

Atmos Energy Corporation - Palmyra Rate District  
Case No. GR-2006-0387  
Test Year Ending September 30, 2005 Updated Through June 30, 2006

**Revenue Requirement**

Line	(A)	8.59%	8.99%	9.39%
		Equity Return (B)	Equity Return (C)	Equity Return (D)
1	Net Original Cost Rate Base (From Acctg. Sch. 2)	\$ 1,438,436	\$ 1,438,436	\$ 1,438,436
2	Rate of Return	7.13%	7.30%	7.47%
3	Net Operating Income Requirement	\$ 102,561	\$ 105,006	\$ 107,451
4	Net Income Available (From Acctg. Sch 9)	15,945	15,945	15,945
5	Additional Net Operating Income Needed Before Income Taxes	\$ 86,616	\$ 89,061	\$ 91,506
6	Income Tax Requirement: (From Acctg. Sch. 11)			
7	Required Current Income Tax	\$ 26,834	\$ 28,357	\$ 29,881
8	Test Year Current Income Tax	(27,135)	(27,135)	(27,135)
9	Additional Current Income Tax Required	\$ 53,969	\$ 55,492	\$ 57,015
10	<b>Additional Gross Revenue Requirement</b>	<b>\$ 140,585</b>	<b>\$ 144,553</b>	<b>\$ 148,522</b>

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**Rate Base**

Line	(A)	(B)
1	Total Plant In Service	
2	Utility Plant In Service (From Acctg. Sch 3)	\$ 2,659,955
3	Less Depreciation Reserves:	
4	Utility Plant In Service (From Acctg. Sch 5)	1,143,737
5	Net Plant In Service	\$ 1,516,218
6	Add:	
7	Cash Working Capital (From Acctg. Sch. 8)	\$ 2,999
8	Materials and Supplies and Prepayments	5,440
9	Prepaid Pension Asset	99,570
10	Propane Gas Inventory	0
11	Natural Gas Inventory	277,657
12	Total Additions To Net Plant In Service	\$ 385,666
13	Less:	
14	Interest Offset (From Acctg. Sch. 8)	\$ 6,570
15	Income Tax Offset (From Acctg. Sch. 8)	130
16	Stipulated Rate Base Reduction	0
17	Customer Advances For Construction	0
18	Customer Deposits	46,003
19	Deferred Income Taxes	410,744
20	Total Deductions To Net Plant In Service	\$ 463,447
21	<b>Total Rate Base</b>	<b>\$ 1,438,436</b>

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**Plant In Service**

Line	Account (A)	Plant Title (B)	Balance 9/30/2005 (C)	Adjust- ments (D)	Adj. No. (E)	Adjusted Balance 6/30/2006 (F)
1		Intangible				
2	301.00	Organization	0	866	P-1	866
3	302.00	Franchise & Consents	407	0	P-2	407
4	303.00	Other Misc. Intangibles	0	5,187	P-3	5,187
5		<b>Total Intangible</b>	<b>\$ 407</b>	<b>\$ 6,053</b>		<b>\$ 6,460</b>
6		Manufactured Gas Production Plant				
7	311.00	L-P Production Plant-Liq Petro Gas E	\$ 0	\$ 0	P-4	\$ 0
8		<b>Total Manufactured Gas Production P</b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 0</b>
9		Transmission Plant				
10	365.10	Land	\$ 0	\$ 0	P-5	\$ 0
11	365.20	Right-Of-Way	0	0	P-6	0
12	366.00	Structures & Improvements	0	0	P-7	0
13	367.01	Mains - Steel & Cathodic Protection	0	0	P-8	0
14	367.02	Mains - Plastic	0	0	P-9	0
15	367.00	Mains - Total	0	0		0
16	369.00	Measuring & Regulating Equipment	0	0	P-10	0
17	370.00	Communication Equipment	0	0	P-11	0
18		<b>Total Transmission Plant</b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 0</b>
19		Distribution Plant				
20	374.01	Land	\$ 15,567	\$ 0	P-12	\$ 15,567
21	374.02	Land Rights	0	0	P-13	0
22	375.00	Structures & Improvements	0	0	P-14	0
23	376.01	Mains - Steel	337,587	240	P-15	337,827
24	376.02	Mains - Plastic	689,878	0	P-16	689,878
25	376.00	Mains - Total	1,027,465	240		1,027,705
26	377.00	Compressor Station Equipment	0	0	P-17	0
27	378.00	Meas. & Reg. Equip	60,794	0	P-18	60,794
28	379.00	Meas. & Reg. Equip - City Gate	9,245	0	P-19	9,245
29	380.00	Services	981,054	59,685	P-20	1,040,739
30	381.00	Meters	0	0	P-21	0
31	382.00	Meter Installations	199,485	251	P-22	199,736
32	383.00	House Regulators	0	0	P-23	0
33	384.00	House Reg Installations	0	0	P-24	0
34	385.00	Ind. Meas. & Reg Sta. Equip	0	0	P-25	0
35	387.00	Other Equipment	0	0	P-26	0
36		<b>Total Distribution Plant</b>	<b>\$ 2,293,610</b>	<b>\$ 60,176</b>		<b>\$ 2,353,786</b>
37		General Plant				
38	389.00	Land & Land Rights	\$ 884	\$ 0	P-27	\$ 884
39	390.00	Structures & Improvements	39,398	8,365	P-28	47,763
40	391.00	Office Furn & Equip	5,957	14,268	P-29	20,225
41	392.00	Transportation Equip	30,962	(8,629)	P-30	22,333
42	393.00	Stores Equip	1,221	54	P-31	1,275
43	394.00	Tools, Shop & Garage Equip	18,830	(765)	P-32	18,065
44	395.00	Laboratory Equip	32	0	P-33	32
45	396.00	Power Operated Equipment	36,010	40	P-34	36,050
46	397.00	Communications Equip	9,686	18,035	P-35	27,721
47	398.00	Misc Equip	5,831	2,429	P-36	8,260
48	399.00	Other Tangible Property	13,583	103,518	P-37	117,101

