



RECEIVED

July 29, 2010

JUL 30 2010

PUBLIC SERVICE
COMMISSION

Honorable Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Subject: Case No. 2010-00243

Dear Mr. Derouen:

Atmos Energy Corporation (Company) herewith submits an original and ten copies of the Company's responses to the Initial Data Requests of the Commission Staff in the above referenced case.

Please feel free to contact me at 270.685.8024 if you have any questions and/or need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Martin".

Mark A. Martin
Vice President, Rates & Regulatory Affairs

Enclosure

Atmos Energy Corporation
KPSC Initial Data Request Dated July 16, 2010
Case No. 2010-00243

1. Refer to paragraph 4 of Atmos' Application ("Application"). Provide documentation that supports Atmos' statement that its Weather Normalization Adjustment ("WNA") mechanism has "performed very well... and has met its intended purpose."

RESPONSE: The intent of the WNA mechanism is to adjust customers' bills based on the comparison of actual weather to normal weather. The WNA mechanism was designed and implemented to provide the Company an opportunity to achieve its revenue requirement. The WNA mechanism also benefits our customers by smoothing out any effects of weather. During the winter months, if weather is warmer than normal, the WNA factors adjust customers' bills upward. During the winter months, if weather is colder than normal, the WNA factors adjust customers' bills downward. Below are the WNA revenues for the last five winter seasons:

<u>Winter</u>	<u>WNA Revenues</u>
2005/2006	\$ 1,232,000
2006/2007	\$ 1,216,000
2007/2008	\$ 617,000
2008/2009	\$ 66,000
2009/2010	\$ (537,000)

The numbers above indicated that the WNA mechanism adjusts as conditions warrant; therefore, the mechanism has performed well and met its intended purpose.

Atmos Energy Corporation
KPSC Initial Data Request Dated July 16, 2010
Case No. 2010-00243

2. Refer to paragraph 5 of the Application, as corrected in Atmos' letter filed June 25, 2010, which indicates that Atmos intends to continue to use the same basis for normal Heating Degree Days (NOAA Normals for 1971-2000).

- a. Explain why weather normals for a more current period are not used.

RESPONSE: The Company believes that it is very important that the same normal heating degree-day (NHDD) basis is utilized for its Weather Normalization Adjustment (WNA) mechanism and for the determination of distribution commodity rates from the revenue requirement as set in a rate case.

The Company's weather adjustment for volumes used in the determination of rates in rate case proceeding, and for its WNA mechanism, has historically referenced the 30-year NHDD data published by NOAA. Therefore, the most recently published data set available from NOAA (1971-2000) was used in the Company's most recent rate case. The Company also believes that the NOAA 30-year NHDD reports provide greater statistical reliability than other periods.

- b. Describe the extent to which Atmos compared the effects of using more current weather normals.

RESPONSE: The Company's only analysis of an alternative weather period was in response to Staff data request 2-15 in Case 2009-00354. Again, the Company firmly believes the WNA normal HDD basis must correspond to the HDD basis upon which rates were established in the rate case.

Atmos Energy Corporation
KPSC Initial Data Request Dated July 16, 2010
Case No. 2010-00243

3. Refer to paragraph 5 of the Application, which mentions annual updates of the Base Load, Heating Sensitive Factors, and average distribution rate factor for each affected class of firm sales. Provide a copy of the most current update filed with the Commission.

RESPONSE: The Company files its WNA report in June of each year for the preceding winter season. The 2009/2010 WNA report was filed on June 11th. Attached are the factors that were implemented November 1, 2009.

Banner Rate Maintenance Request Form

Database: PBAN 40
 State: Kentucky

Rate Code	Description	Attribute	Old Value	New Value	Effective Date	Other Information
	WNA UPDATES FOR KY				November 1, 2009	please update on
	worksheet on bl-hsf tab w/town codes					November 3, 2009 which is cycle 1 billing and date for 11/1/2009
	BASE LOAD					
	RES		12.349000	13.102000		
	COM		89.703000	84.967000		
	PA		185.531000	183.943000		
	HEAT SENSITIVITY FACTOR					
	RES		0.128770	0.124060		
	COM		0.390120	0.401940		
	PA		1.377630	1.281750		
	WNA STEP RATES					
	WNAR		0.119000	no change		updates for utrsrat
	WNAC		0.113200	0.114500		
	WNAP		0.108800	0.109600		

10/14/2009

Date

Jan Swain

Requested by

Date

10/15/2009

Date

Mark Martin

Approved by

Verified by

Date

Set up/Updated by

Atmos Energy Corporation
KPSC Initial Data Request Dated July 16, 2010
Case No. 2010-00243

4. For each of the last five calendar years, provide Atmos' return on common equity for its Kentucky jurisdictional gas operations based on (1) calculated revenues as if the WNA had not been in effect and (2) actual revenues with the WNA in effect. Show the return calculation, including the net income available for common stock and the equity balance used in the calculation. The return calculation should be based on an end-of-period equity balance like that used by the Commission in general rate cases.

RESPONSE: Please see attached schedule.

Atmos Energy Corporation
Case No. 2009-00354
KPSC Staff Request 2-8
Twelve months ended December 31

	2005		2006		2007		2008		2009	
	W/ WNA	W/O WNA	W/ WNA	W/O WNA	W/ WNA	W/O WNA	W/ WNA	W/O WNA	W/ WNA	W/O WNA
Operating Income	19,003,127	19,003,127	13,330,260	13,330,260	15,553,633	15,553,633	19,960,811	19,960,811	13,824,134	13,824,134
WNA Adjusted		(899,047)	(1,448,293)	(1,448,293)	(1,489,955)	(1,489,955)	18,462	18,462	(609,025)	(609,025)
Operating Income Adjusted	19,003,127	18,104,080	13,330,260	11,881,967	15,553,633	14,063,678	19,979,273	19,979,273	13,824,134	13,215,109
Interest Expense	5,450,955	5,450,955	5,959,222	5,959,222	5,796,823	5,796,823	6,191,731	6,191,731	6,353,261	6,353,261
Taxable Income	13,552,172	12,653,125	7,371,037	5,922,744	9,756,810	8,266,855	13,769,080	13,787,542	7,470,873	6,861,848
Income Tax	5,271,795	4,922,066	2,867,334	2,303,948	3,795,399	3,215,807	5,356,172	5,363,354	2,906,170	2,669,259
Net Income	8,280,377	7,731,059	4,503,704	3,618,797	5,961,411	5,051,049	8,412,908	8,424,188	4,564,703	4,192,589
Tax Rate	38.9%		38.9%		38.9%		38.9%		38.9%	
Debt Costs	3.38%		3.22%		3.12%		3.08%		3.37%	
Rate Base	161,433,790		184,889,262		185,771,548		201,310,260		188,727,840	
Equity Percentage	42.77%		46.81%		48.85%		49.50%		51.00%	
Equity Portion of Rate Base	69,044,719		86,552,257		90,741,669		99,639,801		96,249,512	
Return	11.99%	11.20%	5.20%	4.18%	6.57%	5.57%	8.44%	8.45%	4.74%	4.36%
	11.99%	11.20%	5.20%	4.18%	6.57%	5.57%	8.44%	8.45%	4.74%	4.36%