

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

**IN RE:**

<b>PETITION OF ATMOS ENERGY</b>	)	
<b>CORPORATION FOR APPROVAL OF</b>	)	<b>DOCKET NO. 12-_____</b>
<b>ADJUSTMENT OF ITS RATES AND</b>	)	
<b>REVISED TARIFF</b>	)	

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**PRE-FILED TESTIMONY OF GREGORY K. WALLER  
ON BEHALF OF ATMOS ENERGY CORPORATION**

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**I. INTRODUCTION OF WITNESS**

**Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

A. My name is Gregory K. Waller. I am Vice President of Finance for the Kentucky/Mid-States Division of Atmos Energy Corporation (“Atmos Energy” or the “Company”). My business address is 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067.

**Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.**

A. I received a Bachelor of Arts degree in economics from Dartmouth College in 1994 and an MBA degree from the University of Texas in 2000. I worked as a management consultant from 1994 to 2003 at Harbor Research in Boston, MA (1994-1996) and Towers Perrin in Dallas, TX (1997-2003). I joined Atmos Energy in 2003 in the Planning and Budgeting Department in Dallas. In November of 2005 I became Vice President of Finance for the Kentucky/Mid-States Division, which includes the Company’s regulated Tennessee operations.

**Q. WHAT ARE YOUR RESPONSIBILITIES AT ATMOS ENERGY?**

A. I am responsible for monitoring and analyzing the financial performance of the Kentucky/Mid-States Division, 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 policies, procedures, and controls to ensure compliance with corporate accounting policies, Generally

1 Accepted Accounting Principles (GAAP) and regulatory requirements.

2 **Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER**  
3 **REGULATORY COMMISSION?**

4 A. Yes. I testified before the Tennessee Regulatory Authority in 2006 and the  
5 Georgia Public Service Commission in 2008, 2009 and 2011. I also submitted  
6 direct testimony in the Company's rate proceedings in Kentucky (2006 and 2009),  
7 Tennessee (2007 and 2008), and Virginia (2008 and 2009).

8

9 **II. SUMMARY OF TESTIMONY**

10 **Q. WHAT SUBJECT AREAS DO YOU INTEND TO COVER IN YOUR**  
11 **TESTIMONY?**

12 A. I will testify concerning the following subject areas:

- 13 1. The Operating and Maintenance (O&M) expense budgeting process used  
14 by Atmos Energy's utility divisions, including the Kentucky/Mid-States  
15 Division;  
16 2. The Shared Services Unit (SSU) budgeting process;  
17 3. Control and monitoring of O&M variances; and  
18 4. The historical test period costs and forecasted attrition year budget for  
19 O&M, depreciation expense, and taxes other than income taxes incurred  
20 directly by the Tennessee operations and allocated from the  
21 Kentucky/Mid-States Division's General Office and SSU.

22 **Q. PLEASE SUMMARIZE YOUR TESTIMONY IN THESE SUBJECT**  
23 **AREAS:**

24 A. The Division and SSU Budgeting Process

- 25 • The objectives of the Company's O&M budgeting process are to: (1)  
26 formalize the process of identifying the anticipated costs of operating and  
27 maintaining Atmos Energy's systems each year; (2) ensure that all policies  
28 and procedures associated with the annual budgeting process are consistently  
29 adhered to by the functional managers and officers; (3) assess the  
30 appropriateness of routine maintenance requirements and non-capital

1 expenditures proposed by the functional managers and officers to ensure that  
2 the amounts do not exceed a level necessary to deliver safe, reliable, and  
3 efficient natural gas service to the Company's customers; and (4) ensure that  
4 the O&M budget properly reflects our strategic operational and financial  
5 plans.

- 6 • O&M costs are budgeted on a fiscal year basis -- from October 1 through  
7 September 30 of the following year. Budgets are reviewed and approved at  
8 multiple levels beginning with the supervisor/managers up through division  
9 and corporate leadership.
- 10 • The O&M budget is prepared by type of cost element. Within each cost  
11 element expenses are budgeted at the sub-account level. Although the  
12 budgets are not prepared by FERC account, Atmos Energy does convert its  
13 budget and forecast to FERC accounts.
- 14 • The annual budget for SSU O&M is developed using these same methods  
15 and processes.
- 16 • SSU is comprised of functional services groups such as planning and  
17 budgeting, accounting, legal, rates, information technology, gas supply,  
18 customer support, and risk management. Each functional service group is  
19 comprised of one or more cost centers, which may have additional cost  
20 centers below them.
- 21 • Each SSU cost center owner is responsible for developing his or her annual  
22 budget, except for certain predetermined costs, which are developed by the  
23 Business Planning and Analysis department or another department that has  
24 knowledge of the predetermined cost.
- 25 • Once an SSU cost center budget has been prepared, it is subject to the same  
26 managerial review and approval processes that are used for the budgets for  
27 the Company's utility divisions and subsidiaries.
- 28 • The SSU capital expenditure (Capex) budget is developed using the same  
29 methods and processes employed for the division's capital expenditure  
30 budget.

- O&M costs in SSU and the Kentucky/Mid-States Division's General Office are allocated to the Company's utility divisions by using a process of common cost allocation more particularly described in the Company's Cost Allocation Manual attached to the testimony of Company witness Jason Schneider.
- Unlike O&M costs, SSU Capex is not directly charged to the Company's utility divisions or subsidiaries. Once an SSU capital project is completed and closed to plant, it then becomes part of SSU general plant that is allocated for rate making purposes within a rate filing.
- An allocated portion of SSU costs have been included as part of the attrition period costs for purposes of this rate filing.

#### Control and Monitoring of O&M Variances

- On a quarterly basis, each division's actual to budget variances with explanations are presented to the Company's Management Committee, SSU department heads, select Board of Directors members, and external auditors at a formal quarterly performance review.
- Each month, once the books are closed, the SSU Financial Reporting department publishes electronically the monthly Atmos Energy Financial Package that details the financial performance of each of the Atmos Energy operating divisions. This Financial Package, once complete, is available to all Atmos Energy officers and Board members for review and is an official Sarbanes-Oxley Act ("SOX") control document for the Company. Once the Financial Package is complete and my department has completed a thorough review of the division's financial performance and the Financial Package, I complete an online questionnaire generated by our SOX Compliance Tool certifying that we have done so. The Company's external auditors look for this certification as evidence of SOX compliance.

