

**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)	Docket No. 05-00258
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)	

Atmos Energy Corporation's Proposed Procedural Schedule for Phase Two

At the June 30, 2006 status conference in this docket, the Hearing Officer distributed a proposed procedural schedule timeline for Phase Two of this docket and asked the parties to provide their responses to that proposal, together with any alternative proposals or discussion, in a filing by July 7, 2006. This filing constitutes the response of Atmos Energy Corporation ("Atmos" or "Company"), as requested by the Hearing Officer.

On June 26, 2006, the Presiding Panel in this matter modified this docket by bifurcating the docket into two consecutive separate proceedings/phases. As determined by the Panel, Phase One will deal with the setting of base rates, and Phase Two will concern "asset management, imputation of earnings, performance-based ratemaking, and what the Consumer Advocate referred to as other income."¹ On May 25, 2006, the Hearing Officer entered an order setting forth a

¹ TRA Transcript of Proceeding (Authority Conference), *In Re: Petition of the Consumer Advocate to Open An Investigation to Determine Whether Atmos Energy Corp. Should Be Required by the Tennessee Regulatory Authority 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*, TRA Docket No. 05-00258, pp. 3-4. (June 26, 2006)

procedural schedule for what is now Phase One.² Pursuant to that procedural schedule, the hearings in Phase One will be held from August 29 to September 1, 2006.³ Atmos' proposal for the conclusion of the Phase One proceedings is outlined below.

ITEM	DATE	NOTES
Phase One Hearing	August 29 – September 1, 2006*	*Hearing date specified in May 25, 2006 Phase One Procedural Order
Phase One Post-Hearing Briefs	September 22, 2006*	*Assumes receipt of expedited transcript by September 8, 2006; gives parties 2 weeks from receipt of transcript to file briefs
Phase One Authority Deliberations	September 22, 2006 – October 6, 2006*	*Assumes a 2 week deliberation period
Phase One Order	October 20, 2006*	*Assumes 2 weeks from conclusion of deliberations to issuance of final order

At the June 30, 2006 status conference, the Hearing Officer suggested that within Phase Two, the arguments raised by the Intervention Group and the Consumer Advocate concerning imputation of AEM profits, and the treatment of credits under FERC Rule 284.8 as “other income” could be handled separate from and prior to the broader issues related to the regulation of asset management and revision of the PBR. Atmos agrees that this suggested procedure would be the most efficient way to conduct the Phase Two proceedings, and would permit the Authority to resolve the imputation/other income issues raised by the Intervention Group and the Consumer

² *Order Granting Interventions and Setting Procedural Schedule*, TRA Docket No. 05-00258 (May 25, 2006).

³ *Id.*

Advocate more quickly than if those issues were combined with the more complex asset management and PBR issues.

Historically for all three regulated gas companies in Tennessee, the Authority has regulated the sharing of asset management dollars between the utilities and the ratepayers through the PGA rule and incentive mechanisms such as the PBR, not through base rates.⁴ Before ruling on the imputation and other income/FERC Rule 284.8 issues raised by the Intervention Group and the Consumer Advocate in this case, the Authority must first make a threshold determination from a policy and legal standpoint whether the asset management dollars generated by Atmos' Tennessee assets should continue to be regulated through the PGA rule and incentive mechanisms, as they are for the other two gas companies, or whether those asset management dollars should be regulated through projections imputed into base rates. The legal and policy issues involved in making that threshold determination are fairly straightforward, unlike the more complex issues involved in determining how the PBR should be revised to accomplish the Authority's regulatory goals. The threshold policy and legal determination as to whether to regulate asset management dollars through base rates or through the PGA rule and incentive mechanisms is also unrelated to the more complex task of determining how to estimate the amount of asset management dollars generated from Atmos Tennessee assets in the past, the expenses that were necessary to generate those dollars, and what future projected amounts should be included in base rates. As such, Atmos

⁴ See *Order Resolving Discovery and Protective Order Disputes and Requiring Filings*, TRA Docket No. 05-00285 (June 14, 2006), p. 6 (describing the traditional division between the regulation of base rates on the left hand side of the ledger, and the regulation of gas costs items, including asset management, on the right hand side of the ledger); *Order*, TRA Docket No. 04-00034 (October 20, 2004), p. 28 (holding that Chattanooga Gas' asset management activities were not a base rate issue and noting that Consumer Advocate witness Dan McCormac acknowledged as much); See *Order Adopting Incentive Plan Account Filing for Nashville Gas Company for Year Ended June 30, 2005*, TRA Docket No. 04-00290, (September 6, 2005), pp. 4-5 (outlining dispute between Authority Staff and Nashville Gas concerning sharing of asset management dollars and convening separate contested case to resolve issues).

