

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 04 2010

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY  
CORPORATION FOR AN ADJUSTMENT  
OF RATES

)  
) CASE NO. 2009-00354  
)

**INITIAL REQUESTS FOR INFORMATION**  
**OF THE ATTORNEY GENERAL**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Atmos Energy Corporation, to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

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

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

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

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

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

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

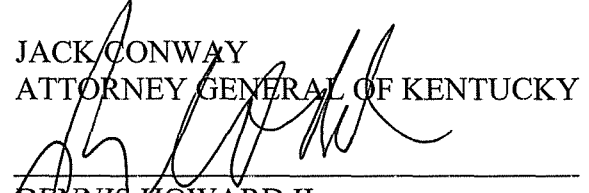
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

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

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

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL OF KENTUCKY



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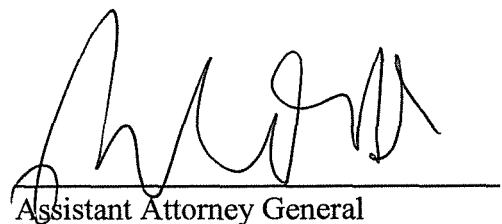
**CERTIFICATE OF SERVICE AND NOTICE OF FILING**

I hereby give notice that this the 4<sup>th</sup> day of January, 2010, I have filed the original and ten copies of the foregoing Attorney General's Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

Honorable Mark R. Hutchison  
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Assistant Attorney General

**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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**I. REVENUE REQUIREMENT**

1. The AG has calculated that the income taxes associated with the proposed rate increase of \$9,486,033 shown on Schedule C-1 amount to \$3,665,941 which would make the operating income increase associated with the proposed rate increase \$5,758,072, similar to what is shown on Schedule A, line 6. Please reconcile this to the income tax amount of \$3,671,617 and operating income amount of \$5,752,397 shown on lines 8 and 10 of Schedule C-1.
2. With regard to PSC assessment fees, please provide the following information:
  - a. What is the current actual effective PSC assessment rate; when in 2010 is this rate scheduled to change; and what is the expected PSC assessment rate when it will be changed in 2010?
  - b. Provide a workpaper showing the calculations and calculation components (e.g., assessment rate, revenues subject to PSC assessment, etc.) underlying the proposed forecasted period PSC assessment expenses of \$340,986 shown on Schedule C-2.3 F, line 6.
3. With regard to Forfeited Discount (FD) revenues, please provide the following information:
  - a. Actual FD revenues and residential, commercial and public authority revenues for FY 2009, FY 2008, FY 2007, FY 2006, FY 2005 and FY 2004, as well as the ratios of FD revenues to the total of residential, commercial and public authority revenues. If the ratio for FY 2005 is abnormally low as compared to the ratios for the other requested years, please provide an explanation for this abnormal ratio.
  - b. Actual FD revenues and residential, commercial and public authority revenues for calendar years 2008, 2007, 2006, 2005, 2004 and the 12-month period ended 9/30/09, as well as the ratios of FD revenues to the total of residential, commercial and public authority revenues. If the ratio for calendar 2005 is abnormally low as compared to the ratios for the other requested years, please provide an explanation for this abnormal ratio.
  - c. Basis for the Company's assumption that the FD revenues for the Forecasted Period in this case should be based on the application of a ratio of 0.87% to the Forecasted Period residential, commercial and public authority revenues (see Smith testimony page 12, lines 21 – 23). In addition, provide a worksheet showing the calculations in support of the ratio of 0.87%.
4. The Company has proposed Miscellaneous Service revenues of \$783,688 for the Forecasted Period. Please provide the equivalent actual Miscellaneous Service Revenues booked by the Company in each of its fiscal years 2005 through 2009 and for each of calendar years 2004 through 2008 and the 12-month period ended 9/30/09.

**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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5. With regard to uncollectible expenses, please provide the following information:
  - a. Actual account 904 uncollectible expenses and residential, commercial and public authority revenues for FY 2009, FY 2008, FY 2007, FY 2006, FY 2005 and FY 2004, as well as the ratios of uncollectible expenses to the total of residential, commercial and public authority revenues. Please show calculation of ratios.
  - b. Account 904 uncollectible expenses and residential, commercial and public authority revenues for the Base Period and Forecasted Period, as well as the ratios of uncollectible expenses to the total of residential, commercial and public authority revenues. Please show calculations of ratios.
  - c. Basis for the assumed .50% uncollectible ratio.
  
