COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
FEB 20 2007
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY	)
CORPORATION FOR AN ADJUSTMENT	) CASE NO. 2006-00464
OF GAS RATES	)

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, 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 Atmos objects 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.

(10) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,
GREGORY D. STUMBO
ATTORNEY GENERAL

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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the Attorney General's Initial Requests For Information were served and filed 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:

Hon. John N. Hughes
124 West Todd Street
Frankfort, KY 40601

Hon. Mark R. Hutchinson
Wilson, Hutchinson & Poteat
611 Frederica Street
Owensboro, KY 42301

William J. Senter
V.P. Rates & Regulatory Affairs
Atmos Energy Corporation
2401 New Hartford Road
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Dallas, TX 75235-0205

all on this 20th day of February, 2007.

Lawrence W. Cook
Assistant Attorney General

I. ACCOUNTING AND REVENUE REQUIREMENTS

1. Schedules E and H-1 of the filing show that the Company's rate increase requested in this rate filing is based on an assumed statutory Kentucky corporate income tax rate of 8.25%. Please confirm that, starting on 1/1/07, the Kentucky corporate income tax rate will be 6.00% rather than 8.25%. If you do not agree, explain your disagreement. If you do agree, please revise the Company's base and forecasted period state income taxes, gross revenue conversion factors and revenue deficiency numbers to reflect the correct state income tax rate of 6.00%. Provide copies of all affected filing schedules.

2. With regard to PSC assessment fees, please provide the following information:

   a. What is the current actual effective PSC assessment rate; when in 2007 is this rate scheduled to change; and what is the expected PSC assessment rate when it will be changed in 2007?
   b. What PSC assessment rate has been assumed in the calculation of the forecasted period PSC assessment expenses of $401,640?
   c. Provide a workpaper showing the calculations and calculation components (e.g., assessment rate, revenues subject to PSC assessment, etc.) underlying the proposed forecasted period PSC assessment expenses of $401,640.

3. Please explain in more detail the statement on page 5 of Ms. Sherwood's testimony that Atmos Energy's 9/30/06 ratio of debt to total capitalization is abnormally high due to "continuing high natural gas prices and the extremely warm winter weather..."

4. Please provide a revised page 7 of Ms. Sherwood's testimony to reflect the correct dollar amount balances on line 9 of page 7.

5. The Company's actual and budgeted filing data show that the Company experiences significant monthly fluctuations in its Gas Stored Underground balances. For example, for the forecasted test year, the Company's forecasted Gas Stored Underground balance have monthly balances fluctuating from positive balances of $62 million (10/07) and $2.7 million (1/08) to negative balances of $17.6 million (2/08) and $30.9 million (3/08). Please confirm that the Company is using short term debt to finance these significantly fluctuating balances. If you do not agree, explain your disagreement.

6. Please confirm that the Company is using short term debt to finance its CWIP investments. If you do not agree, explain your disagreement.

7. In the same format as per FR10(9)(h)11, please provide the actual monthly, as well as, 13-month average equity, long-term debt (including current maturities) and short term debt (daily average) balances for calendar years 2000 through 2006 and for the month of January 2007.

8. Company filing schedule B-1, Sheet 2 of 2 in the prior Case No. 99-070 shows that the Company had projected an average plant in service balance of $248,939,511 for the year 2000, the forecasted period used for ratemaking purposes in that case. Please provide the equivalent actual average plant in service balance for 2000 and explain any major variance.

9. On page 4 of his testimony, Mr. Peterson states that, in determining the 13-month average plant in service balances for the base period and forecasted period, he started out with the actual plant in service balance as of September 2006. In this regard, please provide the following information in the same format and detail as per filing Schedule B-2.1, pages 1 through 6 (showing total plant balances, i.e., the sum of the Kentucky Division 9 and the allocations from Divisions 2, 12 and 91):

   a. Each of the 13 monthly plant in service balances underlying the 13-month average plant balances for the base period ended March 31, 2007. In addition, indicate which of these monthly plant balances represent actual balances and which represent projected plant balances.
   b. Actual plant in service balances for each month from March 2006 through December 31, 2006 and, once available, for the month of January 2007.
   c. Projected plant in service balances for each of the "interim" months of April, May and June, 2007.
   d. Each of the 13 monthly plant in service balances underlying the 13-month average plant balances for the forecasted period ended June 30, 2008.

10. Schedule B.2.2, pages 1 through 6, show the plant additions and retirements (including Kentucky Division 09 and allocations from Divisions 2, 12 and 91) for the base period ended 3/31/07 and forecasted period ended 6/30/08. In this regard, please provide the following information in the same format and detail as per this filing Schedule B.2.2:

    a. Plant additions and plant retirements for each of the months of May 2006 through March 2007. In addition, indicate which of these monthly plant additions and retirements are actual and which represent projected plant additions/retirements.
    b. Actual plant additions/retirements for each month from May 2006 through December 2006 and, once available, for the month of January 2007.
    c. Projected plant additions/retirements for each of the "interim" months of April, May and June, 2007.
    d. Plant additions and plant retirements for each of the months of July 2007 through June 2008.

11. Please provide the budgeted monthly plant additions/retirements for the period October 2006 through September 2007 (including Kentucky Division 09 and allocations from Divisions 2, 12 and 91) as per the Company's approved capital budget for its FY ending September 2007. To the extent that these budgeted monthly plant additions/retirements are different from the budgeted monthly plant additions/retirements shown for the same months in the prior data request, please explain these differences.

12. On page 4 of his testimony, Mr. Petersen states that ..."For the months of October 2007 through the end of the test year I added plant additions in amounts 5% greater than the fiscal 2006 additions to reflect the expected growth in spending consistent with the company's five year plan." In this regard, please provide the following information:

    a. To what extent would the forecasted test year 13-month average plant in service and depreciation reserve balances of $322.898 million and $150.190 million, respectively, change under the assumption that the plant additions from October 2007 through the end of the forecasted test year were not increased by 5%?
    b. Provide a schedule showing the Company's five year plan and the "expected growth in spending consistent with the company's five year plan." In addition, provide the calculations made by the Company to derive the 5% growth factor.
    c. Has the Company's five year plan been officially approved by the Board of Directors?
    d. Provide the budgeted plant additions for the forecasted period ended June 30, 2008 as derived from the Company's five year plan. Show all underlying calculations.

13. With regard to the Company's CWIP balances (including the Kentucky Division 9 and any allocations from Divisions 2, 12 and 91), please provide the following information:

    a. Actual CWIP balances from 4/1/06 through 12/31/06 and, once available, for the month of January 2007, in total and broken out by AFUDC-bearing CWIP and non-AFUDC-bearing CWIP.
    b. Monthly CWIP balances (in total and broken out by AFUDC-bearing CWIP and non-AFUDC-bearing CWIP) for each month that makes up the 13-month average base period CWIP balance.
    c. FR10(9)(h)12 shows that the Company has budgeted non-AFUDC-bearing CWIP balances of $1,081,678 for the forecasted test year and for the years 2008 through 2011. Please reconcile this with the non-AFUDC-bearing CWIP balance of $1,543,040 assumed for ratemaking purposes in this case.

14. On page 5, lines 10 through 14, Mr. Petersen describes the approach used to determine the projected forecasted test year 13-month average depreciation reserve balance. In this regard, please provide the following information (for Kentucky and including all allocations from Divisions 2, 12 and 91):

    a. Schedule showing the actual September 2006 depreciation reserve balance.
    b. Schedule showing all monthly depreciation accruals and retirements for each month from October 2006 through the end of the forecasted test year, as well as the resulting monthly depreciation reserve balances for that same period.
    c. Calculations showing the derivation of the forecasted test year 13-month average depreciation reserve balance of $150,189,986.
    d. Proof that the depreciation reserve retirements assumed in the derivation of the forecasted test year 13-month average depreciation reserve balance is at the same

level as the plant retirements assumed in the derivation of the forecasted test year 13-month average plant in service balance.

e. Actual depreciation reserve balances from October 2006 through December 2006 and, once available, for the month of January 2007.

15. Please indicate to what dollar amount the currently proposed forecasted test year depreciation expense of $12,878,199 would change under the assumption that Mr. Roff's proposed new depreciation rates would be rejected by the PSC, i.e., what would be the forecasted test year depreciation expense based on the Company's existing depreciation rates?

16. With regard to the B-3.2 F workpapers referenced in the footnote on Schedule B-3.2, page 12, please explain the differences between the calculated depreciation expenses shown under the column "Reserve Computation" and the depreciation expenses shown in the next column entitled "12 Month Expense" for the forecasted test year.

17. The 12 Month expense numbers for the General Plant items shown on filing Schedule B-3.2, page 9 of 12 do not equal the multiplication of the indicated depreciation accrual rates by the 13-month average investment balance. Please explain how the 12 Month deprecation numbers were calculated.

18. What portion of the 13-month average Prepayment balance of $799,159 represents the prepayment balance for PSC assessments?

19. Please update all of the monthly materials and supplies, Gas Stored Underground and Prepayment data shown on WP Sched B-4.1, Sheet 1 of 2 by providing actual balances for the months of November and December 2006 and, once available, for the month of January 2007.

20. Please provide a detailed prepayment component breakout of the projected 13-month average forecasted test year prepayment balance of $799,159.

