

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

THIRD DATA REQUEST OF COMMISSION STAFF  
TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation ("Atmos"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 13, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Refer to the response to the Staff's Second Request dated February 23, 2007 ("Staff's Second Request"), Item 2. Provide the earned return on rate base, return on capital and return on equity for Atmos's Kentucky Division for 2000 through

2006. If necessary use appropriate assumptions to develop jurisdictional rate base and capital.

2. Refer to the response to the Staff's Second Request, Item 4. Regarding the loss of customers as noted in response to Item 4(a), explain whether the general population in the regions served by Atmos's Kentucky Division has declined, increased or remained the same over this period of time according to the University of Louisville.

3. Refer to the response to the Staff's Second Request, Items 6(a) and 6(b).

a. Does the National Oceanic and Atmospheric Administration ("NOAA") publish annual data on normal billing cycle heating degree days ("NDD")? Explain the response.

b. Did Atmos rely solely on information available from the NOAA Web site to inquire about NDD data? Explain the response.

c. Did Atmos contact any NOAA office to determine whether annual NDD data was available for Atmos's use in the preparation of this rate case? Explain the response.

d. Was Atmos aware that in Case No. 2005-00042<sup>1</sup> NOAA NDD data was presented for periods other than the 30-year NOAA reports? Explain the response.

e. Was Atmos aware that in Case No. 2005-00042 the Commission approved a weather normalization adjustment that was based on NOAA NDD data for the period 1980-2004? Explain the response.

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<sup>1</sup> Case No. 2005-00042, An Adjustment of the Gas Rates of The Union Light, Heat and Power Company, final Order dated December 22, 2005, at 25-27.

4. Refer to the response to the Staff's Second Request, Item 7, where Atmos states that the Customer Rate Stabilization ("CRS") mechanism "[w]ould equally benefit both rate payer and Company by reducing the periodic 'risk' of under or over recovery of costs." Is the witness or Atmos aware of any previous Orders of this Commission for Atmos's Kentucky Division or Western Kentucky Gas or for any other Kentucky jurisdictional utility that guaranteed or reduced the risk of attaining a certain earnings level?

5. If the Commission agrees that Atmos should be guaranteed the earnings level established at the conclusion of this case, explain why Atmos should be allowed to continue to update the period based on 6 months of data?

6. Refer to the response to the Staff's Second Request, Item 11(c).

a. In the response is the statement, "All prepayments including prepayments of PSC assessments represent investment required to provide utility service." Explain in detail what "investment" the PSC Assessment represents and how it is necessary in the provision of utility service.

b. In the response is the statement, "The company has not reviewed any other utilities cases in Kentucky related to this matter." Explain in detail why Atmos did not undertake such a review in the preparation of this rate case.

c. Was Atmos aware that since 1990 the Commission has denied the inclusion of the PSC Assessment as a prepayment in eight rate cases involving The Union Light, Heat and Power Company, the Kentucky Utilities Company, the Louisville Gas and Electric Company, and Delta Natural Gas Company?

d. Would Atmos agree that in Case No. 1999-00070,<sup>2</sup> it was questioned as to why it should be allowed to earn a return on the PSC Assessment?

7. Refer to the response to the Staff's Second Request, Item 12, Attachment 4, the CMR Budget Details for the period September 2006, pages 1 through 16 of 16. Provide a summary of the Current Year-to-Date Actual and Current Year-to-Date Budget information for September 2006, using Format 7, attached to this request. In addition, using the totals from the two summaries, prepare an actual versus budget cost analysis by cost category.

8. Refer to the response to the Staff's Second Request, Item 14.

a. What is the status of Atmos's appeal of its 2006 property tax assessment?

b. When does Atmos expect the 2006 property tax assessment will be finalized?

c. Using an average factor based on the ratio of the settled value to the initial value shown in the response, provide an estimate of the 2006 settled value and calculate the corresponding taxes to be paid for 2006. Include all assumptions used to determine the taxes to be paid.

9. Refer to the response to the Staff's Second Request, Item 15.

a. Explain the difference between "growth" and "non-growth" capital expenditures.

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<sup>2</sup> Case No. 1999-00070, The Application of Western Kentucky Gas Company for an Adjustment of Rates, August 19, 1999 Order, Item 27.

b. Using the data for total Kentucky operations only by fiscal year as shown in KPSC DR2-15 ATT, calculate the percentage over- or under-budget for each fiscal year.

c. Based upon the percentages calculated in part (b) above, explain how the Commission can place any reliance on the accuracy of the capital expenditure levels forecasted by Atmos for the Kentucky operations in either the base or forecasted test periods.

10. Refer to the response to the Staff's Second Request, Item 16, KPSC DR2-16b ATT, pages 1 through 24 of 24.

a. For each fiscal year included in the response, provide the total of all "Specific" projects' "Total Actual Project Costs," "Total P&N Cost Estimate," and "Variance in Dollars."

b. For each fiscal year included in the response, provide the total of all "Functional" projects "Total Actual Project Costs."

