COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

RATE APPLICATION OF ATMOS ENERGY CORPORATION) **Case No. 2009-00354**

PETITION FOR ADJUSTMENT OF RATES

Atmos Energy Corporation ("Atmos"), by counsel, pursuant to KRS 278.180 and KRS 278.190 submits the attached revised tariffs and documentation requirements of 807 KAR 5:001, and proposes that certain gas rates and revised tariff provisions for its Kentucky division become effective on December 1, 2009.

1. Atmos is a utility as defined by KRS 278.010 (3)(b) and is subject to the jurisdiction of the Public Service Commission ("Commission"), pursuant to KRS 278.040. Atmos delivers natural gas to approximately 3.1 million residential, commercial, industrial and public-authority customers in twelve states. It has six gas utility operating divisions. They are located in Denver, Colorado (Kansas and Colorado division); Baton Rouge, Louisiana (Louisiana division); Jackson, Mississippi (Mississippi division); Lubbock, Texas (West Texas division); Dallas, Texas (Mid-Tex division); and Franklin, Tennessee (Kentucky/Mid-States). Atmos' Kentucky/Mid-States

Division, in addition to serving customers in Kentucky, provide natural gas distribution service in Tennessee, Virginia, Georgia, Missouri, Illinois and Iowa.

2. Atmos' Kentucky office is located at 3275 Highland Pointe Dr. Owensboro, KY 42303. The President of the Atmos' Kentucky/Mid-States Division is J. Kevin Akers. Atmos' articles of incorporation are filed as FR 10(1)(b)(3) in Volume 2. Its current Certificate of Good Standing is filed as FR 10(1)(b)(5) in Volume 2.

3. Atmos serves approximately 172,300 customers in central and western Kentucky. The customer base includes residential, commercial and industrial customers.

4. Atmos' Annual Reports including the 2008 report are on file with the Commission as required by 807 KAR 5:006§3(1).

5. Notice of Intent to file a rate application was delivered to the Executive Director and the Attorney General on September 1, 2009. A copy of that notice is filed as FR 10(2) in Volume 2.

6. In this application, Atmos gives notice of a 4.8% or $9.5 million, increase in its total revenues. This represents a 6.6% increase in the average residential customer's bill. The actual increases by amount and percentage are listed in the schedule attached as FR 10(10)(n) in Volume 6.

7. This filing is based upon a fully forecasted test year using a

base period of January, 2009 through December, 2009 and a forecast period of April, 2010 through March 2011.

8. Because of declining return on equity and inadequate revenue to continue to provide the quality of service required by the Commission and demanded by our customers, it is necessary to seek additional revenue and to revise the business practices that have been historically followed. Atmos must attempt to find new ways of serving traditional residential customers and to continue to adapt to the changing competitive markets. Atmos is also experiencing a significant decline in residential customer volumes related to energy conservation. To meet these challenges, Atmos is proposing tariff changes to increase its revenues, stabilize revenue over the long term and allow the opportunity to provide all customers the quality of service and competitive rates that they deserve. A more detailed explanation of the need for the rate adjustment is provided in the testimony filed as FR 10(9)a, Volume 1.

9. In addition to the adjustment of distribution rates to rebalance the fixed and variable elements in the distribution rates to more accurately reflect the underlying cost characteristics of service, the Company is proposing: (1) Pipeline Replacement Program; and (2) Modification of the GCR to allow recovery of uncollected gas costs through the GCR mechanism.

10. The company is also proposing several tariff language changes to delete unused transportation services and clarify

existing language for consistency as shown in FR 10(1)(b)8, Volume 2.

11. Atmos is providing notice of this filing to its customers and interested parties by publication in newspapers of general circulation and posting in each of Atmos local offices for public inspection. A copy of the notice is in contained in FR 10 (3) Volume 2.

12. Atmos requests that the Commission allow the proposed rate changes to take effect without delay.

13. Atmos also requests a deviation pursuant to 807 KAR 5:006(27) from any rule, regulation or other requirement that might otherwise delay or impede the review and approval of this petition.

14. All filing requirements of 807 KAR 5:001 are attached. The schedule of those requirements, the volume and tab number is as follows:

Witness	Law/Regulation	Filing Requirement	Volume No.
Akers	Section 10(9)(a)	Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program;	1
Akers	Section 10(1)(b)(1)	A statement of the reason the adjustment is required.	2
Meziere	Section 10(1)(b)(2)	A statement that the utility's annual reports, including the annual report for the most recent calendar year, are on file with the commission in accordance with 807 KAR 5:006, Section 3(1)	2

Witness	Law/Regulation	Filing Requirement	Volume No.
Akers	Section 10(1)(b)(3) and (5)	If the utility is incorporated, a certified copy of the utility's articles of incorporation and all amendments thereto or out of state documents of similar import. If the utility's articles of incorporation and amendments have already been filed with the Commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding and a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.	2
NA	Section 10(1)(b)(4)	If applicant is a limited partnership, a certified copy of the limited partnership agreement or if the agreement was filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding	2
Akers	Section 10(1)(b)(5)	If applicant is incorporated or is a limited partnership, a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.	2
Akers	Section 10(1)(b)(6)	A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.	2
G Smith	Section 10(1)(b)(7)	The proposed tariff in form complying with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.	2
G Smith	Section 10(1)(b)(8)	Proposed tariff changes shown either by providing present and proposed tariffs in comparative form or indicating additions by italized inserts or underscoring and striking over deletions in a copy of the current tariff.	2
Akers	Section 10(1)(b)(9)	A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of the notice.	2
Akers	Section 10(2)	Notice of intent	2
Akers	Section 10(3)(a)	Amount of change requested in dollar amounts and percentage for each customer classification to which change will apply.	2
Akers	Section 10(3)(b)	Present and proposed rates for each customer class to which change would apply.	2
Akers	Section 10(3)(c)	Electric, gas, water and sewer utilities - the effect upon average bill for each customer class to which change will apply.	2
NA	Section 10(3)(d)	Local exchange companies - include effect upon average bill for each customer class for change in basic local service.	2
Akers	Section 10(4)	If copy of public notice included, did it meet requirements?*	2

Witness	Law/Regulation	Filing Requirement	Volume No.
Akers	Section 10(5)	Notice of hearing scheduled by the commission upon application by a utility for a general adjustment in rates shall be advertised by the utility by newspaper publication in the areas that will be affected in compliance with KRS 424.300.	2
Waller	Section 10(8)(a)	Financial data for forecasted period presented as pro forma adjustments to base period.	2
Waller	Section 10(8)(b)	Forecasted adjustments shall be limited to the 12 months immediately following the suspension period.	2
Felan	Section 10(8)(c)	Capitalization and net investment rate base shall be based on a 13 month average for the forecasted period.	2
Felan	Section 10(8)(f)	The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.	2
Napier	Section 10(9)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures	2
All	Section 10(9)(c)	Complete description, which may be in pre-filed testimony form, of all factors used to prepare forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported;	2
Waller	Section 10(9)(d)	Annual and monthly budget for the 12 months preceding filing date, base period and forecasted period;	2
Akers	Section 10(9)(e)	Attestation signed by utility's chief officer in charge of Kentucky operations providing: 1. That forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; 2. That forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any differences; 3. That productivity and efficiency gains are included in the forecast;	2
Napier	Section 10(9)(f)	For each major construction project constituting 5% or more of annual construction budget within 3 year forecast, following information shall be filed: 1. Date project began or estimated starting date; 2. Estimated completion date; 3. Total estimated cost of construction by year exclusive and inclusive of Allowance for Funds Used During Construction ("AFUDC") or Interest During Construction Credit; and 4. Most recent available total costs incurred exclusive and inclusive of AFUDC or Interest During Construction Credit;	2

Witness	Law/Regulation	Filing Requirement	Volume No.
Napier	Section 10(9)(g)	For all construction projects constituting less than 5% of annual construction budget within 3 year forecast, file aggregate of information requested in paragraph (f) 3 and 4 of this subsection;	2
Waller	Section 10(9)(h)	Financial forecast for each of 3 forecasted years included in capital construction budget supported by underlying assumptions made in projecting results of operations and including the following information:	2
Waller	Section 10(9)(h)	1. Operating income statement (exclusive of dividends per share or earnings per share);	2
Felan	Section 10(9)(h)	2. Balance sheet;	2
Felan	Section 10(9)(h)	3. Statement of cash flows;	2
Felan	Section 10(9)(h)	4. Revenue requirements necessary to support the forecasted rate of return;	2
NA	Section 10(9)(h)	5. Load forecast including energy and demand (electric);	2
NA	Section 10(9)(h)	6. Access line forecast (telephone);	2
NA	Section 10(9)(h)	7. Mix of generation (electric);	2
G Smith	Section 10(9)(h)	8. Mix of gas supply (gas);	2
Waller	Section 10(9)(h)	9. Employee level;	2
Waller	Section 10(9)(h)	10. Labor cost changes;	2
Sherwood	Section 10(9)(h)	11. Capital structure requirements;	2
Felan	Section 10(9)(h)	12. Rate base;	2
NA	Section 10(9)(h)	13. Gallons of water projected to be sold (water);	2
G Smith	Section 10(9)(h)	14. Customer forecast (gas, water);	2
G Smith	Section 10(9)(h)	15. MCF sales forecasts (gas);	2
NA	Section 10(9)(h)	16. Toll and access forecast of number of calls and number of minutes (telephone); and	2
NA	Section 10(9)(h)	17. A detailed explanation of any other information provided	2
G Smith	Section 10(9)(i)	Most recent FERC or FCC audit reports;	2
Meziere	Section 10(9)(j)	Prospectuses of most recent stock or bond offerings;	2
Meziere	Section 10(9)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or the Automated Reporting Management Information System	3
Meziere	Section 10(9)(l)	Annual report to shareholders or members and statistical supplements for the most recent 5 years prior to application filing date;	3
Meziere	Section 10(9)(m)	Current chart of accounts if more detailed than Uniform System of Accounts chart;	3
Waller	Section 10(9)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast;	3
Waller	Section 10(9)(o)	Complete monthly budget variance reports, with narrative explanations, for the 12 months prior to base period, each month of base period, and subsequent months, as available;	3

Witness	Law/Regulation	Filing Requirement	Volume No.
Meziere	Section 10(9)(q)	Independent auditor's annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls;	3
Meziere	Section 10(9)(r)	Quarterly reports to the stockholders for the most recent 5 quarters;	3
Waller	Section 10(9)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style;	3
Napier	Section 10(9)(t)	List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with application. Include each software, program, or model; its use; identify the supplier of each; briefly describe software, program, or model; specifications for computer hardware and operating system required to run program	3
Meziere	Section 10(9)(u)	If the utility had any amounts charged or allocated to it by an affiliate or general or home office or paid any monies to an affiliate or general or home office during the base period or during the previous three (3) calendar years, the utility shall file: 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment; 2. Method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; 3. Explain how allocator for both base and forecasted test period was determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable;	3
Raab	Section 10(9)(v)	If gas, electric or water utility with annual gross revenues greater than $5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from single time period; and	3

Witness	Law/Regulation	Filing Requirement	Volume No.
NA	Section 10(9)(w)	Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file: 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies supporting pricing of services generating annual revenue greater than $1,000,000 except local exchange access: a.Based on current and reliable data from single time period; and b.Using generally recognized fully allocated, embedded, or incremental cost	3
Meziere	Section 10(9)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters;	4 & 5
Felan	Section 10(10)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase;	6
Felan	Section 10(10)(b)	Jurisdictional rate base summary for both base and forecasted periods with supporting schedules which include detailed analyses of each component of the rate base;	6
Waller, G Smith	Section 10(10)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and by individual account;	6
Waller, G Smith	Section 10(10)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors;	6
Felan	Section 10(10)(e)	Jurisdictional federal and state income tax summary for both base and forecasted periods with all supporting schedules of the various components of jurisdictional income taxes;	6
Waller	Section 10(10)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases;	6
Waller	Section 10(10)(g)	Analyses of payroll costs including schedules for wages and salaries, employees benefits, payroll taxes straight time and overtime hours, and executive compensation by title;	6

Witness	Law/Regulation	Filing Requirement	Volume No.
Felan	Section 10(10)(h)	Computation of gross revenue conversion factor for forecasted period;	6
Meziere, Waller, Smith	Section 10(10)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period;	6
Sherwood	Section 10(10)(j)	Cost of capital summary for both base and forecasted periods with supporting schedules providing details on each component of the capital structure	6
Meziere, Waller, Felan, G Smith	Section 10(10)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period, and forecast period;	6
G Smith	Section 10(10)(l)	Narrative description and explanation of all proposed tariff changes;	6
G Smith	Section 10(10)(m)	Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes; and	6
G Smith	Section 10(10)(n)	Typical bill comparison under present and proposed rates for all customer classes.	6
Akers	Section 10(11)	A request for waiver of any of the provisions of these filing requirements must set forth the specific reasons for the request. The commission shall grant the request for waiver upon good cause shown by the utility. In determining whether good cause has been shown, the commission may consider: a. Whether other information which the utility would provide if the waiver is granted is sufficient to allow the commission to effectively and efficiently review the rate application; b. Whether the information which is the subject of the waiver request is normally maintained by the utility or reasonably available to it from the information which it maintains; and c. The expense to the utility in providing the information which is the subject of the waiver request.	6

15. Based on the information provided and in compliance with all filing requirements of KRS 278 and 807 KAR 5:001 et seq., Atmos requests that the Commission issue an order finding the proposed rates and tariffs fair, just and reasonable.

Submitted by:

Douglas Walther
Atmos Energy Corporation
P.O, Box 650205
Dallas. TX 75265

Mark R. Hutchinson
Wilson, Hutcherson & Poteat
611 Frederica St.
Owensboro, KY 42303

John N. Hughes
124 West Todd Street
Frankfort, KY 40601

Attorneys for Atmos Energy Corporation

Certificate of Service:

I certify that a copy of this application was delivered to the Attorney General, Office of Rate Intervention, 1024 Capital Center Dr., Frankfort, KY 40601 on the day of 29 October, 2009.

John N. Hughes

Commonwealth of Kentucky

County of Daviess

VERIFICATION

I, Mark Martin, after being duly sworn under oath, state that I am Vice President of Rates & Regulatory Affairs, a division of Atmos Energy Corporation and that I am authorized to submit this application on behalf of the Company and that the information and statements contained in the Application are true of my own knowledge except as to those matters stated on information and belief, and as to those matters I believe them to be true.

Mark A. Martin

SUBSCRIBED AND SWORN to before me by on this the 27th day of October, 2009.

Jacqueline S Purcell
Notary Public

My Commission expires: November 15, 2011

Atmos Energy Corp.; Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period Filing Requirements

FR 10(9)(a)

Description of Filing Requirement:

Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.

Response:

Please refer to the testimony of J. Kevin Akers.

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION
FRANKFORT, KENTUCKY

IN RE:

PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND REVISED TARIFF	))))	**DOCKET NO. 2009-00354**

PRE-FILED TESTIMONY OF KEVIN AKERS
ON BEHALF OF ATMOS ENERGY CORPORATION

I. POSITION AND QUALIFICATIONS

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

A. My name is Kevin Akers. I am President of the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos" or "Company"). My business address is 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067.

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

A. I earned a Bachelor of Science degree in Petroleum Engineering from The University of Alabama in 1987. From 1988 to August of 1991, I worked for the Indiana Utility Regulatory Commission as a Gas Engineer. I joined Atmos Energy Corporation, in our Kentucky Division, in August of 1991 as an Engineer. I held positions of increasing responsibility before being named Regional Vice President of Operations in 1997. In that position, I was responsible for safety, maintenance, construction, and customer service. From 1999 to 2001, I also served as Chairman of the Atmos Utility Operations Council which has the responsibility for developing and executing the Company's best practices

regarding environmental, safety compliance, technical, supply chain and operating standards. From 2001 to 2002, I was Regional Vice President of Operations for our northern region in the Louisiana Division. In December 2002, I was named the President of Mississippi Valley Gas Company, now the Mississippi Division. As President of Atmos' Mississippi Division, I had responsibility for customer services, operations, regulatory and community relations and the financial performance of this division. In May of 2007, I was named the President of the Kentucky/Mid-States Division. My responsibility covers customer services, operations, regulatory and community relations and the financial performance of the seven (7) states that make up this division.

Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION?

A. No. However, I have provided testimony before the Georgia Public Service Commission and the Tennessee Regulatory Authority.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS IN THIS CASE, AND, IF SO, WHICH REQUIREMENTS?

A. I am sponsoring the following filing requirements:

FR 10(1)(b)	Application Supported by a Fully Forecasted Test Period
FR 10(1)(b)(1)	Statement of Reasons
FR 10(1)(b)(3)	Certified Copy of Articles of Incorporation
FR 10(1)(b)(5)	Certificate of Good Standing
FR 10(1)(b)(9)	Statement on Customer Notice
FR 10(2)	Notice of Intent
FR 10(3)(a-i)	Form of Notice to Customers
FR 10(4)(c)	Manner of Notification

FR 10(4)(c)(3)	Notice of Publication in Newspapers of General Circulation
FR 10(4)(d)	Publisher Affidavits
FR 10(4)(f)	Notice to Customers Posted in Utility Places of Business
FR 10(5)	Notice of Hearing
FR10(9)(a)	Statement of Officer in Charge of Kentucky Operations
FR 10(9)(e)1-3	Statement of Attestation
FR 10(11)(a-c)	Request for Waiver of Certain Filing Requirements

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My direct testimony has three primary purposes. First, I will briefly describe the Company's operations in Kentucky and the recent history of its rate proceedings before this Commission. Second, I will describe the principal factors requiring Atmos to file this rate application and address Company's efforts to achieve improvements to its efficiency and productivity. Finally, I will introduce the other witnesses who will be providing support for the requested rate increase.

III. ATMOS' OPERATIONS IN KENTUCKY

Q. CAN YOU PROVIDE THE COMMISSION WITH A GENERAL DESCRIPTION AND BACKGROUND OF ATMOS' OPERATIONS IN KENTUCKY?

A. Yes. We have a Kentucky-based work force of approximately 220 employees providing safe and reliable service to a customer base of residential, commercial and industrial consumers approaching 170,000. Our utility plant in Kentucky includes over 3,900 miles of transmission and distribution lines.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF ATMOS ENERGY'S CORPORATE STRUCTURE AND HOW IT ENABLES ATMOS TO BE AN EFFICIENT, LOW COST PROVIDER OF NATURAL GAS.

A. Atmos is the largest pure natural gas distribution company in the United States. It delivers gas to approximately 3.1 million residential, commercial, industrial and public-authority customers in 12 states. Atmos has six gas utility operating divisions. They are located in Denver, Colorado (Kansas and Colorado division); Baton Rouge, Louisiana (Louisiana division); Jackson, Mississippi (Mississippi division); Lubbock, Texas (West Texas division); Dallas, Texas (Mid-Tex division); and Owensboro, Kentucky and Franklin, Tennessee (Kentucky/Mid-States division). In addition, Atmos has an operating division consisting of a regulated intrastate pipeline that functions only within the state of Texas.

Atmos' corporate offices are located in Dallas, Texas and provide services such as accounting, legal, human resources, rate administration, procurement, information technology and customer support centers. These centralized services are shared with the other Atmos operating divisions in order to avoid having to staff and maintain these functions at each division level. These centralized services are the technical and administrative services that would be required if each division was a stand-alone company. Atmos believes that this structure provides it with an economic advantage and enables it to be a low-cost, high-quality provider of natural gas.

IV. PRINCIPAL FACTORS FOR THIS RATE APPLICATION

Q. WHY DID THE COMPANY FILE THIS CASE?

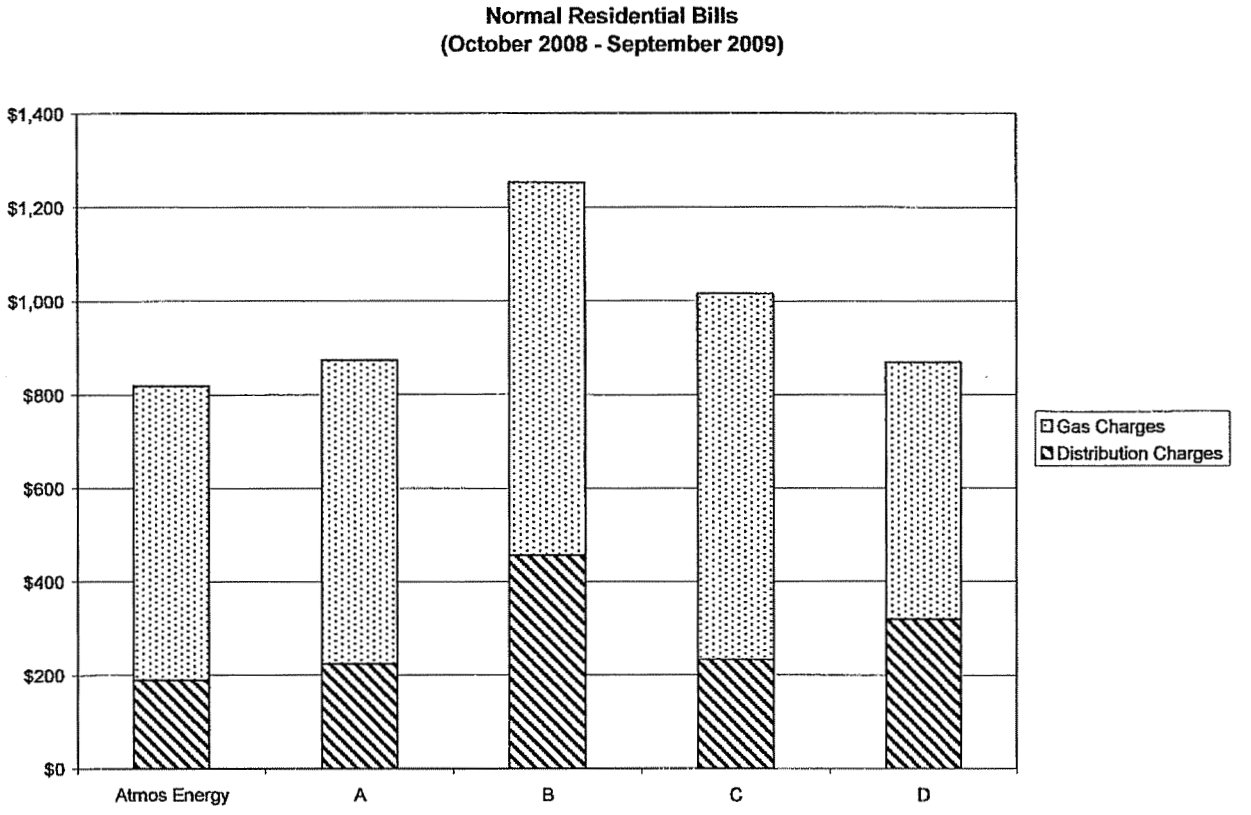
A. The Company is requesting that the Commission approve new distribution rates that will provide revenues equal to our cost of service, including a reasonable return on investment. As the Commission is aware, the actual costs of the natural gas consumed by our customers are collected through a gas cost adjustment mechanism. The purpose of this case is to establish new distribution rates.

Q. WHEN DID THE COMPANY'S CURRENT RATES BECOME EFFECTIVE?

A. The Company's current rates were established by the Commission in Docket No. 2006-00464, which was filed on December 28, 2006, and decided by the Commission's Order dated July 31, 2007. The 2006 rates were designed to produce a revenue increase in the amount of $5,500,000 in accordance with the Commission Order. The revenue requirement that Atmos requested in the 2006 rate case was $10,405,936.

Q. ARE THE DISTRIBUTION RATES CURRENTLY IN EFFECT PROVIDING SUFFICIENT REVENUES?

A. No. Although Atmos operates very efficiently and is proud to have the lowest distribution charges for residential customers of the major natural gas providers in Kentucky (please see Normal Residential Bills chart), our current rates are not providing a fair return on the Company's investments.



Atmos' present calculated rate of return on rate base is only 5.88%. Two primary factors contribute to the current revenue deficiency. First, because of changes in the market, our authorized rates will not produce in the coming year a level of revenues equal to that authorized in our previous rate case. Second, as discussed in the testimony of Company witnesses Christopher Felan and Greg Waller, the cost of providing service has increased. Consequently, we are seeking timely and adequate rate relief in order to maintain the current high-quality, safe and reliable service our customers expect.

Q. WHAT RATE OF RETURN ON RATE BASE IS ATMOS REQUESTING IN THIS RATE APPLICATION?

A. Atmos is asking the Commission to approve new rate schedules that would increase revenues to provide an overall rate of return on rate base of 9.00% on the test year rate base of $184,697,058.

Q. WHAT IS THE AMOUNT OF THE RATE INCREASE THAT ATMOS IS SEEKING IN THIS RATE APPLICATION?

A. Atmos is seeking approval to increase its rates to recover approximately $9,486,033 in additional revenues. For an average residential customer, the total bill increase would be $4.20 per month.

Q. HOW DO YOU SUGGEST THAT NEW RATES RECOVER THE DISTRIBUTION REVENUE INCREASE?

A. Although rate design issues are addressed in greater detail in the testimony of others, it is very important that this Commission not increase the amount of revenue that is at risk of recovery through volumetric rate components. Virtually all of a natural gas local distribution company's costs of service (other than the costs of gas, which are not recovered in base distribution rates) are fixed, as opposed to variable. By fixed, I mean that the costs do not increase or decrease as the volume of natural gas delivered to our customers increases or decreases. At the same time, under our existing rate structure, the majority of distribution rate revenues are recovered through volumetric rate components. Consequently, I believe that the Commission should approve the proposed rate design which improves the ratio between margins recovered through monthly charges and volumetric rates by a modest 7%, thereby making the company less affected by customer conservation and efficiency efforts.

Q. CAN YOU DESCRIBE THE CHANGES IN MARKET CONDITIONS THAT GIVE RISE TO THIS RATE FILING?

A. Yes. We have experienced a decline in both the amount of natural gas used by our customers and in our customer base. Our industrial and transportation customers have especially been affected by the recession. Those most affected were our customers in the automotive industry and their related suppliers. As more fully described by Company witness Mr. Gary Smith, the gross margin for our industrial sales and transportation customers is more than $1,000,000 lower than reflected in Case 2006-00464. The number of new customer meter sets we experienced declined by over 20% from Fiscal Year (FY) 2008 to the end of FY 2009. The number of residential customers on our system continues to decline and has dropped by nearly 500 from Fiscal Year 2008 to Fiscal Year 2009. The number of commercial customers on our system has declined by nearly 130 during the same period. As more fully described by Company witness Mr. Gary Smith, we also continue to experience a declining use-per-customer trend for residential, commercial and public authority customers. Thus, even if our costs of providing service were as low today as the commission determined to be appropriate in Docket No. 2006-00464 our existing rates would cause the Company to under recover.

Q. YOU STATED THAT MOST NATURAL GAS DISTRIBUTION COMPANIES IN THIS COUNTRY ARE EXPERIENCING SIMILAR DECLINING USE-PER-CUSTOMER AND DECLINING NUMBER OF CUSTOMERS. HAVE OTHER COMMISSIONS APPROVED RATE MECHANISMS OR RATE DESIGNS THAT ADDRESS THESE ISSUES?

A. Yes, however, Atmos is not proposing such a mechanism in this proceeding. Various innovative rate mechanisms and rate designs have been adopted across the nation to address these issues. Decoupling mechanisms, which are rate mechanisms that permit a natural gas distribution company to collect authorized levels of revenue without regard to the volume of natural gas delivered, have been approved in 18 jurisdictions. Similar proposals are currently pending in 2 jurisdictions as of the date of this filing. Moreover, 8 companies within 6 jurisdictions have approved rate stabilization plans, wherein adjustments are made to address the differences, if any, between the authorized level of revenues and the amounts actually collected.

Q. HAVE SUCH MECHANISMS BEEN SUCCESSFULL IN JURISDICTIONS THAT ATMOS SERVES?

A. Yes. Specific examples of actions taken in other jurisdictions where the Company operates would include Mississippi, Louisiana, Texas and Virginia. In Mississippi and in Louisiana, utilities file prescribed information based on an annual period for review. Depending on the utility, its respective tariffs and the Commission Staff's findings, a rate stabilization factor is adjusted to provide for additional revenue or to return additional revenue to the customer. In most of the Company's Texas service territory, the Company makes an annual filing with the regulatory authority pursuant to a Rate Review Mechanism (RRM) tariff. The regulatory authority reviews the Company's filing and rates are subsequently adjusted. The RRM is currently in the second year of a three year trial period. Similar to the approaches in Mississippi, Louisiana and Texas, Virginia requires utilities to file prescribed information based on an annual period for review. Rates are

adjusted asymmetrically downward only. If a utility is under-earning, it can file an expedited case for relief as an alternative to a general rate application.

Q. DO YOU BELIEVE A SIMILAR MECHANISM WOULD BE APPROPRIATE FOR THE COMPANY'S KENTUCKY OPERATIONS?

A. Yes. A process similar to those I described in some of the other jurisdictions where the Company operates would provide for a regularly scheduled rate review that will be less costly and adjust the rates annually in a more expedited manner to actually achieve the result contemplated by the Commission's rate orders. We respectfully request that the Commission continue to study and explore the relative merits of these mechanisms through a cooperative effort involving the Staff, Atmos and other interested parties.

Q. IS ATMOS SEEKING APPROVAL OF A PIPE REPLACEMENT PROGRAM IN THIS FILING?

A. Yes. As described in more detail by Company witness Mr. Napier, our delivery system has approximately 250 miles of bare steel transmission and distribution main and service lines. We are proposing a systematic approach to replace this aging infrastructure over a fifteen year period. This program will allow Atmos to continue providing safe and reliable service to our 170,000 customers while providing the Company with a mechanism to reflect the program costs in a timely manner.

Q. IS ATMOS SEEKING APPROVAL TO RECOVER GAS COSTS INCLUDED IN UNCOLLECTIBLE ACCOUNTS THROUGH THE MONTHLY GAS COST ADJUSTMENT (GCA)?

A. Yes. As described more fully by Company witness Mr. Gary Smith, the Company is currently authorized to recover a certain amount for uncollectible accounts in base rates. This method of recovery will inevitably cause Atmos to either under collect or over col-

lect these costs because they can never been estimated with complete accuracy, particularly given the recent volatility in gas costs. Further, I believe that the recovery of these costs via the GCA eliminates the risk that the amount set in base rates is not reflective of current or future periods.

Q. PURSUANT TO KAR 5:001(9)(a), PLEASE EXPLAIN HOW THE COMPANY WORKS TO ACHIEVE IMPROVEMENTS IN ITS EFFICIENCY AND PRODUCTIVIY.

A. In Case No. 2006-00464, we described in detail the substantial investments that the Company has made over the past several years to ensure that it provides the best and most efficient customer service possible. The investments in these technologies include our Customer Support Center, Banner billing software, Information Technology software and Business Process changes. Each of these investments has served to enable the Company to be more productive and provide the best possible service at the lowest possible price. These enhancements facilitate customer service through the streamlining of billing inquiries and service orders, allow for efficient billing and processing of customer payments and provide support to the Company's Customer Support Center. This technology continues to provide ratepayers with many benefits including:

- Availability of customer service representatives 24 hours a day, seven days a week.
- Enhances ability to respond quickly to leaks and other safety related events.
- More accurate bills.
- Faster response to service requests.
- More efficient use of labor and materials.
- Ability for customers to make check and credit card payments by telephone.
- Enhancements to Company's ability to monitor quality of customer service.

Q. HAVE THESE ENHANCEMENTS CONTRIBUTED TO MORE EFFICIENT AND IMPROVED CUSTOMER SERVICE?

A. Yes. The investment that the Company has made in enhanced technology has been a driving force behind its continued success as a low-cost, high-quality provider of natural gas

service and the Company is continuing to experience the benefits of this investment as evidenced by the fact that it has the lowest distribution charge for residential customers of any of the major natural gas providers in Kentucky. The Company is continuing striving to find ways to lower costs and operate efficiently.

V. INTRODUCTION OF WITNESSES

Q. PLEASE IDENTIFY THE OTHER WITNESSES SPONSORING TESTIMONY IN THIS PROCEEDING?

A. In addition to my testimony, Atmos will present the direct testimony and exhibits of 8 witnesses.

Gary L. Smith, Director of Rates & Regulatory Affairs for Atmos Energy Corporation, is filing testimony providing a overview of the Company's customer base in Kentucky and market trends since 2006; describing the methods used to forecast Company's revenues and volumes as they relate to the base period and test period in this case; presenting the test period forecast of revenues and volumes; and presenting the rates and various tariff changes proposed by the Company including a Pipeline Replacement Program and the recovery of bad debt gas costs through the Gas Cost Adjustment ("GCA") mechanism.

Gregory K. Waller, Vice President of Finance for the Kentucky/Mid-States Division, is presenting testimony concerning the Operating and Maintenance (O&M) expense budgeting process used by the Company; the control and the monitoring of O&M variances by the Company; the forecasted test year budget for O&M, depreciation expense, and taxes other than income taxes incurred directly by the Company's Kentucky operations as well as allocated to Kentucky from the Kentucky / Mid-States General Office and

Shared Services Unit; and the necessity for the Pipe Replacement Program (PRP) from a financial perspective and the annual process to be followed in the PRP.

Christopher Felan, Manager of Rates and Regulatory Affairs for Atmos Energy Corporation, is responsible for the calculation of Company's revenue deficiency and rate base. He also presents certain ratemaking adjustments to the Company's case.

Earnest B. Napier, Vice President Technical Services of the KY/Mid-States Division provides testimony regarding the Company's capital expenses and the engineering and operational aspects of the pipe replacement program.

Daniel Mezierre, Director of Accounting Services for Atmos Energy Corporation, is filing testimony regarding the historic books and records of the Company and the integrity of the financial information in this case. He also provides testimony concerning the Company's Cost Allocation Manual (CAM), which describes the methodology for shared services cost allocations.

Laurie M. Sherwood, Vice President, and Treasurer of Atmos, sponsors the Company's capital structure and cost of debt for use in setting rates in this proceeding.

Dr. James Vander Weide testifies regarding Atmos' cost of capital and recommends a rate of return that is appropriate to be used in setting rates for Atmos in this proceeding.

Paul Raab, of Paul H. Raab Economic Consulting, presents the Company's class cost of service study.

VI. CONCLUSION

Q. DO YOU HAVE ANY CLOSING REMARKS?

A. Yes. It is my opinion that the rates requested in this filing are just, reasonable, and in the public interest and I would encourage the Commission to provide prompt and adequate rate relief. The costs of providing service in Kentucky have increased, along with the costs of other goods and services since our last rate adjustment. At the same time, both the distribution revenue per customer and the number of customers have continued to decline. The Company's ability to continue to provide safe, reliable distribution service requires new rates that will produce revenue, including a reasonable return on the Company's investment, consistent with the requests contained in this application.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF RATE APPLICATION OF ATMOS ENERGY CORPORATION	)))	Case No. 2009-00354

CERTIFICATE AND AFFIDAVIT

The Affiant, Kevin Akers, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

John Kevin Akers

STATE OF TENNESSEE
COUNTY OF WILLIAMSON

SUBSCRIBED AND SWORN to before me by John Kevin Akers on this the 14th day of October, 2009.

PAMELA TODD
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires May 8, 2012

Pamela Todd
Notary Public

My Commission Expires: May 8, 2012

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No. 2009-00354**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF GARY L. SMITH

I. INTRODUCTION

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

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

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

A. In March 2008, I assumed my current position. In this role, I am responsible for planning and implementing strategies to assure that the Company's tariffs and services provide a reasonable opportunity to achieve profitability. Previously, I served briefly as Director of Customer Revenue Management in Dallas. Prior to that, through May 2007, I served as Vice President-Marketing and Regulatory Affairs for the Company's Kentucky/Mid-States operations, where I was responsible for rates and regulatory affairs, as well as for directing the marketing plans and strategies for natural gas utility markets in that division.

I am a 1983 graduate of the University of Kentucky, with a Bachelor of Science degree in Civil Engineering. I have worked for Atmos Energy Corporation or its predecessor, Western Kentucky Gas Company, since 1984,

serving in a variety of technical and supervisory positions. In 1998, I was named Vice President–Marketing for the Kentucky Division and added the responsibilities of Vice President-Regulatory Affairs in 2003. I have also served on numerous corporate-wide committees, and am a past-chair of Atmos Energy's Utility Marketing Council, a group responsible for corporate wide market development policies. I have been active in numerous civic and community organizations and associations relating to the natural gas industry.

Recently, I served as chairman of the Utilization Technology Development, NFP Corporation and previously served as chair of the Strategic Marketing Committee for the American Gas Association.

Q. HAVE YOUR EVER SUBMITTED TESTIMONY BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. Yes, I have served as witness in a number of Cases in recent years, including the Kentucky division's most recent comprehensive rate case (KPSC Case No. 2006-00464), in which I served as witness responsible for revenues and rate design. Other Kentucky cases included an application for approval of a third party gas supply agreement (KPSC Case No. 2006-00194), an extension of the Company's performance based ratemaking ("PBR") tariff (KPSC Case No. 2005-00321), an extension of the Company's WNA mechanism (KPSC Case No. 2005-00268), an extension of a demand-side management ("DSM") program (KPSC Case No. 2005-00515), annual hedging plans (KPSC Case Nos. 2006-00177, 2005-00175 and 2004-00142), and an extension of the margin loss recovery mechanism (KPSC Case No. 2003-00305).

In 1999, I served as the witness responsible for revenues and rate design in a comprehensive rate case (KPSC Case No. 1999-070). In 1997, I participated as a witness in a hearing on the matter of "Petitions of Western Kentucky Gas Company for Approval and Confidential Treatment of a Special Contract Submitted to the Kentucky Public Service Commission", KPSC Case Numbers 1996-096, 1996-113, 1996-185, 1996-278, 1996-295 and 1996-424.

Q. HAVE YOU TESTIFIED ON MATTERS BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes, before the Georgia Public Service Commission, the Tennessee Regulatory Authority, the Kansas Corporation Commission, the Missouri Public Service Commission, and the Railroad Commission of Texas.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS IN THIS CASE, AND, IF SO, WHICH REQUIREMENTS?

A. I am sponsoring the following filing requirements:

FR 10(1)(b)7	Proposed Tariff in compliance with 807 KAR 5:011
FR 10(1)(b)8a	Present and Proposed Tariffs in Comparative Form
FR 10(9)(c)	Factors Used in Preparing the Utility's Forecast Period (Revenues/ Volumes)
FR 10(9)(h)1	Operating Income Statement (Revenues)
FR 10(9)(h)8	Mix of Gas Supply
FR 10(9)(h)14	Customer Forecast
FR 10(9)(h)15	Mcf Sales Forecast
FR 10(9)(i)	Most Recent FERC or FCC Audit Reports
FR 10(10)(c)	Operating Income Summary for Both the Base Period and Forecasted Period (Revenue)
FR 10(10)(d)	Summary of Jurisdictional Adjustments
FR 10(10)(i)	Comparative Income Statements
FR 10(10)(k)	Comparative Financial Data for Ten (10) Most Recent Calendar Years, the Base Period and Forecasted Period (Sales Volumes)
FR 10(10)(l)	Narrative Description and Explanation of All Proposed Tariff Changes
FR 10(10)(m)	Revenue Summary for Both the Base Period and Forecasted Period
FR 10(10)(n)	Typical Bill Comparison Under Present and Proposed Rates for All Customer Classes

Q. DO YOU ADOPT THESE FILING REQUIREMENTS AND MAKE THEM PART OF YOUR TESTIMONY?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR PREPARED DIRECT TESTIMONY IN THIS PROCEEDING?

A. My testimony has four primary purposes: (1) to provide an overview of Atmos Energy's service area in Kentucky, its customer base, and market trends we have experienced since 2006; (2) to describe the methods used to forecast Atmos Energy's revenues and volumes as they relate to the base period and test period in this case; (3) to present the test period forecast of revenues and volumes; and, (4) to present the rates and various tariff changes we propose, including a Pipe Replacement Program and the recovery of bad debt gas costs through the Gas Cost Adjustment ("GCA") mechanism.

II. OVERVIEW OF SERVICE AREA AND CUSTOMER BASE

Q. WHAT ARE THE COMPANY'S PRIMARY OBJECTIVES IN ITS KENTUCKY OPERATIONS?

A. Our primary objective is to meet or exceed the expectations of our customers, shareholders, employees, regulators and other key stakeholders. The Company is very proud of its tradition as a low-cost, efficient provider of natural gas service. Our distribution charges, particularly for residential customers, are the lowest among the major utilities in Kentucky. And, our pass-through gas costs are also typically lowest or second lowest in the state. We strive to provide excellent customer service, provide safe and reliable delivery of natural gas service, be a good corporate citizen in the communities we serve, and for this state in which we have operated since 1934.

Q. PLEASE DESCRIBE THE MAKEUP OF ATMOS ENERGY'S CURRENT CUSTOMER BASE IN KENTUCKY.

A. Atmos Energy currently serves 172,300 customers throughout its service area extending from western to central Kentucky. Residential class customers account for the vast majority of meters, at approximately 152,900. Atmos Energy's natural gas deliveries totaled 40.6 Bcf per year during the 12-month period ending June 2009.

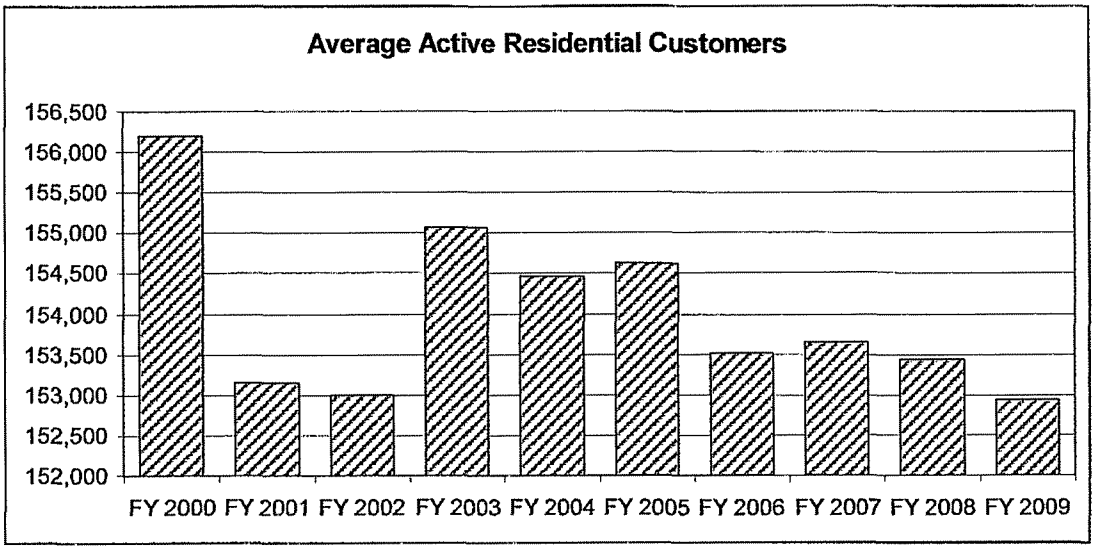
The Company is somewhat unique in its level of throughput to industrial class customers, with industrial sales and transportation volumes accounting for nearly 60% of Atmos Energy's annual throughput during that 12-month period. The region served by Atmos Energy is somewhat economically dependent on the well-being of these industries, as is Atmos Energy through its requirements for operating margin under current rate designs.

Although the industrial class accounts for the majority of total annual deliveries, it is important to note that it is the residential class that primarily drives Atmos Energy's growth capital investment, constituting the vast majority of the Company's annual funding requirements for the extension of pipelines.

Q. HAS THE COMPANY EXPERIENCED GROWTH IN RECENT YEARS?

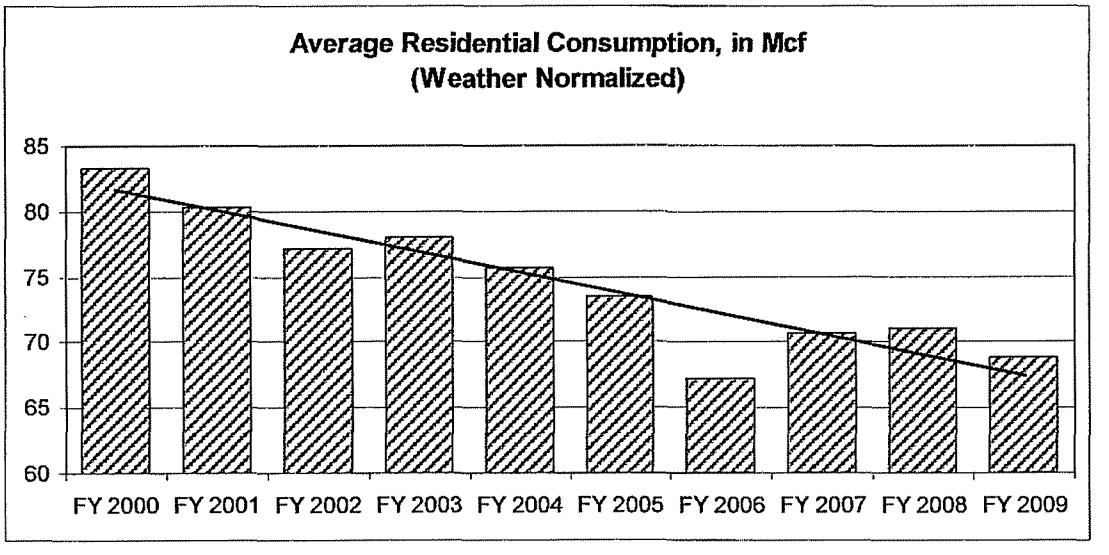
A. No. Core markets of residential, commercial and public authority sales have not exhibited growth in recent years. While Atmos Energy invests capital to extend service to more than 1000 newly constructed homes and businesses each year, we are actually losing existing customers at a rate greater than these additions. As indicated in the graph on Chart GLS-1 below, despite the addition of customers to our system each year referenced earlier in my response, the average number of active residential customers has dropped more than 3000 since fiscal year 2000. In the past four years, the rate of net loss has been nearly 400 residential customers per year. Losses in commercial customer counts are also evident in the past two years.

Chart GLS-1



Residential customers also continue to exhibit a decline in average, weather normalized usage, which the Company first noted in its 1999 comprehensive rate case filing. Chart GLS-2 below shows the average weather adjusted residential usage for the same period.

Chart GLS-2



In recent months, the Company has experienced a dramatic downturn in the industrial and transportation markets. The general economic downturn has been especially difficult for automotive-related industries and durable goods manufacturers and suppliers that comprise our base of large consumers. I will

summarize these markets later in testimony as I contrast our proposed billing determinants with those authorized in Case No. 2006-00464.

Basically, I believe the experiences of the past several years have demonstrated that our customers do have choices – ranging from conservation to suspension of service altogether. I will describe more fully the impact of these and other consequences later in this testimony, as it relates to revenue forecasts and rate design. However, I conclude that it is more important than ever that the Company's interests be aligned with those of our customers.

III. PROCESS OF FORECASTING OF REVENUES AND VOLUMES

Q. PLEASE DESCRIBE YOUR ROLE IN THE FORECASTING OF REVENUES AND VOLUMES FOR ATMOS ENERGY'S BUDGETS.

A. Prior to assuming my current role, I have had primary responsibility for forecasting the volumes and revenues in Atmos Energy's annual budget for its Kentucky operations. The process of developing these forecasts has become increasingly more refined over time.

Q. PLEASE DESCRIBE THE GOALS OF FORECASTING REVENUE AND VOLUMES.

A. The goal of revenue forecasting, fundamentally, is to provide an assessment of expected revenues for business planning purposes. The primary emphasis of the "revenue" budgeting process is the estimate of the Company's gross margin, which is that portion of revenues excluding purchased gas costs. Purchased gas costs, which are recovered through the Company's Gas Cost Adjustment mechanism, are calculated only as a final step in the process, to forecast gross revenues.

Revenue forecasting is an essential element of Atmos Energy's financial planning and affects our level of operating and maintenance expenses, capital investment, and cash flow requirements.

Q. WHAT TYPES OF FACTORS ARE CONSIDERED IN ATMOS ENERGY'S REVENUE AND GROWTH FORECASTING PROCESS?

A. The forecast process can be segregated into two steps. The first step is an analysis of revenue trends over recent years to determine a baseline reference. The second step is consideration of factors and issues expected to affect the budget period.

First, the analysis of historical revenue trends quantifies the net customer additions and Mcf requirements, by customer class. Using heating degree day ("HDD") data for the respective periods, the Mcf requirements are "weather-normalized" for each customer class. The HDD is a measure of the difference between average daily temperature and a 65 degree Fahrenheit base. Upon completing the analysis of historic data, customer growth and class usage trends may be identified.

Second, consideration is given to any factors that could either continue or alter historical trends. These factors include: gas supply price outlook and consideration of its impact on the market, changing local economic conditions that could influence customer growth, and major industrial additions or plant closings.

Considered individually, these factors may have either a positive or negative affect upon historical revenue streams.

Q. WHAT TIME PERIOD TYPICALLY FORMS THE BASIS FOR REVENUE AND VOLUME FORECASTS?

A. Forecasts are typically prepared for Atmos Energy's fiscal year, which runs from October 1 to the following September 30.

Q. WHAT IS THE BASE PERIOD FOR THIS CASE?

A. The base period is January 2009 through December 2009.

Q. WHAT IS THE FORECASTED TEST PERIOD FOR THIS CASE?

A. The forecasted test period for this case is April 1, 2010 to March 31, 2011. This period is largely determined by the date of our filing.

Q. DID THE COMPANY UTILIZE ITS TYPICAL REVENUE BUDGETING PROCESS TO DEVELOP THE BASE PERIOD AND FORECASTED TEST PERIOD REVENUES?

A. No. Although the simple two-step process of historical review and consideration of forward-looking factors is the same, the annual budget process is not developed at the level necessary for determining rate design billing determinants. For example, the typical annual revenue budget is based upon financial statistics reported to the customer class level; not to the rate classification / billing block level of detail. In order to build rate case quality billing data, Atmos Energy produced bill frequency reports to isolate correct determinants of bills rendered and volumes delivered by customer class as well as by rate classification for the 12-month period ending June 30, 2009. This 12-month period serves as a "reference period" upon which forward-looking adjustments may be applied, ultimately resulting in a forecast of billing determinants for the test year period of April 1, 2010 to March 31, 2011.

Q. HOW WAS THE DATA FOR THE REFERENCE PERIOD GATHERED?

A. The unadjusted data for the reference period reflects the actual billing units and margins for all services during the twelve months ending June 30, 2009. This data was gathered from billing system reports for that period. Exhibit GLS-1 attached hereto provides the actual monthly billing units and volumes by class of service for the reference period ending June 30, 2009.

Q. WHAT STEPS WERE TAKEN TO FORECAST THE FUTURE TEST YEAR FROM THE BASELINE REFERENCE PERIOD?

A. First, the Company assessed appropriate pro-forma adjustments to the reference period to: 1) reflect known and measurable service contract changes, load changes, new plant and plant closings, and 2) adjust firm residential, commercial and public authority volumes to correlate to normal HDD's.

Then, forward-looking adjustments were considered to account for: 1) net customer growth or losses, and 2) changes in firm residential, commercial and

public authority classes attributable to long-standing conservation and energy efficiency trends.

A summary of annualized adjustments for each of these steps is shown on Exhibit GLS-2 attached hereto.

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO THE REFERENCE PERIOD, INCLUDING KEY ASSUMPTIONS, FOR INDUSTRIAL SALES AND TRANSPORTATION SERVICES.

A. Historical volume requirements for each transportation customer were reviewed, with adjustments made to account for expected changes by service type for future periods. For example, usage for a new customer added midway through the reference period would not be representative of its forecast test period requirements. Adjustments were also made for plant closings, expansions or reductions, and contract changes altering a customer's service type or rate schedule. These adjustments ensured that known, measurable and anticipated changes in industrial sales and transportation were reflected in our test period forecast. Exhibit GLS-3 attached hereto summarizes the impact of industrial contract and volume changes, by service type.

Q. PLEASE DESCRIBE THE PROCESS EMPLOYED TO DETERMINE THE ADJUSTMENT FOR WEATHER VARIANCES DURING THE REFERENCE PERIOD.

A. Adjusting for variances from normal weather is a common practice. The methodology for determining composite degree days was based on a process instituted originally in Case No. 1999-070, with the composite calculated weighting weather data from Paducah, Lexington and Louisville, KY, Evansville, IN and Nashville, TN. The composite normal heating degree days were based upon the same weighting of the five weather stations, applying the National Oceanic and Atmospheric Administration ("NOAA") normal HDDs as reported for the 30-year period of 1971 to 2000. Exhibit GLS-4 attached hereto summarizes the monthly weather adjustment to the reference period resulting from the 2.8% warmer than normal period. Pages 2-4 of Exhibit GLS-4 provide

details of the calculations of the respective weather adjustment for the weather sensitive residential, commercial and public authority classes.

Q. HOW ARE WEATHER NORMALIZATION ADJUSTMENT ("WNA") REVENUES FACTORED INTO THE WEATHER ADJUSTMENT?

A. For this purpose, WNA revenues are ignored. The weather adjustment calculates the normalized volumes associated with normal weather, which will be priced out to demonstrate weather normalized revenues. Actual WNA revenues compensate for only a portion of those variances; those occurring during the WNA billing months of November 1 through April 30 each winter. The weather adjustment is intended to normalize the entire 12 month period.

Q. PLEASE DESCRIBE IN DETAIL THE HISTORICAL DATA CONSIDERED IN THE REVENUE AND VOLUME FORECASTING PROCESS.

A. To assess key historical trends necessary for the forecast, financial statistics for nearly ten years were analyzed, noting the numbers of active customers served during that time and the total volumetric requirements by customer class. Actual sales volumes each year were adjusted for variances from normal weather, based on the current HDD composite and normal basis.

Based on the historical data, trends were noted for the customer count, net annual growth and weather normalized adjusted volumes per customer for residential, commercial and public authority classes.

Q. PLEASE DISCUSS THE HISTORICAL TRENDS OBSERVED AND THE ASSUMPTIONS USED IN THE DEVELOPMENT OF THE FORECAST TEST PERIOD BUDGET STARTING WITH NET CUSTOMER GROWTH.

A. As stated earlier, core markets of residential, commercial and public authority sales have not exhibited growth in recent years. In the past four years, the rate of net loss has been nearly 400 residential customers per year. Based upon this recent trend, we have assumed an annual loss of 400 residential customers from the reference period to the test year. Despite modest recent losses in commercial

customer counts, we have assumed 0 net commercial and public authority customer changes from the reference period to the test year.

Q. WHAT IS THE ASSUMPTION FOR FUTURE DECLINING USE TRENDS AS IT RELATES TO THE TEST YEAR?

A. In Cases 1999-070 and 2006-00464, Atmos Energy noted the long-standing trend of declining customer usage. Chart GLS-2, shown earlier in testimony, demonstrates that the trend has continued. The trend-line for the past nine years shows an average decline of approximately 1.6 Mcf per year per residential customer. For purposes of forecasting future periods, we have assumed an annualized rate of decline of 1.5 Mcf per year per residential customer. Based on similar analyses of commercial and public authority usage trends, we have included annualized rates of decline of 3 Mcf and 6 Mcf per customer respectively for those classes of firm sales.

Q. WHAT WERE THE ASSUMPTIONS FOR SERVICE CHARGES AND THE LATE PAYMENT FEES?

A. We forecast the transaction-based service charges to remain flat, equal to the experience in the twelve month reference period ending June 2009.

Late payment fees were first adopted in Case 1999-070, beginning in mid-2000. Since that time, we have observed that late payment fee revenue is proportionate to the total revenues billed for residential, commercial and public authority classes. Based upon the correlation for the past few years, we estimate late payment fees at a ratio equal to 0.87% of the total projected residential, commercial and public authority class revenues.

Q. HOW WERE GAS COSTS PROJECTED FOR THE TEST YEAR?

A. Based upon the sales volumes projected, projected gas supply prices as stated in current NYMEX futures, and applying the Company's seasonal plans for storage injections and withdrawals, we modeled the forward periods to estimate the gas costs to be recovered through future GCAs. This method was first created in conjunction with Case 1999-070, and has been refined over time to simulate interstate pipeline demand and commodity costs, retention and other items

recoverable through the GCA. This model was also utilized in the determination of storage cost balances for forward periods.

IV. TEST PERIOD FORECASTS OF REVENUES AND VOLUMES

Q. WAS THE FORECASTING PROCESS PREVIOUSLY DESCRIBED THE BEST METHOD TO USE FOR THE DEVELOPMENT OF THE TEST YEAR VOLUME AND REVENUE FORECAST IN THIS CASE?

A. Yes. The method of developing the forecast ensures a solid bridge of logical and measurable adjustments, building upon the actual performance of a recent, reference period. Again, Exhibit GLS-2 attached hereto summarizes each step of the process and applies current rates to the derived billing determinants. Exhibit GLS-5 summarizes the billing determinants for each month of the test year.

Q. AFTER ADJUSTMENTS FROM THE REFERENCE PERIOD, WHAT IS THE PROJECTED FINANCIAL PERFORMANCE OF THE COMPANY IN THE FORECASTED TEST YEAR?

A. Atmos Energy's forecast of total gross profit for the forecasted period is $53.7 million. At this level of revenue, the Company would earn a 4.94% return on shareholder equity, well below investor expectations of 11.00% as set forth in the testimony of Dr. Vander Weide. An additional gross profit of nearly $9.5 million is required to achieve the rate of return proposed in this case.

Q. PLEASE COMPARE FORECASTED REVENUES TO THE REVENUES APPROVED IN CASE NO. 2006-00464.

A. The Company has seen a universal decline in gross margin by class of service. In Case No. 2006-00464, the approved gross margin was $55,569,508. Our test year forecast in this Case, at current rates, produces an annual gross margin of $53,704,975.

As shown in the table below, core market sales to residential, commercial and public authority classes is nearly $400,000 below the gross margin set in the previous Case. Gross margin for industrial sales and transportation is more than

$1,000,000 lower than reflected in Case 2006-00464. And, other revenues attributable to service charges and late payment fees are nearly $400,000 lower than established in Case 2006-00464.

	Case 2006-00464	Case 2009-00353	Change
Residential Sales	$29,247,887	$28,991,906	($255,981)
Commercial Sales	10,580,878	10,552,716	(28,162)
Public Authority Sales	1,879,247	1,764,360	(114,887)
Industrial Sales	1,052,714	727,516	(325,198)
Transportation	10,060,116	9,312,910	(747,206)
Other Revenue	2,748,666	2,355,566	(393,100)
Total	55,569,508	53,704,975	(1,864,533)

Q. PLEASE REVIEW THE CHANGES IN INDUSTRIAL SALES AND TRANSPORTATION MARKETS SINCE CASE 2006-00464.

A. As stated earlier in testimony, the Company has seen a dramatic decline in the industrial sales and transportation markets. The approved billing units in the prior case included 27.6 Bcf per year for industrial sales and transportation services; the forecast test year in this Case reveals a volume of only 23.3 Bcf.

V. PROPOSED RATES AND RATE STRUCTURES

Q. WHAT ARE THE PRIMARY RATE DESIGN OBJECTIVES OF ATMOS ENERGY IN THIS CASE?

A. As stated earlier in my testimony, Atmos Energy's primary objective is to meet or exceed expectations of our customers, shareholders, employees, regulators and other key stakeholders. More specifically, we wish to retain our heritage as a low-cost efficient natural gas service provider and provide excellent customer service, safe and reliable delivery of natural gas, and be a good corporate citizen in the Kentucky communities we serve. Our rate design should support these objectives.

To that end, Atmos Energy is proposing certain rate design features which remove avoidable uncertainties for customers, shareholders and regulators inherent to our traditional rate structures.

Atmos Energy's tariff and rate design proposals are as follows:

1) Introduce a Pipe Replacement Program mechanism to replace existing infrastructure that has served its useful life.
2) Rebalance the fixed and variable elements in our distribution rates to more accurately reflect the underlying cost characteristics of our service; mitigate the depletion in revenue caused by declining residential and commercial customer usage; and better align the interests of the Company and customers.
3) Remove the gas cost portion of bad debt write-offs from base rate expenses to recovery through the GCA. Gas costs have varied dramatically from year to year, due both to price and weather-driven customer volumes. Since bad debt write off expenses tend to track the level of gas costs, setting a static expense level for bad debt gas costs in this Case introduces unnecessary recovery risks for our customers and the Company.

Q. PLEASE EXPLAIN THE OBJECTIVE OF THE PROPOSED PIPE REPLACEMENT PROGRAM MECHANISM.

A. First of all, we propose this future mechanism because we believe it supports the company's historic legacy of operating a safe and reliable system in Kentucky while maintaining excellent customer service.

The Pipe Replacement Program ("PRP") mechanism would, in essence, provide a mechanism to replace all existing bare steel within the Company's system. The Company has already replaced all cast iron facilities. The PRP would also include replacement of service lines, curb valves, meter loops, and any mandated relocates. The Company plans to replace such assets over a fifteen (15) year period. The PRP anticipates a beginning date of April 1, 2011 and estimates a cost of approximately $124 million. Annual replacement cost may vary from year-to-year depending on size and location of the pipe replaced. Annual capital investment is expected to start at nearly $7 million.

Q. WHY DOES THE COMPANY BELIEVE THE PRP MECHANISM IS NECESSARY?

A. We believe the PRP mechanism will provide benefits to the customer by avoiding the costly and resource-intensive process necessary to review adjustments through the traditional rate case process replacing it instead with a simple, straightforward and financially transparent process.

Company witness Napier describes the technical benefits of the focused Pipe Replacement Program.

Q. DOES THE COMMISSION HAVE AUTHORITY TO APPROVE SUCH A MECHANISM?

A. Yes. Kentucky Revised Statutes Chapter 278.509 states that "...the Commission may allow recovery of costs for the investment in natural gas pipeline replacement programs which are not recovered in the existing rates of a regulated utility. No recovery shall be allowed unless the costs shall have been deemed by the Commission to be fair, just, and reasonable." The Commission first approved such a program for The Union Light, Heat and Power Company (now Duke Energy Kentucky, Inc.) in Case Number 2001-092 on January 31, 2002 for a three year term. The program was renewed in Case Number 2005-00042 on December 22, 2005. The Commission approval in Case Number 2005-00042 was upheld by the Kentucky Court of Appeals in *Kentucky Public Service Commission and Duke Energy Kentucky, Inc. v. Commonwealth of Kentucky, ex rel., Greg Stumbo* (Ky. App. Ct. 2007-CA-001635-MR) on November 7, 2008. Most recently, the Commission approved a similar program for Columbia Gas of Kentucky, Inc. in Case Number 2009-00141 on September 18, 2009.

Q. PLEASE EXPLAIN THE CALCULATION OF THE ANNUAL PRP ADJUSTMENT.

A. The computation is a calculation of the return on the net change in plant investment attributable to the program, converted to an annual revenue requirement amount using traditional ratemaking theory and financial data to be approved in this proceeding. The annual adjustment will be calculated by

determining the changes in return on rate base and recovery of expense associated with the PRP program. The first part of the annual adjustment calculation will determine the change in return on rate base associated with incremental PRP-related investments. The authorized rate of return, adjusted for income taxes as determined in this case, will be applied to the incremental PRP net rate base to calculate the allowed return on PRP related rate base. The second part of the annual adjustment calculation will determine the change in operating expenses associated with PRP related investments. The net change in return on rate base and recovery of expense associated with the PRP will be reflected in the PRP Rider. Any adjustments related to prior PRP filings would be added to or subtracted from the net change for the current year.

Q. WHAT ARE THE EFFECTS OF THE PRP ON ATMOS' OPERATING AND MAINTENANCE COSTS?

A. The Company expects that, over time, the PRP will result in a reduction in the Company's operating and maintenance expense for those facilities that are replaced. The annual revenue requirement mechanism proposes to immediately pass on to customers the net reduction in maintenance costs which result from the program.

Q. HOW DOES THE COMPANY PROPOSE TO TREAT DEPRECIATION EXPENSE UNDER THE PRP RIDER?

A. The annual revenue requirement mechanism will reflect the depreciation expense on the new PRP-eligible plant that the Company installs to replace the existing facilities, and reflect the reduction in depreciation expense attributable to the mains and services that are removed from service. Depreciation expense on the PRP related plant will be calculated at approved depreciation rates.

Q. PLEASE PROVIDE AN EXAMPLE OF THE PRP CALCULATION.

A. Below is an example calculation, based upon an incremental $6.75 million PRP investment:.

Atmos Energy Corporation SAMPLE RATE ADJUSTMENT FOR PRP				
LINE NUMBER	DESCRIPTION			AMOUNT
	(a)	(b)	(c)	(d)
1	Gas Plant			$6,750,000
2	Depreciation & Amortization Reserve			(162,950)
3	Net Gas Plant			6,587,050
4				
5	Accumulated Deferred Income Taxes			(174,550)
6	Total Rate Base			6,412,500
7				
8	Rate of Return [line 22]			9.00%
9	Required Operating Income [line 6 * line 8]			577,125
10	Operating Income At Present Rates [line 32]			33,222
11				
12	Deficiency [line 9 + line 10]			610,347
13	Tax Factor [line 40]			61.100%
14	Total Proposed Rate Adjustment			$998,931

The resulting rate adjustment in the above example would be $998,931.

Q. HOW WOULD THE RATE ADJUSTMENT BE ALLOCATED TO CUSTOMER CLASSES AND RATE COMPONENTS?

A. The rate adjustment would be spread proportionately to G-1 residential, G-1 non-residential, G-2, T-3 and T-4 services based upon their relative base revenue share as proposed in this Case. For G-1 services, the adjustment would be reflected completely in the monthly customer charge. For G-2, T-3 and T-4 services, the adjustment would be reflected in both the monthly customer charge and the volumetric distribution charge (again proportionate to the relative share of base revenues determined in this Case).

These calculations, applied to the preceding example, would result in the following rate adjustments:

	Monthly Customer Charge	Distribution Charge per Mcf
G-1, Residential	$0.34	
G-1, Non-residential	1.03	
G-2 Interruptible	5.07	$0.0110
T-3 Transporation	5.29	0.0156
T-4 Transportation	5.07	0.0147

Q. ARE THERE OTHER FINANCIAL BENEFITS OF THE PRP THAT ARE NOT QUANTIFIED IN THE RIDER?

A. Yes. Any reduction in Lost & Unaccounted for gas attributable to the facilities being replaced would automatically accrue to customers through the Company's GCA mechanism.

Q. PLEASE EXPLAIN WHY THE COMPANY IS NOT PROPOSING A CUSTOMER RATE STABILIZATION MECHANISM AS IT DID IN THE COMPANY'S PREVIOUS RATE CASE APPLICATION?

A. While the Company still believes that a rate stabilization mechanism represents the optimal process and the best mechanism for itself as well as its customers, the Company wanted to focus this case on the more pressing issue which is capital investment for aging infrastructure.

Q. PLEASE EXPLAIN WHY THE COMPANY IS PROPOSING THAT THE GAS COST COMPONENT OF UNCOLLECTIBLES SHOULD BE RECOVERED THROUGH THE GCA AS OPPOSED TO BASE RATES.

A. Historically, prior to our 1999 rate case, gas prices were relatively stable over time. Uncollectibles expenses, in the context of a rate case, based upon test period uncollectibles expense or an average of such expenses over several years were generally considered to be a representative level of expense that the Company would experience on a going-forward basis. However, with the gas supply price volatility experienced in the past decade, averaging or projecting the appropriate level of uncollectibles to be included in the Company's base rates is certain to produce a result that is either too high or too low. Neither scenario benefits the consumer or the Company. For deficiency calculation purposes, the Company has included $909,895 for recovery of uncollectible expense. The calculation of this amount is explained in the testimony of Company witness Greg Waller. If the Company's proposal to recover these costs through the GCA is not accepted and actual uncollectibles are higher than calculated in this proceeding, then the Company will not have the opportunity to recover the excess uncollectible amount without filing another general rate case and including the

higher amount in base rates. On the other hand, if uncollectibles are lower than calculated in this proceeding then customers will not have the opportunity to benefit from the lower amount and will pay more than the actual uncollectible amount because base rates are not set retroactively.

Q. DOES THE COMPANY HAVE THIS TYPE OF RECOVERY IN OTHER JURISDICTIONS?

A. Yes. The Company is currently allowed recovery of the gas cost portion of bad debt in Tennessee, Virginia, Kansas, West Texas and Mid-Tex jurisdictions. These authorizations for moving recovery of these costs from base rates to the GCA have all come in recent years, since gas cost volatility has become an increasing challenge. Atmos Energy also has similar proposals pending in its Mississippi and Colorado jurisdictions.

Q. WHY SHOULD THE UNCOLLECTIBLE PORTION OF GAS COSTS BE TREATED DIFFERENTLY THAN OTHER EXPENSES TRADITIONALLY INCLUDED IN THE COMPANY'S COST OF SERVICE?

A. There is a clear distinction between the uncollectible portion of gas costs and other expenses included in a company's cost of service. The total bad debt expense is directly related to the total billings for residential, commercial and public authority accounts, which is largely driven by gas costs. Gas costs have exhibited much greater volatility in recent years due to national market issues beyond our local control. Providing for recovery of these gas costs through the GCA seems logical and eliminates the risk for customers and the Company that the level of expense set in base rates is too high or too low in future periods.

Q. WOULD ALLOWING RECOVERY OF THESE COSTS THROUGH THE GCA CREATE A DISINCENTIVE FOR COMPANY TO AGGRESSIVELY PURSUE THE RECOVERY OF BAD DEBTS?

A. Absolutely not. Allowing recovery of the gas cost portion of bad debt does not create an incentive for the utility to deemphasize the collection of bad debts for two reasons. First, the Company would continue to have $218,323 included in its

base rates related to margin portion of uncollectible accounts. If collection efforts became lax and more write-offs were to occur, the Company would be exposed to incremental margin losses above those included in our base rates. Second, pursuant to the Company's proposal, when less than 100% of a written-off account is subsequently collected, priority is given to the gas cost portion and therefore the Company will still experience the loss of margin. Therefore, the Company would retain every incentive to remain vigilant and maintain tight collection practices.

Q. HOW DOES GIVING PRIORITY TO THE GAS COST PORTION OF BAD DEBT IMPACT THE COMPANY AND THE CUSTOMER?

A. I will explain it with a brief example. Assume for purposes of the example that the Company has written off an account totaling $1,000. Of this amount, $200 is margin and $800 is gas cost. Subsequent to the account being written off, the customer agrees to pay $800 to have service restored. The Company would then put the customer on a payment plan for the remaining $200. Pursuant to the Company's proposal, when the customer pays the $800, priority would be given to the gas cost that had been written off, and thus this amount would be credited back to the PGA in its entirety for the PGA customer's benefit. The Company would still be at risk for the $200 of associated margin.

Q. PLEASE SUMMARIZE YOUR TESTIMONY ON THE ISSUE OF RECOVERY OF THE GAS COST COMPONENT OF BAD DEBT THROUGH THE PGA.

A. The historical practice of addressing the gas cost component of uncollectibles in base rates no longer makes sense in this era of volatile gas costs. There is no reasonable mechanism to predict on a going forward basis what these uncollectibles will be based on past experience. We believe the Company's GCA is intended to provide recovery of 100% of the costs it prudently incurs in procuring gas for its customers, no more, no less. Therefore, the Company believes that it should be authorized to recover the gas cost component of uncollectibles through its GCA mechanism.

Q. HAS THE COMMISSION APPROVED A SIMILAR PROPOSAL?

A. Yes. The Commission approved a similar proposal by Columbia Gas of Kentucky, Inc. in Case Number 2009-00141 on September 18, 2009.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS SPECIAL CHARGES?

A. No. The Company updated its special charges in its 2006 rate case. The Company believes that since only a few years have past, existing charges are sufficiently recovering the respective service costs.

Q. HOW DID YOU DETERMINE THE MANNER IN WHICH THE REVENUE DEFICIENCY WOULD BE SPREAD TO CLASSES AND TO FIXED AND VARIABLE BILLING COMPONENTS?

A. Company witness Raab provided a Class Cost of Service study required pursuant to the Minimum Filing Requirements in this Case. In his study, he determines that all classes contribute adequate amounts to the Company's cost of service with the lone exception being residential sales. While Mr. Raab's analysis is utilized as one point of reference, the Company believes that each class (commercial, public authority, industrial sales and transportation) can bear some portion of the requested increase.

With respect to the balance of the increase to be borne between the fixed or variable components, I believe that the majority of the increase should be reflected in the fixed customer charge component of rates.

Q. WHY IS IT APPROPROPRIATE TO PLACE THE MAJORITY OF THE INCREASE IN THE FIXED MONTHLY CUSTOMER CHARGE?

A. The predominance of system costs are fixed and therefore are not tied to changes in overall volumetric deliveries. In fact, Mr. Raab's analysis confirms this statement.

Nevertheless, the Company is seeking to reflect new rates that retain volumetric (per Mcf) rates that are similar, or even slightly higher, than current and traditional rate structures. The Company proposes to recover most of the requested increase in the fixed monthly customer charges, while only modestly

increasing volumetric distribution charges. In this structure, the Company's financial exposure to further conservation and energy efficiency improvement is not lessened, but also is not materially increased.

Q. WHAT IS THE RESULTING EFFECT OF ATMOS ENERGY'S PROPOSED RATES COMPARED TO CURRENT RATES FOR THE AVERAGE RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS RESPECTIVELY?

A. Using the test year volumes and gas costs as the basis for comparison, the annual impact of Atmos Energy's proposed rates is as follows. The average monthly charges for a residential customer under G-1 service increases $4.20, a 6.6% increase over current rates. Commercial class customers average monthly charges increase $5.25, a 2.1% increase over current rates, and the industrial sales and transportation class average monthly charges increase $105, a 3.2% increase over current rates. The test year revenues at proposed rates are summarized on Exhibit GLS-6 attached hereto (in a format comparable to Exhibit GLS-2) and Exhibit GLS-7 provides the proposed monthly revenues (in a format comparable to Exhibit GLS-5).

Q. ARE THERE ANY CHANGES IN THE PROPOSED TARIFF IN ADDITION TO THOSE RELATED TO THE SUBJECTS NOTED ABOVE?

A. Yes. First, I want to address proposals by the Company to discontinue certain service options which are not widely utilized, are uneconomic, and create unnecessary administrative challenges. We proposed to discontinue the Storage Transportation ("T-1") service, which, at this time has no subscriber. In fact, the Company is unaware of any T-1 subscribers in recent history. Similarly, we propose to eliminate the General Transportation ("T-2") service option which does not have any customer subscribers at this time. The Company will continue to offer transportation service through the existing options of T-3 and T-4.

Second, the Company proposes to adopt its WNA tariff as a permanent feature. The WNA has existed for nearly ten years and has performed well over

the period. KPSC Case No. 2005-00268 approved the WNA tariff under an extension through October 2010.

Q. PLEASE EXPLAIN THE COMPANY'S PROPOSAL TO PROSPECTIVELY ASSUME OWNERSHIP OF THE "YARD LINE" FROM THE CUSTOMERS PROPERTY LINE TO THE METER.

A. The Company is seeking a Deviation from 807 KAR 5:022, Section 9(17)(a), parts 1 and 2, which states that the Customer is responsible for installation and maintenance of the connection from the property line to the place of consumption.

Such a Deviation has previously been granted to Columbia Gas and Delta Natural Gas.

Q. WHY IS THE COMPANY SEEKING THIS DEVIATION AT THIS TIME?

A. We believe it is appropriate to implement this change in conjunction with the proposed Pipe Replacement Program. We expect that we will encounter instances where it will be necessary to replace all piping upstream of the meter at the time we are replacing a distribution main under the PRP. The Company's assumption of full responsibility for the installation and maintenance of the yard line will streamline these efforts.

Q. WILL THE COMPANY ASSUME OWNERSHIP OF EXISTING YARD LINES?

A. No. The Company proposes to operate and maintain existing yard lines but will not own those facilities until such time as repair or replacement is necessary.

Q. PLEASE CONTINUE TO DESCRIBE OTHER TARIFF CHANGES PROPOSED IN THIS CASE.

A. There are a number of tariff language changes that are proposed for purposes of improved clarity and consistency. All of these changes, as well as changes resulting from the rate and service changes described previously, can be readily distinguished on the side-by-side tariff comparisons in FR 10(1)(b)8a. A few examples of the tariff changes include:

- standardization of cashout language in each of the tariffs subject to these provisions.

- addition of a volumetric qualifying limit for Interruptible Sales Service (G-2). All existing interruptible customers would be grandfathered to enable the customers to make a thoughtful choice on whether or not to change tariff services.
- incorporate a definition of Maximum Daily Quantity (MDQ) for transportation customers in the tariff. Currently, a customer's MDQ is agreed upon and practiced, but not specifically addressed in the tariff.

VI. CONCLUSION

Q. DO YOU BELIEVE THAT THE FORECASTS YOU HAVE PREPARED FOR THE TEST PERIOD REVENUE BUDGET AND PRESENTED IN THIS CASE REPRESENT THE MOST REASONABLE BASIS OF REVENUES AND VOLUMES FOR THE SETTING OF RATES IN THIS PROCEEDING?

A. Yes. These are the very best estimates we have of Atmos Energy's future revenues and volumes and I believe these are the projections to be relied upon in the setting of rates.

Q. ARE THE RATES AND RATES STRUCTURES PROPOSED BY ATMOS ENERGY THOSE RATES WHICH WILL, IN TOTAL, BEST SERVE THE NEEDS OF ATMOS ENERGY'S RATEPAYERS AND SHAREHOLDERS IN CONTINUING THE HIGH QUALITY AND EFFICIENT SERVICE ATMOS ENERGY'S CUSTOMERS NOW ENJOY?

A. Yes. Our proposal is the best overall rate design to sustain Atmos Energy financially in the years ahead and are the rates consistent with the highest quality and most efficient service we can provide.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT GLS-1

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY DATA
TWELVE MONTHS ENDED JUNE 30, 2009

Line No.	Class of Customers	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	RESIDENTIAL (Rate G-1)																
2	FIRM BILLS	150,731	149,781	149,544	149,958	152,239	154,574	154,263	156,202	158,255	155,452	152,431	151,809	1,835,239		$9.35	$17,159,485
3	Sales: 1-300	181,981	167,534	157,870	241,354	706,326	1,730,680	2,151,031	1,913,753	1,521,570	830,885	411,744	179,570		10,194,297	1.1900	12,131,214
4	Sales: 301-15000	7,790	2,268	2,148	5,775	2,891	7,357	5,871	12,120	9,287	2,419	2,645	3,658		64,228	0.7530	48,364
5	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
6	CLASS TOTAL (Mcf/month)	189,771	169,801	160,019	247,128	709,217	1,738,037	2,156,902	1,925,872	1,530,857	833,305	414,389	183,228	1,835,239	10,258,525		$29,339,062
7																	
8	FIRM COMMERCIAL (Rate G-1)																
9	FIRM BILLS	17,127	16,907	17,018	17,006	17,541	17,687	17,722	17,785	17,897	17,713	17,286	17,015	208,704		25.00	$5,217,600
10	Sales: 1-300	129,769	116,413	123,884	159,030	276,998	634,344	784,271	729,291	578,290	317,399	195,416	128,502		4,173,607	1.1900	4,966,593
11	Sales: 301-15000	11,614	18,979	23,287	37,321	24,193	82,011	120,182	92,678	62,468	23,168	14,717	10,779		521,398	0.7530	392,612
12	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
13	CLASS TOTAL (Mcf/month)	141,384	135,391	147,171	196,351	301,191	716,355	904,453	821,970	640,758	340,567	210,132	139,281	208,704	4,695,005		$10,576,805
14																	
15	FIRM INDUSTRIAL (Rate G-1)																
16	FIRM BILLS	212	214	212	212	216	217	217	218	214	211	205	197	2,545		$25.00	$63,625
17	Sales: 1-300	9,976	11,488	10,469	17,898	23,106	44,006	35,355	46,519	35,444	27,883	11,708	8,766		282,618	1.1900	336,316
18	Sales: 301-15000	9,246	16,345	11,046	26,485	33,594	78,117	68,141	64,539	40,179	23,647	15,213	10,565		397,116	0.7530	299,029
19	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
20	CLASS TOTAL (Mcf/month)	19,222	27,833	21,515	44,383	56,700	122,123	103,495	111,058	75,623	51,530	26,920	19,331	2,545	679,735		$698,969
21																	
22	FIRM PUBLIC AUTHORITY (Rate G-1)																
23	FIRM BILLS	1,564	1,543	1,563	1,563	1,570	1,570	1,565	1,578	1,578	1,571	1,567	1,572	18,804		$25.00	$470,100
24	Sales: 1-300	23,637	22,705	24,028	37,744	75,160	141,872	160,020	153,152	129,593	81,553	49,465	27,523		926,451	1.1900	1,102,477
25	Sales: 301-15000	4,156	3,223	3,477	7,674	14,781	51,773	66,816	54,366	34,691	12,603	8,523	3,462		265,546	0.7530	199,956
26	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
27	CLASS TOTAL (Mcf/month)	27,793	25,928	27,505	45,418	89,941	193,645	226,837	207,518	164,284	94,156	57,988	30,985	18,804	1,191,998		$1,772,534
28																	
25	INTERRUPTIBLE COMMERCIAL (G-2)																
26	INT BILLS	3	3	4	3	3	3	4	4	4	4	3	3	41		250.00	$10,250
27	Sales: 1-15000	625	2,414	5,798	891	1,393	2,349	2,360	1,784	1,667	685	117	95		20,178	0.6000	12,107
28	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.3800	0
29	CLASS TOTAL (Mcf/month)	625	2,414	5,798	891	1,393	2,349	2,360	1,784	1,667	685	117	95	41	20,178		$22,357
30																	
31	INTERRUPTIBLE INDUSTRIAL (G-2)																
32	INT BILLS	9	9	9	9	9	9	9	8	9	8	8	8	104		250.00	$26,000
33	Sales: 1-15000	14,648	8,154	6,187	14,335	11,529	19,369	17,489	14,140	18,885	21,235	16,986	1,858		164,814	0.6000	98,889
34	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.3800	0
35	CLASS TOTAL (Mcf/month)	14,648	8,154	6,187	14,335	11,529	19,369	17,489	14,140	18,885	21,235	16,986	1,858	104	164,814		$124,889
36																	
37	TRANSPORTATION (T-2/G-1)																
38	TRANSPORTATION BILLS	3	3	3	3	3	3	3	3	3	3	3	2	35		$25.00	$875
39	Trans Admin Fee	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$100				1,750
40	EFM Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
41	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
42	Firm Transport: 1-300	907	906	905	906	922	1,140	600	900	900	900	900	600		10,486	1.1900	12,478
43	Firm Transport: 301-15000	1,619	1,088	640	799	2,318	2,489	3,004	4,411	3,707	2,219	1,442	765		24,501	0.7530	18,449
44	Firm Transport: Over 1500	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
45	CLASS TOTAL (Mcf/month)	2,526	1,994	1,545	1,705	3,240	3,629	3,604	5,311	4,607	3,119	2,342	1,365	35	34,987		$33,553
46																	

EXHIBIT GLS-1

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY DATA
TWELVE MONTHS ENDED JUNE 30, 2009

Line No.	Class of Customers	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
47	TRANSPORTATION (T-2/G-2)																
48	TRANSPORTATION BILLS	8	8	8	8	8	8	8	7	7	5	4	3	82		250.00	$20,500
49	Trans Admin Fee	$400	$400	$400	$400	$400	$400	$400	$350	$350	$250	$200	$150				4,100
50	EFM Fee	$150	$150	$150	$150	$150	$150	$150	$150	$0	$0	$0	$0				1,200
51	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
52	Interrupt Transport: 1-15000	41,733	29,047	23,198	37,962	34,585	36,791	37,965	40,395	39,686	35,445	18,317	17,437		392,561	0.6000	235,537
53	Interrupt Transport: Over 15000	5,666	16,098	11,560	9,121	12,315	18,432	16,814	20,402	15,746	14,785	0	0		140,939	0.3800	53,557
54	CLASS TOTAL (Mcf/month)	47,399	45,145	34,758	47,083	46,900	55,223	54,779	60,797	55,432	50,230	18,317	17,437	82	533,500		$314,893
55																	
56	TRANSPORTATION (T-4)																
57	TRANSPORTATION BILLS	110	110	110	109	109	112	112	110	110	108	109	113	1,322		250.00	$330,500
58	Trans Admin Fee	$5,400	$5,450	$5,450	$5,400	$5,500	$5,550	$5,550	$5,450	$5,450	$5,350	$5,400	$5,600				65,550
59	EFM Fee	$5,850	$5,850	$5,850	$5,775	$5,925	$6,000	$6,000	$5,925	$5,925	$5,775	$5,700	$5,625				70,200
60	Parking Fee	$525	$301	$678	$532	$154	$536	$416	$379	$397	$315	$379	$145				5,257
61	Firm Transport: 1-300	31,703	31,199	31,409	31,097	33,144	33,934	34,359	38,400	33,802	33,076	33,386	31,256		396,765	1.1900	472,150
62	Firm Transport: 301-15000	302,587	283,765	291,510	295,134	352,908	403,891	440,908	474,665	386,201	378,970	307,566	259,310		4,177,415	0.7530	3,145,593
63	Firm Transport: Over 1500	19,214	15,345	19,875	23,976	32,699	40,563	35,603	49,367	31,932	33,825	25,311	17,978		345,688	0.4708	162,750
64	CLASS TOTAL (Mcf/month)	353,504	330,309	342,794	350,207	418,751	478,388	510,870	562,432	451,935	445,871	366,263	308,544	1,322	4,919,868		$4,252,001
65																	
66	TRANSPORTATION (T-3)																
67	TRANSPORTATION BILLS	60	61	60	60	60	60	57	57	56	56	60	61	708		250.00	$177,000
68	Trans Admin Fee	$3,000	$3,050	$3,000	$3,000	$3,000	$3,000	$2,850	$2,850	$2,800	$2,800	$3,000	$3,050				35,400
69	EFM Fee	$2,925	$2,850	$2,850	$2,850	$3,000	$2,925	$2,850	$2,700	$2,700	$2,775	$2,850	$2,850				34,125
70	Parking Fee	$567	$350	$635	$533	$447	$145	$14	$117	$219	$157	$177	$158				3,518
71	Interrupt Transport: 1-15000	346,208	320,874	319,167	348,909	364,260	372,506	357,816	353,298	326,123	328,379	341,701	340,541		4,119,782	0.6000	2,471,869
72	Interrupt Transport: Over 15000	121,322	134,628	147,586	138,956	170,932	164,526	163,561	178,023	144,954	146,317	136,555	136,814		1,784,174	0.3800	677,986
73	CLASS TOTAL (Mcf/month)	467,530	455,502	466,753	487,865	535,192	537,032	521,377	531,321	471,077	474,696	478,256	477,355	708	5,903,956		$3,399,899
74																	
75	SPECIAL CONTRACTS																
76	TRANSPORTATION BILLS	18	18	18	18	18	18	18	18	18	18	18	18	216		250.00	$54,000
77	Trans Admin Fee	$900	$900	$900	$900	$900	$900	$900	$900	$900	$900	$900	$900				10,800
78	EFM Fee	$780	$750	$750	$705	$825	$750	$825	$825	$855	$825	$825	$825				9,540
79	Parking Fee	$3,012	$2,247	$1,401	$618	$1,393	$782	$1,165	$1,957	$1,298	$2,902	$1,411	$772				16,959
80	Transported Volumes	1,019,118	1,054,320	1,037,896	1,092,357	1,083,078	937,976	1,112,089	1,194,304	991,894	980,268	840,648	901,388		12,245,336	Various	
81	Charges for Transport Volumes	$124,918	$115,796	$119,262	$123,626	$117,107	$105,599	$119,702	$132,658	$111,286	$109,345	$94,250	$100,413				1,373,962
82	CLASS TOTAL (Mcf/month)	1,019,118	1,054,320	1,037,896	1,092,357	1,083,078	937,976	1,112,089	1,194,304	991,894	980,268	840,648	901,388	216	12,245,336		$1,467,261

EXHIBIT GLS-2

ATMOS ENERGY CORPORATION - KENTUCKY
SUMMARY OF REVENUE AT PRESENT RATES
TEST YEAR ENDING MARCH 31, 2011

Line No.	Description	Block (Mcf)	Reference Period - Twelve Months Ending 6/30/2009 Number of Bills, Units (a)	Volumes As Metered (b)	Contract Adj. Bills and Volumes (c)	Weather Adj. Volumes (NOAA 61-90) (d)	Total Volumes (e)	Forward-looking Adjustments To Test Year: Customer Growth Forecast (f)	Conservation & Efficiency Adjustments (g)	Total Test Year Volumes (i)	Present Margin (j)	Present Revenue (k)
1	Sales											
2	Firm Sales (G-1, LVS-1)	Customer Chrg	1,835,239					(8,400)			$9.35	$17,080,945
3		Customer Chrg	230,053		(97)			0			25.00	5,748,900
4		0 - 300		15,576,974	33,759	312,244	15,922,977	(47,760)	(506,406)	15,368,811	1.1900	18,288,886
5		301 - 15,000		1,248,288	(256,553)	14,692	1,006,428	0	(28,039)	977,389	0.7530	735,974
6		Over 15,000		0	0	0	0	0	0	0	0.4708	0
7	Interruptible Sales (G-2, LVS-2)	Customer Chrg	145		18			0			250.00	40,750
8		0 - 15,000		184,993	50,082		235,075	0		235,075	0.6000	141,045
9		Over 15,000		0	0		0	0		0	0.3800	0
10												
11	Transportation											
12	Customer Charges (T2/G1)	Customer Chrg	35		(35)			0			25.00	0
13	Customer Charges (T2/G2,T4,T3)	Customer Chrg	2,328		28			0			250.00	589,000
14	Transp. Adm. Fee	Customer Chrg	2,352		(7)			0			50.00	117,250
15	Parked Volumes [1]			277,344	0						0.10	27,734
16	EFM Charges										Various	122,040
17	Firm Transport (G-1)	0 - 300		10,486	(10,486)		0	0		0	1.1900	0
18		301 - 15,000		24,501	(24,501)		(0)	0		(0)	0.7530	0
19		Over 15,000		0	0		0	0		0	0.4708	0
20	Interruptible Transport (G-2)	0 - 15,000		392,561	(392,561)		0	0		0	0.6000	0
21		Over 15,000		140,939	(140,939)		0	0		0	0.3800	0
22	Firm Carriage (T-4)	0 - 300		396,765	25,388		422,153	0		422,153	1.1900	502,362
23		301 - 15,000		4,177,415	37,484		4,214,899	0		4,214,899	0.7530	3,173,819
24		Over 15,000		345,688	(15,098)		330,590	0		330,590	0.4708	155,642
25	Interruptible Carriage (T-3)	0 - 15,000		4,119,782	268,260		4,388,042	0		4,388,042	0.6000	2,632,825
26		Over 15,000		1,784,174	81,443		1,865,617	0		1,865,617	0.3800	708,934
27	Total Special Contracts [2]			12,245,336	(900,862)		11,344,454	0		11,344,454	Various	1,283,304
28	Total Tariff		2,067,800	40,647,902	(1,244,604)	326,936	39,730,234	(56,160)	(535,445)	39,147,029		51,349,410
29												783,688
30	Other Revenues											1,571,877
31	Late Payment Fees											53,704,975
32	Total Gross Profit											146,024,522
33												
34	Gas Costs											
35												$ 199,729,498
36	Total Revenue											

37

38 [1] Parked Volumes not included in Total Deliveries.

39 [2] Based on confidential information. Number of Bills included in T2/G2, T3 & T4.

EXHIBIT GLS-3

ATMOS ENERGY CORPORATION - KENTUCKY
VOLUME AND CONTRACT ADJUSTMENTS
TWELVE MONTHS ENDED JUNE 30, 2009

Line No.	Class of Customers	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	RESIDENTIAL (Rate G-1)																
2	FIRM BILLS													0		$9.35	$0
3	Sales: 1-300	7,790	2,268	2,148	5,775	2,891	7,357	5,871	12,120	9,287	2,419	2,645	3,658		64,228	1.1900	76,431
4	Sales: 301-15000	(7,790)	(2,268)	(2,148)	(5,775)	(2,891)	(7,357)	(5,871)	(12,120)	(9,287)	(2,419)	(2,645)	(3,658)		(64,228)	0.7530	(48,364)
5	Sales: Over 15000						0								0	0.4708	0
6	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$28,068
7																	
8	FIRM COMMERCIAL (Rate G-1)																
9	FIRM BILLS	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)		25.00	($300)
10	Sales: 1-300	(300)	(300)	(166)	(300)	(300)	(300)	(600)	(300)	(300)	(300)	(300)	(300)		(3,766)	1.1900	(4,482)
11	Sales: 301-15000	(1,329)	(1,213)	(1,249)	(1,963)	(2,959)	(3,675)	(6,237)	(7,355)	(3,666)	(3,658)	(3,053)	(2,120)		(38,477)	0.7530	(28,973)
12	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
13	CLASS TOTAL (Mcf/month)	(1,629)	(1,513)	(1,415)	(2,263)	(3,259)	(3,975)	(6,837)	(7,655)	(3,966)	(3,958)	(3,353)	(2,420)	(12)	(42,243)		($33,755)
14																	
15	FIRM INDUSTRIAL (Rate G-1)																
16	FIRM BILLS	(6)	(6)	(6)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(4)	(3)	(63)		25.00	($1,575)
17	Sales: 1-300	(1,964)	(1,731)	(2,032)	(1,710)	(1,778)	(1,561)	(1,802)	(1,803)	(1,804)	(1,805)	(1,206)	(907)		(20,103)	1.1900	(23,923)
18	Sales: 301-15000	(6,807)	(9,129)	(8,263)	(6,298)	(11,061)	(12,878)	(19,195)	(17,806)	(15,472)	(15,676)	(9,701)	(7,678)		(139,965)	0.7530	(105,393)
19	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
20	CLASS TOTAL (Mcf/month)	(8,771)	(10,860)	(10,295)	(8,008)	(12,839)	(14,439)	(20,997)	(19,609)	(17,276)	(17,481)	(10,907)	(8,585)	(63)	(160,068)		($130,891)
21																	
22																	
23	FIRM PUBLIC AUTHORITY (Rate G-1)																
24	FIRM BILLS	(3)	(3)	(3)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(22)		25.00	($550)
25	Sales: 1-300	(900)	(900)	(900)	(900)	(600)	(600)	(300)	(300)	(300)	(300)	(300)	(300)		(6,600)	1.1900	(7,854)
26	Sales: 301-15000	(1,963)	(1,180)	(1,352)	(1,549)	(1,290)	(2,124)	(945)	(1,056)	(931)	(651)	(559)	(283)		(13,883)	0.7530	(10,454)
27	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
28	CLASS TOTAL (Mcf/month)	(2,863)	(2,080)	(2,252)	(2,449)	(1,890)	(2,724)	(1,245)	(1,356)	(1,231)	(951)	(859)	(583)	(22)	(20,483)		($18,858)
25																	
26	INTERRUPTIBLE COMMERCIAL (G-2)																
27	INT BILLS	0	0	0	0	0	0	0	0	0	0	0	0	0		250.00	$0
28	Sales: 1-15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.6000	0
29	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.3800	0
30	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
31																	
32	INTERRUPTIBLE INDUSTRIAL (G-2)																
33	INT BILLS	2	2	2	2	2	2	2	2	2	0	0	0	18		250.00	$4,500
34	Sales: 1-15000	13,632	5,626	1,358	13,614	1,031	3,649	58	5,444	5,670	0	0	0		50,082	0.6000	30,049
35	Sales: Over 15000	0	0	0	0	0	0	0	0	0	0	0	0		0	0.3800	0
36	CLASS TOTAL (Mcf/month)	13,632	5,626	1,358	13,614	1,031	3,649	58	5,444	5,670	0	0	0	18	50,082		$34,549

EXHIBIT GLS-3

ATMOS ENERGY CORPORATION - KENTUCKY
VOLUME AND CONTRACT ADJUSTMENTS
TWELVE MONTHS ENDED JUNE 30, 2009

Line No.	Class of Customers	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
37																	
38	TRANSPORTATION (T-2/G-1)																
39	TRANSPORTATION BILLS	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(2)	(35)		25.00	($875)
40	Trans Admin Fee	($150)	($150)	($150)	($150)	($150)	($150)	($150)	($150)	($150)	($150)	($150)	($100)				(1,750)
41	EFM Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
42	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
43	Firm Transport: 1-300	(907)	(906)	(905)	(906)	(922)	(1,140)	(600)	(900)	(900)	(900)	(900)	(600)		(10,486)	1.1900	(12,478)
44	Firm Transport: 301-15000	(1,619)	(1,088)	(640)	(799)	(2,318)	(2,489)	(3,004)	(4,411)	(3,707)	(2,219)	(1,442)	(765)		(24,501)	0.7530	(18,449)
45	Firm Transport: Over 1500	0	0	0	0	0	0	0	0	0	0	0	0		0	0.4708	0
46	CLASS TOTAL (Mcf/month)	(2,526)	(1,994)	(1,545)	(1,705)	(3,240)	(3,629)	(3,604)	(5,311)	(4,607)	(3,119)	(2,342)	(1,365)	(35)	(34,987)		($33,553)
47																	
48	TRANSPORTATION (T-2/G-2)																
49	TRANSPORTATION BILLS	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(7)	(7)	(5)	(4)	(3)	(82)		250.00	($20,500)
50	Trans Admin Fee	($400)	($400)	($400)	($400)	($400)	($400)	($400)	($350)	($350)	($250)	($200)	($150)				(4,100)
38	EFM Fee	($150)	($150)	($150)	($150)	($150)	($150)	($150)	($150)	$0	$0	$0	$0				(1,200)
39	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
40	Interrupt Transport: 1-15000	(41,733)	(29,047)	(23,198)	(37,962)	(34,585)	(36,791)	(37,965)	(40,395)	(39,686)	(35,445)	(18,317)	(17,437)		(392,561)	0.6000	(235,537)
41	Interrupt Transport: Over 15000	(5,666)	(16,098)	(11,560)	(9,121)	(12,315)	(18,432)	(16,814)	(20,402)	(15,746)	(14,785)	0	0		(140,939)	0.3800	(53,557)
42	CLASS TOTAL (Mcf/month)	(47,399)	(45,145)	(34,758)	(47,083)	(46,900)	(55,223)	(54,779)	(60,797)	(55,432)	(50,230)	(18,317)	(17,437)	(82)	(533,500)		($314,893)
43																	
44	TRANSPORTATION (T-4)																
45	TRANSPORTATION BILLS	8	8	9	8	7	7	6	7	7	8	7	6	88		250.00	$22,000
46	Trans Admin Fee	$400	$400	$450	$400	$350	$350	$300	$350	$350	$400	$350	$300				4,400
47	EFM Fee	$675	$675	$750	$675	$600	$600	$525	$600	$600	$675	$600	$450				7,425
48	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
49	Firm Transport: 1-300	2,571	2,337	2,500	2,316	1,873	1,801	1,502	1,803	1,902	2,405	2,163	2,215		25,388	1.1900	30,212
50	Firm Transport: 301-15000	(16,021)	(10,951)	(14,433)	(14,589)	(7,814)	302	17,041	17,021	17,626	20,320	16,314	12,667		37,484	0.7530	28,225
51	Firm Transport: Over 1500	(2,170)	0	(167)	(526)	(2,728)	(7,000)	0	(2,507)	0	0	0	0		(15,098)	0.4708	(7,108)
52	CLASS TOTAL (Mcf/month)	(15,620)	(8,614)	(12,100)	(12,799)	(8,669)	(4,897)	18,543	16,317	19,528	22,725	18,477	14,882	88	47,774		$85,154
53																	
54	TRANSPORTATION (T-3)																
55	TRANSPORTATION BILLS	3	3	3	3	3	3	3	3	3	3	2	2	34		250.00	$8,500
56	Trans Admin Fee	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$100	$100				1,700
57	EFM Fee	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$75	$75				1,650
58	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
59	Interrupt Transport: 1-15000	21,564	16,055	14,552	15,972	25,279	25,835	28,591	28,279	30,279	31,290	15,248	15,316		268,260	0.6000	160,956
60	Interrupt Transport: Over 15000	4,666	8,098	4,560	1,625	5,315	7,432	9,814	14,402	12,746	12,785	0	0		81,443	0.3800	30,948
61	CLASS TOTAL (Mcf/month)	26,230	24,153	19,112	17,597	30,594	33,267	38,405	42,681	43,025	44,075	15,248	15,316	34	349,703		$203,754
62																	
63	SPECIAL CONTRACTS																
64	TRANSPORTATION BILLS	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)		250.00	($3,000)
65	Trans Admin Fee	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)				(600)
66	EFM Fee	($75)	($75)	($75)	($75)	($75)	($75)	($75)	($75)	($75)	($75)	($75)	($75)				(900)
67	Parking Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0				0
68	Transported Volumes	(149,580)	(155,339)	(136,101)	(142,293)	(130,599)	(41,750)	(34,104)	(31,315)	(30,645)	(29,416)	(19,709)	(31)		(900,882)	Various	
69	Charges for Transport Volumes	($14,738)	($15,314)	($13,000)	($12,449)	($13,310)	($5,105)	($3,210)	($4,102)	($4,035)	($3,522)	($1,871)	($3)				(90,658)
70	CLASS TOTAL (Mcf/month)	(149,580)	(155,339)	(136,101)	(142,293)	(130,599)	(41,750)	(34,104)	(31,315)	(30,645)	(29,416)	(19,709)	(31)	(12)	(900,882)		($95,158)
71																	

EXHIBIT GLS-4

ATMOS ENERGY CORPORATION - KENTUCKY
WEATHER ADJUSTMENT - BASE NOAA 1971-2000
TWELVE MONTHS ENDED JUNE 30, 2009

Line No.	Class of Customers	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Number Of Bills	Mcf	Rate	Total Revenue
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	RESIDENTIAL (Rate G-1)																
2	FIRM BILLS													0		$9.35	$0
3	Sales: 1-300	(9,417)	9,417	33,855	149,426	198,848	(233,362)	(164,251)	84,031	(104,927)	126,911	72,419	57,151		220,101	1.1900	261,920
4	Sales: 301-15000														0	0.7530	0
5	Sales: Over 15000														0	0.4708	0
6	CLASS TOTAL (Mcf/month)	(9,417)	9,417	33,855	149,426	198,848	(233,362)	(164,251)	84,031	(104,927)	126,911	72,419	57,151	0	220,101		$261,920
7																	
8																	
9																	
10	FIRM COMMERCIAL (Rate G-1)																
11	FIRM BILLS													0		25.00	$0
12	Sales: 1-300	(1,826)	1,826	(3,056)	19,772	100,881	(72,894)	(74,345)	(276)	(36,282)	80,887	39,940	18,867		72,494	1.1900	86,268
13	Sales: 301-15000	(228)	228	(382)	2,470	12,603	(9,106)	(9,288)	(34)	(4,533)	10,105	4,865	2,357		9,057	0.7530	6,820
14	Sales: Over 15000														0	0.4708	0
15	CLASS TOTAL (Mcf/month)	(2,054)	2,054	(3,438)	22,242	113,484	(82,000)	(83,633)	(310)	(40,815)	90,992	43,805	21,224	0	81,551		$93,088
16																	
17																	
18																	
19	FIRM INDUSTRIAL (Rate G-1)																
20	FIRM BILLS													0		25.00	$0
21	Sales: 1-300														0	1.1900	0
22	Sales: 301-15000														0	0.7530	0
23	Sales: Over 15000														0	0.4708	0
24	CLASS TOTAL (Mcf/month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		$0
25																	
26	FIRM PUBLIC AUTHORITY (Rate G-1)																
27	FIRM BILLS													0		25.00	$0
28	Sales: 1-300	(292)	292	745	4,537	13,169	(17,425)	(3,134)	12,741	(4,547)	12,049	860	654		19,649	1.1900	23,382
25	Sales: 301-15000	(84)	84	214	1,301	3,775	(4,994)	(898)	3,652	(1,303)	3,454	247	187		5,635	0.7530	4,243
26	Sales: Over 15000														0	0.4708	0
27	CLASS TOTAL (Mcf/month)	(376)	376	959	5,838	16,944	(22,419)	(4,032)	16,393	(5,850)	15,503	1,107	841	0	25,284		$27,625
28																	
29																	

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended June 30, 2009

Line No.	Month	Lagged Actual HDDs	Lagged Normal HDDs	X Coefficient	Product	Constant	Normalized Usage per Customer	No. of Customers	Normalized Volumes	Actual Volumes	Weather Adjustment	Normal HDDs	Normalized Including Unbilled
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	Residential - Class 1 Rate 1												
1	Jul-08	0	0	0.0125	0.0000	1.1965	1.1965	150,731	180,354	189,771	(9,417)	0	180,698
2	Aug-08	0	0	0.0125	0.0000	1.1965	1.1965	149,781	179,218	169,801	9,417	0	179,559
3	Sep-08	2	8	0.0125	0.0999	1.1965	1.2964	149,544	193,874	160,019	33,855	43	259,693
4	Oct-08	31	116	0.0125	1.4479	1.1965	2.6444	149,958	396,554	247,128	149,426	238	626,107
5	Nov-08	401	382	0.0125	4.7682	1.1965	5.9647	152,239	908,065	709,217	198,848	531	1,193,470
6	Dec-08	832	684	0.0125	8.5378	1.1965	9.7343	154,574	1,504,675	1,738,037	(233,362)	841	1,811,032
7	Jan-09	865	939	0.0125	11.7207	1.1965	12.9172	154,263	1,992,651	2,156,902	(164,251)	981	2,077,476
8	Feb-09	917	935	0.0125	11.6708	1.1965	12.8673	156,202	2,009,903	1,925,872	84,031	755	1,662,110
9	Mar-09	614	626	0.0125	7.8138	1.1965	9.0103	158,255	1,425,930	1,530,857	(104,927)	539	1,256,465
10	Apr-09	378	399	0.0125	4.9804	1.1965	6.1769	155,452	960,216	833,305	126,911	264	699,592
11	May-09	96	160	0.0125	1.9971	1.1965	3.1936	152,431	486,808	414,389	72,419	81	337,145
12	Jun-09	24	31	0.0125	0.3869	1.1965	1.5834	151,809	240,379	183,228	57,151	7	195,280
13													
14	Total	4,160	4,280			1.1965		152,937	10,478,627	10,258,525	220,101	4,280	10,478,627
15	Average Usage / Customer								68.52	67.08			

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended June 30, 2009

Line No.	Month	Lagged Actual HDDs	Lagged Normal HDDs	X Coefficient	Product	Constant	Normalized Usage per Customer	No. of Customers	Normalized Volumes	Actual Volume (1)	Weather Adjustment	Normal HDDs	Normalized Including Unbilled
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	Commercial - Class 2 Rate 1												
1	Jul-08	0	0	0.0404	0.0000	8.0405	8.0405	17,126	137,701	139,755	(2,054)	0	137,840
2	Aug-08	0	0	0.0404	0.0000	8.0405	8.0405	16,906	135,932	133,878	2,054	0	136,069
3	Sep-08	2	8	0.0404	0.3228	8.0405	8.3633	17,017	142,318	145,756	(3,438)	43	166,521
4	Oct-08	31	116	0.0404	4.6811	8.0405	12.7216	17,005	216,330	194,088	22,242	238	300,353
5	Nov-08	401	382	0.0404	15.4154	8.0405	23.4559	17,540	411,416	297,932	113,484	531	517,402
6	Dec-08	832	684	0.0404	27.6024	8.0405	35.6429	17,686	630,380	712,380	(82,000)	841	743,182
7	Jan-09	865	939	0.0404	37.8928	8.0405	45.9333	17,721	813,983	897,616	(83,633)	981	844,870
8	Feb-09	917	935	0.0404	37.7313	8.0405	45.7718	17,784	814,005	814,315	(310)	755	685,518
9	Mar-09	614	626	0.0404	25.2618	8.0405	33.3023	17,896	595,977	636,792	(40,815)	539	533,687
10	Apr-09	378	399	0.0404	16.1014	8.0405	24.1419	17,712	427,601	336,609	90,992	264	331,443
11	May-09	96	160	0.0404	6.4567	8.0405	14.4972	17,285	250,584	206,779	43,805	81	195,676
12	Jun-09	24	31	0.0404	1.2510	8.0405	9.2915	17,014	158,085	136,861	21,224	7	141,750
13													
14	Total	4,160	4,280			8.0405		17,391	4,734,312	4,652,762	81,551	4,280	4,734,311
15	Average Usage / Customer								272.23	267.54			

Note 1 - Adjusted for volume and contract adjustments.

