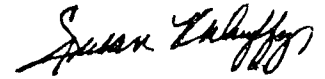


STATE CORPORATION COMMISSION

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

AUG 14 2009



In the Matter of the Application of Atmos)
Energy for Approval of the Commission for)
Gas System Reliability Surcharge per K.S.A.)
66-2201 through 66-2204)

Docket No. 10-ATMG-133 -TAR

APPLICATION

COMES NOW Atmos Energy ("Atmos" or "Company") and pursuant to K.S.A. 66-2201, *et seq.*, submits for filing a new tariff schedule, Gas System Reliability Surcharge ("GSRS") which is designed to allow for the adjustment of Atmos' rates and charges to provide for the recovery of costs for eligible infrastructure system replacements. In support of its Application, Atmos states as follows:

1. Atmos is a natural gas public utility operating and duly authorized to transact business in the State of Kansas as a foreign corporation. Atmos holds appropriate certificates from the Kansas Corporation Commission ("Commission") to transact business as a natural gas public utility and is now and has been engaged in the purchase, transmission, sale and distribution of natural gas in the State of Kansas in accordance with the laws of said state and the rules and regulations of this Commission.

2. Atmos serves approximately 123,750 customers in 106 communities and in 33 counties in Kansas.

3. In 2006, Senate Bill 414, the Gas Safety and Reliability Act, was passed into law. Under this law, a utility "may file a petition and proposed rate schedules with the commission to establish or change GSRS rate schedules that will allow for the adjustment of the natural gas public utility's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements." Each year a utility is required to relocate and replace certain segments of its system.

The proposed GSRS tariff included in this Application will allow the utility to recover these expenses between rate cases through a surcharge.

4. K.S.A. 66-2202 defines "eligible infrastructure system replacement" as:

natural gas public utility plant projects that: (1) Do not increase revenues by directly connecting the infrastructure replacement to new customers; (2) are in service and used and required to be used; and (3) were not included in the natural gas public utility's rate base in its most recent general rate case.

5. Exhibits KPW-2 and KPW-3 summarize the projects being included in this GSRS proposal. There are three groups of projects being submitted. The first group is comprised of specific safety related system replacements. The second group consists of governmentally mandated road relocation projects which have not been reimbursed to the natural gas utility and the third group is comprised of functional or bundled safety related system replacements. All three types of projects are eligible for inclusion in a GSRS proposal. Exhibits KPW-2 and KPW-3 show the location, project description, work order number and completion date for each of the projects. The safety related project lists also include a reference to the compliance section of the state or federal pipeline safety requirements as replacements for existing facilities.

6. The inclusion criteria for the safety related projects, according to K.S.A. 66-2202, is as follows: "(1) Mains, valves, service lines, regulator stations, vaults and other pipeline system components installed to comply with state or federal safety requirements as replacements for existing facilities; and (2) Main relining projects, service line insertion projects, joint encapsulation projects and other similar projects extending the useful life or enhancing the integrity of pipeline system components undertaken to comply with state or federal safety requirements."

7. The inclusion criteria for the road relocation projects, according to K.S.A. 66-2202, is as follows: "Facility relocations required due to construction or improvement of a highway, road,

street, public right of way or other public work by or on behalf of the United States, this state, a political subdivision of this state or another entity having the power of eminent domain provided that the costs related to such projects have not been reimbursed to the natural gas utility."

8. Only projects meeting the two criteria previously mentioned are being submitted for consideration in this filing.

9. Exhibit BWA-2 includes the supporting documentation for each of the specific related projects. For each of the safety related projects, detailed information including a map of the relocation and summary of the project is included. For each of the road relocation projects, detailed information including the request to relocate the facility (from the city, county, or state), a map of the replacement area, and summary of the project is included. Exhibit BWA-3 includes a list of each project included in the functional or bundled type of safety related system replacements. Atmos maintains a file for each of the projects and will provide access to those files to the Staff and any other party to this proceeding.

10. Pursuant to the provisions of K.S.A. 66-2204, Exhibit KPW-1 shows the increase to rate base and the calculation of the GSRS revenue requirement. The rate base increase as a result of these projects is \$9.1 million and the proposed revenue increase is \$871,000.00.

11. K.S.A. 66-2203 states that "the commission may not approve a GSRS to the extent it would produce total annualized GSRS revenues below the lesser of \$1,000,000 or 1/2 % of the natural gas public utility's base revenue level approved by the commission in the natural gas public utility's most recent general rate proceeding." Based on Atmos' most recent general rate proceeding, that amount would total \$208,000.00.

