

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 13AL-0496G

IN THE MATTER OF ADVICE LETTER NO. 497, FILED BY ATMOS ENERGY CORPORATION TO PLACE INTO EFFECT TARIFF SHEET CHANGES TO BE EFFECTIVE ON JUNE 10, 2013

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (“Stipulation”) is entered into by and between Atmos Energy Corporation (“Atmos Energy” or the “Company”), Trial Staff of the Colorado Public Utilities Commission (“Staff”), Energy Outreach Colorado (“EOC”), and the Colorado Office of Consumer Counsel (“OCC”), each of which is a “Settling Party,” and collectively, are the “Settling Parties.” The Settling Parties submit this Stipulation in resolution of all issues which were raised in this Proceeding and respectfully request that the Colorado Public Utilities Commission (“Commission”) approve this Stipulation for the purpose of resolving the issues in this Proceeding.

Procedural Background

1. On May 8, 2013, Atmos Energy filed Advice Letter No. 497 to implement an increase to its base rates to become effective on June 10, 2013. Atmos Energy proposed a multi-year rate plan based on Forecasted Test Years for 2013 through 2015 seeking a rate increase of approximately \$10.5 million over three years. Amended Advice Letter No. 497 was filed on May 9, 2013 to correct clerical errors.

2. On May 24, 2013, the Commission found good cause to suspend the effective date by 120 days and to set the matter for hearing pursuant to § 40-6-111(1), C.R.S. By Decision

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No. C13-0620, the Commission suspended Advice Letter No. 497 until October 9, 2013, and referred the matter to an Administrative Law Judge (“ALJ”) for a Recommended Decision.

3. Interventions in this Proceeding were filed by Staff, EOC, the OCC, and Public Service Company of Colorado (“PSCo”). Decision No. R13-1022-I, issued on August 19, 2013, granted the interventions, further suspended the effective date of Advice Letter No. 497 until January 1, 2014, established a procedural schedule, and approved an across-the-board General Rate Schedule Adjustment (“GRSA”) of 12.85 percent to be placed in effect on January 1, 2014 subject to a refund condition. Decision No. R13-1583-I, issued on December 24, 2013, modified Decision No. R13-1022-I to reflect a GRSA of 5.14 percent to go into effect on January 1, 2014. On December 26, 2013, Atmos Energy filed Advice Letter No. 506 with its accompanying tariff sheets to reflect the 5.14 percent GRSA in Docket No. 13AL-1377G and such went into effect on January 1, 2014 pursuant to Commission Decision No. R13-1583-I.

4. Decision No. R13-1301-I, issued on October 17, 2013, modified the procedural schedule by providing additional time in the schedule for the intervenors to file Answer Testimony. On November 12, 2013, Staff, EOC, and OCC filed Answer Testimony. On December 2, 2013, PSCo withdrew its Intervention in this Proceeding.

5. On December 20, 2013, Atmos Energy, Staff and EOC filed a Stipulation and Settlement Agreement. Decision No. R13-1593-I, issued December 24, 2013, modified the procedural schedule to permit the filing of testimony in support of the Stipulation and Settlement Agreement.

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6. On January 8, 2014, Atmos Energy filed Rebuttal Testimony. On January 8, 2014, Atmos Energy, Staff, and EOC filed Direct Testimony in support of the Stipulation and Settlement Agreement.

7. Through a series of negotiations, the Settling Parties arrived at this replacement Stipulation which resolves all of the issues that were raised by the Settling Parties in this Proceeding. This Stipulation replaces and supersedes the Stipulation and Settlement Agreement between Atmos Energy, Staff and EOC which was filed on December 20, 2013.

Settlement Terms and Conditions

8. The Settling Parties agree that Atmos Energy should be authorized a rate increase in annual base revenues consisting of two steps. Regarding the first step, for January through February 2014 Atmos Energy should be authorized an increase in annual base revenues of \$1,644,000 ("First Settlement Rate Increase"). Regarding the second step, for the period of March 1, 2014 onwards, the authorized annual base revenue of \$1,644,000 discussed in the first step should be reduced by \$344,000 and Atmos Energy should be authorized an increase in annual base revenues of \$1,300,000 ("Second Settlement Rate Increase"). Attachment 1 provides the calculations supporting the First Settlement Rate Increase and Attachment 2 provides the calculations supporting the Second Settlement Rate Increase ("Attachments").

9. To calculate both Settlement Rate Increases, the Settling Parties utilized a historic test period of the twelve months ending December 31, 2012 (the "Settlement Test Period") and calculated the Settlement Test Period Rate Base using the 13-month average methodology.

