

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

IN RE:)	
UNITED CITIES GAS COMPANY,)	
a Division of ATMOS ENERGY)	
CORPORATION INCENTIVE PLAN)	
ACCOUNT (IPA) AUDIT)	CONSOLIDATED DOCKET NOS.
)	01-00704 and 02-00850
UNITED CITIES GAS COMPANY,)	
a Division of ATMOS ENERGY)	
CORPORATION, PETITION)	
TO AMEND THE PERFORMANCE)	
BASED RATEMAKING)	
MECHANISM RIDER)	

**JOINT DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND THE TRA
STAFF TO ATMOS ENERGY CORPORATION**

This 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. We request 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 Timothy C. Phillips and Gary Hotvedt, 460 James Robertson Parkway, Nashville, Tennessee 37243.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information and material available to Company, as a party, whether it be Company’s, in particular, or knowledge, information or material possessed or available to Company’s attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Company which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Company supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term "you" shall mean and include: Atmos Energy Corporation and all employees, agents and representatives thereof.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all

responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term "identity" and "identify" as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation.

Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no

longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information

cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested.

If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

DISCOVERY REQUESTS

DISCOVERY REQUEST 1:

Please provide a list of the transportation contracts from 1995 through 2008 applicable to Tennessee operations.

RESPONSE:

DISCOVERY REQUEST 2:

For each contract identified, where it is not self evident from review of the contract, in Request No. 1, identify:

- a. the name of the pipeline;
- b. the contract number;
- c. the term of the contract;
- d. the pipeline's meter number and name for the city gate;

- e. the pipeline's meter number and name for the receipt point from which the city-gate is supplied as the receipt point;
- f. the amount of firm transportation from the receipt point to the city gate;
- g. pipeline's tariff which applies(d) to the amount transported from the receipt point to the city gate;
- h. the maximum rate in the FERC tariff which the pipeline had the discretion to apply to the amount transported;
- i. the minimum rate in the FERC tariff which the pipeline had the discretion to apply to the amount transported; and
- j. the rate at which Atmos secured the service (the contract price).

RESPONSE:

DISCOVERY REQUEST 3:

In his 2008 Direct Testimony, Mr. Creamer describes how the new tariff proposed in TRA Docket No. 02-00850 would operate if approved.¹ On page 18, line 431, he states that the net incentive savings or costs under the Gas Procurement Incentive Mechanism (GP) would be 50% / 50% subject to a 2% deadband. The tariff originally filed in Docket No. 02-00850 contained a deadband of 97.7%-102%. Please explain the discrepancy between the tariff and Mr. Creamer's testimony.

RESPONSE:

¹ 2008 Direct Testimony of Frank H. Creamer, May 20, 2008, pages 17-19.

DISCOVERY REQUEST 4:

Under the Transportation Index Factor Incentive Mechanism (TIF) of the tariff, Mr. Creamer states that net incentive savings generated, if any, would be shared 50% to Atmos and 50% to its customers.² The hypothetical example provided shows a net benefit of \$40,821, with \$20,410.50 (50%) going to Atmos and \$20,410.50 (50%) going to the customers. The original tariff filed in Docket No. 02-00850 provides for a sliding scale, whereby the greater the discount achieved from Maximum FERC Rate, the greater the percentage earned by Atmos. A 50% / 50% sharing would not take place until savings achieved were greater or equal to a 20% discount. Since Mr. Creamer's testimony removed the sliding scale, does this mean Atmos has changed its position with regard to the TIF savings sharing percentages? Please explain your answer.

RESPONSE:**DISCOVERY REQUEST 5:**

Please provide a copy of the tariff that Atmos is seeking approval of at this time.

RESPONSE:

² Ibid., page 19, line 440.

DISCOVERY REQUEST 6:

Provide a listing, with resource references, of all known purchases below the maximum FERC rate known to Atmos or its witness(es).

RESPONSE:

DISCOVERY REQUEST 7:

How does the Atmos' discount(s) compare with discounts received by other customers of the same pipelines? Explain differences in discounts (if any).

RESPONSE:

DISCOVERY REQUEST 8:

Under what circumstances would Atmos ever pay "above the maximum FERC rate?"

RESPONSE:

DISCOVERY REQUEST 9:

Does the testimony filed by Mr. Creamer on May 20, 2008 vary from his previous testimony filed in this docket? If so, explain fully the differences.

RESPONSE:

DISCOVERY REQUEST 10:

Has Atmos attempted to gain approval of a similar TIF proposal in any other state? If so, identify the state and docket number.

