

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information and material available to AEC or AEM, as a party, whether it be AEC's or AEM's, in particular, or knowledge, information or material possessed or available to AEC's or AEM's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by AEC or AEM which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that AEC or AEM supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

The term “person” or “persons” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company’s response. Moreover, the company’s designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation),

spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit; 1) your best estimate, so identified, and your basis for the estimate, and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

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:

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:

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:

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:

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:

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:

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 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:

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:

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 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:

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:

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:

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:

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:

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:

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:

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:

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:

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:

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.)

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:

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:

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:

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:

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.]

RESPONSE:

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:

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.

RESPONSE:

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:

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

RESPONSE:

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:

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

RESPONSE:

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:

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:

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:

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:

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:

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:

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:

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:

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:

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:

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.

RESPONSE:

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:

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:

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:

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:

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:

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:

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 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:

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:

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:

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:

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:

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:

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:

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 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:

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:

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:

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:

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:

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.]

RESPONSE:

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:

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:

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:

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	ATM0S ENERGY MARKETING, LLC.	DELIVERY
United Cities - Franklin, TN	TN	WILLIAMSON	ATM0S ENERGY MARKETING, LLC.	DELIVERY
United Cities - Columbia, TN	TN	MAURY	ATM0S ENERGY MARKETING, LLC.	DELIVERY
Unit Cities - Murfreesboro, TN	TN	RUTHERFORD	ATM0S ENERGY MARKETING, LLC.	DELIVERY
UC -Williamson, TN (B/D 76025)	TN	WILLIAMSON	ATM0S ENERGY MARKETING, LLC.	DELIVERY
UC -Williamson, TN (B/D 73025)	TN	WILLIAMSON	ATM0S 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

UCG-WILLIAMSON

RESPONSE:

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:

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:

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:

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:

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.

RESPONSE:

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

RESPONSE:

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:

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:

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.

RESPONSE:

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:

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.]

RESPONSE:

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:

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:

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:

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.

RESPONSE:

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;
Suedeen 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 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:

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:

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
- 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
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:

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:

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:

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:

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


RESPONSE:

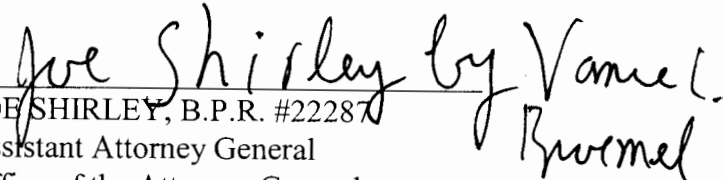
AEM45. Please produce copies of all documents referred to or relied upon in responding to these discovery requests. [Request to both AEC and AEM.]

RESPONSE:

RESPECTFULLY SUBMITTED,

ROBERT E. COOPER, JR., B.P.R. #10934
Attorney General and Reporter
State of Tennessee


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Dated: December 28th, 2007

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, or electronic mail upon:

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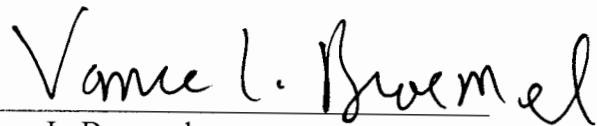
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This the 28th day of December, 2007.


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