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February 22, 2008

Sharla Dillon, Docket Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

VIA HAND DELIVERY

filed electronically in docket office 2/22/2008

RE: Atmos Energy Corporation Tariff Filing to Modify and Add Language Regarding Transportation Service, TRA Docket No. 07-00020

Dear Ms. Dillon:

Enclosed are the original and four copies of the Rebuttal Testimony of the following individuals filed on behalf of Atmos Energy Corporation:

1. Danny Bertotti;
2. Patricia Childers;
3. Michael H. Ellis; and
4. Kenneth Malter.

An electronic copy is provided on the enclosed CD.

Best regards.

Sincerely,

A. Scott Ross

ASR:prd

Enclosures

xc: All Counsel of Record (w/ Enclosure)

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND REFISED TARIFF	))))	**DOCKET NO. 07-00020**

REBUTTAL TESTIMONY OF DANNY BERTOTTI
ON BEHALF OF ATMOS ENERGY CORPORATION

Q. PLEASE STATE YOUR NAME AND BUSINESS AFFILIATION.

A. My name is Daniel Bertotti. I am a Sales Representative in Tennessee for the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos" or the "Company"). My business address is 200 Noah Drive, Franklin, Tennessee 37064.

Q. DID YOU FILE DIRECT TESTIMONY ON BEHALF OF THE COMPANY IN THIS PROCEEDING?

A. Yes. In my direct testimony, I addressed the Company's proposal to implement changes to its Rate Schedule 260 regarding transportation service provided by the Company.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I am providing this testimony in rebuttal to specific issues raised in the direct testimony of three witnesses for the Atmos Intervention Group ("AIG") including W. Brent Phelts, Daryl Gardner and William H. Novak. I will also address one issue raised by John Dosker, a witness for Stand Energy Corporation ("Stand").

<u>REBUTTAL TO DIRECT TESTIMONY OF W. BRENT PHELTS</u>

Q. IS ATMOS ASKING CUSTOMERS TO MATCH THEIR DAILY LOADS EXACTLY TO THEIR DAILY NOMINATIONS?

A. No. Mr. Phelts states in his testimony that it is unreasonable to expect a customer to match exact loads with daily nominations. However, Atmos is not proposing changes that would ask a transportation customer to match their daily gas volumes exactly to their daily nominations. We understand there are some variables that are out of a customer's control when managing its daily gas volumes. This is the reason Atmos is allowing a 10% daily tolerance before any scheduling fees will be applied. However, we would expect a transportation customer and its marketer to communicate throughout the month so that any maintenance or production changes can be taken into account and appropriate nomination changes can be made.

Q. DOES ATMOS PROVIDE GAS CONSUMPTION MONITORING EQUIPMENT?

A. Yes. Atmos requires each transportation customer havegas consumption monitoring equipment, or electronic flow measurement (EFM) equipment. Each day gas volumes are downloaded and both daily and hourly volumes are posted to a web site. Transportation customers and their marketers are given access to that web site.

Q. MR. PHELTS ALSO STATES THAT ATMOS' AFFILIATE HAS FULL BENEFIT OF ATMOS' STORAGE FOR THE PURPOSE OF MITIGATING PENALTIES. IS THIS CORRECT?

A. No, it is not Atmos' affiliate that has the benefit of storage. Atmos' asset manager has benefits to the use of storage only after the asset manager has fulfilled the obligations of Atmos' system supply. This is the same whether the asset manager is an affiliate or a third party. Atmos' affiliate, Atmos Energy Marketing, LLC, is currently the asset manager through March 31, 2008, but the asset management is awarded through a competitive bidding process. Other suppliers have the ability to bid on the asset management, and if they win the bid, will have access to storage that could be used for balancing transportation customers after the obligations of system supply have been met. Therefore, it is not Atmos' affiliate that has an advantage, but it is the winner of the asset management bid that has the advantage.

Q. IS ATMOS' AFFILIATE OR ATMOS' ASSET MANAGER THE ONLY MARKETER THAT IS ALLOWED TO NET OUT IMBALANACES AT MONTH END TO AVOID CASH-OUTS?

A. No, at this time, all marketers are allowed to re-allocate at month's end to avoid cash-out charges.

Q. **ARE ALL CASH OUT CHARGES PENALTIES?**

A. No, cash outs are a mechanism to allow the Company to buy the excess gas a transportation customer delivered but did not use. It also allows the Company to sell to the Customer any excess gas they used, but did not deliver into the system. It is a mechanism designed to keep both whole. Only if the monthly imbalance exceeds 5% do any extra fees kick in to act as penalties. Atmos allows the customer and marketer to make intra-month nomination changes to keep the imbalance under 5%.

Q. THEN IS NETTING OUT IMBALANCES REALLY A DEFINITE ADVANTAGE AS MR. PHELTS STATES?

A. No, if a marketer nets out imbalances at the end of the month, the Company does not have to calculate the cash out charges, but the marketer will calculate their own cash out charge to the customer to keep the marketer and customer whole. Either way, the customer gets cashed out and pays for the exact amount of gas they burn in a month.

Q. ARE YOU AWARE OF ANY TRANSPORTATION CUSTOMER CHOOSING A MARKETER BASED ON THE END OF THE MONTH CASH OUT METHODOLOGY?

A. No, I am not.

Q. GOING FORWARD, WILL ALL MARKETERS BE ALLOWED TO RE-ALLOCATE AT MONTHS END TO AVOID CASH-OUT CHARGES?

A. No, going forward, if Pooling Service is approved, no marketer, nor the asset manager, will be allowed to re-allocate at month's end to avoid cash-out charges. Every transportation customer will either be cashed out or will be in a pool of transportation customers that will be cashed out.

Q. SHOULD THE AUTHORITY REJECT THE COMPANY'S PROPOSED SCHEDULING FEES BASED ON MR. PHELT'S CONCERNS ABOUT COMPETITION AMOUNG MARKETERS?

A. Absolutely Not. Mr. Phelts suggests that the adverse impact of daily balancing will outweigh the benefits of the pooling and not significantly increase competition, based on the possibility that Atmos' affiliate might have more customers to pool together, more assets, and thereby better tools to manage daily balancing. However, the fact that one marketer has more customers or has more tools to manage daily balancing should not have any bearing on the TRA's decision related to this provision of the tariff. Daily scheduling fees were not proposed to benefit any marketer or to increase competition between marketers. Atmos has no preference as to which marketer serves the transportation customers. Daily scheduling fees were proposed as a deterrent to require transportation customers to manage their daily nominations so that they more closely match their burns. These fees are also proposed as a way to fairly reimburse the Company's sales customers for storage costs (that are paid 100% by the Company's sales customers). The Company uses the storage to manage the daily swings of the transportation customers. The storage is used any day when a transportation customer's daily volumes don't match their daily nominations.

Q. IN THE CONCLUSION OF MR. PHELTS TESTIMONY, HE STATES THAT A FAIR BALANCING POLICY SHOULD BE COST BASED. ARE THE SCHEDULING FEE RATES PROPOSED BY THE COMPANY COST BASED?

A. Yes. Atmos' proposed scheduling fee is cost based and is based off of the cost of storage. The formula used includes storage demand charges, capacity charges, injection charges and withdrawal charges. These charges are added together and divided by the volume used for storage to get an average cost per Mcf. Additionally, this same formula was approved in 2005 for Georgia and 2007 for Missouri.

Q. MR. PHELTS ALSO CONCLUDES THAT ANY OFO PENALTIES SHOULD EQUAL THOSE IMPOSED BY THE CONNECTING

INTERSTATE PIPELINE. IS ATMOS' PROPOSED OFO RATE HIGHER THAN THE RATES OF MOST CONNECTING PIPELINE COMPANIES?

A. **No.** Atmos has proposed a fee of $25/Mcf plus the gas daily price. While this $25/Mcf is higher than East Tennessee Natural's penalty, it is less than Texas Gas' $50/Mcf penalty rate. Also, Columbia Gulf Transmission has penalty rates listed as 'three times the gas daily price'. Assuming a gas daily price of $8.33/dth, three times that price is $25. Atmos' proposed rate is well within range of what most connecting pipeline companies charge. Atmos has transportation customers served off of Texas Gas, Columbia Gulf, Texas Eastern, as well as East Tennessee Natural. In addition, the $25/Mcf penalty matches the overrun penalty already approved by the TRA in Atmos' interruptible Rate Schedule 250.

<u>REBUTTAL TO DIRECT TESTIMONY OF DARYL GARDNER</u>

Q. **MR. GARDNER STATES THAT ATMOS IS PROPOSING TO IMPOSE HIGHER COSTS AND ADDITIONAL BURDENS ON GOODYEAR TIRE AND RUBBER COMPANY ("GOODYEAR"). IS THIS CORRECT?**

A. No, Atmos is not seeking to impose higher costs to Goodyear. Atmos merely asks its transportation customers to better manager their daily nominations to match their daily volumes. If Goodyear is able to do this, there will not be any additional costs to Goodyear. Further, Atmos Energy understands it is nearly impossible to match nominations to volumes 100%, therefore, Atmos is allowing a 10% daily tolerance before any fees will be charged.

Q. **HAS ATMOS HAD DISCUSSIONS WITH GOODYEAR OR THEIR AGENT KIMBALL RESOURCES CONCERNING THESE PROPOSED TARIFF REVISIONS?**

A. Yes. Atmos sent a letter to all transportation customers to let them know about the proposed changes. Mr. Gardner called me and asked me to forecast Goodyear's daily scheduling fee charges based on its previous 6 month history. Before I was able to send the projection to Mr. Gardner, his agent Kimball Resources called me. The agent informed me that if these provisions had been in place over that 6 month history, the agent would have managed the nominations for Goodyear differently in order to reduce or eliminate any charges. Atmos would expect all marketers and agents to take this same approach to work even more closely with their customers in order to reduce or eliminate any scheduling fee charges.