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**Plant In Service**

Line	Account (A)	Plant Title (B)	Balance 9/30/2005 (C)	Adjust- ments (D)	Adj. No. (E)	Adjusted Balance 6/30/2006 (F)
49		Total General Plant	\$ 162,394	\$ 137,315		\$ 299,709
50		Total Plant In Service	\$ 2,456,411	\$ 203,544		\$ 2,659,955

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**Adjustments To Plant In Service**

Adj No	Description	Adjustment Amount	Adjustment Total
<b>Organization</b>		P-1	\$ 866
1	To include allocated corporate plant (Hanneken)	\$ 866	
<b>Other Misc. Intangibles</b>		P-3	\$ 5,187
1	To include allocated corporate plant (Hanneken)	\$ 5,187	
<b>Mains - Steel</b>		P-15	\$ 240
1	To include allocated corporate plant (Hanneken)	\$ 0	
2	To adjust plant to June 30, 2006 levels (Began)	240	
<b>Services</b>		P-20	\$ 59,685
1	To adjust plant to June 30, 2006 levels (Began)	\$ 59,685	
<b>Meter Installations</b>		P-22	\$ 251
1	To adjust plant to June 30, 2006 levels (Began)	\$ 251	
<b>Structures &amp; Improvements</b>		P-28	\$ 8,365
1	To include allocated corporate plant (Hanneken)	\$ 8,365	
<b>Office Furn &amp; Equip</b>		P-29	\$ 14,268
1	To include allocated corporate plant (Hanneken)	\$ 14,988	
2	To adjust plant to June 30, 2006 levels (Began)	(720)	
<b>Transportation Equip</b>		P-30	\$ (8,629)
1	To include allocated corporate plant (Hanneken)	\$ 12	
2	To adjust plant to June 30, 2006 levels (Began)	(8,641)	
<b>Stores Equip</b>		P-31	\$ 54
1	To include allocated corporate plant (Hanneken)	\$ 54	
<b>Tools, Shop &amp; Garage Equip</b>		P-32	\$ (765)
1	To include allocated corporate plant (Hanneken)	\$ 600	
2	To adjust plant to June 30, 2006 levels (Began)	(1,365)	
<b>Power Operated Equipment</b>		P-34	\$ 40
1	To include allocated corporate plant (Hanneken)	\$ 40	
<b>Communications Equip</b>		P-35	\$ 18,035
1	To include allocated corporate plant (Hanneken)	\$ 18,035	

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**Adjustments To Plant In Service**

Adj. No.	Description	Adjustment Amount	Adjustment Total
Misc Equip	P-36		\$ 2,429
1	To include allocated corporate plant (Hanneken)	\$ 2,429	
Other Tangible Property	P-37		\$ 103,518
1	To include allocated corporate plant (Hanneken)	\$ 103,518	

