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July 31, 2007

Sharla Dillon, Docket Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

**VIA HAND DELIVERY
AND E-MAIL**

FILED ELECTRONICALLY IN DOCKET OFFICE ON 07/31/07

**RE: Petition of Atmos Energy Corporation for Approval of Adjustment of its
Rates and Revised Tariff, TRA Docket No. 07-00105**

Dear Ms. Dillon:

Enclosed are the original and four copies of the Non-Confidential Supplemental Responses of Atmos Energy Corporation to The Consumer Advocate's Discovery Requests Numbers 25 and 71. This portion of the responses also are being provided via e-mail in .pdf format.

Also enclosed in a sealed and marked envelope are the original and four copies of the confidential portions of these responses, along with a CD containing the information in electronic format. The Excel spreadsheets have been provided in both Excel and .pdf format. The confidential material is to be filed under seal as indicated

Best regards.

Sincerely,


A. Scott Ross

ASR:prd

Enclosure

xc: Vance Broemel (e-mail and hand delivery)
Henry M. Walker (e-mail and hand delivery)
John M. Dosker (non-confidential only)
D. Billye Sanders (non-confidential only)

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

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ADJUSTMENT OF ITS RATES AND
REVISED TARIFF**

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DOCKET NO. 07-00105

**NON-CONFIDENTIAL
SUPPLEMENTAL RESPONSES OF ATMOS ENERGY CORPORATION
TO
THE CONSUMER ADVOCATE'S DISCOVERY REQUESTS NUMBERS 25 AND 71**

Atmos Energy Corporation, Tennessee
Docket No. 07-00105
Supplemental Responses to CAPD First Discovery Request

25. Please provide a voucher summary for any amount charged to the Company operations exceeding \$1,000 for the period from January 1, 2006 through May 31, 2007 in the following format:

<u>Month</u>	<u>Year</u>	<u>Payee</u>	<u>Amount</u>	<u>FERC Account</u>	
<u>Business Reas</u>		(1)	(2)	(3)	(4)
(5)			(6)		
<u>on</u>					

ORIGINAL RESPONSE:

In addition to its General Objections, AEC incorporates by reference the objection stated in section II.B of its Objections. AEC and CAPD have agreed that AEC will first provide a summary of vouchers over a \$1,000 threshold level and will attempt to categorize business purpose where possible. This response will take the form of an Excel spreadsheet. If CAPD requests further information regarding specific requests, AEC will consider such requests. Subject to and without waiving these objections, and subject to this agreement, AEC responds by producing Excel spreadsheets identified as CAPD DR 25 ATT1.

It should be noted that AEC's response to this request includes certain expenses that AEC does not intend to seek recovery of from ratepayers in this case. As examples, such items include certain meals and entertainment expenses. While AEC believes that such items are proper business expenses, and while it is common for unregulated private sector businesses to record such expenses, as a matter of policy, AEC is not seeking to recover expenses of this nature from Tennessee ratepayers.

Atmos has taken extra measures to ensure that cost items of this nature are not included in Tennessee rates, and it is continuing to do so. As explained further below in response to Request Number 71, AEC already has taken a voluntary reduction of \$65,000 in order to eliminate expenses of this type from the case. AEC is continuing to review and analyze the mountain of financial data at issue in this case and is in the process of preparing a further adjustment to its case to eliminate any remaining expenses of this nature. AEC will file this adjustment with the TRA as soon as it is finalized. At the end of the day, AEC's goal is to ensure that its Tennessee rates rest upon a sound foundation of valid and necessary costs. It is committed to achieving that goal even if it means eliminating certain business expenses in order to ensure that there can be no legitimate question about what remains.

SUPPLEMENTAL RESPONSE:

As promised in its previous responses to CAPD DR 1-25 and 1-71, the Company has conducted a thorough review of expense reports and invoices previously submitted in response to these discovery requests and is now submitting an incremental expense and rate base adjustment based upon this review. While AEC believes that such items are proper

business expenses commonly recorded in private sector companies, AEC is not seeking to recover expenses of this nature from Tennessee ratepayers. Reference is made to the Excel spreadsheets labeled TN DR 25 Invoice Adjustment.xls, and TN DR 71 Expense Report Adjustment.xls. Both of these are marked Confidential under the Protective Order entered in this case, and are being filed under seal.

