

**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)
Energy Corp. Is Not Overearning in Violation of)
Tennessee Law and That it Is Charging Rates That Are)
Just and Reasonable)

Docket No. 05-00258

**SECOND DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND
PROTECTION DIVISION TO ATMOS ENERGY CORPORATION**

To: Atmos Energy Corporation
c/o Joe A. Conner
Misty Smith Kelley
Baker, Donelson, Bearman & Caldwell
1800 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1800

This Discovery Request is hereby served upon Atmos Energy Corporation, ("Atmos" or "Company"), 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 Company, as a party, whether it be Company's, in particular, or knowledge, information or material possessed or available to Company'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 Company which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Company 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: Atmos Energy Corporation 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.

SECOND DISCOVERY REQUESTS

PART I: QUESTIONS REGARDING WITNESSES AND DOCUMENTS

1. Please identify each person whom you expect to call as an expert witness at the Phase

One hearing in this docket, and for each such expert witness:

- (a) Identify the field in which the witness is to be offered as an expert;
- (b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;
- (c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;
- (d) Provide the grounds (including without limitation any factual bases) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (f) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement

letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;

- (g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- (h) Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

2. Please identify the name and location of all persons having knowledge of discoverable matters in this case.

RESPONSE:

3. Please produce copies of all documents referred to or relied upon in responding to these discovery requests.

RESPONSE:

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

RESPONSE:

5. 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 Atmos contends support the factual assertions, conclusions, or opinions of any Atmos witness in this matter.

RESPONSE:

6. 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 any Atmos witness in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

7. 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 any Atmos witness in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

PART II: QUESTIONS REGARDING COST OF CAPITAL

1. Provide a projection of the annual dividends per share to common stockholders Atmos will declare from 2007 through 2011.

RESPONSE:

2. Dr. Murry testified, "Recognizing that rates from this proceeding will be in effect for a number of years, I also recognized prices over a longer period of time" Murry Direct at 26, lines 2-4. Please provide the following documents and information:

a. Any Board minutes recorded from September 30, 2001 through July 21, 2006 and/or any other material in the possession of the Company or its agents, including consultants, where the Company or its agents discuss or consider the potential sale of Atmos's assets in Tennessee;

RESPONSE:

b. Any Board minutes recorded from September 30, 2001 through July 21, 2006 and/or any other material in the possession of the Company or its agents, including consultants, where the Company or its agents discuss or consider the potential issuance of common stock;

RESPONSE:

c. Atmos's own projections of its annual equity ratio for the fiscal years ending September 30 of the years 2007, 2008, 2009, 2010 and 2011;

RESPONSE:

d. Atmos's own projections of its new stock and debt issues for the fiscal years ending September 30 of the years 2007, 2008, 2009, 2010 and 2011;

RESPONSE:

e. Atmos's own projections of its annual earnings per share of common stock for the fiscal years ending September 30 of the years 2007, 2008, 2009, 2010 and 2011;

RESPONSE:

- f. Atmos's own projections of its dividends per share of common stock for the fiscal years ending September 30 of the years 2007, 2008, 2009, 2010 and 2011.

RESPONSE:

3. For all of Dr. Murry's schedules, please provide complete copies of the specific pages of source documents referenced by each schedule.

RESPONSE:

4. For Dr. Murry's Schedule DAM-23, please provide the data and calculations that led to the figure of "5.35%" shown under the column titled "Total Market Returns," and that led to the figure of "7.1%" shown under the column labeled "Equity Risk Premium," and that led to the several figures under the column labeled "Size Premium."

RESPONSE:

5. For Dr. Murry's Schedule DAM-24, please provide the data and calculations that led to the figure of "14.85%" shown under the column titled "Total Market Returns."

RESPONSE:

6. For Dr. Murry's Schedule DAM-14, provide the number of stockholders of record for each company displayed by each time period displayed.

RESPONSE:

7. Admit or deny the following: Atmos will lower its dividend payout ratio each year for the next few years until the payout ratio reaches 50% by 2009.

RESPONSE:

PART III: QUESTIONS REGARDING OPERATIONS

1. What percentage of ATMOS Customers in Tennessee are served from the Johnson City Office?

RESPONSE:

2. Does ATMOS agree that “Office” can mean either a “Commercial” or “Operating” Office; i.e. a “Commercial Office” (where customers can pay bills, request new or discontinue service, have questions about their bills answered and corrected and “Operating Office” (from which Meter Reading, Service and Construction Department personnel are dispatched)?

RESPONSE:

3. Using the definition above, how many “Commercial” and “Operating Offices” does ATMOS have in Tennessee?

RESPONSE:

4. Does ATMOS have any summary explaining the number of customers serviced by the Johnson City office?

RESPONSE:

5. Please admit or deny if ATMOS - United Cities ever had a "Commercial Office" located at 830 Memorial Blvd., in Murfreesboro.

RESPONSE:

5(a). If this location ever served as a "Commercial Office" please explain when that function was terminated at that location.

RESPONSE:

6. Admit or deny if ATMOS has ever provided "Commercial Office" services from your current "Operating Office" located at 334 W. Lokey in Murfreesboro, TN?

RESPONSE:

6(a). If the 334 W. Lokey location was ever served "Commercial Office" services, please explain when that function was terminated at that location.

