

NEAL & HARWELL, PLC

LAW OFFICES

150 FOURTH AVENUE, NORTH

SUITE 2000

NASHVILLE, TENNESSEE 37219-2498

TELEPHONE  
(615) 244-1713

FACSIMILE  
(615) 726-0573

WWW.NEALHARWELL.COM

JAMES F. NEAL (1929-2010)

AUBREY B. HARWELL, JR.  
JON D. ROSS  
JAMES F. SANDERS  
THOMAS H. DUNDON  
RONALD G. HARRIS  
ALBERT F. MOORE  
PHILIP N. ELBERT  
JAMES G. THOMAS  
WILLIAM T. RAMSEY  
JAMES R. KELLEY  
MARC T. McNAMEE  
GEORGE H. CATE, III  
PHILIP D. IRWIN  
A. SCOTT ROSS  
GERALD D. NEENAN  
AUBREY B. HARWELL, III  
W. DAVID BRIDGERS  
KENDRA E. SAMSON  
DAVID G. THOMPSON  
LISA PAIGE BINDER  
ELIZABETH S. TIPPING

CHANDRA N.T. FLINT  
STEPHEN M. MONTGOMERY  
JEFF H. GIBSON  
ROBERT A. PEAL  
J. ISAAC SANDERS  
JOHN E. HAUBENREICH  
BLIND AKRAWI  
CHANELLE A. JOHNSON  
MEGHAN C. DOUGHERTY  
ANDREW A. WARTH

OF COUNSEL  
LARRY W. LINDEEN

June 22, 2012

Sharla Dillon, Docket Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37238

VIA HAND DELIVERY

RE: *Atmos Energy Corporation Petition for Adjustment of Rates*

Dear Ms. Dillon:

Enclosed is a new rate case Petition, being filed by Atmos Energy Corporation, along with the Company's responses to the minimum filing requirements (MFRs).

Some of the documents are confidential. We have included a proposed Confidentiality Order, which you will find behind the Petition. The confidential documents are enclosed in separate sealed envelopes, and should be filed under seal.

We have enclosed an original and four copies, along with a PDF copy on CD. There are no confidential documents on the CDs in the main filing. CDs containing the confidential documents may be found in the sealed envelopes containing the hard copy confidential documents. CDs containing Excel versions of the spreadsheets for use by TRA Staff also have been provided.

As always, thank you for your assistance in this matter.

Best regards.

Sincerely,

A. Scott Ross

xc: Cynthia Kinser, Esq.

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

IN RE: )  
 )  
PETITION OF ATMOS ENERGY )  
CORPORATION FOR APPROVAL OF ) Docket No. \_\_\_\_\_  
ADJUSTMENT OF ITS RATES AND )  
REVISED TARIFF )

---

**PETITION FOR RATE CHANGE**

---

Pursuant to Tennessee Code Annotated § 65-5-103 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 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 Freeway Suite 1800  
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

A. Scott Ross, Esq.  
Neal & Harwell, PLC  
2000 One Nashville Place  
150 Fourth Avenue North  
Nashville, TN 37219-2498

Ellen T. Weaver, Esq.  
Senior Attorney  
Atmos Energy Corporation  
P.O. Box 650205  
Dallas, TX 75265-0205

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 461,000 customers across those seven states. Atmos serves approximately 130,400 residential, commercial, and industrial customers in Tennessee. The Company has a Tennessee-based work force of 177 employees including approximately 30 employees in the Mid-States division office in Cool Springs. Our utility plant in Tennessee includes over 3,300 miles of transmission and distribution lines. A map of Atmos' Tennessee service territory is included as Schedule PJC-1 to the testimony of Patricia J. Childers. 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. 08-00197. That case was filed on October 15, 2008. The TRA ultimately approved a settlement in the case, and new rates became effective April 1, 2009. In accordance with the settlement agreement and the TRA's Order, the 2009 rates were designed to produce a revenue increase in the amount of \$2,512,575.

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 \$ 10,800,897 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 March 31, 2012, was 7.53%. Such a return is not fair and reasonable and is confiscatory. It falls substantially below the Company's allowed return on equity of 10.3%, as approved in Docket No. 08-00197.

7. Atmos seeks approval of an increase in revenues of approximately \$ 10.8 million. The increase to the bill of an average residential customer at current gas prices would be approximately \$4.00 per month.

8. The requested rate increase would provide a projected rate of return of 8.75% on a projected total rate base of \$ 208,661,037, and a rate of return on projected common equity of 11.0 %.

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, projected capital expenditures to re-enforce existing infrastructure and comply with federal safety regulations in the main necessitate this Petition for rate change. Atmos seeks timely and adequate rate relief in order to maintain the current high-quality safe and reliable service the Company's customers expect.

