

**DATA REQUESTS TO ATMOS ENERGY CORPORATION
CASE NO. 2013-000148**

General Testimonial Questions

1. Reference page 6 of Mr. Martin's testimony. Provide a copy of the corporate structure of Atmos Energy as referenced therein.
2. Reference page 6 of Mr. Martin's testimony. Provide a detailed list of any and all "centralized services," whether technical, administrative or otherwise, that Atmos Energy Corporation receives as well as the associated costs for one.
 - a. For each service listed, explain in quantitative terms how the provision of the service by another corporate affiliate translates into cost savings, if any, for the Applicant.
 - b. Provide copies of any and all studies done to support the conclusion for the above answer.
3. Reference page 6 of Mr. Martin's testimony at lines 20 -21. Provide copies of any and all documents upon which the Applicant relies in its assertion that its "pass-through gas costs are also typically lowest or second lowest in the state."
4. Reference page 7 of Mr. Martin's testimony where he claims that more than 67% of the Applicant's level of throughput is for industrial and transportation volumes. Either cite where in the application the back-up information is found for this assertion or provide same.
 - a. For the past five years, show for each year the Applicant's throughput for each tariff on file at the Commission.
5. Reference page 9 of Mr. Martin's testimony. Provide the necessary information in Excel, with cells intact, that demonstrates the Applicant's calculated rate of return on rate base for the test year and for the prior five years.
6. Reference pages 11 and 12 of Mr. Martin's testimony. Describe in detail the "thorough and rigorous vetting process" that the Applicant used in making its decision to use SAP and Accenture.
 - a. Was a Request for Proposal used? If yes, provide the criteria used in selecting the best proposal.
 - b. If not, why not?

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7. Reference page 12 of Mr. Martin's testimony. What are the costs for the use of SAP and Accenture, with each listed separately, for 2011, 2012, and 2013 (as estimated at the time of answering the question)?
 - a. What are the expected costs per year going forward for the use of SAP?
 - b. What are the expected costs per year going forward for the use of Accenture?
8. Reference page 17 of Mr. Martin's testimony. If the "appropriate pro-forma adjustments" and "forward-looking adjustments" are not self-evident or otherwise self-explanatory, whether in the Excel spreadsheets or elsewhere in the application, provide a full explanation of each and every adjustment. If they are self-evident or otherwise self-explanatory, provide specific citations in the record where the information can be found.
9. Reference page 18 of Mr. Martin's testimony. Broken down by each year, provide the data for the past ten years that indicate whether each of the years was either above or below "the normal period" by way of a percentage.
10. Reference page 20 of Mr. Martin's testimony. For each of the past ten years, broken down by tariff and month, provide the actual sales.
11. Reference the testimony of Mr. Martin in general. Explain in detail the reasons why the Applicant's customers, for all customer classes, have historically purchased natural gas from the company, as in home heating, water heating, etc.
12. Reference the testimony of Mr. Martin in general and the application. Provide a copy of an example of a current residential bill based on the average residential usage. The example should include any and all charges, whether customer charge, DSM, volumetric measured in Mcf or otherwise, price per Mcf or other unit, PRP rider/tracker, franchise fees, taxes, etc. The bill should be indicative of the total amount charged to the customer for that billing cycle. (Use a resident of Owensboro, Kentucky as the example.)
13. Reference the testimony of Mr. Martin in general and the application. Provide a copy of an example of the proposed residential bill based on the average residential usage. The example should include any and all charges, whether customer charge, DSM, volumetric measured in Mcf or otherwise, price per Mcf or other unit, MLR, SDR, EDR, PRP rider/tracker, franchise fees, taxes, etc. The bill should be indicative of the total amount charged to the customer for that billing cycle. (Use a resident of Owensboro, Kentucky as the example.)

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14. Reference the testimony of Mr. Martin in general and the application. Confirm that, all else being equal, a mechanism that ultimately recovers lost sales will increase or at least stabilize revenue.
15. Reference the testimony of Mr. Martin in general and the application. Confirm that a mechanism that increases or stabilizes revenues will enable a company to enhance or stabilize its profitability.
16. Reference the testimony of Mr. Martin in general and the application. Confirm that a mechanism that enhances or stabilizes a company's profitability will lower its risk profile.
17. Reference the testimony of Mr. Martin in general and the application. Confirm that a company with a lower risk profile is more attractive to lenders.
18. Reference the testimony of Mr. Martin in general and the application. Confirm that a company with a lower risk profile is more attractive to investors.
19. Reference pages 27 and 28 of Mr. Martin's testimony. Confirm that the Margin Loss Rider (MLR) essentially makes the Applicant's Rate Schedules G-1 and G-2 pay for gas, or at least the revenue generated therefrom, that the company would not otherwise have captured as related to 50% of the Economic Development Rider, discounts pursuant to Alternative Fuel Responsive Flex Provisions and negotiated rates with bypass candidates.
20. Reference the testimony of Mr. Martin in general and the application . Please provide the number of accidents, whether explosions, fires, etc., that have occurred during the past five years on Atmos' system. For each one, identify the following in detail:
 - a. The type of accident;
 - b. The number of people injured or killed, if any;
 - c. The cause for the accident;
 - d. The contractor, company, or person who caused the accident; and
 - e. The damages sustained, whether personal or property.
21. Has the Applicant at any time in the last five years received any notice from any customer that the customer may by-pass Atmos' system? If so, please provide any and all documentation regarding same.

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22. Reference pages 29 and 30 of Mr. Martin's testimony. Confirm that the System Development Rider (SDR) essentially makes the Applicant's Rate Schedules G-1 and G-2 pay for gas, or at least the revenue generated therefrom, that the company would not otherwise have captured as related to capital for economic investment for economic development initiatives.
23. Reference the testimony of Mr. Martin at page 31 and the application in general. Explain why it is not more appropriate for a special tariff to exist for NGV than to do as the company has proposed, as in amend the G-1 and G-2 tariffs.
24. Reference the testimony of Mr. Martin at page 31 and the application in general. Explain in detail how a customer taking service under G-1, if the tariff is amended to allow for the end-user to use the gas for a motor vehicle can actually do so? Stated another way, explain how a residential customer can fuel his/her vehicle from his residential structure.
25. Reference the testimony of Mr. Martin at pages 31 and 32. If a customer is already delinquent on his/her account and has received the Applicant's letter of payment delinquency, does the Applicant agree that in most circumstances the account holder is financially challenged?
 - a. If not, why not?
 - b. If yes, does the Applicant agree that an additional charge of \$10.00 only further exacerbate the financial problem of the account holder?
26. Reference the testimony of Mr. Densman at page 1. Please state whether there is a distinction between "'Atmos Energy" or the "Company"' versus Atmos Energy Corporation (ATO) as it is traded on the NYMEX.
27. Reference the testimony of Mr. Densman at page 1. Please distinguish what is meant with the "Company" versus the "Division" referenced on the page.
28. Reference the testimony of Mr. Densman at page 1. Is the witness employed full time by Atmos Energy Corporation, "Kentucky/Mid-States Division of Atmos Corporation" or by another entity? If it is another entity, please state which one and its affiliation with "Kentucky/Mid-States Division of Atmos Corporation."
 - a. If the witness is employed by another entity, how is his time financially booked, accounted, allocated to "Kentucky/Mid-States Division of Atmos Corporation."

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29. Reference the testimony of Mr. Densman at page 2 at line 4. Provide copies of all documents which describe, reference, indicate, or otherwise serve as any instruction of the "Corporate Accounting policies" referenced thereat.
30. Reference the testimony of Mr. Densman at page 2. Provide copies of all testimonies, or specific references to public links where the information can be found, of the witness.
31. Reference the testimony of Mr. Densman at page 5 at lines 21 and 22.
 - a. Provide the names, positions, titles, and company affiliation of each member of the "Company's Management Committee."
 - b. Is any representative from "Kentucky/Mid-States Division of Atmos Corporation" allowed to participate in the "Company's Management Committee?" If not, why not? If yes, explain in detail who and how the participation takes place.
32. Reference the testimony of Mr. Densman at page 6 at lines 5 through 13.
 - a. Provide the names, positions, titles, and company affiliation of each member of the "Planning and Budgeting Department."
 - b. Is any representative from "Kentucky/Mid-States Division of Atmos Corporation" allowed to participate in the "Planning and Budgeting Department?" If not, why not? If yes, explain in detail who and how the participation takes place.
33. Reference the testimony of Mr. Densman at page 6 at line 18. Please list each and every "certain budget guidelines."
34. Reference the testimony of Mr. Densman beginning at page 7. As it relates to the "Company's Shared Service Unit" or SSU:
 - a. Provide the names, positions, titles, and company affiliation of each member of the "SSU."
 - b. Is any representative from "Kentucky/Mid-States Division of Atmos Corporation" allowed to participate in the "SSU?" If not, why not? If yes, explain in detail who and how the participation takes place.
 - c. State specifically each and every service, as well as cost, for each of the last five years that the SSU has provided to the Applicant.

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35. Reference the testimony of Mr. Densman at page 10, line 1 through 10. Please describe in quantitative detail what is meant by “significant variance.”
 - a. For each of the last five years, list each and every “significant variance” that was found for the Applicant.
 - b. For the answer above, please describe the ultimate outcome for the “significant variance.”
36. Reference the testimony of Mr. Densman at pages 10 and 11. Provide copies of the “Atmos Energy Financial Package” that were given to the Applicant for each month for the past five years, inclusive of the witness’ narrative comments.
37. Reference the testimony of Mr. Densman at pages 10 and 11. Provide copies of the “Atmos Energy Financial Package” that were given to the Applicant for each YTD for the past five years, inclusive of the witness’ narrative comments.
38. Reference the testimony of Mr. Densman at page 12. Does the witness concur that the chart thereon indicates an average “Variance” of 1.4% for the years 2012 through 2008?
39. Reference the testimony of Mr. Waller at page 5, lines 16 through 20. Please provide all documents that describe, reference, indicate, or otherwise serve as any instruction on the “spending consistent with the company’s five year plan.”
40. Reference the testimony of Mr. Waller at pages 11 and 12. Provide a copy of the table and requested cost of capital explanation in Excel format with cells intact. (This should include the data reflecting the requested cost of capital structure of 48.2% long term debt and the 51.8% return on equity.)
41. Reference the testimony of Mr. Napier at page 2.
 - a. Provide the names, positions, titles, and company affiliation of each member of the “Atmos Energy’s Compliance Committee.”
 - b. Is any representative from “Kentucky/Mid-States Division of Atmos Corporation” allowed to participate in the “Atmos Energy’s Compliance Committee?” If not, why not? If yes, explain in detail who and how the participation takes place.

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42. Reference the testimony of Mr. Napier at page 5 at lines 4- 6. Please provide for each of the past five years a copy of the “bottoms -up” submission of projects from the Applicant.
43. Reference the testimony of Mr. Napier at page 5 at lines 13 – 16. Provide for each of the past years any “additional information” that was requested for “projects that are determined to be most eligible for funding” from the Applicant.
44. Reference the testimony of Mr. Napier at pages 5 and 6. Please provide a detailed list of all projects that were not ultimately approved and the reasons why they were not approved.
45. Reference the testimony of Mr. Napier at page 8, footnote 1. Provide a detailed distinction between the services and/or goods that are offered by the “Shared Services General Office (Division 02)” and the “Shared Services Customer Service Organization (Division 12).”
46. Reference the testimony of Mr. Napier at pages 13 and 14 regarding Wireless Meter Reading project. Please provide as much detail about the WMR as possible, including, but not limited, to all aspects of the software and hardware to be deployed.
47. Reference the testimony of Mr. Napier at pages 13 and 14 regarding Wireless Meter Reading project. If the following is not answered to the above question, please explain the following:
 - a. Whether the device only sends a signal to the company;
 - b. Type by make, model and year;
 - c. Type and manner of signal used for communicating with the company;
 - d. Type and manner of signal used for communicating with the customer, if applicable;
 - e. Life cycle of the device;
 - f. The cost for each meter, broken down by cost per unit and installation.
48. Regarding the WMR, provide in detail any **company** savings anticipated for using same per year going forward.

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49. Regarding the WMR, provide in detail any **customer** savings anticipated for using same per year going forward. (Customer savings should be interpreted to mean a reduction in usage translating to a reduction in the volumetric portion of his/her bill.)
50. Does the WMR provide the customer with any real time data information about usage?
51. Has the company done any studies, or is it aware of any studies, to determine whether there are any health effects of WMRs? If yes, please copies of such reports.
52. Please provide a copy of all cost/benefit studies/analyses conducted regarding the Applicant's WMR system.
53. Please provide a copy of all internal reports, memoranda, etc. requesting and approving an WMR for the Applicant.
54. Please provide details of the amount of proposed WMR rate base and expenses included in the Applicant's Application.
55. Please provide a detailed description of all cost savings (quantified) that are expected with the implementation of an WMR system and indicate where these specific cost savings are included in the Applicant's Application.
56. With regard to the Applicant's proposed WMR program, will WMR devices be installed for all customer classes? If no, please indicate the classes and estimated number of meters that will have WMR capabilities.
57. Please provide a time frame for full implementation of the proposed WMR program.
58. Please provide a copy of all contracts with WMR vendors and/or contractors.
59. Please provide a copy of all bids for WMR equipment, software, construction, and contracting services.
60. Please explain and quantify the amounts of WMR-related costs from affiliates within the Applicant's Application. If not provided, please do so.
61. Reference the testimony of Mr. Napier at page 14. Describe and quantify the allocation of the costs to each class of service for the Hopkinsville System Improvement Project.

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62. Reference the testimony of Mr. Napier at pages 14 through 17. Will the costs requested with the Bare Steel Pipe Replacement Program (“PRP”) be based on reliance that the company will actually incur the costs and provide the service? If not, why not?
63. Reference pages 14 through 17 of Mr. Napier’s testimony. Is this testimony to be interpreted to mean that that the company waited until approval of Case No. 2009-00354 to replace the bare steel in its system? If yes, explain in detail.
64. If the answer to the prior question is yes, does the company believe that standards in the natural gas industry did not materialize until sometime immediately preceding Case No. 2009-00354 to routinely identify and replace bare steel pipe? Regardless of the answer, explain in detail.
65. If the standards did not materialize until sometime immediately preceding Case No. 2009-00354, did the company not believe that due diligence would not otherwise dictate that a local distribution company should inspect and replace unprotected gas pipelines prior to that year? Regardless of the answer, explain in detail.
66. Provide the budgeted amounts for the PRP for the past five years, or at least back to “mid-2011” as referenced in at 15.
67. Provide the actual amounts for the PRP for the past five years, or at least back to “mid-2011” as referenced in at 15.
68. What rate making mechanism exists, if any, if the company deviates from its budget for the implementation for the PRP? Explain the answer in detail.
69. Reference the testimony of Mr. Napier at page 16. Explain why the budget for the PRP has grown from \$3.4 million FY2011 to a projected \$20 million for FY 2014, an increase of over 588%.
 - a. Does this reflect the PRP-specific crews within the Owensboro and the Bowling Green areas?
70. Provide a detailed explanation for an automatic 5% increase “to adjust for inflation from our FY 2014 budget number.”
71. Reference the testimony of Mr. Napier at page 17. Explain in detail how the capital budgeting process was developed for the Kentucky/Mid-States Division general office.