#### Historical Test Period Costs and Forecasted Attrition Year Budget

- 1       • The forecasted attrition period in this rate proceeding is December 1, 2012 –  
2       November 30, 2013.
- 3       • The historical test period in this rate proceeding is April 1, 2011 – March 31,  
4       2012.
- 5       • The basis for the forecasted attrition period budget is the Company's fiscal  
6       year 2012 actual results through March 31 and fiscal year 2012 budget  
7       through September 30, 2012.
- 8       • The forecasted attrition period O&M is comprised of three parts: expenses  
9       incurred and booked directly in Tennessee, allocated expenses from the  
10      Kentucky/Mid-States Division's General Office, and allocated expenses from  
11      SSU.
- 12      • The direct O&M for Tennessee for the historical test period is \$9,434,838.
- 13      • The direct O&M for Tennessee for the attrition period is \$11,991,203.
- 14      • The difference is \$2,556,365 and reflects adjustments I have made for labor  
15      and benefits, rent, other O&M, and bad debt. The forecast for benefits  
16      follows Tennessee regulatory precedent by removing the accrual for FAS 87  
17      (pension) expenses and replaces it with the Company's actual cash  
18      contributions attributable to the Tennessee jurisdiction using the same  
19      valuation methodology used in the Company's 08-00197 rate proceeding.  
20      This adjustment accounts for \$2,575,974, and includes a three-year  
21      amortization of the Company's total cash contributions made and required  
22      through the end of the attrition period. This adjustment is larger than the  
23      total difference stated above due to offsetting decreases in other categories.  
24      The difference also includes \$153,333 to account for a three-year  
25      amortization of expenses related to this proceeding.
- 26      • Direct labor expense is forecasted to increase \$117,083 from the test period  
27      to the attrition period to accommodate the Company's budgeted 3% average  
28      merit adjustment.
- 29      • Benefits are projected as a fixed benefit load percentage of labor expense.  
30      The attrition period direct benefits expense of \$1,630,192 is \$68,264 lower

1 than the test period and reflects the removal of FAS 87 expense discussed  
2 above. It does not include the adjustment for actual cash contributions to the  
3 pension plan.

- 4 • O&M expense types other than labor, benefits, rent, insurance and bad debt  
5 are forecasted using a standard inflation factor of 2.56% to arrive at the  
6 attrition period expense level. The inflation factor applied to insurance  
7 premiums is 4% to account for anticipated increases.
- 8 • The adjustment relating to bad debt seeks to reflect our goal that bad debt is  
9 no higher than .5% of residential, commercial, and public authority gross  
10 margins during any given year. To arrive at the bad debt projection of  
11 \$219,086 we simply calculated .5% of residential, commercial and public  
12 authority gross margins from the revenue projections. The projection is  
13 \$63,418 lower than the test period.
- 14 • The General Office O&M allocated to Tennessee for the historical test period  
15 is \$3,070,891.
- 16 • The General Office O&M allocated to Tennessee for the attrition period is  
17 \$3,765,014. The difference between the General Office test period O&M  
18 and the attrition period O&M allocated to Tennessee is an increase of  
19 \$694,123 due largely to the change in allocation factors resulting from the  
20 Company's disposition of operations in Missouri, Illinois and Iowa as  
21 discussed in MFR 1 and 2.
- 22 • Using the forecast methodologies I have described, labor expense is  
23 forecasted to increase \$138,968 from the test period to the attrition period.  
24 Benefits are forecasted to increase \$166,409. Rent, maintenance and utilities  
25 expense is forecasted to increase \$38,545 and other O&M is forecasted to  
26 increase \$350,201 from the test period to the attrition period.
- 27 • The amount of Shared Services O&M allocated to Tennessee for the test  
28 period is \$4,796,434. The amount of the Shared Services O&M allocated to  
29 Tennessee for the forecasted attrition period is \$5,101,588.
- 30 • The difference between the Shared Services O&M for the test period and the

1 forecasted attrition period is an increase of \$305,153 which is the net  
2 difference in a number of items outlined on Schedule GW-2.

- 3 • When the three components of O&M are added together, total O&M is  
4 forecasted to increase 20.6% from a test period level of \$17,302,164 to an  
5 attrition period level of \$20,857,805. Prior to the addition of actual cash  
6 contributions to the pension plan and estimated rate case expenses for this  
7 proceeding, the total O&M growth rate is 4.8%.
- 8 • The amount of depreciation expense for the test period is \$9,943,112.
- 9 • The amount of depreciation expense for the attrition test period is  
10 \$10,347,398.
- 11 • The expense level for taxes, other than income taxes for the test period, is  
12 \$6,213,818. The level of taxes, other than income taxes for the forecasted  
13 attrition period is \$6,251,784.

14 **Q. ARE YOU SPONSORING ANY SCHEDULES?**

15 A. Yes. I am sponsoring the following schedules:

16 Schedule GW-1 Total Operating Expenses  
17 Schedule GW-2 O&M by Cost Element  
18 Schedule GW-3 Taxes other than Income Tax  
19 Schedule GW-4 Depreciation Expense

20  
21 **III. O&M BUDGETING PROCESS**

22 **Q. WHAT ARE THE OBJECTIVES OF THE COMPANY'S O&M**  
23 **BUDGETING PROCESS?**

24 A. The objectives are to: (1) formalize the process of identifying the anticipated costs  
25 of operating and maintaining Atmos Energy's systems each year; (2) ensure that  
26 all policies and procedures associated with the annual budgeting process are  
27 consistently adhered to by the functional managers and officers; (3) assess the  
28 appropriateness of routine maintenance requirements and non-capital  
29 expenditures proposed by the functional managers and officers to ensure that the  
30 amounts do not exceed a level necessary to deliver safe, reliable, and efficient  
31 natural gas service to the Company's customers; and (4) ensure that the O&M  
32 budget properly reflects our strategic operational and financial plans. These

1 objectives are applicable to the Company as a whole (including SSU) as well as to  
2 its various division, state and local level operations.

3 **Q. CAN YOU DESCRIBE THE COMPANY'S O&M BUDGETING**  
4 **PROCESS?**

5 A. Yes. O&M costs are budgeted on a fiscal year basis, which begins on October 1  
6 of each year (consistent with the seasonal operations of our business) and runs  
7 through September 30 of the following year. Preparation of operating and  
8 construction budgets for a fiscal year formally begins in late May of each year and  
9 culminates with completion of final budgets in late August, just prior to the  
10 beginning of the fiscal year. Budget preparation is based on meeting the four  
11 objectives described in my preceding answer. Budgets are approved at multiple  
12 levels beginning with supervisor/managers up through division leadership.  
13 Additional reviews are performed by corporate executive operations management  
14 and their staff. High level reviews of the division budgets are also performed by  
15 the Company's senior executives who are presiding members of the Company's  
16 Management Committee. The Board of Directors must review and approve the  
17 total Company budget before finalization and implementation. This approval  
18 typically occurs in September of each year.

