

NEAL & HARWELL, PLC

LAW OFFICES

150 FOURTH AVENUE, NORTH

SUITE 2000

NASHVILLE, TENNESSEE 37219-2498

TELEPHONE  
(615) 244-1713

FACSIMILE  
(615) 726-0573

CYNTHIA S. PARSON  
ELIZABETH S. TIPPING  
CHANDRA N.T. FLINT  
LYNDAY C. SMITH  
JONATHAN H. WARDLE  
BRIAN T. BOYD  
JOSHUA J. PHILLIPS

STAFF ATTORNEY  
KRISTEN V. DYER

OF COUNSEL  
LARRY W. LINDEEN  
ALAN MARK TURK

JAMES F. NEAL  
AUBREY B. HARWELL, JR.  
JON D. ROSS  
JAMES F. SANDERS  
THOMAS H. DUNDON  
RONALD G. HARRIS  
ALBERT F. MOORE  
PHILIP N. ELBERT  
JAMES G. THOMAS  
WILLIAM T. RAMSEY  
JAMES R. KELLEY  
MARC T. McNAMEE  
GEORGE H. CATE, III  
PHILIP D. IRWIN  
A. SCOTT ROSS  
GERALD D. NEENAN  
AUBREY B. HARWELL, III  
W. DAVID BRIDGERS  
KENDRA E. SAMSON  
DAVID G. THOMPSON  
LISA PAIGE BINDER

April 4, 2008

**VIA HAND DELIVERY**

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

filed electronically in docket office on 04/04/08

RE: Request of Atmos Energy Corporation for Approval of Contract(s) Regarding Gas  
Commodity Requirements, etc., TRA Docket No. 08-00024

Dear Ms. Dillon:

Enclosed please find the original and four hard copies of the Response of Atmos Energy Corporation to TRA Staff's March 31, 2008 Data Request. An electronic copy of the Response (without attachments) is being provided by e-mail. The attachments to this response, two Excel spreadsheets, are confidential and are to be filed under seal. Pursuant to the terms of the Protective Order in this matter these confidential attachments are not to be shared with Earl Burton or Tennessee Energy Consultants. The two confidential attachments will be provided on CD in a sealed envelope. Staff specifically requested that these be submitted in Excel format, rather than as .pdf files.

If you have any questions regarding this matter, please do not hesitate to contact me.

Best regards.

Sincerely,

  
A. Scott Ross

ASR:prd

Enclosure

xc: Vance Broemel (w/ Enclosure)  
Joe Shirley (w/ Enclosure)  
Timothy C. Phillips (w/ Enclosure)  
Henry M. Walker (w/ Enclosure)  
Patricia D. Childers (w/ Enclosure)  
Jeffrey Perryman (w/ Enclosure)

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

**IN RE:** )  
 )  
**REQUEST OF ATMOS ENERGY** ) **Docket No. 08-00024**  
**CORPORATION FOR APPROVAL** )  
**OF CONTRACT(S) REGARDING GAS** )  
**COMMODITY REQUIREMENTS AND** )  
**MANAGEMENT OF TRANSPORTATION/** )  
**STORAGE CONTRACTS** )  
 )

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**RESPONSE OF ATMOS ENERGY CORPORATION TO  
TRA STAFF'S MARCH 31, 2008 DATA REQUEST**

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Atmos Energy Corporation ("AEC") respectfully submits this response to the data requests submitted by TRA Staff, which were filed with the Authority on March 31, 2008 (although the data request letter itself is dated March 28). AEC respectfully responds as follows:

1. Provide an Excel version of the bid analysis included in AEC's March 20, 2008 filing.

**RESPONSE:**

The Excel files listed below are submitted herewith. All are CONFIDENTIAL and to be filed UNDER SEAL.

TN-VA RFP Analysis Combined 031708 Confidential.xls  
TN-VA RFP Area I Area II Separate Analysis Confidential.xls

In the course of responding to this data request, AEC discovered an error with regard to the filing of Exhibits B.3 and B.4 to AEC's March 20 filing. These two exhibits are merely printouts of portions of Exhibits B.1 and B.2, and serve no independent purpose. They will be withdrawn. The two Excel spreadsheets listed above and produced herewith are Exhibits B.1 and B.2 to the March 20 filing, and provide the relevant analysis.