10. The Company's proposal retains the current proportionate margin distribution among the various customer classes. The Company proposes to increase the fixed customer charge for certain rate schedules. Virtually all of a natural gas local distribution company's costs of service (other than the costs of gas, which are not recovered in base distribution rates) are fixed, as opposed to variable. Contradictorily, under the Company's existing rate structure, the majority of distribution rate revenues are recovered through volumetric rate components. To better recover fixed costs through fixed revenues, the Company proposes to adjust the fixed monthly customer charge component for certain rate classes. The proposed monthly customer charges compare favorably with the charges approved by the TRA in recent filings by the other regulated natural gas utilities.

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



<i>Witness Name</i>	<i>Schedule No.</i>	<i>Description</i>
Childers, Patricia J.	PJC-1	Map of Atmos Energy Tennessee Service Territory
Densman, Joshua C.	JCD-1	Test Period Margin
	JCD-2	Attrition Period Margin
	JCD-3	Present vs. Proposed Rates
	JCD-4	Rate Design
	JCD-5	Proposed Tariff (red-line version)
Napier, Earnest B.	None	
Petersen, Thomas H.	TP-1	THP-1 - Cost of Service and Revenue Deficiency
		THP-2 - Summary of Revenue at Present Rates
		THP-3 - Cost of Gas
		THP-4 - Operation and Maintenance Expenses
		THP-5 - Taxes Other than Income Taxes
		THP-6 - Depreciation and Amortization Expense
		THP-7 - Rate Base and Return
		THP-8 - State Excise and Federal Income Taxes
		THP-9 - Overall Cost of Capital
		THP-10 - Rate of Return
	TP-2	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 - Average Revenue Lag Study
		THP-CWC3 - Average Purchased Gas Cost Payment Lag
		THP-CWC4 - Average Payroll Lag
		THP-CWC5 - Average Number of Lag Days for Other O&M Expenses
		THP-CWC6 - Average Payment Lag Days for Other Taxes
		THP-CWC7 - Federal Income Taxes Lag
		THP-CWC8 - State Excise Taxes Lag
		THP-CWC9 - Long Term Debt Lag
		THP-CWC10 - Short Term Debt Lag
	TP-3	Shared Services Depreciation Study
Schneider, Jason L.	JLS-1	2012 Cost Allocation Manual
Vander Weide, James H.	JVW-1	Schedule 1 - Summary of Discounted Cash Flow Analysis for Natural Gas Distribution Companies
		Schedule 2 - Summary of Discounted Cash Flow Analysis for Water Utilities
		Schedule 3 - Comparison of the DCF Expected Return on an Investment in Natural Gas Companies to the Interest Rate on Moody's A-Rated Utility Bonds
		Schedule 4 - Comparative Returns on S&P 500 Stock Index and Moody's A-Rated Bonds 1937-2012
		Schedule 5 - Comparative Returns on S&P Utility Stock Index and Moody's A-Rated Bonds 1937-2012
		Schedule 6 - Using the Arithmetic Mean to Estimate the Cost of Equity Capital
		Schedule 7 - Calculation of Capital Asset Pricing Model Cost of Equity Using the Ibbotson® SBB1® 6.6 Percent Risk Premium
		Schedule 8 - Calculation of Capital Asset Pricing Model Cost of Equity Using DCF Estimate of the Expected Rate of Return on the Market Portfolio
		Schedule 9 - Atmos Energy's Three Year Average Capital Structure
		Schedule 10 - Atmos Energy's Cost of Short-Term Debt
		Schedule 11 - Atmos Energy's Cost of Long-Term Debt
		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.	GW-1	Summary of Total Operating Expenses - Test Period and Attrition Period
	GW-2	O&M by Cost Element
	GW-3	Summary of Taxes Other than Income Taxes
	GW-4	Depreciation Expense 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 JCD-5, to become effective on December 1, 2012.

4. That Atmos be granted such other and/or further relief as may be warranted.

Respectfully submitted,

**Atmos Energy Corporation**

By: 

A. Scott Ross, #15634

**NEAL & HARWELL, PLC**

2000 One Nashville Place

150 Fourth Avenue, North

Nashville, TN 37219-2498

(615) 244-1713 – Telephone

(615) 726-0573 – Facsimile

*Counsel for Atmos Energy Corporation*

**VERIFICATION**

STATE OF TENNESSEE     )  
  )  
COUNTY OF WILLIAMSON    )

I, Patricia J. Childers, being duly sworn state that I am the Vice President - Rates & Regulatory Affairs for the Kentucky/Mid-States Division of Atmos Energy Corporation, the Petitioner in the subject proceeding; that I am authorized to make this verification of behalf of Atmos Energy Corporation; that I have read the foregoing Petition and Exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.

Patricia J Childers

SWORN to and subscribed before me  
this 21st day of June, 2012.

Pamela Pleasant  
Notary Public

My Commission Expires

MAY 3, 2016

