

BEFORE THE CORPORATION COMMISSION

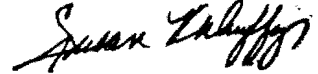
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

JUN 04 2010

IN THE MATTER OF THE APPLICATION]
OF ATMOS ENERGY FOR ADJUSTMENT]
OF ITS NATURAL GAS RATES IN]
THE STATE OF KANSAS]

KCC Docket No. 10-ATMG-495-RTS



DIRECT TESTIMONY OF

ANDREA C. CRANE

RE: REVENUE REQUIREMENTS
AND COST OF CAPITAL

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

June 4, 2010

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1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Andrea C. Crane and my business address is PO Box 810, Georgetown,
4 Connecticut 06829. (Mailing address: 199 Ethan Allen Highway, Ridgefield, CT 06877).

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in
8 utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
9 undertake various studies relating to utility rates and regulatory policy. I have held several
10 positions of increasing responsibility since I joined The Columbia Group, Inc. in January
11 1989.

12

13 **Q. Please summarize your professional experience in the utility industry.**

14 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
15 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to
16 January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic
17 (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product
18 Management, Treasury, and Regulatory Departments.

19

20 **Q. Have you previously testified in regulatory proceedings?**

21 A. Yes, since joining The Columbia Group, Inc., I have testified in over 300 regulatory

1 proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas,
2 Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode
3 Island, South Carolina, Vermont, West Virginia and the District of Columbia. These
4 proceedings involved electric, gas, water, wastewater, telephone, solid waste, cable
5 television, and navigation utilities. A list of dockets in which I have filed testimony is
6 included in Appendix A.

7
8 **Q. What is your educational background?**

9 A. I received a Master of Business Administration degree, with a concentration in Finance, from
10 Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in
11 Chemistry from Temple University.

12
13 **II. PURPOSE OF TESTIMONY**

14 **Q. What is the purpose of your testimony?**

15 A. On January 29, 2009, Atmos Energy Corporation (“Atmos” or “Company”) filed an
16 Application with the Kansas Corporation Commission (“KCC” or “Commission”) seeking a
17 rate increase of approximately \$6.0 million for its natural gas operations in Kansas. The
18 requested increase would result in an average monthly increase for residential customers of
19 approximately 19.0% and an average monthly bill increase for commercial customers of
20 approximately 11.6%. The Columbia Group, Inc. was engaged by the State of Kansas,
21 Citizens’ Utility Ratepayer Board (“CURB”) to review the Company’s Application and to

1 provide recommendations to the KCC regarding the Company's cost of capital and revenue
2 requirement claims.

3
4 **Q. What are the most significant issues in this rate proceeding?**

5 A. The most significant accounting issues driving Atmos's rate increase request are 1) the
6 Company's claim for a return on equity of 11.4%, 2) return requirements associated with
7 plant-in-service additions since the last base rate case, and 3) incremental salary and wage
8 expenses. The Company's last base rate case was filed in September 2007, based upon a test
9 year ending March 31, 2007.

10
11 **III. SUMMARY OF CONCLUSIONS**

12 **Q. What are your conclusions concerning the Company's revenue requirement and its
13 need for rate relief?**

14 A. Based on my analysis of the Company's filing and other documentation in this case, my
15 conclusions are as follows:

- 16 1. The twelve months ending September 30, 2009, is an acceptable test year to use in
17 this case to evaluate the reasonableness of the Company's claim.
- 18 2. The Commission should adopt a pro forma capital structure for Atmos that consists
19 of 49.26% common equity, 49.10% long-term debt and 1.64% short-term debt, as
20 shown in Schedule ACC-2.

3. The Company has a pro forma cost of equity of 9.18%, as shown in Schedule 3.¹
4. Based on my recommended capital structure and capital cost rates, I recommend that the Commission adopt an overall cost of capital of 7.90% for Atmos, as shown in Schedule ACC-2.
5. Atmos has test year pro forma rate base of \$142,159,880, as shown in Schedule ACC-9.
6. The Company has pro forma operating income at present rates of \$10,061,430, as shown in Schedule ACC-11.
7. Atmos has a test year, pro forma, revenue requirement deficiency of \$1,930,581, as shown on Schedule ACC-1. This is in contrast to the Company’s claimed deficiency of \$6,014,705.

IV. COST OF CAPITAL AND CAPITAL STRUCTURE

Q. What is the cost of capital and capital structure that the Company is requesting in this case?

A. The Company’s filing was based on an overall cost of capital of 9.11%, which includes the following capital structure and cost rates, as shown in Section 7 of its Application:

	Percentage	Cost	Weighted Cost
Common Equity	49.50%	11.40%	5.64%
Long-Term Debt	50.50%	6.87%	3.47%
Total	100.00%		9.11%

¹ Schedules ACC-1, ACC-26, and ACC-27 are summary schedules, ACC-2 to ACC-8 are cost of capital schedules, ACC-9 and ACC-10 are rate base schedules, and ACC-11 to ACC-25 are operating income schedules.

1 **Q. Are you recommending any adjustments to this capital structure or cost of capital?**

2 A. Yes, I am recommending adjustments to the Company's capital structure and cost of
3 equity.

4

5 **A. Capital Structure**

6 **Q. How did Atmos develop its pro forma capital structure?**

7 A. According to the testimony of Mr. Smith at page 4, Atmos averaged the monthly ending debt
8 and equity capital structure components for the thirteen months ending September 30, 2009.
9 Atmos did not include any short-term debt in its capital structure.

10

11 **Q. What capital structure did you utilize in determining the overall cost of capital for
12 Atmos?**

13 A. I have used the actual Atmos capital structure as of September 30, 2009, the end of the test
14 year in this case. As shown on page 4 of Mr. Smith's testimony, this capital structure
15 consists of the following components:

16

Common Equity	49.26%
Long Term Debt	49.10%
Short Term Debt	1.64%

17

18

19

20

1 **Q. Why are you recommending that short-term debt be included in Atmos's capital**
2 **structure for ratemaking purposes?**

3 A. Short-term debt is an appropriate component of a utility's capital structure if it is regularly
4 and consistently utilized for financing. Most utilities do utilize significant amounts of short-
5 term debt, and I generally recommend including this debt in a utility's capital structure.
6 Based upon my review of the Company's financial statements, it appears that Atmos has
7 used short-term debt during the past several years. Since short-term debt has been
8 consistently used by the Company as a financing mechanism, it should be included in its
9 capital structure for ratemaking purposes in this case.

10

11 **Q. What level of short-term debt did you include in Atmos's capital structure?**

12 A. I utilized the actual test year-end balance of short-term debt of \$72,550,000. This short-term
13 debt balance represents commercial paper that was outstanding as of that date.

14

15 **Q. What short-term debt rate did you use in your overall cost of capital calculation?**

16 A. I utilized a short-term debt rate of 0.25%. This is the commercial paper as of September 30,
17 2009, as reported in the Company's most recent Proxy Statement.

18

19 **B. Cost of Equity**

20 **Q. What is the cost of equity that the Company is requesting in this case?**

21 A. Atmos is requesting a cost of equity of 11.4%.

1 **Q. Are you recommending any adjustment to the Company's proposed cost of equity?**

2 A. Yes, I am recommending an adjustment to the Company's proposed cost of equity.
3 Specifically, I am recommending that the Commission adopt a cost of equity of 9.18% for
4 Atmos.

5
6 **Q. How did you develop your cost of equity recommendation?**

7 A. To develop a recommended cost of equity in this case, I utilized both the Discounted Cash
8 Flow ("DCF") methodology as well as the Capital Asset Pricing Model ("CAPM"). It is my
9 understanding that the Commission has traditionally relied upon the DCF methodology for
10 determining cost of equity for a regulated utility and therefore I have given greater weight to
11 my DCF result.

12
13 **Q. Please describe the DCF methodology.**

14 A. The DCF methodology is the most frequently used method to determine an appropriate return
15 on equity for a regulated utility. The DCF methodology equates a utility's return on equity to
16 the expected dividend yield plus expected future growth for comparable investments.
17 Specifically, this methodology is based on the following formula:

$$\text{Return on Equity} = \frac{D_1}{P_0} + g$$

18
19
20 (where "D₁" is the expected dividend, "P₀" is the current stock price, and "g" is the expected
21 growth in dividends).

1 In order to ensure that the return on equity determined for a particular utility is
2 representative of returns for comparable investments of similar risk, the DCF methodology
3 examines returns for similar companies through the use of a “comparable” or “proxy” group.
4 The Company’s witness, William E. Avera, focused primarily on a proxy group consisting of
5 twelve publicly-traded natural gas companies. In addition, he “considered” results using a
6 proxy group of combination electric and gas companies. Finally, he considered a third proxy
7 group of non-utility companies. Since Atmos is involved primarily in natural gas operations,
8 and since natural gas operations are the subject of this ratemaking proceeding, I have adopted
9 Dr. Avera’s natural gas utility proxy group, with one exception discussed below. I have not
10 utilized Dr. Avera’s combination electric and gas utilities in my analysis, nor have I utilized
11 his non-utility proxy group.

12
13 **Q. What is the one exception you made to Dr. Avera’s natural gas proxy group?**

14 **A.** Dr. Avera included Atmos itself in his proxy group of natural gas companies. I have
15 generally excluded Atmos itself when considering the results of the DCF analysis. Since our
16 objective is to determine an appropriate cost of capital for Atmos relative to returns of
17 similar companies, I believe it would inappropriately skew our results if Atmos itself was
18 included in the group. Therefore, as discussed below, I have generally excluded Atmos’s
19 results when evaluating the proxy group.

1 **Q. How did you determine the dividend yield for the DCF analysis?**

2 A. To determine an appropriate dividend yield for comparable companies - i.e., the expected
3 dividend divided by the current price - I calculated the dividend yield of each of the
4 comparable companies under two scenarios. First, I calculated the dividend yield using the
5 average stock price for each company over the past three months. The use of a dividend
6 yield using a three-month average price mitigates the effect of stock price volatility for any
7 given day. Based on the average stock prices over the past three months, and the current
8 dividend for each company, I determined an average dividend yield for the comparable group
9 of 4.14%, as shown in Schedule ACC-5. Excluding Atmos, the dividend yield declines
10 slightly to 4.09%.

11 I also calculated the current dividend yield at May 18, 2010, which showed an
12 average dividend yield for the comparable group of 4.06%, or 4.00% if Atmos is excluded, as
13 also shown in Schedule ACC-5. Finally, I examined the average dividend yields as reported
14 in the May 2010 AUS Utility Reports, which showed an average dividend yield for natural
15 gas companies of 3.1%. Based on all of this data, I recommend that a dividend yield of no
16 higher than 4.10% be used in the DCF calculation. This dividend yield will be increased by
17 one-half of my recommended growth rate, as determined below, to reflect the fact that the
18 DCF model is prospective and dividend yields may grow over the next year. Increasing the
19 dividend yield by one-half of the prospective growth rate is commonly referred to as the
20 "half-year convention."
21

1 **Q. How did you determine an appropriate growth rate?**

2 A. The actual growth rate used in the DCF analysis is the dividend growth rate. In spite of the
3 fact that the model is based on dividend growth, it is not uncommon for analysts to examine
4 several growth factors, including growth in earnings, dividends, and book value.

5 Various growth rates for the companies within my comparable group are shown in
6 Schedule ACC-6 and group averages are summarized below:

7

Past 5 Years – Earnings	7.3%
Past 5 Years – Dividends	3.1%
Past 5 Years - Book Value	7.2%
Past 10 Years – Earnings	6.2%
Past 10 Years – Dividends	2.6%
Past 10 Years - Book Value	6.3%
Estimated Next 5 Years - Earnings	4.5%
Estimated Next 5 Years - Dividends	3.6%
Estimated Next 5 Years - Book Value	4.5%

8

9

10 These growth rates exclude Atmos. It is interesting to note that the projected growth
11 rates of the comparable group are actually lower than several of the five-year or ten-year
12 historic growth rates, which is usually not the case. The historic growth rates are being
13 impacted largely by exceptionally high growth in UGI Corp. Nevertheless, I believe that
14 both historic and projected growth rates should be considered by the KCC.

15

16

1 **Q. Why do you believe that it is reasonable to examine historic growth rates as well as**
2 **projected growth rates when evaluating a utility's cost of equity?**

3 A. I believe that historic growth rates should be considered because security analysts have been
4 notoriously optimistic in forecasting future growth in earnings. Accordingly, the use of
5 historic growth rates provides a check of reasonableness on projected growth forecasts. At
6 least part of the problem in the past has been the fact that firms that traditionally sold
7 securities were the same firms that provided investors with research on these securities,
8 including forecasts of earnings growth. This resulted in a direct conflict of interest since it
9 has traditionally been in the best interest of securities firms to provide optimistic earnings
10 forecasts in the hope of selling more stock. This does not appear to be the case at this time
11 with this comparable group. Nevertheless, I continue to recommend that both historic and
12 projected growth rates be considered when establishing an appropriate growth rate for the
13 DCF analysis.