The Company reviewed the entire data set of expense reports and invoices previously submitted and identified specific items contained therein for which it does not intend to seek recovery. In calculating these supplemental ratemaking adjustments, AEC only considered items that fell within the time period of Jan 1, 2006 to December 31, 2006, in order to avoid overstating the appropriate adjustments, since the data set encompasses 17 months worth of data and rates will be based on the 12-month attrition period. Therefore, the Company has identified those items from January 1 through May 31, 2007 that would have been removed from the case, and has used only items from calendar 2006 to build the rate making adjustments. The items identified in the calendar 2006 data set serve as a reasonable proxy for what should be removed from the forward looking attrition period in this case.

In addition, the Company identified \$443,620 of legal invoices that were coded to Tennessee in error in calendar 2006. Of these, \$379,625 occurred in the first nine months of 2006. Based on the forecasting methodology described in Mr. Waller's testimony, this amount was not included in the Company's attrition year forecast and is therefore not included in the adjustment below. The remaining \$63,995 that occurred in October - December 2006 was inadvertently included in the forecasted attrition period and is therefore being removed by the adjustment below.

Once the items were identified, the Company applied the attrition period allocation factors for those in Shared Services and the Division General Office and then applied the average Shared Services and Division capitalization rate to the expense reports (the invoices were segmented into expense and capital based on actual account coding). The Company then adjusted for the inflation rate used for O&M in this case to calculate the following adjustments that AEC is removing for ratemaking purposes in this case:

Reduction to Operating Expenses: \$51,657
Reduction to Net Plant Investment: \$208,915

The Company would also note that these two adjustments are in addition to the original \$65,773 adjustment that was part of the original filing. That adjustment was made by removing executive expense reports in their entirety from expenses without regard to the fact that portions of those expense reports were capitalized. As a result, that original adjustment was overstated. The Company is willing, in good faith, to forego the resulting difference as immaterial. AEC's goal is to ensure that its Tennessee rates rest upon a sound foundation of unquestionable costs. The Company is committed to achieving that goal even if that means foregoing recovery of a certain amount of legitimate business expense.

71. Please provide all expense reports with invoices and receipts for the test year ended December 31, 2006 for the Company, the Division General Office, and SSU.

ORIGINAL RESPONSE:

Subject to and without waiving its General Objections, documents responsive to this request are being produced. In the preparation of this case, Atmos removed certain expense report items from the case by taking a reduction of approximately \$65,000, an amount that was determined to be sufficient to offset the expense reports of Atmos' corporate officers and Mid-States Kentucky Division officers for the test year. Therefore, these expense reports are not included with this response.

With regard to the expense reports being produced, it should be noted that the documents included in AEC's response to this request includes certain cost items that AEC does not intend to seek recovery of from its ratepayers in this case. As examples, such items include certain meals, travel and entertainment expenses. While AEC believes that items of this nature are proper business expenses, and while it is common for unregulated private sector businesses to record such expenses, as a matter of policy, AEC is not seeking to recover expenses of this type from Tennessee ratepayers.

Atmos has taken extra measures to ensure that cost items of this nature do not find their way into Tennessee rates, and it is continuing to do so. As indicated, AEC already has taken a voluntary reduction of \$65,000 in order to eliminate any expenses of this type from the case. AEC is continuing to review and analyze the mountain of financial data at issue in this case and is in the process of preparing a further adjustment to the case to eliminate any remaining expenses of this nature. Atmos will file this adjustment with the TRA as soon as it is finalized. At the end of the day, AEC's goal is to ensure that its Tennessee rates rest upon a sound foundation of valid and necessary costs. It is committed to achieving that goal even if it means eliminating certain business expenses in an effort to ensure that there can be no legitimate question about what remains.

SUPPLEMENTAL RESPONSE:

See supplement response to DR 25, above.