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**Depreciation Reserve**

Line	Account (A)	Plant Title (B)	Balance 9/30/2005 (C)	Adjust- ments (D)	Adj. No. (E)	Adjusted Balance 6/30/2006 (F)
1		Intangible				
2	301.00	Organization	0	0	R-1	
3	302.00	Franchise & Consents	413	0	R-2	413
4	303.00	Other Misc. Intangibles	0	0	R-3	
5		<b>Total Intangible Reserve</b>	<b>\$ 413</b>	<b>\$ 0</b>		<b>\$ 413</b>
6		Manufactured Gas Production Plant				
7	311.00	L-P Production Plant-Liq Petro Gas Equ	0	0	R-4	0
8		<b>Total Manufactured Gas Production Plant</b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 0</b>
9		Transmission Plant				
10	365.10	Land	\$ 0	\$ 0	R-5	\$ 0
11	365.20	Right-Of-Way	0	0	R-6	0
12	366.00	Structures & Improvements	0	0	R-7	0
13	367.01	Mains - Steel & Cathodic Protection	0	0	R-8	0
14	367.02	Mains - Plastic	0	0	R-9	0
15	367.00	Mains - Total	0	0		0
16	369.00	Measuring & Regulating Equipment	0	0	R-10	0
17	370.00	Communication Equipment	0	0	R-11	0
18		<b>Total Transmission Plant</b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 0</b>
19		Distribution Plant				
20	374.01	Land	\$ 15,567	\$ 0	R-12	\$ 15,567
21	374.02	Land Rights	0	0	R-13	0
22	375.00	Structures & Improvements	0	0	R-14	0
23	376.01	Mains - Steel	189,445	7,926	R-15	197,371
24	376.02	Mains - Plastic	230,808	(18,215)	R-16	212,593
25	376.00	Mains - Total	<b>420,253</b>	<b>(10,289)</b>		<b>409,964</b>
26	377.00	Compressor Station Equipment	0	0	R-17	0
27	378.00	Meas. & Reg. Equip	3,078	16,337	R-18	19,415
28	379.00	Meas. & Reg. Equip - City Gate	480,742	(24,193)	R-19	456,549
29	380.00	Services	73,442	(1,853)	R-20	71,589
30	381.00	Meters	0	0	R-21	0
31	382.00	Meter Installations	0	0	R-22	0
32	383.00	House Regulators	0	0	R-23	0

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**Depreciation Reserve**

Line	Account (A)	Plant Title (B)	Balance 9/30/2005 (C)	Adjust- ments (D)	Adj. No. (E)	Adjusted Balance 6/30/2006 (F)
33	384.00	House Reg Installations	0	0	R-24	0
34	385.00	Ind. Meas. & Reg Sta. Equip	0	0	R-25	0
35	387.00	Other Equipment	0	0	R-26	0
36		<b>Total Distribution Plant Reserve</b>	<b>\$ 993,082</b>	<b>\$ (19,998)</b>		<b>\$ 973,084</b>
37		<b>General Plant</b>				
38	389.00	Land & Land Rights	\$ 884	\$ 0	R-27	\$ 884
39	390.00	Structures & Improvements	5,419	4,967	R-28	10,386
40	391.00	Office Furn & Equip	2,471	10,675	R-29	13,146
41	392.00	Transportation Equip	27,697	(6,900)	R-30	20,797
42	393.00	Stores Equip	1,071	85	R-31	1,156
43	394.00	Tools, Shop & Garage Equip	2,025	(824)	R-32	1,201
44	395.00	Laboratory Equip	13	1	R-33	14
45	396.00	Power Operated Equipment	24,554	2,676	R-34	27,230
46	397.00	Communications Equip	9,685	6,674	R-35	16,359
47	398.00	Misc Equip	1,664	1,238	R-36	2,902
48	399.00	Other Tangible Property	16,431	59,736	R-37	76,167
49		<b>Total General Plant</b>	<b>\$ 91,913</b>	<b>\$ 78,328</b>		<b>\$ 170,241</b>
50		<b>Total Depreciation Reserve</b>	<b>\$ 1,085,407</b>	<b>\$ 58,330</b>		<b>\$ 1,143,737</b>



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**Adjustments To Depreciation Reserve**

