

**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF ATMOS ENERGY)	DOCKET NO. 13-00111
CORPORATION TO REVISE)	
PERFORMANCE BASED RATEMAKING)	
MECHANISM RIDER IN TARIFF)	

**TRA PARTY STAFF'S RESPONSES TO
FIRST DISCOVERY REQUEST OF CONSUMER ADVOCATE AND
PROTECTION DIVISION TO TRA PARTY STAFF**

REQUEST NO. 1: In its Motion to Intervene, TRA Party Staff asserts that: "...the Authority should consider any changes to Atmos' tariffs alongside the Authority's recent decision in TRA Docket No. 07-00225 as well as other previous dockets involving Atmos." Please provide the basis for this assertion and specify by page number or paragraph number which parts of the "Authority's recent decision in TRA Docket No 07-00225 as well as other previous dockets involving Atmos" the Authority should consider.

RESPONSE:

Audit Staff's ("Staff") concerns regarding Atmos' affiliate asset manager were first identified in its compliance audit report covering Atmos' Actual Cost Adjustment ("ACA") filing for the twelve months ended June 30, 2005. Staff's recommendations 1 through 3 specifically addressed the asset management agreements. Staff asked the Authority to open a separate docket to determine if asset management fees should be included in the PBR and if so what the appropriate sharing mechanism and percentage sharing should be. Staff also asked that Atmos be directed to file all future proposed asset management and gas procurement agreements with the Authority for prior approval.¹

The fact that ratepayers pay the total cost of assets that are released to an asset manager makes it very important that they be fairly compensated from any savings realized under the terms of the PBR. Atmos' asset management agreements have thus far been only with its affiliate Atmos Energy Marketing ("AEM"). The agreements not only provide

¹ *In Re: Atmos Energy Corporation Actual Cost Adjustment ("ACA") Audit*, Docket No. 05-00253, Staff Compliance Audit Report, pages 15-16 (April 21, 2006).

for the release of pipeline transportation contracts to AEM for an upfront payment, but also for the delivery of gas under Atmos' gas supply plans. Now that the Authority has approved the inclusion of asset management fees in the PBR, Atmos can calculate savings under the Capacity Management Incentive Mechanism ("CMIM") for the upfront fee, in addition to calculating commodity savings under the Gas Procurement Incentive Mechanism ("GPIM") for gas deliveries provided by its affiliate asset manager.² The deadband is an integral part of the GPIM. Party Staff, therefore, maintains that any review of asset management transactions and activities within the triennial review must take into account its effect on the PBR in total.

The Authority has addressed some of Staff's concerns in previous dockets. RFP procedures for the selection of an asset manager were added to the tariff in Docket No. 05-00253. In Docket No. 11-00034, asset management fees were approved for inclusion in the PBR. In Docket No. 07-00225, the Authority approved the addition of a triennial review process. In the current docket, Atmos asks for an amendment to its tariff that would alter a significant provision involving the calculation of savings under the GPIM. Party Staff takes no position at this time regarding whether or not the deadband should be changed or eliminated entirely. But the Authority should have as much information available as possible before approving such a change. Party Staff maintains that the triennial review provides the vehicle to obtain further information and that the independent consultant can be charged with reviewing asset management transactions and gas procurement activities in the context of the relevant PBR incentive provisions.

Party Staff refers the Consumer Advocate to the following documents to support its position. Copies of documents are attached as TRA Party Staff Exhibit 1.

Docket No. 05-00253 - Compliance Audit Report of TRA Audit Staff, pages 14-16 (April 21, 2006);

Docket No. 11-00034 – Order Approving Contract, page 5 (February 24, 2012);

Docket No. 05-00258 – Response of TRA Investigative Staff to Atmos' Motion for Expedited Review of Hearing Officer Order (June 22, 2006);

Docket No. 05-00258 – Consumer Advocate's Response to Atmos' Motion for Expedited Review of Hearing Officer Order (June 22, 2006);

Docket No. 05-00258 – Response of Atmos Intervention Group to Atmos' Interlocutory Appeal, pages 2, 4-5;

Docket No. 05-00258 – Consumer Advocate and Protection Division's Proposed Issues List for Phase II, paragraphs 1 and 4 (September 12, 2006);

Docket No. 05-00258 – Phase 2 Issues List from Atmos Intervention Group (September 12, 2006);

Docket No. 05-00258 – Recommendation of the Hearing Officer Regarding the Dismissal of Phase Two and the Need for a Rulemaking to Resold Asset Management Issues, page 2 and Attachment A (Phase Two Issues List) (October 6, 2006);

Docket No. 05-00258 – Order Closing Dockets and Moving Remaining Issues to New Docket, pages 1-4 (December 5, 2007);

² *In Re: Petition for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage Contracts*, Docket No. 11-00034, Order, page 5 (February 24, 2012).

Docket No. 07-00225 – Order Approving Stipulation and Settlement Agreement, Background, pages 1-2 and attached Exhibit 1, paragraphs 3, 4 and 6 (August 6, 2013); and

Docket No. 07-00225 – Response of the Parties to Hearing Officer’s May 21, 2012 Request for Status Report.

REQUEST NO. 2: If the TRA Party Staff contends that the proposed revision to the Performance Based Ratemaking Mechanism Rider should have been part of the settlement in TRA Docket No. 07-00225, please state the basis for the contention, including but not limited to, any facts supporting that contention. Please produce copies of any documents that support any such contention.

RESPONSE:

Party Staff never expressed an opinion that the deadband provision of the tariff should have been litigated or addressed separately in Docket No. 07-00225. Party Staff’s position is that since the triennial review was part of the settlement reached and that the settlement purported to settle all issues in the docket, then asset management practices of Atmos would be evaluated in the context of the PBR and the related sharing incentives. If that is the case, it is premature to address one specific incentive provision of the tariff in isolation. The TRA should have the benefit of the independent consultant’s report before making a decision on changing any incentive provision of the PBR

REQUEST NO. 3: Does the TRA Party Staff have any information and/or documents other than the settlement agreement itself as to the issues or items discussed in settlement discussions between Atmos and the Consumer Advocate in TRA Docket No. 07-00225? If so, please provide that information and/or produce copies of any such documents.

RESPONSE: No.

REQUEST NO. 4: In its Motion to Intervene at ¶ 4, the TRA Party Staff stated that:

Additionally, TRA Staff sent a data request to Atmos Energy Corporation (“Atmos”) on October 21, 2013, requesting additional information from Atmos. On November 4, 2013, Atmos filed a response to the data request that objected to answering certain

questions. Party Staff asserts that the answers to these and other questions are essential to the TRA's analysis of Atmos' petition.

Please provide the basis for the assertion that "the answers to these and other questions are essential to the TRA's analysis of Atmos' petition", including but not limited to an explicit description of the information sought and why it is "essential."

RESPONSE:

Atmos declined to respond fully to TRA Staff's Data Request No. 1 on the grounds that Atmos disagreed with the factual statements contained in the request and that they are not relevant to this proceeding. Atmos goes on to say that tariff issues were not litigated in Docket No. 07-00225 and are not covered by the triennial review procedures presented in the Settlement Agreement. Atmos also states that the Consumer Advocate was advised regarding the changes Atmos wanted to make to its tariff before the Settlement was approved, although the Consumer Advocate cannot confirm this statement. Despite Atmos' denial that review of the PBR tariff as it relates to asset management is relevant to this case, Party Staff disagrees. Based on the background of events that led to the opening of Docket No. 07-00225, Party Staff believes that the intent of that docket included questions regarding asset management practices of Atmos and the related sharing incentives contained in its PBR tariff. Party Staff attempted to discover from the parties to that docket the reasons why Atmos would file a petition to modify its PBR immediately following the approval of a Settlement and before the first review was conducted by the independent consultant. Atmos' reply failed to adequately respond to the question. Instead Atmos maintains that issues regarding modification of its PBR tariff and the review of asset management practices covered under the terms the Settlement Agreement are in no way related. The Consumer Advocate contradicts this position, however, in its response to TRA Staff Data Request No. 1. "Rather, as indicated in status reports filed in Docket No. 07-00225, the negotiations in that docket focused on scheduling a review of the **incentive plan** and recovery of attorney's fees."³ [emphasis added]

REQUEST NO. 5: In Paragraph 24 of the Affidavit of Pat Murphy, filed in this docket on November 25, 2013, Ms. Murphy stated that:

If the provision for re-setting the lower end of the deadband is suspended for there (3) years as recommended by Dr. Klein in his Pre-Filed Testimony and remains at the current level (97.4%) or removed permanently (as Atmos has requested) and reverts back to

³*Petition of Atmos Energy Corporation to Revise Performance Based Ratemaking Mechanism Rider in Tariff*, Docket No. 13-00111, Response of Consumer Advocate and Protection Division to Data Requests of Authority Staff issued on October 21, 2013 (October 28, 2013).

the original 97.7%, there is a very good possibility that Atmos will be guaranteed an additional \$1.25 million annually in PBRM savings for an undetermined number of years going forward with no additional effort on its part.” (footnotes omitted).

A. Please state the basis for the statement that “there is a very good possibility that Atmos will be guaranteed an additional \$1.25 million annually in PBRM savings for an undetermined number of years going forward with no additional effort on its part,” including but not limited to, any facts supporting this statement.

RESPONSE:

Atmos responded to TRA First Data Request, question #5 “Over the past four (4) years, total GPIM commodity savings reported by Atmos, audited by TRA Staff and upheld by TRA Orders were \$10,981,909. Atmos confirms that savings attributed to avoided pipeline transportation costs for Asset Manager deliveries of city gas purchases total virtually all commodity savings reported.”⁴ The last two (2) plan years, under the current TRA approved asset management agreement,⁵ have generated enough commodity savings that Atmos was able to reach its \$1.25 million cap both years under commodity savings alone.⁶ The Commodity Pricing, per contract, is indexed based (plus/minus) to Inside FERC, NYMEX or Gas Daily depending on the type of purchase.⁷ The contract also calls for four (4) separate delivered gas supplies that result in the avoided pipeline transportation costs, which are added to the average basket of indexes to determine the benchmark. It is these avoided costs that have produced virtually all the commodity savings reported.

The current contract expires March 31, 2014 and a new contract will take its place April 1, 2014. It is Party Staff’s understanding that the new contract has been awarded and will be filed with the TRA for approval as soon as it is finalized. If the gas pricing structure of the new contract mirrors the structuring of the last contract with its affiliate Atmos Energy Marketing, Atmos could very well experience similar results going forward for the next three (3) years. Party Staff, therefore, believes it is essential that any changes to the calculation of the benchmark, or surrounding deadband, be considered after the independent consultant issues his (her) report in the upcoming triennial review. Party Staff has put forth its argument in this case supporting the position that the review of asset management practices can and should include a review of the related PBR incentives.

⁴ Response of Atmos to First Data Request of the TRA, Question number 5 (November 4, 2013).

⁵ *In Re: Petition for Approval of the Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage Contracts*, Docket No. 11-00034 (March 3, 2011).

⁶ See attached TRA Party Staff Exhibit 2.

⁷ For monthly spot purchases, the benchmark is calculated as the simple average of the applicable Inside FERC, NGI and NYMEX indexes. Swing purchases use the Gas Daily rate.

B. Please identify with specificity any documents or other information filed in this docket that were relied upon by Ms. Murphy to support the statement that “there is a very good possibility that Atmos will be guaranteed an additional \$1.25 million annually in PBRM savings for an undetermined number of years going forward with no additional effort on its part.”

RESPONSE:

Exhibit 5 to Affidavit of Pat Murphy

C. Please produce copies of any documents or other information that are not filed in this docket that were relied upon by Ms. Murphy to support the statement that “there is a very good possibility that Atmos will be guaranteed an additional \$1.25 million annually in PBRM savings for an undetermined number of years going forward with no additional effort on its part.”

RESPONSE:

Atmos PBR filings for plan years 2009-2010, 2010-2011, 2011-2012, and 2012-2013 (confidential filings);
Direct Testimony of Rebecca M. Buchanan and attached Exhibit C (Docket No. 11-00034) (confidential filings); and
Asset Management and Gas Purchase & Sales Agreement, Request for Proposal (Docket No. 08-00024).

In addition to the document already filed as Exhibit 5 to Affidavit of Pat Murphy, see attached TRA Party Staff Confidential Exhibit 2 and TRA Party Staff Exhibit 3.

REQUEST NO. 6: Please identify each person whom TRA Party Staff expects to call as an expert witness at the hearing on the merits of this matter, and for each such person state the subject matter on which the witness is expected to testify; the substance of the facts and opinions to which the witness is expected to testify; and the grounds for each opinion to which the witness is expected to testify.

RESPONSE: Pat Murphy (see Affidavit of Pat Murphy in Docket No. 13-00111).

REQUEST NO. 7: Please provide all workpapers, calculations, and documents that support the opinions, conclusions, proposals, and recommendations made by each person that the TRA Party Staff expects to call as an expert witness at the hearing on the merits of this matter. The workpapers and calculations should be in Excel working format with numbers, formulas, and linked files provided.


RESPONSE:

See attached Confidential CD containing Staff Workpapers in Excel format in addition to the documents identified in Exhibits 1 and 3 and Confidential Exhibit 2.

REQUEST NO. 8: Please produce a copy of all hearing exhibits and other documents that the TRA Party Staff plan to introduce, use or reference at the hearing on the merits of this matter.

RESPONSE: All exhibits or other documents that may be used by Party Staff are attached to the Affidavit of Pat Murphy or as responses to the TRA Party Staff's Responses to Discovery Requests of Atmos Energy Corporation to TRA Party Staff and TRA Party Staff's Responses to First Discovery Request of Consumer Advocate and Protection Division to TRA Party Staff.

Respectfully submitted,



Shiva K. Bozarth, BPR # 022685
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

CERTIFICATE OF SERVICE

The undersigned hereby certifies that I have served a copy of the foregoing document on the following persons by U.S. Mail:

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This the 10th day of January, 2014



Shiva K. Bozarth

**RESPONSE TO CONSUMER ADVOCATE
DATA REQUEST NO. 1**

EXHIBIT 1

COMPLIANCE AUDIT REPORT
OF
ATMOS ENERGY CORPORATION
ACTUAL COST ADJUSTMENT
DOCKET NO. 05-00253

PREPARED BY
TENNESSEE REGULATORY AUTHORITY
UTILITIES DIVISION
APRIL 2006

EXHIBIT A

COMPLIANCE AUDIT
ATMOS ENERGY CORPORATION

ACTUAL COST ADJUSTMENT

DOCKET NO. 05-00253

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I. INTRODUCTION

The subject of this audit is Atmos Energy Corporation's ("Company" or "Atmos") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Regulatory Authority ("TRA" or the "Authority"). The objective of the audit is to determine whether the Purchased Gas Adjustments, which are encompassed by the Actual Cost Adjustment ("ACA") as more fully described in Section IV, for the year ended June 30, 2005 are calculated correctly and are supported by appropriate source documentation.

II. AUDIT OPINION

The Audit Staff concludes that, except for the findings noted in Section VIII, the Purchased Gas Adjustment mechanism as calculated in the Actual Cost Adjustment appears to be working properly and in accordance with the TRA rules for Atmos Energy Corporation. The amount of the findings contained herein are not material with respect to the total gas costs.

III. SUMMARY OF COMPANY FILING

The Company filed its annual report of the transactions in the Deferred Gas Costs Account ("ACA Account") for its Tennessee service areas on September 15, 2005. This ACA filing showed \$125,200,401 in total gas costs, with \$111,877,800 being recovered from customers through rates. Adding a beginning balance in the ACA account of negative \$7,361,694 in net over-recovered gas costs from the preceding ACA period and interest due from customers for the current period of \$178,356 resulted in an ACA Account balance at June 30, 2005 of positive \$6,139,264 in under-recovered gas costs. The Company's filing is summarized in the table below:

ATMOS ENERGY CORPORATION				
ACA FILING FOR PERIOD JULY 2004-JUNE 2005				
Line		Union City	Other TN Towns	Total
1	Beginning Balance (July 2004)	\$(458,790.94)	\$(6,902,902.75)	\$(7,361,693.69)
2	Purchased Gas Costs	3,756,547.68	121,443,853.63	125,200,401.31
3	Gas Costs recovered through rates	3,289,865.83	108,587,934.15	111,877,799.98
4	Interest on monthly balances	<u>(5,937.56)</u>	<u>184,293.97</u>	<u>178,356.41</u>
5	Ending Balance (June 2005) (Line 1 + Line 2 - Line 3 + Line 4)	<u>\$ 1,953.35</u>	<u>\$ 6,137,310.70</u>	<u>\$ 6,139,264.05</u>

**A number in () is a negative or credit balance which represents an over-collection of gas costs.

The Company began a refund to its Union City customers and customers in other Tennessee service areas on October 1, 2005, to distribute the balances in the ACA accounts as of June 30, 2005. The Audit Staff's findings resulting from this audit are described in detail in Section VIII of this report.

IV. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority. The PGA Rule permits a gas company to recover, in a timely manner, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA Rule consists of three major components:

- 1. The Actual Cost Adjustment (ACA)**
- 2. The Gas Charge Adjustment (GCA)**
- 3. The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TRA in another docket) as reflected in the Deferred Gas Cost account. The ACA then "true-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

Each year, the Company shall file with the [Authority] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Authority] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180 day notification period may be extended by mutual consent of the Company and the [Authority] Staff or by order of the [Authority].

Prudence Audit of Gas Purchases:

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Authority, an "Audit of Prudence of Gas Purchases" by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. In Docket 97-01364, Atmos Energy was authorized to operate under a Performance-Based Ratemaking Mechanism ("PBR"), beginning April 1, 1999, and continuing each year unless terminated by the Company or the Authority. For each year that the mechanism is in effect, the requirements of Section 1220-4-7-.05 of the PGA Rule is waived.

V. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of the Company's Deferred Gas Cost account ("ACA Account"). The audit goal was to verify that the Company's calculations of gas costs incurred and recovered were materially correct,¹ and that the Company is following all Authority orders and directives with respect to its calculation of the ACA account balance. Also included in this audit is the Company's PGA filing implementing a net surcharge of the ACA account balances, effective October 1, 2005. Refer to the ACA Account detail provided in Section III, Summary of Company Filing.

To accomplish the audit goal, Audit Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by Atmos. Where appropriate, Staff requested additional information to clarify the filing.

VI. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Atmos Energy Corporation, with its corporate headquarters located in Dallas, Texas, has its local offices in Franklin, Tennessee. On October 4, 2002, the Company filed tariffs to officially change its name from United Cities Gas Company to Atmos Energy Corporation. Atmos is a multi-state gas distributor, providing service to customers in twelve cities and surrounding areas in Tennessee. The natural gas used to serve these areas is purchased from four natural gas pipelines in accordance with separate and individual tariffs approved by the Federal Energy Regulatory Commission (FERC). The interstate pipelines are Tennessee Gas Pipeline (TGP), East Tennessee Natural Gas (ETNG), Texas Gas Transmission Corporation (TGTC), and Texas Eastern Transmission Corporation (TETC).

TGP and ETNG provide service to east Tennessee towns, which include Columbia, Shelbyville, Maryville, Morristown, Elizabethton, Greeneville, Johnson City, Kingsport, Bristol and adjacent areas in Maury, Bedford, Moore, Blount, Hamblen, Sullivan, Carter, Washington, and Greene Counties.

TETC provides service to Atmos in Murfreesboro and Franklin and adjacent areas in Rutherford and Williamson Counties.

TGTC provides service to Atmos in Union City and adjacent areas in Obion County.

¹ The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

VII. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated (T.C.A.) gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority. T.C.A. §65-4-104 states that:

The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Authority with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The TRA's Utilities Division is responsible for auditing those gas, electric, and water companies under its jurisdiction, to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Authority. Gary Lamb and Paul Greene of the Utilities Division conducted this audit.

VIII. ACA FINDINGS

Audit Staff's audit findings totaled a **net over-recovery of \$137,836.12**. This amount is the net total of seven (7) findings and represents a reduction of the under-recovered amount, which when added to the Company's calculated balance, results in a net ending balance in the ACA account of a positive \$6,001,427.93 in under-recovered gas costs. A summary of the ACA account as filed by the Company and as adjusted by the Staff is shown below, followed by a description of each finding.

SUMMARY OF THE ACA ACCOUNT**:

Line		Atmos Combined Filing	Staff Audit Results	Difference (Findings)
1	Adj. Beginning Balance (July 2004)	\$ (7,361,693.69)	\$ (7,403,329.94)	\$ (41,636.25)
2	Purchased Gas Costs	125,200,401.31	125,100,474.31	(99,927.00)
3	Gas Costs recovered through rates	111,877,799.98	111,877,675.11	(124.87)
4	Interest on monthly balances	<u>178,356.41</u>	<u>181,958.67</u>	<u>3,602.26</u>
5	Ending Balance (June 2005) (Line 1 + Line 2 - Line 3 + Line 4)	<u>\$ 6,139,264.05</u>	<u>\$ 6,001,427.93</u>	<u>\$ (137,836.12)</u>

**A number in () is a negative or credit balance which represents an over-collection of gas costs.

SUMMARY OF FINDINGS:

				<u>See page</u>
FINDING #1	ETN-Commodity Recoveries	\$ 75,007.46	Under-recovery	7
FINDING #1	ETN-Demand Recoveries	(75,007.46)	Over-recovery	7
FINDING #2	Union City-Commodity Recoveries	(427.67)	Over-recovery	8
FINDING #2	ETN-Commodity Recoveries	552.54	Under-recovery	8
FINDING #3	ETN-Bad Dept Expense	(136,537.75)	Over-recovery	9
FINDING #3	Union City-Bad Dept Expense	(5,025.51)	Over-recovery	9
FINDING #4	Repayments on written off accounts	0.00	N/A	10
FINDING #5	ACA and PGA Recovery adjustments	0.00	N/A	11
FINDING #6	ETN-Allocation percentage	0.00	N/A	12
FINDING #7	ETN-Interest	3,775.61	Under-recovery	13
FINDING #7	Union City-Interest	<u>(173.34)</u>	Over-recovery	13
	Net Result	\$ (137,836.12)	Over-recovery	

FINDING #1:

Exception

The Company misclassified some recoveries as Commodity recoveries when in fact they were Demand recoveries for the "All Other Tennessee Towns" filing.

Discussion

The Company made large billing adjustments to business customers in the months of September 2004, November 2004 and January 2005 and recorded them as Commodity Adjustments. However the Audit Staff found that **\$75,007.46** of the adjustments should have been made to the Demand recoveries. This resulted in an **overstatement of \$75,007.46** of recoveries for the Commodity portion of the ACA and an **understatement of \$75,007.46** in the Demand portion.

Company Response

Atmos Energy agrees with this finding. A new procedure is being adapted to identify and make corrections (if necessary) for any large adjustments showing up in the Commodity Adjustments section of the ACA recoveries to ensure proper classification between demand and commodity recoveries.

FINDING #2:

Exception

The Company misclassified some commodity recoveries for "Union City" as recoveries for "All Other Tennessee Towns" in the months of July through September 2004.

Discussion

The Company credited 738 units of natural gas sold as "All Other Tennessee Towns" sales when in reality the sales were "Union City" sales. By applying the appropriate recovery rates of \$ 0.5795 per ccf for "Union City" and \$ 0.7487 per ccf for "All Other Tennessee Towns", "All Other Tennessee Towns" recoveries were overstated \$552.54, while Union City recoveries were understated by \$427.67.

Company Response

Atmos Energy agrees with this finding. This problem was identified and corrected beginning October 2004 but the company failed to correct the prior periods listed above.

FINDING #3:

Exception

The Company overstated its Bad Debt Cost by a total of **\$141,563.26**.

Discussion

The Company included actual net bad debt expense in both their "Union City" and "All Other Tennessee Towns" ACA filings for the period of February 2004 through June 2005². However, they did not offset their actual expense with the amount already provided for uncollected gas costs in their base rates, which is **\$99,927.00 annually**. The Staff reduced the Company's reported gas costs by this amount for the filing period. In addition, the Audit Staff prorated the annual amount for five months in the last audit period (February through June, 2004) and reduced the beginning balance at July 1, 2004 by a total of **\$41,636.26**, for a total adjustment of **\$141,563.26**. Using the number of customers as the allocation method, bad debt expense should have been reduced by **\$5,025.51** for "Union City" and **\$136,537.75** for "All Other Tennessee Towns".

