

**Atmos Energy Corporation
Kentucky**

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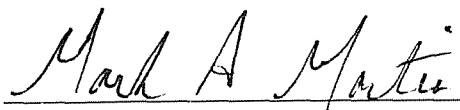
PUBLIC SERVICE
COMMISSION

Case No. 2012-00359

**RESPONSES TO
INFORMAL CONFERENCE
FOLLOW UP
DATA REQUESTS**

VERIFICATION

I, Mark A. Martin, being duly sworn under oath, state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the following Responses are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 19 day of September, 2012, the original of the Company's attached Responses, together with six copies (6) copies were filed with the Kentucky Public Service Commission, 211 Sower Blvd, P.O. Box 615, Frankfort, Kentucky 40206.



Mark R. Hutchinson



September 19, 2012

OVERNIGHT DELIVERY

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: Case No. 2012-00359; Pipe Replacement Program (PRP) Filing

Dear Mr. DeRouen,

Atmos Energy Corporation (Company) submits an original and six (6) copies of the Company's responses to Staff's requests for additional information requested during the Informal Conference on September 13, 2012.

Company is also submitting an original and six copies of the Company's supplemental schedules to the original filing made on July 30, 2012 per the above referenced case. The supplemental schedules include the following:

- Revised Exhibit A. Exhibit A was revised to reflect the change in deferred income taxes as discussed with Staff during the Informal Conference on Thursday, September 13th.
- Revised Exhibit B. Exhibit B was revised to reflect the change in deferred income taxes as discussed with Staff during the Informal Conference on Thursday, September 13th.
- Revised Exhibit F. Exhibit F was revised to reflect corrected formulas in the deferred income taxes calculation as discussed with Staff during the Informal Conference on Thursday, September 13th.
- Revised Exhibit I. Exhibit I was revised to reflect the change in deferred income taxes as discussed with Staff during the Informal Conference on Thursday, September 13th.

- The Company has also included a revised tariff, Sheet No. 44, which incorporates the rate design changes discussed with Staff during the Informal Conference on Thursday, September 13th.

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 cursive script that reads "Mark A. Martin".

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Greg Waller
Dennis Howard

**Atmos Energy Corporation
Staff's IC Follow-up Data Request
Case No. 2012-00359
Question No. 1
Witness: Greg Waller**

REQUEST:

Refer to Exhibit F of the Application.

- (a) Explain how the Tax Depreciation Rates for year 1 (line 7), year 2 (Line 11) and year 3 (line 15) were determined.
- (b) Explain how the Deferred Tax Rate of 37% appearing on Line 22 was calculated.
- (c) Explain how the Ad Valorem Tax Rate of .875% appearing on Line 25 was determined.

RESPONSE:

- (a) These rates are taken from the 15 year MACRS table. The rates are higher initially as a result of the table created by Congress to accomplish accelerated depreciation. The lower rate for year 1 is due to the half year convention.
- (b) The 37% Deferral Tax Rate appearing on line 22 is a blended rate the Company applies to all utility deferred taxes. The rate was derived as follows:

Federal Statutory Rate	35.00%
State Blended Rate	<u>2.00%</u>
	37.00%
State Rate	2.00%
	<u>= (1 - 35%)</u>
State Deferred Rate	<u>3.08%</u>
Federal Statutory Rate	35.00%
Fed Benefit of State Deferred	<u>1.08%</u>
Net of Benefit	<u>33.92%</u>

- (c) The ad valorem tax rate of .875% appearing on Line 25 was calculated on a system wide basis. This is the same rate the Company used in its initial PRP filing which was accepted by the Commission. In that filing, Company calculated the rate based on numbers derived from the Company's most recent rate case This

**Atmos Energy Corporation
Staff's IC Follow-up Data Request
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in turn was used to assign an amount of incremental ad valorem taxes generated by the incremental PRP investment.

**Atmos Energy Corporation
Staff's IC Follow-up Data Request
Case No. 2012-00359
Question No. 2
Witness: Greg Waller**

REQUEST:

Refer to Exhibit F of the Application.

- (a) Do any corrections need to be made to the formulas used by the Company in determining deferred income taxes?
- (b) Are there any other corrections that need to be made to Exhibit F of the Application?

RESPONSE:

- (a) Yes. As pointed out by Staff in the Informal Conference, an error existed in the formulas appearing in Deferred Income Tax tab. This has been corrected, resulting in a reduction of \$6,937.00 in Company's deficiency.
- (b) Yes. In reviewing Exhibit F for purposes of providing supplemental information to Staff following the Informal Conference, Company discovered that it had made an error in calculating depreciation expense on Line 18. The Company is filing revised schedules correcting this error. As a result of this correction, the Company's deficiency was reduced by \$316,187.