11. Refer to the response to the Staff's Second Request, Item 18. Provide either the actual costs or the estimated costs to retire assets in place for Atmos's Kentucky operations for each of the last 5 fiscal years. If an estimate is provided, explain in detail how the estimate was determined, including all assumptions and supporting calculations.

12. Refer to the response to the Staff's Second Request, Item 23(a). Explain why the "Basis for allocation" is being changed from what appears to be a single allocation factor to a composite allocation factor.

13. Refer to the response to the Staff's Second Request, Items 27(a) and 27(b). Explain in detail how Mr. Roff reached the conclusion that "This period was determined to be the most meaningful for developing net salvage allowances."

14. Refer to the response to the Staff's Second Request, Item 28. Explain in detail why Mr. Roff did not conduct any research regarding the regulatory treatment of cushion gas in other jurisdictions.

15. Refer to the response to the Staff's Second Request, Item 32.

a. Refer to KPSC DR2-32(c). Explain why the total premiums paid to Blueflame were significantly higher in 2006 than the 2 previous years and than lower again in 2007.

b. Refer to the responses to Items 32(b) and 32(c). If no carrier is willing to quote the coverage required by Atmos, explain how Atmos was able to obtain a direct quote from Aegis for comparison purposes.

16. Refer to the response to the Staff's Second Request, Item 48.

a. In response to Item 48, the witness states that the CRS mechanism "[d]oes not merit an adjustment to the return on common equity because it does not alter the business risk of Atmos." However, in the response to the Staff's Second Request, Item 7, Atmos states that the CRS mechanism "[w]ould equally benefit both ratepayer and Company by reducing the periodic 'risk' of under or over recovery of costs." Explain in detail which statement is correct with regard to "risk."

b. In response to Item 48, where the witness states that the CRS mechanism "[a]lters only the variability, and not necessarily the relative level, of the revenue stream." Given the two adjustments made to the Rate Effective period and

Evaluation period, explain why the witness believes that the CRS does not ensure Atmos a steady revenue stream.

c. Since the witness is aware that some jurisdictions have reduced a utility's authorized return on equity to reflect a reduced risk related to the implementation of similar mechanisms, cite the cases with which the witness is familiar and explain why such an adjustment was made in each case.

17. Refer to the response to the Staff's Second Request, Item 52.

a. Identify all the expenses that change with the number of customers.

b. State whether a reduction in customers will result in lower expenses. If no, explain the response.

c. Provide a copy of the referenced elasticity study when published.

18. Refer to the response to the Staff's Second Request, Item 56. Since Atmos will not file any testimony, how does it expect the Commission and AG to determine the reasonableness of current cost and expenses as well as projected costs and expenses?

19. Refer to the response to the Staff's Second Request, Item 57. The response to 57(c) contains the following statement: "This historical review will not involve any type of pro-forma adjustments or adjustments to revenue billing determinants." The statement in lines 6 to 8 on page 23 of the Direct Testimony of Gary Smith states "Accounting and pro-forma adjustments to the historical period would be applied and identified consistent with treatment in a full rate proceeding." Which statement is correct? Explain in detail. (emphasis in original)

20. Refer to the response to the Staff's Second Request, Item 58.

a. In the response to Item 58(c), Atmos states it believes no hearings would be necessary under the CRS mechanism. Explain how Atmos reached this conclusion.

b. In the response to Item 58(d), Atmos states that it will include costs incurred by the Attorney General (“AG”) and the Commission in its CRS filing. Since Atmos already recovers its assessment for Commission operations through its rates, explain why this would not be double recovery of the Commission’s costs.

c. In the response to Item 58(h), Atmos states that it is unable to provide a meaningful analysis of the change in revenue over the past 5 years because there is no baseline information. Provide the requested analysis of the change in revenues (increase or decrease) that Atmos would have implemented in the past 5 years under the CRS mechanism using the revenue requirement granted in the last rate case as the baseline and using the full 12-month calendar year for comparison each year (in place of 6 months of historic data and 6 months of projected data).

21. Refer to the response to the Staff’s Second Request, Item 60. The documentation provided indicates that Atmos has two CRS type programs operating in Louisiana and one in Mississippi.

a. For each company, provide the change in rates experienced since inception and the surcharge calculated from the adjustment.

b. The information contained in the Natural Gas Rate Round-Up in Attachment KPSC DR 2-60(b), page 1, states that Atmos’s operations in Louisiana Gas Service operate under an operation and maintenance expense benchmark sharing mechanism. Did Atmos consider using a similar mechanism in Kentucky?



c. If yes, explain why Atmos did not propose a benchmark in this case.

d. Provide copies of the revenue stabilization tariffs for Atmos in Louisiana and Mississippi.

e. Why should any proposed accounting, pro forma, or other adjustments proposed by other parties be submitted with the data requests for consideration by Atmos?

f. Given the responses to Items 60(d) and 60(e), is Atmos assuming that the Commission Staff will be an actual party to the CRS proceedings? Explain the response.

g. Explain the process Atmos foresees taking place with regard to any such adjustment with which it disagrees.

