

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

FEB 09 2010

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY)
CORPORATION FOR AN ADJUSTMENT) CASE NO. 2009-00354
OF RATES)

SUPPLEMENTAL 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 Supplemental 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.

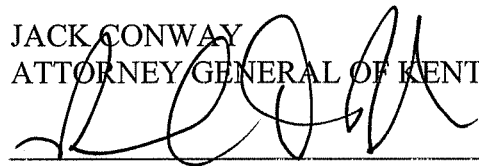
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(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



DENNIS HOWARD II
LAWRENCE W. COOK
PAUL D. ADAMS
ASSISTANT ATTORNEYS GENERAL
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
dennis.howard@ag.ky.gov

CERTIFICATE OF SERVICE AND NOTICE OF FILING

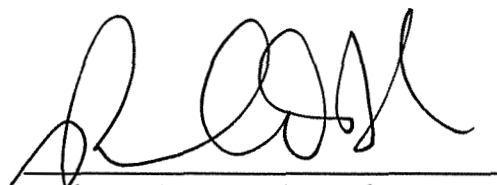
I hereby give notice that this the 9th day of February, 2010, I have filed the original and ten copies of the foregoing Attorney General's Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

Honorable John N. Hughes
124 West Todd Street
Frankfort, KY 40601
Counsel for Atmos Energy Corp.

Honorable Mark R. Hutchison
Wilson, Hutchison & Potent
611 Frederica Street
Owensboro, KY 42301
Counsel for Atmos Energy Corp.

Honorable Douglas C. Walther
Atmos Energy Corporation
P.O. Box 650205
Dallas, TX 75265
Counsel for Atmos Energy Corp.

Mark A. Martin
Atmos Energy Corporation
2401 New Hartford Road
Owensboro, KY 42303


Assistant Attorney General

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

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

1. With regard to the response to AG-1-2, please provide the following information:
 - a. Is the import of the response to AG-1-2(b) that the corrected PSC assessment fee amount claimed in this case should be \$329,402 rather than the originally claimed amount of \$340,986? If not, explain the response.
 - b. The operating revenues for the Forecasted Period in this case amount to \$199,729,497. Applying the Company's projected PSC assessment rate of .16225% effective 7/1/2010 to the Forecasted Period operating revenues of \$199,729,497 results in pro forma PSC assessments of \$324,061. Yet, the Company has proposed pro forma PSC assessments of \$340,986. Explain why it isn't more appropriate and reasonable to reflect the pro forma PSC assessment amount of \$324,061 for ratemaking purposes in this case.
 - c. Please confirm that the application of the currently effective PSC assessment rate of 0.15380% to the Forecasted Period operating revenues of \$199,729,497 would result in a pro forma PSC assessment amount of \$307,184.
 - d. Please confirm that the actual PSC assessment rate has declined in each year since 2006 from .17060% (2006) to .16030% (2007) to .153880 (2008). Given this recent 3-year historic trend, why is it reasonable to project that effective 7/1/10 the assessment rate will increase from .153880% to .162250%?

2. Please confirm that the uncollectible expenses are a function of the total revenues billed for residential, commercial and public authority classes and that, in calculating the bad debt projection of \$909,895, the Company applied its claimed uncollectible ratio of 0.50% to its Forecasted Period residential, commercial and public authority revenues, as stated on page 12 of Mr. Waller's testimony. If you do not agree, explain your disagreement.

3. As described on page 12 of the testimony of Mr. Smith, in determining the Forecasted Test Period late payment fees, the Company has assumed that these fees are proportionate to the residential, commercial and public authority revenues at a ratio of 0.87%. The proposed Forecasted Test Period late payment fees of \$1,571,877 were calculated by the Company by applying the ratio of 0.87% to the Forecasted Test Period residential, commercial and public authority revenues at current rates. However, the Company has not reflected the incremental late payment fees that would be generated by the requested rate increase of \$9,486,033. In this regard, please provide the following information:
 - a. Confirm the above facts. If you do not agree, explain your disagreement in detail.
 - b. The response to AG-1-6 states that 93.73% of the proposed rate increase of \$9,486,033 is related to residential, commercial and public authority rate increases. Please confirm this.
 - c. The Company's uncollectible expenses and PSC fees are also a function of the Company's operating revenues and appropriate ratios for these expenses are therefore built into the Gross Revenue Conversion Factor (GRCF) in order to reflect the incremental uncollectible expenses and PSC fees associated with the proposed rate increase. Schedule H-1, Sheet 1 shows that this results in a GRCF