6. With regard to the testimony of Mr. Waller, page 12, line 24 through page 13, line 3, please provide the following information:
  - a. For ratemaking purposes, the Company has assumed that its uncollectible expenses should be .50% of the residential, commercial and public authority revenues. However, through its proposed Gross Revenue Conversion Factor, the Company has assumed uncollectible expenses equal to .50% of the *total* requested rate increase of \$9.5 million. Please explain this inconsistency.
  - b. Please provide the Forecasted Period residential, commercial and public authority gross margins and the calculations showing the associated uncollectible expenses of \$218,323.
  
7. On Schedule J-1, the Company shows the calculations underlying its proposed overall rate of return of 9.00%. In this regard, please provide the following information:
  - a. Confirm that when the overall rate of return is calculated to the third decimal, it indicates an overall rate of return of 8.993% rather than 9.000%.
  - b. Confirm that the reflection of an overall rate of return of 8.993% reduces the requested rate increase amount by approximately \$21,300.
  
8. On page 5 of her testimony, Ms. Sherwood testifies that the Company's proposed cost of long-term debt of 6.87% represents the projected cost of long-term debt at the end of Forecasted Period, March 31, 2011. Please provide the equivalent cost of long-term debt projected *on average* during the Forecasted Period rather than as projected as of March, 31, 2011, the end of the Forecast Period.
  
9. Please provide detailed explanations for the \$2,391,946 and \$9,037,375 rate base adjustments shown on FR 10(8)(f).
  
10. Company filing schedule B-1, Sheet 2 of 2 in the prior Case No. 2006-00464 shows that the Company had projected an average plant in service balance of \$322,898,092 and an average depreciation reserve balance of \$150,302,465 for the Forecasted Period ended

**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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June 30, 2008 used for ratemaking purposes in that case. Please provide the equivalent actual average plant in service and depreciation reserve balances for the 12-month period ended 6/30/08 and explain any major variances.

11. With regard to CWIP, please provide the following information:
  - a. For each month from the beginning of the Base Period through the end of the Forecasted Period, provide the CWIP balances as included in the filing schedules, in total and broken out between AFUDC-bearing CWIP and non-AFUDC-bearing CWIP.
  - b. For each month in 2009 through October, provide the actual CWIP balances, in total and broken out between AFUDC-bearing CWIP and non-AFUDC-bearing CWIP.
12. On page 6, line 1 of his testimony, Mr. Felan states that the projected amount of gas in storage is discussed in Mr. Smith's testimony. Please indicate where exactly (page and line numbers) in his testimony, Mr. Smith discussed the projected gas in storage amounts and the methodology used to derive the 13-month average gas in storage balance claimed for ratemaking purposes in this case. If this discussion is not currently included in Mr. Smith's testimony, please provide a detailed description of the assumptions and calculation methodology used to determine the claimed 13-month average gas in storage balance.
13. What portion of the 13-month average Forecasted Period Prepayment balance of \$743,825 represents the prepayment balance for PSC assessments?
14. In the same format and detail as the response to AG-1-20 in Case No. 2006-00464, please provide a detailed prepayment component breakout of the projected 13-month average Forecasted Period prepayment balance of \$743,825.
15. With regard to Materials and Supplies, please provide the following information:
  - a. Monthly Ky. Jurisdiction-allocated balances making up the 13-month average Base Period M&S balance of \$903,779 and the 13-month average Forecasted Period M&S balance of \$908,012, as well as the monthly projected M&S balances for January and February 2010.
  - b. Actual monthly Ky. Jurisdiction-allocated M&S balances from December 2007 through October 31, 2009.
16. With regard to Prepayments, please provide the following information:
  - a. Monthly Ky. Jurisdiction-allocated balances making up the 13-month average Base Period M&S balance of \$772,263 and the 13-month average Forecasted

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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Period M&S balance of \$743,825, as well as the monthly projected Prepayment balances for January and February 2010.

