BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

August 21, 2007

In re: Petition of Atmos Energy Corporation	)	
for Approval of Adjustment of Its Rates and	)	
Revised Tariff	)	Docket No. 07-00105

PRE-FILED DIRECT TESTIMONY

OF

WILLIAM H. NOVAK

Q. Would you state your name, business address and occupation for the record, please?

A. My name is William H. Novak. My business address is 19 Morning Arbor Place, The Woodlands, TX, 77381. I am the owner of WHN Consulting, a utility consulting and expert witness services company.

Q. Please provide a summary of your background and professional experience.

A. I have both a Bachelors degree in Business Administration with a major in Accounting, and a Masters degree in Business Administration from Middle Tennessee State University. I am also licensed to practice as a Certified Public Accountant in Tennessee.

My work experience has centered around regulated utilities for over 25 years. Before establishing WHN Consulting, I was Chief of the Energy & Water Division of the Tennessee Regulatory Authority where I had either presented testimony or advised the Authority on a host of regulatory issues for over 19 years. In addition, I was previously the Director of Rates & Regulatory Analysis for two years with Atlanta Gas Light Company, a natural gas distribution utility with operations in Georgia and Tennessee. I also served for two years as the Vice President of Regulatory Compliance for Sequent Energy Management, a natural gas trading and optimization company in Texas.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present Atmos Intervention Group's ("AIG's") recommended structural changes (other than rates) to the industrial tariffs of Atmos Energy Corporation ("Atmos" or "the Company") for the TRA's consideration. I have also prepared draft industrial tariff sheets that incorporate these recommendations as Exhibits AIG-1 through AIG-6.

Q. Are these the same tariff changes that you proposed in Docket 05-00258?

A. No. We have updated our proposals to reflect the TRA's industrial rate design for Chattanooga Gas Company in Docket 06-00175.

Q. Please summarize the tariff changes that you are recommending.

A. AIG proposes that the following changes be made to the Company's existing tariffs:

1. A revision to the Company's existing Small Commercial/Industrial Gas Service tariffs (Rate Schedule 220) as shown on Exhibit AIG-1;
2. A revision to the Company's existing Large Commercial/Industrial Gas Service tariffs (Rate Schedule 230) as shown on Exhibit AIG-2;
3. Consolidation and revision of the Company's existing Demand/Commodity Gas Service and Optional Gas Service (Rate Schedules 240 and 250) as shown on Exhibit AIG-3;
4. A new gas Transportation Storage Option (Rate Schedule 255) tariff, offered to Transportation Customers as shown on Exhibit AIG-4;
5. New language for the Company's existing Transportation (Rate Schedule 260) tariff as shown on Exhibit AIG-5; and
6. Introduction of a new Low Volume Transportation with Firm Backup (Rate Schedule 265) tariff as shown on Exhibit AIG-6 that will allow more customers access to purchase their own gas supplies and also encourage competition among gas suppliers.

Q. Please describe your recommended changes to the Company's Commercial & Industrial (Rate Schedules 220 and 230) tariffs as shown on Exhibits AIG-1 and AIG-2.

A. We recommend that Rate Schedule 220 be revised to include service to only smaller commercial/industrial customers with annual gas consumption of less than 4,000 Ccf per year. We further recommend that Rate Schedule 230 be revised to reflect commodity service to medium sized commercial and industrial customers whose annual gas usage exceeds 4,000 Ccf per year. Currently, the Company requires annual gas consumption in excess of 135,000 Ccf per year to distinguish between these two tariff sheets. In addition, we would also recommend that Rate Schedule 230 be further changed to implement a three tier declining step block structure consisting of monthly consumption at 3000 Ccf, 4000 Ccf and 5000 Ccf. For the third tier, we are recommending that the commodity rate be set at 50% of the 1st tier rate.

Q. Have other gas utilities adopted rate designs similar to what you are now proposing here?

A. Yes. This rate design structure is consistent with the structure approved by the TRA for small and medium sized commercial/industrial customers of Chattanooga Gas Company in Docket 06-00175.

Q. Why have you modeled Chattanooga Gas Company's rates in this testimony?

A. These commercial and industrial tariff sheets were based on the results of a class cost of service study that was performed by Chattanooga Gas Company with input from the Chattanooga Manufacturer's Association. In addition, it's our position that declining block steps represent an equitable rate structure for both smaller and larger commercial/industrial customers in that it reflects the fact that a gas utility's costs of service declines as its sales volumes increase.

Q. Please describe your recommended changes to the Company's Large Commercial & Industrial (Rate Schedules 240 and 250) tariff as shown on Exhibit AIG-3.

A. We recommend that Rate Schedules 240 and Rate 250 be consolidated into one rate schedule, with both fixed and variable components in the Customer Base Use Charge, along with a modification of the existing Demand Charge. We also recommend that the existing rate steps be changed to reflect the same tier structure approved by the TRA in Chattanooga Gas Company's last rate case.

Q. Why are you proposing that the rate structure be modified into a fixed demand charge and commodity rate for all customers on this tariff?

A. This rate structure closely reflects the straight fixed variable rates that are charged to gas utilities from their interstate pipelines for capacity charges. This type of rate structure recovers a portion of capacity costs through a demand charge which is independent of the total volumetric throughput and rewards those customers that have higher load factors.

Q. Please explain how a customer will opt for firm or interruptible service under this rate schedule. ?

A. Customers will contract for firm entitlement and pay a demand charge allocation to be credited to the purchased gas adjustment. For those customers contracting 100% firm, the firm contract entitlement will be billed at the billing demand.

Q. Won't this change produce a higher total customer charge for the existing interruptible customers presently served under Rate Schedule 250?

