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COMMISSION

March 16, 2007

Honorable Beth O'Donnell, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602

Subject: **Case No. 2005-00057**  
**KPSC First Data Request dated March 9, 2007**

Dear Ms. O'Donnell:

Enclosed herein is the filing by Atmos Energy Corporation, of its responses to the First Data Request of Commission Staff, dated March 9, 2007 in Case No. 2005-00057. Atmos Energy is filing an original, an electronic copy, and seven paper copies with the Commission, and an electronic copy and paper copy with the Office of the Attorney General.

Please contact me at your earliest convenience should the Commission or Staff have any questions regarding this submittal.

Sincerely,

A handwritten signature in cursive script that reads "Gary L. Smith".

Gary L. Smith  
Vice President, Marketing & Regulatory Affairs

Cc: Parties of Record in Case 2005-00057

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE OFFICE OF ATTORNEY GENERAL	)	
THE COMMONWEALTH OF KENTUCKY	)	
	)	
COMPLAINANT	)	
	)	
V.	)	CASE NO. 2005-00057
	)	
ATMOS ENERGY CORPORATION	)	
	)	
DEFENDANT	)	

FIRST DATA REQUEST OF COMMISSION STAFF TO ATMOS  
ENERGY CORPORATION

Atmos Energy Corporation ("Atmos") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on March 19, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

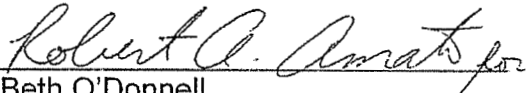
1. Refer to the Testimony of Donald A. Murry at page 14. Dr. Murry states that if Dr. J. Randall Woolridge had used the period since 1991 to calculate his S&P 500 Growth in Earnings, the result would have been 6.76 percent, thereby increasing the resulting expected market return.

a. Explain why 1991 is the appropriate year to start this analysis.

b. Provide any studies, articles, or other documentation that support using a 15-year period.

2. Refer to Schedule 5 of Dr. Murry's testimony. The data in this schedule indicate that the return on equity awarded by state commissions decreased to the mid-10 percent range by May 2006. Does Dr. Murry have an opinion on why the awards were lower in the latter part of 2006?

3. Refer to the Testimony of James C. Cagle, pages 3-4. Mr. Cagle states that Atmos provided sufficient information to make the adjustments enumerated in Item 2 of Commission Staff's Data Request of October 16, 2006. State whether Atmos provided sufficient information to make the adjustments discussed in Item 1 of Commission Staff's Data Request of October 16, 2006. Explain the response.

  
Beth O'Donnell  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, Kentucky 40602

DATED March 9, 2007

cc: All Parties



**Atmos Energy Corporation, Kentucky**  
**Case No. 2005-00057**  
**KPSC Data Request Dated March 9, 2007**  
**DR Item 1**  
**Witness: Donald A. Murry**

**Data Request:**

Refer to the Testimony of Donald A. Murry at page 14. Dr. Murry states that if Dr. J. Randall Woolridge had used the period since 1991 to calculate his S&P 500 Growth in Earnings, the result would have been 6.76 percent, thereby increasing the resulting expected market return.

- a. Explain why 1991 is the appropriate year to start this analysis
- b. Provide any studies, articles, or other documentation that support using a 15-year period.

**Response:**

- a. Please refer to the graph in Schedule 6 of Dr. Murry's testimony. It shows that the adjusted-for-inflation earnings per share of the Standard & Poor's 500 (S&P 500) did not have statistically significant positive growth until approximately 1991. By including these years of statistically insignificant growth in earnings data, Dr. Woolridge surely understated the expectations of earnings growth of investors who have noted geometric growth of 6.76 percent for the most recent 15 year period.
- b. Dr. Murry is not aware of any studies that indicate 15 years of earnings growth history is or is not sufficient for investors to form expectations about the growth of the S&P 500.



**Atmos Energy Corporation, Kentucky**  
**Case No. 2005-00057**  
**KPSC Data Request Dated March 9, 2007**  
**DR Item 2**  
**Witness: Donald A. Murry**

**Data Request:**

Refer to Schedule 5 of Dr. Murry's testimony. The data in this schedule indicate that the return on equity awarded by state commissions decreased to the mid-10 percent range by May 2006. Does Dr. Murry have an opinion on why the awards were lower in the latter part of 2006?

**Response:**

Dr. Murry does not believe that the eight allowed returns on common equity during a six month period are sufficient to characterize the data pattern as a declining trend. Because they depend on unique jurisdictional and utility findings, Dr. Murry believes that these data represent the characteristic variability of allowed returns over a brief period of time.





**Atmos Energy Corporation, Kentucky**  
**Case No. 2005-00057**  
**KPSC Data Request Dated March 9, 2007**  
**DR Item 3**  
**Witness: Jim Cagle**

**Data Request:**

Refer to the Testimony of James C. Cagle, pages 3-4. Mr. Cagle states that Atmos provided sufficient information to make the adjustments enumerated in item 2 of Commission Staff's Data Request of October 16, 2006. State whether Atmos provided sufficient information to make the adjustments discussed in item 1 of Commission Staff's Data Request of October 16, 2006. Explain the response.

**Response:**

Yes, I believe the Company provided sufficient information to make the adjustments discussed in item 1 of Commission Staff's Data Request of October 16, 2006. The Company has provided responses to all of the Attorney General's data requests to the extent that the Commission determined those requests to be appropriate to this proceeding. As such, the information we provided could have been utilized to develop pro-forma adjustments to labor, taxes related to labor, depreciation expense, advertising and donation expense, and margin related to the year-end level of customers. If additional information was needed by the Attorney General's office to calculate such adjustments in a particular fashion, such information was not requested.