

**IN THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

**IN RE: TARIFF FILING TO MODIFY            )  
AND ADD LANGUAGE REGARDING            )   TRA Docket No. 07-00020  
TRANSPORTATION SERVICE                )**

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**ATMOS INTERVENTION GROUP'S RESPONSES TO ATMOS ENERGY  
CORPORATION'S FIRST ROUND OF DISCOVERY**

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The Atmos Intervention Group ("AIG") hereby submits the following responses to the First Set of Discovery Requests from Atmos Energy Corporation (the "Company") propounded upon all parties.

1. Identify each person whom you expect to call as an expert witness at the hearing on the merits in this docket, and for each such expert witness:

- (a) Provide a current and complete CV for the witness, including a list of citations to all of the expert's publications and presentations;
- (b) Identify the subject matter on which the witness is expected to testify, and state the substance of the facts and opinions to which the expert is expected to testify and a summary of the grounds for each opinion;
- (c) Produce any exhibits to be used in conjunction with the expert's testimony;
- (d) Produce all transcripts of the expert's prior testimony or, if not available, identify the matters in which the expert has testified with sufficient specificity that transcripts can be obtained by counsel for Atmos;
- (e) Describe all of the expert's financial interests in the litigation, including, without limitation, financial terms under which the expert is to be compensated for his work in connection with this case;

- (f) Produce all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by the expert in evaluating, reaching conclusions or formulating an opinion in this matter. Produce electronic versions of the files (e.g. Excel and Power Point) where such versions exist.

**RESPONSE:**

At this time, AIG has not determined whether AIG will present an expert witness at the hearing.

2. Identify the name and location of all persons having knowledge of discoverable matters in this case.

**RESPONSE:**

Earl Burton  
Tennessee Energy Consultants  
408 McCallie Avenue  
Chattanooga, TN 37402

3. Produce all documents that you plan to introduce, use, or reference at the hearing on the merits in this docket.

**RESPONSE:**

None at this time.

4. If you oppose any of the tariff amendments requested in this matter identify each tariff amendment that you oppose and explain the grounds for your opposition.

**RESPONSE:**

See attached chart.

5. If you contend that any of the tariff amendments requested in this matter would cause an adverse financial impact on you or any of your members or customers, explain your contention and quantify the adverse financial impact to the extent that you are able to do so.

**RESPONSE:**

**Adverse Impact**

- a. Monitoring Costs: More time and effort required by companies to monitor daily consumption. Cannot quantify exact costs.
- b. Direct Costs of Daily Balancing Fees and Penalties: Could potentially result in higher fees that may be allocated by poolers to Atmos transportation customers. Especially adverse to customers with weekly production schedules with heavier gas usage during weekdays versus weekends. Cannot quantify exact costs.
- c. Indirect Transportation Costs: Additional work and balancing requirements of poolers may reduce the number of competitive suppliers serving Atmos transportation customers. This would limit the competitive options available to Atmos transportation customers resulting in a increase in transportation costs. Projected costs is estimated at 25 to 50% increase in interstate transportation costs.

6. Produce all documents that evidence communications from Atmos customers that addresses any of the terms or provisions of the tariff at issue in this proceeding or any of the requested amendments thereto.

**RESPONSE:**

AIG has no documents from Customers addressing issues related to this docket.

7. Do you agree that a transportation customer and/or its agent should accurately nominate quantities of natural gas for delivery to the Company's city gate?

**RESPONSE:**

Yes: Comments: All of the Connecting pipeline companies have balancing requirements that require Atmos Energy Corporation and other shippers to nominate their gas within

reason. However, they do not impose daily balancing fees since they are familiar with the variability and sensitivity of customers gas usage. AIG has proposed tariff language that aligns with the actual balancing rules imposed by the Connecting Pipeline Companies and believes that these rules are sufficient for the Company's transportation tariff. Furthermore, the Company should not impose stricter penalties for the Rate 260 Transportation classes versus the Company's Rate 250 Interruptible Sales Customers.

8. If your answer to the preceding question is anything other than an unqualified "yes," explain what you believe to be the a transportation customer's (or his agent's) obligation, if any, with respect to managing nominations.

**RESPONSE:**

a. A transportation customer or agent should make every effort to nominate their gas requirements consistent with their gas usage while making mid-month adjustments to maintain a reasonable balance between deliveries and actual gas usage. A transportation customer or agent should not be denied the same level of balancing service provided by the Connecting Pipeline Company which is monthly balancing.

b. In regards to a pipeline Operational Flow Order (OFO), a transportation customer or agent should make a diligent effort to comply with an order such that they do not cause a penalty for Company. On these days, the gas deliveries should be within a reasonable tolerance of the gas usage.

9. If a transportation customer's daily volume usage is available electronically through the Atmos website and the customer is permitted by Atmos to make intra-month changes to its nominations, do you agree that a transportation customer then has the ability to manage its nominations more frequently than once a month?

**RESPONSE:**

Yes.

10. If your answer to the preceding question is anything other than an unqualified “yes,” explain in the basis for your position.

**RESPONSE:**

Transportation customers or agents should make intramonth adjustments to balance their requirements. The Company needs to assess and ensure that this information is being provided accurately to the poolers/agents serving their transportation customers.