Adj No	Description	Adjustment Amount	Adjustment Total
<b>Mains - Steel R-15</b>			
		\$	7,926
1	To include reserve for allocated corporate plant (Hanneken)	\$	0
2	To adjust reserve to June 30, 2006 levels (Began)		7,926
<b>Mains - Plastic R-16</b>			
		\$	(18,215)
1	To adjust reserve to June 30, 2006 levels (Began)	\$	16,279
2	To correct reserve (Rackers)		(34,494)
<b>Meas &amp; Reg. Equip R-18</b>			
		\$	16,337
1	To adjust reserve to June 30, 2006 levels (Began)	\$	16,337
<b>Meas &amp; Reg. Equip - City Gate R-19</b>			
		\$	(24,193)
1	To adjust reserve to June 30, 2006 levels (Began)	\$	(24,193)
<b>Services R-20</b>			
		\$	(1,853)
1	To adjust reserve to June 30, 2006 levels (Began)	\$	(1,853)
<b>Structures &amp; Improvements R-28</b>			
		\$	4,967
1	To include reserve for allocated corporate plant (Hanneken)	\$	4,672
2	To adjust reserve to June 30, 2006 levels (Began)		295
<b>Office Furn &amp; Equip R-29</b>			
		\$	10,675
1	To include reserve for allocated corporate plant (Hanneken)	\$	11,179
2	To adjust reserve to June 30, 2006 levels (Began)		(504)
<b>Transportation Equip R-30</b>			
		\$	(6,900)
1	To include reserve for allocated corporate plant (Hanneken)	\$	49
2	To adjust reserve to June 30, 2006 levels (Began)		(6,949)
<b>Stores Equip R-31</b>			
		\$	85
1	To include reserve for allocated corporate plant (Hanneken)	\$	39
2	To adjust reserve to June 30, 2006 levels (Began)		46
<b>Tools, Shop &amp; Garage Equip R-32</b>			
		\$	(824)
1	To include reserve for allocated corporate plant (Hanneken)	\$	85
2	To adjust reserve to June 30, 2006 levels (Began)		(909)

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**Adjustments To Depreciation Reserve**

Adj No	Description	Adjustment Amount	Adjustment Total
<b>Laboratory Equip R-33</b>			
1	To adjust reserve to June 30, 2006 levels (Began)	\$ 1	\$ 1
<b>Power Operated Equipment R-34</b>			
1	To include reserve for allocated corporate plant (Hanneken)	\$ 41	\$ 2,676
2	To adjust reserve to June 30, 2006 levels (Began)	2,635	
<b>Communications Equip R-35</b>			
1	To include reserve for allocated corporate plant (Hanneken)	\$ 6,674	\$ 6,674
<b>Misc Equip R-36</b>			
1	To include reserve for allocated corporate plant (Hanneken)	\$ 801	\$ 1,238
2	To adjust reserve to June 30, 2006 levels (Began)	437	
<b>Other Tangible Property R-37</b>			
1	To include reserve for allocated corporate plant (Hanneken)	\$ 59,736	\$ 59,736

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**Depreciation Expense**

Line	Account (A)	Plant Title (B)	Adjusted Plant (Acctg Sch 3) (C)	Depreciation Rate (D)	Depreciation Expense (E)
1		Intangible			
2	301.00	Organization	866		
3	302.00	Franchise & Consents	407	4.7100%	19
4	303.00	Other Misc. Intangibles	5,187	20.0000%	1,037
5		<b>Total Intangible</b>	<b>\$ 6,460</b>		<b>\$ 1,056</b>
6		Manufactured Gas Production Plant			
7	311.00	L-P Production Plant-Liq Petro Gas Equ	\$	4.9800%	
8		<b>Total Manufactured Gas Production Pla</b>	<b>\$</b>		<b>\$</b>
9		Transmission Plant			
10	365.10	Land			
11	365.20	Right-Of-Way			
12	366.00	Structures & Improvements			
13	367.01	Mains - Steel & Cathodic Protection		3.4300%	
14	367.02	Mains - Plastic		3.4300%	
15	367.00	Mains - <b>Total</b>			
16	369.00	Measuring & Regulating Equipment		1.8900%	
17	370.00	Communication Equipment		4.3600%	
18		<b>Total Transmission Plant</b>	<b>\$</b>		<b>\$</b>
19		Distribution Plant			
20	374.01	Land	\$ 15,567		\$
21	374.02	Land Rights			
22	375.00	Structures & Improvements		4.3700%	
23	376.01	Mains - Steel	337,827	3.4300%	11,587
24	376.02	Mains - Plastic	689,878	3.4300%	23,663
25	376.00	Mains - <b>Total</b>	<b>1,027,705</b>		<b>35,250</b>
26	377.00	Compressor Station Equipment			
27	378.00	Meas. & Reg. Equip	60,794	1.8900%	1,149
28	379.00	Meas. & Reg. Equip - City Gate	9,245	1.8900%	175
29	380.00	Services	1,040,739	5.1300%	53,390
30	381.00	Meters		2.5200%	
31	382.00	Meter Installations	199,736	3.9100%	7,810
32	383.00	House Regulators		3.2400%	
33	384.00	House Reg Installations			
34	385.00	Ind. Meas. & Reg Sta. Equip		1.8900%	