19 **Q. WHAT ROLE DOES THE O&M BUDGETING PROCESS PLAY IN THE**  
20 **COMPANY'S FINANCIAL PLANNING?**

21 A. Atmos Energy's Business Planning and Analysis Department is responsible for  
22 financial planning at the enterprise level. That department receives direction from  
23 the Board of Directors concerning forward-looking financial objectives for the  
24 Company. Business Planning and Analysis is responsible, with significant input  
25 and collaboration from division leadership, for translating those enterprise targets  
26 into a financial plan for each division and rate jurisdiction. It is the collaboration  
27 between Business Planning and Analysis and division leadership that ensures that  
28 all four of the objectives described above are met each year. Spending targets are  
29 established as a result of this collaboration.

30 **Q. WHAT IS YOUR ROLE IN THIS PROCESS?**



1 A. My role is to facilitate the budget process within the Kentucky/Mid-States  
2 Division that confirms the operational feasibility of the targets and produces an  
3 O&M budget consistent with the Company's processes and goals described  
4 above. My department communicates certain budget guidelines such as average  
5 wage increase percentages and anticipated benefits rates to managers and  
6 supervisors (cost center owners). Each cost center owner is responsible for  
7 building his or her department's budget and submitting it for review by me and  
8 approval along the appropriate approval chain. My department provides support  
9 to and often asks for clarifying information from cost center owners as needed to  
10 explain significant variances from the prior year. In addition, we budget several  
11 items on behalf of the entire Division such as bill print fees, insurance costs, bad  
12 debt provision, etc. An iterative process involving Division leadership (including  
13 myself), my department and the cost center owners ultimately produces an O&M  
14 budget that meets the needs of our operations, ensures that we operate safely,  
15 reliably and efficiently, and allows our Division to contribute to the financial  
16 success of Atmos Energy. This process is used to develop the direct O&M budget  
17 for Tennessee, as well as the Division's general office O&M budget. A portion of  
18 the Division's general office O&M budget, as hereinafter discussed, is allocated  
19 to Tennessee in accordance with the allocation methods addressed in the  
20 Company's Cost Allocation Manual filed with the testimony of Company witness  
21 Jason Schneider.

22 **Q. SO FAR YOU HAVE DESCRIBED THE O&M BUDGETING PROCESS.**  
23 **CAN YOU EXPLAIN HOW THE BUDGET IS PREPARED WITHIN THE**  
24 **PARAMETERS OF THIS PROCESS?**

25 A. Yes. The O&M budget is prepared by type of cost element, such as labor,  
26 benefits, transportation, rents, office supplies, etc. Within each cost element we  
27 budget expenses at the sub-account level. The prior year's actual costs, year to  
28 date actual costs, and budgeted costs for the remainder of the fiscal year are used  
29 as guidelines for budgeting by functional managers and officers. The budgets are  
30 prepared using a web based software tool called PlanIt. This tool allows cost  
31 center owners to enter their budgets and allows my department and Kentucky/

1 Mid-States Division management to review budgets using a number of standard  
2 and ad hoc reports.

3 **Q. ARE THESE BUDGETS PREPARED BY FERC ACCOUNT?**

4 A. No. In our experience, FERC accounts do not provide a sufficient level of detail  
5 to enable us to understand the costs within each account. For budgeting purposes  
6 (and subsequent managing of expenses), we need individualized expense types  
7 that relate to the operation of each cost center. FERC accounts do not provide  
8 that level of detail. However, when we incur costs, we do identify our  
9 expenditures by FERC account as well as expense type. This provides a timely  
10 analysis of the type of charges being expensed by FERC account.

11 **Q. HOW DOES ATMOS ENERGY CONVERT ITS O&M BUDGET BY COST**  
12 **ELEMENT INTO FERC ACCOUNTS?**

13 A. To convert our budget and forecast to FERC accounts, historic test period actual  
14 expenditures were downloaded from the general ledger by FERC account and cost  
15 element. A calculation was then made to determine within each cost element type  
16 the percentage of spending attributable to each FERC account. Each percentage  
17 factor was then applied to the attrition period forecast by cost type to develop a  
18 forecast by FERC account.

19

20 **IV. SSU BUDGETING**

21 **Q. CAN YOU DESCRIBE THE SSU BUDGETING PROCESS?**

22 A. The annual budget for SSU O&M is developed using the same methods,  
23 processes, and controls that I have described hereinabove. SSU is, however,  
24 slightly different.

25 **Q. HOW DOES SSU DIFFER?**

26 A. Perhaps the easiest way to explain the SSU budgeting process is to begin with a  
27 brief explanation of how SSU is organized. SSU is comprised of functional  
28 service groups such as planning and budgeting, accounting, legal, rates,  
29 information technology, gas supply, customer support, risk management, etc.  
30 Each functional service group is comprised of one or more cost centers, such as

1 accounting which, at the high level, consists of the Company's controller, general  
2 accounting services, tax services, revenue accounting, and financial reporting.  
3 These cost centers may have additional cost centers below them that roll up into  
4 the cost center for total budgeting purposes, such as plant accounting within  
5 general accounting. The planning and budgeting group works with and supports  
6 the Company's utility divisions, subsidiaries, and SSU cost center owners in the  
7 development of their annual budgets.

8 Each SSU cost center owner, whether an officer, managerial director,  
9 manager or supervisor of the Company, is responsible for developing his or her  
10 annual budget as part of the Company-wide annual budgeting process, except for  
11 certain pre-determined costs developed by planning and budgeting or another  
12 group that has knowledge of the pre-determined cost. An example of a pre-  
13 determined cost is the allocated portion of corporate office rent. Pre-determined  
14 costs are provided to cost center owners for inclusion in their cost center budgets.

15 Once an SSU cost center budget has been prepared, it is subject to the  
16 same managerial review and approval processes that are used for the budgets of  
17 the Company's utility divisions and subsidiaries. Once approved, the SSU cost  
18 center's budget is subject to the same ongoing control processes, including  
19 variance monitoring, that I have described herein below.

20 **Q. YOU HAVE DESCRIBED THE SSU O&M BUDGETING PROCESS, BUT**  
21 **WHAT ABOUT SSU CAPEX BUDGETING?**

22 A. The SSU Capex budget is developed using the same general methods and  
23 processes employed for the Kentucky/Mid-States Division's Capex budget, which  
24 is more particularly described in the direct testimony of Company witness Mr.  
25 Ernie Napier. There are, however, some notable differences.

26 **Q. PLEASE DESCRIBE THE DIFFERENCES.**

27 A. Although a particular Capex item may be budgeted by an SSU cost center owner,  
28 such as the purchase of a new filing cabinet, the majority of SSU Capex costs  
29 consists of information technology hardware and software systems. These costs  
30 are budgeted in the SSU Information Technology ("IT") costs centers. For  
31 example, if tax services required a new property tax management system, then the

1 IT group would work with tax services to budget the costs of purchasing or  
2 developing and implementing the new system. IT will include these costs as part  
3 of the IT Capex budget for SSU information technology capital projects. The  
4 SSU Capex budget is subject to the same managerial review and pre-approval  
5 processes, as well as ongoing control processes, described in Mr. Napier's  
6 testimony.

