

FILED³

OCT 7 2011

Missouri Public
Service Commission

Exhibit No.:

Issue: Prudence of gas costs

Witness: Rebecca Buchanan

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Atmos Energy Corporation

Case No.: GR-2009-0417

Date Testimony Prepared: August 11, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: GR-2009-0417

SURREBUTTAL TESTIMONY

OF

REBECCA BUCHANAN

ON BEHALF OF

ATMOS ENERGY CORPORATION

Franklin, Tennessee
August 2011

Atmos Exhibit No. 3-NP
Date 9-14-11 Reporter JL
File No GR-2009-6417

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All Such Information Should Be Treated Confidentially
Pursuant To 4 CSR 240-2.135.

NON-PROPRIETARY

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Atmos Energy)
Corporation's 2008-2009 Purchased Gas)
Adjustment and Actual Cost Adjustment)

Case No. GR-2009-0417

AFFIDAVIT OF REBECCA M. BUCHANAN

STATE OF TENNESSEE)
) ss
COUNTY OF WILLIAMSON)

Rebecca M. Buchanan, being first duly sworn on her oath, states:

1. My name is Rebecca M. Buchanan I am employed by Atmos Energy Corporation as Manager, Regional Gas Supply. My business address is 377 Riverside Dr, suite 201, Franklin, TN 37064-5393.

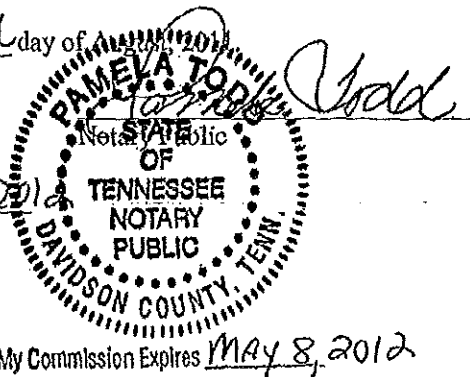
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Atmos Energy Corporation consisting of ~~twenty-three~~ (23) pages, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Rebecca M. Buchanan
Rebecca M. Buchanan

Subscribed and sworn before me this 11th day of August, 2011

My commission expires: May 8, 2012



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

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Rebecca M. Buchanan. My business address is 377 Riverside Dr., Suite
3 201, Franklin TN, 37064.

4 **Q. DID YOU FILE DIRECT AND REBUTTAL TESTIMONY IN THIS**
5 **DOCKET GR-2009-0417?**

6 A. Yes.

7 **Q. HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF STAFF WITNESS**
8 **DAVID M. SOMMERER?**

9 A. Yes.

10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Mr.
12 Sommerer. First, I will give a brief explanation of gas supply procurement and explain
13 why Atmos uses gas marketers to obtain its supply. I will discuss the role of the
14 Company's gas supply department and contrast it with the services provided by gas
15 marketers. I will clarify or correct numerous statements made by Mr. Sommerer that are
16 either misleading or incorrect, as well as point out several instances where Mr. Sommerer
17 makes baseless speculations. Further, I will show that although Mr. Sommerer claims

1 that certain information is crucial to his inquiry, the information was not requested during
2 the course of the audit and in some cases, not until after Staff's rebuttal testimony was
3 filed. Finally, I will demonstrate that Mr. Sommerer's testimony has little basis in fact
4 and has not raised any reasonable questions about the prudence of the actual gas costs
5 incurred.

6 **Q. WHAT ARE THE MAJOR CONCERNS RAISED BY MR. SOMMERER IN HIS**
7 **REBUTTAL TESTIMONY?**

8 A. Mr. Sommerer introduces three main concerns in his rebuttal testimony. First, he
9 complains that the "limited information provided by Atmos was not adequate."
10 (Sommerer Rebuttal, p. 2, line 4) Second, Mr. Sommerer criticizes the Company's bid
11 design as "inflexible." (Sommerer Rebuttal, p. 2 lines 17-18) Third, he points out that
12 the Atmos' RFP does not distinguish between primary and secondary firm capacity.
13 (Sommerer Rebuttal, p. 3, lines 1-2)

14 **Q. ARE THESE THE SAME ISSUES RAISED IN CASE NO. GR-2008-0364?**

15 A. No. Aside from the contention that Staff did not have enough information to perform its
16 review, the complaints regarding Atmos' bid design and RFP process are new.