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72. Reference the testimony of Mr. Napier at page 17. Explain in detail how the allocation for Kentucky/Mid-States General Office Capital of \$444,944 was made to Kentucky for FY2013, FY2014, and FY2015.
73. Reference the testimony of Mr. Napier at pages 17 and 18. Explain in detail how the allocation for the SSU Capital of \$1.38 million was made to Kentucky for FY2013, \$1.39 million for FY2014, and \$1.45 million for FY2015.
74. Reference the testimony of Mr. Schneider at page 2. Is the witness a licensed Certified Public Account in Kentucky?
75. Reference the testimony of Mr. Schneider at page 6, at lines 21-22. Please provide copies of all "controls that ensure the accuracy of our books and records."
76. Reference the testimony of Mr. Schneider at page 7. Please provide copies of all documents related to reviews which Atmos has received from KPMG in the past five years.
77. Reference the testimony of Mr. Schneider at pages 7 and 12. Please provide copies of all audits and documents related to audits and reviews which Atmos has received from Ernst & Young in the past five years.
78. Reference the testimony of Mr. Schneider at page 8. When the witness states that 'most invoices are scanned into an accounts payable processing system called "Markview when they are received by the Company."'
 - a. What threshold, benchmark, or other measure triggers the entry into "Markview?"
 - b. What invoices are scanned into "Markview" and why? Provide actual examples as they relate to the Applicant.
79. Reference the testimony of Mr. Schneider at pages 8 through 10 regarding "Markview" as well any other process for reviewing invoices.
 - a. Have any invoices for or by the Applicant been denied or otherwise not paid in full? If so, why?
 - b. If the answer to the above question is yes, please provide a list of all such invoices for each of the past five years.

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80. Reference the testimony of Mr. Schneider at page 9, line 16. Provide a detailed list of all “detective monitoring controls designed to identify and explain material and/or unusual costs that have been recorded in the general ledger.”
- a. Provide all documents that describe, explain, reference or provide guidance on the controls.
81. Reference the testimony of Mr. Schneider at page 11, lines 15 – 18. Please explain in detail the two control weaknesses noted and the measure(s) taken to remedy them.
82. Reference the testimony of Mr. Schneider at pages 13 through 15. Please provide an electronic copy with all cells intact that the company employs to allocate costs using the cost allocation manual.
- a. Provide the for each of the past five years the End of Fiscal Year spreadsheets that illustrate the CAM results for each year.
83. Reference the testimony of Mr. Raab at page 6. Please provide the specific documents with regard to the witness’s reference to “the suggested classification of the National Association of Regulatory Utility Commissioners (“NARUC”).”
84. Reference the testimony of Mr. Raab at page 17. State whether the witness believes that all interclass studies should be eliminated.
85. If the answer to prior question is in the affirmative, please explain exactly why.
86. Provide copies of working Excel versions of all Filing Requirements, all attachments to Atmos’ testimony, and Atmos’ responses to all parties’ data requests.

Revenue Requirement Questions

87. For all Company witnesses in this proceeding, provide copies of a current curriculum vitae (CV) showing prior work experience by date and company, credentials, professional affiliations, education, a list of all cases where the witness has testified on behalf of Atmos and its affiliates (provide company/client name, case/docket number, jurisdiction, date of proceeding, and issues addressed), a list of all other regulatory cases for outside consultants serving as witnesses in this proceeding (provide company/client name, case/docket number, jurisdiction, date of proceeding, and issues addressed), and provide copies of testimony for all Company witnesses (or cite to a website or

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source where testimony can be obtained) for the most recent 5 years for all gas/electric utility cases.

88. FR 16(13)(c)2 (also cited as Schedule C-2, page 1 of 1, of Witnesses Densman and Martin) shows an adjustment to increase Operating Revenues by an amount of \$5,080,987 (adjusting from Base Year Revenues of \$150,293,982 to Forecasted Revenues of \$155,374,969). However, FR_16(13)(d) Attachment 1 (also cited as Schedule D-1, page 1 of 4, of Witnesses Densman and Martin) shows an adjustment to increase Operating Revenue per Adjustment 1 (D-2.1) by an amount of \$12,177,863 (with components of \$8,699,415, \$3,077,764, (\$323,317), and \$724,002) and shows an adjustment to increase Miscellaneous Revenues per Adjustment 2 (D-2.1) by an amount of \$241,668 (with components of \$190,140, \$8,306, (\$823,503), and \$866,726).
- a. Explain why the Revenue Adjustment of \$5,080,987 at Schedule C-2 does not equal the net Revenue Adjustment of \$12,419,531 (\$12,177,863 + \$241,668) at Schedule D-1, explain which amount is correct and provide a reconciliation as necessary along with all supporting workpapers. Provide all related corrections to the Company's revenue requirement as necessary.
89. FR 16(13)(c)2 (also cited as Schedule C-2, page 1 of 1, of Witnesses Densman and Martin) shows an adjustment to increase Depreciation Expense by an amount of \$1,748,547 (adjusting from Base Year Depreciation Expense of \$14,769,633 to Forecasted Depreciation Expense of \$16,518,181). However, FR_16(13)(d) Attachment 1 (also cited as Schedule D-1, page 1 of 4, of Witnesses Densman and Martin) shows an adjustment to increase Depreciation Expense per Adjustment 1 (D-2.1) by an amount of \$1,781,981. The difference between these two amounts of about \$33,434 appears to be the Amort. Gas Plant Aquist. of \$33,434 at Schedule D-1 (page 4 of 4, line 116, "Base Period" column).
- a. Explain if the amount of \$33,434 should have been shown as part of Depreciation Expense Adjustment 1 (D-2.3) at Schedule D (page 4 of 4), and a reduction to the Depreciation Expense Adjustment 1 amount of \$1,781,981 in order to reconcile to the Depreciation Expense Adjustment amount of \$1,748,547 at Schedule C-2 (page 1 of 1). Explain which amount is correct and provide a reconciliation as necessary along with all supporting workpapers. Provide all related corrections to the Company's revenue requirement as necessary.
90. Reference page 6 (lines 19-20) of Mr. Martin's testimony where he states that Atmos' distribution charges, particularly for residential customers, are the lowest among the major utilities in Kentucky.

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- a. Provide all supporting documentation supporting this statement including a comparison of all “current” retail rates (before the proposed Atmos rate increase in this rate case) for customer groups of Atmos to current retail rates of similar customer groups for all other major utilities in Kentucky, and identify those utilities with higher and lower rates than Atmos for each customer group.
 - b. Provide the same information in the previous question, except use Atmos’ proposed increased retail rates from this rate case and compare to the rates of other major utilities in Kentucky, and then explain which utilities have higher and lower retail rates than Atmos for each customer group.
 - c. Explain which utilities in Kentucky are considered to be “major” utilities and which are not for purposes of Atmos rate comparison.
91. Reference page 4 (lines 16-17) of Mr. Martin’s testimony where he states that his testimony will address Atmos’ efforts to achieve improvements to its efficiency and productivity.
- a. Provide a citation to Mr. Martin’s testimony where he explains all of Atmos’ efforts to achieve improvements to its efficiency and productivity.
 - b. Identify all Atmos rate case adjustments made to the base period (show actual and forecasted amounts) and fully forecasted test period, along with all other assumptions and impacts included in the fully forecasted test period, which reflect the impact of reductions in expenses and costs related to improvements in efficiency and productivity. In all cases, show the historical costs (by account number and description) before the related efficiency/productivity and compare this to the reduced costs (by account number and description), and identify the difference related to cost savings from efficiency/productivity. Provide an explanation for each improvement in efficiency and productivity and provide related supporting documentation and calculations.
 - c. Explain and identify the amount of all improvements in efficiency and productivity in 2013 and projected for the future that are not included in the fully forecasted test year and explain why these amounts are not include in the rate case.
92. Reference page 6 (lines 9-11) of Mr. Martin’s testimony, where it states that centralized services provided by the Dallas corporate offices to other operating

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divisions provides it with an economic advantage and enables it to be a low-cost, high-quality provider of natural gas.

- a. Provide documentation, studies, and other supporting documentation to show that Atmos is a low-cost, high quality provider of natural gas, and include comparisons to all utilities inside and outside of Kentucky to support this conclusion. Provide this information for the three most recent years if possible.
 - b. Explain and show how the “centralized services” provided by Atmos corporate offices to its operating divisions make it a low-cost provider of natural gas, and provide a comparison to all utilities inside and outside of Kentucky that: (i) do not provide centralized services to affiliates; and ii) do provide centralized services to affiliates. Provide all supporting documentation and calculations, and provide this information for the three most recent years if possible.
 - c. Compare the cost of Atmos “centralized services” (provided to its operating divisions) to the cost of “centralized services” provided by other companies to their respective utility affiliates, and explain the results and if this shows that Atmos’ centralized service costs are less than or greater than the centralized services costs provided by other companies. Provide all supporting documentation and calculations, and provide this information for the three most recent years if possible.
93. Reference page 6 (lines 16-17) of Mr. Martin’s testimony, where it states that Atmos’ primary objective is to meet or exceed the expectations of its customers, shareholders, employees, regulators and other key stakeholders.
- a. Explain and provide a list of all “expectations” of Atmos’ customers, shareholders, regulators, and other key stakeholders (and identify all “other” key stakeholders), and show which expectations were met, exceeded, and not met. Provide all supporting documentation and calculations for the three most recent years if possible.
 - b. Explain how Atmos determines the “expectations” for each group of stakeholders above, and provide these expectations and related supporting documentation and calculations for the three most recent years if possible.
94. Reference page 7 (lines 13-14) of Mr. Martin’s testimony, where it states that the region served by Atmos is “somewhat economically dependent” on the well-being of these industries, as is Atmos.

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- a. Explain and identify which specific “industries” that Mr. Martin is referring to and provide supporting documentation to show that the region and Atmos is somewhat economically dependent on these industries.
 - b. Explain the term “somewhat economically dependent”, and explain how the term “somewhat” is defined, measured, and determined (and provide the low to high range of “somewhat” economically dependent) and provide related supporting documentation and calculations.
95. Reference page 10 (lines 16-23) of Mr. Martin’s testimony, where it states that the Company began planning to replace its legacy billing and customer service systems in 2010 and the former CIS system has required numerous capital enhancements in recent years, and now this system is no longer supported by the original vendor and not scalable for additional functionality. Address the following as it relates to amounts recorded on the books of Atmos for this rate case or which have been allocated or assigned to Atmos by affiliates/parent company for the base period (show actual and forecasted amounts), forecasted test period, and other periods as required.
- a. Regarding the prior legacy billing and customer service system of Atmos, provide the amount of “numerous capital enhancements in recent years”, by account number and description (software costs, etc.), and provide this information for at least the most recent 5-year period (and for the base period and forecasted test period) along with the related cumulative capital amount, accumulated depreciation reserve, and resulting net book value. Also, provide the related depreciation expense by account number (and provide the related depreciation rate).
 - b. Regarding the prior legacy billing and customer service system of Atmos, provide the total amount of these capital costs that have been retired, written-off, and otherwise removed from Atmos’ books due to the replacement of this old system with the new CSS. Provide the total amounts written off by year and show the related accounting journal entry and amounts by account number and description. Explain why these costs have not been written off of the books or removed from this rate case, if the costs remain on the books. Provide this information for prior periods and for the base period and forecasted test period.
 - c. Regarding the prior legacy billing and customer service system of Atmos, identify the amount of capital costs, accumulated depreciation, and depreciation expense by account number that remains on Atmos’ books

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for the most recent actual 12-month period, the base period (show actual and forecasted amounts), and the fully forecasted test period. In addition, provide this same information for all other “expenses” related to the prior legacy system, such as software costs that were expensed instead of capitalized. Explain why these costs have not been written off of the books and removed from this rate case, if the costs remain on the books.

- d. Identify the amount and account number for payments made to third party vendors and to Atmos’ affiliates/parent company by account related to the prior legacy billing and customer service system of Atmos for the most recent actual 12-month period, the base period (show actual and forecasted amounts), and the fully forecasted test period. Explain why these costs have not been removed from the books and this rate case, if the costs remain on the books.
 - e. Identify, explain, and provide all supporting documentation for all adjustments proposed by Atmos in this rate case that shows the retirement and removal of the prior legacy billing and customer service system (show adjustments by account number and description).
96. Reference pages 9 to 12 of Mr. Martin’s testimony, where he addresses the prior legacy billing and customer service system (CIS) and the new CSS system with SAP as the primary software platform and Accenture as its system integrator.
- a. Identify and compare all of the actual costs by account number and description (capital costs, expenses, depreciation, payroll, and other costs) of the prior CIS legacy system to the related actual costs of the new CSS system included in the base period (show actual and forecasted amounts) and forecasted test period, and explain the cost related and non-cost related benefits of the new CSS system. Identify all costs that are allocated and assigned from affiliates/parent company and the costs that are directly incurred by Atmos.
 - b. Regarding the prior question that addresses a comparison of costs, explain and provide the change in payroll costs (and the change in the number of employees by position description) of the prior CIS legacy system compared to the new CSS system and provide all supporting documentation and calculations. Explain how much of the change in payroll costs and number of employees is incurred by other affiliates/parent company and then allocated or assigned to Atmos, and explain how much of the change in payroll costs and number of employees is directly related to Atmos operations.

