

**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)

Docket No. 05-00258

ATMOS ENERGY CORPORATION'S PROPOSED ISSUES LIST FOR PHASE TWO

Pursuant to the Hearing Officer's July 13, 2006 Order Addressing Intervention of AEM And The Procedural Schedules for Phases One And Two in this docket, Atmos Energy Corporation ("Atmos") submits the following as its proposed issues list for Phase Two of this docket.

1. Does the TRA have the authority to impute to Atmos all or a portion of the profits Atmos' separate, non-regulated affiliate corporation, Atmos Energy Marketing, LLC ("AEM"), generates through its management of Atmos' idle gas supply assets?

a. If yes, may the TRA impute those profits to lower Atmos' revenue requirement for base rates even though the assets are part of Atmos' gas supply procurement activities, which under established TRA policy are separately regulated through the Purchased Gas Adjustment mechanism, and not through base rates?

b. If the TRA imputes AEM asset management profits to lower Atmos' revenue requirement for base rates, must the TRA treat other similarly situated gas companies in a like manner? Can such imputation be accomplished in a contested case, or is a rulemaking required?

c. Does the TRA have the authority to impute AEM's asset management profits to Atmos even though there is no requirement for gas companies to engage in asset management?

d. If the TRA's decision in Phase Two of this docket results in a decision by AEM to exercise its right to terminate its asset management contract with Atmos, can the TRA order Atmos to engage in asset management itself? If so, how will the TRA provide for Atmos to recover the costs of engaging in those activities, and how will the TRA monitor Atmos' compliance? Would prudency audits be required?

e. If the TRA orders that a portion of the AEM asset management profits be imputed to Atmos, how will the agency determine what percentage of AEM revenues are derived from the Atmos regulated Tennessee assets, versus what percentage are derived from Atmos regulated assets in other states, or from AEM's own separately owned assets?

f. If the TRA orders that a portion of the AEM asset management profits be imputed to Atmos, how will the agency determine the portion of AEM revenues that constitute profit and what portion AEM must use to meet the costs it incurs?

g. If the TRA orders that a portion of the AEM asset management profits be imputed to Atmos, how will the TRA determine this amount consistent with the prohibition against retroactive ratemaking? Would the TRA have to reach a determination as to the amount of profit AEM will make in a particular future time period? If the TRA orders that a percentage of the AEM profits be imputed to Atmos, how will the TRA monitor compliance? Would it require regular audits from TRA Staff? Does the TRA have the authority to audit non-regulated affiliates such as AEM?

2. Did Atmos comply with the Guidelines for Affiliate Transactions in entering into the existing asset management contract with AEM? If so, does the TRA have the Authority to invalidate the existing contract or change the terms of the existing contract? If the contract is

invalidated, is AEM entitled to a refund of all or a portion of the annual lump sum fee it pays under the contract for the right to manage Atmos' assets that is currently flowed through 100% to consumers?

3. Should Atmos share in the lump sum fee it receives from AEM under the terms under the asset management contract through its existing Performance Based Ratemaking ("PBR") plan? If so, how would such a change affect the balance of incentives in the current PBR plan? If the TRA orders that all or a portion of AEM asset management profits be imputed to Atmos, how would the balance of the incentives in the current PBR be affected? Would such action render the PBR plan ineffective or invalid? Would such action require reversal of the Authority's orders in the PBR dockets?

Because the testimony presented in Phase One of this docket did not address any issues concerning asset management, the Consumer Advocate, TRA Staff, and the Intervention Group have yet to provide a full recitation of the claims and arguments each party intends to assert with regard to the Phase Two issues. As such, the list of issues outlined above constitutes the issues Atmos has identified will be implicated by the allegations that have been made informally to date. As additional allegations and arguments are asserted by the Consumer Advocate, TRA Staff, and/or Intervention Group, additional issues will arise, and Atmos reserves the right to supplement the issues list at that time.

Given the scope and complexity of the legal and policy issues implicated by the allegations made thus far in Phase Two of this docket, and in light of the fact that most, if not all, of the issues identified thus far present issues of first impression, it appears that the three days allotted in the Procedural Schedule for the hearing in Phase will not be adequate. As such, Atmos requests that the Authority reserve at least 5 consecutive days for the hearing in Phase

Two of this matter. Depending on the additional arguments, claims and allegations that may be presented by the Consumer Advocate, TRA Staff, and the Intervention Group in the future, additional days may be required.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

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A handwritten signature in black ink, appearing to be "Luna", is written above a horizontal line.