A. Yes. For the interruptible customers presently being served under the Company's existing Rate Schedule 250, this change will produce an increase in their monthly customer charge. These customers receive a higher value of service relative to the Company's other customers. For example, the existing Rate 250 customers make no contribution to the Company's interstate pipeline demand costs, yet they have use of this demand capacity for almost the entire year with very few interruptions. In addition, these customers have "no-notice" capabilities, which allows them to "swing" or move back and forth between the Company's sales and transportation rate schedules with the Company bearing the burden of assuming their gas scheduling and nominations. Finally, the Company assumes a singificanly greater credit risk for these customers. For these reasons, we are recommending that the monthly customer charges to this class be increased to reflect a more accurate cost of providing this service.

Q. Please describe your recommended proposal for a Transportation Storage Option (Rate Schedule 255) as shown on Exhibit AIG-4.

A. Over the past twelve years, there has been an exodus of large commercial/industrial customers that were previously served through the Company's bundled sales rate schedules that are now buying gas through a gas marketer. Subsequently, many of the storage assets that were needed to serve the Company's customers are stranded, and could provide better value through a Transportation Storage rate that would assist transportation customers with mitigating gas volatility risks and exposure in the marketplace. Furthermore, since transportation customers do make a contribution to the Company's base rates, including the Company's return on storage inventory, a pro-rata amount of storage should be made available to transportation customers.

Q. Would this Storage Tariff Option compromise reliability of service to the Company's other rate classes?

A. No. This service would be recallable by the Company if their other customers have any gas supply risks. However, this situation would only occur when the Company has a gas supply shortage and is unable to buy gas on the market.

Q. How would the Storage Tariff Option be implemented?

A. Under our proposed tariff, the Company would calculate the Excess Storage Volumes which are based on the Company's unutilized storage volumes for the past year. This volume would be reviewed by the TRA and posted on August 1 under this program.

Q. How does the Transportation Storage Option benefit the Company's transportation customers?

A. The Transportation Storage Option provides transportation customers with some ability to mitigate potential spikes in natural gas pricing. Given the price volatility of natural gas, transportation customers today are actually paying more just to get price stability. To the extent that the Company has excess storage capacity available, their asset manager is currently profiting from selling this same storage and then sharing it with the Company. This change ensures that the value of this storage flows directly to the Company's customers, and is not diverted to the Company's asset manager.

Q. How will this Transportation Storage Option benefit the Company's other bundled sales customers?

A. Revenues from this service will reflect true market prices of this service, and 100% of these revenues will then be credited to the Purchased Gas Adjustment which will reduce the gas costs for the Company's other bundled sales customers. This service allows the full market value of these storage assets to be realized with all of the proceeds flowing to the Company's customers instead of the existing sharing formula with the Company's asset manager.

Q. How will the minimum bid amounts be calculated?

A. The minimum bid reflects only a nominal value for this service. The market will determine the final bid amounts.

Q. What happens to unused gas in storage?

A. Any unused gas will be returned to the Company's inventory on April 1 of the following year.

Q. Do other gas utilities offer this same type of storage service to their customers?

A. Yes. This same type of storage service is offered to industrial customers of Chattanooga Gas Company.

Q. Please describe your recommended changes to the Company's Interruptible Transportation (Rate Schedule 260) tariff as shown on Exhibit AIG-5.

A. We have numerous recommendations for the Company's Interruptible Transportation Rate Schedule 260 that we feel will encourage more competition and realign rates to a structure that is more cost based.

First, we are proposing a demand and commodity rate structure similar to the rates that were approved in Chattanooga Gas Company's last rate case. We feel this type of rate structure more closely reflects the straight fixed variable rate design and rewards those customers with better load factors.

Secondly, our proposed tariff clarifies some balancing language that we feel is necessary to align imbalance charges with the Company's actual costs. An imbalance occurs when a transportation customer either brings in more or less gas to the Company's system than they have used. The existing provisions of the Company's tariff related to balancing are based on the Company's connecting pipeline balancing costs. However, the Company is typically allowed to aggregate all of their delivery points in order to mitigate these imbalances. Furthermore, most interstate pipeline tariffs automatically use the Company's storage as a supply buffer to help manage their supply imbalances. Therefore, it is our position that applying the provisions of a pipeline's imbalance tariff to a specific transportation customer is not appropriate and unfair to the customer. Instead, our recommendations for balancing are intended to provide an incentive for customers to sustain a reasonable imbalance level with the Company while aligning these incentives with the Company's actual cost of maintaining imbalances.

We have also proposed new penalty language which mitigates some of the penalty exposure to large customers and allows the Company to waive penalties when they do not first incur penalties themselves. This language is intended to align the penalty charges with the Company's actual costs and associated risks.

This language has been modeled after the TRA's approved tariff for CGC's transportation customers.

Q. Will your proposed changes to Rate Schedule 260 result in these transportation customers paying a lower base rate than the sales customers on Rate Schedule 250?

A. Yes. The transportation customers on Rate Schedule 260 are required to arrange and manage their own gas commodity purchases. In addition, these customers may be making a contribution to the Company's demand costs depending on how the capacity release revenue is credited to the Company's firm customers. Finally, these customers allow the Company to reduce their carrying costs of purchasing gas and the associated credit risk of recovering this cost. Because the cost of providing service to these transportion customers is less than it is for sales customers, we have proposed a lower demand charge to reflect the lower value of this service.

Q. Please describe your recommended proposal for a Low Volume Transportation with Firm Backup (Rate Schedule 265) tariff as shown on Exhibit AIG-6.

A. We have proposed a Low Volume Transportion rate to give smaller customers the option of buying gas through a third party. This rate is similar to the Low Volume T-3 transportation rate that was recently approved by the TRA for Chattanooga Gas Company and it is our understanding that several commercial customers are already opting for this type of service.

