
ATTACHMENT NO. 1

to the

**DIRECT TESTIMONY OF
REBECCA M. BUCHANAN
ATMOS ENERGY CORPORATION**

GAS SUPPLY AND SERVICES MANUAL

Atmos Energy Gas Supply & Services

Effective January 1, 2007

Revised October 24, 2008

Structure:

See attached organizational chart. Atmos Energy Gas Supply & Services is structured on a regional concept. The East Region covers Georgia, Illinois, Iowa, Kentucky, Missouri, Tennessee, and Virginia and is located in Franklin, Tennessee. The Southwest Region covers Colorado, Kansas, Mississippi and West Texas and is located in Jackson, Mississippi. Both regions are staffed in a similar nature and report to Kenny Malter, Director of Gas Supply and Services, office location New Orleans, Louisiana. Additionally, the New Orleans office directs the Louisiana gas supply operations as well as the functions of gas supply planning/forecasting and hedging administration.

Approval Matrix:

For Invoices, the Gas Supply Specialists verify the accuracy and each respective Manager approves for payment.

For Confirmations, each respective Manager has authority to sign.

For Contracts, the Regional Manager and the Director initials, and the authority to sign resides with VP of Gas Supply and Services or the respective Business Unit President.

New Orleans Office:

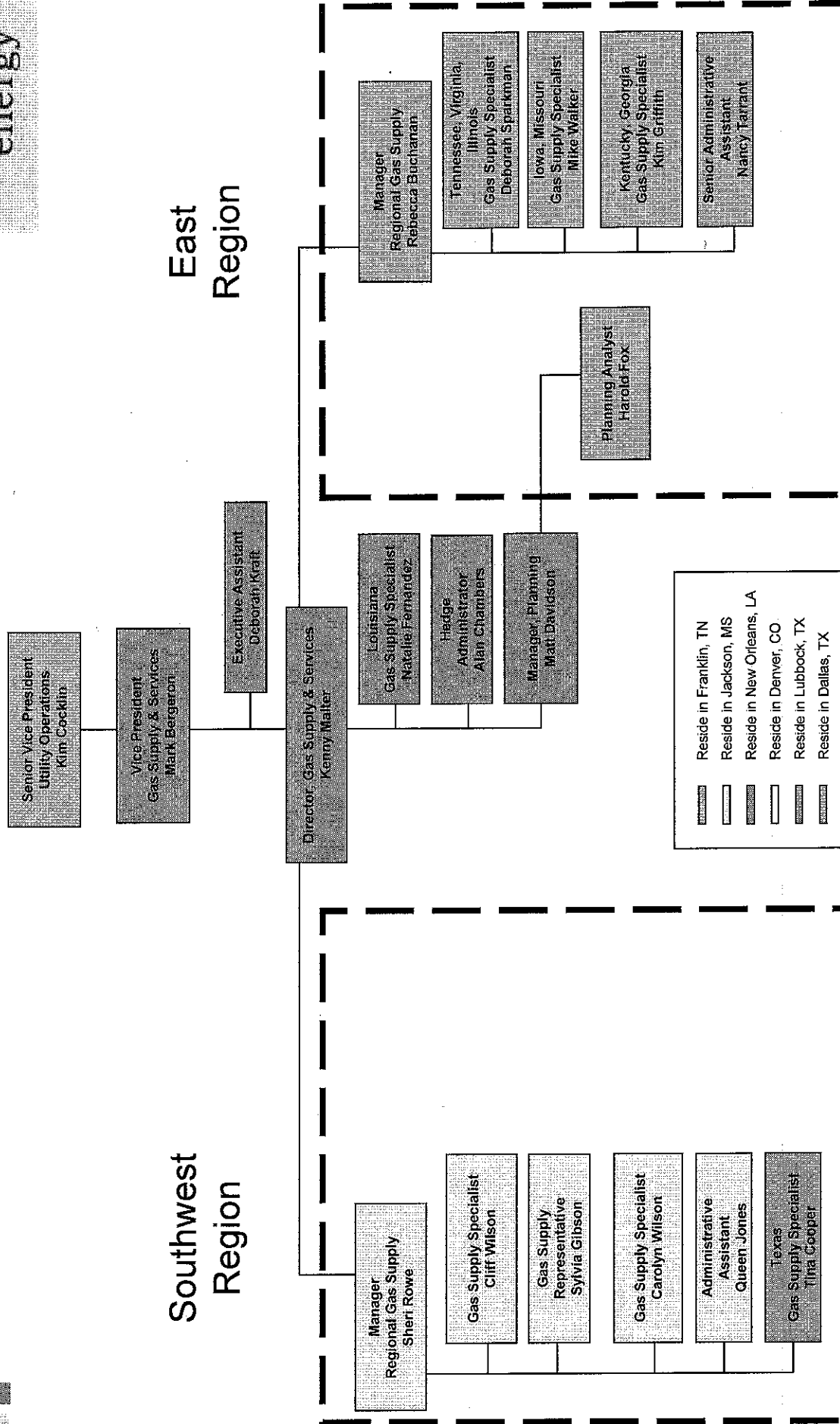
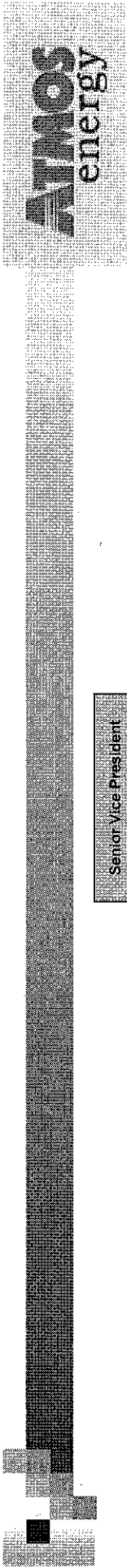
Kenny Malter	Director, Gas Supply & Services	504-681-3111
Alan Chambers	Hedging Administrator	504-681-3120
Matt Davidson	Manager, Planning	504-681-3112
Natalie Fernandez	Gas Supply Specialist	504-681-3106

