

WALLER LANSDEN DORTCH & DAVIS, LLP

NASHVILLE CITY CENTER
511 UNION STREET, SUITE 2700
NASHVILLE, TENNESSEE 37219-8966
(615) 244-6380
FAX: (615) 244-6804
www.wallerlaw.com

1901 SIXTH AVENUE NORTH, SUITE 1400
BIRMINGHAM, ALABAMA 35203-2623
(205) 214-6380

520 SOUTH GRAND AVENUE, SUITE 800
LOS ANGELES, CALIFORNIA 90071
(213) 362-3680

D. Billye Sanders
(615) 850-8951
billye.sanders@wallerlaw.com

filed electronically in docket office on 11/19/07

November 19, 2007

VIA HAND DELIVERY

Eddie Roberson, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: In Re: Docket to Evaluate Atmos Energy Corporation's Gas Purchases
and Related Sharing Incentives
Docket No. 07-00225

Dear Chairman Roberson:

Enclosed are the original and 4 copies of Stand Energy Corporation's Statement of Initial Claims, Proposed Issues, Classification of Issues and Response to Atmos Energy Corporation's Motion to Defer Litigation Costs in this Docket. A copy has been filed electronically.

Sincerely,



D. Billye Sanders
Attorney for Stand Energy
Corporation

cc: John M. Dosker
Parties of Record

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE: DOCKET TO EVALUATE)
ATMOS ENERGY CORPORATION'S)
GAS PURCHASES AND RELATED) DOCKET NO. 07-00225
SHARING INCENTIVES)

**STAND ENERGY CORPORATION'S STATEMENT OF INITIAL CLAIMS,
PROPOSED ISSUES, CLASSIFICATION OF ISSUES AND RESPONSE TO
ATMOS ENERGY CORPORATION'S MOTION TO DEFER LITIGATION
COSTS IN THIS DOCKET**

The following is Stand Energy Corporation's ("Stand Energy's") response to the list of requests from the Hearing Officer pursuant to his Order dated November 8, 2007 on the November 5, 2007 Pre-Hearing Conference.

1. Provide a Short and Plain Statement of Stand Energy's Claims with regard to each issue to be decided in this docket, starting with the issues listed in Attachment A to the Pre-Hearing Conference Order.

RESPONSE:

Stand Energy is not in a position to have a "claim" until it has had the benefit of discovery. However, generally speaking Stand Energy wants to know the specifics of how Atmos Energy Marketing is managing the assets of Atmos Energy Corporation. As the facts of this case and the issues presented are developed in discovery, Stand Energy will be in a better position to make suggestions to the TRA about how to resolve issues. If Atmos Energy Marketing is utilizing assets of Atmos Energy Corporation in an inefficient or anti-competitive manner, then Stand

Energy will suggest methods to improve efficiency and competition in Atmos' Tennessee territory.

2. Provide a list of additional issues and a statement of Stand Energy's claim with respect to those issues.

RESPONSE:

Stand Energy suggests the following issues to be added to the issue list:

- A. What assets (Firm Transportation and Storage) of the Atmos Energy Corporation does Atmos Energy Marketing use to serve gas transportation customers?
- B. Are the transportation customers served by Atmos Energy Marketing charged the full costs of the capacity that is used to serve them? If the answer is no, who pays for the difference?
- C. On Atmos Energy Corporation's peak day, what capacity does Atmos Energy Marketing use to serve its transportation customers?

See response to item 1 above regarding statement of Stand Energy's claim.

3. Should any of the issues on Attachment A should be deleted.

RESPONSE: No, none of the issues on Attachment A should be deleted.

4. Identify any issues the parties determine to be legal issues or issues that should be decided as threshold issues.

RESPONSE:

After reviewing the issues on Attachment A, Stand has determined that in addition "threshold issues"¹ and legal issues, there are also questions of fact and policy on the list. Attached is the Attachment A issues list with a letter by each

¹ Stand interprets "threshold issues" as those that involve facts that are necessary to determine what the arrangement is between Atmos and its marketing affiliate. These facts must be ascertained before determining and applying applicable law.

issue. The letter indicates which type of issue Stand Energy contends that it is.