17 **Q. WOULD YOU EXPECT THE ISSUES IN THIS DOCKET TO BE THE SAME AS**
18 **THOSE IN CASE NO. GR-2008-0364?**

19 A. Yes. The affiliate contracts at issue in this docket are the same affiliate contracts
20 resulting from the same RFP process as those at issue in Case No. GR-2008-0364. I
21 would expect issues in this case to resemble those raised in the last case. Not only are
22 Staff's issues new, but Staff is also recommending a larger disallowance in this docket

1 even though the affiliate contracts were in effect for a shorter period of time during the
2 2009 ACA period.

3 **Q. ARE THESE THE SAME ISSUES RAISED IN MR. SOMMERER'S DIRECT?**

4 A. No. Not only are the bid design and RFP issues not the same as the 2008 docket, they are
5 not even the same as the issues initially raised by Staff in its direct testimony.

6
7 **GAS SUPPLY OVERVIEW**

8 **Q. WHY HAVE YOU CHOSEN TO BEGIN YOUR TESTIMONY WITH AN**
9 **EXPLANATION OF THE GAS SUPPLY BUSINESS?**

10 A. Throughout the course of this gas cost case, as well as the last, much of Staff's testimony
11 has been predicated on what seems to be a fundamental misunderstanding of how gas
12 procurement works vis-à-vis the utility and third party gas marketers. Although I have
13 testified about this before, I wanted to take this opportunity to step back and give a very
14 fundamental overview of how and why the utility uses third party marketers.

15 **Q. DO YOU HAVE KNOWLEDGE OF STAFF'S EXPERIENCE WITH REGARD**
16 **TO THIRD PARTY MARKETERS?**

17 A. During discovery, Atmos asked Staff if it had any direct knowledge of how marketers,
18 specifically unaffiliated marketers, purchase gas. Mr. Sommerer responded that he was
19 unaware of any Staff members who have worked for natural gas marketers. Further, he
20 stated that his own knowledge "is based on his general knowledge of how LDCs, who
21 sometimes have off-system sales markets, buy and sell gas." (Staff Response to Atmos
22 DR-7) Although Mr. Sommerer admits to a lack of knowledge about the internal
23 workings of natural gas marketers, that does not stop him from testifying, without any

1 basis, regarding his beliefs about what a marketer may understand or what risk the
2 marketer is willing to take. (Sommerer Rebuttal, p. 7, lines 8-9, pp. 8-9, lines 23-2, and
3 p. 10, lines 13-15)

4 **Q. DO LDCs AND THIRD PARTY MARKETERS OPERATE THE SAME WAY**
5 **WITH RESPECT TO THEIR GAS PURCHASING ACTIVITIES?**

6 A. No. Utilities and marketers operate with different purposes and purchasing power
7 regarding gas supply. The utility's primary focus is to ensure a reliable supply to its
8 customers, which are primarily residential and commercial in nature, at the best cost
9 available to the utility. Although the costs of gas supply procurement personnel are
10 included in rate base, the utility does not earn a return on the commodity itself. The
11 utility's obligation is to make prudent purchases to ensure reliability at the best possible
12 price. The utility procures gas only for its customers in its jurisdictional service area and
13 does not engage in larger portfolio type purchases. The utility does not have the ability to
14 combine its gas requirements with those of other organizations. One of the primary ways
15 that Atmos is able to maintain efficient, low cost service is to focus on its core
16 competency, the business of natural gas distribution, and leave functions like asset
17 optimization and gas trading to other organizations that specialize in such functions when
18 it is appropriate to do so.

19 **Q. HOW DOES THIS DIFFER FROM A GAS MARKETER?**

20 A. While utilities are only able to procure gas for themselves, gas marketers buy gas
21 upstream for their entire portfolio of customers. A marketer's customers are not limited
22 to utilities. Because third party gas marketers can aggregate all of their customers'
23 requirements and purchase more gas upstream, they are able to attract different upstream

1 suppliers and obtain better gas prices than utilities. Gas marketers have the expertise and
2 purchasing power to take advantage of commodity price movements in order to maximize
3 their margins. It is conceivable, however, that a third party marketer may lose money on
4 a gas deal if it has contracted to sell gas to a customer at a certain price and is later unable
5 to buy gas at that price or lower. This is a risk marketers accept in exchange for the
6 opportunity to earn a profit.

