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AUG 21 2015

PUBLIC SERVICE
COMMISSION

August 20, 2015

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: Case No. 2015-00161

Dear Mr. DeRouen,

Atmos Energy Corporation (Company) herewith submits an original and ten copies of the Company's responses to the Commission Staff's first set of informational requests per the above referenced case. The Company's responses are in compliance with the Commission's Order dated August 11, 2015.

Please feel free to contact me at 270.685.8024 if you have any questions and/or need any additional information.

Sincerely,

A handwritten signature in blue ink that reads "Mark A. Martin".

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Becky Buchanan

RECEIVED

AUG 21 2015

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS'ENERGY CORPORATION
FOR APPROVAL OF THIRD PARTY NATURAL GAS
SUPPLY AND ASSET MANAGEMENT AGREEMENT
AND FOR A DEVIATION FROM THE PRICING
REQUIREMENTS OF KRS 278.2207

Case No. 2015-00161

AFFIDAVIT

The Affiant, being duly sworn deposes and states that the attached Responses to the Commission's Data Requests, are true and correct to the best of her knowledge and belief.

Rebecca M. Buchanan

Rebecca M. Buchanan

STATE OF TENNESSEE
COUNTY OF WILLIAMSON

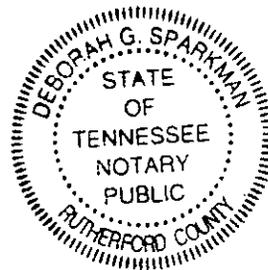
The foregoing instrument was acknowledged before me by Rebecca M. Buchanan on this the 18 day of August, 2015.

Deborah G. Sparkman

Notary Public

Notary ID#: _____

My Commission Expires: 8-22-2016



Atmos Energy Corporation
KSPC Initial Data Request Dated August 11, 2015
Case No. 2015-00161
Witness: Rebecca M. Buchanan

1. Refer to page 2 of the application. The first sentence states: "Various proposals were received by the Company prior to the deadline of April 13, 2015." State if Atmos received any other proposals outside the ones it has already submitted in this proceeding. If so, provide the proposals, as well as any bid analysis schedules which show how the other proposals compare.

RESPONSE:

Atmos Energy did not receive any other proposals outside the ones it has already submitted.

Atmos Energy Corporation
KSPC Initial Data Request Dated August 11, 2015
Case No. 2015-00161
Witness: Rebecca M. Buchanan

2. Atmos Energy Marketing ("AEM") has been Atmos's asset manager from 2000 to present. Identify and describe all aspects of Atmos's system and its operation of which AEM has consequently gained knowledge not available to other parties bidding to become Atmos's asset manager.

RESPONSE:

None. Any aspect of Atmos' system or its regulated utility operations in Kentucky that has been provided to AEM in its role as asset manager is available to all parties interested in bidding to become Atmos' asset manager. Our RFP document (provided as Exhibit A to the Application in this proceeding) contains 30 pages of extensive information with pertinent details of the KY system and the gas supply requirements. It is of particular importance to note that in RFP Section 2, RFP Communication, parties interested in bidding but desiring additional information may submit questions anonymously via Atmos' RFP website, and Atmos will promptly post answers to the website, which are available there for all parties to view. Several parties made use of this Q&A feature; Atmos received and answered nine questions from interested parties. The Atmos Gas Supply personnel regularly attend pipeline customer meetings, LDC forums, and industry conferences where we make a point of reaching out to the many suppliers/marketers in order to foster working relationships and to encourage their participation in our RFP process. We offer the opportunity for suppliers/marketers to visit our offices to discuss Atmos' gas supply procurement needs and to learn more about our distribution system.

Atmos Energy Corporation
KSPC Initial Data Request Dated August 11, 2015
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Witness: Rebecca M. Buchanan

3. Given the corporate structure of Atmos and AEM's subsidiary status, provide a detailed description of the following:
- a. The means of communication between AEM and Atmos during the term of the parties' existing supply agreement; and
 - b. The controls, or systems, Atmos has in place to assure that the bid process and subsequent transaction are performed at arms-length as they pertain to AEM.

RESPONSE:

- a. Throughout the term of the current Kentucky gas supply and asset management agreement, the Atmos utility Gas Supply Department and AEM had the following means of communications:
 - Each spring and fall, the utility's Gas Supply Representative emails AEM the seasonal gas supply plans which include the monthly normalized sales requirements, the estimated storage activity and the net First of Month (FOM) purchase quantity.
 - Weekly telephone conference calls to review the status of the Kentucky storage inventories, supply plans and customer usage (actual and projected).
 - Approximately five days prior to the beginning of each flow month, the Company's Gas Supply Representative emails AEM any revisions to the FOM purchase quantity and supply plan.
 - During critical periods, daily correspondence via email, telephone and/or instant messaging to discuss weather forecasts, daily system requirements and incremental purchase quantities.
 - On approximately the 15th day of the month following flow, AEM emails the invoice and supporting documentation; if needed the Gas Supply Representative follows-up with the AEM billing rep via email, telephone and/or instant messaging.
 - On occasion Gas Supply personnel and AEM have in-person meetings to introduce new personnel and to review the gas supply plan requirements.
- b. To assure the bid process and subsequent gas supply transactions are at arms-length, the Company's Gas Supply Department has an RFP process that is documented in its Gas Supply Procedures manual. The manual contains an Affiliate Relations section. A copy of the manual is attached in the Company's response to Staff data request #4 in this proceeding.

For the Kentucky jurisdiction, additional steps are incorporated in the RFP process: the bidders are instructed to mail their proposals directly to an outside accounting firm who documents the receipt of the bids, opens, tabulates and forwards scanned copies to the Gas Supply Department. After Atmos evaluates the bids, a copy of the analysis and recommendation are provided to the consultant for verification.

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Witness: Rebecca M. Buchanan

All aspects of the bids, the analysis, the recommendation and contract are kept confidential at all times. These documents along with a draft Gas Supply contract between the utility and AEM are reviewed by the Gas Supply Representative, the Manager of Regional Gas Supply, the Atmos Legal Department, the VP of Rates and Regulatory Affairs and the VP of Gas Supply and Services, with the latter having signing authority.

Atmos has a Code of Conduct policy; all employees are required to take annual training and compliance testing for the Code of Conduct. A copy of the policy was provided in Case No. 2011-00201. The policy is available on the Atmos intranet and accessible by all employees. Atmos provides its employees with a compliance hotline so that suspected Code of Conduct violations may be reported anonymously.

Internal and external audits and Sox compliance help assure that the gas supply transactions are accurately recorded on the Atmos books and records.

Atmos Energy Corporation
KSPC Initial Data Request Dated August 11, 2015
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4. State if any changes have been made to Atmos's Gas Supply Procedures Manual or its Code of Conduct since they were filed in Case No. 2011-00201.¹ If so, provide updated copies which identify the changes.

¹ Case No. 2011 -00201 , *Application of Atmos Energy Corporation for Approval of Third Party Gas Supply Agreements and for Deviation from the Pricing Requirements of KRS 278.2207* (Ky. PSC Oct. 13, 2011).

RESPONSE:

The Atmos Code of Conduct has not changed since it was filed in Case No. 2011-00201. The Gas Supply Procedures Manual has been updated and a copy is attached.

Atmos Energy Gas Supply & Services

Revised August 11, 2015

Structure:

Atmos Energy Gas Supply & Services is structured on a regional concept. The East Region covers gas supply for Atmos customers in Kentucky, Tennessee, and Virginia; its office is located in Franklin, Tennessee. Also directed out of the Franklin TN office is the Storage and Gas Control Operations group. The West Region covers gas supply for Atmos customers in Colorado, Kansas, Louisiana, and Mississippi; its office is located in Flowood, Mississippi. The Texas Region covers gas supply for the Atmos customers in the north-central, eastern and western parts of Texas, including the Dallas / Fort Worth Metroplex; its office is located in Dallas, Texas. Also directed out of the Dallas TX office is the TBS System Support group and Contract Administration. The three regional Gas Supply departments are staffed in a similar nature and report to Kenny Malter, Vice President Gas Supply and Services, whose office location is in New Orleans, Louisiana. Additionally, the New Orleans office directs the functions of gas supply planning/forecasting and hedging administration.

