

COMMONWEALTH OF KENTUCKY

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BEFORE THE PUBLIC SERVICE COMMISSION

OCT 16 2006

In the Matter of:

PUBLIC SERVICE
COMMISSION

OFFICE OF THE ATTORNEY GENERAL)
THE COMMONWEALTH OF KENTUCKY)

COMPLAINANT)

v.)

Case No. 2005-00057

ATMOS ENERGY CORPORATION)

DEFENDANT)

ATMOS ENERGY'S REQUEST FOR INFORMATION

The Defendant, Atmos Energy Corporation, by counsel, submits this Request for Information to Office of the Attorney General of the Commonwealth of Kentucky ("AG") to be answered by the date specified in the Commission's Order of Procedure, dated March 3, 2006, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) These requests shall be deemed continuing so as to require further and supplemental responses if the AG receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (4) If any request appears confusing, please request clarification directly from Atmos Energy.
- (5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.
- (6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

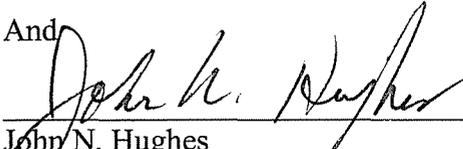
- (7) If the AG has objections to any request for any reason, please notify Atmos Energy as soon as possible.
- (8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.
- (9) In the event any document called for has been destroyed or transferred beyond the control of the AG, please state: the identity of the Person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Submitted By:

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Notice of Serving and Filing in Paper and Electronic Medium

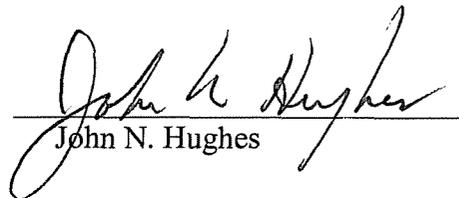
Per Instruction 2 (d) of the Commission's March 3, 2006 Order, Counsel submits for filing, by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, the original and five copies of the document in paper medium. Counsel also submits a copy of the document in electronic medium by e-mailing the document to pscfilings@ky.gov and Beth.O'Donnell@ky.gov. October 16, 2006 is the date for the filing and service in paper and electronic form.

Certificate of Service

Per Instructions 2 (d) and 8 of the March 3, 2006 Order, Counsel certifies service of a true and correct photocopy of the document by mailing the photocopy, first class postage prepaid, to the following:

Dennis Howard
Assistant Attorney General
Office of Rate Intervention
1024 Capital Center Drive
Frankfort, Kentucky 40601

Counsel further certifies, per Instructions 2 (e) and 9, service of an electronic version of the document by electronic mail to the following: Dennis.Howard@ag.ky.gov; Betsy.Blackford@ag.ky.gov; Larry.Cook@ag.ky.gov; and David.Spenard@ag.ky.gov. Service was made this 16th day of October 2006.


John N. Hughes

**Atmos Energy's Request for Information
to Office of the Attorney General**

Case Number 2005-00057

- 1) In Robert J. Henkes's February 1, 2005 testimony in conjunction with his initial review of the earnings of Atmos Energy, he, on page 6 and on Schedule RJH-2, utilized an assumed 50% equity ratio. In Schedule RJH-1 and RJH-4 of his September 15, 2006 Direct Testimony, he utilizes a computed single snapshot in time for the equity ratio of 40.74%.
 - a. Please explain the variation in the assumed equity ratio between these studies.
 - b. Is it common to utilize a test-year-end equity capital structure ratio for purposes of ratemaking?
 - c. Did witness Henkes refer to the data provided prior to this case to examine any trends in regard to the equity capital structure for Atmos Energy? If so, what were his observations?
- 2) In the Direct Testimony of Robert J. Henkes, he incorporates a Fair Rate of Return on Equity for Atmos Energy of 9.00%, based upon the recommendation of Dr. J. Randall Woolridge. We request that Robert J. Henkes cite the Fair Rate of Return on Equity he has incorporated into his testimony in each case in which he has been a witness for the past two years.
- 3) Reference Schedule RJH-3-A of the Direct Testimony of Robert J. Henkes. Henkes has performed a calculation to remove income taxes were based on income that included non-regulated other income. Please explain why the Company's response to AG-2-3, in which Atmos Energy recomputed the income taxes to exclude the non-regulated other income was disregarded.
- 4) Please provide copies of any workpapers, notes, memorandum, considered or utilized by Mr. Henkes in his analysis and/or testimony.
- 5) Please provide copies of any and all testimony Mr. Henkes has filed before any regulatory authority in the last two years.
- 6) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge.
 - a. Does Dr. Woolridge know if any of his proxy group gas companies are members of the S&P 500?
 - b. Please identify those that Dr. Woolridge lists as comparable to Atmos Energy that are members of the S&P 500.
 - c. Is Atmos Energy a member of the S&P 500?

