**BEFORE THE**

**TENNESSEE REGULATORY AUTHORITY**

**DOCKET NO. 05-00258**

**PREPARED DIRECT TESTIMONY**

**OF**

**GREG WALLER**

**On Behalf of**

**ATMOS ENERGY CORPORATION**

## I. POSITION AND QUALIFICATIONS

**Q. Please state your name, position and business address.**

A. My name is Greg Waller. I am Vice President of Finance for Atmos Energy Corporation's Kentucky and Mid-States Divisions. My business address is 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067.

**Q. Please briefly describe your current responsibilities, and professional and educational background.**

A. I am responsible for monitoring and analyzing the financial performance of the Kentucky and Mid-States Divisions, and implementing necessary actions based on those results. I also direct the development of the Division's annual budget. Other responsibilities include establishing and maintaining policy, procedures, and controls to ensure compliance with Corporate Accounting policies, Generally Accepted Accounting Principles (GAAP), and regulatory requirements. I am a 1994 graduate of Dartmouth College, with a degree in economics, and I also hold an MBA from the University of Texas. I began my career as a management consultant for Towers Perin working with several oil and gas clients. In 2003, I joined Atmos in the Planning and Budgeting department, and have been in my current role as VP of Finance since November 2005.

**Q. Have you ever testified before the Tennessee Regulatory Authority or any other regulatory commission?**

A. No.

## II. PURPOSE OF TESTIMONY

**Q. What is the purpose of your testimony in this Contested Case?**

A. The purpose of my testimony is to sponsor the Company's Net Operating Income for the attrition period 12 months ended September 30, 2007. I will also explain the operational and accounting changes, and the financial impact to Atmos' Tennessee customers, that will result from the Company's decision to combine the Mid-States and Kentucky Divisions on October 1, 2006.

**Q. Are you sponsoring any Schedules in this case?**

A. Yes, I am sponsoring the following Schedules:

**Schedule GW-1** – Income Statements for the 12 months ended September 30, 2005 and September 30, 2007.

**Schedule GW-2** – Detail supporting attrition period Gross Profit.

**Schedule GW-3** – Detail supporting attrition period Operation and Maintenance expense (unadjusted).

## III. NET OPERATING INCOME

**Q. What is the Company's total Net Operating Income for the historical period 12 months ended September 30, 2005, and the attrition period 12 months ended September 30, 2007?**

A. As found in Schedule GW-1, line11, column (A), the historical test period Net Operating Income is $14,985,887. The total Net Operating Income for the attrition period is $13,690,862, found in Schedule GW-1, line 11, column (B).

**Q. What is the Company's total Gross Profit (Operating Revenues less the Cost of Gas) for the historical period 12 months ended September 30, 2005, and the total Gross Profit for the attrition period 12 months ended September 30, 2007?**

A. As found in Schedule GW-1, line 3, column (A), the historical test period Gross Profit is $52,855,677. The total Gross Profit for the attrition period is $52,080,237, found in Schedule GW-1, line 3, column (B).

**Q. Please describe the process of projecting Gross Profit for the attrition period.**

A. In order to minimize the length of the period being projected and utilize the most current actual data available, the Company used twelve months ended May 31, 2006 as the starting point of the analysis. Detailed billing determinants were used to arrive at the base margin of $50,331,624 (excluding adjustments for WNA, late/service fees, Barnsley Storage fee) in Schedule GW-2, line 94, column (f). To project the margin forward through the end of the attrition period, the volumes were adjusted to reflect (1) known changes in large volume customer usage, (2) expected changes in customer levels through the attrition period and (3) expected changes in customer usage levels through the attrition period. The resulting billing determinants were then priced out at current rates, to yield a margin of $50,750,025 in Schedule GW-2, line 94, column (s). Adjustments were made to include the actual WNA margin (12 months ended May 31, 2006) of

$1,419,139 (line 96), the projected late/service fees of $1,729,207 (line 97), and the annual Barnsley Storage fees of ($1,818,133) (line 99) to arrive at the total Gross Profit of $52,080,237 (line 100).

Q. **Please describe the adjustments made for large volume customers in the attrition period.**

A. The Company included known changes for every industrial and transportation customer. Customer counts and volumes were adjusted to reflect plant closings, planned outages, or any other change in consumption patterns projected during the attrition period. Details concerning the actual adjustments by rate code, can be found in Schedule GW-2.

Q. **Please summarize the adjustments made for customer levels in the attrition period.**

A. As described in the Company's response to DR #10 of the First Joint Discovery of the Staff/CAD, customer levels for the attrition period are projected by customer class using historical data and anticipated net growth rates. For the period 4/1/06 through 9/30/06, the company used previously budgeted customer levels as projections. Details concerning adjustments to the number of bills in the attrition period can be found in Schedule GW-2.

