

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

**IN RE: PETITION TO OPEN AN
INVESTIGATION TO DETERMINE
WHETHER ATMOS ENERGY CORP.
SHOULD BE REQUIRED BY THE TRA
TO APPEAR AND SHOW CAUSE THAT
ATMOS ENERGY CORP. IS NOT
OVEREARNING IN VIOLATION OF
TENNESSEE LAW AND THAT IT IS
CHARGING RATES THAT ARE JUST
AND REASONABLE**

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2005-07-11-0012
T.R.A. DOCKET ROOM
Docket No. 05-00258

**CONSUMER ADVOCATE'S RESPONSE TO ATMOS ENERGY CORPORATION'S
OBJECTIONS TO FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE
AND MOTION TO COMPEL**

The Tennessee Attorney General, by and through the Consumer Advocate and Protection Division ("Consumer Advocate"), responds and moves for a motion to compel as follows to the objections of Atmos Energy Corporation ("Atmos") to the First Discovery Request of the Consumer Advocate.

EXPLANATORY INTRODUCTION

The First Discovery Request of the Consumer Advocate is divided into two parts, Part I and Part II. Atmos has objected to items in both Parts and many of the objections in each Part are virtually identical. Therefore, in order to simplify the process of ruling on these objections, the Consumer Advocate will set forth a General Response to the objections in each Part. Then the Consumer Advocate will set forth a response to each separate numbered objection immediately after each objection. For the most part, these separate objections will reiterate positions set forth in the General Responses. Thus, while the number of separate objections and responses is quite large, the number of general principles involved is much more limited.

PART I

GENERAL RESPONSE TO ATMOS'S OBJECTIONS TO PART I DISCOVERY

Atmos has objected to Items 1(A)-(H) and 3(A)-(K) of Part I of the Consumer Advocates's Discovery Request. The objections fall into two main categories: (1) objections to questions regarding capacity release on gas pipelines (the Consumer Advocate has requested information regarding the capacity or space in gas transmission pipelines that Atmos has contracted for to meet consumer's needs but subsequently sold or "released" to another party; this capacity release constitutes a source of revenue for Atmos and part of that revenue is or should be shared by Atmos customers thereby affecting their rates); and (2) objections to questions using the term known as "forward-looking statements" which is a term used by Atmos itself in regard to statements about the future performance of Atmos; under a provision of the Securities Exchange Act of 1934 "forward-looking statements" are not to be taken as an "obligation" of the company (the Consumer Advocate has asked whether certain statements are "forward-looking" in order to determine the extent to which Atmos stands behind them).

1. Objections as to Capacity Release

As stated above, "capacity" is the space in a gas transmission pipeline through which gas is moved. Atmos has contracted for or bought such space or capacity on at least one pipeline in Tennessee, the East Tennessee pipeline. See, e.g., Exhibit 1 attached hereto, which establishes that Atmos released capacity to Atmos Energy Marketing, LLC. Capacity release is relevant and crucial in this case because, as Atmos itself has admitted, it receives income from capacity release, and the sale of capacity affects the cost of gas to consumers. See, e.g., Atmos Form 10-K for the year ending September 30, 2002 ("The gas purchase and capacity release mechanisms of the Performance-based Ratemaking mechanism are designed to provide us incentives to find innovative methods to lower

gas costs to our customers. We recognized other income of \$0.4 million, 1.0 million and \$0.2 million in fiscal years 2002, 2001 and 2000 attributable to the Georgia and Tennessee Performance-based Ratemaking mechanisms.”).

In its objection to questions regarding capacity release, Atmos states that “these costs have no bearing on Atmos’s rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment (“ACA”) audits by TRA staff.” See, e.g., Objection to item 1.A. Atmos, however, in the SEC Form 10-K statement above, has admitted that it receives what is known as “other income” from capacity release in Tennessee. This admission establishes that Atmos’s objections about capacity release have wrongly characterized capacity release income as an item that would be covered in the TRA’s PGA review since the PGA review does not audit Atmos’s sources of “other income.” The PGA review simply examines the cost of gas passed on from the company to consumers.

A rate case, moreover, is about more than determining the rate of return for Atmos. It is also about what rates the customers will be paying, and these rates are or should be very much affected by capacity release because this is income that affects the cost of gas.

In Tennessee Public Service Commission v. Nashville Gas Company, 515 S.W.2d 315, 321 (Tenn. 1977), the Tennessee Supreme Court held that it was proper for the PSC to look into the transactions between a parent and its subsidiary in a rate case because these transactions were necessary in determining “the proper rate base and rate structure of the [regulated] subsidiary.” Similarly, in the present case with Atmos, it is necessary to look into questions involving capacity release because it affects or should affect the rates paid by consumers.

Accordingly, the Consumer Advocate moves the Hearing Officer to enter an order compelling Atmos to provide information in response to all questions involving capacity release.

2. Objections as to Forward-Looking Statements

Atmos has objected to a number of requests involving what are known as “forward-looking statements.” In general, these are statements which do not commit the company to any legal obligation, as set forth in the Securities Exchange Act of 1934. The Consumer Advocate believes its questions regarding “forward-looking statements” are relevant because the questions are intended to elicit evidence as to the factual basis of various statements and Atmos’s commitment to them.