September 18, 2012

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: Case No. 2012-00359; Pipe Replacement Program (PRP) Filing


Dear Mr. DeRouen,

Atmos Energy Corporation (Company) herewith submits an original and six copies of the Company's supplemental schedules to the original filing made on July 30, 2012 per the above referenced case. The supplemental schedules include the following:

- Revised Exhibit A. Exhibit A was revised to reflect the change in deferred income taxes as discussed with Staff during the Informal Conference on Thursday, September 13th.
- Revised Exhibit B. Exhibit B was revised to reflect the change in deferred income taxes as discussed with Staff during the Informal Conference on Thursday, September 13th.
- Revised Exhibit F. Exhibit F was revised to reflect corrected formulas in the deferred income taxes calculation as discussed with Staff during the Informal Conference on Thursday, September 13th.
- Revised Exhibit I. Exhibit I was revised to reflect the change in deferred income taxes as discussed with Staff during the Informal Conference on Thursday, September 13th.
- The Company has also included a revised tariff, Sheet No. 44, which incorporates the rate design changes discussed with Staff during the Informal Conference on Thursday, September 13th.

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". The signature is written in a cursive style with a prominent initial "M".

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Greg Waller
Dennis Howard

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF OCTOBER 2012 THROUGH SEPTEMBER 2013
SURCHARGE SUMMARY

Line Number	Tariff Schedule	Customer Charge	Volumetric Charge
1	RESIDENTIAL (Rate G-1)	\$ 1.78	0.0000
2	NON-RESIDENTIAL (Rate G-1)	\$ 5.70	0.0000
3	INTERRUPTIBLE (Rate G-2)	\$ 44.07	
4			0.0570
5			0.0000
6	TRANSPORTATION (T-3)	\$ 29.24	
7			0.0522
8			0.0340
9	TRANSPORTATION (T-4)	\$ 28.33	
10			0.0930
11			0.0651
12			0.0423

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF OCTOBER 2012 THROUGH SEPTEMBER 2013
DEFICIENCY

Line Number	Description	Total
1	Project Additions	\$ 37,564,598
2	Project Retirements	(3,825,770)
3	Net Change to Gross Plant	\$ 33,738,828
4		
5	Cost of Removal to Accumulated Depr.	1,090,965
6	Retirements from Accumulated Depr.	3,825,770
7	Depreciation Accrual to Accumulated Depr.	(985,501)
8	Net Change to Accumulated Depreciation	3,931,234
9		
10	Net Change to Net Plant	\$ 37,670,063
11		
12	Accumulated Deferred Income Taxes	(1,026,664)
13	Net Change to Rate Base	\$ 36,643,399
14		
15	Rate of Return	8.74%
16	Required Operating Income	\$ 3,201,101
17		
18	Depreciation & Amortization Expense	669,315
19	O&M Savings	(9,436)
20	Ad Valorem Tax Increase	295,215
21	Income Taxes on Cost of Service Items	(371,531)
22	Income Taxes on Adjusted Interest Expense	(475,925)
23	Operating Income at Present Rates	\$ 107,637
24		
25	Deficiency	\$ 3,308,739
26	Tax Factor	61.100%
27	Total Proposed Rate Adjustment	\$ 5,415,284
28		
29	True up for 2011 Project Costs	\$ 602
30	True up from prior year with carrying charges	5,967
31	Total True-Up	\$ 6,570
32		
33	2012 approved deficiency	\$ 2,997,186
34		
35	Increase in deficiency	\$ 2,424,668

ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF OCTOBER 2012 THROUGH SEPTEMBER 2013
DEFERRED INCOME TAXES

Line Number	Description	Mains	Services	Meters	Total
1	Net Change to Gross Plant				
2	2011	\$ 2,542,931	\$ 389,886	\$ 20,842	
3	2012	14,511,620	1,582,869	120,042	
4	2013	12,397,600	2,111,182	58,063	
5					
6	Total Change to Gross Plant	\$ 29,452,151	\$ 4,083,937	\$ 198,947	
7	Tax Depreciation Rates - Year 1	5.00%	5.00%	5.00%	
8	Year 1 Tax Depreciation Expense	1,472,608	204,197	9,947	1,686,752
9					
10	Year 2 Balances	\$ 17,054,551	\$ 1,972,755	\$ 140,884	
11	Tax Depreciation Rates - Year 2	9.50%	9.50%	9.50%	
12	Year 2 Tax Depreciation Expense	1,620,182	187,412	13,384	1,820,978
13					
14	Year 3 Balances	\$ 2,542,931	\$ 389,886	\$ 20,842	
15	Tax Depreciation Rates - Year 3	8.55%	8.55%	8.55%	
16	Year 3 Tax Depreciation Expense	217,421	33,335	1,782	252,538
17					
18	Accumulated Tax Depreciation Expense				\$ 3,760,268
19	Accumulated Book Depreciation Expense				985,501
20	Accumulated Book - Tax Difference				\$ (2,774,767)
21					
22	Deferred Taxes at 37%				<u>\$ (1,026,664)</u>
23					
24	Tax Rates				
25	Ad Valorem Tax Rate	0.875%			
26	Income Tax Rate	38.90%			
27	State Tax Rate	6.00%			
28	Federal Tax Rate	35.00%			