Atmos Energy - Kentucky
Normalization Of Volumes For Weather
Reference Period Ended June 30, 2009

Line No.	Month	Lagged Actual HDDs	Lagged Normal HDDs	X Coefficient	Product	Constant	Normalized Usage per Customer	No. of Customers	Normalized Volumes	Actual Volume (1)	Weather Adjustment	Normal HDDs	Normalized Including Unbilled
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	Public Authority - Class 4 Rate 1												
1	Jul-08	0	0	0.1341	0.0000	15.7298	15.7298	1,561	24,554	24,930	(376)	0	24,565
2	Aug-08	0	0	0.1341	0.0000	15.7298	15.7298	1,540	24,224	23,848	376	0	24,235
3	Sep-08	2	8	0.1341	1.0729	15.7298	16.8027	1,560	26,212	25,253	959	43	33,550
4	Oct-08	31	116	0.1341	15.5571	15.7298	31.2869	1,560	48,807	42,969	5,838	238	74,365
5	Nov-08	401	382	0.1341	51.2313	15.7298	66.9611	1,568	104,995	88,051	16,944	531	136,389
6	Dec-08	832	684	0.1341	91.7335	15.7298	107.4633	1,568	168,502	190,921	(22,419)	841	201,608
7	Jan-09	865	939	0.1341	125.9324	15.7298	141.6622	1,564	221,560	225,592	(4,032)	981	230,473
8	Feb-09	917	935	0.1341	125.3959	15.7298	141.1257	1,577	222,555	206,162	16,393	755	184,569
9	Mar-09	614	626	0.1341	83.9549	15.7298	99.6847	1,577	157,203	163,053	(5,850)	539	138,865
10	Apr-09	378	399	0.1341	53.5112	15.7298	69.2410	1,570	108,708	93,205	15,503	264	80,319
11	May-09	96	160	0.1341	21.4581	15.7298	37.1879	1,566	58,236	57,129	1,107	81	41,663
12	Jun-09	24	31	0.1341	4.1575	15.7298	19.8873	1,571	31,243	30,402	841	7	26,198
13													
14	Total	4,160	4,280			15.7298		1,565	1,196,799	1,171,515	25,284	4,280	1,196,799
15	Average Usage / Customer								764.65	748.49			

Note 1 - Adjusted for volume and contract adjustments.

EXHIBIT GLS-5

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
CURRENT RATES

Line No.	Class of Customers	Rate	Apr-10 (a)	May-10 (b)	Jun-10 (c)	Jul-10 (d)	Aug-10 (e)	Sep-10 (f)	Oct-10 (g)	Nov-10 (h)	Dec-10 (i)	Jan-11 (j)	Feb-11 (k)	Mar-11 (l)	Total Billing Units (m)	Total Revenue (n)
1	RESIDENTIAL (Rate G-1)															
2	FIRM BILLS	$9.35	155,052	152,031	151,409	149,931	148,981	148,744	149,158	151,439	153,774	153,463	155,402	157,455	1,826,639	17,080,945
3	Sales: 1-300	1.1900	936,798	474,570	233,977	170,401	169,322	183,272	376,390	883,752	1,432,287	1,897,253	1,913,796	1,357,393	10,009,211	11,910,951
4	Sales: 301-15000	0.7530	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Sales: Over 15000	0.4706	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CLASS TOTAL (Mcf/month)		936,798	474,570	233,977	170,401	169,322	183,272	376,390	883,752	1,432,287	1,897,253	1,913,796	1,357,393	10,009,211	28,991,896
7	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55		
8	Gas Costs		$7,255,564	$5,179,539	$2,553,665	$1,859,786	$1,948,036	$2,108,530	$4,330,337	$7,081,649	$11,742,900	$15,555,019	$16,371,293	$11,611,624	$87,597,941	
9																
10	FIRM COMMERCIAL (Rate G-1)															
11	FIRM BILLS	25.00	17,712	17,285	17,014	17,126	16,905	17,017	17,005	17,540	17,686	17,721	17,784	17,895	208,692	5,217,300
12	Sales: 1-300	1.1900	398,248	234,433	147,406	126,837	117,219	119,991	174,258	373,540	546,836	691,724	709,315	527,448	4,167,253	4,959,031
13	Sales: 301-15000	0.7530	24,503	14,014	9,956	10,076	17,935	21,374	38,816	28,666	67,561	100,576	83,020	53,660	470,157	354,028
14	Sales: Over 15000	0.4708	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	CLASS TOTAL (Mcf/month)		422,751	248,447	157,362	136,913	135,154	141,365	213,074	402,206	614,397	792,300	792,335	581,108	4,637,410	10,530,359
16	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55		
17	Gas Costs		$3,274,235	$2,711,593	$1,717,476	$1,494,292	$1,554,936	$1,626,393	$2,451,399	$3,297,569	$5,037,280	$6,495,835	$6,777,916	$4,970,988	$41,409,892	
18																
19	FIRM INDUSTRIAL (Rate G-1)															
20	FIRM BILLS	$25.00	205	201	194	206	208	206	207	211	212	212	212	208	2,482	62,050
21	Sales: 1-300	1.1900	26,078	10,502	7,859	8,012	9,757	8,437	16,188	21,325	42,445	33,553	44,716	33,640	262,515	312,393
22	Sales: 301-15000	0.7530	7,971	5,512	2,887	2,439	7,216	2,783	20,187	22,533	85,239	48,945	46,733	24,706	257,152	193,635
23	Sales: Over 15000	0.4708	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	CLASS TOTAL (Mcf/month)		34,049	15,013	10,746	10,451	16,973	11,220	36,375	43,861	107,684	82,498	91,449	58,347	519,667	568,079
25	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55		
26	Gas Costs		$263,712	$174,773	$117,286	$114,064	$195,268	$129,090	$418,494	$359,607	$882,873	$676,377	$782,286	$499,118	$4,612,947	
27																
28	FIRM PUBLIC AUTHORITY (Rate G-1)															
25	FIRM BILLS	$25.00	1,570	1,566	1,571	1,561	1,540	1,560	1,560	1,568	1,568	1,564	1,577	1,577	18,782	469,550
26	Sales: 1-300	1.1900	94,049	49,605	27,550	21,586	21,348	23,182	40,903	87,542	123,066	154,981	163,022	122,998	929,832	1,106,500
27	Sales: 301-15000	0.7530	13,835	8,035	3,217	2,082	2,001	2,129	6,800	15,839	43,251	63,917	56,857	32,117	250,080	188,310
28	Sales: Over 15000	0.4708	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	CLASS TOTAL (Mcf/month)		107,884	57,640	30,767	23,668	23,349	25,311	47,703	103,381	166,317	218,898	219,879	155,115	1,179,912	1,764,360
30	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55		
31	Gas Costs		$835,569	$629,093	$335,796	$258,317	$268,628	$291,201	$548,619	$847,590	$1,363,584	$1,794,680	$1,880,923	$1,326,909	$10,381,111	
32																
33	INTERRUPTIBLE COMMERCIAL (G-2)															
34	INT BILLS	250.00	4	3	3	3	3	4	3	3	3	4	4	4	41	10,250
35	Sales: 1-15000	0.6000	685	117	95	625	2,414	5,798	891	1,393	2,349	2,360	1,784	1,667	20,179	12,107
36	Sales: Over 15000	0.3800	0	0	0	0	0	0	0	0	0	0	0	0	0	0
37	CLASS TOTAL (Mcf/month)		685	117	95	625	2,414	5,798	891	1,393	2,349	2,360	1,784	1,667	20,179	22,358
38	Gas Charge per Mcf		$6.75	$9.92	$9.92	$9.92	$10.51	$10.51	$10.51	$7.21	$7.21	$7.21	$7.53	$7.53		
39	Gas Costs		$4,627	$1,161	$947	$6,197	$25,378	$60,944	$9,363	$10,034	$16,923	$17,007	$13,440	$12,557	$178,578	
40																
41	INTERRUPTIBLE INDUSTRIAL (G-2)															
42	INT BILLS	250.00	8	8	8	11	11	11	11	11	11	11	10	11	122	30,500
43	Sales: 1-15000	0.6000	21,235	16,986	1,858	28,280	13,780	7,545	27,949	12,560	23,018	17,547	19,584	24,555	214,897	128,938
44	Sales: Over 15000	0.3800	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45	CLASS TOTAL (Mcf/month)		21,235	16,986	1,858	28,280	13,780	7,545	27,949	12,560	23,018	17,547	19,584	24,555	214,897	159,438
46	Gas Charge per Mcf		$6.75	$9.92	$9.92	$9.92	$10.51	$10.51	$10.51	$7.21	$7.21	$7.21	$7.53	$7.53		
47	Gas Costs		$143,387	$168,506	$18,428	$280,548	$144,848	$79,303	$293,778	$90,498	$165,847	$126,424	$147,529	$184,978	$1,844,054	
48																

EXHIBIT GLS-5

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
CURRENT RATES

Line No.	Class of Customers	Rate	Apr-10 (a)	May-10 (b)	Jun-10 (c)	Jul-10 (d)	Aug-10 (e)	Sep-10 (f)	Oct-10 (g)	Nov-10 (h)	Dec-10 (i)	Jan-11 (j)	Feb-11 (k)	Mar-11 (l)	Total Billing Units (m)	Total Revenue (n)
49	TRANSPORTATION (T-2/G-1)															
50	TRANSPORTATION BILLS	$25.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
51	Trans Admin Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
52	EFM Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
53	Parking Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
54	Firm Transport: 1-300	1.1900	0	0	0	0	0	0	0	0	0	0	0	0	1	1
55	Firm Transport: 301-15000	0.7530	0	0	0	(0)	0	0	0	0	0	0	0	0	1	1
56	Firm Transport: Over 1500	0.4708	0	0	0	0	0	0	0	0	0	0	0	0	0	0
57	CLASS TOTAL (Mcf/month)		0	0	0	(0)	0	0	0	0	0	0	0	0	(0)	2
58	Gas Charge per Mcf		$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.26	$1.26		
59	Gas Costs		$0	$0	$0	($0)	$0	$0	$0	$0	$0	$0	$0	$0	($0)	
60																
61	TRANSPORTATION (T-2/G-2)															
62	TRANSPORTATION BILLS	250.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
63	Trans Admin Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
64	EFM Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
65	Parking Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
66	Interrupt Transport: 1-15000	0.6000	0	0	0	0	0	0	0	0	0	0	0	0	1	0
67	Interrupt Transport: Over 15000	0.3800	0	0	0	0	0	0	0	0	0	0	0	0	0	0
68	CLASS TOTAL (Mcf/month)		0	0	0	0	0	0	0	0	0	0	0	0	1	1
69	Gas Charge per Mcf		$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24		
70	Gas Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
71																
72	TRANSPORTATION (T-4)															
73	TRANSPORTATION BILLS	250.00	116	116	119	118	118	119	117	116	119	118	117	117	1,410	352,500
74	Trans Admin Fee		$5,750	$5,750	$5,900	$5,800	$5,850	$5,900	$5,800	$5,850	$5,900	$5,850	$5,800	$5,800	$69,950	69,950
75	EFM Fee		$6,450	$6,300	$6,075	$6,525	$6,525	$6,600	$6,450	$6,525	$6,600	$6,525	$6,525	$6,525	$77,625	77,625
76	Parking Fee		$315	$379	$145	$525	$301	$678	$532	$154	$536	$416	$379	$897	$5,257	5,257
77	Firm Transport: 1-300	1.1900	35,481	35,549	33,471	34,274	33,536	33,909	33,413	35,017	35,735	35,851	40,203	35,704	422,154	502,363
78	Firm Transport: 301-15000	0.7530	399,290	323,880	271,877	286,565	272,814	277,077	280,545	345,094	404,193	457,948	491,686	403,827	4,214,899	3,173,819
79	Firm Transport: Over 1500	0.4708	33,825	25,311	17,978	17,044	15,345	19,708	23,450	29,971	33,563	35,603	46,860	31,932	330,590	155,642
80	CLASS TOTAL (Mcf/month)		468,596	384,740	323,426	337,884	321,695	330,694	337,408	410,082	473,491	529,413	578,749	471,463	4,967,642	4,337,157
81																
82	TRANSPORTATION (T-3)															
83	TRANSPORTATION BILLS	250.00	59	62	63	63	64	63	63	63	63	60	60	59	742	185,500
84	Trans Admin Fee		$2,950	$3,100	$3,150	$3,150	$3,200	$3,150	$3,150	$3,150	$3,150	$3,000	$3,000	$2,950	$37,100	37,100
85	EFM Fee		$2,925	$2,925	$2,925	$3,075	$3,000	$3,000	$3,000	$3,150	$3,075	$3,000	$2,850	$2,850	$35,775	35,775
86	Parking Fee		$157	$177	$158	$567	$350	$635	$533	$447	$145	$14	$117	$219	$3,518	3,518
87	Interrupt Transport: 1-15000	0.6000	359,669	356,949	355,857	367,772	338,928	333,719	364,881	389,539	398,341	386,407	381,577	356,402	4,388,043	2,632,826
88	Interrupt Transport: Over 15000	0.3800	159,102	136,555	136,814	125,988	142,726	152,146	140,581	176,247	171,958	173,375	192,425	157,700	1,865,617	708,935
89	CLASS TOTAL (Mcf/month)		518,771	493,504	492,671	493,760	479,655	485,865	505,462	565,786	570,299	559,782	574,002	514,102	6,253,660	3,341,653
90																
91	SPECIAL CONTRACTS															
92	TRANSPORTATION BILLS	250.00	17	17	17	17	17	17	17	17	17	17	17	17	204	51,000
93	Trans Admin Fee		$850	$850	$850	$850	$850	$850	$850	$850	$850	$850	$850	$850	$10,200	10,200
94	EFM Fee		$750	$750	$750	$705	$675	$675	$630	$750	$675	$750	$750	$780	$8,640	8,640
95	Parking Fee		$2,902	$1,411	$772	$3,012	$2,247	$1,401	$618	$1,393	$782	$1,165	$1,957	$1,298	$18,959	18,959
96	Transported Volumes	Various	950,852	820,939	901,357	869,538	898,981	901,795	950,064	952,479	896,226	1,077,985	1,162,989	961,249	11,344,454	
97	Charges for Transport Volumes		$105,823	$92,379	$100,410	$110,180	$100,482	$106,262	$111,177	$103,797	$100,494	$116,492	$126,557	$107,252	$1,283,304	1,283,304
98	CLASS TOTAL (Mcf/month)		950,852	820,939	901,357	869,538	898,981	901,795	950,064	952,479	896,226	1,077,985	1,162,989	961,249	11,344,454	1,372,103
99																
100	OTHER REVENUE															
101	Service Charges		$62,168	$53,178	$47,814	$50,515	$51,510	$53,837	$127,756	$108,027	$59,580	$53,610	$51,887	$63,805	$783,688	
102	Late Payment Fees		$130,732	$98,591	$80,759	$51,069	$52,262	$54,701	$86,370	$128,158	$197,037	$253,620	$264,376	$194,205	$1,571,877	
103																
104	TOTAL GROSS PROFIT		$4,724,435	$3,725,498	$3,195,201	$3,113,555	$3,056,939	$3,094,146	$3,588,007	$4,590,797	$5,723,445	$6,599,995	$6,725,640	$5,567,316	$53,704,975	
105	Gas Costs		$11,777,075	$8,864,665	$4,743,598	$4,013,202	$4,137,095	$4,295,461	$8,052,190	$11,686,947	$19,209,386	$24,865,342	$25,973,388	$18,606,174	$146,024,522	
106	TOTAL REVENUE		$16,501,511	$12,590,162	$7,938,799	$7,126,758	$7,194,034	$7,389,607	$11,640,197	$16,277,743	$24,932,831	$31,265,337	$32,699,028	$24,173,490	$199,729,497	

EXHIBIT GLS-6

ATMOS ENERGY CORPORATION - KENTUCKY
SUMMARY OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING MARCH 31, 2011

Line No.	Description	Block (Mcf)	Reference Period - Twelve Months Ending 6/30/2009 Number of Bills, Units	Volumes As Metered	Contract Adj. Bills and Volumes	Weather Adj. Volumes	Total Volumes	Forward-looking Adjustments to Test Year Customer Growth Forecast	Conservation & Efficiency Adjustments	Total Test Year Volumes	Proposed Margin	Proposed Revenue
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)	(k)
1	Sales											
2	Firm Sales (G-1, LVS-1)	Customer Chrg	1,835,239					(8,400)			$13.50	$24,662,327
3		Customer Chrg	230,053		(97)			0			30.00	6,898,680
4		0 - 300		15,576,974	33,759	312,244	15,922,977	(47,760)	(506,406)	15,368,811	1.2000	18,442,574
5		301 - 15,000		1,248,288	(256,553)	14,692	1,006,428	0	(29,039)	977,389	0.7715	754,055
6		Over 15,000		0	0	0	0	0	0	0	0.5027	0
7	Interruptible Sales (G-2, LVS-2)	Customer Chrg	145		18			0			300.00	48,900
8		0 - 15,000		184,993	50,082		235,075	0		235,075	0.6500	152,799
9		Over 15,000		0	0		0	0		0	0.4100	0
10	Transportation											
11	Customer Charges (T2/G1)	Customer Chrg	35		(35)						30.00	0
12	Customer Charges (T2/G2,T4,T3)	Customer Chrg	2,328		28			0			300.00	706,800
13	Transp. Adm. Fee	Customer Chrg	2,352		(7)			0			50.00	117,250
14	Parked Volumes [1]			277,344	0						0.10	27,734
15	EFM Charges										Various	122,040
16	Firm Transport (G-1)	0 - 300		10,486	(10,486)		0	0		0	1.2000	0
17		301 - 15,000		24,501	(24,501)		(0)	0		(0)	0.7715	0
18		Over 15,000		0	0		0	0		0	0.5027	0
19	Interruptible Transport (G-2)	0 - 15,000		392,561	(392,561)		0	0		0	0.6500	0
20		Over 15,000		140,939	(140,939)		0	0		0	0.4100	0
21	Firm Carriage (T-4)	0 - 300		396,765	25,388		422,153	0		422,153	1.2000	506,584
22		301 - 15,000		4,177,415	37,484		4,214,899	0		4,214,899	0.7715	3,251,794
23		Over 15,000		345,688	(15,098)		330,590	0		330,590	0.5027	166,188
24	Interruptible Carriage (T-3)	0 - 15,000		4,119,782	268,260		4,388,042	0		4,388,042	0.6500	2,852,227
25		Over 15,000		1,784,174	81,443		1,865,617	0		1,865,617	0.4100	764,903
26	Total Special Contracts [2]			12,245,336	(900,882)		11,344,454	0		11,344,454	Various	1,283,304
27	Total Tariff		2,067,800	40,647,902	(1,244,604)	326,936	39,730,234	(56,160)	(535,445)	39,147,029		60,758,159
28												
29	Other Revenues											783,688
30	Late Payment Fees											1,649,161
31	Total Gross Profit											63,191,008
32												
33	Gas Costs											146,024,522
34												
35	Total Revenue											$ 207,566,369
36												
37												

38 [1] Parked Volumes not included in Total Deliveries.
39 [2] Based on confidential information. Number of Bills included in T2/G2, T3 & T4.

EXHIBIT GLS-7

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
PROPOSED RATES

Line No.	Class of Customers	Rate	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	RESIDENTIAL (Rate G-1)		$3,217,360	$2,621,903	$2,324,794	$2,228,550	$2,214,430	$2,227,970	$2,465,301	$3,080,929	$3,794,693	$4,348,454	$4,394,482	$3,754,514	$36,673,380
2	FIRM BILLS	$13.50	155,052	152,031	151,409	149,931	148,981	148,744	149,158	151,439	153,774	153,463	155,402	157,455	1,826,839
3	Sales: 1-300	1.2000	936,798	474,570	233,977	170,401	169,322	183,272	376,390	863,752	1,432,287	1,897,253	1,913,796	1,357,393	10,009,211
4	Sales: 301-15000	0.7715	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Sales: Over 15000	0.5027	0	0	0	0	0	0	0	0	0	0	0	0	0
6	CLASS TOTAL (Mcf/month)		936,798	474,570	233,977	170,401	169,322	183,272	376,390	863,752	1,432,287	1,897,253	1,913,796	1,357,393	10,009,211
7	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55	
8	Gas Costs		$7,255,564	$5,179,539	$2,553,665	$1,859,786	$1,948,036	$2,108,530	$4,330,337	$7,081,649	$11,742,900	$15,555,019	$16,371,293	$11,611,624	$87,597,941
9															
10	FIRM COMMERCIAL (Rate G-1)		$1,028,162	$810,681	$694,988	$673,758	$661,680	$670,989	$749,206	$996,564	$1,238,907	$1,439,293	$1,448,748	$1,211,214	$11,624,190
11	FIRM BILLS	30.00	17,712	17,285	17,014	17,125	16,906	17,017	17,005	17,540	17,686	17,721	17,784	17,896	208,692
12	Sales: 1-300	1.2000	398,248	234,433	147,406	126,837	117,219	119,991	174,258	373,540	546,836	691,724	709,315	527,446	4,167,253
13	Sales: 301-15000	0.7715	24,503	14,014	9,956	10,076	17,935	21,374	38,816	28,666	67,561	100,576	83,020	53,660	470,157
14	Sales: Over 15000	0.5027	0	0	0	0	0	0	0	0	0	0	0	0	0
15	CLASS TOTAL (Mcf/month)		422,751	248,447	167,362	136,913	135,154	141,365	213,074	402,206	614,397	792,300	792,335	581,106	4,637,410
16	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55	
17	Gas Costs		$3,274,235	$2,711,593	$1,717,476	$1,494,292	$1,554,936	$1,626,393	$2,451,399	$3,297,569	$5,037,260	$6,495,835	$6,777,916	$4,970,988	$41,409,892
18															
19	FIRM INDUSTRIAL (Rate G-1)		$43,593	$22,884	$17,478	$17,676	$23,515	$18,452	$41,210	$49,308	$107,626	$84,384	$96,074	$65,669	$587,871
20	FIRM BILLS	$30.00	205	201	194	206	208	206	207	211	212	212	212	208	2,482
21	Sales: 1-300	1.2000	26,078	10,502	7,859	8,012	9,757	8,437	16,188	21,328	42,445	33,553	44,716	33,640	262,515
22	Sales: 301-15000	0.7715	7,971	5,512	2,887	2,439	7,216	2,783	20,187	22,533	65,239	48,945	46,733	24,706	257,152
23	Sales: Over 15000	0.5027	0	0	0	0	0	0	0	0	0	0	0	0	0
24	CLASS TOTAL (Mcf/month)		34,049	16,013	10,746	10,451	16,973	11,220	36,375	43,861	107,684	82,498	91,449	58,347	519,667
25	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55	
26	Gas Costs		$263,712	$174,773	$117,286	$114,064	$195,268	$129,090	$418,494	$359,607	$882,873	$676,377	$782,286	$499,118	$4,612,947
27															
28	FIRM PUBLIC AUTHORITY (Rate G-1)		$170,633	$112,705	$82,672	$74,339	$73,361	$76,261	$101,130	$164,310	$228,087	$282,209	$286,802	$219,686	$1,872,195
25	FIRM BILLS	$30.00	1,570	1,566	1,571	1,561	1,540	1,560	1,560	1,568	1,568	1,564	1,577	1,577	18,782
26	Sales: 1-300	1.2000	94,049	49,605	27,550	21,586	21,348	23,182	40,903	87,542	123,066	154,981	163,022	122,998	929,832
27	Sales: 301-15000	0.7715	13,835	8,035	3,217	2,082	2,001	2,129	6,800	15,839	43,251	63,917	56,857	32,117	250,080
28	Sales: Over 15000	0.5027	0	0	0	0	0	0	0	0	0	0	0	0	0
29	CLASS TOTAL (Mcf/month)		107,884	57,640	30,757	23,668	23,349	25,311	47,703	103,381	166,317	218,898	219,879	155,115	1,179,912
30	Gas Charge per Mcf		$7.75	$10.91	$10.91	$10.91	$11.50	$11.50	$11.50	$8.20	$8.20	$8.20	$8.55	$8.55	
31	Gas Costs		$835,569	$629,093	$335,796	$258,317	$268,628	$291,201	$548,819	$847,590	$1,363,584	$1,794,680	$1,880,923	$1,326,909	$10,381,111
32															
33	INTERRUPTIBLE COMMERCIAL (G-2)		$1,646	$976	$962	$1,306	$2,469	$4,969	$1,479	$1,805	$2,427	$2,734	$2,360	$2,284	$25,416
34	INT BILLS	300.00	4	3	3	3	3	4	3	3	3	4	4	4	41
35	Sales: 1-15000	0.6500	685	117	95	625	2,414	5,798	891	1,393	2,349	2,360	1,784	1,667	20,179
36	Sales: Over 15000	0.4100	0	0	0	0	0	0	0	0	0	0	0	0	0
37	CLASS TOTAL (Mcf/month)		685	117	95	625	2,414	5,798	891	1,393	2,349	2,360	1,784	1,667	20,179
38	Gas Charge per Mcf		$6.75	$9.92	$9.92	$9.92	$10.51	$10.51	$10.51	$7.21	$7.21	$7.21	$7.53	$7.53	
39	Gas Costs		$4,627	$1,161	$947	$6,197	$25,378	$60,944	$9,363	$10,034	$16,923	$17,007	$13,440	$12,557	$178,578
40															
41	INTERRUPTIBLE INDUSTRIAL (G-2)		$16,203	$13,441	$3,607	$21,682	$12,257	$8,204	$21,467	$11,484	$18,262	$14,705	$15,730	$19,261	$176,283
42	INT BILLS	300.00	8	8	8	11	11	11	11	11	11	11	10	11	122
43	Sales: 1-15000	0.6500	21,235	16,986	1,858	28,280	13,780	7,545	27,949	12,560	23,018	17,547	19,584	24,555	214,897
44	Sales: Over 15000	0.4100	0	0	0	0	0	0	0	0	0	0	0	0	0
45	CLASS TOTAL (Mcf/month)		21,235	16,986	1,858	28,280	13,780	7,545	27,949	12,560	23,018	17,547	19,584	24,555	214,897
46	Gas Charge per Mcf		$6.75	$9.92	$9.92	$9.92	$10.51	$10.51	$10.51	$7.21	$7.21	$7.21	$7.53	$7.53	
47	Gas Costs		$143,367	$168,506	$18,428	$280,548	$144,848	$79,303	$293,778	$90,498	$165,847	$126,424	$147,529	$184,978	$1,844,054

EXHIBIT GLS-7

ATMOS ENERGY CORPORATION - KENTUCKY
BILL FREQUENCY WITH KNOWN & MEASURABLE ADJUSTMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
PROPOSED RATES

Line No.	Class of Customers	Rate	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
49	TRANSPORTATION (T-2/G-1)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
50	TRANSPORTATION BILLS	$30.00	0	0	0	0	0	0	0	0	0	0	0	0	0
51	Trans Admin Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
52	EFM Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
53	Parking Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
54	Firm Transport: 1-300	1.2000	0	0	0	0	0	0	0	0	0	0	0	0	1
55	Firm Transport: 301-15000	0.7715	0	0	0	(0)	0	0	0	0	0	0	0	0	1
56	Firm Transport: Over 1500	0.5027	0	0	0	0	0	0	0	0	0	0	0	0	1
57	CLASS TOTAL (Mcf/month)		0	0	0	(0)	0	0	0	0	0	0	0	0	(0)
58	Gas Charge per Mcf		$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.26	$1.26	
59	Gas Costs		$0	$0	$0	($0)	$0	$0	$0	$0	$0	$0	$0	$0	($0)
60															
61	TRANSPORTATION (T-2/G-2)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
62	TRANSPORTATION BILLS	300.00	0	0	0	0	0	0	0	0	0	0	0	0	0
63	Trans Admin Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
64	EFM Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
65	Parking Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
66	Interrupt Transport: 1-15000	0.6500	0	0	0	0	0	0	0	0	0	0	0	0	1
67	Interrupt Transport: Over 15000	0.4100	0	0	0	0	0	0	0	0	0	0	0	0	0
68	CLASS TOTAL (Mcf/month)		0	0	0	0	0	0	0	0	0	0	0	0	1
69	Gas Charge per Mcf		$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	
70	Gas Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
71															
72	TRANSPORTATION (T-4)		$414,948	$352,485	$306,853	$319,032	$306,509	$313,241	$316,206	$370,656	$420,325	$462,429	$498,940	$418,772	$4,500,398
73	TRANSPORTATION BILLS	300.00	116	116	119	118	118	119	117	116	119	118	117	117	1,410
74	Trans Admin Fee		$5,750	$5,750	$5,900	$5,800	$5,850	$5,900	$5,800	$5,850	$5,900	$5,850	$5,800	$5,800	$69,950
75	EFM Fee		$6,450	$6,300	$6,075	$6,525	$6,525	$6,600	$6,450	$6,525	$6,600	$6,525	$6,525	$6,525	$77,625
76	Parking Fee		$315	$379	$145	$525	$301	$678	$532	$154	$536	$416	$379	$897	$5,257
77	Firm Transport: 1-300	1.2000	35,481	35,549	33,471	34,274	33,536	33,909	33,413	35,017	35,735	35,861	40,203	35,704	422,154
78	Firm Transport: 301-15000	0.7715	399,290	323,880	271,977	286,566	272,814	277,077	280,545	345,094	404,193	457,949	491,686	403,827	4,214,899
79	Firm Transport: Over 1500	0.5027	33,825	25,311	17,978	17,044	15,345	19,708	23,450	29,971	33,563	35,603	46,860	31,932	330,591
80	CLASS TOTAL (Mcf/month)		468,596	384,740	323,426	337,884	321,695	330,694	337,408	410,082	473,491	529,413	578,749	471,463	4,967,642
81															
82	TRANSPORTATION (T-3)		$322,748	$312,807	$312,533	$316,399	$303,271	$304,982	$320,394	$351,109	$354,695	$346,252	$350,886	$320,037	$3,916,123
83	TRANSPORTATION BILLS	300.00	59	62	63	63	64	63	63	63	63	60	60	59	742
84	Trans Admin Fee		$2,950	$3,100	$3,150	$3,150	$3,200	$3,150	$3,150	$3,150	$3,150	$3,000	$3,000	$2,950	$37,100
85	EFM Fee		$2,925	$2,925	$2,925	$3,075	$3,000	$3,000	$3,000	$3,150	$3,075	$3,000	$2,850	$2,850	$35,775
86	Parking Fee		$157	$177	$158	$567	$350	$635	$533	$447	$145	$14	$117	$219	$3,518
87	Interrupt Transport: 1-15000	0.6500	359,669	356,949	355,857	367,772	336,929	333,719	364,681	389,539	398,341	386,407	361,577	356,402	4,388,043
88	Interrupt Transport: Over 15000	0.4100	159,102	136,555	136,814	125,988	142,726	152,146	140,581	176,247	171,958	173,375	192,425	157,700	1,865,617
89	CLASS TOTAL (Mcf/month)		518,771	493,504	492,671	493,760	479,655	485,865	505,462	565,786	570,299	559,782	574,002	514,102	6,253,660
90															
91	SPECIAL CONTRACTS		$115,425	$100,491	$107,882	$119,847	$109,354	$114,288	$118,375	$111,890	$107,901	$124,357	$137,214	$115,279	$1,382,303
92	TRANSPORTATION BILLS	300.00	17	17	17	17	17	17	17	17	17	17	17	17	204
93	Trans Admin Fee		$850	$850	$850	$850	$850	$850	$850	$850	$850	$850	$850	$850	$10,200
94	EFM Fee		$750	$750	$750	$705	$675	$675	$630	$750	$675	$750	$750	$780	$8,640
95	Parking Fee		$2,902	$1,411	$772	$3,012	$2,247	$1,401	$618	$1,393	$782	$1,165	$1,957	$1,298	$18,959
96	Transported Volumes	Various	950,852	820,939	901,357	869,538	898,981	901,795	950,064	952,479	896,226	1,077,985	1,162,989	961,249	11,344,454
97	Charges for Transport Volumes		$105,823	$92,379	$100,410	$110,180	$100,482	$106,262	$111,177	$103,797	$100,494	$116,492	$128,557	$107,252	$1,283,304
98	CLASS TOTAL (Mcf/month)		950,852	820,939	901,357	869,538	898,981	901,795	950,064	952,479	896,226	1,077,985	1,162,989	961,249	11,344,454
99															
100	OTHER REVENUE														
101	Service Charges		$62,168	$53,178	$47,814	$50,515	$51,510	$53,837	$127,756	$108,027	$59,580	$53,610	$51,887	$63,805	$783,688
102	Late Payment Fees		$137,289	$104,970	$67,072	$57,325	$58,473	$60,912	$92,622	$134,577	$203,627	$260,265	$271,093	$200,926	$1,649,161
103															
104	**TOTAL GROSS PROFIT**		$5,530,185	$4,506,520	$3,966,656	$3,880,429	$3,816,831	$3,854,105	$4,355,145	$5,380,639	$6,536,130	$7,418,703	$7,554,215	$6,391,448	$63,191,007
105	Gas Costs		$11,777,075	$8,864,665	$4,743,598	$4,013,202	$4,137,095	$4,295,461	$8,052,190	$11,686,947	$19,209,386	$24,665,342	$25,973,388	$18,606,174	$146,024,522
106	**TOTAL REVENUE**		$17,307,261	$13,371,185	$8,710,254	$7,893,632	$7,953,925	$8,149,566	$12,407,335	$17,067,586	$25,745,516	$32,084,045	$33,527,603	$24,997,621	$209,215,529

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF RATE APPLICATION OF ATMOS ENERGY CORPORATION	)))	Case No. 2009-00354

CERTIFICATE AND AFFIDAVIT

The Affiant, Gary L. Smith, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

Gary L. Smith

STATE OF Texas

COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Gary L. Smith on this the 19th day of October, 2009.

PAMELA L PERRY
My Commission Expires
October 29, 2012

Pamela L. Perry
Notary Public

My Commission Expires: 10-29-2012

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No. 2009-00354**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF GREGORY K. WALLER

I. INTRODUCTION

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

A. My name is Gregory K. Waller. I am Vice President of Finance for the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos" or the "Company"). My business address is 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067.

Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.

A. I received a Bachelor of Arts degree in economics from Dartmouth College in 1994 and an MBA degree from the University of Texas in 2000. I worked as a management consultant from 1994 to 2003 at Harbor Research in Boston, MA (1994-1996) and Towers Perrin in Dallas, TX (1997 – 2003). I joined Atmos Energy in 2003 in the Planning and Budgeting Department in Dallas. I became Vice President of Finance for the Mid-States Division in November, 2005 and added Kentucky to my scope of responsibility in April, 2006.[1]

Q. WHAT ARE YOUR RESPONSIBILITIES AT ATMOS?

A. I am responsible for monitoring and analyzing the financial performance of the Kentucky Mid-States Division, and implementing necessary actions based on those results. I also direct the development of the Division's annual budget. Other responsibilities include establishing and maintaining policy, procedures, and controls to

ensure compliance with Corporate Accounting policies, Generally Accepted Accounting Principles (GAAP), and regulatory requirements.

Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER REGULATORY COMMISSION?

A. Yes. I filed testimony before this Commission in Case No. 2006-00464. I have testified before the Tennessee Regulatory Authority in 2006 and filed testimony in Company rate proceedings in Tennessee in 2007 and 2008, Virginia in 2008, and Georgia in 2008 and 2009.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS IN THIS PROCEEDING?

A. Yes. I am sponsoring the following filing requirements:

FR 10(8)(a)	Forecasted financial data presented as pro forma adjustments to the base period
FR 10(8)(b)	Forecasted adjustments limited to twelve (12) months immediately following the suspension period
FR 10(9)(c)	Description of all factors used in preparation of the forecast test period – income statement, operation and maintenance expenses, employee and labor expenses
FR 10(9)(d)	Annual and monthly budget for the 12 month period preceding filing date, the base period and the forecast period.
FR 10(9)(h)1	Operating income statement
FR 10(9)(h)9	Employee Level
FR 10(9)(h)10	Labor cost changes
FR 10(9)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast
FR 10(9)(o)	Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available.

[1] "Division" as used in my testimony means the Company's Kentucky/Mid-States Division. "Kentucky" when used in my testimony, unless indicated otherwise, refers exclusively to the Company's operations in Kentucky.

FR 10(9)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style;
FR 10(10)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and individual account
FR 10(10)(d)	Summary of jurisdictional adjustments to operating income
FR 10(10)(f)	Summary schedules for the base and forecast periods of various expenses
FR 10(10)(g)	Analysis of payroll costs
FR 10(10)(i)	Comparative income statements, revenue and sales statistics most recent five years, base period, forecast period and two (2) years beyond
FR 10(10)(k)	Comparative financial data and earnings measures

Q. DO YOU ADOPT THESE FILING REQUIREMENTS AND MAKE THEM A PART OF YOUR TESTIMONY?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will describe:

1. The Operating and Maintenance expense (O&M) budgeting process used by Atmos Energy
2. The process of control and monitoring of O&M variances
3. The forecasted test year budget for O&M, depreciation expense, and taxes other than income taxes, and
4. The necessity of the Pipe Replacement Program (PRP) from a financial perspective and the annual process to be followed in the PRP.

II. O&M BUDGETING PROCESS

Q. WHAT ARE THE OBJECTIVES OF THE COMPANY'S O&M BUDGETING PROCESS?

A. The objectives of the Company's O&M budgeting process are to: (1) formalize the process of identifying the anticipated costs of operating and maintaining Atmos' systems each year; (2) ensure that all policies and procedures associated with the annual budgeting process are consistently adhered to by the functional managers and officers; (3) assess the appropriateness of routine maintenance requirements and non-capital expenditures proposed by the functional managers and officers to ensure that the amounts do not exceed a level necessary to deliver safe, reliable and efficient natural gas service to the Company's customers; and (4) ensure that the O&M budget properly reflects our strategic operational and financial plans. These objectives are applicable to the Company as a whole as well as to its various division, state and local level operations.

Q. CAN YOU DESCRIBE THE COMPANY'S O&M BUDGETING PROCESS?

A. Yes. O&M costs are budgeted on a fiscal year basis, which begins on October 1 of each year (consistent with the seasonal operations of our business) and runs through September 30 of the following year. Preparation of operating and construction budgets for a fiscal year formally begins in late May of each year and culminates with completion of final budgets in late August, just prior to the beginning of the fiscal year. Budget preparation is based on meeting the four objectives described above. Budgets are approved at multiple levels beginning with supervisor/managers up through division leadership. Additional reviews are performed by corporate executive operations management and their staff. High level reviews of the division budgets are also performed by the Company's senior executives who are presiding members of the Company's Management Committee. The Board of Directors must review and approve the total Company budget before finalization and implementation. This approval typically occurs in September of each year.

Q. WHAT ROLE DOES THE O&M BUDGETING PROCESS PLAY IN THE COMPANY'S FINANCIAL PLANNING?

A. Atmos' Planning and Budgeting Department is responsible for financial planning at the enterprise level. That department receives direction from the Board of Directors concerning forward-looking financial objectives for the Company. Planning and Budgeting is responsible, with significant input and collaboration from division leadership, for translating those enterprise targets into a financial plan for each division and rate jurisdiction. It is the collaboration between Planning and Budgeting and division leadership that ensures that all four of the objectives described above are met each year. Spending targets are established as a result of this collaboration.

Q. WHAT IS YOUR ROLE IN THIS PROCESS?

A. My role is to facilitate the budget process within the Kentucky/Mid-States Division that confirms the operational feasibility of the targets and produces an O&M budget consistent with the Company's processes and goals described above. My department communicates certain budget guidelines such as average wage increase percentages and anticipated benefits rates to managers and supervisors (cost center owners). Each cost center owner is responsible for building his or her department's budget and submitting it for review by me and approval along the appropriate approval chain. My department provides support to and often asks for clarifying information from cost center owners as needed to explain significant variances from the prior year. In addition, we budget several items on behalf of the entire Division such as bill print fees, insurance costs, bad debt provision, etc. An iterative process involving Division leadership (including myself), my department and the cost center owners ultimately produces an O&M budget that meets the needs of our operations, ensures that we operate safely, reliably and efficiently, and allows our Division to contribute to the financial success of Atmos. This process is used to develop the direct O&M budget for Kentucky, as well as the Division's general office O&M budget. A portion of the Division's general office O&M budget, as hereinafter discussed, is allocated to Kentucky in accordance with the allocation methods addressed in the direct testimony of Company witness Daniel M. Meziere.

Q. ARE YOU FAMILIAR WITH THE COMPANY'S SHARED SERVICES GROUP?

A. Yes. The Company's Shared Services Unit (often referred to as SSU) provides central support functions to the Division, including Kentucky, such as accounting, legal, tax, information technology, customer support (call center, billing, collections), etc.

Q. ARE YOU INVOLVED WITH THE PREPARATION OF THE SSU O&M BUDGET?

A. Only insofar as the amounts which are budget by SSU departments impact the O&M budgets for the Division and for Kentucky, as well as interfacing with appropriate SSU department heads with respect to any additional services which may be required from SSU for the Division or for Kentucky.

Q. SO FAR YOU HAVE DESCRIBED THE O&M BUDGETING PROCESS. CAN YOU EXPLAIN HOW THE BUDGET IS PREPARED WITHIN THE PARAMETERS OF THIS PROCESS?

A. Yes. The O&M budget is prepared by type of cost element, such as labor, benefits, transportation, rents, office supplies, etc. Within each cost element we budget expenses at the sub-account level. The prior year's actual costs, year to date actual costs and budgeted costs for the remainder of the fiscal year are used as guidelines for budgeting by functional managers and officers. The budgets are prepared using a web based software tool called PlanIt. This tool allows cost center owners to enter their budgets and allows my department and Division management to review budgets using a number of standard and ad hoc reports.

Q. ARE THESE BUDGETS PREPARED BY FERC ACCOUNT?

A. No. In our experience, FERC accounts do not provide a sufficient level of detail to enable us to understand the costs within each account. For budgeting purposes (and subsequent managing of expenses), we need individualized expense types that relate to the operation of each cost center. FERC accounts do not provide that level of detail. However, when we spend, we do identify our expenditures by FERC account as well as expense type. This provides a timely analysis of the type of charges being expensed by FERC account.

Q. HOW DOES ATMOS CONVERT ITS O&M BUDGET BY COST ELEMENT INTO FERC ACCOUNTS?

A. To convert our budget and forecast to FERC accounts, prior year actual expenditures

were downloaded from the general ledger by FERC account and cost element. A calculation was then made to determine within each cost element type the percentage of spending attributable to each FERC account. Each percentage factor was then applied to the fiscal year 2010 budget and test period forecast by cost type to develop a budget and test period forecast by FERC account.

Q. HAVE THERE BEEN ANY ORGANIZATIONAL CHANGES SINCE THE COMPANY'S LAST RATE FILING IN KENTUCKY?

A. Yes. The Customer Service Organization ("CSO") was set up as a part of the Company's SSU. The CSO organization is designated as Division 12. The complete SSU common cost allocation process from SSU to the Division and then ultimately to the operating rate divisions within the Division (although briefly described above) is more particularly described in Cost Allocation Manual attached to Mr. Meziere's testimony.

III. O&M CONTROL AND MONITORING

Q. DOES THE COMPANY EMPLOY ANY METHODOLOGY TO MONITOR AND CONTROL O&M ACCORDING TO BUDGETED LEVELS?

A. Yes. Atmos utilizes variance monitoring to ensure financial quality control of O&M expenses by formalizing the analysis of variances by cost type and cost center. On a quarterly basis, we present our Division's actual to budget variances with explanation to the Company's Management Committee, SSU department heads, select Board of Directors members and external auditors at a formal Quarterly Performance Review. The goal is to keep all levels of management informed of our O&M spending in comparison to budgeted amounts, in order to allow management to react to unanticipated events on a timely basis.

Q. ARE O&M VARIANCES EVALUATED MORE FREQUENTLY THAN ON A QUARTERLY BASIS?

A. Yes. My department conducts a thorough review of O&M actual to budget variances each month.

Q. PLEASE DESCRIBE YOUR MONTHLY VARIANCE REVIEW PROCESS.

A. We begin by examining, at the Division level, significant variances by cost type (labor, benefits, materials, rents, etc.). Significant variances are researched until an explanation is found. Reasonable explanations could include events that affected the entire Division or a particular cost center or region. In some cases, clarifying information is sought from cost center owners to explain unusual variances or transactions. For some cost types, clarifying analysis is provided by SSU departments. If errors are found, they are most often corrected in the current month's business. Occasionally, however, errors are discovered after the books are closed, and, depending on materiality, they are corrected in the following month's business.

Q. DOES ANYONE ELSE WITHIN THE DIVISION HAVE THE ABILITY TO MONITOR OR REVIEW O&M VARIANCES?

A. In addition to the research conducted by my department, each cost center owner has the ability to run variance reports throughout the monthly closing process. Because cost center owners are held accountable for significant variances to budget, they conduct their own research and often contact my department when they find errors or have questions about the expenses that were charged to their cost centers.

Q. WHAT CONTROLS AND REPORTING ARE INVOLVED IN THE MONTHLY CLOSE PROCESS REGARDING O&M VARIANCES?

A. Once the monthly books are closed, the SSU Financial Reporting department in Dallas publishes (electronically) the monthly Atmos Financial Package. This package details the financial performance for Atmos Energy at the corporate and division level. For each division, the report includes a comparative income statement, operating statistics (volumes, total spending) page, O&M detail page, balance sheet highlights page and financial highlights page. The financial highlights page reports the Division's monthly and year-to-date (YTD) performance versus budget for net income, gross profit, direct O&M and capital spending. I provide narrative comments on this page to describe our monthly and YTD variances. Once complete, this Financial Package is available to all Atmos officers and Board members for review and is an official Sarbanes Oxley control document of the Company. Once the package is complete, I complete an online questionnaire generated by our Sarbanes Oxley Compliance Tool certifying that my department has conducted a thorough review of the division's financial performance

and the Financial Package and addressed all matters therein. The Company's external auditors look for this certification as evidence of Sarbanes Oxley compliance.

After meeting the Financial Package control requirement, my department publishes (electronically) detailed O&M reports that include monthly and YTD variances for each cost center and these reports are then made available to each cost center owner and their respective managers (managers, Division Vice Presidents, Division President). This activity ensures that each cost center owner receives the same information in the same format each month in a timely fashion in order to make operational decisions and manage our operations effectively and efficiently.

Q. HAS THE O&M VARIANCE MONITORING AND CONTROL PROCESS YOU HAVE DESCRIBED ENABLED KENTUCKY TO OPERATE REASONABLY WITHIN ITS BUDGET EACH YEAR?

A. Yes. As the table below demonstrates, actual O&M expenditures over the past five years have tracked closely to overall budgeted amounts.

Dollars in thousands

Fiscal Year	Actual $	Budget $	Over/(Under) $	Variance %
2009	$24,329	$23,445	$884	3.8%
2008	$22,334	$22,268	$66	0.3%
2007	$21,372	$20,179	$1,193	5.9%
2006	$19,874	$19,029	$845	4.4%
2005	$18,618	$19,057	$(439)	-2.3%

Q. DO YOU HAVE AN OPINION REGARDING THE SIGNIFICANCE OF THE HISTORICAL DATA REFLECTED IN THE TABLE ABOVE?

A. Overall, I believe that these results indicate that we have been successful in our annual budgets in projecting and managing our O&M expense to the extent those expenses are within our control.

Q. WHY IS THAT IMPORTANT?

A. This data demonstrates that the Company's budgeting and control processes I have described form a reasonable basis for purposes of the Company's forecasted test period O&M budget in this rate proceeding.

IV. FORECASTED TEST PERIOD O&M BUDGET

Q. WHAT IS THE FORECASTED TEST PERIOD USED IN THIS RATE APPLICATION?

A. The forecasted test period is April 1, 2010 through March 31, 2011.

Q. HOW WAS THE FORECASTED TEST PERIOD BUDGET DEVELOPED?

A. The basis for the forecasted test period is our FY2010 budget. Consistent with our normal annual budgeting timelines, this budget was prepared during the summer of 2009 and approved by the Board of Directors in September of 2009. This budget was prepared in the manner I described earlier. The forecasted test period includes six months of this approved budget (April – September 2010) and six months of a projection period (October 2010 – March 2011). I will describe the methodology used for the projection period in detail below. The FY2010 O&M budget and forecasted test period projection were converted into FERC account detail using the method described above.

Q. WHAT ARE THE COMPONENTS OF O&M FOR THE FORECASTED TEST PERIOD?

A. The forecasted test period O&M is comprised of three parts: expenses incurred and booked directly in Kentucky (rate division 009), allocated expenses from the Kentucky/Mid-States Division General Office (rate division 091), and allocated expenses from SSU (comprised of rate divisions 002 and 012). I will describe the methodology used for the projection for each of the three components.

Q. WHAT COMPRISES THE BASE PERIOD LEVEL OF COST FILED IN THIS RATE APPLICATION?

A. The base period level of cost is January 1, 2009 through December 31, 2009. It is composed of seven months of actual results up through July, 2009, two months of our FY2009 projection that is updated on a monthly basis with actual results as they become

available through September 2009, and the first three months of our approved FY2010 budget for the period from October 1 – December 31, 2009.

Q. WHAT IS THE DIRECT O&M FOR THE BASE PERIOD?

A. $12,420,487

Q. WHAT IS THE DIRECT O&M BUDGET FOR THE FORECASTED TEST PERIOD?

A. $11,799,556

Q. WHAT IS THE DIFFERENCE BETWEEN THE BASE PERIOD O&M AND TEST PERIOD O&M?

A. The difference is a decrease of $620,931 and reflects adjustments I have made for labor and benefits, rent, other O&M and bad debt.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR LABOR AND BENEFITS.

A. The labor forecast for the forecasted test period is based on the Company's approved FY2010 budget. As part of the normal budgeting process, each employee's total salary, expected capital / expense ratio and expected standby and overtime amounts are included. While there is always a normal level of position vacancy at any given point in time, we strive to fill open positions in a timely manner when and if filling the position is justified by current workload. The base period level of total labor expenditures represents a fully staffed level minus the normal level of vacancies and employee levels are projected to remain relatively constant from the base period to the test period. Base pay increases go into effect each October 1 and averaged 3.0% for the increases that went into effect October 1, 2009. These increases are captured as part of the FY2010 budget. An adjustment was made as part of the forecast to account for an average wage increase of 3.5% to become effective October 1, 2010. The 3.5% is consistent with the average level of increases from the past several years, excluding 2010. Overall, total labor is projected to increase just $7,138 from the base period to the test period as we have been increasingly diligent in our FY 2010 budget regarding the filling of positions caused by attrition.

Labor capitalization rates are forecasted by analyzing annual historical patterns and considering known capital and expense initiatives that may alter anticipated rates. The labor capitalization rate in the FY10 budget and test period averages 50% for the year.

This is 3% higher than the labor capitalization rate in the base period. The anticipated increase in capitalization rate to 50% (consistent with the approved FY10 budget) results in labor expense forecasted to decrease $322,381 from the base period to the test period.

Benefits are projected as a fixed benefit load percentage of labor expense plus an amount for workers' comp insurance. The test period benefits expense of $2,077,055 is $142,750 lower than the base period.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO RENT.

A. Unlike other O&M categories that are likely to increase with normal inflation, our building rents are driven by leases already in place and can therefore be projected with a high level of accuracy. The rent portion of the O&M category "Rent, Utilities and Maintenance" was budgeted by reviewing actual lease amounts. Because a portion of building lease payments is capitalized each month, any change in the capitalization rate affects the amount of lease payments expensed each month.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO OTHER O&M.

A. The budget for O&M expense types other than labor, benefits, rent and bad debt categories for the first half of the test period is our FY2010 budget. For the purpose of this rate filing, they are forecasted using a standard inflation factor of 3.3% for the second half of the test period. The escalation factor is based on recent CPI data from the Bureau of Labor Statistics. One exception, insurance, is escalated at 5%. Increases in the Company's insurance premiums in recent years have been higher than normal inflation levels.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO BAD DEBT

A. Our goal is to keep bad debt no higher than 0.50% of residential, commercial and public authority revenues during any given year. We work vigorously to collect bad debts and reduce the impact of bad debt expense on customers. To arrive at the bad debt projection of $909,895 we simply calculated 0.50% of residential, commercial and public authority revenues from the revenue projection in the direct testimony of Company witness Mr. Gary Smith. This projection is $328,000 higher than the base period. The Company is requesting a change to its tariff in this rate proceeding to collect the gas cost portion of bad debt through the GCA. The change is discussed in

the testimony of Mr. Gary Smith. If the tariff is adopted as filed, the amount of bad debt in the Company's revenue requirement should be $218,323 which represents 0.50% of residential, commercial and public authority gross margins.

Q. WHAT IS THE AMOUNT OF GENERAL OFFICE O&M ALLOCATED TO KENTUCKY FOR THE BASE PERIOD?

A. $4,118,990.

Q. WHAT IS THE AMOUNT OF THE GENERAL OFFICE O&M BUDGET ALLOCATED TO KENTUCKY FOR THE FORECASTED TEST PERIOD?

A. $4,487,948.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE GENERAL OFFICE BASE PERIOD AND FORECASTED TEST PERIOD AMOUNTS.

A. The difference is $368,958. The primary drivers of the increase are the expense categories of telecommunications and outside services. In both cases, the increases are offset by reductions in the Kentucky direct (division 009) O&M budget.

Q. WHAT IS THE AMOUNT OF SHARED SERVICES O&M ALLOCATED TO KENTUCKY FOR THE BASE PERIOD?

A. $6,201,269.

Q. WHAT IS THE AMOUNT OF THE SHARED SERVICES O&M BUDGET ALLOCATED TO KENTUCKY FOR THE FORECASTED TEST PERIOD?

A. $6,581,575.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE SHARED SERVICES BASE PERIOD AND FORECASTED TEST PERIOD AMOUNTS.

A. The difference is $380,306. The SSU budget is prepared in a fashion consistent to that of the Division. Once the SSU department heads complete, submit and get approval for their budgets, the appropriate level of expenses are allocated to the Kentucky rate jurisdiction per the methodologies described in Mr. Meziere's testimony.

Q. HOW DO YOU MONITOR SHARED SERVICES BILLINGS TO THE KENTUCKY/MID-STATES DIVISION?

A. Shared Services expense billings are reviewed as part of our monthly close process described earlier. It is my responsibility to contact Accounting in Dallas and obtain an explanation for any significant variances.

Q. WHAT IS THE TOTAL FORECASTED TEST PERIOD O&M THAT RESULTS FROM THE SUM OF THE DIRECT, GENERAL OFFICE AND SSU COMPONENTS?

A. $22,869,078.

Q. DO THE FORECASTED O&M AMOUNTS DISCUSSED IN YOUR TESTIMONY INCLUDE THE RATEMAKING ADJUSTMENTS QUANTIFIED ON SCHEDULE C-2?

A. No. Schedule C-2 contains five ratemaking adjustments.

Adjustment for Owensboro Country Club Expenses

The first adjustment removes $965 of Owensboro Country Club expenses from test year distribution operating expense. It is quantified on Schedule F.2.2.

Adjustment for Sales and Promotional Advertising Expenses

The second adjustment removes $273,264 of sales and promotional advertising from test year sales expense. It is quantified on Schedule F.4.

Adjustment for Rate Case Expenses

The third adjustment adds $75,667 to test year administrative and general expense to account for a three-year amortization of the expected expenses pertaining to this case. It is quantified on Schedule F.6.

Adjustment for Expense Report Exclusion

The fourth adjustment removes $89,245 of certain expense report items from test year administrative and general expense. The Company's goal is to ensure that its Kentucky rates rest upon a sound foundation of unquestionable costs. The Company is committed to achieving that goal even if it means foregoing recovery of a certain amount of legitimate business expense in an effort to ensure that there can be no question about what remains. The expense report exclusion adjustment is made to exclude certain cost items of which the Company does not intend to seek recovery from its customers in this case. As examples, such items include executive meals, travel and entertainment

expenses as well as some non-executive expenses. The Company has taken extra measures to ensure that cost items of this nature do not find their way into Kentucky rates, and it is continuing to do so. While the Company believes that items of this nature are proper business expenses, as a matter of policy, the Company is not seeking to recover expenses of this type from our Kentucky customers. The excluded amounts are quantified on Schedule F.8 and occur in the Kentucky division as well as the General Office and SSU.

Adjustment for Previously Deferred Manufactured Gas Plant Expenditures

The final adjustment adds $183,304 to test year administrative and general expense to account for a three-year amortization of previously deferred manufactured gas plant (MGP) expenditures. The Company deferred $549,913 per the order in Case No. 2008-00230. The adjustment is quantified on Schedule F.9.

Q. YOU HAVE PROPOSED TO RECOVER THE PREVIOUSLY DEFERRED MGP EXPENDITURES IN BASE RATES. IS THE COMPANY OPEN TO CONSIDERING ALTERNATIVE RECOVERY MECHANISMS?

A. Yes. The Company is willing to consider other mechanisms that could more precisely recover the expenses it incurred. In Tennessee, the Company is recovering similar type expenses through a volumetric based surcharge mechanism in which the recovery factor will be trued-up to ensure that the Company recovers no more and no less than the amount originally deferred.

Q. DO YOU BELIEVE THAT THE FORECASTED TEST PERIOD O&M BUDGET YOU HAVE PRESENTED IS THE MOST REASONABLE ESTIMATE OF COSTS FOR THE TEST PERIOD USED IN THIS PROCEEDING?

A. Yes. It is the best estimate we have of the Kentucky jurisdiction's future operating and maintenance expenses.

V. DEPRECIATION EXPENSE AND TAXES, OTHER THAN INCOME TAX

Q. WHAT IS THE DEPRECIATION EXPENSE FOR THE BASE PERIOD?

A. The amount of depreciation expense for the base period is $12,587,569.

Q. WHAT IS THE DEPRECIATION EXPENSE FOR THE FORECASTED TEST PERIOD?

A. The amount of depreciation expense for the forecasted test period is $12,899,592.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE BASE PERIOD AND FORECASTED TEST PERIOD DEPRECIATION AMOUNTS.

A. Depreciation rates for the forecasted test period for Kentucky (division 009) and SSU (divisions 2 and 12) are those approved in Case No. 2006-00464. The Company is proposing a change in rates for the relatively minor plant balances in the General Office (division 091). These rates have been recently approved for the Company in Tennessee and Virginia and were not part of the depreciation studies included in the testimony of Company witness Don Roff in Docket No. 2006-00464. The proposed change lowers the revenue requirement in this case by $48,340 once the appropriate allocation factor is applied for Kentucky for Division 009 depreciation expense.

The depreciation rates are applied to the applicable categories of plant for the Kentucky jurisdiction as well as the General Office and Shared Services division, resulting in total depreciation expense of $12,899,592. The amounts allocated from the General Office and SSU to Kentucky are based upon the cost allocation methodology more fully described in Mr. Meziere's testimony.

Q. WHAT IS THE EXPENSE LEVEL FOR TAXES, OTHER THAN INCOME TAXES FOR THE BASE PERIOD?

A. $4,032,425.

Q. WHAT IS THE LEVEL OF TAXES, OTHER THAN INCOME TAXES FOR THE FORECASTED TEST PERIOD?

A. $4,186,517.

Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE BASE PERIOD AND FORECASTED TEST PERIOD BUDGETS.

A. The difference is an increase of $154,092. The components are itemized by type of tax on Schedule C.2.3 F. For the first half of the test period (April 1, 2010 – September 30,

2010) payroll taxes are consistent with the approved FY2010 budget and based on budgeted labor amounts. The amounts for the second half of the test period (October 1, 2010 – March 31, 2011) have been escalated from FY2010 budgeted amounts to account for planned base pay increases. The monthly charge for the Public Service Commission Assessment through June, 2010 is based on the payment made by the Company in July, 2009. That monthly charge has been lowered for the remainder of the test period consistent with the witnessed and anticipated lower revenues in calendar 2009 (on which the next assessment will be based). The budgeted monthly ad valorem accrual in the FY2010 budget is $244,304. That monthly accrual has been escalated by 5% for the second half of the test period. The DOT transmission user tax has been held constant from the base period. The amount of taxes allocated from the Division General Office and SSU is based on the allocation methodologies discussed in the Cost Allocation Manual attached to Mr. Meziere's testimony.

VI. PIPE REPLACEMENT PROGRAM

Q. COMPANY WITNESS MR. EARNEST NAPIER DISCUSSES THE TECHNICAL JUSTIFICATION FOR THE COMPANY'S PROPOSED PIPE REPLACEMENT PROGRAM (PRP). PLEASE DISCUSS THE NECESSITY OF THE PROGRAM FROM A FINANCIAL PERSPECTIVE.

A. In order to accomplish the pipe replacement goals set forth in Mr. Napier's testimony, the Company needs to significantly increase its annual capital investment in Kentucky over and above the average capital expenditures from the last several years. Because the Company's typical level of non-growth capital investment already exceeds its level of depreciation expense, the PRP will result in a significant annual net increase to the Company's rate base in Kentucky. The incremental growth in rate base will cause the Company's revenue deficiency to grow more rapidly than it would in the absence of incremental capital investments. The PRP will allow the Company to earn a timely return on the incremental investment while avoiding the resource commitment and expense required by traditional rate cases.

In the absence of such a mechanism, the Company would find it necessary to:

1) file traditional rate cases more frequently,

2) reduce its level of incremental capital investment (thus prolonging the time required to replace the bare steel pipe described in Mr. Napier's testimony), or

3) some combination of 1 and 2.

Q. WHAT ARE THE KEY ATTRIBUTES OF THE COMPANY'S PROPOSED PRP FROM A FINANCIAL PERSPECTIVE?

A. For the program to be in the best interest of the Company and its customers, it must have the following design criteria:

1. The mechanism must allow the Company to earn a return on the incremental investments, including incurred overhead expenditures, that coincides with the timing of the investments themselves. In other words, the mechanism should incorporate forward-looking rules similar to those available to companies in traditional rate filings.
2. The mechanism must include a true-up component that ensures that customers are charged no more and no less than is justified by the actual incremental investments made by the Company under the program.
3. The mechanism should include reimbursement for other expenses incurred by the Company as well as cost savings anticipated as a result of having made the investments. Such additional expenses include incremental depreciation expense and ad valorem taxes. Anticipated cost savings include reduced leak survey intervals and reduced leak monitoring costs.
4. The annual PRP filings made by the Company must be streamlined so as to avoid the majority of legal and other expenses inherent in traditional rate cases while maintaining an appropriate level of rigor and prudency review.

Q. PLEASE DESCRIBE THE ANNUAL PROCESS THE COMPANY IS PROPOSING FOR ITS PRP.

A. The Company proposes to make annual filings on August 1st of each year. The annual filing will have the following components:

1. A forecast of the pipe replacement investments the Company plans to make during its next fiscal year (from October 1 – September 30) following the August 1st filing.

2. A reconciliation of the actual pipe replacement investments made versus those originally forecasted for the fiscal year completed (October 1 – September 30) previous to the August 1st filing.
3. A calculation of the PRP recovery charge that incorporates:
   a. The net cumulative investments made under the program since inception and forecasted through the current fiscal year, including gross plant, accumulated depreciation and ADIT,
   b. The net incremental investments forecasted for the following fiscal year (#1 above),
   c. The reconciliation from the previous fiscal year (#2 above), and
   d. A calculation of incremental expenses (such as depreciation expense and ad valorem taxes) and anticipated cost savings associated with the PRP investments.

The resulting PRP recovery charge calculated in the filing will be implemented on customers' bills beginning with the first billing cycle in October of each year. A discussion of the recovery mechanism implemenation into the Company's rate structure is discussed in the testimony of Company witness Mr. Gary Smith.

The time period from August 1st to October 1st will be the review period allowed for the PSC to conduct its prudency review. During that time, the Company would be available to respond to data requests, assist in an audit of the filing or otherwise make its records available for an audit, or participate in other efforts necessary to validate its filing and the charge that should be implemented on October 1st.

Q. HOW WILL THE COMPANY ENSURE THAT INVESTMENTS ARE NOT RECOVERED BOTH IN THE PRP AND IN THE CONTEXT OF A GENERAL RATE FILING?

A. Beginning with the program's inception, the Company will track its PRP-qualifying investments separately from its other investments. This can be accomplished by setting up specific capital assets for each PRP investment and/or recording all PRP investments in designated cost centers in the Company's general ledger. From the time the program is initiated and investments are made that qualify under the program, the Company will,

in effect, account for its PRP rate base and non-PRP rate base separately. The cumulative investments that make up the PRP rate base will be used in the Company's annual PRP filings to calculate the PRP recovery charge. In the context of a general rate case, the revenue requirement will be calculated based on the Company's rate base and expenses that are not already recovered through the PRP. In other words, when the Company files a general rate case, the exact amount of rate base, return on investment, depreciation expense and ad valorem taxes that the Company is recovering through the PRP would be set aside and the remaining components of revenue requirement would be used to calculate rates for the general case. This methodology would ensure that the Company is not "double-dipping" any aspect of its total revenue requirement.

Q. HOW DOES THE COMPANY PROPOSE TO RECONCILE THE ANNUAL PROCESS DESCRIBED ABOVE WITH THE TIMING OF THIS RATE PROCEEDING?

A. The Company proposes to make its first PRP filing on August 1, 2010. As described above, that filing would normally include forecasted PRP investments for the period from October 1, 2010 to September 30, 2011. However, the forecasted test period in this current rate proceeding extends to March 31, 2011. In the interest of simplicity, the Company proposes that all capital investments forecasted through March 31, 2011 be included in the revenue requirement in this proceeding. Thus the Company will begin tracking PRP investments on April 1, 2011. The PRP filing made on August 1, 2010 will forecast PRP investments for the period from April 1, 2011 to September 30, 2011. The PRP recovery charge, for the first year of the program, should be implemented on the first billing cycle in April, 2011.

The PRP's second year will commence with a filing on August 1, 2011 and would forecast PRP investments from October 2011 – September 2012. The recovery charge will be implemented in October, 2011.

The PRP's third year will commence with a filing on August 1, 2012 and would forecast PRP investments from October 2012 – September 2013. It would also true-up the actual investments made versus investments originally forecasted from the program's first year (investments made from April 1, 2011 to September 30, 2011).

The recovery charge will be implemented in October, 2012. Subsequent years would follow the pattern described above.

Q. DO YOU BELIEVE THAT THE PRP PROGRAM, AS DESCRIBED IN YOUR TESTIMONY AS WELL AS THE TESTIMONY OF MR. GARY SMITH AND MR. EARNEST NAPIER REPRESENTS THE BEST BALANCE BETWEEN THE INTERESTS OF CUSTOMERS AND FAIRNESS TO THE COMPANY?

A. Yes. It will allow the Company to make needed incremental investments on behalf of its customers without negatively impacting its opportunity to earn a fair and timely return on its investment.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2009-00354
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Gregory K. Waller, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

G Waller

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

SUBSCRIBED AND SWORN to before me by Gregory K. Waller on this the 14th day of October, 2009.

PAMELA TODD
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires MAY 8, 2012

Pamela Todd

Notary Public

My Commission Expires: MAY 8, 2012

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
RATE APPLICATION BY	)	**Case No 2009-00354**
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF CHRISTOPHER A FELAN

Q. PLEASE STATE YOUR NAME, JOB TITLE AND BUSINESS ADDRESS.

A. My name is Christopher A. Felan. I am Manager, Rates and Regulatory Affairs with Atmos Energy Corporation ("Atmos" or "Company"). My business address is 5420 LBJ Freeway, Ste. 1600, Dallas, Texas 75240.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND PROFESSIOANL EXPERIENCE?

A. I received a Bachelor of Business Administration degree in accounting from the University of Texas at Austin in 1990. I am a Certified Public Accountant in the State of Texas and a member of the American Institute of Certified Public Accountants. I have worked in various industries for over 19 years in a variety of accounting and finance positions. I joined Atmos Energy Corporation in 2006 as a Senior Analyst in the Planning and Budgeting group. I assumed my current role in March 2009.

Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER REGULATORY COMMISSION?

A. Yes. I have filed testimony before the Mississippi Public Utility Commission.

Q. WHAT IS THE SCOPE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am responsible for the calculation of the Company's revenue deficiency and the rate base in this docket and in that regard I am sponsoring the following Filing Requirements (FR):

FR 10 (8) (c) Capitalization and net investment rate base

FR 10 (8) (f) Reconciliation of the rate base and capitalization.

FR 10 (9) (h) (2) Balance sheet, (3) cash flow statement (4) revenue requirements and (12) rate base

FR 10 (10) (a) Derivation of the requested revenue increase (Schedule A).

FR 10 (10) (b) Rate base summary for the base and test period (Sched. B).

FR 10 (10) (e) Jurisdictional federal and state income tax summaries.

FR 10 (10) (h) Computation of gross revenue conversion factor

I am also sponsoring the ratemaking adjustments included in Schedule C-2 filed in compliance with filing requirement FR 10 (10) (c).

Q. ARE YOU SPONSORING ANY SCHEDULES IN CONNECTION WITH YOUR TESTIMONY?

A. Attached to my testimony is Exhibit CAF-1 which provides the composite factors used to allocate common costs for purposes of this rate proceeding.

Q. DO YOU ADOPT THESE FILING REQUIREMENTS, AND THEIR ASSOCIATED SCHEDULES, AND MAKE THEM PART OF YOUR TESTIMONY?

A. Yes.

Q. WHAT IS THE SOURCE OF THE DATA USED TO COMPLETE THE FILING REQUIREMENTS THAT YOU ARE SPONSORING?

A. The source of the data includes the accounting books and records of the Company which are being sponsored by Company witness Mr. Dan Meziere along with information provided by the following witnesses to this proceeding: Mr. Ernie Napier (capital budget additions); Mr. Greg Waller (expense forecast); Mr. Gary L. Smith (revenue, gas cost and margin forecast; sales statistics); Dr. James Vander Weide (cost of equity); and Ms. Laurie Sherwood (capital structure, debt cost rates and composite cost of capital).

The detail concerning how this information was derived is found in the testimony of these witnesses. The data and information provided by these witnesses is the best available information and was developed consistent with sound ratemaking practices. Further, the methods that I used to determine the Company's revenue requirement and rate base in this docket are consistent with the Company's approach in prior cases and with past Commission practice. The items included in rate base in this case are the same as those in the Company's last filing.

Revenue Deficiency

Q. WHAT IS THE AMOUNT OF ATMOS' REVENUE DEFICIENCY?

A. The amount of revenue deficiency Atmos seeks to recover in its proposed rates is $9,486,033 as shown on line 8 of Schedule A. This deficiency is based on the forecasted test period twelve months ended March 31, 2011, an average rate base of $184,697,058 and a required rate of return on rate base of 9.00%. The required return and projected capital structure are presented in FR 10 (10)(j) and discussed in the testimony of Ms. Laurie Sherwood.

Q. WHAT IS THE SOURCE OF FORECASTED TEST PERIOD ADJUSTED OPERATING INCOME OF $10,864,662 SHOWN ON SCHEDULE A, LINE 2?

A. The forecasted test period adjusted operating income is determined in Schedule C and discussed in Mr. Waller's testimony.

Rate Base

Q. HOW DID YOU DETERMINE THE LEVEL OF RATE BASE FOR THE TEST PERIOD?

A. The test period rate base of $184,697,058 is summarized in Schedule B-1, and detailed in Schedules B-2 through B-6. Each component of the test period rate base is a thirteen month average forecasted amount, unless noted otherwise. The components of rate base are: net plant in service, construction work in progress, cash working capital calculated using the 1/8 operation and maintenance expense method, plus an allowance for other working capital items consisting of materials and supplies, gas stored underground, and prepayments, less customer advances for construction and deferred income taxes.

Q. HOW WAS THE TEST YEAR GROSS PLANT IN SERVICE PROJECTED?

A. I began with actual per books gross plant as of July 2009 including allocations of shared plant as discussed by Mr. Meziere in his testimony. I used the capital spending projection for August and September 2009. For the months of fiscal year 2010 (October 2009 through September 2010) I added budgeted plant additions and deducted projected plant retirements. For the months of October 2010 through the end of the test year I added plant additions in amounts 5% greater than the Budget 2010 additions to reflect the expected growth in spending consistent with the company's five year plan. Projected plant retirements were generally based on the level of retirements recorded in fiscal year 2009. Routine retirements in each month of fiscal 2009 were projected to continue at the same level in the same month in future years. More unusual retirements were not projected to continue at the same level.

Q. HOW WAS THE TEST YEAR ACCUMULATED DEPRECIATION PROJECTED?

A. I began with actual per books accumulated depreciation as of July 2009 including allocations as discussed by Mr. Meziere in his testimony. For the months of October 2009 through the end of the test year, I added budgeted depreciation and deducted the same retirements that were projected for gross plant. The budgeted depreciation amounts are discussed in Mr. Waller's testimony.

Q. HOW DID YOU DETERMINE THE AMOUNT OF TEST YEAR CONSTRUCTION WORK IN PROGRESS TO INCLUDE IN RATE BASE?

A. I began with actual per books construction work in progress as of July 2009 including allocations. I reduced that amount to exclude projects for which an allowance for funds used during construction was recorded. I concluded that the July 2009 construction work in progress balances were reasonable estimates of future construction work in progress balances through the forecasted test year. By leaving the amount of construction work in progress level through the end of the test year I in effect was assuming that projected capital projects would be closed to gross plant at the same rate at which capital costs were incurred and booked to construction work in progress.

Q. HOW WAS THE TEST YEAR AMOUNT OF MATERIAL AND SUPPLIES DETERMINED?

A. I calculated the amount of materials and supplies in the forecasted period based on actual amounts booked in fiscal year 2009. For example, the amount of materials and supplies projected for March 2010 was equal to the average amount booked for February and March of 2009. The Company does not anticipate a significant change in the amount of materials and supplies in the test year. The calculation method maintains the historic level of materials and supplies while smoothing out any historic month to month fluctuations.

Q. HOW WAS THE AMOUNT OF GAS IN STORAGE DETERMINED?

A. The projected amount of gas in storage is discussed in Mr. Smith's testimony.

Q. HOW WAS THE TEST YEAR AMOUNT OF PREPAYMENTS DETERMINED?

A. I calculated the amount of prepayments in the forecasted period based on actual amounts booked in fiscal year 2009. The Company has no expectation that these amounts will change in the test year. For example, the amounts projected for prepaid rent remain the same as the actual 2009 amounts pursuant to leases and the amounts projected for prepaid KPSC fees assume that the same fees will be incurred in June of 2010 as were incurred in June of 2009 and that the amounts also will continue to be amortized over twelve months.

Q. HOW DID YOU PROJECT THE AMOUNT OF TEST YEAR CUSTOMER ADVANCES FOR CONSTRUCTION?

A. I calculated the amount of customer advances in the forecasted period based on actual amounts booked in fiscal year 2009. For example, the amount of customer advances projected for March 2010 was equal to the 6 month average amount for March through August of 2009. The Company does not anticipate a significant change in the amount of customer advances in the test year. The calculation method maintains the historic level of customer advances while smoothing out any historic month to month fluctuations.

Q. DOES THE COMPANY'S RATE FILING REFLECT A PROJECTION OF ACCUMULATED DEFERRED INCOME TAX(ADIT)?

A. Yes. The Company's income tax department provided a projection of ADIT for purposes of this filing.

Q. WERE ANY ITEMS EXCLUDED FROM THIS PROJECTION?

A. Yes. Beginning June 30, 2009, within the base period, the projection excludes any estimated amount for over/under recovery of gas cost in order to normalize the tax effect of over/under recovery of gas cost to zero.

Q. DID YOU PREPARE A RECONCILIATION OF TEST YEAR RATE BASE AND CAPITALIZATION?

A. Yes. To comply with section 10 (8) (f) of 807 KAR 5001 I prepared the reconciliation in the attached Schedule FR 10(8)(f). It shows the differences between the test year average rate base and test year end capital that result from using 13 month averages in rate base, certain balance sheet items not being included in rate base and amounts included in rate base for particular categories such as deferred taxes, that differ from the amount included on the balance sheet.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

ATMOS ENERGY CORPORATION
Allocation of Atmos Corporate (Co. # 10) Cost Based on 12 Month Period Ended 9/30/08

			30	60	20	20	50	MVG	80	180	301	ASG	221	312	212
A. Composite Allocation Factor:		Total	West Tex Div	CO/KS Div	LA Div 007	LA Div 077	MidStates Div	MVG	Mid-Tex Div	Atmos P/L Mid Tex	AESI	Atmos P/L & Storage	Atmos Energy Power Systems	Atmos Energy Holdings	Atmos Energy Marketing
Gross Direct PP&E	$	6,022,616,442	409,544,550	384,701,750	160,174,044	415,940,163	1,004,127,615	354,738,073	2,252,808,763	958,978,475	52,369	62,550,450	3,003,534	-	15,996,657
Average Number of Customers	#	3,133,827	295,697	240,691	74,187	264,965	466,588	249,689	1,540,638	366	-	2	2	-	1,002
Total O&M Expense *	$	402,115,946	27,500,353	27,727,373	9,029,675	23,115,959	49,052,274	37,249,183	122,467,453	70,978,547	1,128	1,963,786	1,406,565	168,756	31,454,895
(* w/o Allocation)															
Total Composite Factor															
Gross Direct PP&E	%	100.00%	6.79%	6.39%	2.66%	6.91%	16.67%	5.89%	37.41%	15.92%	0.00%	1.04%	0.05%	0.00%	0.27%
Average Number of Customers	%	100.00%	9.44%	7.68%	2.37%	8.45%	14.89%	7.97%	49.16%	0.01%	0.00%	0.00%	0.00%	0.00%	0.03%
Total O&M Expense	%	100.00%	6.83%	6.90%	2.25%	5.75%	12.20%	9.26%	30.46%	17.65%	0.00%	0.49%	0.35%	0.04%	7.82%
Total Composite Factor for FY 2008	%	100.00%	7.68%	6.99%	2.43%	7.04%	14.59%	7.71%	39.01%	11.19%	0.00%	0.51%	0.13%	0.01%	2.71%

	Total	West Tex Div	CO/KS Div	LA all divisions		MidStates Div	MVG	Mid-Tex Div	
Call Duration	45,206,593	5,123,569	3,160,921	4,936,493		6,840,267	4,583,178	20,562,165	
Composite Factor	100.00%	11.33%	6.99%	10.92%		15.13%	10.14%	45.48%	

Atmos Energy Corporation
Atmos Energy Mid States Div
Development of Allocation Factors
For Fiscal Year 2009

Div #	Division Name	Sept ' 08 Direct Property Plant & Equipment (1)	Percent of MidStates Property (2)	YE Sept '08 Total O &M w/o 922 (3)	Percent of MidStates O & M (4)	YE Sept '08 Avg Number of Customers (5)	Percent of MidStates Customers (6)	**MidStates Allocation Percent (7)**
09	KENTUCKY	312,290,438	31.26728	12,444,895	34.05323	172,938	37.06431	**34.12827**
70	KIRKSVILLE	8,126,136	0.81361	(185,478)	(0.50753)	1	0.00021	**0.10210**
72	SE MISSOURI	45,583,978	4.56398	2,773,884	7.59024	33,614	7.20420	**6.45281**
92	ILLINOIS	46,280,811	4.63375	2,351,947	6.43568	22,627	4.84945	**5.30629**
93	TENNESSEE	337,665,131	33.80785	8,307,150	22.73103	129,096	27.66803	**28.06897**
95	GEORGIA	139,245,269	13.94158	5,903,743	16.15454	62,508	13.39680	**14.49764**
96	VIRGINIA	58,720,800	5.87927	2,429,143	6.64692	22,262	4.77122	**5.76580**
97	MISSOURI	37,111,615	3.71571	1,839,925	5.03463	19,254	4.12654	**4.29229**
98	IOWA	12,761,743	1.27774	647,409	1.77152	4,289	0.91922	**1.32283**
99	FT. BENNING	991,245	0.09925	32,801	0.08975	0	0.00000	**0.06300**
	Total	998,777,166.00	100.00	36,545,419.00	100.00	466,589	100.00	100.00

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2009-00354
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Christopher A. Felan, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

Christopher A. Felan

STATE OF TEXAS

COUNTY OF DALLAS

SUBSCRIBED AND SWORN to before me by Christopher A. Felan on this the 19th day of October, 2009.

PAMELA L PERRY
My Commission Expires
October 29, 2012

Pamela L. Perry
Notary Public

My Commission Expires: 10-29-2012

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION
FRANKFORT, KENTUCKY

IN RE:

PETITION OF ATMOS ENERGY	)	
CORPORATION FOR APPROVAL OF	)	
ADJUSTMENT OF ITS RATES AND	)	
REVISED TARIFF	)	**DOCKET NO. 2009-00354**

EARNEST B. NAPIER, P.E.

I. INTRODUCTION OF WITNESS

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

A. My name is Earnest B. Napier. I am Vice President Technical Services of the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos Energy" or "Company"). My business address is 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067-6226.

II. SUMMARY OF TESTIMONY

Q. PLEASE BRIEFLY SUMMARIZE THE TESTIMONY YOU INTEND TO GIVE IN THIS MATTER.

A. In my testimony, I will describe Atmos Energy's budgeting process for capital expenditures ("Capex"). My testimony will describe how the Company decides upon and prioritizes its capital expenditures. Specifically, I will discuss the Company's budget for capital expenditures relating to Kentucky for the test period and as forecast for future years. I will also describe the engineering and operational aspects of the Company's proposed Pipe Replacement Program ("PRP") by providing information on the history of the piping systems and a description of the proposed methodology the Company will use to manage the PRP.

III. WITNESS QUALIFICATIONS

Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree in Civil Engineering from The University of Tennessee in 1982. I am a Registered Professional Engineer in the states of Tennessee, Missouri and Kansas. I have been employed in the utility industry since 1977, predominantly in the natural gas distribution field. I have been employed by Atmos Energy Corporation for over twenty seven (27) years.

During my time at Atmos Energy Corporation, I have held several different engineering related positions. I was named Vice President of Technical Services for the Kentucky/Mid-States Division in July of 2007.

Q. WHAT ARE YOUR RESPONSIBILITIES AS THE VICE PRESIDENT OF TECHNICAL SERVICES?

A. I have overall responsibility for decision-making related to technical operations. This includes engineering and system design, safety, compliance, procurement, environmental, measurement, communications, technological infrastructure, and storage operations. I also sponsor Atmos' Compliance Committee and am a member of the Atmos' Utility Operations Council, which sets the Company's standard practices and procedures for construction, maintenance and service. In addition, I am responsible for developing the Division's (including Kentucky) annual capital budget and monitoring capital budgetary compliance. In this regard, it is my role to ensure that the Company's investment in new plant and equipment in Kentucky is targeted toward meeting the important goals of public safety, system reliability and efficiency.

Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. No.

Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE ANY OTHER REGULATORY COMMISSIONS OR AUTHORITIES?

A. Yes, I have submitted written and / or oral testimony before the Georgia Public Service Commission in Docket Numbers 27163, 27168, 29554 and 30442. I have also submitted written and oral testimony before the Tennessee Regulatory Authority in Docket Number 07-00251.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS AND, IF SO, WHICH?

A. I am sponsoring the following filing requirements:

FR 10(9)(b) Kentucky's most recent capital construction budget containing four fiscal years of construction expenditures.

FR 10(9)(c) A complete description of all factors used in preparing Kentucky's capital construction budget.

FR 10(9)(f) Detailed information for each major construction project constituting more than five percent (5%) of the annual construction budget within the three (3) year forecast.

FR 10(9)(g) Detailed information for the aggregate of construction projects constituting less than five percent (5%) of the annual construction budget within the three (3) year forecast.

FR 10(9)(t) List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with this application.

Q. DO YOU ADOPT THESE FILING REQUIREMENTS AND MAKE THEM PART OF YOUR TESTIMONY?

A. Yes.

IV. CAPITAL BUDGETING PROCESS

Q. WHAT ARE THE OBJECTIVES OF THE COMPANY'S CAPITAL BUDGETING PROCESS?

A. The objectives of the Company's capital budgeting process are to:

(1) Formalize the process of identifying construction needs and prioritizing capital expenditures;

(2) Assess the economic feasibility of individual construction projects;

(3) Determine overall capital requirements for the planning periods;

(4) Reassess long term system maintenance requirements annually; and

(5) Review past construction projects and work practices, and apply procedural improvements as appropriate.

Q. PLEASE DESCRIBE THE PLANNING AND BUDGET PROCESS FOR THE COMPANY'S CAPITAL CONSTRUCTION PROGRAM.

A. The Company plans its capital expenditures over five fiscal years, with a focused emphasis on the first year of that five-year period. We normally begin this process during our third fiscal quarter (April-May) of each year, some 4 to 5 months prior to the beginning of the next fiscal year. The process is initiated within the Division by a request from my office for a "bottom-up" submission of projects from our operations supervisors and operations managers in Kentucky. All proposed projects, vehicles, and equipment must be identified at a high level by need and cost, and all budgets are prepared based upon meeting the five objectives described above. The proposed projects, vehicles, and equipment are reviewed by Kentucky/Mid-States Division's regional vice presidents of operations for collaborative agreements between the regional vice presidents, operations managers, and myself.

After review, additional information is requested for projects that are determined to be the most eligible for funding and more detailed documentation is requested from the operations and technical services managers on those particular projects. The process is largely complete by late June when projects are entered into the Atmos Energy capital budget system (PlanIt), although finalization of capital expenditures is not completed until late July. During this time, the agreed-to projects have been further substantiated to ensure they meet the appropriate financial criteria and the stated objectives.

The final proposed budget must be reviewed by the Division's senior management, including the Division President. Additional reviews are performed by corporate executive operations management and their staff. High level reviews

of the division budgets are also performed by the Company's senior executives who are presiding members of the Company's Management Committee. The Capex budget for Kentucky is not officially approved until it, as part of the Company's total Capex budget, is presented to the Company's Board of Directors in September of each year. Upon this approval, all approved projects are transferred into the Atmos Energy capital tracking system (POWERPLANT) and are ready for appropriation.

Q. HOW DOES ATMOS PRIORITIZE ITS CAPITAL EXPENDITURES?

A. Our priorities for capital expenditure, listed in order of importance, are:

1. Public Safety
2. System Capacity and Reliability
3. Customer Growth
4. Facilities Maintenance
5. Public Works, and
6. Support of Long Term Technological Programs.

Q. WHAT FINANCIAL CRITERIA ARE THE MOST SIGNIFICANT IN APPROVING A PROJECT DURING THE CAPITAL BUDGETING PROCESS?

A. We begin work with an overall capital spending goal which we try to work within, although variations are permitted if justified. We also use key investment criteria to evaluate projects. Any expenditure above targeted levels must be justified. Individual projects, and our construction program as a whole, are assessed on the basis of their return on investment, return on equity, cost of capital, cash flow, new business forecasts, and various capital overheads such as labor, benefits, and inflation.

Q. MUST ALL PROJECTS MEET THE SAME FINANCIAL CRITERIA?

A. No. We separate projects into growth and non-growth capital expenditures. Growth projects are revenue-producing investments for which we can identify a stream of revenues, cash flow, return, payback and other standard investment

criteria. Non-growth capital expenditures involve system integrity, equipment, structures, pipeline integrity, system maintenance and reliability projects which are evaluated on a cost/benefit basis. We endeavor to keep our annual non-growth capital expenditures below the level of depreciation. Since these expenditures do not have an associated stream of revenues, our goal is to fund these expenditures through internal financial cash flow. Obviously, there are certain non-growth expenditures which do not impact public safety that can be scheduled into our five-year investment program to ensure that we properly maintain our system while still operating within overall cash flow constraints. Expenditures which impact public safety have always had and will continue to have the highest priority. We take our obligation to build and operate a safe and reliable gas system very seriously. Finally, there are also a number of projects we must fund over which we have little control as to timing, such as public works projects and highway relocations.

Q. HOW CAN THE COMPANY JUSTIFY ADDITIONAL EXPENDITURES BEYOND ITS REGULAR CAPITAL BUDGET PROJECTIONS?

A. The Kentucky/Mid-States Division can secure additional funding through Atmos if we can demonstrate that we have potential investments which compare more favorably to competing expenditures in other Atmos business units and are, therefore, more worthy of immediate funding from a purely financial standpoint. Expenditures that impact public safety or compliance projects have the highest priority and are considered mandatory capital projects. Unbudgeted expenditures greater than twenty-five thousand dollars must be reviewed by the Division's senior management, including the Division President. If applicable, high-level reviews of unbudgeted expenditures also are performed by the Company's senior executives, who are presiding members of the Company's Management Committee.

Q. HOW IS THE SHARED SERVICES CAPITAL BUDGET DEVELOPED?

A. The Shared Services capital budget is developed using similar methods and processes employed for the Division's Capital expenditure budget which I have previously described.

V. CONTROL & MONITORING OF CAPITAL EXPENDITURES

Q. WHAT ARE THE GOALS OF THE COMPANY'S PROCESS OF CONTROLLING AND MONITORING CAPITAL EXPENDITURE VARIANCES?

A. Variances from budgeted amounts are inherent in the process of making capital expenditures. Our variance monitoring process exists to institute financial quality control by formalizing the analysis of variances by responsibility center in a process that identifies year-to-date spending variances by project. These reports are received and reviewed every month at the business unit level and on a quarterly basis at the corporate level. The goal is to keep all levels of management informed of spending by category or project relative to budgeted levels and to ensure that corrective action is initiated on a timely basis. This supports decision-making related to the cost and appropriate management of current and future capital projects.

Q. PLEASE DESCRIBE THE COMPANY'S PROCESS FOR CONTROLLING AND MONITORING CAPITAL EXPENDITURE VARIANCES.

A. The Company's process for controlling and monitoring capital expenditure variances is utilized by each operating division as well as by Shared Services. At the division level the Company's capital budgeting system maintains projects in two broad categories – Blanket Functionals and Specific Projects. The Blanket Functionals include total capital authorizations of a similar type such as new services, leak repair, short main replacements, small integrity/reliability projects, etc. Specific projects are uniquely identified such as a specific highway

relocation project, replacement of work equipment, or some larger significant integrity/reliability project.

Once a project has been entered in the capital budget system an appropriation Purpose and Necessity (P&N) may be submitted for authorization. Projects are then monitored to ensure they stay within budgeted levels. If during the course of a project, field management identifies that the costs of the project will exceed approved amounts, a request for supplemental funding may be submitted. All expenditures above authorized appropriation, as well as expenditures for unbudgeted projects or variances on budgeted and approved projects, must be approved at the appropriate levels within the Company.

Each month, various project variance reports are published. Each budget center manager is responsible and held accountable for managing their overall approved capital budget.

Q. DISCUSS THE VARIANCES INCURRED DURING THE MOST RECENT FISCAL YEAR.

A. At this time the Company's fiscal year 2009 final capital spending records have not closed, however in fiscal year 2008, the Company's actual capital expenditures in Kentucky were $17,547,624 resulting in a variance of 6.74% under the 2008 budget. In fiscal year 2008, system integrity spending was approximately $1 million under budget due mainly to one significant project being cancelled and another project on our 1930's Hopkinsville 10 inch line coming in significantly under original budget estimates. In fiscal year 2007, the total variance was 0.65% or $109,931 over a budget of $16,798,201, a variance well within expected tolerance. It is important to note that variances do occur and there are projects that surface which cannot be scheduled by the Company. For example, the Kentucky highway non-reimbursement relocation project schedule was revised and work scheduled for 2007 was instead performed in 2006. This project along with other public improvement projects completed during the 2006 budget year resulted in an increase of $349,032 over the 2006 budget. In addition, system improvement/system integrity projects such as the replacement

of some of our 1930's Hopkinsville 10 inch pipeline resulted in an increase of $1,220,220 over budget. In total, the variances in 2006 resulted in a $16,645,007 compared to a budget of $14,185,245.

Q. WHAT HAS THE COMPANY'S RECENT EXPERIENCE BEEN IN TERMS OF VARIANCES BETWEEN BUDGETED DOLLARS AND ACTUAL DOLLARS SPENT?

A. The following table shows Kentucky's historical capital expenditures, including overheads, compared to budget:

Fiscal Year	Actual Dollars	Budgeted Dollars	Over/(Under) Budget, $'s	Variance (%)
2008	17,547,624	18,815,716	(1,268,092)	(6.74%)
2007	16,908,133	16,798,201	109,931	0.65%
2006	16,645,007	14,185,245	2,495,762	17.3
2005	17,525,670	14,571,690	2,953,980	20.3
2004	20,902,147	18,550,753	2,351,394	12.7

VI. TEST PERIOD CAPITAL BUDGET

Q. WHAT IS THE FORECASTED TEST PERIOD USED IN THIS RATE APPLICATION?

A. The forecasted test period is April 1, 2010 through March 31, 2011. This represents 6 months of Kentucky's fiscal year 2010 (FY2010) and 6 months of Kentucky's fiscal year 2011 (FY2011).

Q. WHAT IS KENTUCKY'S FORECASTED TEST PERIOD CAPITAL BUDGET?

A. Kentucky's forecasted test period's capital budget is $24.75 million. Kentucky's capital budget is comprised of three components – the direct capital spending for Kentucky for the forecasted test period, the amount allocated to Kentucky

resulting from capital spending by the Kentucky/Mid-States Division's general office and the amount allocated to Kentucky resulting from capital spending by the Company's Shared Services (SSU) during the forecasted test period. The amounts which are projected to be closed to plant and comprising additions to SSU rate base are sponsored by Company witness Mr. Christopher Felan. The methodology for allocating SSU and the Division general office rate base amounts to Kentucky is described in the testimony of Company witness Mr. Dan Meziere.

Q. HOW WAS KENTUCKY'S DIRECT CAPITAL BUDGET FOR THE FORECAST PERIOD DEVELOPED?

A. We relied upon the FY2010 capital budget as a baseline for projecting detailed FY2010 through FY2011 capital expenditures for purposes of the test period in this rate application. I also prepared fiscal year capital budget estimates for FY2012.

Q. WHAT IS KENTUCKY'S FY2010 DIRECT CAPITAL BUDGET?

A. The approved FY2010 direct capital budget for Kentucky is $22.72 million.

Q. WHAT IS KENTUCKY'S FY2011 DIRECT CAPITAL BUDGET AS ESTIMATED IN THE FIVE YEAR PLANNING PROCESS?

A. Kentucky's FY2011 direct capital budget is estimated at $17.98 million.

Q. HOW DID YOU ADJUST KENTUCKY'S FY2010 DIRECT CAPITAL BUDGET IN ORDER TO PREPARE THE FORECASTED TEST PERIOD CAPITAL BUDGET?

A. The cost of planned and budgeted projects for FY2010, before the application of overheads, was used as a baseline. That amount was approximately $16.37 million. Three factors were evaluated and used to adjust the baseline. These adjustments were necessary in order to reflect the most current information available which would impact our future level of capital spending and thus ensure that the direct capital budget is accurate. These three factors are:

1. Changes related to system integrity and system improvement projects;
2. Cost increases in materials and labor tied to inflation; and

3. An application of overheads attributable to capital projects.

Q. PLEASE DISCUSS EACH OF THESE FACTORS.

A. The change in system improvements reflects an anticipated decrease in capital spending for system improvements below FY2010. Included in the FY2010 budget is a one time system improvement project in Bowling Green with an estimated cost of $5.6 million. We expect to sustain system integrity spending levels in FY2011 and FY2012 with an anticipated increase in cost of material and labor. No major changes in overhead rates are anticipated.

Q. HOW WAS THE DIVISION'S GENERAL OFFICE CAPITAL BUDGET DEVELOPED?

A. The capital budget for the Kentucky/Mid-States Division general office was developed in conjunction with Kentucky's capital budget as well as the capital budgets for all other rate divisions within the Division as part of the Division's total capital budget. The budgeting processes I have described herein applied to all rate division capital budgets which roll up into the Division's total capital budget, including Kentucky and the Division general office.

Q. WHAT IS THE PORTION OF THE DIVISION'S FY2010 CAPITAL BUDGET ALLOCATED TO KENTUCKY?

A. The portion of the approved FY2010 Division's general office capital budget allocated to Kentucky is $1.09 million.

Q. WHAT ABOUT SUBSEQUENT FISCAL YEARS?

A. Those forecasted amounts are $0.90 million for FY2011 and $0.95 million for FY2012.

Q. WHAT IS THE SHARED SERVICES FY2010 CAPITAL BUDGET ATTRIBUTABLE TO KENTUCKY?

A. The portion of the approved FY2010 Shared Services capital budget allocated to Kentucky is $1.48 million.

Q. WHAT ABOUT SUBSEQUENT FISCAL YEARS?

A. Those forecasted amounts are $0.77 million for FY2011 and $0.80 million for

FY2012.

Q. WHAT KEY NEEDS ARE MET THROUGH THIS PARTICULAR BUDGET?

A. System improvement, pipeline integrity, and system integrity investments focus on customer safety and system reliability and are our highest priorities for capital budgeting. The next priority is public improvements and state and local public works projects such as highway relocations. The next priority is customer growth. Atmos Energy continues to build good working relationships with developers, economic development boards, and growing communities to meet the needs of the customer and to accommodate customer growth on its system. Next in order of priority, a modern fleet of vehicles and equipment (backhoes, safety equipment, ditchers, first responder equipment, air compressors, welding machines, etc.) allows us to maintain our system and continue to provide a reliable level of service to our customers. To enhance the level of customer service provided in the field, we also continue to make investments in new technology. Technology is a strategic investment that will enable us to continue improving our business processes, hold down operating costs, and meet the changing expectations of our customers.

VII. PIPE REPLACEMENT PROGRAM ("PRP")

Q. PLEASE SUMMARIZE THE PROPOSED PRP.

A. As part of our effort to provide the safest, most reliable natural gas service, Atmos Energy has been replacing aging infrastructure for several years. All of the cast iron main in Kentucky has been removed from service as well as many miles of bare steel pipe. However, our system still contains approximately 250 miles of bare steel transmission and distribution mains as well as associated service lines, service risers, meters and appurtenances that present maintenance and risk issues for Atmos Energy and the public. Through its PRP Atmos proposes to replace all

bare steel pipe in its system. Atmos Energy considers these facilities to be aging infrastructure in need of scheduled replacement. Atmos Energy plans to replace these facilities over a period of fifteen (15) years, beginning in April of 2011. The estimated cost of the total program is approximately $124 million. Annual capital investment is estimated at approximately $6.7 million in year one and assuming consistent rates of replacement will increase to approximately $10 million in year fifteen (15) of the PRP.

Q. WHY DOES ATMOS ENERGY NEED A PIPE REPLACEMENT PLAN?

A. As stated above, Atmos Energy's Kentucky gas system still contains approximately 250 miles of bare steel transmission and distribution mains along with the associated service lines, service risers, meters and appurtenances needed to deliver natural gas to our customers. Many of these facilities have reached the point in their service life where it is no longer cost effective to continue to repair due to accelerated corrosion rates. All of the bare steel pipe in the Kentucky system is at least fifty years old and some sections are approaching seventy-five years. Atmos Energy's PRP will improve public safety and reliability of service for our customers. Atmos Energy plans to use a well–planned, systematic approach to replacement that will reduce inconvenience to the public, require fewer unplanned disruptions to traffic for emergency repair, and improve coordination with local and state highway agencies. Public safety will be our highest objective and those pipe sections that need prompt attention will be given priority.