Further proof of the relevance of the term “forward-looking statements” is the fact that Atmos itself has used this precise term in presentations to investors. See, e.g., Exhibit 2 attached hereto, which establishes that Atmos’s Chief Financial Officer defined “forward-looking statements” on June 30, 2005. Thus, Atmos cannot claim that the term is one unfamiliar to them.

In addition to its relevance objections, Atmos relies on judicial privilege as a ground for its objection to the requests involving forward-looking statements. Such reliance is misplaced, however, because this privilege has no application to this case or to a party’s discovery requests. The general rule in Tennessee is that a witness giving testimony in a judicial proceeding is protected from civil liability or damages based upon that testimony. See Wilson v. Ricciardi, 778 S.W.2d 450, 453 (Tenn. Ct. App. 1989). Rather than preventing testimony, the doctrine is employed to encourage testimony by protecting witnesses from fear of subsequent actions based on their testimony. Id.

In this case, the Consumer Advocate does not seek to use the testimony of any Atmos witness in a prior judicial proceeding. The Consumer Advocate’s requests are designed merely to obtain a definition of “forward-looking statements,” which the Consumer Advocate contends are pertinent to any forecasts that Atmos may advance in this proceeding. Additionally, this proceeding is not a civil action for damages. It is an administrative hearing on the justness and reasonableness of Atmos’s rates. Neither Atmos nor any of its witnesses is exposed to civil liability in this docket.

Furthermore, the judicial privilege cited by Atmos is an evidentiary doctrine. See Cohen, et. al., Tennessee Law of Evidence § 5.19 (5th ed. 2005). The rules of evidence are not applicable to a party's discovery requests. Rather, such requests only have to be reasonably calculated to lead to the discovery of admissible evidence. See Tenn. R. Civ. P. 26.02.

Finally, to the extent that Atmos claims the requests are vague, Atmos itself has previously defined and used the term "forward-looking statements." See, e.g., **Exhibit 2** attached hereto, which establishes that Atmos's Chief Financial Officer defined "forward-looking statements" on June 30, 2005.

Accordingly, the Consumer Advocate moves the Hearing Officer to enter an order compelling Atmos to provide information in response to all questions involving forward-looking statements.

PART I QUESTIONS, OBJECTIONS AND RESPONSES TO OBJECTIONS

QUESTION 1: Pursuant to the Federal Energy Regulatory Commission's rule § 284.8(f), which took effect in February 2000 and which states:

"(f) Unless otherwise agreed by the pipeline, the contract of the shipper releasing capacity will remain in full force and effect, with the net proceeds from any resale to a replacement shipper credited to the releasing shipper's reservation charge;"

and pursuant to the FERC-approved pipeline tariffs implementing FERC's rule, such tariffs in part being:

a. Tennessee Gas Pipeline Company, FERC Gas Tariff, Fifth Revised Volume No.1, Original Sheet No. 337B, General Terms and Conditions, subsection (i), which states in part:

"The Releasing shipper will be billed for its full contractual reservation charge liability to Transporter but shall simultaneously receive a demand credit equaling the demand charges for which Transporter has invoiced the Replacement Shipper;"

- b. East Tennessee Natural Gas, LLC FERC Gas Tariff, Third Revised Volume No. 1, Sheet 339,

General Terms and Conditions, Section 17.1, which states in part:

"Applicability - this Section 17 implements Section 284.8 of the commissions' regulations and is applicable to any Shipper that holds rights to firm transportation that elects to temporarily release or permanently assign all or a portion of such firm transportation rights("Releasing Shipper;")

- c. Texas Eastern Transmission, LP. FERC Gas Tariff Seventh Revised Volume No. 1, Sheet

536, General Terms and Conditions, Item 2, Obligations of Customer,

which states in part:

"The service agreement of the Customer will remain in full force and effect, with a portion of the proceeds attributable to any release and assignment credited to the existing Customer's bill as provided in Section 3.14(H). The Customer shall remain ultimately liable to Pipeline for all Reservation Charges and Reservation Surcharges under the terms of its service agreement with Pipeline;"

QUESTION 1.A: Provide for each month from January 2001 through March 2006 the credits rendered to Atmos/United Cities per FERC rule § 284.8(f) for capacity released by Atmos/United Cities from its firm transportation and firm storage contracts which Atmos/United Cities uses to meet the needs of its customers in its certificated-territory in Tennessee.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds

it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 1.A: “Capacity” is the space in a gas transmission pipeline through which gas is moved. Atmos has contracted for or bought such space or capacity on at least one pipeline in Tennessee, the East Tennessee pipeline. See, e.g., **Exhibit 1** attached hereto, which establishes that Atmos released capacity to Atmos Energy Marketing, LLC. Capacity release is relevant and crucial in this case because, as Atmos itself has admitted, it receives income from capacity release, and the sale of capacity affects the cost of gas to consumers. See, e.g., Atmos Form 10-K for the year ending September 30, 2002 (“The gas purchase and capacity release mechanisms of the Performance-based Ratemaking mechanism are designed to provide us incentives to find innovative methods to lower gas costs to our customers. We recognized other income of \$0.4 million, 1.0 million and \$0.2 million in fiscal years 2002, 2001 and 2000 attributable to the Georgia and Tennessee Performance-based Ratemaking mechanisms.”).

