

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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

by
State Corporation Commission
of Kansas

KCC Docket No. 12-ATMG-564-RTS

DIRECT TESTIMONY OF

ANDREA C. CRANE

RE: REVENUE REQUIREMENTS

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

June 8, 2012

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Appendix A - List of Prior Testimonies

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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: 90 Grove Street, Suite 211, 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. I became President of the firm in 2008.

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 350 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, Washington, West Virginia and the District of Columbia.
4 These proceedings involved gas, electric, water, wastewater, telephone, solid waste, cable
5 television, and navigation utilities. A list of dockets in which I have filed testimony since
6 January 2008 is 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 26, 2012, 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 \$9.7 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 21.7% and an average monthly bill increase for commercial customers of
20 approximately 19.6%. The Company’s last base rate case was filed in January 2010, based
21 upon a test year ending September 30, 2009.

1 The Columbia Group, Inc. was engaged by the State of Kansas, Citizens' Utility
2 Ratepayer Board ("CURB") to review the Company's Application and to provide
3 recommendations to the KCC regarding the Company's revenue requirement claim. I am
4 also providing testimony on the Company's proposed Customer Rate Stabilization ("CRS")
5 Plan and on its proposal to transfer recovery of certain storage costs from base rates to the
6 Purchased Gas Adjustment ("PGA") clause. In addition to my testimony, CURB is
7 sponsoring the testimony of two other witnesses in this case. Dr. J. Randall Woolridge is
8 submitting testimony on cost of capital and capital structure issues and Brian Kalcic is
9 submitting testimony with regard to class cost of service and rate design issues.

10
11 **Q. What are the most significant issues in this rate proceeding?**

12 **A.** The most significant accounting issues driving Atmos's rate increase request are 1) the
13 Company's claim for a return on equity of 10.9%, 2) return requirements associated with
14 plant-in-service additions since the last base rate case, 3) the Company's request to include
15 costs associated with the Pflumm Line replacement project in rate base, 4) the Company's
16 request for revised depreciation rates, and 5) incremental salary and wage expenses.

17 In addition to its requested rate increase, Atmos is requesting that the KCC approve a
18 Customer Rate Stabilization ("CRS") plan that would result in a formula ratemaking plan
19 with annual rate increases. Atmos is also requesting that the KCC allow the Company to
20 transfer recovery of certain storage costs from base rates to its Purchased Gas Adjustment
21 ("PGA") clause mechanism.

1 **III. SUMMARY OF CONCLUSIONS**

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

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

- 6 1. The twelve-month period ending September 30, 2010 is an acceptable test year to use
7 in this case to evaluate the reasonableness of the Company's claim.
- 8 2. Atmos has test-year, pro forma rate base of \$148,113,289 as shown in Schedule
9 ACC-3.
- 10 3. The Company has pro forma operating income at present rates of \$9,173,125, as
11 shown in Schedule ACC-5.
- 12 4. Based on Dr. Woolridge's recommended capital structure and capital cost rates,
13 Atmos has an overall cost of capital of 7.40%, as shown in Schedule ACC-2.
- 14 5. Atmos has a test year, pro forma, revenue requirement deficiency of \$2,950,928, as
15 shown on Schedule ACC-1. This is in contrast to the Company's claimed deficiency
16 of \$9,705,116.
- 17 6. CURB's review of the Company's revenue requirement did not include an
18 assessment of the Company's proposed depreciation rates. However, CURB reserves
19 its right to adopt or oppose recommendations that may be made by other parties with
20 regard to proposed depreciation rates. Any reduction to the depreciation rates
21 contained in the Company's filing would result in a further decrease to CURB's

1 recommended rate increase.

2 7. The KCC should reject the Company’s proposal to implement the CRS, which would
3 result in annual rate increases and weaken regulatory oversight.

4 8. The Company should continue to recover the costs of its storage assets through base
5 rates.

6

7 **IV. COST OF CAPITAL AND CAPITAL STRUCTURE**

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

10 A. The Company’s filing was based on an overall cost of capital of 8.78%, which includes
11 the following capital structure and cost rates, as shown in Section 7 of its Application:

12

	Percentage	Cost	Weighted Cost
Common Equity	51.66%	10.90%	5.63%
Long-Term Debt	48.34%	6.52%	3.15%
Total	100.00%		8.78%

13

14 **Q. Is CURB recommending any adjustments to this capital structure or cost of capital?**

15 A. Yes, as discussed in the testimony of Dr. Woolridge, CURB is recommending that the KCC
16 adopt a capital structure that includes short-term debt. In addition, CURB is recommending
17 that the KCC authorize a return on equity of 8.5% for Atmos.

18

19 **Q. What is the overall cost of capital that CURB is recommending for Atmos?**

1 A. As shown on Schedule ACC-2, CURB is recommending an overall cost of capital for Atmos
2 of 7.40%, based on the following capital structure and cost rates:

3

	Percentage	Cost	Weighted Cost
Common Equity	50.35%	8.50%	4.28%
Long-Term Debt	47.11%	6.52%	3.07%
Short-Term Debt	2.54%	1.80%	0.05%
Total	100.00%		7.40%

4

5 Please see the testimony of Dr. Woolridge for a discussion of CURB's cost of capital and
6 capital structure recommendations.

7

8 **V. RATE BASE ISSUES**

9 **Q. What test year did the Company utilize to develop its rate base claim in this
10 proceeding?**

11 A. The Company selected the test year ending September 30, 2011.

12

13 **Q. Are you recommending any adjustment to the Company's rate base claim?**

14 A. Yes, I am recommending one adjustment. Specifically, I am recommending an adjustment to
15 the Company's claim for CWIP.

16

17 **Q. What is CWIP?**

18 A. CWIP is plant that is under construction but which has not yet been completed and placed
19 into service. Once the plant is completed and serving customers, then the plant is booked to

1 utility plant-in-service and the utility begins to take depreciation expense on the plant.

2
3 **Q. What CWIP did the Company include in its rate base claim in this case?**

4 A. The Company's rate base claim includes CWIP of \$18,782,485, as shown in Section 14A of
5 the filing.

6
7 **Q. How did Atmos develop its claim for CWIP in this case?**

8 A. Atmos began with reviewing its actual CWIP of \$6,821,140 at the end of the test year to
9 determine which projects were expected to be in-service by March 31, 2012. The Company
10 then added costs of \$8,393,421 budgeted for fiscal year 2012 related to the Pflumm Line
11 replacement project. In addition, the Company included Shared Services Unit ("SSU")
12 projects that were anticipated to be completed by March 31, 2012.

13
14 **Q. Do you believe that CWIP is an appropriate rate base element?**

15 A. No, I do not believe that CWIP is an appropriate rate base element. CWIP does not represent
16 facilities that are used or useful in the provision of utility service. In addition, including this
17 plant in rate base violates the regulatory principle of intergenerational equity by requiring
18 current ratepayers to pay a return on plant that is not providing them with utility service and
19 which may never provide current ratepayers with utility service. However, I understand that
20 the inclusion of CWIP in rate base is governed by statute.¹

¹ I am not an attorney and my discussion of the CWIP statute is not intended as a legal interpretation of that statute,

1 K.S.A. 66-128 provides for the KCC to determine the value of the property included
2 in rate base. The statute generally requires that “property of any public utility which has not
3 been completed and dedicated to commercial service shall not be deemed to be used and
4 required to be used in the public utility’s service to the public.”

5 However, the statute also provides that certain property “shall be deemed to be
6 completed and dedicated to commercial service” under certain circumstances. Specifically,
7 K.S.A. 66-128(b)(2) provides that,

8 Any public utility property described in subsection (b)(1) shall be deemed to
9 be completed and dedicated to commercial service if: (A) construction of the
10 property will be commenced and completed in one year or less; (B) the
11 property is an electric generation facility that converts wind, solar, biomass,
12 landfill gas or any other renewable source of energy; (C) the property is an
13 electric generation facility or addition to an electric generation facility, which
14 facility or addition to a facility is placed in service on or after January 1,
15 2001; or (D) the property is an electric transmission line, including all towers,
16 poles and other necessary appurtenances to such lines, which will be
17 connected to an electric generation facility.
18

19 **Q. Does the CWIP included by Atmos in its rate base claim meet the criteria outlined in**
20 **the statute?**

21 **A.** While I am not an attorney, I believe that much of the CWIP claimed by Atmos does not
22 meet the criteria outlined in the statute. The majority of the costs claimed by Atmos had not
23 been incurred by the end of the test year, and therefore these costs do not represent
24 “property” of the Company as of that date. Thus, the Company’s CWIP claim includes
25 significant costs that were not CWIP at the end of the test year. Its inclusion of these post-

but rather provides my understanding of the statute from a ratemaking perspective.

1 test year costs, which had not been incurred by September 30, 2012, is an attempt to move
2 the Company's test year out by an additional six months.

3 Atmos claims that it included the post-test year expenditures related to the Pflumm
4 Line project because it could not recover these costs through its Gas Safety and Reliability
5 Surcharge ("GSRS") rider. As discussed on page 10 of Mr. Armstrong's Testimony, Atmos
6 agreed to suspend the GSRS rider in the settlement agreement in its last base rate case. Thus,
7 the Company needed to file a base case in order to have these costs reflected in rates. The
8 Pflumm Line replacement project was completed in March 2012.

9
10 **Q. Should the full amount of the Pflumm line replacement project costs be included in the**
11 **Company's rate base claim in this case?**

12 A. No, I do not recommend that these costs be included in rate base unless such costs had been
13 incurred and booked to CWIP during the test year. Given that the Pflumm Line replacement
14 project has now been completed, this project clearly commenced and was completed within
15 the one year limit required pursuant to the CWIP statute. However, the statute applies the
16 one year limit to "property". With regard to expenditures made after the end of the test year,
17 there was no associated "property" in CWIP by September 30, 2011.

18 My recommendation in no way is meant to minimize the importance of the Pflumm
19 Line replacement project or to question the Company's actions with regard to replacement of
20 the line. However, the Company agreed to suspend the GSRS rider as a condition of its last
21 base rate case settlement. That settlement did not provide for deferral of costs that may arise

1. in the interim nor did the Company file a request with the KCC seeking deferred accounting
2. treatment of the Pflumm Line replacement project costs prior to undertaking the project.
3. Accordingly, at this time, there is no basis for including these costs in the Company's rate
4. base claim in this case. As part of the settlement in the last case, the Company assumed the
5. risk for capital expenditures that it would need to make prior to its next base rate case.
6. Moreover, the Company chose the timing of when to file the present case and it chose the test
7. year on which to base this filing. Atmos could have waited until after the Pflumm Line
8. replacement project was completed to file this base rate case. Alternatively, the Company
9. could have utilized a test year that included the majority of these costs in CWIP. It chose to
10. file this case prior to completion of the Pflumm Line project and prior to the majority of the
11. associated costs being incurred. Since the majority of these costs were not CWIP in the test
12. year, such costs should be excluded from rate base in this case.

13.
14. **Q. What level of CWIP do you recommend that the KCC include in the Company's rate**
15. **base?**

16. A. I am recommending that the KCC authorize the Company to include CWIP of \$6,821,140 in
17. rate base. This is the actual CWIP at September 30, 2011, the end of the test year. My
18. recommendation is shown in Schedule ACC-4.

19.
20. **Q. Do you have any other comments regarding the Company's CWIP claim?**

21. A. Yes, it should be noted that in response to KCC-194, the Company indicated that it had

1 double-counted \$2,699,459 of Pflumm Line replacement project costs in its rate base claim.
2 Thus, if the KCC rejects my recommendation, and permits the Company to include post-test
3 year CWIP in rates, then it should at least make an adjustment to reduce the Company's
4 claim by the \$2,699,459 identified in this response.

5
6 **Q. Based on your adjustment, what is the total rate base that you are proposing for**
7 **Atmos?**

8 A. As shown on Schedule ACC-3, I am proposing a rate base of \$148,113,289.

9
10 **VI. OPERATING INCOME ISSUES**

11 **A. Pro Forma Revenue**

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

13 A. Atmos began with its actual test year revenues. The Company then made an adjustment to
14 normalize revenues for normal weather, based on a thirty-year period as determined by the
15 National Oceanic and Atmospheric Administration ("NOAA"). The Company also made
16 several adjustments to commercial and large volume sales and transportation customer
17 accounts. These adjustments annualized sales for customers lost or added during the test
18 year and normalized revenues for customers that switched from one class of service to
19 another during the test year.

20
21 **Q. Are you recommending any adjustment to the Company's pro forma revenue claim?**

1 A. Yes, I am recommending one adjustment to the Company's revenue claim. The Company's
2 pro forma revenue claim is based on actual average residential customer counts during the
3 test year. Atmos did not make any adjustment to annualize its pro forma revenue to reflect
4 residential customer growth that occurred during the test year. I recommend that the KCC
5 adopt a revenue annualization adjustment for residential customers.
6

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

8 A. Annualization adjustments are frequently made to reflect the fact that customers typically
9 increase from year to year. This is especially true of residential customers. In its response to
10 CURB-7, the Company provided information regarding the number of customers, by
11 customer class, for each of the past three years. Residential customers increased modestly by
12 1.8% from fiscal year 2007 to fiscal year 2008. Residential growth slowed to 0.39% in fiscal
13 year 2009 and to 0.32% to fiscal year 2010. (We are currently awaiting data from fiscal year
14 2011.) However, even this modest increase is not fully reflected in the Company's pro forma
15 revenue claim, due to the fact that Atmos based its claim on average customers during the
16 test year.
17

18 **Q How did you quantify your adjustment?**

19 A. According to the response to CURB-7, residential customers grew by 0.32% between fiscal
20 year 2009 and fiscal year 2010, which I am using as a proxy for the test year pending receipt
21 of updated data from Atmos. On average, only ½ of this growth is reflected in the

1 Company's pro forma revenue claim. Therefore, at Schedule ACC-6, I have made an
2 adjustment to increase pro forma residential revenue by 0.16% (50% of 0.32%).
3

4 **B. Incentive Compensation Expense**

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

6 A. As described in the response to CURB-29, Atmos has four incentive compensation plans.
7 The Variable Pay Plan ("VPP") applies to employees "who are not participants in the
8 Company's Annual Incentive Plan for Management", including union employees if such
9 participation is negotiated. Performance goals for VPP awards under the plan are established
10 by the Management Committee of the Company or its designee. The VPP guidelines for
11 performance measures included in the plan description are primarily associated with financial
12 performance. These guidelines include:

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

25
26 The VPP is a cash award. The second plan, the Annual Incentive Plan for Management
27 ("AIP"), is available to management employees, including employees that are also directors
28 and officers. The guidelines for AIP awards are identical to those listed above with regard to

1 the Variable Pay Plan. Awards under the AIP can be paid in cash, a portion of which can be
2 converted into stock or restricted share units.

3 The third incentive compensation plan is the 1998 Long-Term Incentive Plan
4 (“LTIP”), as amended on February 9, 2007 and on August 3, 2011. This plan is available to
5 any employee, including employees that are also directors and officers, and non-employee
6 directors. The LTIP award consists of stock grants and stock options. The LTIP is
7 administered by the Human Resources Committee of the Board of Directors, which has broad
8 discretion with regard to awards. The LTIP guidelines provide that the “Committee’s
9 determinations under the Plan (including without limitation determinations of which
10 Employees or Non-Employee Directors, if any, are to receive Awards and the agreements
11 evidencing same) need not be uniform and may be made by it selectively among Employees
12 and Non-employee Directors who receive, or are eligible to receive, Awards under the Plan.”

13 Finally, Atmos has a Customer Contact Center (“CCC”) Incentive Program. This
14 plan is available for the Company’s Customer Service personnel that meet certain criteria as
15 specified in the plan.

16
17 **Q. How much did the Company include in its filing relating to incentive compensation**
18 **programs?**

19 A. As shown in the response to CURB-25, the Company’s filing includes the Kansas-
20 jurisdictional allocation of \$2,561,437 of costs for the Shared Services General Office
21 Division (Division 2), \$607,573 of costs from the Shared Service Customer Support Division

1 (Division 12), and \$253,864 for the Colorado/Kansas General Office (Division 30). No costs
2 were reported separately for direct Kansas operations.

3
4 **Q. How much of the Company's incentive compensation claim is allocated to officers and**
5 **directors?**

6 A. In addition to the costs for employees outlined above, Atmos also included non-equity
7 incentive compensation plan costs of \$1,188,117 and equity award costs of \$5,207,347 in its
8 filing for officers. Thus, the majority of all incentive compensation costs reflected in this
9 case relate to awards to officers. In addition, these officer costs do not include additional
10 compensation awarded to officers as reported in the Proxy Statement, such as changes in the
11 value of pensions and deferred compensation plans, dividends on restricted stock awards, and
12 supplemental employee retirement plan ("SERP") benefits.

13
14 **Q. What was the total compensation for the Named Executive Officers ("NEOs") as**
15 **specified in the most recent Proxy Statement?**

16 Q. According to the most recent Proxy Statement, total compensation for the NEOs ranged from
17 \$1,305,336 for Michael Haefner to \$4,742,635 for Kim Cocklin, President and Chief
18 Executive Officer. Base salaries ranged from \$304,988 for Mr. Haefner to \$750,000 for
19 Robert Best, Chairman of the Board. All of the NEOs also received substantial stock awards
20 and non-equity incentive compensation awards as well. Thus, it appears that even though
21 officers are well compensated through their base salaries, they also received generous

1 incentives during the test year.

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

5 A. Yes, it does. According to its Proxy Statement, Atmos engaged Towers Perrin to review its
6 compensation practices and generally targets its compensation to the 50th percentile of
7 similarly-sized companies in the natural gas industry. Unfortunately, such practices tend to
8 escalate increases in compensation, especially for highly-paid officers. These studies
9 compare the subject company's compensation to compensation in a broad range of other
10 firms. Since most companies do not want to find themselves in the lower half of the
11 benchmark group, companies that typically fall below the average raise their compensation—
12 and hence the average of the benchmark companies increases. This sets off a chain of events
13 that results in ever-increasing compensation levels. Thus, the KCC should be particularly
14 wary of any compensation plans that are justified by means of comparison to benchmark
15 studies.

16
17 **Q. Do you believe that the incentive compensation program costs claimed by Atmos**
18 **should be passed through to ratepayers?**

19 A. No, I do not. I have several concerns about these types of programs, many of which are
20 based, at least in part, on a utility's ability to achieve certain earnings goals. This appears to
21 be especially true for the Company's incentive compensation plans, with the exception of the

1 CCC Incentive Program. It should be noted that well over 50% of the overall cost of these
2 plans involve incentive compensation awards for a small group of officers. In addition to
3 these awards, the Company's revenue requirement claim also includes substantial base
4 salaries for officers. I am not recommending any disallowance relating to the test year cost
5 for officer and executive salaries. Thus, my revenue requirement recommendation already
6 reflects a generous allowance for officers and executives. If the Company wants to further
7 reward officers and executives it can do so, but these additional costs should be borne by
8 shareholders, not ratepayers. I also have concerns regarding incentive compensation costs for
9 other employees, as these awards are also closely tied to financial thresholds that do not
10 directly benefit ratepayers.

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

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

1 incentive for management to control these costs. This is especially true since the officers and
2 executives of the Company are primary beneficiaries of such plans. Therefore, I recommend
3 that the Company's claim for incentive compensation costs be denied. My adjustment
4 relating to non-officer incentives is shown in Schedule ACC-7. My incentive compensation
5 adjustment relating to officers is shown in Schedule ACC-8.

6
7 **Q. Why have you excluded costs related to the Customer Contact Center Incentive**
8 **Program from your adjustment?**

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

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Q. Should the KCC be especially concerned about incentive compensation costs at this time?

A. Yes, it should, especially since the majority of these costs are paid to a small group of officers. As noted earlier, the Company’s rate request would increase rates for the average residential customer by approximately 21.7%. Even under CURB’s proposed revenue requirement, there could still be a substantial rate increase. This increase is coming at a difficult time for ratepayers in Kansas. While the economy has improved somewhat over the past two years, there are still many people in Kansas who are facing high unemployment, home foreclosures, and loss of value on their personal investments. Therefore, the KCC should be especially vigilant in reviewing incentive compensation plans that result in total compensation awards of millions of dollars for the top five officers of Atmos. In a 1991 decision in a Jersey Central Power and Light Company case, the New Jersey Board of Public Utilities found,

We are persuaded by the arguments of Staff and Rate Counsel that, at this time, the incentive compensation or “bonus” expenses should not be recovered from ratepayers. The current economic condition has impacted ratepayers’ financial situation in numerous ways, and it is evident that many ratepayers, homeowners and businesses alike, are having difficulty paying their utility bills and otherwise remaining profitable. These circumstances, as well as the fact that the bonuses are significantly impacted by the Company achieving financial performance goals, render it inappropriate for the Company to request recovery of such bonuses in rates at this time. Especially in the current economic climate, ratepayers should not be paying additional costs to reward a select group of Company employees for performing the job they were arguably

1 hired to perform in the first place.²
2
3

4 It is indisputable that ratepayers are once again facing difficult economic conditions,
5 with increasing costs, widespread housing foreclosures, and a general economic downturn
6 that has still not completely rebounded. Thus, the New Jersey BPU's rationale for
7 disallowing these costs is just as relevant today in Kansas as it was in New Jersey almost
8 twenty years ago. Accordingly, I urge the KCC to adopt my adjustments shown in
9 Schedules ACC-7 and ACC-8, and to eliminate the majority of incentive compensation costs
10 from the Company's revenue requirement.
11

12 **C. Payroll Tax Expense**

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

14 A. Since I am recommending a reduction to the Company's payroll costs associated with
15 incentive compensation, it is necessary to make a corresponding adjustment to eliminate
16 certain payroll taxes. At Schedule ACC-9, I have made an adjustment to eliminate payroll
17 taxes associated with my recommended incentive compensation adjustments, using the
18 statutory payroll tax rate of 7.65%. I recognize that the tax treatment for some of the
19 incentive components may differ from the traditional tax treatment afforded salaries, wages,
20 and cash incentive payments. If so, I will revise my payroll tax expense adjustment, if
21 necessary, based on any additional tax information that might be provided by the Company

2 I/M/O the Petition of Jersey Central Power & Light Company for Approval of Increased Base Tariff Rates and

1 during the rebuttal phase of this case.

2
3 **D. Employee Benefits Expense**

4 **Q. How did the Company determine its employee benefits expense claim in this case?**

5 A. As shown in Workpaper 9-3 to the Company's filing, Atmos developed its pro forma
6 employee benefits expense adjustment by first determining the percentage of employee
7 benefit expenses to gross labor costs based on its 2012 budget. Employee benefit expenses
8 include medical, dental, pension and workers compensation costs. These costs were
9 determined to be 35.17% of Shared Services labor costs and 39.75% of Colorado/Kansas
10 business unit costs. These percentages were then applied to the Company's pro forma
11 payroll expense adjustments to determine the corresponding adjustments to employee benefit
12 expenses.

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

16 A. In this case, I am not recommending any adjustment to the Company's methodology.
17 However, since I have made adjustments to the Company's gross labor expenses, which
18 include incentive compensation costs, it is necessary to make a corresponding adjustment to
19 reduce the pro forma employee benefit cost adjustments. I have utilized the same ratios as
20 those reflected in the Company's filing and applied these ratios to the pro forma incentive

1 compensation adjustments shown in Schedule ACC-7 and Schedule ACC-8. My adjustment
2 to the Company's claim for employee benefit costs is shown in Schedule ACC-10.

3
4 **E. Deferred Pension and OPEB Expense**

5 **Q. Please explain the Company's adjustment relating to deferred pension and OPEB costs.**

6 A. As described on pages 17-18 of Mr. Christian's testimony, pursuant to the KCC's order in
7 Docket No. 10-ATMG-495-RTS, Atmos was required to defer the difference between its
8 actual annual pension and other post-employment benefit ("OPEB") expenses and the annual
9 amounts collected in rates relating to these expenses. That Order also required the Company
10 to amortize the resulting regulatory asset or liability over a period not to exceed five years.

11 In its filing, Atmos included adjustments based on estimated deferrals at September
12 30, 2012. Specifically, Atmos included a deferral of \$115,772 for its pension expenses and
13 of \$92,828 for its OBEP expenses, for a total of \$208,600. The Company proposed to
14 amortize this deferral over a three year period, resulting in an adjustment of \$69,534.

15
16 **Q. Are you recommending any adjustments to the Company's claim?**

17 A. Yes, I am recommending two adjustments. First, in response to KCC-163, the Company
18 stated that it had identified two errors in its original filing. As corrected for these errors, the
19 Company projects a deferred regulatory liability at September 30, 2012, of \$59,595 for its
20 pension expense and of \$123,434 for its OBEP expense, for a total of \$183,029. Amortizing

1 this regulatory liability over three years would result in an annual expense reduction of
2 \$61,009 instead of in an expense increase of \$69,534 as originally filed. So my first
3 adjustment simply adopts the updated monthly deferrals provided in the response to KCC-
4 163.

5 Second, I am recommending basing the regulatory liability on the actual liability at
6 September 30, 2011, instead of on the projected liability at September 30, 2012. Using a
7 projected liability would require a further true-up between the projections used to set rates in
8 this case and the actual pension and OBEP expenses, when known. In addition, the use of a
9 projected liability would effectively extend the test year by an additional twelve months.
10 Instead, the Company should continue to defer the difference between actual pension and
11 OPEB expenses and amounts collected in rates since the end of the test year for recovery in
12 its next base rate case.

13
14 **Q. What is the impact of your two adjustments?**

15 A. To quantify my adjustment, I utilized the actual deferrals as of September 30, 2011. I also
16 utilized a three-year amortization period, the same amortization period requested by the
17 Company in its application. I believe that a three-year period is appropriate in this case,
18 since the credit should be returned to ratepayers as quickly as possible in order to mitigate
19 intergenerational inequity. It should be noted, however, that a shorter or longer amortization
20 period may be appropriate in future cases, depending upon the size of the deferral and the
21 particular circumstances in each case. As shown in Schedule ACC-11, my adjustments will

1 result in an annual credit of \$59,286 instead of a charge of \$69,534 as originally proposed.

2
3 **Q. Do you have any additional comments about the Company's deferrals?**

4 A. Yes, I do. Although the Company has shown the amortization of the pension and OBEP
5 deferrals as one adjustment in this case, I recommend recording separate amortizations on the
6 Company's books and records of account. This will ensure that recoveries are recorded to
7 the correct expense account and that there is no subsidization between recovery of pension
8 costs and recovery of OPEB costs.

