

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY)	CASE NO.
CORPORATION FOR AN ADJUSTMENT)	2013-00148
OF RATES AND TARIFF MODIFICATIONS)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation ("Atmos"), pursuant to 807 KAR 5:001, is to file with the Commission its electronic responses, a paper original and two copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 28, 2013. Paper responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Atmos shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Atmos fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Atmos's proposed tariffs. State whether Atmos is willing to revise the following proposed tariff sheets to remove the word "penalty":

a. Sheet No. 9, 6.; Sheet No. 50, 10.; Sheet No. 58, 10.; and Sheet No. 70, k), Late Payment Charge sections.

b. Sheet No. 13, 8. and 10., Penalty for Unauthorized Overruns and Late Payment Charge sections.

c. Sheet No. 48, d) regarding customers' responsibility for incremental pipeline or supplier charges.

d. Sheet No. 49, c), regarding customer's failure to comply with a Company Curtailment Order.

e. Sheet No. 56, 7. b), Curtailment section.

f. Sheet No. 88, a), Penalty for Unauthorized Overruns.

2. Refer to proposed tariff Sheet No. 9, 7. Rules and Regulations and the Testimony of Mark A. Martin ("Martin Testimony"). Explain the proposed addition regarding the resale of gas for use as motor vehicle fuel and under what circumstances a G-1 customer would be able to offer natural gas as a motor vehicle fuel.

3. Refer to proposed Sheet No. 14, Weather Normalization Adjustment Rider ("WNA").

a. Identify and describe the specific NOAA data used for purposes of calculating the WNA.

b. State whether Atmos is willing to remove the time period of 1981-2010 from the definition of NDD and to use the most current climate data available to weather normalize customer bills. If not, explain.

c. State whether Atmos has considered proposing the use of a time period shorter than 30 years for calculating its WNA.

d. Explain the impact of determining base loads and heat sensitivity factors by customer class on individual bills of customers using significantly more or less than the class average.

(1) Provide example calculations showing the impact of the class average calculations on bills of customers with usage levels at the low and high end of the range of realistic individual customer usage.

(2) Provide for comparison purposes with part 1) above an example calculation showing the impact on customer bills if each customer's bills were weather-adjusted based on his or her own base load and heat sensitivity factor.

e. Explain what time periods are used for calculating customer class base load and sensitivity factors.

4. Refer to proposed tariff Sheet No. 36. State whether the DSM Lost Sales Adjustment will be re-set to \$0.0000 when new rates are approved for Atmos as a result of this rate proceeding.

5. Refer to proposed tariff Sheet No. 42, Margin Loss Rider.
 - a. Explain whether Atmos has received expressions of interest from any potential customer for the Economic Development Rider.
 - b. Explain how lost revenues due to the Alternative Fuel Responsive Flex Provisions and negotiated rates with bypass candidates are currently handled.
6. Refer to proposed tariff Sheet No. 43, System Development Rider ("SDR").
 - a. Explain how Atmos plans to distinguish system improvements to be recovered through the proposed SDR from system improvements undertaken in the ordinary course of business or as part of the Pipeline Replacement Program ("PRP").
 - b. State whether Atmos anticipates filing for Certificates of Public Convenience and Necessity pursuant to KRS 278.020 and 807 KAR 5:001, Section 15(2) in conjunction with its annual SDR filings. If not, explain.
7. Refer to proposed tariff Sheets No. 48, section b) and No. 55, section b) "Cash out" Method at the top of each page. State whether column 2 should be labeled "Positive Imbalances Cash-Out Prices" (emphasis added).
8. Refer to tariff Sheet No. 59, Alternate Receipt Point Service. State whether revisions are required in the second lines of the Applicable and Net monthly Rate sections to reflect past changes in Atmos's transportation tariffs.
9. Refer to the T-4 Firm Transportation Service and T-3 Interruptible Transportation Service tariffs and to pages 32 – 34 of the Martin Testimony. Explain what consideration Atmos has given to lowering the volumetric requirements of its transportation tariffs to make transportation service available to more customers. The

explanation should include all volumetric levels considered below the current requirement of 9,000 Mcf per year, how many customers would be eligible at each level, and why lower levels were rejected.

