

STATE OF TENNESSEE

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September 17, 2012

Ms. Jean Stone
General Counsel
c/o Sharla Dillon
Docket Manager
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

Re: *Petition of Atmos Energy Corporation for a General Rate Increase*
Docket No. 12-00064


Dear Ms. Stone:

On Friday, September 14, 2012, the Consumer Advocate filed a *Motion for Leave to Issue Supplement Discovery Requests* upon Atmos Energy Corporation ("Atmos", "Company"). The *Supplemental Discovery Requests* were filed contemporaneously with the motion. This afternoon the Company brought to my attention that one of the supplemental discovery requests inadvertently revealed confidential information.

I am re-filing the *Supplemental Discovery Requests* in order to correct this inadvertent disclosure. A "public" version and a "confidential" version of the discovery requests are being filed along with this letter. Please remove the supplemental discovery requests filed on September 14, 2012, from the TRA Docket website and treat it as a confidential document pursuant to the protective order in this docket. I apologize for the error.

Should you have any questions regarding this matter, do not hesitate to contact myself or Mr. Scott Ross.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan L. McGehee". The signature is fluid and cursive, with the first name "Ryan" and last name "McGehee" clearly distinguishable.

Ryan L. McGehee
Assistant Attorney General
(615) 532-5512

CC: all parties of record in Docket 12-00064

**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF ATMOS ENERGY)	
CORPORATION FOR ADJUSTMENT)	DOCKET NO. 12-00064
OF RATES)	

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

To: ATMOS ENERGY CORPORATION
 c/o A. Scott Ross, Esq.
 Neal & Harwell, PLC
 2000 One Nashville Place
 150 Fourth Avenue North
 Nashville, TN 37219-2498

 This Supplemental 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. This Supplemental Discovery Request is being filed by agreement of parties. The respective experts of Atmos and the Consumer Advocate have had cooperative discussions for several weeks and the Consumer Advocate has informally requested information which Atmos has provided. The bulk of the supplemental requests herein have already been responded to on an informal basis by Atmos. The purpose of this filing is to formalize this information exchange and to insure a complete record for the Authority and the public. Neither Atmos nor the Consumer Advocate waives any procedural rights concerning additional discovery.

This is the PUBLIC version of the CAPD's Supplemental Discovery Request in this docket. The Consumer Advocate has requested 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 Ryan L. McGehee, in a timely manner.

PRELIMINARY MATTERS AND DEFINITIONS

Discovery Request No. 67 contains CONFIDENTIAL INFORMATION and should be treated as such under the protective order entered in this docket. These Supplemental Discovery Requests incorporate the same Preliminary Matters And Definitions as set forth in the *First Discovery Request of the Consumer Advocate and Protection Division to Atmos Energy Corporation* filed July 20, 2012 and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Atmos which would make a prior response inaccurate, incomplete, or incorrect.

SUPPLEMENTAL DISCOVERY REQUESTS

42. Please update MFR-10 and CAPD Data Request Item 1 (trial balances) to include the detail subaccounts for Gas Plant in Service. In the Company's responses to these data requests, these accounts are rolled up into summary totals for general, transmission and distribution plant.

RESPONSE:

43. Refer to the Company response to MFR #12, Attachment 8 - Petersen-Plant Balances - 2012 TN Case.

(a) What is the source for the monthly plant additions on this spreadsheet? For example, on Tab "93", cell EV51 = \$1,301,392.70 (hard number) in projected plant additions for April 2012. What is the source for this projection?

(b) What is the source for the projected retirements by plant account? For example, on Tab "93", cell FQ24 = \$-71,017 (hard number) in projected retirements to meters for April 2011. What is the source for this projection?

RESPONSE:

44. Please provide a line item in rate base for contributions in aid of construction.

RESPONSE:

45. Please reconcile and explain customer deposits and accumulated interest on customer deposits.

RESPONSE:

46. Are the plant additions (Normal and Special Projects) and plant retirements shown in MFR 51 and CAPD 1-25 for Division 93 only? Or do they represent the total plant additions and retirements for Divisions 2, 12, 91 and 93? In either case, the CAPD will need the historic plant additions (Normal and Special Projects), retirements, and CIAOC broken down by Division for the same time periods originally indicated on MFR 51 and

CAPD 1-25.

RESPONSE:

47. What are the allocation factors used in the case? Provide the calculations of the allocations factors with formulas intact.

RESPONSE:

48. What is the source for the current depreciation rates used on the plant schedules. Can you provide me with a TRA Order approving the current depreciation rates?

RESPONSE:

49. Provide the acturial reports and other evidence from the Company's acturaries supporting pension funding requirements.

RESPONSE:

50. Refer to the Company's response to CAPD data request #4 regarding sales volumes. Provide a mapping to the sales volumes included in this response to the sales volumes included in MFR #12, Attachment 1, Schedules 210 through Negotiated. Also provide an explanation of any variances in sales volumes between these two schedules. Specifically, we are unable to reconcile the amounts between these two source schedules. For example, Tab "220 Schedule" in MFR #12 refers to multiple locations as "COM-TN-220 D" or "IND GAS-TN 220L" without any type of legend identifying the location. Please identify the location served for

each line in MFR #12 and reconcile these sales back to CAPD DR #4.

