

**United Cities Gas Company
 A Division of Atmos Energy Corporation**

Capital Structure

**Company Proposal
 Forecasted September 30, 2000**

| <u>Component</u> | <u>Amount</u> | <u>Percent of Total Capital</u> |
|-----------------------|----------------------|-------------------------------------|
| Short-term Debt | \$93,843,896 | 9.95% |
| <u>Long-term Debt</u> | <u>\$379,454,280</u> | <u>40.25%</u> |
| Total Debt | \$473,298,176 | 50.20% |
| <u>Common Equity</u> | <u>\$469,507,895</u> | <u>49.80%</u> |
| Total Capital | \$942,806,071 | 100.00% |

Source: Company Schedule D-1, page 1.

**Staff Proposal
 Imputed**

| <u>Component</u> | <u>Percent of Total Capital</u> |
|-----------------------|-------------------------------------|
| Short-term Debt | 15.28% |
| <u>Long-term Debt</u> | <u>51.72%</u> |
| Total Debt | 67.00% |
| <u>Common Equity</u> | <u>33.00%</u> |
| Total Capital | 100.00% |

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Average Balance of Short-Term Debt

| <u>Month</u> | <u>End of Month Balance of Short-Term Debt</u> | <u>Monthly Average</u> |
|----------------|--|------------------------------------|
| March 1999 | \$112,300,000 | |
| April | \$95,200,000 | \$103,750,000 |
| May | \$98,900,000 | \$97,050,000 |
| June | \$110,400,000 | \$104,650,000 |
| July | \$106,850,000 | \$108,625,000 |
| August | \$132,000,000 | \$119,425,000 |
| September | \$168,650,000 | \$150,325,000 |
| October | \$196,100,000 | \$182,375,000 |
| November | \$211,160,000 | \$203,630,000 |
| December | \$249,976,000 | \$230,568,000 |
| January 2000 | \$204,100,000 | \$227,038,000 |
| February | \$165,000,000 | \$184,550,000 |
| March | \$127,073,000 | <u>\$146,036,500</u> |
| Average | | <u><u>\$154,835,208</u></u> |

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Financial Ratios

| | Two Year Average 1998 - 1999 | |
|---|---|--|
| | <u>Atmos Energy Corporation¹</u> | <u>Atmos Gas Utility²</u> |
| Funds from Operations to Total Debt | 19.6% | 18.0% |
| Funds from Operations Interest Coverage | 3.9 | 3.8 |
| Pretax Interest Coverage | 3.2 | 2.1 |
| Total Debt to Total Capital | 59.2% | 61.1% |

¹Company Response to Staff Data Request FD-2.18.

²Company Response to Staff Data Request FD-2.05.

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Comparable Sample

| | <u>Factor1</u> | <u>Factor2</u> | <u>Factor3</u> | <u>Factor4</u> |
|---------------------------------|----------------|----------------|----------------|----------------|
| Atmos Energy - Gas Utility | 0.0215 | -0.0311 | -0.7021 | 0.5228 |
| Atmos Energy Corporation | 0.3875 | -0.4341 | -0.6906 | -0.5665 |
| Cascade Natural Gas Corporation | -0.0058 | 0.0641 | 0.3986 | 0.9089 |
| Energen Corporation | -0.0438 | 0.0555 | -6.6110 | 0.8309 |
| Energy West Inc. | -0.0998 | -1.3281 | -0.5317 | 0.1203 |
| Laclede Gas Company | 0.8696 | -0.3772 | 0.1830 | 0.6855 |
| National Fuel Gas Company | 0.6305 | 0.1659 | -0.8274 | 0.7639 |
| New Jersey Resources | 0.1812 | -0.8774 | 0.6185 | 0.6451 |
| NICOR Inc. | 3.2908 | -0.2354 | 0.6526 | 0.3855 |
| NUI Corporation | -0.1255 | -1.4922 | -0.0268 | 0.3236 |
| Peoples Energy Corporation | 1.5554 | -0.2620 | -0.1333 | 0.6058 |
| Piedmont Natural Gas Company | 0.6764 | 0.1274 | 0.1806 | 0.6878 |
| Washington Gas Light Company | <u>0.7008</u> | <u>-0.1028</u> | <u>-0.2692</u> | <u>0.7731</u> |
| Average for all 12 Companies | <u>0.6681</u> | <u>-0.3914</u> | <u>-0.5880</u> | <u>0.5137</u> |

