

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

IN RE:

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

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DOCKET NO. 08-00197

**SUPPLEMENTAL RESPONSE OF ATMOS ENERGY CORPORATION TO
DISCOVERY REQUEST NO. 94**

Atmos Energy Corporation respectfully supplements its response to Discovery Request No. 94 as follows:

94. Please produce copies of all hearing exhibits that you plan to introduce, use, or reference at the hearing on the merits in this docket.

RESPONSE: Subject to and without waiving its objections, Atmos supplements its response to this Discovery Request by producing the attached PowerPoint presentation slides, which help to explain why current economic conditions have caused an increase in the Company's cost of equity, as investor uncertainty has increased. This is a topic that was discussed in the rebuttal testimony submitted by Atmos expert James Vander Weide, Ph.D. These slides may be utilized in the hearing of this matter in conjunction with Dr. Vander Weide's testimony. Printouts of the PowerPoint slides are attached, and a PDF version has been provided for electronic filing.

Respectfully submitted

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 23 day of February 2009.

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Consumer Advocate and Protection Division

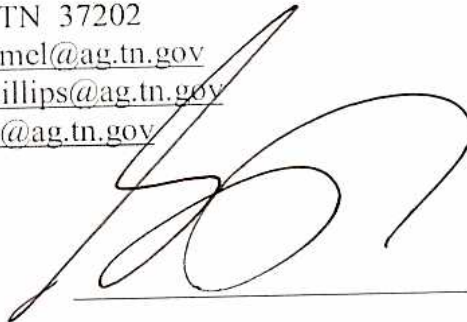
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Atmos Energy's Cost of Equity Has Increased

February 20, 2009

James H. Vander Weide, Ph.D.

Atmos Energy's Cost of Equity Has Increased

- Atmos Energy's cost of equity is equal to the return investors require to induce them to invest in Atmos Energy's stock.
- Since investors are averse to risk, they require a higher rate of return when the risk of investing in equities increases.
- The risk of investing in equities, including utility equities, has increased as a result of greater economic uncertainty.

Atmos Energy's Cost of Equity Has Increased

- The risk of investing in equities, including utility equities, has increased as a result of greater economic uncertainty.
- U.S. gross domestic product (“GDP”) declined by 0.5% in the 3rd quarter of 2008 and by 3.8% in the 4th quarter of 2008.
- Economists expect GDP to decline by more than 2% in 2009.
- Housing prices have declined by approximately 25% across the U.S. and home foreclosures are at record levels.

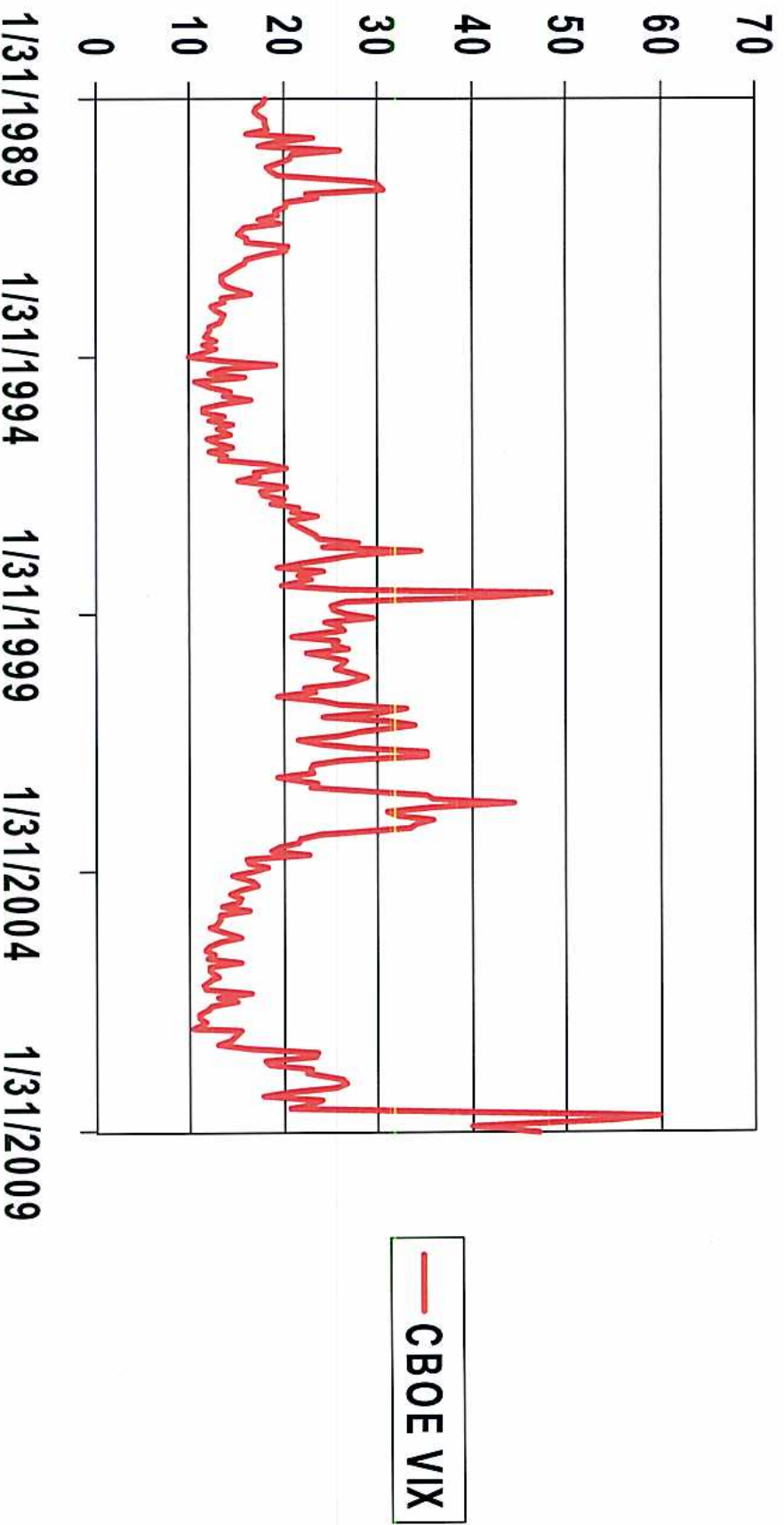
Atmos Energy's Cost of Equity Has Increased