The legend for the letters is as follows:

T= Threshold issue

L=Legal issue

F=Fact issue

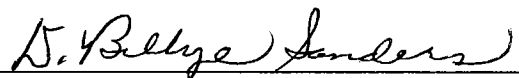
P=Policy issue

5. Response to Atmos' Motion for an Order allowing it to defer costs associated with the litigation in Docket No. 07-00225.

RESPONSE: Stand Energy has no objection to the TRA allowing Atmos Energy Corporation to defer costs associated with this docket at this time. However, its is Stand Energy's understanding that Atmos is not requesting the TRA to make a decision on recovery of expenses at this time, but merely seeking permission to defer the expense so that options for recovery may remain open. Stand would, however, request an opportunity to state its position on recovery of the costs of the litigation in this docket before a determination is made regarding recovery. Stand recommends that the determination regarding the appropriateness of recovery be made at a later time.

Respectfully Submitted,

Stand Energy Corporation

By: 
D. Billye Sanders
Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
Nashville, Tennessee 37219

Attorney for Stand Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been hand-delivered, e-mailed or faxed to the following parties of interest on this 19th day of November of 2007.

William T. Ramsey, Esq.
A. Scott Ross
Neal & Harwell, PLC
1 Nashville Place, Suite 2000
150 Fourth Avenue North
Nashville, TN 37219-2498

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

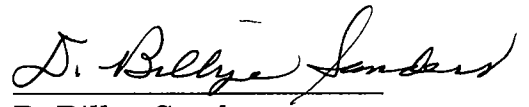
Vance L. Broemel
Joe Shirley
Office of the Attorney General
Consumer Advocate and Protection Division
PO Box 20207
Nashville, TN 37202

Henry Walker
Boult, Cummings, Conners & Berry
1600 Division Street, Suite 700
PO Box 340025
Nashville, TN 37203

R. Dale Grimes
David R. Esquivel
Bass Berry & Sims, PLC
315 Deaderick Street, Suite 2700
Nashville, TN 37238-3001

Douglas C. Walther
Associate General Counsel
Atmos Energy Corporation
5430 LBJ Freeway, Suite 1800
Dallas, TX 75240

Melvin Malone, Esq.
Miller and Martin
1200 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219


D. Billye Sanders

Docket No. 05-00258 – Phase Two Issues List¹

1. How is Atmos Energy Corporation compensated for the sale, lease, or release of capacity **T/F** and is that compensation fair to consumers? **F/P**
 - a. What is the bidding process for the sale, lease, or release of capacity? **T/F**
 - b. What asset management arrangements or contracts are or have been in place with regard to capacity? **T/F**
 - c. How are FERC-mandated payments handled? **T/F**
2. What exactly is the amount of total capacity and what amount of capacity is available for the sale, lease, or release to third parties or affiliates or divisions of Atmos Energy Corporation? **T/F**
 - a. What is the appropriate level of capacity? **F/P**
 - b. What has been the record of capacity planning in the past? **T/F**
 - c. What are the future plans? **F**
3. What is the relation between Atmos Energy Corporation and Atmos Energy Marketing and any other affiliate or division of Atmos Energy Corporation? **T/F**
 - a. the appropriate relation between parent and affiliate or division **L**
 - b. communications between parent and affiliate or division **T/F**
 - c. the number of overlapping employees **T/F**
 - d. the record keeping of the parent and affiliate or division **T/F**
4. Are consumers receiving fair compensation for the assets related to the sale, lease, or release of capacity for which they have paid? **F/P**
5. Does the Tennessee Regulatory Authority have the authority to impute to Atmos Energy Corporation all or a portion of the profits Atmos Energy Corporation's separate, non-regulated affiliate corporation, Atmos Energy Marketing, generates through its management of Atmos Energy Corporation's idle gas supply assets? **L**
 - a. If yes, may the Tennessee Regulatory Authority impute those profits to lower Atmos Energy Corporation's revenue requirement for base rates even though the assets are part of Atmos Energy Corporation's gas supply procurement activities, which under established Tennessee Regulatory Authority policy are separately regulated through the Purchased Gas Adjustment mechanism, and not through base rates? **L**