7 **Q. HOW ARE THE COSTS IN AN SSU COST CENTER BUDGET**  
8 **CHARGED OR ALLOCATED TO THE COMPANY'S UTILITY**  
9 **DIVISIONS, SUCH AS IN TENNESSEE?**

10 A. For O&M costs, the Company employs a process of common cost allocation that  
11 is described in the Company's Cost Allocation Manual attached to the testimony  
12 of Company witness Jason Schneider. For illustrative purposes only, if the SSU  
13 tax services cost center budgeted \$100,000 in O&M for a fiscal year and the  
14 applicable allocation factor for Tennessee was 5%, then Tennessee would be  
15 allocated \$5,000 of tax services budgeted in O&M. Of course, budgeted  
16 allocation amounts are based upon actual budget numbers and actual allocation  
17 factors.

18 Unlike O&M, SSU Capex is not directly charged to the Company's utility  
19 divisions or subsidiaries. Once an SSU capital project is completed and closed to  
20 plant, it then becomes part of SSU general plant that is allocated for ratemaking  
21 purposes within a rate filing. In this rate filing, increases to SSU general plant for  
22 the attrition period pertain to spending on capital projects which are reasonably  
23 expected to be closed to plant and in service for the benefit of the Company's  
24 utility divisions, including the Kentucky/Mid-States Division, before the end of  
25 the attrition period.

26 **Q. HAVE ALLOCATED SSU COSTS BEEN INCLUDED AS PART OF THE**  
27 **ATTRITION PERIOD COSTS FOR PURPOSES OF THIS RATE FILING?**

28 A. Yes. The Company's planning and budgeting group developed the forward-  
29 looking SSU costs (both O&M and Capex) for purposes of the attrition period  
30 used for this rate filing. The entirety of these forecasted costs are not attributable  
31 to Tennessee, only an allocated portion. The allocated costs were determined

1 according to the Company's Cost Allocation Manual, as discussed hereinabove,  
2 and are incorporated into the filing requirements sponsored by me (O&M) and  
3 Messrs. Napier and Petersen (Capex).  
4

#### 5 **V. O&M CONTROL AND MONITORING**

6 **Q. DOES THE COMPANY EMPLOY ANY METHODOLOGY TO**  
7 **MONITOR AND CONTROL O&M ACCORDING TO BUDGETED**  
8 **LEVELS?**

9 A. Yes. Atmos Energy utilizes variance monitoring to ensure financial quality  
10 control of O&M expenses by formalizing the analysis of variances by cost type  
11 and cost center. On a quarterly basis, we present our Division's actual to budget  
12 variances with explanation to the Company's Management Committee, SSU  
13 department heads, select Board of Directors members and external auditors at a  
14 formal Quarterly Performance Review. The goal is to keep all levels of  
15 management informed of our O&M spending in comparison to budgeted amounts,  
16 in order to allow management to react to unanticipated events on a timely basis.

17 **Q. ARE O&M VARIANCES EVALUATED MORE FREQUENTLY THAN**  
18 **ON A QUARTERLY BASIS?**

19 A. Yes. My department conducts a thorough review of O&M actual to budget  
20 variances each month.

21 **Q. PLEASE DESCRIBE YOUR MONTHLY VARIANCE REVIEW**  
22 **PROCESS.**

23 A. We begin by examining, at the Division level, significant variances by cost type  
24 (labor, benefits, materials, rents, etc.). Significant variances are researched until  
25 an explanation is found. Reasonable explanations could include events that  
26 affected the entire Division or a particular cost center or region. In some cases,  
27 clarifying information is sought from cost center owners to explain unusual  
28 variances or transactions. For some cost types, clarifying analysis is provided by  
29 SSU departments. If errors are found, they are most often corrected in the current  
30 month's business. Occasionally, however, errors are discovered after the books

1 are closed, and, depending on materiality, they are corrected in the following  
2 month's business.

3 **Q. DOES ANYONE ELSE WITHIN THE DIVISION HAVE THE ABILITY**  
4 **TO MONITOR OR REVIEW O&M VARIANCES?**

5 A. In addition to the research conducted by my department, each cost center owner  
6 has the ability to run variance reports throughout the monthly closing process.  
7 Because cost center owners are held accountable for significant variances to  
8 budget, they conduct their own research and often contact my department when  
9 they find errors or have questions about the expenses that were charged to their  
10 cost centers.

11 **Q. WHAT CONTROLS AND REPORTING ARE INVOLVED IN THE**  
12 **MONTHLY CLOSE PROCESS REGARDING O&M VARIANCES?**

13 A. Once the monthly books are closed, the SSU Financial Reporting department in  
14 Dallas publishes (electronically) the monthly Atmos Energy Financial Package.  
15 This package details the financial performance for Atmos Energy at the corporate  
16 and each division level. For each division, the report includes a comparative  
17 income statement, operating statistics page (volumes, total spending), O&M detail  
18 page, balance sheet highlights page, and financial highlights page. The financial  
19 highlights page reports the Division's monthly and year-to-date (YTD)  
20 performance versus budget for net income, gross profit, direct O&M and capital  
21 spending. I provide narrative comments on this page to describe our monthly and  
22 YTD variances. Once complete, this Financial Package is available to all Atmos  
23 Energy officers and Board members for review and is an official SOX control  
24 document of the Company. Once the package is complete, I complete an online  
25 questionnaire generated by our SOX Compliance Tool certifying that my  
26 department has conducted a thorough review of the division's financial  
27 performance and the Financial Package and addressed all matters therein. The  
28 Company's external auditors look for this certification as evidence of SOX  
29 compliance.

30 After meeting the Financial Package control requirement, my department  
31 publishes (electronically) detailed O&M reports that include monthly and YTD

1 variances for each cost center and these reports are then made available to each  
2 cost center owner and their respective managers (managers, Division Vice  
3 Presidents, Division President). This activity ensures that each cost center owner  
4 receives the same information in the same format each month in a timely fashion  
5 in order to make operational decisions and manage our operations effectively and  
6 efficiently.

7

8 **VI. FORECASTED ATTRITION PERIOD O&M BUDGET**

9 **Q. WHAT IS THE FORECASTED ATTRITION PERIOD USED IN THIS**  
10 **RATE APPLICATION?**

11 A. The forecasted attrition period is December 1, 2012 – November 30, 2013.

12 **Q. HOW WAS THE FORECASTED ATTRITION PERIOD BUDGET**  
13 **DEVELOPED?**

14 A. The basis for the forecasted attrition period is our fiscal year 2012 (“FY2012”)  
15 results and budget. Consistent with our normal annual budgeting timelines, this  
16 budget was prepared during the summer of 2011 and approved by the Board of  
17 Directors in September of 2011. This budget was prepared in the manner I  
18 described earlier. The forecasted attrition period is based on actual results from  
19 the first half of FY2012 (October 2011 – March 2012) and the FY2012 budget for  
20 the second half of FY2012 (April 2012 – September 2012) adjusted for inflation  
21 using methodologies I will describe in detail below. The forecasted attrition  
22 period projection was converted into FERC account detail using the method  
23 described above.

