

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

filed electronically 10/15/08

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ADJUSTMENT OF ITS RATES AND
REFISED TARIFF**

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DOCKET NO. 08-00197

PETITION FOR RATE CHANGE

Pursuant to Tennessee Code Annotated § 65-5-203 and the Rules of the Tennessee Regulatory Authority ("TRA" or "Authority"), Atmos Energy Corporation, a Texas corporation, ("Atmos" or the "Company") respectfully requests that the TRA approve its Petition for an adjustment in its rates and charges for natural gas service for the purpose of obtaining a general increase in its rates and for authority to place into effect revised tariffs.

In support of this Petition, Atmos submits the following:

1. Full name and address of the principal place of business of the Company are:

Atmos Energy Corporation
5430 LBJ Frwy S1800
Dallas, TX 75240

2. All correspondence and communications with respect to this Petition should be sent to the following:

Patricia Childers
Vice President
Rates & Regulatory Affairs
Mid-States Division
Atmos Energy Corporation
810 Crescent Centre Drive, Ste. 600
Franklin, TN 37067-6226

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150 Fourth Avenue North
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3. Atmos' Kentucky/Mid-States Division serves customers in Tennessee, Kentucky, Missouri, Virginia, Georgia, Illinois, and Iowa. This Division provides natural gas service to approximately 475,000 customers across those seven states. Atmos serves approximately 129,000 residential, commercial, and industrial customers in Tennessee. The Company has a Tennessee-based work force of over 200 employees including approximately 30 employees in the Mid-States division office in Cool Springs. The Atmos utility plant in Tennessee includes over 3,000 miles of transmission and distribution lines. A map of Atmos' Tennessee service territory is included as Schedule JKA-1 to the testimony of Division President Kevin Akers. Atmos is a public utility pursuant to the laws of the State of Tennessee, and its public utility operations are subject to the jurisdiction of this Authority.

4. The Company's current rates were established by the TRA in Docket No. 07-00105. That case was filed on May 4, 2007. The TRA ultimately approved a settlement in the case, and new rates became effective November 4, 2007. In accordance with the settlement agreement and the TRA's Order, the 2007 rates were designed to produce a revenue increase in the amount of \$3,990,000. Prior to the 2007 rate case, the Company's last increase in Tennessee was in 1995.

5. Atmos' existing rates for natural gas service are not adequate to permit it an opportunity to recover its reasonable operating costs and to earn a fair and reasonable rate of return on its investment. The Company has a revenue deficiency of \$6,288,571 at current rates. In order for Atmos to maintain its facilities and provide services in accordance with the reasonable requirements of its customers and the requirements of the TRA, attract capital on terms which are reasonable, attract and maintain investors, and to produce a reasonable rate of return for its stockholders, Atmos must be granted a general increase in its rates.

6. Although Atmos operates very efficiently, it is not achieving a fair return on its investments with the rates currently in effect. The Company's indicated return on equity, as of June 30, 2008, was 7.67%. Such a return is not fair and reasonable and is confiscatory. It falls substantially below the Company's allowed return on equity of 10.48%, as approved in Docket No. 07-00105.

7. Atmos seeks approval of an increase in revenues of approximately \$6.3 million. The increase to the bill of an average residential customer at current gas prices would be approximately \$2.40 per month.

8. The requested rate increase would provide a projected rate of return of 8.99% on a projected total rate base of \$191,039,508, and a rate of return on projected common equity of 11.7 %.

9. Atmos makes every effort to provide services as efficiently as possible and is proud of its reputation as one of the lowest cost providers of natural gas in the United States. Nonetheless, changing market conditions and increasing costs have caused the existing rates to produce inadequate revenues. Historically, growth through the addition of new residential and commercial gas customers has been sufficient to overcome declining per-customer gas usage due

to energy conservation and more efficient homes and appliances. More recently, however, the Company has seen a significant decline in customer additions caused by the weakening economy, and a resulting loss in revenue.

10. In keeping with the approach approved in Docket No. 07-00105, the Company proposes to spread the rate increase among the various customer classes proportionately based on the attrition period revenues of each rate schedule. The rate increase should be divided between fixed customer charge and the volumetric rate components as more specifically set forth in the testimony submitted herewith.

