

**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 Law and That it Is Charging Rates That Are)
Just and Reasonable)

Docket No. 05-00258

RECEIVED
2006 MAY 26 PM 1:44
T.R.A. DOCKET ROOM

FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE

The Tennessee Attorney General, by and through the Consumer Advocate and Protection Division ("Consumer Advocate"), pursuant to the rules and regulations of the Tennessee Regulatory Authority and the direction of the Hearing Officer Ron Jones on Monday, May 22, 2006, submits the following discovery requests to Atmos Energy Corp.

PART I

1. Pursuant to the Federal Energy Regulatory Commission's rule § 284.8(f), which took effect in February 2000 and which states:

"(f) Unless otherwise agreed by the pipeline, the contract of the shipper releasing capacity will remain in full force and effect, with the net proceeds from any resale to a replacement shipper credited to the releasing shipper's reservation charge;"

and pursuant to the FERC-approved pipeline tariffs implementing FERC's rule, such tariffs in part being:

a. Tennessee Gas Pipeline Company, FERC Gas Tariff, Fifth Revised Volume No.

1, Original Sheet No. 337B, General Terms and Conditions, subsection (i), which states in part:

"The Releasing shipper will be billed for its full contractual reservation charge liability to Transporter but shall simultaneously receive a demand credit equaling the demand charges for which Transporter has invoiced the Replacement Shipper;"

b. East Tennessee Natural Gas, LLC FERC Gas Tariff, Third Revised Volume No.

1, Sheet 339, General Terms and Conditions, Section 17.1, which states in part:

"Applicability - this Section 17 implements Section 284.8 of the commissions' regulations and is applicable to any Shipper that holds rights to firm transportation that elects to temporarily release or permanently assign all or a portion of such firm transportation rights("Releasing Shipper;")

c. Texas Eastern Transmission, LP. FERC Gas Tariff Seventh Revised Volume No.

1, Sheet 536, General Terms and Conditions, Item 2, Obligations of Customer, which states in part:

"The service agreement of the Customer will remain in full force and effect, with a portion of the proceeds attributable to any release and assignment credited to the existing Customer's bill as provided in Section 3.14(H). The Customer shall remain ultimately liable to Pipeline for all Reservation Charges and Reservation Surcharges under the terms of its service agreement with Pipeline;"

1.A. Provide for each month from January 2001 through March 2006 the credits rendered to Atmos/United Cities per FERC rule § 284.8(f) for capacity released by Atmos/United Cities from its firm transportation

and firm storage contracts which Atmos/United Cities uses to meet the needs of its customers in its certificated-territory in Tennessee.

- 1.B. Separate the credits rendered to Atmos/United Cities per FERC rule § 284.8(f) in the response to “A” above into credits by each of the following pipelines which are known to have firm transportation and firm storage contracts which Atmos/United Cities uses to deliver natural gas to its certificated-territory in Tennessee:

East Tennessee Gas
Columbia Gas Transmission
Tennessee Gas Pipeline
Texas Eastern Pipeline
Texas Gas Transmission.

- 1.C. For each pipeline listed above and for each month from January 2001 through March 2006, list the monthly reservation fees that Atmos/United Cities passed through to its customers in Tennessee via the PGA.
- 1.D. For each pipeline listed above and for each month from January 2001 through March 2006, list the credits rendered to Atmos/United Cities per FERC rule § 284.8(f) that Atmos/United Cities passed through to its customers in Tennessee via the PGA.
- 1.E. For each firm transportation contract and each firm storage contract which Atmos/United Cities has used or is using to meet the needs of its customers in its certificated-territory in Tennessee, list the contract

Atmos/United Cities temporarily or permanently assigned to a replacement shipper and name the replacement shipper.