See the attached Gas Supply Organizational Chart.

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 up to five years, the Gas Supply Specialist / Representative and the Regional Manager initials, and the VP, Gas Supply and Services signs. Terms of greater than five years 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:

Kenny Malter	VP, Gas Supply & Services	504-681-3111
Matt Davidson	Director, Gas Supply & Services	504-681-3112

East Regional Office:

Becky Buchanan	Manager, Regional Gas Supply	615-261-2248
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Texas Regional Office:

Tony Wright	Manager, Regional Gas Supply	214-206-2531
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West Regional Office:

Sheri Rowe	Manager Gas Supply & Services	601-420-5023
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Atmos Energy Gas Supply Organization Chart

Kim Cocklin President & CEO

Michael Haefner Executive Vice President

Kenny Malter Vice President, Gas Supply & Services

Matt Davidson Director, Gas Supply & Services

Lorie Aguilera	Regional Planning Analyst
Robert Christopher	Regional Planning Analyst
Don Erickson	Gas Supply Financial Trader
Dean Mavar	Gas Supply Representative
Fred Monger	Sr. Regional Planning Analyst
Jason White	Manager, Gas Supply Administration
Dave Addie	Gas Contract Admin Specialist
Phillip Davis	Transportation Coordinator
Jonathan Lietzke	Sr. Contract Administrator
Kayla Tompkins	Gas Scheduling Analyst
Palmera Williams	Gas Contract Admin Specialist

Steve Easley Director, TBS System Support

Tom Brock (7)	Manager, TBS Application Support
Gary Mason (5)	Manager, TBS Technical Support
Madeeha Zak	Business Process Analyst I

Rebecca Buchanan Manager, Regional Gas Supply (East)

Kim Griffith	Gas Supply Representative
Deborah Sparkman	Gas Supply Representative
Nancy Tarrant	Sr. Administrative Assistant

Sheri Rowe Manager, Gas Supply & Services (West)

Sylvia Gibson	Gas Supply Representative
Stephanie Page	Gas Supply Representative
Patrick Reynolds	Gas Supply Representative
Carolyn Wilson	Gas Supply Representative
Cliff Wilson	Gas Supply Representative

Tony Wright Manager, Regional Gas Supply (Mid-TX)

David Black	Sr. Gas Supply Representative
Dick Boerner	Sr. Gas Supply Representative
Karen Bonner	Sr. Administrative Assistant
Kim Brooks	Mgr. Marketing Svcs. Finance
Abel Carranza	Gas Supply Representative
Alan Chambers	Sr. Gas Supply Representative
Jonathan Lasley	Gas Supply Representative
Wayne Price	Gas Coordinator

Deborah Kraft Gas Contract Admin. Specialist

Atmos Energy Gas Supply & Services

Revised August 11, 2015

General Information

East Region:

State Specific Responsibilities:

Kentucky	Kim Griffith	kimberly.griffith@atmosenergy.com
Tennessee	Deborah Sparkman	deborah.sparkman@atmosenergy.com
Virginia	Deborah Sparkman	deborah.sparkman@atmosenergy.com

Corporate Website: www.atmosenergy.com

RFP Website: www.atmosenergy.com/cs/gassupply/

Interstate Pipelines with capacity serving the following states:

Kentucky	TGT, TGP, Trunkline, ANR
Tennessee	CGT, ETNG, TE, SNG, TGT, TGP
Virginia	CGT, ETNG, TE, SNG, TGP

GAS SUPPLY INFORMATION AND PROCEDURES MANUAL

Invoice Log Maintenance Process

Revised November 6, 2013

The Gas Supply Invoice Log is a standard report run out of Align, Atmos' gas supply management system. The report is titled Summary of Accounting Statements, available through BI Publisher. It is run and edited by the Gas Supply Senior Administrative Assistant, and is used to track the path of gas supply and transportation invoices through the approval process. The invoice log fields are summarized below. The report is saved as an Excel file on the Shared Drive, S:\Gas Accounting\Invoice Logs, for use by Gas Accounting.

Invoice Log Fields

- A. Statement Type – This field is auto populated in the report as Expense.
- B. Transaction Type – This field is auto populated in the report reflecting the Align transaction type used in preparing the invoice, i.e. Transport, Purchase, Storage, etc.
- C. Statement ID – This field is auto populated with the Align generated Statement Number.
- D. Legal Entity – This field is auto populated and identifies the state jurisdiction (GS-TN, GS-VA, GS-KY, etc.).
- E. Rate Division – This field is inserted into the Excel file by the Gas Supply Senior Administrative Assistant and identifies the applicable rate division.
- F. Counterparty – This field is auto populated and identifies the contractual counterparty.
- G. Vendor Code – This field is auto populated and identifies the vendor ID from Atmos' A/P system.
- H. Supplier Invoice Number – This field is auto populated with the supplier invoice number.
- I. Statement Date – This field is auto populated and reflects the date on the supplier invoice.
- J. Statement Due Date – This field is auto populated and reflects the due date on the supplier invoice.

- K. Last Update Date – This field is auto populated and reflects the last update on the invoice in Aline.
- L. Production Date – This field is auto populated with the Month of Production.
- M. Accounting Month – This field is auto populated with the Month of Accounting.
- N. Posted Date – This field is auto populated with the date the final invoice process is done within the Aline system.
- O. Import Date – This field is inserted into the Excel file and reflects the date the finalized invoice is imported into the Markview system for payment.
- P. Commodity Quantity (MCF@14.65) – This field is auto populated with the MCF commodity quantity at the operating system pressure.
- Q. Commodity Quantity (Dths) – This field is auto populated with the Dths commodity quantity at the pipeline pressure of 14.73 psig.
- R. Statement Amount (\$) – This field is auto populated with the Invoice Total Dollars.

Invoice Verification Process

Revised August 11, 2015

Transportation Invoices:

Regional Gas Supply 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. After verification, rate information is forwarded by the Gas Supply specialist/Representative to the Gas Supply Administration department via data sheets for entry into Aligne, Atmos' gas supply management system.

Demand Charges- Through Aligne, 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 actualized in Aligne by the Gas Supply Specialist/Representative and there is a verification of the transport charges shown on the invoice.

Storage Invoices:

Through Aligne, the Gas Supply Specialist/Representative verifies the rates invoiced 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-

During the month, the Sr Administrative Assistant enters details of the gas supply deals (volumes and pricing) into the Aligne system. Through Aligne, 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. 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 commencement of a contract, the pricing parameters are entered into Aligner by the Gas Supply Administration department. The Gas Supply Administration department is responsible for accessing natural gas index publication(s) and entering the prices into Aligner. Through Aligner, the Gas Supply Specialist/Representative verifies the invoice pricing. 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 in the current month if possible to minimize the need for prior period adjustments (PPAs).

GAS SUPPLY INFORMATION AND PROCEDURES MANUAL

Procedure for Purchasing and Nominating Natural Gas

Revised August 11, 2015

The purchasing, nomination and scheduling of natural gas is the process by which the Gas Supply Department meets the Company's firm and interruptible sales customers' seasonal requirements, through first of month and incremental gas purchases, along with managing on-system, as well as pipeline storage injection/withdrawal activity. This specific procedure addresses intra-month/incremental gas purchases, as well as, discusses the nomination and scheduling activities required to perform this activity.

The Gas Supply Specialist/Representative develops the seasonal gas supply Plans for each pipeline system based on Load Studies, Design Day and Forecast requirements provided by the Gas Supply Planning Department. Each Plan reflects normalized seasonal requirements (winter Nov-Mar and summer Apr-Oct). The Plans consist of monthly purchase quantities and anticipated storage withdrawals/injections.

The Regional Gas Supply and Gas Supply Planning departments have access to daily gas supply information, as well as short term weather and anticipated load forecasts. The two groups communicate throughout the business day in planning and arranging for daily gas supply needs.

- Twice daily during the winter season the Gas Control department downloads current weather degree day forecasts from an external weather service. The Gas Supply Specialist/Representative accesses the weather data to update short term (1-7 days) load forecasts. Typically the short term forecasts were developed by Gas Supply Planning through an analytical comparison to historical utilization and gas day weather data.
- The Gas Supply Specialist/Representative analyzes the short term load forecasts to plan the next day gas supply and storage requirements. The load forecast provides the necessary information to determine if current flowing gas along with available storage is adequate, deficient or excessive in meeting the forecasted requirements. Third party nominations are reviewed during this process. The Gas Supply Specialist/Representative and the Manager Regional Gas Supply routinely discuss the forecast data and system requirements. Weekly, and more frequently during extreme weather, the Gas Supply team including the VP Gas Supply and Services and the Regional Managers, conference to discuss plans of action.
- The daily data is accumulated during the month to determine whether planned storage utilization is tracking anticipated current month and seasonal usage.

- Discussion as to current and next day gas flow (first of month, storage, and swing/incremental gas) takes place on a routine basis between the Gas Supply Representatives and the Manager. Market prices and storage positions are considered throughout this process.
 - In the event the next day forecast is greater than the first of month flowing gas planned storage withdrawal, incremental gas may be purchased to accommodate the difference.
 - In the event storage is being utilized substantially more than planned utilization, incremental purchases may be made to limit monthly withdrawals.
 - In the event that first of the month nominations/purchases are at levels resulting in monthly storage withdrawals significantly below the planned level, and using current, as well as, forecasted weather along with existing pricing review a prudent decision is made as to whether first of month supply should be turned back during the current month or to reduce any subsequent month(s) purchase.
 - Plans are reviewed once again prior to the end of the current month to determine if revisions are necessary to adjust the baseload purchases in the succeeding month.
 - Incremental daily purchases may also be needed for normal operational reasons.

- The incremental volume can be up to the Maximum Daily Quantity on the respective pipeline(s) transportation contract as determined by the supplier contract; the requested incremental quantity is typically priced on a gas daily index.

- When changes are made to next day's flowing gas quantities, the Gas Supply Specialist/Representative notifies the supplier/agent no later than 8:00 AM (time varies by contract) the day prior to any nomination changes (8:00 AM Friday for any Saturday through Monday changes; if a holiday is on Monday, then changes must be made on Friday morning for Saturday through Tuesday).

- The supplier/agent notifies Gas Control and the appropriate pipeline of the nominated receipts in time to meet the pipeline nomination deadlines.

Request for Proposal (RFP) Process

Revised August 11, 2015

The RFP process is standardized across Atmos' Regional Gas Supply Offices. The following procedures are a part of the overall RFP process:

- RFP Overview
- RFP Preparation & Posting
- Bid Receipt, Evaluation & Award
- Contracting
- Supplier Registration & Qualification
- Bid Evaluation and Documentation Procedure
- Sample Recommendation

The Gas Supply Specialist / Representative shall maintain a complete file documenting the RFP process for each RFP.

RFP Overview

The Request for Proposal (“RFP”) is the process by which Atmos solicits qualified suppliers in the marketplace to submit proposals for gas supply services. An RFP document is drafted using a standardized format, reviewed, and approved by management in compliance with the RFP Process. The RFP document specifies the terms and conditions for the required supply, and the terms to which the supplier must adhere to in submitting their proposals, including response deadlines and methods.

The RFP document may contain, but is not limited to the following:

- ✓ Jurisdiction for which the RFP is being issued,
- ✓ Schedule of volumes, by supply category (i.e., baseload vs. incremental) for which a bid is being requested,
- ✓ For asset management arrangements, additional information shall be provided, detailing parameters of asset management, contract MDQs, storage detail, constraints, unwinding language to determine settling imbalance at end of deal,
- ✓ Any special circumstances surrounding the delivery / receipt of supply,
- ✓ The terms under which the proposal are to be made,
- ✓ The pricing methodology acceptable for submitting bids,
- ✓ The right to reject any or all proposals,
- ✓ Inform suppliers the proper means for submitting questions relating to the RFP,
- ✓ The deadline by which the proposal is to be made, and the method in which it is to be transmitted,
- ✓ The amount of time a bid is to remain valid.

Upon finalizing the RFP documents and receiving Management verbal approval, the Gas Supply Specialist / Representative posts the RFP to the Atmos RFP website with the appropriate issue date and bid deadline entered into the system.

RFP Preparation & Posting

The Gas Supply Specialist / Representative obtains the most recent supply requirements estimate from the Planning Analyst. The estimate provides twelve months of weather normalized system sales requirements (excluding estimated transportation customers' usage). This estimate is utilized by the Gas Supply Specialist / Representative to develop the Gas Supply plan, which may include requirements for first of month baseload, day ahead incremental, peaking and storage (planned injections/withdrawals), delivered supply, exchange service and asset management requirements. An RFP can cover all or any of these requirements. The Gas Supply Specialist / Representative, the Regional Manager and the Planning Department discuss and determine the details of the RFP, including specific supply, term, and whether the RFP will be a Commodity Supply-Only RFP or a bundled Asset Management and Supply RFP.

The RFP document will be drafted by the Gas Supply Specialist / Representative utilizing the standard format prescribed. The RFP is reviewed with the Manager Regional Gas Supply and the Director of Gas Supply and Services. The Business Division VP, Rates and Regulatory Affairs and Legal Department may be consulted regarding regulatory guidelines and compliance. In some jurisdictions the RFP draft may be submitted to regulatory staff prior to issuance.

The Gas Supply Specialist / Representative posts the RFP document and supporting materials to the Atmos RFP Website. The Website generates email notifications to suppliers who have registered as users on the website, which the Gas Supply Specialist / Representative documents. When required for regulatory purposes, the RFP is advertised in the prescribed manner. The Gas Supply Specialist / Representative reviews questions submitted by suppliers to the RFP Website, and advises the Regional Manager of RFP questions along with proposed responses. Responses are posted to the website in a timely manner as provided for in the RFP.

Bid Receipt, Evaluation and Award

Suppliers submit bid proposals to the Gas Supply Specialist / Representative in accordance with the guidelines stated in the RFP (in KY, bids may be directed to an outside accounting firm for initial compilation). The Gas Supply Specialist / Representative proceeds as follows:

- Receive bid proposals and log date received to ensure bid deadline stated in the RFP has been met;
- Ensure that bids are not opened until after the deadline stated in the RFP letter;
- Enlist the Manager or the Manager's designee to be present as a witness during the opening and initial review of the proposals;
- Review proposals in more detail to ensure compliance with RFP request, and if clarification is needed, discuss with the Manager the appropriate actions;
- Prepare a timely evaluation of the proposals adhering to the Bid Evaluation Procedure included as a part of this RFP Process.
- Prepare a bid recommendation similar to the **"Sample Bid Recommendation and Approval Memo"** included herein.

Upon completion of the RFP process, the Gas Supply Specialist / Representative presents the evaluation and recommendation to the Regional Manager, and obtains approval. The evaluation and recommendation is forwarded to the Director of Gas Supply & Services for review and the VP of Gas Supply & Service for approval (if greater than 1 year, contains asset management services, or with an affiliate). If the winning bidder is an affiliate, additional approvals must be sought from the Business Division VP, Rates and Regulatory and the Legal Department. A copy of the recommendation is forwarded to the Business Division VP, Rates and Regulatory Affairs.

The Regional Manager verbally authorizes the Gas Supply Specialist / Representative to proceed with notifying the suppliers in the prescribed manner whether or not their proposal was selected as the winning bid. All details are kept strictly confidential and not shared with the suppliers. Suppliers with non-confirming bids are advised of the reason their proposal was rejected.

Contracting

The RFP Process shall commence to allow for sufficient time to finalize and have an executed transaction confirmation prior to the effective date of the deal. Additional time must be allotted for the process if regulatory approval is required prior to commencement.

Once the winning bidder of the RFP is selected, the Gas Supply Specialist / Representative is responsible for the following:

- Contact Gas Supply Administration to determine if a NAESB exists for the winning supplier, and if not, coordinate the effort to have a NAESB established and executed.
- Coordinate the process between Atmos and the new supplier to prepare a Transaction Confirmation (TC) or Addendum to the base NAESB. This may involve the Gas Supply management, Contract Administration, Legal Department and the Supplier.
- Ensure proper pricing and business deal provisions included in Addendum.
- Coordinate execution of the Addendum.
- Prepare RFP regulatory reports as requested by the Business Unit VP, Rates and Regulatory Affairs.

Supplier Registration & Qualification

Suppliers interested in receiving the Company's RFPs are encouraged to register on the Atmos RFP Website. A list of the registered users is available to the Gas Supply department. Suppliers have the flexibility to select which pipeline and Business Division RFPs for which they wish to receive notification.

To determine the financial qualification of a supplier prior to awarding a bid, the Gas Supply Specialist / Representative confers with the Regional Manager, and then may request the Company's Treasury Department to assist in the evaluation.

Minimum supplier qualifications may include:

- Own or control (right to sell) sufficient supply in the appropriate pipeline area to meet the Company's needs (supply warranty).
- Have a strong reliable performance record with the Company, or be willing to accept the Company's contractual terms to ensure reliability
- For companies new to the list, references which can be contacted to provide information on the vendor's past performance with them.
- Have a strong financial position capable of meeting the necessary financial requirements set by the Company (specifically with agency agreements).

Bid Evaluation and Documentation Procedure

A bid evaluation / documentation file shall be set-up for each RFP submitted. Both a hard copy file and an electronic file should be developed and maintained throughout the evaluation process.

The file shall include the following:

- A copy of the RFP document and all attachments that were included;
- A copy of the questions or requests for clarification from suppliers, and the Company's responses;
- List of suppliers that were emailed notification of the RFP;
- List of suppliers that viewed the RFP;
- Supplier proposals submitted by the deadline;
- Documentation of proposals returned due to late bids;
- Documentation of non-conforming proposals;
- A copy of the evaluation, recommendation; approval and executed agreement;
- Any other pertinent information.

After the bid deadline, each proposal is analyzed in comparison to the other proposals. This is done by calculating the differentials between each proposal against some purchase standard, usually a supply plan. An evaluation spreadsheet is prepared to include premium or discount for each proposal as compared to the appropriate indices for the particular supply area. All assumptions are footnoted. Careful attention is paid to different proposed pricing points, demand charges, flexibility, and cost. All indices that are used on the evaluation spreadsheet shall be the same index or adjusted to the appropriate index (basis difference).

As a general rule, the vendor proposing the best cost offer is recommended to management as the winning bid, though there can be exceptions to this. Exceptions may include the downgrading of a vendor's financial status from the time the RFP was issued, issues concerning reliability and operational issues. Once management has approved a recommendation, the winning bidder is notified by written (email) and verbal notice of the Company's acceptance of their offer. The Gas Supply Administration and Legal departments provide support in executing an Agreement and Transaction Confirmation/Addendum. All non-winning bidders are notified by email.

“Sample Bid Recommendation and Approval Memo”

Atmos Energy Corporation
October 6, 20XX

**Recommendations for Atmos Energy Corporation
November 1, 20XX – March 31, 20XX
Winter Gas Supply Requirements in Kansas
Submitted for Review October 6, 20XX**

Atmos Energy Corporation (AEC) issued a Request for Proposal (RFP) to solicit proposals for winter gas supply requirements on Kinder Morgan Interstate Pipeline (KMI) effective November 1, 20XX through March 31, 20XX.

RFP's were issued to nineteen (19) potential suppliers. AEC received proposals from four (4) suppliers and four (4) suppliers declined to submit a proposal, but requested to remain on the Bid List. Bids were received from the following:

- Supplier 1
- Supplier 2
- Supplier 3
- Supplier 4

Follow up questions were asked of Select suppliers about their bid and based on inconsistencies and vagueness concerning the firm delivery of gas, their bid was not considered. In the review of the bids given, Supplier 3 presented the best bid for baseload and swing gas. Their proposal allows for a \$.01 premium on first of the month index for Southern Star and \$.01 also for swing gas at the Gas Daily midpoint price on Southern Star. In the event Supplier 3 must source the gas from Huntsman Storage the premium will change to \$.20. Historically we have not had to use that option.

Based on our review it is recommended that Atmos accept Supplier 3's proposal for the Kinder Morgan Pipeline.

Submitted By:

Gas Supply Representative
Atmos Energy Corp.

Approved By:

Manager, Regional Gas Supply
Atmos Energy Corp.

Final Approval:

Vice President

Affiliate Relationship Procedures

Revised August 11, 2015

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 employee's responsibility to know and follow those guidelines as they relate to Gas Supply procurement.