

**IN 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) Docket No. 05-00258
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)

**ATMOS ENERGY CORPORATIONS FIRST REQUESTS FOR
INFORMATION FROM THE CAPD**

DEFINITIONS

A. **“PERSON(S)”** means all individuals and entities, including, without limitation, individuals, sole proprietorships, associations, companies, partnerships, joint ventures, corporations, authorities, and government or municipal entities.

B. **“Or”** means “and/or.” **“And”** means “and/or.”

C. **“STAFF”** shall mean the Tennessee Regulatory Authority staff, and each of its attorneys, agents, representatives, employees, subsidiaries, accountants, analysts, economists, and any other PERSONS acting or purporting to act on its behalf.

D. **“CAPD”** shall mean the Consumer Advocate and Protection Division of the Attorney General’s Office, and each of its attorneys, agents, representatives, employees, subsidiaries, accountants, analysts, economists, and any other PERSONS acting or purporting to act on its behalf.

E. **“INTERVENTION GROUP”** shall mean the Intervention Group, represented by Henry Walker of Boulton Cummings Connors & Berry P.L.C. and consisting of Berkline and Koch Foods and all attorneys, agents, representatives, staff, employees, subsidiaries, accountants, and any other PERSONS or entities acting or purporting to act on behalf of the INTERVENTION GROUP, Berkline, and Koch Foods.

F. **“ATMOS”** shall mean Atmos Energy Corporation and all attorneys, agents, representatives, staff, employees, subsidiaries, accountants, and any other PERSONS or entities acting or purporting to act on the ATMOS’ behalf.

G. **“REFER(S) TO”** or **“RELATE(S) TO”** or **“RELATING TO”** mean to be in any way logically or factually connected with the matter stated in describing the document or information, including, but not limited to, referring to, sharing, describing, concerning, containing, embodying, evidencing, analyzing, supporting, identifying, stating, reflecting, contradicting, rebutting, inconsistent with, dealing with, bearing upon, or in any way pertaining to, directly or indirectly.

H. Terms in the plural include the singular, and terms in the singular include the plural.

I. Terms referring to a gender include all genders.

J. The term **“COMPUTER FILES”** means all computer files and written, recorded, and graphic materials of every kind in your possession, custody or control and includes any medium upon which intelligence or information can be recorded or retrieved, electronic correspondence, and drafts of documents, copies of documents that are not identical duplicates of the originals, and copies of the documents the originals of which are not in your possession, custody or control. The term “computer files” includes, but is not limited to, information stored

in, or accessible through, computer or other information retrieval systems. The term “computer files” includes documents that exist in machine-readable form, including documents stored in personal computers, portable computers, workstations, minicomputers, mainframes, servers, backup disks and tapes, archived disks and tapes, CD Rom, worm drives, DVD drives, and other forms of offline storage, whether on or off your premises. Electronic mail messages should also be provided, even if only available on backup or archived tapes or disks. The computer files shall be printed and produced in hard copy and produced in machine-readable form, together with instructions and all other materials, means and devices necessary to use, gather, or interpret the data or format of the computer files.

K. “**DOCUMENT**” means any medium upon which intelligence or information can be recorded or retrieved, and includes, without limiting the generality of the foregoing, COMPUTER FILES and every writing or record of every type and description in your possession, custody or control, or in the possession, custody or control of your attorneys or agents, including, but not limited to, the original and each copy, regardless of origin and location, of any COMPUTER FILES; correspondence; letter; memorandum; invoice; bill; order form; receipt; financial statement; depreciation schedule; appraisal; accounting entry; diary; calendar; travel calendar; telex; telegram; notes or sound recording of any type of personal or telephone conversation or of meetings or conferences; cable; report; record; study; analysis; results of investigation; review; contract; agreement; deed; financing statement; continuation statement; termination statement; loan inquiry or request; loan approval; loan commitment; list of inventory, equipment, materials, supplies, property or assets of any nature or type; statistical record; ledger; book of accounts; voucher; travel voucher; bank check (whether canceled or otherwise); invoice; stenographer notebook; desk calendar; appointment book; diary; expense account record; handwritten note;

chart; paper; print; drawing; sketch; index; list; tape; photograph; microfilm; data sheet or data processing card; discovery responses, TRA filings, testimony, working papers, spreadsheets, tariffs, drafts and rate filings; or papers similar to any of the foregoing; or any other written, recorded, 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.