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**Depreciation Expense**

Line	Account (A)	Plant Title (B)	Adjusted Plant (Acctg Sch 3) (C)	Depreciation Rate (D)	Depreciation Expense (E)
35	387.00	Other Equipment		5.5200%	
36		<b>Total Distribution Plant</b>	<b>\$ 2,353,786</b>		<b>\$ 97,774</b>
37		General Plant			
38	389.00	Land & Land Rights	\$ 884		\$
39	390.00	Structures & Improvements	47,763	1.0000%	478
40	391.00	Office Furn & Equip	20,225	5.0000%	1,011
41	392.00	Transportation Equip	22,333	10.0000%	2,233
42	393.00	Stores Equip	1,275	5.0000%	64
43	394.00	Tools, Shop & Garage Equip	18,065	3.2900%	594
44	395.00	Laboratory Equip	32	3.8500%	1
45	396.00	Power Operated Equipment	36,050	13.8100%	4,978
46	397.00	Communications Equip	27,721	12.0000%	3,326
47	398.00	Misc Equip	8,260	10.0000%	826
48	399.00	Other Tangible Property	117,101	5.0000%	5,855
49		<b>Total General Plant</b>	<b>\$ 299,709</b>		<b>\$ 19,366</b>
50		<b>Total Depreciation</b>	<b>\$ 2,659,955</b>		<b>\$ 118,196</b>

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**Cash Working Capital**

Line	Description (A)	Test Year Expenses (B)	Revenue Lag (C)	Expense Lag (D)	Net Lag (C)-(D) (E)	Factor (E)/365 (F)	CWC Req (B)x(F) (G)
1	Operation and Maintenance Expense						
2	Base Payroll	\$ 64,800	36.3700	14.0000	22.3700	0.061288	\$ 3,971
3	Tax Withholding	62,592	36.3700	17.1500	19.2200	0.052658	3,296
4	Voluntary Withholdings	22,817	36.3700	21.2700	15.1000	0.041370	944
5	Pension Expense - Non-Qualified Plans	2,956	36.3700	15.2100	21.1600	0.057973	171
6	Pension Expense - Qualified Plan	1,265	36.3700	36.3700	0.0000	0.000000	0
7	OPEB's (FAS 106)	17,938	36.3700	45.6250	(9.2550)	(0.025356)	(455)
8	Group Health	13,928	36.3700	9.7500	26.6200	0.072932	1,016
9	Uncollectible Accounts	5,870	36.3700	36.3700	0.0000	0.000000	0
10	Depreciation Charged to O&M	582	36.3700	36.3700	0.0000	0.000000	0
11	M&S and Prepayments Charged to O&M	16,042	36.3700	36.3700	0.0000	0.000000	0
12	PSC Assessment	3,406	36.3700	(30.6300)	67.0000	0.183562	625
13	Cash Vouchers	10,439	36.3700	27.7500	8.6200	0.023616	247
14	Total Operation & Maintenance Expense	\$ 222,636					\$ 9,815
15	Taxes Other Than Income						
16	FICA - Employer Portion	(4,011)	36.3700	17.0000	19.3700	0.053068	\$ (213)
17	Federal Unemployment	65	36.3700	75.6300	(39.2600)	(0.107562)	(7)
18	State Unemployment	99	36.3700	75.6300	(39.2600)	(0.107562)	(11)
19	Property Tax	17,525	36.3700	182.5000	(146.1300)	(0.400356)	(7,016)
20	Corporate Franchise	2,584	36.3700	(77.5000)	113.8700	0.311973	806
21	DOT Transportation Tax	0	36.3700	241.5000	(205.1300)	(0.562000)	0
22	Total Taxes Other Than Income	\$ 16,263					\$ (6,441)
23	Other Expenses						
24	Sales Tax	\$ 7,274	0.0000	18.4600	(18.4600)	(0.050575)	\$ (368)
25	Natural Gas	491	36.3700	41.6200	(5.2500)	(0.014384)	(7)
26	Total Other Expenses	\$ 7,765					\$ (375)
27	<b>Total Cash Working Capital Requirement Before Income Tax and Interest</b>						<b>\$ 2,999</b>
28	Federal Tax Offset	\$ 23,190	36.3700	38.1300	(1.7600)	(0.004822)	\$ (112)
29	State Tax Offset	\$ 3,644	36.3700	38.1300	(1.7600)	(0.004822)	\$ (18)
30	Interest Expense Offset - LTD	\$ 48,331	36.3700	87.2800	(50.9100)	(0.139479)	\$ (6,741)
31	Interest Expense Offset - STD	\$ 1,870	36.3700	3.0000	33.3700	0.091425	\$ 171