21. Please indicate where in Mr. Smith's testimony the derivation of the projected gas in storage balance is discussed, as referenced on line 12 of page 6 of Mr. Petersen's testimony. In addition, provide a detailed explanation and provide detailed workpapers showing the calculations and assumptions used in the derivation of the monthly Gas Stored Underground balances for the base period and the forecasted test year on WP Sched B-4.1.

22. Please explain the reasons for the negative Gas Stored Underground balances for the months of January through April 2007 and for the months of February through April 2008.

23. With regard to the Company's Gas Stored Underground balances, please provide the following information:

a. 13-Month actual average Gas Stored Underground mcf volumes for each of the years 2003, 2004, 2005 and 2006, and as assumed in the derivation of the base period and forecasted period 13-month average balances of $15,356,380 and $21,792,727.
b. 13-Month actual average Gas Stored Underground dollar balances for each of the years 2003, 2004, 2005 and 2006 (for the base period and forecasted test year, these balances amount to $15,356,380 and $21,792,727, respectively).
c. Average gas prices per mcf, derived by dividing the dollar balances in the response to part b by the mcf volumes in the response to part a.

24. With regard to Customer Advances for Construction, please provide the following information:

a. Provide a schedule showing the actual monthly Customer Advances for Construction balances for each month in 2005 and 2006 and for the month of January 2007.
b. Explain why the Customer Advances for Division 91 are a positive balance of $35,541 (rate base increase).

25. Schedule B-5, sheet 2 of 4 shows total 3/31/07 Account 255 – Accumulated Deferred Investment Tax Credits (ADITC) for Division 91 of $918,861. In this regard, please provide the following information:

a. Explain why such ADITC balances do not exist for Divisions 09, 02 and 12.
b. Provide the 13 monthly Account 255 ADITC balances for the base period which, when averaged and allocated at 36.78%, resulted in the claimed 13-month average base period Division 91 ADITC balance of $358,118.
c. Provide the actual (unallocated) Division 91 Account 255 ADITC balances for each month of calendar years 2005 and 2006 and as projected for each month of calendar years 2007 and 2008 through June.
d. Explain why the Company has not reflected any allocated 13-month average Division 91 Account 255 ADITC balance for the forecasted test year, as shown on Schedule B-5, sheet 4 of 4. If such forecasted test year Account 255 ADITC should have been reflected, please indicate the appropriate allocated 13-month average balance.

26. As shown on Schedule B-1, sheets 1 and 2 of 2, the claimed 13-month average Deferred Income Tax balances for the base period and forecasted test year amount to $34,646,529 and $26,933,538. In this respect, please provide the following information:

a. Provide a detailed component breakout of these two average base period and forecasted test year balances showing all "Non-Plant Related" deferred taxes and "Plant Related" deferred taxes, in the same format and detail as shown, for example, on pages 9 and 10 of 12 in the response to PSC-1-27.
b. Provide a detailed explanation why the total average deferred income taxes of $26,933,538 for the forecasted test year are projected to be approximately $7.7

million lower than the projected average deferred income taxes of $34,646,529 for the base period.

c. Provide the 13 monthly base period deferred income tax balances which, when divided by 13, resulted in the 13-month average base period deferred tax balance of $34,646,529. Provide these monthly balances in total and as broken out by Account 190, 255, 282 and 283 deferred taxes.
d. Provide the monthly deferred income tax balances for the "interim" period, April, May and June 2007. Provide these monthly balances in total and as broken out by Account 190, 255, 282 and 283 deferred taxes.
e. Provide the 13 monthly forecasted test period deferred income tax balances which, when divided by 13, resulted in the 13-month average forecasted test period deferred tax balance of $26,933,538. Provide these monthly balances in total and as broken out by Account 190, 255, 282 and 283 deferred taxes.
f. Provide the actual monthly deferred tax balances from March 2006 through December 2006 and, once available, for the month of January 2007. Provide these monthly balances in total and as broken out by Account 190, 255, 282 and 283 deferred taxes.

27. With regard to Account 253 – Other Deferred Credits, please provide the following information (provide this information for <u>total</u> Account 253 amounts, including Account 253 for the Kentucky Division and allocated Account 253 balances from Divisions 02, 12 and 91):

a. Actual total 13-month average Account 253 balances for calendar year 2006, and projected 13-month average Account 253 balances for the base period and forecasted test period. Provide this information in total and as broken out by Account 253 Other Deferred Credit components.
b. If any of the 13-month average Account 253 – Other Deferred Credit components have associated deferred income taxes that are included in the proposed 13-month average base period and forecasted test year Accumulated Deferred Income Tax balances of $26,933,538 and $34,646,529, please identify these Other Deferred Credit components and their associated 13-month average base period and forecasted test year balances. In addition, identify the associated deferred income taxes (title and account, e.g., account 190) and their associated 13-month average base period and forecasted test year balances included in the total 13-month average balances of $26,933,538 and $34,646,529.

28. With regard to the pro forma base period and forecasted test period income tax calculations shown on Schedule E, please provide the following information:

a. Please explain why the Company has not reflected any income tax credits for ITC amortization.
b. Reconcile the base period income tax amount of $2,011,692 to the base period income tax amount of $1,963,704 shown on Schedule C-2, line 15.

29. On page 18, lines 20-22, of his testimony, Mr. Waller states ..."we have received an indication of our initial property value from the Kentucky Department of Revenue and our State Property Tax Bill for 2006. The property tax assessment is $4,011,420." In this regard, please provide the following information:

    a. Is the 2006 property tax assessment of $4,011,420 the amount of property taxes that the Company will actually be required to pay to KDR or does this represent an initial property tax assessment by KDR, which amount may be challenged and negotiated downward by the Company?
    b. Provide the Company's actual property taxes (equivalent to the 2006 property tax assessment of $4,011,420) that was paid to KDR in each of the years 2002, 2003, 2004, 2005 and 2006. In addition, if these actual property tax payments for 2002, 2003, 2004, 2005 and 2006 are different from the initial property tax assessments by KDR for each of these years 2002, 2003, 2004, 2005 and 2006, please indicate how these actual payments differed from the corresponding initial property assessments.
    c. Provide the basis for the assumed 3% increase in the Company's property taxes effective November 2007.

30. In the same format and detail as shown on lines 1 – 10 of Schedule C.2.3, provide the actual taxes other than income taxes (in total and by tax component) for calendar years 2004, 2005 and 2006.

31. The Company's proposed forecasted test year purchased gas cost amounts to $176,628,089. In this regard, please provide the following information:

    a. Is 100% of this proposed purchased gas cost of $176,628,089 recovered through the Company's PGA clause? If not, explain which portion of the total cost of $176,628,089 is recovered through the PGA and which portion is recovered through base rates.
    b. Provide a schedule reconciling the forecasted test year purchased gas cost of $176,628,089 to the corresponding purchased gas revenues included in the forecasted test year operating revenues of $228,698,846.

32. Please provide the Kentucky-only FERC Form 2 report for calendar year 2004.

33. With regard to Forfeited Discounts revenues, please provide the following information:

    a. Actual Forfeited Discounts revenues and residential, commercial and public authority revenues for calendar years 2002, 2003, 2004, 2005 and 2006, as well as the ratios of Forfeited Discount revenues to the total of the residential, commercial and public authority revenues.
    b. Basis for the determination that the forecasted test year Forfeited Discount revenues should be at a ratio of .87% of the total of the forecasted test year residential, commercial and public authority revenues.

34. With regard to Account 4880 – Miscellaneous Service Revenues, please provide the following information:

    a. Actual revenues for each of the calendar years 2002, 2003, 2004, 2005 and 2006.
    b. Basis for the projection that the forecasted test year revenues should be at a level of $865,237.

35. With regard to Exhibit RRC-1, page 1 of 10, please provide the following information:

    a. Actual "Orders Worked" for each of the miscellaneous services that existed in calendar years 2002, 2003, 2004, 2005 and 2006.
    b. RRC-1, page 1 shows that the proposed miscellaneous service charge increases is projected to produce incremental revenues of $95,911. Please explain why this incremental revenue has not been included in the projected forecasted test year in order to reduce the overall revenue requirement by $95,911.

36. Please provide the actual calendar 2006 Transportation Revenues, as well as the basis for the forecasted test year Transportation Revenues of $9,465,325.

37. With regard to the revenue statistics shown on Schedule I, sheet 2 of 3, please provide the following information:

    a. Update the schedule to include actual revenue statistics for calendar year 2006.
    b. Explain the reasons for the very large difference in the number of industrial customers in 2004 and prior to 2004 (in the 400+ range) versus 2005 (239) and 2006. In addition, explain for what reasons the Company has forecasted the base period number of industrial customers (228) to be lower than the actual industrial customers in 2005 and 2006, and explain exactly how the Company determined these customers to number 228.
    c. Provide an explanation as to why the Company's proposed base period and forecasted test year number of customers for residential, commercial and public authority are reasonable given the trend in actual number of customers for these customer classes from 2001 through 2006. In addition, explain how the Company calculated the proposed base period and forecasted test year number of residential, commercial and public authority customers.