10. Enumerate and describe the customer characteristics and desires for expanded service offerings Atmos has considered with regard to its transportation services. Include any communication with existing and potential transportation customers concerning their eligibility, or lack thereof, for transportation service, and the value that transportation service represents to those customers

11. Explain whether Atmos has received requests for transportation service at any time in the last five years from non-residential customers whose usage would make them ineligible for existing transportation service. If yes, provide details concerning when, how many, and the usage level of each inquiring customer.

12. Refer to the Door Tag Fee set out on proposed tariff Sheet Nos. 63 and 70 and to pages 31–32 of the Martin Testimony.

a. Describe the frequency of customers' failure to appear at agreed appointment times as described on Sheet 70 of the proposed tariff.

b. Explain why the description of the necessity of the proposed Door Tag Fee in the testimony is different from the description of the activity giving rise to the fee on Sheet 70 of the proposed tariff. State under what circumstances the fee is proposed to be charged.

c. Indicate where cost support for the proposed Door Tag Fee is located in Atmos's application.

13. Explain whether Atmos proposes to assess the \$10 Door Tag Fee if the customer calls to cancel or reschedule the appointment.

14. Refer to proposed tariff Sheet No. 67, 5. b) under Deposits. Confirm that a renter not otherwise falling under the deposit requirements of 1., 2. or 4. will not be charged a deposit solely due to his or her status as a renter, which is not permitted by Commission regulation.

15. Refer to proposed tariff Sheet No. 68, section g) under Deposits. State whether Atmos is aware that the following language should be deleted due to a change in the Commission's regulations: "except that the Company will not be required to refund or credit interest on deposits if the customer's bill is delinquent on the anniversary of the deposit date."

16. Refer to proposed tariff Sheet No. 69, e), Seasonal Charge section. Explain under what circumstances a customer would be charged a Seasonal Charge for reconnection at "any other premises".

17. Refer to proposed tariff Sheet No. 69, i), Meter Test Charge. State whether Atmos is aware that the correct reference is now 807 KAR 5:006, Section 19.

18. Refer to proposed tariff Sheet No. 72, d)2. which describes the form of notification to a customer to whom a refund is owed or back billing is required. State:

- a. by what means this notification will take place;
 - b. whether the customer will be given the option to pay a back billing over time rather than as one additional payment to be posted on the next regular bill;
- and

c. whether Atmos considered paying the customer a cash refund automatically if a large over-billing exceeds a set amount.

19. Refer to proposed tariff Sheet No. 76.

a. State whether the reference to Section 14 in b) 2), under Company's Refusal or Termination of Service 14 should be changed to Section 10 of Atmos's proposed tariff which deals with partial payment plans.

b. State whether the reference to Section 15(3) and 16 of "this administrative regulation" in b) 3) under Company's Refusal or Termination of Service should be changed to 807 KAR 5:006.

c. State whether the reference to Section 14 in c) under Company's Refusal or Termination of Service 14 should be changed to Section 10 of Atmos's proposed tariff or to 807 KAR 5:006.

20. Refer to proposed tariff Sheet No. 77, a), Winter Hardship Reconnection. Confirm that the references to Sections 14(4) and 15(1)(f) "of this administrative regulation" relate to the Commission's regulations in 807 KAR 5:006.

21. Refer to proposed tariff Sheet No. 78, 14, Access to Property. In order to comply with a change in the Commission's regulations, confirm that the next to last line should be changed from "...or show a badge..." to "...and show a badge..." (emphasis added).

22. Refer to proposed tariff Sheet No. 89, 36. General Rules. State whether the word "representative" on the second line should be replaced with "representation."

23. Refer to the discussion of Atmos's new Customer Service System ("CSS") on pages 10-13 of the Martin Testimony.

a. The sentence at lines 5-6 on page 11 states that Atmos selected SAP as the primary software platform and Accenture as the system integrator “after a thorough and rigorous vetting process.”

(1) Describe Atmos's vetting process and state whether a Request for Proposals (“RFP”) was issued to potential vendors.

