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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 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

ATMOS ENERGY CORPORATION'S RESPONSES TO THE SECOND JOINT DISCOVERY REQUESTS OF TRA INVESTIGATIVE STAFF AND CONSUMER ADVOCATE AND PROTECTION DIVISION

1. Provide the information for Plant in Service and Accumulated Depreciation by company or service area (Service Areas 88, 90, 91, and 93, company 10), by account in the following format as of March 31, 2006:

	(1)	(2)	(3)	(4)	(5)	(6)
	Account	**Plant in Service**	**Depreciation**	**Accumulated**	**Net**	
Acct #	**Description**	**Balance**	**Rate**	**Depreciation**	**Book Value**	

RESPONSE: See attached file.

2. Provide the forecasted and or actual, plant additions, plant retirements, salvage, costs of removal by company or service area (Service Areas 88, 90, 91, and 93, company 10), by account, by month from October 2004 through September 30, 2007.

RESPONSE: See attached file. Atmos did not budget additions or retirements by account. Salvage and cost of removal are considered immaterial in the company's budgeting process.

3. Provide all amounts for Annual Incentive Plan for Management, Long-term incentive plan, Variable Pay Plan by plan by account by company or service area (Service Areas 88, 90, 91, and 93, company 10) since 1995 in the following format:

Capitalized **Amounts:**

(1)	(2)	(3)	(4)	(5)	(6)
(7)		**Account**	**Plant in Service**	**Depreciation**	**Accumulated**	**Net**

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Year	Acct #	Description	Balance	Rate	Depreciation	Book Value

Expense Amounts:

(1)	(2)	(3)	(4)
Year	Acct #	Account Description	Amount

RESPONSE: See attached file.

4. Provide the forecasted Annual Incentive Plan for Management, Long-term incentive plan, Variable Pay Plan amounts by plan by account by company or service area (Service Areas 88, 90, 91, and 93, company 10) included in the Company's filing for the twelve months ended September 30, 2007.

RESPONSE: See response to MFR #38.

5. Provide the actual FAS 87 pension expense amount for the months of April-September 2005 by month allocated to Tennessee operations (Service Area 93). Also, provide the forecasted FAS 87 pension expense amount included in the Company's filing for the twelve months ended September 30, 2007.

RESPONSE: See attached file.

6. Provide the amounts shown on Company Schedule THP-4, Lines 2 though 10 by account for the twelve months ended September 30, 2007 and the amounts on Company Schedule GW-3, Lines 1-20 by account for the twelve months ended September 30, 2006 and for the twelve months ended September 30, 2007.

RESPONSE: The breakdown by account of the items in Schedule GW-3 and total O&M is in MFR #29 filed in response to DR #1 of the First Joint Discovery Requests of TRA Investigative Staff, CAPD and AIG. That response shows the detailed development of the projected O&M amounts by account and sub-account. A summary of the data in MFR #29 showing amounts by account is included in the attached file. MFR #29 and the summary show all allocated O&M in account 922.

Lines 2 through 10 of Schedule THP-4 were taken from the response to DR #3 of the First Joint Discovery Requests of TRA Investigative Staff, CAPD and AIG. These lines show the breakdown of total non-production O&M into five broad categories. DR #3 called for data in the same format as shown in Staff's Investigative Report, Exhibit 1. This followed the format used in the 3.03 reports which shows allocated O&M from the Mid-States business unit office, the eastern regional office and the central regional office in the account categories that it was booked to prior to allocation. The analysis to move the allocated O&M amounts to the pre-allocation account categories for the 3.03 report is not done at the individual account level within the account categories. The O&M for the projected periods in the response to DR #3 was allocated into the account categories based on the percentages from the 3.03 report for fiscal

2005. Since the DR #3 O&M breakdown was not built up from the account level but rather was developed from the top down using percentages based on fiscal 2005 3.03 analysis that was not done at the account level it is not possible to produce a meaningful breakdown by account of the amounts listed for each account category in DR #3 and lines 2 through 10 of Schedule THP-4

7. Provide the calculation of the "identified efficiency savings of approximately $475,000" (Waller testimony, page 12, line 8) and the reduced expense to Tennessee customers of $131,000. In your response, identify the amounts by account included in the Company's filing for the twelve months ended September 30, 2007.

RESPONSE: The calculation of approximate identified efficiency savings of approximately $475,000 includes the expensed portion of 5 key positions that will not be employed by the combined division in the 9/30/07 attrition year. These positions would have been employed (and therefore duplicated) in the Kentucky and Mid-States divisions had the decision been made to keep the divisions separate. The calculation includes only salary and benefits and is therefore a conservative estimate of the savings generated by combining the divisions. These savings are built into our attrition year O&M projections.