Q. **Please summarize the adjustments made for customer usage levels in the attrition period.**

A. The Company made adjustments to projected residential volumes to compensate for the decline in consumption experienced over the last several years. There are several reasons behind the decline in consumption including the purchase of higher efficiency gas appliances and "weatherizing" the home, by adding insulation and weather stripping. The average rate of decline for Atmos' Tennessee customers has been approximately 1.5%, which is the amount of decline assumed in the calculation of the attrition period residential volumes found in Schedule GW-2.

**Q. What is the Company's total Operation and Maintenance (O&M) expense for the historical period 12 months ended September 30, 2005, and the total O&M expense for the attrition period 12 months ended September 30, 2007?**

A. As found in Schedule GW-1, line 6, column (A), the historical test period Operation and Maintenance expense is $14,044,226. The total Operation and Maintenance expense for the attrition period is $14,309,933 found in Schedule GW-1, line 6, column (B).

**Q. Please describe the process of projecting the Company's O&M expense for the attrition period.**

A. In order to project O&M expense for the attrition period, the company started with the total projected expense for the 12 month period ended September 30, 2006. In this period, 8 months of actual data was used through May, along with projected data for the last 4 months in the period. A reasonable increase percentage adjustment was then added to the projected FY06 O&M expense, by category, to arrive at the total O&M expense (before adjustments) for the attrition period. The increase percentages are found in Schedule GW-3, column (B), and an explanation of each increase by category and by division can be found in the Company's response to DR 25 of the First Joint Discovery of the Staff/CAD. In addition, please see the adjustments to O&M found in Schedule THP-4, lines 15-19.

**Q. Are there any adjustments O&M that you would like to explain?**

A. Yes, pursuant to Docket No. 94-02529, the Company received Commission authorization in 1994 to defer all costs related to environmental control requirements that were mandated by various federal and state agencies. The order specified that there would be no ratemaking treatment at that time, but the appropriate disposition of these costs would be determined in the Company's next rate proceeding. Since the order, Atmos has worked to clean up a Manufactured Gas Plant (MGP) site in Bristol, and has met requirements concerning five underground storage tank sites in Tennessee. These costs have been deferred as specified in the order, and have accumulated to a total of $1,233,407. In addition, Atmos is in the final phases of the clean up of a Johnson City MGP site, and projects to spend approximately $680,000 on the project during the attrition period in this case. The Company believes it is entitled to full recovery of the historical and projected FY07 expenses totaling $1,913,407, and is seeking to include this expense in this case. Atmos is flexible concerning the treatment of this expense, but would recommend a three year amoritization beginning Oct 1, 2006. The proposed amoritization during the attrition period can be found in Schedule THP-4, line 18. Adjustments will be made to this amoritization as necessary to account for any variation from the Company's projected FY07 expense.

**Q. What is the Company's total Depreciation & Amoritization expense for the historical period 12 months ended September 30, 2005, and the total Depreciation & Amoritization expense for the attrition period 12 months ended September 30, 2007?**

A. As found in Schedule GW-1, line 7, column (A), the historical test period Depreciation expense is $11,521,370. The total Depreciation expense for the attrition period is $12,758,460 found in Schedule GW-1, line 7, column (B).

**Q. Please describe any adjustments made to the Depreciation & Amoritization expense.**

A. To project the Depreciation expense in the attrition period, the Company started with the total projected expense for the 12 months ended September 30, 2006 as shown in the response to DR 3 of the First Joint Discovery of the Staff/CAD. This amount was adjusted based on anticipated capital investment in Tennessee during the attrition period. Additional adjustments were also made for proposed Shared Service (SSU) depreciation rates, Pro-forma allocation factors, and the elimination of inter-company leased property.

**Q. What is the Company's total Taxes Other Than Income expense for the historical period 12 months ended September 30, 2005, and the total Taxes Other Than Income expense for the attrition period 12 months ended September 30, 2007?**

A. As found in Schedule GW-1, line 8, column (A), the historical test period Taxes Other Than Income expense is $6,044,532. The total Taxes Other Than Income expense for the attrition period is $6,090,833 found in Schedule GW-1, line 8, column (B).

**Q. Please describe any adjustments made to Taxes Other Than Income expense.**

A. The Taxes Other Than Income expense was calculated by taking the projection for the 12 month period ended September 30, 2006, and adding any known and/or anticipated changes during the attrition period. In addition, please see the adjustment to Taxes Other in Schedule THP-5, line 5.