Q. IS ATMOS FAMILIAR WITH GOODYEAR'S TENNESSEE FACILITY AND ITS COMPETITIVE NATURE WITH OTHER GOODYEAR FACILITIES?

A. Yes. Goodyear came to Atmos in January 2003 asking Atmos to help them remain competitive in Union City and within the global market. Goodyear made it clear to Atmos that if Atmos was not able to reduce transportation costs to Goodyear, Goodyear would by-pass the Atmos distribution system and connect directly to another pipeline transmission company.

Q. WAS ATMOS ABLE TO REDUCE ITS TRANSPORTATION RATE CHARGED TO GOODYEAR?

A. Yes. We studied Goodyear's viable bypass threat and were able to negotiate a transportation rate that eliminated the bypass option for Goodyear.

Q. WERE THERE OTHER ITEMS NEGOTIATED INTO GOODYEAR'S REDUCED TRANSPORTATION RATE?

A. Yes. Goodyear wanted a long term contract and wanted to get away from burning oil. In the past, Goodyear would burn oil when natural gas was not economically feasible. The agreed upon negotiated rate for Goodyear was designed to be competitive with oil and would provide Goodyear an incentive to continue burning natural gas rather than oil. The contract had a term of 20 years.

Q. WAS THIS CONTRACT APPROVED BY THE TENNESSEE REGULATORY AUTHORITY ("TRA")?

A. No. The initial contract was not approved by the TRA.

Q. WHY NOT?

A. Mr. Novak, while working for the TRA as the Chief of the Energy and Water Division, concluded that the negotiated rate was too low. Mr Novak wanted a higher rate. He was also concerned that any reduced rate to Goodyear increased the costs to the rest of the Company's residential rate payers in Tennessee. As part of his conclusion, Mr. Novak was of the opinion that Goodyear did not have the equity resources necessary to "pull-off" a bypass threat

Q. DOES MR. NOVAK WORK FOR THE TRA NOW?

A. No, Mr. Novak no longer works for the TRA. Mr. Novak is now the owner of a utility consulting company.

Q. HAS MR. NOVAK FILED TESTIMONY IN THIS DOCKET?

A. Yes. Mr. Novak has filed testimony on behalf of the AIG. Mr. Novak has testified that costs should be reduced to industry and increased to the residential customers.

Q. HOW DID MR. NOVAK REACH HIS CONCLUSION THAT BYPASS FOR GOODYEAR WAS NOT VIABLE SO AS TO JUSTIFY THE NEGOTIATED RATE?

A. Mr. Novak hired a "bypass" expert to help him evaluate the Goodyear bypass threat.

Q. WHO WAS THE EXPERT MR. NOVAK HIRED TO CONSULT ON THE GOODYEAR BYPASS THREAT?

A. Mr. Novak hired Mr. Earl Burton as his expert. Mr. Burton believed that the negotiated rate was too low and that the TRA should not approve the rate. This recommendation ultimately led to the TRA's decision to reject the 20 year contract agreed upon by the Company and Goodyear.

Q. IS MR. BURTON A WITNESS IN THIS DOCKET?

A. Yes, Mr. Burton owns Tennessee Energy Consultants and has headed up the AIG. As with Mr. Novak, Mr. Burton is now proposing to lower costs to industrial customers such as Goodyear and increase the costs to the residential customers. By opposing Atmos' daily scheduling fee proposal, they are proposing that industry should be allowed to use the storage, paid for by residential sales customers, to balance their daily volumes at no cost to industry.

Q. **WHAT WAS THE RESULT OF THE TRA'S DECISION TO REJECT THE NEGOTIATED TRANSPORTATION RATE FOR GOODYEAR?**

A. Atmos re-negotiated a new transportation rate for Goodyear that is higher than what had previously been negotiated. This has resulted in higher transportation costs than what Atmos and Goodyear had initially agreed upon. Goodyear will have to pay this higher rate for 20 years.

Q. **IS BYPASS STILL A THREAT FROM GOODYEAR?**

A. No. The agreement Atmos and Goodyear reached, and which was approved by the TRA, is a 20 year contract which prevents Goodyear from bypassing the Atmos distribution system.

Q. **MR. GARDNER ASKS FOR REASONABLE OFO PENALTIES. IS THE PENALTY PROPOSED FOR TENNESSEE REASONABLE?**

A. Yes, Atmos has proposed a fee of $25/Mcf plus the gas daily price. Texas Gas Transmission, the connecting pipeline company that serves Goodyear and Union City, TN has an OFO penalty rate of $50/dth. The Atmos proposed penalty is significantly lower than that of the connecting pipeline and is very reasonable. Goodyear should support this lower penalty proposed by Atmos Energy.

Q. DOES THE PROPOSED OFO PENALTY AUTOMATICALLY INCREASE COSTS TO GOODYEAR?

A. No, Atmos' proposed fee allows a 5% daily tolerance before any fee is charged. Additionally, the pipeline OFO orders typically give a minimum of 12 hours notice before they take affect. This should give Goodyear ample time to contact their agent to purchase additional gas supplies during the OFO period, or should give Goodyear ample time to bring any of their 4 boilers up on fuel oil. Either scenario should prevent Goodyear from incurring OFO penalties.

<u>REBUTTAL TO DIRECT TESTIMONY OF WILLIAM H. NOVAK</u>

Q. MR. NOVAK BEGINS BY STATING THAT THE COMPANY'S PROPOSAL RELATING TO OFOS SEEKS TO IMPOSE MUCH HARSHER PENALTIES THAN MOST OF THEIR CONNECTING PIPELINE COMPANIES. IS HIS STATEMENT CORRECT?

A. No. As stated in Mr. Kenneth Malter's direct testimony and addressed in my rebuttal to Mr. Phelts above, Atmos is served by Columbia Gulf, Texas Gas and

Texas Eastern pipelines, as well as East Tennessee Natural. Texas Gas has an OFO penalty of the greater of $50/dth or 3 times the gas daily price. Columbia Gulf's penalty for not complying with an OFO is 3 times the midpoint range for the OFO day. Atmos is proposing a penalty of $25/Mcf plus the gas daily price, after a 5% tolerance. The connecting pipelines do not offer a 5% tolerance. Therefore, Mr. Novak is incorrect when he states that the Company's proposal is much harsher than most of its connecting pipelines.

Q. PLEASE DISCUSS MR. NOVAK'S CONTENTION THAT IT IS UNFAIR TO DECLARE AN OFO ON TRANSPORTATION CUSTOMERS, WHILE INTERRUPTIBLE SALES CUSTOMERS ARE NOT BEING CURTAILED.

A. First, when the Company declares an OFO on transportation customers, the Company is not telling the customer they must curtail their gas service. The Company is only requiring the customer to consume no more (or no less depending on the situation) than they have delivered into the Company's system, within a 5% tolerance. The transportation customer still gets to burn gas. If the Company were to curtail its interruptible sales customers, those customers would not get to burn gas. It should be noted that interruptible sales customers rely on the Company to supply their gas commodity while transportation customers do not. Second, interruptible sales customers can continue to burn gas anytime the Company has excess capacity for that day. If an OFO, MADD or restriction is called by the pipeline on a non-peak day for the Company, there will typically be available capacity for that day and the interruptible sales customers can continue to burn gas.

Q. MR. NOVAK STATES THAT COMPANY HAS THE ABILITY TO MITIGATE PIPELINE OVERRUNS BY USE OF ITS STORAGE AND THEREFORE THE COMPANY SHOULD NOT CHARGE A PENALTY TO TRANSPORTATION CUSTOMERS. DOES THIS MAKE SENSE?

A. No, it does not. The mitigation options that Mr. Novak refers to are assets paid for by the sales customers of Atmos Energy. The transportation customers make no contributions to these assets. Mr. Novak wants transportation customers to benefit from these assets without paying for them. As proposed by the Company, the penalty dollars collected from transportation customers will flow back to sales customers to reimburse them for the assets they purchased.

Q. MR. NOVAK PROPOSES A "NO HARM, NO FOUL" POLICY FOR OFO'S. DOES THIS MAKE SENSE?

A. No, it does not. Mr. Novak assumes the only "harm" is a penalty from the pipeline levied on the Company during OFO periods. But what Mr. Novak refuses to accept is the fact that the Company's sales customers pay for storage and other assets that the Company uses to prevent penalties from the pipeline. The Company's witness Mr. Malter explains this further in his direct testimony. In my view the "harm," as Mr. Novak calls it, is the storage expense that sales customers pay for year round. In this respect, there is harm and therefore there should also be a "foul."

Q. ARE THE DAILY SCHEDULING FEES PROPOSED BY THE COMPANY INAPPROPRIATE, AS MR. NOVAK CONTENDS?

A. No, as we have shown, not only in my testimony, but that of the other Company witnesses, the Company must balance daily. The Company uses storage assets to balance the system daily. Also, Columbia Gulf Transmission has proposed daily scheduling fees. The tolerance on Columbia Gulf's proposal is smaller than the proposal the Company has proposed. Similar to Columbia Gulf, Atmos has seen transportation customer's inability to keep their actual gas quantities within an acceptable tolerance range and has proposed the daily scheduling fees to encourage transportation customers to manage their nominations more accurately.

Q. NR. NOVAK TESTIFIES THE DAILY SCHEDULING FEE IS NOT COST BASED. IS THIS CORRECT?

A. No, he is not correct when he states the fee is not cost based. The fee is based on the Company's average cost of storage service, including demand charges, capacity charges, injection charges and withdrawal charges. The Company uses storage to balance it's system.

Q. FINALLY, MR. NOVAK BELIEVES L&U SHOULD NOT BE SPREAD EQUALLY AMONG THE DIFFERENT CLASSES OF CUSTOMERS. DO YOU AGREE?

A. No. Mr. Novak does not believe that higher consumption correlates to a higher L&U level, but states that one primary cause of shrinkage is a slow meter. If a transportation customer's meter is 2% slow, the more gas the customer uses, the more L&U it will cause. If the customer uses 100 Mcf in a day, there will be 2 Mcf unaccounted for. If the customer uses 500 Mcf in a day, there will be 10 Mcf accounted for. I believe the fairest way to allocate L&U is to charge the same percentage to all classes of customers.