This rate allows customers who use in excess of 4,000 Ccf per year the option of using a third party gas supplier. Similar to Chattanooga's T-3 Low Volume transportation rate, the Company would provide firm backup service under this rate schedule. However, customers that subscribe to this rate schedule would continue to contribute to the Company's cost of service, and pay a demand charge to be applied as a credit to the purchased gas adjustment.

Q. Please explain why the proposed Rate 265 Low Volume Transportion rate is more equitable for the Company's sales customers.

A. The Company has contracted for long term pipeline and storage assets in order to serve their firm customers. Presently, when firm customers opt for transportation service, they no longer contribute revenues for the cost of these assets which results in a cost shift to the Company's other sales customers. However, it is likely that the Company's asset manager, who serves approximately 90% of the Company's transportation customers, also provides service to other firm customers using these same managed assets. The end result is value creation for the Company's affiliate asset manager at the expense of the Company's sales customers. However, by allocating the costs of firm capacity to this rate schedule, and providing a firm swing service, an unfair shift in costs is avoided which is more equitable to all of the Company's customers.

Q. Please explain how this benefit is calculated as shown on Exhibit AIG-7.

A. Exhibit AIG 7 provides a hypothetical example of the economics from Rate Schedule 265. In this example, a new low volume transportation customer would continue to be allocated a portion of the overall demand costs incurred by the Company. This demand cost is then credited to the Company's PGA and results in a reduction of $18,000 per year in demand costs to the Company's other sales customers. Under the existing tariff, the Company's firm transportation customers no longer pay a contribution to the Company's demand costs.

Q. Are there any other benefits of the Low Volume Transportion rate?

A. Yes. The current asset management relationship has given the Company's affiliate a virtual monopoly in certain service areas where the Company has subscribed to 100% of the interstate pipeline capacity. Under our proposal, customers could contract for alternate gas supplies through competing gas marketers. By unbundling the control that the Company has over pipeline capacity assets, these customers will be able to reduce their costs and benefit from increased competition. The Company's smaller customers who do not transport their own gas, would also benefit since there would continue to be a contribution to pipeline demand costs from the customers electing this tariff.

Q. What are you recommendations for the costs of providing telemetering service for transportation customers?

A. We are proposing that the transportation customers pay the costs of telemetering, and that the Company provide them with an option to pay for these costs over a 24 month period.

Q. Mr. Novak, do you have any recommendations for the Company's other commercial and industrial tariffs?

A. Yes. The Company has other commercial and industrial tariffs that have either not been used at all, or just used sparingly. These tariffs include:

Rate Schedule 221, Experimental School Service;

Rate Schedule 280, Economic Development Gas Service;

Rate Schedule 291, Negotiated Gas Service;

Rate Schedule 292, Cogeration Service; and

Rate Schedule 293, Large tonnage Air Conditioning Gas Service.

At present, we see very little need for continuing these tariffs. As mentioned above, they have seen very little or no usage, and they have no counterparts in the tariffs approved by the TRA for other gas utilities. However, if they are continued, we would recommend that their rate structure be altered to fall in line with the recommendations that we have made for other commercial and industrial tariffs.

Q. Mr. Novak, do you have any recommendations for the Company's Special Contracts?

A. Yes. To our knowledge, the Company currently has the following six active Special Contracts that have been approved by the TRA:

Docket	Company
86-07410	Saturn Corporation
97-01443	Alumax Extrusions
98-00277	Middle Tennessee State University
00-01022	Superior Industries International
01-00138	Mountain Home Energy Center
03-00540	Goodyear Tire & Rubber Company

The components of these individual Special Contracts need to be reexamined after the TRA first determines the total rate adjustment necessary. It may well be that the rate advantages of these Special Contracts will now be obsolete and can be incorporated into the Company's regular tariff rates.

Q. Mr. Novak, are you proposing any specific rates for the commercial and industrial classes at this time?

A. No. Instead we have tried describe only how the rates should be structured within the individual commercial and industrial tariffs. Until the TRA first makes a decision as to the total rate adjustment amount necessary, it will be impossible to make a specific recommendation for any tariff rates. As a result, we have labeled the specific rates contained in our Exhibits as "TBD", meaning "to be determined".

For this rate case, we would first ask the TRA to apportion any rate change that it deems appropriate evenly across-the-board to all customer classes based on the existing gross margin in each rate class. We would then like to present the TRA through either supplemental testimony or post hearing briefs, with specific rate recommendations that will produce this new level of revenue.

Q. Do you have any other recommendations for the TRA to consider?

A. Yes. We would ask the TRA to require the Company to file a class cost of service study in their next rate case. Because of the accelerated pace of the previous rate case docket in 2006 along with the quick turn around to this rate case, there has not been enough time to prepare and present such a study for the TRA's consideration. Without such a study, it is impossible to know if the rates for a particular customer class are too high, thereby resulting in a subsidy to the other customer classes. A similar study was filed in the last rate case for Chattanooga Gas Company, and we feel that such a review is certainly warranted in the Company's next rate case.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFCATION

STATE OF TENNESSEE)

COUNTY OF DAVIDSON)

I, William H. Novak, being duly sworn state that I am authorized to make this verification on behalf of Atmos Intervention Group; that I have read the foregoing Testimony and Exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.

Sworn and subscribed before me this 21st day of August, 2007.

Notary Public

My Commission Expires:

SUE ARNETT
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.
My Commission Expires SEPT. 25, 2010

ATMOS ENERGY CORPORATION
SMALLCOMMERCIAL/INDUSTRIAL GAS SERVICE

Rate Schedule 220: All Service Areas

Availability

This service is available within the Company's service area to any commercial/industrial customer consistently using less than 4,000 Ccf per year for any purpose at the option of the Company, to the extent that gas is available. This schedule is not available to residences, apartment or federal housing projects.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area, or such higher delivery pressure as agreed upon by the Customer and Company.