- 1.F. Provide copies of any documents, petitions or correspondence where Atmos/United Cities informed the Tennessee Regulatory Authority or its staff of FERC's rule § 284.8(f).
- 1.G. Provide forecasts of the FERC rule § 284.8(f) credits Atmos/United Cities expects to receive from June 2006 through December 2007 for capacity which Atmos will release from its firm transportation contracts and firm storage contracts which Atmos/United Cities is using to meet the needs of its customers in its certificated-territory in Tennessee.
- 1.H. Atmos stated in its SEC form 10-K for the fiscal year ending September 30, 2002:

“Effective April 1, 1999, the Tennessee Regulatory Authority approved the Mid-States Division's request to continue its Performance-based Ratemaking mechanism related to gas procurement and gas transportation activities. The Tennessee Regulatory Authority revised the mechanism from the original two-year experimental period, by increasing the cap for incentive gains and/or losses to \$1.25 million per year. Under this agreement, the mechanism has no expiration date and can be amended or cancelled by either the Mid-States Division or the Tennessee Regulatory Authority according to the provisions of the agreement. Similar to Tennessee, the Georgia Public Service Commission renewed our Performance-based Ratemaking program for an additional three years effective May 1, 2002. The gas purchase and capacity release mechanisms of the Performance-based Ratemaking mechanism are designed to provide us incentives to find innovative methods to lower gas costs to our customers. We recognized other income of \$0.4 million, \$1.0 million and \$0.2 million in fiscal years

2002, 2001 and 2000 attributable to the Georgia and Tennessee Performance-based Ratemaking mechanisms.”

- 1.H(a). Explain how Atmos has revised its Performance based Ratemaking mechanism in Tennessee to include the credits rendered to Atmos/United Cities per FERC rule § 284.8(f).
- 1.H(b). For each year from 2001 to 2005 identify the income Atmos has achieved from its release of capacity meant to deliver natural gas to Atmos/United Cities’ customers in the company’s certificated-territory in Tennessee.

- 2. Atmos stated in its SEC form 10-K for the fiscal year ending September 30, 2000:

"The Company's five utility divisions are regulated by various state or local public utility authorities... The Company's utility divisions perform annual deficiency studies for each rate jurisdiction to determine when to file rate cases, which are typically filed every two to five years."

Provide copies of the annual deficiency studies Atmos performed for Tennessee for each year from 2001 through 2005.

- 3. Admit or Deny the following:
 - 3.A. Atmos/United Cities is guaranteed passthrough of capacity reservation charges to its customers in Tennessee.

- 3.B. The matters discussed or incorporated by Atmos in the current docket of the Tennessee Regulatory Authority may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934.
- 3.C. All statements by Atmos in the current docket, other than statements of historical fact, are forward-looking statements made in good faith by the Company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995.
- 3.D. When used in this current docket by Atmos, the words “anticipate,” “believes,” “estimate,” “expect,” “forecast,” “goal,” “intends,” “objective,” “plans” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements.
- 3.E. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from forecast by Atmos.
- 3.F. Atmos believes its forward-looking statements and forecasts made in this current docket will be reasonable, but there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized.

- 3.G. Atmos undertakes no obligation to update or revise forward-looking statements and forecasts made in the Authority's current docket, whether as a result of new information, future events or otherwise.
- 3.H. Atmos is a "releasing shipper" as meant in FERC rule § 284.8(f).
- 3.I. Atmos/United Cities' firm transportation contracts and firm storage contracts, which Atmos/United Cities is using to meet the needs of its customers in its certificated-territory in Tennessee, are regulated assets.
- 3.J. Atmos/United Cities uses regulated assets to earn profits by releasing regulated assets, where "releasing" has the meaning in FERC rule § 284.8(f).
- 3.K. Atmos/United Cities' customers in Tennessee share no portion of the profits earned by Atmos/United Cities from its release of regulated assets.

PART II

- 1. Provide all leak reports and emergency main replacement incidents and describe the costs incurred (by year) since ATMOS purchased United Cities through 2005 directly attributed to "Bare Steel/Cast Iron Mains and Services."

2. Provide ATMOS's miles of Bare Steel/Cast Iron gas mains and services in service on January 1, **2000** in Tennessee.
3. Provide ATMOS's miles of Bare Steel/Cast Iron gas mains and services in service on January 1, **2006** in Tennessee.
4. Please provide the expected replacement miles of Bare Steel/Cast Iron gas mains and services per year until all such mains and services are replaced in Tennessee.
5. Please provide the expected replacement miles of Bare Steel/Cast Iron gas mains and services per year until all such mains and services are replaced (by state) served by ATMOS Energy.
6. Please provide the data for the following categories of customer service:

(A) Customer Service (Call Center) since ATMOS purchased United Cities by year through 2005
 1. Number of Calls received and percent answered;
 2. Average Answer Time (in seconds);
 3. Length of Call (in minutes);
 4. After Call Processing time (in minutes or percent);
 5. Number of Customer Service Walk-Ins;
 6. Customer Call Backs;
 7. Supervisor Referrals; and
 8. Cash Transactions Processed by affiliated agencies.
 9. Provide the total number of Call Center employees (by month/by title).
 10. Provide the allocated employees by title/by month to Tennessee.