REBUTTAL TO THE DIRECT TESTIMONY OF JOHN DOSKER

Q. WHAT ISSUE RAISED BY MR. DOSKER WOULD LIKE TO ADDRESS?

A. The issue concerns his assertion that Atmos Energy proposed changes to its transportation tariff only after the Consumer Advocate and Protection Division of the Tennessee Attorney General's Office ("CAPD") and the Atmos Intervention Group suggested there were problems.[1] Mr. Dosker makes the statement on page 13 of his testimony that "Only after the CAPD and the AIG suggested there were problems with the way Atmos was conducting business were changes proposed to Rate Schedule 260." Mr. Dosker's assertion is absolutely incorrect and had he reviewed the Company's response to Stand Energy's 1st discovery set, Stand – ATMOS 1-5 parts A and B, he would have discovered notes and correspondence around possible changes to rate schedule 260 dating back to January 2003. Prior to any mention of a need for changes to the existing Transportation Tariff by the intervenors in this proceeding, the Company began gathering input form its customers and also conducting internal meetings and discussions to formulate the proposed tariff.

Q. DID THE COMPANY DISCUSS THE CHANGES TO RATE SCHEDULE 260 WITH TRA STAFF PRIOR TO FILING THE PROPOSED TARIFF?

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[1] *Id.*, p. 13, lines 8-14.

A. Yes. In fact, representatives of the Company, including myself, first met with TRA Staff on August 26, 2005 to review the recommended changes to the Transportation Tariff. Three weeks after the initial meeting, Staff notified the Company that they had no further questions concerning the proposal and Atmos could proceed with the official filing.

Q. WHEN WAS THE PROPOSED TARIFF FIRST FILED BY THE COMPANY?

A. Shortly after the referenced meeting with Staff, a petition was filed to initiate a Show Cause proceeding concerning the earnings of Atmos Energy. Subsequently, the Company attempted to introduce the proposed tariff in the Contested Rate Case (Docket No. 05-00258) that ultimately resulted from the petition as opposed to proposing the tariff changes in a separate docket. Therefore, changes to the Company's Transportation Tariff were first submitted along with the direct testimony of Pat Childers in July 2006.

Q. DO YOU HAVE ANY FINAL COMMENTS REGARDING THE TESTIMONY OF THE INTERVENORS?

A. Yes. Throughout the testimony of the intervenors, it is apparent that they oppose the Company's proposals because they (the intervenors) are unable to provide the level of service their customers expect. The intervenors want loopholes built into the transportation tariff that allow them to serve customers with interruptible or secondary firm prices, but want the customers to continue as though they have full firm service. If they chose to serve a customer with less than firm service and their customer's gas is interrupted by the pipeline, they want the Company to provide that gas to the customer during the interruption at no additional cost to the customer. They do not want to pay OFO penalties unless the Company is penalized, knowing full well the Company has already purchased assets to prevent penalties. They want to be able to swing daily on the Company's storage without reimbursing the Company's sales customers for the use of that storage. They know they cannot compete with marketers doing business in Tennessee who have the assets to provide firm service, so they want to use something less than guaranteed firm service at a reduced rate and rely on the Company to make up for their shortfall in serving their customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
ATMOS ENERGY CORPORATION	)	
TARIFF FILING TO MODIFY AND ADD	)	
ADD LANGUAGE REGARDING	)	
TRANSPORTATION SERVICE	)	**DOCKET NO. 07-00020**

VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Danny Bertotti, being first duly sworn, state that I am a Sales Representative for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Rebuttal Testimony of Danny Bertotti in this docket on the date of filing herein is true and correct to the best of my knowledge, information and belief.

Daniel P Bertotti
Danny Bertotti

Sworn and subscribed before me this 20th day of February, 2008.

Pamela Todd
Notary Public

PAMELA TODD STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY, TENN.

My Commission Expires: May 24, 2008

My Commission Expires 05-24-08

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 22nd day of February, 2008.

(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	Vance Broemel, Esq. Stephen Butler, Esq. Office of the Attorney General Consumer Advocate and Protection Division P. O. Box 20207 Nashville, TN 37202
(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	Henry M. Walker, Esq. Boult, Cummings, Conners, & Berry, PLC 1600 Division Street, Suite 700 P. O. Box 340025 Nashville, TN 37203 *Counsel for Atmos Intervention Group*
(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	D. Billye Sanders, Esq. Waller, Lansden, Dortch & Davis, LLP 511 Union Street, Suite 2700 Nashville, TN 37219-8966 *Counsel for Stand Energy*
( ) Hand ( ) Mail ( ) Fax (✓) Fed. Ex. ( ) E-Mail	John M. Dosker, Esq. General Counsel Stand Energy Corporation 1077 Celestial Street Rockwood Building, Suite 110 Cincinnati, OH 45202-1629 *Counsel for Stand Energy*

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND REFISED TARIFF	))))	**DOCKET NO. 07-00020**

REBUTTAL TESTIMONY OF PATRICIA CHILDERS
ON BEHALF OF ATMOS ENERGY CORPORATION

Q. PLEASE STATE YOUR NAME AND BUSINESS AFFILIATION.

A. My name is Patricia Childers. I am the Vice President of Rates and Regulatory Affairs for the Kentucky/Mid-States Division of Atmos Energy Corporation. My responsibilities include, among other things, the oversight of rates and regulatory matters for the Kentucky/Mid-States Division of Atmos Energy Corporation ("AEC" or the "Company").

Q. DID YOU FILE DIRECT TESTIMONY ON BEHALF OF THE COMPANY IN THIS PROCEEDING?

A. Yes. In my direct testimony, I addressed the Company's proposal to implement changes to its Rate Schedule 260 regarding transportation service provided by the Company.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I am providing this testimony in rebuttal to specific issues raised in the direct testimony of John Dosker, a witness for Stand Energy Corporation ("Stand"), as well as issues raised by witnesses for the Atmos Intervention Group ("AIG") including William H. Novak, Brent Phelts, and Daryl Gardner.

At the outset, I would like to note that Stand, through Mr. Dosker's testimony, has raised a number of issues, contentions, and statements that are incorrect, unsubstantiated, and have absolutely nothing to do with this docket. Stand's attempt to cast irrelevant matters into this docket have caused me and the other

Company witnesses in this docket to spend an inordinate amount of time on rebutting these issues, when Stand has come forward with nothing new to support its untenable positions other than unsubstantiated claims of affiliate favoritism and potential misconduct. Aside from this, such claims are being made by a marketer that the Company provides no services to, which has no customers in Tennessee that the Company currently provides any services to, or any prospective customers that it anticipates that the Company will provide service to any time soon.

Q. WHAT ARE THE ISSUES RAISED BY MR. DOSKER THAT YOU WOULD LIKE TO ADDRESS?

A. Mr. Dosker has raised a number of issues in his direct testimony that are incorrect or inaccurate. Many of these issues are addressed in the rebuttal testimony of other Company witnesses, such as Kenneth Malter, Daniel Bertotti, and Michael Ellis. The issues raised by Mr. Dosker that I will address include his statements relating to the Company's Rate Schedule 640 in Virginia, his statement that AEC is selling natural gas in Virginia at below cost, and Stand's proposal for a Transportation Storage Option.

Q. IS THE COMPANY'S VIRGINIA RATE SCHEDULE 640 AT ISSUE IN THIS PROCEEDING?

A. No. The Virginia State Corporation Commission (VSCC) has jurisdiction over the Company's rates and services provided within the Commonwealth of Virginia, while the Tennessee Regulatory Authority (TRA) has jurisdiction over the Company's rates and services provided within the State of Tennessee.

Q. WHAT STATEMENT DOES MR. DOSKER MAKE REGARDING THE COMPANY'S RATE SCHEDULE 640 IN VIRGINIA?

A. Mr. Dosker states in his testimony that (i) an unidentified customer in Bristol, Virginia is receiving service under Rate Schedule 640 and paying a demand charge equal to 12 times the amount of daily interstate pipeline electronic bulletin board (EBB) capacity release rate, and (ii) that the capacity being utilized by this customer is being subsidized by Tennessee ratepayers unless there is some credit mechanism in place.[1]

Q. WHAT IS RATE SCHEDULE 640?

A. This tariff, which has been approved by the VSCC and has been in place for a number of years, is available to large commercial and industrial customers who elect to subscribe to a daily minimum of 250 Mcf (2,500 Ccf) of natural gas on a firm basis. The structure of this tariff is typically referred to as a "two-part" rate – consisting of a demand charge and a commodity (or volumetric) charge. The monthly demand charge applicable to customers electing to receive service under this rate schedule is equal to their daily firm contracted demand quantity multiplied by $1.204 per one hundred cubic feet of gas (Ccf). This per Ccf rate of $1.2004 is comprised of a gas cost component of $1.1901[2] and a small margin component of $.0103.

Q. DOES A RATE SCHEDULE 640 CUSTOMER HAVE THE ABILITY TO PROCURE ITS GAS COMMODITY FROM A PARTY OTHER THAN THE COMPANY?

A. Yes. A firm sales customer can elect to purchase its own gas supply from a third party, such as a marketer, instead of the Company and instead receive transportation service from the Company.

Q. IF A RATE SCHEDULE 640 CUSTOMER ELECTS TO RECEIVE ONLY TRANSPORTATION SERVICE FROM THE COMPANY, DOES THAT CUSTOMER'S OBLIGATION TO CONTRIBUTE TO DEMAND COSTS CEASE?

A. No. The Company continues to hold and be billed for the capacity by the applicable interstate pipeline and the cost does not go away simply because a sales customer switches to transportation service. In fact, the VSCC, by approving the Company's Rate Schedule 640, has recognized that a customer may purchase its own gas supply but it cannot leave stranded demand costs to be absorbed by the other firm service ratepayers such as residential and small

[1] Direct Testimony of John M. Dosker, p. 8, lines 11-26.