- 7) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the percentage of revenues from gas utility operations as 62 percent for AGL Resources.
 - a. Is AUS Utility Reports the source for this figure?
 - b. If the answer for part 'a.' is in the affirmative, then please state whether Dr. Woolridge confirmed this figure with AGL Resources' recent 10-K, 10-Q, or annual report?
 - c. Does Dr. Woolridge know if the 62 percent gas revenue figure includes gas revenues from AGL's unregulated marketing subsidiary, Georgia Natural Gas Services?

- 8) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the pre-tax interest coverage of AGL Resources as 4.4 times.
 - a. Did Dr. Woolridge perform this calculation?
 - b. If the answer to part 'a.' is in the affirmative, please provide Dr. Woolridge's workpapers. If not, please identify Dr. Woolridge's source.
 - c. Does the Pre-Tax Interest Coverage of AGL Resources exceed that of Atmos Energy?

- 9) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the common equity ratio of AGL Resources as 45.00 percent.
 - a. Is AUS Utility Reports the source for this figure?
 - b. If the answer for part 'a.' is in the affirmative, then please state whether Dr. Woolridge confirmed this figure with AGL Resources' recent 10-K, 10-Q, or annual report?
 - c. Does Dr. Woolridge know if the calculation to determine the common equity ratio of 45.00 percent includes short-term debt? If so, please state the amount.

- 10) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of AGL Resources as 181.
 - a. Does Dr. Woolridge consider that this measure shows that AGL is overpriced, underpriced, or priced correctly?
 - b. Would Mr. Woolridge recommend to an AGL stockholder to sell, buy or hold their shares?

- 11) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists Cascade Natural Gas as comparable to Atmos Energy.
 - a. Is Dr. Woolridge aware that Cascade is the target of an acquisition by MDU Resources?
 - b. If so, please describe all adjustments to his financial analysis in Exhibit JRW-7 to account for any biases associated with the merger.

- 12) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of Cascade Natural Gas as 178.

- a. Does Dr. Woolridge consider that this measure shows that Cascade is overpriced, underpriced, or priced correctly?
 - b. Would Dr. Woolridge recommend to a Cascade stockholder to sell, buy or hold their shares?
- 13) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists KeySpan Energy as comparable to Atmos Energy.
 - a. Is Dr. Woolridge aware that KeySpan is the target of an acquisition by National Grid?
 - b. If so, please describe all adjustments to his financial analysis in Exhibit JRW-7 to account for any biases associated with the merger.
- 14) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of KeySpan Energy as 153.
 - a. Does Dr. Woolridge consider that this measure shows that KeySpan is overpriced, underpriced, or priced correctly?
 - b. Would Dr. Woolridge recommend to a KeySpan stockholder to sell, buy or hold their shares?
- 15) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the S&P Bond Rating of KeySpan Energy as 'A+'.
 - a. Is *AUS Utility Reports* Mr. Woolridge's source for this rating?
 - b. Did Dr. Woolridge confirm this with Standard & Poor's?
- 16) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of Laclede Group as 167.
 - a. Does Dr. Woolridge consider that this measure shows that Laclede is overpriced, underpriced, or priced correctly?
 - b. Would Dr. Woolridge recommend to a Laclede stockholder to sell, buy or hold their shares?
- 17) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of NICOR as 215.
 - a. Does Dr. Woolridge consider that this measure shows that NICOR is overpriced, underpriced, or priced correctly?
 - b. Would Dr. Woolridge recommend to a NICOR stockholder to sell, buy or hold their shares?
- 18) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of Northwest Natural Gas Company as 155.
 - a. Does Dr. Woolridge consider that this measure shows that Northwest Natural is overpriced, underpriced, or priced correctly?
 - b. Would Dr. Woolridge recommend to a Northwest Natural stockholder to sell, buy or hold their shares?

