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March 11, 2008

VIA HAND DELIVERY

Honorable Ron Jones, Hearing Officer
c/o Sharla Dillon, Docket & Records Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

**RE: Docket to Evaluate Atmos Energy Corporation's Gas Purchases and Related
Sharing Incentives, TRA Docket No. 07-00225**

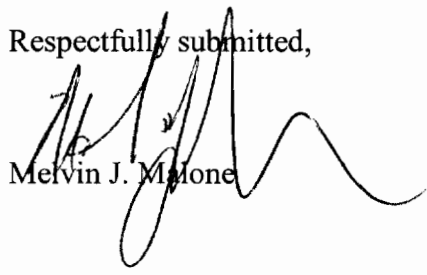
REDACTED VERSION

Dear Hearing Officer Jones:

Enclosed please find one (1) original and thirteen (13) copies of the **redacted version** of the written responses of *Atmos Energy Marketing, LLC's Responses to the Consumer Advocate and Protection Division's First Set of Discovery Requests* for filing in the above-captioned docket. We have also enclosed five (5) copies of a disc containing non-confidential information produced in relation to this filing. As required, one (1) written copy of the non-confidential information contained on the enclosed disc is also attached. Finally, also enclosed is a copy of this filing to be file-stamped for our records.

If you have any questions or require additional information, please let us know.

Respectfully submitted,


Melvin J. Malone

c: Parties of Record

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

IN RE: DOCKET TO EVALUATE)	
ATMOS ENERGY CORPORATION'S)	DOCKET NO. 07-00225
GAS PURCHASES AND RELATED)	
SHARING INCENTIVES)	
)	
)	<i>This document contains</i>
)	HIGHLY CONFIDENTIAL
)	INFORMATION
)	<i>subject to a Protective Order</i>
)	REDACTED

**RESPONSES OF ATMOS ENERGY MARKETING, LLC TO THE CONSUMER
ADVOCATE AND PROTECTION DIVISION'S FIRST DISCOVERY REQUESTS**

Atmos Energy Marketing, LLC ("AEM"), by and through counsel, hereby responds to the First Discovery Requests of the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division ("CAD").

Confidential Information

Where designated, certain written responses and documents responsive to the CAD's First Discovery Requests contain information that constitutes confidential, proprietary information or trade secrets of AEM. This information is therefore subject to, and provided under, the terms of the Protective Order entered by the Hearing Officer in this matter, consistent with the *Order on Protective Order Disputes*.¹ Consistent with the Protective Order, such responses and documents are either marked as "CONFIDENTIAL INFORMATION" or as "HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only)."²

¹ *Order on Protective Order Disputes*, TRA Docket No. 07-00225 (Feb. 14, 2008).

² The marks "HIGHLY CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only)" shall have the same meaning herein and shall be given the same treatment with respect to the Protective Order.

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General Objections

AEM objects to the CAD's list of "Preliminary Matters and Definitions" that purport to govern AEM's responses to the discovery requests. AEM, rather, responds to the discovery requests in accordance with Rules 26, 33, and 34 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. AEM further objects to all requests that seek information pertaining to other jurisdictions, as such information is irrelevant to a determination of the issues in this matter, and is not reasonably calculated to lead to the discovery of admissible evidence. Without waiving these general objections and subject to more specific objections set forth below, AEM responds to the CAD's discovery requests as follows:

I. FIRST DISCOVERY REQUESTS TO ATMOS ENERGY CORPORATION ("AEC")

AEC1. Please provide a copy of the current "Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia" entered into by and between AEC and AEM as of April 1, 2004.

RESPONSE: See AEC's response to the CAD's discovery request number one to AEC.

AEC2. For the period January 1, 2004, through December 31, 2007, please provide a copy of each pipeline and/or storage invoice billed to AEC and/or AEM involving the transportation and storage assets of AEC managed, optimized, or used by AEM pursuant to the current "Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia" entered into by and between AEC and AEM as of April 1, 2004. [Request to both AEC and AEM.]

RESPONSE: See AEM's response to the CAD's discovery request number three to AEM. The documents provided in response to AEM3 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

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AEC3. Please describe in detail the assumptions, rationale, and calculations that were made to arrive at the amount of the annual exchange services payment and the amount of the annual optimization payment for the current “Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia” entered into by and between AEC and AEM as of April 1, 2004. [Request to both AEC and AEM.]

RESPONSE: See AEM’s response to the CAD’s discovery request number eight to AEM. The documents provided in response to AEM8 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEC4. Please list all of AEC’s transportation service customers located or operating in Tennessee and Virginia for the years ended September 30, 2005, September 30, 2006, and September 30, 2007. For each customer, list the monthly volumes of natural gas delivered under the transportation service rate schedule; the connecting pipeline company; the applicable pipeline interconnection, city gate, and/or master meter used to deliver the natural gas; a detailed geographic location (street address, city, and state) of the customer’s meter or point where the customer received delivery of the natural gas; and the name of the customer’s natural gas marketer, if any.

RESPONSE: See response of AEC to this request.

AEC5. Please provide the most geographically detailed map (such as street-level) available to AEC of AEC’s authorized service areas in Tennessee and Virginia.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC6. The Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct Nos. 1 and 2 state:

1. If there is discretion in the application of tariff provisions, then the Company must apply such provisions relating to any service being offered in a consistent manner to all similarly situated entities.
2. The Company must strictly enforce a tariff provision for which there is no discretion in the application of the provision.

For all transportation service customers located or operating in Tennessee for which AEM is their natural gas marketer, does AEC apply and/or strictly enforce Transportation Service Schedule 260? If your answer is yes, please list each such transportation service customer, the monthly volumes billed under Transportation Service Schedule 260, and the monthly revenues collected under Transportation Service Schedule 260 for the years ended September 30, 2005, September 30, 2006, and September 30, 2007. If your answer is no, please explain in detail and provide all reasons why Transportation Service Schedule 260 was not applied and/or strictly enforced, including, but not limited to, AEC's offering of any discounts and/or tariff provision waivers. If your answer is anything other than an unqualified "yes" or unqualified "no," please provide a detailed narrative that reconciles your answer to Standard of Conduct No. 17, which states: "The Company shall maintain sufficiently detailed records that compliance with these guidelines can be verified at any time."