[2] This amount is an aggregate of the upstream pipeline demand rates for East Tennessee Natural Gas and Tennessee Gas Pipeline.

commercial. A Rate Schedule 640 customer who elects to receive transportation service in lieu of sales service continues to pay the same demand charge.

Q. DOES THE COMPANY HAVE THE OPTION OF RELEASING A RATE SCHEDULE 640 TRANSPORTATION CUSTOMER'S CONTRACTED DEMAND CAPACITY TO A MARKETER?

A. Yes. The Company has the option, but not the obligation, to do so. If the Company elects to release the customer's contracted demand capacity to the customer's designated marketer, then the marketer holds the capacity for the customer as long as the customer continues to purchase gas from the marketer. If the marketer and customer cease to use this capacity for the transportation and purchase of natural gas, then the capacity returns back to the Company. This provision was proposed by the Company, and approved by the VSCC, in the Company's 2004 general rate case in Virginia.[3] Although Mr. Dosker intimates that he did not see a corresponding capacity release on the applicable interstate pipeline EBB for a Virginia Rate Schedule 640 customer he has not identified[4], that is not all that surprising considering that the Company's tariff explicitly states that the capacity will be released to the customer's marketer, not the customer. To the extent that the commodity requirements of a Virginia Rate Schedule 640 customer are provided by Atmos Energy Marketing, LLC ("AEM") (which is also the Company's current asset manager), then the Company receives a credit from AEM on account of that customer equivalent to the customer's contract demand times the tariff demand rate, and the credit flows back through the Company's purchased gas adjustment clause in Virginia.

Q. DOES A CUSTOMER THAT IS ELIGIBLE FOR TRANSPORTATION SERVICE UNDER RATE SCHEDULE 640 IN VIRGINIA ALWAYS HAVE TO RELY UPON THE COMPANY FOR CAPACITY?

A. No. If the customer has alternative fuel capability and meets the volumetric eligibility threshold, the customer can elect to receive optional gas service under Rate Schedule 650, which also includes the transportation option. Under Rate

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[3] *Application of Atmos Energy Corporation for an Increase in Rates;* Case No. PUE-2003-00507, filed with the VSCC on February 27, 2004.
[4] Direct Testimony of John M. Dosker, p. 8, lines 11-26.

Schedule 650, a customer does not pay the demand rate provided for in Rate Schedule 640.

Q. DOES THE COMPANY HAVE A RATE SCHEDULE IN TENNESSEE THAT IS COMPARABLE TO THE VIRGINIA RATE SCHEDULE 640?

A. Yes. In Tennessee, the applicable tariff is Rate Schedule 240, except that the annual eligibility threshold is 27,000 Mcf. The demand charge payable under Tennessee Rate Schedule 240 is $1.6283 per Ccf. However, when a customer in Tennessee receiving sales service under Rate Schedule 240 elects to receive transportation service from the Company under Rate Schedule 260 and purchase its commodity requirements from a third party such as a marketer, it no longer pays the interstate pipeline demand rate component of the Rate Schedule 240 demand charge.

Q. WHY IS THAT?

A. Because Rate Schedule 260 specifically states that a transportation customer in Tennessee is responsible for making all arrangements for transporting the gas from its source of supply to the Company's city gate (unless other arrangements have been made between the Customer and the Company), meaning that the customer and/or its marketer must have its own interstate pipeline system transportation arrangements.

Q. WHAT DOES ALL OF THIS MEAN, THEN?

A. That Tennessee ratepayers are not subsidizing service to large volume customers in Virginia. Those firm customers who elect to receive service from the Company in reliance on the Company's capacity assets, whether sales or transportation, pay a demand charge associated with those assets. Those Virginia customers who elect to receive optional service do not pay for demand because they have alternative fuel capabilities upon which they can rely in the event of service interruption by the Company. It is the same way in Tennessee. Eligible customers who elect to receive transportation service under Rate Schedule 260 do not have to pay demand charges because they are not reliant upon the Company for their upstream transportation requirements.

Q. DO TENNESSE AND VIRGINIA RATEPAYERS SHARE DEMAND COSTS?

A. Yes, demand costs are allocated based upon jurisdictional design day demand studies that the Company is required to prepare and file with the TRA and the VSCC annually as part of its actual cost adjustment (ACA) filing in each state. The updated allocation was required by the TRA in Docket No. 05-00253 and the annual filing requirement was adopted by the VSCC in Case No. PUE-2007-00019.[5] The current allocation of demand is 64% to Tennessee and 36% to Virginia. An updated demand allocation study will be filed with both agencies by July 1, 2008.

Q. DOES MR. DOSKER MAKE ANY UNSUPPORTED STATEMENTS WITH RESPECT TO GAS COST IN VIRGINIA?

A. Yes. Mr. Dosker has apparently concluded, based upon his review of the Company's 25-month history of purchased gas adjustment clauses in Virginia, that the Company is selling gas at below cost. He makes reference to the monthly NYMEX gas prices and AEC's PGA rates in Tennessee for purposes of comparison against AEC's PGA rates in Virginia, but he does not provide any NYMEX gas price data in his testimony. A comparison of the Tennessee and Virginia PGA rates and NYMEX gas price data is, however, addressed more fully in Mr. Kenneth Malter's rebuttal testimony.

Q. CAN YOU EXPLAIN THE DIFFERENCE BETWEEN THE PGA PRICINGS EXHIBITED IN MR. DOSKER'S EXHIBIT 2?

A. Yes. The Company does not file monthly changes to its PGA in Tennessee, but is required to file monthly in Virginia. For Tennessee, the Company uses a weighted, six-months' projected NYMEX price. For Virginia, the Company uses a current month's NYMEX price in its monthly PGA filing. Therefore, any difference in commodity rates between the Tennessee and Virginia PGAs is not attributable to the commodity price but instead to the timing of the filings made

[5] In this docket, the Company sought permission from the VSCC to recover approximately $1.355 million in prospective demand costs that shifted to Virginia from Tennessee as a result of the re-allocation stemming from TRA Docket No. 05-00253. The VSCC denied recovery and the Company wrote off these costs. There simply exists no basis for Mr. Dosker's claim of subsidization by Tennessee ratepayers for Virginia customers.

with the TRA and the VSCC. Both the TRA and the VSCC conduct annual audits to verify that commodity purchases are priced the same for both Virginia and Tennessee ratepayers.

Q. DOES MR. DOSKER POSIT ANY FURTHER UNSUPPORTED THOUGHTS REGARDING THE COMPANY'S SERVICE IN VIRGINIA?

A. Yes. Mr. Dosker concludes that since Bristol, which is situated on the border of both Tennessee and Virginia, is one physical distribution system served by the same interstate pipeline, that the existing "disparity" in transportation rates (and, supposedly, commodity rates) warrants further investigation.[6]

Q. HOW DO YOU RESPOND TO THESE ASSERTIONS?

A. The rates charged by the Company in the City of Bristol have been subject to regulation by the TRA and the VSCC for decades. The TRA approves the rates for the portion of the system in Tennessee and cannot determine rates for customers in Virginia. The VSCC approves the rates for the portion of the system in Virginia and cannot determine rates for customers in Tennessee. To the extent that Mr. Dosker suggests that the TRA should investigate rates charged to customers in Virginia and approved by the VSCC, then such a request should be rejected. To the extent that Mr. Dosker's suggestion is an invitation to re-open the Company's distribution rates in Tennessee that were or could have been litigated in the Company's recent general rate proceeding in TRA Docket No. 07-00105, then such a request should also be rejected.

With respect to commodity rates, I have already addressed that issue in connection with the discussion above of the Company's PGAs in both Tennessee and Virginia. The commodity rates are the same. Mr. Dosker just does not have all the facts or lacks an understanding of the way the PGAs work.

Q. DO YOU HAVE ANY COMMENTS CONCERNING MR. DOSKER'S PROPOSAL THAT AEC OFFER A TRANSPORTATION STORAGE OPTION?

A. Yes. Both AIG and Stand were proponents of such a proposal in TRA Docket No. 07-00105, but elected not to pursue that proposal at hearing. Stand did not

[6] Direct Testimony of John M. Dosker, p. 9, lines 6-16.

even raise this as a proposal for incorporation into AEC's revised Rate Schedule 260 until Stand filed its direct testimony and after discovery had already been concluded. Moreover, no AIG witness has even proposed this mechanism in this proceeding and Stand attempts to make reference to testimony filed in the 105 docket for this purpose. The TRA should reject this proposal.

Q. DO YOU HAVE ANY MORE COMMENTS ON MR. DOSKER'S TESIMONY?

A. On page 13 of his direct testimony, Mr. Dosker makes reference to Rob Ellis, who works for AEM and is not a witness in this proceeding. Instead, Mr. Michael Ellis, who is the Vice President of Marketing for the Company's Kentucky/Mid-States Division, is a witness in this docket.

On page 14, lines 12-20 of his direct testimony, Mr. Dosker suggests that the Company's interstate pipeline capacity should be unbundled as suggested by Mr. Novak in Docket No. 07-00105. Again, the parties have already been through all of this in the general rate case and the Company urges the TRA to reject Stand's continued attempts to re-litigate matters that it failed to pursue or prevail on in the 105 docket.

On page 14, lines 21-27 and page 15, lines 1-2, Mr. Dosker discusses pooling as if it is something that the Company is contesting. The Company is the proponent of this tariff provision and, insofar as I am aware, no party to this proceeding has a problem with this proposal.

Q. DO YOU HAVE ANY COMMENTS ON THE DIRECT TESTIMONY FILED BY W. BRENT PHELTS ON BEHALF OF AIG?

A. Yes, I will address several areas covered in Mr. Phelts testimony including (i) monitoring costs and fees for transportation customers[7], (ii) competition in the Georgia market[8] and (iii) lost and unaccounted for gas.

Q. WHAT ISSUE DOES MR. PHELTS HAVE WITH RESPECT TO TRANSPORTATION CUSTOMER MONITORING COSTS AND FEES?

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[7] Direct Testimony of W. Brent Phelts, p. 3.
[8] *Id.* at pp. 3-4.

