

ATMOS ENERGY CORPORATION
KPSC Case No. 2006-00180
Response to Commission Staff's First Data Request
Dated May 22, 2006

May 31, 2006

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KPSC Case No. 2006-00180
Commission Staff's First Data Request Dated May 22, 2006
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DR Item 1

Witness: Phil Allbritten, Associate General Counsel

RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
TO ATMOS ENERGY CORPORATION

1. Concerning the Atmos Energy Corporation Retirement Savings Plan and Trust ("RSP"):
 - a. Provide a description of the RSP. Include a discussion of how the RSP is financed or funded.
 - b. What restrictions, if any, are placed on the use of any funds generated from the stock issued pursuant to the RSP?

Response:

a. The RSP is a defined contribution benefit plan, which means that it is funded primarily by contributions from our employees. The RSP covers substantially all employees of Atmos Energy and is subject to the provisions of Section 401(k) of the Internal Revenue Code. The RSP allows the deferral of a portion of a participant's salary ranging from a minimum of one percent up to a maximum of 65 percent of eligible compensation, as defined by the RSP, up to the maximum allowed by the Internal Revenue Service. We match 100 percent of a participant's contributions, limited to four percent of the participant's salary, in Atmos Energy common stock. However, participants have the option to immediately transfer this matching contribution into other funds held within the plan. Participants are also permitted to take out loans against their accounts subject to certain restrictions. At September 30, 2005, the RSP held 3.1 percent of the issued and outstanding common stock of the Company.

b. No restrictions are placed on the funds generated from the common stock issued to the RSP.

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DR Item 2

Witness: Phil Allbritten, Associate General Counsel

2. Atmos has requested authority to issue up to 1,000,000 shares of common stock through and pursuant to the RSP.

a. Based upon prior RSP offers, what is the expected level of employee purchase participation?

b. Based on its best estimates, how much money does Atmos anticipate generating from this new issuance of common stock? Explain how Atmos determined this amount. If applicable, separate the total estimate between employee investment and company match.

Response:

a. Currently, over 76 percent of our eligible employees participate in the RSP (3,338 out of 4,367 eligible employees).

b. Based on a total of 1,000,000 shares at the current stock price of about \$27 per share, the total gross proceeds to the Company would be approximately \$27,000,000. However, since the Company provides up to a four percent match on employee contributions, the net proceeds to the Company are substantially less than that amount. Based on recent information concerning the amount of the Company match, we would estimate that the cumulative Company match over a two-year period (the period over which we estimate that a total of 1,000,000 shares would be issued to the RSP), would be between \$13,000,000 and \$14,000,000 based, on a stock price of \$27 per share. This would mean that the Company should contribute approximately 47 percent to 53 percent of the total cumulative purchase price of \$27,000,000, based on a stock price of \$27 per share. However, if the Company's stock price fluctuates much from its current price of \$27 per share, both the gross proceeds and the net proceeds to the Company from the issuance of 1,000,000 shares of Company common stock to the RSP could change materially.

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DR Item 3

Witness: Laurie Sherwood, Vice President for Corporate Development and Treasurer

3. Refer to the Application, Exhibit B, page 6 of 8.
- a. Provide Atmos's capital structure as of December 31, 2005. Include all calculations and assumptions utilized for the response.
- b. Using the December 31, 2005 balance sheet information, provide Atmos's capital structure reflecting the additional common stock issuance calculated in the response to Item 2 above.