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC7. The Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct Nos. 13 states: "If the Company offers a discount to an affiliated marketer, it must make a comparable offer contemporaneously available to all similarly situated non-affiliated marketers." Has AEC offered any discounts to an affiliated marketer (including AEM) located or operating in Tennessee since October 1, 2003? If so, please provide a list of all discounts that AEC has offered to an affiliated marketer (including AEM) and all

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comparable discounts offered to all similarly situated non-affiliated marketers for the years ended September 30, 2004, September 30, 2005, September 30, 2006, and September 30, 2007. For each such discount and comparable discount offered, please list the date of the discount; a description of the discount, including the applicable tariff provision involved; the amount of the discount; the term of the discount; the name(s) of the natural gas marketer(s) to which the offer of discount was made; and the name(s) of the natural gas marketer(s) that accepted the offer of discount.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC8. The Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct No. 16 states: "The Company must maintain a written log of tariff provision waivers which it grants. It must provide the log to any person requesting it within 24 hours of request. Any waivers must be granted in the same manner to the same or similarly situated persons." Has AEC granted any tariff provision waivers from its Tennessee tariffs since October 1, 2003? If so, please provide a written log of tariff provision waivers granted for the years ended September 30, 2004, September 30, 2005, September 30, 2006, and September 30, 2007. For each such tariff provision waiver, please list the date of the waiver; the particular tariff provision that was waived; a description of the waiver; the term of the waiver; and the name(s) of the entity(ies) for which the tariff provision waiver was granted.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC9. The Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct No. 9 states: "In transactions that involve either the purchase or receipt of information, assets, goods or services by the Company from an affiliate entity, the Company shall document both the fair market price of such information, assets, goods, and services and the fully distributed cost to the Company to produce the information, assets, goods or services for itself." Please list all of AEC's transactions affecting the Tennessee jurisdiction THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION SUBJECT TO A PROTECTIVE ORDER.

that involve either the purchase or receipt of information, assets, goods or services by the Company from an affiliate entity (including AEM) from October 1, 2003, through September 30, 2007 and to present as available -- including, but not confined to, the purchase of information, assets, goods or services described in the current Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia entered into by AEC and AEM as of April 1, 2004. For each such transaction, please provide AEC's documentation of the fair market price of the information, assets, goods, and/or services involved in the transaction and AEC's documentation of the fully distributed cost to AEC to produce such information, assets, goods, and/or services for itself.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC10. The Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct No. 10 states: "When the Company purchases information, assets, goods or services from an affiliated entity, the Company shall either obtain competitive bids for such information, assets, goods or services or demonstrate why competitive bids were neither necessary or appropriate." Please list all of AEC's purchases affecting the Tennessee jurisdiction that involve the purchase of information, assets, goods or services from an affiliated entity (including AEM) -- including, but not confined to, the purchase of information, assets, goods or services described in the current Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia entered into by AEC and AEM as of April 1, 2004. For each such purchase, please provide a copy of all competitive bids obtained by AEC or, if competitive bids were not obtained, a copy of all information and documents that demonstrate why competitive bids were neither necessary or appropriate.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

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AEC11. The Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct No. 17 states: "The Company shall maintain sufficiently detailed records that compliance with these guidelines can be verified at any time." Please provide all information, documents, and detailed records in your possession that demonstrate your compliance with the Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct Nos. 1 through 17.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC12. Do you know of any instance of noncompliance with the Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, Standards of Conduct Nos. 1 through 17? If so, please list and fully describe the nature of each such instance of noncompliance, including, but not confined to, the date or approximate time of the instance of noncompliance; the entities involved; the particular Standard(s) of Conduct involved; the reason(s) why the noncompliance occurred; and any corrective measures taken to address the noncompliance.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC13. Please provide the monthly natural gas volumes purchased by or on behalf of AEC for AEC's Tennessee jurisdictional requirements for each month of the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007, and for the months of October 2007 through December 2007.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC14. Please provide a copy of all AEC gas supply plans involving the Tennessee jurisdiction for the last ten fiscal years ended September 30, 2007 (FYE 9/30/98 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

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AEC15. For all AEC jurisdictions included in the gas supply plans provided in accordance with First Discovery Request No. 14, above, please provide the number of AEC customers and related customer volumes, by customer class, by state, for each year of the last ten fiscal years ended September 30, 2007 (FYE 9/30/98 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC16. Please provide AEC's total throughput for the Tennessee jurisdiction for the last ten fiscal years ended September 30, 2007 (FYE 9/30/98 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC17. Please provide AEC's total throughput for the Virginia jurisdiction for the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC18. Please provide AEC's total throughput for the Midstates jurisdictions for the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC19. Please provide a detailed narrative of the procedures and assumptions used to develop AEC's gas supply plans involving the Tennessee jurisdiction, including, but not limited to, the calculation of the design day demand. Please provide all supporting documents, calculations, and workpapers used in the development of AEC's gas supply plans for the last five fiscal years ended September 30, 2007 (FYE 9/30/03 through FYE 9/30/07.)

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC20. Please provide a complete copy of each ACA filing, including all supporting documentation and workpapers, submitted to the Tennessee Regulatory Authority during the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC21. Please provide a complete copy of each ACA filing, including all supporting documentation and workpapers, submitted to the Virginia State Corporation Commission during the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC22. Please provide a copy of each natural gas commodity supply contract involving the purchase of natural gas commodity for AEC's Tennessee jurisdiction during the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC23. Please provide a copy of each invoice involving the purchase of natural gas commodity for AEC's Tennessee jurisdiction during the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through FYE 9/30/07).

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC24. Please provide a copy of all documents and communications received by AEC and/or AEM from the Federal Energy Regulatory Commission ("FERC") in connection with FERC's investigation into possible violations of the FERC's posting and competitive bidding regulations for prearranged released firm capacity on natural gas pipelines. [Request to both AEC and AEM.]

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RESPONSE: AEM objects to this request because the data requests received by AEM from FERC do not concern interstate pipeline or storage capacity used to supply Tennessee or Virginia customers, and this request therefore seeks information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. AEM further objects to this request because the investigation is being conducted by the FERC under applicable federal law and the investigation, and because information provided by AEM (which is highly confidential, non-public information) to FERC in connection with such investigation, is nonpublic under the provisions of 18 C.F.R. § 1b.9.

AEC25. Please provide a copy of all documents and communications submitted by AEC and/or AEM to the Federal Energy Regulatory Commission (“FERC”) in connection with FERC’s investigation into possible violations of the FERC’s posting and competitive bidding regulations for prearranged released firm capacity on natural gas pipelines. [Request to both AEC and AEM.]

RESPONSE: AEM objects to this request because the data requests received by AEM from FERC do not concern interstate pipeline or storage capacity used to supply Tennessee or Virginia customers, and this request therefore seeks information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. AEM further objects to this request because the investigation is being conducted by the FERC under applicable federal law and the investigation, and because information provided by AEM (which is highly confidential, non-public information) to FERC in connection with such investigation, is nonpublic under the provisions of 18 C.F.R. § 1b.9.

AEC26. Please describe in detail the method used to allocate the annual exchange services payment and the annual optimization payment between the Tennessee and Virginia jurisdictions. Please produce a copy of all documents, workpapers and calculations supporting the described allocation method.

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RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC27. Please state the amount of the annual exchange services payment and the amount of the annual optimization payment shared with AEC's Tennessee ratepayers for the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through 9/30/07.)

