

NEAL & HARWELL, PLC
LAW OFFICES
150 FOURTH AVENUE, NORTH
SUITE 2000
NASHVILLE, TENNESSEE 37219-2498

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

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

March 28, 2008

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

VIA HAND DELIVERY

filed electronically in docket office on 03/28/08

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 are the original and four copies of Response of Atmos Energy Corporation to TRA Staff's March 24, 2008 Data Request. The documents attached as exhibits to this discovery response are **confidential** and filed **under seal** pursuant to the terms of the Protective Order entered in this matter. Further, pursuant to that order, these documents should not be shared with Earl Burton or Tennessee Energy Consultants.

An electronic version of the exhibits are provided on the enclosed CD.

Best regards.

Sincerely,



A. Scott Ross

ASR:prd

Enclosures

xc: Timothy C. Phillips (w/ Enclosures)
Henry M. Walker (w/ Enclosures)

**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)
)

**RESPONSE OF ATMOS ENERGY CORPORATION TO
TRA STAFF'S MARCH 24, 2008 DATA REQUEST**

Atmos Energy Corporation ("AEC") respectfully submits this response to the data requests submitted by TRA Staff, which were filed with the Authority on March 24, 2008. AEC respectfully responds as follows:

1. A comparison of the commodity supply bids to AEC's current gas purchasing arrangements.

RESPONSE:

Given the change in market conditions over time, a comparison of commodity pricing from a historic period to a current period is an apples to oranges comparison. More relevant would be a comparison of the commodity bids received from the bidders in the new TN/VA RFP. However, to be responsive to the data request, Atmos provides in the attached CONFIDENTIAL file, "CONFIDENTIAL - TRA 032408 Q1 Commodity.xls", the index based pricing of the current AEC commodity arrangements along with the index based commodity supply bids of the three companies who submitted

“combined” Area I and Area II bids in the new RFP. Please note that the basket of indices is the same in the new RFP as it has been for the past ten years.

Beyond a simple comparison, even more useful is a detail analysis of the price variance between the commodity supply bids in the new RFP. A detail TN/VA RFP Analysis with comparison has already been provided in this docket, the final page of which provides a Summary of the Index Pricing by company (refer to the lines labeled “*Total Premium/(Discount) to Index*” for each company shown). For convenience, the detail Analysis for combined bids is provided below in response to TRA Question 3, CONFIDENTIAL excel file “CONF – TRA Q3 RFP Analysis Combined.xls”.

2. A narrative of the analysis performed for each bid, including why a bid was accepted or rejected.

RESPONSE:

On February 29, 2008, a total of four bids received from prospective counterparties were opened by Atmos’ gas supply personnel in front of two witnesses. All four bids were in compliance with the guidelines established in the RFP, thus none were “rejected”. Following the opening of the bids, the evaluation process began and, during that process bid clarifications were sought from three of the bidders. Due to the complexity of the structure of the transaction as well as the base of assets to be managed an extensive analysis was performed. A file containing the TN/VA RFP Analysis with comparisons and Summary results has already been provided in this docket. On March 17, 2008, Atmos awarded the bundled asset management and supply contract to the company whose bid provided the best value to ratepayers, that is, the bid with the lowest total “Payment and Index Premium/(Discount)”. A brief narrative of assumptions was

provided as the first page of the detail TN/VA RFP Analysis explaining more specifically how the winning bid was determined. For convenience, the detail Analysis for combined bids is provided below in response to TRA Question 3, CONFIDENTIAL excel file "CONF – TRA Q3 RFP Analysis Combined.xls".

In the most basic terms, the analysis prepared by Atmos is a comparison of the price variances between the bidding parties (as opposed to a "full cost" comparison). In other words, if a particular element of pricing is common to all bidding parties, that element is ignored, as it creates no variance in the gas cost to ratepayers. Also, because Atmos rarely purchases spot gas (i.e., swing or incremental gas), this pricing element is an immaterial part of the overall bids, and as such was excluded from the bid analysis of all parties. The focus of the analysis is on the price variances for the baseload supply requirements, storage activity and demand charges.

Because of changes that occur over the course of the three year term, the analysis was prepared for each year individually.¹ On the final Summary page of the TN/VA RFP Analysis, the results of each of the three years are compiled for a "Grand Total of Payment and Index Premium/(Discount)" for each company.