9
10 **F. Supplemental Executive Retirement Plan ("SERP") Expense**

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

12 A. These costs relate to two supplemental retirement plans that provide benefits for key
13 executives that are in addition to the normal retirement programs provided by the Company.
14 These programs generally exceed various limits imposed on retirement programs by the
15 Internal Revenue Service ("IRS") and therefore are referred to as "non-qualified" plans.
16 According to the Company's Proxy Statement,

17 Our named executive officers (as well as most of our other officers, division
18 presidents and employees designated by the Board) also participate in one of two
19 supplemental retirement plans, which provide retirement benefits (as well as
20 supplemental disability and death benefits). Each participant in these supplemental
21 plans who has been a participant for at least two years and has attained age 55 is
22 entitled to an annual supplemental pension in an amount that, when added to his or
23 her annual pension payable under the PAP, equals 60 percent of his compensation,
24 which will be generally equal to the sum of the amount of the participant's last
25 annual base salary and the amount of his or her last award under the Incentive Plan
26 (75 percent of compensation in the case of Mr. Best), subject to reductions for less

1 than ten years of employment with the Company and for retirement prior to age 62
2 (the "60% SERP"). In addition, should the Board appoint any officers to the
3 Company's Management Committee in the future, such officer will also participate in
4 the 60% SERP. However, all other officers who have been appointed by the Board
5 on or after August 5, 2009 instead participate in a supplemental account balance
6 retirement plan that provides retirement benefits to the participants.
7

8 The amount of current compensation covered by the supplement retirement plans for
9 fiscal 2011 ranged from approximately \$1.63 million for Mr. Best to \$477,750 for Mr.
10 Haefner, according to the most recent Proxy Statement. The net present value of the
11 accumulated SERP benefits for the five NEOs is approximately \$27.9 million, with an
12 average of 9.05 years of credited service.
13

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

15 A. As shown in the response to CURB-31, the Company included SERP costs from the Shared
16 Services Division of approximately \$9.1 million in its filing, approximately \$162,389 of
17 which were ultimately allocated to Kansas. In addition, the Colorado/Kansas division
18 directly incurred an additional \$100,041 of SERP costs. Approximately 57.41% of all costs
19 allocated or directly charged to the Colorado/Kansas division were allocated to Kansas.
20

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

22 A. No, I do not. As noted above, the officers of the Company are already well-compensated.
23 Moreover, employees that receive SERP benefits are also included in the normal retirement
24 plans of the Company, so ratepayers are already paying retirement costs for these employees.

1 CURB is not recommending any adjustment to the pension costs for these officers that is
2 included in the Company's qualified pension plans. Nor has CURB recommended any
3 reduction to the significant base salaries being awarded to these executives. However, if
4 Atmos wants to provide further, non-qualified retirement benefits to select officers, then
5 shareholders, not ratepayers, should fund these excess benefits. Therefore, I recommend that
6 the KCC disallow the Company's claim for SERP costs. My adjustment is shown in
7 Schedule ACC-12.

8
9 **G. Bad Debt Expense**

10 **Q. Are you recommending any adjustment to the Company's bad debt expense claim in**
11 **this case?**

12 **A.** Yes, I am. The Company's bad debt expense has fluctuated significantly over the past three
13 years, as shown in the response to CURB-51. The actual test-year expense was \$662,680
14 while the expenses in fiscal years 2009 and 2010 were (\$83,027) and \$135,305 respectively.
15 Total net write-offs have been somewhat more stable, ranging from \$197,228 in fiscal year
16 2009 to \$483,300 in fiscal year 2011.

17 Since bad debt expense and actual write-offs are impacted by the total magnitude of a
18 customer's bill, including gas costs, it is reasonable to examine these costs relative to the
19 Company's total level of retail gas revenues. Therefore, I am recommending that a three-
20 year average of net write-offs to total gas revenues be used to determine the Company's pro
21 forma bad debt expense ratio.

1

2 **Q. How did you calculate your adjustment?**

3 A. I first examined the percentage of total net write-offs to total retail gas revenues, as reported
4 in the response to KCC-72. The three-year average of net write-offs to total retail gas
5 revenues is 0.27%. I then applied this ratio to the Company's actual test year total gas
6 revenues in order to develop a claim for bad debt expense. My adjustment is shown in
7 Schedule ACC-13. The use of a multi-year average is common in cases where bad debt
8 expense fluctuates significantly from year to year, and should be adopted in this case by the
9 KCC.

10

11 **H. Rate Case Expense**

12 **Q. How did the Company determine its rate case expense claim in this case?**

13 A. The Company's claim is based on projected costs for the current case of \$330,000. In
14 addition, the Company included \$90,000 in unrecovered costs from prior cases, for a total
15 claim of \$420,000. Atmos proposes to amortize these costs over a two-year period, for an
16 annual amortization expense of \$210,000.

17

18 **Q. What are the components of the Company's claim of \$330,000 for costs associated with
19 the current case?**

20 A. As shown in the workpapers to the Company's filing (Workpaper 9-6), the Company's claim
21 consists of the following:

ROE Consulting Fees	\$50,000
Legal Fees	\$150,000
Depreciation Consulting Fees	\$60,000
Employee Expenses	\$40,000
Miscellaneous Expenses	\$30,000
Total	\$330,000

1
2
3
4
5
6 **Q. Are you recommending any adjustment to the Company's claim?**

7 A. I am not recommending any adjustment to the amount of rate case costs included in the
8 Company's claim. However, I am recommending that these costs be amortized over a three-
9 year period instead of over the two-year period proposed by Atmos. A review of the last
10 three cases indicates that there was an average of 39 months between the dates of the KCC
11 Orders in these cases. Moreover, if the current case is considered, there will be
12 approximately 34.6 months, on average, between the Orders in the last four base rate cases.
13 Thus, a three-year period is a better indicator of the frequency of rate cases than the two-year
14 period proposed by Atmos, especially since Atmos will be able to utilize the GSRS rider to
15 recover additional costs prior to its next base rate case. Should the Company file another
16 case sooner than three years, it would still be made whole for rate case costs as long as the
17 KCC permits the Company to include any unrecovered rate case costs in its new base rates.
18 Therefore, I believe that a three-year amortization period is reasonable. My adjustment is
19 shown in Schedule ACC-14.
20

1 **I. 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 KCC disallow a portion of these costs. In KCC-160, the
4 Company was asked to provide an explanation of the various kinds of activity costs that are
5 recorded in its Customer Relations and Assistance accounts and in Community Relations and
6 Trade Show accounts. A review of this response indicates that there are several categories of
7 advertising costs included in this claim that should not be borne by ratepayers. This would
8 include advertising related to community relations and trade shows, as well as costs related to
9 promotional advertising. I have eliminated the costs of such advertising from the Company's
10 claim, except for one expenditure related to the Gas Light Relight Program. I have not made
11 any adjustment to costs identified as Customer Relations and Assistance advertising or Safety
12 advertising.

13
14 **Q. What is the total amount of the advertising costs that you recommend the KCC**
15 **disallow?**

16 A. Based on the information provided in the response to KCC-160, and assuming the various
17 allocation factors used by Atmos to allocate various division costs to the Kansas jurisdiction,
18 I am recommending disallowance of \$92,500 of costs allocated or directly assigned to the
19 Kansas jurisdiction. My adjustment is shown in Schedule ACC-15.

1 **J. Membership Dues Expense**

2 **Q, Did the Company make an adjustment to eliminate certain lobbying costs incurred**
3 **during the test year?**

4 A. Yes, it did. As shown on Workpaper 9-4, IS-3, Atmos included an adjustment to remove a
5 portion of its test-year dues to the American Gas Association (“AGA”). Specifically, the
6 Company removed 23.81% of dues paid in 2010 and 25.28% of dues paid in 2011. These
7 were the percentages of dues identified by the AGA as related to “Advertising and Public
8 Affairs” for 2010 and 2011.

9
10 **Q. Do you believe that a further adjustment is warranted?**

11 A. Yes, I do. In response to KCC-62, Atmos identified various membership costs and dues that
12 are included in its claim. Many of these organizations are Chambers of Commerce which
13 typically engage in lobbying activities, the costs of which should not be charged to
14 ratepayers.

15
16 **Q. Are lobbying costs an appropriate expense to include in a regulated utility’s cost of**
17 **service?**

18 A. No, they are not. Lobbying expenses are not necessary for the provision of safe and adequate
19 utility service. Atmos recognized this fact by making an adjustment to the dues paid to the
20 AGA that relate to lobbying activities. Ratepayers have the ability to lobby on their own
21 through the legislative process. Moreover, lobbying activities have no functional relationship

1 to the provision of safe and adequate regulated utility service. If the Company were to
2 immediately cease contributing to these types of efforts, utility service would in no way be
3 disrupted. For all these reasons, I recommend that the KCC disallow costs associated with
4 lobbying activities.

5
6 **Q. How did you quantify your adjustment?**

7 A. I am recommending disallowance of 15% of the Company's Chamber of Commerce
8 membership dues identified in the response to KCC-62 on the basis that such costs constitute
9 lobbying activities or should not otherwise be charged to cost of service. I recognize that the
10 specific level of lobbying/public affairs/media activity varies from organization to
11 organization. However, based on my review of these organizations over the years in dozens
12 of utility rate proceedings, I believe that a 15% disallowance is a reasonable overall
13 recommendation. My adjustment is shown in Schedule ACC-16.

14
15 **K. Meals and Entertainment Expense**

16 **Q. Are you recommending any adjustment to the Company's meals and entertainment**
17 **expense claim?**

18 A. Yes, I am. The Company has included in its filing \$83,968 of meals and entertainment
19 expenses that are not deductible on the Company's income tax return. The IRS typically
20 limits recovery of meals and entertainment expenses to 50% on the basis that a portion of
21 these expenditures are not appropriate deductions for federal tax purposes. If these costs are

1 not deemed to be appropriate business expenses by the IRS, it seems reasonable to conclude
2 that they are not appropriate business expenses to include in a regulated utility's cost of
3 service. Accordingly, at Schedule ACC-17, I have made an adjustment to eliminate these
4 costs from the Company's revenue requirement. While there may be certain costs for meals
5 that should be borne by ratepayers, there are also likely to be costs included in this category
6 that should be entirely excluded from the Company's revenue requirement. Therefore, my
7 recommendation to use the 50% IRS criteria provides a reasonable balance between
8 shareholders and ratepayers and should be adopted by the KCC.

9
10 **L. Miscellaneous Expenses**

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

13 **A.** Yes, I am recommending several adjustments to miscellaneous expenses. First, in response
14 to KCC-150, Atmos identified several direct expenses that should not have been included in
15 its claim in this case. These included payments to the Kansas State University Foundation,
16 Holiday Inn, and Olathe Medical Center Charitable Foundation. In addition, in that response
17 it also identified a payment made by the Colorado/Kansas General Office that was miscoded.
18 I have eliminated these costs from the Company's claim.

19 I have also eliminated transportation costs identified in the response to KCC-175 that
20 the Company also indicated should have been booked below the line, including
21 transportation relating to the Super Bowl. Finally, there were several other expenditures

1 identified in the responses to KCC-62, KCC-150, KCC-153, and KCC-156, and that I do not
2 believe should be charged to regulated ratepayers. These include costs relating to lodging
3 and other expenditures associated with a service award dinner, Economic Development
4 Council costs, and Rotary Club dues. At Schedule ACC-18, I have made an adjustment to
5 eliminate these miscellaneous expenses from the Company's revenue requirement claim.
6

7 **M. Property Tax Expense**

8 **Q. Have you made any adjustment to the Company's claim for property tax expenses?**

9 A. Yes, I have made one adjustment. The Company included a pro forma adjustment to
10 increase property tax expense to reflect property taxes associated with its CWIP claim. To
11 calculate this adjustment, it applied a pro forma property tax rate of 2.29% to its pro forma
12 CWIP adjustment relating to Kansas-direct CWIP. Since I have made an adjustment to
13 reduce the Company's CWIP claim, it is necessary to make a corresponding adjustment to
14 reduce the Company's property tax expense to eliminate property taxes on the CWIP that I
15 recommend be disallowed. To quantify my adjustment, I accepted the property tax rate of
16 2.29% reflected in the Company's filing and applied it to my pro forma CWIP adjustment.
17 My property tax expense adjustment is shown in Schedule ACC-19.
18

19 **J. Interest Synchronization and Taxes**

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

21 A. Yes, I made this adjustment at Schedule ACC-20. It is consistent (synchronized) with

1 CURB's recommended rate base, capital structure, and cost of capital recommendations.
2 CURB is recommending a lower rate base and a higher debt ratio than the rate base and debt
3 ratio the Company included in its filing. CURB's recommendations result in lower pro
4 forma interest expense for the Company. This lower interest expense, which is an income
5 tax deduction for state and federal tax purposes, will result in an increase to the Company's
6 income tax liability under CURB's recommendations. Therefore, CURB's recommendations
7 result in an interest synchronization adjustment that reflects a higher income tax burden for
8 the Company, and a decrease to pro forma income at present rates.

9
10 **Q. What income tax factor have you used to quantify your adjustments?**

11 A. As shown on Schedule ACC-21, I have a composite income tax factor of 39.78%, which
12 includes a state income tax rate of 7.05% and a federal income tax rate of 35%. These are
13 the state and federal income tax rates contained in the Company's filing.

14
15 **Q. What revenue multiplier have you used in your revenue requirement?**

16 A. My recommendations result in a revenue multiplier of 1.65515, as shown on Schedule ACC-
17 22. This is the revenue multiplier reflected by the Company in Section 11-B, IS-12 of its
18 filing.

1 **VII. REVENUE REQUIREMENT SUMMARY**

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

3 A. My adjustments indicate a revenue requirement deficiency at present rates of \$2,950,928 as
4 summarized on Schedule ACC-1. This recommendation reflects revenue requirement
5 adjustments of \$6,754,188 to the revenue increase of \$9,705,116 requested by Atmos.

6
7 **Q. Have you developed a pro forma income statement?**

8 A. Yes, Schedule ACC-23 contains a pro forma income statement, showing utility operating
9 income under several scenarios, including the Company's claimed operating income at
10 present rates, my recommended operating income at present rates, and operating income
11 under my proposed rate increase. My recommendations will result in an overall return on
12 rate base of 7.40% as recommended by Dr. Woolridge.

13
14 **Q. Have you quantified the revenue requirement impact of each of your recommended
15 adjustments?**

16 A. Yes, at Schedule ACC-24, I have quantified the impact on the Company's revenue
17 requirement of CURB's rate of return, rate base, revenue and operating expense adjustments.

1 **VIII. CUSTOMER RATE STABILIZATION (“CRS”) TARIFF**

2 **Q. Please describe the CRS tariff being proposed by Atmos in this case.**

3 A. The Company is proposing that the KCC approve a ratemaking mechanism whereby future
4 rate changes could be implemented without the requirement for a full base rate case. As
5 described on page 8 of Mr. Smith’s testimony, the Company proposes to make a filing by
6 October 1, 2013, “to review past earnings and then current revenue requirements and adjust
7 rates as warranted.” The Company proposes to file financial schedules each year by October
8 1 that would be based on actual results for the twelve-month period ending the preceding
9 June 30, which would be referred to as the “Evaluation Period”.

10 The Company proposes that adjustments to the Evaluation Period would be “applied
11 and identified consistent with treatment in a full rate proceeding in Kansas. Adjustments to
12 rate base and operations and maintenance expenses would be applied for ratemaking
13 purposes, consistent with Commission precedent.” The CRS adjustment would utilize the
14 cost of equity approved in the Company’s last base rate case and the new rates would go into
15 effect January 1 of each year. The Company is not proposing that any testimony would be
16 filed other than an affidavit from the Vice President of Regulatory verifying the accuracy of
17 the data presented.

18
19 **Q. Does the Company’s proposed CRS also include a provision whereby the costs of
20 certain capital projects would be deferred?**

21 A. Yes, it does. As part of its CRS, Atmos proposes to defer “costs of eligible capital

1 investments” including “depreciation and interest calculated at the pre-tax cost of capital as
2 last approved by the Commission for the Company.”³

3
4 **Q. Do you believe that the proposed CRS Plan would benefit Kansas ratepayers?**

5 A. No, I do not. The Company’s proposal would effectively result in annual rate increases for
6 Kansas customers. Moreover, these higher rates would be implemented without the depth of
7 scrutiny and review provided in a base rate case. Instead, these increases would be
8 implemented by a formulaic approach that would limit the ability of the KCC and other
9 parties to challenge the Company’s underlying costs. Under the Company’s proposal, the
10 proposed increases become more or less automatic, weakening the ratepayer protections that
11 the Kansas legislature provided to ratepayers when it authorized the KCC to regulate utility
12 rates.

13 While the Company states that the October 1 filings would be made “consistent with
14 treatment in a full rate proceeding in Kansas” and consistent with “Commission precedent”,
15 clearly the parties may disagree about what treatment is afforded to certain operating and
16 capital costs in the Kansas jurisdiction. The very fact that interventions in rate base
17 proceedings are the norm demonstrates that that there is rarely unanimous agreement
18 regarding either KCC regulatory precedent or the appropriate ratemaking treatment that
19 should apply in certain circumstances. In addition, the parties would be required to review
20 these filings in an unacceptably short period of time. Given that the filings would be made

³ Testimony of Mr. Smith, pages 10-11.

1 October 1 and the rates implemented January 1, and given that a decision by the KCC would
2 need to be issued prior to the implementation of the proposed rates, the parties would have
3 significantly less than three months to evaluate the filing, undertake discovery, prepare
4 recommendations, and obtain a KCC Order. In fact, the proposed tariff provides Staff and
5 CURB with only 60 days in which to review the filed schedules and issue a recommendation
6 to the KCC. This schedule would effectively preclude the litigation of issues that were in
7 dispute, and would result largely in a rubber-stamping of the rates filed by Atmos, except for
8 relatively minor changes such as the correction of mathematical errors.

9 The Legislature authorized the establishment of CURB so that ratepayers would have
10 an effective advocate in the ratemaking process. By unreasonably limiting the review period,
11 the Company's proposed CRS effectively thwarts the intent of the Legislature. The fact that
12 most utilities are not authorized to recover the full amount of the rate increases that they
13 request demonstrates the effectiveness of the intervention process. Moreover, at least some
14 of the reductions proposed by interveners are the result of identifying errors made by the
15 utility, or identifying costs that the utility should not charge to ratepayers. Unfortunately, it
16 takes time and resources to identify such errors or other appropriate adjustments, time and
17 resources that would not exist under the Company's proposed procedural schedule.
18 Accordingly, the Company's CRS proposal is likely to result not only in more frequent rate
19 increases, but in higher increases as well.

20
21 **Q. Do you also have concerns about the regulatory asset proposed as part of the CRS?**

1 A. Yes, I do. The proposed tariff states that,

2 The Company shall establish a regulatory asset to record all costs incurred in connection with
3 the acquisition, installation operation (including related depreciation) for the following
4 natural gas utility plant projects:

- 5
- 6 1) Mains, valves service lines, regulator stations, vaults and other pipeline system
7 components installed to comply with state or federal safety requirements as
8 replacements for existing facilities; main relining projects, service line insertion
9 projects, joint encapsulation projects and other similar projects extending the useful
10 life or enhancing the integrity of pipeline system components undertaken to comply
11 with state or federal safety requirements; and
12
 - 13 2) facility relocations required due to construction or improvement of a highway, road,
14 street, public way or other public work by or on behalf of the United States, this state,
15 a political subdivision of this state or another entity having the power of eminent
16 domain provided that the costs related to such projects have not been reimbursed to
17 the natural gas utility.
18

19 The Company already has a GSRS rider that provides for the recovery of these types
20 of gas investments between base rate case proceedings. While the Company voluntarily
21 agreed to suspend its GSRS rider as part of the settlement in its last base rate case, it is not
22 proposing to continue that suspension prospectively. The proposed regulatory asset would
23 further expand the GSRS rider by guaranteeing recovery of costs that were not yet otherwise
24 reflected in the GSRS rider and by including operating expenses in the deferral. In addition,
25 the proposed regulatory asset would not be subject to certain safeguards that are present in
26 the GSRS statute, including the requirement that the Company have a base rate case at least
27 every five years as well as a limit on the amount of the annual increase of the surcharge.
28

29 **Q. Wouldn't the proposed CRS result in lower rate case costs for ratepayers?**

1 A. It may, however, this would be a small benefit compared with the detriment to ratepayers of
2 having annual rate increases. Moreover, those annual rate increases would occur without the
3 benefit of a full rate base review. Instead, the parties would have time to do little more than
4 undertake a cursory review of the Company's filing. In addition, the CRS could result in
5 unlimited annual adjustments, as there is no proposed limit to the magnitude of annual
6 adjustments under the CRS. The CRS as proposed also does not require a base rate case
7 within a certain period of time, meaning that it could be many years before a comprehensive
8 review of the Company's financial condition was undertaken. Finally, the regulatory asset
9 included in the CRS would significantly expand the GSRS rider. On balance, the CRS
10 would harm ratepayers, weaken regulatory oversight, and should be rejected.

11
12 **Q. Did the Company propose a reduction to its return on equity to reflect the reduction of**
13 **shareholder risk if the CRS is approved?**

14 A. No, it did not. Shareholder risk will be reduced if the Company's proposed CRS is adopted
15 yet Atmos has not proposed any adjustment to its return on equity. Therefore, if, in spite of
16 my recommendation, the KCC adopts the CRS, then it should make a corresponding
17 reduction to the Company's authorized return on equity. It is critical that the KCC recognize
18 that a multi-year, formulaic rate plan such as that proposed in the CRS will reduce
19 shareholder risk. The CRS will result in more frequent rate increases, deferral of additional
20 costs, and elimination of certain safeguards that currently exist in the GSRS rider. Any such
21 transfer of risk from shareholders to ratepayers must be accompanied by a commensurate

1 reduction in the authorized return on equity.

2
3 **IX. TRANSFER OF STORAGE ASSETS**

4 **Q. Please summarize the Company's proposal relating to Company-owned storage assets.**

5 A. As discussed on pages 18-21 of Mr. Christian's testimony, Atmos is proposing to transfer
6 recovery of certain costs associated with Company-owned storage assets from base rates to
7 the Purchased Gas Adjustment ("PGA") clause. As shown in Exhibit JTC-1, the Company is
8 proposing to include in the PGA 1) the return of \$186,379 on investment of \$2,121,893 in
9 storage-relates assets, calculated at an overall cost of capital of 8.78%, 2) operating expenses
10 of \$936,646, 3) depreciation of \$143,006, and 4) \$75,768 of related income taxes. As
11 discussed in the testimony of Mr. Armstrong at page 12, when Atmos acquired this storage it
12 was originally recovered through base rates. The Company later requested that these costs
13 be moved into the unregulated side of its business. The costs were subsequently moved back
14 into base rates at the Company's request. Mr. Armstrong states that "it didn't take us long to
15 discover there is volatility around costs associated with storage fields that make budgeted
16 expenses difficult to manage." Hence, the Company is now requesting recovery through the
17 PGA.

18
19 **Q. Are you opposed to the transfer of these costs from base rates to the PGA?**

20 A. Yes, I am opposed to transferring these costs for several reasons. As demonstrated by a
21 history of these costs, it appears that the Company has been "shopping" recovery of these

1 costs to obtain the best result for shareholders. According to the testimony of Mr.
2 Armstrong, these costs were originally recovered in base rates. Storage cost recovery was
3 subsequently transferred from base rates to the unregulated side of its business. It was then
4 deemed preferable to move recovery of these costs back into base rates. Now, Atmos wants
5 the best of both worlds, i.e., the ability to recover these costs from regulated ratepayers on a
6 guaranteed basis.

7
8 **Q. Why do you oppose the recovery of storage-related costs through the PGA?**

9 A. Costs recovered through the PGA are generally (a) outside of the Company's control and (b)
10 result in no profit for the utility. Neither of these factors apply to storage assets. Since the
11 Company owns these assets, they are clearly in the control of Atmos. While there may be
12 some volatility in costs from year to year, this volatility is no greater than the volatility in
13 other operating expenses, such as salaries and wages, benefit expenses, and maintenance
14 costs. Moreover, shareholders are provided with a cost of equity that exceeds a risk-free rate
15 because they are expected to assume risk related to cost volatility. Once again, the Company
16 is attempting to shift that risk without any commensurate reduction in its cost of equity.

17 Transferring these assets would also weaken the Company's incentive to control these
18 costs. One of the basic principles of utility ratemaking is that utilities have a strong incentive
19 to control costs that are recovered in base rates. This incentive is eliminated if storage costs
20 are transferred to the PGA, since recovery through the PGA is essentially guaranteed. While
21 there would be some review of these costs for prudence in the PGA proceedings, the fact is

1 that these proceedings are much less rigorous than a base rate case and that disallowances of
2 costs claimed in the PGA are rare.

3 In addition, to make the volatility of the PGA more acceptable to customers, utilities
4 often characterize the PGA as a simple pass-through mechanism that provides no profit
5 whatsoever to the utility. The Company's proposal would change that. Including capital
6 costs associated with storage assets in the PGA would result in the PGA providing a direct
7 profit to shareholders. Moreover, transferring recovery to the PGA not only provides a
8 mechanism to flow profits through to shareholders, but a mechanism whereby shareholders
9 would be guaranteed recovery of this profit. Transferring these costs would result in a
10 fundamental shift from the current situation whereby shareholders have the opportunity to
11 earn an authorized rate of return to a situation whereby shareholders were guaranteed this
12 return. Customers would then be at risk for the volatility of these costs but at the same time
13 would be required to provide a guaranteed profit on storage assets to shareholders. Yet, the
14 Company proposes to transfer this risk of recovery from shareholders to ratepayers without
15 any reduction in its authorized cost of equity. For all these reasons, the KCC should reject
16 the Company's request to transfer recovery of Company-owned storage costs from base rates
17 to the PGA.

18
19 **Q. Does this conclude your testimony?**

20 **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 31st day of May, 2012.

Notary Public Sandra P. Mosiello

SANDRA P. MOSIELLO
NOTARY PUBLIC
MY COMMISSION EXPIRES MAY 31, 2017

My Commission Expires: _____

APPENDIX A

List of Testimonies Filed Since January 2008

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Delmarva Power and Light Company	E	Delaware	11-258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Margin Requirements	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	WWW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
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-GIE	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

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
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
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

APPENDIX B

Supporting Schedules

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

REVENUE REQUIREMENT SUMMARY

	Company Claim (A)	Recommended Adjustment	Recommended Position	
1. Pro Forma Rate Base	\$160,074,634	(\$11,961,345)	\$148,113,289	(B)
2. Required Cost of Capital	8.78%	-1.39%	7.40%	(C)
3. Required Return	\$14,060,342	(\$3,104,340)	\$10,956,002	
4. Operating Income @ Present Rates	8,196,754	976,372	9,173,125	(D)
5. Operating Income Deficiency	\$5,863,588	(\$4,080,712)	\$1,782,877	
6. Revenue Multiplier	1.6551		1.6551	(E)
7. Revenue Requirement Increase	<u>\$9,705,116</u>	<u>(\$6,754,188)</u>	<u>\$2,950,928</u>	

Sources:

- (A) Derived from Company Filing, Section 3.
- (B) Schedule ACC-3.
- (C) Schedule ACC-2.
- (D) Schedule ACC-5.
- (E) Schedule ACC-22.

