

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

THIRD DATA REQUEST OF COMMISSION STAFF  
TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation (“Atmos” or “Atmos-Kentucky”), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than February 23, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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

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

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

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

1. Refer to Item 3a., Attachment 1, of the response to the Commission Staff's Second Data Request ("Staff's Second Request"). Monthly base load usage for all three customer classes increased in 2009, with residential monthly base load at the highest level since 2004. To what does Atmos attribute this base load increase, and how does Atmos reconcile the residential base load increase with its projected .03 Mcf decrease per residential customer per year?

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

a. The response refers to a nine-page attachment, but the attachment includes only eight pages. Confirm whether a page is missing. If yes, provide the page.

b. Atmos states that the residential volume adjustment "moves the volumes booked in the 'greater than 300 Mcf per month' block into the 'first 300 Mcf' block as has been customary in past case filings." Provide the basis for the adjustment.

3. Refer to the response to Item 18 of Staff's Second Request. Provide a detailed explanation for the increases in the following expense accounts from fiscal year 2008 to fiscal year 2009:

- a. Account 8700 – Distribution – operation supervision & engineering;
- b. Account 8740 – Mains and services expenses;
- c. Account 8810 – Distribution – rents; and
- d. Account 9110 – Sales – supervision.

4. Refer to the response to Item 19 of Staff's Second Request.

- a. The merit increase guideline for fiscal year 2010 is 3.0 percent.

Provide the support relied upon by Mr. Waller for the expectation that, going forward, the guideline will increase to the historical trend of 3.5 percent.

- b. If it is uncertain, at present, that the merit increase guideline will increase to 3.5 percent after fiscal year 2010, explain in detail why it is reasonable to use 3.5 percent in the adjustment for wage increases to be effective October 1, 2010.

5. Refer to the attachments to the response to Item 21 of Staff's Second Request.

- a. The information provided in Attachment 1 shows that in only one of the past five fiscal years did Atmos meet its goal of having bad debts equal no more than 0.50 percent of its residential, commercial, and public authority revenues. With those recent results, explain why Atmos opted to base its forecasted bad debt on this goal rather than an average of recent years.

- b. The class revenues in Attachment 2 do not match those shown on Schedule C.2.1.B at Tab FR 10(10)(c) in Atmos's application. Explain whether the revenues in the attachment are actual revenues for the calendar year 2009 base period.

6. Refer to the response to Item 23 of Staff's Second Request.

a. The second sentence in the response refers to the proposed Pipe Replacement Program (“PRP”) recovery rider as being similar to “[t]he forward looking rules that are available to companies (and elected by Atmos) in traditional rate filings.” The forward-looking rules available in traditional rate filings are expressly established by Commission regulation. Provide the citation to a Commission statute or regulation that provides for a forward-looking approach for rider, surcharges, etc.

b. Describe in detail the extent to which the use of a forward-looking rider for the proposed PRP, combined with the use of a forward-looking test period in general rate cases, lessens Atmos’s financial risk compared to being limited to a historical-based rider and the use of a historical test period in general rate cases.

7. Refer to the response to Item 27 of Staff’s Second Request. Provide the projected timeline, on a monthly basis, for the Bowling Green improvement project.

8. Refer to the response to Item 28 of Staff’s Second Request, Attachment 1, page 1. Provide a detailed breakdown of the approximately \$35 million of overhead costs included in this schedule.

9. Refer to the response to Item 30 of Staff’s Second Request, page 5 of the *Direct Testimony of Laurie M. Sherwood*, Exhibits LMS 1 and 2, and page 31 of the *Direct Testimony of James H. Vander Weide*. While the response confirms that the 6.64 percent long-term debt cost in Exhibit LMS-1 is based on a 13-month average for the forecasted test period, it is not responsive to the request. Ms. Sherwood has recommended that this debt cost not be used by the Commission and that it use, instead, the long-term debt cost of 6.87 percent shown in Exhibit LMS-2, which, Ms. Sherwood states, is the projected long-term debt cost at the end of Atmos’s forecasted

test period. The 6.87 percent is, in fact, the long-term debt cost included in the weighted average cost of capital shown on page 31 the Vander Weide testimony. To reiterate Item 30 of Staff's Second Request, given that 807 KAR 5:001, Section 10(8)(c), requires that rate base and capitalization in rate applications based on a forecasted test period must be based on a 13-month average, explain why it is appropriate for Atmos to be allowed to deviate from that regulation and use a test year-end cost rate for its long-term debt.

10. Refer to the response to Item 34a., Attachment 1, of Staff's Second Request.

a. Identify the location of the zero intercept calculations in the attachment. If the calculations are not in the attachment, provide either the calculations or the location of the calculations in the application or in Atmos's data responses.

b. Provide a narrative description of the zero intercept calculations.

11. Refer to the response to Item 43a. of Staff's Second Request and Volume 6 of the application, Tab FR 10(10)(d), Schedule D-2.1. The response provides a narrative of how the amounts in ADJ1 of Schedule D-2.1 were calculated. For each of the forecasted and base numbers in ADJ1, provide the calculation of the number or the location of the number in the application or in Atmos's data responses.

12. Refer to the response to Item 45 of Staff's Second Request, the electronic spreadsheet. It appears that the monthly average bill calculations for the commercial, industrial, and public authority classes are based on a portion of the usage falling within the 1-300 Mcfs first block and the rest falling within the 301-15,000 Mcfs second block.

a. As the monthly average usage for each class shown falls within the 1-300 Mcfs first block, explain why the average bills are calculated in this manner.

b. Provide the calculations for the numbers that appear in cells P24, P26, and P28 of the spreadsheet.

13. Refer to the response to Item 47 of Staff's Second Request, page 4 of 14. For the box at the top left-hand side of the page, provide the following:

a. A narrative description and calculations of the percentages shown in the total column.

b. A narrative description and calculations of the G-2, T-3, and T-4 percentages shown in the other two columns.

14. Refer to the response to Item 4 of the Attorney General's First Data Request ("AG's First Request"), Attachment 1. Given that the miscellaneous service revenues for the years provided appear to be non-trending and are higher than the \$783,688 included in the test year, explain how the forecasted test year miscellaneous service revenues amount was determined.

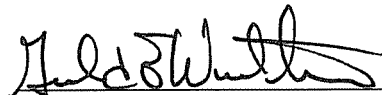
15. Refer to the response to Item 56 of the AG's First Request. Explain why Atmos has proposed to recover ad valorem taxes in its PRP.

16. Refer to the response to Item 96 of the AG's First Request, Exhibit GLS-6, which is reproduced from Exhibit GLS-2 in Gary Smith's direct testimony.

a. In the "Forward-looking Adjustments to Test Year" column, Firm Sales bills are reduced by 8,400, the equivalent of 700 customers. Likewise, volumes are reduced by 47,760 Mcf, apparently to reflect the loss of 700 customers. Page 11 of Gary Smith's testimony indicates that Atmos has assumed an annual loss of 400

residential customers from the reference period. Explain whether the 300 additional customers lost represents the loss of customers other than residential.

a. Explain the 506,406 and 29,039 Mcf reductions under Conservation & Efficiency Adjustments. If this information has been provided elsewhere, indicate its location in the record.

per:   
Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
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DATED FEB - 9 2010

cc: Parties of Record

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