- 19) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of Peoples Energy as 165.
 - a. Does Dr. Woolridge consider that this measure shows that Peoples Energy is overpriced, underpriced, or priced correctly?
 - b. Would Dr. Woolridge recommend to a Peoples stockholder to sell, buy or hold their shares?

- 20) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists Peoples Energy as comparable to Atmos Energy.
 - a. Is Dr. Woolridge aware that Peoples Energy is the target of an acquisition by WPS Resources?
 - b. If so, please describe all adjustments to his financial analysis in Exhibit JRW-7 to account for any biases associated with the merger.

- 21) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists Peoples Energy as comparable to Atmos Energy. Dr. Woolridge lists the Return on Equity for Peoples as 2.1 percent.
 - a. Is AUS Utility Reports the source for this figure?
 - b. If the answer for part 'a.' is in the affirmative, then please state whether Dr. Woolridge confirmed this figure with People's recent 10-K, 10-Q, or annual report?

- 22) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the percentage of revenues from gas utility as 78 percent for Piedmont Natural Gas.
 - a. Is AUS Utility Reports the source for this figure?
 - b. If the answer for part 'a.' is in the affirmative, then please state whether Dr. Woolridge confirmed this figure with Piedmont's recent 10-K, 10-Q, or annual report?
 - c. Does Dr. Woolridge know if the 78 percent gas revenue figure includes gas revenues from Piedmont's joint ventures, SouthStar Energy Services, Pine Needle LNG Company, Cardinal Pipeline Company, or Hardy Storage Company?
 - d. Does Dr. Woolridge know if the 78 percent gas revenue figure includes revenues that generated income from equity method investments?

- 23) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of Piedmont Natural Gas as 193.
 - a. Does Dr. Woolridge consider that this measure shows that Piedmont is overpriced, underpriced, or priced correctly?
 - b. Would Dr. Woolridge recommend to a Piedmont stockholder to sell, buy or hold their shares?

- 24) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the S&P Bond Rating of South Jersey Industries as 'A'.
 - a. Is *AUS Utility Reports* Mr. Woolridge's source for this rating?

- b. Did Dr. Woolridge confirm this with Standard & Poor's?
- 25) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Dr. Woolridge lists the market to book ratio of South Jersey Industries as 183.
- Does Dr. Woolridge consider that this measure shows that South Jersey is overpriced, underpriced, or priced correctly?
 - Would Dr. Woolridge recommend to a South Jersey stockholder to sell, buy or hold their shares?
- 26) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Mr. Woolridge lists the market to book ratio of Southwest Gas as 144.
- Does Mr. Woolridge consider that this measure shows that Southwest is overpriced, underpriced, or priced correctly?
 - Would Mr. Woolridge recommend to a Southwest stockholder to sell, buy or hold their shares?
- 27) Reference Exhibit JRW-3 of the Direct Testimony of J. Randall Woolridge. Mr. Woolridge lists the market to book ratio of WGL Holdings as 143.
- Does Mr. Woolridge consider that this measure shows that WGL is overpriced, underpriced, or priced correctly?
 - Would Mr. Woolridge recommend to a WGL stockholder to sell, buy or hold their shares?
- 28) At page 28, lines 20 through 21 of the Direct Testimony of Dr. J. Randall Woolridge, he states, "E(R_m) represents the expected return on the overall stock market. Frequently, the 'market' refers to the S&P 500."
- Is it Dr. Woolridge's understanding that the underlying theory of the Capital Asset Pricing Model (CAPM) considers the expected return on the S&P 500 as the expected market return, 'E(R_m)'?
 - If the response to part 'a.' is in the affirmative, please provide all support for the response.
 - Is it Dr. Woolridge's understanding that the underlying theory of the CAPM considers only the expected returns on the overall stock market as the expected market return, 'E(R_m)'?
 - If the response to part 'c.' is in the affirmative, please provide all support for the response.
 - Is it Dr. Woolridge's understanding that the underlying theory of the CAPM does not consider the expected returns on assets like real estate as relevant for asset pricing?
 - If the response to part 'e.' is in the affirmative, please provide all support for the response.
 - Is it Dr. Woolridge's understanding that the underlying theory of the CAPM does not consider the expected returns on assets like investments in human capital and education as relevant for asset pricing?
 - If the response to part 'e.' is in the affirmative, please provide all support for the response.

