

**ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUESTS
TO ATMOS ENERGY CORPORATION
CASE NO. 2013-00148**

General Testimonial Questions

1. Reference Atmos' Response to AG 1-001, 1-002 and 1-034. Regarding the "centralized services" that are "provided to the Kentucky operating division from the Company's Shared Services Unit (SSU) as well as the Company's Kentucky/Mid-States General Office, please cite to prior Commission authority and/or any other basis upon which Atmos relies for the allocation factors assigned to Kentucky Mid-States ("Div 091") and Kentucky Jurisdiction ("Div 009").
2. Reference the Application, FR_16(13)(c) Attachment 1, Schedule C.2.3 B at line 26 and C.2.3 F at lines 27. Please explain why the allocation factor for Kentucky Mid- States changes from 12.9% in the budgeted base period to 11.10% in the forecasted test period.
 - a. On what does Atmos rely to justify this allocation change?
3. Reference the Application, FR_16(13)(c) Attachment 1, Schedule C.2.3 B at line 27 and C.2.3 F at lines 28. Please explain why the allocation factor for the Kentucky Jurisdiction changes from 41.35% in the budgeted base period to 50.00% in the forecasted test period.
 - a. On what does Atmos rely to justify this allocation change?
4. Please advise if the changes reflected to the allocation factors referenced in AG 2-2 and 2-3 (above) reflect:
 - a. A change in the underlying percentages averaged in the Composite Factor as detailed in the Cost Allocation Manual (CAM), JLS-1 at page 21;
 - b. A change to the formula used to arrive at the Composite Factor; or
 - c. Both a and b? Please explain fully.
5. Reference Atmos' Response to AG 1-005. Please provide the spreadsheet in Excel/executable electronic format with cells and formulas intact and any related workpapers supporting Mr. Martin's recommended "overall rate of return on rate base of 8.53% on the test year rate base of \$252,914,292." (Reference Direct Testimony Martin at page 9). Regarding the prior years of 2009, 2010, 2011 and 2012, please provide any and all information available that demonstrates Atmos Energy Corporation's budgeted and actual rate of return for Kentucky, Kentucky Mid-States Division and corporate-wide.
6. Reference Atmos' Response to AG 1-011. Has Atmos conducted any surveys between January 1, 2009 through the present regarding customer usage and preference regarding

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natural gas? If so, please provide a summary of the survey results relating to Kentucky jurisdictional customers and customers nationally.

7. Reference Atmos' Responses to AG 1-046 and PSC Staff 2-59. Specifically, in response to PSC Staff 2-59, Atmos states that the FlexNet was selected based on a 2006 evaluation of vendors. Confirm that Atmos has conducted no wireless meter reader ("WMR") evaluation, study, request for proposals/quotes or other information gathering for Kentucky since 2006.
8. Reference Atmos' Responses to AG 1-053 and AG 1-042. Please confirm that no internal documentation exists via PlanIt or any other source regarding Atmos' evaluation and selection of the FlexNet system in 2006.
9. Does Atmos have any obsolescence, reliability, technological or cost-efficiency concerns regarding a WMR system that has not been evaluated, studied, price-checked since 2006? Please explain in detail.
10. Reference Atmos' Responses to PSC Staff 2-59. Does the FlexNet System's long range transmitting capability make it more susceptible to security breaches? If not, why? If yes, please explain in detail.
11. What is the anticipated useful life of a WMR device?
12. Reference Atmos' Responses to PSC Staff 2-59 Please provide a picture or pictures of the WMR model(s) Atmos uses in Kentucky
13. What steps has Atmos taken to ensure the integrity and safety of information transmitted from the WWR devices?
14. Regarding WWR devices, what complaints has Atmos received from customers?
 - a. How were those complaints addressed?
15. Regarding the pilot project of the FlexNet system in Livermore, KY, what technical issues arose?
 - a. How were those issues addressed?
16. Regarding the pilot project of the FlexNet system in Livermore, KY, did you receive any customer complaints?

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- a. How were those complaints addressed?
 - b. Regarding the above referenced pilot project of the FlexNet system in Livermore, KY, how accurate were the transmitted WMR readings?
17. If a base station is installed to collect readings from WMR devices, from what distance from a meter can the base station still collect data? For instance, does a base station cover a 2 square mile area, a 10 square mile area, or a 100 square mile area? Please explain in detail.
- a. How large is a base station?
 - b. Does Atmos anticipate needing to acquire additional property in order to erect base stations?
 - c. What is the anticipated useful life of a base station?
18. What steps, if any, has Atmos taken to educate customers regarding the use of smart grid technology, and in particular, about the WMR devices?
- a. Has Atmos conducted any outreach or public meetings in Kentucky to demonstrate WMR devices to customers? If yes, please list dates and locations.
19. Reference Atmos' Response to AG 1-063, in which Witness Napier states that "Atmos Energy has been replacing and retiring bare steel pipe in its systems since the 1970's." Please provide any and all schedules, policies or other documentation to support this statement as it relates to Atmos' replacement of bare steel pipe in its Kentucky service territory.
20. Confirm that it is Atmos' duty to maintain its infrastructure system in Kentucky to ensure the safe and reliable delivery of natural gas to its customers.
21. Reference Atmos' Response to AG 1-064. Confirm that safety and reliability standards of the natural gas industry require the routine identification and replacement of bare steel pipe.
22. Reference Atmos' Response to AG 1-066 and 1-067. What were the budgeted amounts for the PRP in FY 2010 and FY 2009, or were there no funds budgeted for PRP prior to the Commission's Order in Case No. 2009-00354.

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23. Reference Atmos' Response to AG 1-069. Confirm that had Atmos invested at the same rate (\$3.4 million in four months) for all of FY 2011, it would have achieved an estimated PRP investment of \$10.2 million.
 - a. Explain why the budget for PRP investment using this revised estimate nearly double to a projected \$20 million for FY 2014.
24. Reference Atmos' Response to AG 1-079. Is there a process in place via "Markview" or any other internal controls in place to deny or hold the payment of invoices subject to dispute?
25. Reference Atmos' Response to AG 1-083. Please produce a copy of the NARUC Gas Rate Design and Gas Distribution Rate Design Manual upon which the Company relies. Please note that any proprietary concerns should be nullified in the context of a rate case before a NARUC-member Commission.

Revenue Requirements

26. Regarding Atmos' response to AG 1-087 and for both Company internal witnesses and outside consulting witnesses in this rate case, address the following:
 - a. Identify those witnesses that have previously prepared and/or testified in support of a fully forecasted test period on behalf of Atmos or another utility in the most recent 10 year period, and provide a citation to the related case number, utility name, jurisdiction, and year. Provide a copy of such testimony or a citation to where such testimony can be obtained.
 - b. Regarding the previous question, explain if the regulatory body adopted or rejected the fully forecasted test period.
 - c. Identify those witnesses that have previously prepared and/or testified in opposition to a fully forecasted test period on behalf of Atmos or another utility in the most recent 10 year period, and provide a citation to the related case number, utility name, jurisdiction, and year. Provide a copy of such testimony or a citation to where such testimony can be obtained.
 - d. Identify those witnesses that have previously prepared and/or testified only in regards to a traditional historical test period (along with pro forma and certain adjustments within or outside of the test period) on behalf of Atmos or another utility in the most recent 10 year period.

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27. Regarding Atmos' response to AG 1-005, the Company indicates that it does not have calculations for actual earned ROR on rate base for the prior 5 years because it only prepares this information on a jurisdictional basis as required for regulatory filings. Address the following:
- a. If Atmos' does not know or track its actual jurisdictional earned ROR on rate base, explain how the Company knows when it is not earning a reasonable ROR in Kentucky or if it needs to file a rate case in Kentucky or in other states.
 - b. Provide a list and copy of all reports and documentation that Atmos' management relies upon and reviews in order to determine whether it is earning a reasonable ROR for Kentucky operations or to determine when it is necessary to file a rate case in Kentucky. Explain how management uses each of these reports to determine the ROR or necessity for a rate case.
 - c. Provide all reports and a copy of all reports and documentation that Atmos' management relied upon for determining it was not earning a reasonable ROR for Kentucky operations and needed to file the current rate case.
28. Regarding Atmos' response to AG 1-003, the Atmos GCA per Mcf charge is the second highest (compared to four other utilities in Kentucky) in 2013 and has been increasing since May 2012, whereas the GCA per Mcf charge for both Columbia Gas and Delta Natural Gas has been declining overall since May 2012. Explain why Atmos has the second highest GCA per Mcf charge among the five Kentucky utilities and explain why this charge has been increasing since about May 2012, whereas this charge for Columbia and Delta has been declining.
29. Regarding Atmos' response to AG 1-092 in relation to Mr. Martin's testimony, please confirm there is no supporting documentation or studies for Mr. Martin's statements in relation to "centralized services" being a specific reason for Atmos' having an economic advantage or being a low cost provider of gas (compared to centralized service costs of other entities). If Atmos disagrees, provide copies of all supporting documentation and studies.
30. Regarding Atmos' response to AG 1-095(c), explain or estimate when the Data Mart asset will no longer be used and useful and explain what drives this decision and timing.
31. Explain and reconcile forecasted accumulated depreciation reserve by primary account number per the following:

