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July 26, 2006

Ron Jones, Chairman
Tennessee Regulatory Authority Filed Electronically in Docket Office on 07/26/06 @ 3:15pm
460 James Robertson Parkway
Nashville, TN 37243

Re: ***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 Number: 05-00258

Dear Chairman Jones:

On behalf of the Atmos Intervention Group ("AIG"), this letter responds to the objections raised by Atmos Energy Corp. ("Atmos") to the second round of discovery questions submitted to Atmos by AIG. This letter is intended to summarize the reasons for AIG's discovery requests so that you and the other parties will have this information before you, in writing, prior to the status conference on July 27, 2006.

Like any other rate case, this proceeding involves both the determination of the utility's annual revenue requirement and the design of revised tariffs that will produce that revenue requirement. Thus far, only AIG has focused on the rate design portion of the case. The TRA advisory staff has recognized, however, that the evidentiary record on rate design needs additional information and, at the same time that the parties submitted their second round of discovery requests, the advisory staff asked Atmos, the Consumer Advocate Division, and the Investigative Staff each to "provide a rate design" along with a "supporting price-out demonstrating the revenue effect of the design." Data requests from TRA to CAD, Atmos, and Investigative Staff, July 21, 2006.

In order for AIG or any other party to submit a rate design that can be adjusted to produce the revenue requirement selected by the Authority, the parties must have specific information about customer usage in each rate schedule and rate block. That is the purpose of questions 3-12 in AIG's second round of discovery.

For example, AIG has proposed that Atmos' commercial rate schedules 220 and 230 be consolidated into one rate schedule with two usage blocks: one rate for usage under 5,000 Ccf per month and another, cheaper rate for usage above that amount. These changes will make Atmos' commercial tariff more consistent with cost-of-service principles, the commercial tariffs of Chattanooga Gas and Nashville Gas, and the commercial tariffs of Atmos itself in Kentucky and Louisiana.[1] If properly designed, these changes should have no affect on the utility's margin.

[1] See attached chart for a partial listing of Atmos' commercial tariffs in other states.

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Of course, it is not possible to properly design this proposed tariff without a distribution analysis showing the usage of all customers in this group. Atmos itself recognized this by asking AIG, "Have you done an analysis of the specific characteristics of the Atmos Customers [in the] 220, 203, 240 etc. rate schedule?" Atmos Discovery to AIG, Question 31. The information necessary to do that "analysis" is precisely the information which AIG has requested from the company and which, ironically, Atmos objects to providing. Once the information is made available and the TRA has determined the utility's revenue requirement, AIG and the other parties can then "present the TRA, through either supplemental testimony or post hearing briefs, with specific rate recommendations that will produce this new level of revenue." Novak, pre-filed direct testimony at 12.

Similarly, AIG has proposed to combine rate schedules 240 and 250 with the "elimination of the existing Demand Charge in Rate Schedule 240." Id., at 3-4. "The rate steps [in the new tariff] would be similar to the current design with some slight modifications." Id., at 4. Here, too, AIG must have specific information about customer usage in order to properly design a tariff with a revised monthly customer charge and modifications to the existing rate blocks while still producing the desired revenue requirement.

The rate blocks in the company's current industrial sales tariffs (Rates 240 and 250) are consistent with the rate blocks in the company's interruptible transportation tariff (Rate 260). This consistency is appropriate because customers often switch between sales and transportation. AIG agrees that it is important to maintain this consistency and, therefore, whatever "modifications" are made to the rate blocks in AIG's proposed sales tariff should also be made to the rate blocks in Rate 260. For the same reasons, the little used tariffs in Rate Schedules 221, 280, 291, 292 and 293 should – if not eliminated altogether – have their "rate structure . . . altered to fall in line with the recommendations that we have made for other commercial and industrial tariffs." Id., at 11.

In order to make those modifications to Rate 260 and to the other, less used tariffs in order to make them all consistent, and in order to capture the usage of customers in those categories, AIG has requested specific usage information for each of those rate groups. Revised tariffs cannot be accurately designed without that information.

As discussed in Mr. Novak's testimony, AIG's proposed changes are largely intended to require Atmos to catch up – after a ten year hiatus – with tariff design changes already adopted by Nashville and Chattanooga in more recent rate cases. The discovery requests submitted by AIG are intended to give the parties and the TRA itself the information needed to make these tariff adjustments concurrently with the TRA's decision on the company's revenue requirement. Unless this information is gathered and distributed now, there will likely be further delay in the implementation of any rate reductions following the Authority decision on the company's revenue requirement.

Finally, Atmos objects that AIG is "over reaching" because the tariff changes proposed by AIG may or may not have a direct impact on AIG's members. That objection is frivolous. Parties to a rate proceeding are entitled to submit evidence on any issue. The Consumer Advocate and the TRA Investigative Staff may also comment on Atmos' commercial and industrial tariffs even though those parties represent no specific industrial or commercial users. AIG has proposed tariff changes which, AIG believes, are in the best longterm interest of its members[2] and the industrial and commercial customers as a whole, a consideration which the TRA, if not Atmos itself, should always take into account.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: Henry Walker

HW/djc
Enclosure

[2] Although AIG has only two members at this time, AIG is currently engaged in discussions with a number of potential new members. It is not possible for AIG to predict which tariffs AIG's current or new members will use between now and the company's next rate case.

CERTIFICATE OF SERVICE

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

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on this the 26th day of July 2006.

Henry M. Walker

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Atmos Commercial Rate Comparison

Atmos 220 Step

States East of Mississippi

State	Rate Schedule	Minimum Bill	Qualification Requirement	Steps Ccf	Rate Steps	% Greater than Atmos 220
			Ccf			
Tennessee	220	$ 12.00	<135,000	None	$ 0.2625	
	230	$ 200.00	>135,000		$ 0.2261	
Georgia	820	$ 12.00	<100,000	None	$ 0.1203	218%
	830	$ 25.00	>100,000	None	$ 0.0980	268%
Virginia	620	$ 14.50	<67,500	None	$ 0.1121	234%
	630	$ 167.00	>67,500	None	$ 0.0768	342%
Kentucky	G-1	$ 20.00		1st 3000	$ 0.1190	221%
				Next 147,000	$ 0.0690	380%
				Over 150,000	$ 0.0430	610%
Mississippi	305	$ 305.00		None	$ 0.1723	152%
Ilinois	120	$ 25.00		None	$ 0.1608	163%
Lousiana	LGS	122	>36,000	1st 3000	$ 0.26	102%
				2000	$ 0.24	108%
				5000	$ 0.23	114%
				20000	$ 0.22	121%
				20000	$ 0.20	128%
				>50000	$ 0.11	239%

Average. **288%**