(2) If Atmos issued one, provide the RFP and a list of the parties who responded to the RFP.

b. Referring to the components listed on page 11, line 1 on page 12 states that “all of these are shared service assets that are used by all utility distribution areas.” Confirm that this statement means that the new CSS is used on a company-wide basis including all of the Atmos distribution divisions.

c. Provide the total cost of the system to Atmos and the amount that has been allocated to Atmos's Kentucky operations.

24. Refer to pages 16-17 and 20 of the Martin Testimony and FR 16(13)(i)2, Schedule 1-27. Beginning on page 16 and continuing to page 17 the testimony explains how calendar year 2012 is a “reference period” to which forward-looking adjustments may be applied. Lines 6-8 on page 20 of the testimony contain the statement, “For purposes of the case, we have assumed zero residential customer growth from the reference period to the test year.” However, on Schedule 1-27, the residential customer count for the reference period, calendar 2012, is shown as 156,519 and for the test year as 154,258, which is not zero but negative growth. Explain the apparent discrepancy between the text in the testimony and customer levels on the schedule.

25. Refer to page 17 of the Martin Testimony and Exhibits MAM-2 and MAM-3. Provide explanations for all assumptions used in calculating each adjustment shown in the "Contract Adj. Bills and Volumes" column of Exhibit MAM-2 and in Exhibit MAM-3.

26. Refer to pages 17-19 of the Martin Testimony and Exhibit MAM-4.

a. Describe any consideration Atmos has given to using a period shorter than 30 years to perform its normalization of volumes for weather. Include any studies or research performed by Atmos regarding the predictive value of using 30 years of climate data as opposed to some shorter time period.

b. Explain why Atmos is not using the most current weather data available for its weather normalization as opposed to the 30 years ended 2010. The explanation should include whether more current data is available for the cities indicated on page 18 of the Martin Testimony.

c. Refer to page 2 of MAM-4. State whether the .0122 in column (d), X Coefficient, represents the temperature sensitive usage per Heating Degree Days ("HDD") and explain how this number was derived.

d. Explain the difference between normal HDD and lagged normal HDD on pages 2-4 of MAM-4.

e. Explain why negative Weather Adjustments for September 2012 are in column (k) for the Commercial and Public Authority classes on pages 3-4 of MAM-4 if September had fewer actual than normal lagged HDD.

f. Explain why positive Weather Adjustments for October 2012 are in column (k) for the Residential and Commercial classes on pages 2-3 of MAM-4 if October had more actual than normal lagged HDD.

g. Explain why a positive Weather Adjustment for November 2012 is in column (k) for the Commercial class on page 3 of MAM-4 if November had more actual than normal lagged HDD.

h. Explain how the Weather Adjustments in column (k) of pages 2–4 of MAM-4 were derived.

i. State whether any other customer classes besides residential, commercial and public authority exhibit temperature sensitivity in their usage patterns. Provide sales volume history of every other class to support the response.

27. Refer to pages 31–32 of the Martin Testimony and to Exhibit MAM-7. Explain why Service Charges revenue at proposed rates is the same as Other Revenues for the test year on MAM-2 if Atmos is proposing a new \$10 charge for leaving Door Tags. State what amount of revenue Atmos projects collecting through the proposed \$10 charge.

28. Provide an electronic copy of all exhibits to the Martin Testimony with the formulae intact and unprotected and all rows and columns accessible.

29. Refer to the exhibits to the Martin Testimony. None of the exhibits contain a schedule showing the calculation of the proposed increase to each of the following rate categories: Residential (G-1), Firm Commercial (G-1), Firm Industrial (G-1), Firm Public Authority (G-1), Interruptible Commercial (G-2), Interruptible Industrial (G-2), Transportation (T-3), Transportation (T-4), and Special Contracts. Provide a schedule showing these calculations in Excel spreadsheet format with the formulae intact and unprotected and all rows and columns accessible.

30. Refer to the table on page 12 of the Testimony of Joshua C. Densman (“Densman Testimony”). In four of the five most recent fiscal years shown in the table, the budget variance for Atmos’s operating and maintenance (“O&M”) expenses has been positive, meaning that actual expenses exceeded amounts budgeted.

a. Explain why the O&M expenses budget variance has been positive with the degree of consistency demonstrated by the table.

b. The largest positive variance in dollars and by percentage occurred in the most recent fiscal year, fiscal year 2012, during which actual O&M expenses were \$23.54 million, nearly \$1.2 million greater than the amount budgeted. Identify and describe the factors that contributed to actual O&M expenses exceeding budgeted O&M expenses by this amount, which equates to a 5.3 percent variance.