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10. Both Settlement Rate Increases utilize a rate of return on equity of 9.72 percent and a weighted average cost of capital of 8.07 percent. The rate of return calculations are set forth in greater detail on the Attachments (Schedule 2 Return on Rate Base). The Settling Parties agree that Atmos Energy's authorized rate of return on equity going forward shall be any rate of return on equity within the range of 9.5 percent to 10 percent.

11. The Settling Parties agree that both Settlement Rate Increases include the revenue impact of including all of Atmos Energy's per book investments in Advanced Metering Infrastructure ("AMI") as of December 31, 2012 in base rates rather than reflecting these costs in a separate rate rider. In conjunction with the implementation of interim GRSA rates on January 1, 2014, Atmos Energy set the AMI surcharge ("AMIS") at \$0.00. As part of the compliance filing following approval of the Stipulation, Atmos Energy will discontinue the existing AMIS. Within 60 days following the final approval of the Stipulation, Atmos Energy will file a final reconciliation of the AMIS through the end of 2013 as well as a proposed mechanism, if necessary, to account for any over or under collected amounts that may exist.

12. The Settling Parties agree that both Settlement Rate Increases reflect the inclusion of average gas storage inventory costs during the Settlement Test Period in base rates as proposed by Atmos Energy rather than reflecting these costs in Atmos Energy's Gas Cost Adjustment ("GCA") mechanism. However, Staff, EOC and the OCC specifically reserve the right to argue in a future proceeding that a different treatment of gas storage costs is appropriate.

13. Both Settlement Rate Increases reflect adjustments to the Company's filed Operations and Maintenance Expense. Specifically:

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a. The Settling Parties agree that authorized rate case expenses should be reduced by \$100,000 (from \$450,000 to \$350,000) and amortized over three years. This adjustment does not specifically accept or reject any particular adjustment or regulatory principle proposed by any of the parties to this proceeding.

b. The Settling Parties accept Atmos Energy's proposal to include \$333,333 in the revenue requirement in this case as a known and measurable adjustment to the Settlement Test Period expenses associated with Atmos Energy's data integration project which will convert Atmos Energy's historic records of its pipeline system into a geo-coded digital format. Without agreeing to the prudence of specific future expenditures for this project, the Settling Parties agree that the data integration project is reasonable and should proceed forward.

c. The Settling Parties agree to a negative adjustment to the revenue requirement in this case to reflect imputed cost savings associated with Atmos Energy's AMI program. Atmos Energy's filing included \$310,741 in AMI savings in the historic test period which decrease the proposed overall revenue requirement. In the First Settlement Rate Increase calculation, those imputed savings are increased by \$289,259 to a total of \$600,000 in the Settlement Test Period. In the Second Settlement Rate Increase calculation, those imputed savings are increased by an additional \$344,000 to a total of \$944,000 in the Settlement Test Period. These adjustments do not specifically accept or reject any particular adjustment or regulatory principle proposed by any of the parties to this proceeding.

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d. The Settling Parties further agree to a negative adjustment of \$107,330 to the revenue requirement in this case. This adjustment does not specifically accept or reject any particular adjustment or regulatory principle proposed by any of the parties to this proceeding.

e. The Settlement Test Period Operation and Maintenance Expense adjustments are set forth in greater detail on the Attachments (Schedule 3 Adjustments to Operation and Maintenance Expense).

14. Both Settlement Rate Increases reflect the Settling Parties agreement with respect to the Settlement Test Period Rate Base. Specifically:

a. The Settling Parties agree, except for the OCC who does not contest, that Atmos Energy's investments in the statewide AMI deployment are reasonable and prudent. Therefore, both Settlement Rate Increases reflect the inclusion of the per book AMI investments as of December 31, 2012 in the Settlement Test Period Rate Base.

b. Both Settlement Rate Increases also reflect the inclusion of Atmos Energy's gas storage costs in Rate Base as discussed in Paragraph 10 above.

c. The Settling Parties agree to remove from Rate Base the post-test period changes in net plant in service that were proposed by Atmos Energy.

d. The Rate Base agreement and adjustments are set forth in greater detail on the Attachments (Schedule 4 Adjustments to Rate Base).

