PUBLIC INTEREST ADVOCACY STAFF'S EXECUTIVE SUMMARY

ATMOS ENERGY CORPORATION 2008 RATE CASE AND AFFILIATE AND COST ALLOCATION AUDIT AND REVIEW DOCKET NO. 27163

The Public Interest Advocacy Staff ("Staff") recommends a total base revenue requirement of $19,849,348 compared to the Company's proposed amount of $23,819,235. This is 83.3% of the Company's proposed amount.

The Company's rates currently are projected to collect $17,668,973. Accordingly, the Staff recommends a base rate increase of $2,180,375 compared to the Company's requested increase of $6,150,262. The following table lists and quantifies the effects of the Staff recommendations on the Company's requested increase.

ATMOS ENERGY CORPORATION - GEORGIA REVENUE REQUIREMENT
SUMMARY OF STAFF RECOMMENDATIONS
TEST YEAR ENDING MARCH 31, 2009

	Amount
Atmos Requested Increase	$ 6,150,262
Rate Base Issues	
Restate Shared Services Plant Additions Net of Acc Depr and ADIT	(48,938)
Adjust Accumulated Depr for Lower Depreciation Expense	39,301
Adjust ADIT for Lower Depreciation Expense	(15,288)
Correct ADIT Errors Alloc from Shared Services and Mid-States Divisions	(68,133)
CWC Adj #1 - Correct Ad Valorem Expense Weighted Lag	(1,353)
CWC Adj #2 - Adjust Service Period Lag Days for Other O&M Invoices	(29,703)
CWC Adj #3 - Restate Pension Expense Lag Days	(15,013)
CWC Adj #4 - Reflect Staff Adjustments to CWC Components	1,815
Subtract Injuries & Damages Reserve Allocated to Georgia	(7,925)
Operating Income Issues	
Adjust Small Commercial Revenue	(21,619)
Recompute O&M Expense Using Approved Commission Methodology	(1,072,420)
Remove Incentive Compensation Tied to Financial Performance	(193,699)
Allocate Commitment and Bank Fees Based on Composite Factor	26,121
Adjust Uncollectible Accounts Expense for Change in Rev. Req.	(19,849)
Adjust Benefits Expense	(185,951)
Correct Rate Case Amortization Expense Incurred for Docket No. 20298	6,256
Amortize Over 5 Years Rate Case Expense Incurred for Docket No. 27163	60,000
Amortize Over 10 Years Refurbishment of Expander Wheel at LNG Plant	10,000
Incorporate Staff Depreciation Rates	(1,362,940)
Adjust Income Tax Expense to Include STD Rate in Interest Computation	(131,884)
Reduce Income Tax Expense for ITC Amortization	(36,010)
Reduce Depreciation Expense for Reduction in Shared Services Plant In Service	(40,129)
Recompute Other Taxes Expense Using Approved Commission Methodology	(39,008)
Rate of Return Issues	
Reflect Lower Short Term Debt Rate	(103,264)
Reflect Lower Long Term Debt Rate	(81,649)
Reflect Return on Equity of 10.0%	(638,604)
Total Staff Adjustments to Atmos Request	$ (3,969,887)
Staff Recommended Change in Base Rates	$ 2,180,375

Although the Company has cited to loss of customers and a decline in per customer consumption as the primary drivers for the requested rate increase, the Company conceded that these two factors account for only $1.4 million of its $6.1 million proposed rate increase. (Transcript, pp. 32-33). The Staff's recommended rate increase of $2.1 million more than covers any alleged revenue deficit related to customer attrition and reduced consumption.

A much greater portion of the Company's proposed rate increase results from not abiding by the policies that this Commission has deemed just and reasonable as recently as the Company's last rate case in 2005. In fact, the two biggest differences between Staff and the Company are depreciation and operation and maintenance ("O&M"). In both instances, the Company has deviated from Commission precedence. In neither case has the Company provided any compelling reason for the Commission to change its existing methodologies. In the case of O&M, the Company's proposal is also inconsistent with the statute governing test years since the starting point for its adjustments is not the historic test year amounts. See, O.C.G.A. § 46-2-26.4(b).

In contrast to the Company's proposal, the Staff recommendations on depreciation and O&M expense use the methodologies adopted by the Commission in Docket No. 20298. Indeed, the Company's own O&M witness in this case has acknowledged that the methodology approved by the Commission in that prior case (and recommended by Staff in this case) is reasonable. (Transcript, p. 107). The other Staff recommendations for O&M expense adjustments are also based on the Commission using the same methodology as it did in the prior proceeding. Thus, the starting point for these other adjustments is the historic test year amounts, adjusted for certain ratemaking adjustments, escalated to the projected test year and then adjusted for certain ratemaking adjustments.

The Staff recommendations reflect a 10.0% midpoint return on equity and a capital structure consisting of 45% common equity, 50% long-term debt and 5% short-term debt. The Company has requested an ROE of 11.3%. The dollar value of one percent on equity is $491,000. The Staff's proposed 10.0% ROE reflects the Company's low risk, which was recognized by the Commission in the Company's last rate case when it adopted an ROE of 10.125%. In the current case, the Company has proposed, and Staff has agreed, to certain rate design measures that will further lower the Company's risk.

Also, the Staff recommendations reflect the results of the Staff's affiliate and cost allocation audit.

In addition to the Staff recommendations affecting the amount of the Company's base rate increase, the Staff also proposes changes in the Company's tariff rates that reflect revenue distributions and cost allocations to customer class based on a new Cost of Service Study ("COSS").

Finally, the Staff proposes a modification to the income level requirement for eligibility for the Senior Citizen - Low Income Discount and provides information concerning revenue stability.