

# TENNESSEE REGULATORY AUTHORITY



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Nashville, Tennessee 37243-0505

VIA E-MAIL AND US MAIL

October 21, 2013

A. Scott Ross, Esq.  
Neal & Harwell, PLC  
2000 One Nashville Place  
Nashville, TN 37219-2498

RE: Docket No. 13-00111 – *Petition of Atmos Energy Corporation to Revise Performance Based Ratemaking Mechanism Rider in Tariff.*

Dear Mr. Ross:

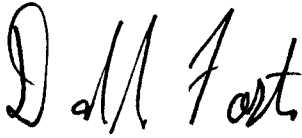
To assist the Authority in its evaluation of the Petition filed on August 13, 2013, please provide your responses to the following:

1. On September 26, 2007, the Authority opened Docket No. 07-00225 to evaluate Atmos' gas purchases and related sharing incentives. Following extensive discovery, and on-going negotiations between the Consumer Advocate and Atmos over the ensuing five and a half years, a Stipulation and Settlement Agreement was filed with the Authority on May 7, 2013. The terms provided for a comprehensive review of the transactions and activities related to asset management by an independent consultant in the fall of 2014 and approval for the Company to recover its legal fees from the customers' share of asset management fees. The Stipulation and Settlement was considered and approved at the June 17, 2013 Authority Conference and memorialized in an Authority Order dated August 6, 2013. Seven days after the Authority's Order, Atmos requested a revision of its PBR tariff. Please state all rationale and reasons why Atmos' proposed tariff revision was not addressed in Docket No. 07-00225, the docket specifically designated by the Authority for this purpose?
2. Since the Authority has previously taken the position that it would like to see a comprehensive review of Atmos' PBR tariff, explain the Company's rationale that supports changing only one of the terms of its PBR tariff without examining all other tariff terms simultaneously.
3. Provide the Company's detailed interpretation of the term "city gate purchases" as it relates to Atmos' PBR tariff.
4. Does Atmos consider every delivery by its Asset Manager AEM each month to be a "city gate purchase" under the terms of its PBR tariff? If so, why?

5. Please confirm whether virtually all commodity savings reported by Atmos in its annual PBR filing with the Authority over the past four (4) years have resulted from the characterization of Asset Manager deliveries as city gate purchases, which in turn adjusted the benchmark index upward by the amount of avoided costs calculated by the Company. Explain in detail.
6. The tariff states the indexes will be adjusted for the avoided transportation costs that would have been paid. Please explain the Company's rationale for the inclusion of demand costs in its avoided cost calculation.
7. Atmos has capacity contracts in place with Texas Gas, Columbia Gulf, Texas Eastern, East Tennessee and Southern Natural pipelines for firm transportation of gas, which are part of its asset portfolio that is released to its Asset Manager AEM under the terms of the Asset Management Agreement. Is it correct that the costs for these contracts are paid by Atmos whether the contracts are actually used to move gas or not and are recovered 100% from ratepayers in the PGA? If Atmos adjusts its benchmark indexes by FERC approved pipeline demand charges for deliveries made by its Asset Manager, would this constitute a double recovery of demand charges by Atmos? Explain why or why not.
8. Please confirm that the Asset Manager delivers to Atmos its gas requirements according to the gas supply plan provided by the Company. If not, please explain.
9. Please confirm that the Asset Manager bills the Company for deliveries as if it used Atmos' pipeline contracts even if physically delivered using other contracts at its disposal. If not, please explain.
10. Atmos has requested removing the NGI Index from the basket of indexes stating one reason that this index is not used in any of the eight states for gas supply pricing. Does Atmos use the NYMEX index for gas supply pricing? If so, explain in detail how this index is used and in what Atmos service territories or states it is used.
11. Please describe in detail the Company's process for approving gas supplier invoices for payment. How many signatures are required and what are their titles? Are there any additional procedures when reviewing and approving invoices from Atmos' affiliate AEM? If so, please explain.

In order for the Authority to evaluate the Petition in a timely manner, it is necessary to receive this information as soon as possible. It is therefore requested that all responses be provided no later than 2:00 p.m. Monday, October 28, 2013. In accordance with TRA rules submit either (1) original and thirteen written copies of your response or (2) original and four written copies and an electronic version. In addition, Staff requests that all responses and related Excel files (if any) be submitted on a CD labeled "For Authority Staff." Should you have any questions or need clarification regarding any requested item, please contact me at (615) 741-2904, ext. 188. Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "D M Foster".

David Foster, Chief  
Utilities Division

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