Schedule ACC-2

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

REQUIRED COST OF CAPITAL (\$000)

	Capital Structure	Cost Rate		Weighted Cost
	(A)			
1. Common Equity	50.35%	8.50%	(B)	4.28%
2. Long Term Debt	47.11%	6.52%	(A)	3.07%
3. Short Term Debt	2.54%	1.80%	(B)	0.05%
4. Total Cost of Capital	100.00%			<u>7.40%</u>

Sources:

(A) Exhibit JRW-1.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

RATE BASE SUMMARY

	Company Claim (A)	Recommended Adjustment		Recommended Position
1. Utility Plant in Service	\$268,500,779	\$0		\$268,500,779
Less:				
2. Accumulated Depreciation	<u>(99,827,232)</u>	0		<u>(99,827,232)</u>
3. Net Utility Plant	\$168,673,547	\$0		\$168,673,547
Plus:				
4. Construction Work In Progress	\$18,782,485	(\$11,961,345)	(B)	\$6,821,140
5. Prepayments	651,845	0		651,845
6. Gas in Storage	11,175,793	0		11,175,793
7. Cash Working Capital	0	0		0
Less:				
8. Customer Advances	(\$1,065,228)	\$0		(\$1,065,228)
9. Customer Deposits	(2,455,902)	0		(2,455,902)
10. Acc. Deferred Income Taxes	<u>(35,687,906)</u>	0		<u>(35,687,906)</u>
11. Total Rate Base	<u>\$160,074,634</u>	<u>(\$11,961,345)</u>		<u>\$148,113,289</u>

Sources:

(A) Company Filing, Section 3.

(B) Schedule ACC-4.

Schedule ACC-4

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

CONSTRUCTION WORK IN PROGRESS

1. CWIP at 9/30/11	\$6,821,140	(A)
2. Company Claim	<u>18,782,485</u>	(B)
3. Recommended Adjustment	<u>(\$11,961,345)</u>	

Sources:

(A) Company Filing, Workpaper 14-1, RB-1.

(B) Company Filing, Section 3.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

OPERATING INCOME SUMMARY

		Schedule No.
1. Company Claim	\$8,196,754	1
2. Recommended Adjustments:		
3. Pro Forma Revenue	34,214	6
4. Incentive Compensation Expense- Non Officers	146,278	7
5. Incentive Compensation Expense-Officers	78,260	8
6. Payroll Tax Expense	17,177	9
7. Employee Benefits Expense	64,828	10
8. Deferred Pension and OPEB Expense	77,830	11
9. SERP Expense	131,119	12
10. Bad Debt Expense	212,836	13
11. Regulatory Commission Expense	84,583	14
12. Advertising Expense	55,886	15
13. Membership Dues Expense	3,233	16
14. Meals and Entertainment Expense	50,731	17
15. Miscellaneous Expense	23,806	18
16. Property Tax Expense	165,492	19
17. Interest Synchronization	<u>(169,901)</u>	20
18. Operating Income	<u>\$9,173,125</u>	

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2011****PRO FORMA REVENUE**

	<u>Residential Revenue</u>	
1. Pro Forma Revenue Per Company	\$34,938,286	(A)
2. Test Year Growth Rate	0.32%	(B)
3. 50% of Test Year Growth Rate	<u>0.16%</u>	(C)
4. Pro Forma Revenue Adjustment	\$56,630	(D)
5. Income Taxes @	22,416	39.58%
6. Operating Income Impact	<u>\$34,214</u>	

Sources:

(A) Company Filing, Section 17.

(B) Reflects growth from fiscal year 2009 to fiscal year 2010,
per the response to CURB-7, for the residential class.

(C) Line 2 / 2.

(D) Line 1 X Line 3.

Schedule ACC-7

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

INCENTIVE COMPENSATION EXPENSE - NON OFFICERS

	Expense Amount	Kansas Allocation (%)	Kansas Allocation (\$)
	(A)	(A)	
1. Shared Services	\$2,561,437	3.68%	\$94,261
2. Kansas COKS	253,864	58.24%	147,850
3. Total Recommended Adjustment			\$242,111
4. Income Taxes @	39.58%		95,834
5. Operating Income Impact			<u>\$146,278</u>

Sources:

(A) Response to CURB-25.

Schedule ACC-8

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

INCENTIVE COMPENSATION EXPENSE - OFFICERS

1. Stock Awards	\$85,809	(A)
2. Non Equity Incentive Compensation	<u>43,723</u>	(B)
3. Total Recommended Adjustment	\$129,532	
4. Income Taxes @ 39.58%	<u>51,272</u>	
5. Operating Income Impact	<u>\$78,260</u>	

Sources:

(A) Response to CURB-28.

(B) Response to CURB-26.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

PAYROLL TAX EXPENSE

1. Incentive Compensation - Non-Officers		\$242,111	(A)
2. Incentive Compensation - Officers		<u>129,532</u>	(B)
3. Total Adjustments		\$371,643	
4. Statutory Tax Rate		<u>7.65%</u>	(C)
5. Total Recommended Adjustment		\$28,431	
6. Income Taxes @	39.58%	<u>11,254</u>	
7. Operating Income		<u>\$17,177</u>	

Sources:

(A) Schedule ACC-7.

(B) Schedule ACC-8.

(C) Based on Statutory Tax Rate.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

EMPLOYEE BENEFITS EXPENSE

1. Shared Services Labor Increase	\$137,984	(A)
2. Shared Services Benefits to Labor	<u>35.17%</u>	(B)
3. Shared Services Benefits Adjustment	\$48,529	
4. Kansas and COKS Labor Increase	147,850	(C)
5. Kansas and COKS Benefits to Labor	<u>39.75%</u>	(B)
6. Kansas and COKS Benefits Adjustment	<u>\$58,771</u>	
7. Total Benefits Expense Adjustment	\$107,299	
8. Income Taxes @ 39.58%	<u>42,472</u>	
9. Operating Income Impact	<u>\$64,828</u>	

Sources:

- (A) Schedules ACC-7 and ACC-8.
- (B) Company Filing, Workpaper 9-3, IS-2.
- (C) Schedule ACC-7.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

DEFERRED PENSION AND OPEB EXPENSE

1. Pension Deferral at 12/31/11	(95,611)	(A)
2. OBEP Deferral at 12/31/11	<u>(82,247)</u>	(A)
3. Total Deferral at 9/30/11	(177,858)	
4. Proposed Amortization Period	<u>3</u>	(A)
5. Annual Amortization	(59,286)	
6. Company Claim	<u>69,534</u>	(A)
7. Recommended Adjustment	\$128,820	
8. Income Taxes @ 39.58%	<u>50,990</u>	
9. Operating Income Impact	<u>\$77,830</u>	

Sources:

(A) Response to KCC-163.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2011****SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM EXPENSE**

1. Allocation to Shared Services	\$3,989,890	(A)
2. Allocation to Kansas	<u>4.07%</u>	(B)
3. Amount Allocated to Kansas	\$162,389	
4. Division 30 Direct Expense	\$100,041	(A)
5. Allocation to Kansas	<u>54.61%</u>	
6. Amount Allocated to Kansas	<u>54,632</u>	(B)
7. Pro Forma Expense Adjustment	\$217,021	
6. Income Taxes @ 39.58%	<u>85,902</u>	
7. Operating Income Impact	<u>\$131,119</u>	

Sources:

(A) Response to CURB-31.

(B) Based on allocations per Company Filing, Workpaper 9-3, IS-1.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2011****BAD DEBT EXPENSE**

1. Test Year Revenue	\$114,577,535	(A)
2. Three Year Average	<u>0.27%</u>	(B)
3. Pro Forma Interest Expense	\$310,404	
4. Company Claim	<u>662,680</u>	©
5. Recommended Adjustment	\$352,276	
6. Income Taxes @ 39.58%	139,439	
7. Operating Income Impact	<u>\$212,836</u>	

Sources:

(A) Schedule ACC-6.

(B) Three year average of net writeoffs to revenue per the response to KCC-72.

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

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2011****RATE CASE EXPENSE**

1. Company Claim-Total Expense	\$420,000	(A)
2. Recommended Amortization Period	<u>3</u>	(B)
3. Recommended Annual Expense	\$140,000	
4. Company Claimed Annual Expense	<u>210,000</u>	(A)
5. Recommended Adjustment	\$139,997	
6. Income Taxes @ 39.58%	<u>55,414</u>	
7. Operating Income Impact	<u>\$84,583</u>	

Sources:

(A) Company Filing, Workpaper 9-6.

(B) Recommendation of Ms. Crane.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2011****ADVERTISING EXPENSE**

1. Shared Services - General Office	\$89,128	(A)
2. Shared Services - GO Allocation	<u>4.07%</u>	(B)
3. Shared Services - GO Adjustment	\$3,628	
4. Shared Services - Customer Support	\$1,606	(A)
5. Shared Services - Customer Support All.	<u>4.17%</u>	(B)
6. Shared Services - Customer Support Adj.	\$67	
7. COKS General Office	\$38,993	(A)
8. COKS General Office Allocation	<u>54.61%</u>	(B)
9. COKS General Office Adjustment	\$21,294	
10. Direct Cost Adjustment	<u>67,511</u>	(A)
11. Total Recommended Adjustment	\$92,500	
12. Income Taxes @ 39.58%	<u>36,614</u>	
13. Operating Income Impact	<u>\$55,886</u>	

Sources:

(A) Response to KCC-160.

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

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2011****MEMBERSHIP DUES EXPENSES**

1. Total Dues/Membership Fees Allocation to Kansas	\$35,673	(A)
2. Recommended Adjustment (%)	<u>15.00%</u>	(B)
3. Recommended Adjustment (\$)	\$5,351	
4. Income Taxes @ 39.58%	<u>2,118</u>	
5. Operating Income Impact	<u>\$3,233</u>	

Sources:

(A) Response to KCC-62.

(B) Recommendation of Ms. Crane.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

MEALS AND ENTERTAINMENT EXPENSE

1. Shared Services - General Office	\$494,161	(A)
2. Shared Services - GO Allocation	<u>4.07%</u>	(B)
3. Shared Services - GO Adjustment	\$20,112	
4. Shared Services - Customer Support	\$157,270	(A)
5. Shared Services - Customer Support All.	<u>4.17%</u>	(B)
6. Shared Services - Customer Support Adj.	\$6,558	
7. COKS General Office	\$80,463	(A)
8. COKS General Office Allocation	<u>58.24%</u>	(B)
9. COKS General Office Adjustment	\$46,862	
10. Direct Cost Adjustment	<u>94,404</u>	(A)
11. Total Dues/Membership Fees Allocation to Kansas	\$167,936	
12. Recommended Adjustment (%)	<u>50.00%</u>	
13. Recommended Adjustment (\$)	\$83,968	
14. Income Taxes @ 39.58%	<u>33,237</u>	
15. Operating Income Impact	<u>\$50,731</u>	

Sources:

(A) Response to CURB-64.

(B) Allocations per the Company's Filing, Workpaper 9-2, IS-1.

ATMOS ENERGY CORPORATION**TEST YEAR ENDED SEPTEMBER 30, 2011****MISCELLANEOUS ADJUSTMENTS**

1. Shared Services - General Office	\$7,049	(A)
2. Shared Services - GO Allocation	<u>4.07%</u>	(B)
3. Shared Services - GO Adjustment	\$287	
4. Shared Services - Customer Support		
5. Shared Services - Customer Support All.	<u>4.17%</u>	
6. Shared Services - Customer Support Adj.	\$0	
7. COKS General Office	\$14,485	(C)
8. COKS General Office Allocation	<u>54.61%</u>	(B)
9. COKS General Office Adjustment	\$7,910	
10. Direct Cost Adjustment	<u>31,206</u>	(D)
11. Recommended Adjustment	\$39,403	
12. Income Taxes @ 39.58%	<u>15,597</u>	
13. Operating Income Impact	<u>\$23,806</u>	

Sources:

(A) Response to KCC-175.

(B) Allocations per the Company's Filing, Workpaper 9-2, IS-1.

(C) Response to KCC-150.

(D) Responses to KCC-62, 150, 153, 156, 175.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

PROPERTY TAX EXPENSE

1. Recommended CWIP Adjustment	\$11,961,345	(A)
2. Ad Valorem Tax Rate	<u>2.29%</u>	(B)
3. Recommended Adjustment (\$)	\$273,915	
4. Income Taxes @ 39.58%	<u>108,422</u>	
5. Operating Income Impact	<u>\$165,492</u>	

Sources:

(A) Schedule ACC-4.

(B) Company Filing, WP 11-4, IS-9.

Schedule ACC-20

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

INTEREST SYNCHRONIZATION

1. Pro Forma Rate Base	\$148,113,289	(A)
2. Weighted Cost of Debt	<u>3.12%</u>	(B)
3. Pro Forma Interest Expense	\$4,617,124	
4. Company Claim	<u>5,046,357</u>	(C)
5. Adjustment to Interest Expense	(\$429,233)	
6. Income Tax 39.58%	<u>(\$169,901)</u>	

Sources:

(A) Schedule ACC-3.

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

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

Schedule ACC-21

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

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.

Schedule ACC-22

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

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, 2011

PRO FORMA INCOME STATEMENT

	Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues	\$49,532,317	\$56,630	\$49,588,947	\$2,950,928	\$52,539,875
2. Operating Expenses	18,684,894	(1,538,278)	17,146,616		17,146,616
3. Depreciation and Amortization	13,347,372	0	13,347,372	0	13,347,372
4. Taxes Other Than Income	7,241,841	(302,346)	6,939,495	0	6,939,495
5. Taxable Income Before Interest Expenses	\$10,258,210	\$1,897,254	\$12,155,464	\$2,950,928	\$15,106,391
6. Interest Expense	5,046,357	(429,233)	4,617,124		4,617,124
7. Taxable Income	\$5,211,853	\$2,326,487	\$7,538,340	\$2,950,928	\$10,489,268
8. Income Taxes @ 39.58%	2,061,456	920,882	2,982,338	1,168,051	4,150,389
9. Operating Income	\$8,196,754	\$976,372	\$9,173,125	\$1,782,877	\$10,956,002
10. Rate Base	\$160,074,634		\$148,113,289		\$148,113,289
11. Rate of Return	<u>5.12%</u>		<u>6.19%</u>		<u>7.40%</u>

ATMOS ENERGY CORPORATION

TEST YEAR ENDED SEPTEMBER 30, 2011

REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS

1. Rate of Return	(\$3,673,694)
Rate Base Adjustments:	
2. Gas in Storage	(1,464,453)
Operating Income Adjustments	
3. Pro Forma Revenue	(56,630)
4. Incentive Compensation Expense- Non Officers	(242,111)
5. Incentive Compensation Expense-Officers	(129,532)
6. Payroll Tax Expense	(28,431)
7. Employee Benefits Expense	(107,299)
8. Deferred Pension and OPEB Expense	(128,820)
9. SERP Expense	(217,021)
10. Bad Debt Expense	(352,276)
11. Rate Case Expense	(139,997)
12. Advertising Expense	(92,500)
13. Membership Dues Expense	(5,351)
14. Meals and Entertainment Expense	(83,968)
15. Miscellaneous Expense	(39,403)
16. Property Tax Expense	(273,915)
17. Interest Synchronization	<u>281,212</u>
18. Total Recommended Adjustments	(\$6,754,188)
19. Company Claim	<u>9,705,116</u>
20. Recommended Revenue Requirement Deficienc	<u>\$2,950,928</u>

APPENDIX C

Referenced Data Requests

CURB-7 (Partial)

CURB-25

CURB-26

CURB-28

CURB-29

CURB-31

CURB-51

CURB-64

KCC-62

KCC-72

KCC-150 (Partial)

KCC-153 (Partial)

KCC-156 (Partial)

KCC-160

KCC-163 (Partial)

KCC-175

KCC-194

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-07
Page 7 of 84

REQUEST:

Please provide, by customer class, a) the number of customers (average or year end) in each of the past ten years, b) the actual gas sales (in volumes), and c) consumption per customer.

RESPONSE:

Please see Attachment 1 for the Company's response to CURB DR No. 1-07 in Docket No. 08-ATMG-280-RTS, for data through March 2007. Please see Attachment 2 for the Company's response to CURB DR No. 1-03 in Docket No. 10-ATMG-495-RTS, for data from April 2007 to September 2009. Please see Attachment 3 for data from October 2009 to September 2010.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-07_Att1 - Customer Class and Gas Sales 08-ATMG-280-RTS.xlsx, 62 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, CURB_1-07_Att2 - Customer Class and Gas Sales 10-ATMG-495-RTS.xlsx, 1 Page.

ATTACHMENT 3 - Atmos Energy Corporation, CURB_1-07_Att3 - Customer Class and Gas Sales FY2010.xlsx, 1 Page.

Atmos Energy Corporation, West Texas Division
Customer Class and Gas Sales from 10-ATMG-495-RTS

Gas Sales	FY 2007	FY 2008	FY 2009
RESIDENTIAL GAS CUSTOMERS	9,587,345	10,583,481	10,053,412
COMMERCIAL GAS CUSTOMERS	3,009,381	3,193,389	3,056,925
INDUSTRIAL GAS CUSTOMERS	283,018	179,835	174,293
PUBLIC AUTHORITY GAS CUSTOMERS	318,725	316,596	310,629
IRRIGATION GAS CUSTOMERS	611,152	889,289	660,064

Customer Count	FY 2007	FY 2008	FY 2009
RESIDENTIAL GAS CUSTOMERS	1,395,463	1,402,703	1,408,203
COMMERCIAL GAS CUSTOMERS	110,480	110,394	111,379
INDUSTRIAL GAS CUSTOMERS	989	958	1,005
PUBLIC AUTHORITY GAS CUSTOMERS	6,999	6,982	6,966
IRRIGATION GAS CUSTOMERS	3,597	3,634	3,453

Atmos Energy Corporation, West Texas Division
Customer Class and Gas Sales FY 2010

Gas Sales	FY 2010
RESIDENTIAL GAS CUSTOMERS	10,560,139
COMMERCIAL GAS CUSTOMERS	3,209,344
INDUSTRIAL GAS CUSTOMERS	130,784
PUBLIC AUTHORITY GAS CUSTOMERS	313,998
IRRIGATION GAS CUSTOMERS	602,679

Customer Count	FY 2010
RESIDENTIAL GAS CUSTOMERS	1,412,768
COMMERCIAL GAS CUSTOMERS	112,600
INDUSTRIAL GAS CUSTOMERS	1,032
PUBLIC AUTHORITY GAS CUSTOMERS	6,805
IRRIGATION GAS CUSTOMERS	3,269

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-25
Page 25 of 84

REQUEST:

Please provide a description of all incentive compensation programs provided to employees. For each program, please provide a) a description of the program, b) the performance criteria factors used to determine awards, c) the amount included in the Company's claim, and d) the actual amount incurred in each of the past five years.

RESPONSE:

- a) The Variable Pay Plan (VPP) is a broad based incentive compensation plan in which virtually all employees of the Company participate, with the exception of those included in the Management Incentive Plan (MIP). The MIP is an extension of the VPP and is limited to a select group of management employees who are responsible for directing and overseeing the day-to-day operations of the Company. The Long Term Incentive Plan (LTIP) is an equity-based incentive program which focuses upon the long-term strength and financial viability of the Company. Since 2003, the LTIP has provided long-term incentives to its management team in two forms: (1) time-lapse restricted shares; and (2) performance-based restricted share units. The Customer Contact Center Incentive Program encourages employees to provide superior customer service while efficiently handling customer calls. Please see the Company's response to CURB DR No. 1-29 for copies of the incentive compensation programs.
- b) The criteria to receive an award is that the employee's overall performance must meet expectations to receive an award. Atmos Energy introduced a new performance management program for FY 2007 where employees and their immediate supervisor establish individual performance goals based on department goals, area or division goals and corporate goals. If the employee's overall performance meets expectations then the amount paid is determined by Corporate Earnings Per Share. Employees who are evaluated as not meeting expectations are not eligible to receive incentive compensation. Also, please see more specific criteria in the plans provided in the Company's response to CURB DR No. 1-29.
- c) Please see Attachment 1.
- d) Please see Attachment 2.

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-25
Page 26 of 84

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-25_Att1 - Non-Officer Incentive Compensation.xlsx, 1 Page.

ATTACHMENT 2 - Atmos Energy Corporation, CURB_1-25_Att2 - Non-Officer Incentive Compensation FY07-FY11.xlsx, 1 Page.

Atmos Energy Corporation, SSU and KS
(Non-Officer) Incentive Compensation

Division	Gross Incentive Comp	Allocation Factor	Amount of Expense Included in Filing
Div 02	2,561,437	3.68%	94,261
Div 012	607,573	4.07%	24,728
Div 030	253,864	58.24%	147,850
Total			266,839

Atmos Energy Corporation, SSU and KS
 (Non-Officer) Incentive Compensation
 For Fiscal Years 2007, 2008, 2009, 2010 and 2011

		FY2007	FY2008	FY2009	FY2010	FY2011
Div 02	Gross Expense (Non-Officer)	4,048,129	4,160,115	3,766,481	4,238,348	3,847,567
	Amount Capitalized (Non-Officer)	607,219	759,230	1,009,022	1,392,677	1,286,273
	Net Expense (Non-Officer)	3,440,910	3,400,884	2,757,459	2,845,671	2,561,294
	CSC Incentive - Gross Expense	2,236	2,039	1,749	-	143

Div 012	Gross Expense	-	6,587	8,920	6,020	6,475
	Amount Capitalized	-	191	3,229	2,197	2,445
	Net Expense	-	6,396	5,691	3,823	4,030
	CSC Incentive	482,493	602,373	573,995	344,392	603,543

Div 030	Gross Expense	593,096	770,179	507,876	630,707	511,653
	Amount Capitalized	293,203	322,287	228,263	284,922	257,789
	Net Expense	299,893	447,892	279,613	345,785	253,864

Div 081	Gross Expense	-	-	-	-	-
	Amount Capitalized	20	-	-	-	-
	Net Expense	(20)	-	-	-	-

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-26
Page 27 of 84

REQUEST:

Please provide a description of all incentive compensation programs provided to officers. For each program, please provide a) a description of the program, b) the performance criteria factors used to determine awards, c) the amount included in the Company's claim, and d) the actual amount incurred in each of the past five years.

RESPONSE:

- a) Please see the Company's response to CURB DR No. 1-25 for descriptions of the incentive compensation programs and the Company's response to CURB DR No. 1-29 for copies of the incentive compensation programs.
- b) Please see the Company's responses to CURB DR No. 1-25 and CURB DR No. 1-29.
- c) Please see Attachment 1.
- d) Please see Attachment 2.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-26_Att1 - Officer Compensation.xlsx, 1 Page.

ATTACHMENT 2 - Atmos Energy Corporation, CURB_1-26_Att2 - Officer Compensation FY07-FY11.xlsx, 1 Page.

Atmos Energy Corporation, SSU and KS
Officer Incentive Compensation

Division	Gross Incentive Comp	Allocation Factor	Amount of Expense Included in Filing
Div 02	1,188,117	3.68%	43,723
Div 012	-	4.07%	-
Div 030	-	58.24%	-
Total			43,723

Atmos Energy Corp., SSU and KS
 (Officer) Incentive Compensation
 For Fiscal Years 2007, 2008, 2009, 2010 and 2011

		FY2007	FY2008	FY2009	FY2010	FY2011
Div 02	Gross Expense (Officer)	1,317,700	1,576,200	1,314,400	1,637,225	1,783,960
	Amount Capitalized (Officer)	363,685	435,031	350,787	538,786	595,843
	Net Expense (Officer)	954,015	1,141,169	963,613	1,098,439	1,188,117
Div 012	Gross Expense	-	-	-	-	-
	Amount Capitalized	-	-	-	-	-
	Net Expense	-	-	-	-	-
Div 030	Gross Expense	-	-	-	-	-
	Amount Capitalized	-	-	-	-	-
	Net Expense	-	-	-	-	-
Div 081	Gross Expense	-	-	-	-	-
	Amount Capitalized	-	-	-	-	-
	Net Expense	-	-	-	-	-

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-28
Page 29 of 84

REQUEST:

Identify and quantify all officer compensation by component, including incentive awards and bonuses, paid in each of the past three years and indicate the portion of each component that is included in the Company's proposed revenue requirement.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-28_Att1 - Officer Compensation.xlsx, 2 Pages.

Atmos Energy Corporation, SSU
Officer Compensation by Component
For Fiscal Years 2009 thru 2011

Summary Compensation for Fiscal Year 2011(a)					Stock Award Net Expense Allocations from SSU to KS									
Officer	Year	Salary (\$)	Stock Award (\$)(b)	Non-equity Incentive Plan Compensation (\$)(c)	Cost Center	Cost Center Name	Stock Award (\$)(b)	Capitalization Rate	SSU Amount Capitalized	SSU Net Expense	Expense			
											Allocated from SSU to KS Division 080 3.77%	Div 080 Allocation to '081 90.45%	Div 080 Allocation to '079 4.44%	Div 080 Allocation to '086 5.11%
Robert W. Best Executive Chairman of the Board	2011	750,000	1,780,760	600,000	1001	SS Dallas Executive Chairman	1,780,760	56.6%	1,007,501	773,259	29,152	26,368	1,294	1,490
	2010	875,372	1,577,951	706,152										
	2009	848,844	1,655,960	657,000										
Kim R Cocklin President and Chief Executive Officer	2011	743,330	1,783,052	594,664	1201	SS Dallas President & CEO	1,783,052	58.5%	1,042,987	740,065	27,900	25,238	1,239	1,426
	2010	552,692	916,414	382,253										
	2009	537,328	2,258,079	337,000										
Fred E Meisenheimer Senior Vice President and Chief Financial Officer	2011	398,830	682,581	239,298	1101	SS Dallas Chief Financial Officer	682,581	58.5%	399,272	283,309	10,681	9,661	474	546
	2010	373,250	590,861	229,500										
	2009	309,522	558,812	184,500										
Louis P Gregory Senior Vice President and General Counsel	2011	331,372	484,868	182,255	1501	SS Dallas Legal	484,868	41.9%	203,012	281,858	10,828	9,611	472	543
	2010	321,757	410,744	178,445										
	2009	312,006	363,411	135,900										
Mike E. Haefner Senior Vice President, Human Resources	2011	304,988	476,086	167,743	1403	SS Dallas Human Resources - Vice Pres	476,086	58.5%	278,484	197,602	7,450	8,738	331	381
	2010	288,788	403,048	160,875										
	2009													
2011 Total							<u>5,207,347</u>		<u>2,931,257</u>	<u>2,276,090</u>	<u>85,809</u>	<u>77,614</u>	<u>3,810</u>	<u>4,385</u>

(a) No bonuses, as defined by applicable SEC rules and regulations, were paid or options awarded to any named executive officers in fiscal years 2011, 2010 or 2009.

(b) In accordance with applicable SEC rules, the valuation of stock awards in this table is based upon the grant date fair value of time-lapse restricted stock and time-lapse RSU's granted during fiscal 2009-2011 along with performance-based RSU's granted during fiscal 2009-2011 and excludes any estimate of forfeitures related to service vesting conditions. Note that due to a change in applicable SEC rules, the valuation of stock awards is no longer based on the compensation cost of awards recognized for financial statement purposes but instead are valued at the grant date fair value calculated in accordance with FASB ASC Topic 718. As a result, the amounts shown for fiscal 2009 have been changed to comply with the requirements of the new rules. The valuation also includes the fair value of the time-lapse RSU's converted from the portion of incentive compensation elected to be converted by the named executive officers in the prior fiscal year. In our financial statements, we use an estimated forfeiture rate of two percent (2%) of each grant (other than special one-time grants). The fair value of time-lapse-restricted stock, time-lapse RSU's and performance-based RSU's was determined based on the mean of the highest and lowest prices of our common stock on the grant date as reported on the NYSE Consolidated Tape, plus the value of the dividend equivalents for performance-based RSU's.