24 **Q. WHAT ARE THE COMPONENTS OF O&M FOR THE FORECASTED**  
25 **ATTRITION PERIOD?**

26 A. The forecasted attrition period O&M is comprised of three parts: expenses  
27 incurred and booked directly in Tennessee, allocated expenses from the  
28 Kentucky/Mid-States Division’s General Office, and allocated expenses from  
29 SSU. These components are itemized on schedule GW-2. I will describe the  
30 methodology used for the projection for each of the three components.

1 **Q. WHAT COMPRISES THE HISTORICAL TEST PERIOD LEVEL OF**  
2 **COST FILED IN THIS RATE APPLICATION?**

3 A. The historical test period is April 1, 2011 – March 31, 2012.

4 **Q. WHAT IS THE DIRECT O&M FOR THE HISTORICAL TEST PERIOD?**

5 A. The direct O&M for Tennessee for the historical test period is \$9,434,838.

6 **Q. WHAT IS THE DIRECT O&M FOR THE FORECASTED ATTRITION**  
7 **PERIOD?**

8 A. The direct O&M for Tennessee for the attrition period is \$11,991,203.

9 **Q. WHAT IS THE DOLLAR DIFFERENCE BETWEEN THE TEST PERIOD**  
10 **O&M AND ATTRITION PERIOD O&M?**

11 A. The difference is \$2,556,365 and reflects adjustments I have made for labor and  
12 benefits, rent, other O&M, and bad debt. It also includes \$153,333 to account for  
13 a recommended three-year amortization of expenses related to this proceeding.  
14 These adjustments by cost element can be seen in Schedule GW-2.

15 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR LABOR.**

16 A. The labor expense forecast is based on our fiscal year 2012 (“FY2012”) results  
17 and budget adjusted for annual pay increases. Base pay increases go into effect  
18 each October 1 and have averaged 3.0% annually for the past several years. An  
19 adjustment was made as part of the forecast to account for an average wage  
20 increase of 3.0% to become effective October 1, 2012 and October 1, 2013.  
21 While there is always a normal level of position vacancy at any given point in  
22 time, we strive to fill open positions in a timely manner when and if filling the  
23 position is justified by current workload. Both the test and attrition period level  
24 of total labor expenditures represents a fully staffed level minus the normal level  
25 of vacancies. The result is direct labor expense that is forecasted to increase  
26 \$117,083 from the test period to the attrition period

27 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR BENEFITS.**

28 A. Benefits are projected as a fixed benefit load percentage of labor expense. An  
29 adjustment to the fixed benefit load percentage was made in order to follow  
30 Tennessee regulatory precedent. The adjustment removes the accrual for FAS 87  
31 (pension) expenses. Separately, as detailed on MFR 12 Attachment 3 - Waller -



1 Pension Adjustment, a calculation was made to determine the amount of the  
2 Company's actual cash contributions to its pension plan that are attributable to the  
3 Tennessee jurisdiction. The calculation allocates actual cash contributions made  
4 or required through the end of the attrition year and allocates the appropriate  
5 amount to Tennessee proportional to the estimated total pension liability assigned  
6 to each employee group and consistent with the allocation factors used throughout  
7 the filing. The methodology for assigning the appropriate amount to the  
8 Tennessee jurisdiction is consistent with that used by the Company in Docket 08-  
9 00197. In that Docket, the range of the anticipated actual cash contribution was  
10 \$17.5 – 21.0 million. The approved revenue requirement in that case was based  
11 on the low end of that range, or \$17.5 million. The Company actually made a  
12 \$19.5 million contribution and thus the analysis on MFR 12 Attachment 3 -  
13 Waller - Pension Adjustment begins with calculating the contribution attributable  
14 to Tennessee for that \$2 million difference. In this proceeding, the actual cash  
15 contribution attributable to Tennessee is \$7,727,923. An adjustment has been  
16 made to operating expenses to account for a three year amortization of that  
17 amount.

18 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO RENT.**

19 A. Unlike other O&M categories that are likely to increase with normal inflation, our  
20 building rents are driven by leases already in place and can therefore be projected  
21 with a high level of accuracy. Overall, direct Rent, Utilities and Maintenance is  
22 projected to decrease \$20,576 from the test period to the attrition period.

23 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO BAD DEBT.**

24 A. Our goal is to keep bad debt no higher than 0.50% of residential, commercial, and  
25 public authority gross margins during any given year. We work vigorously to  
26 collect bad debts from customers each year to achieve this goal so as to reduce the  
27 impact of good-paying customers subsidizing poor-paying customers who drive  
28 up our expenses. To arrive at the bad debt projection of \$219,086 we simply  
29 calculated 0.50% of residential, commercial and public authority gross margins  
30 from the revenue projection discussed in the testimony of Josh Densman. The  
31 projection is \$63,418 lower than the test period.

1 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATING TO OTHER**  
2 **O&M.**

3 A. For the purpose of this rate filing, O&M expense types other than labor, benefits,  
4 rent, insurance and bad debt are forecasted using a standard inflation factor.  
5 Using our FY2012 actual results and budget as a starting point, categories other  
6 than the ones listed above are inflated by 2.56% from that baseline to arrive at the  
7 expense level for the attrition year. The 2.56% inflation factor is the average  
8 inflation rate for the southern region over the last two years as reported by the  
9 U.S. Department of Labor. Insurance is expected to increase 4% over the course  
10 of the attrition period. Overall, expense categories other than those already  
11 mentioned are expected to decrease \$149,866 from the test period (April 1, 2011  
12 through March 31, 2012) to the attrition period.

13 **Q. WHAT IS THE DIVISION GENERAL OFFICE O&M FOR THE**  
14 **HISTORICAL TEST PERIOD?**

15 A. The General Office O&M allocated to Tennessee for the historical test period is  
16 \$3,070,891.

17 **Q. WHAT IS THE DIVISION GENERAL OFFICE O&M FOR THE**  
18 **FORECASTED ATTRITION PERIOD?**

19 A. The General Office O&M allocated to Tennessee for the attrition period is  
20 \$3,765,014.

21 **Q. WHAT IS THE DOLLAR DIFFERENCE BETWEEN THE GENERAL**  
22 **OFFICE TEST PERIOD O&M AND ATTRITION PERIOD O&M**  
23 **ALLOCATED TO TENNESSEE?**

24 A. The difference is an increase of \$694,123 and reflects adjustments I have made  
25 for labor and benefits, rent and other O&M. The budgeting process and forecast  
26 methodologies are identical for both direct O&M and General Office O&M.  
27 Therefore, the categories of adjustments made to forecast General Office O&M  
28 are also the same as direct.