2. In response to Question #1 of the TRA's March 24, 2008 data request, AEC provided a summary of the index basis for the current gas purchasing agreements and the bids. Provide an estimate of the total dollar value of the current contracts as a discount or premium to index similar to the analysis filed on March 20, 2008 for the companies that submitted combined bids.

**RESPONSE:**

AEC has not performed an analysis of the previous supply arrangements to the current proposed arrangement for a number of reasons. The following sets forth those reasons.

(A) When Staff issued its report concerning the audit of AEC's actual cost adjustment (ACA) component of AEC's purchased gas adjustment (PGA) clause in TRA Docket No. 05-00253 (the "2005 ACA Docket"), Staff expressed concern regarding AEC's process for soliciting requests for proposals as well as the annual amount of the up-front payment that was being made by AEC's asset manager in comparison to Chattanooga Gas Company and Nashville Gas Company. At that time, AEC attempted to point out that the substantial difference between AEC's asset management arrangement and that of Chattanooga was that AEC's asset manager was not responsible for gas commodity supply, while Chattanooga's asset manager provided a bundled service consisting of both commodity supply and asset management. This is the same structure for Chattanooga's asset management that was recently approved by the TRA in Docket No. 08-00012. The concerns expressed by Staff in its ACA report the 2005 ACA Docket ultimately culminated in the opening of the docket now pending before the TRA as Docket No. 07-00225.

During the pendency of the 2005 ACA Docket, the Federal Energy Regulatory Commission (FERC) opened its Dockets Nos. RM06-21-000 and RM07-4-000 in order to solicit

comments from gas market participants concerning asset management arrangements (AMAs) that involved the management and/or release of interstate pipeline and storage capacity. These two dockets ultimately resulted in the issuance by FERC of a Notice of Proposed Rulemaking (NOPR) in FERC Docket No. RM08-1 concerning AMAs in November of 2007.<sup>1</sup> In the NOPR, FERC specifically stated that bundling commodity supply with management of capacity assets (capacity release) by local distribution companies is in the public interest. Specifically, FERC has stated:

*The Commission finds that AMAs provide significant benefits to many participants in the natural gas and electric marketplaces and to the secondary natural gas market itself. The American Gas Association (AGA), for example, notes that AMAs are an important mechanism used by LDCs to enhance their participation in the secondary market, and states that the growth and development of AMAs may represent the largest change since the Commission's market review in the Order No. 637 proceeding. AMAs allow LDCs to increase the utilization of facilities and lower gas costs. They also provide the needed flexibility to customize arrangements to meet unique customer needs. One important benefit of AMAs is that they allow for the maximization of the value of capacity through the synergy of interstate capacity and natural gas as a commodity. As expressed by AGA:*

*[AMAs] are widely utilized and provide considerable benefits, i.e., lower gas supply costs generated from offsets to pipeline capacity costs and gas supply arrangements more carefully tailored to the specific requirements of the market. These benefits are generated by assembling innovative arrangements in which the unbundled components – capacity, gas supply and other services – are combined in a manner such that the total value created by the arrangement exceeds the value of the individual parts.*

*AMAs are also beneficial because they provide a mechanism for capacity holders to use third party experts to manage their gas supply arrangements, an opportunity the LDCs did not have prior to Order No. 636. The time, expense and expertise involved with managing gas supply arrangements is considerable and thus many capacity holders, and LDCs in particular, have come to rely on more sophisticated marketers to take on their requirements. This results in benefits to the LDCs by allowing an entity with more expertise to manage their gas supply. The ability of LDCs to use AMAs as a means of relieving the burdens of administering their capacity or supply needs on a daily basis also works to the benefit of the entire market because that burden may at times result in LDCs not releasing unused capacity.*

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<sup>1</sup> *Promotion of a More Efficient Capacity Release Market*, 121 FERC ¶ 61,170 (Nov. 15, 2007).