(c) The amounts reflect the payments attributable to performance achieved at the level of 100 percent of target EPS in fiscal 2011 under our Incentive Plan. For a discussion of the performance criteria established by our HR Committee for awards in fiscal 2011 under our Incentive Plan, see "Elements of Executive Compensation," beginning on page 29. Awards under the Incentive Plan are paid in cash and are based on the participant's annual salary as of the grant date of the award. However, participants may elect prior to the beginning of each fiscal year to convert all or a portion of their awards either to bonus stock, with a premium equal to 10 percent of the total amount converted, or to time-lapse RSU's, with a premium equal to 50 percent of the amount converted, with such units being awarded under our LTIP. The amounts shown above do not include incentive compensation that was converted through an election by participating named executive officers prior to the beginning of fiscal 2011 to time-lapse RSU's, as shown in the table below. Such Incentive Plan payments include a premium of 50 percent of the value associated with the conversion in November 2011 to shares of time-lapse RSU's, which will be reflected in the Grants of Plan-Based Awards table for fiscal 2012. These units vest three years following the date of grant.

Atmos Energy Corporation, SSU
Officer Compensation by Component
For Fiscal Years 2009 thru 2011

Summary Compensation for Fiscal Year 2011(a)

Officer	Year	Salary (\$)	Stock Award (\$)(b)	Non-equity Incentive Plan Compensation (\$)(c)
Robert W. Best Executive Chairman of the Board	2011	750,000	1,780,760	800,000
	2010	875,372	1,577,951	706,152
	2009	848,844	1,655,960	657,000
Kim R Cocklin President and Chief Executive Officer	2011	743,330	1,783,052	594,664
	2010	552,692	916,414	362,253
	2009	537,328	2,258,079	337,000
Fred E Meisenheimer Senior Vice President and Chief Financial Officer	2011	398,830	682,581	239,298
	2010	373,250	590,861	229,500
	2009	309,522	558,812	184,500
Louis P Gregory Senior Vice President and General Counsel	2011	331,372	484,886	182,255
	2010	321,757	410,744	178,445
	2009	312,006	363,411	135,900
Mike E. Haefner Senior Vice President, Human Resources	2011	304,988	478,086	187,743
	2010	288,786	403,048	160,875
	2009			

Non-Equity Incentive Compensation Net Expense Allocations from SSU to KS

Cost Center	Cost Center Name	Non-equity Incentive Plan Compensation (\$)(c)	Capitalization Rate	SSU Amount Capitalized	SSU Net Expense	Expense Allocated from SSU to Division 080 3.77%	Div 080 Allocation to '081 90.45%	Div 080 Allocation to '079 4.44%	Div 080 Allocation to '086 5.11%
1904	SS Dallas Performance Plan	600,000	33.4%	200,400	399,600	15,065	13,628	669	770
1904	SS Dallas Performance Plan	594,664	33.4%	198,818	396,046	14,931	13,505	663	763
1904	SS Dallas Performance Plan	239,298	33.4%	79,926	159,372	6,008	5,435	267	307
1904	SS Dallas Performance Plan	182,255	26.7%	48,662	133,593	5,036	4,555	224	257
1904	SS Dallas Performance Plan	167,743	26.7%	44,787	122,956	4,635	4,193	206	237
2009 Total		1,783,960		572,393	1,211,567	45,676	41,314	2,028	2,334

(a) No bonuses, as defined by applicable SEC rules and regulations, were paid or opti

(b) In accordance with applicable SEC rules, the valuation of stock awards in this tabl along with performance-based RSU's granted during fiscal 2009-2011 and excludes a SEC rules, the valuation of stock awards is no longer based on the compensation cost fair value calculated in accordance with FASB ASC Topic 718. As a result, the amou also includes the fair value of the time-lapse RSU's converted from the portion of inc statements, we use an estimated forfeiture rate of two percent (2%) of each grant (oth and performance-based RSU's was determined based on the mean of the highest and l of the dividend equivalents for performance-based RSU's.

(c) The amounts reflect the payments attributable to performance achieved at the level criteria established by our HR Committee for awards in fiscal 2011 under our Incentiv are paid in cash and are based on the participant's annual salary as of the grant date of or a portion of their awards either to bonus stock, with a premium equal to 10 percent converted, with such units being awarded under our LTIP. The amounts shown above executive officers prior to the beginning of fiscal 2011 to time-lapse RSU's, as shown with the conversion in November 2011 to shares of time-lapse RSU's, which will be r

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-29
Page 30 of 84

REQUEST:

Provide a copy of each incentive plan in effect.

RESPONSE:

Please see Attachment 1 through Attachment 4 for copies of the incentive compensation plans.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-29_Att1 - Variable Pay Plan Dated 08-08-07.pdf , 6 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, CURB_1-29_Att2 - Annual Incentive Plan for Managers Dated 02-10-11.pdf, 10 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, CURB_1-29_Att3 - Long-Term Incentive Plan Dated 02-10-11.pdf, 24 Pages.

ATTACHMENT 4 - Atmos Energy Corporation, CURB_1-29_Att4 - Customer Contact Center Incentive Program.pdf, 2 Pages.

ATMOS ENERGY CORPORATION
VARIABLE PAY PLAN FOR EMPLOYEES
(as amended and restated August 8, 2007)

ARTICLE 1

PURPOSE

The Plan is intended to provide the Company a means by which it can engender and sustain a sense of personal commitment on the part of its Employees in the continued growth, development, and financial success of the Company. It is intended to encourage them to remain with and devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. Accordingly, the Company may award to Employees incentive compensation on the terms and conditions established herein.

ARTICLE 2

DEFINITIONS

For the purposes of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "Award" means the compensation payable under this Plan, in cash to a Participant by the Committee pursuant to such terms, conditions, restrictions, and limitations established by the Committee and Plan.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Code" means the Internal Revenue Code of 1986, as amended, together with the published rulings, regulations, and interpretations duly promulgated thereunder.

2.4 "Committee" means the Management Committee of the Company or other committee appointed or designated by the Board to administer the Plan in accordance with Article 3 of this Plan.

2.5 "Company" means Atmos Energy Corporation, a Texas and Virginia corporation, and any successor entity.

2.6 "Eligible Earnings" means the amount of an employee's annual base salary as of the end of the Performance Period. For Nonexempt Employees only, Eligible Earnings shall also mean any additional compensation paid to such employees during the Performance Period, including without limitation, compensation for overtime, stand-by and call-out, shift premiums or lump sum merit awards.

2.7 "Employee" means common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company and any Subsidiary of the Company.

2.8 "Nonexempt Employees" means Employees assigned to positions classified as nonexempt (Operating payroll) under the Fair Labor Standards Act (FLSA).

2.9 "Participant" means an Employee who meets the criteria to participate in the Plan.

2.10 "Performance Criteria" or "Performance Goals" or "Performance Measures" mean the objectives established by the Committee for the Performance Period pursuant to Article 5 hereof, for the purpose of determining Awards under the Plan.

2.11 "Performance Period" means the consecutive twelve-month period that constitutes the Company's fiscal year.

2.12 "Plan" means the Atmos Energy Corporation Variable Pay Plan for Employees, dated October 1, 1998, as amended from time to time.

2.13 "Regular Employment Status" means employment for an unspecified period of time on a work schedule of either: (1) at least forty hours per week or at least 2,080 hours per year, and paid at a monthly rate, or (2) less than forty hours per week or less than 2,080 hours per year, and paid at an hourly rate.

2.14 "Subsidiary" means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability Company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. "Subsidiaries" means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.

2.15 "Termination of Service" occurs when a Participant who is an Employee of the Company or any Subsidiary shall cease to serve as an Employee of the Company and its Subsidiaries, for any reason.

ARTICLE 3

ADMINISTRATION

The Plan shall be administered by the Committee as designated in accordance with Section 2.4 above. The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and (iii) make such other determinations and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding, and conclusive on all interested parties.

ARTICLE 4

ELIGIBILITY

Any Employee who meets the following criteria is eligible to participate in the Plan. Employees who are considered to be in Regular Employment Status, and who are not participants in the Company's Annual Incentive Plan for Management are eligible to participate in the Plan. Additionally, Employees covered by a collective bargaining agreement between the Company and a bargaining agent will become Participants in the Plan, provided such Plan participation is negotiated and agreed upon in good faith between the Company and such bargaining agent.

ARTICLE 5

PERFORMANCE GOALS AND MEASUREMENT

5.1 Performance Goals Establishment. Performance Goals shall be established by the Committee not later than 90 days after commencement of the Performance Period. The Performance Goals may be identical for all Participants or, at the discretion of the Committee, may be different to reflect more appropriate measures of performance.

5.2 Performance Goals. Performance Goals relating to Participants for a Performance Period shall be established by the Committee in writing. Performance Goals may include alternative and multiple Performance Goals and may be based on one or more business and/or financial criteria. In establishing the Performance Goals for the Performance Period, the Committee in its discretion may include one or any combination of the following criteria in either absolute or relative terms, for either the Company or any of its Subsidiary organizations:

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

5.3. Adjustments for Extraordinary Items. The Committee shall be authorized to make adjustments in the method of calculating attainment of Performance Goals in recognition of: (i) extraordinary or non-recurring items, (ii) changes in tax laws, (iii) changes in generally accepted accounting principles or changes in accounting policies, (iv) charges related to restructured or discontinued operations, (v) restatement of prior period financial results, and (vi) any other unusual, non-recurring gain or loss that is separately identified and quantified in the Company's financial statements. Notwithstanding the foregoing, the Committee may, in its sole discretion, reduce the performance results upon which Awards are based under the Plan, to offset any unintended result(s) arising from events not anticipated when the Performance Goals were established.

5.4 Determination of Awards. Awards shall be made annually in accordance with actual performance compared to the Performance Goals previously established by the Committee for the Performance Period. The award and payment of any Award under this Plan to a Participant with respect to the Performance Period shall be contingent upon the attainment of the Performance Goals that are applicable to such Participant. The Committee shall certify in writing prior to payment of any such Award that such applicable Performance Goals relating to the Award are satisfied. Approved minutes of the Committee may be used for this purpose.

The Committee, upon its own action, may make, but shall not be required to make, an Award to any Participant. Awards may be made by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. The Committee's determinations under the Plan (including, without limitation, determinations of which Participants, if any, are to receive Awards, the amount of such Awards, and the terms and provisions of such Awards) may be made by the Committee selectively among Participants. Generally, an Employee must be a Participant in the Plan for a minimum of six months during the Performance Period to be eligible for a full Award for that Performance Period. However, an Employee with less than six months of participation in the Plan during a Performance Period may receive a *pro rata* Award at the discretion of the Committee.

ARTICLE 6

AWARDS

6.1 Timing of Awards. Within 60 days following the completion of the Performance Period, the Committee shall review the prior year's performance in relation to the Performance Goals and shall determine the Awards to be made to Participants.

6.2 Form and Payment of Awards. Awards shall be paid in cash as soon as administratively possible following the determination of those Awards.

ARTICLE 7

WITHHOLDING TAXES

The Company shall have the right to deduct from any payment to be made pursuant to the Plan the amount of any taxes required by law to be withheld with respect to such payments.

ARTICLE 8

NO RIGHT TO CONTINUED EMPLOYMENT OR AWARDS

No Employee shall have any claim or right to be made an Award, and the making of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any of its Subsidiaries. Further, the Company and its Subsidiaries expressly reserve the right at any time to terminate the employment of any Participant free from any liability under the Plan.

ARTICLE 9

AMENDMENT, MODIFICATION, SUSPENSION, OR TERMINATION

Subject to the limitations set forth in this Article 9, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part.

ARTICLE 10

GOVERNING LAW

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the State of Texas and applicable Federal law.

ARTICLE 11

SUCCESSORS AND ASSIGNS

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, expressly to assume and agree to perform the Company's obligation under this Plan in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. As used herein, the "Company" shall mean the Company as hereinbefore defined and any aforesaid successor to its business and/or assets.

ARTICLE 12

EFFECTIVE DATE

This Plan was effective on October 1, 1998.

ARTICLE 13

INDEMNIFICATION

No member of the Board or the Committee, nor any officer or Employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or Employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation.

* * * * *

IN WITNESS WHEREOF, the Company has caused this instrument to be executed effective as of August 8, 2007 by its President pursuant to prior action taken by the Board.

ATMOS ENERGY CORPORATION

By: /s/ ROBERT W. BEST
Robert W. Best,
Chairman of the Board, President
and Chief Executive Officer

Attest:

/s/ DWALA KUHN
Dwala Kuhn
Corporate Secretary

ATMOS ENERGY CORPORATION
ANNUAL INCENTIVE PLAN FOR MANAGEMENT
(as amended and restated February 10, 2011)

The Atmos Energy Corporation Annual Incentive Plan for Management (hereinafter called the "Plan") was adopted by the Board of Directors of Atmos Energy Corporation, a Texas and Virginia corporation (hereinafter called the "Company"), on August 12, 1998 to be effective October 1, 1998 and was approved by the Company's shareholders on February 10, 1999. An amendment to extend the term of the Plan was approved by the Board of Directors on August 8, 2001, which amendment was approved by the Company's shareholders on February 13, 2002. An amendment to further extend the term of the Plan the Plan was approved by the Board of Directors on November 7, 2006, which amendment was approved by the Company's shareholders on February 7, 2007. The Plan was amended to further extend its term by the Board of Directors on August 3, 2010, which amendment was approved by the Company's shareholders on February 9, 2011.

ARTICLE 1

PURPOSE

The Plan is intended to provide the Company a means by which it can engender and sustain a sense of personal commitment on the part of its executives and senior managers in the continued growth, development, and financial success of the Company and encourage them to remain with and devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. Accordingly, the Company may award to executives and senior managers annual incentive compensation on the terms and conditions established herein.

ARTICLE 2

DEFINITIONS

For the purposes of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "Award" means the compensation payable under this Plan to a Participant by the Committee pursuant to such terms, conditions, restrictions, and limitations established by the Committee and Plan.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Bonus Stock" or "Bonus Shares" means shares of Common Stock of the Company awarded to a Participant as permitted and pursuant to the terms of the Long-Term Incentive Plan.

2.4 (a) "Change in Control" of the Company occurs upon a change in the Company's ownership, its effective control or the ownership of a substantial portion of its assets, as follows:

(i) Change in Ownership. A change in ownership of the Company occurs on the date that any "Person" (as defined in Section 2.4(b)(i) below), other than (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company's stock, acquires ownership of the Company's stock that, together with stock held by such Person, constitutes more than 50% of the total fair market value or total voting power of the Company's stock. However, if any Person is considered to own already more than 50% of the total fair market value or total voting power of the Company's stock, the acquisition of additional stock by the same Person is not considered to be a Change of Control. In addition, if any Person has effective control of the Company through ownership of 30% or more of the total voting power of the Company's stock, as discussed in paragraph (ii) below, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this paragraph (i); or

(ii) Change in Effective Control. Even though the Company may not have undergone a change in ownership under paragraph (i) above, a change in the effective control of the Company occurs on either of the following dates:

(A) the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of the Company's stock possessing 30% or more of the total voting power of the Company's stock. However, if any Person owns 30% or more of the total voting power of the Company's stock, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this subparagraph (ii)(A); or

(B) the date during any 12-month period when a majority of members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Change in Ownership of Substantial Portion of Assets. A change in the ownership of a substantial portion of the Company's assets occurs on the date that a Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets of the Company, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of the Company's assets immediately before such acquisition or acquisitions. However, there is no Change in Control when there is such a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer, through a

transfer to (A) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock; (B) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (C) a Person that owns directly or indirectly, at least 50% of the total value or voting power of the Company's outstanding stock; or (D) an entity, at least 50% of the total value or voting power of the stock of which is owned by a Person that owns, directly or indirectly, at least 50% of the total value or voting power of the Company's outstanding stock.

(b) For purposes of subparagraph (a) above:

(i) "Person" shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined by the Final Treasury Regulations issued under Section 409A of the Code.

(ii) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended.

(c) The provisions of this Section 2.4 shall be interpreted in accordance with the requirements of the Final Treasury Regulations under Section 409A of the Code, it being the intent of the parties that this Section 2.4 shall be in compliance with the requirements of said Code Section and said Regulations.

2.5 "Code" means the Internal Revenue Code of 1986, as amended, together with the published rulings, regulations, and interpretations duly promulgated thereunder.

2.6 "Committee" means the committee appointed or designated by the Board to administer the Plan in accordance with Article 3 of this Plan.

2.7 "Common Stock" or "Common Shares" means the Common Stock of the Company, with no par value (stated value of \$.005 per share), or such other security or right or instrument into which such common stock may be changed or converted in the future.

2.8 "Company" means Atmos Energy Corporation, a Texas and Virginia corporation, and any successor entity.

2.9 "Covered Participant" means a Participant who is a "covered employee" as defined in Section 162(m)(3) of the Code, and the regulations promulgated thereunder, or who the Committee believes will be such a covered employee for a Performance Period, and who the Committee believes may have remuneration in excess of \$1,000,000 for the Performance Period, as provided in Section 162(m) of the Code.

2.10 "Date of Conversion" means the date on which the Committee determines and approves Awards; this is also the effective Date of Conversion for Restricted Stock Units.

2.11 "Employee" means common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company and any Subsidiary of the Company.

2.12 "Fair Market Value" of a share of Common Stock is the mean of the highest and lowest prices per share on the New York Stock Exchange Consolidated Tape, or such reporting service as the Board may select, on the appropriate date, or in the absence of reported sales on such day, the most recent previous day for which sales were reported.

2.13 "Long-Term Incentive Plan" is the Atmos Energy Corporation 1998 Long-Term Incentive Plan, as amended from time to time.

2.14 "Participant" means an Employee who is selected by the Committee to participate in the Plan.

2.15 "Performance Criteria" or "Performance Goals" or "Performance Measures" mean the objectives established by the Committee for the Performance Period pursuant to Article V hereof, for the purpose of determining Awards under the Plan.

2.16 "Performance Period" means the consecutive 12 month period that constitutes the Company's fiscal year.

2.17 "Plan" means the Atmos Energy Corporation Annual Incentive Plan for Management, dated effective October 1, 1998, as amended from time to time.

2.18 "Restricted Stock Unit" means a fixed or variable dollar denominated right to acquire shares of Common Stock of the Company, which may or may not be subject to restrictions, contingently granted to a Participant as permitted and pursuant to the terms and provisions of the Long-Term Incentive Plan.

2.19 "Section 409A" means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

2.20 "Section 162(m)" means Section 162(m) of the Code and the regulations promulgated thereunder.

2.21 "Subsidiary" means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. "Subsidiaries" means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.

2.22 "Termination of Service" occurs when a Participant who is an Employee or Non-employee Director has a "separation from service" as defined in Section 1.409A-1(h) of the Final Treasury Regulations under Section 409A, or any successor provision thereto, for any reason.

ARTICLE 3

ADMINISTRATION

The Plan shall be administered by the Human Resources Committee of the Board unless otherwise determined by the Board. If said Human Resources Committee does not so serve, the Committee shall consist of not fewer than two persons; any member of the Committee may be removed at any time, with or without cause, by resolution of the Board; and any vacancy occurring in the membership of the Committee may be filled by appointment by the Board.

All actions to be taken by the Committee under this Plan, insofar as such actions affect compliance with Section 162(m), shall be limited to those members of the Board who are Non-employee Directors and who are "outside directors" under Section 162(m). The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

The Committee shall determine and designate from time to time the eligible persons to whom Awards will be made. The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and (iii) make such other determinations and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding, and conclusive on all interested parties.

With respect to restrictions in the Plan that are based on the requirements of Section 162(m), Section 409A, or any other applicable law, rule or restriction (collectively, "applicable law"), to the extent that any such restrictions are no longer required by applicable law, the Committee shall have the sole discretion and authority to make Awards hereunder that are no longer subject to such restrictions.

ARTICLE 4

ELIGIBILITY

Any Employee (including an Employee who is also a director or an officer) is eligible to participate in the Plan. The Committee, upon its own action, may make, but shall not be required to make, an Award to any Employee. Awards may be made by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. The Committee's determinations under the Plan (including without limitation determinations of which Employees, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards, and the agreements evidencing same) may be made by the Committee selectively among Employees who receive, or are eligible to receive, Awards under the Plan. Generally, an Employee must be a Participant in the Plan for a minimum of six months during the Performance Period to be eligible for a full Award for that Performance Period. However, an Employee with less than six months of participation in the Plan during a Performance Period may receive a *pro rata* Award at the discretion of the Committee.

ARTICLE 5

PERFORMANCE GOALS AND MEASUREMENT

5.1 Performance Goals Establishment. Performance Goals shall be established by the Committee not later than 90 days after commencement of the Performance Period. The Performance Goals may be identical for all Participants or, at the discretion of the Committee, may be different to reflect more appropriate measures of individual performance.

5.2 Awards. Awards shall be made annually in accordance with actual performance compared to the Performance Goals previously established by the Committee for the Performance Period.

5.3 Performance Goals. Performance Goals relating to Covered Participants for a Performance Period shall be established by the Committee in writing. Performance Goals may include alternative and multiple Performance Goals and may be based on one or more business and/or financial criteria. In establishing the Performance Goals for the Plan Year, the Committee in its discretion may include one or any combination of the following criteria in either absolute or relative terms, for either the Company or any of its Subsidiary organizations:

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

5.4 Adjustments for Extraordinary Items. The Committee shall be authorized to make adjustments in the method of calculating attainment of Performance Goals in recognition of: (i) extraordinary or non-recurring items, (ii) changes in tax laws, (iii) changes in generally accepted accounting principles or changes in accounting policies, (iv) charges related to restructured or discontinued operations, (v) restatement of prior period financial results, and (vi) any other unusual, non-recurring gain or loss that is separately identified and quantified in the Company's financial statements. Notwithstanding the foregoing, the Committee may, at its sole discretion, reduce the performance results upon which Awards are based under the Plan, to offset any unintended result(s) arising from events not anticipated when the Performance Goals were established, provided that such adjustment is permitted by Section 162(m).

5.5 Determination of Awards. The Award and payment of any Award under this Plan to a Covered Participant with respect to the Performance Period shall be contingent upon the attainment of the Performance Goals that are applicable to such Covered Participant. The Committee shall certify in writing prior to payment of any such Award that such applicable Performance Goals relating to the Award are satisfied. Approved minutes of the Committee may be used for this purpose. The Performance Goals shall not allow for any discretion by the Committee as to an increase in any Award, but discretion to lower an Award is permissible.

ARTICLE 6

AWARDS

6.1 Timing of Awards. At the first meeting of the Committee after the completion of the Performance Period, the Committee shall review the prior year's performance in relation to the Performance Goals. The first meeting of the Committee shall occur within 60 days following the completion of the Performance Period.

6.2 Form of Awards. Awards are paid in cash within ten (10) days following the meeting described in Section 6.1. In addition, if and as the Committee so permits, prior to the commencement of the Performance Period or, in the Committee's sole discretion, at any time on or before the date that is six (6) months before the end of the Performance Period, provided that a Participant permitted to make such a voluntary election after the commencement of the Performance Period has continuously preformed services for the Company from the beginning of such Performance Period, the Participant may voluntarily elect to convert any Award paid to him in cash in 25 percent increments, in whole or part, into the following forms:

(a) Bonus Stock. The Participant may elect to convert all or a portion of the Award to Bonus Shares, with the value of the Bonus Shares (based on the Fair Market Value of such Bonus Shares as of the Date of Conversion) being equal to 110% of the amount of the Award. Such Bonus Shares shall be unrestricted and shall be granted pursuant to the Long-Term Incentive Plan within ten (10) days following the meeting described in Section 6.1.

(b) Restricted Stock Unit Awards. The Participant may elect to convert all or a portion of the Award to Company Restricted Stock Units, with the value of the Restricted Stock Units (each such Unit being equal to the Fair Market Value of a share of Common Stock as of the Date of Conversion) being equal to 150% of the amount of the Award. Such Restricted Stock Units shall provide that on the date which is three (3) years from the Date of Conversion (the "Distribution Date"), but in no event later than ten (10) days following the Distribution Date, the Participant shall receive a distribution of shares of Common Stock equal in number to the number of Restricted Stock Units determined under this paragraph (b). These Restricted Stock Units will be granted as time-lapse restricted stock units pursuant to the Long-Term Incentive Plan within ten (10) days following the meeting described in Section 6.1.

6.3 Maximum Awards. The maximum cash Award that may be made to a Covered Participant under the Plan for any Performance Period shall be \$1.0 million.

ARTICLE 7

WITHHOLDING TAXES

The Company shall have the right to deduct from any payment to be made pursuant to the Plan the amount of any taxes required by law to be withheld with respect to such payments.

ARTICLE 8

NO RIGHT TO CONTINUED EMPLOYMENT OR AWARDS

No Employee shall have any claim or right to be made an Award, and the making of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any of its Subsidiaries. Further, the Company and its Subsidiaries expressly reserve the right at any time to terminate the employment of any Participant free from any liability under the Plan; except that a Participant, who meets or exceeds the Performance Goals for the Performance Period and was actively employed for the full term of the Performance Period, will be eligible for an Award even though the Participant is not an active employee of the Company at the time the Committee makes Awards under the Plan.

ARTICLE 9

CHANGE IN CONTROL

Immediately upon a Change in Control, notwithstanding any other provision of this Plan, all Awards for the Performance Period in which the Change in Control occurs shall be deemed earned at the maximum Performance Goal level, and the Company shall make a payment in cash to each Participant within ten (10) days after the effective date of the Change in Control in the amount of such maximum Award. The making of Awards under the Plan shall in no way affect the right of the Company to adjust, reclassify, reorganize, or otherwise change its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any portion of its businesses or assets.

ARTICLE 10

AMENDMENT, MODIFICATION, SUSPENSION, OR TERMINATION

Subject to the limitations set forth in this Article 10, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; provided, however, that no amendment which requires stockholder approval in order for the Plan and Awards under the Plan to continue to comply with Section 162(m), including any successors to such Section, shall be effective unless such amendment shall be approved by the requisite vote of the stockholders of the Company entitled to vote thereon.

ARTICLE 11

GOVERNING LAW

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the State of Texas and applicable Federal law.

ARTICLE 12

SUCCESSORS AND ASSIGNS

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, expressly to assume and agree to perform the Company's obligation under this Plan in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. As used herein, the "Company" shall mean the Company as hereinbefore defined and any aforesaid successor to its business and/or assets.

ARTICLE 13

EFFECTIVE DATE AND TERM

The Plan became effective as of October 1, 1998 and will terminate as of September 30, 2016. After termination of the Plan, no future Awards may be made.

ARTICLE 14

INTERPRETATION

The Plan is designed to comply with Section 162(m), and all provisions hereof shall be construed in a manner consistent with that intent.