East Region:

Becky Buchanan	Manager, Regional Gas Supply	615-261-2248
Harold Fox	Planning Analyst	615-261-2246
Kim Griffith	Gas Supply Specialist	615-261-2243
Deborah Sparkman	Gas Supply Specialist	615-261-2245
Nancy Tarrant	Senior Administrative Assistant	615-261-2277
Mike Walker	Gas Supply Specialist	615-261-2249

Southwest Region:

Sheri Rowe	Manager, Regional Gas Supply	601-420-5023
Tina Cooper	Gas Supply Specialist	806-798-4428
Sylvia Gibson	Gas Supply Representative	601-420-5026
Queen Jones	Administrative Assistant	601-420-5024
Carolyn Wilson	Gas Supply Specialist	601-420-5025
Cliff Wilson	Gas Supply Specialist	601-420-5027



Org Chart Oct08

Atmos Energy Gas Supply & Services

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General Information

East Region:

Commission Websites:

Georgia	www.psc.state.ga.us
Iowa	www.state.ia.us/government/com/util/util.html
Illinois	www.icc.illinois.gov
Kentucky	www.psc.state.ky.us/
Missouri	www.psc.mo.gov
Tennessee	www.state.tn.us/tra/
Virginia	www.scc.virginia.gov

State Specific Responsibilities:

Georgia	Kim Griffith	kimberly.griffith@atmosenergy.com
Iowa	Mike Walker	mike.walker@atmosenergy.com
Illinois	Deborah Sparkman	deborah.sparkman@atmosenergy.com
Kentucky	Kim Griffith	kimberly.griffith@atmosenergy.com
Missouri	Mike Walker	mike.walker@atmosenergy.com
Tennessee	Deborah Sparkman	deborah.sparkman@atmosenergy.com
Virginia	Deborah Sparkman	deborah.sparkman@atmosenergy.com

Corporate Website: www.atmosenergy.com

State Specific Pipelines:

Georgia	Transco, SONAT
Iowa	ANR
Illinois	TETCO, NGPL, PEPL, MRT, Trunkline
Kentucky	TGT, TGP, Trunkline
Missouri	TETCO, NGPL, PEPL, MRT, ANR, Ozark
Tennessee	CGT, ETN, TETCO, SONAT, TGT, TGP
Virginia	CGT, ETN, TGP (These are allocated between TN & VA)

Pipeline Websites: <http://aemi.atmosenergy.com/Lists/Tariff%20Rates/AllItems.aspx>

GAS SUPPLY INFORMATION AND PROCEDURES MANUAL

Invoice Log Maintenance Process

The Gas Supply Invoice Log is an Excel workbook, prepared by the Gas Supply Senior Administrative Assistant, used to track the path of gas supply and transportation invoices through the approval process. The invoice log fields are summarized below. The Excel file is saved on to the Shared Drive, S:\Gas Accounting\Invoice Logs, for use by Gas Accounting.

