

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

MODIFICATIONS OF ATMOS ENERGY )  
CORPORATION'S GAS COST ADJUSTMENT ) CASE NO. 2005-00321  
RATEMAKING MECHANISM )

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Atmos Energy Corporation ("Atmos") 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.

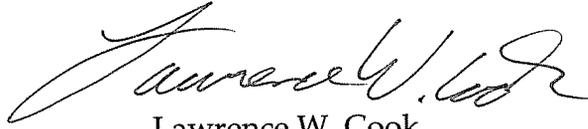
(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company 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

A handwritten signature in black ink, appearing to read "Lawrence W. Cook". The signature is fluid and cursive, with a large initial "L" and a stylized "W".

Lawrence W. Cook  
Assistant Attorney General  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204  
502 696-5453

*Certificate of Service and Filing*

Counsel certifies that an original and seven photocopies of the foregoing Attorney General's Initial Request For Information were filed with and served by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to:

Honorable David F. Boehm  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
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Cincinnati, OH 45202

Honorable Mark R. Hutchinson  
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Douglas Walther  
Senior Analyst - Rate Administration  
Atmos Energy Corporation  
P. O. Box 650205  
Dallas, TX 75235-0205

This 7<sup>th</sup> day of September, 2005.

  
Assistant Attorney General

Attorney General's Initial Request for Information  
to Atmos Energy Corporation  
Case Number 2005-00321

1. Please state the purpose behind Atmos' proposal to add Gas Acquisition Index Factor for Asset Management ("GAIFAM") as a new component or benchmark to Atmos' PBR. In your response, please include:
  - a) the added benefit the incentive would represent for the ratepayer;
  - b) the added benefit the incentive would represent for the shareholder;
  - c) why it would be appropriate to add this incentive to this PBR when it was not included in the last PBRs, which were also implemented through asset management contracts;
  - d) against what objective benchmark, criteria or standard would the incentive, including its performance and/or any potential savings, be measured and evaluated?
  - e) what level of improved performance must exist before rewards in the form of shared savings are to be granted.
  
2. In the Application, Atmos states that the Gas Acquisition Index Factor for Asset Management would "distinguish and clearly recognize any supplier discounts provided for asset management rights, if any that are fixed discounts not directly tied to per unit natural gas purchases." Please explain what this means, and include in your explanation the benefit to ratepayers expected to be gained from asset management discount amounts that are not tied to per unit natural gas purchases, as opposed to those that are tied to per unit natural gas purchases in a gas supply performance based rate.
  
3. By requesting a reduction in the cost sharing mechanism from the current 2% level to 1% based on gas price increases, is the Company saying that shareholder participation in incentive sharing should become easier to obtain as the cost of gas to the ratepayer increases?
  - a) State exactly what has changed from the time of Atmos' last approval of its PBR until now with regard to the industry standard represented by the benchmark against which Atmos' performance is to be measured, other than simply stating that it has risen with the increase in the price of gas?

- b) Please explain why ratepayers should pay the company for a reduced level of performance in addition to paying for the ever-increasing cost of gas, an increase over which the company admits it has no control.
4. In what way or ways does Atmos' proposed modification represent current trends in the LDC industry?
  5. Does the existing cost sharing mechanism allow Atmos to pass 50% of increased gas costs to ratepayers whenever there is more than a 2% variance between cost and benchmarks? If so, why is this mechanism not adequate to protect Atmos in current market conditions?
  6. For each year of the PBR established in Case No. 2001-317 in which the threshold for capacity release was removed, state the amount by which capacity release exceeded the threshold that was established in Case No. 97-513.
  7. What, if any incentive was offered to the gas supplier in conjunction with capacity release (i.e., a 10% Commission) in the initial PBR set forth in Case No. 97-513, in which the sharing in capacity release revenues was conditioned upon first meeting a capacity release threshold?
  8. In what ways, if any, will the incentive offered to the gas supplier under the current request for a PBR modification differ from that already in place under the existing PBR?