7 **Q. IS ATMOS' RFP PROCESS OPEN TO THE THIRD PARTY GAS MARKETERS'**
8 **UPSTREAM SUPPLIERS?**

9 A. Absolutely. The RFP process, as well as Atmos' RFP website, is open to all suppliers.

10 **Q. HAS STAFF PRESENTED ANY TESTIMONY THAT IT HAS KNOWLEDGE**
11 **THAT NON-AFFILIATED THIRD PARTY MARKETERS ENGAGE IN ANY**
12 **DIFFERENT PRACTICES FROM AFFILIATED MARKETERS?**

13 A. No. Atmos asked Staff to provide all support or evidence in its possession showing that
14 no unaffiliated supplier used interruptible supply, spot gas, interruptible transportation, or
15 any other risk taking measure to fulfill firm service obligations to Atmos. Although Staff
16 continues to raise the specter that AEM engages in any or all of these possibly "risky"
17 practices, it cannot provide any support for the proposition that these alleged practices are
18 materially different from those of any other gas marketer. (Staff Response to Atmos DR-
19 10)

20 **Q. DID STAFF INVESTIGATE THE QUALIFICATIONS OF THE NON-**
21 **AFFILIATED SUPPLIERS SELECTED BY ATMOS DURING THE ACA**
22 **PERIOD?**

1 A. No. Apparently Staff trusts Atmos to select qualified bidders so long as they are non-
2 affiliated. In DR-9, Atmos asked Staff to provide evidence of any analysis performed
3 with respect to the special skills and value-added capabilities from the gas suppliers used
4 by the LDC during the ACA period. Not only did Staff have no documentation that any
5 analysis was performed, it went on to explain that "Atmos policies and procedures for
6 selection of qualified bidders should contain the reviews to be conducted by Atmos in
7 selecting bidders." (Staff Response to Atmos DR-9)

8 **Q. IS STAFF CHALLENGING THE PRUDENCE OF GAS PURCHASED FROM**
9 **NON-AFFILIATED GAS MARKETERS USING THE SAME PROCESS USED**
10 **TO SELECT THE AFFILIATED GAS MARKETER?**

11 A. No. Although Atmos uses the same RFP process in all instances, Staff has only chosen to
12 recommend disallowances for costs resulting from the contracts awarded to the affiliate
13 gas marketer. Staff admits that it has not inquired into the practices of any other
14 marketers used by Atmos during the ACA period.

15 **Q. ON PAGE 10, LINES 22-23, MR. SOMMERER TESTIFIES THAT THERE ARE**
16 **MANY SUBTLE WAYS THAT A WILLING LDC CAN "WORK WITH" ITS**
17 **AFFILIATE TO GIVE THE AFFILIATE ADVANTAGES NOT AVAILABLE TO**
18 **THIRD PARTY SUPPLIERS. IS THERE ANY EVIDENCE THAT THIS HAS**
19 **HAPPENED IN THIS CASE?**

20 A. No. Staff makes this suggestion but fails to describe either the "many subtle ways" or the
21 resulting "advantages." Contrary to the implications Staff makes in its testimony, the
22 Staff has no evidence regarding intentional attempts of Atmos' Gas Supply personnel to
23 increase the profits of the affiliate. (Staff Response to Atmos DR-2)

1 **Q. PLEASE SUMMARIZE YOUR OVERVIEW OF GAS SUPPLY.**

2 A. Following an RFP process open to all willing suppliers, Atmos locks in contracts with the
3 qualified suppliers offering the best available price. Gas suppliers shoulder any risk that
4 may exist in exchange for an opportunity to earn profits, an opportunity available to both
5 affiliated and non-affiliated suppliers. The idea that AEM, as an affiliated marketer, goes
6 about its business in a materially different way from unaffiliated marketers is
7 unsupported and without merit. Plainly, the utility cannot purchase gas at the same price
8 as a third party gas marketer, unless that price has been submitted by a willing supplier in
9 the RFP process. This is true whether the affiliate participates in the RFP or not.