14
15 **Q. Based upon your review, what growth rate do you recommend the Commission utilize**
16 **in the DCF calculation?**

17 A. Based on my review of this data, I believe that a growth rate of 5.5% should be utilized.
18 This recommended growth rate is greater than the average projected growth rates in earnings,
19 dividends, or book value. Moreover, my recommended growth rate is higher than the
20 historic five-year or ten-year dividend growth rates, which is the theoretical growth rate used
21 in the DCF.

1 **Q. What are the results of your analysis?**

2 A. My analysis indicates a cost of equity using the DCF methodology of 10.12%, as shown
3 below:

4	Dividend Yield	4.10%
5	Growth in Dividend Yield	0.11%
6	(4.50% X (50% X 5.50%))	
7		
8	Expected Growth	<u>5.50%</u>
9	Total	<u>9.71%</u>

10

11 **Q. Did you also calculate a cost of equity based on the CAPM methodology?**

12 A. Yes, I did.

13

14 **Q. Please provide a brief description of the CAPM methodology.**

15 A. The CAPM methodology is based on the following formula:

16
$$\text{Cost of Equity} = \text{Risk Free Rate} + \text{Beta (Risk Premium)}$$

17 or

18
$$\text{Cost of Equity} = R_f + B(R_m - R_f)$$

19 The CAPM methodology assumes that the cost of equity is equal to a risk-free rate
20 plus some market-adjusted risk premium. The risk premium is adjusted by Beta, which is a
21 measure of the extent to which an investor can diversify his market risk. The ability to
22 diversify market risk is a measure of the extent to which a particular stock's price changes

1 relative to changes in the overall stock market. Thus, a Beta of 1.00 means that changes in
2 the price of a particular stock can be fully explained by changes in the overall market. A
3 stock with a Beta of 0.60 will exhibit price changes that are only 60% as great as the price
4 changes experienced by the overall market. Utility stocks have traditionally been less
5 volatile than the overall market, i.e., their stock prices do not fluctuate as significantly as the
6 market as a whole, and therefore their Betas have generally been less than 1.0.

7
8 **Q. How did you calculate the cost of equity using the CAPM?**

9 A. My CAPM analysis is shown in Schedule ACC-7. First, I used a risk-free rate of 4.24%
10 for the yield on long-term U.S. Government bonds, which was the rate on May 19, 2010,
11 per the Statistical Release by the Federal Reserve Board. Over the past year, this rate has
12 ranged from 3.97% to 4.85%. In addition, I used the average Beta for my proxy group,
13 based on the Beta for each company, as shown on Schedule ACC-8. This resulted in an
14 average Beta of 0.68. Finally, since I am using a long-term U.S. Government bond rate as
15 the risk-free rate, the risk premium that should be used is the historic risk premium of
16 stocks over the rates for long-term government bonds. According to the Ibbotson SBBI:
17 2008 Valuation Yearbook: Market Results for Stocks, Bonds, Bills, and Inflation, 1926-
18 2007, the risk premium of stocks relative to long-term risk-free rates using geometric
19 mean returns is 4.9%.

1 **Q. What is the difference between a geometric and an arithmetic mean return?**

2 A. An arithmetic mean is a simple average of each year's percentage return. A geometric mean
3 takes compounding into effect. As a result, the arithmetic mean overstates the historic return
4 to investors. For example, suppose an investor starts with \$100. In year 1, he makes 100%
5 or \$100. He now has \$200. In year 2, he loses 50%, or \$100. He is now back to \$100.

6 The arithmetic mean of these transactions is $100\% - 50\%$ or $50\% / 2 = 25\%$ per year.
7 The geometric mean of these transactions is 0%. In this simple example, it is clear that the
8 geometric mean more appropriately reflects the real return to the investor, who started with
9 \$100 and who still has \$100 two years later. The use of the arithmetic mean would suggest
10 that the investor should have \$156.25 after two years ($\$100 \times 1.25 \times 1.25$), when in fact the
11 investor actually has considerably less. Therefore, a geometric mean return is a more
12 appropriate measure of the real return to an investor, if it is used as I am using it here, i.e., to
13 develop an historic relationship between long-term risk free rates and market risk premiums.
14 Some utilities have criticized me in the past for using a geometric, rather than an arithmetic
15 mean return, arguing that the arithmetic mean should be used when estimating future returns.
16 However, in my case, I am not using the mean to develop an expected outcome, I am simply
17 using the mean returns to develop an historic relationship. Therefore, the geometric mean is
18 the appropriate measure, as illustrated in the above example.

19
20 **Q. What is the Company's cost of equity using a CAPM approach?**

21 A. Given a long-term risk-free rate of 4.24%, a Beta of 0.68, and a risk premium of 4.9%, the

1 CAPM methodology produces a cost of equity of 7.57%, as shown on Schedule ACC-7.

2
3 Risk Free Rate + Beta (Risk Premium) = Cost of Equity

4 $4.24\% + (0.68 \times 4.9\%) = 7.57\%$

5
6 **Q. Based on your analysis of the DCF and CAPM results, what cost of equity are you**
7 **recommending in this case?**

8 A. The DCF methodology and the CAPM methodology suggest that a return on equity of 7.57%
9 to 9.71% would be appropriate. Since I recognize that the Commission has generally relied
10 primarily upon the DCF, I have weighted my results with a 75% weighting for the DCF
11 methodology and a 25% weighting for the CAPM methodology. This results in a cost of
12 equity of 9.18%, as shown below:

13
14

DCF Result	$9.71\% \times 75\% = 7.28\%$
CAPM	$7.57\% \times 25\% = 1.89\%$
Total	$= \underline{9.18\%}^2$

15
16
17
18
19

2 Total does not add up due to rounding.

1 **Q. Why is your recommendation substantially lower than the cost of equity recommended**
2 **by Dr. Avera?**

3 A. Dr. Avera utilized three principal methods to determine his cost of equity recommendation,
4 the DCF, the CAPM, and an expected earnings approach. His DCF result for the natural gas
5 proxy group was generally in the 9.0% to 10.3% range, not substantially different from my
6 result of 10.12%. However, Dr. Avera did not primarily depend upon these results, instead
7 considering DCF results for both another proxy group of combination utilities, as well as a
8 non-utility proxy group.

9 With regard to the CAPM, Dr. Avera used an inflated market risk premium of 7.5%,
10 while I used a market risk premium of 4.9%. The risk-free rate and Beta used by Dr. Avera
11 are relatively close to the risk-free rate and Beta that I used in my analysis. Finally, Dr.
12 Avera considered results using expected returns for a variety of companies. I find reliance
13 upon expected returns to be unnecessary and inappropriate, since they do not provide
14 information about investors' required returns, which should form the basis for the returns
15 authorized by regulatory commissions.

16

17 **C. Overall Cost of Capital**

18 **Q. What is the overall cost of capital that you are recommending for Atmos?**

19 A. I am recommending an overall cost of capital for Atmos of 7.90%, based on the following
20 capital structure and cost rates:

21

	Percentage	Cost	Weighted Cost ³
Common Equity	49.26%	9.18%	4.52%
Long-Term Debt	49.10%	6.87%	3.37%
Short-Term Debt	1.64%	0.25%	0.00%
Total	100.00%		7.90%

1

2

3 **V. RATE BASE ISSUES**4 **Q. What test year did the Company utilize to develop its rate base claim in this**
5 **proceeding?**

6 A. The Company selected the test year ending September 30, 2009.

7 **Q. Are you recommending any adjustment to the Company's rate base claim?**8 A. Yes, I am recommending one adjustment. Specifically, I am recommending a reduction to its
9 claim for gas-in-storage.

10

11 **Q. What is the basis for your adjustment?**12 A. There are two factors that impact gas-in-storage – the average price of the gas and the
13 volume of gas that the Company maintains in storage. In this case, the Company's claim is
14 based on a thirteen-month average of gas-in-storage from September 2008 to September
15 2009. The Company's claim includes a thirteen-month average volume of 3,104,736 Mcfs
16 and an average cost of \$6.78, for a total gas-in-storage claim of \$21,051,709.

17

18

3 Rounding only to two decimal places; does not add up due to rounding.

1 **Q. What adjustment are you recommending to the Company's claim?**

2 A. I am not recommending any adjustment to the thirteen-month average volumes used in the
3 Company's gas-in-storage claim. The actual test-year average volumes appear reasonable,
4 given actual volumes over the past few years. However, I am recommending an adjustment
5 to the price of gas reflected in the Company's claim. During the test year, there was
6 significant variation in the price of gas, with gas prices generally dropping over this period.
7 Listed below (next page) are the monthly average gas prices embedded in the Company's
8 claim:
9

Month	Price of Gas (\$ / MCF)
September 2008	\$8.63
October 2008	\$8.40
November 2008	\$8.25
December 2008	\$8.25
January 2009	\$8.26
February 2009	\$8.26
March 2009	\$8.16
April 2009	\$8.24
May 2009	\$5.94
June 2009	\$4.03
July 2009	\$3.46
August 2009	\$3.31
September 2009	\$3.20

10
11 While there has been some increase in natural gas prices since the end of the test year,
12 current NYMEX prices suggest that the market is not expected to increase back up to the
13 levels experienced in the first half of the test year for quite some time. Current natural gas

1 prices on the NYMEX are approximately \$4.00, and futures prices are below \$5.00 for every
2 month until December 2010. Moreover, from December 2010 to December 2011, current
3 NYMEX prices are below \$6.00 per Mcf. Therefore, I believe that the use of the actual test-
4 year prices will overstate the Company's gas-in-storage balance.

5
6 **Q. What do you recommend?**

7 A. I recommend that the Company's pro forma gas-in-storage allowance be based on the
8 thirteen-month average volumes and on an average natural gas price of \$6.00 per Mcf. This
9 price is more reasonable than the actual test year average price but is still well above the
10 expected natural gas prices for most of 2010 and 2011. My adjustment is shown in Schedule
11 ACC-10.

12
13 **Q. What is the impact of your adjustment on the Company's rate base?**

14 A. My recommended adjustment reduces the Company's rate base from \$144,583,173, as
15 reflected in its filing, to \$142,159,880, as summarized on Schedule ACC-9.

16
17 **VI. OPERATING INCOME ISSUES**

18 **A. Pro Forma Revenue**

19 **Q. How did the Company determine its pro forma revenue claim in this case?**

20 A. Atmos began with its actual test-year revenues. The Company then made an adjustment to
21 normalize revenues for normal weather, based on a thirty-year period as determined by the

1 National Oceanic and Atmospheric Administration (“NOAA”).⁴ The Company also made
2 two minor adjustments to specific larger customers, to correct volumes for one customer who
3 had “measurement issues” and to exclude volumes for one large customer who has left the
4 system.

5
6 **Q. Are you recommending any adjustment to the Company’s pro forma revenue claim?**

7 **A.** Yes, I am recommending one adjustment to the Company’s revenue claim. The Company’s
8 pro forma revenue claim is based on actual customer counts during the test year. Atmos did
9 not make any adjustment to annualize its pro forma revenue to reflect customer growth that
10 occurred during the test year. I recommend that the KCC adopt a revenue annualization
11 adjustment to reflect this growth that occurred during the test year.

12
13 **Q. Why do you believe that such an adjustment is necessary?**

14 **A.** Annualization adjustments are frequently made to reflect the fact that the number of
15 customers typically increases from year to year. This is especially true of residential
16 customers. In its response to CURB-4, the Company provided information regarding the
17 number of customers, by customer class, for each of the past three years. As shown in this
18 response, the residential and commercial customers increased modestly from fiscal year 2008
19 to fiscal year 2009. However, this increase is not fully reflected in the Company’s pro forma

4 Per the response to CURB-5.

1 revenue claim, due to the fact that Atmos based its claim on average customers during the
2 test year.

3
4 **Q. How did you quantify your adjustment?**

5 A. According to the response to CURB-4, the number of residential customers grew by 0.39%
6 between fiscal year 2008 and fiscal year 2009, while the number of commercial customers
7 increased by 0.89%. On average, only ½ of this growth is reflected in the Company's pro
8 forma revenue claim. Therefore, at Schedule ACC-12, I have made an adjustment to
9 increase pro forma residential revenue by 0.195% (50% of 0.39%) and to increase pro forma
10 commercial revenue by 0.445% (50% of 0.89%).

11
12 **Q. Did you adjust the other customer classes to reflect changes in customer counts during**
13 **the test year?**

14 A. No, I did not. The industrial class experienced the largest increase of any rate class during
15 the test year, increasing at a rate of 4.91%, while public authority customers declined slightly
16 and irrigation customers declined by 4.98%. I did not adjust pro forma revenue relating to
17 these customer classes, for two reasons. First, changes in customer counts among the larger
18 rate classes are generally more volatile than growth among the residential and commercial
19 rate classes. Second, usage among new customers can vary significantly among these larger
20 rate classes. Therefore, the impact of the gain or loss of new customers is more difficult to
21 estimate. For both these reasons, I have not adjusted customer counts in these larger rate

1 classes.