L. **“IDENTIFY”** when used with respect to a DOCUMENT(s) or written communication means:

1. Specify the nature of the DOCUMENT (e.g., letters, memoranda, press release, written agreements, telegrams, etc.);
2. State the date, if any, appearing on the DOCUMENT when it was prepared;
3. Identify each PERSON who wrote, signed, dictated, or otherwise participated in the preparation of the DOCUMENT;
4. Identify each PERSON, if any, who was an addressee of the DOCUMENT or otherwise received a copy of the DOCUMENT;
5. If it now exists, identify each PERSON having custody of the DOCUMENT;
6. State when and how it came to be in your possession or subject to your control; and,
7. State the substance of the information contained in the DOCUMENT or communication. If such DOCUMENT was, but no longer is, in your possession or subject to your control, state what disposition was made of it.

M. **“IDENTIFY”** when used with respect to a PERSON or PERSONS means:

1. State the name, address(es), and day-time telephone number(s) of such PERSON; and
2. Note the name of the present employer(s) and job title, if any, of such PERSON.

REQUESTS

REQUEST NO. 1. PRODUCE all DOCUMENTS related to the ATMOS Show Cause Petition, the Staff investigative report, or to these proceedings which were exchanged by and between any member of one or more of the following: (i) the CAPD, (ii) the STAFF, and/or the INTERVENTION GROUP. This request includes all DOCUMENTS, as defined above, including e-mails, correspondence, notes, memoranda, drafts, edits, and other COMMUNICATIONS between or among the foregoing PERSONS.

ANSWER:

QUESTIONS TO CAPD WITNESS MICHAEL D. CHRYSLER

REQUEST NO. 2. Please produce all DOCUMENTS that you (Michael D. Chrysler) relied upon, referenced, created, or otherwise reviewed in preparation of your testimony. This request includes all work papers, reference sources, financial information, discovery responses, e-mails and other materials. Please produce working Microsoft Excel files for all work papers and exhibits.

ANSWER:

REQUEST NO. 3. Produce copies of DOCUMENTS constituting any testimony (whether prefiled testimony or transcripts of live testimony) which you have given before the Tennessee Regulatory Authority.

ANSWER:

REQUEST NO. 4. For each gas rate case in which you have been involved in any capacity, please IDENTIFY:

- (i.) The date of the Order; and
- (ii.) The attrition year used.

ANSWER:

REQUEST NO. 5. On page 15 of your testimony, you state that “[p]roductivity’ or ‘doing the same or better job with fewer people’ is often at odds with service quality. Often times [sic] a company can be more ‘productive’ but the quality of the work being performed is poorer.” Please produce all facts and other evidence that supports this assertion, as well as any pages and specific references of any treatises, textbooks, articles, caselaw, published studies or other authoritative texts that support this assertion.

ANSWER:

REQUEST NO. 6. How many call centers does ATMOS have?

ANSWER:

REQUEST NO. 7. Have you ever visited either (a) an ATMOS call center or (b) any company call center? If so, please IDENTIFY which call centers you have visited, when you visited them, and under what circumstances you visited the call center.

ANSWER:

REQUEST NO. 8. On page 7 of your testimony, you IDENTIFY certain standards and metrics for service quality that you are recommending, including (i) “80% of all answered within 20 seconds’ standard,” (ii) Customer Service (Call Center), (iii) Service Department Construction, and (iv) Meter Services Departments. These metrics are also referenced on page 3 of your testimony. Other than the four mentioned above, are there any other metrics that you would like measured? Please define each metric that you would like measured and IDENTIFY the reasons you believe it should be measured.