10 **Q. IS IT LIKELY THAT YOUR GAS SUPPLY DEPARTMENT WOULD OBTAIN**
11 **GAS AT THE SAME PRICES AS THIRD PARTY MARKETERS?**

12 A. No, I don't think it is likely given the discussion above, however, the utility has made its
13 RFP process open and available to all sellers willing to submit a bid to the utility. If
14 upstream suppliers were willing to sell gas to the utility at the same price that they sell to
15 third party marketers, there is nothing to prevent them from submitting their proposal in
16 response to the Company's RFP. In fact, we welcome and encourage all suppliers and
17 marketers to participate. Mr. Sommerer's assertion on lines 20-21 of page 15 of his
18 rebuttal that "the primary indicator of fair market value is ABM's cost of gas supply" is
19 simply not true. Fair market price, as Staff has previously agreed during Case No. GR-
20 2008-0364, can only be determined by finding the price at which a willing seller will sell
21 to a willing buyer on the open market and in armslength transaction. (Evidentiary
22 Hearing Transcript, page 627, lines 6-8).

1 Q. DOES YOUR TESTIMONY APPLY EQUALLY TO AFFILIATED AND NON-
2 AFFILIATED GAS MARKETERS?

3 A. Yes.
4
5

6 LIMITED INFORMATION

7 Q. HAS ATMOS PROVIDED EVERY PIECE OF INFORMATION REQUESTED
8 BY STAFF DURING DISCOVERY?

9 A. Yes. Atmos has endeavored to respond to each question posed during discovery with the
10 most complete and accurate information possible. Additionally, it is my understanding
11 that AEM has likewise agreed to respond to discovery even though they are not a party to
12 this case, nor are they regulated by this Commission.

13 Q. HAS STAFF FILED ANY MOTIONS TO COMPEL AGAINST ATMOS OR AEM
14 IN THIS CASE?

15 A. No.

16 Q. WHY WOULD STAFF THEN TESTIFY THAT IT DID NOT HAVE ADEQUATE
17 INFORMATION TO CONDUCT ITS PRUDENCY REVIEW?

18 A. In some cases the records requested by Staff simply don't exist because Atmos does not
19 accomplish its transactions with AEM through allocations. Although Atmos is aware
20 that other LDCs may use a process of allocation between the utility and the affiliated
21 marketer, that is not how Atmos accomplishes its transactions with AEM. Following the
22 RFP process in which AEM is the successful bidder, Atmos enters into a contract with
23 AEM formalizing the lowest and best bid. AEM invoices Atmos according to these

1 contract terms, and Atmos pays the invoice amount. This is how Atmos deals with all
2 gas suppliers. There are no allocations made between the utility and the affiliate that are
3 specific to the gas supply deal. Any other allocations of shared services that may occur at
4 the corporate level are contained in the Cost Allocation Manual, a document that is filed
5 with Staff annually.

6 **Q. WHAT ABOUT STAFF'S CONTENTION THAT RULES REQUIRE ATMOS TO**
7 **PROVIDE COST ALLOCATION INFORMATION?**

8 A. Staff seems to be assuming that AEM allocates some of its costs to Atmos, and that
9 therefore the allocated cost information needs to be available for Staff to audit. However,
10 as I have already explained, AEM does not allocate any costs to Atmos. It simply offers
11 to provide gas supplies to Atmos like any other gas marketer through the competitive
12 bidding process. The affiliated transaction rule should not be interpreted to require the
13 utility to fabricate information that doesn't exist for transactions that didn't happen. The
14 absence of information does not indicate a failure of recordkeeping, as Mr. Sommerer
15 suggests on lines 8-10 of page 17 of his rebuttal. Staff continues to beat the drum about
16 the lack of information regarding allocations, while turning a willfully blind eye to
17 Atmos' testimony about the nature of the transactions under review and failing to
18 acknowledge the hundreds of data requests to which Atmos has responded.