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**Income Statement**

Line	Description (A)	Test Year Amounts (B)	Adjustment Amount (C)	Adjust No. (D)	As Adjusted (E)
1	Operating Revenue	\$	\$		\$
2	Residential Sales	201,742	6,542	S-1	208,284
3	Small General Service	72,968	3,594	S-2	76,562
4	Large General Service	8,202	(482)	S-3	7,720
5	Interruptible Sales	0	0	S-4	0
6	Transportation Sales	22,563	615	S-5	23,178
7	Late Payment Charges	0	0	S-6	0
8	Other Operating Revenues	4,583	0	S-7	4,583
9	Total Operating Revenue	\$ 310,058	\$ 10,269		\$ 320,327
10	Operating Expenses				
11	Operation & Maintenance Expense				
12	Natural Gas Supply Expense	\$ 0	\$ 0	S-8	\$ 0
13	Manufactured Gas Production & Other Gas S	(93)	313	S-9	220
14	Underground Storage	0	0	S-10	0
15	Other Storage	0	0	S-11	0
16	Transmission	41	0	S-12	41
17	Distribution	55,540	2,336	S-13	57,876
18	Customer Accounts	12,651	8,548	S-14	21,199
19	Customer Service & Information	814	(83)	S-15	731
20	Sales	342	(241)	S-16	101
21	Administrative & General	358,751	(216,283)	S-17	142,468
22	Total O & M Expense	\$ 428,046	\$ (205,410)		\$ 222,636
23	Other Operating Expenses				
24	Depreciation	\$ 108,707	\$ (16,052)	S-18	\$ 92,655
25	Amortization	244	0	S-19	244
26	Taxes Other Than Income Taxes	71,719	(46,444)	S-20	25,275
27	Total Other Operating Expenses	\$ 180,670	\$ (62,496)		\$ 118,174
28	Total Operating Expenses	\$ 608,716	\$ (267,906)		\$ 340,810
29	Net Income Before Income Taxes	\$ (298,658)	\$ 278,175		\$ (20,483)

Atmos Energy Corporation - Palmyra Rate District  
Case No. GR-2006-0387  
Test Year Ending September 30, 2005 Updated Through June 30, 2006

**Income Statement**

Line	Description (A)	Test Year Amounts (B)	Adjustment Amount (C)	Adjust No. (D)	As Adjusted (E)
30	Net Income Before Income Taxes (Fm Pgl)	\$ (298,658)	\$ 278,175		\$ (20,483)
31	Current Income Tax Expense	\$ 5,717	\$ (32,851)	S-21	\$ (27,135)
32	Deferred Income Tax Expense				
33	Deferred Income Tax Expense	\$ 14,807	\$ (20,323)	S-22	\$ (5,516)
34	Deferred ITC Amortization	0	(3,777)	S-23	(3,777)
35	Total Deferred Income Tax Expense	\$ 14,807	\$ (24,100)		\$ (9,293)
36	Total Income Tax Expense	\$ 20,524	\$ (56,951)		\$ (36,428)
37	Net Operating Income	\$ (319,182)	\$ 335,127		\$ 15,945