15. Both Settlement Rate Increases are proposed to be implemented in customer rates as follows:

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a. The Settling Parties agree to a Residential monthly Facilities Charge of \$10.75. With respect to the other customer classes, the Settling Parties agree to the monthly Facilities Charges reflected in the Attachments (Proof of Rates).

b. The Settling Parties agree to utilize Atmos Energy's filed Class Cost of Service Study to calculate each customer class' revenue requirement and the Distribution System Rates for each customer class.

c. The Settling Parties agree to maintain Atmos Energy's four separate GCA rate areas.

d. The specific rate changes that would result from this Stipulation are set forth in greater detail on the Attachments (Proof of Rates). Upon approval of this Stipulation, Atmos Energy will make a compliance Advice Letter filing to implement the rates set forth on Attachment 2 and to discontinue the GRSA. To the extent a Commission Decision approving this Stipulation is issued with sufficient time to allow Atmos Energy to place the approved rates into effect prior to March 1, 2014, Atmos Energy will withdraw its interim 4.06 percent GRSA rate and discontinue the GRSA.

e. Pursuant to Commission Decision No. R13-1583-I, Advice Letter No. 506 implementing a GRSA of 5.14 percent went into effect on January 1, 2014. The GRSA of 5.14 percent is consistent with the level of the First Settlement Rate Increase. Consistent with the level of the Second Settlement Rate Increase, the Settling Parties agree that Atmos Energy shall make an Advice Letter filing to reflect a 4.06 percent GRSA proposed to become effective on March 1, 2014. Both GRSAs shall continue to be subject to the refund conditions set forth in

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Advice Letter Nos. 497, 505 and 506. The Settling Parties' intent is to reflect both Settlement Rate Increases in interim rates so that if the Settlement Rate Increases are approved without modification, the refund conditions will not be applicable.

16. The Settling Parties agree with the proposed modifications to Atmos Energy tariff sheets R18 (regarding Interruptible customers), R25 (regarding construction allowances), sheet 23 (deleting an unnecessary footnote), and sheets 27 and 28 (regarding the elimination of the AMIS).

17. The Settling Parties agree that Atmos Energy shall utilize the depreciation rates set forth in the 2010 SSU ("Shared Services Unit") Depreciation Rate Study attached to the Direct Testimony and Exhibits of Mr. John C. Johnson. The Settling Parties agree that the depreciation rates for the remaining rate base assets are as approved in Docket No. 09AL-507G.

18. Atmos Energy commits to apply for a Certificate of Public Convenience and Necessity ("CPCN") for the Greeley Building Project, the Canon City Building Project, and the Salida and Gunnison Building Project prior to commencing construction.

19. Notwithstanding Atmos Energy's agreement in this case not to move forward with a multiyear plan, Atmos Energy reserves the right to seek deferred accounting treatment, new rate riders, or other alternative regulatory mechanisms to recover the costs associated with the building projects and Atmos Energy's System Safety and Integrity Project. Neither Staff, the OCC, nor EOC agree to any position regarding any such future filing.

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20. The Settling Parties agree that Atmos Energy shall use the specific regulatory principles reflected in this Stipulation for purposes of Atmos Energy's Annual Reports, Appendix A, and GCA calculations.

General Terms and Conditions

21. The Settling Parties agree that this Stipulation is in the public interest and will be supported by the Settling Parties' testimony and/or statements of counsel in this proceeding. The Settling Parties agree to support this Stipulation as being in the public interest in proceedings before the Commission and to advocate in good faith that the Commission approve this Stipulation in its entirety.

22. The Settling Parties agree that this Stipulation represents a compromise in the positions of all Settling Parties and has been negotiated as a packaged settlement. As such, the Settling Parties acknowledge that their support and advocacy of the Stipulation is based upon the Stipulation as a whole and not based upon its individual components viewed in isolation. Additionally, evidence of conduct or statements made in the negotiation and discussion phases of this Stipulation will not be admissible as evidence in any proceeding before the Commission or any court.

23. The Settling Parties agree that all negotiations relating to this Stipulation are privileged and confidential, and in addition, that no party will be bound by any position asserted in the negotiations, except to the extent expressly stated in this Stipulation.

24. The Settling Parties agree that except as otherwise expressly noted in this Stipulation: (a) the execution of this Stipulation will not be deemed to constitute an acknowledgment of any Settling Party of the validity or invalidity of any particular method,

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theory or principle of ratemaking or regulation, and no Settling Party will be deemed to have agreed that any principle, method or theory of regulation employed in arriving at this Stipulation is appropriate for resolving any issue in any other proceeding; (b) the execution of the Stipulation will not constitute the basis of estoppel or waiver in future proceedings by any Settling Party; and (c) no Settling Party will be deemed to be bound by any position asserted by any other Settling Party, and no finding of fact or conclusion of law other than those expressly stated will be deemed to be implicit in this Stipulation. Any specific reservation of future litigation rights contained in the Stipulation should not be deemed to waive the applicability of this general reservation of litigation rights in future proceedings as to all matters contained in the Stipulation.