ARTICLE 15

INDEMNIFICATION

No member of the Board or the Committee, nor any officer or Employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or Employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation.

ARTICLE 16

SECTION 409A COMPLIANCE

To the extent (i) any payment to which a Participant becomes entitled under this Plan in connection with the Participant's termination of employment with the Company (for reasons other than death) constitutes a payment of deferred compensation subject to Section 409A, and (ii) the Participant is deemed at the time of such termination of employment to be a "specified employee" under Section 409A, then such payment shall not be made or commence until the earliest of (A) the expiration of the six (6) month period measured from the date of Participant's "separation from service" (as such term is defined in final Treasury Regulations issued under Section 409A and any other guidance issued thereunder) with the Company; or (B) the date of the

Participant's death following such separation from service. Upon the expiration of the applicable deferral period, any payment which would have otherwise been made during that period in the absence of this Article 16 shall be made to the Participant or the Participant's beneficiary.

* * * * *

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of February 10, 2011, by its President pursuant to prior actions taken by the Board and the shareholders of the Company.

ATMOS ENERGY CORPORATION

By: /s/ KIM R. COCKLIN
Kim R. Cocklin
President and
Chief Executive Officer

Attest:

/s/ DWALA KUHN
Dwala Kuhn
Corporate Secretary

ATMOS ENERGY CORPORATION
1998 LONG-TERM INCENTIVE PLAN
(as amended and restated February 10, 2011)

The Atmos Energy Corporation 1998 Long-Term Incentive Plan (hereinafter called the "Plan") was adopted by the Board of Directors of Atmos Energy Corporation, a Texas and Virginia corporation (hereinafter called the "Company") on August 12, 1998 to be effective October 1, 1998, and was approved by the Company's shareholders on February 10, 1999. An amendment to the Plan was approved by the Board of Directors on August 8, 2001, which amendment was approved by the Company's shareholders on February 13, 2002. The Plan was further amended by the Board of Directors on November 7, 2006, which amendment was approved by the Company's shareholders on February 7, 2007. The Plan was further amended by the Board of Directors on August 3, 2010, which amendment was approved by the Company's shareholders on February 9, 2011.

ARTICLE 1

PURPOSE

The purpose of the Plan is to attract and retain the services of able persons as employees of the Company and its Subsidiaries and as Non-employee Directors (as herein defined), to provide such persons with a proprietary interest in the Company through the granting of incentive stock options, non-qualified stock options, stock appreciation rights or restricted stock and to motivate employees and Non-employee Directors using performance-related incentives linked to longer-range performance goals and the interests of the Company's shareholders, whether granted singly, or in combination, or in tandem, that will

- (a) increase the interest of such persons in the Company's welfare;
- (b) furnish an incentive to such persons to continue their services for the Company; and
- (c) provide a means through which the Company may attract able persons as employees and Non-employee Directors.

With respect to Reporting Participants, the Plan and all transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "1934 Act"). To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void *ab initio*, to the extent permitted by law and deemed advisable by the Committee. Further, any Awards granted under the Plan to a Non-employee Director shall be solely to compensate said Director for his services to the Company as a Non-employee Director.

ARTICLE 2

DEFINITIONS

For the purpose of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "Award" means the grant of any Incentive Stock Option, Non-qualified Stock Option, SAR, Restricted Stock, Restricted Stock Unit, Performance Unit, Performance Share, Bonus Stock or other Stock Unit Award whether granted singly, in combination or in tandem (each individually referred to herein as an "Incentive"). "Award" also means any Incentive to which an award under the Management Incentive Plan is made or converted.

2.2 "Award Agreement" means a written agreement between a Participant and the Company, which sets out the terms of the grant of an Award.

2.3 "Award Period" means the period during which one or more Incentives granted under an Award may be exercised or earned.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Bonus Stock" means an Award granted pursuant to Section 6.8 of the Plan expressed as a share of Common Stock which may or may not be subject to restrictions.

2.6 (a) "Change in Control" of the Company occurs upon a change in the Company's ownership, its effective control or the ownership of a substantial portion of its assets, as follows:

(i) Change in Ownership. A change in ownership of the Company occurs on the date that any "Person" (as defined in Section 2.6(b) below), other than (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company's stock, acquires ownership of the Company's stock that, together with stock held by such Person, constitutes more than 50% of the total fair market value or total voting power of the Company's stock. However, if any Person is considered to own already more than 50% of the total fair market value or total voting power of the Company's stock, the acquisition of additional stock by the same Person is not considered to be a Change of Control. In addition, if any Person has effective control of the Company through ownership of 30% or more of the total voting power of the Company's stock, as discussed in paragraph (ii) below, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this paragraph (i); or

(ii) Change in Effective Control. Even though the Company may not have undergone a change in ownership under paragraph (i) above, a change in the effective control of the Company occurs on either of the following dates:

(A) the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of the Company's stock possessing 30 percent or more of the total voting power of the Company's stock. However, if any Person owns 30% or more of the total voting power of the Company's stock, the acquisition of additional control of the Company by the same Person is not considered to cause a Change in Control pursuant to this subparagraph (ii)(A); or

(B) the date during any 12-month period when a majority of members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Change in Ownership of Substantial Portion of Assets. A change in the ownership of a substantial portion of the Company's assets occurs on the date that a Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets of the Company, that have a total gross fair market value equal to at least 40% of the total gross fair market value of all of the Company's assets immediately before such acquisition or acquisitions. However, there is no Change in Control when there is such a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer, through a transfer to (A) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock; (B) an entity, at least 50% of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (C) a Person that owns directly or indirectly, at least 50% of the total value or voting power of the Company's outstanding stock; or (D) an entity, at least 50% of the total value or voting power of the stock of which is owned by a Person that owns, directly or indirectly, at least 50% of the total value or voting power of the Company's outstanding stock.

(b) For purposes of subparagraph (a) above,

(i) "Person" shall have the meaning given in Section 7701(a)(1) of the Internal Revenue Code of 1986, as amended (the "Code"). Person shall include more than one Person acting as a group as defined by the Final Treasury Regulations issued under Section 409A of the Code.

(ii) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended.

(c) The provisions of this Section 2.6 shall be interpreted in accordance with the requirements of the Final Treasury Regulations under Code Section 409A, it being the intent of the parties that this Section 2.6 shall be in compliance with the requirements of said Code Section and said Regulations.

2.7 "Code" means the Internal Revenue Code of 1986, as amended, together with the published rulings, regulations, and interpretations duly promulgated thereunder.

2.8 "Committee" means the committee appointed or designated by the Board to administer the Plan in accordance with Article 3 of this Plan.

2.9 "Common Stock" means the common stock, with no par value (stated value of \$.005 per share), which the Company is currently authorized to issue or may in the future be authorized to issue.

2.10 "Company" means Atmos Energy Corporation, a Texas and Virginia corporation, and any successor entity.

2.11 "Covered Participant" means a Participant who is a "covered employee" as defined in Section 162(m)(3) of the Code, and the regulations promulgated thereunder, or who the Committee believes will be such a covered employee for a Performance Period, and who the Committee believes will have remuneration in excess of \$1,000,000 for the Performance Period, as provided in Section 162(m) of the Code.

2.12 "Date of Grant" means the effective date on which an Award is made to a Participant as set forth in the applicable Award Agreement; provided, however, that solely for purposes of Section 16 of the 1934 Act and the rules and regulations promulgated thereunder, the Date of Grant of an Award shall be the date of stockholder approval of the Plan if such date is later than the effective date of such Award as set forth in the Award Agreement.

2.13 "Employee" means common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company or any Subsidiary of the Company.

2.14 "Fair Market Value" of a share of Common Stock is the mean of the highest and lowest prices per share on the New York Stock Exchange Consolidated Tape, or such reporting service as the Board may select, on the appropriate date, or in the absence of reported sales on such day, the most recent previous day for which sales were reported.

2.15 "Incentive Stock Option" or "ISO" means an incentive stock option within the meaning of Section 422 of the Code, granted pursuant to this Plan.

2.16 "Management Incentive Plan" means the Atmos Energy Corporation Annual Incentive Plan for Management, as amended from time to time.

2.17 "Non-employee Director" means a member of the Board who is not an Employee and who satisfies the requirements of Rule 16b-3(b)(3) promulgated under the 1934 Act or any successor provision.

2.18 "Non-qualified Stock Option" or "NQSO" means a non-qualified stock option, granted pursuant to this Plan.

2.19 "Option Price" means the price which must be paid by a Participant upon exercise of a Stock Option to purchase a share of Common Stock.

2.20 "Participant" shall mean an Employee or Non-employee Director to whom an Award is granted under this Plan.

2.21 "Performance Award" means a performance-based Award, which may be in the form of either Performance Shares or Performance Units.

2.22 "Performance Criteria" or "Performance Goals" or "Performance Measures" mean the objectives established by the Committee for a Performance Period, for the purpose of determining when an Award subject to such objectives is earned.

2.23 "Performance Period" means the time period designated by the Committee during which performance goals must be met.

2.24 "Performance Share" means an Award, designated as a Performance Share, granted to a Participant pursuant to Section 6.7 hereof, the value of which is determined, in whole or in part, by the value of Common Stock in a manner deemed appropriate by the Committee and described in the Agreement.

2.25 "Performance Unit" means an Award, designated as a Performance Unit, granted to a Participant pursuant to Section 6.7 hereof, the value of which is determined, in whole or in part, by the attainment of pre-established goals relating to Company financial or operating performance as deemed appropriate by the Committee and described in the Award Agreement.

2.26 "Plan" means The Atmos Energy Corporation 1998 Long-Term Incentive Plan, as amended from time to time.

2.27 "Reporting Participant" means a Participant who is subject to the reporting requirements of Section 16 of the 1934 Act.

2.28 "Restricted Stock" means shares of Common Stock issued or transferred to a Participant pursuant to Section 6.4 of this Plan which are subject to restrictions or limitations set forth in this Plan and in the related Award Agreement.

2.29 "Restricted Stock Unit" means a fixed or variable dollar denominated right to acquire Common Stock, which may or may not be subject to restrictions, contingently awarded under Section 6.4 of the Plan.

2.30 "Retirement" means any Termination of Service solely due to retirement upon attainment of age 65, or permitted early retirement as determined by the Committee.

2.31 "SAR" means the right to receive a payment, in cash and/or Common Stock, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the SAR is exercised over the SAR Price for such shares.

2.32 "SAR Price" means the Fair Market Value of each share of Common Stock covered by an SAR, determined on the Date of Grant of the SAR.

2.33 "Stock Option" means a Non-qualified Stock Option or an Incentive Stock Option.

2.34 "Stock Unit Award" means awards of Common Stock or other awards pursuant to Section 6.9 hereof that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other securities of the Company.

2.35 "Subsidiary" means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. "Subsidiaries" means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.

2.36 "Termination of Service" means with respect to each Participant who is an Employee or Non-employee Director a "separation from service" as defined in Section 1.409A-1(h) of the Final Treasury Regulations under Code Section 409A, or any successor provision thereto.

2.37 "Total and Permanent Disability" means the termination of a Participant's active employment with the Company on account of a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, for which the employee is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

ARTICLE 3

ADMINISTRATION

The Plan shall be administered by the Human Resources Committee of the Board (the "Committee") unless otherwise determined by the Board. If said Human Resources Committee does not so serve, the Committee shall consist of not fewer than two persons; any member of the Committee may be removed at any time, with or without cause, by resolution of the Board; and any vacancy occurring in the membership of the Committee may be filled by appointment by the Board.

All actions to be taken by the Committee under this Plan, insofar as such actions affect compliance with Section 162(m) of the Code, shall be limited to those members of the Board who are Non-employee Directors and who are "outside directors" under Section 162(m). The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

The Committee shall determine and designate from time to time the eligible persons to whom Awards will be granted and shall set forth in each related Award Agreement, the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance requirements, as are approved by the Committee, but not inconsistent with the Plan, including, but not limited to, any rights of the Committee to cancel or rescind any such Award. The Committee shall determine whether an Award shall include one type of Incentive, two or more Incentives granted in combination, or two or more Incentives granted in tandem (that is, a joint grant where exercise of one Incentive results in cancellation of all or a portion of the other Incentive).

The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and (iii) make such other determinations and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding, and conclusive on all interested parties.

With respect to restrictions in the Plan that are based on the requirements of Rule 16b-3 promulgated under the 1934 Act, Section 422 of the Code, Section 162(m) of the Code, the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted, or any other applicable law, rule or restriction (collectively, "applicable law"), to the extent that any such restrictions are no longer required by applicable law, the Committee shall have the sole discretion and authority to grant Awards that are not subject to such mandated restrictions and/or to waive any such mandated restrictions with respect to outstanding Awards.

ARTICLE 4

ELIGIBILITY

Any Employee (including an Employee who is also a director or an officer) and any Non-employee Director is eligible to participate in the Plan. The Committee, upon its own action, may grant, but shall not be required to grant, an Award to any Employee or any Non-employee Director. Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. Except as required by this Plan, different Awards need not contain similar provisions. The Committee's determinations under the Plan (including without limitation determinations of which Employees or Non-employee Directors, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Employees and Non-employee Directors who receive, or are eligible to receive, Awards under the Plan.

ARTICLE 5

SHARES SUBJECT TO PLAN

Subject to adjustment as provided in Articles 14 and 15, the maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan is (a) 8,700,000 shares; plus (b) shares of Common Stock previously subject to Awards which are

forfeited, terminated, cancelled or rescinded, settled in cash in lieu of Common Stock, or exchanged for Awards that do not involve Common Stock, or expired unexercised.

Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury, or Common Stock purchased by the Company on the open market or otherwise. During the term of this Plan, the Company will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan.

ARTICLE 6

GRANT OF AWARDS

6.1 In General. The grant of an Award shall be authorized by the Committee and shall be evidenced by an Award Agreement setting forth the Incentive or Incentives being granted, the total number of shares of Common Stock subject to the Incentive(s), the Option Price (if applicable), the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance objectives, as are approved by the Committee, but not inconsistent with the Plan. The Company shall execute an Award Agreement with a Participant after the Committee approves the issuance of an Award. Any Award granted pursuant to this Plan must be granted within ten (10) years of the date of adoption of this Plan. The grant of an Award to a Participant shall not be deemed either to entitle the Participant to, or to disqualify the Participant from, receipt of any other Award under the Plan.

If the Committee establishes a purchase price for an Award, the Participant must accept such Award within a period of 30 days (or such shorter period as the Committee may specify) after the Date of Grant by executing the applicable Award Agreement and paying such purchase price.

6.2 Maximum ISO Grants. The Committee may not grant Incentive Stock Options under the Plan to any Employee which would permit the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options (under this and any other plan of the Company and its Subsidiaries) are exercisable for the first time by such Employee during any calendar year to exceed \$100,000. To the extent any Stock Option granted under this Plan, which is designated as an Incentive Stock Option exceeds this limit or otherwise fails to qualify as an Incentive Stock Option, such Stock Option shall be a Non-qualified Stock Option. The Committee may not grant Incentive Stock Options to Non-employee Directors.

6.3 Maximum Individual Grants. No Participant may receive during any fiscal year of the Company Awards of Stock Options and SARs covering an aggregate of more than five hundred thousand (500,000) shares of Common Stock.

6.4 Restricted Stock/Restricted Stock Units. If Restricted Stock and/or Restricted Stock Units are granted to a Participant under an Award, the Committee shall set forth in the related Award Agreement: (i) the number of shares of Common Stock and/or the number of Restricted Stock Units awarded, (ii) the price, if any, to be paid by the Participant for such Restricted Stock and/or Restricted Stock Units, (iii) the time or times within which such Award may be subject to forfeiture, (iv) specified Performance Goals of the Company, a Subsidiary, any division thereof or any group of Employees of the Company, or other criteria, which the Committee determines must be met in order to remove any restrictions (including vesting) on

such Award, and (v) all other terms, limitations, restrictions, and conditions of the Restricted Stock and/or Restricted Stock Units, which shall be consistent with this Plan. The provisions of Restricted Stock and/or Restricted Stock Units need not be the same with respect to each Participant.

(a) Legend on Shares. Each Participant who is awarded Restricted Stock shall be issued a stock certificate or certificates in respect of such shares of Common Stock. Such certificate(s) shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, substantially as provided in Section 18.12 of the Plan. The Committee may require that the stock certificates evidencing shares of Restricted Stock be held in custody by the Company until the restrictions thereon shall have lapsed, and that the Participant deliver to the Committee a stock power or stock powers, endorsed in blank, relating to the shares of Restricted Stock.

(b) Restrictions and Conditions. Shares of Restricted Stock and Restricted Stock Units shall be subject to the following restrictions and conditions:

(i) Subject to the other provisions of this Plan and the terms of the particular Award Agreements, during such period as may be determined by the Committee commencing on the Date of Grant (the "Restriction Period"), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock and/or Restricted Stock Units. Except for these limitations, the Committee may in its sole discretion, remove any or all of the restrictions on such Restricted Stock and/or Restricted Stock Units whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the date of the Award, such action is appropriate.

(ii) Except as provided in subparagraph (i) above, the Participant shall have, with respect to his or her Restricted Stock, all of the rights of a stockholder of the Company, including the right to vote the shares, and the right to receive any dividends thereon. Certificates for shares of Common Stock free of restriction under this Plan shall be delivered to the Participant promptly after, and only after, the Restriction Period shall expire without forfeiture in respect of such shares of Common Stock. Certificates for the shares of Common Stock forfeited under the provisions of the Plan and the applicable Award Agreement shall be promptly returned to the Company by the forfeiting Participant. Each Award Agreement shall require that (x) each Participant, by his or her acceptance of Restricted Stock, shall irrevocably grant to the Company a power of attorney to transfer any shares so forfeited to the Company and agrees to execute any documents requested by the Company in connection with such forfeiture and transfer, and (y) such provisions regarding returns and transfers of stock certificates with respect to forfeited shares of Common Stock shall be specifically performable by the Company in a court of equity or law.

(iii) The Restriction Period of Restricted Stock and/or Restricted Stock Units shall commence on the Date of Grant and, subject to Article 15 of the Plan, unless otherwise established by the Committee in the Award Agreement setting forth the terms of the Restricted Stock and/or Restricted Stock Units, shall expire upon satisfaction of the conditions set forth in the Award Agreement; such conditions may provide for vesting based on (i) length of continuous service, (ii) achievement of specific business objectives, (iii) increases in specified indices, (iv) attainment of specified growth rates, or (v) other comparable Performance Measurements, as may be determined by the Committee in its sole discretion.

(iv) Subject to the provisions of the particular Award Agreement, upon Termination of Service for any reason during the Restriction Period, the nonvested shares of Restricted Stock and/or Restricted Stock Units shall be forfeited by the Participant. In the event a Participant has paid any consideration to the Company for such forfeited Restricted Stock and/or Restricted Stock Units, the Company shall, as soon as practicable after the event causing forfeiture (but in any event within 5 business days), pay to the Participant, in cash, an amount equal to the total consideration paid by the Participant for such forfeited shares and/or units. Upon any forfeiture, all rights of a Participant with respect to the forfeited shares of the Restricted Stock shall cease and terminate, without any further obligation on the part of the Company.

6.5 SAR. An SAR shall entitle the Participant at his election to surrender to the Company the SAR, or portion thereof, as the Participant shall choose, and to receive from the Company in exchange therefor cash in an amount equal to the excess (if any) of the Fair Market Value (as of the date of the exercise of the SAR) per share over the SAR Price per share specified in such SAR, multiplied by the total number of shares of the SAR being surrendered. In the discretion of the Committee, the Company may satisfy its obligation upon exercise of an SAR by the distribution of that number of shares of Common Stock having an aggregate Fair Market Value (as of the date of the exercise of the SAR) equal to the amount of cash otherwise payable to the Participant, with a cash settlement to be made for any fractional share interests, or the Company may settle such obligation in part with shares of Common Stock and in part with cash.

6.6 Tandem Awards. The Committee may grant two or more Incentives in one Award in the form of a "tandem award," so that the right of the Participant to exercise one Incentive shall be canceled if, and to the extent, the other Incentive is exercised. For example, if a Stock Option and an SAR are issued in a tandem Award, and the Participant exercises the SAR with respect to 100 shares of Common Stock, the right of the Participant to exercise the related Stock Option shall be canceled to the extent of 100 shares of Common Stock.

6.7 Performance Based Awards.

(a) Grant of Performance Awards. The Committee may issue Performance Awards in the form of either Performance Units or Performance Shares to Participants subject to the Performance Goals and Performance Period as it shall determine. The terms and conditions of each Performance Award will be set forth in the related Award Agreement. The Committee shall have complete discretion in determining the number and value of Performance Units or Performance Shares granted to each Participant. Participants receiving Performance Awards are not required to pay the Company thereof (except for applicable tax withholding) other than the rendering of services.

(b) Value of Performance Awards. The Committee shall set performance goals in its discretion for each Participant who is granted a Performance Award. Such Performance Goals may be particular to a Participant, may relate to the performance of the Subsidiary which employs him or her, may be based on the division which employs him or her, may be based on the performance of the Company generally, or a combination of the foregoing. The Performance Goals may be based on achievement of balance sheet or income statement objectives, or any other objectives established by the Committee. The Performance Goals may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The extent to which such Performance Goals are met will determine the value of the Performance Unit or Performance Share to the Participant.

(c) Form of Payment. Payment of the amount to which a Participant shall be entitled upon the settlement of a Performance Award shall be made in a lump sum or installments in cash, shares of Common Stock, or a combination thereof as determined by the Committee.

6.8 Bonus Stock. The Committee may award shares of Bonus Stock to Participants under the Plan without cash consideration. The Committee shall determine and indicate in the related Award Agreement whether such shares of Bonus Stock awarded under the Plan shall be unencumbered of any restrictions (other than those advisable to comply with law) or shall be subject to restrictions and limitations similar to those referred to in Section 6.7 hereof. In the event the Committee assigns any restrictions on the shares of Bonus Stock awarded under the Plan, then such shares shall be subject to at least the following restrictions:

(a) No shares of Bonus Stock may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated if such shares are subject to restrictions which have not lapsed or have not been vested.

(b) If any condition of vesting of the shares of Bonus Stock are not met, all such shares subject to such vesting shall be delivered to the Company (in a manner determined by the Committee) within 60 days of the failure to meet such conditions without any payment from the Company.

6.9 Other Stock Based Awards.

(a) Grant of Other Stock Based Awards. The Committee may issue to Participants, either alone or in addition to other Awards made under the Plan, Stock Unit Awards which may be in the form of Common Stock or other securities. The value of each such Award shall be based, in whole or in part, on the value of the underlying Common Stock or other securities. The Committee, in its sole and complete discretion, may determine that an Award, either in the form of a Stock Unit Award under this Section 6.9 or as an Award granted pursuant to the other provisions of this Article 6, may provide to the Participant (i) dividends or dividend equivalents (payable on a current or deferred basis) and (ii) cash payments in lieu of or in addition to an Award. The Committee shall determine the terms, restrictions, conditions, vesting requirements, and payment rules (all of which are sometimes hereinafter collectively referred to as "rules") of the Award and shall set forth those rules in the related Award Agreement.

(b) Rules. The Committee, in its sole and complete discretion, may grant a Stock Unit Award subject to the following rules:

(i) Common Stock or other securities issued pursuant to Stock Unit Awards may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated by a Participant until the expiration of at least six months from the Award Date, except that such limitation shall not apply in the case of death or disability of the Participant. To the extent Stock Unit Awards are deemed to be derivative securities within the meaning of Rule 16b-3 under the 1934 Act, a Participant's rights with respect to such Awards shall not vest or be exercisable until the expiration of at least six months from the Award Date. To the extent a Stock Unit Award granted under the Plan is deemed to be a derivative security within the meaning of Rule 16b-3 under the 1934 Act, it may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by laws of descent and distribution. All rights with respect to such Stock Unit Awards granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant or his or her guardian or legal representative.

(ii) Stock Unit Awards may require the payment of cash consideration by the Participant in receipt of the Award or provide that the Award, and any Common Stock or other securities issued in conjunction with the Award be delivered without the payment of cash consideration.

(iii) The Committee, in its sole and complete discretion, may establish certain Performance Criteria that may relate in whole or in part to receipt of the Stock Unit Awards.

(iv) Stock Unit Awards may be subject to a deferred payment schedule and/or vesting over a specified employment period.

(v) The Committee as a result of certain circumstances, may waive or otherwise remove, in whole or in part, any restriction or condition imposed on a Stock Unit Award at the time of Award.

ARTICLE 7

OPTION PRICE; SAR PRICE

The Option Price for any share of Common Stock which may be purchased under a Stock Option and the SAR Price for any share of Common Stock subject to an SAR shall be at least One Hundred Percent (100%) of the Fair Market Value of the share on the Date of Grant. If an Incentive Stock Option is granted to an Employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary), the Option Price shall be at least 110% of the Fair Market Value of the Common Stock on the Date of Grant.

ARTICLE 8

AWARD PERIOD; VESTING

8.1 Award Period. Subject to the other provisions of this Plan, the Committee may, in its discretion, provide that an Incentive may not be exercised in whole or in part for any period or periods of time or beyond any date specified in the Award Agreement. Except as provided in the Award Agreement, an Incentive may be exercised in whole or in part at any time during its term. The Award Period for an Incentive shall be reduced or terminated upon Termination of Service in accordance with this Article 8 and Article 9. No Incentive granted under the Plan may be exercised at any time after the end of its Award Period. No portion of any Incentive may be exercised after the expiration of ten (10) years from its Date of Grant. However, if an Employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary) and an Incentive Stock Option is granted to such Employee, the term of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no more than five (5) years from the Date of Grant.

8.2 Vesting. The Committee, in its sole discretion, may determine that an Incentive will be immediately exercisable, in whole or in part, or that all or any portion may not be exercised until a date, or dates, subsequent to its Date of Grant, or until the occurrence of one or more specified events, subject in any case to the terms of the Plan. If the Committee imposes conditions upon exercise, then subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Incentive may be exercised.

ARTICLE 9

TERMINATION OF SERVICE

In the event of Termination of Service of a Participant, an Incentive may only be exercised as determined by the Committee and provided in the Award Agreement.

ARTICLE 10

EXERCISE OF INCENTIVE

10.1 In General. A vested Incentive may be exercised during its Award Period, subject to limitations and restrictions set forth therein and in Article 9. A vested Incentive may be exercised at such times and in such amounts as provided in this Plan and the applicable Award Agreement, subject to the terms, conditions, and restrictions of the Plan.

In no event may an Incentive be exercised or shares of Common Stock be issued pursuant to an Award if a necessary listing or quotation of the shares of Common Stock on a stock exchange or inter-dealer quotation system or any registration under state or federal securities laws required under the circumstances has not been accomplished. No Incentive may be exercised for a fractional share of Common Stock. The granting of an Incentive shall impose no obligation upon the Participant to exercise that Incentive.