31. Refer to the table on page 12 of the Densman Testimony and Exhibit JCD-1, which provides a comparison of O&M expenses between the base period and the forecasted test period. A comparison of the total O&M expenses projected for the test period of \$26,697,690 and the actual O&M expenses in fiscal year 2012 of \$23,540,000 reflects an increase of \$3,157,690, or 13.4 percent, over a period of 26 months, a rate of more than 6 percent annually. Over the period 2008-1012 shown in the table, the average annual increase in actual O&M expenses was roughly 1.3 percent. Explain in detail why the costs that make up Atmos’s O&M expenses are projected to increase at a rate so much greater than the actual rate of increase experienced in recent years.

32. Refer to pages 14-15 of the Densman Testimony regarding adjustments for labor and benefits and FR 16(13)(g), Schedule G-2.

a. The sentence at lines 1-2 on page 15 states, "Overall, labor is projected to increase \$300,755 from the base period to the test period." The following two sentences relate to labor capitalization rates. Clarify whether the overall projected increase in labor refers to total labor, including capitalized and expensed labor, or if it refers only to expensed labor.

b. The sentence starting on line 7 of page 15 indicates that benefits are projected as a fixed percentage of labor expense "plus an amount for workers' comp insurance." The following sentence indicates that the benefits adjustment increases the expense from the base period to the test period by \$294,340. Given that benefits are a fixed percentage of labor expense and that benefits are approximately 59 percent of labor in the test period on Schedule G-2, explain why the increase in benefits is equal to nearly 98 percent of the increase in labor of \$300,755.

33. Refer to page 5, lines 16-20, of the Testimony of Gregory K. Waller ("Waller Testimony") and FR 16(3)(k), Schedule K of Atmos's application. The Waller Testimony indicates that, for the months included in the test year, forecasted plant additions were based on the previous year's forecasted additions, plus 5 percent. Page 1 of Schedule K, shows, among other things, the base period, test period, and 10 most recent fiscal years' gross plant balances.

a. The gross plant shown on Schedule K for the test year ending November 2014 is \$486 million, or \$83 million more than the gross plant of \$382 million for fiscal year 2012, which ended September 2012. The data on Schedule K indicates that the largest increase in gross plant over a two-year period since 2003 is \$44 million,

which occurred from 2008 to 2010. Explain in detail why the growth in Atmos's gross plant is expected to so greatly exceed its historical growth.

b. Explain why Atmos chose to base the level of plant additions in the test period on the prior year's forecasted plant additions rather than on its actual plant additions in a historical period.

34. Refer to pages 9-10 of the Waller Testimony regarding Atmos's PRP. The two sentences starting at line 13 of page 9 refer to how this proceeding relates to Atmos's August 2013 PRP filing. The second of these two sentences indicates that the PRP surcharge rate schedule resulting from the August 2013 filing will be replaced by the rate schedule resulting from this proceeding.

a. Confirm that this discussion in the Waller Testimony means, as the proposed PRP tariff rider, PSC KY No. 2, Original SHEET No. 39, indicates, that Atmos is proposing in this proceeding that its PRP cost recovery be "rolled-in" to its base rates and that its PRP rates be reset to zero.

b. If the answer to part a. of this request is affirmative, provide the location in Atmos's application of any references, other than this portion of the Waller Testimony, to moving the PRP cost recovery from the PRP surcharge to base rates.

c. From page 9. Line 13, to page 10, line 4, the testimony addresses how recovery of PRP investment through rates approved in this case relates to the anticipated recovery of PRP investment via Atmos's August 2013 PRP filing.

