, *The Application of Western Kentucky Gas Company for an Adjustment of Rates*. At the time of Atmos's last gas rate case, the Kentucky operating division was known as Western Kentucky Gas Company, a division of Atmos.

public hearing, the parties presented testimony in support of the reasonableness of the Joint Settlement. Atmos filed copies of its affidavits publishing notice of the public hearing on July 13, 2007 and the case now stands submitted for a decision.

### JOINT SETTLEMENT

The Joint Settlement, attached as Appendix B to this Order, reflects a unanimous resolution of all issues raised in this case. The major provisions of the Joint Settlement are as follows:

- Effective for service rendered on and after August 1, 2007, Atmos's annual revenues should be increased \$5,500,000.
- Atmos's proposed tariffs to establish a Customer Rate Stabilization mechanism and provide for the recovery of the gas cost portion of uncollectibles in the Gas Cost Adjustment ("GCA") are withdrawn.
- The increase in rates shall be included in the base charge and be proportionately added to each existing customer classification as practicable.

Included with the Joint Settlement was a proof of revenues and proposed settlement depreciation rates. Atmos and the AG also submitted revised tariffs reflecting the provisions of the Joint Settlement. On July 6, 2007, Atmos filed testimony in support of the Joint Settlement.

### ANALYSIS OF THE JOINT SETTLEMENT

Atmos proposed an annual increase in its gas revenues of \$10,405,936, an annual increase of 4.6 percent. The AG proposed an annual increase in Atmos's gas

revenues of \$2,419,099.<sup>4</sup> The Joint Settlement contains the parties' unanimous recommendation that an annual increase in gas revenues of \$5,500,000 is reasonable.<sup>5</sup>

The July 6, 2007 testimony filed in support of the Joint Settlement included several clarifications of the document provisions, which are discussed below.

#### Depreciation Rates

Atmos had included as part of its application a depreciation study and proposed the adoption of the new depreciation rates resulting from that study. The AG had challenged some portions of the depreciation study and had recommended alternative depreciation rates. Attached to the Joint Settlement were proposed settlement depreciation rates, which reflected a "negotiated hybrid" of the positions taken by Atmos and the AG.<sup>6</sup>

#### Customer Rates

Paragraph 2 of the Joint Settlement provides that the agreed increase shall be included in the base charge and be proportionately added to each existing customer classification as nearly practicable. However, the proof of revenues attached to the Joint Settlement included changes to certain volumetric charges. In its July 6, 2007 testimony, Atmos clarified that the portion of the revenue increase assigned to its residential customers was fully reflected in the monthly customer charge. For the other customer classes, in order to meet the objective of applying the increase in a

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<sup>4</sup> Henkes Direct Testimony, Schedule RJH-1.

<sup>5</sup> Joint Settlement at 2.

<sup>6</sup> Smith Settlement Testimony at 3.

proportionate manner, it was necessary to increase the volumetric blocks in combination with increases in the customer charges.<sup>7</sup>

#### Special Charges

Atmos had proposed increases to several of its Special Charges, as shown on Tariff Sheet No. 68. While the Joint Settlement did not specifically address these changes, the proof of revenues reflected the inclusion of all proposed changes to the Special Charges. In its July 6, 2007 testimony, Atmos clarified that the proposed changes to the Special Charges had been agreed to by the parties and incorporated into the total revenue increase of \$5,500,000.<sup>8</sup>

#### Margin Loss Recovery Rider

Atmos's current tariffs included a Margin Loss Recovery ("MLR") Rider, which was to be in effect from January 1, 2004 through December 31, 2006. In its application, the MLR Rider was included with its proposed tariffs, but continued to show an expiration date of December 31, 2006 and Atmos did not propose to continue the Rider. The tariff sheets provided in conjunction with the Joint Settlement also included the MLR Rider, with no change in the effective date. At the public hearing, Atmos stated that it was not seeking the continuation of the MLR Rider at this time and that the tariff sheet should be removed.<sup>9</sup>

Based upon a review of each provision in the Joint Settlement, including the attached proof of revenues and settlement depreciation rates, an examination of the

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<sup>7</sup> Id. at 4.

<sup>8</sup> Id. at 2 and 4.

<sup>9</sup> Transcript of Evidence ("T.E."), July 10, 2007, at 18.

record, and being otherwise sufficiently advised, the Commission finds that the provisions of the Settlement Agreement are in the public interest and should be approved. The Commission's approval of the provisions of the Settlement Agreement is based solely on their reasonableness in toto and does not constitute precedent on any issue.

