

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

IN RE:

**REQUEST OF ATMOS ENERGY
CORPORATION FOR APPROVAL
OF CONTRACT REGARDING GAS
COMMODITY REQUIREMENTS AND
MANAGEMENT OF TRANSPORTATION/
STORAGE CONTRACTS**

Docket No. 14-00009



NOTICE OF FILING ORDER OF VIRGINIA STATE CORPORATION COMMISSION

Atmos Energy Corporation is required to seek approval of asset management agreements in both Tennessee and Virginia, because the Atmos system crosses the state border in upper East Tennessee / Southwest Virginia. Atmos is pleased to report that the Virginia Corporation Commission, on March 10, 2014, issued an Order approving the Asset Management Agreement with Atmos Energy Marketing that is the subject of this case. A copy of the Virginia Corporation Commission's Order is attached.

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

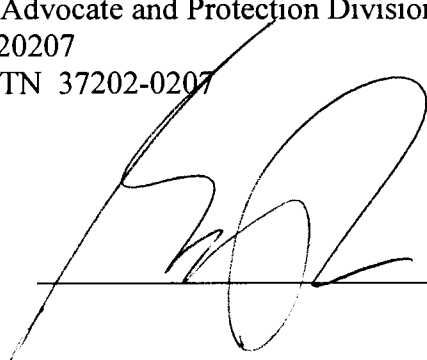
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CERTIFICATE OF SERVICE

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 11th day of March, 2014.

- ☐ Hand
- ☐ Mail
- ☐ Fax
- ☒ Fed. Ex.
- ☒ E-Mail

Joe Shirley, Esq.
Senior Counsel
Office of the Attorney General
Consumer Advocate and Protection Division
P. O. Box 20207
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 10, 2014

CLERK'S OFFICE
CONTROL CENTER

2014 MAR 10 P 3: 56

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JOINT APPLICATION OF

ATMOS ENERGY CORPORATION
and
ATMOS ENERGY MARKETING, LLC

CASE NO. PUE-2013-00136

For authority to enter into a Gas Supply and Asset
Management Agreement, pursuant to Chapter 4 of Title 56
of the Code of Virginia, Va. Code § 56-76 *et seq.*

ORDER GRANTING AUTHORITY

On December 12, 2013, Atmos Energy Corporation ("Atmos") and Atmos Energy Marketing, LLC ("AEM") (collectively, "Applicants") filed a joint application with the State Corporation Commission ("Commission"), pursuant to Chapter 4 of Title 56 of the Code of Virginia ("Code"),¹ requesting authority to enter into a Gas Supply and Asset Management Agreement ("AMA") effective for the period April 1, 2014, through March 31, 2015. On December 17, 2013, Atmos filed a Petition for Retroactive Waiver seeking a retroactive waiver of the first condition in Ordering Paragraph (5) of the Commission's Order Granting Authority in Case No. PUE-2011-00018,² which required Atmos to provide any request for proposals ("RFP") to Commission Staff before it was issued.

Atmos is a natural gas distribution company providing gas distribution, transmission, and transportation services to its retail customers in Virginia, Tennessee, Colorado, Texas, Louisiana, Kentucky, Mississippi, and Kansas. In Virginia, Atmos is engaged in the business of selling and distributing natural gas to approximately 22,000 customers in Abingdon, Bristol, Marion,

¹ Va. Code § 56-76 *et seq.*

² See *Joint Application of Atmos Energy Corporation and Atmos Energy Marketing, LLC, For authority to enter into a Gas Supply and Asset Management Agreement pursuant to the Affiliates Act, Va. Code § 56-76 et seq.*, Case No. PUE-2011-00018, 2011 S.C.C. Ann. Rept. 446, Order Granting Authority (May 9, 2011).

Pulaski, Radford, Wytheville, and the surrounding areas. AEM provides a variety of natural gas management services to municipalities, natural gas utility systems, and industrial natural gas customers, primarily in the southeastern and Midwestern states, and to Atmos's Kentucky/Mid-States, Louisiana, and Colorado/Kansas utility divisions. AEM is wholly owned by Atmos Energy Holdings, Inc., which is a wholly owned subsidiary of Atmos.

The Applicants request Commission authority to enter into the AMA, which is the fifth such agreement between Atmos and AEM since 1997. Atmos represents that it issued over 400 e-mails to potential gas suppliers to provide electronic notification of its RFP for the AMA. After comparing the bids it received, Atmos selected AEM as the winning bidder.

The proposed AMA consists of three parts: a standard North American Energy Standards Board Base Contract ("Base Contract"), a Special Provisions Attachment, and an Addendum to Base Contract for Sale and Purchase of Natural Gas ("AMA Addendum"). The Applicants represent that the AMA is in the public interest because it will economize the supply of gas to Atmos and optimize the use of Atmos's facilities to the benefit of Atmos's Virginia customers.

NOW THE COMMISSION, upon consideration of this matter and having been advised by its Staff, is of the opinion and finds that the AMA is in the public interest and should be approved subject to certain requirements set forth below.

First, we will grant the Applicants a retroactive waiver of the first condition in Ordering Paragraph (5) of our Order Granting Authority in Case No. PUE-2011-00018. However, we remind the Applicants of the importance of taking the necessary steps to remain in compliance with Commission orders in the future.