19 **Q. DID ATMOS ATTEMPT TO ASCERTAIN WHAT RECORDKEEPING STAFF**
20 **BELIEVES IS REQUIRED BY THE RULE FOR DIFFERENT TYPES OF**
21 **TRANSACTIONS?**

22 A. Yes, but Staff was unresponsive to Atmos' inquiry. Atmos posed a data request to Staff
23 asking specifically what recordkeeping Staff believes the rules require for different types

1 of transactions, including both an intra-company journal entry and an affiliate invoice.
2 Staff responded with two obvious observations - that the two transactions were "not
3 entirely equivalent" and that the "rules regarding affiliate records would appear to apply
4 to both." (Staff's Response to Atmos DR-14) Staff offered no further guidance to Atmos.
5 If Staff maintains a belief about what specific recordkeeping is required by the rules,
6 Staff has not been willing to share its understanding of the specific recordkeeping
7 required with Atmos. In short, Atmos has been providing all the relevant information
8 requested by Staff for going on three years now. Staff continues to claim that the
9 information is not sufficient, while simultaneously refusing to let Atmos in on the
10 information that Staff alleges is missing. Mr. Sommerer refers to a lack of "detailed
11 contemporaneous AEM documentation" (Sommerer Rebuttal, p. 17, line 14) but when
12 asked directly, cannot say what that information would be or show how Atmos has not
13 provided the information required by the rules.

14 **Q. WHAT ABOUT STAFF'S CONTENTION THAT IT DID NOT HAVE**
15 **SUFFICIENT INFORMATION REGARDING AEM'S OVERHEAD COSTS?**

16 A. Staff has testified that Atmos did not provide enough information about AEM's
17 overheads in order for Staff to determine the net profits of AEM. As I previously pointed
18 out in my rebuttal testimony, Staff specifically requested and received information about
19 AEM's *gross* profits. It was not until *after rebuttal testimony was filed* that Atmos
20 received a request for information regarding AEM's overhead, administrative and general
21 costs. Not only did Staff request this information for the ACA period at issue in this
22 case, *but also for the past ACA period that was already fully litigated in Case No. GR-*
23 *2008-0364.*

BID DESIGN INFLEXIBLE

1
2 **Q. STAFF'S TESTIMONY SUGGESTS THAT BID INFLEXIBILITY LIMITED**
3 **THE NUMBER OF BIDS IN THE HANNIBAL/BOWLING GREEN AREA. IS**
4 **THIS TRUE?**

5 A. No. As we have related to Staff previously [Company's response to Staff DRs 084.1, 115
6 and 115.1 in this Case], in Atmos' discussions with its Panhandle Eastern Pipeline
7 (PEPL) representative, the representative indicated that changing gas supply market
8 conditions led some suppliers away from the Market Zone during the bidding timeframe
9 for this ACA period.

10 **Q. WHY DIDN'T ATMOS SEEK TO INCREASE BIDDERS BY HOLDING FIELD**
11 **ZONE CAPACITY?**

12 A. There are additional costs associated with holding Field Zone capacity. Atmos has
13 provided Staff with an analysis showing the costs to move the capacity. (Company's
14 response to Staff DR 010.1 in this Case) If Staff is willing to saddle Missouri customers
15 with the additional costs of holding Field Zone capacity in order to presumably get a few
16 more bids, then this should have been included in Staff's Recommendation to the
17 Commission.

18 **Q. HOW DOES ATMOS HOLDING MARKET ZONE CAPACITY AFFECT**
19 **MISSOURI CUSTOMERS?**

20 A. Atmos believes it is bringing the best value to Missouri customers by holding less costly
21 Market Zone entitlements. As I explain later in my testimony, the number of bidders for
22 Hannibal/Bowling Green has experienced a resurgence since the ACA period at issue in

1 this case. The RFP process for Hannibal/Bowling Green is robust and allows Atmos to
2 provide safe, reliable, and affordable gas to our customers.

3 **Q. ON PAGE 2, LINES 21-22, MR. SOMMERER TESTIFIES THAT IT IS LIKELY**
4 **THAT AEM WOULD HAVE WON THE HANNIBAL/BOWLING GREEN**
5 **SERVICE IN PERPETUITY HAD IT CONTINUED TO BID. DO YOU AGREE?**

6 **A.** No. I have no way to predict what would have happened during future RFPs. Not only is
7 Staff's assertion purely speculative, it is wholly irrelevant to a review of the gas costs
8 during this period, and designed to plant and perpetuate the not so subtle suggestion that
9 there was some sort of wrongdoing or collusion on behalf of Atmos and/or AEM.