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- c. If not previously provided, explain the costs of the prior CIS legacy system and the costs of the new CSS system that are included in the base period (show actual and forecasted amounts) and the fully forecasted test period by account number and description and provide all supporting documentation and calculations (and reconcile amounts to related contracts and other documents).
 - d. From the time the Company went live with the system on May 1, 2013, show costs of the new CSS system by account number and description (and by vendor, such as Accenture, SAP, etc.), and show these actual costs for each subsequent month in 2013 and reconcile these amounts to costs included in the base period (show actual and forecasted amounts) and the fully forecasted test period.
97. Reference pages 9 to 12 of Mr. Martin's testimony, where he addresses the prior legacy billing and customer service system (CIS) and the new CSS system with SAP as the primary software platform and Accenture as its system integrator.
- a. Provide copies of forecasted costs and efficiencies prepared in advance and related to the new CSS system (and all other due diligence documents) and compare the forecasted CSS costs to the actual costs of the CSS system and explain the reasons for all variances.
98. Reference pages 9 to 12 of Mr. Martin's testimony, where he addresses the new CSS system with SAP as the primary software platform and Accenture as its system integrator. Provide a copy of the contracts with SAP and Accenture, and explain and show how the costs cited in the contract reconcile to the costs recorded on Atmos books and the amounts included in the base period (show actual and forecasted amounts) and the fully forecasted test period.
99. Reference pages 9 to 12 of Mr. Martin's testimony, where he addresses the new CSS system with SAP as the primary software platform and Accenture as its system integrator. In its dealings with other companies, Accenture has sometimes: i) provided a periodic kickback or refund/credit to its customer (such as Atmos) if total savings from CSS is greater than anticipated or due to meeting certain volume requirements or other reasons; or ii) required the customer to make periodic additional payments to Accenture if total savings from CSS is greater than anticipated or due to certain volume requirements or other reasons.
- a. Explain and cite to Accenture contract language and terms (or explain the arrangement with Accenture if it is not specifically included in the contract) which addresses periodic refunds/credits from Accenture or

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periodic additional payments made to Accenture as addressed in the prior paragraph.

- b. Identify the actual amount of refunds/credits or additional payments made to Accenture to date, including all amounts included in the base period and fully forecasted test period by account number and explain how these amounts were determined and provide related calculations.
 - c. Identify the actual amount of refunds/credits or additional anticipated payments to Atmos from Accenture, including all amounts included in the base period and fully forecasted test period by account number and explain how these amounts were determined and provide related calculations.
100. Reference pages 9 to 12 of Mr. Martin's testimony, where he addresses the new CSS system and address the following regarding allocation of the related costs.
- a. Start with the total CSS costs, and explain the allocation/assignment method and show the amount of each type of CSS-related costs that is allocated and assigned to Atmos from the Kentucky/Mid-States General Office, Shared Services Unit, each of the six gas operating divisions, the Texas intrastate pipeline, Atmos Energy Holdings (Delaware), Blueflame Insurance Services (Bermuda), and all other affiliates/parent company.
 - b. Provide supporting documentation and calculations for all allocation factors and other methods used to allocate/assign costs to each of the entities (including supporting documents for the underlying numerator and denominator of all allocation factors) and reconcile these CSS costs to the amounts included in the base period (show actual and forecasted amounts) and fully forecasted test period.
 - c. Regarding the prior question, explain why the allocation factors and methods used for CSS costs are reasonable and fair for Atmos and all affiliates/parent company, and explain and show where this same method(s) is used to allocate/assign other costs to Atmos.
 - d. In addition to the CSS system costs that are allocated/assigned to Atmos, provide all other costs of the CSS system that are directly incurred by Atmos and reconcile these CSS costs to the amounts included in the base period (show actual and forecasted amounts) and the fully forecasted test period.

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101. Reference page 15 (lines 1-3) of Mr. Martin's testimony, where he states that revenue forecasting is an essential element of Atmos' financial planning and affects the level of operating and maintenance expenses, capital investment, and cash flow requirements. Also, at page 16 (lines 10-15), he states that the Company did not use its typical revenue budgeting process to develop the base period and forecasted test period revenues.
- a. Explain in further detail and provide supporting documentation and calculations which shows how Atmos' typical revenue forecasting process affects operating and maintenance expenses, capital investment, and cash flow requirements.
 - b. For the prior and current forecasts (not the actual amounts) related to FYE September 30, 2011, FYE September 30, 2012, and FYE September 30, 2013, the base period ending July 2013, and for the fully forecasted test period - show the amount of base period (show actual and forecasted) and fully forecasted test period revenues and explain and show how these amounts were used to forecast or otherwise impact the amount of forecasted operating and maintenance expenses, capital investment, and cash flow requirements. Provide all formulas which show how forecasted revenues were used to derive other forecasted expenses, capital costs, and cash flow.
 - c. For the base period ending July 2013 and for the fully forecasted test period, show the amount and related calculations of forecasted test period revenues (and how these amounts were used to forecast or otherwise impact the amount of forecasted operating and maintenance expenses, capital investment, and cash flow requirements) using both the: i) "typical" revenue budgeting approach; and ii) the process used to develop forecasted revenues (and other impacted expenses and capital investment) for this rate case (regarding the base period and forecasted test period amounts). Explain the reasons for the variance in amounts produced by these two methods.
 - d. Explain how the revenue forecasting process and methods changed from the prior rate case through the fully forecasted test period of this rate case and identify all changes in inputs, methods, and assumptions and how this impacted final forecasted amounts.
102. Reference page 17 (lines 21-23) and page 18 (lines 7-9) and related Exhibits MAM-1 through MAM-4 of Mr. Martin's testimony, where he states that the adjustments to the reference period, including adjustments for base period and

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forecasted revenues ensures that “known, measurable and anticipated changes” were reflected in the test period forecast.

- a. Provide a definition of “known and measurable” and “anticipated changes” as those terms are used in regards to all adjustments proposed by Atmos in this rate case for the base period and the fully forecasted test period.
 - b. Explain which adjustments proposed by Atmos to the base period and the fully forecasted test period are “known and measurable” and which adjustments are NOT “known and measurable” and explain the criteria used by Atmos to categorize adjustments between those which are “known and measurable” and those which are NOT “known and measurable.”
 - c. Explain if Atmos’ financial model that is used for determining the fully forecasted test period amounts relies on the “known and measurable” principle, and explain why or why not.
 - d. Explain why it is reasonable to include some adjustments which are NOT “known and measurable” in this rate case and cite to related Commission orders and precedent from prior rate cases regarding Atmos’ rationale.
 - e. For those rate case adjustments which are NOT “known and measurable”, explain if this means the adjustments are “unknown and unmeasurable” and explain the definition and criteria for adjustment that are NOT “known and measurable” and cite to related Commission orders and precedent form prior rate cases for Atmos’ rationale.
 - f. Explain if the use of a “fully forecasted test period” should be interpreted to mean that adjustments do NOT have to be “known and measurable” and cite to related Commission orders and precedent from prior rate cases for Atmos’ rationale.
103. Reference pages 17 to 22 and related Exhibits MAM-1 through MAM-4 of Mr. Martin’s testimony where he addresses the Company’s revenue annualization/adjustment method. Explain and identify all changes in methods, inputs, assumptions, processes, and calculations from the revenue normalization/adjustment used in this rate case compared to the prior rate case Case No. 2010-00146 and explain the reasons for the changes and provide the related impacts of all changes.

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104. Reference page 17 of Mr. Martin's testimony, where he states that certain pro-forma and forward-looking adjustments were made to revenues, and address the following as it relates to Exhibit MAM-2, and adjustments under the column "Conservation and Efficiency Adjustments."
- a. Provide a more detailed explanation for "Conservation and Efficiency Adjustments" and provide all assumptions, inputs, calculations and supporting documentation (including all historical and forecasted usage that was included in these calculations related to conservation and efficiency). Also, show how this adjustment breaks out between "Firm Sales" for residential, commercial and industrial, and public authority customers (per the categories shown at Exhibit MAM-3).
 - b. Explain how Atmos determined the level of conservation and efficiency adjustment for each class of customer, and explain if Atmos discussed or had correspondence with specific customers regarding this matter and provide copies of related correspondence and reconcile this correspondence to the related Atmos adjustment.
 - c. Provide the names of the 20 customers that make up the largest portion of the conservation and efficiency adjustments and explain in more detail how adjustments for these customers was determined and provide related supporting documentation and calculations.
 - d. Explain if Atmos is projecting the impact of Company initiated conservation and efficiency programs for 2013 and future years into this adjustment and provide this specific impact included in the related "conservation and efficiency adjustment."
 - e. Explain how Atmos determines if a reduction in usage for a customer is related to "conservation and efficiency" versus "other reasons" related to a reduction in usage and provide related explanations and supporting documentation and calculations.
105. Reference page 18 and related Exhibit MAM-3 of Mr. Martin's testimony, where he states that the "historical volume requirements" for each transportation customer were reviewed, with adjustments made to account for "expected changes" by service type for future periods.
- a. Provide the actual historical usage (Mcf) and the projected usage (and identify the number of years used and the specific years/ periods used) for each transportation customer that were reviewed and used to support the change in usage at Exhibit MAM-3. Provide an explanation, underlying

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calculations, and supporting documentation that reconciles from actual historical usage to projected usage, and which then reconciles to the related change in usage shown at Exhibit MAM-3.

- b. Regarding Exhibit MAM-3, explain and provide the historical baseline of usage in Atmos calculation and then explain the number of months or years of forecasted usage reduction or increases reflected in Atmos calculations for arriving at final amounts at Exhibit MAM-3. For example, explain if Atmos forecasted a 12 month change in usage from its historical baseline or if Atmos forecasted a 23 month change in usage through the end of the fully forecasted test period November 30, 2014. Provide all supporting documentation and calculations.
 - c. Explain and show if the forecasted changes in usage at Exhibit MAM-3 are consistent or inconsistent when compared with changes in actual usage for all months of 2013 year-to-date (through June or July 2013) and provide all supporting documentation and calculations (and provide usage for each month in 2013 to date in the same format as Exhibit MAM-3).
 - d. Explain if Atmos used the same or different forecasting approach in the prior rate case as was used at MAM-3 in this rate case, and identify all differences in methods and assumptions for forecasting revenues comparing the prior rate case to the current rate case and explain the reasons for the change in forecasting methods (i.e., explain the number of historical years used and the specific years/periods used for projections in the prior rate case compared to the current rate case, explain if projections were made for each transportation customer, etc.).
106. Reference page 18 and related Exhibit MAM-3 of Mr. Martin's testimony, where he states that the "historical volume requirements" for each transportation customer were reviewed, with adjustments made to account for "expected changes" by service type for future periods.
- a. Provide the names of the 20 customers which show the largest forecasted decrease in usage (Mcf) using Atmos' calculations and provide the names of the 20 customers which show the largest forecasted increase in usage using Atmos' calculations and related results at Exhibit MAM-3 (and provide the related calculations and supporting documentation showing historical usage for all periods, and the forecasted amounts and changes for each these customers included at Exhibit MAM-3). Identify all of these customers that were new customers in 2012 or 2013, and all of these

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customers that completely discontinued operations (or stopped using Atmos gas service) in 2012 and 2013.

- b. Explain if Atmos has talked to (or had any correspondence with) any of the 20 customers for which Atmos has forecasted the largest decrease and increase in usage, provide copies of all related correspondence, and explain how the correspondence reconciles to Atmos' forecasted usage for these customers at Exhibit MAM-3. Explain how Atmos determined or selected the customers for which it had discussions or correspondence.

107. Reference page 18 and related Exhibit MAM-3 of Mr. Martin's testimony, where he states that the "historical volume requirements" for each transportation customer were reviewed, with adjustments made to account for "expected changes" by service type for future periods.
 - a. Regarding Exhibit MAM-3, using December 31, 2012 actual data, provide the average annual usage and related calculations for the following customers: Interruptible Industrial (G-2) with sales of 1-15,000 and sales over 15,000; Transportation (T-4) Firm Transport 301-15000 and Firm Transport over 15000; and Special Contracts Transported Volumes.
 - b. Provide the names of new industrial, transportation, and special contracts customers added to date in 2013 which are expected to have annual usage equal to or greater than the average usage for similar customers identified in the previous question, and provide the actual and projected usage in 2013. Explain if these volumes have been forecasted and included in Exhibit MAM-3 and provide documentation to support this conclusion.

108. Reference page 21 (lines 16-22) and page 22 (lines 1-2) of Mr. Martin's testimony where he briefly addresses projected gas costs.
 - a. Provide a copy of the working model that is used to project gas costs, explain how this model works, and provide all related inputs, assumptions, supporting documentation and calculations.
 - b. Explain and provide projected gas supply prices as stated in the "current NYMEX futures" (page 21, lines 17 and 18) and provide these projected gas supply prices, provide a copy of the document used for determining these "projected gas supply prices stated in the current NYMEX futures", and reconcile and show how these amounts are included in the model used for projecting gas costs.

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- c. Identify the specific “projected period” used for gas supply prices in the projected gas cost calculation and explain why this projected period is reasonable to use in the base period and fully forecasted test period.
 - d. For each of the months January 2012 through the most recent month available in 2013 (June or July 2013), provide total monthly revenues, total monthly gas costs, and the related margin for each month (revenues less gas costs). Compare these historical margins to the proposed adjusted margin in the fully forecasted test period and explain how much and which percentage of the change in margin is due to “new retail prices for customers proposed by Atmos in this rate case” and how much is due to a “change in projected gas costs proposed by Atmos in this rate case” and explain why these changes are reasonable.
109. Reference page 8 (lines 9-11) of Mr. Densman’s testimony and identify the “standard and ad hoc reports” used to review budgets and provide a copy of these reports for the 2012 period and 2013 year-to-date. Explain how each of these reports are used in the budgeting process and specifically show how amounts from these reports are included in the fully forecasted test period of this rate case.
110. Reference page 8 (lines 4-9) of Mr. Densman’s testimony where he explains that the O&M budget is prepared by type of cost element using a web-based software called PlanIt. Also, at page 13 (lines 3-7), he explains the basis for the forecasted test period (ending November 30, 2014) is the FY2013 budget which includes the last ten months of FY2014 (December 2013 to September 2014) and the first two months of FY2015 (October and November 2014).
- a. Explain if the “PlanIt” software is used to develop the model used for developing the base period and fully forecasted test period costs used in this rate case, and if not, then identify the related software that is used.
 - b. Provide a complete working copy of the model and related software used to develop the base period and fully forecasted test period costs used in this rate case.
 - c. Explain if the “PlanIt” software was used by Atmos in the prior rate case, or explain how test period costs in the prior rate case were developed.
111. Reference page 8 (lines 4-9) of Mr. Densman’s testimony where he explains that the O&M budget is prepared by type of cost element, such as labor, benefits, transportation, rents, office supplies, etc. And prior year’s actual costs,

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year-to-date actual cost and budgeted cost for the remainder of the fiscal year are used as guidelines for budgeting by functional managers and officers. At page 13 (lines 3-7), he explains the basis for the forecasted test period (ending November 30, 2014) is the FY2013 budget which includes the last ten months of FY2014 (December 2013 to September 2014) and the first two months of FY2015 (October and November 2014). At page 13 (lines 20-22), he explains the basis for the base period costs through July 31, 2013 is composed of seven months of actual results through February 2013 and five months of FY2013 budget. At page 13 (lines 13-17), he explains the expenses by rate division 009, 091, and 002/012).