### OTHER ISSUES

#### GCA

The tariffs submitted in conjunction with the Joint Settlement reflected the GCA rates approved by the Commission in Case No. 2007-00136.<sup>10</sup> On July 2, 2007, Atmos filed its next GCA proposed to be effective on August 1, 2007 as Case No. 2007-00263.<sup>11</sup> Subject to the Commission's approval of the August GCA, Atmos indicated that it would replace affected tariffs with the appropriate GCA. The Commission finds it appropriate that the final tariffs filed in conjunction with this application should reflect the most current GCA.

#### Amortization of Rate Case Expense

In its July 6, 2007 testimony, Atmos requested that the Commission address the amortization of rate case expenses in the final Order. Atmos noted that the Joint Settlement did not address the subject of rate case expense. Atmos stated that it had proposed a 3-year amortization of its rate case expense in its application and the AG had not disputed this proposal. Atmos indicated that for accounting purposes the final

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<sup>10</sup> Case No. 2007-00136, Gas Cost Adjustment Filing of Atmos Energy Corporation.

<sup>11</sup> Case No. 2007-00263, Gas Cost Adjustment Filing of Atmos Energy Corporation.

Order needed to address the amortization proposal.<sup>12</sup> At the public hearing Atmos stated that only the actual rate case expenses would be amortized and the AG indicated his agreement with the proposal.<sup>13</sup>

The Commission finds that it is reasonable to permit Atmos to defer and amortize the actual rate case expenses incurred in conjunction with this case and that the amortization period should be for 3 years.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Atmos in its application are denied.
2. The Joint Settlement, attached hereto as Appendix B, is approved in its entirety.
3. The rates and charges set forth in Appendix A hereto, are the fair, just, and reasonable rates for Atmos to charge for gas service, and these rates are approved for service rendered on and after August 1, 2007.
4. Atmos shall file its tariffs reflecting the approved Joint Settlement within 15 days of the date of this Order. The MLR Rider shall be removed from those tariffs. The GCA approved in Case No. 2007-00263 shall be included in those tariffs.
5. The proposed depreciation rates attached to the Joint Settlement are approved.
6. The deferral of actual rate case expense and subsequent amortization of the expense over a 3-year period is approved.

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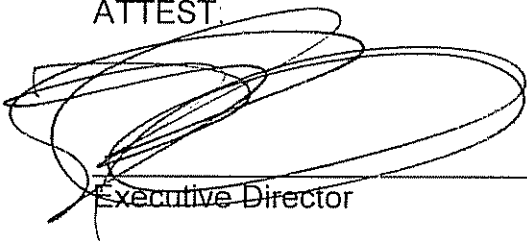
<sup>12</sup> Smith Settlement Testimony at 5.

<sup>13</sup> T.E., July 10, 2007, at 16-17.

Done at Frankfort, Kentucky, this 31st day of July, 2007.

By the Commission

ATTEST:



Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2006-00464 DATED July 31, 2007

The following rates and charges are prescribed for the customers served by Atmos Energy Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATE G-1  
GENERAL FIRM SALES SERVICE

Base Charge

\$9.35 per meter for residential service  
\$25.00 per meter for non-residential service

Distribution Charge

First	300 Mcf	\$1.1900 per Mcf
Next	14,700 Mcf	\$ .7530 per Mcf
Over	15,000 Mcf	\$ .4708 per Mcf

RATE G-2  
INTERRUPTIBLE SALES SERVICE

Base Charge

\$250.00 per delivery point per month  
Minimum Charge: the base charge plus any transportation fee and EFM facilities charge

Distribution Charge

First	15,000 Mcf	\$ .6000 per Mcf
Over	15,000 Mcf	\$ .3800 per Mcf

RATE LVS-1 and RATE LVS-2

Base Charge

LVS-1 Service	\$25.00 per meter
LVS-2 Service	\$250.00 per meter
Combined Service	\$250.00 per meter

Distribution Charge for LVS-1 Service

First	300 Mcf	\$ 1.1900 per Mcf
Next	14,700 Mcf	\$ .7530 per Mcf
Over	15,000 Mcf	\$ .4708 per Mcf

Distribution Charge for LVS-2 Service

First	15,000 Mcf	\$ .6000 per Mcf
Over	15,000 Mcf	\$ .3800 per Mcf

RATE T-2  
GENERAL TRANSPORTATION SERVICE

Distribution Charge

Transportation Administration Fee	\$50.00 per customer per month
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Distribution Charge for High Priority Service