Company Response

Atmos Energy agrees with this finding. The amounts above will be deducted from the 2005 2006 beginning ACA balance and the 2005 2006 ACA Bad Debt expense pertaining to gas costs will be adjusted in each ACA year going forward.

² Atmos did not make an entry for bad debt expense in the ACA Account in its last annual filing.

FINDING #4:

Exception

The Company did not properly credit partial payments on bad debt accounts.

Discussion

As part of a combined three-company response³ to a TRA Motion adopted at the April 4, 2005 Conference in Docket No. 03-00209, Atmos Energy agreed to pro-rate partial payments on uncollected accounts between gas costs and margin using one of two methods. The Company agreed to either prorate the payment using the same percentage as the original write-off, or credit 100% of all payments to gas costs first until the gas cost portion of a written off account is paid in full and then remaining payments to the margin portion. During the audit review, the Staff sampled partial payments and found that Atmos did not consistently follow the agreement. The sample indicted that the total dollar error would not be material. Therefore, Audit Staff did not attempt to recalculate the prorated payments for all transactions during the audit period.

Company Response

Atmos Energy agrees with this finding. The company attempted to have the billing system follow the procedures described above, however, the billing system reporting was not able to. The company will attempt to make correcting entries prior to the end of each ACA period to comply with the intent of Docket No. 03-00209.

³ Atmos, Nashville Gas and Chattanooga Gas filed a joint response on June 1, 2005.

FINDING #5:

Exception

The Company did not file documentation with its ACA annual report sufficient to allow Staff to verify billing adjustments.

Discussion

In past audits, the Company has not routinely provided backup documentation for the billing adjustments made to the ACA and PGA calculated recoveries recorded in the ACA Account each month. These adjustments have usually been immaterial in nature. This audit period, however, billing adjustments totaled \$650,564.86 which reduced the Commodity recoveries for the "All Other Tennessee Towns" filing by this amount. The Audit Staff requested an explanation for the large adjustment amounts. The Company provided documentation for adjustments made to four large industrial customers that accounted for a significant portion of the total adjustments. After reviewing these four adjustments, Audit Staff determined that a portion of the adjustments should have been credited to Demand recoveries instead of Commodity recoveries (see Finding #1). At a minimum, the Company should supply the Audit Staff a summary report detailing all billing adjustments that affect recovery amounts recorded in ACA filing.

Company Response

Atmos Energy agrees to provide staff with support for any large adjustments. If during this process volume adjustments are required, Atmos Energy will make those adjustments on the various reports supporting the ACA and the ACA calculations.

FINDING #6:**Exception**

The Company has not updated their allocation percentage for shared demand costs between Tennessee and Virginia customers since its July 1997 - June 1998 ACA filing.

Discussion

The Company currently utilizes percentages of 69.5% for Tennessee and 30.5% for Virginia to allocate shared demand costs between the states. During this audit review, the Audit Staff requested that the Company recalculate these percentages to see if the percentages were still valid. Based on the updated calculation, the current allocation percentages should be 64% of shared demand costs charged to Tennessee customers and 36% charged to Virginia customers. Since the ACA filing in Virginia for the July 2004 - June 2005 audit period has already been finalized by the Virginia State Corporate Commission, the Company would not be able to recover 100% of these demand costs if a percentage change was applied unilaterally to Tennessee. Therefore, Audit Staff recommends that the updated percentages be utilized effective July 1, 2005 for the July 2005 - June 2006 ACA filing in both states. Audit Staff also recommends that the allocation percentages be updated at a minimum of every three (3) years or sooner if circumstances warrant.

Company Response

Atmos Energy agrees with this finding and will utilize the new demand allocation % in the upcoming ACA period beginning July, 1 2005. Atmos Energy also agrees the allocation percentages be updated at a minimum of every three (3) years or sooner if circumstances warrant.

FINDING #7:

Exception

The Company understated the amount of interest due from customers.

Discussion

The Company did not include Net Bad Debt Expense in their calculation of "Other Tennessee Towns" interest in the months of July 2004 through January 2005. Factoring this error in along with Findings #2 and #3, the Audit Staff recalculated the amount of interest on monthly account balances. The result was an **understatement of \$3,775.61 interest due from customers** for the "All Other Tennessee Towns" filing and an **understatement of \$173.34 interest due to customers** for the "Union City" filing. The total difference of \$3,602.27 represents an **under recovery** of gas costs.

Company Response

Atmos Energy agrees with this finding and has corrected the worksheet calculation interest for future filings.

IX. STAFF CONCLUSIONS AND RECOMMENDATIONS

Audit Conclusions

The audit of the Company's ACA filing revealed three (3) primary issues that Audit Staff believes need to be addressed and corrected before the next annual filing. One issue is the documentation of recovery adjustments (billing adjustments) made by the Company. In the past the amounts have been immaterial and Staff did not require the Company to provide supporting documentation for the adjustments. In this filing, however, the adjustments amounted to approximately \$650,000 in additional costs. As the Company stated in its response to Finding #5, Atmos agrees to provide documentation for material billing adjustments with its ACA filing in future audits.

Audit Staff also found that the percentages used to allocate shared demand costs between Virginia and Tennessee ratepayers had not been updated since 1998. Audit Staff requested an updated calculation, which showed a significant shift in the percentages, with less cost attributable to Tennessee. Audit Staff recommends and the Company agrees that the percentages should be updated at a minimum of every three (3) years or sooner if circumstances warrant. The new percentages calculated in this audit will be used for the audit period beginning July 1, 2005.

The last issue involves the partial repayments of written off accounts. Docket 03-00209 contains a joint agreement between Atmos, Nashville Gas and Chattanooga Gas on the methodology for crediting back to the ratepayers any subsequent partial payments on previously written off accounts. The companies agreed to either credit the payments 100% to the gas cost portion first (with any remainder to the margin portion) or prorate the payment at the same percentage as the original write-off. In Atmos' case, however, a sample of the write-offs found that the Company is not using either method when recording a partial payment. In its response to Finding #4, the Company states that its current billing system cannot automatically credit the correct amounts according to the agreement, but the Company will try to manually make to adjustments necessary to comply with the agreement.

Asset Management Agreement

In addition to auditing the Company's ACA filing, the Audit Staff also reviewed the asset management agreement in place between Atmos and its affiliate Atmos Energy Management ("AEM").⁴ The Audit Staff discovered several issues that it considers problematic. One issue relates to the RFP process. Audit Staff obtained additional information from the Company as to the procedures followed in its RFP process. The response indicates that the RFP letter was dated March 14, 2004 for overnight delivery on March 15, 2004 and allowed prospective bidders ten (10) days to respond. Written responses had to be delivered to Atmos by US mail, courier service or hand delivery by midnight of March 25, 2004. While the Company states that ten (10) days is sufficient time for a company to respond to this type of RFP, Audit Staff disagrees.

⁴ Atmos stated in response to a Staff data request that the Company has not shared in any asset management payments and that all payments have been credited 100% to the ratepayers.

Also, Audit Staff finds that the Company appears to be restricting RFP recipients to the same list it has used for a number of years. The Company does not publicly notice its RFP in an industry wide publication. During the most recent RFP offering, the only proposal received was from its affiliate AEM.

Another issue involves Audit Staff concerns about the amount of payment by AEM for the use of ratepayer assets and the calculation of the credit that was given to ratepayers in the current audit period. The amount credited to ratepayers⁵ seems to be significantly less than the amounts paid for the use of Nashville Gas and Chattanooga Gas assets. Since Atmos is dealing with its affiliate, Staff has concerns that Tennessee ratepayers are not receiving a fair amount for the use of the assets they have paid for. Without knowing the total profits that AEM is making, which in turn benefit the Company's stockholders, Audit Staff cannot report that Tennessee ratepayers are being treated fairly under the current agreement.

Staff Recommendations

Based on the findings and conclusions reached in this audit, the Audit Staff urges the Authority to adopt the following recommendations:

1. The Company allowed only ten (10) days for third party prospective asset managers to submit bids on its RFP for asset management. In addition the Company sent the RFP only to an established list of bidders. The result was the one bid received from its affiliate. Given the complexities of the asset management agreement, Audit Staff believes the length of time given was too short for a prospective bidder to consider the proposal and submit a bid. At a minimum, the Audit Staff recommends the following:
 - a. The Company should allow at least thirty (30) days for a prospective bidder to respond to its RFP.
 - b. The Company should advertise the RFP in appropriate trade publications.
2. The Company awarded its asset management contract to its affiliate AEM. The contract calls for AEM to pay Atmos \$782,978 annually for the right to sell the Company's excess pipeline capacity. This amount is credited 100% to the Company's ratepayers. Compared to similar agreements in place for the other TRA regulated gas companies,⁶ the amount paid for the right to use these assets appears to be extremely low. The Audit Staff believes that since AEM is an affiliate of Atmos, customers are entitled to a reasonable percentage of the total profits realized by AEM in the sale of the *ratepayer's assets*.

⁵ The asset management agreement provides for a \$782,978 payment by AEM to Atmos Tennessee operations for the use of Tennessee assets and a payment of \$282,978 from Atmos Tennessee operations to AEM for services provided to Tennessee in the gas procurement function. The net credit given to Tennessee ratepayers as a result of this agreement was \$500,000.

⁶ One company has a third party manager and the other has an affiliate manager.

Audit Staff therefore, recommends the following:

- a. The Company should provide Audit Staff documentation of the total profits realized by AEM from the sale of customer assets. This documentation should be provided in its annual Actual Cost Audit filing.
 - b. The Company should credit 100% of this profit to ratepayers in its ACA Account.
 - c. The Authority should open a separate docket to address the inclusion of asset management fees in the Company's Performance Based Ratemaking Rider ("PBR") and the appropriate sharing mechanism and percentage applicable to these fees.
 - d. The Authority should direct the TRA Staff and Company to submit a proposed revision of the affiliate rules currently included in the PBR to provide additional guidance to the Company in the selection of the asset manager.
3. The Authority should direct the Company to file all future proposed asset management and gas procurement agreements or renewal of the current contract with the TRA for prior approval of the Authority.
 4. The Company should provide a summary report listing all billing adjustments made to the ACA recoveries in each annual ACA filing.
 5. The Company should use the updated demand allocation percentage between Tennessee and Virginia customers in its next ACA filing for the 2005-2006 audit period. The Company should also recalculate and adjust their demand allocation percentages at a minimum of every three (3) years or sooner if circumstances warrant.
 6. In recording partial bad debt payments, the Company should abide by the joint agreement submitted by the three gas companies and either credit the gas cost portion of the bad debt first, or at the margin/gas cost percentage of the original write-off.

APPENDIX A

PGA FORMULA

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + \text{DACA}}{\text{SF}} - \text{DB} + \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

$$\text{Non-Firm GCA} = \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{\text{DR1} - \text{DR2}}{\text{SFR}} + \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

$$\text{Non-Firm RA} = \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

where

RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

i = Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.

SFR = Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

STR = Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 24, 2012

IN RE:

**PETITION FOR APPROVAL OF CONTRACT
REGARDING GAS COMMODITY REQUIREMENTS
AND MANAGEMENT OF TRANSPORTATION/
STORAGE CONTRACTS**

**DOCKET NO.
11-00034**

**ORDER APPROVING CONTRACT REGARDING GAS COMMODITY REQUIREMENTS
AND MANAGEMENT OF TRANSPORTATION/STORAGE CONTRACTS**

This matter came before the Tennessee Regulatory Authority (the "Authority" or "TRA") at a regularly scheduled Authority Conference held on January 9, 2012, for consideration of Atmos Energy Corporation's ("Atmos" or the "Company") *Petition for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage Contracts* ("Petition") filed on March 3, 2011.

PROCEDURAL BACKGROUND

Atmos was first ordered to file all future Asset Management Agreements ("AMA") or renewals for approval by the TRA prior to their effective date in Docket No. 05-00253 on December 6, 2007.¹ Also, by Order dated December 6, 2007, the Authority approved a new Performance Based Ratemaking Rider ("PBR") tariff for Atmos to incorporate and implement RFP procedures for selection of an asset manager in Docket No. 05-00253.² Thereafter, on March 20, 2008, Atmos initiated the first review process by the TRA of its RFP procedures, selection of its asset manager and asset management contract in Docket No. 08-00024 by filing its *Motion for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage*

¹ In Re: Atmos Energy Corporation's Annual Cost Adjustment (ACA) for the Twelve Months Ended June 30, 2005, *Order Approving Notice of Clarification of Audit Report*, Docket No. 05-00253, p. 2 (June 14, 2007).

² In Re: Atmos Energy Corporation's Annual Cost Adjustment (ACA) for the Twelve Months Ended June 30, 2005, *Order Approving Tariff*, Docket No. 05-00253, p. 2 (December 6, 2007).

Contracts seeking that the Authority evaluate whether Atmos complied with the RFP procedures in its tariff and determine whether to approve or deny the proposed AMA. The Authority found that based on the detailed bid evaluation provided by the Company that the AMA benefited customers and voted unanimously to approve the contract regarding the Company's gas commodity requirements and management of its transportation and storage contracts.

The instant docket was opened upon the filing on March 3, 2011 by Atmos for approval of its *Petition*, along with a Protective Order. The *Petition* requests approval of a new gas commodity and transportation and storage management contract executed and scheduled to begin on April 1, 2011, with Atmos Energy Marketing, LLC ("AEM"). Thereafter, on March 17, 2011, Atmos filed the *Direct Testimony of Rebecca M. Buchanan* with exhibits under seal and marked confidential. At an Authority Conference on March 28, 2011, the Directors voted to convene a contested case in this matter and to appoint a hearing officer to handle preliminary matters. On March 31, 2011, Atmos filed a revised proposed Protective Order incorporating certain language suggested by the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate" or "CAPD"). On March 31, 2011, the CAPD filed a *Petition to Intervene* requesting to intervene as a party in the proceedings.

On June 3, 2011, Atmos filed a *Notice of Filing Action Brief and Order* which included a copy of the Virginia State Corporation Commission's Action Brief, dated April 26, 2011, and Order Granting Authority, issued May 9, 2011, reflecting action taken by the Virginia commission on Atmos' AMA. On August 19, 2011, Atmos filed its Third Revised Sheet No. 45.1 revising its original tariff sheet to add language to its Performance Based Ratemaking Mechanism Rider clarifying the application of revenue derived from asset management agreements or other forms of compensation. The proposed tariff language makes it clear that 10% of asset management savings can be shared with stockholders, while ratepayers receive 90% of the savings.

On September 2, 2011, the Hearing Officer entered a *Protective Order* and issued an *Order Granting Petition to Intervene of the Consumer Advocate*. On December 20, 2011, Atmos filed a *Request for Ruling* asking the Authority to consider and rule on this matter at the next Authority Conference. On December 21, 2011, the CAPD filed a *Statement of the Consumer Advocate's Intent Not to Contest the Asset Management Agreement with Atmos Energy Marketing, LLC and the Third Revised Sheet No. 45.1 of Atmos' Tariff* stating that it was not opposed to the *Petition* or revised Tariff filed by Atmos; but requested that it remain as an Intervener in this matter, for the purpose of monitoring, receiving future notices and communications, and for evaluating any future information regarding this docket.

TARIFF REQUIREMENTS

Atmos states it has fully complied with the RFP procedures for selection of an asset manager as specified in its approved tariff.³ The criteria for a RFP can be divided into two general categories: those related to the RFP process and those related to the evaluation of the bids.

RFP Process

Atmos' tariff requires that AMAs be placed out for bid using an RFP. The RFP was issued on December 6, 2010.⁴ The RFP must be written, define the Company's assets to be managed, detail the Company's minimum service requirements, describe the content requirements of the bid proposals, include procedures for submission and evaluation of the bid proposals, and be open for a minimum period of thirty days. The Company is required to send the RFP to potential asset managers.⁵ Atmos stated it distributed its RFP to over 300 e-mails via its website and published it in Platt's Gas Daily on December 8 and December 22, 2010, as

³ *Petition for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage Contracts*, p. 1 (March 3, 2011).

⁴ *Id.* at 3.

⁵ Atmos Energy Corporation, Tariff No. 1, 2nd Revised Sheet Nos. 45.3 and 45.4.

specified by the tariff.⁶ The RFP called for a three-year agreement beginning on April 1, 2011, to supply gas commodity requirements and manage AEC's transportation and storage contracts. The AMA covers Tennessee and Virginia because Atmos' system overlaps the Tennessee/Virginia state line in Bristol, Tennessee.⁷

Atmos' tariff requires that all bids be submitted in writing prior to the deadline and allows Atmos to solicit follow-up bids in a non-discriminatory manner. All bids received were in writing prior to the deadline. Additionally, the winning bid will be the one with the highest value bid received, the result of a competitive bidding process conducted in accordance with RFP procedures.⁸ Atmos evaluated the bids received and determined that AEM had submitted the bid providing the highest overall value to customers and should be awarded the contract.⁹ In making this evaluation, Atmos considered the criteria set forth in the RFP tariff. According to Atmos, the AMA provided a significant benefit to Atmos customers. The gas supply portion of the contract will result in significant savings to Atmos' gas customers.¹⁰

Bid Evaluation

According to Atmos' tariff, each bid must be evaluated on the following criteria: "(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."¹¹ Atmos' tariff also requires that the asset manager maintain documents and records of all transactions that utilize the Company's gas supply assets and allow the Company and the TRA Staff to review and examine those documents.¹²

⁶ *Petition for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage Contracts*, p. 3 (March 3, 2011).

⁷ *Id.*

⁸ *Id.* at 4.

⁹ *Id.*

¹⁰ *Id.*

¹¹ Atmos Energy Corporation, Tariff No. 1, 2nd Revised Sheet Nos. 45.3 and 45.4.

¹² *Id.*

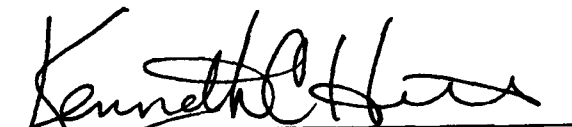
The proposed AMA contains language similar to tariff language establishing this requirement. Atmos stated that the new AMA replaces the current asset management agreement approved by the Authority on July 9, 2008 in Docket No. 08-00024. The current agreement expires on March 31, 2011.

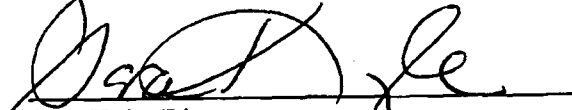
FINDINGS AND CONCLUSIONS

At the regularly scheduled Authority Conference held on January 9, 2012, the panel considered whether to approve the AMA. After considering the record as a whole, the panel found that Atmos had complied with its RFP and bidding process criteria set forth in its tariff. Further, the panel found that approval of the AMA as of April 1, 2011 is necessary in order for Atmos to continue to serve its customers and those customers may share in the transportation and storage assets as of that date. The panel voted unanimously to approve the *Petition* and the proposed amendment to Atmos' PBR tariff, also effective April 1, 2011.

IT IS THEREFORE ORDERED THAT:

1. The *Petition for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage Contracts* filed by Atmos Energy Corporation on March 3, 2011 is approved with an effective date of April 1, 2011.
2. The Third Revised Sheet No. 45.1 of Atmos' tariff is approved with an effective date of April 1, 2011.


Kenneth C. Hill, Chairman


Sara Kyle, Director


Mary W. Freeman, Director

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

Filed Electronically in Docket Office on 06/22/06 @ 10:55am

IN RE: PETITION TO OPEN AN)
INVESTIGATION TO DETERMINE)
WHETHER ATMOS ENERGY CORP.)
SHOULD BE REQUIRED BY THE TRA)
TO APPEAR AND SHOW CAUSE)
THAT ATMOS ENERGY CORP. IS)
NOT OVEREARNING IN VIOLATION)
OF TENNESSEE LAW AND THAT IT)
IS CHARGING RATES THAT ARE)
JUST AND REASONABLE)

DOCKET NO. 05-00258

**RESPONSE OF TRA INVESTIGATIVE STAFF
TO ATMOS' MOTION FOR EXPEDITED REVIEW
OF HEARING OFFICER ORDER**

In response to Atmos Energy Corporation's Motion for Expedited TRA Review of Hearing Officer Order, the TRA Investigative Staff reiterates and paraphrases what it stated at the June 8, 2006 Status Conference on Objections: while the staff has no position on whether this docket addresses revenues attributed to the management of gas supply assets and related issues, it is the staff's strong position that these issues do get examined sooner than later. The Authority is looking at these issues concerning other companies, and there is no reason why Atmos should be treated differently; the Authority should review and reconsider the PBR as applied to Atmos in a timely manner. However, the staff does not take a position as to whether revenues from asset management should be examined in this docket.

Respectfully submitted,

-S-

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CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by electronic mail to the following parties on the 22nd day of June, 2006.

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Electronically filed with the TRA Docket Room on June 22, 2006.

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

7/11/05 12:11:15

TRA-05-00258

In re: Petition to Open an Investigation to Determine)
Whether Atmos Energy Corp. Should be Required by)
the TRA to Appear and Show Cause That Atmos)
Energy Corp. Is Not Overearning in Violation of)
Tennessee Law and That it Is Charging Rates That Are)
Just and Reasonable)

Docket No. 05-00258

**CONSUMER ADVOCATE'S RESPONSE TO ATMOS ENERGY CORPORATION'S
MOTION FOR EXPEDITED TRA REVIEW OF HEARING OFFICER ORDER**

The Tennessee Attorney General, by and through the Consumer Advocate and Protection Division ("Consumer Advocate"), hereby responds to Atmos Energy Corporation's ("Atmos's") Motion for Expedited TRA Review of Hearing Officer Order.

For the reasons set forth below, the TRA should deny the Motion of Atmos and uphold the decision of the Hearing Officer with regard to the discovery requests of the Consumer Advocate.

BACKGROUND OF DISPUTE

In its initial discovery requests, the Consumer Advocate asked for information about the set-up and management of the Atmos capacity release program, with a focus on the monetary "credits" Atmos should receive as income when it releases its "excess capacity" on the natural gas pipeline to another company. In essence, "capacity" is the space in a gas transmission pipeline through which gas is moved. When Atmos has more capacity than it believes it needs to serve its customers, it may release that extra or "excess" capacity to another company. When this capacity is released FERC rules require that the releasing company, Atmos, should receive a monetary credit for the value of the capacity released. The Consumer Advocate believes that these credits are potential

income to Atmos and should be accounted for as part of the base rate calculation. The Consumer Advocate, however, has found that this potential income from capacity release credits does not show up in Atmos filings at the TRA. Accordingly, the Consumer Advocate has propounded a series of questions to Atmos about its capacity release program.

Atmos objected to these questions about capacity release on the ground that such information was governed by the Purchased Gas Adjustment ("PGA") rule and the Performance-Based Ratemaking ("PBR") mechanism and, therefore, was outside the scope of this rate-making hearing. At the hearing on June 8, 2006, to resolve discovery disputes, Atmos stated that it received only approximately \$30,000 from its capacity release program, and that this income was reported to the TRA. See, e.g., Order Resolving Discovery and Protective Order Disputes and Requiring Filings, June 14, 2006, at pages 6-7.

Director Ron Jones, acting as Hearing Officer, ruled that to the extent that Atmos received any income above the approximately \$30,000 Atmos claimed was income from capacity release, such income was discoverable:

Despite Atmos's explanation that 100 percent of the other income is gas cost related and properly accounted as such, it cannot be found as a matter [of] fact from the record that the \$30,000 discussed by Atmos accounts for all of the "other income" information requested by the Consumer Advocate. Given this, it cannot be known at this time (1) whether there is any income in addition to the \$30,000 and (2) if so, whether such income should be accounted for solely as gas costs. Assuming there is income in addition to the \$30,000, it may be that the income should be accounted for as part of the base rate calculation. Thus, to the extent that the "other income" referenced by the Consumer Advocate includes amounts in excess of the \$30,000 figure discussed by Atmos, it is fair to conclude that information as to those excess amounts reasonably could lead to information that could bear on an issue in this docket, and therefore, Atmos should respond accordingly.

Order Resolving Discovery and Protective Order Disputes and Requiring Filings, June 14, 2006,

at page 7.

