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IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF ATMOS ENERGY	)	
CORPORATION TO REVISE	)	**TRA Docket No. 13-00111**
PERFORMANCE BASED	)	
RATEMAKING MECHANISM RIDER	)	
IN TARIFF	)	

RESPONSE OF ATMOS ENERGY CORPORATION TO
FIRST DATA REQUEST OF THE TENNESSEE REGULATORY AUTHORITY

In response to the First Data Request from the Tennessee Regulatory Authority, Atmos Energy Corporation responds as follows:

DATA REQUESTS

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.

RESPONSE: Atmos respectfully disagrees with factual statements contained in this discovery request. Because they are not relevant in this proceeding, however, Atmos will not belabor a response to them, and will simply note its disagreement and preserve its objection that the question assumes facts not in evidence. Atmos would further note that the terms of the Settlement Agreement in the 07-225 matter speak for themselves, and would incorporate those terms by reference in response to this discovery request. The issues presented in this docket were neither litigated in the 07-225 matter nor covered by the terms of the Settlement Agreement in that matter. Nor are they covered by the triennial review procedure adopted in that docket, which applies by its terms to "transactions and activities related to Asset Management." *See* Atmos Tariff Sheet 45.8. Atmos would further note that the Consumer Advocate was advised in advance, before the 07-225 Settlement Agreement was approved, that Atmos would be seeking changes to its PBR tariff. Simply put, there is nothing about the Settlement Agreement in the 07-225 matter that would preclude Atmos from requesting a change to any of its tariffs, including this one. Under the express terms of the Atmos PBR Tariff, the PBRM always remains subject to modification by the Authority (the relief requested in this docket), or termination by Atmos (an option that remains on the table for Atmos).

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.

RESPONSE: Atmos finds no support for the statement that "the Authority has previously taken the position that it would like to see a comprehensive review of Atmos' PBR Tariff." If this refers to the triennial review process now reflected in page 45.8 et seq of the Atmos tariff, that review process by its terms applies to "transactions and activities related to Asset Management." Under the express terms of the Atmos PBR Tariff, the PBRM always remains subject to modification by the Authority, the relief requested in this docket. Please refer to the petition and testimony in this Docket, No. 13-00111, in which the Company's position and rationale are clearly stated. Several changes have been made to the Company's PBRM tariff over the years, including changes to its RFP procedures, and specific wording changes to include sharing of upfront asset management fees. Changes were made as similar changes were made to the other utilities' tariffs, at either the request of the CAPD, staff or as directed by Authority Order.

3. Provide the Company's detailed interpretation of the term "city gate purchases" as it relates to Atmos' PBR tariff.

RESPONSE: As it relates to Atmos' PBR tariff, a city gate purchase is a delivery made by a supplier or asset manager at any of Atmos' points thereby allowing the utility to avoid upstream transportation charges, and without such services, Atmos would necessarily incur the pipeline transportation charges to meet peak day requirements. The asset manager is responsible for arranging and paying for the delivery. Because of its unique position in relation to the natural gas production zones, all deliveries into ETNG must by necessity flow on upstream pipelines or gathering systems prior to flowing into ETNG. Therefore some of the avoided pipeline costs stem from delivered services into upstream points. In order to provide for the customers' peak design day requirements, Atmos must have these services where it does not hold sufficient upstream pipeline capacity. Please refer to the Company's response to Staff DR 7 in this Docket.

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?

RESPONSE: No.

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.

RESPONSE: Total commodity savings is the difference between the GPIM commodity benchmark cost and the Atmos commodity invoice cost. 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 gate purchases totaled virtually all commodity savings reported. In the absence of these Asset Manager deliveries of city gate purchases, Atmos would be required to hold additional pipeline capacity in order to meet the peak day requirements of customers, and customers would have necessarily incurred additional pipeline costs, which over the past four years would have totaled in excess of $10,000,000. This is perhaps the single most important illustration of how the TRA's PBR program has incentivized Atmos to think progressively and find new ways of providing customers significant gas cost savings. Of the nearly $11 million in GPIM commodity gas cost savings that Atmos created in Tennessee in the past four years, Tennessee customers realized more than $8.36 million, or 75% of those GPIM commodity cost savings.

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.