*AMAs also provide LDCs and their customers a mechanism for offsetting their upstream transportation costs. AMAs often allow an LDC to reduce reservation costs that it normally passes on to its customers. They also foster market efficiency by allowing the releasing shipper to reduce its costs to the extent that its capacity is used to facilitate a third party sale that also benefits that third party (who gets a bundled product at a price acceptable to it).*

*LDCs are not the only entities that benefit from AMAs. Many other large gas purchasers, including electric generators and industrial users may desire to enter into such arrangements. For example, AMAs increase the ability of wholesale electric generators to provide customer benefits through superior management of fuel supply risk, allow generators to focus their attention on the electric market, and eliminate administrative burdens relating to multiple suppliers, overheads, capital requirements and the risks associated with marketing excess gas and pipeline imbalances.*

*More importantly, AMAs provide broad benefits to the marketplace in general. They bring diversity to the mix of capacity holders and customers that are served through the capacity release program, thus enhancing liquidity and diversity for natural gas products and services. AMAs result in an overall increase in the use of interstate pipeline capacity, as well as facilitating the use of capacity by different types of customers in addition to LDCs. AMAs benefit the natural gas market by creating efficiencies as a result of more load responsive gas supply, and an increased utilization of transportation capacity.*

*AMAs further bring benefits to consumers, mostly through reductions in consumer costs. AMAs provide in general for lower gas supply costs, resulting in ultimate savings for end use customers. The overall market benefits described above also inure to consumers. These benefits have been recognized by state commissions and the National Regulatory Research Institute.*

*The Interstate Natural Gas Association of America (INGAA) agrees with the Marketer Petitioners and others that the Commission "should adapt its regulations to facilitate efficient and innovative marketing of capacity that have developed since Order No. 636," provided the Commission remains guided by the "principle of full transparency of the terms of such capacity release arrangements."*

*Based on this industry-wide support, the Commission believes that AMAs are in the public interest because they are beneficial to numerous market participants and the market in general. Accordingly, the Commission is proposing changes to its policies and regulations to facilitate the utilization and implementation of AMAs.<sup>2</sup>*

In order to address the Staff's issues expressed in the 2005 ACA Docket concerning its RFP procedures, AEC proposed a new tariff that was ultimately approved by the TRA and

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<sup>2</sup> NOPR at 46-50 (citations omitted).

AEC's compliance with which is more specifically addressed in Response No. 4 below. However, AEC's overarching concerns in connection with a new AMA for Tennessee and Virginia were how to (i) further increase the pool of potential RFP recipients and potential bidders and (ii) comply with the FERC's anticipated rules governing AMAs that would most likely become effective during the term of the new AMA. Accordingly, AEC deemed it prudent to bundle the commodity supply with asset management because asset managers/suppliers generally assign substantially more value to bundled arrangements rather than one that involves only managing interstate pipeline capacity and storage assets. In a further effort to foster larger interest and increase the number of competitive bids, AEC also structured the current RFP to facilitate bidding on two supply/asset management portfolios – the Middle Tennessee Area<sup>3</sup> and the East Tennessee/Virginia Area. AEC believes that the structure of the current RFP succeeded in fostering a larger interest. Although the current RFP was originally sent to 37 prospective counterparties, Atmos received and processed requests for a copy of the current RFP from an additional 25 prospective counterparties.

As a result of the structure of the RFP, no commodity-only bids were solicited. Instead, interested parties independently evaluated the overall deal structure and assigned those values they determined using their own competitive analysis for a combined commodity supply and asset management AMA. As a result, other than the bids that were actually submitted in response to the current RFP, there is no basis for comparing the proposed contract to past supply-only deals or past asset management-only deals. If the benchmark for evaluation of a contract that was obtained through a competitive bidding process is to be a comparison of that contract to non-comparable prior contract(s), then this is an evaluation criteria that was not reasonably

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<sup>3</sup> The Middle Tennessee Area also includes Atmos' service area in Union City in Western Tennessee.

contemplated by AEC and AEC therefore has no effective response to the request for the reasons set forth above as well as hereinafter in Part (B) of this Response No. 2.

(B) AEC's response to question #1 and #2 (including footnote) of the TRA Staff's data request letter dated March 24, 2008 explains that the commodity supply contracts in effect during the year April 1, 2007 – March 31, 2008 were bid under different market conditions and different operating conditions. For example, the new RFP includes delivered supply as part of the commodity supply requirements. The prior year's commodity supply contracts contain no such pricing component and thus do not lend themselves to an "apples to apples" comparison with the new RFP's bundled commodity supply/asset management bids. Moreover, the transaction confirmations for the Apr07-Mar08 supply deals ended March 31, 2008 and are no longer valid pricing for current and future supply comparisons. They were not renewable and could not be extended.