A. On page 3 of his testimony, Mr. Phelts contends that very few industrial customers possess real-time gas consumption monitoring equipment, thereby making it nearly impossible for them to make intra-day adjustments to their volumes in order to stay in balance. However, both Rate Schedules 250 and 260 currently require these customers to have electronic metering equipment and this requirement has been in place for quite some time. In this same vein, Mr. Dosker has suggested that the Company only be allowed to charge customers the actual cost of the least expensive telemetry equipment capable of managing imbalances before OFO and balancing penalties can be imposed.[9] However, telemetry is already in place for all transportation customers.

Q. HOW DO YOU RESPOND TO MR. PHELTS' DISCUSSION REGARDING COMPETITION IN THE GEORGIA MARKET?

A. Although I question the relevancy of this whole discussion, a substantial factual matter that Mr. Phelts conveniently fails to mention concerns the unbundled nature of Atlanta Gas Light's (AGL) system in Georgia. Specifically, AGL is an electing distribution company under the Georgia 1997 Natural Gas Deregulation Act, which allows virtually all customers (residential, commercial, etc.) behind AGL's city gate to choose to purchase their gas commodity needs from a marketer. In connection with this unbundling, AGL went through an extremely long and complicated process of allocating or apportioning upstream interstate pipeline capacity between suppliers and marketers through a process approved by the Federal Energy Regulatory Commission. The Company, however, does not operate an unbundled distribution system in Georgia, and a valid comparison cannot be made between the Company's system and AGL's system.

Q. WHAT PROPOSAL DOES MR. PHELTS' MAKE WITH RESPECT TO LOST AND UNACCOUNTED FOR GAS?

A. Mr. Phelts has apparently concluded that an L&U factor used by AGL in Georgia is appropriate for the Company in Tennessee. In Georgia Public Service Commission (GPSC) Docket 15527-U, a general rate proceeding initiated by AGL, AGL (through the testimony of Mr. Richard Lonn) proposed an L&U factor

[9] Direct Testimony of John M. Dosker, p. 15, lines 3-17.

to be applied equally to all customer classes based upon a rolling 12-month average. Mr. Lonn stated in his filed testimony that the latest data available on an industry-wide basis suggested that an L&U factor of 2.52% was appropriate.

As Mr. Phelts points out in his direct testimony, AGL's proceeding was ultimately resolved through a joint settlement between AGL, the GPSC staff and the intervening parties. As part of this settlement, any L&U factor greater than 0.8% applicable to interruptible customers, up to a ceiling of 1.6%, is shifted to firm customers. A stipulated settlement provision in Georgia involving a completely different company should carry absolutely no weight whatsoever in this docket.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
ATMOS ENERGY CORPORATION	)	
TARIFF FILING TO MODIFY AND ADD	)	
ADD LANGUAGE REGARDING	)	
TRANSPORTATION SERVICE	)	**DOCKET NO. 07-00020**

VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Patricia J. Childers, being first duly sworn, state that I am Vice President - Rates and Regulatory Affairs for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Rebuttal Testimony of Patricia J. Childers in this docket on the date of filing herein is true and correct to the best of my knowledge, information and belief.

Pat Childers
Patricia J. Childers

Sworn and subscribed before me this 20th day of February, 2008.

Pamela Todd
Notary Public

PAMELA TODD
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires: MAY 24, 2008

My Commission Expires 05-24-08

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 22nd day of February, 2008.

(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	Vance Broemel, Esq. Stephen Butler, Esq. Office of the Attorney General Consumer Advocate and Protection Division P. O. Box 20207 Nashville, TN 37202
(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	Henry M. Walker, Esq. Boult, Cummings, Conners, & Berry, PLC 1600 Division Street, Suite 700 P. O. Box 340025 Nashville, TN 37203 *Counsel for Atmos Intervention Group*
(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	D. Billye Sanders, Esq. Waller, Lansden, Dortch & Davis, LLP 511 Union Street, Suite 2700 Nashville, TN 37219-8966 *Counsel for Stand Energy*
( ) Hand ( ) Mail ( ) Fax (✓) Fed. Ex. ( ) E-Mail	John M. Dosker, Esq. General Counsel Stand Energy Corporation 1077 Celestial Street Rockwood Building, Suite 110 Cincinnati, OH 45202-1629 *Counsel for Stand Energy*

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND REFISED TARIFF	))))	**DOCKET NO. 07-00020**

REBUTTAL TESTIMONY OF MICHAEL H. ELLIS
ON BEHALF OF ATMOS ENERGY CORPORATION

Q. PLEASE STATE YOUR NAME AND BUSINESS AFFILIATION.

A. My name is Michael H. Ellis. I am the Vice President of Marketing for the Kentucky/Mid-States Division of Atmos Energy Corporation. My responsibilities include, among other things, the oversight of the marketing efforts and programs for the Kentucky/Mid-States Division of Atmos Energy Corporation ("AEC", "Atmos" or the "Company").

Q. DID YOU FILE DIRECT TESTIMONY ON BEHALF OF THE COMPANY IN THIS PROCEEDING?

A. Yes. In my direct testimony, I addressed the Company's proposal to implement changes to its Rate Schedule 260 regarding transportation service provided by the Company.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I am providing this testimony in rebuttal to specific issues raised in the direct testimony of John Dosker, a witness for Stand Energy Corporation ("Stand").

At the outset, I would like to note that Stand, through Mr. Dosker's testimony, has apparently confused me with Mr. Rob Ellis, who is a Senior Vice President of Atmos Energy Marketing, LLC ("AEM").[1] Insofar as I am aware, Rob Ellis is not a witness in this docket nor is AEM a party to this docket.

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[1] Direct Testimony of John M. Dosker, pp. 12-15.

Q. WHAT ARE THE ISSUES RAISED BY MR. DOSKER THAT YOU WOULD LIKE TO ADDRESS?

A. Mr. Dosker has raised a few issues in his direct testimony that are incorrect or inaccurate. The first such issue concerns his assertion that Atmos Energy proposed changes to its transportation tariff only after the Consumer Advocate and Protection Division of the Tennessee Attorney General's Office ("CAPD") and the Atmos Intervention Group suggested there were problems.[2] The second issue concerns a visit by Stand Energy to one of the Company's customers in Virginia.[3] The last issue raised by Mr. Dosker that I will address concerns his allegations of predatory behavior on the part of my marketing employees.[4]

Q. PLEASE ADDRESS THE FIRST ISSUE.

A. Mr Dosker makes the statement on page 13 of his testimony that "Only after the CAPD and the AIG suggested there were problems with the way Atmos was conducting business were changes proposed to Rate Schedule 260". Mr. Dosker is completely mistaken and apparently failed to read my pre-filed testimony in this case. As Mr. Daniel Bertotti will address in more detail in his rebuttal testimony, and as I stated quite clearly in my pre-filed testimony, employees in my department, including Mr. Bertotti, began working on drafts of changes to our transportation tariff well over two years ago. After several months of work by these employees and after meetings with myself and others in our company, Mr. Bertotti and Ms. Patricia Childers met with TRA staff beginning in August 2005 to present our proposed changes to this tariff. Again as I stated in my earlier testimony, "these changes were drafted based on the combination of input from customers, input from the Company's gas supply department, and changes we were seeing in the transportation market".

Q. PLEASE ADDRESS THE SECOND ISSUE.

A. Mr. Dosker states that a Stand Energy employee recently had a discussion with a customer of the Company in Bristol, Virginia that is receiving service of 400 Mcf

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[2] *Id.*, p. 13, lines 8-14.
[3] *Id.*, p. 8, lines 10-18.
[4] *Id.*, p. 10, lines 1-17.

of natural gas per day under the Company's Rate Schedule 640[5] in Virginia. However, I believe this information to be incorrect.

Q. PLEASE EXPLAIN.

A. The Company has only one customer in Bristol, Virginia that is currently receiving service under Rate Schedule 640, but that customer's daily demand is only about 60% of the 400 Mcf/day discussed by Mr. Dosker. Instead, I believe that the discussion to which Mr. Dosker is referring concerns a customer in Pulaski, Virginia, which is some 90 miles away from Bristol, Virginia.

Q. WHY DO YOU BELIEVE THE CUSTOMER TO WHICH MR. DOSKER REFERS IS IN PULASKI?

A. On January 8, 2008, a member of my marketing staff met with a representative of the customer in Pulaski (which receives transportation service from the Company) and a representative of Stand in order to explain Rate Schedule 640. The customer apparently desires to reduce its cost associated with paying monthly demand charges under Rate Schedule 640, and we explained that, if the customer has sufficient alternative fuel capability and continues to meet the eligibility requirements of the tariff, then the customer may be able to switch to service under Rate Schedule 650 and pay no monthly demand charges associated with interstate pipeline capacity. It would then be up to the customer and/or its marketer to ensure that it held upstream pipeline transportation capabilities in order to deliver its commodity requirements to the Company's city gate in Pulaski.

Q. DOES THE COMPANY HAVE THE OPTION OF RELEASING A RATE SCHEDULE 640 TRANSPORTATION CUSTOMER'S CONTRACTED DEMAND CAPACITY TO A MARKETER?

A. Yes. The Company has the option, but not the obligation, to do so. If the Company elects to release the customer's contracted demand capacity to the customer's designated marketer, then the marketer holds the capacity for the customer as long as the customer continues to purchase gas from the marketer. If the marketer and customer cease to use this capacity for the transportation and

[5] A discussion of this rate schedule is set out in the rebuttal testimony of Mrs. Patricia Childers.

purchase of natural gas, then the capacity returns back to the Company. I sponsored the inclusion of this provision, and it was approved by the Virginia State Corporation Commission, in the Company's 2004 general rate case in Virginia.[6] If the Company releases capacity under this mechanism, it is released to the customer's designated marketer, not the customer.