ANSWER:

ANSWER:

REQUEST NO. 9. On page 9 of your testimony, you state that “[t]he ‘Town Meeting’ clearly demonstrated a perceived customer need for face-to-face customer contact in Tennessee. ATMOS needs to work with the TRA, customers, and the Consumer Advocate Division to develop a response to the perceived customer service need.” Did you personally attend the “Town Meeting”? Who else from the CAPD attended? Did you hear the statements made by Roger Nash that ATMOS’s offices were at the same location and open?

ANSWER:

REQUEST NO. 10. Including the “Town Meeting” you reference on page 9 of your testimony, how many town meetings are you aware of which were held in Tennessee? For each such “town meeting” please IDENTIFY:

- (i.) When it took place;
- (ii.) Where it took place;
- (iii.) How many ATMOS customers were in attendance;
- (iv.) Who from the STAFF and/or the CAPD was in attendance;
- (v.) Who organized it;
- (vi.) How you verified that any comments gathered at one town meeting compared to the perception of ATMOS state-wide in Tennessee;
- (vii.) Whether any follow-up communications were made with any participants; and
- (viii.) Produce all DOCUMENTS RELATING OR REFERRING TO each town meeting.

ANSWER:

REQUEST NO. 11. IDENTIFY the following information relating to how customers of ATMOS pay their bill:

- (i.) How many ATMOS Tennessee customers pay their bill by mailing a check each month;
- (ii.) How many ATMOS Tennessee customers pay their bill online each month;
- (iii.) How many ATMOS Tennessee customers pay their bill by bank draft each month; and
- (iv.) How many ATMOS Tennessee customers pay their bill in person at a payment center each month
- (v.) What evidence does you have that a majority (or any specific percentage of) customers prefer to pay their gas bills (or any bill) in person; and
- (vi.) How many of your personal monthly bills does you yourself pay in-person at the office of the provider of the service?

ANSWER:

REQUEST NO. 12. On page 8 of your testimony you state that “ATMOS has no ‘Walk-In Traffic’.” Please IDENTIFY each and every fact that supports your contention that ATMOS has no walk-in traffic. PRODUCE all documents that support this statement.

ANSWER:

REQUEST NO. 13. In your testimony, on pages 2 and 4, you “urge[d] the TRA to order the Company to continue its 45,000 feet per year replacement (as expressed in CAPD Exhibit MDC AA) until bare steel mains and services are replaced in Tennessee.” Please IDENTIFY where in the CAPD’s suggested rate structure the money to pay for this mandatory program is included.

ANSWER:

REQUEST NO. 14. Do you agree that if the TRA has mandatory programs, there must be cost recovery mechanisms in place to avoid lag? If not, please explain why not.

ANSWER:

REQUEST NO. 15. Please produce all information and DOCUMENTs that you relied on for your suggestion that the TRA investigate ATMOS shut-off procedures. These DOCUMENTs should include any collection policies that you have in your possession, custody or control. Please IDENTIFY all facts which form the basis of your conclusion that ATMOS did not comply with the commitment made by the Company to the TRA.

ANSWER:

REQUEST NO. 16. Please produce all DOCUMENTS that you relied upon, referenced, created, or otherwise reviewed in preparation of your testimony. This request includes all work papers, reference sources, financial information, discovery responses, and other materials. Please produce working Microsoft Excel files for all work papers and exhibits.

ANSWER:

REQUEST NO. 17. IDENTIFY all representatives, employees, and other agents of ATMOS with whom you had any discussions about your testimony. Specifically, please IDENTIFY any PERSON at ATMOS that you contacted to either verify or refute any of the statements in your testimony.

ANSWER:

QUESTIONS TO CAPD WITNESS DAN MCCORMAC

REQUEST NO. 18. Produce copies of DOCUMENTS constituting any testimony (whether prefiled testimony or transcripts of live testimony) which you have given before the Tennessee Regulatory Authority.