Customer Charge

A monthly customer charge of **$<<TBD>>** is payable regardless of the usage of gas.

Monthly Rate

All Consumption, per Ccf **$<<TBD>>**

Minimum Bill

The minimum net monthly bill shall be the Customer Charge per meter as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Exhibit AIG-2
Schedule 1

ATMOS ENERGY CORPORATION
MEDIUM COMMERCIAL/INDUSTRIAL GAS SERVICE

Rate Schedule 230: All Service Areas

Availability

This service is available within the Company's service area to any commercial/industrial customer consistently using more than 4,000 Ccf per year for any purpose at the option of the Company, to the extent that gas is available.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at the delivery pressure of the distribution system in the area, or at such higher delivery pressure as agreed upon by the Customer and Company. Service under this rate schedule may be terminated by either party following twelve (12) months notice to the other party.

Customer Charge

A monthly customer charge of $<<TBD>> is payable regardless of the usage of gas.

Monthly Rate

	Net Rate
First 3,000 Ccf per Month	$<<TBD>> per Ccf
Next 2,000 Ccf per Month	$<<TBD>> per Ccf
Over 5,000 Ccf per Month	$<<50% of Tier 1>> per Ccf

Minimum Bill

The minimum net monthly bill shall be the Customer Charge per meter location as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Exhibit AIG-3
Schedule 1

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL DEMAND/COMMODITY GAS SERVICE

Rate Schedule 240: All Service Areas

Availability

This service is available within the Company's service area to any commercial/industrial customers consistently using at least 270,000 Ccf per year or 1,000 Ccf per day during off peak periods for any purpose at the option of the Company, to the extent gas is available.

Character of Service

Natural gas, with a heating value of approximately 1,000 Btu per cubic foot, supplied through a single delivery point and a single meter, at a delivery pressure of the distribution system in the area, or at such higher delivery pressure as agreed upon by the Customer and Company. Service under this rate schedule may be terminated by either party following twelve (12) months notice to the other party.

Customer Charge

A monthly Customer Charge of $<<TBD>> is payable regardless of the usage of gas.

Monthly Rate

Demand Charge		
Per Unit of Billing Demand		$<<TBD>>
Commodity Charge		
First 1,500	Mcf Per Month	$<<TBD>>
Next 2,500	Mcf Per Month	$<<TBD>>
Next 11,000	Mcf Per Month	$<<TBD>>
Over 15,000	Mcf Per Month	$<<TBD>>

Firm Contract Entitlement

Customers may subscribe to firm, non-interruptible service under this Rate Schedule by opting for firm service under one of the following options:

A. The Firm Contract Entitlement is the same as the Billing Demand and the Customer is opting for 100% no-notice supply through the Company; or

B. The Firm Contract Entitlement is contracted at a firm level as specified in an annual contract with the Company. Any volumes in excess of the Firm Contract Entitlement are considered interruptible and subject to Limitations and Curtailment as specified in this rate schedule.

Minimum Bill

The minimum net monthly bill shall be the Customers Base Use Charge plus the Monthly Demand Charge as described above.

Payment

Each monthly bill for service is due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of the bill remaining unpaid at the close of the first business day after fifteen (15) days following date of issue.

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL DEMAND/COMMODITY GAS SERVICE

Rate Schedule 240: All Service Areas (Continued)

Billing Demand

The Billing Demand for the current month shall be redetermined effective November 1 of each successive year. The Billing Demand is the highest demand day in any of the previous billing months November, December, January, February, and March.

Whenever a customer commences taking service under this Rate Schedule, the billing demand shall be either 6% of the monthly consumption in each month until redetermined as stated above, or the actual highest daily demand day recorded if electronic gas metering monitoring is installed.

Determination of Billing Demand

The Billing Demand shall be determined at the option of the Customer by one of the following methods:

1. By measuring the maximum volume of gas taken by the Customer in any one day through the use of Measurement Data Collection Equipment installed by the Company.

2. When gas is delivered to a Customer through a positive displacement meter without the use of daily recording and measuring equipment, the maximum volume of gas taken in any one day during the billing month shall be six percent (6%) of the total volume of gas used by the customer during such billing month.

Measurement Data Collection Equipment

Customers served by this Rate Schedule shall be required to install Data Collection Equipment for the purpose of measuring daily volumes of natural gas taken by the customers. Customer shall be responsible for providing telephone and power to the gas metering location, and paying associated monthly usage charges for providing these utilities to metering location. Customers will be responsible for the cost and installation of the Data Collection Equipment. Company will allow customers the option of paying for Data Collection Equipment over a repayment period of 24 months.

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on the actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however, if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Limiting and Curtailing Gas Service

This schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise. The Company will curtail transportation gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules.

Customer shall immediately discontinue the use of transported gas service, to the extent of curtailment ordered, when and as directed by the Company; and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified.

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL DEMAND/COMMODITY GAS SERVICE

Rate Schedule 240: All Service Areas (Continued)

In the event Customer takes daily gas deliveries in excess of Customer's daily firm contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily firm contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of $15.00 per Dth or the average daily index on curtailment days plus $5.00, and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. This penalty rate will only apply to unauthorized volumes of gas used by Customer in excess of 50 Mcf over the Customer's firm contract entitlement and allocated volumes from authorized shipper. These additional charges shall be in addition to all other charges payable under this Rate Schedule.

If Customer can validate that a localized interstate pipeline restriction prohibited delivery of third party gas during a curtailment, and the Company incurred no penalties from the pipeline as a direct result of Customer's unauthorized usage of gas, then Company will agree to waive any penalties pursuant to this tariff.

The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of interruptible transportation service deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customers

Purchased Gas Cost Adjustment

Bills for service are subject to the cost of purchased gas in accordance with the Purchased Gas Adjustment (PGA) Rider approved by the Tennessee Regulatory Authority.