Any comparison of commodity pricing under the expired supply-only contracts necessarily would assume that (i) those contracts could have been renewed or extended, or (ii) that a supply-only request for proposal would have produced bids containing the same or similar commodity pricing, or (iii) that commodity supply and asset management could have been separately and successfully bid out notwithstanding the pending FERC rules concerning AMAs discussed above. None of these assumptions hold true here. As explained above, the former supply-only contracts could not be extended or renewed. As for whether a supply-only request for proposal would have produced bids containing the same or similar commodity pricing to the previous supply-only deals, AEC has no way of knowing because that was not the way the deal was bid out. Finally, AEC does not believe that an asset management arrangement that is independent of commodity will meet the definition of an AMA under FERC's pending

rulemaking and that any such arrangement would ultimately have to be restructured or altogether terminated..

If Staff is interested in the amount of gas costs incurred during the period April 1, 2007 through March 31, 2008, this information will be available after the March 2008 invoices are processed. It will also be provided in the PGA / ACA reviews

3. In response to Question #2 of the TRA's March 24, 2008 data request, AEC provided a narrative for the overall evaluation process. Provide a detailed explanation of the calculations and conclusions of each combined bid.

**RESPONSE:**

In Atmos' response to Question #3 of the TRA's March 24, 2008 data request, a PDF version of the file "CONF – TRA Q3 RFP Analysis Combined.xls" attached as required by TRA electronic filing procedures. AEC inadvertently failed to provide Staff with the Excel spreadsheets in Excel format as well at the time, and apologize for this oversight. The Confidential excel files are now being provided as an attachment to Question #1 above. The excel files include the detailed formulas and calculations which should be very helpful in this regard.

For better comprehension, we suggest opening the excel files while simultaneously viewing Atmos' response to Questions #3 of the TRA's March 24, 2008 data request (both the narrative and the CONFIDENTIAL pdf file, "CONF – TRA Q3 Bid Ref.pdf" containing the Exhibit E Bid Sheets from each bidding party), which explains the analysis process and gives the page number and line number cross reference between the bid sheets and the combined bid analysis.



Upon opening the file CONF – TRA Q3 Bid Ref.pdf please note that it is a 12 page PDF document. The first five pages are the bid sheets submitted from Supplier 1 (name withheld here for confidentiality). On page 1, you will find Supplier 1's bid is a combination of an Index Based Commodity Bid (with components of delivered supply) and Annual Upfront Payment Bid. In the margin to the right you will see the cross references to the page numbers and line numbers of the excel file containing the RFP Combined Analysis. Please open the Excel file and tab to the pages and lines indicated. By reviewing the formulas one can see how the index bid is carried into the bid analysis, and then multiplied by the supply plan volumes each month.

Continuing with the file CONF – TRA Q3 Bid Ref.pdf, at the bottom of page 2 and into page 3 are Supplier 1's "Comments and Special Provisions". These further explain and define Supplier 1's Index Based Commodity Bid. Again, for each component of the bid you will see in the margin to the right a cross-reference to the page number and line number of the excel file RFP Combined Analysis.

Notice that some charges are seasonal and priced out in the appropriate months. For example, injections into storage only occur in the summer months, April – October, and thus the associated supply charges are found only in these months.

The bids from each Supplier recognized that the contract transportation included in the CGT Exchange Agreement for Middle Tennessee (under separate contract, unrelated to the RFP) expires 11/1/2008. Accordingly, each Supplier included in its bid a replacement delivered service beginning 11/1/2008 to Atmos' CGT city gates and to Atmos' TETCO city gates. You will find this reflected in the index based commodity supply bid from each Supplier. Each has included a commodity index bid for "Columbia Gulf Transmission, ML Pool (4/1/08-10/31/08)" which covers the supply needed while the CGT Exchange is still in effect. Then you will find

each Supplier has a bid for “delivered supply to Atmos CGT City Gate (11/1/08-3/31/11),” which covers the delivered supply needed after the CGT Exchange Agreement expires and until the end of the three year RFP period. This explains why the pricing changes over the course of the 36 months of the RFP, and why it was necessary to prepare an analysis for each year.