- b. Actual monthly Ky. Jurisdiction-allocated Prepayment balances from December 2007 through October 31, 2009.
17. With regard to Gas Stored Underground, please provide the following information:
- a. Monthly Ky. Jurisdiction-allocated balances making up the 13-month average Base Period gas storage balance of \$20,926,673 and the 13-month average Forecasted Period gas storage balance of \$11,235,428, as well as the monthly projected gas storage balances for January and February 2010.
  - b. Actual monthly Ky. Jurisdiction-allocated gas storage balances from December 2007 through October 31, 2009.
18. With regard to Customer Advances, please provide the following information:
- a. Monthly Ky. Jurisdiction-allocated balances making up the 13-month average Customer Advances balance of (\$2,685,695) and the 13-month average Forecasted Period Customer Advances balance of (\$1,864,402), as well as the monthly projected Customer Advances balances for January and February 2010. Provide these monthly balances in total and as broken out between Divisions 09, 02, 12 and 91.
  - b. Actual monthly Ky. Jurisdiction-allocated Customer Advances balances from January 2005 through October 2009.
  - c. Reasons for the projected decrease in the Customer Advances balances from the Base Period to the Forecasted Period.
  - d. Explain why the Customer Advances for Division 91 are a positive balance (rate base increase) rather than a negative balance (rate base decrease).
  - e. In its response to AG-2-10 in Case No. 2006-00464, the Company stated that the positive Customer Advances balance reflected for Division 91 in that case was in error and should be excluded from rate base in Kentucky. Would the same be the case with the proposed positive Customer Advances balance of \$12,129 for Division 91 in the current case? If not, explain why not.
19. In the same format and detail as per filing schedule B-5B and B-5F, please provide the following information:
- a. Monthly Ky. Jurisdiction-allocated balances making up the 13-month average Base Period deferred tax balance of (\$33,678,120) and the 13-month average Forecasted Period deferred tax balance of (\$33,300,508), as well as the monthly projected deferred tax balances for January and February 2010.
  - b. Actual monthly Ky. Jurisdiction-allocated deferred tax balances from December 2008 through October 31, 2009.

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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20. In the same format and detail as per lines 1 through 12 on schedules C-2.3B and C-2.3F, please provide the actual monthly and total annual taxes other than income taxes for each of the years 2005 through 2008 and the 12-month period ended October 31, 2009.
21. Please provide an explanation distinguishing between the property tax accruals shown on line 4 and the "Taxes Property and Other" on line 5 of schedules C-2.3B and C-2.3F.
22. With regard to the monthly Ad Valorem Accruals shown on line 4 of schedules C-2.3B and C-2.3F, please provide the following information:
  - a. Basis for the budgeted monthly ad valorem accrual increase from \$234,304 to \$244,304 (4.27%) in October 2009.
  - b. Equivalent actual monthly ad valorem accrual increase in October 2009.
  - c. Basis for the budgeted monthly ad valorem accrual amount of \$244,304 for FY2010 and the assumed 5% escalation factor starting in October 2010.
  - d. Explain whether the Forecasted Period total property tax accrual amount of \$3,004,939 is based on the projected *initial* DOR property tax assessment or the projected *final* property tax assessment that takes into account historic differences between initial and final property tax assessments.
23. Please expand the response to PSC-1-48 to show the same uncollectible account information for the 12-month period ended 10/31/09 and for the Base Period and Forecasted Period.
24. In the same format and detail as per the Company's response to PSC-2-14(a) in Case No. 2006-00464, please provide a schedule showing the initial property tax assessment, the property tax based on the initial assessment, the final property tax assessment, and the property tax based on the final assessment for each of the years 2001 through 2009.
25. Please provide the Operating Revenue numbers and Gross Profit numbers (operating revenues less associated purchased gas costs) associated with each of the revenue adjustments in columns (c), (d), (f) and (g) of Exhibit GLS-2.
26. Please update the revenue and sales statistics shown on schedule I-2 and I-3 for actual results in the 12-month period ended 10/31/09.
27. With regard to schedules I-2 and I-3, please provide the following information:
  - a. Explain why the projected industrial revenues for the Base Period (\$8,373,381) and Forecasted period (\$7,184,518) are different given the similar sales volumes of 734,563.
  - b. As shown on schedule I, sheet 3 of 3 in Case No. 2006-00464, the Company projected average annual volumes per Industrial customer of 5,416 Mcf for the years 2007 and 2008. Please confirm that the actual average annual volumes per



**ATMOS - KENTUCKY**  
**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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Industrial customer for 2007 and 2008 were 7,882 Mcf and 7,677 Mcf, as shown on schedule I-3 of the current case.