Firm Contract Entitlement will be billed based on the Company's allocated firm costs per Mcf of contract and credited to the Purchased Gas Adjustment. All Commodity gas will be billed per the Non-Firm GCA of the purchased gas adjustment.

Service Regulations

Gas service at these schedules will be furnished in accordance with the Company's General Rules and Regulations, copies of which for public reference during business hours at each of the Company's offices.

Exhibit AIG-4
Schedule 1

ATMOS ENERGY CORPORATION
TRANSPORTATION STORAGE OPTION

Rate Schedule 255: All Service Areas

Availability

This Transportation Storage Option (TSO) Rate Schedule is a bundled sales service available to those Customers served under the Company's Transportation Rate Schedules 260 and 265, to assist such Customers with mitigating the volatility of gas costs by providing the option of using storage volumes when such volumes can be made available by the Company.

Service under this Rate Schedule will be awarded to winning bidders for November 1 of the current year through March 31 of the following year (Heating Season). Service provided under this Rate Schedule may be interrupted on any given day provided that the Company interrupts this service only when alternate supplies cannot first be purchased by the Company.

Title to Gas

All gas dedicated to TSO annually shall remain the property of the Company. Title to said dedicated Gas shall pass from the Company to the Customer when Gas is delivered to the Customer pursuant to the terms of this Rate Schedule.

Excess Storage Volumes

Excess Storage Volumes (ESV) are the amount of storage inventory that was not utilized by Company's ratepayers in the previous withdrawal season. Such volumes are to be determined by the following formula less 50%:

ESV =(Total Storage Inventory – Total Winter Withdrawals + Total Winter Injections) x 50%

The Excess Storage Volumes will be confirmed annually with the TRA staff and posted for bidding on August 1.

Available Volumes

On August 1 of each year, the Company will post Excess Storage Volumes and daily deliverability to be made available for Customers under this Rate Schedule for the upcoming Heating Season. In addition the Company will post acceptable minimum seasonal Deliverability and Reservation rates specified below as well as the commodity rate that will be applied to the total aggregate Reserved Volumes upon delivery.

Customers eligible to receive service under TSO may submit bids to the Company on or before August 20. Bids must include the following: Customer's desired Maximum Daily Deliverability; the dollar value the Customer places on the requested Maximum Daily Deliverability Volume in the form of a monthly unit Maximum Daily Deliverability Rate; Customer's desired total Reserved Volume; and the dollar value the Customer places on the requested Reserved Volume during the Heating Season in the form of a monthly unit Reservation Rate On or before August 25 the Company will evaluate all bids and award the reserved Daily Deliverability and Reserved Volumes to the bid(s) that optimize the value of the storage asset. If a customer nominates TSO service for a given day and fails to take delivery of such amounts, then such volumes will be carried over to the subsequent day.

If two or more bids generate the same value and the requested volumes exceed the total Daily Deliverability or total Reserved Volume available for use under this Rate Schedule, the Daily Deliverability will be allocated to the winning bidders on a pro rata basis. On or before August 31, the winning bidders shall enter into a contract to purchase from the Company the requested and/or allocated Reserved Volume.

ATMOS ENERGY CORPORATION
TRANSPORTATION STORAGE OPTION

Rate Schedule 255: All Service Areas (Continued)

Deliverability

Service provided under this Rate Schedule on a daily basis is limited to the total remaining capacity of the Company after firm requirements are satisfied. In the event of a curtailment, TSO supply must be nominated and will be delivered as long as the Company's firm requirements are satisfied. If on any day, the Company is unable to meet the total TSO nominations because the demand for Gas to be delivered under this Rate Schedule exceeds the Company's ability to deliver Gas using the Company's existing capacity, nominations will be confirmed based on the highest unit rate bid for the monthly Deliverability Rate. In the event that multiple bids are the same, the volumes will be reduced prorata. In no event will a Customer's cumulative receipt of Gas under this Rate Schedule exceed the Customer's total Reserved Volume for the Heating Season.

Rates

These rates are in addition to the rates applicable to the Customer under Rate Schedules 260 and 265. The following charges shall be billed monthly during the Heating Season:

(a) Maximum Deliverability Rate - A charge per Dth applied to the Maximum Daily Deliverability that the Customer bid and the Company accepted. The minimum acceptable bid for the Maximum Deliverability Rate shall be $3.00. A one time charge per Dth of daily deliverability will be allocated to the Customer for the winter withdrawal season. All revenue collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Demand Cost under the Purchase Gas Adjustment (PGA) provisions of the Company's tariff.

(b) Reservation Rate - A charge per Dth applied to the Reserved Volume that the Customer bid and the Company accepted. The minimum acceptable bid for the Reservation Rate shall be $.10/dekatherm. All revenue collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Demand Cost under the Purchase Gas Adjustment (PGA) provisions of the Company's tariff.

(c) Commodity Rate - The rate to be applied to the Reservation Volumes will be posted on August 1 of any given year. The Commodity rate will represent a projection of the storage gas delivered to the city gate to include all variable charges including the cost of storage gas, storage commodity and withdrawal costs, and Company's FT commodity and pipeline fuel charges. Revenues collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Commodity Cost under the Purchased Gas Adjustment (PGA) provisions of the Company's tariff.

Payment for the Maximum Daily Deliverability Charge and the Reservation Charge, shall be in five equal monthly payments due on the first of the month beginning November 1. All other charges shall be due upon presentation. Payments received after the due date shall be for an amount which shall be greater by five percent (5%) than the net billing.