Continuing with the example of Supplier 1, please have open the excel file containing the RFP Combined Analysis. Supplier 1’s Index Based Commodity Bids for each year and area are found on the following excel file RFP Combined Analysis pages and line numbers:

- |                                |  |
|--------------------------------|--|
| • Year 1, Area I – Western TN  | p1, lines 23-27 > tot carried thru to p10 cell F12 |
| • Year 1, Area I – Middle TN   | p2, lines 27-41 > tot carried thru to p10 cell F13 |
| • Year 1, Area II – East TN/VA | p3, lines 23-28 > tot carried thru to p10 cell F14 |
| • Year 2, Area I – Western TN  | p4, lines 24-30 > tot carried thru to p10 cell G12 |
| • Year 2, Area I – Middle TN   | p5, lines 27-38 > tot carried thru to p10 cell G13 |
| • Year 2, Area II – East TN/VA | p6, lines 23-28 > tot carried thru to p10 cell G14 |
| • Year 3, Area I – Western TN  | p7, lines 24-30 > tot carried thru to p10 cell H12 |
| • Year 3, Area I – Middle TN   | p8, lines 27-38 > tot carried thru to p10 cell H13 |
| • Year 3, Area II – East TN/VA | p9, lines 23-28 > tot carried thru to p10 cell H14 |

The Supplier 1 totals from the pages 1 – 9 Index Based Commodity bids are then carried forward to the Summary page 10, as indicated above. On Summary page 10 of the excel file, the total of the Supplier 1’s Index pricing is found on line 16, “Total Premium/(Discount) to Index” (note that a positive amount on this line is a premium, i.e. a cost to Atmos). Line 18 shows Supplier 1’s Upfront Bid for the “Annual Value of Services Provided to Atmos” (note that a negative on this line is a cost to Atmos). Line 20 shows Supplier 1’s Upfront Bid for the “Annual Value of Assets Provided to Proposer” (note that a positive on this line is a payment to Atmos from the Supplier). Line 22 is the sum of lines 18 and 20, that is, the Net Upfront Payment to Atmos (as indicated by a positive numeric sign). Finally line 24 shows the Grand Total for Supplier 1. It is calculated by the following formula:

- line 16 “Total Premium/(Discount) to Index”
- minus

- line 22 “Net Upfront Payment to Atmos”
- equals
- line 24 “Grand Total of Payment and Index Premium/(Discount)” (a positive amount indicates a net cost to Atmos).

Line 24 Column I is the net aggregate amount of the Index Based Commodity Bid and the Net Upfront Payment to Atmos, and it is the figure that is to be compared to the other suppliers. For Supplier 2, this same process is followed, with the grand total found on page 10, line 41 Column I. For Supplier 3, this same process is followed, with the grand total found on page 10, line 58 Column I. Supplier 1’s bundled Commodity Supply and Asset Management bid offers the best value to ratepayers by having the lowest total comparative cost analysis of the three (that is, on Summary page 10, cell I 24 is less than cell I41, and cell I24 is less than cell I58).

Atmos proposes a conference call meeting with Staff if further explanation is needed for the formulas and calculations found in the Excel file.

4. Provide an explanation of how AEC has met each of the seven tariff criteria for selecting an asset manager.

**RESPONSE:**

This response addresses each of the criteria outlined in AEC’s 2<sup>nd</sup> Revised Tariff Sheet Nos. 45.3 and 45.4 (effective November 29, 2007).

*Criteria 1 – In each instance in which Atmos Energy Corporation (Company) intends to engage the services of an asset manager to provide system gas supply requirements and/or manage its assets regulated by the Tennessee Regulatory Authority (TRA), the Company shall develop a written request for proposal (RFP) defining the Company’s assets to be managed and detailing the Company’s minimum service requirements. The RFP shall also describe the content*

*requirements of the bid proposals and shall include procedures for submission and evaluation of the bid proposals.*

Response: The Company developed a written RFP that was sent out to prospective bidders on January 29, 2008, and a copy of which has previously been filed in this docket. The RFP specifically sets forth the specific service terms (Exhibit "A" to the RFP), defines the assets to be managed (Exhibit "C" to the RFP) and sets forth the Company's system requirements (Exhibit "D" to the RFP). Sections 5.0 through 5.4 of the RFP describe the content requirements of bid proposals and Sections 6.0 through 9.0 of the RFP describe the procedures for submission and evaluation of bid proposals. Section 2.0 describes the procedures for submission of requests for additional information from proposers.