2
3 **B. Incentive Compensation Expense**

4 **Q. Please describe the Company's incentive compensation programs.**

5 A. As described in the response to CURB-21, Atmos has four incentive compensation plans.
6 The Variable Pay Plan applies to employees "who are not participants in the Company's
7 Annual Incentive Plan for Management", including union employees if such participation is
8 negotiated. Performance goals for awards under the plan are established by the Management
9 Committee of the Company or its designee. The guidelines for performance measures
10 included in the plan description are almost all associated with financial performance. These
11 guidelines include:

- 12 (a) Total shareholder return
13 (b) Return on assets, equity, capital, or investment
14 (c) Pre-tax or after-tax profit levels, including: earnings per share; earnings
15 before interest and taxes; earnings before interest, taxes, depreciation and
16 amortization; net operating profits after tax, and net income
17 (d) Cash flow and cash flow return on investment
18 (e) Economic value added and economic profit
19 (f) Growth in earnings per share
20 (g) Levels of operating expense or other expense items as reported on the income
21 statement, including operating and maintenance expense and capital expense
22 (h) Measures of customer satisfaction and customer service as surveyed from
23 time to time, including the relative improvement therein.

24
25 The Variable Pay Plan is a cash award. The second plan, the Annual Incentive Plan for
26 Management, is available to management employees, including employees who are also
27 directors and officers. The guidelines for awards are identical to those listed above with

1 regard to the Variable Pay Plan. Awards under the Annual Incentive Plan for Management
2 can be paid in cash, in deferred compensation, or in stock options.

3 The third incentive compensation plan is the 1998 Long-term Incentive Plan, as
4 amended on February 9, 2007. This plan is available to any employee, including employees
5 who are also directors and officers, and non-employee directors. This award consists of
6 stock grants and stock options. The guidelines for awards are identical to those for the
7 Variable Pay Plan and Annual Incentive Plan for Management.

8 Finally, Atmos has an incentive compensation plan for Customer Support Associates
9 and Collections Associates (“CSC Incentive Plan”). This plan is available for the
10 Company’s Customer Support Associates and Collections Associates who meet certain
11 criteria as specified in the plan. Awards of up to \$6,825 per year are available, depending on
12 certain criteria such as attendance, quality, and average handle time.

13
14 **Q. How much did the Company include in its filing relating to incentive compensation**
15 **programs?**

16 **A.** As shown in the response to CURB-19, Shared Services incurred total costs of \$4,351,145 in
17 fiscal year 2009, including \$573,995 for the CSC Incentive. In addition, costs of \$507,876
18 were incurred by the Colorado/Kansas General Office, Division 30. No costs were reported
19 for direct Kansas operations.

1 **Q. How much of the Company's incentive compensation claim is allocated to officers and**
2 **directors?**

3 A. In addition to the costs for employees outlined above, Atmos also incurred non-equity
4 incentive compensation plan costs of \$1,474,460 and stock award costs of \$5,318,796 in
5 fiscal year 2009 for officers. Thus, more than 50% of all incentive compensation costs
6 reflected in this case relate to awards to officers. In addition, these officer costs do not
7 include additional compensation awarded to officers as reported in the Proxy Statement, such
8 as changes in the value of pensions and deferred compensation plans, dividends on restricted
9 stock awards, and supplemental employee retirement plan ("SERP") benefits.

10
11 **Q. What was the total compensation for the Named Executive Officers ("NEOs") as**
12 **specified in the most recent Proxy Statement?**

13 A. According to the most recent Proxy Statement, total compensation for the NEOs ranged from
14 \$1,773,679 for Louis P. Gregory, Senior Vice President and General Counsel, to \$7,279,783
15 for Robert W. Best, Chairman of the Board and Chief Executive Officer. Base salaries
16 ranged from \$117,299, which reflected only three months of salary for John P. Reddy, former
17 Senior Vice President and Chief Financial Officer, to \$848,844 for Mr. Best. In addition,
18 Mr. Best received \$657,000 in non-equity incentive compensation and \$2,021,967 in stock
19 awards. Thus, it appears that even though officers are well-compensated through their base
20 salaries, they also received generous incentives during the test year.

1 **Q. Doesn't the Company use a compensation consulting firm to benchmark its**
2 **compensation?**

3 A. Yes, it does. According to its Proxy Statement, Atmos engaged Towers Perrin to review its
4 compensation practices in 2009. Unfortunately, such reviews tend to escalate increases in
5 compensation, especially for highly-paid officers. These studies compare the subject
6 company's compensation to compensation in a broad range of other firms. Since most
7 companies do not want to find themselves in the lower half of the benchmark group,
8 companies that typically fall below the average raise their compensation – and hence the
9 average of the benchmark companies increases. This sets off a chain of events that results in
10 ever-increasing compensation levels. Thus, the KCC should be particularly wary of any
11 compensation plans that are justified by means of comparison to benchmark studies.

12
13 **Q. Do you believe that the incentive compensation program costs claimed by Atmos**
14 **should be passed through to ratepayers?**

15 A. No, I do not. I have several concerns about these types of programs, many of which are
16 based, at least in part, on a utility's ability to achieve certain earnings goals. This appears to
17 be especially true for the Company's incentive compensation plans, with the exception of the
18 CSC Plan. It should be noted that well over 50% of the overall cost of these plans involve
19 incentive compensation awards for a small group of officers. In addition to these awards,
20 the Company's revenue requirement claim also includes substantial base salaries for officers.
21 I am not recommending any disallowance relating to the test year costs for officer and

1 executive salaries. Thus, my revenue requirement recommendation already reflects a
2 generous allowance for officers and executives. If the Company wants to further reward
3 officers and executives it can do so, but these additional costs should be borne by
4 shareholders, not ratepayers.

5 I also have concerns regarding incentive compensation costs for other employees, as
6 these awards are also closely tied to financial thresholds that do not directly benefit
7 ratepayers. Moreover, employees have received annual increases averaging 2.5% to 3.5%
8 over the past four years, according to the response to CURB-10, which is certainly in line
9 with increases granted by the industry over this period.

10
11 **Q. What do you recommend?**

12 **A.** I recommend that the KCC deny the Company's request for recovery of incentive
13 compensation costs, with the exception of CSC Incentive Plan costs. The majority of these
14 costs relate to incentive awards for a small number of officers, who are already well-
15 compensated. Moreover, employees are consistently receiving payroll increases that are
16 clearly reasonable relative to market conditions. If the Company wants to reward officers
17 and salaried employees based in whole or in part on financial results, then shareholders
18 should absorb these costs. This recommendation will require the Board of Directors to
19 establish incentive compensation plans that shareholders are willing to finance. As long as
20 ratepayers are required to pay the costs of these incentive plans, then there is no incentive for
21 management to control these costs. This is especially true since the officers and executives

1 of the Company are primary beneficiaries of such plans. Therefore, I recommend that the
2 Commission deny the Company's claim for incentive compensation costs. My adjustment
3 relating to non-officer incentives is shown in Schedule ACC-13. My incentive compensation
4 adjustment relating to officers is shown in Schedule ACC-14.

5
6 **Q. Why have you excluded costs related to the CSC Incentive Plan from your adjustment?**

7 **A.** I have excluded these costs from my adjustment because this plan has very specific and
8 formulaic awards, and the underlying criteria does benefit ratepayers, at least in part.
9 Therefore, I have included these costs in my revenue requirement recommendation. I do,
10 however, continue to have some concerns about this program. The award criteria include
11 attendance, quality of service, and average handle time, all of which provide some direct
12 benefit to ratepayers. However, these three criteria are already an integral part of a customer
13 representatives' job. Moreover, the average handle time benchmark could cause some
14 customer representatives to sacrifice quality for speed, which would have a detrimental
15 impact on ratepayers. Therefore, since the criteria for the CSC Incentive Plan is better
16 defined than the criteria for the other programs, and may provide some direct benefit to
17 ratepayers, I have included these costs in my revenue requirement. However, I would not
18 object if the KCC found that these costs should also be borne by shareholders, due to the fact
19 that the incentives reward behavior that should be an integral part of the employee position
20 for which the employee is receiving a base salary.

1 **Q. Should the KCC be especially cautious about incentive compensation costs at this time?**

2 A. Yes, it should, especially since the majority of these costs are paid to a small group of
3 officers. As noted earlier, the Company's rate request would increase rates for the average
4 residential customer by approximately 19.0%. Even under CURB's proposed revenue
5 requirement, there will still be a substantial rate increase. This increase is coming at a very
6 difficult time for ratepayers in Kansas, who are facing high unemployment, home
7 foreclosures, and loss of value of their personal investments. Therefore, the KCC should be
8 especially vigilant in reviewing incentive compensation plans that result in total
9 compensation awards of millions of dollars for the top five officers of Atmos. In a 1991
10 decision in a Jersey Central Power and Light Company case, the New Jersey Board of Public
11 Utilities found:

12 We are persuaded by the arguments of Staff and Rate Counsel that,
13 at this time, the incentive compensation or "bonus" expenses should
14 not be recovered from ratepayers. The current economic condition
15 has impacted ratepayers' financial situation in numerous ways,
16 and it is evident that many ratepayers, homeowners and businesses
17 alike, are having difficulty paying their utility bills and otherwise
18 remaining profitable. These circumstances, as well as the fact
19 that the bonuses are significantly impacted by the Company
20 achieving financial performance goals, render it inappropriate
21 for the Company to request recovery of such bonuses in rates at
22 this time. Especially in the current economic climate, ratepayers
23 should not be paying additional costs to reward a select group of
24 Company employees for performing the job they were arguably
25 hired to perform in the first place.⁵
26
27

5 I/M/O the Petition of Jersey Central Power & Light Company for Approval of Increased Base Tariff Rates and Charges for Electric Service and Other Tariff Revisions, BRC Docket No. ER91121820J, Final Decision and Order Accepting in Part and Modifying in Part the Initial Decision at 4 (June 15, 1993).

1 It is indisputable that ratepayers are once again facing very difficult economic conditions,
2 with increasing costs, widespread housing foreclosures, and a general economic downturn.
3 Thus, the New Jersey BPU's rationale for disallowing these costs is just as relevant today in
4 Kansas as it was in New Jersey almost twenty years ago. Accordingly, I urge the KCC to
5 adopt my adjustments shown in Schedules ACC-13 and ACC-14, and to eliminate incentive
6 compensation costs from the Company's revenue requirement.
7

8 **Q. What adjustment have you made to the Company's payroll tax expense claim?**

9 A. Since I am recommending a reduction to the Company's payroll costs associated with
10 incentive compensation, it is necessary to make a corresponding adjustment to eliminate
11 certain payroll taxes. At Schedule ACC-15, I have made an adjustment to eliminate payroll
12 taxes associated with my recommended incentive compensation adjustments, using the
13 statutory payroll tax rate of 7.65%. I recognize that the tax treatment for some of the
14 incentive components may differ from the traditional tax treatment afforded salaries, wages,
15 and cash incentive payments. If the Company provides relevant tax treatment information in
16 the rebuttal phase of this proceeding indicating that my adjustment needs revision, I will
17 make the necessary revision.
18

19 **C. Supplemental Executive Retirement Plan ("SERP") Expense**

20 **Q. What are SERP costs?**

21 A. These costs relate to supplemental retirement benefits for key executives that are in addition

1 to the normal retirement programs provided by the Company. These programs generally
2 exceed various limits imposed on retirement programs by the IRS and therefore are referred
3 to as “non-qualified” plans. According to the Company’s Proxy Statement, its SERP covers,

4 ...all officers, division presidents, and other employees, all as approved
5 by the Board. For any participant in the SERP prior to November 2008,
6 the SERP provides that an officer or division president (or any
7 other employee selected by the Board) who has participated in the
8 SERP for at least two years and has attained age 55 is entitled to an
9 annual supplemental pension in an amount that, when added to his
10 or her annual pension payable under the PAP, equals 60 percent
11 of his compensation, subject to reductions for less than ten
12 years of participation in the plan and for retirement prior to age 62.
13

14 During the 2009 fiscal year, departing officer John P. Reddy received \$3,893,489 in
15 payment of SERP benefits and Mark H. Johnson, who also left the Company, received
16 \$1,089,408. The present value of total accumulated SERP benefits for Mr. Best is over
17 \$15.7 million, according to the Proxy Statement. The net present value of the accumulated
18 SERP benefits for the other four NEOs is approximately \$7.27 million, with an average of
19 5.6 years of credited service.
20

21 **Q. What are the test-year SERP costs that the Company has included in its claim?**

22 **A.** As shown in the response to CURB-23, Shared Services incurred SERP costs of over \$9
23 million in fiscal year 2009. \$303,696 of these SERP costs were ultimately allocated to
24 Division 30 - Colorado/Kansas division. In addition, the Colorado/Kansas division directly
25 incurred an additional \$137,351 of SERP costs. Approximately 57.41% of all costs allocated

1 or directly charged to the Colorado/Kansas division were allocated to Kansas.

2
3 **Q. Do you believe that these costs should be included in utility rates?**

4 A. No, I do not. As noted above, the officers of the Company are already well-compensated.
5 Moreover, employees that receive SERP benefits are also included in the normal retirement
6 plans of the Company, so ratepayers are already paying retirement costs for these employees.
7 If Atmos wants to provide further retirement benefits to select employees, then shareholders,
8 not ratepayers, should fund these excess benefits. Therefore, I recommend that the
9 Commission disallow the Company's claim for SERP costs. My adjustment is shown in
10 Schedule ACC-16.