10
11 **PRIMARY VS. SECONDARY FIRM CAPACITY**

12 **Q. WHAT IS THE MAIN CONCERN THAT MR. SOMMERER RAISES WITH**
13 **RESPECT TO THE REQUEST FOR PROPOSAL (RFP)?**

14 **A.** Staff is now testifying that the language of the RFP is ambiguous because it does not
15 draw a distinction between primary and secondary firm service. (Sommerer Rebuttal, p.
16 3, lines 1-3) I find it noteworthy that Mr. Sommerer has conceded in the past that Staff
17 has had the opportunity to provide input into and help shape the RFP process that Atmos
18 uses to select third party marketers, but has chosen to distance himself from his previous
19 testimony in this case. In fact, Atmos has gone out of its way to accommodate Staff's
20 requests in order to ensure that there is no doubt about the fairness or integrity of the RFP
21 process.

22 **Q. WHAT TYPE OF SERVICE DOES ATMOS' RFP REQUIRE?**

1 A. The company does not specify "primary" service but rather "firm" service. The
2 distinction of primary versus secondary has to do with the ranking of receipt and delivery
3 points on the pipeline contracts. In a supply-only service, such as what Atmos used in the
4 Hannibal/Bowling Green area during this ACA period, we utilize our own firm
5 transportation contracts. The suppliers/marketers are not providing a transportation
6 service to Atmos. Thus, the use of the phrase "primary" or "secondary" is not applicable
7 to a supply-only RFP. The distinction the Company makes in its RFP is for Firm supply
8 as opposed to Interruptible supply. When Atmos and the marketer contract for Firm
9 supply, that means that the marketer cannot interrupt.

10 **Q. WHY DOES ATMOS ALLOW SUPPLIERS THE FLEXIBILITY TO USE**
11 **SECONDARY FIRM "IN PATH" RECEIPT POINTS?**

12 A. The use of secondary firm "in path" receipt points is a safe and economical way to
13 provide customers savings on gas costs while still maintaining firm, reliable supply. The
14 supply from a secondary "in path" point is firm, not subject to interruption. These
15 secondary "in path" points are rarely curtailed outside of a Force Majeure. If Panhandle
16 were to call a curtailment on one of these points that Atmos was utilizing, we have the
17 ability to move our receipts to a different point. The ability to move receipts is evidenced
18 in the Company's response to Staff DR 0009 in GR-2009-0417 when Panhandle called a
19 Force Majeure event for the Haven 400 line. The Force Majeure limited the capacity at
20 the Haven receipt point that the Company was utilizing. Atmos was able to arrange for
21 its supply to be received at a different point, Princeton-Southern Star, which is further
22 downstream.

1 Q. ON PAGE 8, LINES 16-17 OF HIS REBUTTAL, MR. SOMMERER TESTIFIES
2 THAT AEM HAS NO OBLIGATION TO MOVE DELIVERY BACK TO THE
3 PRIMARY RECEIPT POINT IN THE EVENT OF A SERVICE INTERRUPTION.
4 IS THIS TRUE?

5 A. This is absolutely, unqualifiedly untrue. All of Atmos' Missouri suppliers
6 including AEM have the contractual obligation to provide firm supply and to take
7 reasonable actions to avoid pipeline imbalances. Further, Staff also testifies that Atmos
8 provided "mixed statements" about the use of delivery points during discovery.
9 (Sommerer Rebuttal, p.8 lines 3-8). To reach this conclusion, Staff mischaracterizes not
10 only Atmos' responses but also the language of Staff's own data requests in order to
11 fabricate "conflicting" responses. To be very clear, in Data Request No. 0010, Staff
12 asked "If the LDC contracts for supply using pooling and/or secondary receipt and
13 delivery points, please explain the priority of this supply verses supply delivered to
14 primary points." Atmos responded that "Most of the Company's receipt points, and all of
15 the delivery points, are primary points. In the occasions where secondary receipt points
16 are used, the priority resembles that of primary points. If for any reason the secondary
17 points were unavailable, the Company would revert to the primary points.