*Criteria 2 – The RFP shall be advertised for a minimum of thirty (30) days through a systematic notification process that includes, at a minimum, contacting potential asset managers, including past bidders and other approved asset managers, and publication in trade journals as reasonably available. This thirty (30) day minimum period may be shortened with the written consent of the TRA Staff to a period of not less than fifteen (15) days.*

Response: The RFP period remained open for the period of January 29, 2008, through noon on February 29, 2008, which, exclusive of the first and last days of the period, was 30 days. The RFP was initially sent to 37 prospective bidders (including past supply bidders) and many of which are within the top tier of natural gas asset managers and suppliers, including the approved asset manager for Chattanooga Gas Company. The RFP was advertised in Platt's *Gas Daily* on

February 6, and February 11, 2008. In response to the advertisement in *Gas Daily*, the Company received an additional 25 requests for the RFP from prospective bidders. These additional requests were processed by sending a copy of the RFP via electronic mail. No request was made to shorten the RFP period.

*Criteria 3 – The procedures for submission of bid proposals shall require all initial and follow-up bid proposals to be submitted in writing on or before a designated proposal deadline. The Company shall not accept initial or follow-up bid proposals that are not written, or that are submitted after the designated proposal deadline. Following receipt of initial bid proposals, and on a non-discriminatory basis, the Company may solicit follow-up bid proposals in an effort to obtain the most overall value for the transaction.*

Response: The RFP required all bid proposals to be in writing and to be submitted in a sealed envelope on or before noon on February 29, 2008 (RFP Section 9.0). Pursuant to Section 8.0 of the RFP, any proposal could be modified prior to the deadline by written request of the bidder, but no such requests were received by the Company. The Company did not receive any unwritten bids or bids that were submitted after the deadline. After the bidding period had closed, the Company did not solicit any additional bid proposals from any other parties, although the Company did solicit bid clarifications during the evaluation period from three of the four parties who submitted bids.

*Criteria 4 – All initial and follow-up bid proposals shall be evaluated as they are received. The criteria for choosing the winning bid proposal shall include, at a minimum, the following: (a)*

*the total value of the bid proposal; (b) the bidder's ability to perform the RFP requirements; (c) the bidder's asset management qualifications and experience; and (d) the bidder's financial stability and strength. The winning bid shall be the one with the best combination of attributes based on the evaluation criteria. If, however, the winning bid proposal is lower in amount than any other initial or follow-up bid proposal(s), the Company shall explain in writing to the TRA why it rejected each higher bid proposal in favor of the lower winning bid proposal. The Company shall maintain records demonstrating its compliance with the evaluation and selection procedures set forth in paragraph 4 above.*

Response: Although all of the evaluation criteria were considered in the evaluation of the bids submitted by the four bidders, primary emphasis was placed upon evaluating the total value of each bid proposal. Specifically, the management within the Company's Gas Supply Services group is familiar with all four bidders and recognizes that they have the ability to perform the RFP requirements with respect to the portion of the RFP upon which they actually bid, that each bidder has substantial qualifications and experience in both gas supply and asset management and that each bidder has the requisite financial stability and strength to perform the RFP requirements.<sup>4</sup> The Company's analysis regarding the total value of each bid has already been provided to TRA Staff and is more fully explained in the Company's Response to TRA Staff's March 24, 2008 Data Request and accompanying confidential attachments filed with the TRA on March 28, 2008, and which is incorporated herein by reference. The Response of March 28<sup>th</sup> also explains why the winning bid is the best total value for ratepayers. The Company chose the bid that afforded the most overall value to ratepayers, which, in this case was the deal providing

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<sup>4</sup> Each bidder is affiliated with publicly traded parent natural gas and/or electric utilities that are significant in size in terms of financial, assets, revenues and customers. Copies of annual and quarterly financial statements for these entities are available through the Securities and Exchange Commission's on-line EDGAR database at [www.sec.gov](http://www.sec.gov).

ratepayers with the lowest overall gas cost.<sup>5</sup> For purposes of Criteria No. 4, this can be characterized as the “highest” bid. Because the winning bid was not lower than the other bid proposals, and no better bid proposal was rejected, the next to the last sentence of Criteria No. 4 (requiring an explanation if a lower bid is selected over a higher bid) does not apply in this case. The Company has prepared and maintained records of the bid evaluations, which already have been provided to TRA Staff.