Q. PLEASE DESCRIBE THE PIPE REPLACEMENT COMPONENTS THAT ATMOS PROPOSES TO INCLUDE IN ITS PRP.

A. Atmos proposes to include in the PRP all of the planning, design, replacement construction, investment and retirement costs related to the replacement of the following categories of transmission and distribution main – bare steel (whether or not cathodically protected), cathodically unprotected coated steel, and ineffectively coated steel (whether or not cathodically protected). These facilities will hereinafter be collectively referred to as "bare steel main". Also, as part of the PRP Atmos proposes to include all of the planning, design, replacement

construction, investment and retirement costs related to the replacement of all piping from the bare steel main to the customer's meter including curb valves, service risers, meter sets and all other related appurtenances that do not meet current material and construction standards or pose other operational issues. These facilities will hereinafter be collectively referred to as "bare steel services". Finally, as detailed later in my testimony, Atmos will be taking steps to ensure that the newly installed facilities are appropriately designed and sized. This may necessitate in certain circumstances the replacement of facilities other than bare steel mains and services and those planning, design, replacement construction, investment and retirement costs will be included in the PRP as well.

Q. WHAT ARE THE MAIN CAUSES OF LEAKS ON BARE STEEL PIPE?

A. The number one cause of leaks on bare steel pipe is galvanic corrosion. Excluding excavation damage, approximately seventy-two percent (72%) of all leaks repaired on Atmos Energy's system over the past several years were caused by corrosion.

Q. HOW DOES ATMOS ENERGY MANAGE OR CLASSIFY LEAKS AND PRIORITIZE REPAIRS?

A. Atmos Energy classifies each leak found according to the rules outlined in our Operations and Maintenance Manual. Leaks are graded according to severity, Grade 1 being the most severe, through Grade 3. Grade 1 leaks represent an existing or probable hazard to persons or property that requires immediate repair or continuous action until the conditions are no longer hazardous. A Grade 2 leak is a leak that is recognized as being non-hazardous at the time of detection, but justifies scheduled repair based on probable future hazard. Grade 3 leaks are non-hazardous at the time of detection and can be reasonably expected to remain non-hazardous.

Q. WILL CORROSION LEAKS ON BARE STEEL INCREASE IN THE FUTURE AND DOES THIS INCREASE THE RISK TO PUBLIC SAFETY?

A. Yes, corrosion leaks on bare steel main will increase in the future. The likelihood of leaks occurring increases as the corrosion becomes more general and severe on the pipe wall. Each leak found on the system increases the risk to public safety.

Q. IS ATMOS ENERGY'S GAS SYSTEM CURRENTLY SAFE?

A. Yes, Atmos Energy's gas system is safe. Leakage rates are managed utilizing the leak grading system described above. All leaks are either repaired when found or monitored on a predetermined schedule to maintain a high level of public safety. However, with the amount of aging bare steel pipe in our system and the continuous corrosion threat that exists, Atmos Energy must as a prudent operator begin a systematic, accelerated approach to bare steel pipe replacement.

Q. IS REPLACEMENT THE ONLY REMEDY OR IS THERE ANOTHER WAY TO RETARD OR ARREST THE CORROSION PROBLEM INHERENT IN BARE STEEL?

A. In theory a cathodic protection current could be applied to the surface of a bare steel piping system to protect it from galvanic corrosion. However, in practice, cathodic protection of bare steel systems is not a practical approach. Since the amount of direct current that must be applied to a bare steel surface to achieve protection is directly proportional to the surface area of the steel being protected, current requirements for a bare steel system are very high compared to the current requirements of a coated steel system. Introduction of high levels of direct current into the soil in urban areas often results in damage to other underground metal structures such as water systems, underground tanks, and metal shielded cable systems, through a process called stray current corrosion. Even if cathodic protection were a possibility to mitigate the ongoing deterioration caused by galvanic corrosion, there is no process that could undo or replace the damage that has already occurred on a bare steel system.

Q. PLEASE DESCRIBE THE SYSTEMATIC PIPE REPLACEMENT APPROACH ATMOS PLANS TO USE IN ITS PRP.

A. Atmos will implement a two-pronged approach in its PRP to replace bare steel mains. First, Atmos will use leak history and leak grades to determine if the need exists to prioritize a main segment replacement. Secondly, Atmos will utilize a

concentrated construction effort by geographic location to replace the remaining bare steel segments. This approach allows Atmos to maximize efficiency in concentrated construction locations while simultaneously maintaining a high level of public safety. Of course, during the concentrated construction effort Atmos will continue to monitor its remaining bare steel main and replace on a prioritized basis any bare steel main segment determined to require a prioritized replacement. The bare steel service aspect of the PRP will generally be accomplished contemporaneously with the associated bare steel main replacement. There are instances, however, when a bare steel service will be replaced through the PRP on an individual basis due to emergency leakage, damage or other relocation or replacement requirement.

Q. PLEASE DESCRIBE THE BENEFITS OF UTILIZING THE SYSTEMATIC PIPE REPLACEMENT APPROACH.

A. This is an efficient installation practice because through the concentrated construction effort construction crews can stage work by continuously shifting the worksite along the pipe being replaced, day in and day out, rather than what is often the case now where crews open and close worksites and relocate labor and equipment across town or across the service territory. Incorporating this type of design and construction approach should result in a per foot installation cost less than that which would be achieved by bidding smaller and more discrete projects. In addition, there are the public benefits of minimizing disruptions in traffic flow by concentrating work in one section of a municipality. At the same time we will monitor our other segments for leakage and needed replacement activity and react accordingly when main segments become problematic from a long range maintenance perspective. Using this approach will enable Atmos Energy to keep the construction cost as low as possible and avoid unnecessary crew movement which results in down time for the construction effort.

Q. WHAT TYPES OF MATERIALS WILL BE USED TO REPLACE THE BARE STEEL?

A. The majority of replacement piping will be polyethylene plastic where the system pressures will allow it to be used. All of the other replacement piping will be cathodically protected coated steel pipe.

Q. PLEASE DESCRIBE THE MANNER IN WHICH ATMOS ENERGY HAS HISTORICALLY ADDRESSED REPLACEMENT OF ITS BARE STEEL PIPE.

A. Atmos Energy has been replacing and retiring bare steel pipe in its system since the 1970s. Atmos Energy replaces pipe segments based on analyses of the segment's historical leak rate. Atmos Energy attempts to identify the worst likely performing segments and replaces those each year. Atmos Energy also replaces short segments of main and service pipe on an emergency basis when it is determined that an effective repair cannot be made.

Q. DID ATMOS ENERGY EVALUATE ITS INTERNAL RESOURCES NECESSARY TO IMPLEMENT THE PRP?

A. Yes. Atmos Energy has reviewed internal staffing levels on an annual basis for the past decade through a workload process called "blueprint". Utilizing this system allows Atmos Energy to match workload with employee complement. In the initial stages of the PRP we expect to use outside contract labor for the majority of the work. However, with the composite age of our work force in Kentucky, we see the PRP as a prime opportunity to bring in some new talent that will gain a tremendous amount of experience during the replacement of the bare steel pipe. Our blueprint process will assist us in matching complement changes with the increased workload resulting from the PRP. As our existing workforce retires or leaves through normal attrition, this new group of will be ready to step in and maintain the same safe reliable, service that Atmos Energy expects of its' employees. Any additions to staffing will be strategically located in areas to support the PRP. Atmos Energy will continually review its staffing needs to ensure proper support of the PRP.

Q. WHAT STEPS WILL ATMOS ENERGY TAKE TO MAKE SURE THE NEW SYSTEM IS DESIGNED AND SIZED CORRECTLY FOR THE FUTURE?

A. Gas distribution systems are typically planned and designed on a minimum twenty-year horizon. Proper planning dictates that Atmos Energy look ahead for engineering and operational purposes as far as possible. The choice and size of replacement pipe will take into account the engineering and other requirements of system design. The PRP presents an opportunity to address pipe sizing issues with a system sized correctly for the current demands and future loads. Atmos Energy will utilize standard natural gas distribution engineering techniques to select the correct pipe size and type for the application.

Q. WHAT STEPS WILL ATMOS ENERGY TAKE TO ACHIEVE EFFICIENCIES AND REDUCE CONSTRUCTION COSTS?

A. The large scale projects resulting from Atmos' concentrated construction effort will allow us to leverage material purchases, obtain the best construction and restoration contractor costs, and acquire land and right-of-way, when needed, more cost effectively. Moreover, planning, designing and constructing regional and system wide facilities will allow Atmos to optimize both the facilities in place necessary to support gas service delivery as well as the size and configuration of the newly installed facilities. This approach will allow us to utilize best construction practices as they are implemented over a widespread part of our impacted distribution system to reduce construction costs and allow us to adopt and employ best operating and maintenance practices to reduce future O&M legacy costs.

Q. HOW WILL THE PRP AFFECT O&M EXPENSE?

A. Atmos Energy anticipates a significant reduction in leakage which, in turn, will impact operations and maintenance expense over the duration of the PRP. Many of the outstanding leaks in the system will be eliminated with the replacement of bare steel pipe. The elimination of leaking pipe and the risks and inconvenience due to emergency repair, will be the largest benefit for our customers.

Q. HOW DID ATMOS ENERGY BUDGET ITS CAPITAL PROGRAM FOR BARE STEEL REPLACEMENT IN FISCAL YEAR 2010?

A. Specific replacement projects were identified and prioritized based on discussions with experienced operating and engineering personnel knowledgeable of the leakage rate and construction factors influencing public safety and reliability. A budget of approximately $13.1 million was developed for all system integrity projects. This amount includes bare steel main replacement, leak repair, service line, meter and meter set replacements and all other types of system integrity projects normally included in this budget category. The replacement budget includes finances for both planned projects and those main and service facilities requiring replacement on an emergency basis.

Q. WHAT IS THE EXPECTED BUDGET FOR THE PRP IN FUTURE YEARS?

A. Atmos Energy estimates it will spend approximately $124 million over a period of fifteen (15) years beginning in April 2011. Future projects and annual budgets will vary somewhat as we replace the highest priority bare steel pipe based on system condition and performance. While public safety and potential risk are always the primary considerations of project selection, the timing and extent of replacement cost recovery can impact the scope of replacement projects in any given year. Fair and timely investment recovery via the "PRP Rider," explained in Atmos Energy witness Smith's testimony, provides a critical and predictable base of capital to finance our PRP over approximately the next fifteen (15) years. The fiscal year 2012 capital replacement program will be the first full year of Atmos Energy's PRP. In the testimony of Atmos Energy witness Mr. Waller, he has described the timing of proposed annual filings related to the PRP.

Q. IN PLANNING THE PRP, WERE ALTERNATIVELY DEFINED LENGTHS OF THE PROGRAM CONSIDERED, AND WHY WAS A FIFTEEN YEAR PERIOD SELECTED?

A. Various program lengths were evaluated, but the duration of fifteen years was chosen because it matched the best combination of risk (the safe and reliable delivery of natural gas), and resources needs (internal/external labor, material,

capital, etc.). Although Atmos Energy believes the bare steel mains, services, meters, pressure regulating equipment and associated equipment necessary for safe efficient gas distribution operations should be replaced as expediently as possible, internal and external resource constraints have driven us to choose fifteen years as the most reasonable program duration. Atmos Energy has significant experience in other state jurisdictions with replacement programs of this type. We know, based on those other programs, we can efficiently manage this annual amount of spending and replacement. Atmos Energy will continually monitor and evaluate the performance and effectiveness of the replacement program and make adjustments as necessary to ensure safe and reliable delivery of service.

Q. WHAT ASSUMPTIONS ARE BEHIND THE COST ESTIMATE OF $124 MILLION?

A. As I mentioned earlier, this dollar estimate captures all of the planning, design, replacement construction and retirement of approximately 250 miles of bare steel main as well as the bare steel services. The total cost estimate is based on current dollar value adjusted annually for inflation.

Q. WHAT ARE THE BENEFITS OF THE PRP, COMPARED WITH ATMOS ENERGY'S HISTORICAL REPLACEMENT PROGRAM?

A. Public safety is enhanced because the PRP will greatly reduce the increasing risk associated with aging facilities exposed to continuous corrosion forces. For municipalities and state highway departments, the PRP provides a systematic and predictable schedule of construction activities and minimizes disruption to traffic, roads and highways. In some cases it may be possible to coordinate projects around other municipal planned infrastructure improvements such as road replacement, repaving, and sewer and water replacement thus providing overall benefits of public convenience and cost savings to local neighborhoods and communities. Additional cost savings will be achieved through a planned approach to pipe sizing.

Q. WHAT ARE THE ECONOMIC BENEFITS OF THE PRP?

A. A systematic replacement approach produces efficiency gains allowing more main to be replaced for the same price. Atmos Energy will also be able to work through its pipeline supplier to purchase larger quantities of construction materials, resulting in lower cost. Atmos Energy expects operations and maintenance expenses to decline over time by reducing problematic pipe having corrosion leaks.

Q. WHAT ARE THE POTENTIAL ECONOMIC DEVELOPMENT BENEFITS OF THE PRP?

A. A possible benefit of the PRP is the potential for improving economic development in many communities. Through the PRP Atmos Energy plans to eliminate many low pressure systems currently in service which significantly limits the size of the load that can be added. While the existence of a high pressure system does not necessarily mean there will be economic development, should economic development occur, the higher pressure system will enable Atmos to serve larger loads than the current low pressure systems allow.

Q. HOW DOES THE CUSTOMER BENEFIT FROM ATMOS ENERGY'S PRP?

A. Atmos Energy will replace deteriorating main and service pipe and enhance the safety of its system by ensuring replacement of facilities with new, longer lasting and safer materials. Atmos Energy will be able to continue to provide reliable gas service and possibly increase the system capacity to support economic development efforts.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2009-00354
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Earnest B. Napier, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

Earnest B. Napier

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

SUBSCRIBED AND SWORN to before me by Earnest B. Napier on this the 14th day of October, 2009.

PAMELA TODD
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires May 8, 2012

Pamela Todd

Notary Public

My Commission Expires: May 8, 2012

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No.**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF DANIEL M. MEZIERE

I. POSITION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Daniel M. Meziere. My business address is 5430 LBJ Freeway, Suite 600, Dallas, Texas 75240.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Director of Accounting Services for Atmos Energy Corporation (hereinafter "Atmos" or the "Company").

Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

A. I am primarily responsible for directing various accounting activities and policies within the Company. My primary duties include the oversight of general accounting, fixed assets accounting, accounts payable, payroll, and cost allocations. I also serve on an internal committee which is responsible for the oversight and monitoring of Sarbanes-Oxley (SOX) compliance. In addition, I work with both our internal and external auditors on implementing, testing, maintaining and modifying the Company's accounting controls, as well as interfacing between the auditors and the Company.

I am also responsible for ensuring effective financial and internal controls for the Company's accounting processes, system and procedures. I have knowledge of the Company's accounting activities, which include compiling, processing, reporting and

analyzing financial information to satisfy the requirements of internal management, internal independent auditors, external independent auditors and regulatory agencies.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I earned a Bachelor of Science degree in Accounting from East Central Oklahoma State University in 1983 and a Masters of Business Administration from the University of Dallas in 1997.

I have worked in the energy industry for over 20 years in a variety of accounting and finance positions. I joined Atmos Energy Corporation in 2002 in my current position.

Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?

A. Yes. I am licensed by the State of Oklahoma as a Certified Public Accountant.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION OR OTHER REGULATORY ENTITIES?

A. Yes, I filed testimony with this commission in Case No. 2006-00464. I have also testified before the Georgia Public Service Commission in Dockets 20298-U and 27163-U, before the Tennessee Regulatory Authority in Dockets 05-00258 and 07-00105, the Missouri Public Service Commission in Docket No. GR-2006-0387, the Railroad Commission of Texas in Dockets 9676 and 9762 and the Kansas Corporation Commission in Docket No. 08-ATMG-280-RTS.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to authenticate the historic books and records of the Company and demonstrate the integrity of the financial information that has been filed in this case. I am also providing testimony concerning the Company's Cost Allocation Manual (CAM) which describes the methodology for shared services cost allocations.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENT IN THIS CASE, AND, IF SO WHICH REQUIREMENTS?

A. Yes, I am sponsoring the following specific filing requirements of Section 10 of 807

K.A.R. 5:001[1]:		
FR 10(1)(b)(2)	Statement that annual reports are on file with the Commission;
FR 10(9)(j)	Prospectuses of most recent stock or bond offerings;
FR 10(9)(k)	Most recent FERC Form 1 (electric), FERC Form 2, or the Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone);
FR 10(9)(l)	Annual reports to shareholders and statistical supplements for the preceding five years;
FR 10(9)(m)	Current chart of accounts if more detailed than Uniform System of Accounts chart;
FR 10(9)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters;
FR 10(9)(q)	Independent auditors annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls; and
FR 10(9)(r)	Quarterly reports to stockholders for the most recent five quarters.[2]
FR 10(9)(u)	Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment;
	Method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period;
	Explain how allocator for both base and forecasted test period was determined; and

[1] This regulation prescribes numerous filing requirements (FRs). The FR abbreviations used are to the applicable subparts of Section 10 of 807 K.A.R. 5:001.

[2] Other than its quarterly report on Form 10-Q filed with the Securities and Exchange Commission, the Company does not publish quarterly reports to shareholders. Accordingly, no information is actually provided pursuant to FR 10(9)(r) because the Forms 10-Q are provided pursuant to FR 10(9)(p).

		All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable;
	FR 10(10)(i)	Comparative income statements, revenue and sales statistics most recent five years, base period, forecast period and two (2) years beyond
	FR 10(10)(k)	Comparative financial data and earnings

Q. DO YOU ADOPT THESE FILING REQUIREMENTS AND MAKE THEM PART OF YOUR TESTIMONY?

A. Yes

III. AUTHENTICATION OF BOOKS AND RECORDS

Q. ARE THE BOOKS AND RECORDS OF THE COMPANY PREPARED UNDER YOUR DIRECTION?

A. Yes, for the areas under my direction (which do not include gas accounting or taxation).

Q. HOW DOES ATMOS MAINTAIN AND UTILIZE ITS BOOKS AND RECORDS IN THE REGULAR COURSE OF BUSINESS?

A. Atmos maintains its books and records in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) and Generally Accepted Accounting Principles (GAAP). The USOA is the prescribed methodology for maintaining utility records in all of the state jurisdictions which regulate the Company's natural gas utility operations, which currently include Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, Texas and Virginia.

Atmos' accounting organization utilizes integrated computerized business systems to efficiently process, record and maintain transactions generated in the regular course of business. Financial transactions are created and entered into the system at or near the time of the transaction by the responsible personnel in various divisions having

personal knowledge, or acting in reliance on information transmitted by persons having personal knowledge of the transactions, as well as of the applicable accounting procedures and requirements. Reports are generated by the system in the regular course of business to assist in management's review of the results of operations and to assist in the analysis of the cost data of gas operations.

Q. AS DIRECTOR OF ACCOUNTING SERVICES, HOW DO YOU ASSURE YOURSELF THAT TRANSACTIONS ARE RECORDED PROPERLY?

A. As Director of Accounting Services, I have personal knowledge of the organizational business processes and staffing in the Controllership function. The Controller's organization is staffed with highly qualified accounting managers and staff, with many accounting positions filled by CPAs. The managers in the organization are charged with the responsibility to inspect, review and revise, if appropriate, the work of the accountants they supervise. To fill certain management positions, an individual is required to have an accounting degree as well as significant accounting experience. We have established and maintained controls that ensure the accuracy of our books and records. These controls help identify any necessary adjustments to accounting entries which are then recorded to the original books and records in a timely manner. Additionally, Atmos contracts with KPMG for internal audit services. This group periodically performs reviews of those controls.

Q. WHAT TYPES OF REGULAR AUDITS ARE CONDUCTED TO AUTHENTICATE ATMOS ENERGY'S BOOKS AND RECORDS?

A. Atmos' books and records are audited annually by the independent public accounting firm of Ernst & Young LLP. In addition, Ernst & Young LLP also performs reviews of Atmos' quarterly financial statements. These audits and reviews are conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

IV. COST ALLOCATION MANUAL

Q. WHAT IS THE COST ALLOCATION MANUAL?

A. The Cost Allocation Manual (CAM), contained in Exhibit DMM-1, describes and documents the process whereby allocations are made within the books and records of

the Company. These include allocations of various common expenses which are incurred for the benefit of two or more of the Company's rate divisions and are therefore allocable to those rate divisions. Additionally, the CAM also describes and documents the processes whereby allocations are made between Atmos and its affiliates and between affiliates.

Q. ARE YOU RESPONSIBLE FOR OVERSIGHT OF THE CAM?

A. Yes. I coordinate and oversee the updating and filing of the CAM.

Q. PLEASE DESCRIBE THE HISTORY OF THE CAM.

A. Although the Company had been utilizing the allocation methodology described in the CAM for many years prior, the CAM was formally documented in response to 807 K.A.R. 5:080, and was first filed with the Commission in April of 2001. Atmos is required to update the CAM each year. The Company has used the CAM to document its allocation processes in the regular course of business since it was first filed.

Q. ARE THE ALLOCATIONS DESCRIBED IN THE CAM USED IN EVERY JURISDICTION IN WHICH ATMOS ENERGY OPERATES?

A. Yes. The CAM is uniformly applied in all twelve states in which Atmos has regulated utility operations for the allocation of common costs among Atmos' various operating divisions, including Kentucky.

Q. DOES THE CAM DESCRIBE HOW TO ALLOCATE BALANCE SHEET AMOUNTS?

A. No. The CAM describes how to allocate expense items from Atmos' income statement. Investment or balance sheet items are not allocated within Atmos Energy's books and records. Investment amounts are allocated only for ratemaking purposes in the context of a rate filing or certain regulatory reports.

Q. IN YOUR OPINION, DOES THE COMPANY'S ALLOCATION PROCESS UNIFORMLY AND CONSISTENTLY ALLOCATE COMMON OR SHARED SERVICES COSTS?

A. Yes, the allocation process described in the CAM operates fairly and reasonably in allocating those costs on a uniform basis, both as between Atmos' various operating

divisions and affiliates and between the various regulatory jurisdictions in which the Company operates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2009-00354
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Daniel M. Meziere, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

STATE OF TEXAS

COUNTY OF DALLAS

SUBSCRIBED AND SWORN to before me by Dan Meziere on this the 20th day of October, 2009.

Easter Bunny Dixon
Notary Public
STATE OF TEXAS
My Commission Expires
March 05, 2011

Easter Bunny Dixon
Notary Public

My Commission Expires: March 5, 2011

ATMOS ENERGY CORPORATION
COST ALLOCATION MANUAL
April 1, 2009

TABLE OF CONTENTS

Description

1. Introduction:

a. Corporate Structure

Atmos Energy Corporation (Atmos or the Company) operates its Regulated Operations through seven operating divisions in 12 states. The seven operating divisions and their service areas are:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas, SW Missouri
Atmos Energy Kentucky/Mid-States Division	Georgia, Illinois, Iowa, Kentucky, Missouri, Tennessee, Virginia
Atmos Energy Louisiana Division	Louisiana
Atmos Energy Mid-Tex Division	Texas, including the Dallas/Fort Worth metropolitan area
Atmos Energy Mississippi Division	Mississippi
Atmos Energy West Texas Division	West Texas
Atmos Pipeline – Texas Division	Intrastate pipeline business in Texas

These operating divisions are not subsidiaries or separate legal entities. Therefore, by definition, they cannot be considered affiliates of Atmos.

Technical and support services are provided to the operating divisions by centralized shared services departments primarily located at the Atmos headquarters in Dallas. These centralized functions currently include, but are not limited to, accounting, gas supply, human resources, information technology, legal, rates and the customer support. The costs for these shared services are allocated to the operating divisions. In addition, for operating divisions that operate in more than one rate jurisdiction, costs from an operating division's general office are allocated to separate rate divisions within the operating division.

In addition to its regulated businesses, Atmos also has Nonregulated Operations, which are operated through Atmos Energy Holdings, Inc., a wholly-owned subsidiary of Atmos, and its various wholly-owned subsidiaries. These subsidiaries are separate legal entities and are considered affiliates of Atmos.

The Company's current legal entity organization chart is contained in Appendix A.

Note that the descriptions contained herein do not address tariffed services.

b. Accounting:

Atmos' account coding structure enables it to capture the costs for allocable activities. Expenses, assets, and liabilities for Atmos' shared services and other operating division general office divisions are coded to applicable location codes and cost centers as necessary, which are then allocated to the appropriate rate divisions based upon the methodologies described herein. Allocations recorded in the books and records of the Company, are primarily for management control purposes and may not be reflective of the allocation methodology used for rate making purposes.

Atmos' account coding structure is as follows:

XXX.	XXXX.	XXXX.	XXXXX.	XXXXXX.	XXXX.
Company	Cost Center	FERC Account	Sub-Account	Service Area	Future Use
3 digit	4 digit	4 digits	5 digits	6 digits	4 digits

Within the above coding structure, "Company" and "Cost Center" are primarily utilized for internal management responsibility reporting purposes for Atmos' operating divisions. The terms "Company" and "Cost Center" are defined in the glossary beginning on the following page. Utilization of the "Company" or "Cost Center" fields is not suitable for meaningful financial or regulatory reporting purposes.

The FERC account field contains the three-digit FERC USOA account plus one extension digit which in some cases is utilized by the FERC USOA.

The first three digits of the Service Area field are the primary coding utilized for cost allocations within Atmos and is generally referred to as "rate division number". This portion of the field denotes Atmos' various rate divisions as well as the Company's various shared services and operating division general office divisions. These codes are the primary source of information for regulatory reporting and rate activity. The remaining three digits represent "town" location which is utilized only for some accounts. Atmos Pipeline-Texas uses the final three digits of the service area to represent the actual storage or compressor facility; however, this is used for O&M expenses only.

c. Glossary of Terms:

The following terms are defined for purposes of this document only:

Affiliate - One or more of Atmos' subsidiaries.

Below the Line - Amounts which are generally not included in an analysis of costs from which gas service rates are derived.

Company - In general terms, it refers to Atmos Energy Corporation. Within the context of the account coding string, this term represents an operating division, wholly-owned subsidiary or other legal entity controlled by Atmos.

Composite Factor - The Company's general allocation factor which is derived for each applicable area based upon the simple average of the ratio of gross plant in service, average number of customers and direct operation and maintenance expenses for each applicable area to the total for each of these items.

Corporate Headquarters - The headquarters of Atmos Energy Corporation located in Dallas, Texas.

Cost Centers - Account coding which denotes an area of cost responsibility. This coding is used primarily for management purposes.

Customer Factor - The Company's general allocation factor which is derived based on the average number of customers of the Operating Divisions that receive allocable costs for the services provided.

Direct Charges - Those charges which may originate in a shared services department or operating division general office division or a rate division which are booked directly to the applicable rate division.

FERC USOA - The Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Municipal Jurisdiction - For Atmos' operations in Texas, each municipality which it serves has original jurisdiction over rates.

Nonregulated Operations – Represents the Company's natural gas marketing and nonregulated pipeline, storage and midstream operations controlled by Atmos Energy Holdings, Inc., a wholly-owned subsidiary of Atmos Energy Corporation.

Operating Division - An unincorporated division of Atmos Energy Corporation that contains at least one rate division that is responsible for the management of the Company's Regulated Operations. Operating divisions are not subsidiaries or separate legal entities. As such, they do not have separate equity or debt structures. Additionally, the divisions do not keep separate books and records.

Operating divisions with multiple rate divisions have one operating division general office rate division in addition to rate divisions corresponding to regulatory jurisdictional areas.

Operating Division General Office - Administrative offices that are located outside of shared service offices which serve as the base of operations and central office for each "operating division".

Rate Division – Often referred to as an operating rate division, it denotes Atmos' regulatory jurisdictions that are defined by state boundaries, geographic boundaries within states or municipal boundaries within the State of Texas. The term also denotes Atmos' various shared services and operating division general office divisions. These divisions are the primary source for regulatory reporting and rate activity for an area in which rates have been set by a regulatory authority such as the Colorado Public Utilities Commission. Rate divisions are identifiable in the Company's account coding string. As such, costs are accumulated within the general ledger and represent the sum of direct costs plus costs allocated to the rate division.

Regulated Operations – Represents the Company's six regulated natural gas distribution operating divisions operating in 12 states and the Company's regulated intrastate pipeline operations in the State of Texas.

Service Area - The portion of the Company's account coding structure of which the first three digits denote rate division. The last three digits of this code denote "town" which is used only in certain instances. Atmos Pipeline-Texas uses the final three digits of the service area to represent the actual storage or compressor facility; however, this is used for O&M expenses only.

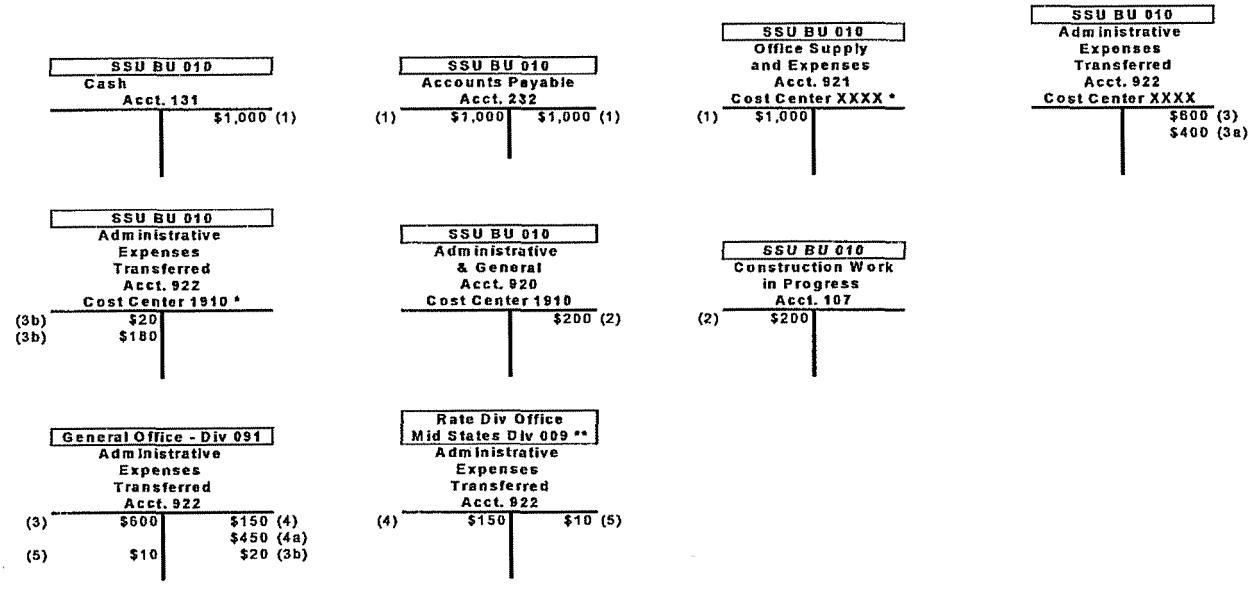
Shared Services - The Company's functions that serve multiple rate divisions. These services include departments such as legal, billing, call center, accounting, information technology, human resources, gas supply, rates administration among others. Shared Services is comprised of Shared Services – General Office and Shared Services – Customer Support

Shared Services – Customer Support – Shared Services functions that include billing, customer call center functions and customer support related services.

Shared Services – General Office – Shared Services functions that include all other functions not encompassed by Shared Services – Customer Support.

Service:	Capitalized overhead (general)
Description:	Overhead related to capital expenditures
Current Provider of Service	Shared Services *Atmos Pipeline – Texas Division* Louisiana Division operating division general office Kentucky/Mid-States Division operating division general office Colorado-Kansas Division operating division general office Mid-Tex Division Mississippi Division West Texas Division
Current Use of Service	Rate divisions
Basis for allocation	Capitalized overhead costs are accumulated by operating division (and state level for multiple state divisions). Each operating division (and state) sets an application rate at the beginning of the year based on projected expenditures. As expenditures for CWIP and RWIP are recorded overhead is applied at the application rate. Periodically, the application rate is reviewed. Shared services overhead is allocated to operating divisions based on operating division capital expenditures. At the end of each quarter, the amount that has accumulated in the OH project is cleared to all eligible projects that incurred charges during that quarter.

General Ledger Entries: Example Only



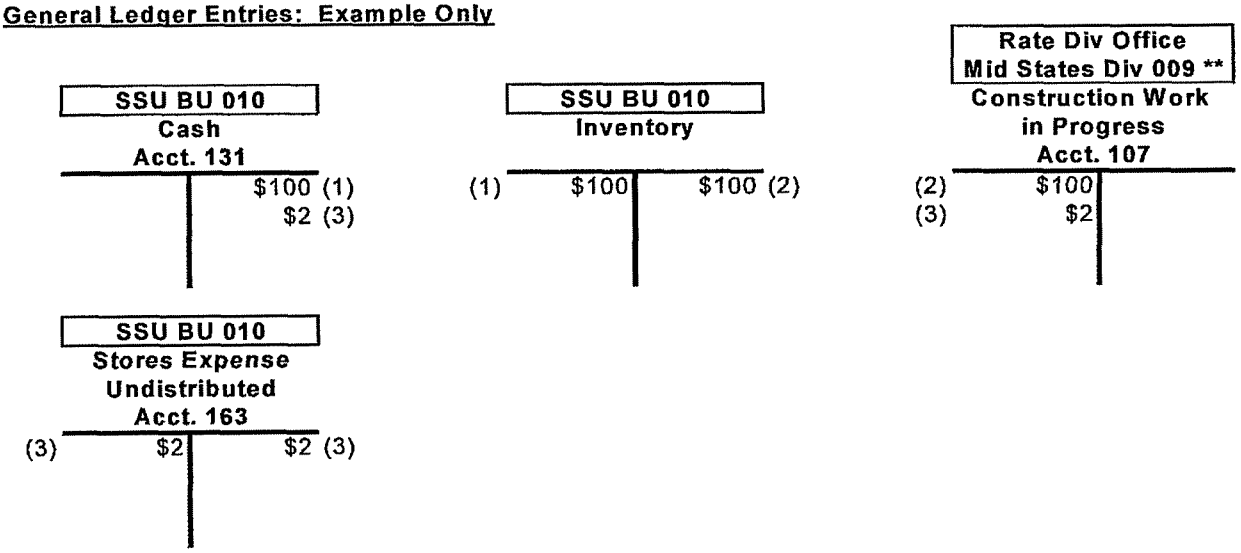
* Cap rate = 20%
** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity
(1) Purchase Office Supplies
(2) Capitalize Overhead is calculated based on cost center capitalization percentage
(3) Allocating Shared Services Expenses to General Offices - 60% Allocation rate for illustration purposes only
(3a) Allocation to remaining general offices
(3b) Allocate capitalization credits to business units
(4) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
(4a) Allocation to remaining division offices
(5) Allocating Shared Services Capitalization Credit to Rate Division Office - 50% Allocation rate for illustration purposes only

Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from General Office to State Regional Office to Rate Division.

Service:	Stores overhead
Description:	Overhead related to inventory warehousing is allocated to materials as issued.
Current Provider of Service	Shared Services Operating division general office
Current Use of Service	Atmos Pipeline – Texas Division West Texas Division rate divisions Louisiana Division rate divisions Kentucky/Mid-States Division rate divisions Mid-Tex Division rate division Colorado-Kansas Division rate divisions Mississippi Division rate division
Basis for allocation	Overhead costs associated with inventory items, including rent, labor and supervision are accumulated by operating division. Each operating division sets an application rate at the beginning of the year based on projected overhead and materials activity. As materials are issued from the warehouse, the overhead assigned is also allocated to the same account. Periodically, the balance in the undistributed stores overhead account is compared to the materials on hand balance and a new rate is determined. Shared Services stores overhead is allocated monthly to the operating divisions based on number of meters.

General Ledger Entries: Example Only



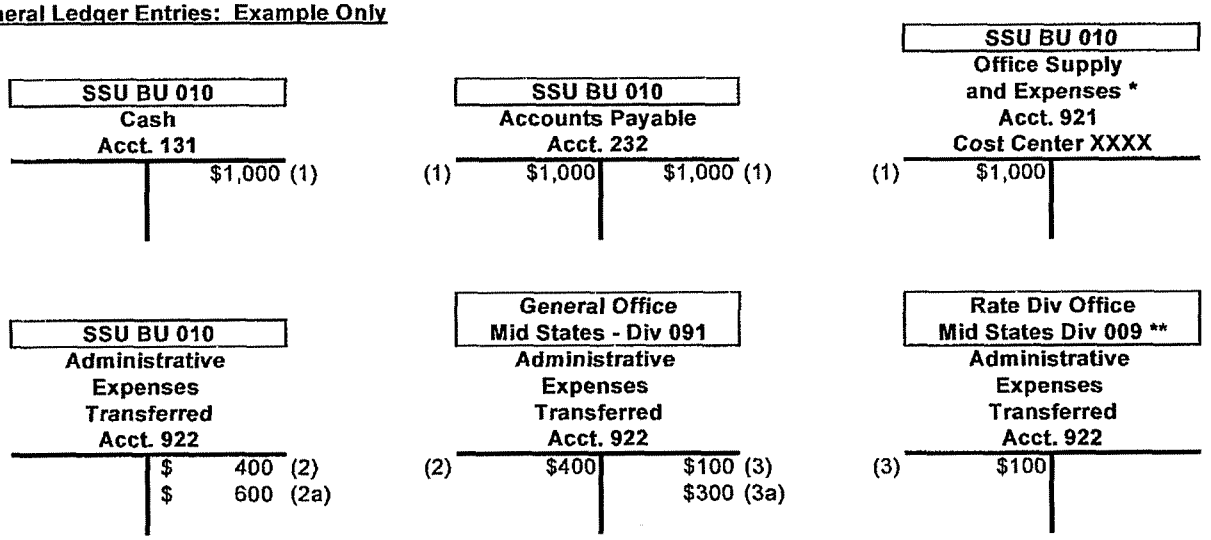
** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity

1 Purchase Inventory - Material
2 Issue Inventory to Capital Project
3 Apply Inventory Storage Rate
Assume 2%

Service:	Expenses in Shared Services – Customer Support cost centers
Description:	Includes all expenses for Customer Support.
Current Provider Of Service	Shared Services
Current Use of Service	West Texas Rate Divisions Mid-Tex Division Louisiana Rate Divisions Kentucky/Mid-States Rate Divisions Colorado-Kansas Rate Divisions Mississippi Division
Basis for allocation	Costs are allocated to the applicable operating division general office in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. From the operating division general office Divisions Customer Support charges are allocated to rate divisions using the average number of customers in each rate division.

General Ledger Entries: Example Only



* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist within Mid-States in addition to Div 009.

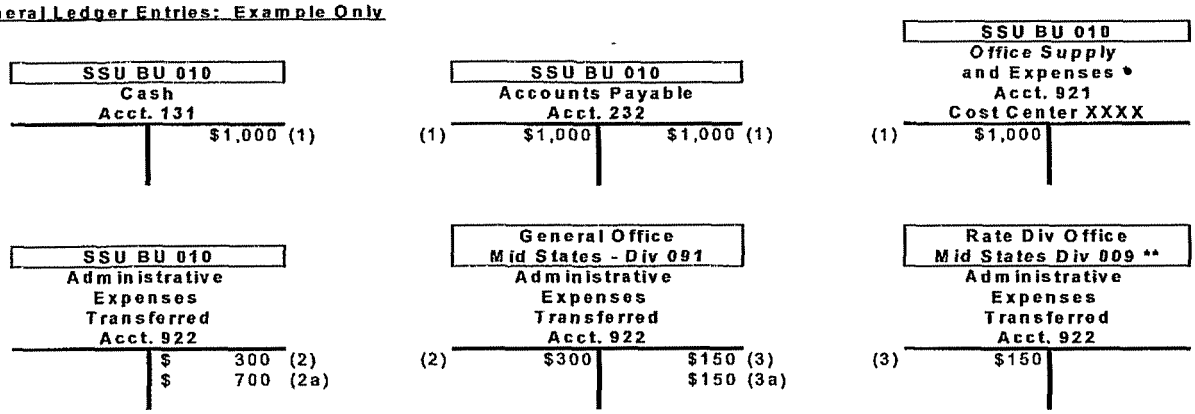
Flow of Activity

(1) Purchase Office Supplies - Shared Services
(2) Allocating Shared Services Expenses to General Offices - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining general offices
(3) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
(3a) Allocation to remaining division offices

Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from General Office to State Regional Office to Rate Division.

Service:	O&M Expenses in Shared Services – General Office cost centers
Description:	Includes O&M expenses in Shared Services – General Office.
Current Provider Of Service	Shared Services
Current Use of Service	Atmos Energy Marketing, LLC Atmos Power Systems, Inc Atmos Pipeline and Storage, LLC Atmos Energy Holdings, LLC West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Services departments. Shared Services departments, which provide services to the Company's affiliates, utilize a composite factor. The computation includes the affiliates. (If Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas.) . Shared Service departments that do not provide services to the Company's affiliates, utilize a composite factor that does not include the Company's affiliates (If Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas.). Shared Service departments that provide services only to Mid-Tex, Mid States or Atmos Pipeline-Texas are allocated at a 100% rate to the respective utility division.) In Shared Service departments where appropriate costs are allocated to the applicable utility division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. Other allocation methods used as appropriate include composite not including affiliates or Atmos Pipeline –Texas, composite not including affiliates, Atmos Pipeline-Texas or Mid States, composite using only West Texas, COKS, and MS utility divisions, composite using West Texas, Mid Tex, and Atmos Pipeline-Texas or Overhead rate. From each operating division general office charges are allocated to rate divisions using the composite rate for each rate division.

General Ledger Entries: Example Only



* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist within Mid-States in addition to Div 009.

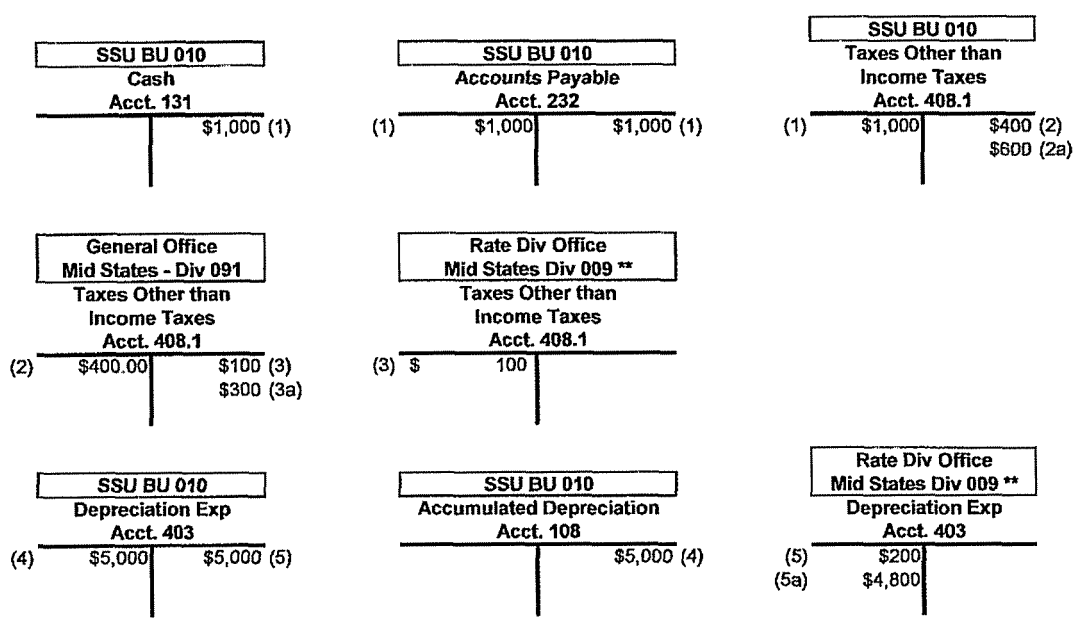
Flow of Activity

(1) Purchase Office Supplies - Shared Services
(2) Allocating Shared Services Expenses to General Offices - 30% Allocation rate for illustration purposes only
(2a) Allocation to remaining general offices
(3) Allocating Shared Services Expenses to Rate Division Office - 50% Allocation rate for illustration purposes only
(3a) Allocation to remaining division offices

Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from General Office to State Regional Office to Rate Division.

Service:	SSU – Customer Support depreciation and taxes other than income taxes
Description:	Includes all depreciation and taxes other than income tax charged in Shared Services – Customer Support.
Current Provider Of Services	Shared Services
Current Use of Service	West Texas Rate Divisions Louisiana Rate Divisions Kentucky/Mid-States Rate Divisions Mid-Tex Division Colorado-Kansas Rate Divisions Mississippi Division
Basis for allocation	Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. If needed number of customers in rate divisions is used to allocated from the operation division general office to rate divisions.

General Ledger Entries: Example Only



** Many rate division offices exist in addition to Div 009.

Flow of Activity

(1) Taxes Other than Income Taxes incurred
(2) Allocating Shared Services Expenses to General Office - 40% to Mid States BU - for illustration purposes only
(2a) Allocation to remaining general offices
(3) Allocating Shared Services Expenses to Rate Division Office - 25% to Kentucky Rate Division Office - for illustration purposes only
(3a) Allocation to remaining division offices
(4) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(5) Current Month Depreciation Expense is allocated to the various utility rate divisions using the following allocation factors:
  a. For SSU division 002 - General - Allocated using the composite factor
  b. For SSU division 012 - Call Center - Allocated using the customer factor.
(5a) Allocation to remaining division offices

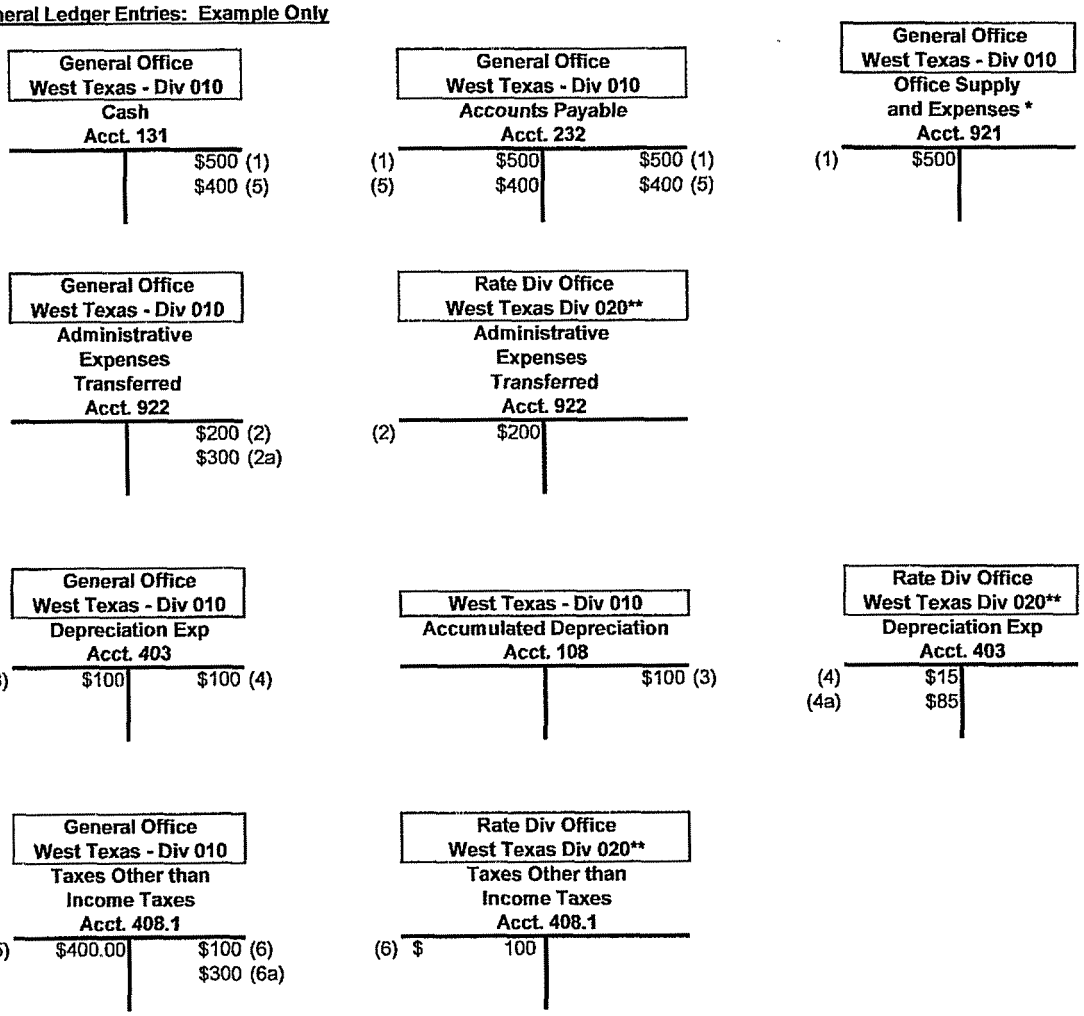
Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from General Office to State Regional Office to Rate Division.

Service:	SSU – General Office depreciation and taxes other than income taxes
Description:	Includes all depreciation and taxes other than income tax charged in Shared Services – General Office.
Current Provider Of Services	Shared Services
Current Use of Service	Atmos Energy Marketing, LLC Atmos Power Systems, Inc. Atmos Pipeline and Storage, LLC Atmos Energy Services, LLC West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Costs are allocated to the applicable operating divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each operating division unit as a percentage of the total Direct Property Plant and Equipment in all of the operating divisions. The number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. The total direct O&M expense in each operating division as a percentage of the total direct O&M expense in all operating divisions. If needed allocation from operating division general offices to rate division uses the composite rate.

See page 11 for General Ledger Entry – Example Only

Service:	West Texas Division operating division general office expenses to rate division levels.
Description:	Allocation of operating division general office expenses to rate division levels
Current Provider of Service	West Texas Division operating division general office
Current Use of Service	West Texas Division rate divisions
Basis for allocation	Costs are allocated to the applicable operating divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each division as a percentage of the total Direct Property Plant and Equipment in the West Texas Division rate divisions. The number of customers in each rate division as a percentage of the total number of customers in the West Texas Division rate divisions. The total direct O&M expense in each municipal rate division as a percentage of the total direct O&M expense in the West Texas Division rate divisions.

General Ledger Entries: Example Only



* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist in addition to Div 020.

Flow of Activity

(1) Purchase Office Supplies - West Texas Division General Office
(2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices
(3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(4) Allocation from Division 010 - West Texas General Office to West Texas Rate Divisions
(4a) Allocation to remaining division offices
(5) Taxes Other than Income Taxes incurred
(6) Allocating General Office Expenses to Rate Division Office - 25% to West Texas Rate Division Office - for illustration purposes only

Service:	Colorado-Kansas Division operating division general office expenses to state regional office division level.
Description:	Allocation of division general office expenses to state regional office division levels.
Current Provider of Service	Colorado-Kansas Division operating division general office
Current Use of Service	Colorado-Kansas Operating Division state office divisions.
Basis for allocation	Costs are allocated to the applicable state regional office divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each state as a percentage of the total Direct Property Plant and Equipment in Colorado-Kansas Division. The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division. The total direct O&M expense in each state as a percentage of the total direct O&M expense in Colorado-Kansas Division.

General Ledger Entries: Example Only

General Office CO/KS BU 060 Div 030
Cash Acct. 131

	$500 (1)

General Office CO/KS BU 060
Accounts Payable Acct. 232

(1)	$500	$500 (1)

General Office CO/KS BU 060
Office Supply and Expenses * Acct. 921

(1)	$500	

General Office CO/KS BU 060
Administrative Expenses Transferred Acct. 922

	$250 (2)
	$200 (2a)
	$50 (2a)

State Div Office CO/KS Div 031
Administrative Expenses Transferred Acct. 922

(2)	$250	

State Div Office CO/KS Div 080
Administrative Expenses Transferred Acct. 922

(2a)	$200	

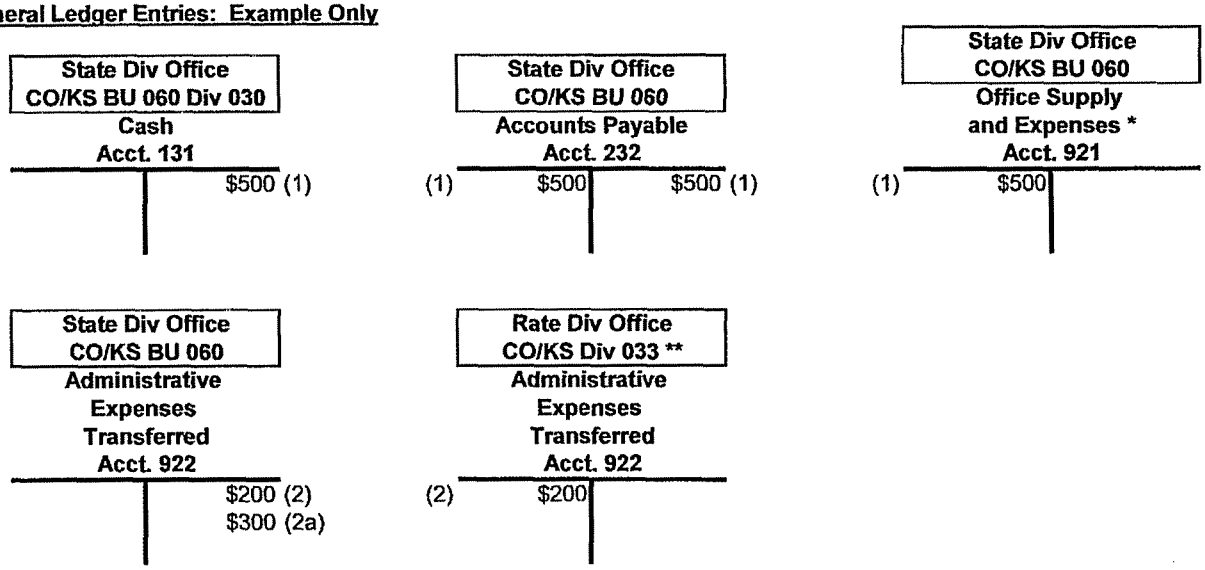
* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

Flow of Activity

(1) Purchase Office Supplies - Colorado/Kansas Division General Office
(2) Allocating General Office Expenses to State Division Office - 50% Allocation rate for illustration purposes only
(2a) Allocation to remaining state offices

Service:	Colorado-Kansas Division state regional office division level expenses to rate division levels.
Description:	Allocation of state regional office division level expenses to rate division levels.
Current Provider of Service	Colorado-Kansas Division regional division office
Current Use of Service	Colorado-Kansas Division rate divisions
Basis for allocation	Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each state rate division as a percentage of the total Direct Property Plant and Equipment in each state. The number of customers in each state rate division as a percentage of the total number of customers in each state. The total direct O&M expense in each state rate division as a percentage of the total direct O&M expense in each state.

General Ledger Entries: Example Only



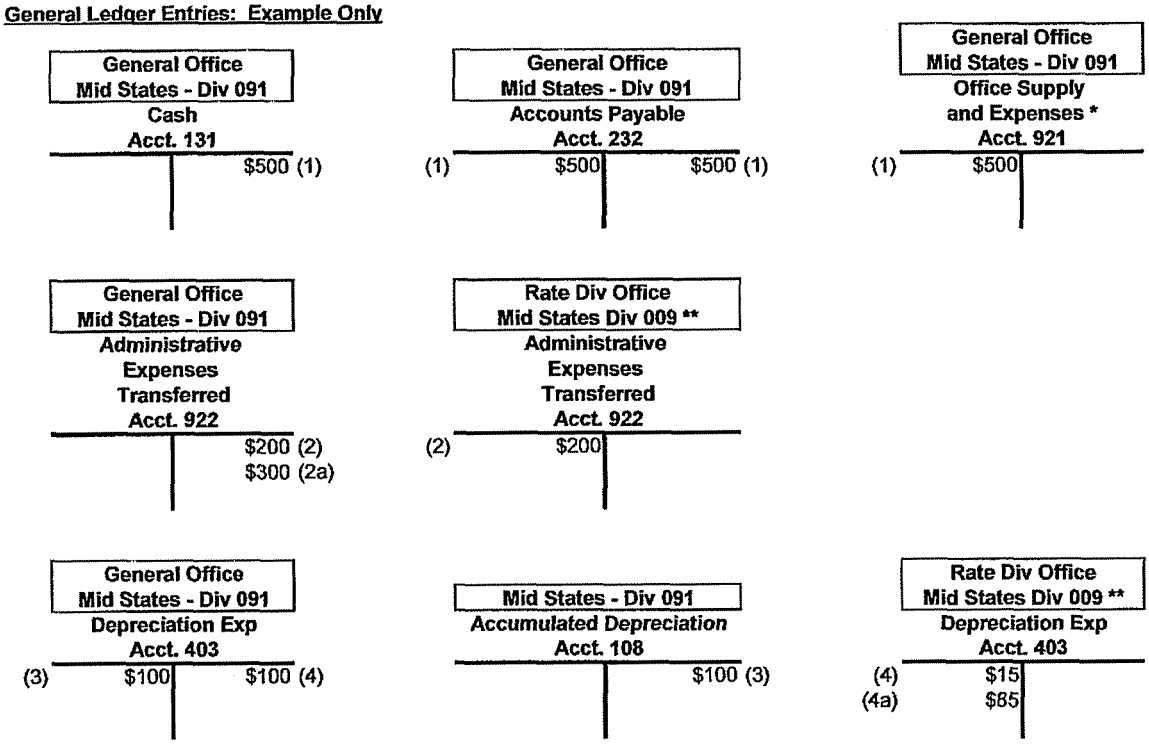
* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist within the state in addition to Div 033.

Flow of Activity

(1) Purchase Office Supplies - Colorado/Kansas State Division Office
(2) Allocating State Divisoin Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices

Service:	Kentucky/Mid-States Division operating division general office expenses to rate division level
Description:	Allocation of operating division general office expenses to rate division levels
Current Provider Of Service	Kentucky/Mid-States Division operating division general office
Current Use of Service	Kentucky/Mid-States Division rate divisions
Basis for allocation	Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Kentucky/Mid-States Division. The number of customers in each rate division as a percentage of the total number of customers in Kentucky/Mid-States Division. The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Kentucky/Mid-States Division.

General Ledger Entries: Example Only



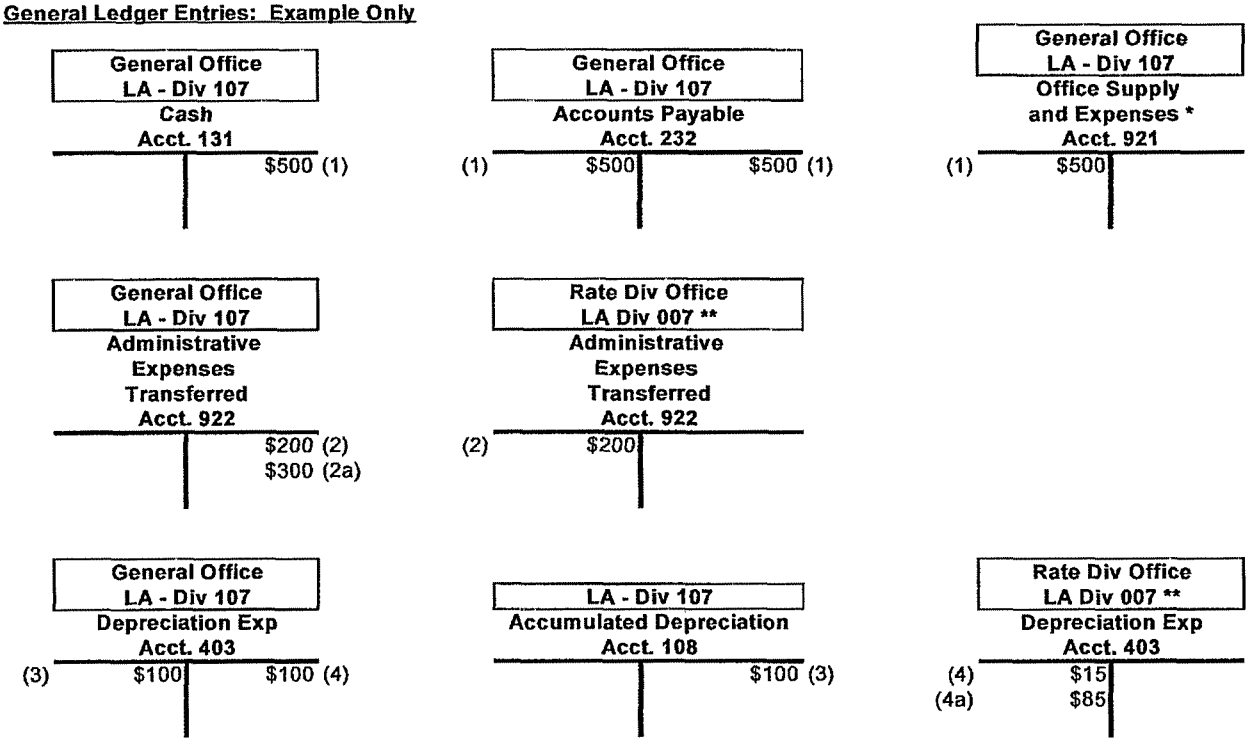
* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Many rate division offices exist in addition to Div 009.

Flow of Activity

(1) Purchase Office Supplies - Mid States Division General Office
(2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices
(3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(4) Allocation from Division 091 - Mid States General Office to Mid States Rate Divisions - Allocated using the composite factor.
(4a) Allocation to remaining division offices

Service:	Louisiana Division operating division general office expenses to rate divisions.
Description:	Allocation of operating division general office expenses to rate division levels
Current Provider of Service	Louisiana Division operating division general office
Current Use of Service	Louisiana Division rate divisions
Basis for allocation	Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Louisiana Division. The number of customers in each rate division as a percentage of the total number of customers in Louisiana Division. The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Louisiana Division.

General Ledger Entries: Example Only



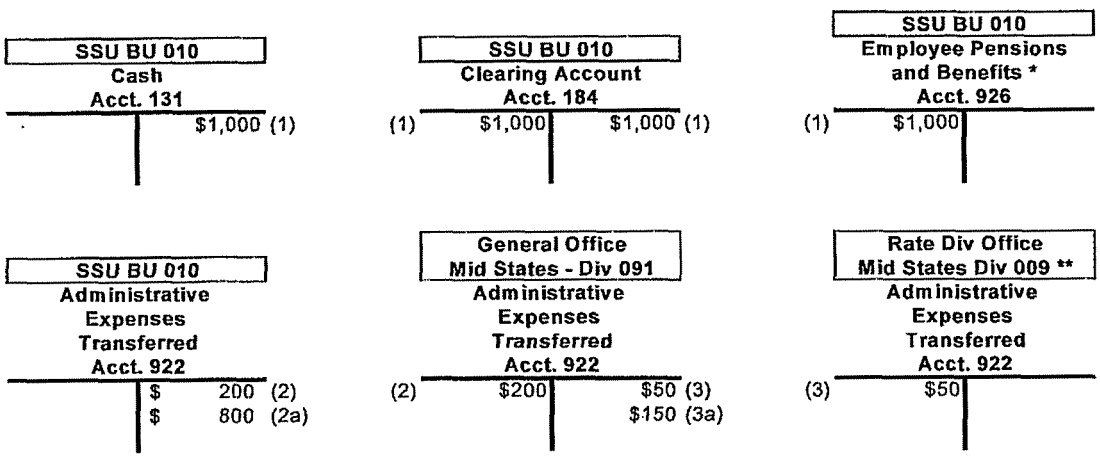
* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.
** Div 077 exists in addition to Div 007.

Flow of Activity

(1) Purchase Office Supplies - LA Division General Office
(2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
(2a) Allocation to remaining division offices
(3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
(4) Allocation from Division 107 - LA General Office to LA Rate Divisions - Allocated using the composite factor.
(4a) Allocation to remaining division offices

Service:	Benefits cost allocation
Description:	Accumulates fringe benefits (workers compensation, basic life insurance, SFAS/106, medical/dental insurance, long term disability, ESOP, pension cost etc.) and allocates to the rate jurisdictions and/or subsidiaries.
Current Provider of Service	Shared Services
Current Use of Service	Atmos Pipeline – Texas Division Atmos Power Systems, Inc. UCG Storage, Inc. Atmos Energy Services, LLC Atmos Energy Marketing, LLC West Texas Division Louisiana Division Kentucky/Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Fringe benefits components are accumulated by each operating division general office. Benefit expenses are allocated to rate jurisdictions by multiplying each rate jurisdiction's labor dollars by that particular operating division's benefits load percentage. The load percentage is calculated using total budgeted benefits divided by total labor. An allocation of fringe benefits from Shared Services to the divisions and subsidiaries is calculated based on the ratio of employees for each division or subsidiary to total employees that receive their benefits from Atmos Energy Corporation.

General Ledger Entries: Example Only



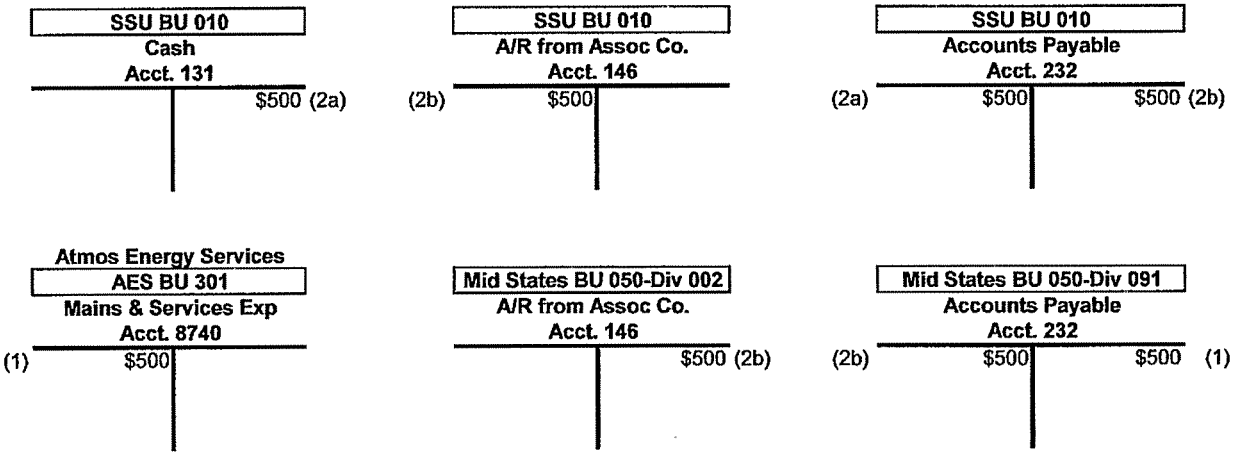
* Many O&M expense accounts exist in addition to 926 that get cleared out of account 922.
** Many rate division offices exist within the state in addition to Div 009.

Flow of Activity

(1) Benefit costs incurred
(2) Allocating Shared Services Expenses to Mid States General Office - 20% Allocation rate for illustration purposes only
(2a) Allocation to remaining general offices
(3) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
(3a) Allocation to remaining division offices

Service:	Intercompany labor
Description:	To the extent operating division employees provide labor services to another affiliate, the labor costs for the services will be charged to the appropriate affiliate.
Current Provider of Service	Atmos Pipeline – Texas Division Louisiana Division Colorado-Kansas Division Kentucky/Mid-States Division Mid-Tex Division Mississippi Division
Current Use of Service	UCG Storage, Inc. Atmos Energy Marketing, LLC WKG Storage, Inc. Trans Louisiana Gas Pipeline, Inc. Trans Louisiana Gas Storage, Inc.
Basis for allocation	Labor charges are captured through direct time sheet entries and transferred to the appropriate subsidiary receiving the labor services.

General Ledger Entries: Example Only



Flow of Activity

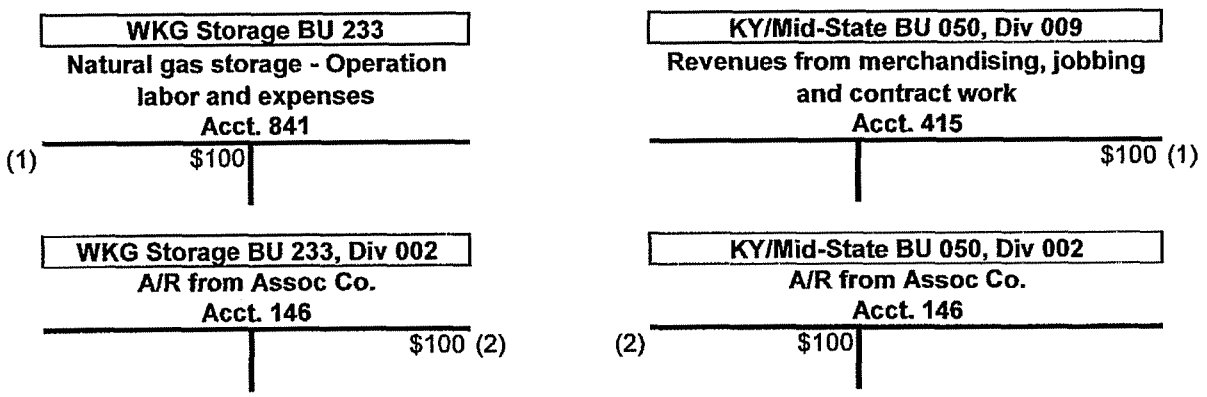
(1) Employee X is a Kentucky Employee. He worked on a special project in March for Atmos subsidiary, AES (Atmos Energy Services). Time is captured through a direct time sheet entry.

(2a) Salary is paid to employee x

(2b) JE is made to relieve payable in operating division.
Intercompany Entry generated by Oracle to keep Operating Divisions in sync.

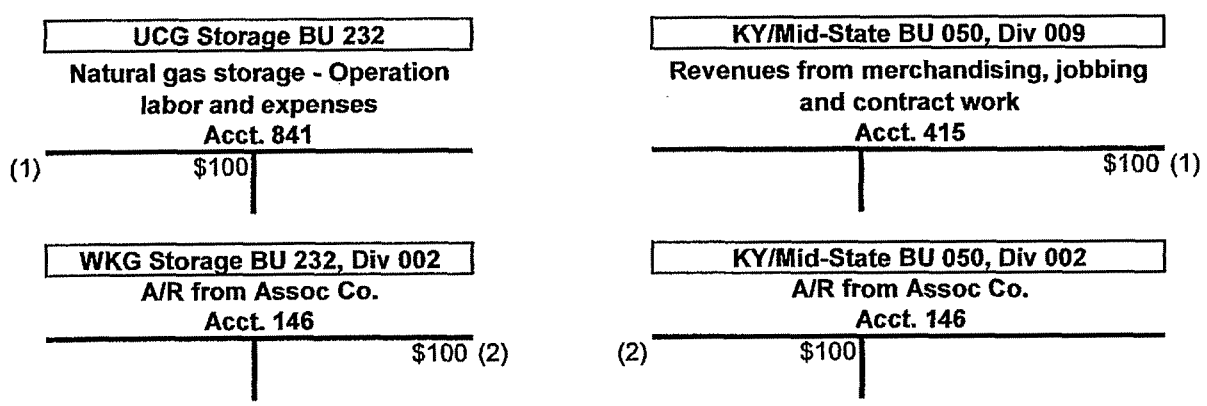
Service:	Intercompany labor – Storage O&M Fee
Description:	To the extent operating division employees provide services to an affiliate, a fee will be charged to the affiliate.
Current Provider of Service	Kentucky/Mid-States Division (Kentucky operations only)
Current Use of Service	WKG Storage, Inc. UCG Storage, Inc.
Basis for allocation	For the operation and maintenance of the East Diamond Storage Facilities, WKG Storage, Inc. shall pay Atmos Energy Corporation a monthly fee as set forth in the Natural Gas Storage Field and Pipeline Operations Agreement dated August 1, 2004. For the operation and maintenance of the Barnsley Storage Facilities, UCG Storage, Inc. shall pay Atmos Energy Corporation a monthly fee as set forth in the Natural Gas Storage Field and Pipeline Operations Agreement dated July 10, 2006.

General Ledger Entries: Example Only



Flow of Activity - East Diamond Storage Facility

(1) Monthly Billing for operation and maintenance of the East Diamond Storage Facility
(2) Intercompany Entry generated by Oracle to keep Operating Divisions in sync

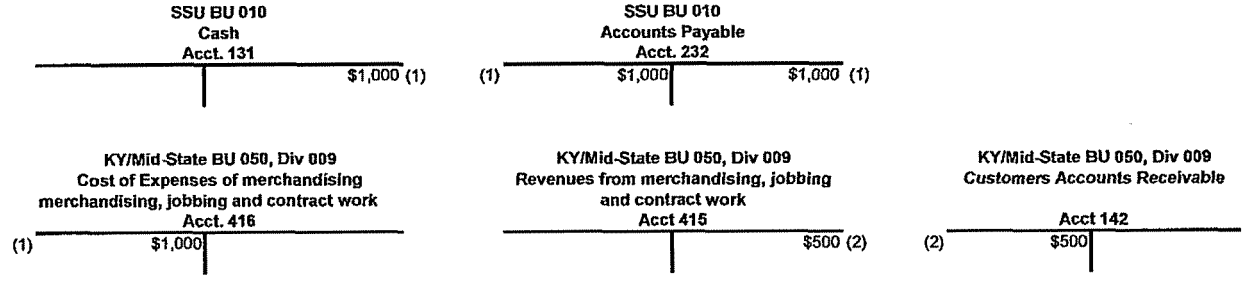


Flow of Activity - Barnsley Storage Facility

(1) Monthly Billing for operation and maintenance of the Barnsley Storage Facility
(2) Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service:	Installing yard lines
Description:	Includes all costs incurred by the operations within Kentucky of the Kentucky/Mid-States Division to install customer-owned yard lines. In Kentucky, Atmos does not own the yard line and the work it conducts on such yard lines is not regulated for ratemaking purposes.
Current Provider of Service	Kentucky/Mid-States Division
Current Use of Service	Kentucky/Mid-States Division (Kentucky operations only)
Basis for allocation	Materials and labor are charged to other expense below the line. Use of transportation or work equipment is recorded in the same account by journal entry based on actual usage. Revenue generated for these yard line billings are booked directly to other income below the line.

Atmos Energy Corporation, Kentucky Only, Service Area 009
General Ledger Entries: Installing Yard Lines (Example Only)



(1) Expenses incurred for yard line installations
(2) Billing from Banner

Service:	Adjustments to Uncollectible Accounts Expense
Description:	Allocation of additional expense amounts booked to adjust the Provision for Uncollectibles (Account 144)
Current Provider of Service	West Texas Division rate divisions Louisiana Division rate divisions Kentucky/Mid-States Division rate divisions Colorado-Kansas Division rate divisions Mid-Tex Division rate division Mississippi Division rate division
Current Use of Service	West Texas Division rate divisions Louisiana Division rate divisions Kentucky/Mid-States Division rate divisions Colorado-Kansas Division rate divisions Mid-Tex Division rate division Mississippi Division rate division
Basis of Intra-company Allocations	Costs are allocated to the rate divisions in total based on Sales Revenue.

General Ledger Entries: Example Only

Rate Division *
Accumulated Provision for Uncollectible Accounts Acct. 144 sub aaaaa

(2)	$ 250		$ 1,000	(1)

Rate Division
Customer Accounts - Uncollectible Accounts Acct. 904

(1)	$ 1,000			

Rate Division
***Cistpmer Accpimts* Receivable Acct. 142 sub bbbbb**

			$ 250	(2)

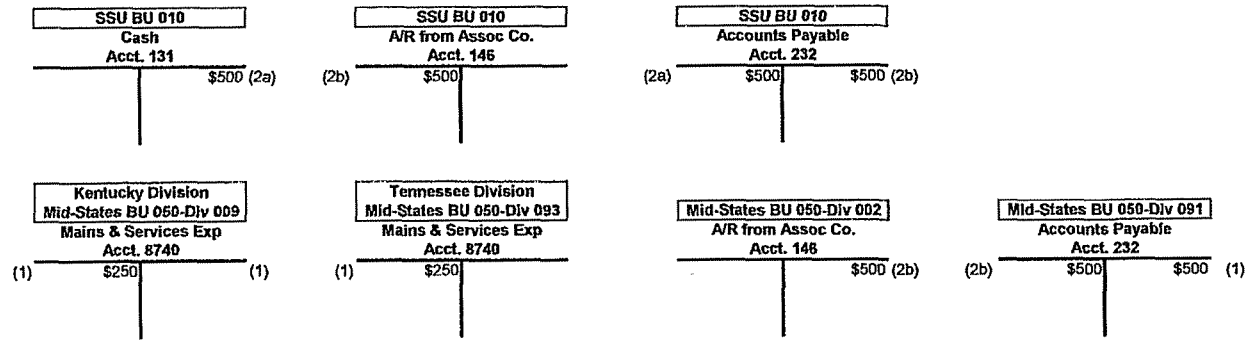
* Each rate division has a different allocation rate.

Flow of Activity

(1) Monthly allocated costs.
(2) Write off of uncollectible accounts as needed.

Service:	Intra-company labor allocation – other than operating division general office labor
Description:	Certain employee activities cross multiple rate divisions within an operating division. The costs associated with such activities include labor, benefits and associated taxes.
Current Provider of Service	Atmos Pipeline – Texas Division West Texas Division Louisiana Division Kentucky/Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division
Current Use of Service	Atmos Pipeline – Texas Division West Texas Division Louisiana Division Kentucky/Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division
Basis of Intra-company Allocations	Labor associated with cross-jurisdictional activities is charged to each jurisdiction based on the level of employee activity. The costs are captured either through direct time sheet entries or fixed labor distribution percentages.

General Ledger Entries: Example Only

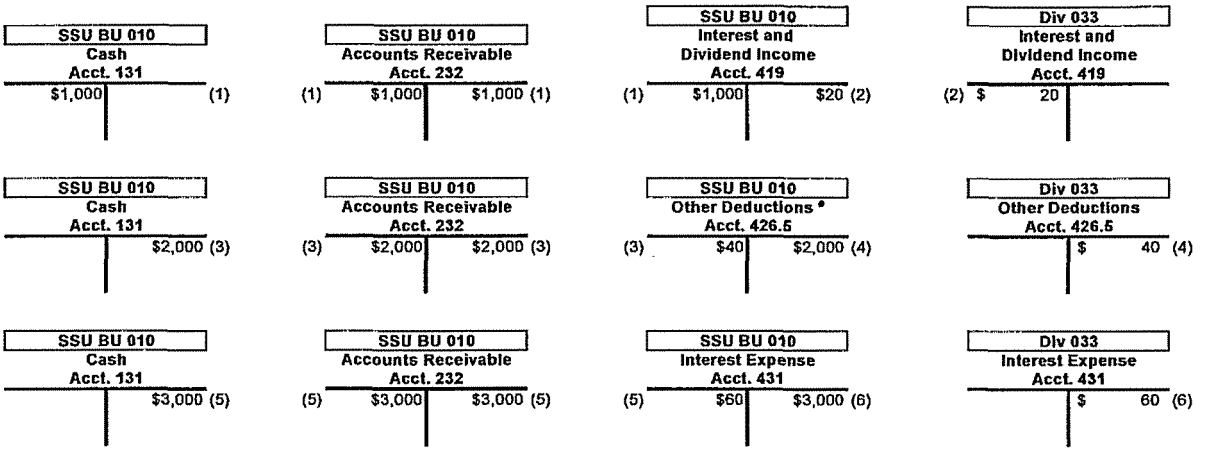


Flow of Activity

(1) Employee x lives in Kentucky and works 50% in Kentucky and 50% in Tennessee every month. Time is captured through fixed labor distribution
(2a) Salary is paid to employee x
(2b) JE is made to relieve payable in operating division. Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service:	Other income and interest expense(All below the line accounts)
Description:	Allocation of Shared Services' other income and interest expense(All below the line accounts)
Current Provider of Service	Shared Services
Current Use of Service	West Texas Division Louisiana Division Kentucky/Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division Atmos Pipeline – Texas Division
Basis for allocation	Interest Expense, Interest Income and Other Non-Operating Income in shared services are allocated to each utility division based on the budget allocation percentages. The budget allocation is based on net investment by business unit as of the latest month available when the budget is prepared, with normalizing or averaging adjustments to working capital. Net investment is defined as total assets less, liabilities (excluding long-term debt, notes payable and current maturities.) The allocation factors are the same for the whole year. The allocation stays in the account the charge was originally booked in. Headquarter allocation of below the line accounts to rate divisions follows the same process as described above.

General Ledger Entries: Example Only



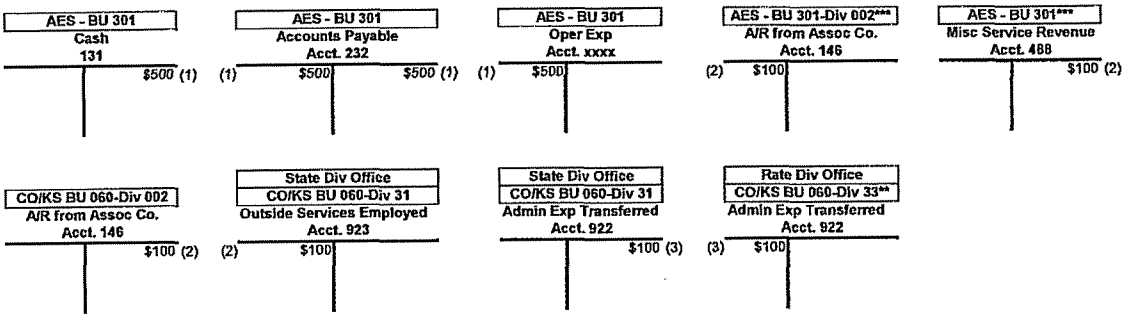
* Includes various accounts but cleared out of account 426.5

Flow of Activity

(1) Interest and Dividend Income generated
(2) Allocating Shared Services Income and Dividend Income to Div 33 only - Assume 2% allocation rate
(3) Other Income and Expenses generated
(4) Allocating Shared Services Other Deductions to Div 33 only - Assume 2% allocation rate
(5) Interest Expense generated
(6) Allocating Shared Services Interest Expense to Div 33 only - Assume 2% allocation rate

Service:	Gas supply services between the operating divisions and an affiliate
Description:	Atmos Energy Services LLC provides gas supply administrative services to the operating divisions.
Current Provider of Service	Atmos Energy Services, LLC
Current Use of Service	West Texas Division Louisiana Division Mid-States Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Costs are charged directly to a specific service area in Atmos Energy Services LLC related to each of the operating divisions (i.e. Georgia costs accumulated in Atmos Energy Services LLC are billed directly to the operating division for Georgia). These costs are billed to the operating divisions on a monthly basis at cost with no profit component. Administrative charges are allocated to each region based on total throughput volumes from the prior fiscal year (October 1 to September 30).

General Ledger Entries: Example Only

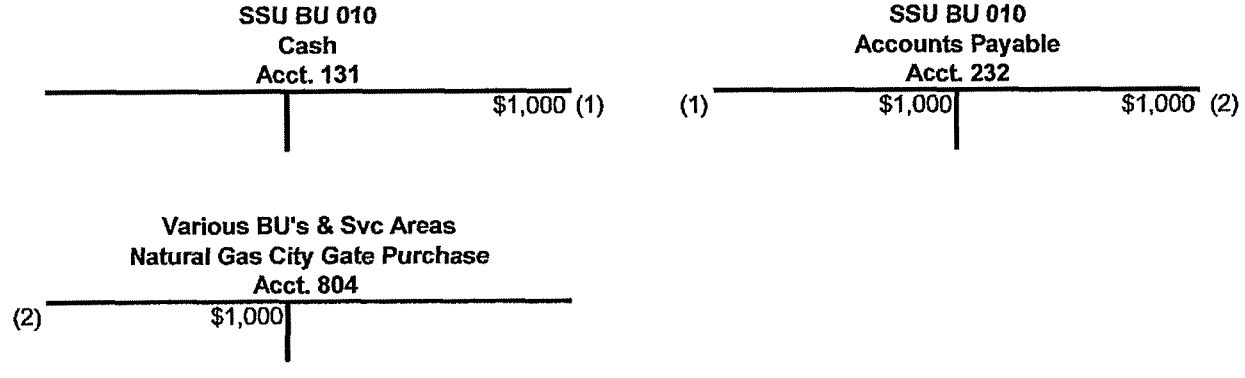


** Many rate division offices exist within the state in addition to Div 033.
*** For this example, this amount represents the portion of the billings attributed to the CO/KS division 31 state office

Flow of Activity
(1) Atmos Energy Services (AES), a subsidiary of Atmos Energy Corporation incurred operating expense
(2) AES, bills various Atmos operating divisions for their use of gas supply services
(3) Allocation from division 31 - Colorado Operating Division to Colorado rate divisions - *Allocated using the composite factor.*

Service:	Gas cost between state jurisdictions for contiguous systems.
Description:	Gas costs that apply to contiguous systems that cross state jurisdictional boundaries are allocated between those rate jurisdictions.
Current Provider of Service	West Texas Division Colorado-Kansas Division Kentucky/Mid-States Division
Current Use of Service	West Texas Division Colorado-Kansas Division Kentucky/Mid-States Division
Basis of Allocations	Allocations are based upon throughput for the West Texas Division and the Colorado-Kansas Division's Southeast Colorado/Southwest Kansas operations. For the Colorado-Kansas Division's Kansas/Missouri system and for the Kentucky/Mid-States Division, demand costs are allocated based on peak-day requirements. Commodity costs are allocated based upon throughput.

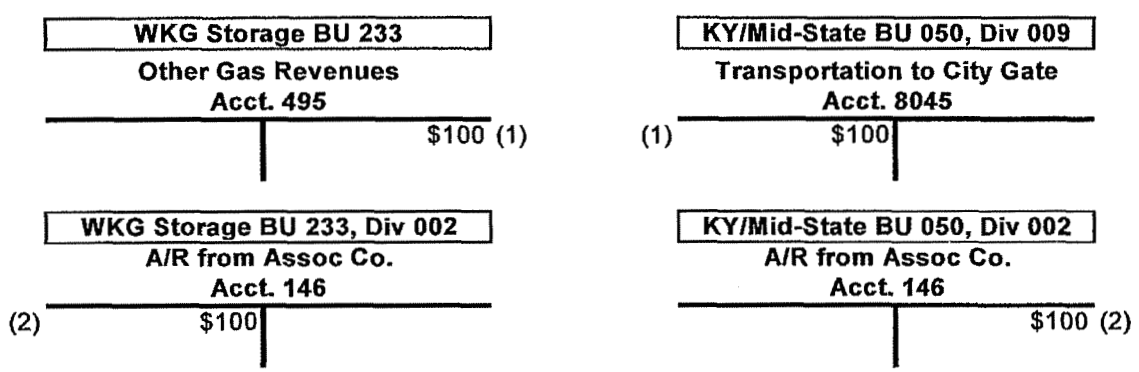
Atmos Energy Corporation
General Ledger Entries: Gas Costs between state jurisdictions for contiguous systems (Example Only)



(1) Gas cost incurred
(2) Gas cost paid

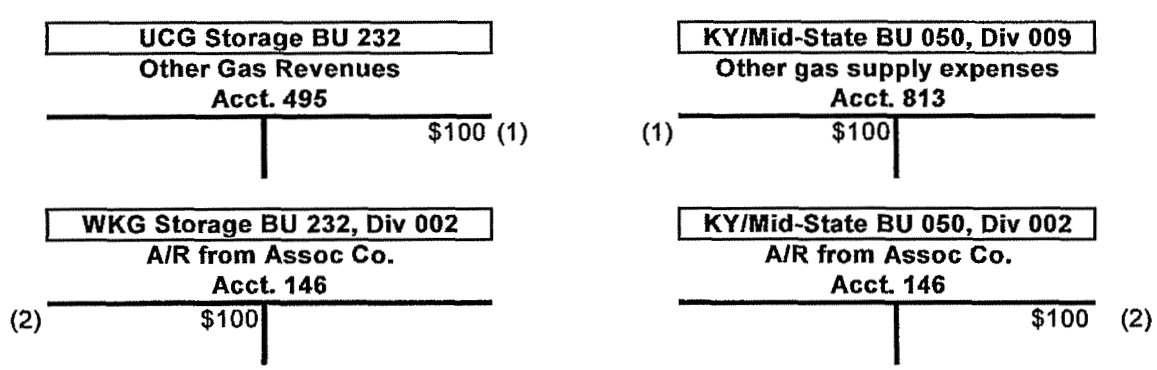
Service:	Gas storage services between an operating division and an affiliate
Description:	To the extent an operating division stores gas in a storage field owned by an affiliate, a rental fee for the use of the storage field shall be charged by the affiliate.
Current Provider of Service	UCG Storage, Inc. WKG Storage, Inc.
Current Use of Service	Kentucky/Mid-States Division
Basis for allocation	The annual demand charge between UCG Storage, Inc. and Atmos Energy Corporation (Tennessee operations only) is calculated based on fiscal year plant in service, gas inventory, actual operational costs incurred, and application of revenue and cost of capital conversion factors based on prior regulatory approval. In the calculation of the demand charge, costs not specifically related to a designated area are allocated to each affiliate based on the percentage of total plant servicing that affiliate. The annual demand charge between WKG Storage, Inc. and Atmos Energy Corporation (Kentucky operation only) is based on services provided at actual cost, market rate or as otherwise provided under tariff or contract.

General Ledger Entries: Example Only



Flow of Activity - East Diamond Storage Facility

1 Monthly demand charge for the East Diamond Storage Facility
2 Intercompany Entry generated by Oracle to keep Operating Divisions in sync

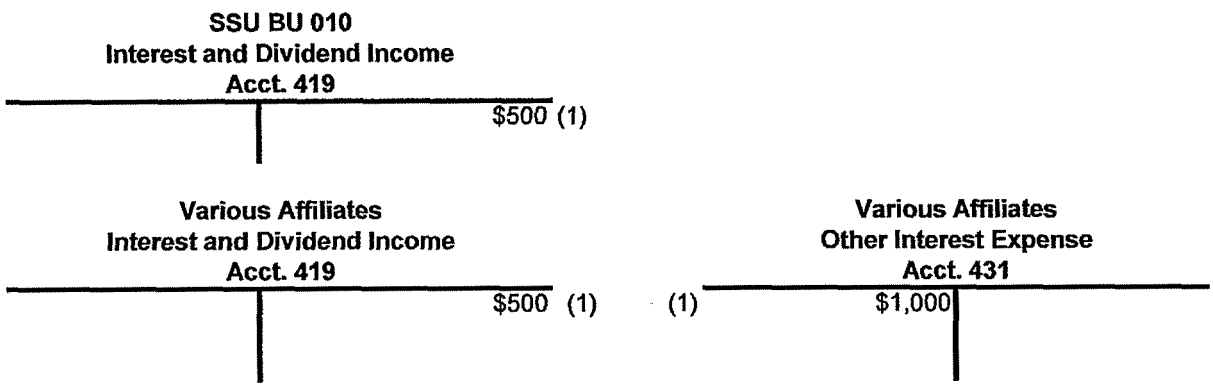


Flow of Activity - Barnsley Storage Facility

1 Monthly demand charge for the Barnsley Storage Facility
2 Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service:	Working capital funds management
Description:	Funds are invested on behalf of or provided to affiliates based on operations.
Current Provider of Service	Atmos Energy Corporation
Current Use of Service	Atmos Energy Holdings, Inc. Atmos Energy Marketing, LLC Atmos Energy Services, LLC Atmos Power Systems, Inc. Atmos Pipeline and Storage, LLC UCG Storage, Inc. WKG Storage, Inc. Atmos Exploration & Production, Inc. Trans Louisiana Gas Storage, Inc. Trans Louisiana Gas Pipeline, Inc. Egasco, LLC Enermart Energy Services Trust Energas Energy Services Trust Mississippi Energies, Inc. Atmos Gathering Company, LLC Phoenix Gas Gathering Company
Basis for allocation	Interest income or expense is recognized each month at the subsidiaries' level based on the average outstanding balance of each respective inter-company receivable/payable balance and Atmos' average effective rate of short term debt net of commitment fees plus 2.75 basis points.

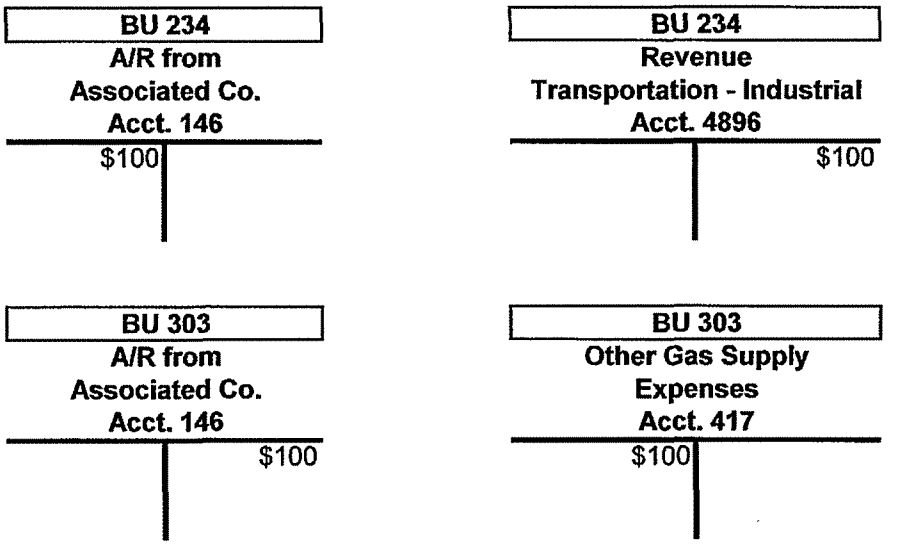
Atmos Energy Corporation
General Ledger Entries: Working Capital Funds Management (Example Only)



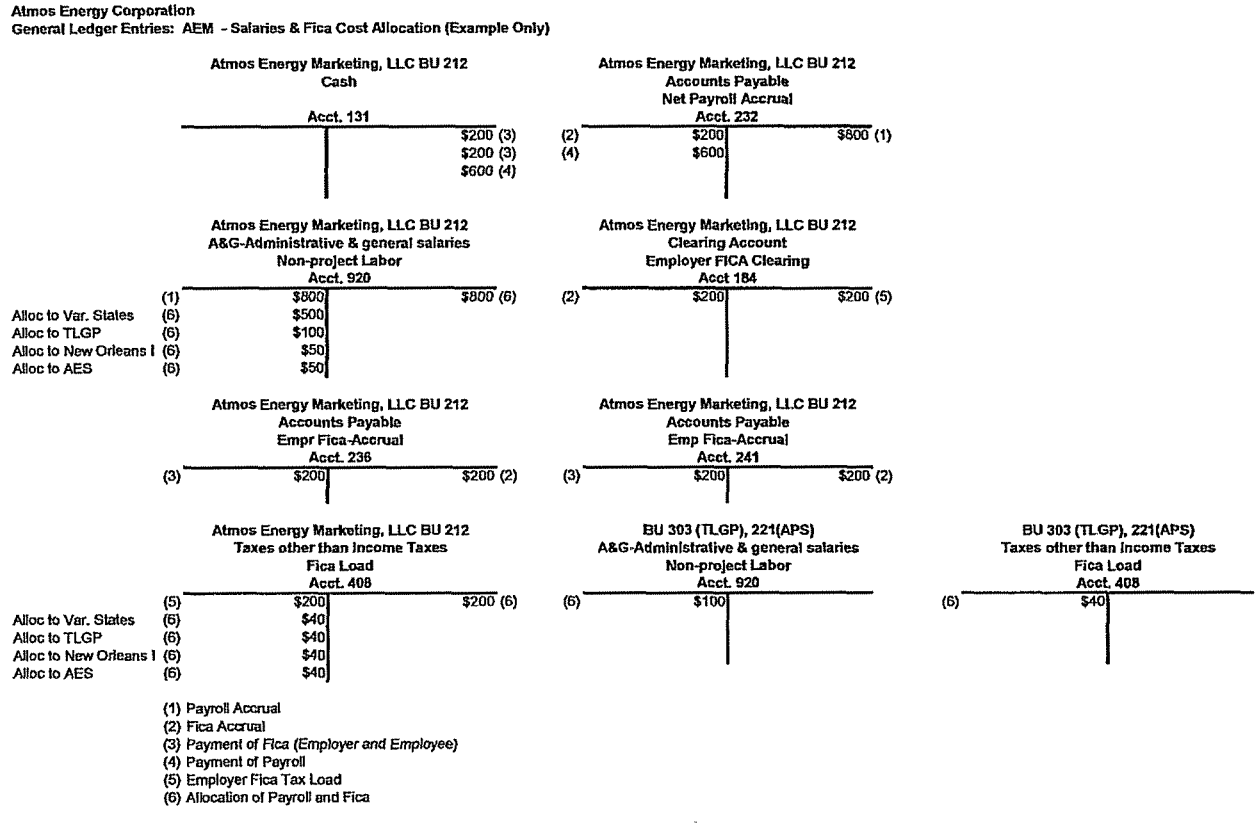
(1) Interest Income and/or expense is recognized each month at the subsidiaries' level

Service:	Gas storage services provided between affiliates
Description:	To the extent an affiliate stores gas in a storage field owned by another affiliate, a fee for the use of the storage field shall be charged.
Current Provider of Service	Trans Louisiana Gas Storage, Inc.
Current Use of Service	Trans Louisiana Gas Pipeline, Inc.
Basis for allocation	The fee to the affiliate utilizing the storage service is based on services provided at actual cost, market rate or as otherwise provided under tariff.

General Ledger Entries: Example Only



Service:	AEM – Salaries and FICA Cost Allocation
Description:	Salaries and FICA cost allocations between affiliates.
Current Provider of Service	Atmos Energy Marketing, LLC
Current Use of Service	Atmos Energy Services, LLC Atmos Energy Marketing, LLC Trans Louisiana Gas Pipeline, Inc. Atmos Power Systems, Inc.
Basis for allocation	Costs are allocated based on each individual employee's calculated allocation rate between companies. The individual employee's calculated allocation rates are then added up to arrive at a Company-wide allocation rate.



Service:	AEM – Operation and Maintenance cost allocation
Description:	O&M expense cost allocations between affiliates.
Current Provider of Service	Atmos Energy Marketing, LLC
Current Use of Service	Atmos Energy Services, LLC
Basis for allocation	Costs are allocated based on each individual employee's calculated allocation rate between companies. The individual employee's calculated allocation rates are then added up to arrive at a Company-wide allocation rate.

Atmos Energy Corporation
General Ledger Entries: Affiliates - O&M Expense Allocation (Example Only)

Labor & Benefits

Atmos Energy Marketing, LLC BU 212
Administrative Expenses Transferred - CR
Acct. 922

	$1,000 (1)

Atmos Energy Holdings, Inc. BU 312
Administrative Expenses Transferred - CR
Acct. 922

(1) $1,000	$1,000 (1)

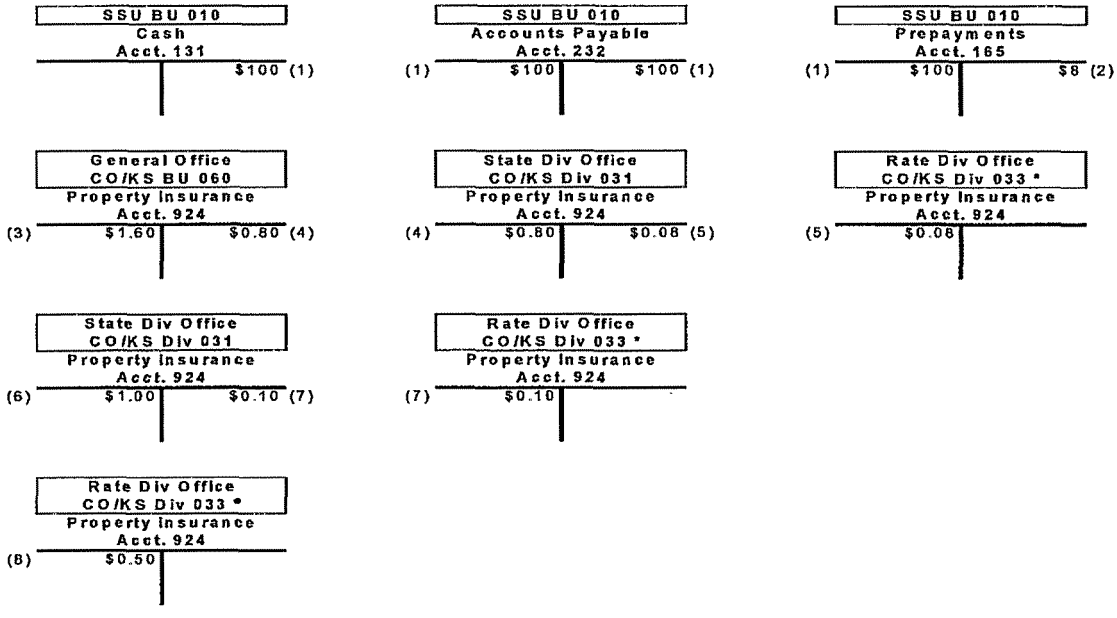
Atmos Energy Services, LLC BU 301
Administrative Expenses Transferred - CR
Acct. 922 - Multiple Svc Areas for different state

(1) $1,000	

(1) Labor and Benefits Billing from AEM (212) to AES (301)

Service:	Property Insurance
Description:	Blueflame Insurance Services, LTD provides a direct property insurance policy. The policy covers the property against all risks of direct physical loss or damage.
Current Provider of Service	Blueflame Insurance Services, LTD
Current Use of Service	Kentucky/Mid-States Division Colorado-Kansas Division Shared Services Louisiana Division Mississippi Division Mid-Tex Division West Texas Division Atmos Pipeline – Texas Division Atmos Energy Marketing, LLC Atmos Exploration & Production, Inc. Atmos Energy Services, LLC Atmos Power Systems, Inc. Trans Louisiana Gas Pipeline, Inc. Trans Louisiana Gas Storage, Inc. UCG Storage, Inc. WKG Storage, Inc. Atmos Gathering Company HNNG JV
Basis for allocation	Atmos Energy Corporation is invoiced by Blueflame Insurance Services. Costs are then further allocated based on the property value of each affiliate at a rate division level.

General Ledger Entries: Example Only



* Many rate division offices exist within the state in addition to Div 033.

Flow of Activity
(1) Property insurance incurred
(2) Amortized on a monthly basis to General Office
(3) Allocating Shared Services Expenses to General Office - 20% Allocation rate for illustration purposes only
(4) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
(5) Allocating Shared Services Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only
(6) Amortized on a monthly basis to State Division Office
(7) Allocating State Division Office to Rate Division Office
(8) Amortized on a monthly basis to Rate Division Office

Service:	AES Retail Services
Description:	AES Retail services monthly revenue
Current Provider Of Services	Atmos Energy Services, LLC Energas Energy Services Trust
Current Use of Service	West Texas Rate Divisions Kentucky/Mid-States Rate Divisions Colorado-Kansas Rate Divisions
Basis for allocation	1. Revenue for retail services is tracked in Atmos Energy Services, LLC and Energas Energy Services Trust by service areas which represent corresponding service areas at the utility level. Some of the revenue is reclassed to utility levels on a one to one basis. I.e. Colorado retail services post to service area 813 within Atmos Energy Services, LLC books and is simply reclassed to Colorado/Kansas Division, service area 030 (Colorado operating division general office). 2. Revenue balance in Atmos Energy Services, LLC service area 055001 (Retail – AES) is allocated to the above referenced divisions based on the net income of Atmos Energy Services, LLC service areas 811-813 and BU 309 (Energas Energy Services Trust) as a percentage of their combined net income.