25. The Settling Parties agree to the admission of all pre-filed testimony and exhibits filed in Proceeding No. 13AL-0496G, as corrected on February 5, 2014. The Settling Parties waive cross examination on such pre-filed testimony and exhibits.

26. The Settling Parties acknowledge that their support and advocacy of the Stipulation may be compromised by material alterations thereto. In the event the Commission rejects or materially alters the Stipulation, the Settling Parties agree that within seven days of such Commission Decision any Settling Party may provide notice to the other Settling Parties of its objection to the Stipulation as modified. Upon such objection, the Settling Parties will no longer be bound by its terms and will not be deemed to have waived any of their respective procedural or due process rights under Colorado law. If a Settling Party objects to the Stipulation as modified, it may withdraw from the Stipulation and proceed with its case by filing a notice of withdrawal with the Commission and in accordance with procedures established by the Commission at such time.

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27. If the Commission chooses to adopt and approve the Stipulation, this Stipulation resolves all disputed matters relative to this proceeding between the Settling Parties. Any disputed matters will be deemed resolved to the extent that the Stipulation is not compromised by material alterations.

28. Except as otherwise expressly provided in this Stipulation, the issuance of an Order approving this Stipulation will not be deemed to work as an estoppel upon the Settling Parties or the Commission, or otherwise establish, or create any limitation on or precedent of the Commission, in future proceedings.

29. This Stipulation will not become effective and will be given no force and effect until the issuance of a final written Commission decision that accepts and approves this Stipulation.

30. This Stipulation may be executed in one or more counterparts and each counterpart will have the same force and effect as an original document and as if all the Settling Parties had signed the same document. Any signature page of this Stipulation may be detached from any counterpart of this Stipulation without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of the Stipulation identical in form hereto but having attached to it one or more signature page(s). The Settling Parties agree that "pdf" signature pages exchanged by e-mail will satisfy the requirements for execution.

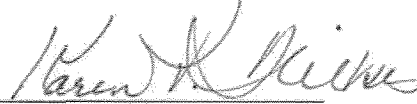
BASED ON THE FOREGOING, the Settling Parties respectfully request that the Commission issue an Order approving this Stipulation and adopting the terms and conditions of this Stipulation.

DATED this 15th day of January, 2014.

RESPECTFULLY SUBMITTED,

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ATMOS ENERGY CORPORATION

By: 
Karen P. Wilkes,
Vice President, Regulatory & Public Affairs
Atmos Energy Corporation
1555 Blake Street, Suite 400
Denver, CO 80202
karen.wilkes@atmosenergy.com

HOLLAND & HART LLP


Thorvald A. Nelson, #24715
Emanuel T. Cocian, #36562
Holland & Hart LLP
6380 South Fiddlers Green Circle, Suite 500
Greenwood Village, CO 80111
Telephone: (303) 290-1601
tnelson@hollandhart.com
etcocian@hollandhart.com

ATTORNEYS FOR
ATMOS ENERGY CORPORATION

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TRIAL STAFF OF THE COLORADO
PUBLIC UTILITIES COMMISSION

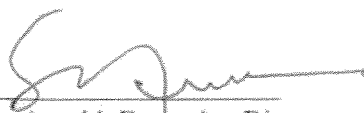
By: 
Charles B. Hernandez, CPA
Colorado Public Utilities Commission
Chief Economist, Energy and Water
1560 Broadway, Suite 250
Denver, Colorado 80202
Charles.hernandez@state.co.us

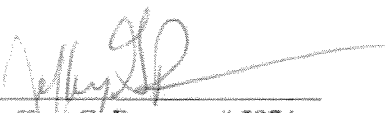

David M. Nocera, #28776
Scott C. Dunbar, #44521
Ralph L. Carr Colorado Judicial Center
1300 Broadway, 8th Floor
Denver, Colorado 80203
Tel: (720) 508-6333
Fax: (720) 508-6038
Dave.nocera@state.co.us
Scott.dunbar@state.co.us

ATTORNEYS FOR TRIAL STAFF

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ENERGY OUTREACH COLORADO

By: 
Skip Arnold, Executive Director
Energy Outreach Colorado
225 E. 16th Avenue, Suite 200
Denver, Colorado 80203
sarnold@energyoutreach.org

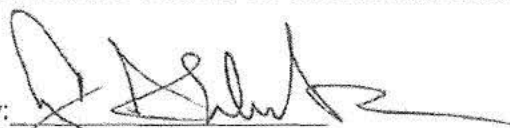

Jeffrey G. Pearson, # 5874
Jeffrey G. Pearson, LLC
1570 Emerson Street
Denver, CO 80218
Tel: 303.618.0686
Fax: 303.837.1557
jpearson@jgp-law.com

