

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|----------------------------------|---|------------|
| APPLICATION OF ATMOS ENERGY |) | CASE NO. |
| CORPORATION FOR AN ADJUSTMENT OF |) | 2013-00148 |
| RATES AND TARIFF MODIFICATIONS |) | |

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation ("Atmos"), pursuant to 807 KAR 5:001 is to file with the Commission its electronic responses, a paper original, and two copies of the following information, and serve all parties of record. The information requested herein is due on or before September 25, 2013. Paper responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Atmos shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made, or though correct when made, is now incorrect in any material respect. For any request to which

Atmos fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the responses to Item 2 of Commission Staff's Second Request for Information ("Staff's Second Request"), Item 24 of the Office of Attorney General's First Request for Information ("AG-1"), and to page 31 of the Testimony of Mark A. Martin.

a. State whether any sales customers, besides the G-1 customer switching to T-4 transportation service, has expressed interest in offering natural gas as a motor-vehicle fuel.

b. Describe in detail: the G-1 customers that Atmos believes would make use of the tariff revision; the likeliest use a G-1 customer would make of the proposed tariff revision; and any actions Atmos would need to take to accommodate a G-1 customer proposing to offer natural gas as a motor-vehicle fuel.

2. Refer to the response to Item 3.a. of Staff's Second Request and to the response to Item 10 of AG-1. Describe how the composite daily Heating Degree Days ("HDD") are calculated based on the individual daily updates from the five weather stations.

3. State whether Atmos is satisfied with the calculation of the customer bill adjustments with respect to heating-only customers by using the class factors as set out in its Weather Normalization Adjustment Rider ("WNA"), as opposed to using customer-specific factors.

4. Refer to the responses to Items 5, 6, and 41.e of Staff's Second Request.

a. Provide by year for the last five calendar years the amount of Atmos's revenue loss in Kentucky due to the Alternative Fuel Responsive Flex Provision and negotiated rates with bypass candidates.

b. Provide the Margin Loss Rider tariff sheet approved for Atmos in Tennessee, state when it was approved, and describe its operation.

c. Define and describe the "RSC" approved for Atmos in Louisiana; the Stable/Rate Adjustment Rider approved for Atmos in Mississippi; and the Rider Rev approved for Atmos Pipeline Texas. If Atmos Pipeline Texas is not a distribution utility, explain the service it provides.

d. Confirm that no Atmos operating company has a System Development Rider ("SDR").

5. Refer to the response to Item 6 of Staff's Second Request. Part a. of the response contains the statement, "No system improvements that would occur in the ordinary course of business would be included in the SDR." Part b., however, indicates that Atmos would request a Certificate of Public Convenience and Necessity ("CPCN") only if one is needed.

a. Does Atmos agree that any construction project that is not an ordinary extension of its existing system in the usual course of business will require a CPCN before construction can begin?

b. If the response to a. is no, explain why a CPCN would not be needed.

c. Provide a list of the projects undertaken by Atmos since January 1, 2009 that would have qualified for cost recovery under the proposed SDR tariff if that tariff had been in effect at the time the project was started. Provide a detailed description of each project on the list, including the size and length of pipe installed, the total cost of the project, and the Commission case number if a CPCN was issued. Also include any economic analysis that was performed to support the construction of each project, and identify the specific rate methodology being used to recover the cost of each project in the absence of the SDR tariff.

d. Provide a list of the projects that Atmos anticipates undertaking over the period 2014 through 2019 that will qualify for the SDR tariff if that tariff is approved in this case. Provide a detailed description of each project on the list, including the size and length of pipe anticipated to be installed, the estimated total cost of the project, and whether a CPCN will be requested for the project. Also include any economic analysis that has been performed to support the construction of each project, and identify the specific rate methodology that will be used to recover the cost of each project in the absence of the SDR tariff.

6. Refer to Atmos's responses to Items 9 through 11 of Staff's Second Request.

a. Explain whether the customers identified in Item 11 were likely to have been able to achieve savings if they had been eligible for transportation service based on their indicated usage levels and the up-front costs, monthly administration fees, and potential cash-out obligations associated with transportation service.

b. State what additional costs Atmos would incur, if any, in lowering its transportation thresholds so that customers such as those identified in Item 11 would be eligible.