Within the each yearly analysis are three regional breakouts as follows:

- Area I: Western Tennessee (Union City)
- Area I: Middle Tennessee
- Area II: East TN/VA

¹ Specifically, the contract transportation that was part of the CGT exchange for Middle Tennessee was under separate contract which expires 11/1/2008. This is replaced in the new agreement with city gate delivered service to Atmos' CGT city gates and to Atmos' TETCO city gates beginning 11/1/2008. Second, the TGP firm transportation contracts in Area II (East Tennessee/Virginia) expires 10/31/2010. This capacity will be renegotiated with the pipeline; however, the Zone 0 100 Leg will go away and will be replaced by alternate receipt points in Zone 1 500 Leg and 800 Leg. Also within the Analysis, to calculate fuel costs, the NYMEX Henry Hub gas futures settlement prices are used as the forward gas price for the months April 2008 – March 2011.

The analysis sheet for each region provides the Normal Monthly Baseload Purchases, the Daily Supply Requirements by pipe/zone, and the Monthly Storage Injections and Withdrawals. These volumes are utilized to calculate the impact of the commodity index price variances (i.e., the premiums or discounts to index) as well as the index based delivered supply charges and certain demand charges contained within the bids. These index based “price outs” are found on the lower half of each detail bid analysis sheet. The far right column of each analysis sheet totals the monthly amounts and sums the total for each bidder.

Some bidding parties elected to include charges for delivered supply and/or demand charges within the “Index Based Commodity Bid” area of the bid sheet, or within the “Comments and special provisions” area of the bid sheet, as opposed to making a bid for such services in the “Annual Upfront Payment Bid” area of the bid sheet. In such instances, these charges are included for analysis on the detail bid analysis pages along with the commodity pricing analysis. The line items for delivered supply and demand charges are clearly labeled as such. For the final summary analysis, they are brought forward along with the rest of the index based prices into the final Summary analysis sheet on the line labeled “Total Premium/(Discount) to Index”.

For those bidding parties who elected to include the value of such services to Atmos as an “Annual Upfront Bid”, these upfront amounts are entered only on the final page titled “Summary Bid Analysis,” on the line labeled “Annual Value of Services Provided to Atmos.” Likewise, the bidding parties’ amounts for upfront payment to Atmos for the “Annual Value of Assets Provided by Atmos to Proposer” are entered only on the final page titled “Summary Bid Analysis,” on the line labeled accordingly.

The "Summary Bid Analysis" sheet then tallies for each bidding party the total of the Index Based Bid Premium/(Discount), the Annual Value of Services Provided to Atmos, and the Annual Value of Assets Provided to Proposer, for the three year term of the agreement. The bidder having the lowest "Grand Total of Payment and Index Premium/(Discount)" was awarded the contract.

3. A breakdown of each bid analysis tying the amounts in the analysis to the amounts in each company's bid, especially for demand charges.

RESPONSE:

Attached please find a CONFIDENTIAL excel file containing the "combined" Bid Analysis, "*CONF – TRA Q3 RFP Analysis Combined.xls*", noting that the sheets within are numbered pages 1 – 10. Utilizing the page numbers and excel row numbers from this file, each "combined area" bid proposal has been cross referenced to the excel file indicated above. Please see the attached CONFIDENTIAL pdf file, "*CONF – TRA Q3 Bid Ref.pdf*" containing the Exhibit E Bid Sheets from each bidding party. Note that we have added "References" in the margins tying back to page numbers and line numbers in the excel file Analysis. For example, on pdf bid sheet "AEM1", the first reference in the right margin is to "P1, L25". This refers to "Page 1, excel Line 25" within the excel file indicated above and attached herein. Only the "combined" area bids have been cross referenced in such a manner. Once familiarized with the process using the combined bid sheets as a starting point, there should be sufficient understanding to enable review of the "separate area" bids without the aid of cross reference notes. If you find this not to be the case, Atmos will also provide cross reference tying for the "separate area" bids.

4. A breakdown of the annual payment amount from each bidder to AEC for optimization rights between West Tennessee (Union City), Middle Tennessee and East Tennessee/Virginia Systems.

RESPONSE:

This regional breakdown for the "Annual Value of Assets Provided to Proposer" is found within the attached CONFIDENTIAL excel file, "CONFIDENTIAL - TRA 032408 Q4 Upfront pymt.xls".

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

A. Scott Ross, #15634
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 28th day of March, 2008.

<input type="checkbox"/> Hand	Timothy C. Phillips
<input type="checkbox"/> Mail	Senior Counsel
<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