(1) The sentence starting at page 9, line 19, refers to the rates resulting from this proceeding as being based on Atmos's cumulative cost of service, including \$20 million of forecasted PRP investment from October 1, 2013 to September

30, 2014. The next sentence begins, "Furthermore, by only including PRP investment through September 30, 2014 (two months short of the end of the test year in this proceeding) the Company can make its August 2014 PRP filing (which will include PRP investment forecasted for October 1, 2014 to September 30, 2015) as scheduled and not disrupt the annual timeline for PRP filings." Clarify whether the forecasted PRP investment included in Atmos's cumulative cost of service in this proceeding includes investment through the end of the test year, or if it includes investment only through September 30, 2014.

(2) If the PRP investment included in the cumulative cost of service in this proceeding includes investment through the end of the test year, explain why December 1, 2014 should not be the start of the forecast period in Atmos's August 2014 PRP filing, rather than October 1, 2014.

35. Refer to pages 10-12 of the Waller Testimony and FR 16(13)(j).

a. The testimony states that Atmos's capital structure as of March 31, 2013 was 50.9 percent equity and 49.1 percent long-term debt, but that the long-term debt percentage is projected to fall to 48.2 percent for the test period due the issuance of common stock and earnings in excess of dividends. Lines 2-4 on page 12 contain the following statement: "The 48.2% long-term debt and 51.8% shareholders' equity capital structure advocated by the Company in this proceeding is consistent with stated strategy and is realistic and achievable." Explain what is mean by "stated strategy" and whether it is Mr. Waller's understanding that Atmos does not intend to issue any new debt prior to the end of the test period.

b. Schedule J-1 of FR 16(13)(j) includes two capital structures for the test period. One is the capital structure discussed in the testimony and identified as the capital structure advocated by Atmos. The second capital structure contains the same amount of long-term debt and common equity as the first capital structure, but also includes short-term debt. Explain the purpose of the second capital structure containing short-term debt.

c. On occasion, utilities have included a second capital structure in rate applications filed with the Commission containing short-term debt based on having such debt in their capital structures at various times, but not on a constant basis. Such alternative capital structures have generally substituted the short-term debt for a portion of one or more of the other components of the capital structure, leaving the total capital at the same amount as in the capital structure without short-term debt. Explain why the short-term debt in the second capital structure on Schedule J-1 is in addition to, rather than in substitution of, the amount of other components of Atmos's capital structure.

36. Refer to page 13, lines 14-16, of the Testimony of Earnest B. Napier ("Napier Testimony"). Discussing the Wireless Meter Reading ("WMR") project, Mr. Napier states, "By targeting these high-cost locations Atmos Energy aims to reduce O&M expenses over time in several ways through the WMR project." Clarify whether any reduction in O&M expenses from the WMR project is reflected in the test period.

37. Refer to the discussion of the PRP on pages 14–16 of the Napier Testimony. Provide a comparison of the capital expenditures projected for the PRP in

the testimony to the projections provided in Atmos's most recent rate case, Case No. 2009-00354¹ and to actual PRP capital expenditures since the PRP was approved.

38. Refer to page 16, lines 4-6, of the Napier Testimony.

a. Mr. Napier states that the fiscal year 2012 and 2013 budgets for the PRP were \$17.9 and \$17.3 million, respectively. Provide the actual amounts spent on the PRP for fiscal year 2012 and the first 10 months (October through July) of fiscal year 2013. Also, as they become available, provide the amounts spent on the PRP during the last two months of fiscal year 2013.

b. The question before lines 4-6 is, "What level of capital expenditure related to the PRP is Atmos requesting during the test period?" After stating the budget amounts referenced in part a. of this request, the response, on line 6, states that Atmos requests a budget of \$20 million for the PRP in fiscal year 2014. Clarify whether the PRP budget for the test period is also \$20 million, or if it is a different amount.

39. Refer to pages 17-18 of the Napier Testimony.

a. Describe the types of assets and capital projects contained in the capital budget of the Kentucky/Mid-States Division.

b. Page 17, lines 10-15, shows the amounts of the Kentucky/Mid-States Division's capital projection allocated to Kentucky for fiscal years 2013 and 2014. Provide the amount for the test period.

c. Describe the types of assets and capital projects contained in the capital budget of the Shared Services Unit ("SSU").