RESPONSE:

7. Admit or deny if ATMOS has removed the "Commercial Office" function from Murfreesboro, TN?

RESPONSE:

8. If so, please explain why these services were terminated in Murfreesboro.

RESPONSE:

9. Under what circumstances would ATMOS entertain the opening of a, “Johnson City”-type “Commercial Office” in Murfreesboro?

RESPONSE:

10. In response to CAPD Data Request #1, Part II, Question 12 requesting ATMOS employee count by month for Tennessee and contiguous states please explain those positions (and job functions) removed from Tennessee from June, 1999 (388 employees) to June, 2006 (210 employees) or a reduction of 178 employees or 46%.

RESPONSE:

10(a). In the light of this reduction in employees, please explain your comment on page 11: “As explained earlier in my testimony, contrary to the comments made in the media and at the meeting, the Company has not closed any local offices in the Murfreesboro area, nor has the Company downsized employees”.

RESPONSE:

10(b). Please explain the follow comment: “Atmos’ Murfreesboro office has been at the same location for more than 20 years and has maintained the same number of local employees”.

RESPONSE:

11. Please explain how Tennessee consumers are being provided the same quality service today as compared with 1999 services?

RESPONSE:

12. Mr. Paris, regarding your comments on page 7 (ATMOS Commitment To Customer Service) one understands without effective service metrics and reporting on a regular basis, regulators, customers, and others cannot adequately, independently verify ATMOS' service assertions; in this light, would ATMOS agree to Service Metrics and reporting for Call Center, Field Services, Construction, and Meter Reading on a regular basis?

RESPONSE:

PART IV: QUESTIONS REGARDING MAIN REPLACEMENT

1. Please provide the replacement detail encompassing the replacement of mains replaced per year; i.e., feet (miles) replaced, replacement cost per foot, total removal cost, and total expenditures through the 10 year process.

RESPONSE:

2. Please explain the "recovery mechanism surcharge procedure"; i.e., would the procedure be similar to "an expense" (or immediate recovery) or a "rate base" recovery (replaced over time)? That is, explain in more detail what ATMOS means by "that the actual replacement cost be determined annually and a recovery mechanism (surcharge collect those costs over the next 12 months)."

RESPONSE:

3. Please explain the accounting treatment for depreciation in the mechanism.

RESPONSE:

4. Would the surcharge apply to “new business plant” or just “replaced plant”; i.e., if a 6” main is replaced with a 10” main to help serve new growth, is ATMOS preparing to recover the cost of the 10” line?

RESPONSE:

5. Explain the “verification process” to be conducted by the TRA Audit Staff as the pipe is replaced insuring that no “appropriate ” plant is incorporated in the surcharge, how costs are verified for payroll expense to insure no double-counting of expense vs. capital recovery.

RESPONSE:

6. Please explain the “true- up” provision process including the audit process.

RESPONSE:

7. Please explain why traditional recovery of “used and useful” plant could not be applicable with this on-going replacement similar to the process utilized by Nashville Gas in their recent completion of their bare steel/cast iron main not utilizing a surcharge?

RESPONSE:

PART V: QUESTIONS REGARDING NUMBER OF TENNESSEE EMPLOYEES

1. Please provide the correct number of Atmos “Tennessee Employees” and explain the reason for previously reporting two sets of numbers of “Tennessee Employees,” i.e., the 210 “Tennessee Employees” for ATMOS (as originally reported via email** from Ms. Childers to

Michael Chrysler on 7/18/06 in response to CAPD Data Request #1, Question 12) and the 155

“Tennessee Employees” used for company payroll expense.

** E-mail explanation of the two numbers sent via email from Ms. Childers to Michael Chrysler 7/20/06:

“To clarify, the number given in response to 12 included those employees physically located in TN that work for Mid States, also included are Becky Buchanan and Allen Ashburn, considered shared service out of Dallas, but they are located here. Also are the Gas Control folks which are down in Franklin but are technically shared service and the Atmos Energy Services folks which are not utility but are located in Franklin as well. In contrast to information provided relative to titles and salaries, that only included UTILITY employees (TN town employees, Cool Springs, Regional offices).”

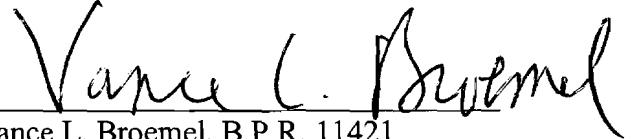
RESPONSE:

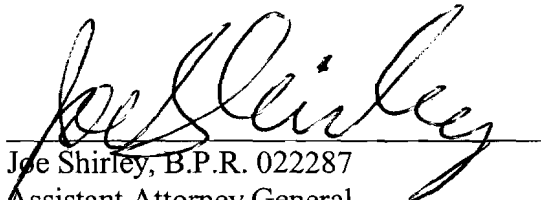
2. Please provide a revised response reconciling the two (2) sets of employees (referenced above) by State, By Month, by Year for ATMOS originally provided in response to CAPD Data Request #1, Part II, Question 12.

RESPONSE:

Respectfully submitted,

Paul G. Summers
Attorney General
State of Tennessee


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


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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 Broemel