- c. Schedule I-3 shows that the projected Base Period and Forecasted Period annual volumes per industrial customer are 3,385 Mcf which is approximately 44% lower than the actual 2008 annual volume per industrial customer of 7,677. Please explain why this projection should be considered reasonable.
28. Please provide a reconciliation between the Forecasted Period purchased gas cost of \$146,024,531 and the purchased gas cost revenues included in the Forecasted Period operating revenues of \$199,729,497.
  29. Schedules C-2.1B and F, show the Company's claimed Base Period and Forecasted Period O&M expenses (i.e., the sum total of the Direct Kentucky O&M, the shared services O&M allocated to Kentucky and the Division's General Office O&M allocated to Kentucky) in total and by FERC account. Please provide schedules showing side-by-side comparisons of the equivalent actual O&M expenses (in total and by FERC account) for calendar years 2006, 2007, 2008 and the 12-month period ended 10/31/09 as compared to the Base Period and Forecasted Period O&M expenses. In addition, provide explanations for any major variances in these annual O&M expenses.
  30. Please explain the reasons for the decrease in the Forecasted Period Account 9030 expenses of \$161,066 from the corresponding Base Period Account 9030 expense of \$498,439.
  31. With regard to schedule F-3, please provide the following information:
    - a. Explain where the Ky. Jurisdiction-allocated customer service and informational expenses of \$20,553 for Divisions 091 (\$19,913), 002 (\$32), and 012 (\$608) are reflected in the 4<sup>th</sup> column of schedule C-2.
    - b. Explain where the Ky. Jurisdiction-allocated sales expenses of \$61,974 for Divisions 091 (\$61,965) and 002 (\$9) are reflected in the 4<sup>th</sup> column of schedule C-2.
  32. Schedules C-2.1F and B show account 923 Outside Services Employed expenses of \$230,955 in the Base Period and \$270,906 in the Forecasted Period. In this regard, please provide the following information:
    - a. Detailed breakout and description of the expense components making up these two total account 923 expense amounts.
    - b. Reconcile the two total account 923 expense amounts to the Base Period and Forecasted Period account 923 expenses for the 4 Divisions that are shown on schedule F.5.

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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33. With regard to the deferred MGP expenditures of \$549,913 shown on schedule F.9, please provide the following information:
- a. Please provide a copy of the relevant pages of Case No. 2008-00230 showing that the Company was authorized by the PSC to (1) defer \$549,913 worth of MGP expenditures and (2) amortize these deferred expenditures in rates over a 3-year period.
  - b. Provide the exact time periods during which the expenditures of \$549,913 were incurred and explain at which date these expenditures were deferred on the Company's books.
  - c. Provide the basis for the proposed 3-year amortization period.
  - d. Over what time period are the deferred MGP costs recovered through the surcharge mechanism in Tennessee?
34. In the same format and detail as per schedule F-6 in Case No. 2006-00464, please provide the actual rate case expenses incurred for Case No. 2006-00464 in comparison to the estimated rate case expenses for Case No. 2006-00464 on schedule F-6.
35. In the same format and detail as the response to AG-1-50 in Case No. 2006-00464, please provide the following information:
- a. Detailed analysis and description of all of the charges booked in the Forecasted Period account 909 (\$86,300), account 910 (\$215), account 911 (\$300,884), account 912 (58,008), account 913 (\$4,736) and account 916 (\$36).
  - b. Indication as to which of these itemized charges are part of the \$273,264 expense removal listed on schedule F-4.
36. Provide a detailed listing and description, including expense account numbers, of all of the charges making up the total expense amount of \$273,264 on schedule F-4.
37. In the same format and detail as the response to AG-1-51 in Case No. 2006-00464, please provide a listing, description (including account number) and dollar amount of all public relations and community relations expenses included in the Forecasted Period O&M expenses. In addition, to the extent that some of these expenses have been excluded for ratemaking purposes in this case, indicate which items and on which filing schedule they were removed.
38. In the same format and detail as the response to AG-1-59 in Case No. 2006-00464, provide a listing, description and dollar amount breakout of all of the items making up the employee expense report exclusions of \$89,245 on schedule F-8. To the extent that this \$89,245 does not include similar expense items included in the SSU and General Office expense allocations, provide a listing and quantification of these allocated expenses.

**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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39. Please provide a detailed breakout and description of all of the expense items making up the Forecasted Period account 930.2 Miscellaneous General expenses of \$48,183. If any of these expenses have been removed for ratemaking purposes in this case, please indicate and quantify these items and indicate on which filing schedule they have been removed.
40. With regard to Service Awards/Employee Awards, please provide the following information:
- a. Detailed breakout and description of the Service Awards/Employee Awards included in the above-the-line Forecasted Period O&M expenses. To the extent that the Forecasted Period expenses allocated to Kentucky from the SSU and General Office include service award expenses, please include a similar breakout, description, and quantification of these service award expenses.
  - b. If any of the expenses to be identified in response to part (a) above were removed from the Forecasted Period, please identify and quantify these expenses and explain on which filing schedule they were removed.
41. With regard to employee party, outing and gift expenses, please provide the following information:
- a. Detailed breakout and description of the employee party, outing and gift expenses included in the above-the-line Forecasted Period O&M expenses. To the extent that the Forecasted Period expenses allocated to Kentucky from the SSU and General Office include similar employee party, outing and gift expenses, please include a similar breakout, description, and quantification of these expenses.
  - b. If any of the expenses to be identified in response to part (a) above were removed from the Forecasted Period, please identify and quantify these expenses and explain on which filing schedule they were removed.
42. In the same format and detail as the response to AG-1-85 in Case No. 2006-00464, please provide a detailed listing, description and quantification of the total Employee Welfare expenses included in the above-the-line Forecasted Period O&M expenses. These expenses should include direct Kentucky expenses as well as expenses allocated from the SSU and General Office. In addition, indicate whether any of these expenses were removed from this case and, if so, to what amount and on which filing schedule.
43. Please provide descriptions of the nature and purpose of the following social and service club dues listed on schedule F.1 and, in addition, explain why it is reasonable to include these expense items for ratemaking purposes in this case:
- a. Ainad Shriners Temple
  - b. Audobon Area Home Builders Assoc.
  - c. Builders Association of Bowling Green