**Q. Please describe any adjustments made to Income Tax expense.**

A. The Income Tax calculation for the attrition period is shown in THP, WP 10-1.

## IV. EMPLOYEE HEAD COUNTS

**Q. Please comment on any anticipated changes to employee levels in TN during the attrition period.**

A. As discussed in the Company's response to DR 18 of the First Joint Discovery of Staff/CAD, employee levels have remained relatively flat since September 30, 2005. Since that time, the Company has experienced normal levels of attrition and has filled open positions when necessary. As customer growth continues to remain strong, employees will be added to appropriately compensate for the increasing workload. However, Atmos does not anticipate any other material changes to employee levels at this time.

## V. KENTUCKY AND MID-STATES DIVISION CHANGES

**Q. Does Atmos plan to combine the Kentucky and Mid States Divisions?**

A. Yes, on October 1, 2006 the two divisions will be renamed and operate as one division.

**Q. Will there be any known operational changes resulting from the decision to combine the two Divisions?**

A. Currently, there are no plans for any major operational changes. However, combining the two Divisions will allow for some restructuring of responsibilities among the Officers and Managers of the Divisions. The Company began implementing some of these changes in early 2005. Upon the retirement of the Mid-States Division President in January 2005, John Paris, the President of the Kentucky Division and Company witness in this case, immediately took over as President over both divisions. In addition, the Kentucky Vice President of Finance retired in April 2006, and the decision was made to continue to operate both divisions with one VP of Finance. For the purpose of supervising the Operations of both Divisions, the Mid-States Division is divided in two regions, with one Operations Vice President responsible for the Central region and one for the Eastern region. The Kentucky Division also operates with two Operations Vice Presidents. In June 2006, Mid-State's Eastern Region Operations VP retired, which will make allowance for several changes beginning October 1, 2006. The newly combined Division will operate with only three Operations Vice Presidents, who will be responsible for the Northern, Central, and Southern regions. Some managers under these officers will also be assigned new areas of responsibility. Currently, these are the only planned changes that will take effect in FY 2007. There are no other plans to close or consolidate any offices, move employees, or make other physical changes to the operations of the new Division at this time. Any other increased efficiencies and cost savings that can be generated from the process of combining the two Divisions will be carefully considered and implemented if found to be of benefit to the Company and its customers.

**Q. Will there be any known accounting and/or allocation changes that result from the decision to combine the two Divisions?**

A. Yes, when the decision was made to combine the two Divisions, the Company determined that the most logical and accurate approach to cost allocations was to eliminate certain rate divisions and combine others. This simplified approach will remove one layer of allocations entirely, while ensuring that each rate jurisdiction served by the newly combined Division office will receive a fair and accurate share of the cost. Currently, both Mid-States and Kentucky have a Division Headquarters general office that allocates shared administrative costs to the various states (Kentucky – Div 9, Mid-States-Div 91). In addition to these allocations, Mid-States also allocates costs from two regional offices. Division 88 is the Central Region general office, which typically supports the Company's operations in Tennessee, Missouri, Iowa, and Illinois. Division 90 is the Eastern Region general office, which supports operations in Tennessee, Virginia and Georgia. Kentucky does not currently have any regional general offices. Both the division headquarters and the regional offices in Mid-States and Kentucky use "number of customers" to allocate O&M expenses. Depreciation and Taxes Other than Income, are allocated based on "gross plant". Further detail concerning these allocation factors is available in the Cost Allocation Manual (CAM) attached to Mr. Meziere's testimony. Effective October 1, 2006 the Company will no longer utilize rate divisions 88 and 90 for accounting purposes, but will combine the Mid-States (Div 91) and Kentucky (Div 9) division headquarter offices, for accounting purposes, to create one central rate division that houses all of the newly combined Division's administrative costs. In other words, the Company will keep these offices open physically, but will only house and allocate costs from one central administrative rate division. The Company will then use a composite allocation factor to allocate costs to all states served by the new rate division, instead of the current methodology mentioned on lines 18 through 21 of page 10 above. The composite factor methodology is further described in the direct testimony of Jim Cagle. One change outside of the Tennessee operations, which will have a small impact on the composite factor, is the decision to move the Company's operations in Butler, Missouri (Div 71) from Mid-States to Atmos' Colorado/Kansas Division. This represents a very small number of customers, and thus will not have a material impact on the composite allocation factors.