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- a. Explain if Atmos has increased "accumulated depreciation reserve" (and reduced related net book value) for all assets for the projected periods including in this rate filing, and provide all documentation to show the beginning historical level of accumulated depreciation reserve by plant account number (and for the related year/period) and the number of months (or years) of projected accumulated depreciation reserve by account number to arrive at the fully forecasted test period accumulated depreciation reserve by account number at November 2014. Provide all calculations and supporting documentation.
 - b. Regarding the previous question in subpart (a), show how the increase in forecasted accumulated depreciation reserve for each month/year reconciles to the amount of related depreciation expense for each month/year and provide supporting documentation and calculations.
 - c. If Atmos did not forecast the accumulated depreciation reserve for each plant account through the fully forecasted test period November 2014, then explain why this approach was taken and why it is reasonable.
32. Regarding Atmos' response to AG 1-006 related to SAP and Accenture, provide the amount of expensed and capital costs paid to Five Point Partners by account number that is included in the base period (show actual and forecasted separately) and the fully forecasted test period and explain the reasons for the changes in the amounts, supporting calculations, explanations of amounts, and all supporting contracts and invoices. Explain why these costs should be included in the forecasted test period if applicable.
33. Regarding Atmos' response to AG 1-006 related to SAP and Accenture, and Confidential Attachment 1 (page 5) states **BEGIN CONFIDENTIAL***** [REDACTED] *****END**
CONFIDENTIAL. Address the following:
- a. Explain Atmos' use of the term "participating" FTEs, and explain if this relates to the number of FTEs required only to "implement" the new CSS or if this relates to operating the CSS on an ongoing basis. Address the subsequent questions using the same context of FTEs as Atmos cited at Confidential Attachment 1 (page 5).
 - b. Provide the number of Atmos FTE's participating in the legacy CSS compared to the new CSS, and explain the reasons for the changes in FTE's. Show the number of FTE's from the SSU, Kentucky/Mid-States Division and each affiliate.
 - c. Provide the number of Atmos FTE's (and show number of FTEs from SSU, Kentucky/Mid-States Division and each affiliate) for each month/year of the CSS and explain the reason for changes in the number of FTEs.

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- d. Provide the number of Atmos FTE's and the related FTE costs by account number (show the number of FTEs and costs from SSU, Kentucky/Mid-States Division and each affiliate) that is included in the base period and the forecasted test period and provide supporting documentation and calculations to explain projected increases or decreases in the number of actual FTE's. Explain why the number of FTEs included in the forecasted test period varied from the anticipated maximum number of FTE's identified in the Confidential Attachment 1 information previously noted at the initial paragraph of this data request.

34. Regarding Atmos' response to AG 1-006 related to SAP and Accenture, and Confidential Attachment 1 (page 2) states **BEGIN CONFIDENTIAL *****

*****END CONFIDENTIAL**. Address the following:

- a. Explain Atmos use of the term "users" and the "number" of users, explain if this reflects Atmos personnel/users, Accenture/contracted personnel/users, or a combination of Atmos and contracted personnel/users. Address the subsequent questions using the same context of "users" as Atmos cited at Confidential Attachment 1 (page 2).
- b. Provide the number of "users" participating in the legacy CSS compared to the new CSS, and explain the reasons for the changes in users. Show the number of users from the SSU, Kentucky/Mid-States Division and each affiliate and contractor.
- c. Provide the number of Atmos users (and show number of FTEs from SSU, Kentucky/Mid-States Division and each affiliate) and contracted users for each month/year of the CSS and explain the reason for changes in the number of users.
- d. Provide the number of Atmos users and contracted users and the related user costs for Atmos and all contractors by account number (show the number of users and costs from SSU, Kentucky/Mid-States Division and each affiliate) that is included in the base period and the forecasted test period and provide supporting documentation and calculations to explain projected increases or decreases in the number of actual users. Explain why the number of users included in the forecasted test period varied from the anticipated number of users identified in the Confidential Attachment 1 information previously noted at the initial paragraph of this data request.

35. Address the following regarding the Atmos' responses to AG 1-095 and to AG 1-096:

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- a. Atmos' response to AG 1-096(a) and Attachment 1 did not provide the requested plant, depreciation, expense, and accumulated depreciation reserve amounts by account number for both the base period and/or the forecasted test period, provide all amounts and explain the period for which data was provided.
- b. Atmos' response to AG 1-096(a) did not provide the requested maintenance fees by account for both the base period and/or the forecasted test period, provide all amounts and explain the period for which data was provided.
- c. Regarding Atmos' response to AG 1-096(a), explain if annual maintenance fees of \$1,400,000 for the legacy system and \$2,328,150 for the new system were both included in the fully forecasted test period, provide supporting documentation to show both of these amounts were (or were not) included in the forecasted period, and explain why it is reasonable to include maintenance fees for the legacy and new system in the forecasted test period.
- d. Regarding Atmos' response to AG 1-096(a), provide a copy of the contract that identifies or reconciles to the amount of annual maintenance fees of \$1,400,000 for the legacy system and \$2,328,150 for the new system, and show amounts on a monthly basis.
- e. Please provide the information at AG 1-095 Attachment 1 for the base period and forecasted test period, and explain the period for which amounts were provided.
- f. Please explain and reconcile the legacy CSS plant costs at Atmos' response to AG 1-095 Attachment 1 to the legacy CSS system amounts provided at AG 1-096 Attachment 1, and explain why the book cost and depreciation expense differs between these two data requests. Explain if the legacy "Data Mart" costs at AG 1-095 Attachment 1 are a subset of the legacy CSS system costs at AG 1-096 Attachment 1, or explain why the amounts in accounts GEN-39901 and GEN-39908 do not equal the same amounts in these two separate data requests.
- g. Please explain, reconcile and provide the accumulated depreciation and net book value for the Legacy CSS System costs and the new CSS System costs at AG 1-096 Attachment 1, and provide the information for the base period and forecasted test period.
- h. Clarify if the amounts at AG 1-096 Attachment 1 reflects plant and depreciation expense amounts included in the fully forecasted test period for both the Legacy CSS system costs and the New CSS system, and explain why it is reasonable to

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include amounts for both the legacy system and the new system in the forecasted test period.

36. Regarding Atmos' response to AG 1-097 states that the original CSS project cost was estimated at \$64 million and was revised upward to \$72 million when deployment strategy was changed, and then further updated to a final cost of \$78.9 million due to addition of internal resources for testing the system prior to "go-live." Address the following:
- a. Explain if the final CSS capital cost of \$78.9 million final amounts is a historic actual amount at May 2013 (or some other actual date) or forecasted cost amount (or a combination) and show amounts by actual and forecast by account number and description, and reconcile to the \$78.9 million shown at Atmos' response to AG 1-096 Attachment 1.
 - b. Explain the time period/date the \$78.9 million of CSS costs became "final" and the costs were actually incurred.
 - c. The Confidential response to AG 1-097 Attachment 1 (page 5) shows the original CSS cost of \$64 million identified between the **BEGIN CONFIDENTIAL*****
CONFIDENTIAL. Show the CSS cost amounts of \$72 million and final CSS cost of \$78.9 million allocated between these same "confidential" categories related to the \$64 million of CSS and explain the reasons for changes from the original \$64 million to the final \$78.9 million for each category. *****END**
 - d. For each of the "categories" of costs making up the final \$78.9 million of CSS costs, show the related depreciation life and depreciation rate, and explain why the related depreciation life and rate is reasonable. Explain if this is a "new" depreciation life or rate, or explain if Atmos is using the previous authorized depreciation rates for similar CSS costs, and provide a cite and explanation for authorized depreciation rates for these types of CSS costs.
 - e. Explain and show the amount of "variable" internal labor costs included in the final CSS capitalized costs of \$78.9 million, and explain and show how these amounts were adjusted and removed from payroll costs (and payroll expense) included in the forecasted test period, and provide supporting documentation and calculations.

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- f. Explain and show the amount of "variable" internal labor costs that were capitalized for each month and year, and reconcile these amounts to the final amount included in the final \$78.9 million.
 - g. Explain if the increase in CSS costs of \$6.9 million (from \$72 million to \$78.9 million) for "internal sources for testing the system prior to go-live" consists entirely of payroll costs and show amounts by account number. Explain if any of these "internal source" costs were expensed or if all amounts were capitalized.
 - h. Explain if the increase in the "internal source" costs in the prior subpart question were recurring or nonrecurring in nature and explain and provide supporting documents.
 - i. Explain how the costs savings shown at Attachment 1 (page 10), identified as "Detail of O&M Savings" are reflected in the fully forecasted test period by account number/function and provided related calculations and supporting documentation.
37. Regarding Atmos' response to AG 1-097 states that the original CSS project cost was estimated at \$64 million and was revised upward to \$72 million when deployment strategy was changed, and then further updated to a final cost of \$78.9 million due to addition of internal resources for testing the system prior to "go-live." Address the following:
- a. Other than depreciation expense and annual maintenance fees, explain if all costs of the new CSS system were capitalized, or otherwise identify all new CSS "expenses" by description and account number that were expensed by month and year leading up to final implementation/go-live. Explain how Atmos determined if new CSS costs should be expensed or capitalized and provide copies of the related policy documentation.
 - b. Identify all "software" costs, along with a description of such software, related to the new CSS system that were expensed by month and year (and by account number) leading up to final implementation/go-live. Otherwise, explain if all software costs for the new CSS system were capitalized and explain why these software costs were capitalized versus expensed.
 - c. Other than depreciation expense and annual maintenance fees, provide the amount of CSS related costs that are expensed and included in the forecasted test period, and provide these amounts by account number and description and explain why these amounts should be included in the forecasted test period.