**ATMOS - KENTUCKY**  
**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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- d. Cladwell Lyon Partnership
  - e. Economic Development Council Hopkinsville
  - f. HBA of Owensboro
  - g. Hopkins Co. Home Builders
  - h. Logan Co. Home Builders
  - i. Madisonville Area Manufacturers Assoc.
  - j. Owensboro Area Museum Science and History
  - k. Partnership for Commonsense Justice
  - l. Rotary Club
  - m. Stearns, Doug – NSPE
  - n. Three Rivers Home Builders
  - o. University of Missouri – Financial Research Institute
  - p. Western Kentucky Constr. Assoc.
44. If the expenses listed on schedule F.1 do not include social and service club dues allocated to Kentucky from the SSU and General Office, please provide these Kentucky-allocated dues in the same format and detail as the direct Kentucky expenses listed on schedule F.1.
45. With regard to AGA dues, please provide the following information:
- a. Total AGA dues included in the Forecasted Period expenses. These dues should include the dues paid by Kentucky, as well as any dues allocated to Kentucky from the SSU and General Office. In addition, explain as to whether 100% of these expenses are booked above-the-line or whether a portion of them are booked below-the-line, and explain the reason for this below-the-line portion.
  - b. In the same format and detail as the response to AG-1-53(b) and (c), please provide the latest available percentage breakout with regard to the activities performed by the American Gas Association, as well as detailed descriptions of the nature and purpose of each of the functional areas to be provided in this response.
46. Please provide the bases for the proposed rate case expenses of \$227,000 shown on schedule F-6.
47. With regard to the Forecasted Period account 928 – Regulatory Commission expense of \$37,080, please provide the following information:
- a. Dollar amount breakout and descriptions of the expense items making up the total expense amount of \$37,080.
  - b. Similar account 928 expense breakout booked in each of the years 2006, 2007, 2008 and the 12-month period ended 9/31/09.

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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48. With regard to incentive compensation programs offered to the employees of the Kentucky Division and the SSU and General Office Divisions, please provide the following information in the exact same format and detail as in the Company's response to AG-1-62 in Case No. 2006-00464:
- a. Management summary of the various types of incentive compensation programs offered by the Company to its employees. For each separate incentive compensation program offered, this management summary should include descriptions of the type and level and employees that may participate in the program, as well as the type of performance goals that must be achieved in order to receive incentive compensation from the particular program.
  - b. Copies of all internal Company documents describing each of the incentive compensation programs offered by the Company to its employees.
  - c. Actual incentive compensation expenses included in the Forecasted Period. Please present these incentive compensation expenses as follows: (1) Kentucky Direct expenses, in total and broken out by incentive compensation program, as well as an indication of what portion of these expenses is charged to the Forecasted Period O&M expense; and (2) Allocated expenses from the SSU and General Office, in total and broken out by incentive compensation program, as well as an indication of what portion of these expenses is charged to the forecasted test year O&M expense.
  - d. In the same format as per the response to part c. above, provide the actual incentive compensation expenses booked for Kentucky Direct and allocated from the SSU and General Office in 2006, 2007, 2008 and the 12-month period ended 9/31/09.
  - e. Percentage of incentive compensation expenses claimed in this case that is a function of reaching financial performance goals. In addition, describe these financial performance goals in detail.
49. In the same format and detail as the response to AG-2-39 in Case No. 2006-00464, please provide the following incentive compensation program information:
- a. What type of employees (e.g., directors, top officers and executives, etc.) and how many employees are currently participating for Kentucky Direct and (separately stated) for SSU and the General Office in the Restricted Stock Long Term Incentive Plan?
  - b. What type of employees (e.g., directors, top officers, executives, senior managers, etc.) and how many employees are currently participating for Kentucky Direct and (separately stated) for SSU and the General Office in the MIP Only incentive plan?
  - c. What type of employees and how many employees are currently participating for Kentucky Direct and (separately stated) for SSU and the General Office in the VPP Only incentive plan?

