



May 16, 2011

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PUBLIC SERVICE
COMMISSION

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: Case No. 2011-00120; Pipe Replacement Program (PRP) Filing

Dear Mr. DeRouen,

Atmos Energy Corporation (Company) herewith submits an original and six copies of the Company's supplemental responses to the original responses filed on May 3, 2011 per the above referenced case. The supplemental responses include the following:

- Revised response to #4.
- Revised Exhibit A. Exhibit A was revised to reflect the change in deferred taxes referenced in data request #4.
- Revised Exhibit D. A revised Exhibit D was inadvertently omitted from the Company's response to #2 filed on May 3, 2011.
- The Company has also included a revised tariff, Sheet No. 44, which incorporates the changes outlined in the Company's supplemental responses.

Please feel free to contact me at 270.685.8024 if you have any questions and/or need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Martin".

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Chris Felan
Dennis Howard

Atmos Energy Corporation
KSPC Initial Data Request Dated April 25, 2011
Case No. 2011-00120
Question No. 4
Witness: Mark A. Martin

REQUEST:

Refer to Exhibit F of the March 31, 2011 filing. Given that the proposed surcharges are intended to be in effect for four months, explain why Atmos proposes to use a full year's book and tax depreciation to derive the level of deferred income taxes included in the rate base determination used in the deficiency calculation in Exhibit A.

RESPONSE:

On Exhibit F, the tax depreciation expense is calculated by multiplying the MACRS rate to the Net Change in Gross Plant. The MACRS rate already assumes a "half-year convention" for the first year of depreciation. Therefore, the tax depreciation expense already reflects a half year's tax depreciation as opposed to a full year's. However, the book depreciation expense on Exhibit F - Line 5 is incorrect. Although the "half-year convention" was utilized in calculating the depreciation expense and accumulated depreciation, a full year's depreciation expense was used in the deferred income tax calculation. Therefore, the "half-year convention" should be applied to the book depreciation expense (Exhibit F - Line 5) in order to calculate a correct tax difference on Exhibit F - Line 6. Please see Attachment 1 for a corrected deferred tax calculation. This correction flows through to reduce the revenue requirement listed on Exhibit A. A revised Exhibit A is attached as well.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, ADIT Correction, 1 Page.

ATTACHMENT 2 - Revised Exhibit A.

**ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
DEFICIENCY**

Deficiency

Line No.	Description	Total
1	Project Additions	\$ 3,266,748
2	Project Retirements	(313,089)
3	Net Change to Gross Plant	\$ 2,953,659
4		
5	Cost of Removal to Accumulated Depr.	140,320
6	Retirements from Accumulated Depr.	313,089
7	Depreciation Accrual to Accumulated Depr.	(37,939)
8	Net Change to Accumulated Depreciation	415,470
9		
10	Net Change to Net Plant	\$ 3,369,129
11		
12	Accumulated Deferred Income Taxes	(40,605)
13	Net Change to Rate Base	\$ 3,328,524
14		
15	Rate of Return	8.74%
16	Required Operating Income	\$ 290,774
17		
18	Depreciation & Amortization Expense	37,939
19	O&M Savings	(622)
20	Ad Valorem Tax Increase at	25,845
21	Income Taxes on Cost of Service Items	(24,570)
22	Income Taxes on Adjusted Interest Expense	(43,231)
23	Operating Income at Present Rates	\$ (4,639)
24		
25	Deficiency	\$ 286,135
26	Tax Factor	61.100%
27	Total Proposed Rate Adjustment	\$ 468,305

**ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
CUSTOMERS/VOLUMES**

Case 2011-00120

Question 2c

Line No.	Tariff	Description	Jun	Jul	Aug	Sep	Total
Customer							
1	G-1	Residential	151,942	150,326	149,335	148,586	600,190
2	G-1	Commercial Firm	16,812	16,620	16,635	16,492	66,559
3	G-1	Public Authority	1,599	1,570	1,578	1,571	6,317
4	G-1	Industrial Firm	187	187	187	187	748
5							
6	G-2	Commercial Interruptible	3	3	3	3	12
7	G-2	Industrial Interruptible	8	8	8	8	32
8	G-2	Public Authority Interruptible					-
9							
10	T-3	Transportation Interruptible	73	73	73	73	291
11	T-4	Transportation Firm	135	135	135	135	541
12			208	208	208	208	674,690
13							
14							
Volumes							
15							
16							
17	G-2	Commercial Interruptible	4,507	97	97	97	4,797
18	G-2	Industrial Interruptible	6,857	3,558	1,398	5,775	17,588
19	G-2	Public Authority Interruptible					-
20							
21	T-3	Transportation Interruptible	564,179	518,508	493,535	482,936	2,059,158
22	T-4	Transportation Firm	418,870	385,709	379,750	434,447	1,618,776
23			983,049	904,217	873,285	917,383	3,700,319

ATMOS ENERGY CORPORATION

Pipe Replacement Program Rider

4. Pipe Replacement Rider Rates

The charges for the respective gas service schedules for the revenue month beginning June 1, 2011 per billing period are:

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$ 0.48		\$0.00	(I)
Rate G-1 (Non-Residential)	\$ 1.55		\$0.00	(I)
Rate G-2	\$ 9.35		\$0.0557 per 1000 cubic feet	(I)
Rate T-3	\$ 6.43	1-15000	\$0.0161 per 1000 cubic feet	(I)
		Over 15000	\$0.0105 per 1000 cubic feet	(I)
Rate T-4	\$ 6.58	1-300	\$0.0284 per 1000 cubic feet	(I)
		301-1500	\$0.0199 per 1000 cubic feet	(I)
		Over 1500	\$0.0129 per 1000 cubic feet	(I)

ISSUED: March 30, 2011

EFFECTIVE: June 1, 2011

(Issued by Authority of Kentucky Public Service Commission Order in Case No. 2009-00354).

ISSUED BY: Mark A. Martin -Vice President of Rates & Regulatory Affairs, Kentucky/Mid-States Division