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC28. Provide Atmos Energy Corporation's (AEC) FERC Form 2 for Tennessee for the calendar years ending each year from 2003 through 2007.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC29. For each month of AEC's fiscal year ended September 30, 2007, and the months of October through December 2007, provide the total monthly volumes billed by tariff by Atmos to its customers in Tennessee for each of the following areas defined in the company's tariff filed with the Tennessee Regulatory Authority: Areas 1, 2, 3 and 4.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC30. Provide AEC's FERC Form 2 for Virginia for the calendar years ending each year from 2003 through 2007.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC31. For each month of AEC's fiscal years ending September 30, 2004, through September 30, 2007, and the months of October through December 2007, provide the total monthly volumes billed by Atmos to its customers in Virginia.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

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AEC32. For each pipeline providing gas to AEC in Tennessee's areas 1, 2, 3, and 4, as these areas are defined in AEC's tariff filed with the Tennessee Regulatory Authority, provide a copy of the executed Agency Agreement between the pipeline, AEC, and AEM where AEM is designated as AEC's agent to the pipeline.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC33. Based upon information from the pipelines' web sites and customer indexes filings with FERC, AEM is the delivery point operator for all delivery points used to meet AEC's needs in Williamson and Rutherford Counties. East Tennessee Natural Gas is the only pipeline in Tennessee where AEC is a delivery point operator. Please fully explain why AEM, as AEC's asset manager, did not become the operator of all delivery points where AEC has firm transportation contracts with East Tennessee. Please include in your answer any benefit or detriment which accrues to ratepayers as a result of AEC being a delivery point operator on East Tennessee Pipeline. Provide copies of all email, notes, written materials and any other documentation, including any pipeline company and any storage company's tariffs to support your response. [Request to both AEC and AEM.]

RESPONSE: See AEM's response to the CAD's discovery request number twenty-five to AEM.

AEC34. For each operating balance agreement between AEC and East Tennessee where AEC is the delivery point operator, provide the volumetric monthly imbalance in dekatherms or mmccf, the price and charges credited or billed to AEM under East Tennessee's LMSMA tariff, from January 2004 through December 2007.

RESPONSE: This request is not directed to AEM and, as such, no response is required.

AEC35. For each delivery point in Tennessee where AEM is a delivery point operator and for each point where AEC is a delivery point operator, identify who, other than AEM and AEC, makes nominations to the delivery point. [Request to both AEC and AEM.]

RESPONSE: See AEC's response to the CAD's discovery request number thirty-five to AEC.

AEC36. Identify the party, AEC or AEM, who determines the daily amount of actual use expected on all delivery points in Tennessee where AEC has customers. [Request to both AEC and AEM.]

RESPONSE: See AEC's response to the CAD's discovery request number thirty-six to AEC.

AEC37. East Tennessee's Tariff says in part, regarding the Load Management (Market Area) Service tariff:

(d) Access to Information - Transporter will make available within one Business Day following the day of gas flow the best information it has concerning the total physical deliveries. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated deliveries at all delivery points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the day of gas flow, the information regarding the scheduled and allocated deliveries shall become "Operational Data" and Operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the month. Imbalances will be cashed out on the basis of actual deliveries and scheduled quantities.

Explain fully how AEM or AEC makes use of the East Tennessee's information to correct imbalances and how such information is considered in determining the daily amount of actual use expected on all of AEC's delivery points. [Request to both AEC and AEM.]

RESPONSE: See AEM's response to the CAD's discovery request number thirty-six to AEM.

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AEC38. Explain fully AEM's and AEC's participation in the confirmation process where Saltville Storage and the above mentioned pipelines, confirm the nominations made by AEM. [Request to both AEC and AEM.]

RESPONSE: See AEM's response to the CAD's discovery request number thirty-seven to AEM.

AEC39. Please provide a copy of all contracts involving the Tennessee jurisdiction entered into by and between AEC and AEM from January 1, 2004, through December 31, 2007.

RESPONSE: See AEC's response to the CAD's discovery request number thirty-nine to AEC.

AEC40. Please produce copies of all documents referred to or relied upon in responding to these discovery requests. [Request to both AEC and AEM.]

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome, vague, and seeks information protected from discovery by the work product doctrine. Without waiving this objection, AEM states that, except where an objection was entered, documents responsive to the foregoing requests are being produced.

II. FIRST DISCOVERY REQUESTS TO ATMOS ENERGY MARKETING ("AEM")

AEM1. For the period April 1, 2004, through September 30, 2007 and to present as available, please list all transportation and storage assets of AEC managed, optimized, or used by AEM pursuant to the current "Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia" entered into by and between AEC and AEM as of April 1, 2004. For each transportation asset listed, please identify the transporting pipeline, the pipeline contract number, the contract term, and the MDQ. For each storage asset listed, please identify the owner of the storage facility, the storage contract number, the contract term, and the MSQ.

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RESPONSE: See AEC's response to AEC No. 5 to Factual Issues List from the December 21, 2007 Order on the December 13, 2007 Status Conference.

AEM2. Please provide a copy of each pipeline contract and each storage contract for the transportation and storage assets listed in First Discovery Request No. 1, above.

RESPONSE: See AEC's response to AEC No. 5 to Factual Issues List from the December 21, 2007 Order on the December 13, 2007 Status Conference.

AEM3. Please provide a copy of each pipeline and/or storage invoice billed to AEC and/or AEM under the transportation and storage contracts identified in First Discovery Request No. 1, above, during the period January 1, 2004, through December 31, 2007. [Request to both AEC and AEM.]

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Further, AEM objects on the grounds that the request seeks documents that contain information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. By providing information in response to this request, AEM does not concede that such information is relevant, admissible or discoverable. Without waiving these objections, redacted documents responsive to this request, identified as AEM0000224 to AEM0013977, accompany these responses. The documents provided in response to AEM3 and the information contained therein constitute HIGHLY CONFIDENTIAL - AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

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AEM4. The “Natural gas marketing segment” on page 45 of AEC’s Form 10-K for the fiscal year ended September 30, 2006, stated:

To optimize the storage and transportation capacity we own or control, we participate in transactions in which we combine the natural gas commodity and transportation costs to minimize our costs incurred to serve our customers by identifying the lowest cost alternative within the natural gas supplies, transportation and markets to which we have access. Additionally, we engage in natural gas storage transactions in which we seek to find and profit from the pricing differences that occur over time. We purchase physical natural gas and then sell financial contracts at favorable prices to lock in gross profit margins. Through the use of transportation and storage services and derivative contracts, we seek to capture gross profit margin through the arbitrage of pricing differences in various locations and by recognizing pricing differences that occur over time.