RESPONSE:**DISCOVERY REQUEST 11:**

How has Atmos treated the claimed “savings” (provide dollar amounts) regarding the TIF tariff in its reports to its shareholders and the Securities and Exchange Commission for each year since 2001?

RESPONSE:**DISCOVERY REQUEST 12:**

Identify each “Discount Transportation Report” reviewed by Mr. Creamer in his 2004 testimony and his May 20, 2008 testimony at pages 12-13, and provide an electronic copy of each report which he reviewed. If an electronic report is not in Mr. Creamer’s custody then provide a paper copy of such reports.

RESPONSE:

DISCOVERY REQUEST 13:

With respect to Mr. Creamer's assertion that "the reported discounted transportation arrangements were not differentiated between firm, forward haul, backhaul, interruptible and/or winter only service" fully explain the procedures Mr. Creamer used to recognize, identify, and distinguish firm, forward haul, backhaul, interruptible and/or winter only service transactions from each other.

RESPONSE:**DISCOVERY REQUEST 14:**

Regarding Mr. Creamer's testimony from lines 132 – 135, for each of the "approximately 20" city gates which Mr. Creamer has referred to as places where AEM delivers gas supply to Atmos, identify the receipt point(s) which would have been in the logical path that Atmos "would have used had it [Atmos] been utilizing its capacity itself."

RESPONSE:**DISCOVERY REQUEST 15:**

Regarding Mr. Creamer's testimony from lines 389-391, provide copies of all documents and cite to the source pages and lines numbers where "direct firm capacity" is explained.

RESPONSE:

DISCOVERY REQUEST 16:

Is there a difference between “direct firm capacity” and “firm capacity”? If so, fully explain Mr. Creamer’s reasoning.

RESPONSE:**DISCOVERY REQUEST 17:**

In FERC’s Final Order 637, at page 81, FERC stated:

“CNG cites to a study commissioned by AGA and INGAA analyzing 17 major pipeline corridors, which showed that the average value of capacity release transactions varied from 31% to 76% of the maximum rate tariff rate applicable to the corridor.”

Are capacity release prices set by the market? If not, explain fully.

RESPONSE:**DISCOVERY REQUEST 18:**

Has a formal forward or options market for transportation capacity like the commodity market developed? If so, fully explain your reasoning.

RESPONSE:

DISCOVERY REQUEST 19:

FERC Order 637, at page 125, expresses the following:

In Order No. 636, the Commission established two principles -- flexible point rights and segmentation -- that are important to creating efficient competition in the market, both between shippers releasing capacity and the pipeline as well as between releasing shippers. Flexible point rights refer to the rights of firm shippers to change receipt or delivery point so they can receive and deliver gas to any point within the firm capacity rights for which they pay.

As a consequence, does the TIF act as an impediment to Atmos exercising its flexible points rights? If not, fully explain.

RESPONSE:

DISCOVERY REQUEST 20:

Provide copies of all documents identified in your response to these requests.

RESPONSE:

DISCOVERY REQUEST 21:

Provide copies of all documents reviewed to prepare your responses to these requests.

RESPONSE:

DISCOVERY REQUEST 22:

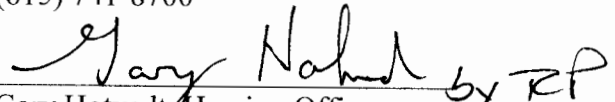
Provide supplemental discovery to the following requests served in this docket: Consumer Advocate Requests filed April 30, 2004, requests Nos. 5, 7, ³ and 8; and Consumer Advocate Requests filed on August 13, 2004, all requests, adapting Request No. 9 to include the years 2005-2008;

RESPONSE:

RESPECTFULLY SUBMITTED,



Timothy C. Phillips, Senior Counsel
B.P.R. # 12751
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, Tennessee 37202-0207
(615) 741-8700



Gary Hotvedt/Hearing Officer
B.P.R. # 16468
Tennessee Regulatory Authority
460 James Robertson Pkwy
Nashville, TN 37243
(615) 741-9934

by RP
with permission

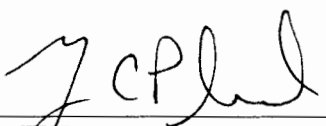
Dated: June 27, 2008

³ Please include the audit years 05-06, 06-07, but not responding regarding TRA Docket No. 01-00704.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via facsimile transmittal and by U.S. Mail on June 27, 2008.

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



TIMOTHY C. PHILLIPS
Senior Counsel

121179