18 In Data Request No. 0127, Staff asked the Company to **"
19 _____
20 _____
21 _____
22 _____

1 _____
2 _____
3 Atmos' *actual* response was that ***
4 _____
5 _____
6 _____, *** Staff didn't ask
7 *** _____ as Mr.
8 Sommerer testifies on page 8, lines 6-7 of his rebuttal. The language of Staff's DR 0127,
9 like much of Staff's other testimony, was based on a fundamental misunderstanding of
10 Ms. Buchanan's testimony. In its response, Atmos corrected the misstatement and
11 pointed out that the second inquiry was not applicable in light of the correction.
12 _____

13 **Q. CAN PIPELINE CURTAILMENT ACTION OCCUR AT PRIMARY RECEIPT**
14 **POINTS?**

15 **A.** Yes. Curtailment actions occurred in December 2007, when Panhandle experienced the
16 rupture of the Haven 400 line, and more recently in August 2009 when Panhandle was
17 performing hydrostatic testing and pipe replacement on that line. In both instances,
18 Panhandle issued Force Majeure events and both primary and secondary in path receipts
19 were curtailed to some extent. The 2009 outage was explained to Staff in response to
20 Staff DR 0009 in GR-2009-0417 and the 2007 outage was presented by the Company in
21 testimony, data request responses and at the March 2011 Hearing in Case GR-2008-0364.

1 Q. ON PAGE 7 OF MR. SOMMERER'S REBUTTAL TESTIMONY HE INDICATES
2 THAT ATMOS' SECONDARY IN-PATH FIRM SERVICE IS SUBJECT TO
3 INTERRUPTION. DO YOU AGREE WITH THIS STATEMENT?

4 A. No. Atmos holds Firm pipeline capacity on Panhandle – none of our contracts are
5 considered Interruptible, regardless of the receipt point. Staff may be confusing the word
6 Interruption with the word Curtailment. All service levels, including primary firm, are
7 subject to Curtailment per the pipelines Service Priority guidelines.

8 Q. HAS THE PIPELINE MADE ANY CUTS TO ATMOS' SUPPLY BECAUSE IT
9 UTILIZED A FIRM SECONDARY IN PATH RECEIPT POINT AS OPPOSED
10 TO A FIRM PRIMARY POINT?

11 A. No, the secondary in path receipts have not caused any curtailments on the Panhandle
12 pipeline during the ACA period under review. Further, as Atmos has stated on numerous
13 occasions, if Panhandle notifies the Company that it is curtailing a secondary in path
14 point, Atmos will take appropriate action, as provided for in the pipeline notification and
15 tariff. This can include moving the receipts to our primary point or to a different
16 secondary in path point if that action will avoid the curtailment. We have flexibility in
17 our contracts that allow Atmos to mitigate the effects of a pipeline curtailment so the
18 customers receive firm reliable gas supply day in and day out.

19 Q. DURING THE 2008-2009 ACA REVIEW PERIOD DID ATMOS' AFFILIATE
20 SUPPLIER REQUEST TO INTERRUPT SUPPLY TO HANNIBAL / BOWLING
21 GREEN?

22 A. No, there were no affiliate requests to interrupt supply to Hannibal / Bowling Green. The
23 affiliate provided Firm service. Outside of a pipeline Force Majeure and Curtailment, the

1 Suppliers must provide Atmos the supply that is nominated. There were some limited
2 instances where clerical scheduling errors created nomination cuts. These were
3 unintentional and explained to Staff in DR responses. There was no harm to customers
4 either financially or operationally. There were no service disruptions to the customers as
5 a result and the price impact was immaterial. By design, Atmos' storage accounts act as
6 a balancing mechanism for the customers' requirements so that our service to customers
7 is very reliable.

8 **Q. ON PAGE 7, LINE 6, MR. SOMMERER TESTIFIES THAT ATMOS DOES NOT**
9 **EXPLAIN THE TERM "FIRM AND WARRANTED." SHOULD THIS BE**
10 **CAUSE FOR THE COMMISSION'S CONCERN?**

11 **A.** No. It is disingenuous for Staff to suggest that suppliers did not understand the meaning
12 of the term "firm and warranted" unless Staff simply misunderstands how gas marketers
13 provide service to LDCs. This is especially true in the context of the full statement
14 included in Section 5.4 of the RFP, noted in Mr. Sommerer's testimony at lines 4-5, that
15 supply is to be "firm and warranted assuring that the natural gas supply services *will meet*
16 *all contractual obligations without fail.*" (emphasis added) This is the plain meaning of
17 firm and warranted in the context of the RFP. Mr. Sommerer speculates that suppliers
18 might look to the FERC tariff instead of the plain meaning of the term. (Sommerer
19 Rebuttal, p. 7, lines 8-9) This is a red herring designed to mislead the Commission into
20 thinking that pipeline priority differences have something to do with the difference
21 between Firm and Interruptible service as it relates to the agreement between the utility
22 and its gas suppliers. They are simply unrelated.