proposes the threshold issues can be prepared in 3 weeks for presentation to the Authority for determination, with one additional week for post-hearing briefing, as follows:

ITEM	DATES	NOTES
Phase Two Pre-Filed Direct Testimony Filed by Intervention Group and Consumer Advocate Regarding Imputation of AEM Profits and FERC Rule 284.8 Issues	October 27, 2006*	*Assumes issuance of a final order in Phase One on or before October 20, 2006, thus giving the parties no less than 1 week from the Phase One final order to file testimony supporting the imputation/FERC Rule 284.8 issues
Phase Two Pre-Filed Rebuttal Testimony by Atmos Regarding Imputation of AEM Profits and FERC Rule 284.8 Issues	November 3, 2006*	*Assumes 1 week between pre-filed direct and rebuttal
Phase Two Hearing Regarding Imputation of AEM Profits and FERC Rule 284.8 Issues	November 10, 2006*	*Subject to TRA availability; assumes one week between rebuttal testimony and hearing regarding imputation of AEM profits and FERC Rule 284.8 issues
Post-Hearing Briefs Regarding Imputation of AEM Profits and FERC Rule 284.8 Issues	November 22, 2006*	*Assumes availability of expedited transcript by November 15, 2006, thus giving the parties 1 week to prepare post-hearing briefs
Deliberations and Order Regarding Imputation of AEM Profits and FERC Rule 284.8 Issues	November 22, 2006 - December 6, 2006*	*Assumes 2 weeks for deliberations and order

To facilitate the efficient progress of the proceedings, Atmos proposes that the parties submit a joint issues list to the Hearing Officer by July 21, 2006 describing the threshold issues to

be presented to the Authority within Phase Two. If the parties cannot agree on a joint issues list, each party may submit a proposed issues list, which can be taken up at the July 27, 2006 status conference if necessary.

Once the TRA issues an order containing its decision on the threshold issues, Atmos proposes the following procedural schedule for the resolution of all remaining issues within Phase Two:

ITEM	DATE	NOTES
Phase Two Discovery Requests Filed	December 13, 2006*	*Assumes order received on threshold issues on or before December 6, 2006, thus giving parties 1 week to prepare discovery requests
Phase Two Discovery Objections Filed	December 20, 2006*	*Gives parties 1 week to file objections
Phase Two Discovery Responses Filed	January 15, 2007*	*Gives parties 30 days (including holidays) to prepare discovery responses
Phase Two Pre-Filed Direct Testimony Filed	February 5, 2007*	*Gives parties 3 weeks from receipt of discovery responses to prepare testimony
Phase Two Post-Testimony Discovery Requests Filed	February 19, 2007*	*Gives parties 2 weeks from receipt of testimony to prepare post-testimony discovery requests
Phase Two Post-Testimony Discovery Objections Filed	February 26, 2007*	*Gives parties 1 week to file objections
Phase Two Post-Testimony Discovery Responses Filed	March 12, 2007*	*Gives parties 3 weeks to prepare discovery responses
Phase Two Rebuttal Testimony Filed	April 2, 2007*	*Gives parties 3 weeks to prepare rebuttal testimony
Hearing	April 16-20, 2007*	*Subject to TRA availability; assumes 1 week for hearing
Post-Hearing Briefs	May14, 2007*	*Assumes expedited transcript available April 27, 2007, thus giving the parties 2 weeks to prepare post-hearing briefs
Deliberations and Order	Subject to TRA Availability	

In light of the fact the original PBR proceedings spanned over 2 years, the proposed schedule, which prepares Phase Two through hearing in less than 6 months, is reasonable and does not result in undue delay. Such a schedule represents the minimum of time necessary to fully prepare the complex issues for presentation and consideration by the Authority.

Respectfully Submitted,

BAKER, DONELSON, BEARMAN
CALDWELL & BERKOWITZ



Misty Smith Kelley, TN BPR # 19450
1800 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1800
(423) 209-4148
(423) 752-9549
mkelley@bakerdonelson.com
Attorney for Atmos Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been e-mailed or faxed and mailed to the following parties of interest this 7th day of July, 2006.

Timothy Phillips
Vance L. Broemel
Joe Shirley
Cynthia Kinser
Office of Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202

Gary Hotvedt
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Henry Walker
April Ingram
Boult, Cummings, Conners & Berry
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, TN 37203

J.W. Luna
Jennifer Brundige
Farmer & Luna
333 Union Street, Suite 300
Nashville, TN 37201

Melvin J. Malone
MILLER & MARTIN, PLLC
150 Fourth Avenue North
1200 One Nashville Place
Nashville, Tennessee 37219-2433