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38. Regarding Atmos' response to AG 1-098, address the following regarding software license fees at Confidential Attachment 2 (page 43).
- a. Provide the amount of "license fees" paid by Atmos for each type of software license and show the related amount expensed and capitalized by account number and month/year.
 - b. Provide the amount of license fees that are expensed and capitalized by account number and description, and which are included in the forecasted test period. Also, explain why such amounts are included in the forecasted test period.
 - c. For each "license fee" explain the duration of the license fee (with a reference to the related contract or document citing this duration), and then identify the number of years (and related depreciation rate) that is used to depreciate these license fees, and explain why there is a difference between the license fee duration and the depreciation life.
39. Regarding Atmos' to AG 1-098, and the related contract with Accenture as its system integrator for the new CSS system, and address the following.
- a. Explain the duration of the contract with Accenture (with a cite to contract language), explain the current term and length and how changes in the duration of the contract are triggered by Atmos, Accenture, or certain events/conditions.
 - b. Explain how often or what triggers a change in the contract amounts paid to Accenture (and provide a cite to the contract language).
 - c. Explain if the duration of the contract with Accenture affects the determination of the lives and depreciation rates used for the CSS system capitalized assets, and explain why or why not.
40. Regarding Atmos' to AG 1-098, and the related contract with Accenture as its system integrator for the new CSS system, address the following.
- a. Identify the required system performance criteria or statistics with a citation to the language in the related contract.
 - b. Explain how the system performance criteria/statistics were determined, and cite to industry performance criteria/statistics.

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- c. Compare the required system performance criteria/statistics to the actual achieved system performance statistics on a monthly basis to date, explain the reasons for all variances, and explain the qualitative and quantitative implications, penalties, or impacts upon Accenture, Atmos, and Atmos' customers for all variations. Provide copies of all actual reports supporting these statistics.
 - d. Explain if CSS performance that either exceeds or does not meet the required system performance statistics results in adjustments or revisions to amounts paid by Atmos to Accenture, and explain and show how this has impacted payments to date for each month, and provide related supporting documentation and explanations for changes in payment amounts.
41. Regarding Atmos' to AG 1-098, Confidential Attachment 2 and the related contract with Accenture as its system integrator for the new CSS system, address the following.

a. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL***** [REDACTED] *****END CONFIDENTIAL**, or provide an update to the hourly rates as of the most recent date and which were reflected in the base period and fully forecasted test period. Explain the reasons for all changes in hourly rates and provide supporting documentation.

b. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL***** [REDACTED] *****END CONFIDENTIAL.**

c. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL***** [REDACTED] *****END CONFIDENTIAL.**

d. Regarding Confidential Attachment 2, **BEGIN** [REDACTED]

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[REDACTED]
*****END CONFIDENTIAL.**

42. Regarding Atmos' to AG 1-098, Confidential Attachment 2 and the related contract with Accenture as its system integrator for the new CSS system, address the following

a. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL*****
[REDACTED]
*****END CONFIDENTIAL.**

b. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL*****
[REDACTED]
*****END CONFIDENTIAL.**

c. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL*****
[REDACTED]
*****END CONFIDENTIAL.**

d. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL*****
[REDACTED]
*****END CONFIDENTIAL.**

e. Regarding Confidential Attachment 2, **BEGIN CONFIDENTIAL*****
[REDACTED]
END CONFIDENTIAL.

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43. Regarding Atmos' to AG 1-098, Confidential Attachment 3 and the related contract with Accenture as its system integrator for the new CSS system, address the following

a. Regarding Confidential Attachment 3, **BEGIN CONFIDENTIAL*****

[REDACTED]

*****END CONFIDENTIAL.**

44. Regarding Atmos' to AG 1-099, the response states that Atmos was awarded a credit of \$129,847 on the capital cost of constructing the new CSS system. Regarding Confidential Attachment 1 and the related contract between Atmos and Proquire (a wholly owned subsidiary of Accenture) address the following

a. Regarding Confidential Attachment 1, explain how the \$129,846 credit was calculated with a citation to appropriate contract language and provide all supporting calculations. Show how this amount was recorded on the books and show the amount by account number for each month/period. Explain if this amount was used to reduce the CSS costs of \$78.9 million, and explain why or why not.

b. **BEGIN CONFIDENTIAL*****

[REDACTED]

*****END CONFIDENTIAL.**

c. Explain if all service credits paid to Atmos are netted with the CSS capital costs of \$78.9 million, explain why or why not (and cite to contract language) and provide supporting calculations.

d. **BEGIN CONFIDENTIAL*****

[REDACTED]

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*****END CONFIDENTIAL.**

45. Regarding Atmos' response to AG 1-101(b), the Company did not provide the supporting documents and calculations for the 2011, 2012, and 2013 Kentucky division budgeted revenues as requested. Please provide this information.
46. Regarding Atmos' response to AG 1-104 and Attachment 1, it appears that Atmos uses a 10-year trend in the decline of usage for Residential, Commercial and Public Authority to adjust revenues in Exhibit MAM-2 for Conservation and Energy Adjustments. Address the following.
 - a. Explain if Atmos considered or removed the impact of increases in customers' rates over this 10 year period in calculating the impact for declining customer usage, and explain why or why not. If the impact of rate increases was considered, provide these calculations and the impact on customer declining usage for each of the 10 years.
 - b. For each of the 10 years 2000 through 2012 for which declining customer usage was trended, identify those years when rates were increased due to a rate case or increases in purchased gas costs that were flowed through to customer rates (and other measures causing customer rate increases), and provide this impact on customer decline in usage for each of these years.
 - c. If the impact of increases in customer rates for any specific year is trended forward at the same level as the period of the initial rate increase, doesn't this overstate the decline in customer usage in future years, explain why or why not and provide supporting calculations.
 - d. Explain why Atmos used 10 years of trended customer data instead of 15 years, 5 years or some other period. Explain and show how a 10 year trend of customer usage accurately (or inaccurately) forecasts future customer usage by comparing 10 year trended data (for 10 year trended data including years prior to 2002) to actual customer usage in subsequent years.
 - e. Explain if Atmos' regular budgeting process uses this 10 year trend of customer usage to forecast future usage/revenues and provide supporting documentation and calculations for budget years 2010 through 2014 to show this same approach is used. Otherwise, explain the budgeting process used to forecast future usage/revenues for each customer class and explain how this differs from using the 10 year trend of customer usage.

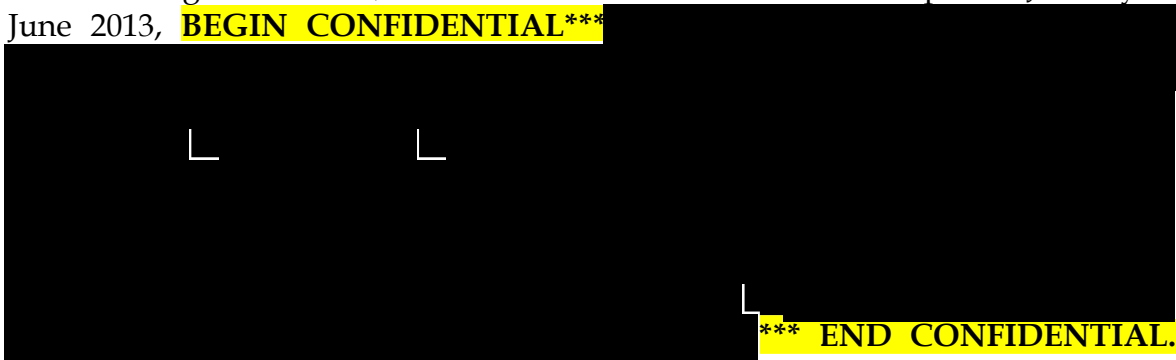
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47. Regarding Atmos' response to AG 1-104 and Attachment 1, it appears that Atmos uses a 10-year trend in the decline of usage for Residential, Commercial and Public Authority to adjust revenues in Exhibit MAM-2 for Conservation and Energy Adjustments. Address the following.
- a. Explain why Residential usage declined significantly in FY 2006 and FY 2012 (compared to all other fiscal years) and explain why usage increased significantly in FY 2007 and FY 2011 (compared to all other fiscal years) and provide supporting documentation, calculations and explanations.
 - b. Explain why Commercial usage declined significantly in FY 2002, 2006, 2008, and 2012 (compared to all other fiscal years) and explain why usage increased significantly in FY 2003, 2007, and 2009 (compared to all other fiscal years) and provide supporting documentation, calculations and explanations.
 - c. Explain why Public Authority usage declined significantly in FY 2002, 2005, 2006, 2010, and 2012 (compared to all other fiscal years) and explain why usage increased significantly in FY 2003 and 2004 (compared to all other fiscal years) and provide supporting documentation, calculations and explanations.
48. Regarding Atmos' response to AG 1-105, and volumes at Confidential Attachment 3 and Confidential Attachment 4, address the following for Commercial and Transportation customers.
- a. Atmos response to AG 1-105(a) states that four customer adjustments were made to reflect increased customer usage and two adjustments were proposed to reflect reduced usage. Please cite to Confidential Attachments 1 through 4 and identify these customers and the amount of increased and decreased usage for each customer, or provide additional related calculations and documentation to show this change in usage for each customer. Explain if the total increase or decrease in usage was greater and explain the reason for the change in usage for each customer and provide related analysis and documentation to support this change.
 - b. Explain if Confidential Attachment 3 reflects the actual baseline 2012 volumes or if this reflects 2013 volumes (both known and projected), or explain the source and volumes at Confidential Attachment 3. Explain how volumes at Confidential Attachment 3 were used to determine projected volumes or actual volumes at Confidential Attachment 4, or otherwise explain how projected volumes and actual volumes at Confidential Attachment 4 were determined and provide supporting documentation and calculations.