¹ Stand Energy's legend to issue classification:

T=Threshold

L=Legal

F=Fact

P=Policy

- b. If the Tennessee Regulatory Authority imputes Atmos Energy Marketing asset management profits to lower Atmos Energy Corporation's revenue requirement for base rates, must the Tennessee Regulatory Authority treat other similarly situated gas companies in a like manner? **L** Can such imputation be accomplished in a contested case, or is a rulemaking required? **L**
- c. Does the Tennessee Regulatory Authority have the authority to impute Atmos Energy Marketing's asset management profits to Atmos Energy Corporation even though there is no requirement for gas companies to engage in asset management? **L**
- d. If the Tennessee Regulatory Authority's decision in Phase Two of this docket results in a decision by Atmos Energy Marketing to exercise its right to terminate its asset management contract with Atmos Energy Corporation, can the Tennessee Regulatory Authority order Atmos Energy Corporation to engage in asset management itself? **L** If so, how will the Tennessee Regulatory Authority provide for Atmos Energy Corporation to recover the costs of engaging in those activities, and how will the Tennessee Regulatory Authority monitor Atmos Energy Corporation's compliance? **L** Would prudency audits be required? **L/P**
- e. If the Tennessee Regulatory Authority orders that a portion of the Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how will the agency determine what percentage of Atmos Energy Marketing revenues are derived from the Atmos Energy Corporation regulated Tennessee assets, versus what percentage are derived from Atmos Energy Corporation regulated assets in other states, or from Atmos Energy Marketing's own separately owned assets? **F/P**
- f. If the Tennessee Regulatory Authority orders that a portion of the Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how will the agency determine the portion of Atmos Energy Marketing revenues that constitute profit and what portion Atmos Energy Marketing must use to meet the costs it incurs? **F/P**
- g. What constitutes retroactive ratemaking? **L**
- h. If the Tennessee Regulatory Authority orders that a portion of the Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how will the Tennessee Regulatory Authority determine this amount consistent with the prohibition against retroactive ratemaking? **L/F/P** Would the Tennessee Regulatory Authority have to reach a determination as to the amount of profit Atmos Energy Marketing will make in a particular future time period? **L/F/P** If the Tennessee

Regulatory Authority orders that a percentage of the Atmos Energy Marketing profits be imputed to Atmos Energy Corporation, how will the Tennessee Regulatory Authority monitor compliance? **L/F/P** Would it require regular audits from Tennessee Regulatory Authority Staff? **L/F/P** Does the Tennessee Regulatory Authority have the authority to audit non-regulated affiliates such as Atmos Energy Marketing? **L**

6. Did Atmos Energy Corporation comply with the Guidelines for Affiliate Transactions entering into the existing asset management contract with Atmos Energy Marketing? **L/F** If so, does the Tennessee Regulatory Authority have the Authority to invalidate the existing contract or change the terms of the existing contract? **L** If the contract is invalidated, is Atmos Energy Marketing entitled to a refund of all or a portion of the annual lump sum fee it pays under the contract for the right to manage Atmos Energy Corporation's assets that is currently flowed through 100% to consumers? **L**
7. Should Atmos Energy Corporation share in the lump sum fee it receives from Atmos Energy Marketing under the terms under the asset management contract through its existing Performance Based Ratemaking ("PBR") plan? **L/P** If so, how would such a change affect the balance of incentives in the current PBR plan? **F/P** If the Tennessee Regulatory Authority orders that all or a portion of Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how would the balance of the incentives in the current PBR be affected? **F** Would such action render the PBR plan ineffective or invalid? **L** Would such action require reversal of the Authority's orders in the PBR dockets? **L**
8. Whether Atmos Energy Corporation has oversubscribed to storage and capacity assets to handle the Company's jurisdictional requirements? **F**
9. Whether Atmos Energy Corporation is currently utilizing its gas storage assets to maximize benefits to ratepayers? **F/P**