General Ledger Entries: Example Only

BU 301
Service areas 811-813
Revenues from Nonutility Operations
Acct. 417

(1)	$600	$600 (1)
(1)	$300	$300 (1)
(1)	$100	$100 (1)

BU 309
Service area 814
Revenues from Nonutility Operations
Acct. 417

(1)	$500	$500 (1)

General Office

Revenues from Nonutility Operations
Acct. 417

	$600 (1)
	$300 (1)
	$100 (1)
	$500 (1)

BU 301
Service area 055
Revenues from Nonutility Operations
Acct. 417

(2)	$2,000	$2,000 (2)

General Office

Revenues from Nonutility Operations
Acct. 417

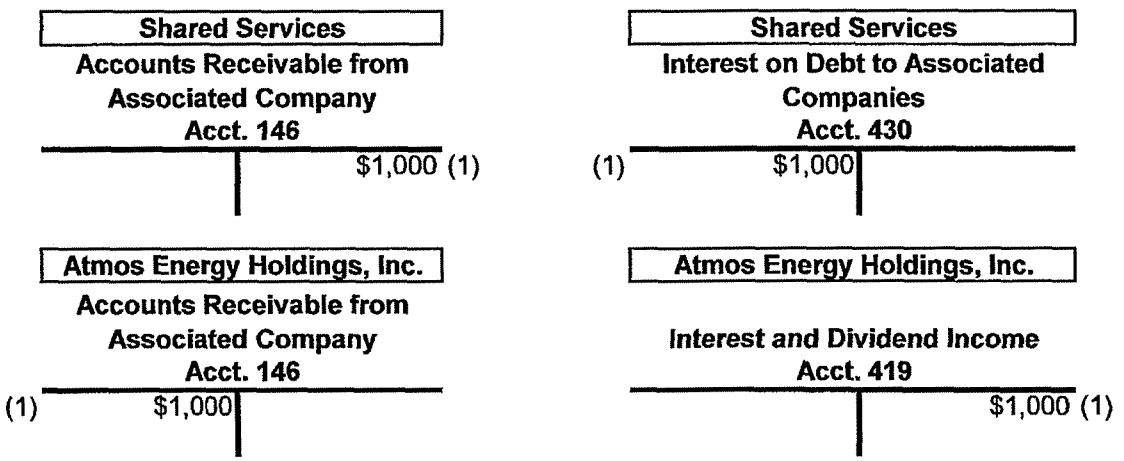
(2)	$1,000	West Texas
(2)	$750	Colorado
(2)	$250	Kansas

Flow of Activity

(1) Revenues from Nonutility Operations incurred and reclassed to General Offices
(2) Revenues from Nonutility Operations incurred are allocated to General Offices

Service:	Intercompany Interest on Notes Payable
Description:	Intercompany Interest on Notes Payable
Current Provider Of Services	Shared Services
Current Use of Service	Atmos Energy Holdings, Inc.
Basis for allocation	Interest income or expense is recognized each month at the subsidiaries' level based on the average outstanding balance of each respective inter-company receivable/payable balance and Atmos' average effective rate of short term debt net of commitment fees plus 2.75 basis points.

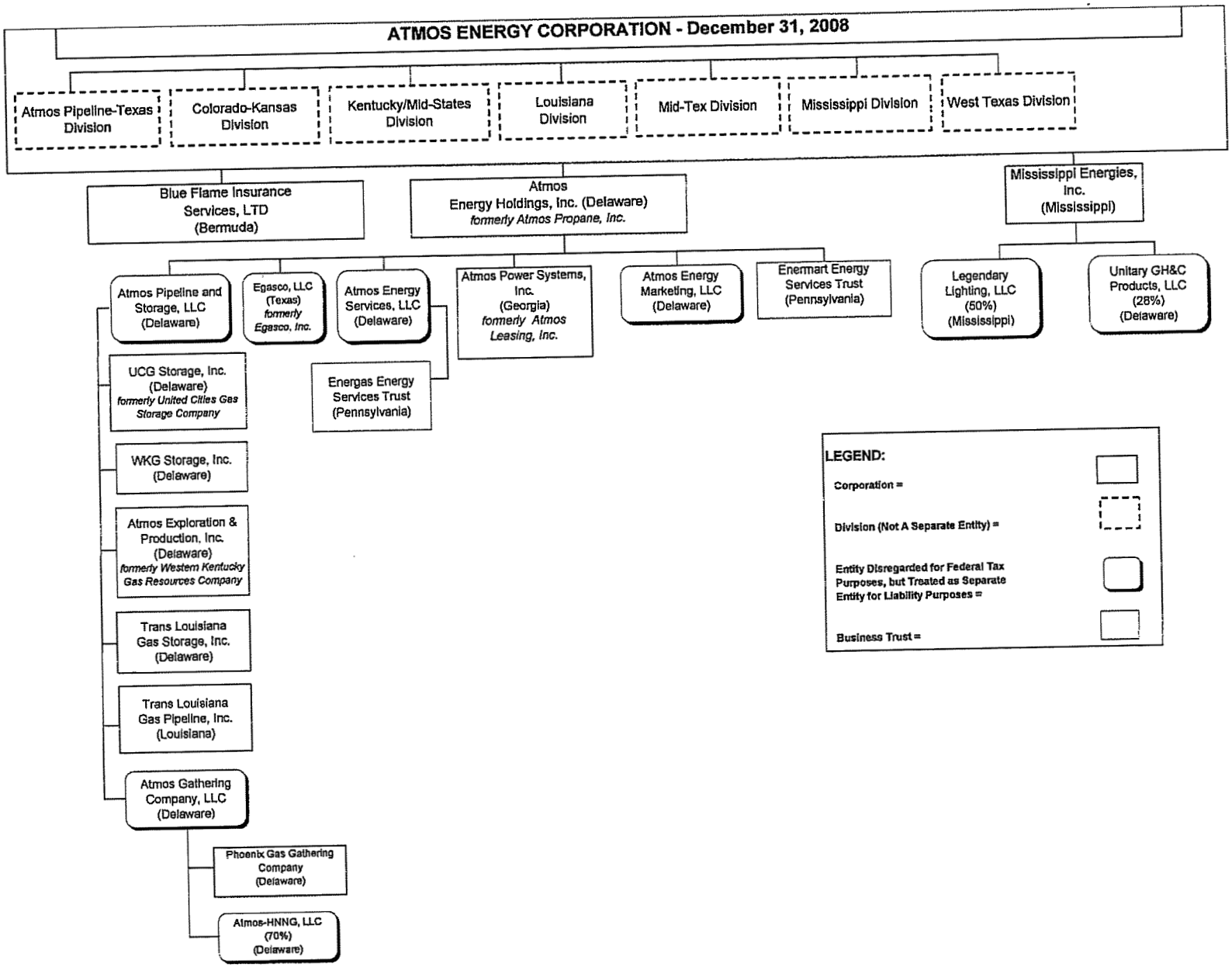
General Ledger Entries: Example Only



Flow of Activity

(1) Intercompany Interest on Notes Payable is recognized each month at the subsidiary level.

Appendix A


ATMOS ENERGY CORPORATION - December 31, 2008
Atmos Pipeline-Texas Division
Colorado-Kansas Division
Kentucky/Mid-States Division
Louisiana Division
Mid-Tex Division
Mississippi Division
West Texas Division
Blue Flame Insurance Services, LTD (Bermuda)
Atmos Energy Holdings, Inc. (Delaware) formerly Atmos Propane, Inc.
Mississippi Energies, Inc. (Mississippi)
Atmos Pipeline and Storage, LLC (Delaware)
Egasco, LLC (Texas) formerly Egasco, Inc.
Atmos Energy Services, LLC (Delaware)
Atmos Power Systems, Inc. (Georgia) formerly Atmos Leasing, Inc.
Atmos Energy Marketing, LLC (Delaware)
Enermart Energy Services Trust (Pennsylvania)
Legendary Lighting, LLC (50%) (Mississippi)
Unitary GH&C Products, LLC (28%) (Delaware)
UCG Storage, Inc. (Delaware) formerly United Cities Gas Storage Company
Energas Energy Services Trust (Pennsylvania)
WKG Storage, Inc. (Delaware)
Atmos Exploration & Production, Inc. (Delaware) formerly Western Kentucky Gas Resources Company
Trans Louisiana Gas Storage, Inc. (Delaware)
Trans Louisiana Gas Pipeline, Inc. (Louisiana)
Atmos Gathering Company, LLC (Delaware)
Phoenix Gas Gathering Company (Delaware)
Atmos-HNNG, LLC (70%) (Delaware)
LEGEND:
Corporation =
Division (Not A Separate Entity) =
Entity Disregarded for Federal Tax Purposes, but Treated as Separate Entity for Liability Purposes =
Business Trust =

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No. 2009-00354**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF LAURIE M. SHERWOOD

I. POSITION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS AFFILIATION AND BUSINESS ADDRESS.

A. My name is Laurie M. Sherwood. I am the Vice President and Treasurer of Atmos Energy Corporation ("Atmos", "Atmos Energy" or "the Company"). My business address is 5430 LBJ Freeway, Suite 700, Dallas, Texas 75240.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND DESCRIBE YOUR WORK EXPERIENCE.

A. I earned a Bachelor of Business Administration degree with a double major in Management and Finance from Texas A & M University in 1982 and a Master of Business Administration degree from Southern Methodist University in 1988. From August 1982 to April 1999, I was employed by Oryx Energy Company and its former parent, Sunoco Inc., in various financial positions, most recently as Manager, Corporate Finance.

I joined Atmos in May 1999 as Assistant Treasurer. I was named Vice President and Treasurer in September 2000.

Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

A. I am responsible for the corporate treasury, procurement, risk management and business insurance functions of the Company. My duties include planning, scheduling and administering the Company's financial requirements, including the sale and issuance of debt and equity securities. In addition to long-term financings, I am responsible for the Company's bank relations and short-term borrowing and investing activities. As a result of these activities, I am in frequent contact with financial institutions, credit rating agencies and commercial and investment bankers. I am also ultimately responsible for oversight of the Company's risk management group which is responsible for the procurement and maintenance of adequate levels of insurance coverage for general liability, casualty and other risks at a reasonable cost.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION OR OTHER REGULATORY ENTITIES?

A. I filed testimony in Case No. 2006-00464 although I did not present live testimony. I have testified before the Georgia Public Service Commission, the Illinois Commerce Commission, the Iowa Utilities Board, the Kansas Corporation Commission, the Louisiana Public Service Commission, the Missouri Public Service Commission, the Mississippi Public Service Commission, the Railroad Commission of Texas and the Tennessee Regulatory Authority.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to sponsor the Company's proposed capital structure and embedded cost of debt in this rate proceeding.

Q. ARE YOU SPONSORING ANY OF THE FILING REQUIREMENTS IN THIS CASE, AND, IF SO WHICH REQUIREMENTS?

A. I am sponsoring the following specific filing requirements of Section 10 of 807 K.A.R. 5:001[1]:

FR 10(9)(h)(11) Capital structure requirements; and

FR 10(10)(j) Cost of capital summary.

Q. DO YOU ADOPT THESE FILING REQUIREMENTS AND MAKE THEM PART OF YOUR TESTIMONY?

A. Yes.

III. CAPITAL STRUCTURE AND COST OF DEBT

Q. HOW IS ATMOS ENERGY ORGANIZED?

A. Atmos Energy conducts its utility operations in twelve states through unincorporated operating divisions. The Company's division for which rates are sought to be adjusted in this proceeding is commonly referred to as the Kentucky/Mid-States Division.

Q. DO THE COMPANY'S UNINCORPORATED DIVISIONS ISSUE THEIR OWN DEBT OR EQUITY?

A. No. These divisions, including the Kentucky/Mid-States Division, are not separate legal entities and actually comprise part of the Company itself. Instead, these unincorporated divisions are part of the legal entity that is Atmos Energy Corporation. Therefore, all debt or equity funding of the operations performed by the utility divisions must be (and is) issued by the Atmos Energy as a whole, on a consolidated basis.

Q. WHAT CAPITAL STRUCTURE SHOULD BE USED IN THIS PROCEEDING?

[1] This regulation prescribes numerous filing requirements (FRs). The FR abbreviations used are to the applicable subparts of Section 10 of 807 K.A.R. 5:001.

A. Although this proceeding only affects the rates which may be charged by the Company for its regulated utility operations in Kentucky, the appropriate capital structure for each of the Atmos utility operating divisions, including its Kentucky/Mid-States Division, is equivalent to the consolidated capital structure for Atmos as a whole. This is because Atmos provides the debt and equity capital that supports the assets serving Kentucky customers. The capital structure that is appropriate for the Company's Kentucky operations in this proceeding is set forth in FR 10(10)(j). As shown in that FR, long-term debt comprises 48.6% and equity is 51.4% of the Company's 13-month average capital structure for the forward-looking test period.

Q. HOW DOES THIS RECOMMENDED CAPITAL STRUCTURE COMPARE TO THE ACTUAL CAPITAL RATIOS AS OF JUNE 30, 2009?

A. As reported on the Company's quarterly report on Form 10-Q filed with the Securities and Exchange Commission for the quarter ended June 30, 2009, Atmos Energy's capital structure and ratios were as follows ($ in thousands):

Long-Term Debt[2]	Shareholders' Equity	Total
$2,169,526	$2,191,520	$4,361,046
49.75%	50.25%	100%

Q. PLEASE SUMMARIZE YOUR DISCUSSION ON CAPITAL STRUCTURE.

A. Atmos Energy's actual capital structure as of June 30, 2009 consisted of 49.75% long-term debt and 50.25% shareholders' equity. The long-term debt percentage is projected to fall to 48.6% for the forward-looking test period because the Company will continue to increase shareholders' equity by issuing common stock from its various stock plans and by generating earnings in excess of dividends paid. The 48.6% long-term debt and 51.4% shareholders' equity capital structure advocated by

[2] Includes current maturities.

the Company in this proceeding is consistent with stated strategy, realistic, and achievable.

Q. WHAT RATES DO YOU PROPOSE FOR THE EMBEDDED COST OF DEBT CAPITAL IN SETTING RATES IN THIS CASE?

A. As shown in Exhibit LMS-1 attached to my testimony, the Company's weighted average cost of long-term debt for the base period in this case is 6.64%. However, I do not recommend that the Commission adopt 6.64% as the weighted average cost of long-term debt capital for use in this proceeding because it does not reflect what the cost will be as of March 31, 2011, which is the end of the forecasted test period used in this proceeding. Exhibit LMS-2 attached to my testimony shows that at March 31, 2011, the Company's projected cost of long-term debt capital will be 6.87% and I recommend that the Commission adopt that as the weighted average cost of long-term debt capital for use in this proceeding. This weighted average cost of debt will permit Atmos Energy to raise the required debt capital to support its operations and to continue to provide safe, reliable and efficient natural gas service to its Kentucky customers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2009-00354
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, Laurie M. Sherwood, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that she will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as her direct testimony in such case.

Laurie M. Sherwood

STATE OF TEXAS

COUNTY OF DALLAS

SUBSCRIBED AND SWORN to before me by Laurie M. Sherwood on this the 13th day of October, 2009.

SUZANNA G. DAVIS
My Commission Expires
August 29, 2012

Suzanna G. Davis
Notary Public

My Commission Expires: August 29, 2012

EXHIBIT LMS-1

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
AVERAGE ANNUALIZED LONG-TERM DEBT
Base Period: Twelve Months Ended December 31, 2009

Data: X Base Period _____ Forecasted Period
Type of Filing: X Original _____ Updated _____ Revised
Workpaper Reference No(s). _____

Schedule J-3
Witness: L. Sherwood

Line No.	Issue	13 Mth Avg. Amount Outstanding	Interest Rate	Effective Auual Cost	Compposite Interest Rate
	(A)	(B)	(C)	(D)	(E=D/B)
1	10% Senior Notes due Dec 2011	$1,151,654	10.00%	$115,165	
2	10% Senior Notes due Dec 2011	$1,151,654	10.00%	115,165	
3	6.75% Debentures Unsecured due July 2028	$150,000,000	6.75%	10,125,000	
4	7.375% Senior Notes due May 2011	$350,000,000	7.38%	25,812,500	
5	5.125% Senior Notes due Feb 2013	$250,000,000	5.13%	12,812,500	
6	6.35% Sr Note, due 2017	$250,000,000	6.35%	15,875,000	
7	4.00% Sr Note, due 2009	$123,076,923	4.00%	4,923,077	
8	8.50% Sr Note due 3/15/2019	$346,153,846	8.50%	29,423,077	
9	4.95% Sr Note due 10/15/2014	$500,000,000	4.95%	24,750,000	
10	5.95% Sr Note due 10/15/2034	$200,000,000	5.95%	11,900,000	
11	6.67% MTN A1 due Dec 2025	$10,000,000	6.67%	667,000	
12	6.27% MTN A2 due Dec 2010	$10,000,000	6.27%	627,000	
13	Industrial Develop Revenue Bond 07/13	$564,101	7.90%	44,564	
14	US Bancorp - 04/09	$72,454	5.29%	3,833	
15	Total	$2,192,170,633		$137,193,881	
16					
17	Annualized Amortization of Debt Exp. & Debt Dsct.			8,054,000	
18	Less Unamortized Debt Discount	($3,237,976)			
19					
20	Total Long-Term Debt	$2,188,932,656		145,247,881	**6.64%**

EXHIBIT LMS-2

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
AVERAGE ANNUALIZED LONG-TERM DEBT
Forecasted Test Period: Twelve Months Ended March 31, 2011

Data:____Base Period___X___Forecasted Period
Type of Filing:___X____Original_____Updated _____Revised
Workpaper Reference No(s)._____

Schedule J-3
Sheet 1 of 1
Witness: L. Sherwood

Line No.	Issue	13 Mth Average Amount Outstanding	Interest Rate	Effective Annual Cost	Composite Interest Rate
	(A)	(B)	(C)	(D)	(E=D/B)
1	10% Senior Notes due Dec 2011	$1,151,654	10.00%	$115,165	
2	10% Senior Notes due Dec 2011	$1,151,654	10.00%	115,165	
3	6.75% Debentures Unsecured due July 2028	$150,000,000	6.75%	10,125,000	
4	7.375% Senior Notes due May 2011	$350,000,000	7.38%	25,812,500	
5	5.125% Senior Notes due Feb 2013	$250,000,000	5.13%	12,812,500	
6	6.35% Sr Note, due 2017	$250,000,000	6.35%	15,875,000	
7	4.00% Sr Note, due 2009	$0	4.00%	0	
8	8.50% Sr Note due 3/15/2019	$450,000,000	8.50%	38,250,000	
9	4.95% Sr Note due 10/15/2014	$500,000,000	4.95%	24,750,000	
10	5.95% Sr Note due 10/15/2034	$200,000,000	5.95%	11,900,000	
11	6.67% MTN A1 due Dec 2025	$6,923,077	6.67%	461,769	
12	6.27% MTN A2 due Dec 2010	$10,000,000	6.27%	627,000	
13	Industrial Develop Revenue Bond 07/13	$397,892	7.90%	31,433	
14	US Bancorp - 04/09	$0	5.29%	0	
15	Total	2,169,624,277		140,875,534	
16					
17	Annualized Amortization of Debt Exp. & Debt Dsct.			8,054,000	
18	Less Unamortized Debt Discount	(3,014,016)			
19					
20	Total Long-Term Debt	$2,166,610,261		$148,929,534	**6.87%**

ATMOS ENERGY CORPORATION

DOCKET NO.

PREPARED DIRECT TESTIMONY OF

JAMES H. VANDER WEIDE, PH.D.

RATE OF RETURN

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	)	
	)	
RATE APPLICATION BY	)	**Case No. 2009-00354**
	)	
ATMOS ENERGY CORPORATION	)	

TESTIMONY OF JAMES H. VANDER WEIDE, PH.D

ATMOS ENERGY CORPORATION
RATE OF RETURN

TABLE OF CONTENTS

A. Introduction and Summary

Q. 1 Please state your name, title, and business address for the record.

A. 1 My name is James H. Vander Weide. I am Research Professor of Finance and Economics at Duke University, The Fuqua School of Business. I am also President of Financial Strategy Associates, a firm that provides strategic and financial consulting services to business clients. My business address is 3606 Stoneybrook Drive, Durham, North Carolina 27705.

Q. 2 Please summarize your qualifications.

A. 2 I received a Bachelor's Degree in Economics from Cornell University and a Ph.D. in Finance from Northwestern University. After joining the faculty of the School of Business at Duke University, I was named Assistant Professor, Associate Professor, and then Professor. I have published research in the areas of finance and economics, taught courses in these fields at Duke over the last 35 years, and taught in numerous executive programs at Duke. I am now retired from my teaching duties at Duke.

Q. 3 Have you previously testified on financial or economic issues?

A. 3 Yes. As an expert on financial and economic theory and practice, I have participated in more than 400 regulatory and legal proceedings before the U.S. Congress, the Canadian Radio-Television and Telecommunications Commission, the Federal Communications Commission, the National Telecommunications and Information Administration, the Federal Energy Regulatory Commission, the National Energy Board (Canada), the Alberta Utilities Board (Canada), the public service commissions of 43 states, the insurance commissions of five states, the Iowa State Board of Tax Review, the National Association of Securities Dealers, and the North Carolina Property Tax Commission. In addition, I have prepared expert testimony in proceedings before the U.S. District Court for the District of Nebraska; the U.S. District Court for the District of New Hampshire; U.S. District Court for the District of Northern Illinois; the U.S. District Court for the Eastern District of North

Carolina; Montana Second Judicial District Court, Silver Bow County; the U.S. District Court for the Northern District of California; the Superior Court, North Carolina; the U.S. Bankruptcy Court for the Southern District of West Virginia; and the U. S. District Court for the Eastern District of Michigan. My resume is shown in Appendix 1.

Q. 4 What is the purpose of your testimony?

A. 4 I have been asked by Atmos Energy Corporation ("Atmos Energy" or "Company") to prepare an independent appraisal of Atmos Energy's cost of equity and to recommend a rate of return on equity that is fair, that allows the Company to attract capital on reasonable terms, and that allows the Company to maintain its financial integrity.

Q. 5 How do you estimate Atmos Energy's cost of equity?

A. 5 I estimate Atmos Energy's cost of equity by applying several standard cost of equity methods, including the discounted cash flow ("DCF"), risk premium, and capital asset pricing model ("CAPM") to a group of comparable companies.

Q. 6 Why do you apply your cost of equity methods to a group of comparable risk companies rather than solely to Atmos Energy?

A. 6 I apply my cost of equity methods to a group of comparable risk companies because standard cost of equity methodologies such as the DCF, risk premium, and CAPM require inputs of quantities that are not easily measured. Since these inputs can only be estimated, there is naturally some degree of uncertainty surrounding the estimate of the cost of equity for each company. However, the uncertainty in the estimate of the cost of equity for an individual company can be greatly reduced by applying cost of equity methodologies to a sample of comparable companies. Intuitively, unusually high estimates for some individual companies are offset by unusually low estimates for other individual companies. Thus, financial economists invariably apply cost of equity methodologies to a group of comparable companies. In utility regulation, the practice of using a group of comparable companies, called the comparable company approach, is further supported by the United States Supreme Court standard that the utility should be allowed to earn a return on its investment that

is commensurate with returns being earned on other investments of the same risk.[1]

Q. 7 What cost of equity do you find for your comparable companies in this proceeding?

A. 7 On the basis of my studies, I find that the cost of equity for my comparable companies is in the range 10.2 percent to 11.9 percent (see Table 1), with an average result of 11.0 percent.

TABLE 1
COST OF EQUITY MODEL RESULTS

Method	Model Result
Discounted Cash Flow	11.9%
Ex Ante Risk Premium	10.9%
Ex Post Risk Premium	10.6%
Historical CAPM	10.2%
DCF CAPM	11.5%
Average	11.0%

Q. 8 What is your recommendation regarding Atmos Energy's allowed rate of return on equity?

A. 8 I conservatively recommend that Atmos Energy be allowed a rate of return on equity equal to 11.0 percent.

Q. 9 Why is your recommended return on equity conservative?

A. 9 My recommended return on equity is conservative because the financial risk of my comparable companies, which is based on the equity ratio resulting from the market values of their equity and debt, is less than the financial risk implied by the lower equity ratio in Atmos Energy's ratemaking capital structure, which is based on its book values of equity and debt. In addition, my recommendation does not reflect: (1) the observation that forecasted yields on both A-rated utility bonds and Treasury bonds are significantly higher than the current yields on these securities; (2) the small size premium for small market capitalization companies such as those in my proxy group of natural gas companies; and

[1] *See Bluefield Water Works and Improvement Co. v. Public Service Comm'n.* 262 U.S. 679 (1923) and *Hope Natural Gas Co.*, 320 U.S. 591 (1944).

(3) the evidence that the CAPM underestimates the cost of equity for companies with betas less than 1.0.

Q. 10 Do you have exhibits accompanying your testimony?

A. 10 Yes. I have exhibits consisting of eight schedules and five appendices that were prepared by me or under my direction and supervision.

B. Economic and Legal Principles

Q. 11 What is the economic definition of the required rate of return, or cost of capital, associated with particular investment decisions, such as the decision to invest in natural gas distribution facilities?

A. 11 The cost of capital is the return investors expect to receive on alternative investments of comparable risk.

Q. 12 How does the cost of capital affect a firm's investment decisions?

A. 12 A central goal of a firm is to maximize the value of the firm. This goal can be accomplished by accepting all investments in plant and equipment with an expected rate of return greater than the cost of capital. Thus, from an economic perspective, a firm should continue to invest in plant and equipment only so long as the return on its investment is greater than or equal to its cost of capital.

Q. 13 How does the cost of capital affect investors' willingness to invest in a company?

A. 13 The cost of capital measures the return investors can expect on investments of comparable risk. The cost of capital also measures the investor's required rate of return on investment because rational investors will not invest in a particular investment opportunity if the expected return on that opportunity is less than the cost of capital. Thus, the cost of capital is a hurdle rate for both investors and the firm.

Q. 14 Do all investors have the same position in the firm?

A. 14 No. Bond investors have a fixed claim on a firm's assets and income that must be paid prior to any payment to the firm's equity investors. Since the firm's equity investors have a residual claim on the firm's assets and income, equity investments are riskier than bond investments. Thus, the cost of equity exceeds the cost of debt.

Q. 15 What is the overall or average cost of capital?

A. 15 The overall or average cost of capital is a weighted average of the cost of debt and cost of equity, where the weights are the percentages of debt and equity in a firm's capital structure.

Q. 16 Can you illustrate the calculation of the overall or weighted average cost of capital?

A. 16 Yes. Assume that the cost of debt is 7 percent, the cost of equity is 13 percent, and the percentages of debt and equity in the firm's capital structure are 50 percent and 50 percent, respectively. Then the weighted average cost of capital is expressed by .50 times 7 percent plus .50 times 13 percent, or 10.0 percent.

Q. 17 What is the economic definition of the cost of equity?

A. 17 The cost of equity is the return investors expect to receive on alternative equity investments of comparable risk. Since the return on an equity investment of comparable risk is not a contractual return, the cost of equity is more difficult to measure than the cost of debt. However, as I have already noted, the cost of equity is greater than the cost of debt. The cost of equity, like the cost of debt, is both forward looking and market based.

Q. 18 What is the correct economic measure of the percentages of debt and equity in a firm's capital structure?

A. 18 The percentages of debt and equity in a firm's capital structure are measured by first calculating the market value of the firm's debt and the market value of its equity. The percentage of debt is then calculated by the ratio of the market value of debt to the combined market value of debt and equity, and the percentage of equity by the ratio of the market value of equity to the combined market values of debt and equity. For example, if a firm's debt has a market value of $25 million and its equity has a market value of $75 million, then its total market capitalization is $100 million, and its capital structure contains 25% debt and 75% equity.

Q. 19 Why is a firm's capital structure correctly measured in terms of the market values of its debt and equity?

A. 19 A firm's capital structure is correctly measured in terms of the market values of its debt and equity because: (1) the weighted average cost of capital is defined as the return investors expect to earn on a portfolio of the company's debt and equity securities; (2) investors measure the expected return and risk on their portfolios using market value weights, not book value weights; and (3) market values are the best measures of the amounts of debt and equity investors have invested in the company on a going forward basis.

Q. 20 Why do investors measure the return on their investment portfolios using market value weights rather than book value weights?

A. 20 Investors measure the return on their investment portfolios using market value weights because market value weights are the best measure of the amounts the investors currently have invested in each security in the portfolio. From the point of view of investors, the historical cost or book value of their investment is entirely irrelevant to the current risk and return on their portfolios because if they were to sell their investments, they would receive market value, not historical cost. Thus, the return can only be measured in terms of market values.

Q. 21 Is the economic definition of the weighted average cost of capital consistent with regulators' traditional definition of the weighted average cost of capital?

A. 21 No. The economic definition of the weighted average cost of capital is based on the market costs of debt and equity, the market value percentages of debt and equity in a company's capital structure, and the future expected risk of investing in the company. In contrast, regulators have traditionally defined the weighted average cost of capital using the embedded cost of debt and the book values of debt and equity in a company's capital structure.

Q. 22 Does the required rate of return on an investment vary with the risk of that investment?

A. 22 Yes. Since investors are averse to risk, they require a higher rate of return on investments with greater risk.

Q. 23 Do investors consider future industry changes when they estimate the risk of a particular investment?

A. 23 Yes. Investors consider all the risks that a firm might incur over the future life of the company.

Q. 24 Are these economic principles regarding the fair return for capital recognized in any United States Supreme Court cases?

A. 24 Yes. These economic principles, relating to the supply of and demand for capital, are recognized in two United States Supreme Court cases: (1) *Bluefield Water Works and Improvement Co. v. Public Service Commission*; and (2) *Federal Power Commission v. Hope Natural Gas Co.* In the *Bluefield Water Works* case, the Court states:

> A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties. [*Bluefield Water Works and Improvement Co. v. Public Service Comm'n.* 262 U.S. 679, 692 (1923)].

The Court clearly recognizes here that: (1) a regulated firm cannot remain financially sound unless the return it is allowed to earn on the value of its property is at least equal to the cost of capital (the principle relating to the demand for capital); and (2) a regulated firm will not be able to attract capital if it does not offer investors an opportunity to earn a return on their investment equal to the return they expect to earn on other investments of the same risk (the principle relating to the supply of capital).

In the *Hope Natural Gas* case, the Court reiterates the financial soundness and capital attraction principles of the *Bluefield* case:

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock... By that standard the return to the equity owner should be

commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. [*Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944)].

C. Business and Financial Risks in Natural Gas Distribution Business

Q. 25 What are the major factors that affect business risk in the natural gas distribution business?

A. 25 Business risk in the natural gas distribution business is generally affected by the following economic factors:

1. High Operating Leverage. The natural gas distribution business is a business that requires a large commitment to fixed costs in relation to variable costs, a situation called high operating leverage. The relatively high degree of fixed costs in the natural gas distribution industry arises because of the average natural gas company's large investment in fixed distribution and peaking facilities. High operating leverage causes the average natural gas company's net income to be highly sensitive to sales fluctuations.
2. Demand Uncertainty. The business risk of the natural gas distribution business is increased by the high degree of demand uncertainty in the industry. Demand uncertainty is caused by: (a) the strong dependence of natural gas demand on the state of the economy and the weather; (b) the ability of customers to switch to alternative sources of energy in response to relative price differentials in these sources of energy; (c) the ability of some retail customers to purchase natural gas from competitive suppliers; and (d) rapidly changing prices for natural gas and alternate sources of energy.
3. Investment Uncertainty. The natural gas distribution business requires large investments in long-lived gas distribution and peaking facilities that are largely sunk once the investment is made. Future amounts of required investment in these facilities are highly uncertain as a result of the inherent uncertainty in forecasting energy requirements for many years into the

future, high volatility in fuel prices, and uncertainty in environmental regulations.

4. Peak Demand. The need to invest substantial sums in expensive fixed plant is further exacerbated by the peak nature of natural gas demand. The peak demand for natural gas is unusually high relative to average sales in non-peak periods.

D. Cost of Equity Estimation Methods

Q. 26 What methods do you use to estimate the cost of common equity capital for Atmos Energy?

A. 26 I use three generally accepted methods for estimating Atmos Energy's cost of common equity. These are the DCF model, the risk premium approach, and the CAPM. The DCF model assumes that the current market price of a firm's stock is equal to the discounted value of all expected future cash flows. The risk premium approach assumes that investors' required return on an equity investment is equal to the interest rate on a long-term bond plus an additional equity risk premium to compensate the investor for the risks of investing in common equities compared to bonds. The CAPM assumes that the investors' required rate of return is equal to a risk-free rate of interest plus the product of a company-specific risk factor, beta, and the expected risk premium on the market portfolio.

E. Discounted Cash Flow (DCF) Method

Q. 27 Please describe the DCF model.

A. 27 The DCF model is based on the assumption that investors value an asset on the basis of the future cash flows they expect to receive from owning the asset. Thus, investors value an investment in a bond because they expect to receive a sequence of semi-annual coupon payments over the life of the bond and a terminal payment equal to the bond's face value at the time the bond matures. Likewise, investors value an investment in a firm's stock because they expect to receive a sequence of dividend payments and, perhaps, expect to sell the stock at a higher price sometime in the future.

A second fundamental principle of the DCF method is that investors value a dollar received in the future less than a dollar received today. A future dollar is valued less than a current dollar because investors could invest a current dollar in an interest earning account and increase their wealth. This principle is called the time value of money.

Applying the two fundamental DCF principles noted above to an investment in a bond leads to the conclusion that investors value their investment in the bond on the basis of the present value of the bond's future cash flows. Thus, the price of the bond should be equal to:

EQUATION 1

$$P_B = \frac{C}{(1+i)} + \frac{C}{(1+i)^2} + \ldots + \frac{C+F}{(1+i)^n}$$

where:

P_B	=	Bond price;
C	=	Cash value of the coupon payment (assumed for notational convenience to occur annually rather than semi-annually);
F	=	Face value of the bond;
i	=	The rate of interest the investor could earn by investing his money in an alternative bond of equal risk; and
n	=	The number of periods before the bond matures.

Applying these same principles to an investment in a firm's stock suggests that the price of the stock should be equal to:

EQUATION 2

$$P_S = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \ldots + \frac{D_n + P_n}{(1+k)^n}$$

where:

P_S	=	Current price of the firm's stock;
$D_1, D_2...D_n$	=	Expected annual dividend per share on the firm's stock;
P_n	=	Price per share of stock at the time the investor expects to sell the stock; and
k	=	Return the investor expects to earn on alternative investments of the same risk, i.e., the investor's required rate of return.

Equation (2) is frequently called the annual discounted cash flow model of stock valuation. Assuming that dividends grow at a constant annual rate, *g*, this equation can be solved for *k*, the cost of equity. The resulting cost of equity equation is $k = D_1/P_s + g$, where *k* is the cost of equity, D_1 is the expected next period annual dividend, P_s is the current price of the stock, and *g* is the constant annual growth rate in earnings, dividends, and book value per share. The term D_1/P_s is called the dividend yield component of the annual DCF model, and the term *g* is called the growth component of the annual DCF model.

Q. 28 Are you recommending that the annual DCF model be used to estimate Atmos Energy's cost of equity?

A. 28 No. The DCF model assumes that a company's stock price is equal to the present discounted value of all expected future dividends. The annual DCF model is only a correct expression for the present discounted value of future dividends if dividends are paid annually at the end of each year. Since the companies in my proxy group all pay dividends quarterly, the current market price that investors are willing to pay reflects the expected quarterly receipt of dividends. Therefore, a quarterly DCF model must be used to estimate the cost of equity for these firms. The quarterly DCF model differs from the annual DCF model in that it expresses a company's price as the present discounted value of a quarterly stream of dividend payments. A complete analysis of the implications of the quarterly payment of dividends on the DCF model is provided in Appendix 1. For the reasons cited there, I employed the quarterly DCF model throughout my calculations.

Q. 29 Please describe the quarterly DCF model you use.

A. 29 The quarterly DCF model I use is described on Schedule 1 and in Appendix 2. The quarterly DCF equation shows that the cost of equity is: the sum of the future expected dividend yield and the growth rate, where the dividend in the dividend yield is the equivalent future value of the four quarterly dividends at the end of the year, and the growth rate is the expected growth in dividends or earnings per share.

Q. 30 How do you estimate the quarterly dividend payments in your quarterly DCF model?

A. 30 The quarterly DCF model requires an estimate of the dividends, d_1, d_2, d_3, and d_4, investors expect to receive over the next four quarters. I estimate the next four quarterly dividends by multiplying the previous four quarterly dividends by the factor, (1 + the growth rate, g).

Q. 31 Can you illustrate how you estimated the next four quarterly dividends with data for a specific company?

A. 31 Yes. In the case of AGL Resources, for example, the last four quarterly dividends are equal to .42, .42, .43, and .43. Thus dividends, d_1, d_2, d_3, and d_4 are equal to .438, .438, .448 and .448 [.42 x (1 + .0425)] = .438 and [.43 x (1 + .0425) = .448.]. (As noted previously, the logic underlying this procedure is described in Appendix 2.)

Q. 32 In Appendix 2, you demonstrate that the quarterly DCF model provides the theoretically correct valuation of stocks when dividends are paid quarterly. Do investors, in practice, recognize the actual timing and magnitude of cash flows when they value stocks and other securities?

A. 32 Yes. In valuing long-term government or corporate bonds, investors recognize that interest is paid semi-annually. Thus, the price of a long-term government or corporate bond is simply the present value of the semi-annual interest and principal payments on these bonds. Likewise, in valuing mortgages, investors recognize that interest is paid monthly. Thus, the value of a mortgage loan is simply the present value of the monthly interest and principal payments on the loan. In valuing stock investments, stock investors correctly recognize that

dividends are paid quarterly. Thus, a firm's stock price is the present value of the stream of quarterly dividends expected from owning the stock.

Q. 33 When valuing bonds, mortgages, or stocks, would investors assume that cash flows are received only at the end of the year, when, in fact, the cash flows are received semi-annually, quarterly, or monthly?

A. 33 No. Assuming that cash flows are received at the end of the year when they are received semi-annually, quarterly, or monthly would lead investors to make serious mistakes in valuing investment opportunities. No rational investor would make the mistake of assuming that dividends or other cash flows are paid annually when, in fact, they are paid more frequently.

Q. 34 How do you estimate the growth component of the quarterly DCF model?

A. 34 I use the analysts' estimates of future earnings per share (EPS) growth reported by I/B/E/S Thomson Reuters.

Q. 35 What are the analysts' estimates of future EPS growth?

A. 35 As part of their research, financial analysts working at Wall Street firms periodically estimate EPS growth for each firm they follow. The EPS forecasts for each firm are then published. Investors who are contemplating purchasing or selling shares in individual companies review the forecasts. These estimates represent five-year forecasts of EPS growth.

Q. 36 What is I/B/E/S?

A. 36 I/B/E/S is a firm (now owned by Thomson Reuters) that reports analysts' EPS growth forecasts for a broad group of companies. The forecasts are expressed in terms of a mean forecast and a standard deviation of forecast for each firm. Investors use the mean forecast as a consensus estimate of future firm performance.

Q. 37 Why do you use the I/B/E/S growth estimates?

A. 37 The I/B/E/S growth rates: (1) are widely circulated in the financial community, (2) include the projections of multiple reputable financial analysts who develop estimates of future EPS growth, (3) are reported on a timely basis to investors, and (4) are widely used by institutional and other investors.

Q. 38 Why do you rely on analysts' projections of future EPS growth in estimating the investors' expected growth rate rather than looking at past historical growth rates?

A. 38 I rely on analysts' projections of future EPS growth because I believe that investors use analysts' forecasts to estimate future earnings growth. As discussed below, my research supports my belief.

Q. 39 Have you performed any studies concerning the use of analysts' forecasts as an estimate of investors' expected growth rate, g?

A. 39 Yes, I prepared a study in conjunction with Willard T. Carleton, Professor of Finance Emeritus at the University of Arizona, on why analysts' forecasts are the best estimate of investors' expectation of future long-term growth. This study is described in a paper entitled "Investor Growth Expectations and Stock Prices: Analysts vs. History," published in the Spring 1988 edition of *The Journal of Portfolio Management*.

Q. 40 Please summarize the results of your study.

A. 40 First, we performed a correlation analysis to identify the historically oriented growth rates which best described a firm's stock price. Then we did a regression study comparing the historical growth rates with the consensus analysts' forecasts. In every case, the regression equations containing the average of analysts' forecasts statistically outperformed the regression equations containing the historical growth estimates. These results are consistent with those found by Cragg and Malkiel, the early major research in this area (John G. Cragg and Burton G. Malkiel, *Expectations and the Structure of Share Prices*, University of Chicago Press, 1982). These results are also consistent with the hypothesis that investors use analysts' forecasts, rather than historically oriented growth calculations, in making stock buy and sell decisions. They provide overwhelming evidence that the analysts' forecasts of future growth are superior to historically oriented growth measures in predicting a firm's stock price.

Q 41 Has your study been updated?

A 41 Yes. Researchers at State Street Financial Advisors updated my study using data through year-end 2003. Their results continue to confirm that analysts' growth

forecasts are superior to historically-oriented growth measures in predicting a firm's stock price.

Q. 42 What price do you use in your DCF model?

A. 42 I use a simple average of the monthly high and low stock prices for each firm for the three-month period ending July 2009. These high and low stock prices were obtained from Thomson Reuters.

Q. 43 Why do you use the three-month average stock price in applying the DCF method?

A. 43 I use a three-month average stock price in applying the DCF method because stock prices fluctuate daily, while financial analysts' forecasts for a given company are generally changed less frequently, often on a quarterly basis. Thus, to match the stock price with an earnings forecast, it is appropriate to average stock prices over a three-month period.

Q. 44 Do you include an allowance for flotation costs in your DCF analysis?

A. 44 Yes. I include a five percent allowance for flotation costs in my DCF calculations.

Q. 45 Please explain your inclusion of flotation costs.

A. 45 All firms that have sold securities in the capital markets have incurred some level of flotation costs, including underwriters' commissions, legal fees, printing expense, etc. These costs are withheld from the proceeds of the stock sale or are paid separately, and must be recovered over the life of the equity issue. Costs vary depending upon the size of the issue, the type of registration method used and other factors, but in general these costs range between three and five percent of the proceeds from the issue.[2] In addition to these costs, for large equity issues (in relation to outstanding equity shares), there is likely to be a decline in price associated with the sale of shares to the public. On average, the decline due to market pressure has been estimated at two to three percent.[3] Thus, the

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2 *See* Lee, Inmoo, Scott Lochhead, Jay Ritter, and Quanshui Zhao, "The Costs of Raising Capital," *The Journal of Financial Research*, Vol. XIX No 1 (Spring 1996), 59-74, and Clifford W. Smith, "Alternative Methods for Raising Capital," *Journal of Financial Economics* 5 (1977) 273-307.

3 *See* Richard H. Pettway, "The Effects of New Equity Sales Upon Utility Share Prices," *Public Utilities Fortnightly*, May 10, 1984, 35—39.

total flotation cost, including both issuance expense and market pressure, could range anywhere from five to eight percent of the proceeds of an equity issue. I believe a combined five percent allowance for flotation costs is a conservative estimate that should be used in applying the DCF model in this proceeding.

Q. 46 Is there any evidence that Atmos Energy, in fact, incurs flotation costs equal to approximately five percent of its stock price when it issues new equity securities

A. 46 Yes. In the Company's most recent equity offering, December 7, 2006, Atmos Energy's stock price just prior to the offering was $32.07 per share, and the net proceeds to the Company were $30.3975 per share. The difference between the pre-offering stock price and the proceeds to the Company represent a 5.21 percent discount to the recent market price. The difference between the recent market price and the net proceeds per share reflects both the issuance expenses and market pressure, as explained in Appendix 3 of my direct testimony. Additional information on Atmos Energy's three most recent stock issuances are contained in the prospectuses for these issuances. (For ease of reference, the cover page of each of Atmos Energy's three most recent public offerings are shown in Schedule 2.)

Q. 47 Is a flotation cost adjustment only appropriate if a company issues stock during the last year?

A. 47 As described in Appendix 3, a flotation cost adjustment is required whether or not a company issued new stock during the last year. Previously incurred flotation costs have not been recovered in previous rate cases; rather, they are a permanent cost associated with past issues of common stock. Just as an adjustment is made to the embedded cost of debt to reflect previously incurred debt issuance costs (regardless of whether additional bond issuances were made in the test year), so should an adjustment be made to the cost of equity regardless of whether additional stock was issued during the last year.

Q. 48 Does an allowance for recovery of flotation costs associated with stock sales in prior years constitute retroactive rate-making?

A. 48 No. An adjustment for flotation costs on equity is not meant to recover any cost that is properly assigned to prior years. In fact, the adjustment allows Atmos Energy to recover only the current carrying costs associated with flotation expenses incurred at the time stock sales were made. The original flotation costs themselves will never be recovered, because the stock is assumed to have an infinite life.

Q. 49 How do you apply the DCF approach to obtain the cost of equity capital for Atmos Energy?

A. 49 I apply the DCF approach to the Value Line natural gas companies shown in Schedule 1.

Q. 50 How do you select your proxy group of natural gas companies?

A. 50 I select all the companies in Value Line's groups of natural gas companies that provide local distribution service and: (1) paid dividends during every quarter of the last two years; (2) did not decrease dividends during any quarter of the past two years; (3) have at least two analysts included in the I/B/E/S mean growth forecast; (4) have an investment grade bond rating and a Value Line Safety Rank of 1, 2, or 3; and (5) have not announced a merger.

Q. 51 Why do you eliminate companies that have either decreased or eliminated their dividend in the past two years?

A. 51 The DCF model requires the assumption that dividends will grow at a constant rate into the indefinite future. If a company has either decreased or eliminated its dividend in recent years, an assumption that the company's dividend will grow at the same rate into the indefinite future is questionable.

Q. 52 Why do you eliminate companies that have fewer than two analysts included in the I/B/E/S mean forecasts?

A. 52 The DCF model also requires a reliable estimate of a company's expected future growth. For most companies, the I/B/E/S mean growth forecast is the best available estimate of the growth term in the DCF model. However, the I/B/E/S estimate may be less reliable if the mean estimate is based on the inputs of very few analysts. On the basis of my professional judgment, I normally specify that the I/B/E/S long-term earnings growth forecast must include the forecasts of at

least three analysts. However, in August 2009 there are only five natural gas companies with growth forecasts from at least three analysts. In this study, therefore, I also include results for companies that had growth forecasts based on two analysts' growth forecasts.

Q. 53 Why do you eliminate companies that have announced mergers that are not yet completed?

A. 53 A merger announcement can sometimes have a significant impact on a company's stock price because of anticipated merger-related cost savings and new market opportunities. Analysts' growth forecasts, on the other hand, are necessarily related to companies as they currently exist, and do not reflect investors' views of the potential cost savings and new market opportunities associated with mergers. The use of a stock price that includes the value of potential mergers in conjunction with growth forecasts that do not include the growth enhancing prospects of potential mergers produces DCF results that tend to distort a company's cost of equity.

Q. 54 Is your natural gas company group a reasonable risk proxy for Atmos Energy?

A. 54 Yes. Many investors use the Value Line Safety Rank as a measure of equity risk. The average Value Line Safety Rank for my proxy group of natural gas companies is approximately 2 on a simple average basis and 2.5 on a market-weighted basis, on a scale where 1 is the most safe and 5 is the least safe, compared to a Value Line Safety Rank of 2 for Atmos Energy. The average S&P bond rating of the natural gas companies in my proxy group is approximately A- to BBB+. The S&P bond rating for Atmos Energy is BBB+. (See Schedule 1.)

Q. 55 Please summarize the results of your application of the DCF model to your natural gas company proxy group.

A. 55 I obtain a DCF result of 11.9 percent (see Schedule 1).

F. Risk Premium Method

Q. 56 Please describe the risk premium method of estimating Atmos Energy's cost of equity.

A. 56 The risk premium method is based on the principle that investors expect to earn a return on an equity investment in Atmos Energy that reflects a "premium" over and above the return they expect to earn on an investment in a portfolio of bonds. This equity risk premium compensates equity investors for the additional risk they bear in making equity investments versus bond investments.

Q. 57 Does the risk premium approach specify what debt instrument should be used to estimate the interest rate component in the methodology?

A. 57 No. The risk premium approach can be implemented using virtually any debt instrument. However, the risk premium approach does require that the debt instrument used to estimate the risk premium be the same as the debt instrument used to calculate the interest rate component of the risk premium approach. For example, if the risk premium on equity is calculated by comparing the returns on stocks and the returns on A-rated utility bonds, then the interest rate on A-rated utility bonds must be used to estimate the interest rate component of the risk premium approach.

Q. 58 Does the risk premium approach require that the same companies be used to estimate the stock return as are used to estimate the bond return?

A. 58 No. For example, many analysts apply the risk premium approach by comparing the return on a portfolio of stocks to the return on Treasury securities such as long-term Treasury bonds. Clearly, in this widely-accepted application of the risk premium approach, the same companies are not used to estimate the stock return as are used to estimate the bond return, since the U.S. government is not a company.

Q. 59 How do you measure the required risk premium on an equity investment in Atmos Energy?

A. 59 I use two methods to estimate the required risk premium on an equity investment in Atmos Energy. The first is called the ex ante risk premium method and the second is called the ex post risk premium method.

1. Ex Ante Risk Premium Method

Q. 60 Please describe your ex ante risk premium method of measuring the required risk premium on an equity investment in Atmos Energy.

A. 60 My ex ante risk premium method is based on studies of the DCF expected return on my comparable group of natural gas companies compared to the interest rate on Moody's A-rated utility bonds. Specifically, for each month in my study period, I calculate the risk premium using the equation,

$$RP_{PROXY} = DCF_{PROXY} - I_A$$

where:

RP_{PROXY} = the required risk premium on an equity investment in the proxy group of companies,

DCF_{PROXY} = average DCF estimated cost of equity on a portfolio of proxy companies; and

I_A = the yield to maturity on an investment in A-rated utility bonds.

I then perform a regression analysis to determine if there is a relationship between the calculated risk premium and interest rates. I use the results of the regression analysis to estimate the investors' required risk premium. To estimate the cost of equity, I then add the required risk premium to the current yield on A-rated utility bonds. A detailed description of my ex ante risk premium studies is contained in Appendix 4, and the underlying DCF results and interest rates are displayed in Schedule 3.

Q. 61 Why do you add the required risk premium to the current yield to maturity on A-rated utility bonds rather than the forecasted yield to maturity?

A. 61 Although it is appropriate in theory to add the required risk premium to the forecasted yield to maturity on A-rated utility bonds, I did not have information on the forecasted yield to maturity on A-rated utility bonds at the time Atmos Energy needed my cost of equity input for their cost of service studies. I have recently obtained interest rate forecasts from *Blue Chip Financial Forecasts* that indicates that the forecasted yield to maturity on A-rated utility bonds exceeds

the current interest rate used in my studies by approximately 100 basis points.[4] Given the positive spread between forecasted interest rates and current interest rates, my cost of equity estimates based on the current interest rates are conservative.

Q. 62 What cost of equity do you obtain from your ex ante risk premium method?

A. 62 As described above, to estimate the cost of equity using the ex ante risk premium method, one may add the estimated risk premium over the yield on A-rated utility bonds to the yield to maturity on A-rated utility bonds.[5] The average yield to maturity on Moody's A-rated utility bonds at July 2009 is 5.97 percent. My analyses produce an estimated risk premium over the yield on A-rated utility bonds equal to 4.94 percent. Adding an estimated risk premium of 4.94 percent to the 5.97 percent average yield to maturity on A-rated utility bonds produces a cost of equity estimate of 10.9 percent using the ex ante risk premium method.

2. Ex Post Risk Premium Method

Q. 63 Please describe your ex post risk premium method for measuring the required risk premium on an equity investment in Atmos Energy.

A. 63 I first perform a study of the comparable returns received by bond and stock investors over the last 72 years. I estimate the returns on stock and bond portfolios, using stock price and dividend yield data on the S&P 500 and bond yield data on Moody's A-rated Utility Bonds. My study consists of making an investment of one dollar in the S&P 500 and Moody's A-rated Utility Bonds at the beginning of 1937, and reinvesting the principal plus return each year to 2009. The return associated with each stock portfolio is the sum of the annual dividend yield and capital gain (or loss) which accrued to this portfolio during

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4 Blue Chip does not provide a forecast for A-rated utility bond yields. I estimate the forecasted yield on A-rated utility bonds using Blue Chip forecasts for Baa-rated corporate bonds plus the current difference between A-rated utility and Baa-rated corporate bonds.

5 As noted above, one could use the yield to maturity on other debt investments to measure the interest rate component of the risk premium approach as long as one uses the yield on the same debt investment to measure the expected risk premium component of the risk premium approach. I chose to use the yield on A-rated utility bonds because it is a frequently used benchmark for utility bond yields.

the year(s) in which it was held. The return associated with the bond portfolio, on the other hand, is the sum of the annual coupon yield and capital gain (or loss) which accrued to the bond portfolio during the year(s) in which it was held. The resulting annual returns on the stock and bond portfolios purchased in each year between 1937 and 2009 are shown on Schedule 4. The average annual return on an investment in the S&P 500 stock portfolio is 10.8 percent, while the average annual return on an investment in the Moody's A-rated utility bond portfolio is 6.3 percent. Thus, the risk premium on the S&P 500 stock portfolio is 4.5 percent.

I also conduct a second study using stock data on the S&P Utilities rather than the S&P 500. As shown on Schedule 5, the S&P utilities stock portfolio showed an average annual return of 10.5 percent per year. Thus, the return on the S&P utilities stock portfolio exceeds the return on the Moody's A-rated utility bond portfolio by 4.2 percent.

Q. 64 Why is it appropriate to perform your ex post risk premium analysis using both the S&P 500 and the S&P Utilities stock indices?

A. 64 I perform my ex post risk premium analysis on both the S&P 500 and the S&P Utilities because I believe utilities today face risks that are somewhere in between the average risk of the S&P Utilities and the S&P 500 over the years 1937 to 2009. Thus, I use the average of the two historically-based risk premiums as my estimate of the required risk premium in my ex post risk premium method. I note that the spread between the average risk premium on the S&P 500 and the average risk premium on the S&P Utilities is just 30 basis points.

Q. 65 Why do you analyze investors' experiences over such a long time frame?

A. 65 Because day-to-day stock price movements can be somewhat random, it is inappropriate to rely on short-run movements in stock prices in order to derive a reliable risk premium. Rather than buying and selling frequently in anticipation of highly volatile price movements, most investors employ a strategy of buying and holding a diversified portfolio of stocks. This buy-and-hold strategy will allow an investor to achieve a much more predictable long-run return on stock

investments and at the same time will minimize transaction costs. The situation is very similar to the problem of predicting the results of coin tosses. I cannot predict with any reasonable degree of accuracy the result of a single, or even a few, flips of a balanced coin; but I can predict with a good deal of confidence that approximately 50 heads will appear in 100 tosses of this coin. Under these circumstances, it is most appropriate to estimate future experience from long-run evidence of investment performance.

Q. 66 Would your study provide a different risk premium if you started with a different time period?

A. 66 Yes. The risk premium results do vary somewhat depending on the historical time period chosen. My policy was to go back as far in history as I could get reliable data. I thought it would be most meaningful to begin after the passage and implementation of the Public Utility Holding Company Act of 1935. This Act significantly changed the structure of the public utility industry. Since the Public Utility Holding Company Act of 1935 was not implemented until the beginning of 1937, I felt that numbers taken from before this date would not be comparable to those taken after. (The repeal of the 1935 Act has not materially impacted the structure of the public utility industry; thus, the Act's repeal does not have any impact on my choice of time period.)

Q. 67 Why is it necessary to examine the yield from debt investments in order to determine the investors' required rate of return on equity capital?

A. 67 As previously explained, investors expect to earn a return on their equity investment that exceeds currently available bond yields. This is because the return on equity, being a residual return, is less certain than the yield on bonds and investors must be compensated for this uncertainty. Second, the investors' current expectations concerning the amount by which the return on equity will exceed the bond yield will be influenced by historical differences in returns to bond and stock investors. For these reasons, we can estimate investors' current expected returns from an equity investment from knowledge of current bond yields and past differences between returns on stocks and bonds.

Q. 68 Has there been any significant trend in the equity risk premium over the 1937 to 2009 time period of your risk premium study?

A. 68 No. Statisticians test for trends in data series by regressing the data observations against time. I have performed such a time series regression on my two data sets of historical risk premiums. As shown below, there is no statistically significant trend in my risk premium data. Indeed, the coefficient on the time variable is insignificantly different from zero (if there were a trend, the coefficient on the time variable should be significantly different from zero).

TABLE 2

REGRESSION OUTPUT FOR RISK PREMIUM ON S&P 500

LINE NO.		INTERCEPT	TIME	ADJUSTED R SQUARE	F
1	Coefficient	3.096	(0.002)	0.023	2.66
2	T Statistic	1.654	(1.630)		

TABLE 3

REGRESSION OUTPUT FOR RISK PREMIUM ON S&P UTILITIES

LINE NO.		INTERCEPT	TIME	ADJUSTED R SQUARE	F
1	Coefficient	1.383	-0.001	-0.006	0.56
2	T Statistic	0.776	-0.751		

Q. 69 Is your conclusion that there is no significant trend in the equity risk premium supported in the financial literature?

A. 69 Yes. The *Stocks, Bonds, Bills, and Inflation® 2009 Valuation Edition Yearbook* ("Ibbotson® SBBI®") published by Morningstar, Inc., contains an analysis of "trends" in historical risk premium data. Ibbotson® SBBI® uses correlation analysis to determine if there is any pattern or "trend" in risk premiums over time. This analysis also demonstrates that there are no trends in risk premiums over time.

Q. 70 Why is it significant that historical risk premiums have no trend or other statistical pattern over time?

A. 70 The significance of this evidence is that the average historical risk premium is a reasonable estimate of the future expected risk premium. As noted in Ibbotson® SBBI®:

> The significance of this evidence is that the realized equity risk

> premium next year will not be dependent on the realized equity risk premium from this year. That is, there is no discernable pattern in the realized equity risk premium—it is virtually impossible to forecast next year's realized risk premium based on the premium of the previous year. For example, if this year's difference between the riskless rate and the return on the stock market is higher than last year's, that does not imply that next year's will be higher than this year's. It is as likely to be higher as it is lower. The best estimate of the expected value of a variable that has behaved randomly in the past is the average (or arithmetic mean) of its past values. [Ibbotson® SBBI®, page 61.]

Q. 71 What conclusions do you draw from your ex post risk premium analyses about the required return on an equity investment in Atmos Energy?

A. 71 My studies provide strong evidence that investors today require an equity return of approximately 4.2 to 4.5 percentage points above the expected yield on A-rated utility bonds. The average yield on A-rated utility bonds at July 2009 is 5.97 percent. Adding a 4.2 to 4.5 percentage point risk premium to a yield of 5.97 percent on A-rated utility bonds, I obtain an expected return on equity from the ex post risk premium method in the range 10.2 percent to 10.4 percent, with a midpoint of 10.3 percent. Because the ex post methodology does not reflect flotation costs, I add a 27 basis-point allowance for flotation costs, which I determine by calculating the difference in my DCF results with and without a flotation cost allowance. Adding a 27 basis-point allowance for flotation costs, I obtain an estimate of 10.6 percent as the cost of equity for Atmos Energy using the ex post risk premium method.[6]

G. Capital Asset Pricing Model (CAPM)

Q. 72 What is the CAPM?

A. 72 The CAPM is an equilibrium model of the security markets in which the expected or required return on a given security is equal to the risk-free rate of interest, plus the company equity "beta," times the market risk premium:

Cost of equity = Risk-free rate + Equity beta x Market risk premium

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6 This estimate, which is based on current interest rates rather than forecasted rates, is conservative. If I were to use the forecasted interest rate on A-rated utility bonds, my ex post risk premium estimate of the cost of equity would be approximately 100 basis points higher. (See Question and Answer 61 above.)

The risk-free rate in this equation is the expected rate of return on a risk-free government security, the equity beta is a measure of the company's risk relative to the market as a whole, and the market risk premium is the premium investors require to invest in the market basket of all securities compared to the risk-free security.

Q. 73 How do you use the CAPM to estimate the cost of equity for your proxy companies?

A. 73 The CAPM requires an estimate of the risk-free rate, the company-specific risk factor or beta, and the expected return on the market portfolio. For my estimate of the risk-free rate, I use the average yield to maturity on 20-year Treasury bonds at July 2009, 4.38 percent. For my estimate of the company-specific risk, or beta, I use the average Value Line beta of 0.85 for my proxy companies. For my estimate of the expected risk premium on the market portfolio, I use two approaches. First, I use the Ibbotson® SBBI® 6.5 percent risk premium on the market portfolio, which is measured from the difference between the arithmetic mean return on the S&P 500 (11.7 percent) and the income return on 20-year Treasury bonds (5.2 percent), as reported by Ibbotson® SBBI® (11.7 – 5.2 = 6.5). Second, I estimate the risk premium on the market portfolio from the difference between the DCF cost of equity for the S&P 500 (12.7 percent) and the yield to maturity on 20-year Treasury bonds, (4.38 percent). My second approach produces a risk premium equal to 8.3 percent (12.7 - 4.38 = 8.3).

Q. 74 Why do you recommend that the risk premium on the market portfolio be estimated using the difference between the arithmetic mean return on the S&P 500?

A. 74 As explained in Ibbotson® SBBI®, the arithmetic mean return is the best approach for calculating the return investors expect to receive in the future:

> The equity risk premium data presented in this book are arithmetic average risk premia as opposed to geometric average risk premia. The arithmetic average equity risk premium can be demonstrated to be most appropriate when discounting future cash flows. For use as the expected equity risk premium in either the CAPM or the building block approach, the arithmetic mean or the simple difference of the arithmetic means of stock market returns and riskless rates is the relevant number. This is because both the CAPM and the building block approach are additive models, in

> which the cost of capital is the sum of its parts. The geometric average is more appropriate for reporting past performance, since it represents the compound average return. [SBBI, p. 59.]

A discussion of the importance of using arithmetic mean returns in the context of CAPM or risk premium studies is contained in Schedule 6.

Q. 75 Why do you recommend that the risk premium on the market portfolio be estimated using the income return on 20-year Treasury bonds rather than the total return on these bonds?

A. 75 As discussed above, the CAPM requires an estimate of the risk-free rate of interest. When Treasury bonds are issued, the income return on the bond is risk free, but the total return, which includes both an income and capital gains or losses, is not. Thus, the income return should be used in the CAPM because it is only the income return that is risk free.

Q. 76 What CAPM result do you obtain when you estimate the expected return on the market portfolio from the arithmetic mean difference between the return on the market and the yield on 20-year Treasury bonds?

A. 76 I obtain a CAPM estimate of 10.2 percent [see Schedule 7].

Q. 77 What CAPM result do you obtain when you estimate the risk premium on the market portfolio by applying the DCF model to the S&P 500?

A. 77 I obtain a CAPM result of 11.5 percent [see Schedule 8].

Q. 78 Can a reasonable application of the CAPM produce higher cost of equity results than you have just reported?

A. 78 Yes. The CAPM tends to underestimate the cost of equity for small market capitalization companies such as my natural gas proxy companies.[7]

Q. 79 Does the finance literature support an adjustment to the CAPM equation to account for a company's size as measured by market capitalization supported in the finance literature?

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7 In addition, as discussed above, these estimates based on current interest rates rather than forecasted rates is conservative. If I were to use the forecasted interest rate on Treasury bonds, my historical CAPM estimate of the cost of equity would be approximately 60 basis points higher and my DCF-based CAPM estimate would be approximately 10 basis points higher.

A. 79 Yes. For example, Ibbotson® SBBI® supports such an adjustment. Their estimates of the size premium required to be added to the basic CAPM cost of equity are shown below in Table 4.

TABLE 4

IBBOTSON® ESTIMATES OF PREMIUMS FOR COMPANY SIZE[8]

SIZE	SMALLEST MKT. CAP. ($MILLIONS)	PREMIUM
Large-Cap (No Adjustment)	>7,360.271	–
Mid-Cap	1,849.950	0.94%
Low-Cap	453.398	1.74%
Micro-Cap	1.575	3.74%

Q. 80 Are there other reasons to believe that the CAPM may produce cost of equity estimates at this time that are unreasonably low?

A. 80 Yes. There is considerable evidence in the finance literature that the CAPM tends to underestimate the cost of equity for companies whose equity beta is less than 1.0 and to overestimate the cost of equity for companies whose equity beta is greater than 1.0.[9]

Q. 81 Can you briefly summarize the evidence that the CAPM underestimates the required returns for securities or portfolios with betas less than 1.0 and overestimates required returns for securities or portfolios with betas greater than 1.0?

A. 81 Yes. The CAPM conjectures that security returns increase with increases in security betas in line with the equation

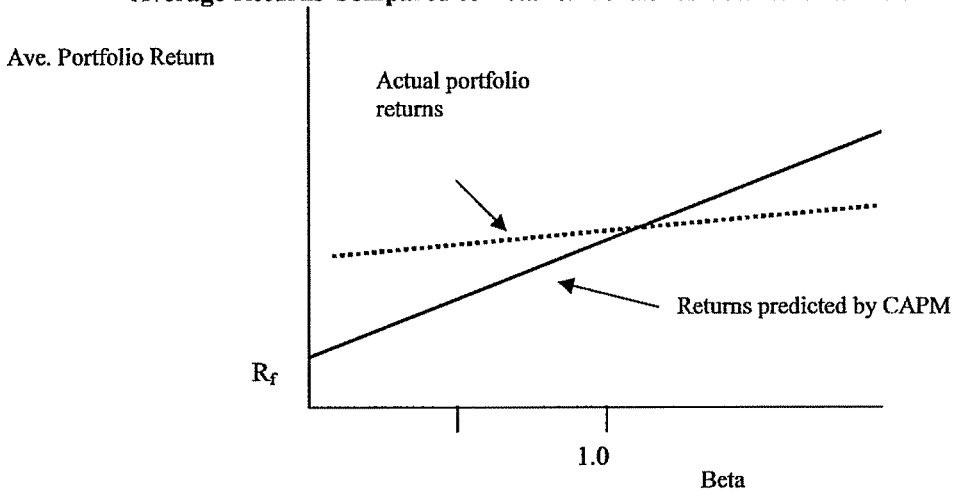
$$ER_i = R_f + \beta_i \left[ER_m - R_f\right],$$

8 Ibbotson® SBBI® 2009 Valuation Yearbook.

9 *See*, for example, Fischer Black, Michael C. Jensen, and Myron Scholes, "The Capital Asset Pricing Model: Some Empirical Tests," in *Studies in the Theory of Capital Markets*, M. Jensen, ed. New York: Praeger, 1972; Eugene Fama and James MacBeth, "Risk, Return, and Equilibrium: Empirical Tests," *Journal of Political Economy* 81 (1973), pp. 607-36; Robert Litzenberger and Krishna Ramaswamy, "The Effect of Personal Taxes and Dividends on Capital Asset Prices: Theory and Empirical Evidence," *Journal of Financial Economics* 7 (1979), pp. 163-95.; Rolf Banz, "The Relationship between Return and Market Value of Common Stocks," *Journal of Financial Economics* (March 1981), pp. 3-18; and Eugene Fama and Kenneth French, "The Cross-Section of Expected Returns," *Journal of Finance* (June 1992), pp. 427-465.

where ER_i is the expected return on security or portfolio i, R_f is the risk-free rate, $ER_m - R_f$ is the expected risk premium on the market portfolio, and β_i is a measure of the risk of investing in security or portfolio i. If the CAPM correctly predicts the relationship between risk and return in the marketplace, then the realized returns on portfolios of securities and the corresponding portfolio betas should lie on the solid straight line with intercept R_f and slope $[R_m - R_f]$ shown below.

Figure 1
Average Returns Compared to Beta for Portfolios Formed on Prior Beta



Financial scholars have found that the relationship between realized returns and betas is inconsistent with the relationship posited by the CAPM. As described in Fama and French (1992) and Fama and French (2004), the actual relationship between portfolio betas and returns is shown by the dotted line in the figure above. Although financial scholars disagree on the reasons why the return/beta relationship looks more like the dotted line in the figure than the solid line, they generally agree that the dotted line lies above the solid line for portfolios with betas less than 1.0 and below the solid line for portfolios with betas greater than 1.0. Thus, in practice, scholars generally agree that the CAPM underestimates portfolio returns for companies with betas less than 1.0, and overestimates portfolio returns for portfolios with betas greater than 1.0.

Q. 82 What conclusions do you reach from your review of the literature on the CAPM to predict the relationship between risk and return in the marketplace?

A. 82 I conclude that the financial literature strongly supports the proposition that the CAPM underestimates the cost of equity for companies such as public utilities with betas less than 1.0.

H. Fair Rate of Return on Equity

Q. 83 Based on your analyses, what is your conclusion regarding your proxy companies' cost of equity?

A. 83 Based on my analyses, which included the application of several cost of equity methods to my proxy companies, I conclude that my proxy companies' cost of equity is in the range 10.2 percent to 11.9 percent, with an average cost of equity equal to 11.0 percent.

Q. 84 Does the cost of equity for Atmos Energy depend on its ratemaking capital structure?

A. 84 Yes. My analyses are based on the average market value capital structure of my proxy companies, which has more than 58 percent equity on a composite basis or more than 63 percent equity on a simple average basis. If Atmos Energy's ratemaking, or book value capital structure, is used to set rates, the cost of equity for Atmos Energy will necessarily be higher than the cost of equity for the proxy group because the financial risk associated with Atmos Energy's book value capital structure is significantly higher than the financial risk reflected in the cost of equity estimate for my proxy companies.

Q. 85 What ROE do you recommend for Atmos Energy?

A. 85 I recommend an ROE of 11.0 percent for Atmos Energy. My recommendation takes into consideration Atmos Energy's policy decision to moderate the impact of its rate request on ratepayers. My recommended return on equity is conservative in that it does not reflect: (1) the higher financial risk implicit in the book value capital structure of Atmos Energy, which will be used to set rates in this proceeding; (2) the observation that forecasted yields on both A-rated utility bonds and Treasury bonds are significantly higher than the current yields

on these securities; (3) the small size premium for small market capitalization companies such as those in my proxy group of natural gas companies; and (4) the evidence that the CAPM underestimates the cost of equity for companies with betas less than 1.0.

I. Allowed Rate of Return on Total Capital

Q. 86 What is Atmos Energy's recommended capital structure and debt cost rate?

A. 86 As discussed in the testimony of Company Witness Laurie M. Sherwood, Atmos Energy is recommending a capital structure containing 48.6 percent long-term debt and 51.4 percent equity. The cost rate for long-term debt 6.87 percent.

Q. 87 What allowed rate of return on total capital is derived using this capital structure, the long-term debt cost rate of 6.87 percent, and the 11.0 percent cost of equity you find for your proxy group?

A. 87 Using a capital structure containing 48.6 percent long-term debt and 51.4 percent equity and cost rates of 6.87 percent and 11.0 percent, respectively, produces an overall rate of return equal to 9.00 percent for the purpose of setting Atmos Energy's rates in this case, as shown below in Table 5.

TABLE 5
WEIGHTED AVERAGE COST OF CAPITAL

SOURCE OF CAPITAL	% OF TOTAL	COST RATE	WEIGHTED COST
Long-term Debt	48.6%	6.87%	3.34%
Common Equity	51.4%	11.00%	5.66%
Total	100.0%		9.00%

Q. 88 Does this conclude your testimony?

A. 88 Yes, it does.

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Schedule 2	Flotation Costs in Atmos Energy's Recent Equity Offerings
Schedule 3	Comparison of the DCF Expected Return on an Investment in Natural Gas Companies to the Interest Rate on Moody's A-Rated Utility Bonds
Schedule 4	Comparative Returns on S&P 500 Stock Index and Moody's A-Rated Bonds 1937—2009
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Appendix 5	Ex Post Risk Premium Method

ATMOS ENERGY
SCHEDULE 1
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR NATURAL GAS COMPANIES

LINE NO.	COMPANY	D_0	D_0	P_0	GROWTH	COST OF EQUITY
1	AGL Resources	0.430	1.72	31.017	4.25%	10.5%
2	Atmos Energy	0.330	1.32	25.230	5.00%	11.0%
3	EQT Corp.	0.220	0.88	35.962	9.00%	11.9%
4	National Fuel Gas	0.325	1.34	35.078	8.50%	12.9%
5	Nicor Inc.	0.465	1.86	33.610	4.33%	10.6%
6	NiSource Inc.	0.230	0.92	11.570	3.00%	12.0%
7	Northwest Nat. Gas	0.395	1.58	43.398	4.75%	8.9%
8	ONEOK Inc.	0.400	1.68	29.035	7.25%	13.8%
9	Piedmont Natural Gas	0.270	1.08	23.733	6.93%	12.2%
10	South Jersey Inds.	0.298	1.19	34.848	9.67%	13.7%
11	Southwest Gas	0.238	0.95	21.663	6.00%	10.9%
12	Market-Weighted Average					11.9%

Notes:

d_0 = Most recent quarterly dividend.
d_1,d_2,d_3,d_4 = Next four quarterly dividends, calculated by multiplying the last four quarterly dividends per Value Line, by the factor (1 + g).
P_0 = Average of the monthly high and low stock prices during the three months ending July 2009 per Thomson Reuters.
FC = Flotation costs expressed as a percent of gross proceeds (5%).
g = I/B/E/S forecast of future earnings growth July 2009.
k = Cost of equity using the quarterly version of the DCF model.

$$k = \frac{d_1(1+k)^{.75} + d_2(1+k)^{.50} + d_3(1+k)^{.25} + d_4}{P_0(1-FC)} + g$$

ATMOS ENERGY
SCHEDULE 1 (continued)
VALUE LINE SAFETY RANKS AND STANDARD & POOR'S BOND RATINGS
FOR PROXY GAS COMPANIES

LINE NO.	COMPANY	SAFETY RANK	S&P BOND RATING	S&P BOND RATING (NUMERICAL)
1	AGL Resources	2	A-	5
2	Atmos Energy	2	BBB+	6
3	EQT Corp.	3	BBB	7
4	National Fuel Gas	2	BBB	7
5	Nicor Inc.	3	AA	1
6	NiSource Inc.	3	BBB-	8
7	Northwest Nat. Gas	1	AA-	2
8	ONEOK Inc.	3	BBB	7
9	Piedmont Natural Gas	2	A	4
10	South Jersey Inds.	2	BBB+	6
11	Southwest Gas	3	BBB	7
12	Market-Weighted Average	2.5	BBB+	6.0
13	Simple Average	2.4	A- to BBB+	5.5

Source of data: Standard & Poor's, August 2009; The Value Line Investment Analyzer August 2009.

ATMOS ENERGY
SCHEDULE 2
FLOTATION COSTS IN ATMOS ENERGY'S RECENT EQUITY OFFERINGS

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 30, 2002)

8,650,000 Shares

Atmos Energy Corporation

Common Stock

Atmos Energy Corporation is selling all of the shares.

The shares trade on the New York Stock Exchange under the symbol "ATO." On July 13, 2004, the last sale price of the shares as reported on the New York Stock Exchange was $24.91 per share.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page S-7 of this prospectus supplement.

	Per Share	Total
Public offering price	$24.75	$214,087,500
Underwriting discount	$.99	$8,563,500
Proceeds, before expenses, to Atmos	$23.76	$205,524,000

The underwriters may also purchase up to an additional 1,289,393 shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about July 19, 2004.

Merrill Lynch & Co.
JPMorgan
Lehman Brothers
UBS Investment Bank
A.G. Edwards
Edward Jones

The date of this prospectus supplement is July 13, 2004.

ATMOS ENERGY
SCHEDULE 2 (CONTINUED)
FLOTATION COSTS IN ATMOS ENERGY'S RECENT EQUITY OFFERINGS

PROSPECTUS SUPPLEMENT
(To prospectus dated September 15, 2004)

14,000,000 Shares

Atmos Energy Corporation

Common Stock

Atmos Energy Corporation is selling all of the shares.

The shares trade on the New York Stock Exchange under the symbol "ATO." On October 21, 2004, the last sale price of the shares as reported on the New York Stock Exchange was $25.20 per share.

Investing in our common stock involves risks. See the "Risk Factors" section beginning on page S-11 of this prospectus supplement.

	Per Share	Total
Public offering price	$24.75	$346,500,000
Underwriting discount	$.99	$13,860,000
Proceeds, before expenses, to Atmos	$23.76	$332,640,000

The underwriters may also purchase up to an additional 2,100,000 shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about October 27, 2004.

Merrill Lynch & Co.
Banc of America Securities LLC
JPMorgan
SunTrust Robinson Humphrey
Wachovia Securities

The date of this prospectus supplement is October 21, 2004.

ATMOS ENERGY
SCHEDULE 2 (CONTINUED)
FLOTATION COSTS IN ATMOS ENERGY'S RECENT EQUITY OFFERINGS

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PROSPECTUS SUPPLEMENT
(To Prospectus dated December 4, 2006)

5,500,000 Shares

ATMOS energy

Common Stock

This is an offering of 5,500,000 shares of the common stock of Atmos Energy Corporation.

Our common stock is listed on the New York Stock Exchange under the symbol "ATO." The last reported sales price of our common stock on December 7, 2006 was $32.07.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 1 of the accompanying prospectus.

	Per Share	Total
Price to the public	$31.5000	$173,250,000
Underwriting discounts and commissions	$ 1.1025	$ 6,063,750
Proceeds to Atmos Energy Corporation (before expenses)	$30.3975	$167,186,250

We have granted to the underwriters the option to purchase up to 825,000 additional shares of common stock on the same terms and conditions set forth above if the underwriters sell more than 5,500,000 shares of common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Lehman Brothers and Goldman, Sachs & Co., on behalf of the underwriters, expect to deliver the shares on or about December 13, 2006.

Joint Book-Running Managers

LEHMAN BROTHERS GOLDMAN, SACHS & CO.

BANC OF AMERICA SECURITIES LLC
JPMORGAN
MERRILL LYNCH & CO.
SUNTRUST ROBINSON HUMPHREY
WACHOVIA SECURITIES

December 7, 2006

ATMOS ENERGY
SCHEDULE 3
COMPARISON OF DCF EXPECTED RETURN ON AN INVESTMENT IN NATURAL GAS COMPANIES TO THE INTEREST RATE ON MOODY'S A-RATED UTILITY BONDS

LINE NO.	DATE	DCF	BOND YIELD	RISK PREMIUM
1	Jun-98	0.1154	0.0703	0.0451
2	Jul-98	0.1186	0.0703	0.0483
3	Aug-98	0.1234	0.0700	0.0534
4	Sep-98	0.1273	0.0693	0.0580
5	Oct-98	0.1260	0.0696	0.0564
6	Nov-98	0.1211	0.0703	0.0508
7	Dec-98	0.1185	0.0691	0.0494
8	Jan-99	0.1195	0.0697	0.0498
9	Feb-99	0.1243	0.0709	0.0534
10	Mar-99	0.1257	0.0726	0.0531
11	Apr-99	0.1260	0.0722	0.0538
12	May-99	0.1221	0.0747	0.0474
13	Jun-99	0.1208	0.0774	0.0434
14	Jul-99	0.1222	0.0771	0.0451
15	Aug-99	0.1220	0.0791	0.0429
16	Sep-99	0.1226	0.0793	0.0433
17	Oct-99	0.1233	0.0806	0.0427
18	Nov-99	0.1240	0.0794	0.0446
19	Dec-99	0.1280	0.0814	0.0466
20	Jan-00	0.1301	0.0835	0.0466
21	Feb-00	0.1344	0.0825	0.0519
22	Mar-00	0.1344	0.0828	0.0516
23	Apr-00	0.1316	0.0829	0.0487
24	May-00	0.1292	0.0870	0.0422
25	Jun-00	0.1295	0.0836	0.0459
26	Jul-00	0.1317	0.0825	0.0492
27	Aug-00	0.1290	0.0813	0.0477
28	Sep-00	0.1257	0.0823	0.0434
29	Oct-00	0.1260	0.0814	0.0446
30	Nov-00	0.1251	0.0811	0.0440
31	Dec-00	0.1239	0.0784	0.0455
32	Jan-01	0.1261	0.0780	0.0481
33	Feb-01	0.1261	0.0774	0.0487
34	Mar-01	0.1275	0.0768	0.0507
35	Apr-01	0.1227	0.0794	0.0433
36	May-01	0.1302	0.0799	0.0503
37	Jun-01	0.1304	0.0785	0.0519
38	Jul-01	0.1338	0.0778	0.0560
39	Aug-01	0.1327	0.0759	0.0568

LINE NO.	DATE	DCF	BOND YIELD	RISK PREMIUM
40	Sep-01	0.1268	0.0775	0.0493
41	Oct-01	0.1268	0.0763	0.0505
42	Nov-01	0.1268	0.0757	0.0511
43	Dec-01	0.1254	0.0783	0.0471
44	Jan-02	0.1236	0.0766	0.0470
45	Feb-02	0.1241	0.0754	0.0487
46	Mar-02	0.1189	0.0776	0.0413
47	Apr-02	0.1159	0.0757	0.0402
48	May-02	0.1162	0.0752	0.0410
49	Jun-02	0.1170	0.0741	0.0429
50	Jul-02	0.1242	0.0731	0.0511
51	Aug-02	0.1234	0.0717	0.0517
52	Sep-02	0.1260	0.0708	0.0552
53	Oct-02	0.1250	0.0723	0.0527
54	Nov-02	0.1221	0.0714	0.0507
55	Dec-02	0.1216	0.0707	0.0509
56	Jan-03	0.1219	0.0706	0.0513
57	Feb-03	0.1232	0.0693	0.0539
58	Mar-03	0.1195	0.0679	0.0516
59	Apr-03	0.1162	0.0664	0.0498
60	May-03	0.1126	0.0636	0.0490
61	Jun-03	0.1114	0.0621	0.0493
62	Jul-03	0.1127	0.0657	0.0470
63	Aug-03	0.1139	0.0678	0.0461
64	Sep-03	0.1127	0.0656	0.0471
65	Oct-03	0.1123	0.0643	0.0480
66	Nov-03	0.1089	0.0637	0.0452
67	Dec-03	0.1071	0.0627	0.0444
68	Jan-04	0.1059	0.0615	0.0444
69	Feb-04	0.1039	0.0615	0.0424
70	Mar-04	0.1037	0.0597	0.0440
71	Apr-04	0.1041	0.0635	0.0406
72	May-04	0.1045	0.0662	0.0383
73	Jun-04	0.1036	0.0646	0.0390
74	Jul-04	0.1011	0.0627	0.0384
75	Aug-04	0.1008	0.0614	0.0394
76	Sep-04	0.0976	0.0598	0.0378
77	Oct-04	0.0974	0.0594	0.0380
78	Nov-04	0.0962	0.0597	0.0365
79	Dec-04	0.0970	0.0592	0.0378
80	Jan-05	0.0990	0.0578	0.0412
81	Feb-05	0.0979	0.0561	0.0418
82	Mar-05	0.0979	0.0583	0.0396
83	Apr-05	0.0988	0.0564	0.0424
84	May-05	0.0981	0.0553	0.0427
85	Jun-05	0.0976	0.0540	0.0436

LINE NO.	DATE	DCF	BOND YIELD	RISK PREMIUM
86	Jul-05	0.0966	0.0551	0.0415
87	Aug-05	0.0969	0.0550	0.0419
88	Sep-05	0.0980	0.0552	0.0428
89	Oct-05	0.0990	0.0579	0.0411
90	Nov-05	0.1049	0.0588	0.0461
91	Dec-05	0.1045	0.0580	0.0465
92	Jan-06	0.0982	0.0575	0.0407
93	Feb-06	0.1124	0.0582	0.0542
94	Mar-06	0.1127	0.0598	0.0529
95	Apr-06	0.1100	0.0629	0.0471
96	May-06	0.1056	0.0642	0.0414
97	Jun-06	0.1049	0.0640	0.0409
98	Jul-06	0.1087	0.0637	0.0450
99	Aug-06	0.1041	0.0620	0.0421
100	Sep-06	0.1053	0.0600	0.0453
101	Oct-06	0.1030	0.0598	0.0432
102	Nov-06	0.1033	0.0580	0.0453
103	Dec-06	0.1035	0.0581	0.0454
104	Jan-07	0.1013	0.0596	0.0417
105	Feb-07	0.1018	0.0590	0.0428
106	Mar-07	0.1018	0.0585	0.0433
107	Apr-07	0.1007	0.0597	0.0410
108	May-07	0.0967	0.0599	0.0368
109	Jun-07	0.0970	0.0630	0.0340
110	Jul-07	0.1006	0.0625	0.0381
111	Aug-07	0.1021	0.0624	0.0397
112	Sep-07	0.1014	0.0618	0.0396
113	Oct-07	0.1080	0.0611	0.0469
114	Nov-07	0.1083	0.0597	0.0486
115	Dec-07	0.1084	0.0616	0.0468
116	Jan-08	0.1113	0.0602	0.0511
117	Feb-08	0.1139	0.0621	0.0518
118	Mar-08	0.1147	0.0621	0.0526
119	Apr-08	0.1167	0.0629	0.0538
120	May-08	0.1069	0.0627	0.0442
121	Jun-08	0.1062	0.0638	0.0424
122	Jul-08	0.1086	0.0640	0.0446
123	Aug-08	0.1123	0.0637	0.0486
124	Sep-08	0.1130	0.0649	0.0481
125	Oct-08	0.1213	0.0756	0.0457
126	Nov-08	0.1221	0.0760	0.0461
127	Dec-08	0.1162	0.0654	0.0508
128	Jan-09	0.1131	0.0639	0.0492
129	Feb-09	0.1155	0.0630	0.0524
130	Mar-09	0.1198	0.0642	0.0556
131	Apr-09	0.1146	0.0648	0.0498

LINE NO.	DATE	DCF	BOND YIELD	RISK PREMIUM
132	May-09	0.1225	0.0649	0.0576
133	Jun-09	0.1208	0.0620	0.0588
134	Jul-09	0.1166	0.0597	0.0569
135	Average	0.1145	0.0679	0.0466

Notes: Utility bond yield information from *Mergent Bond Record* (formerly Moody's). See Appendix 4 for a description of the ex ante risk premium methodology. DCF results are calculated using a quarterly DCF model as follows:

D_0 = Latest quarterly dividend per Value Line
P_0 = Average of the monthly high and low stock prices for each month per Thomson Reuters.
FC = Flotation costs expressed as a percent of gross proceeds.
g = I/B/E/S forecast of future earnings growth for each month.
k = Cost of equity using the quarterly version of the DCF model.

$$k = \left[\frac{d_0 (1+g)^{\frac{1}{4}}}{P_0 (1-FC)} + (1+g)^{\frac{1}{4}} \right]^4 - 1$$

ATMOS ENERGY
SCHEDULE 4
COMPARATIVE RETURNS ON S&P 500 STOCK INDEX
AND MOODY'S A-RATED BONDS 1937—2009

Line No.	Year	S&P 500 Stock Price	Stock Dividend Yield	Stock Return	A-rated Bond Price	Bond Return
1	2009	865.58	0.0310		$68.43	
2	2008	1,380.33	0.0211	-35.19%	$72.25	0.24%
3	2007	1,424.16	0.0181	-1.27%	$72.91	4.59%
4	2006	1,278.72	0.0183	13.20%	$75.25	2.20%
5	2005	1,181.41	0.0177	10.01%	$74.91	5.80%
6	2004	1,132.52	0.0162	5.94%	$70.87	11.34%
7	2003	895.84	0.0180	28.22%	$62.26	20.27%
8	2002	1,140.21	0.0138	-20.05%	$57.44	15.35%
9	2001	1,335.63	0.0116	-13.47%	$56.40	8.93%
10	2000	1,425.59	0.0118	-5.13%	$52.60	14.82%
11	1999	1,248.77	0.0130	15.46%	$63.03	-10.20%
12	1998	963.35	0.0162	31.25%	$62.43	7.38%
13	1997	766.22	0.0195	27.68%	$56.62	17.32%
14	1996	614.42	0.0231	27.02%	$60.91	-0.48%
15	1995	465.25	0.0287	34.93%	$50.22	29.26%
16	1994	472.99	0.0269	1.05%	$60.01	-9.65%
17	1993	435.23	0.0288	11.56%	$53.13	20.48%
18	1992	416.08	0.0290	7.50%	$49.56	15.27%
19	1991	325.49	0.0382	31.65%	$44.84	19.44%
20	1990	339.97	0.0341	-0.85%	$45.60	7.11%
21	1989	285.41	0.0364	22.76%	$43.06	15.18%
22	1988	250.48	0.0366	17.61%	$40.10	17.36%
23	1987	264.51	0.0317	-2.13%	$48.92	-9.84%
24	1986	208.19	0.0390	30.95%	$39.98	32.36%
25	1985	171.61	0.0451	25.83%	$32.57	35.05%
26	1984	166.39	0.0427	7.41%	$31.49	16.12%
27	1983	144.27	0.0479	20.12%	$29.41	20.65%
28	1982	117.28	0.0595	28.96%	$24.48	36.48%
29	1981	132.97	0.0480	-7.00%	$29.37	-3.01%
30	1980	110.87	0.0541	25.34%	$34.69	-3.81%
31	1979	99.71	0.0533	16.52%	$43.91	-11.89%
32	1978	90.25	0.0532	15.80%	$49.09	-2.40%
33	1977	103.80	0.0399	-9.06%	$50.95	4.20%
34	1976	96.86	0.0380	10.96%	$43.91	25.13%
35	1975	72.56	0.0507	38.56%	$41.76	14.75%
36	1974	96.11	0.0364	-20.86%	$52.54	-12.91%
37	1973	118.40	0.0269	-16.14%	$58.51	-3.37%
38	1972	103.30	0.0296	17.58%	$56.47	10.69%
39	1971	93.49	0.0332	13.81%	$53.93	12.13%
40	1970	90.31	0.0356	7.08%	$50.46	14.81%

Line No.	Year	S&P 500 Stock Price	Stock Dividend Yield	Stock Return	A-rated Bond Price	Bond Return
41	1969	102.00	0.0306	-8.40%	$62.43	-12.76%
42	1968	95.04	0.0313	10.45%	$66.97	-0.81%
43	1967	84.45	0.0351	16.05%	$78.69	-9.81%
44	1966	93.32	0.0302	-6.48%	$86.57	-4.48%
45	1965	86.12	0.0299	11.35%	$91.40	-0.91%
46	1964	76.45	0.0305	15.70%	$92.01	3.68%
47	1963	65.06	0.0331	20.82%	$93.56	2.61%
48	1962	69.07	0.0297	-2.84%	$89.60	8.89%
49	1961	59.72	0.0328	18.94%	$89.74	4.29%
50	1960	58.03	0.0327	6.18%	$84.36	11.13%
51	1959	55.62	0.0324	7.57%	$91.55	-3.49%
52	1958	41.12	0.0448	39.74%	$101.22	-5.60%
53	1957	45.43	0.0431	-5.18%	$100.70	4.49%
54	1956	44.15	0.0424	7.14%	$113.00	-7.35%
55	1955	35.60	0.0438	28.40%	$116.77	0.20%
56	1954	25.46	0.0569	45.52%	$112.79	7.07%
57	1953	26.18	0.0545	2.70%	$114.24	2.24%
58	1952	24.19	0.0582	14.05%	$113.41	4.26%
59	1951	21.21	0.0634	20.39%	$123.44	-4.89%
60	1950	16.88	0.0665	32.30%	$125.08	1.89%
61	1949	15.36	0.0620	16.10%	$119.82	7.72%
62	1948	14.83	0.0571	9.28%	$118.50	4.49%
63	1947	15.21	0.0449	1.99%	$126.02	-2.79%
64	1946	18.02	0.0356	-12.03%	$126.74	2.59%
65	1945	13.49	0.0460	38.18%	$119.82	9.11%
66	1944	11.85	0.0495	18.79%	$119.82	3.34%
67	1943	10.09	0.0554	22.98%	$118.50	4.49%
68	1942	8.93	0.0788	20.87%	$117.63	4.14%
69	1941	10.55	0.0638	-8.98%	$116.34	4.55%
70	1940	12.30	0.0458	-9.65%	$112.39	7.08%
71	1939	12.50	0.0349	1.89%	$105.75	10.05%
72	1938	11.31	0.0784	18.36%	$99.83	9.94%
73	1937	17.59	0.0434	-31.36%	$103.18	0.63%
74	S&P 500 Return 1937--2009		10.8%			
75	A-rated Utility Bond Return		6.3%			
76	Risk Premium		4.5%			

Note: See Appendix 5 for an explanation of how stock and bond returns are derived and the source of the data presented.

ATMOS ENERGY
SCHEDULE 5
COMPARATIVE RETURNS ON S&P UTILITY STOCK INDEX
AND MOODY'S A-RATED BONDS 1937—2009

Line No.	Year	S&P Utility Stock Price	Stock Dividend Yield	Stock Return	A-rated Bond Yield	Bond Return
1	2009				$68.43	
2	2008			-25.90%	$72.25	0.24%
3	2007			16.56%	$72.91	4.59%
4	2006			20.76%	$75.25	2.20%
5	2005			16.05%	$74.91	5.80%
6	2004			22.84%	$70.87	11.34%
7	2003			23.48%	$62.26	20.27%
8	2002			-14.73%	$57.44	15.35%
9						
10	2002	243.79	0.0362		$57.44	
11	2001	307.70	0.0287	-17.90%	$56.40	8.93%
12	2000	239.17	0.0413	32.78%	$52.60	14.82%
13	1999	253.52	0.0394	-1.72%	$63.03	-10.20%
14	1998	228.61	0.0457	15.47%	$62.43	7.38%
15	1997	201.14	0.0492	18.58%	$56.62	17.32%
16	1996	202.57	0.0454	3.83%	$60.91	-0.48%
17	1995	153.87	0.0584	37.49%	$50.22	29.26%
18	1994	168.70	0.0496	-3.83%	$60.01	-9.65%
19	1993	159.79	0.0537	10.95%	$53.13	20.48%
20	1992	149.70	0.0572	12.46%	$49.56	15.27%
21	1991	138.38	0.0607	14.25%	$44.84	19.44%
22	1990	146.04	0.0558	0.33%	$45.60	7.11%
23	1989	114.37	0.0699	34.68%	$43.06	15.18%
24	1988	106.13	0.0704	14.80%	$40.10	17.36%
25	1987	120.09	0.0588	-5.74%	$48.92	-9.84%
26	1986	92.06	0.0742	37.87%	$39.98	32.36%
27	1985	75.83	0.0860	30.00%	$32.57	35.05%
28	1984	68.50	0.0925	19.95%	$31.49	16.12%
29	1983	61.89	0.0948	20.16%	$29.41	20.65%
30	1982	51.81	0.1074	30.20%	$24.48	36.48%
31	1981	52.01	0.0978	9.40%	$29.37	-3.01%
32	1980	50.26	0.0953	13.01%	$34.69	-3.81%
33	1979	50.33	0.0893	8.79%	$43.91	-11.89%
34	1978	52.40	0.0791	3.96%	$49.09	-2.40%
35	1977	54.01	0.0714	4.16%	$50.95	4.20%
36	1976	46.99	0.0776	22.70%	$43.91	25.13%
37	1975	38.19	0.0920	32.24%	$41.76	14.75%
38	1974	48.60	0.0713	-14.29%	$52.54	-12.91%
39	1973	60.01	0.0556	-13.45%	$58.51	-3.37%
40	1972	60.19	0.0542	5.12%	$56.47	10.69%
41	1971	63.43	0.0504	-0.07%	$53.93	12.13%

Line No.	Year	S&P Utility Stock Price	Stock Dividend Yield	Stock Return	A-rated Bond Yield	Bond Return
42	1970	55.72	0.0561	19.45%	$50.46	14.81%
43	1969	68.65	0.0445	-14.38%	$62.43	-12.76%
44	1968	68.02	0.0435	5.28%	$66.97	-0.81%
45	1967	70.63	0.0392	0.22%	$78.69	-9.81%
46	1966	74.50	0.0347	-1.72%	$86.57	-4.48%
47	1965	75.87	0.0315	1.34%	$91.40	-0.91%
48	1964	67.26	0.0331	16.11%	$92.01	3.68%
49	1963	63.35	0.0330	9.47%	$93.56	2.61%
50	1962	62.69	0.0320	4.25%	$89.60	8.89%
51	1961	52.73	0.0358	22.47%	$89.74	4.29%
52	1960	44.50	0.0403	22.52%	$84.36	11.13%
53	1959	43.96	0.0377	5.00%	$91.55	-3.49%
54	1958	33.30	0.0487	36.88%	$101.22	-5.60%
55	1957	32.32	0.0487	7.90%	$100.70	4.49%
56	1956	31.55	0.0472	7.16%	$113.00	-7.35%
57	1955	29.89	0.0461	10.16%	$116.77	0.20%
58	1954	25.51	0.0520	22.37%	$112.79	7.07%
59	1953	24.41	0.0511	9.62%	$114.24	2.24%
60	1952	22.22	0.0550	15.36%	$113.41	4.26%
61	1951	20.01	0.0606	17.10%	$123.44	-4.89%
62	1950	20.20	0.0554	4.60%	$125.08	1.89%
63	1949	16.54	0.0570	27.83%	$119.82	7.72%
64	1948	16.53	0.0535	5.41%	$118.50	4.49%
65	1947	19.21	0.0354	-10.41%	$126.02	-2.79%
66	1946	21.34	0.0298	-7.00%	$126.74	2.59%
67	1945	13.91	0.0448	57.89%	$119.82	9.11%
68	1944	12.10	0.0569	20.65%	$119.82	3.34%
69	1943	9.22	0.0621	37.45%	$118.50	4.49%
70	1942	8.54	0.0940	17.36%	$117.63	4.14%
71	1941	13.25	0.0717	-28.38%	$116.34	4.55%
72	1940	16.97	0.0540	-16.52%	$112.39	7.08%
73	1939	16.05	0.0553	11.26%	$105.75	10.05%
74	1938	14.30	0.0730	19.54%	$99.83	9.94%
75	1937	24.34	0.0432	-36.93%	$103.18	0.63%
76	Return 1937—2009	Stocks	10.5%			
77		Bonds	6.3%			
78	Risk Premium		4.2%			

See Appendix 5 for an explanation of how stock and bond returns are derived and the source of the data presented. Standard & Poor's discontinued its S&P Utilities Index in December 2001 and replaced its utilities stock index with separate indices for electric and natural gas utilities. In this study, the stock returns beginning in 2002 are based on the total returns for the EEI Index of U.S. shareholder-owned electric utilities, as reported by EEI on its website.
http://www.eei.org/industry_issues/finance_and_accounting/finance/research_and_analysis/EEI_Stock_Index

ATMOS ENERGY
SCHEDULE 6
USING THE ARITHMETIC MEAN
TO ESTIMATE THE COST OF EQUITY CAPITAL

Consider an investment that in a given year generates a return of 30 percent with probability equal to .5 and a return of -10 percent with a probability equal to .5. For each one dollar invested, the possible outcomes of this investment at the end of year one are:

Ending Wealth	Probability
$1.30	0.50
$0.90	0.50

At the end of year two, the possible outcomes are:

Ending Wealth			Probability	Value x Probability
(1.30) (1.30)	=	$1.69	0.25	0.4225
(1.30) (.9)	=	$1.17	0.50	0.5850
(.9) (.9)	=	$0.81	0.25	0.2025
Expected Wealth	=			$1.21

The expected value of this investment at the end of year two is $1.21. In a competitive capital market, the cost of equity is equal to the expected rate of return on an investment. In the above example, the cost of equity is that rate of return which will make the initial investment of one dollar grow to the expected value of $1.21 at the end of two years. Thus, the cost of equity is the solution to the equation:

$$1(1+k)^2 = 1.21 \text{ or}$$

$$k = (1.21/1)^{.5} - 1 = 10\%.$$

The arithmetic mean of this investment is:

$$(30\%)\,(.5) + (-10\%)\,(.5) = 10\%.$$

Thus, the arithmetic mean is equal to the cost of equity capital.

The geometric mean of this investment is:

$$[(1.3)\,(.9)]^{.5} - 1 = .082 = 8.2\%.$$

Thus, the geometric mean is not equal to the cost of equity capital.

The lesson is obvious: for an investment with an uncertain outcome, the arithmetic mean is the best measure of the cost of equity capital.

ATMOS ENERGY
SCHEDULE 7
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY
USING IBBOTSON® SBBI® 6.5 PERCENT RISK PREMIUM

Line			
1	Risk-free Rate	4.38%	Long-term (20-year) Treasury bond yield[10]
2	Beta	0.85	Average Beta Proxy Companies
3	Risk Premium	6.50%	Long-horizon Ibbotson risk premium
4	Beta x Risk Premium	5.53%	
5	Flotation Cost	0.27%	
6	CAPM cost of equity	10.2%	

[10] Average 20-year Treasury bond yield July 2009 as reported by the Federal Reserve.

ATMOS ENERGY
SCHEDULE 7 (continued)
PROXY COMPANY VALUE LINE BETAS

LINE NO.	COMPANY	BETA	MARKET CAP $ (MIL)
1	AGL Resources	0.75	2,598
2	Atmos Energy	0.65	2,499
3	EQT Corp.	1.15	5,024
4	National Fuel Gas	0.90	3,227
5	Nicor Inc.	0.75	1,648
6	NiSource Inc.	0.85	3,539
7	Northwest Nat. Gas	0.60	1,183
8	ONEOK Inc.	0.95	3,485
9	Piedmont Natural Gas	0.65	1,796
10	South Jersey Inds.	0.65	1,099
11	Southwest Gas	0.75	1,083
12	Market-Weighted Average	0.85	

Betas from The Value Line Investment Analyzer August 2009

ATMOS ENERGY
SCHEDULE 8
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY USING DCF ESTIMATE OF THE EXPECTED RATE OF RETURN ON THE MARKET PORTFOLIO

Line			
1	Risk-free rate	4.38%	Long-term (20-year) Treasury bond yield[11]
2	Beta	0.85	Average Beta Proxy Companies
3	DCF S&P 500	12.7%	DCF Cost of Equity S&P 500 (see following)
4	Risk Premium	8.4%	
5	Beta x Risk Premium	7.1%	
6	CAPM cost of equity	11.5%	

[11] Average 20-year Treasury bond yield August 2008 as reported by the Federal Reserve.

