



**TENNESSEE REGULATORY AUTHORITY**

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Nashville, Tennessee 37243-0505

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**MEMORANDUM**

**TO:** Docket File 05-00253

**FROM:** Pat Murphy, Manager *PM*  
Utilities Division

**DATE:** June 13, 2006

**SUBJECT:** Audit of Atmos Energy Corporation's Actual Cost Adjustment (ACA) for the Twelve (12) Months Ended June 30, 2006 – Clarification related to Staff audit report.

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On April 21, 2006, the Compliance Audit Staff ("Staff") filed its report in this docket. The Panel considered this audit report at the regularly scheduled Authority Conference held on May 15, 2006. In the Staff Conclusions and Recommendations (Section IX.) beginning on page 14, Staff discussed the Asset Management Agreement ("Agreement") in place between Atmos Energy Marketing ("AEM") and Atmos Energy ("Atmos"). On page 15 (footnote 5), Staff explains that a payment of \$782,978 was made to Atmos by AEM. This amount was reduced by a payment made by Atmos to AEM in the amount of \$282,978, for a net payment of \$500,000 for the use of Atmos' Tennessee assets.

The footnote did not clarify that the \$500,000 payment was allocated between Tennessee and Virginia using the demand cost allocation for shared demand costs between the states.<sup>1</sup> The allocation is necessary because the town of Bristol is split between Tennessee and Virginia. Therefore, Tennessee ratepayers' share of the payment under the Agreement was \$351,950.

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<sup>1</sup> See Finding #6 on page 12 of the report that discusses this allocation.