(a) Stock Options. Subject to such administrative regulations as the Committee may from time to time adopt, a Stock Option may be exercised by the delivery of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the Stock Option is to be exercised and the date of exercise thereof (the "Exercise Date") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. On the Exercise Date, the Participant shall deliver to the Company consideration with a value equal to the total Option Price of the shares to be purchased, payable as follows: (a) cash, check, bank draft, or money order payable to the order of the Company, (b) Common Stock (including Restricted Stock) owned by the Participant on the Exercise Date, valued at its Fair Market Value on the Exercise Date, (c) by delivery (including by FAX) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares of Common Stock purchased upon exercise of the Stock Option or to pledge such shares as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price, and/or (d) in any other form of valid consideration that is acceptable to the Committee in its sole discretion. In the event that shares of Restricted Stock are tendered as consideration for the exercise of a Stock Option, a number of shares of Common Stock issued upon the exercise of the Stock Option equal to the number of shares of Restricted Stock used as consideration therefor shall be subject to the same restrictions and provisions as the Restricted Stock so submitted.

Upon payment of all amounts due from the Participant, the Company shall cause certificates for the Common Stock then being purchased to be delivered as directed by the Participant (or the person exercising the Participant's Stock Option in the event of his death) at its principal business office promptly after the Exercise Date; provided that if the Participant has exercised an Incentive Stock Option, the Company may at its option retain physical possession of the certificate evidencing the shares acquired upon exercise until the expiration of the holding periods described in Section 422(a)(1) of the Code. The obligation of the Company to deliver shares of Common Stock shall, however, be subject to the condition that if at any time the Committee shall

determine in its discretion that the listing, registration, or qualification of the Stock Option or the Common Stock upon any securities exchange or inter-dealer quotation system or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the Stock Option or the issuance or purchase of shares of Common Stock thereunder, the Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

If the Participant fails to pay for any of the Common Stock specified in such notice or fails to accept delivery thereof, the Participant's right to purchase such Common Stock may be terminated by the Company.

(b) SARs. Subject to the conditions of this Section 10.1(b) and such administrative regulations as the Committee may from time to time adopt, an SAR may be exercised by the delivery (including by FAX) of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the SAR is to be exercised and the date of exercise thereof (the "Exercise Date") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. On the Exercise Date, the Participant shall receive from the Company in exchange therefor cash in an amount equal to the excess (if any) of the Fair Market Value (as of the date of the exercise of the SAR) per share of Common Stock over the SAR Price per share specified in such SAR, multiplied by the total number of shares of Common Stock of the SAR being surrendered. In the discretion of the Committee, the Company may satisfy its obligation upon exercise of an SAR by the distribution of that number of shares of Common Stock having an aggregate Fair Market Value (as of the date of the exercise of the SAR) equal to the amount of cash otherwise payable to the Participant, with a cash settlement to be made for any fractional share interests, or the Company may settle such obligation in part with shares of Common Stock and in part with cash.

10.2 Disqualifying Disposition of ISO. If shares of Common Stock acquired upon exercise of an Incentive Stock Option are disposed of by a Participant prior to the expiration of either two (2) years from the Date of Grant of such Stock Option or one (1) year from the transfer of shares of Common Stock to the Participant pursuant to the exercise of such Stock Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Participant shall notify the Company in writing of the date and terms of such disposition. A disqualifying disposition by a Participant shall not affect the status of any other Stock Option granted under the Plan as an Incentive Stock Option within the meaning of Section 422 of the Code.

ARTICLE 11

SPECIAL PROVISIONS APPLICABLE TO COVERED PARTICIPANTS

Awards subject to Performance Criteria paid to Covered Participants under this Plan shall be governed by the conditions of this Section 11 in addition to the requirements of Sections 6.4, 6.7, 6.8 and 6.9 above. Should conditions set forth under this Section 11 conflict with the requirements of Sections 6.4, 6.7, 6.8 and 6.9, the conditions of this Section 11 shall prevail.

(a) All Performance Measures, Goals, or Criteria relating to Covered Participants for a relevant Performance Period shall be established by the Committee in writing prior to the beginning of the Performance Period, or by such other later date for the Performance Period as may be permitted under Section 162(m) of the Code. The Performance Goals may be identical for all Participants or, at the discretion of the Committee, may be different to reflect more appropriate measures of individual performance.

(b) The Performance Goals relating to Covered Participants for a Performance Period shall be established by the Committee in writing. Performance Goals may include alternative and multiple Performance Goals and may be based on one or more business and/or financial criteria. In establishing the Performance Goals for the Performance Period, the Committee in its discretion may include one or any combination of the following criteria in either absolute or relative terms, for the Company or any Subsidiary:

(i) Total shareholder return;

(ii) Return on assets, equity, capital, or investment;

(iii) Pre-tax or after-tax profit levels, including: earnings per share; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; net operating profits after tax, and net income;

(iv) Cash flow and cash flow return on investment;

(v) Economic value added and economic profit;

(vi) Growth in earnings per share;

(vii) Levels of operating expense or other expense items as reported on the income statement, including operating and maintenance expense; or

(viii) Measures of customer satisfaction and customer service as surveyed from time to time, including the relative improvement therein.

(c) The Performance Goals must be objective and must satisfy third party "objectivity" standards under Section 162(m) of the Code, and the regulations promulgated thereunder.

(d) The Committee is authorized to make adjustments in the method of calculating attainment of Performance Goals in recognition of: (i) extraordinary or non-recurring items, (ii) changes in tax laws, (iii) changes in generally accepted accounting principles or changes in accounting principles, (iv) charges related to restructured or discontinued operations, (v) restatement of prior period financial results, and (vi) any other unusual, non-recurring gain or loss that is separately identified and quantified in the Company's financial statements. Notwithstanding the foregoing, the Committee may, at its sole

discretion, reduce the performance results upon which Awards are based under the Plan, to offset any unintended result(s) arising from events not anticipated when the Performance Goals were established, provided that such adjustment is permitted by Section 162(m) of the Code.

(e) The Performance Goals shall not allow for any discretion by the Committee as to an increase in any Award, but discretion to lower an Award is permissible.

(f) The Award and payment of any Award under this Plan to a Covered Participant with respect to a relevant Performance Period shall be contingent upon the attainment of the Performance Goals that are applicable to such Covered Participant. The Committee shall certify in writing prior to payment of any such Award that such applicable Performance Goals relating to the Award are satisfied. Approved minutes of the Committee may be used for this purpose.

(g) The maximum Award that may be paid to any Covered Participant under the Plan pursuant to Sections 6.4, 6.7, 6.8 and 6.9 for any Performance Period shall be (i) if in cash, One Million Dollars (\$1,000,000.00) and (ii) if in shares of Common Stock, five hundred thousand (500,000) shares.

(h) All Awards to Covered Participants under this Plan shall be further subject to such other conditions, restrictions, and requirements as the Committee may determine to be necessary to carry out the purpose of this Section 11.

ARTICLE 12

AMENDMENT OR DISCONTINUANCE

Subject to the limitations set forth in this Article 12, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; provided, however, that no amendment which requires stockholder approval in order for the Plan and Incentives awarded under the Plan to continue to comply with Section 162(m) of the Code, including any successors to such Section, shall be effective unless such amendment shall be approved by the requisite vote of the stockholders of the Company entitled to vote thereon. Any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding Incentives theretofore granted under the Plan, notwithstanding any contrary provisions contained in any Award Agreement. In the event of any such amendment to the Plan, the holder of any Incentive outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any Award Agreement relating thereto. Notwithstanding anything contained in this Plan to the contrary, unless required by law, no action contemplated or permitted by this Article 12 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Incentive theretofore granted under the Plan without the consent of the affected Participant.

ARTICLE 13

EFFECTIVE DATE AND TERM

The Plan shall be effective as set forth in Section 18.11. Unless sooner terminated by action of the Board, the Plan will terminate on September 30, 2016, but Incentives granted before that date will continue to be effective in accordance with their terms and conditions.

ARTICLE 14

CAPITAL ADJUSTMENTS

If at any time while the Plan is in effect, or Incentives are outstanding, there shall be any increase or decrease in the number of issued and outstanding shares of Common Stock resulting from (1) the declaration or payment of a stock dividend, (2) any recapitalization resulting in a stock split-up, combination, or exchange of shares of Common Stock, or (3) other increase or decrease in such shares of Common Stock effected without receipt of consideration by the Company, then and in such event:

(a) An appropriate adjustment shall be made in the maximum number of shares of Common Stock then subject to being awarded under the Plan and in the maximum number of shares of Common Stock that may be awarded to a Participant to the end that the same proportion of the Company's issued and outstanding shares of Common Stock shall continue to be subject to being so awarded.

(b) Appropriate adjustments shall be made in the number of shares of Common Stock and the Option Price thereof then subject to purchase pursuant to each such Stock Option previously granted and unexercised, to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each such instance shall remain subject to purchase at the same aggregate Option Price.

(c) Appropriate adjustments shall be made in the number of SARs and the SAR Price thereof then subject to exercise pursuant to each such SAR previously granted and unexercised, to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise at the same aggregate SAR Price.

(d) Appropriate adjustments shall be made in the number of outstanding shares of Restricted Stock with respect to which restrictions have not yet lapsed prior to any such change.

(e) Appropriate adjustments shall be made with respect to shares of Common Stock applicable to any other Incentives previously awarded under the Plan as the Committee, in its sole discretion, deems appropriate, consistent with the event.

Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe

therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to (i) the number of or Option Price of shares of Common Stock then subject to outstanding Stock Options granted under the Plan, (ii) the number of or SAR Price or SARs then subject to outstanding SARs granted under the Plan, (iii) the number of outstanding shares of Restricted Stock, or (iv) the number of shares of Common Stock otherwise payable under any other Incentive.

Upon the occurrence of each event requiring an adjustment with respect to any Incentive, the Company shall mail to each affected Participant its computation of such adjustment which shall be conclusive and shall be binding upon each such Participant.

ARTICLE 15

RECAPITALIZATION, MERGER AND CONSOLIDATION; CHANGE IN CONTROL

(a) The existence of this Plan and Incentives granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure and its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Subject to any required action by the stockholders, if the Company shall be the surviving or resulting corporation in any merger, consolidation or share exchange, any Incentive granted hereunder shall pertain to and apply to the securities or rights (including cash, property, or assets) to which a holder of the number of shares of Common Stock subject to the Incentive would have been entitled.

(c) In the event of any merger, consolidation or share exchange pursuant to which the Company is not the surviving or resulting corporation, there shall be substituted for each share of Common Stock subject to the unexercised portions of such outstanding Incentives, that number of shares of each class of stock or other securities or that amount of cash, property, or assets of the surviving, resulting or consolidated company which were distributed or distributable to the stockholders of the Company in respect to each share of Common Stock held by them, such outstanding Incentives to be thereafter exercisable for such stock, securities, cash, or property in accordance with their terms. Notwithstanding the foregoing, however, all Stock Options and SARs may be canceled by the Company immediately prior to the effective date of any such reorganization, merger, consolidation, share exchange or any dissolution or liquidation of the Company by giving notice to each holder thereof or his personal representative of its intention to do so and by permitting the purchase during the thirty (30) day period next preceding such effective date of all or any

portion of all of the shares of Common Stock subject to such outstanding Incentives whether or not such Incentives are then vested or exercisable.

(d) In the event of a Change in Control, notwithstanding any other provision in this Plan to the contrary all unmaturred installments of Incentives outstanding and not otherwise canceled in accordance with Section 15(c) above, shall thereupon automatically be accelerated and exercisable in full and all Restriction Periods applicable to Awards of Restricted Stock and/or Restricted Stock Units shall automatically expire. The determination of the Committee that any of the foregoing conditions has been met shall be binding and conclusive on all parties.

ARTICLE 16

LIQUIDATION OR DISSOLUTION

In case the Company shall, at any time while any Incentive under this Plan shall be in force and remain unexpired, (i) sell all or substantially all of its property, or (ii) dissolve, liquidate, or wind up its affairs, then each Participant shall be thereafter entitled to receive, in lieu of each share of Common Stock of the Company which such Participant would have been entitled to receive under the Incentive, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidation, or winding up with respect to each share of Common Stock of the Company. If the Company shall, at any time prior to the expiration of any Incentive, make any partial distribution of its assets, in the nature of a partial liquidation, whether payable in cash or in kind (but excluding the distribution of a cash dividend payable out of earned surplus and designated as such) then in such event the Option Prices or SAR Prices then in effect with respect to each Stock Option or SAR shall be reduced, on the payment date of such distribution, in proportion to the percentage reduction in the tangible book value of the shares of the Company's Common Stock (determined in accordance with generally accepted accounting principles) resulting by reason of such distribution.

ARTICLE 17

INCENTIVES IN SUBSTITUTION FOR INCENTIVES GRANTED BY OTHER CORPORATIONS

Incentives may be granted under the Plan from time to time in substitution for similar instruments held by employees of a corporation who become or are about to become Employees of the Company or any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company or the acquisition by the Company of stock of the employing corporation. The terms and conditions of the substitute Incentives so granted may vary from the terms and conditions set forth in this Plan to such extent as the Board at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the Incentives in substitution for which they are granted.

ARTICLE 18

MISCELLANEOUS PROVISIONS

18.1 Investment Intent. The Company may require that there be presented to and filed with it by any Participant under the Plan, such evidence as it may deem necessary to establish that the Incentives granted or the shares of Common Stock to be purchased or transferred are being acquired for investment and not with a view to their distribution.

18.2 No Right to Continued Employment. Neither the Plan nor any Incentive granted under the Plan shall confer upon any Participant any right with respect to continuance of employment by the Company or any Subsidiary.

18.3 Indemnification of Board and Committee. No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation.

18.4 Effect of the Plan. Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any person any right to be granted an Award or any other rights except as may be evidenced by an Award Agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

18.5 Compliance With Other Laws and Regulations. Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Incentive if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the 1934 Act and Section 162(m) of the Code); and, as a condition of any sale or issuance of shares of Common Stock under an Incentive, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan, the grant and exercise of Incentives hereunder, and the obligation of the Company to sell and deliver shares of Common Stock, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

18.6 Tax Requirements. The Company shall have the right to deduct from all amounts hereunder paid in cash or other form, any Federal, state, or local taxes required by law to be withheld with respect to such payments. The Participant receiving shares of Common Stock issued under the Plan shall be required to pay the Company the amount of any taxes which the Company is required to withhold with respect to such shares of Common Stock. Notwithstanding the foregoing, in the event of an assignment of a Non-qualified Stock Option or SAR pursuant to Section 18.7, the Participant who assigns the Non-qualified Stock Option or SAR shall remain subject to withholding taxes upon exercise of the Non-qualified Stock Option or SAR by the transferee to the extent required by the Code or the rules and regulations promulgated thereunder. Such payments shall be required to be made prior to the delivery of any

certificate representing such shares of Common Stock. Such payment may be made in cash, by check, or through the delivery of shares of Common Stock owned by the Participant (which may be effected by the actual delivery of shares of Common Stock by the Participant or by the Company's withholding a number of shares to be issued upon the exercise of a Stock Option, if applicable), which shares have an aggregate Fair Market Value equal to the required minimum withholding payment, or any combination thereof.

18.7 Assignability. Incentive Stock Options may not be transferred or assigned other than by will or the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or the Participant's legally authorized representative, and each Award Agreement in respect of an Incentive Stock Option shall so provide. The designation by a Participant of a beneficiary will not constitute a transfer of the Stock Option. The Committee may waive or modify any limitation contained in the preceding sentences of this Section 18.7 that is not required for compliance with Section 422 of the Code. The Committee may, in its discretion, authorize all or a portion of a Non-qualified Stock Option or SAR to be granted to a Participant to be on terms which permit transfer by such Participant to (i) the spouse, children or grandchildren of the Participant ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision, or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (x) there shall be no consideration for any such transfer, (y) the Award Agreement pursuant to which such Non-qualified Stock Option or SAR is granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Section, and (z) subsequent transfers of transferred Non-qualified Stock Options or SARs shall be prohibited except those by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended. Following transfer, any such Non-qualified Stock Option and SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Articles 10, 12, 14, 16 and 18 hereof the term "Participant" shall be deemed to include the transferee. The events of Termination of Service shall continue to be applied with respect to the original Participant, following which the Non-qualified Stock Options and SARs shall be exercisable by the transferee only to the extent and for the periods specified in the Award Agreement. The Committee and the Company shall have no obligation to inform any transferee of a Non-qualified Stock Option or SAR of any expiration, termination, lapse or acceleration of such Option. The Company shall have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Non-qualified Stock Option or SAR that has been transferred by a Participant under this Section 18.7.

18.8 Use of Proceeds. Proceeds from the sale of shares of Common Stock pursuant to Incentives granted under this Plan shall constitute general funds of the Company.

18.9 Governing Law. The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the State of Texas and applicable Federal law.

18.10 Successors and Assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, expressly to assume and agree to perform the Company's obligation under this Plan in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. As used

herein, the "Company" shall mean the Company as hereinbefore defined and any aforesaid successor to its business and/or assets.

18.11 Effective Date. The Plan became effective as of October 1, 1998. After termination of the Plan, no future Awards may be made.

18.12 Legend. Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend, or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof (any such certificate not having such legend shall be surrendered upon demand by the Company and so endorsed):

On the face of the certificate:

"Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate."

On the reverse:

"The shares of stock evidenced by this certificate are subject to and transferrable only in accordance with that certain Atmos Energy Corporation 1998 Long-Term Incentive Plan, a copy of which is on file at the principal office of the Company in Dallas, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of said Plan. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of said Plan."

The following legend shall be inserted on a certificate evidencing Common Stock issued under the Plan if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

"Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws, and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws, or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may rely upon an opinion of counsel satisfactory to the Company."

A copy of this Plan shall be kept on file in the principal executive offices of the Company in Dallas, Texas.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of February 10, 2011, by its President pursuant to prior actions taken by the Board and the shareholders of the Company.

ATMOS ENERGY CORPORATION

By: /s/ KIM R. COCKLIN
Kim R. Cocklin
President and
Chief Executive Officer

Attest:

/s/ DWALA KUHN
Dwala Kuhn
Corporate Secretary

Customer Contact Center Incentive Program
February 2010

Objectives

- Incent performance consistent with the Enterprise's customer service strategy and direction
- Incent a higher level of performance based on exceeding targets defined in the Scorecard
- Balance incentive between quality and productivity
- Roll out a plan that is achievable

What is the incentive?

- The Scorecard is comprised of four key metrics
- Each key metric is weighted based on impact to the Customer and to the Contact Center
- The incentive is based on exceeding targets for the four metrics
- Ranges have been established to incent a higher level of performance
- The higher the weight of the key metric, the more it will impact the incentive payout

Guidelines

- Quality Assurance result is a 3 month average
- Absenteeism Rate is a 12 month rolling number
 - *Occurrence Rate will no longer be used in Incentive calculation or Absenteeism on the Scorecard*
- Schedule Adherence and Handle Time will be scored in the current incentive period
- Personal time will no longer be included in Handle Time
- If the CSA is on disciplinary action, no incentive will be paid out in the period received
- The incentive amount can increase or decrease based on the hours worked
- Targets and Incentive ranges will be used, not floor averages
- Targets and Incentive ranges will continuously be evaluated and adjusted if necessary

Targets and Ranges

- The key metrics on the Scorecard will have targets associated with each metric
 - Targets identified so CSAs understand the expectation of the key metric
 - A target will be coached as a goal that all CSAs can and should achieve
- The key metrics on the Incentive will have ranges associated with each metric and different levels of payout
 - Incentive ranges are what the CSA achieves in excess of the base responsibilities
 - Ranges are set up to incent CSAs to achieve above standard results

How to Calculate

- $\text{The Attendance Score} + \text{Quality Score} + \text{Schedule Adherence Score} + \text{Handle Time Score} = \text{Total Score and Payout Level}$
- Less:
- $\text{Payout Level} * \text{Percentage of Hours worked} = \text{PAYOUT}$
- Multiply:
- $\text{Overtime Hours} / \text{Scheduled Hours} = \text{Percentage Overtime worked}$
- $\text{Percentage of OT worked} * \text{Payout} = \text{TOTAL PAYOUT}$

Example data January 2010 – New Customer



- New Customer Incentive Points and results
 - Amarillo includes Jackson

Incentive Ranges
<6:30
6:30 - 6:45
6:46 - 7:15
7:16 - 7:45
>7:45

Today, approximately 40% are disqualified due to handle time

Waco New Customer	# of	Percent	Amarillo New Customer	# of	Percent
No incentive points	30	37.04%	No incentive points	27	39.71%
Level 1 55 points	18	22.22%	Level 1 55 points	7	10.29%
Level 2 75 points	12	14.81%	Level 2 75 points	9	13.24%
Level 3 90 points	5	6.17%	Level 3 90 points	11	16.18%
Level 4 100 points	16	19.75%	Level 4 100 points	14	20.59%

Incentive Calculation



Step 1

To estimate incentive:

Step 1: CSA enters estimated results in Orange cells with an X

Step 2: Enters a percentage of calls answered

Step 3: Enters Overtime and Hours Missed

Step 4: Sees estimated payout

See spreadsheet for more details.

		Scale	Results	Points	Percent of Attendance	Attendance Score	Scorecard Weight	Score
Attendance - Absenteeism Rate		<1.0%		100	100%	90	35%	31.5
		1.0% - 1.4%	X	90				
		1.5% - 2.0%		75				
		2.1% - 2.5%		55				
		>2.5%		0				
		Scale	Results	Points	Percent of Schedule Adherence	Schedule Adherence Score	Scorecard Weight	Score
Schedule Adherence		≥95% or higher		100	100%	55	20%	11.0
		87.5 - 94.9%		90				
		80.0 - 87.4%		75				
		72.5 - 79.9%	X	55				
		<72.5%		0				
		Scale	Results	Points	% of Calls Answered	AHT Score	Scorecard Weight	Score
Handle Time	New Customer Calls	<6:45		100	0%	550	15%	8.3
		6:45 - 7:15		90				
		7:16 - 7:45	X	75				
		7:46 - 8:15		55				
		>8:15		0				
	All Other Calls	<5:15		100	100%	550	15%	8.3
		5:15 - 5:45		90				
		5:46 - 6:15		75				
		6:16 - 6:45	X	55				
		>6:45		0				
	Spanish	<4:45		100	0%	550	15%	8.3
		4:45 - 5:15		90				
		5:16 - 5:45	X	75				
		5:46 - 6:15		55				
		>6:15		0				
		Scale	Results	Points	Percent of Quality	Quality Score	Scorecard Weight	Score
Quality		100% or higher		100	100%	90	30%	27.0
		95% - 99.9%	X	90				
		90% - 94.9%		75				
		80% - 89.9%		55				
		<80%		0				

Payout Table	
Scorecard Results	Incentive Payout
100.0	\$525
90.0 - 99.9	\$365
75.0 - 89.9	\$205
50.0 - 74.9	\$75
<50.0	\$0

WORKSHEET	
Total Hours	160
OT Hours	
Hours Missed	
% of Payout	100%

TOTAL	PAYOUT
77.8	\$ 245.00

Step 3

Step 2

Step 4

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-31
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REQUEST:

Describe and quantify any SERP costs included in the Company's filing and describe how the Company's claim for SERP costs was determined.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-31_Att1 - SERP Costs FY11.xlsx, 2 pages.

Atmos Energy Corporation, SSU and KS
 SERP Costs
 For Fiscal Years 2011

Division	Cost Center	Cost Center Description	Account	Account Description	Sub Account	Sub Account Description		Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Total
002	1908	SS Dallas SEBP	9260	A&G - Employee Pensions and Benefits	07489	NQ Retirement Cost	Total Expense	754,113	753,192	754,113	754,113	754,113	779,113	765,044	754,113	760,613	755,613	754,113	754,113	9,092,365
							Capitalization Rate	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%	56.58%
							Amount Capitalized	426,655	426,134	426,655	426,655	426,655	440,799	432,839	426,655	430,332	427,503	426,655	426,655	5,144,190
							Net Expense	327,458	327,058	327,458	327,458	327,458	338,314	332,205	327,458	330,281	328,110	327,458	327,458	3,948,176
002	1402	SS Dallas Executive Compensation	9260	A&G - Employee Pensions and Benefits	07489	NQ Retirement Cost	Total Expense	-	8,881	13,000	21,500	-	-	-	-	231	(1,667)	-	(231)	41,714
							Capitalization Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							Amount Capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-
							Net Expense	-	8,881	13,000	21,500	-	-	-	-	231	(1,667)	-	(231)	41,714
							Total Expense*	327,458	335,939	340,458	348,958	327,458	338,314	332,205	327,458	330,512	326,443	327,458	327,227	3,989,890

*The amounts reflected are before allocations

Note
 All SERP costs for Company 10 (Shared Services) are recorded in Division 002

Atmos Energy Corporation, SSU and KS
SERP Costs
For Fiscal Years 2011

Division	Account	Account Description	Sub Account	Sub Account Description	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Total
030	9260	A&G - Employee Pensions and Benefits	07489	NQ Retirement Cost	13,998	13,998	13,998	13,998	13,998	13,998	13,998	13,998	13,998	13,998	13,998	13,998	167,980
030	9260	A&G - Employee Pensions and Benefits	07490	Capitalized SERP Net Expense	(5,708)	(5,708)	(5,708)	(5,708)	(5,708)	(5,708)	(5,708)	(5,596)	(5,596)	(5,596)	(5,596)	(5,596)	(67,939)
					8,290	8,290	8,290	8,290	8,290	8,290	8,290	8,402	8,402	8,402	8,402	8,402	100,041

Note

All SERP costs for Company 60 (Atmos Energy -Colorado-Kansas) are recorded in Division 030

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-51
Page 52 of 84

REQUEST:

Provide, for each of the past five years as well as for the test year:

- a) the amount of bad debts written-off,
- b) the amount of bad debts written off that were subsequently recovered,
- c) the amount of any additions to a bad debt reserve, and
- d) the total revenues from electric sales.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-51_Att1 - Bad Debt.xlsx, 1 Page.

Atmos Energy Corporation, SSU and KS
KS Bad Debt
For Fiscal Years 2007 thru 2011

Bad Debt Writeoffs					
Division	FY07	FY08	FY09	FY10	FY11
081	1,961,960	1,288,198	837,791	796,030	838,836
086	217,053	116,310	15,954	10,969	13,899
030	-	-	-	-	-
TOTAL	2,179,013	1,404,508	853,745	806,998	852,734

Bad Debt Recovered					
Division	FY07	FY08	FY09	FY10	FY11
081	(1,258,007)	(564,402)	(644,744)	(499,227)	(362,154)
086	(103,631)	(12,451)	(11,773)	(7,232)	(7,281)
030	(518)	(412)	-	-	-
	(1,362,156)	(577,264)	(656,517)	(506,460)	(369,434)

Additions to Bad Debt Expense					
Division	FY07	FY08	FY09	FY10	FY11
081	847,181	800,368	(67,572)	141,859	644,650
086	50,566	101,628	(15,454)	(6,554)	18,030
030	(8,167)	(412)	-	-	-
TOTAL	889,580	901,584	(83,027)	135,305	662,680

Total Gas Revenue					
Division	FY07	FY08	FY09	FY10	FY11
081	135,335,107	159,943,978	132,219,113	112,432,941	102,803,867
086	13,657,570	16,007,347	6,708,523	8,328,428	11,773,668
030	-	-	-	-	-
TOTAL	148,992,676	175,951,325	138,927,636	120,761,369	114,577,535

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. CURB-64
Page 65 of 84

REQUEST:

Provide the amount of meals expenses included in the test year but disallowed for tax purposes.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-64_Att1 - Meals.xlsx, 1 Page.