ANSWER:

REQUEST NO. 19. Please produce all DOCUMENTS that you (Dan McCormac) relied upon, referenced, created, or otherwise reviewed in preparation of your testimony. This request includes all work papers, reference sources, financial information, discovery responses, e-mails and other materials. Please produce working Microsoft Excel files for all work papers and exhibits.

ANSWER:

REQUEST NO. 20. On page 1 of your testimony, you stated that "I used several months to determine a reasonable estimate for gross profits for the 12 months ending September 30, 2006." Explain why you believe the use of 12 months ended September 30, 2006 is appropriate for these proceedings. Please produce all facts and other evidence that supports the appropriateness of this attrition year, as well as any pages and specific references of any treatises, textbooks, articles, caselaw, published studies or other authoritative texts that support use of this attrition year.

ANSWER:

REQUEST NO. 21. In your 30 years of experience, including serving “sixteen years with the Tennessee Public Service Commission, including one year as Technical Assistant to the Commissioners,” serving “two years as Chief of Energy and Water at the Tennessee Regulatory Authority (“TRA”),” and serving “ten years with the Office of the Attorney General,” please IDENTIFY:

- (i.) The TRA’s policies and procedures during that time with regard to the appropriate attrition year to be used in setting rates;
- (ii.) Any case in which the TRA used an attrition year that was not forward looking from the date of the order; and
- (iii.) Provide copies of any testimony which you presented during those 30 years where you have testified on an attrition year.

ANSWER:

REQUEST NO. 22. For each gas rate case in which you have been involved in any capacity, please IDENTIFY:

- (i.) The date of the Order; and
- (ii.) The attrition year used.

ANSWER:

REQUEST NO. 23. On page 2 of your testimony, you state that “[f]orfeited discount revenues for the year ended March 31, 2006 were .75% of revenues.” Please define “forfeited discount revenues” and IDENTIFY each basis for your use of a separate adjustment to account for these revenues.

ANSWER:

REQUEST NO. 24. On Exhibit DM5, you have a CPD Projection of 25% for “Public Authority” 12 month average customers. Please IDENTIFY your basis for this projection and explain what it is.

ANSWER:

REQUEST NO. 25. Did you incorporate any adjustments in your calculations to account for declining usage? Why or why not?

ANSWER:

QUESTIONS FOR CAPD WITNESS TERRY BUCKNER

REQUEST NO. 26. Refer to pages 4 through 6 of Mr. Buckner’s testimony. Please explain why Mr. Buckner bases O&M labor on employee levels as of March 2006 and latest wage rates but bases overtime and capitalization percentages on the twelve months ended September 30, 2005.

ANSWER:

REQUEST NO. 27. Refer to pages 4 through 6 of Mr. Buckner's testimony. Provide a detailed reconciliation of labor related data on work papers pages 3 through 12 to data provided in source files referenced in footnote 6 of page 5 of Mr. Buckner's testimony.

ANSWER:

REQUEST NO. 28. Refer to page 7 of Mr. Buckner's testimony. Provide a detailed reconciliation of the LTIP data on work paper pages 173 and 215 to the responses in MFRs #38 and #57.

ANSWER:

REQUEST NO. 29. Refer to pages 9 through 10 of Mr. Buckner's testimony. Mr. Buckner references a number of rate case decisions related to pension expense from the time period of 1987 through 1996. Please provide a list of all cases from October 1996 to the present where pension expense accruals were denied by the regulatory authority in Tennessee.

ANSWER:

REQUEST NO. 30. Refer to pages 9 through 10 of Mr. Buckner's testimony. For the cases referenced on page 9 please provide the actual pension contributions in the test year in each case and the FAS expense for the test year in each case.

ANSWER:

REQUEST NO. 31. Refer to pages 9 through 10 of Mr. Buckner's testimony. If a utility made a large contribution, much larger than the FAS expense, in the test year in a rate case would Mr. Buckner propose that the entire amount of the contribution be included as pension expense in the cost of service in that case? If not, explain? If the utility made no contribution in the next year because the pension plan was fully funded and filed another rate case based on that test year would Mr. Buckner recommend that no cost be included as pension expense in the cost of service in that case? If not, explain?