- a. Per Mr. Densman's testimony, he states the basis for the forecasted test year is the "FY2013 budget", but explain why a FY2013 budget would include 12 months of costs through November 2014, it would seem that this period would represent a "FY2014 budget" since it is mostly related to 2014 costs (and ends in the fiscal period 2014) and not 2013 costs.
- b. Provide the actual historical costs (and identify the related period of these costs) by cost element (labor, benefits, etc.) that were used to establish the base period costs in the rate case and reconcile these historical costs to amounts in the related financial statements. Then, provide a reconciliation from the related historical costs to the base period costs by showing and explaining all adjustments and related inputs and assumptions. Provide supporting documentation and calculations.
- c. Provide the actual historical costs (and identify the related period of these costs) by cost element (labor, benefits, etc.) that were used to establish the fully forecasted test period costs in the rate case and reconcile these historical costs to amounts in the related financial statements. Then, provide a reconciliation from the related historical costs to the fully forecasted test period costs by showing and explaining all adjustments and related inputs and assumptions. Provide supporting documentation and calculations.
- d. Regarding the previous questions, explain and show where the historical costs are included in the budgeting model (identify module, field, and tabs) used to determine costs for the base period and the fully forecasted test period in this rate case.
- e. Regarding the previous questions, identify all historical and forecasted cost elements by expenses rate division 009 (Kentucky), 091 (Division General Office), and 002/012 (allocated expenses from SSU).

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112. Reference page 15 (lines 19-23) of Mr. Densman's testimony where he explains that all O&M expenses except labor, benefits, rent, bad debt, and insurance have been forecasted using a standard inflation factor of 2.70% for the test period (the 2.70% is the average inflation rate for the Midwest region over the last 3 years as reported by the U.S. Department of Labor).
- a. Provide supporting documentation and calculations for the 2.70% average inflation rate for the Midwest over the last 3 years, and provide copies of related documents from the U.S. Department of Labor. Explain if the inflation rate used is the Consumer Price Index, Gross Domestic Product Price Index, etc.). Explain and show how the inflation rate is used in converting historical costs to base period (show actual and forecasted amounts) and fully forecasted test period cost elements in this rate case, and identify the type of factor, the amount/percentage of the factor.
 - b. Provide a comparison of historical costs by cost element for the five most recent fiscal years (FYE September 30, 2008, 2009, 2010, 2011, and 2012) and show the amount and percentage change in cost element from year to year. Explain and show how the actual changes in the historical costs by cost element for each year correlates to the related inflation factor used by Atmos in this rate case for converting historical costs (by cost element) to the base period and fully forecasted test period costs. Explain why the inflation factors used by Atmos are reasonable if they are, or are not, supported by this analysis.
 - c. Provide precedent in other cases in Kentucky where this approach has been accepted and been rejected by the Commission.
 - d. Explain if Atmos used these same inflation factors in its prior rate case and explain why or why not.
 - e. Explain if Atmos used any "productivity factors" or deflation factors to apply to historical cost elements for purposes of arriving at base period and fully forecasted test period costs, and explain why it was not reasonable to use any productivity/deflation factors.
 - f. Explain if it is Atmos' position that all of its costs for which an inflation factor is applied are all subject to increases in costs, and provide supporting documentation to show this trend.
113. Reference page 15 (line 23) and 16 (lines 1-2) of Mr. Densman's testimony where he states that insurance is escalated at 5% because increases in insurance expense have been greater than the normal inflation levels.

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- a. Provide all supporting documentation and calculation for Atmos' insurance expense for the base period (show actual and forecasted amounts) and the fully forecasted test period.
 - b. Provide insurance expense by account number for the various types of insurance for FYE September 30, 2010, 2011, and 2012, and show the percentage increase in expenses for each year. Explain why Atmos' use of a 5% escalator is reasonable to use based on historical increases in the insurance account.
114. Reference page 8 (lines 4-9) of Mr. Densman's testimony where he explains that the O&M budget is prepared by type of cost element, such as labor, benefits, transportation, rents, office supplies, etc.
- a. Provide copies of sensitivity analysis performed by Atmos in its model/software for purposes of testing the reasonableness of its base period and fully forecasted test period costs included in this rate case, and explain how the sensitivity analysis was performed and the related assumptions used in the sensitivity analysis.
 - b. Explain how the results of the prior sensitivity analysis either support or does not support the reasonableness of Atmos' base period and fully forecasted test period costs in this rate case.
115. Reference page 9 (lines 15-17) of Mr. Densman's testimony where he explains that the goal of variance monitoring is to keep management informed and allow them to react to unanticipated events on a timely basis.
- a. For the period 2011 through 2013 year-to-date, identify all "unanticipated events" reflected in the variance reports and explain how management reacted to these events and explain the impacts of these events on the fully forecasted test period or explain if the events have not been reflected in the fully forecasted test period (and provide related supporting documentation and calculations).
116. Reference pages 8 to 21 of Mr. Densman's testimony which addresses the fully forecasted test period. Also, Staff DR 1-59 asked for all the supporting workpapers, calculations and assumptions used in Atmos' forecasted test period and Atmos' response at Volumes 3, 4, and 5 includes over 1,000 pages of supporting documentation.

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- a. Explain and compare the costs versus the benefits of using a “forecasted test period” as compared to a “historical test period” for this rate case, especially when the forecasted test period appears to require substantial internal resources and documentation (such as over 1,000 pages of supporting documentation).
 - b. Identify the additional costs (by account number and description) that Atmos’ incurred to prepare, submit, and support a “forecasted test period” compared to a historical test period and provide related supporting documentation.
 - c. Explain in detail the benefits and advantages of a fully forecasted test period compared to a historical test period. And if one of the advantages is claimed to be “less regulatory lag”, then show and compare the impact of regulatory lag under a historical test period compared to a forecasted test period using this rate case and the prior rate case as examples.
117. Reference pages 14 to 15 of Mr. Densman’s testimony which addresses the adjustment for labor and benefits, along with Schedules D-1 and D-2, and Schedule G-1 sponsored by Mr. Densman.
- a. Schedule D-2.2 (page 1 of 1), Adjustment 1 Labor and Benefits shows a Base Period amount of \$7,905,783, Forecasted amount of \$8,500,877 and an Adjustment of \$595,094, and please reconcile these amounts to related amounts at Schedule G-1 (page 1 of 1) related to Payroll Costs showing a Base Period amount of \$17,500,594, Forecasted amount of \$18,639,621 and an Adjustment of \$1,139,027. Explain all differences and provide a reconciliation and supporting documentation between Base Period (show actual and forecasted amounts), Forecasted, and Adjustment amounts at both schedules D-2.2 and Schedule G-1 (and reconcile amounts by all categories at Schedule G-1, including “labor”, “employee benefit categories”, and “payroll taxes”).
118. Reference page 15 (lines 2-6) of Mr. Densman’s testimony, where he states that labor and capitalization rates are forecasted by analyzing annual historical patterns and considering known capital and expense initiatives that may alter anticipated rates, and the labor capitalization rate in the FY13 budget and test period averages 54% for the year.
- a. Provide all documentation and calculations supporting the capitalized and expense portion of payroll costs of 54% cited above by Mr. Densman.

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- b. Provide all documentation and calculations supporting the analysis of annual historical patterns and the known capital and expense initiatives cited above by Mr. Densman.
 - c. Explain how the capital and expense initiatives are “known” and explain if these are formally approved in budgets by the Board of Directors and provide all documentation indicating these amounts are “known.”
119. Reference page 15 (lines 7-8) of Mr. Densman’s testimony, where he states that benefits as a fixed benefit load percentage of labor expense plus an amount for workers’ comp insurance.
- a. Identify the components or cost elements by account number (i.e., medical, dental, vision, pension, etc.) that Atmos includes in the “benefits” category for purposes of calculating benefits as a percentage of labor expense. Provide all directly incurred amounts plus amounts allocated/assigned from Division General Office and SSU.
 - b. Provide supporting documents and calculations showing the percentage applied to labor expense to arrive at benefits expense for the base period (show actual and forecasted amounts) and the fully forecasted test period and explain why this percentage is reasonable for calculating benefits expense. Provide the labor expense that is used for this calculation and reconcile this amount to Atmos’ adjusted labor expense for the base period and fully forecasted test period.
 - c. Provide supporting documents and calculations for workers’ comp insurance for the base period (show actual and forecasted amounts) and the fully forecasted test period and explain why this amount is reasonable.
 - d. Provide the actual benefits expense or cost element by account number that corresponds to the “benefits” components used in Atmos’ benefit calculation (i.e., medical, dental, vision, pension, etc.), and show these specific benefits amounts for FYE September 2011 and September 2012 as a percentage of Atmos’ labor expense for these same periods to show the actual percent of benefits to labor expense (provide all supporting documents and calculations).
 - e. Provide the actual worker’ compensation insurance expense for FYE September 2011 and September 2012 as a percentage of Atmos’ labor expense for these same periods to show the actual percent of workers’ compensation to labor expense (provide all supporting documents and calculations).

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120. Reference pages 14 to 15 of Mr. Densman's testimony which addresses the adjustment for labor and benefits and Schedule G-1, page 1 of 1 (also cited as FR 16(13)(g) related to payroll costs and adjustment for the base period and forecasted test period) sponsored by Mr. Densman. Using **OAG Schedule 1 (Excel schedule)** which is attached to these DRs, provide Atmos' payroll information (assigned/allocated between KY direct, Division General Office, and SSU) showing:
- a. Schedule 1A and 1C - The amount and percent of payroll costs expensed and capitalized by the categories of payroll labor, benefits (if possible, payroll taxes, other payroll (if applicable), and nonregulated payroll (if applicable).
 - b. Schedule 1B - The amount and percent of payroll costs expensed and capitalized by primary account in total (although it is not necessary to show these payroll costs by categories of labor, benefits, other, and nonregulated).
 - c. Schedule 1A, 1B and 1C - Show the previous information for the periods: forecasted test period, the base period (showing amounts separately for the "forecasted" and the "actual" amounts by month), FYE September 30, 2012, FYE September 30, 2011 and FYE September 30, 2010.
 - d. Schedule 1A, 1B and 1C - Reconcile all amounts to Atmos payroll costs and adjustments for the base period and forecasted test period.
 - e. Schedule 1A, 1B and 1C - Explain the reasons for changes in the percent of payroll expensed and capitalized for each period and provide related supporting documentation and calculations.
 - f. Schedule 1A, 1B and 1C - Explain the reason for changes in the amount of payroll labor, benefits (for each of the benefits categories of pension/retirement, FAS 106, employee insurance ESOP, and other), payroll taxes, other payroll, and nonregulated payroll for each period, when the amount varies by 5% or more between each period and provide supporting documentation and calculations.
121. Reference pages 14 to 15 of Mr. Densman's testimony which addresses the adjustment for labor and benefits, Schedule G-3 (related to Officer payroll costs and adjustment for the base period and forecasted test period) sponsored by Mr. Densman, and as a follow-up to Staff RFI Set 1, Question 1-36. Using **OAG Schedule 2 (Excel schedule)** which is attached to these DRs, provide the

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following detailed payroll information for each Officer that is directly incurred and allocated/assigned to Atmos Kentucky operations and which are included in the revenue requirements in this rate case, including Officer payroll for Kentucky Direct, Division General Office, Shared Services Unit, and all other affiliates which allocate Officer payroll to Atmos Kentucky operations. Provide the following information:

- a. Schedule 2 - The amount of payroll costs for the categories of base salary, long-term incentives, short-term incentives, other bonus, COLA or merit pay, deferred compensation, SERP, benefits, and other (describe all other compensation).
- b. Schedule 2 - Identify the total amount of each Officer's payroll (such as the total amount paid by each affiliate) and the amount directly incurred and assigned/allocated to Kentucky Atmos operations for purposes of this rate case (and related amounts for all other periods).
- c. Schedule 2 - Show the previous information for the periods: forecasted test period, the base period (showing amounts separately for the "forecasted" and the "actual" amounts by month), FYE September 30, 2012, FYE September 30, 2011 and FYE September 30, 2010.
- d. Schedule 2 - For each of the periods, for all compensation that is related to "incentives" per the response to Staff RFI Set No. 1, Question No. 1-34, Attachment 1 (page 7) provide for each Officer, the Incentive Target, the Payout Percentage of Target (and amount) by showing and providing the Performance Pay Matrix, and the calculation of all incentives (multiply Eligible Earnings by the Incentive Target times the Payout Percentage of Target).
- e. Schedule 2 - For each type of "incentive" paid for each period, explain how the incentive was paid - - cash, stock, deferred compensations, rights, grants, etc. And for each, explain when the amount is recognized for expense treatment on the books and how this is determined for each type of incentive.
- f. Schedule 2 - Identify the "names" of each Officer for each of the related periods and identify current positions that are not filled and when such positions will be filled.
- g. Schedule 2 - Reconcile all amounts to Atmos' payroll costs and adjustments for the base period (and show the actual and forecasted portion) and forecasted test period.

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- h. Schedule 2 - Reconcile all amounts to Officer compensation at Schedule G-3, page 1 of 1 (FR_16(13)(g) Attachment 1), sponsored by Mr. Densman.
 - i. Schedule 2 - If applicable, identify all Officer payroll that is "capitalized" for each of the years, otherwise confirm that all amounts are expensed.
 - j. Schedule 2 - Explain the reasons for changes in the "total" and "assigned/allocated" payroll costs for each Officer, if the change varies by 5% or more for each period. Provide related supporting documentation to support these changes.
122. Explain all changes in the payroll policy for Officers for the most recent 5-year period (including all projected amounts for the forecasted test period and base test period) whereby there has been a shift to greater base salary compensation and a reduction in long-term incentives/bonuses compensation or a shift to lower base salary compensation and increased long-term incentives/bonuses. Explain the reason for the change, the year of the change, and provide a copy of the Company formal policy explaining this shift (including all Board of Director Minutes).
123. As a follow-up to Staff RFI Set No. 1, Question No. 1-36, at Attachment 1 and 2, address the following for Officer compensation:
- a. Regarding Attachment 1, explain if the "Base Period" officer compensation is the same amount for the forecasted test period, otherwise provide Attachment 1 information for the "Forecasted Test Period."
 - b. Regarding Attachment 1 officer compensation for the Base Period, for each Officer, show the amount of compensation included in the base period (show actual and forecasted amounts) and the fully forecasted test period by account number. For each Officer, show compensation that is Kentucky direct and allocated/assigned from Division General Office, SSU, and other affiliates.
 - c. Regarding Attachment 2, explain the reason for and the specific duties related to "CEO duties" transferred in 2011 and 2012 from Chairman of the Board to President and Chief Operating Officer.
 - d. Explain if the base period or forecasted test period includes any additional shift of payroll costs between these two positions of Chairman of the board and President/Chief Operating Officer or other positions and

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provide these amounts and impacts on the base period and fully forecasted test period.