Expensed Portion of Salary Projected to 9/30/07 Attrition Year		
President	$	117,423
Finance VP		64,059
Operations VP		70,343
Tech Services VP		70,343
Sales Manager		18,630
	$	340,798
Benefits @ 39.5%		134,615
Approximate Salary and Benefit Savings	$	475,413
TN Allocation% Using New Allocation Factors		27.6%
Expense Savings to TN	$	131,198

We do not project or budget by account (as explained in #6 above). Actuals for the estimates above would be booked as follows in the below accounts:

Account		Amount
8700	$	92,267
8750		2,881
8870		5,186
8740		6,914
8930		6,914
9110		7,172
9030		9,864
	$	131,198

8. Provide all the work papers and documentation in the development of all amounts

shown on work paper WP THP 4-2. Include in your response the amounts by account.

RESPONSE: For the percentage on line 4, please refer to Mr. Cagle's testimony, attachment JCC-2. For the development of the amounts on lines 1 and 6 please see Mr. Waller's testimony and the work paper attached to this response. All other amounts on WP THP 4-2 are calculated on the work paper itself.

9. Reconcile the efficiency savings to Tennessee customers of $131,000 with the $320,742 increase in allocation change due to reorganization. Include in your response how the reorganization benefits Tennessee customers as previously stated in DR #1 c.

RESPONSE: The efficiency savings of $131,000 represent Tennessee's percentage of the total expenses removed from the combined divisions' cost structure as a result of the combination (as calculated in the response to #7 above). Simultaneous to combining the divisions, the decision was made to allocate costs from our Shared Services and division general office using an industry standard 3-factor composite methodology (different from current methodology). The effect of that decision, pro-forma, will be to increase Tennessee O&M expense by $320,742, decrease taxes (other than income taxes) by $25,583 and decrease total depreciation expense by $80,202 for a net effect on operating income of $214,957.

This change adopts an industry standard method of allocating costs and ensures that the KY-Mid-States division is consistent with the rest of Atmos Energy. The reorganization itself saves Tennessee ratepayers $131,000 of operating expenses. The change of allocation methodology also reduces the amount of allocated rate base to Tennessee by $784,000 as shown in work paper WP-THP 7-4, thus further reducing the revenue requirement for Tennessee ratepayers.

10. Provide the operating budgets for the Mid-States Division for the twelve months ended September 2005, 2006, and 2007. Additionally, does Atmos plan to include the forecast of results for 2007 as set forth in its testimony as its operating budget?

RESPONSE: Please see the attached file for the operating budgets for 2005 and 2006. The operating budget for 2007 is not yet finalized or approved and is still being developed

11. Provide the amounts identified in Company Schedule THP-5, Lines 1 through 11 by account for the twelve months ended September 30, 2007. Identify the amounts by type of tax, i.e. Ad Valorem, Gross Receipts, State Franchise, etc.

RESPONSE: See attached.

12. Provide the source for the interest rate shown in Company work paper WP THP 1-1. Include in your response, why the amount of $470,796 per Company Schedule THP-l, Line13 should not be net of income taxes?

RESPONSE: Please see the attached e-mail and letter for the source of the interest rate. The $470,796 is included in expenses before income taxes. For clarity in presentation the

Company's schedules and work papers include the income tax effect of all items and adjustments in the income tax amounts and show no separate items or adjustments net of income taxes. Income taxes are calculated on the equity portion of the required return in Schedule THP-8 and on the equity portion of the adjusted pre-tax return on rate base in work paper WP 10-1.

13. Provide the monthly pro-forma amounts, by source, by account on Company work paper THP 7-4, Lines I through 24 resulting in the 13 month average for September 2007.

RESPONSE: The source and account number are shown on WP THP 7-4 for the amounts on lines 1 through 10, 12 through 14 and 16 through 21. The monthly pro-forma data for these amounts is shown in WP THP 7-5. Line 11, deferred rate case expenses, is in Account 182.3. Please see the attached schedule for monthly amounts.
Line 15, accumulated deferred income taxes, is in Account 282. The monthly amounts are shown on WP THP 7-5.
Line 22, net elimination of intercompany leased property, the net adjustment of $7,126,069 includes gross assets of $12,459,999, Account 101, and accumulated depreciation of $5,333,530, Account 108. Please see the attached schedule for monthly amounts.