ANSWER:

REQUEST NO. 32. Refer to pages 9 through 10 of Mr. Buckner's testimony. For what other expense items, in addition to pension expense, does Mr. Buckner believe that it is appropriate to deviate from accrual accounting as required by the uniform system of accounts and use a cash basis for ratemaking? Produce all facts and other evidence that supports his position, as well as any pages and specific references of any treatises, textbooks, articles, caselaw, published studies or other authoritative texts that support such position.

ANSWER:

REQUEST NO. 33. Refer to pages 9 through 10 of Mr. Buckner's testimony. Please provide a list of FERC accounts for which Mr. Buckner believes that accrual accounting does not or should not apply for ratemaking purposes. Produce all facts and other evidence that supports his position, as well as any pages and specific references of any treatises, textbooks, articles, caselaw, published studies or other authoritative texts that support such position.

ANSWER:

REQUEST NO. 34. Refer to pages 9 through 10 of Mr. Buckner's testimony. Does Mr. Buckner agree that deviations from accrual accounting for ratemaking such as he proposes for pension expense create concerns about intergenerational equity among ratepayers? If not, explain?

ANSWER:

REQUEST NO. 35. Refer to page 10 of Mr. Buckner's testimony. Why did Mr. Buckner elect to calculate his composite depreciation rate on a partial year, the six months ended March 2006, rather than a full year such as the twelve months ended March 2006?

ANSWER:

REQUEST NO. 36. Refer to page 10 of Mr. Buckner's testimony. Provide a detailed calculation showing how much depreciation expense related to assets in each of Company 10, Service Area 88000, Service Area 90000 and Service Area 91000 that Mr. Buckner has included in his recommended depreciation expense of \$11,055,705.

ANSWER:

REQUEST NO. 37. Refer to pages 11 through 13 of Mr. Buckner's testimony. Provide a detailed calculation showing the amount of DOT Transmission fees that Mr. Buckner has included in his recommended taxes other than income taxes expense of \$5,543,454.

ANSWER:

REQUEST NO. 38. Refer to pages 11 through 13 of Mr. Buckner's testimony. Provide a detailed calculation showing the amount of taxes other than income taxes for each of Company 10, Service Area 88000, Service Area 90000 and Service Area 91000 that Mr. Buckner has included in his recommended taxes other than income taxes expense of \$5,543,454.

ANSWER:

REQUEST NO. 39. Refer to pages 11 through 13 of Mr. Buckner's testimony. Provide a detailed reconciliation and explanation of differences between the amounts for net plant in service and materials and supplies in the calculation of Franchise Tax for 2006 on work paper page 188 and the amounts for net plant in service and materials and supplies in the calculation of Franchise Tax for 2005 on work paper page 188.

ANSWER:

REQUEST NO. 40. Refer to pages 11 through 13 of Mr. Buckner's testimony. Provide a reconciliation of each of the monthly changes from March 2006 through September 2006 in construction work in progress as shown on DR #36 with each of the monthly changes from March 2006 through September 2006 in gross plant in service as shown on RB-PLANT1. Explain how the decline in construction work in progress from March through September due to completing projects is reflected in the changes in gross plant.

ANSWER:

REQUEST NO. 41. Refer to Exhibit CAPD Schedule 3. Provide a detailed calculation and explanation of the \$496,676 for 6 months growth referenced in footnote A.

ANSWER:

REQUEST NO. 42. Refer to Exhibit CAPD Schedule 3. Provide all analysis performed by Mr. Buckner to verify that the per books gross margin for the 12 months ended March 31, 2006 was a reasonable estimate of ongoing gross margins. Specifically IDENTIFY any analysis that considered the change in seasons at the end of the 12 month period and the estimated unbilled revenue included in the per books gross margins. Also IDENTIFY any analysis that compared gross margins for the 12 months ended March 31, 2006 with any other periods such as the 12 months ended April 30, 2006.