Response:

Statement of Actual and Pro Forma Capitalization Ratios
(In thousands)
(Unaudited)

	<u>Historical</u> <u>December 31, 2005</u>	<u>Adjustment</u>	<u>Pro Forma</u> <u>December 31, 2005</u>
Common stock	\$ 404	\$ 5	\$ 409
Additional paid-in capital	1,438,917	26,495	1,465,412
Retained earnings	224,435	(1,250)	223,185
Accumulated other comprehensive income (loss)	(26,139)	-	(26,139)
Total shareholders' equity	<u>\$ 1,637,617</u>	<u>\$ 25,250</u>	<u>\$ 1,662,867</u>
Long-term debt (including current maturities)	\$ 2,177,390	\$ -	\$ 2,177,390
Short-term debt	399,059	-	399,059
Total debt	<u>\$ 2,576,449</u>	<u>\$ -</u>	<u>\$ 2,576,449</u>
TOTAL CAPITALIZATION	<u><u>\$ 4,214,066</u></u>	<u><u>\$ 25,250</u></u>	<u><u>\$ 4,239,316</u></u>

The pro forma adjustment assumes the issuance of one million shares of Atmos Energy Corporation common stock with a stated value of \$.005 per share at an assumed issuance price of \$26.50 per share. Additionally, retained earnings have been adjusted to give effect to dividends paid on the incremental shares assuming a \$1.25 per share dividend rate.

The unaudited pro forma capitalization does not purport to represent what our capitalization would actually have been if the issuance of one million common shares of Atmos Energy Corporation had been issued or to project our capitalization for any future date or period.

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DR Item 4

Witness: Chris Forsythe
Director of Financial Reporting

4. Provide the following information for the four previous common stock issuances through the RSP.
- a. The period of time over which the common stock was issued.
 - b. The maximum number of shares of common stock that could be issued.
 - c. The actual number of shares of common stock issued.
 - d. The total amount of funds raised by the issuance. If applicable, separate this total between employee investment and company match.

Response: Atmos Energy will file its Response to this data request within seven (7) days.

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DR Item 5

Witness: Laurie Sherwood, Vice President for Corporate Development and Treasurer

5. Refer to the Application, page 2, Item 3 and Exhibit B, page 7 of 8 Item 11(c). Both references contain a listing of how Atmos plans to use the funds generated by the stock issuance. However, the two lists are not identical.
- a. Indicate which reference accurately reflects Atmos's plans for the funds generated by the stock issuance. In addition, explain why the two references were not the same.
 - b. Atmos has stated that it would use the funds generated by the stock issuance to fund capital expenditures, fund operating expenses and to reduce debt. Indicate which use is most likely to be applied and explain why it is the most likely action.
 - c. Provide a listing of the capital expenditures Atmos plans to finance using the funds generated by the stock issuance.
 - d. Explain why operating expenses should be funded by proceeds from a stock issue. Are these utility or non-utility operating expenses?
 - e. Provide a listing of the debt instruments Atmos plans to retire using the funds generated by the stock issuance.

Response:

- a. The Company's use of slightly different wording in Exhibit B from that used in the Application was not intended to convey any inconsistency or cause any confusion about its actual use of the funds to be generated by the stock issuance. Atmos may use the issuance proceeds for any or all of the purposes stated in the Application and/or the Exhibits, including funding its capital expenditures, funding its operating expenses, reducing debt, improving its capitalization ratios and preserving its credit ratings.
- b. Atmos cannot currently state to which specific use the funds are most likely to be put. The shares will be issued over time and the proceeds will be combined with other sources of cash to fund the Company's expenditures as and when they arise in the normal course of business. As stated in the response to 5(a), these expenditures can be for any or all of the purposes stated in the Application and the Exhibits.

- c. Please see the response to 5(b) above.
- d. Please see the response to 5(b) above.
- e. Please see the response to 5(b) above.

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DR Item 6

Witness: Phil Allbritten, Associate General Counsel

6. Indicate whether Atmos has sought Securities and Exchange Commission ("SEC") approval of the stock issuance. Provide a copy of the filing required by the SEC.

Response: The Company will file a Registration Statement with the SEC prior to the issuance of the stock. The Registration Statement will be filed after all required state approvals are obtained. No SEC approval is required prior to the issuance of the stock nor is any SEC action required with regard to the Registration Statement. The Company will provide the Commission with a copy of the Registration Statement after it is filed with the SEC.