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IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
	)	
ATMOS ENERGY CORPORATION	)	Docket No. 05-00253
ACTUAL COST ADJUSTMENT	)	
("ACA") AUDIT	)	

ATMOS ENERGY CORPORATION'S VERIFIED SUPPLEMENTATION OF THE RECORD

Since the issuance of the Audit Report, a review of the record in this docket reveals that, at a minimum, there has been a fair amount of uncertainty with respect to the dollar amount Atmos Energy Corporation's ("Atmos" or "Company") customers receive from the Company's asset management agreement with Atmos Energy Marketing, LLC ("AEM"). Given the complexities of the issues and mechanisms involved, such uncertainty is understandable. Absent clarification, however, it appears that said uncertainties are, albeit unintentionally, compounding with the passage of time.[1] Moreover, due to the pendency of TRA Docket No. 05-00258, Atmos and Audit Staff have not had the opportunity to clarify the foregoing in ongoing discussions, as they would under traditional circumstances, which is, again, understandable. For the benefit of the Tennessee

[1] For example, at the March 26, 2007, Authority Conference, counsel for the Consumer Advocate and Protection Division made the following statement with regard to the amount consumers receive under the AEM agreement:

> And in this case there's already been a **finding** that at least $30,000 was shared with consumers from the asset management program. We think this figure is far too low, and we want to challenge that. (emphasis added).

Transcript of Authority Conference, p. 112 (Mar. 26, 2007).

Regulatory Authority ("TRA" or "Authority"), the Company's customers and the public interest, AEC respectfully submits this verified supplementation.[2]

I. THE LUMP SUM PAYMENT FLOWED THROUGH TO CUSTOMERS

First and foremost, Atmos customers do not receive $30,000 from the AEM agreement (the "Agreement") – they actually receive more than ten (10) times that amount. Under the Agreement, AEM pays an annual lump sum of $500,000 as payment for the right to manage Atmos' assets. (TRA Docket No. 05-00253, 4/21/06 Staff Audit Report, p. 15.) Atmos does not retain any portion of the lump sum payment. The full $500,000 is flowed 100% through to the ratepayers under the Purchased Gas Adjustment ("PGA") mechanism. (Id.) That $500,000 payment is shared between Tennessee and Virginia ratepayers according to the percentage allocation for shared demand costs between the states. (TRA Docket No. 05-00253, 6/14/06 Memo. to File, p. 1.) Prior to July 1, 2005, Tennessee ratepayers were allocated 69.5% of the annual fee, or $347,500. After July 1, 2005, Tennessee ratepayers will receive 64% of the fee, or $320,000 per year. (Id.)

II. THE CAPACITY RELEASE SAVINGS SHARED WITH CUSTOMERS

In addition to, but separate from, the above, there are a few assets (in the form of pipeline contracts) that are not included within the AEM agreement, and which Atmos manages itself. The revenue from these non-AEM asset management activities are shared with ratepayers under the Capacity Release Mechanism of the Company's PBR. To get a total amount of dollars received by consumers from both Atmos' non-AEM asset management activities and the AEM agreement, it would be necessary to add the Capacity Release Mechanism dollars to the annual AEM lump sum

[2] While the matters asserted herein will be thoroughly reviewed and subjected to scrutiny either in this docket or in TRA Docket No. 05-00258, the Company nonetheless considered it essential at this stage to attempt to add clarity to the issue for the benefit of all involved, particularly the ratepayers.

fee. The following chart demonstrates the approximate amount of TOTAL asset management dollars flowed through to consumers since the AEM contract began in April 2004:

	AEM Lump Sum Fee	Ratepayer Share of Additional Capacity Release Dollars Under the PBR[3]	Total Asset Management Dollars to Consumers[4]
2004-2005 Audit Year	$347,500	$82,238	$429,738
2005-2006 Audit Year	$320,000	$76,266	$396,266

These amounts represent dollars flowed through to consumers resulting solely from asset management. These amounts do not include additional dollars consumers received from Atmos' gas procurement activities.

III. BUNDLED VERSUS UNBUNDLED ACTIVITIES

It has been suggested in this docket that the amounts Atmos' customers have received are significantly less than the amounts received by the customers of both Chattanooga Gas Company and Nashville Gas Company.[5] Such statements compare two (2) totally different and distinct things.