ATTORNEY FOR ENERGY OUTREACH
COLORADO

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COLORADO OFFICE OF CONSUMER COUNSEL

By:


Cory W. Skluzak
Financial Analyst
Office of Consumer Counsel
1560 Broadway, Suite 200
Denver, CO 80202


Gregory E. Bunker, #24111
Stephen W. Southwick, #30389
Office of the Attorney General
1300 Broadway, 7th Floor
Denver, CO 80203
Tel: (720) 508-6212
Gregory.Bunker@state.co.us

ATTORNEYS FOR THE COLORADO
OFFICE OF CONSUMER COUNSEL

Schedule 1 - Revenue Requirement

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Company Filed with End of Year Rate Base HTY - EOP RB	Company Filed with Average Rate Base HTY-13 Avg RB	Staff Adjustments	Staff Filed	Settlement Adjustments	Settlement
Line No.							
	Revenue at Present Rates (Normalized)	85,601,417	85,601,417	470,547	86,071,964	(470,547)	85,601,417
1							
2	Cost of Gas (Normalized & Adjusted)	51,775,138	51,775,138	363,883	52,139,021	(363,883)	51,775,138
3	Operations and Maintenance Expense	13,799,563	13,799,563	(172,592)	13,626,971	(257,330)	13,369,641
4	Depreciation and Amortization Expense	8,112,178	8,112,178	(693,761)	7,418,417	228,126	7,646,543
5	Taxes Other Than Income Taxes	2,265,142	2,265,142		2,265,142	0	2,265,142
6	AFUDC	(10,337)	(10,337)	1,961	(8,376)	(1,961)	(10,337)
7	Total	75,941,684	75,941,684	(864,392)	75,441,175		75,046,127
8							
9	Rate Base	110,926,902	107,802,543	(5,915,652)	101,886,891	5,267,394	107,154,285
10							
11	Return on Rate Base	8.48%	8.48%		7.91%		8.07%
12							
13	Required Earnings	9,401,055	9,136,266		8,056,197		8,647,351
14							
15	Income Taxes	3,754,876	3,649,116		3,090,229		3,353,929
16	Taxable Trust - After Tax	198,010	198,010		198,010		198,010
17							
18	Revenue Requirement	89,295,625	88,925,076		86,785,611		87,245,417
19							
21	Revenue Increase/(Decrease)	3,694,208	3,323,659		713,647		1,644,000

Schedule 2 - Return on Rate Base

Line No.	(a)	(b)	(c)	(d)
1	Company Filed		Average	Wtd Ave
2		Ratio	Cost	Cost
3	Long Term Debt	47.43%	6.230%	2.96%
4	Equity	52.57%	10.50%	5.52%
5	Weighted Cost of Capital			8.475%
6				
7	Combined Marginal Tax Rate			38.01%
8	Pretax Weighted Cost of Capital			11.86%
9				
10	Staff Filed			
11			Average	Wtd Ave
12		Ratio	Cost	Cost
13	Long Term Debt	47.430%	6.230%	2.955%
14	Equity	52.570%	9.420%	4.952%
15				7.907%
16				
17	Combined Marginal Tax Rate			38.01%
18	Pretax Weighted Cost of Capital			10.94%
19				
20	Settlement		Average	Wtd Ave
21		Ratio	Cost	Cost
22	Long Term Debt	47.432%	6.23%	2.96%
23	Equity	52.568%	9.72%	5.11%
24				8.07%
25				
26	Combined Marginal Tax Rate			38.01%
27	Pretax Weighted Cost of Capital			11.20%

Schedule 3 - Adjustments to Operation and Maintenance Expense

Line No.	(a)	(b) Company Filed	(c) Staff Adjustments	(d) Staff Filed	(e) Settlement Adjustments	(f) Settlement
1	Total Operation and Maintenance Expenses - Unadjusted	13,170,838		13,170,838		13,170,838
2						
3	<u>Adjustments to Operation & Maintenance Expenses</u>					
4						
5	Salaries	124,658		124,658		124,658
6	Benefits	368,964		368,964		368,964
7	Allocation of Adjusted General Office Costs	1,147		1,147		1,147
8	Promotional and Advertising Exclusions	(24,490)		(24,490)		(24,490)
9	Interest on Customer Deposits	9,076		9,076		9,076
	Adjust Uncollectible Expense to the Level of Normalized Sales					
10	Revenue	(869)		(869)		(869)
11	Adjust Test Year Uncollectibles	63,495		63,495		63,495
12	Rate Case Expense	150,000	(150,000)	-	116,667	\$ 116,667
13	Expense Report Adjustments	(85,848)		(85,848)		(85,848)
14	Data Integration Adjustment	333,333	(333,333)	-	333,333	333,333
15	AMI Savings Adjustment	(310,741)	310,741	-	(600,000)	(600,000)
16	Consolidated O&M Reflecting Staff/OCC Adjustments				(107,330)	(107,330)
17	Total Adjustments	628,725	(172,592)	456,133		198,803
18						
19	Total Adjusted Operation and Maintenance Expenses	13,799,563		13,626,971		13,369,641
20						
21	Source: Exhibit JTC-12, Schedule 4					