Atmos has now appealed Director Jones's Order to the full panel. The full panel, however, should uphold Director Jones's Order because the Consumer Advocate has uncovered proof suggesting that the millions of dollars of monetary credits for capacity release that should flow to Atmos far exceed the \$30,00 claimed by Atmos as income from capacity release; the requested information is necessary to explore this inconsistency.

THE CONSUMER ADVOCATE HAS UNCOVERED PROOF SUGGESTING THAT THE MILLIONS OF DOLLARS OF MONETARY CREDITS FOR CAPACITY RELEASE THAT SHOULD FLOW TO ATMOS FAR EXCEED THE \$30,000 CLAIMED BY ATMOS AS INCOME FROM CAPACITY RELEASE; THE REQUESTED INFORMATION IS NECESSARY TO EXPLORE THIS INCONSISTENCY.

Acting on the supposition that it usually has more capacity than it needs, Atmos has sold what it calls "excess capacity" to an affiliate, Atmos Energy Marketing, LLC ("AEM"). Under federal law, every time AEM uses any of the excess capacity that it has bought from Atmos, Atmos is supposed to receive a monetary credit. Federal Energy Regulatory Commission ("FERC") Rule § 284.8(f). The Consumer Advocate has reviewed records of AEM's activity on pipelines serving Atmos and has discovered that AEM is using millions of dollars of capacity for which Atmos should receive credits. Affidavit of Steve Brown at paragraphs 5 and 8, attached as **Exhibit A**. According to Atmos's own statements, however, none of these monetary credits show up as income for Atmos. The only income reported by Atmos related to capacity release is approximately \$30,000, a number grossly out of line with the amount of credits Atmos should receive. This figure of \$30,000 was agreed to by counsel for Atmos at the June 8, 2006, status conference and is not disputed in its present Motion for Expedited TRA Review of Hearing Officer Order. Transcript of Status Conference, June 8, 2006, at page 40.

The Consumer Advocate is not conceding that facts related to the cost of gas, including the cost of capacity and transportation, should not be part of a rate case. For purposes of this discovery dispute in this particular case, however, the Consumer Advocate accepts the Hearing Officer's determination that only amounts above the \$30,000 referenced above are discoverable. Hearing Officer's Order of June 14, 2006 at page 7. But, as set forth above, the information about credits for capacity release sought by the Consumer Advocate far exceeds the \$30,000 figure set forth by Atmos as money received from the sale of excess capacity. Accordingly, the capacity release information sought by the Consumer Advocate should be discoverable.

In its Motion for Expedited Review and the affidavit filed in support of it, Atmos argues that it has disclosed all the income it receives under the PGA and the PBR plan:

4. All of the "other income" amounts referred to in the statement quoted above are amounts the Company has received through its Performance-based Ratemaking mechanisms ("PBR") in Tennessee and Georgia. In Tennessee, 100% of the income the Company receives through its PBR is derived through one of the two separate sharing mechanisms within the PBR: (1) the Gas Procurement Incentive Mechanism (also referred to as Gas Commodity mechanism); and (2) the Capacity Management Incentive Mechanism (also referred to as the Capacity Release Sales Mechanism). All of the income the company receives under both sharing mechanisms is derived from the Company's gas procurement activities and the management of the gas supply assets necessary to procure a gas supply. Atmos receives no income through the PBR that is not derived from its gas purchasing activities.

Affidavit of Greg Waller at Paragraph 4.

The argument that "Atmos receives no income through the PBR that is not derived from its gas purchasing activities," however, begs the question of what ever happened to the millions of dollars of credits that Atmos was supposed to have received? The Consumer Advocate will concede that the \$30,000 amount reported in the PBR or other sharing mechanisms is related to gas supply. That is not what concerns the Consumer Advocate. What concerns the Consumer Advocate is what

is not reported in the PBR, and that is the millions of dollars of credits that Atmos should have received.

Thus, the Consumer Advocate is not trying to re-litigate the PBR or other sharing mechanisms in this docket. Furthermore, the Consumer Advocate is not trying to challenge the audit findings of these mechanisms. The Consumer Advocate is simply trying to obtain discovery that will enable it to account for millions of dollars in credits that should have counted as income to Atmos and, therefore, should have gone to reducing the rates paid by Tennessee consumers.

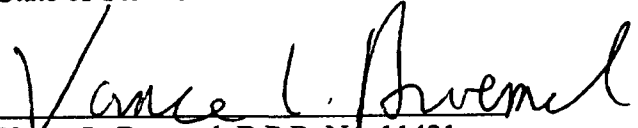
It may be that Atmos can account for the excess capacity credits in such a way as to convince the TRA that there is no issue here. That, however, is a matter for hearing, not discovery. In the discovery phase of a case the Consumer Advocate should be allowed to obtain information that is reasonably calculated to lead to admissible evidence, and information about capacity release credits clearly fits that description. Tennessee Rule of Civil Procedure 26.02(1). Accordingly, the Consumer Advocate should not have to accept at face value the affidavit of Greg Waller of Atmos with regard to whether Atmos receives more than \$30,000 from capacity release. The purpose of discovery is to allow a party to obtain information with which to test the support for statements by the opposing party. If Mr. Waller is right, so be it. But the Consumer Advocate has clearly set forth sufficient reason to allow it to obtain information to look behind the conclusory statements of Atmos.

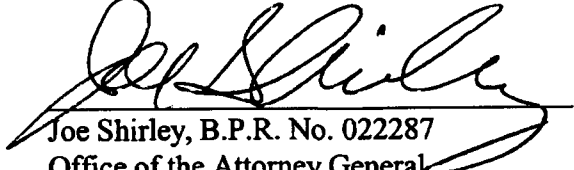
CONCLUSION

For the foregoing reasons, the TRA should deny the Motion of Atmos and uphold the decision of the Hearing Officer with regard to the discovery requests of the Consumer Advocate

Respectfully submitted,

Paul G. Summers
Attorney General
State of Tennessee


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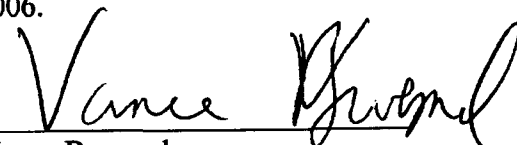
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J.W. Luna
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on this the 22nd day of June, 2006.


Vance Broemel

96579

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

June 23, 2006

JUN 23 07 11 AM

*In re: Petition to Open an Investigation to)
Determine Whether Atmos Energy Corp. Should be)
Required by the TRA to Appear and Show Cause)
That Atmos Energy Corp. is Not Overearning in)
Violation of Tennessee Law and That it is Charging)
Rates That are Just and Reasonable)*

Docket No. 05-00258

**RESPONSE OF ATMOS INTERVENTION GROUP TO
ATMOS' INTERLOCUTORY APPEAL**

The Atmos Intervention Group ("AIG") submits the following response to the "Motion for Expedited TRA Review of Hearing Officer Order" filed on June 16, 2006, by Atmos Energy Corporation ("Atmos").¹ Atmos has asked the Authority to review the Hearing Officer's Order of June 14, 2006, concerning certain discovery disputes.

I. As an initial matter, Atmos cannot make an interlocutory appeal of the Hearing Officer's decision to the Authority without the permission of the Hearing Officer. TRA Rule 1220-1-2-.06(6). The rule also states that such permission "shall not be unreasonably withheld." On June 22, 2006, the Hearing Officer granted Atmos' request and further held that Atmos need not comply with the Hearing Officer's order to answer the disputed discovery questions until after the Authority rules on the company's appeal.

Unfortunately, consideration of Atmos' interlocutory appeal may force a postponement in the agreed-upon procedural schedule. The Authority has repeatedly stated its intention to

¹ Pursuant to TRA Rule 1220-1-2-.06(2), this response to the Motion of Atmos is due seven days after the filing of the Motion.

conclude this case as soon as possible. Depending upon how quickly the Authority rules on the appeal, this delay could extend the procedural schedule by two weeks or more.

In the alternative, AIG suggests that the Authority take the pending appeal under advisement while directing the company, in the interim, to comply with the Hearing Officer's Order. If the Authority later holds that some or all of the disputed information is, as Atmos contends, irrelevant to this proceeding, the Hearing Officer can order that the information be returned to Atmos and not addressed at the hearing. That will allow the Authority the opportunity to fully consider these issues while keeping the proceedings on schedule.

II. Should the Authority decide to address now the merits of Atmos' relevancy arguments, AIG urges the Authority to affirm the Hearing Officer's decision.

The disputed discovery questions from AIG and the Consumer Advocate Division ("CAD") relate to Atmos' management of its regulated gas storage and transportation assets. AIG, the CAD, and the TRA's own audit staff agree that there are serious issues surrounding the relationship between Atmos and its unregulated affiliate, Atmos Energy Marketing ("AEM"). Based on a ten-day bidding process, in which AEM was the only bidder, AEM entered into an "asset management agreement" with Atmos. Under that agreement, AEM controls the regulated pipeline and storage assets of Atmos. In exchange for a payment to Tennessee ratepayers of less than \$500,000, AEM uses those ratepayer funded assets to make millions of dollars in profits, none of which benefits Tennessee ratepayers. As the TRA's staff auditors concluded, "Staff has concerns that Tennessee ratepayers are not receiving a fair amount for the use of the assets they have paid for." Staff Audit Report of April 21, 2006, at 15.

If the responses to discovery ordered by the Hearing Officer confirm the suspicions of the TRA's auditors, the Authority could decide to capture all or part of AEM's profits for the benefit

of Tennessee ratepayers. The imputation of profits from an unregulated affiliate to a regulated utility is a common and long standing regulatory practice in Tennessee and has been expressly upheld by the Tennessee Supreme Court. See Tenn. Public Service Commission v. Nashville Gas, 551 S.W.2d 315 (Tenn. 1977).

To explore the imputation issue, AIG has requested information about the asset management agreement between AEM and Atmos and about AEM's profits from the management of Atmos' storage and transportation assets. As the Hearing Officer wrote, "the requested information is critical" to a determination of whether the Authority "should impute AEM's revenues to Atmos and thereby reduce Atmos's revenue requirement." Order, at 12. The Hearing Officer also found no conflict between pursuing the imputation issue in this docket and the Authority's recent oral decision in the ACA Audit case, Docket 05-00253. The Authority's decision in Docket 05-00253 addresses how the Authority treats the relatively small payment AEM made to Atmos under the asset management agreement. That decision did not address whether the Authority should impute to Atmos all or part of the profits of AEM resulting from AEM's preferential and profitable relationship with its affiliate.

Atmos' objections to the Hearing Officer's decisions are entirely based on the mistaken assumption that the Hearing Officer did not know what he was doing, *ie.*, that he "clearly found" that "revenues derived from the management of gas supply assets . . . are beyond the scope of this proceeding" but that the Hearing Officer "failed to apply that finding" to AIG's discovery requests. Motion, at 7.

Through careful word choice, Atmos tries to confuse the issue. As the Hearing Officer wrote, the questions raised by AIG do not concern AEM's payment to Atmos for the use of Atmos' storage and transportation assets. That payment currently flows back to ratepayers

through the PGA. The question here is whether all or part of the profits earned by AEM under the asset management agreement should be imputed to Atmos to reduce the revenue requirement of the regulated utility. Those are two separate issues; Atmos has chosen to ignore the difference.

The Hearing Officer did, however, understand the difference and his Order carefully spells out the reasons he overruled Atmos' objections to these discovery questions about AEM and the asset management agreement. The Authority should have no hesitation in quickly affirming his Order.


III. As the TRA's Investigative Staff wrote in comments filed on June 22, 2006, the Authority should address "sooner than later" these issues surrounding the asset management agreement between AEM and Atmos. Investigative Staff Response, at 1. The only way to address those issues "sooner" is to address them in this rate case. The only other open docket in which the issue of the asset management agreement has been raised is the ACA Audit case, Docket 05-00253. As the Hearing Officer found, however, the purpose of the ACA Audit docket is not the same as the purpose of this rate case. Atmos itself, moreover, strongly objected to addressing the asset management agreement in the ACA Audit docket, claiming just a month ago, that the asset management agreement with AEM "has absolutely no impact on or relationship to the subject of the [ACA] audit, Atmos' gas supply costs," precisely the opposite position that Atmos now takes. See "Atmos' Response to Staff Audit Report," filed May 10, 2006, at 3. The company's strategy, as characterized during a pre-hearing conference by Mr. Hotvedt, attorney for the Investigative Staff, is akin to a "shell game." Atmos argued in Docket 05-00253 that any debate over the asset management agreement should be litigated in a separate, contested case proceeding. This rate case is, of course, just such a proceeding. Here, however,

Atmos insists just as strongly that the revenue sharing issue will be addressed in the ACA Audit docket and is irrelevant to the rate case.

The Authority should not condone this "shell game" but should move to address "sooner than later" the concerns raised by AIG, the CAD, and the Authority's auditors. The imputation issue is potentially worth millions of dollars in savings to Tennessee ratepayers. One way or the other, it should be resolved in this rate case so that, if the Authority agrees with the intervenors, Atmos' customers will quickly benefit.²

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, Tennessee 37203
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² Another way to put an end to the company's shell game is to combine this case with Docket 05-00253. The only disputed findings raised by the staff in the ACA Audit docket concern the asset management agreement between Atmos and AEM.

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on this the 23rd day of June 2006.



Henry M. Walker

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

252-111111
2006 SEP 12 PM 2:24
T.R.A. DOCKET ROOM

In re: Petition to Open an Investigation to Determine)
Whether Atmos Energy Corp. Should be Required by)
the TRA to Appear and Show Cause That Atmos)
Energy Corp. Is Not Overearning in Violation of)
Tennessee Law and That it Is Charging Rates That Are)
Just and Reasonable)
)

Docket No. 05-00258

**CONSUMER ADVOCATE AND PROTECTION DIVISION'S PROPOSED ISSUES LIST
FOR PHASE II**

The Office of the Tennessee Attorney General, by and through the Consumer Advocate and Protection Division, hereby submits its proposed issues list for Phase II of this docket pursuant to the Hearing Officer's order.


ISSUES

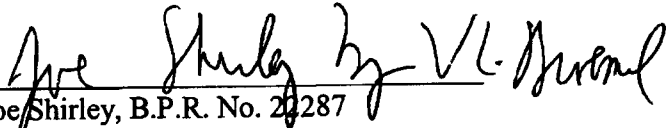
1. How is Atmos compensated for the sale, lease or release of capacity and is that compensation fair to consumers? This issue includes a number of sub-issues such as: what is the bidding process for the sale, lease or release of capacity; what asset management arrangements or contracts are or have been in place with regard to capacity; and how are FERC-mandated payments handled?
2. What exactly is the amount of total capacity and what amount of capacity is available for the sale, lease, or release to third parties or affiliates or divisions of Atmos? This issue includes a number of sub-issues such as: what is the appropriate level of capacity; what has been the record of capacity planning in the past; and what are the future plans?

3. What is the relation between Atmos and AEM and any other affiliate or division of Atmos? This issue includes a number of sub-issues such as the appropriate relation between parent and affiliate or division; communications between parent and affiliate or division; the number of overlapping employees; and the record keeping of the parent and affiliate or division.
4. Are consumers receiving fair compensation for the assets related to the sale, lease or release of capacity for which they have paid?
5. Other issues as raised in discovery.

Respectfully submitted,

Paul G. Summers
Attorney General
State of Tennessee


Vance L. Broemel, B.P.R. No. M421
Senior Counsel


Joe Shirley, B.P.R. No. 22287
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Farmer & Luna
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Melvin J. Malone
Miller & Martin
2300 One Nashville Place
150 4th Avenue North
Nashville, Tennessee 37219

on this the 12th day of September 2004

Vance L. Broemel
Vance L. Broemel

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

September 12, 2006

*In re: Petition to Open an Investigation to)
Determine Whether Atmos Energy Corp. Should be)
Required by the TRA to Appear and Show Cause)
That Atmos Energy Corp. is Not Overearning in)
Violation of Tennessee Law and That it is Charging)
Rates That are Just and Reasonable)*

Docket No. 05-00258

PHASE 2 ISSUES LIST FROM ATMOS INTERVENTION GROUP


The Atmos Intervention Group ("AIG") submits the following response to the Hearing Officer's request for a list of issues likely to arise in Phase 2 of this docket. This response is not intended to be a comprehensive list since other parties will likely have issues in addition to these.

AIG believes that one of the main purposes of Phase 2 is to investigate the asset management practices of Atmos Energy Corp. and the relationship between Atmos and its affiliate, Atmos Energy Marketing ("AEM"). While it is not possible at this time to envision all the possible ramifications of that investigation, this case could result in the imputation to Atmos of all or part of the profits earned by AEM under its current contract with Atmos; the cancellation of the current contract between AEM and Atmos and the rebidding of that contract, the examination of how the revenue from that contract should be treated; the examination of both Atmos' bidding practices and the affiliate transaction rules; consideration of whether any future contract for asset management and gas procurement agreements (or the renewal of all current such contracts) should be submitted to the TRA for review and approval, and other issues raised arising from Atmos' asset management practices and affiliate relationships as pointed out by the TRA Staff in its most recent ACA audit report on Atmos. This proceeding will also involve an

investigation of the related issue whether Atmos has oversubscribed to storage and capacity assets to handle the company's jurisdictional requirements and whether the company is currently utilizing its gas storage assets to maximize benefits to its ratepayers.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
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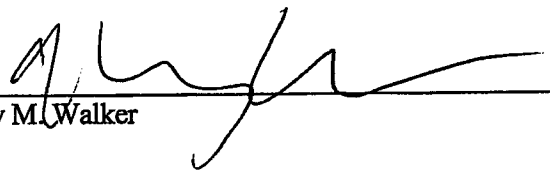
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on this the 12th day of August 2006.


Henry M. Walker

BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

October 6, 2006

IN RE:)	
)	
PETITION OF THE CONSUMER)	DOCKET NO.
ADVOCATE TO OPEN AN)	05-00258
INVESTIGATION TO DETERMINE)	
WHETHER ATMOS ENERGY CORP.)	
SHOULD BE REQUIRED BY THE)	
TENNESSEE REGULATORY)	
AUTHORITY TO APPEAR AND SHOW)	
CAUSE THAT ATMOS ENERGY CORP.)	
IS NOT OVEREARNING IN VIOLATION)	
OF TENNESSEE LAW AND THAT IT IS)	
CHARGING RATES THAT ARE JUST)	
AND REASONABLE)	

**RECOMMENDATION OF THE HEARING OFFICER REGARDING THE DISMISSAL
OF PHASE TWO AND THE NEED FOR A RULEMAKING TO RESOLVE ASSET
MANAGEMENT ISSUES**

To avoid any unnecessary delay in the continuation of the Phase Two procedural schedule, the Hearing Officer presents this recommendation to the Panel for consideration at the October 16, 2006 Authority Conference or at such other time as deemed appropriate. The issues discussed herein came before the Hearing Officer as a result of the *Response of Chattanooga Gas Company to the Issues Proposed for Phase II* ("Response") filed by Chattanooga Gas Company ("CGC") and the related comments filed by Tennessee Regulatory Authority ("Authority") Investigative Staff ("Investigative Staff"), Atmos Energy Corporation ("Atmos"), Atmos Energy Marketing, LLC ("AEM"), the Atmos Intervention Group ("AIG"), and the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate").

I. RELEVANT PROCEDURAL HISTORY

On June 16, 2006, Atmos filed a motion requesting expedited, interlocutory review by the Panel of the *Order Resolving Discovery and Protective Order Disputes and Requiring Filings* issued by the Hearing Officer on June 14, 2006. On June 22, 2006, the Hearing Officer entered an order granting Atmos permission to proceed with the requested interlocutory review and extending the time for filing responses to the discovery requests.

During the Authority Conference on June 26, 2006, the Panel addressed the interlocutory appeal. As part of its ruling, the Panel voted to bifurcate this docket into two phases. It was explained that Phase One will set base rates without consideration of topics involving the asset management agreement, AEM revenue imputation, other income reported on Atmos's SEC 10K report and the performance based ratemaking mechanism. These specific topics were left for Phase Two. It was also explained that the Phase Two topics would be addressed in this docket by the same Panel, but that the decision of whether the phases would proceed concurrently or consecutively would be left to the Hearing Officer.¹

On July 13, 2006, the Hearing Officer issued an *Order Addressing Intervention of AEM and the Procedural Schedules for Phases One and Two*. In the order, the Hearing Officer established a procedural schedule that required the filing of proposed issues for Phase Two on September 12, 2006.² Pursuant to the procedural schedule, Atmos, the Consumer Advocate, and AIG filed proposed issues for Phase Two.

In order to discuss with the parties the proposed issues for Phase Two, a *Notice of Status Conference* was issued scheduling a Status Conference for 10:00 a.m. on September 26, 2006.

¹ Transcript of Authority Conference, pp. 26-30 (Jun. 26, 2006).

² *Order Addressing Intervention of AEM and the Procedural Schedules for Phases One and Two*, Attachment A (July 13, 2006).

Attached to the notice, was the *Docket No. 05-00258 – Phase Two Issues List*, which included all of the issues proposed by the parties. On September 25, 2006, CGC filed its *Response* to the proposed issues for Phase Two in which CGC stated that “it would be more appropriate for the TRA to consider these issues in a rulemaking proceeding than to establish an industry-wide policy regarding asset management through individual company’s rate cases.”³

The Status Conference was convened on September 26, 2006, at 10:00 a.m. as noticed and the following party representatives were in attendance:

Investigative Staff – Gary Hotvedt, Esq., Tennessee Regulatory Authority, 460 James Robertson Parkway, Nashville, Tennessee 37243;
AEM – Melvin J. Malone, Esq., Miller & Martin LLP, 1200 One Nashville Place, 150 4th Avenue North, Nashville, Tennessee, 37219;
Atmos – Misty Smith Kelley, Esq. and Clinton P. Sanko, Esq., Baker, Donelson, Bearman, Caldwell & Berkowitz, 1800 Republic Centre, 633 Chestnut Street, Chattanooga, Tennessee, 37450;
Consumer Advocate – Vance Broemel, Esq. and Joe Shirley, Esq., Office of the Attorney General, P.O. Box 20207, Nashville, Tennessee, 37202;
AIG – Henry Walker, Esq., Boulton, Cummings, Connors & Berry, PLC, 1600 Division Street, Suite 700, Nashville, Tennessee 37203; and
CGC – J.W. Luna, Esq. and Jennifer Brundige, Esq., Farmer & Luna, 333 Union Street, Suite 300, Nashville, Tennessee 37201.

During the Status Conference, there was general agreement that the *Docket No. 05-00258 – Phase Two Issues List* accurately described the issues for Phase Two. The parties also agreed, however, that additional issues may need to be listed as the procedural schedule progresses.⁴ At the conclusion of the issues list discussion, the parties were given until September 29, 2006 to file comments on CGC’s *Response*.

³ *Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 1 (Sept. 25, 2006).

⁴ Transcript of Status Conference, pp. 4-5, 7-12 (Sept. 26, 2006).

II. COMMENTS OF THE PARTIES

A. CGC

CGC urges the Authority to consider the proposed Phase Two issues in a rulemaking rather than a contested case. CGC relies on *Tennessee Cable Association v. Tennessee Public Service Commission* for its position and argues that the proposed issues have the “potential to impact all natural gas utilities regulated by the Tennessee Regulatory Authority.”⁵ As an alternative to a rulemaking, CGC suggested the Hearing Officer enter a limiting order stating that the decisions in this docket are limited to Atmos and have no precedential effect on other utilities.⁶ In support of a limiting order, CGC explained in its *Response* that “CGC and Atmos are two very different companies, and they have different asset management agreements and arrangements.”⁷ Lastly, CGC contends that company-specific determinations with regard to the subject matter of the proposed issues should be addressed in the 2005 actual cost adjustment audit docket, Docket No. 05-00253, if it is still open, or the docket to be opened for the actual cost adjustment audit for the year ending June 30, 2006. In support of this relief, CGC asserts that issues concerning asset management and capacity assets are reviewed through the annual actual cost adjustment audits.⁸

B. Atmos

Citing *Tennessee Cable*, Atmos argues that the asset management issues should be resolved in a rulemaking as they “require the formulation of new policies, rules, and standards

⁵ *Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 1 (Sept. 25, 2006) (citing *Tennessee Cable Assoc. v. Tennessee Pub. Serv. Comm’n*, 844 S.W.2d 151, 161-62 (Tenn. Ct. App. 1992)); see Transcript of Status Conference, pp. 6 (Sept. 26, 2006).

