



October 20, 2005

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PUBLIC SERVICE
COMMISSION

Honorable Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, Kentucky 40601

Subject: Second Data Request of Commission Staff to Atmos Energy
Case No. 2005-00321 – PBR

Dear Ms. O'Donnell:

Enclosed herein is the filing by Atmos Energy Corporation, to the Attorney General's Supplemental Data Request for information on the Performance Based Ratemaking Mechanism (PBR) dated October 7, 2005 in Case Number 2005-00321.

Please direct all inquiries regarding the enclosed filing to me at the address below, or you may call me at (270) 685-8024.

Sincerely,

A handwritten signature in cursive script that reads "Gary L. Smith".

Gary L. Smith
V.P. Marketing and Regulatory Affairs

Enclosures



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COMMISSION

MODIFICATIONS OF ATMOS ENERGY
CORPORATION'S GAS COST ADJUSTMENT
TO INCORPORATE PERFORMANCE-BASED
RATEMAKING MECHANISM (PBR)

CASE NO. 2005-00321

SECOND DATA REQUEST OF COMMISSION
STAFF TO ATMOS ENERGY CORPORATION

OCTOBER 21, 2005

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MODIFICATIONS OF ATMOS ENERGY)
CORPORATION'S GAS COST ADJUSTMENT)
TO INCORPORATE PERFORMANCE-BASED) CASE NO. 2005-00321
RATEMAKING MECHANISM (PBR))

SECOND DATA REQUEST OF COMMISSION STAFF TO
ATMOS ENERGY CORPORATION

Atmos Energy Corporation ("Atmos"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than October 21, 2005. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the response to Item 1(c) of the Commission Staff's September 7, 2005 information request.

a. The response states that "Depending on the timing of the Order in this case, the Company hopes to issue the RFP by December 1, 2005." How far in

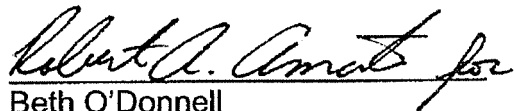
advance of December 1, 2005 does Atmos believe an Order is needed to enable it to issue its RFP by that date? Explain the response.

b. Is there any contingency arrangement in place that would permit the existing asset management agreement to be extended beyond June 1, 2006, if circumstances prevent Atmos from being able to meet the timeline described in the response? Explain the response.

2. Refer to the response to Item 4 of the Attorney General's September 7, 2005 information request.

a. The response states that "The proposed modification to include the GAIFAM represents a current trend in bids received in at least three (3) other jurisdictions." Identify the 3 jurisdictions, the utilities which received the bids, and the dates of the bids.

b. If they are in the possession of an Atmos affiliate, provide copies of the bids. If the bids contain confidential information, provide the copies in redacted form.


Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED October 7, 2005

cc: All Parties



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ATMOS ENERGY CORPORATION
KENTUCKY PUBLIC SERVICE COMMISSION
CASE NO. 2005-00321
DATED: OCTOBER 7, 2005
DUE: OCTOBER 21, 2005

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
DATA REQUEST NO. 1

QUESTION: Refer to the response to Item 1(c) of the Commission Staff's September 7, 2005 information request.

- a. The response states that "Depending on the timing of the Order in this case, the Company hopes to issue the RFP by December 1, 2005." How far in advance of December 1, 2005 does Atmos believe an Order is needed to enable it to issue its RFP by that date? Explain the response.
- b. Is there any contingency arrangement in place that would permit the existing asset management agreement to be extended beyond June 1, 2006, if circumstances prevent Atmos from being able to meet the timeline described in the response? Explain the response.

RESPONSE:

- a. The Company would prefer as much time as possible to prepare the RFP after receiving an Order, but the Company will be flexible and will work with Commission to issue a RFP in a timely fashion. The RFP can be prepared, in large part, prior to the final Order in this Case. As noted in our response to DR # 1 (b) of the Commission Staffs first data request, detailed information on system throughput, operational data for on-system storage and pipeline storage facilities, etc. will be included in the RFP package. This data can be compiled and assembled in advance of finalizing the RFP. The Company will finalize the preparation of the RFP upon receipt of the final Order in this Case, merely to incorporate specific terms and conditions set for the future PBR tariff. That final step would not take long. Most of the preparatory efforts can precede that final step.

Also of note, with reference to DR # 1 (c) of Commission Staffs first data request, if we are delayed in issuing the RFP until January 1,

**ATMOS ENERGY CORPORATION
KENTUCKY PUBLIC SERVICE COMMISSION
CASE NO. 2005-00321
DATED: OCTOBER 7, 2005
DUE: OCTOBER 21, 2005**

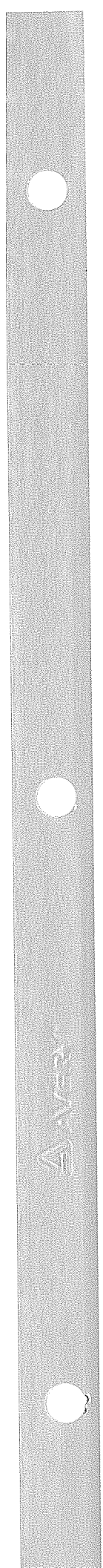
**SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
DATA REQUEST NO. 1**

RESPONSE:

2006, we could allow two months for the bid submittal and selection to conclude by March 1, 2006. Under this timeline, three months would still be available for any required review of the new asset management agreement by the Commission.

- b. The Company does not presently have a contingency plan in place with our current asset manager. However, subsequent to our receipt of this question from Commission Staff, we have contacted our current asset manager, Atmos Energy Marketing, to explore the possibility of such an arrangement.

SUBMITTED BY: Gary Smith



**ATMOS ENERGY CORPORATION
KENTUCKY PUBLIC SERVICE COMMISSION
CASE NO. 2005-00321
DATED: OCTOBER 7, 2005
DUE: OCTOBER 21, 2005**

**SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
DATA REQUEST NO. 2**

QUESTION: Refer to the response to Item 4 of the Attorney General's September 7, 2005 information request.

- a. The response states that "The proposed modification to include the GAIFAM represents a current trend in bids received in at least three (3) other jurisdictions." Identify the three jurisdictions, the utilities which received the bids, and the dates of the bids.
- b. If they are in the possession of an Atmos affiliate, provide copies of the bids. If the bids contain confidential information, provide the copies in redacted form.

RESPONSE:

- a. The Company has received bids that included an asset management fee in Tennessee, Virginia and Georgia. The Company received the bid for Tennessee and Virginia on March 24, 2004. This bid was awarded for a five (5) year term that began on April 1, 2004. The Company received the bid for Georgia on May 24, 2004. This bid was for a one (1) year term (October 2004 through September 2005), but was not the winning bid.

Atmos Energy is not aware of the experiences of other utilities in regard to this matter, since the terms of bids submitted are typically not a matter of public record.

- b. Please see the attached EXHIBIT KPSC DR 2-2 b for the requested bids, which are provided in redacted form.

SUBMITTED BY: Gary Smith

May 24, 2004

CONFIDENTIAL

Mr. Mark Bergeron
Atmos Energy Corporation
1515 Poydras St., Suite 2180
New Orleans, La. 70112

Dear Mr. Bergeron:

Please find enclosed a proposal from _____ in response to your April 23, 2004 Gas Supply Request For Proposal. I believe that you will find this proposal responsive to your requirements as well as a competitive offer to provide gas supply services to Atmos.

_____ a wholly owned subsidiary of _____ and is a premier gas supply and asset management company. We are focussed on physical natural gas delivery and optimization of transportation and storage. We deliver over 2 BCF per day and have under management over 40 BCF of firm storage and 900,000 Dt/day of firm transportation. Our core geographic area of expertise is in the Southeast U.S., primarily on the Southern Natural and Transco systems. We have developed a comprehensive group of end-use counterparties on these systems and are a market leader in providing liquidity to the Southeast natural gas market. We are also a very large aggregator of production both onshore and offshore Gulf of Mexico supported by a well regarded Producer Services group within _____
Take us up on our offer – you will be thrilled with the results!

Please call me at _____ with any questions that you may have about this proposal.