Schedule 4 - Adjustments to Rate Base

Line No.	(a)	(b) Company Filed (1)	(c) Staff Adjustments	(d) Staff Filed	(e) Settlement Adjustments	(f) Settlement
1	Average Rate Base					
2	Plant in Service	201,194,736	(3,242,628)	197,952,108	3,242,628	201,194,736
3	Accumulated Depreciation	<u>(82,291,931)</u>	239,801	<u>(82,052,130)</u>	<u>(239,801)</u>	<u>(82,291,931)</u>
4	Net Plant	118,902,805		115,899,978	3,002,827	118,902,805
5	Work in Progress	5,407,823	(1,025,932)	4,381,891	1,025,932	5,407,823
6	Average Storage Gas	2,562,416	(2,562,416)	-	2,562,416	2,562,416
7	Accumulated Deferred Income Taxes	(14,909,205)	1,327,964	(13,581,241)	(1,327,964)	(14,909,205)
8	Customer Advances for Construction	(1,691,852)		(1,691,852)	-	(1,691,852)
9	Customer Deposits	(2,669,360)		(2,669,360)	-	(2,669,360)
10	Prepaid Pension Expense	1,564,884		1,564,884	-	1,564,884
11	Working Capital:					
12	Prepayments	755,316		755,316	-	755,316
13	Cash Requirements	(2,772,725)		(2,772,725)	4,183	(2,768,542)
14	Adjustment for Known and Measurable					
15	Changes in Net Plant In Service	<u>652,441</u>	<u>(652,441)</u>	<u>-</u>		
16	Total Average Rate Base	107,802,543	(5,915,652)	101,886,891		107,154,285
17						
18	(1) Source: Exhibit JTC-12, Schedule 8 Average Rate Base					

Settlement Proof of Rates

Atmos Energy Corp. - Colorado Service Areas
Summary of Revenue at Present Rates
Twelve Months Ended December 31, 2012

Line No.	Description	Volume Ccf		Adjustments to Bills	Adjustments to Volume Ccf	Total Bills	Total Volumes	Adjusted Customer Charge	Adjusted Commodity Charge	Adjusted Present Base Revenue	Adjusted Gas Cost Revenues	Adjusted Present Total Revenue	Settlement		Settlement Revenue	Increase By Class
		Number of Bills	Average 14.65 psi										Customer Charge	Commodity		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
1	Residential	1,190,903	67,285,221	(17,589)	5,604,696	1,173,314	72,889,917	\$ 10.00	\$ 0.14385	\$ 22,218,355	\$ 31,351,263	\$ 53,569,618	\$ 10.75	\$ 0.16301	\$ 55,846,174	2,276,556
2	Commercial	143,918	44,265,498	(1,409)	3,021,596	142,509	47,287,094	24.00	0.11242	8,736,231	20,351,818	29,088,049	\$ 25.00	\$ 0.10048	28,665,950	(422,099)
3	Irrigation	69	90,932	(1)	0	68	90,932	40.00	0.09444	11,308	37,998	49,306	\$ 40.00	\$ 0.09250	49,129	(177)
4																
5	Total Colorado Sales Revenue	1,334,890	111,641,652	(18,999)	8,626,292	1,315,891	120,267,944			\$ 30,965,894	\$ 51,741,079	\$ 82,706,973			\$ 84,561,253	1,854,280
6																
7	Transportation Revenues															
8	Max Rate - Commercial	1,446	7,047,460	42	532,170	1,488	7,579,630	34	0.11242	\$ 902,694		\$ 902,694	\$ 75.00	\$ 0.08220	\$ 734,646	(168,048)
9	Max Rate - Industrial	41	830,790	7	246,260	48	1,077,050	275	0.11242	134,282		134,282	\$ 75.00	\$ 0.08220	\$ 92,134	(42,148)
10	Special Contract	2,597	51,562,320	7	-	2,604	51,562,320			1,525,944	\$ 34,059	1,560,004			1,560,004	-
11	Transportation and Other	4,084	59,440,570	56	778,430	4,140	60,219,000			\$ 2,562,920	\$ 34,059	\$ 2,596,980			\$ 2,386,783	(210,197)
12																
13	Other Revenues									\$ 297,465		\$ 297,465			\$ 297,465	0
14																
15	Total Colorado Revenue									\$ 33,826,279	\$ 51,775,138	\$ 85,601,417			\$ 87,245,501	\$ 1,644,083