38. With regard to the sales statistics shown on Schedule I, sheet 3 of 3, please provide the following information:

    a. Update the schedule to include actual sales statistics for calendar year 2006.
    b. Explain the reasons for the very large difference in the annual Mcf sales per industrial customer in 2004 versus 2005 and 2006. In addition, explain how the Company calculated and determined the base period annual Mcf sales per industrial customer of 5,416
    c. Provide an explanation as to why the Company's proposed base period and forecasted test year Mcf sales per residential, commercial and public authority

customer numbers are reasonable given the trend in actual Mcf sales per customer for these customer classes from 2001 through 2006. In addition, explain how the Company calculated the proposed base period and forecasted test year Mcf sales per residential, commercial and public authority customer numbers.

39. On page 13 of his testimony, Mr. Waller states that the aggregate amount of direct O&M for Kentucky and the Division's general office O&M allocated to Kentucky amounts to $15,016,786 for the base period. In this regard, please provide the following information:

    a. Provide a monthly base period breakout of this aggregate dollar amount of $15,016,786, also indicating which monthly expenses are actual and which are budgeted.
    b. Provide a similar monthly base period breakout of this aggregate dollar amount showing actual monthly expenses through January 31, 2007 and budgeted monthly expenses for the remainder of the base period. In addition, show what the updated total aggregate base period expense amount is based on the reflection of actual expense data through January 2007.
    c. Provide the actual aggregate dollar amounts for the direct Kentucky O&M and the Division's general office O&M allocated to Kentucky (i.e., the aggregate O&M expenses exactly equivalent to the claimed base period expense amount of $15,016,786) for each of the calendar years 2005 and 2006. Provide this information on a total annual and monthly basis.

40. On page 16 of his testimony, Mr. Waller states that the aggregate amount of shared services O&M allocated to Kentucky amounts to $5,128,032 for the base period. In this regard, please provide the following information:

    a. Provide a monthly base period breakout of this aggregate dollar amount of $5,128,032, also indicating which monthly expenses are actual and which are budgeted.
    b. Provide a similar monthly base period breakout of this aggregate dollar amount showing actual monthly expenses through January 31, 2007 and budgeted monthly expenses for the remainder of the base period. In addition, show what the updated total aggregate base period expense amount is based on the reflection of actual expense data through January 2007.
    c. Provide the actual aggregate dollar amounts for the shared services expense allocated to Kentucky (i.e., the aggregate O&M expenses exactly equivalent to the claimed base period expense amount of $5,128,032) for each of the calendar years 2005 and 2006. Provide this information on a total annual and monthly basis.

41. Please provide an updated Schedule C-2.2 including actual monthly operating income data for the months of October through December 2006 and for the month of January 2007. In addition, update the total base period operating income numbers (in the last column) based on this updated monthly actual information.

42. Schedule C-2.1, sheets 2 through 10 of 10 show the Company's claimed base period and forecasted test period O&M expenses (i.e., the sum total of the Direct Kentucky O&M, the shared services O&M allocated to Kentucky and the Division's General Office O&M allocated to Kentucky) in total and by FERC account. Please provide schedules showing side-by-side comparisons of the equivalent actual O&M expenses (in total and *by FERC account*) for calendar years 2004, 2005 and 2006 as compared to the base period and forecasted period O&M expenses. In addition, provide explanations for any major variances in these annual O&M expenses.

43. With regard to Distribution Expenses – Operation shown on Schedule C-2.1, sheets 3 and 8 of 10, please provide the following information:

    a. Explain the reasons for the decrease in the forecasted test year Account 8700 expenses of $1,340,824 from the corresponding base period Account 8700 expense of $1,667,541.
    b. Explain the reasons for the increase in the forecasted test year Account 8740 expenses of $3,272,945 from the corresponding base period Account 8740 expense of $2,721,038.
    c. Explain the reasons for the increase in the forecasted test year Account 8810 expenses of $854,835 from the corresponding base period Account 8810 expense of $703,786.

44. With regard to the forecasted test year uncollectible expenses, please provide the following information:

    a. Mr. Smith references a margin related uncollectible amount for the forecasted test year of $185,313 on page 30 of his testimony. Does this mean that the forecasted test year margin revenues for residential, commercial and PA amounts to $185,313 / .50%, or $37,062,600? If not, explain how the $185,313 was derived.
    b. If the Company's proposal to recover the gas cost related uncollectible portion through the GCA, would it then be appropriate to reduce the forecasted period Account 9040 uncollectible expenses to be recognized for ratemaking purposes in this case from $1,007,867 to $185,313? If not, explain why not.

45. For each of the fiscal years 2003, 2004, 2005 and 2006 (all actual data) and for the base period and forecasted test year, please provide the following information regarding uncollectible data:

    a. Reserve account balance at beginning of year.
    b. Charges to the reserve account.
    c. Credits to the reserve account.
    d. Current year provision
    e. Reserve account balance at end of year.
    f. Total revenues subject to uncollectibles (indicate customer class revenues, e.g., residential, commercial, public authority, etc.)

g. Percent of provision to total revenue (line d / line f)

46. Please explain the reasons for the decrease in the forecasted test year Account 9030 expenses of $401,092 from the corresponding base period Account 9030 expense of $873,027.

47. Please explain the reasons for the increase in the forecasted test year Account 9220 expenses of $8,008,458 from the corresponding base period Account 9220 expense of $6,690,891.

48. Please provide a detailed breakout of the forecasted test year Account 9230 – Outside Services Employed expenses of $82,267.

49. Please provide a detailed breakout of the forecasted test year Account 930.2 – Miscellaneous General Expenses of $56,049.

50. Please provide the following information:

    a. Detailed analysis of all of the charges booked in accounts 909 ($18,547), 910 ($10,973), 912 ($86,718) and 916 ($218). In addition, indicate which of these itemized charges are part of the $59,930 expenses listed in Schedule F-4.
    b. To the extent that the $59,930 expense amount on Schedule F-4 does not include promotional and institutional advertising expenses allocated to Kentucky from the SSU and the Division's General Office, please identify the forecasted test year promotional and institutional advertising expenses included in these allocated O&M expenses.

51. Please provide a listing, description (including account number) and dollar amount of all public relations and community relations expenses included in the above-the-line forecasted test year O&M expenses. This expense analysis should also include the public relations and community relations expenses included in the allocations to Kentucky from the SSU and General Office.

52. Please provide a description and the amount of any fines and penalty expenses (direct Kentucky as well as allocated from the SSU and General Office) that are included in the above-the-line forecasted test year expenses.

53. With regard to AGA dues, please provide the following information:

    a. Total AGA dues included in the forecasted test year expenses. These dues should include the dues paid by Kentucky, as well as any dues allocated to Kentucky from the SSU and General Office. In addition, explain whether 100% of these expenses are booked above-the-line or whether a portion of them are booked below-the-line, and explain the reason for this below-the-line portion.
    b. Please provide the latest available percentage breakout with regard to the activities performed by the American Gas Association.

c. Provide a copy of the latest American Gas Association document that includes detailed descriptions of the nature and purpose of each of the functional areas to be provided in response to part b above.

54. Schedule F-2.1, page 2 shows total charitable contributions of $160,706 that the Company claims are not included in above-the-line O&M expenses. In this regard, please provide the following information:

    a. Are these expenses that are booked below-the-line in the Company's budgeting process or are these expenses that are booked above-the-line by the Company but have been removed specifically for ratemaking purposes in this case. If the latter, through what process and where in the filing schedules were these expenses removed?
    b. If any other expenses that can be considered contributions are included in the above-the-line forecasted test year O&M expenses, including in the expenses allocated to Kentucky from the SSU and General Office, please identify, list and quantify these contribution expenses.

55. Schedule F-1, pages 4 – 6 shows forecasted test year dues of $82,960 that are characterized as social and club dues. In this regard, please provide the following information:

    a. Is the entire amount of $82,960 booked as above-the-line O&M expense? If so, explain in which account(s) these expenses are recorded.
    b. To the extent that this $82,960 does not include dues allocated to Kentucky from SSU and the General Office, please identify, list and quantify all such allocated dues included in the above-the-line forecasted test year O&M expenses.
    c. $36,167 out of the $82,960 is for numerous chamber of commerce dues. Please explain why it is appropriate to have the ratepayers pay for such dues.
    d. Please provide the nature and purpose of the dues on the following lines on Schedule F-1, pages 4-6: 2, 3, 6, 8, 14-18, 26, 27, 29, 30, 35, 36, 41, 42, 47, 50-52, 55, 57 and 58.

56. With regard to Service Awards/Employee Awards, please provide the following information:

    a. In the same format and detail as per the Company's response to AG-2-16(c) in Case No. 2005-00057, please provide a detailed breakout and description of the service award expenses included in the above-the-line forecasted test year O&M expenses. To the extent that the expenses allocated to Kentucky from the SSU and General Office include service award expenses, please include a similar breakout, description, and quantification of these service award expenses.
    b. Schedule F-2.3 shows that the forecasted test year includes $72,474 for employee award expenses. Please provide the following information regarding these expenses:

1) Are these expenses above-the-line O&M expenses and do they include award expenses allocated to Kentucky by the SSU and General Office? If not, provide these forecasted test year above-the-line allocated award expenses.
2) If these expenses of $72,474 are different from the service award expenses to be provided in the response to part a above, provide a detailed breakout and description of these employee award expenses.