11
12 **D. Employee Benefits Expense**

13 **Q. Are you recommending any adjustment to the Company's claim for employee benefit**
14 **costs?**

15 A. Yes, I am recommending one adjustment. The Company's claim is based on its actual tes-
16 year costs, adjusted to reflect cost increases associated with payroll increases. Atmos first
17 calculated a benefits-to-labor percentage ratio, based on budgeted fiscal year 2010 costs. It
18 then applied this ratio to the incremental payroll adjustments for its various divisions that
19 were included in the filing. To calculate its employee benefits expense adjustment, Atmos
20 utilized a benefits-to-labor ratio of 35.32% for Colorado/Kansas division costs and of
21 31.26% for Shared Services costs.

1 As shown in the response to CURB-63, the ratio of benefit costs to labor costs varies
2 each year. In addition, the ratios used by Atmos in its filing are higher than the actual ratios
3 in any of the prior three years, as shown below:

Fiscal Year	CO/KS Business Unit	Shared Services
2007	33.13%	30.38%
2008	32.12%	29.90%
2009	34.50%	30.87%
Company Claim	35.32%	31.26%

5
6 In addition, these ratios are based on budgeted amounts which, in my view, are
7 speculative and do not meet the test for known and measurable adjustments.

8
9 **Q. What do you recommend?**

10 **A.** Given *a)* the fluctuations that have occurred in this ratio over the past three years, *b)* the fact
11 that the Company's claim is higher than the actual benefits-to-labor ratio in any of the prior
12 three years, and *c)* the fact that the Company's adjustment is based on its budget, I
13 recommend that the KCC utilize a three-year average ratio of benefits-to-labor costs in order
14 to quantify a pro forma employee benefits adjustment. My recommendation results in a
15 benefits-to-labor ratio of 33.25% for the Colorado/Kansas division and of 30.38% for Shared
16 Services. These are the ratios that I have applied to the Company's pro forma labor
17 adjustments in order to quantify the associated employee benefits adjustments. My
18 recommended employee benefits adjustment is shown in Schedule ACC-17.

1 **E. Advertising Expense**

2 **Q. Are you recommending any adjustment to the Company's claim for advertising costs?**

3 **A.** Yes, I am recommending that the Commission disallow a portion of these costs. In CURB-
4 43, the Company was asked to provide "a detailed accounting of advertising expenses for the
5 test year and the past three years, showing the amounts paid by vendor and a description of
6 the advertising." In response, the Company provided the costs incurred by various Atmos
7 divisions, and it classified each expenditure by type of advertising.

8 There are several categories of advertising that benefit shareholders, not ratepayers,
9 and should not be included in the costs borne by ratepayers. These include advertising
10 related to community relations and trade shows, as well as costs related to promotional or
11 "image" advertising. My review of the Company's data response indicates that there are
12 several items of advertising included in its claim that are among the categories of advertising
13 costs that should not be borne by ratepayers. I removed those costs. In addition, I have
14 eliminated costs that were identified as general "Advertising" and costs identified as
15 "Employee Participation". On the other hand, I have no objection to ratepayers' bearing the
16 costs of advertising that provides essential safety or educational information to customers, or
17 that is required by law or Commission orders. Therefore, I made no adjustments to costs
18 identified as customer assistance advertising, safety advertising, or advertising required by
19 law, and did not eliminate any costs for the publishing of public notices.

1 **Q. What is the total amount of the advertising costs that you recommend the KCC**
2 **disallow?**

3 A. Based on the information provided in the response to CURB-43, and on the various
4 allocation factors provided by Atmos with regard to the allocations of various division costs
5 to the Kansas jurisdiction, I am recommending that the KCC disallow \$80,985 of costs
6 allocated to, or directly assigned to, the Kansas jurisdiction. My adjustment is shown in
7 Schedule ACC-18.

8

9 **F. Membership Dues Expense**

10 **Q. Did the Company make an adjustment to eliminate certain lobbying costs incurred**
11 **during the test year?**

12 A. Yes, it did. As shown on WP 9-4, IS-3, Atmos included an adjustment to remove
13 approximately 25% of its test-year membership dues to the American Gas Association
14 (“AGA”). This is the percentage of dues identified by the AGA as related to “Advertising
15 and Public Affairs”.

16

17 **Q. Do you believe that a further adjustment is warranted?**

18 A. Yes, I do. In response to CURB-44, Atmos identified various membership costs and dues
19 that are included in its claim. Many of the organizations included in this response engage in
20 lobbying activities, the costs of which should not be charged to ratepayers. The largest
21 expenditure is for the Dallas Chamber of Commerce, and there are other chamber dues

1 included in this response as well. In addition, there are other costs that appear questionable,
2 such as costs to the Press Club of Dallas.

3
4 **Q. Are lobbying costs an appropriate expense to include in a regulated utility's cost of**
5 **service?**

6 A. No, they are not. Lobbying expenses are not necessary for the provision of safe and adequate
7 utility service. Ratepayers have the ability to lobby on their own through the legislative
8 process. Moreover, lobbying activities have no functional relationship to the provision of
9 safe and adequate regulated utility service. If the Company were to immediately cease
10 contributing to these types of efforts, utility service would in no way be disrupted. For all
11 these reasons, I recommend that the Commission disallow all costs associated with lobbying
12 activities.

13
14 **Q. How did you quantify your adjustment?**

15 A. I am recommending that the Commission disallow 15% of the Company's membership dues
16 identified in the response to CURB-44 on the basis that such costs constitute lobbying
17 activities or should not otherwise be charged to cost of service. I recognize that the specific
18 level of lobbying/public affairs/media activity varies from organization to organization.
19 However, based on my review of these organizations and on recommendations in other utility
20 rate proceedings, I believe that a 15% disallowance is a reasonable overall recommendation.
21 My adjustment is shown in Schedule ACC-19.

1 **Q. Did you reduce your adjustment to reflect the lobbying costs that the Company had**
2 **already eliminated from its claim?**

3 A. No, I did not. It appears that the AGA costs that were subject of the Company's adjustment
4 were largely reflected in its prepayments balance, and do not appear as operating expenses in
5 the response to CURB-44. Therefore, I have not reduced my recommended adjustment by
6 the AGA adjustment shown in WP 9-4 in the Company's filing.

7

8 **G. Regulatory Commission Expense**

9
10 **Q. Are you recommending any adjustment to the Company's claim for regulatory**
11 **commission expense?**

12 A. Yes, I am recommending one adjustment. In the response to Data Request Staff-116, Atmos
13 indicated that \$69,923 of costs reflected in its filing should have been excluded from its
14 revenue requirement. These costs apparently relate to regulatory affair charges that the
15 Company acknowledges should not be borne by ratepayers. Accordingly, at Schedule ACC-
16 20, I have made an adjustment to exclude these costs.

17

18 **H. Miscellaneous Expenses**

19 **Q. Are you recommending any other adjustments to the Company's pro forma operating**
20 **expenses?**

21 A. Yes, in Data Request Staff-126, Atmos was asked to explain several questionable expense
22 claims, including a \$120,958 charge from the Four Seasons Resort and Club. Atmos

1 indicated this expenditure related to “the Atmos Energy Enterprise Team Meeting and Atmos
2 Energy Enterprise Public Affairs Meeting” at the resort. I do not believe that ratepayers
3 should be paying for any “Public Affairs” meetings and certainly not one held at the Four
4 Seasons resort. Given the state of the economy, Atmos could have found a more reasonable
5 location for any meetings that were truly necessary for the provision of safe and adequate
6 utility service. Therefore, I recommend that the Commission disallow this cost. My
7 adjustment is shown in Schedule ACC-21.

8
9 **I. Depreciation Expense**

10 **Q. Have you made any adjustment to the Company’s claim for pro forma depreciation**
11 **expense?**

12 **A.** Yes, I have made one adjustment. As discussed on page 4 of Mr. Petersen’s testimony, the
13 Company generally utilized its currently-approved Kansas rates to calculate its pro forma
14 depreciation expense. However, with regard to its Colorado/Kansas General Office, Atmos
15 utilized new depreciation rates recently approved in Colorado. These new rates increase the
16 Company’s depreciation expense claim by \$61,651 as shown in the response to CURB-62.
17 The Company has included a pro forma adjustment to reflect the impact of these new rates. I
18 recommend that the Commission reject the Company’s adjustment.

19
20 **Q. What is the basis for your recommendation?**

21 **A.** My recommendation is based on the fact that Atmos has not provided supporting studies in

1 this case to justify new depreciation rates for these accounts. Each jurisdiction has the
2 authority to determine the depreciation rates that it will permit to be passed through to its
3 ratepayers. Kansas has already approved rates for the referenced General Office accounts.
4 The Company should not be permitted to increase rates to Kansas ratepayers on the basis of
5 regulatory decisions made in other states. If the Company wants to change Kansas
6 depreciation rates, it should have provided sufficient supporting documentation to the Kansas
7 regulators here in this case to justify such a change. Since Atmos failed to provide
8 documentation or studies supporting new depreciation rates, I recommend that the
9 Commission deny the Company's proposal to increase depreciation expense associated with
10 the Colorado/Kansas General Office. My adjustment is shown in Schedule ACC-22.

11
12 **J. Interest Synchronization and Taxes**

13 **Q. Have you adjusted the pro forma interest expense for income tax purposes?**

14 **A.** Yes, I made this adjustment at Schedule ACC-23. My adjustment is consistent
15 (synchronized) with my recommendations concerning the rate base, capital structure, and
16 cost of capital. Because I am recommending a lower rate base and a higher debt ratio than
17 the rate base and debt ratio that the Company included in its filing, my recommendations
18 result in lower pro forma interest expense for the Company. This lower interest expense,
19 which is an income tax deduction for state and federal tax purposes, will result in an increase
20 to the Company's income tax liability under my recommendations. Therefore, my
21 recommendations necessitate an interest synchronization adjustment that reflects a higher

1 income tax burden for the Company, and a decrease to pro forma income at present rates.

2

3 **Q. What income tax factor have you used to quantify your adjustments?**

4 A. As shown on Schedule ACC-24, I have used a composite income tax factor of 39.78%,
5 which includes a state income tax rate of 7.05% and a federal income tax rate of 35%. These
6 are the state and federal income tax rates contained in the Company's filing.

7

8 **Q. What revenue multiplier have you used in your revenue requirement?**

9 A. My recommendations result in a revenue multiplier of 1.65515, as shown on Schedule
10 ACC-25.

11

12 **VII. REVENUE REQUIREMENT SUMMARY**

13 **Q. What is the result of the recommendations contained in your testimony?**

14 A. My adjustments result in a revenue requirement deficiency at present rates of \$1,930,581 as
15 summarized on Schedule ACC-1. This recommendation reflects revenue requirement
16 adjustments of \$4,084,124 to the requested revenue requirement increase of \$6,014,705.

17 **Q. Have you developed a pro forma income statement?**

18 A. Yes, Schedule ACC-26 contains a pro forma income statement, showing utility operating
19 income under several scenarios, including the Company's claimed operating income at
20 present rates, my recommended operating income at present rates, and operating income
21 under my proposed rate increase. My recommendations will result in an overall return on

1 rate base of 8.08%.

2

3 **Q. Have you quantified the revenue requirement impact of each of your**
4 **recommendations?**

5 A. Yes, at Schedule ACC-27, I have quantified the impact on Atmos's revenue requirement of
6 my recommendations concerning the rate of return, rate base, revenues and expenses
7 contained in this testimony.

8

9 **Q. Does this conclude your testimony?**

10 A. Yes, it does.

VERIFICATION

STATE OF CONNECTICUT)
COUNTY OF FAIRFIELD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of her knowledge, information and belief

Andrea C. Crane
Andrea C. Crane

Subscribed and sworn before me this 28TH of MAY, 2010.

