

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

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

ATTORNEY GENERAL'S SUPPLEMENTAL REQUESTS 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 Supplemental Set of Requests for Information to Atmos Energy Corporation ("Atmos") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

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

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,
GREGORY D. STUMBO
ATTORNEY GENERAL

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

Lawrence W. Cook
Assistant Attorney General
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Frankfort, KY 40601-8204
502 696-5453

Certificate of Service and Filing

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

Honorable David F. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202

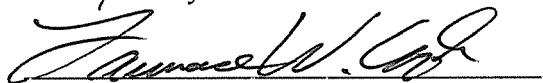
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Douglas Walther
Senior Analyst - Rate Administration
Atmos Energy Corporation
P. O. Box 650205
Dallas, TX 75235-0205

This 4th day of October, 2005.



Assistant Attorney General

**Attorney General's Supplemental Set of Requests for Information
to Atmos Energy Corporation
Case Number 2005-00321**

1. What role does asset management play in gas supply apart from a performance based rate?
2. How important is asset management to gas supply?
3. Would Atmos agree that having an asset management fee that is not tied to volume decouples wholesale price paid from retail price?
4. Please state why it is appropriate to disassociate the concept of volume at the wholesale level, when Atmos and all other LDCs charge by volume at the retail level.
 - a. What assurance is there that the actual cost Atmos pays for gas at the wholesale level, on a basis different than volume, would somehow be accurately translated to a volumetric basis on the retail level?
 - b. How does Atmos propose to attribute the amount of any discount achieved through gas supply management, which may not be measured on a volumetric basis, to the retail customer, who always pays on a volumetric basis?
 - c. If the asset management fee does not vary with volume, how will savings credit offset against volume? Will the offset be higher per mcf in low volume years and lower per mcf in high volume years?
5. Please state why Atmos' PBR should be made permanent when Atmos has just developed and plans to employ an entirely new benchmark concept, that of the GAIFAM. Would Atmos agree that it is more appropriate that Atmos' PBR continue on a pilot basis when it establishes the new measures of performance?
6. Please state whether the GAIFAM is connected in any way to any industry practice or standard.

7. KRS 278.272 provides as follows:

Consideration of natural gas purchasing transactions in determining just and reasonable rates; limitation of authorized rate of return for natural gas operations

“In determining just and reasonable rates, the commission shall investigate and review natural gas purchasing transactions of a utility, whose rates for retail sales of natural gas are regulated by the commission, from an affiliate. The commission shall limit the authorized rate of return of the utility for its natural gas operations to a level which, when considered with the level of profit or return the affiliate earns on natural gas transactions to such utility, is just and reasonable.”
[Emphasis added]

Please state what measures the Commission has taken to investigate and review Atmos’ purchase of gas from its affiliate.

8. KRS 278.274 provides, in pertinent part, as follows:

Review of natural gas utility's purchasing practices in determining reasonableness of proposed rates; reduction of rates by commission

(1) In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

(2) When proposing new rates, the utility shall be required to prove that the proposal is just and reasonable in accordance with the requirements of this section.

(3) It shall be presumed that natural gas purchases from affiliated companies are not conducted at arm's length. . . .

- a. Please state how the Commission will be able to determine whether Atmos’ purchase of gas will be fair, reasonable and prudent when the wholesaler grants a gas purchase price discount, and in exchange acquires the right to use Atmos’ assets.
- b. In the event Atmos’ gas supplier is an affiliate, please state how the Commission will be able to determine Atmos’ profit return based on its gas purchases from its affiliate.
- c. Please state how the fact that a PBR is in place reveals that Atmos is engaging in prudent practices.