Q. DID THE COMPANY EXPLAIN THIS TO THE CUSTOMER AT THE MEETING IN PULASKI, VIRGINIA?

A. Yes. It is my understanding that the customer and Stand both understood the release mechanism after the meeting.

Q. DOES A CUSTOMER THAT IS ELIGIBLE FOR TRANSPORTATION SERVICE UNDER RATE SCHEDULE 640 IN VIRGINIA ALWAYS HAVE TO RELY UPON THE COMPANY FOR CAPACITY?

A. No. As I previously explained, if the customer has alternative fuel capability and meets the volumetric eligibility threshold, the customer can elect to receive optional gas service under Rate Schedule 650, which also includes the transportation option. Under Rate Schedule 650, a customer does not pay the demand rate provided for in Rate Schedule 640.

Q. WOULD YOU CARE TO ADDRESS MR. DOSKER'S STATEMENTS CONCERNING ALLEGED PREDATORY BEHAVIOR BY COMPANY EMPLOYEES?

A. Yes. Mr. Dosker alleges in his testimony that, within the last year, that customers in Tennessee were told that the Company could not guarantee deliveries of transportation gas if these customers procured their commodity from Stand, and that AEC employees have shared Stand's customer pricing quotes with AEM representatives. However, this is simply not the case.

Q. PLEASE EXPLAIN.

A. Mr. Dosker makes two very strong allegations about the actions and behaviors of what one would have to assume are employees under my direction. I take these allegations very seriously as such behavior by our employees would be

[6] *Application of Atmos Energy Corporation for an Increase in Rates;* Case No. PUE-2003-00507, filed with the VSCC on February 27, 2004.

unacceptable and would subject those employees to serious disciplinary action. I would point out that Mr. Dosker does not name those employees, nor does he name the customers, nor does he cite any specific locations or dates. While I might appreciate his attempt at discretion, I actually believe these omissions indicate that he is simply speculating, guessing, or that any information he has regarding such alleged behavior is inaccurate.

Q. HAVE YOU DISCUSSED THE ALLEGATIONS MADE BY STAND WITH YOUR MARKETING REPRESENTATIVES?

A. Yes. There are two employees in my department that serve our large industrial customers in Tennessee and a third that has those responsibilities in Virginia. I have interviewed each of these employees one-on-one about Mr. Dosker's allegations and my confidence is re-affirmed in how they work with both our industrial customers and with all current and potential marketers, consultants, and other such third parties in our industrial market.

Q. WHY IS THAT?

A. I think it is obvious to all who have an understanding of our customer base and our revenue streams in Tennessee and Virginia that our industrial customers are extremely important to us. This is why we dedicate resources, in this case Industrial Sales Representatives, to these customers. The three employees I'm referring to have all been in their jobs in these specific territories without interruption for almost twenty years. They know their customers very well and each is well-respected and valued by those customers. Our customers have come to rely on these three gentlemen and as a result, our customers do indeed ask their advice and opinions on matters. These gentlemen have all been trained and educated in understanding, explaining, and administering the rules of our tariffs.

Q. HOW DO AEC'S CUSTOMERS RELY UPON THESE INDIVIDUALS FOR ADVICE?

A. We frequently receive inquiries from customers about switching from sales to transportation and also about choosing marketers. Our answers are standard and consistent. We tell customers that transportation service is an excellent way to manage their gas costs; not just for price but for predictability as well. While price is an issue for industrial customers, minimizing price fluctuation is at least as important. Further, we consistently tell customers that they may choose any marketer they wish. Transportation service and sales service results in the same margins to the Company, so the Company is indifferent as to what service the customer desires to use. We do caution customers about ensuring the transportation service they contract for matches their current sales service, meaning firm or interruptible.

Q. WHAT IF A CUSTOMER WANTS TO SWITCH FROM AN EXISTING FIRM SERVICE TO INTERRUPTIBLE SERVICE?

A. In that case, we fully explain to that customer the nature of interruptible service and, if the applicable tariff so provides, that the customer must ensure that it has a sufficient alternative fuel capability upon which it can rely in the event natural gas service is curtailed or interrupted, so that the customer's operations can continue with minimal disruption until such time as full natural gas service resumes.

Q. **HAVE ANY OF YOUR EMPLOYEES EVER TOLD A CUSTOMER THAT ATMOS ENERGY COULD NOT "GUARANTEE" DELIVERY OF GAS IF IT CAME FROM STAND ENERGY?**

A. Absolutely not. In my discussion with my employees in Tennessee, they could not recall a customer ever having asked them anything about Stand.

Q. HAVE THESE EMPLOYEES EVER TOLD A CUSTOMER THAT GAS SUPPLIES OF ANY KIND MIGHT NOT BE GUARANTEED TO BE DELIVERED?

A. Yes. We have had some experiences in the past where a marketer sold one of our customers what is known as "Secondary" firm service. That type of service from the pipeline cannot be guaranteed to be delivered on a firm basis during curtailments or OFO periods.

Q. WHAT IS "SECONDARY" FIRM SERVICE AND HOW DOES IT DIFFER FROM "PRIMARY" FIRM SERVICE?

A. Basically, secondary firm service on the pipeline upstream of the Company's city gate is a lower priority service that pipelines may make available. On perhaps most days, this service would be "firm" but since it is considered secondary at the pipeline's delivery point to primary firm service, it can be subject to curtailment. This means that during certain times this otherwise firm gas might be unavailable to the Company to re-deliver to the customer and, as such, might be curtailed during Operational Flow Order periods or other curtailment instances.

Q. HAVE ANY OF YOUR EMPLOYEES EVER SPOKEN TO REPRESENTATIVES OF ATMOS ENERGY MARKETING ABOUT EITHER SPECIFIC PRICES OR OFFERS MADE BY STAND ENERGY TO A CUSTOMER?

A. Absolutely not. Not only would we not do that, we could not do that as we have no knowledge of or access to Stand's pricing information.

Q. DOES STAND ENERGY SERVE ANY OF THE COMPANY'S INDUSTRIAL CUSTOMERS IN TENNESSEE?

A. No, they do not.

Q. DOES STAND ENERGY SERVE ANY OF THE COMPANY'S INDUSTRIAL CUSTOMERS IN VIRGINIA?

A. Yes, they do. In fact, my representative in Virginia has worked with Stand Energy and their customers on several occasions in the past. The meeting I referred to earlier with our customer in Pulaski, Virginia is an example. And, I might add, that until we learned of Stand's intervention in this case, we believed our relationship and partnership with them and our Virginia customers was quite good.

Q. HAVE YOU OR ANY OF YOUR EMPLOYEES EVER HEARD REPRESENTATIVES FROM STAND ENERGY COMPLAIN ABOUT THEIR RELATIONSHIPS WITH ATMOS ENERGY IN TENNESSEE OR THEIR CHALLENGES IN DOING BUSINESS IN TENNESSEE?

A. Not a word. If Stand, or any other marketer for that matter, has intentions of entering the Tennessee market to compete for the gas commodity business of industrial customers or other eligible transportation customers, then they are more than welcome so long as AEC's firm sales customers are not required to subsidize the marketer's business activities. As I stated previously, AEC is economically indifferent as to whether a customer receives sales service or transportation service from AEC because its margin on both services is the same and AEC makes no profit on the commodity.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
ATMOS ENERGY CORPORATION	)	
TARIFF FILING TO MODIFY AND	)	
ADD LANGUAGE REGARDING	)	
TRANSPORTATION SERVICE	)	**DOCKET NO. 07-00020**

VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WASHINGTON)

I, Mike Ellis, being first duly sworn, state that I am Vice President, Marketing for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Rebuttal Testimony of Mike Ellis in this docket on the date of filing herein is true and correct to the best of my knowledge, information and belief.

Mike Ellis
Mike Ellis

Sworn and subscribed before me this 21st day of February, 2008.

Pamela Todd
Notary Public

My Commission Expires: May 24, 2008

PAMELA TODD
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires 05-24-08

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 22nd day of February, 2008.

(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	Vance Broemel, Esq. Stephen Butler, Esq. Office of the Attorney General Consumer Advocate and Protection Division P. O. Box 20207 Nashville, TN 37202
(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	Henry M. Walker, Esq. Boult, Cummings, Conners, & Berry, PLC 1600 Division Street, Suite 700 P. O. Box 340025 Nashville, TN 37203 *Counsel for Atmos Intervention Group*
(✓) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	D. Billye Sanders, Esq. Waller, Lansden, Dortch & Davis, LLP 511 Union Street, Suite 2700 Nashville, TN 37219-8966 *Counsel for Stand Energy*
( ) Hand ( ) Mail ( ) Fax (✓) Fed. Ex. ( ) E-Mail	John M. Dosker, Esq. General Counsel Stand Energy Corporation 1077 Celestial Street Rockwood Building, Suite 110 Cincinnati, OH 45202-1629 *Counsel for Stand Energy*

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND REFISED TARIFF	))))	**DOCKET NO. 07-00020**

REBUTTAL TESTIMONY OF KENNETH MALTER
ON BEHALF OF ATMOS ENERGY CORPORATION

Q. PLEASE STATE YOUR NAME AND BUSINESS AFFILIATION.

A. My name is Kenneth Malter. I am the Director of Gas Supply for Atmos Energy Corporation. My responsibilities include, among other things, the oversight of gas supply commodity and capacity procurement for the Kentucky/Mid-States Division of Atmos Energy Corporation ("AEC" or the "Company").

Q. DID YOU FILE DIRECT TESTIMONY ON BEHALF OF THE COMPANY IN THIS PROCEEDING?

A. Yes. In my direct testimony, I addressed the Company's proposal to implement daily scheduling fees as part of revisions to its Rate Schedule 260 regarding transportation service provided by the Company.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I am providing this testimony in rebuttal to specific issues raised in the direct testimony of John Dosker, a witness for Stand Energy Corporation ("Stand"). I am also providing testimony with respect to daily scheduling fees which Columbia Gulf Transmission Corporation, one of the interstate pipelines that serves the Company's Tennessee operations, will begin imposing May 1, 2008.