For the period April 1, 2004, through September 30, 2007, please list all natural gas optimization transactions, including, but not confined to, all downstream and upstream sales of transportation and storage capacity, involving the transportation and storage assets listed in First Discovery Request No. 1, above. For each transaction, please identify the counter-party to the transaction, the particular transportation and/or storage asset(s) involved in the transaction, the date of the transaction, the actual volumes included in the transaction, the actual sales or settlement price paid by the counter-party for the released capacity, and any internal profit and loss calculations or assumptions related to the transaction.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, the information requested does not exist in the designated format and the information as requested is not kept in the normal course of AEM’s business practices. Without waiving these objections, see the documents produced by AEM to the CAD’s discovery request number five to AEM. The documents provided in response to AEM5 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

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AEM5. Please provide excel spreadsheets that compute the amount of profit and loss attributable to AEM's optimization of the transportation and storage assets listed in First Discovery Request No. 1, above, for the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007. Include in your response a narrative of all the assumptions used in calculating the profit and loss, including, but not confined to, whether the profit and loss computations are based on actual or imputed transactions and amounts.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, the documents requested do not exist in the designated format and the information as requested is not kept in the normal course of AEM's business practices. Without waiving these objections, see documents identified as AEM0014373 to AEM0014417 and AEM0014625 to AEM0014645, which are estimates of the profit and loss that are attributable to AEM's optimization of the transportation and storage assets for the years ending September 30, 2006 and September 30, 2007. The information necessary to create a similar spreadsheet for the year ending September 30, 2005, is not readily accessible. These documents were created for the sole purpose of responding to this discovery request. The foregoing information and the information below in response to AEM5, as well as the referenced documents and the information contained therein, constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

REDACTED

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REDACTED

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PROTECTIVE ORDER.

REDACTED

AEM6. Please provide a copy of all bid documents provided by AEM to AEC in response to AEC's request for proposal (RFP) that resulted in AEC's awarding to AEM the current Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia entered into by AEC and AEM as of April 1, 2004.

RESPONSE: See AEC's response to the CAD's discovery request number ten to AEC. These documents and the information contained therein constitute HIGHLY CONFIDENTIAL (Outside Counsel Only) information that is subject to the terms of the Protective Order in this matter.

AEM7. Please provide a copy of all documents related to AEM's calculation of the intrinsic value and extrinsic value of the transportation and storage assets listed in First Discovery Request No. 1, above.

RESPONSE: Documents that are responsive to this request, identified as AEM0014418 to AEM0014419, accompany this response.

REDACTED

The foregoing information and the documents provided in response to AEM7 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM8. Please describe in detail the assumptions, rationale, and calculations that were made to arrive at the amount of the annual exchange services payment and the amount of THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION SUBJECT TO A PROTECTIVE ORDER.

the annual optimization payment for the current “Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia” entered into by and between AEC and AEM as of April 1, 2004. [Request to both AEC and AEM.]

RESPONSE: For its response to this request, see the documents produced in response to the CAD’s discovery request number seven to AEM.

REDACTED

The foregoing information and the information below in response to AEM8, as well as the referenced documents and the information contained therein, constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter. With reference to these documents, AEM further responds as follows:

REDACTED

REDACTED

REDACTED

REDACTED

AEM9. Please list all of AEM's industrial, municipal, and other customers located or operating in Tennessee and Virginia for the years ended September 30, 2005, September 30, 2006, and September 30, 2007. For each customer, list the monthly volumes of natural gas supplied; the pipeline interconnection, city gate, and/or master meter used to deliver the natural gas supplied; and a detailed geographic location (street address, city, and state) of the customer's meter or receipt point where the customer received delivery of the natural gas supplied. Also, for each AEM customer listed, please indicate whether the customer's meter or receipt point where the customer received delivery of the natural gas supplied is inside or outside of AEC's authorized service area.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Further, AEM objects on the grounds that part of the request seeks information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. By providing information in response to this request, AEM does not concede that such information is relevant, admissible or discoverable. Without waiving these objections, the redacted list requested accompanies this response and is identified as AEM0014420 to AEM0014624. Please note that AEM has some, but not all, of the geographic locations (street address, city, and state) of the customer's meter or receipt point where the customer received delivery of the natural gas supplied. For those locations for which AEM does not have the delivery point address, AEM provided the address that is contained in their records. The documents provided in response to AEM9 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

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AEM10. Please produce copies of all of AEM's published and internal financial statements (including, but not confined to, monthly, quarterly, and/or annual balance sheets and income statements and financial statement notes) for the years ended September 30, 2004, September 30, 2005, September 30, 2006, and September 30, 2007.

RESPONSE: Internal documents responsive to this request, identified as AEM0000001 to AEM0000051, accompany these responses. These documents and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM11. Please produce copies of all of AEM's Tennessee franchise and excise tax returns for the fiscal years ended September 30, 2004, September 30, 2005, September 30, 2006, and September 30, 2007.

RESPONSE: Responsive documents for the years 2004, 2005, and 2006, identified as AEM0000052 to AEM0000097, accompany these responses. AEM does not have responsive documents for 2007. These documents and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM12. Please produce copies of AEM's general accounting ledger and related chart of accounts for the fiscal years ended September 30, 2004, September 30, 2005, September 30, 2006, and September 30, 2007.

RESPONSE: AEM objects to this request on the grounds that the request is overly broad and seeks documents that contain information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence.

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AEM13. Please provide AEM's total dollar amount and volume of sales by type of sale for the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007, by fiscal year.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, the information as requested is not kept in the normal course of AEM's business practices. Without waiving this objection, see the document identified as AEM0000098 to AEM0000100 that accompanies this response. This document was created for the sole purpose of responding to this discovery request. These documents and the information contained therein in response to AEM13 constitute CONFIDENTIAL INFORMATION that is subject to the Protective Order in this matter.

AEM14. Please provide AEM's total dollar amount and volume of sales related to the optimization the transportation and storage assets listed in First Discovery Request No. 1, above, for the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007, by fiscal year.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, the documents requested do not exist in the designated format and the information as requested is not kept in the normal course of AEM's business practices. Without waiving these objections, see AEM's response to the CAD's discovery request number five to AEM. The documents provided in response to AEM5 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM15. Please provide the amount of net income for AEM which was generated from its optimization of the transportation and storage assets listed in First Discovery Response
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No. 1, above, for the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007 by fiscal year. Include in your response all calculations and supporting documentation.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, the information as requested is not kept in the normal course of AEM's business practices. Without waiving these objections, see AEM's response to the CAD's discovery request number five to AEM. The documents provided in response to AEM5 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM16. Please provide the excel spreadsheets by AEM customer, which indicate the profit and loss for each AEM customer for the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007. Include in your response a narrative of the assumptions used in calculating the profit and loss for each AEM customer.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, the documents requested do not exist in the designated format and the information as requested is not kept in the normal course of AEM's business practices. See AEM17.

AEM17. Please provide the basis for allocation of the pipeline and storage demand fees to each AEM customer and the amounts allocated to each AEM customer for the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, AEM neither allocates pipeline or storage demand fees to its individual customers nor has the ability to make such allocations. Without waiving this objection, AEM states that, rather than allocating fees or

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specific costs to each customer, it calculates a gross margin number by deducting the total costs of goods sold from total revenue.