⁶ *Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 1-2 (Sept. 25, 2006); Transcript of Status Conference, pp. 6-7 (Sept. 26, 2006).

⁷ *Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 2 (Sept. 25, 2006)

⁸ *Id.* at 3; see Transcript of Status Conference, pp. 6 (Sept. 26, 2006).

that will govern the future conduct of all regulated gas companies.”⁹ Atmos contends that it has made this argument in this docket as well as in Docket No. 05-00253, which, Atmos contends, includes the same asset management issues.¹⁰ However, Atmos also argues that the Hearing Officer is without the necessary authority to either modify or reverse the Panel’s ruling in Docket No. 05-00253 or reconsider or modify the Panel’s decision to proceed with Phase Two as a contested case. Atmos also concludes that even if the Hearing Officer determines he has

⁹ *Comments of Atmos Energy Corporation Concerning Issues Raised in Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 7 (Sept. 29, 2006) (citing *Tennessee Cable Assoc. v. Tennessee Pub. Serv. Comm’n*, 844 S.W.2d 151, 161-62 (Tenn. Ct. App. 1992)).

¹⁰ In Docket No. 05-00253, Audit Staff made four recommendations that are relevant to this docket. Briefly, the relevant recommendations in the Audit Report are:

1. a. The Company should allow at least thirty (30) days for a prospective bidder to respond to its request for proposal.
- b. The Company should advertise the request for proposal in appropriate trade publications.
2. a. The Company should provide Audit Staff documentation of the total profits realized by AEM from the sale of customer assets. This documentation should be provided in its annual Actual Cost Audit filing.
- b. The Company should credit 100% of this profit to ratepayers in its actual cost adjustment Account.
- c. The Authority should open a separate docket to address the inclusion of asset management fees in the Company’s performance based ratemaking rider and the appropriate sharing mechanism and percentage applicable to these fees.
- d. The Authority should direct the TRA Staff and Company to submit a proposed revision of the affiliate rules currently included in the performance based ratemaking rider to provide additional guidance to the Company in the selection of the asset manager.
3. The Company should file all future proposed asset management and gas procurement agreements or renewal of the current contract with the Authority for prior approval.
4. The Company should provide a summary report listing all billing adjustments made to the actual cost adjustment recoveries in each annual actual cost adjustment filing.

In re: Atmos Energy Corporation’s Actual Cost Adjustment (ACA) Audit for the Twelve Months Ended June 30, 2005, Docket No. 05-00253, *Notice of Filing by the Utilities Division of the Tennessee Regulatory Authority, Compliance Audit Report of Atmos Energy Corporation Actual Cost Adjustment*, 20-21 (Apr. 21, 2006). The Panel unanimously voted to adopt recommendations numbered 2d, 3 and 4 and to reject recommendations numbered 1 and 2a through c. In the course of developing revisions in accordance with 2d and with regard to recommendations 2a through c, the Panel directed Audit Staff and Atmos to meet to discuss the effects of incorporating the asset management arrangement into the performance-based ratemaking rider. The Panel also voted that in the event agreement on any issue cannot be reached or Audit Staff believes that issues remain unresolved, then the Panel may consider whether to convene a contested case on those issues or to take some other actions. Transcript of Authority Conference, pp. 7-8 (May 15, 2006). During the September 26, 2006, Status Conference, Audit Staff attorney, Monica Smith-Ashford, noted for the record that the Audit Staff did not intend to meet with Atmos with regard to Docket No. 05-00253 until the completion of both phases of Docket No. 05-00258. Transcript of Status Conference, pp. 39-40 (Sept. 26, 2006).

authority, "comity and the orderly and effective administration of Authority dockets demand" that the Panel determines whether to convene a rulemaking.¹¹

As to Docket No. 05-00253, Atmos relies on the May 15, 2006, action of the Panel to withhold a decision on how to proceed with the outstanding asset management issues until after a meeting between Atmos and Audit Staff. Based on this action, Atmos argues that the "presiding panel in Docket No. 05-00253 has ruled on how the asset management issues should be taken up by the Authority, and any request to change or alter the panel's ruling must be brought before that panel and ruled on by that panel."¹²

Atmos next turns to the procedural history of Docket No. 05-00258 and notes that the Panel convened this proceeding as a contested case proceeding, not a rulemaking. Atmos also notes that during the June 26, 2006, Authority Conference, the Panel bifurcated the docket with the asset management issues to be heard later in the same docket by the same Panel. Atmos contends that the Hearing Officer may not disturb this ruling of the Panel.¹³

C. AEM

AEM echoes the call for resolution of the present dispute by the Panel.¹⁴ AEM argues that because the Panel determined how to proceed after the filing of the *Report and Recommendation of Investigative Staff* on April 24, 2006, and made later decisions on the manner in which the docket should continue to proceed, any request relative to those decisions should be determined by the Panel.¹⁵ In a footnote, AEM comments that "it is not customary for

¹¹ *Comments of Atmos Energy Corporation Concerning Issues Raised in Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 8 (Sept. 29, 2006).

¹² *Id.* at 6.

¹³ *Id.* at 6-7.

¹⁴ *Comments of Atmos Energy Marketing, LLC to the Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 1 (Sept. 29, 2006).

¹⁵ *Id.* at 3.

the Pre-Hearing Officer to consider matters seeking to materially and substantively alter a course previously established by a presiding panel.”¹⁶

D. AIG

AIG contends that both the suggestion that the Phase Two issues be moved to a rulemaking and the suggestion that an order limiting the application of the order to Atmos are “ill advised.”¹⁷ AIG argues that this is a rate case that may result in a reduction of base rates and/or gas costs, and, by definition, rate cases are contested cases.¹⁸ AIG asserts that although a rulemaking may be opened later to address general policy issues, a rulemaking is not the appropriate forum to address the issues raised in this docket. According to AIG, a limiting order is not appropriate as CGC should not be immunized now from any decision in this case. AIG recognizes that rate cases are fact specific, but may also involve legal and policy decisions that are likely to be followed later. AIG argues that CGC is free to point out factual difference between it and Atmos to the Panel.¹⁹

E. Consumer Advocate

The Consumer Advocate opposes dismissal and summarizes the bases for its position with the two succinct claims that: “(1) the Phase Two issues must be addressed within the context of a contested case rather than a rulemaking; and (2) the Consumer Advocate will be prejudiced and the interests of consumers harmed if Phase Two is dismissed.”²⁰ As to its first basis, the Consumer Advocate cites *Tennessee Cable*, Tenn. Code Ann. § 65-2-101(2) and 4-5-

¹⁶ *Id.* at 4, n.8.

¹⁷ *Response of Atmos Intervention Group to Chattanooga Gas Company's Motion*, 1 (Sept. 29, 2006).

¹⁸ *Id.* (citing Tenn. Code Ann. § 4-5-102(3)).

¹⁹ *Id.* at 2.

²⁰ *Reply of Consumer Advocate and Protection Division to Response of Chattanooga Gas Company to the Issues Proposed for Phase Two*, 1 (Sept. 29, 2006).

102(3), and *Office of the Attorney General v. Tennessee Regulatory Authority*²¹ for the proposition that contested cases are appropriate for proceedings that “(1) hinge on a particular set of facts; (2) involve the rights, duties, or privileges of specific parties; or (3) establish rates for regulated services.”²² According to the Consumer Advocate, Phase Two meets these three criteria.²³ The Consumer Advocate emphasizes that the Phase Two issues are fact specific determinations, involving the customers of Atmos, and the rates paid by those customers.²⁴ The Consumer Advocate also argues that it will be prejudiced if Phase Two is dismissed because it relied on the Panel’s decision to bifurcate the docket and consider asset management issues in a contested case when preparing its Phase One case. In a rulemaking, the Consumer Advocate contends, it will not be able to discover pertinent information as it would be able to do in a contested case.²⁵

The Consumer Advocate also rejects CGC’s other suggestions. Specifically, the Consumer Advocate rejects the suggestion that a limiting order is necessary. It agrees that the ruling in the contested case may apply to CGC. The Consumer Advocate notes, however, that such application would occur only under the doctrine of *stare decisis* and is no different than any ruling in any rate case. Similarly, the Consumer Advocate rejects the suggestion that the issues should be addressed in the actual cost adjustment audit. The Consumer Advocate proclaims the proposed Phase Two issues are ratemaking issues, not audit issues.²⁶

²¹ 2005 WL 3193684 at *10 (Tenn. Ct. App. Nov. 29, 2005).

²² *Reply of Consumer Advocate and Protection Division to Response of Chattanooga Gas Company to the Issues Proposed for Phase Two*, 2 (Sept. 29, 2006).

²³ *Id.*

²⁴ *Id.* at 3-5.

²⁵ *Id.* at 7-8.

²⁶ *Id.* at 6.

F. Investigative Staff

In its written comments filed on September 29, 2006, the Investigative Staff notes that AIG and the Consumer Advocate make compelling arguments. The Investigative Staff then suggests that the Panel address company-specific issues in the Phase Two contested case and thereafter address generic issues, such as “(1) the request for proposal process (“RFP”); (2) the appropriate fee structure (fixed fee or percentage of gain, and sharing percentage); (3) periodic review by outside/independent consultant; and (4) third-party vs. affiliate manager considerations,” in a rulemaking.²⁷ Investigative Staff in its final comment requests that the Panel hear arguments on the issues presented by CGC’s *Response* at the earliest opportunity.²⁸

III. RECOMMENDATIONS

I do not fully adopt all of the arguments asserted in favor of consideration of the issues generated by CGC’s *Response* by the Panel rather than the Hearing Officer. It is my opinion, however, that the most efficient manner in which to proceed is to prepare recommendations for the Panel’s consideration at the October 16, 2006 Authority Conference. My hope is that a decision by the Panel on October 16th will bring any procedural disputes to an end and allow whatever procedure the Panel adopts to move forward without delay.

Based on the filings of the parties, this recommendation shall address three issues: (A) Whether Phase Two of Docket No. 05-00258 should be dismissed and the Phase Two issues addressed through a new rulemaking docket; (B) Whether Phase Two of Docket No. 05-00258 should be dismissed and the Phase Two issues addressed through either Docket No. 05-00253 or Atmos’s next actual cost adjustment audit; and (C) Whether the Panel should issue an order limiting the decisions in Phase Two to the facts surrounding Atmos and its asset management

²⁷ *Reply of TRA Investigative Staff to Chattanooga Gas Company’s Proposal for Rulemaking*, 1-2 (Sept. 29, 2006).

²⁸ *Id.* at 2.

agreement and stating that the decision will have no precedential or binding effect on CGC or other natural gas utilities.

A. Whether Phase Two of Docket No. 05-00258 should be dismissed and the Phase Two issues addressed through a new rulemaking docket?

1. Tennessee Cable Analysis

This agency is very familiar with the teachings of *Tennessee Cable*, a case relied on by most of the parties. In this case, the Tennessee Court of Appeals reviewed the manner in which the Tennessee Public Service Commission ("Commission") used rulemaking and adjudication when considering a regulatory reform plan and technology master plan. In the course of its decision, the Court adopted a test set forth by the Supreme Court of New Jersey. Specifically, the test provides:

an agency's determination should take the form of rulemaking if it appears that the agency determination, in many or most of the following circumstances, (1) is intended to have wide coverage encompassing a large segment of the regulated or general public, rather than an individual or a narrow select group; (2) is intended to be applied generally and uniformly to all similarly situated persons; (3) is designed to operate only in future cases, that is, prospectively; (4) prescribes a legal standard or directive that is not otherwise expressly provided by or clearly and obviously inferable from the enabling statutory authorization; (5) reflects an administrative policy that (i) was not previously expressed in any official and explicit agency determination, adjudication or rule, or (ii) constitutes a material and significant change from a clear, past agency position on the identical subject matter; and (6) reflects a decision on administrative regulatory policy in the nature of the interpretation of law or general policy.²⁹

Relying on the test and the actions of the Commission, the Court concluded that the adoption of the regulatory reform plan and technology master plan should have proceeded in a rulemaking.³⁰

²⁹ *Tennessee Cable Assoc. v. Tennessee Pub. Serv. Comm'n*, 844 S.W.2d 151, 162 (Tenn. Ct. App. 1992) (quoting *Metromedia, Inc. v. Director, Div. of Taxation*, 97 N.J. 313, 478 A.2d 742, 751 (1984)).

³⁰ *Id.* at 163.

The issues presented by Phase Two of this docket do not meet most of the qualifications of the test for choosing a rulemaking and the qualifications that are not met weigh in favor of proceeding with a contested case. The first three qualifications for a rulemaking do not exist here. The issues as drafted and attached hereto as Attachment A³¹ apply to the existing circumstances surrounding Atmos's provision of gas to consumers and its relationship with AEM. The issues specifically concern Atmos, not other natural gas utilities. In fact, as to asset management, CGC noted in its *Response* that other natural gas utility companies "have completely different asset management agreements and arrangements than Atmos" and "CGC and Atmos are two very different companies."³² Moreover, the issues are focused on Atmos's present asset management arrangement and use of storage and capacity assets. The resolution of these issues will not operate only in future cases as mentioned in qualification three. Thus, it is my unqualified conclusion that with regard to the issues for Phase Two the first three reasons for choosing a rulemaking do not exist.

The fourth qualification is met. The determination of the Phase Two issues is likely to prescribe a "legal standard or directive that is not otherwise expressly provided by or clearly and obviously inferable from the enabling statutory authorization."³³ It is often true, however, that contested case and rulemaking issues meet this qualification. In most instances, issues that involve legal standards that are expressly provided for or clearly and obviously inferable from statutes do not make their way to a Panel through either a rulemaking or contested case. Thus, while I find this qualification is met, I give to it little weight.

³¹ The Hearing Officer added issue 5(g) to the list during the Status Conference. Transcript of Status Conference, p. 13 (Sept. 26, 2006). All other issues came from the parties' filings of September 12, 2006.

³² *Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 2 (Sept. 25, 2006).

³³ *Tennessee Cable Assoc. v. Tennessee Pub. Serv. Comm'n*, 844 S.W.2d 151, 162 (Tenn. Ct. App. 1992) (quoting *Metromedia, Inc. v. Director, Div. of Taxation*, 97 N.J. 313, 478 A.2d 742, 751 (1984)).

Taking a very conservative approach to qualifications five and six, I conclude that these qualifications should be found to exist. It is possible that once the legal and factual determinations are made in Phase Two that decisions that could be characterized as establishing administrative policy decisions will follow. As with qualification four, however, I give my conclusion with respect to qualifications five and six little weight in the overall analysis. To explain, the specific focus of the Phase Two issues to Atmos and its asset management practices limits the application of any administrative policy determinations to instances involving the same or substantially similar circumstances. Any policy decision will not likely constitute an interpretation of general policy as referred to in qualification six. Further, there is nothing that compels policy decisions to be rendered only in rulemakings. In *Office of the Attorney General v. Tennessee Regulatory Authority*, cited by the Consumer Advocate, the Court of Appeals of Tennessee recognized that policy issues may be resolved in a contested case when it concluded that the Authority should not have resolved certain factual and policy issues without a contested case proceeding.³⁴ Thus, as with the fourth qualification, while I find that qualifications five and six are met, I give them little weight.

Based on the above analysis of each of the qualifications for choosing a rulemaking, I conclude that a rulemaking is not appropriate in this instance. The factors weigh heavily in favor of proceeding with a contested case. In my opinion the fact that the first three qualifications have not been met is critical to the overall analysis. As described in *Tennessee Cable*, adjudication "involves individual rights or duties and the determination of disputed factual issues in particular cases."³⁵ The issues as framed for Phase Two include numerous

³⁴ *Office of the Attorney Gen. v. Tennessee Reg. Auth.*, 2005 WL 3193684, *6 (Tenn. Ct. App. Nov. 29, 2004).

³⁵ *Tennessee Cable Assoc. v. Tennessee Pub. Serv. Comm'n*, 844 S.W.2d 151, 161 (Tenn. Ct. App. 1992)

issues of law and fact the resolutions of which are dependant on the specific circumstances of Atmos's asset management practices.

2. Other Arguments

Two additional arguments deserve comment before leaving the question of whether Phase Two of Docket No. 05-00258 should be dismissed and the Phase Two issues addressed through a new rulemaking docket. The first argument is that the current proceeding is correct because the Phase Two issues may result in an alteration of base rates.³⁶ I agree with this argument. To the extent that any rates are fixed, such action must be done in a contested case. Section 65-2-101(2) of Tennessee Code Annotated defines the term contested case and deems the fixing of rates to be a contested case rather than a rulemaking.³⁷

The second argument is that prejudice would result to those parties that relied upon the Panel's June 26, 2006, decision to address asset management practices in Phase Two when managing their Phase One cases. Based on my familiarity with this docket, it is reasonable to conclude that some of the parties would have acted differently had they known that Phase Two would later be dismissed and converted to a rulemaking proceeding, in which discovery and other adjudicatory rights do not exist. It is likewise reasonable to conclude that the parties relied on the decision of the Panel to bifurcate this docket and the subsequent decision of the Hearing Officer establishing a procedural schedule when crafting their Phase One strategy. Modifying the type of proceeding at this time would likely convert that reasonable reliance into detrimental reliance. Therefore, any modification to the type of proceeding should only occur upon a showing of an unequivocal legal mandate.

³⁶ For example, see Issue 5(a), which addresses whether imputation would reduce Atmos's revenue requirement.

³⁷ See Tenn. Code Ann. § 65-2-101(2) (2004).

3. Conclusion

Based on my analysis of *Tennessee Cable*, the definition of contested case contained in section 65-2-101(2) of Tennessee Code Annotated, and the likely prejudice that could result from a change in the type of proceeding, it is my opinion and recommendation that Phase Two of Docket No. 05-00258 should not be dismissed and the Phase Two issues should not be addressed through a new rulemaking docket. This conclusion should not be construed to infer that I am opposed to a rulemaking. Such is not the case. A rulemaking could be convened at any time to address policy issues affecting natural gas companies generally. For example, as suggested by the Investigative Staff, a determination of general request for proposal guidelines is well-suited to a rulemaking.

B. Whether Phase Two of Docket No. 05-00258 should be dismissed and the Phase Two issues addressed through either Docket No. 05-00253 or Atmos's next actual cost adjustment audit?

I must reject CGC urgings to resolve the Phase Two issues through either Docket No. 05-00253 or Atmos's next actual cost adjustment audit for two reasons. First, CGC's argument that the Phase Two issues should be resolved in an actual cost adjustment docket assumes that the resolutions to those issues will not affect common ratemaking factors. CGC states in its *Response*, "factual issues concerning asset management and the handling of capacity assets are more appropriately handled in the ACA audits and do not impact base rates, the revenue requirement, or any rate design issues included in a rate case."³⁸ At first blush this argument resonates well; however, as previously noted a specific issue in Phase Two involves a determination as to whether the Authority may impute AEM's profits to lower Atmos's revenue

³⁸ *Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 3 (Sept. 25, 2006).

requirement.³⁹ Therefore, if the Authority were to act as CGC has suggested it would pre-judge or even foreclose this issue. Moreover, during the June 26, 2006 deliberations, the Panel recognized that there could be an adjustment to rates following the conclusion of Phase Two and chose to move forward with a bifurcated contested case.⁴⁰

A second point relevant to this determination is the fact that the related asset management issues were raised in Atmos's most recent actual cost adjustment audit, Docket No. 05-00253, prior to the asset management topics being bifurcated in this docket. The Panel deliberated Docket No. 05-00253 on May 15, 2006. On that date, the Panel adopted certain asset management recommendations, but voted to provide Atmos and Audit Staff time to work together before deciding how to proceed further.⁴¹ Also on May 15, 2006, the Panel voted to move forward with a ratemaking proceeding in Docket No. 05-00258.⁴² Later, on June 26, 2006, as a result of an interlocutory review of a discovery order, the Panel voted to bifurcate Docket No. 05-00258 such that issues involving the asset management agreement, AEM revenue imputation, other income reported on Atmos's SEC 10K report and the performance based ratemaking mechanism would be handled separately.⁴³ These listed topics certainly concern the same subject matter as the audit recommendation in Docket No. 05-00253. I must conclude that when the Panel voted in Docket No. 05-00258 to move forward with the topics in Phase Two of this docket, it did so with full knowledge of its earlier decision in Docket No. 05-00253 and with the intention of keeping the dockets separate.

³⁹ See *supra* note 36.

⁴⁰ Transcript of Authority Conference, p. 29 (June 26, 2006).

⁴¹ See *supra* note 10 (explaining in detail the Audit Staff recommendations and decision of the Panel).

⁴² Transcript of Authority Conference, p. 30 (May 15, 2006).

⁴³ *Id.* at 26-30 (June 26, 2006).

Based on the foregoing, it is my opinion and recommendation that Phase Two of Docket No. 05-00258 should not be dismissed and the Phase Two issues should not be addressed through either Docket No. 05-00253 or Atmos's next actual cost adjustment audit.

C. Whether the Panel should issue an order limiting the decisions in Phase Two to the facts surrounding Atmos and its asset management agreement and stating that the decision will have no precedential or binding effect on CGC or other natural gas utilities?

There is no reason to issue an order limiting the decisions in Phase Two to the facts surrounding Atmos and its asset management practices. As I have discussed, the Phase Two issues are specific to Atmos and will depend on findings of fact specific to Atmos. Thus, by the very nature of the Phase Two issues the decisions will directly apply to only Atmos and its asset management practices.


As to the entry of an order stating that the decision will have no precedential or binding effect on CGC or other natural gas utilities, it is my opinion that such an order would be wholly contrary to the practice of this agency. As suggested by AIG and the Consumer Advocate, this case should not be treated any differently than other proceedings at this agency, and I agree. Any decision made by the Authority may be relied upon in the future to support a decision in a case involving the same or similar facts. CGC has exercised its right to intervene in this docket and will be afforded the same opportunities as the other parties to present its case.

Based on the foregoing it is my opinion and recommendation that the Panel not issue an order (1) limiting the decisions in Phase Two to the facts surrounding Atmos and its asset management agreement or (2) stating that the decision will have no precedential or binding effect on CGC or other natural gas utilities.

IT IS THEREFORE RECOMMENDED:

1) Phase Two of Docket No. 05-00258 should not be dismissed and the Phase Two issues should not be addressed through a new rulemaking docket or any actual cost adjustment audit docket. The Panel should stay the course established during the June 26, 2006, deliberations and support bringing this docket to conclusion in accordance with the procedural schedule adopted on July 13, 2006 and modified on October 6, 2006.

2) The Panel should not issue an order (1) limiting the decisions in Phase Two to the facts surrounding Atmos and its asset management agreement or (2) stating that the decision will have no precedential or binding effect on CGC or other natural gas utilities.



Ron Jones, Director
Acting as Hearing Officer⁴⁴

⁴⁴ During the May 15, 2006 Authority Conference, a panel of the Tennessee Regulatory Authority consisting of Chairman Sara Kyle and Directors Ron Jones and Pat Miller unanimously voted to appoint Director Jones as the Hearing Officer to prepare this docket for a hearing by the Panel. Transcript of Authority Conference, pp. 29-39 (May 15, 2006).