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c. The response to AG 1-105(c) states that Confidential Attachment 4 compares the "adjusted" total volume per month to actual usage for January to June 2013. Explain if the "adjusted" usage per month is intended to reflect projected volumes for months January to June 2013 or intended to reflected projections for a different year and provide supporting documentation and calculations. Explain if the "actual" usage per month is intended to reflect volumes for months January to June 2013 or some other period and provide supporting documentation and calculations.

d. Atmos response to AG 1-105(a) states that four customer adjustments were made to reflect increased customer usage and two adjustments were proposed to reflect reduced usage. However, at Confidential Attachment 4 for the period January to June 2013, **BEGIN CONFIDENTIAL *****



Explain Atmos' treatment of these adjustments and related amounts and explain how four customer adjustments reflect increased customer usage and two reflect reduced usage.

e. Atmos response to AG 1-105(a) states that four customer adjustments were made to reflect increased customer usage and two adjustments were proposed to reflect reduced usage. However, at Confidential Attachment 4 for the period January to June 2013, **BEGIN CONFIDENTIAL *****



CONFIDENTIAL. At Confidential Attachment 4, explain why it would not be more accurate to substitute actual customer usage for January to June 2013 for Atmos' projected and adjusted customer usage for January to June 2013, because isn't actual usage for these same months more accurate than previously projected usage for these same months. Explain why Atmos believes that "projected" usage for January to June 2013 is better and more accurate for purposes of Atmos' adjustment, rather than using "actual" usage for January to June 2013 and provide related supporting documentation.

49. Regarding Atmos response to AG 1-052 Attachment 1 regarding the cost/benefit analysis and cost savings of Wireless Meter Reading (WMR), and Atmos' response to

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Staff 2-59 regarding FR 16(12)(f) related to installation of WMR beginning in October 2013 with estimated completion in September 2014, address the following:

- a. Show the total costs (both expense and capital) included in the test period and forecasted test period by account number and description related to WMR, and identify the number of WMR devices included in these costs by location. Explain if only CWIP/capital costs of WMR have been included in the forecasted test period.
 - b. Regarding the WMR estimated construction costs of \$2.12 million at FR 16(12)(f), provide the number of WMR devices this includes and provide the average capital cost per WMR device along with all related supporting documentation and calculations.
 - c. Please reconcile the total capital cost of \$2.12 million to copies of invoices/purchase orders (and provide these copies of invoices/purchase orders) and provide related documentation and calculations.
 - d. Regarding the WMR estimated construction costs of \$2.12 million at FR 16(12)(f), provide this estimated cost by each category/component including the capital cost of the WMR, AFUDC, capitalized labor, and all other costs. Provide related supporting documentation and calculations.
 - e. Atmos' response to Staff 2-59(f) states that a pilot project of 500 meters was installed in Livermore, KY in 2011-2012. Show the amount of these meter costs included in the forecasted test period and show costs by account and description, including plant in service, CWIP, accumulated depreciation, and depreciation expense.
 - f. Atmos' response to Staff 2-59(f) states that a pilot project of 500 meters was installed in Livermore, KY in 2011-2012. Provide the average capital costs per WMR device (and provide related documentation and calculations) and explain why this average cost per WMR device varies from the average cost per WMR device related to the \$2.12 million included at FR 16(12)(f) and previously addressed at this data request.
50. Regarding Atmos response to AG 1-052 Attachment 1 regarding the cost/benefit analysis and cost savings of Wireless Meter Reading (WMR), and Atmos' response to Staff 2-59 regarding FR 16(12)(f) related to installation of WMR beginning in October 2013 with estimated completion in September 2014, address the following:

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- a. Identify the total cost savings included in the test period and forecasted test period by account number and description related to WMR (and provide supporting documentation and calculations), and reconcile these savings to AG 1-052 Attachment 1 and identify the reasons for any differences in cost savings per average WMR device. Explain why the estimated costs savings should not be reflected in the forecasted test period.
 - b. Atmos' response to Staff 2-59(e) states that the primary savings of WMR is related to labor costs, but Atmos does not anticipate any WRM savings during the service period because it prefers to reduce labor costs via attrition rather than forced reduction and because savings will lag the installation time period. Explain if the AMR savings at AG 1-052 Attachment 1 are "known and measurable" and why these savings should not be reflected in the forecasted test period, or explain the purpose of these savings calculations if they are not known and measurable.
 - c. Explain why it is reasonable to include "estimated" costs of WMR devices in the forecasted test period but not include the related "estimated" savings.
 - d. Explain why the vehicle savings and service cost savings at AG 1-052 will not be immediate, and why these cost savings should not be included in the forecasted test period.
51. Atmos' response to AG 1-112(b) states that the Consumer Price Index is reasonable for forecasting cost changes, address the following:
- a. Identify all specific costs of Atmos that change in relation to the specific CPI for that product or service of Atmos and provide related documentation to support this conclusion.
 - b. Explain and cite all CPI for a specific product or service that is used specifically by Atmos to reflect changes in its actual costs.
 - c. Explain if Atmos uses any component of Consumer Price Index for calculating or determining increases in payroll for employees (cost of living increases, employee bonus, etc.) , explain why or why not.
 - d. Identify the CPI (and change in CPI) for each product and service, and reconcile the CPI product and service to the same product and service provided by Atmos and to the same expenses/costs incurred by Atmos.

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52. Atmos' response to AG 1-121(i) Attachment 3 indicates that a significant percentage of Officer payroll was capitalized (for years 2010 to 2013), provide a copy of the Company policy that explains how and why a large percentage of Officer salary is capitalized and provide a citation to GAAP for accounting policies that support this capitalization policy. Explain when Atmos adopted this policy of capitalizing significant portions of Officer payroll.
53. Atmos' response to AG 1-121(a) and Attachment 1 do not show any payroll amounts included in the forecasted test period for any of the Officers, and no amounts allocated or assigned. Address the following:
- a. Explain if the zero amount of Officer costs shown for the fully forecasted test period at Attachment 1 is intended to indicate that no Officer payroll costs were included in the fully forecasted test period, amounts were included in the forecasted test period but cannot be identified by Atmos for some reason, or some other explanation.
 - b. Explain why Atmos cannot identify Officer payroll costs included in the fully forecasted test period and explain why this is not a violation or inconsistency with the Filing Requirements, and explain why the "accounting controls" of the budgeting process do not allow these amounts to be determined or identified.
 - c. Explain how the CAM attached as Exhibit JLS-1 to Mr. Schneider's testimony can be used to identify and determine the specific amount of Officer payroll included in the fully forecasted test period, and provide all citations and related calculations.
 - d. Explain how the AG can determine and confirm the amount of Officer payroll costs included in the forecasted test period if Atmos cannot make this determination.
54. Atmos' response to AG 1-122 states that stock grants were made in November 2012 for MIP participants who elected to convert some or all of their bonus into company stock for the Oct. 1, 2011 to Sept. 30, 2012 fiscal year. Address the following:
- a. Explain the difference in the accounting/bookkeeping treatment and timing of recognition of the costs of "stock grants" compared to "bonuses", and explain if certain of these costs/expenses were deferred recognition in the fiscal year 2012.
 - b. Explain how the difference in accounting/bookkeeping treatment of "stock grants" versus "bonuses" impacted the amounts included in the base period and

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forecasted test period and provide related supporting documentation and calculations. For example, if the recognition of certain costs were deferred and recognized in the forecasted test period, explain this treatment and why it is reasonable.

55. AG 1-125(c) request copies of compensation studies/surveys and related supporting documentation that were relied upon for establishing compensation of Officers (and this same issue in this data request is also applicable to AG 1-124 to some degree). Atmos' response states that Base Pay is established by the Board of Directors with the assistance of Pay Governance, LLC, and Board of Director information must be reviewed at the Company's corporate offices in Dallas, Texas. Address the following:
- a. Explain why compensation studies/surveys and related supporting documentation are required to be reviewed at Atmos' corporate offices in Dallas, Texas and cite to Commission precedent for this treatment.
 - b. Explain if it is Atmos' position that compensation studies/surveys and related supporting documentation and calculations that establish the amount of Officer payroll costs for FY 2010 through the forecasted test period needs to be reviewed at corporate offices because the information is confidential (or can the confidential compensation studies/surveys be provided to AG without requiring a trip to corporate offices).
 - c. Explain if compensation studies/surveys are specifically available for Officer payroll costs for FY 2010 through the forecasted test period, or identify the periods for which this information is available.
 - d. Explain if it is Atmos' position that the actual compensation studies/surveys are not required to be reviewed at Atmos corporate offices, rather it is the Board of Director Minutes approving the Officer's payroll that are considered confidential and need to be reviewed at Atmos' corporate offices.
56. Atmos' response to AG 1-127 states that the requested payroll impacts cannot be made available at "individual employee levels", but only at Kentucky rate division levels. The AG data request does not request information at the individual employee level, please provide information at the Kentucky rate division level as originally requested for each type of payroll change identified.
57. Atmos' response to AG 1-130 and Attachment 1 states that the FY 2014 merit budget is 3% of the September 1, 2013 base salaries and that pay ranges were increased by 1.5% over FY 2013. Address the following:

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- a. Provide the amount of Atmos' September 1, 2013 base salaries used for determining the 3% merit budget in the forecasted test period of this filing and provide the related 3% merit budget amounts to be paid based on the September 1, 2013 base salaries. If September 1, 2013 base salaries are not available then provide this information for August 1, 2013 and the related 3% merit budget amount to be paid based on the August 1, 2013 base salaries.
 - b. Explain and show the August 1, 2013 and/or September 1, 2013 base salary amounts used for determining the 3% merit budget and provide the base salary amounts included in the base period and forecasted test period of this rate case, and explain the reasons for differences between these base salary amounts for each related period.
 - c. Explain and show the August 1, 2013 and/or September 1, 2013 base salary amounts and the related amount of the 3% merit budget, and provide the base salary amounts included in the base period and forecasted test period of this rate case and the related amount of the 3% merit budget for these amounts, and explain the reasons for differences between these 3% merit budget amounts for each related period.
 - d. Explain if the increase in pay range of 1.5% affects the calculation of the 3% merit pay for individual employees and explain this process and impact. Also, explain if an employee's specific pay is increased for the 1.5% pay range increase before or after the 3% merit pay, or explain if the 1.5% pay range increase is not a specific pay increase for an employee, but rather a range of payroll that an employee falls under.
58. Regarding Atmos' response to AG 1-131 and Attachments 1-4, Atmos response to AG-1-131(h) states that short-term or annual incentive awards **under the Variable Pay Plan (VPP) for employees in grades 1 - 7** are based on performance targets set by the Board of Directors and tied to annual profitability goals expressed as Earnings Per Share (EPS). These VPP incentive awards will not be paid if Company performance is below the established threshold EPS level and when threshold EPS is met or exceeded then an "Award Percentage" is determined by measuring where actual EPS falls between the fiscal year's Threshold EPS and Maximum EPS. Address the following **for incentive awards under the Variable Pay Plan**:
- a. Explain if Threshold, Maximum, and actual EPS is determined on a consolidated Atmos' basis, for each division, for each state operation, or if it is determined on a jurisdictional regulatory basis for Kentucky and other states (such as the

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jurisdictional financials used for Kentucky operations for this rate case), and provide copies of Company policy that documents this.

- b. Provide the Threshold EPS, the Maximum EPS, and actual EPS for FYs 2008 through 2014 (or the last information available) or explain if EPS is determined based on something other than a FY basis, and provide these EPS for the most recent six year period, along with related calculations and supporting documentation (including all threshold/target EPS calculations based on information from other utility companies). Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
- c. Provide the actual EPS and the related calculation for the FYs 2008 through 2014 and provide supporting documentation. Explain why the actual EPS varied for each year from 2008 to 2014. Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
- d. Provide the "Award Percentage" for each of the periods 2008 through 2014 and explain how this was determined based on the actual EPS, Threshold EPS, and Maximum EPS. Provide copies of Company policy identifying the Threshold EPS and Maximum EPS for each year. Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
- e. Provide the amount expensed related to the VPP for each of the periods 2008 through 2014 along with related calculations and documentation, and provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
- f. Provide the amount expensed related to the VPP and included in the base period and fully forecasted test period and provide related calculations and supporting documentation.
- g. Clarify if EPS is the only performance target and identify all other performance targets that are tied to financial, operational, safety/service quality, and other matters and provide related calculations.
- h. Explain why Atmos should recover the full amount of its VPP expense in this rate case from its customers when there are no performance targets that provide

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specific benefits to customers, such as performance targets related to safety/service quality and other beneficial performance targets.

59. Regarding Atmos' response to AG-1-131(h) refers to a short term or annual incentive Variable Pay Plan (VPP) applicable to employees in grades 1 to 7 and also refers to a short term or annual Management Incentive Plan (MIP) that applies to Management Committee, Corporate Officers, and Directors and Managers in pay grades 7 and above. Atmos' response states that both of these incentive pay plans are applicable to employees in pay grade 7. Please clarify this response and explain which incentive plan is applicable to employees in pay grade 7 or clarify if there are "two pay grades 7", with a VPP applicable to employees in grade 7 and a MIP applicable to Officers and Managers in pay grade 7.
60. Regarding Atmos' response to AG 1-131 and Attachments 1-4, Atmos response to AG-1-131(h) states that short-term or annual incentive awards under the Management Incentive Plan (MIP) for Management Committee, Corporate Officers, and Directors and Managers in pay grades 7 and above are based on performance targets set by the Board of Directors and tied to annual profitability goals expressed as Earnings Per Share (EPS). MIP awards will not be paid if Company performance is below the established threshold EPS level and when threshold EPS is met or exceeded then a "Payout Percentage of Target" is determined using a straight line interpolation between threshold, target, and maximum levels. Also, each employee has an "Incentive Target" based on his/her pay grade, with an incentive payment calculated as multiplying each employees Eligible Earnings by his/her Incentive Target times the Payout Percentage of Target. Address the following **for incentive awards under the MIP:**
- a. Explain if the Threshold EPS, Target EPS, Maximum EPS, and actual EPS is determined on a consolidated Atmos' basis, for each division, for each state operation, or if it is determined on a jurisdictional regulatory basis for Kentucky and other states (such as the jurisdictional financials used for Kentucky operations for this rate case), and provide copies of Company policy that documents this.
 - b. Provide the Threshold EPS, Target EPS, Maximum EPS, and actual EPS for FYs 2008 through 2014 (or the last information available) or explain if EPS is determined based on something other than a FY basis, and provide these EPS for the most recent six year period. Provide this information for each pay grade, or as an average amount for all employees in each pay grade as applicable, along with related calculations and supporting documentation (including all threshold/target EPS calculations based on information from other utility companies). Provide this information at all applicable levels for Atmos

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(consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).

- c. Provide the actual EPS and the related calculation for the FYs 2008 through 2014 and provide supporting documentation. Explain why the actual EPS varied for each year from 2008 to 2014. Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
 - d. Provide the "Payout Percentage of Target" for each of the periods 2008 through 2014 and explain how this was determined based on the actual EPS, Threshold EPS, and Maximum EPS. Provide this information for each pay grade as applicable, or as an average amount for all employees in each pay grade. Provide copies of Company policy identifying the Threshold EPS, Target EPS, and Maximum EPS for each year. Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
 - e. Provide the amount expended related to the "Payout Percentage of Target" for MIP for each of the periods 2008 through 2014 along with related calculations and documentation, and provide this this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
 - f. Provide the amount expended related to the MIP and included in the base period and fully forecasted test period and provide related calculations and supporting documentation.
 - g. Clarify if EPS is the only performance target and identify all other performance targets that are tied to financial, operational, safety/service quality, and other matters and provide related calculations.
 - h. Explain why Atmos should recover the full amount of its MIP expense in this rate case from its customers when there are no performance targets that provide specific benefits to customers, such as performance targets related to safety/service quality and other beneficial performance targets.
61. Regarding Atmos' response to AG 1-131 and Attachments 1-4, Atmos response to AG-1-131(h) states that long-term incentive awards **under the Long-Term Incentive Plan (LTIP) for Management Committee, Corporate Officers, and Directors and Managers in pay grades 7 and above** are based on a performance measure of the cumulative 3-year Earnings Per Share (EPS) subject to Board of Directors approval.

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Also, each participant has an "Incentive Target" percentage based on his/her pay grade mid-point, upon determination of the incentive target value for a given fiscal year. The LTIP is awarded as 50% in the form of 3-year Time Lapse Restricted Stock Units (TL RSUs) and 50% in the form of Performance Based Restricted Stock Units (PS RSUs) with a 3-year performance period. Address the following **for incentive awards under the LTIP:**

- a. Explain if an LTIP is paid every year, or explain if there are certain minimum LTIP thresholds that must be met or exceeded and explain and provide these thresholds for FYs 2008 through 2014.
- b. Explain if the Threshold 3-year EPS, Target 3-year EPS, Maximum 3-year EPS, and actual 3-year EPS is determined on a consolidated Atmos' basis, for each division, for each state operation, or if it is determined on a jurisdictional regulatory basis for Kentucky and other states (such as the jurisdictional financials used for Kentucky operations for this rate case), and provide copies of Company policy that documents this.
- c. Provide the Threshold 3-year EPS, Target 3-year EPS, Maximum 3-year EPS, and actual 3-year EPS for FYs 2008 through 2014 (or the last information available) or explain if the cumulative 3-year EPS is determined based on something other than a FY basis, and provide these EPS for the most recent six year period (including all threshold/target EPS calculations based on information from other utility companies). Provide this information for each pay grade mid-point, or as an average amount for all employees in each pay grade mid-point as applicable. Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
- d. Provide the actual cumulative 3-year EPS and the related calculation for the FYs 2008 through 2014 and provide supporting documentation. Explain why the actual cumulative 3-year EPS varied for each year from 2008 to 2014. Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
- e. Provide the Incentive Target percentage for each of the periods 2008 through 2014 and explain how this was determined based on the actual EPS, Threshold EPS, and Maximum EPS. Provide this information for each pay grade as applicable, or as an average amount for all employees in each pay grade. Provide copies of Company policy identifying the Threshold EPS, Target EPS, and Maximum EPS for each year. Provide this information at all applicable levels for Atmos