In its objection to questions regarding capacity release, Atmos states that “these costs have no bearing on Atmos’ rates, but are instead regulated through the PGA filings and the annual Actual

Cost Adjustment (“ACA”) audits by TRA staff.” See, e.g., Objection to item 1.A. Atmos, however, in the SEC Form 10-K statement above, has admitted that it receives what is known as “other income” from capacity release in Tennessee. This admission establishes that Atmos’s objections about capacity release have wrongly characterized capacity release income as an item that would be covered in the TRA’s PGA review since the PGA review does not audit Atmos’s sources of “other income.” The PGA review simply examines the cost of gas passed on from the company to consumers.

A rate case, moreover, is about more than determining the rate of return for Atmos. It is also about what rates the customers will be paying and these rates are or should be very much affected by capacity release because this is income that affects the cost of gas.

In Tennessee Public Service Commission v. Nashville Gas Company, 515 S.W.2d 315, 321 (Tenn.1977), the Tennessee Supreme Court held that it was proper for the PSC to look into the transactions between a parent and its subsidiary in a rate case because these transactions were necessary in determining “the proper rate base and rate structure of the [regulated] subsidiary.” Similarly, in the present case with Atmos, it is necessary to look into questions involving capacity release because it affects or should affect the rates paid by consumers.

QUESTION 1.B: Separate the credits rendered to Atmos/United Cities per FERC rule § 284.8(f) in the response to "A" above into credits by each of the following pipelines which are known to have firm transportation and firm storage contracts which Atmos/United Cities uses to deliver natural gas to its certificated-territory in Tennessee:

East Tennessee Gas
Columbia Gas Transmission
Tennessee Gas Pipeline
Texas Eastern Pipeline
Texas Gas Transmission.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda 4 Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudence audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 1.B: See Response to Objection 1.A.

QUESTION 1.C: For each pipeline listed above and for each month from January 2001 through March 2006, list the monthly reservation fees that Atmos/United Cities passed through to its customers in Tennessee via the PGA.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 1.C: See Response to Objection 1.A.

QUESTION 1.D: For each pipeline listed above and for each month from January 2001 through March 2006, list the credits rendered to Atmos/United Cities per FERC rule § 284.8(f) that Atmos/United Cities passed through to its customers in Tennessee via the PGA.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 1.D: See Response to Objection 1.A.

QUESTION 1.E: For each firm transportation contract and each firm storage contract which Atmos/United Cities has used or is using to meet the needs of its customers in its certificated-territory in Tennessee, list the contract Atmos/United Cities temporarily or permanently assigned to a replacement shipper and name the replacement shipper.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 1.E: See Response to Objection 1.A.

QUESTION 1.F: Provide copies of any documents, petitions or correspondence where Atmos/United Cities informed the Tennessee Regulatory Authority or its staff of FERC's rule § 284.8(f).

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudence audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 1.F: See Response to Objection 1.A.

QUESTION 1.G: Provide forecasts of the FERC rule § 284.8(f) credits Atmos/United Cities expects to receive from June 2006 through December 2007 for capacity which Atmos will release from its firm transportation contracts and firm storage contracts which Atmos/United Cities is using to meet the needs of its customers in its certificated-territory in Tennessee.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 1.G: See Response to Objection 1.A.

QUESTION 1.H: Atmos stated in its SEC form 10-K for the fiscal year ending September 30, 2002:

"Effective April 1, 1999, the Tennessee Regulatory Authority approved the Mid-States Division's request to continue its Performance-based Ratemaking mechanism related to gas procurement and gas transportation activities. The Tennessee Regulatory Authority revised the mechanism from the original two-year experimental

period, by increasing the cap for incentive gains and/or losses to \$1.25 million per year. Under this agreement, the mechanism has no expiration date and can be amended or cancelled by either the Mid-States Division or the Tennessee Regulatory Authority according to the provisions of the agreement. Similar to Tennessee, the Georgia Public Service Commission renewed our Performance-based Ratemaking program for an additional three years effective May 1, 2002. The gas purchase and capacity release mechanisms of the Performance-based Ratemaking mechanism are designed to provide us incentives to find innovative methods to lower gas costs to our customers. We recognized other income of \$0.4 million, \$1.0 million and \$0.2 million in fiscal years 2002, 2001 and 2000 attributable to the Georgia and Tennessee Performance-based Ratemaking mechanisms."

QUESTION 1.H(a): Explain how Atmos has revised its Performance based Ratemaking mechanism in Tennessee to include the credits rendered to Atmos/United Cities per FERC rule § 284.8(f).

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff.

Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide

additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTIONS 1.H(a)-(c): See Response to Objection 1.A.

QUESTION 1.H(b): For each year from 2001 to 2005 identify the income Atmos has achieved from its release of capacity meant to deliver natural gas to Atmos/United Cities' customers in the company's certificated-territory in Tennessee.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide

additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTIONS 1.H(a)-(c): See Response to Objection 1.A.

QUESTION 3: Admit or Deny the following:

QUESTION 3.A: Atmos/United Cities is guaranteed pass through of capacity reservation charges to its customers in Tennessee.

OBJECTION: Atmos objects to this request on the grounds that it is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

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RESPONSE TO OBJECTION 3.A: See Response to Objection 1.A regarding capacity release.

QUESTION 3.B: The matters discussed or incorporated by Atmos in the current docket of the Tennessee Regulatory Authority may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934.

OBJECTION: Atmos objects to this request on the grounds it calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant evidence, and is thus beyond the scope of legitimate discovery in this docket. Without waiving these objections, Atmos responds that it has discussed with the Consumer Advocate that under both the Tennessee doctrine of judicial privilege, which applies in administrative proceedings, and the federal law interpreting the cited provisions, it appears that the information contained within this docket is not covered by the cited federal securities laws.

RESPONSE TO OBJECTION 3.B: In general, "forward-looking statements" are statements which do not commit the company to any legal obligation, as set forth in the Securities Exchange Act of 1934. The Consumer Advocate believes its questions regarding "forward-looking statements" are relevant because the questions are intended to elicit evidence as to the factual basis of various statements and Atmos's commitment to them.

Further proof of the relevance of the term “forward-looking statements” is the fact that Atmos itself has used this precise term in presentations to investors. See, e.g., **Exhibit 2** attached hereto, which establishes that Atmos’s Chief Financial Officer defined “forward-looking statements” on June 30, 2005. Thus, Atmos cannot claim that the term is one unfamiliar to them.

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In this case, the Consumer Advocate does not seek to use the testimony of any Atmos witness in a prior judicial proceeding. The Consumer Advocate’s requests are designed merely to obtain a definition of “forward-looking statements,” which the Consumer Advocate contends are pertinent to any forecasts that Atmos may advance in this proceeding. Additionally, this proceeding is not a civil action for damages. It is an administrative hearing on the justness and reasonableness of Atmos’s rates. Neither Atmos nor any of its witnesses is exposed to civil liability in this docket.

Furthermore, the judicial privilege cited by Atmos is an evidentiary doctrine. See Cohen, et. al., Tennessee Law of Evidence § 5.19 (5th ed. 2005). The rules of evidence are not applicable to a party’s discovery requests. Rather, such requests only have to be reasonably calculated to lead to the discovery of admissible evidence. See Tenn. R. Civ. P. 26.02.

Finally, to the extent that Atmos claims the requests are vague, Atmos itself has previously defined and used the term “forward-looking statements.” See, e.g., **Exhibit 2** attached hereto, which

establishes that Atmos's Chief Financial Officer defined "forward-looking statements" on June 30, 2005.

QUESTION 3.C: All statements by Atmos in the current docket, other than statements of historical fact, are forward-looking statements made in good faith by the Company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995.

OBJECTION: Atmos objects to this request on the grounds it calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant evidence, and is thus beyond the scope of legitimate discovery in this docket. Without waiving these objections, Atmos responds that it has discussed with the Consumer Advocate that under both the Tennessee doctrine of judicial privilege, which applies in administrative proceedings, and the federal law interpreting the cited provisions, it appears that the information contained within this docket is not covered by the cited federal securities laws.

RESPONSE TO OBJECTION 3.C: See Response to Objection 3.B regarding forward-looking statements.

QUESTION 3.D: When used in this current docket by Atmos, the words "anticipate," "believes," "estimate," "expect," "forecast," "goal," "intends," "objective," "plans" "projection," "seek," "strategy" or similar words are intended to identify forward-looking statements.

OBJECTION: Atmos objects to this request on the grounds it calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant evidence, and is thus beyond the scope of legitimate discovery in this docket. Without waiving these objections, Atmos responds that it has discussed with the Consumer Advocate that under both the Tennessee doctrine of judicial privilege, which applies in administrative proceedings, and the federal law interpreting

the cited provisions, it appears that the information contained within this docket is not covered by the cited federal securities laws.

RESPONSE TO OBJECTION 3.D: See Response to Objection 3.B regarding forward-looking statements.

QUESTION 3.E: Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from forecast by Atmos.

OBJECTION: Atmos objects to this request on the grounds it calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant evidence, and is thus beyond the scope of legitimate discovery in this docket. Without waiving these objections, Atmos responds that it has discussed with the Consumer Advocate that under both the Tennessee doctrine of judicial privilege, which applies in administrative proceedings, and the federal law interpreting the cited provisions, it appears that the information contained within this docket is not covered by the cited federal securities laws.

RESPONSE TO OBJECTION 3.E: See Response to Objection 3.B regarding forward-looking statements.

QUESTION 3.F: Atmos believes its forward-looking statements and forecasts made in this current docket will be reasonable, but there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized.

OBJECTION: Atmos objects to this request on the grounds it calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant evidence, and is thus beyond the scope of legitimate discovery in this docket. Without waiving these objections, Atmos responds that it has discussed with the Consumer Advocate that under both the Tennessee doctrine of judicial

privilege, which applies in administrative proceedings, and the federal law interpreting the cited provisions, it appears that the information contained within this docket is not covered by the cited federal securities laws.

