BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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IN RE:	)	
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ATMOS ENERGY CORPORATION INCENTIVE PLAN ACCOUNT (IPA) FOR THE YEARS 2001 THROUGH 2011	)	**Docket No. 11-00137**
	)	
AND	)	
	)	
IN RE:	)	
	)	
AUDIT OF ATMOS ENERGY CORPORATION'S ("ATMOS") INCENTIVE PLAN ACCUNT FOR PERIOD OF APRIL 1, 2011 THROUGH MARCH 31, 2004	)	**Docket No. 11-00158**

REPLY IN SUPPORT OF ATMOS ENERGY CORPORATION'S MOTION TO CONSOLIDATE DOCKETS 11-00137 AND 11-00158

Atmos respectfully submits this Reply in further support of its Motion to Consolidate filed on September 14, 2011.

Audit Staff correctly notes that a lengthy period of frequent communications between Atmos personnel and Audit Staff concerning the Company's Performance Based Ratemaking ("PBR") reports preceded the filing of Atmos Energy Corporation's Petition in Docket No. 11-00137. During the course of those discussions, it became clear that there was disagreement between Atmos and Audit Staff concerning whether Atmos would be permitted to share in revenue from all capacity release activities, including fees received under the Company's Asset Management Agreements. In August 2011, Staff requested that Atmos seek an amendment to its

PBR Tariff to include language which, in Staff's view, would clarify the Company's right to share asset management fees. Atmos did not believe that any amendment to the PBR Tariff was necessary, because the PBR tariff provisions have always encompassed fees received for capacity released to asset managers, and that Atmos should be permitted to include these fees in its incentive plan account just as Nashville Gas Company has been permitted to do over the same period of time. However, Atmos accommodated the Staff's request by submitting the Staff's proposed tariff amendment in Docket No. 11-00034. In doing so, Atmos explicitly stated, however, that it did not believe that the tariff amendment was necessary to entitle Atmos to receive credit for asset management fees under the Atmos PBR tariff. Atmos submitted the requested tariff amendment in Docket No. 11-00034 because that is where Staff requested that Atmos make the submission.

Thereafter, Atmos attempted to schedule further discussions in an effort to seek a negotiated resolution to the issue, or at least narrow and define the parameters of the dispute. Atmos sought to include both TRA Audit Staff and representatives of the Consumer Advocate in these discussions, in the hope that a negotiated solution could be obtained without significant litigation. That is still the Company's hope. Unfortunately, in late August 2011, Staff advised Atmos that it would not meet, and that there could be no further meetings between the Staff and Atmos regarding the issue. Staff expressed concern over whether it was authorized to negotiate the issue because staff is not a party in Case No. 11-00034, where at Staff's request Atmos had filed the above-referenced tariff amendment.

In an effort to provide a vehicle by which negotiations could take place among all interested parties toward a prompt and painless resolution of all of the outstanding incentive plan account years, Atmos filed Docket No. 11-00137. The Company's intention was – and still is –

to clear the way for all interested parties to have meaningful discussions and work toward a negotiated resolution, or, failing that, to posture the case so as to allow a straightforward order resolving the matter with a minimum of fuss. If the Hearing Officer finds that Staff should be made a party in order to allow discussions to occur, then Atmos would request that such an Order be entered. Similarly, Atmos would request that the Consumer Advocate be permitted to intervene so that it may participate in discussions toward a resolution of this matter.

Atmos fully understands that the Staff will need to complete its audit reports for the years in question before these matters can be finalized. The Company would propose a procedural schedule that allows Staff to complete and submit its audit reports prior to any final action. However, in the meantime, the parties should be permitted to discuss and attempt to resolve and/or narrow the issues in this case.

For these reasons, Atmos submits that consolidating all of the incentive plan account years under Docket No. 11-00137, adding Staff as a party to that docket as necessary, and permitting the Consumer Advocate to intervene, will best promote the efficient resolution of these matters.

As to Staff's suggestion that the first three audit years, April 1, 2001 through March 31, 2004, be approved immediately, Atmos submits that doing so would not in the long run promote the efficient resolution of this matter. As Staff notes, its audit for the first three year period recommends a refund to customers. However, if one includes the latter seven year period, the capacity release fees Atmos received under its Asset Management Agreements more than offset these amounts from the first three-year period. Requiring the Company to begin the implementation of refund procedures for the first three-years, therefore, would only require that the Company then reverse course and recoup these refunds if this matter is resolved – as it

should be – in a manner that includes asset management fees for the latter years. Any short run gain in having the first three audit years concluded would be nullified by the resulting long run increase in administrative cost and complexity. Atmos submits that the most efficient way to resolve this matter is to resolve all of it together.

For these reasons, Atmos respectfully requests that its Motion to Consolidate be granted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 21 day of September, 2011.

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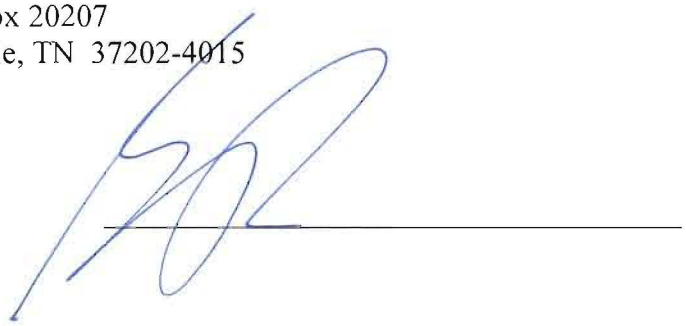
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