**Q. Why does the Company believe that combining the Kentucky and Mid-States Headquarter offices into one division, for allocation purposes, is appropriate?**

A. This approach will consolidate the two layers of cost allocations into one, while providing a uniform, logically sound methodology. Furthermore, there will no longer be employees who provide support for the Kentucky operations only, or the Mid-States operations alone. Atmos believes that all costs charged to the new Division Headquarters can and should be allocated to the states using the "composite allocation factor", since each Division Officer and all other employees in this rate division, will provide direction, administrative support, and various services for all states throughout the new division.

**Q. How will the decision to combine the two divisions impact the Company's customers financially?**

A. The impact to the revenue requirement resulting from the accounting changes, are itemized in Schedules THP-WP 4-2, 5-1, and 6-1. In combining the divisions, the company has identified efficiency savings of approximately $475,000, and this amount has been removed from the FY07 O&M allocation to the Company's Kentucky-Mid-States jurisdictions. This level of savings represents only the labor and benefits associated with key management positions, which would have been duplicated in the combined division. Therefore the level of savings included is conservative. When the composite allocation factor projected for the attrition period is applied to the realized savings, the result is approximately $131,000 in reduced expense to Tennessee customers.

## VI. Conclusions

**Q. Do you believe that the Net Operating Income presented in this case, for the attrition period 12 months ended September 30, 2007, includes the most reasonable and accurate projections available?**

A. Yes I do.

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

A. Yes.

Docket No. 05-00258
Schedule GW-1

## Atmos Energy Corporation - Tennessee Operations
## Comparative Statements of Income
## Twelve Months Ended September 30, 2005 and September 30, 2007 (Attrition Period)

| Line No. | Description | (A) 12 months ended September 30, 2005 | (B) 12 months ended September 30, 2007 |
|---|---|---|---|
| 1 | Operating Revenues | $170,087,139 | $195,166,303 |
| 2 | Cost of Gas | 117,231,462 | 143,086,066 |
| 3 | Gross Profit | $52,855,677 | $52,080,237 |
| 4 | Operation and Maintenance Expense (unadjusted) | 14,044,226 | 15,396,515 |
| 5 | (Adjustments from THP-4) | 0 | (1,086,582) |
| 6 | Total Adjusted Operation and Maintenance Expenses | 14,044,226 | 14,309,933 |
| 7 | Depreciation Expense | 11,521,370 | 12,758,460 |
| 8 | Taxes Other than Income | 6,044,532 | 6,090,833 |
| 9 | Income Taxes | 6,259,662 | 5,230,057 |
| 10 | Total Operating Expenses | $37,869,790 | $38,389,283 |
| 11 | Net Operating Income | $14,985,887 | $13,690,954 |

Tennessee Distribution System
Summary of Revenue at Present Rates
Actual Twelve Months Ended May 31, 2006 and Attrition Period