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Growth Rate Estimates and Ranges

| <u>Company</u> | <u>Zacks Earnings</u> | <u>IBES Earnings</u> |
|---------------------------------|---------------------------|--------------------------|
| Atmos Energy Corporation | 7.43% | 6.59% |
| Cascade Natural Gas Corporation | 5.00% | 4.27% |
| Energen Corporation | 9.21% | 7.89% |
| Energy West Inc. | 5.00% | 5.00% |
| Laclede Gas Company | 3.50% | 3.50% |
| National Fuel Gas Company | 7.33% | 6.79% |
| New Jersey Resources | 6.63% | 6.38% |
| NICOR Inc. | 6.36% | 6.24% |
| NUI Corporation | 12.14% | 12.20% |
| Peoples Energy Corporation | 4.75% | 5.19% |
| Piedmont Natural Gas Company | 6.19% | 5.67% |
| Washington Gas Light Company | 5.06% | 4.57% |

| <u>Company</u> | <u>Low-End Earnings</u> | <u>High-End Earnings</u> |
|---------------------------------|-----------------------------|------------------------------|
| Atmos Energy Corporation | 6.59% | 7.43% |
| Cascade Natural Gas Corporation | 4.27% | 5.00% |
| Energen Corporation | 7.89% | 9.21% |
| Energy West Inc. | 5.00% | 5.00% |
| Laclede Gas Company | 3.50% | 3.50% |
| National Fuel Gas Company | 6.79% | 7.33% |
| New Jersey Resources | 6.38% | 6.63% |
| NICOR Inc. | 6.24% | 6.36% |
| NUI Corporation | 12.14% | 12.20% |
| Peoples Energy Corporation | 4.75% | 5.19% |
| Piedmont Natural Gas Company | 5.67% | 6.19% |
| Washington Gas Light Company | 4.57% | 5.06% |

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Quarterly Dividends and Stock Prices as of June 20, 2000

| Company | Current Dividend | | | | Next Dividend Payment Date | Stock Price |
|---------------------------------|------------------|----------|----------|----------|-------------------------------|----------------|
| | D0,1 | D0,2 | D0,3 | D0,4 | | |
| Atmos Energy Corporation | \$ 0.275 | \$ 0.285 | \$ 0.285 | \$ 0.285 | 09/12/2000 | \$ 20.0000 |
| Cascade Natural Gas Corporation | 0.240 | 0.240 | 0.240 | 0.240 | 08/15/2000 | 16.5625 |
| Energen Corporation | 0.165 | 0.165 | 0.165 | 0.165 | 09/01/2000 | 20.7500 |
| Energy West Inc. | 0.120 | 0.120 | 0.120 | 0.125 | 09/29/2000 | 7.6250 |
| Laclede Gas Company | 0.335 | 0.335 | 0.335 | 0.335 | 10/03/2000 | 19.3750 |
| National Fuel Gas Company | 0.465 | 0.465 | 0.465 | 0.480 | 07/14/2000 | 50.9375 |
| New Jersey Resources | 0.420 | 0.430 | 0.430 | 0.430 | 10/03/2000 | 40.1875 |
| NICOR Inc. | 0.390 | 0.390 | 0.390 | 0.415 | 08/01/2000 | 35.2500 |
| NUI Corporation | 0.245 | 0.245 | 0.245 | 0.245 | 09/15/2000 | 27.7500 |
| Peoples Energy Corporation | 0.490 | 0.490 | 0.490 | 0.500 | 07/14/2000 | 33.8750 |
| Piedmont Natural Gas Company | 0.345 | 0.345 | 0.345 | 0.365 | 07/14/2000 | 29.8750 |
| Washington Gas Light Company | 0.305 | 0.305 | 0.305 | 0.310 | 08/01/2000 | 26.0000 |