(B) Meter Services (Tennessee) by year (since ATMOS purchased United Cities through 2005):

1. Number of Meters Read;
2. Risers Inspected;
3. Estimated Readings;
4. Percent Estimated;
5. Meters Skipped;
6. Re-reads;
7. Door Tags or other “customer provided readings.”

(C) Service Department (Tennessee by month since ATMOS purchased United Cities Through 2005):

1. Orders Worked;
2. Appointment Orders;
3. Appointments Missed;
4. Emergency Orders;
5. Emergency Response Time (in minutes);
6. Meters Set.

(D) Construction Department (Tennessee by month since ATMOS purchased United Cities through 2005):

1. Service Orders Received;
2. Service Orders Installed;
3. Backlog (Weeks);

4. Damages;
 5. Service Renewal/Relocate;
 6. Services Retired; and
 7. Survey Leaks.
7. Provide the number of responses to customer complaints as sent to the Tennessee Regulatory Authority (by year) since ATMOS purchased United Cities through 2005.
 8. Provide the number of customer complaints (by State, by year) sent to Commissions in States operated by ATMOS since ATMOS purchased United Cities through 2005.
 9. Provide the average number of residential customers by year since ATMOS purchased United Cities through 2005 for States operated in by ATMOS.
 10. Provide a detailed summary of any fines imposed by any regulatory authority in whose State ATMOS provides gas service since ATMOS purchased United Cities through May, 2006.
 11. Please summarize any safety violations and/or commission service reviews (by state) since ATMOS purchased United Cities through May, 2006.
 12. Provide the number of employees (by month, by State) for States served by ATMOS Energy since ATMOS purchased United Cities through May, 2006. (Please itemize allocated employees separately)
 13. Regarding billing for non-utility services and products: Please detail the types of services and products ATMOS bills and the number of bills issued for these services (by month) since ATMOS purchased United Cities through May, 2006. Please provide the dollar amount of

all bills issued by year through 2006. Please cite the docket authorizing approval of such third party billing in Tennessee.

14. Please detail the same “non-utility billing” (from above) for all other states served by ATMOS.
15. Please explain why ATMOS shut-off 14.1% more customers for non-payment in Tennessee during the 2005-2006 heating season than during the previous year especially given the attention given by the TRA to mitigate disconnections in TRA Docket 05-00281 and since Chattanooga Gas reduced disconnections 31% and Nashville Gas reduced disconnections 46.5%.
16. Please provide all statement(s) provided by ATMOS Senior Executives since ATMOS purchased United Cities through May, 2006 providing a commitment of Service Quality to ATMOS customers in Tennessee.
17. Please provide all statement(s) provided by ATMOS Senior Executives since ATMOS purchased United Cities through May, 2006 providing a commitment to profits/earnings to shareholders.
18. Please provide a copy of any settlement agreements between ATMOS and any State Regulatory Authority reducing rates since ATMOS purchased United Cities.

PART III

1. Please provide all documents previously provided to the TRA and/ or the TRA Investigative Staff in this case.

PART IV

As part of its first discovery request, the Consumer Advocate is also making a joint filing with the TRA Investigative Staff.

Respectfully submitted,

Paul G. Summers
Attorney General
State of Tennessee

A handwritten signature in cursive script, reading "Vance L. Broemel". The signature is written in dark ink and is positioned above a horizontal line.

Vance L. Broemel, B.P.R. 11421
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202
(615) 741-8733

CERTIFICATE OF SERVICE

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

Henry Walker
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, Tennessee 37203

Richard Collier
General Counsel
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

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

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

J.W. Luna
Farmer & Luna
333 Union Street Suite 300
Nashville, Tennessee 37201

on this the 26th day of May, 2006. Vance Broemel
Vance Broemel

95684.3