- 29) At page 44, lines 5 through 7 of the Direct Testimony of Dr. J. Randall Woolridge, he states, "...my expected market return is 8.10% which is composed of 3.25% expected inflation, 1.90% dividend yield, and 2.95% real earnings growth rate." Is it Dr. Woolridge's opinion that these are the only factors that investors might consider when pricing assets?
- 30) Reference Exhibit JRW-3, page 3 of 5 of the Direct Testimony of J. Randall Woolridge. Assume a beta 0.50 and a risk free rate of 5.0 percent.
- Would the Claus Thomas risk premium (3.0%) produce an expected return of 6.50 percent?
 - Would the Arnott and Bernstein risk premium (2.4%) produce an expected return of 6.20 percent?
 - Would the Seigel risk premium (2.5%) produce an expected return of 6.25 percent?
 - Would the Survey of Financial Forecasters risk premium (2%) produce an expected return of 6.00 percent?
 - Would the Graham and Harvey-CFOs risk premium (3.05%) produce an expected return of 6.53 percent?
 - Would the Ibbotson and Chen Geometric risk premium (4.0%) produce an expected return of 7.0 percent?
 - Would the Woolridge risk premium (3.23%) produce an expected return of 6.62 percent?
- 31) Reference Exhibit JRW-3, page 4 of 5 of the Direct Testimony of J. Randall Woolridge.
- Is the 7.0 percent value listed under "SERIES: STOCK RETURNS (S&P 500) Median" reflected in the equity risk premium (2.0%) of the "Survey of Financial Forecasters" on page 3 of 5 of Exhibit JRW-8?
 - Does Dr. Woolridge know if the 7.0 percent value listed under "SERIES: STOCK RETURNS (S&P 500) Median" includes a dividend yield for the S&P 500?
 - If the response to part 'b.' is in the affirmative, please provide that value.
- 32) On page 52 of the Direct Testimony of Dr. J. Randall Woolridge, he says, "...Professor Woolridge is the Director of the Smeal College trading Room and President and CEO of the Nittany Lion Fund, LLC."
- When did Dr. Woolridge become of the President and CEO of the Nittany Lion Fund, LLC?
 - During the period when Dr. Woolridge has served as the President and CEO of the Nittany Lion Fund, LLC, has the Fund invested in or maintained a position in the common stock equities of any utilities?
 - If the response to "b" is in the affirmative, please identify those utilities in which the Nittany Lion Fund, LLC has or had positions and provide all analysis associated the funds decision to acquire or liquidate those shares.

- d. If the response to “b” above is in the affirmative, please provide the date when the common stocks of utilities were acquired and the market price paid for the common equities.
- 33) Please provide the work papers associated with Dr. J. Randall Woolridge’s direct testimony and schedules.
- 34) Please provide the data in both hardcopy and electronic format (Excel) for the three charts in the Direct Testimony of Dr. J. Randall Woolridge at page 12, line 11 through page 13, line 27.