Atmos Energy Corp., SSU and KS
Sub Account 05411
For Fiscal Year 2011

<u>Division</u>	<u>Division Description</u>	<u>Sub Account</u>	<u>Sub Account Description</u>	<u>Total</u>
002	Dallas Atmos Rate Division - 002DIV	05411	Meals & Entertainment	494,160.88
012	Call Center Division - 012DIV	05411	Meals & Entertainment	157,270.11
030	GGC/Denver Company Division - 030DIV	05411	Meals & Entertainment	80,463.49
080	GGC-Kansas ADM Division - 080DIV	05411	Meals & Entertainment	26,609.48
081	KS Division - 081DIV	05411	Meals & Entertainment	66,155.23
086	Southwest Kansas Division - 086DIV	05411	Meals & Entertainment	1,640.06
				<u>826,299.25</u>
			Percentage Disallowed for Tax Purposes	50%
				<u><u>413,149.63</u></u>

Note

Both meals and entertainment are recorded in Sub Account 05411

KS_12-ATMG-XXX-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-62
Page 1 of 1

REQUEST:

[Income Statement] - Please Provide Staff with the Following Information

List each expense related to payment of employee association dues or contributions. Specifically identify the activity and dollar amount paid, the account recorded in, where, and how such items are included in the application and the benefit to rate payers.

Submitted By: The Kansas Corporation Commission Staff

Submitted To: Atmos Energy Corporation

RESPONSE:

Please see Attachment 1. The Company supports community involvement of all of its leaders through participation in professional associations and community associations. This benefits the employee, and therefore the customer, by improving the employee's knowledge and skills in performing their duties and allows employees to be more involved in the activities of their communities.

Please note that an adjustment has been made on "WP 9-7" in Section 9 of the Company's filing to exclude potential expense report items (such as luxury meals) that Staff or Interveners, such as CURB, might deem as inappropriate for inclusion in the rate setting process.

Atmos Energy agrees, without condition, to also exclude other items that are direct billed, but did not get excluded in the process of preparing this case if Staff or CURB will bring it to Atmos Energy's attention.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Membership Fees and Dues, 3 Pages.

Atmos Energy Corporation, Shared Services and KS
 Membership Fees and Dues
 TME September 30, 2011

Division	Division Name	VENDOR	Account	Account Description	Amount
002	Dallas Atmos Rate Division - 002DIV	AGA COMMITTEE	9302	A&G - Miscellaneous General Expense	95
002	Dallas Atmos Rate Division - 002DIV	AICPA	9210	A&G - Office Supplies and Expenses	5,083
002	Dallas Atmos Rate Division - 002DIV	AICPA	9302	A&G - Miscellaneous General Expense	215
002	Dallas Atmos Rate Division - 002DIV	AMERICAN BAR ASSOCIATION	9302	A&G - Miscellaneous General Expense	798
002	Dallas Atmos Rate Division - 002DIV	AMERICAN EXPRESS TRS CO - PCARD	9210	A&G - Office Supplies and Expenses	2,010
002	Dallas Atmos Rate Division - 002DIV	AMERICAN GAS ASSOCIATION	9210	A&G - Office Supplies and Expenses	850
002	Dallas Atmos Rate Division - 002DIV	AMERICAN MARKETING ASSOCIATION	9210	A&G - Office Supplies and Expenses	245
002	Dallas Atmos Rate Division - 002DIV	AMERICAN PAYROLL ASSOCIATION	9210	A&G - Office Supplies and Expenses	219
002	Dallas Atmos Rate Division - 002DIV	AMERICAN SCHOOL OF GAS MANAGEMENT TECHNOLOGY	9210	A&G - Office Supplies and Expenses	83
002	Dallas Atmos Rate Division - 002DIV	AMERICAN SOCIETY OF TRAINING AND DEVELOPMENT	9210	A&G - Office Supplies and Expenses	160
002	Dallas Atmos Rate Division - 002DIV	ARMA INTERNATIONAL	9302	A&G - Miscellaneous General Expense	210
002	Dallas Atmos Rate Division - 002DIV	ASSOCIATION FOR FINANCIAL PROFESSIONALS	9210	A&G - Office Supplies and Expenses	395
002	Dallas Atmos Rate Division - 002DIV	ASSOCIATION OF CORPORATE COUNSEL	9302	A&G - Miscellaneous General Expense	595
002	Dallas Atmos Rate Division - 002DIV	BANK OF AMERICA	9210	A&G - Office Supplies and Expenses	528
002	Dallas Atmos Rate Division - 002DIV	CHARTERED FINANCIAL INSTITUTE	9210	A&G - Office Supplies and Expenses	275
002	Dallas Atmos Rate Division - 002DIV	CLERK OF THE SUPREME COURT	9302	A&G - Miscellaneous General Expense	220
002	Dallas Atmos Rate Division - 002DIV	CLERK SUPREME COURT	9302	A&G - Miscellaneous General Expense	235
002	Dallas Atmos Rate Division - 002DIV	CORENET GLOBAL	9210	A&G - Office Supplies and Expenses	635
002	Dallas Atmos Rate Division - 002DIV	DALLAS BAR ASSOCIATION	9210	A&G - Office Supplies and Expenses	270
002	Dallas Atmos Rate Division - 002DIV	DALLAS BAR ASSOCIATION	9302	A&G - Miscellaneous General Expense	635
002	Dallas Atmos Rate Division - 002DIV	DALLAS MOMENTUM INC	9210	A&G - Office Supplies and Expenses	50,000
002	Dallas Atmos Rate Division - 002DIV	DC BAR DUES	9302	A&G - Miscellaneous General Expense	248
002	Dallas Atmos Rate Division - 002DIV	DFW BUSINESS GROUP ON HEALTH	9302	A&G - Miscellaneous General Expense	800
002	Dallas Atmos Rate Division - 002DIV	ENERGY BAR ASSOCIATION	9302	A&G - Miscellaneous General Expense	145
002	Dallas Atmos Rate Division - 002DIV	FINANCIAL ACCOUNTING STANDARDS BOARD	9210	A&G - Office Supplies and Expenses	4,600
002	Dallas Atmos Rate Division - 002DIV	FINANCIAL EXECUTIVES INSTITUTE	9210	A&G - Office Supplies and Expenses	745
002	Dallas Atmos Rate Division - 002DIV	GARTNER INC	9210	A&G - Office Supplies and Expenses	24,221
002	Dallas Atmos Rate Division - 002DIV	IAUG	9210	A&G - Office Supplies and Expenses	250
002	Dallas Atmos Rate Division - 002DIV	INSTITUTE FOR PROFESSIONALS IN TAXATION	9210	A&G - Office Supplies and Expenses	900
002	Dallas Atmos Rate Division - 002DIV	INSTITUTE FOR SUPPLY MANAGEMENT	9030	Customer Accounts - Customer Records and Collection Expenses	200
002	Dallas Atmos Rate Division - 002DIV	INTERNATIONAL FACILITY MANAGERS ASSOCIATION	9210	A&G - Office Supplies and Expenses	654
002	Dallas Atmos Rate Division - 002DIV	INTERNATIONAL SOCIETY OF CERTIFIED	9302	A&G - Miscellaneous General Expense	225
002	Dallas Atmos Rate Division - 002DIV	LOUISIANA STATE BAR	9302	A&G - Miscellaneous General Expense	609
002	Dallas Atmos Rate Division - 002DIV	MARYLAND BAR ASSOCIATION	9302	A&G - Miscellaneous General Expense	145
002	Dallas Atmos Rate Division - 002DIV	NATIONAL ASSOCIATION OF FLEET ADMINISTRATORS	9210	A&G - Office Supplies and Expenses	70
002	Dallas Atmos Rate Division - 002DIV	NATIONAL ASSOCIATION OF PURCHASING CARD PROFESSIONALS	9210	A&G - Office Supplies and Expenses	495
002	Dallas Atmos Rate Division - 002DIV	NATIONAL ASSOCIATION OF STOCK PLAN PROFESSIONALS	9210	A&G - Office Supplies and Expenses	780
002	Dallas Atmos Rate Division - 002DIV	NATIONAL ENERGY SERVICES ASSOCIATION	9210	A&G - Office Supplies and Expenses	100
002	Dallas Atmos Rate Division - 002DIV	NATIONAL GAS AND ELECTRIC POWER SOCIETY	9210	A&G - Office Supplies and Expenses	85
002	Dallas Atmos Rate Division - 002DIV	NATIONAL INVESTOR RELATIONS INSTITUTE	9210	A&G - Office Supplies and Expenses	1,995
002	Dallas Atmos Rate Division - 002DIV	NATIONAL LOW INCOME ENERGY CONSORTIUM	9210	A&G - Office Supplies and Expenses	2,500
002	Dallas Atmos Rate Division - 002DIV	NATIONAL ORDER OF DIVISION ORDER ANALYSTS	9210	A&G - Office Supplies and Expenses	75
002	Dallas Atmos Rate Division - 002DIV	NEW ORLEANS BAR ASSOCIATION	9302	A&G - Miscellaneous General Expense	125
002	Dallas Atmos Rate Division - 002DIV	NORTH AMERICAN ENERGY STANDARDS BOARD	9210	A&G - Office Supplies and Expenses	8,500
002	Dallas Atmos Rate Division - 002DIV	NORTHEAST LEADERSHIP FORUM	9210	A&G - Office Supplies and Expenses	100
002	Dallas Atmos Rate Division - 002DIV	NYSE BOARD	9302	A&G - Miscellaneous General Expense	275
002	Dallas Atmos Rate Division - 002DIV	O AUG	9210	A&G - Office Supplies and Expenses	800
002	Dallas Atmos Rate Division - 002DIV	OKLAHOMA ACCOUNTANCY BOARD	9210	A&G - Office Supplies and Expenses	37
002	Dallas Atmos Rate Division - 002DIV	OKLAHOMA ACCOUNTANCY BOARD	9302	A&G - Miscellaneous General Expense	17
002	Dallas Atmos Rate Division - 002DIV	OKLAHOMA BAR ASSOCIATION	9302	A&G - Miscellaneous General Expense	275
002	Dallas Atmos Rate Division - 002DIV	OKLAHOMA BOARD ACCOUNTANCY	9210	A&G - Office Supplies and Expenses	71
002	Dallas Atmos Rate Division - 002DIV	OKLAHOMA SOCIETY OF CPAS	9210	A&G - Office Supplies and Expenses	110
002	Dallas Atmos Rate Division - 002DIV	OKLAHOMA SOCIETY OF CPAS	9302	A&G - Miscellaneous General Expense	110
002	Dallas Atmos Rate Division - 002DIV	PCAOB PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD	9210	A&G - Office Supplies and Expenses	28,900
002	Dallas Atmos Rate Division - 002DIV	PECO ENERGY	9210	A&G - Office Supplies and Expenses	450
002	Dallas Atmos Rate Division - 002DIV	PLATTS INC	9210	A&G - Office Supplies and Expenses	99,157
002	Dallas Atmos Rate Division - 002DIV	PUBLIC AFFAIRS COUNCIL	9210	A&G - Office Supplies and Expenses	7,000
002	Dallas Atmos Rate Division - 002DIV	PUBLIC RELATIONS SOCIETY OF AMERICA	9210	A&G - Office Supplies and Expenses	780
002	Dallas Atmos Rate Division - 002DIV	QIA GLOBAL INSTITUTE	9210	A&G - Office Supplies and Expenses	120
002	Dallas Atmos Rate Division - 002DIV	QUALITY ASSURANCE INSTITUTE	9210	A&G - Office Supplies and Expenses	120
002	Dallas Atmos Rate Division - 002DIV	QUORUM BUSINESS SOLUTIONS INC	9210	A&G - Office Supplies and Expenses	600
002	Dallas Atmos Rate Division - 002DIV	RIMS	9210	A&G - Office Supplies and Expenses	875
002	Dallas Atmos Rate Division - 002DIV	SGA SOUTHERN GAS ASSOCIATION	9210	A&G - Office Supplies and Expenses	765
002	Dallas Atmos Rate Division - 002DIV	SOCIETY FOR HUMAN RESOURCE MANAGEMENT	9210	A&G - Office Supplies and Expenses	450
002	Dallas Atmos Rate Division - 002DIV	SOCIETY FOR INFORMATION MANAGEMENT	9210	A&G - Office Supplies and Expenses	580
002	Dallas Atmos Rate Division - 002DIV	SOCIETY OF CORPORATE SECRETARIES	9302	A&G - Miscellaneous General Expense	495
002	Dallas Atmos Rate Division - 002DIV	SOCIETY OF PETROLEUM ENGINEERS	9210	A&G - Office Supplies and Expenses	115

Atmos Energy Corporation, Shared Services and KS
 Membership Fees and Dues
 TME September 30, 2011

Division	Division Name	VENDOR	Account	Account Description	Amount
002	Dallas Atmos Rate Division - 002DIV	SOUTHEASTERN ASSOCIATION OF ADMINISTRATORS	9210	A&G - Office Supplies and Expenses	500
002	Dallas Atmos Rate Division - 002DIV	STATE BAR OF TEXAS	9210	A&G - Office Supplies and Expenses	860
002	Dallas Atmos Rate Division - 002DIV	STATE BAR OF TEXAS	9302	A&G - Miscellaneous General Expense	3,389
002	Dallas Atmos Rate Division - 002DIV	STRATEGIC SOURCING	9210	A&G - Office Supplies and Expenses	250
002	Dallas Atmos Rate Division - 002DIV	SUPREME COURT OF TEXAS	9210	A&G - Office Supplies and Expenses	285
002	Dallas Atmos Rate Division - 002DIV	TAX EXECUTIVES INSTITUTE	9210	A&G - Office Supplies and Expenses	225
002	Dallas Atmos Rate Division - 002DIV	TEXAS ALLIANCE OF ENERGY PRODUCERS	9210	A&G - Office Supplies and Expenses	240
002	Dallas Atmos Rate Division - 002DIV	TEXAS ASSOCIATION OF	9210	A&G - Office Supplies and Expenses	400
002	Dallas Atmos Rate Division - 002DIV	TEXAS BOARD OF PROFESSIONAL ENGINEERS	9210	A&G - Office Supplies and Expenses	270
002	Dallas Atmos Rate Division - 002DIV	TEXAS DEPARTMENT OF INSURANCE	9210	A&G - Office Supplies and Expenses	50
002	Dallas Atmos Rate Division - 002DIV	TEXAS DEPARTMENT OF LICENSING AND	9210	A&G - Office Supplies and Expenses	550
002	Dallas Atmos Rate Division - 002DIV	TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY	9210	A&G - Office Supplies and Expenses	7,680
002	Dallas Atmos Rate Division - 002DIV	TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY	9302	A&G - Miscellaneous General Expense	1,250
002	Dallas Atmos Rate Division - 002DIV	TEXAS STATE COMPTROLLER	9302	A&G - Miscellaneous General Expense	265
002	Dallas Atmos Rate Division - 002DIV	THE CORPORATECOUNCIL.NET	9302	A&G - Miscellaneous General Expense	1,195
002	Dallas Atmos Rate Division - 002DIV	TX SOCIETY OF CPAs	9210	A&G - Office Supplies and Expenses	5,488
002	Dallas Atmos Rate Division - 002DIV	UNCLAIMED PROPERTY PROFESSIONALS	9210	A&G - Office Supplies and Expenses	425
002	Dallas Atmos Rate Division - 002DIV	UNIVERSITY OF OKLAHOMA	9210	A&G - Office Supplies and Expenses	5,000
002	Dallas Atmos Rate Division - 002DIV	US GREEN BUILDING COUNCIL	9210	A&G - Office Supplies and Expenses	3,550
002	Dallas Atmos Rate Division - 002DIV	WESTERN CONFERENCE OF PUBLIC SERVICE COMMISSIONERS	9210	A&G - Office Supplies and Expenses	1,340
002	Dallas Atmos Rate Division - 002DIV	WORLD @ WORK	9210	A&G - Office Supplies and Expenses	245
002	Dallas Atmos Rate Division - 002DIV	YOUNG PROFESSIONAL OF GREATER DALLAS	9302	A&G - Miscellaneous General Expense	175
002	Dallas Atmos Rate Division - 002DIV	NORTH TEXAS MEASUREMENT ASSOCIATION	9210	A&G - Office Supplies and Expenses	15
002	Dallas Atmos Rate Division - 002DIV	NORTH TEXAS MEASUREMENT ASSOCIATION	9302	A&G - Miscellaneous General Expense	30
002	Dallas Atmos Rate Division - 002DIV	VIRGINIA BOARD OF ACCOUNTANCY	9210	A&G - Office Supplies and Expenses	24
002	Dallas Atmos Rate Division - 002DIV	DALLAS FRIDAY GROUP	9210	A&G - Office Supplies and Expenses	70
					<u>286,194</u>

Service	VENDOR	Account	Account Description	Amount
012	Call Center Division - 012DIV	AMERICAN ASSOCIATION OF NOTARIES	9210 A&G - Office Supplies and Expenses	85.94
012	Call Center Division - 012DIV	AMERICAN SOCIETY OF TRAINING AND DEVELOPMENT	9210 A&G - Office Supplies and Expenses	248.95
012	Call Center Division - 012DIV	CORPORATE EXECUTIVE BOARD	9210 A&G - Office Supplies and Expenses	40,000.00
012	Call Center Division - 012DIV	INSTITUTE OF INTERNAL AUDITORS	9210 A&G - Office Supplies and Expenses	205.00
012	Call Center Division - 012DIV	INSTITUTE OF MANAGEMENT ACCOUNTANTS	9210 A&G - Office Supplies and Expenses	262.00
012	Call Center Division - 012DIV	INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS	9210 A&G - Office Supplies and Expenses	292.00
012	Call Center Division - 012DIV	KIWANIS CLUB	9210 A&G - Office Supplies and Expenses	204.00
012	Call Center Division - 012DIV	NACHA	9210 A&G - Office Supplies and Expenses	4,500.00
012	Call Center Division - 012DIV	NATIONAL FIRE PROTECTION ASSOCIATION	9210 A&G - Office Supplies and Expenses	150.00
012	Call Center Division - 012DIV	PANHANDLE HUMAN RESOURCES ASSOCIATION	9210 A&G - Office Supplies and Expenses	35.00
012	Call Center Division - 012DIV	PRESS CLUB OF DALLAS	9210 A&G - Office Supplies and Expenses	200.00
012	Call Center Division - 012DIV	PUBLIC RELATIONS SOCIETY OF AMERICA	9210 A&G - Office Supplies and Expenses	335.00
012	Call Center Division - 012DIV	SAMS CLUB	9210 A&G - Office Supplies and Expenses	130.48
012	Call Center Division - 012DIV	SOCIETY FOR HUMAN RESOURCE MANAGEMENT	9210 A&G - Office Supplies and Expenses	630.00
012	Call Center Division - 012DIV	SOUTHWEST AMBUCS	9210 A&G - Office Supplies and Expenses	600.00
012	Call Center Division - 012DIV	SURVEYMONKEY	9210 A&G - Office Supplies and Expenses	204.00
012	Call Center Division - 012DIV	TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY	9210 A&G - Office Supplies and Expenses	240.00
012	Call Center Division - 012DIV	LEADERSHIP NEW ORLEANS	9210 A&G - Office Supplies and Expenses	25.00
				<u>48,347.35</u>

Service	VENDOR	Account	Account Description	Amount
030	GGC/Denver Company Division - 030DIV	AGA SPRING CONFERENCE	8700 Distribution - Operation Supervision and Engineering	700.00
030	GGC/Denver Company Division - 030DIV	AMERICAN EXPRESS TRS CO - PCARD	8700 Distribution - Operation Supervision and Engineering	39.95
030	GGC/Denver Company Division - 030DIV	BONNER SPRINGS EDWARDSVILLE AREA CHAMBER OF COMMERCE	9070 Customer Service and Informational - Supervision	740.00
030	GGC/Denver Company Division - 030DIV	COSTCO	8700 Distribution - Operation Supervision and Engineering	200.00
030	GGC/Denver Company Division - 030DIV	INSTITUTE OF MANAGEMENT ACCOUNTANTS	8700 Distribution - Operation Supervision and Engineering	225.00
030	GGC/Denver Company Division - 030DIV	MIDWEST ENERGY ASSOCIATION	8700 Distribution - Operation Supervision and Engineering	6,219.79
030	GGC/Denver Company Division - 030DIV	NACE INTERNATIONAL	8700 Distribution - Operation Supervision and Engineering	250.00
030	GGC/Denver Company Division - 030DIV	OKLAHOMA PROFESSIONAL ENGINEERING	8700 Distribution - Operation Supervision and Engineering	150.00
030	GGC/Denver Company Division - 030DIV	PROFESSIONAL ENGINEER	8700 Distribution - Operation Supervision and Engineering	50.00
030	GGC/Denver Company Division - 030DIV	SOCIETY FOR HUMAN RESOURCE MANAGEMENT	8700 Distribution - Operation Supervision and Engineering	825.00
030	GGC/Denver Company Division - 030DIV	TEXAS BOARD OF PROFESSIONAL ENGINEERS	8700 Distribution - Operation Supervision and Engineering	705.00
030	GGC/Denver Company Division - 030DIV	TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY	8700 Distribution - Operation Supervision and Engineering	240.00
030	GGC/Denver Company Division - 030DIV	WESTERN CONFERENCE OF PUBLIC SERVICE COMMISSIONERS	8700 Distribution - Operation Supervision and Engineering	645.00
				<u>10,969.74</u>

Atmos Energy Corporation, Shared Services and KS
 Membership Fees and Dues
 TME September 30, 2011

Division	Division Name	VENDOR	Account	Account Description	Amount
080	GGC-Kansas ADM Division - 080DIV	BASEHOR CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	100.00
080	GGC-Kansas ADM Division - 080DIV	CANEY CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	100.00
080	GGC-Kansas ADM Division - 080DIV	CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	13,482.50
080	GGC-Kansas ADM Division - 080DIV	CHETOPA CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	50.00
080	GGC-Kansas ADM Division - 080DIV	CONSORTIUM FOR ENERGY EFFICIENCY INC	9080	Customer Service and Informational - Customer Assistance Expenses	366.00
080	GGC-Kansas ADM Division - 080DIV	DESOTO CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	675.00
080	GGC-Kansas ADM Division - 080DIV	GREATER KANSAS CITY COMMUNITY FOUNDATION	9302	A&G - Miscellaneous General Expense	4,107.80
080	GGC-Kansas ADM Division - 080DIV	HILLSBORO COMMUNITY FOUNDATION	9302	A&G - Miscellaneous General Expense	500.00
080	GGC-Kansas ADM Division - 080DIV	INDEPENDENCE CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	1,268.00
080	GGC-Kansas ADM Division - 080DIV	KANSAS CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	3,300.00
080	GGC-Kansas ADM Division - 080DIV	KANSAS CITY KWANIS	9110	Sales - Supervision	250.00
080	GGC-Kansas ADM Division - 080DIV	KCK CHAMBER	9110	Sales - Supervision	199.00
080	GGC-Kansas ADM Division - 080DIV	LAWRENCE CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	1,625.00
080	GGC-Kansas ADM Division - 080DIV	LENEXA CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	500.00
080	GGC-Kansas ADM Division - 080DIV	OLATHE AREA CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	2,124.00
080	GGC-Kansas ADM Division - 080DIV	OVERLAND PARK CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	2,551.00
080	GGC-Kansas ADM Division - 080DIV	SOUTHWEST JOHNSON COUNTY EDC	9302	A&G - Miscellaneous General Expense	1,250.00
080	GGC-Kansas ADM Division - 080DIV	SPRING HILL CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	250.00
080	GGC-Kansas ADM Division - 080DIV	WYANDOTTE ECONOMIC DEVELOPMENT COUNCIL INC	9302	A&G - Miscellaneous General Expense	1,500.00
					<u>34,198.30</u>
081	KS Division - 081DIV	AICPA	9210	A&G - Office Supplies and Expenses	23.41
081	KS Division - 081DIV	CALDWELL CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	60.00
081	KS Division - 081DIV	CANEY CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	75.00
081	KS Division - 081DIV	CEDAR CREEK COMMERCIAL	8800	Distribution - Other Expenses	1,437.19
081	KS Division - 081DIV	CEDAR CREEK NON RESIDENTIAL	8800	Distribution - Other Expenses	1,437.19
081	KS Division - 081DIV	CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	1,290.00
081	KS Division - 081DIV	INDEPENDENCE CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	50.00
081	KS Division - 081DIV	LINN COUNTY NEWS	8700	Distribution - Operation Supervision and Engineering	160.00
081	KS Division - 081DIV	MONTGOMERY COUNTY ACTION COUNCIL	9302	A&G - Miscellaneous General Expense	700.00
081	KS Division - 081DIV	ROTARY	8700	Distribution - Operation Supervision and Engineering	220.98
081	KS Division - 081DIV	ROTARY	8850	Distribution - Maintenance Supervision and Engineering	123.04
081	KS Division - 081DIV	TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY	9210	A&G - Office Supplies and Expenses	26.14
081	KS Division - 081DIV	TRI COUNTY AREA CHAMBER OF COMMERCE	9302	A&G - Miscellaneous General Expense	570.00
081	KS Division - 081DIV	TX SOCIETY OF CPAs	9210	A&G - Office Supplies and Expenses	37.57
					<u>6,210.50</u>
086	Southwest Kansas Division - 086DIV	AICPA	9210	A&G - Office Supplies and Expenses	2.80

bove are gross amounts.

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Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-72
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REQUEST:

[Income Statement] - Please Provide Staff with the Following Information

1. The total actual bad debt expense amounts and sales revenues for the test year, the four years immediately preceding the test year, and any amounts accrued after the end of the test year to the present.
2. The monthly actual bad debt writeoffs net of recoveries for the test year, the four years immediately preceding the test year, and any amounts recorded after the end of the test year to the present.
3. Please also provide the levels of reserve for bad debt for the same time periods.

Submitted By: The Kansas Corporation Commission Staff

Submitted To: Atmos Energy Corporation

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Bad Debt Expense, 1 Page.