29 **Q. PLEASE DOCUMENT THE AMOUNTS OF ADJUSTMENTS MADE TO**  
30 **GENERAL OFFICE O&M ALLOCATED TO TENNESSEE?**

31 A. Using the forecast methodologies described above, labor expense is forecasted to

1 increase \$138,968 from the test period to the attrition period. Benefits are  
2 forecasted to increase \$166,409 from the test period to the attrition period. Rent,  
3 Maintenance and Utilities expense is forecasted to increase \$38,545 from the test  
4 period to the attrition period. Other O&M is forecasted to increase \$350,201 from  
5 the test period to the attrition period.

6 **Q. WHAT IS THE AMOUNT OF SHARED SERVICES O&M ALLOCATED**  
7 **TO TENNESSEE FOR THE TEST PERIOD?**

8 A. \$4,796,434.

9 **Q. WHAT IS THE AMOUNT OF THE SHARED SERVICES O&M**  
10 **ALLOCATED TO TENNESSEE FOR THE FORECASTED ATTRITION**  
11 **PERIOD?**

12 A. \$5,101,588.

13 **Q. PLEASE DISCUSS THE DIFFERENCE BETWEEN THE SHARED**  
14 **SERVICES TEST PERIOD AND FORECASTED ATTRITION PERIOD**  
15 **AMOUNTS.**

16 A. The difference is an increase of \$305,153. The forecasted SSU attrition period  
17 amounts are determined using the same methodology described earlier for the  
18 Direct O&M. The SSU budget is prepared as I described above. Once the SSU  
19 department heads complete, submit, and get approval for their budgets, the  
20 appropriate level of expenses are allocated to the Tennessee rate jurisdiction per  
21 the methodologies described in the Company's Cost Allocation Manual attached  
22 the testimony of Company witness Jason Schneider.

23 **Q. HOW DO YOU MONITOR SHARED SERVICES BILLINGS TO THE**  
24 **KENTUCKY/MID-STATES DIVISION?**

25 A. Shared Services expense billings are reviewed as part of our monthly close  
26 process described earlier. It is my responsibility to contact Accounting in Dallas  
27 and obtain an explanation for any significant variances.

28 **Q. ADDING THE THREE COMPONENTS OF O&M TOGETHER, WHAT IS**  
29 **THE TOTAL O&M FOR THE TEST PERIOD AND ATTRITION PERIOD**  
30 **IN THIS RATE FILING?**

31 A. When the three components of O&M are added together, total O&M is forecasted

1 to increase 20.6% from a test period level of \$17,302,164 to an attrition period  
2 level of \$20,857,805. Prior to the addition of actual cash contributions to the  
3 pension plan and estimated rate case expenses for this proceeding, the total O&M  
4 growth rate is 4.8%.

5

6 **VII. DEPRECIATION EXPENSE AND TAXES, OTHER THAN INCOME**

7 **TAX**

8 **Q. WHAT IS THE DEPRECIATION EXPENSE FOR THE TEST PERIOD?**

9 A. The amount of depreciation expense for the test period is \$9,943,112.

10 **Q. WHAT IS THE DEPRECIATION EXPENSE FOR THE FORECASTED**  
11 **ATTRITION PERIOD?**

12 A. The amount of depreciation expense for the forecasted test period is \$10,347,398.

13 **Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE TEST PERIOD**  
14 **AND FORECASTED ATTRITION PERIOD DEPRECIATION**  
15 **AMOUNTS.**

16 A. Depreciation rates for the Kentucky/Mid-States Division's General Office and the  
17 Tennessee Operations used to calculate attrition period depreciation expense are  
18 consistent with those approved in the Company's last rate case, Docket 08-00197.  
19 The Company is proposing new depreciation rates for the Shared Services Unit.  
20 The proposed rates result in a reduction to depreciation expense allocated to  
21 Tennessee from SSU and are based on a depreciation study that is attached to the  
22 testimony of Mr. Tom Petersen. Please see Schedule GW-4 for details of  
23 depreciation expense. The depreciation rates for SSU and the division General  
24 Office have been applied to the applicable categories of plant, resulting in an  
25 allocation of depreciation expense to Tennessee based upon the cost allocation  
26 methodology more fully explained in the Company's Cost Allocation Manual  
27 attached to the testimony of Company witness Jason Schneider.

28 **Q. WHAT IS THE EXPENSE LEVEL FOR TAXES, OTHER THAN INCOME**  
29 **TAXES FOR THE TEST PERIOD?**

30 A. \$6,213,818.

1 **Q. WHAT IS THE LEVEL OF TAXES, OTHER THAN INCOME TAXES**  
2 **FOR THE FORECASTED ATTRITION PERIOD?**

3 A. \$6,251,784.

4 **Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE TEST PERIOD**  
5 **AND FORECASTED ATTRITION PERIOD AMOUNTS.**

6 A. The difference is an increase of \$37,966. Taxes, other than income taxes, like  
7 O&M, are comprised of three components: direct Tennessee taxes, taxes allocated  
8 from the General Office, and taxes allocated from SSU. These components are  
9 itemized by type of tax on schedule GW-3. The amount of taxes allocated from  
10 the Division General Office and SSU is based upon the cost allocation  
11 methodology more fully explained in the Company's Cost Allocation Manual  
12 attached the testimony of Company witness Jason Schneider.

13  
14 **VIII. CONCLUSION**

15 **Q. HAVE THE FORECASTED OPERATING EXPENSES DISCUSSED IN**  
16 **YOUR TESTIMONY BEEN ADJUSTED FOR RATEMAKING**  
17 **PURPOSES?**

18 A. Yes. The attrition year forecasts for O&M, taxes, other than income taxes and  
19 depreciation expense have been adjusted to account for ratemaking treatment of  
20 intercompany leased property and the Barnsley Storage asset. The adjustments  
21 follow the methodology that the Company has applied to these assets in its last  
22 several rate proceedings before the Authority. The forecasts discussed in my  
23 testimony are presented prior to these ratemaking adjustments being made.

24 **Q. DO YOU BELIEVE THAT THE ATTRITION PERIOD FORECASTS YOU**  
25 **HAVE PRESENTED ARE THE MOST REASONABLE ESTIMATE OF**  
26 **COSTS FOR THE ATTRITION PERIOD USED IN THIS PROCEEDING?**

27 A. Yes. It is the best estimate we have of the Tennessee jurisdiction's future  
28 expenses.

29 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

30 A. Yes.

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

IN RE:

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

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DOCKET NO.