Line 23, unamortized Maryland Way gain, is not recorded on the books of the company as it is only a ratemaking adjustment. The monthly amounts are shown on WP THP 7-5.
Line 24, rate base reduction for proposed shared services depreciation rates, relates to account 108, accumulated depreciation. The monthly amounts are shown on work paper WP THP 7-1.

14. Provide the forecasted total gross payroll for the twelve months ended September 30, 2006 by month and the payroll capitalization rate for the same period used by month in the development of the expense amount on Schedule GW-3, Line I.

RESPONSE: See attached.

15. Identify each payee by amount for the Prepayments amount shown in Company Schedule THP-7, Line 13.

RESPONSE: See attached.

16. Provide the amounts, by month, by year, by account for Lines 1-3 of Company work paper WP THP 4-I. Additionally, provide detailed work papers supporting the amount on Line 6 of Company work paper WP THP 4-1.

RESPONSE: See attached.

17. Per company response to DR #32, monthly contributions in aid of construction ("CIAC") are shown on line 64. Are these amounts netted in the monthly plant additions on line

64 of the spreadsheet? If not, then why are the reported customer advances for construction amounts lower than the amounts shown in DR #32?

RESPONSE: Yes, the contributions in aid of construction are netted against the monthly plant additions. CAD DR # 32 makes reference to the months of January and February of 2005 as having zero CIAC. This note is in error as it should state that Feruary and March of 2005 have zero CIAC. The CIAC reported in the month of May is somewhat greater than normal, due to it is providing a "catch-up" of CIAC for February and March.

18. Provide the trial balances as of May 31, 2006 for Service Areas 88, 90, 91, and 93, company 10.

RESPONSE: See attached.

19. Provide the actual amounts for the months of October 2005 through May 2006 for Lines 1-20 of Company Schedule GW-3. Additionally provide the forecasted amounts for the months of June 2006 through September 2006 for Lines 1-20 of Company Schedule GW-3 and describe how the forecasted amounts are calculated.

RESPONSE: See attached. Projections for the remainder of FY06 by line item are made using run rate analysis and incorporating known adjustments needed to make the estimates as accurate as possible given information known at the time the projection is made. Projections for the FY07 attrition year are then built using the methodology described in Greg Waller's direct testimony.

20. Provide all supporting documentation for the $1.8 million for bare steel replacement cost discussed on page 18 of the testimony of Atmos witness Childers. Provide the recovery period in years for the bare steel replacement investment.

RESPONSE: Historical cost trends as well as current contractor estimates indicate a replacement cost of about $30 per foot. The FY 2007 Capital Budget for Tennessee proposes 60,000 ft of Bare Steel replacements at $30/ ft = $1.8 million. Actual expenditures can vary depending on the size of the replacement pipe and installation variables such as pavement, rock, etc. We would propose that actual costs be used for the recovery mechanism.

21. Are the revenues reported on the March 31, 2006 TRA Form 3.03 incorrect and/or abnormal? If so, provide the adjustments and all supporting documentation to correct and/or normalize those reported amounts.

RESPONSE: The revenues for the 12 months ended March 2006 are correct. The gas cost recovery portion of revenues will, of course, vary as the market price of gas varies. The company continues to experience decline in use per customer in Tennessee. The significant drop in annual use per customer since March 2006 indicates that revenues for the 12 months ended March may not be normal in the sense of representing expected future revenues. The response to item 27 in this set of questions shows the adjustments and adjusted revenues net of gas cost that the company expects.

22. Provide a reconciliation of revenues reported for the twelve months ended March 31, 2006 with the revenues reported for the twelve months ended May 31, 2006 and the projected revenues for the twelve months ending September 30, 2007.

RESPONSE: Please see the attached worksheet for a comparison by account and subaccount of per books revenues for the 12 months ended March 2006 and the 12 months ended May 2006. The response to item 27 of this set of questions shows the development of the projected gas service margin revenues from the actual billing units for the 12 months ended May 2006. The response to item 25 compares service fees and other miscellaneous revenues for the 12 months ended May 2006 and the attrition period.

23. Are the production expenses reported on the March 31, 2006 TRA Form 3.03 incorrect and/or abnormal? If so, provide the adjustments and all supporting documentation to correct and/or normalize those reported amounts.

RESPONSE: The gas cost or production expense for the 12 months ended March 2006 is correct. Gas cost expense will, of course, vary as the market price of gas varies. Gas cost expense will also change as the amount of gas used by the company's customers changes. Please see the response to item 21 of this set of questions.