ATMOS ENERGY
SCHEDULE 8 (continued)
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY
USING DCF ESTIMATE OF THE EXPECTED RATE OF RETURN
ON THE MARKET PORTFOLIO
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR S&P 500 COMPANIES

COMPANY	P_0	D_0	GROWTH	COST OF EQUITY
AMERISOURCEBERGEN	18.38	0.20	11.57%	12.9%
AETNA	25.61	0.04	12.60%	12.8%
ALLERGAN	47.14	0.20	13.28%	13.8%
ASSURANT	24.26	0.60	8.75%	11.6%
ALLSTATE	25.15	0.80	9.20%	12.9%
APPLIED MATS.	11.75	0.24	8.71%	11.1%
ABERCROMBIE & FITCH	27.61	0.70	10.98%	14.0%
AON	37.40	0.60	12.35%	14.3%
AMERICAN EXPRESS	25.55	0.72	10.00%	13.3%
BOEING	43.97	1.68	8.29%	12.7%
BECTON DICKINSON	67.82	1.32	11.72%	14.0%
FRANKLIN RESOURCES	70.83	0.84	10.00%	11.4%
BROWN-FORMAN 'B'	44.95	1.15	8.10%	11.0%
BANK OF NEW YORK MELLON	28.69	0.36	11.43%	12.9%
BEMIS	25.01	0.90	8.00%	12.1%
BRISTOL MYERS SQUIBB	20.23	1.24	7.04%	14.1%
CA	18.01	0.16	9.60%	10.6%
CATERPILLAR	36.63	1.68	9.00%	14.4%
CHUBB	40.82	1.40	8.50%	12.5%
COCA COLA ENTS.	17.31	0.32	9.20%	11.3%
COLGATE-PALM.	68.42	1.76	9.75%	12.8%
CLOROX	55.64	2.00	9.67%	13.9%
COMCAST 'A'	14.45	0.27	11.25%	13.5%
CME GROUP	291.33	4.60	10.92%	12.8%
CUMMINS	34.44	0.70	10.33%	12.7%
CMS ENERGY	11.92	0.50	6.75%	11.5%
CONSOL EN.	35.90	0.40	12.03%	13.3%
COSTCO WHOLESALE	47.29	0.72	11.54%	13.3%
CAMPBELL SOUP	28.57	1.00	8.43%	12.5%
CSX	33.21	0.88	9.88%	13.0%
CINTAS	23.53	0.47	11.75%	14.1%
CVS CAREMARK	31.75	0.30	13.05%	14.2%
DOMINION RES.	32.50	1.75	6.36%	12.5%
DEERE	42.30	1.12	7.60%	10.6%
QUEST DIAGNOSTICS	53.12	0.40	12.39%	13.3%
DUKE ENERGY	14.38	0.96	3.50%	11.0%
ESTEE LAUDER COS.'A'	33.17	0.55	12.00%	14.0%
EATON	45.95	2.00	7.25%	12.2%
ENTERGY	74.35	3.00	9.02%	13.7%
FAMILY DOLLAR STORES	30.50	0.54	12.15%	14.3%
FIRSTENERGY	39.49	2.20	6.67%	13.1%
FEDERATED INVRS.'B'	24.16	0.96	9.00%	13.6%
FLUOR	47.91	0.50	12.40%	13.6%
FORTUNE BRANDS	36.46	0.76	8.23%	10.6%

COMPANY	P_0	D_0	GROWTH	COST OF EQUITY
FPL GROUP	56.43	1.89	9.59%	13.5%
GENERAL DYNAMICS	55.12	1.52	8.86%	12.1%
GENERAL ELECTRIC	12.66	0.40	9.07%	12.7%
GENUINE PARTS	33.66	1.60	6.00%	11.4%
GAP	16.37	0.34	10.00%	12.4%
GOLDMAN SACHS GP.	143.65	1.40	12.40%	13.6%
WW GRAINGER	81.86	1.84	11.26%	13.9%
HASBRO	25.19	0.80	9.00%	12.7%
HOME DEPOT	24.20	0.90	9.88%	14.2%
HARTFORD FINL.SVS.GP.	13.78	0.20	9.33%	11.0%
HARLEY-DAVIDSON	18.41	0.40	9.50%	12.0%
HONEYWELL INTL.	32.88	1.21	9.38%	13.7%
HEWLETT-PACKARD	37.47	0.32	10.07%	11.1%
HARRIS	29.42	0.76	11.00%	14.0%
INTERNATIONAL BUS.MCHS.	106.61	2.20	9.92%	12.3%
INTL.GAME TECH.	16.02	0.24	12.50%	14.3%
INTEL	16.61	0.56	10.00%	14.0%
ITT	43.96	0.85	8.50%	10.7%
PENNEY JC	28.39	0.80	10.27%	13.6%
JOHNSON & JOHNSON	56.35	1.96	8.13%	12.1%
JANUS CAPITAL GP.	11.11	0.04	10.67%	11.1%
JP MORGAN CHASE & CO.	35.33	0.20	12.00%	12.7%
NORDSTROM	21.78	0.64	10.00%	13.4%
KELLOGG	45.48	1.50	9.84%	13.7%
KB HOME	15.03	0.25	10.50%	12.4%
KRAFT FOODS	26.03	1.16	8.47%	13.6%
LENNAR 'A'	9.43	0.16	8.67%	10.6%
L3 COMMUNICATIONS	72.36	1.40	10.66%	12.9%
LOCKHEED MARTIN	80.81	2.28	10.56%	13.9%
LINCOLN NAT.	16.66	0.04	11.45%	11.7%
LOWE'S COMPANIES	20.03	0.36	11.75%	13.9%
SOUTHWEST AIRLINES	6.99	0.02	12.67%	13.0%
MCDONALDS	57.06	2.00	8.99%	13.1%
MCKESSON	43.02	0.48	11.27%	12.6%
MOODY'S	27.52	0.40	9.00%	10.7%
MEDTRONIC	33.68	0.82	10.54%	13.4%
3M	60.46	2.04	10.13%	14.1%
MORGAN STANLEY	27.72	0.20	11.60%	12.4%
MICROSOFT	22.15	0.52	10.17%	12.9%
M&T BK.	51.92	2.80	4.72%	10.8%
NISOURCE	11.57	0.92	3.00%	11.9%
NIKE 'B'	54.06	1.00	12.11%	14.3%
NORTHEAST UTILITIES	21.59	0.95	8.33%	13.4%
NEWELL RUBBERMAID	11.08	0.20	9.80%	11.9%
OMNICOM GP.	31.94	0.60	11.63%	13.9%
PEOPLES UNITED FINANCIAL	15.78	0.61	9.33%	13.8%
PACCAR	32.16	0.36	10.25%	11.6%
PG&E	37.52	1.68	7.07%	12.2%
PROCTER & GAMBLE	52.00	1.76	9.50%	13.5%
PROGRESS ENERGY	36.58	2.48	5.36%	13.1%
PARKER-HANNIFIN	44.24	1.00	10.00%	12.6%
PERKINELMER	17.12	0.28	11.75%	13.7%

COMPANY	P_0	D_0	GROWTH	COST OF EQUITY
PINNACLE WEST CAP.	28.90	2.10	5.67%	14.0%
PEPCO HOLDINGS	13.10	1.08	3.67%	13.0%
PRAXAIR	73.12	1.60	9.62%	12.2%
POLO RALPH LAUREN 'A'	54.40	0.20	13.75%	14.2%
ROCKWELL AUTOMATION	33.22	1.16	8.00%	12.0%
RADIOSHACK	13.91	0.25	9.48%	11.6%
RAYTHEON 'B'	45.34	1.24	11.14%	14.4%
SCANA	31.74	1.88	5.34%	12.1%
SCHERING-PLOUGH	24.40	0.26	11.10%	12.4%
SHERWIN-WILLIAMS	54.89	1.42	8.83%	11.8%
SARA LEE	9.49	0.44	8.43%	13.8%
SOUTHERN	30.07	1.75	4.97%	11.6%
STANLEY WORKS	35.98	1.32	8.00%	12.2%
STRYKER	39.44	0.40	12.53%	13.7%
AT&T	24.84	1.64	4.11%	11.5%
MOLSON COORS BREWING 'B'	43.13	0.96	10.82%	13.4%
TIFFANY & CO	27.46	0.68	10.75%	13.7%
TJX COS.	30.80	0.48	12.17%	14.0%
T ROWE PRICE GP.	41.15	1.00	10.75%	13.6%
TOTAL SYSTEM SERVICES	13.49	0.28	9.38%	11.8%
TIME WARNER	24.90	0.75	8.06%	11.5%
TEXTRON	11.10	0.08	11.40%	12.2%
UNITED PARCEL SER.	51.34	1.80	7.65%	11.7%
UNITED TECHNOLOGIES	52.29	1.54	9.00%	12.4%
VERIZON COMMUNICATIONS	30.23	1.84	4.58%	11.4%
WALGREEN	30.32	0.55	12.00%	14.2%
WISCONSIN ENERGY	40.33	1.35	9.03%	12.9%
WELLS FARGO & CO	23.91	0.20	10.75%	11.7%
WINDSTREAM	8.45	1.00	0.82%	14.0%
WESTERN UNION	17.00	0.04	11.64%	11.9%
XCEL ENERGY	18.19	0.98	6.58%	12.8%
DENTSPLY INTL.	30.02	0.20	12.67%	13.5%
XTO EN.	39.15	0.50	11.40%	12.9%
Market-weighted Average				12.7%

Notes: In applying the DCF model to the S&P 500, I include in the DCF analysis only those companies in the S&P 500 group which pay a dividend, have a positive growth rate, and have at least three analysts' long-term growth estimates. I also eliminate those 25% of companies with the highest and lowest DCF results.

D_0 = Current dividend per Thomson Reuters.

P_0 = Average of the monthly high and low stock prices during the three months ending July 2009 per Thomson Reuters.

FC = Flotation costs expressed as a percent of gross proceeds (5 percent)

g = I/B/E/S forecast of future earnings growth July 2009.

k = Cost of equity using the quarterly version of the DCF model shown below:

$$k = \left[\frac{d_0 (1+g)^{\frac{1}{4}}}{P_0 (1-FC)} + (1+g)^{\frac{1}{4}} \right]^4 - 1$$

APPENDIX 1
QUALIFICATIONS OF JAMES H. VANDER WEIDE

JAMES H. VANDER WEIDE, Ph.D.
3606 Stoneybrook Drive
Durham, NC 27705
Tel. 919.383.6659 or 919.383.1057
jim.vanderweide@duke.edu

James H. Vander Weide is Research Professor of Finance and Economics at Duke University, the Fuqua School of Business. Dr. Vander Weide is also founder and President of Financial Strategy Associates, a consulting firm that provides strategic, financial, and economic consulting services to corporate clients, including cost of capital and valuation studies.

Educational Background and Prior Academic Experience

Dr. Vander Weide holds a Ph.D. in Finance from Northwestern University and a Bachelor of Arts in Economics from Cornell University. He joined the faculty at Duke University and was named Assistant Professor, Associate Professor, Professor, and then Research Professor of Finance and Economics.

Since joining the faculty at Duke, Dr. Vander Weide has taught courses in corporate finance, investment management, and management of financial institutions. He has also taught courses in statistics, economics, and operations research, and a Ph.D. seminar on the theory of public utility pricing. In addition, Dr. Vander Weide has been active in executive education at Duke and Duke Corporate Education, leading executive development seminars on topics including financial analysis, cost of capital, creating shareholder value, mergers and acquisitions, real options, capital budgeting, cash management, measuring corporate performance, valuation, short-run financial planning, depreciation policies, financial strategy, and competitive strategy. Dr. Vander Weide has designed and served as Program Director for several executive education programs, including the Advanced Management Program, Competitive Strategies in Telecommunications, and the Duke Program for Manager Development for managers from the former Soviet Union.

Publications

Dr. Vander Weide has written a book entitled *Managing Corporate Liquidity: An Introduction to Working Capital Management* published by John Wiley and Sons, Inc. He has also written a chapter titled, "Financial Management in the Short Run" for *The Handbook of Modern Finance*;" a chapter for *The Handbook of Portfolio Construction: Contemporary Applications of Markowitz Techniques,* "Principles for Lifetime Portfolio Selection: Lessons from Portfolio Theory," and written research papers on such topics as portfolio management, capital budgeting, investments, the effect of regulation on the performance of public utilities, and cash management. His articles have been published in *American Economic Review, Financial Management, International Journal of Industrial Organization, Journal of Finance, Journal of*

Financial and Quantitative Analysis, Journal of Bank Research, Journal of Portfolio Management, Journal of Accounting Research, Journal of Cash Management, Management Science, Atlantic Economic Journal, Journal of Economics and Business, and *Computers and Operations Research.*

Professional Consulting Experience

Dr. Vander Weide has provided financial and economic consulting services to firms in the electric, gas, insurance, telecommunications, and water industries for more than 25 years. He has testified on the cost of capital, competition, risk, incentive regulation, forward-looking economic cost, economic pricing guidelines, depreciation, accounting, valuation, and other financial and economic issues in more than 400 cases before the United States Congress, the Canadian Radio-Television and Telecommunications Commission, the Federal Communications Commission, the National Energy Board (Canada), the National Telecommunications and Information Administration, the Federal Energy Regulatory Commission, the Alberta Utilities Board (Canada), the public service commissions of 42 states and the District of Columbia, the insurance commissions of five states, the Iowa State Board of Tax Review, the National Association of Securities Dealers, and the North Carolina Property Tax Commission. In addition, he has testified as an expert witness in proceedings before the United States District Court for the District of New Hampshire; United States District Court for the Northern District of California; United States District Court for the Northern District of Illinois, United States District Court for the District of Nebraska; United States District Court for the Eastern District of North Carolina; Superior Court of North Carolina, the United States Bankruptcy Court for the Southern District of West Virginia; and United States District Court for the Eastern District of Michigan. With respect to implementation of the Telecommunications Act of 1996, Dr. Vander Weide has testified in 30 states on issues relating to the pricing of unbundled network elements and universal service cost studies and has consulted with Bell Canada, Deutsche Telekom, and Telefónica on similar issues. He has also provided expert testimony on issues related to electric and natural gas restructuring. He has worked for Bell Canada/Nortel on a special task force to study the effects of vertical integration in the Canadian telephone industry and has worked for Bell Canada as an expert witness on the cost of capital. Dr. Vander Weide has provided consulting and expert witness testimony to the following companies:

Telecommunications Companies

ALLTEL and its subsidiaries
AT&T (old)
Bell Canada/Nortel
Centel and its subsidiaries
Cisco Systems
Concord Telephone Company
Deutsche Telekom
Heins Telephone Company
JDS Uniphase
Minnesota Independent Equal Access Corp.
Pacific Telesis and its subsidiaries
Pine Drive Cooperative Telephone Co.
Ameritech (now AT&T new)
Verizon (Bell Atlantic) and subsidiaries
BellSouth and its subsidiaries
Cincinnati Bell (Broadwing)
Citizens Telephone Company
Contel and its subsidiaries
GTE and subsidiaries (now Verizon)
Lucent Technologies
Tellabs, Inc.
NYNEX and its subsidiaries (Verizon)
Phillips County Cooperative Tel. Co.
Roseville Telephone Company (SureWest)

Siemens
Sherburne Telephone Company
The Stentor Companies
Telefónica
Woodbury Telephone Company
U S West (Qwest)

Electric, Gas, and Water Companies

Alcoa Power Generating, Inc.
Alliant Energy
AltaLink, L.P.
Ameren
American Water Works
Atmos Energy
Central Illinois Public Service
Citizens Utilities
Consolidated Natural Gas and its subsidiaries
Dominion Resources
Duke Energy
Empire District Electric Company
EPCOR Distribution & Transmission Inc.
EPCOR Energy Alberta Inc.
FortisAlberta Inc.
Interstate Power Company
Iowa-American Water Company
Iowa-Illinois Gas and Electric
Iowa Southern
Kentucky-American Water Company
Kentucky Power Company
MidAmerican Energy and its subsidiaries
Nevada Power Company
NICOR
North Carolina Natural Gas
Northern Natural Gas Company
SBC Communications (now AT&T new)
Southern New England Telephone
Sprint/United and its subsidiaries
Union Telephone Company
United States Telephone Association
Valor Telecommunications (Windstream)

NOVA Gas Transmission Ltd.
North Shore Gas
PacifiCorp
PG&E
Peoples Energy and its subsidiaries
The Peoples Gas, Light and Coke Co.
Progress Energy
Public Service Company of North Carolina
PSE&G
Sempra Energy
South Carolina Electric and Gas
Southern Company and subsidiaries
Tennessee-American Water Company
Trans Québec & Maritimes Pipeline Inc.
United Cities Gas Company
Union Gas

Insurance Companies

Allstate
North Carolina Rate Bureau
United Services Automobile Association (USAA)
The Travelers Indemnity Company
Gulf Insurance Company

Other Professional Experience

Dr. Vander Weide conducts in-house seminars and training sessions on topics such as creating shareholder value, financial analysis, competitive strategy, cost of capital, real options, financial strategy, managing growth, mergers and acquisitions, valuation, measuring corporate performance, capital budgeting, cash management, and financial planning. Among the firms for whom he has designed and taught tailored programs and training sessions are ABB Asea Brown Boveri, Accenture, Allstate, Ameritech, AT&T, Bell Atlantic/Verizon, BellSouth, Progress Energy/Carolina Power & Light, Contel, Fisons, GlaxoSmithKline, GTE, Lafarge, MidAmerican Energy, New Century Energies, Norfolk Southern, Pacific Bell Telephone, The Rank Group, Siemens, Southern New England Telephone, TRW, and Wolseley Plc. Dr. Vander Weide has also hosted a nationally prominent conference/workshop on estimating the cost of capital. In 1989, at the request of Mr. Fuqua, Dr. Vander Weide designed the Duke Program for Manager Development for

managers from the former Soviet Union, the first in the United States designed exclusively for managers from Russia and the former Soviet republics.

In the 1970's, Dr. Vander Weide helped found University Analytics, Inc., which at that time was one of the fastest growing small firms in the country. As an officer at University Analytics, he designed cash management models, databases, and software packages that are still used by most major U.S. banks in consulting with their corporate clients. Having sold his interest in University Analytics, Dr. Vander Weide now concentrates on strategic and financial consulting, academic research, and executive education.

Publications - Dr. James H. Vander Weide

The Lock-Box Location Problem: a Practical Reformulation, *Journal of Bank Research*, Summer, 1974, pp. 92-96 (with S. Maier). Reprinted in *Management Science in Banking*, edited by K. J. Cohen and S. E. Gibson, Warren, Gorham and Lamont, 1978.

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ATMOS ENERGY
APPENDIX 2
DERIVATION OF THE QUARTERLY DCF MODEL

The simple DCF model assumes that a firm pays dividends only at the end of each year. Since firms in fact pay dividends quarterly and investors appreciate the time value of money, the annual version of the DCF model generally underestimates the value investors are willing to place on the firm's expected future dividend stream. In these workpapers, we review two alternative formulations of the DCF model that allow for the quarterly payment of dividends.

When dividends are assumed to be paid annually, the DCF model suggests that the current price of the firm's stock is given by the expression:

$$P_0 = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \ldots + \frac{D_n + P_n}{(1+k)^n} \quad (1)$$

where

P_0	=	current price per share of the firm's stock,
$D_1, D_2, \ldots, D_n$	=	expected annual dividends per share on the firm's stock,
P_n	=	price per share of stock at the time investors expect to sell the stock, and
k	=	return investors expect to earn on alternative investments of the same risk, i.e., the investors' required rate of return.

Unfortunately, expression (1) is rather difficult to analyze, especially for the purpose of estimating k. Thus, most analysts make a number of simplifying assumptions. First, they assume that dividends are expected to grow at the constant rate g into the indefinite future. Second, they assume that the stock price at time n is simply the present value of all dividends expected in periods subsequent to n. Third, they assume that the investors' required rate of

return, k, exceeds the expected dividend growth rate g. Under the above simplifying assumptions, a firm's stock price may be written as the following sum:

$$P_0 = \frac{D_0(1+g)}{(1+k)} + \frac{D_0(1+g)^2}{(1+k)^2} + \frac{D_0(1+g)^3}{(1+k)^3} + \ldots , \qquad (2)$$

where the three dots indicate that the sum continues indefinitely.

As we shall demonstrate shortly, this sum may be simplified to:

$$P_0 = \frac{D_0(1+g)}{(k-g)}$$

First, however, we need to review the very useful concept of a geometric progression.

Geometric Progression

Consider the sequence of numbers 3, 6, 12, 24,..., where each number after the first is obtained by multiplying the preceding number by the factor 2. Obviously, this sequence of numbers may also be expressed as the sequence 3, 3 x 2, 3 x 2^2, 3 x 2^3, etc. This sequence is an example of a geometric progression.

Definition: A geometric progression is a sequence in which each term after the first is obtained by multiplying some fixed number, called the common ratio, by the preceding term.

A general notation for geometric progressions is: a, the first term, r, the common ratio, and n, the number of terms. Using this notation, any geometric progression may be represented by the sequence:

$$a, ar, ar^2, ar^3, \ldots, ar^{n-1}.$$

In studying the DCF model, we will find it useful to have an expression for the sum of n terms of a geometric progression. Call this sum S_n. Then

$$S_n = a + ar + \ldots + ar^{n-1} . \qquad (3)$$

However, this expression can be simplified by multiplying both sides of equation (3) by r and then subtracting the new equation from the old. Thus,

$$rS_n = ar + ar^2 + ar^3 + \ldots + ar^n$$

and

$$S_n - rS_n = a - ar^n ,$$

or

$$(1 - r) S_n = a (1 - r^n) .$$

Solving for S_n, we obtain:

$$S_n = \frac{a(1 - r^n)}{(1 - r)} \qquad (4)$$

as a simple expression for the sum of n terms of a geometric progression. Furthermore, if $|r| < 1$, then S_n is finite, and as n approaches infinity, S_n approaches a ÷ (1-r). Thus, for a geometric progression with an infinite number of terms and $|r| < 1$, equation (4) becomes:

$$S = \frac{a}{1 - r} \qquad (5)$$

Application to DCF Model

Comparing equation (2) with equation (3), we see that the firm's stock price (under the DCF assumption) is the sum of an infinite geometric progression with the first term

$$a = \frac{D_0(1 + g)}{(1 + k)}$$

and common factor

$$r = \frac{(1+g)}{(1+k)}$$

Applying equation (5) for the sum of such a geometric progression, we obtain

$$S = a \bullet \frac{1}{(1-r)} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1}{1-\frac{1+g}{1+k}} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1+k}{k-g} = \frac{D_0(1+g)}{k-g}$$

as we suggested earlier.

Quarterly DCF Model

The annual DCF model assumes that dividends grow at an annual rate of g% per year (see Figure 1).

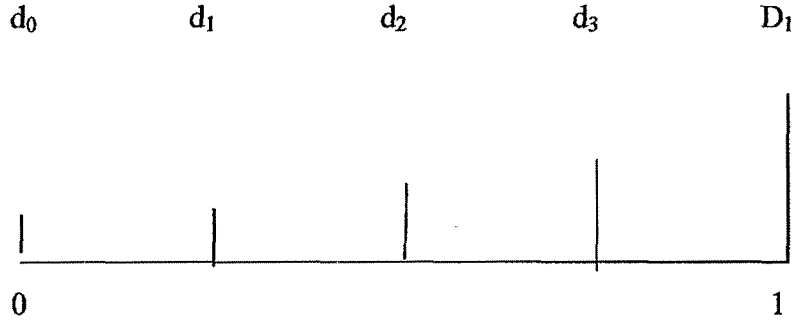
Figure 1

Annual DCF Model

$D_0 = 4d_0$ $D_1 = D_0(1 + g)$

Figure 2

Quarterly DCF Model (Constant Growth Version)



$d_1 = d_0(1+g)^{.25}$ $d_2 = d_0(1+g)^{.50}$

$d_3 = d_0(1+g)^{.75}$ $d_4 = d_0(1+g)$

In the quarterly DCF model, it is natural to assume that quarterly dividend payments differ from the preceding quarterly dividend by the factor $(1 + g)^{.25}$, where g is expressed in terms of percent per year and the decimal .25 indicates that the growth has only occurred for one quarter of the year. (See Figure 2.) Using this assumption, along with the assumption of constant growth and $k > g$, we obtain a new expression for the firm's stock price, which takes account of the quarterly payment of dividends. This expression is:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}}} + \frac{d_0(1+g)^{\frac{2}{4}}}{(1+k)^{\frac{2}{4}}} + \frac{d_0(1+g)^{\frac{3}{4}}}{(1+k)^{\frac{3}{4}}} + \ldots \qquad (6)$$

where d_0 is the last quarterly dividend payment, rather than the last annual dividend payment. (We use a lower case d to remind the reader that this is not the annual dividend.)

Although equation (6) looks formidable at first glance, it too can be greatly simplified using the formula [equation (4)] for the sum of an infinite geometric progression. As the reader can easily verify, equation (6) can be simplified to:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}} - (1+g)^{\frac{1}{4}}} \qquad (7)$$

Solving equation (7) for k, we obtain a DCF formula for estimating the cost of equity under the quarterly dividend assumption:

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0} + (1+g)^{\frac{1}{4}} \right]^4 - 1 \qquad (8)$$

An Alternative Quarterly DCF Model

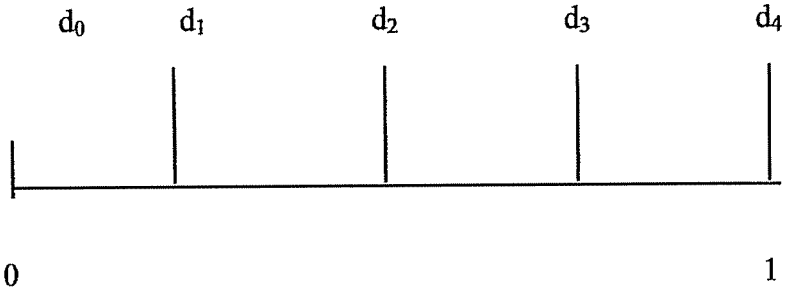
Although the constant growth quarterly DCF model [equation (8)] allows for the quarterly timing of dividend payments, it does require the assumption that the firm increases its dividend payments each quarter. Since this assumption is difficult for some analysts to accept, we now discuss a second quarterly DCF model that allows for constant quarterly dividend payments within each dividend year.

Assume then that the firm pays dividends quarterly and that each dividend payment is constant for four consecutive quarters. There are four cases to consider, with each case distinguished by varying assumptions about where we are evaluating the firm in relation to the time of its next dividend increase. (See Figure 3.)

Figure 3

Quarterly DCF Model (Constant Dividend Version)

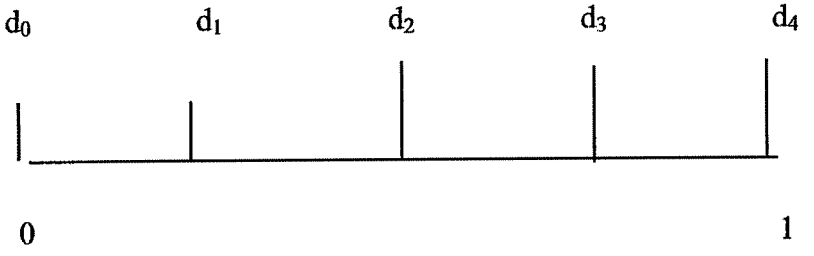
Case 1



Year

$$d_1 = d_2 = d_3 = d_4 = d_0(1+g)$$

Case 2



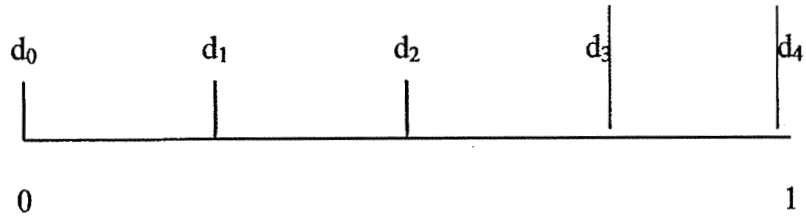
Year

$$d_1 = d_0$$

$$d_2 = d_3 = d_4 = d_0(1+g)$$

Figure 3 (continued)

Case 3

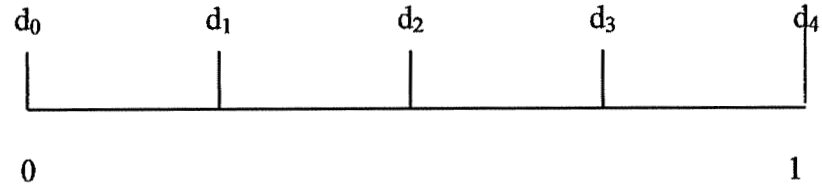


Year

$$d_1 = d_2 = d_0$$

$$d_3 = d_4 = d_0(1+g)$$

Case 4



Year

$$d_1 = d_2 = d_3 = d_0$$

$$d_4 = d_0(1+g)$$

If we assume that the investor invests the quarterly dividend in an alternative investment of the same risk, then the amount accumulated by the end of the year will in all cases be given by

$$D_1^* = d_1 (1+k)^{3/4} + d_2 (1+k)^{1/2} + d_3 (1+k)^{1/4} + d_4$$

where d_1, d_2, d_3 and d_4 are the four quarterly dividends. Under these new assumptions, the firm's stock price may be expressed by an annual DCF model of the form (2), with the exception that

$$D_1^* = d_1 (1+k)^{3/4} + d_2 (1+k)^{1/2} + d_3 (1+k)^{1/4} + d_4 \qquad \textbf{(9)}$$

is used in place of $D_0(1+g)$. But, we already know that the annual DCF model may be reduced to

$$P_0 = \frac{D_0(1+g)}{k-g}$$

Thus, under the assumptions of the second quarterly DCF model, the firm's cost of equity is given by

$$k = \frac{D_1^*}{P_0} + g \qquad \textbf{(10)}$$

with D_1^* given by (9).

Although equation (10) looks like the annual DCF model, there are at least two very important practical differences. First, since D_1^* is always greater than $D_0(1+g)$, the estimates of the cost of equity are always larger (and more accurate) in the Quarterly Model (10) than in the Annual Model. Second, since D_1^* depends on k through equation (9), the unknown "k" appears on both sides of (10), and an iterative procedure is required to solve for k.

ATMOS ENERGY
APPENDIX 3
ADJUSTING FOR FLOTATION COSTS
IN DETERMINING A PUBLIC UTILITY'S ALLOWED
RATE OF RETURN ON EQUITY

Introduction

Regulation of public utilities is guided by the principle that utility revenues should be sufficient to allow recovery of all prudently incurred expenses, including the cost of capital. As set forth in the 1944 *Hope Natural Gas* Case [*Federal Power Comm'n v. Hope Natural Gas Co.* 320 U. S. 591 (1944) at 603], the U. S. Supreme Court states:

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock....By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks.

Since the flotation costs arising from the issuance of debt and equity securities are an integral component of capital costs, this standard requires that the company's revenues be sufficient to fully recover flotation costs.

Despite the widespread agreement that flotation costs should be recovered in the regulatory process, several issues still need to be resolved. These include:

1. How is the term "flotation costs" defined? Does it include only the out-of-pocket costs associated with issuing securities (e. g., legal fees, printing costs, selling and underwriting expenses), or does it also include the reduction in a security's price that frequently accompanies flotation (i. e., market pressure)?
2. What should be the time pattern of cost recovery? Should a company be allowed to recover flotation costs immediately, or should flotation costs be recovered over the life of the issue?
3. For the purposes of regulatory accounting, should flotation costs be included as an expense? As an addition to rate base? Or as an additional element of a firm's allowed rate of return?

4. Do existing regulatory methods for flotation cost recovery allow a firm ***full*** recovery of flotation costs?

In this paper, I review the literature pertaining to the above issues and discuss my own views regarding how this literature applies to the cost of equity for a regulated firm.

Definition of Flotation Cost

The value of a firm is related to the future stream of net cash flows (revenues minus expenses measured on a cash basis) that can be derived from its assets. In the process of acquiring assets, a firm incurs certain expenses which reduce its value. Some of these expenses or costs are directly associated with revenue production in one period (e. g., wages, cost of goods sold), others are more properly associated with revenue production in many periods (e. g., the acquisition cost of plant and equipment). In either case, the word "cost" refers to any item that reduces the value of a firm.

If this concept is applied to the act of issuing new securities to finance asset purchases, many items are properly included in issuance or flotation costs. These include: (1) compensation received by investment bankers for underwriting services, (2) legal fees, (3) accounting fees, (4) engineering fees, (5) trustee's fees, (6) listing fees, (7) printing and engraving expenses, (8) SEC registration fees, (9) Federal Revenue Stamps, (10) state taxes, (11) warrants granted to underwriters as extra compensation, (12) postage expenses, (13) employees' time, (14) market pressure, and (15) the offer discount. The finance literature generally divides these flotation cost items into three categories, namely, underwriting expenses, issuer expenses, and price effects.

Magnitude of Flotation Costs

The finance literature contains several studies of the magnitude of the flotation costs associated with new debt and equity issues. These studies differ primarily with regard to the time period studied, the sample of companies included, and the source of data. The flotation cost studies generally agree, however, that for large issues, underwriting expenses represent approximately one and one-half percent of the proceeds of debt issues and three to five percent of the proceeds of seasoned equity

issues. They also agree that issuer expenses represent approximately 0.5 percent of both debt and equity issues, and that the announcement of an equity issue reduces the company's stock price by at least two to three percent of the proceeds from the stock issue. Thus, total flotation costs represent approximately two percent[12] of the proceeds from debt issues, and five and one-half to eight and one-half percent of the proceeds of equity issues.

Lee *et. al.* [14] is an excellent example of the type of flotation cost studies found in the finance literature. The Lee study is a comprehensive recent study of the underwriting and issuer costs associated with debt and equity issues for both utilities and non-utilities. The results of the Lee *et. al.* study are reproduced in Tables 1 and 2. Table 1 demonstrates that the total underwriting and issuer expenses for the 1,092 debt issues in their study averaged 2.24 percent of the proceeds of the issues, while the total underwriting and issuer costs for the 1,593 seasoned equity issues in their study averaged 7.11 percent of the proceeds of the new issue. Table 1 also demonstrates that the total underwriting and issuer costs of seasoned equity offerings, as a percent of proceeds, decline with the size of the issue. For issues above $60 million, total underwriting and issuer costs amount to from three to five percent of the amount of the proceeds.

Table 2 reports the total underwriting and issuer expenses for 135 utility debt issues and 136 seasoned utility equity issues. Total underwriting and issuer expenses for utility bond offerings averaged 1.47 percent of the amount of the proceeds and for seasoned utility equity offerings averaged 4.92 percent of the amount of the proceeds. Again, there are some economies of scale associated with larger equity offerings. Total underwriting and issuer expenses for equity offerings in excess of 40 million dollars generally range from three to four percent of the proceeds.

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12 The two percent flotation cost on debt only recognizes the cost of newly-issued debt. When interest rates decline, many companies exercise the call provisions on higher cost debt and reissue debt at lower rates. This process involves reacquisition costs that are not included in the academic studies. If reacquisition costs were included in the academic studies, debt flotation costs could increase significantly.

The results of the Lee study for large equity issues are consistent with results of earlier studies by Bhagat and Frost [4], Mikkelson and Partch [17], and Smith [24]. Bhagat and Frost found that total underwriting and issuer expenses average approximately four and one-half percent of the amount of proceeds from negotiated utility offerings during the period 1973 to 1980, and approximately three and one-half percent of the amount of the proceeds from competitive utility offerings over the same period. Mikkelson and Partch found that total underwriting and issuer expenses average five and one-half percent of the proceeds from seasoned equity offerings over the 1972 to 1982 period. Smith found that total underwriting and issuer expenses for larger equity issues generally amount to four to five percent of the proceeds of the new issue.

The finance literature also contains numerous studies of the decline in price associated with sales of large blocks of stock to the public. These articles relate to the price impact of: (1) initial public offerings; (2) the sale of large blocks of stock from one investor to another; and (3) the issuance of seasoned equity issues to the general public. All of these studies generally support the notion that the announcement of the sale of large blocks of stock produces a decline in a company's share price. The decline in share price for initial public offerings is significantly larger than the decline in share price for seasoned equity offerings; and the decline in share price for public utilities is less than the decline in share price for non-public utilities. A comprehensive study of the magnitude of the decline in share price associated specifically with the sale of new equity by public utilities is reported in Pettway [19], who found the market pressure effect for a sample of 368 public utility equity sales to be in the range of two to three percent. This decline in price is a real cost to the utility, because the proceeds to the utility depend on the stock price on the day of issue.

In addition to the price decline associated with the announcement of a new equity issue, the finance literature recognizes that there is also a price decline associated with the actual issuance of equity securities. In particular, underwriters typically sell seasoned new equity securities to investors at a price lower than the closing market price on the day preceding the issue. The Rules of Fair Practice of the National

Association of Securities Dealers require that underwriters not sell shares at a price above the offer price. Since the offer price represents a binding constraint to the underwriter, the underwriter tends to set the offer price slightly below the market price on the day of issue to compensate for the risk that the price received by the underwriter may go down, but can not increase. Smith provides evidence that the offer discount tends to be between 0.5 and 0.8 percent of the proceeds of an equity issue. I am not aware of any similar studies for debt issues.

In summary, the finance literature provides strong support for the conclusion that total underwriting and issuer expenses for public utility debt offerings represent approximately two percent of the amount of the proceeds, while total underwriting and issuer expenses for public utility equity offerings represent at least four to five percent of the amount of the proceeds. In addition, the finance literature supports the conclusion that the cost associated with the decline in stock price at the announcement date represents approximately two to three percent as a result of a large public utility equity issue.

Time Pattern Of Flotation Cost Recovery

Although flotation costs are incurred only at the time a firm issues new securities, there is no reason why an issuing firm ought to recognize the expense only in the current period. In fact, if assets purchased with the proceeds of a security issue produce revenues over many years, a sound argument can be made in favor of recognizing flotation expenses over a reasonably lengthy period of time. Such recognition is certainly consistent with the generally accepted accounting principle that the time pattern of expenses match the time pattern of revenues, and it is also consistent with the normal treatment of debt flotation expenses in both regulated and unregulated industries.

In the context of a regulated firm, it should be noted that there are many possible time patterns for the recovery of flotation expenses. However, if it is felt that flotation expenses are most appropriately recovered over a period of years, then it should be recognized that investors must also be compensated for the passage of time. That is to say, the value of an investor's capital will be reduced if the expenses are merely distributed over time, without any allowance for the time value of money.

Accounting For Flotation Cost In A Regulatory Setting

In a regulatory setting, a firm's revenue requirements are determined by the equation:

Revenue Requirement = Total Expenses + Allowed Rate of Return x Rate Base

Thus, there are three ways in which an issuing firm can account for and recover its flotation expenses: (1) treat flotation expenses as a current expense and recover them immediately; (2) include flotation expenses in rate base and recover them over time; and (3) adjust the allowed rate of return upward and again recover flotation expenses over time. Before considering methods currently being used to recover flotation expenses in a regulatory setting, I shall briefly consider the advantages and disadvantages of these three basic recovery methods.

Expenses. Treating flotation costs as a current expense has several advantages. Because it allows for recovery at the time the expense occurs, it is not necessary to compute amortized balances over time and to debate which interest rate should be applied to these balances. A firm's stockholders are treated fairly, and so are the firm's customers, because they pay neither more nor less than the actual flotation expense. Since flotation costs are relatively small compared to the total revenue requirement, treatment as a current expense does not cause unusual rate hikes in the year of flotation, as would the introduction of a large generating plant in a state that does not allow Construction Work in Progress in rate base.

On the other hand, there are two major disadvantages of treating flotation costs as a current expense. First, since the asset purchased with the acquired funds will likely generate revenues for many years into the future, it seems unfair that current ratepayers should bear the full cost of issuing new securities, when future ratepayers share in the benefits. Second, this method requires an estimate of the underpricing effect on each security issue. Given the difficulties involved in measuring the extent of underpricing, it may be more accurate to estimate the average underpricing allowance for many securities than to estimate the exact figure for one security.

Rate Base. In an article in *Public Utilities Fortnightly*, Bierman and Hass [5] recommend that flotation costs be treated as an intangible asset that is included in a

firm's rate base along with the assets acquired with the stock proceeds. This approach has many advantages. For ratepayers, it provides a better match between benefits and expenses: the future ratepayers who benefit from the financing costs contribute the revenues to recover these costs. For investors, if the allowed rate of return is equal to the investors' required rate of return, it is also theoretically fair since they are compensated for the opportunity cost of their investment (including both the time value of money and the investment risk).

Despite the compelling advantages of this method of cost recovery, there are several disadvantages that probably explain why it has not been used in practice. First, a firm will only recover the proper amount for flotation expenses if the rate base is multiplied by the appropriate cost of capital. To the extent that a commission under or over estimates the cost of capital, a firm will under or over recover its flotation expenses. Second, it is may be both legally and psychologically difficult for commissioners to include an intangible asset in a firm's rate base. According to established legal doctrine, assets are to be included in rate base only if they are "used and useful" in the public service. It is unclear whether intangible assets such as flotation expenses meet this criterion.

Rate of Return. The prevailing practice among state regulators is to treat flotation expenses as an additional element of a firm's cost of capital or allowed rate of return. This method is similar to the second method above (treatment in rate base) in that some part of the initial flotation cost is amortized over time. However, it has a disadvantage not shared by the rate base method. If flotation cost is included in rate base, it is fairly easy to keep track of the flotation cost on each new equity issue and see how it is recovered over time. Using the rate of return method, it is not possible to track the flotation cost for specific issues because the flotation cost for a specific issue is never recorded. Thus, it is not clear to participants whether a current allowance is meant to recover (1) flotation costs actually incurred in a test period, (2) expected future flotation costs, or (3) past flotation costs. This confusion never arises in the treatment of debt flotation costs. Because the exact costs are recorded and explicitly amortized over time, participants recognize that current allowances for debt

flotation costs are meant to recover some fraction of the flotation costs on all past debt issues.

Existing Regulatory Methods

Although most state commissions prefer to let a regulated firm recover flotation expenses through an adjustment to the allowed rate of return, there is considerable controversy about the magnitude of the required adjustment. The following are some of the most frequently asked questions: (1) Should an adjustment to the allowed return be made every year, or should the adjustment be made only in those years in which new equity is raised? (2) Should an adjusted rate of return be applied to the entire rate base, or should it be applied only to that portion of the rate base financed with paid-in capital (as opposed to retained earnings)? (3) What is the appropriate formula for adjusting the rate of return?

This section reviews several methods of allowing for flotation cost recovery. Since the regulatory methods of allowing for recovery of debt flotation costs is well known and widely accepted, I will begin my discussion of flotation cost recovery procedures by describing the widely accepted procedure of allowing for debt flotation cost recovery.

Debt Flotation Costs

Regulators uniformly recognize that companies incur flotation costs when they issue debt securities. They typically allow recovery of debt flotation costs by making an adjustment to both the cost of debt and the rate base (see Brigham [6]). Assume that: (1) a regulated company issues $100 million in bonds that mature in 10 years; (2) the interest rate on these bonds is seven percent; and (3) flotation costs represent four percent of the amount of the proceeds. Then the cost of debt for regulatory purposes will generally be calculated as follows:

$$\text{Cost of Debt} = \frac{\text{Interest expense} + \text{Amortization of flotation costs}}{\text{Principal value} - \text{Unamortized flotation costs}}$$

$$= \frac{\$7{,}000{,}000 + \$400{,}000}{\$100{,}000{,}000 - \$4{,}000{,}000}$$

$$= 7.71\%$$

Thus, current regulatory practice requires that the cost of debt be adjusted upward by approximately 71 basis points, in this example, to allow for the recovery of debt flotation costs. This example does not include losses on reacquisition of debt. The flotation cost allowance would increase if losses on reacquisition of debt were included.

The logic behind the traditional method of allowing for recovery of debt flotation costs is simple. Although the company has issued $100 million in bonds, it can only invest $96 million in rate base because flotation costs have reduced the amount of funds received by $4 million. If the company is not allowed to earn a 71 basis point higher rate of return on the $96 million invested in rate base, it will not generate sufficient cash flow to pay the seven percent interest on the $100 million in bonds it has issued. Thus, proper regulatory treatment is to increase the required rate of return on debt by 71 basis points.

Equity Flotation Costs

The finance literature discusses several methods of recovering equity flotation costs. Since each method stems from a specific model, (i. e., set of assumptions) of a firm and its cash flows, I will highlight the assumptions that distinguish one method from another.

Arzac and Marcus. Arzac and Marcus [2] study the proper flotation cost adjustment formula for a firm that makes continuous use of retained earnings and external equity financing and maintains a constant capital structure (debt/equity ratio). They assume at the outset that underwriting expenses and underpricing apply only to new equity obtained from external sources. They also assume that a firm has previously recovered all underwriting expenses, issuer expenses, and underpricing associated with previous issues of new equity.

To discuss and compare various equity flotation cost adjustment formulas, Arzac and Marcus make use of the following notation:

k	=	an investors' required return on equity
r	=	a utility's allowed return on equity base

S	=	value of equity in the absence of flotation costs
S_f	=	value of equity net of flotation costs
K_t	=	equity base at time t
E_t	=	total earnings in year t
D_t	=	total cash dividends at time t
b	=	$(E_t-D_t) \div E_t$ = retention rate, expressed as a fraction of earnings
h	=	new equity issues, expressed as a fraction of earnings
m	=	equity investment rate, expressed as a fraction of earnings, $m = b + h < 1$
f	=	flotation costs, expressed as a fraction of the value of an issue.

Because of flotation costs, Arzac and Marcus assume that a firm must issue a greater amount of external equity each year than it actually needs. In terms of the above notation, a firm issues $hE_t \div (1\text{-}f)$ to obtain hE_t in external equity funding. Thus, each year a firm loses:

Equation 3

$$L = \frac{hE_t}{1-f} - hE_t = \frac{f}{1-f} \times hE_t$$

due to flotation expenses. The present value, V, of all future flotation expenses is:

Equation 4

$$V = \sum_{t=1}^{\infty} \frac{fhE_t}{(1-f)(1+k)^t} = \frac{fh}{1-f} \times \frac{rK_0}{k-mr}$$

To avoid diluting the value of the initial stockholder's equity, a regulatory authority needs to find the value of r, a firm's allowed return on equity base, that

equates the value of equity net of flotation costs to the initial equity base ($S_f = K_0$). Since the value of equity net of flotation costs equals the value of equity in the absence of flotation costs minus the present value of flotation costs, a regulatory authority needs to find that value of r that solves the following equation:

$$S_f = S - L.$$

This value is:

Equation 5

$$r = \frac{k}{1 - \frac{fh}{1-f}}$$

To illustrate the Arzac-Marcus approach to adjusting the allowed return on equity for the effect of flotation costs, suppose that the cost of equity in the absence of flotation costs is 12 percent. Furthermore, assume that a firm obtains external equity financing each year equal to 10 percent of its earnings and that flotation expenses equal 5 percent of the value of each issue. Then, according to Arzac and Marcus, the allowed return on equity should be:

$$r = \frac{.12}{1 - \frac{(.05).(.1)}{.95}} = .1206 = 12.06\%$$

Summary. With respect to the three questions raised at the beginning of this section, it is evident that Arzac and Marcus believe the flotation cost adjustment should be applied each year, since continuous external equity financing is a fundamental assumption of their model. They also believe that the adjusted rate of return should be applied to the entire equity-financed portion of the rate base because their model is based on the assumption that the flotation cost adjustment mechanism will be applied to the entire equity financed portion of the rate base. Finally, Arzac and Marcus recommend a flotation cost adjustment formula, Equation (3), that implicitly excludes recovery of financing costs associated with financing in previous periods and includes only an allowance for the fraction of equity financing obtained from external sources.

Patterson. The Arzac-Marcus flotation cost adjustment formula is significantly different from the conventional approach (found in many introductory textbooks) which recommends the adjustment equation:

Equation 6

$$r = \frac{D_t}{P_{t-1}(1-f)} + g$$

where P_{t-1} is the stock price in the previous period and g is the expected dividend growth rate. Patterson [18] compares the Arzac-Marcus adjustment formula to the conventional approach and reaches the conclusion that the Arzac-Marcus formula effectively expenses issuance costs as they are incurred, while the conventional approach effectively amortizes them over an assumed infinite life of the equity issue. Thus, the conventional formula is similar to the formula for the recovery of debt flotation costs: it is not meant to compensate investors for the flotation costs of future issues, but instead is meant to compensate investors for the flotation costs of previous issues. Patterson argues that the conventional approach is more appropriate for rate making purposes because the plant purchased with external equity funds will yield benefits over many future periods.

Illustration. To illustrate the Patterson approach to flotation cost recovery, assume that a newly organized utility sells an initial issue of stock for $100 per share, and that the utility plans to finance all new investments with retained earnings. Assume also that: (1) the initial dividend per share is six dollars; (2) the expected long-run dividend growth rate is six percent; (3) the flotation cost is five percent of the amount of the proceeds; and (4) the payout ratio is 51.28 percent. Then, the investor's required rate of return on equity is [k = (D/P) + g = 6 percent + 6 percent = 12 percent]; and the flotation-cost-adjusted cost of equity is [6 percent (1/.95) + 6 percent = 12.316 percent].

The effects of the Patterson adjustment formula on the utility's rate base, dividends, earnings, and stock price are shown in Table 3. We see that the Patterson formula allows earnings and dividends to grow at the expected six percent rate. We also see that the present value of expected future dividends, $100, is just sufficient to

induce investors to part with their money. If the present value of expected future dividends were less than $100, investors would not have been willing to invest $100 in the firm. Furthermore, the present value of future dividends will only equal $100 if the firm is allowed to earn the 12.316 percent flotation-cost-adjusted cost of equity on its entire rate base.

Summary. Patterson's opinions on the three issues raised in this section are in stark contrast to those of Arzac and Marcus. He believes that: (1) a flotation cost adjustment should be applied in every year, regardless of whether a firm issues any new equity in each year; (2) a flotation cost adjustment should be applied to the entire equity-financed portion of the rate base, including that portion financed by retained earnings; and (3) the rate of return adjustment formula should allow a firm to recover an appropriate fraction of all previous flotation expenses.

Conclusion

Having reviewed the literature and analyzed flotation cost issues, I conclude that:

Definition of Flotation Cost: A regulated firm should be allowed to recover both the total underwriting and issuance expenses associated with issuing securities and the cost of market pressure.

Time Pattern of Flotation Cost Recovery. Shareholders are indifferent between the alternatives of immediate recovery of flotation costs and recovery over time, as long as they are fairly compensated for the opportunity cost of their money. This opportunity cost must include both the time value of money and a risk premium for equity investments of this nature.

Regulatory Recovery of Flotation Costs. The Patterson approach to recovering flotation costs is the only rate-of-return-adjustment approach that meets the *Hope* case criterion that a regulated company's revenues must be sufficient to allow the company an opportunity to recover all prudently incurred expenses, including the cost of capital. The Patterson approach is also the only rate-of-return-adjustment approach that provides an incentive for investors to invest in the regulated company.

Implementation of a Flotation Cost Adjustment. As noted earlier, prevailing regulatory practice seems to be to allow the recovery of flotation costs through an adjustment to the required rate of return. My review of the literature on this subject indicates that there are at least two recommended methods of making this adjustment: the Patterson approach and the Arzac-Marcus approach. The Patterson approach assumes that a firm's flotation expenses on new equity issues are treated in the same manner as flotation expenses on new bond issues, i. e., they are amortized over future time periods. If this assumption is true (and I believe it is), then the flotation cost adjustment should be applied to a firm's entire equity base, including retained earnings. In practical terms, the Patterson approach produces an increase in a firm's cost of equity of approximately thirty basis points. The Arzac-Marcus approach assumes that flotation costs on new equity issues are recovered entirely in the year in which the securities are sold. Under the Arzac-Marcus assumption, a firm should not be allowed any adjustments for flotation costs associated with previous flotations. Instead, a firm should be allowed only an adjustment on future security sales as they occur. Under reasonable assumptions about the rate of new equity sales, this method produces an increase in the cost of equity of approximately six basis points. Since the Arzac-Marcus approach does not allow the company to recover the entire amount of its flotation cost, I recommend that this approach be rejected and the Patterson approach be accepted.

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Table 1
Direct Costs as a Percentage of Gross Proceeds
for Equity (IPOs and SEOs) and Straight and Convertible Bonds
Offered by Domestic Operating Companies 1990—1994[13]

Equities

		IPOs				SEOs			
Line No.	Proceeds ($ in millions)	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs
1	2-9.99	337	9.05%	7.91%	16.96%	167	7.72%	5.56%	13.28%
2	10-19.99	389	7.24%	4.39%	11.63%	310	6.23%	2.49%	8.72%
3	20-39.99	533	7.01%	2.69%	9.70%	425	5.60%	1.33%	6.93%
4	40-59.99	215	6.96%	1.76%	8.72%	261	5.05%	0.82%	5.87%
5	60-79.99	79	6.74%	1.46%	8.20%	143	4.57%	0.61%	5.18%
6	80-99.99	51	6.47%	1.44%	7.91%	71	4.25%	0.48%	4.73%
7	100-199.99	106	6.03%	1.03%	7.06%	152	3.85%	0.37%	4.22%
8	200-499.99	47	5.67%	0.86%	6.53%	55	3.26%	0.21%	3.47%
9	500 and up	10	5.21%	0.51%	5.72%	9	3.03%	0.12%	3.15%
10	**Total/Average**	**1,767**	**7.31%**	**3.69%**	**11.00%**	**1,593**	**5.44%**	**1.67%**	**7.11%**

Bonds

		Convertible Bonds				Straight Bonds			
Line No.	Proceeds ($ in millions)	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs	No. of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs
1	2-9.99	4	6.07%	2.68%	8.75%	32	2.07%	2.32%	4.39%
2	10-19.99	14	5.48%	3.18%	8.66%	78	1.36%	1.40%	2.76%
3	20-39.99	18	4.16%	1.95%	6.11%	89	1.54%	0.88%	2.42%
4	40-59.99	28	3.26%	1.04%	4.30%	90	0.72%	0.60%	1.32%
5	60-79.99	47	2.64%	0.59%	3.23%	92	1.76%	0.58%	2.34%
6	80-99.99	13	2.43%	0.61%	3.04%	112	1.55%	0.61%	2.16%
7	100-199.99	57	2.34%	0.42%	2.76%	409	1.77%	0.54%	2.31%
8	200-499.99	27	1.99%	0.19%	2.18%	170	1.79%	0.40%	2.19%
9	500 and up	3	2.00%	0.09%	2.09%	20	1.39%	0.25%	1.64%
10	**Total/Average**	**211**	**2.92%**	**0.87%**	**3.79%**	**1,092**	**1.62%**	**0.62%**	**2.24%**

[13] Inmoo Lee, Scott Lochhead, Jay Ritter, and Quanshui Zhao, "The Costs of Raising Capital," *Journal of Financial Research* Vol 19 No 1 (Spring 1996) pp. 59-74.

Notes:

Closed-end funds and unit offerings are excluded from the sample. Rights offerings for SEOs are also excluded. Bond offerings do not include securities backed by mortgages and issues by Federal agencies. Only firm commitment offerings and non-shelf-registered offerings are included.
Gross Spreads as a percentage of total proceeds, including management fee, underwriting fee, and selling concession.
Other Direct Expenses as a percentage of total proceeds, including management fee, underwriting fee, and selling concession.
Total Direct Costs as a percentage of total proceeds (total direct costs are the sum of gross spreads and other direct expenses).

Table 2
Direct Costs of Raising Capital 1990—1994
Utility versus Non-Utility Companies[14]

Equities

	Non-Utilities	IPOs			SEOs		
Line No.	Proceeds ($ in millions)	No. of Issues	Gross Spreads	Total Direct Costs	No. Of Issues	Gross Spreads	Total Direct Costs
1	2-9.99	332	9.04%	16.97%	154	7.91%	13.76%
2	10-19.99	388	7.24%	11.64%	278	6.42%	9.01%
3	20-39.99	528	7.01%	9.70%	399	5.70%	7.07%
4	40-59.99	214	6.96%	8.71%	240	5.17%	6.02%
5	60-79.99	78	6.74%	8.21%	131	4.68%	5.31%
6	80-99.99	47	6.46%	7.88%	60	4.35%	4.84%
7	100-199.99	101	6.01%	7.01%	137	3.97%	4.36%
8	200-499.99	44	5.65%	6.49%	50	3.27%	3.48%
9	500 and up	10	5.21%	5.72%	8	3.12%	3.25%
10	**Total/Average**	1,742	7.31%	11.01%	1,457	5.57%	7.32%
11	**Utilities Only**						
12	2-9.99	5	9.40%	16.54%	13	5.41%	7.68%
13	10-19.99	1	7.00%	8.77%	32	4.59%	6.21%
14	20-39.99	5	7.00%	9.86%	26	4.17%	4.96%
15	40-59.99	1	6.98%	11.55%	21	3.69%	4.12%
16	60-79.99	1	6.50%	7.55%	12	3.39%	3.72%
17	80-99.99	4	6.57%	8.24%	11	3.68%	4.11%
18	100-199.99	5	6.45%	7.96%	15	2.83%	2.98%
19	200-499.99	3	5.88%	7.00%	5	3.19%	3.48%
20	500 and up	0			1	2.25%	2.31%
21	**Total/Average**	25	7.15%	10.14%	136	4.01%	4.92%

[14] Lee *et al, op. cit.*

Table 2 (continued)
Direct Costs of Raising Capital 1990—1994
Utility versus Non-Utility Companies[15]

Bonds

	Non- Utilities	Convertible Bonds			Straight Bonds		
Line No.	Proceeds ($ in millions)	No. of Issues	Gross Spreads	Total Direct Costs	No. of Issues	Gross Spreads	Total Direct Costs
1	2-9.99	4	6.07%	8.75%	29	2.07%	4.53%
2	10-19.99	12	5.54%	8.65%	47	1.70%	3.28%
3	20-39.99	16	4.20%	6.23%	63	1.59%	2.52%
4	40-59.99	28	3.26%	4.30%	76	0.73%	1.37%
5	60-79.99	47	2.64%	3.23%	84	1.84%	2.44%
6	80-99.99	12	2.54%	3.19%	104	1.61%	2.25%
7	100-199.99	55	2.34%	2.77%	381	1.83%	2.38%
8	200-499.99	26	1.97%	2.16%	154	1.87%	2.27%
9	500 and up	3	2.00%	2.09%	19	1.28%	1.53%
10	**Total/Average**	203	2.90%	3.75%	957	1.70%	2.34%
11	**Utilities Only**						
12	2-9.99	0			3	2.00%	3.28%
13	10-19.99	2	5.13%	8.72%	31	0.86%	1.35%
14	20-39.99	2	3.88%	5.18%	26	1.40%	2.06%
15	40-59.99	0			14	0.63%	1.10%
16	60-79.99	0			8	0.87%	1.13%
17	80-99.99	1	1.13%	1.34%	8	0.71%	0.98%
18	100-199.99	2	2.50%	2.74%	28	1.06%	1.42%
19	200-499.99	1	2.50%	2.65%	16	1.00%	1.40%
20	500 and up	0			1	3.50%	na[16]
21	**Total/Average**	8	3.33%	4.66%	135	1.04%	1.47%

Notes:
Total proceeds raised in the United States, excluding proceeds from the exercise of over allotment options.
Gross spreads as a percentage of total proceeds (including management fee, underwriting fee, and selling concession).
Other direct expenses as a percentage of total proceeds (including registration fee and printing, legal, and auditing costs).

[15] Lee *et al, op. cit.*

[16] Not available because of missing data on other direct expenses.

Table 3
Illustration of Patterson Approach to Flotation Cost Recovery

Line No.	Time Period	Rate Base	Earnings @ 12.32%	Earnings @ 12.00%	Dividends	Amortization Initial FC
1	0	95.00				
2	1	100.70	11.70	11.40	6.00	0.3000
3	2	106.74	12.40	12.08	6.36	0.3180
4	3	113.15	13.15	12.81	6.74	0.3371
5	4	119.94	13.93	13.58	7.15	0.3573
6	5	127.13	14.77	14.39	7.57	0.3787
7	6	134.76	15.66	15.26	8.03	0.4015
8	7	142.84	16.60	16.17	8.51	0.4256
9	8	151.42	17.59	17.14	9.02	0.4511
10	9	160.50	18.65	18.17	9.56	0.4782
11	10	170.13	19.77	19.26	10.14	0.5068
12	11	180.34	20.95	20.42	10.75	0.5373
13	12	191.16	22.21	21.64	11.39	0.5695
14	13	202.63	23.54	22.94	12.07	0.6037
15	14	214.79	24.96	24.32	12.80	0.6399
16	15	227.67	26.45	25.77	13.57	0.6783
17	16	241.33	28.04	27.32	14.38	0.7190
18	17	255.81	29.72	28.96	15.24	0.7621
19	18	271.16	31.51	30.70	16.16	0.8078
20	19	287.43	33.40	32.54	17.13	0.8563
21	20	304.68	35.40	34.49	18.15	0.9077
22	21	322.96	37.52	36.56	19.24	0.9621
23	22	342.34	39.77	38.76	20.40	1.0199
24	23	362.88	42.16	41.08	21.62	1.0811
25	24	384.65	44.69	43.55	22.92	1.1459
26	25	407.73	47.37	46.16	24.29	1.2147
27	26	432.19	50.21	48.93	25.75	1.2876
28	27	458.12	53.23	51.86	27.30	1.3648
29	28	485.61	56.42	54.97	28.93	1.4467
30	29	514.75	59.81	58.27	30.67	1.5335
31	30	545.63	63.40	61.77	32.51	1.6255
32	Present Value@12%		195.00	190.00	100.00	5.00

ATMOS ENERGY
APPENDIX 4
EX ANTE RISK PREMIUM APPROACH

My ex ante risk premium method is based on studies of the DCF expected return on proxy companies compared to the interest rate on Moody's A-rated utility bonds. Specifically, for each month in my study period, I calculate the risk premium using the equation,

$$RP_{PROXY} = DCF_{PROXY} - I_A$$

where:

RP_{PROXY} = the required risk premium on an equity investment in the proxy group of companies,

DCF_{PROXY} = average DCF estimated cost of equity on a portfolio of proxy companies; and

I_A = the yield to maturity on an investment in A-rated utility bonds.

For my ex ante risk premium analysis, I begin with my comparable group of natural gas companies shown in Schedule 1. Previous studies have shown that the ex ante risk premium tends to vary inversely with the level of interest rates, that is, the risk premium tends to increase when interest rates decline, and decrease when interest rates go up. To test whether my studies also indicate that the ex ante risk premium varies inversely with the level of interest rates, I perform a regression analysis of the relationship between the ex ante risk premium and the yield to maturity on A-rated utility bonds, using the equation,

$$RP_{PROXY} = a + (b \times I_A) + e$$

where:

RP_{PROXY} = risk premium on proxy company group;

I_A = yield to maturity on A-rated utility bonds;

e = a random residual; and

a, b = coefficients estimated by the regression procedure.

Regression analysis assumes that the statistical residuals from the regression equation are random. My examination of the residuals reveals that there is a significant probability that the residuals are serially correlated (non-zero serial correlation indicates that the residual in one time period tends to be correlated with the residual in the previous time period). Therefore, I make adjustments to my data to correct for the possibility of serial correlation in the residuals.

The common procedure for dealing with serial correlation in the residuals is to estimate the regression coefficients in two steps. First, a multiple regression analysis is used to estimate the serial correlation coefficient, *r*. Second, the estimated serial correlation coefficient is used to transform the original variables into new variables whose serial correlation is approximately zero. The regression coefficients are then re-estimated using the transformed variables as inputs in the regression equation. Based on my knowledge of the statistical relationship between the yield to maturity on A-rated utility bonds and the required risk premium, my estimate of the ex ante risk premium on an investment in my proxy natural gas company group as compared to an investment in A-rated utility bonds is given by the equation:

$$RP_{PROXY} = \underset{(8.69)}{0.0677} - \underset{(-2.706)}{.3068 \times I_A.} \quad [17]$$

Using the 5.97 percent average yield to maturity on A-rated utility bonds at July 2009, the regression equation produces an ex ante risk premium based on the natural gas proxy group equal to 4.94 percent (0.0677 – .3068 x 5.97 = 4.94).

To estimate the cost of equity using the ex ante risk premium method, one may add the estimated risk premium over the yield on A-rated utility bonds to the yield to maturity on

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[17] The t-statistics are shown in parentheses.

A-rated utility bonds. As described above, my analyses produce an estimated risk premium over the yield on A-rated utility bonds equal to 4.94 percent. Adding an estimated risk premium of 4.94 percent to the 5.97 percent average yield to maturity on A-rated utility bonds produces a cost of equity estimate of 10.9 percent for the natural gas company proxy group using the ex ante risk premium method.

ATMOS ENERGY
APPENDIX 5
EX POST RISK PREMIUM APPROACH

SOURCE OF DATA

Stock price and yield information is obtained from Standard & Poor's Security Price publication. Standard & Poor's derives the stock dividend yield by dividing the aggregate cash dividends (based on the latest known annual rate) by the aggregate market value of the stocks in the group. The bond price information is obtained by calculating the present value of a bond due in 30 years with a $4.00 coupon and a yield to maturity of a particular year's indicated Moody's A-rated Utility bond yield. The values shown on the ex post risk premium schedules are the January values of the respective indices.

CALCULATION OF STOCK AND BOND RETURNS

Sample calculation of "Stock Return" column:

$$\text{Stock Return (2008)} = \left[\frac{\text{Stock Price (2009)} - \text{Stock Price (2008)} + \text{Dividend (2008)}}{\text{Stock Price (2008)}}\right]$$

where Dividend (2008) = Stock Price (2008) x Stock Div. Yield (2008)

Sample calculation of "Bond Return" column:

$$\text{Bond Return (2008)} = \left[\frac{\text{Bond Price (2009)} - \text{Bond Price (2008)} + \text{Interest (2008)}}{\text{Bond Price (2008)}}\right]$$

where Interest = $4.00.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2009-00354
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, James H. Vander Weide, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

James H. Vander Weide

STATE OF North Carolina
COUNTY OF Durham

SUBSCRIBED AND SWORN to before me by James H. Vander Weide on this the 9 day of October, 2009.

AMY C. KNUDSEN Notary Public Durham County NC

Notary Public

My Commission Expires: 2/29/2012

Atmos Energy Corporation

Kentucky/Mid-States Division

DIRECT TESTIMONY OF PAUL H. RAAB

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Paul H. Raab and my business address is 5313 Portsmouth Road, Bethesda, MD 20816. I am an independent economic consultant.

Q. ON WHOSE BEHALF ARE YOU APPEARING TODAY?

A. I am appearing on behalf of Atmos Energy Corporation, Kentucky/Mid-States Division ("Atmos Energy" or "Company").

I. QUALIFICATIONS

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I have a B.A. in Economics from Rutgers University and an M.A. from the State University of New York at Binghamton with a concentration in Econometrics. While attending Rutgers, I studied as a Henry Rutgers Scholar.

Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.

A. I have been providing consulting services to the utility industry for over thirty years, having assisted electric, gas, telephone, and water utilities; Commissions; and intervenor clients in a variety of areas. I am trained as a quantitative economist so that most of this assistance has been in the form of mathematical and economic analysis and information systems development. My particular areas of focus are planning issues, costing and rate design analysis, and

depreciation and life analysis. I began my career with the professional services firm that is now known as Ernst & Young, where I was employed for ten years.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE COMMISSIONS IN REGULATORY PROCEEDINGS?

A. Yes. I have previously provided expert testimony before this Commission in Docket Nos. 9613 and 97-083 as well as the state regulatory authorities of Alaska, the District of Columbia, Georgia, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, West Virginia, and Wisconsin. In addition, I have presented expert testimony before the Federal Energy Regulatory Commission, the Pennsylvania House Consumer Affairs Committee, the Michigan House Economic Development and Energy Committee, the Province of Saskatchewan, and the United States Tax Court. Details on the subject matter of the testimony presented are provided in Exhibit PHR-1.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present the Company's class cost of service (CCOS) study. This study is used to guide the Company in assigning the required revenue increase across customer classes and in designing rates.

III. IDENTIFICATION OF EXHIBITS

Q. DO YOU SPONSOR ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?

A. Yes, I sponsor two exhibits. Exhibit PHR-1 is a summary of my qualifications and experience. Exhibit PHR-2 is a copy of the Company's class cost of service study (CCOSS).

The above-designated exhibits were prepared by me or under my direction and supervision.

IV. ORGANIZATION OF TESTIMONY

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized into one additional section. Section V describes the class cost of service study.

V. CLASS COST OF SERVICE

a. Background

Q. WHAT IS A CLASS COST OF SERVICE ANALYSIS?

A. A class cost of service analysis is the process by which the costs that a utility incurs to serve particular classes of customers are linked to the classes of customers that caused those costs to be incurred.

Q. WHY IS IT NECESSARY TO ALLOCATE COSTS TO THE DIFFERENT CUSTOMER CLASSES?

A. It is a generally accepted utility ratemaking principle that rates should be based on costs. This statement applies not only to the overall level of costs incurred by the utility, but also to the costs that the utility incurs to serve individual services,

classes of customers, and segments of the utility's business. Adherence to this principle is complicated by the fact that many of the costs incurred to provide different types of service are "joint" costs and many are "common" costs, neither of which has a theoretically precise method by which they can be assigned to the different products produced as a result of the incurrence of these costs.

Joint costs occur when the provision of one service is an automatic by-product of another (e.g., the delivery of natural gas at different times of the year). Common costs are incurred when several outputs are produced using the same facilities or inputs (e.g., administrative and general expenses).

Thus, cost of service studies are the primary method used to allocate the common and joint costs incurred by the utility in serving different customer classes. They are used for five purposes:

1. To attribute costs to different categories of customers based on how those customers cause costs to be incurred;
2. To determine how costs will be recovered from customers within each customer class;
3. To calculate the costs of individual types of service based on the costs each service requires the utility to expend;
4. To determine the revenue requirement for the monopoly services offered by a utility operating in both monopoly and competitive markets; and
5. To separate costs between different regulatory jurisdictions.

Q. HOW ARE THE COSTS INCURRED BY THE UTILITY ALLOCATED TO THE DIFFERENT CUSTOMER CLASSES?

A. These costs are allocated to the different customer classes in three steps: functionalization, classification, and allocation.

Q. PLEASE DESCRIBE THE FUNCTIONALIZATION PROCESS.

A. Functionalization is the process whereby the capital and operating costs incurred by the utility to provide service are categorized by function. The typical functions of a natural gas utility are transmission, distribution, customer service and facilities, and administrative and general. The transmission function includes those assets and expenses associated with the delivery of natural gas from the field to the distribution system. The assets and expenses involved in the delivery of natural gas to ultimate customers, except those that can be directly assigned to a particular customer, are included in the distribution function. Those distribution costs that can be directly assigned to a particular customer (e.g., service drops and meters) plus the meter reading and other customer service functions such as billing and collections are included in the customer service and facilities function. The administrative and general function includes management costs that cannot be directly assigned to the other major cost functions.

Q. WHY DOES ONE FUNCTIONALIZE COSTS?

A. Costs are functionalized so that they can be more easily classified, which is the next step in the cost of service analysis.

Q. HOW WAS THE FUNCTIONALIZATION PROCESS PERFORMED FOR ATMOS ENERGY?

A. The Company's accounting processes follow the FERC Uniform System of Accounts. In large measure, this system of accounts records costs by the

function for which they were incurred. Thus, the costs that I work with in the cost of service analysis are already grouped by function.

Q. PLEASE DESCRIBE THE CLASSIFICATION PROCESS.

A. The classification process recognizes that the utility's costs are incurred for a number of purposes: to meet customers' peak demands (demand-related costs), to provide energy (energy- or commodity-related costs), and because there are customers on the system (customer-related costs). The classification process groups the utility's costs by the purpose for which they were incurred. The cost of odorant is the best example of a cost that is incurred in direct proportion to the amount of natural gas that flows through the system and is therefore classified as an energy-related cost. On the other hand, metering costs are primarily driven by the number of customers on the system and would be classified as customer-related costs.

Q. HOW WERE THE COMPANY'S COSTS CLASSIFIED IN THIS STUDY?

A. In general, I followed the classifications that are generally accepted by utilities and state commissions, and relied upon the suggested classification of the National Association of Regulatory Utility Commissioners (NARUC). Moreover, the classifications used in the class cost of service study are intended to be the same as those utilized by the Company in its last general rate case filing. My testimony below explains the specific classification factors employed.

Q. PLEASE DESCRIBE THE ALLOCATION PROCESS.

A. The allocation process is one in which the functionalized and classified costs from above are assigned to specific customer classes. It is assumed that the

load characteristics of the customers within each of the major customer classes are relatively homogeneous with respect to their usage characteristics. Thus, costs can be allocated to customer classes based on these characteristics. Those costs that have been classified as demand-related costs in the classification process above are allocated among the customer classes on the basis of demands imposed on the system during the peak day. Commodity- or energy-related costs are allocated on the basis of the energy that the system must supply to meet the needs of these customers. Customer-related costs are allocated to the different customer classes based on the number of customers.

Q. HOW ARE THESE COSTS ALLOCATED TO THE COMPANY'S DIFFERENT CUSTOMER CLASSES?

A. First, customers are divided into groups or classes. These classes are populated with customers having similar natural gas demand characteristics. The customers within each class can therefore be billed pursuant to a single rate schedule containing a customer charge and an energy charge since their load profiles are sufficiently similar. Next, costs are examined to determine why the utility incurred them and how customers' usage characteristics impact the utility's cost incurrence decisions. Finally, a demand characteristic is associated with each cost incurred; each customer class' contribution to that cost provides the basis for the allocation of the associated cost.

Q. WHAT ARE THESE "USAGE CHARACTERISTICS" THAT CUSTOMERS PLACE ON THE SYSTEM?

A. The customer's request for service is a cost causative demand characteristic that

necessarily results in an immediate investment in a regulator, a service line and metering facilities and establishes a commitment on the part of the company to provide, among other things, answers to questions and a monthly billing. Hence, the very existence of this customer-utility relationship causes the incurrence of cost. The amount of natural gas taken from the utility system, usually expressed volumetrically (Mcf) or in terms of the energy content of the natural gas itself (therms or Dth) and referred to as the customer's energy use or usage, is an important cost causative characteristic as well. Additionally, as my testimony will describe in more detail, the magnitude of costs incurred to serve a customer is also driven by the customer's potential rate of energy use, usually expressed in design day usage and referred to as the customer's demand.

Q. HOW DO SUCH DEMANDS AFFECT COST INCURRENCE?

A. Cost incurrence is strongly driven by two primary factors, the physical connection to the system and the rate at which energy is used. As described above, the physical connection to the system involves investments (a regulator, a service line and metering facilities) and establishes a commitment on the part of the company to provide monthly billing, even if no customer usage occurs. Likewise, the rate at which energy is used serves as the link to the incurrence and magnitude of demand related utility costs.

Q. WHY HAVE YOU EMPHASIZED THE PHYSICAL CONNECTION TO THE SYSTEM AND THE RATE AT WHICH ENERGY IS USED WHEN DESCRIBING COST CAUSATIVE CUSTOMER UTILIZATION FACTORS?

A. There are two very important factors that drive a natural gas utility's cost

incurrence. First, it is a capital-intensive enterprise. Second, the system must be sized so that it has the capability to deliver natural gas to customers during extremely cold conditions (the "design day"), even though this intensity of usage only occurs a few days out of the year, if at all. This combination of capital intensity and sizing to meet peak day demands dictates the prominence of the physical connection and the "rate of use" customer demand characteristic when discussing the cause of cost incurrence.

Q. WHAT IS THE SIGNIFICANCE OF THE DESIGN DAY DEMAND?

A. It is necessary first and foremost to safely and reliably meet the simultaneous loads of all customers. Furthermore, transmission plant is built to meet the highest simultaneous peak established by customers. Therefore, the class contribution to the coincident design day demand is the appropriate cost causative factor to be used in the allocation of capital cost carrying charges of facilities to customer classes.

Q. WHAT ARE THE GENERAL PRINCIPLES THAT SHOULD GUIDE AN ANALYST IN PREPARING A CLASS COST OF SERVICE STUDY?

A. Allocation of costs among customer classes establishes the basis to measure existing revenue levels from such classes against the costs incurred by the Company to serve them. It also provides a basis for establishing actual tariff prices that will equitably recover the costs associated with providing service while minimizing inter-class subsidies that may otherwise occur. In brief, using the class cost of service analysis, the analyst allocates costs to cost causers. The costs that a utility incurs to serve customers are the transmission facilities to

transmit the natural gas to town border stations, distribution facilities to distribute the natural gas to homes and businesses, general facilities that provide support to the first two functional groups and the related costs of operation.

Some analysts utilize energy use in a class cost of service to distribute capital costs to classes. These analysts rationalize this allocation methodology by pointing out that these facilities serve year-round load. This methodology gives no weight to the critical point that these facilities were sized and built to meet the highest demand that occurs during the winter period for Atmos Energy.

During the five winter months of November through March (the winter heating season), Atmos Energy can be expected to distribute about 75 percent of its total residential volumes. This vividly illustrates that the use of a design day allocation methodology links cost incurrence and the cost causer for demand-related fixed costs.

Energy-related costs such as odorant vary with the actual throughput and should be spread to the various classes based on test year throughput. Costs such as services, regulators, meters, operation and maintenance of these facilities, customer accounting and other similar costs can he directly linked to given customer classes and should be allocated to and collected from those classes.

b. The Classification Study

Q. PLEASE DESCRIBE THE CLASSIFICATION STUDY.

A. The classification study I prepared for the Company follows the general guidelines established above. It is easiest to present the details associated with

this process by introducing the specific studies I have conducted. Exhibit PHR-2 contains the complete cost of service study (including the classifications developed) for Atmos Energy. The first five pages of the study contain summaries of the completed cost of service for total and customer-, demand-, and commodity-related costs. Pages 6 through 19 of the study contain summaries of the cost classifications employed. Pages 6 through 18 contain classification schedules for Gross Plant in Service, Reserve for Depreciation and Amortization, Other Rate Base, O&M Expense, Depreciation Expense, and Taxes Other Than Income and Net Deductions for Income Tax, respectively. Page 19 summarizes the classifications developed.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF GROSS PLANT IN SERVICE.

A. As shown on pages 6-8 of the study, a majority of gross plant in service categories are classified as either 100% customer-related or 100% demand-related, pursuant to the methodology outlined previously in my testimony. There are two notable exceptions to this general rule. First, investments in storage facilities are classified as 50% demand and 50% commodity, consistent with the classification used in the Company's last base rate proceeding. The second exception is investments in distribution mains, which are classified as approximately 85% customer and 15% demand, in accordance with the results of a zero-intercept.

General Plant, which includes investments in property that cannot otherwise be included in other plant accounts, is classified in the same way as all

production, storage, transmission and distribution plant.

Q. WHY DID YOU EMPLOY THESE PARTICULAR CLASSIFICATIONS?

A. As stated earlier, the classification process follows the classifications that have been previously accepted by this Commission in the Company's last base rate proceeding.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION.

A. As shown on pages 9-11 of the class cost of service study, the classifications of the Reserves for Depreciation and Amortization follow the same classifications as employed for Gross Plant in Service, since the same factors that influence Gross Plant in Service also affect the Reserves for Depreciation of those plant categories.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF OTHER RATE BASE ITEMS.

A. Other Rate Base items include materials and supplies, gas storage inventory, prepayments, cash working capital, customer advances and accumulated deferred income taxes. Materials and supplies, prepayments and cash working capital are classified in the same way as operations and maintenance expenditures. Gas storage inventories are classified as 100% commodity-related. Customer advances are classified as customer-related cost and accumulated deferred income taxes are classified according to net plant, since they would appear to be largely driven by these investments.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF OPERATIONS AND MAINTENANCE (O&M) EXPENSES.

A. As can be seen on pages 13-14 of the study, I have generally classified O&M expenses in accordance with the NARUC classification models. For example, other gas supply expenses have been classified as 100% commodity-related. Underground storage O&M expenses are classified in the same way as investments in storage plant, i.e., 50% demand-related and 50% commodity-related.

Transmission O&M expense is classified as entirely demand-related. Distribution O&M expense classification relies on customers for those expenses related to services, regulators and meters and composite classification factors for many of the other accounts that make up distribution O&M expenses. These composite factors are generated within the class cost of service model. A&G expenses are also classified based on composite classification factors. Customer accounts expenses, customer service and information expenses and sales expenses are all classified as customer-related.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF DEPRECIATION AND AMORTIZATION EXPENSE.

A. Functionalized depreciation and amortization expense is shown on pages 15-17 of the class cost of service study. Functionalized depreciation expense is classified the same as gross plant.

Q. PLEASE DESCRIBE YOUR CLASSIFICATION OF TAXES, OTHER THAN INCOME TAXES.

A. Taxes other than income taxes fall into two categories, ad valorem and payroll-related. Ad valorem taxes are classified on the basis of plant while the various

payroll-related taxes, most notably FICA taxes, are classified on the basis of total O&M expenses. Total O&M expenses are also used to classify the DOT transmission user tax and other taxes. The Public Service Commission Assessment is classified as commodity-related. Finally, while not a tax, the taxes other than income taxes schedule includes a classification of interest expense, a deduction to income taxes. Income taxes are computed elsewhere in the program. These classifications are shown on Page 18 of the class cost of service study.

c. The Allocation Study

Q. PLEASE DESCRIBE THE ALLOCATION STUDY.

A. The allocation schedules of the cost of service study begin on page 20 of the class cost of service study. Each allocation section consists of 4 subsections. The first subsection shows the allocation of the functionalized cost item's customer component, the second subsection shows the allocation of the item's demand component, the third the commodity component, and the fourth the total allocated costs. Thus, for example, pages 20-22 contain the allocation of gross plant customer-related costs, pages 23-25 gross plant demand-related costs, pages 26-28 gross plant commodity-related costs and pages 29-31 total allocated gross plant.

Each line lists the functionalized cost item, the allocation factor used, the total company classified costs for that item, and the amount allocated of that cost item to each of the rate classes. These pages continue through page 71 of the exhibit. The allocation of revenue follows on page 72. Page 73 shows the

classification factors used in the study, while pages 74 and 75 show the allocation factors used.

Q. PLEASE DESCRIBE THE PRIMARY ALLOCATION FACTORS THAT YOU HAVE USED IN YOUR STUDY.

A. There are three types of allocation factors used in this study. As is the case with the classification study discussed above, these allocation factors are related to customers on the system, demands placed on the system, and energy demanded from the system.

Q. PLEASE DESCRIBE THE ALLOCATORS OF CUSTOMER-RELATED COSTS THAT YOU USE.

A. Six primary allocators are used to assign customer-related costs to customer classes: the number of bills, customer-weighted meter investments, and direct assignment to the four individual customer classes. I used these different allocators because different customer-related costs are more appropriately allocated with each.

Q. CAN YOU PROVIDE AN EXAMPLE?

A. Certainly. The number of customers by class is used to allocate such expense items as sales and customer service and information costs. Meter investments are the best allocator for investment in meters. Industrial measuring and regulating station expenses are most appropriately assigned directly to industrial and transport customers.

Q. PLEASE DESCRIBE THE ALLOCATORS OF DEMAND-RELATED COSTS THAT YOU USE.

A. The two demand allocators used are a class' design day peak, since design day forms the basis for planning decisions made by the Company and winter volumes, used to allocate storage expenses.

Q. PLEASE DESCRIBE THE ALLOCATORS OF COMMODITY-RELATED COSTS THAT YOU USE.

A. The primary allocator for commodity-related costs is total throughput.

Q. PLEASE SUMMARIZE YOUR ALLOCATION STUDY.

A. The results are summarized on the first page of the class cost of service study. While this exhibit shows that all classes are making positive contributions to rate of return, the residential class is providing less than the system average rate of return. All other classes are providing a return greater than the system average return. In other words, these classes are subsidizing the residential class.

The exhibit also shows the amount by which each class's revenues must increase in order to achieve rate of return parity in the section entitled Equalized ROR (lines 37-46).

Q. WHY ARE THESE AMOUNTS OF INTEREST TO THE COMMISSION?

A. One of the primary purposes of a class cost of service analysis is to identify interclass subsidies that may exist between the different classes of a natural gas distribution system so that steps can be taken to eliminate them. The equal class rates of return increase identifies for the Commission the extent to which rates need to be adjusted so that all identified subsidies can be eliminated.

Q. WOULD YOU RECOMMEND THAT THE COMMISSION ADOPT A CLASS REVENUE DISTRIBUTION THAT RESULTS IN EQUAL CLASS RATES OF

RETURN?

A. I do believe that equal class rates of return should be an objective of any rate design study. Consistent with this objective, my class cost of service study indicates that the Residential class should certainly receive a larger increase than the other customers on the Atmos Energy system.

Q. DOES THE REVENUE INCREASE ALLOCATION ADVOCATED BY COMPANY WITNESS GARY SMITH MOVE THE CLASSES CLOSER TO AN EQUALIZED RATE OF RETURN?

A. In general, yes. This can be seen in lines 48 to 57 of page 1 of Exhibit PHR-2. I have input the revenue increases by class that are proposed by Witness Smith. The relative return by class (line 56) has generally been moved closer to 1 for each class based on Mr. Smith's proposed allocation of the requested increase.

Q. DOES THE STUDY PROVIDE ANY OTHER SUPPORT FOR MR. SMITH'S RATE DESIGNS?

A. Yes. Mr. Smith proposes customer charges that range from $13.50/month for residential customers to $500/month for interruptible and transportation customers. The levels of these charges are well below the customer-related costs developed in the study and shown on page 2, line 39 of Exhibit PHR-2.

Q. DOES THAT COMPLETE YOUR DIRECT TESTIMONY AT THIS TIME?

A. Yes, it does.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF	)	
RATE APPLICATION OF	)	Case No. 2009-00354
ATMOS ENERGY CORPORATION	)	

CERTIFICATE AND AFFIDAVIT

The Affiant, PAUL H. RAAB, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2009-00354, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct pre-filed testimony.

Affiant further states that he will be present and available for cross examination for such additional direct examination as may be appropriate at any hearing in Case No. 2009-00354 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

Paul H. Raab

STATE OF Maryland
COUNTY OF Montgomery

SUBSCRIBED AND SWORN to before me by PAUL H. RAAB on this the 9th day of Oct., 2009.

Notary Public
My Commission Expires: July 28, 2012

PAUL H. RAAB

Mr. Raab's consulting focus is on the regulated public utility industry. His experience includes mathematical and economic analyses and system development and his areas of expertise include regulatory change management, load forecasting, supply-side and demand-side planning, management audits, mergers and acquisitions, costing and rate design, and depreciation and life analysis.

PROFESSIONAL EXPERIENCE

Mr. Raab has directed or has had a key role in numerous engagements in the areas listed above. Representative clients are provided for each of these areas in the subsections below.

Regulatory Change Management. Mr. Raab has recently been assisting both electric and natural gas utilities as they prepare to operate in an environment that is significantly different from the one they operate in today. This work has involved the development of unbundled cost of service studies; the development of strategies that will allow companies to prosper in a restructured industry; retail access program development, implementation, and evaluation; and the development of innovative ratemaking approaches to accompany changes in the regulatory structure. Representative clients for whom he has performed such work include:

- Virginia Natural Gas
- Aquila
- Kansas Corporation Commission
- Atmos Energy Corporation
- Electric Cooperatives' Association
- Central Louisiana Electric Company
- Washington Gas
- Western Resources
- Kansas Gas Service
- Mid Continent Market Center.

Load Forecasting. Mr. Raab has broad experience in the review and development of forecasts of sales forecasts for electric and natural gas utilities. This work has also included the development of elasticity of demand measures that have been used for attrition adjustments and revenue requirement reconciliations. Representative clients for whom he has performed such work include:

- Washington Gas Energy Services
- Central Louisiana Electric Company
- Washington Gas
- Saskatchewan Public Utilities Review Commission
- Union Gas Limited

- Nova Scotia Power Corporation
- Cajun Electric Power Cooperative
- Cincinnati Gas & Electric
- Commonwealth Edison Company
- Cleveland Electric Illuminating
- Public Service of Indiana
- Atlantic City Electric Company
- Detroit Edison Company
- Sierra Pacific Power
- Connecticut Natural Gas Corporation
- Appalachian Power Company
- Missouri Public Service Company
- Empire District Electric Company
- Public Service Company of Oklahoma
- Wisconsin Electric Power Company
- Northern States Power Company
- Iowa State Commerce Commission
- Missouri Public Service Commission.

Supply Side Planning. Mr. Raab has assisted clients to determine the most appropriate supply-side resources to meet future demands. This assistance has included the determination of optimal sizes and types of capacity to install, determination of production costs including and excluding the resource, and an assessment of system reliability changes as a result of different resource additions. Much of this work for the following clients has been done in conjunction with litigation:

- Enstar Natural Gas
- AGL Resources
- Washington Gas
- Soyland Electric Cooperative
- Houston Lighting and Power
- City of Farmington, New Mexico
- Big Rivers Electric Cooperative
- City of Redding, California
- Brown & Root
- Kentucky Joint Committee on Electric Power Planning Coordination
- Sierra Pacific Power.

Demand Side Planning. Demand Side Planning involves the forecasting of future demands; the design, development, implementation, and evaluation of demand side management programs; the determination of future supply side costs; and the integration of cost effective demand side management programs into an Integrated Least Cost Resource Plan. Mr. Raab has performed such work for the following clients:

- UGI Utilities
- Dominion Peoples Gas

- National Fuel Gas Distribution Corporation
- Columbia Gas of Pennsylvania
- Kansas Gas Service
- Atmos Energy Corporation
- Black Hills Gas Company
- Oklahoma Natural Gas Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- Montana-Dakota Utilities.

Management Audits. Mr. Raab has been involved in a number of management audits. Consistent with his other experience, the focus of his efforts has been in the areas of load forecasting, demand- and supply-side planning, integrated resource planning, sales and marketing, and rates. Representative commission/utility clients are as follows:

- Public Utilities Commission of Ohio/East Ohio Gas
- Kentucky Public Service Commission/Louisville Gas & Electric
- New Hampshire Public Service Commission/Public Service Company of New Hampshire
- New Mexico Public Service Commission/Public Service of New Mexico
- New York Public Service Commission/New York State Electric & Gas
- Missouri Public Service Commission/Laclede Gas Company
- New Jersey Board of Public Utilities/Jersey Central Power & Light
- New Jersey Board of Public Utilities/New Jersey Natural Gas
- Pennsylvania Public Utilities Commission/ Pennsylvania Power & Light
- California Public Utilities Commission/San Diego Gas & Electric Company.

Mergers and Acquisitions. Mr. Raab has been involved in a number of merger and acquisition studies throughout his career. Many of these were conducted as confidential studies and cannot be listed. Those in which his involvement was publicly known are:

- ONEOK, Inc./Southwest Gas Corporation
- Western Resources
- Constellation.

Costing and Rate Design Analysis. Mr. Raab has prepared generic rate design studies for the National Governor's Conference, the Electricity Consumer's Resource Council, the Tennessee Valley Industrial Committee, the State Electricity Commission of Western Australia, and the State Electricity Commission of Victoria. These generic studies addressed advantages and disadvantages of alternative costing approaches in the electric utility industry; the strengths and weaknesses of commonly encountered costing methodologies; future tariff policies to promote equity, efficiency,

and fairness criteria; and the advisability of changing tariff policies. Mr. Raab has performed specific costing and rate design studies for the following companies:

- Atmos Energy Corporation
- Southern Maryland Electric Cooperative, Inc.
- Comcast Cable Communications, Inc.
- Cable Television Association of Georgia
- Devon Energy
- Aquila
- Oklahoma Natural Gas
- Semco Energy Gas Company
- Laclede Gas
- Western Resources
- Kansas Gas Service Company
- Central Louisiana Electric Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- KPL Gas Service Company
- Allegheny Power Systems
- Northern States Power
- Interstate Power Company
- Iowa-Illinois Gas & Electric Company
- Arkansas Power and Light
- Iowa Power & Light
- Iowa Public Service Company
- Southern California Edison
- Pacific Gas & Electric
- New York State Electric & Gas
- Middle South Utilities
- Missouri Public Service Company
- Empire District Electric Company
- Sierra Pacific Power
- Commonwealth Edison Company
- South Carolina Electric & Gas
- State Electricity Commission of Western Australia
- State Electricity Commission of Victoria, Australia
- Public Service Company of New Mexico
- Tennessee Valley Authority.

Depreciation and Life Analysis. Mr. Raab has extensive experience in depreciation and life analysis studies for the electric, gas, rail, and telephone industries and has taught a course on depreciation at George Washington University, Washington, DC. Representative clients in this area include:

- Champaign Telephone Company
- Plains Generation & Transmission Cooperative
- CSX Corporation (Includes work for Seaboard Coast Line, Louisville & Nashville, Baltimore & Ohio, Chesapeake & Ohio, and Western Maryland Railroads)
- Lea County Electric Cooperative, Inc.
- North Carolina Electric Membership Cooperative
- Alberta Gas Trunk Lines (NOVA)
- Federal Communications Commission.

TESTIMONY

The following table summarizes Mr. Raab's testimony experience.

Jurisdiction	Docket Number	Subject
Alaska	U-09-70	Rate Design
District of Columbia	834	Demand Side Planning
	905	Costing/Rate Design
	917	Costing/Rate Design
	921	Demand Side Planning
	922	Rate Design
	934	Rate Design
	989	Rate Design
	1016	Rate Design
	1053	Costing/Rate Design
	1054	Rate Design
Georgia	18300-U	Costing/Rate Design
Indiana	36818	Capacity Planning
Iowa	RPU-05-2	Costing/Rate Design
Kansas	174,155-U	Retail Competition
	176,716-U	Costing/Rate Design
	98-KGSG-822-TAR	Rate Design
	99-KGSG-705-GIG	Restructuring
	01-KGSG-229-TAR	Rate Design
	02-KGSG-018-TAR	Rate Design
	02-WSRE-301-RTS	Cost of Service
	03-KGSG-602-RTS	Cost of Service/Rate Design
	03-AQLG-1076-TAR	Rate Design

Jurisdiction	Docket Number	Subject
Kansas	05-AQLG-367-RTS	Cost of Service/Rate Design
	06-KGSG-1209-RTS	Cost of Service/Rate Design
	07-AQLG-431-RTS	Rate Design
	08-WSEE-1041-RTS	Cost of Service
Kentucky	9613	Capacity Planning
	97-083	Management Audit
Louisiana	U-21453	Restructuring/Market Power
Maryland	8251	Costing/Rate Design
	8259	Demand Side Planning
	8315	Costing/Rate Design
	8720	Demand Side Planning
	8791	Costing/Rate Design
	8920	Costing/Rate Design
	8959	Costing/Rate Design
	9092	Costing/Rate Design
	9104	Costing/Rate Design
	9106	Costing/Rate Design
Michigan	U-6949	Load Forecasting
	U-13575	Costing/Rate Design
Missouri	GR-2002-356	Rate Design
Montana	D2005.4.48	Costing/Rate Design
Nebraska	NG-0001, NG-0002, NG-0003	Rate Design
	NG-0041	Rate Design
Nevada	81-660	Load Forecasting
New Jersey	OAL# PUC 1876-82	Load Forecasting
	BPU# 822-0116	
New Mexico	2087	Capacity Planning
New York	27546	Costing/Rate Design
Ohio	81-1378-EL-AIR	Load Forecasting

Jurisdiction	Docket Number	Subject
Oklahoma	27068	Load Forecasting
	PUD 200400610	Costing/Rate Design
	PUD 200700449	Demand Side Planning
Pennsylvania	R-0061346	Costing/Rate Design
	M-2009-2092222, M-2009-2112952, M-2009-2112956	Demand Side Planning
	M-2009-2093216	Demand Side Planning
	M-2009-2093217	Demand Side Planning
	M-2009-2093218	Demand Side Planning
Tennessee	PURPA Hearings	Costing/Rate Design
Texas	GUD No. 9762	Costing/Rate Design
US Tax Court	4870	Life Analysis
	4875	Life Analysis
Virginia	PUE900013	Demand Side Planning
	PUE920041	Costing/Rate Design
	PUE940030	Costing/Rate Design
	PUE940031	Costing/Rate Design
	PUE950131	Capacity Planning
	PUE980813	Costing/Rate Design
	PUE-2002-00346	Costing/Rate Design
	PUE-2003-00603	Costing/Rate Design
	PUE-2006-00059	Costing/Rate Design
	PUE-2008-00060	Demand Side Planning
West Virginia	79-140-E-42T	Capacity Planning
	90-046-E-PC	Demand Side Planning
Wisconsin	05-EP-2	Capacity Planning

In addition, Mr. Raab has presented expert testimony before the Federal Energy Regulatory Commission, the Michigan House Economic Development and Energy Committee and the Province of Saskatchewan. He is a member of the Advisory Board of the Expert Evidence Report, published by The Bureau of National Affairs, Inc.

EDUCATION

Mr. Raab holds a B.A. (with high distinction) in Economics from Rutgers University and an M.A. from SUNY at Binghamton with a concentration in Econometrics. While attending Rutgers, he studied as a Henry Rutgers Scholar.

PUBLICATIONS AND PRESENTATIONS

Mr. Raab has published in a number of professional journals and spoken at a number of industry conferences. His publications/ presentations include:

- "Natural Gas as an Electric DSM Tool," American Gas Association Membership Services Committee Meeting, Williamsburg, VA, September 15, 2009.
- "Electric-to-Gas Fuel Switching," NARUC Summer Meeting, Seattle, WA, July 20, 2009.
- "The Future of Fuel in Virginia: Natural Gas," The Twenty-Seventh National Regulatory Conference, Williamsburg, VA, May 19, 2009.
- "Revenue Decoupling for Natural Gas Utilities," Energy Bar Association Midwest Energy Conference, Chicago, IL, March 6, 2008.
- "Responses to Arrearage Problems from High Natural Gas Bills," American Gas Association Rate and Regulatory Issues Seminar, Phoenix, AZ, April 8, 2004.
- "Factors Influencing Cooperative Power Supply," National Rural Utilities Cooperative Finance Corporation Independent Borrower's Conference, Boston, MA, July 3, 1997.
- "Current Status of LDC Unbundling," American Gas Association Unbundling Conference: Regulatory and Competitive Issues, Arlington, VA, June 19, 1997.
- "Balancing, Capacity Assignment, and Stranded Costs," American Gas Association Rate and Strategic Planning Committee Spring Meeting, Phoenix, AZ, March 26, 1997.
- "Gas Industry Restructuring and Changes: The Relationship of Economics and Marketing" (with Jed Smith), National Association of Business Economists, 38th Annual Meeting, Boston, MA September 10, 1996.

- "Improving Corporate Performance By Better Forecasting," 1996 Peak Day Demand and Supply Planning Seminar, San Francisco, CA, April 11, 1996.

- "Natural Gas Price Elasticity Estimation," AGA Forecasting Review, Vol. 6, No. 1, November 1995.

- "Assessing Price Competitiveness," Competitive Analysis & Benchmarking for Power Companies, Washington, DC, November 13, 1995.

- "Avoided Cost Concepts and Management Considerations," Workshop on Avoided Costs in a Post 636 Gas Industry: Is It Time to Unbundle Avoided Cost? Sponsored by the Gas Research Institute and Wisconsin Center for Demand-Side Research, Milwaukee, WI, June 29, 1994.

- "Estimating Implied Long- and Short-Run Price Elasticities of Natural Gas Consumption," Atlantic Economic Conference, Philadelphia, PA, October 10, 1993.

- "Program Evaluation and Marginal Cost," The Natural Gas Least Cost Planning Conference, Washington, DC, April 7, 1992.

- "The New Environmentalism & Least Cost Planning," Institute for Environmental Negotiation, University of Virginia, May 15, 1991.

- "Development of Conditional Demand Estimates of Gas Appliances," AGA Forecasting Review, Vol. 1, No. 1, October 1988.

- "The Feasibility Study: Forecasting and Sensitivities," Municipal Wastewater Treatment Facilities, The Energy Bureau, Inc., November 18, 1985.

- "The Development of a Gas Sales End-Use Forecasting Model," Third International Forecasting Symposium, The International Institute of Forecasting, July 1984.

- "New Forecasting Guidelines for REC's - A Seminar," (Chairman), Kansas City, Missouri, June 1984.

- "A Method and Application of Estimating Long Run Marginal Cost for an Electric Utility," Advances in Microeconomics, Volume II, 1983.

- "Forecasting Under Public Scrutiny," Forecasting Energy and Demand Requirements, University of Wisconsin - Extension, October 25, 1982.

- "Forecasting Public Utilities," The Journal of Business Forecasting, Vol. 1,

No. 4, Summer, 1982.

- "Are Utilities Underforecasting," Electric Ratemaking, Vol. 1. No. 1, February, 1982.

- "A Polynomial Spline Function Technique for Defining and Forecasting Electric Utility Load Duration Curves," First International Forecasting Symposium, Montreal, Canada, May, 1981.

- "Time-of-Use Rates and Marginal Costs," ELCON Legal Seminar, March 20, 1980.

- "The Ernst & Whinney Forecasting Model," Forecasting Energy & Demand Requirements, University of Wisconsin - Extension, October 8, 1979.

- "Marginal Cost in Electric Utilities - A Multi-Technology Multi-Period Analysis" (with Frederick McCoy), ORSA/Tims Joint National Meeting, Los Angeles, California, November 13-15, 1978.