Invoice Log Fields

- A. BTU – This is an optional field to assist in volume reporting.
- B. Est. Vol. MMBtu – This is an optional field that may be used to calculate estimated invoice amounts and for volume reporting.
- C. Invoice Amount – This is a mandatory field where the dollar amount of the invoice is entered.
- D. Amount Verified for Payment – Should be the same as Column C “Invoice Amount”. If amount paid is different from amount of invoice an Invoice Adjustment Advice document is created and logged in separately.
- E. Rate Division – Identifies the applicable rate division.
- F. Invoice Number – Identifies the invoice number. If the invoice has no number, the analyst should create one using the following format YYYY-MM-Invoice Number-XXX where XXX are the initials of the Analyst.
- G. Billing Company – Identifies the vendor
- H. Receiving Entity – Identifies the Atmos Business Division
- I. Date Received – Date stamped on the invoice when it is received is recorded in this field.
- J. Owner – Identifies the Gas Supply Specialist responsible for approval
- K. Gas Supply Approval – Date the approval box was completed; Normally entered by an assistant or Gas Supply Specialist

- L. Orig. Entered in Markview/Acct - Date invoice scanned into Markview and copied to Gas Accounting. Normally entered by an assistant or Gas Supply Specialist
- M. G/L Month – Currently this is an optional field where the General Ledger month is entered .
- N. Log Month – Identifies the month the invoice was received by Atmos. This field is normally set up when the new monthly spreadsheet is created.
- O. Comments - Explanatory comments are entered in this field

Invoice Log Database

The Invoice Log Database is maintained by the Gas Supply Specialists, and updated as they enter the invoice distribution coding. The database file is saved in the following directory: S:\Mid-KY\Acct_Be\Acct_be.mdb.

On a quarterly basis the Gas Supply Senior Administrative Assistant runs a report off the database “Invoice Log by Area” and submits the report on the Atmos Intranet using the Sox compliance tool.

Invoice Verification Process

Effective January 1, 2007

Revised October 24, 2008

Transportation Invoices:

Regional Gas Supply (RGS) is responsible for reviewing and verifying the rates per the applicable individual pipeline tariffs. Pipeline electronic bulletin boards (EBBs) are used for rate verification and EBB rates are accessible without seeking security access from the respective pipeline. Any changes to rates on Interstate Pipeline tariffs are filed with FERC for approval. It is possible that changes in rates will appear on the invoice prior to FERC approval. The Pipeline is required to refund any increases that are not approved by FERC.

Demand Charges- If a Demand Rate changes, the pipeline EBB is accessed for information regarding the FERC-approved filing that has impacted Atmos' rate.

Commodity Charges- They are applied to the volume transported each month, and therefore, are based on usage. Volumes transported should be verified for each service area by the Regional Supply Specialist. Monthly baseload volumes should correspond with the Seasonal Plans for each service area/pipeline.

Incremental volumes, in addition to the baseload volumes needed to meet System Supply requirements, are purchased as needed and should be tracked by volume and agreed upon pricing.

Storage Invoices:

These invoices are a part of the Transportation Invoice. Gas Supply Specialist is responsible for verifying rates charged with each respective pipeline or storage contact. Inventory balances, injections, and withdrawals should be verified as well.

Each transportation/storage contract serves a specific service area with a specific rate division. Invoices which include more than one rate division's expense should be allocated for Accounting's booking purposes and Rates Department filings.

Gas Supply Invoices:

The current commodity contract for natural gas supply for each service area/ pipeline is reviewed prior to invoice verification to determine seasonal, volumetric or other contractual changes.

Pricing Verification- Upon verifying the pricing parameters allowed per the contract, the Gas Supply Specialist should refer to the appropriate publication(s) that are applicable and apply plus or minus premium per the contract. Gas Supply Specialist compares this information against the invoice pricing for accuracy. The Gas Supply Specialist will contact the Supplier and discuss any discrepancies. If an invoice adjustment is necessary the Supplier is requested to send a corrected invoice

Volume Verification-

Baseload volumes are nominated from the first to the last days of each month and should correspond with the Seasonal Plans for each service area/pipeline.

Incremental volumes are volumes necessary to meet System Supply requirements in excess of baseload volumes.

GAS SUPPLY INFORMATION AND PROCEDURES MANUAL

Procedure for Purchasing and Nominating Natural Gas

Effective January 1, 2007

Revised October 24, 2008

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, discussing the necessary nomination and scheduling activities required to perform this activity.