Second, our approval of the AMA should be limited to the term of the agreement, which extends through March 31, 2015. In addition, to ensure the continued timely filing of affiliate

applications, any prospective application for an AMA should be filed with the Commission by no later than December 15, 2014.

Third, we are concerned that Atmos's submission of the final AMA Addendum well after the initial filing could leave inadequate time for review. Therefore, for any prospective application for renewal of the AMA, Atmos shall file the AMA Addendum with the Commission within thirty (30) days of the filing of the AMA application.

Finally, we directed the Applicants in Case No. PUE-2009-00037 to provide a risk monitoring schedule ("Risk Monitoring Schedule") to be included with its Annual Report of Affiliate Transactions ("ARAT").³ The Risk Monitoring Schedule was to provide: (i) Atmos's and AEM's quarter by quarter borrowings under their short-term credit facilities; (ii) Atmos's and AEM's quarter by quarter balances of collateral required to be posted with the New York Mercantile Exchange and other brokers; (iii) Atmos's and AEM's quarter by quarter open positions related to their gas procurement, marketing, and trading activities; (iv) Atmos's and AEM's quarter by quarter credit ratings by the public rating agencies; and (v) Atmos's and AEM's quarter by quarter compliance relative to their loan covenants ("Risk Monitoring Directive"). Given the ongoing uncertainties in the global financial markets, we find that it is in the public interest for this directive to remain in place.

Accordingly, IT IS ORDERED THAT:

- (1) The Applicants' Petition for Retroactive Waiver is hereby granted.
- (2) Pursuant to § 56-77 of the Code, the Applicants are hereby granted approval of the AMA subject to the requirements set forth herein.

³ See *Joint Application of Atmos Energy Corporation and Atmos Energy Marketing, LLC, For authority to modify gas supply and asset management agreement pursuant to the Affiliates Act, Va. Code § 56-76 et seq.*, Case No. PUE-2009-00037, 2009 S.C.C. Ann. Rept. 460, Order Granting Authority (Aug. 6, 2009).

(3) The authority granted herein shall extend through March 31, 2015, the expiration date of the AMA. Should Atmos wish to continue the AMA beyond that date, further Commission approval shall be required. If the Applicants wish to avoid a break in service under the AMA, any prospective application for an AMA shall be filed with the Commission no later than December 15, 2014.

(4) Atmos shall file the AMA Addendum with the Commission within thirty (30) days of the filing of any AMA application.

(5) On a prospective basis, Atmos shall provide any AMA RFP to Energy Regulation Staff prior to issuance and continue to ensure that the RFP dissemination and bidding process remains robust. Once the AMA RFP process is complete, Atmos shall submit to Energy Regulation Staff the AMA RFP's results, including a list of the parties that were invited to bid, the winning bidder, and the reason(s) for the winner's selection.

(6) Atmos's payments for pipeline substitution services shall be limited to the amount of gas cost charges that Atmos would incur if it were to procure gas on its own pipeline contracts.

(7) Atmos's payments for storage fill services shall be limited to the amount of storage charges that Atmos would incur if it were to manage its own storage.

(8) Thirty (30) days prior to any changes in the fixed capacity utilization payment, Atmos shall submit a report to the Commission's Director of Utility Accounting and Finance ("UAF Director"), which will describe the changes in the fixed capacity utilization payment and the reasons for such changes. The Staff shall then advise the Commission as to whether any action is necessary pursuant to its continuing supervisory authority under § 56-80 of the Code to protect the public interest.

(9) The Risk Monitoring Directive established in Case No. PUE-2009-00037 and described above shall remain in effect.

(10) The approval granted herein shall have no ratemaking implications. In particular, the approval granted in this case should not guarantee the recovery of any costs directly or indirectly related to the AMA.

(11) Commission approval shall be required for any changes in the terms and conditions of the AMA, including any successors and assigns.

(12) The approval granted herein shall not preclude the Commission from exercising the provisions of §§ 56-78 and 56-80 of the Code hereafter.

(13) The Commission reserves the right to examine the books and records of any affiliate, whether or not such affiliate is regulated by the Commission, in connection with the approval granted herein.

(14) Atmos shall include the transactions associated with the AMA in its ARAT submitted to the UAF Director by May 1 of each year, which deadline may be extended administratively by the UAF Director. Atmos shall include with the ARAT a Risk Monitoring Schedule that contains the information set forth in our findings above.

(15) In the event that Atmos's annual informational filings or general or expedited rate filings are not based on a calendar year, Atmos shall include the affiliate information contained in its ARAT in such filings.

(16) There appearing nothing further to be done in this matter, it hereby is dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Richard D. Gary, Esquire, and Noelle J. Coates, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; Atmos Energy

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Corporation, c/o Douglas C. Walther and James Price, 5430 LBJ Freeway, Suite 1800, Dallas, Texas 75240; Atmos Energy Marketing, LLC, c/o Jeffrey Perryman, 13430 Northwest Freeway, Suite 700, Houston, Texas 77040; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219. A copy hereof also shall be delivered to the Commission's Office of General Counsel and Divisions of Utility Accounting and Finance and Energy Regulation.