Atmos Energy Corporation, Kentucky/Mid-States Division							
Kentucky Jurisdiction Case No. 2009-00354							
Forecasted Test Period: Twelve Months Ended March 31, 2011							
SUMMARY OF RESULTS							
1							
2							
3							
4			Total		Commercial &	Firm	Industrial &
5			Company	Residential	Public Authority	Industrial	Transport
6			$				
7							
8	Operating Revenues		199,729,497	117,981,288	64,850,554	5,242,861	11,654,794
9							
10	Operating Expenses:						
11							
12	Operating & Maintenance		168,789,105	105,147,532	55,410,967	4,870,604	3,360,002
13	Depreciation & Amortization		12,899,592	9,480,453	2,464,151	162,276	792,711
14	Taxes Other Than Income		4,186,517	2,799,876	843,026	60,312	483,302
15							
16	Total Operating Expenses		185,875,214	117,427,862	58,718,144	5,093,192	4,636,016
17							
18	Income Before Taxes		13,854,283	553,427	6,132,410	149,668	7,018,778
19							
20	Interest Expense		6,168,882	4,218,085	1,183,141	81,942	685,715
21							
22	Income Taxes:						
23							
24	State Income Taxes	6.00%	461,124	(219,879)	296,956	4,064	379,984
25	Federal Income Taxes	35.00%	2,528,497	(1,205,672)	1,628,310	22,282	2,083,578
25	Total Deferred Income Taxes		0	0	0	0	0
26	Amortization of ITC		0	0	0	0	0
27							
28	Total Income Taxes		2,989,621	(1,425,552)	1,925,266	26,346	2,463,562
29							
30	Net Income		10,864,662	1,978,979	4,207,144	123,323	4,555,216
31							
32	Total Rate Base		184,697,058	126,289,956	35,423,370	2,453,354	20,530,378
33							
34	Rate of Return		5.8824%	1.5670%	11.8767%	5.0267%	22.1877%
35	Relative Rate of Return		1.00	0.27	2.02	0.85	3.77
36							
37	Equalized ROR:						
38							
39	Net Income Increase		5,758,073	9,387,118	(1,019,041)	97,479	(2,707,482)
40	Uncollectibles/PSC Fees Increase	0.6538%	62,020	101,108	(10,976)	1,050	(29,162)
41	Income Taxes		3,665,942	5,976,414	(648,784)	62,061	(1,723,749)
42	Gross Revenue After Increase		209,215,532	133,445,927	63,171,753	5,403,451	7,194,401
43	Revenue Increase		9,486,035	15,464,639	(1,678,801)	160,590	(4,460,393)
44	Rate of Return		9.0000%	9.0000%	9.0000%	9.0000%	9.0000%
45	Relative Rate of Return		1.00	1.00	1.00	1.00	1.00
46	Percent Increase		4.7494%	13.1077%	-2.5887%	3.0630%	-38.2709%
47							
48	Proposed Rate Levels:		16,622,734	6,641,674	4,936,561	135,337	4,909,162
49							
50	Net Income Increase		5,758,072	4,662,695	729,417	12,014	353,945
51	Uncollectibles/PSC Fees Increase		62,020	50,221	7,856	129	3,812
52	Income Taxes		3,665,941	2,968,557	464,392	7,649	225,343
53	Gross Revenue After Increase		209,215,530	125,662,762	66,052,219	5,262,653	12,237,895
54	Revenue Increase		9,486,033	7,681,474	1,201,665	19,792	583,101
55	Rate of Return		9.0000%	5.2591%	13.9359%	5.5164%	23.9117%
56	Relative Rate of Return		1.00	0.58	1.55	0.61	2.66
57	Percent Increase		4.7494%	6.5108%	1.8530%	0.3775%	5.0031%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

SUMMARY OF CUSTOMER COSTS

		Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
		$				
1	Rate Base	139,554,968	108,262,066	25,833,276	1,583,519	3,876,107
2						
3	Return @ Realized ROR	8,209,213	2,250,528	3,124,033	77,287	2,757,366
4	O&M Expenses	20,822,542	16,730,218	3,200,850	219,348	672,126
5	Depreciation Expense	11,392,204	8,836,991	2,135,836	132,267	287,110
6	Taxes, Other	2,598,203	2,070,137	433,350	23,497	71,218
7						
8	Interest Expense	4,661,136	3,615,953	862,831	52,890	129,462
9						
10	Income Taxes:					
11						
12	State Income Taxes	348,420	(134,084)	222,049	2,396	258,059
13	Federal Income Taxes	1,910,503	(735,229)	1,217,570	13,137	1,415,025
14	Deferred Income Taxes	0	0	0	0	0
15	Amortization of ITC	0	0	0	0	0
16						
17	Total Income Taxes	2,258,923	(869,313)	1,439,619	15,533	1,673,085
18						
19	Total Customer-Related Costs @ Realized ROR	45,281,085	29,018,560	10,333,689	467,931	5,460,905
20	Total Customers	171,610	152,237	18,956	207	210
21	Customer Costs ($/customer/month)		$ 15.88	$ 45.43	$ 188.53	$ 2,167.89
22						
23						
24	Incremental Return @ Equalized ROR	4,350,734	7,493,058	(799,038)	65,230	(2,408,517)
25	Incremental Income Taxes	2,769,943	4,770,540	(508,717)	41,529	(1,533,409)
26	Incremental Uncollectibles/PSC Fees Increase	46,861	80,707	(8,606)	703	(25,942)
27						
28	Total Customer-Related Costs @ Equalized ROR	52,448,624	41,362,865	9,017,328	575,394	1,493,037
29	Customers	171,610	152,237	18,956	207	210
30	Dollars/Customer/Month	$ 25.47	$ 22.64	$ 39.64	$ 231.83	$ 592.71
31						
32						
33	Incremental Return @ Proposed Rates	4,350,733	3,923,339	522,077	654	(95,337)
34	Incremental Income Taxes	2,769,943	2,497,838	332,386	416	(60,697)
35	Incremental Uncollectibles/PSC Fees Increase	46,861	42,258	5,623	7	(1,027)
36						
37	Total Customer-Related Costs @ Proposed Rates	52,448,622	35,481,995	11,193,775	469,009	5,303,844
38	Customers	171,610	152,237	18,956	207	210
39	Dollars/Customer/Month	$ 25.47	$ 19.42	$ 49.21	$ 188.96	$ 2,105.54

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

SUMMARY OF DEMAND COSTS

		Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
		$				
1	Rate Base	28,725,620	12,388,227	6,305,963	575,516	9,455,913
2						
3	Return @ Realized ROR	1,689,762	(118,891)	701,191	30,589	1,076,873
4	O&M Expenses	1,788,976	771,515	392,723	35,842	588,896
5	Depreciation Expense	1,437,694	620,021	315,608	28,804	473,261
6	Taxes, Other	573,647	247,391	125,929	11,493	188,833
7						
8	Interest Expense	959,436	413,767	210,619	19,222	315,828
9						
10	Income Taxes:					
11						
12	State Income Taxes	71,718	(52,307)	48,174	1,116	74,734
13	Federal Income Taxes	393,253	(286,815)	264,154	6,121	409,794
14	Deferred Income Taxes	0	0	0	0	0
15	Amortization of ITC	0	0	0	0	0
16						
17	Total Income Taxes	464,971	(339,122)	312,328	7,237	484,528
18						
19	Total Demand-Related Costs @ Realized ROR	5,955,049	1,180,914	1,847,779	113,965	2,812,391
20						
21						
22	Incremental Return @ Equalized ROR	895,543	1,233,831	(133,654)	21,207	(225,841)
23	Incremental Income Taxes	570,158	785,532	(85,092)	13,502	(143,784)
24	Incremental Uncollectibles/PSC Fees Increase	9,646	13,289	(1,440)	228	(2,433)
25						
26	Total Demand-Related Costs @ Equalized ROR	7,430,396	3,213,566	1,627,593	148,903	2,440,334
27						
28						
29	Incremental Return @ Proposed Rates	895,543	499,050	138,280	7,915	250,298
30	Incremental Income Taxes	570,158	317,726	88,038	5,039	159,355
31	Incremental Uncollectibles/PSC Fees Increase	9,646	5,375	1,489	85	2,696
32						
33	Total Demand-Related Costs @ Proposed Rates	7,430,395	2,003,064	2,075,587	127,005	3,224,740

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

SUMMARY OF COMMODITY COSTS

		Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
		$				
1	Rate Base	16,416,470	5,639,662	3,284,131	294,319	7,198,357
2						
3	Return @ Realized ROR	965,686	331,749	193,186	17,313	423,438
4	O&M Expenses	146,177,588	87,645,800	51,817,394	4,615,414	2,098,980
5	Depreciation Expense	69,694	23,442	12,706	1,205	32,341
6	Taxes, Other	1,014,668	482,348	283,747	25,322	223,251
7						
8	Interest Expense	548,310	188,365	109,690	9,830	240,425
9						
10	Income Taxes:					
11						
12	State Income Taxes	40,986	14,080	8,199	735	17,972
13	Federal Income Taxes	224,741	77,207	44,960	4,029	98,545
14	Deferred Income Taxes	0	0	0	0	0
15	Amortization of ITC	0	0	0	0	0
16						
17	Total Income Taxes	265,727	91,287	53,159	4,764	116,517
18						
19	Total Commodity-Related Costs	148,493,363	88,574,626	52,360,192	4,664,018	2,894,527
20	Total Throughput	39,147,037	10,009,211	5,817,322	519,670	22,800,835
21	Commodity Costs ($/Mcf)		$ 8.84931	$ 9.00074	$ 8.97497	$ 0.12695
22						
23						
24	Incremental Return @ Equalized ROR	511,796	175,821	102,385	9,176	224,414
25	Incremental Income Taxes	325,841	111,938	65,185	5,842	142,876
26	Incremental Uncollectibles/PSC Fees Increase	5,513	1,894	1,103	99	2,417
27						
28	Total Commodity-Related Costs @ Equalized ROR	149,336,512	88,864,278	52,528,865	4,679,134	3,264,234
29	Total Throughput	39,147,037	10,009,211	5,817,322	519,670	22,800,835
30	Commodity Costs ($/Mcf)	$ 3.81	$ 8.88	$ 9.03	$ 9.00	$ 0.14
31						
32						
33	Incremental Return @ Proposed Rates	511,796	(244,101)	257,794	1,579	496,524
34	Incremental Income Taxes	325,841	(155,410)	164,127	1,005	316,117
35	Incremental Uncollectibles/PSC Fees Increase	5,513	(2,629)	2,777	17	5,348
36						
37	Total Commodity-Related Costs @ Proposed Rates	149,336,512	88,172,486	52,784,890	4,666,620	3,712,516
38	Total Throughput	39,147,037	10,009,211	5,817,322	519,670	22,800,835
39	Commodity Costs ($/Mcf)	$ 3.81	$ 8.81	$ 9.07	$ 8.98	$ 0.16

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

TOTAL COST OF SERVICE

		Total Company $	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
1	Rate Base	184,697,058	126,289,956	35,423,370	2,453,354	20,530,378
2						
3	Return @ Realized ROR	10,864,662	2,463,386	4,018,410	125,189	4,257,677
4	O&M Expenses	168,789,105	105,147,532	55,410,967	4,870,604	3,360,002
5	Depreciation Expense	12,899,592	9,480,453	2,464,151	162,276	792,711
6	Taxes, Other	4,186,517	2,799,876	843,026	60,312	483,302
7						
8	Interest Expense	6,168,882	4,218,085	1,183,141	81,942	685,715
9						
10	Income Taxes:					
11						
12	State Income Taxes	461,124	(172,311)	278,423	4,247	350,766
13	Federal Income Taxes	2,528,497	(944,838)	1,526,684	23,287	1,923,364
14	Deferred Income Taxes	0	0	0	0	0
15	Amortization of ITC	0	0	0	0	0
16						
17	Total Income Taxes	2,989,621	(1,117,149)	1,805,106	27,534	2,274,130
18						
19	Total Cost of Service @ Realized ROR	199,729,497	118,774,099	64,541,661	5,245,915	11,167,823
20						
21						
22	Incremental Return @ Equalized ROR	5,758,073	8,902,710	(830,307)	95,613	(2,409,943)
23	Incremental Income Taxes	3,665,942	5,668,010	(528,624)	60,873	(1,534,317)
24	Incremental Uncollectibles/PSC Fees Increase	62,020	95,890	(8,943)	1,030	(25,957)
25						
26	Total Cost of Service @ Equalized ROR	209,215,532	133,440,710	63,173,786	5,403,431	7,197,605
27						
28						
29	Incremental Return @ Proposed Rates	5,758,072	4,178,288	918,151	10,148	651,485
30	Incremental Income Taxes	3,665,941	2,660,154	584,551	6,461	414,775
31	Incremental Uncollectibles/PSC Fees Increase	62,020	45,004	9,889	109	7,017
32						
33	Total Cost of Service @ Proposed Rates	209,215,530	125,657,545	66,054,252	5,262,633	12,241,100

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF GROSS PLANT IN SERVICE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Intangible Plant:						
2								
3	30100	Organization	8,330	5.4	P, S, T & D Plant	6,723	1,517	89
4	30200	Franchises & Consents	119,853	5.4	P, S, T & D Plant	96,735	21,833	1,285
5	30300	Misc Intangible Plant	-	99.0	-	-	-	-
6								
7		Total Intangible Plant:	128,182			103,458	23,350	1,374
8								
9		Production Plant:						
10								
11	32520	Producing Leaseholds	2,353	2.0	Demand	-	2,353	-
12	32540	Rights of Ways	83,422	2.0	Demand	-	83,422	-
13	33100	Production Gas Wells Equipment	3,492	2.0	Demand	-	3,492	-
14	33201	Field Lines	47,163	2.0	Demand	-	47,163	-
15	33202	Tributary Lines	528,218	2.0	Demand	-	528,218	-
16	33400	Field Meas. & Reg. Sta. Equip	192,384	2.0	Demand	-	192,384	-
17	33600	Purification Equipment	44,369	2.0	Demand	-	44,369	-
18								
19		Total Production Plant	901,402			0	901,402	0
20								
21		Storage Plant:						
22								
23	35010	Land	261,127	3.5	Storage (50/50)	-	130,563	130,563
24	35020	Rights of Way	4,682	3.5	Storage (50/50)	-	2,341	2,341
25	35100	Structures and Improvements	11,250	3.5	Storage (50/50)	-	5,625	5,625
26	35102	Compression Station Equipment	153,261	3.5	Storage (50/50)	-	76,631	76,631
27	35103	Meas. & Reg. Sta. Structues	23,138	3.5	Storage (50/50)	-	11,569	11,569
28	35104	Other Structures	137,443	3.5	Storage (50/50)	-	68,721	68,721
29	35200	Wells \ Rights of Way	354,174	3.5	Storage (50/50)	-	177,087	177,087
30	35201	Well Construction	1,876,783	3.5	Storage (50/50)	-	938,391	938,391
31	35202	Well Equipment	477,339	3.5	Storage (50/50)	-	238,669	238,669
32	35203	Cushion Gas	1,694,833	3.5	Storage (50/50)	-	847,416	847,416
33	35210	Leaseholds	178,530	3.5	Storage (50/50)	-	89,265	89,265
34	35211	Storage Rights	54,614	3.5	Storage (50/50)	-	27,307	27,307
35	35301	Field Lines	178,501	3.5	Storage (50/50)	-	89,250	89,250
36	35302	Tributary Lines	209,458	3.5	Storage (50/50)	-	104,729	104,729
37	35400	Compressor Station Equipment	927,898	3.5	Storage (50/50)	-	463,949	463,949
38	35500	Meas & Reg. Equipment	242,482	3.5	Storage (50/50)	-	121,241	121,241
39	35600	Purification Equipment	164,849	3.5	Storage (50/50)	-	82,424	82,424
40								
41		Total Storage Plant	6,950,361			0	3,475,180	3,475,180
42								
43		Transmission:						
44								
45	36510	Land & Land Rights	26,970	2.0	Demand	-	26,970	-
46	36520	Rights of Way	867,772	2.0	Demand	-	867,772	-
47	36602	Structures & Improvements	44,243	2.0	Demand	-	44,243	-
48	36603	Other Structues	60,940	2.0	Demand	-	60,940	-
49	36700	Mains Cathodic Protection	403,219	2.0	Demand	-	403,219	-
50	36701	Mains - Steel	33,483,557	2.0	Demand	-	33,483,557	-
51	36900	Meas. & Reg. Equipment	595,357	2.0	Demand	-	595,357	-
52	36901	Meas. & Reg. Equipment	2,056,866	2.0	Demand	-	2,056,866	-
53								
54		Total Transmission Plant	37,538,925			0	37,538,925	0
55								
56		Distribution:						
57								
58	37400	Land & Land Rights	98,321	4.0	Mains	84,124	14,198	-
59	37401	Land	37,326	4.0	Mains	31,936	5,390	-
60	37402	Land Rights	244,648	4.0	Mains	209,235	35,313	-
61	37403	Land Other	2,784	4.0	Mains	2,382	402	-
62	37500	Structures & Improvements	321,845	4.0	Mains	275,370	46,475	-
63	37501	Structures & Improvements T.B.	95,901	4.0	Mains	82,052	13,848	-
64	37502	Land Rights	46,591	4.0	Mains	39,863	6,728	-
65	37503	Improvements	4,005	4.0	Mains	3,427	578	-
66	37600	Mains Cathodic Protection	10,548,266	4.0	Mains	9,025,074	1,523,193	-
67	37601	Mains - Steel	70,075,715	4.0	Mains	59,956,629	10,119,086	-
68	37602	Mains - Plastic	31,056,673	4.0	Mains	26,572,022	4,484,651	-
69	37800	Meas & Reg. Sta. Equip - General	3,257,718	4.0	Mains	2,787,297	470,422	-
70	37900	Meas & Reg. Sta. Equip - City Gate	1,591,303	4.0	Mains	1,361,515	229,788	-
71	37905	Meas & Reg. Sta. Equipment T.b.	1,280,877	4.0	Mains	1,095,915	184,961	-
72	38000	Services	87,270,653	1.0	Customer	87,270,653	-	-
73	38100	Meters	15,764,425	1.0	Customer	15,764,425	-	-
74	38200	Meter Installations	46,736,905	1.0	Customer	46,736,905	-	-
75	38300	House Regulators	5,448,430	1.0	Customer	5,448,430	-	-
76	38400	House Reg. Installations	154,276	1.0	Customer	154,276	-	-
77	38500	Ind. Meas. & Reg. Sta. Equipment	4,738,998	1.0	Customer	4,738,998	-	-
78	38600	Other Prop. On Cust. Prem	-	99.0	-	-	-	-
79								
80		Total Distribution Plant	278,775,562			261,640,529	17,135,033	0
81								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF GROSS PLANT IN SERVICE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
82		General:						
83								
84	38900	Land & Land Rights	90,075	5.4	P, S, T & D Plant	72,702	16,408	966
85	39000	Structures & Improvements	857,020	5.4	P, S, T & D Plant	691,717	156,116	9,188
86	39001	Structures Frame	-	5.4	P, S, T & D Plant	-	-	-
87	39002	Structures-Brick	181,144	5.4	P, S, T & D Plant	146,204	32,997	1,942
88	39003	Improvements	727,533	5.4	P, S, T & D Plant	587,205	132,528	7,799
89	39004	Air Conditioning Equipment	7,461	5.4	P, S, T & D Plant	6,022	1,359	80
90	39009	Improvement to leased Premises	1,311,894	5.4	P, S, T & D Plant	1,058,693	238,940	14,062
91	39100	Office Furniture & Equipment	1,167,541	5.4	P, S, T & D Plant	942,344	212,681	12,516
92	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
93	39103	*Office Machines*	-	5.4	P, S, T & D Plant	-	-	-
94	39200	Transportation Equipment	48,511	5.4	P, S, T & D Plant	39,154	8,837	520
95	39201	Trucks	21,941	5.4	P, S, T & D Plant	17,709	3,997	235
96	39202	Trailers	2,163	5.4	P, S, T & D Plant	1,746	394	23
97	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
98	39400	Tools, Shop & Garage Equipment	1,683,916	5.4	P, S, T & D Plant	1,359,119	306,744	18,052
99	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
100	39603	Ditchers	194,161	5.4	P, S, T & D Plant	156,711	35,389	2,081
101	39604	Backhoes	148,407	5.4	P, S, T & D Plant	119,782	27,034	1,591
102	39605	Welders	38,343	5.4	P, S, T & D Plant	30,947	6,985	411
103	39700	Communication Equipment	150,577	5.4	P, S, T & D Plant	121,533	27,429	1,614
104	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
105	39702	*Communication Equipment - Fixed Radios*	-	5.4	P, S, T & D Plant	-	-	-
106	39705	Communication Equip. - Telemetering	66,316	5.4	P, S, T & D Plant	53,525	12,080	711
107	39800	Miscellaneous Equipment	3,144,238	5.4	P, S, T & D Plant	2,537,772	572,758	33,707
108	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
109	39901	Other Tangible Property - Servers - H/W	176,990	5.4	P, S, T & D Plant	142,845	32,059	1,887
110	39902	Other Tangible Property - Servers - S/W	113,473	5.4	P, S, T & D Plant	91,586	20,670	1,216
111	39903	Other Tangible Property - Network - H/W	511,781	5.4	P, S, T & D Plant	413,068	93,227	5,486
112	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
113	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
114	39906	Other Tang. Property - PC Hardware	3,291,850	5.4	P, S, T & D Plant	2,656,993	599,656	35,291
115	39907	Other Tang. Property - PC Software	233,579	5.4	P, S, T & D Plant	188,526	42,549	2,504
116	39908	Other Tang. Property - Mainframe S/W	346,104	5.4	P, S, T & D Plant	279,347	63,047	3,710
117	39909	*Other Tang. Property - Application Software*	-	5.4	P, S, T & D Plant	-	-	-
118	39924	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
119								
120		Total General Plant	14,513,918			11,714,450	2,643,874	155,594
121								
122		TOTAL DIRECT PLANT	338,808,350			273,458,437	61,717,764	3,632,149
123								
124		CWIP w/o AFUDC	4,155,688	5.4	P, S, T & D Plant	3,354,132	757,005	44,550
125								
126		Kentucky Mid-States General Office:						
127								
128		Intangible Plant:						
129								
130	30100	Organization	63,243	5.4	P, S, T & D Plant	51,044	11,520	678
131	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
132	30300	Misc Intangible Plant	378,671	5.4	P, S, T & D Plant	305,632	68,979	4,059
133								
134		Total Intangible Plant:	441,914			356,677	80,500	4,737
135								
136		General:						
137								
138	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
139	39001	Structures Frame	61,205	5.4	P, S, T & D Plant	49,400	11,149	656
140	39002	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
141	38900	Land & Land Rights	312,405	5.4	P, S, T & D Plant	252,148	56,908	3,349
142	39004	Air Conditioning Equipment	1,970	5.4	P, S, T & D Plant	1,590	359	21
143	39008	Improvement to leased Premises	13,253	5.4	P, S, T & D Plant	10,697	2,414	142
144	39100	Office Furniture & Equipment	22,170	5.4	P, S, T & D Plant	17,894	4,039	238
145	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
146	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
147	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
148	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
149	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
150	39300	Stores Equipment	1,420	5.4	P, S, T & D Plant	1,146	259	15
151	39400	Tools, Shop & Garage Equipment	49,356	5.4	P, S, T & D Plant	39,836	8,991	529
152	39600	Power Operated Equipment	2,900	5.4	P, S, T & D Plant	2,341	528	31
153	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
154	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
155	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
156	39700	Communication Equipment	107,800	5.4	P, S, T & D Plant	86,846	19,601	1,154
157	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
158	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
159	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
160	39800	Miscellaneous Equipment	293,135	5.4	P, S, T & D Plant	236,595	53,398	3,143
161	39900	Other Tangible Property	26,276	5.4	P, S, T & D Plant	21,208	4,787	282
162	39901	Other Tangible Property - Servers - H/W	24,457	5.4	P, S, T & D Plant	19,740	4,455	262
163	39902	Other Tangible Property - Servers - S/W	2,823	5.4	P, S, T & D Plant	2,279	514	30
164	39903	Other Tangible Property - Network - H/W	828,541	5.4	P, S, T & D Plant	668,731	150,928	8,882
165	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
166	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
167	39906	Other Tang. Property - PC Hardware	361,254	5.4	P, S, T & D Plant	291,574	65,806	3,873
168	39907	Other Tang. Property - PC Software	43,089	5.4	P, S, T & D Plant	34,778	7,849	462
169	39908	Other Tang. Property - Mainframe S/W	296,166	5.4	P, S, T & D Plant	239,041	53,950	3,175
170	39909	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
171	39924	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
172								
173		Total General Plant	2,448,021			1,975,843	445,935	26,244
174								
175		CWIP w/o AFUDC	##########	5.4	P, S, T & D Plant	(40,325)	(9,101)	(536)
176								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF GROSS PLANT IN SERVICE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
177		Shared Services General Office:						
178								
179		General:						
180								
181	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
182	39001	Structures Frame	-	5.4	P, S, T & D Plant	-	-	-
183	36602	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
184	37503	Improvements	-	5.4	P, S, T & D Plant	-	-	-
185	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
186	39009	Improvement to leased Premises	420,723	5.4	P, S, T & D Plant	339,574	76,640	4,510
187	39100	Office Furniture & Equipment	543,733	5.4	P, S, T & D Plant	438,857	99,047	5,829
188	39102	Remittance Processing Equip	1,264	5.4	P, S, T & D Plant	1,020	230	14
189	39103	Office Machines	2,415	5.4	P, S, T & D Plant	1,949	440	26
190	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
191	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
192	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
193	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
194	39400	Tools, Shop & Garage Equipment	2,079	5.4	P, S, T & D Plant	1,678	379	22
195	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
196	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
197	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
198	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
199	39700	Communication Equipment	77,285	5.4	P, S, T & D Plant	62,378	14,078	829
200	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
201	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
202	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
203	39800	Miscellaneous Equipment	10,570	5.4	P, S, T & D Plant	8,531	1,925	113
204	39900	Other Tangible Property	909	5.4	P, S, T & D Plant	734	166	10
205	39901	Other Tangible Property - Servers - H/W	834,965	5.4	P, S, T & D Plant	673,915	152,098	8,951
206	39902	Other Tangible Property - Servers - S/W	654,399	5.4	P, S, T & D Plant	528,177	119,206	7,015
207	39903	Other Tangible Property - Network - H/W	108,904	5.4	P, S, T & D Plant	87,898	19,838	1,167
208	39904	Other Tang. Property - CPU	54,547	5.4	P, S, T & D Plant	44,026	9,936	585
209	39905	Other Tangible Property - MF - Hardware	57,758	5.4	P, S, T & D Plant	46,618	10,521	619
210	39906	Other Tang. Property - PC Hardware	239,917	5.4	P, S, T & D Plant	193,641	43,704	2,572
211	39907	Other Tang. Property - PC Software	78,567	5.4	P, S, T & D Plant	63,413	14,312	842
212	39908	Other Tang. Property - Mainframe S/W	4,236,929	5.4	P, S, T & D Plant	3,419,703	771,804	45,421
213	39909	Other Tang. Property - Application Software	128,236	5.4	P, S, T & D Plant	103,501	23,360	1,375
214	39924	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
215								
216		Total General Plant	7,453,198			6,015,613	1,357,684	79,901
217								
218		CWIP w/o AFUDC	751,858	5.4	P, S, T & D Plant	606,838	136,959	8,060
219								
220		Shared Services Customer Support:						
221								
222		General:						
223								
224	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
225	39001	Structures Frame	-	5.4	P, S, T & D Plant	-	-	-
226	36602	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
227	37503	Improvements	-	5.4	P, S, T & D Plant	-	-	-
228	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
229	39009	Improvement to leased Premises	186,186	5.4	P, S, T & D Plant	150,274	33,916	1,996
230	39100	Office Furniture & Equipment	14,695	5.4	P, S, T & D Plant	11,861	2,677	158
231	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
232	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
233	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
234	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
235	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
236	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
237	39400	Tools, Shop & Garage Equipment	-	5.4	P, S, T & D Plant	-	-	-
238	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
239	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
240	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
241	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
242	39700	Communication Equipment	1,335,799	5.4	P, S, T & D Plant	1,078,148	243,331	14,320
243	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
244	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
245	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
246	39800	Miscellaneous Equipment	111	5.4	P, S, T & D Plant	89	20	1
247	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
248	39901	Other Tangible Property - Servers - H/W	593,042	5.4	P, S, T & D Plant	478,655	108,029	6,358
249	39902	Other Tangible Property - Servers - S/W	466,379	5.4	P, S, T & D Plant	376,423	84,956	5,000
250	39903	Other Tangible Property - Network - H/W	25,375	5.4	P, S, T & D Plant	20,481	4,622	272
251	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
252	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
253	39906	Other Tang. Property - PC Hardware	217,850	5.4	P, S, T & D Plant	175,911	39,702	2,336
254	39907	Other Tang. Property - PC Software	178,099	5.4	P, S, T & D Plant	143,747	32,443	1,909
255	39908	Other Tang. Property - Mainframe S/W	4,932,616	5.4	P, S, T & D Plant	3,981,368	898,569	52,682
256	39909	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
257	39924	Other Tang. Property - General Startup Costs	1,278,852	5.4	P, S, T & D Plant	1,032,185	232,957	13,710
258								
259		Total General Plant	9,229,306			7,449,143	1,681,222	98,942
260								
261		CWIP w/o AFUDC	119,041	5.4	P, S, T & D Plant	96,081	21,685	1,276
262								
263		TOTAL PLANT IN SERVICE	358,380,789			289,255,712	65,283,105	3,841,973
264								
265		TOTAL CWIP W/O AFUDC	4,976,625			4,016,725	906,548	53,351

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Intangible Plant:						
2								
3	30100	Organization	8,330	5.4	P, S, T & D Plant	6,723	1,517	89
4	30200	Franchises & Consents	119,853	5.4	P, S, T & D Plant	96,735	21,833	1,285
5	30300	Misc Intangible Plant	-	99.0	-	-	-	-
6								
7		Total Intangible Plant:	128,182			103,458	23,350	1,374
8								
9		Production Plant:						
10								
11	32520	Producing Leaseholds	439	2.0	Demand	-	439	-
12	32540	Rights of Ways	6,050	2.0	Demand	-	6,050	-
13	33100	Production Gas Wells Equipment	3,492	2.0	Demand	-	3,492	-
14	33201	Field Lines	47,163	2.0	Demand	-	47,163	-
15	33202	Tributary Lines	529,956	2.0	Demand	-	529,956	-
16	33400	Field Meas. & Reg. Sta. Equip	189,625	2.0	Demand	-	189,625	-
17	33600	Purification Equipment	7,391	2.0	Demand	-	7,391	-
18								
19		Total Production Plant	784,116			0	784,116	0
20								
21		Storage Plant:						
22								
23	35010	Land	-	3.5	Storage (50/50)	-	-	-
24	35020	Rights of Way	4,682	3.5	Storage (50/50)	-	2,341	2,341
25	35100	Structures and Improvements	5,172	3.5	Storage (50/50)	-	2,586	2,586
26	35102	Compression Station Equipment	118,337	3.5	Storage (50/50)	-	59,169	59,169
27	35103	Meas. & Reg. Sta. Structures	24,295	3.5	Storage (50/50)	-	12,148	12,148
28	35104	Other Structures	141,034	3.5	Storage (50/50)	-	70,517	70,517
29	35200	Wells \ Rights of Way	341,215	3.5	Storage (50/50)	-	170,607	170,607
30	35201	Well Construction	1,652,486	3.5	Storage (50/50)	-	826,243	826,243
31	35202	Well Equipment	553,493	3.5	Storage (50/50)	-	276,747	276,747
32	35203	Cushion Gas	127,734	3.5	Storage (50/50)	-	63,867	63,867
33	35210	Leaseholds	178,619	3.5	Storage (50/50)	-	89,310	89,310
34	35211	Storage Rights	52,744	3.5	Storage (50/50)	-	26,372	26,372
35	35301	Field Lines	187,383	3.5	Storage (50/50)	-	93,691	93,691
36	35302	Tributary Lines	219,881	3.5	Storage (50/50)	-	109,941	109,941
37	35400	Compressor Station Equipment	468,378	3.5	Storage (50/50)	-	234,189	234,189
38	35500	Meas & Reg. Equipment	240,870	3.5	Storage (50/50)	-	120,435	120,435
39	35600	Purification Equipment	164,915	3.5	Storage (50/50)	-	82,457	82,457
40								
41		Total Storage Plant	4,481,238			0	2,240,619	2,240,619
42								
43		Transmission:						
44								
45	36510	Land & Land Rights	16	2.0	Demand	-	16	-
46	36520	Rights of Way	382,614	2.0	Demand	-	382,614	-
47	36602	Structures & Improvements	12,241	2.0	Demand	-	12,241	-
48	36603	Other Structues	56,261	2.0	Demand	-	56,261	-
49	36700	Mains Cathodic Protection	274,189	2.0	Demand	-	274,189	-
50	36701	Mains - Steel	16,295,550	2.0	Demand	-	16,295,550	-
51	36800	Meas. & Reg. Equipment	271,774	2.0	Demand	-	271,774	-
52	36901	Meas. & Reg. Equipment	1,458,137	2.0	Demand	-	1,458,137	-
53								
54		Total Transmission Plant	18,750,783			0	18,750,783	0
55								
56		Distribution:						
57								
58	37400	Land & Land Rights	57,145	4.0	Mains	48,893	8,252	-
59	37401	Land	(7,250)	4.0	Mains	(6,203)	(1,047)	-
60	37402	Land Rights	40,097	4.0	Mains	34,307	5,790	-
61	37403	Land Other	-	4.0	Mains	-	-	-
62	37500	Structures & Improvements	64,248	4.0	Mains	54,970	9,278	-
63	37501	Structures & Improvements T.B.	81,109	4.0	Mains	69,397	11,712	-
64	37502	Land Rights	43,060	4.0	Mains	36,842	6,218	-
65	37503	Improvements	645	4.0	Mains	552	93	-
66	37600	Mains Cathodic Protection	2,088,342	4.0	Mains	1,786,781	301,561	-
67	37601	Mains - Steel	41,495,937	4.0	Mains	35,503,833	5,992,104	-
68	37602	Mains - Plastic	10,375,985	4.0	Mains	8,877,670	1,498,315	-
69	37800	Meas & Reg. Sta. Equip - General	1,376,143	4.0	Mains	1,177,425	198,718	-
70	37900	Meas & Reg. Sta. Equip - City Gate	297,255	4.0	Mains	254,331	42,924	-
71	37905	Meas & Reg. Sta. Equipment T.B.	993,004	4.0	Mains	849,612	143,392	-
72	38000	Services	47,438,241	1.0	Customer	47,438,241	-	-
73	38100	Meters	4,087,072	1.0	Customer	4,087,072	-	-
74	38200	Meter Installations	10,485,132	1.0	Customer	10,485,132	-	-
75	38300	House Regulators	3,133,737	1.0	Customer	3,133,737	-	-
76	38400	House Reg. Installations	111,025	1.0	Customer	111,025	-	-
77	38500	Ind. Meas. & Reg. Sta. Equipment	2,459,576	1.0	Customer	2,459,576	-	-
78	38600	Other Prop. On Cust. Prem	-	99.0	-	-	-	-
79								
80		Total Distribution Plant	124,620,502			118,403,192	8,217,310	0
81								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
82		General:						
83								
84	38900	Land & Land Rights	28,459	5.4	P, S, T & D Plant	22,970	5,184	305
85	39000	Structures Frame	167,180	5.4	P, S, T & D Plant	134,934	30,454	1,792
86	39001	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
87	39002	Improvements	139,457	5.4	P, S, T & D Plant	112,559	25,404	1,495
88	39003	Air Conditioning Equipment	299,811	5.4	P, S, T & D Plant	241,983	54,614	3,214
89	39004	Improvement to leased Premises	6,611	5.4	P, S, T & D Plant	5,336	1,204	71
90	39009	Office Furniture & Equipment	1,197,680	5.4	P, S, T & D Plant	966,670	218,171	12,840
91	39100	Remittance Processing Equip	(1,829,796)	5.4	P, S, T & D Plant	(1,476,862)	(333,318)	(19,616)
92	39102	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
93	39103	Transportation Equipment	(107,750)	5.4	P, S, T & D Plant	(86,987)	(19,628)	(1,155)
94	39200	Trucks	(517,107)	5.4	P, S, T & D Plant	(417,367)	(94,197)	(5,544)
95	39201	Trailers	26,913	5.4	P, S, T & D Plant	21,722	4,903	289
96	39202	Stores Equipment	17,683	5.4	P, S, T & D Plant	14,273	3,221	190
97	39300	Tools, Shop & Garage Equipment	-	5.4	P, S, T & D Plant	-	-	-
98	39400	Power Operated Equipment	318,358	5.4	P, S, T & D Plant	256,952	57,992	3,413
99	39600	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
100	39603	Backhoes	(67,041)	5.4	P, S, T & D Plant	(54,110)	(12,212)	(719)
101	39604	Welders	29,366	5.4	P, S, T & D Plant	23,702	5,349	315
102	39605	Communication Equipment	19,971	5.4	P, S, T & D Plant	16,119	3,638	214
103	39700	Communication Equipment - Mobile Radios	(296,218)	5.4	P, S, T & D Plant	(239,083)	(53,959)	(3,176)
104	39701	Communication Equipment - Fixed Radios	(22,087)	5.4	P, S, T & D Plant	(17,827)	(4,023)	(237)
105	39702	Communication Equip. - Telemetering	(34,136)	5.4	P, S, T & D Plant	(27,552)	(6,218)	(366)
106	39705	Miscellaneous Equipment	(138,189)	5.4	P, S, T & D Plant	(111,518)	(25,169)	(1,481)
107	39800	Other Tangible Property	1,313,548	5.4	P, S, T & D Plant	1,060,188	239,278	14,082
108	39900	Other Tangible Property - Servers - H/W	-	5.4	P, S, T & D Plant	-	-	-
109	39901	Other Tangible Property - Servers - S/W	175,990	5.4	P, S, T & D Plant	142,045	32,059	1,887
110	39902	Other Tangible Property - Network - H/W	118,461	5.4	P, S, T & D Plant	95,612	21,579	1,270
111	39903	Other Tang. Property - CPU	511,781	5.4	P, S, T & D Plant	413,068	93,227	5,486
112	39904	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
113	39905	Other Tang. Property - PC Hardware	-	5.4	P, S, T & D Plant	-	-	-
114	39906	Other Tang. Property - PC Software	2,489,692	5.4	P, S, T & D Plant	2,009,476	453,526	26,690
115	39907	Other Tang. Property - Mainframe S/W	233,579	5.4	P, S, T & D Plant	188,526	42,549	2,504
116	39908	Other Tang. Property - Application Software	347,064	5.4	P, S, T & D Plant	280,122	63,222	3,721
117	39909	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
118		Retirement Work In Progress	(6,599,945)	5.4	P, S, T & D Plant	(5,326,837)	(1,202,254)	(70,754)
119								
120		Total General Plant	(2,170,641)			(1,751,984)	(395,407)	(23,270)
121								
122		TOTAL DIRECT RESERVE FOR DEPRECIATION	146,594,180			114,754,686	29,620,771	2,218,723
123								
124		Kentucky Mid-States General Office:						
125								
126		Intangible Plant:						
127								
128	30100	Organization	-	5.4	P, S, T & D Plant	-	-	-
129	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
130	30300	Misc Intangible Plant	-	5.4	P, S, T & D Plant	-	-	-
131								
132		Total Intangible Plant:	0			0	0	0
133								
134		General:						
135								
136	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
137	38001	Structures Frame	11,773	5.4	P, S, T & D Plant	9,502	2,145	126
138	38802	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
139	38900	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
140	39004	Air Conditioning Equipment	1,970	5.4	P, S, T & D Plant	1,590	359	21
141	39009	Improvement to leased Premises	16,752	5.4	P, S, T & D Plant	13,521	3,052	180
142	39100	Office Furniture & Equipment	22,184	5.4	P, S, T & D Plant	17,905	4,041	238
143	39102	Remittance Processing Equip	(387)	5.4	P, S, T & D Plant	(312)	(70)	(4)
144	39103	Office Machines	(7,395)	5.4	P, S, T & D Plant	(5,968)	(1,347)	(79)
145	39200	Transportation Equipment	2,613	5.4	P, S, T & D Plant	2,109	476	28
146	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
147	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
148	39300	Stores Equipment	835	5.4	P, S, T & D Plant	674	152	9
149	39400	Tools, Shop & Garage Equipment	13,991	5.4	P, S, T & D Plant	11,292	2,549	150
150	39600	Power Operated Equipment	2,974	5.4	P, S, T & D Plant	2,401	542	32
151	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
152	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
153	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
154	39700	Communication Equipment	70,858	5.4	P, S, T & D Plant	57,191	12,908	760
155	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
156	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
157	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
158	39800	Miscellaneous Equipment	101,906	5.4	P, S, T & D Plant	82,250	18,563	1,092
159	39900	Other Tangible Property	26,276	5.4	P, S, T & D Plant	21,208	4,787	282
160	39901	Other Tangible Property - Servers - H/W	24,457	5.4	P, S, T & D Plant	19,740	4,455	262
161	39902	Other Tangible Property - Servers - S/W	3,931	5.4	P, S, T & D Plant	3,172	716	42
162	39903	Other Tangible Property - Network - H/W	144,403	5.4	P, S, T & D Plant	116,551	26,305	1,548
163	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
164	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
165	39906	Other Tang. Property - PC Hardware	372,033	5.4	P, S, T & D Plant	300,275	67,770	3,988
166	39907	Other Tang. Property - PC Software	43,089	5.4	P, S, T & D Plant	34,778	7,849	462
167	39908	Other Tang. Property - Mainframe S/W	606,307	5.4	P, S, T & D Plant	490,976	110,810	6,521
168	39909	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
169	39924	Other Tang. Property - General Startup Costs	-	5.4	P, S, T & D Plant	-	-	-
170		Retirement Work in Progress	17,629	5.4	P, S, T & D Plant	14,229	3,211	189
171								
172		Total General Plant	1,476,201			1,193,083	269,271	15,847
173								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF RESERVE FOR DEPRECIATION AND AMORTIZATION

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
174		Shared Services General Office:						
175								
176		General:						
177								
178	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
179	39000	Structures & Improvements	1,057	5.4	P, S, T & D Plant	853	193	11
180	36602	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
181	37503	Improvements	-	5.4	P, S, T & D Plant	-	-	-
182	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
183	39009	Improvement to leased Premises	375,915	5.4	P, S, T & D Plant	303,408	68,477	4,030
184	39100	Office Furniture & Equipment	329,095	5.4	P, S, T & D Plant	265,618	59,948	3,528
185	39102	Remittance Processing Equip	1,556	5.4	P, S, T & D Plant	1,255	283	17
186	39103	Office Machines	2,558	5.4	P, S, T & D Plant	2,065	466	27
187	39200	Transportation Equipment	382	5.4	P, S, T & D Plant	308	70	4
188	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
189	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
190	39300	Stores Equipment	38	5.4	P, S, T & D Plant	30	7	0
191	39400	Tools, Shop & Garage Equipment	285	5.4	P, S, T & D Plant	215	48	3
192	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
193	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
194	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
195	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
196	39700	Communication Equipment	30,500	5.4	P, S, T & D Plant	24,617	5,556	327
197	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
198	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
199	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
200	39800	Miscellaneous Equipment	2,923	5.4	P, S, T & D Plant	2,359	533	31
201	39900	Other Tangible Property	147	5.4	P, S, T & D Plant	119	27	2
202	39901	Other Tangible Property - Servers - H/W	304,872	5.4	P, S, T & D Plant	246,088	55,536	3,268
203	39902	Other Tangible Property - Servers - S/W	118,558	5.4	P, S, T & D Plant	95,690	21,597	1,271
204	39903	Other Tangible Property - Network - H/W	84,089	5.4	P, S, T & D Plant	51,728	11,675	687
205	39904	Other Tang. Property - CPU	55,288	5.4	P, S, T & D Plant	44,624	10,071	593
206	39905	Other Tangible Property - MF - Hardware	58,454	5.4	P, S, T & D Plant	47,179	10,648	627
207	39906	Other Tang. Property - PC Hardware	224,992	5.4	P, S, T & D Plant	181,595	40,985	2,412
208	39907	Other Tang. Property - PC Software	77,121	5.4	P, S, T & D Plant	62,246	14,049	827
209	39908	Other Tang. Property - Mainframe S/W	2,083,660	5.4	P, S, T & D Plant	1,681,760	379,562	22,338
210	39909	Other Tang. Property - Application Software	135,189	5.4	P, S, T & D Plant	109,114	24,628	1,449
211	39924	Other Tang. Property - General Startup Costs	0	5.4	P, S, T & D Plant	0	0	0
212		Retirement Work in Progress	(279)	5.4	P, S, T & D Plant	(225)	(51)	(3)
213								
214		Total General Plant	3,866,380			3,120,626	704,305	41,449
215								
216		Shared Services Customer Support:						
217								
218		General:						
219								
220	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
221	39001	Structures Frame	-	5.4	P, S, T & D Plant	-	-	-
222	36602	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
223	37503	Improvements	-	5.4	P, S, T & D Plant	-	-	-
224	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
225	39009	Improvement to leased Premises	127,413	5.4	P, S, T & D Plant	102,838	23,210	1,366
226	39100	Office Furniture & Equipment	2,348	5.4	P, S, T & D Plant	1,894	427	25
227	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
228	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
229	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
230	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
231	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
232	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
233	39400	Tools, Shop & Garage Equipment	-	5.4	P, S, T & D Plant	-	-	-
234	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
235	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
236	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
237	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
238	39700	Communication Equipment	796,748	5.4	P, S, T & D Plant	643,070	145,137	8,541
239	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
240	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
241	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
242	39800	Miscellaneous Equipment	47	5.4	P, S, T & D Plant	38	9	1
243	39900	Other Tangible Property	(57)	5.4	P, S, T & D Plant	(46)	(10)	(1)
244	39901	Other Tangible Property - Servers - H/W	593,994	5.4	P, S, T & D Plant	479,423	108,203	6,368
245	39902	Other Tangible Property - Servers - S/W	412,743	5.4	P, S, T & D Plant	333,133	75,186	4,425
246	39903	Other Tangible Property - Network - H/W	22,149	5.4	P, S, T & D Plant	17,877	4,035	237
247	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
248	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
249	39906	Other Tang. Property - PC Hardware	184,017	5.4	P, S, T & D Plant	148,524	33,521	1,973
250	39907	Other Tang. Property - PC Software	148,549	5.4	P, S, T & D Plant	119,897	27,060	1,593
251	39908	Other Tang. Property - Mainframe S/W	3,712,037	5.4	P, S, T & D Plant	2,996,053	676,189	39,794
252	39909	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
253	39924	Other Tang. Property - General Startup Costs	1,285,301	5.4	P, S, T & D Plant	1,037,390	234,132	13,779
254		Retirement Work in Progress	-	5.4	P, S, T & D Plant	-	-	-
255								
256		Total General Plant	7,285,289			5,880,091	1,327,098	78,101
257								
258		TOTAL RESERVE FOR DEPRECIATION	159,224,051			124,948,487	31,921,444	2,354,120

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF OTHER RATE BASE

		Test Year	Classif.	Classif.	Customer	Demand	Commodity
		$	Factor	Basis	$	$	$
1	Rate Base Additions:						
2							
3	Materials and Supplies - KY Direct	(286,111)	9.1	Allocated O&M Expenses	(35,296)	(3,032)	(247,783)
4	Materials and Supplies - KY Mid-States GO	1,189,857	9.1	Allocated O&M Expenses	146,786	12,611	1,030,460
5	Materials and Supplies - Shared Services G	34	9.1	Allocated O&M Expenses	4	0	29
6	Materials and Supplies - Shared Services C	0	9.1	Allocated O&M Expenses	-	-	-
7	Gas Storage Inventory	11,235,428	3.0	Commodity	-	-	11,235,428
8	Prepayments - KY Direct	200,502	9.1	Allocated O&M Expenses	24,735	2,125	173,642
9	Prepayments - KY Mid-States GO	2,379	9.1	Allocated O&M Expenses	293	25	2,060
10	Prepayments - Shared Services GO	519,141	9.1	Allocated O&M Expenses	64,043	5,502	449,595
11	Prepayments - Shared Services CS	21,803	9.1	Allocated O&M Expenses	2,690	231	18,882
12	Cash Working Capital	2,845,572	9.1	Allocated O&M Expenses	351,042	30,160	2,464,370
13							
14	Total Rate Base Additions	15,728,604			554,297	47,623	15,126,684
15							
16							
17	Rate Base Deductions:						
18							
19	Customer Advances - KY Direct	(1,876,531)	1.0	Customer	(1,876,531)	-	-
20	Customer Advances - KY Mid-States GO	0	1.0	Customer	-	-	-
21	Customer Advances - Shared Services GO	0	1.0	Customer	-	-	-
22	Customer Advances - Shared Services CS	12,129	1.0	Customer	12,129	-	-
23	ADIT - KY Direct	(35,171,243)	5.7	Net Plant	(29,001,445)	(5,904,255)	(265,542)
24	ADIT - KY Mid-States GO	(128,741)	5.7	Net Plant	(106,157)	(21,612)	(972)
25	ADIT - Shared Services GO	(701,437)	5.7	Net Plant	(578,390)	(117,751)	(5,296)
26	ADIT - Shared Services CS	2,700,914	5.7	Net Plant	2,227,115	453,407	20,392
27							
28	Total Rate Base Deductions	(35,164,909)			(29,323,279)	(5,590,212)	(251,418)
29							
30							
31	TOTAL OTHER RB	(19,436,305)			(28,768,982)	(5,542,589)	14,875,266
32							
33	Interest on Customer Deposits	0	1.0	Customer	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF O&M EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Production & Gathering:						
2		Operation						
3	7500	Op., Sup., & Eng.	0	99.0	-	-	-	-
4	7510	Production Maps & Records	0	99.0	-	-	-	-
5	7530	Field Lines Expenses	0	99.0	-	-	-	-
6	7540	Field Compressor Station Expense	0	99.0	-	-	-	-
7	7550	Field Compressor Sta. Fuel & Pwr.	0	99.0	-	-	-	-
8	7560	Field Meas. & Regul. Station Exp	0	99.0	-	-	-	-
9	7570	Purification Expense	0	99.0	-	-	-	-
10	7590	Other Expenses	0	99.0	-	-	-	-
11		Maintenance						
12	7610	Maint. Sup., & Eng.	0	99.0	-	-	-	-
13	7620	Structures and Improvements	0	99.0	-	-	-	-
14	7640	Field Line Maintenance	0	99.0	-	-	-	-
15	7650	Compressor Station Equip. Maint.	0	99.0	-	-	-	-
16	7660	Meas. & Regul. Station Equip Maint	0	99.0	-	-	-	-
17	7670	Purification Equipment Maintenance	0	99.0	-	-	-	-
18	7680	Other Equipment Maintenance	0	99.0	-	-	-	-
19	7690	Gas Processed By Others	0	99.0	-	-	-	-
20		Total Production & Gathering	0			0	0	0
21								
22		Other Gas Supply Expenses:						
23		Operation						
24	8001	Intercompany Gas Well-head Purchases	8,529,215	3.0	Commodity	-	-	8,529,215
25	8040	Natural Gas City Gate Purchases	166,545,075	3.0	Commodity	-	-	166,545,075
26	8045	Transportation to City Gate	39,568,892	3.0	Commodity	-	-	39,568,892
27	8050	Transmission-Operation supervision and engineering	(153,602)	3.0	Commodity	-	-	(153,602)
28	8051	Other Gas Purchases / Gas Cost Adjustments	93,391,517	3.0	Commodity	-	-	93,391,517
29	8052	PGA for Commercial	45,564,494	3.0	Commodity	-	-	45,564,494
30	8053	PGA for Industrial	11,924,243	3.0	Commodity	-	-	11,924,243
31	8054	PGA for Public Authority	11,699,991	3.0	Commodity	-	-	11,699,991
32	8057	PGA for Transportation Sales	216,924	3.0	Commodity	-	-	216,924
33	8058	Unbilled PGA Costs	(16,737,149)	3.0	Commodity	-	-	(16,737,149)
34	8059	PGA Offset to Unrecovered Gas Cost	(240,073,468)	3.0	Commodity	-	-	(240,073,468)
35	8060	Exchange Gas	21,419,040	3.0	Commodity	-	-	21,419,040
36	8081	Gas Withdrawn From Storage - Debit	71,262,468	3.0	Commodity	-	-	71,262,468
37	8082	Gas Delivered to Storage	(67,097,620)	3.0	Commodity	-	-	(67,097,620)
38	8120	Gas Used for Other Utility Operations	(37,490)	3.0	Commodity	-	-	(37,490)
39	8130	Other Gas Supply Expenses	0	3.0	Commodity	-	-	-
40		Maintenance						
41	8350	Maint. Of Purch. Gas Meas. Sta.	0	3.0	Commodity	-	-	-
42		Total Other Gas Supply Expenses	146,024,531			0	0	146,024,531
43								
44		Underground Storage:						
45		Operation						
46	8140	Op., Sup., & Eng.	(4,715)	3.5	Storage (50/50)	-	(2,357)	(2,357)
47	8150	Maps & Records	0	3.5	Storage (50/50)	-	-	-
48	8160	Wells Expense	37,761	3.5	Storage (50/50)	-	18,880	18,880
49	8170	Lines Expense	42,445	3.5	Storage (50/50)	-	21,223	21,223
50	8180	Compressor Station Expense	39,682	3.5	Storage (50/50)	-	19,846	19,846
51	8190	Compressor Station Fuel & Power	729	3.5	Storage (50/50)	-	364	364
52	8200	Meas. & Regul. Station Expenses	14,850	3.5	Storage (50/50)	-	7,425	7,425
53	8210	Purification Expenses	39,520	3.5	Storage (50/50)	-	19,760	19,760
54	8220	Exploration & Development	0	3.5	Storage (50/50)	-	-	-
55	8230	Gas Losses	0	3.5	Storage (50/50)	-	-	-
56	8240	Other Expenses	598	3.5	Storage (50/50)	-	299	299
57	8250	Storage Well Royalties	20,047	3.5	Storage (50/50)	-	10,023	10,023
58	8260	Rents	0	3.5	Storage (50/50)	-	-	-
59		Maintenance						
60	8300	Maint. Sup., & Eng.	0	3.5	Storage (50/50)	-	-	-
61	8310	Structures and Improvements	79	3.5	Storage (50/50)	-	39	39
62	8320	Reservoirs & Wells Maintenance	0	3.5	Storage (50/50)	-	-	-
63	8330	Line Maintenance	3,509	3.5	Storage (50/50)	-	1,755	1,755
64	8340	Compressor Station Equip Maint	2,913	3.5	Storage (50/50)	-	1,457	1,457
65	8350	Meas. & Regul. Station Equip Maint	2,157	3.5	Storage (50/50)	-	1,078	1,078
66	8360	Purification Equipment Maintenance	0	3.5	Storage (50/50)	-	-	-
67	8370	Other Equipment Maintenance	0	3.5	Storage (50/50)	-	-	-
68		Total Underground Storage Expense	199,585			0	99,793	99,793
69								
70		Transmission:						
71		Operation						
72	8500	Op., Sup., & Eng.	33,450	2.0	Demand	-	33,450	-
73	8510	System Control & Load Dispatching	0	2.0	Demand	-	-	-
74	8520	Communication Systems Expense	0	2.0	Demand	-	-	-
75	8530	Compressor Station Labor Expense	0	2.0	Demand	-	-	-
76	8540	Compressor Station Fuel Gas	0	2.0	Demand	-	-	-
77	8550	Compressor Station Fuel & Power	0	2.0	Demand	-	-	-
78	8560	Mains Expense	226,075	2.0	Demand	-	226,075	-
79	8570	Meas. & Regul. Station Expenses	61,826	2.0	Demand	-	61,826	-
80	8580	LDC Payment	0	2.0	Demand	-	-	-
81	8580	LDC Payment - A&G	0	2.0	Demand	-	-	-
82	8590	Other Expenses	0	2.0	Demand	-	-	-
83	8600	Rents	0	2.0	Demand	-	-	-
84		Maintenance						
85	8610	Maint. Sup., & Eng.	0	2.0	Demand	-	-	-
86	8620	Structures and Improvements	0	2.0	Demand	-	-	-
87	8630	Mains	49,816	2.0	Demand	-	49,816	-
88	8640	Compressor Station Equip Maint	0	2.0	Demand	-	-	-
89	8650	Meas. & Regul. Station Equip Maint	1,561	2.0	Demand	-	1,561	-
90	8660	Communication Equipment Maintenance	0	2.0	Demand	-	-	-
91	8670	Other Equipment Maintenance	0	2.0	Demand	-	-	-
92		Total Transmission Expense	372,729			0	372,729	0
93								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF O&M EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
94		Distribution:						
95		Operation						
96	8700	Supervision and Engineering	1,186,727	10.0	Composite of Accts. 871-879 & 886-893	1,104,703	78,091	3,134
97	8710	Distribution Load Dispatching	444	3.0	Commodity	-	-	444
98	8711	Odorization	0	3.0	Commodity	-	-	-
99	8720	Compressor Station Labor & Expenses	0	3.0	Commodity	-	-	-
99	8740	Mains & Services	2,679,000	4.1	Mains & Services	2,450,105	228,895	-
100	8750	Measuring and Regulating Station Exp. - Gen	134,261	12.0	Composite of Accts. 374-379	114,873	19,388	-
101	8760	Measuring and Regulating Station Exp. - Ind.	114,311	1.0	Customer	114,311	-	-
102	8770	Measuring and Regulating Sta. Exp. - City Gate	147,666	12.0	Composite of Accts. 374-379	126,342	21,323	-
103	8780	Meters and House Regulator Expense	959,857	1.0	Customer	959,857	-	-
104	8790	Customer Installations Expense	58,808	1.0	Customer	58,808	-	-
105	8800	Other Expense	14,599	10.0	Composite of Accts. 871-879 & 886-893	13,590	971	39
106	8810	Rents	467,476	10.0	Composite of Accts. 871-879 & 886-893	435,165	31,077	1,235
107		Maintenance						
108	8850	Maintenance Supervision and Engineering	1,044	10.0	Composite of Accts. 871-879 & 886-893	972	69	3
109	8860	Maintenance of Structures and Improvements	9,596	12.0	Composite of Accts. 374-379	8,210	1,386	-
110	8870	Maintenance of Mains	16,658	12.0	Composite of Accts. 374-379	14,253	2,405	-
111	8890	Maintenance of compressor station equipment	10,635	3.0	Commodity	-	-	10,635
112	8900	Maint. of Measuring and Regulating Station Equip. - General	5,870	12.0	Composite of Accts. 374-379	5,022	848	-
113	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	9,977	1.0	Customer	9,977	-	-
114	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	32,204	12.0	Composite of Accts. 374-379	27,554	4,650	-
115	8930	Maintenance of Services	2,124	1.0	Customer	2,124	-	-
116	8940	Maintenance of Meters and House Regulators	13,916	1.0	Customer	13,916	-	-
117	8950	Maintenance of Other Equipment	0	10.0	Composite of Accts. 871-879 & 886-893	-	-	-
118		Total Distribution	5,865,173			5,459,782	389,902	15,489
119								
120		Customer Accounts:						
121	9010	Supervision	0	1.0	Customer	-	-	-
122	9020	Meter Reading Expense	764,770	1.0	Customer	764,770	-	-
123	9030	Customer Records and Collection Expenses	161,066	1.0	Customer	161,066	-	-
124	9040	Uncollectible Accounts	909,895	1.0	Customer	909,895	-	-
125	9050	Miscellaneous Customer Accounts Expenses	0	1.0	Customer	-	-	-
126		Total Customer Accounts	1,835,732			1,835,732	0	0
127								
128		Customer Service and Information:						
129	9070	Supervision	(576)	1.0	Customer	(576)	-	-
130	9080	Customer Assistance Expenses	(18)	1.0	Customer	(18)	-	-
131	9090	Informational and Instructional Advertising Expenses	86,300	1.0	Customer	86,300	-	-
132	9100	Miscellaneous Customer Service and Informational Expenses	215	1.0	Customer	215	-	-
133		Total Customer Service and Information	85,921			85,921	0	0
134								
135		Sales:						
136	9110	Supervision	27,620	1.0	Customer	27,620	-	-
137	9120	Demonstrating and Selling Expenses	58,008	1.0	Customer	58,008	-	-
138	9130	Advertising Expenses	4,736	1.0	Customer	4,736	-	-
139	9160	Miscellaneous Sales Expenses	36	1.0	Customer	36	-	-
140		Total Sales	90,399			90,399	0	0
141								
142		Administrative & General:						
143		Operation						
144	9200	Administrative and General Salaries	-	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	-	-	-
145	9210	Office Supplies and Expenses	-	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	-	-	-
146	9220	Administrative Expenses Transferred - Customer Support	(10,585)	1.0	Customer	(10,585)	-	-
147	9220	Administrative Expenses Transferred - General	11,068,523	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	10,346,324	695,076	28,123
148	9230	Outside Services Employed	270,906	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	253,207	17,011	688
149	9240	Property Insurance	378,800	5.7	Net Plant	312,350	63,590	2,860
150	9250	Injuries and Damages	6,913	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	6,462	434	18
151	9260	Employee Pensions and Benefits	2,177,977	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	2,035,685	136,759	5,533
152	9270	Franchise Requirements	166,512	1.0	Customer	166,512	-	-
153	9280	Regulatory Commission Expenses	37,080	1.0	Customer	37,080	-	-
154	930.1	General Advertising Expenses	-	1.0	Customer	-	-	-
155	930.2	Miscellaneous General Expense	169,726	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	158,637	10,657	431
156	9310	Rents	-	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	-	-	-
157		Maintenance						
158	9320	Maintenance of General Plant	48,183	17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	45,035	3,025	122
159		Total A&G	14,315,036			13,350,707	926,552	37,776
160								
161		TOTAL O&M EXPENSE	168,789,105			20,822,542	1,789,976	146,177,588

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF DEPRECIATION EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
1		Intangible Plant:						
2								
3	30100	Organization	-	5.4	P, S, T & D Plant	-	-	-
4	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
5	30300	Misc Intangible Plant	-	99.0	-	-	-	-
6								
7		Total Intangible Plant:	0			0	0	0
8								
9		Production Plant:						
10								
11	32520	Producing Leaseholds	136	2.0	Demand	-	136	-
12	32540	Rights of Ways	1,874	2.0	Demand	-	1,874	-
13	33100	Production Gas Wells Equipment	-	2.0	Demand	-	-	-
14	33201	Field Lines	-	2.0	Demand	-	-	-
15	33202	Tributary Lines	-	2.0	Demand	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	-	2.0	Demand	-	-	-
17	33600	Purification Equipment	2,289	2.0	Demand	-	2,289	-
18								
19		Total Production Plant	4,299			0	4,299	0
20								
21		Storage Plant:						
22								
23	35010	Land	-	3.5	Storage (50/50)	-	-	-
24	35020	Rights of Way	-	3.5	Storage (50/50)	-	-	-
25	35100	Structures and Improvements	66	3.5	Storage (50/50)	-	33	33
26	35102	Compression Station Equipment	902	3.5	Storage (50/50)	-	451	451
27	35103	Meas. & Reg. Sta. Structures	-	3.5	Storage (50/50)	-	-	-
28	35104	Other Structures	-	3.5	Storage (50/50)	-	-	-
29	35200	Wells \ Rights of Way	7,330	3.5	Storage (50/50)	-	3,665	3,665
30	35201	Well Construction	38,843	3.5	Storage (50/50)	-	19,422	19,422
31	35202	Well Equipment	-	3.5	Storage (50/50)	-	-	-
32	35203	Cushion Gas	39,566	3.5	Storage (50/50)	-	19,783	19,783
33	35210	Leaseholds	-	3.5	Storage (50/50)	-	-	-
34	35211	Storage Rights	236	3.5	Storage (50/50)	-	118	118
35	35301	Field Lines	-	3.5	Storage (50/50)	-	-	-
36	35302	Tributary Lines	-	3.5	Storage (50/50)	-	-	-
37	35400	Compressor Station Equipment	5,461	3.5	Storage (50/50)	-	2,730	2,730
38	35500	Meas & Reg. Equipment	285	3.5	Storage (50/50)	-	143	143
39	35600	Purification Equipment	350	3.5	Storage (50/50)	-	175	175
40								
41		Total Storage Plant	93,040			0	46,520	46,520
42								
43		Transmission:						
44								
45	36510	Land & Land Rights	-	2.0	Demand	-	-	-
46	36520	Rights of Way	14,045	2.0	Demand	-	14,045	-
47	36602	Structures & Improvements	890	2.0	Demand	-	890	-
48	36603	Other Structues	1,225	2.0	Demand	-	1,225	-
49	36700	Mains Cathodic Protection	6,684	2.0	Demand	-	6,684	-
50	36701	Mains - Steel	551,479	2.0	Demand	-	551,479	-
51	36900	Meas. & Reg. Equipment	8,643	2.0	Demand	-	8,643	-
52	36901	Meas. & Reg. Equipment	29,979	2.0	Demand	-	29,979	-
53								
54		Total Transmission Plant	612,946			0	612,946	0
55								
56		Distribution:						
57								
58	37400	Land & Land Rights	-	4.0	Mains	-	-	-
59	37401	Land	-	4.0	Mains	-	-	-
60	37402	Land Rights	4,462	4.0	Mains	3,817	644	-
61	37403	Land Other	-	4.0	Mains	-	-	-
62	37500	Structures & Improvements	10,039	4.0	Mains	8,589	1,450	-
63	37501	Structures & Improvements T.B.	2,998	4.0	Mains	2,565	433	-
64	37502	Land Rights	1,453	4.0	Mains	1,243	210	-
65	37503	Improvements	125	4.0	Mains	107	18	-
66	37600	Mains Cathodic Protection	234,744	4.0	Mains	200,846	33,898	-
67	37601	Mains - Steel	1,558,389	4.0	Mains	1,333,355	225,035	-
68	37602	Mains - Plastic	690,301	4.0	Mains	590,620	99,681	-
69	37800	Meas & Reg. Sta. Equip - General	61,498	4.0	Mains	52,618	8,880	-
70	37900	Meas & Reg. Sta. Equip - City Gate	37,923	4.0	Mains	32,447	5,476	-
71	37905	Meas & Reg. Sta. Equipment T.b.	30,699	4.0	Mains	26,266	4,433	-
72	38000	Services	3,769,058	1.0	Customer	3,769,058	-	-
73	38100	Meters	1,242,950	1.0	Customer	1,242,950	-	-
74	38200	Meter Installaitons	2,103,889	1.0	Customer	2,103,889	-	-
75	38300	House Regulators	154,767	1.0	Customer	154,767	-	-
76	38400	House Reg. Installations	3,057	1.0	Customer	3,057	-	-
77	38500	Ind. Meas. & Reg. Sta. Equipment	121,313	1.0	Customer	121,313	-	-
78	38600	Other Prop. On Cust. Prem	-	99.0	-	-	-	-
79								
80		Total Distribution Plant	10,027,645			9,647,488	380,158	0
81								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF DEPRECIATION EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
82		General:						
83								
84	38900	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
85	39000	Structures Frame	82,474	5.4	P, S, T & D Plant	66,566	15,024	884
86	39001	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
87	39002	Improvements	17,608	5.4	P, S, T & D Plant	14,212	3,208	189
88	39003	Air Conditioning Equipment	70,721	5.4	P, S, T & D Plant	57,080	12,883	758
89	39004	Improvement to leased Premises	725	5.4	P, S, T & D Plant	585	132	8
90	39008	Office Furniture & Equipment	30,365	5.4	P, S, T & D Plant	24,508	5,531	326
91	39100	Remittance Processing Equip	71,942	5.4	P, S, T & D Plant	58,066	13,105	771
92	39102	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
93	39103	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
94	39200	Trucks	30,821	5.4	P, S, T & D Plant	24,877	5,614	330
95	39201	Trailers	-	5.4	P, S, T & D Plant	-	-	-
96	39202	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
97	39300	Tools, Shop & Garage Equipment	-	5.4	P, S, T & D Plant	-	-	-
98	39400	Power Operated Equipment	109,332	5.4	P, S, T & D Plant	88,244	19,916	1,172
99	39600	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
100	39603	Backhoes	39,537	5.4	P, S, T & D Plant	31,911	7,202	424
101	39604	Welders	30,221	5.4	P, S, T & D Plant	24,392	5,505	324
102	39605	Communication Equipment	7,808	5.4	P, S, T & D Plant	6,302	1,422	84
103	39700	Communication Equipment - Mobile Radios	8,047	5.4	P, S, T & D Plant	6,495	1,466	86
104	39701	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
105	39702	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
106	39705	Miscellaneous Equipment	3,532	5.4	P, S, T & D Plant	2,851	643	38
107	39800	Other Tangible Property	131,340	5.4	P, S, T & D Plant	106,007	23,925	1,408
108	39900	Other Tangible Property - Servers - H/W	-	5.4	P, S, T & D Plant	-	-	-
109	39901	Other Tangible Property - Servers - S/W	-	5.4	P, S, T & D Plant	-	-	-
110	39902	Other Tangible Property - Network - H/W	-	5.4	P, S, T & D Plant	-	-	-
111	39903	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
112	39904	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
113	39905	Other Tang. Property - PC Hardware	-	5.4	P, S, T & D Plant	-	-	-
114	39906	Other Tang. Property - PC Software	19,753	5.4	P, S, T & D Plant	15,943	3,598	212
115	39907	Other Tang. Property - Mainframe S/W	-	5.4	P, S, T & D Plant	-	-	-
116	39908	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
117	39909	Other Tang. Property - General Startup Cost	-	5.4	P, S, T & D Plant	-	-	-
118								
119								
120		Total General Plant	654,227			528,038	119,175	7,014
121								
122		TOTAL DIRECT DEPRECIATION EXPENSE	11,392,157			10,175,526	1,163,097	53,534
123								
124		Kentucky Mid-States General Office:						
125								
126		Intangible Plant:						
127								
128	30100	Organization	-	5.4	P, S, T & D Plant	-	-	-
129	30200	Franchises & Consents	-	5.4	P, S, T & D Plant	-	-	-
130	30300	Misc Intangible Plant	-	5.4	P, S, T & D Plant	-	-	-
131								
132		Total Intangible Plant:	0			0	0	0
133								
134		General:						
135								
136	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
137	39001	Structures Frame	1,324	5.4	P, S, T & D Plant	1,069	241	14
138	36802	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
139	38900	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
140	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
141	39009	Improvement to leased Premises	-	5.4	P, S, T & D Plant	-	-	-
142	39100	Office Furniture & Equipment	-	5.4	P, S, T & D Plant	-	-	-
143	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
144	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
145	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
146	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
147	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
148	39300	Stores Equipment	101	5.4	P, S, T & D Plant	81	18	1
149	39400	Tools, Shop & Garage Equipment	2,116	5.4	P, S, T & D Plant	1,708	385	23
150	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
151	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
152	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
153	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
154	39700	Communication Equipment	6,428	5.4	P, S, T & D Plant	5,188	1,171	69
155	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
156	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
157	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
158	39800	Miscellaneous Equipment	17,731	5.4	P, S, T & D Plant	14,311	3,230	190
159	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
160	39901	Other Tangible Property - Servers - H/W	-	5.4	P, S, T & D Plant	-	-	-
161	39902	Other Tangible Property - Servers - S/W	-	5.4	P, S, T & D Plant	-	-	-
162	39903	Other Tangible Property - Network - H/W	71,842	5.4	P, S, T & D Plant	57,985	13,087	770
163	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
164	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
165	39906	Other Tang. Property - PC Hardware	-	5.4	P, S, T & D Plant	-	-	-
166	39907	Other Tang. Property - PC Software	-	5.4	P, S, T & D Plant	-	-	-
167	39908	Other Tang. Property - Mainframe S/W	-	5.4	P, S, T & D Plant	-	-	-
168	39909	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
169	39924	Other Tang. Property - General Startup Cost	-	5.4	P, S, T & D Plant	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
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Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF DEPRECIATION EXPENSE

Line No.	Acct. No.		Test Year $	Classif. Factor	Classif. Basis	Customer $	Demand $	Commodity $
170								
171								
172		Total General Plant	99,541			80,341	18,133	1,067
173								
174		*Shared Services General Office:*						
175								
176		General:						
177								
178	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
179	39000	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
180	36602	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
181	37503	Improvements	-	5.4	P, S, T & D Plant	-	-	-
182	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
183	39009	Improvement to leased Premises	38,259	5.4	P, S, T & D Plant	30,879	6,969	410
184	39100	Office Furniture & Equipment	11,595	5.4	P, S, T & D Plant	9,359	2,112	124
185	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
186	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
187	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
188	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
189	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
190	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
191	39400	Tools, Shop & Garage Equipment	205	5.4	P, S, T & D Plant	165	37	2
192	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
193	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
194	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
195	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
196	39700	Communication Equipment	6,528	5.4	P, S, T & D Plant	5,269	1,189	70
197	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
198	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
199	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
200	39800	Miscellaneous Equipment	861	5.4	P, S, T & D Plant	695	157	9
201	39900	Other Tangible Property	42	5.4	P, S, T & D Plant	34	8	0
202	39901	*Other Tangible Property - Servers - H/W*	57,868	5.4	P, S, T & D Plant	46,707	10,541	620
203	39902	Other Tangible Property - Servers - S/W	25,895	5.4	P, S, T & D Plant	20,981	4,735	279
204	39903	Other Tangible Property - Network - H/W	10,123	5.4	P, S, T & D Plant	8,171	1,844	109
205	39904	Other Tang. Property - CPU	-	5.4	P, S, T & D Plant	-	-	-
206	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
207	39906	Other Tang. Property - PC Hardware	35,819	5.4	P, S, T & D Plant	28,749	6,488	382
208	39907	Other Tang. Property - PC Software	5,301	5.4	P, S, T & D Plant	4,278	966	57
209	39908	Other Tang. Property - Mainframe S/W	468,474	5.4	P, S, T & D Plant	378,114	85,338	5,022
210	39909	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
211	39924	Other Tang. Property - General Startup Cost	-	5.4	P, S, T & D Plant	-	-	-
212								
213								
214		Total General Plant	660,871			533,401	120,385	7,085
215								
216		*Shared Services Customer Support:*						
217								
218		General:						
219								
220	37400	Land & Land Rights	-	5.4	P, S, T & D Plant	-	-	-
221	39001	Structures Frame	-	5.4	P, S, T & D Plant	-	-	-
222	36602	Structures & Improvements	-	5.4	P, S, T & D Plant	-	-	-
223	37503	Improvements	-	5.4	P, S, T & D Plant	-	-	-
224	39004	Air Conditioning Equipment	-	5.4	P, S, T & D Plant	-	-	-
225	39009	Improvement to leased Premises	16,943	5.4	P, S, T & D Plant	13,675	3,086	182
226	39100	Office Furniture & Equipment	313	5.4	P, S, T & D Plant	253	57	3
227	39102	Remittance Processing Equip	-	5.4	P, S, T & D Plant	-	-	-
228	39103	Office Machines	-	5.4	P, S, T & D Plant	-	-	-
229	39200	Transportation Equipment	-	5.4	P, S, T & D Plant	-	-	-
230	39201	Trucks	-	5.4	P, S, T & D Plant	-	-	-
231	39202	Trailers	-	5.4	P, S, T & D Plant	-	-	-
232	39300	Stores Equipment	-	5.4	P, S, T & D Plant	-	-	-
233	39400	Tools, Shop & Garage Equipment	-	5.4	P, S, T & D Plant	-	-	-
234	39600	Power Operated Equipment	-	5.4	P, S, T & D Plant	-	-	-
235	39603	Ditchers	-	5.4	P, S, T & D Plant	-	-	-
236	39604	Backhoes	-	5.4	P, S, T & D Plant	-	-	-
237	39605	Welders	-	5.4	P, S, T & D Plant	-	-	-
238	39700	Communication Equipment	112,875	5.4	P, S, T & D Plant	91,104	20,561	1,210
239	39701	Communication Equipment - Mobile Radios	-	5.4	P, S, T & D Plant	-	-	-
240	39702	Communication Equipment - Fixed Radios	-	5.4	P, S, T & D Plant	-	-	-
241	39705	Communication Equip. - Telemetering	-	5.4	P, S, T & D Plant	-	-	-
242	39800	Miscellaneous Equipment	9	5.4	P, S, T & D Plant	7	2	0
243	39900	Other Tangible Property	-	5.4	P, S, T & D Plant	-	-	-
244	39901	Other Tangible Property - Servers - H/W	-	5.4	P, S, T & D Plant	-	-	-
245	39902	Other Tangible Property - Servers - S/W	18,606	5.4	P, S, T & D Plant	15,017	3,389	199
246	39903	Other Tangible Property - Network - H/W	2,360	5.4	P, S, T & D Plant	1,905	430	25
247	39904	Other Tang. Property - CPU	-					
248	39905	Other Tangible Property - MF - Hardware	-	5.4	P, S, T & D Plant	-	-	-
249	39906	Other Tang. Property - PC Hardware	32,387	5.4	P, S, T & D Plant	26,140	5,900	347
250	39907	Other Tang. Property - PC Software	16,065	5.4	P, S, T & D Plant	12,966	2,926	172
251	39908	Other Tang. Property - Mainframe S/W	547,465	5.4	P, S, T & D Plant	441,869	99,727	5,869
252	39909	Other Tang. Property - Application Software	-	5.4	P, S, T & D Plant	-	-	-
253	39924	Other Tang. Property - General Startup Cost	-	5.4	P, S, T & D Plant	-	-	-
254								
255								
256		Total General Plant	747,023			602,936	136,079	8,008
257								
258		TOTAL DEPRECIATION EXPENSE	12,899,592			11,392,204	1,437,694	69,694

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

CLASSIFICATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX

		Test Year	Classif.	Classif.	Customer	Demand	Commodity
		$	Factor	Basis	$	$	$
1	Taxes Other Than Income						
2							
3	Non Revenue Related:						
4	Payroll Related	397,800	9.1	Allocated O&M Expenses	49,074	4,216	344,510
5	Property Related	3,106,090	5.4	P, S, T & D Plant	2,506,982	565,809	33,298
6	DOT transmission User Tax	50,516	9.1	Allocated O&M Expenses	6,232	535	43,748
7	Other	291,126	9.1	Allocated O&M Expenses	35,914	3,086	252,126
8	Total Non Revenue Related:	3,845,531			2,598,203	573,647	673,682
9							
10	Revenue Related:						
11	State Gross Receipts - Tax	0	99.0	-	-	-	-
12	Local Gross Receipts - Tax	0	99.0	-	-	-	-
13	Public Service Commission Assessment	340,986	3.0	Commodity	-	-	340,986
14	Total Revenue Related:	340,986			0	0	340,986
15							
16	Total Taxes, Other Than Income	4,186,517			2,598,203	573,647	1,014,668
17							
18							
19	Interest Expense	6,168,882	13.0	Rate Base	4,661,136	959,436	548,310

Atmos Energy Corporation, Kentucky/Mid-States Division							
Kentucky Jurisdiction Case No. 2009-00354							
Forecasted Test Period: Twelve Months Ended March 31, 2011							
SUMMARY OF CLASSIFICATION							
1							
2							
3							
4		Test Year	Classif.	Classif.	Customer	Demand	Commodity
5		$	Factor	Basis	$	$	$
6							
7	Operating Revenues	199,729,497			45,281,085	5,955,049	148,493,363
8							
9	Operating Expenses:						
10							
11	Operating & Maintenance	168,789,105			20,822,542	1,788,976	146,177,588
12	Depreciation & Amortization	12,899,592			11,392,204	1,437,694	69,694
13	Taxes Other Than Income	4,186,517			2,598,203	573,647	1,014,668
14							
15	Total Operating Expenses	185,875,214			34,812,949	3,800,316	147,261,950
16							
17	Income Before Taxes	13,854,283			10,468,137	2,154,733	1,231,413
18							
19	Interest Expense	6,168,882			4,661,136	959,436	548,310
20							
21	Income Taxes:						
22							
23	State Income Taxes	461,124	6.00%		348,420	71,718	40,986
24	Federal Income Taxes	2,528,497	35.00%		1,910,503	393,253	224,741
25	Total Deferred Income Taxes	0			0	0	0
26	Amortization of ITC	0			0	0	0
27							
28	Total Income Taxes	2,989,621			2,258,923	464,971	265,727
29							
30	Net Income	10,864,662			8,209,213	1,689,762	965,686
31							
32	Total Rate Base	184,697,058			139,554,968	28,725,620	16,416,470
33							
34	Rate of Return	5.8824%			5.8824%	5.8824%	5.8824%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF PLANT IN SERVICE

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
1		Intangible Plant:							
2									
3	30100	Organization	6.2	P, S, T & D Plant - Customer	6,723	5,355	1,125	80	183
4	30200	Franchises & Consents	6.2	P, S, T & D Plant - Customer	96,735	77,051	16,180	870	2,634
5	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
6									
7		Total Intangible Plant:			103,458	82,406	17,305	930	2,818
8									
9		Production Plant:							
10									
11	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
12	32540	Rights of Ways	99.0	-	0	-	-	-	-
13	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
14	33201	Field Lines	99.0	-	0	-	-	-	-
15	33202	Tributary Lines	99.0	-	0	-	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
17	33600	Purification Equipment	99.0	-	0	-	-	-	-
18									
19		Total Production Plant			0	0	0	0	0
20									
21		Storage Plant:							
22									
23	35010	Land	99.0	-	0	-	-	-	-
24	35020	Rights of Way	99.0	-	0	-	-	-	-
25	35100	Structures and Improvements	99.0	-	0	-	-	-	-
26	35102	Compression Station Equipment	99.0	-	0	-	-	-	-
27	35103	Meas. & Reg. Sta. Structures	99.0	-	0	-	-	-	-
28	35104	Other Structures	99.0	-	0	-	-	-	-
29	35200	Wells \ Rights of Way	99.0	-	0	-	-	-	-
30	35201	Well Construction	99.0	-	0	-	-	-	-
31	35202	Well Equipment	99.0	-	0	-	-	-	-
32	35203	Cushion Gas	99.0	-	0	-	-	-	-
33	35210	Leaseholds	99.0	-	0	-	-	-	-
34	35211	Storage Rights	99.0	-	0	-	-	-	-
35	35301	Field Lines	99.0	-	0	-	-	-	-
36	35302	Tributary Lines	99.0	-	0	-	-	-	-
37	35400	Compressor Station Equipment	99.0	-	0	-	-	-	-
38	35500	Meas & Reg. Equipment	99.0	-	0	-	-	-	-
39	35600	Purification Equipment	99.0	-	0	-	-	-	-
40									
41		Total Storage Plant			0	0	0	0	0
42									
43		Transmission:							
44									
45	36510	Land & Land Rights	99.0	-	0	-	-	-	-
46	36520	Rights of Way	99.0	-	0	-	-	-	-
47	36602	Structures & Improvements	99.0	-	0	-	-	-	-
48	36603	Other Structures	99.0	-	0	-	-	-	-
49	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
50	36701	Mains - Steel	99.0	-	0	-	-	-	-
51	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
52	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
53									
54		Total Transmission Plant			0	0	0	0	0
55									
56		Distribution:							
57									
58	37400	Land & Land Rights	2.0	Bills	84,124	74,627	9,292	101	103
59	37401	Land	2.0	Bills	31,936	28,331	3,528	38	39
60	37402	Land Rights	2.0	Bills	209,235	185,615	23,112	252	256
61	37403	Land Other	2.0	Bills	2,382	2,113	263	3	3
62	37500	Structures & Improvements	2.0	Bills	275,370	244,284	30,418	332	337
63	37501	Structures & Improvements T.B.	2.0	Bills	82,052	72,789	9,064	99	100
64	37502	Land Rights	2.0	Bills	39,863	35,363	4,403	48	49
65	37503	Improvements	2.0	Bills	3,427	3,040	379	4	4
66	37600	Mains Cathodic Protection	2.0	Bills	9,025,074	8,006,237	996,919	10,878	11,040
67	37601	Mains - Steel	2.0	Bills	59,956,629	53,168,153	6,622,873	72,263	73,340
68	37602	Mains - Plastic	2.0	Bills	26,572,022	23,572,318	2,935,174	32,028	32,504
69	37800	Meas & Reg. Sta. Equip - General	2.0	Bills	2,787,297	2,472,640	307,888	3,359	3,409
70	37900	Meas & Reg. Sta. Equip - City Gate	2.0	Bills	1,361,515	1,207,815	150,394	1,641	1,665
71	37905	Meas & Reg. Sta. Equipment T.B.	2.0	Bills	1,095,915	972,198	121,056	1,321	1,341
72	38000	Services	2.0	Bills	87,270,653	77,418,709	9,640,008	105,183	106,751
73	38100	Meters	4.0	Meter Investment	15,764,425	9,471,031	5,302,710	491,761	498,923
74	38200	Meter Installations	4.0	Meter Investment	46,736,905	28,076,834	15,720,982	1,457,929	1,479,161
75	38300	House Regulators	4.0	Meter Investment	5,448,430	3,273,335	1,832,699	169,960	172,436
76	38400	House Reg. Installations	4.0	Meter Investment	154,276	92,687	51,894	4,813	4,883
77	38500	Ind. Meas. & Reg. Sta. Equipment	5.0	Direct to Ind. & Trans.	4,738,998	-	-	-	4,738,998
78	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
79									
80		Total Distribution Plant			261,640,529	208,400,120	43,783,055	2,352,013	7,125,342

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF PLANT IN SERVICE										
81										
82		General:								
83										
84	38900	Land & Land Rights	6.2	P, S, T & D Plant - Customer	72,702	57,908	12,160	654	1,980
85	39000	Structures & Improvements	6.2	P, S, T & D Plant - Customer	691,717	550,961	115,699	6,218	18,838
86	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
87	39002	Structures-Brick	6.2	P, S, T & D Plant - Customer	146,204	116,454	24,455	1,314	3,982
88	39003	Improvements	6.2	P, S, T & D Plant - Customer	587,205	467,717	98,218	5,279	15,992
89	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	6,022	4,797	1,007	54	164
90	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	1,058,693	843,263	177,081	9,517	28,832
91	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	942,344	750,589	157,620	8,471	25,663
92	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
93	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
94	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	39,154	31,187	6,549	352	1,066
95	39201	Trucks	6.2	P, S, T & D Plant - Customer	17,709	14,105	2,962	159	482
96	39202	Trailers	6.2	P, S, T & D Plant - Customer	1,746	1,391	292	16	48
97	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
98	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	1,359,119	1,082,556	227,332	12,218	37,013
99	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
100	39603	Ditchers	6.2	P, S, T & D Plant - Customer	156,711	124,822	26,212	1,409	4,268
101	39604	Backhoes	6.2	P, S, T & D Plant - Customer	119,782	95,408	20,035	1,077	3,262
102	39605	Welders	6.2	P, S, T & D Plant - Customer	30,947	24,650	5,176	278	843
103	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	121,533	96,803	20,328	1,093	3,310
104	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
105	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
106	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	53,525	42,633	8,953	481	1,458
107	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	2,537,772	2,021,369	424,478	22,813	69,112
108	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
109	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	142,045	113,141	23,759	1,277	3,868
110	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	91,586	72,949	15,319	823	2,494
111	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	413,068	329,014	69,091	3,713	11,249
112	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
113	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
114	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	2,656,993	2,116,330	444,419	23,885	72,359
115	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	188,526	150,164	31,534	1,695	5,134
116	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	279,347	222,503	46,725	2,511	7,608
117	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
118	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
119									
120		Total General Plant			11,714,450	9,330,713	1,959,406	105,307	319,023
121									
122		TOTAL DIRECT PLANT			273,458,437	217,813,239	45,739,766	2,458,249	7,447,183
123									
124		CWIP w/o AFUDC	6.2	P, S, T & D Plant - Customer	3,354,132	2,671,610	561,026	30,152	91,344
125									
126		Kentucky Mid-States General Office:							
127									
128		Intangible Plant:							
129									
130	30100	Organization	6.2	P, S, T & D Plant - Customer	51,044	40,658	8,538	459	1,390
131	30200	Franchises & Consents	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
132	30300	Misc Intangible Plant	6.2	P, S, T & D Plant - Customer	305,632	243,440	51,121	2,747	8,323
133									
134		Total Intangible Plant			356,677	284,098	59,659	3,206	9,713
135									
136		General:							
137									
138	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
139	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	49,400	39,348	8,263	444	1,345
140	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
141	38900	Land & Land Rights	6.2	P, S, T & D Plant - Customer	252,148	200,839	42,175	2,267	6,867
142	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	1,590	1,266	266	14	43
143	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	10,697	8,520	1,789	96	291
144	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	17,894	14,253	2,993	161	487
145	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
146	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
147	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
148	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
149	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
150	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	1,146	913	192	10	31
151	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	39,836	31,730	6,663	358	1,085
152	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	2,341	1,864	391	21	64
153	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
154	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
155	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
156	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	86,846	69,174	14,526	781	2,365
157	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
158	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
159	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
160	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	236,595	188,451	39,574	2,127	6,443
161	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	21,208	16,893	3,547	191	578
162	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	19,740	15,723	3,302	177	538
163	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	2,279	1,815	381	20	62
164	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	668,731	532,653	111,855	6,012	18,212
165	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
166	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
167	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	291,574	232,243	48,770	2,621	7,941
168	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	34,778	27,701	5,817	313	947
169	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	239,041	190,399	39,983	2,149	6,510
170	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
171	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
172									
173		Total General Plant			1,975,843	1,573,785	330,487	17,762	53,809
174									
175		CWIP w/o AFUDC	6.2	P, S, T & D Plant - Customer	(40,325)	(32,120)	(6,745)	(363)	(1,098)

Almos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF PLANT IN SERVICE									
176									
177		Shared Services General Office:							
178									
179		*General:*							
180									
181	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
182	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
183	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
184	37503	Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
185	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
186	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	339,574	270,475	56,798	3,053	9,248
187	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	438,857	349,556	73,405	3,945	11,952
188	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	1,020	812	171	9	28
189	39103	Office Machines	6.2	P, S, T & D Plant - Customer	1,949	1,552	326	18	53
190	39200	*Transportation Equipment*	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
191	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
192	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
193	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
194	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	1,678	1,336	281	15	46
195	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
196	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
197	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
198	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
199	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	62,378	49,685	10,434	581	1,699
200	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
201	39702	*Communication Equipment - Fixed Radios*	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
202	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
203	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	8,531	6,795	1,427	77	232
204	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	734	585	123	7	20
205	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	673,915	536,782	112,722	6,058	18,353
206	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	528,177	420,700	88,345	4,748	14,384
207	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	87,898	70,012	14,702	790	2,394
208	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	44,026	35,067	7,364	396	1,199
209	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	46,618	37,132	7,797	419	1,270
210	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	193,641	154,238	32,389	1,741	5,273
211	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	63,413	50,509	10,607	570	1,727
212	39908	*Other Tang. Property - Mainframe S/W*	6.2	P, S, T & D Plant - Customer	3,419,703	2,723,838	571,993	30,741	93,130
213	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	103,501	82,440	17,312	930	2,819
214	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
215									
216		Total General Plant			6,015,613	4,791,515	1,006,196	54,077	163,825
217									
218		CWIP w/o AFUDC	6.2	P, S, T & D Plant - Customer	606,838	483,355	101,502	5,455	16,526
219									
220		Shared Services Customer Support:							
221									
222		General:							
223									
224	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
225	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
226	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
227	37503	Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
228	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
229	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	150,274	119,695	25,135	1,351	4,092
230	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	11,861	9,447	1,984	107	323
231	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
232	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
233	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
234	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
235	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
236	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
237	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
238	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
239	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
240	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
241	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
242	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	1,078,148	858,759	180,335	9,692	29,362
243	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
244	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
245	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
246	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	89	71	15	1	2
247	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
248	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	478,655	381,255	80,062	4,303	13,035
249	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	376,423	299,826	62,962	3,384	10,251
250	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	20,481	16,313	3,426	184	558
251	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
252	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
253	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	175,911	140,115	29,424	1,581	4,791
254	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	143,747	114,497	24,044	1,292	3,915
255	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	3,981,368	3,171,212	665,940	35,790	108,426
256	39909	*Other Tang. Property - Application Software*	6.2	P, S, T & D Plant - Customer	0	-	-	-	-
257	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	1,032,185	822,149	172,647	9,279	28,110
258									
259		Total General Plant			7,449,143	5,933,340	1,245,974	66,984	202,865
260									
261		CWIP w/o AFUDC	6.2	P, S, T & D Plant - Customer	96,081	76,529	16,071	864	2,617
262									
263		TOTAL PLANT IN SERVICE - CUSTOMER			289,255,712	230,395,976	48,382,082	2,600,259	7,877,395
264									
265		TOTAL CWIP W/O AFUDC - CUSTOMER			4,016,725	3,199,374	671,854	36,108	109,389

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF PLANT IN SERVICE

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
266		*Intangible Plant:*							
267									
268	30100	Organization	6.4	P, S, T & D Plant - Demand	1,517	654	333	30	499
269	30200	Franchises & Consents	6.4	P, S, T & D Plant - Demand	21,833	9,416	4,793	437	7,187
270	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
271									
272		Total Intangible Plant:			23,350	10,070	5,126	468	7,686
273									
274		*Production Plant:*							
275									
276	32520	Producing Leaseholds	3.0	Peak Day	2,353	1,015	516	47	774
277	32540	Rights of Ways	3.0	Peak Day	83,422	35,977	18,313	1,671	27,461
278	33100	Production Gas Wells Equipment	3.0	Peak Day	3,492	1,506	767	70	1,150
279	33201	Field Lines	3.0	Peak Day	47,163	20,339	10,353	945	15,525
280	33202	Tributary Lines	3.0	Peak Day	528,218	227,800	115,957	10,583	173,879
281	33400	Field Meas. & Reg. Sta. Equip	3.0	Peak Day	192,384	82,968	42,233	3,854	63,329
282	33600	Purification Equipment	3.0	Peak Day	44,369	19,135	9,740	889	14,606
283									
284		Total Production Plant			901,402	388,739	197,879	18,060	296,724
285									
286		Storage Plant:							
287									
288	35010	Land	3.0	Peak Day	130,563	56,307	28,662	2,616	42,978
289	35020	Rights of Way	3.0	Peak Day	2,341	1,009	514	47	771
290	35100	Structures and Improvements	3.0	Peak Day	5,625	2,426	1,235	113	1,852
291	35102	Compression Station Equipment	3.0	Peak Day	76,531	33,048	16,822	1,535	25,225
292	35103	Meas. & Reg. Sta. Structues	3.0	Peak Day	11,569	4,989	2,540	232	3,808
293	35104	Other Structures	3.0	Peak Day	68,721	29,637	15,086	1,377	22,622
294	35200	Wells \ Rights of Way	3.0	Peak Day	177,087	76,371	38,875	3,548	58,294
295	35201	Well Construction	3.0	Peak Day	938,391	404,691	205,999	18,801	308,900
296	35202	Well Equipment	3.0	Peak Day	238,669	102,929	52,394	4,782	78,565
297	35203	Cushion Gas	3.0	Peak Day	847,416	365,457	186,028	16,978	278,953
298	35210	Leaseholds	3.0	Peak Day	89,265	38,496	19,596	1,788	29,384
299	35211	Storage Rights	3.0	Peak Day	27,307	11,776	5,995	547	8,989
300	35301	Field Lines	3.0	Peak Day	89,250	38,490	19,593	1,788	29,379
301	35302	Tributary Lines	3.0	Peak Day	104,729	45,166	22,991	2,098	34,475
302	35400	Compressor Station Equipment	3.0	Peak Day	463,949	200,083	101,848	9,295	152,723
303	35500	Meas & Reg. Equipment	3.0	Peak Day	121,241	52,286	26,615	2,429	39,910
304	35600	Purification Equipment	3.0	Peak Day	82,424	35,546	18,094	1,651	27,132
305									
306		Total Storage Plant			3,475,180	1,498,708	762,885	69,625	1,143,962
307									
308		Transmission:							
309									
310	36510	Land & Land Rights	3.0	Peak Day	26,970	11,631	5,921	540	8,878
311	36520	Rights of Way	3.0	Peak Day	867,772	374,236	190,497	17,386	285,654
312	36602	Structures & Improvements	3.0	Peak Day	44,243	19,080	9,712	886	14,564
313	36603	Other Structues	3.0	Peak Day	60,940	26,281	13,378	1,221	20,060
314	36700	Mains Cathodic Protection	3.0	Peak Day	403,219	173,893	88,516	8,078	132,732
315	36701	Mains - Steel	3.0	Peak Day	33,483,557	14,440,138	7,350,444	670,841	11,022,133
316	36900	Meas. & Reg. Equipment	3.0	Peak Day	595,357	256,764	130,695	11,928	195,980
317	36901	Meas. & Reg. Equipment	3.0	Peak Day	2,056,866	887,045	451,531	41,209	677,080
318									
319		Total Transmission Plant			37,538,925	16,189,058	8,240,695	752,090	12,357,081
320									
321		Distribution:							
322									
323	37400	Land & Land Rights	3.0	Peak Day	14,198	6,123	3,117	284	4,674
324	37401	Land	3.0	Peak Day	5,390	2,325	1,183	108	1,774
325	37402	Land Rights	3.0	Peak Day	35,313	15,229	7,752	708	11,624
326	37403	Land Other	3.0	Peak Day	402	173	88	8	132
327	37500	Structures & Improvements	3.0	Peak Day	46,475	20,043	10,202	931	15,299
328	37501	Structures & Improvements T.B.	3.0	Peak Day	13,848	5,972	3,040	277	4,559
329	37502	Land Rights	3.0	Peak Day	6,728	2,901	1,477	135	2,215
330	37503	Improvements	3.0	Peak Day	578	249	127	12	190
331	37600	Mains Cathodic Protection	3.0	Peak Day	1,523,193	656,893	334,377	30,517	501,405
332	37601	Mains - Steel	3.0	Peak Day	10,119,086	4,363,963	2,221,362	202,735	3,331,006
333	37602	Mains - Plastic	3.0	Peak Day	4,484,651	1,934,053	984,489	89,850	1,476,260
334	37800	Meas & Reg. Sta. Equip - General	3.0	Peak Day	470,422	202,874	103,269	9,425	154,854
335	37900	Meas & Reg. Sta. Equip - City Gate	3.0	Peak Day	229,788	99,098	50,444	4,604	75,642
336	37905	Meas & Reg. Sta. Equipment T.b.	3.0	Peak Day	184,981	79,767	40,603	3,706	60,886
337	38000	Services	99.0	-	0	-	-	-	-
338	38100	Meters	99.0	-	0	-	-	-	-
339	38200	Meter Installaitons	99.0	-	0	-	-	-	-
340	38300	*House Regulators*	99.0	-	0	-	-	-	-
341	38400	House Reg. Installations	99.0	-	0	-	-	-	-
342	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
343	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
344									
345		Total Distribution Plant			17,135,033	7,389,664	3,761,551	343,299	5,640,518

Almos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF PLANT IN SERVICE									
346									
347		General:							
348									
349	38900	Land & Land Rights	6.4	P, S, T & D Plant - Demand	16,408	7,076	3,602	329	5,401
350	39000	Structures & Improvements	6.4	P, S, T & D Plant - Demand	156,116	67,327	34,271	3,128	51,390
351	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
352	39002	Structures-Brick	6.4	P, S, T & D Plant - Demand	32,997	14,230	7,244	661	10,862
353	39003	Improvements	6.4	P, S, T & D Plant - Demand	132,528	57,154	29,093	2,655	43,626
354	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	1,359	586	298	27	447
355	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	238,940	103,045	52,453	4,787	78,654
356	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	212,681	91,721	46,689	4,261	70,010
357	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
358	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
359	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	8,837	3,811	1,940	177	2,909
360	39201	Trucks	6.4	P, S, T & D Plant - Demand	3,997	1,724	877	80	1,316
361	39202	Trailers	6.4	P, S, T & D Plant - Demand	394	170	87	8	130
362	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
363	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	306,744	132,287	67,338	6,146	100,974
364	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
365	39603	Ditchers	6.4	P, S, T & D Plant - Demand	35,369	15,253	7,764	709	11,643
366	39604	Backhoes	6.4	P, S, T & D Plant - Demand	27,034	11,659	5,935	542	8,899
367	39605	Welders	6.4	P, S, T & D Plant - Demand	6,985	3,012	1,533	140	2,299
368	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	27,429	11,829	6,021	550	9,029
369	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
370	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
371	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	12,080	5,210	2,652	242	3,977
372	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	572,758	247,008	125,734	11,475	188,541
373	38900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
374	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	32,059	13,826	7,038	642	10,553
375	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	20,670	8,914	4,538	414	6,804
376	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	93,227	40,205	20,466	1,868	30,688
377	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
378	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
379	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	599,666	258,612	131,641	12,014	197,398
380	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	42,549	18,350	9,341	852	14,006
381	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	63,047	27,190	13,840	1,263	20,754
382	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
383	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
384									
385		Total General Plant			2,643,874	1,140,199	580,394	52,970	870,312
386									
387		TOTAL DIRECT PLANT			61,717,764	26,616,438	13,548,530	1,236,512	20,316,283
388									
389		CWIP w/o AFUDC	6.4	P, S, T & D Plant - Demand	757,005	326,467	166,181	15,167	249,191
390									
391		Kentucky Mid-States General Office:							
392									
393		Intangible Plant:							
394									
395	30100	Organization	6.4	P, S, T & D Plant - Demand	11,520	4,968	2,529	231	3,792
396	30200	Franchises & Consents	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
397	30300	Misc Intangible Plant	6.4	P, S, T & D Plant - Demand	68,979	29,748	15,143	1,382	22,707
398									
399		Total Intangible Plant:			80,500	34,716	17,672	1,613	26,499
400									
401		General:							
402									
403	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
404	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	11,149	4,808	2,449	223	3,670
405	36602	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
406	38900	Land & Land Rights	6.4	P, S, T & D Plant - Demand	56,908	24,542	12,493	1,140	18,733
407	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	359	155	79	7	118
408	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	2,414	1,041	530	48	795
409	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	4,039	1,742	887	81	1,329
410	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
411	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
412	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
413	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
414	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
415	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	259	112	57	5	85
416	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	8,991	3,877	1,974	180	2,960
417	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	528	228	116	11	174
418	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
419	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
420	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
421	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	19,601	8,453	4,303	393	6,452
422	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
423	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
424	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
425	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	53,398	23,028	11,722	1,070	17,578
426	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	4,787	2,064	1,051	96	1,576
427	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	4,455	1,921	978	89	1,467
428	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	514	222	113	10	169
429	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	150,928	65,089	33,132	3,024	49,683
430	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
431	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
432	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	65,806	28,380	14,446	1,318	21,662
433	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	7,849	3,385	1,723	157	2,584
434	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	53,950	23,267	11,843	1,081	17,759
435	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
436	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
437									
438		Total General Plant			445,935	192,314	97,893	8,934	146,793
439									
440		CWIP w/o AFUDC	6.4	P, S, T & D Plant - Demand	(9,101)	(3,925)	(1,998)	(182)	(2,996)

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF PLANT IN SERVICE										
441										
442		Shared Services General Office:								
443										
444		General:								
445										
446	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
447	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
448	36602	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
449	37503	Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
450	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
451	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	76,640	33,052	16,824	1,535	25,228	
452	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	99,047	42,715	21,743	1,984	32,604	
453	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	230	99	51	5	76	
454	39103	Office Machines	6.4	P, S, T & D Plant - Demand	440	190	97	9	145	
455	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
456	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
457	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
458	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
459	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	379	163	83	8	125	
460	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
461	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
462	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
463	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
464	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	14,078	6,071	3,091	282	4,634	
465	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
466	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
467	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
468	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	1,925	830	423	39	634	
469	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	165	71	36	3	55	
470	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	152,098	65,594	33,389	3,047	50,068	
471	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	119,206	51,409	26,169	2,388	39,240	
472	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	19,838	8,555	4,355	397	6,530	
473	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	9,936	4,285	2,181	199	3,271	
474	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	10,521	4,537	2,310	211	3,463	
475	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	43,704	18,848	9,594	876	14,386	
476	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	14,312	6,172	3,142	287	4,711	
477	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	771,804	332,849	169,430	15,463	254,063	
478	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	23,360	10,074	5,128	468	7,690	
479	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
480										
481		Total General Plant			1,357,684	585,516	298,044	27,201	446,923	
482										
483		CWIP w/o AFUDC	6.4	P, S, T & D Plant - Demand	136,959	59,065	30,066	2,744	45,084	
484										
485		Shared Services Customer Support:								
486										
487		General:								
488										
489	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
490	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
491	36602	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
492	37503	Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
493	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
494	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	33,916	14,627	7,445	680	11,164	
495	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	2,677	1,154	588	54	881	
496	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
497	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
498	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
499	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
500	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
501	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
502	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
503	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
504	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
505	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
506	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
507	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	243,331	104,939	53,417	4,875	80,100	
508	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
509	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
510	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
511	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	20	9	4	0	7	
512	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
513	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	108,029	46,589	23,715	2,164	35,561	
514	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	84,956	36,638	18,650	1,702	27,966	
515	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	4,622	1,993	1,015	93	1,522	
516	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
517	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
518	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	39,702	17,122	8,716	795	13,069	
519	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	32,443	13,991	7,122	650	10,680	
520	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	898,569	387,517	197,257	18,003	295,791	
521	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
522	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	232,957	100,465	51,140	4,667	76,685	
523										
524		Total General Plant			1,681,222	725,045	369,069	33,683	553,426	
525										
526		CWIP w/o AFUDC	6.4	P, S, T & D Plant - Demand	21,685	9,352	4,760	434	7,138	
527										
528		TOTAL PLANT IN SERVICE - DEMAND			65,283,105	28,154,029	14,331,208	1,307,943	21,489,924	
529										
530		TOTAL CWIP W/O AFUDC - DEMAND			906,548	390,959	199,009	18,163	298,418	

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF PLANT IN SERVICE

Line No.	Acct. No.	Commodity	Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
531		Intangible Plant:							
532									
533	30100	Organization	6.6	P, S, T & D Plant - Commodity	89	30	16	2	41
534	30200	Franchises & Consents	6.6	P, S, T & D Plant - Commodity	1,285	432	234	22	596
535	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
536									
537		Total Intangible Plant:			1,374	462	251	24	638
538									
539		Production Plant:							
540									
541	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
542	32540	Rights of Ways	99.0	-	0	-	-	-	-
543	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
544	33201	Field Lines	99.0	-	0	-	-	-	-
545	33202	Tributary Lines	99.0	-	0	-	-	-	-
546	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
547	33600	Purification Equipment	99.0	-	0	-	-	-	-
548									
549		Total Production Plant			0	0	0	0	0
550									
551		Storage Plant:							
552									
553	35010	Land	1.5	Winter Volumes	130,563	43,915	23,003	2,258	60,586
554	35020	Rights of Way	1.5	Winter Volumes	2,341	787	427	40	1,086
555	35100	Structures and Improvements	1.5	Winter Volumes	5,625	1,892	1,026	97	2,610
556	35102	Compression Station Equipment	1.5	Winter Volumes	76,631	25,775	13,971	1,325	35,560
557	35103	Meas. & Reg. Sta. Structures	1.5	Winter Volumes	11,569	3,891	2,109	200	5,369
558	35104	Other Structures	1.5	Winter Volumes	68,721	23,115	12,529	1,189	31,889
559	35200	Wells \ Rights of Way	1.5	Winter Volumes	177,087	59,564	32,285	3,063	82,175
560	35201	Well Construction	1.5	Winter Volumes	938,391	315,631	171,080	16,230	435,449
561	35202	Well Equipment	1.5	Winter Volumes	238,669	80,277	43,512	4,128	110,752
562	35203	Cushion Gas	1.5	Winter Volumes	847,416	285,032	154,494	14,657	393,234
563	35210	Leaseholds	1.5	Winter Volumes	89,265	30,025	16,274	1,544	41,422
564	35211	Storage Rights	1.5	Winter Volumes	27,307	9,185	4,978	472	12,672
565	35301	Field Lines	1.5	Winter Volumes	89,250	30,020	16,271	1,544	41,416
566	35302	Tributary Lines	1.5	Winter Volumes	104,729	35,226	19,093	1,811	48,598
567	35400	Compressor Station Equipment	1.5	Winter Volumes	463,949	156,051	84,584	8,024	215,289
568	35500	Meas & Reg. Equipment	1.5	Winter Volumes	121,241	40,780	22,104	2,097	56,260
569	35600	Purification Equipment	1.5	Winter Volumes	82,424	27,724	15,027	1,426	38,248
570									
571		Total Storage Plant			3,475,180	1,168,890	633,567	60,107	1,612,616
572									
573		Transmission:							
574									
575	36510	Land & Land Rights	99.0	-	0	-	-	-	-
576	36520	Rights of Way	99.0	-	0	-	-	-	-
577	36602	Structures & Improvements	99.0	-	0	-	-	-	-
578	36603	Other Structures	99.0	-	0	-	-	-	-
579	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
580	36701	Mains - Steel	99.0	-	0	-	-	-	-
581	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
582	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
583									
584		Total Transmission Plant			0	0	0	0	0
585									
586		Distribution:							
587									
588	37400	Land & Land Rights	99.0	-	0	-	-	-	-
589	37401	Land	99.0	-	0	-	-	-	-
590	37402	Land Rights	99.0	-	0	-	-	-	-
591	37403	Land Other	99.0	-	0	-	-	-	-
592	37500	Structures & Improvements	99.0	-	0	-	-	-	-
593	37501	Structures & Improvements T.B.	99.0	-	0	-	-	-	-
594	37502	Land Rights	99.0	-	0	-	-	-	-
595	37503	Improvements	99.0	-	0	-	-	-	-
596	37600	Mains Cathodic Protection	99.0	-	0	-	-	-	-
597	37601	Mains - Steel	99.0	-	0	-	-	-	-
598	37602	Mains - Plastic	99.0	-	0	-	-	-	-
599	37800	Meas & Reg. Sta. Equip - General	99.0	-	0	-	-	-	-
600	37900	Meas & Reg. Sta. Equip - City Gate	99.0	-	0	-	-	-	-
601	37905	Meas & Reg. Sta. Equipment T.b.	99.0	-	0	-	-	-	-
602	38000	Services	99.0	-	0	-	-	-	-
603	38100	Meters	99.0	-	0	-	-	-	-
604	38200	Meter Installaitons	99.0	-	0	-	-	-	-
605	38300	House Regulators	99.0	-	0	-	-	-	-
606	38400	House Reg. Installations	99.0	-	0	-	-	-	-
607	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
608	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
609									
610		Total Distribution Plant			0	0	0	0	0