The Gas Supply Specialist is responsible for developing seasonal gas supply requirements Plans for each pipeline system. Each Plan reflects normalized seasonal requirements (winter Nov-Mar and summer Apr-Oct). The Plans consist of monthly purchases and anticipated storage withdrawals/injections. Refer to the Gas Supply Plan Procedure for additional information.

The Regional Gas Supply and Gas Control departments are located in the same office area which provides for seamless access to critical 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.

- The Gas Control department is responsible for providing a short term (1-5 days) load forecast twice daily during the winter season and shoulder months. Typically this short term forecast is developed by an analytical comparison to historical utilization and gas day weather data
- The Gas Supply Specialist is responsible for analyzing the short term load forecast on a daily basis to plan the next day(s) gas supply and storage requirements. This load forecast provides the necessary information to determine if current flowing gas along with available storage volumes is adequate, deficient or in excess in meeting the next day(s) forecasted requirements. Also, Third Party nominations are reviewed during this process.
- The daily review process 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 gas) takes place on a routine basis between the Gas Supply and Gas Control departments.

- In the event the next day forecast is greater than the first of month flowing gas plus storage maximum withdrawal capability, incremental gas is purchased to accommodate the difference.
 - In the event storage is being utilized substantially more than planned utilization, incremental purchases are 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 purchases in the succeeding months.
 - Incremental daily purchases may also be needed for normal operational reasons.
- When changes are made to next day's flowing gas quantities, suppliers must be notified no later than 8:30 AM (time varies by contract), the day prior to any nomination changes (8:30 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 incremental volume can be up to the Maximum Daily Quantity on the respective pipeline(s) transportation contract as determined by the supplier contract and the requested incremental quantity is based on a gas daily pricing.
 - When the supplier is notified of any flowing volume adjustments, the supplier then must notify Gas Control, as well as, the appropriate pipeline of the nominated receipt point changes in time to meet the pipeline nomination deadlines. The Gas Supply Specialist either makes, confirms or acknowledges the change with the appropriate pipeline and or supplier and notifies Gas Control of the revised nominated volumes.

Gas Supply Plan Procedure

Effective January 1, 2007

The Gas Supply Specialist shall develop a gas supply plan for each supply season for a twelve (12) month period. The supply plan is based on normal degree days, however, for operational and nomination purposes, the plan should also reflect requirements based on normal, a percent warmer and a percent colder than normal degree days. This percent will vary by state, for example it is 20% in Missouri. Typically, first-of-month nominations are made to cover the daily average of the percent warmer purchase requirements. This will provide flexibility should the warmer weather occur. In the event the weather is normal or colder than normal, swing purchases can be made during the month to continue with the planned monthly storage quantities. This should reduce the occurrences of turning base load supply back and incurring a cost should the gas daily price decrease after the first of month.

Supply Plans shall be reviewed on an ongoing basis and updated with actual data after the completion of each month when actual data is available. The Gas Supply Specialist shall compare actual degree days to normal degree days for the month to determine if planned requirements are tracking properly or whether the plan should be adjusted prospectively. Provided the plan is tracking satisfactorily to the degree days experienced, the plan should only be adjusted prospectively to adjust for planned storage level differences experienced in previous months.

Supply Plans shall be substantially consistent across all business divisions unless exceptions are required by state commissions which are noted state-by-state in this procedure.

- The supply plan should be stated in MMBtu or Dth depending on the unit of measurement the delivering pipeline utilizes.
- Quantities are stated net of pipeline fuel (retainage).

Supply Plans should include the following components to effectively manage the supply system:

- **Monthly total estimated system requirements** for each integrated pipeline(s) system (total thru-put of the system).
- **Net monthly system requirements** to be sourced from storage and/or purchases (requirements less transportation customer quantities).
- **Monthly estimated storage injections/withdrawals** to cycle storage and refill to approximately 95% by October 31st of each year.

- **Net monthly purchase** requirements including storage activity (storage withdrawals subtracted from net monthly system requirements and storage injections added to the monthly system requirements.)
- **Optional – pipeline fuel retainage quantities** may be calculated and added to net monthly purchase quantities.

Supply Plans are used for two basic purposes as described below:

Non Asset Management – The supply plan is developed to be utilized as a tool to source the purchase requirements; a guide in managing storage levels throughout the withdrawal and injection periods; and a tool to determine the first of month nominations. Incremental purchases can be made to stay within the guidelines of the plan during the current month.