Docket No. 05-00258
Schedule GW-2

| Line No. | Description | Actual Number of Bills | Volumes Ccf | Present Rates | Commodity Charge | *Present Revenue* | Customer Growth Number of Bills | Customer Growth Volumes | Customer Growth Adj Volumes | *Customer Growth ADJ REVENUES* | 1.50% Declining Usage Volumes | Total Adjusted Number of Bills | Total Adjusted Volumes | *Total Adjusted Revenue* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | *(f)* | (h) | (i) | (k) | *(f)* | (l) | (n) | (m) | (s) |
| 1 | **RESIDENTIAL** | | | | | | | | | | | | | |
| 2 | 210 RGS SUMMER | 533,966 | 7,528,028 | $6.00 | $0.2257 | *$4,902,871* | 7,872 | 110,986 | 7,639,014 | *$4,975,155* | (114,585) | 541,838 | 7,524,429 | *4,949,293* |
| 3 | 210 RGS WINTER | 763,223 | 55,451,574 | $6.00 | $0.2657 | *$19,312,823* | 11,006 | 799,664 | 56,251,238 | *$19,591,332* | (843,769) | 774,230 | 55,407,469 | *19,367,143* |
| 4 | 211 HVAC | 24 | 5,673 | $6.00 | $0.0996 | *$709* | 0 | 0 | 5,673 | *$709* | | 24 | 5,673 | *709* |
| 5 | Total Residential | 1,297,213 | 62,985,275 | | | *$24,216,403* | 18,879 | 910,650 | 63,895,925 | *$24,567,196* | (958,354) | 1,316,092 | 62,937,571 | *24,317,145* |
| 6 | | | | | | | | | | | | | | |
| 7 | **COMMERCIAL** | | | | | | | | | | | | | |
| 8 | 220 COM/IND GS | 179,272 | 48,222,655 | $12.00 | $0.2625 | *$14,809,713* | 7,252 | 1,921,648 | 50,144,304 | *$15,401,167* | | 186,524 | 50,144,304 | *15,401,167* |
| 9 | 211 HVAC | 37 | 6,377 | $6.00 | $0.2657 | *$1,916* | (13) | (2,241) | 4,136 | *$1,243* | | 24 | 4,136 | *1,243* |
| 10 | 293 LRG TONN HVAC GS | 12 | 181,701 | $25.00 | $0.1173 | *$21,612* | 0 | 0 | 181,701 | *$21,612* | | 12 | 181,701 | *21,612* |
| 11 | 240 DEMAND/COMM GS | 42 | | $310.00 | | *$13,020* | (30) | 0 | 0 | *$3,720* | | 12 | 0 | *3,720* |
| 12 | Block 1 Volumes | | 240,000 | | $0.0996 | *$23,904* | | | 240,000 | *$23,904* | | 0 | 240,000 | *23,904* |
| 13 | Block 2 Volumes | | 97,370 | | $0.0671 | *$6,534* | | | 97,370 | *$6,534* | | 0 | 97,370 | *6,534* |
| 14 | Block 3 Volumes | | 0 | | $0.0329 | *$0* | | | 0 | *$0* | | 0 | 0 | *0* |
| 15 | Demand Volumes | | 22,200 | | $1.6293 | *$36,170* | | | 22,200 | *$36,170* | | 0 | 22,200 | *36,170* |
| 16 | Total Commercial | 179,363 | 48,770,303 | | | *$14,912,869* | 7,209 | 1,919,408 | 50,689,711 | *$15,494,350* | 0 | 186,572 | 50,689,711 | *15,494,350* |
| 17 | | | | | | | | | | | | | | |
| 18 | **INDUSTRIAL** | | | | | | | | | | | | | |
| 19 | 220 COM/IND GS | 3,390 | 5,216,256 | $12.00 | $0.2625 | *$1,409,941* | 139 | 213,144 | 5,429,400 | *$1,467,554* | | 3,528 | 5,429,400 | *1,467,554* |
| 20 | 230 LRG COM/IND GS | 224 | 2,687,453 | $200.00 | $0.2261 | *$652,433* | (14) | 174,034 | 2,861,487 | *$688,982* | | 210 | 2,861,487 | *688,982* |
| 21 | 250 OPT GS (Handbills) | 84 | | $310.00 | | *$26,040* | (60) | | 0 | *$7,440* | | | 0 | *0* |
| 22 | Block 1 Volumes | | 480,000 | | $0.0996 | *$47,808* | | (46,404) | 433,596 | *$43,186* | | | 433,596 | *43,186* |
| 23 | Block 2 Volumes | | 1,062,870 | | $0.0671 | *$71,319* | | (102,754) | 960,116 | *$64,424* | | | 960,116 | *64,424* |