RESPONSE:

51. Provide all months from January 2006 through March 2012 in three separate excel files - one for volumes a 2nd for customers, and a third for billing demand.

RESPONSE:

52. In this response, the sales volumes have categories for Rate Schedule 220/260, Rate Schedule 230/260, Rate Schedule 250/260 and Rate Schedule 260. In the original response, there were no combinations included with Rate Schedule 260. Can you please explain for me what distinguishes these four different rate schedules, and why the combination Rate Schedules appear on the new data, but not on the previous data.

RESPONSE:

53. Provide O&M Summary.xls by FERC Account (requested by TRA Staff - response sent to Staff and CAPD).

RESPONSE:

54. Refer to the Company's response to CAPD data request #4 regarding sales volumes. Provide a mapping to the sales volumes included in this response to the sales volumes included in MFR #12, Attachment 1, Schedules 210 through Negotiated. Also provide an explanation of any variances in sales volumes between these two schedules.

Specifically, we are unable to reconcile the amounts between these two source

schedules. For example, Tab "220 Schedule" in MFR #12 refers to multiple locations as "COM-TN-220 D" or "IND GAS-TN 220L" without any type of legend identifying the location. Please identify the location served for each line in MFR #12 and reconcile these sales back to CAPD DR #4.

RESPONSE:

55. Refer to the Company response to MFR #12, Attachment 8 - Petersen-Plant Balances - 2012 TN Case.

- a. What is the source for the monthly plant additions on this spreadsheet? For example, on Tab "93", cell EV51 = \$1,301,392.70 (hard number) in projected plant additions for April 2012. What is the source for this projection?
- b. What is the source for the projected retirements by plant account? For example, on Tab "93", cell FQ24 = \$-71,017 (hard number) in projected retirements to meters for April 2011. What is the source for this projection?
- c. What is the source for the current depreciation rates used on the plant schedules. Can you provide me with a TRA Order approving the current depreciation rates?

RESPONSE:

56. Please update the Company's response to CAPD Discovery Request 25 to include monthly normal and special projects and monthly CIAOC.

RESPONSE:

57. Please provide historic sales volumes and bill counts from January 2006 through September 2007.

RESPONSE:

58. The March 2012 (End of Test Period) PGA rate sheet (only the rate sheet, not the entire PGA filing) for each PGA area.

RESPONSE:

59. Please provide a legend to go with the Alpha designation on the rate codes (e.g. Rate 220A, Rate 220B, etc.). The CAPD is aware that some of these codes signify a service territory and others signify a senior citizen designation, but does not have a legend to explain all the codes.

RESPONSE:

60. Provide the source and support for the growth in the number of senior citizen bills shown on Mr. Densman's workpaper 1-4.

RESPONSE:

61. Provide the source and support for the "X Range Cycle Actual HDD" for all weather stations as shown on Mr. Densman's workpapers 1-9, 1-10, 1-11 and 1-12.

RESPONSE:

62. Provide the source and support for the "Number of Bills" and "CCF" shown on your workpaper 1-9, 1-10, 1-11 and 1-12 for Residential and Commercial volumes. Also, please tie these historical bills and volumes to the information that previously provided.

RESPONSE:

63. Provide the source and support for the "Normal Heating Degree Days" (for all weather stations) shown on Mr. Densman's workpaper 1-8.

RESPONSE:

64. Provide the source and support for the customer growth in bills (residential and small commercial) shown on Mr. Densman's workpaper 1-3.

RESPONSE:

65. Provide the source and support for the attrition period volumes for "large customer adjustments" shown on Mr. Densman's workpaper 1-2.

RESPONSE:

66. Does the Company combine certain rate schedules for weather normalization? If so, explain which rate schedules are included in the residential and small commercial weather normalizations.

RESPONSE:

67. Please provide the source and support (TRA Orders) for the Special Contract rates included on your Schedule JCD-1 [REDACTED]

[REDACTED]

RESPONSE:

68. Please provide a description of the customer services process pre-CIS and post-CIS, including the expected implementation date.

RESPONSE:

69. Does the CIS system replacing a fully depreciated system? If not, why is a system that is not fully depreciated being replaced? Did management consider this when determining whether to go forward with a new system?

RESPONSE:

70. Please provide a brief description of any estimated cost savings, how they were calculated, and how these cost savings impact this rate case (e.g. how are these cost savings passed onto Tennesseans?).

RESPONSE:

71. Please provide a brief description of the plan for stabilization, training, including contingency plans that address customer needs if the system fails upon first implementation. For example, are training costs expected to be higher right after implementation? If so, how is

Atmos ensuring that these one-time training costs are not built into the recovery for future years?

