

RECEIVED

The Law Offices of

WILSON, HUTCHINSON & POTEAT

611 Frederica Street
Owensboro, Kentucky 42301
Telephone (270) 926-5011
Facsimile (270) 926-9394

SEP 03 2008

PUBLIC SERVICE
COMMISSION

William L. Wilson, Jr.
Mark R. Hutchinson
T. Steven Poteat
T. Tommy Littlepage

bill@whplawfirm.com
randy@whplawfirm.com
steve@whplawfirm.com
tommy@whplawfirm.com

OVERNIGHT DELIVERY

September 2, 2008

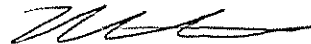
Honorable Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, Kentucky 40602

RE: **Atmos Energy Corporation's Responses to
KPSC Supplemental Data Request
Case No. 2008-00230**

Dear Ms. Stumbo:

I enclose herewith an original, plus seven (7) copies, of Atmos Energy Corporation's Responses to the Kentucky Public Service Commission's Supplemental Data Request in Case No. 2008-00230 for filing in your office. Thanks.

Very truly yours,



Mark R. Hutchinson

cc: Parties of Record

RECEIVED

SEP 09 2008

**PUBLIC SERVICE
COMMISSION**

**Atmos Energy Corporation
KPSC Supplemental Data Request
Case No. 2008-00230
DR Item 1**

Witness: Mark A. Martin

1. Refer to the response to Item 1.b of Commission Staff's July 21, 2008 data request ("Staff's first request"). Show the dollar amounts and provide the specific account(s) – account title and account number – in which Atmos has recorded each of the expenditures shown on the invoice from Linebach & Funkhouser, Inc.

RESPONSE: The entire amount of the \$228,572 invoice from Linebach & Funkhouser, Inc., dated July 9, 2008 has been recorded in Account 8800 (Distribution – Other Expenses).

**Atmos Energy Corporation
KPSC Supplemental Data Request
Case No. 2008-00230
DR Item 2**

Witness: Mark A. Martin

2. Refer to the responses to Items 1.b and 2.c of Staff's first request.

a. Aside from the \$40,000 identified as donations, will the remainder of the \$60,000 in additional expenditures consist entirely of legal expenses? If no, explain the response.

RESPONSE: Yes. The remaining \$20,000 represents future anticipated legal expense.

b. Show the dollar amounts and provide the specific account(s) – account title and account number – in which Atmos anticipates recording the portion of the \$60,000 that will not be identified as donations.

RESPONSE: The \$20,000.00 of anticipated legal expenses will all be recorded in Account 8800 (Distribution – Other).

Atmos Energy Corporation
KPSC Supplemental Data Request
Case No. 2008-00230
DR Item 3

Witness: Mark A. Martin

3. Refer to the first paragraph of the response to Item 4 to the Staff's first request. Given that KRS 278.183(1) requires a utility to submit an environmental compliance plan to the Commission prior to implementing an environmental surcharge, explain how the surcharge statute can be considered to support the recovery of non-recurring costs such as those applicable to Atmos' specific situation.

RESPONSE: The Company has inadvertently created an issue by the reference to KRS 278.183 in its response to the Staff's initial data request Item 4. The Company did not intend for its response to be interpreted that this statute was directly applicable to the present request of the Company. It was cited simply to evidence that the Kentucky legislature has been supportive of the concept that extraordinary, legally required environmental costs should be recoverable currently by a utility.

The Company believes that legally required environmental clean up costs such as those in this proceeding are the type of extraordinary, non-recurring, and non-discretionary expenses which should be recoverable outside a general rate case by way of a surcharge. However, because of the Franklin Circuit Court's ruling in Commonwealth of Kentucky, ex rel. Gregory D. Stumbo, Attorney General v. Kentucky Public Service Commission and Union Light, Heat & Power, Case No.06-CI-269, the Company did not seek to recover these costs currently by way of a surcharge; rather, it sought to preserve the issue of their recoverability for decision until the Company's next general rate case. At that time, proof can be taken and all parties will have the opportunity to debate whether these costs should be recovered in rates by Atmos. For a utility to be unable to recover these type of costs currently by way of a surcharge, and also unable to defer consideration of their recoverability until its next rate case, would only serve to encourage a utility to file a general rate case sooner than it otherwise would.

Atmos Energy Corporation
KPSC Supplemental Data Request
Case No. 2008-00230
DR Item 4

Witness: Mark A. Martin

4. Refer to the last paragraph of the response to Item 4 and the response to Item 6 of Staff's first request.

a. Describe the extent to which Atmos has tracked the costs incurred during the twelve (12) months ending June 30, 2008, the forecasted test period in its last rate case, Case No. 2006-00464, (i) to determine whether the cost it has incurred were costs that it had budgeted in its revenue requirements calculation.

RESPONSE: Atmos has tracked whether actual costs incurred during the forecasted test year were costs it had budgeted for in its revenue requirement calculations in the last rate case. The Company tracks such cost/budget comparisons on a monthly basis and by category: viz., (1) operating and maintenance; (2) depreciation and (3) taxes/other.

b. Given that Case No. 2006-00464 was resolved via a settlement agreement which did not state a specific level of expenses, a specific level of earnings, or a specific return on equity upon which the agreed upon rates were based, describe the relationship of those settlement rates to the costs Atmos budgeted in its revenue requirements calculation.

RESPONSE: Given the "black box" nature of the settlement in the company's last rate case, there is no direct, traceable link between the agreed upon settlement rates and the costs Atmos budgeted in its revenue requirements calculation. However, it is known with certainty, that none of the costs incurred for this environmental cleanup were included in the company's projected revenue requirements since the Company was unaware of this potential liability at the time of the last rate case.

c. Explain whether Atmos can verify that every expense item it budgeted in its revenue requirements calculation in Case No. 2006-00464 was incurred in the twelve (12) months ended June 30, 2008 in an amount at least as great as it had budgeted.

RESPONSE: The Company can verify the status of every expense item, but it cannot verify that every expense item was at least equal to or greater than the amount budgeted. The Company acknowledges that in the normal course of events, actual expenses are constantly accruing above or below amounts projected in a utility's revenue requirement calculation or in a budget. Some will be more and some will be

less. Therefore, under normal circumstances no individual item of expense should be segregated and treated differently. However, here the expenses in question (environmental clean up costs) were neither known nor reasonably foreseeable during the last rate case. These costs are clearly of a non-recurring type that the Company had no discretion as to whether they should be incurred or when they should be incurred. This is a unique circumstance that should be afforded unique treatment.