

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 24, 2014

IN RE:

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

**DOCKET NO.
14-00009**

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

This matter came before Chairman James M. Allison, Director Robin Bennett, and Director David F. Jones of the Tennessee Regulatory Authority (“Authority” or “TRA”) on April 14, 2014 for consideration of the *Amended Petition for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage Contract* (“*Amended Petition*”) filed on February 14, 2014 by Atmos Energy Corporation (“Atmos” or “Company”).

BACKGROUND

In Docket No. 05-00253,¹ the TRA approved Request for Proposal (“RFP”) procedures for Atmos’ selection of an asset manager. Atmos has followed these tariff procedures in the selection of its asset manager in 2008 in TRA Docket No. 08-00024 and in 2011 in Docket No. 11-00034. In both previous dockets, the TRA found that Atmos had correctly followed its RFP procedures and had selected the asset manager providing the most consumer benefit. In both instances, the contract was awarded to Atmos’ affiliate, Atmos Energy Marketing, LLC (“AEM”).

¹ *In re: Atmos Energy Corporation's Annual Cost Adjustment (ACA) for the Twelve Months Ended June 30, 2005*, Docket No. 05-00253, *Order Approving Tariff* (December 6, 2007).

AMENDED PETITION AND TARIFF REQUIREMENTS

Atmos initially filed a petition requesting approval of its asset management agreement with its affiliate, AEM, on January 30, 2014. On February 14, 2014, Atmos amended its petition stating that the gas supply agreement previously filed is unrelated to asset management and does not require TRA approval. Accordingly, in its *Amended Petition*, Atmos removed the supply agreement from the petition, leaving the asset management contract with AEM as the sole contract submitted for approval before the agency.

On February 28, 2014, the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General (“Consumer Advocate”) petitioned to intervene in this docket, stating its participation was necessary in order to determine whether the Asset Management Agreement between Atmos and AEM is in the interests of Tennessee consumers. The panel convened a contested case proceeding and appointed a Hearing Officer on March 7, 2014.² The Hearing Officer granted the petition to intervene in an order dated March 7, 2014.³ On March 28, 2014, the Consumer Advocate filed a letter stating that it would not object to the TRA’s approval of the proposed Asset Management Agreement.⁴

Atmos states the Asset Management Agreement is for one year and covers the Company’s gas commodity requirements and management of its transportation and storage contracts.⁵ Atmos contends that it has complied with the bidding procedures outlined in its approved tariff and requests that the contract be approved so that gas commodity and asset management services may commence under the new agreement effective April 1, 2014.⁶ Due to

² See *Order Convening a Contested Case and Appointing a Hearing Officer* (March 17, 2014).

³ See *Order Granting Consumer Advocate’s Petition to Intervene* (March 7, 2014).

⁴ See *Statement of the Consumer Advocate’s Intent not to Oppose the Asset Management Agreement Between Atmos Energy Corporation and Atmos Energy Marketing, LLC* (March 28, 2014).

⁵ See *Amended Petition*, p. 3 (February 14, 2014).

⁶ *Id.* at 1.

the fact that the Atmos system overlaps the Tennessee-Virginia state line in Bristol, Tennessee, two separate agreements, one for Virginia and one for Tennessee, were filed with each state commission. On March 11, 2014, Atmos filed the Virginia State Corporation Commission's Order approving AEM as its asset manager in Virginia.⁷

RFP Process

Atmos' tariff requires that asset management agreements be placed out for bid using an RFP. 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.⁸ The Company is required to send the RFP to potential asset managers.⁹ Atmos is also required to publish the RFP in trade journals as reasonably available.¹⁰

Atmos states it took reasonable steps to disseminate and advertise its RFP in accordance with the RFP procedures.¹¹ According to Atmos, it evaluated the bids received and determined that AEM submitted the bid providing the highest overall value to customers.¹² Atmos also asserts that the Asset Management Agreement provides significant benefits and savings to its customers.¹³

FINDINGS AND CONCLUSIONS

A hearing was held in this matter at the regularly scheduled Authority Conference on April 14, 2014. At the hearing, Atmos was represented by its counsel, A. Scott Ross. Rebecca

⁷ See *Notice of Filing of Virginia State Corporation Commission* (March 11, 2014).

⁸ See *Amended Petition*, p. 3 (February 14, 2014).

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 4.

¹³ *Id.*

Buchanan, Manager of Regional Gas Supply for Atmos, appeared as its only witness and was available for questions from the panel. In addition, members of the public were given an opportunity to present comments to the panel, but no one sought recognition.

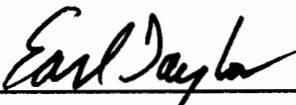
After considering the record as a whole, the panel found that Atmos had complied with its RFP and bidding process criteria set forth in its tariff. Further, the panel found that approval of the Asset Management Agreement is necessary in order for Atmos to continue to serve its customers. The panel voted unanimously to approve the *Amended Petition*.

IT IS THEREFORE ORDERED THAT:

The *Amended Petition for Approval of Contracts Regarding Gas Commodity Requirements and Management of Transportation/Storage Contract* filed by Atmos Energy Corporation on February 14, 2014 is approved.

Chairman James M. Allison, Director Robin Bennett, and Director David F. Jones concur.

ATTEST:



Earl R. Taylor, Executive Director