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF PLANT IN SERVICE									
611									
612		General:							
613									
614	38900	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	966	325	176	17	448
615	39000	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	9,188	3,090	1,675	159	4,263
616	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
617	39002	Structures-Brick	6.6	P, S, T & D Plant - Commodity	1,942	653	354	34	901
618	39003	Improvements	6.6	P, S, T & D Plant - Commodity	7,799	2,623	1,422	135	3,619
619	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	80	27	15	1	37
620	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	14,082	4,730	2,564	243	6,525
621	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	12,516	4,210	2,282	216	5,808
622	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
623	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
624	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	520	175	95	9	241
625	39201	Trucks	6.6	P, S, T & D Plant - Commodity	235	79	43	4	109
626	39202	Trailers	6.6	P, S, T & D Plant - Commodity	23	8	4	0	11
627	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
628	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	18,052	6,072	3,291	312	8,377
629	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
630	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	2,081	700	379	36	966
631	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	1,591	535	290	28	738
632	39605	Welders	6.6	P, S, T & D Plant - Commodity	411	138	75	7	191
633	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	1,614	543	294	28	749
634	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
635	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
636	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	711	239	130	12	330
637	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	33,707	11,338	6,145	583	15,642
638	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
639	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	1,887	635	344	33	875
640	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	1,216	409	222	21	564
641	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	5,486	1,845	1,000	95	2,546
642	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
643	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
644	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	35,291	11,870	6,434	610	16,376
645	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	2,504	842	457	43	1,162
646	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	3,710	1,248	676	64	1,722
647	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
648	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
649									
650		Total General Plant			155,594	52,335	28,367	2,691	72,202
651									
652		TOTAL DIRECT PLANT			3,632,149	1,221,687	662,185	62,822	1,685,456
653									
654		CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	44,550	14,985	8,122	771	20,673
655									
656		Kentucky Mid-States General Office:							
657									
658		Intangible Plant:							
659									
660	30100	Organization	6.6	P, S, T & D Plant - Commodity	678	228	124	12	315
661	30200	Franchises & Consents	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
662	30300	Misc Intangible Plant	6.6	P, S, T & D Plant - Commodity	4,059	1,365	740	70	1,884
663									
664		Total Intangible Plant:			4,737	1,593	864	82	2,198
665									
666		General:							
667									
668	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
669	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	656	221	120	11	304
670	38602	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
671	38900	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	3,349	1,126	611	58	1,554
672	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	21	7	4	0	10
673	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	142	48	26	2	66
674	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	238	80	43	4	110
675	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
676	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
677	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
678	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
679	39202	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
680	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	15	5	3	0	7
681	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	529	178	96	9	246
682	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	31	10	6	1	14
683	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
684	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
685	39605	Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
686	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	1,154	388	210	20	535
687	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
688	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
689	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
690	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	3,143	1,057	573	54	1,458
691	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	282	95	51	5	131
692	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	262	88	48	5	122
693	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	30	10	6	1	14
694	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	8,882	2,988	1,819	154	4,122
695	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
696	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
697	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	3,873	1,303	706	67	1,797
698	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	462	155	84	8	214
699	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	3,175	1,068	579	55	1,473
700	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
701	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
702									
703		Total General Plant			26,244	8,827	4,785	454	12,178
704									
705		CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	(536)	(180)	(98)	(9)	(249)

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF PLANT IN SERVICE									
706									
707			Shared Services General Office:						
708									
709			General:						
710									
711	37400		Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
712	39001		Structures Frame	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
713	36602		Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
714	37503		Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
715	39004		Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
716	39009		Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	4,510	1,517	822	78	2,093
717	39100		Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	5,829	1,961	1,063	101	2,705
718	39102		Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	14	5	2	0	6
719	39103		Office Machines	6.6	P, S, T & D Plant - Commodity	26	9	5	0	12
720	39200		Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
721	39201		Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
722	39202		Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
723	39300		Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
724	39400		Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	22	7	4	0	10
725	39600		Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
726	39603		Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
727	39604		Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
728	39605		Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
729	39700		Communication Equipment	6.6	P, S, T & D Plant - Commodity	829	278	151	14	384
730	39701		Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
731	39702		Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
732	39705		Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
733	39800		Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	113	38	21	2	53
734	39900		Other Tangible Property	6.6	P, S, T & D Plant - Commodity	10	3	2	0	5
735	39901		Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	8,951	3,011	1,632	155	4,154
736	39902		Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	7,015	2,360	1,279	121	3,255
737	39903		Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	1,167	393	213	20	542
738	39904		Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	585	197	107	10	271
739	39905		Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	619	208	113	11	287
740	39906		Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	2,572	865	469	44	1,194
741	39907		Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	842	283	154	15	391
742	39908		Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	45,421	15,278	8,281	786	21,077
743	39909		Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	1,375	462	251	24	638
744	39924		Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
745										
746			Total General Plant			79,901	26,875	14,567	1,382	37,077
747										
748			CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	8,060	2,711	1,469	139	3,740
749										
750			Shared Services Customer Support:							
751										
752			General:							
753										
754	37400		Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
755	39001		Structures Frame	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
756	36602		Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
757	37503		Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
758	39004		Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
759	39009		Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	1,996	671	364	35	926
760	39100		Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	158	53	29	3	73
761	39102		Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
762	39103		Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
763	39200		Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
764	39201		Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
765	39202		Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
766	39300		Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
767	39400		Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
768	39600		Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
769	39603		Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
770	39604		Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
771	39605		Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
772	39700		Communication Equipment	6.6	P, S, T & D Plant - Commodity	14,320	4,817	2,611	248	6,645
773	39701		Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
774	39702		Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
775	39705		Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
776	39800		Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	1	0	0	0	1
777	39900		Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
778	39901		Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	6,358	2,138	1,159	110	2,950
779	39902		Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	5,000	1,682	912	86	2,320
780	39903		Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	272	91	50	5	126
781	39904		Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
782	39905		Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
783	39906		Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	2,336	786	426	40	1,084
784	39907		Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	1,909	642	348	33	886
785	39908		Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	52,882	17,787	9,641	915	24,539
786	39909		Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
787	39924		Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	13,710	4,611	2,499	237	6,362
788										
789			Total General Plant			98,942	33,279	18,038	1,711	45,913
790										
791			CWIP w/o AFUDC	6.6	P, S, T & D Plant - Commodity	1,276	429	233	22	592
792										
793			TOTAL PLANT IN SERVICE - COMMODITY			3,841,973	1,292,262	700,438	66,451	1,782,822
794										
795			TOTAL CWIP W/O AFUDC - COMMODITY			53,351	17,945	9,727	923	24,757

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF PLANT IN SERVICE

Total Plant in Service

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
796		Intangible Plant:							
797									
798	30100	Organization			8,330	6,039	1,474	92	724
799	30200	Franchises & Consents			119,853	86,899	21,207	1,329	10,417
800	30300	Misc Intangible Plant			0	-	-	-	-
801									
802		Total Intangible Plant:			128,182	92,938	22,681	1,422	11,142
803									
804		Production Plant:							
805									
806	32520	Producing Leaseholds			2,353	1,015	516	47	774
807	32540	Rights of Ways			83,422	35,977	18,313	1,671	27,461
808	33100	Production Gas Wells Equipment			3,492	1,506	767	70	1,150
809	33201	Field Lines			47,163	20,339	10,353	945	15,525
810	33202	Tributary Lines			526,218	227,000	115,957	10,583	173,879
811	33400	Field Meas. & Reg. Sta. Equip			192,384	82,968	42,233	3,854	63,329
812	33600	Purification Equipment			44,369	19,135	9,740	889	14,606
813									
814		Total Production Plant			901,402	388,739	197,879	18,060	296,724
815									
816		Storage Plant:							
817									
818	35010	Land			261,127	100,222	52,465	4,874	103,565
819	35020	Rights of Way			4,682	1,797	941	87	1,857
820	35100	Structures and Improvements			11,250	4,318	2,260	210	4,462
821	35102	Compression Station Equipment			153,261	58,823	30,793	2,861	60,785
822	35103	Meas. & Reg. Sta. Structues			23,138	8,881	4,649	432	9,177
823	35104	Other Structures			137,443	52,751	27,615	2,565	54,511
824	35200	Wells \ Rights of Way			354,174	135,934	71,160	6,611	140,469
825	35201	Well Construction			1,676,763	720,323	377,079	35,031	744,349
826	35202	Well Equipment			477,339	183,206	95,906	8,910	189,317
827	35203	Cushion Gas			1,694,833	650,489	340,523	31,635	672,187
828	35210	Leaseholds			178,530	68,521	35,870	3,332	70,807
829	35211	Storage Rights			54,614	20,961	10,973	1,019	21,661
830	35301	Field Lines			178,501	68,510	35,864	3,332	70,795
831	35302	Tributary Lines			209,458	80,392	42,084	3,910	83,073
832	35400	Compressor Station Equipment			927,898	356,134	186,431	17,320	368,013
833	35500	Meas & Reg. Equipment			242,482	93,066	48,719	4,526	96,171
834	35600	Purification Equipment			164,849	63,270	33,121	3,077	65,381
835									
836		Total Storage Plant			6,950,361	2,667,598	1,396,453	129,732	2,756,578
837									
838		Transmission:							
839									
840	36510	Land & Land Rights			26,970	11,631	5,921	540	8,878
841	36520	Rights of Way			667,772	374,236	190,497	17,386	285,654
842	36602	Structures & Improvements			44,243	19,080	9,712	886	14,564
843	36603	Other Structures			60,940	26,281	13,378	1,221	20,060
844	36700	Mains Cathodic Protection			403,219	173,893	88,516	8,078	132,732
845	36701	Mains - Steel			33,483,557	14,440,138	7,350,444	670,841	11,022,133
846	36900	Meas. & Reg. Equipment			595,357	256,754	130,695	11,928	195,980
847	36901	Meas. & Reg. Equipment			2,056,866	887,045	451,531	41,209	677,080
848									
849		Total Transmission Plant			37,538,925	16,189,058	8,240,695	752,090	12,357,081
850									
851		Distribution:							
852									
853	37400	Land & Land Rights			98,321	80,750	12,409	386	4,777
854	37401	Land			37,326	30,656	4,711	146	1,813
855	37402	Land Rights			244,548	200,844	30,864	960	11,880
856	37403	Land Other			2,784	2,286	351	11	135
857	37500	Structures & Improvements			321,645	264,327	40,620	1,263	15,636
858	37501	Structures & Improvements T.B.			95,901	78,762	12,104	376	4,659
859	37502	Land Rights			46,591	38,264	5,880	183	2,263
860	37503	Improvements			4,005	3,289	505	16	195
861	37600	Mains Cathodic Protection			10,548,286	8,663,130	1,331,297	41,395	512,445
862	37601	Mains - Steel			70,075,715	57,552,116	8,844,255	274,998	3,404,346
863	37602	Mains - Plastic			31,056,673	25,506,372	3,919,662	121,876	1,508,763
864	37800	Meas & Reg. Sta. Equip - General			3,257,718	2,675,514	411,157	12,784	158,263
865	37900	Meas & Reg. Sta. Equip - City Gate			1,591,303	1,306,913	200,838	6,245	77,307
866	37905	Meas & Reg. Sta. Equipment T.B.			1,280,877	1,051,964	161,659	5,027	62,226
867	38000	Services			87,270,653	77,418,709	9,640,008	105,183	106,751
868	38100	Meters			15,764,425	9,471,031	5,302,710	491,761	498,923
869	38200	Meter Installations			46,736,805	28,078,834	15,720,982	1,457,929	1,479,161
870	38300	House Regulators			5,448,430	3,273,335	1,832,699	169,960	172,436
871	38400	House Reg. Installations			154,276	92,687	51,894	4,813	4,883
872	38500	Ind. Meas. & Reg. Sta. Equipment			4,738,998	-	-	-	4,738,998
873	38600	Other Prop. On Cust. Prem			0	-	-	-	-
874									
875		Total Distribution Plant			278,775,562	215,789,784	47,524,606	2,695,312	12,765,860

	Almos Energy Corporation, Kentucky/Mid-States Division								
	Kentucky Jurisdiction Case No. 2009-00354								
	Forecasted Test Period: Twelve Months Ended March 31, 2011								
	ALLOCATION OF PLANT IN SERVICE								
876									
877			General:						
878									
879	38900		Land & Land Rights		90,075	65,309	15,938	999	7,829
880	39000		Structures & Improvements		857,020	621,378	151,646	9,505	74,491
881	39001		Structures Frame		0	-	-	-	-
882	39002		Structures-Brick		161,144	131,337	32,052	2,009	15,745
883	39003		Improvements		727,533	527,494	128,733	8,069	63,237
884	39004		Air Conditioning Equipment		7,461	5,410	1,320	83	649
885	39009		Improvement to leased Premises		1,311,694	951,038	232,098	14,547	114,011
886	39100		Office Furniture & Equipment		1,167,541	846,520	206,591	12,949	101,482
887	39102		Remittance Processing Equip		0	-	-	-	-
888	39103		Office Machines		0	-	-	-	-
889	39200		Transportation Equipment		48,511	35,173	8,584	538	4,217
890	39201		Trucks		21,941	15,908	3,882	243	1,907
891	39202		Trailers		2,163	1,568	383	24	188
892	39300		Stores Equipment		0	-	-	-	-
893	39400		Tools, Shop & Garage Equipment		1,683,916	1,220,915	297,961	18,676	146,364
894	39600		Power Operated Equipment		0	-	-	-	-
895	39603		Ditchers		194,161	140,775	34,358	2,153	16,876
896	39604		Backhoes		148,407	107,602	26,260	1,646	12,899
897	39605		Welders		38,343	27,800	6,785	425	3,333
898	39700		Communication Equipment		150,577	109,175	26,644	1,670	13,088
899	39701		Communication Equipment - Mobile Radios		0	-	-	-	-
900	39702		Communication Equipment - Fixed Radios		0	-	-	-	-
901	39705		Communication Equip. - Telemetering		66,316	48,082	11,734	735	5,764
902	39800		Miscellaneous Equipment		3,144,238	2,279,714	556,358	34,871	273,294
903	39900		Other Tangible Property		0	-	-	-	-
904	39901		Other Tangible Property - Servers - H/W		175,990	127,601	31,141	1,952	15,297
905	39902		Other Tangible Property - Servers - S/W		113,473	82,273	20,078	1,258	9,863
906	39903		Other Tangible Property - Network - H/W		511,781	371,065	90,557	5,676	44,484
907	39904		Other Tang. Property - CPU		0	-	-	-	-
908	39905		Other Tangible Property - MF - Hardware		0	-	-	-	-
909	39906		Other Tang. Property - PC Hardware		3,291,950	2,386,813	582,495	36,510	286,133
910	39907		Other Tang. Property - PC Software		233,579	169,356	41,331	2,591	20,303
911	39908		Other Tang. Property - Mainframe S/W		346,104	250,941	61,241	3,838	30,083
912	39909		Other Tang. Property - Application Software		0	-	-	-	-
913	39924		Other Tang. Property - General Startup Costs		0	-	-	-	-
914									
915			Total General Plant		14,513,918	10,523,247	2,568,157	160,968	1,261,537
916									
917			TOTAL DIRECT PLANT		338,808,350	245,651,364	59,850,481	3,757,583	29,448,921
918									
919			CWIP w/o AFUDC		4,155,688	3,013,061	735,329	46,089	361,209
920									
921			Kentucky Mid-States General Office:						
922									
923			Intangible Plant:						
924									
925	30100		Organization		63,243	45,854	11,191	701	5,497
926	30200		Franchises & Consents		0	-	-	-	-
927	30300		Misc Intangible Plant		378,671	274,553	67,004	4,200	32,914
928									
929			Total Intangible Plant:		441,914	320,407	78,194	4,901	38,411
930									
931			General:						
932									
933	37400		Land & Land Rights		0	-	-	-	-
934	39001		Structures Frame		61,205	44,376	10,830	679	5,320
935	36602		Structures & Improvements		0	-	-	-	-
936	38900		Land & Land Rights		312,405	226,508	55,279	3,465	27,154
937	39004		Air Conditioning Equipment		1,970	1,428	349	22	171
938	39009		Improvement to leased Premises		13,253	9,609	2,345	147	1,152
939	39100		Office Furniture & Equipment		22,170	16,074	3,923	246	1,927
940	39102		Remittance Processing Equip		0	-	-	-	-
941	39103		Office Machines		0	-	-	-	-
942	39200		Transportation Equipment		0	-	-	-	-
943	39201		Trucks		0	-	-	-	-
944	39202		Trailers		0	-	-	-	-
945	39300		Stores Equipment		1,420	1,030	251	16	123
946	39400		Tools, Shop & Garage Equipment		49,356	35,785	8,733	547	4,290
947	39600		Power Operated Equipment		2,900	2,103	513	32	252
948	39603		Ditchers		0	-	-	-	-
949	39604		Backhoes		0	-	-	-	-
950	39605		Welders		0	-	-	-	-
951	39700		Communication Equipment		107,600	78,015	19,039	1,193	9,353
952	39701		Communication Equipment - Mobile Radios		0	-	-	-	-
953	39702		Communication Equipment - Fixed Radios		0	-	-	-	-
954	39705		Communication Equip. - Telemetering		0	-	-	-	-
955	39800		Miscellaneous Equipment		293,135	212,536	51,869	3,251	25,479
956	39900		Other Tangible Property		26,276	19,052	4,649	291	2,284
957	39901		Other Tangible Property - Servers - H/W		24,457	17,733	4,328	271	2,126
958	39902		Other Tangible Property - Servers - S/W		2,823	2,047	500	31	245
959	39903		Other Tangible Property - Network - H/W		828,541	600,730	146,608	9,189	72,016
960	39904		Other Tang. Property - CPU		0	-	-	-	-
961	39905		Other Tangible Property - MF - Hardware		0	-	-	-	-
962	39906		Other Tang. Property - PC Hardware		361,254	261,925	63,922	4,007	31,400
963	39907		Other Tang. Property - PC Software		43,089	31,242	7,624	478	3,745
964	39908		Other Tang. Property - Mainframe S/W		296,166	214,734	52,405	3,285	25,742
965	39909		Other Tang. Property - Application Software		0	-	-	-	-
966	39924		Other Tang. Property - General Startup Costs		0	-	-	-	-
967									
968			Total General Plant		2,448,021	1,774,926	433,165	27,150	212,780
969									
970			CWIP w/o AFUDC		(49,962)	(36,225)	(8,841)	(554)	(4,343)

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF PLANT IN SERVICE									
971									
972		*Shared Services General Office:*							
973									
974		General:							
975									
976	37400	Land & Land Rights			0	-	-	-	-
977	39001	Structures Frame			0	-	-	-	-
978	36602	Structures & Improvements			0	-	-	-	-
979	37503	Improvements			0	-	-	-	-
980	39004	Air Conditioning Equipment			0	-	-	-	-
981	39009	Improvement to leased Premises			420,723	305,044	74,445	4,666	36,569
982	39100	Office Furniture & Equipment			543,733	394,231	96,211	6,030	47,261
983	39102	Remittance Processing Equip			1,264	916	224	14	110
984	39103	Office Machines			2,415	1,751	427	27	210
985	39200	Transportation Equipment			0	-	-	-	-
986	39201	Trucks			0	-	-	-	-
987	39202	Trailers			0	-	-	-	-
988	39300	Stores Equipment			0	-	-	-	-
989	39400	Tools, Shop & Garage Equipment			2,079	1,507	368	23	181
990	39600	Power Operated Equipment			0	-	-	-	-
991	39603	Ditchers			0	-	-	-	-
992	39604	Backhoes			0	-	-	-	-
993	39605	Welders			0	-	-	-	-
994	39700	Communication Equipment			77,285	56,035	13,675	857	6,718
995	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
996	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
997	39705	Communication Equip. - Telemetering			0	-	-	-	-
998	39800	Miscellaneous Equipment			10,570	7,664	1,870	117	919
999	39900	Other Tangible Property			909	659	161	10	79
1000	39901	Other Tangible Property - Servers - H/W			834,965	605,387	147,743	9,260	72,574
1001	39902	Other Tangible Property - Servers - S/W			654,399	474,469	115,793	7,258	56,880
1002	39903	Other Tangible Property - Network - H/W			108,904	78,960	19,270	1,208	9,466
1003	39904	Other Tang. Property - CPU			54,547	39,549	9,652	605	4,741
1004	39905	Other Tangible Property - MF - Hardware			57,758	41,877	10,220	641	5,020
1005	39906	Other Tang. Property - PC Hardware			239,917	173,950	42,452	2,661	20,853
1006	39907	Other Tang. Property - PC Software			78,567	56,965	13,902	871	6,829
1007	39908	Other Tang. Property - Mainframe S/W			4,236,929	3,071,955	749,704	46,990	368,270
1008	39909	Other Tang. Property - Application Software			128,236	92,977	22,691	1,422	11,146
1009	39924	Other Tang. Property - General Startup Costs			0	-	-	-	-
1010									
1011		Total General Plant			7,453,198	5,403,905	1,318,807	82,660	647,825
1012									
1013		CWIP w/o AFUDC			751,858	545,131	133,038	8,339	65,351
1014									
1015		Shared Services Customer Support:							
1016									
1017		General:							
1018									
1019	37400	Land & Land Rights			0	-	-	-	-
1020	39001	Structures Frame			0	-	-	-	-
1021	36602	Structures & Improvements			0	-	-	-	-
1022	37503	Improvements			0	-	-	-	-
1023	39004	Air Conditioning Equipment			0	-	-	-	-
1024	39009	Improvement to leased Premises			166,186	134,993	32,945	2,065	16,183
1025	39100	Office Furniture & Equipment			14,695	10,655	2,600	163	1,277
1026	39102	Remittance Processing Equip			0	-	-	-	-
1027	39103	Office Machines			0	-	-	-	-
1028	39200	Transportation Equipment			0	-	-	-	-
1029	39201	Trucks			0	-	-	-	-
1030	39202	Trailers			0	-	-	-	-
1031	39300	Stores Equipment			0	-	-	-	-
1032	39400	Tools, Shop & Garage Equipment			0	-	-	-	-
1033	39600	Power Operated Equipment			0	-	-	-	-
1034	39603	Ditchers			0	-	-	-	-
1035	39604	Backhoes			0	-	-	-	-
1036	39605	Welders			0	-	-	-	-
1037	39700	Communication Equipment			1,335,799	988,515	236,363	14,815	116,106
1038	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
1039	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
1040	39705	Communication Equip. - Telemetering			0	-	-	-	-
1041	39800	Miscellaneous Equipment			111	80	20	1	10
1042	39900	Other Tangible Property			0	-	-	-	-
1043	39901	Other Tangible Property - Servers - H/W			593,042	429,982	104,936	6,577	51,547
1044	39902	Other Tangible Property - Servers - S/W			466,378	338,146	82,523	5,172	40,537
1045	39903	Other Tangible Property - Network - H/W			25,375	18,398	4,490	281	2,206
1046	39904	Other Tang. Property - CPU			0	-	-	-	-
1047	39905	Other Tangible Property - MF - Hardware			0	-	-	-	-
1048	39906	Other Tang. Property - PC Hardware			217,950	158,023	38,565	2,417	18,944
1049	39907	Other Tang. Property - PC Software			178,099	129,130	31,514	1,975	15,480
1050	39908	Other Tang. Property - Mainframe S/W			4,932,818	3,576,516	872,838	54,708	428,756
1051	39909	Other Tang. Property - Application Software			0	-	-	-	-
1052	39924	Other Tang. Property - General Startup Costs			1,278,852	927,225	226,287	14,183	111,157
1053									
1054		Total General Plant			9,229,306	6,691,664	1,633,081	102,358	802,203
1055									
1056		CWIP w/o AFUDC			119,041	86,310	21,064	1,320	10,347
1057									
1058		TOTAL PLANT IN SERVICE			358,380,789	259,842,267	63,413,729	3,974,653	31,150,141
1059									
1060		TOTAL CWIP W/O AFUDC			4,976,625	3,608,278	880,589	55,194	432,564

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF RESERVE FOR DEPRECIATION

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
1		Intangible Plant:							
2									
3	30100	Organization	6.2	P, S, T & D Plant - Customer	6,723	5,355	1,125	60	183
4	30200	Franchises & Consents	6.2	P, S, T & D Plant - Customer	95,735	77,051	16,180	870	2,634
5	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
6									
7		Total Intangible Plant:			103,458	82,406	17,305	930	2,818
8									
9		Production Plant:							
10									
11	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
12	32540	Rights of Ways	99.0	-	0	-	-	-	-
13	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
14	33201	Field Lines	99.0	-	0	-	-	-	-
15	33202	Tributary Lines	99.0	-	0	-	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
17	33500	Purification Equipment	99.0	-	0	-	-	-	-
18									
19		Total Production Plant			0	0	0	0	0
20									
21		Storage Plant:							
22									
23	35010	Land	99.0	-	0	-	-	-	-
24	35020	Rights of Way	99.0	-	0	-	-	-	-
25	35100	Structures and Improvements	99.0	-	0	-	-	-	-
26	35102	Compression Station Equipment	99.0	-	0	-	-	-	-
27	35103	Meas. & Reg. Sta. Structues	99.0	-	0	-	-	-	-
28	35104	Other Structures	99.0	-	0	-	-	-	-
29	35200	Wells \ Rights of Way	99.0	-	0	-	-	-	-
30	35201	Well Construction	99.0	-	0	-	-	-	-
31	35202	Well Equipment	99.0	-	0	-	-	-	-
32	35203	Cushion Gas	99.0	-	0	-	-	-	-
33	35210	Leaseholds	99.0	-	0	-	-	-	-
34	35211	Storage Rights	99.0	-	0	-	-	-	-
35	35301	Field Lines	99.0	-	0	-	-	-	-
36	35302	Tributary Lines	99.0	-	0	-	-	-	-
37	35400	Compressor Station Equipment	99.0	-	0	-	-	-	-
38	35500	Meas & Reg. Equipment	99.0	-	0	-	-	-	-
39	35600	Purification Equipment	99.0	-	0	-	-	-	-
40									
41		Total Storage Plant			0	-	-	-	-
42									
43		Transmission:							
44									
45	36510	Land & Land Rights	99.0	-	0	-	-	-	-
46	36520	Rights of Way	99.0	-	0	-	-	-	-
47	36602	Structures & Improvements	99.0	-	0	-	-	-	-
48	36603	Other Structues	99.0	-	0	-	-	-	-
49	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
50	36701	Mains - Steel	99.0	-	0	-	-	-	-
51	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
52	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
53									
54		Total Transmission Plant			0	-	-	-	-
55									
56		Distribution:							
57									
58	37400	Land & Land Rights	2.0	Bills	48,893	43,373	5,401	59	60
59	37401	Land	2.0	Bills	(6,203)	(5,503)	(685)	(7)	(8)
60	37402	Land Rights	2.0	Bills	34,307	30,434	3,790	41	42
61	37403	Land Other	2.0	Bills	0	-	-	-	-
62	37500	Structures & Improvements	2.0	Bills	54,970	48,765	6,072	66	67
63	37501	Structures & Improvements T.B.	2.0	Bills	69,397	61,563	7,666	84	85
64	37502	Land Rights	2.0	Bills	36,842	32,683	4,070	44	45
65	37503	Improvements	2.0	Bills	552	489	61	1	1
66	37600	Mains Cathodic Protection	2.0	Bills	1,786,781	1,585,072	197,370	2,154	2,186
67	37601	Mains - Steel	2.0	Bills	35,503,833	31,495,822	3,921,791	42,791	43,429
68	37602	Mains - Plastic	2.0	Bills	8,877,670	7,875,474	980,637	10,700	10,859
69	37800	Meas & Reg. Sta. Equip - General	2.0	Bills	1,177,425	1,044,506	130,060	1,419	1,440
70	37900	Meas & Reg. Sta. Equip - City Gate	2.0	Bills	254,331	225,620	28,094	307	311
71	37905	Meas & Reg. Sta. Equipment T.B.	2.0	Bills	849,012	753,700	93,849	1,024	1,039
72	38000	Services	2.0	Bills	47,436,241	42,082,980	5,240,078	57,175	58,028
73	38100	Meters	4.0	Meter Investment	4,087,072	2,455,452	1,374,778	127,494	129,350
74	38200	Meter Installaitons	4.0	Meter Investment	10,485,132	6,299,311	3,528,904	327,077	331,840
75	38300	House Regulators	4.0	Meter Investment	3,133,737	1,882,703	1,054,101	97,755	99,179
76	38400	House Reg. Installations	4.0	Meter Investment	111,025	66,702	37,346	3,463	3,514
77	38500	Ind. Meas. & Reg. Sta. Equipment	5.0	Direct to Ind. & Trans.	2,459,576	-	-	-	2,459,576
78	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
79									
80		Total Distribution Plant			116,403,192	95,979,124	16,611,378	671,646	3,141,043

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF RESERVE FOR DEPRECIATION										
81										
82		General:								
83										
84	38900	Land & Land Rights	6.2	P, S, T & D Plant - Customer	22,970	18,296	3,842	206	626	
85	39000	Structures Frame	6.2	P, S, T & D Plant - Customer	134,934	107,477	22,570	1,213	3,675	
86	39001	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
87	39002	Improvements	6.2	P, S, T & D Plant - Customer	112,559	89,654	18,827	1,012	3,065	
88	39003	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	241,983	192,743	40,475	2,175	6,590	
89	39004	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	5,336	4,250	893	48	145	
90	39009	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	866,670	769,985	161,689	8,690	26,326	
91	39100	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	(1,476,862)	(1,176,340)	(247,026)	(13,276)	(40,220)	
92	39102	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
93	39103	Transportation Equipment	6.2	P, S, T & D Plant - Customer	(86,967)	(69,270)	(14,546)	(782)	(2,368)	
94	39200	Trucks	6.2	P, S, T & D Plant - Customer	(417,367)	(332,438)	(69,810)	(3,752)	(11,366)	
95	39201	Trailers	6.2	P, S, T & D Plant - Customer	21,722	17,302	3,633	195	592	
96	39202	Stores Equipment	6.2	P, S, T & D Plant - Customer	14,273	11,368	2,387	128	389	
97	39300	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
98	39400	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	256,952	204,666	42,979	2,310	6,998	
99	39600	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
100	39603	Backhoes	6.2	P, S, T & D Plant - Customer	(54,110)	(43,099)	(9,051)	(486)	(1,474)	
101	39604	Welders	6.2	P, S, T & D Plant - Customer	23,702	18,879	3,964	213	645	
102	39605	Communication Equipment	6.2	P, S, T & D Plant - Customer	16,119	12,839	2,696	145	439	
103	39700	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	(239,083)	(190,433)	(39,990)	(2,149)	(6,511)	
104	39701	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	(17,827)	(14,199)	(2,982)	(160)	(485)	
105	39702	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	(27,552)	(21,945)	(4,608)	(248)	(750)	
106	39705	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	(111,518)	(88,826)	(18,653)	(1,002)	(3,037)	
107	39800	Other Tangible Property	6.2	P, S, T & D Plant - Customer	1,060,188	844,454	177,331	9,531	28,872	
108	39900	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
109	39901	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	142,045	113,141	23,759	1,277	3,868	
110	39902	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	95,612	76,156	15,992	860	2,604	
111	39903	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	413,068	329,014	69,091	3,713	11,249	
112	39904	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
113	39905	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
114	39906	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	2,009,476	1,600,574	336,113	18,064	54,725	
115	39907	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	188,528	150,164	31,534	1,695	5,134	
116	39908	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	280,122	223,121	46,854	2,518	7,629	
117	39909	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
118		Retirement Work in Progress	6.2	P, S, T & D Plant - Customer	(5,326,937)	(4,242,975)	(891,005)	(47,886)	(145,070)	
119										
120		Total General Plant			(1,751,964)	(1,395,462)	(293,041)	(15,749)	(47,712)	
121										
122		TOTAL DIRECT RESERVE FOR DEPRECIATION			114,754,686	94,666,068	16,335,642	656,627	3,096,149	
123										
124		Kentucky Mid-States General Office:								
125										
126		Intangible Plant:								
127										
128	30100	Organization	99.0	-	0	-	-	-	-	
129	30200	Franchises & Consents	99.0	-	0	-	-	-	-	
130	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-	
131										
132		Total Intangible Plant:								
133										
134		General:								
135										
136	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
137	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	9,502	7,569	1,589	85	259	
138	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
139	38900	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
140	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	1,590	1,266	266	14	43	
141	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	13,521	10,769	2,262	122	368	
142	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	17,905	14,262	2,995	161	488	
143	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	(312)	(249)	(52)	(3)	(8)	
144	39103	Office Machines	6.2	P, S, T & D Plant - Customer	(5,968)	(4,754)	(998)	(54)	(163)	
145	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	2,109	1,680	353	19	57	
146	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
147	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
148	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	674	536	113	6	18	
149	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	11,292	8,994	1,889	102	308	
150	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	2,401	1,912	402	22	65	
151	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
152	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
153	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
154	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	57,191	45,553	9,566	514	1,557	
155	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
156	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
157	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
158	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	82,260	65,513	13,757	739	2,240	
159	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	21,208	16,893	3,547	191	578	
160	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	19,740	15,723	3,302	177	538	
161	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	3,172	2,527	531	29	86	
162	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	116,551	92,834	19,495	1,048	3,174	
163	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
164	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
165	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	300,275	239,173	50,225	2,699	8,177	
166	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	34,778	27,701	5,817	313	947	
167	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	490,976	391,069	82,123	4,414	13,371	
168	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
169	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
170		Retirement Work in Progress	6.2	P, S, T & D Plant - Customer	14,229	11,334	2,380	128	388	
171										
172		Total General Plant			1,193,083	950,306	199,560	10,725	32,492	

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF RESERVE FOR DEPRECIATION										
173										
174		Shared Services General Office:								
175										
176		General:								
177										
178	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
179	39000	Structures & Improvements	6.2	P, S, T & D Plant - Customer	853	679	143	8	23	
180	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
181	37503	Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
182	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
183	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	303,408	241,668	50,749	2,727	8,263	
184	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	265,618	211,568	44,428	2,388	7,234	
185	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	1,255	1,000	210	11	34	
186	39103	Office Machines	6.2	P, S, T & D Plant - Customer	2,065	1,645	345	19	56	
187	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	308	246	52	3	8	
188	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
189	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
190	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	30	24	5	0	1	
191	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	215	171	36	2	6	
192	39500	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
193	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
194	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
195	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
196	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	24,617	19,608	4,118	221	670	
197	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
198	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
199	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
200	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	2,359	1,879	395	21	64	
201	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	119	95	20	1	3	
202	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	246,088	195,998	41,158	2,212	6,701	
203	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	85,690	76,219	16,006	860	2,606	
204	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	51,728	41,202	8,652	465	1,409	
205	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	44,624	35,543	7,464	401	1,215	
206	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	47,179	37,579	7,891	424	1,285	
207	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	181,595	144,643	30,374	1,632	4,945	
208	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	62,246	49,580	10,412	560	1,695	
209	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	1,681,780	1,339,544	281,298	15,118	45,800	
210	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	109,114	86,910	18,251	981	2,972	
211	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	0	0	0	0	
212		Retirement Work in Progress	6.2	P, S, T & D Plant - Customer	(225)	(179)	(38)	(2)	(6)	
213										
214		Total General Plant			3,120,826	2,485,620	521,969	28,053	84,985	
215					512,446	408,170	85,714	4,607	13,956	
216		Shared Services Customer Support:								
217										
218		General:								
219										
220	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
221	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
222	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
223	37503	Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
224	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
225	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	102,838	81,912	17,201	924	2,801	
226	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	1,894	1,508	317	17	52	
227	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
228	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
229	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
230	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
231	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
232	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
233	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
234	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
235	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
236	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
237	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
238	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	643,070	512,214	107,582	5,781	17,513	
239	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
240	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
241	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
242	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	38	30	6	0	1	
243	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	(46)	(37)	(8)	(0)	(1)	
244	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	479,423	381,867	80,190	4,310	13,056	
245	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	333,133	265,345	55,721	2,995	9,072	
246	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	17,877	14,239	2,990	161	487	
247	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
248	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
249	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	148,524	118,301	24,843	1,335	4,045	
250	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	119,897	95,500	20,054	1,078	3,265	
251	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	2,996,053	2,386,396	501,132	26,933	81,592	
252	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
253	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	1,037,390	826,295	173,518	9,328	28,252	
254		Retirement Work in Progress	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
255										
256		Total General Plant			5,880,091	4,683,570	983,526	52,859	160,134	
257										
258		TOTAL RESERVE FOR DEPRECIATION - CUSTOMER			124,948,487	102,785,564	18,040,899	748,464	3,373,760	

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF RESERVE FOR DEPRECIATION

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
259		Intangible Plant:							
260									
261	30100	Organization	6.4	P, S, T & D Plant - Demand	1,517	654	333	30	499
262	30200	Franchises & Consents	6.4	P, S, T & D Plant - Demand	21,833	9,416	4,793	437	7,187
263	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
264									
265		Total Intangible Plant			23,350	10,070	5,126	468	7,686
266									
267		Production Plant:							
268									
269	32520	Producing Leaseholds	3.0	Peak Day	439	189	96	9	144
270	32540	Rights of Ways	3.0	Peak Day	6,050	2,609	1,328	121	1,991
271	33100	Production Gas Wells Equipment	3.0	Peak Day	3,492	1,506	767	70	1,150
272	33201	Field Lines	3.0	Peak Day	47,163	20,339	10,353	945	15,525
273	33202	Tributary Lines	3.0	Peak Day	529,956	228,549	116,338	10,618	174,451
274	33400	Field Meas. & Reg. Sta. Equip	3.0	Peak Day	189,625	81,778	41,627	3,799	62,421
275	33600	Purification Equipment	3.0	Peak Day	7,391	3,187	1,622	148	2,433
276									
277		Total Production Plant			784,116	338,158	172,132	15,710	258,116
278									
279		Storage Plant:							
280									
281	35010	Land	3.0	Peak Day	0	-	-	-	-
282	35020	Rights of Way	3.0	Peak Day	2,341	1,009	514	47	771
283	35100	Structures and Improvements	3.0	Peak Day	2,586	1,116	568	52	851
284	35102	Compression Station Equipment	3.0	Peak Day	59,160	25,517	12,989	1,185	19,477
285	35103	Meas. & Reg. Sta. Structures	3.0	Peak Day	12,148	5,239	2,667	243	3,999
286	35104	Other Structures	3.0	Peak Day	70,517	30,411	15,480	1,413	23,213
287	35200	Wells \ Rights of Way	3.0	Peak Day	170,607	73,578	37,452	3,418	56,161
288	35201	Well Construction	3.0	Peak Day	826,243	356,326	181,380	16,554	271,983
289	35202	Well Equipment	3.0	Peak Day	276,747	119,350	60,753	5,545	91,100
290	35203	Cushion Gas	3.0	Peak Day	63,867	27,543	14,020	1,280	21,024
291	35210	Leaseholds	3.0	Peak Day	89,310	38,516	19,606	1,789	29,389
292	35211	Storage Rights	3.0	Peak Day	26,372	11,373	5,789	528	8,681
293	35301	Field Lines	3.0	Peak Day	93,691	40,405	20,568	1,877	30,841
294	35302	Tributary Lines	3.0	Peak Day	109,941	47,413	24,135	2,203	36,190
295	35400	Compressor Station Equipment	3.0	Peak Day	234,189	100,996	51,410	4,692	77,090
296	35500	Meas & Reg. Equipment	3.0	Peak Day	120,435	51,939	26,438	2,413	39,645
297	35600	Purification Equipment	3.0	Peak Day	82,457	35,561	18,101	1,652	27,143
298									
299		Total Storage Plant			2,240,819	966,291	491,870	44,891	737,568
300									
301		Transmission:							
302									
303	36510	Land & Land Rights	3.0	Peak Day	16	7	3	0	5
304	36520	Rights of Way	3.0	Peak Day	382,614	165,006	83,993	7,666	125,949
305	36602	Structures & Improvements	3.0	Peak Day	12,241	5,279	2,687	245	4,029
306	36603	Other Structures	3.0	Peak Day	56,261	24,263	12,351	1,127	18,520
307	36700	Mains Cathodic Protection	3.0	Peak Day	274,189	118,247	60,191	5,493	90,258
308	36701	Mains - Steel	3.0	Peak Day	16,295,550	7,027,628	3,577,264	326,480	5,364,177
309	36900	Meas. & Reg. Equipment	3.0	Peak Day	271,774	117,206	59,661	5,445	89,463
310	36901	Meas. & Reg. Equipment	3.0	Peak Day	1,456,137	628,637	320,096	29,214	479,990
311									
312		Total Transmission Plant			18,750,783	8,086,473	4,116,247	375,671	6,172,392
313									
314		Distribution:							
315									
316	37400	Land & Land Rights	3.0	Peak Day	8,252	3,559	1,811	165	2,716
317	37401	Land	3.0	Peak Day	(1,047)	(452)	(230)	(21)	(345)
318	37402	Land Rights	3.0	Peak Day	5,790	2,497	1,271	116	1,906
319	37403	Land Other	3.0	Peak Day	0	-	-	-	-
320	37500	Structures & Improvements	3.0	Peak Day	9,278	4,001	2,037	186	3,054
321	37501	Structures & Improvements T.B.	3.0	Peak Day	11,712	5,051	2,571	235	3,855
322	37502	Land Rights	3.0	Peak Day	6,218	2,682	1,365	125	2,047
323	37503	Improvements	3.0	Peak Day	93	40	20	2	31
324	37600	Mains Cathodic Protection	3.0	Peak Day	301,561	130,051	66,200	6,042	99,268
325	37601	Mains - Steel	3.0	Peak Day	5,992,104	2,584,158	1,315,411	120,051	1,972,484
326	37602	Mains - Plastic	3.0	Peak Day	1,498,315	646,164	328,916	30,019	493,216
327	37800	Meas & Reg. Sta. Equip - General	3.0	Peak Day	198,718	85,699	43,623	3,981	65,414
328	37900	Meas & Reg. Sta. Equip - City Gate	3.0	Peak Day	42,924	18,512	9,423	860	14,130
329	37905	Meas & Reg. Sta. Equipment T.B.	3.0	Peak Day	143,392	61,839	31,478	2,873	47,202
330	38000	Services	99.0	-	0	-	-	-	-
331	38100	Meters	99.0	-	0	-	-	-	-
332	38200	Meter Installaitons	99.0	-	0	-	-	-	-
333	38300	House Regulators	99.0	-	0	-	-	-	-
334	38400	House Reg. Installations	99.0	-	0	-	-	-	-
335	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
336	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
337									
338		Total Distribution Plant			8,217,310	3,543,802	1,803,897	164,633	2,704,978

Almos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF RESERVE FOR DEPRECIATION										
339										
340		General:								
341										
342	38900	Land & Land Rights	6.4	P, S, T & D Plant - Demand	5,184	2,230	1,138	104	1,707
343	39000	Structures Frame	6.4	P, S, T & D Plant - Demand	30,454	13,133	6,685	610	10,025
344	39001	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
345	39002	Improvements	6.4	P, S, T & D Plant - Demand	25,404	10,956	5,577	509	8,362
346	39003	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	54,814	23,553	11,989	1,094	17,978
347	39004	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	1,204	519	264	24	396
348	39009	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	218,171	94,089	47,894	4,371	71,818
349	39100	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	(333,318)	(143,747)	(73,171)	(6,678)	(109,722)
350	39102	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
351	39103	Transportation Equipment	6.4	P, S, T & D Plant - Demand	(19,628)	(8,465)	(4,309)	(393)	(6,461)
352	39200	Trucks	6.4	P, S, T & D Plant - Demand	(94,197)	(40,623)	(20,678)	(1,887)	(31,008)
353	39201	Trailers	6.4	P, S, T & D Plant - Demand	4,903	2,114	1,076	98	1,614
354	39202	Stores Equipment	6.4	P, S, T & D Plant - Demand	3,221	1,389	707	65	1,060
355	39300	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
356	39400	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	57,992	25,010	12,731	1,162	19,090
357	39600	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
358	39603	Backhoes	6.4	P, S, T & D Plant - Demand	(12,212)	(5,267)	(2,681)	(245)	(4,020)
359	39604	Welders	6.4	P, S, T & D Plant - Demand	5,349	2,307	1,174	107	1,761
360	39605	Communication Equipment	6.4	P, S, T & D Plant - Demand	3,036	1,569	799	73	1,198
361	39700	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	(53,959)	(23,271)	(11,845)	(1,081)	(17,762)
362	39701	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	(4,023)	(1,735)	(883)	(81)	(1,324)
363	39702	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	(6,218)	(2,682)	(1,365)	(125)	(2,047)
364	39705	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	(25,169)	(10,854)	(5,525)	(504)	(8,285)
365	39800	Other Tangible Property	6.4	P, S, T & D Plant - Demand	239,278	103,191	52,527	4,794	78,765
366	39900	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
367	39901	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	32,059	13,826	7,036	642	10,553
368	39902	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	21,579	9,306	4,737	432	7,103
369	39903	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	93,227	40,205	20,466	1,868	30,688
370	39904	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
371	39905	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
372	39906	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	453,526	195,598	99,560	9,086	149,292
373	39907	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	42,549	18,350	9,341	852	14,006
374	39908	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	63,222	27,265	13,879	1,267	20,811
375	39909	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
376		Retirement Work In Progress	6.4	P, S, T & D Plant - Demand	(1,202,254)	(518,485)	(263,924)	(24,087)	(395,759)
377									
378		Total General Plant			(395,407)	(170,523)	(86,801)	(7,922)	(130,160)
379									
380		TOTAL DIRECT RESERVE FOR DEPRECIATION			29,620,771	12,774,271	6,502,470	593,451	9,750,580
381									
382		Kentucky Mid-States General Office:							
383									
384		Intangible Plant:							
385									
386	30100	Organization	99.0	-	0	-	-	-	-
387	30200	Franchises & Consents	99.0	-	0	-	-	-	-
388	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
389									
390		Total Intangible Plant:							
391									
392		General:							
393									
394	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
395	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	2,145	925	471	43	706
396	36602	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
397	38900	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
398	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	359	155	79	7	118
399	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	3,052	1,316	670	61	1,005
400	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	4,041	1,743	887	81	1,330
401	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	(70)	(30)	(15)	(1)	(23)
402	39103	Office Machines	6.4	P, S, T & D Plant - Demand	(1,347)	(581)	(296)	(27)	(443)
403	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	476	205	105	10	157
404	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
405	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
406	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	152	66	33	3	50
407	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	2,549	1,099	559	51	839
408	39800	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	542	234	119	11	178
409	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
410	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
411	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
412	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	12,908	5,567	2,834	259	4,249
413	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
414	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
415	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
416	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	10,563	8,006	4,075	372	6,111
417	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	4,787	2,064	1,051	96	1,576
418	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	4,455	1,921	978	89	1,467
419	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	716	309	157	14	236
420	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	26,305	11,344	5,775	527	8,659
421	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
422	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
423	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	67,770	29,227	14,877	1,358	22,309
424	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	7,849	3,385	1,723	157	2,584
425	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	110,810	47,788	24,325	2,220	36,476
426	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
427	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
428		Retirement Work In Progress	6.4	P, S, T & D Plant - Demand	3,211	1,385	705	64	1,057
429									
430		Total General Plant			269,271	116,126	59,111	5,395	88,639

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF RESERVE FOR DEPRECIATION									
431									
432		Shared Services General Office:							
433									
434		General:							
435									
436	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
437	39000	Structures & Improvements	6.4	P, S, T & D Plant - Demand	193	83	42	4	63
438	39002	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
439	37503	Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
440	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
441	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	68,477	29,531	15,032	1,372	22,541
442	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	59,948	25,853	13,160	1,201	19,734
443	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	283	122	62	6	93
444	39103	Office Machines	6.4	P, S, T & D Plant - Demand	466	201	102	9	153
445	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	70	30	15	1	23
446	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
447	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
448	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	7	3	2	0	2
449	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	48	21	11	1	16
450	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
451	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
452	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
453	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
454	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	5,556	2,396	1,220	111	1,829
455	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
456	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
457	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
458	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	533	230	117	11	175
459	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	27	12	6	1	9
460	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	55,536	23,950	12,191	1,113	18,281
461	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	21,597	9,314	4,741	433	7,109
462	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	11,675	5,035	2,563	234	3,843
463	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	10,071	4,343	2,211	202	3,315
464	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	10,648	4,592	2,337	213	3,505
465	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	40,995	17,675	8,997	821	13,491
466	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	14,049	6,059	3,084	281	4,624
467	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	379,582	163,690	83,323	7,605	124,944
468	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	24,626	10,620	5,408	493	8,106
469	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	0	0	0	0
470		Retirement Work in Progress	6.4	P, S, T & D Plant - Demand	(51)	(22)	(11)	(1)	(17)
471									
472		Total General Plant			704,305	303,739	154,612	14,111	231,843
473									
474		Shared Services Customer Support:							
475									
476		General:							
477									
478	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
479	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
480	39002	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
481	37503	Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
482	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
483	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	23,210	10,009	5,095	465	7,640
484	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	427	184	94	9	141
485	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
486	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
487	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
488	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
489	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
490	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
491	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
492	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
493	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
494	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
495	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
496	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	145,137	62,592	31,881	2,908	47,776
497	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
498	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
499	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
500	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	9	4	2	0	3
501	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	(10)	(4)	(2)	(0)	(3)
502	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	108,203	46,664	23,753	2,168	35,618
503	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	75,186	32,425	16,505	1,508	24,750
504	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	4,035	1,740	886	81	1,328
505	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
506	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
507	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	33,521	14,456	7,359	672	11,034
508	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	27,060	11,670	5,940	542	8,908
509	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	676,189	291,614	148,440	13,547	222,588
510	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
511	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	234,132	100,972	51,398	4,691	77,072
512		Retirement Work in Progress	6.4	P, S, T & D Plant - Demand	0	-	-	-	-
513									
514		Total General Plant			1,327,098	572,326	291,330	26,586	436,855
515									
516		TOTAL RESERVE FOR DEPRECIATION - DEMAND			31,921,444	13,766,460	7,007,523	639,544	10,507,916

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF RESERVE FOR DEPRECIATION

Commodity

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
517		Intangible Plant:							
518									
519	30100	Organization	6.8	P, S, T & D Plant - Commodity	89	30	16	2	41
520	30200	Franchises & Consents	6.8	P, S, T & D Plant - Commodity	1,285	432	234	22	596
521	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
522									
523		Total Intangible Plant			1,374	462	251	24	636
524									
526		Production Plant:							
526									
527	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
528	32540	Rights of Ways	99.0	-	0	-	-	-	-
529	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
530	33201	Field Lines	99.0	-	0	-	-	-	-
531	33202	Tributary Lines	99.0	-	0	-	-	-	-
532	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
533	33600	Purification Equipment	99.0	-	0	-	-	-	-
534									
535		Total Production Plant			0	0	0	0	0
536									
537		Storage Plant:							
538									
539	35010	Land	1.5	Winter Volumes	0	-	-	-	-
540	35020	Rights of Way	1.5	Winter Volumes	2,341	787	427	40	1,086
541	35100	Structures and Improvements	1.5	Winter Volumes	2,586	870	471	45	1,200
542	35102	Compression Station Equipment	1.5	Winter Volumes	59,169	19,902	10,787	1,023	27,457
543	35103	Meas. & Reg. Sta. Structues	1.5	Winter Volumes	12,148	4,086	2,215	210	5,637
544	35104	Other Structures	1.5	Winter Volumes	70,517	23,719	12,856	1,220	32,723
545	35200	Wells \ Rights of Way	1.5	Winter Volumes	170,607	57,384	31,104	2,951	79,168
546	35201	Well Construction	1.5	Winter Volumes	826,243	277,910	150,634	14,291	383,408
547	35202	Well Equipment	1.5	Winter Volumes	276,747	93,085	50,454	4,787	128,421
548	35203	Cushion Gas	1.5	Winter Volumes	63,867	21,482	11,644	1,105	29,637
549	35210	Leaseholds	1.5	Winter Volumes	89,310	30,040	16,282	1,545	41,443
550	35211	Storage Rights	1.5	Winter Volumes	26,372	8,870	4,808	456	12,238
551	35301	Field Lines	1.5	Winter Volumes	93,691	31,513	17,081	1,620	43,476
552	35302	Tributary Lines	1.5	Winter Volumes	109,941	36,979	20,043	1,902	51,017
553	35400	Compressor Station Equipment	1.5	Winter Volumes	234,189	78,770	42,695	4,051	108,673
554	35500	Meas & Reg. Equipment	1.5	Winter Volumes	120,435	40,509	21,957	2,083	55,886
555	35600	Purification Equipment	1.5	Winter Volumes	82,457	27,735	15,033	1,426	38,263
556									
557		Total Storage Plant			2,240,819	753,841	408,492	38,754	1,039,733
558									
559		Transmission:							
560									
561	36510	Land & Land Rights	99.0	-	0	-	-	-	-
562	36520	Rights of Way	99.0	-	0	-	-	-	-
563	36602	Structures & Improvements	99.0	-	0	-	-	-	-
564	36603	Other Structues	99.0	-	0	-	-	-	-
565	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
566	36701	Mains - Steel	99.0	-	0	-	-	-	-
567	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
568	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
569									
570		Total Transmission Plant			0	-	-	-	-
571									
572		Distribution:							
573									
574	37400	Land & Land Rights	99.0	-	0	-	-	-	-
575	37401	Land	99.0	-	0	-	-	-	-
576	37402	Land Rights	99.0	-	0	-	-	-	-
577	37403	Land Other	99.0	-	0	-	-	-	-
578	37500	Structures & Improvements	99.0	-	0	-	-	-	-
579	37501	Structures & Improvements T.B.	99.0	-	0	-	-	-	-
580	37502	Land Rights	99.0	-	0	-	-	-	-
581	37503	Improvements	99.0	-	0	-	-	-	-
582	37600	Mains Cathodic Protection	99.0	-	0	-	-	-	-
583	37601	Mains - Steel	99.0	-	0	-	-	-	-
584	37602	Mains - Plastic	99.0	-	0	-	-	-	-
585	37800	Meas & Reg. Sta. Equip - General	99.0	-	0	-	-	-	-
586	37900	Meas & Reg. Sta. Equip - City Gate	99.0	-	0	-	-	-	-
587	37905	Meas & Reg. Sta. Equipment T.b.	99.0	-	0	-	-	-	-
588	38000	Services	99.0	-	0	-	-	-	-
589	38100	Meters	99.0	-	0	-	-	-	-
590	38200	Meter Installaitons	99.0	-	0	-	-	-	-
591	38300	House Regulators	99.0	-	0	-	-	-	-
592	38400	House Reg. Installations	99.0	-	0	-	-	-	-
593	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
594	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
595									
596		Total Distribution Plant			0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF RESERVE FOR DEPRECIATION										
597										
598		General:								
599										
600	38900	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	305	103	56	5	142	
601	39000	Structures Frame	6.6	P, S, T & D Plant - Commodity	1,792	603	327	31	832	
602	39001	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
603	39002	Improvements	6.6	P, S, T & D Plant - Commodity	1,495	503	273	26	694	
604	39003	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	3,214	1,081	586	56	1,491	
605	39004	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	71	24	13	1	33	
606	39009	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	12,840	4,319	2,341	222	5,958	
607	39100	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	(19,616)	(6,598)	(3,576)	(339)	(9,103)	
608	39102	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
609	39103	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	(1,155)	(389)	(211)	(20)	(536)	
610	39200	Trucks	6.6	P, S, T & D Plant - Commodity	(5,544)	(1,865)	(1,011)	(96)	(2,572)	
611	39201	Trailers	6.6	P, S, T & D Plant - Commodity	288	97	53	5	134	
612	39202	Stores Equipment	6.6	P, S, T & D Plant - Commodity	190	64	35	3	88	
613	39300	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
614	39400	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	3,413	1,148	622	59	1,584	
615	39600	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
616	39603	Backhoes	6.6	P, S, T & D Plant - Commodity	(719)	(242)	(131)	(12)	(334)	
617	39604	Welders	6.6	P, S, T & D Plant - Commodity	315	106	57	5	146	
618	39605	Communication Equipment	6.6	P, S, T & D Plant - Commodity	214	72	39	4	99	
619	39700	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	(3,176)	(1,068)	(579)	(55)	(1,474)	
620	39701	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	(237)	(80)	(43)	(4)	(110)	
621	39702	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	(365)	(123)	(67)	(6)	(170)	
622	39705	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	(1,481)	(498)	(270)	(26)	(687)	
623	39800	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	14,082	4,736	2,567	244	6,534	
624	39900	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
625	39901	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	1,887	635	344	33	875	
626	39902	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	1,270	427	232	22	589	
627	39903	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	5,486	1,845	1,000	95	2,546	
628	39904	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
629	39905	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
630	39906	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	26,690	8,977	4,866	462	12,385	
631	39907	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	2,504	842	457	43	1,162	
632	39908	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	3,721	1,251	678	64	1,727	
633	39909	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
634		Retirement Work In Progress	6.6	P, S, T & D Plant - Commodity	(70,754)	(23,798)	(12,899)	(1,224)	(32,832)	
635										
636		Total General Plant			(23,270)	(7,827)	(4,242)	(402)	(10,798)	
637										
638		TOTAL DIRECT RESERVE FOR DEPRECIATION			2,218,723	746,278	404,500	38,375	1,029,572	
639										
640		Kentucky Mid-States General Office:								
641										
642		Intangible Plant:								
643										
644	30100	Organization	99.0	-	0	-	-	-	-	
645	30200	Franchises & Consents	99.0	-	0	-	-	-	-	
646	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-	
647										
648		Total Intangible Plant:								
649										
650		General:								
651										
652	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
653	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	126	42	23	2	59	
654	39002	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
655	38900	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
656	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	21	7	4	0	10	
657	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	180	60	33	3	83	
658	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	238	80	43	4	110	
659	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	(4)	(1)	(1)	(0)	(2)	
660	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	(79)	(27)	(14)	(1)	(37)	
661	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	28	9	5	0	13	
662	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
663	39202	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
664	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	9	3	2	0	4	
665	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	150	50	27	3	70	
666	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	32	11	6	1	15	
667	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
668	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
669	39605	Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
670	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	760	256	138	13	352	
671	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
672	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
673	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
674	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	1,092	367	199	19	507	
675	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	282	95	51	5	131	
676	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	262	88	48	5	122	
677	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	42	14	8	1	20	
678	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	1,548	521	282	27	718	
679	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
680	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
681	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	3,988	1,341	727	69	1,851	
682	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	462	155	84	8	214	
683	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	6,521	2,193	1,189	113	3,026	
684	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
685	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
686		Retirement Work In Progress	6.6	P, S, T & D Plant - Commodity	189	64	34	3	88	
687										
688		Total General Plant			15,847	5,330	2,889	274	7,354	

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF RESERVE FOR DEPRECIATION										
689										
690		Shared Services General Office:								
691										
692		General:								
693										
694	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
695	39000	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	11	4	2	0	5	
696	36602	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
697	37503	Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
698	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
699	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	4,030	1,355	735	70	1,670	
700	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	3,528	1,187	643	61	1,637	
701	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	17	6	3	0	8	
702	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	27	9	5	0	13	
703	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	4	1	1	0	2	
704	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
705	39202	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
706	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	0	0	0	0	
707	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	3	1	1	0	1	
708	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
709	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
710	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
711	39605	Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
712	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	327	110	60	6	152	
713	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
714	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
715	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
716	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	31	11	6	1	15	
717	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	2	1	0	0	1	
718	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	3,268	1,099	598	57	1,617	
719	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	1,271	428	232	22	590	
720	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	687	231	125	12	319	
721	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	593	199	108	10	275	
722	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	627	211	114	11	291	
723	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	2,412	811	440	42	1,119	
724	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	827	278	151	14	384	
725	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	22,338	7,513	4,072	386	10,365	
726	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	1,449	487	264	25	673	
727	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	0	0	0	0	
728		Retirement Work In Progress	6.6	P, S, T & D Plant - Commodity	(3)	(1)	(1)	(0)	(1)	
729										
730		Total General Plant			41,449	13,942	7,557	717	19,234	
731					6,806	2,289	1,241	118	3,158	
732		Shared Services Customer Support:								
733										
734		General:								
735										
736	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
737	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
738	36602	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
739	37503	Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
740	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
741	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	1,386	459	249	24	634	
742	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	25	8	5	0	12	
743	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
744	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
745	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
746	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
747	39202	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
748	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
749	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
750	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
751	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
752	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
753	39605	Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
754	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	8,541	2,873	1,557	148	3,964	
755	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
756	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
757	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
758	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	1	0	0	0	0	
759	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	(1)	(0)	(0)	(0)	(0)	
760	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	6,388	2,142	1,161	110	2,955	
761	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	4,425	1,488	807	77	2,053	
762	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	237	80	43	4	110	
763	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
764	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
765	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	1,973	664	360	34	915	
766	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	1,593	536	290	28	739	
767	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	39,794	13,385	7,255	688	18,466	
768	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
769	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	13,779	4,635	2,512	238	6,394	
770		Retirement Work In Progress	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
771										
772		Total General Plant			78,101	26,270	14,239	1,351	36,242	
773										
774		TOTAL RESERVE FOR DEPRECIATION - COMMODITY			2,354,120	791,617	429,185	40,717	1,092,401	

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF RESERVE FOR DEPRECIATION

Total Reserve for Depreciation

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
775		Intangible Plant:							
776									
777	30100	Organization			8,330	6,039	1,474	92	724
778	30200	Franchises & Consents			119,853	86,899	21,207	1,329	10,417
779	30300	Misc Intangible Plant			0	-	-	-	-
780									
781		Total Intangible Plant:			128,182	92,938	22,681	1,422	11,142
782									
783		Production Plant:							
784									
785	32520	Producing Leaseholds			439	189	86	9	144
786	32540	Rights of Ways			6,050	2,609	1,328	121	1,991
787	33100	Production Gas Wells Equipment			3,492	1,506	767	70	1,150
788	33201	Field Lines			47,163	20,339	10,353	945	15,525
789	33202	Tributary Lines			529,956	228,549	116,338	10,618	174,451
790	33400	Field Meas. & Reg. Sta. Equip			189,625	81,778	41,627	3,799	62,421
791	33600	Purification Equipment			7,391	3,187	1,622	148	2,433
792									
793		Total Production Plant			784,116	338,158	172,132	15,710	258,116
794									
795		Storage Plant:							
796									
797	35010	Land			0	-	-	-	-
798	35020	Rights of Way			4,682	1,797	941	87	1,857
799	35100	Structures and Improvements			5,172	1,985	1,039	97	2,051
800	35102	Compression Station Equipment			118,337	45,419	23,776	2,209	46,934
801	35103	Meas. & Reg. Sta. Structures			24,295	9,325	4,881	453	9,636
802	35104	Other Structures			141,094	54,130	28,336	2,632	55,935
803	35200	Wells \ Rights of Way			341,215	130,961	68,556	6,369	135,329
804	35201	Well Construction			1,652,486	634,236	332,014	30,844	655,391
805	35202	Well Equipment			553,493	212,435	111,207	10,331	219,521
806	35203	Cushion Gas			127,734	49,025	25,664	2,384	50,660
807	35210	Leaseholds			178,619	68,555	35,868	3,334	70,842
808	35211	Storage Rights			52,744	20,243	10,597	984	20,919
809	35301	Field Lines			187,383	71,919	37,649	3,496	74,318
810	35302	Tributary Lines			219,881	84,392	44,178	4,104	87,207
811	35400	Compressor Station Equipment			468,378	179,767	94,106	8,743	185,763
812	35500	Meas & Reg. Equipment			240,870	92,448	48,395	4,496	95,531
813	35600	Purification Equipment			164,915	63,298	33,134	3,078	65,407
814									
815		Total Storage Plant			4,481,238	1,719,931	900,362	83,644	1,777,301
816									
817		Transmission:							
818									
819	36510	Land & Land Rights			18	7	3	0	5
820	36520	Rights of Way			382,614	165,006	83,993	7,666	125,949
821	36602	Structures & Improvements			12,241	5,279	2,687	245	4,029
822	36603	Other Structures			56,261	24,263	12,351	1,127	18,520
823	36700	Mains Cathodic Protection			274,189	118,247	60,191	5,493	90,258
824	36701	Mains - Steel			16,295,550	7,027,628	3,577,264	326,480	5,364,177
825	36900	Meas. & Reg. Equipment			271,774	117,206	59,661	5,445	89,463
826	36901	Meas. & Reg. Equipment			1,458,137	628,837	320,096	29,214	479,990
827									
828		Total Transmission Plant			18,750,783	8,086,473	4,116,247	375,671	6,172,392
829									
830		Distribution:							
831									
832	37400	Land & Land Rights			57,145	46,932	7,212	224	2,776
833	37401	Land			(7,250)	(5,955)	(915)	(28)	(352)
834	37402	Land Rights			40,097	32,931	5,061	157	1,948
835	37403	Land Other			0	-	-	-	-
836	37500	Structures & Improvements			64,248	52,766	8,109	252	3,121
837	37501	Structures & Improvements T.B.			81,109	66,614	10,237	318	3,940
838	37502	Land Rights			43,060	35,365	5,435	169	2,092
839	37503	Improvements			645	530	81	3	31
840	37600	Mains Cathodic Protection			2,088,342	1,715,123	263,570	8,195	101,454
841	37601	Mains - Steel			41,495,937	34,079,980	5,237,201	162,843	2,015,913
842	37602	Mains - Plastic			10,375,985	8,521,638	1,309,553	40,719	504,075
843	37800	Meas & Reg. Sta. Equip - General			1,376,143	1,130,205	173,683	5,400	66,854
844	37900	Meas & Reg. Sta. Equip - City Gate			297,255	244,131	37,517	1,167	14,441
845	37905	Meas & Reg. Sta. Equipment T.B.			993,004	815,539	125,327	3,897	48,241
846	38000	Services			47,438,241	42,082,980	5,240,078	57,175	58,028
847	38100	Meters			4,087,072	2,455,452	1,374,776	127,494	129,350
848	38200	Meter Installaitons			10,485,132	6,299,311	3,526,904	327,077	331,840
849	38300	House Regulators			3,133,737	1,882,703	1,054,101	97,755	99,179
850	38400	House Reg. Installations			111,025	66,702	37,348	3,463	3,514
851	38500	Ind. Meas. & Reg. Sta. Equipment			2,459,576	-	-	-	2,459,576
852	38600	Other Prop. On Cust. Prem			0	-	-	-	-
853									
854		Total Distribution Plant			124,620,502	99,522,926	18,415,275	836,280	5,846,021

Atmos Energy Corporation, Kentucky/Mid-States Division									
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ALLOCATION OF RESERVE FOR DEPRECIATION									
855									
856		General:							
857									
858	38900	Land & Land Rights			28,459	20,634	5,035	316	2,474
859	39000	Structures Frame			167,180	121,213	29,592	1,854	14,531
860	39001	Structures & Improvements			0	-	-	-	-
861	39002	Improvements			139,457	101,113	24,676	1,547	12,122
862	39003	Air Conditioning Equipment			299,811	217,377	53,050	3,325	26,059
863	39004	Improvement to leased Premises			6,611	4,794	1,170	73	575
864	39009	Office Furniture & Equipment			1,197,680	868,372	211,924	13,283	104,101
865	39100	Remittance Processing Equip			(1,829,796)	(1,326,685)	(323,773)	(20,294)	(159,044)
866	39102	Office Machines			0	-	-	-	-
867	39103	Transportation Equipment			(107,750)	(78,124)	(19,068)	(1,195)	(9,368)
868	39200	Trucks			(517,107)	(374,928)	(91,500)	(5,735)	(44,946)
869	39201	Trailers			26,913	19,513	4,762	298	2,339
870	39202	Stores Equipment			17,683	12,821	3,129	196	1,537
871	39300	Tools, Shop & Garage Equipment			0	-	-	-	-
872	39400	Power Operated Equipment			318,358	230,824	56,332	3,531	27,671
873	39600	Ditchers			0	-	-	-	-
874	39603	Backhoes			(67,041)	(48,608)	(11,863)	(744)	(5,827)
875	39604	Welders			29,366	21,292	5,196	326	2,552
876	39605	Communication Equipment			19,971	14,480	3,534	221	1,736
877	39700	Communication Equipment - Mobile Radios			(296,216)	(214,771)	(52,414)	(3,285)	(25,747)
878	39701	Communication Equipment - Fixed Radios			(22,087)	(16,014)	(3,908)	(245)	(1,920)
879	39702	Communication Equip. - Telemetering			(34,136)	(24,750)	(6,040)	(379)	(2,967)
880	39705	Miscellaneous Equipment			(138,169)	(100,179)	(24,448)	(1,532)	(12,009)
881	39800	Other Tangible Property			1,313,548	952,381	232,426	14,568	114,172
882	39900	Other Tangible Property - Servers - H/W			0	-	-	-	-
883	39901	Other Tangible Property - Servers - S/W			175,990	127,601	31,141	1,952	15,297
884	39902	Other Tangible Property - Network - H/W			118,461	85,890	20,961	1,314	10,297
885	39903	Other Tang. Property - CPU			511,781	371,065	90,557	5,676	44,484
886	39904	Other Tangible Property - MF - Hardware			0	-	-	-	-
887	39905	Other Tang. Property - PC Hardware			0	-	-	-	-
888	39906	Other Tang. Property - PC Software			2,469,892	1,805,139	440,539	27,612	216,402
889	39907	Other Tang. Property - Mainframe S/W			233,579	169,356	41,331	2,591	20,303
890	39908	Other Tang. Property - Application Software			347,064	251,637	61,411	3,849	30,167
891	39909	Other Tang. Property - General Startup Costs			0	-	-	-	-
892		Retirement Work in Progress			(8,599,945)	(4,785,258)	(1,167,828)	(73,197)	(573,661)
893									
894		Total General Plant			(2,170,641)	(1,573,813)	(384,084)	(24,074)	(188,670)
895									
896		TOTAL DIRECT RESERVE FOR DEPRECIATION			146,594,180	108,186,614	23,242,612	1,288,653	13,876,301
897									
898		Kentucky Mid-States General Office:							
899									
900		Intangible Plant:							
901									
902	30100	Organization			0	-	-	-	-
903	30200	Franchises & Consents			0	-	-	-	-
904	30300	Misc Intangible Plant			0	-	-	-	-
905									
906		Total Intangible Plant:							
907									
908		General:							
909									
910	37400	Land & Land Rights			0	-	-	-	-
911	38001	Structures Frame			11,773	8,536	2,083	131	1,023
912	38002	Structures & Improvements			0	-	-	-	-
913	38900	Land & Land Rights			0	-	-	-	-
914	39004	Air Conditioning Equipment			1,970	1,428	349	22	171
915	39009	Improvement to leased Premises			16,752	12,146	2,964	186	1,456
916	39100	Office Furniture & Equipment			22,184	16,085	3,925	246	1,928
917	39102	Remittance Processing Equip			(387)	(280)	(68)	(4)	(34)
918	39103	Office Machines			(7,395)	(5,361)	(1,308)	(82)	(643)
919	39200	Transportation Equipment			2,613	1,895	462	29	227
920	39201	Trucks			0	-	-	-	-
921	39202	Trailers			0	-	-	-	-
922	39300	Stores Equipment			835	605	148	9	73
923	39400	Tools, Shop & Garage Equipment			13,991	10,144	2,476	155	1,216
924	39600	Power Operated Equipment			2,974	2,157	526	33	259
925	39603	Ditchers			0	-	-	-	-
926	39604	Backhoes			0	-	-	-	-
927	39605	Welders			0	-	-	-	-
928	39700	Communication Equipment			70,858	51,375	12,538	786	6,159
929	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
930	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
931	39705	Communication Equip. - Telemetering			0	-	-	-	-
932	39800	Miscellaneous Equipment			101,906	73,886	18,032	1,130	8,858
933	39900	Other Tangible Property			26,276	19,052	4,649	291	2,284
934	39901	Other Tangible Property - Servers - H/W			24,457	17,733	4,328	271	2,126
935	39902	Other Tangible Property - Servers - S/W			3,931	2,850	696	44	342
936	39903	Other Tangible Property - Network - H/W			144,403	104,699	25,551	1,602	12,551
937	39904	Other Tang. Property - CPU			0	-	-	-	-
938	39905	Other Tangible Property - MF - Hardware			0	-	-	-	-
939	39906	Other Tang. Property - PC Hardware			372,033	269,741	65,829	4,126	32,337
940	39907	Other Tang. Property - PC Software			43,089	31,242	7,624	478	3,745
941	39908	Other Tang. Property - Mainframe S/W			608,307	441,050	107,637	6,748	52,874
942	39909	Other Tang. Property - Application Software			0	-	-	-	-
943	39924	Other Tang. Property - General Startup Costs			0	-	-	-	-
944		Retirement Work in Progress			17,629	12,782	3,119	196	1,532
945									
946		Total General Plant			1,476,201	1,071,762	261,560	16,394	128,484

Atmos Energy Corporation, Kentucky/Mid-States Division									
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ALLOCATION OF RESERVE FOR DEPRECIATION									
947									
948		Shared Services General Office:							
949									
950		General:							
951									
952	37400	Land & Land Rights			0	-	-	-	-
953	39000	Structures & Improvements			1,057	766	187	12	92
954	39002	Structures & Improvements			0	-	-	-	-
955	37503	Improvements			0	-	-	-	-
956	39004	Air Conditioning Equipment			0	-	-	-	-
957	39009	Improvement to leased Premises			375,915	272,555	66,516	4,169	32,674
958	39100	Office Furniture & Equipment			329,095	238,608	58,232	3,650	28,605
959	39102	Remittance Processing Equip			1,556	1,128	275	17	135
960	39103	Office Machines			2,558	1,855	453	28	222
961	39200	Transportation Equipment			382	277	68	4	33
962	39201	Trucks			0	-	-	-	-
963	39202	Trailers			0	-	-	-	-
964	39300	Stores Equipment			38	27	7	0	3
965	39400	Tools, Shop & Garage Equipment			266	193	47	3	23
966	39600	Power Operated Equipment			0	-	-	-	-
967	39603	Ditchers			0	-	-	-	-
968	39604	Backhoes			0	-	-	-	-
969	39605	Welders			0	-	-	-	-
970	39700	Communication Equipment			30,500	22,114	5,397	338	2,651
971	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
972	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
973	39705	Communication Equip. - Telemetering			0	-	-	-	-
974	39800	Miscellaneous Equipment			2,923	2,120	517	32	254
975	39900	Other Tangible Property			147	107	26	2	13
976	39901	Other Tangible Property - Servers - H/W			304,872	221,046	53,946	3,381	26,499
977	39902	Other Tangible Property - Servers - S/W			116,558	85,960	20,978	1,315	10,305
978	39903	Other Tangible Property - Network - H/W			64,089	46,468	11,340	711	5,571
979	39904	Other Tang. Property - CPU			55,288	40,066	9,783	613	4,806
980	39905	Other Tangible Property - MF - Hardware			58,454	42,382	10,343	648	5,081
981	39906	Other Tang. Property - PC Hardware			224,992	163,129	39,811	2,495	19,556
982	39907	Other Tang. Property - PC Software			77,121	55,916	13,646	855	6,703
983	39908	Other Tang. Property - Mainframe S/W			2,083,660	1,510,748	368,694	23,109	181,110
984	39909	Other Tang. Property - Application Software			135,189	98,018	23,921	1,499	11,751
985	39924	Other Tang. Property - General Startup Costs			0	0	0	0	0
986		Retirement Work in Progress			(279)	(202)	(49)	(3)	(24)
987									
988		Total General Plant			3,866,380	2,803,300	684,137	42,880	336,062
989									
990		Shared Services Customer Support:							
991									
992		General:							
993									
994	37400	Land & Land Rights			0	-	-	-	-
995	39001	Structures Frame			0	-	-	-	-
996	39002	Structures & Improvements			0	-	-	-	-
997	37503	Improvements			0	-	-	-	-
998	39004	Air Conditioning Equipment			0	-	-	-	-
999	39009	Improvement to leased Premises			127,413	92,381	22,545	1,413	11,075
1000	39100	Office Furniture & Equipment			2,348	1,701	415	26	204
1001	39102	Remittance Processing Equip			0	-	-	-	-
1002	39103	Office Machines			0	-	-	-	-
1003	39200	Transportation Equipment			0	-	-	-	-
1004	39201	Trucks			0	-	-	-	-
1005	39202	Trailers			0	-	-	-	-
1006	39300	Stores Equipment			0	-	-	-	-
1007	39400	Tools, Shop & Garage Equipment			0	-	-	-	-
1008	39600	Power Operated Equipment			0	-	-	-	-
1009	39603	Ditchers			0	-	-	-	-
1010	39604	Backhoes			0	-	-	-	-
1011	39605	Welders			0	-	-	-	-
1012	39700	Communication Equipment			798,748	577,678	140,981	8,836	69,253
1013	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
1014	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
1015	39705	Communication Equip. - Telemetering			0	-	-	-	-
1016	39800	Miscellaneous Equipment			47	34	8	1	4
1017	39900	Other Tangible Property			(57)	(41)	(10)	(1)	(5)
1018	39901	Other Tangible Property - Servers - H/W			593,994	430,672	105,104	6,589	51,629
1019	39902	Other Tangible Property - Servers - S/W			412,743	299,258	73,033	4,578	35,875
1020	39903	Other Tangible Property - Network - H/W			22,149	16,059	3,919	246	1,925
1021	39904	Other Tang. Property - CPU			0	-	-	-	-
1022	39905	Other Tangible Property - MF - Hardware			0	-	-	-	-
1023	39906	Other Tang. Property - PC Hardware			184,017	133,421	32,561	2,041	15,995
1024	39907	Other Tang. Property - PC Software			148,549	107,705	26,285	1,648	12,912
1025	39908	Other Tang. Property - Mainframe S/W			3,712,037	2,691,395	656,827	41,169	322,647
1026	39909	Other Tang. Property - Application Software			0	-	-	-	-
1027	39924	Other Tang. Property - General Startup Costs			1,285,391	931,901	227,428	14,255	111,717
1028		Retirement Work in Progress			0	-	-	-	-
1029									
1030		Total General Plant			7,285,269	5,282,164	1,289,006	80,798	633,231
1031									
1032		TOTAL RESERVE FOR DEPRECIATION			159,224,051	117,343,841	25,477,406	1,428,726	14,974,078

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF OTHER RATE BASE

Customer

		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
1	Rate Base Additions:							
2								
3	Materials and Supplies - KY Direct	7.2	Allocated O&M Expenses - Cust	(35,296)	(28,359)	(5,426)	(372)	(1,139)
4	Materials and Supplies - KY Mid-States GO	7.2	Allocated O&M Expenses - Cust	146,786	117,937	22,564	1,546	4,738
5	Materials and Supplies - Shared Services GO	7.2	Allocated O&M Expenses - Cust	4	3	1	0	0
6	Materials and Supplies - Shared Services CS	7.2	Allocated O&M Expenses - Cust	0	-	-	-	-
7	Gas Storage Inventory	99.0	-	0	-	-	-	-
8	Prepayments - KY Direct	7.2	Allocated O&M Expenses - Cust	24,735	19,874	3,802	261	798
9	Prepayments - KY Mid-States GO	7.2	Allocated O&M Expenses - Cust	293	236	45	3	9
10	Prepayments - Shared Services GO	7.2	Allocated O&M Expenses - Cust	64,043	51,457	9,845	675	2,067
11	Prepayments - Shared Services CS	7.2	Allocated O&M Expenses - Cust	2,690	2,161	413	28	87
12	Cash Working Capital	7.2	Allocated O&M Expenses - Cust	351,042	282,050	53,982	3,698	11,331
13								
14	Total Rate Base Additions			554,297	445,359	85,207	5,839	17,892
15								
16								
17	Rate Base Deductions:							
18								
19	Customer Advances - KY Direct	2.0	Bills	(1,876,531)	(1,864,690)	(207,284)	(2,262)	(2,295)
20	Customer Advances - KY Mid-States GO	2.0	Bills	0	-	-	-	-
21	Customer Advances - Shared Services GO	2.0	Bills	0	-	-	-	-
22	Customer Advances - Shared Services CS	2.0	Bills	12,129	10,760	1,340	15	15
23	ADIT - KY Direct	9.2	Allocated Net Plant - Cust	(29,001,445)	(22,537,927)	(5,343,439)	(325,277)	(794,803)
24	ADIT - KY Mid-States GO	9.2	Allocated Net Plant - Cust	(108,157)	(82,498)	(19,559)	(1,191)	(2,909)
25	ADIT - Shared Services GO	9.2	Allocated Net Plant - Cust	(578,380)	(449,485)	(106,567)	(6,487)	(15,851)
26	ADIT - Shared Services CS	9.2	Allocated Net Plant - Cust	2,227,115	1,730,760	410,340	24,979	61,035
27								
28	Total Rate Base Deductions			(29,323,279)	(22,993,080)	(5,265,168)	(310,223)	(754,808)
29								
30								
31	TOTAL OTHER RB - CUSTOMER			(28,768,982)	(22,547,720)	(5,179,982)	(304,384)	(736,916)
32								
33	Interest on Customer Deposits	2.0	Bills	0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division								
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Forecasted Test Period: Twelve Months Ended March 31, 2011								
ALLOCATION OF OTHER RATE BASE								
34								
35		Demand						
36								
37								
38			Allocation	Allocation	Total		Commercial &	Firm	Industrial &
39			Factor	Basis	Company	Residential	Public Authority	Industrial	Transport
40									
41	Rate Base Additions:								
42									
43		Materials and Supplies - KY Direct	7.4	Allocated O&M Expenses - Demand	(3,032)	(1,308)	(686)	(61)	(998)
44		Materials and Supplies - KY Mid-States GO	7.4	Allocated O&M Expenses - Demand	12,611	5,439	2,768	253	4,151
45		Materials and Supplies - Shared Services GO	7.4	Allocated O&M Expenses - Demand	0	0	0	0	0
46		Materials and Supplies - Shared Services CS	7.4	Allocated O&M Expenses - Demand	0	-	-	-	-
47		Gas Storage Inventory	99.0	-	0	-	-	-	-
48		Prepayments - KY Direct	7.4	Allocated O&M Expenses - Demand	2,125	916	467	43	700
49		Prepayments - KY Mid-States GO	7.4	Allocated O&M Expenses - Demand	25	11	6	1	8
50		Prepayments - Shared Services GO	7.4	Allocated O&M Expenses - Demand	5,502	2,373	1,208	110	1,811
51		Prepayments - Shared Services CS	7.4	Allocated O&M Expenses - Demand	231	100	51	5	76
52		Cash Working Capital	7.4	Allocated O&M Expenses - Demand	30,160	13,007	6,621	604	9,928
53									
54	Total Rate Base Additions				47,623	20,538	10,454	954	15,676
55									
56									
57	Rate Base Deductions:								
58									
59		Customer Advances - KY Direct	99.0	-	0	-	-	-	-
60		Customer Advances - KY Mid-States GO	99.0	-	0	-	-	-	-
61		Customer Advances - Shared Services GO	99.0	-	0	-	-	-	-
62		Customer Advances - Shared Services CS	99.0	-	0	-	-	-	-
63		ADIT - KY Direct	9.4	Allocated Net Plant - Demand	(5,904,255)	(2,546,273)	(1,296,126)	(118,291)	(1,943,566)
64		ADIT - KY Mid-States GO	9.4	Allocated Net Plant - Demand	(21,612)	(9,320)	(4,744)	(433)	(7,114)
65		ADIT - Shared Services GO	9.4	Allocated Net Plant - Demand	(117,751)	(50,782)	(25,849)	(2,359)	(38,761)
66		ADIT - Shared Services CS	9.4	Allocated Net Plant - Demand	453,407	195,537	99,534	9,084	149,253
67									
68	Total Rate Base Deductions				(5,590,212)	(2,410,836)	(1,227,186)	(112,000)	(1,840,189)
69									
70									
71	TOTAL OTHER RB - DEMAND				(5,542,589)	(2,390,300)	(1,216,731)	(111,045)	(1,824,512)
72									
73	Interest on Customer Deposits		3.0	Peak Day	0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division								
Kentucky Jurisdiction Case No. 2009-00354								
Forecasted Test Period: Twelve Months Ended March 31, 2011								
ALLOCATION OF OTHER RATE BASE								
74								
75	Commodity							
76								
77								
78		*Allocation*	*Allocation*	Total		Commercial &	Firm	Industrial &
79		Factor	Basis	Company	Residential	Public Authority	Industrial	Transport
80								
81	Rate Base Additions:							
82								
83	Materials and Supplies - KY Direct	7.6	Allocated O&M Expenses - Comm	(247,783)	(148,567)	(67,835)	(7,823)	(3,558)
84	Materials and Supplies - KY Mid-States GO	7.6	Allocated O&M Expenses - Comm	1,030,460	617,848	365,260	32,536	14,796
85	Materials and Supplies - Shared Services GO	7.6	Allocated O&M Expenses - Comm	29	18	10	1	0
86	Materials and Supplies - Shared Services CS	7.6	Allocated O&M Expenses - Comm	0	-	-	-	-
87	Gas Storage Inventory	1.0	Mcf	11,235,428	2,872,702	1,689,605	149,148	6,543,973
88	Prepayments - KY Direct	7.6	Allocated O&M Expenses - Comm	173,642	104,113	61,553	5,483	2,493
89	Prepayments - KY Mid-States GO	7.6	Allocated O&M Expenses - Comm	2,080	1,235	730	65	30
90	Prepayments - Shared Services GO	7.6	Allocated O&M Expenses - Comm	449,595	269,570	159,374	14,196	6,456
91	Prepayments - Shared Services CS	7.6	Allocated O&M Expenses - Comm	18,882	11,321	6,693	596	271
92	Cash Working Capital	7.6	Allocated O&M Expenses - Comm	2,464,370	1,477,598	873,576	77,810	35,386
93								
94	Total Rate Base Additions			15,126,684	5,205,838	3,048,987	272,011	6,599,848
95								
96								
97	Rate Base Deductions:							
98								
99	Customer Advances - KY Direct	99.0	-	0	-	-	-	-
100	Customer Advances - KY Mid-States GO	99.0	-	0	-	-	-	-
101	Customer Advances - Shared Services GO	99.0	-	0	-	-	-	-
102	Customer Advances - Shared Services CS	99.0	-	0	-	-	-	-
103	ADIT - KY Direct	9.6	Allocated Net Plant - Comm	(265,542)	(89,316)	(48,412)	(4,593)	(123,222)
104	ADIT - KY Mid-States GO	9.6	Allocated Net Plant - Comm	(972)	(327)	(177)	(17)	(451)
105	ADIT - Shared Services GO	9.6	Allocated Net Plant - Comm	(5,298)	(1,781)	(965)	(92)	(2,457)
106	ADIT - Shared Services CS	9.6	Allocated Net Plant - Comm	20,392	6,859	3,718	353	9,463
107								
108	Total Rate Base Deductions			(251,418)	(84,566)	(45,837)	(4,349)	(116,668)
109								
110								
111	TOTAL OTHER RB - COMMODITY			14,875,266	5,121,273	3,003,151	267,662	6,483,180
112								
113	Interest on Customer Deposits	1.0	Mcf	0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division								
Kentucky Jurisdiction Case No. 2009-00354								
Forecasted Test Period: Twelve Months Ended March 31, 2011								
ALLOCATION OF OTHER RATE BASE								
114								
115	Total Other Rate Base							
116								
117								
118		Allocation	Allocation	Total		Commercial &	Firm	Industrial &
119		Factor	Basis	Company	Residential	Public Authority	Industrial	Transport
120								
121	Rate Base Additions:							
122								
123	Materials and Supplies - KY Direct			(286,111)	(178,233)	(93,926)	(8,256)	(5,695)
124	Materials and Supplies - KY Mid-States GO			1,189,657	741,224	390,612	34,335	23,686
125	Materials and Supplies - Shared Services GO			34	21	11	1	1
126	Materials and Supplies - Shared Services CS			0	-	-	-	-
127	Gas Storage Inventory			11,235,428	2,872,702	1,669,605	149,148	6,543,973
128	Prepayments - KY Direct			200,502	124,903	65,822	5,786	3,991
129	Prepayments - KY Mid-States GO			2,379	1,482	781	69	47
130	Prepayments - Shared Services GO			519,141	323,400	170,426	14,980	10,334
131	Prepayments - Shared Services CS			21,803	13,582	7,157	629	434
132	Cash Working Capital			2,845,572	1,772,655	934,159	82,112	56,645
133								
134	Total Rate Base Additions			15,728,604	5,871,735	3,144,649	278,804	6,633,416
135								
136								
137	Rate Base Deductions:							
138								
139	Customer Advances - KY Direct			(1,876,531)	(1,664,690)	(207,284)	(2,262)	(2,295)
140	Customer Advances - KY Mid-States GO			0	-	-	-	-
141	Customer Advances - Shared Services GO			0	-	-	-	-
142	Customer Advances - Shared Services CS			12,129	10,780	1,340	15	15
143	ADIT - KY Direct			(35,171,243)	(25,173,515)	(8,687,976)	(448,161)	(2,861,590)
144	ADIT - KY Mid-States GO			(128,741)	(92,146)	(24,481)	(1,640)	(10,475)
145	ADIT - Shared Services GO			(701,437)	(502,048)	(133,382)	(8,938)	(57,070)
146	ADIT - Shared Services CS			2,700,914	1,933,156	513,591	34,416	219,751
147								
148	Total Rate Base Deductions			(35,164,909)	(25,488,483)	(8,538,191)	(426,571)	(2,711,665)
149								
150								
151	TOTAL OTHER RB			(19,436,305)	(19,616,748)	(3,393,542)	(147,767)	3,921,751
152								
153	Interest on Customer Deposits			0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF O&M EXPENSES

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
1		Production & Gathering:							
2		Operation							
3	7500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
4	7510	Production Maps & Records	99.0	-	0	-	-	-	-
5	7530	Field Lines Expenses	99.0	-	0	-	-	-	-
6	7540	Field Compressor Station Expense	99.0	-	0	-	-	-	-
7	7550	Field Compressor Sta. Fuel & Pwr.	99.0	-	0	-	-	-	-
8	7560	Field Meas. & Regul. Station Exp	99.0	-	0	-	-	-	-
9	7570	Purification Expense	99.0	-	0	-	-	-	-
10	7580	Other Expenses	99.0	-	0	-	-	-	-
11		Maintenance							
12	7610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
13	7620	Structures and Improvements	99.0	-	0	-	-	-	-
14	7640	Field Line Maintenance	99.0	-	0	-	-	-	-
15	7650	Compressor Station Equip. Maint.	99.0	-	0	-	-	-	-
16	7660	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
17	7670	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
18	7680	Other Equipment Maintenance	99.0	-	0	-	-	-	-
19	7690	Gas Processed By Others	99.0	-	0	-	-	-	-
20		Total Production & Gathering			0	0	0	0	0
21									
22		Other Gas Supply Expenses:							
23		Operation							
24	8001	Intercompany Gas Wellhead Purchases	99.0	-	0	-	-	-	-
25	8040	Natural Gas City Gate Purchases	99.0	-	0	-	-	-	-
26	8045	Transportation to City Gate	99.0	-	0	-	-	-	-
27	8050	Transmission-Operation supervision and engineering	99.0	-	0	-	-	-	-
28	8051	Other Gas Purchases / Gas Cost Adjustments	99.0	-	0	-	-	-	-
29	8052	PGA for Commercial	99.0	-	0	-	-	-	-
30	8053	PGA for Industrial	99.0	-	0	-	-	-	-
31	8054	PGA for Public Authority	99.0	-	0	-	-	-	-
32	8057	PGA for Transportation Sales	99.0	-	0	-	-	-	-
33	8058	Unbilled PGA Costs	99.0	-	0	-	-	-	-
34	8059	PGA Offset to Unrecovered Gas Cost	99.0	-	0	-	-	-	-
35	8060	Exchange Gas	99.0	-	0	-	-	-	-
36	8081	Gas Withdrawn From Storage - Debit	99.0	-	0	-	-	-	-
37	8082	Gas Delivered to Storage	99.0	-	0	-	-	-	-
38	8120	Gas Used for Other Utility Operations	99.0	-	0	-	-	-	-
39	8130	Other Gas Supply Expenses	99.0	-	0	-	-	-	-
40		Maintenance							
41	8350	Maint. Of Purch. Gas Meas. Sta.	99.0	-	0	-	-	-	-
42		Total Other Gas Supply Expenses			0	0	0	0	0
43									
44		Underground Storage:							
45		Operation							
46	8140	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
47	8150	Maps & Records	99.0	-	0	-	-	-	-
48	8160	Wells Expense	99.0	-	0	-	-	-	-
49	8170	Lines Expense	99.0	-	0	-	-	-	-
50	8180	Compressor Station Expense	99.0	-	0	-	-	-	-
51	8190	Compressor Station Fuel & Power	99.0	-	0	-	-	-	-
52	8200	Meas. & Regul. Station Expenses	99.0	-	0	-	-	-	-
53	8210	Purification Expenses	99.0	-	0	-	-	-	-
54	8220	Exploration & Development	99.0	-	0	-	-	-	-
55	8230	Gas Losses	99.0	-	0	-	-	-	-
56	8240	Other Expenses	99.0	-	0	-	-	-	-
57	8250	Storage Well Royalties	99.0	-	0	-	-	-	-
58	8260	Rents	99.0	-	0	-	-	-	-
59		Maintenance							
60	8300	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
61	8310	Structures and Improvements	99.0	-	0	-	-	-	-
62	8320	Reservoirs & Wells Maintenance	99.0	-	0	-	-	-	-
63	8330	Line Maintenance	99.0	-	0	-	-	-	-
64	8340	Compressor Station Equip Maint	99.0	-	0	-	-	-	-
65	8350	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
66	8360	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
67	8370	Other Equipment Maintenance	99.0	-	0	-	-	-	-
68		Total Underground Storage Expense			0	0	0	0	0
69									
70		Transmission:							
71		Operation							
72	8500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
73	8510	System Control & Load Dispatching	99.0	-	0	-	-	-	-
74	8520	Communication Systems Expense	99.0	-	0	-	-	-	-
75	8530	Compressor Station Labor Expense	99.0	-	0	-	-	-	-
76	8540	Compressor Station Fuel Gas	99.0	-	0	-	-	-	-
77	8550	Compressor Station Fuel & Power	99.0	-	0	-	-	-	-
78	8560	Mains Expense	99.0	-	0	-	-	-	-
79	8570	Meas. & Regul. Station Expenses	99.0	-	0	-	-	-	-
80	8580	LDC Payment	99.0	-	0	-	-	-	-
81	8585	LDC Payment - A&G	99.0	-	0	-	-	-	-
82	8590	Other Expenses	99.0	-	0	-	-	-	-
83	8600	Rents	99.0	-	0	-	-	-	-
84		Maintenance							
85	8610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
86	8620	Structures and Improvements	99.0	-	0	-	-	-	-
87	8630	Mains	99.0	-	0	-	-	-	-
88	8640	Compressor Station Equip Maint	99.0	-	0	-	-	-	-
89	8650	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
90	8660	Communication Equipment Maintenance	99.0	-	0	-	-	-	-
91	8670	Other Equipment Maintenance	99.0	-	0	-	-	-	-
92		Total Transmission Expense			0	0	0	0	0

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

		ALLOCATION OF O&M EXPENSES								
93										
94		Distribution:								
95		Operation								
96	8700	Supervision and Engineering	10.2	Composite of Accts. 871-879 & 886-893 - Cust	1,104,703	869,937	180,370	9,550	44,846
97	8710	Distribution Load Dispatching	99.0	-	0	-	-	-	-
98	8711	Odorization	99.0	-	0	-	-	-	-
98	8720	Compressor Station Labor & Expenses	11.2	Composite of Accts. 376 & 380 - Cust	0	-	-	-	-
99	8740	Mains & Services	12.2	Composite of Accts. 374-379 - Cust	2,450,105	2,173,514	270,041	2,953	2,997
100	8750	Measuring and Regulating Station Exp. - Gen	11.2	Composite of Accts. 376 & 380 - Cust	114,873	101,905	12,689	138	141
101	8760	Measuring and Regulating Station Exp. - Ind.	5.0	Direct to Ind. & Trans.	114,311	-	-	-	114,311
102	8770	Measuring and Regulating Sta. Exp. - City Gate	11.2	Composite of Accts. 376 & 380 - Cust	126,342	112,080	13,956	152	155
103	8780	Meters and House Regulator Expense	13.2	Composite of Accts. 381-383 - Cust	958,857	576,869	322,069	29,942	30,378
104	8790	Customer Installations Expense	2.0	Bills	58,808	52,169	6,496	71	72
105	8800	Other Expense	10.2	Composite of Accts. 871-879 & 886-893 - Cust	13,590	10,702	2,219	117	552
106	8810	Rents	10.2	Composite of Accts. 871-879 & 886-893 - Cust	435,165	342,666	71,051	3,762	17,686
107		Maintenance							
108	8850	Maintenance Supervision and Engineering	10.2	Composite of Accts. 871-879 & 886-893 - Cust	972	765	159	8	39
109	8860	Maintenance of Structures and Improvements	12.2	Composite of Accts. 374-379 - Cust	9,210	7,284	907	10	10
110	8870	Maintenance of Mains	12.2	Composite of Accts. 374-379 - Cust	14,253	12,644	1,574	17	17
111	8890	Maintenance of compressor station equipment	99.0	-	0	-	-	-	-
112	8900	Maint. of Measuring and Regulating Station Equip. - General	12.2	Composite of Accts. 374-379 - Cust	5,022	4,455	555	6	6
113	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	5.0	Direct to Ind. & Trans.	9,977	-	-	-	9,977
114	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	12.2	Composite of Accts. 374-379 - Cust	27,554	24,443	3,044	33	34
115	8930	Maintenance of Services	14.2	Account 380 - Cust	2,124	1,885	235	3	3
116	8940	Maintenance of Meters and House Regulators	13.2	Composite of Accts. 381-383 - Cust	13,916	8,560	4,881	434	440
117	8950	Maintenance of Other Equipment	10.2	Composite of Accts. 871-879 & 886-893 - Cust	0	-	-	-	-
118		Total Distribution			5,459,783	4,299,496	891,446	47,197	221,644
119									
120		Customer Accounts:							
121	9010	Supervision	2.0	Bills	0	-	-	-	-
122	9020	Meter Reading Expense	2.0	Bills	764,770	678,436	84,477	922	935
123	9030	Customer Records and Collection Expenses	2.0	Bills	161,066	142,883	17,792	194	197
124	9040	Uncollectible Accounts	5.2	Uncollectible Accounts	909,895	744,224	97,307	68,354	-
125	9050	Miscellaneous Customer Accounts Expenses	2.0	Bills	0	-	-	-	-
126		Total Customer Accounts			1,835,732	1,585,543	199,576	69,480	1,133
127									
128		Customer Service and Information:							
129	9070	Supervision	2.0	Bills	(576)	(511)	(64)	(1)	(1)
130	9080	Customer Assistance Expenses	2.0	Bills	(18)	(16)	(2)	(0)	(0)
131	9090	Informational and Instructional Advertising Expenses	2.0	Bills	86,300	76,558	9,633	104	106
132	9100	Miscellaneous Customer Service and Informational Expenses	2.0	Bills	215	191	24	0	0
133		Total Customer Service and Information			85,921	76,222	9,591	104	105
134									
135		Sales:							
136	9110	Supervision	2.0	Bills	27,620	24,502	3,081	33	34
137	9120	Demonstrating and Selling Expenses	2.0	Bills	56,008	51,499	6,408	70	71
138	9130	Advertising Expenses	2.0	Bills	4,736	4,201	523	6	6
139	9180	Miscellaneous Sales Expenses	2.0	Bills	36	32	4	0	0
140		Total Sales			90,399	80,194	9,966	109	111
141									
142		Administrative & General:							
143		Operation							
144	9200	Administrative and General Salaries	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	0	-	-	-	-
145	9210	Office Supplies and Expenses	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	0	-	-	-	-
146	9220	Administrative Expenses Transferred - Customer Support	2.0	Bills	(10,505)	(9,390)	(1,169)	(13)	(13)
147	9220	Administrative Expenses Transferred - General	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	10,346,324	8,291,982	1,620,154	79,516	354,672
148	9230	Outside Services Employed	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	253,207	202,931	39,650	1,946	8,680
149	9240	Property Insurance	9.2	Allocated Net Plant - Cust	312,350	242,737	57,550	3,503	8,560
150	9250	Injuries and Damages	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	6,462	5,179	1,012	50	222
151	9260	Employee Pensions and Benefits	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	2,035,605	1,631,484	318,772	15,645	69,703
152	9270	Franchise Requirements	2.0	Bills	166,512	147,715	18,393	201	204
153	9280	Regulatory Commission Expenses	2.0	Bills	37,080	32,894	4,096	45	45
154	930.1	General Advertising Expenses	2.0	Bills	0	-	-	-	-
155	930.2	Miscellaneous General Expense	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	158,637	127,139	24,841	1,219	5,438
156	9310	Rents	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	0	-	-	-	-
157		Maintenance							
158	9320	Maintenance of General Plant	17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	45,035	36,093	7,052	346	1,544
159		Total A&G			13,350,707	10,706,763	2,090,352	102,458	449,134
160									
161		TOTAL O&M EXPENSE - CUSTOMER			20,822,542	16,730,218	3,200,850	219,348	672,126