ANSWER:

REQUEST NO. 43. Refer to CAPD Workpapers Page 13 through 77. Provide all similar analysis performed by Mr. Buckner on Shared Services (Company 10), Division 91, Division 90 and Division 88.

ANSWER:

REQUEST NO. 44. Please produce all DOCUMENTS that you (Terry Buckner) relied upon, referenced, created, or otherwise reviewed in preparation of your testimony. This includes all work papers, reference sources, financial information, discovery responses, e-mails and other materials. Please produce working Microsoft Excel files for all work papers and exhibits.

ANSWER:

REQUEST NO. 45. For each gas rate case in Tennessee which you have been involved in any capacity, please IDENTIFY:

- (i.) The date of the Order; and
- (ii.) The attrition year used.

ANSWER:

QUESTIONS FOR CAPD WITNESS STEVE BROWN

REQUEST NO. 46. Please produce all DOCUMENTS that you (Steve Brown) relied upon, referenced, created, or otherwise reviewed in preparation of your testimony. This request includes all work papers, reference sources, financial information, discovery responses, e-mails and other materials. Please produce working Microsoft Excel files for all work papers and exhibits.

ANSWER:

REQUEST NO. 47. Produce copies of DOCUMENTS constituting any testimony (whether prefiled testimony or transcripts of live testimony) which you have given before the Tennessee Regulatory Authority.

ANSWER:

REQUEST NO. 48. Do you believe that the use of 12 months ended September 30, 2006 is appropriate for these proceedings? If so, please explain why. Please produce all facts and other evidence that supports the appropriateness of this attrition year, as well as any pages and specific references of any treatises, textbooks, articles, caselaw, published studies or other authoritative texts that support use of this attrition year.

ANSWER:

REQUEST NO. 49. On page 27 of your testimony, you state that since 1995 you have served as “an economist in the Consumer Advocate and Protection Division (CAPD) of the

Attorney General's Office," you "have also appeared as a witness for CAPD in several cases before the Tennessee Regulatory Authority." Please IDENTIFY:

- (i.) The TRA's policies and procedures with regard to the appropriate attrition year to be used in setting rates;
- (ii.) Any case in which the TRA used an attrition year that was not forward looking from the date of the order; and
- (iii.) Provide copies of any testimony which you presented during those years where you have testified on an attrition year.

ANSWER:

REQUEST NO. 50. For each gas rate case in which you have been involved in any capacity, please IDENTIFY:

- (i.) The date of the Order; and
- (ii.) The attrition year used.

ANSWER:

REQUEST NO. 51. On page 2, lines 9 through 14 of the Direct Testimony of CAPD Witness Steve Brown, he states: “In my opinion Tennessee’s ratepayers are obliged to fund ATMOS’ investments through a return to equity motivated by wealth-creation through dividends rather than wealth-creation through capital-gains speculation.”

- (i.) Does Dr. Brown offer this as an interpretation of Tennessee law regarding allowed returns for public utilities?
- (ii.) Is it Dr. Brown’s opinion that utility investors do not anticipate share price appreciation when they choose to invest in utility stocks?
- (iii.) What is Dr. Brown’s definition of the phrase “capital-gains speculation?”
- (iv.) Please provide any citations for the source of the definition in (c) of “capital gains speculation.”
- (v.) Is it Dr. Brown’s opinion that “capital-gains speculation” is the same as “expectations of capital-gains appreciation?”
- (vi.) Assuming that a natural gas company must sell common stock to raise capital in order to increase capacity to serve a new large industrial customer, is it Dr. Brown’s opinion that the owners of these new shares should not receive a return on their investment until the utility collects revenues from the new customer?
- (vii.) If analysis demonstrates that adding the new customer in (f) will lower the rates to residential customers, would Dr. Brown’s answer in (f) be the same?