**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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50. Please provide the following information regarding the Company's incentive compensation programs:
- a. Provide all studies and analyses that Atmos has performed or commissioned that quantify the dollar benefits that the Company's incentive programs provide to the ratepayers.
  - b. Provide all studies and analyses that Atmos has performed or commissioned that quantify the productivity gains achieved as a direct result of the Company's incentive compensation programs.
  - c. Provide all studies and analyses that Atmos has performed or commissioned that address how the cost of Atmos' incentive compensation programs should be allocated between Atmos' shareholders and ratepayers.
51. List separately the budgeted and actual numbers of Kentucky gas operation's full and part-time employees by employee group, by month and year for the most recent 3 fiscal years ending 9/31/09, for the months of October 2009 through March 2010, and for the Forecasted Period.
52. The actual average ratio of overtime hours to straight-time hours for the most recent 5 fiscal year period 2004-2008 shown on Schedule G-2 amounts to 3.954%. In this regard, please provide the following information:
- a. What is the equivalent actual ratio for FY 2009?
  - b. What is the basis for the proposed use of a ratio of 6.778% for the Forecasted Period?
  - c. What is the ratio in the approved FY2010 budget?
  - d. What are the reasons for the large increase in this ratio starting in FY2007 as compared to the prior fiscal years?
  - e. The Forecasted Period overtime dollars based on the ratio of 6.778% amount to \$935,730. What would be the equivalent Forecasted Period overtime dollars based on a ratio of overtime hours to straight-time hours of 3.954%? Please show all calculations in the same format and detail as in the response to AG-2-40(b).
  - f. In the response to AG-1-69(d), the Company states that it budgets overtime ratios and expenses based on historical averages. Is this still the Company's practice? If not, when did this practice change and on what basis?
53. The actual average labor O&M expense ratio for the most recent 5 fiscal year period 2004-2008 shown on Schedule G-2 amounts to 46.354%. In this regard, please provide the following information:
- a. What is the equivalent actual labor O&M expense ratio for FY 2009?
  - b. What is the basis for the proposed use of a ratio of 49.655% for the Forecasted Period?
  - c. What is the ratio in the approved FY2010 budget?

**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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- d. What are the reasons for the large increase in this ratio starting in FY2006 as compared to the prior fiscal years?
  - e. The Forecasted Period labor O&M dollars based on the ratio of 49.655% amount to \$5,004,953. What would be the equivalent Forecasted Period labor O&M dollars based on the 5-year average labor O&M ratio of 46.354%? Please show all calculations.
54. Please provide the actual number of vacant employee positions in each of the fiscal years 2006, 2007, 2008, and for FY2009 as compared to the vacant positions implicit in the proposed payroll numbers for the Base Period and Forecasted Period.
55. Please provide the actual average annual wage/salary increases granted to each of the Company's employee categories (executive, exempt, non-exempt) in each of the fiscal years 2005, 2006, 2007, 2008, 2009 and as included in the Base Period and Forecasted Period.
56. Please confirm that the PRP (AMRP) programs authorized by the PSC for Duke Energy and Columbia Gas do not allow for recovery of ad valorem taxes. If you do not agree, explain your disagreement in detail.
57. Please provide a detailed description of the expense savings (including a description of the expense account and title) that will be used by the Company to offset the costs in the proposed PRP.
58. With regard to the Sample Rate Adjustment for PRP shown in the table at the top of page 18 of the testimony of Gary Smith, please provide the following information:
- a. Provide a worksheet showing the derivation of the operating income amount of \$33,222 on line 10, also showing the expense components making up this dollar amount.
  - b. The calculations in the table propose to gross up the overall rate of return of 9.00% by a tax factor of 61.10%, resulting in a tax grossed-up overall rate of return of 14.73% (9.00% / 61.10%). Please confirm that this is incorrect because the 9.00% overall rate of return already includes a debt cost of 3.34% that is pre-tax. Also confirm that the appropriate tax grossed-up overall rate of return should be 12.64%  $[(3.34\% \times 61.80\%) + 5.66\%] / 61.80\%$ . If you do not agree, explain your disagreement.
59. With regard to page 20, lines 3 – 10 of the testimony of Greg Waller, please explain why the Company is not proposing to roll the PRP rate into its base rates in its future base rate proceedings.
60. Please provide a detailed listing and description of all employee benefits offered to Atmos-KY, SSU and General Office employees.