11. Do you contend that a tolerance of 10%, before the Company can assess daily scheduling fees, is unreasonable? If so, explain the basis for your contention.

**RESPONSE:**

Yes. Imposing a daily scheduling fee for imbalances over 10% is imposing a requirement that is more stricter than all of the Connecting Pipeline Companies serving Atmos Energy Corporation. It would also be more difficult for smaller poolers to comply with since they have fewer base load customers that would tend to mitigate the daily imbalances. It would also be discriminatory to non-affiliate poolers/agents that do not have access and use of the Company’s storage assets to inject and withdraw from to manage daily deliveries.

12. Are you aware of any interstate pipelines that are permitted to charge daily

scheduling fees or penalties to a shipper with respect to differences (outside of a prescribed tolerance) between the shipper's scheduled deliveries at a delivery point and the quantities actually taken by the shipper at the delivery point? If so, please identify the pipeline(s), and describe the terms under which they charge daily scheduling fees or penalties.

**RESPONSE:**

AIG is not aware of any interstate pipelines in Tennessee nor distribution companies regulated by the TRA that impose daily scheduling fees for daily imbalances. However, on critical days (OFO) days, many pipelines may charge a penalty for shippers that take over their nominated quantity. For this reason, the AIG does not oppose an penalty on OFO Days. AIG does propose an incentive fee structure that is more reasonable for poolers that underdeliver on OFO days.

13. If storage is used by the Company to maintain daily balances on an interstate pipeline in order to avoid pipeline imbalance charges, then explain why transportation customers who cause or contribute to cause pipeline imbalances should not be required to contribute to the costs of storage through daily scheduling fees.

**RESPONSE:**

There are no daily balancing rules imposed by the Connecting Pipeline Companies serving the Company that require the Company to use storage. If a transportation customer fails to nominate their gas requirements during the month, then the cashout mechanism may require the agent to buy from the Company as the highest weekly average price. This will more than compensate the Company's and firm customers for lower gas costs withdrawn from storage.

14. If the Company agreed to modify the language in the proposed tariff to make imposition of daily scheduling fees mandatory, would you oppose this modified provision of the tariff? If so, explain the basis for your opposition.

**RESPONSE:**

AIG does not understand this question. AIG presumes that any tariff provision would be applied in a consistent, non-discriminatory fashion and therefore the use of the word “mandatory” in tariff would make no difference in the application of the tariff.

## Transportation Service Analysis

## Proposed Tariff Mechanisms

Company Proposal	AIG Counterproposal	Comments
Define MDQ and limit daily nominations	Accepted	
Defining Operational Flow Order (OFO's) and implementing provisions for OFO's	Not accepted	The Company's tariff proposal seeks to impose much harsher penalties than the Connecting Pipeline Company's, and proposes to discriminate between their interruptible sales class 250 and transportation rate class 260. For example, the Company can impose an OFO and impose penalties on many days where they are supplying gas to the interruptible rate class who make no contributions to the demand costs of the PGA. This treatment is discriminatory and AIG has proposed language that would offer equal treatment to transportation customers. Furthermore, AIG proposed to reduce the penalties to \$5.00 which provides incentive to customers comply with OFO's. Since the Company can mitigate overruns by nominating out of storage, the proposed penalty rate is much too harsh in consideration of the tools the Company has available to mitigate penalties. Under AIG's proposal, the Company could charge the higher penalty rate charged by the Connecting Pipeline Company if transportation customers use overrun gas and resulted in a higher penalty fee paid by the Company.
Clarifying procedures used to calculate Monthly Cashout.	Accepted.	



Company Proposal	AIG Counterproposal	Comments
Implement Daily Scheduling Fees for Daily Imbalances outside of a 10% tolerance for under or over nominated quantities.	Not Accepted	<p>The Company has already testified that none of the Connecting Pipeline Companies charge daily scheduling fees. By imposing a daily scheduling fees, the Company seeks to impose a fee that is not cost based. The Company's level of service through their Connecting Pipeline suppliers is monthly balancing and allows them a higher level of service. This level of service should not be denied to transportation customers. The Company seeks to recover demand charges on their storage assets which are claimed to be used for balancing. This is also discriminatory allocation since the interruptible sales customers, Rate Schedule 250 do not pay any allocation to storage fixed costs subject to the PGA rules filed with the TRA. Daily Scheduling fees would also be more harmful to smaller poolers. Non-Affiliate marketers would also be discriminated against since through the Company's current asset management arrangement, the Company's marketing affiliate manages all of the Company's interstate capacity and storage assets. With the Company's storage assets, the Company's affiliate has a competitive advantage for managing daily imbalances versus an non-affiliate marketer who does not have the benefit of storage paid for by Tennessee rate payers.</p>
Add Pooling Provisions	Accepted	<p>A Pooling Service will allow a more equal playing field for non-affiliate gas marketers since they will be able to aggregate supply and net monthly imbalances. It does not however, establish a fair and equal playing field since the Company's marketing affiliate benefits from the ratepayers interstate capacity and storage assets.</p>

**CERTIFICATE OF SERVICE**

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

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on this the 27<sup>th</sup> day of November 2007.

  
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Henry Walker