24. Provide a reconciliation of production expenses reported for the twelve months ended March 31, 2006 with the production expenses reported for the twelve months ended May 31, 2006 and the projected production expenses for the twelve months ending September 30, 2007.

RESPONSE: See attached.

25. Provide all work papers, analysis, and other available data to show whether or not Atmos's sales volumes, customer bills rendered, late payment charges, services charges, Barnsley Storage fees, and all other miscellaneous revenues proposed by Atmos witness Wailer are normal and in line with historical trends.

RESPONSE: Please see the attached excel file containing two worksheets. The worksheet labeled "Late Fees, Misc Serv Fees" contains the actual Late Fees (Forfeited Discounts) and Service Charges for FY 2002-2005, and FY 2006 through May. The Company projects late fees as a percentage of total projected residential, commercial, and public authority revenue (including all gas costs). The worksheet labeled "Late Fees as % of Rev" provides support for the Company's assertion that there is a strong, consistent correlation on an annual basis between late fees and revenues. Therefore, the late fees projected for the attrition period must reflect the current gas price environment, and should not be based on historical data alone. However, the Company's estimate is conservative when compared to the 12 month period ended May 31, 2006, during which customers experienced record high gas prices.

Please see the Company's response to DR 27 for work papers supporting projected sales volumes and customer bills rendered. Please see the response to DR 26 for detail concerning Barnsley Storage fees.

26. Provide supporting documentation and explanation of the $1,818,133 "Barnsley Storage fee" as subtracted from the margin on Schedule GW-2, including, but not limited to:

a. The purpose of the "Barnsley Storage fee."

b. Whether the "Barnsley Storage fee" has been and/or is currently being billed to consumers.

c. The actual amounts of the "Barnsley Storage fee" for each month from January 2001 through the most recent month available.

d. The projected amounts of the "13amsley Storage fee" for each month forecasted.

RESPONSE:

(a) The Barnsley Storage fee is the storage fee that Atmos Energy pays to Atmos Storage subsidiary for the use of the storage field. This practice was approved by the Tennessee Public Service Commission in Docket No. 89 – 10017.

(b) Atmos Energy does not and has never billed the service fee to the customers. As approved in the above case the fee is recorded as any other expense and is not separately recovered from customers.

(c) The monthly amount is set forth in a contract for a one year period. That time frame is from November 1 each year until October 31 the next year. The monthly amount for the yearly contract is in the table below.

Nov.2000 – Oct. 2001	$143,770
Nov. 2001 – Oct. 2002	$143,765
Nov. 2002 – Oct. 2003	$146,642
Nov. 2003 – Oct. 2004	$148,410
Nov. 2004 – Oct. 2005	$145,882

(d)

Nov. 2005 – Oct. 2006	$149,606
Nov. 2006 – Oct. 2007	$151,684

27. What are the weather normalized billing determinates for the twelve months ended March 31, 2006, the twelve months ended May 31, 2006, and Atmos's projection for the twelve months ended September 30, 2007?

RESPONSE: Please see the attached workbook for weather normalized billing data for the requested periods. Please note that in preparing this response a detailed examination of the billing data revealed some data entry errors in Schedule GW-2 relating to the 12 months ended May 2006 and consequently the attrition period. Those data entry errors are identified in the May 2006 portion, part 3, of the attachment and explained in the appendix portion, part 2, of the attachment. Please note also that part 5 of the attachment shows the application of Ms. Childers proposed rate design to the attrition year billing determinants.

28. Quantify the actual miscellaneous customer charges billed for the last four years and explain where these charges are included on Schedule GW-2 or why such charges were omitted.

REPONSE: Please see the Company's response to DR 25, which includes four years of actual late fees/service charges. The Company's attrition period projection of late fees/service charges, which includes all miscellaneous revenues, can be found on Schedule GW-2, column (s), line 97.

29. Provide all work papers, analysis, and other data used to derive Schedule DAM-28, DAM-29, and DAM-30, which purport to show "deseasonalized, weather normalized trend in the margin collected." See Murry Direct at 37.

RESPONSE: See attached.

30. Explain and provide all supporting documentation for the reduction in "Deseasonalized, Weather and Customer Count Normalized Residential Margin" from nearly $5 million in time period "37500" to less than $2 million in time period "37622" as shown on schedule DAM-28. Identify by month and year the time period represented by "37500" and "37622." Provide any "Deseasonalized, Weather and Customer Count Normalized Residential Margin" analyses performed for other time periods.

RESPONSE: See attached.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been hand-delivered, e-mailed or faxed and mailed to the following parties of interest this 4th day of August, 2006.

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