First	300 Mcf	\$1.1900 per Mcf
Next	14,700 Mcf	\$ .7530 per Mcf
Over	15,000 Mcf	\$ .4708 per Mcf

Distribution Charge for Low Priority Service

First	15,000 Mcf	\$ .6000 per Mcf
Over	15,000 Mcf	\$ .3800 per Mcf

RATE T-3  
INTERRUPTIBLE CARRIAGE SERVICE

Base Charge

\$250.00 per delivery point

Transportation Administration Fee

\$50.00 per customer per month

Distribution Charge for Interruptible Service

First	15,000 Mcf	\$ .6000 per Mcf
Over	15,000 Mcf	\$ .3800 per Mcf

RATE T-4  
FIRM CARRIAGE SERVICE

Base Charge

\$250.00 per delivery point

Transportation Administration Fee

\$50.00 per customer per month

Distribution Charge for Firm Service

First	300 Mcf	\$1.1900 per Mcf
Next	14,700 Mcf	\$ .7530 per Mcf
Over	15,000 Mcf	\$ .4708 per Mcf

RATE T-5  
ALTERNATE RECEIPT POINT SERVICE

Administrative Charge

\$50.00 per month

SPECIAL CHARGES

	<u>After Hours</u>	<u>Regular</u>
Meter Set	\$ 44.00	\$ 34.00
Turn On	28.00	23.00
Read	14.00	12.00
Reconnect Delinquent Service	47.00	39.00
Seasonal Charge	73.00	65.00
Special Meter Reading Charge	N/A	No Charge
Meter Test Charge	N/A	20.00
Returned Check Charge	N/A	25.00
Late Payment Charge (Rate G-1 Only)		5%

Optional Facilities Charge for Electronic Flow Measurement ("EFM") equipment:

Class 1 EFM equipment	\$ 75.00 per month
Class 2 EFM equipment	\$ 175.00 per month

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2006-00464 DATED July 31, 2007

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION

Dated June 29, 2007

Including Proof of Revenues and  
Proposed Settlement Depreciation Rates

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

RATE APPLICATION OF )  
ATMOS ENERGY CORPORATION ) CASE NO. 2006-00464

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, who are the applicant Atmos Energy Corporation (Atmos) and the intervenor Attorney General of the Commonwealth of Kentucky to express their agreement on a mutually satisfactory resolution of all of the issues in this proceeding, which shall be referred to as the "Stipulation and Recommendation".

It is understood by the parties that this Stipulation and Recommendation is not binding upon the Public Service Commission ("Commission"), and does not represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to Atmos' proposed rates. The attached tariffs, depreciation schedules and revenue reconciliation have been agreed to by the parties and have been used as the basis for calculating the customer rates to be charged by Atmos for purposes of recovering the increase in annual revenues reflected in this Stipulation and Recommendation. The parties have expended considerable effort to reach the terms that form the basis of this Stipulation and Recommendation. The parties, representing diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety constitutes a reasonable resolution of all issues in this proceeding. It also reflects the parties' recognition of the need to balance current operating conditions with Atmos' level of earnings over the last few years as reflected in the discovery responses in this case, which exceeded expectation and averaged higher than the last return authorized by the Commission. Those earnings have been bolstered by corporate acquisitions and related efficiencies that most likely will not recur. The parties acknowledge that the Attorney General believed he had a reasonable good faith basis for initiating the complaint filed against Atmos in Case No. 2005-00057. However, the record now establishes that a change in circumstances has occurred, which has resulted in the parties' recommendation to increase base rates included in this agreement. In addition, the adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the

parties to spend significant resources in litigation of this proceeding and will eliminate the possibility of and any need for rehearing or appeal of the Commission's final order. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties stipulate and recommend the following:

1. Atmos shall be permitted to adjust its rates to recover more in annual revenue than it is recovering under its current rates with such rates to be effective for service rendered on and after August 1, 2007. The attached schedules reflect a stipulated reduction of \$4,905,936 from the original rate increase requested amount of \$10,405,936 for an amended annual rate increase amount of \$5,500,000.
2. Atmos' proposed tariff revisions, specifically the Customer Rate Stabilization mechanism and the recovery of the gas cost portion of uncollectibles in the Gas Cost Adjustment, are withdrawn for purposes of this case. The increase in rates shall be included in the base charge and be proportionately added to each existing customer classification as nearly as practicable.
3. Each party waives cross-examination of witnesses of the other party unless the Commission disapproves this Stipulation and Recommendation, and each party further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.
4. This Stipulation and Recommendation is submitted for purposes of this case only and shall not be binding upon the parties in any other proceeding and is not to be offered or relied upon in any other proceeding involving Atmos or any other utility.
5. If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties agrees that it shall not file an application for rehearing with the Commission or an appeal to the Franklin County Circuit Court with respect to such order.
6. If this Stipulation and Recommendation is not adopted in its entirety, the parties may agree to modifications to the Stipulation and Recommendation to reflect the Commission's objections or any party may withdraw from it and require that hearings go forward on the Application as proposed by Atmos. If a hearing is held, the terms of this Stipulation and Recommendation shall not be binding upon the parties, and this Stipulation and Recommendation shall not be admitted into evidence, referred to or relied upon in any manner by any party, the Commission, or its Staff.

7. The parties agree that this Stipulation and Recommendation is reasonable, produces rates that are fair and is otherwise lawful within the requirements of KRS Chapter 278 and that it is in the best interests of all concerned. The parties urge the Commission to adopt it in its entirety.

AGREED: this 29<sup>th</sup> day of June, 2007.

ATMOS ENERGY  
CORPORATION

BY: John K. Hughes  
- Attorney for Atmos

KENTUCKY ATTORNEY GENERAL

BY: Lawrence W. Cook  
LAWRENCE W. COOK  
ASSISTANT ATTORNEY GENERAL



ATMOS ENERGY CORPORATION - KENTUCKY  
SUMMARY OF REVENUE AT PROPOSED RATES  
TEST YEAR ENDING JUNE 30, 2008

Line No.	Description	Block (Mcf)	Test Year Ending 6/30/2008		Present Margin (c)	Present Revenue (d)	Proposed Margin (e)	Proposed Revenue (f)
			Number of Bills, Units (a)	Volumes (b)				
1	<u>Sales</u>							
2	Firm Sales (G-1, LVS-1)	Customer Chrg	1,045,778		\$7.50	\$13,843,335	\$9.35	\$17,258,024
3		Customer Chrg	233,126		\$20.00	4,662,520	25.00	5,828,150
4		0 - 300		15,480,564	1.1900	18,421,871	1.1900	18,421,871
5		301 - 15,000		1,133,221	0.6590	746,793	0.7530	853,315
6		Over 15,000		0	0.4300	0	0.4708	0
7	Interruptible Sales (G-2, LVS-2)	Customer Chrg	207		220.00	45,540	250.00	51,750
8		0 - 15,000		506,975	0.5300	268,697	0.6000	304,185
9		Over 15,000		114,290	0.3591	41,042	0.3800	43,430
10	Overrun (T-4)	0 - 300		0	1.3090	0	1.3090	0
11		301 - 15,000		0	0.7249	0	0.8283	0
12		Over 15,000		0	0.4730	0	0.5179	0
13	Overrun (T-3)	0 - 15,000		0	0.5830	0	0.6600	0
14		Over 15,000		0	0.3950	0	0.4180	0
15	<u>Transportation</u>							
16	Customer Charges (T2/G1)	Customer Chrg	[1]		20.00		25.00	
17	Customer Charges (T2/G2,T4,T3)	Customer Chrg	2,300		220.00	507,760	250.00	577,000
18	Transp. Adm. Fee	Customer Chrg	2,330		50.00	116,900	50.00	116,900
19	Parked Volumes [2]			742,360	0.10	74,236	0.10	74,236
20	EFM Charges		1,568		105.00	164,640	75.00	117,600
21			82		245.00	20,090	175.00	14,350
22	Firm Transport (G-1) [1]	0 - 300		12,673	1.1900	15,081	1.1900	15,081
23		301 - 15,000		87,769	0.6590	57,840	0.7530	66,090
24		Over 15,000		0	0.4300	0	0.4708	0
25	Interruptible Transport (G-2)	0 - 15,000		441,275	0.5300	233,876	0.6000	264,765
26		Over 15,000		64,182	0.3591	23,048	0.3800	24,389
27	Firm Carnage (T-4)	0 - 300		374,235	1.1900	445,339	1.1900	445,339
28		301 - 15,000		4,462,060	0.6590	2,940,497	0.7530	3,359,931
29		Over 15,000		572,787	0.4300	246,298	0.4708	269,668
30	Interruptible Carnage (T-3)	0 - 15,000		4,106,402	0.5300	2,176,393	0.6000	2,463,841
31		Over 15,000		1,891,507	0.3591	679,240	0.3800	718,773
32	Total Special Contracts [3]			14,377,229	Various	1,532,153	Various	1,532,153
33	Total Tariff		2,081,419	43,625,168		47,263,189		52,820,842
34								
35	WNA Basis Adjustment					190,984		0
36	Other Revenues					865,237		961,148
37	Late Payment Fees					1,750,462		1,787,518
38	Total Gross Profit					50,069,872		55,569,500
39								
40	Gas Costs					176,628,089		176,628,089
41								
42	Total Revenue				\$	226,697,961	\$	232,197,597
43								
44	Total Adjustment							\$5,499,636
45								
46	[1] Number of Bills included in G-1 Sales.							
47	[2] Parked Volumes not included in Total Deliveries.							
48	[3] Based on confidential information. Number of Bills included in T2/G2, T3 & T4.							