Notary Public Marjorie M. Hesen

My Commission Expires: DECEMBER 31, 2013

APPENDIX A

List of Prior Testimonies

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-G/E	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al.	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Aquila /Black Hills / Kansas City Power & Light	G	Kansas	07-BHCG-1063-ACQ 07-KCPE-1064-ACQ	12/07	Utility Acquisitions	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-186	12/07	Cost of Capital Regulatory Policy	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	08-WSEE-309-PRE	11/07	Predetermination of Wind Generation	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E/G	New Jersey	ER07050303 GR07050304	11/07	Societal Benefits Charge	Division of Rate Counsel
Public Service Company of New Mexico	E	New Mexico	07-00077-UT	10/07	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Public Service Electric and Gas Company	E	New Jersey	EO07040278	9/07	Solar Cost Recovery	Division of Rate Counsel

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Comcast Cable	C	New Jersey	CR07030147	8/07	Form 1205	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	07-KCPE-905-RTS	8/07	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Cablevision Systems Corporation	C	New Jersey	CR06110781, et al.	5/07	Cable Rates - Forms 1205 and 1240	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	05-WSEE-981-RTS	4/07	Revenue Requirements Issues on Remand	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	06-285F	4/07	Gas Cost Rates	Division of the Public Advocate
Comcast of Jersey City, et al.	C	New Jersey	CR06070558	4/07	Cable Rates	Division of Rate Counsel
Westar Energy	E	Kansas	07-WSEE-616-PRE	3/07	Pre-Approval of Generation Facilities	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	3800	3/07	Revenue Requirements	Division of Public Utilities and Carriers
Aquila - KGO	G	Kansas	07-AQLG-431-RTS	3/07	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	06-287F	3/07	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	06-284	1/07	Revenue Requirements Cost of Capital	Division of the Public Advocate
El Paso Electric Company	E	New Mexico	06-00258 UT	11/06	Revenue Requirements	New Mexico Office of Attorney General
Aquila, Inc. / Mid-Kansas Electric Co.	E	Kansas	06-MKEE-524-ACQ	11/06	Proposed Acquisition	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	G	New Mexico	06-00210-UT	11/06	Revenue Requirements	New Mexico Office of Attorney General
Atlantic City Electric Company	E	New Jersey	EM06090638	11/06	Sale of B.L. England	Division of Rate Counsel
United Water Delaware, Inc.	W	Delaware	06-174	10/06	Revenue Requirements Cost of Capital	Division of the Public Advocate
Public Service Electric and Gas Company	G	New Jersey	GR05080686	10/06	Societal Benefits Charge	Division of Rate Counsel
Comcast (Avalon, Maple Shade, Gloucester)	C	New Jersey	CR06030136-139	10/06	Form 1205 and 1240 Cable Rates	Division of Rate Counsel
Kansas Gas Service	G	Kansas	06-KGSG-1209-RTS	9/06	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
New Jersey American Water Co. Elizabethtown Water Company Mount Holly Water Company	W	New Jersey	WR06030257	9/06	Regulatory Policy Taxes Cash Working Capital	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	06-145	9/06	Revenue Requirements Cost of Capital	Division of the Public Advocate
Artesian Water Company	W	Delaware	06-158	9/06	Revenue Requirements Cost of Capital	Division of the Public Advocate

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Kansas City Power & Light Company	E	Kansas	06-KCPE-828-RTS	8/06	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	06-MDWG-1027-RTS	7/06	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	05-315F	6/06	Gas Service Rates	Division of the Public Advocate
Cablevision Systems Corporation	C	New Jersey	CR05110924, et al.	5/06	Cable Rates - Forms 1205 and 1240	Division of the Ratepayer Advocate
Montague Sewer Company	WW	New Jersey	WR05121056	5/06	Revenue Requirements	Division of the Ratepayer Advocate
Comcast of South Jersey	C	New Jersey	CR05119035, et al.	5/06	Cable Rates - Form 1240	Division of the Ratepayer Advocate
Comcast of New Jersey	C	New Jersey	CR05090826-827	4/06	Cable Rates - Form 1240	Division of the Ratepayer Advocate
Parkway Water Company	W	New Jersey	WR05070634	3/06	Revenue Requirements Cost of Capital	Division of the Ratepayer Advocate
Aqua Pennsylvania, Inc.	W	Pennsylvania	R-00051030	2/06	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	G	Delaware	05-312F	2/06	Gas Cost Rates	Division of the Public Advocate
Delmarva Power and Light Company	E	Delaware	05-304	12/05	Revenue Requirements Cost of Capital	Division of the Public Advocate
Artesian Water Company	W	Delaware	04-42	10/05	Revenue Requirements Cost of Capital (Remand)	Division of the Public Advocate
Utility Systems, Inc.	WW	Delaware	335-05	9/05	Regulatory Policy	Division of the Ratepayer Advocate
Westar Energy, Inc.	E	Kansas	05-WSEE-981-RTS	9/05	Revenue Requirements	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	05-EPDE-980-RTS	8/05	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR05030186	8/05	Form 1205	Division of the Ratepayer Advocate
Pawtucket Water Supply Board	W	Rhode Island	3674	7/05	Revenue Requirements	Division of Public Utilities and Carriers
Delmarva Power and Light Company	E	Delaware	04-391	7/05	Standard Offer Service	Division of the Public Advocate
Patriot Media & Communications CNJ, LLC	C	New Jersey	CR04111453-455	6/05	Cable Rates	Division of the Ratepayer Advocate
Cablevision	C	New Jersey	CR04111379, et al.	6/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of Mercer County, LLC	C	New Jersey	CR04111458	6/05	Cable Rates	Division of the Ratepayer Advocate

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Comcast of South Jersey, LLC, et al.	C	New Jersey	CR04101356, et al.	5/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of Central New Jersey LLC, et al.	C	New Jersey	CR04101077, et al.	4/05	Cable Rates	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	3660	4/05	Revenue Requirements	Division of Public Utilities and Carriers
Aquila, Inc.	G	Kansas	05-AQLG-367-RTS	3/05	Revenue Requirements Cost of Capital Tariff Issues	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	04-334F	3/05	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	04-301F	3/05	Gas Cost Rates	Division of the Public Advocate
Delaware Electric Cooperative, Inc.	E	Delaware	04-288	12/04	Revenue Requirements Cost of Capital	Division of the Public Advocate
Public Service Company of New Mexico	E	New Mexico	04-00311-UT	11/04	Renewable Energy Plans	Office of the New Mexico Attorney General
Woonsocket Water Division	W	Rhode Island	3626	10/04	Revenue Requirements	Division of Public Utilities and Carriers
Aquila, Inc.	E	Kansas	04-AQLE-1065-RTS	10/04	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	04-121	8/04	Conservation Rates (Affidavit)	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	ER03020110 PUC 06061-2003S	8/04	Deferred Balance Phase II	Division of the Ratepayer Advocate
Kentucky American Water Company	W	Kentucky	2004-00103	8/04	Revenue Requirements	Office of Rate Intervention of the Attorney General
Shorelands Water Company	W	New Jersey	WR04040295	8/04	Revenue Requirements Cost of Capital	Division of the Ratepayer Advocate
Artesian Water Company	W	Delaware	04-42	8/04	Revenue Requirements Cost of Capital	Division of the Public Advocate
Long Neck Water Company	W	Delaware	04-31	7/04	Cost of Equity	Division of the Public Advocate
Tidewater Utilities, Inc.	W	Delaware	04-152	7/04	Cost of Capital	Division of the Public Advocate
Cablevision	C	New Jersey	CR03100850, et al.	6/04	Cable Rates	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	WWW	New Jersey	WR03121034 (W) WR03121035 (S)	5/04	Revenue Requirements	Division of the Ratepayer Advocate
Comcast of South Jersey, Inc.	C	New Jersey	CR03100876,77,79,80	5/04	Form 1240 Cable Rates	Division of the Ratepayer Advocate
Comcast of Central New Jersey, et al.	C	New Jersey	CR03100749-750 CR03100759-762	4/04	Cable Rates	Division of the Ratepayer Advocate

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Time Warner	C	New Jersey	CR03100763-764	4/04	Cable Rates	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	3573	3/04	Revenue Requirements	Division of Public Utilities and Carriers
Aqua Pennsylvania, Inc.	W	Pennsylvania	R-00038805	2/04	Revenue Requirements	Pennsylvania Office of Consumer Advocate
Comcast of Jersey City, et al.	C	New Jersey	CR03080598-601	2/04	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company	G	Delaware	03-378F	2/04	Fuel Clause	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	03-ATMG-1036-RTS	11/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Aquila, Inc. (UCU)	G	Kansas	02-UTCG-701-GIG	10/03	Using utility assets as collateral	Citizens' Utility Ratepayer Board
CenturyTel of Northwest Arkansas, LLC	T	Arkansas	03-041-U	10/03	Affiliated Interests	The Arkansas Public Service Commission General Staff
Borough of Butler Electric Utility	E	New Jersey	CR03010049/63	9/03	Revenue Requirements	Division of the Ratepayer Advocate
Comcast Cablevision of Avalon Comcast Cable Communications	C	New Jersey	CR03020131-132	9/03	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	E	Delaware	03-127	8/03	Revenue Requirements	Division of the Public Advocate
Kansas Gas Service	G	Kansas	03-KGSG-602-RTS	7/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Washington Gas Light Company	G	Maryland	8959	6/03	Cost of Capital Incentive Rate Plan	U.S. DOD/FEA
Pawtucket Water Supply Board	W	Rhode Island	3497	6/03	Revenue Requirements	Division of Public Utilities and Carriers
Atlantic City Electric Company	E	New Jersey	EO03020091	5/03	Stranded Costs	Division of the Ratepayer Advocate
Public Service Company of New Mexico	G	New Mexico	03-000-17 UT	5/03	Cost of Capital Cost Allocations	Office of the New Mexico Attorney General
Comcast - Hopewell, et al.	C	New Jersey	CR02110818 CR02110823-825	5/03	Cable Rates	Division of the Ratepayer Advocate
Cablevision Systems Corporation	C	New Jersey	CR02110838, 43-50	4/03	Cable Rates	Division of the Ratepayer Advocate
Comcast-Garden State / Northwest	C	New Jersey	CR02100715 CR02100719	4/03	Cable Rates	Division of the Ratepayer Advocate
Midwest Energy, Inc. and Westar Energy, Inc.	E	Kansas	03-MDWE-421-ACQ	4/03	Acquisition	Citizens' Utility Ratepayer Board
Time Warner Cable	C	New Jersey	CR02100722 CR02100723	4/03	Cable Rates	Division of the Ratepayer Advocate

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Westar Energy, Inc.	E	Kansas	01-WSRE-949-GIE	3/03	Restructuring Plan	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	ER02080604 PUC 7983-02	1/03	Deferred Balance	Division of the Ratepayer Advocate
Atlantic City Electric Company d/b/a Conectiv Power Delivery	E	New Jersey	ER02080510 PUC 6917-02S	1/03	Deferred Balance	Division of the Ratepayer Advocate
Walkkill Sewer Company	WW	New Jersey	WR02030193 WR02030194	12/02	Revenue Requirements Purchased Sewage Treatment Adj. (PSTAC)	Division of the Ratepayer Advocate
Midwest Energy, Inc.	E	Kansas	03-MDWE-001-RTS	12/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast-LBI Crestwood	C	New Jersey	CR02050272 CR02050270	11/02	Cable Rates	Division of the Ratepayer Advocate
Reliant Energy Arkla	G	Oklahoma	PUD200200166	10/02	Affiliated Interest Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Midwest Energy, Inc.	G	Kansas	02-MDWG-922-RTS	10/02	Gas Rates	Citizens' Utility Ratepayer Board
Comcast Cablevision of Avalon	C	New Jersey	CR02030134 CR02030137	7/02	Cable Rates	Division of the Ratepayer Advocate
RCN Telecom Services, Inc., and Home Link Communications	C	New Jersey	CR02010044, CR02010047	7/02	Cable Rates	Division of the Ratepayer Advocate
Washington Gas Light Company	G	Maryland	8920	7/02	Rate of Return Rate Design (Rebuttal)	General Services Administration (GSA)
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase II	7/02	Rate Design Tariff Issues	Division of the Public Advocate
Washington Gas Light Company	G	Maryland	8920	6/02	Rate of Return Rate Design	General Services Administration (GSA)
Tidewater Utilities, Inc.	W	Delaware	02-28	6/02	Revenue Requirements	Division of the Public Advocate
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	5/02	Financial Plan	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	02-EPDE-488-RTS	5/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Southwestern Public Service Company	E	New Mexico	3709	4/02	Fuel Costs	Office of the New Mexico Attorney General
Cablevision Systems	C	New Jersey	CR01110706, et al	4/02	Cable Rates	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	District of Columbia	945, Phase II	4/02	Divestiture Procedures	General Services Administration (GSA)
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	3/02	Sale of VY to Entergy Corp. (Supplemental)	Department of Public Service

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Delmarva Power and Light Company	G	Delaware	01-348F	1/02	Gas Cost Adjustment	Division of the Public Advocate
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	1/02	Sale of VY to Entergy Corp.	Department of Public Service
Pawtucket Water Supply Company	W	Rhode Island	3378	12/01	Revenue Requirements	Division of Public Utilities and Carriers
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase I	12/01	Revenue Requirements	Division of the Public Advocate
Potomac Electric Power Company	E	Maryland	8796	12/01	Divestiture Procedures	General Services Administration (GSA)
Kansas Electric Power Cooperative	E	Kansas	01-KEPE-1106-RTS	11/01	Depreciation Methodology (Cross Answering)	Citizens' Utility Ratepayer Board
Wellsboro Electric Company	E	Pennsylvania	R-00016356	11/01	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	3311	10/01	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Pepco and New RC, Inc.	E	District of Columbia	1002	10/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Potomac Electric Power Co. & Delmarva Power	E	Delaware	01-194	10/01	Merger Issues and Performance Standards	Division of the Public Advocate
Yankee Gas Company	G	Connecticut	01-05-19PH01	9/01	Affiliated Transactions	Office of Consumer Counsel
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	9/01	Revenue Requirements (Rebuttal)	The Consumer Advocate Division of the PSC
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	9/01	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Potomac Electric Power Co. & Delmarva Power	E	Maryland	8890	9/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Comcast Cablevision of Long Beach Island, et al	C	New Jersey	CR01030149-50 CR01050285	9/01	Cable Rates	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	3311	8/01	Revenue Requirements	Division of Public Utilities and Carriers
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	8/01	Revenue Requirements	Office of Consumer Advocate
Roxiticus Water Company	W	New Jersey	WR01030194	8/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	8/01	Revenue Requirements	Consumer Advocate Division of the PSC

