

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of)	
Atmos Energy Corporation for a Variance and)	Case No. GE-2009-0443
Waiver from the Provisions of)	
4 CSR 240-3.235.)	

**ATMOS ENERGY CORPORATION’S REPLY
TO PUBLIC COUNSEL’S RESPONSE TO APPLICATION**

COMES NOW Atmos Energy Corporation (“Atmos” or “Company”), pursuant to 4 CSR 240-2.080, files its reply to the Public Counsel’s Response to Application filed on July 13, 2009. In support of this Reply, Atmos respectfully states as follows:

1. On June 19, 2009, Atmos filed its Application for Variance and Waiver (“Application”) from the provisions of 4 CSR 240-3.235 requiring Atmos to file a new depreciation study in its next general rate case. As explained in its Application, Atmos will not be proposing changes in its depreciation rates in that case, and the Company is currently working on the manual and labor-intensive process of re-vintaging the asset retirement data that was not available from its predecessor companies, United Cities Gas Company, and Associated Natural Gas, a division of Arkansas Western Gas Company. Due to the nature of this process, this re-vintaging process will not be completed in calendar year 2009, and such information will not be available to include in a new depreciation study.

2. On July 8, 2009, the Commission Staff filed its Staff Recommendation In Support Of Waiver which expressed Staff's support for the grant of the waiver, as requested by the Company, with conditions¹.

3. On July 13, 2009, Atmos filed its Response to the Staff Recommendation In Support Of Waiver, in which Atmos accepted the proposed conditions of Staff.

4. Also on July 13, 2009, the Office of the Public Counsel filed its Response To Application which opposed the grant of the Company's Application. This pleading will briefly address the arguments raised by Public Counsel in that pleading.

5. Public Counsel's position is that Atmos has not provided a sufficient explanation as to why Atmos has not finished vintaging certain asset retirements, and that ". . . Atmos chose not to begin the process of vintaging the asset retirements until recently." (Public Counsel Response, p. 3) In making these assertions, Public Counsel has not discussed the fact that Atmos has been working with the Commission Staff since the 2006 rate case to address problems of reconstructing vintage records of its predecessor companies. (Staff Reply, p. 2) In fact, Atmos personnel have been in consultation with Mr. Guy Gilbert and other members of the Depreciation Department of the Commission Staff to address all of the problems in reconstructing vintage data records since the Company's 2006 rate case, including both the re-vintaging of the surviving plant records as well as the re-vintaging of the retirement records. The Public Counsel also failed to mention that the Commission granted Atmos a waiver (without objection from Public Counsel) from Commission Rule 4 CSR 240-40.040(3) from the requirement to vintage the surviving assets in Case No. GE-2008-0342 as part of this

¹ Staff suggested in its Memorandum that the Commission grant the waiver subject to the following conditions: (1) the waiver will apply only to a rate case filed in calendar year 2009; and (2) Atmos will not propose changes to its depreciation rates as a part of its 2009 rate case.

process to reconstruct the vintage data. See *Order Granting Waiver*, Case No. GE-2008-0342 (issued on May 29, 2008) (Attachment No. 1).

6. As Atmos explained in its Application in Case No. GE-2008-0342, Atmos was unable to properly account for certain assets by vintage year because the previous owners of those assets did not keep track all of its plant according to vintage year. In particular, Atmos requested a waiver for its Division 97 plant records for period prior to July 1997 for assets acquired from United Cities Gas Company, and Division 70, 71, and 72 plant records for assets acquired from Associated Natural Gas, a division of Arkansas Western Gas Company. At the time of the asset purchases, these divisions' vintage records were converted to a new property platform that recorded the date of the acquisition as the date of installation. At the time of this conversion, certain of the property records for surviving plant assets were recorded individually while other records were grouped with like assets. Atmos was able to determine the actual installation date for individual asset records by identifying the records in spreadsheets that have been extracted from the legacy accounting system. Using this process, Atmos was able to identify the vintages from 7,742 of 8,848 (87.5%) asset records that were converted at the time of the asset purchases. For the remaining records, Atmos has worked with Staff to develop a method to re-vintage these asset account records. (i.e. Phase 1 of the re-vintaging process).

7. The Commission Staff recognized the difficulty of the re-vintaging process in its *Staff Memorandum In Support Of Variance And Waiver* in Case No. GE-2008-0342 when it stated:

The Commission Staff is in agreement with the actions taken, and supports the granting of a waiver from the provisions of 4 CSR 240-40.040(3) as

requested in Case No. GE-2008-0342. The Commission Staff agrees that no harm to the ratepayers or to the company (Atmos) will occur by the granting of this waiver. Depreciation expense will be consistent with the expenditure of capital, and excessive cost to continue to find 'lost' records will be avoided. Staff understands the difficulty and cost associated with trying to recreate these remaining records. For all other plant capital records, Atmos will maintain and retirements by vintage year per 4 CSR 240-40.040(3). (emphasis added)

(Staff Memorandum In Support Of Variance And Waiver, Case No. GE-2008-0342, p. 3)

8. Following the completion of Phase 1 of the re-vintaging process for surviving plant accounts, Atmos began to re-vintage the retirement data (i.e. Phase 2 of the re-vintaging process). The primary reason to utilize the time-consuming process of re-vintaging retirement data is to provide additional data to complete a depreciation study at some point in the future.

9. During the review of the Company's most recent Application for an Infrastructure System Replacement Surcharge (ISRS)(Case No. GO-2009-0046) in connection with replacements made during the period of October 1, 2006 through March 31, 2008, the Depreciation Staff and the Company had additional discussions regarding the recording of retirements in the Continuing Property Records (CPR).² As a direct result of these discussions between Staff and Atmos, Atmos has initiated additional training of its personnel to ensure that all projects will be reviewed for accuracy and appropriately booked retirements. The additional training discussed with the Staff in connection with retirements commenced in early 2009.

10. Phase 2 of the re-vintaging process is continuing today, but it will take several more months to complete since it is a manual process and is quite labor-intensive.

² See *Order Approving ISRS Rates, Rejecting Submitted Tariff And Authorizing Atmos To File Tariff In Compliance*, Case No. GO-2009-0046 (Issued: October 23, 2008).

This process requires the identification of the available retirement information contained in electronic and hard copies of old asset records.

11. As the Commission Staff pointed out in *Staff's July 15th Reply*, the granting of this waiver does no harm to the ratepayers or to the Company. The Company will continue the process of retrieving the necessary data to complete the re-vintaging process, but in the meantime, it will not be proposing any changes to its existing depreciation rates in its planned 2009 rate case.

WHEREFORE, for the foregoing reasons, Atmos respectfully renews its request that the Commission grant it a variance or waiver from 4 CSR 240-3.235 to permit the Company to file its next rate case without the inclusion of a new depreciation study.

Respectfully submitted,

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Certificate of Service

I hereby certify that a copy of the above and foregoing document was sent by electronic mail, or hand delivered, on this 23rd day of July, 2009 to counsel of record.

/s/ James M. Fischer

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