Docket No. 05-00258 – Phase Two Issues List

1. How is Atmos Energy Corporation compensated for the sale, lease, or release of capacity and is that compensation fair to consumers?
 - a. What is the bidding process for the sale, lease, or release of capacity?
 - b. What asset management arrangements or contracts are or have been in place with regard to capacity?
 - c. How are FERC-mandated payments handled?
2. What exactly is the amount of total capacity and what amount of capacity is available for the sale, lease, or release to third parties or affiliates or divisions of Atmos Energy Corporation?
 - a. What is the appropriate level of capacity?
 - b. What has been the record of capacity planning in the past?
 - c. What are the future plans?
3. What is the relation between Atmos Energy Corporation and Atmos Energy Marketing and any other affiliate or division of Atmos Energy Corporation?
 - a. the appropriate relation between parent and affiliate or division
 - b. communications between parent and affiliate or division
 - c. the number of overlapping employees
 - d. the record keeping of the parent and affiliate or division
4. Are consumers receiving fair compensation for the assets related to the sale, lease, or release of capacity for which they have paid?
5. Does the Tennessee Regulatory Authority have the authority to impute to Atmos Energy Corporation all or a portion of the profits Atmos Energy Corporation's separate, non-regulated affiliate corporation, Atmos Energy Marketing, generates through its management of Atmos Energy Corporation's idle gas supply assets?
 - a. If yes, may the Tennessee Regulatory Authority impute those profits to lower Atmos Energy Corporation's revenue requirement for base rates even though the assets are part of Atmos Energy Corporation's gas supply procurement activities, which under established Tennessee Regulatory Authority policy are separately regulated through the Purchased Gas Adjustment mechanism, and not through base rates?
 - b. If the Tennessee Regulatory Authority imputes Atmos Energy Marketing asset management profits to lower Atmos Energy Corporation's revenue requirement for base rates, must the Tennessee Regulatory Authority treat other similarly situated gas companies in a like manner? Can such imputation be accomplished in a contested case, or is a rulemaking required?
 - c. Does the Tennessee Regulatory Authority have the authority to impute Atmos Energy Marketing's asset management profits to Atmos Energy Corporation even though there is no requirement for gas companies to engage in asset management?
 - d. If the Tennessee Regulatory Authority's decision in Phase Two of this docket results in a decision by Atmos Energy Marketing to exercise its right to terminate its asset management contract with Atmos Energy Corporation, can the Tennessee Regulatory Authority order Atmos Energy Corporation to engage in asset management itself? If so, how will the Tennessee Regulatory Authority provide for Atmos Energy Corporation to recover the costs of engaging in those activities,

- and how will the Tennessee Regulatory Authority monitor Atmos Energy Corporation's compliance? Would prudency audits be required?
- e. If the Tennessee Regulatory Authority orders that a portion of the Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how will the agency determine what percentage of Atmos Energy Marketing revenues are derived from the Atmos Energy Corporation regulated Tennessee assets, versus what percentage are derived from Atmos Energy Corporation regulated assets in other states, or from Atmos Energy Marketing's own separately owned assets?
 - f. If the Tennessee Regulatory Authority orders that a portion of the Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how will the agency determine the portion of Atmos Energy Marketing revenues that constitute profit and what portion Atmos Energy Marketing must use to meet the costs it incurs?
 - g. What constitutes retroactive ratemaking?
 - h. If the Tennessee Regulatory Authority orders that a portion of the Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how will the Tennessee Regulatory Authority determine this amount consistent with the prohibition against retroactive ratemaking? Would the Tennessee Regulatory Authority have to reach a determination as to the amount of profit Atmos Energy Marketing will make in a particular future time period? If the Tennessee Regulatory Authority orders that a percentage of the Atmos Energy Marketing profits be imputed to Atmos Energy Corporation, how will the Tennessee Regulatory Authority monitor compliance? Would it require regular audits from Tennessee Regulatory Authority Staff? Does the Tennessee Regulatory Authority have the authority to audit non-regulated affiliates such as Atmos Energy Marketing?
6. Did Atmos Energy Corporation comply with the Guidelines for Affiliate Transactions entering into the existing asset management contract with Atmos Energy Marketing? If so, does the Tennessee Regulatory Authority have the Authority to invalidate the existing contract or change the terms of the existing contract? If the contract is invalidated, is Atmos Energy Marketing entitled to a refund of all or a portion of the annual lump sum fee it pays under the contract for the right to manage Atmos Energy Corporation's assets that is currently flowed through 100% to consumers?
 7. Should Atmos Energy Corporation share in the lump sum fee it receives from Atmos Energy Marketing under the terms under the asset management contract through its existing Performance Based Ratemaking ("PBR") plan? If so, how would such a change affect the balance of incentives in the current PBR plan? If the Tennessee Regulatory Authority orders that all or a portion of Atmos Energy Marketing asset management profits be imputed to Atmos Energy Corporation, how would the balance of the incentives in the current PBR be affected? Would such action render the PBR plan ineffective or invalid? Would such action require reversal of the Authority's orders in the PBR dockets?
 8. Whether Atmos Energy Corporation has oversubscribed to storage and capacity assets to handle the Company's jurisdictional requirements?
 9. Whether Atmos Energy Corporation is currently utilizing its gas storage assets to maximize benefits to ratepayers?

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 5, 2007

IN RE:)	
)	
ATMOS ENERGY CORPORATION'S)	DOCKET NO.
ANNUAL COST ADJUSTMENT (ACA) FOR)	05-00253
THE TWELVE MONTHS ENDED JUNE 30, 2005)	
)	
PETITION OF THE CONSUMER ADVOCATE TO)	
OPEN AN INVESTIGATION TO DETERMINE)	DOCKET NO.
WHETHER ATMOS ENERGY CORP. SHOULD BE)	05-00258
REQUIRED BY THE TENNESSEE REGULATORY)	
AUTHORITY TO APPEAR AND SHOW CAUSE)	
THAT ATMOS ENERGY CORP. IS NOT)	
OVEREARNING IN VIOLATION OF TENNESSEE)	
LAW AND THAT IT IS CHARGING RATES THAT)	
ARE JUST AND REASONABLE)	

**ORDER CLOSING DOCKETS AND
MOVING REMAINING ISSUES TO A NEW DOCKET**

This matter came before Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to these dockets, at a regularly scheduled Authority Conference held on August 20, 2007 for consideration of the appropriate forum to address remaining asset management issues and how resolution of the issues should proceed.

BACKGROUND

Docket No. 05-00253 was opened on September 15, 2005 with Atmos Energy Corporation's ("Atmos" or "Company") submission of its 2004-2005 Actual Cost Adjustment ("ACA") filing. On April 21, 2006, Audit Staff filed its Compliance Audit Report ("Audit Report") regarding Atmos' ACA filing. At a regularly scheduled

Authority Conference on May 15, 2006, the Audit Report came before the panel for deliberation. The panel unanimously approved adoption of the Audit Report's seven findings and Recommendations 2D, 3, 4, 5 and 6. With respect to Recommendations 1 and 2A through C,¹ which dealt with various issues relating to asset management, the panel opted not to adopt Audit Staff's approach because the Company had not had sufficient time to respond nor did the docket contain sufficient information to approve the particular approach advocated by Audit Staff.² The Authority, instead, directed that TRA Audit Staff and the Company "meet to discuss the effects of incorporating the asset management arrangement into the performance-based ratemaking mechanism."³ The Authority left open the option of moving forward with a contested case or taking alternative action on issues remaining unresolved at the conclusion of these discussions.⁴

Docket No. 05-00258 was opened on September 15, 2005 upon the filing of the petition by the Consumer Advocate and Protection Division ("Consumer Advocate") to have the TRA open an investigation into whether Atmos was overearning in violation of state law. Ultimately, the Authority opened a contested case in the docket. Chattanooga Gas Company ("CGC"), Atmos Intervention Group ("AIG"), TRA Investigative Staff and Atmos Energy Marketing, LLC ("AEM") were granted intervention in this docket. During the course of discovery, Atmos objected to questions from the Consumer Advocate and AIG regarding asset management, performance based ratemaking ("PBR"), and imputation of earnings, arguing that these topics expanded Docket No. 05-00258 beyond its scope and introduced the potential for decisions which would undermine or

¹ *Audit Report*, pp. 15-16 (April 21, 2006).

² *Order Adopting ACA Audit Report of the Tennessee Regulatory Authority's Utility Division*, p. 4 (December 7, 2006).

³ *Id.*

⁴ *Id.* at 4-5.

contradict Authority orders in Docket No. 05-00253 and other PBR-related dockets. In an attempt to expedite the proceedings, the panel bifurcated Docket No. 05-00258 at the June 26, 2006 Authority Conference with asset management, imputation of earnings, and PBR issues deferred to Phase II of the proceedings. The panel heard testimony on Phase I issues from August 29-31, 2006.

On July 13, 2006, the Hearing Officer in Docket No. 05-00258 issued an *Order Addressing Intervention of AEM and the Procedural Schedules for Phases One and Two*. In the order, the Hearing Officer established a procedural schedule that required the filing of proposed issues for Phase Two on September 12, 2006.⁵ Pursuant to the procedural schedule, Atmos, the Consumer Advocate, and AIG filed proposed issues for Phase Two.

A *Notice of Status Conference* was issued by the Hearing Officer on September 19, 2006 setting a Status Conference to discuss the proposed issues for Phase Two. Attached to the Notice, was an issues list that included all of the issues proposed by the parties. On September 25, 2006, CGC filed its *Response* to the proposed issues for Phase Two in which CGC stated that "it would be more appropriate for the TRA to consider these issues in a rulemaking proceeding than to establish an industry-wide policy regarding asset management through individual company's rate cases."⁶ On September 29, 2006, Atmos, AEM, AIG and the Consumer Advocate each filed comments on CGC's *Response*.

On October 2, 2006, Atmos filed a request that the Authority implement the directive given in Docket No. 05-00253 to meet with Audit Staff regarding the incorporation of the asset management arrangement into the PBR. Atmos contended that

⁵ *Order Addressing Intervention of AEM and the Procedural Schedules for Phases One and Two*, Attachment A (July 13, 2006).

⁶ *Response of Chattanooga Gas Company to the Issues Proposed for Phase II*, 1 (Sept. 25, 2006).

Phase II of Docket No. 05-00258 had had the unintended effect of postponing discussions with Audit Staff that could resolve many, if not all, outstanding issues in Docket No. 05-00253.

On October 6, 2006, the Hearing Officer issued the *Recommendation of the Hearing Officer Regarding the Dismissal of Phase Two and the Need for a Rulemaking to Resolve Asset Management Issues* ("Recommendation"). In this document, the Hearing Officer recommended that the panel: (1) should not dismiss Phase Two of Docket No. 05-00258; (2) should not address the Phase Two issues through a new rulemaking docket or any actual cost adjustment audit docket; (3) should stay the course established during the June 26, 2006, deliberations and support bringing this docket to conclusion in accordance with the adopted procedural schedule; and (4) should not issue an order limiting the decisions in Phase Two to the facts surrounding Atmos and its asset management agreement or stating that the decision will have no precedential or binding effect on CGC or other natural gas utilities.

At the November 6, 2006 Authority Conference, a majority of the panel voted to hold consideration of the *Recommendation* in abeyance and to allow the parties to file briefs regarding whether Docket No. 05-00253 or Docket No. 05-00258 was the appropriate forum to address asset management issues and how resolution of the issues should proceed. All parties filed briefs on November 20, 2006, and oral arguments were heard at a regularly scheduled Authority Conference on March 26, 2007.

POSITION OF THE PARTIES

Atmos: The asset management issues should not be considered within Docket No. 05-00258 because it is a base rate proceeding. The asset management issues are exclusively concerned with the Company's gas supply procurement activities. Since the

implementation of the PGA Rule, the Authority has regulated gas supply procurement activities separately from the base rate. Gas supply procurement issues are not relevant in base rate proceedings such as Docket No. 05-00258. Additionally, the Authority previously has determined in Docket No. 05-00253 that the resolution of these asset management issues should first be attempted through meetings between the Company and Audit Staff. Only if the issues fail to be resolved should the panel then consider whether a contested case or other proceeding such as a rulemaking should be utilized.⁷

Consumer Advocate and AIG:⁸ The asset management issues should be considered in the context of a contested case.⁹ The parties prefer the Authority hear the issues in Docket No. 05-00258. The basis for the preference is that it would maximize judicial economy because a contested case on the issues already exists. The resolution of these issues will affect how much ratepayers pay for gas and so is a natural extension of the rate case proceeding.¹⁰ If the Authority chooses to use Docket No. 05-00253, which is also a contested case, the Consumer Advocate would not object as long as all of the parties in Docket No. 05-00258 can intervene without limitation; the docket is conducted as a full-scaled contested case, with all the attendant rights and privileges; all of the asset management issues adopted in Docket No. 05-00258 for Phase Two would be heard and decided without limitation; and the remedies available in Docket No. 05-00258 would in no way be limited under Docket No. 05-00253. Further, if the Authority chooses to proceed with issues in Docket No. 05-00253, the Consumer Advocate requested that

⁷ *Brief of Atmos Energy Corporation and Request for Oral Argument*, pp. 2, 6 (November 20, 2006).

⁸ AIG filed correspondence on November 20, 2006 stating that it joined in the Consumer Advocate's brief filed on the same date.

⁹ *Brief of Consumer Advocate and Protection Division on the Appropriate Forum to Address Asset Management Issues*, p. 1 (November 20, 2006).

¹⁰ *Id.* at 3.

Director Jones serve as Hearing Officer due to his experience and knowledge of the issues gained in serving as Hearing Officer in Docket No. 05-00258.¹¹

TRA Investigative Staff: Staff supports the analysis set out in the Consumer Advocate brief submitted on November 20, 2006. While Staff has previously suggested there are several generic issues that should be addressed through a rulemaking, the Consumer Advocate has outlined several issues in its brief that can only be resolved through a contested case. Staff does not have an opinion as to which docket the issues should be heard. Staff further withdraws its formal intervention in the Phase II issues in Docket No. 05-00258.¹²

CGC: CGC believes that a rulemaking is the most appropriate forum for the TRA to establish policies on various asset management issues that may be applied industry-wide. However, as to the specific asset management issues concerning Atmos, CGC believes the proper forum is Docket No. 05-00253, the ACA docket, rather than Docket No. 05-00258, which is the rate docket. This is consistent with how TRA has handled asset management issues with CGC and the approach has worked well. Allowing the issues to be heard in Docket No. 05-00258 will expand rate cases to include issues that have been reviewed and regulated by the TRA through the PGA.¹³

FINDINGS AND CONCLUSIONS

After reviewing various options for proceeding toward resolution of the issues in these dockets, including the *Recommendation*, the panel decided to close both Docket No. 05-00253 and Docket No. 05-00258 and to open a new docket to consider the asset management issues that arose in both dockets. A majority of the panel found that this

¹¹ *Id.* at 4.

¹² *Brief of TRA Investigative Staff Concerning Asset Management Issues*, pp. 1-2 (November 20, 2006).

¹³ *Brief of Chattanooga Gas Company Regarding the Appropriate Forum to Consider Proposed Phase II Issues*, pp. 1-2 (November 20, 2006).

approach would provide the greatest clarity.¹⁴ The panel further found that the new docket should be governed by the conditions set out in the Consumer Advocate's November 20, 2006 brief which included: 1) the new docket would be convened as a contested case with all the attendant rights and privileges; 2) intervening parties from Docket No. 05-00258¹⁵ would be permitted to intervene upon filing their requests to do so; 3) that the Phase II issues of Docket No. 05-00258 would be incorporated without limit; and 4) any remedies available to the parties in Docket Nos. 05-00253 and 05-00258 would be available to the parties in the new docket. The panel also determined that the new docket would include, to the extent that they may exist, any remaining issues in Docket No. 05-00253. After receiving no objection from the parties, the panel also found that judicial economy would be afforded by having the new docket assigned to the current panel with Director Jones being appointed to serve as Hearing Officer.

Based upon these findings, the panel voted unanimously to: 1) close Docket No. 05-00253; 2) close Docket No. 05-00258; 3) open a new docket and convene a contested case to address, without limitation, the unresolved issues from Docket Nos. 05-00253 and 05-00258 with all remedies from Docket Nos. 05-00253 and 05-00258 remaining available to the parties; 4) allow any intervening parties from Docket No. 05-00258 to intervene in the newly established docket upon submission of an appropriate filing; and 5) for the sake of judicial economy, request that the Chairman assign the current panel to

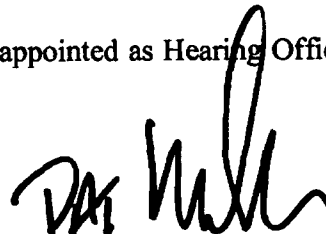
¹⁴ Director Jones served as the Hearing Officer for Docket No. 05-00258 and issued the October 6, 2006 *Recommendation*. It was his position that the panel should move forward as suggested in the *Recommendation*. However, due to the decision of the majority to reject the *Recommendation* and to move forward by creating a new docket, Director Jones took a resolution-oriented approach and stated that he would not oppose the creation of a new docket as long as the conditions set out in the Consumer Advocate's November 20, 2006 brief were adopted without modification.


¹⁵ Stand Energy Corporation ("Stand") had filed a petition to intervene in Docket No. 05-00258 upon which action had not been taken. The panel voted unanimously to grant Stand's petition to intervene in Docket No. 05-00258 in order to preserve its right to intervene in the new docket.

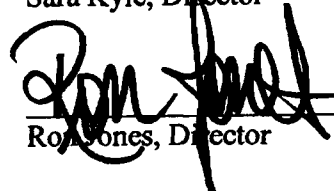
the new docket, and contingent upon such action, that Director Jones would be appointed as Hearing Officer for the new docket.

IT IS THEREFORE ORDERED THAT:

1. Docket No. 05-00253 is hereby closed;
2. Docket No. 05-00258 is hereby closed;
3. A new docket is opened and a contested case is convened to address, without limitation, the unresolved issues from Docket Nos. 05-00253 and 05-00258 with all remedies from Docket Nos. 05-00253 and 05-00258 remaining available to the parties;
4. Any intervening parties from Docket No. 05-00258 are permitted the right to intervene in the newly established docket upon submission to the Authority of an appropriate filing; and
5. For the sake of judicial economy, the Chairman of the Tennessee Regulatory Authority is requested to assign the current panel to the new docket, and contingent upon such action, Director Jones is appointed as Hearing Officer for the new docket.¹⁶

 11-30-07
Pat Miller, Director


Sara Kyle, Director


Ron Jones, Director

¹⁶ Docket No. 07-00225 was opened to address the issues remaining from Docket Nos. 05-00253 and 05-00258. Chairman Roberson filed a memorandum on October 18, 2007 assigning the current panel to Docket No. 07-00225.

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

August 6, 2013

IN RE:

**DOCKET TO EVALUATE ATMOS ENERGY
CORPORATION'S GAS PURCHASES AND
RELATED SHARING INCENTIVES**

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**DOCKET NO.
07-00225**

ORDER APPROVING STIPULATION AND SETTLEMENT AGREEMENT

This matter came before Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill, and Director David F. Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 17, 2013, for consideration of the *Stipulation and Settlement Agreement* ("*Settlement Agreement*") filed on May 7, 2013, by Atmos Energy Corporation ("Atmos" or the "Company") and the Consumer Advocate and Protection Division of the Office of Attorney General ("Consumer Advocate").

BACKGROUND

In TRA Docket No. 05-00253, the Authority's Audit Staff issued its compliance audit report on the 2004-2005 Actual Cost Adjustment filing of Atmos. The report included several recommendations related to asset management.¹ The panel assigned to that docket declined to approve the Audit Staff's recommendations, and instead directed Audit Staff and the Company to meet to discuss the effects of incorporating the asset management agreement into Atmos' Performance-Based Ratemaking Mechanism ("PBR").

¹ See *In re: Atmos Energy Corporation's Actual Cost Adjustment (ACA) for the Twelve Months Ended June 30, 2005*, Docket No. 05-00253, *Compliance Audit Report of Atmos Energy Corporation Actual Cost Adjustment*, pp. 14-16 (April 21, 2006).

TRA Docket No. 05-00258 was opened by the Authority upon the petition of the Consumer Advocate requesting an investigation into whether Atmos was over-earning in violation of state law.² During the discovery process, the Consumer Advocate asked questions concerning asset management and the PBR and possible imputation of earnings. Atmos objected, asserting that these topics were beyond the scope of the docket and would contradict the Authority's order in the audit docket. As a result, the panel bifurcated that docket and deferred the asset management issues to Phase II of the proceedings. Pursuant to the procedural schedule, the parties filed proposed issues for Phase II.

The parties were allowed to file briefs regarding the appropriate forum to address the Phase II issues. After reviewing the various options, the panel decided to close TRA Docket Nos. 05-00253 and 05-00258 and to open a new docket to address asset management issues common to both dockets. All parties to either of the previous dockets would be permitted to intervene automatically in the new docket.³

On September 26, 2007, TRA Docket No. 07-00225 was convened. A Pre-Hearing Conference was held on November 5, 2007 for the purpose of establishing a procedural schedule and addressing intervention requests. At the Conference, Atmos made an oral motion for an order allowing it to defer litigation costs associated with the docket for possible recovery from ratepayers

² See *In re: Petition of the Consumer Advocate to Open an Investigation to Determine Whether Atmos Energy Corp. Should Be Required by the Tennessee Regulatory Authority to Appear and Show Cause That Atmos Energy Corp. is Not Overearning in Violation of Tennessee Law and That It is Charging Rates That are Just and Reasonable*, Docket No. 05-00258, *Consumer Advocate's Petition to Open an Investigation to Determine Whether Atmos Energy Corp. Should Be Required by the TRA to Appear and Show Cause That Atmos Energy Corp. is Not Overearning in Violation of Tennessee Law and That It is Charging Rates That are Just and Reasonable* (September 16, 2005).

³ See *In re: Petition of the Consumer Advocate to Open an Investigation to Determine Whether Atmos Energy Corp. Should Be Required by the Tennessee Regulatory Authority to Appear and Show Cause That Atmos Energy Corp. is Not Overearning in Violation of Tennessee Law and That It is Charging Rates That are Just and Reasonable*, Docket No. 05-00258, *Order Closing Dockets and Moving Remaining Issues to a New Docket*, p. 8 (December 5, 2007).

at a later date. Concerned parties were directed to file briefs detailing any objections to the motion by November 19, 2007.⁴

A subsequent Status Conference was held on December 13, 2007 to finalize an issues list, rule on Atmos' oral motion to defer litigation costs and update the procedural schedule. The Hearing Officer determined that Atmos should be allowed to segregate and defer its legal costs, but emphasized that the determination to allow Atmos to recover these costs would be determined by the panel at a later date.⁵ A Hearing on the merits was tentatively set for August 2008.⁶

The term of Director Ron Jones, who had been acting as Hearing Officer, expired on June 30, 2008, and the panel appointed the General Counsel or his designee to act as the new Hearing Officer to continue to prepare the case for Hearing.⁷ On November 13, 2008, the Consumer Advocate, on behalf of all parties, filed a letter in the docket file requesting that the Hearing Officer stay the proceedings pending a decision in TRA Docket No. 07-00224, which, although pertaining directly to Chattanooga Gas Company ("CGC"), involved issues similar to the issues in this docket.⁸ The parties anticipated that the decisions reached in TRA Docket No. 07-00224 would affect the course of this docket and could possibly lead to a settlement.⁹ The Hearing Officer issued an Order on November 20, 2008, granting the request.¹⁰

The Authority's Order in TRA Docket No. 07-00224 was issued on September 23, 2009.¹¹ Status updates were filed in this Docket at the request of the Hearing Officer on December 15, 2010, August 19, 2011, June 20, 2012, September 28, 2012, February 7, 2013 and April 10, 2013,

⁴ *Order on November 5, 2007 Pre-Hearing Conference*, pp. 7-8 (November 8, 2007).

⁵ *Order on December 13, 2007 Status Conference*, p. 5 (December 21, 2007).

⁶ *Id.* at Attachment B, p. 1 of 1.

⁷ *Order Appointing a New Hearing Officer*, p. 1 (July 25, 2008).

⁸ *See In re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224.

⁹ Letter from Vance L. Broemel to Kelly Cashman-Grams, p. 1 (November 13, 2008).

¹⁰ *Order Staying Docket*, p. 1 (November 20, 2008).

¹¹ *See In re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order* (September 23, 2009).

indicating that the parties had been meeting in an attempt to reach a settlement. The proposed *Settlement Agreement* was filed in this docket on May 7, 2013.

STIPULATION AND SETTLEMENT AGREEMENT

On May 7, 2013, Atmos and the Consumer Advocate filed the proposed *Settlement Agreement* for approval by the Authority. The *Settlement Agreement* is attached as Exhibit 1, and its terms and conditions are specified in their entirety therein.

