

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In re: Petition to Open an Investigation to Determine)	
Whether Atmos Energy Corp. Should be Required by)	
the TRA to Appear and Show Cause That Atmos)	Docket No. 05-00258
Energy Corp. Is Not Overearning in Violation of)	
Tennessee Law and That it Is Charging Rates That Are)	
Just and Reasonable)	

**DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND PROTECTION
DIVISION TO TRA INVESTIGATIVE STAFF**

To: Tennessee Regulatory Authority Investigative Staff
c/o Gary Hotvedt
460 James Robertson Parkway
Nashville, TN 37243

This Discovery Request is hereby served upon the TRA Investigative Staff pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Vance Broemel, on or before August 4, 2006.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information and material available to the TRA Investigative Staff, as a party, whether it be the TRA Investigative Staff's, in particular, or knowledge, information or material possessed or available to the TRA Investigative Staff's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the TRA Investigative Staff which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that the TRA Investigative Staff supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term "you" shall mean and include: Tennessee Regulatory Authority Investigative Staff and all employees, agents and representatives thereof.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must

include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term "identity" and "identify" as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession,

custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such

information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

DISCOVERY REQUESTS

1. Please produce copies of all hearing exhibits that you will introduce, use, or reference during the Phase One hearing.

RESPONSE:

2. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- that support the factual assertions, conclusions, or opinions of Mr. Jerry Kettles in this matter.

RESPONSE:

3. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- relied upon by Mr. Jerry Kettles in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

4. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, and exhibits -- created by or for or prepared by or for Mr. Jerry Kettles in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

5. Please state whether the TRA Investigative Staff will take a position regarding the cost of capital and/or capital structure of Atmos Energy Corporation proposed during Phase One of this docket by the Consumer Advocate and Atmos Energy Corporation.

RESPONSE:

6. Please state in detail and provide all supporting grounds for any position taken by the TRA Investigative Staff regarding the cost of capital and/or capital structure of Atmos Energy Corporation proposed during Phase One of this docket by the Consumer Advocate and Atmos Energy Corporation.

RESPONSE:

7. Mr. Jerry Kettles testified: "Ultimately consumers are harmed by the inability of the firm to attract sufficient capital to finance facility improvements, safety upgrades, and expand service to new areas." Kettles Direct at 3.

a. If Mr. Kettles is aware of any facility improvements in Tennessee made by Atmos, identify for each: when the improvement was made, where the improvement was made, the

cost of the improvement, and the method of financing Atmos used to finance the improvement (e.g., internal funds, short-term borrowings, long-term borrowings, etc.).

b. Explain how the term “new” is defined as used on page 3, line 14 and identify the “new areas” in Tennessee that Atmos is serving.

c. If Mr. Kettles is aware of any safety upgrades in Tennessee made by Atmos, identify the safety upgrade, as well as where it was made and when it was made.

d. How far into the future is “ultimately” as used on page 3, line 14 (e.g., a month, a year, a decade, etc.).

RESPONSE:

8. Regarding Mr. Kettles’ testimony at page 5 lines 5-6 that “given Atmos’ history with respect to short-term debt, it is appropriate to exclude short-term debt from the company’s capital structure,” identify the duration of the “history” Mr. Kettles considered (e.g., was this “history” based on six months, one year, two years or more of information).

RESPONSE:

9. Regarding Mr. Kettles’ testimony at page 11 lines 8-9 that there is a “prevailing market return of 12.5%,” provide copies of the source, copies of the data, and show the calculations which lead to the 12.5%.

RESPONSE:

10. Regarding Mr. Kettles' testimony at page 10 lines 14-15 that he used "[beta] calculations from Value Line . . . they have been used by several witnesses," identify Mr. Kettles' efforts to make his own independent assessment of Value Line's betas and provide a copy of that effort, if it resulted in an analysis.

RESPONSE:

11. Regarding Mr. Kettles' testimony at page 13 lines 3-4 that he used "long-term forecasts of growth in earnings per share and dividends per share in my calculations," identify Mr. Kettles' efforts to make his own independent assessment of those forecasts and provide a copy of that effort, if it resulted in an analysis.

RESPONSE:

12. Regarding Mr. Kettles' testimony at page 2 lines 2-4 that his "testimony is a recommendation on the fair rate of return . . . based on . . . prevailing economic conditions," identify and explain all "prevailing economic conditions" affecting Mr. Kettles' recommendation of a "fair rate of return," and explain if there all differences, if any, between "prevailing economic conditions" and forecasted economic conditions.

RESPONSE:

13. Regarding Mr. Kettles' testimony at page 9 lines 34 that he "removed [certain companies] because they have an inconsistent history of dividend payments," provide an explanation of what Mr. Kettles considers as inconsistent dividend payments.

RESPONSE:

14. Regarding Mr. Kettles' Schedule JLK-6, if Mr. Kettles performed an analysis to examine the consistency of earnings per share history for the companies displayed, provide a copy of that analysis.

RESPONSE:

15. Refer to Mr. Kettles' Schedule JLK - 3 and either admit or deny the following:

a. Notes with a GS6M interest are more risky than notes with a GS20 interest rate.

RESPONSE:

b. The risk of a note with a GS6M interest is equal to the risk of a note with a GS20 interest rate.

RESPONSE:

c. The interest rate applied to a note is not related to the risk of the note.

RESPONSE:

Respectfully submitted,

Paul G. Summers
Attorney General
State of Tennessee

A handwritten signature in cursive script, reading "Vance L. Broemel", written over a horizontal line.

Vance L. Broemel, B.P.R. 11421
Senior Counsel

A handwritten signature in cursive script, reading "Joe Shirley", written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via U.S. mail, to:

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on this the 21st day of July, 2006.

Vance L. Broemel
Vance L. Broemel