RESPONSE: Succinctly, the inclusion of pipeline demand costs in the GPIM avoided cost calculation is provided for in the Atmos PBR tariff. Pipelines have several means of charging transportation costs: demand charges, commodity charges, ACA charges, fuel charges, surcharges, etc. Of these, typically the demand charges are the most significant when considering total annual pipeline transportation costs. These costs may be avoided through the Asset Managers provision of a delivered service as opposed to the Company holding pipeline capacity, bringing great savings to the Tennessee customers.

TRA Staff and the Company have had a shared understanding of the inclusion of avoided pipeline transportation demand costs in the GPIM avoided cost calculation, as demonstrated through years of PBR and ACA audits, and most recently, by the discussion in an on-site meeting held in December 2012. On Friday December 13, 2012, TRA Staff Michelle Ramsey and Pat Murphy met with Atmos Gas Supply employees Deborah Sparkman and Becky Buchanan, along with Atmos VP of Rates and Regulatory Affairs, Pat Childers. Atmos and Staff spent several hours discussing the PBR calculations, and in particular the avoided cost calculations. Staff was very familiar with the avoided cost calculations and the inclusion of transportation demand costs. The Company has not perceived any confusion or ambiguity on this subject. There were no concerns expressed by Staff about the inclusion of avoided pipeline transportation demand charges. In fact, avoided pipeline demand charges have been part of the GPIM avoided cost calculation for many years, dating back to the first of such arrangements (NORA contract), and have been tested by Staff in its rigorous and thorough annual audits, included in the amount recommend by Staff in its audit reports, and subsequently approved by the TRA in its Orders accepting Staffs' PBR recommendations and reports.

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 Amtos 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.

RESPONSE: No. The Company only obtains the city gate delivered services in locations where it does not have sufficient pipeline capacity. It obtains the city gate delivered services in order to meet the peak design day needs of customers. With this point of clarification, which is extremely important for Staff to understand, the Company confirms that pipeline demand costs, when incurred, are recovered from ratepayers. Also it is critically important for Staff to understand that the avoided cost adjustment to benchmark is ONLY calculated for city gate services provided by the Asset Manager where Atmos does NOT hold sufficient pipeline capacity, and thus there are no pipeline costs incurred (i.e., they have been avoided). There is absolutely no double recovery of demand charges by Atmos. Furthermore, the avoided cost calculation has been thoroughly audited by TRA Staff for many years. TRA audit Staff are experienced, knowledgeable and capable and perform rigorous audits of all the Company's regulatory jurisdictions. The Company holds only the capacity required to serve its customers safely and reliably. This is evidenced by the Company's reserve margin (filed annually) that there is no excess capacity. The reserve margin calculation does take into consideration the delivered volumes provided by the Asset Manager in the city gate delivered services, so that Staff can be assured all forms of delivery are accounted for. Currently for the Middle TN service area, Atmos holds pipeline capacity for 54% of its design day requirements and utilizes delivered service to make up the rest. Similarly for East TN customers, Atmos holds upstream pipeline capacity for 83% of its design day requirements and utilizes delivered service to make up the remainder.

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.

RESPONSE: Yes.

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.

RESPONSE: Yes, but with clarification. The Asset Manger bills the Company for pipeline transportation commodity charges. The Pipeline itself direct bills Atmos for pipeline transportation demand charges. Where the Asset Manager provides a city gate delivered service, there are no transportation charges incurred directly from the pipeline for the transportation of gas to the delivery point; those pipeline transportation costs are avoided.

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.

RESPONSE: Yes, besides in the TN PBR commodity benchmark calculation, Atmos uses the NYMEX index for gas supply pricing in its NORA purchase contracts for both Tennessee and Virginia. Atmos uses the NYMEX index in all its Kentucky gas supply pricing for FOM baseload purchases from Asset Managers, as well in the gas supply pricing for the Kentucky Local Production purchases. The Atmos Kentucky PBR program uses NYMEX in the calculation of the commodity Benchmark pricing. The Atmos Mississippi first of month gas supply purchases on ICE for Tetco zones M1 and M2 are priced using NYMEX. All of Atmos' financial hedging purchases of swaps and options in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Texas and Virginia use NYMEX pricing.

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.

RESPONSE: To the Company's knowledge, its affiliate practices are not in question and this is not the subject matter of the current Docket. The request is beyond the scope of this docket. TRA Staff thoroughly audits each individual invoice each year, including scanned copies of each and every gas supply invoice.