- ❑ Major banks and investment banks are on the verge of bankruptcy.
- ❑ Unemployment is higher than 7% and increasing rapidly.
- ❑ The U.S. Congress has signed rescue packages valued at hundreds of billions of dollars for the financial system, the housing market, and the overall economy.
- ❑ But investors are highly uncertain whether the rescue packages will be effective.

Atmos Energy's Cost of Equity Has Increased

- Economists frequently use the Chicago Board Options Exchange (“CBOE”) volatility index to measure the risk of investing in equity securities.
- The CBOE volatility index is at its highest level since October 1987.

Atmos Energy's Cost of Equity Has Increased



Atmos Energy's Cost of Equity Has Increased

- Greater financial market uncertainty and general economic uncertainty has caused investors to flee the equity markets.
- Stock mutual funds are experiencing large capital outflows.

Atmos Energy's Cost of Equity Has Increased

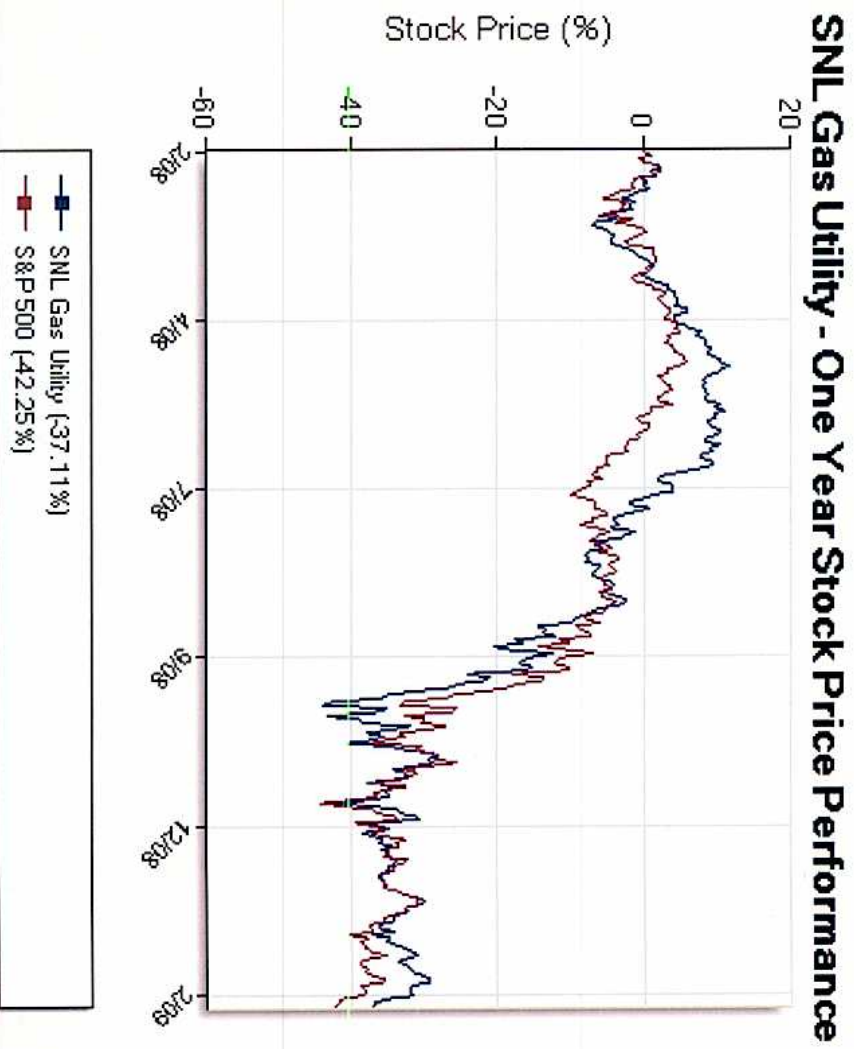
- ❑ The S&P 500 has declined by more than 42% in the past year, and by approximately 50% since mid-2007, and is now approaching levels last seen in 1996 - 1997.
- ❑ The Dow Jones Industrials have declined by 40% in the past year.
- ❑ The SNL Gas Utilities index, which includes Atmos Energy and 20 peer companies, has declined by more than 37% in the past year.