57. With regard to employee party, outing and gift expenses, please provide the following information:

a. Provide a detailed listing, description and quantification of all employee party, outing and gift expenses included in the above-the-line forecasted test year O&M expenses. This should include any of these expenses allocated to Kentucky from the SSU and General Office.
b. Schedule F-2.3 shows that the forecasted test year includes $12,040 for employee activity expenses. Please provide the following information regarding these expenses:
   1) Are these expenses above-the-line O&M expenses and do they include expenses allocated to Kentucky by the SSU and General Office? If not, provide these forecasted test year above-the-line allocated employee activity expenses.
   2) If these expenses of $12,040 are different from the employee party, outing and gift expenses to be provided in the response to part a above, provide a detailed breakout and description of these employee activity expenses.

58. Schedule F-7 shows that the forecasted test year includes $88,190 for Political Activities expenses. In this regard, please provide the following information:

a. Are these expenses included in the forecasted test year above-the-line O&M expenses? If so, provide a detailed listing, description and dollar amount breakout for each all items making up this expense amount of $88,190.
b. Do these expenses include political activity expenses allocated to Kentucky from the SSU and General Office? If not, provide a detailed listing, description and quantification of all political activity expenses allocated to Kentucky's above-the-line forecasted test year O&M expenses.
c. Provide a listing, description and quantification of any other lobbying type expenses other than the expenses to be provided in the responses to parts a and b above that are included in the above-the-line forecasted test year O&M expenses.
d. To the extent not included in the responses to parts a, b, and c above, provide a breakout, description and quantification of all forecasted test year Governmental Services Department expenses for Kentucky and included in the allocations from the SSU and General Office.
e. To the extent not included in the responses to parts a, b, c, and d, provide a breakout, description and quantification of all direct Kentucky and SSU/General Office-allocated forecasted test year expenses (salaries and all associated

overheads) associated with employees responsible for governmental affairs and lobbying functions.

59. With regard to the $100,000 expense amount shown on Schedule F-8, please provide the following information:

    a. Provide a listing, description and dollar amount breakout of all of the items making up this $100,000, as well as the reason for disallowing these expenses.
    b. To the extent that this $100,000 does not include similar expense items included in the SSU and General Office expense allocations, provide a listing and quantification of these allocated expenses.

60. With regard to the professional service expenses for the forecasted test year of $420,422 shown on Schedule F-5, please provide the following information:

    a. Detailed listing, description (including account number) and dollar breakout of all professional service items making up the $420,422. In addition, indicate which of these professional service expenses make up the Account 923 – Outside Services Employed forecasted test year amount of $82,267.
    b. Equivalent actual professional service expenses for each of the years 2004, 2005 and 2006.

61. With regard to the rate case expenses shown on Schedule F-6, please provide the following information:

    a. Actual rate case expenses incurred in the Company's prior rate case, in total and broken out by similar components as shown on Schedule F-6.
    b. Basis for the projected expense amount of $370,000.
    c. Actual expenses incurred to date for the current case, in total and broken out by similar components as shown on Schedule F-6.
    d. Where is the 3-year amortization amount of $123,333 ($370,000/3) reflected for the forecasted test year in the O&M filing schedules and in which O&M expense account?

62. With regard to incentive compensation programs offered to the employees of the Kentucky Division and the SSU and General Office Divisions, please provide the following information:

    a. Management summary of the various types of incentive compensation programs offered by the Company to its employees. For each separate incentive compensation program offered, this management summary should include descriptions of the type and level and employees that may participate in the program, as well as the type of performance goals that must be achieved in order to receive incentive compensation from the particular program.
    b. Copies of all internal Company documents describing each of the incentive compensation programs offered by the Company to its employees.

c. Actual incentive compensation expenses included in the forecasted test year. Please present these incentive compensation expenses as follows: (1) Kentucky Direct expenses, in total and broken out by incentive compensation program, as well as an indication of what portion of these expenses is charged to the forecasted test year O&M expense; and (2) Allocated expenses from the SSU and General Office, in total and broken out by incentive compensation program, as well as an indication of what portion of these expenses is charged to the forecasted test year O&M expense.
d. In the same format as per the response to part c above, provide the actual incentive compensation expenses booked for Kentucky Direct and allocated from the SSU and General Office in 2004, 2005 and 2006.
e. Percentage of incentive compensation expenses claimed in this case that is a function of reaching financial performance goals. In addition, describe these financial performance goals.

63. Please provide worksheets showing the above-the-line forecasted test year expenses (charged to O&M) allocated from the SSU to Kentucky for ratemaking purposes in this case. Provide these O&M expenses in total and by detailed functional type of expense. In addition, identify and quantify the following type of expenses included in these allocated test year expenses:

a. Promotional and institutional advertising.
b. Charitable contributions.
c. Lobbying and governmental affairs.
d. Public relations and community relations.
e. Service awards, party, outing and gift expenses.
f. Incentive compensation expenses.

64. Please provide worksheets showing the above-the-line forecasted test year expenses (charged to O&M) allocated from the General Office Division to Kentucky for ratemaking purposes in this case. Provide these O&M expenses in total and by detailed functional type of expense. In addition, identify and quantify the following type of expenses included in these allocated test year expenses:

a. Promotional and institutional advertising.
b. Charitable contributions.
c. Lobbying and governmental affairs.
d. Public relations and community relations.
e. Service awards, party, outing and gift expenses.
f. Incentive compensation expenses.

65. Please reconcile the statements made on page 14 of Mr. Waller's testimony that ..."total labor is projected to increase 2.9%, or $345,550 from the base period to the test period," and that the ..."labor expense [is] forecasted to increase $463,928 from the base period to the test period."

66. Please expand the response to data request PSC-1-20 in this case by providing actual employee data for the months of October 2006 through January 2007.

67. If the payroll and benefit information shown on Schedule G-2 only includes data for the Kentucky Division, please provide the same type of information from 2002 through the forecasted period for the payroll, benefit and employee levels included in the allocations to Kentucky from the SSU and the General Office.

68. Provide the reason for the $446,394 decrease in Executive Other Allowances and Compensation from the base period to the forecasted period, as shown on Schedule G-3.

69. The actual average ratio of overtime hours to straight-time hours for the most recent 5 fiscal year period 2002-2006 shown on Schedule G-2 amounts to 2.055%. In this regard, please provide the following information:

    a. What is the equivalent actual ratio for calendar year 2006?
    b. What is the equivalent ratio for the base period based on actual data through 12/31/06 and budgeted data for the first 3 months in 2007?
    c. What is the basis for the proposed use of a ratio of 3.286% for the forecasted test year?
    d. What is the ratio in the approved FY07 budget?
    e. What is the ratio in the FY08 budget?

70. The actual average labor O&M expense ratio for the most recent 5 fiscal year period 2002-2006 shown on Schedule G-2 amounts to 42.013%. In this regard, please provide the following information:

    a. What is the equivalent actual labor O&M expense ratio for calendar year 2006?
    b. What is the equivalent ratio for the base period based on actual data through 12/31/06 and budgeted data for the first 3 months in 2007?
    c. What is the basis for the proposed use of a ratio of 49.953% for the forecasted test year?
    d. What is the ratio in the approved FY07 budget?
    e. What is the ratio in the FY08 budget?

71. Please provide the actual number of vacant employee positions in each of the fiscal years 2004, 2005, 2006, and for calendar year 2006 as compared to the vacant positions implicit in the proposed payroll numbers for the base period and forecasted test period.

72. At the top of page 15 of his testimony, Mr. Waller states that the "test period benefit expense of $2,570,636 is $160,924 higher than the base period." Please reconcile this data to the employee benefit information for the base period and test period shown on Schedule G-1, showing total benefit expenses in the range of $5.3-$5.6 million and increased benefit expenses of $350,751.

73. The actual average employee benefit O&M expense ratio for the most recent 5 fiscal year period 2002-2006 shown on Schedule G-2 amounts to 41.19%. In this regard, please provide the following information:

    a. What is the equivalent actual employee benefit O&M expense ratio for calendar year 2006?
    b. What is the equivalent ratio for the base period based on actual data through 12/31/06 and budgeted data for the first 3 months in 2007?
    c. What is the basis for the proposed use of a ratio of 45.880% for the forecasted test year?
    d. What is the ratio in the approved FY07 budget?
    e. What is the ratio in the FY08 budget?

74. The actual average payroll tax O&M expense ratio for the most recent 5 fiscal year period 2002-2006 shown on Schedule G-2 amounts to 40.194%. In this regard, please provide the following information:

    a. What is the equivalent actual payroll tax O&M expense ratio for calendar year 2006?
    b. What is the equivalent ratio for the base period based on actual data through 12/31/06 and budgeted data for the first 3 months in 2007?
    c. What is the basis for the proposed use of a ratio of 45.880% for the forecasted test year?
    d. What is the ratio in the approved FY07 budget?
    e. What is the ratio in the FY08 budget?

75. For each of the employee benefit items shown on Schedule G-1, provide the equivalent actual expenses for each of the fiscal years 2002-2006 and for the base period based on 9 months of actual and 3 months of budgeted results.

76. With regard to each of the employee benefit expenses shown on Schedule G-1, please provide the following information:

    a. Basis for the expenses listed for the base period and the forecasted period.
    b. Detailed explanation for the $255,576 increase in the employee insurance plans, as well as actual source documentation in support of the increase.
    c. Source documentation in support of each of the forecasted test period employee benefit expenses, including actuary reports for claimed pension and FAS 106, documentation from insurance carriers, etc.

77. On page 2, paragraph 6 of the application, the Company states that the requested rate increase increases the average residential monthly bill by $3.90, or 5.6%. Please reconcile this to the information shown on FR10(10)(n), which indicates that the requested rate increase increases the average residential monthly bill by $3.96, or 6.35%.