AEM18. Please provide the basis for allocation of common costs of AEM to each AEM customer and the amounts allocated to each AEM customer for the fiscal years ended September 30, 2005, September 30, 2006, and September 30, 2007. Include in your response a narrative of the assumptions used in determining the basis for allocation of the common costs of AEM.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Specifically, AEM does not allocate common overhead costs to specific pipelines or customers. Without waiving this objection, see AEM's response to the CAD's discovery request number seventeen to AEM.

AEM19. Please provide copies of all invoices billed from AEM to AEC pursuant to the current Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia entered into by AEC and AEM as of April 1, 2004, for the last four fiscal years ended September 30, 2007 (FYE 9/30/04 through FYE 9/30/07).

RESPONSE: See the documents or information provided in response to the CAD's discovery request number twenty to AEC. The documents provided in response to AEC20 and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM20. Please provide a copy of all documents received by AEC and/or AEM from the Federal Energy Regulatory Commission ("FERC") in connection with FERC's investigation into possible violations of the FERC's posting and competitive bidding regulations for prearranged released firm capacity on natural gas pipelines. [Request to both AEC and AEM.]

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RESPONSE: AEM objects to this request because the data requests received by AEM from FERC do not concern interstate pipeline or storage capacity used to supply Tennessee or Virginia customers, and this request therefore seeks information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. AEM further objects to this request because the investigation is being conducted by the FERC under applicable federal law and the investigation, and because information provided by AEM (which is highly confidential, non-public information) to FERC in connection with such investigation, is nonpublic under the provisions of 18 C.F.R. § 1b.9.

AEM21. Please provide a copy of all documents submitted by AEC and/or AEM to the Federal Energy Regulatory Commission (“FERC”) in connection with FERC’s investigation into possible violations of the FERC’s posting and competitive bidding regulations for prearranged released firm capacity on natural gas pipelines. [Request to both AEC and AEM.]

RESPONSE: AEM objects to this request because the data requests received by AEM from FERC do not concern interstate pipeline or storage capacity used to supply Tennessee or Virginia customers, and this request therefore seeks information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. AEM further objects to this request because the investigation is being conducted by the FERC under applicable federal law and the investigation, and because information provided by AEM (which is highly confidential, non-public information) to FERC in connection with such investigation, is nonpublic under the provisions of 18 C.F.R. § 1b.9.

AEM22. Please provide a copy of all profit and loss statements and/or calculations prepared by or on behalf of AEM from January 1, 2004, through December 31, 2007.

RESPONSE: See response to the CAD’s discovery request number ten to AEM. The documents and the information contained therein in response to AEM10 constitute HIGHLY

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AEM23. Provide copies of all Operating Balance Agreements between AEM and East Tennessee Natural Gas Pipeline and between AEC and East Tennessee Natural Gas Pipeline.

RESPONSE: AEM does not have in its possession the executed agreement; however, the documents identified as AEM0000101 to AEM0000104 that accompany this response sets forth the terms and conditions of such agreements.

AEM24. Provide copies of all Operating Balance Agreements between AEM and Tennessee Gas Pipeline, Columbia Gulf Transmission Pipeline, and Texas Eastern Pipeline where AEM is the delivery point operator for a delivery of gas to AEC. For example, Texas Eastern's web site displays this information showing that AEM is the operator of points that deliver gas to AEC:

Point Name	STATE	COUNTY	OPERATOR NAME	LOC PURP DESC
United Cities -Nolensville, TN	TN	WILLIAMSON	ATM05 ENERGY MARKETING, LLC.	DELIVERY
United Cities - Franklin, TN	TN	WILLIAMSON	ATM05 ENERGY MARKETING, LLC.	DELIVERY
United Cities - Columbia, TN	TN	MAURY	ATM05 ENERGY MARKETING, LLC.	DELIVERY
Unit Cities - Murfreesboro, TN	TN	RUTHERFORD	ATM05 ENERGY MARKETING, LLC.	DELIVERY
UC -Williamson, TN (B/D 76025)	TN	WILLIAMSON	ATM05 ENERGY MARKETING, LLC.	DELIVERY
UC -Williamson, TN (B/D 73025)	TN	WILLIAMSON	ATM05 ENERGY MARKETING, LLC.	RECEIPT

And CGT's web site identifies these delivery points as being operated by AEM but used to deliver gas to AEC in Williamson County:

UC-GOVERNORS CLUB

UCG-BURWOOD

UCG-TRIUNE CONNECTOR

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RESPONSE: AEM does not hold Operational Balancing Agreements with Texas Eastern and Columbia Gulf or Tennessee Gas Pipeline where AEM is the delivery point operator for delivery of gas to AEC. Because Texas Eastern and Columbia Gulf have not offered Operational Balancing Agreements at these locations, AEM is required as the asset manager for AEC to become the point operator for these meters to perform the administrative duties associated with nominations and balancing at those meters. The practice of Texas Eastern and Columbia Gulf is to allocate imbalances in scheduled versus allocated quantities to the upstream contracts delivering to the applicable delivery points pursuant to predetermined allocation rules. Tennessee Gas Pipeline does handle imbalances through Operational Balancing Agreements, however, AEC does not have any city gates in the state of Tennessee that are tied to Tennessee Gas Pipeline.

AEM25. Based upon information from the pipelines' web sites and customer indexes filings with FERC, AEM is the delivery point operator for all delivery points used to meet AEC's needs in Williamson and Rutherford Counties. East Tennessee Natural Gas is the only pipeline in Tennessee where AEC is a delivery point operator. Please fully explain why AEM, as AEC's asset manager, did not become the operator of all delivery points where AEC has firm transportation contracts with East Tennessee. Please include in your answer any benefit or detriment which accrues to ratepayers as a result of AEC being a delivery point operator on East Tennessee Pipeline. Provide copies of all email, notes, written materials and any other documentation, including any pipeline company and any storage company's tariffs to support your response. [Request to both AEC and AEM.]

RESPONSE: AEM has the ability to perform the Gas Exchange and Optimization Services Agreement for the Service Areas in the States of Tennessee and Virginia entered into by AEC and AEM as of April 1, 2004 regardless of whether AEM or AEC is the delivery point operator. There is no benefit or detriment to AEC or its ratepayers regardless of whether AEM or AEC is operator for the delivery points, as this is largely an administrative function. East Tennessee's tariff provides that no more than 25% of total pipeline capacity can be aggregated in a single OBA. Specifically, East Tennessee's tariff, Rate Schedule LMS-MA 1.1(c), provides as follows: "...Aggregator's OBA may not exceed 25% of Transporter's maximum daily firm delivery obligation under Rate Schedules FT-A, FT-GS and FT-L for all shippers." Adding AEC's meters to AEM's OBA on East Tennessee would exceed the 25% limit. For this reason, AEC's meters are contained in an individual OBA held by AEC for which AEC is the delivery point operator on ETNG. As AEC's designated agent on ETNG, AEM has the ability to manage administrative balancing nomination functions on behalf of AEC, and AEM is responsible for balancing penalties or cash-outs resulting from AEM's actions or inactions on the pipeline. As such, other than agency authorization agreements submitted by AEC to the respective pipelines, no written documentation would have been generated.

