

**BEFORE 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)	Docket No. 05-00258
Law and That It Is Charging Rates That Are)	
Just and Reasonable)	
In re: Atmos Energy Corporation Actual)	
Cost Adjustment ("ACA") Audit)	Docket No. 05-00253
)	

**CONSUMER ADVOCATE'S COMMENTS ON THE COMPANY'S TARIFF TO
IMPLEMENT RFP PROCEDURES FOR THE SELECTION OF AN ASSET MANAGER**

Robert E. Cooper, Jr., Attorney General and Reporter for the State of Tennessee, by and through the Consumer Advocate and Protection Division of the Tennessee Attorney General's Office ("Consumer Advocate"), respectfully submits these comments on Atmos Energy Corporation's ("the Company's") tariff to implement RFP procedures for the selection of an asset manager.

The issues addressed in the tariff are inherently connected to the issues raised by the Consumer Advocate in Phase 2 of the rate case, docket number 05-00258, and which might ultimately be litigated in the Actual Cost Adjustment docket, docket number 05-00253. Because the treatment of affiliated entities in the context of asset amangement contracts is complex and important, the Consumer Advocate suggests that the decision of how specifically to handle affiliated entities should follow the litigation of the asset management, gas supply and pipeline capacity issues raised by the Consumer Advocate in Phase 2 of the rate case.

The assets at issue are paid for entirely by consumers through the purchased gas adjustment (“PGA”). Furthermore, the assets at issue are worth a lot of money to the asset manager, who typically pays a lump sum for the right to make a profit from the use of the assets. When the asset manager is an affiliated entity, there is a risk that the asset manager could get the contract at an unreasonably low price. This risk is the result of rational profit-seeking by the Company and the asset manager working together as affiliated entities. Because consumers pay for 100% of the assets, and because the Company has a rational economic interest in the success of affiliated entities, there is an economic incentive for the Company to minimize the lump sum payment from the affiliated entity for the asset management contract. The asset manager can maximize its profits by utilizing the assets paid for entirely by the Company’s customers, and the Company can benefit by maximizing the profits of an affiliated entity. This risk is real based on economic incentives.

To the extent that this tariff filing moves in the direction of reducing the risk that the Company will give special treatment to affiliated entities in the context of asset management contracts, it represents a first step. However, the Consumer Advocate does not accept this tariff as the conclusion of this process. This tariff either should be delayed until the Consumer Advocate’s Phase 2 issues are litigated, or it should be revisited when those issues are litigated. The asset management, gas supply and pipeline capacity issues are sufficiently complex that everyone involved will be better informed after discovery and, if needed, after the hearing on these issues. Furthermore, determining the proper role of affiliates in this context is sufficiently important that it should be informed by the parties’ discovery and, if needed, by the hearing on the issues.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via electronic mail, U.S. mail, facsimile, commercial delivery, or hand delivery, to:

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on this the 21 day of June, 2007.

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