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Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity (Rebuttal)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity	Citizens' Utility Ratepayer Board
Cablevision of Allamuchy, et al	C	New Jersey	CR00100824, etc.	4/01	Cable Rates	Division of the Ratepayer Advocate
Public Service Company of New Mexico	E	New Mexico	3137, Holding Co.	4/01	Holding Company	Office of the Attorney General
Keauhou Community Services, Inc.	W	Hawaii	00-0094	4/01	Rate Design	Division of Consumer Advocacy
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests (Motion for Suppl. Changes)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	3137, Part III	4/01	Standard Offer Service (Additional Direct)	Office of the Attorney General
Chem-Nuclear Systems, LLC	SW	South Carolina	2000-366-A	3/01	Allowable Costs	Department of Consumer Affairs
Southern Connecticut Gas Company	G	Connecticut	00-12-08	3/01	Affiliated Interest Transactions	Office of Consumer Counsel
Atlantic City Sewerage Corporation	WW	New Jersey	WR00080575	3/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	G	Delaware	00-314	3/01	Margin Sharing	Division of the Public Advocate
Senate Bill 190 Re: Performance Based Ratemaking	G	Kansas	Senate Bill 190	2/01	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	00-463-F	2/01	Gas Cost Rates	Division of the Public Advocate
Waitsfield Fayston Telephone Company	T	Vermont	6417	12/00	Revenue Requirements	Department of Public Service
Delaware Electric Cooperative	E	Delaware	00-365	11/00	Code of Conduct Cost Allocation Manual	Division of the Public Advocate
Commission Inquiry into Performance-Based Ratemaking	G	Kansas	00-GIMG-425-GIG	10/00	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Pawtucket Water Supply Board	W	Rhode Island	3164 Separation Plan	10/00	Revenue Requirements	Division of Public Utilities and Carriers
Comcast Cablevision of Philadelphia, L.P.	C	Pennsylvania	3756	10/00	Late Payment Fees (Affidavit)	Kaufman, Lankelis, et al.
Public Service Company of New Mexico	E	New Mexico	3137, Part III	9/00	Standard Offer Service	Office of the Attorney General
Laie Water Company	W	Hawaii	00-0017 Separation Plan	8/00	Rate Design	Division of Consumer Advocacy

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El Paso Electric Company	E	New Mexico	3170, Part II, Ph. 1	7/00	Electric Restructuring	Office of the Attorney General
Public Service Company of New Mexico	E	New Mexico	3137 - Part II Separation Plan	7/00	Electric Restructuring	Office of the Attorney General
PG Energy	G	Pennsylvania	R-00005119	6/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	4/00	Merger Issues (Additional Supplemental)	Office of Consumer Counsel
Sussex Shores Water Company	W	Delaware	99-576	4/00	Revenue Requirements	Division of the Public Advocate
Utilicorp United, Inc.	G	Kansas	00-UTCG-336-RTS	4/00	Revenue Requirements	Citizens' Utility Ratepayer Board
TCI Cablevision	C	Missouri	9972-9146	4/00	Late Fees (Affidavit)	Honora Eppert, et al
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	3/00	Pro Forma Revenue Affiliated Transactions (Rebuttal)	Oklahoma Corporation Commission, Public Utility Division Staff
Tidewater Utilities, Inc. Public Water Supply Co.	W	Delaware	99-466	3/00	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	G/E	Delaware	99-582	3/00	Cost Accounting Manual Code of Conduct	Division of the Public Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	3/00	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	2/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	2/00	Merger Issues	Office of Consumer Counsel
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	1/00	Pro Forma Revenue Affiliated Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Connecticut Natural Gas Company	G	Connecticut	99-09-03	1/00	Affiliated Transactions	Office of Consumer Counsel
Time Warner Entertainment Company, L.P.	C	Indiana	48D06-9803-CP-423	1999	Late Fees (Affidavit)	Kelly J. Whiteman, et al
TCI Communications, Inc., et al	C	Indiana	55D01-9709-CP-00415	1999	Late Fees (Affidavit)	Franklin E. Littell, et al
Southwestern Public Service Company	E	New Mexico	3116	12/99	Merger Approval	Office of the Attorney General
New England Electric System Eastern Utility Associates	E	Rhode Island	2930	11/99	Merger Policy	Department of Attorney General
Delaware Electric Cooperative	E	Delaware	99-457	11/99	Electric Restructuring	Division of the Public Advocate

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Jones Intercable, Inc.	C	Maryland	CAL98-00283	10/99	Cable Rates (Affidavit)	Cynthia Maisonette and Ola Renee Chatman, et al
Texas-New Mexico Power Company	E	New Mexico	3103	10/99	Acquisition Issues	Office of Attorney General
Southern Connecticut Gas Company	G	Connecticut	99-04-18	9/99	Affiliated Interest	Office of Consumer Counsel
TCI Cable Company	C	New Jersey	CR99020079 et al	9/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
All Regulated Companies	E/G/W	Delaware	Reg. No. 4	8/99	Filing Requirements (Position Statement)	Division of the Public Advocate
Mile High Cable Partners	C	Colorado	95-CV-5195	7/99	Cable Rates (Affidavit)	Brett Marshall, an individual, et al
Electric Restructuring Comments	E	Delaware	Reg. 49	7/99	Regulatory Policy (Supplemental)	Division of the Public Advocate
Long Neck Water Company	W	Delaware	99-31	6/99	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	E	Delaware	99-163	6/99	Electric Restructuring	Division of the Public Advocate
Potomac Electric Power Company	E	District of Columbia	945	6/99	Divestiture of Generation Assets	U.S. GSA - Public Utilities
Comcast	C	Indiana	49C01-9802-CP-000386	6/99	Late Fees (Affidavit)	Ken Hecht, et al
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	6/99	Economic Subsidy issues (Surrebuttal)	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162 PUCRS 11514-98N	5/99	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Cablevision of Bergen, Bayonne, Newark	C	New Jersey	CR98111197-199 CR98111190	5/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
Cablevision of Bergen, Hudson, Monmouth	C	New Jersey	CR97090624-626 CTV 1697-98N	5/99	Cable Rates - Form 1235 (Rebuttal)	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2860	4/99	Revenue Requirements	Division of Public Utilities & Carriers
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162	4/99	Revenue Requirements Rate Design	Division of the Ratepayer Advocate
PEPCO	E	District of Columbia	945	4/99	Divestiture of Assets	U.S. GSA - Public Utilities
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	4/99	Merger Approval (Surrebuttal)	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	98-479F	3/99	Fuel Costs	Division of the Public Advocate
Lenfest Atlantic d/b/a Suburban Cable	C	New Jersey	CR97070479 et al	3/99	Cable Rates	Division of the Ratepayer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Electric Restructuring Comments	E	District of Columbia	945	3/99	Regulatory Policy	U.S. GSA - Public Utilities
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	3/99	Tariff Revision Payphone Subsidies FCC Services Test (Rebuttal)	Division of the Ratepayer Advocate
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	3/99	Merger Approval (Answering)	Citizens' Utility Ratepayer Board
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	2/99	Merger Approval	Citizens' Utility Ratepayer Board
Adelphia Cable Communications	C	Vermont	6117-6119	1/99	Late Fees (Additional Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees (Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees	Department of Public Service
Orange and Rockland/ Consolidated Edison	E	New Jersey	EM98070433	11/98	Merger Approval	Division of the Ratepayer Advocate
Cablevision	C	New Jersey	CR97090624 CR97090625 CR97090626	11/98	Cable Rates - Form 1235	Division of the Ratepayer Advocate
Petitions of BA-NJ and NJPA re: Payphone Ops.	T	New Jersey	TO97100792 PUCOT 11269-97N	10/98	Payphone Subsidies FCC New Services Test	Division of the Ratepayer Advocate
United Water Delaware	W	Delaware	98-98	8/98	Revenue Requirements	Division of the Public Advocate
Cablevision	C	New Jersey	CR97100719, 726 730, 732	8/98	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	Maryland	Case No. 8791	8/98	Revenue Requirements Rate Design	U.S. GSA - Public Utilities
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	8/98	Anti-Competitive Practices (Rebuttal)	Division of the Ratepayer Advocate
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	7/98	Anti-Competitive Practices	Division of the Ratepayer Advocate
TCI Cable Company/ Cablevision	C	New Jersey	CTV 03264-03268 and CTV 05061	7/98	Cable Rates	Division of the Ratepayer Advocate
Mount Holly Water Company	W	New Jersey	WR98020058 PUC 03131-98N	7/98	Revenue Requirements	Division of the Ratepayer Advocate
Pawtucket Water Supply Board	W	Rhode Island	2674	5/98	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
Pawtucket Water Supply Board	W	Rhode Island	2674	4/98	Revenue Requirements	Division of Public Utilities and Carriers