[3] Due to the pending PBR case, TRA Consolidated Dockets No. 01-00704 and 02-00850, Atmos has not filed a PBR report since the 2000-2001 year. Therefore, since that time the Company has not recouped its share of the savings under the PBR, and 100% of those savings have flowed through to consumers. The figures in the chart represent the ratepayers' share under the PBR plan.

[4] This column represents the TOTAL amount of dollars received by consumers from both Atmos' non-AEM asset management activities and the AEM agreement.

[5] For instance, counsel for the Intervention Group made the following statement with regard to the dollars flowing to consumers under the AEM agreement:

> Now, as a result, this contract that they worked up with their affiliate ended up giving a relatively small amount of money back to ratepayers. Much smaller than the amount that goes back to ratepayers through Chattanooga or Nashville Gas. This is the – for ratepayers this is the worst deal in the state . . . .

AEM's agreement is fundamentally different from the asset management arrangements the other companies have in that AEM only performs asset management services; **it does not perform Atmos' gas procurement functions.** Both Chattanooga Gas and Nashville Gas have "bundled" asset management arrangements. Under these bundled arrangements, their asset managers perform both asset management and gas procurement services. Therefore, comparing, for example, the lump sum fee paid by Nashville Gas' asset manager, or the profits shared by Chattanooga's asset manager, on the one hand, to the AEM lump sum fee, on the other hand, is tantamount to comparing apples and oranges.

Unlike Chattanooga Gas and Nashville Gas, Atmos handles gas procurement itself, and the ratepayers share in the benefits from that gas procurement, not through an asset management agreement, but instead through the PGA (in lower commodity costs) and through the Company's PBR mechanism (additional shared savings). The amounts that ratepayers have received from Atmos' gas procurement activities under the PBR are, to say the least, not insignificant. In the 2004-05 audit year, Atmos' gas procurement efforts produced approximately $1.8 million in savings for consumers,[6] and for the 2005-2006 audit year, the total savings was approximately $847,000.[7] For ease of reference, the following chart demonstrates the total amount of asset management (both Atmos' non-AEM asset management activities and the AEM agreement) and gas procurement dollars flowing through to Atmos' consumers since the AEM contract went into

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Transcript of Authority Conference, p. 119 (Mar. 26, 2007). *See also* Notice of Filing by Utilities Division of the Tennessee Regulatory Authority, *In Re: Atmos Energy Corporation's Annual Cost Adjustment (ACA) for the Twelve Months Ended June 30, 2005*, TRA Docket No. 05-00253, p. 15 (April 21, 2006) ("The amount credited to ratepayers' seems to be significantly less than the amounts paid for the use of Nashville Gas and Chattanooga Gas assets.").

[6] Under the PBR amendment proposed by Atmos in TRA Docket No. 02-00850, consumers will retain approximately $1.1 million of those savings.
[7] Again, under the treatment proposed by Atmos in TRA Docket No. 02-00850, ratepayers will retain approximately $563,000 of that total amount.

effect:

	AEM Lump Sum Fee	Ratepayer Share of Additional Capacity Release Dollars Under the PBR[8]	Total Asset Management Dollars to Consumers	Total Gas Procurement Dollars to Consumers Under the PBR	TOTAL Asset Management and Gas Procurement Dollars to Consumers
2004-2005 Audit Year	$347,500	$82,238	$429,738	$1,100,000	$1,529,738
2005-2006 Audit Year	$320,000	$76,266	$396,266	$563,000	$959,266

IV. CONCLUSION

The Company trusts that this good faith attempt to clarify the record with regard to the amounts flowing to consumers under the AEM agreement will prove beneficial to the Authority, the ratepayers and the public interest.

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[8] Due to the pending PBR case, TRA Consolidated Dockets No. 01-00704 and 02-00850, Atmos has not filed a PBR report since the 2000-2001 year.

VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Patricia Childers, after being first duly sworn, do hereby state that I have read the foregoing and that based on information known or furnished to me, the factual statements made therein are true and correct to the best of my knowledge, information and belief.

Patricia Childers

PAMELA TODD
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

SWORN to and subscribed before me this 11th day of April, 2007.

My Commission Expires 05-24-08

Pamela Todd
Notary Public

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2015477-000029 4/11/2007

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via U.S. Mail, postage prepaid, upon the following this the 12th day of April, 2007:

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