- e. Regarding Attachment 2, for each year, show the total “amount” (and not just the percentage of payroll) of payroll transferred between these two positions for all years of the transition and show the final total compensation and total compensation allocated/assigned and included in Atmos Kentucky’s operations in 2010, 2011, 2012, base period (show the actual and forecasted portion) and forecasted test period.
124. As a follow-up to Staff RFI Set No. 1, Question No. 1-36, at Attachment 1 and 2, address the following:
- a. Explain why Attachment 2, for the Chairman of the Board, shows a 15% reduction in pay in FY 2011, and a 32% reduction in pay in FY 2012, although Attachment 1 only shows a .4% (less than 1%) total pay decrease from FY 2010 to FY 2011, and shows a 41% total pay increase from FY 2011 to 2012 (“Regular” compensation decreased 31%, but “Other” compensation increased 69%), and shows a 71% total pay decrease from FY 2012 to Base Period. Reconcile and explain these differences.
 - b. Explain when the Senior VP Utility Operations position will be filled and provide copies of Board Minutes and other documentation which establishes the compensation levels shown at Attachment 1 of the Base Period for this position.
 - c. At Attachment 1, explain why the compensation for the retired Senior VP Chief Financial Officer is included in the Base Period and explain if the compensation for the “new” Senior VP Chief Financial Officer represents a total annual compensation level (or explain if it represents a partial year which needs to be considered with the partial amount of the “retired” Senior VP Chief Financial Officer.
125. As a follow-up to Staff RFI Set No. 1, Question No. 1-36, at Attachment 1 and 2, address the following:
- a. At Attachment 1, comparing total compensation from FY2010 to the Base Period, explain why total compensation increased for the following positions: Senior VP Human Resources increased \$260,582 and 48%, Senior VP and General Counsel increased \$117,883 and 20%, \$43,455 and
 - b. At Attachment 1, for FY2010, explain why there are two positions listed for “Senior VP Non-Utility Operations.”

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- c. Provide compensation studies and surveys that were relied upon for establishing the compensation of Officers at Attachment 1 from FY2010 to the Base Period, and provide all supporting documentation, studies, surveys, assumptions, and compensation policy that was relied upon for establishing these compensation levels.
126. As a follow-up to Staff RFI Set No. 1, Question No. 1-36, at Attachment 1 and 2, address the following:
- a. At Attachment 1 for the Base Period (and for the fully forecasted test period), provide the formal written job description and responsibilities of the Senior VP – Non-Utility Operations.
 - b. If any compensation costs of the Senior VP – Non-Utility Operations are included in the base period or fully forecasted test period of this rate case (provide these amounts), then explain the specific job responsibilities of this officer in regards to Atmos Kentucky’s operations and provide specific examples of the decision-making of this Officer for Atmos Kentucky operations.
 - c. If any compensation costs of the Senior VP – Non-Utility Operations are included in the base period or fully forecasted test period of this rate case, then explain the “non-utility” operations and related non-utility revenues, non-utility expenses, and non-utility capital expenditures included on the books of Atmos Kentucky and provide the related amount of “non-utility” revenues and costs (by account number) included in the base period and fully forecasted test period.
 - d. If any compensation costs of the Senior VP – Non-Utility Operations are included in the base period or fully forecasted test period of this rate case, then explain why this is reasonable and provide the related costs versus the benefit to customers, shareholders, and Atmos.
127. Regarding the total increase in payroll costs (both expensed and capitalized for payroll, benefits, and payroll costs) in this rate case from September 30, 2012 to the Base Period, and from the Base Period (identify both the actual and forecasted portion of the Base Period) to the Forecasted Test Period, identify the amount of the payroll increase that is related to: 1) base payroll increases of 3% (or the related applicable percentage for that period and reconcile these amounts to the response to Staff RFI Set No. 1, Question 1-35); 2) changes related to overtime; 3) increases/changes in employees; 4) increases in

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new positions; 5) changes in benefit costs related to medical, pension, or other; and 6) other changes.

128. Referencing Schedule G-2, page 1 of 1 (FR_16(13)(g) Attachment 1) sponsored by Mr. Densman, and address the following:
- a. Explain why the Base Period and Forecasted Period “Straight Time Hours” were decreased from the prior 2012 Period, and explain why the Base Period and Forecasted Period “Overtime Hours” and “Overtime Dollars” increased from the prior 2012 Period. Provide both the “actual and forecasted” amounts for the Base Period for all comparisons. Provide supporting documentation and calculations supporting all reasons for the changes.
 - b. Regarding the previous question, show the overtime hours and amounts for Kentucky direct, and allocated/assigned amounts form Division General Office and SSU.
 - c. Provide documentation and calculations to show how the Straight Time Hours and Overtime Hours were converted to Straight Time Dollars and Overtime Dollars.
129. Reference page 14 (lines 16-19) of Mr. Densman’s testimony which addresses the adjustment for labor/benefits and states that the base period labor costs represent a fully staffed level minus the normal level of vacancies. Also, refer to related Schedule G-1, page 1 of 1 (also cited as FR 16(13)(g) related to the payroll costs adjustment sponsored by Mr. Densman, along with Staff RFI Set No. 1, Question 1-32.
- a. Explain if the base period and fully forecasted test period number of employees included in the payroll adjustment are the number of employees shown at Schedule G-2, page 1 of 1, which includes 209 employees for 2012, 209 employees for the base period, and 209 employees for the forecasted test period. Explain if these employee levels are intended to represent “average” employees for the related 12 months, or the number of employees at the end of the related periods.
 - b. Explain how Atmos determined the “fully staff level minus the normal level of vacancies” included in the payroll adjustment and Schedule G-1 and provide related supporting documentation and calculations.
 - c. Provide both the fully staffed level of payroll costs and the related number of employees and provide the normal level of vacancy payroll costs and

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the number of vacant employee positions (and provide related supporting documentation and calculations) and provide this information for the FYE September 30, 2011, September 30, 2012, the base period (show actual and forecasted amounts), and the fully forecasted test period.

130. Reference page 14 (lines 21-23) of Mr. Densman's testimony which addresses the forecasted 3% increase to become effective October 1, 2013. Explain if the exact amount of this payroll increase is known and measurable and if it is has been specifically approved in the Board of Director Minutes or formally approved in a budget and provide a copy of the related documentation.
131. As a follow-up to Staff RFI Set No. 1, Question No. 1-35, address the following for payroll increases Officers and Management for FY 2010, 2011, 2012, the base period, and the fully forecasted test period:
- a. Provide the average amount and percent of payroll increase for "Officers" only, and reconcile these amounts to information included in the rate case filing.
 - b. Provide the average amount and percent of payroll increase for all other "Management employees (excluding Officers)" only, and reconcile these amounts to information included in the rate case filing.
 - c. Explain if the 3% average payroll increase that went into effect October 1st (Densman page 14) represents a cost of living increase or a merit increase for Officers and Management. If the amount represents a cost of living increase, then explain why the percent of pay increase varies among employees.
 - d. If the 3% average payroll increase that went into effect October 1st (Densman page 14) represents a merit increase for Officers and Management, then for FYE 2010, 2011 and 2012, Base Period, and Forecasted Test Period, identify and describe all target/criteria used for determining merit/incentive pay and provide copies of the related formal policy and documentation for both Officers and Management. For example, per the response to Staff RFI Set No. 1, Question No. 1-34, Attachment 1 (page 7) provide for each Officer and Management Employees (as a group) the Incentive Target, the Payout Percentage of Target (and amount) by showing and providing the Performance Pay Matrix, and the calculation of all incentives (multiply Eligible Earnings by the Incentive Target times the Payout Percentage of Target).

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- e. For each type of “incentive” paid for each period, explain how the incentive was paid - - cash, stock, deferred compensations, rights, grants, etc. And for each, explain when the amount is recognized for expense treatment on the books and how this is determined for each type of incentive.
 - f. For merit pay that is anticipated to be paid in the base period and the fully forecasted test period, explain the specific targets/criteria that are expected to be met and which will result in the most significant amount of the merit pay awards. Explain how Atmos can forecast the Incentive Target, the Payout Performance Target (and related amounts), and provide all related calculations for Officers and Management.
 - g. Explain if Atmos has merit pay and target/criteria related to achieving results related to “service quality”, “customer rates”, “achieving a designated ROR or ROE”, “stock price”, and “results from this rate case” - - provide all of these targets/criteria and related documentation. Show how prior years’ merit pay was based on achieving these targets for FYE 2010, 2011, and 2012 (and FYE 2013 and 2014 if available).
 - h. Explain if Atmos has “long-term” and “short-term” targets/criteria and identify and provide the related documentation. Show how prior years’ merit pay was based on achieving these targets for FYE 2010, 2011, and 2012 (and FYE 2013 and 2014 if available).
 - i. Explain if Atmos has “shareholder” and “customer” targets/criteria and identify and provide the related documentation. Show how prior years’ merit pay was based on achieving these targets for FYE 2010, 2011 and 2012 (and FYE 2013 and 2014 if available).
132. Provide an update to Staff RFI Set No. 1, Question No. 1-32, showing the following:
- a. Provide information in the same format showing the total number of employees at Division General Office and SSU, and show the number of employees subject to having their payroll costs allocated to Kentucky Atmos for FYE 2010, 2011, 2012, and provide updated information to show employee headcount from October 2012 through the most recent date. Explain the reasons for changes in the number of employees for each month and explain how this impacts payroll costs assigned/allocated to Kentucky Atmos operations.

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- b. Provide the number of Kentucky Atmos employees in the same format for each of the months October 2012 through the most recent date available and explain the reasons for changes in the number of employees for each month.
 - c. In addition, provide the number of Kentucky Atmos vacant positions for FYE 2010, 2011, 2012, and the months October 2012 through the most recent data available.
133. Provide the following as an update to Staff RFI Set No. 1, Question No. 1-34 regarding Officer compensation studies:
- a. For the period 2009 through the most recent date available, explain if any Officer with payroll costs booked directly to Kentucky Atmos and allocated/assigned from Division General Office and SSU has had a compensation study performed for that Officer position, and identify the year of the compensation study/survey, the Officer position, and provide the related study/survey.
 - b. Regarding the previous question, explain the parameters of the Officer compensation study/survey that was relied on, including the specific name of the study/survey, number of benchmark/market positions included in the survey, the names of the Companies in the survey, the “industry” that was surveyed, the relative size of the Companies with Officer survey positions that were relied upon, the geographic differences in compensation levels in the survey, the annual growth factor used to bring the surveyed compensation levels forward to current years, and all other parameters.
 - c. Regarding the previous question, provide the results of the compensation study and survey and show the compensation paid to the Officer and the market survey compensation level for each survey, and provide all supporting survey documentation including the compensation level at the 50th, 75th, and 100th percentile (and all other percentiles available in the related survey).
 - d. Explain if Atmos establishes Officer compensation at the 50th, 75th, or some other percentile of the market median (or market average), and provide copies of company policy that documents this approach.
134. Address the following regarding Staff RFI Set No. 1, Question No. 1-34 regarding the Towers Watson (TW) October 2012 actuarial valuation for pension cost for the FYE September 30, 2013.

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- a. Begin with Schedule 2.8 (page 24) of the TW actuarial report, item D “Allocation of Pension Cost by Business Unit” for FYE 2013 and FYE 2012 and show the Business Unit Pension Costs subject to assignment/allocation (and subject to including in Kentucky Atmos and this rate case, such as Mid States and Shared Services, and others), then provide documentation and calculations to show how this pension cost amount is assigned/allocated to the Kentucky Atmos jurisdiction at FYE 2013 and FYE 2012, and then reconcile these amounts to the Pension Expense recorded on the Kentucky Atmos books at FYE 2013 and FYE 2012 and explain all reconciling items and differences.
 - b. Explain and show how the Pension Expense from this Actuarial Study for FYE 2013 is reconciled to the amount of Pension Expense included in the Base Period and Forecasted Test Period of this rate case and provide explanations, supporting documentation, and calculations for all adjustments and differences.
135. Address the following regarding Staff RFI Set No. 1, Question No. 1-39 regarding medical group insurance and costs.
 - a. For the four most recent years, explain if Atmos has made changes in its medical, vision, and dental insurance plan (and other medical costs) to control or reduce these medical costs, and explain the changes made and identify the reduction or mitigation in medical costs for each of these periods FYE 2009, 2010, 2011, 2012, and the related impacts on the base period and forecasted test period.
 - b. In order to control or reduce medical costs, explain if Atmos has increased the employee deductible, increased officer’s deductibles, removed certain employees from qualification, reduced the benefits, removed certain coverages, changed insurance carriers, or made other changes. Explain and provide these impacts for the FYEs 2009 through 2012, and the related impacts on the base period and forecasted test period.
136. Provide the amount of severance costs or termination payments that are included in the base period and forecasted test period by account number, and provide supporting calculations.
137. Reference page 18 of Mr. Densman’s testimony addressing rate case expense, and the most recent updated and Supplemental response (August 8, 2013) to Staff RFI Set No. 1, Question No. 1-45 (Supplement 2), explain why the actual amount of rate case expense incurred to date is greater than the original

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amount included in this rate case for each consultant and for each category and provide supporting documentation.

138. Reference page 18 of Mr. Densman's testimony addressing rate case expense, Staff RFI Set No. 1, Question No. 1-49 (outside contractor contracts for rate case related work), address the following:
- a. Explain if Atmos issued an RFP or required any outside contractor to submit a competitive bid or proposed contract amount and provide these documents related to this rate case. Otherwise, explain why these rate case related services are not subject to competitive bid.
 - b. Explain why Atmos did not require, or why Mr. Raab did not submit, a total contract price, although Mr. Van Weide and Alliance appeared to submit a proposed contract price.
 - c. Explain how Atmos estimated rate case expenses for each consultant without a bid price submitted by each consultant.
139. Provide the amount of expenses that have been included in the Base Period (show actual and forecasted), Forecasted Test Period, and which have been incurred through the most recent date related to the following:
- a. Total in-house labor and other charges allocated/assigned from Division General Office and SSU, that is related to direct or indirect "rate case assistance" related to accounting, regulatory, ROR, depreciation, legal, and other. Show amounts by account number.
 - b. Total other "outside" legal and consulting costs allocated/assigned from Division General Office and SSU, that is related to direct or indirect "rate case assistance" related to accounting, regulatory, legal, depreciation, ROR, and other. Show amounts by account number.
140. As a follow-up to Staff RFI Set No. 1, Question No. 1-54, provide a copy of all invoices of outside consultants and attorneys related to rate case expense in this rate case. Provide updated information and invoices on a monthly basis.
141. For all non-legal outside service expenses provided by consultants/vendors that are shown at Schedule F.5, page 1 of 1 (FR_16(13)(f) Attachment 1), address the following:

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- a. Explain if Schedule F.5 includes all “non-legal” outside services, and if not, then identify these amounts by account number for the base period (provide actual and forecasted amounts) and the forecasted test period.
- b. Explain the amount identified as “contract labor” at Schedule F.5 and explain if this amount represents assigned/allocated amounts from Division General Office, SSU, or other affiliates. Provide a complete description of these costs by vendor.
- c. Explain why “outside services expenses” at Schedule F.5 for the base period and forecasted test period do not agree to the outside services amounts shown at Exhibit JCD-1 (attached to Mr. Densman’s testimony) and provide a reconciliation of these amounts. Provide a complete explanation and reconciliation between the “non-legal outside services costs” at Schedule F.5 and non-legal outside service costs at Exhibit JCD-1.
- d. Provide the amount of non-legal outside services expenses at Schedule F.5 for the base period (show actual and forecasted amounts) and the forecasted test period. Show the amounts for directly incurred and amounts allocated/assigned from Division General office, SSU, and all affiliates.
- e. Explain how the amount of non-legal outside service expenses was determined for the base period (provide actual and forecasted amounts) and the forecasted test period and provide related supporting documentation and calculations.
- f. Provide non-legal outside services expenses by vendor name, a brief description of the services or products provided and related account number for the base period (provide actual and forecasted amounts) and the forecasted test period.
- g. Identify all amounts incurred by vendor in FYE 2011, FYE 2012, and for the base period (show actual and forecasted amounts for the base period) that are nonrecurring and will not be incurred in the base period or forecasted test period. Explain why such amounts will be nonrecurring.
- h. Identify all amounts incurred by vendor in FYE 2011, FYE 2012, and for the base period (show actual and forecasted amounts for the test period) that are recurring and will be incurred to some degree in the base period or forecasted test period. Explain why such amounts will be recurring and provide copies of documentation to show the amounts will be recurring

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(i.e., contracts, engagement fees, invoices, costs incurred to date, and other).

