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September 13, 2006

Ms. Sharla Dillon  
Dockets Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

*In Re: Atmos Energy Corporation Actual Cost Adjustment ("ACA") Audit, Docket No. 05-00253*

Dear Sharla:

Enclosed for filing in the above-referenced docket is a copy of the transcript excerpt containing the panel's May 15, 2006 ruling. This transcript was referenced in the September 12 letter from Misty Kelley.

Very truly yours,



Clinton P. Sanko  
For the Firm

CPS: dcl  
Enclosure  
cc: Misty Smith Kelley (w/o enclosure)

TRA Conference Excerpt for Kelley, 5/15/06

BEFORE THE TENNESSEE REGULATORY AUTHORITY

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EXCERPT OF TRANSCRIPT OF AUTHORITY CONFERENCE

Monday, May 15, 2006  
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APPEARANCES:

For TRA Staff:

Ms. Sharla Dillon  
Mr. David Foster  
Mr. Gary Hotvedt

For Atmos Energy:

Ms. Misty Kelley

For Atmos Industrial Group:

Mr. Henry Walker

For the Consumer Advocate and  
Protection Division:

Mr. Paul Summers  
Mr. Vance Broemel

Reported By:  
Christina M. Rhodes, RPR, CCR

# TRA Conference Excerpt for Kelley, 5/15/06

<p style="text-align: right;">Page 2</p> <p>1 (The aforementioned Authority 2 conference came on to be heard on Monday, May 15, 2006, 3 beginning at approximately 1:00 p.m., before Chairman 4 Ron Jones, Director Sara Kyle, and Director Pat Miller. 5 The following is an excerpt of the proceedings that 6 were had, to-wit: 7 8 MS. DILLON: Next we have Docket 9 No. 05-00253, Atmos Energy Corporation; Atmos Energy 10 Corporation's annual cost adjustment (ACA) for the 12 11 months ended June 30th, 2005; consider audit. 12 CHAIRMAN JONES: The audit staff filed 13 its notice of filing on April 21st, 2006. Attached to 14 the notice is the audit report for Atmos Energy 15 Corporation of the actual cost adjustment and refund 16 adjustment of the purchased gas adjustment rule. The 17 audit contains seven findings and six recommendations. 18 Atmos filed a response on May 10th, 2006 in which the 19 company objected to the audit staff's recommendations 20 considering Atmos' asset management arrangements. 21 Based on the review of the report and 22 response, I find that Recommendations 1 and 2A through 23 2C should not be adopted because, one, Atmos has not 24 received a sufficient opportunity to address the 25 recommendations; and, two, there is insufficient</p>	<p style="text-align: right;">Page 4</p> <p>1 by the Tennessee Regulatory Authority to appear and 2 show cause that Atmos Energy Corp. is not overreaching 3 in violation of Tennessee law and that it is charging 4 rates that are just and reasonable; consider staff 5 report. 6 CHAIRMAN JONES: Okay. I see we 7 already have the Consumer Advocate at the table. Is 8 there anyone else who has filed anything and would like 9 to be heard? If they would come forward. 10 I'm starting with Mr. Broemel, if you 11 would introduce yourself for the record, please. 12 MR. BROEMEL: I'm Vance Broemel with 13 the Consumer Advocate, and I'm not sure if this 14 microphone is working. 15 MR. SUMMERS: I'm not sure if this 16 microphone is working either, but I'm Paul Summers. 17 I'm the Attorney General; Consumer Advocate too. 18 MR. WALKER: Henry Walker with the 19 Atmos Intervention Group. 20 MS. KELLEY: Misty Kelley with Baker, 21 Donelson, Bearman, Caldwell &amp; Berkowitz for Atmos 22 Energy Corporation. I have with me today Pat Childers, 23 vice president of rates and regulatory affairs for 24 Atmos. 25 CHAIRMAN JONES: The way we're going</p>
<p style="text-align: right;">Page 3</p> <p>1 information in this docket from which to determine that 2 the actions recommended in Nos. 1 or 2A through C are 3 appropriate. 4 Based on the record, however, I do 5 move that the panel adopt the seven findings in 6 Recommendations numbered 2D, 3, 4, 5, and 6 in the 7 audit report. Instead of the approach recommended in 8 No. 2A through C, I would move that in the course of 9 developing revisions in accordance with 2D that our 10 audit staff and the company meet to discuss the effects 11 of incorporating the asset management arrangement into 12 the performance-based ratemaking mechanism. In the 13 event that the agreement on any issue cannot be reached 14 or if audit staff believes that issues remain 15 unresolved, then the panel -- this panel may then 16 consider whether to convene a contested case on those 17 issues or to take some other actions. 18 And I would so move. 19 DIRECTOR KYLE: I think that you're 20 right. I second and vote yes. 21 DIRECTOR MILLER: I vote aye. 22 MS. DILLON: Next we have Docket 23 No. 05-00258, Consumer Advocate Division; petition of 24 the Consumer Advocate to open an investigation to 25 determine whether Atmos Energy Corp. should be required</p>	<p style="text-align: right;">Page 5</p> <p>1 to proceed is I'm going to have investigative staff 2 summarize its report and then give each of you a few 3 minutes to state whatever comments you would like to 4 either in response to the investigative report or on 5 some other matter. 6 Mr. Foster. 7 MR. FOSTER: David Foster for the TRA 8 staff. 9 Regarding our report, initially we 10 reviewed Atmos' 303 report for the year ended 11 September 30th, 2005. We did not prepare any forecast 12 to revenues, expenses, or rate base, but we made 13 accounting adjustments that we felt were necessary in 14 our opinion to more accurately reflect the company's 15 level of earnings for that period. The staff also 16 adjusted the return on equity to 10.2 percent to 17 reflect a reasonable return for Atmos stockholders 18 given current market conditions. 19 Our report was issued on April 24th, 20 2006. Our initial investigation in the case Atmos 21 earned 10.53 percent for the year ended September 30th, 22 2005 compared with what we believed to be an overall 23 fair rate of return of 7.4 percent. Given Atmos' 24 earnings for the period compared with what we believe 25 is a fair return, 7.4 percent, our report indicates</p>

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