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF O&M EXPENSES

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
162		Production & Gathering:							
163		Operation							
164	7500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
165	7510	Production Maps & Records	99.0	-	0	-	-	-	-
166	7530	Field Lines Expenses	99.0	-	0	-	-	-	-
167	7540	Field Compressor Station Expense	99.0	-	0	-	-	-	-
168	7550	Field Compressor Sta. Fuel & Pwr.	99.0	-	0	-	-	-	-
169	7560	Field Meas. & Regul. Station Exp	99.0	-	0	-	-	-	-
170	7570	Purification Expense	99.0	-	0	-	-	-	-
171	7580	Other Expenses	99.0	-	0	-	-	-	-
172		Maintenance							
173	7610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
174	7620	*Structures and Improvements*	99.0	-	0	-	-	-	-
175	7640	Field Line Maintenance	99.0	-	0	-	-	-	-
176	7650	Compressor Station Equip. Maint.	99.0	-	0	-	-	-	-
177	7660	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
178	7670	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
179	7680	Other Equipment Maintenance	99.0	-	0	-	-	-	-
180	7690	Gas Processed By Others	99.0	-	0	-	-	-	-
181		Total Production & Gathering			0	0	0	0	0
182									
183		Other Gas Supply Expenses:							
184		Operation							
185	8001	Intercompany Gas Well-head Purchases	99.0	-	0	-	-	-	-
186	8040	Natural Gas City Gate Purchases	99.0	-	0	-	-	-	-
187	8045	*Transportation to City Gate*	99.0	-	0	-	-	-	-
188	8050	Transmission-Operation supervision and engineering	99.0	-	0	-	-	-	-
189	8051	Other Gas Purchases / Gas Cost Adjustments	99.0	-	0	-	-	-	-
190	8052	PGA for Commercial	99.0	-	0	-	-	-	-
191	8053	PGA for Industrial	99.0	-	0	-	-	-	-
192	8054	PGA for Public Authority	99.0	-	0	-	-	-	-
193	8057	PGA for Transportation Sales	99.0	-	0	-	-	-	-
194	8058	Unbilled PGA Costs	99.0	-	0	-	-	-	-
195	8059	PGA Offset to Unrecovered Gas Cost	99.0	-	0	-	-	-	-
196	8060	Exchange Gas	99.0	-	0	-	-	-	-
197	8081	Gas Withdrawn From Storage - Debit	99.0	-	0	-	-	-	-
198	8082	Gas Delivered to Storage	99.0	-	0	-	-	-	-
199	8120	Gas Used for Other Utility Operations	99.0	-	0	-	-	-	-
200	8130	Other Gas Supply Expenses	99.0	-	0	-	-	-	-
201		Maintenance							
202	8350	Maint. Of Purch. Gas Meas. Sta.	99.0	-	0	-	-	-	-
203		Total Other Gas Supply Expenses			0	0	0	0	0
204									
205		Underground Storage:							
206		Operation							
207	8140	Op., Sup., & Eng.	3.0	Peak Day	(2,357)	(1,017)	(517)	(47)	(776)
208	8150	Maps & Records	3.0	Peak Day	0	-	-	-	-
209	8160	Wells Expense	3.0	Peak Day	18,880	8,142	4,145	378	6,215
210	8170	Lines Expense	3.0	Peak Day	21,223	9,152	4,659	425	6,986
211	8180	Compressor Station Expense	3.0	Peak Day	19,845	8,559	4,357	398	6,533
212	8190	Compressor Station Fuel & Power	3.0	Peak Day	364	157	80	7	120
213	8200	Meas. & Regul. Station Expenses	3.0	Peak Day	7,425	3,202	1,630	149	2,444
214	8210	Purification Expenses	3.0	Peak Day	19,760	8,522	4,338	396	6,505
215	8220	Exploration & Development	3.0	Peak Day	0	-	-	-	-
216	8230	Gas Losses	3.0	Peak Day	0	-	-	-	-
217	8240	Other Expenses	3.0	Peak Day	299	129	66	6	99
218	8250	Storage Well Royalties	3.0	Peak Day	10,073	4,323	2,200	201	3,300
219	8260	Rents	3.0	Peak Day	0	-	-	-	-
220		Maintenance							
221	8300	Maint. Sup., & Eng.	3.0	Peak Day	0	-	-	-	-
222	8310	Structures and Improvements	3.0	Peak Day	39	17	9	1	13
223	8320	Reservoirs & Wells Maintenance	3.0	Peak Day	0	-	-	-	-
224	8330	Line Maintenance	3.0	Peak Day	1,755	757	385	35	578
225	8340	Compressor Station Equip Maint	3.0	Peak Day	1,457	628	320	29	479
226	8350	Meas. & Regul. Station Equip Maint	3.0	Peak Day	1,078	465	237	22	355
227	8360	Purification Equipment Maintenance	3.0	Peak Day	0	-	-	-	-
228	8370	Other Equipment Maintenance	3.0	Peak Day	0	-	-	-	-
229		Total Underground Storage Expense			99,793	43,037	21,907	1,999	32,850
230									
231		Transmission:							
232		Operation							
233	8500	Op., Sup., & Eng.	3.0	Peak Day	33,450	14,426	7,343	670	11,011
234	8510	System Control & Load Dispatching	3.0	Peak Day	0	-	-	-	-
235	8520	Communication Systems Expense	3.0	Peak Day	0	-	-	-	-
236	8530	Compressor Station Labor Expense	3.0	Peak Day	0	-	-	-	-
237	8540	Compressor Station Fuel Gas	3.0	Peak Day	0	-	-	-	-
238	8550	Compressor Station Fuel & Power	3.0	Peak Day	0	-	-	-	-
239	8560	Mains Expense	3.0	Peak Day	226,075	97,497	49,628	4,529	74,420
240	8570	Meas. & Regul. Station Expenses	3.0	Peak Day	61,826	26,663	13,572	1,239	20,352
241	8580	LDC Payment	3.0	Peak Day	0	-	-	-	-
242	8585	LDC Payment - A&G	3.0	Peak Day	0	-	-	-	-
243	8590	Other Expenses	3.0	Peak Day	0	-	-	-	-
244	8600	Rents	3.0	Peak Day	0	-	-	-	-
245		Maintenance							
246	8610	Maint. Sup., & Eng.	3.0	Peak Day	0	-	-	-	-
247	8620	Structures and Improvements	3.0	Peak Day	0	-	-	-	-
248	8630	Mains	3.0	Peak Day	49,816	21,484	10,936	998	16,398
249	8640	Compressor Station Equip Maint	3.0	Peak Day	0	-	-	-	-
250	8650	Meas. & Regul. Station Equip Maint	3.0	Peak Day	1,561	673	343	31	514
251	8660	Communication Equipment Maintenance	3.0	Peak Day	0	-	-	-	-
252	8670	Other Equipment Maintenance	3.0	Peak Day	0	-	-	-	-
253		Total Transmission Expense			372,729	160,743	81,823	7,468	122,695

Ameren Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF O&M EXPENSES										
254										
255		Distribution:								
256		Operation								
257	8700	Supervision and Engineering	10.4	Composite of Accts. 871-879 & 886-893 - Demand	78,891	34,022	17,318	1,581	25,969	
258	8710	Distribution Load Dispatching	99.0	-	0	-	-	-	-	
259	8711	Odorization	99.0	-	0	-	-	-	-	
259	8720	Compressor Station Labor & Expenses	11.4	Composite of Accts. 376 & 380 - Demand	0	-	-	-	-	
260	8740	Mains & Services	12.4	Composite of Accts. 374-379 - Demand	228,895	98,713	50,248	4,586	75,348	
261	8750	Measuring and Regulating Station Exp. - Gen	12.4	Composite of Accts. 374-379 - Demand	19,388	8,361	4,256	388	6,382	
262	8760	Measuring and Regulating Station Exp. - Ind.	99.0	-	0	-	-	-	-	
263	8770	Measuring and Regulating Sta. Exp. - City Gate	12.4	Composite of Accts. 374-379 - Demand	21,323	9,196	4,681	427	7,019	
264	8780	Meters and House Regulator Expense	13.4	Composite of Accts. 381-383 - Demand	0	-	-	-	-	
265	8790	Customer Installations Expense	99.0	-	0	-	-	-	-	
266	8800	Other Expense	10.4	Composite of Accts. 871-879 & 886-893 - Demand	971	419	213	19	319	
267	8810	Rents	10.4	Composite of Accts. 871-879 & 886-893 - Demand	31,077	13,402	6,822	623	10,230	
268		Maintenance								
269	8850	Maintenance Supervision and Engineering	10.4	Composite of Accts. 871-879 & 886-893 - Demand	69	30	15	1	23	
270	8860	Maintenance of Structures and Improvements	12.4	Composite of Accts. 374-379 - Demand	1,388	598	304	28	456	
271	8870	Maintenance of Mains	12.4	Composite of Accts. 374-379 - Demand	2,405	1,037	528	48	792	
272	8890	Maintenance of compressor station equipment	99.0	-	0	-	-	-	-	
273	8900	Maint. of Measuring and Regulating Station Equip. - General	12.4	Composite of Accts. 374-379 - Demand	848	366	186	17	279	
274	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	99.0	-	0	-	-	-	-	
275	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	12.4	Composite of Accts. 374-379 - Demand	4,650	2,006	1,021	93	1,531	
276	8930	Maintenance of Services	14.4	Account 380 - Demand	0	-	-	-	-	
277	8940	Maintenance of Meters and House Regulators	13.4	Composite of Accts. 381-383 - Demand	0	-	-	-	-	
278	8950	Maintenance of Other Equipment	10.4	Composite of Accts. 871-879 & 886-893 - Demand	0	-	-	-	-	
279		Total Distribution			389,907	168,149	85,593	7,812	128,346	
280										
281		Customer Accounts:								
282	9010	Supervision	99.0	-	0	-	-	-	-	
283	9020	Meter Reading Expense	99.0	-	0	-	-	-	-	
284	9030	Customer Records and Collection Expenses	99.0	-	0	-	-	-	-	
285	9040	Uncollectible Accounts	99.0	-	0	-	-	-	-	
286	9050	Miscellaneous Customer Accounts Expenses	99.0	-	0	-	-	-	-	
287		Total Customer Accounts			0	-	-	-	-	
288										
289		Customer Service and Information:								
290	9070	Supervision	99.0	-	0	-	-	-	-	
291	9080	Customer Assistance Expenses	99.0	-	0	-	-	-	-	
292	9090	Informational and Instructional Advertising Expenses	99.0	-	0	-	-	-	-	
293	9100	Miscellaneous Customer Service and Informational Expenses	99.0	-	0	-	-	-	-	
294		Total Customer Service and Information			0	-	-	-	-	
295										
296		Sales:								
297	9110	Supervision	99.0	-	0	-	-	-	-	
298	9120	Demonstrating and Selling Expenses	99.0	-	0	-	-	-	-	
299	9130	Advertising Expenses	99.0	-	0	-	-	-	-	
300	9160	Miscellaneous Sales Expenses	99.0	-	0	-	-	-	-	
301		Total Sales			0	-	-	-	-	
302										
303		Administrative & General:								
304		Operation								
305	9200	Administrative and General Salaries	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	0	-	-	-	-	
306	9210	Office Supplies and Expenses	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	0	-	-	-	-	
307	9220	Administrative Expenses Transferred - Customer Support	99.0	-	0	-	-	-	-	
308	9220	Administrative Expenses Transferred - General	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	895,076	299,759	152,586	13,926	228,805	
309	9230	Outside Services Employed	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	17,011	7,396	3,734	341	5,600	
310	9240	Property Insurance	9.4	Allocated Net Plant - Demand	83,590	27,424	13,959	1,274	20,933	
311	9250	Injuries and Damages	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	434	187	95	9	143	
312	9260	Employee Pensions and Benefits	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	136,759	58,979	30,022	2,740	45,018	
313	9270	Franchise Requirements	99.0	-	0	-	-	-	-	
314	9280	Regulatory Commission Expenses	99.0	-	0	-	-	-	-	
315	930.1	General Advertising Expenses	99.0	-	0	-	-	-	-	
316	930.2	Miscellaneous General Expense	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	10,657	4,596	2,340	214	3,508	
317	9310	Rents	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	0	-	-	-	-	
318		Maintenance								
319	9320	Maintenance of General Plant	17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Demand	3,025	1,305	664	61	996	
320		Total A&G			926,552	399,586	203,401	18,563	305,003	
321										
322		TOTAL O&M EXPENSE - DEMAND			1,788,978	771,515	392,773	35,842	588,896	

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF O&M EXPENSES

Commodity

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
323		Production & Gathering:							
324		Operation							
325	7500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
326	7510	Production Maps & Records	99.0	-	0	-	-	-	-
327	7530	Field Lines Expenses	99.0	-	0	-	-	-	-
328	7540	Field Compressor Station Expense	99.0	-	0	-	-	-	-
329	7550	Field Compressor Sta. Fuel & Pwr.	99.0	-	0	-	-	-	-
330	7560	Field Meas. & Regul. Station Exp	99.0	-	0	-	-	-	-
331	7570	Purification Expense	99.0	-	0	-	-	-	-
332	7580	Other Expenses	99.0	-	0	-	-	-	-
333		Maintenance							
334	7610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
335	7620	Structures and Improvements	99.0	-	0	-	-	-	-
336	7640	Field Line Maintenance	99.0	-	0	-	-	-	-
337	7650	Compressor Station Equip. Maint.	99.0	-	0	-	-	-	-
338	7660	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
339	7670	Purification Equipment Maintenance	99.0	-	0	-	-	-	-
340	7680	Other Equipment Maintenance	99.0	-	0	-	-	-	-
341	7690	Gas Processed By Others	99.0	-	0	-	-	-	-
342		Total Production & Gathering			0	0	0	0	0
343									
344		Other Gas Supply Expenses:							
345		Operation							
346	8001	Intercompany Gas Well-head Purchases	18.4	Gas Costs	8,529,215	5,116,549	3,025,085	269,440	118,141
347	8040	Natural Gas City Gate Purchases	18.4	Gas Costs	166,545,075	99,907,915	59,065,095	5,261,196	2,306,869
348	8045	Transportation to City Gate	18.4	Gas Costs	39,568,892	23,736,790	14,034,031	1,249,990	548,081
349	8050	Transmission-Operation supervision and engineering	18.4	Gas Costs	(153,607)	(92,144)	(54,479)	(4,852)	(2,128)
350	8051	Other Gas Purchases / Gas Cost Adjustments	18.4	Gas Costs	93,391,517	56,024,183	33,123,490	2,950,299	1,293,556
351	8052	PGA for Commercial	18.4	Gas Costs	45,564,494	27,333,483	16,160,511	1,439,392	631,128
352	8053	PGA for Industrial	18.4	Gas Costs	11,924,243	7,153,176	4,229,211	376,689	165,168
353	8054	PGA for Public Authority	18.4	Gas Costs	11,699,991	7,018,651	4,149,675	369,605	162,060
354	8057	PGA for Transportation Sales	18.4	Gas Costs	218,924	131,329	77,647	6,916	3,032
355	8058	Unbilled PGA Costs	18.4	Gas Costs	(16,737,149)	(10,040,367)	(5,936,220)	(528,730)	(231,832)
356	8059	PGA Offset to Unrecovered Gas Cost	18.4	Gas Costs	(240,073,468)	(144,016,505)	(85,147,655)	(7,583,974)	(3,325,334)
357	8060	Exchange Gas	18.4	Gas Costs	21,419,040	12,848,984	7,595,782	676,632	296,682
358	8061	Gas Withdrawn From Storage - Debit	18.4	Gas Costs	71,262,468	42,749,298	25,274,897	2,251,197	987,079
359	8062	Gas Delivered to Storage	18.4	Gas Costs	(67,097,620)	(40,250,865)	(23,797,736)	(2,119,620)	(929,399)
360	8120	Gas Used for Other Utility Operations	18.4	Gas Costs	(37,490)	(22,490)	(13,297)	(1,184)	(519)
361	8130	Other Gas Supply Expenses	18.4	Gas Costs	0	-	-	-	-
362		Maintenance							
363	8350	Maint. Of Purch. Gas Meas. Sta.	18.4	Gas Costs	0	-	-	-	-
364		Total Other Gas Supply Expenses			146,024,531	87,597,946	51,791,006	4,612,947	2,022,632
365									
366		Underground Storage:							
367		Operation							
368	8140	Op., Sup., & Eng.	1.5	Winter Volumes	(2,357)	(793)	(430)	(41)	(1,094)
369	8150	Maps & Records	1.5	Winter Volumes	0	-	-	-	-
370	8160	Wells Expense	1.5	Winter Volumes	18,880	6,351	3,442	327	8,761
371	8170	Lines Expense	1.5	Winter Volumes	21,223	7,138	3,869	367	9,848
372	8180	Compressor Station Expense	1.5	Winter Volumes	19,846	6,675	3,618	343	9,209
373	8190	Compressor Station Fuel & Power	1.5	Winter Volumes	364	123	66	6	169
374	8200	Meas. & Regul. Station Expenses	1.5	Winter Volumes	7,425	2,497	1,354	128	3,445
375	8210	Purification Expenses	1.5	Winter Volumes	19,760	6,646	3,602	342	9,169
376	8220	Exploration & Development	1.5	Winter Volumes	0	-	-	-	-
377	8230	Gas Losses	1.5	Winter Volumes	0	-	-	-	-
378	8240	Other Expenses	1.5	Winter Volumes	299	101	55	5	139
379	8250	Storage Well Royalties	1.5	Winter Volumes	10,023	3,371	1,827	173	4,651
380	8260	Rents	1.5	Winter Volumes	0	-	-	-	-
381		Maintenance							
382	8300	Maint. Sup., & Eng.	1.5	Winter Volumes	0	-	-	-	-
383	8310	Structures and Improvements	1.5	Winter Volumes	39	13	7	1	18
384	8320	Reservoirs & Wells Maintenance	1.5	Winter Volumes	0	-	-	-	-
385	8330	Line Maintenance	1.5	Winter Volumes	1,755	590	320	30	814
386	8340	Compressor Station Equip Maint	1.5	Winter Volumes	1,457	490	266	25	676
387	8350	Meas. & Regul. Station Equip Maint	1.5	Winter Volumes	1,078	363	197	19	500
388	8360	Purification Equipment Maintenance	1.5	Winter Volumes	0	-	-	-	-
389	8370	Other Equipment Maintenance	1.5	Winter Volumes	0	-	-	-	-
390		Total Underground Storage Expense			99,793	33,566	18,193	1,726	46,308
391									
392		Transmission:							
393		Operation							
394	8500	Op., Sup., & Eng.	99.0	-	0	-	-	-	-
395	8510	System Control & Load Dispatching	99.0	-	0	-	-	-	-
396	8520	Communication Systems Expense	99.0	-	0	-	-	-	-
397	8530	Compressor Station Labor Expense	99.0	-	0	-	-	-	-
398	8540	Compressor Station Fuel Gas	99.0	-	0	-	-	-	-
399	8550	Compressor Station Fuel & Power	99.0	-	0	-	-	-	-
400	8560	Mains Expense	99.0	-	0	-	-	-	-
401	8570	Meas. & Regul. Station Expenses	99.0	-	0	-	-	-	-
402	8580	LDC Payment	99.0	-	0	-	-	-	-
403	8585	LDC Payment - A&G	99.0	-	0	-	-	-	-
404	8590	Other Expenses	99.0	-	0	-	-	-	-
405	8600	Rents	99.0	-	0	-	-	-	-
406		Maintenance							
407	8610	Maint. Sup., & Eng.	99.0	-	0	-	-	-	-
408	8620	Structures and Improvements	99.0	-	0	-	-	-	-
409	8630	Mains	99.0	-	0	-	-	-	-
410	8640	Compressor Station Equip Maint	99.0	-	0	-	-	-	-
411	8650	Meas. & Regul. Station Equip Maint	99.0	-	0	-	-	-	-
412	8660	Communication Equipment Maintenance	99.0	-	0	-	-	-	-
413	8670	Other Equipment Maintenance	99.0	-	0	-	-	-	-
414		Total Transmission Expense			0	0	0	0	0

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF O&M EXPENSES									
415									
416		Distribution:							
417		Operation							
418	8700	Supervision and Engineering	10.6	Composite of Accts. 871-879 & 886-893 - Comm	3,134	801	466	42	1,825
419	8710	Distribution Load Dispatching	1.0	Mcf	444	114	66	6	259
420	8711	Odorization	99.0	-	0	-	-	-	-
420	8720	Compressor Station Labor & Expenses	99.0	-	0	-	-	-	-
421	8740	Mains & Services	99.0	-	0	-	-	-	-
422	8750	Measuring and Regulating Station Exp. - Gen	99.0	-	0	-	-	-	-
423	8760	Measuring and Regulating Station Exp. - Ind.	99.0	-	0	-	-	-	-
424	8770	Measuring and Regulating Sta. Exp. - City Gate	99.0	-	0	-	-	-	-
425	8780	Meters and House Regulator Expense	99.0	-	0	-	-	-	-
426	8790	Customer Installations Expense	99.0	-	0	-	-	-	-
427	8800	Other Expense	10.6	Composite of Accts. 871-879 & 886-893 - Comm	39	10	6	1	22
428	8810	Rents	10.6	Composite of Accts. 871-879 & 886-893 - Comm	1,235	318	183	16	719
429		Maintenance							
430	8850	Maintenance Supervision and Engineering	10.6	Composite of Accts. 871-879 & 886-893 - Comm	3	1	0	0	2
431	8860	Maintenance of Structures and Improvements	12.2	Composite of Accts. 374-379 - Cust	0	-	-	-	-
432	8870	Maintenance of Mains	12.6	Composite of Accts. 374-379 - Comm	0	-	-	-	-
433	8890	Maintenance of compressor station equipment	1.0	Mcf	10,635	2,719	1,580	141	6,194
434	8900	Maint. of Measuring and Regulating Station Equip. - General	12.2	Composite of Accts. 374-379 - Cust	0	-	-	-	-
435	8910	Maint. of Measuring and Regulating Station Equip. - Industrial	5.0	Direct to Ind. & Trans.	0	-	-	-	-
436	8920	Maint. of Measuring and Regulating Station Equip. - City Gate	12.2	Composite of Accts. 374-379 - Cust	0	-	-	-	-
437	8930	Maintenance of Services	14.2	Account 380 - Cust	0	-	-	-	-
438	8940	Maintenance of Meters and House Regulators	13.2	Composite of Accts. 381-383 - Cust	0	-	-	-	-
439	8950	Maintenance of Other Equipment	10.2	Composite of Accts. 871-879 & 886-893 - Cust	0	-	-	-	-
440		Total Distribution			15,489	3,960	2,302	206	9,021
441									
442		Customer Accounts:							
443	9010	Supervision	99.0	-	0	-	-	-	-
444	9020	Meter Reading Expense	99.0	-	0	-	-	-	-
445	9030	Customer Records and Collection Expenses	99.0	-	0	-	-	-	-
446	9040	Uncollectible Accounts	99.0	-	0	-	-	-	-
447	9050	Miscellaneous Customer Accounts Expenses	99.0	-	0	-	-	-	-
448		Total Customer Accounts			0	-	-	-	-
449									
450		Customer Service and Information:							
451	9070	Supervision	99.0	-	0	-	-	-	-
452	9080	Customer Assistance Expenses	99.0	-	0	-	-	-	-
453	9090	Informational and Instructional Advertising Expenses	99.0	-	0	-	-	-	-
454	9100	Miscellaneous Customer Service and Informational Expenses	99.0	-	0	-	-	-	-
455		Total Customer Service and Information			0	-	-	-	-
456									
457		Sales:							
458	9110	Supervision	99.0	-	0	-	-	-	-
459	9120	Demonstrating and Selling Expenses	99.0	-	0	-	-	-	-
460	9130	Advertising Expenses	99.0	-	0	-	-	-	-
461	9160	Miscellaneous Sales Expenses	99.0	-	0	-	-	-	-
462		Total Sales			0	-	-	-	-
463									
464		Administrative & General:							
465		Operation							
466	9200	Administrative and General Salaries	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	0	-	-	-	-
467	9210	Office Supplies and Expenses	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	0	-	-	-	-
468	9220	Administrative Expenses Transferred - Customer Support	99.0	-	0	-	-	-	-
469	9220	Administrative Expenses Transferred - General	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	26,123	7,544	4,327	391	15,861
470	9230	Outside Services Employed	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	688	185	106	10	388
471	9240	Property Insurance	9.6	Allocated Net Plant - Comm	2,880	962	521	49	1,327
472	9250	Injuries and Damages	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	18	5	3	0	10
473	9260	Employee Pensions and Benefits	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	5,533	1,484	851	77	3,121
474	9270	Franchise Requirements	99.0	-	0	-	-	-	-
475	9280	Regulatory Commission Expenses	99.0	-	0	-	-	-	-
476	930.1	General Advertising Expenses	99.0	-	0	-	-	-	-
477	930.2	Miscellaneous General Expense	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	431	116	66	6	243
478	9310	Rents	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	0	-	-	-	-
479		Maintenance							
480	9320	Maintenance of General Plant	17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comm	122	33	19	2	69
481		Total A&G			37,776	10,328	5,893	535	21,019
482									
483		TOTAL O&M EXPENSE - COMMODITY			146,177,588	87,645,800	51,817,394	4,615,414	2,098,980

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF O&M EXPENSES

Total O&M Expenses

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
484		Production & Gathering:							
485		Operation							
486	7500	Op., Sup., & Eng.			0	0	0	0	0
487	7510	Production Maps & Records			0	0	0	0	0
488	7520	Field Lines Expenses			0	0	0	0	0
489	7540	Field Compressor Station Expense			0	0	0	0	0
490	7550	Field Compressor Sta. Fuel & Pwr.			0	0	0	0	0
491	7560	Field Meas. & Regul. Station Exp			0	0	0	0	0
492	7570	Purification Expense			0	0	0	0	0
493	7590	Other Expenses			0	0	0	0	0
494		Maintenance							
495	7610	Maint. Sup., & Eng.			0	0	0	0	0
496	7620	Structures and Improvements			0	0	0	0	0
497	7640	Field Line Maintenance			0	0	0	0	0
498	7650	Compressor Station Equip. Maint.			0	0	0	0	0
499	7660	Meas. & Regul. Station Equip Maint			0	0	0	0	0
500	7670	Purification Equipment Maintenance			0	0	0	0	0
501	7680	Other Equipment Maintenance			0	0	0	0	0
502	7690	Gas Processed By Others			0	0	0	0	0
503		Total Production & Gathering			0	0	0	0	0
504									
505		Other Gas Supply Expenses:							
506		Operation							
507	8001	Intercompany Gas Well-head Purchases			9,529,215	5,116,549	3,025,085	269,440	118,141
508	8040	Natural Gas City Gate Purchases			186,545,075	99,907,915	59,069,095	5,261,196	2,306,869
509	8045	Transportation to City Gate			39,568,892	23,736,790	14,034,031	1,249,990	548,081
510	8050	Transmission-Operation supervision and engineering			(153,002)	(92,144)	(54,479)	(4,852)	(2,128)
511	8051	Other Gas Purchases / Gas Cost Adjustments			93,391,517	56,024,183	33,123,400	2,950,259	1,293,596
512	8052	PGA for Commercial			45,564,494	27,333,493	16,160,511	1,439,392	631,098
513	8053	PGA for Industrial			11,824,243	7,153,176	4,229,211	376,689	165,166
514	8054	PGA for Public Authority			11,699,991	7,018,651	4,149,675	369,605	162,060
515	8057	PGA for Transportation Sales			218,924	131,329	77,647	6,916	3,032
516	8058	Unbilled PGA Costs			(16,737,149)	(10,040,367)	(5,936,220)	(528,730)	(231,832)
517	8059	PGA Offset to Unrecovered Gas Cost			(240,073,468)	(144,016,505)	(85,147,655)	(7,583,974)	(3,325,334)
518	8060	Exchange Gas			21,419,040	12,848,964	7,596,762	676,632	296,682
519	8061	Gas Withdrawn From Storage - Debit			71,262,468	42,749,296	25,274,897	2,251,197	987,079
520	8062	Gas Delivered to Storage			(67,097,620)	(40,250,865)	(23,797,736)	(2,119,629)	(929,390)
521	8120	Gas Used for Other Utility Operations			(37,490)	(22,490)	(13,297)	(1,184)	(519)
522	8130	Other Gas Supply Expenses			0	0	0	0	0
523		Maintenance							
524	8350	Maint. Of Purch. Gas Meas. Sta.			0	0	0	0	0
525		Total Other Gas Supply Expenses			146,024,531	87,567,948	51,791,000	4,612,947	2,022,832
526									
527		Underground Storage:							
528		Operation							
529	8140	Op., Sup., & Eng.			(4,715)	(1,809)	(947)	(88)	(1,870)
530	8150	Maps & Records			0	0	0	0	0
531	8160	Wells Expense			37,761	14,493	7,587	705	14,976
532	8170	Lines Expense			42,445	16,291	8,528	792	16,834
533	8180	Compressor Station Expense			39,692	15,234	7,975	741	15,742
534	8190	Compressor Station Fuel & Power			729	280	146	14	289
535	8200	Meas. & Regul. Station Expenses			14,850	5,699	2,984	277	5,890
536	8210	Purification Expenses			39,520	15,168	7,940	738	15,674
537	8220	Exploration & Development			0	0	0	0	0
538	8230	Gas Losses			0	0	0	0	0
539	8240	Other Expenses			598	230	120	11	237
540	8250	Storage Well Royalties			20,047	7,694	4,028	374	7,951
541	8260	Rents			0	0	0	0	0
542		Maintenance							
543	8300	Maint. Sup., & Eng.			0	0	0	0	0
544	8310	Structures and Improvements			79	30	16	1	31
545	8320	Reservoirs & Wells Maintenance			0	0	0	0	0
546	8330	Line Maintenance			3,509	1,347	705	65	1,392
547	8340	Compressor Station Equip Maint			2,913	1,118	585	54	1,155
548	8350	Meas. & Regul. Station Equip Maint			2,157	828	433	40	855
549	8360	Purification Equipment Maintenance			0	0	0	0	0
550	8370	Other Equipment Maintenance			0	0	0	0	0
551		Total Underground Storage Expense			199,585	76,602	40,100	3,725	79,157
552									
553		Transmission:							
554		Operation							
555	8500	Op., Sup., & Eng.			33,450	14,426	7,343	670	11,011
556	8510	System Control & Load Dispatching			0	0	0	0	0
557	8520	Communication Systems Expense			0	0	0	0	0
558	8530	Compressor Station Labor Expense			0	0	0	0	0
559	8540	Compressor Station Fuel Gas			0	0	0	0	0
560	8550	Compressor Station Fuel & Power			0	0	0	0	0
561	8560	Mains Expense			226,075	97,497	49,629	4,529	74,420
562	8570	Meas. & Regul. Station Expenses			61,826	26,663	13,572	1,239	20,352
563	8580	LDC Payment			0	0	0	0	0
564	8580	LDC Payment - A&G			0	0	0	0	0
565	8590	Other Expenses			0	0	0	0	0
566	8600	Rents			0	0	0	0	0
567		Maintenance							
568	8610	Maint. Sup., & Eng.			0	0	0	0	0
569	8620	Structures and Improvements			0	0	0	0	0
570	8630	Mains			49,816	21,484	10,936	998	16,398
571	8640	Compressor Station Equip Maint			0	0	0	0	0
572	8650	Meas. & Regul. Station Equip Maint			1,561	673	343	31	514
573	8660	Communication Equipment Maintenance			0	0	0	0	0
574	8670	Other Equipment Maintenance			0	0	0	0	0
575		Total Transmission Expense			372,729	160,743	81,823	7,460	122,695

Atmos Energy Corporation, Kentucky/Mid-States Division
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ALLOCATION OF O&M EXPENSES

576										
577			Distribution:							
578			Operation							
579	8700		Supervision and Engineering		1,186,727	904,761	198,154	11,172	72,641
580	8710		Distribution Load Dispatching		444	114	66	6	259
581	8711		Odorization		0	0	0	0	0
581	8720		Compressor Station Labor & Expenses		0	0	0	0	0
582	8740		Mains & Services		2,679,000	2,272,227	320,889	7,539	78,345
583	8750		Measuring and Regulating Station Exp. - Gen		134,201	110,266	16,945	527	6,523
584	8760		Measuring and Regulating Station Exp. - Ind.		114,311	0	0	0	114,311
585	8770		Measuring and Regulating Sta. Exp. - City Gate		147,866	121,276	18,637	579	7,174
586	8780		Meters and House Regulator Expense		959,857	576,868	322,869	29,042	30,378
587	8790		Customer Installations Expense		58,806	52,189	6,496	71	72
588	8800		Other Expense		14,599	11,130	2,438	137	894
589	8810		Rents		457,476	356,403	78,057	4,401	28,615
590			Maintenance						
591	8850		Maintenance Supervision and Engineering		1,044	796	174	10	64
592	8860		Maintenance of Structures and Improvements		9,596	7,881	1,211	38	466
593	8870		Maintenance of Mains		16,658	13,681	2,102	65	809
594	8890		Maintenance of compressor station equipment		10,635	2,719	1,560	141	6,194
595	8900		Maint. of Measuring and Regulating Station Equip. - General		5,870	4,821	741	23	285
596	8910		Maint. of Measuring and Regulating Station Equip. - Industrial		9,977	0	0	0	9,977
597	8920		Maint. of Measuring and Regulating Station Equip. - City Gate		32,204	26,449	4,065	126	1,565
598	8930		Maintenance of Services		2,124	1,885	235	3	3
599	8940		Maintenance of Meters and House Regulators		13,916	8,300	4,681	434	440
600	8950		Maintenance of Other Equipment		0	0	0	0	0
601			Total Distribution		5,865,173	4,471,806	979,340	55,214	359,013
602									
603			Customer Accounts:						
604	9010		Supervision		0	0	0	0	0
605	9020		Meter Reading Expense		764,770	676,436	84,477	922	935
606	9030		Customer Records and Collection Expenses		161,098	142,883	17,702	194	197
607	9040		Uncollectible Accounts		909,896	744,224	97,307	68,364	0
608	9050		Miscellaneous Customer Accounts Expenses		0	0	0	0	0
609			Total Customer Accounts		1,835,732	1,565,543	199,576	69,480	1,133
610									
611			Customer Service and Information:						
612	9070		Supervision		(670)	(511)	(64)	(1)	(1)
613	9080		Customer Assistance Expenses		(18)	(16)	(2)	(0)	(0)
614	9090		Informational and Instructional Advertising Expenses		86,300	76,558	9,533	104	105
615	9100		Miscellaneous Customer Service and Informational Expenses		215	191	24	0	0
616			Total Customer Service and Information		85,821	76,222	9,491	104	105
617									
618			Sales:						
619	9110		Supervision		27,620	24,502	3,051	33	34
620	9120		Demonstrating and Selling Expenses		58,008	51,459	6,408	70	71
621	9130		Advertising Expenses		4,736	4,201	523	6	6
622	9160		Miscellaneous Sales Expenses		36	32	4	0	0
623			Total Sales		90,399	80,194	9,986	109	111
624									
625			Administrative & General:						
626			Operation						
627	9200		Administrative and General Salaries		0	0	0	0	0
628	9210		Office Supplies and Expenses		0	0	0	0	0
629	9220		Administrative Expenses Transferred - Customer Support		(10,565)	(9,390)	(1,169)	(13)	(13)
630	9220		Administrative Expenses Transferred - General		11,069,573	8,599,285	1,777,067	93,833	599,338
631	9230		Outside Services Employed		270,906	210,452	43,490	2,296	14,668
632	9240		Property Insurance		378,800	271,123	72,031	4,827	30,820
633	9250		Injuries and Damages		6,913	5,371	1,110	59	374
634	9260		Employee Pensions and Benefits		2,177,977	1,691,947	349,645	18,462	117,922
635	9270		Franchise Requirements		166,512	147,715	18,593	201	204
636	9280		Regulatory Commission Expenses		37,080	32,894	4,096	45	45
637	9301		General Advertising Expenses		0	0	0	0	0
638	9302		Miscellaneous General Expense		169,726	131,851	27,247	1,439	9,189
639	9310		Rents		0	0	0	0	0
640			Maintenance						
641	9320		Maintenance of General Plant		46,183	37,430	7,735	408	2,609
642			Total A&G		14,315,036	11,118,077	2,299,848	121,657	775,157
643									
644			TOTAL O&M EXPENSE		168,789,105	105,147,532	55,410,967	4,870,004	3,360,002

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF DEPRECIATION EXPENSE

Customer

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
1		Intangible Plant:							
2									
3	30100	Organization	99.0	-	0	-	-	-	-
4	30200	Franchises & Consents	99.0	-	0	-	-	-	-
5	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
6									
7		Total Intangible Plant:			0	-	-	-	-
8									
9		Production Plant:							
10			99.0	-	0	-	-	-	-
11	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
12	32540	Rights of Ways	99.0	-	0	-	-	-	-
13	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
14	33201	Field Lines	99.0	-	0	-	-	-	-
15	33202	Tributary Lines	99.0	-	0	-	-	-	-
16	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
17	33600	Purification Equipment	99.0	-	0	-	-	-	-
18									
19		Total Production Plant			0	-	-	-	-
20									
21		Storage Plant:							
22									
23	35010	Land	99.0	-	0	-	-	-	-
24	35020	Rights of Way	99.0	-	0	-	-	-	-
25	35100	Structures and Improvements	99.0	-	0	-	-	-	-
26	35102	Compression Station Equipment	99.0	-	0	-	-	-	-
27	35103	Meas. & Reg. Sta. Structues	99.0	-	0	-	-	-	-
28	35104	Other Structures	99.0	-	0	-	-	-	-
29	35200	Wells \ Rights of Way	99.0	-	0	-	-	-	-
30	35201	Well Construction	99.0	-	0	-	-	-	-
31	35202	Well Equipment	99.0	-	0	-	-	-	-
32	35203	Cushion Gas	99.0	-	0	-	-	-	-
33	35210	Leaseholds	99.0	-	0	-	-	-	-
34	35211	Storage Rights	99.0	-	0	-	-	-	-
35	35301	Field Lines	99.0	-	0	-	-	-	-
36	35302	Tributary Lines	99.0	-	0	-	-	-	-
37	35400	Compressor Station Equipment	99.0	-	0	-	-	-	-
38	35500	Meas & Reg. Equipment	99.0	-	0	-	-	-	-
39	35600	Purification Equipment	99.0	-	0	-	-	-	-
40									
41		Total Storage Plant			0	-	-	-	-
42									
43		Transmission:							
44									
45	36510	Land & Land Rights	99.0	-	0	-	-	-	-
46	36520	Rights of Way	99.0	-	0	-	-	-	-
47	36602	Structures & Improvements	99.0	-	0	-	-	-	-
48	36603	Other Structues	99.0	-	0	-	-	-	-
49	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
50	36701	Mains - Steel	99.0	-	0	-	-	-	-
51	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
52	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
53									
54		Total Transmission Plant			0	-	-	-	-
55									
56		Distribution:							
57									
58	37400	Land & Land Rights	2.0	Bills	0	-	-	-	-
59	37401	Land	2.0	Bills	0	-	-	-	-
60	37402	Land Rights	2.0	Bills	3,817	3,386	422	5	5
61	37403	Land Other	2.0	Bills	0	-	-	-	-
62	37500	Structures & Improvements	2.0	Bills	8,589	7,620	949	10	11
63	37501	Structures & Improvements T.B.	2.0	Bills	2,565	2,275	283	3	3
64	37502	Land Rights	2.0	Bills	1,243	1,103	137	1	2
65	37503	Improvements	2.0	Bills	107	95	12	0	0
66	37600	Mains Cathodic Protection	2.0	Bills	200,846	178,173	22,186	242	246
67	37601	Mains - Steel	2.0	Bills	1,333,355	1,182,833	147,284	1,607	1,631
68	37602	Mains - Plastic	2.0	Bills	590,620	523,945	65,241	712	722
69	37800	Meas & Reg. Sta. Equip - General	2.0	Bills	52,618	46,678	5,812	63	64
70	37900	Meas & Reg. Sta. Equip - City Gate	2.0	Bills	32,447	28,784	3,584	39	40
71	37905	Meas & Reg. Sta. Equipment T.b.	2.0	Bills	26,266	23,301	2,901	32	32
72	38000	Services	2.0	Bills	3,769,058	3,343,571	416,334	4,543	4,610
73	38100	Meters	4.0	Meter Investment	1,242,950	746,748	410,093	38,773	39,338
74	38200	Meter Installaitons	4.0	Meter Investment	2,103,869	1,263,973	707,682	65,629	66,585
75	38300	House Regulators	4.0	Meter Investment	154,767	92,982	52,059	4,828	4,898
76	38400	House Reg. Installations	4.0	Meter Investment	3,057	1,836	1,028	95	97
77	38500	Ind. Meas. & Reg. Sta. Equipment	5.0	Direct to Ind. & Trans.	121,313	-	-	-	121,313
78	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
79									
80		Total Distribution Plant			9,647,488	7,447,301	1,844,008	116,583	239,596

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF DEPRECIATION EXPENSE										
81										
82		General:								
83										
84	38900	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
85	39000	Structures Frame	6.2	P, S, T & D Plant - Customer	66,566	53,021	11,134	598	1,813	
86	39001	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
87	39002	Improvements	6.2	P, S, T & D Plant - Customer	14,212	11,320	2,377	128	387	
88	39003	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	57,080	45,465	9,547	513	1,554	
89	39004	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	585	466	98	5	16	
90	39009	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	24,508	19,521	4,099	220	667	
91	39100	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	58,066	46,250	9,712	522	1,581	
92	39102	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
93	39103	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
94	39200	Trucks	6.2	P, S, T & D Plant - Customer	24,877	19,815	4,161	224	677	
95	39201	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
96	39202	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
97	39300	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
98	39400	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	88,244	70,287	14,760	793	2,403	
99	39600	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
100	39603	Backhoes	6.2	P, S, T & D Plant - Customer	31,911	25,418	5,338	287	869	
101	39604	Welders	6.2	P, S, T & D Plant - Customer	24,392	19,428	4,080	219	664	
102	39605	Communication Equipment	6.2	P, S, T & D Plant - Customer	6,302	5,019	1,054	57	172	
103	39700	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	6,495	5,174	1,086	58	177	
104	39701	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
105	39702	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
106	39705	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	2,851	2,271	477	26	78	
107	39800	Other Tangible Property	6.2	P, S, T & D Plant - Customer	106,007	84,436	17,731	953	2,887	
108	39900	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
109	39901	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
110	39902	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
111	39903	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
112	39904	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
113	39905	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
114	39906	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	15,943	12,699	2,667	143	434	
115	39907	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
116	39908	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
117	39909	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
118										
119										
120		Total General Plant			528,038	420,590	88,322	4,747	14,380	
121										
122		TOTAL DIRECT DEPRECIATION EXPENSE			10,175,526	7,867,891	1,932,330	121,329	253,976	
123										
124		Kentucky Mid-States General Office:								
125										
126		Intangible Plant:								
127										
128	30100	Organization	99.0	-	0	-	-	-	-	
129	30200	Franchises & Consents	99.0	-	0	-	-	-	-	
130	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-	
131										
132		Total Intangible Plant:			0	-	-	-	-	
133										
134		General:								
135										
136	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
137	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	1,069	851	179	10	29	
138	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
139	38900	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
140	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
141	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
142	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
143	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
144	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
145	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
146	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
147	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
148	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	81	65	14	1	2	
149	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	1,708	1,360	286	15	47	
150	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
151	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
152	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
153	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
154	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	5,188	4,133	868	47	141	
155	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
156	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
157	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
158	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	14,311	11,399	2,394	129	390	
159	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
160	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
161	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
162	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	57,985	46,186	9,699	521	1,579	
163	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
164	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
165	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
166	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
167	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
168	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
169	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
170										
171										
172		Total General Plant			80,341	63,993	13,438	722	2,188	

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF DEPRECIATION EXPENSE										
173										
174		Shared Services General Office:								
175										
176		General:								
177										
178	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
179	39000	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
180	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
181	37503	Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
182	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
183	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	30,879	24,596	5,165	278	841	
184	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	9,359	7,454	1,565	84	255	
185	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
186	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
187	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
188	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
189	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
190	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
191	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	165	131	28	1	4	
192	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
193	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
194	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
195	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
196	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	5,269	4,197	881	47	143	
197	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
198	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
199	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
200	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	695	554	116	6	19	
201	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	34	27	6	0	1	
202	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	46,707	37,202	7,812	420	1,272	
203	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	20,981	16,712	3,509	189	571	
204	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	8,171	6,508	1,367	73	223	
205	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
206	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
207	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	28,749	22,899	4,809	258	783	
208	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	4,278	3,408	716	38	117	
209	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	378,114	301,173	63,245	3,399	10,297	
210	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
211	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
212										
213										
214		Total General Plant			533,401	424,861	89,219	4,795	14,526	
215										
216		Shared Services Customer Support:								
217										
218		General:								
219										
220	37400	Land & Land Rights	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
221	39001	Structures Frame	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
222	36602	Structures & Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
223	37503	Improvements	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
224	39004	Air Conditioning Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
225	39009	Improvement to leased Premises	6.2	P, S, T & D Plant - Customer	13,675	10,892	2,287	123	372	
226	39100	Office Furniture & Equipment	6.2	P, S, T & D Plant - Customer	253	201	42	2	7	
227	39102	Remittance Processing Equip	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
228	39103	Office Machines	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
229	39200	Transportation Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
230	39201	Trucks	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
231	39202	Trailers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
232	39300	Stores Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
233	39400	Tools, Shop & Garage Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
234	39600	Power Operated Equipment	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
235	39603	Ditchers	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
236	39604	Backhoes	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
237	39605	Welders	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
238	39700	Communication Equipment	6.2	P, S, T & D Plant - Customer	91,104	72,565	15,238	819	2,481	
239	39701	Communication Equipment - Mobile Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
240	39702	Communication Equipment - Fixed Radios	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
241	39705	Communication Equip. - Telemetering	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
242	39800	Miscellaneous Equipment	6.2	P, S, T & D Plant - Customer	7	6	1	0	0	
243	39900	Other Tangible Property	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
244	39901	Other Tangible Property - Servers - H/W	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
245	39902	Other Tangible Property - Servers - S/W	6.2	P, S, T & D Plant - Customer	15,017	11,962	2,512	135	409	
246	39903	Other Tangible Property - Network - H/W	6.2	P, S, T & D Plant - Customer	1,905	1,517	319	17	52	
247	39904	Other Tang. Property - CPU	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
248	39905	Other Tangible Property - MF - Hardware	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
249	39906	Other Tang. Property - PC Hardware	6.2	P, S, T & D Plant - Customer	26,140	20,821	4,372	235	712	
250	39907	Other Tang. Property - PC Software	6.2	P, S, T & D Plant - Customer	12,966	10,328	2,169	117	353	
251	39908	Other Tang. Property - Mainframe S/W	6.2	P, S, T & D Plant - Customer	441,869	351,954	73,909	3,972	12,034	
252	39909	Other Tang. Property - Application Software	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
253	39924	Other Tang. Property - General Startup Costs	6.2	P, S, T & D Plant - Customer	0	-	-	-	-	
254										
255										
256		Total General Plant			602,936	480,246	100,849	5,420	16,420	
257										
258		TOTAL DEPRECIATION EXPENSE - CUSTOMER			11,392,204	8,836,991	2,135,836	132,267	287,110	

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF DEPRECIATION EXPENSE

Demand

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
259		Intangible Plant:							
260									
261	30100	Organization	99.0	-	0	-	-	-	-
262	30200	Franchises & Consents	99.0	-	0	-	-	-	-
263	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
264									
265		Total Intangible Plant:			0	-	-	-	-
266									
267		Production Plant:							
268			3.0	Peak Day	0	-	-	-	-
269	32520	Producing Leaseholds	3.0	Peak Day	136	59	30	3	45
270	32540	Rights of Ways	3.0	Peak Day	1,874	808	411	38	617
271	33100	Production Gas Wells Equipment	3.0	Peak Day	0	-	-	-	-
272	33201	Field Lines	3.0	Peak Day	0	-	-	-	-
273	33202	Tributary Lines	3.0	Peak Day	0	-	-	-	-
274	33400	Field Meas. & Reg. Sta. Equip	3.0	Peak Day	0	-	-	-	-
275	33600	Purification Equipment	3.0	Peak Day	2,289	987	503	46	754
276									
277		Total Production Plant			4,299	1,854	944	86	1,415
278									
279		Storage Plant:							
280									
281	35010	Land	3.0	Peak Day	0	-	-	-	-
282	35020	Rights of Way	3.0	Peak Day	0	-	-	-	-
283	35100	Structures and Improvements	3.0	Peak Day	33	14	7	1	11
284	35102	Compression Station Equipment	3.0	Peak Day	451	194	99	9	148
285	35103	Meas. & Reg. Sta. Structues	3.0	Peak Day	0	-	-	-	-
286	35104	Other Structures	3.0	Peak Day	0	-	-	-	-
287	35200	Wells \ Rights of Way	3.0	Peak Day	3,665	1,581	805	73	1,206
288	35201	Well Construction	3.0	Peak Day	19,422	8,376	4,264	389	6,393
289	35202	Well Equipment	3.0	Peak Day	0	-	-	-	-
290	35203	Cushion Gas	3.0	Peak Day	19,783	8,532	4,343	396	6,512
291	35210	Leaseholds	3.0	Peak Day	0	-	-	-	-
292	35211	Storage Rights	3.0	Peak Day	118	51	26	2	39
293	35301	Field Lines	3.0	Peak Day	0	-	-	-	-
294	35302	Tributary Lines	3.0	Peak Day	0	-	-	-	-
295	35400	Compressor Station Equipment	3.0	Peak Day	2,730	1,178	599	55	899
296	35500	Meas & Reg. Equipment	3.0	Peak Day	143	62	31	3	47
297	35600	Purification Equipment	3.0	Peak Day	175	76	38	4	58
298									
299		Total Storage Plant			46,520	20,062	10,212	932	15,314
300									
301		Transmission:							
302									
303	36510	Land & Land Rights	3.0	Peak Day	0	-	-	-	-
304	36520	Rights of Way	3.0	Peak Day	14,045	6,057	3,083	281	4,623
305	36602	Structures & Improvements	3.0	Peak Day	890	384	195	18	293
306	36603	Other Structures	3.0	Peak Day	1,225	528	269	25	403
307	36700	Mains Cathodic Protection	3.0	Peak Day	6,684	2,883	1,467	134	2,200
308	36701	Mains - Steel	3.0	Peak Day	551,479	237,831	121,063	11,049	181,536
309	36900	Meas. & Reg. Equipment	3.0	Peak Day	8,643	3,727	1,897	173	2,845
310	36901	Meas. & Reg. Equipment	3.0	Peak Day	29,979	12,929	6,581	601	9,869
311									
312		Total Transmission Plant			612,946	264,339	134,556	12,280	201,770
313									
314		Distribution:							
315									
316	37400	Land & Land Rights	3.0	Peak Day	0	-	-	-	-
317	37401	Land	3.0	Peak Day	0	-	-	-	-
318	37402	Land Rights	3.0	Peak Day	644	278	141	13	212
319	37403	Land Other	3.0	Peak Day	0	-	-	-	-
320	37500	Structures & Improvements	3.0	Peak Day	1,450	625	318	29	477
321	37501	Structures & Improvements T.B.	3.0	Peak Day	433	187	95	9	142
322	37502	Land Rights	3.0	Peak Day	210	91	46	4	69
323	37503	Improvements	3.0	Peak Day	18	8	4	0	6
324	37600	Mains Cathodic Protection	3.0	Peak Day	33,898	14,619	7,441	679	11,158
325	37601	Mains - Steel	3.0	Peak Day	225,035	97,049	49,401	4,509	74,077
326	37602	Mains - Plastic	3.0	Peak Day	99,681	42,988	21,882	1,997	32,813
327	37800	Meas & Reg. Sta. Equip - General	3.0	Peak Day	8,880	3,830	1,949	178	2,923
328	37900	Meas & Reg. Sta. Equip - City Gate	3.0	Peak Day	5,476	2,362	1,202	110	1,803
329	37905	Meas & Reg. Sta. Equipment T.b.	3.0	Peak Day	4,433	1,912	973	89	1,459
330	38000	Services	99.0	-	0	-	-	-	-
331	38100	Meters	99.0	-	0	-	-	-	-
332	38200	Meter Installaitons	99.0	-	0	-	-	-	-
333	38300	House Regulators	99.0	-	0	-	-	-	-
334	38400	House Reg. Installations	99.0	-	0	-	-	-	-
335	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
336	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
337									
338		Total Distribution Plant			380,158	163,947	83,454	7,616	125,141

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF DEPRECIATION EXPENSE										
339										
340		General:								
341										
342	38900	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
343	39000	Structures Frame	6.4	P, S, T & D Plant - Demand	15,024	6,479	3,298	301	4,945	
344	39001	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
345	39002	Improvements	6.4	P, S, T & D Plant - Demand	3,208	1,383	704	64	1,056	
346	39003	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	12,883	5,556	2,828	258	4,241	
347	39004	*Improvement to leased Premises*	6.4	P, S, T & D Plant - Demand	132	57	29	3	43	
348	39009	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	5,531	2,385	1,214	111	1,821	
349	39100	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	13,105	5,652	2,877	263	4,314	
350	39102	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
351	39103	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
352	39200	Trucks	6.4	P, S, T & D Plant - Demand	5,614	2,421	1,233	112	1,848	
353	39201	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
354	39202	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
355	39300	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
356	39400	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	19,916	8,589	4,372	399	6,556	
357	39600	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
358	39603	Backhoes	6.4	P, S, T & D Plant - Demand	7,202	3,106	1,581	144	2,371	
359	39604	Welders	6.4	P, S, T & D Plant - Demand	5,505	2,374	1,208	110	1,812	
360	39605	Communication Equipment	6.4	P, S, T & D Plant - Demand	1,422	613	312	28	468	
361	39700	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	1,466	632	322	29	483	
362	39701	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
363	39702	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
364	39705	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	643	277	141	13	212	
365	39800	Other Tangible Property	6.4	P, S, T & D Plant - Demand	23,925	10,318	5,252	479	7,876	
366	39900	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
367	39901	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
368	39902	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
369	39903	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
370	39904	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
371	39905	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
372	39906	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	3,598	1,552	790	72	1,184	
373	39907	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
374	39908	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
375	39909	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
376										
377										
378		Total General Plant			119,175	51,395	26,162	2,388	39,230	
379										
380		TOTAL DIRECT DEPRECIATION EXPENSE			1,163,097	501,598	255,328	23,303	382,869	
381										
382		*Kentucky Mid-States General Office:*								
383										
384		Intangible Plant:								
385										
386	30100	Organization	99.0	-	0	-	-	-	-	
387	30200	Franchises & Consents	99.0	-	0	-	-	-	-	
388	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-	
389										
390		Total Intangible Plant:			0	-	-	-	-	
391										
392		General:								
393										
394	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
395	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	241	104	53	5	79	
396	36602	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
397	38900	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
398	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
399	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
400	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
401	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
402	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
403	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
404	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
405	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
406	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	18	8	4	0	6	
407	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	385	166	85	8	127	
408	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
409	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
410	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
411	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
412	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	1,171	505	257	23	385	
413	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
414	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
415	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
416	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	3,230	1,393	709	65	1,063	
417	39800	Other Tangible Property	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
418	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
419	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
420	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	13,087	5,644	2,873	262	4,308	
421	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
422	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
423	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
424	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
425	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
426	39809	*Other Tang. Property - Application Software*	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
427	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
428										
429										
430		Total General Plant			18,133	7,820	3,981	363	5,969	

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF DEPRECIATION EXPENSE										
431										
432		Shared Services General Office:								
433										
434		General:								
435										
436	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
437	39000	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
438	36602	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
439	37503	Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
440	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
441	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	6,869	3,006	1,530	140	2,294	
442	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	2,112	911	464	42	695	
443	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
444	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
445	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
446	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
447	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
448	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
449	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	37	16	8	1	12	
450	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
451	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
452	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
453	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
454	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	1,189	513	261	24	391	
455	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
456	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
457	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
458	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	157	68	34	3	52	
459	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	8	3	2	0	3	
460	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	10,541	4,548	2,314	211	3,470	
461	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	4,735	2,042	1,040	95	1,559	
462	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	1,844	795	405	37	607	
463	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
464	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
465	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	6,488	2,798	1,424	130	2,136	
466	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	968	416	212	19	318	
467	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	85,338	36,803	18,734	1,710	28,092	
468	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
469	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
470										
471										
472		Total General Plant			120,385	51,917	26,427	2,412	39,628	
473										
474		Shared Services Customer Support:								
475										
476		General:								
477										
478	37400	Land & Land Rights	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
479	39001	Structures Frame	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
480	36602	Structures & Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
481	37503	Improvements	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
482	39004	Air Conditioning Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
483	39009	Improvement to leased Premises	6.4	P, S, T & D Plant - Demand	3,086	1,331	676	62	1,016	
484	39100	Office Furniture & Equipment	6.4	P, S, T & D Plant - Demand	57	25	13	1	19	
485	39102	Remittance Processing Equip	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
486	39103	Office Machines	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
487	39200	Transportation Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
488	39201	Trucks	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
489	39202	Trailers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
490	39300	Stores Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
491	39400	Tools, Shop & Garage Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
492	39600	Power Operated Equipment	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
493	39603	Ditchers	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
494	39604	Backhoes	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
495	39605	Welders	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
496	39700	Communication Equipment	6.4	P, S, T & D Plant - Demand	20,561	8,867	4,514	412	6,768	
497	39701	Communication Equipment - Mobile Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
498	39702	Communication Equipment - Fixed Radios	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
499	39705	Communication Equip. - Telemetering	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
500	39800	Miscellaneous Equipment	6.4	P, S, T & D Plant - Demand	2	1	0	0	1	
501	39900	Other Tangible Property	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
502	39901	Other Tangible Property - Servers - H/W	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
503	39902	Other Tangible Property - Servers - S/W	6.4	P, S, T & D Plant - Demand	3,389	1,462	744	68	1,116	
504	39903	Other Tangible Property - Network - H/W	6.4	P, S, T & D Plant - Demand	430	185	94	9	142	
505	39904	Other Tang. Property - CPU	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
506	39905	Other Tangible Property - MF - Hardware	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
507	39906	Other Tang. Property - PC Hardware	6.4	P, S, T & D Plant - Demand	5,900	2,544	1,295	118	1,942	
508	39907	Other Tang. Property - PC Software	6.4	P, S, T & D Plant - Demand	2,926	1,262	642	59	963	
509	39908	Other Tang. Property - Mainframe S/W	6.4	P, S, T & D Plant - Demand	99,727	43,008	21,892	1,998	32,828	
510	39909	Other Tang. Property - Application Software	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
511	39924	Other Tang. Property - General Startup Costs	6.4	P, S, T & D Plant - Demand	0	-	-	-	-	
512										
513										
514		Total General Plant			136,079	58,685	29,873	2,726	44,794	
515										
516		TOTAL DEPRECIATION EXPENSE - DEMAND			1,437,694	620,021	315,608	28,804	473,261	

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF DEPRECIATION EXPENSE

Commodity

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
517		Intangible Plant:							
518									
519	30100	Organization	99.0	-	0	-	-	-	-
520	30200	Franchises & Consents	99.0	-	0	-	-	-	-
521	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-
522									
523		Total Intangible Plant:			0	-	-	-	-
524									
525		Production Plant:							
526			99.0	-	0	-	-	-	-
527	32520	Producing Leaseholds	99.0	-	0	-	-	-	-
528	32540	Rights of Ways	99.0	-	0	-	-	-	-
529	33100	Production Gas Wells Equipment	99.0	-	0	-	-	-	-
530	33201	Field Lines	99.0	-	0	-	-	-	-
531	33202	Tributary Lines	99.0	-	0	-	-	-	-
532	33400	Field Meas. & Reg. Sta. Equip	99.0	-	0	-	-	-	-
533	33600	Purification Equipment	99.0	-	0	-	-	-	-
534									
535		Total Production Plant			0	-	-	-	-
536									
537		Storage Plant:							
538									
539	35010	Land	1.5	Winter Volumes	0	-	-	-	-
540	35020	Rights of Way	1.5	Winter Volumes	0	-	-	-	-
541	35100	Structures and Improvements	1.5	Winter Volumes	33	11	6	1	15
542	35102	Compression Station Equipment	1.5	Winter Volumes	451	152	82	8	209
543	35103	Meas. & Reg. Sta. Structures	1.5	Winter Volumes	0	-	-	-	-
544	35104	Other Structures	1.5	Winter Volumes	0	-	-	-	-
545	35200	Wells \ Rights of Way	1.5	Winter Volumes	3,665	1,233	668	63	1,701
546	35201	Well Construction	1.5	Winter Volumes	19,422	6,533	3,541	336	9,012
547	35202	Well Equipment	1.5	Winter Volumes	0	-	-	-	-
548	35203	Cushion Gas	1.5	Winter Volumes	19,783	6,654	3,607	342	9,180
549	35210	Leaseholds	1.5	Winter Volumes	0	-	-	-	-
550	35211	Storage Rights	1.5	Winter Volumes	118	40	21	2	55
551	35301	Field Lines	1.5	Winter Volumes	0	-	-	-	-
552	35302	Tributary Lines	1.5	Winter Volumes	0	-	-	-	-
553	35400	Compressor Station Equipment	1.5	Winter Volumes	2,730	918	498	47	1,267
554	35500	Meas & Reg. Equipment	1.5	Winter Volumes	143	48	26	2	66
555	35600	Purification Equipment	1.5	Winter Volumes	175	59	32	3	81
556									
557		Total Storage Plant			46,520	15,647	8,481	805	21,587
558									
559		Transmission:							
560									
561	36510	Land & Land Rights	99.0	-	0	-	-	-	-
562	36520	Rights of Way	99.0	-	0	-	-	-	-
563	36602	Structures & Improvements	99.0	-	0	-	-	-	-
564	36603	Other Structures	99.0	-	0	-	-	-	-
565	36700	Mains Cathodic Protection	99.0	-	0	-	-	-	-
566	36701	Mains - Steel	99.0	-	0	-	-	-	-
567	36900	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
568	36901	Meas. & Reg. Equipment	99.0	-	0	-	-	-	-
569									
570		Total Transmission Plant			0	-	-	-	-
571									
572		Distribution:							
573									
574	37400	Land & Land Rights	99.0	-	0	-	-	-	-
575	37401	Land	99.0	-	0	-	-	-	-
576	37402	Land Rights	99.0	-	0	-	-	-	-
577	37403	Land Other	99.0	-	0	-	-	-	-
578	37500	Structures & Improvements	99.0	-	0	-	-	-	-
579	37501	Structures & Improvements T.B.	99.0	-	0	-	-	-	-
580	37502	Land Rights	99.0	-	0	-	-	-	-
581	37503	Improvements	99.0	-	0	-	-	-	-
582	37600	Mains Cathodic Protection	99.0	-	0	-	-	-	-
583	37601	Mains - Steel	99.0	-	0	-	-	-	-
584	37602	Mains - Plastic	99.0	-	0	-	-	-	-
585	37800	Meas & Reg. Sta. Equip - General	99.0	-	0	-	-	-	-
586	37900	Meas & Reg. Sta. Equip - City Gate	99.0	-	0	-	-	-	-
587	37905	Meas & Reg. Sta. Equipment T.b.	99.0	-	0	-	-	-	-
588	38000	Services	99.0	-	0	-	-	-	-
589	38100	Meters	99.0	-	0	-	-	-	-
590	38200	Meter Installaitons	99.0	-	0	-	-	-	-
591	38300	House Regulators	99.0	-	0	-	-	-	-
592	38400	House Reg. Installations	99.0	-	0	-	-	-	-
593	38500	Ind. Meas. & Reg. Sta. Equipment	99.0	-	0	-	-	-	-
594	38600	Other Prop. On Cust. Prem	99.0	-	0	-	-	-	-
595									
596		Total Distribution Plant			0	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division										
Kentucky Jurisdiction Case No. 2009-00354										
Forecasted Test Period: Twelve Months Ended March 31, 2011										
ALLOCATION OF DEPRECIATION EXPENSE										
597										
598		General:								
599										
600	38900	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
601	39000	Structures Frame	6.6	P, S, T & D Plant - Commodity	884	297	161	15	410	
602	39001	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
603	39002	Improvements	6.6	P, S, T & D Plant - Commodity	189	63	34	3	88	
604	39003	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	758	255	138	13	352	
605	39004	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	8	3	1	0	4	
606	39009	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	326	109	59	6	151	
607	39100	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	771	259	141	13	358	
608	39102	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
609	39103	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
610	39200	Trucks	6.6	P, S, T & D Plant - Commodity	330	111	60	6	153	
611	39201	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
612	39202	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
613	39300	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
614	39400	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	1,172	394	214	20	544	
615	39600	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
616	39603	Backhoes	6.6	P, S, T & D Plant - Commodity	424	143	77	7	197	
617	39604	Welders	6.6	P, S, T & D Plant - Commodity	324	109	59	6	150	
618	39605	Communication Equipment	6.6	P, S, T & D Plant - Commodity	84	28	15	1	39	
619	39700	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	86	29	16	1	40	
620	39701	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
621	39702	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
622	39705	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	38	13	7	1	18	
623	39800	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	1,408	474	257	24	653	
624	39900	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
625	39901	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
626	39902	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
627	39903	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
628	39904	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
629	39905	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
630	39906	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	212	71	39	4	98	
631	39907	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
632	39908	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
633	39909	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
634										
635										
636		Total General Plant			7,014	2,359	1,279	121	3,255	
637										
638		TOTAL DIRECT DEPRECIATION EXPENSE			53,534	18,006	9,760	926	24,842	
639										
640		Kentucky Mid-States General Office:								
641										
642		Intangible Plant:								
643										
644	30100	Organization	99.0	-	0	-	-	-	-	
645	30200	Franchises & Consents	99.0	-	0	-	-	-	-	
646	30300	Misc Intangible Plant	99.0	-	0	-	-	-	-	
647										
648		Total Intangible Plant:			0	-	-	-	-	
649										
650		General:								
651										
652	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
653	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	14	5	3	0	7	
654	36602	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
655	38900	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
656	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
657	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
658	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
659	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
660	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
661	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
662	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
663	39202	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
664	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	1	0	0	0	1	
665	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	23	8	4	0	11	
666	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
667	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
668	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
669	39605	Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
670	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	69	23	13	1	32	
671	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
672	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
673	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
674	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	190	64	35	3	88	
675	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
676	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
677	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
678	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	770	259	140	13	357	
679	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
680	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
681	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
682	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
683	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
684	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
685	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-	
686										
687										
688		Total General Plant			1,067	359	195	18	495	
689										
690		Shared Services General Office:								

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF DEPRECIATION EXPENSE									
691									
692		General:							
693									
694	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
695	39000	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
696	36602	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
697	37503	Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
698	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
699	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	410	138	75	7	190
700	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	124	42	23	2	58
701	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
702	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
703	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
704	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
705	39202	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
706	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
707	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	2	1	0	0	1
708	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
709	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
710	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
711	39605	Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
712	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	70	24	13	1	32
713	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
714	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
715	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
716	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	9	3	2	0	4
717	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	0	0	0	0
718	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	620	209	113	11	288
719	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	279	94	51	5	129
720	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	109	37	20	2	50
721	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
722	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
723	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	382	128	70	7	177
724	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	57	19	10	1	26
725	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	5,022	1,689	916	87	2,330
726	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
727	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
728									
729									
730		Total General Plant			7,085	2,383	1,292	123	3,288
731									
732		Shared Services Customer Support:							
733									
734		General:							
735									
736	37400	Land & Land Rights	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
737	39001	Structures Frame	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
738	36602	Structures & Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
739	37503	Improvements	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
740	39004	Air Conditioning Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
741	39009	Improvement to leased Premises	6.6	P, S, T & D Plant - Commodity	182	61	33	3	84
742	39100	Office Furniture & Equipment	6.6	P, S, T & D Plant - Commodity	3	1	1	0	2
743	39102	Remittance Processing Equip	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
744	39103	Office Machines	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
745	39200	Transportation Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
746	39201	Trucks	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
747	39202	Trailers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
748	39300	Stores Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
749	39400	Tools, Shop & Garage Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
750	39600	Power Operated Equipment	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
751	39603	Ditchers	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
752	39604	Backhoes	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
753	39605	Welders	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
754	39700	Communication Equipment	6.6	P, S, T & D Plant - Commodity	1,210	407	221	21	562
755	39701	Communication Equipment - Mobile Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
756	39702	Communication Equipment - Fixed Radios	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
757	39705	Communication Equip. - Telemetering	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
758	39800	Miscellaneous Equipment	6.6	P, S, T & D Plant - Commodity	0	0	0	0	0
759	39900	Other Tangible Property	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
760	39901	Other Tangible Property - Servers - H/W	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
761	39902	Other Tangible Property - Servers - S/W	6.6	P, S, T & D Plant - Commodity	199	67	36	3	93
762	39903	Other Tangible Property - Network - H/W	6.6	P, S, T & D Plant - Commodity	25	9	5	0	12
763	39904	Other Tang. Property - CPU	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
764	39905	Other Tangible Property - MF - Hardware	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
765	39906	Other Tang. Property - PC Hardware	6.6	P, S, T & D Plant - Commodity	347	117	63	6	161
766	39907	Other Tang. Property - PC Software	6.6	P, S, T & D Plant - Commodity	172	58	31	3	80
767	39908	Other Tang. Property - Mainframe S/W	6.6	P, S, T & D Plant - Commodity	5,869	1,974	1,070	102	2,723
768	39909	Other Tang. Property - Application Software	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
769	39924	Other Tang. Property - General Startup Costs	6.6	P, S, T & D Plant - Commodity	0	-	-	-	-
770									
771									
772		Total General Plant			8,008	2,694	1,460	139	3,718
773									
774		TOTAL DEPRECIATION EXPENSE - COMMODITY			69,694	23,442	12,706	1,205	32,341

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF DEPRECIATION EXPENSE

Total Depreciation Expense

Line No.	Acct. No.		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
775		Intangible Plant:							
776									
777	30100	Organization			0	-	-	-	-
778	30200	Franchises & Consents			0	-	-	-	-
779	30300	Misc Intangible Plant			0	-	-	-	-
780									
781		Total Intangible Plant:			0	-	-	-	-
782									
783		Production Plant:							
784					0	-	-	-	-
785	32520	Producing Leaseholds			136	59	30	3	45
786	32540	Rights of Ways			1,874	808	411	38	617
787	33100	Production Gas Wells Equipment			0	-	-	-	-
788	33201	Field Lines			0	-	-	-	-
789	33202	Tributary Lines			0	-	-	-	-
790	33400	Field Meas. & Reg. Sta. Equip			0	-	-	-	-
791	33600	Purification Equipment			2,289	987	503	46	754
792									
793		Total Production Plant			4,299	1,854	944	86	1,415
794									
795		Storage Plant:							
796									
797	35010	Land			0	-	-	-	-
798	35020	Rights of Way			0	-	-	-	-
799	35100	Structures and Improvements			66	25	13	1	26
800	35102	Compression Station Equipment			902	346	181	17	358
801	35103	Meas. & Reg. Sta. Structues			0	-	-	-	-
802	35104	Other Structures			0	-	-	-	-
803	35200	Wells \ Rights of Way			7,330	2,813	1,473	137	2,907
804	35201	Well Construction			38,843	14,908	7,804	725	15,406
805	35202	Well Equipment			0	-	-	-	-
806	35203	Cushion Gas			39,566	15,186	7,950	739	15,692
807	35210	Leaseholds			0	-	-	-	-
808	35211	Storage Rights			236	90	47	4	93
809	35301	Field Lines			0	-	-	-	-
810	35302	Tributary Lines			0	-	-	-	-
811	35400	Compressor Station Equipment			5,481	2,096	1,097	102	2,166
812	35500	Meas & Reg. Equipment			295	110	57	5	113
813	35600	Purification Equipment			350	134	70	7	139
814									
815		Total Storage Plant			93,040	35,710	18,693	1,737	36,901
816									
817		Transmission:							
818									
819	36510	Land & Land Rights			0	-	-	-	-
820	36520	Rights of Way			14,045	6,057	3,083	281	4,623
821	36602	Structures & Improvements			890	384	195	18	293
822	36603	Other Structues			1,225	528	269	25	403
823	36700	Mains Cathodic Protection			6,684	2,883	1,467	134	2,200
824	36701	Mains - Steel			551,479	237,831	121,053	11,049	181,536
825	36900	Meas. & Reg. Equipment			8,643	3,727	1,897	173	2,845
826	36901	Meas. & Reg. Equipment			29,979	12,929	6,581	601	9,869
827									
828		Total Transmission Plant			612,946	264,339	134,556	12,280	201,770
829									
830		Distribution:							
831									
832	37400	Land & Land Rights			0	-	-	-	-
833	37401	Land			0	-	-	-	-
834	37402	Land Rights			4,462	3,664	563	18	217
835	37403	Land Other			0	-	-	-	-
836	37500	Structures & Improvements			10,039	8,245	1,267	39	488
837	37501	Structures & Improvements T.B.			2,998	2,462	378	12	146
838	37502	Land Rights			1,453	1,194	183	6	71
839	37503	Improvements			125	103	16	0	6
840	37600	Mains Cathodic Protection			234,744	192,792	29,627	921	11,404
841	37601	Mains - Steel			1,558,389	1,279,881	196,684	6,116	75,708
842	37602	Mains - Plastic			690,301	566,934	87,123	2,709	33,535
843	37800	Meas & Reg. Sta. Equip - General			61,498	50,507	7,762	241	2,988
844	37900	Meas & Reg. Sta. Equip - City Gate			37,923	31,146	4,786	149	1,842
845	37905	Meas & Reg. Sta. Equipment T.B.			30,699	25,213	3,875	120	1,491
846	38000	Services			3,769,058	3,343,571	416,334	4,543	4,610
847	38100	Meters			1,242,950	746,746	418,093	38,773	39,338
848	38200	Meter Installaitons			2,103,869	1,263,973	707,682	65,629	66,585
849	38300	House Regulators			154,767	92,982	52,059	4,828	4,898
850	38400	House Reg. Installations			3,057	1,836	1,028	95	97
851	38500	Ind. Meas. & Reg. Sta. Equipment			121,313	-	-	-	121,313
852	38600	Other Prop. On Cust. Prem			0	-	-	-	-
853									
854		Total Distribution Plant			10,027,645	7,611,248	1,927,462	124,199	364,736

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF DEPRECIATION EXPENSE									
855									
856		General:							
857									
858	38900	Land & Land Rights			0	-	-	-	-
859	39000	Structures Frame			82,474	59,797	14,593	915	7,169
860	39001	Structures & Improvements			0	-	-	-	-
861	39002	Improvements			17,608	12,767	3,116	195	1,530
862	39003	Air Conditioning Equipment			70,721	51,276	12,514	784	6,147
863	39004	Improvement to leased Premises			725	526	128	8	63
864	39009	Office Furniture & Equipment			30,365	22,016	5,373	337	2,639
865	39100	Remittance Processing Equip			71,942	52,162	12,730	798	6,253
866	39102	Office Machines			0	-	-	-	-
867	39103	Transportation Equipment			0	-	-	-	-
868	39200	Trucks			30,821	22,347	5,454	342	2,679
869	39201	Trailers			0	-	-	-	-
870	39202	Stores Equipment			0	-	-	-	-
871	39300	Tools, Shop & Garage Equipment			0	-	-	-	-
872	39400	Power Operated Equipment			109,332	79,270	19,346	1,213	9,503
873	39500	Ditchers			0	-	-	-	-
874	39603	Backhoes			39,537	28,668	6,996	438	3,437
875	39604	Welders			30,221	21,911	5,347	335	2,627
876	39605	Communication Equipment			7,808	5,661	1,382	87	679
877	39700	Communication Equipment - Mobile Radios			8,047	5,835	1,424	89	699
878	39701	Communication Equipment - Fixed Radios			0	-	-	-	-
879	39702	Communication Equip. - Telemetering			0	-	-	-	-
880	39705	Miscellaneous Equipment			3,532	2,561	625	39	307
881	39800	Other Tangible Property			131,340	95,227	23,240	1,457	11,416
882	39900	Other Tangible Property - Servers - H/W			0	-	-	-	-
883	39901	Other Tangible Property - Servers - S/W			0	-	-	-	-
884	39902	Other Tangible Property - Network - H/W			0	-	-	-	-
885	39903	Other Tang. Property - CPU			0	-	-	-	-
886	39904	Other Tangible Property - MF - Hardware			0	-	-	-	-
887	39905	Other Tang. Property - PC Hardware			0	-	-	-	-
888	39906	Other Tang. Property - PC Software			19,753	14,322	3,495	219	1,717
889	39907	Other Tang. Property - Mainframe S/W			0	-	-	-	-
890	39908	Other Tang. Property - Application Software			0	-	-	-	-
891	39909	Other Tang. Property - General Startup Costs			0	-	-	-	-
892									
893									
894		Total General Plant			654,227	474,344	115,762	7,256	56,865
895									
896		TOTAL DIRECT DEPRECIATION EXPENSE			11,392,157	8,387,495	2,197,418	145,558	661,686
897									
898		Kentucky Mid-States General Office:							
899									
900		Intangible Plant:							
901									
902	30100	Organization			0	-	-	-	-
903	30200	Franchises & Consents			0	-	-	-	-
904	30300	Misc Intangible Plant			0	-	-	-	-
905									
906		Total Intangible Plant:			0	-	-	-	-
907									
908		General:							
909									
910	37400	Land & Land Rights			0	-	-	-	-
911	39001	Structures Frame			1,324	950	234	15	115
912	36602	Structures & Improvements			0	-	-	-	-
913	38900	Land & Land Rights			0	-	-	-	-
914	39004	Air Conditioning Equipment			0	-	-	-	-
915	39009	Improvement to leased Premises			0	-	-	-	-
916	39100	Office Furniture & Equipment			0	-	-	-	-
917	39102	Remittance Processing Equip			0	-	-	-	-
918	39103	Office Machines			0	-	-	-	-
919	39200	Transportation Equipment			0	-	-	-	-
920	39201	Trucks			0	-	-	-	-
921	39202	Trailers			0	-	-	-	-
922	39300	Stores Equipment			101	73	18	1	9
923	39400	Tools, Shop & Garage Equipment			2,116	1,534	374	23	184
924	39600	Power Operated Equipment			0	-	-	-	-
925	39603	Ditchers			0	-	-	-	-
926	39604	Backhoes			0	-	-	-	-
927	39605	Welders			0	-	-	-	-
928	39700	Communication Equipment			6,428	4,661	1,137	71	559
929	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
930	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
931	39705	Communication Equip. - Telemetering			0	-	-	-	-
932	39800	Miscellaneous Equipment			17,731	12,856	3,137	197	1,541
933	39900	Other Tangible Property			0	-	-	-	-
934	39901	Other Tangible Property - Servers - H/W			0	-	-	-	-
935	39902	Other Tangible Property - Servers - S/W			0	-	-	-	-
936	39903	Other Tangible Property - Network - H/W			71,842	52,088	12,712	797	6,244
937	39904	Other Tang. Property - CPU			0	-	-	-	-
938	39905	Other Tangible Property - MF - Hardware			0	-	-	-	-
939	39906	Other Tang. Property - PC Hardware			0	-	-	-	-
940	39907	Other Tang. Property - PC Software			0	-	-	-	-
941	39908	Other Tang. Property - Mainframe S/W			0	-	-	-	-
942	39909	Other Tang. Property - Application Software			0	-	-	-	-
943	39924	Other Tang. Property - General Startup Costs			0	-	-	-	-
944									
945									
946		Total General Plant			99,541	72,172	17,613	1,104	8,652
947									
948		Shared Services General Office:							

Atmos Energy Corporation, Kentucky/Mid-States Division									
Kentucky Jurisdiction Case No. 2009-00354									
Forecasted Test Period: Twelve Months Ended March 31, 2011									
ALLOCATION OF DEPRECIATION EXPENSE									
948									
950		General:							
951									
952	37400	Land & Land Rights			0	-	-	-	-
953	39000	Structures & Improvements			0	-	-	-	-
954	36602	Structures & Improvements			0	-	-	-	-
955	37503	Improvements			0	-	-	-	-
956	39004	Air Conditioning Equipment			0	-	-	-	-
957	39009	Improvement to leased Premises			38,259	27,739	6,770	424	3,325
958	39100	Office Furniture & Equipment			11,595	8,407	2,052	129	1,008
959	39102	Remittance Processing Equip			0	-	-	-	-
960	39103	Office Machines			0	-	-	-	-
961	39200	Transportation Equipment			0	-	-	-	-
962	39201	Trucks			0	-	-	-	-
963	39202	Trailers			0	-	-	-	-
964	39300	Stores Equipment			0	-	-	-	-
965	39400	Tools, Shop & Garage Equipment			205	148	36	2	18
966	39600	Power Operated Equipment			0	-	-	-	-
967	39603	Ditchers			0	-	-	-	-
968	39604	Backhoes			0	-	-	-	-
969	39605	Welders			0	-	-	-	-
970	39700	Communication Equipment			6,528	4,733	1,155	72	567
971	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
972	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
973	39705	Communication Equip. - Telemetering			0	-	-	-	-
974	39800	Miscellaneous Equipment			851	624	152	10	75
975	39900	Other Tangible Property			42	31	7	0	4
976	39901	Other Tangible Property - Servers - H/W			57,668	41,957	10,240	642	5,030
977	39902	Other Tangible Property - Servers - S/W			25,995	18,848	4,600	288	2,259
978	39903	Other Tangible Property - Network - H/W			10,123	7,340	1,791	112	880
979	39904	Other Tang. Property - CPU			0	-	-	-	-
980	39905	Other Tangible Property - MF - Hardware			0	-	-	-	-
981	39906	Other Tang. Property - PC Hardware			35,619	25,825	6,303	395	3,096
982	39907	Other Tang. Property - PC Software			5,301	3,843	938	59	461
983	39908	Other Tang. Property - Mainframe S/W			468,474	339,665	82,894	5,196	40,719
984	39909	Other Tang. Property - Application Software			0	-	-	-	-
985	39924	Other Tang. Property - General Startup Costs			0	-	-	-	-
986									
987									
988		Total General Plant			660,871	479,161	116,938	7,329	57,442
989									
990		Shared Services Customer Support:							
991									
992		General:							
993									
994	37400	Land & Land Rights			0	-	-	-	-
995	39001	Structures Frame			0	-	-	-	-
996	36602	Structures & Improvements			0	-	-	-	-
997	37503	Improvements			0	-	-	-	-
998	39004	Air Conditioning Equipment			0	-	-	-	-
999	39009	Improvement to leased Premises			16,943	12,284	2,998	188	1,473
1000	39100	Office Furniture & Equipment			313	227	55	3	27
1001	39102	Remittance Processing Equip			0	-	-	-	-
1002	39103	Office Machines			0	-	-	-	-
1003	39200	Transportation Equipment			0	-	-	-	-
1004	39201	Trucks			0	-	-	-	-
1005	39202	Trailers			0	-	-	-	-
1006	39300	Stores Equipment			0	-	-	-	-
1007	39400	Tools, Shop & Garage Equipment			0	-	-	-	-
1008	39600	Power Operated Equipment			0	-	-	-	-
1009	39603	Ditchers			0	-	-	-	-
1010	39604	Backhoes			0	-	-	-	-
1011	39605	Welders			0	-	-	-	-
1012	39700	Communication Equipment			112,875	81,840	19,973	1,252	9,811
1013	39701	Communication Equipment - Mobile Radios			0	-	-	-	-
1014	39702	Communication Equipment - Fixed Radios			0	-	-	-	-
1015	39705	Communication Equip. - Telemetering			0	-	-	-	-
1016	39800	Miscellaneous Equipment			9	7	2	0	1
1017	39900	Other Tangible Property			0	-	-	-	-
1018	39901	Other Tangible Property - Servers - H/W			0	-	-	-	-
1019	39902	Other Tangible Property - Servers - S/W			18,606	13,490	3,292	206	1,617
1020	39903	Other Tangible Property - Network - H/W			2,360	1,711	418	26	205
1021	39904	Other Tang. Property - CPU			0	-	-	-	-
1022	39905	Other Tangible Property - MF - Hardware			0	-	-	-	-
1023	39906	Other Tang. Property - PC Hardware			32,387	23,482	5,731	359	2,815
1024	39907	Other Tang. Property - PC Software			16,065	11,648	2,843	178	1,396
1025	39908	Other Tang. Property - Mainframe S/W			547,465	396,937	96,871	6,072	47,585
1026	39909	Other Tang. Property - Application Software			0	-	-	-	-
1027	39924	Other Tang. Property - General Startup Costs			0	-	-	-	-
1028									
1029									
1030		Total General Plant			747,023	541,625	132,182	8,285	64,931
1031									
1032		TOTAL DEPRECIATION EXPENSE			12,899,592	9,489,453	2,464,151	152,276	792,711

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX

		Allocation Factor	Allocation Basis	Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
1								
2	Customer							
3								
4								
5								
6								
7	Taxes Other Than Income							
8								
9	Non Revenue Related:							
10	Payroll Related	7.2	Allocated O&M Expenses - Cust	49,074	39,430	7,544	517	1,584
11	Property Related	6.2	P, S, T & D Plant - Customer	2,506,982	1,996,844	419,328	22,536	68,273
12	DOT transmission User Tax	7.2	Allocated O&M Expenses - Cust	6,232	5,007	958	66	201
13	Other	7.2	Allocated O&M Expenses - Cust	35,914	28,856	5,521	378	1,159
14	Total Non Revenue Related:			2,598,203	2,070,137	433,350	23,497	71,218
15								
16	Revenue Related:							
17	State Gross Receipts - Tax	99.0	-	0	-	-	-	-
18	Local Gross Receipts - Tax	99.0	-	0	-	-	-	-
19	Public Service Commission Assessment	99.0	-	0	-	-	-	-
20	Total Revenue Related:			0	-	-	-	-
21								
22	Total Taxes, Other Than Income			2,598,203	2,070,137	433,350	23,497	71,218
23								
24								
25	Interest Expense	19.2	Rate Base - Cust	4,661,136	3,615,953	862,831	52,090	129,462

Almos Energy Corporation, Kentucky/Mid-States Division								
Kentucky Jurisdiction Case No. 2009-00354								
Forecasted Test Period: Twelve Months Ended March 31, 2011								
ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX								
26								
27	Demand							
28								
29								
30								
31		Allocation	Allocation	Total		Commercial &	Firm	Industrial &
32		Factor	Basis	Company	Residential	Public Authority	Industrial	Transport
33								
34	Taxes Other Than Income							
35								
36	Non Revenue Related:							
37	Payroll Related	7.4	Allocated O&M Expenses - Demand	4,216	1,818	926	84	1,388
38	Property Related	6.4	P, S, T & D Plant - Demand	565,809	244,011	124,209	11,336	186,253
39	DOT transmission User Tax	7.4	Allocated O&M Expenses - Demand	535	231	118	11	176
40	Other	7.4	Allocated O&M Expenses - Demand	3,086	1,331	677	62	1,016
41	Total Non Revenue Related:			573,647	247,391	125,929	11,493	188,833
42								
43	Revenue Related:							
44	State Gross Receipts - Tax	99.0	-	0	-	-	-	-
45	Local Gross Receipts - Tax	99.0	-	0	-	-	-	-
46	Public Service Commission Assessment	99.0	-	0	-	-	-	-
47	Total Revenue Related:			0	-	-	-	-
48								
49	Total Taxes, Other Than Income			573,647	247,391	125,929	11,493	188,833
50								
51								
52	Interest Expense	19.4	Rate Base - Demand	959,436	413,767	210,619	19,222	315,828

Atmos Energy Corporation, Kentucky/Mid-States Division								
Kentucky Jurisdiction Case No. 2009-00354								
Forecasted Test Period: Twelve Months Ended March 31, 2011								
ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX								
	Commodity							
		Allocation	Allocation	Total		Commercial &	Firm	Industrial &
		Factor	Basis	Company	Residential	Public Authority	Industrial	Transport
	Taxes Other Than Income							
	Non Revenue Related:							
	Payroll Related	7.6	Allocated O&M Expenses - Comm	344,510	206,563	122,123	10,678	4,947
	Property Related	6.6	P, S, T & D Plant - Commodity	33,298	11,200	6,071	576	15,452
	DOT transmission User Tax	7.6	Allocated O&M Expenses - Comm	43,748	26,231	15,508	1,381	628
	Other	7.6	Allocated O&M Expenses - Comm	252,126	151,171	89,374	7,961	3,620
	Total Non Revenue Related:			673,682	395,164	233,075	20,795	24,647
	Revenue Related:							
	State Gross Receipts - Tax	89.0	-	0	-	-	-	-
	Local Gross Receipts - Tax	99.0	-	0	-	-	-	-
	Public Service Commission Assessment	1.0	Mcf	340,986	87,184	50,671	4,527	198,604
	Total Revenue Related:			340,986	87,184	50,671	4,527	198,604
	Total Taxes, Other Than Income			1,014,668	482,348	283,747	25,322	223,251
	Interest Expense	19.6	Rate Base - Comm	548,310	188,355	109,690	9,830	240,425

Almos Energy Corporation, Kentucky/Mid-States Division								
Kentucky Jurisdiction Case No. 2009-00354								
Forecasted Test Period: Twelve Months Ended March 31, 2011								
ALLOCATION OF TAXES, OTHER THAN INCOME & NET DEDUCTIONS FOR INCOME TAX								
80								
81	Total Taxes Other							
82								
83								
84								
85		Allocation	Allocation	Total		Commercial &	Firm	Industrial &
86		Factor	Basis	Company	Residential	Public Authority	Industrial	Transport
87								
88	Taxes Other Than Income							
89								
90	Non Revenue Related:							
91	Payroll Related			397,800	247,810	130,592	11,479	7,919
92	Property Related			3,106,090	2,252,056	549,607	34,448	269,979
93	DOT transmission User Tax			50,516	31,469	16,583	1,458	1,006
94	Other			291,126	181,357	95,572	8,401	5,795
95	Total Non Revenue Related:			3,845,531	2,712,692	792,355	55,786	284,698
96								
97	Revenue Related:							
98	State Gross Receipts - Tax			0	-	-	-	-
99	Local Gross Receipts - Tax			0	-	-	-	-
100	Public Service Commission Assessment			340,986	87,184	50,671	4,527	198,604
101	Total Revenue Related:			340,986	87,184	50,671	4,527	198,604
102								
103	Total Taxes, Other Than Income			4,186,517	2,799,876	843,026	60,312	483,302
104								
105								
106	Interest Expense			6,168,882	4,218,085	1,183,141	81,942	685,715

Atmos Energy Corporation, Kentucky/Mid-States Division								
Kentucky Jurisdiction Case No. 2009-00354								
Forecasted Test Period: Twelve Months Ended March 31, 2011								
ALLOCATION OF REVENUES								
1								
2								
3	Total Revenues							
4								
5								
6								
7		Allocation	Allocation	Total		Commercial &	Firm	Industrial &
8		Factor	Basis	Company	Residential	Public Authority	Industrial	Transport
9	Rate Schedule Revenue:							
10								
11	Base Revenues	Input		51,349,415	28,991,806	12,294,720	568,081	9,494,709
12	Base Revenue Increase	Input		0	-	-	-	-
13	Gas Costs	Input		146,024,522	87,597,941	51,791,003	4,612,947	2,022,632
14	Rider FF and Rider Tax	Input		0	-	-	-	-
15								
16	Total Rate Schedule Revenue			197,373,938	116,589,846	64,085,722	5,181,028	11,517,341
17								
18	Other Revenue:							
19								
20	Forfeited Discounts	18.6	Total Rate Schedule Revenues	1,571,877	928,516	510,376	41,261	91,724
21	Misc. Service Revenues	18.6	Total Rate Schedule Revenues	783,688	462,929	254,457	20,572	45,730
22	NTB	18.2	Base Revenues	(6)	(3)	(1)	(0)	(1)
23	Other Gas Revenue	18.2	Base Revenues	0	-	-	-	-
24								
25	Total Non-Rate Revenue			2,355,560	1,391,442	764,832	61,833	137,453
26								
27	TOTAL REVENUE			199,729,497	117,981,288	64,850,554	5,242,861	11,654,794

Atmos Energy Corporation, Kentucky/Mid-States Division						
Kentucky Jurisdiction Case No. 2009-00354						
Forecasted Test Period: Twelve Months Ended March 31, 2011						
CLASSIFICATION FACTORS						
			Total			
			Company	Customer	Demand	Commodity
	Input	Values	1	1	0	0
1.0	Customer	%	100.0000%	100.0000%	0.0000%	0.0000%
	Input	Values	1	0	1	0
2.0	Demand	%	100.0000%	0.0000%	100.0000%	0.0000%
	Input	Values	1	0	0	1
3.0	Commodity	%	100.0000%	0.0000%	0.0000%	100.0000%
	Input	Values	100	0	50	50
3.5	Storage (50/50)	%	100.0000%	0.0000%	50.0000%	50.0000%
	Input	Values	87,962,005	75,260,100	12,701,905	0
4.0	Mains	%	100.0000%	85.5598%	14.4402%	0.0000%
	Internally Generated	Values	97,552,802	89,217,852	8,334,950	0
4.1	Mains & Services	%	100.0000%	91.4560%	8.5440%	0.0000%
	Internally Generated	Values	324,166,249	261,640,529	59,050,540	3,475,180
5.4	P, S, T & D Plant	%	100.0000%	80.7118%	18.2161%	1.0720%
	Internally Generated	Values	204,133,363	168,323,950	34,268,209	1,541,204
5.7	Net Plant	%	100.0000%	82.4578%	16.7872%	0.7550%
	Internally Generated	Values	168,789,105	20,822,542	1,788,976	146,177,588
9.1	Allocated O&M Expenses	%	100.0000%	12.3364%	1.0599%	86.6037%
	Internally Generated	Values	4,195,327	3,905,353	278,895	11,079
10.0	Composite of Accts. 871-879 & 886-893	%	100.0000%	93.0882%	6.6477%	0.2641%
	Internally Generated	Values	61,756,155	52,838,432	8,917,723	-
12.0	Composite of Accts. 374-379	%	100.0000%	85.5598%	14.4402%	0.0000%
	Internally Generated	Values	184,697,058	139,554,968	28,725,620	16,416,470
13.0	Rate Base	%	100.0000%	75.5588%	15.5528%	8.8883%
	Internally Generated	Values	7,222,144	6,750,303	453,492	18,349
17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	%	100.0000%	93.4668%	6.2792%	0.2541%
		Values	0	0	0	0
99.0	-	%	0.0000%	0.0000%	0.0000%	0.0000%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION FACTORS

			Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
	Input	Value	39,147,037	10,009,211	5,817,322	519,670	22,800,835
1.0	Mcf	%	100.0000%	25.5682%	14.8602%	1.3275%	58.2441%
	Input	Value	22,192,352	7,464,481	4,045,934	383,839	10,298,097
1.5	Winter Volumes	%	100.0000%	33.6354%	18.2312%	1.7296%	46.4038%
	Input	Value	2,059,314	1,826,839	227,474	2,482	2,519
2.0	Bills	%	100.0000%	88.7110%	11.0461%	0.1205%	0.1223%
	Input	Value	271,081	116,898	59,504	5,431	89,228
3.0	Peak Day	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Input	Value	11,657,334	7,003,552	3,921,199	363,643	368,939
4.0	Meter Investment	%	100.0000%	60.0785%	33.6372%	3.1194%	3.1649%
	Input	Value	1	1	-	-	-
4.2	Direct to Residential	%	100.0000%	100.0000%	0.0000%	0.0000%	0.0000%
	Input	Value	1	-	1	-	-
4.4	Direct to Commercial & PA	%	100.0000%	0.0000%	100.0000%	0.0000%	0.0000%
	Input	Value	1	-	-	1	-
4.6	Direct to Firm Industrial	%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%
	Input	Value	1	-	-	-	1
5.0	Direct to Ind. & Trans.	%	100.0000%	0.0000%	0.0000%	0.0000%	100.0000%
	Input	Value	1,774,410	1,451,331	189,761	133,319	-
5.2	Uncollectible Accounts	%	100.0000%	81.7923%	10.6943%	7.5134%	0.0000%
	Internally Generated	Value	324,166,249	235,035,179	57,359,633	3,595,194	28,176,243
6.0	P, S, T & D Plant	%	100.0000%	72.5045%	17.6945%	1.1091%	8.6919%
	Internally Generated	Value	281,640,629	208,400,120	43,763,055	2,352,013	7,125,342
6.2	P, S, T & D Plant - Customer	%	100.0000%	79.6513%	16.7264%	0.8989%	2.7233%
	Internally Generated	Value	59,050,540	25,466,170	12,983,011	1,183,074	19,438,285
6.4	P, S, T & D Plant - Demand	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Internally Generated	Value	3,475,180	1,168,890	633,567	60,107	1,612,616
6.6	P, S, T & D Plant - Commodity	%	100.0000%	33.6354%	18.2312%	1.7296%	46.4038%
	Internally Generated	Value	160,789,105	105,147,532	55,410,967	4,870,604	3,360,002
7.0	Allocated O&M Expenses	%	100.0000%	62.2952%	32.8265%	2.8850%	1.9907%
	Internally Generated	Value	20,822,542	16,730,218	3,200,850	219,348	672,126
7.2	Allocated O&M Expenses - Cust	%	100.0000%	80.3467%	15.3720%	1.0534%	3.2279%
	Internally Generated	Value	1,788,976	771,515	392,723	35,842	588,896
7.4	Allocated O&M Expenses - Demand	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Internally Generated	Value	146,177,588	87,645,800	51,817,394	4,615,414	2,098,980
7.6	Allocated O&M Expenses - Comm	%	100.0000%	59.9584%	35.4482%	3.1574%	1.4359%
	Input	Value	34,046,761	24,135,338	9,911,423	0	0
8.0	Customer Deposit Balances	%	100.0000%	70.8888%	29.1112%	0.0000%	0.0000%
	Internally Generated	Value	204,133,363	146,106,704	38,816,912	2,601,121	16,608,626
9.0	Allocated Net Plant	%	100.0000%	71.5741%	19.0155%	1.2742%	8.1362%
	Internally Generated	Value	168,323,950	130,809,788	31,013,237	1,887,903	4,613,024
9.2	Allocated Net Plant - Cust	%	100.0000%	77.7131%	18.4247%	1.1216%	2.7406%
	Internally Generated	Value	34,288,209	14,776,527	7,522,694	686,562	11,280,425
9.4	Allocated Net Plant - Demand	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Internally Generated	Value	1,541,204	518,390	280,980	26,657	715,177
9.6	Allocated Net Plant - Comm	%	100.0000%	33.6354%	18.2312%	1.7296%	46.4038%
	Internally Generated	Value	4,185,327	3,198,515	700,517	39,494	256,800
10.0	Composite of Accts. 871-879 & 886-893	%	100.0000%	76.2400%	16.6976%	0.9414%	6.1211%
	Internally Generated	Value	3,905,353	3,075,406	637,646	33,760	158,540
10.2	Composite of Accts. 871-879 & 886-893 - Cust	%	100.0000%	78.7485%	16.3275%	0.8644%	4.0596%
	Internally Generated	Value	278,895	120,276	61,224	5,588	- 91,807
10.4	Composite of Accts. 871-879 & 886-893 - Demand	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Internally Generated	Value	11,079	2,833	1,646	147	6,453
10.6	Composite of Accts. 871-879 & 886-893 - Comm	%	100.0000%	25.5682%	14.8602%	1.3275%	58.2441%
	Internally Generated	Value	97,552,802	82,740,625	11,684,620	274,521	2,852,036
11.0	Composite of Accts. 376 & 380	%	100.0000%	84.8162%	11.9779%	0.2814%	2.9244%
	Internally Generated	Value	89,217,852	79,146,090	9,855,098	107,530	109,133
11.2	Composite of Accts. 376 & 380 - Cust	%	100.0000%	88.7110%	11.0461%	0.1205%	0.1223%
	Internally Generated	Value	8,334,950	3,594,535	1,829,722	166,990	2,743,703
11.4	Composite of Accts. 376 & 380 - Demand	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2009-00354
Forecasted Test Period: Twelve Months Ended March 31, 2011

ALLOCATION FACTORS

			Total Company	Residential	Commercial & Public Authority	Firm Industrial	Industrial & Transport
	Internally Generated	Value	0	0	0	0	0
11.6	Composite of Accts. 376 & 380 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	61,756,155	50,719,388	7,794,243	242,350	3,000,174
12.0	Composite of Accts. 374-379	%	100.0000%	82.1265%	12.6210%	0.3924%	4.8581%
	Internally Generated	Value	52,838,432	46,673,526	5,836,589	63,684	64,633
12.2	Composite of Accts. 374-379 - Cust	%	100.0000%	88.7110%	11.0461%	0.1205%	0.1223%
	Internally Generated	Value	8,917,723	3,845,862	1,957,654	178,666	2,935,540
12.4	Composite of Accts. 374-379 - Demand	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Internally Generated	Value	0	0	0	0	0
12.6	Composite of Accts. 374-379 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	50,243,819	30,185,736	16,900,609	1,567,325	1,590,150
13.0	Composite of Accts. 381-383	%	100.0000%	60.0785%	33.6372%	3.1194%	3.1649%
	Internally Generated	Value	50,243,819	30,185,736	16,900,609	1,567,325	1,590,150
13.2	Composite of Accts. 381-383 - Cust	%	100.0000%	60.0785%	33.6372%	3.1194%	3.1649%
	Internally Generated	Value	0	0	0	0	0
13.4	Composite of Accts. 381-383 - Demand	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	0	0	0	0	0
13.6	Composite of Accts. 381-383 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	39,832,411	35,335,749	4,399,930	48,008	48,724
14.0	Account 380	%	100.0000%	88.7110%	11.0461%	0.1205%	0.1223%
	Internally Generated	Value	39,832,411	35,335,749	4,399,930	48,008	48,724
14.2	Account 380 - Cust	%	100.0000%	88.7110%	11.0461%	0.1205%	0.1223%
	Internally Generated	Value	0	0	0	0	0
14.4	Account 380 - Demand	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Internally Generated	Value	0	0	0	0	0
14.6	Account 380 - Comm	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
	Input	Value	94,773	0.81264	0.14803	0.03934	94,772
16.0	GUD 9400 Allocation Factors	%	100.0000%	0.0009%	0.0002%	0.0000%	99.9989%
	Internally Generated	Value	7,222,144	5,610,474	1,159,421	61,220	391,029
17.0	Composite of Accts. 870-902, 905-916, 924 & 928-930.1	%	100.0000%	77.6843%	16.0537%	0.8477%	5.4143%
	Internally Generated	Value	6,750,303	5,409,979	1,057,045	51,879	231,400
17.2	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Cust	%	100.0000%	80.1442%	15.6592%	0.7685%	3.4280%
	Internally Generated	Value	453,492	195,573	99,552	9,088	149,281
17.4	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Dema	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Internally Generated	Value	18,349	4,922	2,823	255	10,348
17.6	Composite of Accts. 870-902, 905-916, 924 & 928-930.1 - Comr	%	100.0000%	26.8256%	15.3856%	1.3902%	56.3986%
	Internally Generated	Value	1,494,262,057	961,318,271	488,286,164	44,490,351	166,271
18.0	Revenues	%	100.0000%	64.3340%	32.6774%	2.9774%	0.0111%
	Internally Generated	Value	51,349,416	28,991,906	12,294,720	560,061	9,494,709
18.2	Base Revenues	%	100.0000%	56.4601%	23.9433%	1.1063%	18.4904%
	Internally Generated	Value	146,024,522	87,597,941	51,791,003	4,612,947	2,022,632
18.4	Gas Costs	%	100.0000%	59.9885%	35.4673%	3.1590%	1.3851%
	Internally Generated	Value	197,373,938	116,589,846	64,085,722	5,181,028	11,517,341
18.6	Total Rate Schedule Revenues	%	100.0000%	59.0705%	32.4692%	2.6250%	5.8353%
	Internally Generated	Value	184,697,058	126,289,956	35,423,370	2,453,354	20,530,378
19.0	Rate Base	%	100.0000%	68.3768%	19.1792%	1.3283%	11.1157%
	Internally Generated	Value	139,654,968	108,262,066	25,833,276	1,583,519	3,876,107
19.2	Rate Base - Cust	%	100.0000%	77.5766%	18.5112%	1.1347%	2.7775%
	Internally Generated	Value	28,725,820	12,388,227	6,305,963	575,516	9,455,913
19.4	Rate Base - Demand	%	100.0000%	43.1261%	21.9524%	2.0035%	32.9180%
	Internally Generated	Value	16,416,470	5,639,862	3,284,131	294,319	7,198,357
19.6	Rate Base - Comm	%	100.0000%	34.3537%	20.0051%	1.7928%	43.8484%
		Value	0	0	0	0	0
99.0	-	%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%