Atmos Energy Corporation, Kansas Division
Bad Debt Expense
October 2006 - November 2011

Total Gas Revenue							
Division	Oct-06 - Sep-07	Oct-07 - Sep-08	Oct-08 - Sep-09	Oct09 - Sep10	Oct10 - Sep11	Oct-11	Nov-11
081	135,335,107	159,943,978	132,219,113	112,432,941	102,803,867	4,728,663	8,081,494
086	13,657,570	16,007,347	6,708,523	8,328,428	11,773,668	623,959	641,157
030	-	-	-	-	-	-	-
TOTAL	148,992,676	175,951,325	138,927,636	120,761,369	114,577,535	5,352,623	8,722,651

Total Bad Debt Expense							
Division	Oct-06 - Sep-07	Oct-07 - Sep-08	Oct-08 - Sep-09	Oct09 - Sep10	Oct10 - Sep11	Oct-11	Nov-11
081	847,181	800,368	(67,572)	6,134	644,650	9,864	13,961
086	50,566	101,628	(15,454)	(6,554)	18,030	733	820
030	(8,167)	(412)	-	-	-	-	-
TOTAL	889,580	901,584	(83,027)	(420)	662,680	10,597	14,781

Percentage of Reserve							
Division	Oct-06 - Sep-07	Oct-07 - Sep-08	Oct-08 - Sep-09	Oct09 - Sep10	Oct10 - Sep11	Oct-11	Nov-11
081	0.63%	0.50%	-0.05%	0.01%	0.63%	0.21%	0.17%
086	0.37%	0.63%	-0.23%	-0.08%	0.15%	0.12%	0.13%
030	-	-	-	-	-	-	-
TOTAL	0.60%	0.51%	-0.06%	0.00%	0.58%	0.20%	0.17%

Total Net Writeoffs							
Division	Oct-06 - Sep-07	Oct-07 - Sep-08	Oct-08 - Sep-09	Oct09 - Sep10	Oct10 - Sep11	Oct-11	Nov-11
081	703,954	723,796	193,047	296,913	476,682	27,276	-
086	113,421	103,860	4,181	3,736	6,618	2,042	-
030	(518)	(412)	-	-	-	-	-
TOTAL	816,857	827,243	197,228	300,649	483,300	29,318	-

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-150
Page 1 of 2

REQUEST:

The following questions are from Data Request No. 44 for Division 30.

Please provide a copy of one invoice for each of the following companies that illustrates the type of service they provide to Atmos Energy:

1. Beaver Run Resort and Conference Center - \$2,181; Account 4265 Other Deductions
2. Beaver Run Resort and Conference Center - \$4,504; Account 8700 Distribution - Operation supervision
3. Big Cedar Lodge - \$2,126; Account 4265 Other Deductions
4. Big Cedar Lodger - \$12,985; Account 8700 Distribution - Operation supervision
5. Colorado Can Do - \$1,500; Account 9302 Miscellaneous General expense
6. Fidelity Xpresspay - \$25,409; Account 9030 Customer Accounts - Customer records

RESPONSE:

- 1) Beaver Run Resort and Conference Center provided lodging, meals and conference center services for one of the Company's annual awards banquets. Please see Attachment 1 for a copy of the invoice. The amount of \$2,181 was a charge related to alcohol which was recorded below the line and not included in the filing. The amount of \$4,504 was removed by the Company in the adjustment shown on WP 9-7.
- 2) Please see the response to subpart (1).
- 3) Big Cedar Lodge provided lodging, meals and conference center services for one of the Company's annual awards banquets. Please see Attachment 2 for a copy of the invoices. The amount of \$2,125.61 was a charge related to alcohol which was recorded below the line and not included in the filing. The amount of \$12,985 was primarily related to lodging and a dinner buffet for the Atmos employees receiving service awards.
- 4) Please see the response to subpart (3).

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-150
Page 2 of 2

- 5) The \$1,500 for Colorado Can Do coded to Account 9302 was miscoded and should have been coded below the line. Please see Attachment 3 for a summary of miscoded expenses, as determined in Staff DR Nos. 1-144 through 1-156, that will be removed from the filing.
- 6) Fidelity Xpresspay provides a network of local payment centers. Fidelity Xpresspay gathers payments made in the local payments centers and sends them to the Atmos Energy billing system. Please see Attachment 4 for a copy of the invoice.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-150_Att1 - Beaver Run Invoices.pdf, 3 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_1-150_Att2 - Big Cedar Lodge Invoices.pdf, 6 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, Staff_1-150_Att3 - Miscoded Expenses Summary.xlsx, 1 Page.

ATTACHMENT 4 - Atmos Energy Corporation, Staff_1-150_Att3 - Fidelity Xpresspay Invoice.pdf, 1 Page.

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-153
Page 1 of 2

REQUEST:

The following questions are from Data Request No. 44 for Division 80.

Please provide a copy of one invoice for each of the following companies that illustrates the type of service they provide to Atmos Energy:

1. Olathe Area Chamber of Commerce - \$1,000; Account 9080 Customer service - Operating assistance
2. Olathe Area Chamber of Commerce - \$2,124; Account 9302 Miscellaneous general expense
3. Overland Park Chamber of Commerce - \$600; Account 4265 Other Deductions
4. Overland Park Chamber of Commerce - \$275; Account 9100 Customer Service Miscellaneous
5. Overland Park Chamber of Commerce - \$2,551; Account 9302 Miscellaneous general expense
6. Southwest Johnson County EDC - \$750; Account 9080 Customer Service Operating
7. Southwest Johnson County EDC - \$1,250; Account 9302 Miscellaneous general expense

RESPONSE:

- 1) The Olathe Chamber of Commerce has more than 1,300 members working together to improve business in Olathe. Please see Attachment 1 for a copy of the invoices.
- 2) Please see the response to subpart (1).
- 3) The Overland Park Chamber of Commerce is a voluntary organization of businesses and professionals working to promote the civic and commercial progress of the community. The Chamber strives to advance the economic, commercial, professional, cultural, educational, social and civic welfare of the Johnson County area. Please see Attachment 2 for a copy of the invoices.
- 4) Please see the response to subpart (3).

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Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-153
Page 2 of 2

- 5) Please see the response to subpart (3).
- 6) The Southwest Johnson County Economic Development Corporation is a cooperative effort of the City of Edgerton, Kansas, the City of Gardner, Kansas and the Johnson County Airport Commission. Its primary mission is to stimulate economic growth by demonstrating to new and existing companies the unique business advantage of a southwest Johnson County location. Please see Attachment 3 for a copy of the invoices.
- 7) Please see the response to subpart (6).

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-153_Att1 - Olathe Chamber Invoices.pdf, 4 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_1-153_Att2 - Overland Park Chamber Invoices.pdf, 6 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, Staff_1-153_Att3 - Southwest Johnson County Invoices.pdf, 4 Pages.

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-156
Page 1 of 2

REQUEST:

1. Please explain the type(s) of service GE Capital Fleet Services provided to Atmos Energy that warranted being recorded in Account 8740 Mains and Services Expenses, Division 81 for \$1,562,344.
2. Please provide a copy of one invoice for each of the following companies that illustrates the type of service they provide to Atmos Energy, Division 81:
 - a. Holiday Inn - \$6,237; Account 8700 Distribution - Operation supervision
 - b. Montgomery County Action Council - \$275; Account 4265 Other Deductions
 - c. Montgomery County Action Council - \$1,150; Account 9302 Miscellaneous general expenses
 - d. Olathe Medical Center Charitable Foundation - \$1,200; Account 8700 Distribution - operation supervision

RESPONSE:

- 1) GE Capital Fleet Services provides vehicle leasing, fuel cards, registration renewals, property tax recovery and payment, and maintenance management. The portfolio is large and the monthly invoice chargeback is usually around \$2.8 - \$3.2 million for the enterprise with variance due to fuel cost swings.
- 2)
 - a) The \$6,237 for Holiday Inn coded to Account 870 was miscoded and should have been coded below the line. Please see Attachment 3 to the Company's response to Staff DR No. 1-150 for a summary of miscoded expenses, as determined in Staff DR Nos. 1-144 through 1-156, that will be removed from the filing.
 - b) The Montgomery County Action Council (MCAC) collaborates with individuals and organizations on the Federal, State and local levels for the betterment of Montgomery County's businesses and citizens. Please see Attachment 1 for a copy of the invoices.
 - c) Please see the response to subpart (b).

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Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-156
Page 2 of 2

- d) The \$1,200 for Olathe Medical Center Charitable Foundation coded to Account 870 was miscoded and should have been coded below the line. Please see Attachment 3 to the Company's response to Staff DR No. 1-150 for a summary of miscoded expenses, as determined in Staff DR Nos. 1-144 through 1-156, that will be removed from the filing.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-156_Att1 - Montgomery County Action Council Invoices, 2 Pages.

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-160
Page 1 of 1

REQUEST:

1. Please provide an explanation of the various kinds of activities that are recorded in the customer relations and assistance line and in community relations and trade show in the Company's response to data request no. 52.

RESPONSE:

Please see Attachment 1, which details the type of activities recorded to this account.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-160_Att1 - Advertising.xlsx, 1 Page.

Atmos Energy Corp., Shared Services and KS
 Sub Account 04001-04046 Detail
 For 12 Months Ended Sep 10

Division	Division Name	Account	Account Description	Sub Account	Sub Account Description	Category	Total
002	Dallas Atmos Rate Division - 002DIV	9030	Customer accounts-Customer records and collections expenses	04040	Community Rel&Trade Shows	Community Relations & Trade Show	625
002	Dallas Atmos Rate Division - 002DIV	9210	A&G-Office supplies & expense	04040	Community Rel&Trade Shows	Community Relations & Trade Show	12,949
002	Dallas Atmos Rate Division - 002DIV	9210	A&G-Office supplies & expense	04046	Customer Relations & Assist	Customer Relations & Assistance	438,733
002	Dallas Atmos Rate Division - 002DIV	9210	A&G-Office supplies & expense	04021	Promo Other, Misc	Promotional	32,771
002	Dallas Atmos Rate Division - 002DIV	9210	A&G-Office supplies & expense	04044	Advertising	Promotional	42,783
							<u>527,861</u>
012	Call Center Division - 012DIV	9070	Customer service-Supervision	04040	Community Rel&Trade Shows	Community Relations & Trade Show	500
012	Call Center Division - 012DIV	9210	A&G-Office supplies & expense	04040	Community Rel&Trade Shows	Community Relations & Trade Show	703
012	Call Center Division - 012DIV	9070	Customer service-Supervision	04044	Advertising	Promotional	403
							<u>1,606</u>
030	GGC/Denver Company Division - 030DIV	8700	Distribution-Operation supervision and engineering	04040	Community Rel&Trade Shows	Community Relations & Trade Show	33,252
030	GGC/Denver Company Division - 030DIV	9110	Sales-Supervision	04040	Community Rel&Trade Shows	Community Relations & Trade Show	500
030	GGC/Denver Company Division - 030DIV	9090	Customer service-Operating informational and instructional advertising expense	04023	GCA Public Notice Publication	Customer Relations & Assistance	33,779
030	GGC/Denver Company Division - 030DIV	9120	Sales-Demonstrating and selling expenses	04046	Customer Relations & Assist	Customer Relations & Assistance	14,973
030	GGC/Denver Company Division - 030DIV	9130	Sales-Advertising expenses	04046	Customer Relations & Assist	Customer Relations & Assistance	175
030	GGC/Denver Company Division - 030DIV	9080	Customer service-Operating assistance expense	04041	Gas Light Relight Program	Promotional	88
030	GGC/Denver Company Division - 030DIV	9130	Sales-Advertising expenses	04021	Promo Other, Misc	Promotional	5,241
030	GGC/Denver Company Division - 030DIV	8700	Distribution-Operation supervision and engineering	04001	Safety, Newspaper	Safety	89
030	GGC/Denver Company Division - 030DIV	8700	Distribution-Operation supervision and engineering	04002	Required By Law, Safety	Safety	85,878
030	GGC/Denver Company Division - 030DIV	9090	Customer service-Operating informational and instructional advertising expense	04002	Required By Law, Safety	Safety	8,831
							<u>180,786</u>
080	GGC-Kansas ADM Division - 080DIV	8700	Distribution-Operation supervision and engineering	04040	Community Rel&Trade Shows	Community Relations & Trade Show	12,800
080	GGC-Kansas ADM Division - 080DIV	9090	Customer service-Operating assistance expense	04040	Community Rel&Trade Shows	Community Relations & Trade Show	16,883
080	GGC-Kansas ADM Division - 080DIV	9110	Sales-Supervision	04040	Community Rel&Trade Shows	Community Relations & Trade Show	303
080	GGC-Kansas ADM Division - 080DIV	4265	Other deductions	04046	Customer Relations & Assist	Customer Relations & Assistance	75
080	GGC-Kansas ADM Division - 080DIV	8700	Distribution-Operation supervision and engineering	04046	Customer Relations & Assist	Customer Relations & Assistance	273
080	GGC-Kansas ADM Division - 080DIV	9080	Customer service-Operating assistance expense	04046	Customer Relations & Assist	Customer Relations & Assistance	26,282
080	GGC-Kansas ADM Division - 080DIV	9100	Customer service-Miscellaneous customer service	04046	Customer Relations & Assist	Customer Relations & Assistance	454
080	GGC-Kansas ADM Division - 080DIV	9110	Sales-Supervision	04046	Customer Relations & Assist	Customer Relations & Assistance	385
080	GGC-Kansas ADM Division - 080DIV	8700	Distribution-Operation supervision and engineering	04021	Promo Other, Misc	Promotional	18,265
080	GGC-Kansas ADM Division - 080DIV	8700	Distribution-Operation supervision and engineering	04044	Advertising	Promotional	20
080	GGC-Kansas ADM Division - 080DIV	9080	Customer service-Operating assistance expense	04021	Promo Other, Misc	Promotional	10,749
080	GGC-Kansas ADM Division - 080DIV	9080	Customer service-Operating assistance expense	04044	Advertising	Promotional	2,660
080	GGC-Kansas ADM Division - 080DIV	9090	Customer service-Operating informational and instructional advertising expense	04044	Advertising	Promotional	1,173
080	GGC-Kansas ADM Division - 080DIV	9100	Customer service-Miscellaneous customer service	04021	Promo Other, Misc	Promotional	118
080	GGC-Kansas ADM Division - 080DIV	9100	Customer service-Miscellaneous customer service	04044	Advertising	Promotional	748
080	GGC-Kansas ADM Division - 080DIV	9270	A&G-Franchise requirements	04044	Advertising	Promotional	2,484
080	GGC-Kansas ADM Division - 080DIV	8700	Distribution-Operation supervision and engineering	04001	Safety, Newspaper	Safety	291
							<u>91,963</u>
081	KS Division - 081DIV	8700	Distribution-Operation supervision and engineering	04040	Community Rel&Trade Shows	Community Relations & Trade Show	11
081	KS Division - 081DIV	8740	Mains and Services Expenses	04040	Community Rel&Trade Shows	Community Relations & Trade Show	418
081	KS Division - 081DIV	8850	Distribution-Maintenance supervision and engineering	04040	Community Rel&Trade Shows	Community Relations & Trade Show	15
081	KS Division - 081DIV	9010	Customer accounts-Operation supervision	04040	Community Rel&Trade Shows	Community Relations & Trade Show	9
081	KS Division - 081DIV	9090	Customer service-Operating informational and instructional advertising expense	04040	Community Rel&Trade Shows	Community Relations & Trade Show	325
081	KS Division - 081DIV	9110	Sales-Supervision	04040	Community Rel&Trade Shows	Community Relations & Trade Show	160
081	KS Division - 081DIV	4265	Other deductions	04046	Customer Relations & Assist	Customer Relations & Assistance	50
081	KS Division - 081DIV	8700	Distribution-Operation supervision and engineering	04046	Customer Relations & Assist	Customer Relations & Assistance	620
081	KS Division - 081DIV	9070	Customer service-Supervision	04046	Customer Relations & Assist	Customer Relations & Assistance	1,065
081	KS Division - 081DIV	9090	Customer service-Operating informational and instructional advertising expense	04046	Customer Relations & Assist	Customer Relations & Assistance	3,725
081	KS Division - 081DIV	9100	Customer service-Miscellaneous customer service	04046	Customer Relations & Assist	Customer Relations & Assistance	33
081	KS Division - 081DIV	9302	Miscellaneous general expenses	04046	Customer Relations & Assist	Customer Relations & Assistance	872
081	KS Division - 081DIV	9090	Customer service-Operating informational and instructional advertising expense	04044	Advertising	Promotional	33
081	KS Division - 081DIV	9120	Sales-Demonstrating and selling expenses	04044	Advertising	Promotional	2,232
081	KS Division - 081DIV	9302	Miscellaneous general expenses	04021	Promo Other, Misc	Promotional	85
081	KS Division - 081DIV	9302	Miscellaneous general expenses	04044	Advertising	Promotional	40
081	KS Division - 081DIV	8700	Distribution-Operation supervision and engineering	04001	Safety, Newspaper	Safety	28
							<u>9,698</u>
088	Southwest Kansas Division - 088DIV	9050	Customer accounts-Miscellaneous customer accounts	04046	Customer Relations & Assist	Customer Relations & Assistance	1,318
							<u>813,232</u>
					Total		<u>813,232</u>

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-163
Page 1 of 1

REQUEST:

The following questions relate to pension expense in WP 9-9 in the Application.

1. If I added up subaccounts 01239 and 01241 in the various expense accounts in the Trial Balance at 100% for Divisions 79, 80, 81, and 86 and the applicable allocation percentages for Divisions 2, 12, and 30 appearing in Section 12 of the Application, would the total amount equal the pension expense amounts shown in WP 9-9 in the Application?
2. If no, please provide the additional subaccounts, additional divisions, allocation percentages, and different methodologies needed to agree to the amounts appearing in WP 9-9.

RESPONSE:

No. WP 9-9 is only the direct divisions. Because the pension and medical expenses are processed via payroll clearing with other benefits expenses the trial balance view is difficult to discern at a subaccount level for these items. Rather than provide the divisions, allocation percentages, etc., the Company is providing the expense amounts as reported in payroll clearing for the period of August 2010 - March 2011.

The Company would note that the in preparing this response and comparing it to information provided in the Company's response to Staff DR No. 1-166, two errors were discovered in the original WP 9-9. First, the amount included in rates utilized on the original WP 9-9 had not been allocated to reflect the capitalized portion of costs (only the allocation from Colorado/Kansas division office). The second error noted was that the original WP 9-9 had total Colorado/Kansas division costs included and not Kansas direct divisions only. Please see Attachment 1, which corrects these errors and reflects a reduction in the filing of \$130,578.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-163_Att1 - Updated WP 9-9.xlsx, 12 Pages.

Atmos Energy Corporation
Kansas Distribution System
Pension/Post Retirement Benefits Adjustment
Twelve Months Ended September 30, 2011

WP 9-9
IS-15
Updated & Corrected¹¹

Line #	Month/Yea	Amount in Base Rates	Cumulative	Actual/ Estimated Pension Expense	Cummulative	Expense in Excess of (Less than) Amount	Cummulative	
(a)	(b)	(c)	(d)	(e)	(f)	(g)		
1	FAS 87							
2	Aug-10	\$ 31,217	\$ 31,217	\$ 18,120	\$ 18,120	\$ (13,097)	\$ (13,097)	
3	Sep-10	31,217	62,435	18,566	36,687	(12,651)	(25,748)	
4	Oct-10	31,217	93,652	29,136	65,823	(2,081)	(27,829)	
5	Nov-10	31,217	124,870	28,446	94,269	(2,771)	(30,600)	
6	Dec-10	31,217	156,087	31,585	125,854	368	(30,232)	
7	Jan-11	31,217	187,304	28,147	154,002	(3,070)	(33,302)	
8	Feb-11	31,217	218,522	27,287	181,289	(3,931)	(37,233)	
9	Mar-11	31,217	249,739	28,767	210,055	(2,450)	(39,684)	
10	Apr-11	31,217	280,956	23,384	233,440	(7,833)	(47,516)	
11	May-11	31,217	312,174	22,819	256,259	(8,398)	(55,915)	
12	Jun-11	31,217	343,391	26,494	282,754	(4,723)	(60,637)	
13	Jul-11	31,217	374,609	27,486	310,239	(3,732)	(64,369)	
14	Aug-11	31,217	405,826	25,307	335,546	(5,910)	(70,280)	
15	Sep-11	31,217	437,043	26,313	361,859	(4,904)	(75,184)	
16	Oct-11	31,217	468,261	35,739	397,598	4,522	(70,663)	
17	Nov-11	31,217	499,478	37,486	435,084	6,269	(64,394)	
18	Dec-11	31,217	530,695	0	435,084	(31,217)	(95,611)	
19	Jan-12	31,217	561,913	28,610	463,694	(2,608)	(98,219)	
20	Feb-12	31,217	593,130	105,528	569,222	74,311	(23,908)	
21	Mar-12	31,217	624,348	26,105	595,327	(5,113)	(29,021)	
22	Apr-12	31,217	655,565	26,105	621,432	(5,113)	(34,133)	
23	May-12	31,217	686,782	26,105	647,536	(5,113)	(39,246)	
24	Jun-12	31,217	718,000	26,105	673,641	(5,113)	(44,358)	
25	Jul-12	31,217	749,217	26,105	699,746	(5,113)	(49,471)	
26	Aug-12	31,217	780,434	26,105	725,851	(5,113)	(54,583)	
27	Sep-12	31,217	811,652	26,105	751,956	(5,113)	(59,696)	
28	Amortization of FAS 87 Excess (Less Than) Funding over 3 Years						\$	(19,899)
29	FAS 106							
30	Aug-10	\$ 29,657	\$ 29,657	\$ 21,335	\$ 21,335	\$ (8,321)	\$ (8,321)	
31	Sep-10	29,657	59,313	21,861	43,196	(7,796)	(16,117)	
32	Oct-10	29,657	88,970	24,354	67,550	(5,303)	(21,419)	
33	Nov-10	29,657	118,626	23,777	91,327	(5,879)	(27,299)	
34	Dec-10	29,657	148,283	26,401	117,728	(3,256)	(30,554)	
35	Jan-11	29,657	177,939	29,016	146,744	(641)	(31,195)	
36	Feb-11	29,657	207,596	28,129	174,873	(1,528)	(32,723)	
37	Mar-11	29,657	237,252	22,947	197,819	(6,710)	(39,433)	
38	Apr-11	29,657	266,909	23,868	221,687	(5,789)	(45,221)	
39	May-11	29,657	296,565	23,381	245,068	(6,276)	(51,497)	
40	Jun-11	29,657	326,222	26,826	271,894	(2,830)	(54,328)	
41	Jul-11	29,657	355,878	27,899	299,793	(1,757)	(56,085)	
42	Aug-11	29,657	385,535	25,863	325,656	(3,793)	(59,878)	
43	Sep-11	29,657	415,191	25,699	351,356	(3,957)	(63,835)	
44	Oct-11	29,657	444,848	37,113	388,469	7,457	(56,379)	
45	Nov-11	29,657	474,504	33,445	421,913	3,788	(52,591)	
46	Dec-11	29,657	504,161	0	421,913	(29,657)	(82,247)	
47	Jan-12	29,657	533,817	20,388	442,302	(9,268)	(91,515)	
48	Feb-12	29,657	563,474	75,109	517,411	45,453	(46,063)	
49	Mar-12	29,657	593,130	18,603	536,015	(11,053)	(57,116)	
50	Apr-12	29,657	622,787	18,603	554,618	(11,053)	(68,169)	
51	May-12	29,657	652,443	18,603	573,221	(11,053)	(79,222)	
52	Jun-12	29,657	682,100	18,603	591,825	(11,053)	(90,275)	
53	Jul-12	29,657	711,756	18,603	610,428	(11,053)	(101,328)	
54	Aug-12	29,657	741,413	18,603	629,032	(11,053)	(112,381)	
55	Sep-12	29,657	771,069	18,603	647,635	(11,053)	(123,434)	
56	Amortization of Excess (Less Than) Funding over 3 Years						\$	(41,145)
57	Total Amortization						\$	(61,044)

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[1] When preparing the responses to Staff DRs 163 and 164, the Company discovered two errors in the original workpaper.
1. The amount in rates had not been adjusted to reflect the capitalization rate in the last case.
2. The Actual amounts utilized for per books were for total Colorado/Kansas division and not Kansas direct divisions only.

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-175
Page 1 of 1

REQUEST:

Source: CD Robert Hassen gave to Staff while on site.

1. Limousine Service - 360Limo, Inc. Invoice 14448, Date 2/18/2011
Please provide the purpose of hiring 360Limo on the following dates:
 - a. 02/05/2011 - 14 passenger van \$1,188.00
 - b. 02/06/2011 - Motor Coach \$3,690.00
 - c. 02/06/2011 - Sedan \$2,065.00
 - d. 02/07/2011 - 23 passenger minibus \$1,053.00
 - e. 02/07/2011 - 23 passenger minibus \$1,053.00
 - f. 02/08/2011 - 23 passenger minibus \$506.25

RESPONSE:

Please see Attachment 1 to the Company's response to Staff DR No. 1-172. The Company has elected to remove the amount of \$7,049.27 on Invoice No. 14448 from the filing.

Docket No. 12-ATMG-564-RTS
Atmos Energy Corporation, Kansas Division
Staff DR Set No. 1
Question No. 1-194
Page 1 of 1

REQUEST:

DR 127 provides a breakdown of CWIP included in "Adds for Kansas Projects" totaling \$4,882,008 includes costs related to the Pflumm Line, work order 60.19887 totaling \$2,699,460. Are these costs being double counted between the Kansas projects and the specific line items (open CWIP and/or budgeted cost) relating to Pflumm Line shown on W 14-1-2? If no, please provide a detailed explanation as to why a double dip does not exist and why these cost are not included with the other Pflumm Line costs.

RESPONSE:

Yes. These costs were included in both the Kansas projects and the Pflumm Line CWIP shown on WP 14-1-2. This duplication of expense was an error in the Company's filing. The Company will submit a second supplement to Staff DR No. 1-126 to reflect the \$2,699,460 being removed from the Kansas projects.

CERTIFICATE OF SERVICE

12-ATMG-564-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 8th day of June, 2012, to the following parties who have waived receipt of follow-up hard copies:

Ray Bergmeier, Litigation Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027
r.bergmier@kcc.ks.gov

Brian G. Fedotin, Advisory Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027
b.fedotin@kcc.ks.gov

Robert A. Fox, Senior Litigation Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027
b.fox@kcc.ks.gov

Holly Fisher, Litigation Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027
h.fisher@kcc.ks.gov

James G. Flaherty, Attorney
Anderson & Byrd, LLP
216 S. Hickory, P.O. Box 17
Ottawa, KS 66067
jflaherty@andersonbyrd.com

Douglas C. Walther, Associate General Counsel
Atmos Energy
P. O. Box 650205
Dallas, Texas 75265-0205
douglas.walther@AtmosEnergy.com

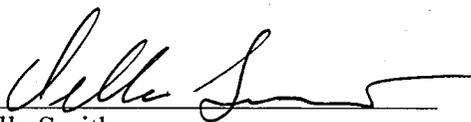
CERTIFICATE OF SERVICE

12-ATMG-564-RTS

James Price, Attorney
Atmos Energy
P. O. Box 650205
Dallas, Texas 75265-0205
james.price@AtmosEnergy.com

Karen P. Wilkes
Division Vice President, Regulatory and Public Affairs
Atmos Energy
1555 Blake Street, Suite 400
Denver, Colorado 80202
karen.wilkes@AtmosEnergy.com

Barton W. Armstrong
Vice President, Operations
Atmos Energy
25090 W. 110th Terr.
Olathe, KS 66061
bart.armstrong@AtmosEnergy.com


Della Smith
Administrative Specialist