Asset Management – This supply plan is used in the same manner as the Non-Asset Plan stated above. The primary difference is payment is actually made to the supplier for the plan purchases including pipeline retainage fuel. Storage quantities are determined by calculating the difference between the plan purchases and the actual net system requirements.

This plan storage balance may differ from physical storage balance resulting from the storage flexibility provided to the supplier for this type supply arrangement. Contractual provisions shall provide for plan and physical storage balances to be as close as practicable by the end of the contractual term and provisions to settle up any differences.

Request for Proposal (RFP) Process

Effective January 1, 2007

This Request for Proposal (RFP) Process incorporates multiple related Procedures utilized in the procurement of gas supply and services. These processes and procedures provide as much standardization as possible across the Business Divisions in gas supply and procurement services. In instances where state jurisdictions differ from the processes and procedures detailed below or additional requirements are required by states.

The specific processes and procedures included as a part of this overall RFP Process are as follows:

- RFP Flow Procedure
(depicting preparation / approval / recommendation / contracting)
- Supplier List and Qualification Procedure
- RFP Procedure and "Sample" RFP Letter
- Bid Evaluation and Documentation Procedure

The Gas Supply Specialist shall maintain a complete file documenting the RFP process for each RFP to ensure that all actions under the procedures listed above are fully documented.

RFP Flow Procedure
(preparation, approval, evaluation, contracting)
Effective January 1, 2007

Request for Proposal Submittal

The assigned Gas Supply Specialist will obtain the most recent supply requirements estimate from the Planning Analyst. The estimate provided will be total requirements less estimated transportation customers' usage, stated monthly. This estimate will be utilized by the Gas Supply Specialist in the preparation of the RFP letter, development of the Supply Plan, and the bid evaluations. RFPs are generally requested for a term of one (1) year, though shorter (seasonal) or longer (multi-year) requirements may also be submitted. Supply requirements are determined for baseload, swing, and storage (planned injection/withdrawal) requirements. An RFP can cover all or any part of these specific requirements. The respective Gas Supply Specialist will discuss with department management their recommendation of the details under which the RFP should be issued, including specific supply, term, and response requirements.

The RFP letter will be drafted by the Gas Supply Specialist and if required by regulation, submitted and/or reviewed with the appropriate Business Division VP, Rates and Regulatory Affairs for any regulatory guidelines and to ensure regulatory compliance.

The Gas Supply Specialist sends the RFP letter to suppliers on the appropriate active Supplier List. The Gas Supply Specialist responds to any questions regarding the RFP letter as described in the RFP Procedure of this RFP Process.

Bid Receipt and Evaluation

Bid proposals will be sent to the Gas Supply Specialist that issued the RFP and the Gas Supply Specialist will proceed with the RFP Flow Procedure as follows:

- Receive bid proposals and log date received to ensure bid deadline stated in the RFP letter has been met
- Ensure that bids are not opened until after the deadline stated in the RFP letter has expired
- Enlist the Manager or the Manager's designee to be present during the opening and initial review of the proposals
- Review proposals in more detail to ensure compliance with RFP request

The Gas Supply Specialist completes the evaluation adhering to the Bid Evaluation Procedure included as a part of this RFP Process.

Upon completion of the RFP evaluation, the Gas Supply Specialist forwards the evaluation and recommendation to the Regional Manager for approval of recommendation. The AEC Vice President of Rates and Regulatory Affairs is notified of the evaluation and winning bidder prior to the deal being awarded, and signs the recommendation page indicating approval.

After approval has been granted and the proper initials or signature (or email approvals) has been obtained on the bid recommendation and approval sheet similar to the included **"Sample Bid Recommendation and Approval Memo"**, the Gas Supply Specialist will notify the supplier verbally, followed by a written correspondence (email is sufficient). Non-winning bidders are notified that the RFP has been awarded to another supplier (details are kept confidential).

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.

The Gas Supply Specialist will be responsible for the following:

- Coordinates with Gas Supply management, Contract Administration, and Supplier satisfactory terms and conditions of the contract or NAESB addendum

- Ensures proper pricing and business deal provisions included in contract or addendum
- Coordinates contract execution with Contract Admin
- Prepares any regulatory filing requirements for the AEC Vice President Rates and Regulatory Affairs

Supplier List and Qualification Procedure

Effective January 1, 2007

A list(s) of active suppliers is compiled and maintained within the Gas Supply for each Business Division for use in the RFP bid process for the Business Division's pipeline systems, and for day to day spot purchase requirements.