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- f. Provide the amount expensed for the "50% 3-year Time Laps Restricted Stock Units" and the "50% Performance Based Restricted Stock Units" for each of the FYs 2008 through 2014 along with related calculations and documentation, and provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional). Explain the accounting treatment for Time Lapse Restricted Stock Units and Performance Based Restricted Stock Units and explain the timing when amounts are expensed or recorded on the Company's books.
 - g. Provide the amount expensed for the "50% 3-year Time Laps Restricted Stock Units" and the "50% Performance Based Restricted Stock Units" for the base period and fully forecasted test period and provide related calculations and supporting documentation. Provide this information at all applicable levels for Atmos (consolidated, division, state, Kentucky jurisdictional, and other state jurisdictional).
 - h. Clarify if the cumulative 3-year EPS is the only performance target and identify all other performance targets that are tied to financial, operational, safety/service quality, and other matters and provide related calculations.
 - i. Explain why Atmos should recover the full amount of its LTIP expense in this rate case from its customers when there are no performance targets that provide specific benefits to customers, such as performance targets related to safety/service quality and other beneficial performance targets.
62. Regarding Atmos' response to AG 1-133, Atmos states that Officer pay is determined annually by the HR Committee of the Board with assistance from the executive compensation consultant, Pay Governance, LLC, and related information can be viewed at Atmos corporate offices in Dallas, Texas. Address the following:
- a. Explain and clarify if Pay Governance, LLC services are used each year to determine executive compensation in part, and explain if compensation studies and analysis are performed by Pay Governance, LLC for every Atmos officer for each year. Otherwise, explain the type of analysis performed by Pay Governance, LLC each year in assisting with the determination of Officer pay.
 - b. Provide the amount paid and expensed for Pay Governance services that are included in the base period and forecasted test period and provide related

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calculations and supporting documentation to show related allocations, along with a description of the services provided by Pay Governance.

- c. Provide actual amounts paid and expensed for Pay Governance services in FY 2011 and 2012, along with a description of services performed, and explain why this expense amount varies from the amount included in the base period and fully forecasted test period of this rate case.
63. Atmos' response to AG 1-139 states that the company does not specifically charge or assign in-house labor (such as for Company in-house witnesses in this proceeding) or other charges from the Division General Office and SSU for time spent on this specific rate case because these related costs are subject to a general allocation via the CAM. However, FR_16(13)(f) Attachment 1 shows projected rate case expenses that include specific and direct charged/assigned "Employee Expense" (presumably for Company in-house witnesses in this proceeding) of \$20,000 and "Miscellaneous Expense" of \$50,000 for printing and advertising. Address the following:
- a. It appears that Atmos' response to AG 1-139 is inconsistent with how Atmos is charging "other expenses" for in-house Company witnesses and other matters related to this rate case, because it appears the Company is "direct" charging Employee Expense and Miscellaneous Expense to this rate case. Because both the Employee Expense and Miscellaneous Expense is subject to general allocation from Division/SSU to Atmos (per the response to AG 1-139), it appears that Atmos' direct assignment and general assignment of these costs would cause duplicate charges to be incurred by Atmos operations in this rate case. Explain why duplicated charges are incurred for the forecasted test period in this rate case, or provide documentation to explain and show this does not occur.
 - b. Explain and reconcile Atmos' response at AG 1-139 to its treatment of rate case expenses in this case at FR_16(13)(f), explain why it is reasonable to "allocate" some Division/SSU rate case charges to Atmos and why it is reasonable to "direct charge/assign" other Division/SSU rate case charges to Atmos in this rate case - - provide a copy of all policy that allows this treatment, explain which rate case related expenses are treated as "allocated" versus "direct assigned", and explain why this is reasonable.
64. Atmos' response to AG 1-140 states that the Company objects to providing legal invoices related to rate case expense on the basis of attorney/client privilege, and instead Atmos has provided a summary of rate case legal invoices at Attachment 1 to AG 1-140 (although this is merely a one line amount showing legal expense of \$22,274 as of June 4, 2013 per Mr. John Hughes, without any supporting documentation or

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further explanation of charges or billing rates). Also, in response to AG 1-144(e) and (f), Atmos has claimed attorney/client privilege and has not provided copies of requested actual legal invoices or related studies/reports/recommendations by attorneys (although Attachment 1 provides summary information for attorney amounts without describing services or providing invoices). Address the following:

- a. Explain if Atmos is aware of the Commission's order in the Big Rivers Electric Corporation (BREC) rate case, Case No. 2011-00036, dated January 29, 2013, page 6, which required BREC to provide unredacted copies of legal invoices in order to recover these amounts in the rate case.
 - b. Explain why Atmos is electing to not provide unredacted copies of legal invoices in this rate case given the Commission decision in Case No. 2011-00036.
 - c. Explain if Atmos has made a decision to not seek recovery of legal rate case expenses or other legal expenses in this rate case, in lieu of not providing copies of unredacted legal invoices.
65. Atmos' response to AG 1-141 Attachment 1, pages 3 and 5 (of 9), appears to be intended to show outside services expense for the "fully forecasted test period ending November 2014, and the first 10 months through September are designated as related to "2014", but the last two months at this Attachment are labeled as "FY 2015, October" and "FY 2015, November". Explain if October and November are intended to be related to the fully forecasted test period FY 2014.
66. Atmos' response to AG 1-141(f) states that outside service expense for budgeted and forecasted amounts shown at Attachment 1 are not identified or broken out by vendor. Address the following:
- a. Explain how outside services can be accurately or reasonably budgeted/forecasted without identifying the related vendor, because amounts will vary depending upon specific services provided by specific vendors, and because contract amounts, billing rates, and hours all vary by specific vendor. Explain how Atmos considered and reflected all of these variables in its budgeting/forecasting of outside services expenses and provide all related supporting documentation and calculations.
 - b. Per Attachment 1, explain if any of the outside service amounts included in the fully forecasted test period are based on "actual contracts" that are in place, and if the answer is "yes", then reconcile the forecasted amounts to the contract amounts for the related vendor and explain all differences.

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- c. Per Attachment 1, explain why the forecasted month of November 2014 (presumably incorrectly identified as November 2015 in the Attachment) almost always includes monthly amounts that are greater than the other months for the fully forecasted test period for each type of outside expense.
 - d. Per Attachment 1 (page 3 of 9), explain why amounts for the forecasted month of November 2014 are greater than all other months in the forecasted test period, yet at Attachment 2 (page 2 of 9) the "actual" amounts for November 2013 included in the base period are not the highest monthly amounts for the base period.
 - e. Per Attachment 1 (page 3 of 9), explain the credit amount shown for Legal expenses in account 9210.
 - f. Attachment 1 (pages 2, 6 and 8) shows an "escalator" applied to base period outside service expenses, explain if this escalator is the only factor or assumption used in adjusting the base period expenses to the fully forecasted expenses, or otherwise provide all assumptions and factors used to adjust from historical and base period amounts to the fully forecasted amounts for outside services.
 - g. Attachment 1 (pages 6 and 8) shows an "escalator" applied to base period outside service expenses, with a separate and specific escalator applied to each type of outside expense. Explain why and how each separate and specific escalator was determined and applied to the various outside service amounts and provide related supporting documentation and calculations.
 - h. Per Attachment 1, identify and reconcile all amounts by account number for outside services related to the CSS provided by Accenture and which are included the fully forecasted test period, and reconcile these amounts to the Accenture contract and explain the reasons for all differences in amounts.
67. Atmos' response to AG 1-141 Attachment 2 shows actual vendor amounts by vendor name, account number, and date for FY 2011, FY 2012, and the "actual" months of the base period, and AG 1-141(g) states that most of these expenses are "recurring." Also, AG 1-141 Attachment 3 shows vendors and amounts with a designation of "recurring" in the last column, without any documentation to explain and show the amounts are recurring. For each vendor listed below identify the services provided, identify the type of consultant (legal, accounting, lobbying, etc.), explain if amounts are subject to a contract, explain if the services are recurring, and provide supporting documentation to show such amounts are recurring (this information does not need to be provided if already included in the response to AG 1-143, and this information

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should be provided in related follow-ups to AG 1-143 also included in this second group of data requests to Atmos):

- a. Blue Fish Development Group, Buchanan Technologies, Equity Administration Solutions, Inc., Fischer and Dority, High Profile Inc., Invensys Systems Inc., Management Decisions Inc., Milestone Solutions, Inc., Professional Alternatives of Houston, LLC, RR Donnelley Inc., Sogeti USA LLC, Special Counsel, Ubisense Inc., Zumpano Patricios Winker and Bresnahan LLC, AI Staffing and Spherion, Spherion LLC, (explain the difference between "AL Staffing and Spherion" and "Spherion"), Decision Analyst Inc., George R. Fusner (Claim Settlement of \$259,463), Harris McBurney Company Inc., King Pipeline and Utility Company Inc., and Secured Futures Pooled Special Needs Trust (Claims Settlement of \$440,537).
 - b. Per Attachment 2, page 8 and part of 9, and page 12, explain why the vendor names are not provided and provide the related vendor names.
 - c. Per Attachment 2, page 8, provide the previously requested information for the credit amounts related to the description "J/E Liberty Sale" of \$109,221 and \$262,983.
68. Atmos' response to AG 1-143(a) and Attachment 1 does not provide the requested vendor information for the base period and the forecasted test period. Explain if this is because Atmos does not budget/forecast amounts by vendor as explained in the response to AG 1-141, or otherwise provide the requested information at AG 1-143 for the base period and forecasted test period.
69. Atmos' response to AG 1-144 and Attachment 1 does not provide the requested legal information for the base period and the forecasted test period. Explain if this is because Atmos does not budget/forecast amounts by vendor/attorney as explained in the response to AG 1-141, or otherwise provide the requested information at AG 1-144 for the base period and forecasted test period.
70. Atmos' response to AG 1-143(d - contracts), (e - invoices), and (f - relates studies and reports) indicates the related requested information (contracts, invoices and studies) will be provided if AG identifies specific line items/vendors at Attachments 1 and 2 for which it desires this information in a follow-up data request. AG is now requesting the information for AG 1-143, parts (d)(e)(f), and additional parts (g)(h)(i) for the following vendors for EXPENSE amounts at Attachment 1 and CAPITALIZED costs at Attachment 2.

