

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

July 7, 2006

*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)*

Docket No. 05-00258

RESPONSE OF ATMOS INTERVENTION GROUP

The Atmos Intervention Group ("AIG") understands that the TRA has bifurcated these proceedings into (1) a base rate case and (2) an investigation of Atmos' asset management practices and the relationship between Atmos Energy Corp. ("Atmos") and its affiliate, Atmos Energy Marketing ("AEM"). The latter proceeding could encompass such matters as the imputation of all or part of the profits of AEM to Atmos, the cancellation of the contract between AEM and Atmos and the rebidding of that contract, the examination of how the revenue from that contract should be treated; the examination of both Atmos' bidding practices and the affiliate transaction rules; consideration of whether any future contract for asset management and gas procurement agreements (or the renewal of all current such contracts) should be submitted to the TRA for review and approval, and any other issues raised by the parties arising from Atmos' asset management practices and affiliate relationships.

AIG believes that the reason for bifurcating these proceedings was for the purpose of examining – in a contested case proceeding – not only the issues raised thus far by AIG in the rate case but the related issues raised by the TRA Staff in their most recent ACA audit report. As the TRA is aware, Atmos itself has argued that that issues about Atmos' asset management

practices raised in the audit report should be considered, not in the audit docket, but in a contested case proceeding which would include the opportunity for discovery and pre-filed testimony. Similarly, the TRA Investigative Staff has stated on the record in this docket that the asset management issues raised both by AIG and the Staff auditors should be considered "sooner rather than later." The Investigative Staff was neutral as to whether those issues should be considered in this docket or a separate one. The bifurcation of this rate case into two parts is obviously intended to allow the Investigative Staff, as well as the other parties, to pursue those issues "sooner" but outside of the base rate case.

With that understanding, AIG agrees with the bifurcation decision as a logical compromise between, on the one hand, putting all the issues into this docket and, on the other hand, excluding the asset management issues from this case altogether .

As to the scheduling of the phase two proceeding, Atmos supports the comments of the Consumer Advocate Division with this additional suggestion. Since the results of part 2 could result in a reduction in the company's base rates, gas costs, or both, part 2 should conclude in time for customers to benefit from those reductions prior to the winter heating season ie., by late October or early November.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 

Henry Walker

1600 Division Street, Suite 700

P.O. Box 340025

Nashville, Tennessee 37203

(615) 252-2363

CERTIFICATE OF SERVICE

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

Vance L. Broemel
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202
vance.broemel@state.tn.us

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

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

J. W. Luna
Farmer & Luna
333 Union Street, Ste. 300
Nashville, TN 37201
jwlunc@farmerluna.com

Gary Hotvedt
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505
gary.hotvedt@state.tn.us

on this the 7th day of July 2006.



Henry M. Walker