

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

OFFICE OF THE ATTORNEY GENERAL
COMMONWEALTH OF KENTUCKY

: Case No. 2005-00057

Complainant

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RECEIVED

v.

:

:

JUN 14 2006

ATMOS ENERGY CORPORATION

:

:

PUBLIC SERVICE
COMMISSION

Respondent

:

:

ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

Comes now the Complainant, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Second Request for Information to Atmos Energy Corporation [hereinafter: "AEC"] to be answered by the date specified in the Commission's Order of Procedure, 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 company 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 the Office of Attorney General.

(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 AEC has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

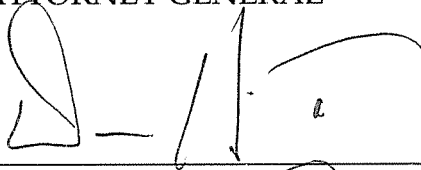
(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, 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.

Respectfully submitted,

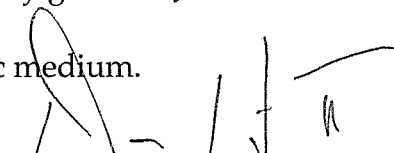
GREGORY D. STUMBO
ATTORNEY GENERAL



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Notice of Serving and Filing in Paper and Electronic Medium

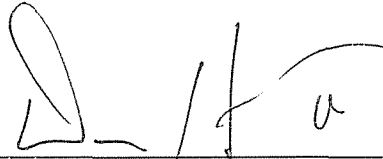
Per Instruction 2 (d) of the Commission's 3 March 2006 Order, Counsel submits for filing, by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, the original and five copies of the document in paper medium. Counsel also submits a copy of the document in electronic medium by e-mailing the document to pscfilings@ky.gov and Beth.O'Donnell@ky.gov. 14 June 2006 is the date for the filing and service in paper and electronic medium.



Assistant Attorney General

Certificate of Service

Per Instructions 2 (d) and 8 of the 3 March 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: John N. Hughes, 124 West Todd Street, Frankfort, Kentucky 40601; Mark R. Hutchinson, Wilson, Hutchinson & Poteat, 611 Frederica Street, Owensboro, Kentucky 42301; William J. Senter, Atmos Energy Corporation, 2401 New Hartford Road, Owensboro, Kentucky 42303-1312, Gary L. Smith, Atmos Energy Corporation, 2401 New Hartford Road, Owensboro, Kentucky 42303-1312; and Douglas Walther, Atmos Energy Corporation, 2401 New Hartford Road, Owensboro, Kentucky 42303-1312. Counsel further certifies, per Instructions 2 (e) and 9, service of an electronic version of the document by electronic mail to the following: jnhughes@fewpb.net; randy@whplawfirm.com; gary.smith@atmosenergy.com; and douglas.walther@atmosenergy.com. Service was made this 14th day of June 2006.


Assistant Attorney General

**Attorney General's Second Request for Information
to Atmos Energy Corporation
Case Number 2005-00057**

1. What portion of the 13-month average Prepayment balance of \$558,382 represents the prepayment balance for PSC assessments?
2. With regard to the materials & supplies, prepayment and gas stored underground rate base, please provide the following information:
 - a. Confirm that, for ratemaking purposes, the PSC traditionally uses 13-month average test year balances for these items. If you do not agree, point to any prior cases where the Commission deviated from this ratemaking approach.
 - b. What ratemaking approach has the Company used in its prior 5 rate cases with regard to materials & supplies, prepayments and gas stored underground? Did it use single-point test year-end balances or 13-month average test year balances?
3. The response to AG-1-34 shows actual per books taxable income of \$13,950,318 for the test year ended 9/30/05 and associated state and federal income taxes of \$5,424,942. In this regard, please provide the following information:
 - a. Confirm the above. If you do not agree, explain your disagreement.
 - b. Confirm that the actual test year taxable income of \$13,950,318 includes Other Income from non-regulated operations (merchandising, interest and dividends and other non-operating income) totaling \$1,036,227. If you do not agree, explain your disagreement.
 - c. Provide a worksheet showing how much of the actual per books state and federal income tax amount of \$5,424,942 is associated with the non-regulated Other Income amount of \$1,036,227 (i.e., what would the actual test year state and federal income tax be based on operating income from regulated operations only). Show all calculations on this worksheet.

4. In its response to AG-1-30, the Company claims net after-tax operating income for the test year of \$13,231,752. In this regard, please provide the following information:
 - a. Confirm that in deriving this net after-tax operating income number of \$13,231,752, the Company reflected a test year state and federal income tax amount of \$5,424,942. If you do not agree, explain your disagreement.
 - b. Confirm that the test year state and federal income tax amount of \$5,424,942 includes income taxes associated with \$1,036,227 worth of non-regulated Other Income of \$1,036,227. If you do not agree, explain your disagreement.
 - c. Confirm that the taxable operating income in the response to AG-1-30 does not include this non-regulated Other Income of \$1,036,227. If you do not agree, explain your disagreement.