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

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

of 1.647432. If the late payment fee ratio of 0.87%, reduced by the application of the 93.73% ratio referenced in part (b) above, were to be built into the GRFC as well, please provide a schedule, similar to Schedule H-1, showing to what extent this would further lower the corrected GRFC of 1.646912 shown in the response to AG-1-6. In addition, provide the reduction in the originally claimed revenue deficiency as a result of this GRFC adjustment.

4. With regard to the response to AG-1-4, please confirm that the average Miscellaneous Service revenues for the most recent 5 years 2005 through 2009, whether calculated on a calendar year or fiscal year basis, amounts to approximately \$892,000 which is approximately \$108,000 higher than the Forecasted Period Miscellaneous Service revenues of approximately \$784,000. If you do not agree explain your disagreement.

In addition, explain the basis for the projected Forecasted Period revenue amount of \$784,000.

5. Schedule C-2.1 F shows that the Forecasted Period operating revenues for residential, commercial and public authority are \$116,589,846, \$52,141,186 and \$12,145,471, respectively for a total revenue amount of \$180,876,503. Taking 0.50% of that results in a derived uncollectible expense of \$904,382. Please reconcile this amount to the claimed Forecasted Period uncollectible expense amount of \$909,895.
6. The proposed uncollectible expenses currently included in the Forecasted Period amount to \$909,895. Under the assumption that the Company's proposal to transfer the gas cost uncollectibles to the GCA is approved by the PSC, please provide the following information:
 - a. Would this reduce the Forecasted Period uncollectible expenses from \$909,895 to \$218,323? If not, explain why not.
 - b. How would this assumed PSC approval impact the claimed 0.50% uncollectible ratio used in the Gross Revenue Conversion Factor? Please comment in detail.
7. The response to AG-1-14 shows that the Forecasted Period 13-month average prepayment balance includes prepayments of \$112,660 related to Nations Bank. In this regard, please provide the following information:
 - a. Does this represent a prepayment for costs associated with a credit facility fee paid to Nations Bank? If not, explain what this prepayment represents.
 - b. If these prepayments are associated with the Company's short term debt, explain why they should be considered for ratemaking purposes considering that the Company has taken the position that its short term debt and all costs associated with its short term debt should not be recognized for ratemaking purposes in this case.
8. With regard to the response to AG-1-18, please provide the following information:

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

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

- a. AG-1-18(a), among other things, requested the monthly jurisdiction allocated balances making up the 13-month average Forecasted Period Customer Advances balance of \$1,864,402. The Company responded that this can be found in Attachment 1 to the response. However, Attachment 1 does not appear to include this information. Please provide the requested information.
 - b. AG-1-18(c) requested an explanation for the projected decrease in Customer Advances from the Base Period to the Forecasted Period. The Company responded that *“there is an error in calculating the 13 month average. Please see Attachment 1 for the corrected 13 month average calculation.”* Please clarify and show what the revised 13-month average Forecasted Period Customer Advances balance (by Division and total net balance) is when corrected for the calculation error.¹
 - c. The Company’s as-filed total net 13-month average Forecasted Period Customer Advances balance amounts to \$1,864,402. Please provide the equivalent total net 13-month average Forecasted Period Customer Advances balance when corrected for the calculation error described in part (b) above and reflecting the removal of the Division 91 Customer Advances agreed upon by the Company in its response to AG-1-18(e).
9. Please expand the response to AG-1-20 by providing actual Taxes other than Income Tax information for the months of November and December 2009 and January 2010.
10. The responses to AG-1-20 and AG-1-24 show the following information with regard to the Company’s property taxes:

	<u>Taxes Accrued</u> [AG-1-20]	<u>Taxes Actually Paid</u> [AG-1-24]
2006	\$2,609,148	\$2,437,249
2007	\$2,646,648	\$2,377,675
2008	\$2,501,648	\$2,501,209

In this regard, please provide the following information:

- a. What is the basis for the taxes listed under the Taxes Accrued column?
 - b. What is the basis for the taxes listed under the Taxes Actually Paid column and explain the reasons for the differences with the accrued taxes for the corresponding years.
11. With regard to the response to AG-1-24, please provide the following information:

¹ Page 2 of Attachment 1 of the response would appear to show that the corrected 13-month average Forecasted Period Customer Advances balance for Division 09 is \$2,716,301, however this is somewhat confusing as the heading states it is the corrected balance for the Base Period, not the Forecasted Period. Hence, the request for clarification

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

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

- a. If available by now, provide the actual 2008 taxes paid. If not yet available, indicate when it is expected and provide the information at that time.
 - b. Current status of the actual 2009 taxes to be paid that are under protest. If the actual tax amount is available, please provide it.
 - c. The taxes paid for the three most recent available years 2006, 2007 and 2008 (based on estimated tax paid) are, on average, only 72.8 % of the taxes based on the initial valuation and, with regard to 2008, the Company has estimated its 2008 taxes paid amount of \$2,501,209 to be 79.5% of the tax based on the initial valuation. Please confirm these facts. If you do not agree, explain your disagreement.
 - d. What is the Company's best estimate at this time, and based on the actual historic facts listed in part (c) above, of the actual taxes to be paid in 2009 as compared to the tax based on the initial valuation of \$3,183,708.
 - e. Please expand the response to AG-1-24 by providing the Initial Valuation, Estimated Taxes base off Initial Value for 2010. In addition, explain whether these initial estimated tax assessments are under protest by the Company and what the current status is of the protest.
 - f. In its response to AG-1-22(d), the Company states that its proposed Forecasted Period property tax amount of \$3,004,939 "represents the Company's estimate of what it expects to ultimately incur in ad valorem tax expense during the forecasted test year. Based on the information shown in the response to AG-1-24, explain how the Company derived this forecasted tax amount of \$3,004,939.
12. In the response to AG-1-32(a), the Company concedes that the corrected Account 923 – Outside Services Employed account for the Forecasted Period should be \$209,244 (as filed amount of \$270,906 less error amount of \$61,662). Please reconcile this corrected Forecasted Period Account 923 amount of \$209,244 to the Forecasted Period Account 923 Division 009 expense amount of \$163,314 shown on Schedule F.5 as corrected on page 2 of 2 of the response to AG-1-32.
 13. In the response to AG-1-38, the Company states that the allocated Division 091 expense report exclusion of \$23,239 should be increased by \$44,855 to \$68,094. Please confirm that, therefore, the total expense exclusion on Schedule F.8 (and to be reflected for ratemaking purposes in this case) should amount to \$134,100 (\$89,245 + \$44,855) as also shown on page 42 of the response to AG-1-38.
 14. In the same format as per Schedule F.6, please provide the actual rate case expenses booked by the Company through January 31, 2010.
 15. In the response to AG-1-47, the Company states that the Forecasted Period includes \$36,224 (\$9,056 per month times the 4 months April through July 2010) worth of amortization expenses associated with the Company's prior rate case which amortization expenses will expire in July 2010. In this regard, please provide the following information:

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

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

- a. Since the Company has assumed that the rate effective period of the current case is 3 years, why wouldn't it be appropriate to re-amortize the remaining prior rate case amortization expense of \$36,224 over a 3-year period, thereby avoiding over-recovery of this expense in rate effective years 2 and 3?
 - b. Please confirm that a re-amortization over a 3-year period of the prior rate case amortization amount of \$36,224 would reduce the Forecasted Period O&M expenses by \$24,149.
16. The response to AG-1-40 states that the amount of service award/employee award expenses for the Forecasted Period is not available. In this regard, please provide the following information:
 - a. Confirm that in the prior case, in its response to AG-1-56(b), the Company was able to identify total Forecasted Period service award/employee award expenses of \$123,358, consisting of Division 9 expenses of \$72,474 and \$50,884 worth of expenses allocated from Divisions 91, 2 and 12.
 - b. Confirm that Schedule F.2.3 of the current case shows that the Forecasted Period includes \$69,435 worth of service award/employee award expenses allocated from Divisions 91, 2 and 12. If you do not agree, explain your disagreement. Also, explain whether these expenses are reflected above-the-line rather than below-the-line.
 - c. Explain why there are no Forecasted Period service award/employee award expenses for Division 9 shown on Schedule F.2.3. If they are available, please provide them.
 - d. Please provide the actual service award/employee award expenses booked by the Company in the most recent actual annual period for which these expenses are available. Provide these actual expenses for Division 9 as well as the allocated expenses from Divisions 91, 2 and 12.
17. The Company has stated that all employee party expenses have been treated below-the-line in this case. As confirmed in its responses to AG-1-57 and AG-1-85 in the prior rate case, in that case, the Company's above-the-line expenses included expenses for, among other things, (1) Christmas reception, (2) golf tournaments, (3) picnics, (4) breakroom supplies, (5) flower funds, and (6) corporate sponsorships. To the extent that any of these 6 types of expenses are included in the above-the-line Forecasted Period expenses, provide the Division 9 and allocated Division 91, 2 and 12 expenses for each expense category. If they are not available for the Forecasted Period, provide these 6 types of expenses for the most recent actual 12-month period for which they are available.
18. Based on the information of Schedule F.1 and the response to AG-1-43, please confirm that the Forecasted Period in this case includes \$2,620 for Home Builders Association dues (items b, c, f, g, h, i, n and p); \$7,500 for the Partnership for Commonsense Justice; and \$547 for Temple, Science and History Museum and Rotary dues (items a, j, l). If you do not agree, explain your disagreement.

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

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

19. With regard to the response to AG-1-44, please explain the nature and purpose of the \$5,000 dues for the University of Oklahoma and the \$350 dues for the Cliff Hagan Boys and Girls Club. In addition, explain why it is appropriate to charge the Kentucky Atmos ratepayers for the \$262 and \$119 allocated charges associated with these dues.

20. The bottom line on Attachment 8 to the response to AG-1-48 shows "CSC Incentive Pay" dollar amounts for each of the years 2006 through 2009. In this regard, please provide the following information:
 - a. Provide an explanation of the nature and purpose of these incentive compensation dollar amounts.
 - b. What is the equivalent CSC Incentive Pay amount included in the Forecasted Period and why is this amount not shown and included in the Forecasted Period incentive compensation table in Attachment 7 to the response to AG-1-48?
 - c. Are any of the performance criteria for the awards to be paid under the CSC Incentive program tied to financial performance factors (such as Atmos' EPS for all of the other incentive compensation programs)? If so, provide the percentage of the CSC Incentive program awards that is a function of such financial performance criteria.

21. In determining its Forecasted Period payroll expenses, the Company has assumed salary/wage increases of 3.5% effective October 2010. As shown in the response to AG-1-55, the Company's most recent actual wage/salary increases in FY 2010 amounted to 2.52% for the non-exempt employees and 2.87% for the exempt employees. Please provide the Forecasted Period payroll O&M expenses (currently shown to be \$5,004,953 as per Schedule G.2) based on the assumption that the October 1, 2010 wage increases for non-exempt and exempt employees will be 2.52% and 2.87%, respectively.

In addition, provide the impact of the resulting payroll O&M expense reduction on the Forecasted Period payroll taxes.

22. With regard to the response to AG-1-61, please provide the following information:
 - a. The response does not appear to indicate whether the SERP benefits are offered in addition to the "regular", qualified retirement plan benefits received by the eligible employees. Please provide this information.
 - b. The response does not appear to explain in what ways the SERP plan is distinguishable from the regular, qualified retirement plan, i.e., explain what benefits are offered to the eligible employees under the regular, qualified retirement plan and what additional benefits are offered to these same employees through the SERP plan. Please provide this information.

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

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

- c. Attachment 2 to the response to AG-1-61 shows that the Forecasted Period includes allocated SERP expenses of \$254,822. In this regard, please provide the following additional information:
- 1) Provide a listing of the employees receiving the Forecasted Period SERP awards of \$254,822. This listing should show the title and Atmos Company association of each eligible employee.
 - 2) Clarify whether the SERP expense amount of \$254,822 represents an O&M expense amount or a pre-capitalized cost amount. If the latter, provide the O&M expense portion of the \$254,822 included in the Forecasted Period.