142. For all legal outside service expenses provided by attorneys shown at Schedule F.5, page 1 of 1 (FR_16(13)(f) Attachment 1), address the following:
- a. Explain if Schedule F.5 includes all “legal” outside services, and if not, then identify these amounts by account number for the base period (provide actual and forecasted amounts) and the forecasted test period.
 - b. Explain the amount identified as “contract labor” at Schedule F.5 and explain if this amount represents assigned/allocated amounts from Division General Office, SSU, or other affiliates. Provide a complete description of these costs by vendor.
 - c. Explain why “outside services expenses” at Schedule F.5 for the base period and forecasted test period do not agree to the outside services amounts shown at Exhibit JCD-1 (attached to Mr. Densman’s testimony) and provide a reconciliation between these amounts. Provide a complete explanation and reconciliation between the outside legal costs included at Schedule F.5 and outside legal costs at Exhibit JCD-1.
 - d. Provide the amount of legal outside services expenses at Schedule F.5 for the base period (show actual and forecasted amounts) and the forecasted test period. Show the amounts for directly incurred and amounts allocated/assigned from Division General office, SSU, and all affiliates.
 - e. Explain how the amount of legal outside service expenses was determined for the base period (provide actual and forecasted amounts) and the forecasted test period and provide related supporting documentation and calculations.
 - f. Provide legal outside services expenses by account number and attorney/law firm name, a brief description of the services or products provided for the base period (provide actual and forecasted amounts) and the forecasted test period.
 - g. Identify all amounts incurred by vendor for the base period (show actual and forecasted amounts for the base period) that are nonrecurring and will not be incurred in the base period or forecasted test period. Explain why such amounts will be nonrecurring.

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- h. Identify all amounts incurred by vendor for the base period (show actual and forecasted amounts for the test period) that are recurring and will be incurred to some degree in the base period or forecasted test period. Explain why such amounts will be recurring and provide copies of documentation to show the amounts will be recurring (i.e., contracts, engagement fees, invoices, costs incurred to date, and other).
143. For all outside services provided by consultants, professionals and other vendors (which are non-legal and which are NOT included in rate case expense) that are expensed and capitalized (and are directly incurred or assigned/allocated from Division General Office and SSU) provide the following information for FYE 2011, FYE 2012, Base Period (show actual and forecasted amounts), and Forecasted Test period. It is only necessary to provide this information if the total amount per consultant that is expensed and capitalized during the related 12-month period or the total contract amount per consultant is equal to or greater than \$50,000 (this includes individual amounts directly incurred and amounts assigned/allocated from Division General Office, SSU, and other affiliates) and **provide updates on a continuing basis** (please contact the OAG if provision of such information is voluminous to discuss alternative provision of requested data):
- a. Provide the name of the vendor, a brief description of services or products provided, and the amount expensed and capitalized by account number, and specifically identify amounts between directly incurred in Kentucky and amounts assigned/allocated from Division General Office, SSU, and other affiliates.
 - b. Provide a reconciliation of outside services costs at this data request to “outside services” for the base period and forecasted test period shown at Exhibit JCD-1 of Mr. Densman’s testimony.
 - c. Regarding the previous question, explain all amounts that have been adjusted in this rate case for the base period (provide actual and forecasted amounts) and the forecasted test period for each vendor and provide all related supporting documentation and calculations.
 - d. Provide copies of applicable vendor contracts, purchase orders, and engagement letters.
 - e. Provide a copy of all invoices from the vendor (and if invoices are voluminous then provide the 4 largest invoices for the related 12-month period).

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- f. Provide copies of related studies, reports, and recommendations provided by the vendor.
 - g. Explain why the costs are reasonable for including in the cost of service and regulated operations and identify all benefits to the customer, shareholders, and Atmos.
 - h. Identify all amounts incurred by vendor in FYE 2011, FYE 2012, and for the “actual” portion of costs of the base period (show actual and forecasted amounts for the base period) that are nonrecurring and will not be incurred in the base period or forecasted test period. Explain why such amounts will be nonrecurring.
 - i. Identify all amounts incurred by vendor in FYE 2011, FYE 2012, and for the “actual” portion of costs of the base period (show actual and forecasted amounts for the test period) that are recurring and will be incurred to some degree in the base period or forecasted test period. Explain why such amounts will be recurring and provide copies of documentation to show the amounts will be recurring (i.e., contracts, engagement fees, invoices, costs incurred to date, and other).
144. For all legal services provided by outside attorneys that are expensed and capitalized (and are directly incurred or assigned/allocated from Division General Office, SSU, and other affiliates) provide the following information for FYE 2011, FYE 2012, Base Period (show actual and forecasted amounts), and Forecasted Test period. It is only necessary to provide the requested information if the total amount per attorney/law firm that is expensed and capitalized during the related 12-month period or the total contract amount per consultant is equal to or greater than \$50,000 (this includes individual amounts directly incurred and amounts assigned/allocated from Division General Office, SSU and other affiliates) and **provide updates on a continuing basis** (please contact the OAG if provision of such information is voluminous to discuss alternative provision of requested data):
- a. Provide the name of the attorney, a brief description of services provided (general corporate, rate case, regulatory, human resources/personnel, environmental, insurance claims, etc.), and the amount expensed and capitalized by account number, and specifically identify amounts between directly incurred in Kentucky and amounts assigned/allocated from Division General Office, SSU, and other affiliates.

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- b. Provide a reconciliation of outside legal services costs at this data request to “outside services” for the base period and forecasted test period shown at Exhibit JCD-1 of Mr. Densman’s testimony.
 - c. Regarding the previous question, explain all amounts that have been adjusted in this rate case for the base period (provide actual and forecasted amounts) and the forecasted test period for each attorney and provide all related supporting documentation and calculations.
 - d. Provide copies of applicable contracts, purchase orders, and engagement letters.
 - e. Provide copies of the 3 largest invoices from the attorney/law firm.
 - f. Provide copies of related studies, reports, and recommendations provided by the attorneys.
 - g. Explain why the costs are reasonable for including in the cost of service and regulated operations and identify all benefits to the customer, shareholders, and Atmos.
 - h. Provide the “highest” billing rate for each attorney in each law firm, but only for legal costs included in the base period and forecasted test period.
 - i. Identify all amounts incurred by attorney in FYE 2011, FYE 2012, and for the “actual” portion of costs of the base period (show actual and forecasted amounts for the base period) that are nonrecurring and will not be incurred in the base period or forecasted test period. Explain why such amounts will be nonrecurring.
 - j. Identify all amounts incurred by attorney in FYE 2011, FYE 2012, and for the “actual” portion of costs of the base period (show actual and forecasted amounts for the test period) that are recurring and will be incurred to some degree in the base period or forecasted test period. Explain why such amounts will be recurring and provide copies of documentation to show the amounts will be recurring (i.e., contracts, engagement fees, invoices, costs incurred to date, and other).
145. As a follow-up to Staff RFI Set No. 1, Question 1-50, address the following:
- a. If not previously provided, provide the working Excel spreadsheet supporting Attachment 1 to this RFI response (Staff_1-50_Att1 - Professional Services Expense).

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- b. Provide an update to this RFI response showing all costs through the most recent month July 2013, in a working Excel format.
 - c. Show the amount of legal and other costs at this updated response for the period May 2012 through July 2013 that are included in Atmos base period and forecasted test period, along with all adjustments and revisions to such amounts for legal and other costs.
146. Provide the following regarding legal costs (excluding rate case costs) for pending and settled lawsuits, litigation, and contingent liabilities for FY 2012, base period (show actual and forecasted amounts), and the forecasted test period (and this includes amounts directly incurred by Atmos Kentucky and amounts assigned/allocated from Division General Office, SSU and other affiliates).
- a. Provide all related legal expenses assigned/allocated from Division General Office, SSU and other affiliates by account number and explain why these costs should be included in the base period and forecasted test period of Atmos, and provide all related supporting documentation.
 - b. Provide all legal expenses by attorney name and account number where Atmos or an affiliate admitted wrongdoing or was assessed fines/penalties/fees (i.e., environmental issues, etc.), provide a brief description of the legal proceeding, and provide the amounts for FY 2012, base period (show actual and forecasted amounts), and the forecasted test period.
 - c. Provide the amounts paid as a settlement for lawsuits or litigation by account number and provide a brief description of the lawsuit, and separately direct incurred amounts and amounts assigned/allocated from Division General Office, SSU and other affiliates). Provide the amounts for FY 2012, base period (show actual and forecasted amounts), and the forecasted test period.
 - d. Provide legal expense by attorney name and account number for all cases resolved and which will not be pending for each of the periods FY 2012, base period (show actual and forecasted amounts) and the forecasted test period.
 - e. Provide legal expenses by attorney name and account number for all cases pending and unresolved during the base period (show actual and forecasted amounts) and the forecasted test period.

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147. Referencing page 15 (lines 11-16) of Mr. Densman's testimony where he states the rent expenses were budgeted by reviewing actual lease amounts, and overall Rent, Utilities, and Maintenance is projected to increase 1,303 from the base period.
- a. Provide supporting documentation and calculations for rent, utilities, and maintenance expense for the base period (provide actual and forecasted amounts) and forecasted test period, and show these amounts by specific building lease and location. Provide copies of all leases and separately identify all leases with affiliates.
148. Referencing page 19 (lines 14 to 17) of Mr. Densman's testimony and related Schedule F.9, page 1 of 1 (FR_16(13)(f) Attachment 1), the "Notes" portion of this schedule referring to leases of buildings in Danville and Paducah states that the Company will construct its own building for occupancy October 2014.
- a. Explain which "building(s)" the Company is referring to, along with the location and purpose of the building.
 - b. Explain if the base period or the forecasted test period includes any expenses, capitalized costs, or other costs related to this building to be constructed for occupancy by October 2014, and show amounts by account number and description. Explain why it is reasonable to include these costs in this rate case and provide related supporting documentation.
149. Referencing page 20 (lines 18-23) and page 21 of Mr. Densman's testimony, along with Schedule C.2.3 F related to "other taxes", address the following:
- a. Provide the amount of "other taxes" by account number and a description of each kind of tax for the base period (show actual and forecasted amounts) and provide all related supporting documentation, calculations for these amounts. Explain why each of these other taxes are adjusted.
 - b. Provide the actual amount of "other taxes" by account number and description for FY2011 and 2012, and explain why these other taxes should be adjusted for the base period and forecasted test period.
150. Explain the difference between the Company's audited financial records (GAAP-based) and any subsidiary financial records maintained on a regulatory basis, and identify all amounts included in the base period and forecasted test period that are on a regulatory or non-GAAP basis (or indicate if all records are

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on a GAAP basis). For each account or type of revenue, expense, asset and liability on a regulatory or non-GAAP basis, explain the rationale and basis for maintaining records on this basis and identify the difference in the amounts between GAAP and regulatory/non-GAAP amounts. For example, identify differences in depreciation expense, accumulated depreciation, deferred taxes, and net plant due to differences in depreciation rates maintained for GAAP/audited financials versus depreciation rates maintained for regulatory/rate proceeding purposes.

151. Provide the amount of expenses included in the Purchased Gas Cost Account that are not from third party gas supply vendors for FY 2012, the Base Period (provide actual and forecasted amounts), and the Forecasted Test Period. Show all amounts by subaccount number along with a description of the amounts and explain why such amounts should be included in Purchased Gas Cost Expense in the Base Period and Forecasted Test Period.
152. Reference page 16 (lines 6-9) of Mr. Densman's testimony where he explains that bad debt expense is calculated as .5% of residential, commercial, and public authority revenues from the revenue projection in the testimony of Mr. Martin.
 - a. Provide all supporting documentation and calculations of bad debt expense for the base period and fully forecasted test period, including showing the .5% multiplied by the revenue projection in Mr. Martin's testimony.
 - b. Explain if Atmos' accrues bad debt expense by specific customer class category of residential, commercial, public authority, etc., or explain Atmos' method for accrual of bad debt expense.
 - c. Provide actual bad debt expense by specific customer class and the percentage of this bad debt expense by the related revenues of these same customer classes for FYE September 30, 2011 and 2012.
153. Referencing pages 13-15 of Mr. Schneider's testimony regarding the CAM, and the CAM provided at Exhibit JLS-1, address the following:
 - a. Compare the CAM from the prior rate case to the current rate case, and identify and describe all changes in assumptions, methods, allocation process, changes in allocation factors, changes in the number and type of entities receiving allocated costs, and identify new types of costs that are being allocated.