Notification by Customers

Qualifying Customers that have been approved for TSO volumes will notify the Company by fax or e-mail by 12:00 Noon prior to the effective Gas Day that they desire to use volumes available under this Rate Schedule. Customers will be notified via e-mail or fax when demand for gas volumes under this Rate Schedule are terminated or allocated due to deliverability limitations pursuant to the availability provisions of this Rate Schedule. Provision of Gas under this Rate Schedule will automatically end when the Customer has utilized the Customer's Reserved Volume for the applicable Heating Season.

ATMOS ENERGY CORPORATION
TRANSPORTATION STORAGE OPTION

Rate Schedule 255: All Service Areas (Continued)

Gas Volume Remaining at March 31

If a Customer does not utilize the Customer's total Reserved Volume awarded by the Company, the remaining volume as of April 1 will be transferred to the Company's system inventory (excluding Company LNG).

Exhibit AIG-5
Schedule 1

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL TRANSPORTATION
Interruptible Transportation

Rate Schedule 260: All Service Areas

Availability

This rate schedule provides for the transportation of gas received by the Company from the Connecting Pipeline Company for the Customer's account to that Customer's facilities Service under this rate schedule is available to commercial and industrial customers using either 270,000 Ccf or more per year or 1,000 Ccf per day during off-peak periods. Qualifying customers must install and maintain adequate standby facilities and alternate fuel supply in case gas deliveries are interrupted at any time.

Definitions

For purposes hereof:

i. "Connecting Pipeline Company" means a pipeline supplier to the Company whose facilities in the sole judgment of the Company can be utilized to transport gas to the Company for delivery by the Company to the Customer under this rate schedule.

ii. "Transportation Imbalance" occurs when more gas is received by the Company from the Connecting Pipeline Company for the Customer's account, less the unaccounted for gas adjustment, than is delivered to that customer's facilities for the month.

iii. "PGA Rider" means the Company's Purchased Gas Adjustment Rider, as amended and approved by the Tennessee Regulatory Authority from time to time.

Customer Charge

A monthly Customer Charge of $<<TBD>> is payable regardless of the usage of gas.

Monthly Rate

Demand Charge		
Per Unit of Billing Demand		$<<TBD>>
Commodity Charge		
First 1,500	Mcf Per Month	$<<TBD>>
Next 2,500	Mcf Per Month	$<<TBD>>
Next 11,000	Mcf Per Month	$<<TBD>>
Over 15,000	Mcf Per Month	$<<TBD>>

Firm Contract Entitlement

Customers may subscribe to firm, non-interruptible service under this Rate Schedule by opting for a specified volume of firm contract. _A Purchased Gas Adjustment Demand Component will be applied to each unit of Billing demand based on the Company's allocated firm costs per Mcf of contract and credited to the Purchased Gas Adjustment.

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL TRANSPORTATION
Interruptible Transportation

Rate Schedule 260: All Service Areas (Continued)

Billing Demand

The Billing Demand for the current month shall be redetermined effective November 1 of each successive year. The Billing Demand is the highest demand day in any of the previous billing months November, December, January, February, and March.

Whenever a customer commences taking service under this Rate Schedule, the billing demand shall be either 6% of the monthly consumption in each month until redetermined as stated above, or the actual highest daily demand day recorded if electronic gas metering monitoring is installed.

Determination of Billing Demand

The Billing Demand shall be determined at the option of the Customer by one of the following methods:

1. By measuring the maximum volume of gas taken by the Customer in any one day through the use of Measurement Data Collection Equipment installed by the Company.

2. When gas is delivered to a Customer through a positive displacement meter without the use of daily recording and measuring equipment, the maximum volume of gas taken in any one day during the billing month shall be six percent (6%) of the total volume of gas used by the customer during such billing month.

Terms and Provisions of Service under this Rate Schedule

i. Except as expressly modified by the provisions of this rate schedule, all of the terms, provisions, and conditions of the rate schedule (as made effective by the Tennessee Regulatory Authority from time to time) applicable to Customers shall also apply to service by the Company to Customer under this rate schedule.

ii. Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the customers, insofar as practicable, during the month in which they occur. Customers may adjust its daily nominations during the month in order to correct accumulated imbalance, subject to the limitations of the Company.

iii. Customer shall notify Company in advance of authorized shippers to transport gas for the Customers usage. Such notification shall be by fax or email confirmation to Company's Gas Control department. The quantity of gas delivered to Customer shall be based on total nominated volume of gas delivered by Customer to Company less any adjustments made by Connecting pipeline during the month.

iv. The Customer is responsible for making all arrangements for transporting the gas from its source of supply to the Company's interconnection with the Connecting Pipeline Company unless other arrangements have been made between the Customer and the Company.

v. If rendition of service to Customer under this rate schedule causes the Company to incur additional charges from the Connecting Pipeline Company, Customer shall reimburse Company for all charges.

vi. Once a customer elects and has qualified for service under this rate schedule, all services will be provided under the terms and conditions of this rate schedule for a term of no less than 12 months. At any time following the first six months of service under this rate schedule, service may be terminated by either party following at least 30 days written notice to the other party.

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL TRANSPORTATION
Interruptible Transportation

Rate Schedule 260: All Service Areas (Continued)

Balancing Provisions:

Any difference between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. This imbalance shall be resolved monthly by "cashing out" the imbalance as it is known at that time.

If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency and will buy an amount of gas equal to the deficiency from the Company. The Customer shall pay a price equal to the highest Average Weekly Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction plus the Ft commodity rate, applicable surcharges and fuel on the relevant pipeline times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Weekly Average Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction, Ft commodity rate, applicable surcharges and fuel on the relevant pipeline times the discount percentage corresponding to the percentage of the deficiency listed in the table below:

Percentage of the Imbalance	Short Premium	Long Discount
Equal to or less than 20%	100%	100%
Over 20%	120%	80%

The Daily Index Cost of Gas shall be derived from the prices published in *Gas Daily* in the Daily Price Survey, per Atmos WACOG source of natural gas from pipelines, and adjusted for each service area.