¹ Case No. 2009-00354, Application of Atmos Energy Corporation for an Adjustment of Rates (Ky. PSC, May 28, 2010).

d. Page 17, line 18, through page 18, line 1, shows the amounts of the SSU capital projection allocated to Kentucky for fiscal years 2013 and 2014. Provide the amount for the test period.

40. Refer to the Testimony of Dr. James H. Vander Weide (“Vander Weide Testimony”).

a. Provide a discussion of the recent economic downturn, current economic conditions and their impact on investors’ required return on equity investments.

b. Explain why the water utility proxy group was added to the Return on Equity (“ROE”) analysis, when it was not included in Dr. Vander Weide’s ROE analysis in his testimony in Atmos’s last rate case, Case No. 2009-00354.

c. Explain why expected dividend growth was not included as one aspect of estimating investors’ expectations for the growth rate in the Discounted Cash Flow (“DCF”) calculations.

d. Explain why an average of stock prices for the three months ending February 2013 was used to calculate the dividend yield, instead of the most current stock prices available at the time of the DCF analyses.

41. Refer to Exhibit JWV-1, Schedule 1-1.

a. Provide the individual I/B/E/S and Value Line earnings growth forecasts used in calculating average “g” on the exhibit.

b. State the date of the Value Line Investment Survey used for earnings growth forecasts in calculating the average “g” for the DCF analysis.

c. Provide the non-Market-weighted Average of the DCF model results for the gas proxy group on Exhibit JWV-1, Schedule 1-1, comparable to what is provided for the water proxy group on Exhibit JWV-1, Schedule 2-1.

d. Provide the most current Returns on Equity ("ROE") awarded by their respective regulatory agencies and the dates of the awards for:

(1) The proxy group of gas utilities, or for their gas utility subsidiaries if the proxy company is a holding company

(2) The proxy group of water utilities, or for their water utility subsidiaries if the proxy company is a holding company

e. Identify which companies or subsidiary companies in the proxy group of gas utilities:

(1) Are able to use a forecasted test year in base rate cases

(2) Have a Margin Loss Recovery rider

(3) Have a System Development rider

(4) Have any other types of commission-approved revenue-stabilizing mechanisms or riders other than purchased gas adjustment mechanisms

f. Provide the most current earned ROEs for the proxy groups of gas and water utilities or subsidiaries.

g. Explain whether any of the proxy groups of gas or water companies or their utility subsidiaries has electric operations or any other operations not associated with regulated gas or water service.

h. Explain why it is appropriate to include Atmos's parent corporation in the DCF analysis.

42. Atmos's application is based on a forecasted test period. Explain whether Dr. Vander Weide believes that the ability to use a forecasted test year has an impact on the riskiness of a regulated utility as perceived by investors.

43. In addition to a gas cost adjustment mechanism, Atmos has the PRP that is referred to elsewhere in this request. Explain whether Dr. Vander Weide believes that the ability to use revenue-stabilizing mechanisms such as these has an impact on the riskiness of a regulated utility as perceived by investors.

44. Refer to Exhibit_JVW-1 Schedules 1 and 2. Provide these exhibits with no flotation cost adjustment.

45. Refer to Exhibit JVW-1, Schedules 7-1 and 8-1. Explain why a 5.25 percent Long-term Treasury bond yield forecast is used for the CAPM risk-free rate instead of an actual Treasury yield figure, such as the current 20- or 30-year Treasury bond yield.

46. Refer to the Risk Premium analysis discussion on pages 29-37 of the Vander Weide Testimony. Explain why the Risk Premium analysis does not include an approach that includes long-term Treasury bonds as a measure of the risk-free rate.

47. Refer to page 32 of the Vander Weide Testimony.

a. Confirm that lines 2-3 reference 4.18 percent as being the A-rated utility bond yield.

b. If 4.18 percent is the current A-rated utility bond yield, explain why a forecasted 6.55 percent yield to maturity was used to calculate the *ex ante* and *ex post* risk premium instead of 4.18 percent.

c. Provide *ex ante* and *ex post* risk premium calculations using the current A-rated utility bond yield of 4.18 percent using the same methodology as provided in Atmos's most recent rate case, Case No. 2009-00354.

48. Provide an electronic copy of the excel spreadsheets supporting the Vander Weide Testimony and the responses to the items in this request for information, where appropriate, with the underlying data and formulas intact.