ANSWER:

REQUEST NO. 52. On page 3, lines 3 through 5 of the Direct Testimony of CAPD Witness Steve Brown, you state: "In my opinion the best forecast of future financial performance is past performance."

- (i.) Does Dr. Brown believe that the current financial bankruptcy status of Enron was predictable from the earlier financial statistics reported by Enron?
- (ii.) Please provide any studies analyses, academic publications, or treatises that support Dr. Brown's opinion that "the best forecast of future financial performance is past performance."

ANSWER:

REQUEST NO. 53. On page 3, lines 12 through 15 of the Direct Testimony of CAPD Witness Steve Brown, he states: "My Schedule 2 places into the record the fair-warning that ATMOS gives to investors and consumers. Having issued its warning, ATMOS is to be taken at its word."

- (i.) Is it Dr. Brown's opinion that ATMOS Energy offers the "fair-warning" he "places into the record" in Schedule 2 as a courtesy to its shareholders and potential investors?
- (ii.) Is it Dr. Brown's opinion that ATMOS Energy has no legal obligation to make the "fair-warning" he "places into the record" in Schedule 2?
- (iii.) Is it Dr. Brown of the opinion that ATMOS Energy is unique in that it is the only publicly traded firm to provide the "fair-warning" he "places into the record" in Schedule 2?

ANSWER:

REQUEST NO. 54. On page 5, lines 13 through 19 of the Direct Testimony of CAPD Witness Steve Brown, he states: "In fact, the Federal Reserve Board's transcript from its Open

Market Committee Meeting of March 22, 1994 says in part at page 40: Everything we know about markets is that abnormal rates of return, especially those built on capital gains, cannot persist.”

- (i.) Does Dr. Brown know what the Standard & Poor’s 500 index closed at on March 22, 1994? If so, please provide that value. If not, so state.
- (ii.) Does Dr. Brown know what the Standard & Poor’s 500 index closed at on March 22, 2006? If so, please provide that value. If not, so state.
- (iii.) Is Dr. Brown of the opinion that the difference between the two value in parts a & b is the result of returns in form of dividends or “capital-gains speculation?”

ANSWER:

REQUEST NO. 55. On page 7, lines 7 through 8 of the Direct Testimony of CAPD Witness Steve Brown, he states, “Each form 10-K has the benefit of being audited.” Is Dr. Brown of the opinion that the 10-K form itself is audited?

ANSWER:

REQUEST NO. 56. 6. On page 8, lines 21 through 23 of the Direct Testimony of CAPD Witness Steve Brown, he states, “In my opinion the DCF is a sound model, not easily construed to give results far from the mainstream.”

- (i.) Please provide Dr. Brown’s definition of “the mainstream” in this context.
- (ii.) Please provide Dr. Brown’s definition of “easily construed” in this context.

ANSWER:

REQUEST NO. 57. On page 5, lines 13 through 19 of the Direct Testimony of CAPD Witness Steve Brown, he states: “My Schedule 11 displays certain comments at the NASDAQ

website regarding the S&P 500 index and the NYSE Composite Index, which I note that ATMOS has relied on in the past.” Please indicate which of Dr. Brown’s “comparable companies” noted on page 6, lines 15 through 21 trade publicly on the NASDAQ?

ANSWER:

REQUEST NO. 58. On page 16, lines 32 through page 17, line 2 of the Direct Testimony of CAPD Witness Steve Brown, he states “ATMOS has said in its most recent SEC 10-K that its bonds are ‘investment grade’, which corresponds to ‘triple A’ or ‘AAA’ rating.”

- (i.) Is it Dr. Brown’s opinion that a “double A” or “AA” rating is not “investment grade”? If yes, please provide citations confirming this opinion.
- (ii.) Is it Dr. Brown’s opinion that a “single A” or “A” rating is not “investment grade”? If yes, please provide citations confirming this opinion.
- (iii.) Is it Dr. Brown’s opinion that a “triple B” or “BBB” rating is not “investment grade”? If yes, please provide citations confirming this opinion.
- (iv.) Is it Dr. Brown’s opinion that ATMOS Energy’s bonds are rated “triple A” or “AAA?”