| 24 | Block 3 Volumes | | 0 | | $0.0329 | *$0* | | | 0 | *$0* | | | 0 | *0* |
| 25 | Demand Volumes | | 31,920 | | $1.6293 | *$52,007* | | | 31,920 | *$52,007* | | | 31,920 | *52,007* |
| 26 | 250 OPT GS | 621 | | $310.00 | | *$192,395* | 27 | | 0 | *$200,880* | | 648 | 0 | *200,880* |
| 27 | Block 1 Volumes | | 6,427,931 | | $0.0996 | *$640,222* | | 283,474 | 6,711,405 | *$668,456* | | | 6,711,405 | *668,456* |
| 28 | Block 2 Volumes | | 7,730,222 | | $0.0671 | *$518,698* | | 340,905 | 8,071,127 | *$541,573* | | | 8,071,127 | *541,573* |
| 29 | Block 3 Volumes | | 0 | | $0.0329 | *$0* | | | 0 | *$0* | | | 0 | *0* |
| 30 | 280 - ECONOMIC DEV GS | 22 | | $310.00 | | *$6,820* | 2 | | 0 | *$7,440* | | 24 | 0 | *7,440* |
| 31 | Block 1 Volumes | | 428,200 | | $0.0747 | *$31,987* | | 38,927 | 467,127 | *$34,894* | | | 467,127 | *34,894* |
| 32 | Block 2 Volumes | | 823,320 | | $0.0503 | *$41,413* | | 74,847 | 898,167 | *$45,178* | | | 898,167 | *45,178* |
| 33 | Block 3 Volumes | | 0 | | $0.0247 | *$0* | | | 0 | *$0* | | | 0 | *0* |
| 34 | 292 COGEN | 24 | | $25.00 | | *$600* | 0 | | 0 | *$600* | | 24 | 0 | *600* |
| 35 | Block 1 Volumes | | 271,820 | | 0.0996 | *$27,073* | | | 271,820 | *$27,073* | | | 271,820 | *27,073* |
| 36 | Block 2 Volumes | | 4,581 | | 0.0671 | *$307* | | | 4,581 | *$307* | | | 4,581 | *307* |
| 37 | Block 3 Volumes | | 0 | | 0.0329 | *$0* | | | 0 | *$0* | | | 0 | *0* |
| 38 | | 4,364 | 25,164,573 | | | *$3,719,063* | 94 | 976,174 | 26,140,747 | *$3,849,994* | 0 | | 26,140,747 | *3,842,554* |
| 39 | | | | | | | | | | | | | | |
| 40 | **PUBLIC AUTHORITY** | | | | | | | | | | | | | |
| 41 | 225 PAG GS - SUMMER | 4,000 | 476,411 | $6.00 | $0.2257 | *$131,526* | | | 476,411 | *$131,526* | | 4,000 | 476,411 | *131,526* |
| 42 | 225 PAG GS - WINTER | 2,068 | 365,852 | $6.00 | $0.2657 | *$109,615* | | | 365,852 | *$109,615* | | 2,068 | 365,852 | *109,615* |
| 43 | 211 HVAC | 5 | 212 | $6.00 | $0.0996 | *$51* | | | 212 | *$51* | | 5 | 212 | *51* |
| 44 | 221 EXPERIMENTAL SGS | 73 | 657,426 | $25.00 | $0.1000 | *$67,568* | | | 657,426 | *$67,568* | | 73 | 657,426 | *67,568* |
| 45 | | 6,146 | 1,499,901 | | | *$308,760* | 0 | 0 | 1,499,901 | *$308,760* | 0 | 6,146 | 1,499,901 | *308,760* |
| 46 | | | | | | | | | | | | | | |
| 47 | **TRANSPORTATION** | | | | | | | | | | | | | |
| 48 | 260 - TRANSP (230 LRG COM/INDG) | 337 | 7,076,714 | $310.00 | $0.2261 | *$1,704,515* | | | 7,076,714 | *$1,704,515* | | 337 | 7,076,714 | *1,704,515* |
| 49 | 260 - TRANSP (230 LRG COM/INDG) - Saturn | 12 | 13,070,610 | $ 22,287.04 | $0.0000 | *$267,444* | | | 13,070,610 | *$267,444* | | 12 | 13,070,610 | *267,444* |
| 50 | 260 - TRANSP (230 LRG COM/INDG Handbills) | 12 | 227,420 | $310.00 | $0.2261 | *$55,140* | | | 227,420 | *$55,140* | | 12 | 227,420 | *55,140* |
| 51 | 260 - TRANSP (240 DEMAND/COMM GS Handbills) | 12 | | $310.00 | | *$3,720* | | | 0 | *$3,720* | | 12 | 0 | *3,720* |
| 52 | Block 1 Volumes | | 240,000 | | $0.0996 | *$23,904* | | | 240,000 | *$23,904* | | | 240,000 | *23,904* |