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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61. To the extent that Atmos offers its key executives a Supplemental Executive Retirement Plan (SERP) or any other non-qualified executive retirement plans (such as, for example, Excess Pension Plan, 401(k) Excess Plan, Executive Savings Plan etc.), please provide the following information regarding each of these executive retirement plans:
- a. Detailed description of the nature and purpose of the plan and the workings of the plan.
  - b. Indication as to whether these supplemental executive retirement plan benefits are offered in addition to the “regular,” qualified retirement plan benefits received by the executives.
  - c. Explanation as to how the plan is distinguishable from the “regular” qualified retirement plan
  - d. Listing of the recipients, and total number only of the benefits awarded under the plan. In addition, indicate as to whether the plan includes benefits for the spouses of the executives.
  - e. For each plan, provide the O&M expenses included in the Forecasted Period (including direct Kentucky expenses and the expenses allocated from SSU and the General Office).
62. To the extent that Atmos offers its key executives Financial Planning Services (e.g., investment advice, estate planning, tax planning and assistance, etc.), please provide the following information:
- a. Detailed description of the nature and purpose of the Financial Planning Services and a listing of the specific services provided.
  - b. Listing of the recipients, and total number only of the benefits awarded under this benefit plan.
  - c. Provide the O&M expenses included in the Forecasted Period (including direct Kentucky expenses and the expenses allocated from SSU and the General Office) for these Financial Planning Services.

**II. RATE OF RETURN**

63. Please provide copies of all presentations made to rating agencies and/or investment firms by Atmos Energy Corporation between January 1, 2008 and the present.
64. Please provide copies of all prospectuses for any security issuances by Atmos Energy Corporation since January 1, 2008.
65. Please provide copies of all studies performed by Atmos Energy Corporation and/or by consultants or investment firms hired by Atmos Energy Corporation to assess (1) Atmos Energy Corporation’s financial performance, (2) the performance of Atmos Energy



**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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Corporation relative to other utilities, or (3) the adequacy of Atmos Energy Corporation's return on equity or overall rate of return.

66. Please provide copies of credit reports for Atmos Energy Corporation from the major credit rating agencies published since January 1, 2005.
67. Please provide copies of all correspondence between Atmos Energy Corporation and any of the three major bond rating agencies (S&P, Moody's, and Fitch) from January 1, 2005 to the present. These include copies of letters, reports, presentations, emails, and notes from telephone conversations.
68. Please provide the corporate credit and bond ratings assigned to Atmos Energy Corporation since the year 2005 by S&P, Moody's, and Fitch). For any change in the credit and/or bond rating, please provide a copy of the associated report.
69. Please provide the breakdown in the expected return on pension plan assets. 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 workpapers.
70. Please provide Atmos Energy Corporation's authorized and earned return on common equity over the past five years. 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 all associated workpapers and source documents. Please provide copies of the source documents, workpapers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.
71. Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for Atmos Energy Corporation and Atmos Energy Corporation, Kentucky/Mid-States Division for the past five years. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

**WITNESS DR. JAMES H. VANDER WEIDE**

72. Please provide a copy of the testimony of Dr. Vander Weide in Microsoft Word format.
73. Please provide copies of all articles, publications, and or other documents cited in the testimony of Dr. Vander Weide.
74. Please provide copies of all workpapers, spreadsheets, etc. used, referenced or generated by Dr. Vander Weide in the preparation of his analysis. Please provide the aforementioned copies in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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75. Please refer to the testimony of Dr. Vander Weide, page 3, lines 15-19. Please provide the data that supports the statement regarding equity ratios and the financial risk of Atmos Energy Corporation versus the remainder of the proxy group.
76. Please refer to the testimony of Dr. Vander Weide, page 3, line 20 through page 4, line 2. Please provide the studies and data that support the statements regarding the forecasted yield on utility bonds, the small size premium for small market capitalization and that CAPM underestimates the cost of equity for companies with betas less than 1.0.
77. Please refer to the testimony of Dr. Vander Weide. With reference to the proxy group referenced on page 17 of the testimony and in Schedule 1, Pages 33-34.
- a. Please explain in detail why Dr. Vander Weide considered it appropriate to include Atmos Energy Corporation in the proxy group in his analysis.
  - b. Please provide a listing of all companies considered for inclusion in the proxy group but rejected by Dr. Vander Weide including the specific reason(s) for the rejection.
78. With respect to page 25, lines 14-25, please provide: (1) the source documents for the 5.97% utility bond yield; (2) copies of the source documents and data used to compute the risk premium; please provide copies of the source documents, workpapers, and data in (1) and (2) both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.
79. With respect to page 15, lines 14-16, please provide copies of the source documents and data used to compute the flotation cost adjustment of 5%. Please provide copies of the source documents, workpapers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.
80. With respect to page 13, lines 14-19, please explain why I/B/E/S Thompson Reuters was used as the sole source of EPS growth rate forecasts as opposed to one of the other sources of analysts EPS growth rate forecasts such as Zacks or Yahoo!.