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Expected Quarterly Dividends

| Company | Low-End Estimate | | | |
|---------------------------------|------------------|----------|----------|----------|
| | D1,1 | D1,2 | D1,3 | D1,4 |
| Atmos Energy Corporation | \$ 0.285 | \$ 0.304 | \$ 0.304 | \$ 0.304 |
| Cascade Natural Gas Corporation | 0.250 | 0.250 | 0.250 | 0.250 |
| Energen Corporation | 0.178 | 0.178 | 0.178 | 0.178 |
| Energy West Inc. | 0.125 | 0.125 | 0.125 | 0.131 |
| Laclede Gas Company | 0.347 | 0.347 | 0.347 | 0.347 |
| National Fuel Gas Company | 0.480 | 0.480 | 0.480 | 0.513 |
| New Jersey Resources | 0.430 | 0.457 | 0.457 | 0.457 |
| NICOR Inc. | 0.415 | 0.415 | 0.415 | 0.441 |
| NUI Corporation | 0.275 | 0.275 | 0.275 | 0.275 |
| Peoples Energy Corporation | 0.500 | 0.500 | 0.500 | 0.524 |
| Piedmont Natural Gas Company | 0.365 | 0.365 | 0.365 | 0.386 |
| Washington Gas Light Company | 0.310 | 0.310 | 0.310 | 0.324 |

| Company | High-End Estimate | | | |
|---------------------------------|-------------------|----------|----------|----------|
| | D1,1 | D1,2 | D1,3 | D1,4 |
| Atmos Energy Corporation | \$ 0.285 | \$ 0.306 | \$ 0.306 | \$ 0.306 |
| Cascade Natural Gas Corporation | 0.252 | 0.252 | 0.252 | 0.252 |
| Energen Corporation | 0.180 | 0.180 | 0.180 | 0.180 |
| Energy West Inc. | 0.125 | 0.125 | 0.125 | 0.131 |
| Laclede Gas Company | 0.347 | 0.347 | 0.347 | 0.347 |
| National Fuel Gas Company | 0.480 | 0.480 | 0.480 | 0.515 |
| New Jersey Resources | 0.430 | 0.459 | 0.459 | 0.459 |
| NICOR Inc. | 0.415 | 0.415 | 0.415 | 0.441 |
| NUI Corporation | 0.275 | 0.275 | 0.275 | 0.275 |
| Peoples Energy Corporation | 0.500 | 0.500 | 0.500 | 0.526 |
| Piedmont Natural Gas Company | 0.365 | 0.365 | 0.365 | 0.388 |
| Washington Gas Light Company | 0.310 | 0.310 | 0.310 | 0.326 |

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DCF Cost of Common Equity Estimates

| Company | <u>Low-End Estimate</u> | <u>High-End Estimate</u> |
|---------------------------------|-----------------------------|------------------------------|
| Atmos Energy Corporation | 12.86% | 13.76% |
| Cascade Natural Gas Corporation | 10.61% | 11.41% |
| Energen Corporation | 11.49% | 12.87% |
| Energy West Inc. | 11.90% | 11.90% |
| Laclede Gas Company | 10.92% | 10.92% |
| National Fuel Gas Company | 10.85% | 11.41% |
| New Jersey Resources | 11.02% | 11.29% |
| NICOR Inc. | 11.29% | 11.41% |
| NUI Corporation | 16.34% | 16.41% |
| Peoples Energy Corporation | 11.09% | 11.55% |
| Piedmont Natural Gas Company | 10.92% | 11.46% |
| Washington Gas Light Company | <u>9.62%</u> | <u>10.13%</u> |
| | 11.58% | 12.04% |

**United Cities Gas Company
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Overall Cost of Capital

| <u>Component</u> | <u>Percent of Total Capital</u> | <u>Cost</u> | <u>Weighted Cost</u> |
|---|-------------------------------------|----------------|--------------------------|
| Short-term Debt | 15.28% | 6.94% | 1.06% |
| Long-term Debt | <u>51.72%</u> | 8.33% | <u>4.31%</u> |
| Total Debt | 67.00% | | 5.37% |
| Common Equity | <u>33.00%</u> | 11.21 - 11.91% | <u>3.70 - 3.93%</u> |
| Total Capital | 100.00% | | |
| Weighted Average Cost of Capital | | | 9.07 - 9.30% |

Overall Cost of Capital Estimate: 9.18%
 (Based on cost of common equity recommendation of 11.56%)