RESPONSE TO OBJECTION 3.F: See Response to Objection 3.B regarding forward-looking statements.

QUESTION 3.G: Atmos undertakes no obligation to update or revise forward-looking statements and forecasts made in the Authority's current docket, whether as a result of new information, future events or otherwise.

OBJECTION: Atmos objects to this request on the grounds it calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant evidence, and is thus beyond the scope of legitimate discovery in this docket. Without waiving these objections, Atmos responds that it has discussed with the Consumer Advocate that under both the Tennessee doctrine of judicial privilege, which applies in administrative proceedings, and the federal law interpreting the cited provisions, it appears that the information contained within this docket is not covered by the cited federal securities laws.

RESPONSE TO OBJECTION 3.G: See Response to Objection 3.B regarding forward-looking statements.

QUESTION 3.H: Atmos is a "releasing shipper" as meant in FERC rule § 284.8(1).

OBJECTION: Atmos objects to this request on the grounds that it calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline

capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudence audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 3.H: See Response to Objection 1.A regarding capacity release.

QUESTION 3.I: Atmos/United Cities' firm transportation contracts and firm storage contracts, which Atmos/United Cities is using to meet the needs of its customers in its certificated-territory in Tennessee, are regulated assets.

OBJECTION: Atmos objects to this request on the grounds that it is vague, calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA

Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudence audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 3.I: See Response to Objection 1.A regarding capacity release.

QUESTION 3.J: Atmos/United Cities uses regulated assets to earn profits by releasing regulated assets, where "releasing" has the meaning in FERC rule § 284.8(f).

OBJECTION: Atmos objects to this request on the grounds that it is vague, calls for a legal conclusion, is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA

Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 3.J: See Response to Objection 1.A regarding capacity release.

QUESTION 3.K: Atmos/United Cities' customers in Tennessee share no portion of the profits earned by Atmos/United Cities from its release of regulated assets.

OBJECTION: Atmos objects to this request on the grounds that it is vague, is not reasonably calculated to lead to the discovery of relevant information and is thus beyond the scope of legitimate discovery in this proceeding. This docket was convened "for the purpose of establishing

a fair and reasonable return for Atmos." (Transcript of May 15, 2006 TRA Agenda Conference, p. 24.) This request seeks information related to gas costs, specifically, pipeline capacity and storage charges and other similar costs. Pursuant to the TRA's Purchased Gas Adjustment ("PGA") Rule, these costs have no bearing on Atmos' rates, but are instead regulated through the PGA filings and the annual Actual Cost Adjustment ("ACA") audits by TRA staff. Atmos further objects to this request on the grounds it is inconsistent with the TRA's Orders in the Company's PBR docket, Docket No. 97-01364, which waives the requirement of a prudency audit for each year the PBR is in effect.

Without waiving these objections, Atmos responds that it has communicated with the Consumer Advocate that the Company is in compliance with the cited FERC rule, and has offered to meet informally with the Consumer Advocate outside the confines of this docket to provide additional information and clarification to the Consumer Advocate on this issue. Atmos further notified the Consumer Advocate of the TRA's order in Docket No. 05-00253, the Company's most recent ACA audit docket, directing the Company to meet with Staff to discuss the effects of incorporating the Company's asset management arrangement into the PBR, and invited the Consumer Advocate to participate in those discussions.

RESPONSE TO OBJECTION 3.K: See Response to Objection 1.A regarding capacity release.

PART II

GENERAL RESPONSE TO ATMOS'S OBJECTIONS TO PART II DISCOVERY

Atmos has objected to Items 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, and 18 of Part II of the Consumer Advocates's Discovery Request. The objections fall into two main categories: (1) objections as to time (the Consumer Advocate has requested information from the time Atmos purchased United Cities Gas Company ("United Cities") in 1996 up to the present and Atmos has objected to providing any information beyond three years from the present); and (2) objections as to the geographic scope (the Consumer Advocate has asked for information regarding all states in which Atmos operates and Atmos has objected to providing any information beyond Tennessee).

1. Objections as to Time Period

With regard to the objection as to the relevant time period, the Consumer Advocate maintains that information from the time Atmos purchased United Cities in 1996 up to the present is relevant. Throughout the present case, Atmos has argued that its rates are just and reasonable because they are within the overall rate of return established in 1992 (TRA Docket No. 92-02987) and 1996 (TRA Docket No. 95-02258). See, for example, Atmos Energy Corporation's Response to the Consumer Advocate's Petition at page 1 ("Like the CAPD's previous show cause petition that was dismissed in Docket No. 04-00356, the instant Petition does not allege that Atmos is earning more than the rate of return authorized by the Tennessee Regulatory Authority ('TRA')."). If Atmos is going to present a defense that goes back to a time before it purchased United Cities in 1996, it is only fair for the Consumer Advocate to have information from that same time period in order to rebut that defense.