**WITNESS LAURIE M. SHERWOOD**

81. Please provide copies of all publications and documents cited in the testimony, as well as all workpapers used in the development of the testimony.
82. Please track the credit ratings for Atmos Energy Corporation for the past five years. Please indicate when changes in the credit ratings occurred, the reason given for the change. Please also indicate when there was a difference between the credit ratings of Atmos Energy Corporation.

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

---

83. Please provide: (1) copies of the workpapers, source documents and data used in developing the 2009-2011 cash budgets that detail the company's financing needs; (2) please highlight all assumptions used in the development of the cash budgets; and (3) please provide a copy of the 2009-2011 monthly cash budgets in Microsoft Excel format, with all data and formulae intact.
84. Please provide: (1) Atmos Energy Corporation's dividend payout ratio for the past five years; (2) explain who sets Atmos Energy Corporation's dividend payout policy; and (3) for any years in which the dividend payout ratio differed from the 70%-80% range, please explain why.
85. With reference to Schedule LMS-1 LMS-2, please provide (1) copies of the data, source documents, and workpapers used to develop the capital structure for the thirteen months ended January 31, 2011; (2) show the details, assumptions, and the magnitude of all adjustments that were made to the book value capitalization as of December 31, 2008 to arrive at the proposed capital structure; (3) the monthly cash flow statements used to develop the capital structure, along with all dividend payments and financings during the thirteen month period; and (4) with respect to (1) – (3), please provide copies of the source documents, workpapers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.
86. With reference to Schedule LMS-1 LMS-2: please provide (1) all data, workpapers, and source documents, and calculations used in computing the short-term cost rate for the thirteen months ended January 31, 2011; (2) show the methodology used to determine interest rate paid on short-term debt, including calculations, financing fees, interest rate assumptions, and other related financing costs; and (3) please provide the workpapers and data, including a copy of all pages of Schedule J-2, in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.
87. With reference to Schedule LMS-1 LMS-2: please provide (1) all data, workpapers, and source documents, and calculations used in computing the long-term cost rate for the thirteen months ended January 31, 2011; (2) all details, including calculations, amortization tables, and work sheets, related to the amounts for unamortized debt issuance balance and unamortized premium/discount and issuance expenses; (3) details of all debt issues and/or refinancing (issue date, debt amounts, lending agreements, underwriter, underwriting spread, SEC filings, etc.) associated with all actual financings used in determining the Company's long-term debt cost rate; (4) show the methodology used to determine interest rate paid on pro forma long-term debt issues, including calculations, financing fees, interest rate assumptions, and other related financing costs; and (5) please provide the workpapers and data, including a copy of all pages of Schedule J-3, in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

**ATMOS - KENTUCKY  
CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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88. Please provide: (1) copies of the source documents, data and workpapers used to develop the Company's credit ratings ratios in Schedule K. Please provide the data and workpapers, as well as Schedule K, in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

**III. RATE DESIGN**

**WITNESS PAUL H. RAAB**

89. Provide an executable electronic copy, in Microsoft Excel format, of the Company's fully allocated, embedded cost of service study by rate class.
90. With reference to the Company's fully allocated, embedded cost of service study, please identify each rate schedule included in the individual classes; i.e., Residential, Non-Residential, Transportation, and Interruptible.
91. Refer to exhibit PHR-2. Provide same information as shown for February 5, 2007 (DE-Kentucky Peak Day) for each of February 4, 2007 and February 6, 2007.
92. Refer to exhibit PHR-2. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare the cost of service study.
93. Refer to exhibit PHR-2. Provide all workpapers, spreadsheets, calculations, etc. that show how the Company assigned proposed revenue increases to each of the rate schedules within the customer rate classes identified in the cost of service study.
94. In regard to Design Day, provide the most recent design day demands by customer rate classes and/or customer rate schedules utilized by the Company for Purchased Gas cost filings before the Kentucky PSC.
95. In regard to Interruptible Sales, provide for the most recent five (5) years interruptible sales volumes by rate schedule by date and duration of interruption, and estimated load curtailed.

**WITNESS GARY L. SMITH**

96. Refer to exhibit GLS-1. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare this exhibit.
97. Refer to exhibit GLS-2. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare this exhibit.
98. Refer to exhibit GLS-3. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare this exhibit.

**ATMOS - KENTUCKY**

**CASE NO. 2009-00354**

**Requests for Information of the Attorney General to Atmos - Kentucky**

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99. Refer to exhibit GLS-4. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare this exhibit.
100. Refer to exhibit GLS-5. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare this exhibit.
101. Refer to exhibit GLS-6. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare this exhibit.
102. Refer to exhibit GLS-7. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. utilized to prepare this exhibit.