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Public Service  
Commission

November 17, 2016

Mr. Jeff Cline  
Kentucky Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

RE: Atmos Energy Corporation

Case No. 2015-00384

Dear Mr. Cline:

Pursuant to the Order of the Kentucky Public Service Commission entered into on January 21, 2016, which requires the Company to prepare a report for the Commission within thirty days from the date of closing of the term loan, enclosed is a Supplemental report of action for Atmos Energy Corporation. The report, in accordance with the above referenced case, relates to the terms of the \$200,000,000 term loan along with all fees and expenses.

If you have any questions or need further assistance, please contact me at 972-855-3725. Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Jane A. South".

Jane A. South  
Assistant Treasurer

**COMMONWEALTH OF KENTUCKY  
CASE NO. 2015-00384**

**SUPPLEMENTAL REPORT OF ACTION  
Prepared November 17, 2016**

Reference is made to the order entered into on January 21, 2016, which requires the Company to make a report to the Commission outlining the terms of the \$200,000,000 term loan including fees and expenses.

Atmos hereby reports:

1. On September 22, 2016, Atmos Energy Corporation (the "Company") entered into a \$200 million Term Loan Agreement (the "Term Loan") with Branch Banking and Trust Company as Administrative Agent ("BB&T"), and a syndicate of three lenders identified therein. The Term Loan will be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes. Borrowings under the Term Loan will bear interest at a rate dependent upon the Company's credit ratings at the time of such borrowing and based, at the Company's election, on a base rate or LIBOR for the applicable interest period (one, two, three or six months). In the case of borrowings based either on the base rate or on LIBOR, an applicable margin ranging from 0.000% to 1.150% per annum would be added, based on the Company's then current credit ratings. The base rate is defined as the highest of (i) the per annum rate of interest established by BB&T as its prime lending rate at the time of such borrowing, (ii) the Federal Funds Rate, as in effect at the time of borrowing, plus one-half of one percent (0.50%) per annum, or (iii) the one-month LIBOR plus one percent (1.00%). The Company must also pay commitment fees quarterly in arrears on the average daily unused portion of the Term Loan at rates ranging from 0.060% to 0.175% per annum, dependent upon the Company's credit ratings. The Term Loan will expire on September 22, 2019, at which time all outstanding amounts under the Term Loan will be due and payable.
2. A list of fees and expenses related to the term loan is shown on the attachment labeled Exhibit A. When we estimated the costs in 2015, we based our initial estimate on a previous term loan. Upon negotiating the term loan, the costs associated with entering the deal increased versus the previous term loan. We sought a three year term loan of \$200 million that had a multi draw structure. This structure allowed us to borrow the funds only when needed and would allow us to repay the funds at our choice. Given the unique structure of the loan, additional legal costs were incurred to draft the loan. Further, this structure and its three year term placed more burden on

the banks involved in the loan and increased the required compensation to the banks in order to execute the deal.

When evaluating the reasonableness of the costs incurred to execute the term loan, we considered the options of entering into the public market to seek out a 3 year floating rate issuance or a 3 year fixed issuance. We believe these costs would have been much larger, and would have provided for less flexibility. These public offerings require large payments to underwriters and legal counsel, and allow for little flexibility in funding and repayment. Recent utility 2 or 3 year fixed rate issuances had underwriting discounts of 0.25% and 0.45%, respectively. That represents \$500,000 to \$900,000 in approximate underwriting costs. Further, these fixed rate offerings are prepayable only when a make-whole premium is paid to holders. We concluded the costs of \$327,000 were reasonable when compared to the alternatives and considering the flexibility the term loan offers.

Atmos Energy Corporation

A handwritten signature in cursive script that reads "Jane South".

Jane South  
Assistant Treasurer

**Atmos Energy Corporation**  
**Term Loan Agreement - September 22, 2016**  
**Exhibit A**

**Closing Fees and Expenses**

Upfront Fees	\$150,000.00
BB&T Arranger Fee	\$125,000.00
BB&T Annual Servicing Fee	\$10,000.00
Legal Fees	\$42,000.00
<b>Total</b>	<b>\$327,000.00</b>