Briefly, in the proposed *Settlement Agreement* the parties state that they acknowledge the Authority's decisions in Docket No. 07-00224 for CGC and Docket No. 05-00165 for Piedmont Natural Gas Company, Inc.,¹² and their negotiation discussions have centered on the Authority's prior decision in Docket No. 07-00224.¹³ The terms of the proposed *Settlement Agreement* include: (1) Atmos will undergo a comprehensive review by an independent consultant of the transactions and activities related to asset management beginning in the autumn of 2014;¹⁴ (2) the need for subsequent reviews will be determined by the Authority;¹⁵ (3) the independent consultant will issue a written report of its findings and conclusions by July 1, 2015, but those findings and/or recommendations will not be binding on any party or the Authority;¹⁶ (4) Atmos will recover its deferred legal expenses in the amount of \$88,122 from the ratepayers' share of asset management fees;¹⁷ (5) the *Settlement Agreement* will not have any precedential effect in any future proceedings before the Authority;¹⁸ and (6) if the Authority does not accept the proposed *Settlement Agreement*

¹² See *In re: Review of Nashville Gas Company's IPA Relating to Asset Management Fees*, Docket No. 05-00165, *Order Approving Settlement* (December 14, 2007).

¹³ *Stipulation and Settlement Agreement*, p. 2 (May 7, 2013).

¹⁴ *Id.* at 3.

¹⁵ *Id.* at 4.

¹⁶ *Id.* at 5.

¹⁷ *Id.*

¹⁸ *Id.* at 6.

in whole, without modification, the parties retain the right to terminate the *Settlement Agreement* and continue litigation of the matter.¹⁹

FINDINGS AND CONCLUSIONS

During the regularly scheduled Authority Conference held on June 17, 2013, the Consumer Advocate presented a brief summary of the *Settlement Agreement* on behalf of the parties. Both Atmos and the Consumer Advocate indicated all parties were in agreement with the terms of the Settlement Agreement.²⁰ After due consideration of the terms of the proposed *Settlement Agreement*, the panel found that the proposed *Settlement Agreement* was reasonable and should be approved. Therefore, the panel voted unanimously to approve the *Stipulation and Settlement Agreement* and to direct Atmos to file a tariff with the Authority within thirty days outlining the agreed-upon terms governing the comprehensive review of the transactions and activities related to Asset Management by an independent consultant.

IT IS THEREFORE ORDERED THAT:

1. The *Stipulation and Settlement Agreement*, which was entered into between Atmos Energy Corporation and the Consumer Advocate and Protection Division, a copy of which is attached to this Order as Exhibit 1, is approved and adopted, and incorporated into this Order as if fully rewritten herein.

2. Atmos Energy Corporation is directed to file a tariff with the Authority within thirty days outlining the agreed upon terms governing the comprehensive review of the transactions and activities related to Asset Management by an independent consultant.

3. Any party aggrieved by the decision of the Tennessee Regulatory Authority in this matter may file a Petition for Reconsideration within fifteen (15) days of the date of this Order.

¹⁹ *Id.* at 7.

²⁰ See Transcript of Proceedings, p. 70 (June 17, 2013). Atmos Energy Marketing, LLC filed a letter in the docket on June 5, 2013 stating it did not object to the *Settlement Agreement*. The Atmos Intervention Group was not a party to the *Settlement Agreement*, but did not file an objection.

4. Any party aggrieved by the decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days of the date of this Order.

Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill, and Director David F. Jones concur.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT 1

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

IN RE:

**DOCKET TO EVALUATE ATMOS
ENERGY CORPORATION'S GAS
PURCHASES AND RELATED
SHARING INCENTIVES**

DOCKET NO. 07-00225

STIPULATION AND SETTLEMENT AGREEMENT

For the sole purpose of settling this case, Tennessee Regulatory Authority ("TRA" or "Authority") Docket No. 07-00225, Robert E. Cooper, Jr., the Tennessee Attorney General and Reporter, through the Consumer Advocate and Protection Division ("Consumer Advocate") and Atmos Energy Corporation ("Atmos" or "the Company") respectfully submit this Stipulation and Settlement Agreement ("Settlement Agreement"). Subject to Authority approval, the Consumer Advocate and Atmos (collectively, the "Parties") agree to the following:

BACKGROUND

1. Atmos is incorporated under the laws of the State of Texas and the Commonwealth of Virginia and is engaged in the business of transporting, distributing and selling natural gas in Bedford, Blount, Carter, Greene, Hamblen, Maury, Moore, Obion, Rutherford, Sullivan and Williamson Counties within the State of Tennessee, with its principal Tennessee office and place of business located at 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067-6226.

2. The Tennessee public utility operations of Atmos are subject to the jurisdiction of the TRA, pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. Docket No. 07-00225 was convened as a "Phase II" proceeding by the Authority based on the recommendations related to asset management which were made by the TRA's Staff audit of the ACA filing of Atmos in Docket No. 05-00253 and issues raised by the Consumer Advocate and the Atmos Intervention Group in Docket No. 05-00258.¹

4. The Parties to this Settlement Agreement acknowledge the Authority's decision in Docket No. 07-00224, a Phase II proceeding for Chattanooga Gas Company, and Docket No. 05-00165, a Phase II proceeding for Piedmont Natural Gas Company. Accordingly, the Parties have focused settlement discussions on the Authority's decision in Docket No. 07-00224.

5. The Parties to this Settlement Agreement have engaged in substantial discovery. The Company also has provided information informally in response to questions from the Consumer Advocate and its witnesses, and has responded to additional discovery requests from TRA Staff. The Parties have undertaken extensive discussions and "give and take" negotiations to resolve all known disputed issues in this case. As a result of the information obtained during discovery and the discussions between the Parties, and for the purpose of avoiding further litigation and resolving this matter upon acceptable terms, the Parties have reached this Settlement Agreement. In furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below.

SETTLEMENT

6. Based upon the exchange of information and discussions described above, and in order to resolve this case through settlement and avoid the need for further litigation and expenses for all Parties and without waiving any positions asserted in this Docket, the Parties have agreed to the following terms.

¹ Docket 05-00253; 05-00258, *Order Closing Dockets and Moving Remaining Issues to a New Docket*, December 5, 2007, pp. 1-4.

7. A comprehensive review of the transactions and activities related to Asset Management shall be conducted by an independent consultant. The initial review shall be started in the autumn of 2014 and any subsequent reviews determined to be necessary and appropriate by the TRA at the conclusion of the initial review shall be conducted at the order of the Authority.

8. The TRA Staff, the Consumer Advocate, and Atmos shall make an effort to maintain a list of no less than five (5) mutually agreeable independent consultants or consulting firms qualified to conduct the aforementioned initial review. Any dispute concerning whether an independent consultant shall be added to the list shall be resolved by the TRA Staff, after consultation with Atmos and the Consumer Advocate.

9. For the initial review, the TRA Staff shall select three (3) prospective independent consultants from that list. Each such consultant shall possess the experience and expertise necessary to conduct the initial review. The TRA Staff shall provide the list of prospective independent consultants to Atmos and the Consumer Advocate via electronic mail. Atmos and the Consumer Advocate shall each have the right, but not the obligation, to eliminate one (1) of the prospective independent consultants from the list by identifying the consultant to be eliminated in writing to the TRA Staff within thirty (30) days from the date the list is e-mailed. The TRA Staff shall select the independent consultant from those remaining on the list after Atmos's and the Consumer Advocate's rights to eliminate have expired.

10. The cost of the review shall be reasonable in relation to its scope. Any and all relationships between the independent consultant and Atmos, the TRA Staff and/or the Consumer Advocate shall be fully disclosed and the independent consultant shall have had no prior relationship with either Atmos, the TRA Staff, or the Consumer Advocate for at least the

preceding five (5) years unless Atmos, the TRA Staff and Consumer Advocate agree in writing to waive this requirement. The TRA Staff, the Consumer Advocate and Atmos may consult amongst themselves during the selection process; provided, however, that all such communications between the Parties shall be disclosed to each Party not involved in such communication in advance so that each Party may participate fully in the selection process.

11. If, after the initial review, the TRA determines that there are material changes in the variables of the Company, such as customer mix and usage patterns, it may at that time order a subsequent review. If a subsequent review is ordered, the scope of the subsequent review will be established at the time that it is ordered, and the TRA will determine at that time whether an outside consultant is needed, provided that if a consultant is to be employed, the consultant will be selected in the manner set-forth above. The Consumer Advocate will be permitted to participate in the process and review the report of any subsequent review.

12. The scope of the initial review and any subsequent reviews ordered by the TRA may include all transactions and activities related either directly or indirectly to Asset Management, including, but not limited to, the following categories of transactions and activities: (a) natural gas procurement; (b) capacity management; (c) storage; (d) hedging; (e) reserve margins; and (f) off-system sales. The scope of each review shall include a review of each of the foregoing matters, as well as, such additional matters as may be reasonably identified by Atmos, the TRA Staff, or the Consumer Advocate relative to Asset Management.

13. Atmos, the TRA Staff, or the Consumer Advocate may present documents and information to the independent consultant for the independent consultant's review (and subsequent reviews) and consideration. Copies of all such documents and information shall be presented simultaneously to the independent consultant and all other Parties.

14. The independent consultant shall complete and issue a written report of its findings and conclusions by July 1 of 2015. The report deadline may be waived by the written consent of the TRA Staff, Atmos, and the Consumer Advocate. The independent consultant shall make findings of fact, as well as identify and describe areas of concern and improvement, if any, that in the consultant's opinion warrant further consideration. Atmos, the TRA Staff, and/or the Consumer Advocate may cite the independent consultant's report to the Authority in support of recommendations or proposed changes, and the TRA Staff, Atmos, or the Consumer Advocate may support or oppose such recommendations or proposed changes.

15. The independent consultant's findings and/or recommendations shall not be binding on any Party or on the Authority, and in any proceeding in which the consultant's findings or recommendations may be considered, the Authority shall give all issues *de novo* consideration. Any changes to the Asset Management Agreement, the bidding process, the assets under management, or otherwise, whether adopted by agreement or pursuant to a ruling of the Authority, shall be implemented on a prospective basis only, and following normal expiration of any affected agreements.

16. The reasonable and prudent cost of the independent consultant's review shall be paid initially by Atmos and recovered through the ACA account. The TRA Staff may continue its annual audits of the performance-based ratemaking ("PBR") and the Annual Cost Adjustment ("ACA") account, and the review shall not in any way limit the scope of such annual audits.

17. Separately, Atmos shall recover legal expenses in the amount of \$88,122 associated with its Phase II dockets from the consumers' share of asset management fees, including any up-front fees that may be obtained, in a manner consistent with the recovery of similar fees by Piedmont and CGC. Atmos provided a detail of its attorneys' fees, which the

Consumer Advocate reviewed. A copy of the attorneys' fees is attached as Exhibit A as confidential pursuant to the Protective Order in this Docket.

18. All pre-filed testimony and exhibits of the Parties are introduced into evidence without objection, and the Parties waive their right to cross-examine all witnesses with respect to all such pre-filed testimony. If, however, questions should be asked by any person, including a Director, who is not a party to this Settlement Agreement, the Parties may present testimony and exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and exhibits.

19. The Parties agree to support this Settlement Agreement before the Authority and in any hearing, proposed order, or brief conducted or filed in this proceeding; provided, however, that the settlement of any issue provided for herein shall not be cited as precedent by any of the Parties hereto in any unrelated or separate proceeding or docket before the Authority. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement of this matter. They do not necessarily reflect the positions asserted by any party, and no party to this Settlement Agreement waives the right to assert any position in any future proceeding, in this or any other jurisdiction.

20. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to implement the provisions hereof.

21. The Parties agree and request the Authority to order that the settlement of any issue pursuant to this Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Authority or any court, state or federal.

22. The terms of the Settlement Agreement have resulted from extensive negotiations between the signatories and the terms hereof are interdependent. The Parties jointly recommend that the Authority issue an order adopting this Settlement Agreement in its entirety without modification.

23. If the Authority does not accept the Settlement Agreement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the Authority does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement will retain the right to terminate this Settlement Agreement. In the event of such action by the Authority, within twenty (20) business days, any of the signatories to this Settlement Agreement would be entitled to give notice of exercising its right to terminate this Settlement Agreement; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the Authority. Should this Settlement Agreement terminate, it would be considered void and have no binding precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

24. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should the Settlement Agreement be rejected by the Authority in whole or in part.

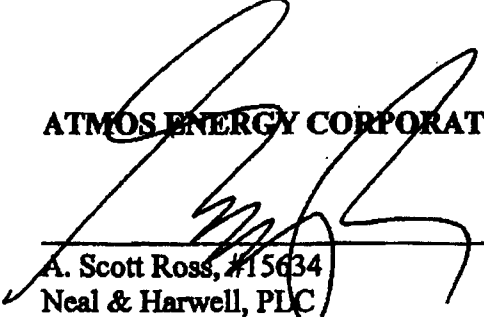
25. No provision of this Settlement Agreement shall be deemed an admission of any Party. No provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this Docket.

26. Approval by the Authority of the provisions of this Settlement Agreement shall not be construed as a waiver of the Authority's decisions in any matter, proceeding or policy decision or constitute an endorsement by the Authority.

27. This Settlement Agreement shall be governed by and construed under the law of the State of Tennessee and any applicable federal law, Tennessee choice of law rules notwithstanding.

The foregoing is agreed and stipulated to this 7th day of May, 2013.

ATMOS ENERGY CORPORATION

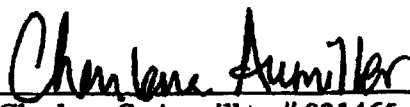


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**CONSUMER ADVOCATE AND
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Robert E. Cooper, Jr., #10934
Attorney General and Reporter



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**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE:

**DOCKET TO EVALUATE ATMOS
ENERGY CORPORATION'S GAS
PURCHASES AND RELATED SHARING
INCENTIVES**

DOCKET NO. 07-00225

**RESPONSE OF THE PARTIES TO HEARING OFFICER'S
MAY 21, 2012 REQUEST FOR STATUS REPORT**

The parties are currently evaluating any potential effects on their positions in this Docket caused by the ruling of the Tennessee Court of Appeals on the issue of the awarding of attorneys' fees (*Consumer Advocate and Protection Division of the Attorney General of Tennessee v. Tennessee Regulatory Authority*, Case Number M2011-00028-COA-R12-CV, decided May 30, 2012) and the Tennessee Regulatory Authority's June 7, 2012 Order concerning Atmos' sharing of asset management fees (*In Re: Audit of Atmos Energy Corporation's Incentive Plan Account for the Period April 1, 2004 Through March 31, 2007*, TRA Docket No. 11-00195).

Once those Orders are final, the parties plan to meet and discuss a possible resolution of all issues that remain outstanding in this Docket. The parties would propose that they report next to the TRA by September 20, 2012.

RESPECTFULLY SUBMITTED,

**Office of the Attorney General and Reporter
Consumer Advocate and Protection Division**



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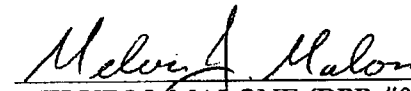
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Dated: June 20, 2012.

CERTIFICATE OF SERVICE

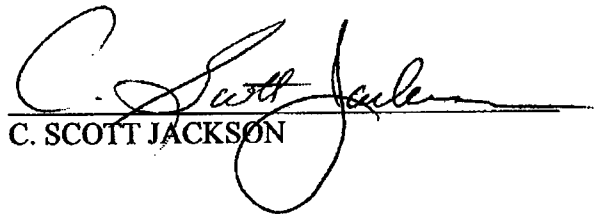
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

A. Scott Ross
Neal & Harwell, PLC
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Henry Walker
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
PO Box 340025
Nashville, Tennessee 37203

This the 20th day of June, 2012.


C. SCOTT JACKSON

**RESPONSE TO CONSUMER ADVOCATE
DATA REQUEST NO. 5**

EXHIBIT 3

ATMOS ENERGY CORPORATION
Asset Management and
Gas Purchase & Sales Agreement
Request for Proposal ("RFP")

1.0 RFP Overview

Atmos Energy Corporation ("Atmos") is seeking proposals from qualified suppliers to manage Atmos' pipeline and storage assets and to supply firm natural gas for its Tennessee/Virginia distribution systems ("Asset Manager"). Atmos is seeking bundled bids from prospective suppliers to supply firm gas commodity deliveries to Atmos' city gates and to manage the capacity assets.

Specifics of the pipeline and storage assets which serve Atmos are detailed below and in the accompanying exhibits. Atmos will contract with the successful bidder as Asset Manager to provide all of its gas commodity requirements and the management of all pipeline service agreements on the attached exhibits which involve transportation and storage capacity for Atmos. All releases of interstate pipeline transportation and storage capacity will be in accordance with applicable regulations. The Asset Manager will have the opportunity to optimize transportation and storage assets, subject to the obligation to utilize these assets to supply Atmos' full system requirements of natural gas within the guidelines below. Atmos has divided its system requirements into two geographical areas – Area I: comprised of the Western Tennessee Service Area (Union City) and the Middle Tennessee Service Area; and Area II: the East Tennessee Service Area. (See Section 3.0 Background below). Atmos is seeking offers on Areas I and II separately and/or on a combined basis and Bidders are invited to bid on either or both Areas.

Bidders are invited to submit their bid amounts in the form of a commodity discount price, a lump-sum annual or other periodic payment or any combination thereof. All bids must be submitted on the forms provided with this RFP and must enable Atmos to readily determine the total pricing offered by the Bidder.

The RFP package consists of this RFP and the following attached Exhibits:

- Exhibit A – Specific Service Terms
- Exhibit B – General Items for Both Tennessee and Virginia Service Areas
- Exhibit C – Contract Summary
- Exhibit D – Annual Supply Plan
- Exhibit E – Bid Form
- Exhibit F – Nomination Worksheet

**ALL PROPOSALS MUST BE PREPARED IN ACCORDANCE WITH RFP
REQUIREMENTS AND MUST BE RECEIVED IN WRITTEN FORM BY
12:00 NOON, FRIDAY, FEBRUARY 29, 2008.**

1.1 Term Overview; Form of Agreement

The term of the agreement will commence on April 1, 2008 and continue through March 31, 2011. The agreement will be on the standard form of Base Contract for the Sale and Purchase of Natural Gas published by the North American Energy Standards Board (NAESB). The NAESB will also include Atmos special provisions (available upon request), any additional special provisions that may be mutually agreed upon and an exhibit or transaction confirmation specifically incorporating the terms and conditions concerning asset management and supply and delivery requirements herein specified (or as otherwise set forth in a successful bid) and pricing contained in the successful bid.

2.0 RFP Communication

Any reasonable request, as defined in Atmos' sole discretion, for additional information not contained in this RFP must be submitted to Atmos in writing. Responses to information requests will be provided to all parties receiving this RFP and the identity of the party who requested the additional information will not be divulged. All requests for additional information should be submitted via e-mail to deborah.sparkman@atmosenergy.com. The deadline for all questions is February 22, 2008.

If you choose not to submit a proposal in response to this RFP but wish to remain on the bid list for future Requests for Proposals, please notify Atmos in writing by the deadline stated above. Companies that fail to respond to this RFP may be removed from the bid list for future Requests for Proposals. Atmos reserves the right to reject any and all bids.

3.0 Background

Area I

"Western Tennessee Service Area" (Union City) is served by Texas Gas Transmission (Texas Gas) with a Small Customer Service (SGT), which includes No-Notice Storage, in addition to a Short Term Firm (STF) contract. Atmos' Barnsley Storage facility also provides gas to Union City. The Barnsley Storage facility is located in Hopkins County, Kentucky, downstream of the Western Tennessee Service Area. Injections and/or withdrawals take place, physically, in Zone 3 of Texas Gas. The Asset Manager will be responsible for injections into Barnsley Storage, as well as withdrawals from Barnsley Storage for delivery to Atmos' city gate in Union City, on its own Texas Gas transportation capacity. The Asset Manager can effectuate deliveries to Union City from Barnsley by displacement through an exchange agreement as described in the Barnsley Storage/Egan exchange in Exhibit "A". The capacity and transportation agreements that

will be managed by the Asset Manager for the Western Tennessee Service Area are listed under the Area I section of Exhibit "C" attached to the RFP.

"Middle Tennessee Service Area" (Columbia, Murfreesboro, and Franklin) The pipelines serving this area are 1) East Tennessee Natural, 2) Columbia Gulf Transmission, and 3) Texas Eastern Transmission. East Tennessee Natural only serves a small portion of the peak day load for the Middle Tennessee Service Area. Please note that the transportation capacity and supply requirements for the Middle Tennessee service area from East Tennessee Natural will be the obligation of the Asset Manager for Service Area II. Storage services are provided through GSS service on Texas Eastern and Barnsley Storage on Texas Gas. The Dominion storage facility, of which Atmos owns capacity, is located on Texas Eastern downstream of the Middle Tennessee Service Area. The Texas Eastern exchange services are required to be provided by the Asset Manager, resulting in a delivery of the injections at the Dominion facility and re-delivery of the withdrawals from the Dominion storage to various Atmos city gate delivery points on Texas Eastern in the Middle Tennessee Service Area. Additionally, beginning November 1, 2008 through the end of the contract term, the Asset Manager must sell firm delivered gas supply of up to 50,000/day all year round and an incremental 24,000 Dth/day for the winter only (November – March) to Atmos' city gates in Middle Tennessee off of Columbia Gulf. The capacity and transportation agreements that will be managed by the Asset Manager for the Middle Tennessee Service Area are listed under the Area I section of Exhibit "C" attached to the RFP.

Area II

"East Tennessee/Virginia Service Area" (East Tennessee - Bristol, Greeneville, Johnson City, Kingsport, Maryville, Morristown and Shelbyville; Virginia - Blacksburg, Bristol/Abingdon, Dublin/Pulaski/Radford, and Marion/Wytheville) The pipelines serving this area are 1) East Tennessee Natural and 2) Virginia Gas. East Tennessee Natural Gas provides to Atmos an LNG service. Atmos also holds storage in Virginia Gas' Saltville storage facility. A Dominion storage facility, of which Atmos owns capacity, is located on Tennessee Gas Pipeline downstream of the East Tennessee/Virginia Service Areas. Tennessee Gas Pipeline exchange services are required to be provided by the Asset Manager, resulting in a delivery of the injections at the Dominion facility and re-delivery of the withdrawals from the Dominion storage to various Atmos city gate delivery points on Tennessee Gas Pipeline in the East Tennessee/Virginia Service Area.

Upstream of the East Tennessee/Virginia Service Area, Atmos holds firm transportation on Tennessee Gas Pipeline and Southern Natural. The Asset Manager will manage the pipeline storage contracts, as well as pipeline capacity contracts in accordance with operational plans provided by Atmos, including but not limited to nominations and imbalance management.

Middle Tennessee Service Area As stated in the description of the Middle Tennessee Service Area under Area I above, a small portion of the supply requirement for this area

is served from East Tennessee Natural. Accordingly, the Asset Manager for Area II will be responsible for these supply requirements as well as the management of the related East Tennessee Natural capacity.

The capacity and transportation agreements that will be managed by the Asset Manager for the East Tennessee/Virginia Service Area are listed under the Area II section of Exhibit "C" attached to the RFP.

4.0 Performance Requirements

When reasonable grounds for insecurity of performance arise, Atmos may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by Atmos, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to Atmos, a performance bond or a guarantee by a creditworthy entity. Atmos may, from time to time, request from Asset Manager such credit information as may reasonably be required to determine the creditworthiness of Asset Manager.

5.0 Proposal Content

The following information is required to be considered responsive to this RFP unless the proposing entity can clearly demonstrate that such information is not applicable to its circumstance. Any additional information that the Bidder considers useful for Atmos to evaluate its proposal will be considered. Atmos may request additional information at a later date to assist in the decision making process.

5.1 Respondent Information

- Name and address of Bidder
- Name, phone and fax number of contact person for this proposal
- Current annual report
- Evidence of Bidder's knowledge and experience in providing service proposed
- Evidence of the Bidder's financial viability to provide the service proposed
- Business references

5.2 Description of Commodity Proposal

Each proposal should provide a description of supply and the price which the supplier is willing to contract for and all other pertinent information. The response should present firm and warranted commodity sales based upon the pricing methodology described in section "5.3 Pricing". Additionally, a summary of the amount of equity gas owned or controlled by the Bidder, and other supply asset data should be provided.

