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August 9, 2011

Ms. Pat Murphy, Deputy Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

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Dear Ms. Murphy,

Pursuant to our discussions, I enclose an original and four (4) copies of the 3rd Revised Sheet No. 45.1 of Atmos Energy Corporation's tariff. Although Atmos Energy continues to believe that its current PBR tariff rider covers all revenue from asset management whether by up-front fees from asset managers or otherwise, this revision adds requested clarifying language to remove any doubt. If you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Pat Childers".

Patricia J. Childers
VP- Rates & Regulatory Affairs

Enclosures

PERFORMANCE BASED RATEMAKING MECHANISM RIDERApplicability

The Performance-Based Ratemaking Mechanism (the PBRM) replaces the reasonableness or prudence review of the Company's gas purchasing activities overseen by the Tennessee Regulatory Authority (the Authority) in accordance with Rule 1220-4-7-.05, Audit of Prudence of Gas Purchases. This PBRM is designed to encourage the utility to maximize its gas purchasing activities at minimum costs consistent with efficient operations and Service reliability, and will provide for a shared savings or costs between the utility's customers and share holders. Each plan year will begin April 1. The annual provisions and filings herein will apply to this annual period. The PBRM will continue until it is either (a) terminated at the end a plan year by not less than 90 days notice by the Company to the Authority or (b) modified, amended or terminated by the Authority.

Overview of Structure

The Performance-Based Ratemaking Mechanism consists of two parts:

Gas Procurement Incentive Mechanism
Capacity Management Incentive Mechanism

The Gas Procurement Incentive Mechanism establishes a predefined benchmark index to which the Company's commodity cost of gas is compared. It also addresses the use of financial instruments or private contracts in managing gas costs. The net incentive savings or costs will be shared between the Company's customers and the Company on a 50% / 50% basis.

The Capacity Management Incentive Mechanism is designed to encourage the Company to actively market off-peak unutilized transportation and storage capacity on upstream pipelines in the secondary market. It also addresses the sharing of asset management fees paid by asset managers, and other forms of compensation received by the Company for the release and/or utilization of the Company's transportation and storage assets by third-parties. The net incentive benefits will be shared between the Company's customers and the Company on a 90% /10% basis.

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The Company is subject to a cap on overall incentive savings or costs on both mechanisms of \$ 1.25 million annually.

Gas Procurement Incentive Mechanism**Commodity Costs:**

On a monthly basis, the Company will compare its commodity cost of gas to the appropriate benchmark amount. The benchmark amount will be computed by multiplying actual purchase quantities for the month, including quantities purchased for injection into storage, by the appropriate price index. For monthly spot