	+	
Interstate Pipeline A Index	A	WA%
	+	
Interstate Pipeline B Index	B	WA%
	+	

Where Interstate (A..X) represents interstate pipeline index serving an Atmos service area and WA% represents the percentage gas sourced from this receipt source, and A represents the highest Average Weekly Daily pricing for the applicable interstate pipeline or source point.

Agency Authorization

A customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this rate schedule by executing an Agency Authorization From provided by the Company. To the extent that the Agent appointed by the customer is common to other customers on the Company, the Company will permit such Agent to aggregate all such qualifying customers' transportation quantities for purposes of administering service to such Agent. Once a customer has designated an agent, the agent is then authorized to act on behalf of the customer and as such, the agent can be considered in all references contained within this rate schedule. The customer may not change agents within the calendar month without permission of the Company.

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL TRANSPORTATION
Interruptible Transportation

Rate Schedule 260: All Service Areas (Continued)

Limiting and Curtailing Gas Service

This schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise. The Company will curtail transportation gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules.

Customer shall immediately discontinue the use of transported gas service, to the extent of curtailment ordered, when and as directed by the Company; and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased, the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified.

In the event Customer takes daily gas deliveries in excess of Customer's daily firm contract entitlement and allocated volume from a third party supplier where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes and/or shall be paid for by the Customer at the greater of the rate of $15.00 per Dth or the average daily index on curtailment days plus $5.00, and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. This penalty rate will only apply to unauthorized volumes of gas used by Customer in excess of 50 Mcf over the Customer's contract entitlement or allocated volumes from authorized shipper. These additional charges shall be in addition to all other charges payable under this Rate Schedule.

If Customer can validate that a localized interstate pipeline restriction prohibited delivery of third party gas during a curtailment, and the Company incurred no penalties from the pipeline as a direct result of Customer's unauthorized usage of gas, then Company will agree to waive any penalties pursuant to this tariff.

The payment of a charge for unauthorized over-run gas shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of interruptible transportation service deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customer.

Measurement Data Collection Equipment

Customers served by this Rate Schedule shall be required to install Data Collection Equipment for the purpose of measuring daily volumes of natural gas taken by the customers. Customer shall be responsible for providing telephone and power to the gas metering location, and paying associated monthly usage charges for providing these utilities to metering location. Customers will be responsible for the cost and installation of the Data Collection Equipment. Company will allow customers the option of paying for Data Collection Equipment over a repayment period of 24 months.

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL TRANSPORTATION
Interruptible Transportation

Rate Schedule 260: All Service Areas (Continued)

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on the actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however, if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Terms and Provisions of Service Under This Rate Schedule

The Company will collect gross receipt tax on the incremental gross gas related charges.

The Purchased gas Adjustment computed in accordance with TRA Administrative Rule 1220-4-7 shall not apply. Other adjustments, charges/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates.

Except as expressly modified by the provisions of this rate schedule, all of the terms, provisions, and conditions of the rate schedule (as made effective by the Tennessee Regulatory Authority from time to time) applicable to Customer shall also apply to service by the Company to Customer under this rate schedule.

ATMOS ENERGY CORPORATION
LARGE COMMERCIAL/INDUSTRIAL TRANSPORTATION
Interruptible Transportation

Rate Schedule 260: All Service Areas (Continued)

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on the actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however, if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Terms and Provisions of Service Under This Rate Schedule

The Company will collect gross receipt tax on the incremental gross gas related charges.

The Purchased gas Adjustment computed in accordance with TRA Administrative Rule 1220-4-7 shall not apply. Other adjustments, charges/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates.

Except as expressly modified by the provisions of this rate schedule, all of the terms, provisions, and conditions of the rate schedule (as made effective by the Tennessee Regulatory Authority from time to time) applicable to Customer shall also apply to service by the Company to Customer under this rate schedule.

ATMOS ENERGY CORPORATION
LOW VOLUME TRANSPORTATION WITH FIRM BACKUP

Rate Schedule 265: All Service Areas

Availability

This rate schedule provides for the transportation of gas received by the Company from the Connecting Pipeline Company for the Customer's account to that Customer's facilities. Service under this rate schedule is available to commercial and industrial customers using 4,000 Ccf or more per year. This rate schedule is offered as a companion to the customers existing sales rate schedule.

Definitions

For purposes hereof:

i. "Connecting Pipeline Company" means a pipeline supplier to the Company whose facilities in the sole judgment of the Company can be utilized to transport gas to the Company for delivery by the Company to the Customer under this rate schedule.

ii. "Transportation Imbalance" occurs when more gas is received by the Company from the Connecting Pipeline Company for the Customer's account, less the unaccounted for gas adjustment, than is delivered to that customer's facilities for the month.

iii. "PGA Rider" means the Company's Purchased Gas Adjustment Rider, as amended and approved by the Tennessee Regulatory Authority from time to time.

Customer Charge

A monthly Customer Charge of $<<TBD>> is payable regardless of the usage of gas.

Monthly Rate

First 3,000	Ccf Per Month	$<<TBD>>
Next 2,000	Ccf Per Month	$<<TBD>>
Over 5,000	Ccf Per Month	$<<TBD>>

Purchased Gas Cost Adjustment

A Purchased Gas Adjustment Demand Component will be apply to each unit of Billing demand based on the Company's allocated firm costs per Mcf of contract and credited to the Purchased Gas Adjustment.

Billing Demand

The Billing Demand for the current month shall be redetermined effective November 1 of each successive year. The Billing Demand is the highest demand day in any of the previous billing months November, December, January, February, and March.