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- b. Regarding the previous question, compare and quantify the impact of all changes on Atmos operations from the prior rate to the current rate case by cost element or account number and provide the impact on the related revenue requirements of this rate case.
154. Address the following regarding operating expenses, depreciation, income taxes, and rate base component costs allocated/assigned or charged to Atmos from the Division General Office, SSU, and other affiliates/parent company. This includes (but is not limited to) the Kentucky/Mid-States General Office, Shared Services Unit, each of the other five Atmos gas operating divisions, the operations in all eight states, the Texas intrastate pipeline, Atmos Energy Holdings (Delaware), Blueflame Insurance Services (Bermuda), and all other affiliates/parent company. Address the following for each of the periods FYE September 30, 2010, FYE September 30, 2011, FYE September 30, 2012, the base period (provide actual and forecasted amounts), and the fully forecasted test period.
- a. For each of the previously cited affiliates/parent company (and all others), provide the amount of expenses and capital costs (by account number and account description) that are allocated, assigned, or charged to Atmos for each of the previously identified periods.
 - b. For all charges to Atmos by previously identified affiliates/parent company for each of the previously identified periods, identify the related services and products provided to Atmos and explain why the amount of these charges to Atmos have changed over these periods, and provide related supporting documents and calculations.
 - c. For all charges to Atmos by previously identified affiliates/parent company for each of the previously identified periods, explain if these charges are reflected at the lower of cost or fair market value and provide supporting documentation for Atmos' conclusions. Explain why these charges should not be reflected at the lower of cost or fair market value.
 - d. For all charges to Atmos by previously identified affiliates/parent company for each of the previously identified periods, provide all calculations and supporting documentation prepared by Atmos (and its affiliates/parent company) which compares the cost of these services from affiliates/parent company to the fair market value cost of these services from non-affiliate/third party vendors. Provide all related studies and supporting documentation and calculations.

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- e. For all charges to Atmos by previously identified affiliates/parent company for each of the previously identified periods, explain if Atmos has sought a competitive bid or issued a request for proposal for these same or similar services from non-affiliate/third party vendors, and explain why or why not. Provide copies of all competitive bids and RFPs, and explain why the non-affiliate/third party vendor was not selected or used by Atmos.
 - f. For all charges to Atmos by previously identified affiliates/parent company for each of the previously identified periods, provide all supporting documentation and calculations which explains and shows why these charges are reasonable, prudent, and fair.
155. Address the following regarding expenses, depreciation, income taxes, and rate base component costs allocated/assigned or charged to Atmos from the Division General Office, SSU, and other affiliates/parent company. This includes (but is not limited to) the Kentucky/Mid-States General Office, Shared Services Unit, each of the other five Atmos gas operating divisions, the operations in all eight states, the Texas intrastate pipeline, Atmos Energy Holdings (Delaware), Blueflame Insurance Services (Bermuda), and all other affiliates/parent company. Address the following for each of the periods FYE September 30, 2010, FYE September 30, 2011, FYE September 30, 2012, the base period (provide actual and forecasted amounts), and the fully forecasted test period.
- a. Provide the amount of all charges to Atmos by previously identified affiliates/parent company that is included in the fully forecasted test period and compare this to the most recent actual twelve month amounts for each affiliate/parent company, and explain the reasons for variances and the amounts included in the fully forecasted test period (and provide related supporting documentation and calculations).
156. Explain if Atmos has compared its General and Administrative (G&A) costs or overhead costs (or using General and Administrative costs as a surrogate for overhead costs) to the similar or same costs of other similarly sized or situated utilities, and explain if Atmos' G&A costs or overheads are less than or greater than those of these other utilities. Provide all supporting studies, documentation and calculations. Otherwise, provide all related supporting documentation which Atmos relies upon if it believes its G&A or overheads costs are equal to or less than those of similar utilities.
157. Referencing page 10 (line 17) of Mr. Napier's testimony, he states that the forecasted test period capital projection is \$44.22 million (from December 1, 2013

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to November 30, 2014). Also, refer to Atmos' response to Staff RFI Set No. 1, Question 1-20 (Staff_1-20_Att1 - Plant Data) which shows a different amount of forecasted test period capital plant additions of \$42.3 million, along with base period projected plant additions of \$44.6 million.

- a. Explain or confirm that the forecasted capital costs of \$44.22 million is for projected capital costs from December 1, 2013 to November 30, 2014, or explain if this is for a different period. Explain if this represents the "actual" or "monthly" average amounts. Provide supporting documents (or cite to documents, including Schedule B) showing the \$44.22 million projected capital plant by primary and detailed account.
- b. Atmos' response to Staff RFI Set No. 1, Question 1-20 (Staff_1-20_Att1 - Plant Data) shows an amount that appears to be the forecasted period capital costs, except page 4 of this response shows total forecasted period gross capital plant of \$42.3 million (and forecasted retirements of \$6.3 million) instead of the forecasted period gross capital plant of \$44.22 million identified at Mr. Napier's testimony. Explain if the response to Staff Question 1-20 is correct and explain the reasons for the difference between \$42.3 million and \$44.22 million and provide supporting documents and calculations showing a proper reconciliation (or cite to existing documents).
- c. Confirm that the \$44.22 million is "gross" forecasted capital plant which is before any reduction for forecasted retirement amounts, and provide the related forecasted retirement amounts and related supporting documents which reconciles to the \$6.3 million of forecasted retirements provided in response to Staff Question 1-20.
- d. Atmos' response to Staff RFI Set No. 1, Question 1-20 (Staff_1-20_Att1 - Plant Data) at page 2 of 4 appears to shown an amount of gross forecasted capital plant of \$44.6 million related to the "base period" (from August 1, 2012 to July 31, 2013), along with \$8.9 million of related retirements. Explain and reconcile these base period gross capital plant additions and related retirements to Atmos' workpapers and provide related supporting documentation and calculations.
- e. Confirm that the total "forecasted plant additions" included in rate base is about \$86.9 million (\$44.6 for base period plus \$42.3 million for forecasted period) per Atmos' response to Staff Question 1-20, or provide the correct amount along with all reconciliations and related supporting documents and calculations.

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158. Referencing page 10 (line 17) of Mr. Napier's testimony, he states that the forecasted test period capital projection is \$44.22 million, consisting of the three components of: 1) direct spending for Kentucky; 2) allocated from Division's General Office; and 3) allocated from SSU. Also, refer to Atmos' response to Staff RFI Set No. 1, Question 1-20 (Staff_1-20_Att1 - Plant Data) which shows a different amount of forecasted test period capital plant additions of \$42.3 million, along with base period projected plant additions of \$44.6 million.
- a. Provide the proper amount of the forecasted period plant additions and base period plant additions (along with related retirement amounts) by account number and account description, and show these plant additions and retirement amounts allocated between "Plant in Service", "CWIP" and other categories in rate base (and provide appropriate cites to Schedule B).
 - b. Provide the proper amount of the forecasted period plant additions and base period plant additions (along with related retirement amounts) by account number and account description, and show these plant additions and retirement amounts by primary account and identify amounts between: 1) direct spending for KY; 2) allocated from Division General Office; and 3) allocated from SSU.
 - c. Shows amounts in the prior question for forecasted period plant additions and base period plant additions (along with related retirement amounts), by account number and account description as prioritized between the capital expenditure categories identified page 6 of Mr. Napier's testimony related to: 1) Public Safety; 2) System Capacity and Reliability; 3) Customer Growth; 4) Facilities Maintenance; 5) Public Works; and 6) Support of Long Term Technological Programs.
 - d. Shows amounts in the prior question for forecasted period plant additions and base period plant additions (along with related retirement amounts), by account number and account description as allocated between "growth" and "nongrowth" capital expenditures as addressed at page 7 of Mr. Napier's testimony.
 - e. Regarding the previous question, show projected revenues (by account number) for each category of "growth" related capital expenditures for both the base period and forecasted test period, and explain why these revenue amounts have not been included in the base period or forecasted period revenue requirements, and provide all related supporting documentation and calculations for determining the revenue amounts including calculations based on historical results.

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- f. If Atmos did not include revenues for “growth” related capital expenditures in the “base” period or “forecasted” test period, then explain why it is reasonable to include “growth” related capital expenditures in the revenue requirement without including or matching this with the related revenues.
159. Referencing page 6 (lines 20-23) and page 7 (lines 1-2) of Mr. Napier’s testimony, he states that any expenditure above targeted levels must be justified. Also, he states that individual projects and the construction program as a whole are assessed on the basis of their return on investment, return on equity, cost of capital, cash flow, new business forecasts, and various capital overheads such as labor, benefits, and inflation.
- a. Regarding the amount of forecasted plant additions included in the “base” period and the “forecasted” test period, provide the return on investment (ROI), return on equity, cost of capital, cash flow, and new business forecasts, ranking each project from the highest ROI to the lowest ROI. If possible, identify these projects between “growth” and “nongrowth” plant additions and by primary account number. Also, if possible, identify these projects between the categories of: 1) Public Safety; 2) System Capacity and Reliability; 3) Customer Growth; 4) Facilities Maintenance; 5) Public Works; and 6) Support of Long Term Technological Programs.
 - b. Provide the same information for the previous question for all forecasted amounts included in CWIP for the “base” period and the “forecasted” test period.
 - c. Explain if the forecasted plant additions for the “base” period and the “forecasted” test period represents amounts above the “targeted” level and must be justified, and identify the specific “targeted” level.
 - d. Explain if the return on investment (ROI), return on equity, cost of capital, cash flow, and new business forecasts for forecasted amount included in the “base” period and the “forecasted” test period is impacted by the amount of rate relief and related rate increases that will be granted in this rate case and explain how the ROI, ROE, cost of capital, cash flow and new business forecasts for these capital projects are impacts by varying levels of rate relief.
160. Referencing page 10 (line 17) of Mr. Napier’s testimony, he states that the forecasted test period capital projection is \$44.22 million. Also, Atmos’ response to Staff RFI Set No. 1, Question 1-20 (Staff_1-20_Att1 – Plant Data) shows a

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different amount of forecasted test period capital plant additions of \$42.3 million, along with base period projected plant additions of \$44.6 million, for total forecasted plant additions of \$86.9 million for these two periods. In addition, forecasted CWIP amounts would add another \$8 million to capital expenditures for each year, bringing forecasted amounts to greater than \$50 million per year for the base period and forecasted period. Finally, Atmos' response to Staff RFI Set No. 1, Question 1-13, EBN-2, Schedule 13b, shows the actual highest capital expenditure from 2003 to 2012 was \$37.8 million in 2012 and the highest two-year capital expenditure was 2011 and 2012 with \$60.1 million.

- a. Because Atmos' forecasts for the "base" period and the "forecasted" test period show capital expenditures for each period exceeding \$50 million, (including plant in service and CWIP), and the highest annual capital expenditure in the past 10 years is \$37.8 million in 2012 and the recent 5-year average is \$24 million per year, explain how Atmos intends to fund and pay for projected capital expenditures exceeding \$100 million over the two successive periods ending November 30, 2014. Provide all cash flow analysis, supporting documentation, and calculations to show that Atmos can afford to fund the projected capital additions included in this rate case.
- b. Explain if Atmos will use existing loans from outside entities, loans or credit arrangements from affiliates, or will seek new loans from outside entities or affiliates to pay for the increased capital expenditures. Provide the amount of all anticipated new loans or infusion of equity that Atmos will use to pay for increased capital expenditures and explain if these amounts have been forecasted in the base period or forecasted test period and provide a reconciliation of these amounts to be used for increased capital expenditures.
- c. Explain if the amount of rate relief granted in this rate case (\$13.4 million total possible) will impact Atmos' ability to fund and pay for the projected "base" period and "forecasted" test period capital plant additions included in this rate case. If the answer is "yes", provide the amount of forecasted "base" period and "forecasted" test period capital plant additions that Atmos would construct or spend depending upon different levels of rate relief that is granted.
- d. Explain if Atmos will spend or construct the amount of forecasted plant additions included in the forecasted "base" period and "forecasted" test period capital even if it does not receive any rate relief in this rate case.

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- e. Explain which operating expenses can be cut or reduced in order to assist in financing the anticipated significant increase in capital expenditures.
161. Explain why Atmos has significantly increased the amount it plans to spend on plant additions in this rate case compared to its actual construction history, and provide related supporting documentation.
162. If Atmos receives the entire \$13.4 million of rate relief in this rate case, but only actually spends 75% to 85% (or less) of its forecasted “base” period and “forecasted” test period plant additions, then explain how customers will be harmed in terms of the rates they pay compared to the anticipated improved service quality and upgraded plant construction that was anticipated by this rate case. Explain what controls are in place to ensure that Atmos spends the amounts included in this rate case, and explain what will happen with funds (how will these funds be used) that are not expended on capital construction as anticipated in this rate case and the related increased earned ROR that this would cause.
163. Referencing page 10 (line 17) of Mr. Napier’s testimony and the related forecasted plant expenditures included in the “base” period and the “forecasted” test period, address the following:
- a. Explain why some portion of these forecasted plant expenditures will not decrease maintenance and other operating expenses and also decrease the amount of line loss for gas (and thus possibly reduce gas costs) and explain why Atmos did not include related adjustments in this rate case for these amounts.
 - b. Provide an estimate of the decrease in maintenance and other operating expenses, along with an estimate in the decrease in costs related to a reduction in line loss, and provide related supporting documents and calculations.
164. Provide the amount of forecasted plant additions and related retirements for the “base” period and the “forecasted” test period and address the following.
- a. Provide all supporting documentation and calculations to show how “retirements” were determined for the forecasted “base” period and “forecasted” test period, including related historical additions and retirements information that Atmos relied upon.
 - b. Provide actual plant additions and related retirements by subaccount (in the same level of detail as shown at the response to Staff RFI Set No. 1,

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Question 1-20, Attachment 1) for FY2011, FY2012 and actual period October 2012 to June 2013. Explain why it is not reasonable to use this actual historical information to calculate forecasted retirement amounts for the “base” and “forecasted” test periods.

165. Provide the amount of forecasted plant additions and related retirements for the “base” period and the “forecasted” test period and address the following.
- a. For the periods FY2011, FY2012 and actual period October 2012 to June 2013 provide the actual amount of plant additions and retirements in the “Steel Mains acct. 37601” and the “Plastic Mains acct. 37602” that were “new (not replacing existing mains)” and the amount that were “replacement (replacing existing mains).” And show the number of miles of mains added and retired for both new and replacement.
 - b. For the forecasted plant additions and retirements included in the “base” period and “forecasted” test period, provide the projected amount of plant additions and retirements in the “Steel Mains acct. 37601” and the “Plastic Mains acct. 37602” that were “new (not replacing existing mains)” and the amount that were “replacement (replacing existing mains).” And show the projected number of miles of mains added and retired for both new and replacement.
 - c. Explain why Atmos is accelerating the placement new or existing mains in the forecasted amounts in the “base” period and the “forecasted” test period compared to actual recent history.
 - d. Explain if Atmos is accelerating the placement of new and existing mains in the forecasted amounts in the “base” period and the “forecasted” test period in order to catch up with proper or prudent placement of these mains that should have actually taken place in prior years. Provide all documentation to support or oppose this assertion.
166. Mr. Napier’s testimony at page 10 identifies the amount of the “forecasted” plant additions included in plant in service for the “forecasted” test period, but not the “base” period. Mr. Waller’s testimony at page 6 addresses construction work in progress without identifying specific amounts for the base period or forecasted test period.
- a. Provide the “forecasted” amount of CWIP included in the “base” period and the “forecasted” test period and provide the supporting documentation and calculations for these amounts, including a list of all projects included in CWIP (show amounts by the plant account number

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and description where amounts would be recorded when moved to plant in service).

