

STATE OF TENNESSEE

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July 7, 2006

Chairman Ron Jones  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Petition to Open an Investigation to Determine Whether Atmos Energy Corporation Should Be Required by the TRA to Appear and Show Cause That Atmos Energy Corporation Is Not Overearning in Violation of Tennessee Law and That It Is Charging Rates That Are Just and Reasonable —  
TRA No. 05-00258

Dear Chairman Jones:

I am writing to you in response to your request that we comment on the proposed schedule for Phase II which you sent to all the parties. In general, we believe the schedule is acceptable. As you are aware, Chattanooga Gas filed a rate case on Friday, June 30, 2006. This may cause difficulties in scheduling which we may have to address in the future; as far as possible, we would like to avoid conflicts of due dates between the two cases. If the Chattanooga Gas case hearing is set in November or December we believe the hearing date for Phase II should be set after that. Accordingly, we think it would be best to set the dates on the proposed procedural schedule by working back from a hearing date that is after the hearing date in the Chattanooga case.

In addition, we want to emphasize the need for two rounds of discovery, which are currently included in your proposed schedule.

At the status conference on Friday, June 30, 2006, Atmos indicated that it did not want to start Phase II until a written order for Phase I is issued. The Consumer Advocate does not agree with this position. The issues in the two phases are clearly distinct so Phase I can be taken up without any undue delay. The only reason for not starting Phase II until a written order is issued appears to be a desire to delay the proceedings. Furthermore, having Phase II follow immediately or very closely

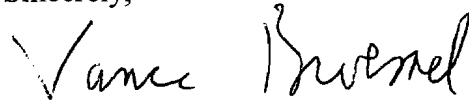
Director Jones  
Re: TRA Docket No. 05-00258  
July 7, 2006  
Page 2

after the decision in Phase I is consistent with the decision of the Directors to uphold your ruling on discovery issues which held that material related to Phase II should be provided now.

With regard to the issue of whether a review of the PBR mechanism itself (as distinct from the financial impact of the current PBR on rates) should be included in Phase II or broken out into a Phase III, we prefer to keep the issues in Phase II. We are, however, open to the possibility of changing our position if developments in the case warrant.

By copy of this letter, I am notifying all counsel of record.

Sincerely,

A handwritten signature in black ink that reads "Vance Broemel". The signature is written in a cursive, slightly slanted style.

Vance Broemel  
Senior Counsel  
(615) 741-8700

cc: Counsel of record

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