The following are relevant excerpts from Atmos' Gas Supply Manual:

Gas Supply Approval Process:

For invoices, the Gas Supply Specialists / Representatives verify the accuracy and each respective Manager approves for payment.

For contracts and confirmations having a term of one year or less, the Gas Supply Specialist / Representative initials and the Regional Manager signs. If the term is greater than one year and less than five years, the Gas Supply Specialist / Representative and the Regional Manager initials, and the VP, Gas Supply and Services signs. Terms of five years or greater must receive additional approval. All affiliate contracts and confirmations are signed by the VP, Gas Supply and Services after review and approval by the Legal Department.

Key Contacts:

New Orleans Office:

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Matt Davidson	Director, Gas Supply & Services	504-681-3112

East Region Office:

Becky Buchanan	Manager, Regional Gas Supply	615-261-2248

Transportation Invoices:

Regional Gas Supply along with Contract Administration is responsible for reviewing and verifying the rates per the applicable individual pipeline tariffs, available on the pipeline websites. If the Company has negotiated rates, the contract/negotiated rate letter is the source used for rate verification. Any changes in the interstate pipeline tariff rates are filed with FERC for approval. It is possible that changes in rates will appear on the invoice prior to final FERC approval. The pipelines are required to refund any increases that are not approved by FERC. The Gas Supply Specialist/Representative reviews correspondence from the pipelines (typically sent via email distributions) notifying of tariff changes, FERC filings, refunds, etc. Various resources, such as the pipeline websites and the pipeline employees, are utilized to obtain additional information.

Demand Charges- The Gas Supply Specialist/Representative confirms the invoiced charge is supported by the tariff or contract. Care is given to verify that all demand charges are reflected on the appropriate monthly invoice.

Commodity Charges- These are variable charges applied to the volumes transported each month, and therefore, are based on usage. Volumes transported for each service area are reviewed by the Gas Supply Specialist/Representative and there is a verification of the transport charges shown on the invoice.

Storage Invoices:

The Gas Supply Specialist/Representative verifies the rates charged are in agreement with the respective pipeline tariff or storage contact. Inventory balances, injections, and withdrawals are verified utilizing the supporting measurement reports provided by the pipeline.

Gas Supply Invoices:

Volume Verification-

The Gas Supply Specialist/Representative verifies the accuracy of the invoiced baseload and incremental volumes. Baseload volumes are nominated approximately five days prior to the beginning of the flow month, and are a fixed daily quantity for the entire month. Baseload volumes correspond with the Seasonal Plans for each service area/pipeline. Incremental volumes are volumes necessary to meet System Supply requirements in excess of the baseload volumes. Using the Aligne Gas Management System, the total volumes are then reconciled back to the receipts on the applicable pipeline statement. If any variances are identified, a corrected invoice is requested from the applicable supplier.

Pricing Verification- Upon reviewing the pricing parameters per the contract, the Gas Supply Specialist/Representative, in conjunction with the Contract Administration Department, refers to the appropriate natural gas index publication(s) to verify the pricing. This information is compared against the invoice pricing for accuracy through the Aligne Gas Management System. The Gas Supply Specialist/Representative contacts the Supplier to discuss and resolve any discrepancies. If an invoice adjustment is necessary, the Supplier is asked to send a corrected invoice.

Affiliate Relationship Procedures

Purpose:

The purpose of this policy is to detail the requirements for dealing with affiliate operations.

RFP Process:

The Company's RFP process ensures that no preferential treatment is given to an affiliated company.

General:

The goal is to prevent preferential treatment being given to any marketer, especially an affiliate. It will be each employee's responsibility to treat all marketers the same. A particular marketer may have more experience on a particular pipeline and may be better equipped to ask certain questions. A rule of thumb should be that an employee should feel comfortable giving any and all marketers the same information. If an employee has concerns over providing certain data to a marketer or to a group of marketers, the employee should go to their Manager. If concern still exists, the employee and the Manager will consult with the VP Gas Supply and Services.

Affiliate Guidelines:

In the event a state has specific guidelines for affiliated transactions, it is the Gas Supply Specialist's responsibility to know and follow those guidelines as they relate to Gas Supply procurement.

Respectfully submitted,

NEAL & HARWELL, PLC

By: ______________________

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 4 day of November, 2013.

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