Schedule 1 - Revenue Requirement

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Company Filed with End of Year Rate Base HTY - EOP RB	Company Filed with Average Rate Base HTY-13 Avg RB	Staff Adjustments	Staff Filed	Settlement Adjustments	Settlement
Line No.							
1	Revenue at Present Rates (Normalized)	85,601,417	85,601,417	470,547	86,071,964	(470,547)	85,601,417
2	Cost of Gas (Normalized & Adjusted)	51,775,138	51,775,138	363,883	52,139,021	(363,883)	51,775,138
3	Operations and Maintenance Expense	13,799,563	13,799,563	(172,592)	13,626,971	(601,330)	13,025,641
4	Depreciation and Amortization Expense	8,112,178	8,112,178	(693,761)	7,418,417	228,126	7,646,543
5	Taxes Other Than Income Taxes	2,265,142	2,265,142		2,265,142	0	2,265,142
6	AFUDC	(10,337)	(10,337)	1,961	(8,376)	(1,961)	(10,337)
7	Total	75,941,684	75,941,684	(864,392)	75,441,175		74,702,127
8							
9	Rate Base	110,926,902	107,802,543	(5,915,652)	101,886,891	5,267,394	107,154,285
10							
11	Return on Rate Base	8.48%	8.48%		7.91%		8.07%
12							
13	Required Earnings	9,401,055	9,136,266		8,056,197		8,647,351
14							
15	Income Taxes	3,754,876	3,649,116		3,090,229		3,353,929
16	Taxable Trust - After Tax	198,010	198,010		198,010		198,010
17							
18	Revenue Requirement	89,295,625	88,925,076		86,785,611		86,901,417
19							
21	Revenue Increase/(Decrease)	3,694,208	3,323,659		713,647		1,300,000

Schedule 2 - Return on Rate Base

Line No.	(a)	(b)	(c)	(d)
1	Company Filed		Average	Wtd Ave
2		Ratio	Cost	Cost
3	Long Term Debt	47.43%	6.230%	2.96%
4	Equity	52.57%	10.50%	5.52%
5	Weighted Cost of Capital			8.475%
6				
7	Combined Marginal Tax Rate			38.01%
8	Pretax Weighted Cost of Capital			11.86%
9				
10	Staff Filed			
11			Average	Wtd Ave
12		Ratio	Cost	Cost
13	Long Term Debt	47.430%	6.230%	2.955%
14	Equity	52.570%	9.420%	4.952%
15				7.907%
16				
17	Combined Marginal Tax Rate			38.01%
18	Pretax Weighted Cost of Capital			10.94%
19				
20	Settlement		Average	Wtd Ave
21		Ratio	Cost	Cost
22	Long Term Debt	47.432%	6.23%	2.96%
23	Equity	52.568%	9.72%	5.11%
24				8.07%
25				
26	Combined Marginal Tax Rate			38.01%
27	Pretax Weighted Cost of Capital			11.20%

Schedule 3 - Adjustments to Operation and Maintenance Expense

Line No.	(a)	(b) Company Filed	(c) Staff Adjustments	(d) Staff Filed	(e) Settlement Adjustments	(f) Settlement
1	Total Operation and Maintenance Expenses - Unadjusted	13,170,838		13,170,838		13,170,838
2						
3	<u>Adjustments to Operation & Maintenance Expenses</u>					
4						
5	Salaries	124,658		124,658		124,658
6	Benefits	368,964		368,964		368,964
7	Allocation of Adjusted General Office Costs	1,147		1,147		1,147
8	Promotional and Advertising Exclusions	(24,490)		(24,490)		(24,490)
9	Interest on Customer Deposits	9,076		9,076		9,076
	Adjust Uncollectible Expense to the Level of Normalized Sales					
10	Revenue	(869)		(869)		(869)
11	Adjust Test Year Uncollectibles	63,495		63,495		63,495
12	Rate Case Expense	150,000	(150,000)	-	116,667	\$ 116,667
13	Expense Report Adjustments	(85,848)		(85,848)		(85,848)
14	Data Integration Adjustment	333,333	(333,333)	-	333,333	333,333
15	AMI Savings Adjustment	(310,741)	310,741	-	(944,000)	(944,000)
16	Consolidated O&M Reflecting Staff/OCC Adjustments				(107,330)	(107,330)
17	Total Adjustments	628,725	(172,592)	456,133		(145,197)
18						
19	Total Adjusted Operation and Maintenance Expenses	13,799,563		13,626,971		13,025,641
20						
21	Source: Exhibit JTC-12, Schedule 4					