Tennessee Distribution System
Summary of Revenue at Present Rates
Actual Twelve Months Ended May 31, 2006 and Attrition Period

Docket No. 05-00258
Schedule GW-2

| Line No. | Description | Actual Number of Bills | Volumes Ccf | Present Rates | Commodity Charge | Present Revenue | Customer Growth Number of Bills | Customer Growth Volumes | Customer Growth Adj Volumes | Customer Growth ADJ REVENUES | 1.50% Declining Usage Volumes | Total Adjusted Number of Bills | Total Adjusted Volumes | Total Adjusted Revenue |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (h) | (i) | (k) | (f) | (l) | (n) | (m) | (s) |
| 53 | Block 2 Volumes | | 430,570 | | $0.0671 | $28,891 | | | 430,570 | $28,891 | | | 430,570 | 28,891 |
| 54 | Block 3 Volumes | | | | $0.0329 | $0 | | | 0 | $0 | | | 0 | 0 |
| 55 | Demand Volumes | | 40,003 | | $1.6293 | $65,177 | | | 40,003 | $65,177 | | | 40,003 | 65,177 |
| 56 | 260 - TRANSP (240 DEMAND/COMM GS Handbills) | 24 | | $310.00 | | $7,440 | | | 0 | $7,440 | | 24 | 0 | 7,440 |
| 57 | Block 1 Volumes | | 366,957 | | $0.0747 | $27,412 | | | 366,957 | $27,412 | | | 366,957 | 27,412 |
| 58 | Block 2 Volumes | | 549,000 | | $0.0503 | $27,615 | | | 549,000 | $27,615 | | | 549,000 | 27,615 |
| 59 | Block 3 Volumes | | 0 | | $0.0246 | $0 | | | 0 | $0 | | | 0 | 0 |
| 60 | Demand Volumes | | 79,860 | | $1.2220 | $97,589 | | | 79,860 | $97,589 | | | 79,860 | 97,589 |
| 61 | 260 - TRANSP (250 OPT GS MASS METER) | 24 | | $310.00 | | $7,440 | | | 0 | $7,440 | | 24 | 0 | 7,440 |
| 62 | Block 1 Volumes | | 141,520 | | $0.0996 | $14,095 | | | 141,520 | $14,095 | | | 141,520 | 14,095 |
| 63 | Block 2 Volumes | | 123,680 | | $0.0671 | $8,299 | | | 123,680 | $8,299 | | | 123,680 | 8,299 |
| 64 | Block 3 Volumes | | 0 | | $0.0329 | $0 | | | 0 | $0 | | | 0 | 0 |
| 65 | 260 - TRANSP (250 OPT GS) | 420 | | $ 310.00 | | $130,200 | (3) | | 0 | $129,270 | | 417 | 0 | 129,270 |
| 66 | Block 1 Volumes | | 7,367,561 | | $0.0996 | $733,809 | | (72,000) | 7,295,561 | $726,638 | | | 7,295,561 | 726,638 |
| 67 | Block 2 Volumes | | 21,644,358 | | $0.0671 | $1,452,336 | | (2,270,650) | 19,373,708 | $1,299,976 | | | 19,373,708 | 1,299,976 |
| 68 | Block 3 Volumes | | 0 | | $0.0329 | $0 | | | 0 | $0 | | | 0 | 0 |
| 69 | 260 - TRANSP (250 OPT GS Handbills) | 80 | | $ 310.00 | | $24,800 | | | 0 | $24,800 | | 80 | 0 | 24,800 |
| 70 | Block 1 Volumes | | 1,620,000 | | $0.0996 | $161,352 | | | 1,620,000 | $161,352 | | | 1,620,000 | 161,352 |
| 71 | Block 2 Volumes | | 7,320,470 | | $0.0671 | $491,204 | | | 7,320,470 | $491,204 | | | 7,320,470 | 491,204 |
| 72 | Block 3 Volumes | | 0 | | $0.0329 | $0 | | | 0 | $0 | | | 0 | 0 |
| 73 | 280 - ECONOMIC DEV GS | 12 | | $310.00 | | $3,720 | | | 0 | $3,720 | | 12 | 0 | 3,720 |
| 74 | Block 1 Volumes | | 208,920 | | $0.0747 | $15,606 | | | 208,920 | $15,606 | | | 208,920 | 15,606 |
| 75 | Block 2 Volumes | | 1,124,400 | | $0.0503 | $56,557 | | | 1,124,400 | $56,557 | | | 1,124,400 | 56,557 |
| 76 | Block 3 Volumes | | 0 | | $0.0247 | $0 | | | 0 | $0 | | | 0 | 0 |
| 77 | 280 - ECONOMIC DEV GS (Handbills) | 12 | | $310.00 | | $3,720 | | | 0 | $3,720 | | 12 | 0 | 3,720 |
| 78 | Block 1 Volumes | | 240,000 | | $0.0747 | $17,928 | | | 240,000 | $17,928 | | | 240,000 | 17,928 |
| 79 | Block 2 Volumes | | 1,535,740 | | $0.0503 | $77,248 | | | 1,535,740 | $77,248 | | | 1,535,740 | 77,248 |
| 80 | Block 3 Volumes | | 0 | | $0.0247 | $0 | | | 0 | $0 | | | 0 | 0 |
| 81 | Demand Volumes | | 49,200 | | | $0 | | | 49,200 | $0 | | | 49,200 | 0 |
| 82 | MTSU COGEN CONTRACT | 12 | | $400.00 | | $4,800 | | | 0 | $4,800 | | 12 | 0 | 4,800 |
| 83 | Block 1 Volumes | | 3,647,370 | | $0.0400 | $145,895 | | 130,630 | 3,778,000 | $151,120 | | | 3,778,000 | 151,120 |
| 84 | Block 2 Volumes | | 102,120 | | $0.0220 | $2,247 | | (102,120) | 0 | $0 | | | 0 | 0 |
| 85 | SPECIAL CONTRACT ($0.015 PER Ccf) | 12 | 3,698,460 | $310.00 | $0.0150 | $59,197 | (12) | (3,698,460) | 0 | $0 | | 0 | 0 | 0 |
| 86 | SPECIAL CONTRACT ($0.021 PER Ccf) | 12 | 8,151,030 | $310.00 | $0.0210 | $174,892 | | | 8,151,030 | $174,892 | | 12 | 8,151,030 | 174,892 |
| 87 | SPECIAL CONTRACT ($0.026 PER Ccf) | 12 | 2,818,930 | $310.00 | $0.0260 | $77,012 | | | 2,818,930 | $77,012 | | 12 | 2,818,930 | 77,012 |
| 88 | SPECIAL CONTRACT ($0.042 PER Ccf) | 12 | 3,277,540 | $310.00 | $0.0420 | $141,377 | (12) | (3,277,540) | 0 | $0 | | 0 | 0 | 0 |
| 89 | SPECIAL CONTRACT ($0.2625 Per Ccf) | 12 | 3,332,420 | $310.00 | $0.2625 | $878,480 | | | 3,332,420 | $878,480 | | 12 | 3,332,420 | 878,480 |
| 90 | SPECIAL CONTRACT (Handbill) | 12 | 4,373,430 | $8,000.00 | $0.0200 | $183,469 | | (1,462,810) | 2,910,620 | $154,212 | | 12 | 2,910,620 | 154,212 |
| 91 | | | | | | | | | | | | | | |
| 92 | Total Transportation | 1,029 | 92,858,283 | | | $7,174,529 | (27) | (10,752,950) | 82,105,333 | $6,787,216 | 0 | 1,002 | 82,105,333 | 6,787,216 |
| 93 | | | | | | | | | | | | | | |
| 94 | TOTALS | 1,488,115 | 231,278,335 | | | $50,331,624 | 26,154 | (6,946,718) | 224,331,617 | $51,007,516 | (958,354) | 1,509,812 | 223,373,263 | $ 50,750,025 |
| 95 | | | | | | | | | | | | | | |
| 96 | | | | | | | | | | | | Weather Normalization Adjustment (WNA) | | 1,419,139 |
| 97 | | | | | | | | | | | | | Late/Service Fees | 1,729,207 |
| 98 | | | | | | | | | | | | | Sub Total | 53,898,370 |
| 99 | | | | | | | | | | | | | Barnsley Storage Fee | 1,818,133 |
| 100 | | | | | | | | | | | | | Total | 52,080,237 |