- b. For forecasted amounts included in CWIP for the base period and forecasted test period, identify the month and year when these related project amounts would be included in plant in service and provide related supporting documentation and calculations.
 - c. Explain how Atmos determined whether to include “forecasted” amounts in plant in service or CWIP for this rate case and provide all criteria, analysis, supporting documentation and calculations. Explain the advantages and disadvantages of including “projected” amounts in plant in service or CWIP.
 - d. Explain if the inclusion of projected amounts in CWIP and the time period when they will be moved to plant in service in this rate case is consistent or inconsistent with the FERC definition of the duration and time/period for including amounts, and provide supporting explanations and documentation.
167. Regarding the forecasted plant additions (for plant in service) and forecasted CWIP included in the “base period” and the “forecasted” test period, for each of the “plant in service” and “CWIP” forecasted amounts, show how much of these forecasted amounts were actually constructed and placed in service by July 31, 2013, and show the amounts by account number that reconcile from “forecasted” amounts to “actual amounts in plant in service.”
168. For the FYE2012, “base” period, and the “forecasted” test period, show the plant in service, related accumulated depreciation, and net book value for: 1) each plant account that is fully depreciated; or 2) each plant account that is at least 80% depreciated (accumulated depreciation is 80% or more of the gross plant amount). In all cases, explain why depreciation expense should continue, or not continue, to be recorded and accrued on these accounts and provide related supporting documentation. In all cases, explain if the plant is obsolete or if plant additions have not been made to the respective account for similar technology in at least the two most recent years.
169. Provide a current list of the names and number of members of the Board of Directors of Atmos, including the names and positions of all Officers and outside members. Explain if there is a separate or common Board of Directors for Atmos Kentucky operations, the Mid-Tex Division, and each of the six gas utility operating divisions or explain if there is a common Board of Directors for Atmos Energy Corporation that governs all of these divisions.

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170. With regard to Exhibits MAM-2 and MAM-6, please provide all workpapers, analyses, and detailed explanation of how the “Forward-looking Adjustments To Test Year” presented in Columns (f) and (g) are determined in executable electronic format. Include in this response a detailed explanation of why there are only adjustments to the two usage rate block determinants under Firm Sales (G-1) and not other forward-looking adjustments to the other customer service rate determinants. Please provide in hardcopy as well as in executable electronic Excel format.
171. With regard to Exhibit MAM-4 (Weather Adjustments), please provide all workpapers, input data, and analyses that support the evaluations shown in Pages 2 through 4 and summarized in Page 1 in executable electronic format. Please also include in this response an explanation and provide all calculations showing how the determinations of each of the usage block level adjustments for Firm Commercial and Firm Public Authority shown in Page 1 were determined from the total adjustments shown in Pages 3 and 4. Please provide in hardcopy as well as in executable electronic Excel format.
172. Please provide the Company’s calculations under its Weather Normalization Adjustment (WNA) using heating degree days (HDD) data for the period 1981-2010 referenced at Page 25 (Line 21) through Page 26 (Line 2) of witness Martin’s testimony in executable electronic Excel format. In this response provide all inputs, analyses and models sufficient to separate the Company’s adjustment.
173. Please provide all source documents, workpapers and analyses that support each of the figures making up the allocation factors for each of the components shown in Exhibit GWK-1, Page 1, and for the allocation factors presented in Exhibit GWK-1, Page 2 in executable electronic format as appropriate. Please provide this response in hard copy as well as in executable electronic Excel format.
174. With regard to the Wireless Meter Reading (WMR) project discussed by witness Napier at Pages 13 and 14 of his testimony, please provide the estimated annual capital expenditures, expense outlays and other costs of this project, and the estimated corresponding annual savings in O&M expenses, and etc. that the Company expects to realize by implementing the WMR project. Please provide this response in hard copy as well as in executable electronic Excel format.
175. Please provide all studies, reports, and analyses used by the Company to determine that Wireless Meter Reading technology is cost effective and/or in the ratepayers best interest.

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176. With regard to the Hopkinsville System Improvement project discussed by witness Napier at Page 14 of his testimony, please provide the following:
- a. the annual capital expenditures;
 - b. the estimated annual expenses incurred to implement the project;
 - c. the estimated annual additional revenues from current customers, and from potential future customers;
 - d. a detailed explanation of how this project would impact the Company's proposed MLR and SDR, if either or both riders are approved by the Commission in this case;
 - e. distribution delivery revenues from all customers served within the "Commercial Industrial Park and Hopkinsville Industrial Park" during each of the last three years;
 - f. amount of Customer Advance and CIAC (separately) historically collected for each industrial park listed in (e) above.
 - g. Anticipated or expected Customer Advance and CIAC associated with the proposed expansion project;
 - h. Detailed cost estimate of project, including maps, cost by type, size, and length of plant; and,
 - i. Actual capital expenditures for the projects to date and percent completion.
177. With regard to the Company's proposed System Development Rider (SDR), please explain why customers taking transportation service from Atmos will be exempt from this rider.
178. With respect to the Hopkinsville System Improvement project, will future costs (beyond the future test year) be subject to the Company's System Development Rider as proposed?
179. With regard to the Commercial Industrial Park and Hopkinsville Industrial Park referenced by Mr. Napier at 14 of his direct testimony, please provide the actual number of customers, annual throughput, and annual delivery revenue by rate schedule for each of the last three years. Please provide this response in hard copy as well as in executable electronic Excel format.

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Cost of Capital Questions

180. Please provide copies of all presentations made to rating agencies and/or investment firms by Atmos Energy Corporation, as traded under the ticker ATO and/or Atmos Energy Corporation, Kentucky/Mid-States Division, the Applicant in the instant case, ("Applicant") between January 1, 2012 and the present.
181. Please provide copies of all prospectuses for any security issuances by Atmos Energy Corporation and Applicant since January 1, 2010.
182. Please provide copies of all studies performed by Atmos Energy Corporation and/or Applicant, or by consultants or investment firms hired by Atmos Energy Corporation and/or Applicant, to assess: (1) Applicant's financial performance; (2) the performance of the Applicant relative to other utilities; or (3) the adequacy of the Applicant's return on equity or overall rate of return.
183. Please provide copies of all known investment reports on Atmos Energy Corporation published since January 1, 2012.
184. Please provide copies of credit reports for Atmos Energy Corporation and Applicant from the major credit rating agencies (S&P, Moody's, and Fitch) published since January 1, 2011.
185. Please provide the S&P and Moody's credit and bond ratings for Atmos Energy Corporation and Applicant for the past five years.
186. Please provide the breakdown in the expected return on pension plan assets for Applicant. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc.) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.
187. Please provide the authorized and earned return on common equity over the past five years for Applicant. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
188. Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for

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Applicant for 2010, 2011 and 2012, when available. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

189. For the past three years, please provide the dates and amount of: (1) cash dividend payments made by Applicant to Atmos Energy Corporation; and (2) cash equity infusions made by Atmos Energy Corporation into Applicant.
190. Please provide the SEC 10-k reports for Atmos Energy Corporation and Applicant for 2011 and 2012. If the 2012 10-k is not yet available, please provide it when it becomes available.
191. Please provide the authorized and earned returns on equity for the operating local distribution gas companies/subsidiaries of Atmos Energy Corporation for the past three years.
192. Reference Dr. Vander Weide's testimony in general and exhibits JWV-1, Schedule 1-1 and Schedule 2-1. For each member of his proxy group of companies, state which ones have the following (with the word being liberally construed to include "mechanism" meaning a tracker, line-item on the bill, accounting measure, etc.):
 - a. A weather normalization mechanism;
 - b. A demand side management mechanism;
 - c. A revenue Margin Loss Rider (MLR) mechanism; and
 - d. A pipe replacement program mechanism.
193. Confirm that, all else being equal, a mechanism that ultimately recovers lost sales will increase or at least stabilize revenue.
194. Confirm that a mechanism that increases or stabilizes revenues will enable a company to enhance or stabilize its profitability.
195. Confirm that a mechanism that enhances or stabilizes a company's profitability will lower its risk profile.
196. Confirm that a company with a lower risk profile is more attractive to lenders.

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197. Confirm that a company with a lower risk profile is more attractive to investors.

Cost Allocations & Rate Structure Questions

- 198) With regard to allocated and assigned costs to and from Atmos of Kentucky, please provide the following for each "service" presented in Exhibit JLS-1:
- a. Total Atmos (or affiliate) amount;
 - b. Amount allocated or assigned to/from Atmos of Kentucky;
 - c. Amounts by FERC account number assigned to Atmos of Kentucky and reconcile to class cost of service study [Exhibit (PHR-2)]; and,
 - d. Historical actual allocation factors (Kentucky percentage) for each of the last three years.
 - e. Please provide this response in hard copy as well as in executable electronic Excel format.
- 199) With regard to the classification study in the Company's class cost of service study addressed by witness Raab at Pages 11 and 12 of his testimony, please provide all workpapers, source documents, inputs, and analyses that support the classification of storage facilities as 50% demand and 50% commodity. Please include in this response all statistical models, model inputs, and diagnostic statistics associated with the study/analyses in hard copy and executable electronic Excel format.
- 200) With regard to the classification study in the Company's class cost of service study addressed by witness Raab at Pages 11 and 12 of his testimony, please provide all workpapers and analyses that support the classification of distribution mains as approximately 85% customer and 15% demand. Please include in this response all statistical models, model inputs, and diagnostic statistics associated with the study/analyses in hard copy and executable electronic Excel format.
- 201) With regard to the mains distribution plant account, please provide gross plant investment and quantities (e.g., feet, sizes, etc.) in the most detailed accounting available as of December 31, 2012. Please provide by vintage year, by type and size of pipe in executable electronic Excel format as available.

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- 202) Please identify the Company’s individual customer rate schedules that are included in each of the four (4) customer classes; i.e., Residential; Commercial & Public Authority; Firm Industrial; and Interruptible & Transportation, in the Company’s class cost of service study.
- 203) Please provide the monthly usage and number of customers/bills for each of the Company’s rate schedules (e.g.; G-1, G-2, T-3, etc.) for each of the last three years. Please provide this response in hardcopy as well executable electronic Excel format.
- 204) Please provide all inputs, assumptions and analyses conducted to develop class design day demands. Provide sufficient in order to replicate the Company’s amounts for each class. Please provide this response in hardcopy as well as in executable electronic Excel format.
- 205) With regard to the Company’s interruptible rate schedules, please provide for each service in each rate schedule during the last five years:
- a. the number of interruptions of service;
 - b. the dates and number of hours associated with each interruption in (a); and,
 - c. the estimated volumes (MCFs) curtailed for each interruption in (a) and (b).
- 206) Please provide the Company’s class cost of service study in executable electronic Excel format with all formulae intact.
- 207) With regard to Raab Exhibit (PHR-2), Page 5, please provide a detailed explanation and reconcile the dollar amounts for each of the four (4) customer classes which do not match the dollar amounts in Exhibit (PHR-2) Page 1 for the following line items:
- | | Page 5 | Page 1 |
|--|---------|---------|
| Uncollectibles/PSC Fees | Line 30 | Line 52 |
| Incremental Income Taxes | Line 30 | Line 53 |
| Total Cost of Service @ Proposed Rates | Line 32 | Line 54 |
- 208) With regard to total Atmos of Kentucky amounts for account numbers 901 through 931 shown in Raab Exhibit (PHR-2), provide a separation (by account) of:

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- a. Kentucky direct;
 - b. Kentucky mid-states general office shared amount;
 - c. Kentucky shared services general office; and,
 - d. Kentucky shared services customer support; e.g., as separated for plant on pages 29 through 31 of Exhibit (PHR-2).
- 209) Please provide this response in hard copy as well as in executable electronic Excel format.
- 210) With regard to Raab Exhibit (PHR-2) Page 72 (Allocation of Revenues), please provide all workpapers and analyses that support the determinations of each of the dollar amounts under the column entitled "Total Company", as well as for each of the customer class category dollar amounts for line items "Base Revenues" and "Rider GCR". Please provide this response in hard copy as well as in executable electronic Excel format.
- 211) Please provide all workpapers and analyses supporting the development and determination of each external allocator (apparently designated "Input") used in the Company's class cost of service study presented in Pages 74 and 75 of Raab Exhibit (PHR-2). Please provide these responses in executable electronic Excel format.
- 212) With regard to the Company's proposed MLR proposed regulations and rate sheet included in MFR FR 16(1)(b)(4) Attachment 1 (PSC KY No. 2 Original Sheet No. 42), please provide the following regarding the statement in Section 2. Purpose which states, "Margin recovery associated with discounted service that is already reflected in the Company's base rates is prohibited from this Rider":
- a. the reference(s) to the current tariff, regulations and/or Commission Order(s) that authorized the Company to allow "discounted service" and the regulatory treatment of the shortfall in revenues associated with these discounted services;
 - b. an identification of each customer by rate schedule taking discounted service that is included in the test year in this case;
 - c. the actual rate(s) currently being charged for each of the customers identified in (b), as well as the applicable billing determinants;
 - d. the revenues collected from the rates provided in (c);

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- e. the revenues that would have been collected at full tariff rates from the customers identified in (b), as well as the identification of full tariff rates associated with the billing determinants in (c);
 - f. the treatment of the revenue shortfall (difference between full rates and discounted rates revenues) in this case;
 - g. all records, documents, evaluations and analyses undertaken by or for the Company associated with each customer in (b) that supports the necessity for a tariff rate lower than the full tariff rate;
 - h. the annual throughput, revenues collected, and full tariff revenues associated with discounted services provided by the Company separated by rate schedule for each of the last three years;
 - i. copies of each service contract;
 - j. map(s) showing the location of each customer and proximity to interstate or other pipelines;
 - k. list of each Atmos affiliate that provides gas supply or storage services to each customer identified; and,
 - l. itemization and gross investment of dedicated facilities (e.g., mains, compressors, regulators, and services) used to serve each customer identified.
- 213) With regard to the Company's proposed System Development Rider (SDR) addressed at Pages 29 and 30 of witness Martin's testimony, please provide the following assuming the SDR had been in force during the test year:
- a. The estimated dollar amount that would have been recovered from each of Rate Schedules G-1 and G-2;
 - b. The estimated SDR unit chargers (monthly customer charge and charge per Mcf) and number of customer and usage volumes that would have been associated with Rate Schedule G-1 and G-2 and the dollar amounts in (a); and,

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- c. A detailed explanation of the Company's rationale for why the SDR is not applicable to all the Company's rate schedules rather than only Rate Schedules G-1 and G-2.