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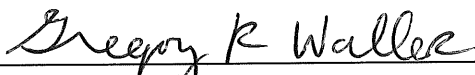
**VERIFICATION**

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STATE OF TENNESSEE      )

COUNTY OF WILLIAMSON )

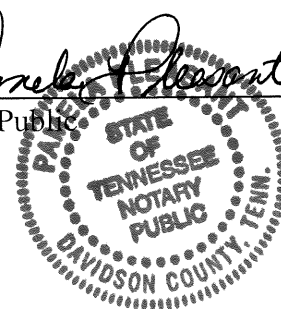
I, Gregory K. Waller, being first duly sworn, state that I am the Vice President of Finance for the Kentucky/Mid-States Division for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Testimony of Gregory K. Waller in Support of Atmos Energy Corporation's Petition and the Exhibits thereto pre-filed in this docket on the date of filing of this Petition are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Gregory K. Waller

Sworn and subscribed before me this 18th day of June, 2012.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: May 3, 2016



**Total Operating Expenses**  
**Schedule GW-1**

	Historical Test Period Ending March 2012	Attrition Year Ending November 2013	Change
<b>O&amp;M</b>			
Direct	\$ 9,434,838	\$ 11,991,203	27.09%
SSU	4,796,434	5,101,588	6.36%
Division General Office	3,070,891	3,765,014	22.60%
Total O&M	\$ 17,302,164	\$ 20,857,805	20.55%
<b>Taxes Other Than Income Taxes</b>			
Direct	\$ 5,879,725	\$ 5,870,221	-0.16%
SSU/Division General Office	334,093	381,563	14.21%
Total Other Taxes	\$ 6,213,818	\$ 6,251,784	0.61%
<b>Depreciation Expense</b>			
Direct	\$ 8,594,495	\$ 9,324,596	8.49%
SSU/Division General Office	1,348,617	1,022,802	-24.16%
Total Depreciation Expense	\$ 9,943,112	\$ 10,347,398	4.07%
Total Operating Expense (excluding Gas Costs)	\$ 33,459,094	\$ 37,456,987	11.95%

Current Period	Depreciation Rates Proposed	Gross Plant											
		Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	June-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
39000-Structures & Improvements	10.32%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
39000-Structures & Improvements	10.32%	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286	9,154,286
39000-Structures & Improvements	10.32%	8,731,305	8,731,028	8,730,752	8,742,244	8,741,968	8,758,087	8,772,522	8,782,053	8,793,545	8,824,129	8,861,905	8,891,505
39100-Office Furniture & Equipment	2.13%	12,068,165	12,068,309	12,068,432	12,071,317	12,071,461	12,071,504	12,074,186	12,076,481	12,078,059	12,079,824	12,084,581	12,090,290
39102-Remittance Processing Equipment	4.03%												
39102-Office Furn. - Copiers & Typo	10.32%	63,739	63,739	63,739	63,739	63,739	63,739	63,739	63,739	63,739	63,739	63,739	63,739
39104-Office Furn. & Equip	2.13%	100,530	100,530	100,530	100,645	100,654	100,862	100,941	101,032	101,139	101,408	101,738	101,738
39200-Transportation Equipment	10.32%												
39300-Stores Equipment	10.32%												
39300-Tools, Shop, & Garage Equip	8.88%	234,459	234,752	235,044	238,847	238,140	239,432	244,998	249,378	252,596	266,988	277,538	277,538
39400-Laboratory Equipment	10.32%	17,951	17,986	18,021	18,474	18,509	18,544	18,172	18,544	20,122	20,587	23,068	23,068
39700-Communication Equipment	8.45%	2,201,059	2,201,059	2,201,106	2,201,717	2,201,764	2,201,811	2,203,409	2,203,409	2,204,537	2,206,062	2,207,933	2,207,933
39800-Miscellaneous Equipment	8.15%	461,708	462,193	462,678	468,678	468,646	468,948	478,674	486,429	489,063	513,860	533,060	533,060
39900-Other Tangible Property	4.66%	25,397,106	25,192,400	24,922,888	24,627,885	24,362,686	24,099,389	23,836,092	23,572,795	23,309,498	23,046,201	22,782,904	22,519,607
39901-Off Tang Prop - Servers - HW	8.65%	25,397,106	25,192,400	24,922,888	24,627,885	24,362,686	24,099,389	23,836,092	23,572,795	23,309,498	23,046,201	22,782,904	22,519,607
39902-Off Tang Prop - Servers - SW	8.76%	1,693,785	1,709,785	1,725,785	1,741,785	1,757,785	1,773,785	1,789,785	1,805,785	1,821,785	1,837,785	1,853,785	1,869,785
39903-Off Tang Prop - Network - HW	8.33%	3,953,201	3,953,201	3,953,201	3,953,201	3,913,351	3,898,422	3,904,319	3,909,061	3,905,812	3,908,647	3,918,948	3,924,848
39904-Off Tang Prop - Network - SW	10.32%												
39905-Off Tang Prop - PC Hardware	10.32%												
39906-Off Tang Prop - PC Software	8.76%	2,681,889	2,682,629	2,683,369	2,684,109	2,684,849	2,685,589	2,686,329	2,687,069	2,687,809	2,688,549	2,689,289	2,689,289
39907-Off Tang Prop - PC Software	8.02%	1,905,824	1,905,824	1,906,126	1,910,046	1,910,348	1,914,268	1,918,188	1,922,108	1,926,028	1,930,948	1,935,868	1,940,788
39908-Off Tang Prop - Appl Software	6.57%	88,726,379	88,745,196	88,764,013	89,008,639	89,027,456	89,046,273	89,346,895	89,647,517	89,948,139	90,248,761	90,549,383	90,850,005
39909-Off Tang Prop - Mainframe SW	11.11%	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619	2,614,619
39924-Off Tang Prop - Gen. Stup C	10.32%												
39924-Off Tang Prop - Gen. Stup C	15.88%	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179
CWP		9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179	9,364,179
RWP													
TOTAL		\$ 162,688,709	\$ 162,433,961	\$ 162,176,273	\$ 162,522,554	\$ 162,268,836	\$ 162,011,118	\$ 162,605,400	\$ 163,089,692	\$ 163,343,964	\$ 163,686,245	\$ 165,005,860	\$ 166,690,142