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Energy Master Plan Phase II Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	4/98	Electric Restructuring Issues (Supplemental Surrebuttal)	Division of the Ratepayer Advocate
Energy Master Plan Phase I Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	3/98	Electric Restructuring Issues	Division of the Ratepayer Advocate
Shorelands Water Company	W	New Jersey	WR97110835 PUC 11324-97	2/98	Revenue Requirements	Division of the Ratepayer Advocate
TCI Communications, Inc.	C	New Jersey	CR97030141 and others	11/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Citizens Telephone Co. of Kecksburg	T	Pennsylvania	R-00971229	11/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	10/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Universal Service Funding	T	New Jersey	TX95120631	10/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	9/97	Low Income Fund High Cost Fund	Division of the Ratepayer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	9/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	G/E	Delaware	97-65	9/97	Cost Accounting Manual Code of Conduct	Office of the Public Advocate
Western Resources, Oneok, and WAI	G	Kansas	WSRG-486-MER	9/97	Transfer of Gas Assets	Citizens' Utility Ratepayer Board
Universal Service Funding	T	New Jersey	TX95120631	9/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	8/97	Schools and Libraries Funding	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	8/97	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Ironton Telephone Company	T	Pennsylvania	R-00971182	8/97	Alternative Regulation Network Modernization (Surrebuttal)	Office of Consumer Advocate
Ironton Telephone Company	T	Pennsylvania	R-00971182	7/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Comcast Cablevision	C	New Jersey	Various	7/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR97010052 PUCRA 3154-97N	7/97	Revenue Requirements	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	6/97	Revenue Requirements	Division of Public Utilities and Carriers
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	6/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	5/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	E	Delaware	97-58	5/97	Merger Policy	Office of the Public Advocate
Middlesex Water Company	W	New Jersey	WR96110818 PUCRL 11663-96N	4/97	Revenue Requirements	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR96080628 PUCRA 09374-96N	3/97	Purchased Sewerage Adjustment	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	2484	3/97	Revenue Requirements Cost of Capital (Surrebuttal)	Division of Public Utilities & Carriers
Interstate Navigation Company	N	Rhode Island	2484	2/97	Revenue Requirements Cost of Capital	Division of Public Utilities & Carriers
Electric Restructuring Comments	E	District of Columbia	945	1/97	Regulatory Policy	U.S. GSA - Public Utilities
United Water Delaware	W	Delaware	96-194	1/97	Revenue Requirements	Office of the Public Advocate
PEPCO/ BGE/ Merger Application	E/G	District of Columbia	951	10/96	Regulatory Policy Cost of Capital (Rebuttal)	GSA
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	10/96	Revenue Requirements Cost of Capital (Supplemental)	Citizens' Utility Ratepayer Board
PEPCO and BGE Merger Application	E/G	District of Columbia	951	9/96	Regulatory Policy, Cost of Capital	U.S. GSA - Public Utilities
Utilicorp United, Inc.	G	Kansas	193,787-U	8/96	Revenue Requirements	Citizens' Utility Ratepayer Board
TKR Cable Company of Gloucester	C	New Jersey	CTV07030-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
TKR Cable Company of Warwick	C	New Jersey	CTV057537-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	95-196F	5/96	Fuel Cost Recovery	Office of the Public Advocate
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	5/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Princeville Utilities Company, Inc.	WWW	Hawaii	95-0172 95-0168	1/96	Revenue Requirements Rate Design	Princeville at Hanalei Community Association
Western Resources, Inc.	G	Kansas	193,305-U	1/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements	Division of the Ratepayer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Lanai Water Company	W	Hawaii	94-0366	10/95	Revenue Requirements Rate Design	Division of Consumer Advocacy
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01382-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01381-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Chesapeake Utilities Corporation	G	Delaware	95-73	7/95	Revenue Requirements	Office of the Public Advocate
East Honolulu Community Services, Inc.	WW	Hawaii	7718	6/95	Revenue Requirements	Division of Consumer Advocacy
Wilmington Suburban Water Corporation	W	Delaware	94-149	3/95	Revenue Requirements	Office of the Public Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	1/95	Revenue Requirements (Supplemental)	Division of the Ratepayer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	1/95	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	12/94	Revenue Requirements	Office of Consumer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	12/94	Revenue Requirements	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	94-84	11/94	Revenue Requirements	Office of the Public Advocate
Delmarva Power and Light Company	G	Delaware	94-22	8/94	Revenue Requirements	Office of the Public Advocate
Empire District Electric Company	E	Kansas	190,360-U	8/94	Revenue Requirements	Citizens' Utility Ratepayer Board
Morris County Municipal Utility Authority	SW	New Jersey	MM10930027 ESW 1426-94	6/94	Revenue Requirements	Rate Counsel
US West Communications	T	Arizona	E-1051-93-183	5/94	Revenue Requirements (Surrebuttal)	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	5/94	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
US West Communications	T	Arizona	E-1051-93-183	3/94	Revenue Requirements	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	3/94	Revenue Requirements	Division of Public Utilities & Carriers
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J	2/94	Revenue Requirements (Supplemental)	Rate Counsel
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements (Supplemental)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	2098	8/93	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Wilmington Suburban Water Company	W	Delaware	93-28	7/93	Revenue Requirements	Office of Public Advocate
Kent County Water Authority	W	Rhode Island	2098	7/93	Revenue Requirements	Division of Public Utilities & Carriers
Camden County Energy Recovery Associates, Inc.	SW	New Jersey	SR91111718J ESW1263-92	4/93	Revenue Requirements	Rate Counsel
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J ESW 1263-92	4/93	Revenue Requirements	Rate Counsel
Jamaica Water Supply Company	W	New York	92-W-0583	3/93	Revenue Requirements	County of Nassau Town of Hempstead
New Jersey-American Water Company	WWW	New Jersey	WR92090908J PUC 7266-92S	2/93	Revenue Requirements	Rate Counsel
Passaic County Utilities Authority	SW	New Jersey	SR91121816J ESW0671-92N	9/92	Revenue Requirements	Rate Counsel
East Honolulu Community Services, Inc.	WW	Hawaii	7064	8/92	Revenue Requirements	Division of Consumer Advocacy
The Jersey Central Power and Light Company	E	New Jersey	PUC00661-92 ER91121820J	7/92	Revenue Requirements	Rate Counsel
Mercer County Improvement Authority	SW	New Jersey	EWS11261-91S SR91111682J	5/92	Revenue Requirements	Rate Counsel
Garden State Water Company	W	New Jersey	WR9109-1483 PUC 09118-91S	2/92	Revenue Requirements	Rate Counsel
Elizabethtown Water Company	W	New Jersey	WR9108-1293J PUC 08057-91N	1/92	Revenue Requirements	Rate Counsel
New Jersey American Water Company	WWW	New Jersey	WR9108-1399J PUC 8246-91	12/91	Revenue Requirements	Rate Counsel
Pennsylvania-American Water Company	W	Pennsylvania	R-911909	10/91	Revenue Requirements	Office of Consumer Advocate
Mercer County Improvement Authority	SW	New Jersey	SR9004-0264J PUC 3389-90	10/90	Revenue Requirements	Rate Counsel
Kent County Water Authority	W	Rhode Island	1952	8/90	Revenue Requirements Regulatory Policy (Surrebuttal)	Division of Public Utilities & Carriers
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests (Supplemental)	NY State Consumer Protection Board
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests	NY State Consumer Protection Board
Kent County Water Authority	W	Rhode Island	1952	6/90	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Ellesor Transfer Station	SW	New Jersey	SO8712-1407 PUC 1768-88	11/89	Regulatory Policy	Rate Counsel
Interstate Navigation Co.	N	Rhode Island	D-89-7	8/89	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Automated Modular Systems, Inc.	SW	New Jersey	PUC1769-88	5/89	Revenue Requirements Schedules	Rate Counsel
SNET Cellular, Inc.	T	Connecticut	-	2/89	Regulatory Policy	First Selectman Town of Redding

APPENDIX B

Supporting Schedule

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

REVENUE REQUIREMENT SUMMARY

	Company Claim (A)	Recommended Adjustment	Recommended Position	
1. Pro Forma Rate Base	\$144,583,173	(\$2,423,293)	\$142,159,880	(B)
2. Required Cost of Capital	9.11%	-1.22%	7.90%	(C)
3. Required Return	\$13,178,031	(\$1,950,192)	\$11,227,839	
4. Operating Income @ Present Rates	9,544,097	517,334	10,061,430	(D)
5. Operating Income Deficiency	\$3,633,934	(\$2,467,525)	\$1,166,409	
6. Revenue Multiplier	1.6551		1.6551	(E)
7. Revenue Requirement Increase	<u>\$6,014,705</u>	<u>(\$4,084,124)</u>	<u>\$1,930,581</u>	

Sources:

(A) Derived from Company Filing, Section 3.

(B) Schedule ACC-9.

(C) Schedule ACC-2.

(D) Schedule ACC-11.

(E) Schedule ACC-25.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****REQUIRED COST OF CAPITAL (\$000)**

	Amount	Capital Structure	Cost Rate		Weighted Cost
	(A)	(A)			
1. Common Equity	\$2,176,761	49.26%	9.18%	(B)	4.52%
2. Long Term Debt	2,169,531	49.10%	6.87%	(A)	3.37%
3. Short Term Debt	72,550	1.64%	0.25%	(C)	0.00%
4. Total Cost of Capital	\$4,418,842	100.00%			<u>7.90%</u>

Sources:

(A) Testimony of Mr. Smith, page 4.

(B) Schedule ACC-3.

(C) Atmos Energy Annual Report, page 94.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****RECOMMENDED COST OF EQUITY**

1. Discounted Cash Flow Result (A)	9.71%	
2. Discounted Cash Flow Weighting (B)	<u>75.00%</u>	7.28%
3. CAPM Result (C)	7.57%	
4. CAPM Weighting (B)	<u>25.00%</u>	1.89%
5. Recommended Return on Equity		<u>9.18%</u>

Sources:

(A) Schedule ACC-4.

(B) Based on Commission's reliance primarily upon the DCF method.

(C) Schedule ACC-7.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

DISCOUNTED CASH FLOW RESULT

1. Dividend Yield	4.10%	(A)
2. Growth in Dividend Yield	0.11%	(B)
3. Growth Rate	<u>5.50%</u>	(C)
4. Total Cost of Equity	<u>9.71%</u>	

Sources:

(A) Derived from Schedule ACC-5.

(B) Line 1 X (50% of Line 3).

(C) Derived from Schedule ACC-6.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****DIVIDEND YIELDS - COMPARABLE GROUP**

	Dividend	Price	Yield	3 Month High	3 Month Low	Average	Average Yield
	(A)	(A)		(B)	(B)		
1. AGL Resources, Inc. (NYSE-AGL)	1.76	37.96	4.64%	40.08	35.64	37.86	4.65%
2. Atmos Energy Corporation (NYSE-ATO)	1.34	28.48	4.71%	30.15	26.25	28.20	4.75%
3. Laclede Gas Company (NYSE-LG)	1.58	35.17	4.49%	35.89	32.28	34.09	4.64%
4. New Jersey Resources (NYSE-NJR)	1.36	37.71	3.61%	39.01	34.30	36.66	3.71%
5. NICOR Inc. (NYSE-GAS)	1.86	42.31	4.40%	44.70	38.63	41.67	4.46%
6. NiSource Inc. (NYSE-NI)	0.92	15.65	5.88%	16.80	14.46	15.63	5.89%
7. Northwest Natural Gas Co. (NYSE-NWN)	1.66	46.63	3.56%	49.18	42.83	46.01	3.61%
8. Piedmont Natural Gas Co., Inc. (NYSE-PNY)	1.12	26.94	4.16%	28.52	24.85	26.69	4.20%
9. South Jersey Industries, Inc. (NYSE-SJI)	1.32	45.18	2.92%	46.00	38.90	42.45	3.11%
10. Southwest Gas Corp. (NYSE-SWX)	1.00	31.61	3.16%	32.91	27.62	30.27	3.30%
11. UGI Corp. (NYSE-UGI)	0.80	26.35	3.04%	27.88	24.75	26.32	3.04%
12. WGL Holdings, Inc. (NYSE-WGL)	1.51	36.07	4.19%	36.57	32.49	34.53	4.37%
13. AVERAGE			4.06%				4.14%
14. AVERAGE (Excluding Atmos)			4.00%				4.09%

Sources:

(A) Closing Price May 18, 2010 per Yahoo Finance - May 19, 2010.

(B) High and Low prices from February 19, 2010 to May 18, 2010 per Yahoo Finance - May 19, 2010.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

GROWTH RATES - COMPARABLE GROUP

	Past 5 Years Earnings	Past 5 Years Dividends	Past 5 Years Book Value	Past 10 Years Earnings	Past 10 Years Dividends	Past 10 Years Book Value	Projected 5 Years Earnings	Projected 5 Years Dividends	Projected 5 Years Book Value
1. AGL Resources, Inc. (NYSE-AGL)	8.5%	8.0%	10.0%	7.0%	4.0%	7.0%	3.5%	2.5%	5.0%
2. Atmos Energy Corporation (NYSE-ATO)	4.5%	1.5%	7.0%	4.0%	2.0%	7.0%	5.5%	2.0%	3.5%
3. Laclede Gas Company (NYSE-LG)	10.5%	2.0%	6.5%	5.0%	1.0%	4.0%	2.5%	2.5%	4.0%
4. New Jersey Resources (NYSE-NJR)	7.5%	6.0%	10.5%	8.0%	4.5%	8.5%	6.5%	5.5%	4.5%
5. NICOR Inc. (NYSE-GAS)	3.5%	-	5.0%	1.5%	2.5%	3.0%	2.5%	<i>Nil</i>	5.0%
6. NISource Inc. (NYSE-NI)	(5.0%)	(4.0%)	1.5%	(2.5%)	-	6.5%	4.0%	<i>Nil</i>	1.0%
7. Northwest Natural Gas Co. (NYSE-NWN)	8.0%	3.0%	3.5%	5.0%	2.0%	3.5%	5.0%	6.0%	5.0%
8. Piedmont Natural Gas Co., Inc. (NYSE-PNY)	6.5%	4.5%	4.5%	5.0%	5.0%	5.0%	4.0%	3.5%	3.0%
9. South Jersey Industries, Inc. (NYSE-SJI)	13.0%	6.0%	11.0%	11.5%	3.5%	9.0%	5.5%	6.5%	5.0%
10. Southwest Gas Corp. (NYSE-SWX)	9.0%	1.0%	5.0%	7.0%	0.5%	4.5%	8.0%	5.5%	4.5%
11. UGI Corp. (NYSE-UGI)	13.5%	6.0%	16.5%	16.5%	4.5%	14.5%	5.0%	5.0%	9.0%
12. WGL Holdings, Inc. (NYSE-WGL)	5.5%	2.0%	5.0%	4.0%	1.5%	4.0%	2.5%	3.0%	4.0%
13. AVERAGE	7.1%	3.3%	7.2%	6.0%	2.8%	6.4%	4.5%	4.2%	4.5%
14. AVERAGE (Excluding Atmos)	7.3%	3.1%	7.2%	6.2%	2.6%	6.3%	4.5%	3.6%	4.5%
15. AVERAGE (Excluding UGI)	6.5%	2.7%	6.3%	5.0%	2.4%	5.6%	4.5%	3.4%	4.0%
16. AVERAGE (Excluding UGI and Atmos)	6.7%	2.9%	6.3%	5.2%	2.5%	5.5%	4.4%	3.5%	4.1%

Source: Value Line - March 12, 2010

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

CAPITAL ASSET PRICING MODEL RESULT

Risk Free Rate + (Beta X Market Premium)

$$\begin{array}{rcl} 4.24\% + (.68 \times 4.9\%) = & & 7.57\% \\ \text{(A)} & \text{(B)} & \text{(C)} \end{array}$$

Sources:

- (A) Rate per Federal Reserve at May 19, 2010.
- (B) Schedule ACC-8.
- (C) Market Premium Per Ibbotson SBBI: 2008 Valuation Yearbook, Market Results for Stocks, Bonds, Bills and Inflation, 1926-2007, Table 2-1, Morningstar.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****COMPARABLE GROUP BETAS**

	(A)
1. AGL Resources, Inc. (NYSE-AGL)	0.75
2. Laclede Gas Company (NYSE-LG)	0.60
3. New Jersey Resources (NYSE-NJR)	0.65
4. NICOR Inc. (NYSE-GAS)	0.70
5. NiSource Inc. (NYSE-NI)	0.85
6. Northwest Natural Gas Co. (NYSE-NWN)	0.60
7. Piedmont Natural Gas Co., Inc. (NYSE-PNY)	0.65
8. South Jersey Industries, Inc. (NYSE-SJI)	0.60
9. Southwest Gas Corp. (NYSE-SWX)	0.75
10. UGI Corp. (NYSE-UGI)	0.65
11. WGL Holdings, Inc. (NYSE-WGL)	0.65
	<hr/>
12. Average	0.68

Source:

(A) Value Line Investment Survey.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****RATE BASE SUMMARY**

	Company Claim (A)	Recommended Adjustment		Recommended Position
1. Utility Plant in Service	\$242,432,297	\$0	(B)	\$242,432,297
Less:				
2. Accumulated Depreciation	(87,933,933)	0		(87,933,933)
3. Net Utility Plant	\$154,498,364	\$0		\$154,498,364
Plus:				
4. Construction Work In Progress	2,615,188	0		2,615,188
5. Prepayments	473,508	0		473,508
6. Gas in Storage	21,051,709	(2,423,293)		18,628,416
7. Cash Working Capital	0	0		0
Less:				
8. Customer Advances	(1,065,438)	0		(1,065,438)
9. Customer Deposits	(3,051,129)	0		(3,051,129)
10. Acc. Deferred Income Taxes	(29,939,029)	0		(29,939,029)
11. Total Rate Base	<u>\$144,583,173</u>	<u>(\$2,423,293)</u>		<u>\$142,159,880</u>

Sources:

(A) Company Filing, Section 3.