78. Please reconcile the rate increase amount of $10,405,936 referenced on page 2 of the application to the rate increase amount of $10,409,950 shown on Schedule A.

79. Please provide the dates of the Company's most recent 5 general base rate proceedings, as well as the actual expenses associated with each of these 5 rate cases.

80. Please provide the Company's estimate of the costs associated with each of the annual filings under the proposed Customer Rate Stabilization process. These estimated costs should include the cost of preparing all financial schedules, the efforts involved in the review process by the PSC and AG, the implementation of the new rates, and all miscellaneous charges (notices, advertising, legal, etc.)

81. On tariff sheet 42.2, the statement is made that the financial schedules to be filed under the CRS mechanism "shall identify the rate adjustments necessary for both a true-up of revenue for the Evaluation Period and the setting of prospective rates for the Rate Effective Period.

    In the determination of whether the Company's earnings during the <u>Evaluation Period</u> exceed or are below the latest allowed return on common equity (for true-up purposes), is it the Company's intention to compare its latest authorized common equity rate to the *actual unadjusted achieved Evaluation Period common equity rate that has only been adjusted by the removal of expenses and investments that were disallowed for ratemaking purposes by the Commission in the Company's most recent rate case?* For example, in determining the realized return on equity during the Evaluation Period for true-up purposes, will the Company use actual 13-month average rate base components, adjusted to remove the PSC assessment fee prepayments , assuming that the rates set for this same Evaluation Period were based on these ratemaking principles? And in determining the realized return on equity during the Evaluation Period, will the Company use the actual "as it falls" operating income for the Evaluation Period, adjusted only for the removal of items that were disallowed by the PSC in setting the rates for this Evaluation Period (such adjustments could, for example, include the removal of certain incentive compensation expenses, donations, promotional and institutional advertising expenses, lobbying expenses, etc.)?

    Or is it the Company's intention -- in the determination as to whether the Company's earnings during the Evaluation Period exceed or are below the latest allowed return on common equity (for true-up purposes) -- to compare its latest authorized common equity rate to the *pro forma adjusted achieved Evaluation Period common equity rate* that has been adjusted for normalization and annualization adjustments. For example, in this evaluation process, will the Company use a "year-end" rate base or a rate base that includes post-Evaluation Period capital additions? And will the Company adjust the actual Evaluation Period operating income to include pro forma normalization and annualization adjustments, and any other forward-looking adjustments? For example, if the Evaluation Period is, say, calendar year 2006 and the Company had a wage increase in October 2006 and another wage increase in May of 2007, will the Company adjust the actual Evaluation Period operating income by annualizing the October 2006 wage increase and by reflecting the annualized impact of the May 2007 wage increase? And, as another example, will the Company make an adjustment to weather-normalize the actual Evaluation Period operating results?

Please provide detailed comments on all of the questions raised above.

82. Assume that the Rate Effective Period under the proposed CRS mechanism runs from May 1, 2007 through April, 2008. Please provide the following clarifications:

    a. Under the Company's proposal, how exactly would it determine the rate base used to set rates for the rate effective period? For example, is the rate base based on the 13-month average rate base balances budgeted for May 1, 2007 through April 2008, plus another 6 months worth of capital additions? If not, please explain.
    b. Under the Company's proposal, how exactly would it determine the operating income used to set rates for the rate effective period? For example, would the Company use the actual Evaluation Period's operating income as the starting point and then make pro forma adjustments to this starting point to make the operating income representative of what can be expected in the Rate Effective Period?
    c. Under the Company's proposal, how exactly would it determine the capital structure and debt cost rates used to set rated for the rate effective period?

83. As part of the proposed CRS mechanism, the Company is proposing to increase utility plant for the Rate Effective Period to reflect six months of budgeted capital additions. In this regard, please provide the following clarifications:

    a. Provide additional clarifications as to what this means. For example, is the Company proposing to reflect an additional six months worth of post-Rate Effective Period budgeted capital additions? Please explain.
    b. Why is it appropriate to reflect six months of budgeted capital additions for utility plant without a matching proposal to similarly reflect six months worth of growth in the embedded depreciation reserve, customer advances and accumulated deferred income tax balances?

84. As part of the proposed CRS mechanism, the Company is proposing a 45-day review period for the Commission and the Office of the Attorney General. How does the Company envision this review process to be structured so that interested parties such as the PSC and AG would have sufficient time and opportunity to perform a thorough review of these annual filings?

85. Please provide a detailed listing, description and quantification of the following expenses included in the above-the-line forecasted test year O&M expenses of Atmos – Kentucky. These expenses should include direct Kentucky expenses as well as expenses allocated from the SSU and General Office:

    a. Travel expenses

b. Meals and Entertainment expenses
c. Expenses related to alcohol
d. Lodging expenses
e. Employee welfare expenses.

86. If the above-the-line forecasted test year O&M expenses include expenses associated with the acquisition of TXU Gas by Atmos, please provide the following information:

    a. Detailed description of the type of allocated acquisition-related expenses included in this case, as well as a dollar breakout of these allocated expenses.
    b. Reasons why the Company believes that these allocated expenses should be charged to the Kentucky ratepayers.

II. DEPRECIATION

General

87. Please provide copies of all workpapers underlying Exhibits DSR-3 and DSR-4 (Depreciation Studies), in hard copy or, when available, in electronic format with all formulae intact.

88. Please provide all information obtained by Mr. Roff, and/or Depreciation Specialty Resources from Company operating personnel, and separately, financial management personnel, relative to current operations and future expectations in the preparation of the Depreciation Studies. Please include any information provided to Mr. Roff during the evaluation phase of each study (Roff testimony, pages 7-8) and all notes taken during any meetings with Company personnel regarding these studies. Identify by name and title, all Atmos personnel who provided the information, and explain the extent of their participation and the information they provided.

89. Please identify all plant tours taken during the preparation of the Depreciation Studies.
    a. Identify those in attendance and their titles and job descriptions.
    b. Provide all conversation notes taken during the tour.
    c. Provide all photographs and images taken during the tour.

90. Please provide all internal and external audit reports, management letters, consultants' reports etc. from 2001-2006, inclusive, which address in any way, the Company's property accounting and/or depreciation practices.

91. Provide copies of all Board of Director's minutes and internal management meeting minutes from 2001-2006, inclusive, in which the subject of the Company's depreciation rates or retirement unit costs were discussed.

92. Provide copies of all internal correspondence from 2001-2006, inclusive, which deals in any way with the Company's retirement unit costs, gas and/or common depreciation rates, and/or the Depreciation Studies.

93. Provide copies of all external correspondence from 2001-2006, inclusive, including correspondence with Mr. Roff and/or Depreciation Specialty Resources, which deals in any way with the Company's retirement unit costs, gas depreciation rates, and/or the Depreciation Studies.

94. Provide copies of all industry statistics available to Mr. Roff and/or Atmos relating to gas company depreciation rates. Also, identify all industry statistics upon which Mr. Roff or the Company relied in formulating the depreciation proposals.

95. Which accounting method is reflected in the life studies; "location-life" or "cradle-to-grave"?

96. What is the impact of the accounting method used, i.e., "location-life or "cradle-to-grave" on the lives calculated in the Depreciation Studies?

97. Provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.

98. Provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.

99. Provide a copy of the Company's current capitalization policy. If the policy has changed at all since 2000, provide a copy of all prior policies in effect during any portion of that period.

100. Identify and explain all changes since the last depreciation studies which might affect depreciation rates.

101. Please provide the most recent Asset Management Plan for Atmos.

Data

102. Provide on diskette or CD all tabulations included in the Depreciation Studies and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of the Depreciation Studies. Provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Provide any record layouts necessary to interpret the data. Include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the Depreciation Studies, with all formulae intact.

103. For ***each*** plant account, and for each year since the inception of the account up to and including 2005 (2006 for the SSU assets), provide the following standard depreciation study data as identified at pages 30-33 of the August 1996 NARUC Public Utility Depreciation Practices Manual ("NARUC Manual"). Provide the data in electronic format (Excel or .txt). Provide aged vintage data if available. Use the codes identified

for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company's coding system.

Code	**Data Type**
9	Addition
0	Ordinary Retirement
1	Reimbursement
2	Sale
3	Transfer – In
4	Transfer – Out
5	Acquisition
6	Adjustment
7	Final retirement of life span property (see NARUC Manual, Chapter X)
8	Balance at Study Date
	Initial Balance of Installation

104. If the depreciation study data provided in response to the preceding question is not the exact set of data used for the Depreciation Studies submitted in this case, explain all differences and reconcile the amounts provided to those used in the Depreciation Studies.

105. If not provided elsewhere, provide the cost of removal and gross salvage data used in the Depreciation Studies' net salvage analyses. If this data differs from that reflected on the Company's books, explain the differences and provide a reconciliation. Provide this data in electronic (Excel or .txt) format.

106. Provide the following annual accumulated depreciation amounts for ***all*** plant accounts for the last 10 years (up to, and including, 2006). If the requested data is not available for the last 10 years, provide the data for as many years as are available. Provide data in both hard copy and electronic format (Excel or .txt).
    a. Beginning and ending reserve balances,
    b. Annual depreciation expense,
    c. Annual retirements,
    d. Annual cost of removal and gross salvage,
    e. Annual third party reimbursements.