12. Components of the rate base calculation include Gross Plant, which is the original cost of all eligible projects, less any related cost of removal and abandonment of the existing system;

Accumulated Depreciation, which has been calculated by project based on the approved depreciation rate for that type of plant; Working Capital, which reflects the impact of accrued taxes and accrued interest; and Accumulated Deferred Income Taxes, which has been calculated by project based on the type of plant. Exhibits KPW-2 and KPW-3 detail the GSRS net plant calculation and the deferred taxes calculation.

13. None of the projects included in the GSRS filing were included Atmos' last rate filing. These projects were completed subsequent to the March 31, 2007, test period included in Atmos' last general rate filing.

14. The Stipulated Settlement Agreement in Atmos' most recent rate case, Docket No. 08-ATMG-280-RTS ("280 Docket"), sets for the provisions for the return calculation. It states, "the debt/equity ratio shall be 51.90%/48.10%, the cost of debt shall be 6.11% and the cost of equity shall be the average of the cost of equity used or agreed to be used by the commission in calculating the GSRS surcharge for the other Kansas gas utility companies." The cost of equity included in this filing is 10.2%, which is based on the cost of equity for Kansas Gas Service as set forth in Docket No. 06-KGSG-1209-RTS (10.20%) and the cost of equity for Black Hills Energy as set forth in Docket No. 08-AQLG-852-TAR (10.2%). Atmos would note that since the cost of equity information was only agreed to between Atmos and Staff and not CURB, the other party in the 280 Docket, the agreed upon cost of equity may not qualify under K.S.A. 66-2204(d)(9) as "agreed-upon" information due to the lack of a unanimous agreement of all parties. Therefore, unless CURB agrees to use 10.2% as the cost of equity, the Commission may be required to utilize the average of the recommendations contained in the testimony submitted by Atmos and the Staff in the 280 Docket to determine the cost of common equity as provided for under K.S.A. 66-2204(d)(9). In the 280 Docket, Staff's recommended return on equity was 9.6% (Direct Testimony of Adam Gatewood, p. 4, line 6). Atmos'

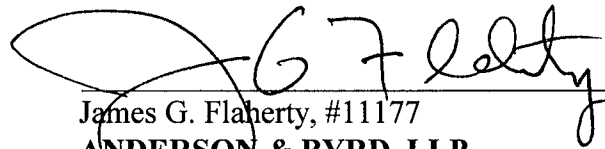
recommended return on equity was 11% (Direct Testimony of Bruce Fairchild, p. 5, lines 7-8). The average of the two recommendations would be 10.3%.

15. Exhibit KPW-4 shows the allocation of the GSRS revenue by class. The customer class allocation is pursuant to the collaborate rate design agreed to by Atmos and Staff pursuant to the Stipulated Settlement Agreement in the 280 Docket.

16. K.S.A. 66-2204 (e) (1) states, "A GSRS shall be charged to customers as a monthly fixed charge and not based on volumetric consumption. The monthly charge shall not increase more than \$.40 per residential customer over the base rates in effect for the initial filing of a GSRS." The proposed GSRS Surcharge yields a \$0.40 per month surcharge for a residential customer, which is at the maximum of \$0.40. Atmos has made an adjustment to its request reflected in KPW-4 in order to reduce the per meter surcharge to \$0.40 per month per residential customer.

17. Exhibit KPW-5 is the tariff sheet for the proposed GSRS surcharge.

WHEREFORE, for the reasons set forth herein Atmos requests that the Commission issue an Order approving this Application and the attached gas system reliability surcharge tariffs.



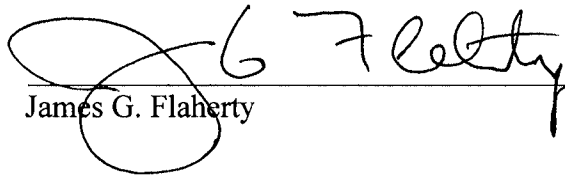
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VERIFICATION

STATE OF KANSAS)
)ss:
COUNTY OF FRANKLIN)

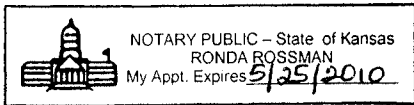
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

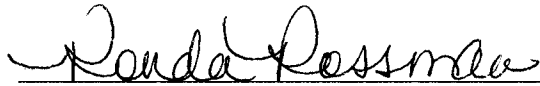
That he is the attorney for Atmos Energy, named in the foregoing Application, and is duly authorized to make this affidavit; that he has read the foregoing Application, and knows the contents thereof; and that the facts set forth therein are true and correct.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 13th day of August, 2009.





Notary Public

Appointment/Commission Expires: