

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

IN RE:)
)
PETITION OF ATMOS ENERGY)
CORPORATION TO REVISE) **Docket No. 16-00028**
PERFORMANCE BASED)
RATEMAKING MECHANISM TARIFF)
)

**FIRST DISCOVERY REQUESTS OF ATMOS ENERGY CORPORATION TO
CONSUMER PROTECTION AND ADVOCATE DIVISION**

TO: Office of the Attorney General
Consumer Protection and Advocate Division

1. Produce all documents generated by each of your witnesses in this matter, including without limitation all notes, reports, correspondence, work-papers, spreadsheets, calculations and the like. The work-papers and calculations should be produced in Excel working format with numbers, formulas and linked files provided.

RESPONSE:

2. Produce all documents that have been referenced or relied upon by each of your witnesses in this matter.

RESPONSE:

3. Produce all hearing exhibits and other documents that you plan to introduce, use, or reference at the hearing on the merits in this matter.

RESPONSE:

4. Identify each person who you expect to call as an expert witness at the hearing on the merits in this docket, and for each such expert witness:

- a. Provide a complete educational, professional and employment history. Include in your response a complete disclosure of all aspects of the expert's education and employment background that you contend qualify the witness to render expert testimony on the issues on which he will testify in this case. Please be sure to include the date(s) applicable to each entry;
- b. Separately for each expert witness, list each published scholarly work (article, book chapter, book, etc.) that the witness has authored or co-authored. Provide a citation to the work that includes the title, date, and publication.
- c. Identify each matter in which the expert has testified or submitted pre-filed written testimony on any subject about which he intends to offer expert testimony in this case. For each matter, provide the name, docket number, forum, dates of testimony, whether the testimony was live or written, and the subjects on which the expert offered testimony in the case. Produce a copy of all such testimony (in electronic form if available).
- d. Produce each expert's entire file in this case, including all work papers, drafts, correspondence, spreadsheets, documents collected, summaries, charts, trade articles, journals, treatises, publications, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by the expert witness in this matter. Where available, please provide working Excel files (or other data file types if applicable).
- e. State the hourly rate and other terms of the financial compensation arrangements that have been made with each expert, the total amount earned as of the date of your response, and the total amount paid, also as of the date of your response. Produce the engagement letter or other agreement(s) with each expert reflecting his retention and the terms of his compensation.

RESPONSE:

5. For the purpose of stating its contentions in this proceeding, provide the specific language of all of the CPAD'S recommended amendments and revisions to the Company's proposed tariff in this matter. Produce a redlined copy of the Company's proposed tariff indicating all of CPAD's proposed amendments and revisions.

RESPONSE:

6. Admit that, since at least September 2015, Atmos Energy, TRA Staff, and the CPAD have exchanged email correspondence including draft proposed tariffs and have had multiple in-person discussions concerning Atmos Energy's proposed Performance Based Ratemaking Tariff amendments.

RESPONSE:

7. Admit that the CPAD had input as to the questions to be asked of the independent consultant (Exeter).

RESPONSE:

8. Admit that the scope of Exeter's review was "to include an evaluation of the balance of incentives between consumers and Atmos in the PBRM, including the sharing percentages and overall cap on incentive savings available to Atmos," as stated on Page 3, Lines 13-16 of the Direct Testimony of Michelle Ramsey, Audit Manager of the Utilities Division for TRA Party Staff.

RESPONSE:

9. Admit that the CPAD had the opportunity to ask questions of the consultant (Exeter) and to provide feedback.

RESPONSE:

10. Admit that the CPAD and the Company and TRA Staff participated in multiple meetings and exchanged multiple drafts of proposed tariff language following Exeter's report.

RESPONSE:

11. On what date was Christopher C. Klein, Ph.D., retained by CPAD to work on this matter (Docket No. 16-00028)?

RESPONSE:

12. Produce timesheets, bills or other documents sufficient to establish, on a daily basis, how many hours Dr. Klein worked on this matter and what work was done.

RESPONSE:

13. In the Direct Testimony of Christopher C. Klein, Ph.D., Page 11, Lines 16-19, he stated, "For example, since 2011 Atmos has benefitted from its PBRM more than Piedmont Natural Gas Company has from a similar mechanism in Tennessee, suggesting that the incentives provided to Atmos may be excessive."

What is the relevance of 2011 as the appropriate year from which to start comparing Atmos's PBRM savings to those of Piedmont?

RESPONSE:

14. In the Direct Testimony of Christopher C. Klein, Ph.D., Page 12, Lines 7-14, he discussed the potential acquisition of Atmos Energy Marketing, LLC by CenterPoint Energy Services, Inc. Specifically, he stated that “[t]he potential acquisition of Atmos’s affiliated marketer and current Asset Manager under the PBRM, AEM, by CenterPoint Energy Services, Inc. should be reviewed for any resulting effects on Atmos’s PBRM savings.”

What “resulting effects” in PBRM savings does Dr. Klein anticipate as a result of the proposed sale of Atmos Energy Marketing, LLC?

RESPONSE:

15. In the Direct Testimony of Christopher C. Klein, Ph.D., Page 12, Lines 7-14, he discussed the potential acquisition of Atmos Energy Marketing, LLC by CenterPoint Energy Services, Inc. Specifically, he stated that “CenterPoint affiliates’ relationship with AEM may deserve scrutiny for any similar effects.”