The active Supplier List will contain current data to include supplier representative, address, phone numbers, email address and fax numbers.

The suppliers included on the active Supplier List shall be kept current in the following manner:

- Inform suppliers in the Request for Proposals (RFP) letter that should they elect not to bid in the current RFP that they should advise the Company that they are not submitting a proposal but would like to stay on the Supplier List for future RFP's. Otherwise, they will be removed from the active Supplier List for that specific system.
- Suppliers may be added either at the request of the supplier and meeting the minimum supplier qualifications as detailed below or by satisfactory business association in Atmos' other operating areas.

Minimum supplier qualifications:

- 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).

To determine recent financial qualification prior to awarding a bid, the gas supply specialist may request the Company's Treasury and/or Accounting Departments to assist in the evaluation of a requested D&B Report and inform them of their findings and/or recommendations.

Request for Proposal (“RFP”) Procedure

Effective January 1, 2007

Revised October 24, 2008

The Request for Proposal (“RFP”) Procedure is the process by which Atmos solicits qualified suppliers in the marketplace for the best cost gas supplies to provide for each Business Division.

Though details of the RFP process can vary somewhat between Business Divisions or specific locales, they are all similar in some aspects. The following should be included in the Request for Proposal (RFP) letter or attached in accordance with the RFP Process Flow Procedure, the Supplier List and Qualification Procedure, and the Bid Evaluation Procedure:

- Commodity only RFP: A summary of supply requirements (volumes) and purchase conditions (firm, interruptible, swing, etc.) to be included in or attached to the RFP letter.
- Agency or Asset Management RFP: In addition to volume information, an agency RFP will provide detail of pipeline contracts (daily/seasonal quantities, receipt/delivery points, restrictions, etc.); storage detail also to be provided stating operating parameters (maximum seasonal/daily quantities, ratchet provisions, etc.)
- An RFP letter is drafted, reviewed, and approved by management in compliance with the RFP Flow Procedure which specifies all terms and conditions under which the Business Division is requiring supply and/or agency, the terms under which the supplier must adhere to in their response, including response deadlines and methods (fax, email, regular mail, etc.) which the vendor must use to submit their proposals.

Additional items the RFP letter may contain, but is not limited to, are as follows:

- ✓ Jurisdiction for which the RFP is being issued under,
- ✓ Schedule of volumes, by supply category (i.e., baseload vs. swing) which a bid is being requested,
- ✓ If applicable, for agency or asset management arrangements, additional information shall be provided, detailing parameters of agency or asset management, contract MDQs, storage detail, constraints, warranties required from Agent, unwinding language to determine settling imbalance at end of deal, obligation of agent, etc.
- ✓ If applicable, special circumstances surrounding the delivery / receipt of supply to / by the Business Division

- ✓ Terms which the proposal is to be made (i.e. specific pricing provisions, firm/interruptible etc.)
- ✓ The pricing methodology acceptable for submitting bids
- ✓ The right to reject any or all proposals
- ✓ Include language informing the suppliers that they should inform the Gas Supply Specialist if they are electing not to bid but would like to remain on the active bid list.
- ✓ Inform suppliers that any additional informational requests relating to the RFP shall be in written form (fax, email, etc.) and that the request and the information provided will be distributed to all parties on the bid list; however, the requesting party will not be identified to others.
- ✓ The deadline by which the response is to be made, and the method in which it is to be transmitted
- ✓ The amount of time a bid is to remain valid, so that the analyst can analyze each proposal received.

Upon finalizing an approved RFP letter, the document is then sent by courier to the RFP supplier listing for that area. The time and method of each transmittal is then recorded and compiled in a file, which will be maintained by each RFP issued.

“Sample RFP Letter”

ATMOS ENERGY CORPORATION GAS SUPPLY REQUEST FOR PROPOSAL FOR NATURAL GAS SUPPLY TO TENNESSEE AND VIRGINIA SERVICE AREAS February 20, 2004

1.0 RFP Overview

Atmos Energy Corporation (“Atmos”) is seeking proposals from qualified suppliers to provide firm and warranted natural gas commodity requirements for its Tennessee and Virginia service areas. The term of the agreement will commence on April 1, 2004 and continue through March 31, 2005. Specifics of the pipelines which serve Atmos are detailed below and in the accompanied Exhibits. Essentially, Atmos is seeking firm, natural gas commodity only supply for daily flows up to its maximum firm capacity rights on all described pipeline split into baseload and swing components.