*Criteria 5 – An incumbent asset manager shall not be granted an automatic right to match a winning bid proposal. If the incumbent asset manager desires to continue its asset management relationship with the Company after the expiration of its asset management agreement, it shall submit a written bid proposal in accordance with the Company’s RFP procedures. The bid proposal shall be evaluated pursuant to the procedures set forth in paragraph 4 above.*

Response: The incumbent asset manager was not given any right to match, or even see, any other bid, and all bids were therefore submitted, opened and evaluated on equal footing. The incumbent was provided with a copy of the RFP as part of the original group of packages sent out by the Company on January 29, 2008, and the incumbent timely submitted a written bid in accordance with the requirements of the RFP. The incumbent’s bid was evaluated using the same criteria as was used for evaluating every other bid as described in the response under Criteria 4 above.

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<sup>5</sup> The lowest overall gas cost entails a combined evaluation of overall commodity pricing, costs for city-gate delivered services, costs of functional services such as nominations, scheduling, etc., and asset management payments to be received. All of these are evaluated as a whole to ultimately determine which bid represents the lowest cost that ratepayers will pay over the three-year term.

*Criteria 6 – The Company may develop additional procedures for asset management selection as it deems necessary and appropriate so long as such procedures are consistent with the agreed-upon procedures described herein.*

Response: The only additional procedures the Company adopted in connection with the RFP that are not specifically set forth in the tariff are (i) a procedure and deadline for submission of questions during the 30-day open period (RFP Section 2.0) and (ii) a procedure for holding bids open after the submittal deadline for a 10-day evaluation period (RFP Section 6.0). With respect to the first procedure, the Company received a number of requests for additional information by electronic mail and timely responded to each request. Although the identity of the requestor was kept confidential, the Company's responses to the requests that were relevant to the RFP were sent to all RFP package recipients as of that date. With respect to the latter procedure, the 10-day period was the period of time the Company initially anticipated would be required to complete the bid analysis and evaluation process. However, the process actually took longer than expected due to the complexity of the RFP and the bids. At the Company's request, all bidders agreed to hold their bids open past the initial 10-day period until the Company completed its evaluation.

*Criteria 7 – The Company shall retain all RFP documents and records for at least four (4) years and such documents and records shall be subject to the review and examination of the TRA staff. The Asset Manager shall maintain documents and records of all transactions that utilize the Company's gas supply assets. All documents and records of such transactions shall be retained*



*for two years after termination of the agreement and shall be subject to review and examination by the Company and TRA Staff.*

Response: The Company will comply with the record retention requirements set forth in Criteria 7 and will make them available for review and examination of the TRA Staff. The records retention requirements of the Asset Manager set forth in Criteria 7 are embodied in Section 8(G)(v) of the Transaction Confirmation attached to the Base Contract for which approval is being sought in this docket.

Respectfully submitted,

**NEAL & HARWELL, PLC**

By: 

A. Scott Ross, #15684  
2000 One Nashville Place  
150 Fourth Avenue, North  
Nashville, TN 37219-2498  
(615) 244-1713 – Telephone  
(615) 726-0573 – Facsimile

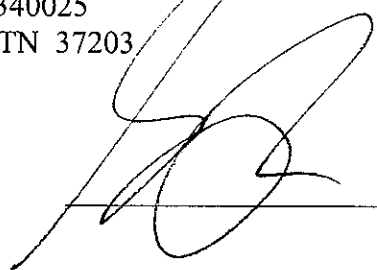
*Counsel for Atmos Energy Corporation*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Response only (not the attachments, which were filed under seal) has been served, via the method(s) indicated below, on the following counsel, this the 4<sup>th</sup> day of April, 2008.

<input type="checkbox"/> Hand	Vance Broemel, Esq.
<input type="checkbox"/> Mail	Joe Shirley, Esq.
<input type="checkbox"/> Fax	Office of Tennessee Attorney General
<input type="checkbox"/> Fed. Ex.	425 Fifth Avenue, North, Third Floor
<input checked="" type="checkbox"/> E-Mail	P. O. Box 20207
	Nashville, TN 37202-0207

<input type="checkbox"/> Hand	Henry M. Walker, Esq.
<input type="checkbox"/> Mail	Boult, Cummings, Conners, & Berry, PLC
<input type="checkbox"/> Fax	1600 Division Street, Suite 700
<input type="checkbox"/> Fed. Ex.	P. O. Box 340025
<input checked="" type="checkbox"/> E-Mail	Nashville, TN 37203



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