49. Refer to pages 6-7 of the Direct Testimony of Paul H. Raab ("Raab Testimony"), wherein it states that "the classifications used in the class cost of service study are intended to be the same as those utilized by the Company in its last general rate case filing." State whether the cost of service study ("COSS") filed by Atmos in this proceeding uses the same methodology and allocation factors as used in the COSS Atmos filed in Case No. 2009-00354.² If not, explain the differences.

50. Refer to pages 11-12 of the Raab Testimony. Starting at line 22 at the bottom of page 11, Mr. Raab states that investments in storage facilities are classified as 50 percent demand-related and 50 percent commodity-related, as has been done in previous rate proceedings. Explain the rationale for this allocation methodology.

51. Refer to page 12 of the Raab Testimony. Starting at line 1, Mr. Raab states that investments in distribution mains are classified as 85 percent customer-related and 15 percent demand-related, in accordance with a zero-intercept study.

a. Clarify whether Mr. Raab's statement is referring to a specific zero-intercept study or is a reference to zero-intercept studies in general.

² *Id.*

b. If Mr. Raab is referring to a specific zero-intercept study, provide the study in question.

c. If he is referring to zero-intercept studies in general, explain whether it is Mr. Raab's testimony that classifying mains as being 85 percent customer related and 15 percent demand related is typical in zero-intercept studies.

52. Refer to the Raab Testimony, Exhibit PHR-2. Provide a copy of this exhibit in Excel spreadsheet format with all formulae intact and unprotected and with all columns and rows accessible.

53. Refer to the Raab Testimony, Exhibit PHR-2, page 6 of 75, which shows test year production plant of \$902,402. Describe Atmos's production operations for the Kentucky division.

54. Refer to the Raab Testimony, Exhibit PHR-2, pages 7 and 8 of 75. Explain the reason for the four different categories for General Plant shown on these pages as General, Kentucky Mid-States General Office, Shared Services General Office, and Shared Services Customer Support.

55. Refer to the Raab Testimony, Exhibit PHR-2, page 48 of 75.

a. Explain why the customer portion of Account 875, Measuring and Regulating Station Exp.-General, and Account 877, Measuring and Regulating Station Exp.-City Gate, are directly assigned to the Interruptible and Transportation customers.

b. Explain why the customer portion of Account 876, Measuring and Regulating Station Exp.-Ind., is directly assigned to Interruptible and Transportation instead of Firm Industrial.

56. Refer to the Raab Testimony, Exhibit PHR-2, page 72 of 75. Explain why the Other Revenue categories were allocated based on Base Rate revenues rather than directly assigned.

57. Refer to the Raab Testimony, Exhibit PHR-2, page 75 of 75.

a. Explain why Gas Costs would be allocated rather than directly assigned.

b. Explain how the Gas Cost allocation factor, Allocation Factor 18.4, was generated internally.

58. Refer to Appendix A of Exhibit DAW-1 to the Direct Testimony of Dane A. Watson and FR 16(13)(b), Attachment 1, Schedule B-3.1. In the same format used in Appendix A, provide a comparison of the existing and proposed depreciation rates and depreciation expense for all plant accounts on Schedule B-3.1 for Atmos's Kentucky Division, Kentucky Mid-States General Office, and for Shared Services General Office and Shared Services Customer Divisions for the forecasted test period. Clearly indicate the amounts of expense, at both the existing and proposed depreciation rates, of the depreciation for Kentucky Mid-States General Office and Shared Services two divisions, allocated to Atmos's Kentucky Division.

59. Refer to FR 16(12)(f) regarding the installation of wireless meter reading ("WMR") devices beginning in October 2013 with an estimated completion in September 2014, which will constitute more than 5 percent of fiscal year 2014 spending.

a. Provide a narrative explanation of Atmos's decision to install WMR devices and a detailed description of how the installation will be carried out.

b. Will service be interrupted during the installation process?

c. Provide the manufacturer's name and specifications of the devices to be installed. Explain how the particular manufacturer and device were selected.

d. Explain how Atmos will ensure the integrity and accuracy of the information transmitted by the WMR devices.

e. Explain whether Atmos will recognize any cost savings through the installation of WMR devices. If so, provide details supporting the estimated savings.

f. Explain whether Atmos currently has WMR devices installed within its Kentucky system. If so, provide the approximate number of WMR devices installed.

g. Explain whether Atmos has a program to install additional WMR devices in Kentucky in future years. If so, provide details of the program.

h. Explain whether installing WMR devices will impact the intervals at which gas meters will be inspected in accordance with 807 KAR 5:022 Section 26(5)(2).