11. In support of this Petition, Atmos has submitted the following testimony and exhibits:

<i>Witness Name</i>	<i>Exhibit No.</i>	<i>Description</i>
Akers, John K.	JKA-1	Map of Atmos' Tennessee service territory
Childers, Patricia J.	PJC -1	Test Period Margin
	PJC - 2	Attrition Period Margin
	PJC - 3	Present vs Proposed Rates
	PJC - 4	Proposed Tariff(red-lined version)
Meziere, Daniel M.	DMM-1	2008 Cost Allocation Manual
Napier, Earnest B.	None	
Petersen, Thomas H.	THP-1	Cost of Service and Revenue Deficiency
	THP-2	Summary of Revenue at Present Rates
	THP-3	Cost of Gas
	THP-4	O&M Expense for Attrition Period
	THP-5	Taxes other than income taxes for Attrition Period
	THP-6	Depreciation and Amortization Expense
	THP-7	Rate Base and Return 13 month average for Attrition Period
	THP-8	State excise and federal income taxes for Attrition Period
	THP-9	Overall Cost of Capital
	THP-10	Rate of Return for Attrition Period
	THP-CWC1 A	Cash working capital lead/lag analysis for Attrition Period
	THP-CWC1 B	Cash working capital lead/lag analysis for Test Period
	THP-CWC2	Revenue Lag Study for Test Period
	THP-CWC3	Lag relating to purchased gas cost
	THP-CWC4	Payroll expense lag

	THP-CWC5	Other O&M expense payment lag
	THP-CWC6	Lag relating to taxes other than income taxes
	THP-CWC7	Lag relating to federal income taxes
	THP-CWC8	Lag relating to state excise taxes
	THP-CWC9	Lag relating to interest payments on long term debt
	Mid-States GO Depr study	General office Depreciation Study
Sherwood, Laurie M.	LMS-1	Weighted average cost of long term debt for Test Period.
	LMS-2	Projected cost of long term debt for the Attrition Period
	LMS-3	Projected cost of short term debt for the Attrition Period
Vander Weide, James H.	JVW-1, Schedule 1	Summary of Discounted Cash Flow Analysis for Natural Gas Companies
	JVW-1, Schedule 2	Comparison of the DCF Expected Return on an Investment in Natural Gas Companies to the Interest Rate on Moody's A-Rated Utility Bonds
	JVW-1, Schedule 3	Comparative Returns on S&P 500 Stock Index and Moody's A-Rated Bonds 1937—2008
	JVW-1, Schedule 4	Comparative Returns on S&P Utility Stock Index and Moody's A-Rated Bonds 1937—2008
	JVW-1, Schedule 5	Using the Arithmetic Mean to Estimate the Cost of Equity Capital
	JVW-1, Schedule 6	Calculation of Capital Asset Pricing Model Cost of Equity Using the Ibbotson® SBBI® 7.1 Percent Risk Premium
	JVW-1, Schedule 7	Calculation of Capital Asset Pricing Model Cost of Equity Using DCF Estimate of the Expected Rate of Return on the Market Portfolio
	Appendix 1	Qualifications of James H. Vander Weide
	Appendix 2	Derivation of the Quarterly DCF Model
	Appendix 3	Adjusting for Flotation Costs in Determining a Public Utility's Allowed Rate of Return on Equity
	Appendix 4	Ex Ante Risk Premium Method
	Appendix 5	Ex Post Risk Premium Method
Waller, Gregory K.	GKW-1	Summary of total operating expenses - Test Period and Attrition Period
	GKW-2	O&M expense by cost element
	GKW-3	Summary of taxes other than income taxes
	GKW-4	Depreciation summary

WHEREFORE, Atmos Prays:

1. That Notice be issued and a hearing be set regarding the Petition;
2. That the Authority find that the existing rates of Atmos Energy are inadequate and that the rates proposed by the Company are fair, just and reasonable and in the public interest;
3. That the Authority approve Atmos' revised tariff implementing the proposed rates, filed as PJC-4, to become effective on April 15, 2009.
4. That Atmos be granted such other and/or further relief as may be warranted.

Respectfully submitted,

Atmos Energy Corporation

By: 

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