**ATMOS ENERGY CORPORATION - KENTUCKY PROPERTY**  
Proposed Settlement Depreciation Rates

<u>Account</u>	<u>Description</u>	<u>Life Rate</u>	<u>COR Rate</u>	<u>Total Rate</u>
<b><u>INTANGIBLE PLANT</u></b>				
301.00	Organization	0.00%	0.00%	0.00%
302.00	Franchises & Consents	0.00%	0.00%	0.00%
303.00	Misc. Intangible Plant	0.00%	0.00%	0.00%
<b><u>NG PRODUCTION PLANT</u></b>				
325.20	Producing Leaseholds	5.89%	0.00%	5.89%
325.40	Rights of Way	2.29%	0.00%	2.29%
331.00	Gas Wells Equipment	0.00%	0.00%	0.00%
332.01	Field Lines	0.00%	0.00%	0.00%
332.02	Tributary Lines	0.00%	0.00%	0.00%
334.00	Field M&R Station Equipment	0.00%	0.00%	0.00%
336.00	Purification Equipment	5.16%	0.10%	5.26%
<b><u>STORAGE PLANT</u></b>				
350.10	Land	0.00%	0.00%	0.00%
350.20	Rights of Way	0.92%	0.00%	0.92%
351.00	Structures and Improvements	0.60%	0.00%	0.60%
351.02	Compression Station Equipment	0.60%	0.00%	0.60%
351.03	M&R Station Structures	1.93%	0.00%	1.93%
351.04	Other Structures	0.60%	0.00%	0.60%
352.00	Wells \ Rights of Way	1.31%	0.80%	2.11%
352.01	Well Construction	1.31%	0.80%	2.11%
352.02	Well Equipment	2.71%	0.00%	2.71%
352.03	Cushion Gas	2.38%	0.00%	2.38%
352.10	Leaseholds	0.30%	0.00%	0.30%
352.11	Storage Rights	0.44%	0.00%	0.44%
353.01	Field Lines	1.35%	0.00%	1.35%
353.02	Tributary Lines	1.35%	0.00%	1.35%
354.00	Compressor Station Equipment	0.60%	0.00%	0.60%
355.00	M&R Equipment	0.12%	0.00%	0.12%
356.00	Purification Equipment	1.30%	0.00%	1.30%
<b><u>TRANSMISSION PLANT</u></b>				
365.10	Land	0.00%	0.00%	0.00%
365.20	Rights of Way	1.65%	0.00%	1.65%
366.02	Structures and Improvements	2.05%	0.00%	2.05%
366.03	Other Structures	2.05%	0.00%	2.05%
367.00	Mains - Cathodic Protection	1.33%	0.36%	1.69%
367.01	Mains - Steel	1.33%	0.36%	1.69%
369.00	M&R Station Equipment	1.44%	0.04%	1.48%
369.01	M&R Station Equipment	1.44%	0.04%	1.48%