ATMOS ENERGY CORPORATION
 KENTUCKY PIPE REPLACEMENT PROGRAM
 SURCHARGE CALCULATION OF FORCASTED ACTIVITY
 AS OF OCTOBER 2012 THROUGH SEPTEMBER 2013
 RATE DESIGN

Line Number	Class of Customers	Rate	Total	Total Dollars	Ratio	Customer / Volumetric Change Ratio	Revenue Increase by Class	Budgeted Volumes	Budgeted Customer Counts	Customer Charge	Volumetric Charge
1	RESIDENTIAL (Rate G-1)				60.83%		\$ 3,294,125	1,853,915		\$ 1.78	
2	FIRM BILLS	\$12.50	1,826,839	\$22,835,488		67.47%					
3	Sales: 1-300	1.1000	10,009,211	\$11,010,132		32.53%					
4	Sales: 301-15000	0.7700	0	\$0		0.00%					
5	Sales: Over 15000	0.5000	0	\$0		0.00%					
6	CLASS TOTAL (Mcf/month)		10,009,211	\$33,845,620							
7					24.35%		\$ 1,318,485	231,510		\$ 5.70	
8	NON-RESIDENTIAL (Rate G-1)										
9	FIRM BILLS	30.00	229,956	\$6,898,680		50.92%					
10	Sales: 1-300	1.1000	5,359,600	\$5,895,560		43.52%					
11	Sales: 301-15000	0.7700	977,389	\$752,589		5.56%					
12	Sales: Over 15000	0.5000	0	\$0		0.00%					
13	CLASS TOTAL (Mcf/month)		6,336,989	\$13,546,830							
14					0.35%		\$ 19,173	108		\$ 44.07	0.0570
15	INTERRUPTIBLE (G-2)										
16	INT BILLS	300.00	163	\$48,900		24.82%		252,887			
17	Sales: 1-15000	0.6300	235,076	\$148,098		75.18%					
18	Sales: Over 15000	0.4100	0	\$0		0.00%					
19	CLASS TOTAL (Mcf/month)		235,077	\$196,998							
20					6.74%		\$ 365,172	741		\$ 29.24	0.0522
21	TRANSPORTATION (T-3)										
22	TRANSPORTATION BILLS	300.00	742	\$222,600		5.93%		5,156,065			
23	Interrupt Transport: 1-15000	0.6300	4,388,043	\$2,764,467		73.68%		2,192,149			
24	Interrupt Transport: Over 15000	0.4100	1,865,617	\$764,903		20.39%		7,348,214			
25	CLASS TOTAL (Mcf/month)		6,253,660	\$3,751,970							
26					7.72%		\$ 418,329	1,453		\$ 28.33	0.0930
27	TRANSPORTATION (T-4)										
28	TRANSPORTATION BILLS	300.00	1,410	\$423,000		10.804%		485,860			
29	Firm Transport: 1-300	1.1000	422,154	\$464,370		75.509%		4,850,953			
30	Firm Transport: 301-15000	0.7700	4,214,899	\$3,245,473		3.846%		380,479			
31	Firm Transport: Over 15000	0.5000	330,591	\$165,295				5,717,291			
32	CLASS TOTAL (Mcf/month)		4,967,642	\$4,298,137							
33					100.00%		\$ 5,415,284	2,087,727			
34	Total Revenue			\$5,639,554							
35											
36											
37											

KY Revenue Requirement \$ 5,415,284

FOR ENTIRE SERVICE AREA

PSC KY NO. 1

FOURTH REVISED SHEET NO. 44

CANCELLING PSC KY NO.

THIRD REVISED SHEET NO. 44

Atmos Energy Corporation
(NAME OF UTILITY)

Pipe Replacement Program Rider

4. Pipe Replacement Rider Rates

The charges for the respective gas service schedules for the revenue month beginning October 1, 2012 per billing period are:

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$ 1.78		\$0.00	(I)
Rate G-1 (Non-Residential)	\$ 5.70		\$0.00	(I)
Rate G-2	\$44.07		\$0.0570 per 1000 cubic feet	(I,I)
Rate T-3	\$29.24	1-15000	\$0.0522 per 1000 cubic feet	(I,I)
		Over 15000	\$0.0340 per 1000 cubic feet	(I)
Rate T-4	\$28.33	1-300	\$0.0930 per 1000 cubic feet	(I,I)
		301-15000	\$0.0651 per 1000 cubic feet	(I)
		Over 15000	\$0.0423 per 1000 cubic feet	(I)

DATE OF ISSUE July 30, 2012
MONTH / DATE / YEAR

DATE EFFECTIVE October 1, 2012
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2011-00288 DATED September 7, 2011