Whenever a customer commences taking service under this Rate Schedule, the billing demand shall be either 6% of the monthly consumption in each month until redetermined as stated above, or the actual highest daily demand day recorded if electronic gas metering monitoring is installed.

Terms and Provisions of Service under this Rate Schedule

i. Except as expressly modified by the provisions of this rate schedule, all of the terms, provisions, and conditions of the rate schedule (as made effective by the Tennessee Regulatory Authority from time to time) applicable to Customers shall also apply to service by the Company to Customer under this rate schedule.

ATMOS ENERGY CORPORATION
LOW VOLUME TRANSPORTATION WITH FIRM BACKUP

Rate Schedule 265: All Service Areas (Continued)

ii. Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the customers, insofar as practicable, during the month in which they occur. Customers may adjust its daily nominations during the month in order to correct accumulated imbalance, subject to the limitations of the Company.

iii. Customer shall notify Company in advance of authorized shippers to transport gas for the Customers usage. Such notification shall be by fax or email confirmation to Company's Gas Control department. The quantity of gas delivered to Customer shall be based on total nominated volume of gas delivered by Customer to Company less any adjustments made by Connecting pipeline during the month.

iv. The Customer is responsible for making all arrangements for transporting the gas from its source of supply to the Company's interconnection with the Connecting Pipeline Company unless other arrangements have been made between the Customer and the Company.

v. If rendition of service to Customer under this rate schedule causes the Company to incur additional charges from the Connecting Pipeline Company, Customer shall reimburse Company for all charges.

vi. Once a customer elects and has qualified for service under this rate schedule, all services will be provided under the terms and conditions of this rate schedule for a term of no less than 12 months. At any time following the first six months of service under this rate schedule, service may be terminated by either party following at least 30 days written notice to the other party.

Balancing Provisions:

Any difference between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. This imbalance shall be resolved monthly by "cashing out" the imbalance as it is known at that time.

If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency and will buy an amount of gas equal to the deficiency from the Company. The Customer shall pay a price equal to the firm GCA of the Rate Schedule 230.

If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Weekly Average Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction, Ft commodity rate, applicable surcharges and fuel on the relevant pipeline times the discount percentage corresponding to the percentage of the deficiency listed in the table below:

Percentage of the Imbalance	Short Premium	Long Discount
Equal to or less than 20%	100%	100%
Over 20%	100%	80%

The Daily Index Cost of Gas shall be derived from the prices published in *Gas Daily* in the Daily Price Survey, per Atmos WACOG source of natural gas from pipelines, and adjusted for each service area.

	+	
Interstate Pipeline A Index	A	WA%
	+	
Interstate Pipeline B Index	B	WA%
	+	

ATMOS ENERGY CORPORATION
LOW VOLUME TRANSPORTATION WITH FIRM BACKUP

Rate Schedule 265: All Service Areas (Continued)

Where Interstate (A, X) represents interstate pipeline index serving an Atmos service area and WA% represents the percentage gas sourced from this receipt source, and A represents the highest Average Weekly Daily pricing for the applicable interstate pipeline or source point.

Agency Authorization

A customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this rate schedule by executing an Agency Authorization From provided by the Company. To the extent that the Agent appointed by the customer is common to other customers on the Company, the Company will permit such Agent to aggregate all such qualifying customers' transportation quantities for purposes of administering service to such Agent. Once a customer has designated an agent, the agent is then authorized to act on behalf of the customer and as such, the agent can be considered in all references contained within this rate schedule. The customer may not change agents within the calendar month without permission of the Company.

Measurement Data Collection Equipment

Customers served by this Rate Schedule shall be required to install Data Collection Equipment for the purpose of measuring daily volumes of natural gas taken by the customers. Customer shall be responsible for providing telephone and power to the gas metering location, and paying associated monthly usage charges for providing these utilities to metering location. Customers will be responsible for the cost and installation of the Data Collection Equipment. Company will allow customers the option of paying for Data Collection Equipment over a repayment period of 24 months.

Gas Lights

For all metered gas light services under this tariff, the charge for such service shall be based on the actual usage through a metered source at this tariff rate. It shall be within the Company's discretion whether a gas light should be metered, however, if the gas light is unmetered, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Terms and Provisions of Service Under This Rate Schedule

The Company will collect gross receipt tax on the incremental gross gas related charges.

Except as expressly modified by the provisions of this rate schedule, all of the terms, provisions, and conditions of the rate schedule (as made effective by the Tennessee Regulatory Authority from time to time) applicable to Customer shall also apply to service by the Company to Customer under this rate schedule.

HYPOTHETICAL EXAMPLE OF RATE 265 SAVINGS

In this example, an existing Rate 230 firm sales customer opts to convert to transportation service under Rate 265.

Sample Firm Customer with the following characteristics:

Annual consumption of 150,000 therms.
Billing demand of 150 dekatherms.
PGA Allocations of $10.00 per dekatherm per month.
Billing rate contribution to billing demand is $0.15 per therm.

Current Scenario:

- Customer elects transportation service under the Company's existing transportation tariff;
- Customer opts for gas service from the Company's marketing affiliate;
- The existing billing demand contribution of $22,500 (150,000 therms * $0.15 contribution rate) is lost and must be made up through higher PGA rates to other sales customers;
- The Company's marketing affiliate uses this same capacity (now idle) to deliver gas to the transportation customer.

New Scenario under AIG Proposed Rate 265:

- Customer continues to pay contribution towards the Firm PGA and Company provides firm backup service;
- Customer provides $18,000 (150 billing demand * $10.00 PGA Allocation *12 months) in billing demand contribution;
- Customer purchases gas from the most competitive third party;
- Control over the Company's pipeline assets are unbundled resulting in a competitive market.

CERTIFICATE OF SERVICE

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

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on this the 21st day of August 2007.

Henry Walker

Henry M. Walker