Atmos argues that it should have to provide no more than three years of information. See, for example, the objection to item 5 ("Without waiving those objections, Atmos responds that it has communicated with the Consumer Advocate its willingness to provide the requested information for

Tennessee dating back as far as the scope of the Minimum Filing requirements, which is 3 years.") (emphasis added). This three year period, however, is the minimum for filing guidelines; that is, it represents the absolute minimum expected of the company, not a limit that may be set on discovery.

Finally, it should be noted Atmos has not filed a rate case since acquiring United Cities in 1996. Surely it cannot be considered unreasonable to ask for information going back to a time that does not even go back as far as a company's last rate case. If ten years seems like a long time to Atmos that is because Atmos has not filed a rate case in a long time.

Accordingly, the Consumer Advocate moves the Hearing Officer to enter an order compelling Atmos to provide information from the time it purchased United Cities, not just a three year minimum.

2. Objections as to Geographic Scope

With regard to the objections as to the geographic scope of the questions, the Consumer Advocate maintains that it is entitled to more than data from Tennessee. Atmos, however, is attempting to limit discovery to Tennessee-only data. See, for example, the objection to item 5 ("Without waiving those objections, Atmos responds that it has communicated with the Consumer Advocate its willingness to provide the requested information for Tennessee dating back as far as the scope of the Minimum Filing requirements, which is 3 years.") (emphasis added).

One of the chief concerns of the Consumer Advocate in this case is to ensure that Tennessee is receiving adequate service for the rates consumers pay. One of the best ways to gauge that is to compare the level of service in Tennessee with the level of service in other states in Atmos's territory. If, for example, Tennessee consumers are paying for a customer call center, the Consumer Advocate believes they are entitled to the same response time as other states, absent some special difference such as an added charge in other states. If the Tennessee response time is markedly longer

than in other states that is very relevant information. This does not necessarily mean that the data from other states is admissible but it certainly “appears reasonably calculated to lead to the discovery of admissible evidence.” Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, the Consumer Advocate moves the Hearing Officer to enter an order compelling Atmos to provide information from all states in which it operates, not just Tennessee.

PART II QUESTIONS, OBJECTIONS AND RESPONSES TO OBJECTIONS

QUESTION 5: Please provide the expected replacement miles of Bare Steel/Cast Iron gas mains and services per year until all such mains and services are replaced (by state) served by ATMOS Energy.

OBJECTION: Atmos objects to this request on the grounds that to the extent it is unlimited in time and seeks information unrelated to Tennessee, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving those objections, Atmos responds that it has communicated with the Consumer Advocate its willingness to provide the requested information for Tennessee dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 5: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate’s case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly “appears

reasonably calculated to lead to the discovery of admissible evidence.” Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 5, the Consumer Advocate wants information from the time Atmos purchased United Cities and for all Atmos states.

QUESTION 6: Please provide the data for the following categories of customer service:

(A) Customer Service (Call Center) since ATMOS purchased United Cities by year through 2005:

1. Number of Calls received and percent answered;
2. Average Answer Time (in seconds);
3. Length of Call (in minutes);
4. After Call Processing time (in minutes or percent);
5. Number of Customer Service Walk-Ins;
6. Customer Call Backs;
7. Supervisor Referrals; and
8. Cash Transactions Processed by affiliated agencies.
9. Provide the total number of Call Center employees (by month/by title).
10. Provide the allocated employees by title/by month to Tennessee.

(B) Meter Services (Tennessee) by year (since ATMOS purchased United Cities through 2005):

1. Number of Meters Read;
2. Risers Inspected;
3. Estimated Readings;
4. Percent Estimated;

5. Meters Skipped;
6. Re-reads;
7. Door Tags or other "customer provided readings."

(C) Service Department (Tennessee by month since ATMOS purchased United Cities Through 2005):

1. Orders Worked;
2. Appointment Orders;
3. Appointments Missed;
4. Emergency Orders;
5. Emergency Response Time (in minutes);
6. Meters Set.

(D) Construction Department (Tennessee by month since ATMOS purchased United Cities through 2005):

1. Service Orders Received;
2. Service Orders Installed;
3. Backlog (Weeks);
4. Damages;
5. Service Renewal/Relocate;
6. Services Retired; and
7. Survey Leaks.

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information dating back approximately 10 years, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope

of legitimate discovery in this proceeding. Without waiving these objections, Atmos responds that it communicated to the Consumer Advocate that the Company would be willing to provide information dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 6: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 6, the Consumer Advocate wants information from the time Atmos purchased United Cities for each subpart and information from all states for subpart (A).

QUESTION 7: Provide the number of responses to customer complaints as sent to the Tennessee Regulatory Authority (by year) since ATMOS purchased United Cities through 2005.

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information dating back approximately 10 years, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving these objections, Atmos responds that it communicated to the Consumer Advocate that the Company would be willing to provide information dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 7: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return.

Accordingly, for Item 6, the Consumer Advocate wants information from the time Atmos purchased United Cities.

QUESTION 8: Provide the number of customer complaints (by State, by year) sent to Commissions in States operated by ATMOS since ATMOS purchased United Cities through 2005.

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information dating back approximately 10 years and seeks information unrelated to Tennessee, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding.