(B) Schedule ACC-10.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

GAS IN STORAGE

1. Thirteen Month Average Volumes	3,104,736	(A)
2. Pro Forma Rate	<u>\$6.00</u>	(B)
3. Pro Forma Storage Cost	\$18,628,416	
4. Company Claim	<u>21,051,709</u>	(C)
5. Recommended Adjustment	<u>\$2,423,293</u>	

Sources:

(A) Response to CURB-53.

(B) Recommendation of Ms. Crane.

(C) Company Filing, Section 6.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****OPERATING INCOME SUMMARY**

		Schedule No.
1. Company Claim	\$9,544,097	1
2. Recommended Adjustments:		
3. Pro Forma Revenue	56,413	12
4. Incentive Compensation Expense- Non Officers	153,315	13
5. Incentive Compensation Expense-Officers	87,238	14
6. Payroll Tax Expense	18,402	15
7. SERP Expense	153,674	16
8. Employee Benefits Expense	2,255	17
9. Advertising Expense	49,042	18
10. Membership Dues Expense	5,456	19
11. Regulatory Commission Expense	42,246	20
12. Miscellaneous Expenses	2,802	21
13. Depreciation Expense	37,248	22
14. Interest Synchronization	<u>(90,759)</u>	23
15. Operating Income	<u>\$10,061,430</u>	

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****PRO FORMA REVENUE**

	Residential Revenue	Commercial Revenue	
1. Pro Forma Revenue Per Company	\$31,005,249	\$7,304,041	(A)
2. Test Year Growth Rate	0.39%	0.89%	(B)
3. 50% of Test Year Growth Rate	<u>0.20%</u>	<u>0.45%</u>	(C)
4. Pro Forma Revenue Adjustment	\$60,786	\$32,585	
5. Total Pro Forma Adjustment		\$93,371	
6. Income Taxes @	39.58%	<u>36,959</u>	
7. Operating Income Impact		<u>\$56,413</u>	

Sources:

(A) Company Filing, Section 17.

(B) Reflects growth from fiscal year 2008 to fiscal year 2009, per the response to CURB-4 (Attachment 2), for the residential and commercial classes.

(C) Line 2 / 2.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****INCENTIVE COMPENSATION EXPENSE - NON OFFICERS**

	Expense Amount	Kansas Allocation (%)	Kansas Allocation (\$)
	(A)	(B)	
1. Division 2	\$2,757,459	3.68%	\$101,474
2. Division 12	5,691	4.07%	232
3. Division 30	<u>279,613</u>	<u>54.38%</u>	<u>152,054</u>
4. Total Recommended Adjustment			\$253,760
5. Income Taxes @	39.58%		<u>100,444</u>
6. Operating Income Impact			<u>\$153,315</u>

Sources:

(A) Response to CURB-19.

(B) Based on allocations per Company Filing, WP 9-2, IS-1.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

INCENTIVE COMPENSATION EXPENSE - OFFICERS

1. Stock Awards		\$103,214	(A)
2. Non Equity Incentive Compensation		<u>41,178</u>	(A)
3. Total Recommended Adjustment		\$144,392	
4. Income Taxes @	39.58%	<u>57,154</u>	
5. Operating Income Impact		<u>\$87,238</u>	

Sources:

(A) Response to CURB-22.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****PAYROLL TAX EXPENSE**

1. Incentive Compensation - Non-Officers	\$253,760	(A)
2. Incentive Compensation - Officers	<u>144,392</u>	(B)
3. Total Adjustments	\$398,152	
4. Statutory Tax Rate	<u>7.65%</u>	(C)
5. Total Recommended Adjustment	\$30,459	
6. Income Taxes @	39.58%	
	<u>12,056</u>	
7. Operating Income	<u>\$18,402</u>	

Sources:

(A) Schedule ACC-13.

(B) Schedule ACC-14.

(C) Based on Statutory Tax Rate.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM EXPENSE**

1. Allocation to Division 30		\$305,696	(A)
2. Division 30 Direct Expense		<u>137,351</u>	(A)
3. Amount Allocated to Kansas		\$443,047	
4. Kansas Division 30 Allocation		<u>57.41%</u>	(B)
5. Pro Forma Expense Adjustment		\$254,354	
6. Income Taxes @	39.58%	<u>100,679</u>	
7. Operating Income Impact		<u>\$153,674</u>	

Sources:

(A) Response to CURB-23.

(B) Based on allocations per Company Filing, WP 9-2, IS-1.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****EMPLOYEE BENEFITS EXPENSE**

1. Shared Services Labor Increase	\$38,649	(A)
2. Shared Services Benefits to Labor	<u>30.38%</u>	(B)
3. Shared Services Benefits Adjustment	\$11,742	
4. Kansas and COKS Labor Increase	163,842	(A)
5. Kansas and COKS Benefits to labor	<u>33.25%</u>	(B)
6. Kansas and COKS Benefits Adjustment	<u>\$54,480</u>	
7. Total Benefits Expense Adjustment	\$66,222	
8. Company Claim	<u>69,955</u>	(C)
9. Total Recommended Adjustment	\$3,733	
10. Income Taxes @ 39.58%	<u>1,478</u>	
11. Operating Income Impact	<u>\$2,255</u>	

Sources:

(A) Company Filing, WP 9-3, IS-2.

(B) Based on three year average per the response to CURB-63.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****ADVERTISING EXPENSE**

1. Shared Services - General Office	\$121,249	(A)
2. Shared Services - GO Allocation	<u>3.83%</u>	(B)
3. Shared Services - GO Adjustment	\$4,648	
4. Shared Services - Customer Support	\$506	(A)
5. Shared Services - Customer Support All.	<u>4.19%</u>	(B)
6. Shared Services - Customer Support Adj.	\$21	
7. COKS General Office	\$60,106	(A)
8. COKS General Office Allocation	<u>54.38%</u>	(B)
9. COKS General Office Adjustment	\$32,686	
10. Direct Cost Adjustment	<u>\$43,817</u>	(A)
11. Total Recommended Adjustment	\$81,172	
12. Income Taxes @ 39.58%	<u>32,130</u>	
13. Operating Income Impact	<u>\$49,042</u>	

Sources:

(A) Response to CURB-43.

(B) Allocations per the Company's Filing, Section 12.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****MEMBERSHIP DUES EXPENSE**

1. Shared Services - General Office	\$202,972	(A)
2. Shared Services - GO Allocation	<u>3.83%</u>	(B)
3. Shared Services - GO Adjustment	\$7,782	
4. Shared Services - Customer Support	\$3,276	(A)
5. Shared Services - Customer Support All.	<u>4.19%</u>	(B)
6. Shared Services - Customer Support Adj.	\$137	
7. COKS General Office	\$19,857	(A)
8. COKS General Office Allocation	<u>54.38%</u>	(B)
9. COKS General Office Adjustment	\$10,798	
10. Direct Cost Adjustment	<u>\$41,491</u>	(A)
11. Total Dues/Membership Fees Allocation to Kansas	\$60,208	
12. Recommended Adjustment (%)	<u>15.00%</u>	
13. Recommended Adjustment (\$)	\$9,031	
14. Income Taxes @	39.58%	<u>3,575</u>
15. Operating Income Impact	<u>\$5,456</u>	

Sources:

(A) Response to CURB-44.

(B) Allocations per the Company's Filing, Section 12.

ATMOS ENERGY CORPORATION
TEST YEAR ENDED SEPTEMBER 30, 2009
REGULATORY COMMISSION EXPENSE

1. Recommended Adjustment		\$69,924	(A)
2. Income Taxes @	39.58%	<u>27,678</u>	
3. Operating Income Impact		<u>\$42,246</u>	

Sources:
(A) Response to Staff-116.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****MISCELLANEOUS EXPENSES**

1. Four Seasons Resort and Club		\$120,958	(A)
2. Allocation to Kansas (%)		<u>3.83%</u>	(B)
3. Allocation to Kansas (\$)		\$4,637	
4. Income Taxes @	39.58%	<u>1,836</u>	
5. Operating Income Impact		<u>\$2,802</u>	

Sources:

(A) Response to Staff-126.

(B) Allocation per Company Filing, Section 12.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

DEPRECIATION EXPENSE

1. Depreciation Adjustment		\$61,651	(A)
2. Income Taxes @	39.58%	<u>24,403</u>	
3. Operating Income Impact		<u>\$37,248</u>	

Sources:
(A) Response to CURB-62.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****INTEREST SYNCHRONIZATION**

1. Pro Forma Rate Base	\$142,159,880	(A)
2. Weighted Cost of Debt	<u>3.38%</u>	(B)
3. Pro Forma Interest Expense	\$4,800,863	
4. Company Claim	<u>5,030,153</u>	(C)
5. Adjustment to Interest Expense	(\$229,290)	
6. Income Taxes @ 39.58%	<u>(\$90,759)</u>	

Sources:

(A) Schedule ACC-9.

(B) Weighted costs of long-term debt and short-term debt, per Schedule ACC-2.

(C) Company Filing, Section 11B, IS-12.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

INCOME TAX FACTOR

1. Revenue	100.00%	
2. State Income Tax Rate	<u>7.05%</u>	(A)
3. Federal Taxable Income	92.95%	
4. Income Taxes @ 35%	<u>32.53%</u>	(A)
5. Operating Income	60.42%	
6. Total Tax Rate	<u>39.58%</u>	(B)

Sources:

(A) Rates per Company Filing, Section 11, Schedule B, Page 1.

(B) Line 2 + Line 4.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

REVENUE MULTIPLIER

1. Revenue	100.00%	
2. State Income Tax @ 7.05%	<u>7.05%</u>	(A)
3. Federal Taxable Income	92.95%	
4. Income Taxes @ 35%	<u>32.53%</u>	(A)
5. Operating Income	60.42%	
6. Revenue Multiplier	<u>1.65515</u>	(B)

Sources:

(A) Rates per Company Filing, Section 11, Schedule B, IS-12.

(B) Line 1 + Line 7.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2009

PRO FORMA INCOME STATEMENT

	Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues	\$44,960,305	\$93,371	\$45,053,676	\$1,930,581	\$46,984,258
2. Operating Expenses	17,758,513	(821,003)	16,937,510		16,937,510
3. Depreciation and Amortization	8,790,578	(61,651)	8,728,927	0	8,728,927
4. Taxes Other Than Income	5,905,468	(30,459)	5,875,009	0	5,875,009
5. Taxable Income					
Before Interest Expenses	\$12,505,746	\$1,006,484	\$13,512,230	\$1,930,581	\$15,442,811
6. Interest Expense	5,030,153	(229,290)	4,800,863		4,800,863
7. Taxable Income	\$7,475,593	\$1,235,773	\$8,711,366	\$1,930,581	\$10,641,948
8. Income Taxes @ 39.58%	2,961,649	489,150	3,450,799	764,172	4,214,971
9. Operating Income	\$9,544,097	\$517,334	\$10,061,431	\$1,166,409	\$11,227,840
10. Rate Base	\$144,583,173		\$142,159,880		\$142,159,880
11. Rate of Return	<u>6.60%</u>		<u>7.08%</u>		<u>7.90%</u>

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2009****REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS**

1. Rate of Return	(\$2,911,076)
Rate Base Adjustments:	
2. Gas in Storage	(316,783)
Operating Income Adjustments	
3. Pro Forma Revenue	(93,371)
4. Incentive Compensation Expense- Non Officers	(253,760)
5. Incentive Compensation Expense-Officers	(144,392)
6. Payroll Tax Expense	(30,459)
7. SERP Expense	(254,354)
8. Employee Benefits Expense	(3,733)
9. Advertising Expense	(81,172)
10. Membership Dues Expense	(9,031)
11. Regulatory Commission Expense	(69,924)
12. Miscellaneous Expenses	(4,637)
13. Depreciation Expense	(61,651)
14. Interest Synchronization	150,219
15. Total Recommended Adjustments	<u>(4,084,124)</u>
16. Company Claim	<u>6,014,705</u>
17. Recommended Revenue Requirement Deficiency	<u>\$1,930,581</u>