Atmos will nominate base load gas supplies within five (5) business days before the beginning of any month. Monthly purchase volumes will be determined and billed based

on the Atmos plan as adjusted. Actual volumes on Atmos' transportation and storage agreements/facilities may vary based on the Asset Manager's utilization of the assets. However, it will be the responsibility of the Asset Manager to provide monthly reporting reconciling billed volumes versus actual volumes on transportation and storage agreements.

5.3 Pricing

5.3.1 Commodity Pricing

Proposals must be submitted with a commodity price equal to, plus (+), or minus (-) the simple arithmetic average of the indices "basket" listed below, to establish a per unit price, per applicable pipeline.

- 1) **Inside FERC Gas Market Report** first-of-the-month posting for the appropriate pipeline and receipt zone,
- 2) **Natural Gas Intelligence**, Bidweek, as published in the first issue each month for the appropriate pipeline and receipt zone,
- 3) The **Nymex** settled closing price for the applicable month.

Incremental purchases, in excess of the base load purchase volumes, are to be at a price equal to, plus (+), or minus (-) the appropriate Gas Daily Midpoint index price which may or may not include a demand component (Bidder's Option).

Intraday purchases will be priced by the Asset Manager at a mutually agreeable price and confirmed at time of purchase.

5.3.2 Pipeline Capacity Pricing

Any value or cost the Asset Manager assigns to exchange services or deliveries utilizing Asset Manager's own capacity should be priced separately.

5.3.3 Asset Management Payment

Asset Manager may offer an upfront or periodic payment for Asset Management rights and all value associated with these activities and/or offer the value in a commodity related discount. Alternatively, the Asset Manager may offer a combination of the two.

5.4 Reliability

All gas supply, exchange services and capacity is to be **firm** assuring that natural gas supply services will meet all contractual obligations without fail. If a bidder has the ability to effectuate any of the required supplies and deliveries specified herein on a firm basis through other means, then that should be specified in the Bid.

6.0 Evaluation Duration

The Bidder shall be prepared to leave the proposal open for a ten (10) business-day evaluation period after the submittal deadline.

7.0 Proprietary Data in Proposal

A proposal may include data which the respondent may not want disclosed to the public or used by Atmos for any purpose other than proposal evaluation. Reasonable care will be exercised so that proposal data is not disclosed or used without the respondent's permission, except to meet regulatory filing requirements. Such data filed for regulatory requests shall be filed as confidential information.

8.0 Rejections of Proposal

Atmos reserves the right to reject any or all proposals and to re-solicit for proposals in the event that all proposals are rejected. Any proposal may be modified prior to the submittal deadline by written request of the Bidder.

9.0 Submittal Instructions

Proposals must be received via U.S. Mail, Courier Service or hand delivered in a sealed envelope marked as indicated below on or before **February 29, 2008 at 12:00 p.m. CST**. No other method will be accepted. No proposal will be opened prior to the stated deadline. Any proposals received after the stated deadline will be returned unopened.

Proposals should be marked externally as "Proposal for Natural Gas Service (TN/VA Operations)" and mailed to:

Atmos Energy Corporation
377 Riverside Drive, Suite 201
Franklin, TN 37064-5393
Attn: Deborah Sparkman

Exhibit A – Specific Service Terms

A. All Storage

For all storage agreements in both Area I and Area II, Atmos will be billed for storage injections based on the injection plans attached in Exhibit "D". Title to storage gas will be held in accordance with the terms of the Agreement. Where operationally feasible, the Asset Manager may optimize storage around Atmos' operational needs by accelerating or delaying injections/ withdrawals versus the plan. Atmos has a right to change each injection plan monthly by providing notice and a revised plan not less than (5) business days' prior to the applicable production month to manage inventory and load fluctuations.

B. Area I

SERVICES TO BE PROVIDED TO ATMOS – AREA I:

All of Atmos' commodity supply requirements will be provided by Asset Manager and are to be delivered on a firm basis to Atmos' city gates in Area I on a firm basis, and storage injections/withdrawals and pricing will be per the injection plan.

Due to the location of Atmos' storage downstream on the pipelines serving its distribution systems in Area I, Atmos requests the following specific services:

Barnsley Storage/Egan Exchange (April 1, 2008 through October 31, 2008)

Atmos must have the ability to exchange quantities on a firm basis with Asset Manager at Atmos' request between the Barnsley Storage location (Texas Gas zone 3) and Columbia Gulf and/or Texas Gas – Egan (the Columbia Gulf Onshore Pool and/or the Texas Gas Zone SL pool can be substituted for Egan if operationally feasible). Typically, requests for delivery to Asset Manager at Barnsley and receipt from Asset Manager at Egan are made during the winter (November through March) and requests for receipt from Asset Manager at Barnsley and delivery to Asset Manager at Egan are made during the summer (April through October). The total estimated quantity to be exchanged is 1,300,000/dth per summer period and 1,300,000/dth per winter period. Exchange quantities during the summer period are estimated up to 15,000 dth/d. Any variance in exchanged volumes shall be eliminated at the end the summer period. In addition, Asset Manager will accommodate storage dead weight tests and other operational requirements associated with Barnsley Storage.

Barnsley Storage Exchange (November 1, 2008 through March 31, 2011)

Atmos must have the ability to exchange quantities on a firm basis with Asset Manager at Atmos' request where Atmos will deliver gas to the Asset Manager at Barnsley Storage location (Texas Gas zone 3) via storage withdrawals and the Asset Manager must deliver like quantities to Atmos' Middle Tennessee city gates off of Columbia Gulf. Also, the Asset Manager must have the ability to exchange quantities on a firm basis with Atmos at

Atmos' request and exchange gas purchased by Atmos from the Asset Manager at Columbia Gulf Onshore Pool for gas delivered into Barnsley Storage location (Texas Gas Zone 3). Typically, requests by Atmos to exchange gas from Barnsley for gas delivered to Atmos' Columbia Gulf city gates in the Middle Tennessee Service Area are made during the winter (November through March) and purchases from the Asset Manager at the Columbia Gulf Onshore Pool for exchange by the Asset Manager to Barnsley Storage are made during the summer (April through October). The total estimated quantity to be exchanged is 1,300,000/dth per summer period and 1,300,000/dth per winter period. Exchange quantities during the summer period are up to 15,000 dth/d. Exchange quantities during the winter period can range from zero to 30,000 dth/d. Any variance in exchanged volumes shall be eliminated at the end of each winter period and at the end of each summer period. In addition, Asset Manager will accommodate storage dead weight tests and other operational requirements associated with Barnsley Storage.

Dominion GSS/TGP/ETN Exchange

Atmos must have the ability to exchange quantities on a firm basis with Asset Manager at Atmos' request between the Dominion GSS Storage location at Cornwell (Tennessee Gas Zone 3) and East Tennessee Natural Gas at Greenbrier and/or the Tennessee Gas 500 Leg Pool. Typically, requests for delivery to Asset Manager at GSS Storage and receipt from Asset Manager at East Tennessee Natural at Greenbrier are made during the winter (November through March) and requests for receipt from Asset Manager at GSS Storage and delivery to Asset Manager at the Tennessee Gas 500 Leg Pool are made during the summer (April through October). Exchange quantities during the summer period are estimated at 922 dth/d. Exchange quantities during the winter period can range from zero (0) to 3,256 dth/d. The total estimated quantity to be exchanged is 197,243/dth per summer period and 197,243/dth per winter period. Any variance in exchanged volumes shall be eliminated at the end of each winter period and at the end of each summer period. The Asset Manager will bill Atmos all tariff rates connected to storage service.

Dominion GSS/Middle Tennessee Service Area/TETCO ELA Exchange

Atmos must have the ability to exchange quantities on a firm basis with Asset Manager at Atmos' request between the Dominion GSS Storage locations at Oakford (Texas Eastern M2) and/or Leidy Transco Zone 5) and the Middle Tennessee Service Area (Texas Eastern M1) and/or the Texas Eastern ELA Pool. Typically, requests for delivery to Asset Manager at GSS Storage Oakford and receipt from Asset Manager at the Middle Tennessee Service Area are made during the winter (November through March) and requests for receipt from Asset Manager at GSS Storage Oakford/Leidy¹ and delivery to Asset Manager at the Texas Eastern ELA pool are made during the summer (April through October). The total estimated quantity to be exchanged is 411,765/dth per summer period and 411,765/dth per winter period. Exchange quantities during the summer period are estimated at 2,288 dth/d. Exchange quantities during the winter period can range from zero to 4,800 dth/d. Any variance in exchanged volumes shall be

¹ During the summer injection season, Asset Manager will be required to deliver a minimum of 260,000 Dth at the Transco Leidy location.

eliminated at the end of each winter period and at the end of each summer period. The Asset Manager will bill Atmos all tariff rates connected to storage service.

Pipeline Substitution - Deliveries to Middle Tennessee Service Area

Atmos will accept deliveries from Asset Manager into the Middle Tennessee Service Area (Franklin and Murfreesboro, TN) in exchange for equivalent volumes from the original pipeline locations or pools (as purchased by Atmos) if operationally feasible. The pipelines currently delivering into the Middle Tennessee Service Area (Texas Eastern and Columbia Gulf) as well as local sources of gas directly into the Middle Tennessee Service Area are all available to substitute for one another in similar fashion to the above example if operationally feasible. In all cases, Asset Manager would be credited the pipeline commodity charges that Atmos would have paid had the gas flowed as purchased from the original pipeline location or pool. Asset Manager will be required to contact Atmos prior to using this mechanism for approval.

ASSETS PROVIDED BY ATMOS TO ASSET MANAGER – AREA I:

Please see the description of the contracts under the Area I section of Exhibit "C" attached to this RFP. To the extent allowed by applicable pipeline tariffs and regulations and subject to the terms of any applicable service agreements, Atmos will release on a recallable basis its transportation and storage capacity to Asset Manager subject to Asset Manager's obligation to provide full requirements to Atmos' distribution systems as operations dictate. Demand charges associated with capacity releases will be billed to Atmos by the Asset Manager on a monthly basis. In addition, the Asset Manager will bill Atmos all transportation commodity charges associated with providing deliveries to Atmos' city gates.

C. Area II

SERVICES TO BE PROVIDED TO ATMOS – AREA II:

All of Atmos' commodity supply requirements will be provided by Asset Manager and are to be delivered on a firm basis to Atmos' city gates in Area II on a firm basis, and storage injections/withdrawals and pricing will be per the injection plan.

Atmos also requests the following specific services:

Pipeline Substitution - Deliveries to East Tennessee Natural

Atmos will accept deliveries from Asset Manager into East Tennessee in exchange for equivalent volumes from the original pipeline locations or pools (as purchased by Atmos) if operationally feasible. The pipelines currently delivering into East Tennessee (Southern Natural, Tennessee Gas, Texas Eastern, and Columbia Gulf) as well as local sources of gas directly into East Tennessee are all available to substitute for one another in similar fashion to the above example if operationally feasible. In all cases, Asset

Manager will be credited the pipeline commodity charges that Atmos would have paid had the gas flowed as purchased by Atmos from the original pipeline location or pool. Asset Manager will be required to contact Atmos prior to using this mechanism for approval.

FS-MA Storage Fill

Atmos will provide Asset Manager with the annual gas supply plan (See Exhibit D) for injection and withdrawal quantities. The total injection quantity will be approximately 835,674/dth. The operational characteristics of this storage can be found on the Tennessee Gas Pipeline bulletin board under Index of Customers. Asset Manager is required to have scheduled the entire quantity tendered at the 100 Leg Zone 0 pool for injection by end of the injection period (October 31) of each contract year.

Contract Storage – Tennessee Gas Pipeline

Atmos will provide the Asset Manager with two storage contracts with the characteristics of FS-PA storage on Tennessee Gas Pipeline. Atmos will plan to ratably fill during the injection period and withdraw during the winter. Atmos' Tennessee Gas Pipeline capacity can be utilized for both injections into and withdrawals from this contract storage. The larger of the two contract storage is at Bear Creek on Tennessee Gas Pipeline with an MSQ of 1,800,000 and the smaller of the two is located on Tennessee Gas Pipeline at Portland with an MSQ of 193,543.

ETN Storage Fill (Saltville Storage)

Atmos will provide Asset Manager with the annual gas supply plan (See Exhibit D) for injection and withdrawal quantities. The total injection quantity will be approximately 200,000 dth/d. The Maximum Daily Injection Quantity is 10,000/dth. Asset Manager is required to have scheduled the entire quantity tendered at the 500 or 800 Leg Pool for injection by end of the injection period (October 31) of each contract year.

ETN LNG Storage Fill

Atmos will provide Asset Manager with the annual gas supply plan (See Exhibit D) for injection and withdrawal quantities. The total injection quantity will be approximately 339,900 dth. The Maximum Daily Injection Quantity is 2,026/dth. Asset Manager is required to have scheduled the entire quantity tendered by end of the injection period (October 31) of each contract year.

ASSETS PROVIDED BY ATMOS TO ASSET MANAGER – AREA II:

Please see the description of the contracts under the Area II section of Exhibit "C" attached to this RFP. To the extent allowed by applicable pipeline tariffs and regulations and subject to the terms of any applicable service agreements, Atmos will release on a recallable basis its transportation and storage capacity to Asset Manager subject to Asset

Manager's obligation to provide full requirements to Atmos' distribution systems as operations dictate. Demand charges associated with capacity releases will be billed to Atmos by the Asset Manager on a monthly basis. In addition, the Asset Manager will bill Atmos all transportation commodity charges associated with providing deliveries to Atmos' city gates. Additional terms for capacity release on certain pipelines are as follows:

Tennessee Gas Pipeline

On Tennessee Gas Pipeline, 20,000 dth/d of capacity has specific routing requirements from the Zone L supply areas and cannot overlap with any of Atmos' gas coming from the Tennessee 100 Leg to Greenbrier. The 20,000 dth/d capacity can only be used for deliveries to Greenbrier. Improper use of this capacity can result in significant pipeline penalties which, if incurred, shall be borne by Asset Manager.

Southern Natural Gas

In lieu of utilizing the Southern Natural capacity to deliver into Atmos' East Tennessee transportation agreement Atmos will allow the Asset Manager to deliver gas to a mutually agreeable substitute East Tennessee receipt location. Before using this option, Asset Manager must obtain the consent of Atmos.

D. Level of Service

For all services designated as "firm", Asset Manager shall be responsible for any penalties incurred on Atmos' transportation or storage Agreements caused by Asset Manager's action or inaction.

Exhibit B

General Items for Both Tennessee & Virginia Service Areas

- ◆ The Parties have agreed to enter into a Gas Purchase and Sale Agreement designed to meet the firm full gas supply requirements of Atmos under favorable terms and conditions throughout this Agreement. All monthly system requirements and storage refill will be made according to the commodity purchase level in the gas supply plan provided by Atmos. Any deviation from the plan must be approved by Atmos.
- ◆ Atmos reserves the right to modify the Plan. Any modifications would be determined and communicated within five (5) days prior to the beginning of each upcoming month.
- ◆ Certain assets may be unused after Asset Manager has supplied Atmos' full gas supply requirements, Asset Manager is willing to assume the obligations and risks that may lead to financial loss which accompany the potential for financial gain in connection with the value optimization of such otherwise unused assets.
- ◆ Asset Manager acknowledges that it is paramount in its role as Asset Manager, that it take no action nor omit to take any action, under any circumstances, the result of which would impair or adversely affect the reliability of Atmos' system or service to its customers.
- ◆ All storage contracts are to be filled to 90% capacity on September 30th of each year, and 95% capacity on October 31st of each year, unless otherwise agreed upon between the Company and the Asset Manager.
- ◆ Unless explicitly stated in this Agreement, Asset manager's rights to storage and associated transportation are secondary to Atmos' rights.
- ◆ "Regulatory Out" language must be included in the agreement addressing the potential of regulations which may render the agreement illegal or unenforceable or materially adversely affecting the ability of Atmos or the Asset Manager to perform this agreement. For either Party;
 1. a court or governmental agency with jurisdiction (including without limitation the Tennessee Regulatory Authority, the Virginia State Corporation Commission or the Federal Energy Regulatory Commission) reverses, withdraws or otherwise modifies, with a result unacceptable to such party in its sole discretion, any applicable law, regulation order, ruling, opinion or other determination believed to be necessary to proceeding with the transactions contemplated under the Agreement;
 2. such change causes the impacted Party to incur any material capital or operating cost, or loss of opportunity, related to the provision or receipt of services contemplated herein, or performance according the terms of the

agreement would be in violation of any applicable law, regulation, order, ruling or opinion, and

3. the Parties are unable, after good faith negotiations, to renegotiate the Agreement to comply with such reversal, withdrawal or modification and maintain the same level of service or benefit.

For Asset Manager if a court or governmental agency with jurisdiction determines that Asset Manager is subject to the jurisdiction of the Tennessee Regulatory Authority or the Virginia State Corporation Commission as a result of the execution, delivery or performance of any Agreement.

- ◆ The selected Asset Manager is responsible for any penalties or incremental costs associated with non-compliance with any rule, regulation, or tariff provision of any Federal, State or local governing entities including Asset Manager's election to deviate from Atmos' planned flowing and storage gas injections and/or withdrawal requirements. In addition, the Asset Manager shall bear sole financial responsibility, and shall pay to the applicable pipeline company (or reimburse Atmos if required to pay) any imbalance or overrun penalty, cost, charge, or cash-out cost (collectively referred to in this Agreement as an "Imbalance Charge") assessed as a result of an over-delivery or under-delivery of gas. Failure to do so could result in the cancellation or termination of any contract entered into as a result of the award at Atmos' sole discretion. Furthermore, should Atmos elect to terminate the agreement, the Asset Manager will be responsible for any and all costs, including any price differentials and reasonable legal fees associated with Atmos replicating the contracted service with a replacement counterparty. All penalties imposed by any pipeline under this agreement due to the actions (or inaction) of the Asset Manager will be the responsibility of the Asset Manager.
- ◆ The Asset Manager will also be required to provide routine and timely documentation of all transactions, utilizing Atmos assets including but not limited to, contracts, volumes, rates, offers made, offers rejected. The Asset Manager shall maintain documents and records of all transactions that utilize Atmos' 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 Atmos and any applicable regulatory authority having jurisdiction. Asset Manager shall comply with all applicable federal and state laws, regulations and orders of regulatory authorities having jurisdiction in connection with its performance of its obligations under the agreement, the use and management of the managed assets and the supply of commodity to Atmos.
- ◆ The winning Bidder will need to provide Atmos' Gas Control department with a summary nomination worksheet. This worksheet will need to contain the current day nomination plus nominations for the next five days. This worksheet will need to be provided every weekday (except holidays) regardless if no changes are to occur. Nominations must reach Atmos' Gas Control by 2:00 pm CST. Attached is a sample worksheet..

- ◆ Actual requirements, during each month, will result in variances from the initial Plan storage estimates. During each month, Atmos will review the variance in the estimated storage levels resulting from actual requirements and the gas purchased, per the Gas Purchase Plan, for the current month. This evaluation may result in a change to the planned purchases for the subsequent months. Atmos will advise the Asset Manager of changes, if any, to the planned purchases for the upcoming month not later than five (5) business days prior to the end of each month.

For operational purposes, both parties agree, that Physical and Plan Storage inventory levels will be in balance and substantially full by October 31st of each year. Both parties agree that the Physical and Plan Storage inventory levels will be substantially in balance by March 31st of each year. Both parties agree that any deviation from the plan must be approved by Atmos.

EXHIBIT C
ATMOS ENERGY CORPORATION - MIDSTATES DIVISION
TNVA CONTRACT SUMMARY

AREA I

WEST TENNESSEE (UNION CITY):

Texas Gas Transmission				Receipt Points		Rept Pt	Delivery Points		Div Pt	Comments
Rate Schedule	Contract #	Termination	Recessals	Service	Divid	Divid	Divid	Divid	Divid	
SGT	G0750	10/31/2009	5 year	firm no notice			481 2,038 283 178	UCG Z-2, Meter 1836		Includes storage service - MSQ 238,576 Oct - March - 7,495 dh/d April - 7,424 dh/d May - Sept - 4,120 dh/d Nov - March - 2,000 dh/d April - Oct - 1,000 dh/d
STF	T21438	10/31/2009	5 year	short term firm	2,000 w 1,000 s	Champion, Meter 2102 ANR-Calumet, Meter 9173 Egan, Meter 9003 ANR-Eunice, Meter 9680	333 783 877 919	UCG Z-2, Meter 1836		

MIDDLE TENNESSEE:

Columbia Gulf Transmission (CGT)

Rate Schedule	Contract #	Termination	Recessals	Service	MDQ	Receipt Points	Rept Pt	Delivery Points		Div Pt	Comments
					Divid	Divid	Divid	Divid	Divid	Divid	
FTS1	84924	12/31/2010		firm transport	8,000	CGT Rayne 2700010	5,000	Williamson, Meter 4049 Burwood, Meter 4056 Tynes, Meter 4117 Governors, Meter 4182		1,000 1,000 2,000 1,000	

Contract Trap UCG-1005-TN-1

Texas Eastern Transmission (TE)

Rate Schedule	Contract #	Termination	Recessals	Service	MDQ	Receipt Points	Rept Pt	Delivery Points		Div Pt	Comments
					Divid	Divid	Divid	Divid	Divid	Divid	
FT-1		10/31/2008	Year-to-year	firm transport	6,000	Pipeline's Master Receipt Point List		UCG Marlensboro, Meter 70102 UCG Franklin, Meter 70396 UCG Nolensville, Meter 71430 SS-1 Storage, Meter 79511		3,431 2,573 43 1,736	

Dominion Transmission

Rate Schedule	Contract #	Termination	Recessals	Service	MDQ	Receipt Points	Rept Pt	Delivery Points		Div Pt	Comments
					Divid	Divid	Divid	Divid	Divid	Divid	
GSS	600047	3/31/2011	Year-to-year	storage	4,880	Interconnects TETCO, Transco, Lady		Interconnects TETCO, Transco, Lady			MSQ 411,786 MDIQ 2,288 dh/d MDWQ 0 to 4,800 dh/d

Company Owned Storage - Serves both Western Tennessee and Middle Tennessee

Barnesley Storage

MSQ 1,300,000
MDWQ 30,000 dh/d
MDIQ 15,000 dh/d

AREA II

EAST TENNESSEE/VIRGINIA SYSTEM:

Tennessee Gas Pipeline (TGP)

Rate Schedule	Contract #	Termination	Renewal	Service	MDQ Dbltd	Receipt Points	Rept Pt Dbltd	Delivery Points	Div Pt Dbltd	Comments
FT-A	TGP-40876	10/31/2010		firm transport	63,656	Agua Dulce (26081) Zone 0, 100 Leg Johnson Bryon, Zone 1, 800 Leg South Marsh Island 78 P, Zone 1, 500 Leg	20,000 15,000 18,856	East Louisville (75 3301), Zone 1, 100 Leg Greensbrier TN 2 (Dual 753101) Zone 1, 500 Leg	6,860 46,868	
FT-A	TGP-40878	10/31/2010		firm transport	20,000	Galveston 385 Zone 0, 100 Leg Agua Dulce (Dual 2 6081) Zone 0, 100 Leg Monte Christo Exchange, Zone 0, 100 Leg Glinora Plant Residue, Zone 0, 100 Leg	4,102 3,000 8,000 8,888	Greensbrier TN 2 (Dual 753101) Zone 1, 500 Leg	20,000	WINTER ONLY - can elect to reduce TQ up to and including the entire TQ for no less than 1 mth and no more than 7 mths (3 mth notice)
Contract Storage		3/31/2008	5 year	storage	15,000			Compressor Station 47 - Bear Creek		MSQ 1,800,000 MDQ 12,000 (Zone 1, 100 Leg) MDWQ: Ratchet 1,800,000 to 540,001 - 15,000; MDWQ: Ratchet 540,000 to 360,001 - 12,000; MDWQ: Ratchet 360,000 to 0 - 12,000
Contract Storage		3/31/2009	5 year	storage	1,634			Compressor Station 87 - Portland		MSQ 193,543 MDQ 1,291 (Zone 1, 100 Leg) MDWQ: Ratchet 193,543 to 58,064 - 1,854; MDWQ: Ratchet 58,063 to 38,710 - 1,907; MDWQ: Ratchet 38,709 to 0 - 1,907
FS-MA	TGP-3981	4/1/2008	5 year	storage	20,000			Compressor Station 87 - Portland		MSQ 835,674 MDQ 5,572 MDWQ: Ratchet 835,674 to 250,703 - 20,000; MDWQ: Ratchet 250,702 to 0 - 6,069