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- a. Expense at Attachment 1 - AL Staffing and Spherion, Blue Fish Development Group, Enkitech LP, Fiserv Inc, Harris McBurney Company Inc., High Profile Inc, King Pipeline and Utility Company, Milestone Software Solutions, Spherion Staffing LLC.
 - b. Capitalized costs at Attachment 2 - Accenture, Digital Datavoice Corp., Envision Contractors LLC, The Fishel Company, KPMG, Sigercon Inc., Team Construction LLC, and WHF Inc. In addition, explain the related capital construction programs and type of plant assets related to each of these vendors.
 - c. Regarding Capitalized costs at Attachment 2, explain in more detail the type of costs for KPMG that were capitalized and explain why these amounts were capitalized instead of expensed and provide documentation to show this same approach has been used in prior years for KPMG or other vendors.
71. Atmos' response to AG 1-144(e) objects to providing copies of legal invoices on the basis of attorney/client privilege and the work product doctrine. If arrangements are made for provision of invoices, provide copies of the following invoices for the following attorneys for the related periods and explain how the 100% allocation or general allocation was determined.
- a. Fiscal Year 2012 - Design Research Engineering \$61,940, Fish and Richardson \$85,609, Journal Imported Created of (\$267,627) - explain the reason for this entry and if it is reflected in the forecasted test period, Lodbys Group \$50,000, Moore and Van Allen \$96,036, Nelson Bumgardner Casto \$170,000, Unified Messaging Solutions \$180,000, Wyatt Tarrant and Combs \$136,675, and Zumpano Patricios Winker and Bresnahan \$201,794.
 - b. Fiscal Year 2011 - Gibson Dunn and Crutcher \$116,466, Moore and Van Allen \$147,796, and Wilson Hutchinson Poteat & Littlepage \$101,146.
72. Regarding Atmos' response to AG 1-149 Attachment 2, for Div 009, explain why the accrual for ad valorem taxes increased from \$1.9 m in FY 2011 to \$3.2 m in FY 2012, and explain how this impacted the amounts included in the base period of \$3.2 m.
73. Atmos' response to AG 1-155 Attachment 1 shows an increase in forecasted test year expenses from the base period due to a shift of A&G expenses from Division Office and SSU to direct Kentucky operations for Account 9220. Address the following:
- a. Explain why account 9220 expenses and related functions were shifted to Kentucky operations, and identify the amounts of these expenses by "function",

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such as labor, rent, taxes, and other for the base period and fully forecasted test period. Also, identify the specific types of service functions that were shifted, such as customer operations, billing, legal, regulatory operations, etc. Provide copies of documentation that explain and support this shift of costs.

- b. Provide the date such shift of expense and functions actually incurred and provide documentation to support this date, or explain if this shift is being transitioned over time.
 - c. Explain the cost and qualitative advantage and disadvantage to each of Kentucky operations, Division Office, and SSU related to this shift of costs.
 - d. Explain and show the amount of costs shifted from Division and SSU to all other state jurisdictions, including Kentucky and all other mid-states and other states. Explain and show the percent of costs shifted to Kentucky operations for this rate case, compared to other state operations, and explain how this percentage shift of costs is consistent with the CAM allocation factors in this case for allocating other costs between Kentucky and other states.
 - e. Regarding the shift of costs to Kentucky operations, explain if this resulted in any actual physical movement of employees from Corporate offices or Mid-state offices, or from one location to another (such as a movement to Kentucky or other states) and explain why or why not. Identify the number of employees making a change in location, and show this shift of employees by location.
 - f. With the increase in costs shifted to Kentucky operations, provide all documentation to show how this reduced the amount of Division and SSU costs allocated to Kentucky for the fully forecasted test period (due to the offsetting increase in direct costs included in Kentucky operations in this rate case).
 - g. Provide all cost/benefit and other studies performed by the Company to show the benefit and advantage of this shift of costs.
74. Regarding Atmos' response to AG 1-159(a), address the following:
- a. Provide documentation and calculations to show that Atmos invests more heavily in Kentucky compared to other jurisdictions due to the PRP program in Kentucky. Provide a comparison of total capital investment by jurisdiction for FYs 2009, 2010, 2011, 2012 and projected 2013 and 2014, and show this capital investment in relation to total gross and net plant investment for each jurisdiction for the related years.

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- b. Identify those Atmos' jurisdictions that do and do not have a PRP program and indicate the year such program was implemented.
 - c. For those jurisdictions with and without a PRP, provide a comparison of common service quality/safety statistics and explain Atmos' conclusions from this information.
75. Atmos' response to AG 1-168 Attachment 1 admits that some plant accounts are fully depreciated and no further depreciation expense is appropriate. For each of these plant accounts that Atmos indicates no further depreciation is appropriate, provide the related depreciation expense included in the fully forecasted test period (and provide the related calculation of this depreciation expense, including gross plant costs multiplied by the depreciation rate).
76. Explain how Atmos' budgeted and forecasted capital plant (plant in service, CWIP, etc.) included in the forecasted test period affects other costs and amounts included in the forecasted test period, including depreciation expense, property/ad valorem taxes, accumulated depreciation reserve, AFUDC, long-term debt, deferred income taxes, and other amounts. Provide or cite to all supporting workpapers for the related calculations.
77. Regarding Atmos' response to Staff 1-47 regarding income taxes, address the following:
- a. Explain if deferred tax assets/liabilities, permanent tax differences, and timing tax differences are allocated to each jurisdiction based on allocation factors at the CAM, or explain if these amounts are directly assigned to each specific jurisdiction when they relate to a specific jurisdiction. If some of these items are allocated and some directly assigned, use the Atmos response at Staff 1-47 to identify these on a case-by-case basis, and identifying all Kentucky and other state jurisdictional amounts. Provide all calculations and supporting documentation.
78. Regarding Atmos' response to Staff 1-47 regarding income taxes, address the following:
- a. Explain if Atmos had a net loss on its corporate federal income tax return for 2010, 2011, 2012, 2013 or other years and explain and show how the related net operating loss carryback and carryforward has been treated in this rate case. Provide the impact on all accounts included in the forecasted test period and this rate case, including deferred federal and state income tax expense, accumulated

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deferred income tax reserve (liability), accumulated deferred income tax benefit (debit amounts based on a net operating loss carryforward), and all other accounts.

- b. Identify the amount that the accumulated deferred state and federal income tax reserve has been reduced or offset by a deferred "debit" balance (or asset amount) related to state and federal deferred income taxes calculated on the "net operating loss carryforward." Or explain if the accumulated deferred income tax related to an operating loss carryforward (a debit deferred tax balance, or income tax benefit balance) has been recorded in a separate account and has not been netted with the accumulated deferred income tax reserve liability account. Provide all supporting documentation and calculations, and show amounts by specific account number for the base period and the fully forecasted test period.
 - c. Explain and identify the precedent for including a deferred tax benefit in rate base and as a reduction to the accumulated deferred income tax reserve liability account.
79. Provide a cash flow analysis showing a statement of source and uses of cash flows for Kentucky jurisdictional operations using the adjusted forecasted test period in this rate case, showing cash flows both before and after the Atmos' requested rate increase in this case. Show all major sources and uses of cash flow that are typically included in a statement of cash flows, including revenues, cash expenses (or net income plus all non-cash expenses such as depreciation), interest payments, debt service payments, dividends, capital expenditures, proceeds from new debt and equity, cash used for investments, proceeds from investments, and all other matters.
 80. Identify the amount of all asset write-offs and impairments, including related amortization of such amounts, that are included in the forecasted test period and show amounts by account number and account description and provide a citation to Commission actions approving such accounting treatment for this rate case.
 81. Provide the amount of issuance costs, consulting costs, banking/financing fees, and other costs incurred for debt and projected debt that is included in the forecasted test period and show these amounts by account number and account description and explain why such amounts should be included in the revenue requirement.
 82. In August 2012, Atmos completed the sale of all of its Missouri, Illinois, and Iowa natural gas distribution assets to Liberty Energy Corp for a cash price of \$128 million, and Atmos agreed sold its Georgia natural gas distribution assets to Liberty for about \$155 million in April 2013. Address the following:

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- a. Explain and identify the impact of the sale of gas distribution assets and operations on the costs and revenues included in the forecasted test period of this rate case, and identify all changes in costs and revenues (increases and decreases) from these transactions that affected the forecasted test period. Identify all affected costs and revenues by account number and description, and provide related supporting documentation and calculations.
- b. Explain how the prior sales of the gas distribution assets impacted the amount of Division and SSU costs and expenses allocated to the Kentucky jurisdiction. Explain if the sales of these gas distribution assets resulted in a smaller base or number of companies over which to spread Division/SSU costs (and G&A costs/overheads), and thus caused an increase in costs allocated to Kentucky jurisdiction operations from Division/SSU. Show the amount of Division/SSU costs allocated to Kentucky for the fiscal years prior to the sale of the gas distribution assets and for fiscal years after the sale of the gas distribution assets and explain the reason for the change in allocated costs, including the impact of the sale of the gas distribution assets from other state operations.
- c. Explain how the sale of gas distribution assets increased legal and other outside professional costs, and provide the amount of these legal and outside consulting costs included in the rate case for the forecasted test period by account number, or explain how Atmos was able to identify and remove these costs from forecasted amounts.
- d. If Atmos claims that the sale of the gas distribution assets in other states did not cause an increase in allocation of Division/SSU costs to the Kentucky jurisdiction and this rate case, then explain how the Division/SSU costs were absorbed by a smaller base of companies without increasing the costs allocated to these other Atmos companies (including the Kentucky jurisdictional Atmos operations for this rate case).
- e. Explain if the sale of the other gas distribution assets caused Atmos Kentucky jurisdictional operations to incur increased specific and allocated debt and equity costs which can no longer be assigned/incurred by the sold operations, or otherwise explain how the debt and equity costs of the sold gas distribution assets was extinguished with proceeds from the sale or was assumed by the purchaser in these transactions. Explain all impacts on Atmos Kentucky jurisdictional debt and equity from the sale of gas distribution assets, and show the impact on the fully forecasted test period.

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- f. Explain if the Kentucky Public Service Commission has addressed or issued any orders explaining how the sale of the gas distribution assets in other states should be treated, or how it should impact, the Atmos Kentucky jurisdictional operations (and the potential impact on this rate case). Provide a cite to all orders and an explanation of the Commission findings.
 - g. Provide the amount of gain on sale from the sale of Missouri, Illinois, Iowa, and Georgia natural gas distribution assets/operations, and explain how and when this was recorded on Atmos' books, and provide the journal entry and amount recorded in each account (by account number and account description).
 - h. Explain why the Kentucky jurisdictional operations should not share in the gain or receive some benefit from the sale of Missouri, Illinois, Iowa, and Georgia natural gas distribution assets/operations.
83. Provide the following regarding Capital Expenditures:
- a. Provide the total Capital Expenditures budgeted for 2013, 2014, and 2015 for all Atmos operations (and cite to related Atmos documents or annual reports), and show how these capital expenditures are allocated to each company/entity and state jurisdictional entity, including the Kentucky operations in this rate case. Reconcile the projected capital expenditures in this rate case to inclusion in the amount for all Atmos operations.
 - b. Provide the capital expenditures information in the same format requested in the previous subpart question, except provide "actual" capital expenditures for 2009, 2010, 2011, and 2012.
 - c. Regarding the two prior subpart questions, show the capital expenditures related to pipeline replacement programs and Smart Meters.
84. Atmos Energy Corporation's September, 30, 2012 SEC 10-K, page 108, Note 13 - Commitments and Contingencies, identifies ongoing litigation for which a verdict contrary to Atmos awarded damages of \$24.7 million in February 2011, and Atmos has appealed the verdict to the Kentucky Court of Appeals in October 2011. Explain the impact of this litigation and related costs on the forecasted test period in this rate case, and identify all outside legal costs and other costs that are allocated to Atmos Kentucky operations by Division/SSU for this litigation, or which are directly incurred, and provide these costs by account number and account description (and provide amounts by outside legal firm if possible).

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Cost Allocations & Rate Structure

85. Regarding Atmos' response to AG 1-198(c): The AG is aware that the expenses within the class cost of service study reflect the forecasted test period. Please provide:
- a. A matrix of future test year affiliate charges and credits by affiliate, service, or service area, and FERC account; i.e., please quantify each affiliate charge (credit) by service area or type of activity as they are assigned to each FERC account within the class cost of service study; and,
 - b. An explanation of how affiliate charges (credits) are assigned to specific FERC accounts in the class cost of service study. Note, if detailed affiliate charges (by service or type of activity) to Atmos of Kentucky are not explicitly assigned to particular FERC accounts, please explain fully how the FERC account expense items in the class cost of service study were developed.
86. Regarding Atmos' response to AG 1-198, Attachment 1: Please provide a detailed breakdown of Account 9220 (separately for KY/Mid-states Division and Shared Services) by service area (or type of activity).
87. Regarding Atmos' response to AG 1-212 (j): For each customer that receives a discounted or negotiated rate, please provide:
- a. Customer name;
 - b. Geographical location (address and GIS coordinates);
 - c. Name of nearest interstate pipeline; and
 - d. Approximate distance to nearest interstate pipeline.
88. Regarding Atmos' response to AG 1-212(l): For each customer that receives a discounted or negotiated rate, please provide:
- a. A map or schematic of the Company's distribution system in proximity to each customer that includes mains diameters and service nodes as available;
 - b. A list of number of customers (service connections) between each discounted rate customer and the closest upstream main connection to another or larger main; i.e., the main segment serving each discounted rate customer; and,

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c. The vintage year in which the main segment serving each discounted rate customer was placed into service.

89. Regarding Atmos' response to AG 1-208, narrative response and Attachment 1: The AG does not fully understand the Company's response. Note, AG 1-208 asked nothing about how accounts were allocated to classes but rather, asked for a breakdown by account between Atmos of Kentucky directly incurred expenses, and those allocated to and from affiliates. Using Account 920 (A&G Administrative & General Salaries) as an example, Attachment 1 to AG 1-208 indicates Kentucky Direct equals \$394,702 which equals the total jurisdictional amount shown for this Account in the class cost of service study:

(a) Is \$394,702 the amount that is directly incurred by Atmos of Kentucky? If the answer is no, please explain fully as to what this amount does represent;

(b) Does -\$16,251,105 reflect the amount of Division 2 A&G expense (Account 920) that is assigned to Atmos of Kentucky? If the answer is no, please explain fully as to what this amount does represent; and

(c) Does the \$10,460,133 reflect the amount directly incurred by Atmos' Kentucky division but transferred to Division 12? If the answer is no, please explain fully as to what this amount does represent.

90. Regarding Atmos' response to AG 1-208, narrative response and Attachment 1: Please refer to the table below:

	Response to	Atmos	
	AG 1-208	CCOSS	Difference
9010 Customer accounts-Supervision	-\$202	-\$202	\$0
9020 Customer accounts-Meter reading expenses	\$1,321,394	\$1,321,394	\$0
9030 Customer accounts-Customer records and collections expenses	\$357,551	\$357,551	\$0
9040 Customer accounts-Uncollectible accounts	\$324,479	\$324,479	\$0
9070 Customer service-Supervision			\$0

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9080	Customer service-Operating assistance expenses			\$0
9090	Customer service-Operating informational and instructional advertising expense	\$133,918	\$133,918	\$0
9100	Customer service-Miscellaneous customer service			\$0
9110	Sales-Supervision	\$218,372	\$218,372	\$0
9120	Sales-Demonstrating and selling expenses	\$86,711	\$13,909	-\$72,802
9130	Sales-Advertising expenses	\$10,934	\$10,934	\$0
9200	A&G-Administrative & General Salaries	\$394,702	\$394,702	\$0
9210	A&G-Office supplies & expense	-\$1,391	-\$1,391	\$0
9220	A&G-Administrative expense transferred-Credit	\$13,071,350	\$13,071,350	\$0
9220	A&G-Administrative expense transferred-general		\$158,905	\$158,905
9230	A&G-Outside services employed	\$158,905	\$74,698	-\$84,207
9240	A&G-Property insurance	\$74,698	\$18,686	-\$56,012
9250	A&G-Injuries & damages	\$18,686	\$3,269,740	\$3,251,054
9260	A&G-Employee pensions and benefits	\$3,269,740	\$2,840	-\$3,266,900
9270	A&G-Franchise requirements	\$2,840	\$111,840	\$109,000
9280	A&G-Regulatory commission expenses	\$111,840	\$105,687	-\$6,153
9302	Miscellaneous general expenses	\$39,537	-\$22,371	-\$61,908
9310	A&G-Rents	\$36,305	\$7,618	-\$28,687
Total		\$19,630,369	\$19,572,659	-\$57,710

(a) Please explain and reconcile that beginning with Account 923 in response to AG 1-208, it appears that the amounts are lagged by one account number from those shown in the class cost of service study; i.e., Account 923 in AG 1-208 is \$158,905 but in the class cost of service study the \$158,905 is associated with Account 922.

91. Regarding Atmos response to AG 1-208, Attachment 1: The amounts in the Column entitled "Div 9 Direct KY" reflect many decimal places, instead of two decimal places to reflect cents. For example, Account 904 in the spreadsheet is \$324,478.665020487. Please

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explain how such an amount with numerous decimal places is possible particularly if these are the amounts directly incurred by Atmos of Kentucky. In this response, please also provide all calculations, analyses, and spreadsheets developing the "Div 9 Direct KY" amounts for each account in Attachment 1 to AG 1-208. Please provide in executable electronic format as well as in hardcopy.