	Depreciation at Proposed Rates												
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Total
39000-Structures & Improvements													
39003-Structure & Improv	25,479	25,479	25,479	25,479	25,479	25,479	25,479	25,479	25,479	25,479	25,479	25,479	305,753
39005-Improv. to Leased Premises	-	29,540	-	-	29,577	-	-	-	-	-	29,585	29,583	148,867
39100-Office Furniture & Equipment	40,532	40,533	40,533	40,540	40,540	40,540	40,549	40,557	40,562	40,568	40,584	40,603	486,642
39102-Remittance Processing Equipmre	-	-	-	-	-	-	-	-	-	-	-	-	-
39103-Office Furn. - Copiers & Type	-	214	214	214	214	214	214	214	214	214	214	214	2,569
39104-Office Furn. & Equip	864	865	865	866	866	866	867	867	868	870	872	875	10,411
39200-Transportation Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
39300-Store Equipment	1,735	1,737	1,739	1,767	1,770	1,772	1,811	1,811	1,869	1,897	1,968	2,054	21,865
39400-Tools, Shop, & Garage Equip.	154	155	155	159	159	159	165	165	170	173	187	189	2,011
39500-Laboratory Equipment	10,161	10,162	10,162	10,165	10,165	10,165	10,168	10,172	10,175	10,178	10,185	10,183	122,051
39700-Communication Equipment	862	862	863	872	873	874	886	887	897	905	914	936	8,309
39800-Other Tangible Property	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	22,458
39901-OTH Tang Prop - Servers - HW	182,436	180,965	179,495	178,663	178,217	176,747	177,532	178,240	178,156	178,348	181,239	185,145	2,165,308
39902-OTH Tang Prop - Servers - SW	108,517	108,131	107,746	108,000	107,614	107,229	107,749	108,162	108,308	108,563	111,534	1,301,409	1,301,409
39903-OTH Tang Prop - Network - HW	28,864	28,727	28,589	28,589	28,452	28,314	28,371	28,406	28,363	28,363	28,606	28,914	342,588
39904-OTH Tang Prop - CPU	-	-	-	-	-	-	-	-	-	-	-	-	-
39905-OTH Tang Prop - MF Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-
39906-OTH Tang Prop - PC Hardware	19,622	19,628	19,633	19,704	-	-	-	19,699	19,658	-	20,204	20,420	159,068
39907-OTH Tang Prop - PC Software	10,544	10,546	10,547	10,569	10,571	-	-	10,647	10,647	-	10,790	10,790	74,213
39908-OTH Tang Prop - Appl Software	485,777	485,890	485,983	487,322	487,425	487,528	488,383	481,031	482,164	483,504	486,849	500,949	5,883,796
39909-OTH Tang Prop - Mainframe SW	-	-	-	-	-	-	-	-	-	-	-	-	-
39924-OTH Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
RWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ 917,434	\$ 945,095	\$ 913,676	\$ 915,604	\$ 923,593	\$ 881,559	\$ 884,947	\$ 907,613	\$ 949,249	\$ 880,767	\$ 948,703	\$ 969,968	\$ 11,048,228
													</

Depreciation at Current Rates													
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Total
39000-Structures & Improvements	78,727	78,727	78,727	78,727	78,727	78,727	78,727	78,727	78,727	78,727	78,727	78,727	944,722
39005-Structure & Improv	-	-	-	-	-	-	-	-	-	-	-	-	333,220
39009-Improv. to Leased Premises	-	-	-	-	-	-	-	-	-	-	-	-	257,208
39100-Office Furniture & Equipment	21,423	21,423	21,423	21,427	21,427	21,427	21,432	21,436	21,439	21,442	21,450	21,460	-
39102-Remittance Processing Equipme	-	-	-	-	-	-	-	-	-	-	-	-	-
39103-Office Furn. - Copiers & Type	-	-	-	-	-	-	-	-	-	-	-	-	-
39104-Office Furn. & Equip	113	113	113	113	113	113	113	113	113	113	113	113	1,358
39200-Communication Equipment	864	865	865	866	866	866	867	868	869	870	872	875	10,411
39300-Store Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
39400-Tools, Shop, & Garage Equip	2,016	2,019	2,021	2,054	2,057	2,059	2,104	2,145	2,172	2,205	2,287	2,387	25,528
39500-Laboratory Equipment	154	155	155	159	159	159	165	170	173	177	187	189	2,011
39700-Communication Equipment	15,489	15,489	15,489	15,504	15,504	15,504	15,510	15,516	15,519	15,524	15,534	15,548	186,180
39800-Miscellaneous Equipment	3,136	3,138	3,139	3,142	3,185	3,192	3,251	3,304	3,340	3,383	3,490	3,621	39,370
39900-Other Tangible Property	630	630	630	630	630	630	630	630	630	630	630	630	7,562
39901-Other Tang Prop - Servers - HW	147,092	145,906	144,720	144,876	143,690	142,504	143,218	143,709	143,841	143,796	146,126	149,276	1,738,554
39902-Other Tang Prop - Servers - SW	48,438	49,263	49,087	49,203	49,027	48,851	49,088	49,277	49,344	49,459	50,047	50,813	592,897
39903-Other Tang Prop - Network - HW	30,784	30,837	30,481	30,481	30,344	30,187	30,258	30,285	30,271	30,271	30,509	30,837	365,385
39904-Other Tang Prop - CPU	-	-	-	-	-	-	-	-	-	-	-	-	-
39905-Other Tang Prop - MF Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-
39906-Other Tang Prop - PC Hardware	33,211	33,220	33,228	33,348	-	-	-	33,678	33,779	-	34,186	34,560	269,221
39907-Other Tang Prop - PC Software	14,323	14,325	14,328	14,357	14,359	-	-	14,464	14,464	-	14,657	100,814	-
39908-Other Tang Prop - Appl Software	821,458	821,633	821,807	824,072	824,246	824,420	827,556	830,343	832,260	834,525	840,181	847,115	9,949,615
39909-Other Tang Prop - Mainframe SW	-	-	-	-	-	-	-	-	-	-	-	-	-
39924-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39925-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39926-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39927-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39928-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39929-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39930-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39931-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39932-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39933-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39934-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39935-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39936-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39937-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39938-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39939-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39940-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39941-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39942-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39943-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39944-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39945-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39946-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39947-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39948-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39949-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39950-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39951-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39952-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39953-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39954-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39955-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39956-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39957-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39958-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39959-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39960-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39961-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39962-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39963-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39964-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39965-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39966-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39967-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39968-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39969-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39970-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39971-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39972-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39973-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39974-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39975-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39976-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39977-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39978-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39979-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39980-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39981-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39982-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39983-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39984-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39985-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39986-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39987-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39988-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39989-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39990-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39991-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39992-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39993-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39994-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39995-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39996-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39997-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39998-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
39999-Other Tang Prop - Gen. Startup C	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ 1,218,869	\$ 1,283,764	\$ 1,216,238	\$ 1,219,010	\$ 1,250,631	\$ 1,188,651	\$ 1,172,921	\$ 1,210,210	\$ 1,283,337	\$ 1,181,121	\$ 1,281,265	\$ 1,316,019	\$ 14,824,034
Allocation	-	-	-	-	-	-	-	-	-	-	-	-	4.44%
Allocated to TN	-	-	-	-	-	-	-	-	-	-	-	-	\$ 658,847