Q. WHAT ARE THE ISSUES RAISED BY MR. DOSKER THAT YOU WOULD LIKE TO ADDRESS?

A. Mr. Dosker has raised a number of issues in his direct testimony that are incorrect or inaccurate. Many of these issues are addressed in the rebuttal testimony of other Company witnesses, such as Patricia Childers, Daniel Bertotti and Michael Ellis. The issues raised by Mr. Dosker that I will address include his statements relating to interstate pipeline capacity held by the Company, the sharing of gas supply resources by AEC and Atmos Energy Marketing, LLC ("AEM"), Mr. Dosker's statements concerning gas purchases by AEC from AEM, his statement that AEC is selling natural gas in Virginia at below cost, and Stand's proposal for a Transportation Storage Option.

Q. WHAT STATEMENT DOES MR. DOSKER MAKE REGARDING THE AMOUNT OF INTERSTATE PIPELINE CAPACITY HELD BY THE COMPANY?

A. Apparently Mr. Dosker believes that the Company has contractual rights to most of the firm interstate pipeline capacity into Tennessee.[1] The interstate pipelines on which the Company holds firm capacity for purposes of serving its customers in Tennessee include Texas Gas Transmission (TGT), East Tennessee Natural Gas (ETN), Columbia Gulf Transmission (CGT), Texas Eastern Transmission (TETCO), Dominion Transmission (DT) (storage service only), Tennessee Gas Pipeline (TGP) and Southern Natural Gas (SNG).

Q. HOW MUCH CAPACITY DOES THE COMPANY HOLD ON THESE INTERSTATE PIPELINES COMPARED TO TOTAL PIPELINE CAPACITY?

A. As an example we can look at TETCO, a Spectra Energy pipeline. On its LINK (electronic bulletin board, or "EBB"), TETCO reports that it operates a 10,000 mile pipeline system with peak-day operational capacity of about 5.7 billion cubic feet of gas. For its Tennessee operations, the Company subscribes to 6,000 dekatherms (or about 6 million cubic feet) of firm capacity on TETCO. For TETCO Zones M1-M2 (in which Tennessee is located), TETCO showed on its EBB <u>unsubscribed</u> available capacity of 78,000 dekatherms (about 78 million cubic feet) as of December 1, 2007.

Another example we can look at is ETN, another Spectra Energy pipeline, on which the Company holds a much greater amount of capacity. On its LINK EBB,

[1] Pre-Filed Testimony of John M. Dosker, p. 4, lines 7-9.

ETN reports that its system has a design capacity of 700 MMcf (700 million cubic feet) per day. For its Tennessee and Virginia operations, the Company subscribes to about 165,000 dekatherms (or about 165 million cubic feet) of firm capacity on the ETN system. For ETN's East Tennessee system, ETN showed on its EBB unsubscribed available capacity of 69,000 dekatherms (about 69 million cubic feet) as of November 1, 2007.

The amount of capacity held by the Company on the other interstate pipelines for its Tennessee operations (TGT, SNG, DT and TGP) are nowhere near the respective pipelines' capacities.

Q. DO ANY OTHER LOCAL DISTRIBUTION COMPANIES IN TENNESSEE HOLD ANY CAPACITY ON THESE INTERSTATE PIPELINES?

A. Yes. Each interstate pipeline maintains on its website a list of customers and the amount of firm capacity held by each customer. I will specifically address ETN, though, because that system appears to be the one that is of the most concern to the intervenors, and is also the pipeline upon which the Company holds a large amount of firm capacity. According to ETN's index of customers on its EBB, some of the other significant holders of firm capacity on ETN include Chattanooga Gas Company, with approximately 41,000 dekatherms of firm capacity, the Knoxville Utilities Board (KUB), with approximately 157,000 dekatherms of firm capacity, and Piedmont Natural Gas, with about 45,000 dekatherms of firm capacity.

Q. WHAT IS THE SIGNIFICANCE OF THE INFORMATION YOU HAVE PROVIDED REGARDING INTERSTATE PIPELINE CAPACITY?

A. This information is important for the Tennessee Regulatory Authority (TRA) to consider in the context of Mr. Dosker's unsupported statement because it shows that the Company does not have contractual rights to most of the firm capacity of the interstate pipelines serving the Company's local distribution properties in Tennessee.

Q. HAS THE COMPANY RELEASED ALL OF ITS FIRM CAPACITY TO AEM?

A. No. Contrary to Mr. Dosker's testimony, the Company has only released part of its capacity to AEM pursuant to the terms of the current asset management agreement (which expires on March 31, 2008) that is the subject of another docket pending before the TRA. Moreover, the Company's capacity actually released to AEM is fully recallable at any time by AEC for the primary use to serve the Company's customers in Tennessee.

Q. WHY DOES MR. DOSKER DISCUSS INTERSTATE PIPELINE CAPACITY?

A. I am not entirely certain. In its discovery responses, Stand stated that it had not sold gas or gas related services to any customer located within the Atmos service areas in Tennessee within the last 24 months.[2] With respect to the one customer that Stand does have in Tennessee, Stand stated that the customer would not, to the extent it elected to use natural gas as part of its fuel requirement, require firm transportation service and would instead use interruptible service[3], which is available on the interconnecting interstate pipeline.[4] Although Stand did say that it expected to sell gas or gas related services to new customers in Tennessee within the next 12 months, it objected to providing any information on such potential customers on grounds of confidentiality.[5] Stand did state, however, that it did not know the type of service that any of these customers would require that the contractual, economic or other terms under which these customers would purchase gas or gas related services from Stand is speculative.[6] Considering that Stand does not have any current customers who use gas service in Tennessee and that it does not know what gas service its prospective customers (to the extent there are any) in Tennessee would require, it does not appear to me that the issues surrounding the availability of interstate pipeline capacity have anything to do with Stand or with this docket.

[2] Response of Stand Energy Corporation to First Discover Requests of Atmos Energy Corporation, Response to Question No. 1.
[3] *Id.*, Response to Question 7(c).
[4] *Id.*, Response to Question 7(d).
[5] *Id.*, Response to Question 3.
[6] *Id.*, Response to Question 4.

Q. DO YOU HAVE ANY CONCERNS WITH MR. DOSKER'S TESTIMONY REGARDING SHARED SERVICES BETWEEN THE COMPANY AND AEM?

A. Yes. In his testimony, Mr. Dosker states that the Company and AEM share gas purchasing and supply services.[7] That is not a correct statement. My department (Atmos' Gas Supply Department) does not provide any purchasing or supply services to AEM or its customers because AEM is responsible for procuring its own customer commodity requirements. In fact, AEM maintains its own credit facility separate from that of the utility primarily for that purpose. Moreover, AEM has provided only a nominal amount of commodity to the utility in Tennessee that is primarily comprised of a periodic peaking quantity off of SNG that is purchased at an index-based price.[8] The vast majority of the Company's commodity requirements for its Tennessee customers is instead currently obtained from third-party suppliers at index-based prices. There are no, as Mr. Dosker categorizes them, "purchases from affiliates at inflated prices, sales to affiliates at below market prices, or a combination of both."[9] All of this, however, is the subject of review in another docket currently pending before the TRA and has nothing to do with the Company's proposals in this docket to revise Rate Schedule 260.

Q. DOES MR. DOSKER MAKE ANY UNSUPPORTED STATEMENTS RELATING TO GAS COSTS IN VIRGINIA?

A. Yes. Mr. Dosker has apparently concluded based upon his review of the Company's 25-month history of purchased gas adjustment clauses in Virginia that the Company is selling gas at below cost. He makes reference to the monthly NYMEX gas prices and AEC's PGA rates in Tennessee for purposes of comparison against AEC's PGA rates in Virginia, but he does not provide any NYMEX gas price data in his testimony.

Q. IS HISTORICAL NYMEX GAS PRICING DATA PUBLICLY AVAILABLE?

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[7] Pre-Filed Testimony of John M. Dosker, p. 6, lines 1-3.
[8] AEC's last peaking purchase from AEM was over four years ago.
[9] *Id.* at p. 6, lines 11-12.

A. Yes. This information can be obtained through a number of industry sources or through the website maintained by the Energy Information Administration (EIA) at www.eia.doe.gov. Available NYMEX historical pricing data can be compared against AEC's effective PGA rates, but some explanation needs to be made.

Q. PLEASE EXPLAIN.

A. AEC's filed PGA rates in both Tennessee and Virginia are based upon a price per hundred cubic feet of gas, while NYMEX prices are reported in increments roughly equivalent to 1,000 cubic feet of gas. Therefore, reported PGA rates would need to be multiplied by 10 in order to present a fair comparison against NYMEX prices. In addition, the reported PGA rates are not simply commodity prices, such as are NYMEX prices, but include demand costs (pipeline storage and transportation costs), so the reported PGA rates will typically be higher than NYMEX commodity prices.

Q. HAVE YOU PREPARED A SUMMARY OF THIS DATA?

A. Yes, with respect to firm customer rates. I have also rounded reported PGA and NYMEX rates to the nearest penny and without accounting for PGA adjustments relating to actual cost adjustments (ACA) for prior periods. The results are reflected in the following table:

Month/Year	*TN PGA*	*VA PGA*	*NYMEX*
January 2006	16.94	17.01	11.43
February 2006	12.66	11.75	8.40
March 2006	11.07	9.82	7.11
April 2006	9.35	8.25	7.23
May 2006	9.87	8.95	7.20
June 2006	8.80	7.33	5.93
July 2006	8.80	7.42	5.89
August 2006	8.80	7.20	7.04
September 2006	8.80	8.32	6.82
October 2006	9.81	7.36	4.20
November 2006	9.81	8.83	7.15
December 2006	9.81	10.75	8.32
January 2007	9.81	10.25	5.84
February 2007	9.81	9.31	6.92

March 2007	8.82	9.89	7.55
April 2007	9.39	9.42	7.56
May 2007	9.39	10.07	7.51
June 2007	9.39	10.32	7.59
July 2007	9.39	10.44	6.93
August 2007	8.70	8.95	6.11
September 2007	7.83	8.78	5.43
October 2007	8.68	8.73	6.42
November 2007	8.68	9.97	7.28
December 2007	8.68	10.62	7.20

Based upon the data reflected in the above table, I am uncertain how Mr. Dosker came to his conclusion that AEC is selling natural gas in Virginia at below cost. The purchased gas adjustment mechanism for every gas utility, including AEC, is designed so that the utility recovers its commodity costs, pipeline charges and other supply costs, no more and no less, and AEC's recovery of gas costs is audited by both the Tennessee Regulatory Authority and the Virginia State Corporation Commission. Moreover, as more fully explained in the rebuttal testimony of Mrs. Childers, timing differences in the PGA filings in Tennessee and Virginia also contribute to differences between the two states.