1 Q. IS THE OPTION TO USE SECONDARY FIRM IN PATH DELIVERY POINTS
2 AVAILABLE TO ALL BIDDERS?

3 A. Yes. Attachment I to the Spring 2009 RFP states : *"Haven first of month (FOM) and*
4 *swing receipts can be at Haven or other points between Haven and Atmos' service area*
5 *at UNCMO point (Hannibal MO) on Panhandle. If bidder elects FOM and swing*
6 *receipts between Haven and Atmos' service area, then bidder will be responsible for all*
7 *applicable pipeline overrun charges. Field Zone bids in lieu of Haven Zone bids will not*
8 *be accepted and considered non-conforming."* A supplier familiar with the Panhandle
9 pipeline would readily know and understand that receipts at Haven or other points
10 between Haven and Atmos' service area are going to be "in path" of our contract receipt
11 and delivery points, and thus would be flowing on our Firm transportation contract.
12 Receipts at Field Zone in lieu of Haven Zone are "out of path" and subject to
13 Interruption, and clearly *not* accepted by Atmos. If a supplier is unfamiliar with the
14 Panhandle pipeline and does not understand these basics, then they should not be bidding
15 on our supply for Hannibal / Bowling Green.

16 Q. DOES THE FLEXIBILITY IN DELIVERY POINTS CREATE ANY AMBIGUITY
17 ABOUT THE TYPE OF SERVICE REQUIRED?

18 A. No. In both the spring 2008 RFP and the spring 2009 RFP it is very clear that Atmos
19 seeks Firm supply. The cover letters to both RPFs have the following subject line in
20 BOLD CAPITAL letters: *"RE: Request for Proposal for Firm Gas Supply (Hannibal*
21 *and Bowling Green, Missouri) on Panhandle Eastern Pipeline for April 20XX – March*
22 *20XX."* The first sentence in the body of each cover letters reads *"Atmos Energy*
23 *Corporation is requesting proposals for firm gas supply requirements on Panhandle*

1 *Eastern Pipeline for a one year term effective April 1, 200X through March 31, 20XX."*

2 Within the RFP documents for both years, there are no less than six occurrences where

3 Atmos states the Company is seeking Firm Supply.

- 4 1) Section **1.0 RFP Overview**: *"Atmos Energy Corporation ("Atmos") is seeking proposals*
5 *from qualified suppliers to provide firm and warranted natural gas commodity only*
6 *requirements for its Missouri service areas."*
- 7 2) Section **1.0 RFP Overview**: *"Essentially, Atmos is seeking firm, natural gas supply for*
8 *daily flows up to its maximum firm capacity rights on Panhandle Eastern Pipeline split*
9 *into first of month and swing components."*
- 10 3) Section **5.2 Description of Proposal**: *"The response should present firm and warranted*
11 *commodity sales based upon the pricing methodology described in section "5.3*
12 *Pricing"."*
- 13 4) Section **5.4 Reliability**: *"All gas supply is to be firm and warranted assuring that natural*
14 *gas supply services will meet all contractual obligations without fail."*
- 15 5) Attachment I: *"Atmos is seeking proposals from qualified suppliers to provide firm gas*
16 *supply on Panhandle Eastern Pipeline, Field Zone and Market Zone as shown in the*
17 *table below. All of this gas will flow on Atmos' firm transportation agreements to our*
18 *Hannibal, MO and Bowling Green, MO service areas."*
- 19 6) Attachment I: *"We are seeking Firm supplies, including fuel, as follows: ..."*
20

21 It is apparent in reading these RFP references, in fact crystal clear, that the Company's
22 RFP specifies the need for Firm supply. In not one instance does the Company infer that
23 it will accept Interruptible supply.

24
25 **Q. ARE BIDDERS ABLE TO SEEK CLARIFICATION IF THEY DO NOT**
26 **UNDERSTAND THE TERMS OF THE RFP?**

27 **A.** Yes. The RFP document states in Section **2.0 RFP Communication** *"Any reasonable*
28 *request, at Atmos' sole discretion, for additional information not contained in this RFP is*
29 *required in writing and will be provided to all parties receiving this RFP. The identity of*
30 *the party requesting additional information will not be divulged. All requests for*