107. Provide a summary of annual maintenance expense by USOA account (for all accounts) for the last 20 years. If the requested data is not available for the last 20 years, provide the data for as many years as are available. Provide data in both hard copy and electronic format.

108. Explain what consideration, if any, was given to annual maintenance expense data in Mr. Roff's estimation of service lives, dispersion patterns and net salvage.

109. Please provide a comparison of the annual cost of removal and gross salvage amounts shown on the Company's federal tax returns with the corresponding book amounts, for the last 5 years. Provide the annual deferred tax expense associated with each of the differences. Also, provide the beginning and ending accumulated deferred tax balances and state whether they are rate base additions or rate base deductions.

Depreciation Rate Calculations

110. If not provided elsewhere, provide the calculation of the proposed depreciation rates in electronic format (Excel) with all formulae intact.

111. Does the Company maintain its book reserve by plant account? If not, explain why not.

112. If the Company does not maintain its book reserve by plant account, provide the calculation of the 2005 and 2006 recorded reserves used to calculate the rates shown in the Depreciation Studies.

113. If not provided elsewhere, provide all remaining life calculations resulting from the Depreciation Studies both in hard copy and in electronic format with all formulae intact.

Net Salvage

114. If not provided elsewhere, please provide electronic (Excel) versions of each net salvage study prepared for the Depreciation Studies, with all formulae intact.

115. If not provided elsewhere, provide on diskette or CD all workpapers supporting terminal net salvage (decommissioning) estimates for each account for which terminal net salvage is a factor. Include all calculations in electronic format (Excel), with all formulae intact.

116. Refer to each net salvage study prepared for the Depreciation Studies. For each of the five years ending 2005 (2006 for SSU plant) explain whether it was normal or abnormal and why.

117. Explain, and provide examples of, the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.

118. Were any retirements, classified as sales or reimbursements, excluded from the life studies? If yes, were the retirements and related gross salvage and cost of removal also excluded from the net salvage studies?

119. Explain the Company's procedures for gross salvage and cost of removal for each plant account. Also, explain how cost of removal relating to replacements is allocated between

cost of removal and new additions. Provide copies of actual source documents showing this allocation.

120. Does Atmos agree that, in the case of a replacement, Atmos has control over how much of the cost of the replacement is assigned to the retirement as cost of removal, and how much is capitalized to plant-in-service? Explain the answer fully.

121. Provide all manuals, guidelines, memoranda or other documentation that deal with the Company's policies on the assignment of capital costs and net salvage with regard to the replacement of retired plant. Also, provide a sample workorder for a replacement project, showing these cost assignments.

122. Provide narrative explanations of the Company's aging and pricing procedures.

123. Identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Provide the basis for these expectations.

124. Please provide the Company's construction and capital budgets for the years 2007-2011 inclusive. Please identify all retirements, replacements, new additions and cost of removal reflected in these budgets. Please provide by account where available and explain how the cost estimates are derived for these items.

125. Explain how the Company accounts for third party reimbursements and how they are reflected in the Depreciation Studies.

126. If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?

127. Do Mr. Roff's net salvage estimates for mass property accounts incorporate inflation expected to be incurred in the future? If yes, provide the net present value of all of these ratios.

128. Is it correct that Mr. Roff's mass property net salvage estimates project past inflation into the future net salvage estimate? If not, explain why not.

<u>Service Lives</u>

129. If not provided in the workpapers, provide the retirement rate analysis ranking of best-fit life/curve combinations for each account.

130. For any accounts where Mr. Roff did not base his service life/curve selection on the results of his retirement rate analysis, explain why he did not. Also, explain in detail how those service live/curve combinations were selected.

131. Provide copies of any and all actuarial and semi-actuarial studies prepared by the Company since the last depreciation study.

132. Identify and explain all Company programs which might affect plant lives.

133. Provide all internal life extension studies prepared for or by the Company since January 1, 2000. Life extension refers to any program, maintenance or capital, designed to extend lives and/or increase capacity of existing plant. Identify the functions to which these studies relate.

134. Provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, provide the data for as many years as are available.
    a. Date of retirement
    b. Amount of retirement
    c. Account
    d. Reason for retirement
    e. Whether or not retirement was excluded from historical interim retirement rate studies.

Account Specific

135. Please refer to page 11, lines 16-22 of Mr. Roff's testimony.
    a. Why has Atmos not depreciated production plant in the past?
    b. Provide all support relied upon in proposing depreciation for this plant at this time.
    c. If not provided elsewhere, provide all workpapers underlying and supporting the derivation of the 50 year life for these accounts.
    d. Please list all other Kentucky gas companies that depreciate these accounts.

136. Please refer to page 12, lines 1-6 of Mr. Roff's testimony.
    a. Was the initial decision to include cushion gas in depreciable rate base Mr. Roff's, or an Atmos employee's? If it was the decision of an Atmos employee, please provide the name and position of that employee.
    b. Explain fully why Mr. Roff and/or Atmos believes cushion gas should be depreciated. Provide any and all documents Mr. Roff and/or Atmos relied upon as support for the inclusion of cushion gas in depreciable plant.
    c. List all other jurisdictions of which Mr. Roff and/or Atmos are aware, that allow the depreciation of cushion gas, and cite to the Orders or Decisions allowing this depreciation.
    d. Has Atmos made any prior attempts to include cushion gas in its depreciable rate base in Kentucky? If yes, please provide the results of those attempts, including any orders or decisions addressing the matter.
    e. Has Atmos made any prior attempts to include cushion gas in its depreciable rate base in any other jurisdictions? If yes, please provide the results of those attempts, including any orders or decisions addressing the matter.

137. Please refer to Exhibit DSR-4, page 12. Mr. Roff states, "The annual depreciation expense increase is $3,217,244, and is primarily due to reserve position." On page 13 he states, "Because remaining life rates are recommended (consistent with the existing rates), a theoretical comparison of the accumulated provision for depreciation with the calculated theoretical reserve at September 30, 2006, is not meaningful, and no comparison is presented. This is because the only way a reserve difference can exist is through the use of whole life rates." Please reconcile these two statements.

138. Provide all manuals, guidelines, memoranda or other documentation that deal with the Company's policies with regard to the physical removal of retired mains and, separately, services from the ground as opposed to capping these pipes and leaving them in place.

139. Explain the process by which the labor associated with Mains and Services replacement projects is split between the new asset and cost of removal.

140. Provide a summary of the last 20 years of Mains and Services additions. Identify on a year-by-year basis the new additions vs. replacement additions. Explain any anticipated changes to these proportions.

141. Provide a summary of all Main and Service Replacement projects during 2005. Separately identify all major costs, including the removal of the existing Main and/or Service.

142. Provide a narrative explanation of a typical Main and Service replacement project.

143. Identify all Main and Service additions during 2005, and indicate whether they were replacements, new additions or other. Explain the "other" category.

144. Provide a sample work order showing the retirement of a gas main.

Existing Rates

145. Provide a copy of the Company's most recent prior depreciation studies and the Order(s) establishing the present deprecation rates. Include both the study for Kentucky plant and the 2002 SSU study Mr. Roff mentions on page 14 of this testimony.

146. At page 14 of his study, Mr. Roff mentions that the SSU rates he proposed in his 2002 study were accepted in Louisiana, Texas and Virginia.
    a. Please provide the orders accepting the SSU rates for those jurisdictions.
    b. Did Atmos attempt to have those rates approved for the Kentucky jurisdiction? If not, please explain why not. If yes, please provide the order or decision addressing that attempt.
    c. If the existing SSU rates are not the result of the 2002 study, please provide the source for those rates.

147. Please provide the current depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

148. Please explain any changes in procedures, methods or techniques used to calculate the existing depreciation rates and those used to calculate the rates proposed in the Depreciation Studies.

149. Provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Provide additional explanations of the "other changes."

FERC Form 2 Reports and Audits

150. Provide the Company's FERC Form 2 reports for the years 2002 - 2006.

151. Reconcile the plant and reserve balances used to calculate the rates in the Depreciation Studies with the plant balances shown in the Company's FERC Form 2 report for the same years.

152. Provide all FERC audit reports and the Company's responses thereto during the last 10 years.

FERC Depreciation Rates

153. Provide depreciation studies submitted to FERC during the last 10 years and all related correspondence including any approvals and disapprovals.

154. Identify and provide the parameters, methods, procedures and techniques that underlie the depreciation rates the Company uses for FERC reporting and ratemaking versus those used for intrastate reporting and ratemaking. Also, provide a comparison of the actual calculation of the depreciation rates used for FERC ratemaking and reporting versus those used for intrastate ratemaking and reporting.

155. Provide a comparison by plant account of the annual FERC versus intrastate depreciation rates for the last 30 years.

156. Provide copies of all correspondence between the Company and the FERC concerning any life extension plan or maintenance program, or any request to treat retirement units or minor items of property differently than as prescribed by the FERC USOA.

SFAS No. 143, FERC Order No. 631 and FIN 47

157. Provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143, the FERC NOPR and Order No. 631 in RM-02-7-000, and FIN 47.

158. Provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143, FIN 47 and the FERC NOPR and Order 631 in RM02-7-000:
    a. External auditors and other public accounting firms.
    b. Consultants
    c. External counsel
    d. Federal and State regulatory agencies
    e. Internal Revenue Service

159. Regarding FASB Statement No. 143, FIN 47, and the FERC NOPR and Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, identify any and all "legal obligations" associated with the retirement of the assets contained in the account

that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, please use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."