Dominion Transmission

Rate Schedule	Contract #	Termination	Renewal	Service	MDQ Dbltd	Receipt Points	Rept Pt Dbltd	Delivery Points	Div Pt Dbltd	Comments
GSS	300018	3/31/2011	Year-to-year	storage	3,256	TGP @ Cornwell		TGP @ Cornwell		MSQ 187,243 MDQ 1,068 MDWQ 0 to 3,256

Bouthern Natural (SNG)

Rate Schedule	Contract #	Termination	Renewal	Service	MDQ Dbltd	Receipt Points	Rept Pt Dbltd	Delivery Points	Div Pt Dbltd	Comments
FT	FSNG3239	8/31/2010	Year-to-year	firm transport	2,563	Main Pass 68, Point Code 016400	2,563	East TN - Cleveland to ETNG #1, Point Code 790300	2,563	
FT	FSNG3238	8/31/2010	Year-to-year	firm transport	16,316	Main Pass 68, Point Code 016400 Mississippi Canyon 194, Point Code 022400 Vosca Knoll 889 - BP, Point Code 028900 See Robin-ERATH to SNG, Point Code 605300	5,000 8,000 1,000 1,000	East TN - Cleveland to ETNG #1, Point Code 790300	15,000	

EXHIBIT C
ATMOS ENERGY CORPORATION - MIDSTATES DIVISION
TNVA CONTRACT SUMMARY

AREA II (continued)

EAST TENNESSEE VIRGINIA SYSTEM: (continued)

East Tennessee Natural (ETN)

Base Schedule	Contract #	Termination	Reamark	Service	MOQ	Deliv. Point	Roof Pt. Dblid	Deliv. Point	Deliv. Pt. Dblid	Comments
FT-A	ETN 30777R2	10/31/2010	5 year	firm transport	82,833	410 Storage Withdrawal, Meter 57000	82,833	UCG Bristol, Meter 59002	1,937	
								UCG West, Meter 59005	4,020	
								UCG Blackburg, Meter 59010	1,876	WINTER ONLY - for UGCS #3345
								UCG Pleasant, Meter 59015	833	withdrawals only. For peaking purposes
								UCG Radford, Meter 59022	1,160	only - under OFO & NNS
								UCG Columbia West, Meter 59028	2,472	
								UCG Morristown, Meter 59027	2,366	
								UCG Johnson city East, Meter 59028	1,804	
								Rockford, Meter 59033	2,200	
								UCG Maryville, Meter 59046	5,761	
								UCG Maryville East, Meter 59048	1,044	
								UCG Greenville, Meter 59049	1,877	
								UCG Johnson City West, Meter 59050	1,507	
								UCG Kingsport South, Meter 59051	1,767	
								UCG Columbia North, Meter 59055	1,562	
								Rockford, Meter 59059	973	
								UCG Shelbyville, Meter 59061	1,972	
								Meed, Meter 59065	2,600	
								UCG Kingsport North, Meter 59067	48	
								UCG Wytheville, Meter 59069	881	
								UCG Elizabethton, Meter 59070	1,280	
								UCG Blountville, Meter 59071	498	
								UCG Bristol North, Meter 59074	1,036	
								UCG Marion, Meter 59075	927	
								UCG Abingdon West, Meter 59076	368	
								UCG Dublin, Meter 59077	591	
								UCG Lynchburg, Meter 59083	106	
								Oil, Meter 59090	1,000	
								UCG Spotters, Meter 59095	166	
								UCG Rockford North, Meter 59103	53	
								UCG Lynchburg Portable (Fuel), Meter 59104	22	
								UCG Meadow, Meter 59109	29	
								UCG Marion East, Meter 59116	12	
								UCG Abingdon East, Meter 59117	340	
								UCG Radford East, Meter 59118	33	
								UCG Glade Springs, Meter 59119	48	
								UCG Marion North, Meter 59120	103	
								UCG Chilhowie, Meter 59121	69	
								UCG Rural Retreat, Meter 59122	28	
								UCG Marion, Meter 59125	210	
								UCG Grey, Meter 59126	41	
								UCG Tri Cities, Meter 59127	22	
								UCG Miller Park, Meter 59128	8	
								UCG Boone Creek, Meter 59129	3,004	
								UCG Abingdon, Meter 59130	881	
								UCG Maryville West, Meter 59145	236	
								Royal Ordnance-Holston Army Arm Plant, Mtr 59164	750	
								UCG Glade Highlands, Meter 59185	100	
								TN Eastman Chemical Corp, Meter 59206	2,000	

EXHIBIT C
ATMOS ENERGY CORPORATION - MIDSTATES DIVISION
TNVA CONTRACT SUMMARY

AREA II (continued)

EAST TENNESSEE/VIRGINIA SYSTEM: (continued)

East Tennessee Natural (ETNG)

Rate Schedule	Contract #	Termination	Renewals	Service	MDQ Chd	Receipt Points	Repl Pt Chd	Delivery Points	Div Pt Chd	Comments
FT-A	ETN 307742	10/31/2010	6 year	firm transport	84,688	El Paso-Riggleup Receiving, Meter 53101 El Paso-Lobethville Receiving, Meter 53201 Dickinson Co Receiving, Meter 53515	85,361 9,000 12,567	UCG Bristol, Meter 59002 UCG Blackburg, Meter 59010 UCG Pullaski, Meter 59013 UCG Radford, Meter 59022 UCG Martinsburg, Meter 59027 UCG Johnson City East, Meter 59028 UCG Maryville, Meter 59046 UCG Maryville East, Meter 59048 UCG Greenville, Meter 59049 UCG Johnson City West, Meter 59050 UCG Kingsport South, Meter 59051 Rockland, Meter 59059 UCG Shelbyville, Meter 59061 UCG Kingsport North, Meter 59067 UCG Wytheville, Meter 59068 UCG Elizabethton, Meter 59070 UCG Blountville, Meter 59071 UCG Bristol North, Meter 59074 UCG Marion, Meter 59075 UCG Abingdon West, Meter 59076 UCG Dublin, Meter 59077 UCG Lynchburg, Meter 59083 UCG Rockford North, Meter 59103 UCG Lynchburg Portables (Fuel), Meter 59104 UCG Midway, Meter 59109 UCG Lenoir, Meter 59115 UCG Marion East, Meter 59116 UCG Abingdon East, Meter 59117 UCG Radford East, Meter 59118 UCG Galois Springs, Meter 59119 UCG Marion North, Meter 59120 UCG Chithow, Meter 59121 UCG Rural Retreat, Meter 59122 UCG Morton, Meter 59125 UCG Gray, Meter 59126 UCG Tit Cites, Meter 59127 UCG Miller Park, Meter 59128 UCG Boone Creek, Meter 59129 UCG Abingdon, Meter 59130 UCG Maryville West, Meter 59148 UCG Morristown South, Meter 59155	5,981 6,067 2,576 3,800 2,773 5,431 5,853 1,858 8,388 2,983 4,870 2,127 5,138 256 2,460 4,063 1,361 2,819 2,339 1,365 1,763 322 36 98 104 4 94 1,010 104 95 411 143 78 1,118 215 134 184 482 1,960 275 5,000	

EXHIBIT C
ATMOS ENERGY CORPORATION - MIDSTATES DIVISION
TN/VA CONTRACT SUMMARY

AREA II (continued)

EAST TENNESSEE VIRGINIA SYSTEM (continued)

East Tennessee Natural (ETN)

Rate Schedule	Contract #	Termination	Renewal	Service	MOQ Divd	Receipt Points	Receipt Pt Divd	Delivery Points	Divr Pt Divd	Comments
FT	ETN 34038R2	10/31/2010	5 year	firm transport	27,500	SONAT Bradley, Meter #5311 Dickinson Co., Meter #56315 Salville Sg Withdrawal, Meter #53777	17,500 4,000 6,000	UCG Bristol, Meter #5002 UCG Blacksburg, Meter #5010 UCG Johnson City West, Meter #50260 UCG Kingsport South, Meter #50051 Salville Sg Injection, Meter #50766	7,500 3,000 3,000 4,000 10,000	
FT-A	ETN 41024R1	3/31/2009	5 year	firm transport	1,500	TEECO, Harbaville, TN, Meter #55330	1,500	UCG Blacksburg, Meter #53010		Fairport - covers Roanoke, VA
FT-A	ETN 410274R1	10/31/2018	5 year	firm transport	1,500	Salville LLC, Sg Withdrawal, Meter #56770	1,500	Roanoke West Salem, Meter #53108		
FT-LINGS	ETN 33245	10/31/2010	5 year	storage	35,547					MSQ 339,900 - Max value - FT 30777R2 is used for withdrawals only.

Virginia Gas Pipeline

Rate Schedule	Contract #	Termination	Renewal	Service	MOQ Divd	Receipt Points	Receipt Pt Divd	Delivery Points	Divr Pt Divd	Comments
FT	UCG-10243	4/17/2012	Year-to-year	firm transport	20,000	Salville Meter Site, Meter 758777	20,000	Marion Wytheville Dublin Pulaski Radford	6,000 4,000 2,500 5,000 2,500	
FSS	UCG-10242	4/30/2011		storage	30,000					MSQ 300,000 MDIO 16,000 MDWQ 30,000
FSS	UCG-10554	7/1/2002	5 year	storage	3,000					MSQ 180,000 MDIO 3,000 MDWQ 3,000

1/3/2008

EXHIBIT D
ATMOS ENERGY CORPORATION
April 1, 2008 to March 31, 2008 Supply Plan
Union City, TN
"WEST TENNESSEE SYSTEM"
AREA I

	30	31	30	31	30	31	30	31	30	31	30	31	28	31
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March		
	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d	dth/d
Daily	712	281	179	177	202	198	298	1,331	2,425	2,853	2,380	1,409		
Storage														
SGT #G705														
239,576 MSQ														
Est. Ending Balance 31,000	348	873	1,391	1,346	1,346	1,391	336	(758)	(1,835)	(1,835)	(1,962)	(1,101)		
	10,429	20,858	41,715	41,715	41,715	41,715	10,429	22,760	56,889	56,889	56,889	34,140		
Barnesley - 20,000 MSQ														
Est. Ending Balance 1050	32	61	128	122	122	128	31	(63)	(153)	(153)	(164)	(92)		
	948	1,895	3,790	3,790	3,790	3,790	948	1,900	4,750	4,750	4,750	2,850		
Total Storage Injections (Withdrawals)	380	734	1,517	1,468	1,468	1,517	387	(822)	(1,988)	(1,988)	(2,126)	(1,193)		
Flowing Gas:														
STF #T21483														
Daily	1,092	1,015	1,698	1,945	1,870	1,715	888	509	437	885	254	216		

NOTE: This storage is paid back to Texas Gas during the following Summer:

12/28/2007

EXHIBIT D
ATMOS ENERGY CORPORATION
April 1, 2008 to March 31, 2009 Supply Plan
(Columbia/Murfreesboro/Franklin)
"MID-TENNESSEE SYSTEM"
AREA 1

	Beginning Balance (Dbl)	Daily Monthly	April dthld 30	May dthld 31	June dthld 30	July dthld 31	Aug dthld 31	Sept dthld 30	Oct dthld 31	Nov dthld 30	Dec dthld 31	Jan dthld 31	Feb dthld 28	Mar dthld 31
SYSTEM REQUIREMENTS			14,704	7,014	6,008	6,170	4,969	6,029	11,485	27,128	41,454	48,639	38,925	28,603
STORAGE INJECTIONS(WITHDRAWALS)														
Dorchester GSS #800047(via TETCO)	0	Daily Monthly	1,010 30,313	2,086 64,866	2,310 68,287	2,235 68,287	2,235 68,287	2,185 64,866	2,095 64,866	(1,304) 39,118	(3,155) 97,794	(3,155) 97,794	(3,372) 97,794	(1,893) 58,877
Barnesley Storage (via CGT)	26,800	Daily Monthly	2,027 60,800	3,923 121,800	8,107 243,200	7,845 243,200	7,845 243,200	8,107 243,200	1,981 60,900	(4,053) 121,800	(9,808) 304,000	(9,808) 304,000	(10,483) 304,000	(5,984) 182,400
Total	26,800		3,037	6,018	10,417	10,080	10,080	10,272	4,058	(6,357)	(12,961)	(12,961)	(13,855)	(7,777)
TOTAL PURCHASES		Daily Monthly	17,741	13,032	16,005	15,359	15,049	16,301	15,541	21,771	28,493	35,578	26,078	18,826
SUPPLY (in order of flow)														
TETCO - Contracted Tpsn (up to 5,000/d)			5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
CGT - Contracted Tpsn (up to 50,000/d)			10,714	4,109	2,886	2,405	2,204	3,184	8,590	16,771	23,493	30,578	21,070	13,826
TGT via Barnesley			2,027	3,923	8,107	7,845	7,845	8,107	1,981	0	0	0	0	0
Total Flowing Gas Purchases		Daily Monthly	17,741	13,032	16,005	15,359	15,049	16,301	15,541	21,771	28,493	35,578	26,078	18,826

EXHIBIT E
Atmos Energy Corporation
Mid-States Division

Bidding Company: _____

Contact Name: _____
Contact Phone #: _____
Contact Email: _____

Index Based Commodity Bid - Area I

AREA 1

Western Tennessee: Union City

Base Load Supply:

Texas Gas Transmission, Zone 1	(IFERC TGT Zone 1 + NGI TGT Zone 1 + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Texas Gas Transmission, Zone SL Pool	(IFERC TGT Zone SL + NGI TGT Zone SL + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Delivered Supply to Barnsley Storage*	(IFERC TGT Zone SL + NGI TGT Zone SL + NYMEX Close) / 3	(+) or (-) \$ _____ per dth

Exchange Service:

Barnsley to UC City Gate* \$ _____ per dth

Swing Supply:

Texas Gas Transmission, Zone 1	Gas Daily Daily TGT Zone 1 Midpoint	(+) or (-) \$ _____ per dth
Texas Gas Transmission, Zone SL Pool	Gas Daily Daily TGT Zone SL Midpoint	(+) or (-) \$ _____ per dth
Barnsley to UC City Gate		\$ _____ per dth

Middle Tennessee: Columbia, Murfreesboro & Franklin

Base Load Supply:

Delivered Supply to Barnsley Storage* (Summer Only)	(IFERC TGT Zone SL + NGI TGT Zone SL + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Columbia Gulf Transmission, ML Pool (4/1/08 to 10/31/08)	(IFERC CGT Mainline + NGI CGT Mainline + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Delivered Supply to Atmos' CGT City Gate* (11/1/08 to 3/31/11) (up to 50,000/d; up to 74,000/d Dec-Feb)	(IFERC CGT Mainline + NGI CGT Mainline + NYMEX Close) / 3	(+) or (-) \$ _____ per dth

Texas Eastern Transmission Co., ELA (4/1/08 to 10/31/08)	(IFERC TETCO, ELA + NGI TETCO, ELA + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Delivered Supply to Atmos' TETCO City Gate* (11/1/08 to 3/31/11) (up to 5,000/d)	(IFERC TETCO, ELA + NGI TETCO, ELA + NYMEX Close) / 3	(+) or (-) \$ _____ per dth

Swing Supply:

Columbia Gulf Transmission, ML Pool (4/1/08 to 10/31/08)	Gas Daily Daily CGT Mainline Midpoint	(+) or (-) \$ _____ per dth
Delivered Supply to Atmos' CGT City Gate* (11/1/08 to 3/31/11)	Gas Daily Daily CGT Mainline Midpoint	(+) or (-) \$ _____ per dth

*If there are any incremental demand charges or fuel, please note in comment section.

Comments or special provisions: _____

Annual Upfront Payment Bid - Area I

1) Annual Value of Services Provided to Atmos: \$ _____
(Positive signifies payment to Atmos, negative signifies credit from Atmos)

2) Annual Value of Assets Provided by Atmos to Proposer: \$ _____
(Positive signifies payment to Atmos, negative signifies credit from Atmos)

Total) Annual Net Deal: \$ _____
(Sum of Items 1 and 2. Positive signifies payment to Atmos, negative signifies credit from Atmos)

Note: The Bid for Asset Management rights and the value associated with these activities may be offered in the form of an Annual Upfront Payment and/or in the form of a Commodity Related Discount.

EXHIBIT E
Atmos Energy Corporation
Mid-States Division

Bidding Company: _____

Contact Name : _____

Contact Phone #: _____

Contact Email: _____

Index Based Commodity Bid - Area II

AREA II

East Tennessee: Bristol, Greeneville, Johnson City, Kingsport, Maryville, Morristown & Shelbyville
Virginia: Blacksburg, Bristol/Abingdon, Dublin/Pulaski/Radford and Marion/Wytheville

Base Load Supply

Tennessee Gas Pipeline Zone 1, 500 leg	(IFERC TGP 500 Leg + NGI TGP 500 Leg + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Tennessee Gas Pipeline Zone 1, 800 leg	(IFERC TGP 800 Leg + NGI TGP 800 Leg + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Tennessee Gas Pipeline Zone 0, 100 leg	(IFERC TGP Zone 0 + NGI TGP Zone 0 + NYMEX Close) / 3	(+) or (-) \$ _____ per dth
Southern Natural Gas Company	(IFERC SONAT LA + NGI SONAT + NYMEX Close) / 3	(+) or (-) \$ _____ per dth

Swing Supply

Tennessee Gas Pipeline Zone 1, 500 leg	Gas Daily Daily TGP, Zone 1, 500 Leg Midpoint	(+) or (-) \$ _____ per dth
Tennessee Gas Pipeline Zone 1, 800 leg	Gas Daily Daily TGP, Zone 1, 800 Leg Midpoint	(+) or (-) \$ _____ per dth
Tennessee Gas Pipeline Zone 0, 100 leg	Gas Daily Daily TGP, Zone 0, 100 Leg Midpoint	(+) or (-) \$ _____ per dth
Southern Natural Gas Company	Gas Daily Daily, SONAT Midpoint	(+) or (-) \$ _____ per dth

Comments or special provisions: _____

Annual Upfront Payment Bid - Area II

1) Annual Value of Services Provided to Atmos: \$ _____
(Positive signifies payment to Atmos, negative signifies credit from Atmos)

2) Annual Value of Assets Provided by Atmos to Proposer: \$ _____
(Positive signifies payment to Atmos, negative signifies credit from Atmos)

Total) Annual Net Deal: \$ _____
(Sum of Items 1 and 2. Positive signifies payment to Atmos, negative signifies credit from Atmos)

EXHIBIT E
Atmos Energy Corporation
Mid-States Division

Bidding Company: _____ Contact Name: _____
 Contact Phone #: _____
 Contact Email: _____

Index Based Commodity Bid - Area I and Area II

AREA 1

Western Tennessee: Union City

Base Load Supply:
 Texas Gas Transmission, Zone 1 (IFERC TGT Zone 1 + NGI TGT Zone 1 + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Texas Gas Transmission, Zone SL Pool (IFERC TGT Zone SL + NGI TGT Zone SL + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Delivered Supply to Barnsley Storage* (IFERC TGT Zone SL + NGI TGT Zone SL + NYMEX Close) / 3 (+) or (-) \$ _____ per dth

Exchange Service:
 Barnsley to UC City Gate* \$ _____ per dth

Swing Supply:
 Texas Gas Transmission, Zone 1 Gas Daily Daily TGT Zone 1 Midpoint (+) or (-) \$ _____ per dth
 Texas Gas Transmission, Zone SL Pool Gas Daily Daily TGT Zone SL Midpoint (+) or (-) \$ _____ per dth
 Barnsley to UC City Gate \$ _____ per dth

Middle Tennessee: Columbia, Murfreesboro & Franklin

Base Load Supply:
 Delivered Supply to Barnsley Storage* (Summer Only) (IFERC TGT Zone SL + NGI TGT Zone SL + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Columbia Gulf Transmission, ML Pool (4/1/08 to 10/31/08 (IFERC CGT Mainline + NGI CGT Mainline + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Delivered Supply to Atmos' CGT City Gate* (11/1/08 to 3/ (IFERC CGT Mainline + NGI CGT Mainline + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 (up to 50,000/d; up to 74,000/d Dec-Feb)

Texas Eastern Transmission Co., ELA (4/1/08 to 10/31/08 (IFERC TETCO, ELA + NGI TETCO, ELA + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Delivered Supply to Atmos' TETCO City Gate* (11/1/08 to (IFERC TETCO, ELA + NGI TETCO, ELA + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 (up to 5,000/d)

Swing Supply:
 Columbia Gulf Transmission, ML Pool (4/1/08 to 10/31/08 Gas Daily Daily CGT Mainline Midpoint (+) or (-) \$ _____ per dth
 Delivered Supply to Atmos' CGT City Gate* (11/1/08 to 3/ Gas Daily Daily CGT Mainline Midpoint (+) or (-) \$ _____ per dth

*If there are any incremental demand charges or fuel, please note in comment section.

AREA II

East Tennessee: Bristol, Greeneville, Johnson City, Kingsport, Maryville, Morristown & Shelbyville
Virginia: Blacksburg, Bristol/Abingdon, Dublin/Pulaski/Radford and Marion/Wytheville

Base Load Supply
 Tennessee Gas Pipeline Zone 1, 500 leg (IFERC TGP 500 Leg + NGI TGP 500 Leg + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Tennessee Gas Pipeline Zone 1, 800 leg (IFERC TGP 800 Leg + NGI TGP 800 Leg + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Tennessee Gas Pipeline Zone 0, 100 leg (IFERC TGP Zone 0 + NGI TGP Zone 0 + NYMEX Close) / 3 (+) or (-) \$ _____ per dth
 Southern Natural Gas Company (IFERC SONAT LA + NGI SONAT + NYMEX Close) / 3 (+) or (-) \$ _____ per dth

Swing Supply
 Tennessee Gas Pipeline Zone 1, 500 leg Gas Daily Daily TGP, Zone 1, 500 Leg Midpoint (+) or (-) \$ _____ per dth
 Tennessee Gas Pipeline Zone 1, 800 leg Gas Daily Daily TGP, Zone 1, 800 Leg Midpoint (+) or (-) \$ _____ per dth
 Tennessee Gas Pipeline Zone 0, 100 leg Gas Daily Daily TGP, Zone 0, 100 Leg Midpoint (+) or (-) \$ _____ per dth
 Southern Natural Gas Company Gas Daily Daily, SONAT Midpoint (+) or (-) \$ _____ per dth

Comments or special provisions: _____

Annual Upfront Payment Bid - Combined Areas I and II

- 1) Annual Value of Services Provided to Atmos: \$ _____
 (Positive signifies payment to Atmos, negative signifies credit from Atmos)

- 2) Annual Value of Assets Provided by Atmos to Proposer: \$ _____
 (Positive signifies payment to Atmos, negative signifies credit from Atmos)

Total) Annual Net Deal: \$ _____
 (Sum of Items 1 and 2. Positive signifies payment to Atmos, negative signifies credit from Atmos)

EXHIBIT F
ATMOS ENERGY CORPORATION - SAMPLE NOMINATION SHEET

TEXAS GAS TRANSMISSION (TGT) - UNION CITY

NOMINATED VOL'S-FEB 200X 1/28/200X 4:05:40 PM

FAX # (123) 456-7890

John Smith (123) 456-7891 EXT 111 PRIMARY

Jane Doe (123) 456-7891 EXT 112 MANAGER

	REVISED (INTRADAY) UPDATED (TIMELY)	IF REVISED INPUT TIME YES OR NO	Wed 2/21/200X	Thurs 2/22/200X	Fri 2/23/200X	Sat 2/24/200X	Sun 2/25/200X	Mon 2/26/200X	Tues 2/27/200X
FIRM SUPPLY			-	-	-	-	-	-	-
IT SUPPLY			-	-	-	-	-	-	-
NO NOTICE AVAILABLE			-	-	-	-	-	-	-
AGENCY END-USERS			-	-	-	-	-	-	-
3RD PARTY NOMS			-	-	-	-	-	-	-