**ATMOS ENERGY CORPORATION - KENTUCKY PROPERTY**

Proposed Settlement Depreciation Rates

<u>Account</u>	<u>Description</u>	<u>Life Rate</u>	<u>COR Rate</u>	<u>Total Rate</u>
<b><u>DISTRIBUTION PLANT</u></b>				
374.00	Land and Land Rights	0.00%	0.00%	0.00%
374.01	Land	0.00%	0.00%	0.00%
374.02	Land Rights	1.86%	0.00%	1.86%
375.03	Other Land	0.00%	0.00%	0.00%
375.00	Structures and Improvements	2.98%	0.20%	3.18%
375.01	Structures & Improvements TB	2.98%	0.20%	3.18%
375.02	Land Rights	2.98%	0.20%	3.18%
375.03	Improvements	2.98%	0.20%	3.18%
376.00	Mains - Cathodic Protection	1.91%	0.36%	2.27%
376.01	Mains - Steel	1.91%	0.36%	2.27%
376.02	Mains - Plastic	1.91%	0.36%	2.27%
378.00	M&R Station Equipment - Gen	1.82%	0.10%	1.92%
379.00	City Gate Equipment	2.13%	0.30%	2.43%
379.05	M&R Station Equipment - TB	2.13%	0.30%	2.43%
380.00	Services	3.03%	1.38%	4.41%
381.00	Meters	7.06%	1.00%	8.06%
382.00	Meter Installations	3.97%	0.63%	4.60%
383.00	House Regulators	2.90%	0.00%	2.90%
384.00	House Regulator Installations	2.02%	0.00%	2.02%
385.00	Industrial M&R Equipment	2.18%	0.43%	2.61%
386.00	Other Property on Cust Prem.	3.00%	0.00%	3.00%
<b><u>GENERAL PLANT</u></b>				
389.00	Land and Land Rights	0.00%	0.00%	0.00%
390.02	Structures and Improvements	9.91%	0.00%	9.91%
390.03	Improvements	9.91%	0.00%	9.91%
390.04	Air Conditioning Equipment	9.91%	0.00%	9.91%
390.09	Improvements to Leased Premises	2.36%	0.00%	2.36%
391.00	Office Furniture and Equipment	6.22%	0.00%	6.22%
391.03	Office Machines	6.22%	0.00%	6.22%
392.00	Transportation Equipment	59.79%	0.00%	59.79%
392.01	Trucks	8.92%	0.00%	8.92%
392.02	Trailers	59.79%	0.00%	59.79%
394.00	Tools, Shop and Garage Equip.	6.63%	0.00%	6.63%
396.03	Ditchers	20.76%	0.00%	20.76%
396.04	Backhoes	20.76%	0.00%	20.76%
396.05	Welders	20.76%	0.00%	20.76%
397.00	Communication Equipment	5.43%	0.00%	5.43%
397.01	Mobile Radios	5.43%	0.00%	5.43%
397.02	Fixed Radios	5.43%	0.00%	5.43%
397.05	Telemetry	5.43%	0.00%	5.43%
398.00	Miscellaneous Equipment	4.26%	0.00%	4.26%
399.01	Servers Hardware	2.71%	0.00%	2.71%
399.02	Servers Software	14.29%	0.00%	14.29%
399.03	Network Hardware	5.22%	0.00%	5.22%
399.06	PC Hardware	0.61%	0.00%	0.61%
399.07	PC Software	19.16%	0.00%	19.16%
399.08	Application Software	17.49%	0.00%	17.49%

**ATMOS ENERGY CORPORATION - MID STATES GENERAL OFFICE**  
Proposed Settlement Depreciation Rates

<u>Account</u>	<u>Description</u>	<u>Life Rate</u>	<u>COR Rate</u>	<u>Total Rate</u>
<b><u>GENERAL PLANT</u></b>				
390.09	Improvements to Leased Premises	9.10%	0.00%	9.10%
391.00	Office Furniture and Equipment	2.13%	0.00%	2.13%
391.02	Remittance Processing Equipment	11.37%	0.00%	11.37%
391.03	Office Machines	2.22%	0.00%	2.22%
392.00	Transportation Equipment	28.96%	0.00%	28.96%
393.00	Stores Equipment	10.00%	0.00%	10.00%
394.00	Tools, Shop and Garage Equip.	10.00%	0.00%	10.00%
397.00	Communication Equipment	8.45%	0.00%	8.45%
398.00	Miscellaneous Equipment	8.15%	0.00%	8.15%
399.00	Other Tangible Property	4.66%	0.00%	4.66%
399.01	Servers Hardware	6.95%	0.00%	6.95%
399.02	Servers Software	4.00%	0.00%	4.00%
399.03	Network Hardware	9.30%	0.00%	9.30%
399.04	CPU	26.26%	0.00%	26.26%
399.05	Mainframe Hardware	15.76%	0.00%	15.76%
399.06	PC Hardware	14.86%	0.00%	14.86%
399.07	PC Software	9.02%	0.00%	9.02%
399.08	Application Software	11.11%	0.00%	11.11%
399.09	Mainframe Software	22.16%	0.00%	22.16%
399.24	General Startup Costs	15.89%	0.00%	15.89%