22. Refer to the Application, FR 10(1)(b)(7), the proposed CRS tariff. Arabic Paragraph No. 7 on page 42.3 provides that the Commission and AG shall have 45 days to review the Company's filed schedules and that the Company will be prepared to provide supplemental information. It further provides that the Commission shall propose any adjustments it determines to be required to bring the schedules into compliance with the above provisions of the tariff that the Commission, based on the Company's filed schedules, shall order the Company to increase or decrease rates. It finally states that any adjustments to rates shall be effective May 1 but if by April 30 no order has been issued by the Commission, the Company shall adjust rate beginning May 1 or as soon as practical.

a. Since this is such a limited time and Atmos has been asked in this data request to clarify certain statements regarding adjustments, provide a detailed discussion of the review procedure that Atmos expects the Commission Staff and the AG to follow. Be specific with regard to actions to be taken and dates by which they should be taken.

b. Does Atmos expect the Commission Staff and the AG to submit testimony or develop staff reports that will be subject to discovery prior to the Commission reaching a decision? If not, what are Atmos's expectations?

23. Refer to the response to the AG's First Request dated February 20, 2007 ("AG's First Request"), Item 33(b). The ratio of forfeited discount revenue to total forecasted test-year revenue for residential customers is over .9 percent in fiscal years 2003, 2004 and 2006, but only .76 percent in fiscal year 2005. If known, explain why 2005's forfeited discount ratio for fiscal year 2005 is so different from the other years.

24. Refer to the response to the AG's First Request, Item 51. Provide a detailed description of the types of expenses classified as "Community Relations & Trade Shows" and "Customer Relations & Assistance." Include an explanation as to why these expenses should be included for rate-making purposes.

25. Refer to the response to the AG's First Request, Item 53. Explain in detail why the following component percentages of the American Gas Association budget should not be excluded from Atmos's forecasted test-period dues for rate-making purposes:

- a. Advertising.
- b. Corporate Affairs.

- c. Policy, Planning and Regulatory Affairs.
  - d. Public Affairs.
26. Refer to the response to the AG's First Request, Item 55.
- a. Explain in detail why any of the amounts reported as social and club dues should be included for rate-making purposes.
  - b. Explain why the dues paid to Associated Industries of Kentucky should be included for rate-making purposes.
  - c. Explain why the dues paid to various Home Builder Associations should be included for rate-making purposes, given that the response indicates there is the opportunity to promote natural gas over other forms of energy at association meetings.
27. Refer to the response to the AG's First Request, Item 62. Given that the cash-based incentive award in both the Variable Pay Plan and the Management Incentive Plan are based upon Atmos's return on equity performance, explain why the expenses of these plans should be included for rate-making purposes.
28. Refer to the response to the AG's First Request, Item 63. For each of the categories of expenses listed below, explain why the expense should be included for rate-making purposes.
- a. Promotional and institutional advertising.
  - b. Lobbying and governmental affairs.
  - c. Public relations and community relations.
  - d. Employee parties, outings, and gift expenses.
29. Refer to the response to the AG's First Request.

a. The respondent to Items 150, 157-163, 165, and 170 is identified as Chris Forsythe. Identify the respondent and provide the person's professional qualifications.

b. The respondent to Item 172(i) is identified as Pace McDonald. Identify the respondent and provide the person's professional qualifications.



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DATED March 30, 2007

cc: All Parties

Case No. 2006-00464

**Case No. 2006-00464 – Atmos Energy Corporation  
 Analysis of CMR Budget Details by Cost Center – September 2006 – Format 7**

Prepare a copy of the schedule below using Current Year-to-Date Actual Costs and a schedule using Current Year-to-Date Budget Costs.

Cost Category	List Each Cost Center Separately			Total Costs, All Cost Centers
	2601	through	2751	
BENE Benefits				
DUES Dues & Donations				
EEWEL Employee Welfare				
EXPBL Expense Billings				
Information Technology Expense				
INSUR Insurance				
LABOR Labor				
MARK Marketing				
MATSU Materials & Supplies				
MISC Miscellaneous				
OUT Outside Services				
PRINT Print & Postage				
RENT Rent, Maintenance & Utilities				
SHARE Directors, Shareholders & PR				
TELE Telecom				
TRAIN Training				
TRVL Travel, Meals & Entertainment				
VEHIC Vehicles & Equipment				
WRITE Write-Offs				
Totals, All Columns				