RESPONSE:

72. Please provide a brief description of the approval process for this project, including but not limited to how management and the board determined that the project costs would be reasonable and prudent. If a consultant was used to assist management with determining the appropriate system and related costs, please:

- a. Indicate which consultant was used, how that consultant was selected (e.g. do they have a proven track record of accurately predicting which systems are best and the associated cost? Or did the Steering Committee verify that previous clients who used the consultant were satisfied?).
- b. Provide a copy of deliverables the consultant provided. If no deliverables were provided, please explain why.
- c. Provide a reconciliation between the project amount the consultant suggested was aligned with your peers and the budgeted amount Atmos has included in this rate case.

RESPONSE:

73. Please provide a brief description of the review and approval process for the actual expenditures related to this project, including controls in place to ensure that costs charged to the project actually relate to the project and should be capitalized.

RESPONSE:

74. Please provide a breakdown of the capital costs for the CIS project that includes the budgeted amount approved by the board, the current actual costs for each cost component,

and the forecasted spend for each cost component as of August 31, 2012 (i.e. budget/actual/forecast comparison) (referred to as the "Project Cost Component detail" throughout this document). The breakdown of costs can be as detailed as you can provide but, at minimum, should break out the costs of software, hardware, external labor, internal labor, overhead, and capitalized interest (AFUDC). Indicate the total CIS amount as well as the allocation to Tennessee.

RESPONSE:

75. Please describe the allocation method of CIS to Tennessee and why you used this allocation method.

RESPONSE:

76. Does the Project Cost Component detail include any amount of budgeted "contingency" or "budget overruns"? If so, please provide the amounts, how the amount was determined, and how the costs will be recorded if the contingency amount is not actually incurred in full (e.g. when the asset account is debited, what account would be credited?).

RESPONSE:

77. For the Software costs in the Project Cost Component detail, please provide a listing of all SAP modules (e.g. BW, CRM, etc.) and bolt-on products (e.g. Click, etc.) purchased, the related cost associated with each module (purchase price that agrees to the software costs on the Project Cost Component detail requested and related periodic licensing

fee), and a brief description of what the product does. Indicate which of these modules will be used for shared services and which will be used at the Tennessee plant, and if not used at either, indicate why.

RESPONSE:

78. Please briefly describe the purchases supporting the Hardware cost component of the Project Cost Component detail.

RESPONSE:

79. Please provide supporting documentation and workpapers for the vendors used for External Labor costs on the Project Cost Component detail, including a list of all vendors used, copies of contracts with all vendors used, what function they perform on the CIS project, and the expenses to date for each vendor. Specifically, each contract should indicate what basis is the payment to Accenture and other vendors helping with the CIS project (e.g. cost-plus, fixed cost, etc. Please provide detail supporting the costs of the External Labor costs, including the budgeted amount of the Accenture service contract reviewed and approved by the Board of Directors and the General Ledger account with the total expenses attributed to Accenture to date.

RESPONSE:

80. Please provide supporting documentation and workpapers for the internal labor costs on the Project Cost Component detail, including a reconciliation proving that these labor

costs are not already currently being recovered by Atmos under current rates (which we understand would occur if any of the employees' prior positions remain open and/or were filled by entry level employees earning significantly less than the Subject Matter Experts ("SMEs") moved to the CIS project). More specifically:

- a. How many employees are assigned to the CIS project?
- b. Of the employees assigned to the CIS project, how many of these employees were included in the forecasts as part of the revenue requirement in the 2008 project started?
- c. How many of the business process positions remain open?
- d. Please support your explanation with data from each of the shared services departments allocated as "Support Services" or "Management Fees" or any other Atmos shared costs allocated to Tennessee of head count reports and total salaries before the CIS project, at year end for each year since the CIS project started, and as of 8/31/2012.

Alternatively, if Atmos has not adjusted the CIS project amount currently requested for the recovery in current rates for salary expense of employees assigned to the CIS project, please indicate how Atmos is offsetting this potential double-recovery of salary expense for shared services employees assigned to CIS.

RESPONSE:

81. Please provide details and workpapers supporting any amounts in AFUDC or capitalized interest in the Project Cost Component detail.

RESPONSE:

RESPECTFULLY SUBMITTED,

A handwritten signature in dark ink, appearing to read 'R. McGehee', is written over a horizontal line.

RYAN L. MCGEHEE, BPR #25559

Assistant Attorney General

Office of the Attorney General and Reporter

Consumer Advocate and Protection Division

P.O. Box 20207

Nashville, TN 37202-0207

615-532-5512

ryan.mcgehee@ag.tn.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Patricia Childers, Vice President
Rates & Regulatory Affairs
Mid-States Division
Atmos Energy Corporation
810 Crescent Centre Drive, Ste. 600
Franklin, TN 37067-6226

A. Scott Ross, Esq.
Neal & Harwell, PLC
2000 One Nashville Place
150 Fourth Avenue North
Nashville, TN 37219-2498

Ellen T. Weaver, Esq.
Senior Attorney
Atmos Energy Corporation
P.O. Box 650205
Dallas, TX 75265-0205

on this the 17 day of September, 2012.



RYAN L. MCGEHEE