7. Refer to the responses to Items 12 and 13 of Staff's Second Request, and to the response to Item 25 of AG-1.

a. The responses to Items 12.b and 27 of Staff's Second Request appear to be in conflict with the response to Item 25.a. of AG-1. Confirm that the proposed Door Tag Fee will not be charged to a customer who fails to appear at an agreed appointment time. If that is the case, provide a revised Sheet No. 70 showing the correct description.

b. Confirm that prior to terminating a delinquent customer's service, Atmos gives ten days' written notice to the customer, and that the envelope is easily distinguishable as a termination notice.

c. Confirm that if the delinquent customer does not pay his or her bill, the \$10 fee would be included with all other fees that would have to be paid before service is reconnected.

d. State whether Atmos is aware that the Commission's regulations require cost support to be provided for proposals to establish non-recurring charges.

8. Refer to the response to Item 26.b of Staff's Second Request. State at what point Atmos would consider a time period ending 2010 to be too "stale" for use in weather normalization in a rate case.

9. Refer to the response to Item 26.i of Staff's Second Request. Provide an assessment of the possible weather sensitivity of Firm Industrial and Interruptible Commercial sales based on the information provided in response to Item 10 of AG-1.

10. Refer to the response to Item 30 of Staff's Second Request. Provide a brief description of the two legal settlements referenced in the response, along with the amount allocated to Atmos's Kentucky division for each settlement.

11. Refer to the response to Item 31 of Staff's Second Request.

a. Of the \$3,157,690 increase in Operating and Maintenance ("O&M") from fiscal year 2012 to the test period, provide the portion of the increase that can be attributed to the sale of Atmos's Georgia, Illinois, Iowa, and Missouri properties.

b. Describe the various expenses that are responsible for the increase in allocated O&M expenses for Atmos's Kentucky division.

c. Explain in detail why the expenses identified in response to part b. of this request did not decrease as a result of the sale of the Georgia, Illinois, Iowa, and Missouri properties.

12. Refer to the responses to part b. of Item 32, part b. of Item 60, and part c. of Item 62 of Staff's Second Request, all of which relate to employee benefits.

a. The response to Item 62, part c. indicates that the benefits load rate increased by 14.2 percent from fiscal year 2012 to fiscal year 2013. Provide the load rates for each of these fiscal years.

b. The response to Item 32, part b. states that benefits are based on annual actuarial data from Towers Watson. Provide a general description of the factors identified in the data from Towers Watson that are primarily responsible for the increase in benefits to the point where they equal approximately 59 percent of labor in the test year.

13. Refer to the response to Item 35 of Staff's Second Request.

a. Part a. of the response indicates that Atmos expects to issue \$500 million of 30-year bonds and \$75 million of 10-year bonds in October of 2014. Provide the approximate time period when it expects to issue the common stock that will result in its equity ratio being greater in the test year than it was at March 31, 2013.

b. Part b. of the response states that the second capital structure referenced in the request is for informational purposes only. Explain what information the second capital structure is intended to convey.

14. Refer to the responses to Items 36 and 59.e of Staff's Second Request. Provide the estimated cost savings due to the WMR project for the fiscal year that will end September 2015.

15. Refer to the response to Item 38 of Staff's Second Request. Part b. of the request confirms that the revenue requirement in this case includes investment in the Pipe Replacement Program ("PRP") only through September 30, 2014. However, it did not provide the information sought in part b. of the request. Provide the amount of PRP expenditures budgeted for the test year.

16. Refer to the attachment to the response to Item 39 of Staff's Second Request, which shows the annual budget for the Shared Services Unit ("SSU") for fiscal

year 2013. In a comparable format, provide the annual budgets for the SSU for fiscal years 2010, 2011, and 2012, with the actual expenditures for those same fiscal years provided in comparative form

17. Refer to the response to Item 41 of Staff's Second Request. Provide a definition and explanation of "RSC," "Stable/Rate Adjustment Rider," "Rider Rev," "RDAC," "Margin Decoupling Tracker," and "RNA" in the column Margin Loss Recovery Rider; and of "EDS," "Economic Development Rider" and "Economic Development Rate Clause" in the column System Development Rider. The explanations should include whether the defined mechanisms listed in the Margin Loss Recovery Rider column are intended and used for the same purpose as Atmos's proposed rider MLR, and whether the mechanisms listed in the System Development Rider column are for the same purpose as Atmos's proposed SDR, or if they are more similar to the EDR that Atmos currently has in its tariff.

18. Refer to the response to Item 53 of Staff's Second Request. Explain whether Atmos owns any of the gas from local production that flows into its distribution system.

19. Refer to the response to Item 55 of Staff's Second Request. File a revised cost-of-service study in Excel spreadsheet format which reflects correction of the errors described in parts a. and b. of this response.

20. Refer to the response to Item 56 of Staff's Second Request. The response explains that "Other Revenue" was allocated based on base rate revenues, rather than directly assigned, because "[t]hese costs are not accounted for on a class basis, so an allocation is necessary."

a. Explain why Atmos is unable to determine the amount of Forfeited Discounts Revenue received by rate class. If it can be determined, provide the amounts by rate class.

b. Explain why Atmos is unable to determine the amount of Miscellaneous Service Revenues received by rate class. If it can be determined, provide the amounts by rate class.

21. Refer to the response to Item 6 of AG-1.

a. Identify the industry analysts and peer companies with whom Atmos interacted in conjunction with developing a list of software application providers and systems integrators referenced in the first sentence of the response.

b. The response indicates that a Request for Proposal (“RFP”) was not issued as part of the process that led to the decision to select SAP and Accenture. It does not appear that the response addresses part b. of the request. Explain why no RFP was issued.

22. Refer to the response to Item 97 of AG-1. Given that it increased the cost estimate for the new Customer Service System from \$64 million to \$72 million, explain why the decision was made to go from a two-step to a one-step “go-live” approach.

23. Refer to the first page of the attachment to the response to Item 111 of AG-1, specifically, the columns under Division General Office (“DGO”).

a. The increases in Benefits from the Base Period to the Test Period for Kentucky and SSU, respectively, are roughly 10 percent and 5 percent, with the total amount for the two groups going from \$4.1 million to \$4.55 million. Provide a detailed

explanation for why Benefits increased from the Base Period to the Test Period for DGO from \$524,146 to \$961,725, an increase of \$437,579, or 83.5 percent.

b. Explain in detail why Labor increases from the Base Period to the Test Period for DGO from \$883,870 to \$1,271,963, an increase of \$388,093, or 44 percent.

c. Explain in detail why the amount for Outside Services increases from the Base Period to the Test Period for DGO from \$1,461,481 to \$1,909,884, an increase of \$448,403, or 30.7 percent.

24. Refer to part c. of the response to Item 112 of AG-1. Explain whether Mr. Densman is aware that the two Atmos rate cases he cites were both settled and that the Commission did not accept or reject the methodology to which the request refers.

25. Refer to the response to Item 131 of AG-1. Identify the amounts included in the test year expenses for each of the three incentive plans: (1) Variable Pay Plan; (2) Management Incentive Plan; and (3) Long-Term Incentive Plan.

26. Refer to the response to part c. of Item 165 of AG-1.

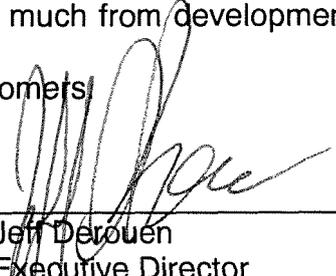
a. The response indicates that subsequent to Case No. 2009-00354,¹ in which the initial PRP plan, which included 250 miles of aging infrastructure in need of replacement, was approved, Atmos determined that an additional 93 miles of main and associated facilities needed to be included in the plan. Explain when Atmos made this determination.

b. The response also indicates that Atmos intends to replace all 343 miles in the original PRP plan timeframe of 15 years. The additional 93 miles reflects

¹ Case No. 2009-00354, Application of Atmos Energy Corporation for an Adjustment of Rates (Ky. PSC, May 28, 2010).

an increase of more than 37 percent in the mileage to be replaced. Explain why Atmos chose to replace this amount of additional main and related facilities within the original 15-year timeframe, rather than to extend the timeframe.

27. Refer to the response to Item 177 of AG-1. Explain why transportation customers would not be expected to benefit as much from development, infrastructure investment, and job growth as G-1 and G-2 customers.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED SEP 11 2013

cc: Parties of Record

Case No. 2013-00148

Honorable John M Dosker
General Counsel
Stand Energy Corporation
1077 Celestial Street
Building 3, Suite 110
Cincinnati, OHIO 45202-1629

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

Mark R Hutchinson
Wilson, Hutchinson & Poteat
611 Frederica Street
Owensboro, KENTUCKY 42301

Eric Wilen
Project Manager-Rates & Regulatory Affairs
Atmos Energy Corporation
5420 LBJ Freeway, Suite 1629
Dallas, TEXAS 75420