Q. DOES MR. DOSKER MAKE ANY OTHER ERRONEOUS CONCLUSIONS WITH RESPECT TO TENNESSEE AND VIRGINIA?

A. Yes. It appears that Mr. Dosker is intimating on page 8 of his direct testimony that Tennessee ratepayers are subsidizing demand costs for Virginia ratepayers. However, this is not the case.

Q. PLEASE EXPLAIN.

A. As I have already explained previously in my testimony, ETN serves AEC's distribution systems in East Tennessee and in Virginia. In order to allocate certain demand costs on the ETN system between the two states, and as is more particularly explained in the rebuttal testimony of Mrs. Patricia Childers, the Company performs a demand allocation study annually that allocates the demand (and the attendant costs) between Tennessee and Virginia. This study is submitted with the Company's annual actual cost adjustment filings made each year with the TRA and the Virginia State Corporation Commission. Both agencies have approved the Company's methodology for allocating this demand. Therefore, customers in both states pay their fair share of the demand costs.

Q. DO YOU HAVE ANY COMMENTS CONCERNING MR. DOSKER'S PROPOSAL THAT AEC OFFER A TRANSPORTATION STORAGE OPTION?

A. Yes. First, it is my understanding that AIG and Stand were proponents of such a proposal in AEC's recent general rate case in Tennessee, but elected not to pursue that proposal at hearing. Second, neither AIG or Stand raised this as a proposal for incorporation into AEC's revised Rate Schedule 260 until they filed their direct testimony and after discovery had already been concluded. Finally, AEC does not use storage in such a manner as will facilitate a transportation storage option to marketers.

Q. PLEASE EXPLAIN YOUR LAST STATEMENT.

A. Although Mr. Dosker states that placing gas in storage is one of the few ways to physically hedge against natural gas volatility[10], he overlooks or simply does not understand the Company's paramount use of storage. Specifically, storage is a means to ensure reliability of service to firm sales customers during the cold season to keep homes, businesses, and public places heated. Storage helps the Company achieve reliability by mitigating its dependency on third-party supply during the heating season, and storage gas can instead be withdrawn to meet customer demand. Contrary to Mr. Dosker's statement, which has no support in fact or otherwise, the Company simply does not have an abundance of excess storage that can be made available for use by third-party marketers such as Stand.

If AEC were to offer a transportation storage option, and since AEC cannot simply assign storage capacity, this would mean that some percentage of storage gas would have to be held for the benefit of a transportation customer (presumably at time-of-injection pricing). When the transportation customer got ready to withdraw its gas held in storage, title would presumably pass from the Company to the customer or its marketer at the point of withdrawal, the customer

[10] Direct Testimony of John M. Dosker, p. 11, lines 19-23.

would effectuate delivery to AEC's city gate, and then AEC would transport the customer's gas from the city gate to the customer's meter. In other words, the Company would effectively be providing the same service to the transportation storage option customer as it does to a firm sales customer, except the former would have the option of procuring its commodity from a source other than AEC. The problem with this option is that it does not work as simply as it sounds. Each storage contract sets limits on injection and withdrawal capacity and, in the heating season and especially on colder days as I previously described, withdrawals are typically made to meet firm sales customer demand and AEC could not reliably withdraw storage gas for transportation customers. During the injection season, gas is being injected into storage ratably and methodically and operational restrictions may impede withdrawals for transportation customers who consume natural gas in warmer weather. Moreover, the Company would need to conduct a more detailed study of historical storage operations, peak system demand, capacity availability and other issues before it could even begin to propose offering any form of transportation storage option. This docket is not the proper forum for such a proposal, and the intervenors' last-minute effort to toss that proposal into this docket should be rejected.

Q. DID YOU PROVIDE DIRECT TESTIMONY IN THIS DOCKET CONCERNING DAILY SCHEDULING FEES?

A. Yes. In my pre-filed testimony, I stated that I was unaware of any interstate pipelines serving the Company's Tennessee distribution systems that were currently charging daily scheduling fees. That is still a true statement even as of the date of this rebuttal testimony. However, Columbia Gulf Transmission Corporation (CGT) will soon begin charging daily scheduling fees.

Q. PLEASE DESCRIBE THE FEES THAT CGT WILL CHARGE.

A. In Docket No. RP07-174-000[11], the Federal Energy Regulatory Commission (FERC) issued an order accepting and suspending CGT's proposed tariff sheets subject to refund and further review. Essentially, CGT will charge a daily delivery point scheduling penalty to any shipper on the CGT system who has a

[11] *Columbia Gas Transmission Corporation,* 119 FERC P61,268 (June 11, 2007).

variance of 5% or more above or below its scheduled quantity during non-critical periods. During critical periods, the permissible variance is 2%. The penalty rate during non-critical periods is equal to CGT's interruptible transportation service rate for each dekatherm of scheduled gas outside of the permitted 5% variance. During critical periods, the penalty rate for each dekatherm of gas outside of the 2% permitted variance is equal to three times the midpoint of the range of prices reported for "Columbia Gas, Lousiana" as published in *Platts Gas Daily* price survey.

Q. WHEN WILL CGT'S FEES GO INTO EFFECT?

A. CGT had originally proposed an effective date of June 1, 2007, but subsequently changed that date to August 1, 2007 to coincide with the launch date of CGT's new EBB system. In the RP07-174-000 docket, FERC declared an effective date for CGT's scheduling fee tariff to be effective on the earlier of January 1, 2008 or a date specified in a further order of FERC, subject to refund and conditions and further review. The launch date of CGT's new EBB system was again delayed and CGT subsequently proposed an effective date of May 1, 2008 for the new EBB system and the tariff sheets that provide for the scheduling penalties. Although all of this is a little confusing, it appears that CGT's implementation of daily delivery point scheduling penalties will commence May 1, 2008 once the new EBB is up and running.

Q. ON WHAT BASIS DID CGT PROPOSE THE DAILY SCHEDULING PENALTIES?

A. CGT contended that shippers on its system had shown a historical inability to keep their actual gas quantities within an acceptable tolerance range of their scheduled quantities, thereby making it more challenging for CGT to forecast and manage its system capacity. CGT reasoned that scheduled quantities greater than actual takes result in a lost opportunity for other shippers and that scheduled quantities less than actual takes results in less operational control and increased operational risk. Although its shippers complained that CGT already had a transportation imbalance mechanism in place, CGT explained that the daily scheduling penalty was designed to encourage shippers to manage their nominations by scheduling their gas quantities accurately. Apparently, FERC agreed.

Q. CAN ANY CORROLARIES BE DRAWN FROM FERC'S DECISION ON CGT'S PROPOSAL FOR DAILY SCHEDULING PENALTIES TO THE DAILY SCHEDULING FEES PROPOSED BY THE COMPANY IN THIS DOCKET?

A. Yes. The Company has stated in this docket that the purpose of its proposed daily scheduling fees is to encourage transportation customers and their marketers to more actively monitor and manage their nominations and balances. In my direct testimony, I explained how the Company uses its storage capacity to manage its daily imbalance obligations with the connecting interstate pipelines. Mr. Daniel Bertotti provided some specific examples of how transport customers and/or their marketers have not actively managed their scheduled quantities and how this entails the Company's use of storage. Essentially, the use of storage entails costs that, if not shared by transport customers, are borne exclusively by firm service customers. In other words, actual takes by transportation customers less than or greater than their scheduled volumes outside of the prescribed tolerance results in additional storage costs to firm service customers. Actual takes less than scheduled quantities are injected into storage and actual takes greater than scheduled quantities are withdrawn from storage, all to stay in balance with the pipeline.

Q. DO THE INTEVENORS OFFER ANY SUBSTANTIVE BASIS FOR THE TRA TO REJECT THE COMPANY'S PROPOSAL FOR DAILY SCHEDULING FEES?

A. No. They argue that the fees should not be allowed because no interconnecting interstate pipeline charges such fees and they are therefore not cost based. However, the Company has already shown that its cost does not arise from the imposition of a fee from an interstate pipeline, except perhaps on the CGT system after May of this year, but from the use of storage to manage imbalance obligations with the connecting pipelines. Mr. William Novak, a witness for AIG, has suggested in his direct testimony that daily scheduling fees are inappropriate because the Company presently receives a monthly balancing service from the pipelines.[12] While it is generally true that imbalances may be resolved on an aggregate basis with a pipeline for cash-out purposes at the end of each month, this assertion conveniently overlooks the fact that the Company is required to manage its balances with the pipelines on a daily basis. Otherwise, the pipeline generally has the ability to restrict gas volume deliveries based upon a ratable flow and/or assess daily variance penalties, depending upon the pipeline and the terms of its FERC-approved tariff.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

[12] Direct Testimony of William H. Novak, p. 4, lines 15-19.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND REVISED TARIFF	))))	
	)	**DOCKET NO. 07-00020**

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF DALLAS)

I, Kenneth Malter, being first duly sworn, state that I am Director of Gas Supply and Services, Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Rebuttal Testimony of Kenneth Malter in this docket on the date of filing herein is true and correct to the best of my knowledge, information and belief.

Kenneth M. Malter
Kenneth Malter

Sworn and subscribed before me this 21 day of February, 2008.

JEFFERY D PERRYMAN
NOTARY PUBLIC
State of Texas
Comm. Exp. 11-16-2008

Notary Public

My Commission Expires: 11-16-2008

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 22nd day of February, 2008.

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