AEM26. For each delivery point in Tennessee where AEM is a delivery point operator or where AEC is a delivery point operator, identify the number of customers at each point where AEM is the transporter of gas for customers at or behind the delivery point for each month from January 1, 2004 to December 31, 2007.

RESPONSE: As a point of clarification, AEM does not have transportation customers, meaning customers who seek only transportation service from AEM, because AEM is not a pipeline or distribution company. Instead, AEM may provide other services to its customers' facilities that are located behind an AEC or other utility city gate. If AEM provides gas commodity to such a

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customer, then the utility is the transporter. AEM is only provided information with respect to AEC customers downstream of the city gate when such AEC customers are also AEM customers. AEM understands the request as asking AEM to identify AEM's customers on AEC's distribution system. If AEM correctly understands the request, then see AEM's response to the CAD's discovery request thirty-three to AEM. If AEM's understanding is incorrect, then it will provide a supplemental response upon clarification. The documents and the information contained therein and provided in response to AEM33 constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM27. A customer index filed by Saltville Storage LLC shows Atmos having contracts with the storage company. Provide a copy of AEM's current and past contracts with Saltville Storage LLC.

RESPONSE: Documents responsive to this request accompany these responses as AEM0000105 to AEM0000124. These documents and the information contained therein constitute CONFIDENTIAL INFORMATION that is subject to the terms of the Protective Order in this matter.

AEM28. Provide a copy of all invoices rendered to AEM by Saltville Storage LLC from January 1, 2004 to December 31, 2007. If these invoices do not include a monthly summary of total injection quantities and withdrawal quantities charged to AEM's account, then provide such data in an excel spread sheet.

RESPONSE: Documents responsive to this request accompany these responses as AEM0000125 to AEM0000223.

AEM29. If any of AEM's customers have held or now hold capacity in Saltville, then identify the customer, the dates of the business-relationship, and explain AEM's efforts on the customer's behalf to bring gas to Saltville.

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RESPONSE: AEM states that its efforts on customers' behalf involve injecting gas into Saltville Storage during summer or other off-peak usage periods and withdrawing gas from storage during periods of peak gas usage. AEM's response to this request, which is CONFIDENTIAL INFORMATION and subject to the terms of the Protective Order entered in this matter, is as follows:

Customers	Dates of Relationship
Customer #1	November 2000 to present.
Customer #2	November 1996 to present.
Customer #3	February 2000 to present.
Customer #4	June 1, 2007 to present.

AEM's efforts for **REDACTED** are limited to making sure that the accounts are full and scheduling them out on peak days. **REDACTED** above uses its Saltville capacity to balance daily burns against scheduled deliveries. The information contained in this response constitutes CONFIDENTIAL INFORMATION that is subject to the terms of the Protective Order in this matter.

AEM30. Explain fully how AEM delivers and delivered gas to Saltville Storage LLC.

RESPONSE: AEM delivers and delivered gas to Saltville by scheduling gas on various ETNG transportation contracts to the Saltville injection meter on ETNG. AEC storage injections into Saltville are based upon the billable plan or in response to specific operational requirements. AEM, as asset manager, assumes responsibility for imbalance charges and monthly cash-outs per the Asset Management Agreement.

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AEM31. For each operating balance agreement between AEM and East Tennessee where AEM is the delivery point operator, provide the volumetric monthly imbalance in dekatherms or mmf, the price and charges charged to or credited to AEM or its customers under East Tennessee's LMSMA tariff, from January 2004 through December 2007.

RESPONSE: AEC is invoiced based upon actual deliveries pursuant to the interstate pipeline invoices. As asset manager, AEM assumes responsibility for monthly imbalance charges. See pipeline cash-out information contained in the redacted pipeline invoices provided in AEM's response to the CAD's discovery request number three to AEM. The documents and information contained therein in response to AEM3 constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter. Moreover, AEM objects on the grounds that the documents produced in response to AEM3 and referenced herein contain information that is neither relevant nor reasonably calculated to lead to the discovery of relevant or admissible evidence.

AEM32. For each delivery point in Tennessee where AEM is a delivery point operator and for each point where AEC is a delivery point operator, identify who, other than AEM and AEC, makes nominations to the delivery point. [Request to both AEC and AEM.]

RESPONSE: See AEC's response to the CAD's discovery request number thirty-five to AEC. The referenced information constitutes HIGHLY CONFIDENTIAL INFORMATION that is subject to the Protective Order in this matter.

AEM33. AEM agrees that it makes nominations for gas delivery to delivery points where AEC serve its customers. For nominations made by AEM for delivery of gas to points where AEC is the delivery point operator (only on East Tennessee), provide a monthly summary which displays the nomination amount and the actual "burn" for AEM's transportation's customers from January 2004 through December 2007. If the "burn" at AEC's delivery points includes transportation customers who are not AEM's customers, then separate those amounts. THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION SUBJECT TO A PROTECTIVE ORDER.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Further, AEM objects on the grounds that the request seeks documents that contain information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. By providing information in response to this request, AEM does not concede that such information is relevant, admissible or discoverable. Without waiving these objections, AEM responds as follows: AEM invoices AEC based upon actual usage pursuant to the East Tennessee pipeline meter statements (meter statements are a part of the pipeline invoices produced in response to the CAD's discovery request number three to AEM), less any third party volumes consumed by AEM transportation customers. For the monthly nominated volumes that AEM was able to capture in response to this request, see the redacted documents identified as AEM0013978 to AEM0014222 that accompanying these responses. For monthly burn volumes, see the redacted documents identified as AEM0000224 to AEM0013977. The documents and the information contained therein constitute HIGHLY CONFIDENTIAL – AEM MATERIAL (Outside Counsel Only) that is subject to the Protective Order in this matter.

AEM34. Explain fully how the “burn” or actual use of gas by transportation customers behind AEM’s delivery points is metered and how that information is communicated to AEC and AEM.

RESPONSE: AEC downloads the transportation customer “burn” volumes from the remote access SCADA equipment at each transportation customer’s meter and subsequently provides that data to transportation customers and AEM via its electronic bulletin board.

AEM35. Identify the party, AEC or AEM, who determines the daily amount of actual use expected on all delivery points in Tennessee where AEC has customers. [Request to both AEC and AEM.]

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RESPONSE: Both AEC and AEM project daily requirements based upon linear regression analysis of AEC historical volumes utilizing forecasted heating degree days as the independent variable input. During peak day usage, periods of pipeline restrictions or OFOs, AEM confers with AEC Gas Control to ensure the proper amount of gas is scheduled to AEC meters.