Atmos Energy's Cost of Equity Has Increased

Feb. 08 – Feb. 09

Gas Utilities down 37%

S&P 500 down 42%

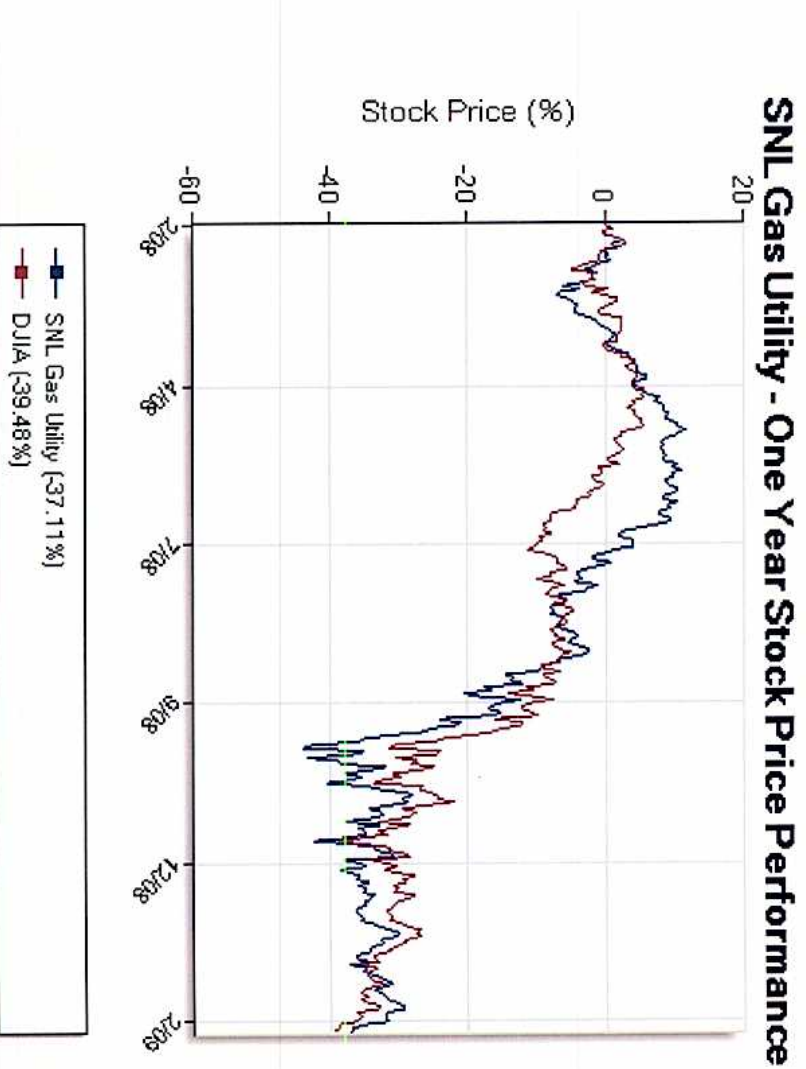


Atmos Energy's Cost of Equity Has Increased

Feb. 08 – Feb. 09

Gas Utilities down 37%

Dow Jones Industrials
down 39.5%



Atmos Energy's Cost of Equity Has Increased

- Although one cannot directly observe the cost of equity, there is strong evidence that in today's uncertain economic environment the cost of equity has increased significantly.
- Interest rates on Baa-rated utility bonds have increased from approximately 6% in early 2007 to approximately 8% in January 2009.

Atmos Energy's Cost of Equity Has Increased

- Interest rates on high-yield corporate bonds have been at double-digit levels since September 2008.
- Atmos Energy expects that it will have to pay 8% on forthcoming debt issuances.

Atmos Energy's Cost of Equity Has Increased

- Yields on government securities are sharply down only because:
 - investors are flocking to the safety of government bonds to avoid the risks of equities and non-government bonds
 - the government has lowered interest rates in an effort to boost economic activity.

Atmos Energy's Cost of Equity Has Increased

- Dr. Vander Weide's studies indicate that Atmos Energy's cost of equity is at least 11.7%.