RESPONSE TO OBJECTION 8: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 8, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

QUESTION 9: Provide the average number of residential customers by year since ATMOS purchased United Cities through 2005 for States operated in by ATMOS.

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information dating back approximately 10 years and seeks information unrelated to Tennessee, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving those objections, Atmos responds that it has communicated with the Consumer Advocate its willingness to provide the requested information for Tennessee dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 9: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 9, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

QUESTION 10: Provide a detailed summary of any fines imposed by any regulatory authority in whose State ATMOS provides gas service since ATMOS purchased United Cities through May, 2006.

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information dating back approximately 10 years and seeks information unrelated to Tennessee, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving those objections, Atmos responds that it has communicated with the Consumer Advocate its willingness to provide the requested information for Tennessee dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 10: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 10, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

QUESTION 11: Please summarize any safety violations and/or commission service reviews (by state) since ATMOS purchased United Cities through May, 2006.

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information dating back approximately 10 years and seeks information unrelated to Tennessee, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving those objections, Atmos responds that it has communicated with the Consumer Advocate its willingness to provide the requested information for Tennessee dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 11: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 11, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

QUESTION 12: Provide the number of employees (by month, by State) for States served by ATMOS Energy since ATMOS purchased United Cities through May, 2006. (Please itemize allocated employees separately).

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information dating back approximately 10 years and seeks information unrelated to Tennessee, the

request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving those objections, Atmos responds that it has communicated with the Consumer Advocate its willingness to provide the requested information for Tennessee dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 12: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 12, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

QUESTION 13: Regarding billing for non-utility services and products: Please detail the types of services and products ATMOS bills and the number of bills issued for these services (by month) since ATMOS purchased United Cities through May, 2006. Please provide the dollar amount of all bills issued by year through 2006. Please cite the docket authorizing approval of such third party billing in Tennessee.

OBJECTION: Atmos objects to this request on the grounds that to the extent it is seeks information dating back approximately 10 years, the request is overbroad, unduly burdensome, is

not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving these objections, Atmos responds that it communicated to the Consumer Advocate that the Company would be willing to provide information dating back as far as the scope of the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 13: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 13, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

QUESTION 14: Please detail the same "non-utility billing" (from above) for all other states served by ATMOS.

OBJECTION: Atmos objects to this request on the grounds that to the extent it is seeks information dating back approximately 10 years and seeks information unrelated to Tennessee, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving these objections, Atmos responds that it communicated to the Consumer Advocate that the Company would be willing to provide information for Tennessee dating back as far as the scope of

the Minimum Filing Requirements, which is 3 years.

RESPONSE TO OBJECTION 14: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly "appears reasonably calculated to lead to the discovery of admissible evidence." Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 14, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

QUESTION 16: Please provide all statement(s) provided by ATMOS Senior Executives since ATMOS purchased United Cities through May, 2006 providing a commitment of Service Quality to ATMOS customers in Tennessee.

OBJECTION: Atmos objects to this request on the grounds the request is vague, overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving these objections, Atmos responds that it has notified the Consumer Advocate of the transcripts of executive statements available on the Company's website, and is working to compile additional information for the Consumer Advocate on Atmos' commitment to customer service.

RESPONSE TO OBJECTION 16: In the interests of expediting this case, for this item, the Consumer Advocate will accept information covering a five year time span.

QUESTION 17: Please provide all statement(s) provided by ATMOS Senior Executives since ATMOS purchased United Cities through May, 2006 providing a commitment to profits/earnings to shareholders.

OBJECTION: Atmos objects to this request on the grounds the request is vague, overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Without waiving these objections, Atmos responds that it has notified the Consumer Advocate of the transcripts of executive statements available on the Company's website, and is working to compile additional information for the Consumer Advocate on this issue.

RESPONSE TO OBJECTION 17: In the interests of expediting this case, for this item, the Consumer Advocate will accept information covering a five year time span.

QUESTION 18: Please provide a copy of any settlement agreements between ATMOS and any State Regulatory Authority reducing rates since ATMOS purchased United Cities.

OBJECTION: Atmos objects to this request on the grounds that to the extent it seeks information unrelated to Tennessee, the request is overbroad, unduly burdensome, is not reasonably calculated to lead to the discovery of relevant evidence and is thus beyond the scope of legitimate discovery in this proceeding. Subject to and without waiving these objections, Atmos will provide copies of orders and any related stipulations providing for rate reductions.

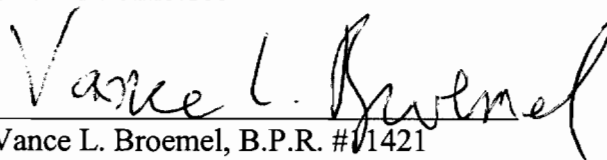
RESPONSE TO OBJECTION 18: As set forth in the General Response to Part II, the Consumer Advocate maintains that information beyond a three year limit and from states other than Tennessee is relevant and vital to the Consumer Advocate's case. With regard to time, Atmos itself has gone back to rate cases in 1992 and 1996, Docket Nos 92-02987 and 95-02258, in defense of the justness of its rate of return. With regard to geographic scope, one of the best ways for the Consumer

Advocate to analyze and understand Tennessee specific data is to compare it to other states. This does not necessarily mean that the data from other states is admissible but it certainly “appears reasonably calculated to lead to the discovery of admissible evidence.” Tennessee Rules of Civil Procedure 26.02(1).