## Atmos Energy Corporation - Palmyra Rate District

Case No. GR-2006-0387

Test Year Ending September 30, 2005 Updated Through June 30, 2006

**Adjustments To Income Statement**

Adj. No.	Description	Adjustment Amount	Total Adjustment
<b>Residential Sales</b> S-1			
1	To reflect normal weather. (Meyer)	\$ 6,542	\$ 6,542
<b>Small General Service</b> S-2			
1	To reflect normal weather. (Meyer)	\$ 3,594	\$ 3,594
<b>Large General Service</b> S-3			
1	To adjust revenue for customer drop. (Ross)	\$ (482)	\$ (482)
<b>Interruptible Sales</b> S-4			
1	No adjustment required.	\$ 0	\$ 0
<b>Transportation Sales</b> S-5			
1	To annualize customers. (Meyer)	\$ 615	\$ 615
<b>Late Payment Charges</b> S-6			
1	No adjustment required.	\$ 0	\$ 0
<b>Other Operating Revenues</b> S-7			
1	No adjustment required.	\$ 0	\$ 0
<b>Natural Gas Supply Expense</b> S-8			
1	No adjustment required.	\$ 0	\$ 0
<b>Manufactured Gas Production &amp; Other Gas Supply</b> S-9			
1	To annualize payroll. (Hanneken)	\$ 6	\$ 6
2	To eliminate natural gas costs (Meyer)	307	
<b>Underground Storage</b> S-10			
1	No adjustment required.	\$ 0	\$ 0
<b>Other Storage</b> S-11			
1	No adjustment required.	\$ 0	\$ 0
<b>Transmission</b> S-12			
1	No adjustment required.	\$ 0	\$ 0
<b>Distribution</b> S-13			
			\$ 2,336



Atmos Energy Corporation - Palmyra Rate District  
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**Adjustments To Income Statement**

Adj No.	Description	Adjustment Amount	Total Adjustment
1	To annualize payroll. (Hanneken)	\$ 2,647	
2	To remove disallowed advertising and promotional expense (Hagemeyer)	(311)	
<b>Customer Accounts</b>		<b>\$-14</b>	<b>\$ 8,548</b>
1	To annualize payroll. (Hanneken)	\$ 738	
2	To annualize uncollectible expense (Meyer)	3,845	
3	To reflect interest on customer deposits. (Began)	3,795	
4	To annualize postage (Meyer)	170	
<b>Customer Service &amp; Information</b>		<b>\$-15</b>	<b>\$ (83)</b>
2	To remove disallowed advertising and promotional expense (Hagemeyer)	\$ (83)	
<b>Sales</b>		<b>\$-16</b>	<b>\$ (241)</b>
2	To remove disallowed advertising and promotional expense (Hagemeyer)	\$ (241)	
<b>Administrative &amp; General</b>		<b>\$-17</b>	<b>\$ (216,283)</b>
1	To remove lobbying related labor (Hagemeyer)	\$ (326)	
2	To reallocate non-utility expense (Hanneken)	(5,496)	
3	To adjust Call Center Expense (Hanneken)	620	
4	To remove Employee Illness Bank (Hanneken)	(2,646)	
5	To Remove CSC Incentive (Hagemeyer)	(771)	
6	To annualize allocated labor (Hanneken)	97	
7	To remove All Employee Broadcast (Hanneken)	(798)	
9	To remove dues and miscellaneous expenses (Hagemeyer)	(796)	
10	To annualize Blueflame Insurance (Hanneken)	2,325	

Atmos Energy Corporation - Palmyra Rate District  
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**Adjustments To Income Statement**

Adj No	Description	Adjustment Amount	Total Adjustment
11	To annualize allocated O&M (Hanneken)	(142,923)	
12	To adjust pension expense to reflect FAS 87. (Hagemeyer)	(26)	
13	To adjust other employee benefits to reflect FAS 106. (Hagemeyer)	3,028	
14	To reallocate employee benefits (Hagemeyer)	(10,509)	
15	To remove Cenntennial Project from Expense (Hanneken)	(380)	
16	To remove Board of Directors costs (Hanneken)	(5,270)	
17	To adjust Injuries and Damages expense. (Hagemeyer)	(23,905)	
18	To remove disallowed advertising and promotional expense (Hagemeyer)	(617)	
19	To adjust PSC assessment. (Hanneken)	3,406	
20	To normalize rate case expense. (Began)	885	
21	To adjust outside services. (Hanneken)	(3,082)	
22	To remove Incentive Compensation Expense (Hagemeyer)	(21,201)	
23	To annualize insurance expense (Hagemeyer)	(7,897)	
<b>Depreciation</b>		<b>S-18</b>	<b>\$ (16,052)</b>
1	To annualize depreciation. (Began)	\$ 9,489	
2	To annualize capitalized depreciation. (Began)	(6,981)	
5	To annualize the reserve amortization (Gilbert)	(18,560)	
<b>Amortization</b>		<b>S-19</b>	<b>\$ 0</b>