60. Refer to FR 16(13)(g), Schedule G-2.

a. Line 13 shows the "Total Labor Dollars" for the last five fiscal years, the base period, and the forecasted test period. For the four years from fiscal year 2008 to fiscal year 2012, "Total Labor Dollars" increased from \$9,778,449 to \$10,448,116, an increase of 6.9 percent. Explain why "Total Labor Dollars" are projected to increase 4.65 percent from fiscal year 2012 to the base period and increase an additional 4.98 percent from the base period to the forecast test period.

b. Line 22 shows "Total Employee Benefits" for the last five fiscal years, the base period, and the forecasted test period. For the for years from fiscal year 2008 to fiscal year 2012, "Total Employee Benefits" increased from \$4,163,128 to \$4,453,878, an increase of 7.0 percent. Explain why "Total Employee Benefits" are

projected to increase 39.7 percent from fiscal year 2012 to the base period and increase an additional 9.23 percent from the base period to the forecasted test period.

61. Refer to FR 16(13)(d)2.2.

a. The narrative explanation for Adjustment 1, Labor and Benefits, states, "The purpose of this adjustment is to account for decreasing labor and benefits expense due primarily to higher budgeted labor capitalization rate versus the base period." However, the amount of the adjustment in the right-hand column of the page is an increase rather than a decrease. Explain or clarify the apparent disconnect between the narrative and the actual adjustment.

b. The narrative explanation for Adjustment 3, Other O&M, states, "A standard inflation factor of 2.7% was used to forecast other O&M for the test period using the approved FY13 budget as a starting point." Identify the expense components of Other O&M.

c. Adjustment 5 reflects the amount allocated to Kentucky from the Shared Services Unit ("SSU") and the Kentucky Mid States General Office. Explain why the projected increase from the base period to the forecasted test period is nearly \$2.2 million, an increase of 20.3 percent.

62. Refer to pages 16 and 19-21 of the response to Item 29 of Commission Staff's Initial Request for Information ("Staff's First Request").

a. On page 16, Account 8700, Distribution – Operation Supervision and Engineering, Subaccount 01001, Capital Labor, is shown as increasing by more than \$609,000 from the 12-month period ended April 2012 to the 12-month period

ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

b. On page 19, Account 9020, Customer Accounts – Meter Reading Expenses, Subaccount 06111, Contract Labor, is shown as increasing \$178,645 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

c. On page 20, Account 9260, A&G – Employee Pensions and Benefits, Subaccount 01202, Pension Benefits Load, is shown as increasing \$330,754 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

d. On page 20, Account 9260, A&G – Employee Pensions and Benefits, Subaccount 01203, FAS 106 Benefits Load, is shown as increasing \$492,079 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

e. On page 20, Account 9260, A&G – Employee Pensions and Benefits, Subaccount 01251, Medical Benefits Load, is shown as increasing \$557,546 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

f. On page 20, Account 9260, A&G – Employee Pensions and Benefits, Subaccount 01257, Empr ESOP Benefits Load, is shown as increasing \$131,666 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

g. On page 21, Account 9220, A&G – Administrative Expense Transferred-Credit, Subaccount 09341, Admin & General Expenses, is shown as increasing by \$165,033 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

h. On page 21, Account 9220, A&G – Administrative Expense Transferred-Credit, Subaccount 41132, Billing for SS O&M, is shown as increasing \$654,972 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.

i. On page 21, Account 9040, Customer Accounts – Uncollectible Accounts, Subaccount 09027, Cust Uncol Acct-Write Off, is shown as increasing \$606,931 from the 12-month period ended April 2012 to the 12-month period ended April 2013. Explain why the amount recorded in this subaccount increased by this magnitude.



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