ALL PROPOSALS MUST BE PREPARED IN ACCORDANCE WITH RFP REQUIREMENTS AND MUST BE RECEIVED IN WRITTEN FORM BY 12:00 Noon, Friday March 5, 2004.

2.0 RFP Communication

Any reasonable request, at Atmos’ sole discretion, for additional information not contained in this RFP is required in writing and will be provided to all parties receiving this RFP. The identity of the party requesting additional information will not be divulged. All requests for additional information to be used in your analysis should be submitted in writing via e-mail to deborah.sparkman@atmosenergy.com. Any proposal clarification requested by Atmos and the response by the Bidder shall be in writing. During the RFP process, Atmos will not entertain any individual meetings with Bidders relating to this RFP until such time that the RFP has been awarded.

Please advise if not submitting a proposal at this time. Otherwise, it will be assumed that your company should be removed from this bid list for future Requests for Proposals for this area. Atmos reserves the right to reject any and all bids.

3.0 Background

Service Area I – “Western Tennessee Service Area” (Union City, Tenn.) served by Texas Gas Transmission.

Service Area II – “Middle Tennessee Service Area” (Columbia, Murfreesboro and Franklin, Tenn. areas) The pipelines serving this area are 1) Texas Gas Transmission, 2) Columbia Gulf Transmission, and 3) Texas Eastern Transmission.

Service Area III – “East Tennessee/Virginia Service Area” consists of the (ETN-Johnson City, Kingsport, etc. areas and Virginia service areas, as far north as the Blacksburg/Radford areas.) The pipelines serving this area are 1) East Tennessee and 2) Virginia Gas

Upstream of our Service Areas, Atmos holds firm transportation on Tennessee Gas Pipeline and Columbia Gulf Transmission.

Our annual purchase requirements are approximately 20 Bcf. Approximate historical purchase volumes and typical storage injection and withdrawal volumes are also provided to assist you in the preparation of your proposal. These volumes are informational only and may or may not be indicative of future requirements. (See Exhibit for further details.)

4.0 Supply Requirements

All bidders are subject to proof of performance experience, creditworthiness and financial strength commensurate with this type and term of arrangement. Non-performance remedies as well as other terms and conditions will be negotiated and included in the agreement between the parties.

Suppliers may use any alternate receipt points on each pipeline to supply gas, but supplier is responsible for incremental transport charges as a result of alternate points. Also, supplier must be able to provide gas at primary receipt points when secondary points are curtailed.

5.0 Proposal Content

The following information is required to be considered responsive to this RFP unless the proposing entity can clearly demonstrate that such information is not applicable to its circumstance. Any additional information that the supplier considers useful for Atmos to evaluate its proposal will be considered. Atmos may request additional information at a later date to assist in the decision making process.

5.1 Respondent Information

- Name and address of supplier
- Name, phone and fax number of contact person for this proposal
- Current annual report
- Evidence of supplier's knowledge and experience in providing service proposed
- Evidence of the supplier's financial viability to provide the service proposed
- Business references

5.2 Description of Proposal

Each proposal should provide a description of supply and the price which the supplier is willing to contract for and all other pertinent information. The response should present firm and warranted commodity sales based upon the pricing methodology described in section "5.3 Pricing". Additionally, a summary of the amount of equity gas owned or controlled by the bidder, and other supply data should be provided.

Atmos will nominate baseload gas supplies within two working days before the beginning of any month. Monthly purchase volumes will be confirmed by and based on actual receipts by the transporting pipeline.

5.3 Pricing

Proposals must be submitted with a commodity price equal to, plus (+), or minus (-) the simple arithmetic average of the indices "basket" listed below, to establish a per unit price, per applicable pipeline.

- 1) **Inside FERC Gas Market Report** first-of-the-month posting for the appropriate pipeline and receipt zone,
- 2) **Natural Gas Intelligence**, Bidweek, as published in the first issue each month for the appropriate pipeline and receipt zone,
- 3) The **Nymex** settled closing price for the applicable month.

Incremental purchases, in excess of the baseload purchase volumes, would be at a price equal to, plus (+), or minus (-) the appropriate Gas Daily Average index price which may or may not include a demand component (Bidders Option).

Intraday purchases will be priced by seller at a mutually agreeable price to buyer and confirmed at time of purchase.

5.4 Reliability

All gas supply is to be **firm and warranted** assuring that natural gas supply services will meet all contractual obligations without fail.

6.0 Evaluation Criteria

Proposals will be judged on respondent's ability to meet the economical and reliable natural gas needs of Atmos. The principal criteria to be used are as follows: Total delivered cost of gas supply over the term of the contract, reliability of the supply, and the financial viability of the respondent. Atmos has the right to consider any other factors that may be relevant to its gas supply needs

7.0 Evaluation Duration

The Bidder shall be prepared to leave the proposal open for a five (5) business-day evaluation period after the submittal deadline.

8.0 Proprietary Data in Proposal

A proposal may include data which the respondent does not want disclosed to the public or used by Atmos for any purpose other than proposal evaluation. Reasonable care will be exercised so that proposal data is not disclosed or used without the respondent's permission, except to meet regulatory filing requirements. Such data filed for regulatory requests shall be filed as confidential information.

9.0 Rejections of Proposal

Atmos reserves the right to reject any or all proposals and to re-solicit for proposals in the event that all proposals are rejected. Any proposal may be modified prior to the submittal deadline by written request of the Bidder.

10.0 Submittal Instructions

Proposals must be received via U.S. Mail, Courier Service or hand delivered in a sealed envelope marked as indicated below on or before March 5, 2004 at 12:00 p.m. CST. No other method will be accepted. No proposal will be opened prior to the stated deadline. The proposals received after the stated deadline will be returned unopened.

Proposals should be marked externally as "Proposal for Natural Gas Service (Tennessee/Virginia)" and mailed to:

Atmos Energy Corporation
377 Riverside Dr., Suite 201
Franklin, TN 37064
Attn: Deborah Sparkman

Bid Evaluation and Documentation Procedure

Effective January 1, 2007

A bid evaluation / documentation file shall be set-up for each RFP submitted. Both a hard copy file and a electronic file (for all items possible) should be developed and maintained throughout the evaluation process. This will provide for efficient and accurate responses to future Data Request from the state commissions.

The evaluation / documentation process file shall include the following:

- A copy of the RFP letter and all attachments that were included
- A copy of any questions or requests for clarification from suppliers and a copy of the Company's response that was sent to all suppliers provided with the RFP letter.
- A table reflecting the following:
 - The Business Division and Pipeline reflected in the RFP
 - The term that is requested under the RFP
 - List of suppliers that the RFP letter was sent
 - Suppliers that submitted a proposal
 - Proposals returned due to late bids
 - Rejected for non conforming proposals
 - Suppliers that did not submit a proposal but requested to stay on active suppliers list

After the bid deadline each individual proposal must then be analyzed in contrast to the other proposals. This is done by calculating the differentials between each proposal against some purchase standard, usually a supply plan. Careful attention must be paid to different proposed pricing points, demand charges, flexibility, and cost. As a general rule, the vendor proposing the least cost offer is recommended to management as the winning bid, though there can be exceptions to this. Exceptions can 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. Confirmation of the vendor's receipt and acknowledgement of the Company's acceptance must also be done in writing (email). All non-winning bidders will be notified verbally.

- An evaluation spreadsheet calculating the total premium or discount for each proposal as compared to the appropriate indices for the particular supply area

- All assumptions are clearly stated on the evaluation spreadsheet
- All indices that are used to calculate the premium or discount on the evaluation spreadsheet shall be the same index or adjusted to the appropriate index (basis difference)

“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 Specialist
Atmos Energy Corp.

Approved By:

Manager, Regional Gas Supply
Atmos Energy Corp.

Final Approval:

Vice President

Affiliate Relationship Procedures

Effective January 1, 2007

Revised October 25, 2007

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 several 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 Director, Gas Supply and Services.

Affiliate Guidelines:

In the event a state has specific guidelines for affiliated transactions, it is the Gas Supply Specialist's responsibility to know and follow those guidelines.

Updating Manual Policy

Effective January 1, 2007

Revised October 25, 2007

Purpose:

The purpose of this policy is to ensure that the Gas Supply Manual contains current and updated information. There is no need for a manual if the manual is not maintained. The goal of the manual is to serve as a reference guide for not only existing employees but new employees as well.

Responsibility:

Each Manager Regional Gas Supply will be responsible for maintaining the manual and updating any information to insure that the manual is current and updated. A Manager may designate another employee to maintain the manual, but that Manager is still ultimately responsible.

Review:

The Gas Supply Manual will be updated whenever a change occurs. Examples of changes would be a new hire, a change in a policy, etc. Each Manager will review the manual on an annual basis and will make any necessary changes.