AEM36. East Tennessee's Tariff says in part, regarding the Load Management (Market Area) Service tariff:

(d) Access to Information - Transporter will make available within one Business Day following the day of gas flow the best information it has concerning the total physical deliveries. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated deliveries at all delivery points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the day of gas flow, the information regarding the scheduled and allocated deliveries shall become "Operational Data" and Operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the month. Imbalances will be cashed out on the basis of actual deliveries and scheduled quantities.

Explain fully how AEM or AEC makes use of the East Tennessee's information to correct imbalances and how such information is considered in determining the daily amount of actual use expected on all of AEC's delivery points. [Request to both AEC and AEM.]

RESPONSE: AEM uses East Tennessee's gas flow information for the following purposes:

1. AEM uses the information to compare against scheduled gas to the points within each East Tennessee Operational Balancing Agreement to determine daily and cumulative balances within each month. Based on those determinations, AEM takes corrective action by either increasing or decreasing scheduled deliveries in order to balance within tolerances during the month.
2. AEM uses the information to insure that AEM stays within defined tolerances on OFO or MAD days during which East Tennessee has implemented daily penalties.

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3. AEM uses the daily operational consumption information, along with Heating Degree Days, as part of its methodology in forecasting future daily usage.

AEM37. Explain fully AEM's and AEC's participation in the confirmation process where Saltville Storage and the above mentioned pipelines, confirm the nominations made by AEM. [Request to both AEC and AEM.]

RESPONSE: AEM's participation in the confirmation process consists of AEM (i) scheduling gas to Saltville Storage contract on an East Tennessee transportation contract and (ii) scheduling gas away from Saltville Storage contract on an East Tennessee transportation contract. In each case, AEM uses the same DUNS number on the Saltville Storage and East Tennessee sides and the matching of these DUNS numbers completes the scheduling process, subject to any restrictions that Spectra Energy may have in place on either Saltville Storage or East Tennessee. AEC also has a direct connection to Saltville Storage that is controlled and monitored by AEC's gas control department.

AEM38. Fully explain the benefits and disadvantages to Tennessee's ratepayers of AEM making delivery nominations for the OBA composed of delivery points where AEC is the delivery point operator.

RESPONSE: The OBA provides an administrative benefit allowing aggregation and balancing of multiple meters as provided by ETNG tariff Rate schedule LMS-MA, sheet No. 171. AEM's making delivery nominations for the OBA composed of delivery points where AEC/AEM is the delivery point operator neither benefits nor disadvantages Tennessee's ratepayers. See AEM25.

AEM39. Fully explain the benefits and disadvantages to AEM for making delivery nominations for the OBA composed of delivery points where AEM is the delivery point operator.

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RESPONSE: The OBA provides an administrative benefit allowing aggregation and balancing of multiple meters as provided by ETNG tariff Rate schedule LMS-MA, sheet No. 171. AEM's making delivery nominations for the OBA composed of delivery points where AEC/AEM is the delivery point operator neither benefits nor disadvantages AEM or AEC's ratepayers. See AEM 25.

AEM40. Please read and consider the following from 118 FERC ¶ 61,239:

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION
Before Commissioners: Joseph T. Kelliher, Chairman;
Sueleen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.
East Tennessee Natural Gas, LLC Docket Nos. RP00-469-011, RP00-469-012, RP01-22-013, RP01-22-014, RP03-177-008, RP03-177-009
ORDER ON SEGMENTATION REPORT AND
PRO FORMA COMPLIANCE FILING
(Issued March 23, 2007)

The FERC ordered as follows:

The Commission orders:

- (A) The 2006 Segmentation Report is accepted for filing.
- (B) The language contained on the pro forma tariff sheets and substitute pro forma tariff sheets listed in the Appendix is approved.
- (C) East Tennessee is directed to file actual tariff sheets with an effective date of October 1, 2007, or such earlier date as proposed, which correspond to the language contained on the pro forma tariff sheets accepted by this order. Such tariff sheets must be filed in accordance with the prior notice provisions of the Commission's regulations.
- (E) East Tennessee is directed to file a report concerning the implementation of its Enhanced Segmentation proposal as discussed in the body of this order.

At paragraph 17 of the order, FERC stated:

In its transmittal letter, East Tennessee states that Enhanced Segmentation will enable shippers to deliver the contract's maximum daily transportation quantity (MDTQ) multiple times to locations subject to a single point OBA, and deliver

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the MDTQ multiple times to points subject to Aggregator OBAs that cover points within the same Pipeline Operational Section (POS) provided that no receipt points occur between the Aggregator OBA's delivery points, whether on the mainline or on a lateral. Further, it states that shippers may release, by segmentation, all or a portion of their capacity on any portion of the system within the contract path on a permanent or temporary basis.

A. Fully explain whether AEM's nominations for the OBA composed of delivery points where AEC is the delivery point operator, will change or are changing because of East Tennessee's implementation of the FERC's order.

RESPONSE: AEM's nomination methods for the OBA composed of delivery points where AEC is the delivery point operator are not changing and will not change because of East Tennessee's implementation of the FERC's order.

B. Fully explain whether AEM's nominations for the OBA composed of delivery points where AEM is the delivery point operator, will change or are changing because of East Tennessee's implementation of FERC's order.

RESPONSE: AEM's nomination methods for the OBA composed of delivery points where AEM is the delivery point operator are not changing and will not change because of East Tennessee's implementation of the FERC's order.

AEM41. Before proceeding to answer the following discovery request regarding AEM's nominations on behalf of AEC, you may wish to refer to the following public records available at the Federal Energy Regulatory Commission's web site and issued by the East Tennessee Natural Gas Company in response to FERC's Orders:

East Tennessee Natural Gas, LLC submits an updated Segmentation Report for Year Ending 8/31/06 under RP00-469 et al. [Filed 12/04/2006] with URL of: http://elibrary.ferc.gov/idmws/search/intermediate.asp?link_desc=yes&slcfilelist=11203849:0

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East Tennessee Natural Gas, LLC submits its Segmentation Report under RP00-469 et al. [Filed 11/04/2005] filed with URL of: http://elibrary.ferc.gov/idmws/search/intermediate.asp?link_desc=yes&slcfilelist=10883697:0

Each report contains an addendum which the report labels “Attachment C - Deviations From Nominated Deliveries.” The addendum for each report shows very large differences between the gas amounts nominated by AEM and AEC’s actual gas use for certain days chosen by the pipeline.

East Tennessee chose these days to represent its pipeline system:

- “January 23, 2005 -Peak Day”
- “February 5, 2005 - Non-Peak Winter Day”
- “July 3, 2005 Summer Period Day”
- “February 13, 2006 -Peak Day”
- “January 15, 2006 - Non-Peak Winter Day”
- “August 1, 2006 Summer Period Day.”