5. With regard to the comparative operation and maintenance expenses for the fiscal years 2004 and 2005 shown in the response to AG-1-49, please provide detailed explanations for the expense differences in the following accounts:
 - a. Acct. 8700 Operation supervision and engineering.
 - b. Acct. 8740 Mains and services expenses.
 - c. Acct. 8780 Meter and house regulator expenses.
 - d. Acct. 8810 Rents.
 - e. Acct. 9040 Uncollectible accounts.
 - f. Acct. 9260 Employee pension and benefit expenses.

6. Please provide a detailed explanation for the \$422,000 (23%) increase in the FY 2005 Ad Valorem taxes of \$2,301,648 over the FY 2004 Ad Valorem taxes of \$1,879,296.

7. Please update the following data responses by providing actual data for the 6-month period October 2005 through March 2006, in accordance with the May 22, 2006 Commission Order in this case:
 - o AG-1-19
 - o AG-1-20
 - o AG-1-21
 - o AG-1-78
 - o AG-1-79
 - o AG-1-80

8. With regard to the O&M expenses for FY 2004 and FY 2005 shown in the response to AG-1-49, please provide the following update information:
- a. Actual expenses on a monthly basis for the 6-months from October 2005 through March 2006.
 - b. Actual expenses on an annual basis for the twelve-month period ended March 31, 2006.

9. The response to AG-1-40 indicates that AEC-KY's total employee level was 241 in FY 2004, 236 in FY 2005 and 229 in the 6-month period after FY 2005. Please explain the reasons for this decreasing trend in the level of employees.

In addition, explain whether this trend is a result of a workforce reduction program implemented by the Company. If so, provide all relevant details regarding this program.

10. With regard to the response to AG-1-63, please provide the following information:

- a. Is the response to part c of the data request that 100% of the Company's total incentive compensation expenses shown in the response to parts a and b is a function of reaching financial performance goals, such as EPS? If not, provide a clarification of this response to part c.
- b. Does the financial performance (EPS) goal refer to AEC-KY's EPS or AEC Consolidated's EPS?
- c. Does the response to parts a and b indicate that the following incentive compensation costs have been charged to AEC-KY's O&M expenses in the test year:

- MIP VIP SS: \$1,416,794 x 5.21%	= \$ 73,815
- MIP VIP Kentucky	\$138,635
- Restr. Stck SS: \$1,202,109 x 5.21%	= \$ 62,630
- Restr. Stck Kentucky	<u>\$ 33,806</u>
- Total	<u>\$308,886</u>

If this is not correct, provide the correct answer.

11. The response to AG-1-71 shows that total fines and penalty expenses of \$8,723.18 are included in the test year. Provide a worksheet showing what portion of this expense amount represents AEC-KY's allocated expense share.

12. With regard to the response to AG-1-66 (I&D expenses), please provide the following information:
 - a. Indicate what percentage of the total 010 – Shared Services expenses is allocated to AEC-KY.
 - b. Explain the reasons for the very large D&O insurance expenses of \$3.3 million (FY 2004) and \$5.1 million (FY 2005) that the Company started as compared to the corresponding insurance expenses in the years 1998 through 2003. In addition, indicate whether the test year expense of \$5.1 million can be considered representative of ongoing conditions in the near-term future.
13. With regard to the response to AG-1-75, please provide detailed descriptions (issued by the AGA or by any NARUC audits) of the AGA activities listed at the bottom of the response.
14. With regard to the response to AG-1-64, please provide a worksheet showing how much of the “Service Area 2000” expenses of \$151,227 are allocable to AEC-KY’s O&M expenses.
15. With regard to the response to AG-1-55, explain whether the full amount of \$21,543 was allocated to AEC-KY O&M expense. If not, provide the portion of the \$21,543 that is allocable to AEC-KY.
16. With regard to the response to AG-1-38, please provide the following information:
 - a. Do all of the expenses listed in this response represent expenses charged to AEC-KY’s O&M expenses? If not, provide a worksheet showing what expenses are charged to AEC-KY’s O&M expenses.
 - b. Which membership dues listed in the response to AG-1-38-1 represent dues for Social and Service Clubs?
 - c. Please provide a breakout and description of the total Service Award expenses of \$47,061 listed in the response to AG-1-38-4.
17. Please provide a listing and description of all employee party, outing and gift expenses (that are not already included in the response to AG-1-38-4) included in AEC-KY’s test year above-the-line O&M expenses.