Accordingly, for Item 18, the Consumer Advocate wants information from the time Atmos purchased United Cities and information from all states.

Respectfully submitted,

Paul G. Summers
Attorney General
State of Tennessee



Vance L. Broemel, B.P.R. #1421

Senior Counsel



Joe Shirley, B.P.R. #022287

Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202
(615) 741-8733

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via U.S. mail, to:

Henry Walker
Boult, Cummings, Conner & Berry
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, Tennessee 37203

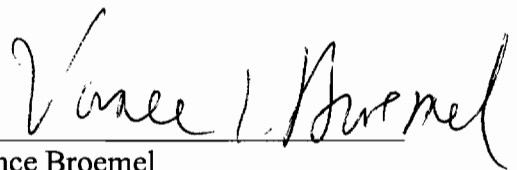
Richard Collier
General Counsel
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

Joe A. Conner
Misty Smith Kelley
Baker, Donelson, Bearman & Caldwell
1800 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1800

Patricia J. Childers
VP-Regulatory Affairs
Atmos/United Cities Gas Corp.
810 Crescent Centre Drive, Ste. 600
Franklin, TN 37064-5393

J.W. Luna
Farmer & Luna
333 Union Street Suite 300
Nashville, Tennessee 37201

on this the 7th day of June, 2006.


Vance Broemel

96089

East Tennessee Natural Gas, LLC : Capacity Release Transactional

Please click on the Svc Req K field for any applicable agent and/or point information.
 Highlighted contracts have been modified since their original posting.

Records 1 through 38 of 38

K Holder Name	K Holder	Releaser Name	Releaser	Svc Req K	Rel K	K Beg Date	K End Date	K Ent Date	K Ent Beg Time	K Ent End Time	Affil	Ngtl Ind	K Stat
ATMOS ENERGY MARKETING, LLC	835705831	FAYETTEVILLE GAS SYSTEM	075384115	<u>660197</u>	34553	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	CITIZENS GAS UTILITY DISTRICT	007850027	<u>660198</u>	34549	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	ETOWAH UTILITIES DEPARTMENT	837977859	<u>660199</u>	4251	11/1/2005	10/31/2007	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	LEWISBURG GAS DEPARTMENT	170477848	<u>660200</u>	34800	11/1/2005	3/31/2006	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	EASTMAN CHEMICAL CO	867179665	<u>660201</u>	31096	11/1/2005	10/31/2008	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	ETOWAH UTILITIES DEPARTMENT	837977859	<u>660202</u>	34550	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	ETOWAH UTILITIES DEPARTMENT	837977859	<u>660203</u>	410024	11/1/2005	11/11/2016	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	FAYETTEVILLE GAS SYSTEM	075384115	<u>660204</u>	4243	11/1/2005	10/31/2013	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	FAYETTEVILLE GAS SYSTEM	075384115	<u>660205</u>	20588	11/1/2005	10/31/2015	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	GALLATIN NATURAL GAS SYSTEM	069094654	<u>660206</u>	4245	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	LEWISBURG GAS DEPARTMENT	170477848	<u>660207</u>	20223	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	LOUDON UTILITIES GAS DEPARTMENT	084048800	<u>660208</u>	4260	11/1/2005	11/30/2015	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	PULASKI, CITY OF	078229812	<u>660209</u>	34552	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	UNICOI COUNTY UTILITY DISTRICT	053983508	<u>660210</u>	30739	11/1/2005	10/31/2014	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	ATMOS ENERGY CORPORATION	159717263	<u>660211</u>	34538	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	ATMOS ENERGY CORPORATION	159717263	<u>660212</u>	30774	11/1/2005	10/31/2007	11/1/2005	09:00 AM	08:59 AM		N	NEW
ATMOS ENERGY MARKETING, LLC	835705831	ATHENS UTILITIES BOARD	789516465	<u>660213</u>	4234	11/1/2005	10/31/2010	11/1/2005	09:00 AM	08:59 AM		N	NEW

EXHIBIT

1

Wachovia Securities Nantucket Equity Conference

**Pat Reddy
Chief Financial Officer
June 30, 2005**



Forward Looking Statements



The matters discussed or incorporated by reference in this presentation may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this presentation are forward-looking statements made in good faith by the Company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this presentation or in any of the Company’s other documents or oral presentations, the words “anticipate,” “believes,” “estimate,” “expect,” “forecast,” “goal,” “intends,” “objective,” “plans,” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this presentation, including the successful integration of the Company’s acquisition of the operations of TXU Gas, the Company’s ability to continue to access the capital markets and the other factors discussed in the Company’s SEC filings. These factors include the risks and uncertainties discussed in the Company’s Form 10-K for the fiscal year ended September 30, 2004 and Form 10-Q for the quarter ended March 31, 2005. Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. The Company undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.