Docket No. 05-00258
Schedule GW-3

**Atmos Energy Corporation - Tennessee Operations**
**Comparative Statements of Operations and Maintenance Expense**
**Twelve Months Ended September 30, 2006 (8 actual + 4 projected) and 2007 (Attrition Period)**

| Line No. | Description | (A) 12 months ended September 30, 2006 (8 actual + 4 proj) | (B) Attrition Increase % | (C) 12 months ended September 30, 2007 (Attrition Period) |
|---|---|---|---|---|
| | Operation and Maintenance Expenses | | | |
| 1 | Labor | $3,279,966 | 3.5% | $3,394,765 |
| 2 | Benefits | 1,285,299 | 2.2% | $1,313,774 |
| 3 | Materials & Supplies | 239,651 | 2.5% | $245,642 |
| 4 | Vehicles & Equip | 565,433 | 2.5% | $579,556 |
| 5 | Print & Postage | 11,261 | 3.8% | $11,694 |
| 6 | Insurance | 21,651 | 2.5% | $22,192 |
| 7 | Marketing | 73,361 | 2.5% | $75,195 |
| 8 | Employee Welfare | 54,591 | 2.5% | $55,956 |
| 9 | Information Technologies | 1,366 | 2.5% | $1,400 |
| 10 | Rent, Maint., & Utilities | 546,235 | 2.5% | $559,891 |
| 11 | Directors & Shareholders &PR | 19,726 | 2.5% | $20,219 |
| 12 | Telecom | 125,189 | 2.5% | $128,318 |
| 13 | Travel & Entertainment | 143,870 | 2.5% | $147,467 |
| 14 | Dues & Donations | 45,750 | 2.5% | $46,894 |
| 15 | Training | 5,021 | 2.5% | $5,147 |
| 16 | Outside Services | 1,372,765 | 2.5% | $1,407,054 |
| 17 | Provision for Bad Debt | 344,783 | 2.0% | $351,679 |
| 18 | Miscellaneous | 10,458 | 2.5% | $10,720 |
| 19 | Total Direct O&M | 8,146,377 | 2.8% | $8,377,563 |
| 20 | Total Shared Service O&M | 6,731,007 | 4.3% | $7,018,952 |
| 21 | Total Operation and Maintenance Expenses (unadjusted) | $14,877,384 | 3.5% | $15,396,515 |