160. For any asset retirement obligations identified above, provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Provide all assumptions and calculations underlying these amounts.

161. Provide the "credit adjusted risk free rate" used for any and all ARO calculations under FASB Statement No. 143, FIN 47, and FERC Order No. 631 calculations to date.

162. Provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's gas plant and/or SSU plant depreciation rates; retirement unit costs; SFAS No. 143; FIN 47; and, FERC RM02-7-000.

163. Provide the accounting entries (debits and credits) used to implement SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Provide all these workpapers and calculations in electronic format (Excel) with all formulae intact. Please include the workpapers supporting the reclassification of "$15.1 million from regulatory cost of removal liability to asset retirement obligation" as discussed on page 74 of Atmos's September 30, 2006 Form 10K, along with the accounting entries relating to this reclassification.

164. What impact, if any, did the application of FIN 47 have upon the proposed depreciation rates and expense in this rate case? Provide all workpapers supporting the answer. If it had no impact, please explain why not.

165. Please refer to page 74 of Atmos's September 30, 2006 Form 10K, where it states, "The related cost of removal accrual is reflected as a regulatory liability on the consolidated balance sheet. At the time property, plant and equipment is retired, removal expenses less salvage, are charged to the regulatory cost of removal accrual."

   a. Is this statement referring to the regulatory cost of removal obligation of $261,376 thousand (2006) and $263,424 thousand (2005) shown on pages 120 and 121 of the Form 10K? If not, please provide the amounts this statement refers to.
   b. Please provide the workpapers supporting the calculation of the $261,376 thousand (2006) and $263,424 thousand (2005) regulatory cost of removal obligations shown on pages 120 and 121 of the Form 10K. Please provide these workpapers in electronic format (Excel), with all formulae intact.
   c. Provide a calculation, by account, of how much of these amounts relate to Atmos's Kentucky Properties, and separately, how much relate to the SSU

properties. Provide all workpapers supporting these calculations, in electronic format (Excel), with all formulae intact.

d. Provide an analysis of the regulatory liability for cost of removal since inception identifying and explaining each debit and credit entry and amount.

166. Provide Atmos's projection of the annual year-end balance in the regulatory liability for cost of removal, for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is available. If this projection has not been made, explain why not.

   a. Provide the amounts as they relate to Kentucky properties and the SSU properties.
   b. For this projection assume that all of Atmos's proposed depreciation rates are approved as requested. Provide in hard copy and in electronic format with all formulae intact.
   c. Explain all assumptions used to make this projection.

167. With respect to the Regulatory Liability relating to cost of removal which Atmos reclassified out of accumulated depreciation:

   a. Does Atmos agree that this constitutes a regulatory liability for regulatory purposes in Kentucky and for FERC purposes? If not, explain why not.
   b. Does Atmos agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?
   c. Explain the repayment provisions associated with this regulatory liability.
   d. Explain when Atmos expects to spend this money for cost of removal.
   e. Explain what Atmos has done with this money as Atmos has collected it. If you say that you have spent it on plant additions, please prove it.
   f. Identify and explain all other similar examples of Atmos's advance collections of estimated future costs for which it does not have a legal obligation.
   g. Does Atmos agree that the Kentucky Public Service Commission will never know whether or not Atmos will actually spend all of this money for cost of removal until and if Atmos goes out of business? If not, why not?
   h. Does Atmos believe that amounts recoded in accumulated depreciation represent capital recovery? If not, why not?
   i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?

168. Please provide the calculation of the annual amount of future cost of removal and gross salvage incorporated into the Company's <u>existing</u> depreciation rates and <u>proposed</u> depreciation rates by account.

169. Are the amounts of cost of removal and gross salvage incorporated into the existing and proposed depreciation rates the same as they would have been in the absence of SFAS No. 143 and FIN 47? Please explain.

170. Are there any assets for which Atmos has determined it has a legal ARO under FIN 47 and/or SFAS No. 143, but has treated as a non-legal ARO in the Depreciation Studies? If so, please identify the accounts and the plant amounts.

171. Does Atmos promise to remove each asset for which it is collecting cost of removal and does it promise to spend all of the money it is collecting for cost of removal, on cost of removal? Please explain.

Energy Policy Act of 2005

172. Identify with specificity each section and paragraph of the "Energy Policy Act of 2005" which has or may have an impact upon, or relates to in any way, the following, by FERC USOA account.
    a. Plant lives
    b. Plant retirement patterns (Iowa Curves)
    c. Gross salvage
    d. Cost of removal
    e. Retirement units
    f. Accounting under FERC Uniform System of Accounts
    g. Accounting under GAAP
    h. Accounting under SEC rules
    i. Deferred tax and any tax credits
    j. Jurisdictional and class cost allocations

Revenue Requirement

173. Please refer to the direct testimony of Greg Waller, page 17, lines 19 and 22. Please provide a calculation of the depreciation expense amounts shown on those lines. Provide the calculation in Excel with all formulae intact, and show the plant balances and applicable depreciation rates used to calculate the expense amounts.

174. Please provide the amount of depreciation expense related to the SSU assets and allocated to Kentucky (Waller, p. 17). Also, provide the calculation of those amounts in Excel, with all formulae intact, showing plant balances, depreciation rates, the allocation factor used to allocate the expense to Kentucky, and a description of how that allocation factor is derived.

III. RATE DESIGN

175. Please provide a complete electronic copy of Mr. Uffelman's class cost of service study with all internal formulas intact.

176. Were any administrative and general expenses allocated to gas costs for recovery through the GCA mechanism? If so, please describe the method for doing so and the amount allocated.

177. Please quantify all costs included in the Company's revenue requirement that are associated with gas acquisition, transportation and storage, including G&A costs.

178. Please identify the categories of cost by account that are subject to the Gas Cost Adjustment.

179. Please provide all workpapers and calculations that were used to compute the current gas cost adjustment and weather normalization adjustment.

180. Please identify and provide copies of the Company's application(s) for the current gas cost adjustment and weather normalization adjustment.

181. Please identify and provide copies of the Commission orders that approved the present procedures used to calculate the gas cost adjustment and the weather normalization adjustment.

182. Please provide the zero-intercept study referred to on page 10 of Mr. Uffelman's testimony.

183. Has the Company implemented the "minimum size" methodology described by Mr. Uffelman on page 9 of his testimony? If not, please identify the historic unit cost of the minimum size main on the system and the total feet of main currently in the Company's Kentucky system.

184. Please identify and provide the Commission orders approving the zero-intercept methodology described by Mr. Uffelman on page 10 of his testimony.

185. Are firm carriage services included in the same classes as interruptible services? If so, why?

186. At page 12, lines 9 through 11, Mr. Uffelman states that interruptible and carriage service may be curtailed under peak load conditions. Does this statement apply to Rate T-4, Firm Carriage Service? If so, please explain why this service is characterized as "firm."

187. For the most recent winter season, please identify:
    a) The number of interruptions to interruptible customers,
    b) The duration of each interruption,
    c) The number and load of interruptible customers who actually curtailed their service during each interruption,
    d) The number and load of interruptible customers who failed to curtail their service during each interruption.

e) For purposes of this request, include both interruptible sales and interruptible carriage service as "interruptible."

188. Would the Company support or oppose separating gas costs from non-gas costs, with all of the former recovered through a Purchased Gas Charge and the latter through customer and energy Distribution Charges?

189. Please identify the proportion of gas costs recovered in base rates and the proportion recovered in the Gas Cost Adjustment during the four quarters of the base period.

190. Refer to page 2 of the CCOS study. Please confirm that "Winter Season as a % of Annual Use" should be "winter peak use as % of annual use." If so, please define the peak use period that is used for the percentages in line 2. If not, explain the very low percentages shown for the interruptible classes.

191. Why is gas stored underground considered a rate base item rather than a gas cost item? Provide any Commission order(s) that support this treatment?

192. Reference footnote 1, page 3 of the CCOS. Why are prepayments allocated on the basis of gross plant?

193. Reference page 5 of the CCOS: Do industrial, carriage and interruptible customers use services included in Account 380? If so, why are no service costs allocated to them?

194. Reference page 16 of the CCOS: In light of the fact that almost no gas is sold in the rate block over 15,000 Mcf, would the Company object to eliminating this block? If the Company would object, please explain fully.

195. Please refer to page 8 of Mr. Smith's testimony. Are the costs of the East Diamond storage field and contract interstate pipeline storage subject to the Gas Cost Adjustment, or are they in base rates?

196. How are the costs of Atmos's centralized gas purchasing services recovered? What was the amount of those costs during the historical base period and what are they expected to be in the forecast period?

197. Please provide the historical record of design day gas usage per customer by class of customer for the last five fiscal years, the current year and the forecast year.

198. Please provide the calculation of the Margin Loss Recovery Rider for the most recent three fiscal years and, if available, for the forecast year.

199. Please provide the calculation of the Weather Normalization Adjustment Riders for each month since the inception of the rider.

200. Please provide the calculation of the Gas Cost Adjustment Riders for the most recent four quarters.

201. Please provide the calculation of the Performance Based Rate Mechanism for each year since the inception of the mechanism.