With regards,

RECEIVED
DATE 5/25/04

Respondent Information:

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Contact Person:

Vice-President Asset Management and Origination

Phone:

Fax:

Email:

Evidence of Supplier's Knowledge and Experience: core line of business is providing natural gas supply and asset management services to gas utilities, industrial users, municipal utilities, and power generators. Our physical delivery of natural gas exceeds 2 BCF/day and we manage over 40 BCF of firm storage and 900,000 Dt/day of firm transportation. We are one of the largest shippers on Transco and Sonat and have developed an excellent track record of success in managing assets for our customers. We are also an aggregator of production from a large and diverse group of producers, primarily in the Gulf Coast. Also, one of the largest purchases of natural gas from the and one of the largest purchasers of production in the These supply relationships are managed by a team of Producer Services personnel at who have grown this business to over 750,000 Dth/day with a portfolio of term structures. Combining strong portfolio of production under management with our expertise in supply, transportation, and storage asset management provides with a reliable and cost competitive offer.

Evidence of Supplier's Financial Viability: Fitch rates parent, , with such rating recently reaffirmed. shall provide a parental guaranty to Atmos Energy to support obligations under this transaction.

Business References: Please find in attached Exhibit A a small sample of customers who we provide natural gas services.

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PROPOSALS

Option A: Commodity only supply delivered into Atmos' specific receipt points identified below:

	<u>Baseload</u>	<u>Swing</u>
Transco:		
Station 30	IF FOM Index flat	Gas Daily Midpoint flat
Station 45	IF FOM Index plus	Gas Daily Midpoint flat
Station 65	IF FOM Index plus	Gas Daily Midpoint flat
Station 85	IF FOM Index plus	Gas Daily Midpoint flat
Sonat:		
Zone 0 Tier 1	IF FOM Index plus \$	Gas Daily Midpoint flat

All intra-day supplies will be priced at a mutually agreeable price.

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Option B: Commodity Supply plus optimization

In order to effectuate assuming the role of providing deliveries to Atmos' citygates, Atmos shall release or designate as agent for its transportation and storage contracts. Atmos' rights shall be no different than if was not taking on this function. In other words, Atmos preserves 100% of the flexibility embedded in its transportation and storage contracts by making such nominations to and having provide a rebundled citygate service to Atmos. To compensate Atmos for the value embedded in supply and storage optimization, shall pay Atmos an annual payment of , which represents the fixed asset optimization payment that shall guarantee to Atmos. This fee shall be made in twelve equal monthly installments in conjunction with the normal invoicing cycle. The commodity price associated with this Option is the same as that outlined in Option A.

Option C: Same as Option A, with only transportation capacity released to

This alternative is similar to Option A, however, it also assumes that the firm transportation shall be released to and t shall make a citygate delivery of longhaul supplies. Atmos shall retain control of all storage contracts. The commodity price to Atmos shall be the price listed in the table below, plus variable transportation and fuel costs associated with transporting the gas from the receipt point to Atmos' citygates.

	<u>Baseload</u>	<u>Swing</u>
Transco:		
Station 30	IF FOM Index flat	Gas Daily Midpoint flat
Station 45	IF FOM Index plus	Gas Daily Midpoint flat
Station 65	IF FOM Index plus	Gas Daily Midpoint flat
Station 85	IF FOM Index plus	Gas Daily Midpoint flat
Sonat:		
Zone 0 Tier 1	IF FOM Index plus	Gas Daily Midpoint flat

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March 24, 2004

Pat Childers, Vice President
Rates & Regulatory Affairs
Atmos Energy Corporation
810 Crescent Centre Drive
Suite 600
Franklin, TN 37067

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Re: Request for Proposal for the Atmos Energy Corporation ("Atmos") Service Areas in the State of Tennessee and the State of Virginia.

Dear Pat,

I am pleased to propose the following Agreement covering "Services Provided to Atmos (Corp)" and "Assets Provided by Atmos (Corp) to Proposer" using the required format below:

1. Services Provided to Atmos : \$
(Positive signifies payment to Atmos, negative signifies credit from Atmos)

2. Assets Provided by Atmos to Proposer: \$
(Positive signifies payment to Atmos, negative signifies credit from Atmos)

Annual Net Deal Payment to or Credit From Atmos: \$
(Sum of 1. and 2.)

Notes:

Fuel Provided in kind by Atmos Energy Corporation for the following:

Barnsley Storage/Egan Exchange – Texas Gas zone SL to Texas Gas zone 3
Dominion GSS/TGP/ETN Exchange – Tennessee Gas zone 1 to zone 3
Dominion GSS/Middle Tennessee Service Area/TETCO ELA Exchange – Texas Eastern
Ela to M2

Thank you for your consideration.

Sincerely,

Sr. Vice President