## Atmos Energy Corporation - Palmyra Rate District

Case No. GR-2006-0387

Test Year Ending September 30, 2005 Updated Through June 30, 2006

**Adjustments To Income Statement**

Adj. No.	Description	Adjustment Amount	Total Adjustment
1	No adjustment required.	\$ 0	
<b>Taxes Other Than Income Taxes S-20</b>			
1	To annualize FICA. (Hanneken)	\$ (7,330)	\$ (46,444)
2	To annualize property tax expense. (Hanneken)	(21,720)	
4	To adjust State Franchise Tax. (Hanneken)	(1,384)	
5	To remove PSC Assessment from Taxes Other (Hanneken)	(15,946)	
6	To adjust CNG Tax (Hanneken)	(64)	
<b>Merchandise Sales S-19</b>			
1	No adjustment required.	0	
<b>Current Income Tax Expense S-21</b>			
1	To annualize current income tax expense. (Rackers)	\$ (32,851)	\$ (32,851)
<b>Deferred Income Tax Expense S-22</b>			
1	To adjust deferred income tax expense. (Rackers)	\$ (20,323)	\$ (20,323)
<b>Deferred ITC Amortization S-23</b>			
1	To adjust ITC amortization. (Rackers)	\$ (3,777)	\$ (3,777)

## Atmos Energy Corporation - Palmyra Rate District

Case No. GR-2006-0387

Test Year Ending September 30, 2005 Updated Through June 30, 2006

## Income Tax

Line	Description (A)	Test Year (B)	7.13% Return (C)	7.30% Return (D)	7.47% Return (E)
1	Net Operating Income (Acctg. Sch. 1)	\$ 15,945	\$ 102,561	\$ 105,006	\$ 107,451
2	Add:				
3	Current Income Tax	(27,135)	26,834	28,357	29,881
4	Deferred Income Taxes				
5	Deferred Income Tax Expense	(5,516)	(5,516)	(5,516)	(5,516)
6	Deferred ITC Amortization	(3,777)	(3,777)	(3,777)	(3,777)
7	Net Income Before Taxes (Acctg. Sch. 9)	\$ (20,483)	\$ 120,102	\$ 124,070	\$ 128,039
8	Subtractions From Net Income Before Taxes				
9	Interest Expense @ 3.49%	\$ 50,201	\$ 50,201	\$ 50,201	\$ 50,201
11	Total Subtractions	\$ 50,201	\$ 50,201	\$ 50,201	\$ 50,201
12	Net Taxable Income	\$ (70,684)	\$ 69,901	\$ 73,869	\$ 77,838
13	Provision For Federal Income Tax				
14	Net Taxable Income (Page 1)	\$ (70,684)	\$ 69,901	\$ 73,869	\$ 77,838
15	Deduct:				
16	Missouri Income Tax 100.00%	(3,685)	3,644	3,851	4,058
17	Federal Taxable Income	\$ (66,999)	\$ 66,257	\$ 70,018	\$ 73,780
18	Federal Income Tax @ 35.00%	\$ (23,450)	\$ 23,190	\$ 24,506	\$ 25,823
19	Provision For Missouri Income Tax				
20	Net Taxable Income (Page 1)	\$ (70,684)	\$ 69,901	\$ 73,869	\$ 77,838
21	Deduct:				
22	Federal Income Tax 50.00%	(11,725)	11,595	12,253	12,912
23	Missouri Taxable Income	\$ (58,959)	\$ 58,306	\$ 61,616	\$ 64,926
24	Missouri Income Tax @ 6.25%	\$ (3,685)	\$ 3,644	\$ 3,851	\$ 4,058
25	Summary of Provision For Income Tax				
26	Federal Income Tax	\$ (23,450)	23,190	24,506	25,823
27	Missouri Income Tax	(3,685)	3,644	3,851	4,058
28	Total Income Tax	\$ (27,135)	\$ 26,834	\$ 28,357	\$ 29,881