202. Please provide the Company's original application for the Performance Based Rate Mechanism and all associated testimony and exhibits. Identify any differences between the mechanism proposed and the mechanism approved by the Commission. Also, identify and provide the Commission order approving this mechanism.

203. Please provide the calculation of the Demand-Side Management Cost Recovery Mechanism for each year since the inception of this program. Provide all supporting documentation that has been supplied to the Commission.

IV. COST OF CAPITAL

General Requests to Company

204. Please provide copies of all presentations made to rating agencies and/or investment firms between January 1, 2005 and the present.

205. Please provide copies of all prospectuses for any security issuances since January 1, 2005.

206. Please provide copies of all studies performed by the Company, or by consultants or investment firms hired by the Company, to assess (1) the Company's financial performance, (2) the performance of the Company relative to other utilities, or (3) the adequacy of the Company's return on equity or overall rate of return.

207. Please provide the Company's return on equity on a quarterly basis for the years 2004-2006 for the Company's seven regulated gas divisions: Louisiana Division, Mid-States Division, West Texas Division, Mid-Tex Division, Mississippi Valley Gas Company Division, Kentucky Division, and the Colorado-Kansas Division.

208. Please provide the Company's allowed return on equity for the years 2004-2006 for the Company's seven regulated gas divisions: Louisiana Division, Mid-States Division, West Texas Division, Mid-Tex Division, Mississippi Valley Gas Company Division, Kentucky Division, and the Colorado-Kansas Division. Please provide the case number date of the proceeding establishing the authorized return on equity.

209. Please provide copies of all correspondence between Atmos and the three major bond rating agencies (S&P, Reuters, and Fitch) from January 1, 2005 to the present. These include copies of letters, reports, presentations, emails, and notes from telephone conversations.

210. Please provide copies of all reports published by the three major credit rating agencies on Atmos since January 1, 2005.

Specific Requests to Donald Murray

211. Please provide a list of the publications of Donald Murray.

212. With respect to page 9, lines 14-21, please provide a copy of the current Blue Chip Financial Forecasts.

213. With respect to page 13, lines 1-22, please indicate what gas distribution companies covered by Value Line were excluded from the group comparable to Atmos, and the reason they were excluded.

214. With respect to page 14, lines 4-9, and Schedule DAM-5, please provide (a) an electronic version of all work papers used in developing the capital structure, (b) the company's actual capital structure as of the end of the test year, (c) a list of all assumptions and adjustments made to the actual capital structure in arriving at the recommended capital structure. For the electronic version (Microsoft Excel), please keep all data and equations intact.

215. With respect to page 15, lines 21-25, please provide (a) the Company's quarterly capitalization amounts and ratios, both including and excluding short-term debt, for the past three years. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

216. With respect to Schedule DAM-5, does the Company maintain a separate capital structure for its seven different regulated gas divisions? If so, please provide quarterly capitalization amounts and ratios, including and excluding short-term debt, for each division over the 2004-2006 period.

217. With respect to Schedule DAM-5, please provide the Company's use of short-term debt on a monthly basis for (a) the past year and (b) as projected for the future test year. Please specify the amounts outstanding and the interest rate charged. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

218. With respect to page 15, lines 21-25, please provide the Company's current cost of short-term debt and the methodology used to compute that rate. Please provide copies of all relevant documents indicating the methodology.

219. With respect to page 16, lines 17-23, please provide (a) an electronic copy of Schedule DAM-8, (b) all calculations involved in the determining the "Less Unamortized Debt Discount" and "Annualized Amortization of Debt Exp. & Debt Discount" (c) the issuance date for each issue, as well as methodology used to estimate the coupon rate for all projected financings, and (d) copies of the relevant work papers used in developing the

long-term debt cost rate. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

220. With respect to page 25, lines 17-25, please provide copies of all studies that provide empirical evidence that the DCF provides "no cushion so that the realized return will be sufficient to attract and maintain capital."

221. With respect to page 26, lines 13-20, please provide copies of all regulatory decisions in which any and all regulatory commission(s) has or have explicitly stated that it is applying adjustments "to compensate for the marginal cost nature of the DCF."

222. With respect to page 29, footnote 4, please provide a copy of the cited document.

223. With respect to page 30, footnotes 5 and 6, please provide a copy of the cited documents.

224. With respect to page 30, lines 12-23 and DAM-16 and DAM-17, please provide all data used in the study of dividend and dividend announcements. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

225. With respect to page 31, lines 21-22, please provide copies of all documents that (a) discuss how analysts use projected economic growth as a check on earnings' forecasts, and (b) demonstrate the relationship between projected economic growth and earnings' growth rate forecasts.

226. With respect to page 33, lines 1-9, and Schedules DAM-20 and DAM-21, please provide the theoretical and empirical justification for using 2000-02 to 2009-11 as the appropriate time period for measuring EPS growth in the DCF model.

227. With respect to page 36, footnote 10, please provide copies of all material from the Ibbotson Associates which are used in determining the size premium, including a copy of Chapter 7 of the cited document. This would include written discussions on the topic as well as data. With respect to the data, please provide raw company return and size data, and not just Ibbotson summary return data. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

228. With respect Schedules DAM-24 and DAM-25, for each of the CAPM analysis, please provide the following: (a) the source documents for the risk-free rate of 4.78%, (b) all data, assumptions, and methodology in arriving at the equity risk premiums of 7.10% in Schedule DAM-24, (c) all data, assumptions, and methodology employed in arriving at the size premiums in Schedule DAM-24, (d) all data, assumptions, and methodology employed in arriving at a Market Total Return in Schedule DAM-25, (e) all data, assumptions, and methodology employed in arriving at the Long-Term Corporate Bond Return in Schedule DAM-25, (f) all data, assumptions, and methodology employed in arriving at the Aaa Corporate Bond Return in Schedule DAM-25. Please provide the data

in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

229. With respect to page 38, lines 1-4, please provide (a) copies of all studies relied upon to determine that "the beta as a market measure of risk does not account for all of the risks associated with an individual common stock," and (b) copies of all studies performed comparing the investment risk of Atmos relative to the other gas companies.

230. With respect to page 41, lines 1-14, please provide (a) copies of all studies that support the use of After Tax Interest Coverage as a test for the allowed return on common equity, (b) all data, work papers, and calculations used in the theoretical Interest Coverage calculations for Atmos, and (c) all data, work papers, and calculations used in the actual Interest Coverage calculations for the comparable companies. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

231. Please provide electronic copies (Microsoft Excel) of all pages of the following Schedules, with all formulas and data intact: Schedules DMA-5, 6, 7, 8, 9, 10, 11, 12, 13,14,15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, and 29.

Specific Requests to Laurie M. Sherwood

232. Please provide electronic copies of the following items sponsored by Laurie M. Sherwood: FR 10(8)(c), FR 10 (9)(h)(11), FR 10(9)(u), and FR 10(10)(j). For the electronic version (Microsoft Excel), please keep all data and equations intact.

233. Please provide all work papers associated with the development of the following items sponsored by Laurie M. Sherwood: FR 10(8)(c), FR 10 (9)(h)(11), FR 10(9)(u), and FR 10(10)(j). Please provide the work papers in hard copy as well as electronic formats. For the electronic version (Microsoft Excel), please keep all data and equations intact.

234. With respect to page 4, lines 1-15, and FR 10(10)(j), please provide (a) the company's actual capital structure as of the end current fiscal year as well as the end of the test year, (b) a list of all assumptions, adjustments, and pro forma financings made to the actual capital structure in arriving at the recommended capital structure, (c) an electronic version of all work papers used in developing the capital structure. For the electronic version (Microsoft Excel), please keep all data and equations intact.

235. With respect to page 6, lines 1-8, please provide the Company's quarterly capitalization amounts and ratios, both including and excluding short-term debt, for the past three years. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

236. With respect to page 6, lines 9-22, please provide copies of all documents filed with the SEC in conjunction with debt and equity financings over the period from 2004 to the present.

237. Please provide copies of all presentations made by investment banking and/or consultants hired by the Company in association with financings over the period 2004 to the present.

238. Does the Company maintain a separate capital structure for its seven different regulated gas divisions? If so, please provide quarterly capitalization amounts and ratios, including and excluding short-term debt, for each division over the 2004-2006 period.

239. With respect to page 8, lines 1-12, please provide the Company's use of short-term debt on a monthly basis for (a) the past year and (b) as projected for the future test year. Please specify the amounts outstanding and the interest rate charged. Please provide the data in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.

240. With respect to page 15, lines 21-25, please provide the Company's current cost of short-term debt and the methodology used to compute that rate. Please provide copies of all relevant documents indicating the methodology.

241. With respect to Exhibits LMS-1,LMS-2, and LMS-3, please provide (a) an electronic copy of Exhibits LMS-1, LMS-2, and LMS-3, (b) all calculations involved in the determining the "Less Unamortized Debt Discount" and "Annualized Amortization of Debt Exp. & Debt Discount" (c) data, methodology, and assumptions used in determining the "End Int Rate for each bond issue," (d) copies of the relevant work papers used in developing the long-term debt cost rate and Exhibits LMS-1 and LMS-2, (e) copies of the relevant work papers used in developing the amount of short-term debt and the short-term debt cost rate, as well as Exhibits LMS-3. Please provide the data and work papers in both paper and electronic (Microsoft Excel) formats. For the electronic version, please keep all data and equations intact.