ANSWER:

REQUEST NO. 59. On page 19, lines 18 through 22 of the Direct Testimony of CAPD Witness Steve Brown, he states: "In my Schedule 16 the figure of 9.93% contrasts with figure of 12.39%, which is an 'arithmetic average' of percentage changes, otherwise known as a 'fool's gold' calculation."

- (i.) Please provide all citations that describe the arithmetic average as a "fool's gold" calculation.
- (ii.) Is it Mr. Brown's opinion that the arithmetic average of a distribution of percentage returns to common equity are "fool's gold" calculation?
- (iii.) If the answer to (b) is yes, please explain citations of any supporting research or publications.

ANSWER:

REQUEST NO. 60. On page 6, lines 16 through 21 of the Direct Testimony of CAPD Witness Steve Brown, he identifies a group of companies. What are the current estimated 2006 returns on common stock equity for each of these companies? Please provide copies of any DOCUMENTs used to compile this information.

ANSWER:

REQUEST NO. 61. On page 8, line 15, of the Direct Testimony of CAPD Witness Steve Brown, he reports that an 8% return is a “reasonable equity return.”

- (i.) Please provide any evidence and citations supporting the conclusion that 8% is a reasonable equity return.
- (ii.) What gas distribution utilities in the U. S. reported common stock earnings of 8% or less in the year 2005. Please provide all supporting evidence for this answer.
- (iii.) What gas distribution utilities in the U. S. are analysts reporting expected returns on common stock of 8% or less in the year 2005. Please provide all supporting evidence for this answer.

ANSWER:

REQUEST NO. 62. Please IDENTIFY each and every reason why your testimony differs from the testimony on STAFF in this case on the issue of the revenue surplus. For instance, please IDENTIFY why:

- (i.) **Your calculated Rate of Return for ATMOS of 6.564%** (with a Rate of Equity of 8%, a Long Term Debt Rate of 5.52%, and Short Term Debt Rate of 5.09%) **is more appropriate than the Rate of Return calculated by Mr. Kettles of 7.916%** (with a Rate of Equity of 10.75% and Long Term Debt Rate of 5.77%); and
- (ii.) **Your capital structure** (44.3% Equity, 43.1% Long Term Debt, and 12.6% Short Term Debt) **is more appropriate than the capital structure used by Mr. Kettles** (56.91% Equity, 43.09% Long Term Debt, and no Short Term Debt).

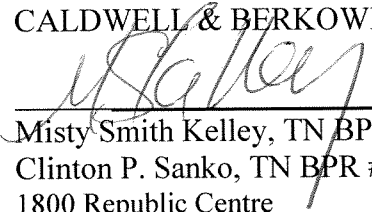
ANSWER:

REQUEST NO. 63. Does any other cost of capital witness or any state regulatory commission employ Dr. Brown’s methodology for the calculation of “raw betas”? If yes, please provide copies of orders and testimony referencing such calculations.

ANSWER:

Respectfully Submitted,

BAKER, DONELSON, BEARMAN
CALDWELL & BERKOWITZ



Misty Smith Kelley, TN BPR # 19450

Clinton P. Sanko, TN BPR # 023354

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been e-mailed or faxed and mailed to the following parties of interest this 21st day of July, 2006.

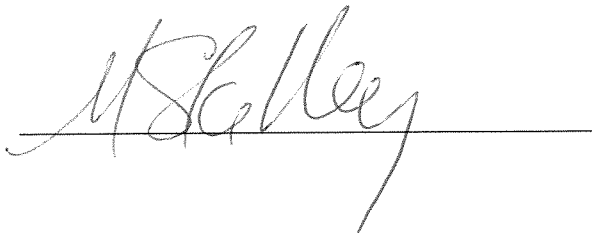
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A handwritten signature in cursive script, appearing to read "M. S. Kelly", is written over a horizontal line.