Schedule 4 - Adjustments to Rate Base

Line No.	(a)	(b) Company Filed (1)	(c) Staff Adjustments	(d) Staff Filed	(e) Settlement Adjustments	(f) Settlement
1	Average Rate Base					
2	Plant in Service	201,194,736	(3,242,628)	197,952,108	3,242,628	201,194,736
3	Accumulated Depreciation	<u>(82,291,931)</u>	239,801	<u>(82,052,130)</u>	<u>(239,801)</u>	<u>(82,291,931)</u>
4	Net Plant	118,902,805		115,899,978	3,002,827	118,902,805
5	Work in Progress	5,407,823	(1,025,932)	4,381,891	1,025,932	5,407,823
6	Average Storage Gas	2,562,416	(2,562,416)	-	2,562,416	2,562,416
7	Accumulated Deferred Income Taxes	(14,909,205)	1,327,964	(13,581,241)	(1,327,964)	(14,909,205)
8	Customer Advances for Construction	(1,691,852)		(1,691,852)	-	(1,691,852)
9	Customer Deposits	(2,669,360)		(2,669,360)	-	(2,669,360)
10	Prepaid Pension Expense	1,564,884		1,564,884	-	1,564,884
11	Working Capital:					
12	Prepayments	755,316		755,316	-	755,316
13	Cash Requirements	(2,772,725)		(2,772,725)	4,183	(2,768,542)
14	Adjustment for Known and Measurable					
15	Changes in Net Plant In Service	<u>652,441</u>	<u>(652,441)</u>	-		
16	Total Average Rate Base	107,802,543	(5,915,652)	101,886,891		107,154,285
17						
18	(1) Source: Exhibit JTC-12, Schedule 8 Average Rate Base					

Settlement Proof of Rates

Atmos Energy Corp. - Colorado Service Areas
Summary of Revenue at Present Rates
Twelve Months Ended December 31, 2012

Line No.	Description	Number of Bills	Volume Ccf		Adjustments to Bills	Adjustments to Volume Ccf	Total Bills	Total Volumes	Adjusted Customer Charge	Adjusted Commodity Charge	Adjusted Present Base Revenue	Adjusted Gas Cost Revenues	Adjusted Present Total Revenue	Settlement		Settlement Revenue	Increase By Class
			Average 14.65 psi											Customer Charge	Commodity		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
1	Residential	1,190,903	67,285,221	(17,589)	5,604,696	1,173,314	72,889,917		\$ 10.00	\$ 0.14385	\$ 22,218,355	\$ 31,351,263	\$ 53,569,618	\$ 10.75	\$ 0.15957	\$55,595,433	2,025,815
2	Commercial	143,918	44,265,498	(1,409)	3,021,596	142,509	47,287,094		24.00	0.11242	8,736,231	20,351,818	29,088,049	\$ 25.00	\$ 0.09868	28,580,833	(507,216)
3	Irrigation	69	90,932	(1)	0	68	90,932		40.00	0.09444	11,308	37,998	49,306	\$ 40.00	\$ 0.09124	49,015	(291)
4																	
5	Total Colorado Sales Revenue	1,334,890	111,641,652	(18,999)	8,626,292	1,315,891	120,267,944				\$ 30,965,894	\$ 51,741,079	\$ 82,706,973			\$84,225,280	1,518,308
6																	
7	<u>Transportation Revenues</u>																
8	Max Rate - Commercial	1,446	7,047,460	42	532,170	1,488	7,579,630		34	0.11242	\$ 902,694		\$ 902,694	\$ 75.00	\$ 0.08122	\$ 727,218	(175,476)
9	Max Rate - Industrial	41	830,790	7	246,260	48	1,077,050		275	0.11242	134,282		134,282	\$ 75.00	\$ 0.08122	\$ 91,078	(43,204)
10	Special Contract	2,597	51,562,320	7	-	2,604	51,562,320				1,525,944	\$ 34,059	1,560,004			1,560,004	-
11	Transportation and Other	4,084	59,440,570	56	778,430	4,140	60,219,000				\$ 2,562,920	\$ 34,059	\$ 2,596,980			\$ 2,378,299	(218,680)
12																	
13	Other Revenues										\$ 297,465		\$ 297,465			\$ 297,465	0
14																	
15	Total Colorado Revenue										\$ 33,826,279	\$ 51,775,138	\$ 85,601,417			\$86,901,044	\$ 1,299,627