On the cover page of its December 4, 2006 report, East Tennessee compared its pipeline system in 2005 with its pipeline system in 2006, and told FERC, “As discussed more fully in this segmentation report, certain of the characteristics and location and frequency of null points on East Tennessee’s system did change during the last reporting period, but the resulting change in the operating dynamics of the pipeline system was not significant.”

One of AEC’s delivery points is 59002, Bristol, TN. East Tennessee’s reports to FERC display this dekatherm data for meter 59002:

	Meter 59002 Atmos Bristol		Imbalance %	Difference
	Nominated and Scheduled	Actual Use	[Nominated/Actual] - 1	
July 3, 2005 Summer Period Day.	11,732	775	1414%	10,957
August 1, 2006 Summer Period Day.	6,600	1,364	384%	5,236
February 5, 2005 - Non-Peak Winter Day	6,993	3,341	109%	3,652
January 15, 2006 - Non-Peak Winter Day	24,704	4,097	503%	20,607

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January 23, 2005 -Peak Day	15,626	7,301	114%	8,325
February 13, 2006 -Peak Day,	41,007	6,282	553%	34,725

A. Fully explain why AEM's peak day nominations for the Bristol Delivery Point, where AEC is delivery point operator, were 41,007 while the actual usage was only 6,282.

RESPONSE: The Operational Flow Order in place on East Tennessee's system on the peak day of February 13, 2006 required that AEM increase scheduled gas quantities in order to meet forecasted demand. In such a situation, since delivery quantities are aggregated within each Operational Balancing Agreement, it is more efficient for AEM to increase scheduled gas quantities at one meter than to attempt to match delivered quantity with projected usage at each of the 45 East Tennessee AEC meters. Such approach, which is consistent with East Tennessee's tariff, has no negative impact on AEC's ratepayers. In this case, Bristol Meter No. 59002 was selected for convenience. As provided in AEM 31, AEC is invoiced based upon actual deliveries pursuant to the interstate pipeline invoices. As asset manager, AEM assumes all responsibility for monthly imbalance charges.

B. Fully explain what happened to 34,725 dekatherms that were not actually used at the delivery point. If the amount was credited to one of AEM's storage accounts, identify the account and the physical location where the over-nominated gas was stored.

RESPONSE: AEM objects to this request on the grounds that it is overly burdensome and the costs to produce such information exceed the benefit to the CAD. Further, AEM objects on the grounds that the request seeks documents that contain information that is neither relevant to this proceeding nor reasonably calculated to disclose or lead to the discovery of relevant evidence. By providing information in response to this request, AEM does not concede that such information is relevant, admissible or discoverable. Without waiving these objections, AEM
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responds as follows: The excess volume nominated to the Bristol Meter was allocated to other AEC East Tennessee delivery meters within the Operational Balancing Agreement. To fully explain, as requested, what happened to 34,725 dekatherms that were not actually used at the delivery point, see the redacted documents identified as AEM0014223 to AEM0014372 that accompany these responses.

AEM42. Fully explain the benefit and/or disadvantage to ratepayers of AEM nominating more gas than is used at delivery points where AEC is the delivery point operator.

RESPONSE: There is no benefit or disadvantage to ratepayers of AEM nominating more gas than is used at delivery points where AEC is the delivery point operator since all meters are aggregated under the Operational Balancing Agreement and since AEC is only invoiced on actual usage, with AEM assuming responsibility for imbalance.

AEM43. Fully explain how AEM decides to nominate a particular amount of gas delivery to a particular delivery point where AEC is the delivery point operator. Include any tariff provision, any pipeline operational consideration, and any capacity release consideration that contributes to this nomination process.

RESPONSE: AEM forecasts the aggregate demand for the AEC meters in the Operational Balancing Agreement. Consistent with the OBA provisions in East Tennessee's tariff, and dependent upon other restrictions and parameters, the scheduler may, at his or her discretion, spread increases or decreases over a subset of the larger delivery points. It is also possible that East Tennessee could impose restrictions on a certain peak day in the future that might require scheduled quantities to be more precise to specific delivery points, although this has not happened to date.

AEM44. Fully explain how AEM decides to nominate a particular amount of gas delivery to a particular delivery point where AEM is the delivery point operator. Include any

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tariff provision, any pipeline operational consideration, and any capacity release consideration that contributes to this nomination process.

RESPONSE: AEM is the delivery point operator for AEC's demand areas in the FR/MU/CO area served by Columbia Gulf Transmission and Texas Eastern Transmission. In the case of Columbia Gulf, AEM nominates to three (3) different interconnects in the same general area. AEM uses its daily forecast to determine the quantities to be scheduled to these gate stations. While imbalances associated with actual burns are pushed back to the transportation contracts, large imbalances are discouraged. Scheduling on Texas Eastern the city gates in this area has minimal tolerance. AEM, therefore, forecasts daily and makes changes daily in an attempt to keep scheduled quantities within the 10% tolerance established by Texas Eastern. Quantities scheduled outside the tolerance are assessed U2 charges on a daily basis. In addition, Texas Eastern cashes out imbalances at the end of the month. Cash-outs outside a 5% tolerance are increasingly punitive in nature.

AEM45. Please produce copies of all documents referred to or relied upon in responding to these discovery requests. [Request to both AEC and AEM.]

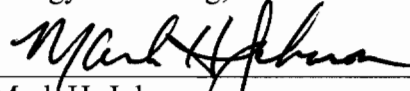
RESPONSE: AEM objects to this request on the grounds that it is overly burdensome, vague, and seeks information protected from discovery by the work product doctrine. Without waiving this objection, AEM states that, except where an objection was entered, documents responsive to the foregoing requests are being produced.

VERIFICATION

I hereby swear or affirm that the answers to the foregoing discovery requests are true and accurate to the best of my knowledge and based upon information reasonably available to me.

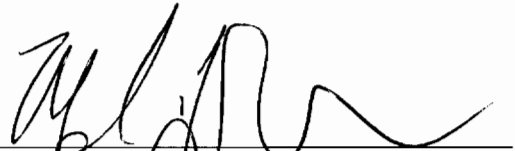
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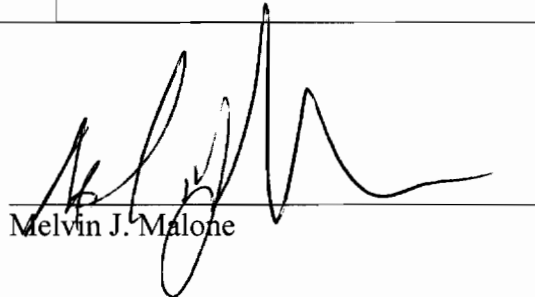
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via first-class

U.S. Mail, postage prepaid, hand-delivery or electronic mail upon:

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This the 11 of March, 2008.



Melvin J. Malone

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