What relevance, if any, does this sentence have to the Company’s PBRM mechanism that is the subject of this proceeding?

RESPONSE:

16. In the Direct Testimony of Christopher C. Klein, Ph.D., Page 12, Lines 7-14, he made reference to “preferences enjoyed by AEM suggested by Exeter’s response to CPAD’s First Informal Discovery Request.”

What “preferences enjoyed by AEM” is Dr. Klein referring to? Please provide any supporting documentation for any such preferences identified.

RESPONSE:

17. In the Direct Testimony of Christopher C. Klein, Ph.D., Page 12, Lines 7-14, he made reference to Exeter Associates Inc.'s response to the First Informal Discover Request of the Consumer Protection and Advocate Division which related to Exeter Associates Inc.'s response to CPAD 1-5. Specifically, it related to a document contained in the "Archive Folder-3531 Atmos Energy\Old Versions of Report" entitled "Report Deleted Paragraph" which stated:

AEM is the largest marketer on the Atmos system, serving customers responsible for approximately 70 percent of total transportation volumes. As previously explained, the Atmos System consists of three separate service territories. Capacity costs for the West and Middle Tennessee service territories are lower than capacity costs for the East Tennessee service territory. Under the current terms and conditions of transportation service, marketers are not currently required to deliver gas to the service territory in which their customers are located. This allows marketers to deliver gas to the lower-cost West and Middle Tennessee territories to serve customers located in the higher-cost East Tennessee service territory. Non-affiliated marketers have claimed that this makes it more difficult to compete with Atmos' affiliate AEM and they believe if a marketer other than an affiliate were the largest, Atmos would modify its transportation tariff to require deliveries to the service territory in which the marketers' customers were located. Further investigation of this claim is beyond the Scope of Review of Exeter's investigation.

- a. Please indicate where in the Company's transportation tariff (Schedule 260) it describes the "West," "Middle," and/or "East" service territories or "three separate service territories."
- b. Wouldn't any proposed modifications of the Company's transportation tariff such as those described in the "Report Deleted Paragraph" need to be accepted or approved by the Tennessee Rate Authority as just and reasonable?

RESPONSE:

18. In the Direct Testimony of Christopher C. Klein, Ph.D., Pages 5-7, Lines 18-4, when describing the issues before the TRA in this proceeding, he stated “Arguably, the proposal to eliminate the deadband is the only change properly before the TRA at this time.” In the Direct Testimony of Michelle Ramsey, Page 3, Lines 6-16, when describing the scope of the issues before the TRA in this proceeding, she stated that “The parties also agreed to expand the scope to include an evaluation of the balance of incentives between consumers and Atmos in the PBRM, including the sharing percentages and overall cap on incentive savings available to Atmos.”

Does Dr. Klein disagree with Ms. Ramsey’s testimony that the parties agreed to expand the scope of this proceeding beyond the proposal to eliminate the deadband?

RESPONSE:

19. In the Direct Testimony of Christopher C. Klein, Ph.D., Pages 13-14, Lines 16-2, he stated that “increases in Atmos’s share of savings are realized as rate increases for customers.”

Wouldn’t the overall rate impact on customers of any potential increase in the Company’s share of savings be dependent on the amount of that savings?

RESPONSE:

20. In the Direct Testimony of Christopher C. Klein, Ph.D., Pages 13-14, Lines 16-2, when discussing increases in Atmos’s share of savings, he stated that “These are justified only in the presence of increased benefits to customers from reduced gas costs.”

Isn’t any incremental reduction in gas costs of benefit to customers?

RESPONSE:

21. On Page 52 of its Review of Performance Based Ratemaking Mechanism Rider, Exeter Associates found that “Consistent with the findings of a study evaluating gas procurement incentive mechanisms conducted by the National Regulatory Research Institute (NRRI), Exeter finds that caps can weaken or eliminate incentives.” Exeter was citing “A Hard Look at Incentive Mechanisms for Natural Gas Procurement,” National Regulatory Research Institute, November 2006.

In the Direct Testimony of Christopher C. Klein, Ph.D., Page 16, Lines 3-16, he recommends maintaining the \$1.25 million cap on Atmos’s share of savings.

Why does Dr. Klein disagree with the conclusions of the NRRI report cited by Exeter that maintaining a cap will weaken or eliminate incentives for the Company to improve its performance?

RESPONSE:

Respectfully submitted,

NEAL & HARWELL, PLC

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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 14th day of November, 2016.

| | |
|--|---|
| <input type="checkbox"/> Hand | Wayne Irvin, Esq. |
| <input type="checkbox"/> Mail | Office of the Attorney General |
| <input type="checkbox"/> Fax | Consumer Protection and Advocate Division |
| <input type="checkbox"/> Fed. Ex. | P. O. Box 20207 |
| <input checked="" type="checkbox"/> E-Mail | 315 Deaderick Street, 20 th Floor Nashville, TN 37202 |

| | |
|--|---|
| <input type="checkbox"/> Hand | Joe Shirley, Esq. |
| <input type="checkbox"/> Mail | Jim Layman, Esq. |
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| <input type="checkbox"/> Fed. Ex. | 500 Deaderick Street, 4 th Floor |
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